

The Conestoga College Institute of Technology
and Advanced Learning

FINANCIAL STATEMENTS

March 31, 2011

Consolidated Financial Statements of

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

Year Ended March 31, 2011

**THE CONESTOGA COLLEGE INSTITUTE OF TECHNOLOGY
AND ADVANCED LEARNING**
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Year Ended March 31, 2011

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May 30, 2011

Independent Auditor's Report

To the Board of Governors of The Conestoga College Institute of Technology and Advanced Learning

We have audited the accompanying consolidated financial statements of The Conestoga College Institute of Technology and Advanced Learning and its subsidiary, which comprise the consolidated statement of financial position as at March 31, 2011 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, and the related notes including a summary of significant accounting policies.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian generally accepted accounting principles and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of The Conestoga College Institute of Technology and Advanced Learning and its subsidiary as at March 31, 2011 and the results of their operations and their cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

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, 2011, with comparative figures for 2010

	Operating Fund (Statement 2)	Restricted Fund (Statement 2)	Endowment Fund (Statement 2)	Total 2011	Total 2010
ASSETS					
Current Assets:					
Cash and short term deposits	\$ 43,724,925	\$ 899,734	\$ 2,963,183	\$ 47,587,842	\$ 38,316,970
Grants receivable	2,774,198	88,779		2,862,977	6,526,957
Accounts receivable	5,422,849	14,385		5,437,234	4,932,608
Inventory	860,550			860,550	687,457
Prepaid expense	379,679			379,679	753,528
	53,162,201	1,002,898	2,963,183	57,128,282	51,217,520
Long term pledges receivable	3,405,197			3,405,197	3,117,687
Capital assets (Note 6)	166,631,862			166,631,862	95,847,030
	<u>\$ 223,199,260</u>	<u>\$ 1,002,898</u>	<u>\$ 2,963,183</u>	<u>\$ 227,165,341</u>	<u>\$ 150,182,237</u>
LIABILITIES					
Current Liabilities:					
Accounts payable and accrued liabilities	\$ 22,224,052			\$ 22,224,052	\$ 15,446,648
Vacation pay accrual	8,465,899			8,465,899	8,441,931
Deferred revenue	17,450,295			17,450,295	22,574,111
Current portion of long term debt (Note 3)	15,546,182			15,546,182	1,120,197
Deferred contributions (Note 4)		\$ 643,080		643,080	806,695
	63,686,428	643,080		64,329,508	48,389,582
Long term debt (Note 3)	4,119,378			4,119,378	19,665,560
Deferred capital contributions (Note 5)	127,120,919			127,120,919	55,626,992
Accumulated sick leave credits	1,205,358			1,205,358	1,227,217
Post-retirement benefits (Note 7)	947,000			947,000	807,000
	<u>197,079,083</u>	<u>643,080</u>		<u>197,722,163</u>	<u>125,716,351</u>
FUND BALANCES(DEFICITS)					
Unrestricted:					
Operations	17,626,548			17,626,548	14,311,206
Employment Related (Note 12)	(10,618,257)			(10,618,257)	(10,476,148)
Financial Instruments (Note 2)	(767,927)			(767,927)	(1,578,804)
	6,240,364			6,240,364	2,256,254
Investment in capital assets (Note 6)	19,845,383			19,845,383	19,434,281
Internally restricted fund balance (Note 8)	34,430			34,430	34,430
Externally restricted fund balances		359,818	\$ 2,963,183	3,323,001	2,740,921
	26,120,177	359,818	2,963,183	29,443,178	24,465,886
	<u>\$ 223,199,260</u>	<u>\$ 1,002,898</u>	<u>\$ 2,963,183</u>	<u>\$ 227,165,341</u>	<u>\$ 150,182,237</u>

Commitments (Note 10)

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, 2011, with comparative figures for 2010

