

Financial Statements of

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

Year ended March 31, 2003

THE ALGONQUIN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Financial Statements and Supplementary Schedules

Year ended March 31, 2003

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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, 2003 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.

As set out in notes 2(b) and 2(c), the College has not accrued vacation entitlements and post-employment benefits obligations in the accounts. To this extent, the statements are not in accordance with Canadian generally accepted accounting principles. The effect of this departure from Canadian generally accepted accounting principles is set out in notes 2(b) and 2(c).

In our opinion, except for the failure to record accrued vacation entitlements and post-employment benefits obligations as set out above and in notes 2(b) and 2(c), these financial statements present fairly, in all material respects, the financial position of the College as at March 31, 2003 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

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

A handwritten signature in black ink that reads 'KPMG LLP' in a cursive, stylized font.

Chartered Accountants

Ottawa, Canada

June 9, 2003

THE ALGONQUIN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Statement of Financial Position

March 31, 2003, with comparative figures for 2002 and 2001

	2003	2002	2001
Assets			
Current assets:			
Cash and short-term investments	\$ 790,359	\$ 20,633,132	\$ 26,247,130
Accounts receivable	10,229,906	7,059,026	8,897,201
Inventory (note 3)	1,548,945	1,411,799	1,465,312
Prepaid expenses	851,401	1,327,829	277,620
	13,420,611	30,431,786	36,887,263
Loan receivable	—	—	903,352
Investments (note 4)	1,652,829	1,598,831	1,329,656
Intellectual property	77,733	139,920	—
Capital assets (note 5)	114,828,283	102,119,647	80,844,865
	\$ 129,979,456	\$ 134,290,184	\$ 119,965,136
Liabilities and Net Assets			
Current liabilities:			
Bank indebtedness	\$ —	\$ 7,000,000	\$ —
Accounts payable and accrued liabilities	7,445,149	5,927,954	5,695,221
Accrued salaries and employee deductions payable	1,572,772	1,203,221	1,084,069
Deferred revenue (note 6)	12,738,448	11,910,894	14,114,031
Current portion of obligation under capital lease (note 7)	86,913	—	—
Current portion of long-term debt (note 8(a))	1,134,533	1,082,517	944,111
	22,977,815	27,124,586	21,837,432
Obligation under capital lease (note 7)	341,333	—	—
Long-term debt (note 8(a))	46,774,370	41,194,155	28,148,412
Long-term deferred revenue	—	7,488,690	18,622,618
Deferred capital contributions (note 9)	46,257,903	40,482,569	30,511,922
Net assets:			
Unrestricted deficiency	(8,963,722)	(4,131,429)	(3,952,732)
Investment in capital assets (note 10(a))	20,233,231	19,360,406	21,240,420
Internally restricted (note 11)	705,697	1,172,376	2,227,408
Endowments (note 12)	1,652,829	1,598,831	1,329,656
	13,628,035	18,000,184	20,844,752
Commitments (note 15)			
Contingencies (note 16)			
	\$ 129,979,456	\$ 134,290,184	\$ 119,965,136

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, 2003, with comparative figures for 2002 and 2001

	2003	2002	2001
Revenue (schedule A):			
Grants and reimbursements	\$ 66,572,216	\$ 63,014,902	\$ 59,662,711
Student tuition fees	44,136,682	43,109,689	43,673,541
Contract educational services	14,189,317	13,490,994	12,100,528
Ancillary operations (schedule H)	24,348,930	21,994,173	19,615,879
Other	11,289,900	10,528,714	10,449,937
	<u>160,537,045</u>	<u>152,138,472</u>	<u>145,502,596</u>
Expenditures:			
Operating:			
Academic (schedule B)	79,842,587	78,064,325	71,799,023
Educational resources (schedule C)	1,736,202	1,800,650	1,763,423
Student services (schedule D)	18,674,890	18,389,425	15,060,773
Administrative (schedule E)	14,007,122	12,373,387	11,522,162
Plant (schedule F)	17,205,815	14,595,689	12,884,597
Special projects (schedule G)	1,067,557	1,024,491	2,060,178
Ancillary operations (schedule H)	21,063,103	18,551,045	16,807,943
	<u>153,597,276</u>	<u>144,799,012</u>	<u>131,898,099</u>
Amortization and write-off of capital assets	11,303,729	10,406,563	8,765,660
Amortization of intellectual property	62,187	46,640	—
Voluntary separation	—	—	392,633
	<u>164,963,192</u>	<u>155,252,215</u>	<u>141,056,392</u>
Excess (deficiency) of revenue over expenditures	\$ (4,426,147)	\$ (3,113,743)	\$ 4,446,204

See accompanying notes to financial statements.

