FINANCIALS

DURHAM COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Year ended March 31, 2023

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 BDO Canada LLP, the external auditors in accordance with Canadian generally accepted auditing standards, on behalf of the Board. BDO Canada LLP has full and free access to the Audit and Finance Committee.

College President

Barbara MacCheyne
Chief Financial Officer

June 7, 2023

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BDO Canada LLP
360 Oakville Place Drive, Suite 500
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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, 2023, 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, 2023, 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, 2023, 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.

Independent Auditor's Report (Continued)

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
Oakville, Ontario
June 7, 2023

DURHAM COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Consolidated Statement of Financial Position

Year ended March 31, 2023, with comparative figures for year ending March 31, 2022

		March 31, 2023		March 31, 2022 (Restated - Note 3)
ASSETS				
Current assets:				
Cash	$	74,736,758	$	72,418,717
Short-term investments (note 4)		15,654,883		661,539
Accounts receivable (note 4)		15,562,084		13,905,519
Current portion of long-term receivables (note 5)		621,010		590,020
Inventories		1,054,529		864,365
Prepaid expenses		368,119		319,316
		107,997,383		88,759,476
Long-term investments (note 4)		18,739,456		19,192,936
Long-term receivables (note 5)		6,948,853		7,569,864
Capital assets (note 6)		242,511,280		245,761,636
	$	376,196,972	$	361,283,912
LIABILITIES AND NET ASSETS				
Current liabilities:				
Accounts payable and accrued liabilities	$	82,800,116	$	70,489,893
Accrued vacation		8,120,534		7,517,245
Deferred revenue (note 7(a))		23,308,944		20,143,712
Current portion of debt (note 8)		3,856,390		4,293,241
Term debt due on demand (note 8)		6,948,853		7,569,864
		125,034,837		110,013,955
Deferred contributions (note 7(b))		140,646,271		141,519,290
Long-term debt (note 8)		34,991,276		40,824,946
Derivative liability (note 8)		619,415		1,033,284
Long-term asset retirement obligation liability (note 2)		7,469,973		7,224,345
Long-term liability (note 9)		5,476,691		5,785,372
Post-employment, retirement benefits and compensated absences (note 10)		4,705,506		4,665,065
		318,943,969		311,066,257
Net assets:				
Unrestricted				
Operating		(24,679,966)		(28,572,012)
Post-employment, retirement benefits, and compensated absences		(4,705,506)		(4,665,065)
Vacation pay		(8,120,534)		(7,517,245)
		(37,506,006)		(40,754,322)
Invested in capital assets (note 14)		60,035,106		56,811,354
Internally restricted (note 11)		14,019,249		14,006,807
Endowments (note 11)		17,276,885		17,139,914
		53,825,234		47,203,753
Accumulated remeasurement gains		3,427,769		3,013,902
		57,253,003		50,217,655
Commitments (note 16)				
Contingencies (note 17)				
Guarantees (note 18)				
	$	376,196,972	$	361,283,912

See accompanying notes to the consolidated financial statements.

On behalf of the Board:

G. Rose Director

Director

DURHAM COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Consolidated Statement of Operations

Year ended March 31, 2023, with comparative figures for year ending March 31, 2022

	March 31, 2023	March 31, 2022 (Restated - Note 3)
Revenue:		
Grants and reimbursements	$ 78,744,758	$ 81,584,886
Student tuition fees	86,159,260	73,440,800
Ancillary operations	10,246,434	6,250,352
Rental income	10,460,467	7,577,291
Other income	33,445,610	27,141,420
Amortization of deferred capital contributions (note 7(b)(i))	9,234,680	8,572,080
Total revenue	228,291,209	204,566,829
Expenditures:		
Salaries and benefits	136,062,808	129,372,976
Instructional supplies	4,595,068	3,899,184
Contracted services	10,466,373	12,077,906
Utilities, maintenance and taxes	14,235,456	11,185,157
Interest and bank charges	2,609,407	2,382,898
Scholarships and bursaries	3,087,369	3,437,650
Supplies and other expenses	30,118,144	20,753,492
Accretion expense on Asset Retirement Liability (ARO)	245,628	237,551
Amortization of capital assets (note 14(b))	20,386,448	19,362,281
Total expenditures	221,806,701	202,709,095
Excess of revenue over expenditures	$ 6,484,508	$ 1,857,734

