Financial Statements of

THE ALGONQUIN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Year ended March 31, 2007

THE ALGONQUIN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Financial Statements and Supplementary Schedules

Year ended March 31, 2007

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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, 2007 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, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants, Licensed Public Accountants

Ottawa, Canada

June 1, 2007

THE ALGONQUIN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Statement of Financial Position

March 31, 2007, with comparative figures for 2006 and 2005

	2007	2006 (Restated - note 3)	2005
Assets			
Current assets:			
Cash and short-term investments	$ 34,693,477	$ 29,827,011	$ 15,885,782
Accounts receivable	11,162,625	8,646,784	17,969,584
Inventory (note 4)	1,692,111	1,662,288	1,507,470
Prepaid expenses	501,139	609,944	1,169,964
	48,049,352	40,746,027	36,532,800
Endowment assets (note 5)	7,543,976	5,830,245	3,700,940
Long-term receivable (note 22(b))	6,406,204	–	–
Capital assets (note 6)	137,368,363	144,662,303	144,862,245
	$ 199,367,895	$ 191,238,575	$ 185,095,985
Liabilities and Net Assets			
Current liabilities:			
Accounts payable and accrued liabilities	$ 8,131,082	$ 7,904,339	$ 7,073,796
Accrued salaries and employee deductions payable	3,734,063	2,854,651	3,001,252
Deferred revenue (note 7)	10,931,454	17,549,877	19,272,818
Current portion of obligations under capital leases (note 8)	274,081	421,133	416,671
Current portion of long-term debt (note 9)	1,347,599	1,263,290	5,005,825
	24,418,279	29,993,290	34,770,362
Obligations under capital leases (note 8)	178,741	452,832	786,141
Long-term debt (note 9)	51,777,296	53,124,897	55,121,535
Vacation, sick leave and post-employment benefits (note 14(c))	14,798,080	14,413,486	16,662,845
Deferred capital contributions (note 10)	60,727,332	68,685,808	65,753,475
Deferred contribution for building campaign (note 18)	196,909	88,697	26,800
Interest rate swaps (note 9(b))	8,669,685	8,548,572	–
Net assets (deficiency):			
Unrestricted	521,205	965,010	540,671
Investment in capital assets (note 11(a))	23,063,314	20,714,343	17,778,598
Vacation, sick leave and post-employment benefits (note 14(c))	(14,798,080)	(14,413,486)	(16,662,845)
Interest rate swaps (note 9(b))	(8,669,685)	(8,548,572)	–
Internally restricted (note 12)	30,940,843	11,383,453	6,617,463
Endowment fund (note 13)	7,543,976	5,830,245	3,700,940
	38,601,573	15,930,993	11,974,827
Commitments and guarantees (note 16)			
Contingencies (note 17)			
	$ 199,367,895	$ 191,238,575	$ 185,095,985

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, 2007, with comparative figures for 2006 and 2005

	2007	2006	2005
Revenue (schedule A):			
Grants and reimbursements	$ 91,082,379	$ 80,813,103	$ 76,006,142
Student tuition fees	48,575,610	46,174,685	47,154,996
Contract educational services	14,495,783	12,016,379	10,668,098
Ancillary operations (schedule H)	33,638,874	31,224,349	30,606,468
Other	14,444,457	11,091,063	11,198,410
Amortization of deferred capital contributions	5,553,623	5,553,799	4,183,164
	207,790,726	186,873,378	179,817,278
Expenditures:			
Operating:			
Academic (schedule B)	90,892,142	84,780,260	80,881,760
Educational resources (schedule C)	2,232,856	2,162,249	1,981,075
Student services (schedule D)	24,447,770	22,464,283	20,429,205
Administrative (schedule E)	17,157,418	14,968,491	15,754,591
Plant (schedule F)	15,625,002	14,030,291	14,708,464
Special projects (schedule G)	2,143,392	2,037,348	1,567,398
Ancillary operations (schedule H)	28,007,436	26,766,921	26,105,472
	180,506,016	167,209,843	161,427,965
Vacation, sick leave and post-employment benefits (note 14(c))	384,594	(2,249,359)	79,113
Amortization and write-off of capital assets	11,746,677	11,537,461	11,074,530
Total expenditures	192,637,287	176,497,945	172,581,608
Excess of revenue over expenditures from continuing operations	15,153,439	10,375,433	7,235,670
Gain on sale of Rideau Campus (note 22)	5,924,523	–	–
Results from discontinued operation (note 21)	–	–	2,159,254
Excess of revenue over expenditures	$ 21,077,962	$ 10,375,433	$ 9,394,924

See accompanying notes to financial statements.

