

The Conestoga College Institute of Technology
and Advanced Learning

FINANCIAL STATEMENTS

March 31, 2009

Consolidated Financial Statements of

**THE CONESTOGA COLLEGE INSTITUTE
OF TECHNOLOGY AND ADVANCED LEARNING**

Year Ended March 31, 2009

**THE CONESTOGA COLLEGE INSTITUTE OF TECHNOLOGY
AND ADVANCED LEARNING**
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Year Ended March 31, 2009

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May 28, 2009

Auditors' Report to the Board of Governors

We have audited the consolidated statement of financial position of The Conestoga College Institute of Technology and Advanced Learning as at March 31, 2009 and the consolidated statements of revenue and expenditure and change in fund balances, cash flows and changes in fund balances for the year then ended. These consolidated 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 consolidated financial statements present fairly, in all material respects, the financial position of the College as at March 31, 2009 and the results of its operations and the changes in its financial position for the year then ended in accordance with Canadian generally accepted accounting principles.

The accompanying schedules 1 through 4 are presented as supplementary information only. In this respect, they do not form part of the financial statements of The Conestoga College Institute of Technology and Advanced Learning for the year ended March 31, 2009 and hence are excluded from the opinion expressed above. The information in these schedules has been subject to audit procedures only to the extent necessary to express an opinion on the financial statements of the College and, in our opinion, is fairly presented in all material respects to those financial statements taken as a whole.

PricewaterhouseCoopers LLP

Chartered Accountants, Licensed Public Accountants

THE CONESTOGA COLLEGE INSTITUTE OF TECHNOLOGY AND ADVANCED LEARNING

Statement 1

Consolidated Statement of Financial Position

March 31, 2009, with comparative figures for 2008

	Operating Fund (Statement 2)	Restricted Fund (Statement 2)	Endowment Fund (Statement 2)	Total 2009	Total 2008
ASSETS					
Current Assets:					
Cash and short term deposits	\$ 19,473,956	\$ 832,888	\$ 1,772,195	\$ 22,079,039	\$ 21,423,329
Grants receivable	7,773,252	132,165		7,905,417	3,944,326
Accounts receivable	4,797,245	9,219		4,806,464	3,324,542
Inventory	777,640			777,640	988,334
Prepaid expense	415,999			415,999	637,454
	<u>33,238,092</u>	<u>974,272</u>	<u>1,772,195</u>	<u>35,984,559</u>	<u>30,317,985</u>
Long term pledges receivable	3,593,197			3,593,197	4,103,230
Capital assets (Schedule 4)	87,800,923			87,800,923	80,703,115
	<u>\$ 124,632,212</u>	<u>\$ 974,272</u>	<u>\$ 1,772,195</u>	<u>\$ 127,378,679</u>	<u>\$ 115,124,330</u>
LIABILITIES					
Current Liabilities:					
Accounts payable and accrued liabilities	\$ 11,995,891			\$ 11,995,891	\$ 10,174,755
Vacation pay accrual	7,421,887			7,421,887	6,392,187
Deferred revenue	19,598,906			19,598,906	14,168,487
Current portion of long term debt (Note 3)	1,055,660			1,055,660	994,882
Deferred contributions (Note 4)		\$ 685,973		685,973	715,630
	<u>40,072,344</u>	<u>685,973</u>		<u>40,758,317</u>	<u>32,445,941</u>
Long term debt (Note 3)	20,785,757			20,785,757	21,841,417
Deferred capital contributions (Note 5)	46,598,997			46,598,997	46,236,202
Accumulated sick leave credits	1,426,320			1,426,320	1,643,872
Post-retirement benefits (Note 6)	799,000			799,000	803,000
	<u>109,682,418</u>	<u>685,973</u>		<u>110,368,391</u>	<u>102,970,432</u>
FUND BALANCES(DEFICITS)					
Unrestricted:					
Operations	8,160,053			8,160,053	9,710,935
Employment Related (Note 11)	(9,647,207)			(9,647,207)	(8,839,059)
Financial Instruments (Note 2)	(2,957,991)			(2,957,991)	(1,883,116)
	<u>(4,445,145)</u>			<u>(4,445,145)</u>	<u>(1,011,240)</u>
Investment in capital assets	19,360,509			19,360,509	11,630,614
Internally restricted fund balance (Note 7)	34,430			34,430	34,430
Externally restricted fund balances		288,299	\$1,772,195	2,060,494	1,500,094
	<u>14,949,794</u>	<u>288,299</u>	<u>1,772,195</u>	<u>17,010,288</u>	<u>12,153,898</u>
	<u>\$ 124,632,212</u>	<u>\$ 974,272</u>	<u>\$ 1,772,195</u>	<u>\$ 127,378,679</u>	<u>\$ 115,124,330</u>

Commitments (Note 9)

See accompanying notes to financial statements.