THE ALGONQUIN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Statement of Changes in Net Assets

Year ended March 31, 2003, with comparative figures for 2002 and 2001

	Unrestricted	Investment in capital assets (note 10(a))	Internally restricted (note 11)	Endowments (note 12)	2003 Total	2002 Total	2001 Total
Net assets, beginning of year	\$ (4,131,429)	\$ 19,360,406	\$ 1,172,376	\$ 1,598,831	\$ 18,000,184	\$ 20,844,752	\$ 16,253,444
Excess (deficiency) of revenue over expenditures	(4,426,147)	—	—	—	(4,426,147)	(3,113,743)	4,446,204
Internally imposed restrictions	466,679	—	(466,679)	—	—	—	—
Net change in investment in capital assets (note 10(b))	(872,825)	872,825	—	—	—	—	—
Endowment contributions and investment income	—	—	—	53,998	53,998	269,175	96,354
Donation of land received	—	—	—	—	—	—	48,750
Net assets, end of year	\$ (8,963,722)	\$ 20,233,231	\$ 705,697	\$ 1,652,829	\$ 13,628,035	\$ 18,000,184	\$ 20,844,752

See accompanying notes to financial statements.

THE ALGONQUIN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Statement of Cash Flows

Year ended March 31, 2003, with comparative figures for 2002 and 2001

	2003	2002	2001
Cash provided by (used for):			
Operations:			
Excess (deficiency) of revenue over expenditures	\$ (4,426,147)	\$ (3,113,743)	\$ 4,446,204
Items, which do not involve cash:			
Amortization of capital assets	10,931,431	10,075,973	8,268,911
Gain on sale of building	—	—	(669,558)
Write-off of capital assets	372,298	330,590	496,749
Amortization of intellectual property	62,187	46,640	—
Amortization of deferred capital contributions	(2,828,910)	(2,439,210)	(2,830,386)
Change in non-cash working capital (note 17)	(117,298)	(1,009,773)	930,073
	<u>3,993,561</u>	<u>3,890,477</u>	<u>10,641,993</u>
Financing:			
Increase (decrease) in bank indebtedness	(7,000,000)	7,000,000	—
Increase in long-term debt	5,632,231	13,184,149	19,743,842
Increase (decrease) in long-term deferred revenue	(7,488,690)	(11,133,928)	12,699,735
Increase in capital lease	428,246	—	—
	<u>(8,428,213)</u>	<u>9,050,221</u>	<u>32,443,577</u>
Investments:			
Proceeds on sale of building	—	—	759,076
Decrease in loan receivable	—	903,352	293,597
Capital asset additions (note 10)	(24,012,365)	(31,681,345)	(28,230,856)
Capital contributions received (note 9)	8,604,244	12,409,857	338,677
Acquisition of intellectual property	—	(186,560)	—
Increase in investment	(53,998)	(269,175)	(146,354)
Endowment contributions and investment income	53,998	269,175	96,354
	<u>(15,408,121)</u>	<u>(18,554,696)</u>	<u>(26,889,506)</u>
Increase (decrease) in cash and short-term investments	(19,842,773)	(5,613,998)	16,196,064
Cash and short-term investments, beginning of year	20,633,132	26,247,130	10,051,066
Cash and short-term investments, end of year	<u>\$ 790,359</u>	<u>\$ 20,633,132</u>	<u>\$ 26,247,130</u>

See accompanying notes to financial statements.

THE ALGONQUIN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements

Year ended March 31, 2003

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.

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 results and operations of the Foundation are not included in these financial statements. The objectives of the Foundation are to solicit, receive, manage and distribute money and other property to support education at the College. The Foundation had no activity in the current year.

2. Significant accounting policies:

(a) General:

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles with the exception of vacation entitlements and post-employment benefits obligations described below.

