Consolidated Financial Statements of

SENECA COLLEGE OF APPLIED ARTS AND TECHNOLOGY

And Independent Auditors' Report thereon

Year ended March 31, 2020

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INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the consolidated financial statements of Seneca College of Applied Arts and Technology (the Entity), which comprise:

- the consolidated statement of financial position as at March 31, 2020
- the consolidated statement of operations for the year then ended
- the consolidated statement of changes in net assets for the year then ended
- the consolidated statement of remeasurement gains and losses for the year then ended
- the consolidated statement of cash flows for the year then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements, present fairly, in all material respects, the consolidated financial position of the Entity as at March 31, 2020, and its consolidated results of operations, its consolidated remeasurement gains and losses and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

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

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

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

We also:

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.
- 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.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Vaughan, Canada

June 11, 2020

SENECA COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Consolidated Statement of Financial Position

March 31, 2020, with comparative information for 2019

	2020	2019
Assets		
Current assets:		
Cash	$ 76,290,350	$ 48,055,018
Short-term investments (note 12)	38,678,285	43,358,302
Grants receivable	767,243	3,258,088
Accounts receivable (notes 2 and 13)	9,562,234	8,967,829
Prepaid expenses	10,403,479	7,881,967
	135,701,591	111,521,204
Long-term receivable (note 2)	8,449,549	9,947,792
Long-term investments (note 12)	24,290,261	19,010,235
Restricted cash and investments (note 9)	27,591,060	29,743,579
Capital assets (note 3)	524,681,021	508,387,069
	$ 720,713,482	$ 678,609,879
Liabilities, Deferred Contributions and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities	$ 59,424,311	$ 52,703,389
Current portion of long-term debt (note 4)	4,649,241	4,354,814
Due to student associations (note 5)	15,159,395	12,620,837
Deferred revenue	110,777,139	85,348,542
Employee vacation accrual	15,499,591	15,434,007
	205,509,677	170,461,589
Long-term debt (note 4)	26,056,320	30,705,561
Deferred derivative liability (note 12)	3,843,718	3,499,337
Post-employment benefits and compensated absences (note 8)	10,914,000	11,359,661
	40,814,038	45,564,559
Deferred contributions (note 6)	5,905,826	9,183,498
Deferred contributions for capital assets (note 7)	189,970,411	197,029,927
	195,876,237	206,213,425
Net assets:		
Unrestricted:		
Operating	(19,985,034)	(12,932,252)
Post-employment benefits and compensation absences	(10,914,000)	(11,359,661)
Vacation pay	(15,499,591)	(15,434,007)
	(46,398,625)	(39,725,920)
Investment in capital assets (note 10(a))	304,232,891	276,296,767
Externally restricted - endowments (note 9)	24,522,982	23,298,796
	282,357,248	259,869,643
Accumulated remeasurement losses	(3,843,718)	(3,499,337)
	278,513,530	256,370,306
Commitments and contingent liabilities (note 11)		
Subsequent event (note 14)		
	$ 720,713,482	$ 678,609,879

See accompanying notes to consolidated financial statements.

On behalf of the Board of Governors:

_________________________ Chair _________________________ President

SENECA COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Consolidated Statement of Operations

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

	2020	2019
Revenue:		
Government operating grants	$ 112,876,416	$ 124,544,276
Tuition and related fees	288,226,081	263,236,899
Ancillary	31,117,123	28,747,918
Amortization of deferred contributions for capital assets (note 7)	11,193,683	9,424,428
Deferred contributions recognized	1,847,917	1,762,775
Student and alumni associations	2,518,590	2,577,107
Other	23,581,157	22,782,842
	471,360,967	453,076,245
Expenses:		
Salaries and benefits	256,161,639	252,868,461
Operating (note 4)	97,245,126	89,961,536
Plant and property maintenance	16,111,562	17,773,684
Bursaries and scholarships	15,911,186	13,384,233
Ancillary	22,693,621	19,658,099
Amortization of capital assets	41,974,414	36,538,878
	450,097,548	430,184,891
Excess of revenue over expenses	$ 21,263,419	$ 22,891,354

See accompanying notes to consolidated financial statements.

SENECA COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Consolidated Statement of Changes in Net Assets

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

2020	Endowments	Investment in capital assets	Unrestricted	Total
Net assets (deficiency), beginning of year	$ 23,298,796	$ 276,296,767	$ (39,725,920)	$ 259,869,643
Excess (deficiency) of revenue over expenses	–	(30,943,367)	52,206,786	21,263,419
Endowment contributions	1,224,186	–	–	1,224,186
Net change in investment in capital assets (note 10(b))	–	58,879,491	(58,879,491)	–
Net assets (deficiency), end of year	$ 24,522,982	$ 304,232,891	$ (46,398,625)	$ 282,357,248

2019	Endowments	Investment in capital assets	Unrestricted	Total
Net assets (deficiency), beginning of year	$ 21,343,031	$ 288,371,559	$ (74,692,066)	$ 235,022,524
Excess (deficiency) of revenue over expenses	–	(27,114,450)	50,005,804	22,891,354
Endowment contributions	1,955,765	–	–	1,955,765
Net change in investment in capital assets (note 10(b))	–	15,039,658	(15,039,658)	–
Net assets (deficiency), end of year	$ 23,298,796	$ 276,296,767	$ (39,725,920)	$ 259,869,643

See accompanying notes to consolidated financial statements.