THE ALGONQUIN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Statement of Changes in Net Assets

Year ended March 31, 2007, with comparative figures for 2006 and 2005

	Unrestricted	Investment in capital assets (note 11(a))	Vacation, sick leave and post employment benefits (note 14(c))	Interest rate swaps (note 9(b))	Internally restricted (note 12)	Endowment fund (note 13)	2007 Total	2006 Total	2005 Total
Net assets, beginning of year	$ 965,010	$20,714,343	$(14,413,486)	$(8,548,572)	$11,383,453	$ 5,830,245	$15,930,993	$11,974,827	$ 310,853
Accounting changes – financial instruments (note 3)	–	–	–	–	–	–	–	(8,529,158)	–
Net assets, beginning of year, as restated	965,010	20,714,343	(14,413,486)	(8,548,572)	11,383,453	5,830,245	15,930,993	3,445,669	310,853
Excess of revenue over expenditures	21,077,962	–	–	–	–	–	21,077,962	10,375,433	9,394,924
Net change in vacation, sick leave and post-employment benefits (note 14(c))	384,594	–	(384,594)	–	–	–	–	–	–
Internally imposed restrictions	(19,557,390)	–	–	–	19,557,390	–	–	–	–
Net change in investment in capital assets (note 11(b))	(2,348,971)	2,348,971	–	–	–	–	–	–	–
Endowment contributions and investment income (note 13)	–	–	–	–	–	1,713,731	1,713,731	1,752,557	1,669,050
Donation towards purchase of land	–	–	–	–	–	–	–	–	600,000
Change in fair value of interest rate swaps	–	–	–	(121,113)	–	–	(121,113)	357,334	–
Net assets, end of year	$ 521,205	$23,063,314	$(14,798,080)	$(8,669,685)	$30,940,843	$ 7,543,976	$38,601,573	$15,930,993	$11,974,827

See accompanying notes to financial statements.

THE ALGONQUIN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Statement of Cash Flows

Year ended March 31, 2007, with comparative figures for 2006 and 2005

	2007	2006	2005
Cash provided by (used for):			
Operations:			
Excess of revenue over expenditures from continued operations	$ 21,077,962	$ 10,375,433	$ 7,235,670
Items, which do not involve cash:			
Amortization of capital assets (note 6)	11,721,353	11,443,645	11,016,830
Write-off of capital assets (note 6)	25,324	93,816	57,700
Gain on sale of Rideau Campus (note 22)	(5,924,523)	–	–
Amortization of deferred capital contributions	(5,553,623)	(5,553,799)	(4,183,164)
Vacation, sick leave and post-employment (note 14(c))	384,594	(2,249,359)	79,113
Change in non-cash working capital (note 19)	(7,949,127)	8,689,003	(3,709,995)
	13,781,960	22,798,739	10,496,154
Financing:			
Decrease in long-term debt	(1,263,292)	(5,739,173)	(1,964,321)
Decrease in long-term deferred revenue	–	–	(3,011,695)
Decrease in capital lease	(421,143)	(328,847)	(379,717)
	(1,684,435)	(6,068,020)	(5,355,733)
Investments:			
Net proceeds on sale of Rideau Campus (note 22)	6,518,889	–	–
Increase in long-term receivable (note 22)	(6,406,204)	–	–
Proceeds from sale of discontinued operation (note 21)	–	–	2,000,000
Capital asset additions (note 11(b))	(11,387,943)	(11,337,519)	(10,965,682)
Capital contributions received (note 10)	3,935,987	8,486,132	9,146,893
Increase in deferred contribution for building campaign	108,212	61,897	26,800
Increase in endowment assets	(1,713,731)	(2,129,305)	(1,669,050)
Increase in endowment fund (note 13)	1,713,731	2,129,305	1,669,050
	(7,231,059)	(2,789,490)	208,011
Increase in cash and short-term investments	4,866,466	13,941,229	5,348,432
Increase in cash from discontinued operation	–	–	272,549
Cash and short-term investments, beginning of year	29,827,011	15,885,782	10,264,801
Cash and short-term investments, end of year	$ 34,693,477	$ 29,827,011	$ 15,885,782
Consisting of:			
Cash	$ 7,337,793	$ 8,064,163	$ 6,330,029
Short-term investments	27,355,684	21,762,848	9,555,753
Cash and short-term investments, end of year	$ 34,693,477	$ 29,827,011	$ 15,885,782

See accompanying notes to financial statements.

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:

(i) Short-term investments:

Short-term investments are designated as held to maturity and are measured at amortized cost using the effective interest method. Purchases of short-term investments are recorded on the settlement date.

(ii) Endowed investments:

Endowed investments are designated as available for sale and are recorded at fair value. Realized investment income and unrealized gains or losses from the change in fair value are recorded in the statement of changes in net assets. Fair value is determined at quoted market prices. Sales and purchases of endowed investments are recorded on the settlement date. Transaction costs related to the acquisition of endowed investments are recorded against the realized investment income of the endowment fund.

