

**THE LOYALIST COLLEGE FOUNDATION  
FINANCIAL STATEMENTS  
AS AT MARCH 31, 2009**

**THE LOYALIST COLLEGE FOUNDATION**  
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**AS AT MARCH 31, 2009**

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## AUDITORS' REPORT

To the Board of Directors of  
The Loyalist College Foundation

We have audited the statement of financial position of The Loyalist College Foundation as at March 31, 2009 and the statement of operations and fund balances and cash flows for the year then ended. These financial statements are the responsibility of the Foundation'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 financial statements present fairly, in all material respects, the financial position of the Foundation as at March 31, 2009 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

*Wilkinson & Company LLP*

BELLEVILLE, Canada  
May 6, 2009

Chartered Accountants  
Licensed Public Accountants

**WILKINSON & COMPANY LLP**  
Chartered Accountants & Tax Specialists Since 1964

**THE LOYALIST COLLEGE FOUNDATION**  
**(Incorporated without Share Capital)**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT MARCH 31, 2009**

	2009	2008
	\$	\$
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash	720,294	517,015
Accounts receivable and accrued interest	104,464	235,375
Due from Loyalist College of Applied Arts & Technology	55,580	25,398
	880,338	777,788
<b>LONG-TERM</b>		
Investments - Note 4	4,120,267	4,298,200
Collection - at cost	1,500	1,500
	4,121,767	4,299,700
	5,002,105	5,077,488
<b>FUND BALANCES</b>		
<b>ENDOWED FUND - Note 5</b>	5,002,105	5,077,488
<b>APPROVED ON BEHALF OF THE BOARD</b>		
	Director	
	Director	
	5,002,105	5,077,488

The accompanying notes form an integral part of these financial statements

**THE LOYALIST COLLEGE FOUNDATION**  
**(Incorporated without Share Capital)**  
**STATEMENT OF OPERATIONS AND FUND BALANCES**  
**FOR THE YEAR ENDED MARCH 31, 2009**

	2009			2008
	Operating Fund \$	Endowed Fund \$	Total \$	Total \$
<b>REVENUE</b>				
Contributions from Loyalist College of Applied Arts & Technology		408,026	408,026	286,716
Contributions from others		3,820	3,820	910
Fundraising - Schedule 1		37,005	37,005	47,960
Net investment income - Note 6		166,583	166,583	219,834
Unrealized gain (loss) on held-for- trading financial instruments		(456,863)	(456,863)	(117,324)
	NIL	158,571	158,571	438,096
<b>EXPENDITURES</b>				
Scholarships and bursaries		166,949	166,949	150,702
Fundraising expenses - Schedule 1		14,500	14,500	19,296
Contribution to Loyalist College of Applied Arts & Technology - Schedule 1		22,505	22,505	28,664
Operating expenses	25,000		25,000	20,000
Professional fees	5,000		5,000	
	30,000	203,954	233,954	218,662
<b>EXCESS OF REVENUE OVER EXPENDITURES (EXPENDITURES OVER REVENUE) FOR YEAR</b>	(30,000)	(45,383)	(75,383)	219,434
<b>TRANSFER BETWEEN FUNDS</b>	30,000	(30,000)		
<b>FUND BALANCES - BEGINNING OF YEAR</b>		5,077,488	5,077,488	4,804,202
<b>PRIOR YEAR ADJUSTMENT FOR CHANGE IN ACCOUNTING POLICY</b>				53,852
<b>FUND BALANCES - END OF YEAR</b>	NIL	5,002,105	5,002,105	5,077,488

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**THE LOYALIST COLLEGE FOUNDATION**  
**(Incorporated without Share Capital)**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED MARCH 31, 2009**

