Financial Statements of

THE ALGONQUIN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Year ended March 31, 2009

THE ALGONQUIN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Financial Statements and Supplementary Schedules

Year ended March 31, 2009

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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, 2009 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, 2009 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

May 29, 2009

THE ALGONQUIN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Statement of Financial Position

March 31, 2009, with comparative figures for 2008 and 2007

	2009	2008	2007
Assets			
Current assets:			
Cash and short-term investments	$ 72,576,296	$ 52,345,166	$ 34,693,477
Accounts receivable	13,459,370	15,643,669	11,162,625
Inventory (note 5)	2,074,983	2,040,474	1,692,111
Prepaid expenses	384,541	522,325	501,139
	88,495,190	70,551,634	48,049,352
Endowment assets (note 6)	9,478,596	9,162,697	7,543,976
Long-term receivable (note 20(b))	–	–	6,406,204
Capital assets (note 7)	134,133,988	136,322,285	137,368,363
	$ 232,107,774	$ 216,036,616	$ 199,367,895
Liabilities and Net Assets			
Current liabilities:			
Accounts payable and accrued liabilities	$ 15,182,443	$ 9,978,427	$ 8,131,082
Accrued salaries and employee deductions payable	7,273,969	4,513,917	3,734,063
Deferred revenue (note 8)	14,834,320	17,570,998	10,931,454
Current portion of obligations under capital leases (note 9)	–	128,149	274,081
Current portion of long-term debt (note 10)	1,533,528	1,437,552	1,347,599
	38,824,260	33,629,043	24,418,279
Obligations under capital leases (note 9)	–	50,592	178,741
Long-term debt (note 10)	48,807,217	50,339,745	51,777,296
Vacation, sick leave and post-employment benefits (note 14(c))	15,350,342	15,382,569	14,798,080
Deferred capital contributions (note 11)	68,723,173	60,434,803	60,924,241
Interest rate swaps (note 10(b))	17,067,635	9,859,452	8,669,685
Net assets (deficiency):			
Unrestricted	1,000,000	1,000,000	521,205
Investment in capital assets (note 12(a))	22,816,524	24,252,202	23,063,314
Vacation, sick leave and post-employment benefits (note 14(c))	(15,350,342)	(15,382,569)	(14,798,080)
Interest rate swaps (note 10(b))	(17,067,635)	(9,859,452)	(8,669,685)
Internally restricted (note 21(b))	42,458,004	37,167,534	30,940,843
Endowment fund (note 13)	9,478,596	9,162,697	7,543,976
	43,335,147	46,340,412	38,601,573
Commitments and guarantees (note 16)			
Contingencies (note 17)			
	$ 232,107,774	$ 216,036,616	$ 199,367,895

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, 2009, with comparative figures for 2008 and 2007

	2009	2008	2007
Revenue (schedule A):			
Grants and reimbursements	$ 96,652,683	$ 96,095,230	$ 91,082,379
Student tuition fees	56,193,058	51,649,016	48,575,610
Contract educational services	17,750,877	14,715,869	14,495,783
Ancillary operations (schedule H)	36,525,136	34,181,443	33,638,874
Other	13,111,286	12,902,691	14,444,457
Amortization of deferred capital contributions	5,620,690	5,631,524	5,553,623
	225,853,730	215,175,773	207,790,726
Expenditures:			
Operating:			
Academic (schedule B)	106,288,054	96,444,286	88,613,475
Educational resources (schedule C)	1,638,532	1,892,009	2,294,503
Student services (schedule D)	28,527,769	25,989,939	25,076,947
Administrative (schedule E)	22,534,288	20,736,430	18,467,608
Plant (schedule F)	17,619,112	19,315,197	15,901,135
Special projects (schedule G)	2,746,190	2,013,442	2,144,912
Ancillary operations (schedule H)	30,766,646	28,838,577	28,007,436
	210,120,591	195,229,880	180,506,016
Vacation, sick leave and post-employment benefits (note 14(c))	(32,227)	584,489	384,594
Amortization and write-off of capital assets	11,878,347	12,051,519	11,746,677
Total expenditures	221,966,711	207,865,888	192,637,287
Excess of revenue over expenditures from continuing operations	3,887,019	7,309,885	15,153,439
Gain on sale of Rideau Campus (note 20(a))	–	–	5,924,523
Excess of revenue over expenditures	$ 3,887,019	$ 7,309,885	$ 21,077,962

See accompanying notes to financial statements.