For the 2005 comparative period, endowed investments are recorded at the lower of cost or fair value if the decline in fair value is considered to be other than temporary (see note 3).

2. Significant accounting policies (continued):

(d) 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 campus is recorded at a nominal value of $1 with subsequent additions at cost.

Donated capital assets are recorded at the value of the receipt issued to the donor, which reflects estimated fair 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	48 months
Automotive equipment	5 years
ITS infrastructure	5 years
Residence furniture and appliances	5 years
Equipment under capital lease	Over term of lease

(e) 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.

(f) 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.

2. Significant accounting policies (continued):

(f) Revenue (continued):

(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.

(g) Student organizations:

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

(h) 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.

(i) 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(d). 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.

(j) 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.

(k) Interest rate swaps:

The College is party to interest rate swap agreements used to manage the exposure to market risks from changing interest rates. The College's policy is not to utilize derivative financial instruments for trading or speculative purposes.

The College formally documents all relationships between hedging instruments and hedged items, as well as its risk management objectives and strategies for undertaking various hedge transactions. This process includes linking the interest rate swaps to specific long-term debt on the statement of financial position. The College also formally assesses, both at the hedge's inception and on an on-going basis, whether the interest rate swaps that are used in hedging transactions are highly effective in offsetting changes in cash flows of the hedged items.

2. Significant accounting policies (continued):

(k) Interest rate swaps (continued):

For the interest rate swap agreements, the difference between the swap interest rate and the actual interest rate on the long-term debt is recognized as an adjustment to interest expense on long-term debt.

(j) 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. Accounting changes – financial instruments:

In 2005, the Canadian Institute of Chartered Accountants released *Handbook Section 3855, Financial Instruments - Recognition and Measurement*, and *Section 3865 Hedges*. These new standards changed the way certain financial assets and liabilities are accounted for and reported in the financial statements.

The College elected to adopt these Sections effective April 1, 2005. In accordance with the transitional provisions of these Sections, the College has prospectively adopted the recommendations, and therefore the 2005 comparative figures have not been restated.

(a) Endowed investments:

The College has designated its endowed investments as available for sale and, as such, these investments are recorded at fair value for the 2006 and 2007 fiscal years. Prior to fiscal 2006, endowed investments were recorded at cost and realized gains and losses were recognized in the year of disposal.

As a result of adopting these Sections, the opening balance of the endowment fund in fiscal 2006 has been increased by $376,748 to $4,077,688 to reflect the prior year's net appreciation of the fair value of endowed investments.

3. Accounting changes – financial instruments (continued):

(b) Interest rate swaps:

In its implementation of the aforementioned Handbook Sections, the College did not record the fair value of its interest rate swaps on the statement of financial position and statement of changes in net assets in the 2006 financial statements. The 2006 comparative figures have been restated to reflect the fair value of the interest rate swaps. Fair value is determined as the payment required to cancel the interest rate swaps as at March 31. The effect of this restatement is to decrease opening net assets by $8,905,906, and to increase long-term liabilities and decrease ending net assets by $8,548,572 in fiscal 2006. The terms of the interest rate swaps are disclosed in note 9(b).

4. Inventory:

	2007	2006	2005
Bookstore	$ 1,471,626	$ 1,436,104	$ 1,301,542
Food services	183,225	183,664	162,592
Stationery and supplies	25,000	25,000	25,000
Publishing centre	12,260	17,520	18,336
	$ 1,692,111	$ 1,662,288	$ 1,507,470

5. Endowment assets:

Endowment assets represent funds held or receivable by the College which have been permanently endowed.

For the 2006 and 2007 fiscal years, the carrying value of endowed investments is recorded at fair value. For the 2005 comparative year, the carrying value of endowed investments is recorded at cost (see note 3).

5. Endowment assets (continued):

The endowment assets consist of the following:

Fair value	2007	2006	2005
Receivable from Government of Ontario for Ontario Trust for Student Support matching funds (note 24(c))	$ 610,442	$ 423,576	$ –
Endowed investments:			
Fixed income and cash	2,958,131	2,274,815	2,105,872
Equities	3,975,403	3,131,854	1,971,816
	$ 7,543,976	$ 5,830,245	$ 4,077,688

Cost	2007	2006	2005
Receivable from Government of Ontario for Ontario Trust for Student Support matching funds (note 24(c))	$ 610,442	$ 423,576	$ –
Endowed investments:			
Fixed income and cash	2,927,241	2,257,706	2,078,096
Equities	3,043,599	2,455,325	1,622,844
	$ 6,581,282	$ 5,136,607	$ 3,700,940

