Financial Statements of

THE ST. LAWRENCE COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Year ended March 31, 2008

THE ST. LAWRENCE COLLEGE OF APPLIED ARTS AND TECHNOLOGY

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Year ended March 31, 2008

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AUDITORS' REPORT

To the Board of Governors of
The St. Lawrence College of Applied Arts and Technology

We have audited the statement of financial position of The St. Lawrence College of Applied Arts and Technology as at March 31, 2008 and the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the College's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the College as at March 31, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of the College taken as a whole. The supplementary information included in Schedules 1 through 3 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Bennett Lewis McMahon Stillar

Chartered Accountants, Licensed Public Accountants

Brockville, Canada
May 27, 2008

THE ST. LAWRENCE COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Statement of Financial Position

Statement 1

Year ended March 31, 2008, with comparative figures for 2007

	2008	2007 (Restated – note 2)
Assets		
Current assets:		
Cash	$ 8,029,695	$ 1,982,088
Grants and accounts receivable	4,417,403	3,555,598
Inventory	78,896	46,623
Prepaid expenses	311,488	456,882
	12,837,482	6,041,191
Investments (note 4)	4,659,889	3,679,315
Advances to First Nations Technical Institute (note 5)	765,533	775,632
Capital assets (note 6)	81,502,144	81,612,741
	$ 99,765,048	$ 92,108,879
Liabilities, Deferred Contributions and Net Assets (Deficiency)		
Current liabilities:		
Demand bank loan (note 5)	$ 765,533	$ 775,632
Accounts payable and accrued liabilities	9,653,397	7,255,960
Current portion of long-term debt (note 9)	1,219,834	2,292,352
	11,638,764	10,323,944
Trust funds for student enhancement fees (note 7)	319,237	348,773
Employment-related obligations (note 8)	918,196	981,940
Long-term debt (note 9)	28,431,602	29,645,618
Interest rate swaps (note 9(f))	3,187,271	–
Deferred contributions (note 10):		
Student tuition fees	402,806	414,862
Externally restricted donations	826,697	789,816
Expenses of future periods	4,226,289	2,868,351
Capital assets	48,183,077	44,404,987
	53,638,869	48,478,016
Net assets (deficiency):		
Interest rate swaps (note 9(f))	(3,187,271)	–
Invested in capital assets (note 11)	9,017,802	8,978,849
Restricted for endowments (note 12)	4,705,322	3,813,525
Internally restricted (note 13)	2,124,081	1,753,533
Unrestricted deficiency (note 14)	(11,028,825)	(12,215,319)
	1,631,109	2,330,588
Commitments (note 15)		
Contingent liabilities (note 16)		
	$ 99,765,048	$ 92,108,879

See accompanying notes to financial statements.

Approved by the Board of Governors:

Vice Chair

President

THE ST. LAWRENCE COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Statement of Operations

Statement 2

Year ended March 31, 2008, with comparative figures for 2007

	2008	2007 (Restated – note 2)
Revenue:		
Grants and reimbursements (schedule 1)	$ 45,284,744	$ 42,868,383
Tuition fees	19,317,879	17,271,376
Ancillary (schedule 1)	5,956,719	5,498,928
Other	2,102,967	2,149,744
Amortization of deferred contributions related to capital assets (note 10(d))	2,666,607	2,682,297
Donations	240,922	224,325
Interest	455,898	144,224
Total revenue	76,025,736	70,839,277
Expenses:		
Salaries, wages and benefits (schedule 2)	45,633,071	42,850,854
Non-payroll (schedule 3)	23,236,298	23,083,921
Amortization of capital assets	5,624,116	5,624,194
Reduction of employment-related obligations	(63,744)	(129,541)
Total expenses	74,429,741	71,429,428
Excess of revenue over expenses (expenses over revenue)	$ 1,595,995	$ (590,151)

See accompanying notes to financial statements.

THE ST. LAWRENCE COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Statement of Changes in Net Assets

Statement 3

Year ended March 31, 2008, with comparative figures for 2007

	Interest rate swaps	Invested in capital assets	Restricted for endowments	Internally restricted	Unrestricted deficiency	2008 Total	2007 Total
							(Restated - note 2)
Balance, beginning of year:							
As previously reported	$ –	$ 8,978,849	$ 3,813,525	$ 1,753,533	$ (11,800,457)	$ 2,745,450	$ 2,526,618
Correction of prior years' deferred student tuition fees (note 2)	–	–	–	–	(414,862)	(414,862)	(330,783)
	–	8,978,849	3,813,525	1,753,533	(12,215,319)	2,330,588	2,195,835
Accounting changes – financial instruments (note 3)	(2,463,410)	–	(2,923)	–	–	(2,466,333)	–
As restated	(2,463,410)	8,978,849	3,810,602	1,753,533	(12,215,319)	(135,745)	2,195,835
Excess of revenue over expenses (expenses over revenue) (note 11)	–	(2,957,509)	–	–	4,553,504	1,595,995	(590,151)
Net change in investment in capital assets (note 11)	–	2,996,462	–	–	(2,996,462)	–	–
Transfer between funds (note 13)	–	–	–	370,548	(370,548)	–	–
Endowment contributions	–	–	977,773	–	–	977,773	724,904
Change in fair value of interest rate swaps	(723,861)	–	–	–	–	(723,861)	–
Unrealized losses on available for sale investments arising during the year	–	–	(83,053)	–	–	(83,053)	–
Balance, end of year	$ (3,187,271)	$ 9,017,802	$ 4,705,322	$ 2,124,081	$ (11,028,825)	$ 1,631,109	$ 2,330,588

See accompanying notes to financial statements.

