LOYALIST COLLEGE OF APPLIED ARTS & TECHNOLOGY

CONSOLIDATED FINANCIAL STATEMENTS

AS AT MARCH 31, 2014

Approved on behalf of the Board of Governors

_______________________________ Chair

_______________________________ President

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LOYALIST COLLEGE OF APPLIED ARTS & TECHNOLOGY
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AND SUPPORTING SCHEDULES
AS AT MARCH 31, 2014

LOYALIST COLLEGE

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

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

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

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

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

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

June 12, 2014	Maureen Piercy	Allan C. Ross
Date	Maureen Piercy President	Allan C. Ross Chief Financial Officer

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the consolidated financial statements of Loyalist College of Applied Arts & Technology for the year ended March 31, 2014 and a summary of significant accounting policies and other explanatory information, comprising the following:

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

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian Public Sector Accounting Standards for Not-for-Profit Organizations and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of Loyalist College of Applied Arts & Technology as at March 31, 2014 and its financial performance and its cash flows for the year then ended in accordance with Canadian Public Sector Accounting Standards for Not-for-Profit Organizations.

Wilkinson & Company LLP

BELLEVILLE, Canada
June 12, 2014

Chartered Accountants
Licensed Public Accountants

WILKINSON & COMPANY LLP - CHARTERED ACCOUNTANTS
Telephone 613-966-5105 • Toll Free 1-888-728-3890 • Fax 613-962-7072
P.O. Box 757, 139 Front Street, Belleville, Ontario K8N 5B5 • www.wilkinson.net

STATEMENT 1

LOYALIST COLLEGE OF APPLIED ARTS & TECHNOLOGY
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2014

	2014 $	2013 $ (Note 2)
ASSETS		
CURRENT		
Cash	**3,619,867**	11,369,604
Accounts receivable	**1,200,602**	2,229,947
Grants receivable	**1,840,350**	1,715,646
Inventory	**53,504**	51,996
Prepaid expenses	**599,223**	347,339
Current portion of pledges receivables - Note 7	**398,030**	413,534
	7,711,576	16,128,066
CAPITAL ASSETS - Note 6	**42,359,898**	40,861,586
OTHER		
Accounts receivable	**30,600**	34,000
Pledges receivable - Note 7	**894,693**	1,237,620
Investments - Note 8	**8,448,401**	8,021,131
	9,373,694	9,292,751
	59,445,168	66,282,403
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	**6,277,112**	6,696,467
Accrued vacation entitlement	**3,233,814**	3,353,839
Grants refundable	**67,219**	136,353
Deferred revenue - Note 10(a)	**663,188**	894,405
Current portion of long-term debt - Note 9	**3,293,662**	857,104
	13,534,995	11,938,168
LONG-TERM		
Term loans payable - Note 9	**4,981,715**	8,275,058
Accrued future employee benefits - Note 17	**521,131**	360,443
Accrued non-vested sick leave - Note 17	**1,807,000**	1,873,000
Accrued vested sick leave - Note 17	**334,000**	402,000
Accrued workers' compensation	**150,000**	141,282
Accrued post-retirement benefits - Note 17	**492,000**	529,000
Deferred capital contributions - Note 10(b)	**28,618,633**	29,942,048
	36,904,479	41,522,831
NET ASSETS - Statement 3		
Investment in capital assets	**5,465,888**	1,787,376
Endowment and restricted	**11,610,776**	17,624,317
Unrestricted deficiency	**(8,372,722)**	(6,721,530)
	8,703,942	12,690,163
ACCUMULATED REMEASUREMENT GAINS - Statement 4	**301,752**	131,241
CONTINGENCIES AND COMMITMENTS - Note 14		
	59,445,168	66,282,403

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

STATEMENT 2

LOYALIST COLLEGE OF APPLIED ARTS & TECHNOLOGY
CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED MARCH 31, 2014

	2014 $	2013 $ (Note 2)
REVENUE		
MTCU and other government grants	**33,686,784**	34,321,509
Amortization of deferred revenue related to capital assets - Note 10(b)	**2,324,379**	1,870,908
Tuition fees	**13,744,450**	14,059,156
Non-tuition incidental fees	**3,393,936**	3,203,040
Ancillary	**3,615,099**	3,409,154
Contracted services and other	**4,078,874**	5,369,353
Contributions	**123,117**	206,447
Interest, dividends and realized gains on investments, net - Note 8(e)	**395,803**	367,813
	61,362,442	62,807,380
EXPENDITURE		
Salaries and wages	**36,632,146**	36,743,306
Employee and other benefits	**7,898,296**	7,634,101
Transportation and communication	**1,320,633**	1,323,192
Contracted services and fees	**4,186,503**	4,602,778
Maintenance and utilities	**3,014,767**	3,368,412
Supplies and other expenses	**2,604,530**	2,731,422
Ancillary	**1,898,472**	1,734,518
Amortization of capital assets	**3,508,730**	3,022,324
Interest and bank charges	**310,072**	401,585
Property taxes	**265,505**	266,590
Scholarships and bursaries	**409,590**	428,345
Student assistance from tuition set aside	**841,828**	737,506
Interest on long-term debt	**421,976**	462,203
Other	**2,158,732**	2,126,825
	65,471,780	65,583,107
DEFICIENCY OF REVENUES OVER EXPENDITURES FOR YEAR	**(4,109,338)**	(2,775,727)

