

Consolidated Financial Statements of

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

Year ended March 31, 2011

Financial Statements

March 31, 2011

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Independent Auditor's Report

To the Board of Governors of:
Fanshawe College of Applied Arts and Technology

We have audited the accompanying consolidated financial statements of Fanshawe College of Applied Arts and Technology (the College), which comprise the consolidated statement of financial position as at March 31, 2011, and the consolidated statements of operations, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

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

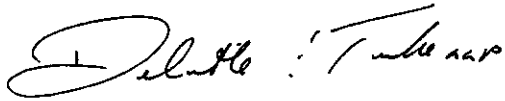
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain 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 Fanshawe College of Applied Arts and Technology as at March 31, 2011, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

A handwritten signature in black ink, appearing to read "D. L. ...". The signature is written in a cursive style.

Chartered Accountants
Licensed Public Accountants
June 23, 2011

THE FANSHAWE COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Consolidated Statement of Financial Position

March 31, 2011, with comparative figures for 2010

	2011	2010
Assets		
Current assets		
Cash and cash equivalents	\$ 50,889,117	\$ 63,779,536
Restricted cash (Note 3)	173,565	461,586
Accounts receivable	7,218,581	4,963,615
Grants receivable	1,155,031	1,258,431
Inventories	1,652,362	1,766,000
Prepaid expenses	2,746	276,266
Current portion of receivable from Student Union (Note 4)	149,816	159,168
	<u>61,241,218</u>	<u>72,664,602</u>
Receivable from Student Union (Note 4)	4,490,471	5,043,923
Investments (Note 5)	46,970,966	28,931,628
Derivative financial instruments	2,581,558	2,739,730
Capital assets (Note 6)	251,817,014	220,781,499
	<u>\$ 367,101,227</u>	<u>\$ 330,161,382</u>
Liabilities and Net Assets		
Current liabilities		
Accounts payable and accrued liabilities	\$ 13,255,006	\$ 13,086,883
Accrued vacation pay	8,589,241	8,277,483
Deferred revenue-short term	40,668,758	39,862,988
Current portion of bank loans (Note 7)	1,254,078	1,212,099
	<u>63,767,083</u>	<u>62,439,453</u>
Bank loans (Note 7)	44,518,595	46,584,791
Derivative financial instruments	4,963,917	5,181,059
Pensions and other post employment benefits (Note 9)	2,006,984	1,780,117
Sick leave benefits	3,190,024	3,411,842
	<u>54,679,520</u>	<u>56,957,809</u>
Deferred contributions		
Restricted contributions	13,852,569	12,879,080
Capital assets	128,805,592	108,660,928
	<u>142,658,161</u>	<u>121,540,008</u>
Net assets		
Investment in capital assets (Note 10)	81,470,555	69,526,772
Endowments	12,059,683	10,873,682
Internally restricted	209,127	184,302
Unrestricted	12,257,098	8,639,356
	<u>105,996,463</u>	<u>89,224,112</u>
Commitments (Note 8 and Note 12)		
Contingencies (Note 15)		
	<u>\$ 367,101,227</u>	<u>\$ 330,161,382</u>

See accompanying notes to consolidated financial statements.

THE FANSHAWE COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Consolidated Statement of Operations

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

	2011	2010
Revenue		
Government grants	\$ 98,635,862	\$ 95,061,856
Enrolment revenue	60,740,548	54,764,468
Ancillary revenue	22,010,579	21,064,243
Other revenue		
Restricted contributions	9,922,318	8,922,335
Investment (loss) income	(310,163)	571,178
Amortization of deferred contributions related to capital assets (Note 10)	6,655,288	6,171,894
Gain on derivative financial instruments	58,970	3,064,207
Unrealized gain on investments	2,639,803	2,423,111
Miscellaneous	7,918,598	8,482,097
	<u>208,271,803</u>	<u>200,525,389</u>
Expenditures		
Instructional service	106,188,447	98,672,723
Instructional support service	19,329,288	18,011,303
Student service	17,161,113	16,743,646
College service	16,815,876	15,645,751
Ancillary service	19,391,556	17,576,242
Facility service	13,823,998	13,944,310
(Schedule 1)	<u>192,710,278</u>	<u>180,593,975</u>
Excess (deficiency) of revenue over expenditures	\$ 15,561,525	\$ 19,931,414

See accompanying notes to consolidated financial statements.

