

Financial Statements of

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

Year ended March 31, 2002

THE ALGONQUIN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Financial Statements and Supplementary Schedules

Year ended March 31, 2002

Auditors' Report

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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, 2002 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, 2002 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'. The letters are written in a cursive, slightly slanted style.

Chartered Accountants

Ottawa, Canada

June 5, 2002

THE ALGONQUIN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Statement of Financial Position

March 31, 2002, with comparative figures for 2001 and 2000

	2002	2001	2000
Assets			
Current assets:			
Cash and short-term investments	\$ 20,633,132	\$ 26,247,130	\$ 10,051,066
Accounts receivable	7,059,026	8,897,201	8,023,525
Inventory (note 3)	1,411,799	1,465,312	1,153,475
Prepaid expenses	1,327,829	277,620	269,382
	30,431,786	36,887,263	19,497,448
Loan receivable	—	903,352	1,196,950
Investments (note 4)	1,598,831	1,329,656	1,183,302
Intellectual property (note 5)	139,920	—	—
Capital assets (note 6)	102,119,647	80,844,865	61,420,437
	\$ 134,290,184	\$ 119,965,136	\$ 83,298,137
Liabilities and Net Assets			
Current liabilities:			
Bank indebtedness (note 8(b))	\$ 7,000,000	\$ —	\$ —
Accounts payable and accrued liabilities	5,927,954	5,695,221	6,878,015
Accrued salaries and employee deductions payable	1,203,221	1,084,069	1,079,111
Deferred revenue (note 7(a))	11,910,894	14,114,031	10,812,372
Current portion of long-term debt (note 8(a))	1,082,517	944,111	570,000
	27,124,586	21,837,432	19,339,498
Long-term debt (note 8(a))	41,194,155	28,148,412	8,778,681
Long-term deferred revenue (note 7(b))	7,488,690	18,622,618	5,922,883
Deferred capital contributions (note 9)	40,482,569	30,511,922	33,003,631
Net assets:			
Unrestricted deficiency	(4,131,429)	(3,952,732)	(5,896,290)
Investment in capital assets (note 10(a))	19,360,406	21,240,420	19,068,125
Internally restricted (note 11)	1,172,376	2,227,408	1,848,307
Endowments (note 12)	1,598,831	1,329,656	1,233,302
	18,000,184	20,844,752	16,253,444
Commitments (note 15)			
Contingencies (note 16)			
	\$ 134,290,184	\$ 119,965,136	\$ 83,298,137

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, 2002, with comparative figures for 2001 and 2000

	2002	2001	2000
Revenue (schedule A):			
Grants and reimbursements	\$ 63,014,902	\$ 59,662,711	\$ 58,305,757
Student tuition fees	43,109,689	43,673,541	40,327,073
Contract educational services	13,490,994	12,100,528	12,568,746
Ancillary operations (schedule H)	21,994,173	19,615,879	16,951,996
Other	10,528,714	10,449,937	11,671,515
	<u>152,138,472</u>	<u>145,502,596</u>	<u>139,825,087</u>
Expenditures:			
Operating:			
Academic (schedule B)	78,064,325	71,799,023	70,792,069
Educational resources (schedule C)	1,800,650	1,763,423	1,727,878
Student services (schedule D)	18,389,425	15,060,773	14,042,219
Administrative (schedule E)	12,373,387	11,522,162	10,548,850
Plant (schedule F)	14,595,689	12,884,597	11,937,346
Special projects (schedule G)	1,024,491	2,060,178	4,469,023
Ancillary operations (schedule H)	18,551,045	16,807,943	14,561,015
	<u>144,799,012</u>	<u>131,898,099</u>	<u>128,078,400</u>
Amortization and write-off of capital assets	10,406,563	8,765,660	6,878,192
Amortization of intellectual property	46,640	—	—
Voluntary separation	—	392,633	689,089
	<u>155,252,215</u>	<u>141,056,392</u>	<u>135,645,681</u>
Excess (deficiency) of revenue over expenditures	\$ (3,113,743)	\$ 4,446,204	\$ 4,179,406

See accompanying notes to financial statements.

