LOYALIST COLLEGE OF APPLIED ARTS & TECHNOLOGY

CONSOLIDATED FINANCIAL STATEMENTS

AS AT MARCH 31, 2015

Approved on behalf of the Board of Governors

______________________ Chair

______________________ President

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LOYALIST COLLEGE OF APPLIED ARTS & TECHNOLOGY
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AND SUPPORTING SCHEDULES
AS AT MARCH 31, 2015

LOYALIST COLLEGE

<u>**Management's Responsibility for Financial Reporting**</u>

The consolidated financial statements of Loyalist College of Applied Arts and Technology are the responsibility of management and are approved by the Board of Governors.

The consolidated financial statements have been prepared by management in accordance with Canadian Public Sector Accounting Standards for Not for Profit Organizations. When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances. Consolidated financial statements are not precise since they include certain amounts based on estimates and judgments. Management has determined such amounts on a reasonable basis in order to ensure that the consolidated financial statements are presented fairly, in all material respects.

Loyalist College of Applied Arts and Technology maintains high quality systems of internal accounting and administrative controls consistent with reasonable cost. Such systems are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate, and that the College's assets are appropriately accounted for and adequately safeguarded.

Loyalist College of Applied Arts and Technology's insurance liabilities have been reviewed by management in consultation with its broker. There are no undisclosed material liabilities in either fact or contingency to the date of this report.

The Board of Governors is responsible for ensuring that management fulfills its responsibilities for legal reporting, and is ultimately responsible for reviewing and approving the consolidated financial statements. The Board carries out this responsibility principally through its Audit Committee.

The Audit Committee is appointed by the Board of Governors. The Committee meets periodically with management and the external auditors to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues, to satisfy itself that each party is properly discharging its responsibilities, and to review the consolidated financial statements and the external auditors' reports. The Committee reports its findings to the Board for consideration when approving the consolidated financial statements. The Committee also considers, for review and approval by the Board, the engagement or reappointment of the external auditors.

The consolidated financial statements have been audited by Wilkinson & Company LLP the external auditors, in accordance with Canadian generally accepted auditing standards, on behalf of the Board. Wilkinson & Company LLP has full and free access to all records of the College and to the Audit Committee.

June 11, 2015	Maureen Piercy	Catherine Rushton
Date	President & CEO	Senior Vice-President
		Corporate Services & CFO

INDEPENDENT AUDITORS' REPORT

To the Board of Governors
Loyalist College of Applied Arts & Technology

Report on the Financial Statements

We have audited the consolidated financial statements of Loyalist College of Applied Arts & Technology for the year ended March 31, 2015 and a summary of significant accounting policies and other explanatory information, comprising the following:

1. Consolidated Statement of Financial Position
2. Consolidated Statement of Operations
3. Consolidated Statement of Net Assets
4. Consolidated Statement of Remeasurement Gains
5. Consolidated Statement of Cash Flows

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian Public Sector Accounting Standards for Not-for-Profit Organizations 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, these consolidated financial statements present fairly, in all material respects, the financial position of Loyalist College of Applied Arts & Technology as at March 31, 2015 and its financial performance and its cash flows for the year then ended in accordance with Canadian Public Sector Accounting Standards for Not-for-Profit Organizations.

Wilkinson & Company LLP

BELLEVILLE, Canada
June 11, 2015

Chartered Accountants
Licensed Public Accountants

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STATEMENT 1

LOYALIST COLLEGE OF APPLIED ARTS & TECHNOLOGY
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2015

	2015 $	2014 $ (Restated - Note 2)
ASSETS		
CURRENT		
Cash	**4,792,494**	3,619,867
Accounts receivable	**1,101,621**	1,200,602
Grants receivable	**1,838,406**	1,840,350
Inventory	**47,146**	53,504
Prepaid expenses	**444,759**	599,223
Current portion of pledges receivables - Note 7	**386,428**	398,030
	8,610,854	7,711,576
CAPITAL ASSETS - Note 6	**41,062,040**	42,359,898
OTHER		
Accounts receivable	**27,200**	30,600
Pledges receivable - Note 7	**962,880**	894,693
Investments - Note 8	**8,972,733**	8,363,890
	9,962,813	9,289,183
	59,635,707	59,360,657
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	**7,922,659**	6,277,112
Accrued vacation entitlement	**3,058,326**	3,233,814
Grants refundable	**150,575**	67,219
Deferred revenue - Note 10(a)	**859,071**	663,188
Current portion of long-term debt - Note 9	**1,904,414**	3,293,662
	13,895,045	13,534,995
LONG-TERM		
Term loans payable - Note 9	**8,090,425**	4,981,715
Accrued future employee benefits - Note 17	**628,428**	521,131
Accrued non-vested sick leave - Note 17	**1,741,000**	1,807,000
Accrued vested sick leave - Note 17	**305,000**	334,000
Accrued workers' compensation	**150,000**	150,000
Accrued post-retirement benefits - Note 17	**490,000**	492,000
Deferred capital contributions - Note 10(b)	**28,959,756**	29,077,936
	40,364,609	37,363,782
NET ASSETS - Statement 3		
Investment in capital assets	**2,107,445**	5,006,585
Endowment and restricted	**11,639,603**	11,610,776
Unrestricted deficiency	**(8,891,212)**	(8,372,722)
	4,855,836	8,244,639
ACCUMULATED REMEASUREMENT GAINS - Statement 4	**520,217**	217,241
CONTINGENCIES AND COMMITMENTS - Note 14 and Note 16		
	59,635,707	59,360,657

The accompanying notes form an integral part of these consolidated financial statements

STATEMENT 2

LOYALIST COLLEGE OF APPLIED ARTS & TECHNOLOGY
CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED MARCH 31, 2015

	2015	2014
	$	$ (Restated - Note 2)
REVENUE		
MTCU and other government grants	**32,721,073**	33,686,784
Amortization of deferred revenue related to capital assets - Note 10(b)	**1,907,362**	1,912,744
Tuition fees	**14,850,487**	13,744,450
Non-tuition incidental fees	**3,347,075**	3,393,936
Ancillary	**3,826,233**	3,615,099
Contracted services and other	**4,531,368**	4,078,874
Contributions	**210,078**	123,117
Interest, dividends and realized gains on investments, net - Note 8(d)	**316,200**	395,803
	61,709,876	60,950,807
EXPENDITURE		
Salaries and wages	**34,995,458**	36,632,146
Employee and other benefits	**9,420,098**	7,898,296
Transportation and communication	**1,098,711**	1,320,633
Contracted services and fees	**4,082,452**	4,186,503
Maintenance and utilities	**2,975,767**	3,014,767
Supplies and other expenses	**2,510,423**	2,604,530
Ancillary	**1,582,936**	1,898,472
Amortization of capital assets	**3,309,525**	3,508,730
Interest and bank charges	**303,865**	310,072
Property taxes	**266,069**	265,505
Scholarships and bursaries	**568,965**	409,590
Student assistance from tuition set aside	**823,158**	841,828
Interest on long-term debt	**405,411**	421,976
Other	**2,965,919**	2,158,732
	65,308,757	65,471,780
DEFICIENCY OF REVENUES OVER EXPENDITURES FOR YEAR	**(3,598,881)**	(4,520,973)