(b) Vacation entitlements:

Vacation entitlements are recorded as salary expense upon payment rather than in accordance with the accrual basis as recommended by the Canadian Institute of Chartered Accountants. Most vacation is earned by the employees of the College by March 31, the year end of the College, and is taken in the June to August time frame. As a result, the unrecorded liability for vacation pay at March 31 is close to the maximum.

If vacation entitlements had been recorded in accordance with accrual accounting standards, liabilities would have increased and unrestricted net assets would have decreased by \$6,770,093 (2002 - \$6,974,669; 2001 - \$6,485,176) in the statement of financial position. Expenditures for the year would have been decreased by \$204,576 (2002 - \$489,493 increase; 2001 - \$130,408 increase) in the statement of operations.

THE ALGONQUIN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements (continued)

Year ended March 31, 2003

2. Significant accounting policies (continued):

(c) Post-employment benefits obligations:

Post-employment benefits obligations have not been recorded in accordance with Canadian generally accepted accounting principles. The College currently subsidizes premiums for the group benefits available for early retirees. The premiums are paid by the early retiree, however their claims experience is included with the active employees. This practice increases the premium rates for active employees, for which the College pays 100%. In a similar fashion, a subsidy is provided for the continuation of benefits for employees on long-term disability leave. If the post-employment benefits obligations had been recorded, liabilities would have increased and the unrestricted net assets would have decreased by \$4,410,000 (2002 - \$4,186,000; 2001 - \$4,120,000). The excess of revenue over expenditures would also have decreased by \$224,000 (2002 - \$179,000; 2001 - \$139,000).

(d) Accumulated sick leave:

Cost of employee absences are recorded as salary expenditures in the year in which they occur. The College is liable to pay 50% of an academic employee's accumulated sick leave credit up to a maximum of six months salary. Sick leave credit relating to administrative and support staff, which does not accumulate, is drawn down in accordance with the payout provisions noted above. The Ministry of Training, Colleges and Universities provides a grant to fund these expenditures. The College received \$623,735 in 2003 (2002 - \$660,594; 2001 - \$836,637). Because these amounts are fully funded by the Ministry, the total estimated amount of vested sick leave benefits payable to employees of \$5,105,572 (2002 - \$5,573,846; 2001 - \$5,896,733) and the corresponding receivable amount from the Ministry are not recorded in these financial statements.

(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) Investments:

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

(g) Intellectual property:

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

THE ALGONQUIN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements (continued)

Year ended March 31, 2003

2. Significant accounting policies (continued):

(h) Capital assets:

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

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

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

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

Asset	Useful life
Buildings	25 years
Site improvements	10 years
Parking lots	10 years
Equipment	5 years
Laptop/desktop computers	22/48 months
Automotive equipment	5 years
ITS infrastructure	5 years
Residence furniture and appliances	5 years
Leasehold improvements	Over term of lease

(i) Deferred capital contributions:

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

(j) Revenue:

- (i) Grants and donations are recorded using the deferral method of accounting for contributions. Unrestricted contributions are recognized as revenue when received or receivable. Contributions externally restricted for purposes other than endowment are deferred and recognized as revenue in the period in which the related expenditures are recognized. Endowment contributions are recognized as direct increases in net assets in the period in which they are received.
- (ii) Student tuition fees are recorded in the accounts based on the academic period of the specific courses. Tuition fees are deferred to the extent that the courses extend beyond the fiscal year of the College.
- (iii) Contract educational services are recorded in the accounts based on the services provided in the College's fiscal year on a percentage of completion basis.

THE ALGONQUIN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements (continued)

Year ended March 31, 2003

2. Significant accounting policies (continued):

(j) Revenue (continued):

(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.

(k) Student organizations:

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

(l) Contributed services:

Volunteers, as well as members of the staff and faculty of the College, 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.

(m) 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 depreciated at the same rates as those described in note 1(h). 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.

(n) 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 revenues and expenditures during the period. Actual results could differ from those estimates. These estimates are reviewed annually and as adjustments become necessary, they are recorded in the financial statements in the period in which they become known.