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

LOYALIST COLLEGE OF APPLIED ARTS & TECHNOLOGY
CONSOLIDATED STATEMENT OF NET ASSETS
FOR THE YEAR ENDED MARCH 31, 2014

	Investment in Capital Assets $ (Note 11)	Endowment $ (Note 2) (Note 12)	Internally Restricted $	Unrestricted $ (Note 2) (Note 13)	2014 Total $ (Note 2)
BALANCE - BEGINNING OF YEAR	**1,787,376**	**8,213,185**	**9,411,132**	**(6,721,530)**	**12,690,163**
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	**(1,184,351)**	**181,118**	**(6,317,776)**	**3,211,671**	**(4,109,338)**
ENDOWMENT CONTRIBUTIONS, NET		**123,117**			**123,117**
NET CHANGE IN INVESTMENT IN CAPITAL ASSETS	**4,862,863**			**(4,862,863)**	
BALANCE - END OF YEAR	**5,465,888**	**8,517,420**	**3,093,356**	**(8,372,722)**	**8,703,942**

FOR THE YEAR ENDED MARCH 31, 2013

	Investment in Capital Assets $ (Note 11)	Endowment $ (Note 2) (Note 12)	Internally Restricted $	Unrestricted $ (Note 2) (Note 13)	2013 Total $ (Note 2)
BALANCE - BEGINNING OF YEAR	3,641,754	7,936,919	10,294,803	(6,614,033)	15,259,443
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,151,416)	69,819	(883,671)	(810,459)	(2,775,727)
ENDOWMENT CONTRIBUTIONS, NET		206,447			206,447
NET CHANGE IN INVESTMENT IN CAPITAL ASSETS	(702,962)			702,962	
BALANCE - END OF YEAR	1,787,376	8,213,185	9,411,132	(6,721,530)	12,690,163

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

STATEMENT 4

LOYALIST COLLEGE OF APPLIED ARTS & TECHNOLOGY
CONSOLIDATED STATEMENT OF REMEASUREMENT GAINS
FOR THE YEAR ENDED MARCH 31, 2014

	2014 $	2013 $
ACCUMULATED REMEASUREMENT GAIN - BEGINNING OF YEAR	**131,241**	NIL
UNREALIZED GAIN ATTRIBUTABLE TO INVESTMENTS DESIGNATED AT FAIR VALUE	**170,511**	131,241
ACCUMULATED REMEASUREMENT GAIN - END OF YEAR	**301,752**	131,241

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

STATEMENT 5

LOYALIST COLLEGE OF APPLIED ARTS & TECHNOLOGY
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2014

	2014 $	2013 $ (Note 2)
OPERATING ACTIVITIES		
Deficiency of revenues over expenditures for year	**(4,109,338)**	(2,775,727)
Amortization of deferred capital revenue	**(2,324,379)**	(1,870,908)
Amortization of capital assets	**3,508,730**	3,022,324
Unrealized gains on investments	**170,511**	131,241
	(2,754,476)	(1,493,070)
Net change in non-cash working capital balances related to operations - Note 15	**(188,482)**	1,014,659
CASH FLOWS USED IN OPERATING ACTIVITIES	**(2,942,958)**	(478,411)
INVESTING ACTIVITIES		
Net increase in investments	**(427,270)**	(930,479)
Decrease (increase) in net pledges receivable	**358,431**	(1,616,029)
Decrease (increase) on long-term receivable	**3,400**	(34,000)
CASH FLOWS USED IN INVESTING ACTIVITIES	**(65,439)**	(2,580,508)
FINANCING ACTIVITIES		
Repayment of term loans payable	**(856,784)**	(970,624)
Increase (decrease) in accrued future employee benefits	**160,688**	(195,110)
Decrease in accrued non-vested sick leave	**(66,000)**	(75,000)
Decrease in accrued vested sick leave	**(68,000)**	(113,000)
Increase (decrease) in workers' compensation	**8,718**	(8,718)
Increase (decrease) in accrued post-retirement benefits	**(37,000)**	13,000
CASH FLOWS USED IN FINANCING ACTIVITIES	**(858,378)**	(1,349,452)
CAPITAL ACTIVITIES		
Endowment contributions	**123,117**	206,447
Contributions received related to capital assets - capital campaign	**477,215**	2,350,559
Contributions received related to capital assets - grant revenue	**523,749**	366,293
Purchase of capital assets	**(5,007,043)**	(1,043,266)
CASH FLOWS PROVIDED FROM (USED IN) CAPITAL ACTIVITIES	**(3,882,962)**	1,880,033
DECREASE IN CASH AND CASH EQUIVALENTS FOR YEAR	**(7,749,737)**	(2,528,338)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	**11,369,604**	13,897,942
CASH AND CASH EQUIVALENTS - END OF YEAR	**3,619,867**	11,369,604
REPRESENTED BY:		
Cash	**3,619,867**	11,369,604

