Financial Statements of

THE ALGONQUIN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Year ended March 31, 2010

THE ALGONQUIN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Financial Statements and Supplementary Schedules

Year ended March 31, 2010

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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, 2010 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, 2010 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, 2010

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THE ALGONQUIN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Statement of Financial Position

March 31, 2010, with comparative figures for 2009

	2010	2009 (restated - note 3)
Assets		
Current assets:		
Cash and cash equivalents	$ 33,702,717	$ 35,457,201
Short-term investments (note 5)	30,957,394	36,412,845
Accounts receivable	20,725,640	13,459,370
Inventory (note 4)	2,081,103	2,074,983
Prepaid expenses	395,877	322,556
	87,862,731	87,726,955
Investments (note 5)	19,870,748	706,250
Endowment assets (note 6)	13,087,152	9,478,596
Capital assets (note 7)	147,424,376	134,133,988
	$ 268,245,007	$ 232,045,789
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities	$ 23,244,378	$ 15,182,443
Accrued salaries and employee deductions payable	7,003,571	7,273,969
Deferred revenue (note 8)	19,621,958	14,834,320
Current portion of long-term debt (note 9)	1,635,931	1,533,528
	51,505,838	38,824,260
Long-term debt (note 9)	47,170,286	48,807,217
Vacation, sick leave and post-employment benefits (note 13(c))	15,417,638	15,350,342
Deferred capital contributions (note 10)	78,290,245	68,723,173
Interest rate swaps (note 9(b))	10,841,444	17,067,635
Net assets (deficiency):		
Unrestricted	1,000,000	938,015
Investment in capital assets (note 11(a))	23,382,538	22,816,524
Vacation, sick leave and post-employment benefits (note 13(c))	(15,417,638)	(15,350,342)
Interest rate swaps (note 9(b))	(10,841,444)	(17,067,635)
Internally restricted (note 20(b))	53,808,948	42,458,004
Endowment fund (note 12)	13,087,152	9,478,596
	65,019,556	43,273,162
Commitments and guarantees (note 16)		
Contingencies (note 17)		
	$ 268,245,007	$ 232,045,789

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, 2010, with comparative figures for 2009

	Budget 2010 (unaudited)	Actual 2010	Actual 2009 (restated – note 3)
Revenue (schedule A):			
Grants and reimbursements	$ 91,742,911	$ 103,520,242	$ 96,652,683
Student tuition fees	65,136,562	64,636,752	56,193,058
Contract educational services	23,077,005	20,790,500	17,750,877
Ancillary operations (schedule B)	36,344,462	38,237,725	36,525,136
Other	10,436,754	11,387,347	13,243,596
Amortization of deferred capital contributions (note 10)	5,812,000	5,428,307	5,620,690
	232,549,694	244,000,873	225,986,040
Expenditures:			
Salaries and benefits	130,293,868	131,165,187	123,898,740
Building maintenance and utilities	6,683,143	8,684,432	9,443,408
Instructional supplies and equipment	2,835,353	3,549,404	3,417,279
Bursaries and other student aid	3,478,000	7,064,216	7,039,069
Interest	638,000	546,994	587,226
Amortization and write-off of capital assets (note 11)	11,900,000	11,589,133	11,878,347
Ancillary operations (schedule B)	30,777,465	32,150,480	30,766,646
Other	51,573,150	39,958,864	35,032,056
	238,178,979	234,708,710	222,062,771
Change in vacation, sick leave and post employment benefits liabilities (note 13(c))	637,000	67,296	(32,227)
	238,815,979	234,776,006	222,030,544
Excess (deficiency) of revenue over expenditures	$ (6,266,285)	$ 9,224,867	$ 3,955,496

See accompanying notes to financial statements.

