

The Conestoga College Institute of Technology  
and Advanced Learning

# **FINANCIAL STATEMENTS**

**March 31, 2010**

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Consolidated Financial Statements of

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

Year Ended March 31, 2010

**THE CONESTOGA COLLEGE INSTITUTE OF TECHNOLOGY  
AND ADVANCED LEARNING**  
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Year Ended March 31, 2010

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May 27, 2010

## **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 of March 31, 2010 and the consolidated statement of revenues 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 company as at March 31, 2010 and the results of its operations and 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, 2010 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, 2010, with comparative figures for 2009

	Operating Fund (Statement 2)	Restricted Fund (Statement 2)	Endowment Fund (Statement 2)	Total 2010	Total 2009
<b>ASSETS</b>					
Current Assets:					
Cash and short term deposits	\$ 34,989,381	\$ 933,939	\$ 2,393,650	\$ 38,316,970	\$ 22,079,039
Grants receivable	6,316,057	210,900		6,526,957	7,905,417
Accounts receivable	4,923,481	9,127		4,932,608	4,806,464
Inventory	687,457			687,457	777,640
Prepaid expense	753,528			753,528	415,999
	<u>47,669,904</u>	<u>1,153,966</u>	<u>2,393,650</u>	<u>51,217,520</u>	<u>35,984,559</u>
Long term pledges receivable	3,117,687			3,117,687	3,593,197
Capital assets (Schedule 4)	<u>95,847,030</u>			<u>95,847,030</u>	<u>87,800,923</u>
	<u>\$ 146,634,621</u>	<u>\$ 1,153,966</u>	<u>\$ 2,393,650</u>	<u>\$ 150,182,237</u>	<u>\$ 127,378,679</u>
<b>LIABILITIES</b>					
Current Liabilities:					
Accounts payable and accrued liabilities	\$ 15,446,648			\$ 15,446,648	\$ 11,995,891
Vacation pay accrual	8,441,931			8,441,931	7,421,887
Deferred revenue	22,574,111			22,574,111	19,598,906
Current portion of long term debt (Note 3)	1,120,197			1,120,197	1,055,660
Deferred contributions (Note 4)		\$ 806,695		806,695	685,973
	<u>47,582,887</u>	<u>806,695</u>		<u>48,389,582</u>	<u>40,758,317</u>
Long term debt (Note 3)	19,665,560			19,665,560	20,785,757
Deferred capital contributions (Note 5)	55,626,992			55,626,992	46,598,997
Accumulated sick leave credits	1,227,217			1,227,217	1,426,320
Post-retirement benefits (Note 7)	<u>807,000</u>			<u>807,000</u>	<u>799,000</u>
	<u>124,909,656</u>	<u>806,695</u>		<u>125,716,351</u>	<u>110,368,391</u>
<b>FUND BALANCES(DEFICITS)</b>					
Unrestricted:					
Operations	14,311,206			14,311,206	8,160,053
Employment Related (Note 12)	(10,476,148)			(10,476,148)	(9,647,207)
Financial Instruments (Note 2)	<u>(1,578,804)</u>			<u>(1,578,804)</u>	<u>(2,957,991)</u>
	<u>2,256,254</u>			<u>2,256,254</u>	<u>(4,445,145)</u>
Investment in capital assets (Note 6)	19,434,281			19,434,281	19,360,509
Internally restricted fund balance (Note 8)	34,430			34,430	34,430
Externally restricted fund balances		347,271	\$ 2,393,650	2,740,921	2,060,494
	<u>21,724,965</u>	<u>347,271</u>	<u>2,393,650</u>	<u>24,465,886</u>	<u>17,010,288</u>
	<u>\$ 146,634,621</u>	<u>\$ 1,153,966</u>	<u>\$ 2,393,650</u>	<u>\$ 150,182,237</u>	<u>\$ 127,378,679</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, 2010, with comparative figures for 2009