6. Capital assets:

	Cost	Accumulated amortization	2007 Net book value	2006 Net book value	2005 Net book value
Land	$ 4,370,097	$ –	$ 4,370,097	$ 4,370,097	$ 4,370,097
Buildings	152,381,020	44,528,823	107,852,197	115,083,429	119,179,096
Site improvements	12,642,125	4,206,482	8,435,643	7,210,546	3,873,399
Parking lots	3,818,720	2,557,498	1,261,222	1,643,094	2,024,967
Computers and equipment	50,947,476	36,474,487	14,472,989	14,576,923	13,133,205
Automotive equipment	278,134	230,718	47,416	68,347	54,259
ITS infrastructure	1,352,490	1,266,530	85,960	170,955	351,583
Residence furniture and appliances	1,985,289	1,844,133	141,156	300,954	608,740
Equipment under capital lease	1,934,612	1,427,978	506,634	892,896	1,174,034
Construction-in-progress	195,049	–	195,049	345,062	92,865
	$ 229,905,012	$ 92,536,649	$ 137,368,363	$ 144,662,303	$ 144,862,245

Cost and accumulated amortization at March 31, 2006 amounted to $239,031,106 and $94,368,803 respectively. Cost and accumulated amortization at March 31, 2005 amounted to $230,491,708 and $85,629,463 respectively.

7. Deferred revenue:

Details of the year-end balance are as follows:

	2007	2006	2005
Student tuition fees	$ 6,655,261	$ 6,008,808	$ 6,257,397
Grants and reimbursements	227,673	5,438,638	8,722,298
Contract education services	1,781,825	3,547,030	1,393,044
Student aid	311,637	1,738,133	1,069,990
Miscellaneous projects	1,955,058	817,268	1,830,089
	$ 10,931,454	$ 17,549,877	$ 19,272,818

7. Deferred revenue (continued):

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.

8. Obligations under capital leases:

The College is committed to minimum lease payments for food services equipment until 2008 and for publishing equipment until 2011. Future minimum annual lease payments are as follows:

2008	$	298,798
2009		135,040
2010		32,493
2011		21,613
Total minimum lease payments		487,944
Less amounts representing interest (at rates of 9.50%, and 7.91%)		35,122
Obligations under capital leases		452,822
Less current portion of obligations under capital leases		274,081
Long-term portion of obligations under capital leases	$	178,741

Operating expenditures include interest on capital leases of $51,523 (2006 - $84,850).

9. Long-term debt and interest rate swaps:

(a) 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).

	2007	2006	2005
Residence I building loan, bearing interest at prime plus 0.40%, maturing in 2025 (note 9(b))	$ 11,451,500	$ 11,742,982	$ 12,015,085
Residence II building loan, bearing interest at prime plus 0.25%, maturing in 2027 (note 9(b))	16,005,824	16,379,305	16,728,993
Residence III building loan, bearing interest at prime plus 0.25%, maturing in 2029 (note 9(b))	16,911,455	17,277,625	17,622,627
Police and Public Safety building loan, bearing interest at prime plus 0.40%, maturing in 2025 (note 9(b))	8,756,116	8,988,275	9,205,752
Automotive Trades facility loan, bearing interest at prime minus 0.55%	–	–	1,921,547
Food & Beverage loan, bearing interest at prime plus .25%	–	–	1,133,356
Land for Corporate Training Centre (Kanata), bearing interest at 4.01%	–	–	1,500,000
	53,124,895	54,388,187	60,127,360
Less current portion	1,347,599	1,263,290	5,005,825
	$ 51,777,296	$ 53,124,897	$ 55,121,535

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

2008	$ 1,347,599
2009	1,437,552
2010	1,533,528
2011	1,635,931
2012	1,745,631
Thereafter	45,424,654
	$ 53,124,895

9. Long-term debt and interest rate swaps (continued):

(b) Interest rate swaps:

The College has entered into interest rate swap agreements to manage the volatility of interest rates. The College converted a net notional $59.0 million of floating rate long-term debt relating to the three phases of the Residence and the Police & Public Safety Institute (see note 9(a)). The fixed rates received under the interest rate swaps range from 5.97% to 6.95%. The maturity dates of the interest rate swaps are the same as the maturity dates of the associated long-term debt, ranging from 2025 to 2029.

These interest rate swaps qualify, and have been designated by the College, as cash flow hedging items against the floating rate long-term debt. The College has assessed the hedging relationship as effective. The fair value of the interest rate swaps of $8,669,685 (2006-$8,548,572) is recorded on the statement of financial position. Because the hedging relationship is effective, the change in fair value of the interest rate swaps is recorded in the statement of changes in net assets, with no impact on the College's excess of revenue over expenditures.