	Operating Fund	Restricted Fund	Endowment Fund	Total 2011	Total 2010
Revenue:					
Grants	\$ 75,980,113	\$270,537		\$ 76,250,650	\$73,666,855
Student Tuition	38,960,199			38,960,199	37,324,665
Contracted Services	5,623,426			5,623,426	3,732,696
Ancillary operations	14,119,894			14,119,894	14,115,239
Other	11,912,498			11,912,498	11,934,844
Restricted funds		489,348		489,348	551,801
Amortization of deferred capital contributions	3,900,015			3,900,015	3,722,962
Total revenue	150,496,145	759,885		151,256,030	145,049,062
Expenditure:					
Salaries and Benefits	102,184,240			102,184,240	96,574,097
Non Salary Expenses	34,251,745			34,251,745	32,395,402
Amortization of Capital Assets	7,473,526			7,473,526	7,058,350
Scholarships, Bursaries and Work-study	3,002,299	747,338		3,749,637	3,566,257
Total expenditure	146,911,810	747,338		147,659,148	139,594,106
Excess of revenue over expenditure	3,584,335	12,547		3,596,882	5,454,956
Fund balances, beginning	21,724,965	347,271	\$2,393,650	24,465,886	17,010,288
Change in fair value of interest rate swaps (Note 2)	810,877			810,877	1,379,187
Endowment contributions (Note 9)			569,533	569,533	621,455
Fund balances, ending	\$ 26,120,177	\$359,818	\$2,963,183	\$ 29,443,178	\$24,465,886

See accompanying notes to financial statements.

THE CONESTOGA COLLEGE INSTITUTE OF TECHNOLOGY AND ADVANCED LEARNING

Statement 3

Consolidated Statement of Cash Flows

Year Ended March 31, 2011, with comparative figures for 2010

	Operating Fund	Restricted Fund	Endowment Fund	Total 2011	Total 2010
Cash from operating activities					
Excess of revenue over expenditure - Restricted Fund		\$ 12,547		\$ 12,547	\$ 58,972
Excess of revenue over expenditure - Operating Fund	\$ 3,584,335			3,584,335	5,395,984
Net change in non-cash working capital	4,920,803	(46,752)		4,874,051	8,571,698
Amortization of capital assets	7,473,526			7,473,526	7,058,350
Amortization of deferred capital contributions	(3,900,015)			(3,900,015)	(3,722,962)
Accumulated sick leave credits	(21,859)			(21,859)	(199,103)
Post-retirement benefits	140,000			140,000	8,000
Net cash (used in) generated through operating activities	<u>12,196,790</u>	<u>(34,205)</u>		<u>12,162,585</u>	<u>17,170,939</u>
Financing and investing activities					
Endowment contributions			\$ 569,533	569,533	621,455
Net change in long term receivable	(287,510)			(287,510)	475,510
Deferred Capital contributions	75,393,942			75,393,942	12,750,957
Purchase of capital assets:					
College operating funds	(2,864,416)			(2,864,416)	(2,353,500)
Government grants	(73,640,586)			(73,640,586)	(11,817,017)
Other restricted amounts	(1,753,356)			(1,753,356)	(933,940)
Change in fair value of interest rate swaps	810,877			810,877	1,379,187
Repayment of long term debt	(1,120,197)			(1,120,197)	(1,055,660)
Net cash (used in) generated through financing and investing activities	<u>(3,461,246)</u>		<u>569,533</u>	<u>(2,891,713)</u>	<u>(933,008)</u>
Net increase (decrease) in cash	8,735,544	(34,205)	569,533	9,270,872	16,237,931
Cash and short term deposits, beginning of year	<u>34,989,381</u>	<u>933,939</u>	<u>2,393,650</u>	<u>38,316,970</u>	<u>22,079,039</u>
Cash and short term deposits, end of year	<u>\$43,724,925</u>	<u>\$ 899,734</u>	<u>\$2,963,183</u>	<u>\$47,587,842</u>	<u>\$ 38,316,970</u>

See accompanying notes to financial statements.