THE ST. LAWRENCE COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Statement of Cash Flows

Statement 4

Year ended March 31, 2008, with comparative figures for 2007

	2008	2007
		(Restated – note 2)
Cash provided by (used for):		
Operations:		
Excess of revenue over expenses (expenses over revenue)	$ 1,595,995	$ (590,151)
Items not involving cash:		
Amortization of deferred contributions related to capital assets	(2,666,607)	(2,682,297)
Amortization of capital assets	5,624,116	5,624,194
Reduction of employment-related obligations	(63,744)	(129,541)
	4,489,760	2,222,205
Changes in non-cash operating working capital:		
Decrease (increase) in grants and accounts receivable	(861,805)	885,154
Decrease (increase) in inventory	(32,273)	23,441
Decrease in prepaid expenses	145,394	59,464
Increase (decrease) in accounts payable and accrued liabilities	2,397,437	(1,044,963)
Net increase (decrease) in deferred contributions related to:		
Student tuition fees	(12,056)	84,079
Externally restricted donations	36,881	(21,293)
Expenses of future periods	1,357,938	117,195
	7,521,276	2,325,282
Financing:		
Increase (decrease) in demand bank loan	(10,099)	63,147
Decrease in trust funds for student enhancement fees	(29,536)	(155,883)
Principal payments on long-term debt	(2,286,534)	(2,283,492)
Contributions, enhancement fees and donations used for additions to capital assets	4,803,591	2,566,039
Increase in unspent capital contributions	1,641,106	3,248,686
Increase in net assets restricted for endowments	891,797	724,904
	5,010,325	4,163,401
Investments:		
Increase in investments	(980,574)	(1,372,742)
Decrease (increase) in advances to First Nations Technical Institute	10,099	(63,147)
Additions to capital assets	(5,513,519)	(3,053,230)
	(6,483,994)	(4,489,119)
Increase in cash and cash equivalents	6,047,607	1,999,564
Cash and cash equivalents, beginning of year	1,982,088	(17,476)
Cash and cash equivalents, end of year	$ 8,029,695	$ 1,982,088

See accompanying notes to financial statements.

The St. Lawrence College of Applied Arts and Technology was established as a community college in 1967 and operates under the authority of the Province of Ontario. The College offers full-time, post-secondary programs and part-time courses and certificate programs at campuses located in Kingston, Brockville and Cornwall. The College is a registered charity and is exempt from income taxes, provided certain requirements of the Income Tax Act are met.

The St. Lawrence College Foundation is incorporated without share capital under the Ontario Corporations Act. The results and operations of the Foundation are included in the College's financial statements. The objectives of the Foundation are to solicit, receive, manage and distribute money and other funds to support the educational services provided by the College and its affiliated institutions.

1. Significant accounting policies:

(a) Revenue recognition:

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

The College is funded primarily by the Province of Ontario in accordance with funding arrangements established by the Ministry of Training, Colleges and Universities. Grants are recorded as revenue in the period to which they relate. Grants approved but not received by the end of the fiscal year are accrued. Where a portion of a grant relates to a future year, it is deferred and recognized in that subsequent year.

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.

Tuition fees are recorded as revenue when the academic terms have commenced within the fiscal year. Revenue from contract educational services, federal training and ancillary operations is recognized when the services are provided.

Externally restricted contributions other than endowment contributions are deferred and recognized as revenue in the year in which the related expenditures 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 in the year in which the contributions are received.

Donations of assets are recorded at fair value when a fair value can be reasonably estimated. Pledges receivable are not recorded as an asset in the accompanying financial statements.

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. Unrealized gains and losses on available for sale financial assets are included directly in net assets.

1. Significant accounting policies (continued):

(b) Inventory:

Inventory is valued at the lower of cost and net realizable value. Cost is determined on a first-in, first-out basis.

(c) Investments:

Investments are designated as available for sale and are recorded at fair value. Fair values are determined by reference to published price quotations in an active market at the year end. Sales and purchases of investments are recorded on the settlement date. Transaction costs related to the acquisition and disposal of investments are capitalized and are included in the acquisition costs or reduce proceeds on disposal.

