

Consolidated Financial Statements of

**LOYALIST COLLEGE OF
APPLIED ARTS &
TECHNOLOGY**

Year ended March 31, 2022

LOYALIST COLLEGE OF APPLIED ARTS & TECHNOLOGY

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MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements of the Loyalist College of Applied Arts & Technology (the "College") are the responsibility of management and have been approved by the Board of Governors (the "Board").

The consolidated financial statements have been prepared by management in accordance with Canadian public sector accounting standards for government not-for-profit organizations, including the 4200 series of standards, as issued by the Public Sector Accounting Board. 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.

The College maintains systems of internal accounting and administrative controls of high quality, 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.

The College's insurance liabilities have been reviewed by management in consultation with its broker. There are no material liabilities in either fact or contingency as at the date of this report.

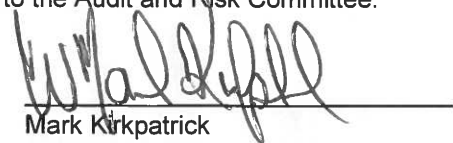
The Board is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the consolidated financial statements. The Board carries out this responsibility principally through its Audit and Risk Committee.

The Audit and Risk Committee is appointed by the Board and meets regularly with management, as well as 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 auditor's report. The Audit and Risk Committee reports its findings to the Board for consideration when approving the consolidated financial statements. The Audit and Risk Committee also considers, for review and approval by the Board, the engagement or re-appointment of the external auditors.

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



Ann Marie Vaughan
President & CEO



Mark Kirkpatrick
Sr. Vice-President of Corporate
Services & CFO

May 26, 2022



KPMG LLP
863 Princess Street, Suite 400
Kingston ON K7L 5N4
Canada
Tel 613-549-1550
Fax 613-549-6349

INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the consolidated financial statements of Loyalist College of Applied Arts & Technology (“the College”), which comprise:

- the consolidated statement of financial position as at March 31, 2022
- the consolidated statement of operations for the year then ended
- the consolidated statement of changes in net assets for the year then ended
- the consolidated statement of cash flows for the year then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the “financial statements”).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the College as at March 31, 2022, and its results of operations, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the “***Auditors’ Responsibilities for the Audit of the Financial Statements***” section of our auditors’ report.

We are independent of the College in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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



Other Information

Management is responsible for the other information. Other information comprises:

- the information, other than the consolidated financial statements and the auditors' report thereon, included in the Annual Report 2021-2022.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information, other than the consolidated financial statements and the auditors' report thereon, included in the Annual Report 2021-2022 as at the date of this auditors' report.

If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditors' report.

We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the financial statements

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

In preparing the consolidated financial statements, management is responsible for assessing the College's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the College or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the College's financial reporting process.



Auditors' Responsibilities for the Audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 College's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the College's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the College to cease to continue as a going concern.



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- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Obtain sufficient appropriate regarding the financial information of the entities or business activities within the College to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Kingston, Canada

May 26, 2022

LOYALIST COLLEGE OF APPLIED ARTS & TECHNOLOGY

Consolidated Statement of Financial Position

March 31, 2022, with comparative information for 2021

	2022	2021
Assets		
Current assets:		
Cash and cash equivalents	\$ 53,139,374	\$ 56,117,680
Short-term investments (note 6)	50,114,192	15,023,288
Accounts receivable	5,207,652	4,209,053
Grants receivable	1,676,219	3,459,662
Inventory	39,951	36,697
Prepaid expenses	5,397,320	1,888,504
Current portion of pledges receivables (note 5)	170	233,800
	115,574,878	80,968,684
Tangible capital assets (note 4)	52,160,890	44,601,816
Pledges receivable (note 5)	-	170
Investments, net (note 6)	13,670,164	13,199,924
	\$ 181,405,932	\$ 138,770,594

2022

2021

Liabilities and Net Assets

Current liabilities:

Accounts payable and accrued liabilities	\$ 9,419,755	\$ 8,539,326
Accrued vacation entitlement	3,232,980	3,010,831
Grants refundable	3,240,750	179,009
Deferred revenue (note 8(a))	85,852,733	55,288,996
Current portion of term loans payable (note 7)	618,721	596,020
	<u>102,364,939</u>	<u>67,614,182</u>

Term loans payable (note 7)	2,115,286	2,734,007
Accrued future employee benefits (note 15)	292,913	173,690
Accrued non-vested sick leave (note 15)	1,646,000	1,659,000
Accrued vested sick leave (note 15)	124,000	201,000
Accrued post-retirement benefits (note 15)	364,000	389,000
Deferred capital contributions (note 8(b))	32,527,095	31,848,755
	<u>139,434,233</u>	<u>104,619,634</u>