DURHAM COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Consolidated Statement of Changes in Net Assets

Year ended March 31, 2023, with comparative figures for year ending March 31, 2022

March 31, 2023

	Unrestricted	Invested in capital assets (note 14)	Internally restricted net assets: Internally Restricted (note 11)	Internally restricted net assets: Foundation	Internally restricted net assets: Total internally restricted net assets (note 11)	Endowments (note 11)	Total
Balance, beginning of year	$ (40,754,322)	$ 56,811,354	$ 13,816,880	$ 189,927	$ 14,006,807	$ 17,139,914	$ 47,203,753
Excess (deficiency) of revenue over expenditures	17,585,122	(11,113,054)	-	12,442	12,442	-	6,484,510
Invested in capital assets (note 14(b))	(14,336,806)	14,336,806	-	-	-	-	-
Endowment contributions	-	-	-	-	-	136,971	136,971
Transfer (note 11)	-	-	-	-	-	-	-
Net changes during the year	3,248,316	3,223,752	-	12,442	12,442	136,971	6,621,481
Balance, end of year	$ (37,506,006)	$ 60,035,106	$ 13,816,880	$ 202,369	$ 14,019,249	$ 17,276,885	$ 53,825,234

March 31, 2022
(Restated - Note 3)

	Unrestricted	Invested in capital assets (note 14)	Internally restricted net assets: Internally Restricted (note 11)	Internally restricted net assets: Foundation	Internally restricted net assets: Total internally restricted net assets (note 11)	Endowments (note 11)	Total
Balance, beginning of year as previously stated	$ (42,398,526)	$ 62,778,631	$ 13,811,610	$ 188,184	$ 13,999,794	$ 16,397,598	$ 50,777,497
Change in accounting policy (Note 3)	(6,173,794)	-	-	-	-	-	$ (6,173,794)
Balance, beginning of year as restated	(48,572,320)	62,778,631	13,811,610	188,184	13,999,794	16,397,598	44,603,703
Excess (deficiency) of revenue over expenditures	12,607,478	(10,751,487)	-	1,743	1,743	-	$ 1,857,734
Invested in capital assets (note 14(b))	(4,784,210)	4,784,210	-	-	-	-	$ -
Endowment contributions	-	-	-	-	-	742,316	$ 742,316
Transfer (note 11)	(5,270)	-	5,270	-	5,270	-	$ -
Net changes during the year	7,817,998	(5,967,277)	5,270	1,743	7,013	742,316	2,600,050
Balance, end of year	$ (40,754,322)	$ 56,811,354	$ 13,816,880	$ 189,927	$ 14,006,807	$ 17,139,914	$ 47,203,753

See accompanying notes to the consolidated financial statements.

DURHAM COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Consolidated Statement of Cash Flows

Year ended March 31, 2023, with comparative figures for year ending March 31, 2022

	March 31, 2023	March 31, 2022 (Restated - Note 3)
Cash provided by (used in):		
Operating activities:		
Excess of revenue over expenditures	$ 6,484,508	$ 1,857,734
Items not affecting cash:		
Amortization of capital assets	20,386,448	19,362,281
Amortization of deferred capital contributions	(9,234,680)	(8,572,080)
Accretion Expense on Asset Retirement Obligation	245,628	237,551
Change in non-cash working capital:		
Accounts receivable	(1,656,565)	5,709,256
Inventories	(190,164)	156,775
Prepaid expenses	(48,803)	(137,490)
Accounts payable and accrued liabilities	12,310,223	28,587,616
Accrued vacation	603,289	(1,500,035)
Post-employment, retirement benefits and compensated absences	40,441	(110,375)
Deferred revenue	3,165,232	3,898,195
	32,105,557	49,489,428
Financing activities:		
Endowment contributions	136,971	742,316
Advances of long-term debt	-	10,488,148
Repayment of long-term debt	(6,891,532)	(8,396,033)
	(6,754,561)	2,834,431
Capital activities:		
Contributions received for capital purposes (net of fair market value adjustment)	8,361,661	9,338,439
Purchase of capital assets	(17,444,773)	(20,560,333)
	(9,083,112)	(11,221,894)
Investing activities:		
Decrease in long-term receivables	590,021	682,040
(Increase)/Decrease in investments	(14,539,864)	4,409,121
	(13,949,843)	5,091,161
Increase in cash	2,318,041	46,193,126
Cash, beginning of year	72,418,717	26,225,591
Cash, end of year	$ 74,736,758	$ 72,418,717
Supplemental cash flow information:		
Interest paid	$ 1,685,708	$ 1,340,488

