

Financial Statements of

**THE ALGONQUIN COLLEGE OF
APPLIED ARTS AND TECHNOLOGY**

Year ended March 31, 2005

THE ALGONQUIN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Financial Statements and Supplementary Schedules

Year ended March 31, 2005

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AUDITORS' REPORT TO THE BOARD OF GOVERNORS OF THE ALGONQUIN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

We have audited the statement of financial position of The Algonquin College of Applied Arts and Technology as at March 31, 2005 and the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the College's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the College as at March 31, 2005 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of the College taken as a whole. The supplementary information included in Schedules "A" to "H" is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink that reads 'KPMG LLP'.

Chartered Accountants

Ottawa, Canada

May 27, 2005

THE ALGONQUIN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Statement of Financial Position

March 31, 2005, with comparative figures for 2004 and 2003

	2005	2004	2003
Assets			
Current assets:			
Cash and short-term investments	\$ 15,885,782	\$ 10,264,801	\$ 790,359
Accounts receivable	17,969,584	9,703,434	10,229,906
Inventory (note 3)	1,507,470	1,530,919	1,548,945
Prepaid expenses	1,169,964	909,155	851,401
	36,532,800	22,408,309	13,420,611
Investments (note 4)	3,700,940	2,031,890	1,652,829
Intellectual property	—	15,546	77,733
Capital assets (note 5)	144,862,245	145,068,843	132,915,031
	\$ 185,095,985	\$ 169,524,588	\$ 148,066,204
Liabilities and Net Assets			
Current liabilities:			
Accounts payable and accrued liabilities	\$ 7,073,796	\$ 9,839,042	\$ 7,445,149
Accrued salaries and employee deductions payable	3,001,252	2,983,971	1,572,772
Deferred revenue (note 6)	19,272,818	11,731,339	11,580,927
Current portion of obligations under capital leases (note 7)	416,671	379,717	86,913
Current portion of long-term debt (note 8(a))	5,005,825	3,885,867	1,134,533
	34,770,362	28,819,936	21,820,294
Obligations under capital leases (note 7)	786,141	1,202,812	341,333
Long-term debt (note 8)	55,121,535	58,205,814	46,774,370
Vacation, sick leave and post-employment benefits (note 13(c))	16,662,845	16,583,732	16,285,665
Long-term deferred revenue	—	3,011,695	1,157,521
Deferred capital contributions (note 9)	65,753,475	61,389,746	61,340,134
Deferred contribution for building campaign (note 17)	26,800	—	—
Net assets (deficiency):			
Unrestricted	540,671	(7,650,621)	(8,963,722)
Investment in capital assets (note 10(a))	17,778,598	20,004,887	23,237,748
Vacation, sick leave and post-employment benefits (note 13(c))	(16,662,845)	(16,583,732)	(16,285,665)
Internally restricted (note 11)	6,617,463	2,508,429	705,697
Endowments (note 12)	3,700,940	2,031,890	1,652,829
	11,974,827	310,853	346,887
Commitments and guarantee (note 15)			
Contingencies (note 16)			
	\$ 185,095,985	\$ 169,524,588	\$ 148,066,204

See accompanying notes to financial statements.

On behalf of the Board of Governors:

_____ Chairman

_____ Member

THE ALGONQUIN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Statement of Operations

Year ended March 31, 2005, with comparative figures for 2004 and 2003

	2005	2004	2003
Revenue (schedule A):			
Grants and reimbursements	\$ 76,006,142	\$ 69,698,398	\$ 66,572,216
Student tuition fees	47,154,996	46,299,106	42,078,900
Contract educational services	10,581,268	7,975,648	8,413,878
Ancillary operations (schedule H)	30,606,468	29,239,297	24,282,930
Other	15,468,404	14,186,041	10,696,980
	179,817,278	167,398,490	152,044,904
Expenditures:			
Operating:			
Academic (schedule B)	80,881,760	76,460,477	73,075,824
Educational resources (schedule C)	1,981,075	2,175,904	1,736,202
Student services (schedule D)	20,429,205	19,119,942	18,282,859
Administrative (schedule E)	15,754,591	15,694,388	13,891,485
Plant (schedule F)	14,708,464	14,836,236	16,157,047
Special projects (schedule G)	1,567,398	2,067,476	1,067,557
Ancillary operations (schedule H)	26,105,472	24,928,445	20,997,103
	161,427,965	155,282,868	145,208,077
Vacation, sick leave and post- employment benefits	79,113	298,067	(448,852)
Amortization and write-off of capital assets	11,074,530	11,359,177	10,158,852
Total expenditures	172,581,608	166,940,112	154,918,077
Excess (deficiency) of revenue over expenditures from continuing operations	7,235,670	458,378	(2,873,173)
Results from discontinued operation (note 23)	2,159,254	(873,473)	(363,967)
Excess (deficiency) of revenue over expenditures	\$ 9,394,924	\$ (415,095)	\$ (3,237,140)

See accompanying notes to financial statements.