3. Inventory:

	2003	2002	2001
Bookstore	\$ 1,358,532	\$ 1,245,069	\$ 1,300,335
Food services	149,833	123,604	123,291
Stationery and supplies	25,000	25,000	25,000
Publishing centre	15,580	18,126	16,686
	<u>\$ 1,548,945</u>	<u>\$ 1,411,799</u>	<u>\$ 1,465,312</u>

THE ALGONQUIN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements (continued)

Year ended March 31, 2003

4. Investments:

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

Carrying value	2003	2002	2001
Fixed income and cash	\$ 637,711	\$ 679,928	\$ 589,355
Equities	1,015,118	918,903	740,301
	<u>\$ 1,652,829</u>	<u>\$ 1,598,831</u>	<u>\$ 1,329,656</u>

Market value	2003	2002	2001
Fixed income and cash	\$ 667,933	\$ 693,775	\$ 641,592
Equities	905,338	938,750	771,788
	<u>\$ 1,573,271</u>	<u>\$ 1,632,525</u>	<u>\$ 1,413,380</u>

5. Capital assets:

	2003		2002		2001
	Cost	Accumulated amortization	Net book value	Net book value	Net book value
Land	\$ 2,829,797	\$ —	\$ 2,829,797	\$ 2,642,028	\$ 1,051,044
Buildings	148,174,862	61,585,316	86,589,546	70,396,615	57,129,488
Site improvements	4,507,638	1,169,100	3,338,538	1,330,684	1,170,852
Buildings work-in-progress	6,673,192	—	6,673,192	12,558,639	5,675,652
Parking lots	2,943,589	1,424,613	1,518,976	1,842,634	2,036,797
Computers and equipment	38,683,676	26,704,693	11,978,983	11,224,448	12,114,552
Automotive equipment	143,119	99,155	43,964	4,889	31,295
ITS infrastructure	1,052,981	484,871	568,110	764,421	680,452
Residence furniture and appliances	1,487,089	623,950	863,139	1,160,557	675,918
Leasehold improvements	293,976	293,976	—	194,732	278,815
Equipment under Capital lease	490,991	66,953	424,038	—	—
	<u>\$ 207,280,910</u>	<u>\$ 92,452,627</u>	<u>\$ 114,828,283</u>	<u>\$ 102,119,647</u>	<u>\$ 80,844,865</u>

THE ALGONQUIN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements (continued)

Year ended March 31, 2003

5. Capital assets (continued):

Cost and accumulated amortization at March 31, 2002 amounted to \$188,624,563 and \$86,504,916 respectively. Cost and accumulated amortization at March 31, 2001 amounted to \$159,937,600 and \$79,092,735 respectively.

Included in the cost of buildings is \$777,143 of interest that was capitalized during construction.

6. Deferred revenue:

Details of the year-end balance are as follows:

	2003	2002	2001
Student tuition fees	\$ 6,023,759	\$ 5,705,301	\$ 6,326,250
Grants and reimbursements	2,829,746	1,693,436	4,026,120
Contract education services	582,765	1,279,003	1,173,037
Miscellaneous projects	1,776,741	1,253,133	588,475
Student aid	1,525,437	1,980,021	2,000,149
	\$ 12,738,448	\$ 11,910,894	\$ 14,114,031

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 specific items in future years.

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

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

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

THE ALGONQUIN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements (continued)

Year ended March 31, 2003

7. Capital lease obligation:

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

2004	\$	123,824
2005		123,824
2006		123,824
2007		123,824
2008		26,232
Total minimum lease payments		521,528
Less amounts representing interest (at rate 9.50%)		93,282
Balance obligation		428,246
Less current portion of obligation		86,913
		\$ 341,333

Operating expenditures include interest on capital leases of \$28,806.

THE ALGONQUIN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements (continued)

Year ended March 31, 2003

8. Long-term debt and bank indebtedness:

(a) Long-term debt:

The College has entered into the following long-term debt agreements to finance the renovations to the parking facilities, the construction of student residences and the Police and Public Safety Building, the purchase of land and the acquisition of Corporate Training operations respectively.

