LOYALIST COLLEGE
OF APPLIED ARTS AND TECHNOLOGY
CONSOLIDATED FINANCIAL STATEMENTS
AS AT MARCH 31, 2006

Approved on behalf of the Board of Governors

________________________________Chair

________________________________President

This document is also available in alternate format

LOYALIST COLLEGE OF APPLIED ARTS AND TECHNOLOGY
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS AND SUPPORTING SCHEDULES
AS AT MARCH 31, 2006

Management's Responsibility for Financial Reporting

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 generally accepted accounting principles. 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.

May 23, 2006
Date

Maureen Piercy
Maureen Piercy
President

John Rigsby
John Rigsby, Vice-President
Finance & Corporate Services

AUDITORS' REPORT

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

We have audited the consolidated financial statements of Loyalist College of Applied Arts and Technology for the year ended March 31, 2006 comprising the following:

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

These consolidated financial statements are the responsibility of the College's management. 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 plan and perform an audit to obtain reasonable assurance whether the consolidated 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.

These consolidated financial statements present fairly, in all material respects, the financial position of the College as at March 31, 2006 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Wilkinson & Company LLP

BELLEVILLE, Canada
May 23, 2006

Chartered Accountants

139 Front Street, Suite 100, P.O. Box 757, Belleville, Ontario K8N 5B5 (also in Trenton & Kingston)
Telephone (613) 966-5105 or 1-888-SAVE-890 • Facsimile (613) 962-7072 • Website: www.wilkinson.net

LOYALIST COLLEGE OF APPLIED ARTS AND TECHNOLOGY
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2006

	2006 $	2005 $ (Note 3)
ASSETS		
CURRENT		
Cash	**2,861,023**	1,831,593
Grants receivable	**2,986,140**	5,078,642
Accounts receivable and prepaid expenses	**3,725,330**	3,214,475
Current portion of pledges receivables	**74,000**	92,567
	9,646,493	10,217,277
CAPITAL ASSETS – Note 5	**30,598,504**	30,090,841
OTHER		
Investments – Note 6	**3,364,970**	3,037,274
Pledges receivable – net of current portion – Note 7	**65,000**	105,000
Unfinanced capital outlay for Student Centre – Note 8	**457,926**	647,554
	3,887,896	3,789,828
	44,132,893	44,097,946
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	**4,552,906**	3,946,572
Accrued vacation entitlement	**2,469,426**	2,503,368
Grants refundable	**385,833**	194,637
Deferred revenue – Note 10(a)	**2,797,316**	4,667,902
Current portion of long-term debt	**687,873**	2,256,651
	10,893,354	13,569,130
LONG-TERM		
Term loans payable – Note 9	**13,549,307**	12,633,585
Accrued future employee benefits	**838,343**	1,427,812
Accrued vested sick leave	**805,925**	759,917
Deferred capital contributions – Note 10(b)	**15,390,103**	14,657,896
	30,583,678	29,479,210
NET ASSETS – Statement 3		
Invested in capital assets	**555,492**	542,709
Endowment	**4,525,993**	3,356,833
Unrestricted	**(2,425,624)**	(2,849,936)
	2,655,861	1,049,606
	44,132,893	44,097,946

CONTINGENCIES – Note 14

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

LOYALIST COLLEGE OF APPLIED ARTS AND TECHNOLOGY
CONSOLIDATED STATEMENT OF OPERATIONS
AS AT MARCH 31, 2006

	2006	2005
	$	$ (Note 3)
REVENUE		
MTCU and other government grants	**25,481,115**	25,060,898
Tuition fees	**9,094,749**	9,541,361
Contributions	**386,197**	288,465
Ancillary	**2,940,327**	2,975,839
Contracted services and other	**7,762,912**	6,065,344
Amortization of deferred revenue related to capital assets	**1,619,721**	1,488,571
	47,285,021	45,420,478
EXPENDITURE		
Salaries and benefits	**27,336,425**	26,351,629
Contracted services and fees	**2,282,510**	2,341,348
Supplies and other expenses	**7,731,426**	6,891,965
Maintenance, utilities and municipal taxes	**2,263,137**	2,057,230
Training incentives and payments to trainees	**1,448,230**	1,541,637
Interest on long-term debt	**862,689**	811,263
Ancillary	**1,792,375**	1,805,469
Amortization of capital assets	**2,821,598**	2,587,792
Other	**309,536**	266,678
	46,847,926	44,655,011
EXCESS OF REVENUE OVER EXPENDITURES FOR YEAR	**437,095**	765,467