THE ALGONQUIN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Statement of Changes in Net Assets

Year ended March 31, 2005, with comparative figures for 2004 and 2003

	Unrestricted	Investment in capital assets (note 10(a))	Vacation, sick leave and post employment benefits (note 13(c))	Internally restricted (note 11)	Endowments (note 12)	2005 Total	2004 Total	2003 Total
Net assets, beginning of year	\$ (7,650,621)	\$ 20,004,887	\$ (16,583,732)	\$ 2,508,429	\$ 2,031,890	\$ 310,853	\$ 346,887	\$ 3,530,029
Excess (deficiency) of revenue over expenditures	9,394,924	—	—	—	—	9,394,924	(415,095)	(3,237,140)
Net change in vacation, sick leave and post-employment benefits obligation	79,113	—	(79,113)	—	—	—	—	—
Internally imposed restrictions	(4,109,034)	—	—	4,109,034	—	—	—	—
Net change in investment in capital assets (note 10(b))	2,826,289	(2,826,289)	—	—	—	—	—	—
Endowment contributions and investment income	—	—	—	—	1,669,050	1,669,050	379,061	53,998
Donation towards purchase of land	—	600,000	—	—	—	600,000	—	—
Net assets, end of year	\$ 540,671	\$ 17,778,598	\$ (16,662,845)	\$ 6,617,463	\$ 3,700,940	\$ 11,974,827	\$ 310,853	\$ 346,887

See accompanying notes to financial statements.

THE ALGONQUIN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Statement of Cash Flows

Year ended March 31, 2005, with comparative figures for 2004 and 2003

	2005	2004	2003
Cash provided by (used for):			
Operations:			
Excess (deficiency) of revenue over expenditures from continued operations	\$ 7,235,670	\$ (458,378)	\$ (2,873,173)
Items, which do not involve cash:			
Amortization of capital assets	11,016,830	10,542,947	9,786,554
Write-off of capital assets	57,700	816,230	372,298
Amortization of deferred capital contributions	(4,183,164)	(3,451,102)	(2,609,150)
Write-off of deferred capital contributions	—	(800,000)	—
Vacation, sick leave and post-employment	79,113	298,067	(448,850)
Change in non-cash working capital (note 18)	(3,709,995)	4,442,248	(1,274,820)
	10,496,154	11,390,012	2,952,859
Financing:			
Decrease in bank indebtedness	—	—	(7,000,000)
Increase (decrease) in long-term debt	(1,964,321)	14,182,778	5,632,231
Increase (decrease) in long-term deferred revenue	(3,011,695)	1,854,174	(6,331,169)
Increase (decrease) in capital lease	(379,717)	1,154,283	428,246
	(5,355,733)	17,191,235	(7,270,692)
Investments:			
Proceeds from sale of discontinued operation (note 23)	2,000,000	—	—
Capital asset additions (note 10)	(10,965,682)	(23,611,905)	(24,012,365)
Capital contributions received (note 9)	9,146,893	4,300,714	8,604,244
Increase in deferred contribution for building campaign (note 17)	26,800	—	—
Increase in investment	(1,669,050)	(379,061)	(53,998)
Endowment contributions and investment income	1,669,050	379,061	53,998
	208,011	(19,311,191)	(15,408,121)
Increase (decrease) in cash and short-term investments	5,348,432	9,270,056	(19,725,954)
Increase (decrease) in cash from discontinued operation	272,549	204,386	(116,819)
Cash and short-term investments, beginning of year	10,264,801	790,359	20,633,132
Cash and short-term investments, end of year	\$ 15,885,782	\$ 10,264,801	\$ 790,359
Consisting of:			
Cash	\$ 6,330,029	\$ 9,917,143	\$ 765,359
Short-term investments	9,555,753	347,658	25,000
Cash and short-term investments, end of year	\$ 15,885,782	\$ 10,264,801	\$ 790,359

See accompanying notes to financial statements.

THE ALGONQUIN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements

Year ended March 31, 2005

1. Description:

The Algonquin College of Applied Arts and Technology was incorporated as a College in 1966 under the laws of the Province of Ontario. The College is dedicated to providing post-secondary education.

The College is a registered charity and therefore is, under Section 149 of the Income Tax Act, exempt from payment of income tax.

The financial statements reflect the assets, liabilities, net assets, revenue, expenditures and other transactions of all of the operations and organizations controlled by the College. Accordingly, these financial statements include the academic, administrative and other operating expenditures funded by fees, grants and other general revenue; restricted purpose endowment funds, and the ancillary operations of the College.

2. Significant accounting policies:

(a) General:

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles.

(b) Inventory:

Inventory is valued at the lower of cost and net realizable value. Cost is determined on a first-in, first-out basis.

(c) Investments:

Investments are recorded at cost except for investments donated to the College which are recorded at fair market value at the date of receipt. Gains or losses on the sale of investments are recognized in the year of disposal. Should the market value of investments become lower than cost and this decline in value is considered to be other than temporary, the investments are written-down to market value.

(d) Intellectual property:

Intellectual property relates to the College's acquisition of corporate training operations. Intellectual property was amortized on a straight-line basis over four years.

(e) Capital assets:

Capital assets in excess of \$1,000 are recorded at cost with the following exceptions:

- (i) Academic furniture and library holdings are charged to expenditures in the year of acquisition.
- (ii) Computer software is charged to expenditures in the year of acquisition.
- (iii) Land originally acquired at the Woodroffe and Rideau campuses is recorded at a nominal value of \$1 with subsequent additions at cost.

THE ALGONQUIN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements (continued)

Year ended March 31, 2005

2. Significant accounting policies (continued):

(e) Capital assets (continued):

Donated capital assets are recorded at the value of the receipt issued to the donor, which reflects estimated fair market value of the capital asset at the time of the donation.

Construction in progress is not amortized until the project is complete and the facilities come into use.