THE ALGONQUIN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Statement of Changes in Net Assets

Year ended March 31, 2002, with comparative figures for 2001 and 2000

	Unrestricted	Investment in capital assets (note 10(a))	Internally restricted (note 11)	Endowments (note 12)	2002 Total	2001 Total	2000 Total
Net assets, beginning of year	\$ (3,952,732)	\$ 21,240,420	\$ 2,227,408	\$ 1,329,656	\$ 20,844,752	\$ 16,253,444	\$ 11,797,188
Excess (deficiency) of revenue over expenditures	(3,113,743)	—	—	—	(3,113,743)	4,446,204	4,179,406
Internally imposed restrictions	1,055,032	—	(1,055,032)	—	—	—	—
Net change in investment in capital assets (note 10(b))	1,880,014	(1,880,014)	—	—	—	—	—
Endowment contributions and investment income	—	—	—	269,175	269,175	96,354	276,850
Donation of land received	—	—	—	—	—	48,750	—
Net assets, end of year	\$ (4,131,429)	\$ 19,360,406	\$ 1,172,376	\$ 1,598,831	\$ 18,000,184	\$ 20,844,752	\$ 16,253,444

See accompanying notes to financial statements.

THE ALGONQUIN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Statement of Cash Flows

Year ended March 31, 2002, with comparative figures for 2001 and 2000

	2002	2001	2000
Cash provided by (used for):			
Operations:			
Excess (deficiency) of revenue over expenditures	\$ (3,113,743)	\$ 4,446,204	\$ 4,179,406
Items which do not involve cash:			
Amortization of capital assets	10,075,973	8,268,911	6,744,151
Write-off of capital assets	330,590	496,749	134,041
Amortization of intellectual property	46,640	—	—
Amortization of deferred capital contributions	(2,439,210)	(2,830,386)	(2,858,003)
Gain on sale of building	—	(669,558)	—
Change in non-cash working capital (note 17)	(1,009,773)	930,073	1,179,924
	3,890,477	10,641,993	9,379,519
Financing:			
Increase in bank indebtedness	7,000,000	—	—
Increase in long-term debt	13,184,149	19,743,842	6,118,681
Increase (decrease) in long-term deferred revenue	(11,133,928)	12,699,735	4,606,780
	9,050,221	32,443,577	10,725,461
Investments:			
Decrease in loan receivable	903,352	293,597	171,570
Proceeds on sale of building	—	759,076	—
Capital asset additions (note 10)	(31,681,345)	(28,230,856)	(17,775,651)
Capital contributions received (note 9)	12,409,857	338,677	4,337,149
Acquisition of intellectual property	(186,560)	—	—
Increase in investment	(269,175)	(146,354)	(299,300)
Endowment contributions and investment income	269,175	96,354	276,850
	(18,554,696)	(26,889,506)	(13,289,382)
Increase (decrease) in cash and short-term investments	(5,613,998)	16,196,064	6,815,598
Cash and short-term investments, beginning of year	26,247,130	10,051,066	3,235,468
Cash and short-term investments, end of year	\$ 20,633,132	\$ 26,247,130	\$ 10,051,066

See accompanying notes to financial statements.

THE ALGONQUIN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements

Year ended March 31, 2002

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 fiscal 2001/2002.

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 \$6,974,669 (2001 - \$6,485,176; 2000 - \$6,354,768) in the statement of financial position. Expenditures for the year would have been increased by \$489,493 (2001 - \$130,408 increase; 2000 - \$295,322 increase) in the statement of operations.

THE ALGONQUIN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements (continued)

Year ended March 31, 2002

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 \$4,186,000 (2001 - \$4,120,000). The excess of revenue over expenditures would also have decreased by \$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 such expenditures as they are required which amounted to \$660,594 in 2002 (2001 - \$836,637; 2000 - \$800,766). Because these amounts are fully funded by the Ministry, the total estimated amount of vested sick leave benefits payable to employees of \$5,573,846 (2001 - \$5,896,733; 2000 - \$6,139,270) 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) 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.