THE FANSHAWE COLLEGE OF
APPLIED ARTS AND TECHNOLOGY

Consolidated Statement of Changes in Net Assets

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

	Investment in Capital Assets	Endowments	Internally Restricted	Unrestricted	2011 Total	2010 Total
Balance, beginning of year	\$ 69,526,772	\$ 10,873,682	\$ 184,302	\$ 8,639,356	\$ 89,224,112	\$ 66,406,550
Excess (deficiency) of revenue over expenditures (Note 10)	(7,809,933)	-	-	23,371,458	15,561,525	19,931,414
Endowment contributions (net)	-	1,112,879	-	-	1,112,879	2,797,640
Internally restricted (net)	-	-	7,242	-	7,242	5,501
Net change in investment in capital assets (Note 10)	19,753,716	-	-	(19,753,716)	-	-
Transfers	-	73,122	17,583	-	90,705	83,007
Balance, end of year	\$ 81,470,555	\$ 12,059,683	\$ 209,127	\$ 12,257,098	\$ 105,996,463	\$ 89,224,112

See accompanying notes to consolidated financial statements.

THE FANSHAWE COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Consolidated Statement of Cash Flows

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

	2011	2010
Cash provided by (used in):		
Cash flows from operating activities		
Excess of revenue over expenditures	\$ 15,561,525	\$ 19,931,414
Change in non-cash working capital items (Note 11)	(478,757)	13,843,223
Items not involving cash:		
Amortization of capital assets	14,465,221	13,706,505
Amortization of deferred contributions related to capital assets	(6,655,288)	(6,171,894)
Gain on derivative financial instruments	(58,970)	(3,064,207)
Unrealized gain on investments	(2,639,803)	(2,423,111)
Net increase in deferred contributions related to restricted contributions	973,489	1,216,969
Increase (decrease) in other post employment benefits	226,867	(43,291)
Decrease in sick leave benefits	(221,818)	(315,517)
	<u>21,172,466</u>	<u>36,680,091</u>
Cash flows from investing activities		
Decrease in restricted cash	288,021	1,376,904
Purchase of investments	(15,399,535)	(4,520,180)
Additions to capital assets	(45,500,736)	(36,460,832)
Increase in endowments	1,186,001	2,883,397
Increase in internally restricted net assets	24,825	2,751
Increase in deferred contributions related to capital assets	26,799,952	12,314,916
	<u>(32,601,472)</u>	<u>(24,403,044)</u>
Cash flows from financing activities		
Repayments from Student Union	562,804	150,533
Proceeds from bank loans	-	20,000,000
Repayment of bank loans-non capital	(971,285)	(150,533)
Repayment of bank loans-capital	(1,052,932)	(734,714)
	<u>(1,461,413)</u>	<u>19,265,286</u>
(Decrease) increase in cash and cash equivalents	<u>(12,890,419)</u>	<u>31,542,333</u>
Cash and cash equivalents, beginning of year	63,779,536	32,237,203
Cash and cash equivalents, end of year	<u>\$ 50,889,117</u>	<u>\$ 63,779,536</u>

See accompanying notes to consolidated financial statements.

THE FANSHAWE COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Consolidated Financial Statements

Year ended March 31, 2011

The Fanshawe College of Applied Arts and Technology ("the College") is an incorporated entity that provides quality education and learning for employment to its communities. The College is a registered charity under the Income Tax Act and accordingly is exempt from income taxes, provided certain requirements of the Income Tax Act are met.