The accompanying notes form an integral part of these consolidated financial statements

LOYALIST COLLEGE OF APPLIED ARTS & TECHNOLOGY
CONSOLIDATED STATEMENT OF NET ASSETS
FOR THE YEAR ENDED MARCH 31, 2015

	Investment in Capital Assets $ (Note 11)	Endowment $ (Note 12)	Internally Restricted $ (Note 12)	Unrestricted $ (Note 13)	2015 Total $
BALANCE - BEGINNING OF YEAR	**5,006,585**	**8,517,420**	**3,093,356**	**(8,372,722)**	**8,244,639**
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	**(1,402,163)**	**59,781**	**(241,032)**	**(2,015,467)**	**(3,598,881)**
ENDOWMENT CONTRIBUTIONS, NET		**210,078**			**210,078**
NET CHANGE IN INVESTMENT IN CAPITAL ASSETS	**(1,496,977)**			**1,496,977**	
BALANCE - END OF YEAR	**2,107,445**	**8,787,279**	**2,852,324**	**(8,891,212)**	**4,855,836**

FOR THE YEAR ENDED MARCH 31, 2014

	Investment in Capital Assets $ (Note 11) (Restated - Note 2)	Endowment $ (Note 12)	Internally Restricted $ (Note 12)	Unrestricted $ (Note 13)	2014 Total $ (Restated - Note 2)
BALANCE - BEGINNING OF YEAR	1,739,708	8,213,185	9,411,132	(6,721,530)	12,642,495
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,595,986)	181,118	(6,317,776)	3,211,671	(4,520,973)
ENDOWMENT CONTRIBUTIONS, NET		123,117			123,117
NET CHANGE IN INVESTMENT IN CAPITAL ASSETS	4,862,863			(4,862,863)	
BALANCE - END OF YEAR	5,006,585	8,517,420	3,093,356	(8,372,722)	8,244,639

The accompanying notes form an integral part of these consolidated financial statements

STATEMENT 4

LOYALIST COLLEGE OF APPLIED ARTS & TECHNOLOGY
CONSOLIDATED STATEMENT OF REMEASUREMENT GAINS
FOR THE YEAR ENDED MARCH 31, 2015

	2015 $	2014 $ (Restated - Note 2)
ACCUMULATED REMEASUREMENT GAIN - BEGINNING OF YEAR	**217,241**	131,241
UNREALIZED GAIN ATTRIBUTABLE TO INVESTMENTS DESIGNATED AT FAIR VALUE	**434,306**	305,293
Realized loss reclassified to the consolidated statement of operations disposition of investments	**(131,330)**	(219,293)
ACCUMULATED REMEASUREMENT GAIN - END OF YEAR	**520,217**	217,241

STATEMENT 5

LOYALIST COLLEGE OF APPLIED ARTS & TECHNOLOGY
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2015

	2015 $	2014 $ (Restated - Note 2)
OPERATING ACTIVITIES		
Deficiency of revenues over expenditures for year	**(3,598,881)**	(4,520,973)
Amortization of deferred capital revenue	**(1,907,362)**	(1,912,744)
Amortization of capital assets	**3,309,525**	3,508,730
	(2,196,718)	(2,924,987)
Net change in non-cash working capital balances related to operations - Note 15	**2,011,045**	(188,482)
CASH FLOWS USED IN OPERATING ACTIVITIES	**(185,673)**	(3,113,469)
INVESTING ACTIVITIES		
Net increase in investments	**(305,867)**	(256,759)
Decrease (increase) in net pledges receivable	**(56,585)**	358,431
Decrease on long-term receivable	**3,400**	3,400
CASH FLOWS PROVIDED FROM (USED IN) INVESTING ACTIVITIES	**(359,052)**	105,072
FINANCING ACTIVITIES		
Net issuances (repayment) of term loans payable	**1,719,462**	(856,784)
Increase in accrued future employee benefits	**107,297**	160,688
Decrease in accrued non-vested sick leave	**(66,000)**	(66,000)
Decrease in accrued vested sick leave	**(29,000)**	(68,000)
Increase in workers' compensation		8,718
Decrease in accrued post-retirement benefits	**(2,000)**	(37,000)
CASH FLOWS PROVIDED FROM (USED IN) FINANCING ACTIVITIES	**1,729,759**	(858,378)
CAPITAL ACTIVITIES		
Endowment contributions	**210,078**	123,117
Contributions received related to capital assets - capital campaign	**918,482**	477,215
Contributions received related to capital assets - grant revenue	**870,700**	523,749
Purchase of capital assets	**(2,011,667)**	(5,007,043)
CASH FLOWS USED IN CAPITAL ACTIVITIES	**(12,407)**	(3,882,962)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS FOR YEAR	**1,172,627**	(7,749,737)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	**3,619,867**	11,369,604
CASH AND CASH EQUIVALENTS - END OF YEAR	**4,792,494**	3,619,867
REPRESENTED BY:		
Cash	**4,792,494**	3,619,867

The accompanying notes form an integral part of these consolidated financial statements

LOYALIST COLLEGE OF APPLIED ARTS & TECHNOLOGY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2015

1. PURPOSE OF THE ORGANIZATION

Loyalist College of Applied Arts & Technology ("The College") operates as a community college, under its current mission to create learning opportunities leading to success in both employment and lifelong learning. The College was incorporated under the Department of Education Act in 1968 as a not-for-profit organization and is a registered charity under The Income Tax Act. Ontario Colleges are governed by the Ontario Colleges of Applied Arts and Technology Act, 2002 and regulations.

