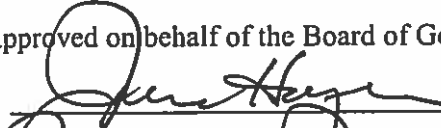
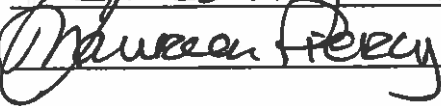


LOYALIST COLLEGE OF APPLIED ARTS & TECHNOLOGY
CONSOLIDATED FINANCIAL STATEMENTS
AS AT MARCH 31, 2016

Approved on behalf of the Board of Governors

 Chair
 President

This document is also available in alternate format

LOYALIST COLLEGE OF APPLIED ARTS & TECHNOLOGY
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPORTING SCHEDULES
AS AT MARCH 31, 2016

TITLE	Page Number
Management's Responsibility for Financial Reporting	
Independent Auditors' Report	
Consolidated Statement of Financial Position	1-2
Consolidated Statement of Operations	3
Consolidated Statement of Net Assets	4
Consolidated Statement of Remeasurement Gains	5
Consolidated Statement of Cash Flows	6
Notes to Consolidated Financial Statements	7-33



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 16, 2016
Date


Maureen Piercy
President & CEO


Catherine Rushton
Senior Vice-President
Corporate Services & CFO

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 which comprise the statement of financial position as at March 31, 2016 and the statements of operation, net assets, remeasurement gains and cash flows for the period then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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, 2016 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 16, 2016

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

LOYALIST COLLEGE OF APPLIED ARTS & TECHNOLOGY
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2016

	2016	2015
	\$	\$
ASSETS		
CURRENT		
Cash	3,513,000	4,792,494
Accounts receivable	632,931	1,101,621
Grants receivable	2,469,680	1,838,406
Inventory	44,594	47,146
Prepaid expenses	664,280	444,759
Current portion of pledges receivables - Note 6	464,386	386,428
	<u>7,788,871</u>	<u>8,610,854</u>
CAPITAL ASSETS - Note 5	<u>39,392,457</u>	<u>41,062,040</u>
OTHER		
Accounts receivable	23,800	27,200
Pledges receivable - Note 6	888,174	962,880
Investments - Note 7	8,996,847	8,972,733
	<u>9,908,821</u>	<u>9,962,813</u>
	<u>57,090,149</u>	<u>59,635,707</u>

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

LOYALIST COLLEGE OF APPLIED ARTS & TECHNOLOGY
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2016

	2016 \$	2015 \$
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	5,368,476	7,922,659
Accrued vacation entitlement	2,876,056	3,058,326
Grants refundable	85,997	150,575
Deferred revenue - Note 9(a)	1,647,891	859,071
Current portion of long-term debt - Note 8	1,039,320	1,904,414
	<u>11,017,740</u>	<u>13,895,045</u>
LONG-TERM		
Term loans payable - Note 8	7,852,505	8,090,425
Accrued future employee benefits - Note 16	419,352	628,428
Accrued non-vested sick leave - Note 16	1,690,000	1,741,000
Accrued vested sick leave - Note 16	289,000	305,000
Accrued workers' compensation	200,000	150,000
Accrued post-retirement benefits - Note 16	446,000	490,000
Deferred capital contributions - Note 9(b)	28,439,421	28,959,756
	<u>39,336,278</u>	<u>40,364,609</u>
NET ASSETS		
Unrestricted		
Operating	(2,931,034)	(2,668,458)
Post-employment benefits and compensated expenses - Note 12	(2,844,352)	(3,164,428)
Vacation	(2,876,056)	(3,058,326)
	<u>(8,651,442)</u>	<u>(8,891,212)</u>
Investment in capital assets - Note 10	2,061,211	2,107,445
Internally restricted - Note 11	4,107,498	2,852,324
Endowment - Note 11	8,894,312	8,787,279
	<u>15,063,021</u>	<u>13,747,048</u>
	<u>6,411,579</u>	<u>4,855,836</u>
ACCUMULATED REMEASUREMENT GAINS	324,552	520,217
CONTINGENCIES AND COMMITMENTS - Note 13		
	<u>57,090,149</u>	<u>59,635,707</u>

