2020 FINANCIAL STATEMENTS

MARCH 31, 2020

MOHAWK COLLEGE

THE MOHAWK COLLEGE OF APPLIED ARTS AND TECHNOLOGY

FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES

I N D E X

FINANCIAL STATEMENTS:

SUPPLEMENTARY SCHEDULES:

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INDEPENDENT AUDITORS' REPORT

To The Board of Governors of Mohawk College of Applied Arts and Technology

Opinion

We have audited the financial statements of Mohawk College of Applied Arts and Technology (the "Entity") which comprise:

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

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

In our opinion, the accompanying financial statements, present fairly, in all material respects, the financial position of the Entity as at March 31, 2020, and its results of operations, changes in net assets, cash flows and 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 "*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 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.
- 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

Hamilton, Canada
July 8, 2020

THE MOHAWK COLLEGE OF APPLIED ARTS AND TECHNOLOGY
Statement of Financial Position
March 31, 2020, with comparative figures for 2019 **Statement 1**

		2020 $	2019 $
ASSETS			
CURRENT			
Cash	(note 2)	16,536,295	13,887,976
Investments	(note 2)	113,808,669	106,891,019
Accounts receivable		15,086,562	14,996,602
Grants receivable		5,405,540	5,130,271
Inventories		1,373,448	1,371,165
Prepaid expenses and other assets		6,808,201	6,246,873
Current portion of long-term receivable	(note 4)	1,049,461	1,022,043
		160,068,176	149,545,949
LONG-TERM			
Long-term investment	(note 3)	873,472	873,472
Long-term receivable	(note 4)	28,855,862	29,898,639
Construction in progress		1,930,522	1,205,332
Capital assets	(note 5)	208,524,217	217,119,265
		240,184,073	249,096,708
		400,252,249	398,642,657
LIABILITIES, DEFERRED CONTRIBUTIONS AND NET ASSETS			
CURRENT LIABILITIES			
Accounts payable and accrued liabilities		26,256,064	29,670,170
Deferred revenue	(note 6)	40,038,002	33,249,202
Vacation pay		8,684,518	8,086,509
Current portion of long-term debt	(note 7)	2,643,529	2,556,271
		77,622,113	73,562,152
LONG-TERM LIABILITIES			
Long-term debt	(note 7)	50,351,668	52,995,197
Post-employment benefits and compensated absences	(note 8)	6,548,000	6,685,000
		56,899,668	59,680,197
DEFERRED CONTRIBUTIONS			
Deferred contributions	(note 9a)	4,035,189	5,325,147
Deferred contributions related to construction in progress	(note 9b)	500,000	1,126,640
Deferred contributions related to expenses of future periods	(note 9c)	3,425,163	2,667,346
Deferred contributions related to capital assets	(note 9d)	134,232,278	138,790,704
		142,192,630	147,909,837
NET ASSETS (statement 3)			
Net assets invested in capital assets	(note 10)	53,436,273	54,510,835
Unrestricted net assets:			
Operating		10,283,279	10,671,561
Vacation pay		(8,684,518)	(8,086,509)
Post-employment benefits and compensated absences		(6,548,000)	(6,685,000)
Restricted net assets:			
Internally restricted assets		56,922,000	48,700,000
Endowment contributions	(note 11)	17,633,012	17,524,075
		123,042,046	116,634,962
Accumulated remeasurement gains **(statement 5)**		495,792	855,509
		123,537,838	117,490,471
Impact of COVID-19 (note 16)			
		400,252,249	398,642,657

SIGNED ON BEHALF OF THE BOARD:

Approved by the Board of Governors at the meeting of July 8, 2020

See accompanying notes to the financial statements

THE MOHAWK COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Statement of Operations

For the year ended March 31, 2020, with comparative figures for 2019 **Statement 2**

		2020	2019
		$	$
REVENUE			
Grants	(schedule 1)	95,481,287	107,336,810
Student fees		122,091,432	119,333,021
Ancillary	(schedule 1)	14,560,442	15,286,399
Amortization of deferred contributions		4,989,524	4,578,303
Amortization of deferred contributions related to capital assets		10,429,783	9,041,450
Other	(schedule 1)	9,533,358	11,194,520
		257,085,826	266,770,503
EXPENDITURES			
Salaries and benefits		152,352,949	146,319,595
Contracted services and professional fees		20,506,076	19,093,006
Supplies and other expenses		21,474,194	22,669,548
Utilities, maintenance and taxes		9,380,355	10,742,501
Instructional supplies		7,953,425	8,440,654
Ancillary	(schedule 2)	12,081,476	13,310,126
Scholarship, bursary and award payments		4,989,524	4,578,303
Amortization expense		19,699,753	17,781,617
Interest on long-term liabilities		2,349,927	2,192,063
		250,787,679	245,127,413
EXCESS OF REVENUE OVER EXPENDITURES		6,298,147	21,643,090