(d) Capital assets:

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair market value at the date of contribution. Amortization is provided on a straight-line basis over the estimated useful lives as follows:

Buildings	10 and 40 years
Site improvements	10 years
Equipment	3 to 10 years

(e) Employee benefits obligations:

Employee benefits obligations, which include vacation pay, are accrued as employees render the services necessary to earn the benefits. The current service cost and accrued liability for non-pension post-retirement and post-employment benefits are actuarially determined (note 8).

(f) Interest rate swaps:

The College is party to interest rate swap agreements used to manage the exposure to market risks from changing interest rates. The College's policy is not to utilize derivative financial instruments for trading or speculative purposes. The fair value of interest rate swaps is determined as the cost, at current market rates, of replacing the swaps in the event of default.

The College formally documents all relationships between hedging instruments and hedged items, as well as its risk management objectives and strategies for undertaking various hedge transactions. This process includes linking the interest rate swaps to specific long-term debt on the statement of financial position. The College also formally assesses, both at the hedge's inception and on an on-going basis, whether the interest rate swaps that are used in hedging transactions are effective in offsetting changes in cash flows of the hedged items.

For the interest rate swap agreements, the difference between the swap interest rate and the actual interest rate on the long-term debt is recognized as an adjustment to interest expense on long-term debt.

1. Significant accounting policies (continued):

(g) Student organizations:

These financial statements do not reflect the assets, liabilities and results of operations of the various student organizations at the College.

(h) Use of 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. These estimates are reviewed annually and as adjustments become necessary, they are recorded in the financial statements in the reporting period they become known.

2. Correction of prior years' deferred student tuition fees:

During the year College management determined that tuition fees revenue recognized in prior years incorrectly included tuition fees for academic semesters commencing subsequent to the year end. The College's revenue recognition policy states that tuition fees are recognized as revenue when the academic terms have commenced within the fiscal year.

The correction of this error resulted in the following changes to the 2007 comparative figures:

(a) in the Statement of Financial Position deferred contributions for student tuition fees and the unrestricted deficiency increased by $414,862;

(b) in the Statement of Operations tuition fees revenue decreased and the excess of expenses over revenue increased by $84,079; and

(c) in the Statement of Changes in Net Assets the net assets at the beginning of 2007 decreased by $330,783.

3. Accounting changes – financial instruments:

In 2005 the Canadian Institute of Chartered Accountants issued new Handbook standards on financial instruments. Section 3855 *Financial Instruments – Recognition and Measurement* addresses when financial instruments should be recognized and how they should be measured. Section 3861 *Financial Instruments – Disclosure and Presentation* provides standards for how financial instruments should be classified in financial statements and the disclosure requirements.

The College adopted both of the standards for the fiscal year ended March 31, 2008. The adoption of the standards required College management to identify all of its financial assets and financial liabilities at the beginning of the 2008 fiscal year and to classify them in accordance with Section 3855. The College revalued financial assets and liabilities, as appropriate, and any adjustments to previous carrying amounts were recognized as adjustments to net assets at the beginning of the 2008 fiscal year. In accordance with the transitional provisions of these standards, the College has not restated the 2007 comparative figures.

3. Accounting changes – financial instruments (continued):

(a) Investments:

The College has designated its investments as being available for sale and, as a result, investments are recorded at fair value and realized and unrealized gains and losses on investments are recognized in the financial statements for the 2008 fiscal year. Prior to the 2008 fiscal year, investments were recorded at cost and realized gains and losses were recognized in the year of disposal of investments.

As a result of adopting these standards, the opening balance of the net assets restricted for endowments was decreased by $2,923 to reflect the prior year's net depreciation of the fair value of investments.

(b) Interest rate swaps:

The fair value of the College's interest rate swaps has been recorded as a liability and changes in the value of the interest rate swaps are recognized in the financial statements for the 2008 fiscal year. Prior to the 2008 fiscal year, interest rate swaps were not recognized in the College's financial statements.

The adoption of these standards resulted in the opening balance of the College's net assets being reduced by $2,463,410 to reflect the net unfavourable position of the interest rate swaps at the beginning of the 2008 fiscal year.

4. Investments:

	2008	2007
	Fair value	Cost
Cash and money market mutual funds	$ 424,207	$ 2,914,315
Guaranteed investment certificates	933,050	–
Accrued interest and dividends receivable	25,937	–
Fixed income investments:		
Canadian government	510,064	765,000
Provincial governments	1,555,945	–
Equities:		
Canadian	650,397	–
Foreign	541,587	–
Income trust investments	18,702	–
	$ 4,659,889	$ 3,679,315

The guaranteed investment certificates matured in April, 2008 and earned interest at 3.3% and 3.4%.

The fixed income investments have effective interest rates ranging from 2.6% to 4.26% with maturity dates ranging from September, 2008 to December, 2017.