THE ALGONQUIN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Statement of Changes in Net Assets

Year ended March 31, 2010, with comparative figures for 2009

	Unrestricted	Investment in capital assets (note 11(a))	Vacation, sick leave and post employment benefits (note 13(c))	Interest rate swaps (note 9(b))	Internally restricted (note 20(b))	Endowment fund (note 12)	2010 Total	2009 Total
Net assets, beginning 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
Adoption of new accounting standards (note 3)	(61,985)	–	–	–	–	–	(61,985)	(130,462)
Net assets, beginning of year, as restated	938,015	22,816,524	(15,350,342)	(17,067,635)	42,458,004	9,478,596	43,273,162	46,209,950
Excess of revenue over expenditures	9,224,867	–	–	–	–	–	9,224,867	3,955,496
Change in vacation, sick leave and post-employment benefits liabilities (note 13(c))	67,296	–	(67,296)	–	–	–	–	–
Internally imposed restrictions	(11,350,944)	–	–	–	11,350,944	–	–	–
Net change in investment in capital assets (note 11(b))	2,120,766	(2,120,766)	–	–	–	–	–	–
Donation of land (note 14)	–	2,686,780	–	–	–	–	2,686,780	–
Endowment contributions and investment income (note 12)	–	–	–	–	–	3,608,556	3,608,556	315,899
Change in fair value of interest rate swaps (note 9(b))	–	–	–	6,226,191	–	–	6,226,191	(7,208,183)
Net assets, end of year	$ 1,000,000	$ 23,382,538	$ (15,417,638)	$ (10,841,444)	$ 53,808,948	$ 13,087,152	$ 65,019,556	$ 43,273,162

See accompanying notes to financial statements.

THE ALGONQUIN COLLEGE OF APLIED ARTS AND TECHNOLOGY

Statement of Cash Flows

Year ended March 31, 2010, with comparative figures for 2009

	2010	2009
Cash provided by (used for):		
Operations:		
Excess of revenue over expenditures	$ 9,224,867	$ 3,955,496
Items, which do not involve cash:		
Amortization of capital assets	11,525,054	11,652,810
Write-off of capital assets	64,079	225,537
Amortization of deferred capital contributions	(5,428,307)	(5,620,690)
Change in vacation, sick leave and post-employment benefits liabilities (note 13(b))	67,296	(32,227)
Change in non-cash working capital (note 18)	5,233,464	(12,376,662)
	20,686,453	(2,195,736)
Financing:		
Principal repayments of long-term debt	(1,534,528)	(1,436,553)
Contributions to endowment fund (note 12)	3,608,556	315,899
Donation of land (note 14)	2,686,780	–
Decrease in capital lease	–	(178,741)
	4,760,808	(1,299,395)
Investments:		
Withdrawals from (additions to) investments	(13,709,047)	62,148
Capital asset additions (note 11(b))	(24,879,521)	(9,690,050)
Capital contributions received (note 10)	14,995,379	13,909,060
Additions to endowment assets	(3,608,556)	(315,899)
	(27,201,745)	3,965,259
Increase (decrease) in cash and cash equivalents	(1,754,484)	470,128
Cash and cash equivalents, beginning of year	35,457,201	34,987,073
Cash and cash equivalents, end of year	$ 33,702,717	$ 35,457,201
Consisting of:		
Cash on deposit	$ 26,171,538	$ 11,753,982
Bankers acceptances	7,531,179	23,703,219
	$ 33,702,717	$ 35,457,201
Interest paid in the year	$ 3,347,576	$ 3,454,839

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:

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles, and include the following significant accounting policies:

(a) Basis of presentation:

The College uses the deferral method of accounting for contributions for not-for-profit organizations.

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

(b) Revenue:

(i) 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. Contributions to endowment funds are recognized as direct increases in net assets in the period received.

(ii) Contributions received for capital assets are deferred and amortized into revenue over the same term and on the same basis as the related capital asset. Contributions of land are recognized as direct increases in investment in capital assets in the period received.

(iii) 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.

(iv) 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.

2. Significant accounting policies (continued):

(b) Revenue (continued):

(v) 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.

(c) Cash and cash equivalents:

Cash and cash equivalents include deposits with financial institutions that can be withdrawn without prior notice or penalty and short-term deposits with an original maturity of ninety days or less.

(d) Financial Instruments:

(i) Investments:

Investments are designated as held to maturity and are measured at amortized cost using the effective interest method. Purchases of investments are recorded on the settlement date. Transaction costs related to the acquisition of investments are expensed.

(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.

(iii) 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.