SENECA COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Consolidated Statement of Remeasurement Gains and Losses

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

	2020	2019
Accumulated remeasurement losses, beginning of year	$ (3,499,337)	$ (3,536,045)
Unrealized (loss) gain on derivative liability	(344,381)	36,708
Accumulated remeasurement losses, end of year	$ (3,843,718)	$ (3,499,337)

See accompanying notes to consolidated financial statements.

SENECA COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Consolidated Statement of Cash Flows

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

	2020	2019
Cash provided by (used in):		
Operating activities:		
Excess of revenue over expenses	$ 21,263,419	$ 22,891,354
Items not involving cash:		
Amortization of capital assets	41,974,414	36,538,878
Loss on disposal of capital assets	162,636	–
Amortization of deferred contributions for capital assets	(11,193,683)	(9,424,428)
Post-employment benefits and compensated absences	(77,100)	167,927
	52,129,686	50,173,731
Decrease in post-employment benefits and compensated absences	(368,561)	(376,266)
Change in non-cash operating working capital:		
Decrease (increase) in grants receivable	2,490,845	(2,451,643)
(Increase) decrease in accounts receivable	(594,405)	5,249,411
(Increase) decrease in prepaid expenses	(2,521,512)	135,066
Increase (decrease) in accounts payable and accrued liabilities	6,720,922	(66,645,330)
Increase (decrease) in due to student associations	2,538,558	(821,604)
Increase in deferred revenue	25,428,597	24,913,442
Increase in employee vacation accrual	65,584	852,597
	85,889,714	11,029,404
Capital activities:		
Contributions received/committed for capital assets	4,134,167	86,280,036
Purchase of capital assets	(58,736,695)	(97,242,386)
Proceeds on disposal of capital assets	305,693	–
	(54,296,835)	(10,962,350)
Financing activities:		
Decrease (increase) in long-term receivable	1,498,243	(9,947,792)
(Decrease) increase in deferred contributions	(3,277,672)	1,329,157
Principal payments of long-term debt	(4,354,814)	(4,077,308)
Endowment contributions	1,224,186	1,955,765
	(4,910,057)	(10,740,178)
Investing activities:		
Net purchase of investments	(600,009)	(1,211,466)
Redemption of long-term investments	–	14,301,483
Decrease (increase) in restricted cash and investments	2,152,519	(3,405,845)
	1,552,510	9,684,172
Increase (decrease) in cash	28,235,332	(988,952)
Cash, beginning of year	48,055,018	49,043,970
Cash, end of year	$ 76,290,350	$ 48,055,018
Supplemental cash flow information:		
Interest paid on long-term debt	$ 2,131,475	$ 2,402,436

See accompanying notes to consolidated financial statements.

Seneca College of Applied Arts and Technology (the "College") was incorporated as a college in 1966 under legislation of the Province of Ontario. The College is a registered charity and, therefore, exempt from payment of income tax under Section 149 of the Income Tax Act (Canada).

The mission of the College is to contribute to the Canadian society by being a leader in providing students with career-related education and training.

1. Significant accounting policies:

(a) Basis of accounting:

These consolidated financial statements are the representation of management and have been prepared 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.

These consolidated financial statements reflect the assets, liabilities, net assets, revenue, expenses and other transactions of operations and organizations controlled by the College. As such, the consolidated financial statements include academic, administrative and other operating expenses that are funded by a combination of tuition and other fees, grants (federal, provincial and municipal), revenue from ancillary operations, and restricted purpose endowment funds.

(b) Subsidiary:

These consolidated financial statements reflect the assets, liabilities, revenue and expenses of the College and its wholly owned subsidiary, Seneca Corporation. All inter-organizational balances and transactions are eliminated on consolidation.

(c) Revenue recognition:

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

All revenue relating to tuition and other services provided by the College, as well as revenue from ancillary operations and donations, are reflected in the consolidated statement of operations.

1. Significant accounting policies (continued):

Operating grants are recorded as revenue in the year in which they relate. Grants earned but not received at the end of a year are accrued. Where a portion of a grant relates to a future year, it is deferred and recognized in the subsequent year when the related services are provided.

Contributions and tuition fees are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Externally restricted contributions are recognized as revenue in the year in which the related expenses are recognized. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on a straight-line basis, at a rate corresponding with the amortization rate for the related capital assets. Endowment contributions are recognized as direct increases in endowment net assets.

Restricted investment income that must be maintained as an endowment is credited to deferred contributions until the related expense is incurred. Unrestricted investment income is recognized as revenue when earned.