4. Investments (continued):

Effective April 1, 2007 the College approved an investment policy statement that allows for investing in guaranteed and fixed income investments as well as equity securities. The investment parameters established in the investment policy statement stipulate that:

(a) endowment funds attributable to the matching contributions of the Ontario Government will be invested only in guaranteed vehicles as described in the Ministry of Training, Colleges and Universities Policy on Banking and Investments; and

(b) all other endowment funds can be invested in guaranteed investment certificates, fixed income investments and equity securities within the parameters of *The Trustee Act, R.S.O 1990.*

Interest rate price risk

The College manages the interest rate price risk exposure of its fixed income investments by using a laddered portfolio with varying terms to maturity. The laddered structure of maturities helps to enhance the average portfolio yield while reducing the sensitivity of the portfolio to the impact of interest rate fluctuations. Investments in equity securities are not exposed to significant interest rate price risk.

Currency risk

The College mitigates the currency risk exposure of its foreign equity securities through diversification of its investments into highly liquid securities of companies in various countries.

Credit and market risk

The risk and volatility of the College's investment returns are mitigated through diversification of investments in various business sectors and countries.

5. Advances to First Nations Technical Institute and demand bank loan:

	2008	2007
Balance, beginning of year	$ 775,632	$ 712,485
Advances during the year	267,147	340,608
Repayment of advances from operating grants	(277,246)	(277,461)
Balance, end of year	$ 765,533	$ 775,632

The College has entered into a partnership agreement with the First Nations Technical Institute (F.N.T.I.) pertaining to educational and training services and activities that will benefit aboriginal students.

The financial terms of the partnership agreement state that the Ministry of Training, Colleges and Universities operating grants and the tuition fees generated from accredited programs delivered pursuant to the agreement will be shared in the ratio of 90% to the F.N.T.I. and 10% to the College.

5. Advances to First Nations Technical Institute and demand bank loan (continued):

The partnership agreement stipulates that the College will annually advance funds to the F.N.T.I. for the 90% share of the Ministry operating grants that will be distributed in future years pursuant to the Ministry's funding formula. The partnership agreement states that the advances will be repaid to the College in the year of receipt of the operating grants.

The College is financing the advances to the F.N.T.I. with a demand bank loan, the interest on which is being paid by the F.N.T.I. Currently there are no principal repayment terms for this demand bank loan and it is the College's intent to repay the demand bank loan as the operating grants relating to the advances are received.

6. Capital assets:

			2008	2007
	Cost	Accumulated amortization	Net book value	Net book value
Land	$ 745,393	$ –	$ 745,393	$ 745,393
Buildings	106,256,572	34,232,774	72,023,798	74,223,457
Construction in progress	3,636,742	–	3,636,742	75,071
Site improvements	2,394,560	1,827,261	567,299	591,118
Equipment	44,108,414	39,579,502	4,528,912	5,977,702
	$ 157,141,681	$ 75,639,537	$ 81,502,144	$ 81,612,741

Cost and accumulated amortization at March 31, 2007 amounted to $151,707,806 and $70,095,065 respectively.

7. Trust funds for student enhancement fees:

The College holds student enhancement fees in trust for the student associations. Representatives of the student associations determine the disbursement of the funds.

	2008	2007
Balance, beginning of year	$ 348,773	$ 504,656
Student enhancement fees	262,319	243,858
	611,092	748,514
Portion of student enhancement fees utilized for additions to capital assets (note 10(d))	(52,253)	(124,173)
Enhancement fees paid to student associations	(154,380)	(174,688)
Enhancement fees utilized for student approved activities and recognized as revenue	(85,222)	(100,880)
	(291,855)	(399,741)
Balance, end of year	$ 319,237	$ 348,773

8. Employment–related obligations:

	2008	2007
Post-retirement and post-employment benefits	$ 810,000	$ 807,000
Other non-pension benefits	108,196	174,940
	$ 918,196	$ 981,940

Extended health care, vision and hearing care, dental and life insurance benefits are available to early retirees (ages 50 to 65) for which the premiums are paid by the early retirees.

Effective September 1, 2005 the premiums paid by early retirees for their benefits are no longer subsidized by the College as a result of the separation of the early retirees' benefits premium rates from the active employees' benefits premium rates. Two exceptions to this change were as follows:

(a) early retirees who had retired on or before August 31, 2005 will continue to be experience rated with active employees and will pay subsidized premium rates for all benefits until age 65; and

(b) academic early and normal retirees will continue to pay the same premium rate as active employees for basic life insurance benefits until age 75.

In addition to the above, the amount of basic life insurance coverage provided through the retirees' group plan is limited to a maximum of $10,000 for employees retiring after August 31, 2005.