On the behalf of the Board of Governors: _____ Chair _____ Secretary Treasurer

THE CONESTOGA COLLEGE INSTITUTE OF TECHNOLOGY AND ADVANCED LEARNING

Statement 2

Consolidated Statement of Revenue and Expenditure and Change in Fund Balances

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

	Schedule	Operating Fund	Restricted Fund	Endowment Fund	Total 2009	Total 2008
Revenue:						
Grants	1	\$ 69,442,561	\$ 423,738		\$ 69,866,299	\$ 60,176,016
Student Tuition	1	29,783,781			29,783,781	25,589,548
Contracted educational services	1	4,466,265			4,466,265	4,683,801
Ancillary operations	1	12,774,064			12,774,064	11,952,638
Other	1	10,075,581			10,075,581	9,342,530
Restricted funds			400,701		400,701	354,668
Amortization of deferred capital contributions	1	3,646,349			3,646,349	3,771,447
Total revenue		130,188,601	824,439		131,013,040	115,870,648
Expenditure:						
Salaries and Benefits	2	85,033,617			85,033,617	73,493,276
Non Salary Expenses	2	30,405,145			30,405,145	29,822,872
Amortization of Capital Assets	2	6,797,198			6,797,198	6,388,130
Scholarships, Bursaries and Work-study	2 & 3	2,581,776	822,216		3,403,992	3,345,109
Total expenditure		124,817,736	822,216		125,639,952	113,049,387
Excess of revenue over expenditure		5,370,865	2,223		5,373,088	2,821,261
Fund balances, beginning		10,653,804	286,076	\$1,214,018	12,153,898	9,345,114
Change in fair value of interest rate swaps (Note 2)		(1,074,875)			(1,074,875)	(296,097)
Endowment contributions (Note 8)				558,177	558,177	283,620
Fund balances, ending		\$ 14,949,794	\$ 288,299	\$ 1,772,195	\$ 17,010,288	\$ 12,153,898

See accompanying notes to financial statements.

THE CONESTOGA COLLEGE INSTITUTE OF TECHNOLOGY AND ADVANCED LEARNING
Consolidated Statement of Cash Flows

Statement 3

Year Ended March 31, 2009, with comparative figures for 2008

	Operating Fund	Restricted Fund	Endowment Fund	Total 2009	Total 2008
Cash from operating activities					
Excess of revenue over expenditure - Restricted Fund		\$ 2,223		\$ 2,223	\$ 5,685
Excess of revenue over expenditure - Operating Fund	\$ 5,370,865			5,370,865	2,815,576
Net change in non-cash working capital	3,273,481	(32,747)		3,240,734	4,725,663
Amortization of capital assets	6,797,198			6,797,198	6,388,130
Gain on disposal of capital assets	(2,500)			(2,500)	(4,496)
Amortization of deferred capital contributions	(3,646,349)			(3,646,349)	(3,771,447)
Accumulated sick leave credits	(217,552)			(217,552)	(168,605)
Post-retirement benefits	(4,000)			(4,000)	29,000
Net cash (used in) generated through operating activities	11,571,143	(30,524)		11,540,619	10,019,506
Financing and investing activities					
Endowment contributions			558,177	558,177	283,620
Net change in long term receivable	510,033			510,033	335,350
Deferred Capital contributions	4,009,144			4,009,144	5,581,897
Purchase of capital assets:					
College operating funds	(10,015,529)			(10,015,529)	(3,216,945)
Government grants	(3,009,273)			(3,009,273)	(1,867,644)
Other restricted amounts	(999,871)			(999,871)	(3,714,253)
Proceeds on disposal of capital assets	132,167			132,167	10,475
Change in value of interest rate swaps	(1,074,875)			(1,074,875)	(296,097)
Repayment of long term debt	(994,882)			(994,882)	(1,797,034)
Net cash (used in) generated through financing and investing activities	(11,443,086)		558,177	(10,884,909)	(4,680,631)
Net increase (decrease) in cash	128,057	(30,524)	558,177	655,710	5,338,875
Cash and term deposits, beginning of year	19,345,899	863,412	1,214,018	21,423,329	16,084,454
Cash and term deposits, end of year	\$ 19,473,956	\$ 832,888	\$ 1,772,195	\$ 22,079,039	\$ 21,423,329

See accompanying notes to financial statements.

THE CONESTOGA COLLEGE INSTITUTE OF TECHNOLOGY AND ADVANCED LEARNING
 Consolidated Statement of Changes in Fund Balances

Statement 4

Year Ended March 31, 2009, with comparative figures for 2008

	Operating Fund					Restricted Fund	Endowment Fund	Total 2009	Total 2008	
	Unrestricted		Investment in Capital Assets	Internally Restricted	Total					
	Operations	Employment Related								Financial Instruments
Balance, beginning of year	\$ 9,710,935	\$ (8,839,059)	(1,883,116)	\$ 11,630,614	\$ 34,430	\$ 10,653,804	\$ 286,076	\$ 1,214,018	\$ 12,153,898	\$ 9,345,114
Excess of revenue over expenditure(expenditure over revenue)	8,519,214			(3,148,349)		5,370,865	2,223		5,373,088	2,821,261
Vacation Pay	1,029,700	(1,029,700)								
Accumulated Sick Leave	(217,552)	217,552								
Post-Retirement Benefits	(4,000)	4,000								
Capital asset additions financed with College funds	(10,015,529)			10,015,529						
Repayment of long term debt	(994,882)			994,882						
Proceeds on disposal of capital assets	132,167			(132,167)						
Change in fair value of interest rate swaps			(1,074,875)			(1,074,875)			(1,074,875)	(296,097)
Endowment contributions							558,177	558,177	558,177	283,620
Fund balances(deficits), end of year	<u>\$ 8,160,053</u>	<u>\$ (9,647,207)</u>	<u>\$ (2,957,991)</u>	<u>\$ 19,360,509</u>	<u>\$ 34,430</u>	<u>\$ 14,949,794</u>	<u>\$ 288,299</u>	<u>\$ 1,772,195</u>	<u>\$ 17,010,288</u>	<u>\$ 12,153,898</u>

See accompanying notes to financial statements.