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

LOYALIST COLLEGE OF APPLIED ARTS & TECHNOLOGY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2014

1. PURPOSE OF THE ORGANIZATION

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

2. CHANGE IN ACCOUNTING POLICY - REVENUE RECOGNITION

In the current year, the College has revised its accounting policy for revenue recognition, as disclosed in Note 3(e) to these consolidated financial statements, to clarify the intended recognition policy of ancillary fees that accompany tuition revenue. Previously, the accounting policy did not separately distinguish ancillary fees from other sources of revenue. The revised accounting policy clarifies the recognition of ancillary fees as revenue at the time the course or program begins, as well as the classification as an internally restricted fund where applicable.

As a result of the retroactive application of this change in accounting policy, the consolidated financial statements for the opening net assets and the fiscal year ending March 31, 2013 have been restated as follows:

Consolidated Statement of Financial Position as at April 1, 2012

	Pre-accounting policy change $	Adjustments $	Post-accounting policy change $
Net Assets			
Invested in capital assets	3,641,754		3,641,754
Endowment and restricted	16,431,323	1,800,399	18,231,722
Unrestricted deficiency	(6,614,033)		(6,614,033)
	13,459,044	1,800,399	15,259,443

LOYALIST COLLEGE OF APPLIED ARTS & TECHNOLOGY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2014

2. CHANGE IN ACCOUNTING POLICY - REVENUE RECOGNITION (Cont'd)

Consolidated Statement of Financial Position as at March 31, 2013

	Pre-accounting policy change $	Adjustments $	Post-accounting policy change $
Liabilities			
Accounts payable and accrued liabilities	8,075,553	(1,379,086)	6,696,467
Deferred revenue	1,479,837	(585,432)	894,405
	9,555,390	(1,964,518)	7,590,872
Net Assets			
Invested in capital assets	1,787,376		1,787,376
Endowment and restricted	15,406,558	2,217,759	17,624,317
Unrestricted deficiency	(6,468,289)	(253,241)	(6,721,530)
	10,725,645	1,964,518	12,690,163

Consolidated Statement of Operations for the Year Ended March 31, 2013

	Pre-accounting policy change $	Adjustments $	Post-accounting policy change $
Revenue			
Contracted services and other	5,205,234	164,119	5,369,353
Deficiency of revenue over expense	(2,939,846)	164,119	(2,775,727)

Consolidated Statement of Cash Flows for the Year Ended March 31, 2013

The change in accounting policy had no impact on total cash flows used in operating activities on the consolidated statement of cash flows. The change in deficiency of revenues over expenses for the year ended March 31, 2013 has been offset by adjustments to operating activities.

LOYALIST COLLEGE OF APPLIED ARTS & TECHNOLOGY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2014

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES

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

(a) Basis of Accounting

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

(b) Basis of Presentation

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

(c) Use of Estimates

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

(d) Financial Instruments

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

Fair Value

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

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

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

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

(d) Financial Instruments (Cont'd)

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

Amortized Cost

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

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

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

(e) Revenue Recognition

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

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

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

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

Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

LOYALIST COLLEGE OF APPLIED ARTS & TECHNOLOGY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2014

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

(e) Revenue Recognition (Cont'd)

Externally restricted contributions, other than endowment contributions, are recognized as revenue in the year in which the related expenses are recognized. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on a straight-line basis, at a rate corresponding with the amortization rate for the related capital assets.

Endowment contributions are recognized as direct increases in endowment net assets.

Restricted investment income is recognized as revenue in the year in which the related expenses are recognized.

Unrestricted investment income is recognized as revenue when earned.