2. Significant accounting policies (continued):

(d) Financial Instruments (continued):

(iv) Other financial instruments:

The College has classified accounts receivable as loans and receivables and accounts payable and accrued liabilities, accrued salaries and employee deductions payable, and long-term debt as other liabilities.

Upon initial recognition, these financial assets and liabilities are measured at fair value. Subsequent to initial recognition, these financial assets and liabilities are measured at amortized cost using the effective interest method of amortization.

(e) Inventory:

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

(f) 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.

2. Significant accounting policies (continued):

(f) Capital assets (continued):

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

Capital assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimate undiscounted cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset.

(g) Expenses:

In the statement of operations, the College presents its expenses by object, except for Ancillaries expenses which are presented by function.

Expenses are recognized in the year incurred and are recorded in the applicable function to which they are directly related. The College does not allocate expenses between functions after initial recognition.

(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.

2. Significant accounting policies (continued):

(i) 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.

(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.

Significant management estimates include assumptions used in determining the fair value of investments, endowment assets and interest rate swaps, and determining the post-employment benefit accrued liability.

(k) Budget figures:

Budget figures have been provided for information purposes and are derived from the College's budget approved by the Board of Governors. Budget figures have not been audited.

3. Adoption of new accounting standards:

(a) Amendment to Section 1000, *Financial Statement Concepts*:

Effective April 1, 2009, the College adopted the amendments to the Canadian Institute of Chartered Accountants ("CICA") Handbook Section 1000, *Financial Statement Concepts*. These amendments clarified the criteria for recognition of an asset or liability, removing the ability to recognize assets or liabilities solely on the basis of matching of revenue and expense items. Upon adoption of these amendments, the College determined that prepaid expenses of $61,985 previously recorded did not meet the revised definition of an asset. The amended standard was retrospectively adopted and therefore the 2009 comparative figures have been restated as follows:

	2009 Original	Increase (decrease)	2009 Restated
Statement of Financial Position:			
Prepaid expenses	$ 384,541	$ (61,985)	$ 322,556
Opening net assets	46,340,412	(130,462)	46,209,950
Statement of Operations:			
Other expenses	$ 35,100,533	$ (68,477)	$ 35,032,056
Excess of revenue and expenses	3,887,019	68,477	3,955,496

(b) *Amendments to Accounting Standards that Apply Only to Not-for-Profit Organizations:*

Effective April 1, 2009, the College adopted the amendments to the CICA Handbook 4400 Sections, which apply to not-for-profit organizations. These amendments eliminate the requirement to show net assets invested in capital assets as a separate component of net assets, clarify the requirement for revenue and expenses to be presented on a gross basis when the not-for-profit organization is acting as principal and requiring the application of CICA Handbook Section 1540 *Cash Flow Statements* by not-for-profit organizations.

These amendments were restrospectively adopted these amendments resulting in an increase in other revenues and expenses in the comparative figures of $132,310.

In addition, the College retrospectively adopted Section 1540 which required separate presentation of cash and cash equivalents and investments on the statement of financial position, as well as additional disclosures in the statement of cash flows.

3. Adoption of new accounting standards:

(c) *Disclosure of Allocated Expenses by Not-for-Profit Organizations:*

Effective April 1, 2009, the College adopted the CICA Handbook Section 4470, *Disclosure of Allocated Expenses by Not-for-Profit Organizations* which establishes disclosure standards for not-for-profit organizations that choose to report their expenses by function and allocate expenses between functions. For these financial statements, the College chose to report their expenses by object on the statement of operations with the exception of ancillaries expense. Therefore, the adoption of these recommendations had no effect on these financial statements, except for the additional note disclosure in note 2(g).

4. Inventory:

	2010	2009
Bookstore	$ 1,835,770	$ 1,726,388
Food services	214,519	195,504
Stationery and supplies	11,646	145,103
Publishing centre	19,168	7,988
	$ 2,081,103	$ 2,074,983

5. Investments:

Investments consist of the following:

	2010	2009
Guaranteed investment certificates	$ 26,551	$ 26,528
Money market funds	48,921	48,907
Bankers acceptances	49,258,546	36,386,316
Bond fund	1,006,223	431,237
Equity	487,901	226,107
	$ 50,828,142	$ 37,119,095

Investments are managed by investment managers under an investment policy approved by the Board of Governors.

