DURHAM COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Year ended March 31, 2020

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

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

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 ("PSAS for Government NPOs"). 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 judgements. 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 of Governors 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 Finance Committee.

The Audit and Finance Committee is appointed by the Board of Governors 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 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 re-appointment of the external auditors.

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

College President	Chief Financial Officer

May 25, 2020

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Mississauga, ON L5B 1M2
Canada

Independent Auditor's Report

To the Board of Governors of Durham College of Applied Arts and Technology

Opinion

We have audited the consolidated financial statements of Durham College of Applied Arts and Technology (the "College"), which comprise the consolidated statement of financial position as at March 31, 2020, and the consolidated statement of operations, consolidated statement of net assets, consolidated statement of cash flows and consolidated statement of remeasurement gains and losses for the year ended March 31, 2020, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the College as at March 31, 2020, and its consolidated results of its operations, its consolidated cash flows, and its consolidated remeasurement gains and losses 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 Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our 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 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 Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these 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.

Auditor's 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 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 these consolidated financial statements.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (Continued)

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 auditor's 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 auditor's report. However, future events or conditions may cause the College to cease to continue as a going concern.
- 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.
- Obtain sufficient appropriate audit evidence 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.

We 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.

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants
Mississauga, Ontario
June 3, 2020

DURHAM COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Consolidated Statement of Financial Position

Year ended March 31, 2020, with comparative figures for 2019

		2020		2019
ASSETS				
Current assets:				
Cash	$	28,872,334	$	40,147,530
Investments (note 2)		26,173,934		27,737,940
Accounts receivable (note 2)		15,510,191		13,887,861
Current portion of long-term receivables (note 3)		654,066		627,487
Inventories		835,694		872,260
Prepaid expenses		235,489		215,316
		72,281,708		83,488,394
Long-term receivables (note 3)		8,841,924		9,495,989
Capital assets (note 4)		238,382,910		227,954,275
	$	319,506,542	$	320,938,658
LIABILITIES AND NET ASSETS				
Current liabilities:				
Accounts payable and accrued liabilities	$	41,966,746	$	40,038,356
Accrued vacation		8,231,616		8,653,270
Deferred revenue (note 5(a))		16,347,954		18,099,482
Current portion of debt (note 6)		3,938,815		3,804,203
		70,485,131		70,595,311
Term debt due on demand (note 6)		8,720,461		32,891,526
		79,205,592		103,486,837
Deferred contributions (note 5(b))		138,754,293		142,750,230
Long-term debt (note 6)		32,310,953		12,182,301
Derivative liability (note 6)		2,532,124		2,104,561
Long-term liability (note 7)		6,426,098		2,200,000
Post-employment, retirement benefits and compensated absences		4,620,036		4,686,695
		263,849,096		267,410,624
Net assets:				
Unrestricted				
Operating		(30,929,333)		(24,623,626)
Post-employment, retirement benefits, and compensated absences		(4,620,036)		(4,686,695)
Vacation pay		(8,231,616)		(8,653,270)
		(43,780,985)		(37,963,591)
Invested in capital assets (note 12)		59,284,913		47,999,535
Internally restricted (note 9, note 17)		22,363,628		25,817,159
Endowments (note 9)		16,274,828		15,732,306
		54,142,384		51,585,409
Accumulated remeasurement gains		1,515,062		1,942,625
		55,657,446		53,528,034
Commitments (note 14)				
Contingencies (note 15)				
Guarantees (note 16)				
	$	319,506,542	$	320,938,658

See accompanying notes to the consolidated financial statements.

On behalf of the Board:

Director

Director

DURHAM COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Consolidated Statement of Operations

Year ended March 31, 2020, with comparative figures for 2019

	2020	2019
Revenue:		
Grants and reimbursements	$ 74,884,084	$ 83,752,580
Student tuition fees	76,143,772	75,196,296
Ancillary operations	12,274,829	13,296,821
Rental Income	9,963,064	10,177,179
Other income	27,978,888	27,422,894
Amortization of deferred capital contributions (note 5(b)(i))	8,045,829	6,695,483
Total revenue	209,290,466	216,541,253
Expenditures:		
Salaries and benefits	130,729,263	125,541,135
Instructional supplies	3,870,069	4,314,159
Contracted services	8,782,083	8,190,356
Utilities, maintenance and taxes	13,491,321	12,628,800
Interest and bank charges	2,424,496	2,423,955
Scholarships and bursaries	3,154,938	3,230,682
Supplies and other expenses	26,162,902	26,929,347
Amortization of capital assets (note 12(b))	18,660,941	15,853,482
Total expenditures	207,276,013	199,111,916
Excess of revenue over expenditures	$ 2,014,453	$ 17,429,337

See accompanying notes to the consolidated financial statements.

DURHAM COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Consolidated Statement of Changes in Net Assets

Year ended March 31, 2020, with comparative figures for 2019

2020

	Unrestricted	Invested in capital assets (note 12)	Internally restricted net assets: Internally Restricted (note 9)	Foundation	Total internally restricted net assets (note 9)	Endowments (note 9)	Total
Balance, beginning of year	$ (37,963,591)	$ 47,999,535	$ 25,636,967	$ 180,192	$ 25,817,159	$ 15,732,306	$ 51,585,409
Excess of revenue over expenditures	12,623,007	(10,615,112)	-	6,558	6,558	-	2,014,453
Invested in capital assets (note 12(b))	(16,432,506)	21,900,490	(5,467,984)	-	(5,467,984)	-	-
Endowment contributions	-	-	-	-	-	542,522	542,522
Transfer (note 17)	(2,007,895)	-	2,007,895	-	2,007,895	-	-
Net changes during the year	(5,817,394)	11,285,378	(3,460,089)	6,558	(3,453,531)	542,522	2,556,975
Balance, end of year	$ (43,780,985)	$ 59,284,913	$ 22,176,878	$ 186,750	$ 22,363,628	$ 16,274,828	$ 54,142,384