THE ALGONQUIN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Statement of Changes in Net Assets

Year ended March 31, 2009, with comparative figures for 2008 and 2007

	Unrestricted	Investment in capital assets (note 12(a))	Vacation, sick leave and post employment benefits (note 14(c))	Interest rate swaps (note 10(b))	Internally restricted (note 21(b))	Endowment fund (note 13)	2009 Total	2008 Total	2007 Total
Net assets, beginning of year	$ 1,000,000	$ 24,252,202	$ (15,382,569)	$ (9,859,452)	$ 37,167,534	$ 9,162,697	$ 46,340,412	$ 38,601,573	$ 15,930,993
Excess of revenue over expenditures	3,887,019	–	–	–	–	–	3,887,019	7,309,885	21,077,962
Net change in vacation, sick leave and post-employment benefits (note 14(c))	(32,227)	–	32,227	–	–	–	–	–	–
Internally imposed restrictions	(5,290,470)	–	–	–	5,290,470	–	–	–	–
Net change in investment in capital assets (note 12(b))	1,435,678	(1,435,678)	–	–	–	–	–	–	–
Endowment contributions and investment income (note 13)	–	–	–	–	–	315,899	315,899	1,618,721	1,713,731
Change in fair value of interest rate swaps	–	–	–	(7,208,183)	–	–	(7,208,183)	(1,189,767)	(121,113)
Net assets, end of year	$ 1,000,000	$ 22,816,524	$ (15,350,342)	$ (17,067,635)	$ 42,458,004	$ 9,478,596	$ 43,335,147	$ 46,340,412	$ 38,601,573

See accompanying notes to financial statements.

THE ALGONQUIN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Statement of Cash Flows

Year ended March 31, 2009, with comparative figures for 2008 and 2007

	2009	2008	2007
Cash provided by (used for):			
Operations:			
Excess of revenue over expenditures from continued operations	$ 3,887,019	$ 7,309,885	$ 21,077,962
Items, which do not involve cash:			
Amortization of capital assets	11,652,810	12,012,343	11,721,353
Write-off of capital assets	225,537	39,176	25,324
Gain on sale of Rideau Campus (note 20)	–	–	(5,924,523)
Amortization of deferred capital contributions	(5,620,690)	(5,631,524)	(5,553,623)
Vacation, sick leave and post-employment (note 14(b))	(32,227)	584,489	384,594
Change in non-cash working capital (note 18)	7,514,964	4,416,150	(7,949,127)
	17,627,413	18,730,519	13,781,960
Financing:			
Decrease in long-term debt	(1,436,552)	(1,347,598)	(1,263,292)
Decrease in capital lease	(178,741)	(274,081)	(421,143)
	(1,615,293)	(1,621,679)	(1,684,435)
Investments:			
Net proceeds on sale of Rideau Campus (note 20)	–	–	6,518,889
Decrease (increase) in long-term receivable (note 20)	–	6,406,204	(6,406,204)
Capital asset additions (note 12(b))	(9,690,050)	(11,005,441)	(11,387,943)
Capital contributions received (note 11)	13,909,060	5,142,086	4,044,199
Increase in endowment assets	(315,899)	(1,618,721)	(1,713,731)
Increase in endowment fund (note 13)	315,899	1,618,721	1,713,731
	4,219,010	542,849	(7,231,059)
Increase in cash and short-term investments	20,231,130	17,651,689	4,866,466
Cash and short-term investments, beginning of year	52,345,166	34,693,477	29,827,011
Cash and short-term investments, end of year	$ 72,576,296	$ 52,345,166	$ 34,693,477
Consisting of:			
Cash	$ 11,753,981	$ 17,977,861	$ 7,337,793
Short-term investments	60,822,315	34,367,305	27,355,684
Cash and short-term investments, end of year	$ 72,576,296	$ 52,345,166	$ 34,693,477

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.

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) 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.

2. Significant accounting policies (continued):

(f) Revenue (continued):

(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.

(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.

The College is an employer member of the Colleges of Applied Arts and Technology Pension Plan, which is a multi-employer, defined benefit pension plan. The College has adopted defined contribution plan accounting principles for this Plan because insufficient information is available to apply defined benefit plan accounting principles.

2. Significant accounting policies (continued):

(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.

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.