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

(f) Deferred Revenue Relating to Capital Assets

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

(g) Capital Assets - Property, Plant and Equipment

Purchased capital assets are recorded at cost, which includes interest incurred before the commencement of commercial operations. Contributed capital assets are recorded at fair value at the date of contribution when fair value is reasonably determinable. Otherwise, contributed assets are recorded at a nominal amount. Repairs and maintenance costs are charged to expenses. Betterments, which extend the estimated life of an asset, are capitalized. When a capital asset no longer contributes to the College's ability to provide services, its carrying amount is written down to its residual value.

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

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

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

(h) Vacation Pay

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

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

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

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

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

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

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

(j) Cash and Equivalents

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

(k) Other Accounts Receivable

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

LOYALIST COLLEGE OF APPLIED ARTS & TECHNOLOGY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2014

4. FINANCIAL INSTRUMENT CLASSIFICATION

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

	2014		
	Fair Value $	Amortized Cost $	Total $
Cash	3,619,867		3,619,867
Accounts receivable		1,200,602	1,200,602
Grants receivable		1,840,350	1,840,350
Pledges receivable		1,292,723	1,292,723
Investments	8,448,401		8,448,401
Accounts payable and accrued liabilities		(6,277,112)	(6,277,112)
Accrued vacation entitlement		(3,233,814)	(3,233,814)
Grants refundable		(67,219)	(67,219)
Term loan payable		(8,275,377)	(8,275,377)
	12,068,268	(13,519,847)	(1,451,579)

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

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities using the last bid price; and
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level to that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

	2014		
	Level 1 $	Level 2 $	Total $
Cash	3,619,867		3,619,867
Investments	4,198,926	4,249,475	8,448,401
Total	7,818,793	4,249,475	12,068,268

There were no transfers between Level 1 and Level 2 for the years ended March 31, 2014 and 2013. There were also no transfers in or out of Level 3.

5. EMPLOYEE NOTES RECEIVABLE

In order to complement the College's professional development policy, the College provides demand interest-free loans and loans at nominal interest rates to certain full-time staff for the purchase of specified computer equipment and credential studies. These loans in the amount of $57,708 ($41,567 in 2013) have been included in accounts receivable.

6. CAPITAL ASSETS - Property, Plant and Equipment

	2014		2013	
	Cost	**Accumulated amortization**	Cost	Accumulated amortization
	$	**$**	$	$
Land	**411,550**		411,550	
Collections	**254,870**		242,870	
Site improvements	**2,593,996**	**2,138,955**	2,428,607	2,047,790
Buildings and building improvements	**65,368,988**	**27,393,255**	62,324,308	25,845,143
Furniture and equipment	**22,324,161**	**19,061,457**	20,386,485	17,192,004
Vehicles	**41,938**	**41,938**	41,938	41,938
Leasehold improvements	**142,235**	**142,235**	142,235	142,235
Property, plant and equipment under construction			152,703	
	91,137,738	**48,777,840**	86,130,696	45,269,110
Cost less accumulated amortization	**$ 42,359,898**		$ 40,861,586	

7. PLEDGES RECEIVABLE

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

	$
2015	**398,030**
2016	**161,739**
2017	**160,596**
2018	**147,056**
2019	**127,890**
Thereafter	**297,412**
Net pledges receivable	**1,292,723**
Less current portion	**398,030**
Long-term portion	**894,693**

LOYALIST COLLEGE OF APPLIED ARTS & TECHNOLOGY
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8. INVESTMENTS

(a) As noted in Note 3(d) to these consolidated financial statements, investments are classified as held-for-trading and are adjusted to market value as at the consolidated statement of financial position date. The market value of investments as at March 31, 2014 and 2013 are as follows:

	2014 Market Value $	2013 Market Value $
Cash	**20,353**	194,286
Fixed-income securities		
Federal	**511,390**	952,215
Provincial and provincial guaranteed	**1,093,013**	1,113,419
Municipal	**205,180**	211,884
Corporate - Rated A or better	**2,439,892**	1,302,017
	4,249,475	3,579,535
Pooled funds		
Cash management fund	**1,793,361**	
Money market fund		266,889
Fixed income fund		1,570,931
Canadian equity fund		1,118,292
Global equity fund		1,291,198
	1,793,361	4,247,310
	6,063,189	8,021,131

8. INVESTMENTS (Cont'd)

	2014 Market Value $	2013 Market Value $
Balance carried forward	**6,063,189**	8,021,131
Equity securities		
Canadian	**1,187,381**	
United States	**792,580**	
International	**405,251**	
	2,385,212	NIL
	8,448,401	8,021,131

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

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

	2014 $	2013 $
Maturing within one year	**384,313**	150,059
Maturing between one and five years	**1,898,371**	2,386,767
Maturing over five years	**1,966,791**	1,042,709
	4,249,475	3,579,535

