



HAZLITT STEEVES HARRIS DUNN LLP

CHARTERED PROFESSIONAL ACCOUNTANTS
CHARTERED ACCOUNTANTS

Financial Statements of

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

March 31, 2015

Lambton
College



Independent Auditors' Report

To the Board of Governors of The Lambton College of Applied Arts and Technology

We have audited the accompanying financial statements of **The Lambton College of Applied Arts and Technology** which comprise the statement of financial position as at March 31, 2015 and the statements of revenue and expenditure, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the 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 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 financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

- Continued

Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of The Lambton College of Applied Arts and 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.

HAZLITT STEEVES HARRIS DUNN LLP

Chartered Professional Accountants, Chartered Accountants
Licensed Public Accountants

Sarnia, Ontario
June 11, 2015

THE LAMBTON COLLEGE OF APPLIED ARTS AND TECHNOLOGY

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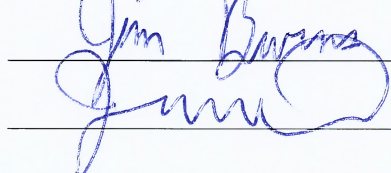
THE LAMBTON COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Statement of Financial Position

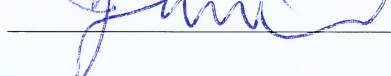
As at March 31, 2015

	2015	2014
ASSETS		
CURRENT		
Cash	\$ 35,487,103	\$ 32,577,761
Grants receivable	1,628,292	2,083,426
Accounts receivable	5,795,896	3,933,152
Inventories	677,163	651,209
Prepaid expenses	521,851	1,100,933
	44,110,305	40,346,481
CAPITAL (Note 4)	45,524,334	46,749,147
	\$ 89,634,639	\$ 87,095,628
LIABILITIES		
CURRENT		
Accounts payable and accrued charges	\$ 11,243,706	\$ 8,524,987
Accrued payroll, vacation pay and employee deductions	4,051,742	5,003,457
Deferred revenue	9,393,420	9,139,805
Funds held in trust (Note 5)	2,852,790	2,338,567
Current portion of long-term obligations (Note 6)	473,194	449,373
	28,014,852	25,456,189
LONG-TERM OBLIGATIONS (Note 6)	9,942,668	10,415,860
POST-EMPLOYMENT BENEFITS AND COMPENSATED ABSENCES (Note 7)	1,997,000	2,030,000
DEFERRED CAPITAL CONTRIBUTIONS (Note 8)	27,327,318	28,297,221
	67,281,838	66,199,270
NET ASSETS		
Unrestricted		
Operating	7,881,177	6,119,094
Post-employment benefits and compensated absences	(1,997,000)	(2,030,000)
Vacation pay	(2,080,486)	(2,107,800)
	3,803,691	1,981,294
Invested in capital assets (Note 9)	7,781,154	7,586,693
Internally restricted (Note 10)	6,354,413	6,531,428
Externally restricted (Note 11)	1,072,552	1,461,607
Endowment funds (Note 12)	3,340,991	3,335,336
	22,352,801	20,896,358
	\$ 89,634,639	\$ 87,095,628

APPROVED ON BEHALF OF THE BOARD OF GOVERNORS



Chair



President

THE LAMBTON COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Statement of Revenue and Expenditure

For the year ended March 31, 2015

	<u>2015</u>	<u>2014</u>
REVENUE - Schedule 1		
Grants and reimbursements	\$ 32,995,860	\$ 32,820,830
Student tuition	26,962,339	24,693,734
Ancillary operations	4,671,269	4,817,634
Other income	2,047,576	1,925,619
Amortization of deferred capital contributions	2,394,243	2,449,388
	69,071,287	66,707,205
EXPENDITURE		
Salaries and benefits	43,180,371	41,761,215
Academic	10,458,141	8,772,133
Student services	945,437	1,062,996
Administrative	1,972,972	2,580,982
Physical resources	3,228,640	3,080,262
Ancillary operations	3,727,262	4,008,727
Depreciation	3,718,621	3,730,674
	67,231,444	64,996,989
EXCESS OF REVENUE OVER EXPENDITURE	\$ 1,839,843	\$ 1,710,216