	Schedule	Operating Fund	Restricted Fund	Endowment Fund	Total 2010	Total 2009
<b>Revenue:</b>						
Grants	1	\$ 73,191,542	\$475,313		\$ 73,666,855	\$69,866,299
Student Tuition	1	37,324,665			37,324,665	29,783,781
Contracted Services	1	3,732,696			3,732,696	4,466,265
Ancillary operations	1	14,115,239			14,115,239	12,774,064
Other	1	11,934,844			11,934,844	10,075,581
Restricted funds			551,801		551,801	400,701
Amortization of deferred capital contributions	1	3,722,962			3,722,962	3,646,349
<b>Total revenue</b>		<b>144,021,948</b>	<b>1,027,114</b>		<b>145,049,062</b>	<b>131,013,040</b>
<b>Expenditure:</b>						
Salaries and Benefits	2	96,574,097			96,574,097	85,033,617
Non Salary Expenses	2	32,395,402			32,395,402	30,405,145
Amortization of Capital Assets	2	7,058,350			7,058,350	6,797,198
Scholarships, Bursaries and Work-study	2 & 3	2,598,115	968,142		3,566,257	3,403,992
<b>Total expenditure</b>		<b>138,625,964</b>	<b>968,142</b>		<b>139,594,106</b>	<b>125,639,952</b>
<b>Excess of revenue over expenditure</b>		<b>5,395,984</b>	<b>58,972</b>		<b>5,454,956</b>	<b>5,373,088</b>
Fund balances, beginning		14,949,794	288,299	\$1,772,195	17,010,288	12,153,898
Change in fair value of interest rate swaps (Note 2)		1,379,187			1,379,187	(1,074,875)
Endowment contributions (Note 9)				621,455	621,455	558,177
<b>Fund balances, ending</b>		<b>\$ 21,724,965</b>	<b>\$347,271</b>	<b>\$2,393,650</b>	<b>\$ 24,465,886</b>	<b>\$17,010,288</b>

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, 2010, with comparative figures for 2009

	Operating Fund	Restricted Fund	Endowment Fund	Total 2010	Total 2009
<b>Cash from operating activities</b>					
Excess of revenue over expenditure - Restricted Fund		\$ 58,972		\$ 58,972	\$ 2,223
Excess of revenue over expenditure - Operating Fund	\$ 5,395,984			5,395,984	5,370,865
Net change in non-cash working capital	8,529,619	42,079		8,571,698	3,240,734
Amortization of capital assets	7,058,350			7,058,350	6,797,198
Gain on disposal of capital assets	0			0	(2,500)
Amortization of deferred capital contributions	(3,722,962)			(3,722,962)	(3,646,349)
Accumulated sick leave credits	(199,103)			(199,103)	(217,552)
Post-retirement benefits	8,000			8,000	(4,000)
<b>Net cash (used in) generated through operating activities</b>	<b>17,069,888</b>	<b>101,051</b>		<b>17,170,939</b>	<b>11,540,619</b>
<b>Financing and investing activities</b>					
Endowment contributions			621,455	621,455	558,177
Net change in long term receivable	475,510			475,510	510,033
Deferred Capital contributions	12,750,957			12,750,957	4,009,144
Purchase of capital assets:					
College operating funds	(2,353,500)			(2,353,500)	(10,015,529)
Government grants	(11,817,017)			(11,817,017)	(3,009,273)
Other restricted amounts	(933,940)			(933,940)	(999,871)
Proceeds on disposal of capital assets	0			0	132,167
Change in fair value of interest rate swaps	1,379,187			1,379,187	(1,074,875)
Repayment of long term debt	(1,055,660)			(1,055,660)	(994,882)
<b>Net cash (used in) generated through financing and investing activities</b>	<b>(1,554,463)</b>		<b>621,455</b>	<b>(933,008)</b>	<b>(10,884,909)</b>
Net increase (decrease) in cash	15,515,425	101,051	621,455	16,237,931	655,710
Cash and term deposits, beginning of year	19,473,956	832,888	1,772,195	22,079,039	21,423,329
<b>Cash and term deposits, end of year</b>	<b>\$34,989,381</b>	<b>\$ 933,939</b>	<b>\$2,393,650</b>	<b>\$38,316,970</b>	<b>\$ 22,079,039</b>

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, 2010, with comparative figures for 2009