1. Significant accounting policies:

(a) General:

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles and reflect the following significant accounting policies:

(b) Revenue recognition:

The College follows the deferral method of accounting for contributions, which include donations and government grants.

Under the Ontario Colleges of Applied Arts and Technology Act, the College is funded by the Ministry of Training, Colleges and Universities. Operating grants are recorded as revenue in the period to which they relate. Grants approved but not received at the end of an accounting period are accrued. Where a portion of a grant relates to a future period, it is deferred and recognized in the subsequent period.

Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Externally restricted contributions other than endowment contributions are recognized as revenue in the year in which the related expenses are recognized. Contributions restricted for the purchase of capital assets are deferred, and when expended, are amortized into revenue on a straight-line basis, at a rate corresponding with the amortization rate for the related capital assets.

Deferred restricted contributions represent unspent donations for bursaries and scholarships, programs and other purposes. Deferred contributions related to capital assets represent the unamortized amount of donations and grants received for the purchase of capital assets.

Endowment contributions, having externally imposed restrictions requiring that the principal be maintained intact, are recognized as direct increases in endowment net assets.

Restricted investment income is recognized as revenue in the year in which the related expenses are recognized. Unrestricted investment income is recognized as revenue when earned.

THE FANSHAWE COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Consolidated Financial Statements

Year ended March 31, 2011

Revenue from student fees, ancillary operations and other revenue is recognized when the services are provided or the products are sold.

(c) Inventories:

Inventories are stated at the lower of cost and net realizable value.

(d) Financial Instruments:

As permitted for non-profit organizations, the College has decided to apply Section 3861, Financial Instruments-Disclosure and Presentation, in place of Section 3862, Financial Instruments-Disclosure and Section 3863, Financial Instruments-Presentation.

Financial assets and financial liabilities are initially recognized at fair value and their subsequent measurement is dependent on their classification as described below. Their classification depends on the purpose, for which the financial instruments were acquired or issued, their characteristics and the College's designation of such instruments. Settlement date accounting is used.

Classification

Cash and cash equivalents	Held for trading
Restricted cash	Held for trading
Accounts receivable	Loans and receivables
Grants receivable	Loans and receivables
Receivable from Student Union	Loans and receivables
Investments	Held for trading
Derivative financial instruments	Held for trading
Accounts payable and accrued liabilities	Other liabilities
Bank loans	Other liabilities

Held for trading

Held for trading financial assets are financial assets typically acquired for resale prior to maturity or that are designated as held for trading. They are measured at fair value at the balance sheet date. Fair value fluctuations including interest earned, interest accrued, gains and losses realized on disposal and unrealized gains and losses are included in Other revenue.

Derivative financial instruments

Derivative financial instruments are recognized on the balance sheet at their fair value, with changes in fair value recognized in operations. Gains or losses are recognized in operations.

THE FANSHAWE COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Consolidated Financial Statements

Year ended March 31, 2011

Loans and receivables

Loans and receivables are accounted for at amortized cost using the effective interest method.

Other liabilities

Other liabilities are recorded at amortized cost using the effective interest method and include all financial liabilities, other than derivative instruments.

(e) **Capital assets:**

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Repairs and maintenance costs are charged to expense. Betterments which extend the estimated life of an asset are capitalized. When a capital asset no longer contributes to the College's ability to provide services, its carrying amount is written down to its residual value.

Buildings occupied and equipment used by the former Ontario Vocational Centre, London were donated to the College as of September 1, 1967 by the Ontario Department of Works and Education and have been recorded at the original capital cost incurred by those departments. Land donated to the College by the Department of Public Works has been recorded at the nominal value of \$6. Subsequent additions to capital assets have been recorded at cost.