Net assets:

Unrestricted:

Operating sufficiency	15,051,408	10,974,382
Post-employment benefits and compensated expenses	(2,426,913)	(2,422,690)
Vacation	(3,232,980)	(3,010,831)
Residences	(1,599,190)	(1,177,515)
Parking lot	(11,960)	(258,668)
	<u>7,780,365</u>	<u>4,104,678</u>

Investment in capital assets (note 9(a))	18,161,809	15,217,909
Endowment (note 10(a))	11,989,911	11,253,903
Internally restricted (note 10(b))	4,039,614	3,574,470
	<u>41,971,699</u>	<u>34,150,960</u>

Commitments (notes 11 and 14)

Contingencies (note 12)

\$ 181,405,932

\$ 138,770,594

See accompanying notes to consolidated financial statements.

On behalf of the Board:



Chair



President

LOYALIST COLLEGE OF APPLIED ARTS & TECHNOLOGY

Consolidated Statement of Operations

Year ended March 31, 2022, with comparative information for 2021

	2022	2021
Revenue:		
Ministry of Colleges and Universities and other government grants	\$ 33,116,762	\$ 34,853,173
Amortization of deferred capital contributions (note 8(b))	2,878,157	2,247,037
Tuition fees and non-tuition incidental fees	31,642,182	31,777,161
Ancillary	2,291,195	1,429,393
Contracted services and other	64,177,071	17,835,144
Interest, dividends and realized gains/losses on investments (note 6(e))	922,079	606,940
	<u>135,027,446</u>	<u>88,748,848</u>
Expenses:		
Contracted services and fees	50,456,042	13,711,031
Salaries and wages	44,223,888	41,149,632
Employee and other benefits	10,257,711	8,996,089
Amortization of tangible capital assets	4,947,281	3,934,989
Maintenance and utilities	4,072,474	3,944,355
Insurance and bank charges	2,951,418	1,890,627
Scholarships and bursaries	2,739,454	1,493,245
Supplies and minor equipment	2,439,441	1,873,517
Ancillary	1,831,132	1,423,489
Other	1,564,820	1,881,377
Transportation and communication	1,332,375	1,605,052
Student assistance from tuition set aside	750,000	750,000
Property taxes	246,799	296,796
Interest on term loans payable	129,880	169,283
	<u>127,942,715</u>	<u>83,119,482</u>
Excess of revenue over expenses	<u>\$ 7,084,731</u>	<u>\$ 5,629,366</u>

See accompanying notes to consolidated financial statements.

LOYALIST COLLEGE OF APPLIED ARTS & TECHNOLOGY

Consolidated Statement of Changes in Net Assets

Year ended March 31, 2022, with comparative information for 2021

	Investment in capital assets (note 9)	Endowment (note 10(a))	Internally restricted (note 10(b))	Unrestricted	2022 Total	2021 Total
Balance, beginning of year	\$ 15,217,909	\$ 11,253,903	\$ 3,574,470	\$ 4,104,678	\$ 34,150,960	\$ 28,450,803
Excess (deficiency) of revenue over expenses	(2,069,124)	–	115,624	9,038,231	7,084,731	5,629,366
Interfund transfers	–	–	349,520	(349,520)	–	–
Endowment contributions	–	736,008	–	–	736,008	70,791
Net change in investment in capital assets	5,013,024	–	–	(5,013,024)	–	–
Balance, end of year	\$ 18,161,809	\$ 11,989,911	\$ 4,039,614	\$ 7,780,365	\$ 41,971,699	\$ 34,150,960

See accompanying notes to consolidated financial statements.

LOYALIST COLLEGE OF APPLIED ARTS & TECHNOLOGY

Consolidated Statement of Cash Flows

Year ended March 31, 2022, with comparative information for 2021

	2022	2021
Cash provided by (used in):		
Operating activities:		
Excess of revenue over expenses	\$ 7,084,731	\$ 5,629,366
Items not involving cash:		
Amortization of deferred capital contributions	(2,878,157)	(2,247,037)
Amortization of capital assets	4,947,281	3,934,989
Increase (decrease) in accrued future employee benefits	119,223	(416,103)
Increase (decrease) in accrued non-vested sick leave	(13,000)	13,000
Decrease in accrued vested sick leave	(77,000)	(10,000)
Increase (decrease) in accrued post-retirement benefits	(25,000)	2,000
Net change in non-cash operating working capital (note 13)	32,000,830	33,167,867
	41,158,908	40,074,082
Investing activities:		
Increase in investments	(35,561,144)	(17,795,341)
Decrease in pledges receivable	233,800	244,375
Decrease in long-term receivable	—	10,200
	(35,327,344)	(17,540,766)
Financing activities:		
Repayment of term loans payable	(596,020)	(1,372,657)
Capital activities:		
Endowment contributions	736,008	70,791
Contributions related to capital assets	3,556,497	5,413,683
Purchase of capital assets	(12,506,355)	(4,562,869)
	(8,213,850)	921,605
Increase (decrease) in cash and cash equivalents	(2,978,306)	22,082,264
Cash and cash equivalents, beginning of year	56,117,680	34,035,416
Cash and cash equivalents, end of year	\$ 53,139,374	\$ 56,117,680

See accompanying notes to consolidated financial statements.