Amortization is provided on a straight-line basis over the estimated useful lives as follows:

Asset	Useful life
Buildings	40 years
Site improvements	10 years
Parking lots	10 years
Equipment	5 years
Laptop/desktop computers	22/48 months
Automotive equipment	5 years
ITS infrastructure	5 years
Residence furniture and appliances	5 years
Leasehold improvements	Over term of lease

(f) Deferred capital contributions:

Contributions received for capital assets are deferred and amortized over the same term and on the same basis as the related capital asset.

(g) Revenue:

(i) Grants and donations are recorded using the deferral method of accounting for contributions. Unrestricted contributions are recognized as revenue when received or receivable. Contributions externally restricted for purposes other than endowment are deferred and recognized as revenue in the period in which the related expenditures are recognized. Endowment contributions are recognized as direct increases in net assets in the period in which they are received.

(ii) Student tuition fees are recorded in the accounts based on the academic period of the specific courses. Tuition fees are deferred to the extent that the courses extend beyond the fiscal year of the College.

(iii) Contract educational services are recorded in the accounts based on the services provided in the College's fiscal year on a percentage of completion basis.

(iv) Restricted investment income is recognized as revenue in the year that the related expenditures are incurred. Unrestricted investment income is recognized as revenue when earned.

THE ALGONQUIN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements (continued)

Year ended March 31, 2005

2. Significant accounting policies (continued):

(h) Student organizations:

These financial statements do not reflect the assets, liabilities and results of operations of the various student organizations at the College.

(i) Contributed services:

Volunteers contribute an indeterminable number of hours per year to assist the College in carrying out its service delivery activities. Because of the difficulty of determining their fair value, contributed services are not recognized in these financial statements.

(j) Leases:

Leases are classified as either capital or operating in nature. Capital leases are those which substantially transfer the benefits and risks of ownership to the College. Assets acquired under capital leases are amortized at the same rates as those described in note 2(e). Obligations recorded under capital leases are reduced by the principal portion of lease payments. The imputed interest portion of lease payments is charged to expense.

(k) Employee benefit plans:

The College accrues its obligations for employee benefit plans. The cost of non-pension post-retirement and post-employment benefits earned by employees is actuarially determined using the projected benefit method pro-rated on service and management's best estimate of retirement ages of employees and expected health care costs.

(l) Use of estimates:

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenditures during the period. Actual results could differ from these estimates. These estimates are reviewed annually and as adjustments become necessary, they are recorded in the financial statements in the period in which they become known.

3. Inventory:

	2005	2004	2003
Bookstore	\$ 1,301,542	\$ 1,309,085	\$ 1,358,532
Food services	162,592	180,826	149,833
Stationery and supplies	25,000	25,000	25,000
Publishing centre	18,336	16,008	15,580
	<u>\$ 1,507,470</u>	<u>\$ 1,530,919</u>	<u>\$ 1,548,945</u>

THE ALGONQUIN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements (continued)

Year ended March 31, 2005

4. Investments:

Investments held by the College represent funds which have been permanently endowed. The carrying values and market values of the investments are as follows:

Carrying value	2005	2004	2003
Fixed income and cash	\$ 2,078,096	\$ 903,644	\$ 637,711
Equities	1,622,844	1,128,246	1,015,118
	\$ 3,700,940	\$ 2,031,890	\$ 1,652,829

Market value	2005	2004	2003
Fixed income and cash	\$ 2,105,872	\$ 940,995	\$ 667,933
Equities	1,971,815	1,352,620	905,338
	\$ 4,077,687	\$ 2,293,615	\$ 1,573,271

5. Capital assets:

			2005	2004	2003
	Cost	Accumulated amortization	Net book value	Net book value	Net book value
Land	\$ 4,370,097	\$ —	\$ 4,370,097	\$ 2,829,797	\$ 2,829,797
Buildings	167,336,561	48,157,465	119,179,096	117,512,056	104,676,294
Site improvements	6,075,619	2,202,220	3,873,399	3,265,640	3,338,538
Construction in-progress	92,865	—	92,865	3,626,844	6,673,192
Parking lots	3,818,720	1,793,753	2,024,967	1,725,744	1,518,976
Computers and equipment	43,262,903	30,129,698	13,133,205	12,894,991	11,978,983
Automotive equipment	326,496	272,237	54,259	37,885	43,964
ITS infrastructure	1,352,491	1,000,908	351,583	622,081	568,110
Residence furniture and appliances	1,985,289	1,376,549	608,740	1,005,798	863,139
Equipment under capital lease	1,870,667	696,633	1,174,034	1,548,007	424,038
	\$ 230,491,708	\$ 85,629,463	\$ 144,862,245	\$ 145,068,843	\$ 132,915,031

THE ALGONQUIN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements (continued)

Year ended March 31, 2005

5. Capital assets (continued):

Cost and accumulated amortization at March 31, 2004 amounted to \$225,351,814 and \$80,282,971 respectively. Cost and accumulated amortization at March 31, 2003 amounted to \$207,280,910 and \$74,365,879 respectively.

Included in the cost of buildings is \$12,083 (2004 - \$203,996) of interest that was capitalized during construction.

Included in land and buildings are the assets held for resale related to the Rideau campus, which have a net book value of \$1,597,000.