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

LOYALIST COLLEGE OF APPLIED ARTS AND TECHNOLOGY
CONSOLIDATED STATEMENT OF NET ASSETS
FOR THE YEAR ENDED MARCH 31, 2006

	Invested in Capital Assets $ (Note 11)	Endowment $	Externally Restricted $ (Note 12)	Internally Restricted $	Unrestricted $ (Note 13)	2006 Total $	2005 Total $ (Note 3)
BALANCE – BEGINNING OF YEAR (restated)	542,709	3,356,833		993,462	(3,843,398)	1,049,606	(299,784)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,201,877)			237,450	1,401,522	437,095	765,467
ENDOWMENT CONTRIBUTIONS, NET		5,814	777,149	386,197		1,169,160	583,923
INVESTMENT IN CAPITAL ASSETS	1,214,660				(1,214,660)		
TRANSFERS		1,163,346	(777,149)	(386,197)			
BALANCE – END OF YEAR	555,492	4,525,993	Nil	1,230,912	(3,656,536)	2,655,861	1,049,606

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

STATEMENT 4

LOYALIST COLLEGE OF APPLIED ARTS AND TECHNOLOGY
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2006

	2006 $	2005 $ (Note 3)
OPERATING ACTIVITIES		
Excess of revenue over expenditure for year	**437,095**	765,467
Amortization of deferred capital revenue	**(1,619,721)**	(1,488,571)
Amortization of capital assets	**2,821,598**	2,587,792
	1,638,972	1,864,688
Net change in non-cash working capital balances related to operations – Note 15	**474,649**	(7,682,284)
CASH FLOWS PROVIDED FROM (USED IN) OPERATING ACTIVITIES	**2,113,621**	(5,817,596)
INVESTING ACTIVITIES		
Net increase in short-term investments	**(327,696)**	(608,205)
Contributions received related to capital assets	**2,351,928**	7,738,114
Purchase of capital assets	**(3,329,261)**	(1,417,653)
Decrease in net pledges receivable	**58,567**	57,433
CASH FLOWS PROVIDED FROM (USED IN) INVESTING ACTIVITIES	**(1,246,462)**	5,769,689
FINANCING ACTIVITIES		
Endowment contributions	**1,169,160**	583,923
Repayment of long-term debt	**(653,056)**	(216,472)
Decrease in unfinanced capital outlay	**189,628**	137,660
Accrued future employee benefits	**(589,469)**	(145,296)
Accrued vested sick leave	**46,008**	(141,591)
CASH FLOWS PROVIDED FROM FINANCING ACTIVITIES	**162,271**	218,224
INCREASE IN CASH AND EQUIVALENTS FOR YEAR	**1,029,430**	170,317
CASH AND EQUIVALENTS - BEGINNING OF YEAR	**1,831,593**	1,661,276
CASH AND EQUIVALENTS - END OF YEAR	**2,861,023**	1,831,593
REPRESENTED BY:		
Cash	**2,861,023**	1,831,593

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

LOYALIST COLLEGE OF APPLIED ARTS AND TECHNOLOGY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2006

1. PURPOSE OF THE ORGANIZATION

Loyalist College of Applied Arts & Technology 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES

These financial statements of the College have been prepared in accordance with Canadian generally accepted accounting principles for not-for-profit organizations. The significant accounting policies adopted by the College are as follows:

(a) Basis of Presentation

The financial statements of the College have been prepared by management in accordance with the 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.

(b) 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 amount of assets and liabilities, the disclosure of contingent assets and liabilities at the date of financial statements, and the reported amounts of revenue and expenditures during the year. The most significant management estimates relate to the allowance for doubtful accounts and employee future benefits. Actual results could differ from these estimates.

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

(c) Investments

Investments are reported at cost, except if the market value of the investments becomes lower than cost and this decline is considered to be other than temporary, then investments are written down to their market values.

(d) 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 fees are recognized as revenue at the time the course or program begins.

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.

Externally restricted contributions, other than endowment contributions, are recognized as revenue in the year in which the related expense 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.

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

(e) 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.

(f) 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 expense. Betterments, which extend the estimated life of an asset, are capitalized. When a capital asset no longer contributes to the College's ability to provide services, its carrying amount is written down to its residual value.