	2003	2002	2001
Police and Public Safety building loan, bearing interest at prime plus 0.40%, maturing in 2025 (note 14(c))	\$ 9,600,319	\$ 9,779,094	\$ 9,946,564
Residence I building loan, bearing interest at prime plus 0.40%, maturing in 2025 (note 14(c))	12,506,220	12,727,578	12,934,219
Residence II building loan, bearing interest at prime plus 0.25%, maturing in 2027 (note 14(c))	17,362,969	17,650,000	4,821,740
Residence III building loan, bearing interest at prime plus 0.25%, maturing in 2028 (note 14(c))	5,006,023	—	—
Land for Corporate Training Centre (Kanata), bearing interest at 4.01%, maturing in November, 2004	1,500,000	1,500,000	—
Food & Beverage loan, bearing interest at prime plus .25%, maturing in 2008	1,933,372	—	—
Training Centre promissory note, bearing no interest	—	300,000	—
Term loan, bearing interest at 6.13%	—	—	750,000
Parking facilities term loan, bearing interest at 5.58%	—	320,000	640,000
	47,908,903	42,276,672	29,092,523
Less current portion	1,134,533	1,082,517	944,111
	\$ 46,774,370	\$ 41,194,155	\$ 28,148,412

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

2004	\$ 1,134,533
2005	1,185,160
2006	1,239,278
2007	1,297,083
2008	1,292,301
Thereafter	41,760,548
	\$ 47,908,903

THE ALGONQUIN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements (continued)

Year ended March 31, 2003

8. Long-term debt and bank indebtedness (continued):

(b) Residence III Building Loan:

The loan for Residence III represents short-term bridge financing for the construction of Residence Phase III. The loan will be converted to a 25 year amortization as at October 31, 2003.

9. Deferred capital contributions:

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

	2003	2002	2001
Balance, beginning of year	\$ 40,482,569	\$ 30,511,922	\$ 33,003,631
Less amortization of deferred capital contributions	(2,828,910)	(2,439,210)	(2,830,386)
Add capital contributions received:			
Donated equipment	367,662	133,417	50,258
Government grants	8,236,582	12,276,440	288,419
Balance, end of year	\$ 46,257,903	\$ 40,482,569	\$ 30,511,922

10. Investment in capital assets:

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

	2003	2002	2001
Capital assets	\$114,828,283	\$102,119,647	\$ 80,844,865
Less amounts financed by:			
Deferred capital contributions	(46,257,903)	(40,482,569)	(30,511,922)
Long-term debt	(47,908,903)	(42,276,672)	(29,092,523)
Capital lease	(428,246)	—	—
	\$ 20,233,231	\$ 19,360,406	\$ 21,240,420

THE ALGONQUIN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements (continued)

Year ended March 31, 2003

10. Investment in capital assets (continued):

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

	2003	2002	2001
Capital asset additions:			
Total additions	\$ 24,012,365	\$ 31,681,345	\$ 28,230,856
Less:			
Net book value of building sold	–	–	(89,518)
Donated equipment	(367,662)	(133,417)	(50,258)
Capital asset purchases financed with grants	(8,236,582)	(12,276,440)	(288,419)
Capital asset additions financed with College funds	15,408,121	19,271,488	27,802,661
External financing:			
Increase in long-term debt	(5,632,231)	(13,184,149)	(19,743,842)
Increase in Capital lease	(428,246)	–	–
Amortization of deferred capital contributions	2,828,910	2,439,210	2,830,386
Amortization of capital assets	(10,931,431)	(10,075,973)	(8,268,911)
Write-off of capital assets	(372,298)	(330,590)	(496,749)
Net change in investment in capital assets	\$ 872,825	\$ (1,880,014)	\$ 2,123,545

11. Internally restricted net assets:

	2003	2002	2001
Employment Stabilization Funds	\$ 451,799	\$ 458,506	\$ 445,552
Student Institutional Aid	–	–	106,053
Other student aid	3,898	4,315	2,619
Appropriations	250,000	709,555	1,673,184
	\$ 705,697	\$ 1,172,376	\$ 2,227,408

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

- (a) Employment Stabilization Funds represent funds committed by the College for retraining and counselling for employees upon separation from the College. The College's annual commitment is based on a formula prescribed by the collective agreements. Expenditures from this fund are approved by the respective employee union and College management.
- (b) Other Student Aid represents the unspent portion of unrestricted endowment fund income and other unrestricted contributions which have been designated for scholarships and bursaries by the College.