Capital assets are amortized on a straight line basis using the following estimated useful lives:

Buildings	40 years
Site improvements	10 years
Furniture and equipment	5 years
Library books	15 years

(f) **Cost allocation:**

Expenditures are recorded on the accrual basis and allocated among academic programs on the basis of direct charges wherever possible and otherwise on the basis of full time equivalent students or teaching contact hours.

(g) **Vacation pay:**

Vacation pay is accrued, as entitlement is earned.

THE FANSHAWE COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Consolidated Financial Statements

Year ended March 31, 2011

(h) Employee future benefits:

The College accrues its obligations under employee benefit plans and the related costs, net of plan assets, in accordance with the following policies:

The cost of pensions earned by employees is actuarially determined using the Retrospective Approach prorated on service, an estimate of expected plan investment performance, salary escalation and retirement ages of employees.

For the purpose of calculating the expected return on plan assets, these assets are valued at fair value.

Using this approach, the amount of unamortized actuarial gain or loss in excess of 10% of the greater of the accrued benefit obligation and the market related value of plan assets at the beginning of the fiscal year is amortized in the current year's expense.

(i) Measurement uncertainty:

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, contingencies, revenues and expenditures. Management estimates take into account prospects as well as prevailing business and economic conditions. Actual results could differ from those estimates.

(j) Principles of consolidation:

The consolidated financial statements reflect the operations of the College and its wholly owned subsidiaries Fanshawe International Corporation and the Fanshawe College Foundation.

2. Changes in accounting policies:

Future accounting changes

New accounting framework

The CICA will be issuing a new accounting framework applicable to not-for-profit organizations. Effective for fiscal years beginning on April 1, 2012, colleges will be required to transition to the Public Sector Accounting (PSA) handbook. The Public Sector Accounting Board will be incorporating the 4400 series of not for profit accounting standards in to the PSA handbook and relabeling this series as the 4200 series. However, standards which do not fall within the existing 4200 series will be subject to the underlying equivalent PSA standards. The impact of this transition has not yet been determined.

THE FANSHAWE COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Consolidated Financial Statements

Year ended March 31, 2011

3. Restricted cash:

The College held restricted cash of \$173,565 as at March 31, 2011 (2010-\$461,586) awaiting investment. These contributions have externally imposed restrictions requiring that the principal be maintained intact.

4. Receivable from Student Union:

The receivable represents the Student Union's share in support of the construction costs related to the new student center located on the London campus.

With respect to the London campus (2011-\$4,640,287; 2010-\$5,203,091), principal repayments are due in accordance to the amortization schedule relating to the long term debt identified in Note 7. The following is a summary of the total amount receivable from the Student Union:

	2011	2010
Loan receivable from the London Campus Student Union with an effective fixed interest rate of 6.42% repayable over 25 years. No specific security has been received.	\$ 3,402,765	\$ 3,502,509
Loan receivable from the London Campus Student Union with an effective fixed interest rate of 4.87% repayable over 25 years with the interest rate being renewed every 10 years. No specific security has been received.	829,042	857,165
Loan receivable from the London Campus Student Union with an effective fixed interest rate of 3.37% repayable over 20 years with the interest rate being renewed in 5 years. No specific security has been received.	408,480	424,729
Loan receivable from the London Campus Student Union with an effective fixed interest rate of 2.94% repayable over 20 years with the interest rate being renewed every 2 years. No specific security has been received.	-	418,688
	4,640,287	5,203,091
Less current portion	149,816	159,168
	\$ 4,490,471	\$ 5,043,923

THE FANSHAWE COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Consolidated Financial Statements

Year ended March 31, 2011

The principal repayments required during the next 5 years are as follows:

2012	\$	149,816
2013		158,853
2014		168,449
2015		178,639
2016		189,459

5. Investments:

The estimated fair and book values as at March 31 were:

	2011		2010	
	Estimated Fair Value	Book Value	Estimated Fair Value	Book Value
Bonds	\$ 17,186,244	\$ 17,274,688	\$ 15,369,163	\$ 15,375,777
Canadian equities	8,488,053	7,012,316	7,822,900	7,854,741
U.S. equities	4,747,693	4,297,623	4,371,175	5,265,844
International equities	1,546,114	1,407,823	1,368,390	1,848,923
Guaranteed invest. certificate	15,002,862	15,002,862	-	-
	\$ 46,970,966	\$ 44,995,312	\$ 28,931,628	\$ 30,345,285

6. Capital assets:

	2011		2010	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	\$ 4,828,346	\$ -	\$ 4,828,346	\$ 2,598,421
Buildings	260,018,370	66,531,670	193,486,700	185,803,863
Construction in progress	30,808,491	-	30,808,491	8,564,057
Site improvements	22,100,115	20,350,154	1,749,961	2,521,167
Furniture and equipment	112,088,236	94,349,489	17,738,747	18,205,925
Library books	5,713,364	2,508,595	3,204,769	3,088,066
	\$ 435,556,922	\$ 183,739,908	\$ 251,817,014	\$ 220,781,499

THE FANSHAWE COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Consolidated Financial Statements

Year ended March 31, 2011

7. Bank loans:

The College has debt with certain financial institutions as detailed in this note. The debt is structured with fixed repayment terms which will retire the debt over an agreed period of time. The College is not in violation of any covenants at year end and it is the intent of the College to repay the debt in accordance with the repayment schedules. The banks have the right to demand repayment; however the College has no requirement or intention of prepayment in the next twelve months and therefore the debt has been classified as long-term.

	2011	2010
Loan with a notional amount of \$20,000,000 and an effective fixed interest rate of 5.49%. The loan is repayable over 30 years. No specific security has been pledged.	\$ 19,728,851	\$ 20,000,000
Bank loan with a notional amount of \$10,000,000 and an effective fixed interest rate of 6.1655%, facilitated through a SWAP agreement. Both the College and the bank have the option to terminate the agreement in May 2013 and in May 2023. The SWAP agreement matures May 2028. No specific security has been pledged.	8,338,291	8,597,766
Bank loan with a notional amount of \$10,000,000 and an effective fixed interest rate of 5.85%, facilitated through a SWAP agreement. The SWAP agreement matures September 2024. No specific security has been pledged.	7,104,050	7,440,029
Bank loan with a notional amount of \$7,500,000 and an effective fixed interest rate of 6.294%, facilitated through a SWAP agreement. Both the College and the bank have the option to terminate the agreement in November 2013 and in November 2023. The SWAP agreement matures November 2028. No specific security has been pledged.	6,369,674	6,556,004
Bank loan with a notional amount of \$4,000,000 and an effective fixed interest rate of 6.42%, facilitated through a SWAP agreement. Both the College and the bank have the option to terminate the agreement in January 2014 and in January 2024. The SWAP agreement matures January 2029. No specific security has been pledged.	3,402,765	3,502,509

THE FANSHAWE COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Consolidated Financial Statements

Year ended March 31, 2011

Bank loan with an effective fixed interest rate of 4.87%. The bank term loan is repayable over 25 years with the interest rate being renewed every 10 years. No specific security has been pledged.	829,042	857,165
Bank loan with an effective fixed interest rate of 4.42%. The bank term loan is repayable over 25 years with the interest rate being renewed every 7 years. No specific security has been pledged.	-	424,729
Bank loan with an effective fixed interest rate of 2.94%. The bank term loan is repayable over 20 years with the interest rate being renewed every 2 years. No specific security has been pledged.	-	418,688
	45,772,673	47,796,890
Less current portion	1,254,078	1,212,099
	\$ 44,518,595	\$ 46,584,791

Principal payments required in each of the next 5 years are as follows:

2012	\$ 1,254,078
2013	1,331,937
2014	1,414,658
2015	1,502,550
2016	1,595,937

8. Operating leases:

The College leases premises and equipment. The remaining aggregate minimum rental payments under operating leases are as follows:

2012	\$ 240,867
2013	28,111

THE FANSHAWE COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Consolidated Financial Statements

Year ended March 31, 2011

9. Pensions and other post-employment 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 fiscal 2011 were \$8,365,890 (2010—\$7,408,676).