2019

	Unrestricted	Invested in capital assets (note 12)	Internally restricted net assets: Internally Restricted (note 17)	Foundation	Total internally restricted net assets (note 9)	Endowments (note 9)	Total
Balance, beginning of year	$ (35,918,835)	$ 36,064,430	$ 18,102,829	$ 175,342	$ 18,278,171	$ 15,382,791	$ 33,806,557
Excess of revenue over expenditures	26,582,486	(9,157,999)	-	4,850	4,850	-	17,429,337
Invested in capital assets (note 12(b))	(11,311,144)	21,093,104	(9,781,960)	-	(9,781,960)	-	-
Endowment contributions	-	-	-	-	-	349,515	349,515
Transfer (note 17)	(17,316,098)	-	17,316,098	-	17,316,098	-	-
Net changes during the year	(2,044,756)	11,935,105	7,534,138	4,850	7,538,988	349,515	17,778,852
Balance, end of year	$ (37,963,591)	$ 1,520,591	$ 25,636,967	$ 180,192	$ 25,817,159	$ 15,732,306	$ 51,585,409

See accompanying notes to the consolidated financial statements.

DURHAM COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Consolidated Statement of Cash Flows

Year ended March 31, 2020, with comparative figures for 2019

	2020	2019
Cash provided by (used in):		
Operating activities:		
Excess of revenue over expenditures	$ 2,014,453	$ 17,429,337
Items not affecting cash:		
Amortization of capital assets	18,660,941	15,853,482
Amortization of deferred capital contributions	(8,045,829)	(6,695,483)
Change in non-cash working capital:		
Accounts receivable	(1,622,330)	7,321,994
Inventories	36,566	(120,191)
Prepaid expenses	(20,173)	(23,474)
Accounts payable and accrued liabilities	1,928,390	6,727,297
Accrued vacation	(421,654)	762,094
Post-employment, retirement benefits and compensated absences	(66,659)	128,707
Deferred revenue	(1,751,528)	244,445
	10,712,177	41,628,208
Financing activities:		
Endowment contributions	542,522	349,515
Repayment of long-term debt	(3,907,801)	(3,787,000)
	(3,365,279)	(3,437,485)
Capital activities:		
Contributions received for capital purposes (net of fair market value adjustment)	4,049,893	11,159,785
Purchase of capital assets	(24,863,479)	(46,165,733)
	(20,813,586)	(35,005,948)
Investing activities:		
Decrease in long-term receivables	627,486	602,237
(Decrease) increase in investments	1,564,006	(1,457,666)
	2,191,492	(855,429)
(Decrease) increase in cash	(11,275,196)	2,329,346
Cash, beginning of year	40,147,530	37,818,184
Cash, end of year	$ 28,872,334	$ 40,147,530
Supplemental cash flow information:		
Interest paid	$ 1,520,591	$ 1,597,081

See accompanying notes to the consolidated financial statements.

DURHAM COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Consolidated Statement of Remeasurement Gains and Losses

Year ended March 31, 2020, with comparative figures for 2019

	2020	2019
Accumulated remeasurement gains at beginning of year	$ 1,942,625	$ 2,022,248
Unrealized (losses) gains attributable to:		
Derivative - interest rate swap	(427,563)	(79,623)
Net remeasurement losses for the year	(427,563)	(79,623)
Accumulated remeasurement gains at end of year	$ 1,515,062	$ 1,942,625

Durham College of Applied Arts and Technology (the "College") was established as a corporation without share capital, as set out in the Ontario Colleges of Applied Arts and Technology Act. The Corporations Act governs the corporate affairs of the College and became effective April 1, 2003. The College is principally involved in providing post-secondary educational services. Under the Income Tax Act (Canada), the College is considered a registered charity and, accordingly, is exempt from income taxes, provided certain requirements of the Income Tax Act (Canada) are met.

1. SIGNIFICANT ACCOUNTING POLICIES AND DISCLOSURES

(a) Basis of presentation

The consolidated financial statements of the College 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 (“PSAB for Government NPOs”). These consolidated financial statements reflect the assets, liabilities, revenues and expenses of the College and its subsidiary Durham College Foundation (the “Foundation”). All significant intercompany balances and transactions have been eliminated upon consolidation.

(b) Revenue recognition

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

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.

Tuition fees are recognized as income to the extent that the related courses and services are provided within the fiscal year of the College.

Ancillary revenues, including parking, bookstore, rental, contract training and other sundry revenues, are recognized when products are delivered or services are provided to the student or client, the sales price is fixed and determinable, and collection is reasonably assured.

Unrestricted contributions are recognized as revenue when received or receivable.

Externally restricted contributions, other than endowment contributions, are recognized as revenue in the year in which the related expenses are recognized.

1. SIGNIFICANT ACCOUNTING POLICIES AND DISCLOSURES (continued)

Restricted contributions for the purchase of capital assets are deferred and amortized into revenue at a rate corresponding with the amortization rate for the related capital assets.

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

Investment income earned on endowment funds is recognized as a direct increase in net assets when the related expense occurs. 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.

(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:

<u>Fair value</u>

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

They are initially recognized at cost and subsequently carried at fair value. 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. Changes in fair value on restricted assets are recognized as a liability until the criterion attached to the restrictions has been met.

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 or settlement, 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.

1. SIGNIFICANT ACCOUNTING POLICIES AND DISCLOSURES (continued)

Amortized cost

This category includes accounts receivable, long-term receivables, accounts payable and accrued liabilities, term debt due on demand and long-term debt. 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, except for contributions, which are recognized at fair value.