	2009	2008
	\$	\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from fundraising activities	37,005	47,960
Investment income received, net	166,767	213,302
Cash paid for scholarships and bursaries	(166,949)	(150,702)
Cash paid for fundraising expenses	(14,500)	(19,296)
Cash paid for operating expenses	(25,000)	(20,000)
Cash paid for professional fees	(5,000)	
Cash paid to Loyalist College of Applied Arts & Technology for special purposes	(22,505)	(28,664)
<b>CASH FLOWS PROVIDED FROM (USED IN) OPERATING ACTIVITIES</b>	<b>(30,182)</b>	<b>42,600</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Cash received from Loyalist College of Applied Arts & Technology for endowments	377,845	273,562
Cash received from others for endowments	3,820	910
Cash used to purchase investments	(1,676,168)	(1,426,552)
Cash to purchase investments held in accounts receivable	130,727	(75,829)
Cash received on sale of investments	1,397,237	1,303,785
<b>CASH FLOWS PROVIDED FROM INVESTING ACTIVITIES</b>	<b>233,461</b>	<b>75,876</b>
<b>INCREASE IN CASH AND CASH EQUIVALENTS FOR YEAR</b>	<b>203,279</b>	<b>118,476</b>
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	<b>517,015</b>	<b>398,539</b>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<b>720,294</b>	<b>517,015</b>
<b>REPRESENTED BY:</b>		
Cash	720,294	517,015

The accompanying notes form an integral part of these financial statements

**THE LOYALIST COLLEGE FOUNDATION**  
**(Incorporated without Share Capital)**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED MARCH 31, 2009**

**1. PURPOSE OF FOUNDATION**

The Foundation was incorporated as a Corporation without share capital on October 28, 1994 and effectively commenced operations during the period ended March 31, 1996. The purpose of the Foundation is to receive and maintain funds and to apply all or part of the principal and income for charitable purposes carried on by or for the benefit of or to enhance or improve the services provided by or the facilities of Loyalist College of Applied Arts & Technology.

On February 2, 1995, the Foundation and the Board of Governors of Loyalist College of Applied Arts & Technology signed a Memorandum of Understanding, which was approved by the Minister of Training, Colleges and Universities. The memorandum establishes a subsidiary operating relationship between the Foundation and the College, which includes the following:

- the members of the Board of Directors of the Foundation shall be approved by the College,
- the By-Laws of the Foundation shall be subject to the approval of the College,
- the annual budget shall be approved by the College,
- the Foundation shall make a report annually to the College, and
- the Foundation shall not enter into agreements with other bodies, without the prior approval of the College.

**2. ACCOUNTING POLICIES**

Outlined below are those accounting policies and reporting practices considered to be particularly significant and adopted by the Foundation:

**(a) Accounting Estimates**

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**THE LOYALIST COLLEGE FOUNDATION**  
**(Incorporated without Share Capital)**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED MARCH 31, 2009**

**2. ACCOUNTING POLICIES (Cont'd)**

**(b) Fund Accounting**

The accompanying financial statements include the activities of the Foundation for which the Board of Directors is legally accountable. In order to properly reflect its activities, the Foundation maintains its accounts in accordance with the principles of "fund accounting" in order that limitations and restrictions placed on the use of available resources are observed. Under fund accounting, resources for various purposes are classified for accounting and reporting purposes into funds in accordance with activities or objectives specified. For financial reporting purposes, the Foundation has combined funds with similar characteristics into two fund groups: Endowed Fund and Operating Fund.

The Endowed Fund accounts for the contributions received, where only the income earned on the money is expendable for the special purposes designated.

The Operating Fund accounts for the costs of operations.

**(c) Translation of Foreign Currencies**

Non-Canadian monetary items are translated at the rate of exchange in effect at the balance sheet date. All other assets and liabilities are translated at the rates prevailing when the assets were acquired or the liabilities incurred. Gains or losses resulting from such translation practices are reflected in earnings.

**(d) Cash and Equivalents**

Cash and equivalents consist of cash on deposit.

**(e) Investments**

Investments are classified as held-for-trading, and are initially recorded at their acquisition cost, including related transaction costs, on the date of trade. Investments are subsequently adjusted to fair value as at the date of the balance sheet, and the corresponding unrealized gains and losses are recorded in the statement of operations for the year.

**(f) Collections**

Gifts in the nature of collections are recognized as revenue at their estimated market value. The value of the collections is capitalized at their estimated fair value and the amount is not amortized.

**(g) Revenue Recognition**

Contributions for endowment are recognized as revenue in the Endowed Fund as received. Investment income is recorded as earned on debt securities and dividends on equity securities are recorded as received.

**THE LOYALIST COLLEGE FOUNDATION**  
**(Incorporated without Share Capital)**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED MARCH 31, 2009**

**3. FUTURE ACCOUNTING CHANGES**

The Accounting Standards Board has confirmed that all publicly accountable enterprises will have to comply with International Financial Reporting Standards ("IFRS") for fiscal years beginning on or after January 1, 2011. The Foundation understands there will be differences between current Canadian GAAP and IFRS, and the Accounting Standards Board is looking into how these standards will affect not-for-profit and charitable organizations.