THE ALGONQUIN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements (continued)

Year ended March 31, 2002

2. Significant accounting policies (continued):

(g) Capital assets (continued):

- (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 equipment 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

(h) 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.

(i) 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) 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 education is recorded in the accounts based on the services provided in the College's fiscal year on a percentage of completion basis.
- (iv) Restricted investment income is recognized as revenue in the year that the related expenditures are incurred. Unrestricted investment income is recognized as revenue when earned.

THE ALGONQUIN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements (continued)

Year ended March 31, 2002

2. Significant accounting policies (continued):

(j) Student organizations:

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

(k) 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.

(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 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:

	2002	2001	2000
Bookstore	\$ 1,245,069	\$ 1,300,335	\$ 985,265
Food services	123,604	123,291	125,006
Stationery and supplies	25,000	25,000	25,000
Publishing centre	18,126	16,686	18,204
	\$ 1,411,799	\$ 1,465,312	\$ 1,153,475

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	2002	2001	2000
GICs	\$ 232,518	\$ 119,742	\$ 184,140
Stocks	1,197,328	1,209,914	999,162
Mutual funds	168,985	—	—
	\$ 1,598,831	\$ 1,329,656	\$ 1,183,302

THE ALGONQUIN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements (continued)

Year ended March 31, 2002

4. Investments (continued):

Market value	2002	2001	2000
GICs	\$ 232,829	\$ 119,742	\$ 184,140
Stocks	1,278,212	1,293,638	977,486
Mutual funds	121,483	–	–
	<u>\$ 1,632,524</u>	<u>\$ 1,413,380</u>	<u>\$ 1,161,626</u>

5. 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.

6. Capital assets:

	2002		2001		2000
	Cost	Accumulated amortization	Net book value	Net book value	Net book value
Land	\$ 2,642,028	\$ –	\$ 2,642,028	\$ 1,051,044	\$ 1,002,294
Buildings	127,678,754	57,282,139	70,396,615	57,129,488	32,853,704
Site improvements	2,147,358	816,674	1,330,684	1,170,852	1,349,630
Buildings work-in-progress	12,558,639	–	12,558,639	5,675,652	12,526,413
Parking lots	3,236,589	1,393,955	1,842,634	2,036,797	2,242,606
Computers and equipment	37,059,146	25,834,698	11,224,448	12,114,552	11,034,570
Automotive equipment	327,689	322,800	4,889	31,295	48,322
ITS infrastructure	1,039,795	275,374	764,421	680,452	–
Residence furniture and appliances	1,487,089	326,532	1,160,557	675,918	–
Leasehold improvements	447,476	252,744	194,732	278,815	362,898
	<u>\$ 188,624,563</u>	<u>\$ 86,504,916</u>	<u>\$ 102,119,647</u>	<u>\$ 80,844,865</u>	<u>\$ 61,420,437</u>

THE ALGONQUIN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements (continued)

Year ended March 31, 2002

6. Capital assets (continued):

Cost and accumulated amortization at March 31, 2001 amounted to \$159,937,600 and \$79,092,735 respectively. Cost and accumulated amortization at March 31, 2000 amounted to \$137,803,675 and \$76,383,238 respectively.

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

7. Deferred revenue:

(a) Details of the year-end balance are as follows:

	2002	2001	2000
Student tuition fees	\$ 5,705,301	\$ 6,326,250	\$ 6,456,020
Grants and reimbursements	1,693,436	4,026,120	844,337
Contract education services	1,279,003	1,173,037	430,127
Miscellaneous projects	598,183	513,272	686,544
Student aid	1,980,021	2,000,149	2,323,331
Ancillary operations	654,950	75,203	72,013
	<u>\$ 11,910,894</u>	<u>\$ 14,114,031</u>	<u>\$ 10,812,372</u>

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

Grants and reimbursements are unexpended restricted grants to be spent on 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.

Ancillary operations represent amounts received by the ancillary operations of the College for services to be provided in subsequent years.