**THE LAMBTON COLLEGE OF APPLIED ARTS
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Statement of Changes in Net Assets

For the year ended March 31, 2015

	Unrestricted	Invested in Capital Assets (Note 9)	Internally Restricted (Note 10)	Externally Restricted (Note 11)	Endowment Funds (Note 12)	2015 Total	2014 Total
BALANCE, BEGINNING OF YEAR	\$ 1,981,294	\$ 7,586,693	\$ 6,531,428	\$ 1,461,607	\$ 3,335,336	\$ 20,896,358	\$ 19,071,901
EXCESS OF REVENUE OVER EXPENDITURE (EXPENDITURE OVER REVENUE)	3,164,221	(1,324,378)	-	-	-	1,839,843	1,710,216
INVESTED IN CAPITAL ASSETS	(1,518,839)	1,518,839	-	-	-	-	-
APPROPRIATION	177,015	-	(177,015)	-	-	-	-
CHANGE IN EXTERNALLY RESTRICTED NET ASSETS	-	-	-	(389,055)	-	(389,055)	121,983
CHANGE IN ENDOWMENT FUNDS	-	-	-	-	5,655	5,655	(7,742)
BALANCE, END OF YEAR	\$ 3,803,691	\$ 7,781,154	\$ 6,354,413	\$ 1,072,552	\$ 3,340,991	\$ 22,352,801	\$ 20,896,358

THE LAMBTON COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Statement of Cash Flows

For the year ended March 31, 2015

	<u>2015</u>	<u>2014</u>
OPERATING ACTIVITIES		
Excess of revenue over expenditure	\$ 1,839,843	\$ 1,710,216
Items not involving cash		
Depreciation	3,718,621	3,730,674
Amortization of deferred capital contributions	(2,394,243)	(2,449,388)
Post-employment benefits and compensated absences	(33,000)	(107,000)
	<u>3,131,221</u>	<u>2,884,502</u>
Changes in non-cash operating working capital items (Note 13)	<u>1,680,360</u>	<u>3,562,326</u>
	<u>4,811,581</u>	<u>6,446,828</u>
FINANCING ACTIVITIES		
Repayment of long-term obligations	(449,371)	(847,024)
CAPITAL		
Deferred capital contributions	1,424,340	1,049,667
Acquisition of capital assets	(2,493,808)	(2,395,218)
	<u>(1,069,468)</u>	<u>(1,345,551)</u>
INVESTING ACTIVITIES		
Collection of long-term receivable	-	419,132
Net cash provided from (to) externally restricted funds	(389,055)	121,983
Net cash provided from (to) endowment funds	5,655	(7,742)
	<u>(383,400)</u>	<u>533,373</u>
NET CHANGE IN CASH POSITION	<u>2,909,342</u>	<u>4,787,626</u>
Cash position, beginning of year	<u>32,577,761</u>	<u>27,790,135</u>
CASH POSITION, END OF YEAR	<u>\$ 35,487,103</u>	<u>\$ 32,577,761</u>

THE LAMBTON COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to the Financial Statements

For the year ended March 31, 2015

1. STATUTES OF INCORPORATION AND NATURE OF ACTIVITIES

The Lambton College of Applied Arts and Technology ("Lambton College") was incorporated as a College in 1966 under the laws of the Province of Ontario. Lambton College is dedicated to providing high quality education and training as well as contributing to the social and economic well being of the Community.

Lambton College is exempt from income taxes under Section 149 of the Income Tax Act.

Lambton College has an economic interest in The Lambton College Foundation. The Foundation was incorporated without share capital on March 29, 1994 under the Ontario Corporations Act. The operations of the Foundation are not included in these financial statements. The objectives of the Foundation are to promote interest in and awareness of Lambton College and to establish and administer funds for the support of students, research and development in the areas of curriculum and instruction, facilities and equipment and new initiatives.