(d) The expected maturity dates for fixed-income pooled funds are as follows:

	2014 $	2013 $
Maturing within one year		298,327
Maturing between one and five years		432,970
Maturing over five years		839,634
	NIL	1,570,931

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

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

	2014 $	2013 $
Interest income	**221,197**	260,687
Dividend income	**50,922**	110,126
Realized gains on disposition of investments	**219,293**	80,765
	491,412	451,578
Less:		
Amortization of premium on fixed-income securities	**(41,894)**	(38,716)
Interest and investment management fees	**(53,715)**	(45,049)
	395,803	367,813

9. TERM LOANS PAYABLE

Term loans payable consisting of the following unsecured amounts:

	2014 $	2013 $
Original residence loan bearing interest at 5.25% and repayable by semi-annual blended payments of principal and interest at $253,453 payable on August 31 and February 28 until maturity on August 31, 2014.	**2,763,945**	3,112,032
Client information system loan, bearing interest at 2.962% and repayable by monthly blended payments of principal and interest of $102,492 until maturity on April 6, 2015.	**298,587**	490,454
Residence expansion – two residences plus commons building Part 1 – loan bearing interest at 4.83% and repayable by semi-annual blended payments of principal and interest of $206,851 payable on August 28 and February 28 until maturity on August 28, 2027.	**4,068,254**	4,277,838
Residence expansion – two residences plus commons building Part 2 – loan bearing interest at 3.99% and repayable by semi-annual blended payments of principal and interest of $42,381 payable on August 31 and February 28 until maturity on February 28, 2016.	**902,418**	949,759
	8,033,204	8,830,083

LOYALIST COLLEGE OF APPLIED ARTS & TECHNOLOGY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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9. TERM LOANS PAYABLE (Cont'd)

	2014	2013
	$	$
Balance carried forward	**8,033,204**	8,830,083
Parking lot construction – cost of paving parking lot loan bearing interest at 4.27%, repayable in fixed monthly payments of $1,305, blended to include principal and interest until maturity on February 24, 2019.	**69,334**	81,758
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.	**172,839**	220,321
	8,275,377	9,132,162
Less current portion	**3,293,662**	857,104
	4,981,715	8,275,058

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

The principal portion of the term loans repayable over the next five years, based on terms and agreements in effect as at March 31, 2014, are as follows:

	$
2015	**3,293,662**
2016	**1,251,080**
2017	**311,618**
2018	**282,646**
2019	**280,104**
Thereafter	**2,856,267**
	8,275,377

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

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

	$
2015	**896,211**
2016	**834,695**
2017	**770,876**
2018	**766,166**
2019	**788,625**
Thereafter	**4,218,804**
	8,275,377

10. DEFERRED CONTRIBUTIONS

(a) Deferred Revenue

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

(b) Deferred Capital Contributions

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

As at March 31, 2014, deferred revenue relating to property, plant and equipment is comprised of the following:

	2014 **$**	2013 $
Beginning of year	**29,942,048**	29,096,104
Add amounts related to following sources		
Federal and Province of Ontario - capital grants	**523,749**	351,293
Donations		15,000
Capital campaign contributions	**477,215**	2,350,559
	1,000,964	2,716,852
	30,943,012	31,812,956
Deduct amounts related to the following		
Amounts recognized as revenue in year	**(2,324,379)**	(1,870,908)
End of year	**28,618,633**	29,942,048

LOYALIST COLLEGE OF APPLIED ARTS & TECHNOLOGY
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11. INVESTMENT IN CAPITAL ASSETS

(a) Investment in capital assets at March 31, 2014 represents the following:

	2014	2013
	$	$
Capital assets, at cost	**91,137,738**	86,130,696
Accumulated amortization of capital assets	**(48,777,840)**	(45,269,110)
Term loans payable - current portion	**(3,293,662)**	(857,104)
Term loans payable - long-term portion	**(4,981,715)**	(8,275,058)
Deferred revenue relating to capital assets	**(28,618,633)**	(29,942,048)
	5,465,888	1,787,376

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

	2014	2013
	$	$
Amortization of deferred contributions related to capital assets	**2,324,379**	1,870,908
Less amortization of capital assets	**(3,508,730)**	(3,022,324)
	(1,184,351)	(1,151,416)

(c) Net change in investment in capital assets:

	2014	2013
	$	$
Purchase of capital assets	**5,007,043**	1,043,266
Amounts funded by:		
Deferred capital contributions	**(477,215)**	(2,350,559)
Donations	**(523,749)**	(366,293)
Repayment of long-term debt	**856,784**	970,624
	4,862,863	(702,962)