THE CONESTOGA COLLEGE INSTITUTE OF TECHNOLOGY AND ADVANCED LEARNING

Notes to the Consolidated Financial Statements, page 1

Year Ended March 31, 2009

The Conestoga College Institute of Technology and Advanced Learning ("Conestoga") was established under the Ontario Colleges of Applied Arts and Technology Act as a corporation. Conestoga is considered to be a Crown agency. Its principal activity is to provide quality education, training, and related services.

1. SIGNIFICANT ACCOUNTING POLICIES AND DISCLOSURE

The Consolidated Financial Statements of Conestoga have been prepared in accordance with Canadian generally accepted accounting principles.

(a) BASIS OF CONSOLIDATION

These consolidated financial statements include the accounts of Conestoga and its wholly-owned subsidiary, Conestoga College Communications Corp., a not-for-profit corporation that is licensed by the Canadian Radio-Television and Telecommunications Commission to operate a radio station.

(b) FUND ACCOUNTING

In order to ensure observance of limitations and restrictions placed on the use of resources available to Conestoga, the accounts are maintained in accordance with the principles of fund accounting.

- i) The Operating Fund is used to account for all revenues, expenditures and capital assets related to the operations of Conestoga.
- ii) The Restricted Fund is used to account for funds received for specific purposes. These include student bursaries, scholarships, loans and joint employment stability funds.
- iii) The Endowment Fund is used to account for the principal amount of funds held in trust from which only the income earned is expendable.

(c) REVENUE RECOGNITION

Conestoga follows the deferral method of accounting for contributions which include donations and government grants.

Unrestricted contributions are recognized as revenue of the appropriate fund when received or receivable if the amount to be received can be estimated and collection is reasonably assured. Unrestricted investment income is recognized as revenue when earned.

Restricted contributions are recognized as revenue of the appropriate fund in the year in which the related expenses are incurred. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on a straight-line basis at a rate corresponding with the amortization rate for the related capital assets.

Endowment contributions are recognized as direct increases in the Endowment Fund balance. Restricted investment income is recognized as revenue of the appropriate fund in the year in which the related expenses are incurred.

(d) USE OF ESTIMATES

The preparation of the consolidated financial statements, in conformity with Canadian generally accepted accounting principles, requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

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Notes to the Consolidated Financial Statements, page 2

Year Ended March 31, 2009

(e) ACCUMULATED SICK LEAVE CREDITS

Provision has been made in these statements for the liability related to sick leave credits. Eligible employees, after 10 years of service, are entitled to receive 50% of their accumulated sick leave credit on termination or retirement. Also, each year some current employees are allowed the option of being paid out for their accumulated credits and then may no longer accumulate credits to be paid out. The program to accumulate sick leave credits ceased March 31, 1991.

(f) TUITION FEES

Tuition fees are recorded in the fiscal year in which the semester commences. Fees received for semesters commencing in a subsequent fiscal period are recorded as deferred revenue.

(g) VALUATION OF INVENTORY

Inventory is valued at average cost for the bookstore, and at the lower of cost and net realizable value for other inventories.

(h) LONG TERM PLEDGES RECEIVABLE

Long term pledges receivable represents the agreed portion of the student capital development fee which will go towards the partial funding of the Student Life Center building asset until the agreement ends in 2018.

(i) CAPITAL ASSETS

Capital assets are recorded at cost. Capital assets which are donated are recorded at their fair market value at the date of acquisition. Capital assets purchased through debt financing are recorded as an asset and liability. The liability is reduced as the debt is repaid. Conestoga records amortization on its capital assets at the straight line rates disclosed in Schedule 4. Disposals of capital assets are recorded in the accounts by removing the original acquisition cost and accumulated amortization. Any gain or loss on disposal is recorded in the statement of revenue and expenditure.

(j) DISTRIBUTION OF COSTS

Direct costs are charged to programs and courses on an actual basis at the time of occurrence. Shared or indirect costs, with the exception of certain costs of the recreation centre which are allocated to ancillary operations, are distributed to programs and courses on a basis of curriculum activity measured by teaching salaries and fringe benefits.

(k) PENSION COSTS

The employees of Conestoga are participants in the contributory retirement pension plans administered by the CAAT Pension Plan. Under these multi-employer plans, Conestoga makes contributions to the plans equal to those of the employees, and expenses these contributions as paid. There is no indication that Conestoga may be liable for any funding payments in excess of current contributions.

(l) POST RETIREMENT BENEFITS

Conestoga, as part of the CAAT system, provides access to post retirement benefits in the form of medical, dental and life insurance coverage to retirees, who pay the premiums. As well Conestoga provides medical and dental coverage, including waived premiums, to employees on long-term disability. These benefits are being calculated using the projected benefits method pro-rated on

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Notes to the Consolidated Financial Statements, page 3

Year Ended March 31, 2009

services, and are recognized on an accrual basis. The valuation of the non-pension post retirement benefits are based on updated membership data as at March 1, 2008.