THE ALGONQUIN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements (continued)

Year ended March 31, 2003

11. Internally restricted net assets (continued):

(c) Appropriations represent current year budget allocations primarily relating to capital projects which were unable to be completed during the 2002/2003 fiscal year.

12. Endowments:

	2003	2002	2001
Endowed funds	\$ 1,568,003	\$ 1,455,067	\$ 1,329,656
Investment income available for distribution	84,826	143,764	—
Total endowments	\$ 1,652,829	\$ 1,598,831	\$ 1,329,656

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.

The College's endowment policy is to annually distribute 4% of the average endowment balance, so that the distributed amount is available to be expended for the externally restricted purposes. The investment income available for distribution is the investment income actually earned on the endowed funds in excess of these distributions.

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

13. Pension plans:

Full-time employees of the College are participants in The College of Applied Arts and Technology Pension Plan. The College's contributions to this plan are based on the participant contributions and are calculated according to matching formulae. Charges to expenditure for these plans amount to \$3,797,420 in 2003, \$3,636,220 in 2002 and \$3,283,245 in 2001.

THE ALGONQUIN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements (continued)

Year ended March 31, 2003

14. Financial instruments:

(a) Concentrations of credit risk:

The College is exposed to credit-related losses in the event of non-performance by counterparties to financial instruments. Credit exposure is minimized by dealing mostly with creditworthy counterparties such as government agencies and public companies. The College also enforces approved collection policies for student accounts. The largest credit exposure to a single institution at March 31, 2003 was \$3,426,536 (2002 - \$3,600,000; 2001 - \$903,352) with the Algonquin Students Association Inc. related to a guarantee of borrowings related to the Student Fitness Centre.

(b) Fair values:

The carrying values of cash and short-term investments, accounts receivable, accounts payable and accrued liabilities and accrued salaries and employee deductions payable approximate their fair value due to the relatively short periods to maturity of the instruments.

The carrying values of the term loans approximate their fair value because the interest rate approximates the market rate for these instruments.

(c) The College has entered into interest rate derivative agreements to manage the volatility of interest rates. The College converted a net notional \$57.5 million of floating rate debt for the three phases of the Residence and the Police & Public Safety Institute. The fixed rates range from 5.98% to 7.35%. The maturity date of the derivative agreements are the same as the maturity dates of the associated debt, ranging from 2025 to 2028.

15. Commitments:

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

2004	\$	961,821
2005		334,920
2006		52,777
2007		4,219
2008		1,913

\$ 1,355,650

THE ALGONQUIN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements (continued)

Year ended March 31, 2003

15. Commitments:

(b) Construction commitments:

The College has entered into an agreement for the construction of Residence Phase III due to be completed in fiscal year 2003/2004. The total construction cost of Residence Phase III is expected to be approximately \$18,000,000, of which \$6,673,192 has been incurred in the current year.

16. Contingencies:

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

17. Change in non-cash working capital:

	2003	2002	2001
Decrease (increase) in accounts receivable	\$ (3,170,880)	\$ 1,838,175	\$ (873,676)
Decrease (increase) in inventory	(137,146)	53,513	(311,837)
Decrease (increase) in prepaid expenses	476,428	(1,050,209)	(8,237)
Increase (decrease) in accounts payable and accrued liabilities	1,517,195	232,733	(1,182,794)
Increase in accrued salaries and employee deductions payable	369,551	119,152	4,958
Increase (decrease) in deferred revenue	827,554	(2,203,137)	3,301,659
	\$ (117,298)	\$ (1,009,773)	\$ 930,073

THE ALGONQUIN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements (continued)

Year ended March 31, 2003

18. Public Sector Salary Disclosure:

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

For the calendar year ending December 31, 2002, the individuals who met the requirements for disclosure were:

Employee	Position	Salary	Taxable benefits
R. Gillett	President	\$ 198,917	\$ 18,925
J. Hamilton	VP Finance & Administration	155,342	194
R. Hanson	VP Academic	147,037	194
C. Warburton	VP Student Life & Human Resources	118,651	182
A. Sherif	Dean, Media & Design	112,405	144
N. Donovan	Senior Sales Executive	109,189	0
K. Robinson	Director, Learning Services	107,136	158
Y. Warrington	Professor, Health & Community Studies	106,028	180
R. Thoms	Director, Marketing	105,617	165
N. Papadolias	Director, Educational Services	104,311	160
M. Uremovich	Dean, School of Advanced Technology	103,554	161
M. Cormier	Dean, School of Health & Community Studies	103,294	160
M. Rushton	Director, Physical Resources	103,221	160
J. Greer	Manager, Customized Contracts	102,961	0

19. Ontario Student Opportunity Trust Fund:

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

	2003	2002	2001
Opening balance	\$ 994,794	\$ 984,794	\$ 984,794
Donations received	–	10,000	–
	\$ 994,794	\$ 994,794	\$ 984,794

THE ALGONQUIN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements (continued)

Year ended March 31, 2003

19. Ontario Student Opportunity Trust Fund (continued)

	2003	2002	2001
Expendable funds available for awards, beginning of year	\$ 74,726	\$ 55,091	\$ 25,553
Investment income	41,751	41,051	37,827
Awards issued	(24,440)	(21,416)	(8,289)
Expendable funds available for awards in future years	\$ 92,037	\$ 74,726	\$ 55,091

20. Comparative figures:

Certain of the 2001 and 2002 comparative figures have been reclassified to conform to the financial statement presentation adopted in 2003.

THE ALGONQUIN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Revenue

Schedule A

Year ended March 31, 2003, with comparative figures for 2002 and 2001

	2003	2002	2001
Grants and reimbursements:			
Provincially financed programs:			
Plant and activity grants	\$ 61,547,035	\$ 58,362,036	\$ 55,504,087
Special bursaries	1,574,142	923,585	908,944
	<u>63,121,177</u>	<u>59,285,621</u>	<u>56,413,031</u>
Flat-rate funding programs:			
Apprentice	3,451,039	3,729,281	3,249,680
	<u>66,572,216</u>	<u>63,014,902</u>	<u>59,662,711</u>
Student tuition fees:			
Post secondary:			
Full-time	26,298,123	24,522,951	22,248,665
Full-time Fast Track	3,042,093	5,050,596	7,391,311
Part-time	11,117,244	11,102,803	11,466,971
Adult training	1,296,636	744,883	872,631
Student information technology fee	2,382,586	1,688,456	1,693,963
	<u>44,136,682</u>	<u>43,109,689</u>	<u>43,673,541</u>
Contract educational services:			
Provincially funded programs	4,411,270	5,472,410	5,915,263
International programs	250,628	257,302	204,707
Other	9,527,419	7,761,282	5,980,558
	<u>14,189,317</u>	<u>13,490,994</u>	<u>12,100,528</u>
Ancillary operations (schedule H)	24,348,930	21,994,173	19,615,879
Other:			
Amortization of deferred capital contributions (note 9)	2,828,910	2,439,210	2,830,386
Miscellaneous	8,460,990	8,089,504	6,287,732
Gain on sale of building	—	—	669,558
Software donation	—	—	662,261
	<u>11,289,900</u>	<u>10,528,714</u>	<u>10,449,937</u>
Total operating revenue	\$ 160,537,045	\$ 152,138,472	\$ 145,502,596

THE ALGONQUIN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Academic Expenditures

Schedule B

Year ended March 31, 2003, with comparative figures for 2002 and 2001

	2003	2002	2001
Salaries:			
Faculty	\$ 43,777,192	\$ 42,889,342	\$ 41,768,209
Administration	6,813,330	5,982,838	4,049,521
Support staff	7,518,498	7,495,652	6,880,224
Fringe benefits	9,020,782	8,386,640	7,348,611
Job Connect stipends and fringe benefits	1,188,522	1,931,573	2,683,345
Travel and professional development	1,237,876	1,104,011	1,045,428
Instructional supplies and software	6,190,515	5,959,688	5,036,849
Equipment maintenance and rental	1,145,902	2,097,663	1,736,572
Contract services	2,949,970	2,216,917	1,250,264
	\$ 79,842,587	\$ 78,064,324	\$ 71,799,023