Information on the post-retirement and post-employment liability arising from the continuing subsidization benefit is as follows:

	2008	2007
Accrued benefits obligation	$ 1,058,000	$ 756,000
Fair value of plan assets	111,000	113,000
Funded status - plan deficit	947,000	643,000
Unamortized net actuarial gain (loss)	(137,000)	164,000
Post-retirement and post-employment benefits liability	$ 810,000	$ 807,000

The significant actuarial assumptions used in measuring the College's post-retirement and post-employment benefits liability are as follows:

Discount rate	4.85% per annum (2007 – 4.85%)
Dental cost increases	4% per annum
Medical cost increases	Drugs – 9% per annum in 2004 decreasing to 5% by 2010
	Hospital and other medical – 5% per annum
	Vision and hearing care – 0% per annum

9. Long-term debt:

(a) Long-term debt is comprised of the following:

	2008	2007
Capital lease obligations (note 9(b))	$ 9,521	$ 1,125,260
Bankers acceptance loans (note 9(c)):		
5.997%, repayable approximately $133,000 quarterly including interest, maturing September 10, 2021	5,047,135	5,275,300
6.01%, repayable approximately $28,000 monthly including interest, maturing July 4, 2028	3,991,376	4,088,808
6.02%, repayable approximately $21,000 monthly including interest, maturing August 1, 2028	3,000,182	3,072,808
6.06%, repayable approximately $13,000 monthly including interest, maturing September 1, 2028	1,822,992	1,866,589
Fixed rate term loans (note 9(d)):		
4.83%, repayable $13,448 monthly including interest, maturing October 31, 2011	527,401	670,460
5.12%, repayable $9,466 monthly including interest, maturing February 1, 2030	1,494,472	1,530,534
5.29%, repayable $15,522 monthly including interest, maturing November 1, 2030	2,456,671	2,511,391
5.35%, repayable $67,895 monthly including interest, maturing March 1, 2031	10,767,607	10,999,509
Variable rate bank loan facility repayable $23,237 monthly including interest at Bank of Montreal prime rate less 0.75% which will result in full repayment by approximately March, 2010 (note 9(e))	534,079	797,311
	29,651,436	31,937,970
Current portion	(1,219,834)	(2,292,352)
	$ 28,431,602	$ 29,645,618

(b) The capital lease obligations totalling $9,521 plus interest at 4.8% will be paid in the 2009 fiscal year. Interest of $27,473 (2007 - $94,395) relating to capital lease obligations has been recorded as an expense in the statement of operations.

9. Long-term debt (continued):

(c) The 5.997% and 6.01% bankers acceptance loans were used to finance the construction of the student residence on the Kingston campus. The 6.02% and 6.06% bankers acceptance loans were used to finance the construction of a fitness facility and the expansion of the cafeteria, respectively, on the Kingston campus. These loans are hedged through interest rate swaps to the fixed interest rates noted above. The College also incurs a bank stamping fee of 0.30% to 0.32% on the outstanding principal balance of each loan which is paid quarterly for the 5.997% loan and monthly for the remaining loans. No specific security has been pledged for these loans.

Based on a detailed analysis and feasibility study it is expected that operational costs of the student residence, including the principal and interest payments on the related bankers acceptance loans, will be financed from operational revenue generated by the residence as required by the Ministry of Training, Colleges and Universities. If an operating deficit is incurred, it will be financed by the excess of revenue over expenses from other ancillary operations.

It is expected that the management fees, utilities and other costs of the fitness facility, including the principal and interest payments on the related bankers acceptance loan, will be financed from student fees.

Principal due on the bankers acceptance loans in each of the next five years is as follows:

2009	$ 470,104
2010	500,200
2011	532,224
2012	566,301
2013	602,562

Loan interest and stamping fees totalling $843,275 (2007 - $906,437) have been recorded as an expense in the statement of operations.

(d) The 4.83% fixed rate term loan provided financing of $1,000,000 for the installation of an electrical substation on the Kingston campus. The 5.12% fixed rate term loan was used to finance the construction of the Cornwall student residence, the 5.29% loan was used to finance the construction of the Brockville student residence and the 5.35% loan was used to finance the construction of an addition to the Kingston student residence. The College incurs a monthly bank stamping fee of .25% on the outstanding principal balance of the student residence loans which have been hedged through interest rate swaps to the fixed interest rates noted above. No specific security has been pledged for these loans.

Based on a detailed analysis and feasibility study it is expected that operational costs of the student residences, including the principal and interest payments on the related loans, will be financed from operational revenue generated by the residences as required by the Ministry of Training, Colleges and Universities. If an operating deficit is incurred, it will be financed by the excess of revenue over expenses from other ancillary operations.

9. Long-term debt (continued):

(d) Principal due on the fixed rate term loans in each of the next five years is as follows:

2009	$ 479,209
2010	504,600
2011	531,337
2012	488,543
2013	420,605

Loan interest and stamping fees totalling $856,635 (2007 - $880,258) have been recorded as an expense in the statement of operations.

(e) The variable rate bank loan facility provided financing for the costs of the Peoplesoft computer software acquisition and implementation. The College has pledged not to encumber assets to another creditor without the Bank of Montreal's prior written consent.

Principal due on this bank loan facility in each of the next two years is approximately as follows:

2009	$ 261,000
2010	273,000

Loan interest totalling $35,294 (2007 - $46,916) has been recorded as an expense in the statement of operations.