2. RESTATEMENT OF COMPARATIVE FIGURES

In the prior period, it was determined the revenue recognized in relation to the capital campaign was overstated by $411,635. The overstatement of revenue was the result of recognizing revenue in advance of the expenditures of the funds on capital assets relating to the capital campaign. The early recognition of revenue resulted in the overstatement of the prior period opening investment in capital assets by $47,668, an overstatement of the prior period investment in net assets by $459,303 and an understatement of deferred capital contributions in the same amount.

In the prior period, it was also determined that the unrealized gain on the U.S. equity investments was overstated by $84,511.

As a result of these prior period overstatements, the consolidated financial statements for the opening net assets and the fiscal year ending March 31, 2014 have been restated as follows:

Consolidated Statement of Financial Position as at March 31, 2014

	2014 as previously reported $	Revision $	2014 Restated $
Assets			
Investments	8,448,401	(84,511)	8,363,890
Liabilities			
Deferred capital contributions	28,618,633	459,303	29,077,936

LOYALIST COLLEGE OF APPLIED ARTS & TECHNOLOGY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2015

2. RESTATEMENT OF COMPARATIVE FIGURES (Cont'd)

Consolidated Statement of Financial Position as at March 31, 2014

	2014 as previously reported $	Revision $	2014 as Restated $
Net Assets			
Invested in capital assets	5,465,888	(459,303)	5,006,585

	2014 as previously reported $	Revision $	2014 as Restated $
Statement of Remeasurement Gains			
Unrealized gain attributable to investments designated at fair value	170,511	(84,511)	86,000

Consolidated Statement of Operations for the Year Ended March 31, 2014

	2014 as previously reported $	Revision $	2014 as Restated $
Revenue			
Amortization of deferred revenue related to capital assets	2,324,379	(411,635)	1,912,744
Deficiency of revenue over expense	(4,109,338)	(411,635)	(4,520,973)

Consolidated Statement of Cash Flows for the Year Ended March 31, 2014

The prior year restatement resulted in a reduction of unrealized gains on investment and a reduction in net increase in investment by $84,511.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES

These consolidated financial statements of the College have been prepared in accordance with Canadian Public Sector Accounting Standards for Not-for-Profit Organizations. The significant accounting policies adopted by the College are as follows:

(a) Basis of Accounting

These consolidated financial statements are prepared in accordance with Canadian Public Sector Accounting Standards for not-for-profit organizations, including the 4200 series of standards, as issued by the Public Sector Accounting Board.

(b) Basis of Presentation

The consolidated financial statements of the College have been prepared by management in accordance with Canadian Public Sector Accounting Standards for not-for-profit organizations, published by the Canadian Institute of Chartered Accountants (CICA) (using the deferral method of reporting restricted contributions). These consolidated financial statements reflect the assets, liabilities, revenues and expenses of Loyalist College of Applied Arts and Technology, the Student Centre and The Loyalist College Foundation.

(c) Use of Estimates

The preparation of consolidated financial statements in conformity with Canadian Public Sector Accounting Standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenditures during the year. The most significant management estimates relate to the valuation of accounts receivable, pledges receivable, useful estimated life of capital assets and actuarial estimation of employee future benefits and non-vested and vested sick leave. Actual results could differ from these estimates.

(d) Financial Instruments

The College classifies its financial instruments as either fair value or amortized cost. The College's accounting policy for each category is as follows:

Fair Value

This category includes cash and equity instruments quoted in an active market. The College has designated its bond portfolio that would otherwise be classified into the amortized cost category at fair value as the College manages and reports performance of it on a fair value basis.

These financial instruments are initially recognized at cost and subsequently carried at fair value. Unrealized changes in fair value are recognized in the consolidated statement of remeasurement gains and losses until they are realized, when they are transferred to the Consolidated Statement of Operations.

Transaction costs related to financial instruments in the fair value category are expensed as incurred.

LOYALIST COLLEGE OF APPLIED ARTS & TECHNOLOGY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2015

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES (Cont'd)

(d) Financial Instruments (Cont'd)

Where a decline in fair value is determined to be other than temporary, the amount of the loss is removed from accumulated remeasurement gains and losses and recognized in the Consolidated Statement of Operations. On sale, the amount held in accumulated remeasurement gains and losses associated with that instrument is removed from net assets and recognized in the Consolidated Statement of Operations.

Amortized Cost

This category includes accounts receivable, grants receivable, pledges receivable, accounts payable and accrued liabilities, grants refundable, term loans payable, accrued future employee benefits, accrued non-vested sick leave, accrued vested sick leave and accrued workers' compensation. They are initially recognized at cost and subsequently carried at amortized cost using the effective interest rate method, less any impairment losses on financial assets.

Transaction costs related to financial instruments in the amortized cost category are added to the carrying value of the instrument.

Writedowns on financial assets in the amortized cost category are recognized when the amount of a loss is known with sufficient precision, and there is no realistic prospect of recovery. Financial assets are then written down to net recoverable value with the writedown being recognized in the Consolidated Statement of Operations.

(e) Revenue Recognition

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

Pledged contributions for the College are recognized when the related pledge documentation is received, less an allowance for estimated uncollectable amounts, giving consideration as to the source of pledges and any changed financial position.

Tuition and ancillary fees are recognized as revenue at the time the course or program begins. Fees that have been levied for a specific purpose have been internally restricted by the College for that purpose.

Operating grants are recorded as revenue in the period to which they relate. Grants earned but not received at the end of an accounting period are accrued. When a portion of a grant relates to a future period, it is deferred and recognized in that 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.

LOYALIST COLLEGE OF APPLIED ARTS & TECHNOLOGY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2015

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES (Cont'd)

(e) Revenue Recognition (Cont'd)

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 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 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.

Other operating revenues are deferred to the extent that related services provided, or goods sold, are rendered/delivered subsequent to the end of the College's fiscal year.

(f) Deferred Revenue Relating to Capital Assets

Grants, donations and other revenues received relating to the purchase of capital assets are deferred and amortized over future periods. The amortization period is based on the period used to amortize the corresponding capital assets.

(g) Capital Assets - Property, Plant and Equipment

Purchased capital assets are recorded at cost, which includes interest incurred before the commencement of commercial operations. Contributed capital assets are recorded at fair value at the date of contribution when fair value is reasonably determinable. Otherwise, contributed assets are recorded at a nominal amount. Repairs and maintenance costs are charged to expenses. 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.