(b) Long-term deferred revenue represents funds received from the Ministry of Training, Colleges and Universities for capital projects under the Access to Opportunities Program and the Super Build Program. Management expects to use these funds to finance the remaining construction of the Advanced Technology Centre.

THE ALGONQUIN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements (continued)

Year ended March 31, 2002

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.

	2002	2001	2000
Term loan, bearing interest at 6.13%	\$ —	\$ 750,000	\$ 1,000,000
Parking facilities term loan, bearing interest at 5.58%, maturing in 2003	320,000	640,000	960,000
Police and Public Safety building loan, bearing interest at prime plus 0.40%, maturing in 2025 (note 14(c))	9,779,094	9,946,564	7,388,681
Residence building loan, bearing interest at prime plus 0.40%, maturing in 2025 (note 14(c))	12,727,578	12,934,219	—
Residence II building loan, bearing interest at prime plus 0.25%, maturing in 2027 (note 14(c))	17,650,000	4,821,740	—
Land for Corporate Training Centre (Kanata), demand loan bearing interest at 3.1% (note 14(c))	1,500,000	—	—
Corporate Training Centre (Kanata) promissory note, bearing no interest, payable in annual instalments of \$100,000	300,000	—	—
	42,276,672	29,092,523	9,348,681
Less current portion	1,082,517	944,111	570,000
	\$ 41,194,155	\$ 28,148,412	\$ 8,778,681

Interest is payable on a monthly basis. The principal of the loans is payable in lump-sum amounts as follows:

2003	\$ 1,082,517
2004	832,849
2005	883,360
2006	837,358
2007	895,077
Thereafter	36,245,511
	\$ 40,776,672

THE ALGONQUIN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements (continued)

Year ended March 31, 2002

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

(a) Long-term debt (continued):

No repayment terms have been established for the Corporate Training Centre (Kanata) demand loan and promissory note; therefore, they are not included in the above amounts.

(b) Bank indebtedness:

Bank indebtedness represents short-term bridge financing for the construction of the Advanced Technology Centre. The loan bears interest at a rate of 2.7% and comes due in July 2002.

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:

	2002	2001	2000
Balance, beginning of year	\$ 30,511,922	\$ 33,003,631	\$ 31,524,485
Less amortization of deferred capital contributions	(2,439,210)	(2,830,386)	(2,858,003)
Add capital contributions received:			
Donated equipment	133,417	50,258	263,152
Government grants	12,276,440	288,419	4,073,997
Balance, end of year	\$ 40,482,569	\$ 30,511,922	\$ 33,003,631

10. Investment in capital assets:

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

	2002	2001	2000
Capital assets	\$102,119,647	\$ 80,844,865	\$ 61,420,437
Less amounts financed by:			
Deferred capital contributions	(40,482,569)	(30,511,922)	(33,003,631)
Long-term debt	(42,276,672)	(29,092,523)	(9,348,681)
	\$ 19,360,406	\$ 21,240,420	\$ 19,068,125

THE ALGONQUIN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements (continued)

Year ended March 31, 2002

10. Investment in capital assets (continued):

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

	2002	2001	2000
Capital asset additions:			
Total additions	\$ 31,681,345	\$ 28,230,856	\$ 17,775,651
Less:			
Net book value of building sold	–	(89,518)	–
Donated equipment	(133,417)	(50,258)	(263,152)
Capital asset purchases financed with grants	(12,276,440)	(288,419)	(4,073,997)
Capital asset additions financed with College funds	19,271,488	27,802,661	13,438,502
External financing:			
Increase in long-term debt	(13,184,149)	(19,743,842)	(6,118,681)
Amortization of deferred capital contributions	2,439,210	2,830,386	2,858,003
Amortization of capital assets	(10,075,973)	(8,268,911)	(6,744,151)
Write-off of capital assets	(330,590)	(496,749)	(134,041)
Net change in investment in capital assets	\$ (1,880,014)	\$ 2,123,545	\$ 3,299,632

11. Internally restricted net assets:

	2002	2001	2000
Employment Stabilization Funds	\$ 458,506	\$ 445,552	\$ 419,140
Student Institutional Aid	–	106,053	291,102
Other student aid	4,315	2,619	2,065
Appropriations	709,555	1,673,184	1,136,000
	\$ 1,172,376	\$ 2,227,408	\$ 1,848,307

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.