Tuition fees received in advance are recorded as deferred revenue and recognized as revenue when earned through the provision of service.

(d) Vacation accrual:

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

(e) Derivative financial instrument:

A derivative financial instrument is utilized by the College in the economic management of its interest rate exposure. The College does not enter into derivative financial instruments for trading or speculative purposes. The College uses an interest rate swap agreement to economically manage the floating interest rate of a portion of the debt portfolio and the related overall cost of borrowing.

1. Significant accounting policies (continued):

(f) Financial instruments:

Financial instruments are recorded at fair value on initial recognition and subsequently recorded at fair value or amortized cost.

The College classifies its financial instruments as either fair value or amortized cost. The College's accounting policy for each category is as follows:

(i) Fair value:

This category includes derivatives and equity instruments quoted in an active market. The College has elected to carry externally restricted endowment investments, consisting of restricted cash and investments that would otherwise be classified into the amortized cost category at fair value as the College reports performance on a fair value basis.

Unrealized changes in fair value associated with unrestricted investments carried at 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.

Unrealized changes in fair value of a financial asset in a fair value category that is externally restricted are recorded in deferred contributions.

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

Where a decline in the fair value is determined to be other than temporary, the amount of the loss is removed from accumulated remeasurement gains and losses and recognized in the consolidated statement of operations. On sale, the amount held in accumulated remeasurement gains and losses associated with that instrument is removed from net assets and recognized in the consolidated statement of financial position for restricted investments and the consolidated statement of operations for unrestricted investments.

1. Significant accounting policies (continued):

(ii) Amortized cost:

This category includes grants receivable, accounts receivable, short-term investments, long-term receivable, long-term investments, accounts payable and accrued liabilities, employee vacation accrual, due to student associations 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.

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

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

(g) Capital assets:

Capital assets are stated at cost with the exception of donated assets, which are recorded at their fair market value at the date of the receipt where fair market value is reasonably determinable; otherwise, they are recorded at a nominal amount. The College amortizes the cost of capital assets on a straight-line basis over the estimated useful lives of the assets as follows:

Land improvements	10 years
Buildings	40 years
Building improvements	20 years
Leasehold improvements	Lease term
Furniture	5 years
Equipment	5 - 10 years
Computer equipment	3 - 5 years

1. Significant accounting policies (continued):

Construction in progress relates to the ongoing campus expansion and the technology upgrade project. Upon completion, the College will start amortizing such costs in accordance with defined useful life criteria.

When a capital asset no longer contributes to the College's ability to provide services, its carrying amount is written down to its residual value.

(h) Student organizations:

These consolidated financial statements do not include the assets, liabilities or results of operations of the Seneca Student Federation, as this legal entity is not controlled by the College.

(i) Retirement and post-employment 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, life insurance benefits, vesting sick leave, non-vesting sick leave, short-term disability and maternity 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 year.

1. Significant accounting policies (continued):

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

(iv) The cost of short-term disability and maternity leave is determined using management's best estimate of the length of the compensated absences.

(j) Use of estimates:

The preparation of consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of revenue and expenses during the year, in addition to the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements. The most significant items subject to management's estimation are the fair value of deferred derivative liability, allowance for doubtful accounts, useful lives of capital assets, accrued liabilities and post-employment benefits and compensated absences. Actual results could differ from those estimates.

2. Long-term receivable:

Long-term receivable held by the College consists of the following:

	2020	2019
Long- term receivable	$ 9,680,940	$ 11,182,078
Less current portion	1,231,391	1,234,286
	$ 8,449,549	$ 9,947,792

The College entered into agreements with student bodies and other donors who contributed $23,200,000 to the funding of the Seneca King Campus Expansion project. As at March 31, 2020, $9,680,940 (2019 - $11,182,078) remains outstanding on these commitments, of which $1,231,391 (2019 - $1,234,286) is included in accounts receivable.

3. Capital assets:

(a) Capital assets:

2020	Cost	Accumulated amortization	Net book value
Land	$ 14,533,980	$ –	$ 14,533,980
Land improvements	143,678,333	76,697,300	66,981,033
Buildings	463,059,396	141,578,747	321,480,649
Building improvements	4,781,222	140,161	4,641,061
Leasehold improvements	24,410,480	16,372,344	8,038,136
Furniture	29,194,668	21,875,846	7,318,822
Equipment	174,955,769	109,527,815	65,427,954
Computer equipment	101,143,410	95,270,278	5,873,132
Construction in progress	30,386,254	–	30,386,254
	$ 986,143,512	$ 461,462,491	$ 524,681,021

2019	Cost	Accumulated amortization	Net book value
Land	$ 14,533,980	$ –	$ 14,533,980
Land improvements	132,651,333	67,197,155	65,454,178
Buildings	463,059,393	130,639,640	332,419,753
Leasehold improvements	24,894,744	15,901,581	8,993,163
Furniture	27,168,221	19,434,218	7,734,003
Equipment	169,082,149	97,257,132	71,825,017
Computer equipment	98,979,937	94,357,903	4,622,034
Construction in progress	2,804,941	–	2,804,941
	$ 933,174,698	$ 424,787,629	$ 508,387,069

During 2020, construction in progress of $1,602,360 (2019 - $186,470,175) was completed, transferred to capital assets and amortization commenced.