10. 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:

	2007	2006	2005
Balance, beginning of year	$ 68,685,808	$ 65,753,475	$ 61,389,746
Less amortization of deferred capital contributions	(5,553,623)	(5,553,799)	(4,183,164)
Less deferred capital contributions related to the sale of Rideau Campus	(6,340,840)	–	–
Add capital contributions received:			
Donated equipment	97,250	64,747	872,171
Government contributions	3,838,737	8,421,385	7,674,722
Balance, end of year	$ 60,727,332	$ 68,685,808	$ 65,753,475

11. Investment in capital assets:

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

	2007	2006	2005
Capital assets	$ 137,368,363	$ 144,662,303	$ 144,862,245
Less amounts financed by:			
Deferred capital contributions	(60,727,332)	(68,685,808)	(65,753,475)
Long-term debt	(53,124,895)	(54,388,187)	(60,127,360)
Capital lease	(452,822)	(873,965)	(1,202,812)
	$ 23,063,314	$ 20,714,343	$ 17,778,598

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

	2007	2006	2005
Capital asset additions:			
Total additions	$ 11,387,943	$ 11,337,519	$ 10,965,682
Less:			
Donated equipment	(97,250)	(64,747)	(872,171)
Land purchased with donations	–	–	(600,000)
Capital asset purchases financed with grants and donations	(3,838,737)	(8,421,385)	(7,674,722)
Equipment purchases with College funds	7,451,956	2,851,387	1,818,789
External financing:			
Decrease in long-term debt	1,263,292	5,739,173	1,964,321
Decrease in capital lease	421,143	328,847	379,717
Amortization of deferred capital contributions	5,553,623	5,553,799	4,183,164
Amortization of capital assets	(11,721,353)	(11,443,645)	(11,016,830)
Write-off of capital assets	(25,324)	(93,816)	(57,700)
Amounts relating to sale of Rideau Campus (note 22):			
Net book value of buildings	(6,935,206)	–	–
Deferred capital contributions	6,340,840	–	–
Amortization and write-off of capital assets relating to discontinued operations (note 21)	–	–	(97,750)
Net change in investment in capital assets	$ 2,348,971	$ 2,935,745	$ (2,826,289)

12. Internally restricted net assets:

Internally restricted net assets are funds restricted by the College for future projects to improve and invest in the College's campus facilities, information systems, equipment, programs, student aid and employee retraining. Internally restricted assets consist of the following:

	2007	2006	2005
Appropriations	$ 4,235,821	$ 3,623,000	$ 6,393,737
Specific reserves	8,366,805	3,326,000	–
Reserve funds:			
General reserve fund – sale of Rideau Campus	5,925,000	–	–
General reserve fund	8,734,056	3,168,000	–
Ancillary reserve fund	2,421,500	997,000	–
Rural campus reserve fund	1,000,000	–	–
Employment stabilization funds	251,693	264,400	219,627
Other student aid	5,968	5,053	4,099
Balance, end of year	$ 30,940,843	$ 11,383,453	$ 6,617,463

13. Endowment fund:

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 $6,859,246 in endowed funds relating to the Ontario Student Opportunity Trust Fund and Ontario Trust for Student Support. Included in the student aid portion of the deferred revenue (note 7), is $68,755 of investment income available for distribution relating to the Ontario Student Opportunity Trust Fund (note 24).

The College's endowment policy is to annually distribute 4% of the average endowment balance.

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 endowment fund balance at March 31, 2007 consists of $6,273,315 (2006 - $4,976,869; 2005 - $3,607,591) of permanently endowed contributions from donors and $307,967 (2006 - $159,738; 2005 - $93,349) of realized net investment income available for distribution and $962,694 (2006 - $693,638) of unrealized investment income due to changes in the fair value of endowment assets.

The change in the endowment fund balance in 2007 consists of $1,296,446 (2006 - $1,369,278) of permanently endowed contributions, $148,229 (2006 - $66,389) increase in realized net investment income available for distribution, and $269,056 (2006 - $316,890) increase in unrealized investment income due to changes in the fair value of endowment assets.

14. 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 $5,967,633 (2006 - $5,324,454) 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, 2007.

Effective September 1, 2005, the cost of the early retiree benefits are no longer subsidized by the Colleges. The elimination of benefits to early retirees after August 30, 2005 created a curtailment gain per the recent actuarial valuation for the College of $342,000 (2006 - $2,449,000). This curtailment gain, net of annual service costs, reduces the accrued benefit liability as at March 31, 2007.

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.

14. Employee benefits plans (continued):

(c) Post employment benefits (continued):

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

Discount rate	4.85%
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:

	2007	2006	2005
Post-employment benefits	$ 2,857,000	$ 3,080,800	$ 5,060,000
Vacation	8,138,703	7,498,389	7,379,788
Sick leave	3,802,377	3,834,297	4,223,057
	$ 14,798,080	$ 14,413,486	$ 16,662,845

15. 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, 2007 was $2,458,301 (2006 - $2,723,104; 2005 - $2,972,127) with the Algonquin Students' Association Inc. related to a guarantee of borrowings for the Student Fitness Centre.