LOYALIST COLLEGE OF APPLIED ARTS & TECHNOLOGY

Notes to Consolidated Financial Statements

Year ended March 31, 2022

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.

1. Significant accounting policies:

The consolidated financial statements have been prepared by management in accordance with Canadian public sector accounting standards including the 4200 standards for government not-for-profit organizations:

(a) Basis of consolidation:

The consolidated financial statements include the accounts of Loyalist College of Applied Arts & Technology and The Loyalist College Foundation. All significant intercompany balances and transactions have been eliminated upon consolidation.

(b) Use of estimates:

The preparation of consolidated financial statements 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 revenue and expenses during the year. Estimates relate to the fair value for investments, valuation of accounts receivables, useful estimated life of capital assets and deferred capital contributions, actuarial estimation of employee future benefits, non-vested and vested sick leave and post-retirement benefits. Actual results could differ from these estimates.

(c) 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:

(i) 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.

LOYALIST COLLEGE OF APPLIED ARTS & TECHNOLOGY

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2022

1. Significant accounting policies (continued):

(c) Financial instruments (continued):

(i) Fair value (continued):

These financial instruments are initially recognized at cost and subsequently carried at fair value. Unrealized changes in fair value of externally restricted amounts are recognized in the Consolidated Statement of Financial Position as deferred revenue until they are realized, when they are transferred to the Consolidated Statement of Operations. A Statement of Remeasurement Gains and Losses has not been provided as there are no significant unrealized gains or losses at March 31, 2022.

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

(ii) Amortized cost:

This category includes accounts receivable, grants receivable, pledges receivable, accounts payable and accrued liabilities, accrued vacation entitlement, grants refundable, and term loans payable. They are initially recognized at cost and subsequently carried at amortized cost using the effective interest rate method, less any impairment losses on financial assets.

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

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

(d) Revenue recognition:

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

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

Tuition and ancillary fees are recognized as revenue based on the portion of the academic period that occurs within the fiscal year of the College. Fees received for courses that commence after the end of the fiscal year of the College are recorded as deferred revenue.

LOYALIST COLLEGE OF APPLIED ARTS & TECHNOLOGY

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2022

1. Significant accounting policies (continued):

(d) Revenue recognition (continued):

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.

(e) Capital assets:

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.

LOYALIST COLLEGE OF APPLIED ARTS & TECHNOLOGY

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2022

1. Significant accounting policies (continued):

(e) Capital assets (continued):

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

Asset	Useful life
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

Costs of construction in progress are capitalized. Amortization is not recognized until project completion.

The carrying value of an item of capital assets is tested for recoverability whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized when the carrying amount is not recoverable and exceeds its fair value. Capital assets have been reviewed for full or partial impairment. Management has determined there are none.

(f) Vacation pay:

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

(g) Accrued future employee benefits, non-vesting and vesting sick leave:

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 most recent actuarial valuation of the pension plan for funding purposes was as of January 1, 2021, and the next required valuation will be as of January 1, 2024. The most recent actuarial valuation dates of the other employee future benefit plans are disclosed in note 15. 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 (continued)

Year ended March 31, 2022

1. Significant accounting policies (continued):

(g) Accrued future employee benefits, non-vesting and vesting sick leave (continued):

(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.

(h) 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.

2. Financial instrument classification:

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

	Fair Value	Amortized cost	2022 Total
Cash and cash equivalents	\$ 53,139,374	\$ –	\$ 53,139,374
Short-term investments	50,114,192	–	50,114,192
Accounts receivable	–	5,207,652	5,207,652
Grants receivable	–	1,676,219	1,676,219
Pledges receivable	–	170	170
Investments	13,670,164	–	13,670,164
Accounts payable and accrued liabilities	–	(9,419,755)	(9,419,755)
Accrued vacation entitlement	–	(3,232,980)	(3,232,980)
Grants refundable	–	(3,240,750)	(3,240,750)
Term loans payable	–	(2,734,007)	(2,734,007)
	\$ 116,923,730	\$ (11,743,451)	\$ 105,180,279