(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. Adoption of new accounting standards:

(a) Inventories:

Effective April 1, 2008, the College adopted the new accounting standards for Inventories in accordance with the Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3031, *Inventories* which provides new guidance on the recognition measurement and disclosure of inventories. The recognition and measurement changes include the requirement to measure inventories at the lower of cost and net realizable value, the use of specific cost method for inventories and the review of previous write-downs to net realizable value, if any, when there is a subsequent increase in the value of inventories. The College retrospectively adopted the CICA 3031 requirements without restatement. The adoption of this Section did not have a material effect on the College's financial statements as of March 31, 2009.

3. Adoption of new accounting standards (continued):

(b) Capital Disclosures:

Effective April 1, 2008, the College adopted the CICA Handbook Section 1535, *Capital Disclosures* which establishes standards for disclosing information about an entity's capital and how it is managed. Adoption of these recommendations had no effect on the financial statements for the year ending March 31, 2009, except for the additional note disclosure in note 21.

(c) Financial Instruments:

In December 2006, the CICA issued new accounting standards: Handbook Section 3862, *Financial Instruments - Disclosures*; Handbook Section 3863, *Financial Instruments - Presentation*. These standards were expected to be effective for the College's financial statements for the year ended March 31, 2009. However, in December 2008, the CICA eliminated the requirement for not-for-profit entities to adopt these standards. The College has continued to disclose and present financial instruments under Handbook Section 3861, *Financial Instruments - Disclosure and Presentation* for the year ended March 31, 2009.

4. Future accounting standards:

In September 2008, the CICA issued the following amendments and new accounting standards that will come into effect for the College's fiscal year beginning April 1, 2009:

Amendments to Accounting Standards that Apply Only to Not-for-Profit Organizations

The CICA issued amendments to the existing accounting standards applicable to not-for-profit organizations. The amendments affect the financial statement presentation and disclosure requirements for not-for-profit organizations.

Disclosure of Allocated Expenses by Not-for-Profit Organizations

The CICA issued Section 4470, *Disclosures of Allocated Expenses by Not-For-Profit Organizations*. This new Section establishes disclosure requirements for not-for-profit organizations that report expenses by function and allocate expenses to a number of functions to which the expenses relate. These not-for-profit organizations will be required to disclose additional information regarding their accounting policies adopted for the allocation of expenses among functions, the nature of these expenses, the basis on which the allocations are being made, and the value of the allocations.

The College is currently assessing the impact of these amendments and the new accounting standards on its financial statements.

5. Inventory:

	2009	2008	2007
Bookstore	$ 1,726,388	$ 1,680,713	$ 1,471,626
Food services	195,504	191,476	183,225
Stationery and supplies	145,103	155,174	25,000
Publishing centre	7,988	13,111	12,260
	$ 2,074,983	$ 2,040,474	$ 1,692,111

6. Endowment assets:

Endowment assets represent funds held or receivable by the College which have been permanently endowed. The carrying value of endowed investments is recorded at fair value.

The endowment assets consist of the following:

Fair value	2009	2008	2007
Receivable from Government of Ontario for Ontario Trust for Student Support matching funds (note 23(c))	$ 1,296,646	$ 848,196	$ 610,442
Endowed investments:			
Fixed income and cash	3,202,010	3,389,875	2,958,131
Equities	4,979,940	4,924,626	3,975,403
	$ 9,478,596	$ 9,162,697	$ 7,543,976

Cost	2009	2008	2007
Receivable from Government of Ontario for Ontario Trust for Student Support matching funds (note 23(c))	$ 1,296,646	$ 848,196	$ 610,442
Endowed investments:			
Fixed income and cash	3,183,603	3,832,769	2,927,241
Equities	6,027,844	4,680,965	3,043,599
	$ 10,508,093	$ 9,361,930	$ 6,581,282

7. Capital assets:

	Cost	Accumulated amortization	2009 Net book value	2008 Net book value	2007 Net book value
Land	$ 4,370,097	$ –	$ 4,370,097	$ 4,370,097	$ 4,370,097
Buildings	154,437,674	52,225,939	102,211,735	106,072,678	107,852,197
Site improvements	19,372,706	7,261,555	12,111,151	9,918,731	8,435,643
Parking lots	3,818,720	3,111,432	707,288	931,860	1,261,222
Computers and equipment	56,036,730	42,496,099	13,540,631	14,154,002	14,472,989
Automotive equipment	340,465	264,466	75,999	81,246	47,416
ITS infrastructure	1,352,490	1,352,490	–	24,959	85,960
Residence furniture and appliances	1,985,289	1,985,289	–	41,516	141,156
Equipment under capital lease	810,948	810,948	–	185,398	506,634
Construction-in-progress	1,117,087	–	1,117,087	541,798	195,049
	$ 243,642,206	$109,508,218	$ 134,133,988	$ 136,322,285	$ 137,368,363

Cost and accumulated amortization at March 31, 2008 amounted to $237,218,873 and $100,896,588 respectively. Cost and accumulated amortization at March 31, 2007 amounted to $229,905,012 and $92,536,649 respectively.