LOYALIST COLLEGE OF APPLIED ARTS & TECHNOLOGY
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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:

	2014	2013
	$	$
Residence	**660,231**	562,364
Parking lots and roadways	**215,262**	239,266
Student Office for Alternative Resources	**265,572**	242,644
Student government activity	**196,200**	341,893
Student facilities enhancement	**41,666**	112,877
Student centre	**919,745**	937,271
Student government - athletic and fitness centre	**50,881**	6,618
Student government - health centre	**205,007**	133,747
Student government - Access Copyright		99,921
Information technology fee	**538,792**	585,431
	3,093,356	3,262,032
Internal Appropriations		
Capital and deferred maintenance		2,904,000
Capital support		774,000
Future years' stabilization		2,250,000
Capital campaign cost		99,100
Loyalist Certification Management System upgrades		122,000
	NIL	6,149,100
	3,093,356	9,411,132

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

LOYALIST COLLEGE OF APPLIED ARTS & TECHNOLOGY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2014

13. UNRESTRICTED

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

	2014	2013
	$	$
Vacation entitlements	**(3,233,814)**	(3,353,839)
Accrued future employee benefits	**(521,131)**	(360,443)
Accrued non-vested sick leave	**(1,807,000)**	(1,873,000)
Accrued vested sick leave	**(334,000)**	(402,000)
Accrued post-retirement benefits	**(492,000)**	(529,000)
	(6,387,945)	(6,518,282)
Unrestricted for future use	**(1,984,777)**	(203,248)
	(8,372,722)	(6,721,530)

14. CONTINGENCIES AND COMMITMENTS

(a) Contractual Commitments

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

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

(b) Other

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

LOYALIST COLLEGE OF APPLIED ARTS & TECHNOLOGY
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14. CONTINGENCIES AND COMMITMENTS (Cont'd)

(b) Other (Cont'd)

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

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

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

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

	2014	2013
	$	$
(INCREASE) DECREASE IN CURRENT ASSETS		
Accounts receivable	**1,029,345**	455,503
Grants receivable	**(124,704)**	545,433
Inventory	**(1,508)**	(4,933)
Prepaid expenses	**(251,884)**	(57,312)
	651,249	938,691
INCREASE (DECREASE) IN CURRENT LIABILITIES		
Accounts payable and accrued liabilities	**(419,355)**	102,027
Accrued vacation entitlement	**(120,025)**	(14,012)
Grants refundable	**(69,134)**	(162,008)
Deferred revenue	**(231,217)**	149,961
	(839,731)	75,968
NET CHANGE IN NON-CASH WORKING CAPITAL BALANCES RELATED TO OPERATIONS	**(188,482)**	1,014,659

LOYALIST COLLEGE OF APPLIED ARTS & TECHNOLOGY
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16. LEASE COMMITMENTS

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

	$
2015	**310,684**
2016	**310,684**
2017	**273,456**
2018	**270,560**
2019	**270,560**

17. ACCRUED FUTURE EMPLOYEE BENEFITS AND COMPENSATED ABSENCES LIABILITY

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

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

	2013			
	Future Employee Benefits $	Non-vesting Sick Leave $	Vesting Sick Leave $	Accrued Post-Retirement Benefits $
Accrued employee future benefits obligations	360,443	1,895,000	400,000	624,000
Fair value of plan assets				(78,000)
Unamortized actuarial gains (losses)		(22,000)	2,000	(17,000)
Total liability	360,443	1,873,000	402,000	529,000

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

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

	2013			
	Future Employee Benefits $	Non-vesting Sick Leave $	Vesting Sick Leave $	Accrued Post-Retirement Benefits $
Current year benefit cost	(195,110)	106,000	21,000	4,000
Interest on accrued benefit obligation		46,000	11,000	4,000
Benefit payments		(237,000)	(149,000)	(26,000)
Experience gains				30,000
Unamortized actuarial losses		10,000	4,000	1,000
Total expense (recovery)	(195,110)	(75,000)	(113,000)	13,000

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

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

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

Retirement Benefits

CAAT Pension Plan

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

Any pension surplus or deficit is a joint responsibility of the members and employers and may affect future contribution rates. The College does not recognize any share of the Plan's pension surplus or deficit as insufficient information is available to identify the College's share of the underlying pension assets and liabilities. The most recent actuarial valuation filed with pension regulators as at January 1, 2014 indicated an actuarial surplus of $525 million. The College made contributions to the Plan and its associated retirement compensation arrangement of $3,745,656 (2013 - $3,638,147), which has been included in the consolidated statement of operations.