There is a current receivable of $1.4 million due from the Students' Association.

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.

15. Financial instruments (continued):

(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, approximate their fair value due to the relatively short periods to maturity of the instruments.

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 5. The fair value of the long-term receivable is disclosed in note 22(b).

16. Commitments and guarantees:

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

2008	$ 149,964
2009	64,925
	$ 214,889

(b) Letters of credit:

The College is contingently liable under letters of credit amounting to $317,629 (2006 - $230,973) which have been issued in the normal course of business.

(c) Guarantee:

In the normal course of business, the College has entered into 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.

17. 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.

18. 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 Automotive Technology Trades Centre. To date, $196,909 has been contributed and externally restricted for this new building.

The building campaign has obtained $350,000 in pledges, which have not been recorded in these financial statements.

19. Change in non-cash working capital:

	2007	2006	2005
Decrease (increase) in accounts receivable	$ (2,515,841)	$ 9,322,800	$ (8,266,150)
Decrease (increase) in inventory	(29,823)	(154,818)	23,449
Decrease (increase) in prepaid expenses	108,805	560,020	(260,809)
Increase (decrease) in accounts payable and accrued liabilities	226,743	830,543	(2,765,245)
Increase (decrease) in accrued salaries and employee deductions payable	879,412	(146,601)	17,281
Increase (decrease) in deferred revenue	(6,618,423)	(1,722,941)	7,541,479
	$ (7,949,127)	$ 8,689,003	$ (3,709,995)

20. 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 $1,756,455 (2006 - $1,917,504; 2005 - $1,547,585) from the Foundation in endowed contributions, deferred contributions and other restricted donations. The College provides the Foundation with office premises without charge and pays the salaries of all employees involved with the Foundation.

21. 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:

	2007	2006	2005
Revenue:			
Operating	$ –	$ –	$ 8,198,483
Proceeds of sale	–	–	2,000,000
	–	–	10,198,483
Expenditures:			
Operating	–	–	7,925,933
Amortization and write-off of capital assets	–	–	97,750
Amortization of intellectual property	–	–	15,546
	–	–	8,039,229
Results of discontinued operations	$ –	$ –	$ 2,159,254

22. Sale of Rideau Campus:

Effective January 10, 2007, the College completed the sale of the Rideau Campus at a price of $7.2 million. As consideration, the College received from the purchaser $350,000 cash on January 10, 2007 and a promissory note with a face value of $6.85 million due and payable on August 1, 2008. The promissory note does not bear interest.

The promissory note was recorded at January 10, 2007 at its fair value calculated as the present value of the future cash receipt discounted using an effective rate of interest of 5%. The fair value of the promissory note at January 10, 2007 was $6,336,387, representing a discount from face value of $513,613.

(a) Gain on sale of Rideau Campus:

Gross proceeds on disposal	$ 7,200,000
Less: discount of the face value of promissory note	(513,613)
Less: sale-related expenditures	(167,498)
Net proceeds on disposal	6,518,889
Net investment in disposed capital assets	594,366
Gain on sale of asset	$ 5,924,523

22. Sale of Rideau Campus (continued):

(b) Long-term receivable:

The College holds a promissory note with a face value of $6.85 million due and payable on August 1, 2008. The promissory note does not bear interest. The discount of the face value of the promissory note is being amortized into revenue using the effective interest method at a rate of interest of 5%.

Fair value at January 10, 2007 (note 22(a))	$ 6,336,387
Amortization of discount of the face value of promissory note	69,817
Balance, March 31, 2007	$ 6,406,204

23. Comparative figures:

Certain March 31, 2005 and 2006 comparative figures have been reclassified to conform to the financial statement presentation adopted for March 31, 2007.

24. 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
For the year ended March 31, 2007

Fund balance at beginning of year	$	994,793
Cash donations received		–
Fund balance at end of year	$	994,793 (A)

Schedule of Changes in Expendable Funds Available
for Awards for the year ended March 31, 2007

Balance, beginning of year	$	39,153
Realized investment income, net of direct investment-related expenses and preservation of capital contributions		41,245
Bursaries awarded (total number: 99)		(55,991)
Balance, end of year	$	24,407 (B)
Endowment total based on book value (=A+B)	$	1,019,200

The fair value of this endowment as at March 31, 2007 is $1,089,250 (2006 - $1,181,357).