6. Deferred revenue:

Details of the year-end balance are as follows:

	2005	2004	2003
Student tuition fees	\$ 6,257,397	\$ 6,188,042	\$ 6,023,759
Grants and reimbursements	8,722,298	1,861,360	1,672,225
Contract education services	1,393,044	521,379	582,765
Student aid	1,069,990	1,094,189	1,525,437
Miscellaneous projects	1,830,089	2,066,369	1,776,741
	<u>\$ 19,272,818</u>	<u>\$ 11,731,339</u>	<u>\$ 11,580,927</u>

Student tuition fees are for academic courses which extend beyond the fiscal year of the College.

Grants and reimbursements are unexpended restricted grants to be spent on future specific projects, including improvements and investments in the College's campus facilities, information systems, equipment and programs.

Contract education services represent prepayments for courses to be held in subsequent years.

Student aid represents the unexpended donations and interest to be spent on student scholarships and bursaries in future years.

Miscellaneous projects include contributions, deposits and prepayments related to small, miscellaneous activities of the College.

THE ALGONQUIN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements (continued)

Year ended March 31, 2005

7. Capital lease obligation:

The College is committed to minimum lease payments for food services equipment until 2008, for telephone equipment until 2006 and for publishing equipment until 2009. Future minimum annual lease payments are as follows:

2006	\$ 498,656
2007	459,404
2008	283,307
2009	111,048
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Total minimum lease payments	1,352,415
Less amounts representing interest (at rates of 9.50%, 7.36% and 7.91%)	149,603
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Obligations under capital leases	1,202,812
Less current portion of obligations under capital leases	416,671
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Long-term portion of obligations under capital leases	\$ 786,141

Operating expenditures include interest on capital leases of \$114,416 (2004 - \$88,465).

THE ALGONQUIN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements (continued)

Year ended March 31, 2005

8. Long-term debt and bank indebtedness:

Long-term debt:

The College has entered into the following long-term debt agreements to finance renovations to the Food and Beverage facilities, the construction of student residences, the Police and Public Safety Building, the Automotive Trades Centre and the purchase of land for the Corporate Training Centre (Kanata).

	2005	2004	2003
Food & Beverage loan, bearing interest at prime plus .25%, maturing in 2008	\$ 1,133,356	\$ 1,533,364	\$ 1,933,372
Residence I building loan, bearing interest at prime plus 0.40%, maturing in 2025 (note 14 (c))	12,015,085	12,269,096	12,506,220
Residence II building loan, bearing interest at prime plus 0.25%, maturing in 2027 (note 14 (c))	16,728,993	17,056,411	17,362,969
Residence III building loan, bearing interest at prime plus 0.25%, maturing in 2029 (note 14(c))	17,622,627	17,947,682	5,006,023
Police and Public Safety building loan, bearing interest at prime plus 0.40%, maturing in 2025 (note 14(c))	9,205,752	9,409,476	9,600,319
Automotive Trades facility loan, bearing interest at prime plus 0.55%, maturing in 2006	1,921,547	2,375,652	—
Land for Corporate Training Centre (Kanata), bearing interest at 4.01%, maturing in November, 2005	1,500,000	1,500,000	1,500,000
	60,127,360	62,091,681	47,908,903
Less current portion	5,005,825	3,885,867	1,134,533
	\$ 55,121,535	\$ 58,205,814	\$ 46,774,370

Interest is payable on a monthly basis. The principal of the loans is payable as follows:

2006	\$ 5,005,825
2007	1,663,298
2008	1,680,939
2009	1,437,552
2010	1,533,528
Thereafter	48,806,218

\$ 60,127,360

THE ALGONQUIN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements (continued)

Year ended March 31, 2005

9. Deferred capital contributions:

Deferred capital contributions represent the unamortized amount of donations and grants received for the purchase of capital assets. The amortization of the deferred capital contributions is recorded as revenue in the statement of operations. The changes in the deferred capital contributions balance are as follows:

	2005	2004	2003
Balance, beginning of year	\$ 61,389,746	\$ 61,340,134	\$ 55,345,039
Less amortization of deferred capital contributions	(4,183,164)	(3,451,102)	(2,609,150)
Less write-off of deferred capital contributions	—	(800,000)	—
Add capital contributions received:			
Donated equipment	872,171	366,975	367,663
Government grants	7,674,722	3,933,739	8,236,582
Balance, end of year	\$ 65,753,475	\$ 61,389,746	\$ 61,340,134

10. Investment in capital assets:

(a) The investment in capital assets consists of the following:

	2005	2004	2003
Capital assets	\$ 144,862,245	\$ 145,068,843	\$ 132,915,031
Less amounts financed by:			
Deferred capital contributions	(65,753,475)	(61,389,746)	(61,340,134)
Long-term debt	(60,127,360)	(62,091,681)	(47,908,903)
Capital lease	(1,202,812)	(1,582,529)	(428,246)
	\$ 17,778,598	\$ 20,004,887	\$ 23,237,748

THE ALGONQUIN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements (continued)

Year ended March 31, 2005

10. Investment in capital assets (continued):

(b) The net change in investment in capital assets is calculated as follows:

	2005
Capital asset additions:	
Total additions	\$ 10,965,682
Less:	
Donated equipment	(872,171)
Land purchase with donations	(600,000)
Capital asset purchases financed with grants and donations	(7,674,722)
Capital asset additions financed with College funds	1,818,789
External financing:	
Increase in long-term debt	1,964,321
Increase in capital lease	379,717
Amortization of deferred capital contributions	4,183,164
Write-off of deferred capital contributions	—
Amortization of capital assets	(11,016,830)
Write-off of capital assets	(57,700)
Amortization and write-off of capital assets relating to discontinued operations (note 23)	(97,750)
Net change in investment in capital assets	\$ (2,826,289)