See accompanying notes and schedules to the financial statements

THE MOHAWK COLLEGE OF APPLIED ARTS AND TECHNOLOGY
Statement of Changes in Net Assets
For the year ended March 31, 2020, with comparative figures for 2019 — Statement 3

	Invested in Capital Assets $	Unrestricted Operating $	Vacation & post-employment benefits & compensated absences $	Internally Restricted $	Endowment Contributions $	2020 Total $	2019 Total $
Balance, beginning of year	54,510,835	10,671,561	(14,771,509)	48,700,000	17,524,075	116,634,962	94,922,499
(Deficiency) excess of revenue over expenditures	(9,269,970)	16,215,751	(461,009)	(186,625)	-	6,298,147	21,643,090
Investment in capital assets	8,195,408	(5,949,216)	-	(2,246,192)	-	-	-
Change in internally imposed restrictions	-	(10,654,817)	-	10,654,817	-	-	-
Endowment contributions	-	-	-	-	108,937	108,937	69,373
Balance, end of year	53,436,273	10,283,279	(15,232,518)	56,922,000	17,633,012	123,042,046	116,634,962

See accompanying notes to the financial statements

THE MOHAWK COLLEGE OF APPLIED ARTS AND TECHNOLOGY
Statement of Cash Flows
For the year ended March 31, 2020, with comparative figures for 2019 **Statement 4**

	2020 $	2019 $
Cash provided by (used in):		
OPERATING ACTIVITIES		
Excess of revenue over expenditures	6,298,147	21,643,090
Items not involving cash:		
Amortization expense	19,699,753	17,781,617
Net loss (income) of Mohawk College Enterprise	45,393	(73,271)
Decrease in post-employment benefits and compensated absences	(137,000)	(66,000)
Loss on disposal of capital assets	417,861	100,378
Amortization of deferred contributions related to capital assets	(10,429,783)	(9,041,450)
	15,894,371	30,344,364
Changes in non-cash working capital items:		
Accounts receivable	(89,960)	(1,142,567)
Grants receivable	(275,269)	(1,735,679)
Inventories	(2,283)	132,838
Prepaid expenses and other assets	(561,328)	(1,829,165)
Accounts payable and accrued liabilities	(3,459,499)	(4,863,380)
Deferred revenue	6,788,800	5,680,114
Vacation pay	598,009	(193,561)
	18,892,841	26,392,964
INVESTING ACTIVITIES		
Purchase of investments, net	(7,277,367)	(15,811,647)
Long-term receivable	1,015,359	1,357,525
	(6,262,008)	(14,454,122)
CAPITAL ACTIVITIES		
Purchase of capital assets	(10,710,692)	(41,903,938)
Proceeds from sale of capital assets	393,458	29,716
Contributions for capital purposes	4,744,717	14,470,255
Construction in progress, net of deferred contributions	(1,430,522)	(78,692)
	(7,003,039)	(27,482,659)
FINANCING ACTIVITIES		
Contributions for endowment	108,937	69,373
Contributions for other restricted purposes, net	(1,289,958)	790,827
Contributions for expenses of future periods, net	757,817	565,370
Proceeds of long-term debt	-	5,416,019
Repayment of long-term debt	(2,556,271)	(1,830,845)
	(2,979,475)	5,010,744
INCREASE (DECREASE) IN CASH	2,648,319	(10,533,073)
CASH, BEGINNING OF YEAR	13,887,976	24,421,049
CASH, END OF YEAR	16,536,295	13,887,976

See accompanying notes to the financial statements

THE MOHAWK COLLEGE OF APPLIED ARTS AND TECHNOLOGY
Statement of Remeasurement Gains and Losses
For the year ended March 31, 2020, with comparative figures for 2019 **Statement 5**

	2020 $	2019 $
Accumulated remeasurement gains (losses), beginning of year	855,509	(291,153)
Unrealized (losses) gains attributable to:		
Investments	(350,909)	1,132,878
Amounts reclassified to the statement of operations:		
Disposition of investments	(8,808)	13,784
Net remeasurement (losses) gains for the year	(359,717)	1,146,662
Accumulated remeasurement gains, end of year	495,792	855,509

See accompanying notes to the financial statements

General
The Mohawk College of Applied Arts and Technology (the "College"), established in 1966, is an Ontario College of Applied Arts and Technology duly established pursuant to Ontario regulation 34/03 made under the Ontario Colleges of Applied Arts and Technology Act, 2002. The College is an agency of the Crown and provides postsecondary, vocationally oriented education in the areas of applied arts, business, health sciences and technology.