Educational Resources Expenditures

Schedule C

Year ended March 31, 2003, with comparative figures for 2002 and 2001

	2003	2002	2001
Salaries	\$ 1,197,600	\$ 1,172,566	\$ 1,155,695
Fringe benefits	243,375	229,736	222,043
Library resource material	237,339	286,383	308,707
Office expense, supplies and maintenance	57,888	111,965	76,978
	\$ 1,736,202	\$ 1,800,650	\$ 1,763,423

THE ALGONQUIN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Student Services Expenditures

Schedule D

Year ended March 31, 2003, with comparative figures for 2002 and 2001

	2003	2002	2001
Salaries	\$ 7,248,042	\$ 6,933,690	\$ 5,953,805
Fringe benefits	1,331,140	1,196,301	1,000,524
Media advertising, public relations and calendar	3,001,976	3,352,179	2,897,711
Travel and conferences	228,114	237,767	115,246
Office expense and supplies	1,101,331	1,732,466	981,266
Contract services	995,365	1,036,833	505,468
Insurance – international students	248,752	204,899	140,788
Student aid	3,189,477	2,437,547	2,418,609
Student bursaries	1,330,693	1,257,743	1,047,356
	\$ 18,674,890	\$ 18,389,425	\$ 15,060,773

Administrative Expenditures

Schedule E

Year ended March 31, 2003, with comparative figures for 2002 and 2001

	2003	2002	2001
Salaries	\$ 6,207,583	\$ 6,314,315	\$ 5,839,104
Fringe benefits	1,218,416	1,190,793	1,081,891
Travel and conferences	191,028	163,217	176,954
Office expense and supplies	1,573,413	1,400,484	1,371,921
Telephone	984,861	802,242	942,822
Professional fees	489,970	325,877	191,724
Equipment maintenance, rental and software	2,254,285	765,870	830,787
Contract services	309,947	734,264	810,015
Interest on long-term debt	777,619	676,325	276,944
	\$ 14,007,122	\$ 12,373,387	\$ 11,522,162

THE ALGONQUIN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Plant Expenditures

Schedule F

Year ended March 31, 2003, with comparative figures for 2002 and 2001

	2003	2002	2001
Salaries	\$ 3,174,968	\$ 3,303,717	\$ 2,969,737
Fringe benefits	674,052	649,387	564,983
Cleaning, security and other services	2,326,892	2,124,726	1,582,612
Building and equipment - repairs and maintenance	6,093,736	3,985,595	3,365,678
Utilities and services	2,272,453	2,253,963	2,553,144
Municipal taxes	767,769	768,150	772,200
Insurance	395,744	199,824	231,929
Premises rental	1,246,940	1,047,647	679,752
Office expense and supplies	253,261	262,680	164,562
	\$ 17,205,815	\$ 14,595,689	\$ 12,884,597

Special Projects Expenditures

Schedule G

Year ended March 31, 2003, with comparative figures for 2002 and 2001

	2003	2002	2001
Salaries	\$ 79,669	\$ 54,613	\$ 106,043
Fringe benefits	9,680	7,607	39,533
Software expense	56,669	30,143	662,261
Sick leave termination benefits (note 2(d))	595,745	679,652	836,637
Office expense and supplies	271,816	217,309	300,621
Contract services	53,978	35,167	115,083
	\$ 1,067,557	\$ 1,024,491	\$ 2,060,178

THE ALGONQUIN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Ancillary Operations Summary

Schedule H

Year ended March 31, 2003, with comparative figures for 2002 and 2001

	Revenue	Expenditures	2003 Contribution	2002 Contribution	2001 Contribution
Food Services	\$ 4,006,981	\$ 3,684,440	\$ 322,541	\$ 265,067	\$ 526,623
Bookstore	11,394,472	10,916,682	477,790	301,099	756,665
Parking and Lockers	2,909,687	1,098,313	1,811,374	1,650,379	1,117,547
Publishing Centre	1,991,643	1,629,829	361,814	252,105	258,909
Residence	4,028,607	3,579,584	449,023	1,096,467	273,541
Other	17,540	154,255	(136,715)	(121,989)	(125,349)
Totals	\$ 24,348,930	\$ 21,063,103	\$ 3,285,827	\$ 3,443,128	\$ 2,807,936