(m) VACATION PAY ACCRUAL

Vacation pay is accrued, as entitlement is earned.

(n) DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments are utilized by Conestoga in the management of its interest rate exposure. Conestoga's policy is not to utilize derivative financial instruments for trading or speculative purposes.

Conestoga enters into interest rate swaps in order to reduce the impact of fluctuating interest rates on its long-term debt. These swap arrangements require the periodic exchange of payments without the exchange of the notional principal amount on which the payments are based.

Conestoga's policy is to formally document the designation and prospective assessment of effectiveness of each derivative financial instrument as a cash flow hedge of a specifically identified debt instrument and accordingly defers gains or losses anticipated with the derivative financial instrument. Conestoga additionally assesses the effectiveness of each cash flow hedge on an ongoing basis.

(o) FINANCIAL INSTRUMENTS

Held-for-trading investments, which comprise cash equivalents, that is, cash and investments, are recorded on the balance sheet at fair value with realized gains and losses and changes in unrealized gains and losses recorded in investment income in the Consolidated Statement of Revenue and Expenditure and Change in Fund Balances.

Management has designated all financial assets, other than cash and short-term investments, loans and receivables and bonds designated as held-to-maturity as available-for-sale.

Accounts receivable, which are classified as loans and receivables, and accounts payable and accrued liabilities, which are classified as financial liabilities are measured at amortized cost using the effect interest rate method.

Available-for-sale financial assets, which comprise all equities and bonds other than bonds designated as held-to-maturity, which quoted prices in an active market, are carried at fair value on the balance sheet from the trade date. Changes in fair value of equities are recorded in the Consolidated Statement of revenue and Expenditure and Change in Fund Balances. Changes in the difference between the fair value of available-for-sale bonds and the amortized value of such bonds are recorded in the Consolidated Statement of Revenue and Expenditure and Change in Fund Balances. Changes in the amortized value of bonds are recorded as interest income. The amortization of premiums and discounts on the purchase of bonds is calculated using the effective interest rate method.

At each reporting period, Conestoga assesses its investments for possible impairment by reviewing each security individually in order to ensure that the credit rating of the issuer remains investment grade and that the issuer has not defaulted on any interest or dividend payment due. Conestoga estimates the extent of impairment and when there is objective evidence that the investment is impaired and the impairment is other-than-temporary, records the corresponding charge separately in net income.

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Notes to the Consolidated Financial Statements, page 4

Year Ended March 31, 2009

(p) CHANGE IN ACCOUNTING POLICIES

Conestoga adopted the following recommendations of the Canadian Institute of Chartered Accountants ("CICA") handbook:

Section 1535, Capital Disclosures. This Section requires the disclosure of an entity's objectives, policies and processes for the management of capital, information about what the entity regards as capital, whether the entity has complied with any capital requirements and the consequences of not complying with capital requirements. Note 12 to the financial statements contains the required disclosures.

Section 3862, Financial Instruments – Disclosures and Section 3863, Financial Instruments – Presentation. Section 3862 requires the disclosure of information about: a) the significance of financial instruments for Conestoga's financial position and performance and b) the nature and extent of risks arising from financial instruments to which Conestoga is exposed during the period and at the balance sheet date, and how those risks are managed. Section 3863 contains standards for presentation of financial instruments and non-financial derivatives. Note 2 to the financial statements contains the required disclosures.

(q) FUTURE ACCOUNTING CHANGES

Section 4400, Financial Statement Presentation by Not-for-profit Organizations. This section has been amended to require that certain gains and losses should be recorded initially as direct entries to Change in Fund balances for the period rather than in the revenue and expenditure for the period. This section has also been amended to provide additional disclosure for restriction in deferred contributions, endowments and net assets. Additionally, the amended section requires that all revenues and expenses be presented on a gross basis and that the statement of cash flows be prepared in accordance with Section 1540, Cash Flow Statements. This section will be applicable to financial statements relating to fiscal years beginning on or after January 1, 2009.

Section 4430, Capital Assets held by Not-for-profit Organizations. This section has been amended to clarify the size test for relief from the requirement to capitalize and amortize capital assets rather than expense them.

Section 4460, Disclosure of Related party Transactions by Not-for-profit Organizations. This section established disclosure standards for related party transactions in the financial statements for not-for-profit Organizations. The section has been amended to be consistent with the disclosure requirements of Section 3840, Related Party Transactions.

Section 4470, Disclosure of Allocated Expenses by Not-for-profit Organizations. This new section establishes disclosure standards for a not-for profit organization that classifies its expenses by function and allocates its expenses to a number of functions to which the expenses relate. Organization which allocate fundraising and general support expenses to other functions within the organization require disclosure of the policies for allocation of expenses, nature of the expenses being allocated and the basis on which the allocations have been made. Additionally, the amounts allocated and the function to which they have been allocated must also be disclosed. This section will be applicable to financial statements relating to fiscal years beginning on or after January 1, 2009.

Section 1540, Cash Flow Statements. This standard requires the disclosure of information about the historical changes in cash and cash equivalents of an entity by means of a cash flow statement that classifies cash flows during the period arising from operating, investing and financing activities. The standard has been amended to require that interim and annual financial statements of not-for-profit organizations be prepared in accordance with the requirements of this section effective with fiscal years beginning on or after January 1, 2009.