LOYALIST COLLEGE OF APPLIED ARTS & TECHNOLOGY

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2022

2. Financial instrument classification (continued):

	Fair Value	Amortized cost	2021 Total
Cash and cash equivalents	\$ 56,117,680	\$ –	\$ 56,117,680
Short-term investments	15,023,288	–	15,023,288
Accounts receivable	–	4,209,053	4,209,053
Grants receivable	–	3,459,662	3,459,662
Pledges receivable	–	233,970	233,970
Investments	13,199,924	–	13,199,924
Accounts payable and accrued liabilities	–	(8,539,327)	(8,539,327)
Accrued vacation entitlement	–	(3,010,831)	(3,010,831)
Grants refundable	–	(179,009)	(179,009)
Term loans payable	–	(3,330,027)	(3,330,027)
	\$ 84,340,892	\$ (7,156,509)	\$ 77,184,383

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 3 fair value measurements are those derived from unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets and liabilities.

	Level 1	Level 2	2022 Total (note 6(c))
Cash and cash equivalents	\$ 53,139,374	\$ –	\$ 53,139,374
Short-term investments	50,114,192	–	50,114,192
Investments	8,831,187	4,838,977	13,670,164
	\$ 112,084,753	\$ 4,838,977	\$ 116,923,730

LOYALIST COLLEGE OF APPLIED ARTS & TECHNOLOGY

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2022

2. Financial instrument classification (continued):

	Level 1	Level 2	2021 Total (note 6(c))
Cash and cash equivalents	\$ 56,117,680	\$ –	\$ 56,117,680
Short-term investments	15,023,288	–	15,023,288
Investments	8,459,749	4,740,175	13,199,924
	<u>\$ 79,600,717</u>	<u>\$ 4,740,175</u>	<u>\$ 84,340,892</u>

There were no transfers between Level 1 and Level 2 for the years ended March 31, 2022 and 2021. There were also no transfers in or out of Level 3.

3. 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 \$1,400 (2021 - \$3,800) have been included in accounts receivable on the Consolidated Statement of Financial Position.

4. Tangible capital assets:

	Cost	Accumulated amortization	2022 Net book value	2021 Net book value
Land	\$ 411,550	\$ –	\$ 411,550	\$ 411,550
Artwork	254,870	–	254,870	254,870
Site improvements	6,249,349	3,712,378	2,536,971	1,844,851
Buildings and building improvements	87,202,710	42,647,461	44,555,249	36,778,920
Furniture and equipment	33,966,236	29,942,999	4,023,237	3,020,874
Vehicles	201,515	146,385	55,130	24,996
Leasehold improvements	339,372	161,949	177,423	–
Construction in progress	146,460	–	146,460	2,265,755
	<u>\$ 128,772,062</u>	<u>\$ 76,611,172</u>	<u>\$ 52,160,890</u>	<u>\$ 44,601,816</u>

Cost and accumulated amortization of capital assets at March 31, 2021 amounted to \$116,449,929 and \$71,848,113, respectively.

LOYALIST COLLEGE OF APPLIED ARTS & TECHNOLOGY

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2022

5. Pledges receivable:

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

2023	\$	170
Net pledges receivable		170
Less current portion		(170)
Long-term portion	\$	-

6. Investments:

(a) Short-term investments are comprised of GICs with a fair market value of \$50,114,192 (2021 - \$15,023,288) and a cost of \$50,000,000 (2021 - 15,000,000). The effective interest rates range from 0.9% to 1.0% (2021 - 0.9% to prime less 2.2%) and will mature in December 2022 and January 2023 (2021 - December 2021 to February 2022).

(b) As noted in note 1(c) to these consolidated financial statements, investments are recorded at fair value at the Consolidated Statement of Financial Position date. The fair market value of investments are as follows:

	2022	2021
Fixed-income securities:		
Federal	\$ 495,212	\$ 300,733
Provincial and provincial guaranteed	1,528,904	1,988,145
Municipal	265,339	41,036
Corporate - Rated A or better	2,549,522	2,410,261
	4,838,977	4,740,175
Pooled funds:		
Money market fund	742,353	916,312
Equity securities:		
Canadian	4,048,729	3,943,757
United States	2,041,396	1,801,232
International	1,998,709	1,798,448
	8,088,834	7,543,437
	\$ 13,670,164	\$ 13,199,924

The book value of investments at March 31, 2022 are \$12,810,292 (2021 - \$11,785,549).

LOYALIST COLLEGE OF APPLIED ARTS & TECHNOLOGY

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2022

6. Investments (continued):

(c) 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 0.6% to 3.8% (2021 - 0.6% to 3.8%) for these investments.