2. ACCOUNTING POLICIES

The financial statements of Lambton College have been prepared in accordance with Canadian public sector accounting standards for government not-for-profit organizations, including the 4200 series of standards, as issued by the Public Sector Accounting Board ("PSAB for Government NPOs") and include the following significant accounting policies:

Revenue recognition

Lambton College follows the deferral method of accounting for contributions, which includes donations and government grants. Deferred contributions are recognized as revenue in the year in which the related expenses are recognized. Other contributions are recognized as revenue when received or receivable.

Donations of assets are recorded at fair value when a fair value can be reasonably estimated. Endowment contributions are recognized as direct increases in net assets.

Revenue from student fees and from the sale of services and products is recognized at the time the products are delivered or the services provided.

Accrual accounting

The accrual basis of accounting recognizes revenues as they become available and measurable; expenditures are recognized as they are incurred and measurable as a result of receipt of goods or services and the creation of a legal obligation to pay.

Vacation pay

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

THE LAMBTON COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to the Financial Statements

For the year ended March 31, 2015

2. ACCOUNTING POLICIES - continued

Retirement and post-employment benefits and compensated absences

Lambton 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. Lambton College has adopted the following policies with respect to accounting for these employee benefits:

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.

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

The costs 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 employees.

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

Inventories

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

Capital assets

Capital assets are recorded at cost with the exception of donated assets which are recorded at their fair market value at the date of acquisition. Construction in progress is not amortized until the constructed asset is put into service. When a capital asset no longer contributes to the College's ability to provide services, its carrying value is written down to its residual value. Depreciation is provided on a straight-line basis over the following periods:

Buildings	30 - 40 years
Site improvements	10 years
Leasehold improvements	5 years
Major equipment	10 years
Equipment and vehicles	5 years
Computer hardware	3 years
College information system	10 years

THE LAMBTON COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to the Financial Statements

For the year ended March 31, 2015

2. ACCOUNTING POLICIES - continued

Deferred capital contributions

Contributions received to fund capital asset acquisitions are deferred and amortized over the same term and on the same basis as the related capital asset.

Restricted funds

Restricted funds account for monies received for a specific purpose. The funds follow the restricted fund method of accounting for contributions.

Internally restricted funds (appropriations) represent allocations primarily relating to capital projects intended to be completed in future years.

Externally restricted funds represent contributions which are fully expendable for the stated purposes as defined by the fund providers.

Endowment funds

The endowment funds receive all revenue designated by the benefactors to be held in trust to generate income. Funds received from the Province of Ontario are held in Lambton College bank account and these values are not subject to market rate fluctuations. Income from these funds is to be used to fund projects meeting the guidelines provided by the funding body.

Management estimates

The preparation of financial statements in conformity with PSAB for Government NPOs 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 financial statements, and the reported amounts of revenue and expenditure during the period. Actual results could differ from these estimates. Areas of key estimation include determination of fair value for deferred revenues, allowance for doubtful accounts, and actuarial estimation of post-employment benefits and compensated absences liabilities.

3. FINANCIAL INSTRUMENTS

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

Fair value

This category includes derivatives and equity instruments quoted in an active market. Lambton College has designated that cash is classified as fair value.

THE LAMBTON COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to the Financial Statements

For the year ended March 31, 2015

3. FINANCIAL INSTRUMENTS- continued

Amortized cost

This category includes all accounts receivable, accounts payable and accrued charges, accrued payroll, vacation pay and employee deductions, funds held in trust, and long-term obligations. 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.

Write-downs 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 write-down being recognized in the statement of revenue and expenditure.

Credit risk

Credit risk is the risk of financial loss to Lambton College if a debtor fails to make payments of interest and principal when due. Lambton College is exposed to this risk relating to its cash and accounts receivable. Lambton College holds its cash accounts with federally regulated chartered banks who are insured by the Canadian Deposit Insurance Corporation. In the event of default, Lambton College's cash accounts are insured up to \$100,000 (2014 - \$100,000).