24. Ontario Student Opportunity Trust Fund (continued):

(b) PHASE II

Schedule of Changes in Endowment Fund Balance for the Period of April 1, 2006 to March 31, 2007

Fund balance at beginning of year	$	2,002,396
Cash donations received		–
Audited unmatched cash donations, received between March 27, 2003 and March 31, 2005, transferred to OTSS in 2006-07		–
Fund balance at end of year	$	2,002,396 (A)

Schedule of Changes in Expendable Funds Available for Awards for the Period April 1, 2006 to March 31, 2007

Balance, beginning of year	$	26,869
Realized investment income, net of direct investment-related expenses and preservation of capital contributions		83,150
Bursaries awarded (total number: 119)		(78,645)
Balance, end of year	$	31,374 (B)
Endowment total based on book value (=A+B)	$	2,033,770

The fair value of this endowment as at March 31, 2007 is $2,192,236 (2006 - $2,377,853).

(c) ONTARIO TRUST FOR STUDENT SUPPORT

Schedule of donations received between April 1, 2006 and March 31, 2007

Cash donations matched between April 1, 2006 and March 31, 2007	$	444,203
Unmatched cash donations (Received between April 1, 2006 and March 31, 2007)		–
Total cash donations	$	444,203

24. Ontario Student Opportunity Trust Fund (continued):

(c) ONTARIO TRUST FOR STUDENT SUPPORT

Schedule of Changes in Endowment Fund Balance
For the Period April 1, 2006 to March 31, 2007

Balance, beginning of year	$ 1,371,778	
Eligible cash donations received between April 1, 2006 and March 31, 2007 in compliance with the November 2005 Program Guidelines and Reporting Requirements	444,203	
Matching funds received from MTCU in 2006-07	224,301	
Matching funds receivable from MTCU in 2006-07	610,442	
Fund balance at end of year	$ 2,650,724	(A)

Schedule of Changes in Expendable Funds Available for Awards
For the Period April 1, 2006 to March 31, 2007

Balance, beginning of year	$ –	
Realized investment income, net of direct investment-related Expenses and preservation of capital contributions	55,985	
Bursaries awarded (total number: 74)	(43,011)	
Balance, end of year	$ 12,974	(B)
Endowment total based on book value (=A+B)	$ 2,663,698	

The fair value of this endowment as at March 31, 2007 is $3,577,760 (2006 - $1,549,244).

24. Ontario Student Opportunity Trust Fund (continued):

Algonquin College

Report of OTSS Awards Issued for the Period of April 1, 2006 to March 31, 2007

Status of Recipients	OSAP Recipients		Non-OSAP Recipients		Total	
	Number	Amount	Number	Amount	Number	Amount
Full-Time	43	$28,711	31	$14,300	74	$43,011
Part-Time	N/A	N/A	0	$0.00	0	$0.00
Total	43	$28,711	31	$14,300	74	$43,011

THE ALGONQUIN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Revenue

Schedule A

Year ended March 31, 2007, with comparative figures for 2006 and 2005

	2007	2006	2005
Grants and reimbursements:			
Provincially financed programs:			
Plant and activity grants	$ 84,400,010	$ 75,639,698	$ 70,519,116
Special bursaries	1,885,282	1,769,132	1,854,800
	86,285,292	77,408,830	72,373,916
Flat-rate funding programs:			
Apprentice	4,797,087	3,404,273	3,632,226
	91,082,379	80,813,103	76,006,142
Student tuition fees:			
Post secondary:			
Full-time	35,321,469	33,234,242	32,127,326
Full-time fast track	812,105	731,266	1,023,591
Part-time	8,540,663	8,382,895	9,482,501
Adult training	1,794,897	1,600,595	1,643,072
Student information technology fee	2,106,476	2,225,687	2,878,506
	48,575,610	46,174,685	47,154,996
Contract educational services:			
Provincially funded programs	6,511,876	5,430,040	4,780,142
International programs	1,343,065	1,347,664	423,163
Corporate and other programs	6,640,842	5,238,675	5,464,793
	14,495,783	12,016,379	10,668,098
Ancillary operations (schedule H)	33,638,874	31,224,349	30,606,468
Other:			
Early Learning Centre	792,824	778,610	715,478
Student ancillary fees	4,042,272	3,821,468	3,456,066
Investment Interest	1,726,278	748,054	241,282
Miscellaneous	7,883,083	4,742,931	6,785,584
	14,444,457	11,091,063	11,198,410
Amortization of deferred capital contributions (note 10)	5,553,623	5,553,799	4,183,164
Total operating revenue	$ 207,790,726	$ 186,873,378	$ 179,817,278

THE ALGONQUIN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Academic Expenditures **Schedule B**