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

	2022	2021
Maturing between one and five years	\$ 1,531,786	\$ 1,683,003
Maturing over five years	3,307,191	3,057,172
	<u>\$ 4,838,977</u>	<u>\$ 4,740,175</u>

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

	2022	2021
Interest income	\$ 891,011	\$ 502,354
Dividend income	335,549	284,130
Realized losses on disposition of investments	(227,400)	(109,724)
	<u>999,160</u>	<u>676,760</u>
Less: Interest and investment management fees	(77,081)	(69,820)
	<u>\$ 922,079</u>	<u>\$ 606,940</u>

LOYALIST COLLEGE OF APPLIED ARTS & TECHNOLOGY

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2022

7. Term loans payable:

Term loans payable consisting of the following unsecured amounts:

	2022	2021
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.	\$ 756,557	\$ 1,045,551
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.	1,977,450	2,284,476
	2,734,007	3,330,027
Less current portion	(618,721)	(596,020)
	\$ 2,115,286	\$ 2,734,007

The principal portion of the term loans repayable over the next five years and thereafter, based on terms and agreements in effect as at March 31, 2022, are as follows:

2023	\$ 618,721
2024	642,340
2025	509,593
2026	371,607
2027	591,746
	\$ 2,734,007

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 (continued)

Year ended March 31, 2022

8. Deferred contributions:

(a) Deferred revenue:

Deferred revenue is comprised of:

	2022	2021
Ministry of Colleges, Universities and other grants	\$ 740,835	\$ 634,488
Tuition fees	82,897,685	51,945,896
Externally restricted donations	485,389	585,047
Other	92,948	94,287
Restricted investment income	945,498	780,659
Unrealized gains on long-term investments	690,378	1,248,619
	<u>\$ 85,852,733</u>	<u>\$ 55,288,996</u>

(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.

Deferred revenue relating to tangible capital assets is comprised of the following:

	2022	2021
Balance, beginning of year	\$ 31,848,755	\$ 28,682,109
Add amounts related to the following sources:		
Federal/Province of Ontario grants and capital campaign	3,556,497	5,413,683
Deduct amounts related to the following:		
Amounts recognized as revenue in the year	(2,878,157)	(2,247,037)
Balance, end of year	<u>\$ 32,527,095</u>	<u>\$ 31,848,755</u>

The balance of deferred capital contributions consists of the following:

	2022	2021
Unamortized capital contributions	\$ 31,265,074	\$ 26,053,880
Unspent capital contributions	1,262,021	5,794,875
	<u>\$ 32,527,095</u>	<u>\$ 31,848,755</u>

LOYALIST COLLEGE OF APPLIED ARTS & TECHNOLOGY

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2022

9. Investment in capital assets:

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

	2022	2021
Tangible capital assets, at cost	\$ 128,772,062	\$ 116,449,929
Accumulated amortization of tangible capital assets	(76,611,172)	(71,848,113)
Term loans payable - current portion	(618,721)	(596,020)
Term loans payable - long-term portion	(2,115,286)	(2,734,007)
Deferred capital contributions	(31,265,074)	(26,053,880)
	<u>\$ 18,161,809</u>	<u>\$ 15,217,909</u>

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

	2022	2021
Excess of expenses over revenue:		
Amortization of deferred contributions related to capital assets	\$ 2,878,157	\$ 2,247,037
Less amortization of capital assets	(4,947,281)	(3,934,989)
	<u>\$ (2,069,124)</u>	<u>\$ (1,687,952)</u>

	2022	2021
Purchase of capital assets	\$ 12,506,355	\$ 4,562,869
Amounts funded by:		
Capital contributions	(8,089,351)	(1,095,411)
Repayment of term loans payable	596,020	1,372,657
	<u>\$ 5,013,024</u>	<u>\$ 4,840,115</u>

10. Restrictions on net assets:

(a) Endowment:

The externally restricted endowment contributions have been donated or received as grants from governments specifically for student assistance. Income earned is expendable to provide financial assistance to students.

LOYALIST COLLEGE OF APPLIED ARTS & TECHNOLOGY

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2022

10. Restrictions on net assets (continued):

(b) Internally restricted:

These funds have been restricted by the Board of Governors to be expended on the following:

	2022	2021
Student Office for Alternative Resources	\$ 329,333	\$ 324,174
Student government activity	1,363,874	1,266,357
Student facilities enhancement	71,762	57,335
Student centre	432,821	606,388
Student government - health centre	602,720	536,993
Information technology fee	567,668	471,099
Alumni	68,845	40,230
Work-integrated learning	602,591	271,894
	<u>\$ 4,039,614</u>	<u>\$ 3,574,470</u>

Residence funds have been set aside to deal with the costs of future major renovations and repairs for these areas. Residence is in a deficit position due to the reduction in 2021/22 revenue. Parking lot funds have been set aside for future renovations. Parking lot is in a deficit position due to the reduction in 2021/22 revenue. The 2022 deficits of the Residence and Parking lot will therefore be included against the Unrestricted surplus in the current year. All other internally restricted funds represent net accumulated funds collected from students.