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.

(d) Capital assets

Purchased capital assets are recorded at cost less accumulated amortization. Contributed capital assets are recorded at fair value at the date of contribution. Repairs and maintenance costs are charged to expense. Betterments that extend the estimated life of an asset are capitalized. When a capital asset no longer contributes to the College's ability to provide services or the value of future economic benefits associated with the capital asset is less than its net book value, the carrying value of the capital asset is reduced to reflect the decline in the asset's value. Any unamortized deferred capital contribution amount related to the capital asset is recognized in revenue in the consolidated statement of operations, provided that all restrictions have been complied with.

Construction in progress costs are capitalized as incurred. They are transferred to various categories of capital assets and are amortized on a basis consistent with similar assets, once the assets are placed in service.

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

Buildings	40 or 69 years
Building improvements	10 years
Equipment and furniture	5 - 10 years
Computer equipment	3 years

1. SIGNIFICANT ACCOUNTING POLICIES AND DISCLOSURES (continued)

(e) *Inventories*

Inventories are valued at the lower of cost and net realizable value. Cost is determined on a first-in, first-out basis.

(f) *Student organizations*

These consolidated financial statements do not reflect the assets, liabilities, and results of operations of the various student organizations as they are not controlled by the College.

(g) *Vacation pay*

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

(h) *Post-employment, retirement benefits and compensated absences*

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

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

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

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

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

1. SIGNIFICANT ACCOUNTING POLICIES AND DISCLOSURES (continued)

(i) Foreign currency translation

Transactions in foreign currencies are translated into Canadian dollars at rates of exchange at the time of such transactions. Monetary assets and liabilities are translated at current rates of exchange with the resulting gains and losses recognized in the consolidated statement of operations.

(j) Management estimates

The preparation of consolidated financial statements in conformity with PSAB for Government NPOs requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, the disclosure of contingent assets and liabilities at the date of consolidated financial statements, and the reported amounts of revenue and expenses during the year. Actual results could differ from these estimates. Areas of key estimation include determination of fair value of investments, impairment allowances, amortization of capital assets, fair value of interest rate swaps, vacation pay and actuarial estimation of post-employment benefits and compensated absences liabilities.

2. FINANCIAL INSTRUMENT CLASSIFICATION

On March 11, 2020, the World Health Organization declared the outbreak of the coronavirus (COVID-19) pandemic, resulting in economic uncertainties impacting the College's financial instrument risks as outlined below. At this time, the full potential impact of COVID-19 on the College is not known (Note 17).

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.

	2020		
	Fair Value	Amortized Cost	Total
Cash	$ 28,872,334	$ -	$ 28,872,334
Accounts receivable	-	15,510,191	15,510,191
Current portion of long-term receivables	-	654,066	654,066
Investments	26,173,934	-	26,173,934
Long-term receivable	-	8,841,924	8,841,924
Accounts payable and accrued liabilities	-	41,966,746	41,966,746
Accrued vacation	-	8,231,616	8,231,616
Current portion of debt	-	3,938,815	3,938,815
Term debt due on demand	-	8,720,461	8,720,461
Long-term debt	-	32,310,953	32,310,953
Derivative liability	2,532,124	-	2,532,124

2. FINANCIAL INSTRUMENT CLASSIFICATION (continued)

	2019		
	Fair Value	Amortized Cost	Total
Cash	$ 40,147,530	$ -	$ 40,147,530
Accounts receivable	-	13,887,861	13,887,861
Current portion of long-term receivables	-	627,487	627,487
Investments	27,737,940	-	27,737,940
Long-term receivable	-	9,495,989	9,495,989
Accounts payable and accrued liabilities	-	40,038,356	40,038,356
Accrued vacation	-	8,653,270	8,653,270
Current portion of debt	-	3,804,203	3,804,203
Term debt due on demand	-	32,891,526	32,891,526
Long-term debt	-	12,182,301	12,182,301
Derivative liability	2,104,561	-	2,104,561

Investments consist of equity instruments in public companies (2020 - $12,243,027, 2019 - $13,849,656), bonds (2020 - $3,356,354, 2019 - $3,520,405) and Guaranteed Investment Certificates (2020 - $10,574,553, 2019 - $10,367,879). Investments include $15,481,480 (2019 - $17,201,790) of investments externally restricted for endowment purposes (see Note 8).

Maturity profile of bonds held is as follows:

	2020				
	Within 1 year	2 to 5 years	6 to 10 years	Over 10 years	Total
Carrying value	$ -	$ 2,742,879	$ 523,450	$ 90,025	$3,356,354
Percentage of Total	0%	81%	16%	3%	

	2019				
	Within 1 year	2 to 5 years	6 to 10 years	Over 10 years	Total
Carrying value	$ 52,477	$ 2,617,909	$ 781,476	$ 68,543	$3,520,405
Percentage of Total	1%	75%	22%	2%	

2. FINANCIAL INSTRUMENT CLASSIFICATION (continued)

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;
- 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); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	2020			
	Level 1	Level 2	Level 3	Total
Cash	$ 28,872,334	$ -	$ -	$ 28,872,334
Investments	22,817,580	3,356,354	-	26,173,934
Derivative liability	-	-	2,532,124	2,532,124
Total	$ 51,689,914	$ 3,356,354	$ 2,532,124	$ 57,578,392

	2019			
	Level 1	Level 2	Level 3	Total
Cash	$ 40,147,530	$ -	$ -	$ 40,147,530
Investments	24,217,535	3,520,405	-	27,737,940
Derivative liability	-	-	2,104,561	2,104,561
Total	$ 64,365,065	$ 3,520,405	$ 2,104,561	$ 69,990,031

There were no transfers between Level 1 and Level 2 for the years ended March 31, 2020 and 2019. There were also no transfers in or out of Level 3.