Year ended March 31, 2007, with comparative figures for 2006 and 2005

	2007	2006	2005
Salaries:			
Faculty	$ 49,700,714	$ 46,022,403	$ 44,571,378
Administration	6,271,539	5,563,092	5,227,733
Support staff	8,345,464	8,262,045	7,833,713
Fringe benefits	11,254,346	10,255,907	10,210,375
Job Connect stipends and fringe benefits	1,351,941	1,238,165	1,215,595
Travel and professional development	1,002,463	890,260	1,122,681
Instructional supplies and software	6,979,116	5,888,854	5,838,007
Equipment maintenance and rental	1,398,951	2,458,146	1,527,992
Contract services	4,587,608	4,201,388	3,334,286
	$ 90,892,142	$ 84,780,260	$ 80,881,760

Educational Resources Expenditures **Schedule C**

Year ended March 31, 2007, with comparative figures for 2006 and 2005

	2007	2006	2005
Salaries	$ 1,508,378	$ 1,502,813	$ 1,397,112
Fringe benefits	315,226	314,853	295,981
Library resource material	305,317	262,745	202,910
Office expense, supplies and maintenance	103,935	81,838	85,072
	$ 2,232,856	$ 2,162,249	$ 1,981,075

THE ALGONQUIN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Student Services Expenditures

Schedule D

Year ended March 31, 2007, with comparative figures for 2006 and 2005

	2007	2006	2005
Salaries	$ 9,692,448	$ 8,779,778	$ 8,306,465
Fringe benefits	1,836,540	1,653,422	1,547,176
Media advertising, public relations and calendar	2,384,696	2,342,225	2,186,854
Travel and conferences	350,809	271,499	244,364
Office expense and supplies	1,627,965	1,413,503	1,292,513
Contract services	1,557,485	968,246	746,627
Insurance – international students	337,429	202,524	302,159
Student aid	3,386,781	3,534,354	3,686,181
Student bursaries	3,273,617	3,298,732	2,116,866
	$ 24,447,770	$ 22,464,283	$ 20,429,205

Administrative Expenditures

Schedule E

Year ended March 31, 2007, with comparative figures for 2006 and 2005

	2007	2006	2005
Salaries	$ 8,746,151	$ 7,399,301	$ 7,468,250
Fringe benefits	1,791,523	1,547,645	1,545,417
Travel and conferences	175,053	155,316	186,713
Office expense and supplies	1,931,358	1,713,090	1,715,308
Telephone	598,907	610,527	767,289
Professional fees	1,134,236	1,253,227	629,361
Equipment maintenance, rental and software	1,107,768	1,305,364	1,942,045
Contract services	1,053,414	247,176	637,135
Interest on long-term debt	619,008	736,845	863,073
	$ 17,157,418	$ 14,968,491	$ 15,754,591

THE ALGONQUIN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Plant Expenditures

Schedule F

Year ended March 31, 2007, with comparative figures for 2006 and 2005

	2007	2006	2005
Salaries	$ 3,359,330	$ 3,350,599	$ 3,281,976
Fringe benefits	720,623	713,269	716,613
Cleaning, security and other services	2,061,692	2,325,344	2,268,930
Building and equipment - repairs and maintenance	3,920,649	3,187,993	3,790,896
Utilities and services	3,063,060	2,755,050	2,752,750
Municipal taxes	902,120	907,445	865,927
Insurance	426,521	365,456	399,907
Premises rental	227,545	206,567	461,802
Office expense and supplies	943,462	218,568	169,663
	$ 15,625,002	$ 14,030,291	$ 14,708,464

Special Projects Expenditures

Schedule G

Year ended March 31, 2007, with comparative figures for 2006 and 2005

	2007	2006	2004
Salaries	$ 158,658	$ 158,354	$ 128,259
Fringe benefits	17,719	18,829	16,267
Software expense	2,040	65,172	63,017
Sick leave and College compensation	993,579	1,129,384	585,195
Office expense and supplies	509,790	381,424	462,027
Contract services	410,849	225,838	162,226
Equipment maintenance and rental	50,757	58,347	150,407
	$ 2,143,392	$ 2,037,348	$ 1,567,398

THE ALGONQUIN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Ancillary Operations Summary **Schedule H**

Year ended March 31, 2007, with comparative figures for 2006 and 2005

	Revenue	Expenditures	2007 Contribution	2006 Contribution	2005 Contribution
Food Services	$ 6,732,741	$ 6,251,567	$ 481,174	$ 454,439	$ 675,345
Bookstore	14,158,057	13,045,195	1,112,862	1,024,166	949,675
Parking and Lockers	3,192,328	1,185,272	2,007,056	1,665,540	1,845,812
Publishing Centre	1,941,549	1,390,862	550,687	512,754	414,109
Residence	7,446,849	5,844,626	1,602,223	990,405	728,315
Other	167,350	289,914	(122,564)	(189,876)	(112,260)
Totals	$ 33,638,874	$ 28,007,436	$ 5,631,438	$ 4,457,428	$ 4,500,996