11. Commitments:

- (a) The College has entered into three agreements which allow outside parties to use certain of the College's facilities for use as a bookstore, a cafeteria and for print and mail services, respectively. If the College prematurely terminates the contracts, the College is liable to pay the depreciated value of leasehold improvements paid for by the other parties to the agreements. It is not anticipated that any of the contracts will be terminated prior to the date anticipated in the respective contracts.
- (b) 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 96%. Management has assessed the likelihood of any actual guarantee payments. Due to COVID-19, the college was required to reimburse the third party for not meeting the residence occupancy of 96% in the 2022 fiscal year.

LOYALIST COLLEGE OF APPLIED ARTS & TECHNOLOGY

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2022

12. Contingencies:

The nature of the College's activities is such that there is usually litigation pending or in prospect at any time. With respect to claims at March 31, 2022, management believes that the College has valid defenses and appropriate insurance coverages in place. In the event any claims are successful, management believes that such claims are not expected to have a material effect on the College's financial position.

13. Net change in non-cash operating working capital:

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

	2022	2021
Accounts receivable	\$ (998,599)	\$ (1,207,743)
Grants receivable	1,783,443	(1,113,657)
Inventory	(3,254)	15,127
Prepaid expenses	(3,508,816)	(501,673)
Accounts payable and accrued liabilities	880,429	912,383
Accrued vacation entitlement	222,149	(154,357)
Grants refundable	3,061,741	15,137
Deferred revenue	30,563,737	35,202,650
	<u>\$ 32,000,830</u>	<u>\$ 33,167,867</u>

14. Lease commitments

The College leases certain premises and equipment for which the future minimum lease payment are as follows:

2023	\$ 429,778
2024	147,237
2025	35,421
Total	<u>\$ 612,436</u>

LOYALIST COLLEGE OF APPLIED ARTS & TECHNOLOGY

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2022

15. 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.

	Employee future benefits	Non-vesting sick leave	Vesting sick leave	2022 Accrued post- retirement benefits
Accrued employee future benefits obligations	\$ 292,913	\$ 1,390,000	\$ 32,000	\$ 465,000
Fair value of plan assets	–	–	–	(122,000)
Unamortized actuarial gains	–	256,000	92,000	21,000
Total liability	\$ 292,913	\$ 1,646,000	\$ 124,000	\$ 364,000

	Employee future benefits	Non-vesting sick leave	Vesting sick leave	2021 Accrued post- retirement benefits
Accrued employee future benefits obligations	\$ 173,690	\$ 1,438,000	\$ 39,000	\$ 474,000
Fair value of plan assets	–	–	–	(108,000)
Unamortized actuarial gains	–	221,000	162,000	23,000
Total liability	\$ 173,690	\$ 1,659,000	\$ 201,000	\$ 389,000

LOYALIST COLLEGE OF APPLIED ARTS & TECHNOLOGY

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2022

15. Accrued future employee benefits and compensated absences liability (continued):

	Employee future benefits	Non-vesting sick leave	Vesting sick leave	2022 Accrued post- retirement benefits
Current year benefit cost (recovery)	\$ 119,223	\$ 125,000	\$ 1,000	\$ (17,000)
Interest on accrued benefit obligation	–	27,000	1,000	1,000
Benefit payments	–	(165,000)	(71,000)	(3,000)
Amortization of unamortized actuarial gains	–	–	(7,000)	(6,000)
Total expense (recovery)	\$ 119,223	\$ (13,000)	\$ (76,000)	\$ (25,000)

	Employee future benefits	Non-vesting sick leave	Vesting sick leave	2021 Accrued post- retirement benefits
Current year benefit cost (recovery)	\$ (416,103)	\$ 152,000	\$ 1,000	\$ 10,000
Interest on accrued benefit obligation	–	24,000	1,000	1,000
Benefit payments	–	(163,000)	(9,000)	(3,000)
Amortization of unamortized actuarial gains	–	–	(3,000)	(6,000)
Total expense (recovery)	\$ (416,103)	\$ 13,000	\$ (10,000)	\$ 2,000

LOYALIST COLLEGE OF APPLIED ARTS & TECHNOLOGY

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2022

15. Accrued future employee benefits and compensated absences liability (continued):

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.