	Operating Fund						Restricted Fund	Endowment Fund	Total 2010	Total 2009
	Unrestricted		Financial Instruments	Investment in Capital Assets	Internally Restricted	Total				
	Operations	Employment Related								
Balance, beginning of year	\$ 8,160,053	\$ (9,647,207)	\$ (2,957,991)	\$ 19,360,509	\$ 34,430	\$ 14,949,794	\$ 288,299	\$ 1,772,195	\$ 17,010,288	\$ 12,153,898
Excess of revenue over expenditure(expenditure over revenue)	8,731,372			(3,335,388)		5,395,984	58,972		5,454,956	5,373,088
Vacation Pay	1,020,044	(1,020,044)								
Accumulated Sick Leave	(199,103)	199,103								
Post-Retirement Benefits	8,000	(8,000)								
Capital asset additions financed with College funds	(2,353,500)			2,353,500						
Repayment of long term debt	(1,055,660)			1,055,660						
Change in fair value of interest rate swaps			1,379,187			1,379,187			1,379,187	(1,074,875)
Endowment contributions								621,455	621,455	558,177
Fund balances(deficits), end of year	<u>\$14,311,206</u>	<u>\$ (10,476,148)</u>	<u>\$ (1,578,804)</u>	<u>\$ 19,434,281</u>	<u>\$ 34,430</u>	<u>\$ 21,724,965</u>	<u>\$ 347,271</u>	<u>\$ 2,393,650</u>	<u>\$ 24,465,886</u>	<u>\$ 17,010,288</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, 2010

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, 2010

(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 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.

# THE CONESTOGA COLLEGE INSTITUTE OF TECHNOLOGY AND ADVANCED LEARNING

Notes to the Consolidated Financial Statements, page 3

Year Ended March 31, 2010

## (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 effective 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.

# THE CONESTOGA COLLEGE INSTITUTE OF TECHNOLOGY AND ADVANCED LEARNING

Notes to the Consolidated Financial Statements, page 4

Year Ended March 31, 2010

## (p) CHANGE IN ACCOUNTING POLICIES

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

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.

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.

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.

The adoption of these new or amended sections did not have a significant impact 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.

# THE CONESTOGA COLLEGE INSTITUTE OF TECHNOLOGY AND ADVANCED LEARNING

Notes to the Consolidated Financial Statements, page 5

Year Ended March 31, 2010

## 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, 2010 is detailed in Note 3.

At March 31, 2010, the fair value of the interest rate swaps was \$1,578,804 (2009-\$2,957,991) 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.

### 3. LONG TERM DEBT

	<u>2010</u>	<u>2009</u>
Residence Loan, bearing interest at 6.7%, repayable in blended monthly payments of \$95,942, due September 1, 2011.	\$11,477,580	\$11,846,368
Residence Loan, bearing interest at 6.14%, repayable in blended monthly payments of \$3,418, due September 1, 2011.	423,325	437,843
Residence Loan, bearing interest at 6.42%, repayable in blended monthly payments of \$29,227, due September 1, 2011.	3,563,667	3,681,471
Student Life Building Loan, bearing interest at 5.34%, repayable in blended monthly payments of \$71,239, due on September 1, 2017.	<u>5,321,185</u>	<u>5,875,735</u>
	20,785,757	21,841,417
Less: Current Portion	<u>1,120,197</u>	<u>1,055,660</u>
	<u>\$19,665,560</u>	<u>\$20,785,757</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 CONESTOGA COLLEGE INSTITUTE OF TECHNOLOGY AND ADVANCED LEARNING

Notes to the Consolidated Financial Statements, page 6

Year Ended March 31, 2010

The consolidated statement of revenue and expenditure and change in fund balances includes interest expense related to long term debt in the amount of \$1,337,100 (2009-\$1,398,178)

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.

2011	1,120,197
2012	1,188,728
2013	1,261,504
2014	1,338,792
2015	1,420,873
Thereafter	14,455,663

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

## 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>2010</u>	<u>2009</u>
Beginning balance	\$685,973	\$715,630
Add donations and grant received during year	328,836	216,157
Add interest earned on endowed and unspent funds	12,242	43,605
Less amounts recognized as revenue in the year	<u>(220,356)</u>	<u>(289,419)</u>
Ending Balance	<u>\$806,695</u>	<u>\$685,973</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>2010</u>	<u>2009</u>
Opening Balance	\$33,563,037	\$ 13,035,960	\$46,598,997	\$46,236,202
Deferred	11,817,017	933,940	12,750,957	4,009,144
Amortization	<u>(2,582,803)</u>	<u>(1,140,159)</u>	<u>(3,722,962)</u>	<u>(3,646,349)</u>
Ending Balance	<u>\$42,797,251</u>	<u>\$12,829,741</u>	<u>\$55,626,992</u>	<u>\$46,598,997</u>