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

LOYALIST COLLEGE OF APPLIED ARTS & TECHNOLOGY
CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED MARCH 31, 2016

	2016 \$	2015 \$
REVENUE		
MTCU and other government grants	31,678,978	32,721,073
Amortization of deferred revenue related to capital assets - Note 9(b)	1,764,709	1,907,362
Tuition fees	15,515,412	14,850,487
Non-tuition incidental fees	3,451,616	3,347,075
Ancillary	3,745,811	3,826,233
Contracted services and other	3,125,279	4,531,368
Contributions	143,646	210,078
Interest, dividends and realized gains on investments, net - Note 7(d)	220,872	316,200
	<u>59,646,323</u>	<u>61,709,876</u>
EXPENDITURE		
Salaries and wages	32,014,280	34,995,458
Employee and other benefits	7,649,089	9,420,098
Transportation and communication	918,997	1,098,711
Contracted services and fees	3,761,685	4,082,452
Maintenance and utilities	2,699,972	2,975,767
Supplies and other expenses	2,271,034	2,510,423
Ancillary	1,805,725	1,582,936
Amortization of capital assets	2,980,427	3,309,525
Interest and bank charges	383,174	303,865
Property taxes	259,807	266,069
Scholarships and bursaries	678,421	568,965
Student assistance from tuition set aside	746,947	823,158
Interest on long-term debt	351,734	405,411
Other	1,712,934	2,965,919
	<u>58,234,226</u>	<u>65,308,757</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES FOR YEAR	<u>1,412,097</u>	<u>(3,598,881)</u>

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, 2016

	Investment in Capital Assets \$ (Note 10)	Endowment \$ (Note 11)	Internally Restricted \$ (Note 11)	Unrestricted \$ (Note 12)	2016 Total \$
BALANCE - BEGINNING OF YEAR	2,107,445	8,787,279	2,852,324	(8,891,212)	4,855,836
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,215,718)	(36,613)	1,455,427	1,209,001	1,412,097
INTERFUND TRANSFER			(200,253)	200,253	
ENDOWMENT CONTRIBUTIONS, NET		143,646			143,646
NET CHANGE IN INVESTMENT IN CAPITAL ASSETS	1,169,484			(1,169,484)	
BALANCE - END OF YEAR	2,061,211	8,894,312	4,107,498	(8,651,442)	6,411,579

FOR THE YEAR ENDED MARCH 31, 2015

	Investment in Capital Assets \$ (Note 10)	Endowment \$ (Note 11)	Internally Restricted \$ (Note 11)	Unrestricted \$ (Note 12)	2015 Total \$
BALANCE - BEGINNING OF YEAR	5,006,585	8,517,420	3,093,356	(8,372,722)	8,244,639
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,402,163)	59,781	1,333,005	(3,589,504)	(3,598,881)
INTERFUND TRANSFER			(1,574,037)	1,574,037	
ENDOWMENT CONTRIBUTIONS, NET		210,078			210,078
NET CHANGE IN INVESTMENT IN CAPITAL ASSETS	(1,496,977)			1,496,977	
BALANCE - END OF YEAR	2,107,445	8,787,279	2,852,324	(8,891,212)	4,855,836

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

**LOYALIST COLLEGE OF APPLIED ARTS & TECHNOLOGY
CONSOLIDATED STATEMENT OF REMEASUREMENT GAINS
FOR THE YEAR ENDED MARCH 31, 2016**

	2016 \$	2015 \$
ACCUMULATED REMEASUREMENT GAIN - BEGINNING OF YEAR	520,217	217,241
UNREALIZED GAIN (LOSS) ATTRIBUTABLE TO INVESTMENTS DESIGNATED AT FAIR VALUE	(141,585)	434,306
Realized gain reclassified to the consolidated statement of operations disposition of investments	(54,080)	(131,330)
ACCUMULATED REMEASUREMENT GAIN - END OF YEAR (Externally Restricted Endowment)	324,552	520,217