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 most recent actuarial valuation filed with pension regulators as at January 1, 2022 indicated an actuarial surplus of \$4.4 billion (January 1, 2021 - \$3.3 billion), reflecting in the Plan's 15.6% net return for 2022. The College made contributions to the Plan and its associated retirement compensation arrangement of \$4,304,976 (2021 - \$4,098,369), 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 most recent actuarial valuation of these employee future benefits was completed February 5, 2020 for the non-pension post-retirement plan and January 29, 2021 for the continuation of medical and dental benefits and the life waiver of premium benefit for employees currently on long-term disability. The results of these valuations have been extrapolated to March 31, 2022. 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.

LOYALIST COLLEGE OF APPLIED ARTS & TECHNOLOGY

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2022

15. Accrued future employee benefits and compensated absences liability (continued):

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

(a) Discount Rate

The present value as at March 31, 2022 of the future benefits was determined using a discount rate of 2.9% (2021 - 1.7%).

(b) Medical

Medical premium increases were assumed to increase at 6.29% per annum in 2022 (2021 - 6.42%) and decrease proportionately thereafter to an ultimate rate of 4.0% in 2040.

(c) Dental Costs

Dental costs were assumed to increase at 4% per annum in 2022 (2021 - 4.0%).

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:

LOYALIST COLLEGE OF APPLIED ARTS & TECHNOLOGY

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2022

15. Accrued future employee benefits and compensated absences liability (continued):

Wage and salary escalation:

2% in 2021, 1% in 2022 and thereafter for full-time and partial load academic staff.

1% increases twice per annum in 2021 for full-time support staff, a 1% and 1.25% increase in 2022, and 1% increases twice per annum thereafter.

1.25% in 2021 for part time support staff, 1% in 2022 and 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 26.2% and 0 to 51 days, respectively, for age groups ranging from 20 and under to 65 and over in bands of 5 years.

The unamortized actuarial gains and losses are amortized over the expected average remaining service life:

Accumulated sick leave benefit entitlements for 10 years (2021 - 10.0 years) for academic

Accumulated sick leave benefit entitlements for 10.2 years (2021 - 10.2 years) for support

Employee future benefits for 11.3 years (2021 - 11.3 years)

LOYALIST COLLEGE OF APPLIED ARTS & TECHNOLOGY

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2022

16. 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 Colleges & Universities (MCU), 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, 2022, the activity within the fund is summarized as follows:

- (i) Schedule of Changes in Endowment Fund Balance for the year ended March 31:

	2022	2021
Fund balance, beginning of year	\$ 1,951,675	\$ 1,852,669
Preservation of capital	76,318	99,006
Fund balance, end of year	\$ 2,027,993	\$ 1,951,675

- (ii) Details of Changes in Expendable Funds Available for Awards for the year ended March 31:

	2022	2021
Fund balance, beginning of year	\$ 67,140	\$ 31,198
Realized investment income net of direct investment related expenses and preservation of capital contributions	74,891	56,998
Bursaries awarded - 68 (2021 - 70)	(27,665)	(21,056)
Fund balance, end of year	\$ 114,366	\$ 67,140
Endowment total based on book value	\$ 2,142,359	\$ 2,018,815

The market value of the endowment as at March 31, 2022 was \$2,280,824 (2021 - \$2,258,286).

LOYALIST COLLEGE OF APPLIED ARTS & TECHNOLOGY

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2022

16. Ontario student opportunity trust fund (continued):

(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:

	2022	2021
Fund balance, beginning of year	\$ 855,445	\$ 811,857
Preservation of capital	33,715	43,588
Fund balance, end of year	\$ 889,160	\$ 855,445

(ii) Schedule of Changes in Expendable Funds Available for Awards for the year ended March 31:

	2022	2021
Fund balance, beginning of year	\$ 34,147	\$ 16,793
Realized investment income net of direct investment related expenses and preservation of capital contributions	33,086	25,095
Bursaries awarded - 14 (2021 - 26)	(4,915)	(7,741)
Fund balance, end of year	\$ 62,318	\$ 34,147
Endowment total based on book value	\$ 951,478	\$ 889,592

The market value of the endowment as at March 31, 2022 was \$1,012,974 (2021 - \$995,115).