Capital assets are amortized on a straight-line basis over their average useful lives, which have been estimated to be as follows:

Asset	**Rate**
Site improvements	10 years
Buildings	40 years
Building improvements	20 years
Furniture and equipment	3 to 5 years
Vehicles	5 years
Leasehold improvements	10 years

LOYALIST COLLEGE OF APPLIED ARTS & TECHNOLOGY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2015

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES (Cont'd)

(h) Vacation Pay

The College recognizes vacation pay as an expense on the accrual basis.

(i) Accrued Future Employee Benefits, Non-Vesting and Vesting Sick Leave and Workers' Compensation

The College provides defined retirement and post-employment benefits and compensated absences to certain employee groups. These benefits include pension, health and dental, vesting sick leave and non-vesting sick leave. The College has adopted the following policies with respect to accounting for these employee benefits:

(i) The costs of post-employment future benefits are actuarially determined using management's best estimate of health care costs, disability recovery rates and discount rates. Adjustments to these costs arising from changes in estimates and experience gains and losses are amortized to income over the estimated average remaining service life of the employee groups on a straight-line basis.

(ii) The costs of the multi-employer defined benefit pension are the employer's contributions due to the plan in the period.

(iii) The cost of vesting and non-vesting sick leave benefits are actuarially determined using management's best estimate of salary escalation, employees' use of entitlement and discount rates. Adjustments to these costs arising from changes in actuarial assumption and/or experience are recognized over the estimated average remaining service life of the employee.

(iv) The discount used in the determination of the above-mentioned liabilities is equal to the College's internal rate of borrowing.

(j) Cash and Equivalents

Cash and equivalents consist of cash on deposit and bank term deposits in money market instruments with maturity dates of less than three months from the date they are acquired.

(k) Other Accounts Receivable

Other accounts receivable consists of a long-term note receivable relating to leasehold improvements due from a tenant over a ten-year period.

4. FINANCIAL INSTRUMENT CLASSIFICATION

The following table provides cost and fair value information of financial instruments by category. The maximum exposure to credit risk would be the carrying value as shown below:

	2015		
	Fair Value $	Amortized Cost $	Total $
Cash	**4,792,494**		**4,792,494**
Accounts receivable		**1,101,621**	**1,101,621**
Grants receivable		**1,838,406**	**1,838,406**
Pledges receivable		**1,349,308**	**1,349,308**
Investments	**8,972,733**		**8,972,733**
Accounts payable and accrued liabilities		**(7,922,659)**	**(7,922,659)**
Accrued vacation entitlement		**(3,058,326)**	**(3,058,326)**
Grants refundable		**(150,575)**	**(150,575)**
Term loan payable		**(9,994,839)**	**(9,994,839)**
	13,765,227	**(16,837,064)**	**(3,071,837)**

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities using the last bid price; and

- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

	2015		
	Level 1 $	Level 2 $	Total $
Cash	**4,792,494**		**4,792,494**
Investments	**4,504,428**	**4,468,305**	**8,972,733**
Total	**9,296,922**	**4,468,305**	**13,765,227**

There were no transfers between Level 1 and Level 2 for the years ended March 31, 2015 and 2014. There were also no transfers in or out of Level 3.

LOYALIST COLLEGE OF APPLIED ARTS & TECHNOLOGY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2015

5. EMPLOYEE NOTES RECEIVABLE

In order to complement the College's professional development policy, the College provides demand interest-free loans and loans at nominal interest rates to certain full-time staff for the purchase of specified computer equipment and credential studies. These loans in the amount of $45,046 ($57,708 in 2014) have been included in accounts receivable.

6. TANGIBLE CAPITAL ASSETS

	2015		2014	
	Cost	**Accumulated amortization**	Cost	Accumulated amortization
	$	**$**	$	$
Land	**411,550**		411,550	
Collections	**254,870**		254,870	
Site improvements	**2,600,213**	**2,223,086**	2,593,996	2,138,955
Buildings and building improvements	**66,316,540**	**28,988,745**	65,368,988	27,393,255
Furniture and equipment	**23,327,241**	**20,691,361**	22,324,161	19,061,457
Vehicles	**41,938**	**41,938**	41,938	41,938
Leasehold improvements	**142,235**	**142,235**	142,235	142,235
Construction in progress	**54,818**			
	93,149,405	**52,087,365**	91,137,738	48,777,840
Cost less accumulated amortization		**$ 41,062,040**		$ 42,359,898

7. PLEDGES RECEIVABLE

As part of the College fundraising campaign activities, the College received pledges for payment in the future. The pledges receivable over the next five years are as follows:

	$
2016	**386,428**
2017	**314,146**
2018	**180,688**
2019	**167,390**
2020	**135,567**
Thereafter	**165,089**
Net pledges receivable	**1,349,308**
Less current portion	**386,428**
Long-term portion	**962,880**

LOYALIST COLLEGE OF APPLIED ARTS & TECHNOLOGY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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8. INVESTMENTS

(a) As noted in Note 3(d) to these consolidated financial statements, investments are recorded at fair value at the consolidated statement of financial position date. The market value of investments as at March 31, 2015 and 2014 are as follows:

	2015 Market Value $	2014 Market Value $
Cash	**146,365**	20,353
Fixed-income securities		
Federal		511,390
Provincial and provincial guaranteed	**1,840,665**	1,093,013
Municipal		205,180
Corporate - Rated A or better	**2,627,640**	2,439,892
	4,468,305	4,249,475
Pooled funds		
Cash management fund	**1,877,800**	1,793,361
	6,492,470	6,063,189
Equity securities		
Canadian	**1,246,582**	1,187,381
United States	**768,831**	708,069
International	**464,850**	405,251
	2,480,263	2,300,701
	8,972,733	8,363,890

(b) The investments have varying maturity dates, but may be liquidated in the short-term, based on the College's needs. The effective interest rates range from 1.50% to 6.02% for these investments.