11. Internally restricted net assets:

	2005	2004	2003
Employment Stabilization Funds	\$ 219,627	\$ 456,431	\$ 451,799
Other student aid	4,099	3,311	3,898
Appropriations	6,393,737	2,048,687	250,000
	\$ 6,617,463	\$ 2,508,429	\$ 705,697

THE ALGONQUIN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements (continued)

Year ended March 31, 2005

11. Internally restricted net assets (continued):

Internally restricted net assets are funds committed for specific purposes which reflect the application of College policy as follows:

- (a) Employment Stabilization Funds represent funds committed by the College for retraining and counselling for employees upon separation from the College. The College's annual commitment is based on a formula prescribed by the collective agreements. Expenditures from this fund are approved by the respective employee union and College management.
- (b) Other Student Aid represents the unspent portion of unrestricted endowment fund income and other unrestricted contributions which have been designated for scholarships and bursaries by the College.
- (c) Appropriations represent net assets restricted by the College for future projects to improve and invest in the College's campus facilities, information systems, equipment and programs.

12. Endowments:

	2005	2004	2003
Endowed funds	\$ 3,607,591	\$ 1,963,079	\$ 1,568,003
Investment income available for distribution	93,349	68,811	84,826
Total endowments	\$ 3,700,940	\$ 2,031,890	\$ 1,652,829

Endowed funds consist of external contributions that either the donor or the College has designated as a permanent endowment. The endowed funds cannot be expended by the College. The annual income earned on the endowed funds may be expended only for the externally restricted purpose specified by the donor or the College. Total endowments include \$2,997,189 in endowed funds and \$79,151 in investment income available for distribution relating to the Ontario Student Opportunity Trust Fund (note 20).

The College's endowment policy is to annually distribute 4% of the average endowment balance. The investment income available for distribution is the investment income actually earned on the endowed funds in excess of these distributions.

The purpose of this policy is to allow the College to distribute a consistent amount of income from the endowed funds on an annual basis regardless of the investment income actually earned in the fiscal year.

THE ALGONQUIN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements (continued)

Year ended March 31, 2005

13. Employee benefits plans:

(a) Pension plan:

Substantially all of the employees of the College are members of the Colleges of Applied Arts and Technology ("CAAT") Pension Plan (the "Plan"), which is a multi-employer defined benefit pension plan available to all eligible employees of the participating members of the CAAT. Plan members will receive benefits based on the length of service and on the average of annualized earnings during the highest five consecutive years prior to retirement, termination or death.

Pension assets consist of investment grade securities. Market and credit risk on these securities are managed by the Plan by placing Plan assets in trust and through the Plan investment policy.

The College's pension expense is calculated in accordance with the contribution formula contained in the Plan Text, using Plan management's best estimates, in consultation with its actuaries. The funding objective is for employer contributions to the Plan to remain a constant percentage of employees' contributions.

Variances between actuarial funding estimates and actual experience may be material and any differences are generally to be funded by the participating members. The most recent triennial actuarial valuation of the Plan as at December 31, 2003 indicates the Plan is fully funded. Contributions to the Plan made during the year by the College on behalf of its employees amounted to \$5,281,752 (2004 - \$4,023,320) and are included in the statement of operations.

(b) Post employment benefits:

The College provides extended health care, dental insurance and life insurance benefits to certain of its employees under a multi-employer plan under CAAT. This coverage may be extended to the post-employment period. The most recent actuarial valuation of employee future benefits was completed as at March 31, 2005.

Variances between actuarial funding estimates and actual experience may be material and any differences are generally to be funded by the participating members. The College recognizes as expense for current services the amount of its required contribution in a given year and the change in the accrued benefit liability in the year.

THE ALGONQUIN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements (continued)

Year ended March 31, 2005

13. Employee benefits plans (continued):

(b) Post employment benefits (continued):

The significant actuarial assumptions adopted in estimating the College's accrued benefit liability are as follows:

Discount rate	5.5%
Dental benefits cost escalation	4.0%
Medical benefits cost escalation - hospital and other medical	5.0%
- drugs	9.0% in 2004, decreasing to 5.0% per annum in 2010 and thereafter.

(c) Net asset deficiency – vacation, sick leave and post employment benefits:

The composition of the vacation, sick leave and post-employment net asset deficiency is as follows:

	2005	2004	2003
Post-employment benefits	\$ 5,060,000	\$ 4,940,600	\$ 4,410,000
Vacation	7,379,788	7,014,039	6,770,093
Sick leave	4,223,057	4,629,093	5,105,572
	\$ 16,662,845	\$ 16,583,732	\$ 16,285,665

Post-employment benefits refer to health, dental and life insurance benefits provided to retired employees at reduced cost.

Prior to fiscal year ending March 31, 2005, the payment of accumulated sick leave liability was directly funded by the Ministry of Training, Colleges and Universities on an annual basis.

14. Financial instruments:

(a) Concentrations of credit risk:

The College is exposed to credit-related losses in the event of non-performance by counterparties to financial instruments. Credit exposure is minimized by dealing mostly with creditworthy counterparties such as government agencies and public companies. The College also enforces approved collection policies for student accounts.

The largest credit exposure to a single institution at March 31, 2005 was \$2,972,127 (2004 - \$3,206,309; 2003 - \$3,426,536) with the Algonquin Students Association Inc. related to a guarantee of borrowings for the Student Fitness Centre.