(f) Interest rate swaps:

The College has entered into interest rate swap agreements to manage the volatility of interest rates on long-term debt. The fixed rates received under the interest rate swaps are disclosed in notes 9(c) and (d). The maturity dates of the interest rate swaps are the same as the maturity dates of the associated long-term debt, ranging from 2021 to 2031.

These interest rate swaps qualify, and have been designated by the College, as cash flow hedging items against the floating rate long-term debt. The College has assessed the hedging relationship as effective. The fair value of the interest rate swaps of $3,187,271 is recorded on the statement of financial position. Because the hedging relationship is effective, the change in fair value of the interest rate swaps is recorded in the statement of changes in net assets, with no impact on the College's excess of revenue over expenses.

10. Deferred contributions:

(a) Student tuition fees:

Deferred contributions related to student tuition fees represent fees pertaining to academic semesters commencing subsequent to the year end.

(b) Externally restricted donations:

Deferred contributions related to externally restricted donations represent unspent donations that have been restricted by the donors for additions to capital assets and for student bursaries and other financial assistance.

	2008	2007
Donations	$ 806,936	$ 948,433
Restricted investment income	27,190	19,728
	834,126	968,161
Amount recognized as revenue in the year	(179,446)	(149,680)
	654,680	818,481
Donations utilized for additions to capital assets	(617,799)	(839,774)
Net increase (decrease)	36,881	(21,293)
Balance, beginning of year	789,816	811,109
Balance, end of year	$ 826,697	$ 789,816
Represented by:		
Foundation fund for bursaries and capital assets	$ 516,575	$ 467,719
Funds for bursaries	310,122	322,097
	$ 826,697	$ 789,816

(c) Expenses of future periods:

Deferred contributions related to expenses of future periods include unspent grants and reimbursements, the employment stability funds maintained pursuant to the collective union agreements and the unspent investment income earned on the Ontario Student Opportunity Trust Fund and the Ontario Trust for Student Support (see note 12).

	2008	2007
Balance, beginning of year	$ 2,868,351	$ 2,751,156
Amount recognized as revenue in the year	(2,533,790)	(2,217,061)
Amount received related to future years	3,817,440	2,257,522
Restricted investment income (note 12)	160,049	113,153
Investment income used to pay bursaries (note 12)	(85,761)	(36,419)
Balance, end of year	$ 4,226,289	$ 2,868,351

10. Deferred contributions (continued):

(d) Capital assets:

Deferred contributions related to capital assets represent the unamortized amount of contributions, enhancement fees and donations utilized for additions to capital assets. The amortization of capital contributions is recorded as revenue in the statement of operations.

	2008	2007
Balance, beginning of year	$ 40,705,122	$ 40,821,380
Amounts used for capital purposes:		
Contributions from Ministry of Training, Colleges and Universities	3,835,767	833,167
Donations	510,499	844,574
Other contributions	405,072	764,125
Enhancement fees (note 7)	52,253	124,173
Less amortization of deferred capital contributions	(2,666,607)	(2,682,297)
Balance, end of year	$ 42,842,106	$ 40,705,122

The balance of deferred contributions related to capital assets consists of the following:

	2008	2007
Unamortized capital contributions	$ 42,842,106	$ 40,705,122
Unspent capital contributions	5,340,971	3,699,865
	$ 48,183,077	$ 44,404,987

11. Invested in capital assets:

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

	2008	2007
Capital assets	$ 81,502,144	$ 81,612,741
Less amounts financed by:		
Capital lease obligations	(9,521)	(1,125,260)
Bankers acceptance loans	(13,852,485)	(14,294,305)
Fixed rate term bank loans	(15,246,151)	(15,711,894)
Variable rate bank loan	(534,079)	(797,311)
Deferred capital contributions	(42,842,106)	(40,705,122)
	$ 9,017,802	$ 8,978,849

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

	2008	2007
Excess of expenses over revenue:		
Amortization of deferred contributions related to capital assets	$ 2,666,607	$ 2,682,297
Amortization of capital assets	(5,624,116)	(5,624,194)
	$ (2,957,509)	$ (2,941,897)
Net change in investment in capital assets:		
Additions to capital assets	$ 5,513,519	$ 3,053,230
Amount funded by deferred capital contributions	(4,803,591)	(2,566,039)
Repayment of:		
Capital lease obligations	1,115,739	1,234,499
Bankers acceptance loans	441,820	415,241
Variable rate and fixed rate term bank loans	728,975	633,752
	$ 2,996,462	$ 2,770,683

12. Net assets restricted for endowments:

	2008	2007
Ontario Student Opportunity Trust Fund (OSOTF):		
Phase 1	$ 943,751	$ 943,751
Phase 2	1,103,095	1,103,095
Ontario Trust for Student Support (OTSS)	2,744,452	1,766,679
Unrealized losses on available for sale investments	(85,976)	–
	$ 4,705,322	$ 3,813,525

The OSOTF program was established by the Government of Ontario whereby all eligible donations made to the College's OSOTF were matched by the Government of Ontario on a dollar for dollar basis. The OTSS program was also established by the Government of Ontario whereby all eligible donations made to the College's OTSS are matched by the Government of Ontario on a dollar for dollar basis up to a prescribed limit. Once that limit is exceeded, there is a 3:1 matching basis by the Government of Ontario.