THE CONESTOGA COLLEGE INSTITUTE OF TECHNOLOGY AND ADVANCED LEARNING

Statement 4

Consolidated Statement of Changes in Fund Balances

Year Ended March 31, 2011, with comparative figures for 2010

	Operating Fund						Restricted Fund	Endowment Fund	Total 2011	Total 2010
	Unrestricted		Financial Instruments	Investment in Capital Assets	Internally Restricted	Total				
	Operations	Employment Related								
Balance, beginning of year	\$ 14,311,206	\$ (10,476,148)	\$ (1,578,804)	\$ 19,434,281	\$ 34,430	\$ 21,724,965	\$ 347,271	\$ 2,393,650	\$ 24,465,886	\$ 17,010,288
Excess of revenue over expenditure(expenditure over revenue)	7,157,846			(3,573,511)		3,584,335	12,547		3,596,882	5,454,956
Vacation Pay	23,968	(23,968)								
Accumulated Sick Leave	(21,859)	21,859								
Post-Retirement Benefits	140,000	(140,000)								
Capital asset additions financed with College funds	(2,864,416)			2,864,416						
Repayment of long term debt	(1,120,197)			1,120,197						
Change in fair value of interest rate swaps			810,877			810,877			810,877	1,379,187
Endowment contributions								569,533	569,533	621,455
Fund balances(deficits), end of year	<u>\$ 17,626,548</u>	<u>\$ (10,618,257)</u>	<u>\$ (767,927)</u>	<u>\$ 19,845,383</u>	<u>\$ 34,430</u>	<u>\$ 26,120,177</u>	<u>\$ 359,818</u>	<u>\$ 2,963,183</u>	<u>\$ 29,443,178</u>	<u>\$ 24,465,886</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, 2011

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.

THE CONESTOGA COLLEGE INSTITUTE OF TECHNOLOGY AND ADVANCED LEARNING

Notes to the Consolidated Financial Statements, page 2

Year Ended March 31, 2011

(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 includes corporate pledges for major capital projects as well as 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 following straight line rates: Site Improvements-10% Buildings-2.5%; Furniture and Equipment-20%; Information Technology- 33%; Major Systems-20%; Other Assets- Automotive-20%; and Leasehold Improvements-20%. 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 Consolidated Statement of Revenue and Expenditure and Change in Fund Balances. Construction in Process costs are capitalized and amortization is not recognized until construction is complete and the assets are ready for productive use.

(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.

THE CONESTOGA COLLEGE INSTITUTE OF TECHNOLOGY AND ADVANCED LEARNING

Notes to the Consolidated Financial Statements, page 3

Year Ended March 31, 2011

(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 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, 2011.

(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 Consolidated Statement of Financial Position 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 effective interest rate method.

Available-for-sale financial assets, which comprise all equities and bonds other than bonds designated as held-to-maturity, with quoted prices in an active market, are carried at fair value on the Consolidated Statement of Financial Position 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.

THE CONESTOGA COLLEGE INSTITUTE OF TECHNOLOGY AND ADVANCED LEARNING

Notes to the Consolidated Financial Statements, page 4

Year Ended March 31, 2011

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.

(p) FUTURE CHANGES IN ACCOUNTING POLICIES

Changes to accounting standards applicable to government not-for-profit organizations have been approved by the Public Sector Accounting Board. The College will be implementing the Public Sector Accounting Handbook for their fiscal year commencing on April 1, 2012.

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, 2011 is detailed in Note 3.

At March 31, 2011, the fair value of the interest rate swaps was \$767,927 (2010-\$1,578,804) 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 5

Year Ended March 31, 2011

3. LONG TERM DEBT

	<u>2011</u>	<u>2010</u>
Residence Loan, bearing interest at 6.7%, repayable in blended monthly payments of \$95,942, due September 1, 2011.	\$11,083,310	\$11,477,580
Residence Loan, bearing interest at 6.14%, repayable in blended monthly payments of \$3,418, due September 1, 2011.	407,890	423,325
Residence Loan, bearing interest at 6.42%, repayable in blended monthly payments of \$29,227, due September 1, 2011.	3,438,074	3,563,667
Student Life Building Loan, bearing interest at 5.34%, repayable in blended monthly payments of \$71,239, due on September 1, 2017.	<u>4,736,286</u>	<u>5,321,185</u>
	19,665,560	20,785,757
Less: Current Portion	<u>15,546,182</u>	<u>1,120,197</u>
	<u>\$4,119,378</u>	<u>\$19,665,560</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 \$1,272,244 (2010-\$1,337,100)

As the three residence mortgages payable are due in the next year they have been fully presented within current liabilities on the Consolidated Statement of Financial Position. However, the College intends to refinance these mortgages as they become due, with similar terms to those of the current loans. Based on this assumption of refinancing on similar terms, the estimated aggregate principal portion of long term debt payments in the next five years is as follows.