Risk management relates to the understanding and active management of risks associated with all areas of the College's activities and the associated operating environment. Investments are primarily exposed to market, credit, interest rate, foreign currency and liquidity risks. The College has formal policies and procedures that establish target asset mix. The College's policies also require diversification of investments within categories, and set limits on exposure to individual investments.

2. FINANCIAL INSTRUMENT CLASSIFICATION (continued)

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

(i) Market risk:

The value of equity securities changes with stock market conditions, which are affected by general economic and market conditions. Fluctuation in the market exposes the College to a risk of loss.

The College is exposed to this risk through its equity holdings within its investment portfolio. At March 31, 2020, a 10.00% movement in the stock markets with all other variables held constant would have an estimated effect on the fair values of the College's equities of $894,236 (2019 - $1,043,496).

(ii) Credit, interest rate and maturity risk:

Credit risk is the risk of financial loss to the College if a debtor fails to make payments of interest and principal when due. The College is exposed to this risk relating to its cash, bonds, long-term receivables and accounts receivable. 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 $100,000 (2019 - $100,000).

The investment policy of the Foundation operates within the confines of the Trustees Act which places limitations on the composition of the investment portfolio. All other College investments not held within the Foundation operate within the constraints of the Ministry's Binding Directive on Banking, Investments and Borrowing which puts limits on the bond portfolio including portfolio composition limits, issuer type limits, bond quality limits, aggregate issuer limits, corporate sector limits and general guidelines for geographic exposure.

Accounts receivable and long-term receivables are ultimately due from students and the University of Ontario Institute of Technology ("UOIT"). 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 are as follows:

2. FINANCIAL INSTRUMENT CLASSIFICATION (continued)

	2020					
			Past Due			
	Total	**Current**	**1-30 days**	**31-60 days**	**61-90 days**	**91 - 120 days**
Government receivables	$ 5,163,641	$ 5,163,641	$ -	$ -	$ -	$ -
Student receivables	4,399,418	-	79,468	79,157	472,413	3,768,380
Other receivables	8,426,348	6,502,682	1,074,816	719,111	22,577	107,162
Gross receivables	17,989,407	11,666,323	1,154,284	798,268	494,990	3,875,542
Less: impairment allowances	(2,479,216)	-	-	-	-	(2,479,216)
Net receivables	$ 15,510,191	$ 11,666,323	$ 1,154,284	$ 798,268	$ 494,990	$ 1,396,326

	2019					
			Past Due			
	Total	**Current**	**1-30 days**	**31-60 days**	**61-90 days**	**91 - 120 days**
Government receivables	$ 4,469,376	$ 4,469,376	$ -	$ -	$ -	$ -
Student receivables	3,359,048	-	40,844	74,372	351,636	2,892,196
Other receivables	7,732,911	6,055,918	978,953	566,490	8,565	122,985
Gross receivables	15,561,335	10,525,294	1,019,797	640,862	360,201	3,015,181
Less: impairment allowances	(1,673,474)	-	-	-	-	(1,673,474)
Net receivables	$ 13,887,861	$ 10,525,294	$ 1,019,797	$ 640,862	$ 360,201	$ 1,341,707

There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods used to measure the 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 this risk through its interest bearing investments and debt.

The College mitigates interest rate risk on a portion of its term debt through a derivative financial instrument that exchanges the variable rate inherent in a portion of the term debt for a fixed rate (see Note 6). Therefore, fluctuations in market interest rates would not impact future cash flows and operations relating to the term debt.

The College’s bond portfolio has interest rates ranging from 1.25% to 6.50% (2019 - 1.25% to 6.50%) with maturities ranging from June 2, 2021 to June 18, 2048 (2019 – October 7, 2019 to December 1, 2045).

At March 31, 2020, a 1.00% fluctuation in interest rates, with all other variables held constant, would have an estimated impact on the fair value of bonds and the interest rate swap of $721,433 (2019 - $73,226). The College’s term debt as described in Note 6 would not be impacted as the inherent variable rate of the debt has been fixed with the use of the aforementioned derivative interest rate swap.

2. FINANCIAL INSTRUMENT CLASSIFICATION (continued)

Subsequent to year end, the credit risk related the College's bond holdings has increased due to the impact of COVID-19, which could lead to potential losses.

Credit risk on accounts receivables and long-term receivables are mitigated by financial and system controls on past due accounts. 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. Subsequent to year-end, the credit risk related to the College's accounts receivable for tuition revenue has increased due to the impact of COVID-19, which could lead to potential losses.

(iii) Foreign currency risk:

Foreign currency risk arises when the value of securities denominated in a currency other than Canadian dollars is affected by changes in the value of the Canadian dollar in relation to the value of the currency in which the security is denominated. U.S. equities are held in U.S. dollars, which have been converted to Canadian dollars as at year-end, using the exchange rate at that date. Investments held in U.S. dollars at March 31, 2020 were approximately $5,592,115 (2019 - $5,726,779) stated in Canadian dollars.

(iv) 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 through extensive budgeting and maintaining investments that may be converted to cash in the near-term if unexpected cash outflows arise. The following table sets out the contractual maturities (representing undiscounted contractual cash-flows of financial liabilities):

	2020			
	Within 6 months	**6 months to 1 year**	**1 - 5 years**	**> 5 years**
Accounts payable and accrued liabilities	$ 41,966,746	$ -	$ -	$ -
Accrued vacation	6,173,712	2,057,904	-	-
Debt	2,007,492	1,931,323	14,727,249	26,304,165
	$ 50,147,950	$ 3,989,227	$ 14,727,249	$ 26,304,165

	2019			
	Within 6 months	**6 months to 1 year**	**1 - 5 years**	**> 5 years**
Accounts payable and accrued liabilities	$ 40,038,356	$ -	$ -	$ -
Accrued vacation	4,326,635	4,326,635	-	-
Debt	1,942,237	1,861,966	19,724,617	25,349,210
	$ 46,307,228	$ 6,188,601	$ 19,724,617	$ 25,349,210

2. FINANCIAL INSTRUMENT CLASSIFICATION (continued)

The College is also exposed to liquidity risk on its line of credit described in Note 6.