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, 2023, with comparative figures for year ending March 31, 2022

	March 31, 2023	March 31, 2022
Accumulated remeasurement gains at beginning of year	$ 3,013,902	$ 2,278,332
Unrealized (losses) gains attributable to:		
Derivative - interest rate swap	413,867	735,570
Net remeasurement gains for the year	413,867	735,570
Accumulated remeasurement gains at end of year	$ 3,427,769	$ 3,013,902

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 by 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 deferred contribution until awarded. 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:

Fair value

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.

Financial instruments in this category 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. SIGNIFIC ANT 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. Financial instruments in this category 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
Asset Retirement Obligation – Buildings	20 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 derivative liabilities, vacation pay and actuarial estimation of post-employment benefits, asset retirement obligations and compensated absences liabilities.

(k) Asset Retirement Obligations

A liability for an asset retirement obligation is recognized when there is a legal obligation to incur retirement costs in relation to a tangible capital asset; the past transaction or event giving rise to the liability has occurred; it is expected that future economic benefits will be given up; and a reasonable estimate of the amount can be made. The liability is recorded at an amount that is the best estimate of the expenditure required to retire a tangible capital asset at the financial statement date. This liability is subsequently reviewed at each financial reporting date and adjusted for the passage of time and for any revisions to the timing, amount required to settle the obligation or the discount rate. Upon the initial measurement of an asset retirement obligation, a corresponding asset retirement cost is added to the carrying value of the related tangible capital asset if it is still in productive use. This cost is amortized over the useful life of the tangible capital asset. If the related tangible capital asset is unrecognized or no longer in productive use, the asset retirement costs are expensed.

2. ASSET RETIREMENT OBLIGATIONS

The organization's financial statements include an asset retirement obligation for asbestos remediation for our buildings. The related asset retirement costs are being amortized on a straight line basis. The liability has been estimated using a net present value technique with a discount rate of 3.40% (2022, 3.40%). The estimated total undiscounted future expenditures are $14,579,068 (2022 - $14,579,068), which are to be incurred over the next twenty years. The liability is expected to be settled when renovations are completed on the space and the asbestos is removed during this time.

The carrying amount of the liability is as follows:

Asset Retirement Obligation as at, March 31, 2022	**$**	**7,224,345**
Increase due to liability incurred during the current year		-
(Decrease) due to liability settled during the current year		-
Increase due to accretion expense		245,628
Increase / (decrease) due to revisions in estimated cash flows		-
Asset retirement obligation as at, March 31, 2023	**$**	**7,469,972**

However, the total amount of the liability may change due to revisions of the regulation scope and if renovations to the space are completed earlier than the projected twenty years.

3. CHANGE IN ACCOUNTING POLICY

Effective March 31, 2022 the organization adopted new Public Sector Accounting Handbook Standard, PS 3280 Asset Retirement Obligations (AROs). As a result of the adoption, the presentation of the financial statements changed from the prior year. The standard requires that public sector entities in Canada that have legal obligations to retire certain tangible capital assets at the end of their lives. This change in accounting policy has been applied using the modified retrospective application with restatement of prior periods. The impact of adoption of this standard was as follows:

		March 31, 2022
Increase in NBV capital assets	$	774,286
Increase in ARO liability	$	7,224,345
Increase in amortization expense	$	38,714
Increase in accretion expense	$	237,551
(Decrease) in opening accumulated surplus	$	6,173,794