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
Furniture and fixtures	3 to 5 years
Vehicles	5 years
Equipment under capital lease	Term of lease
Leasehold improvements	10 years

(g) Inventories of Supplies

Inventories are valued at the lower of cost and market. Cost is determined on a first-in, first-out basis and market value is defined as net realizable value.

(h) Vacation Pay, Employee Future Benefits and Vested Sick Leave Benefits

The College has provided for vacation pay, employee future benefits and vested sick leave benefits on the accrual basis.

(i) 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.

LOYALIST COLLEGE OF APPLIED ARTS AND TECHNOLOGY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2006

3. CHANGE IN ACCOUNTING POLICY

In order to conform to the requirements of the Ministry of Training, Colleges and Universities, the College has retroactively changed their accounting policy from fund accounting to the deferral method. Under this method, restricted contributions are deferred and recorded as revenue as the related expense is incurred. In addition, endowment contributions are recorded as a direct increase to net assets. As a result of the change in accounting policy, the cumulative effect of this change is a decrease in the opening net assets for the year ended March 31, 2005 in the amount of $301,362 and a corresponding effect on revenue and expenditure for the 2005 year was a decrease in revenue of $815,726 and a decrease to expenditure of $322,641 resulting in a net decrease to excess of revenue over expenditure of $493,085.

4. EMPLOYEE NOTES RECEIVABLE

In order to complement the College 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 $96,534 ($105,915 in 2005) have been included in accounts receivable.

5. CAPITAL ASSETS – Property, Plant and Equipment

	2006		2005	
	Cost	**Accumulated Amortization**	Cost	Accumulated Amortization
	$	**$**	$	$
Land	**551,550**		551,550	
Collections	**235,870**		96,850	
Site improvements	**1,944,610**	**1,539,798**	1,766,397	1,482,044
Buildings	**41,030,596**	**17,168,287**	40,707,905	16,142,741
Furniture and equipment	**16,361,308**	**10,847,356**	13,701,982	9,110,021
Vehicles	**63,606**	**63,606**	63,606	63,606
Leasehold improvements	**142,235**	**142,235**	142,235	141,272
Property, plant and equipment under construction	**30,011**			
	60,359,786	**29,761,282**	57,030,525	26,939,684
Cost less accumulated amortization	**$30,598,504**		$30,090,841	

6. INVESTMENTS

The book values and estimated market values of investments as at March 31 are as follows:

	2006		2005	
	Book Value $	**Market Value $**	Book Value $	Market Value $
Bankers' Acceptance			445,410	445,285
Debt Securities				
Provincial and Provincial guaranteed	**754,006**	**758,919**	906,569	911,694
Corporate bonds – Rated A or better	**1,913,273**	**1,913,545**	1,430,625	1,457,587
Equity Securities				
Common shares	**697,691**	**686,943**	254,670	226,353
	3,364,970	**3,359,407**	3,037,274	3,040,919

7. FUNDRAISING

As part of the College fundraising campaign activities, the College received pledges for payment in the future. The pledges receivable over the next 3 years are as follows:

	$
2007	**74,000**
2008	**35,000**
2009 and thereafter	**30,000**
Net pledges receivable	**139,000**
Less current portion	**74,000**
Long-term portion	**65,000**

8. UNFINANCED CAPITAL OUTLAY FOR STUDENT CENTRE

The student centre was originally constructed using operating fund cash resources. The funding of this expenditure for the capital assets is provided through a specific student fee levy. The student fee levy is allocated between interest charged on the advance by the operating fund and the repayment of the advance. Based on current interest rates, the recoverable amount will be repaid within three years.