3. Capital assets (continued):

(b) Jane campus:

During the year, the College listed the Jane campus on the market for sale. The Jane campus is still on hand at year end and included in capital assets with a net book value of $460,632.

4. Long-term debt:

The College has negotiated or assumed the following long-term debt commitments:

	2020	2019
Mortgage (a)	$ 5,832,379	$ 7,528,255
Mortgage (b)	2,487,710	3,019,155
Mortgage (c)	5,817,472	6,653,965
Bankers' acceptance loan (d)	16,568,000	17,859,000
	30,705,561	35,060,375
Less current portion	4,649,241	4,354,814
	$ 26,056,320	$ 30,705,561

Interest on long-term debt amounted to $2,131,475 in 2020 (2019 - $2,402,436), and is included in operating expenses.

(a) Mortgage on the student residence on the Newnham Campus (Phase I). The rate is fixed at 6.87% and the maturity date is March 1, 2023. Blended semi-annual payments of $1,092,216 commenced September 1, 1998.

4. Long-term debt (continued):

(b) Mortgage on the student residence on the King campus. The rate is fixed at 6.29% and the maturity date is March 1, 2024. Blended semi-annual payments of $356,561 commenced September 1, 1999.

(c) Mortgage on the student residence on the Newnham Campus (Phase II). The rate is fixed at 7.16% and the maturity date is September 1, 2025. Blended semi-annual payments of $649,103 commenced September 1, 2000.

(d) The College negotiated a term bank loan, by way of a bankers' acceptance loan, to finance the acquisition of the Markham campus. The loan is repayable, commencing September 27, 2004, by blended quarterly payments of approximately $573,000, maturing June 25, 2029. The College has since entered into an interest rate swap agreement to modify the floating rate of interest on this loan to a fixed rate of 5.607% (note 12(c)).

Annual principal payments in each of the next five fiscal years and thereafter are as follows:

2021	$ 4,649,241
2022	4,964,560
2023	5,301,815
2024	3,438,169
2025	2,943,107
Thereafter	9,408,669
	$ 30,705,561

5. Due to student associations:

The due to student associations represent restricted funds collected from students which remain unspent at year end. These are unsecured and due on demand.

6. Deferred contributions:

Deferred contributions represent unspent externally restricted funding that has been received and relates to expenses of future years. Changes in the contributions deferred to future years are as follows:

	2020	2019
Balance, beginning of year	$ 9,183,498	$ 7,854,341
Add amount received from:		
Set aside tuition	8,784,622	8,807,140
Other sources	2,180,902	1,912,251
Realized investment income on endowments (note 9)	1,498,899	1,225,739
Unrealized loss on endowments (note 9)	(4,320,280)	(172,497)
Less amounts disbursed:		
Set aside tuition	9,107,229	8,074,382
Other sources	2,314,586	2,369,094
Balance, end of year	$ 5,905,826	$ 9,183,498
Deferred contributions comprise:		
Scholarships and bursaries	$ 1,524,147	$ 1,565,703
Joint employment stability reserve	711,710	699,993
Endowment income:		
Ontario Trust for Student Support and other	3,669,969	6,917,802
	$ 5,905,826	$ 9,183,498

7. Deferred contributions for capital assets:

Deferred contributions for capital assets represent the unamortized amount of grants and other contributions received or receivable for the purchase of capital assets. The amortization of capital contributions is recorded as revenue in the consolidated statement of operations and is amortized in relation to the asset to which it relates. The changes in the deferred contributions for capital asset balances are as follows:

	2020	2019
Balance, beginning of year	$ 197,029,927	$ 120,174,319
Amortization of deferred contributions for capital assets	(11,193,683)	(9,424,428)
Contributions received/committed for capital assets	4,134,167	86,280,036
Balance, end of year	$ 189,970,411	$ 197,029,927

Deferred contributions for capital assets include $227,842 (2019 - nil) of unspent contributions.

8. Post-employment benefits and compensated absences:

The following tables outline the liability components of the College's post-employment benefits and compensated absences:

2020	Post-employment benefits	Non-vesting sick leave	Vesting sick leave	Total liability
Accrued employee future benefits obligations	$ 2,124,000	$ 8,977,000	$ 1,071,000	$ 12,172,000
Value of plan assets	(470,000)	–	–	(470,000)
Unamortized actuarial gains (losses)	1,000	(420,000)	(369,000)	(788,000)
Total liability	$ 1,655,000	$ 8,557,000	$ 702,000	$ 10,914,000