8. Deferred revenue:

Details of the year-end balance are as follows:

	2009	2008	2007
Student tuition fees	$ 9,282,677	$ 7,847,773	$ 6,655,261
Grants and reimbursements	1,703,140	4,699,225	227,673
Contract education services	636,251	1,888,975	1,781,825
Student aid	526,137	474,927	311,637
Miscellaneous projects	2,686,115	2,660,098	1,955,058
	$ 14,834,320	$ 17,570,998	$ 10,931,454

8. 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.

9. Obligations under capital lease:

The College terminated its capital lease for publishing equipment during the current fiscal year. The College has no further commitments under capital leases. Operating expenditures include interest on capital leases of $ 10,452 (2008 - $24,235, 2007 - $51,523).

10. Long-term debt and interest rate swaps:

(a) Long-term debt:

The College has entered into the following long-term debt agreements to finance, the construction of student residences and, the Police and Public Safety Building.

	2009	2008	2007
Residence I building loan, bearing interest at prime plus 0.40%, maturing in 2025 (note 10(b))	$ 10,804,777	$ 11,139,258	$ 11,451,500
Residence II building loan, bearing interest at prime plus 0.25%, maturing in 2027 (note 10(b))	15,180,905	15,606,932	16,005,824
Residence III building loan, bearing interest at prime plus 0.25%, maturing in 2029 (note 10(b))	16,111,332	16,522,818	16,911,455
Police and Public Safety building loan, bearing interest at prime plus 0.40%, maturing in 2025 (note 10(b))	8,243,731	8,508,289	8,756,116
	50,340,745	51,777,297	53,124,895
Less current portion	1,533,528	1,437,552	1,347,599
	$ 48,807,217	$ 50,339,745	$ 51,777,296

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

2010	$ 1,533,528
2011	1,635,931
2012	1,745,192
2013	1,861,774
2014	1,986,167
Thereafter	41,578,153
	$ 50,340,745

10. 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 10(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 $17,067,635 (2008 - $9,859,452, 2007 - $8,669,685) 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.

11. Deferred capital contributions:

Deferred capital contributions represent the unamortized amount of donations and grants received for the purchase and construction of capital assets. Investment income earned on government contributions received is also included in deferred capital contributions. The amortization of the deferred capital contributions is recorded as revenue in the statement of operations.

In 2005, the Algonquin College Foundation launched a building campaign to raise $2 million for the construction of the Automotive Technology Trades Centre. Construction of the Automotive Technology Trades Centre was completed in 2007; however, pledges continue to be received.

In 2008, the Foundation launched building campaigns to raise $7 million for the construction of the Environmental Demonstration Centre for Construction Trades and Building Sciences (EDC-CTBS), $2.25 million for the expansion of the Pembroke campus, and $1 million for the renovation of the Perth campus. The unused portion of contributions received will be used as construction continues on these projects.

11. Deferred capital contributions (continued):

The changes in the deferred capital contributions balance are as follows:

	2009	2008	2007
Balance, beginning of year	$ 60,434,803	$ 60,924,241	$ 68,774,505
Less amortization of deferred capital contributions	(5,620,690)	(5,631,524)	(5,553,623)
Less deferred capital contributions related to the sale of Rideau Campus	–	–	(6,340,840)
Add capital contributions received:			
Donated contributions:			
Automotive Technology Trades Centre campaign	153,083	123,849	108,212
EDC-CTBS campaign	700	–	–
Pembroke campus expansion	73,475	–	–
Other capital projects	90,708	306,345	97,250
Government contributions:			
EDC-CTBS	8,750,000	–	–
Other capital projects	4,807,270	4,711,892	3,838,737
Add investment income related to contributed funds	33,824	–	–
Balance, end of year	$ 68,723,173	$ 60,434,803	$ 60,924,241

The portion of deferred capital contributions that were unused at the end of the year are as follows:

	2009	2008	2007
EDC-CTBS	$ 7,685,507	$ –	$ –
Pembroke campus expansion	60,947	–	–
Automotive Technology Trades Centre campaign	–	320,758	196,909
Balance, end of year	$ 7,746,454	$ 320,758	$ 196,909

12. Investment in capital assets:

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

	2009	2008	2007
Capital assets	$ 134,133,988	$ 136,322,285	$ 137,368,363
Less amounts financed by:			
Deferred capital contributions - used (note 11)	(60,976,719)	(60,114,045)	(60,727,332)
Long-term debt	(50,340,745)	(51,777,297)	(53,124,895)
Capital lease	–	(178,741)	(452,822)
	$ 22,816,524	$ 24,252,202	$ 23,063,314

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

	2009	2008	2007
Capital asset additions:			
Total additions	$ 9,690,050	$ 11,005,441	$ 11,387,943
Less:			
Donated equipment	(90,708)	(306,345)	(97,250)
Capital asset purchases financed with grants and donations	(6,392,656)	(4,711,892)	(3,838,737)
Capital assets purchases with College funds	3,206,686	5,987,204	7,451,956
External financing:			
Decrease in long-term debt	1,436,552	1,347,598	1,263,292
Decrease in capital lease	178,741	274,081	421,143
Amortization of deferred capital contributions	5,620,690	5,631,524	5,553,623
Amortization of capital assets	(11,652,810)	(12,012,343)	(11,721,353)
Write-off of capital assets	(225,537)	(39,176)	(25,324)
Amounts relating to sale of Rideau Campus (note 23):			
Net book value of buildings	–	–	(6,935,206)
Deferred capital contributions	–	–	6,340,840
Net change in investment in capital assets	$ (1,435,678)	$ 1,188,888	$ 2,348,971

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 $8,768,654 in endowed funds relating to the Ontario Student Opportunity Trust Fund and Ontario Trust for Student Support (note 23). Included in the student aid portion of the deferred revenue (note 8), is $145,062 of investment income available for distribution relating to the Ontario Student Opportunity Trust Fund.

The College's endowment policy is to annually distribute 4% of the endowment balance at the end of the preceding fiscal year.

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 consists of:

	2009	2008	2007
Permanently endowed contributions	$ 10,855,104	$ 8,345,925	$ 6,273,315
Realized net investment income (loss) available for distribution	(347,011)	530,141	307,967
Unrealized investment income (loss) due to changes in fair value of endowment assets	(1,029,497)	286,631	962,694
	$ 9,478,596	$ 9,162,697	$ 7,543,976

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.

14. Employee benefits plans (continued):

(a) Pension plan (continued):

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 actuarial valuation of the Plan as at January 1, 2008 indicates a Plan deficit of $340 million on a going concern basis. Contributions to the Plan made during the year by the College on behalf of its employees amounted to $7,819,864 (2008 - $6,532,373, 2007 - $5,967,633) 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, 2009.

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 loss for the year ended March 31, 2009 of $46,000 (2008 - $30,000 gain; 2007 - $223,800 gain) per the actuarial valuation. This curtailment loss, net of annual service costs, increases the accrued benefit liability as at March 31, 2009.

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

Discount rate	5.5%
Dental benefits cost escalation	7.5%
Medical benefits cost escalation - hospital and other medical	4.5%
- drugs	10.5% in 2009, decreasing to 4.5% per annum in 2020

14. Employee benefits plans (continued):

(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:

	2009	2008	2007
Post-employment benefits	$ 2,955,700	$ 2,957,300	$ 2,857,000
Vacation	9,099,075	8,671,670	8,138,703
Sick leave	3,295,567	3,753,599	3,802,377
	$ 15,350,342	$ 15,382,569	$ 14,798,080

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, 2009 was $1,877,290 (2008 - $2,176,718; 2007 - $2,458,301) with the Algonquin Students' Association Inc. related to a guarantee of borrowings for the Student Fitness Centre.

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

The carrying value of long-term debt approximates fair value as interest is charged at a variable market rate.

Endowment assets and interest rate swaps are presented at their fair value on the statement of financial position.