The College also participates in a group plan, with other Colleges in Ontario, which effectively provides post-retirement benefits 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.

The College measures its accrued benefit obligations and the fair value of plan assets for accounting purposes as at March 31 each year. The most recent actuarial valuation of the post-retirement benefits and other post-employment benefit plans for funding purposes was on March 1, 2011 and the next required valuation will be as of March 1, 2014.

The net expense for the College's benefit plan is as follows:

	2011	2010
Pension plans	\$ 8,499,805	\$ 7,449,046
Other post-employment benefit plans	226,867	(43,291)

Information about the College's other post-employment benefit plans, calculated as a percentage of the total amounts for the College plans, are as follows:

	2011	2010
Accrued benefit obligation	\$ 2,284,984	\$ 2,088,117
Fair value of plan assets	278,000	308,000
Funded status, plan deficit	2,006,984	1,780,117
Accrued benefit liability	\$ 2,006,984	\$ 1,780,117

Benefits paid during the year for other post-employment benefit plans were \$133,226 (2010—\$111,800).

The significant assumptions used are as follows:

	2011	2010
Accrued benefit obligation as at March 31		
Discount rate	4.75%	4.75%
Benefit costs for the years ending March 31		
Discount rate	4.75%	4.75%

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Notes to Consolidated Financial Statements

Year ended March 31, 2011

The health care trend rates for fiscal 2011 are as follows:

Medical care cost	
Hospital	4.5% per annum
Drugs	10.5% per annum in 2011, grading down to 4.5% in 2026
Other medical	4.5% per annum
Vision/Hearing care	4.5% per annum
Medical premium	8.0% per annum in 2008, grading down to 4.5% in 2023
Dental care	4.5% per annum

10. Investment in capital assets:

(a) Investment in capital assets is calculated as follows:

	2011	2010
Capital assets	\$ 251,817,014	\$ 220,781,499
Amounts financed by: Deferred contributions	(128,805,592)	(108,660,928)
Bank loans	(41,540,867)	(42,593,799)
	\$ 81,470,555	\$ 69,526,772

(b) Change in net assets invested in capital assets is calculated as follows:

	2011	2010
Excess of expenditures over revenue:		
Amortization of deferred contributions related to capital assets	\$ 6,655,288	\$ 6,171,894
Amortization of capital assets	(14,465,221)	(13,706,505)
	\$ (7,809,933)	\$ (7,534,611)
Net change in investment in capital assets:		
Additions to capital assets	\$ 45,500,736	\$ 36,460,832
Amount financed by: Deferred contributions	(26,799,952)	(12,314,916)
Bank loans	1,052,932	(19,265,286)
	\$ 19,753,716	\$ 4,880,630

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Notes to Consolidated Financial Statements

Year ended March 31, 2011

11. Supplemental cash flow information:

	2011	2010
Change in non-cash working capital items:		
Accounts receivable	\$ (2,254,966)	\$ 695,369
Grants receivable	103,400	2,507,784
Inventories	113,638	(30,434)
Prepaid expenses	273,520	(197,230)
Accounts payable and accrued liabilities	168,123	4,628,926
Accrued vacation pay	311,758	309,258
Deferred revenue-short term	805,770	5,929,550
	\$ (478,757)	\$ 13,843,223

During the year, the following cash amounts were received (paid):

	2011	2010
Interest revenue	\$ 2,136,185	\$ 1,534,519
Interest expense	(2,851,178)	(1,948,353)

12. Commitments:

As at March 31, 2011, outstanding capital asset commitments approximate \$2,900,444 (2010-\$21,671,935) primarily relating to the construction and expansion of various facilities including the Centre for Applied Transportation Technologies.