THE CONESTOGA COLLEGE INSTITUTE OF TECHNOLOGY AND ADVANCED LEARNING

Notes to the Consolidated Financial Statements, page 5

Year Ended March 31, 2009

Conestoga is currently evaluating the impact of the adoption of these new or amended sections on the consolidated financial statements.

2. FINANCIAL INSTRUMENTS

CREDIT RISK

Conestoga is exposed to the risk of credit losses, that is the failure of its debtors to pay amounts owed when due. In order to mitigate this risk, management regularly assess the creditworthiness of its principal debtors. Conestoga's exposure to credit losses from any one entity or related group of entities is not material.

Conestoga estimates its aggregate exposure to credit risk as the sum of its reported balances owing from third parties recorded on the balance sheet.

INTEREST RATE RISK

Conestoga entered into three interest rate swap contracts as part of its risk management strategy to minimize exposure to interest rate fluctuations related to the financing of the student residence and student life building. The interest rate swap contracts involve an exchange of floating rate and fixed rate interest payments between Conestoga and a financial institution. The swap transactions are completely independent from and have no direct effect on the relationship between Conestoga and its lender. The notional amount of the interest rate swap contracts outstanding at March 31, 2009 is detailed in Note 3.

At March 31, 2009, the fair value of the interest rate swaps was \$2,957,991 (2008-\$1,883,116) in favour of the bank. The change in fair value of the interest rate swaps is recorded in the Consolidated Statement of Revenue and Expenditure and Changes in Fund Balances.

LIQUIDITY RISK

Liquidity risk arises through an excess of financial obligations over available financial assets at any point in time. Conestoga's objective in managing liquidity risk is to maintain sufficient readily available resources in order to meet its financial obligations as they fall due. Management monitors rolling forecasts of Conestoga's liquidity reserve (comprises undrawn borrowing facility, cash and cash equivalents) on the basis of expected cash flow. Conestoga currently settles its financial obligations out of cash and cash equivalents.

**THE CONESTOGA COLLEGE INSTITUTE OF TECHNOLOGY
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Notes to the Consolidated Financial Statements, page 6

Year Ended March 31, 2009

3. LONG TERM DEBT

	<u>2009</u>	<u>2008</u>
Residence Loan, bearing interest at 6.7%, repayable in blended monthly payments of \$95,942, due September 1, 2011.	\$11,846,368	\$12,191,320
Residence Loan, bearing interest at 6.14%, repayable in blended monthly payments of \$3,418, due September 1, 2011.	437,843	451,499
Residence Loan, bearing interest at 6.42%, repayable in blended monthly payments of \$29,227, due September 1, 2011.	3,681,471	3,791,969
Student Life Building Loan, bearing interest at 5.34%, repayable in blended monthly payments of \$71,239, due on September 1, 2017.	<u>5,875,735</u>	<u>6,401,511</u>
	21,841,417	22,836,299
Less: Current Portion	<u>1,055,660</u>	<u>994,882</u>
	<u>\$20,785,757</u>	<u>\$21,841,417</u>

The blended monthly payments of \$95,942 on the 6.7% mortgage, \$29,227 on the 6.42% mortgage and \$71,239 on the 5.34% mortgage are a result of Conestoga having entered into interest rate swap agreements to convert floating rate debt to fixed rate debt until stated due dates.

The consolidated statement of revenue and expenditure and change in fund balances includes interest expense related to long term debt in the amount of \$1,398,178 (2008 - \$1,472,610)

The aggregate principal portion of mortgages payable due in the next five years is as follows. The three mortgages which are due in September 11, 2011 are estimated to be renegotiated at consistent blended payments and interest rates.

2010	1,055,660
2011	1,120,197
2012	1,188,728
2013	1,261,504
2014	1,338,792

The long term debt is secured by a first collateral mortgage on the residence land and Doon campus.

THE CONESTOGA COLLEGE INSTITUTE OF TECHNOLOGY AND ADVANCED LEARNING

Notes to the Consolidated Financial Statements, page 7

Year Ended March 31, 2009

4. DEFERRED CONTRIBUTIONS

Deferred contributions reported in the Restricted Fund relate to donations received for student bursaries and interest earned on related endowed and unspent funds. Changes in the deferred contributions balance in the Restricted Fund are as follows:

	<u>2009</u>	<u>2008</u>
Beginning balance	\$715,630	\$540,558
Add donations and grant received during year	216,157	287,064
Add interest earned on endowed and unspent funds	43,605	64,886
Less amounts recognized as revenue in the year	<u>(289,419)</u>	<u>(176,878)</u>
Ending Balance	<u>\$685,973</u>	<u>\$715,630</u>

5. DEFERRED CAPITAL CONTRIBUTIONS

Contributions restricted for the purpose of capital purchases are deferred and then amortized over the life of the asset at the corresponding rate to amortization as disclosed on Schedule 4.