Derivative financial liabilities mature as described in Note 6.

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

3. LONG-TERM RECEIVABLES

(a) Student levy receivable for campus recreation and wellness centre

Includes a receivable from future student levies as approved by the Durham College Student Association Incorporated, with a long-term portion of $8,720,461 (2019 - $9,253,063) and a current portion of $532,603 (2019 - $506,024) for the financing of a new Campus Recreation and Wellness Centre (“the Centre”). It is repayable from an annual special levy on student fees and bears interest equal to the debt incurred to construct the Centre (Note 6). The receivable is secured by the variable rate mortgage due on demand with underlying swap on the Centre.

(b) Other long-term receivable

Includes an unsecured interest-free receivable from UOIT, with a long-term portion of $121,463 (2019 - $242,926) which is repayable at a fixed amount of $121,463 annually until September 2021.

4. CAPITAL ASSETS

	Ending Cost	Accumulated Amortization	2020 Net book Value	2019 Net book Value
Land	$ 4,521,201	$ -	$ 4,521,201	$ 4,521,201
Buildings	279,532,968	108,747,807	170,785,161	169,536,316
Building improvements	91,083,718	53,010,006	38,073,712	31,835,670
Equipment and furniture	94,125,994	79,431,430	14,694,564	14,999,902
Computer equipment	38,136,468	33,551,996	4,584,472	4,494,670
Construction-in-progress	5,723,800	-	5,723,800	2,566,516
	$ 513,124,149	$ 274,741,239	$ 238,382,910	$ 227,954,275

Construction in progress relates to various ongoing capital projects that are not yet complete. In the current year, construction in progress is primarily related to The Skills Training Centre, an academic building, scheduled to be insubstantially completed in August 2021.

5. DEFERRED CONTRIBUTIONS

(a) Deferred revenue

Deferred revenue represents grants - $1,953,234 (2019 - $2,005,170), tuition fees - $7,776,275 (2019 - $7,580,623) and other revenue - $6,618,445 (2019 - $8,513,689) related to expenses of future periods.

(b) Deferred contributions

(i) 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.

		2020		2019
Balance, beginning of year	**$**	**140,896,023**	$	136,371,945
Contributions received		**5,378,154**		11,219,561
Less amounts amortized to revenue		**(8,045,829)**		(6,695,483)
Balance, end of year	**$**	**138,228,348**	$	140,896,023

(ii) Foundation

		2020		2019
Balance, beginning of year	**$**	**1,779,228**	$	1,764,247
Transfers		**(106,500)**		(120,150)
Net investment income and deferred contributions		**(670,212)**		634,081
Scholarships & Bursaries		**(552,550)**		(498,950)
Balance, end of year	**$**	**449,966**	$	1,779,228

5. DEFERRED CONTRIBUTIONS (continued)

(iii) Expenses of future periods

Deferred contributions represent unspent restricted donations for scholarships and bursaries.

		2020		2019
Balance, beginning of year	$	**74,979**	$	149,736
Contributions received		**250,500**		92,700
Disbursements		**(249,500)**		(167,457)
Balance, end of year	$	**75,979**	$	74,979
Total deferred contributions	$	**138,754,293**	$	142,750,230

6. DEBT

		2020		2019
2.06% secured mortgage on the Whitby campus, repayable in monthly instalments of $41,231 principal and interest, due November 2031.	**$**	**5,129,720**	$	5,514,972
3.12% unsecured mortgage on student residence, repayable in semi-annual instalments of $753,625 principal and interest, due February 2024.		**2,813,247**		3,463,738
2.77% commercial mortgage loan on student residence, repayable in monthly instalments of $202,919 principal and interest, due June 2031, interest rate renewal in June 2024.		**23,535,098**		25,380,100
Variable rate secured mortgage due on demand, with an underlying swap fixing the rate at 5.38% on the Campus Recreation and Wellness Centre, due in November 2032, interest and principal paid monthly.		**9,253,063**		9,759,088
2.46% unsecured mortgage on student residence, repayable in monthly instalments of $52,701.47 principal and interest, due July 2027, interest rate renewal in July 2022.		**4,239,101**		4,760,132
		44,970,229		48,878,030
Less current portion		**3,938,815**		3,804,203
Less term debt due on demand		**8,720,461**		32,891,526
	$	**32,310,953**	$	12,182,301

6. DEBT (continued)

2021	$	3,938,815
2022		4,060,086
2023		4,185,036
2024		4,313,685
2025		2,168,441
Thereafter		26,304,166
	$	**44,970,229**

Interest expense on long-term debt of $1,520,591 (2019 - $1,597,081) is included in interest and bank charges.

The College has an interest rate swap to manage the interest rate variability arising on the 25 year mortgage for the Athletic and Health Centre. The mortgage bears interest at floating rates based on banker's acceptances. The swap effectively fixes the interest rate at 5.38% on an initial principal amount of $14,000,000 over the 25 year life of the mortgage. The fair value of the interest rate swap, in favour of the counterparty, of $2,532,124 (2019 - $2,104,561) is recorded in the consolidated statement of financial position with the fluctuations in fair value being recorded in the consolidated statement of remeasurement gains and losses.