LOYALIST COLLEGE OF APPLIED ARTS & TECHNOLOGY
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8. INVESTMENTS (Cont'd)

(c) The expected maturity dates for fixed-income securities are as follows:

	2015 **$**	2014 $
Maturing within one year	**203,881**	384,313
Maturing between one and five years	**1,432,208**	1,898,371
Maturing over five years	**2,832,216**	1,966,791
	4,468,305	4,249,475

(d) Net investment income is comprised of the following:

	2015 **$**	2014 $
Interest income	**195,265**	221,197
Dividend income	**71,443**	50,922
Realized gains on disposition of investments	**131,330**	219,293
	398,038	491,412
Less:		
Amortization of premium on fixed-income securities	**(25,382)**	(41,894)
Interest and investment management fees	**(56,456)**	(53,715)
	316,200	395,803

9. TERM LOANS PAYABLE

Term loans payable consisting of the following unsecured amounts:

	2015	2014
	$	$
Original residence loan bearing interest at 2.84% and repayable by semi-annual blended payments of principal and interest at $235,000 payable on August 31 and February 28 until maturity on August 28, 2020.	**2,384,014**	2,763,945
Client information system loan, bearing interest at 2.962% and repayable by semi-annual blended payments of principal and interest of $102,492 until maturity on April 6, 2015.	**100,996**	298,587
Renovation loan – OFA loan bearing interest at 2.641% and repayable by semi-annual blended payments of principal and interest of $157,355 payable on May 7 and November 7 until maturity on May 7, 2024.	**2,628,958**	
Residence expansion – two residences plus commons building Part 1 – loan bearing interest at 4.83% and repayable by semi-annual blended payments of principal and interest of $206,851 payable on August 28 and February 28 until maturity on August 28, 2027.	**3,848,425**	4,068,254
Residence expansion – two residences plus commons building Part 2 – loan bearing interest at 3.99% and repayable by semi-annual blended payments of principal and interest of $42,381 payable on August 31 and February 28 until maturity on February 28, 2016.	**853,360**	902,418
	9,815,753	8,033,204

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9. TERM LOANS PAYABLE (Cont'd)

	2015	2014
	$	$
Balance carried forward	**9,815,753**	8,033,204
Parking lot construction – cost of paving parking lot loan bearing interest at 4.27%, repayable in fixed monthly payments of $1,305, blended to include principal and interest until maturity on February 24, 2019.	**56,380**	69,334
Master plan capital projects loan, bearing interest at 5.27% and repayable by monthly blended payments of principal and interest of $4,835 until maturity on June 15, 2017.	**122,706**	172,839
	9,994,839	8,275,377
Less current portion	**1,904,414**	3,293,662
	8,090,425	4,981,715

The carrying values of the above loans approximate their fair value based on the terms of the loans compared to current market rates and conditions.

The principal portion of the term loans repayable over the next five years, based on terms and agreements in effect as at March 31, 2015, are as follows:

	$
2016	**1,904,414**
2017	**983,107**
2018	**972,674**
2019	**989,419**
2020	**1,008,125**
Thereafter	**4,137,100**
	9,994,839

The College anticipates the renewal of term loans that mature in the next five years with terms comparable to the existing loans.

LOYALIST COLLEGE OF APPLIED ARTS & TECHNOLOGY
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9. TERM LOANS PAYABLE (Cont'd)

The principal portion of the term loans repayable over the next five years, based on the anticipated renewal of these loans, are as follows:

	$
2016	**1,102,175**
2017	**1,036,379**
2018	**1,028,093**
2019	**1,047,071**
2020	**1,068,034**
Thereafter	**4,713,087**
	9,994,839

10. DEFERRED CONTRIBUTIONS

(a) Deferred Revenue

Deferred revenue represent grants, tuition fees and other revenue related to expenses of future periods.

(b) Deferred Capital Contributions

Deferred capital contributions represent the unamortized amount of donations and grants for the purchase of capital assets. The amortization of capital contributions is recorded as revenue in the consolidated statement of operations at the same rate as amortization is recorded on the related capital assets.

LOYALIST COLLEGE OF APPLIED ARTS & TECHNOLOGY
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10. DEFERRED CONTRIBUTIONS (Cont'd)

(b) Deferred Capital Contributions (Cont'd)

As at March 31, 2015, deferred revenue relating to property, plant and equipment is comprised of the following:

	2015 **$**	2014 $
Beginning of year	**29,077,936**	29,989,716
Add amounts related to following sources		
Federal and Province of Ontario - capital grants	**870,700**	523,749
Capital campaign contributions	**918,482**	477,215
	1,789,182	1,000,964
	30,867,118	30,990,680
Deduct amounts related to the following		
Amounts recognized as revenue in year	**(1,907,362)**	(1,912,744)
End of year	**28,959,756**	29,077,936

11. INVESTMENT IN CAPITAL ASSETS

(a) Investment in capital assets at March 31, 2015 represents the following:

	2015 **$**	2014 $
Capital assets, at cost	**93,149,405**	91,137,738
Accumulated amortization of capital assets	**(52,087,365)**	(48,777,840)
Term loans payable - current portion	**(1,904,414)**	(3,293,662)
Term loans payable - long-term portion	**(8,090,425)**	(4,981,715)
Deferred revenue relating to capital assets	**(28,959,756)**	(29,077,936)
	2,107,445	5,006,585

LOYALIST COLLEGE OF APPLIED ARTS & TECHNOLOGY
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11. INVESTMENT IN CAPITAL ASSETS (Cont'd)

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

	2015 **$**	2014 $
Amortization of deferred contributions related to capital assets	**1,907,362**	1,912,744
Less amortization of capital assets	**(3,309,525)**	(3,508,730)
	(1,402,163)	(1,595,986)

(c) Net change in investment in capital assets:

	2015 **$**	2014 $
Purchase of capital assets	**2,011,667**	5,007,043
Amounts funded by:		
Deferred capital contributions	**(918,482)**	(477,215)
Capital grant contributions	**(870,700)**	(523,749)
Net (issuance) repayment of long-term debt	**(1,719,462)**	856,784
	(1,496,977)	4,862,863

LOYALIST COLLEGE OF APPLIED ARTS & TECHNOLOGY
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FOR THE YEAR ENDED MARCH 31, 2015

12. RESTRICTIONS ON NET ASSETS

Externally Restricted

Endowment contributions have been donated or grants received from governments specifically for student assistance. Income earned is expendable to provide financial assistance to students.

Internally Restricted

These funds have been restricted by the Board of Governors to be expended on the following:

	2015	2014
	$	$
Residence	**1,286,644**	660,231
Parking lots and roadways	**387,938**	215,262
Student Office for Alternative Resources	**280,157**	265,572
Student government activity	**179,460**	196,200
Student facilities enhancement	**58,690**	41,666
Student centre	**406,939**	919,745
Student government - athletic and fitness centre	**31,233**	50,881
Student government - health centre	**168,387**	205,007
Student government - Access Copyright	**5,363**	
Information technology fee	**47,513**	538,792
	2,852,324	3,093,356

Internal appropriations consists of funds appropriated to address academic equipment needs, maintenance needs and to provide stabilization in funding.