The sources of deferred funds are as follows:

	Ministry Funded Grants	Other	<u>2009</u>	<u>2008</u>
Opening Balance	\$32,964,738	\$ 13,271,464	\$46,236,202	\$44,425,752
Deferred	3,009,273	999,871	4,009,144	5,581,897
Amortization	<u>(2,410,974)</u>	<u>(1,235,375)</u>	<u>(3,646,349)</u>	<u>(3,771,447)</u>
Ending Balance	<u>\$33,563,037</u>	<u>\$13,035,960</u>	<u>\$46,598,997</u>	<u>\$46,236,202</u>

6. PENSIONS AND OTHER POST-RETIREMENT BENEFITS

Employees are participants in multi-employer contributory retirement pension plans under which the College makes contributions equal to those of the employees. Contributions to these plans for the year ended March 31, 2009 were \$5,069,333 (2008 - \$4,067,557), and these amounts have been expensed in these financial statements.

Conestoga also participates in a group plan, with other colleges in Ontario, which effectively provides post-retirement and other post-employment benefits. These benefits are provided to current retired employees and future early retirees, as well as claimants for long-term disability. Effective September 2005 the cost of early retiree benefits will no longer be subsidized by the College as a result of separation of the early retiree's benefit premium rate from the active employee's benefit premium rate. Exceptions to this change are:

- Existing early retirees and employees who retired on or before August 31, 2005 will continue to be experience rated with the active employees and pay subsidized premium rates until age 65, and
- Academic early and normal retirees will continue to pay the same premium rate as active employees for the Life Insurance benefits to age 75, as outlined in the collective agreement.

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Year Ended March 31, 2009

Information about Conestoga's post-retirement and other post-employment benefits, calculated as a percentage of the total amounts for the group plan are as follows:

	<u>2009</u>	<u>2008</u>
Accrued benefit obligation	\$ 980,000	\$ 1,081,000
Unamortized (Loss)Gain	(20,000)	(120,000)
Fair value of plan assets	<u>(161,000)</u>	<u>(158,000)</u>
Accrued Liability	<u>\$ 799,000</u>	<u>\$ 803,000</u>
Expense (gain)	<u>(\$ 4,000)</u>	<u>\$ 29,000</u>

The major actuarial assumptions used in the extrapolation of the valuation for purposes of determining the accrued liability and related expense are as follows:

(a) Interest (discount) rate	5.50% for Fiscal 2009 expense
(b) Annual medical cost increases	Hospital – 5%
	Drugs – 10.50%, grading down to 5.50% in 2018
	Other medical – 5%; Dental – 7.5% grading down to 4.5% in 2014.

7. INTERNALLY RESTRICTED FUND BALANCE

Net assets internally restricted by the Board of Governors represents specific initiatives or provisions. A Residence reserve fund for the purpose of funding future major capital costs related to the residence is the basis of this \$34,430 fund. Additions to the residence reserve fund are targeted at 2.5% of rental income annually as funds from residence operations are available. In the current year based on the operating results of the residence no additional amounts were restricted by the Board of Governors.

8. ONTARIO STUDENT OPPORTUNITY TRUST FUND AND ONTARIO TRUST FOR STUDENT SUPPORT

Externally restricted endowment funds include grants provided by the Government of Ontario from the Ontario Student Opportunity Trust Fund (OSOTF) and the Ontario Trust for Student Support (OTSS) Fund. Under the program the government matches funds raised by Conestoga. The purpose of the program is to assist academically qualified individuals who, for financial reasons, would not otherwise be able to attend College.

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Year Ended March 31, 2009

Phase One (OSOTF)	<u>2009</u>	<u>2008</u>
Endowment funds balance – beginning of year	\$552,535	\$552,535
Donations Received	<u>0</u>	<u>0</u>
Endowment funds balance – end of year	<u>\$552,535</u>	<u>\$552,535</u>
Expendable funds – beginning of year	\$150,561	\$138,272
Investment Income	16,800	29,368
Awards issued (total number = 25) (2008 = 9)	<u>(25,005)</u>	<u>(17,078)</u>
Expendable funds – end of year	<u>\$142,356</u>	<u>\$150,563</u>

The above schedule is based on book value. The market value of the endowment as at March 31, 2009 was \$694,891 (2008-\$703,096).

Phase Two (OSOTF)	<u>2009</u>	<u>2008</u>
Endowment funds balance – beginning of year	\$52,650	\$52,650
Donations Received	<u>0</u>	<u>0</u>
Endowment funds balance – end of year	<u>\$52,650</u>	<u>\$52,650</u>
Expendable funds – beginning of year	\$ 3,689	\$ 2,836
Investment Income	1,536	2,353
Awards issued (total number = 4) (2008 = 3)	<u>(2,000)</u>	<u>(1,500)</u>
Expendable funds – end of year	<u>\$ 3,225</u>	<u>\$ 3,689</u>

The above schedule is based on book value. The market value of the endowment as at March 31, 2009 was \$55,875 (2008-\$56,339).

Phase Three (OTSS)	<u>2009</u>	<u>2008</u>
Endowment funds balance – beginning of year	\$617,998	\$220,194
Donations Received	143,920	144,522
Matching Funds Received or Receivable	<u>423,738</u>	<u>253,282</u>
Endowment funds balance – end of year	<u>\$1,185,656</u>	<u>\$617,998</u>
Expendable funds – beginning of year	\$14,055	\$ 6,085
Investment Income	14,545	11,470
Awards issued (total number = 18) (2008 = 7)	<u>(15,400)</u>	<u>(3,500)</u>
Expendable funds – end of year	<u>\$ 13,200</u>	<u>\$ 14,055</u>

The above schedule is based on book value. The market value of the endowment as at March 31, 2009 was \$1,185,656 (2008-\$617,998).