The College's bankers' acceptances have effective interest rates of 0.5% to 6.7% and maturity dates ranging from May 2010 to August 2011.

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	2010	2009
Receivable from Government of Ontario for Ontario Trust for Student Support matching funds (note 21(c))	$ 967,326	$ 1,296,646
Endowed investments:		
Cash equivalents	1,346,557	700,749
Bonds	3,378,620	2,501,241
Equities	7,394,649	4,979,940
	$ 13,087,152	$ 9,478,576

Cost	2010	2009
Receivable from Government of Ontario for Ontario Trust for Student Support matching funds (note 21(c))	$ 967,326	$ 1,296,646
Endowed investments:		
Cash equivalents	1,346,557	700,749
Bonds	3,270,320	2,482,854
Equities	6,687,242	6,027,844
	$ 12,271,445	$ 10,508,093

Endowed investments are managed by investment managers under an investment policy approved by the Board of Governors. The investment policy limits investments to Canadian and foreign equities traded on a public market, Canadian and the United States, government and corporate bonds with a minimum rating of A-, and cash equivalents.

The bonds have interest rates of 3.2% to 7.7% and maturity dates ranging from August 2010 to February 2022.

The College regularly reviews endowed investments to determine whether unrealized losses represent temporary changes in fair value or are a result of other than temporary impairments. The consideration of whether an investment is other than temporarily impaired is based on a number of factors which include, but are not limited to, the financial condition of the issuer and the length and magnitude of the unrealized loss and specific credit events.

6. Endowment assets (continued):

The College also considers its intent and ability to hold an investment for a sufficient period of time for the value of the unrealized loss to recover. Based on the evaluation as of March 31, 2010, no unrealized losses are considered to be other than temporary.

7. Capital assets:

	Cost	Accumulated amortization	2010 Net book value	2009 Net book value
Land	$ 7,056,877	$ –	$ 7,056,877	$ 4,370,097
Buildings	154,453,089	56,087,265	98,365,824	102,211,735
Site improvements	19,568,826	8,939,803	10,629,023	12,111,151
Parking lots	3,818,720	3,301,840	516,880	707,288
Computers and equipment	57,066,873	45,150,606	11,916,267	13,540,631
Automotive equipment	358,583	270,055	88,528	75,999
Construction-in-progress	18,850,977	–	18,850,977	1,117,087
	$ 261,173,945	$ 113,749,569	$ 147,424,376	$ 134,133,988

Cost and accumulated amortization at March 31, 2009 amounted to $243,642,206 and $109,508,218 respectively.

8. Deferred revenue:

Details of the year-end balance are as follows:

	2010	2009
Student tuition fees	$ 10,956,330	$ 9,282,677
Grants and reimbursements	3,132,958	1,703,140
Contract education services	973,824	636,251
Student aid	569,190	526,137
Miscellaneous projects	3,989,656	2,686,115
	$ 19,621,958	$ 14,834,320

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.

8. Deferred revenue (continued):

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. 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.

	2010	2009
Residence I building loan, bearing interest at prime plus 0.40%, maturing in 2025 (note 8(b))	$ 10,446,474	$ 10,804,777
Residence II building loan, bearing interest at prime plus 0.25%, maturing in 2027 (note 8(b))	14,725,891	15,180,905
Residence III building loan, bearing interest at prime plus 0.25%, maturing in 2029 (note 8(b))	15,672,536	16,111,332
Police and Public Safety building loan, bearing interest at prime plus 0.40%, maturing in 2025 (note 8(b))	7,961,316	8,243,731
	48,806,217	50,340,745
Less current portion	1,635,931	1,533,528
	$ 47,170,286	$ 48,807,217

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

2011	$ 1,635,931
2012	1,745,192
2013	1,861,773
2014	1,986,167
2015	2,118,896
Thereafter	39,458,258
	$ 48,806,217

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 $10,841,444 (2009 - $17,067,635) 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 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 Algonquin Centre for Construction Excellence, $2.5 million for the expansion of the Pembroke campus, and $1 million for the expansion of the Perth campus. The unused portion of contributions received will be used as construction continues on these projects.