The College has a credit facility agreement with a Canadian chartered bank, which provides for a revolving operating line of credit up to $15,000,000, bearing interest at prime less 0.75%. At March 31, 2020, the College had utilized $nil (2019 - $nil) of the operating line of credit.

The College has entered into Irrevocable Standby Letters of Credit with a Canadian chartered bank. The letters of credit consist of $177,200 bearing interest at 1.50%, $15,000 bearing interest at 1.20% and $18,025 bearing interest at 1.20%.

The College negotiated a commercial mortgage on the student residence during the fiscal year at a rate 2.77%. This was previously an unsecured mortgage due on demand at a rate of 2.67%. This change in classification from Term debt due on demand to Long-term debt has been reflected in the consolidated statement of financial position for 2020.

7. LONG-TERM PAYABLE – WHITBY RESIDENCE

The College has entered into an alternative financing arrangement for the construction and operation of a student residence in Whitby on College land. Under the terms of the agreement, the third party partner is responsible for constructing, maintaining and operating the student residence in exchange for monthly payments of $31,465 over the period of 69 years. At the end of the period, the legal title of the building will transfer to the College.

The building was completed and opened for student use in September 2019. The value recognized when the building was complete resulted in a capital asset and corresponding long-term liability of $6,630,762. The capital asset is included in the building class in the consolidated financial statements and is being amortized over its estimated useful life of 69 years.

8. POST-EMPLOYMENT, RETIREMENT BENEFITS AND COMPENSATED ABSENCES LIABILITY

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

	2020				
	Post-employment Benefits	**Retirement Benefits**	**Non-vesting sick leave**	**Vesting sick leave**	**Total liability**
Accrued employee future benefits obligations	$ 1,185,000	$ 678,036	$ 4,724,000	$ 89,000	$ 6,676,036
Value of plan assets	(268,000)	-	-	-	(268,000)
Unamortized actuarial gains/(losses)	29,000	-	(1,873,000)	56,000	(1,788,000)
Total liability	**$ 946,000**	**$ 678,036**	**$ 2,851,000**	**$ 145,000**	**$ 4,620,036**

8. POST-EMPLOYMENT, RETIREMENT BENEFITS AND COMPENSATED ABSENCES LIABILITY (continued)

	2019				
	Post-employment Benefits	Retirement Benefits	Non-vesting sick leave	Vesting sick leave	Total liability
Accrued employee future benefits obligations	$ 1,197,000	$ 616,695	$ 3,734,000	$ 199,000	$ 5,746,695
Value of plan assets	(223,000)	-	-	-	(223,000)
Unamortized actuarial gains/(losses)	28,000	-	(857,000)	(8,000)	(837,000)
Total liability	**$ 1,002,000**	**$ 616,695**	**$ 2,877,000**	**$ 191,000**	**$ 4,686,695**

	2020				
	Post-employment Benefits	Retirement Benefits	Non-vesting sick leave	Vesting sick leave	Total expense
Current year benefit (recovery) cost	$ (41,000)	$ -	$ 204,000	$ 9,000	$ 172,000
Interest on accrued benefit obligation	2,000	13,567	77,000	4,000	96,567
Amortized actuarial (gains)	(9,000)	-	(3,000)	(13,000)	(25,000)
Total (recovery) expense	**$ (48,000)**	**$ 13,567**	**$ 278,000**	**$ -**	**$ 243,567**

8. POST-EMPLOYMENT, RETIREMENT BENEFITS AND COMPENSATED ABSENCES LIABILITY (continued)

	2019				
	Post-employment Benefits	Retirement Benefits	Non-vesting sick leave	Vesting sick leave	Total expense
Current year benefit cost	$ 93,000	$ -	$ 192,000	$ 9,000	$ 294,000
Interest on accrued benefit obligation	3,000	10,648	96,000	6,000	115,648
Amortized actuarial (gains)/losses	(9,000)	-	(14,000)	1,000	(22,000)
Total expense	**$ 87,000**	**$ 10,648**	**$ 274,000**	**$ 16,000**	**$ 387,648**

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

All full-time employees of the College, and any part-time employees who opt to participate, 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 public colleges in Ontario and other employers across Canada. The College makes contributions to the Plan equal to those of the employees. Contribution rates are set by the Plan's governors to ensure the long-term viability of the Plan. Since the Plan is a multi-employer plan, the College's contributions are accounted for as if the plan were a defined contribution plan with the College's contributions being expensed in the period they come due.

Any pension surplus or deficit is a joint responsibility of the members and employers and may affect future contribution rates related to full-time members. The College does not recognize any share of the Plan's pension surplus or deficit as insufficient information is available to identify the College's share of the underlying pension assets and liabilities. The most recent actuarial valuation filed with pension regulators as at January 1, 2020 indicated an actuarial surplus of $2.9 billion. The College made contributions to the Plan and its associated retirement compensation arrangement of $10,823,468 in 2019 (2019 - $10,356,270), which has been included in the consolidated statement of operations.

8. POST-EMPLOYMENT, RETIREMENT BENEFITS AND COMPENSATED ABSENCES LIABILITY (continued)

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, 2020 of the future benefits was determined using a discount rate of 1.60% (2019 – 2.20%).

b) Drug Costs

Drug costs were assumed to increase at a 8.00% rate for 2020 and decrease proportionately thereafter to an ultimate rate of 4.00% in 2040.

c) Hospital and other medical

Hospital and other medical costs were assumed to increase at 4.00% per annum in 2020 (2019 – 4.00%).

Medical premium increases were assumed to increase at 6.55% per annum in 2020 and decrease proportionately thereafter to an ultimate rate of 4.00% in 2040 for fiscal 2020.

d) Dental costs

For the fiscal 2020 disclosure, dental costs and premiums were assumed to increase at 4.00% per annum (2019 – 4.00%).

e) Retirement rates

3.10% per annum starting at eligibility for reduced pension, increasing to 16.00% per annum after reaching eligibility for unreduced pension, with the remainder at age 65.