LOYALIST COLLEGE OF APPLIED ARTS & TECHNOLOGY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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13. UNRESTRICTED

The unrestricted net assets reflect the set aside of funds for future benefits which have been accrued in liabilities in accordance with the accounting policy as discussed in Note 3(h) and Note 3(i). The amounts set aside in the unrestricted net assets for these future benefits are as follows:

	2015	2014
	$	$
Vacation entitlements	**(3,058,326)**	(3,233,814)
Accrued future employee benefits	**(628,428)**	(521,131)
Accrued non-vested sick leave	**(1,741,000)**	(1,807,000)
Accrued vested sick leave	**(305,000)**	(334,000)
Accrued post-retirement benefits	**(490,000)**	(492,000)
	(6,222,754)	(6,387,945)
Unrestricted for future use	**(2,668,458)**	(1,984,777)
	(8,891,212)	(8,372,722)

14. CONTINGENCIES AND COMMITMENTS

(a) Contractual Commitments

The College has entered into three agreements which allow outside parties to use certain of the College's facilities for use as a bookstore, a cafeteria and for print and mail services, respectively. If the College prematurely terminates the contracts, the College is liable to pay the depreciated value of leasehold improvements paid for by the other parties to the agreements. It is not anticipated that any of the contracts will be terminated prior to the date anticipated in the respective contracts.

The College entered into an agreement with a third party for the construction and operation of student residences. The residences are owned and operated by the third party and the College has agreed to guarantee the residence occupancy at 95%. Management has assessed the likelihood of any actual guarantee payments to be minimal.

(b) Other

During a prior year, the College was served with two statements of claim, commencing proceedings under the Class Proceedings Act, by students enrolled in the College’s nursing program. The court has allowed the case to proceed and has ruled that the College's contract with the students of the 1997 and 1998 Nursing Classes required the College to provide them with the option to obtain a Queen's Nursing Degree, and that the College breached that contract and/or breached its duty of care to class members by failing to provide the option.

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14. CONTINGENCIES AND COMMITMENTS (Cont'd)

(b) Other (Cont'd)

The Court ruled that the members of the 1997 and 1998 classes may be entitled to an award of damages arising from delayed entry into the nursing degree workforce, and any expenses incurred in mitigating those damages. The Court has established a procedure to allow students to present their individual cases to a judge who will determine the actual damages of class members, if any.

The College carries adequate insurance coverage subject to a deductible, based on the amount of the claims, but the ultimate loss cannot be reasonably estimated at this time.

15. NET CHANGE IN NON-CASH WORKING CAPITAL BALANCES RELATED TO OPERATIONS

Cash provided from (used in) non-cash working capital is compiled as follows:

	2015	2014
	$	$
(INCREASE) DECREASE IN CURRENT ASSETS		
Accounts receivable	**98,981**	1,029,345
Grants receivable	**1,944**	(124,704)
Inventory	**6,358**	(1,508)
Prepaid expenses	**154,464**	(251,884)
	261,747	651,249
INCREASE (DECREASE) IN CURRENT LIABILITIES		
Accounts payable and accrued liabilities	**1,645,547**	(419,355)
Accrued vacation entitlement	**(175,488)**	(120,025)
Grants refundable	**83,356**	(69,134)
Deferred revenue	**195,883**	(231,217)
	1,749,298	(839,731)
NET CHANGE IN NON-CASH WORKING CAPITAL BALANCES RELATED TO OPERATIONS	**2,011,045**	(188,482)

LOYALIST COLLEGE OF APPLIED ARTS & TECHNOLOGY
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16. LEASE COMMITMENTS

The College leases certain premises and equipment for which future minimum lease payments for the next five years are as follows:

	$
2016	**248,991**
2017	**211,764**
2018	**270,560**
2019	**270,560**
2020	**270,560**

17. ACCRUED FUTURE EMPLOYEE BENEFITS AND COMPENSATED ABSENCES LIABILITY

The following tables outline the components of the College's post-employment benefits and compensated absences liabilities and the related expenses.

	2015			
	Future Employee Benefits $	**Non-vesting Sick Leave $**	**Vesting Sick Leave $**	**Accrued Post-Retirement Benefits $**
Accrued employee future benefits obligations	**628,428**	**1,439,000**	**300,000**	**535,000**
Fair value of plan assets				**(90,000)**
Unamortized actuarial gains		**302,000**	**5,000**	**45,000**
Total liability	**628,428**	**1,741,000**	**305,000**	**490,000**

	2014			
	Future Employee Benefits $	Non-vesting Sick Leave $	Vesting Sick Leave $	Accrued Post-Retirement Benefits $
Accrued employee future benefits obligations	521,131	1,366,000	327,000	507,000
Fair value of plan assets				(79,000)
Unamortized actuarial gains		441,000	7,000	64,000
Total liability	521,131	1,807,000	334,000	492,000

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17. ACCRUED FUTURE EMPLOYEE BENEFITS AND COMPENSATED ABSENCES LIABILITY (Cont'd)

	2015			
	Future Employee Benefits $	**Non-vesting Sick Leave $**	**Vesting Sick Leave $**	**Accrued Post-Retirement Benefits $**
Current year benefit cost	**107,297**	**82,000**	**10,000**	**2,000**
Interest on accrued benefit obligation		**37,000**	**8,000**	**2,000**
Benefit payments		**(145,000)**	**(66,000)**	**(10,000)**
Experience losses				**(2,000)**
Amortization of unamortized actuarial losses (gains)		**(40,000)**	**19,000**	**6,000**
Total expense (recovery)	**107,297**	**(66,000)**	**(29,000)**	**(2,000)**

	2014			
	Future Employee Benefits $	Non-vesting Sick Leave $	Vesting Sick Leave $	Accrued Post-Retirement Benefits $
Current year benefit cost	160,688	104,000	17,000	4,000
Interest on accrued benefit obligation		39,000	6,000	3,000
Benefit payments		(212,000)	(91,000)	(23,000)
Experience gains				(24,000)
Amortization of unamortized actuarial losses		3,000	1,000	2,000
Total expense (recovery)	160,688	(66,000)	(67,000)	(38,000)

The above amounts are included in employee and other benefits on the consolidated statement of operations.

The above amounts exclude pension contributions to the Colleges of Applied Arts and Technology pension plan, a multi-employer plan, described below.