Credit risk of student receivables is mitigated by financial approval processes before a student is enrolled.

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

	Total	Current	Past Due		
			31-60 days	61-90 days	91 + days
Government receivables	\$ 1,909,857	\$ 1,909,857	\$ -	\$ -	\$ -
Student receivables	4,048,459	3,072,720	144,905	141,236	689,598
Other receivables	1,705,555	1,601,423	12,346	6,999	84,787
Gross receivables	7,663,871	6,584,000	157,251	148,235	774,385
Less: impairment allowance	(239,683)	-	-	-	(239,683)
Net receivables	\$ 7,424,188	\$ 6,584,000	\$ 157,251	\$ 148,235	\$ 534,702

THE LAMBTON COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to the Financial Statements

For the year ended March 31, 2015

3. FINANCIAL INSTRUMENTS - continued

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.

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

Currency risk

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

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.

Lambton College is exposed to this risk through its long-term obligations.

At March 31, 2015, a 1% fluctuation in interest rates would have an estimated impact on interest expense related to Lambton College's bank loans of \$7,000.

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

Equity risk

Equity risk is the uncertainty associated with the valuation of assets arising from changes in equity markets.

Lambton College is not exposed to this risk as they do not have equity holdings in the current year.

Liquidity risk

Liquidity risk is the risk that Lambton College will not be able to meet all cash outflow obligations as they come due. Lambton College mitigates this risk by monitoring cash activities and expected outflows through extensive budgeting.

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

THE LAMBTON COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to the Financial Statements

For the year ended March 31, 2015

4. CAPITAL

	2015			2014
	Cost	Accumulated Depreciation	Net Book Value	Net Book Value
Land	\$ 3,512,682	\$ -	\$ 3,512,682	\$ 3,512,682
Buildings	63,409,735	27,580,808	35,828,927	37,328,246
Site and leasehold improvements	2,850,362	1,373,739	1,476,623	1,159,523
Major equipment, equipment and vehicles	9,829,903	5,437,740	4,392,163	4,200,272
Computer hardware	1,020,600	710,907	309,693	364,435
College information system	2,564,752	2,560,506	4,246	151,782
Construction in progress	-	-	-	332,207
	\$ 83,188,034	\$ 37,663,700	\$ 45,524,334	\$ 46,749,147

5. FUNDS HELD IN TRUST

The funds held in trust are unsecured, due on demand, bear interest at the 30 day Banker's Acceptance rate and consist of the following:

	2015	2014
Due to The Lambton College Foundation	\$ 1,464,456	\$ 1,237,537
Due to The Students Association of Lambton College	1,388,334	1,101,030
	\$ 2,852,790	\$ 2,338,567

The Lambton College Foundation has transferred gift in kind equipment at fair market value of \$333,780 and cash of \$208,879 during the year (2014 – equipment of \$12,007 and cash of \$302,107).

THE LAMBTON COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to the Financial Statements

For the year ended March 31, 2015

6. LONG-TERM OBLIGATIONS

	<u>2015</u>	<u>2014</u>
Demand loan, 6.20%, due in equal, consecutive, blended, monthly instalments of \$61,283, secured by land and building	\$ 6,418,585	\$ 6,719,460
Demand loan, prime, due in equal, consecutive, monthly instalments of \$2,414 plus interest	393,530	422,509
Demand loan, prime, due in equal, consecutive, monthly instalments of \$1,022 plus interest	223,740	235,986
Term loan, 5.22%, due in equal, consecutive, blended, monthly instalments of \$23,909, due in July 2033	3,380,007	3,487,278
	<u>10,415,862</u>	<u>10,865,233</u>
Current portion	473,194	449,373
	<u>\$ 9,942,668</u>	<u>\$ 10,415,860</u>

Principal amounts due in the next five years are as follows:

2016	\$ 473,194
2017	\$ 498,408
2018	\$ 525,098
2019	\$ 553,050
2020	\$ 583,255

Lambton College has an operating line of credit with its bankers which is due on demand and bears interest at prime less 0.75%. As at March 31, 2015 the balance was \$nil.