4. FINANCIAL INSTRUMENT CLASSIFICATION

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

	2023		
	Fair Value	Amortized Cost	Total
Cash	$ 74,736,758	$ -	$ 74,736,758
Accounts receivable	-	15,562,084	15,562,084
Current portion of long-term receivables	-	621,010	621,010
Short-term investments	15,654,883	-	15,654,883
Long-term investments	18,739,456	-	18,739,456
Long-term receivable	-	6,948,853	6,948,853
Accounts payable and accrued liabilities	-	82,800,116	82,800,116
Accrued vacation	-	8,120,534	8,120,534
Current portion of debt	-	3,856,390	3,856,390
Term debt due on demand	-	6,948,853	6,948,853
Long-term debt	-	34,991,276	34,991,276
Derivative liability	619,415	-	619,415

	2022		
	Fair Value	Amortized Cost	Total
Cash	$ 72,418,717	$ -	$ 72,418,717
Accounts receivable	-	13,905,519	13,905,519
Current portion of long-term receivables	-	590,020	590,020
Short-term investments	661,539	-	661,539
Long-term investments	19,192,936	-	19,192,936
Long-term receivable	-	7,569,864	7,569,864
Accounts payable and accrued liabilities	-	70,489,893	70,489,893
Accrued vacation	-	7,517,245	7,517,245
Current portion of debt	-	4,293,241	4,293,241
Term debt due on demand	-	7,569,864	7,569,864
Long-term debt	-	40,824,946	40,824,946
Derivative liability	1,033,284	-	1,033,284

Investments consist of equity instruments in public companies (2023 - $15,184,337, 2022 - $16,870,160), fixed income instruments (2023 - $4,002,999, 2022 - $2,882,150) and Guaranteed Investment Certificates (2023 - $15,207,003, 2022 - $102,165). Investments include $19,042,331 (2022 - $19,622,338) of investments externally restricted for endowment purposes (see Note 11).

4. FINANCIAL INSTRUMENT CLASSIFICATION (continued)

Maturity profile of fixed income instruments held is as follows:

	2023				
	Within 1 year	2 to 5 years	6 to 10 years	Over 10 years	Total
Carrying value	$ 447,880	$ 2,620,717	$ 862,583	$ 71,819	$4,002,999
Percentage of Total	11%	65%	22%	2%	

	2022				
	Within 1 year	2 to 5 years	6 to 10 years	Over 10 years	Total
Carrying value	$ 559,374	$ 1,834,062	$ 419,914	$ 68,800	$2,882,150
Percentage of Total	19%	64%	15%	2%	

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).

	2023			
	Level 1	Level 2	Level 3	Total
Cash	$ 74,736,758	$ -	$ -	$ 74,736,758
Investments	30,391,340	4,002,999	-	34,394,339
Derivative liability	-	-	619,415	619,415
Total	$ 105,128,098	$ 4,002,999	$ 619,415	$109,750,512

4. FINANCIAL INSTRUMENT CLASSIFICATION (continued)

	2022			
	Level 1	**Level 2**	**Level 3**	**Total**
Cash	$ 72,418,717	$ -	$ -	$ 72,418,717
Investments	16,972,325	2,882,150	-	19,854,475
Derivative liability	-	-	1,033,284	1,033,284
Total	$ 89,391,042	$ 2,882,150	$ 1,033,284	$ 93,306,476

There were no transfers between Level 1 and Level 2 for the years ended March 31, 2023 and 2022. 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.

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, 2023, 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 $1,062,819 (2022 - $1,222,000).

(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 (2022 - $100,000).

4. FINANCIAL INSTRUMENT CLASSIFICATION (continued)

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 Ontario Tech University (the "University"). 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:

	2023					
			Past Due			
	Total	**Current**	**1-30 days**	**31-60 days**	**61-90 days**	**91 - 120 days**
Government receivables	$ 5,440,789	$ 5,440,789	$ -	$ -	$ -	$ -
Student receivables	6,333,377	-	104,360	169,588	627,061	5,432,368
Other receivables	8,086,400	6,462,480	999,799	470,670	99,732	53,719
Gross receivables	19,860,566	11,903,269	1,104,159	640,258	726,793	5,486,087
Less: impairment allowances	(4,298,482)	-	-	-	-	(4,298,482)
Net receivables	$ 15,562,084	$ 11,903,269	$ 1,104,159	$ 640,258	$ 726,793	$ 1,187,605

	2022					
			Past Due			
	Total	**Current**	**1-30 days**	**31-60 days**	**61-90 days**	**91 - 120 days**
Government receivables	$ 2,763,122	$ 2,763,122	$ -	$ -	$ -	$ -
Student receivables	5,908,132	-	293,362	90,679	650,659	4,873,432
Other receivables	8,542,830	5,969,674	1,458,761	886,307	98,524	129,564
Gross receivables	17,214,084	8,732,796	1,752,123	976,986	749,183	5,002,996
Less: impairment allowances	(3,308,565)	-	-	-	-	(3,308,565)
Net receivables	$ 13,905,519	$ 8,732,796	$ 1,752,123	$ 976,986	$ 749,183	$ 1,694,431

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.