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17. ACCRUED FUTURE EMPLOYEE BENEFITS AND COMPENSATED ABSENCES LIABILITY (Cont'd)

Retirement Benefits

CAAT Pension Plan

Substantially all employees of the College are members of the Colleges of Applied Arts and Technology Pension Plan (the "Plan"), which is a multi-employer jointly-sponsored defined benefit plan for eligible employees of public colleges and related employers in Ontario. The College makes contributions to the Plan equal to those of the employees. Contribution rates are set by the Plan's governor's to ensure the long-term viability of the Plan.

Any pension surplus or deficit is a joint responsibility of the members and employers and may affect future contribution rates. The College does not recognize any share of the Plan's pension surplus or deficit as insufficient information is available to identify the College's share of the underlying pension assets and liabilities. The Plan’s funding reserve increased to $773 million from $525 million in 2014, reflecting in the Plan’s 11.5% net return for 2014. The College made contributions to the Plan and its associated retirement compensation arrangement of $3,828,855 (2014 - $3,745,656), which has been included in the consolidated statement of operations.

Post-Employment Benefits

The College extends post-employment life insurance, health and dental benefits to certain employee groups subsequent to their retirement. The College recognizes these benefits as they are earned during the employees' tenure of service. The related benefit liability was determined by an actuarial valuation study commissioned by the College Employer Council.

The major actuarial assumptions employed for the valuations are as follows:

(a) Discount Rate

The present value as at March 31, 2015 of the future benefits was determined using a discount rate of 1.6% (2014 - 2.70%).

(b) Drug Costs

Drug costs were assumed to increase at a 9.0% rate for 2015 (2014 - 9.0%) and decreasing proportionately thereafter to an ultimate rate of 4.0% in 2034 for fiscal 2015 (2014 - 4.0%).

(c) Hospital and Other Medical

Hospital and other medical costs were assumed to increase at 4% per annum (2014 - .04%).

Medical premium increases were assumed to increase at 7.5% per annum in 2015 (2014 - 8.0%) and decrease proportionately thereafter to an ultimate rate of 4.0% in 2034.

(d) Dental Costs

Dental costs were assumed to increase at 4.0% per annum in 2015 (2014 - 4.0%).

17. ACCRUED FUTURE EMPLOYEE BENEFITS AND COMPENSATED ABSENCES LIABILITY (Cont'd)

Compensated Absences

Vesting Sick Leave

The College has provided for vesting sick leave benefits during the year. Eligible employees, after 10 years of service, are entitled to receive 50% of their accumulated sick leave credit on termination or retirement to a maximum of 6 months' salary. The program to accumulate sick leave credits ceased for employees hired after March 31, 1991. The related benefit liability was determined by an actuarial valuation study commissioned by the College Employer Council.

Non-Vesting Sick Leave

The College allocates to certain employee groups a specified number of days each year for use as paid absences in the event of illness or injury. These days do not vest and are available immediately. Employees are permitted to accumulate their unused allocation each year, up to the allowable maximum provided in their employment agreements. Accumulated days may be used in future years to the extent that the employees' illness or injury exceeds the current year's allocation of days. Sick days are paid out at the salary in effect at the time of usage. The related benefit liability was determined by an actuarial valuation study commissioned by the College Employer Council.

The assumptions used in the valuation of vesting and non-vesting sick leave are the College's best estimates of expected rates of:

Wage and Salary Escalation

1.5% in 2015, 1.8% in 2016 and 1.5% thereafter for academic full time and partial load staff
1.0% in 2015, 0.5% in 2016 and 2017 and 1.5% thereafter for full time support staff

The probability that the employee will use more sick days than the annual accrual and the excess number of sick days used are within ranges of 0% to 24.0% and 0 to 40.6 days respectively for age groups ranging from 20 and under to 65 and over in bands of 5 years.

18. ONTARIO STUDENT OPPORTUNITY TRUST FUND

(a) Year-End Report for Phase One of the Ontario Student Opportunity Trust Fund of Loyalist College of Applied Arts and Technology

At the direction of the Ministry of Training, Colleges and Universities, separate disclosure of the Ontario Student Opportunity Trust Fund of Loyalist College of Applied Arts and Technology which is included as part of the Foundation is required. As at March 31, 2015, the activity within the fund is summarized as follows:

(i) Schedule of Changes in Endowment Fund Balance for the Year Ended March 31, 2015 are as Follows:

	2015	2014
	$	$
Fund balance - Beginning of year	**1,728,050**	1,712,951
Preservation of capital	**12,556**	15,099
Fund balance – End of year	**1,740,606**	1,728,050

(ii) Details of Changes in Expendable Funds Available for Awards for the Year Ended March 31, 2015 are as Follows:

	2015	2014
	$	$
Fund balance - Beginning of year	**54,781**	37,060
Realized investment income net of direct investment related expenses and preservation of capital contributions	**42,337**	50,776
Bursaries awarded - 98 (2014 - 79)	**(48,696)**	(33,055)
Fund balance – End of year	**48,422**	54,781
ENDOWMENT TOTAL BASED ON BOOK VALUE	**1,789,028**	1,782,831

The market value of the endowment as at March 31, 2015 was $1,918,569 (2014 - $1,857,910 restated).

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18. ONTARIO STUDENT OPPORTUNITY TRUST FUND (Cont'd)

(b) Year-End Report for the Phase Two of the Ontario Student Opportunity Trust Fund of Loyalist College of Applied Arts and Technology

(i) Schedule of Changes in Endowment Fund Balance for the Year Ended March 31, 2015:

	2015	2014
	$	$
Fund balance - Beginning of year	**756,979**	750,406
Preservation of capital	**5,527**	6,573
Fund balance – End of year	**762,506**	756,979

(ii) Schedule of Changes in Expendable Funds Available for Awards for the Year Ended March 31, 2015:

	2015	2014
	$	$
Fund balance - Beginning of year	**21,922**	10,653
Realized investment income net of direct investment related expenses and preservation of capital contributions	**18,634**	22,105
Bursaries awarded - 30 (2014 - 32)	**(13,046)**	(10,836)
Fund balance – End of year	**27,510**	21,922
ENDOWMENT TOTAL BASED ON BOOK VALUE	**790,016**	778,901

The market value of the endowment as at March 31, 2015 was $847,220 (2014 - $811,702 restated).