Interest expense incurred on long-term obligations has been recorded as an expense in Academic and Ancillary operations expenditure. These payments amounted to \$654,516 (2014 - \$682,408).

THE LAMBTON COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to the Financial Statements

For the year ended March 31, 2015

7. POST-EMPLOYMENT BENEFITS AND COMPENSATED ABSENCES LIABILITY

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

	2015			
	Post-employment benefits	Non-vesting sick leave	Vesting sick leave	Total liability
Accrued employee future benefits obligations	\$ 530,000	\$ 1,468,000	\$ 82,000	\$ 2,080,000
Value of plan assets	(83,000)	-	-	(83,000)
	\$ 447,000	\$ 1,468,000	\$ 82,000	\$ 1,997,000

	2014			
	Post-employment benefits	Non-vesting sick leave	Vesting sick leave	Total liability
Accrued employee future benefits obligations	\$ 492,000	\$ 1,503,000	\$ 103,000	\$ 2,098,000
Value of plan assets	(68,000)	-	-	(68,000)
	\$ 424,000	\$ 1,503,000	\$ 103,000	\$ 2,030,000

	2015			
	Post-employment benefits	Non-vesting sick leave	Vesting sick leave	Total expenditure
Current year benefits cost	\$ 24,000	\$ (35,000)	\$ (20,000)	\$ (31,000)
Interest on accrued benefits obligation	1,000	-	-	1,000
Amortized actuarial losses	(3,000)	-	-	(3,000)
	\$ 22,000	\$ (35,000)	\$ (20,000)	\$ (33,000)

	2014			
	Post-employment benefits	Non-vesting sick leave	Vesting sick leave	Total expenditure
Current year benefits cost	\$ (27,000)	\$ (35,000)	\$ (48,000)	\$ (110,000)
Interest on accrued benefits obligation	2,000	-	-	2,000
Amortized actuarial losses	1,000	-	-	1,000
	\$ (24,000)	\$ (35,000)	\$ (48,000)	\$ (107,000)

THE LAMBTON COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to the Financial Statements

For the year ended March 31, 2015

7. POST-EMPLOYMENT BENEFITS AND COMPENSATED ABSENCES LIABILITY - continued

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

Retirement benefits

CAAT pension plan

Substantially all employees of Lambton 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. Lambton College makes contributions to the Plan equal to those of the employees. Contribution rates are set by the Plan's governors 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. Lambton College does not recognize any share of the Plan's pension surplus or deficit as insufficient information is available to identify Lambton College's share of the underlying pension assets and liabilities. The most recent actuarial valuation filed with pension regulators as at January 1, 2015 indicated an actuarial surplus of \$773 million. Lambton College made contributions to the Plan and its associated retirement compensation arrangement of \$3,753,800 (2014 - \$3,341,200), which has been included in the statement of revenue and expenditure.

Post-employment benefits

Lambton College extends post-employment life insurance, health and dental benefits to certain employee groups subsequent to their retirement. Lambton 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 - 2.7%).

b) Drug costs

Drug costs were assumed to increase at 9% per annum until 2014 and decrease proportionately thereafter to an ultimate rate of 4% in 2034.

c) Hospital and other medical

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

Medical premium increases were assumed to increase at 7.5% per annum until 2014 and decrease proportionately thereafter to an ultimate rate of 4% in 2034.

THE LAMBTON COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to the Financial Statements

For the year ended March 31, 2015

7. POST-EMPLOYMENT BENEFITS AND COMPENSATED ABSENCES LIABILITY - continued

d) Dental costs

Dental costs were assumed to increase at 4% per annum in 2015 (2014 - 4%).