2012	1,188,728
2013	1,261,504
2014	1,338,792
2015	1,420,873
Thereafter	14,445,663

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

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

Year Ended March 31, 2011

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>2011</u>	<u>2010</u>
Beginning balance	\$806,695	\$685,973
Add donations and grant received during year	132,768	328,836
Add interest earned on endowed and unspent funds	37,323	12,242
Less amounts recognized as revenue in the year	<u>(333,706)</u>	<u>(220,356)</u>
Ending Balance	<u>\$643,080</u>	<u>\$806,695</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:

	<u>Ministry Funded Grants</u>	<u>Other</u>	<u>2011</u>	<u>2010</u>
Opening Balance	\$42,797,251	\$ 12,829,741	\$55,626,992	\$46,598,997
Deferred	73,640,586	1,753,356	75,393,942	12,750,957
Amortization	<u>(2,868,868)</u>	<u>(1,031,147)</u>	<u>(3,900,015)</u>	<u>(3,722,962)</u>
Ending Balance	<u>\$113,568,969</u>	<u>\$13,551,950</u>	<u>\$127,120,919</u>	<u>\$55,626,992</u>

6. CAPITAL ASSETS

(a) Capital assets consist of the following

	<u>Capital Costs</u>	<u>Accumulated Amortization</u>	<u>2011 Net Book Value</u>	<u>2010 Net Book Value</u>
Land	\$12,625,625		\$12,625,625	\$12,427,625
Site Improvements	5,013,968	3,704,428	1,309,540	1,064,406
Buildings	103,873,650	36,149,992	67,723,658	63,899,779
Furniture and Equipment	24,557,863	20,219,747	4,338,116	4,966,892
Information Technology	15,500,019	13,467,242	2,032,777	2,209,852
Construction in Process	78,268,129		78,268,129	11,039,757
Other Assets	<u>845,412</u>	<u>511,395</u>	<u>334,017</u>	<u>238,719</u>
	<u>\$240,684,666</u>	<u>\$74,052,804</u>	<u>\$166,631,862</u>	<u>\$95,847,030</u>

THE CONESTOGA COLLEGE INSTITUTE OF TECHNOLOGY AND ADVANCED LEARNING

Notes to the Consolidated Financial Statements, page 7

Year Ended March 31, 2011

(b) Investment in Capital Assets

The net book value of capital assets is financed by:	<u>2011</u>	<u>2010</u>
Capital Assets	\$166,631,862	\$95,847,030
Deferred capital contributions	(127,120,919)	(55,626,992)
Long term debt	<u>(19,665,560)</u>	<u>(20,785,757)</u>
Investment in capital assets ending balance	<u>\$19,845,383</u>	<u>\$19,434,281</u>
Excess of expenditure over revenue	<u>2011</u>	<u>2010</u>
Amortization of deferred capital contributions	\$3,900,015	\$3,722,962
Amortization of capital assets	<u>(7,473,526)</u>	<u>(7,058,350)</u>
Excess of expenditure over revenue for the year	<u>(\$3,573,511)</u>	<u>(\$3,335,388)</u>

7. 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, 2011 were \$7,545,981 (2010-\$6,501,319), 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.

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>2011</u>	<u>2010</u>
Accrued benefit obligation	\$ 1,219,000	\$ 1,018,000
Unamortized (Loss)Gain	(45,000)	(12,000)
Fair value of plan assets	<u>(227,000)</u>	<u>(199,000)</u>
Accrued Liability	<u>\$ 947,000</u>	<u>\$ 807,000</u>
Expense (gain)	<u>\$ 140,000</u>	<u>\$ 8,000</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:

THE CONESTOGA COLLEGE INSTITUTE OF TECHNOLOGY AND ADVANCED LEARNING

Notes to the Consolidated Financial Statements, page 8

Year Ended March 31, 2011

(a) Interest (discount) rate	4.75% for Fiscal 2011 expense
(b) Annual medical cost increases	Hospital –4.5% Drugs – 10.50%, grading down to 4.50% in 2023 Other medical – 4.5%; Dental – 7.5% grading down to 4.5% in 2023.

