LOYALIST COLLEGE
OF APPLIED ARTS AND TECHNOLOGY
CONSOLIDATED FINANCIAL STATEMENTS
AS AT MARCH 31, 2008

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, 2008

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 27, 2008
Date

Maureen Piercy
President

Allan Ross
Vice-President Corporate Services & Chief Financial Officer

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, 2008 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 consolidated 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, 2008 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

Chartered Accountants
Licensed Public Accountants

BELLEVILLE, Canada
May 14, 2008

WILKINSON & COMPANY LLP
Chartered Accountants & Tax Specialists Since 1964

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

Since 1964

LOYALIST COLLEGE OF APPLIED ARTS AND TECHNOLOGY
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2008

	2008 $	2007 $
ASSETS		
CURRENT		
Cash	**6,794,470**	2,650,790
Grants receivable	**1,654,559**	2,009,890
Accounts receivable and prepaid expenses	**2,656,636**	2,947,960
Current portion of pledges receivables	**30,000**	65,000
	11,135,665	7,673,640
CAPITAL ASSETS – Note 5	**28,927,202**	29,707,734
OTHER		
Investments – Note 6	**4,298,200**	4,238,906
Pledges receivable – net of current portion – Note 7	**30,000**	30,000
Unfinanced capital outlay for Student Centre		209,326
	4,328,200	4,478,232
	44,391,067	41,859,606
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	**4,624,055**	3,262,825
Accrued vacation entitlement	**2,886,881**	2,781,593
Grants refundable	**131,557**	86,893
Deferred revenue – Note 9(a)	**3,652,224**	3,423,286
Current portion of long-term debt	**1,243,165**	5,321,931
	12,537,882	14,876,528
LONG-TERM		
Term loans payable – Note 8	**13,193,758**	8,370,161
Accrued future employee benefits	**1,003,662**	983,997
Accrued vested sick leave	**813,358**	762,336
Deferred capital contributions – Note 9(b)	**14,793,253**	14,380,323
	29,804,031	24,496,817
NET ASSETS – Statement 3		
Investment in capital assets	**(193,774)**	128,119
Endowment	**5,075,989**	4,802,703
Unrestricted	**(2,833,061)**	(2,444,561)
	2,049,154	2,486,261
CONTINGENCIES – Note 13		
	44,391,067	41,859,606

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, 2008

	2008 $	2007 $
REVENUE		
MTCU and other government grants	**30,392,864**	27,660,126
Tuition fees	**10,809,540**	10,110,230
Contributions	**143,358**	126,588
Ancillary	**3,351,465**	3,152,199
Contracted services and other	**9,050,586**	9,488,999
Amortization of deferred revenue related to capital assets	**1,603,521**	1,546,141
Interest, dividends and realized gains on investments, net	**476,261**	358,795
Unrealized gain (loss) on held-for-trading investments	**(117,324)**	
	55,710,271	52,443,078
EXPENDITURE		
Salaries and benefits	**35,188,361**	32,784,464
Contracted services and fees	**2,489,854**	2,385,376
Supplies and other expenses	**8,065,160**	7,390,895
Maintenance, utilities and municipal taxes	**2,808,282**	2,308,616
Training incentives and payments to trainees	**1,432,673**	1,439,041
Interest on long-term debt	**817,257**	826,215
Ancillary	**1,902,806**	1,829,957
Amortization of capital assets	**2,815,043**	2,910,764
Scholarships and bursaries	**564,728**	619,472
Other	**403,782**	371,355
	56,487,946	52,866,155
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES FOR YEAR	(777,675)	(423,077)