8. POST-EMPLOYMENT, RETIREMENT BENEFITS AND COMPENSATED ABSENCES LIABILITY (continued)

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 50.00% 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 estimate of expected rates of:

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 0.00% to 23.70% and 0 to 48.0 days respectively for age groups ranging from 20 and under to 65 and over in bands of 5 years.

9. RESTRICTED NET ASSETS

Internally restricted

Capital Investments: These funds are expendable for major capital expenditures for the future. Income earned is expendable.

Capital Investments – Residence: These funds are expendable for major capital refurbishments to the student residences. Income earned is expendable.

Foundation: These funds are expendable for future unforeseen operating expenditures. Income earned is expendable.

The College, by resolution of the Board of Governors, internally restricts amounts from net assets as follows:

	2020			
	Balance, Beginning of Year	**Additions**	**Transfers, Adjustments, Disbursements**	**Balance, End of Year**
Operating Contingency	$ -	$ 1,718,483	$ 14,830,123	$ 16,548,606
Capital Investments	25,061,355	-	(20,061,355)	5,000,000
Capital Investments - Residence	575,612	289,412	(236,752)	628,272
Foundation	180,192	6,558	-	186,750
	$ 25,817,159	**$ 2,014,453**	**$ (5,467,984)**	**$ 22,363,628**

	2019			
	Balance, Beginning of Year	**Additions**	**Transfers, Adjustments, Disbursements**	**Balance, End of Year**
Capital Investments	$ 17,532,253	$ 17,000,000	$ (9,470,898)	$ 25,061,355
Capital Investments - Residence	570,576	316,098	(311,062)	575,612
Foundation	175,342	4,850	-	180,192
	$ 18,278,171	**$ 17,320,948**	**$ (9,781,960)**	**$ 25,817,159**

9. RESTRICTED NET ASSETS (continued)

Endowments

Endowment funds are restricted donations received by the College where the endowment principal is required to be maintained. The investment income generated from these endowments must be used in accordance with the various purposes established by donors. The College ensures, as part of its fiduciary responsibilities, that all funds received and transferred to the Foundation with a restricted purpose are expended for the purpose for which they were provided.

Endowment funds include grants provided by the Government of Ontario from the Ontario Student Opportunity Trust Fund ("OSOTF") and the Ontario Trust for Student Support ("OTSS"). Under these programs, the government matches funds raised by the College. The purpose of these programs is to assist academically qualified individuals who, for financial reasons, would not otherwise be able to attend College.

The balance of endowments at March 31 consists of the following:

	2020	2019
OSOTF (Note 10)	**$ 5,175,223**	$ 5,165,818
OTSS (Note 11)	**6,363,625**	6,352,059
Other	**4,735,980**	4,214,429
	$ 16,274,828	$ 15,732,306

These funds are donated specifically for student assistance. Income earned is expendable to provide financial assistance to students.

10. ONTARIO STUDENT OPPORTUNITY TRUST FUNDS

Net assets restricted for endowments include monies provided by the Government of Ontario from the Ontario Student Opportunity Trust Fund matching program to award student aid as a result of raising an equal amount of endowment donations.

The College has recorded the following amounts under the program:

(a) OSOTF I:

	2020	2019
Schedule of Changes in Endowment Fund Balance		
Endowment fund balance, beginning of year	**$ 2,584,782**	$ 2,558,904
Preservation of capital	**4,706**	25,878
Endowment fund balance, end of year	**$ 2,589,488**	$ 2,584,782
Schedule of Changes in Expendable Funds Available for Awards		
Expendable balance, beginning of year	**$ 426,889**	$ 362,797
Realized investment (loss) income	**(93,315)**	131,663
Bursaries awarded	**(78,276)**	(67,571)
Expendable balance, end of year	**255,298**	426,889
Number of bursaries awarded	**61**	65
Market value of endowment	**$ 3,054,867**	$ 3,400,190

10. ONTARIO STUDENT OPPORTUNITY TRUST FUNDS (continued)

(b) OSOTF II:

	2020	2019
Schedule of Changes in Endowment Fund Balance		
Endowment fund balance, beginning of year	**$ 2,581,036**	$ 2,555,195
Preservation of capital	**4,699**	25,840
Endowment fund balance, end of year	**$ 2,585,735**	$ 2,581,036
Schedule of Changes in Expendable Funds Available for Awards		
Expendable balance, beginning of year	**$ 426,495**	$ 362,496
Realized investment (loss) income	**(93,180)**	131,472
Bursaries awarded	**(78,162)**	(67,473)
Expendable balance, end of year	**255,153**	426,495
Number of bursaries awarded	**61**	64
Market value of endowment	**$ 3,050,664**	$ 3,395,487

11. ONTARIO TRUST FOR STUDENT SUPPORT

Net assets restricted for endowments include monies provided by the Government of Ontario from the Ontario Trust for Student Support matching program to award student aid as a result of raising an equal amount of endowment donations.