8. 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.

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

Externally restricted endowment funds include private and corporate donations as well as 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.

Phase One (OSOTF)	<u>2011</u>	<u>2010</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	\$129,597	\$142,356
Investment Income	15,209	3,402
Awards issued (total number = 23) (2010 = 10)	<u>(28,657)</u>	<u>(16,161)</u>
Expendable funds – end of year	<u>\$116,148</u>	<u>\$129,597</u>

The above schedule is based on book value. The market value of the endowment as at March 31, 2011 was \$668,684 (2010-\$682,132).

Phase Two (OSOTF)	<u>2011</u>	<u>2010</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	\$ 2,998	\$ 3,225
Investment Income	644	273
Awards issued (total number = 0) (2010 = 1)	<u>(0)</u>	<u>(500)</u>
Expendable funds – end of year	<u>\$ 3,642</u>	<u>\$ 2,998</u>

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Notes to the Consolidated Financial Statements, page 9

Year Ended March 31, 2011

The above schedule is based on book value. The market value of the endowment as at March 31, 2011 was \$56,292 (2010-\$55,648).

Phase Three (OTSS)	<u>2011</u>	<u>2010</u>
Endowment funds balance – beginning of year	\$1,880,846	\$1,185,656
Donations Received	117,832	219,877
Matching Funds Received or Receivable	<u>324,580</u>	<u>475,313</u>
Endowment funds balance – end of year	<u>\$2,323,258</u>	<u>\$1,880,846</u>
Expendable funds – beginning of year	\$13,025	\$13,200
Investment Income	35,624	8,639
Awards issued (total number = 9) (2009 = 18)	<u>(10,383)</u>	<u>(8,814)</u>
Expendable funds – end of year	<u>\$ 38,266</u>	<u>\$ 13,025</u>

The above schedule is based on book value. The market value of the endowment as at March 31, 2011 was \$2,361,525 (2010-\$1,893,871).

10. COMMITMENTS

(a) Conestoga has entered into various agreements to lease premises and equipment for up to two 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:

	<u>Premises</u>	<u>Equipment</u>	<u>Total</u>
2012	189,979	7,975	197,954
2013	47,588		47,588

(b) Conestoga has commenced the construction of new facilities as part of the Knowledge Infrastructure Program. The prime components of this program are a new 260,000 square foot phase one building for the School of Engineering and Information Technology on a new 130-acre campus in Cambridge and a 70,000 square foot addition to the main teaching building at the Doon Campus. The addition will be for the School of Health and Life Sciences.

As at March 31, 2011, Conestoga has future commitments amounting to \$16,682,701 relating to the above mentioned two projects.

11. 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.

THE CONESTOGA COLLEGE INSTITUTE OF TECHNOLOGY AND ADVANCED LEARNING

Notes to the Consolidated Financial Statements, page 10

Year Ended March 31, 2011

12. 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>2011</u>	<u>2010</u>
Vacation Pay	\$8,465,899	\$8,441,931
Sick Leave Liability	1,205,358	1,227,217
Post-Retirement Benefits	947,000	807,000
	<u>\$10,618,257</u>	<u>\$10,476,148</u>

13. 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 AND ADVANCED LEARNING Unaudited Schedule 1