10. Deferred capital contributions (continued):

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

	2010	2009
Balance, beginning of year	$ 68,723,173	$ 60,434,803
Less amortization of deferred capital contributions	(5,428,307)	(5,620,690)
Add capital contributions received:		
Donated contributions:		
Automotive Technology Trades Centre	92,916	153,083
Algonquin Centre for Construction Excellence	299,750	700
Pembroke campus expansion	672,065	73,475
Perth campus expansion	7,200	–
Other capital projects	56,900	90,708
Government contributions:		
Algonquin Centre for Construction Excellence	10,659,068	8,750,000
Perth campus expansion	1,001,084	–
Other capital projects	2,136,624	4,807,270
Add investment income related to contributed funds	69,772	33,824
	14,995,379	13,909,060
Balance, end of year	$ 78,290,245	$ 68,723,173

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

	2010	2009
Algonquin Centre for Construction Excellence	$ 2,249,321	$ 7,685,507
Pembroke campus expansion	572,895	60,947
Perth campus expansion	232,408	–
Balance, end of year	$ 3,054,624	$ 7,746,454

The used portion of deferred capital contributions was $75,235,621 (2009 - $60,976,719).

11. Investment in capital assets:

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

	2010	2009
Capital assets	$ 147,424,376	$ 134,133,988
Less amounts financed by:		
Deferred capital contributions – used (note 10)	(75,235,621)	(60,976,719)
Long-term debt	(48,806,217)	(50,340,745)
	$ 23,382,538	$ 22,816,524

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

	2010	2009
Capital asset additions:		
Total additions	$ 24,879,521	$ 9,690,050
Less:		
Donated equipment	(56,900)	(90,708)
Building/construction in progress financed with donations	(259,572)	–
Donated land	(2,686,780)	–
Other capital assets financed with capital contributions	(19,370,737)	(6,392,657)
Capital assets purchases with College funds	2,505,532	3,206,685
External financing:		
Decrease in long-term debt	1,534,528	1,436,553
Decrease in capital lease	–	178,741
Amortization of deferred capital contributions	5,428,307	5,620,690
Amortization of capital assets	(11,525,054)	(11,652,810)
Write-off of capital assets	(64,079)	(225,537)
Net change in investment in capital assets	$ (2,120,766)	$ (1,435,678)

12. 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 $12,301,922 (2009 - $8,768,654) in endowed funds relating to the Ontario Student Opportunity Trust Fund and Ontario Trust for Student Support (note 22). Included in the student aid portion of the deferred revenue (note 8), is $203,959 (2009 - $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 investment income equal to 4% of the endowment fund book value at the end of the preceding fiscal year. In the year, $437,000 (2009- $335,000) was distributed from the endowment fund to deferred revenue-student aid for use in the 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:

	2010	2009
Permanently endowed contributions	$ 12,742,296	$ 10,855,104
Cumulative amount distributed in excess of realized investment income	(470,851)	(383,968)
	12,271,445	10,471,136
Unrealized gains (losses) due to changes in fair value of endowment assets	815,707	(992,540)
Endowment fund balance	$ 13,087,152	$ 9,478,596

13. Employee benefits plans:

(a) Pension plan:

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

13. Employee benefits plans (continued):

(a) Pension plan (continued):

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 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 $9,268,785 (2009 - $7,819,864) and are included in the salaries and benefits.

(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 by the Plan's Actuary as at March 31, 2008, and was extrapolated for accounting purposes to March 31, 2010.

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, 2010 of $36,000 (2009 - $62,000 loss) per the actuarial valuation. This curtailment loss, net of annual service costs, increases the accrued benefit liability as at March 31, 2010.

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.

13. Employee benefits plans (continued):

(b) Post employment benefits (continued):

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

Discount rate	4.75%
Dental benefits cost and premium escalation	7.5% in 2008 decreased by 4.5% by 2023
Medical benefits cost escalation - hospital and other medical	4.5%
- drugs	10.5% in 2008 decreasing to 4.5% by 2023
Medical premium escalation	8.0% in 2008 decreased to 4.5% by 2023
Expected return on assets	3.3% per annum

(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:

	2010	2009
Post-employment benefits	$ 2,814,430	$ 2,955,700
Vacation	9,498,919	9,099,075
Sick leave	3,104,289	3,295,567
	$ 15,417,638	$ 15,350,342

14. Donation of Land

The City of Ottawa transferred 1.2481 hectares of land to the College in November 2009 for the Algonquin Centre for Construction Excellence building project. The land has been recorded at its estimated value at $2,686,780 at the date of transfer.