THE ALGONQUIN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements (continued)

Year ended March 31, 2005

14. Financial instruments (continued):

(a) Concentrations of credit risk (continued):

In addition, the College has committed, upon receiving appropriate notification, to apply fees collected on behalf of the Algonquin Students' Association to ensure that the bank loan to the Students' Association related to the construction of the Sportsfield remains current.

(b) Fair values:

The carrying values of cash and short-term investments, accounts receivable, accounts payable and accrued liabilities, accrued salaries and employee deductions payable, the Automotive Trades Facility loan and the land for Corporate Training Centre loan approximate their fair value due to the relatively short periods to maturity of the instruments.

The food and beverage loan approximates its fair value as the interest rate of the loan fluctuates with the market rate as the interest rate is prime plus 0.25%.

The fair value of the obligation under capital leases is measured as the present value of contractual future lease payments discounted at a rate for similar leases.

The fair value of investments is disclosed in note 4.

(c) The College has entered into interest rate derivative agreements to manage the volatility of interest rates. The College converted a net notional \$59.0 million of floating rate debt for the three phases of the Residence and the Police & Public Safety Institute. The fixed rates range from 5.97% to 7.35%. The maturity date of the derivative agreements are the same as the maturity dates of the associated debt, ranging from 2025 to 2029.

15. Commitments and guarantee:

(a) The College has committed to make the following future minimum payments under various equipment operating and premises rental leases:

2006	\$	753,278
2007		687,360
2008		669,942
2009		403,136
		<hr/>
		\$ 2,513,716

THE ALGONQUIN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements (continued)

Year ended March 31, 2005

15. Commitments and guarantee (continued):

(b) Letters of credit:

The College is contingently liable under letters of credit amounting to \$230,555 (2004 - \$145,555) which have been issued in the normal course of business.

(c) Guarantee:

In the normal course of business, the College has entered into a lease agreements for premises and equipment. It is common in such commercial lease transactions for the College as the lessee, to agree to indemnify the lessor liabilities that may arise from the use of the leased assets. The maximum amount potentially payable under the foregoing indemnities cannot be reasonably estimated. The College has liability insurance that relates to the indemnifications described above.

16. Contingencies:

The College is involved with pending litigation and claims which arise in the normal course of operations. In the opinion of the administration, any liability that may arise from such contingencies would not have a significant adverse effect on the financial statements of the College. Losses, if any, arising from these matters will be accounted for in the year in which they are resolved.

17. Building campaign:

In 2005, the Algonquin College Foundation launched a building campaign to raise \$2 million by 2010 to finance the construction of the new Technology Trades Centre. To date, \$26,800 has been contributed and externally restricted for this new building.

The building campaign has obtained \$125,000 in pledges, which have not been recorded in these financial statements.

18. Change in non-cash working capital:

	2005	2004	2003
Decrease (increase) in accounts receivable	\$ (8,266,150)	\$ 526,472	\$ (3,170,880)
Decrease (increase) in inventory	23,449	18,026	(137,146)
Decrease (increase) in prepaid expenses	(260,809)	(57,754)	476,428
Increase (decrease) in accounts payable and accrued liabilities	(2,765,245)	2,393,893	1,517,195
Increase in accrued salaries and employee deductions payable	17,281	1,411,199	369,551
Increase (decrease) in deferred revenue	7,541,479	150,412	(329,968)
	\$ (3,709,995)	\$ 4,442,248	\$ (1,274,820)

THE ALGONQUIN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements (continued)

Year ended March 31, 2005

19. Public Sector Salary Disclosure:

Under the Public Sector Salary Disclosure Act, 1996, the College is required to disclose the name, position, salary and taxable benefits of each employee with an annual salary of \$100,000 or more.

For the calendar year ending December 31, 2004, the individuals who met the requirements for disclosure were:

Employee	Position	Salary	Taxable benefits
R. Gillett	President	\$ 219,136	\$ 19,066
R. Hanson	VP Academic	153,445	171
C. Warburton	VP Student Life & Human Resources	145,585	171
N. Papadolias	Director, Educational Services	133,007	162
P. Turpin	Director, Sales & Marketing - Acerra	127,794	—
N. Donovan	Senior Sales Executive	127,267	—
R. Mills	Dean, Faculty of Arts, Media & Design	124,750	157
M. Cormier	Dean, Health & Community Studies	119,717	77
M. Burke	Senior Account Executive	119,678	0
K. MacDonald	Dean, School of Business	119,538	150
D. Rowan-Legg	Registrar	118,143	42
M. Nauth	Academic	116,533	99
M. Rushton	Director, Physical Resources	116,276	176
M. Uremovich	Dean, School of Advanced Technology	116,033	146
J. Macartney	Dean, Perth Campus	115,389	42
G. Carter	Academic	114,386	68
P. Khoury	Academic	112,898	68
N. Oakes	Senior Account Executive	111,813	—
B. Brock	Director, Information Technology Services	111,294	41
R. Reid	Dean, Hospitality and Tourism	109,302	141
M. Stratton-Zimmer	Director, Student Services	108,287	141
J. Tapp	Dean, Transportation & Building Trades	108,111	105
M. Donohue	Dean, Renfrew Campus	107,855	108
G. Barker	Dean, Police & Public Safety	107,090	139
C. Brule	Chair, Computer Studies	106,718	135
L. Presseau	Director, Human Resources	106,483	134
G. MacDougall	Director, Learning & Technology Services	106,471	134
L. Rothschild	Academic	104,893	63
R. Martin	Manager, Network Infrastructure	104,382	101
J. Treuhaft	Director, Applied Research	104,070	132
W. McIntyre	Chair, Marketing/Management Studies	103,963	133
W. Lewrey	Manager, Strategic Planning	103,652	92
K. Robinson	Executive Director, Acerra	103,609	168
B. Rothwell	Executive Director, Foundation	103,404	104
R. Letourneau	VP, Finance & Administration	103,175	57