Analysis of Operating Fund Revenue

Year Ended March 31, 2011, with comparative figures for 2010

	<u>2011</u>	<u>2010</u>
Grants and government contracts:		
Operating - basic	\$ 45,478,476	\$ 41,712,013
Operating - performance	836,111	744,091
Operating - second career	5,321,366	5,042,662
Operating - supplementary	1,813,821	2,097,372
Operating - premise rental	198,243	227,376
Operating - per capita tax	572,475	526,500
Apprentice Related	7,627,076	7,859,162
Employment Services	4,140,118	5,681,706
Literacy Basic Skills	2,920,518	2,575,387
Non-Apprenticeship Training	508,640	508,640
Disability Services	1,148,576	935,492
Special Bursaries	719,707	690,650
Other Ontario	1,013,499	1,072,558
Municipal Grants	302,329	215,482
Federal Grants	<u>3,379,158</u>	<u>3,302,451</u>
	<u>75,980,113</u>	<u>73,191,542</u>
Tuition:		
Full time post secondary programs	27,003,650	23,568,948
Part-time courses and seminars	6,859,657	6,915,394
Full fee recovery programs	2,122,109	3,925,873
Apprentice	1,005,793	1,082,795
Student assistance program	<u>1,968,990</u>	<u>1,831,655</u>
	<u>38,960,199</u>	<u>37,324,665</u>
Contracted Services	<u>5,623,426</u>	<u>3,732,696</u>
Ancillary Operations	<u>14,119,894</u>	<u>14,115,239</u>
Other:		
Day Care revenue	1,544,331	1,444,392
Miscellaneous student fees	8,430,893	8,642,518
Miscellaneous revenue	<u>1,937,274</u>	<u>1,847,934</u>
	<u>11,912,498</u>	<u>11,934,844</u>
Amortization of deferred capital contributions:		
Grant	2,868,868	2,582,803
Other	<u>1,031,147</u>	<u>1,140,159</u>
	<u>3,900,015</u>	<u>3,722,962</u>
	<u>\$ 150,496,145</u>	<u>\$ 144,021,948</u>

**THE CONESTOGA COLLEGE INSTITUTE OF TECHNOLOGY
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Unaudited Schedule 2

Analysis of Operating Fund Expenditure

Year Ended March 31, 2011, with comparative figures for 2010

	<u>2011</u>	<u>2010</u>
Salaries and Benefits		
Academic	\$ 43,710,130	\$ 41,116,579
Support	23,870,243	21,445,392
Administrative	13,365,196	13,503,915
Part Time Academic	15,955,436	14,554,611
Part Time Support	<u>5,283,235</u>	<u>5,953,600</u>
	102,184,240	96,574,097
Non Salary Expenses		
Student Related Expenses	11,187,009	11,168,274
Staff Related Expenses	3,748,593	3,637,139
Plant Related Expenses	7,503,141	7,063,591
Professional and Contract Fees	4,525,201	3,204,984
Other Expenses	5,404,410	5,517,040
Specifically Reimbursed Expenses	<u>1,883,391</u>	<u>1,804,374</u>
	34,251,745	32,395,402
Amortization of Capital Assets	7,473,526	7,058,350
Scholarships, Bursaries and Work-study	<u>3,002,299</u>	<u>2,598,115</u>
	<u>\$ 146,911,810</u>	<u>\$ 138,625,964</u>

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

Analysis of Restricted Fund Balance

Unaudited Schedule 3

Year Ended March 31, 2011 with comparative figures for 2010

	Student Bursary/ Scholarship/ Loan	Union Employment Stability (Note 11)	Total 2011	Total 2010
Balance at beginning of year				
Available for student loans	\$ 37,745		\$ 37,745	\$ 37,626
Available for Employment Stability Activities		\$ 309,526	309,526	250,673
	<u>37,745</u>	<u>309,526</u>	<u>347,271</u>	<u>288,299</u>
Increase in fund balance arising from:				
Deferred contributions recognized as revenue				
Donation income	431,764		431,764	474,978
Grant income	270,537		270,537	475,313
Interest income	37,589	3,045	40,634	13,627
College contribution		16,950	16,950	63,196
	<u>739,890</u>	<u>19,995</u>	<u>759,885</u>	<u>1,027,114</u>
Decrease in fund balance arising from:				
Deferred contributions	405,918		405,918	742,177
Bursaries and scholarships activities	333,706		333,706	220,356
Stability Fund activities		7,714	7,714	5,609
	<u>739,624</u>	<u>7,714</u>	<u>747,338</u>	<u>968,142</u>
Increase in fund for current year	<u>266</u>	<u>12,281</u>	<u>12,547</u>	<u>58,972</u>
Balance at end of year				
Available for student loans	38,011		38,011	37,745
Available for Employment Stability Activities		321,807	321,807	309,526
Restricted Fund	<u>\$ 38,011</u>	<u>\$ 321,807</u>	<u>\$ 359,818</u>	<u>\$ 347,271</u>