Investment income earned on the OSOTF and OTSS funds must be used to assist academically qualified individuals who for financial reasons would not otherwise be able to attend college. The expendable funds available for bursaries are included in the College's deferred contributions for expenses of future periods.

	2008	2007
Expendable funds available for bursaries, beginning of year	$ 166,494	$ 89,760
Realized investment income earned on endowment funds	160,049	113,153
Bursaries awarded	(85,761)	(36,419)
Expendable funds available for bursaries, end of year	$ 240,782	$ 166,494

13. Net assets internally restricted:

	Funds for Student Assistance	College Residences	Pay Parking	2008 Total	2007 Total
Balance, beginning of year	$ 9,911	$ 1,467,673	$ 275,949	$ 1,753,533	$ 1,624,416
Transfer from unrestricted net assets	–	170,535	200,013	370,548	129,117
Balance, end of year	$ 9,911	$ 1,638,208	$ 475,962	$ 2,124,081	$ 1,753,533

14. Unrestricted net assets deficiency:

	2008	2007
Unrestricted net assets deficiency:		
Operating	$ 6,487,444	$ 7,746,646
Vacation pay accrued liability	3,623,185	3,486,733
Employment-related obligations	918,196	981,940
	$ 11,028,825	$ 12,215,319

15. Commitments:

(a) The College rents equipment and premises under long-term operating leases expiring up to the 2013 fiscal year. Future minimum payments, by year and in aggregate, under these operating leases as at March 31, 2008 are as follows:

2009	$ 442,452
2010	140,866
2011	11,885
2012	7,185
2013	599
	$ 602,987

(b) The College has entered into a contract for the design, implementation and monitoring of energy efficiency improvements to all of its facilities. The total cost of the contract is approximately $6,570,000 which is being financed by grants from the Ministry of Training, Colleges and Universities. Costs incurred to March 31, 2008 have amounted to approximately $3,000,000.

(c) The College has entered into a contract for the management and oversight of various construction projects. The total cost of the contract is approximately $850,000 which is being financed by facilities renewal and campus renewal program grants from the Ministry of Training, Colleges and Universities totalling $800,000 and $50,000 from the Foundation fund included in deferred contributions (see note 10(b)).

(d) The College has entered into a contract for the development of a college master plan. The total cost of the contract is approximately $100,000 which is being financed by a facilities renewal program grant from the Ministry of Training, Colleges and Universities.

16. Contingent liabilities:

(a) The College has been named as a defendant in legal claims totalling approximately $434,000. The College has filed their statements of defense. College management has concluded that the outcome of these claims cannot be reasonably determined at this time and, consequently, no provision pertaining to these claims has been recorded in the financial statements. Losses in excess of the College's insurance coverage, if any, arising from settlement of these claims will be accounted for in the year in which they are determined.

(b) The College is involved with outstanding and pending litigation and claims which arise in the normal course of operations, primarily as a result of grievances filed under the provisions of the union collective agreements. In management's opinion any liability that may arise from such contingencies would not have a significant adverse effect on the financial statements of the College. Losses in excess of the provision recorded in the financial statements, if any, arising from these contingencies will be accounted for in the year in which they are determined.

17. Pension plan:

Substantially all of the full-time employees of the College are members of The Colleges of Applied Arts and Technology Pension Plan (the "plan"), which is a multi-employer defined benefit pension plan. The plan specifies the amount of the retirement benefit to be received by eligible employees based on the length of service and the average of annualized earnings during the highest five consecutive years prior to retirement, termination or death. Under this plan, the College makes contributions equal to the employees' contributions.

Variances between actuarial funding estimates and actual experience may be material and any unfunded liability would be financed equally by the contributing members. The last actuarial valuation of the plan that was filed with the Financial Services Commission of Ontario was as at January 1, 2007 which indicated a plan deficit on a going-concern basis and on a solvency basis. Contributions to the plan made during the year by the College on behalf of its full-time employees amounted to $2,380,059 (2007 - $2,095,987) and are included as an expense in the statement of operations.

18. Other financial instruments:

The College's financial instruments include cash, grants and accounts receivable and accounts payable and accrued liabilities. Due to their nature or capacity for prompt liquidation, the fair values of these financial instruments approximate their carrying values.

The carrying values of the capital lease obligations and the 4.83% fixed rate term loan included in long-term debt approximate their fair values since the interest rates for these debts are similar to rates currently available to the College. The carrying value of the variable rate bank loan facility approximates its fair value as the interest rate for this loan facility is prime less 0.75%.