2019	Post-employment benefits	Non-vesting sick leave	Vesting sick leave	Total liability
Accrued employee future benefits obligations	$ 2,186,000	$ 7,104,000	$ 1,107,661	$ 10,397,661
Value of plan assets	(398,000)	–	–	(398,000)
Unamortized actuarial gains (losses)	(2,000)	1,501,000	(139,000)	1,360,000
Total liability	$ 1,786,000	$ 8,605,000	$ 968,661	$ 11,359,661

The following tables outline the expense component of the College's post-employment benefits and compensated absences:

2020	Post-employment benefits	Non-vesting sick leave	Vesting sick leave	Total expense
Current year benefit costs	$ (99,000)	$ 389,000	$ 49,000	$ 339,000
Interest on accrued benefit obligation	5,000	146,000	23,000	174,000
Amortized actuarial gains	(19,000)	(5,000)	(74,000)	(98,000)
Total expenses	$ (113,000)	$ 530,000	$ (2,000)	$ 415,000

8. Post-employment benefits and compensated absences (continued):

2019	Post-employment benefits	Non-vesting sick leave	Vesting sick leave	Total expense
Current year benefit costs	$ 128,000	$ 364,000	$ 47,000	$ 539,000
Interest on accrued benefit obligation	6,000	182,000	32,000	220,000
Amortized actuarial losses (gains)	(20,000)	(26,000)	4,000	(42,000)
Total expenses	$ 114,000	$ 520,000	$ 83,000	$ 717,000

Above amounts exclude pension contributions to the Colleges of Applied Arts and Technology Pension Plan (the "Plan"), a multi-employer plan, described below:

(a) Pension plan:

All full-time employees of the College, and any part-time employees who opt to participate, are members of the Plan, which is a multi-employer, jointly sponsored defined benefit plan for eligible employees of public colleges 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 $19,692,134 in 2020 (2019 - $19,453,826), which has been included in the consolidated statement of operations.

8. Post-employment benefits and compensated absences (continued):

(b) 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:

(i) Discount rate:

The present value, as at March 31, 2020, of the future benefits was determined using a discount rate of 1.6% (2019 - 2.2%).

(ii) Drug costs:

Drug costs were assumed to increase at a rate of 8.0% in 2018 and decrease proportionately thereafter to an ultimate rate of 4.0% in 2040.

(iii) Other medical:

Other medical costs and vision/hearing care were assumed to increase at 4.0% per annum.

(iv) Dental costs:

Dental costs were assumed to increase at 4.0% per annum.

8. Post-employment benefits and compensated absences (continued):

(c) Compensated absences:

(i) Vesting sick leave:

The College has provided for vesting sick leave benefits during the year. Eligible employees, after 10 years of service, are entitled to receive 50% of their accumulated sick leave credit on termination or retirement to a maximum of six 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.

(ii) Non-vesting sick leave:

The College allocates to certain employee groups a specified number of days each year for use as paid absences in the event of illness or injury. These days do not vest and are available immediately. Employees are permitted to accumulate their unused allocation each year, up to the allowable maximum provided in their employment agreements. Accumulated days may be used in future years to the extent that the employees' illness or injury exceeds the current year's allocation of days. Sick days are paid out at the salary in effect at the time of usage. The related benefit liability was determined by an actuarial valuation study commissioned by the College Employer Council.

The assumptions used in the valuation of vesting and non-vesting sick leave are the College's best estimates of expected rates of:

	2020	2019
Wage and salary escalation	1.00% - 2.00%	1.50% - 2.00%
Discount rate	1.60%	2.20%

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 days, respectively, for age groups ranging from 20 and under to 65 and over in bands of five years.

9. Externally restricted endowments:

Externally restricted net assets include endowment funds which have been donated for specific purposes. The principal sum must be held for investment, while the income earned is expendable for the specific purposes outlined when the funds are donated. The College ensures, as part of its fiduciary responsibilities, that all funds received with a restricted purpose are expended for the purpose for which they are provided.

Endowment funds of $24,522,982 (2019 - $23,298,796) consist of restricted cash and investments. The fair value of the restricted cash and investments at March 31, 2020 is $27,591,060 (2019 - $29,743,579), which represents funds restricted as to use and are not available for general operations.

Unrealized losses and realized investment income earned on endowment funds during the year, and reported in deferred contributions is as follows:

			2020	2019
	OTSS	Non-OTSS	Total	Total
Unrealized losses	$ (3,407,718)	$ (912,562)	$ (4,320,280)	$ (172,497)
Realized investment income	1,182,290	316,609	1,498,899	1,225,739
	$ (2,225,428)	$ (595,953)	$ (2,821,381)	$ 1,053,242

Investment income on externally restricted endowments that was disbursed during the year has been recorded in the consolidated statement of operations since this income is available for disbursement as scholarships and bursaries and the donor's conditions were met.