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Notes to Consolidated Financial Statements

Year ended March 31, 2011

13. Ontario Student Opportunities Trust Fund:

Endowments include donations and matching funds from the Ontario Student Opportunity Trust Fund of the Government of Ontario (Phase 1 and 2), which were created to fund student aid bursaries.

The College has recorded the following amounts under the program:

Schedule of Changes in Endowment Fund Balances-Phase 1:

	2011	2010
Endowment balance, beginning of year	\$ 1,153,110	\$ 1,037,959
Preservation of capital	4,985	4,641
Market value adjustment	82,557	110,510
Realized loss	(34,381)	-
Endowment balance, end of year	\$ 1,206,271	\$ 1,153,110

Schedule of Changes in Expendable Funds Available for Awards-Phase 1:

	2011	2010
Expendable funds available for awards, beginning of year	\$ 120,616	\$ 122,068
Realized investment income	42,375	39,446
Bursaries awarded (2011-70; 2010-74)	(40,900)	(40,898)
Expendable funds available for awards, end of year	122,091	120,616
Endowment total based on fair value	\$ 1,328,362	\$ 1,273,726

Schedule of Changes in Endowment Fund Balances-Phase 2:

	2011	2010
Endowment balance, beginning of year	\$ 890,565	\$ 803,584
Preservation of capital	3,773	3,509
Market value adjustment	62,699	83,472
Realized loss	(25,979)	-
Endowment balance, end of year	\$ 931,058	\$ 890,565

Schedule of Changes in Expendable Funds Available for Awards-Phase 2:

	2011	2010
Expendable funds available for awards, beginning of year	\$ 71,515	\$ 79,788
Realized investment income	32,066	29,826
Bursaries awarded (2011-39; 2010-57)	(25,811)	(38,099)
Expendable funds available for awards, end of year	77,770	71,515
Endowment total based on fair value	\$ 1,008,828	\$ 962,080

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Notes to Consolidated Financial Statements

Year ended March 31, 2011

14. Ontario Trust for Student Support:

Endowments include donations and matching funds from the Ontario Trust for Student Support Fund of the Government of Ontario, which was created to fund students with financial need bursaries.

The College has recorded the following amounts under the program:

Schedule of Donations Received:

	2011	2010
Cash donations matched	\$ 209,922	\$ 363,457
Total cash donations	\$ 209,922	\$ 363,457

Schedule of Changes in Endowment Fund Balances:

	2011	2010
Endowment balance, beginning of year	\$ 5,922,747	\$ 3,637,399
Eligible cash donations received	209,922	363,457
Matching funds received/receivable from MTCU	322,574	1,371,859
Preservation of capital	25,307	20,517
Market value adjustment	438,438	529,515
Realized loss	(169,384)	-
Endowment balance, end of year	\$ 6,749,604	\$ 5,922,747

Schedule of Changes in Expendable Funds Available for Awards:

	2011	2010
Expendable funds available for awards, beginning of year	\$ 207,163	\$ 104,183
Realized investment income	215,112	173,483
Bursaries awarded (2011-125; 2010-84) ¹	(117,355)	(70,503)
Expendable funds available for awards, end of year	304,920	207,163
Endowment total based on fair value	\$ 7,054,524	\$ 6,129,910

¹ Report of OTSS awards issued

Status of Recipients	OSAP Recipients		Non-OSAP Recipients		Total	
	Number	Amount	Number	Amount	Number	Amount
Full-Time	54	\$ 45,543	65	\$ 69,030	119	\$ 114,573
Part-Time	-	-	6	2,782	6	2,782
Total	54	\$ 45,543	71	\$ 71,812	125	\$ 117,355

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15. Contingencies:

In the normal course of operations there are outstanding claims against the College, primarily as a result of grievances filed under the provisions of the collective agreements between the College and The Ontario Public Services Employees Union ("OPSEU"). The amount of these claims is not determinable at this time, and accordingly losses, if any, as a result of these claims will be expensed in the period in which the claims are known.