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, 2008

	Investment in Capital Assets $ (Note 10)	Endowment $	Internally Restricted $	Unrest $ (Not
		(Note 11)		
BALANCE – BEGINNING OF YEAR	128,119	4,802,703	1,211,970	(3,
ADJUSTMENT FOR CHANGE IN ACCOUNTING POLICY – Note 3(b)		53,852		
BALANCE – BEGINNING OF YEAR – AS RESTATED	128,119	4,856,555	1,211,970	(3,
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,211,522)	(67,282)	(382,855)	
ENDOWMENT CONTRIBUTIONS, NET		286,716		
NET CHANGE IN INVESTMENT IN CAPITAL ASSETS	889,629			(
BALANCE – END OF YEAR	(193,774)	5,075,989	829,115	(3,

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

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LOYALIST COLLEGE OF APPLIED ARTS AND TECHNOLOGY
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2008

	2008 $	2007 $
OPERATING ACTIVITIES		
Excess (deficiency) of revenue over expenditure for year	**(777,675)**	(423,077)
Amortization of deferred capital revenue	**(1,603,521)**	(1,546,141)
Amortization of capital assets	**2,815,043**	2,910,764
	433,847	941,546
Net change in non-cash working capital balances related to operations – Note 14	**2,386,775**	1,102,736
CASH FLOWS PROVIDED FROM OPERATING ACTIVITIES	**2,820,622**	2,044,282
INVESTING ACTIVITIES		
Net increase in investments	**(59,294)**	(873,936)
Non-cash adjustment for change in accounting policy – Note 3(b)	**53,852**	
Contributions received related to capital assets	**2,016,451**	536,362
Purchase of capital assets	**(2,034,511)**	(2,019,995)
Decrease in net pledges receivable	**35,000**	44,000
CASH FLOWS USED IN INVESTING ACTIVITIES	**11,498**	(2,313,569)
FINANCING ACTIVITIES		
Endowment contributions	**286,716**	253,477
Water utilities loan		169,355
Long-term debt issued	**1,650,000**	
Repayment of long-term debt	**(905,169)**	(714,443)
Decrease in unfinanced capital outlay	**209,326**	248,600
Increase in accrued future employee benefits	**19,665**	145,654
Increase (decrease) in accrued vested sick leave	**51,022**	(43,589)
CASH FLOWS PROVIDED FROM FINANCING ACTIVITIES	**1,311,560**	59,054
INCREASE (DECREASE) IN CASH AND EQUIVALENTS FOR YEAR	**4,143,680**	(210,233)
CASH AND EQUIVALENTS - BEGINNING OF YEAR	**2,650,790**	2,861,023
CASH AND EQUIVALENTS - END OF YEAR	**6,794,470**	2,650,790
REPRESENTED BY:		
Cash	**6,794,470**	2,650,790
SUPPLEMENTAL INFORMATION:		
Interest paid	**887,182**	892,174

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, 2008

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 consolidated 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 consolidated 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 consolidated 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 consolidated 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.

LOYALIST COLLEGE OF APPLIED ARTS AND TECHNOLOGY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2008

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

(c) Investments

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

(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.

LOYALIST COLLEGE OF APPLIED ARTS AND TECHNOLOGY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2008

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
Building improvements	20 years
Furniture and equipment	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, 2008

3. CHANGES IN ACCOUNTING POLICY

(a) Accounting Changes

During the year, the College adopted the requirements of the new CICA Handbook Section 1506, Accounting Changes, which establishes criteria for changing accounting policies and describes how to apply changes in accounting policies, accounting estimates, and changes resulting from the correction of errors. These changes, including the related disclosure requirements, came into effect for fiscal years beginning on or after January 1, 2007, and did not impact the College's consolidated financial statements.

(b) Financial Instruments

During the year, the College adopted the requirements of new CICA Handbook Section 3855, Financial Instruments – Recognition, effective April 1, 2007. As a result of the adoption of these sections, the College has classified all of its financial assets as held-for-trading, and has adjusted the opening balance of the financial assets to their market value, resulting in an adjustment to the opening balance of its net assets of $53,852.

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 $137,225 ($138,560 in 2007) have been included in accounts receivable.