9. Externally restricted endowments (continued):

Ontario Trust for Student Support ("OTSS") fund:

The externally restricted endowments include monies provided by the Government of Ontario through the OTSS matching funds program to award student aid as a result of raising an equal amount of endowed donations. The College has recorded the following amounts under the program:

	2020	2019
Schedule of Changes in Endowment Fund Balance		
Fund balance, beginning of year	$ 18,600,283	$ 17,739,072
Cash donations received and receivable	742,772	861,211
Fund balance, end of year	$ 19,343,055	$ 18,600,283

	2020	2019
Schedule of Changes in Expendable Funds Available for Awards		
Balance, beginning of year	$ 5,780,436	$ 5,569,659
Investment income	1,182,290	978,548
Bursaries awarded (total number - 996; 2019 - 1,033)	(523,174)	(630,061)
Unrealized loss on endowment funds	(3,407,718)	(137,710)
Balance, end of year	$ 3,031,834	$ 5,780,436

10. Investment in capital assets:

(a) Investment in capital assets represents the following:

	2020	2019
Capital assets	$ 524,681,021	$ 508,387,069
Less amounts financed by:		
Long-term debt (note 4)	30,705,561	35,060,375
Deferred contributions for capital assets (note 7)	189,742,569	197,029,927
	$ 304,232,891	$ 276,296,767

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

	2020	2019
Deficiency of revenue over expenses:		
Amortization of deferred contributions related to capital assets	$ 11,193,683	$ 9,424,428
Amortization of capital assets	(41,974,414)	(36,538,878)
Loss on disposal of capital assets	(162,636)	–
	$ (30,943,367)	$ (27,114,450)
Net change in investment in capital assets:		
Purchase of capital assets	$ 58,736,695	$ 97,242,386
Proceeds on disposal of capital assets	(305,693)	–
Amounts funded by contributions received/committed for capital assets	(3,906,325)	(86,280,036)
Principal payments of long-term debt	4,354,814	4,077,308
	$ 58,879,491	$ 15,039,658

11. Commitments and contingent liabilities:

(a) Service agreements and lease commitments:

The College has entered into various service agreements, as well as other commitments, to lease premises and equipment. The anticipated annual payments in each of the next five years and thereafter in aggregate under current arrangements are as follows:

2021	$ 12,113,868
2022	7,889,936
2023	5,599,192
2024	3,903,404
2025	2,941,671
Thereafter	9,050,556
	$ 41,498,627

(b) Contractual commitments:

The primary services contracted by the College through contractual agreements with external companies include facilities management, security, grounds maintenance and print/copy services.

(c) Contingent liabilities:

In the normal course of its operations, the College is subject to various litigation and claims. Where management has assessed the likelihood of financial exposure for a claim as more than likely and where a reasonable estimate as to the exposure can be made, an accrual has been recorded in these consolidated financial statements. In some instances, the ultimate outcome of these claims cannot be determined at this time. However, the College's management believes that the ultimate disposition of these matters will not have a material adverse effect on its consolidated financial position.

(d) Letters of guarantee:

The College issues letters of guarantee through its financial institutions to provide guarantees to certain vendors. Outstanding letters of guarantee amount to $2,937,786 as at March 31, 2020 (2019 - $2,937,786).

11. Commitments and contingent liabilities (continued):

(e) Indemnification agreements:

In the normal course of business, the College enters into agreements that meet the definition of a guarantee. The College's primary guarantees subject to the disclosure requirements are as follows:

(i) The College has provided indemnities under lease agreements for the use of various operating facilities and equipment. Under the terms of these agreements, the College agrees to indemnify the counterparties for various items, including, but not limited to, all liabilities, loss, suits and damages arising during, on or after the term of the agreement. The maximum amount of any potential future payment cannot be reasonably estimated.

(ii) Indemnity has been provided to all directors and/or officers of the College for various items including, but not limited to, all costs to settle 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 lawsuits or actions. The term of the indemnification is not explicitly defined, but is limited to the period over which the indemnified party served as a trustee, director or officer of the College. The maximum amount of any potential future payment cannot be reasonably estimated.

(iii) 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. 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.

The nature of these indemnification agreements prevents the College from making a reasonable estimate of the maximum exposure due to the difficulties in assessing the amount of liability which stems from the unpredictability of future events and the unlimited coverage offered to counterparties. Historically, the College has not made any significant payments under such or similar indemnification agreements and, therefore, no amount has been accrued in the consolidated statement of financial position with respect to these agreements.

12. Financial instruments classification:

The following tables provide 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
Cash	$ 76,290,350	$ –
Short-term investments (a)	–	38,678,285
Grants receivable	–	767,243
Accounts receivable	–	9,562,234
Long-term receivable	–	8,449,549
Long-term investments (a)	–	24,290,261
Restricted cash and investments (b)	27,591,060	–
Accounts payable and accrued liabilities	–	59,424,311
Current portion of long-term debt	–	4,649,241
Employee vacation accrual	–	15,499,591
Long-term debt	–	26,056,320
Deferred derivative liability (c)	3,843,718	–

2019	Fair value	Amortized cost
Cash	$ 48,055,018	$ –
Short-term investments (a)	–	43,358,302
Grants receivable	–	3,258,088
Accounts receivable	–	8,967,829
Long-term receivable	–	9,947,792
Long-term investments (a)	–	19,010,235
Restricted cash and investments (b)	29,743,579	–
Accounts payable and accrued liabilities	–	52,703,389
Current portion of long-term debt	–	4,354,814
Employee vacation accrual	–	15,434,007
Long-term debt	–	30,705,561
Deferred derivative liability (c)	3,499,337	–

(a) Excess operating funds are invested in liquid securities that are accessible when required. Short-term investments consist of T-bills, government and corporate bonds with maturities of less than one year. Long-term investments consist of government and corporate bonds with maturities that are greater than one year. All investments follow the Government of Ontario Binding Policy Directive on Banking, Investments and Borrowing.