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

**LOYALIST COLLEGE OF APPLIED ARTS & TECHNOLOGY
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2016**

	2016 \$	2015 \$
OPERATING ACTIVITIES		
Excess (deficiency) of revenues over expenditures for year	1,412,097	(3,598,881)
Amortization of deferred capital revenue	(1,764,709)	(1,907,362)
Amortization of capital assets	2,980,427	3,309,525
	2,627,815	(2,196,718)
Net change in non-cash working capital balances related to operations - Note 14	(2,391,764)	2,011,045
CASH FLOWS PROVIDED FROM (USED IN) OPERATING ACTIVITIES	236,051	(185,673)
INVESTING ACTIVITIES		
Net increase in investments	(219,779)	(305,867)
Increase in net pledges receivable	(3,252)	(56,585)
Decrease on long-term receivable	3,400	3,400
CASH FLOWS USED IN INVESTING ACTIVITIES	(219,631)	(359,052)
FINANCING ACTIVITIES		
Net issuances (repayment) of term loans payable	(1,103,014)	1,719,462
Increase (decrease) in accrued future employee benefits	(209,076)	107,297
Decrease in accrued non-vested sick leave	(51,000)	(66,000)
Decrease in accrued vested sick leave	(16,000)	(29,000)
Increase in workers' compensation	50,000	
Decrease in accrued post-retirement benefits	(44,000)	(2,000)
CASH FLOWS PROVIDED FROM (USED IN) FINANCING ACTIVITIES	(1,373,090)	1,729,759
CAPITAL ACTIVITIES		
Endowment contributions	143,646	210,078
Contributions received related to capital assets - capital campaign	216,488	918,482
Contributions received related to capital assets - grant revenue	1,027,886	870,700
Purchase of capital assets	(1,310,844)	(2,011,667)
CASH FLOWS USED IN CAPITAL ACTIVITIES	77,176	(12,407)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS FOR YEAR	(1,279,494)	1,172,627
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	4,792,494	3,619,867
CASH AND CASH EQUIVALENTS - END OF YEAR	3,513,000	4,792,494
REPRESENTED BY:		
Cash	3,513,000	4,792,494

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, 2016**

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. 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 consolidated 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 Chartered Professional Accountants of Canada (CPA) (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, pledges 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.

**LOYALIST COLLEGE OF APPLIED ARTS & TECHNOLOGY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2016**

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

(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.

These financial instruments 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.

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, accrued workers' compensation and accrued post-retirement benefits. 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.

**LOYALIST COLLEGE OF APPLIED ARTS & TECHNOLOGY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2016**

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

(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.

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.

**LOYALIST COLLEGE OF APPLIED ARTS & TECHNOLOGY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2016**

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

(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

(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.

LOYALIST COLLEGE OF APPLIED ARTS & TECHNOLOGY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2016

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

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

(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.

3. 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:

	Fair Value \$	2016 Amortized Cost \$	Total \$
Cash	3,513,000		3,513,000
Accounts receivable		632,931	632,931
Grants receivable		2,469,680	2,469,680
Pledges receivable		1,352,560	1,352,560
Investments	8,996,847		8,996,847
Accounts payable and accrued liabilities		(5,368,476)	(5,368,476)
Accrued vacation entitlement		(2,876,056)	(2,876,056)
Grants refundable		(85,997)	(85,997)
Term loan payable		(8,891,825)	(8,891,825)
	12,509,847	(12,767,183)	(257,336)

LOYALIST COLLEGE OF APPLIED ARTS & TECHNOLOGY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2016

3. FINANCIAL INSTRUMENT CLASSIFICATION (Cont'd)

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 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

	Level 1	2016 Level 2	Total
	\$	\$	\$
Cash	3,513,000		3,513,000
Investments	4,148,866	4,847,981	8,996,847
Total	7,661,866	4,847,981	12,509,847

There were no transfers between Level 1 and Level 2 for the years ended March 31, 2016 and 2015. There were also no transfers in or out of Level 3.

4. 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 \$19,186 (\$45,046 in 2015) have been included in accounts receivable.

LOYALIST COLLEGE OF APPLIED ARTS & TECHNOLOGY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2016

5. TANGIBLE CAPITAL ASSETS

	2016		2015	
	Cost	Accumulated amortization	Cost	Accumulated amortization
	\$	\$	\$	\$
Land	411,550		411,550	
Collections	254,870		254,870	
Site improvements	2,766,045	2,305,980	2,600,213	2,223,086
Buildings and building improvements	66,485,096	30,592,662	66,316,540	28,988,745
Furniture and equipment	24,242,629	21,984,977	23,327,241	20,691,361
Vehicles	41,938	41,938	41,938	41,938
Leasehold improvements	142,235	142,235	142,235	142,235
Construction in progress	115,886		54,818	
	94,460,249	55,067,792	93,149,405	52,087,365
Cost less accumulated amortization	\$ 39,392,457		\$ 41,062,040	

6. 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:

	\$
2017	464,386
2018	394,748
2019	173,930
2020	136,096
2021	66,880
Thereafter	116,520
Net pledges receivable	1,352,560
Less current portion	464,386
Long-term portion	888,174