LOYALIST COLLEGE OF APPLIED ARTS AND TECHNOLOGY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2006

9. TERM LOANS PAYABLE

Term loans payable consisting of the following amounts and are secured by certain assets owned by the College:

	2006 $	2005 $
Original residence loan bearing interest at 6.57% and repayable by semi-annual blended payments of principal and interest at $273,769 payable on August 31 and February 28 until maturity on August 31, 2007.	**5,065,947**	5,270,449
Information systems loan, bearing interest at bank prime, repayable in monthly instalments of $4,200 plus interest to mature April 2007 and secured by certain capital assets.	**50,400**	100,800
Client information system loan, bearing interest at bank prime less 0.5% and repayable by monthly blended payments of principal and interest of $18,073 until maturity on April 4, 2010.	**1,603,596**	1,745,000
Residence expansion – two residences plus commons building Part 1 – loan bearing interest at 5.94% and repayable by semi-annual blended payments of principal and interest of $228,489 payable on August 31 and February 28 until maturity on July 28, 2009.	**5,446,944**	5,574,603
Residence expansion – two residences plus commons building Part 2 – loan bearing interest at 5.34% and repayable by semi-annual blended payments of principal and interest of $46,807 payable on August 31 and February 28 until maturity on February 28, 2011.	**1,204,449**	1,232,602
Residence expansion – furniture and equipment loan bearing interest at 5.59% and repayable by semi-annual blended payments of principal and interest of $44,481 payable on August 31 and February 28 until maturity on January 16, 2013.	**510,274**	568,261
Parking lot construction – cost of paving parking lot loan bearing interest at 5.20%, repayable in fixed monthly payments of $1,362, blended to include principal and interest until maturity on February 29, 2009.	**153,497**	161,648
Chartwell's renovations – convert College food services from a Harvey's to a Tim Horton's format loan, bearing interest at 4.95%, repayable in fixed monthly payments of $3,809, blended to include principal and interest until maturity on March 31, 2009.	**202,073**	236,873
	14,237,180	14,890,236
Less current portion	**(687,873)**	(2,256,651)
	13,549,307	12,633,585

9. TERM LOANS PAYABLE (Cont'd)

The principal portion of the term loans repayable over the next five years is as follows:

	$
2007	**687,873**
2008	**5,288,276**
2009	**678,967**
2010	**5,292,134**
2011	**2,122,700**

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 revenue and expenses at the same rate as amortization is recorded on the related capital assets.

As at March 31, 2006, deferred revenue relating to property, plant and equipment is comprised of the following:

	2006 $	2005 $
Beginning of year	**14,657,896**	8,408,353
Add amounts related to following sources		
Province of Ontario - capital grants	**1,847,341**	5,891,733
Donations	**139,020**	1,795,525
Information technology fees paid by students	**250,196**	51,879
Other	**115,371**	23,838
	2,351,928	7,762,975
Adjustment to prior year's deferred revenue	**Nil**	(24,861)
Deduct amount recognized as revenue in year	**(1,619,721)**	(1,488,571)
End of year	**15,390,103**	14,657,896

LOYALIST COLLEGE OF APPLIED ARTS AND TECHNOLOGY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2006

11. INVESTED IN CAPITAL ASSETS

(a) Investment in capital assets at March 31, 2006 represents the following:

	2006 **$**	2005 $
Capital assets, at cost	**60,359,786**	57,030,525
Accumulated amortization of capital assets	**(29,761,282)**	(26,939,684)
Term loans payable - current portion	**(687,873)**	(2,256,651)
Term loans payable - long-term portion	**(13,549,307)**	(12,633,585)
Deferred revenue relating to capital assets	**(15,390,103)**	(14,657,896)
TV Studio project in process to be debt financed subsequent to year-end	**(415,729)**	
	555,492	542,709

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

	2006 **$**	2005 $
Amortization of deferred contributions related to capital assets	**1,619,721**	1,488,571
Less amortization of capital assets	**(2,821,598)**	(2,587,792)
	(1,201,877)	(1,099,221)

Net change in investment in capital assets:

Purchase of capital assets	**3,329,261**	8,285,537
Amounts funded by:		
Deferred capital contributions	**(2,351,928)**	(7,738,114)
Long-term debt	**(415,729)**	(270,000)
Repayment of long-term debt	**653,056**	486,572
	1,214,660	763,995

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:

	2006	2005
	$	$
Residence	**598,926**	806,360
Student office for Alternative Resources	**110,530**	51,442
Strike related expenses	**352,470**	
Student Centre	**147,767**	135,660
Athletic Scholarships	**21,219**	
	1,230,912	993,462

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 2(h). The amounts set aside in the unrestricted net assets for these future benefits are as follows:

	2006	2005
	$	$
Vacation entitlements	**(2,469,426)**	(2,503,368)
Future employee benefits	**(838,343)**	(1,427,812)
Vested sick leave	**(805,925)**	(759,917)
	(4,113,694)	(4,691,097)
Unrestricted for future use	**457,158**	847,699
	(3,656,536)	(3,843,398)

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.