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Year Ended March 31, 2009

9. COMMITMENTS

Conestoga has entered into various agreements to lease premises and equipment for up to three years. The equipment leases have built-in options whereby Conestoga is able to purchase the equipment at the end of the lease, or to return the equipment to the lessor. The minimum payments required to the maturity dates of existing leases are as follows:

	Premises	Equipment	Total
2010	\$668,635	\$38,124	\$706,759
2011	338,088	30,974	369,062
2012	199,638	8,289	207,927
2013	58,228		58,228

10. UNION EMPLOYMENT STABILITY FUNDS

These funds, required under the terms of the collective agreements for academic and support staff, are to be used to enhance employment stability. Under the agreements Conestoga makes annual contributions on a per capita basis. Disbursements must be authorized by a joint Union/College Committee.

11. EMPLOYMENT RELATED DEFICIT

Conestoga accrues Vacation Pay, Sick Leave Liability and Post-Retirement Benefits. These unfunded liabilities have been recorded within the operating fund and give rise to what Conestoga describes as an Employment Related Deficit, which is part of the Unrestricted Fund Balance.

	<u>2009</u>	<u>2008</u>
Vacation Pay	\$7,421,887	\$6,392,187
Sick Leave Liability	1,426,320	1,643,872
Post-Retirement Benefits	<u>799,000</u>	<u>803,000</u>
	<u>\$9,647,207</u>	<u>\$8,839,059</u>

12. CAPITAL MANAGEMENT

Conestoga manages its capital on a College-wide basis. Administration's intent is to maintain a strong capital position within the constraints of the Ministry of Training, Colleges and Universities ("MTCU") requirements. Conestoga's objectives include continued compliance with MTCU requirements and ensuring Conestoga is able to meet its obligations to its students, third party vendors and Conestoga's own employees.

Conestoga is regulated by the MTCU through the Financial Administration Act ("FAA"). Section 28 of the FAA states that colleges as crown agencies shall not enter into any financial arrangements that would increase the indebtedness or contingent liabilities of the Province of Ontario ("Province") without prior approval from the minister of Finance. Further, section 28 indicates any arrangements entered into without prior approval are considered non binding, unless specifically exempted by the minister of Finance.

Responsibility for the ongoing monitoring of Conestoga's capital management rests with Senior College Administration while the Board of Governors ("Board") is responsible for the review and approval of the annual budget and financial statements. The Chair of the Board is also responsible for requesting all Section 28 approvals from the Minister of Finance in writing .

**THE CONESTOGA COLLEGE INSTITUTE OF TECHNOLOGY
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Notes to the Consolidated Financial Statements, page 11

Year Ended March 31, 2009

13. COMPARATIVE AMOUNTS

Certain comparative figures have been reclassified to conform to the current year's presentation.

**THE CONESTOGA COLLEGE INSTITUTE OF TECHNOLOGY
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Schedule 1

Analysis of Operating Fund Revenue

Year Ended March 31, 2009, with comparative figures for 2008

	<u>2009</u>	<u>2008</u>
Grants and government contracts:		
Operating - basic	\$ 32,062,519	\$ 30,151,608
Operating - quality	5,516,918	4,759,030
Operating - enrolment growth	8,288,232	4,439,793
Operating - performance	770,704	760,974
Operating - second career	444,458	—
Operating - supplementary	3,453,213	4,442,277
Operating - premise rental	185,882	185,882
Operating - per capita tax	479,475	435,225
Apprentice Related	6,562,189	5,805,219
Job Connect & Summer Job Service	2,206,732	2,229,254
Adjustment Advisory Program	208,818	8,944
Literacy Basic Skills	1,988,970	1,934,444
EBSM - Employment Benefits & Support Measures	1,312,843	949,187
Non-Apprenticeship Training	508,640	872,080
Disability Services	836,696	676,721
Special Bursaries	824,329	827,769
Other Ontario	841,422	1,084,853
Municipal Grants	156,638	181,648
Federal Grants	2,793,883	177,826
	<u>69,442,561</u>	<u>59,922,734</u>
Tuition:		
Full time post secondary programs	19,683,448	16,596,905
Part-time courses and seminars	6,505,140	6,027,080
Full fee recovery programs	893,451	219,367
Apprentice	970,296	840,121
Student assistance program	1,731,446	1,906,075
	<u>29,783,781</u>	<u>25,589,548</u>
Contracted Educational Services	<u>4,466,265</u>	<u>4,683,801</u>
Ancillary Operations	<u>12,774,064</u>	<u>11,952,638</u>
Other:		
Day Care revenue	1,471,021	1,485,461
Miscellaneous student fees	6,860,309	5,986,940
Miscellaneous revenue	1,744,251	1,870,129
	<u>10,075,581</u>	<u>9,342,530</u>
Amortization of deferred capital contributions:		
Grant	2,410,974	2,421,793
Other	1,235,375	1,349,654
	<u>3,646,349</u>	<u>3,771,447</u>
	<u>\$ 130,188,601</u>	<u>\$ 115,262,698</u>