# THE CONESTOGA COLLEGE INSTITUTE OF TECHNOLOGY AND ADVANCED LEARNING

Notes to the Consolidated Financial Statements, page 7

Year Ended March 31, 2010

## 6. INVESTMENT IN CAPITAL ASSETS

The net book value of capital assets is financed by:	<u>2010</u>	<u>2009</u>
Capital Assets	\$95,847,030	\$87,800,923
Deferred capital contributions	(55,626,992)	(46,598,997)
Long term debt	<u>(20,785,757)</u>	<u>(21,841,417)</u>
Investment in capital assets ending balance	<u>\$19,434,281</u>	<u>\$19,360,509</u>
Excess of expenditure over revenue	<u>2010</u>	<u>2009</u>
Amortization of deferred capital contributions	\$3,722,962	\$3,646,349
Amortization of capital assets	(7,058,350)	(6,797,198)
Gain on disposal of capital assets	<u>0</u>	<u>2,500</u>
Excess of expenditure over revenue for the year	<u>(\$3,335,388)</u>	<u>\$3,148,349</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, 2010 were \$6,501,319 (2009-\$5,069,333), 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>2010</u>	<u>2009</u>
Accrued benefit obligation	\$ 1,018,000	\$ 980,000
Unamortized (Loss)Gain	(12,000)	(20,000)
Fair value of plan assets	<u>(199,000)</u>	<u>(161,000)</u>
Accrued Liability	<u>\$ 807,000</u>	<u>\$ 799,000</u>
Expense (gain)	<u>\$ 8,000</u>	<u>(\$ 4,000)</u>

# THE CONESTOGA COLLEGE INSTITUTE OF TECHNOLOGY AND ADVANCED LEARNING

Notes to the Consolidated Financial Statements, page 8

Year Ended March 31, 2010

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	4.75% for Fiscal 2010 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 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.

<b>Phase One (OSOTF)</b>	<b><u>2010</u></b>	<b><u>2009</u></b>
Endowment funds balance – beginning of year	\$552,535	\$552,535
Donations Received	<u>0</u>	<u>0</u>
Endowment funds balance – end of year	<b><u>\$552,535</u></b>	<b><u>\$552,535</u></b>
Expendable funds – beginning of year	\$142,356	\$150,561
Investment Income	3,402	16,800
Awards issued (total number = 10) (2009 = 25)	<u>(16,161)</u>	<u>(25,005)</u>
Expendable funds – end of year	<b><u>\$129,597</u></b>	<b><u>\$142,356</u></b>

The above schedule is based on book value. The market value of the endowment as at March 31, 2010 was \$682,132 (2009-\$694,891).

<b>Phase Two (OSOTF)</b>	<b><u>2010</u></b>	<b><u>2009</u></b>
Endowment funds balance – beginning of year	\$52,650	\$52,650
Donations Received	<u>0</u>	<u>0</u>
Endowment funds balance – end of year	<b><u>\$52,650</u></b>	<b><u>\$52,650</u></b>
Expendable funds – beginning of year	\$ 3,225	\$ 3,689
Investment Income	273	1,536
Awards issued (total number = 1) (2009 = 4)	<u>(500)</u>	<u>(2,000)</u>
Expendable funds – end of year	<b><u>\$ 2,998</u></b>	<b><u>\$ 3,225</u></b>

# THE CONESTOGA COLLEGE INSTITUTE OF TECHNOLOGY AND ADVANCED LEARNING

Notes to the Consolidated Financial Statements, page 9

Year Ended March 31, 2010

The above schedule is based on book value. The market value of the endowment as at March 31, 2010 was \$55,648 (2009-\$55,875).

<b>Phase Three (OTSS)</b>	<b><u>2010</u></b>	<b><u>2009</u></b>
Endowment funds balance – beginning of year	\$1,185,656	\$617,998
Donations Received	219,877	143,920
Matching Funds Received or Receivable	<u>475,313</u>	<u>423,738</u>
Endowment funds balance – end of year	<u>\$1,880,846</u>	<u>\$1,185,656</u>
Expendable funds – beginning of year	\$13,200	\$14,055
Investment Income	8,639	14,545
Awards issued (total number = 9) (2009 = 18)	<u>(8,814)</u>	<u>(15,400)</u>
Expendable funds – end of year	<u>\$ 13,025</u>	<u>\$ 13,200</u>

The above schedule is based on book value. The market value of the endowment as at March 31, 2010 was \$1,893,871 (2009-\$1,198,856).