(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. Management is of the opinion that mitigation may be available through provision of alternate programs. The ultimate outcome of these claims cannot be reasonably estimated at this time.

LOYALIST COLLEGE OF APPLIED ARTS AND TECHNOLOGY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2006

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:

	2006 $	2005 $
(INCREASE) DECREASE IN CURRENT ASSETS		
Grants receivable	**2,092,502**	(3,291,518)
Receivables and prepaid expenses	**(510,855)**	(944,837)
	1,581,647	(4,236,355)
(INCREASE) DECREASE IN CURRENT LIABILITIES		
Accounts payable and accrued liabilities	**606,334**	662,101
Accrued vacation entitlement	**(33,942)**	(18,026)
Grants refundable	**191,196**	(45,539)
Deferred revenue	**(1,870,586)**	(4,044,465)
	(1,106,998)	(3,445,929)
NET CHANGE IN NON-CASH WORKING CAPITAL BALANCES RELATED TO OPERATIONS	**474,649**	(7,682,284)

16. LEASE COMMITMENTS

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

	$
2007	**231,146**
2008	**92,960**
2009	**54,846**
2010	**21,931**

17. PENSION PLANS

The employees of the College are participants in the contributory retirement pension plans administered by the CAAT Pension Plan and the Ontario Teachers Superannuation Fund. Under these multi-employer plans, the College makes contributions to the plans equal to those of the employees. In 2006, the College's contributions amounted to $1,568,435 ($1,426,283 in 2005). There is no indication that the College may be liable for any funding payments in excess of current contributions.

18. ONTARIO STUDENT OPPORTUNITY TRUST FUND

(a) Year-End Report for the First Phase 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, 2006, the activity within the fund is summarized as follows:

(i) Details of changes in endowment fund balance for the year ended March 31, 2006 are as follows:

	$
Fund balance at March 31, 2005	**1,662,223**
Preservation of capital	**7,553**
Fund balance at March 31, 2006	**1,669,776**

(ii) Details of changes in expendable funds available for awards for the year ended March 31, 2006 are as follows:

	$
Fund balance as at March 31, 2005	**124,232**
Investment income net of direct investment related expenses	**67,973**
Bursaries awarded (116)	**(95,055)**
Fund balance as at March 31, 2006	**97,150**

The market value of the endowment as at March 31, 2006 was $1,311,062.

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

(i) Details of schedules of donations received for the year ended March 31, 2006 are as follows:

	$
Cash donations matched between April 1, 2005 and March 31, 2006	**386,197**
Matching funds received from Ministry of Training, Colleges and Universities	**777,149**
	1,163,346

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

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

(ii) Details of changes in endowment fund balance for the year ended March 31, 2006 are as follows:

	$
Fund balance at March 31, 2005	**729,352**
Preservation of capital (where applicable)	**2,965**
Fund balance at March 31, 2006	**732,217**

(iii) Details of changes in expendable funds available for the year ended March 31, 2006 are as follows:

	$
Fund balance at March 31, 2005	**12,569**
Investment income, net of direct investment related expenses and preservation of capital contributions	**28,924**
Bursaries awarded (2)	**(7,800)**
Fund balance at March 31, 2006	**33,693**

(iv) Cash donations received in excess of an institution's annual matching ceiling may be reported as unmatched cash donations and be considered for matching in future years (subject to the availability of funding and the institution's matching ceilings).

(v) 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.

19. FINANCIAL INSTRUMENTS

Fair Value

The fair value of financial assets and liabilities approximate their market value due to the related short-term maturity except for long-term investments (Note 6) and term loans payable (Note 9). It is management's opinion that the College is not exposed to significant credit risk from these financial instruments.

Interest Rate Risk

The College is exposed to interest rate fluctuations on its long-term debt. The College is exposed to interest risk as the College has loans payable outstanding totalling $1,653,996 that bear interest at variable rates based on bank prime.

Foreign Exchange Rate

The College is subject to foreign exchange risk on its US dollar denominated accounts receivable, net cash investments totalling $1,864,520. The College currently does not use any hedging strategy to mitigate this foreign exchange risk.

20. COMPARATIVE FIGURES FOR 2005

In order to conform with the presentation adopted in 2006, certain of the comparative figures for 2005 have been reclassified.