LOYALIST COLLEGE OF APPLIED ARTS & TECHNOLOGY
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19. ONTARIO TRUST FOR STUDENT SUPPORT

(i) Schedule of Changes in Endowment Fund Balance for the Year Ended March 31, 2015:

	2015 $	2014 $
Balance – Beginning of year	**4,272,254**	4,235,032
Preservation of capital	**31,127**	37,222
Fund balance – End of year	**4,303,381**	4,272,254

(ii) Schedule of Changes in Expendable Funds Available for Awards for the Year Ended March 31, 2015:

	2015 $	2014 $
Balance – Beginning of year	**137,647**	75,750
Realized investment income, net of direct investment – related expenses and preservation of capital contributions	**104,903**	125,168
Bursaries awarded - 177 (2014 - 130)	**(104,331)**	(63,271)
Fund balance – End of year	**138,219**	137,647
ENDOWMENT TOTAL BASED ON BOOK VALUE	**4,441,600**	4,409,901

The market value of the endowment as at March 31, 2015 was 4,763,211 (2014 - $4,595,611 restated).

LOYALIST COLLEGE OF APPLIED ARTS & TECHNOLOGY
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19. ONTARIO TRUST FOR STUDENT SUPPORT (Cont'd)

Status of	OSAP Recipients		Non-OSAP Recipients		Total	
Recipients	Number	Amount	Number	Amount	Number	Amount
Full-Time	90	57,235	87	47,096	177	104,331
Part-Time	Not applicable	Not applicable	0	0	0	0
Total	90	57,235	87	47,096	177	104,331

(i) Please see OTSS Directive May 31, 2009 for Ministry's position on spending of endowment principal.

(ii) In order to prevent erosion of capital due to inflation, the College has a preservation of capital policy that provides for a portion of the investment income to be added to the endowment capital. In this case, only the portion of investment income available for spending is reported under "investment income" in the schedule of changes in expendable funds available for awards.

20. FOUNDATION AWARD FOR STUDENT SUPPORT

(i) Schedule of changes in endowment fund for the year ended March 31, 2015:

	$
Balance beginning of year	**332,055**
Cash donations received	**209,778**
Preservation of capital	**3,304**
Balance end of year	**545,137**

(ii) Schedule of changes in expandable funds for the year ended March 31, 2015:

	$
Balance beginning of year	**7,954**
Realized investment income	**11,141**
Bursaries awarded - 13 (2014 - 11)	**(9,638)**
Balance end of year	**9,457**
ENDOWMENT TOTAL BASED ON BOOK VALUE	**554,594**

The market value of the endowment as at March 31, 2015 was $594,751 (2014 - $354,327 restated).

LOYALIST COLLEGE OF APPLIED ARTS & TECHNOLOGY
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21. FINANCIAL INSTRUMENT RISK MANAGEMENT

Fair Value

Financial instruments consist of cash, grants receivable, accounts receivable, portfolio investments, accounts payable and accrued liabilities, vacation entitlement, grants refundable and long-term debt. The carrying amounts approximate their fair market value due to the immediate or short-term maturity of these financial instruments except for long-term investments (Note 8) and term loans payable (Note 9).

Credit Risk

Credit risk is the risk of financial loss to the College if a debtor fails to make payments when due. The College is exposed to this risk relating to its cash, receivables and its debt holdings in its investment portfolio.

The College holds its cash accounts with federally regulated chartered banks who are insured by the Canadian Deposit Insurance Corporation. In the event of default, the College's cash accounts are insured up to $124,000 (2014 - $109,000).

Accounts receivable are short term in nature and are net of management's estimate of allowances for doubtful accounts. It is in management's opinion that they are not subject to material credit risk.

Accounts receivable are primarily due from students. Credit risk is mitigated by financial approval processes before a student is enrolled and the highly diversified nature of the student population.

The College measures its exposure to credit risk based on how long the amounts have been outstanding. An impairment allowance is set up based on the College's historical experience regarding collections. The amounts outstanding at year end were as follows:

		Past Due				
	Current $	> 90 Days $	> 1 Year $	Total $	Allowances $	Net Receivables $
Accounts receivable	1,087,158	181,070	183,393	1,451,621	(350,000)	1,101,621
Grants receivable	1,838,406			1,838,406		1,838,406
Pledges receivable	386,428			386,428		386,428
	3,311,992	181,070	183,393	3,676,455	(350,000)	3,326,455

Amounts past due but not allowed for are deemed by management to be collectible based on historical experience regarding collections.

The College's investment policy and the Ministry's Banking, Investing and Borrowing 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 an A rating or better under the College's investment policy. All fixed income portfolios are measured for performance on a not less than semi-annual basis and monitored by management on a monthly basis.

21. FINANCIAL INSTRUMENT RISK MANAGEMENT (Cont'd)

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 Governors. Diversification techniques are utilized to minimize risk.

Currency Risk

Currency risk relates to the College 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 College records its operations in Canadian dollars. The College is exposed to currency fluctuations on some of its securities held in U.S. and international equity securities with a carrying value of $768,831 (CAD) and $464,850 (CAD), respectively, as they are denominated in U.S. dollars, and other foreign currencies. These potential currency fluctuations could have a significant impact on the market value of these securities.

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 College is exposed to risk through its interest-bearing investments (fixed-income securities and fixed-income pooled funds).

The College maintains two investment portfolios; one containing fixed-income securities complying with the MTCU BIB policy and a long-term portfolio containing a number of equity securities. For bonds that the College did not sell during the year, the change in fair value is recognized in the consolidated statement of remeasurement gains and losses.

The College maintains policies, procedures and methods used to measure the risk.

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 the MTCU mandated portfolio, with a carrying value of $4,468,305 would be approximately a 5.5% change. The College 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.

21. FINANCIAL INSTRUMENT RISK MANAGEMENT (Cont'd)

Equity Risk

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

The College does not have any equity exposure in its MTCU Mandated portfolio and therefore the portfolio is not exposed to significant equity risk. The College's equity portfolio with a carrying value of $2,480,263, includes U.S., International and Canadian stocks with fair values that move with their respective 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 College's equity portfolio of approximately 0.84%.

For pooled equity funds that the College 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 pooled equity funds that the College 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.

An investment policy is in place and its application is monitored by the Finance & Investment Committee of the Board of Directors of the Loyalist College Foundation. Diversification techniques are utilized to minimize risk. The policy limits the investment in Canadian equities, US equities and International equities to a maximum of 60%, 30% and 30% respectively and a minimum of 26%, 12% and 12%, respectively.

Liquidity Risk

Liquidity risk is the risk that the College will not be able to meet all cash outflow obligations as they come due. The College mitigates this risk by monitoring cash activities and expected outflows, maintaining liquidity in their investment portfolios, and budgeting expenditures 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.