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, 2010 was $1,558,889 (2009 - $1,877,290) 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 cash equivalents, 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.

The fair value of investments is disclosed in note 5.

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

(c) Interest rate risk:

The College is exposed to interest rate risk with respect to its interest-bearing investments, long-term debt and interest rate swaps, as disclosed in notes 5, 6, and 9

(d) Currency risk:

The College believes that it is not exposed to significant currency risks arising from its financial instruments.

16. Commitments and guarantee:

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

2011	$ 329,897
2012	145,732
2013	19,211
	$ 494,840

(b) At March 31, 2010, commitments for the construction of the Algonquin Centre for Construction Excellence and the Perth Campus expansion amounted to approximately $55,465,796.

(c) Letters of credit:

The College is contingently liable under letters of credit amounting to $65,000 (2009 - $175,959) which have been issued in the normal course of business.

(d) 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:

	2010	2009
Decrease (increase) in accounts receivable	$ (7,266,270)	$ 2,184,300
Increase in inventory	(6,120)	(34,509)
Decrease (increase) in prepaid expenses	(73,321)	69,307
Increase in investments	–	(19,823,150)
Increase in accounts payable and accrued liabilities	8,061,945	5,219,999
Increase (decrease) in accrued salaries and employee deductions payable	(270,398)	2,760,052
Increase (decrease) in deferred revenue	4,787,638	(2,752,661)
	$ 5,233,474	$ (12,376,662)

19. Related parties:

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

During the year, the College received $3,903,200 (2009 - $3,030,617) 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. 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 20(b).

The College also considers its endowments, as disclosed in notes 5 and 11, 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.

20. Capital disclosures (continued):

(a) Capital (continued):

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.

(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:

	2010	2009
Appropriations	$ 2,130,576	$ 1,641,969
Specific reserves:		
Other projects and initiatives	9,123,605	7,609,232
Ancillary services reserve fund	3,977,651	3,510,232
Employment stabilization funds	369,385	335,145
Other student aid	14,368	10,274
Reserve funds:		
Future capital expansion - sale of Rideau Campus	6,319,767	6,291,455
Future capital expansion	29,785,882	20,981,336
Rural campus reserve fund	2,087,714	2,078,361
Balance, end of year	$ 53,808,948	$ 42,458,004

21. Comparative figures:

Certain 2009 comparative figures have been reclassified to conform to the financial statement presentation adopted for 2010.

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

The College's endowments disclosed in note 6 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, 2010

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, 2010

Balance, beginning of year	$ 44,343	
Realized investment income, net of direct investment-related expenses and preservation of capital contributions	40,195	
Bursaries awarded (total number: 50)	(35,203)	
Balance, end of year	$ 49,335	(B)
Endowment total based on book value (=A+B)	$ 1,044,128	

The fair value of this endowment as at March 31, 2010 is $1,046,972 (2009 - $868,646).

22. Ontario Student Opportunity Trust Fund and Ontario Trust for Student Support (continued):

(b) PHASE II

Schedule of Changes in Endowment Fund Balance for the Period of April 1, 2009 to March 31, 2010

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, 2009 to March 31, 2010

Balance, beginning of year	$	22,731
Realized investment income, net of direct investment-related expenses and preservation of capital contributions		77,837
Bursaries awarded (total number: 124)		(83,300)
Balance, end of year	$	17,268 (B)
Endowment total based on book value (=A+B)	$	2,019,664

The fair value of this endowment as at March 31, 2010 is $2,093,944 (2009 - $1,748,478).