4. FINANCIAL INSTRUMENT CLASSIFICATION (continued)

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 8). 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 0.63% to 6.00% (2022 – 0.63% to 6.00%) with maturities ranging from June 2, 2023 to December 2, 2053 (2022 – July 7, 2022 to December 2, 2052).

At March 31, 2023, 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 $376,700 (2022 - $460,600). The College's term debt as described in Note 8 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.

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. 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, 2023 were approximately $7,184,568 (2022 - $7,112,658) 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):

4. FINANCIAL INSTRUMENT CLASSIFICATION (continued)

	2023			
	Within 6 months	6 months to 1 year	1 - 5 years	> 5 years
Accounts payable and accrued liabilities	$ 82,800,116	$ -	$ -	$ -
Accrued vacation	6,090,401	2,030,133	-	-
Debt	2,258,669	1,597,721	7,098,512	34,841,617
	$ 91,149,186	$ 3,627,854	$ 7,098,512	$ 34,841,617

	2022			
	Within 6 months	6 months to 1 year	1 - 5 years	> 5 years
Accounts payable and accrued liabilities	$ 70,489,893	$ -	$ -	$ -
Accrued vacation	5,637,933	1,879,312	-	-
Debt	2,530,710	1,762,531	10,528,927	37,865,883
	$ 78,658,536	$ 3,641,843	$ 10,528,927	$ 37,865,883

Derivative financial liabilities mature as described in Note 8.

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.

5. LONG-TERM RECEIVABLES

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 $6,948,853 (2022 - $7,569,864) and a current portion of $621,010 (2022 - $590,020) 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 8). The receivable is secured by the variable rate mortgage due on demand with underlying swap on the Centre.

6. CAPITAL ASSETS

	Ending Cost	Accumulated Amortization	2023 Net book Value	2022 (restated - note #3) Net book Value
Land	$ 4,521,201	$ -	$ 4,521,201	$ 4,521,201
Buildings	302,774,646	129,208,601	173,566,045	180,824,025
Building improvements	111,983,938	70,587,253	41,396,685	41,445,404
Asset Retirement Obligation (ARO) - Building	2,167,999	1,432,428	735,571	774,286
Equipment and furniture	103,475,468	89,459,968	14,015,500	14,288,190
Computer equipment	48,493,074	43,666,002	4,827,072	3,596,535
Construction-in-progress	3,449,206	-	3,449,206	311,995
	$ 576,865,532	**$ 334,354,252**	**$ 242,511,280**	$ 245,761,636

Construction in progress relates to various ongoing capital projects that are not yet complete.

7. DEFERRED CONTRIBUTIONS

(a) Deferred revenue

Deferred revenue represents grants - $5,179,656 (2022 - $4,965,233), tuition fees - $9,227,702 (2022 - $7,584,557) and other revenue - $8,901,586 (2022 - $7,593,922) 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.

	2023	2022
Balance, beginning of year	**$ 137,991,867**	$ 137,569,530
Contributions received	**9,322,626**	8,994,417
Less amounts amortized to revenue	**(9,234,680)**	(8,572,080)
Balance, end of year	**$ 138,079,813**	$ 137,991,867

7. DEFERRED CONTRIBUTIONS (continued)

(ii) Foundation

		2023		2022
Balance, beginning of year	**$**	**3,215,552**	$	3,045,530
Transfers		**(101,000)**		(105,379)
Net investment income (loss) and deferred contributions		**(160,677)**		728,521
Scholarships & Bursaries		**(473,370)**		(453,120)
Balance, end of year	**$**	**2,480,505**	$	3,215,552

(iii) Expenses of future periods

Deferred contributions represent unspent restricted donations for scholarships and bursaries.