5. CAPITAL ASSETS – Property, Plant and Equipment

	2008		2007	
	Cost $	**Accumulated Amortization $**	Cost $	Accumulated Amortization $
Land	**551,550**		551,550	
Collections	**242,870**		235,870	
Site improvements	**1,944,610**	**1,646,731**	1,944,610	1,594,351
Buildings and building improvements	**42,646,615**	**19,299,868**	41,030,596	18,193,677
Furniture and equipment	**13,802,552**	**9,810,389**	13,294,697	8,157,304
Vehicles	**41,938**	**31,775**	41,938	28,388
Leasehold improvements	**142,235**	**142,235**	142,235	142,235
Property, plant and equipment under construction	**485,830**		582,193	
	59,858,200	**30,930,998**	57,823,689	28,115,955
Cost less accumulated amortization	**$28,927,202**		$29,707,734	

LOYALIST COLLEGE OF APPLIED ARTS AND TECHNOLOGY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2008

6. INVESTMENTS

(a) As noted in Note 3(b) to these consolidated financial statements, effective April 1, 2007, investments are classified as held-for-trading and are adjusted to market value as at the balance sheet date. The market value of investments as at March 31, 2008 and the book value and estimated fair market value as at Mach 31, 2007 are as follows:

	2008	2007	
	Market Value	Book Value	Market Value
	$	$	$
Debt Securities			
Federal	**193,215**	157,526	158,680
Provincial and Provincial guaranteed	**952,618**	692,145	707,747
Corporate bonds – Rated A or better	**1,831,732**	2,019,024	2,033,354
Equity Securities			
Common shares	**1,320,635**	1,370,211	1,392,977
	4,298,200	4,238,906	4,292,758

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

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 2 years are as follows:

	$
2009	**30,000**
2010	**30,000**
Net pledges receivable	**60,000**
Less current portion	**30,000**
Long-term portion	**30,000**

**LOYALIST COLLEGE OF APPLIED ARTS AND TECHNOLOGY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2008**

8. TERM LOANS PAYABLE

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

	2008 $	2007 $
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, 2014.	**4,604,649**	4,847,790
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.	**1,301,253**	1,455,710
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 May 28, 2009.	**5,168,544**	5,311,589
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 January 16, 2011.	**1,143,174**	1,174,772
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.	**384,044**	449,002
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 24, 2009.	**135,946**	144,913
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.	**127,265**	165,516
Master plan capital projects loan, bearing interest at 5.27% and repayable by monthly blended payments of principal and interest of $4,835 until maturity on June 15, 2017.	**423,960**	
Academic capital projects loan, bearing interest at 5.08% and repayable by monthly blended payments of principal and interest of $22,720 until maturity on June 15, 2012.	**1,038,888**	
Water utilities loan, City of Belleville, non-interest bearing, repayable in fixed monthly payments of $2,800 until maturity on June 1, 2011.	**109,200**	142,800
	14,436,923	13,692,092
Less current portion	**(1,243,165)**	(5,321,931)
	13,193,758	8,370,161

LOYALIST COLLEGE OF APPLIED ARTS AND TECHNOLOGY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2008

8. TERM LOANS PAYABLE (Cont'd)

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

	$
2009	**1,243,165**
2010	**5,883,728**
2011	**2,743,823**
2012	**707,244**
2013	**527,664**
Thereafter	**3,331,299**
	14,436,923

9. 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, 2008, deferred revenue relating to property, plant and equipment is comprised of the following:

	2008 $	2007 $
Beginning of year	**14,380,323**	15,390,103
Add amounts related to following sources		
Province of Ontario - capital grants	**2,030,768**	496,428
Donations	**67,000**	39,933
Reclassification of prior year deferred revenue	**(81,317)**	
	2,016,451	536,361
Deduct amount recognized as revenue in year	**(1,603,521)**	(1,546,141)
End of year	**14,793,253**	14,380,323

LOYALIST COLLEGE OF APPLIED ARTS AND TECHNOLOGY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2008

10. INVESTMENT IN CAPITAL ASSETS

(a) Investment in capital assets at March 31, 2008 represents the following:

	2008	2007
	$	$
Capital assets, at cost	**59,858,200**	57,823,689
Accumulated amortization of capital assets	**(30,930,998)**	(28,115,955)
Term loans payable - current portion	**(1,209,565)**	(5,288,331)
Term loans payable - long-term portion	**(13,118,158)**	(8,260,961)
Deferred revenue relating to capital assets	**(14,793,253)**	(14,380,323)
Investment in capital acquisitions to be financed subsequent to year-end		(1,650,000)
	(193,774)	128,119

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

	2008	2007
	$	$
Amortization of deferred contributions related to capital assets	**1,603,521**	1,546,141
Less amortization of capital assets	**(2,815,043)**	(2,910,764)
	(1,211,522)	(1,364,623)

(c) Net change in investment in capital assets:

	2008	2007
	$	$
Purchase of capital assets	**2,034,511**	2,019,995
Amounts funded by:		
Deferred capital contributions	**(2,097,768)**	(536,362)
Long-term debt		(1,091,471)
Reclassification of prior year deferred revenue	**81,317**	
Repayment of long-term debt	**871,569**	545,088
	889,629	937,250

LOYALIST COLLEGE OF APPLIED ARTS AND TECHNOLOGY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2008

11. 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:

	2008 $	2007 $
Residence	**654,201**	570,035
Student Office for Alternative Resources	**121,680**	119,880
Strike related expenses		403,366
Student Centre	**53,234**	118,164
Athletic Scholarships		525
	829,115	1,211,970

12. 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:

	2008 $	2007 $
Vacation entitlements	**(2,886,881)**	(2,781,593)
Future employee benefits	**(1,003,662)**	(983,997)
Vested sick leave	**(813,358)**	(762,336)
	(4,703,901)	(4,527,926)
Unrestricted for future use	**1,041,725**	871,395
	(3,662,176)	(3,656,531)

13. 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. 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, 2008

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

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

	2008	2007
	$	$
(INCREASE) DECREASE IN CURRENT ASSETS		
Grants receivable	**355,331**	976,250
Receivables and prepaid expenses	**291,324**	777,370
	646,655	1,753,620
INCREASE (DECREASE) IN CURRENT LIABILITIES		
Accounts payable and accrued liabilities	**1,361,230**	(1,290,081)
Accrued vacation entitlement	**105,288**	312,167
Grants refundable	**44,664**	(298,940)
Deferred revenue	**228,938**	625,970
	1,740,120	(650,884)
NET CHANGE IN NON-CASH WORKING CAPITAL BALANCES RELATED TO OPERATIONS	**2,386,775**	1,102,736

15. LEASE COMMITMENTS

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

	$
2009	**108,619**
2010	**68,036**
2011	**42,123**
2012	**33,121**

16. PENSION PLANS

The employees of the College are participants in the contributory retirement pension plan administered by the CAAT Pension Plan. Under this multi-employer plan, the College makes contributions to the plans equal to those of the employees. In 2008, the College's contributions amounted to $1,928,984 ($1,753,010 in 2007). There is no indication that the College may be liable for any funding payments in excess of current contributions.

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17. ONTARIO STUDENT OPPORTUNITY TRUST FUND

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

At the direction of the Ministry of Training, Colleges and Universities, separate disclosure of the Ontario Student Opportunity Trust Fund of Loyalist College of Applied Arts and Technology which is included as part of the Foundation is required. As at March 31, 2008, the activity within the fund is summarized as follows:

(i) Details of changes in endowment fund balance for the year ended March 31, 2008 are as follows:

	2008	2007
	$	$
Fund balance - Beginning of year	**1,676,324**	1,669,776
Preservation of capital	**6,537**	6,548
Fund balance – End of year	**1,682,861**	1,676,324

(ii) Details of changes in expendable funds available for awards for the year ended March 31, 2008 are as follows:

	2008	2007
	$	$
Fund balance – Beginning of year	**81,061**	97,150
Realized investment income net of direct investment related expenses	**58,835**	58,933
Bursaries awarded – 110 (2007 – 130)	**(64,207)**	(75,022)
Fund balance – End of year	**75,689**	81,061
ENDOWMENT TOTAL	**1,758,550**	1,757,385

The above schedule is based on book value. The market value of the endowment as at March 31, 2008 was $1,717,570 (2007 - $1,768,158).