**4. INVESTMENTS**

(a) The market values of investments as at March 31, 2009 and March 31, 2008 are as follows:

	2009	2008
	\$	\$
Canada Savings Bonds		3,000
Debt securities		
Federal	117,374	190,215
Provincial and provincial guaranteed	792,134	952,618
Corporate - Rated A or better	2,265,136	1,831,732
Equity securities		
Common shares	945,623	1,320,635
	<b>4,120,267</b>	<b>4,298,200</b>

(b) The investments have varying maturity dates, but may be liquidated in the short-term, based on the Foundation's needs. The effective interest rates range from 3.55% to 7.29% for these investments.

**THE LOYALIST COLLEGE FOUNDATION**  
**(Incorporated without Share Capital)**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED MARCH 31, 2009**

**5. ENDOWED FUND**

The Endowed Fund balance as at the year-end is comprised as follows:

	2009	2008
	\$	\$
Accumulated principal contributions		
- External contributions		
- Ontario Trust for Student Support	2,111,264	1,703,238
- Ontario Student Opportunity Trust Fund - Phase 2	364,095	364,095
- Ontario Student Opportunity Trust Fund - Phase 1	780,230	780,230
- Other contributions	1,917,225	1,913,405
- Allocated from investment income	155,981	142,606
	<u>5,328,795</u>	<u>4,903,574</u>
Accumulated investment income, net of distributions	(326,690)	173,914
	<u>5,002,105</u>	<u>5,077,488</u>

The current year allocation of investment income to principal, pursuant to the Foundation's Investment Policy Statement #3, amounted to \$13,375 (\$17,767 in 2008).

**6. NET INVESTMENT INCOME**

Net investment income is comprised of the following:

	2009	2008
	\$	\$
Interest income	161,889	164,791
Dividend income	69,699	69,844
Realized gains (losses) on disposition of investments	(27,561)	22,511
	<u>204,027</u>	<u>257,146</u>
Less:		
Amortization of (premium) discount on fixed-income securities	(9,359)	(5,375)
Interest and investment management fees	(28,085)	(31,937)
<b>NET INVESTMENT INCOME</b>	<u>166,583</u>	<u>219,834</u>

**THE LOYALIST COLLEGE FOUNDATION**  
**(Incorporated without Share Capital)**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED MARCH 31, 2009**

**7. FINANCIAL INSTRUMENTS**

Financial instruments consist of cash, portfolio investments, and accounts receivable and accrued interest. The carrying amounts approximate their fair market value due to the immediate or short-term maturity of these financial instruments except for portfolio investments which are disclosed in Note 4 to these financial statements.

**Credit Risk**

Credit risk is the risk of financial loss to the Foundation if a debtor fails to make payments of interest and principal when due. The Foundation is exposed to this risk relating to its debt holdings in its investment portfolio and the reliance on reinsurers to make payment when certain loss conditions are met.

The Foundation's investment policy puts limits on the bond portfolio including portfolio composition limits, issuer type limits, bond quality limits, and aggregate issuer limits. The debt security portfolio remains very high quality with 100% of the securities rated A or better; all debt securities must have a A rating or better per the Company's investment policy. All fixed income portfolios are measured for performance on a quarterly basis and monitored by management on a monthly basis.

There have been no significant changes from the previous period in the exposure to risk or policies procedures and methods used to measure the risk.

**Market Risk**

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of market factors. Market factors include three types of risk: currency risk, interest rate risk, and equity risk.

An investment policy is in place and its application is monitored by the Finance & Investment Committee and the Board of Directors. Diversification techniques are utilized to minimize risk. The Policy limits the investment in any one corporate issuer to a maximum of 10% of the Foundation's total debt securities portfolio.

**Currency Risk**

Currency risk relates to the Foundation operating in different currencies and converting non-Canadian earnings at different points in time at different foreign exchange levels when adverse changes in foreign currency exchange rates occur.