		2023		2022
Balance, beginning of year	**$**	**311,871**	$	137,871
Contributions received		**0**		364,000
Disbursements		**(225,918)**		(190,000)
Balance, end of year	**$**	**85,953**	$	311,871
Total deferred contributions	**$**	**140,646,271**	$	141,519,290

8. DEBT

	2023	2022
3.12% unsecured mortgage on student residence, repayable in semi-annual instalments of $753,625 principal and interest, due February 2024.	**$ 736,334**	$ 1,450,199
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.	**17,954,040**	19,865,796
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.	**7,569,864**	8,159,884
2.46% unsecured mortgage on student residence, repayable in monthly instalments of $52,701 principal and interest, due July 2027, interest rate renewal in July 2022. Fully repaid July 2022.	**-**	3,158,024
3.43% unsecured mortgage on the Centre for Skilled Trades and Technology which includes capitalized interest of $54,148, repayable in semi-annual instalments of $600,362 principal and interest, due March 2047.	**19,536,281**	20,054,148
	$ 45,796,519	$ 52,688,051
Less current portion	**3,856,390**	4,293,241
Less term debt due on demand	**6,948,853**	7,569,864
	$ 34,991,276	$ 40,824,946

Principal payments due in each of the next five years and thereafter are as follows:

2024	$ 3,856,390
2025	1,706,727
2026	1,261,401
2027	1,317,355
2028	1,375,893
Thereafter	36,278,753
	$ 45,796,519

8. DEBT (continued)

Interest expense on long-term debt of $1,685,708 (2022 - $1,340,488) 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 $619,415 (2022 - $1,033,284) 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, 2023, the College had utilized $nil (2022 - $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 obtained a 25 year unsecured mortgage on the Centre for Skilled Trades and Technology building from the Ontario Financing Authority. The interest rate for the initial draw of $9,566,000 in fiscal 2020-21 was 0.41%. The loan of $20,000,000 plus the capitalized interest of $58,148 has an interest rate of 3.43% as of March 31, 2022.

9. 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, plus annual cost of inflation. 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 long-term liability as of March 31, 2023 was $5,476,691 (2021 - $5,785,372). 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.

10. 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:

	2023				
	Post-employment Benefits	**Retirement Benefits**	**Non-vesting sick leave**	**Vesting sick leave**	**Total liability**
Accrued employee future benefits obligations	$ 1,180,000	$ 670,506	$ 4,584,000	$ 45,000	$ 6,479,506
Value of plan assets	(283,000)	-	-	-	(283,000)
Unamortized actuarial gains/(losses)	10,000	-	(1,495,000)	(6,000)	(1,491,000)
Total liability	**$ 907,000**	**$ 670,506**	**$ 3,089,000**	**$ 39,000**	**$ 4,705,506**

	2022				
	Post-employment Benefits	**Retirement Benefits**	**Non-vesting sick leave**	**Vesting sick leave**	**Total liability**
Accrued employee future benefits obligations	$ 1,076,000	$ 674,065	$ 4,069,000	$ 63,000	$ 5,882,065
Value of plan assets	(290,000)	-	-	-	(290,000)
Unamortized actuarial gains/(losses)	22,000	-	(1,000,000)	51,000	(927,000)
Total liability	**$ 808,000**	**$ 674,065**	**$ 3,069,000**	**$ 114,000**	**$ 4,665,065**

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

	2023				
	Post-employment Benefits	**Retirement Benefits**	**Non-vesting sick leave**	**Vesting sick leave**	**Total expense**
Current year benefit cost	$ 116,000	$ -	$ 300,000	$ 2,000	$ 418,000
Interest on accrued benefit obligation	3,000	19,548	120,000	2,000	144,548
Amortized actuarial (gains)/losses	(15,000)	-	40,000	(66,000)	(41,000)
Total expense	**$ 104,000**	**$ 19,548**	**$ 460,000**	**$ (62,000)**	**$ 521,548**

	2022				
	Post-employment Benefits	**Retirement Benefits**	**Non-vesting sick leave**	**Vesting sick leave**	**Total expense**
Current year benefit cost	$ (115,000)	$ -	$ 366,000	$ 2,000	$ 253,000
Interest on accrued benefit obligation	1,000	12,094	80,000	1,000	94,094
Amortized actuarial (gains)/losses	(12,000)	-	109,000	(3,000)	94,000
Total expense	**$ (126,000)**	**$ 12,094**	**$ 555,000**	**$ -**	**$ 441,094**

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

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

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, 2023 indicated an actuarial surplus on a going concern basis of $4.7 billion. The College made contributions to the Plan and its associated retirement compensation arrangement of $11,413,847 in 2023 (2022 - $10,818,212), which has been included in the consolidated statement of operations.