16. Commitments and guarantees:

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

2010	$ 359,616
2011	210,063
2012	107,705
	$ 677,384

(b) Letters of credit:

The College is contingently liable under letters of credit amounting to $175,959 (2008 - $322,629, 2007 - $317,629) 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. Change in non-cash working capital:

	2009	2008	2007
Decrease (increase) in accounts receivable	$ 2,184,299	$ (4,481,044)	$ (2,515,841)
Increase in inventory	(34,509)	(348,363)	(29,823)
Decrease (increase) in prepaid expenses	137,784	(21,186)	108,805
Increase in accounts payable and accrued liabilities	5,204,016	1,847,345	226,743
Increase in accrued salaries and employee deductions payable	2,760,052	779,854	879,412
Increase (decrease) in deferred revenue	(2,736,678)	6,639,544	(6,618,423)
	$ 7,514,964	$ 4,416,150	$ (7,949,127)

19. 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 $3,030,617 (2008 - $2,825,680; 2007 - $1,756,455) 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.

20. 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 paid in full on August 1, 2008. The promissory note did 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.

20. Sale of Rideau Campus (continued):

(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

(b) Long-term receivable:

The College held a promissory note with a face value of $6.85 million that was due and paid in full on August 1, 2008. The promissory note did not bear interest. The discount of the face value of the promissory note was amortized into revenue using the effective interest method at a rate of interest of 5%.

21. Capital disclosures:

(a) Capital:

The College considers its operating capital to consist of long-term debt, net assets invested in capital assets, internally restricted net assets and unrestricted net assets. The College's overall objective for its capital is to fund capital assets, future projects and ongoing operations. The College manages its capital by appropriating amounts to internally restricted net assets for anticipated future projects, contingencies and other capital requirements. These allocations are disclosed in note 21(b).

The College also considers its endowments, as disclosed in notes 6 and 13, as part of its capital. The College's objective with regards to endowments is to grow the endowment principal and maximize investment income to increase funding for student aid.

The College may not incur a deficit without the approval of the Minister of Training, Colleges and Universities of Ontario. The College would be required to eliminate any accumulated deficit within a prescribed period of time.

The College is not subject to any other externally imposed capital requirements and its approach to capital management remains unchanged from the prior year.

21. Capital disclosures (continued):

(b) 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:

	2009	2008	2007
Appropriations	$ 1,641,969	$ 3,594,092	$ 4,235,821
Specific reserves:			
Other projects and initiatives	7,609,232	7,338,670	8,366,805
Ancillary reserve fund	3,510,232	2,541,478	2,421,500
Employment stabilization funds	335,145	308,313	251,693
Other student aid	10,274	15,756	5,968
Reserve funds:			
Future capital expansion - sale of Rideau Campus	6,291,455	6,189,255	5,925,000
Future capital expansion	20,981,336	15,135,370	8,734,056
Rural campus reserve fund	2,078,361	2,044,600	1,000,000
Balance, end of year	$ 42,458,004	$ 37,167,534	$ 30,940,843

22. Comparative figures:

Certain March 31, 2007 and 2008 comparative figures have been reclassified to conform to the financial statement presentation adopted for March 31, 2009.

23. Ontario Student Opportunity Trust Fund and Ontario Trust for Student Support:

The College's endowments disclosed in note 13 include monies provided by the Government of Ontario through matching programs to award student aid as a result of raising an equal amount of endowed donations. The College has recorded the following amounts under these programs:

(a) PHASE I

Schedule of Changes in Endowment Fund Balance
For the year ended March 31, 2009

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, 2009

Balance, beginning of year	$	36,851	
Realized investment income, net of direct investment-related expenses and preservation of capital contributions		40,645	
Bursaries awarded (total number: 59)		(33,153)	
Balance, end of year	$	44,343	(B)
Endowment total based on book value (=A+B)	$	1,039,136	

The fair value of this endowment as at March 31, 2009 is $ 868,646 (2008 - $1,092,715, 2007 - $1,089,250).

23. Ontario Student Opportunity Trust Fund (continued):

(b) PHASE II

Schedule of Changes in Endowment Fund Balance for the Period of April 1, 2008 to March 31, 2009

Fund balance at beginning of year	$	2,002,396	
Cash donations received		–	
Fund balance at end of year	$	2,002,396	(A)

Schedule of Changes in Expendable Funds Available for Awards for the Period April 1, 2008 to March 31, 2009

Balance, beginning of year	$	26,126	
Realized investment income, net of direct investment-related expenses and preservation of capital contributions		75,999	
Bursaries awarded (total number: 120)		(79,394)	
Balance, end of year	$	22,731	(B)
Endowment total based on book value (=A+B)	$	2,025,127	

The fair value of this endowment as at March 31, 2009 is $ 1,748,478 (2008 - $2,199,500, 2007 - $2,192,236).