THE ALGONQUIN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements (continued)

Year ended March 31, 2002

11. Internally restricted net assets (continued):

- (b) Other Student Aid represents the unspent portion of unrestricted endowment fund income and other unrestricted contributions which have been designated for scholarships and bursaries by the College.
- (c) Appropriations represent current year budget allocations primarily relating to capital projects which were unable to be completed during the 2001/2002 fiscal year.

12. Endowments:

Contributions restricted for endowment consist of monies received primarily as benefactions and which either the donor or the College has designated as an endowment. The annual income earned from funds designated as endowment by the donor may be expended only for the purpose designated. If no purpose is designated by the donor then the income is expended at the College's discretion.

	Externally endowed	Internally endowed	2002 Total	2001 Total	2000 Total
Investment income	\$ 197,877	\$ 1,696	\$ 199,573	\$ 51,944	\$ 2,036
Less: Investment income distributed from endowments	54,113	1,696	55,809	51,944	2,036
	143,764	–	143,764	–	–
Donations and bequests	74,518	50,893	125,411	96,354	276,850
Net change in year	218,282	50,893	269,175	96,354	276,850
Fund balance, beginning of year	1,173,624	156,032	1,329,656	1,233,302	956,452
Fund balance, end of year	\$1,391,906	\$ 206,925	\$1,598,831	\$1,329,656	\$1,233,302

THE ALGONQUIN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements (continued)

Year ended March 31, 2002

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 \$3,636,220 in 2002, \$3,283,245 in 2001 and \$3,300,745 in 2000.

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, 2002 was \$3,600,000 (2001 - \$903,352; 2000 - \$1,196,950) 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, 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 \$23 million of floating rate debt for fixed debt between 6.95% and 7.35%. The derivative agreements are in place until the maturity of the debt in 2025. In addition, the College has converted a net notional \$17 million of floating rate debt for fixed debt at 6.85% related to the second phase of the residence. This derivative agreement is in place until the maturity of the debt in 2027.

THE ALGONQUIN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements (continued)

Year ended March 31, 2002

15. Commitments:

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

2003	\$ 1,136,420
2004	938,354
2005	310,664
2006	37,578
	\$ 2,423,016

(b) Construction commitments:

The College has entered into an agreement for the construction of the Advanced Technology Centre due to be completed in fiscal year 2002/2003. The total construction cost of the Advanced Technology Centre is expected to be approximately \$22,700,000, of which \$12,266,912 has been incurred in the 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:

	2002	2001	2000
Decrease in accounts receivable	\$ 1,838,175	\$ (873,676)	\$ 2,468,137
Decrease (increase) in inventory	53,513	(311,837)	(46,380)
Decrease (increase) in prepaid expenses	(1,050,209)	(8,237)	37,323
Increase (decrease) in accounts payable and accrued liabilities	232,733	(1,182,794)	(3,327,850)
Increase (decrease) in accrued salaries and employee deductions payable	119,152	4,958	(2,652,538)
Increase (decrease) in deferred revenue	(2,203,137)	3,301,659	4,701,232
	\$ (1,009,773)	\$ 930,073	\$ 1,179,924

THE ALGONQUIN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements (continued)

Year ended March 31, 2002

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, 2001, the individuals who met the requirements for disclosure were:

Employee	Position	Salary	Taxable benefits
R. Gillett	President	\$ 187,624	\$ 10,430
J. Hamilton	VP Finance & Administration	143,140	224
R. Hanson	VP Academic	123,785	225
C. Warburton	VP Student Life & Human Resources	112,228	204
N. Papadolias	Director, Educational Services	105,082	192
R. Thoms	Director, Marketing	104,617	199
M. Cormier	Dean, School of Health & Community Studies	100,892	163
S. Couture	Executive Director, Continuing Education	101,950	182

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:

	2002	2001	2000
Opening balance	\$ 984,794	\$ 984,794	\$ 708,794
Donations received	10,000	—	138,000
Matching funds:			
Received from Government of Ontario	—	—	108,000
Receivable from Government of Ontario	—	—	30,000
	\$ 994,794	\$ 984,794	\$ 984,794

THE ALGONQUIN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements (continued)

Year ended March 31, 2002

19. Ontario Student Opportunity Trust Fund (continued):

	2002	2001	2000
Expendable funds available for awards, beginning of year	\$ 55,091	\$ 25,553	\$ 26,905
Investment income	41,051	37,827	827
Awards issued	(21,416)	(8,289)	(2,179)
Expendable funds available for awards in future years	\$ 74,726	\$ 55,091	\$ 25,553

20. Sale of Campus:

The College has accepted a conditional offer for the sale of its campus located on Lees Avenue in Ottawa. This transaction will be recorded in the financial statements in the year that the sale is finalized.

21. Comparative figures:

Certain of the 2000 and 2001 comparative figures have been reclassified to conform with the financial statement presentation adopted in 2002.

THE ALGONQUIN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Revenue

Schedule A

Year ended March 31, 2002, with comparative figures for 2001 and 2000

	2002	2001	2000
Grants and reimbursements:			
Provincially financed programs:			
Plant and activity grants	\$ 58,362,036	\$ 55,504,087	\$ 53,673,499
Special bursaries	923,585	908,944	1,141,244
Premise rental	—	—	199,942
	<u>59,285,621</u>	<u>56,413,031</u>	<u>55,014,685</u>
Flat-rate funding programs:			
Apprentice	3,729,281	3,249,680	3,291,072
	<u>63,014,902</u>	<u>59,662,711</u>	<u>58,305,757</u>
Student tuition fees:			
Post secondary:			
Full-time	24,522,951	22,248,665	20,024,820
Full-time Fast Track	5,050,596	7,391,311	7,007,311
Part-time	11,102,803	11,466,971	10,715,480
Adult training	744,883	872,631	975,047
Student information technology fee	1,688,456	1,693,963	1,604,415
	<u>43,109,689</u>	<u>43,673,541</u>	<u>40,327,073</u>
Contract educational services:			
Provincially funded programs	5,472,410	5,915,263	6,973,235
International programs	257,302	204,707	460,157
Other	7,761,282	5,980,558	5,135,354
	<u>13,490,994</u>	<u>12,100,528</u>	<u>12,568,746</u>
Ancillary operations (schedule H)	21,994,173	19,615,879	16,951,996
Other:			
Amortization of deferred capital contributions (note 9)	2,439,210	2,830,386	2,858,003
Miscellaneous	8,089,504	6,287,732	5,383,088
Gain on sale of building	—	669,558	—
Software donation	—	662,261	3,430,424
	<u>10,528,714</u>	<u>10,449,937</u>	<u>11,671,515</u>
Total operating revenue	<u>\$ 152,138,472</u>	<u>\$ 145,502,596</u>	<u>\$ 139,825,087</u>

THE ALGONQUIN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Academic Expenditures

Schedule B

Year ended March 31, 2002, with comparative figures for 2001 and 2000

	2002	2001	2000
Salaries:			
Faculty	\$ 42,889,342	\$ 41,768,209	\$ 39,832,680
Administration	5,982,838	4,049,521	3,899,537
Support staff	7,495,652	6,880,224	6,555,514
Fringe benefits	8,386,640	7,348,611	7,040,793
Job Connect stipends and fringe benefits	1,931,573	2,683,345	3,590,031
Travel and professional development	1,104,011	1,045,428	1,000,263
Instructional supplies and software	5,959,688	5,036,849	5,081,608
Equipment maintenance and rental	2,097,663	1,736,572	1,488,578
Contract services	2,216,918	1,250,264	2,303,065
	\$ 78,064,325	\$ 71,799,023	\$ 70,792,069