## 10. COMMITMENTS

(a) 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:

	<u>Premises</u>	<u>Equipment</u>	<u>Total</u>
2011	600,196	31,677	631,873
2012	251,088	7,974	259,062
2013	49,090		49,090

(b) Conestoga has commenced the construction of new facilities as part of the Knowledge Infrastructure Program and the Community Adjustment Fund. The prime components of these projects are:

### **Knowledge Infrastructure Program Projects**

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. A new roofing training centre on the Waterloo campus of approximately 10,000 square feet. A heating, ventilation and air conditioning training centre addition for the Waterloo campus of approximately 10,000 square feet. Renovations to the Guelph campus.

### **Community Adjustment Fund Project**

Construction of a power training centre building of approximately 12,000 square feet on a new site of approximately 4 acres.

As at March 31, 2010, Conestoga has future commitments amounting to \$14,769,941 relating to the above mentioned two projects. Subsequent to March 31, 2010 additional contracts of \$22,229,815 were entered into relating to these projects.

# THE CONESTOGA COLLEGE INSTITUTE OF TECHNOLOGY AND ADVANCED LEARNING

Notes to the Consolidated Financial Statements, page 10

Year Ended March 31, 2010

## 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.

## 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>2010</u>	<u>2009</u>
Vacation Pay	\$8,441,931	\$7,421,887
Sick Leave Liability	1,227,217	1,426,320
Post-Retirement Benefits	<u>807,000</u>	<u>799,000</u>
	<u>\$10,476,148</u>	<u>\$9,647,207</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 .

## 14. COMPARATIVE AMOUNTS

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

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

Schedule 1

Analysis of Operating Fund Revenue

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

	<u>2010</u>	<u>2009</u>
Grants and government contracts:		
Operating - basic	\$ 41,712,013	\$ 45,867,669
Operating - performance	744,091	770,704
Operating - second career	5,042,662	444,458
Operating - supplementary	2,097,372	3,453,213
Operating - premise rental	227,376	185,882
Operating - per capita tax	526,500	479,475
Apprentice Related	7,859,162	6,562,189
Job Connect & Summer Job Service	2,330,962	2,206,732
Adjustment Advisory Program	0	208,818
Literacy Basic Skills	2,575,387	1,988,970
EBSM - Employment Benefits & Support Measures	3,350,744	1,312,843
Non-Apprenticeship Training	508,640	508,640
Disability Services	935,492	836,696
Special Bursaries	690,650	824,329
Other Ontario	1,072,558	841,422
Municipal Grants	215,482	156,638
Federal Grants	3,302,451	2,793,883
	<u>73,191,542</u>	<u>69,442,561</u>
Tuition:		
Full time post secondary programs	23,568,948	19,683,448
Part-time courses and seminars	6,915,394	6,505,140
Full fee recovery programs	3,925,873	893,451
Apprentice	1,082,795	970,296
Student assistance program	1,831,655	1,731,446
	<u>37,324,665</u>	<u>29,783,781</u>
Contracted Services	<u>3,732,696</u>	<u>4,466,265</u>
Ancillary Operations	<u>14,115,239</u>	<u>12,774,064</u>
Other:		
Day Care revenue	1,444,392	1,471,021
Miscellaneous student fees	8,642,518	6,860,309
Miscellaneous revenue	1,847,934	1,744,251
	<u>11,934,844</u>	<u>10,075,581</u>
Amortization of deferred capital contributions:		
Grant	2,582,803	2,410,974
Other	1,140,159	1,235,375
	<u>3,722,962</u>	<u>3,646,349</u>
	<u>\$ 144,021,948</u>	<u>\$ 130,188,601</u>