(c) ONTARIO TRUST FOR STUDENT SUPPORT

Schedule of donations received between April 1, 2009 and March 31, 2010

Cash donations matched between April 1, 2009 and March 31, 2010	$	703,797
Unmatched cash donations (received between April 1, 2009 and March 31, 2010)		–
Total cash donations	$	703,797

22. Ontario Student Opportunity Trust Fund and Ontario Trust for Student Support (continued):

(c) ONTARIO TRUST FOR STUDENT SUPPORT (continued)

Schedule of Changes in Endowment Fund Balance
For the Period April 1, 2009 to March 31, 2010

Balance, beginning of year	$ 7,044,872	
Eligible cash donations received between April 1, 2009 and March 31, 2010 in compliance with the November 2005 Program Guidelines and Reporting Requirements	704,195	
Matching funds received from MTCU in 2009-10	181,631	
Matching funds receivable from MTCU in 2009-10	967,326	
Fund balance at end of year	$ 8,898,024	(A)

Schedule of Changes in Expendable Funds Available for Awards
For the Period April 1, 2009 to March 31, 2010

Balance, beginning of year	$ 78,988	
Realized investment income, net of direct investment-related expenses and preservation of capital contributions	286,160	
Bursaries awarded (total number: 267)	(227,792)	
Balance, end of year	$ 137,356	(B)
Endowment total based on book value (=A+B)	$ 9,035,380	

The fair value of this endowment as at March 31, 2010 is $9,161,006 (2009 - $6,151,530).

Algonquin College
Report of OTSS Awards Issued for the Period of April 1, 2009 to March 31, 2010

Status of Recipients	OSAP Recipients		Non-OSAP Recipients		Total	
	Number	Amount	Number	Amount	Number	Amount
Full-Time	118	$93,461	149	$134,331	267	$227,792
Part-Time	–	–	–	–	–	–
Total	118	$93,461	149	$134,331	267	$227,792

THE ALGONQUIN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Revenue

Schedule A

Year ended March 31, 2010, with comparative figures for 2009

	Budget 2010 (unaudited)	Actual 2010	Actual 2009 (restated – note 3)
Grants and reimbursements:			
Post secondary activity	$ 86,618,465	$ 95,412,302	$ 89,903,111
Apprentice programs	5,124,446	5,212,515	4,958,490
Special bursaries	–	2,895,425	1,791,082
	91,742,911	103,520,242	96,652,683
Student tuition fees:			
Full-time post secondary	47,640,425	47,500,627	41,459,051
Full-time non-funded	1,829,920	1,925,188	1,373,477
Part-time	11,051,637	10,564,265	9,363,154
Adult training	1,908,492	1,927,418	1,701,945
Student information technology and mobile computing fee	2,706,088	2,719,254	2,295,431
	65,136,562	64,636,752	56,193,058
Contract educational services:			
Provincially funded programs	6,320,134	6,695,287	5,755,526
International programs	264,254	327,706	467,131
Corporate and other programs	16,492,617	13,767,507	11,528,220
	23,077,005	20,790,500	17,750,877
Ancillary operations (schedule B)	36,344,462	38,237,725	36,525,136
Other:			
Early Learning Centre	978,129	983,308	863,257
Student ancillary fees	3,237,390	3,510,471	4,604,864
Investment income	911,000	288,070	2,197,283
Miscellaneous	5,310,235	6,605,498	5,578,192
	10,436,754	11,387,347	13,243,596
Amortization of deferred capital contributions (note 10)	5,812,000	5,428,307	5,620,690
Total revenue	$ 232,549,694	$ 244,000,873	$ 225,986,040

THE ALGONQUIN COLLEGE OF APPLED ARTS AND TECHNOLOGY

Ancillary Operations Summary
Year ended March 31, 2010, with comparative figures for 2009

Schedule B

	Revenue	Expenditures	2010 Contribution	2009 Contribution
Food services	$ 7,976,158	$ 7,311,466	$ 664,692	$ 756,367
Bookstore	16,346,047	14,715,423	1,630,624	1,296,288
Parking and lockers	3,923,211	1,351,582	2,571,629	2,145,745
Publishing centre	1,859,842	1,433,191	426,651	370,122
Residence	7,944,046	6,783,440	1,160,606	1,520,918
Other	188,421	555,378	(366,957)	(330,950)
Totals	$ 38,237,725	$ 32,150,480	$ 6,087,245	$ 5,758,490

The Residence contribution is used to fund the principal payments of the residence building loans (note 9 (a)). Residence expenditures include $2,800,582 (2009 - $2,867,613) paid in interest on the residence building loans in the year.