THE ALGONQUIN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements (continued)

Year ended March 31, 2005

20. Ontario Student Opportunity Trust Fund:

The externally restricted endowments include monies provided by the Government of Ontario from the Ontario Student Opportunity Trust Fund matching program to award student aid as a result of raising an equal amount of endowed donations. The College has recorded the following amounts under the program:

(a) PHASE I

Schedule of Changes in Endowment Fund Balance

Fund balance at beginning of year	\$ 994,793
Fund balance at end of year	\$ 994,793

Schedule of Changes in Expendable Funds Available for Awards for the year ended March 31, 2005

Balance, beginning of year	\$ 92,527
Investment income, net of direct investment-related expenses	46,357
Bursaries awarded (#125)	59,733
Balance, end of year	\$ 79,151

(b) PHASE II

Schedule of Donations Received between March 27, 2003 and March 31, 2005

Cash donations matched between April 1, 2004 and March 31, 2005	\$ 694,511
Cash donations received between March 27, 2003 and March 31, 2004 that were matched in 2003-04	306,687
Total	\$ 1,001,198

THE ALGONQUIN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements (continued)

Year ended March 31, 2005

20. Ontario Student Opportunity Trust Fund (continued):

(b) PHASE II (continued):

Schedule of Changes in Endowment Fund Balance for the Period April 1, 2004 to March 31, 2005

Fund balance, beginning of year	\$ 535,972
Eligible cash donations received between April 1, 2004 and March 31, 2005 in compliance with July 2003 program guidelines and reporting requirements	771,913
Matching funds received/receivable from MTCU in 2004/05	694,511
Fund balance at end of year	\$ 2,002,396

The market value of the endowment fund investments as at March 31, 2005 was \$4,077,687 (2004 - \$2,293,615) compared to an actual cost base of \$3,700,940 (2004 - \$2,031,890).

21. Related parties:

The College has an economic interest in the Algonquin College Foundation. The Foundation was incorporated without share capital on December 4, 1995 under the Ontario Corporations Act. The objectives of the Foundation are to solicit, receive, manage and distribute money and other property to support education at the College.

During the year, the College received \$1,454,244 (2004 - \$Nil) from the Foundation in endowed contributions, deferred contributions and non-restricted donations. The College provides the Foundation with office premises without charge and pays the salaries of all employees involved with the Foundation.

22. Comparative figures:

Certain of the 2003 and 2004 comparative figures have been reclassified to conform to the financial statement presentation adopted in 2005.

THE ALGONQUIN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements (continued)

Year ended March 31, 2005

23. Discontinued operation:

On March 31, 2005 the College completed the sale of one of its corporate training divisions. The College sold Acerra Learning Inc. of Ottawa, Ontario and the related College assets for a total consideration of \$2,000,000.

Summarized financial information for the discontinued operation is as follows:

	2005	2004	2003
Revenue:			
Operating	\$ 8,198,483	\$ 6,764,162	\$ 8,229,329
Proceeds of sale	2,000,000	—	—
	10,198,483	6,764,162	8,229,329
Expenditures:			
Operating	7,925,933	7,476,529	8,346,142
Amortization and write-off of capital assets	97,750	98,919	184,967
Amortization of intellectual property	15,546	62,187	62,187
	8,039,229	7,637,635	8,593,296
Results of discontinued operations	\$ 2,159,254	\$ (873,473)	\$ (363,967)

THE ALGONQUIN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Revenue

Schedule A

Year ended March 31, 2005, with comparative figures for 2004 and 2003

	2005	2004	2003
Grants and reimbursements:			
Provincially financed programs:			
Plant and activity grants	\$ 70,519,116	\$ 64,588,784	\$ 61,547,035
Special bursaries	1,854,800	1,938,695	1,574,142
	72,373,916	66,527,479	63,121,177
Flat-rate funding programs:			
Apprentice	3,632,226	3,170,919	3,451,039
	76,006,142	69,698,398	66,572,216
Student tuition fees:			
Post secondary:			
Full-time	32,127,326	29,854,026	26,295,889
Full-time fast track	1,023,591	1,386,663	1,796,294
Part-time	9,482,501	10,605,309	10,307,495
Adult training	1,643,072	1,681,048	1,296,636
Student information technology fee	2,878,506	2,772,060	2,382,586
	47,154,996	46,299,106	42,078,900
Contract educational services:			
Provincially funded programs	4,838,601	4,038,780	4,411,270
International programs	336,333	260,639	250,628
Corporate and other programs	5,406,334	3,676,229	3,751,980
	10,581,268	7,975,648	8,413,878
Ancillary operations (schedule H)	30,606,468	29,239,297	24,282,930
Other:			
Amortization of deferred capital contributions (note 10)	4,183,164	3,451,102	2,609,150
Write-off of deferred capital contributions (note 10)	—	800,000	—
Early Learning Centre	715,478	667,349	664,378
Student ancillary fees	3,456,066	3,350,433	3,140,970
Applied research	243,437	1,072,116	107,318
Miscellaneous	6,870,259	4,845,041	4,175,164
	15,468,404	14,186,041	10,696,980
Total operating revenue	\$ 179,817,278	\$ 167,398,490	\$ 152,044,904