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

Schedule 2

Analysis of Operating Fund Expenditure

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

	<u>2010</u>	<u>2009</u>
Salaries and Benefits		
Academic	\$ 41,116,579	\$ 37,660,464
Support	21,445,392	18,691,606
Administrative	13,503,915	11,534,512
Part Time Academic	14,554,611	13,220,011
Part Time Support	<u>5,953,600</u>	<u>3,927,024</u>
	96,574,097	85,033,617
Non Salary Expenses		
Student Related Expenses	11,168,274	9,426,533
Staff Related Expenses	3,637,139	3,298,376
Plant Related Expenses	7,063,591	8,013,024
Professional and Contract Fees	3,204,984	3,183,235
Other Expenses	5,517,040	4,858,152
Specifically Reimbursed Expenses	<u>1,804,374</u>	<u>1,625,825</u>
	32,395,402	30,405,145
Amortization of Capital Assets	7,058,350	6,797,198
Scholarships, Bursaries and Work-study	<u>2,598,115</u>	<u>2,581,776</u>
	<u>\$ 138,625,964</u>	<u>\$ 124,817,736</u>

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

Analysis of Restricted Fund Balance

Schedule 3

Year Ended March 31, 2010 with comparative figures for 2009

	Student Bursary/ Scholarship/ Loan	Union Employment Stability (Note 11)	Total 2010	Total 2009
Balance at beginning of year				
Available for student loans	\$ 37,626		\$ 37,626	\$ 39,096
Available for Employment Stability Activities		\$ 250,673	250,673	246,980
	<u>37,626</u>	<u>250,673</u>	<u>288,299</u>	<u>286,076</u>
Increase in fund balance arising from:				
Deferred contributions recognized as revenue				
Donation income	474,978		474,978	350,596
Grant income	475,313		475,313	423,738
Interest income	12,361	1,266	13,627	50,105
College contribution		63,196	63,196	
	<u>962,652</u>	<u>64,462</u>	<u>1,027,114</u>	<u>824,439</u>
Decrease in fund balance arising from:				
Deferred contributions	742,177		742,177	528,519
Bursaries and scholarships activities	220,356		220,356	289,419
Stability Fund activities		5,609	5,609	2,128
Student Loan Fund activities			0	2,150
	<u>962,533</u>	<u>5,609</u>	<u>968,142</u>	<u>822,216</u>
Increase (decrease) in fund for current year	<u>119</u>	<u>58,853</u>	<u>58,972</u>	<u>2,223</u>
Balance at end of year				
Available for student loans	37,745		37,745	37,626
Available for Employment Stability Activities		309,526	309,526	250,673
Restricted Fund	<u>\$ 37,745</u>	<u>\$ 309,526</u>	<u>\$ 347,271</u>	<u>\$ 288,299</u>

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

Schedule 4

Continuity of Investment in Capital Assets

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

	Capital Costs				Amortization Rate %	Amortization				2010 Net Book Value	2009 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	\$ 12,427,625	\$ 198,000		\$ 12,625,625	0%					\$ 12,625,625	\$12,427,625
Parking Lots	3,475,910	326,133		3,802,043	10%	\$ 2,574,473	\$ 204,174		\$ 2,778,647	1,023,396	901,437
Buildings	97,369,702	\$ 10,475,108		107,844,810	2.5%	31,223,418	2,324,155		33,547,573	74,297,237	66,146,284
Site improvements	733,356			733,356	10%	686,487	5,859		692,346	41,010	46,869
Leasehold improvements	405,192			405,192	20%	200,587	58,010		258,597	146,595	204,605
Furniture and equipment:											
Administration and plant	1,754,729	209,071	63,499	1,900,301	20%	843,016	194,333	63,499	973,850	926,451	911,713
Instructional	20,577,243	1,841,116	1,777,787	20,640,572	20%	15,728,813	2,292,499	1,777,787	16,243,525	4,397,047	4,848,430
Computers	8,967,339	1,837,688		10,805,027	33%	7,419,056	1,552,537		8,971,593	1,833,434	1,548,283
Ancillary	826,558	55,340	138,058	743,840	20%	757,550	36,655	138,058	656,147	87,693	69,008
Automotive	111,006	102,123		213,129	20%	85,786	35,219		121,005	92,124	25,220
Major Systems	2,849,247	59,878		2,909,125	20%	2,177,798	354,909		2,532,707	376,418	671,449
	<u>\$ 149,497,907</u>	<u>\$ 15,104,457</u>	<u>\$ 1,979,344</u>	<u>\$ 162,623,020</u>		<u>\$ 61,696,984</u>	<u>\$ 7,058,350</u>	<u>\$ 1,979,344</u>	<u>\$ 66,775,990</u>	<u>\$ 95,847,030</u>	<u>\$ 87,800,923</u>