Post-Employment Benefits

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

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

(a) Discount Rate

The present value as at March 31, 2014 of the future benefits was determined using a discount rate of 2.70% (2013 - 2.10%).

(b) Drug Costs

Drug costs were assumed to increase at a 9% rate for 2014 (2013 - 10.5%) and decreasing proportionately thereafter to an ultimate rate of 4.0% in 2026 for fiscal 2014 (2013 - 4.0%).

(c) Hospital and Other Medical

Hospital and other medical costs were assumed to increase at 4% per annum (2013 - 4%).

Medical premium increases were assumed to increase at 7.5% per annum in 2014 (2013 - 8%) and decrease proportionately thereafter to an ultimate rate of 4% in 2034 for fiscal 2014 (2013 - 4%).

(d) Dental Costs

Dental costs were assumed to increase at 4% per annum in 2014 (2013 - 4%).

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

Compensated Absences

Vesting Sick Leave

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

Non-Vesting Sick Leave

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

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

Wage and salary escalation	0% in 2014 1.75% thereafter

The probability that the employee will use more sick days than the annual accrual and the excess number of sick days used are within ranges of 0% to 38.7% and 0 to 51.7 days respectively for age groups ranging from 20 and under to 65 and over in bands of 5 years.

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18. ONTARIO STUDENT OPPORTUNITY TRUST FUND

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

At the direction of the Ministry of Training, Colleges and Universities, separate disclosure of the Ontario Student Opportunity Trust Fund of Loyalist College of Applied Arts and Technology which is included as part of the Foundation is required. As at March 31, 2014, the activity within the fund is summarized as follows:

(i) Schedule of Changes in Endowment Fund Balance for the Year Ended March 31, 2014 are as Follows:

	2014 **$**	2013 $
Fund balance - Beginning of year	**1,712,951**	1,697,148
Preservation of capital	**15,099**	15,803
Fund balance – End of year	**1,728,050**	1,712,951

(ii) Details of Changes in Expendable Funds Available for Awards for the Year Ended March 31, 2014 are as Follows:

	2014 **$**	2013 $
Fund balance - Beginning of year	**37,060**	35,271
Realized investment income net of direct investment related expenses and preservation of capital contributions	**50,776**	29,167
Bursaries awarded - 79 (2013 - 82)	**(33,055)**	(27,378)
Fund balance – End of year	**54,781**	37,060
ENDOWMENT TOTAL BASED ON BOOK VALUE	**1,782,831**	1,750,011

The market value of the endowment as at March 31, 2014 was $1,875,966 (2013 - $1,806,002).

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

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

(i) Schedule of Changes in Endowment Fund Balance for the Year Ended March 31, 2014:

	2014 **$**	2013 $
Fund balance - Beginning of year	**750,406**	743,500
Preservation of capital	**6,573**	6,906
Fund balance – End of year	**756,979**	750,406

(ii) Schedule of Changes in Expendable Funds Available for Awards for the Year Ended March 31, 2014:

	2014 **$**	2013 $
Fund balance - Beginning of year	**10,653**	17,215
Realized investment income net of direct investment related expenses and preservation of capital contributions	**22,105**	12,746
Bursaries awarded - 32 (2013 - 31)	**(10,836)**	(19,308)
Fund balance – End of year	**21,922**	10,653
ENDOWMENT TOTAL BASED ON BOOK VALUE	**778,901**	761,059

The market value of the endowment as at March 31, 2014 was $800,816 (2013 - $785,408).

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

(i) Schedule of Changes in Endowment Fund Balance for the Year Ended March 31, 2014:

	2014 **$**	2013 $
Balance – Beginning of year	**4,235,032**	4,195,963
Preservation of capital	**37,222**	39,069
Fund balance – End of year	**4,272,254**	4,235,032

(ii) Schedule of Changes in Expendable Funds Available for Awards for the Year Ended March 31, 2014:

	2014 **$**	2013 $
Balance – Beginning of year	**75,750**	77,876
Realized investment income, net of direct investment – related expenses and preservation of capital contributions	**125,168**	72,108
Bursaries awarded - 130 (2013 - 130)	**(63,271)**	(74,234)
Fund balance – End of year	**137,647**	75,750
ENDOWMENT TOTAL BASED ON BOOK VALUE	**4,409,901**	4,310,782

The market value of the endowment as at March 31, 2014 was $4,640,274 (2013 - $4,449,736).