Post-Employment Benefits

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

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

a) *Discount rate*

The present value as at March 31, 2023 of the future benefits was determined using a discount rate of 3.4% (2022 – 2.9%).

b) *Drug Costs*

Drug costs were assumed to increase at a 6.16% rate for 2023 and decrease proportionately thereafter to an ultimate rate of 4.00% in 2040.

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

c) Hospital and other medical

Hospital and other medical costs were assumed to increase at 4.00% per annum in 2023 (2022 – 4.00%).

Medical premium increases were assumed to increase at 6.16% per annum in 2023 and decrease proportionately thereafter to an ultimate rate of 4.00% in 2040 for fiscal 2022.

d) Dental costs

For the fiscal 2023 disclosure, dental costs and premiums were assumed to increase at 4.00% per annum (2022 – 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.

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:

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

	2023	2022
Wage and salary escalation	1.00%	1.00%
Discount Rate	3.40%	3.40%

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 26.20% and 0 to 51.0 days respectively for age groups ranging from 20 and under to 65 and over in bands of 5 years.

11. 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:

	2023			
	Balance, Beginning of Year	Additions	Transfers, Adjustments, Disbursements	Balance, End of Year
Operating Contingency	$ 13,060,950	$ -	$ -	$ 13,060,950
Capital Investments - Residence	755,930	-	-	755,930
Foundation	189,927	12,442	-	202,369
	$ 14,006,807	**$ 12,442**	**$ -**	**$ 14,019,249**

11. RESTRICTED NET ASSETS (continued)

	2022			
	Balance, Beginning of Year	**Additions**	**Transfers, Adjustments, Disbursements**	**Balance, End of Year**
Operating Contingency	$ 13,060,950	$ -	$ -	$ 13,060,950
Capital Investments - Residence	750,660	-	5,270	755,930
Foundation	188,184	1,743	-	189,927
	$ 13,999,794	**$ 1,743**	**$ 5,270**	**$ 14,006,807**

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:

	2023	2022
OSOTF (Note 12)	**$ 5,455,070**	$ 5,460,781
OTSS (Note 13)	**6,707,736**	6,714,757
Externally Restricted Donations	**5,114,079**	4,964,376
	$ 17,276,885	$ 17,139,914

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

12. 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:

	2023	2022
Schedule of Changes in Endowment Fund Balance		
Endowment fund balance, beginning of year	**$ 2,732,370**	$ 2,623,977
Preservation of capital	**(2,858)**	108,393
Endowment fund balance, end of year	**$ 2,729,512**	$ 2,732,370
Schedule of Changes in Expendable Funds Available for Awards		
Expendable balance, beginning of year	**$ 659,154**	$ 641,155
Realized investment income	**(46,936)**	87,063
Bursaries awarded	**(70,085)**	(69,064)
Expendable balance, end of year	**542,133**	659,154
Number of bursaries awarded	**57**	57
Market value of endowment	**$ 3,783,988**	$ 4,005,750

12. ONTARIO STUDENT OPPORTUNITY TRUST FUNDS (continued)

(b) OSOTF II:

	2023	2022
Schedule of Changes in Endowment Fund Balance		
Endowment fund balance, beginning of year	**$ 2,728,411**	$ 2,620,175
Preservation of capital	**(2,853)**	108,236
Endowment fund balance, end of year	**$ 2,725,558**	$ 2,728,411
Schedule of Changes in Expendable Funds Available for Awards		
Expendable balance, beginning of year	**$ 658,424**	$ 640,451
Realized investment income	**(46,868)**	86,937
Bursaries awarded	**(69,983)**	(68,964)
Expendable balance, end of year	**541,573**	658,424
Number of bursaries awarded	**57**	57
Market value of endowment	**$ 3,778,728**	$ 4,000,168