**THE CONESTOGA COLLEGE INSTITUTE OF TECHNOLOGY
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Schedule 2

Analysis of Operating Fund Expenditure

Year Ended March 31, 2009, with comparative figures for 2008

	<u>2009</u>	<u>2008</u>
Salaries and Benefits		
Academic	\$ 37,660,464	\$ 33,770,367
Support	18,691,606	17,003,859
Administrative	11,534,512	9,142,133
Part Time Academic	13,220,011	10,620,771
Part Time Support	3,927,024	2,956,146
	<u>85,033,617</u>	<u>73,493,276</u>
Non Salary Expenses		
Student Related Expenses	9,426,533	8,995,939
Staff Related Expenses	3,298,376	3,118,405
Plant Related Expenses	8,013,024	9,165,518
Professional and Contract Fees	3,183,235	2,733,558
Other Expenses	4,858,152	4,495,443
Specifically Reimbursed Expenses	1,625,825	1,314,009
	<u>30,405,145</u>	<u>29,822,872</u>
Amortization of Capital Assets	6,797,198	6,388,130
Scholarships, Bursaries and Work-study	<u>2,581,776</u>	<u>2,742,844</u>
	<u>\$ 124,817,736</u>	<u>\$ 112,447,122</u>

**THE CONESTOGA COLLEGE INSTITUTE OF TECHNOLOGY
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Analysis of Restricted Fund Balance

Schedule 3

Year Ended March 31, 2009 with comparative figures for 2008

	Student Bursary/ Scholarship/ Loan	Union Employment Stability (Note 10)	Total 2009	Total 2008
Balance at beginning of year				
Available for student loans	\$ 39,096		\$ 39,096	\$ 37,843
Available for Employment Stability Activities		\$ 246,980	246,980	242,548
	<u>39,096</u>	<u>246,980</u>	<u>286,076</u>	<u>280,391</u>
Increase in fund balance arising from:				
Deferred contributions recognized as revenue				
Donation income	350,596		350,596	317,402
Grant income	423,738		423,738	253,282
Interest income	44,284	5,821	50,105	11,763
College contribution				25,503
	<u>818,618</u>	<u>5,821</u>	<u>824,439</u>	<u>607,950</u>
Decrease in fund balance arising from:				
Deferred contributions	528,519		528,519	393,806
Bursaries and scholarships activities	289,419		289,419	176,878
Stability Fund activities		2,128	2,128	31,581
Student Loan Fund activities	2,150		2,150	
	<u>820,088</u>	<u>2,128</u>	<u>822,216</u>	<u>602,265</u>
Increase (decrease) in fund for current year	<u>(1,470)</u>	<u>3,693</u>	<u>2,223</u>	<u>5,685</u>
Balance at end of year				
Available for student loans	37,626		37,626	39,096
Available for Employment Stability Activities		250,673	250,673	246,980
Restricted Fund	<u>\$ 37,626</u>	<u>\$ 250,673</u>	<u>\$ 288,299</u>	<u>\$ 286,076</u>

**THE CONESTOGA COLLEGE INSTITUTE OF TECHNOLOGY
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Schedule 4

Continuity of Investment in Capital Assets

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

	Capital Costs				Amortization Rate %	Amortization				2009 Net Book Value	2008 Net Book Value
	Balance at Beginning of Year	Additions	Disposals	Balance End of Year		Balance at Beginning of Year	Current Year Expense	Disposals	Balance End of Year		
Land(Note 5)	\$ 6,700,044	\$ 5,727,581		\$ 12,427,625	0%					\$ 12,427,625	\$ 6,700,044
Parking Lots	2,993,344	482,566		3,475,910	10%	\$ 2,396,988	\$ 177,485		\$ 2,574,473	901,437	596,356
Buildings(Note 5)	95,021,036	\$ 2,478,333	129,667	97,369,702	2.5%	28,848,479	2,374,939		31,223,418	66,146,284	66,172,557
Site improvements	733,356			733,356	10%	680,628	5,859		686,487	46,869	52,728
Leasehold improvements	252,315	152,877		405,192	20%	142,577	58,010		200,587	204,605	109,738
Furniture and equipment:											
Administration and plant	4,264,943	990,057	3,500,271	1,754,729	20%	4,164,854	178,433	3,500,271	843,016	911,713	100,089
Instructional	44,374,112	2,192,197	25,989,066	20,577,243	20%	39,454,029	2,263,850	25,989,066	15,728,813	4,848,430	4,920,083
Computers	14,258,547	1,759,823	7,051,031	8,967,339	33%	13,266,135	1,203,952	7,051,031	7,419,056	1,548,283	992,412
Ancillary	1,295,889	12,356	481,687	826,558	20%	1,212,093	27,144	481,687	757,550	69,008	83,796
Automotive	111,006			111,006	20%	70,682	15,104		85,786	25,220	40,324
Major Systems	2,620,364	228,883		2,849,247	20%	1,685,376	492,422		2,177,798	671,449	934,988
	<u>\$ 172,624,956</u>	<u>\$ 14,024,673</u>	<u>\$ 37,151,722</u>	<u>\$ 149,497,907</u>		<u>\$ 91,921,841</u>	<u>\$ 6,797,198</u>	<u>\$ 37,022,055</u>	<u>\$ 61,696,984</u>	<u>\$ 87,800,923</u>	<u>\$ 80,703,115</u>