12. Financial instruments classification (continued):

Excess operating funds held in short-term investments have yields varying from 0.43% to 4.50% (2019 - 1.49% to 5.00%) with maturity dates ranging from April 2020 to March 2021 (2019 - April 2019 to January 2020). The fair value of short-term investments as at March 31, 2020 was $38,609,457 (2019 - $43,310,599). Excess operating funds held in long-term investments have yields varying from 0.75% to 4.50% (2019 - 1.37% to 4.50%) with maturity dates ranging from June 2021 to April 2024 (2019 - June 2020 to April 2024). The fair value of long-term investments as at March 31, 2020 was $24,589,816 (2019 - $18,963,646).

(b) Restricted cash and investments are externally restricted for endowment purposes (note 9) and consist of pooled funds invested in money market, bonds and Canadian and international equity funds.

(c) The College entered into an interest rate swap agreement in a prior year to economically manage the floating interest rate of the bankers' acceptance loan (note 4(d)). Under the terms of the interest rate swap agreement, the College has contracted with the counterparty to pay a fixed rate of interest of 5.607% (2019 - 5.607%), while receiving interest at a variable rate to be set quarterly based on the bankers' acceptance rates which ranged from 1.58% to 2.06% (2019 - 1.74% to 2.30%) during the year. The effective date of the interest rate swap agreement was June 25, 2004, with a maturity date of June 25, 2029. The notional value of the interest rate swap agreement at March 31, 2020 is $16,568,000 (2019 - $17,859,000) and is amortized quarterly during the term of the interest rate swap agreement. The fair value of the interest rate swap agreement at March 31, 2020 is $3,843,718 (2019 - $3,499,337) and is recorded as a deferred derivative liability on the consolidated statement of financial position.

The following provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Level 1 to Level 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

12. Financial instruments classification (continued):

- 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).

All cash and restricted cash and investments are classified as Level 1 financial instruments, except for $27,014,411 (2019 - $27,562,010) invested in a Canadian Equity Fund, a US Equity Fund, a Fixed Income Fund and an International Equity Fund, which are classified as Level 2 financial instruments. The deferred derivative liability is classified as a Level 3 financial instrument.

There were no transfers among levels for the years ended March 31, 2020 and 2019. For a sensitivity analysis of financial instruments recognized in Level 3, see note 13, interest rate risk, as the prevailing interest rate is the most significant input into the fair value of the instrument.

13. Financial instruments risk management:

(a) Credit 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 and accounts receivable. The College holds its cash accounts with federally regulated chartered banks which are insured by the Canadian Deposit Insurance Corporation. In the event of default, the College's cash accounts are insured up to $100,000 (2019 - $100,000).

The College's investment policy operates within the constraints of the investment guidelines issued by the Government of Ontario Binding Policy Directive on Banking, Investments and Borrowing and 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. All fixed income portfolios are measured for performance on a quarterly basis and monitored by management on a monthly basis. The guidelines permit the College's funds to be invested in government bonds, bank-listed Schedule I or Schedule II or a branch in Canada of an authorized foreign bank under the Bank Act. Externally restricted and endowment funds, which are generally money and donations for scholarships and bursaries, can be invested in corporate bonds with a credit rating of A(R-1) or better. All other College funds are restricted to corporate bonds with a rating of AAA.

13. Financial instruments risk management (continued):

The maximum exposure to investment credit risk is outlined in note 12.

Grants receivable are due from government for program grants.

Accounts receivable are primarily due from students, tax rebates and other corporations. Credit risk is mitigated by financial approval processes before a student is enrolled and the highly diversified nature of the student population.

Student receivables and long-term receivable not impaired are collectible based on the College's assessment and past experience regarding collection rates.

Long-term receivable are as outlined in note 2.