Compensated absences

Vesting sick leave

Lambton 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

Lambton 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 actuarial best estimates of expected rates of:

	<u>2015</u>	<u>2014</u>
Wage and salary escalation	0.5 - 1.8%	0 - 1.75%
Discount rate	1.6%	2.7%

The probability that an 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% and 0 to 40.6 days respectively for age groups ranging from 20 and under to 65 and over in bands of 5 years.

THE LAMBTON COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to the Financial Statements

For the year ended March 31, 2015

8. DEFERRED CAPITAL CONTRIBUTIONS

Deferred capital contributions represent the unamortized amount of donations and grants received to fund the purchase of capital assets. The amortization of the deferred capital contributions is recorded as revenue in the statement of revenue and expenditure. Changes in the deferred capital contributions balance are as follows:

	<u>2015</u>	<u>2014</u>
Balance, beginning of year	\$ 28,297,221	\$ 29,696,942
Contributions received for capital purposes	1,424,340	1,049,667
Amortization of deferred capital contributions	(2,394,243)	(2,449,388)
Balance, end of year	<u>\$ 27,327,318</u>	<u>\$ 28,297,221</u>

9. INVESTED IN CAPITAL ASSETS

a. Change in net assets invested in capital assets is calculated as follows:

Excess of expenditure over revenue		
Amortization of deferred contributions related to capital assets	\$ 2,394,243	\$ 2,449,388
Depreciation of capital assets	(3,718,621)	(3,730,674)
	<u>\$ (1,324,378)</u>	<u>\$ (1,281,286)</u>

b. Net investment in capital assets:

Capital assets acquired	\$ 2,493,808	\$ 2,395,218
Repayment of long-term obligations related to capital assets	449,371	427,891
Amounts funded by deferred capital contributions	(1,424,340)	(1,049,667)
	<u>\$ 1,518,839</u>	<u>\$ 1,773,442</u>

c. Net assets invested in capital assets are represented by:

Capital assets, net book value	\$ 45,524,334	\$ 46,749,147
Less:		
Deferred capital contributions	27,327,318	28,297,221
Long-term obligations related to capital assets	10,415,862	10,865,233
	<u>37,743,180</u>	<u>39,162,454</u>
Net assets invested in capital assets	<u>\$ 7,781,154</u>	<u>\$ 7,586,693</u>

THE LAMBTON COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to the Financial Statements

For the year ended March 31, 2015

10. NET ASSETS INTERNALLY RESTRICTED

Internally restricted net assets are funds committed for specific purposes which represent allocations primarily relating to capital projects intended to be completed in future years.

	<u>Balance, Beginning of Year</u>	<u>Additions</u>	<u>Transfers, Adjustments, Disbursements</u>	<u>Balance, End of Year</u>
Appropriations	\$ 6,531,428	\$ 501,043	\$ (678,058)	\$ 6,354,413

11. NET ASSETS EXTERNALLY RESTRICTED

Externally restricted net assets are funds committed for specific purposes as follows:

	<u>Balance, Beginning of Year</u>	<u>Additions</u>	<u>Transfers, Adjustments, Disbursements</u>	<u>Balance, End of Year</u>
Bursaries and awards	\$ 99,244	\$ 112,135	\$ (71,315)	\$ 140,064
Financial assistance fund	850,615	754,900	(1,171,268)	434,247
Employment Stability Fund	65,300	1,085	-	66,385
Conferences and external projects	446,448	1,358,524	(1,373,116)	431,856
	<u>\$ 1,461,607</u>	<u>\$ 2,226,644</u>	<u>\$ (2,615,699)</u>	<u>\$ 1,072,552</u>

12. NET ASSETS ENDOWMENT FUNDS

The endowment funds are funds committed for specific purposes as follows:

	<u>Balance, Beginning of Year</u>	<u>Additions</u>	<u>Transfers, Adjustments, Disbursements</u>	<u>Balance, End of Year</u>
OSOTF and OTSS	\$ 3,274,913	\$ 63,953	\$ (57,366)	\$ 3,281,500
Other scholarships and bursaries	60,423	768	(1,700)	59,491
	<u>\$ 3,335,336</u>	<u>\$ 64,721</u>	<u>\$ (59,066)</u>	<u>\$ 3,340,991</u>

Endowment funds include grants provided by the Government of Ontario from the Ontario Student Opportunity Trust Fund (OSOTF) and the Ontario Trust for Student Success (OTSS). Under these programs, the government matches funds raised by Lambton College to be maintained as endowment principal. The purpose of these programs is to assist academically qualified individuals who, for financial reasons, would not otherwise be able to attend College.

THE LAMBTON COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to the Financial Statements

For the year ended March 31, 2015

12. NET ASSETS ENDOWMENT FUNDS - continued

	<u>OSOTF</u>	<u>OSOTF II</u>	<u>OTSS</u>	<u>Other</u>	<u>Total</u>
<i>Changes in Endowment Fund Balances</i>					
Fund balances, beginning of year	\$ 1,071,656	\$ 138,146	\$ 1,869,768	\$ 57,500	\$ 3,137,070
Cash donations	-	-	10,000	-	10,000
Fund balances, end of year	1,071,656	138,146	1,879,768	57,500	3,147,070
<i>Changes in Expendable Funds Available for Awards</i>					
Fund balances, beginning of year	115,945	7,924	71,475	2,922	198,266
Expendable donations	-	-	150	-	150
Investment income	19,396	2,390	32,018	768	54,572
Bursaries awarded	(33,909)	(3,200)	(20,258)	(1,700)	(59,067)
Fund balances, end of year	101,432	7,114	83,385	1,990	193,921
Total endowment fund balances and market value	\$ 1,173,088	\$ 145,260	\$ 1,963,153	\$ 59,490	\$ 3,340,991
Awards issued in 2015	42	3	32	6	83

13. CHANGES IN NON-CASH OPERATING WORKING CAPITAL ITEMS

	<u>2015</u>	<u>2014</u>
Grants receivable	\$ 455,134	\$ 55,337
Accounts receivable	(1,862,744)	864,503
Inventories	(25,954)	(87,972)
Prepaid expenses	579,082	4,068
Accounts payable and accrued charges	1,767,004	2,861,120
Deferred revenue	253,615	(209,561)
Funds held in trust	514,223	74,831
	\$ 1,680,360	\$ 3,562,326

THE LAMBTON COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Analysis of Operating Revenue

For the year ended March 31, 2015

Schedule 1

	<u>2015</u>	<u>2014</u>
GRANTS AND REIMBURSEMENTS		
Basic operating and supplemental grants	\$ 24,417,953	\$ 25,021,190
Apprentice training	1,053,512	869,183
Municipal taxes	226,950	232,125
Capital support grants	257,322	113,443
Employment Services	2,335,661	1,965,558
Literacy and Basic Skills	449,157	453,330
Bursaries	110,858	121,040
Other provincial grants	2,458,629	2,560,175
Federal grants	1,339,260	769,169
Municipal grants	346,558	715,617
	32,995,860	32,820,830
STUDENT TUITION		
Full-time	9,431,451	9,709,744
Part-time	1,390,043	1,397,412
Contract education	3,520,035	3,682,375
International education	9,405,585	6,802,680
Sundry fees	3,215,225	3,101,523
	26,962,339	24,693,734
ANCILLARY OPERATIONS		
Campus Shop	2,579,720	2,774,005
Parking	531,028	514,920
Residence and Event Centre	1,560,521	1,528,709
	4,671,269	4,817,634
OTHER INCOME		
Child Care Centre	75,081	343,672
Other sources	1,545,471	1,441,758
Donations from The Lambton College Foundation	427,024	140,189
	2,047,576	1,925,619
AMORTIZATION OF DEFERRED CAPITAL CONTRIBUTIONS	2,394,243	2,449,388
	\$ 69,071,287	\$ 66,707,205