The College has recorded the following amounts in this program:

	2020	2019
Schedule of Changes in Endowment Fund Balance		
Endowment balance, beginning of year	**$ 6,352,059**	$ 6,288,465
Preservation of capital		**11,566**
63,594 Endowment fund balance, end of year	**$ 6,363,625**	$
6,352,059		
Schedule of Changes in Expendable Funds Available for Awards		
Expendable balance, beginning of year	**$ 1,079,730**	$ 921,690
Realized Investment (loss) income	**(246,760)**	324,096
Bursaries awarded	**(192,362)**	(166,056)
Expendable balance, end of year	**$ 640,608**	$ 1,079,730
Number of Bursaries awarded	**151**	159
Market value of endowment	**$ 7,520,505**	$ 8,386,572

12. INVESTED IN CAPITAL ASSETS

(a) Investment in capital assets represents the following:

	2020	2019
Capital assets - net book value	**$ 238,382,910**	$ 227,954,275
Less amounts financed by deferred capital contributions (Note 5(b)(i))	**(138,228,347)**	(140,896,023)
Add unspent deferred capital contributions	**1,273,614**	2,260,225
Less amount financed by debt and lease	**(42,143,264)**	(41,318,942)
Investment in capital assets	**$ 59,284,913**	$ 47,999,535

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

	2020	2019
Amortization of deferred capital contributions	**$ 8,045,829**	$ 6,695,483
Amortization of capital assets	**(18,660,941)**	(15,853,482)
	$ (10,615,112)	$ (9,157,999)
Net change in investment in capital assets:		
Purchase of capital assets	**$ 24,863,479**	$ 46,165,733
Amounts funded by:		
Deferred capital contributions (Note 5(b)(i))	**(5,378,154)**	(11,219,561)
(Spent)/Unspent deferred capital contributions	**(986,611)**	(17,159,296)
Repayment of debt	**3,401,776**	3,306,228
	$ 21,900,490	$ 21,093,104
	$ 11,285,378	$ 11,935,105

13. SERVICE COSTS

Durham College provides certain administrative services to UOIT under a shared service agreement. The cost of salaries, benefits and operating expenses allocated to the University has been calculated based on an individual percentage per department.

13. SERVICE COSTS (continued)

During 2009, the College and University began reviewing the organization of the integrated services departments in order to best serve both institutions going forward. In the review, a need was recognized for both the College and University to have certain dedicated teams to meet each of the institution's objectives and, as such, some of the departments were segregated.

Both institutions have continued to review the remaining services to formalize service level agreements where collaboration is required. During 2011, a master service level agreement was signed and service level agreements for three departments were finalized. During 2012, a subsequent Memorandum of Agreement in Principle was signed with the remaining service level agreements to be finalized in 2015. In March 2015, a new Service Level Agreement was signed further clarifying the expectations and obligations of each party. The Agreement is effective April 1, 2015 and shall continue until terminated in writing by the Parties in accordance with the Agreement or until April 1 of any year in which there are no Services to be provided under any Work Description Document.

14. COMMITMENTS

Premises and equipment

Future minimum lease payments, exclusive of taxes and operating costs, for premises and equipment under operating leases at March 31, 2020 are as follows:

2021	$ 557,884
2022	539,702
2023	388,766
Thereafter	97,755
	$ 1,584,107

The College has a commitment with a third-party contractor to construct The Skills Training Centre. As at March 31, 2020, outstanding commitments are $23,171,498. In addition, the college a long-term liability for the construction, maintenance and operation of the student residence in Whitby which has been disclosed in note 7.

15. CONTINGENCIES

The College is involved in various legal actions that are within the normal course of operations. In the opinion of management, any resulting liabilities are not expected to have a material adverse effect on the consolidated financial position or net operations.

16. GUARANTEES

The College's primary guarantees are as follows:

(a) Indemnity has been provided to all directors and or officers of the College for various items including, but not limited to, all settled suits or actions due to association with the College, subject to certain restrictions. The College has purchased directors' and officers' liability insurance to mitigate the cost of any potential future suits or actions. The term of indemnification is not explicitly defined, but is limited to the period over which the indemnified party served as a governor, director or officer of the College. The maximum amount of any potential future payment cannot be reasonably estimated.

(b) In the normal course of business, the College has entered into agreements that include indemnities in favour of third parties, such as student work placement agreements, purchase and sale agreements, confidentiality agreements, engagement letters with advisors and consultants, outsourcing agreements, leasing contracts, information technology agreements and service agreements. These indemnification agreements may require the College to compensate counterparties for losses incurred by the counterparties as a result of breaches in representation and regulations or as a result of litigation claims or statutory sanctions that may be suffered by the counterparty as a consequence of the transaction. The terms of these indemnities are not explicitly defined and the maximum amount of any potential reimbursement cannot be reasonably estimated.

(c) The College received approval from the Ministry of Finance, Ontario to guarantee $220,000,000 in Series A Debentures for the University of Ontario Institute of Technology. These debentures bear interest at 6.351%, payable semi-annually, with the principal due in 2034. The outstanding balance of the debenture debt on the financial statements of the University of Ontario Institute of Technology at March 31, 2020 was $158,105,761 (2019 - $164,270,307).

17. SIGNIFICANT EVENT

On January 30, 2020, the World Health Organization ("WHO") announced a global health emergency because of a new strain of coronavirus, the "COVID-19 outbreak". In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally. As a result of this, on March 23, 2020, the government of Ontario ordered the closure of all non-essential businesses effective March 24, 2020, through to at least June 3, 2020. In addition, the Canadian government has imposed travel restrictions to Canada until further notice.

On March 24, the College closed its campuses and learning sites and they remain closed to the date of the auditor's report. The plan for continuing education throughout the summer and fall semesters offered by the College will be through online curriculum, which could have implications on a number of course offerings and enrollment. Additionally, the continued closure of the College's campuses will have a negative impact on ancillary revenues.

A portion of the College's tuition revenues is derived from international students. If the Canadian border remains closed, this will impact the College's ability to earn revenue from International students who may choose to defer their studies until in class sessions resume and travel restrictions are lifted.

As the impacts of COVID-19 continue, there could be further impact on the College, its students and its funding sources. Management is actively monitoring the effect on its financial condition, liquidity, operations, suppliers, and its workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the College is not able to fully estimate the effects of the COVID-19 outbreak on its future results of operations, financial condition, or liquidity at this time.