16. Fanshawe International Corporation:

In March 2003, the College formally created a subsidiary corporation named Fanshawe International Corporation to conduct teaching and training activities primarily outside Canada.

17. Fanshawe College Foundation:

In December 2006, the College formally created a charitable organization named Fanshawe College Foundation to coordinate fundraising activities in association with Fanshawe College. The Fanshawe College Foundation received charity status in June 2007, and became active in April 2008.

18. Financial Instruments:

The fair value of the College's cash and term deposits, accounts and grants receivable, short term receivable from the Student Union, accounts payable and accrued liabilities are not materially different from their carrying amounts because of their short terms to maturity. Fair value information for the long term portion of the receivable from the Student Union has not been disclosed because the fair value cannot be measured reliably due to the nature of the loans. A description of the instruments and their carrying amounts are disclosed in Note 4.

Since it is the College's intent to make payments on the bank loans until maturity, it is not cost effective to determine the fair market value of the debt. The fair value of investments and bonds included in Note 5 is based on quoted market prices.

The College reduces its interest rate risk by entering into interest rate swap agreements. Refer to Note 7 of the financial statements for details regarding the interest rate swap agreements.

The College provides credit to its students in the normal course of its operations. It maintains provisions for contingent credit losses. Student receivables represent 63% of the College's accounts receivable as at March 31, 2011 (2010-70%).

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Notes to Consolidated Financial Statements

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19. Capital Management:

The College's objectives when managing capital are to develop and maintain a financial model and a capital expenditure process which supports the strategic directions of the College, and safeguards the College's ability to continue to provide benefits to the community.

Capital at the College is comprised of net assets. In order to maintain or adjust the capital structure, the College must obtain additional funding.

Endowment contributions have externally imposed restrictions requiring that the principal be maintained intact.

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Analysis of Expenditures

Schedule 1

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

	2011	2010
Expenditures		
Salaries and benefits	\$ 113,567,021	\$ 107,761,427
Student assistance	13,395,264	13,022,167
Operating supplies	4,874,865	4,500,458
Ancillary cost of sales	10,653,596	11,397,627
Contract services	12,300,655	11,101,195
Utilities and maintenance	11,103,855	9,195,929
Loan interest	2,851,178	1,948,353
Amortization expense	14,465,221	13,706,505
Other operating costs	9,498,623	7,960,314
	<u>\$ 192,710,278</u>	<u>\$ 180,593,975</u>

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Analysis of Restricted Contributions and Endowments

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

Schedule 2

	Balance, beginning of year	Revenues		Expenditures		Balance, end of year	
		Donations	Interest	Awards	Other		Transfers
Restricted contributions							
Bursaries and scholarships	\$ 2,033,345	\$ 779,944	\$ 71,827	\$ (1,531,500)	-	\$ (657,192)	\$ 1,748,119
Student activity fees	50,000	-	-	-	(7,598,491)	-	50,000
Fundraising Campaigns	8,727,859	1,032,675	362,876	-	(4,820)	(194,512)	9,924,078
Alumni activities	121,502	-	8,515	-	(38,947)	(187,273)	141,852
Employee Stability Fund	360,949	-	3,526	-	(49,121)	-	337,504
Other	1,585,425	-	27,158	-	(699,439)	98,483	1,651,016
	12,879,080	1,812,619	473,902	(1,531,500)	(8,390,818)	(940,494)	13,852,569
Endowments	10,873,682	491,975	417,350	(248,301)	-	73,122	12,059,683
Internally restricted	184,302	-	7,242	-	-	17,583	209,127
	\$ 23,937,064	\$ 2,304,594	\$ 898,494	\$ (1,779,801)	\$ (8,390,818)	\$ (849,789)	\$ 26,121,379