LOYALIST COLLEGE OF APPLIED ARTS & TECHNOLOGY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2016

7. INVESTMENTS

- (a) As noted in Note 2(d) to these consolidated financial statements, investments are recorded at fair value at the consolidated statement of financial position date. The market value of investments as at March 31, 2016 and 2015 are as follows:

	2016 Market Value \$	2015 Market Value \$
Cash	46,865	146,365
Fixed-income securities		
Provincial and provincial guaranteed	3,433,251	1,840,665
Corporate - Rated A or better	1,414,730	2,627,640
	4,847,981	4,468,305
Pooled funds		
Cash management fund	218,547	1,877,800
	5,113,393	6,492,470
Equity securities		
Canadian	1,895,804	1,246,582
United States	1,260,546	768,831
International	727,104	464,850
	3,883,454	2,480,263
	8,996,847	8,972,733

- (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 1.6% to 5.3% for these investments.

LOYALIST COLLEGE OF APPLIED ARTS & TECHNOLOGY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2016

7. INVESTMENTS (Cont'd)

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

	2016	2015
	\$	\$
Maturing within one year		203,881
Maturing between one and five years	1,752,929	1,432,208
Maturing over five years	3,095,052	2,832,216
	<u>4,847,981</u>	<u>4,468,305</u>

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

	2016	2015
	\$	\$
Interest income	106,613	169,883
Dividend income	118,504	71,443
Realized gains on disposition of investments	54,080	131,330
	<u>279,197</u>	<u>372,656</u>
Less:		
Interest and investment management fees	(58,325)	(56,456)
	<u>220,872</u>	<u>316,200</u>

LOYALIST COLLEGE OF APPLIED ARTS & TECHNOLOGY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2016

8. TERM LOANS PAYABLE

Term loans payable consisting of the following unsecured amounts:

	2016 \$	2015 \$
Original residence loan bearing interest at 2.84% and repayable by semi-annual blended payments of principal and interest at \$235,608 payable on August 31 and February 28 until maturity on August 28, 2020.	1,977,123	2,384,014
Client information system loan, bearing interest at 2.962% and repayable by semi-annual blended payments of principal and interest of \$102,492 until maturity on April 6, 2015.		100,996
Renovation loan – OFA loan bearing interest at 2.641% and repayable by semi-annual blended payments of principal and interest of \$157,355 payable on May 7 and November 7 until maturity on May 7, 2024.	2,382,058	2,628,958
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.	3,617,850	3,848,425
Residence expansion – two residences plus commons building Part 2 – loan bearing interest at 3.07% and repayable by semi-annual blended payments of principal and interest of \$40,209 payable on August 31 and February 28 until maturity on February 28, 2021.	802,035	853,360
	<u>8,779,066</u>	<u>9,815,753</u>

LOYALIST COLLEGE OF APPLIED ARTS & TECHNOLOGY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2016

8. TERM LOANS PAYABLE (Cont'd)

	2016 \$	2015 \$
Balance carried forward	8,779,066	9,815,753
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.	42,867	56,380
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.	69,892	122,706
	8,891,825	9,994,839
Less current portion	1,039,320	1,904,414
	7,852,505	8,090,425

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, 2016, are as follows:

	\$
2017	1,039,320
2018	1,030,452
2019	1,049,545
2020	1,069,816
2021	869,697
Thereafter	3,832,995
	8,891,825

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

LOYALIST COLLEGE OF APPLIED ARTS & TECHNOLOGY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2016

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 operations at the same rate as amortization is recorded on the related capital assets.

As at March 31, 2016, deferred revenue relating to property, plant and equipment is comprised of the following:

	2016 \$	2015 \$
Beginning of year	28,959,756	29,077,936
Add amounts related to following sources		
Federal and Province of Ontario - capital grants	1,027,886	870,700
Capital campaign contributions	216,488	918,482
	1,244,374	1,789,182
	30,204,130	30,867,118
Deduct amounts related to the following		
Amounts recognized as revenue in year	(1,764,709)	(1,907,362)
End of year	28,439,421	28,959,756

LOYALIST COLLEGE OF APPLIED ARTS & TECHNOLOGY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2016

10. INVESTMENT IN CAPITAL ASSETS

(a) Investment in capital assets at March 31, 2016 represents the following:

	2016 \$	2015 \$
Capital assets, at cost	94,460,249	93,149,405
Accumulated amortization of capital assets	(55,067,792)	(52,087,365)
Term loans payable - current portion	(1,039,320)	(1,904,414)
Term loans payable - long-term portion	(7,852,505)	(8,090,425)
Deferred revenue relating to capital assets	(28,439,421)	(28,959,756)
	2,061,211	2,107,445

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

	2016 \$	2015 \$
Amortization of deferred contributions related to capital assets	1,764,709	1,907,362
Less amortization of capital assets	(2,980,427)	(3,309,525)
	(1,215,718)	(1,402,163)

(c) Net change in investment in capital assets:

	2016 \$	2015 \$
Purchase of capital assets	1,310,844	2,011,667
Amounts funded by:		
Deferred capital contributions	(216,488)	(918,482)
Capital grant contributions	(1,027,886)	(870,700)
Net (issuance) repayment of long-term debt	1,103,014	(1,719,462)
	1,169,484	(1,496,977)

LOYALIST COLLEGE OF APPLIED ARTS & TECHNOLOGY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2016

11. RESTRICTIONS ON NET ASSETS

Externally Restricted

Endowment contributions, and the related accumulated remeasurement gains, have been donated or received as grants 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:

	2016	2015
	\$	\$
Residence	1,308,101	1,286,644
Parking lots and roadways	348,643	387,938
Student Office for Alternative Resources	285,560	280,157
Student government activity	286,018	179,460
Student facilities enhancement	130,149	58,690
Student centre	1,071,012	406,939
Student government - athletic and fitness centre	55,791	31,233
Student government - health centre	240,884	168,387
Student government - Access Copyright	3,047	5,363
Information technology fee	318,259	47,513
Alumni	60,034	
	4,107,498	2,852,324

Residence, Parking Lot and Roadway funds have been set aside to deal with the costs of future major renovations and repairs for these areas. All other internally restricted funds represent net accumulated funds collected from students. Under agreements with Student Government and/or Provincial Government directives these funds must be used to support specified activities and projects. In 2015, the Alumni balance of \$30,887 was included in liabilities.

12. POST-EMPLOYMENT BENEFITS AND COMPENSATED EXPENSES

The post-employment benefits and compensated expenses 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(i). The amounts set aside in the post-employment benefits and compensated expenses are as follows:

	2016	2015
	\$	\$
Accrued future employee benefits	(419,352)	(628,428)
Accrued non-vested sick leave	(1,690,000)	(1,741,000)
Accrued vested sick leave	(289,000)	(305,000)
Accrued post-retirement benefits	(446,000)	(490,000)
	(2,844,352)	(3,164,428)

**LOYALIST COLLEGE OF APPLIED ARTS & TECHNOLOGY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2016**

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.

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 occupancy at 95%. 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.

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.

LOYALIST COLLEGE OF APPLIED ARTS & TECHNOLOGY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2016

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:

	2016 \$	2015 \$
(INCREASE) DECREASE IN CURRENT ASSETS		
Accounts receivable	468,690	98,981
Grants receivable	(631,274)	1,944
Inventory	2,552	6,358
Prepaid expenses	(219,521)	154,464
	<u>(379,553)</u>	<u>261,747</u>
INCREASE (DECREASE) IN CURRENT LIABILITIES		
Accounts payable and accrued liabilities	(2,554,183)	1,645,547
Accrued vacation entitlement	(182,270)	(175,488)
Grants refundable	(64,578)	83,356
Deferred revenue	788,820	195,883
	<u>(2,012,211)</u>	<u>1,749,298</u>
NET CHANGE IN NON-CASH WORKING CAPITAL BALANCES RELATED TO OPERATIONS	<u>(2,391,764)</u>	<u>2,011,045</u>

15. LEASE COMMITMENTS

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

	\$
2017	252,590
2018	216,895
2019	216,895
2020	216,895
2021	216,895

LOYALIST COLLEGE OF APPLIED ARTS & TECHNOLOGY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2016

16. 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.