Educational Resources Expenditures

Schedule C

Year ended March 31, 2002, with comparative figures for 2001 and 2000

	2002	2001	2000
Salaries	\$ 1,172,566	\$ 1,155,695	\$ 1,106,181
Fringe benefits	229,736	222,043	197,603
Library resource material	286,383	308,707	296,056
Office expense, supplies and maintenance	111,965	76,978	128,038
	\$ 1,800,650	\$ 1,763,423	\$ 1,727,878

THE ALGONQUIN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Student Services Expenditures

Schedule D

Year ended March 31, 2002, with comparative figures for 2001 and 2000

	2002	2001	2000
Salaries	\$ 6,933,690	\$ 5,953,805	\$ 5,538,959
Fringe benefits	1,196,301	1,000,524	908,865
Media advertising, public relations and calendar	3,352,179	2,897,711	2,779,379
Travel and conferences	237,767	115,246	143,468
Office expense and supplies	1,732,466	981,266	838,129
Contract services	1,036,833	505,468	620,450
Insurance – international students	204,899	140,788	106,821
Student aid	2,437,547	2,418,609	1,946,899
Student bursaries	1,257,743	1,047,356	1,159,249
	\$ 18,389,425	\$ 15,060,773	\$ 14,042,219

Administrative Expenditures

Schedule E

Year ended March 31, 2002, with comparative figures for 2001 and 2000

	2002	2001	2000
Salaries	\$ 6,314,315	\$ 5,839,104	\$ 5,409,882
Fringe benefits	1,190,793	1,081,891	946,394
Travel and conferences	163,217	176,954	192,825
Office expense and supplies	1,400,484	1,371,921	1,266,153
Telephone	802,242	942,822	1,013,935
Professional fees	325,877	191,724	255,158
Equipment maintenance and rental	765,870	830,787	794,252
Contract services	734,264	810,015	543,037
Interest on long-term debt	676,325	276,944	127,214
	\$ 12,373,387	\$ 11,522,162	\$ 10,548,850

THE ALGONQUIN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Plant Expenditures

Schedule F

Year ended March 31, 2002, with comparative figures for 2001 and 2000

	2002	2001	2000
Salaries	\$ 3,303,717	\$ 2,969,737	\$ 2,899,949
Fringe benefits	649,387	564,983	524,336
Cleaning, security and other services	2,124,726	1,582,612	1,693,559
Building and equipment - repairs and maintenance	3,985,595	3,365,678	3,109,755
Utilities and services	2,253,963	2,553,144	1,854,963
Municipal taxes	768,150	772,200	783,702
Insurance	199,824	231,929	139,955
Premises rental	1,047,647	679,752	654,125
Office expense and supplies	262,680	164,562	277,002
	\$ 14,595,689	\$ 12,884,597	\$ 11,937,346

Special Projects Expenditures

Schedule G

Year ended March 31, 2002, with comparative figures for 2001 and 2000

	2002	2001	2000
Salaries	\$ 54,613	\$ 106,043	\$ 54,653
Fringe benefits	7,607	39,533	21,220
Software expense	30,143	662,261	3,430,424
Sick leave termination benefits (note 2(d))	679,652	836,637	800,766
Office expense and supplies	217,309	300,621	77,889
Contract services	35,167	115,083	84,071
	\$ 1,024,491	\$ 2,060,178	\$ 4,469,023

THE ALGONQUIN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Ancillary Operations Summary

Schedule H

Year ended March 31, 2002, with comparative figures for 2001 and 2000

	Revenue	Expenditures	2002 Contribution	2001 Contribution	2000 Contribution
Food Services	\$ 3,285,884	\$ 3,020,817	\$ 265,067	\$ 526,623	\$ 395,690
Bookstore	10,854,007	10,552,908	301,099	756,665	642,372
Parking and Lockers	2,490,459	840,080	1,650,379	1,117,547	1,099,886
Publishing Centre	1,911,125	1,659,020	252,105	258,909	278,297
Residence	3,441,854	2,345,387	1,096,467	273,541	-
Other	10,844	132,833	(121,989)	(125,349)	(25,264)
Totals	\$21,994,173	\$18,551,045	\$ 3,443,128	\$ 2,807,936	\$ 2,390,981