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 were as follows:

			Past due		
2020	Total	1 - 30 days	31 - 60 days	61 - 90 days	> 90 days
Grants receivable	$ 767,243	$ 767,243	$ –	$ –	$ –
Accounts receivable	11,412,952	8,472,823	143,599	1,073,130	1,723,400
Less impairment allowances	1,850,718	–	–	363,410	1,487,308
	9,562,234	8,472,823	143,599	709,720	236,092
Long-term receivable	8,449,549	–	–	–	8,449,549
	$ 18,779,026	$ 9,240,066	$ 143,599	$ 709,720	$ 8,685,641

			Past due		
2019	Total	1 - 30 days	31 - 60 days	61 - 90 days	> 90 days
Grants receivable	$ 3,258,088	$ 3,258,088	$ –	$ –	$ –
Accounts receivable	11,608,688	7,019,030	229,468	1,641,614	2,718,576
Less impairment allowances	2,640,859	–	–	549,741	2,091,118
	8,967,829	7,019,030	229,468	1,091,873	627,458
Long-term receivable	9,947,792	–	–	–	9,947,792
	$ 22,173,709	$ 10,277,118	$ 229,468	$ 1,091,873	$ 10,575,250

13. Financial instruments and risk management (continued):

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.

(b) Market risk:

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of market factors. Market factors include three types of risk: currency risk, interest rate risk and equity risks.

The College's investment policy operates within the constraints of the investment guidelines issued by the Ministry of Colleges and Universities ("MCU"). The policy's application is monitored by management, the investment managers and the Board of Governors. Diversification techniques are utilized to minimize risk.

The investment policy outlines an asset mix comprising:

Fixed income	25% - 50%
Equities	50% - 65%
Cash and short-term investments	0% - 15%

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.

(c) Currency risk:

Currency risk relates to the College operating in different currencies and converting non-Canadian earnings at different points in time at different foreign exchange rates when adverse changes in foreign currency rates occur. The College does not have any material transactions or financial instruments denominated in foreign currencies.

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

13. Financial instruments and risk management (continued):

(d) Interest rate risk:

Interest rate risk is the potential for financial loss caused by fluctuations in fair value or future cash flows of financial instruments because of changes in market interest rates.

The College is exposed to this risk through the fixed income securities and long-term debt.

The College mitigates interest rate risk on its long-term debt (note 4(d)) through a derivative financial instrument that exchanges the variable rate inherent in the long-term debt for a fixed rate (note 12). Therefore, fluctuations in market interest rates would not impact future cash flows and operations relating to the term debt. In addition, the College's other long-term debt, as described in note 4(a) to (c), would not be impacted as the inherent rates are fixed.

Fixed income securities have yields varying from 0.18% to 5.26% (2019 - 0.46% to 4.33%) with maturity dates ranging from April 2020 to June 2065 (2019 - April 2019 to December 2064).

At March 31, 2020, a 1% fluctuation in interest rates, with all other variables held constant, would have an estimated impact on the fair value of the bonds and the interest rate swap of $1,277,543 (2019 - $1,359,886) and $923,300 (2019 - $1,050,790), respectively.

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

(e) Equity risk:

Equity risk is the uncertainty associated with the valuation of assets arising from changes in equity markets. The College is exposed to this risk through the equity holdings with its investment portfolio. At March 31, 2020, a 10% movement in the stock markets with all variables held constant would have an estimated effect on the fair values of the College's equities of $1,685,519 (2019 - $1,654,227).

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

13. Financial instruments and risk management (continued):

(f) 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 tables set out the contractual maturities (representing undiscounted contractual cash flows of financial liabilities):

2020	Within 6 months	6 months to 1 year	1 - 5 years	Greater than 5 years	Total
Accounts payable and accrued liabilities	$ 58,164,470	$ 1,259,841	$ –	$ –	$ 59,424,311
Employee vacation accrual	15,499,591	–	–	–	15,499,591
Current portion of long-term debt	2,286,035	2,363,206	–	–	4,649,241
Long-term debt	–	–	19,139,320	6,917,000	26,056,320
	$ 75,950,096	$ 3,623,047	$ 19,139,320	$ 6,917,000	$ 105,629,463

2019	Within 6 months	6 months to 1 year	1 - 5 years	Greater than 5 years	Total
Accounts payable and accrued liabilities	$ 50,431,885	$ 495,664	$ 1,775,840	$ –	$ 52,703,389
Employee vacation accrual	15,434,007	–	–	–	15,434,007
Current portion of long-term debt	2,142,121	2,212,693	–	–	4,354,814
Long-term debt	–	–	21,296,892	9,408,669	30,705,561
	$ 68,008,013	$ 2,708,357	$ 23,072,732	$ 9,408,669	$ 103,197,771

Derivative financial liabilities mature, as described in note 12.

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

14. Subsequent event:

Prior to March 31, 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization. The College halted all in-person activity and closed its facilities to staff and students and moved to online education format in March 2020 based on recommendations from Public Health Ontario. The winter 2020 semester was moved to an online format and summer 2020 semester will continue in the same format.

Financial statements are required to be adjusted for events occurring between the date of the financial statements and the date of the auditors' report which provide additional evidence relating to conditions that existed as at year end. Management has assessed the financial impacts at this time. As these effects are quantifiable and confirm conditions known as at March 31, 2020, the adjustments have been reflected in these financial statements. The College reimbursed fees collected from students resulting in a loss of revenue and incurred expenditures including refunds for some ancillary services and student fees, student relief bursaries and a voluntary employee retirement program amounting to approximately $8,400,000.

15. Comparative information:

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