	2016			
	Future Employee Benefits \$	Non-vesting Sick Leave \$	Vesting Sick Leave \$	Accrued Post- Retirement Benefits \$
Accrued employee future benefits obligations	419,352	1,405,000	262,000	488,000
Fair value of plan assets				(83,000)
Unamortized actuarial gains		285,000	27,000	41,000
Total liability	419,352	1,690,000	289,000	446,000

	2015			
	Future Employee Benefits \$	Non-vesting Sick Leave \$	Vesting Sick Leave \$	Accrued Post- Retirement Benefits \$
Accrued employee future benefits obligations	628,428	1,439,000	300,000	535,000
Fair value of plan assets				(90,000)
Unamortized actuarial gains		302,000	5,000	45,000
Total liability	628,428	1,741,000	305,000	490,000

LOYALIST COLLEGE OF APPLIED ARTS & TECHNOLOGY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2016

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

	2016			
	Future Employee Benefits \$	Non-vesting Sick Leave \$	Vesting Sick Leave \$	Accrued Post- Retirement Benefits \$
Current year benefit cost	209,076	93,000	11,000	(33,000)
Interest on accrued benefit obligation		23,000	5,000	1,000
Benefit payments		(137,000)	(52,000)	(8,000)
Experience losses				1,000
Amortization of unamortized actuarial losses (gains)		(30,000)	20,000	(5,000)
Total expense (recovery)	209,076	(51,000)	(16,000)	(44,000)

	2015			
	Future Employee Benefits \$	Non-vesting Sick Leave \$	Vesting Sick Leave \$	Accrued Post- Retirement Benefits \$
Current year benefit cost	107,297	82,000	10,000	2,000
Interest on accrued benefit obligation		37,000	8,000	2,000
Benefit payments		(145,000)	(66,000)	(10,000)
Experience gains				(2,000)
Amortization of unamortized actuarial losses		(40,000)	19,000	6,000
Total expense (recovery)	107,297	(66,000)	(29,000)	(2,000)

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.

**LOYALIST COLLEGE OF APPLIED ARTS & TECHNOLOGY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2016**

**16. 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 Plan's funding reserve increased to \$1.2 billion from \$773 million in 2015, reflecting in the Plan's 8.1% net return for 2015. The College made contributions to the Plan and its associated retirement compensation arrangement of \$3,469,009 (2015 - \$3,828,855), 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, 2016 of the future benefits was determined using a discount rate of 1.70% (2015 - 1.60%).

(b) Drug Costs

Drug costs were assumed to increase at a 9.0% rate for 2016 (2015 - 9.0%) and decreasing proportionately thereafter to an ultimate rate of 4.0% in 2034 for fiscal 2016 (2015 - 4.0%).

(c) Hospital and Other Medical

Hospital and other medical costs were assumed to increase at 4.0% per annum (2015 - 4.0%).

Medical premium increases were assumed to increase at 7.5% per annum in 2016 (2015 - 7.5%) and decrease proportionately thereafter to an ultimate rate of 4.0% in 2034.

(d) Dental Costs

Dental costs were assumed to increase at 4.0% per annum in 2016 (2015 - 4.0%).

**LOYALIST COLLEGE OF APPLIED ARTS & TECHNOLOGY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2016**

**16. 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

1.8% in 2016 and 1.5% thereafter for academic full time and partial load staff
0.5% in 2016 and 2017 and 1.5% thereafter for full time support staff

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 24.0% and 0 to 40.6 days respectively for age groups ranging from 20 and under to 65 and over in bands of 5 years.

LOYALIST COLLEGE OF APPLIED ARTS & TECHNOLOGY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2016

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, 2016, the activity within the fund is summarized as follows:

(i) Schedule of Changes in Endowment Fund Balance for the Year Ended March 31, 2016 are as Follows:

	2016 \$	2015 \$
Fund balance - Beginning of year	1,740,606	1,728,050
Preservation of capital		12,556
	<u>1,740,606</u>	<u>1,740,606</u>
Fund balance – End of year	1,740,606	1,740,606

(ii) Details of Changes in Expendable Funds Available for Awards for the Year Ended March 31, 2016 are as Follows:

	2016 \$	2015 \$
Fund balance - Beginning of year	48,422	54,781
Realized investment income net of direct investment related expenses and preservation of capital contributions	34,345	42,337
Bursaries awarded - 98 (2015 - 98)	(44,505)	(48,696)
	<u>38,262</u>	<u>48,422</u>
Fund balance - End of year	38,262	48,422
ENDOWMENT TOTAL BASED ON BOOK VALUE	1,778,868	1,789,028

The market value of the endowment as at March 31, 2016 was \$1,870,518 (2015 - \$1,918,569).