(c) ONTARIO TRUST FOR STUDENT SUPPORT

Schedule of donations received between April 1, 2008 and March 31, 2009

Cash donations matched between April 1, 2008 and March 31, 2009	$	766,138
Unmatched cash donations (received between April 1, 2008 and March 31, 2009)		–
Total cash donations	$	766,138

23. Ontario Student Opportunity Trust Fund (continued):

(c) ONTARIO TRUST FOR STUDENT SUPPORT

Schedule of Changes in Endowment Fund Balance
For the Period April 1, 2008 to March 31, 2009

Balance, beginning of year	$ 4,532,591	
Eligible cash donations received between April 1, 2008 and March 31, 2009 in compliance with the November 2005 Program Guidelines and Reporting Requirements	766,138	
Matching funds received from MTCU in 2008-09	449,497	
Matching funds receivable from MTCU in 2008-09	1,296,646	
Fund balance at end of year	$ 7,044,872	(A)

Schedule of Changes in Expendable Funds Available for Awards
For the Period April 1, 2008 to March 31, 2009

Balance, beginning of year	$ 35,982	
Realized investment income, net of direct investment-related expenses and preservation of capital contributions	189,587	
Bursaries awarded (total number: 173)	(146,581)	
Balance, end of year	$ 78,988	(B)
Endowment total based on book value (=A+B)	$ 7,123,860	

The fair value of this endowment as at March 31, 2009 is $6,151,530 (2008 - $4,978,751, $3,577,760).

Algonquin College
Report of OTSS Awards Issued for the Period of April 1, 2008 to March 31, 2009

Status of Recipients	OSAP Recipients		Non-OSAP Recipients		Total	
	Number	Amount	Number	Amount	Number	Amount
Full-Time	118	$88,021	55	$58,580	173	$146,581
Part-Time	N/A	N/A	-	$ -	-	$ -
Total	118	$88,021	55	$58,580	173	$146,581

THE ALGONQUIN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Revenue

Schedule A

Year ended March 31, 2009, with comparative figures for 2008 and 2007

	2009	2008	2007
Grants and reimbursements:			
Provincially financed programs:			
Plant and activity grants	$ 89,903,111	$ 89,886,055	$ 84,400,010
Special bursaries	1,791,082	1,805,873	1,885,282
	91,694,193	91,691,928	86,285,292
Flat-rate funding programs:			
Apprentice	4,958,490	4,403,302	4,797,087
	96,652,683	96,095,230	91,082,379
Student tuition fees:			
Post secondary:			
Full-time	41,459,051	37,772,973	35,321,469
Full-time non-funded	1,373,477	1,182,169	812,105
Part-time	9,363,154	8,843,753	8,540,663
Adult training	1,701,945	1,658,991	1,794,897
Student information technology fee	2,295,431	2,191,130	2,106,476
	56,193,058	51,649,016	48,575,610
Contract educational services:			
Provincially funded programs	5,755,526	5,816,232	6,511,876
International programs	467,131	658,526	1,343,065
Corporate and other programs	11,528,220	8,241,111	6,640,842
	17,750,877	14,715,869	14,495,783
Ancillary operations (schedule H)	36,525,136	34,181,443	33,638,874
Other:			
Early Learning Centre	863,257	821,675	792,824
Student ancillary fees	4,604,864	4,316,321	4,042,272
Investment interest	2,064,973	2,188,645	1,726,278
Miscellaneous	5,578,192	5,576,050	7,883,083
	13,111,286	12,902,691	14,444,457
Amortization of deferred capital contributions (note 11)	5,620,690	5,631,524	5,553,623
Total operating revenue	$ 225,853,730	$ 215,175,773	$ 207,790,726

THE ALGONQUIN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Academic Expenditures

Schedule B

Year ended March 31, 2009, with comparative figures for 2008 and 2007

	2009	2008	2007
Salaries:			
Faculty	$ 59,164,615	$ 54,084,672	$ 49,787,068
Administration	7,410,937	6,359,928	6,357,794
Support staff	10,012,268	9,178,177	8,316,497
Fringe benefits	13,739,273	12,145,042	11,190,387
Job Connect stipends and fringe benefits	1,069,638	1,189,854	1,149,215
Travel and professional development	1,036,551	999,651	800,989
Instructional supplies and software	6,630,097	5,971,103	5,656,746
Equipment maintenance and rental	1,789,710	1,562,023	1,368,549
Contract services	5,434,965	4,953,836	3,986,230
	$ 106,288,054	$ 96,444,286	$ 88,613,475

