

Financial Statements of

**THE LOYALIST COLLEGE
FOUNDATION**

Year ended March 31, 2024

THE LOYALIST COLLEGE FOUNDATION

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of The Loyalist College Foundation

Opinion

We have audited the financial statements of Loyalist College Foundation (the "Entity"), which comprise:

- the statement of financial position as at March 31, 2024
- the statement of operations and changes in fund balances for the year then ended
- the statement of cash flows for the year then ended
- and notes and schedule to the 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 Entity as at March 31, 2024, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

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 "***Auditor's Responsibilities for the Audit of the Financial Statements***" section of our auditor's report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the 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.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity'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 Entity or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 the 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 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 Entity'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 Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the 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 auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the 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.

Chartered Professional Accountants, Licensed Public Accountants

Kingston, Canada

(date)

THE LOYALIST COLLEGE FOUNDATION

Statement of Financial Position

March 31, 2024, with comparative information for 2023

	2024	2023
Assets		
Current assets:		
Cash and cash equivalents	\$ 46,797	\$ 114,284
Accounts receivable and accrued interest	41,269	22,097
Due from Loyalist College of Applied Arts & Technology	—	6,354
	<u>88,066</u>	<u>142,735</u>
Investments (note 2)	14,803,363	13,642,750
Collection, at cost	1,500	1,500
	<u>\$ 14,892,929</u>	<u>\$ 13,786,985</u>

Liabilities

Current liabilities:

 Due to Loyalist College of Applied Arts & Technology \$ 422 \$ —

Fund Balances

Endowed fund (note 3)	14,892,507	13,786,985
	<u>\$ 14,892,929</u>	<u>\$ 13,786,985</u>

See accompanying notes to financial statements.

On behalf of the Board:

_____ Director

_____ Director

THE LOYALIST COLLEGE FOUNDATION

Statement of Operations and Changes in Fund Balances

Year ended March 31, 2024, with comparative information for 2023

	Operating fund	Endowed fund	2024 Total	2023 Total
Revenue:				
Contributions (note 5)	\$ —	\$ 540,479	\$ 540,479	\$ 364,632
Fundraising (schedule)	—	49,514	49,514	52,127
Net investment income (note 4)	—	582,498	582,498	409,554
Unrealized gains (losses) on investments	—	608,630	608,630	(95,028)
		1,781,121	1,781,121	731,285
Expenses:				
Scholarships and bursaries	—	571,985	571,985	465,670
Fundraising expenses (schedule)	—	9,982	9,982	11,147
Contribution to Loyalist College of Applied Arts & Technology (schedule)	—	39,532	39,532	40,980
Operating expenses (note 5)	45,000	—	45,000	45,000
Professional fees	9,100	—	9,100	8,790
	54,100	621,499	675,599	571,587
Excess (deficiency) of revenue over expenses	(54,100)	1,159,622	1,105,522	159,698
Fund balances, beginning of year	—	13,786,985	13,786,985	13,627,287
Interfund transfers	54,100	(54,100)	—	—
Fund balances, end of year	\$ —	\$ 14,892,507	\$ 14,892,507	\$ 13,786,985

See accompanying notes to financial statements.

THE LOYALIST COLLEGE FOUNDATION

Statement of Cash Flows

Year ended March 31, 2024, with comparative information for 2023

	2024	2023
Cash provided by (used in):		
Operating activities:		
Excess of revenue over expenses	\$ 1,105,522	\$ 159,698
Item not involving cash:		
Unrealized losses (gains) on investments	(608,630)	95,028
Net change in non-cash operating working capital:		
Accounts receivable and accrued interest	(19,172)	17,918
Due to Loyalist College of Applied Arts & Technology	6,776	(7,828)
	<u>484,496</u>	<u>264,816</u>
Investing activities:		
Purchase of investments, net of outstanding trades	(551,983)	(292,254)
Decrease in cash and cash equivalents	(67,487)	(27,438)
Cash and cash equivalents, beginning of year	114,284	141,722
Cash and cash equivalents, end of year	<u>\$ 46,797</u>	<u>\$ 114,284</u>

See accompanying notes to financial statements.

THE LOYALIST COLLEGE FOUNDATION

Notes to Financial Statements

Year ended March 31, 2024

The Loyalist College Foundation (the "Foundation") was incorporated as a Corporation without share capital on October 28, 1994 and effectively commenced operations during the period ended March 31, 1996. The purpose of the Foundation is to receive and maintain funds and to apply all or part of the principal and income for charitable purposes carried on by or for the benefit of or to enhance or improve the services provided by or the facilities of Loyalist College of Applied Arts & Technology (the "College").

On February 2, 1995, the Foundation and the Board of Governors of the College signed a Memorandum of Understanding, which was approved by the Minister of Colleges and Universities (MCU). The memorandum establishes a subsidiary operating relationship between the Foundation and the College, which includes the following:

- the members of the Board of Directors of the Foundation shall be approved by the College;
- the By-Laws of the Foundation shall be subject to the approval of the College;
- the annual budget shall be approved by the College;
- the Foundation shall make a report annually to the College; and
- the Foundation shall not enter into agreements with other bodies without the prior approval of the College.