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

Status of	OSAP Recipients		Non-OSAP Recipients		Total	
Recipients	Number	Amount	Number	Amount	Number	Amount
Full-Time	74	36,644	56	26,627	130	63,271
Part-Time	Not applicable	Not applicable	0	0	0	0
Total	74	36,644	56	26,627	130	63,271

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

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

20. FOUNDATION AWARD FOR STUDENT SUPPORT

(i) Schedule of changes in endowment fund for the year ended March 31, 2014:

	$
Balance beginning of year	**207,803**
Cash donations received	**122,019**
Preservation of capital	**2,233**
Balance end of year	**332,055**

(ii) Schedule of changes in expandable funds for the year ended March 31, 2014:

	$
Balance beginning of year	**2,502**
Realized investment income	**7,508**
Bursaries awarded - 11 (2013 - Nil)	**(2,056)**
Balance end of year	**7,954**
ENDOWMENT TOTAL BASED ON BOOK VALUE	**340,009**

The market value of the endowment as at March 31, 2014 was $357,771 (2013 - $217,033).

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

Fair Value

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

Credit Risk

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

The College holds its cash accounts with federally regulated chartered banks who are insured by the Canadian Deposit Insurance Corporation. In the event of default, the College's cash accounts are insured up to $109,000 (2013 - $112,000).

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

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

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

		Past Due				
	Current $	> 90 Days $	> 1 Year $	Total $	Allowances $	Net Receivables $
Accounts receivable	981,549	233,156	335,897	1,550,602	(350,000)	1,200,602
Grants receivable	1,840,350			1,840,350		1,840,350
Pledges receivable	398,030			398,030		398,030
	3,219,929	233,156	335,897	3,788,982	(350,000)	3,438,982

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

The College's investment policy and the Ministry's Banking, Investing and Borrowing Policy puts limits on the bond portfolio including portfolio composition limits, issuer type limits, bond quality limits, and aggregate issuer limits. The debt security portfolio remains very high quality with 100% of the securities rated A or better; all debt securities must have an A rating or better under the College's investment policy. All fixed income portfolios are measured for performance on a not less than semi-annual basis and monitored by management on a monthly basis.

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21. FINANCIAL INSTRUMENT RISK MANAGEMENT (Cont'd)

Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of market factors. Market factors include three types of risk: currency risk, interest rate risk and equity risk.

An investment policy is in place and its application is monitored by the Finance & Investment Committee and the Board of Governors. Diversification techniques are utilized to minimize risk.

Currency Risk

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

The College records its operations in Canadian dollars. The College is exposed to currency fluctuations on some of its securities held in U.S. and international equity securities with a carrying value of $792,580 and $405,521, respectively, as they are denominated in U.S. dollars, and other foreign currencies. These potential currency fluctuations could have a significant impact on the market value of these securities.

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

Interest Rate Risk

Interest rate risk is the potential for financial loss caused by fluctuations in fair value or future cash flows of financial instruments because of changes in market interest rates.

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

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

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

As prevailing interest rates increase or decrease, the market value of these interest-bearing investments change. If interest rates were to change by 1%, with all other variables being held constant, then the effect on the market value of the MTCU mandated portfolio, with a carrying value of $4,249,475 would be approximately a 5% change. The College has structured its portfolio in a manner as to be able to allow debt securities to be held to maturity to reduce any potential interest rate risk.

21. FINANCIAL INSTRUMENT RISK MANAGEMENT (Cont'd)

Equity Risk

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

The College does not have any equity exposure in its MTCU Mandated portfolio and therefore the portfolio is not exposed to significant equity risk. The College's equity portfolio with a carrying value of $2,385,212, includes U.S., International and Canadian stocks with fair values that move with their respective Stock Exchange Composite Index. A 1% movement in the stock markets with all other variables held constant would have an estimated effect on the fair values of the College's equity portfolio of approximately 0.92%.

For pooled equity funds that the College did not sell during the period, the change would be recognized in the asset value and in unrealized gain (loss) on held-for-trading financial instruments. For pooled equity funds that the College did sell during the period, the change during the period and changes prior to the period would be recognized as net realized gains in income during the period.

An investment policy is in place and its application is monitored by the Finance & Investment Committee of the Board of Directors of the Loyalist College Foundation. Diversification techniques are utilized to minimize risk. The policy limits the investment in Canadian equities, US equities and International equities to a maximum of 40%, 20% and 20% respectively and a minimum of 15%, 5% and 5%, respectively.

Liquidity Risk

Liquidity risk is the risk that the College will not be able to meet all cash outflow obligations as they come due. The College mitigates this risk by monitoring cash activities and expected outflows, maintaining liquidity in their investment portfolios, and budgeting expenditures to meet cash needs. There are no material liabilities that can be called unexpectedly at the demand of a lender or client. There are no material commitments for capital expenditures and there is no need for such expenditures in the normal course of business.

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

22. COMPARATIVE FIGURES

In order to conform with the presentation adopted in the current year, certain of the comparative figures have been regrouped.