THE ALGONQUIN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Academic Expenditures

Schedule B

Year ended March 31, 2005, with comparative figures for 2004 and 2003

	2005	2004	2003
Salaries:			
Faculty	\$ 44,571,378	\$ 43,478,414	\$ 42,376,753
Administration	5,227,733	4,264,770	4,378,622
Support staff	7,833,713	7,643,290	7,113,524
Fringe benefits	10,210,375	9,247,645	8,666,783
Job Connect stipends and fringe benefits	1,215,595	1,198,776	1,188,522
Travel and professional development	1,122,681	649,274	775,943
Instructional supplies and software	5,838,007	5,481,770	5,291,393
Equipment maintenance and rental	1,527,992	1,550,341	1,090,439
Contract services	3,334,286	2,946,197	2,193,845
	\$ 80,881,760	\$ 76,460,477	\$ 73,075,824

Educational Resources Expenditures

Schedule C

Year ended March 31, 2005, with comparative figures for 2004 and 2003

	2005	2004	2003
Salaries	\$ 1,397,112	\$ 1,403,337	\$ 1,197,600
Fringe benefits	295,981	282,691	243,375
Library resource material	202,910	370,504	237,339
Office expense, supplies and maintenance	85,072	119,372	57,888
	\$ 1,981,075	\$ 2,175,904	\$ 1,736,202

THE ALGONQUIN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Student Services Expenditures

Schedule D

Year ended March 31, 2005, with comparative figures for 2004 and 2003

	2005	2004	2003
Salaries	\$ 8,306,465	\$ 7,794,154	\$ 7,248,042
Fringe benefits	1,547,176	1,411,988	1,331,140
Media advertising, public relations and calendar	2,186,854	2,320,094	2,609,945
Travel and conferences	244,364	210,652	228,114
Office expense and supplies	1,292,513	1,280,313	1,101,331
Contract services	746,627	464,613	995,365
Insurance – international students	302,159	314,207	248,752
Student aid	3,686,181	3,572,542	3,189,477
Student bursaries	2,116,866	1,751,379	1,330,693
	\$ 20,429,205	\$ 19,119,942	\$ 18,282,859

Administrative Expenditures

Schedule E

Year ended March 31, 2005, with comparative figures for 2004 and 2003

	2005	2004	2003
Salaries	\$ 7,468,250	\$ 6,829,558	\$ 6,182,583
Fringe benefits	1,545,417	1,333,217	1,218,416
Travel and conferences	186,713	278,134	191,028
Office expense and supplies	1,715,308	2,115,762	1,573,413
Telephone	767,289	697,935	894,224
Professional fees	629,361	1,363,812	489,970
Equipment maintenance, rental and software	1,942,045	1,864,609	2,254,285
Contract services	637,135	496,388	309,947
Interest on long-term debt	863,073	714,973	777,619
	\$ 15,754,591	\$ 15,694,388	\$ 13,891,485

THE ALGONQUIN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Plant Expenditures

Schedule F

Year ended March 31, 2005, with comparative figures for 2004 and 2003

	2005	2004	2003
Salaries	\$ 3,281,976	\$ 3,162,185	\$ 3,174,968
Fringe benefits	716,613	680,144	674,052
Cleaning, security and other services	2,268,930	2,287,300	2,326,887
Building and equipment - repairs and maintenance	3,790,896	4,288,138	6,028,946
Utilities and services	2,752,750	2,583,241	2,272,247
Municipal taxes	865,927	823,671	767,769
Insurance	399,907	397,355	395,744
Premises rental	461,802	447,909	263,172
Office expense and supplies	169,663	166,293	253,262
	\$ 14,708,464	\$ 14,836,236	\$ 16,157,047

Special Projects Expenditures

Schedule G

Year ended March 31, 2005, with comparative figures for 2004 and 2003

	2005	2004	2003
Salaries	\$ 128,259	\$ 144,909	\$ 79,669
Fringe benefits	16,267	15,001	9,680
Software expense	63,017	806,451	56,669
Sick leave termination benefits	585,195	549,130	595,745
Office expense and supplies	462,027	318,906	268,263
Contract services	162,226	103,376	53,978
Equipment maintenance and rental	150,407	129,703	3,553
	\$ 1,567,398	\$ 2,067,476	\$ 1,067,557

THE ALGONQUIN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Ancillary Operations Summary

Schedule H

Year ended March 31, 2005, with comparative figures for 2004 and 2003

	Revenue	Expenditures	2005 Contribution	2004 Contribution	2003 Contribution
Food Services	\$ 5,793,705	\$ 5,118,360	\$ 675,345	\$ 398,718	\$ 322,541
Bookstore	13,138,819	12,189,144	949,675	746,044	477,790
Parking and Lockers	3,028,916	1,183,104	1,845,812	1,853,270	1,811,374
Publishing Centre	1,944,259	1,530,150	414,109	443,322	361,814
Residence	6,579,076	5,850,761	728,315	976,642	449,023
Other	121,693	233,953	(112,260)	(107,144)	(136,715)
Totals	\$ 30,606,468	\$ 26,105,472	\$ 4,500,996	\$ 4,310,852	\$ 3,285,827