1. Significant accounting policies:

(a) Basis of presentation:

These financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations.

(b) Accounting estimates:

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Estimates relate to the fair value of investments. Actual results could differ from those estimates.

THE LOYALIST COLLEGE FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2024

1. Significant accounting policies (continued):

(c) Fund accounting:

The accompanying financial statements include the activities of the Foundation for which the Board of Directors is legally accountable. In order to properly reflect its activities, the Foundation maintains its accounts in accordance with the principles of "fund accounting" in order that limitations and restrictions placed on the use of available resources are observed. Under fund accounting, resources for various purposes are classified for accounting and reporting purposes into funds in accordance with activities or objectives specified. For financial reporting purposes, the Foundation has combined funds with similar characteristics into two fund groups: Endowed Fund and Operating Fund.

The Endowed Fund accounts for the contributions received, where only the income earned on the money is expendable for the special purposes designated.

The Operating Fund accounts for the costs of operations.

(d) Translation of foreign currencies:

Non-Canadian monetary items are translated at the rate of exchange in effect at the Statement of Financial Position date. All other assets and liabilities are translated at the rates prevailing when the assets were acquired or the liabilities incurred. Gains or losses resulting from such translation practices are reflected in the Statement of Operations and Changes in Fund Balances.

(e) Cash and cash equivalents:

Cash and cash equivalents consist of cash on deposit, net of outstanding cheques and withdrawals.

(f) Collections:

Gifts in the nature of collections are recognized as revenue at their estimated market value. The value of the collections is capitalized at their cost and the amount is not subsequently amortized.

(g) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Freestanding derivative instruments that are not in a qualifying hedging relationship and equity instruments that are quoted in an active market are subsequently measured at fair value. All other financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. The Foundation has elected to subsequently carry its investments at fair value.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

THE LOYALIST COLLEGE FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2024

1. Significant accounting policies (continued):

(g) Financial instruments (continued):

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the Foundation determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the Foundation expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

The Foundation subsequently measures all its financial assets and financial liabilities at amortized costs except for investments quoted in an active market, which are subsequently measured at fair value. Changes in fair value are recognized in the Statement of Operations and Changes in Fund Balances.

(h) Revenue recognition:

Contributions for endowment are recognized as revenue in the Endowed Fund as they are received. Investment income is recorded as earned on the accrual basis.

(i) Income taxes:

The Foundation is a registered charity under the Income Tax Act (Canada) and, as such, is exempt from income taxes.

THE LOYALIST COLLEGE FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2024

2. Investments:

(a) The fair market values of investments are as follows:

	2024	2023
Fixed-income securities:		
Federal	\$ 584,397	\$ 754,468
Provincial and provincial guaranteed	1,495,700	1,224,346
Municipal	324,366	259,014
Corporate – Rated A or better	2,512,128	2,684,177
	4,916,591	4,922,005
Pooled funds:		
Money market fund	1,005,355	450,005
Equity securities:		
Canadian	4,111,198	3,902,948
United States	2,454,557	2,252,961
International	2,315,662	2,114,831
	8,881,417	8,270,740
	\$ 14,803,363	\$ 13,642,750

The book value of investments at March 31, 2024 are \$13,425,148 (2023 - \$12,852,872).

(b) The investments have varying maturity dates but may be liquidated in the short-term based on the Foundation's needs. The effective interest rates range from 0.63% to 5.68% (2023 - 0.63% to 4.95%) for these investments.

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

	2024	2023
Maturing under one year	\$ 75,758	\$ 203,993
Maturing between one and five years	1,635,989	1,633,055
Maturing over five years	3,204,844	3,084,957
	\$ 4,916,591	\$ 4,922,005

(d) As at March 31, 2024, there were outstanding trades on investments which resulted in a negative cash balance of \$Nil (2023 - \$Nil) in the investment portfolio. These trades settled subsequent to year-end and have been presented separately on the Statement of Financial Position.

THE LOYALIST COLLEGE FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2024

3. Endowed fund:

The Endowed fund balance as at the year-end is comprised as follows:

	2024	2023
Accumulated principal contributions:		
External contributions:		
Foundation Awards for Student Support	\$ 2,762,068	\$ 2,514,214
Ontario Trust for Student Support	4,245,853	4,245,853
Ontario Student Opportunity Trust Fund – Phase 2	364,095	364,095
Ontario Student Opportunity Trust Fund – Phase 1	780,230	780,230
Other contributions	2,140,825	2,140,825
Allocated from investment income	2,448,458	2,199,420
	12,741,529	12,244,637
Accumulated investment income, net of distributions	2,150,978	1,542,348
	\$ 14,892,507	\$ 13,786,985

The current year allocation of investment income to principal amounted to \$249,038 (2023 - \$141,364).