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

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

(i) Details of changes in endowment fund balance for the period April 1, 2007 to March 31, 2008 are as follows:

	2008	2007
	$	$
Fund balance – Beginning of year	**734,862**	732,317
Preservation of capital	**2,680**	2,545
Fund balance – End of year	**737,542**	734,862

(ii) Details of changes in expendable funds available for awards for the period April 1, 2007 to March 31, 2008 are as follows:

	2008	2007
	$	$
Fund balance – Beginning of year	**39,030**	33,693
Realized investment income, net of direct investment related expenses	**26,069**	24,783
Bursaries awarded – 64 (2007 – 32)	**(29,109)**	(19,446)
Fund balance – End of year	**35,990**	39,030
ENDOWMENT TOTAL	**773,532**	773,892

The above schedule is based on book value. The market value of the endowment as at March 31, 2008 was $755,495 (2007 - $778,635).

18. ONTARIO TRUST FOR STUDENT SUPPORT

(i) Details of Donations Received Between April 1, 2007 and March 31, 2008:

	2008 $	2007 $
Cash donations matched between April 1, 2007 and March 31, 2008	**143,358**	126,588

(ii) Details of Changes in Endowment Fund Balance for the Period April 1, 2007 to March 31, 2008:

	2008 $	2007 $
Balance – Beginning of year	**1,421,692**	1,163,959
Eligible cash donations received between April 1, 2007 and March 31, 2008 in compliance with the November 2005 Program Guidelines and Reporting Requirements	**143,358**	126,588
Matching funds received/receivable from Ministry of Training, Colleges and Universities	**143,358**	126,588
Preservation of capital	**5,773**	4,557
Balance – End of year	**1,714,181**	1,421,692

(iii) Details of Changes in Expendable Funds Available for Awards for the period April 1, 2007 to March 31, 2008:

	2008 $	2007 $
Balance – Beginning of year	**45,948**	5,522
Realized investment income, net of direct investment – related expenses and preservation of capital contributions	**51,960**	41,005
Bursaries awarded – 48 (2007 - 5)	**(29,408)**	(579)
Balance – End of year	**68,500**	45,948

(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.

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18. ONTARIO TRUST FOR STUDENT SUPPORT (Cont'd)

(vi) Loyalist College of Applied Arts and Technology Ontario Trust for Student Support Awards Issued for the Period April 1, 2007 to March 31, 2008 are as Follows:

Status of Recipients	OSAP Recipients		Non-OSAP Recipients		Total	
	Number #	Amount $	Number #	Amount $	Number #	Amount $
Full-Time	22	12,375	26	17,033	48	29,408
Part-Time	Not Applicable	Not Applicable	0	0	0	0
Total	22	12,375	26	17,033	48	29,408

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 8). 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 $1,301,253 that bear interest at variable rates based on bank prime.

The College is exposed to interest rate risk as it holds fixed income securities with a carrying value of $2,977,565. As prevailing interest rates increase or decrease, the market value of these investments change. If interest rates were to change by 1%, then the effect on the market value of these investments would be approximately $166,000. The College intends to hold these investments to maturity, thereby reducing any potential interest rate risk.

Foreign Exchange Rate

The College is subject to foreign exchange risk on its US dollar denominated cash, accounts receivable and accounts payable totalling $1,160,180 USD. The College currently does not use any hedging strategy to mitigate this foreign exchange risk.

20. COMPARATIVE FIGURES FOR 2007

In order to conform with the presentation adopted in 2008, certain of the comparative figures for 2007 have been reclassified.