Educational Resources Expenditures

Schedule C

Year ended March 31, 2009, with comparative figures for 2008 and 2007

	2009	2008	2007
Salaries	$ 959,568	$ 1,204,876	$ 1,508,378
Fringe benefits	217,024	267,451	315,226
Library resource material	394,570	350,161	373,407
Office expense, supplies and maintenance	67,370	69,521	97,492
	$ 1,638,532	$ 1,892,009	$ 2,294,503

THE ALGONQUIN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Student Services Expenditures

Schedule D

Year ended March 31, 2009, with comparative figures for 2008 and 2007

	2009	2008	2007
Salaries	$ 11,226,927	$ 10,550,283	$ 9,367,935
Fringe benefits	2,206,916	2,044,968	1,790,941
Media advertising, public relations and calendar	3,426,436	3,458,829	2,889,649
Travel and conferences	738,124	528,610	514,065
Office expense and supplies	1,700,769	1,391,691	1,554,701
Contract services	1,787,609	1,428,633	1,959,286
Insurance – international students	401,919	373,689	339,472
Student aid	3,407,733	3,431,131	3,386,781
Student bursaries	3,631,336	2,782,105	3,274,117
	$ 28,527,769	$ 25,989,939	$ 25,076,947

Administrative Expenditures

Schedule E

Year ended March 31, 2009, with comparative figures for 2008 and 2007

	2009	2008	2007
Salaries	$ 11,214,134	$ 9,526,455	$ 8,945,294
Fringe benefits	2,403,143	2,097,204	1,903,034
Travel and conferences	260,187	267,419	221,381
Office expense and supplies	2,494,350	2,567,362	2,103,419
Telephone	1,000,209	665,785	791,413
Professional fees	1,963,947	2,327,462	1,423,889
Equipment maintenance, rental and software	1,389,888	1,170,677	1,133,049
Contract services	1,221,204	1,504,040	1,327,121
Interest on long-term debt	587,226	610,026	619,008
	$ 22,534,288	$ 20,736,430	$ 18,467,608

THE ALGONQUIN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Plant Expenditures

Schedule F

Year ended March 31, 2009, with comparative figures for 2008 and 2007

	2009	2008	2007
Salaries	$ 3,653,119	$ 3,510,993	$ 3,341,056
Fringe benefits	813,320	745,704	718,672
Cleaning, security and other services	2,666,041	2,590,948	2,517,779
Building and equipment - repairs and maintenance	4,213,830	6,574,405	4,046,798
Utilities and services	3,482,592	3,302,142	3,052,773
Municipal taxes	954,223	896,524	902,130
Insurance	396,634	397,881	426,521
Premises rental	381,679	272,050	226,024
Office expense and supplies	1,057,674	1,024,550	669,382
	$ 17,619,112	$ 19,315,197	$ 15,901,135

Special Projects Expenditures

Schedule G

Year ended March 31, 2009, with comparative figures for 2008 and 2007

	2009	2008	2007
Salaries	$ 488,516	$ 234,339	$ 158,659
Fringe benefits	56,255	24,682	17,719
Software expense	45,476	36,469	2,040
Sick leave, buyout and compensation costs	1,137,952	957,529	993,579
Office expense and supplies	473,471	565,085	511,309
Contract services	385,580	120,859	410,849
Equipment maintenance and rental	158,940	74,479	50,757
	$ 2,746,190	$ 2,013,442	$ 2,144,912

THE ALGONQUIN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Ancillary Operations Summary

Schedule H

Year ended March 31, 2009, with comparative figures for 2008 and 2007

	Revenue	Expenditures	2009 Contribution	2008 Contribution	2007 Contribution
Food Services	$ 7,890,063	$ 7,133,696	$ 756,367	$ 551,346	$ 481,174
Bookstore	14,851,825	13,555,537	1,296,288	1,100,665	1,112,862
Parking and Lockers	3,584,141	1,438,396	2,145,745	2,021,514	2,007,056
Publishing Centre	1,761,872	1,391,750	370,122	418,714	550,687
Residence	8,269,147	6,748,229	1,520,918	1,456,757	1,602,223
Other	168,088	499,038	(330,950)	(206,130)	(122,564)
Totals	$ 36,525,136	$ 30,766,646	$ 5,758,490	$ 5,342,866	$ 5,631,438

The Residence contribution is used to fund the principal payments of the residence building loans (note 10(a)).