13. 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:

	2023	2022
Schedule of Changes in Endowment Fund Balance		
Endowment balance, beginning of year	**$ 6,714,757**	$ 6,448,383
Preservation of capital	**(7,021)**	266,374
Endowment fund balance, end of year	**$ 6,707,736**	$ 6,714,757
Schedule of Changes in Expendable Funds Available for Awards		
Expendable balance, beginning of year	**$ 1,672,612**	$ 1,621,150
Realized Investment income	**(119,574)**	221,184
Bursaries awarded	**(172,232)**	(169,722)
Expendable balance, end of year	**$ 1,380,806**	$ 1,672,612
Number of Bursaries awarded	**140**	141
Market value of endowment	**$ 9,347,609**	$ 9,896,815

14. INVESTED IN CAPITAL ASSETS

(a) Investment in capital assets represents the following:

	2023	2022 (restated - note #3)
Capital assets - net book value	**$ 242,511,280**	$ 245,761,636
Less amounts financed by deferred capital contributions (Note 7(b)(i))	**(138,079,813)**	(137,991,867)
Add unspent deferred capital contributions	**42,556**	129,410
Less amount financed by debt and lease	**(43,703,346)**	(50,313,539)
Less opening net book value of capitalized ARO - Building	**(735,571)**	(774,286)
Investment in capital assets	**$ 60,035,106**	$ 56,811,354

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

	2023	2022 (restated - note #3)
Amortization of deferred capital contributions	**$ 9,234,680**	$ 8,572,080
Amortization of capital assets	**(20,386,448)**	(19,362,281)
Amortization of capitalized of ARO - Building	**38,714**	38,714
	$ (11,113,054)	$ (10,751,487)
Net change in investment in capital assets:		
Purchase of capital assets	**$ 17,444,773**	$ 20,560,333
Amounts funded by:		
Deferred capital contributions (Note 7(b)(i))	**(9,322,626)**	(8,994,417)
Unsecured mortgage	**-**	(10,488,148)
(Spent)/Unspent deferred capital contributions	**(86,854)**	(4,129,014)
Repayment of debt	**6,301,513**	7,835,456
	$ 14,336,806	$ 4,784,210
	$ 3,223,752	$ (5,967,277)

15. SERVICE COSTS

Durham College provides certain administrative services to Ontario Tech University 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.

15. SERVICE COSTS (continued)

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 or a Statement of Current Practice.

16. COMMITMENTS

Premises and equipment

Future minimum lease payments, exclusive of taxes and operating costs, for premises and equipment under operating leases at March 31, 2023 are as follows:

2024	$	529,522
2025		579,504
2026		453,959
2027		417,200
2028		425,544
Thereafter		1,730,417
	$	4,136,146

The College has a long-term liability for the construction, maintenance and operation of the student residence in Whitby which has been disclosed in note 9.

17. 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.

Effective June 2019, the Province of Ontario enacted Bill 124 “Protecting a Sustainable Public Sector for future Generations Act, 2019”. This legislation limited compensation

17. CONTINGENCIES (continued)

increases to 1.0% per year for a three-year moderation period for both unionized and non-unionized employees in the Ontario public sector. The starting dates of the moderation period varied across entities and employee groups.

On November 29, 2022, the Ontario Superior Court of Justice struck down Bill 124, finding it unconstitutional and declaring it to be “void and of no effect”. On December 29, 2022, the Ontario government filed a Notice of Appeal with the Ontario Court of Appeal. The impact, if any, to the organization as a result of the Ontario Superior Court decision is not determinable at this time. As such, no provision has been made in the financial statements.

18. 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 Ontario Tech University. These debentures bear interest at 6.35%, payable semi-annually, with the principal due in 2034. The outstanding balance of the debenture debt on the financial statements of the Ontario Tech University at March 31, 2023 was $137,121,464 (2022 - $144,557,828).

18. GUARANTEES (continued)

On August 12, 2011, an agreement was signed between the University and MCU whereby the MCU shall pay the University $13,500,000 each year in equal semi-annual payments of $6,750,000 in April and October to fund the repayment of the debentures. The agreement took effect on April 1, 2011 and the grant will continue until the maturity of the debentures in October 2034.

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