LOYALIST COLLEGE OF APPLIED ARTS & TECHNOLOGY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2016

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) Schedule of Changes in Endowment Fund Balance for the Year Ended March 31, 2016:

	2016 \$	2015 \$
Fund balance - Beginning of year	762,506	756,979
Preservation of capital		5,527
Fund balance - End of year	762,506	762,506

(ii) Schedule of Changes in Expendable Funds Available for Awards for the Year Ended March 31, 2016:

	2016 \$	2015 \$
Fund balance - Beginning of year	27,510	21,922
Realized investment income net of direct investment related expenses and preservation of capital contributions	15,147	18,634
Bursaries awarded - 41 (2015 - 30)	(20,596)	(13,046)
Fund balance - End of year	22,061	27,510
ENDOWMENT TOTAL BASED ON BOOK VALUE	784,567	790,016

The market value of the endowment as at March 31, 2016 was \$824,989 (2015 - \$847,220).

LOYALIST COLLEGE OF APPLIED ARTS & TECHNOLOGY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2016

18. ONTARIO TRUST FOR STUDENT SUPPORT

(i) Schedule of Changes in Endowment Fund Balance for the Year Ended March 31, 2016:

	2016 \$	2015 \$
Balance - Beginning of year	4,303,381	4,272,254
Preservation of capital		31,127
Fund balance - End of year	4,303,381	4,303,381

(ii) Schedule of Changes in Expendable Funds Available for Awards for the Year Ended March 31, 2016:

	2016 \$	2015 \$
Balance - Beginning of year	138,219	137,647
Realized investment income, net of direct investment - related expenses and preservation of capital contributions	85,124	104,903
Bursaries awarded - 160 (2015 - 177)	(116,785)	(104,331)
Fund balance - End of year	106,558	138,219
ENDOWMENT TOTAL BASED ON BOOK VALUE	4,409,939	4,441,600

The market value of the endowment as at March 31, 2016 was \$4,637,147 (2015 - \$4,763,211).

**LOYALIST COLLEGE OF APPLIED ARTS & TECHNOLOGY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2016**

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

Status of Recipients	OSAP Recipients		Non-OSAP Recipients		Total	
	Number #	Amount \$	Number #	Amount \$	Number #	Amount \$
Full-Time	80	61,214	80	55,571	160	116,785
Part-Time	Not applicable	Not applicable	0	0	0	0
Total	80	61,214	80	55,571	160	116,785

- (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.

19. FOUNDATION AWARD FOR STUDENT SUPPORT

(i) Schedule of Changes in Endowment Fund for the Year ended March 31, 2016:

	\$
Balance beginning of year	545,137
Cash donations received	142,342
Balance end of year	687,479

(ii) Schedule of Changes in Expendable Funds for the Year ended March 31, 2016:

	\$
Balance beginning of year	9,457
Realized investment income	11,749
Bursaries awarded - 25 (2015 - 13)	(562)
Balance end of year	20,644
ENDOWMENT TOTAL BASED ON BOOK VALUE	708,123

The market value of the endowment as at March 31, 2016 was \$744,607 (2015 - \$594,751).

LOYALIST COLLEGE OF APPLIED ARTS & TECHNOLOGY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2016

20. 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 7) and term loans payable (Note 8).

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 \$103,000 (2015 - \$124,000). The College has access to a \$2 million line of credit with a federal regulated chartered bank.

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	645,762	95,038	242,131	982,931	(350,000)	632,931
Grants receivable	2,469,680			2,469,680		2,469,680
Pledges receivable	464,386		888,174	1,352,560		1,352,560
	3,579,828	95,038	1,130,305	4,805,171	(350,000)	4,455,171

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.

**LOYALIST COLLEGE OF APPLIED ARTS & TECHNOLOGY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2016**

20. 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 \$1,260,546 (CAD) and \$727,104 (CAD), 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 values 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 \$4,847,981 would be approximately a 6.1% 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.

In addition to the above, the College is exposed to interest rate risk as it has term loans payable in the amount of \$8,891,825 bearing interest at a fixed rate as described in Note 8 to these financial statements. As prevailing interest rates fluctuate, the market value of these debts will fluctuate. Risk is mitigated by the College's intention and ability to hold the debt to maturity.

**LOYALIST COLLEGE OF APPLIED ARTS & TECHNOLOGY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2016**

20. 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 \$3,883,454, 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 0.85%.

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 60%, 30% and 30% respectively and a minimum of 26%, 12% and 12%, 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.

21. COMPARATIVE FIGURES

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