**THE LOYALIST COLLEGE FOUNDATION**  
**(Incorporated without Share Capital)**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED MARCH 31, 2009**

**7. FINANCIAL INSTRUMENTS (Cont'd)**

The Foundation records its operations in Canadian dollars. The Foundation is exposed to currency fluctuations on some of its equity securities with a carrying value of \$422,618 as they are denominated in U.S. dollars. These potential currency fluctuations could have a significant impact on the market value of these securities. If the value of the U.S. dollar changes by 1% compared to the Canadian dollar, the effect on the value of the equity securities would be approximately \$4,500.

There have been no significant changes from the previous period in the exposure to risk or policies procedures and methods used to measure the risk.

**Interest Rate Risk**

Interest rate risk is the potential for financial loss caused by fluctuations in fair value or future cash flows of financial instruments because of changes in market interest rates.

The Foundation is exposed to risk through its interest bearing investments (term deposits and debt securities).

As prevailing interest rates increase or decrease, the market value of these interest-bearing investments change. If interest rates were to change by 1%, with all other variables being held constant, then the effect on the market value of these investments would be approximately \$93,743. The Foundation has structured its portfolio in a manner as to be able to allow debt-securities to be held to maturity to reduce any potential interest rate risk. For bonds that the Foundation did not sell during the year, the change during the year and changes prior to the year would be recognized as unrealized gain (loss) on held-for-trading financial instruments during the period.

There have been no significant changes from the previous period in the exposure to risk or policies, procedures and methods used to measure the risk.

**Equity Risk**

Equity risk is the uncertainty associated with the valuation of assets arising from changes in equity markets. The Foundation is exposed to this risk through its equity holdings within its investment portfolio.

The Foundation's portfolio includes U.S. and Canadian stocks with fair values that move with the New York Stock Exchange Composite Index and the Toronto Stock Exchange Composite Index. A 1% movement in the stock markets with all other variables held constant would have an estimated effect on the fair values of the Foundation's preference and common shares of \$7,274. For shares that the Foundation did not sell during the period, the change would be recognized in the asset value and in unrealized gain (loss) on held-for-trading financial instruments. For shares that the Foundation did sell during the period, the change during the period and changes prior to the period would be recognized as net realized gains in income during the period.

**THE LOYALIST COLLEGE FOUNDATION**  
**(Incorporated without Share Capital)**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED MARCH 31, 2009**

**7. FINANCIAL INSTRUMENTS (Cont'd)**

An investment policy is in place and its application is monitored by the Finance & Investment Committee and the Board of Directors. Diversification techniques are utilized to minimize risk. The policy limits the investment in preference and common shares to a maximum of 35%, and a minimum of 10%.

**Liquidity Risk**

Liquidity risk is the risk that the Foundation will not be able to meet all cash outflow obligations as they come due. The Foundation mitigates this risk by monitoring cash activities and expected outflows, maintaining liquidity in their investment portfolios, and budgeting scholarships to meet cash needs. There are no material liabilities that can be called unexpectedly at the demand of a lender or client. There are no material commitments for capital expenditures and there is no need for such expenditures in the normal course of business.

There have been no significant changes from the previous period in the exposure to risk or policies procedures and methods used to measure the risk.

**8. CAPITAL MANAGEMENT**

The Foundation's objectives with respect to capital management are to maintain endowment funds and a minimum capital base that allows the Foundation to continue with and execute its overall purpose as outlined in the fund balances accounting policy in Note 2(b). The Foundations' Board of Directors perform periodic reviews of the Foundation's capital needs to ensure they remain consistent with the risk tolerance that is acceptable to the Foundation.

**THE LOYALIST COLLEGE FOUNDATION**  
**(Incorporated without Share Capital)**  
**SCHEDULE OF FUNDRAISING ACTIVITY**  
**FOR THE YEAR ENDED MARCH 31, 2009**

	Golf Tournament \$	Other \$	Fundraising Total \$
Fundraising revenue	37,005		37,005
Fundraising expenses	14,500		14,500
Contribution to Loyalist College of Applied Arts & Technology	22,505	NIL	22,505

FOR THE YEAR ENDED MARCH 31, 2008

	Golf Tournament \$	40th Anniversary Event \$	Fundraising Total \$
Fundraising revenue	33,623	14,337	47,960
Fundraising expenses	12,536	6,760	19,296
Contribution to Loyalist College of Applied Arts & Technology	21,087	7,577	28,664

The accompanying notes form an integral part of these financial statements