17. Ontario trust for student support:

(a) Schedule of Changes in Endowment Fund Balance for the year ended March 31:

	2022	2021
Fund balance, beginning of year	\$ 4,825,611	\$ 4,580,960
Preservation of capital	188,781	244,651
Fund balance, end of year	\$ 5,014,392	\$ 4,825,611

LOYALIST COLLEGE OF APPLIED ARTS & TECHNOLOGY

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2022

17. Ontario trust for student support (continued):

(b) Schedule of Changes in Expendable Funds Available for Awards for the year ended March 31:

	2022	2021
Fund balance, beginning of year	\$ 159,786	\$ 86,446
Realized investment income net of direct investment related expenses and preservation of capital contributions	185,250	140,852
Bursaries awarded - 94 (2021 - 120)	(42,877)	(67,512)
Fund balance, end of year	\$ 302,159	\$ 159,786
Endowment total based on book value	\$ 5,316,551	\$ 4,985,397

The market value of the endowment as at March 31, 2022 was \$5,660,172 (2021 - \$5,576,766).

Status of Recipients	OSAP Recipients		Non-OSAP Recipients		Total	
	Number	Amount	Number	Amount	Number	Amount
Full-time	69	\$ 32,852	25	\$ 10,025	94	\$ 42,877

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

(d) 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.

18. Foundation award for student support:

(a) Schedule of Changes in Endowment Fund for the year ended March 31:

	2022	2021
Fund balance, beginning of year	\$ 2,660,501	\$ 2,455,059
Cash donations received	96,843	70,692
Preservation of capital	107,518	134,750
Fund balance, end of year	\$ 2,864,862	\$ 2,660,501

LOYALIST COLLEGE OF APPLIED ARTS & TECHNOLOGY

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2022

18. Foundation award for student support (continued):

(b) Schedule of Changes in Expandable Funds for the year ended March 31, 2022:

	2022	2021
Fund balance, beginning of year	\$ 109,010	\$ 57,373
Realized investment income	105,506	77,291
Bursaries awarded	(6,475)	(25,654)
Fund balance, end of year	\$ 208,041	\$ 109,010
Endowment total based on book value	\$ 3,072,903	\$ 2,769,511

The market value of the endowment as at March 31, 2022 was \$3,271,512 (2021 - \$3,098,031).

19. Financial instrument risk management:

(a) Fair value:

Financial instruments consist of cash and cash equivalents, accounts receivable, grants receivable, pledges 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 6) and term loans payable (note 7).

(b) 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. The College has access to a \$2 million line of credit with a federal regulated chartered bank. As at March 31, 2022, \$nil has been drawn on the line of credit (2021 - \$nil).

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.

LOYALIST COLLEGE OF APPLIED ARTS & TECHNOLOGY

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2022

19. Financial instrument risk management (continued):

(b) Credit risk (continued):

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:

	Current	Past Due		Total	Allowances	Net receivables
		> 90 days	> 1 year			
Accounts receivable	\$ 5,407,652	\$ –	\$ –	\$ 5,407,652	200,000	\$ 5,207,652
Grants receivable	1,676,219	–	–	1,676,219	–	1,676,219
Pledges receivable	170	–	–	170	–	170
	\$ 7,084,041	\$ –	\$ –	\$ 7,084,041	\$ 200,000	\$ 6,884,041

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 a weighted average of 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.

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.

(c) 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.

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.

LOYALIST COLLEGE OF APPLIED ARTS & TECHNOLOGY

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2022

19. Financial instrument risk management (continued):

(d) 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 \$2,041,396 (CAD) and \$1,998,709 (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.

(e) 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 an investment portfolio; containing both fixed-income securities complying with the MCU BIB policy equity securities.

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 portfolio, with a carrying value of \$4,838,977 (2021 - \$4,740,175) would be approximately a 7.0% (2021 - 7.0%) 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 \$2,734,007 (2021 - \$3,330,027) bearing interest at a fixed rate as described in note 7 to these consolidated 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.

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.

LOYALIST COLLEGE OF APPLIED ARTS & TECHNOLOGY

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2022

19. Financial instrument risk management (continued):

(f) 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's equity portfolio with a carrying value of \$8,088,834 (2021 - \$7,543,437), 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 0.59% (2021 - 0.58%).

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 55%, 20% and 20% respectively and a minimum of 25%, 7% and 8%, respectively.

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.

(g) 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.

LOYALIST COLLEGE OF APPLIED ARTS & TECHNOLOGY

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2022

20. Impact of COVID-19:

In March 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization resulting in significant global and local impacts. As of March 31, 2022, the pandemic is ongoing which continues to have the potential to create financial stress on the College.

At this time, the ongoing COVID-19 pandemic presents uncertainty over future cash flows, may cause significant changes to the assets or liabilities and may have a significant impact on future operations. The College continues to monitor and assess the effect that COVID-19 will have on its operations and financial results.

21. Comparative information:

Certain comparative information has been reclassified to conform with the consolidated financial statement presentation adopted in the current year.