4. Net investment income:

Net investment income is comprised of the following:

	2024	2023
Interest income	\$ 177,557	\$ 114,477
Dividend income	296,275	265,738
Realized gains on disposition of investments	184,991	105,792
Foreign exchange gains (losses)	540	(1,506)
	659,363	484,501
Less:		
Interest and investment management fees	(76,865)	(74,947)
Net investment income	\$ 582,498	\$ 409,554

THE LOYALIST COLLEGE FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2024

5. Related party transactions:

During the year, the Foundation paid \$45,000 (2023 - \$45,000) for operating expenses to the College, the parent of the Foundation. During the year, the Foundation received contributions amounting to \$540,479 (2023 - \$364,632) for scholarships and bursaries from the College. These transactions are in the normal course of operations and are measured at the exchange amount which is the amount of consideration established and agreed to by the related parties.

6. Financial risk management:

Financial instruments consist of cash and cash equivalents, portfolio investments, outstanding trades on investments, accounts receivable and accrued interest and due from (to) the College. The carrying amounts approximate their fair market value due to the immediate or short-term maturity of these financial instruments except for portfolio investments which are disclosed in note 2 to these financial statements and carried at fair value.

(a) Credit risk:

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

The Foundation's investment policy and the Ministry's Banking, Investment 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 per the Foundation's investment policy. All fixed income portfolios are measured for performance on a quarterly 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.

(b) 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 Directors. 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.

THE LOYALIST COLLEGE FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2024

6. Financial risk management (continued):

(c) Currency risk:

Currency risk relates to the Foundation 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 Foundation records its operations in Canadian dollars. The Foundation is exposed to currency fluctuations on some of its securities held in US and international equities with carrying values of \$2,454,557 (CAD) (2023 - \$2,252,961 (CAD)) and \$2,315,682 (CAD) (2023 - \$2,114,831 (CAD)), respectively, as they are denominated in various currencies, including U.S. dollars and other foreign currencies. These potential currency fluctuations could have a significant impact on the market value of these securities.

The foreign exchange risk profile is consistent with the prior period. The Foundation still maintains similar policies, procedures and methods used to measure the risk.

(d) 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 Foundation is exposed to risk through its interest-bearing investments (term deposits and debt securities).

As outlined in note 7 to these financial statements, the Foundation maintains one portfolio; containing both fixed income securities and equity securities. For bonds that the Foundation did not sell during the year, the change during the year and changes prior to the year is recognized as an unrealized gains (losses) on fair value financial instruments on the Statement of Operations and Changes in Fund Balances.

The Foundation still maintains policies, procedures and methods used to measure investment risk.

As prevailing interest rates increase or decrease, the market value of these interest-bearing investments change. If interest rates were to change by 1%, with all other variables being held constant, then the effect on the market value of the long-term portfolio, with a carrying value of \$4,916,591 (2023 - \$4,922,006) would be approximately a 6.0% (2023 - 6.3%) change. The Foundation 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.

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.

THE LOYALIST COLLEGE FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2024

6. Financial risk management (continued):

(e) Equity risk:

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

The Foundation's equity portfolio with a carrying value of \$8,881,417 (2023 - \$8,270,740) 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 equity of approximately 0.59% (2023 - 0.61%).

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

An investment policy is in place and its application is monitored by the Finance & Investment Committee and the Board of Directors and compliance reports issued by the Foundation's investment management company. 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.

(f) Liquidity risk:

Liquidity risk is the risk that the Foundation will not be able to meet all cash outflow obligations as they come due. The Foundation mitigates this risk by monitoring cash activities and expected outflows, maintaining liquidity in their investment portfolios, and budgeting scholarships 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.

THE LOYALIST COLLEGE FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2024

7. Capital management:

The Foundation's objectives with respect to capital management are to maintain endowment funds and a minimum capital base that allows the Foundation to continue with and execute its overall purpose as outlined in the fund accounting policy in note 1(c). The Foundation's Board of Directors perform periodic reviews of the Foundation's capital needs to ensure they remain consistent with the risk tolerance that is acceptable to the Foundation.

In addition to the Foundation's objectives with respect to capital management, the Foundation must comply with the Banking, Investments and Borrowing ("BIB") policies set forth by the Ministry of Colleges and Universities. The Foundation has several guidelines and benchmarks to mitigate various credit market and liquidity market risks associated with the Foundation's financial instruments, described in note 6 to these financial statements.

THE LOYALIST COLLEGE FOUNDATION

Schedule of Fundraising Activity

Year ended March 31, 2024, with comparative information for 2023

	2024	2023
Fundraising revenue:		
Fundraising activities	\$ 49,514	\$ 52,127
Fundraising expenses	9,982	11,147
	39,532	40,980
Less contribution to Loyalist College of Applied Arts & Technology	39,532	40,980
Cash, end of year	\$ —	\$ —