The College has an authorized line of credit of $3,500,000 available for working capital financing which was unused as at March 31, 2008. Borrowings on this line of credit bear interest at Canadian Imperial Bank of Commerce prime rate less 0.25%.

It is management's opinion that the College is not exposed to significant interest, currency or credit risks arising from these financial instruments.

19. Fundraising campaigns:

The College conducted Expanding Opportunities fundraising campaigns in Kingston and Brockville to raise funds to finance capital asset acquisitions and program development for these two campuses. As at March 31, 2008 pledges receivable arising from these campaigns less amounts doubtful of collection amounted to $645,000 which will be reported in the College's financial statements when collected.

20. Other information:

As part of its overall deficit management plan, College management and the Board of Governors have decided to close the Early Childhood Centre located on the Kingston campus in the summer of 2008 and to implement several program suspensions and modifications in the fall of 2008. College management has recorded in the financial statements an estimate of the severance and other related costs arising from these decisions. The difference, if any, between this estimate and the actual costs incurred will be accounted for in the year in which the difference is determined.

THE ST. LAWRENCE COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Analysis of Revenue

Schedule 1

Year ended March 31, 2008 with comparative figures for 2007

	2008	2007
Grants and reimbursement:		
Ministry of Training, Colleges and Universities:		
Operating and supplemental grants	$ 36,864,646	$ 34,250,928
Job Connect and Summer Jobs Service programs	3,508,713	3,330,214
Literacy and Basic Skills program	1,138,050	897,819
Apprentice Training grants:		
Per diem rates	1,512,363	1,581,545
Administrative support	40,867	45,706
Enhancement	–	1,252
Co-op diploma	764,588	1,221,485
Contract educational services	673,169	237,419
Federal training	388,421	914,046
Early Childhood Centre program	253,071	224,195
Other government grants	140,856	163,774
	$ 45,284,744	$ 42,868,383

Ancillary operations:		
Residences	$ 3,829,479	$ 3,538,329
Bookstores commission	310,453	279,351
Parking lots	800,416	705,859
Facilities rent	606,075	346,086
Food services contract	394,995	328,995
Other ancillary sales	3,779	285,120
Licensed premises	11,522	15,188
	$ 5,956,719	$ 5,498,928

THE ST. LAWRENCE COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Analysis of Salaries, Wages and Benefits Expenses — Schedule 2

Year ended March 31, 2008, with comparative figures for 2007

	2008	2007
Salaries:		
Academic:		
Full-time	$ 15,537,933	$ 14,643,458
Partial load and part-time	5,573,029	5,054,593
Coordinators' allowance	158,687	146,049
Excluded/sessional	670,937	605,017
Bonus/overtime	132,966	148,841
Administrative	4,225,916	3,913,653
Support:		
Full-time	8,302,465	8,018,760
Part-time	2,395,885	2,230,291
Bonus/overtime	69,997	39,795
Professional development leave	226,039	166,704
Fringe benefits:		
Academic	3,740,657	3,533,787
Administrative	895,287	725,728
Support	2,377,145	2,286,772
Participant wages and benefits	1,263,663	1,275,202
Special support allowances	62,465	62,204
	$ 45,633,071	$ 42,850,854

THE ST. LAWRENCE COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Analysis of Non-Payroll Expenses — Schedule 3

Year ended March 31, 2008, with comparative figures for 2007

	2008	2007
Instructional supplies	$ 1,615,231	$ 1,877,153
Field work	48,550	48,956
Professional development	170,864	135,830
Travel	655,116	612,419
Promotion/public relations	791,425	845,816
Equipment maintenance	480,536	455,614
Other supplies	1,753,442	1,580,532
Professional fees	431,790	603,086
Contract teaching services	1,035,912	850,206
Other contract services	2,574,906	2,482,681
Equipment rental	1,392,268	1,383,629
Interest on long-term debt	1,762,677	1,928,006
Telecommunications	462,864	519,900
Insurance	220,102	239,332
Approved premises rent	96,510	87,776
Unapproved premises rent	58,380	59,531
Staff employment	1,874	8,795
Membership fees and dues	56,482	56,288
Other interest and bank charges	253,211	254,817
Vehicles	28,772	30,980
Bad debts	85,948	58,907
Scholarships, bursaries and student assistance	2,426,827	2,412,394
Maintenance:		
Building	579,123	564,106
Building equipment	590,705	670,734
Ground	279,325	260,368
Contracted security services	501,295	470,078
Contracted cleaning services	1,214,274	1,131,918
Electricity	1,282,091	1,257,000
Natural gas	741,887	609,174
Water	123,549	106,587
Refuse removal	120,647	121,224
Tax, college property	20,090	26,056
Cost of sales	9,331	14,842
Management fees	1,025,819	969,986
Taxes per capita	344,475	349,200
	$ 23,236,298	$ 23,083,921