The College is a not-for-profit organization and, as such, is exempt from income taxes under the Income Tax Act (Canada).

1. SIGNIFICANT ACCOUNTING POLICIES:

(a) Basis of presentation
The financial statements of the College 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 ("PSAB for Government NPOs").

These financial statements do not reflect the assets, liabilities and results of operations of the various student organizations or The Mohawk College Foundation which is a separate public foundation.

(b) Revenue recognition
The College follows the deferral method of accounting for contributions, which include donations and government grants.

Operating grants from the Ministry of Colleges and Universities ("MCU") and other government agencies are recorded as revenue in the year to which they relate. Grants approved but not received at the end of the fiscal year are accrued. Where a portion of a grant relates to a future year, it is deferred and recognized in the subsequent year.

Revenue from tuition fees, contracts and sales from ancillary operations is recognized when the services are provided or the goods are sold and collection is reasonably assured.

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

Unrestricted contributions are recognized as revenue when received or receivable.

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

Restricted investment income is recognized as revenue in the year in which the related expenses are recognized. Unrestricted investment income is recognized as revenue when earned.

(c) Inventories
Inventories consist primarily of items held for resale in the Campus Stores. Inventories are valued at the lower of cost and net realizable value.

(d) Construction in progress
Construction in progress costs are capitalized as work progresses. Once the construction has been completed, the total costs will be transferred to the various categories of capital assets and are amortized on a basis consistent with similar assets.

1. SIGNIFICANT ACCOUNTING POLICIES (continued):

(e) Capital assets

Purchased capital assets are recorded at cost less accumulated amortization. Donated capital assets are recorded at their fair market value at the date of donation. Repairs and maintenance costs are charged to expense. Betterments, which extend the estimated life of an asset, are capitalized. When a capital asset no longer contributes to the College's ability to provide services, its carrying amount is written down to residual value. Remaining capital assets are amortized on a straight-line basis over their estimated useful lives using the following rates:

Asset Class	Rate
Land	n/a
Buildings	40 years
Portables & roof replacement	20 years
Major equipment	10 years
Site improvements	10 years
Furniture & equipment	5 years
Vehicles	5 years
Computers & software	3 years

(f) Vacation pay

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

(g) 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, 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 experienced 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 rate used in the determination of the above-mentioned liabilities is based on the effective yield of Ontario bonds (trading on the market) that approximate the weighted average duration of the cash flows for the employee future benefits.

1. SIGNIFICANT ACCOUNTING POLICIES (continued):

(h) Financial instruments

Financial instruments are recorded at fair value on initial recognition. Financial instruments are subsequently recorded at fair value or amortized cost. Management has elected to record all investments at fair value as they are managed and evaluated on a fair value basis.

Unrealized changes in fair value, unless the investment income is externally restricted, are recognized in the statement of remeasurement gains and losses until they are realized, when they are transferred to the statement of operations.

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

All financial assets are assessed for impairment on an annual basis. When a decline is determined to be other than temporary, the amount of the loss is reported in the statement of operations and any unrealized gains/losses are adjusted through the statement of remeasurement gains and losses.

When the asset is sold, the unrealized gains and losses previously recognized in the statement of remeasurement gains and losses are reversed and recognized in the statement of operations.

The Standards require an organization to classify fair value measurements using a fair value hierarchy, which includes three levels of information that may be used to measure fair value:

Level 1 – Unadjusted quoted market prices in active markets for identical assets or liabilities;

Level 2 – Observable or corroborated inputs, other than level 1, such as quoted prices for similar assets or liabilities in inactive markets or market data for substantially the full term of the assets or liabilities; and

Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets and liabilities.

(i) Internally restricted assets

Net assets internally restricted by the Board of Governors are for capital projects, strategic initiatives, and future operating expenses. Expenditures require approval by the Board of Governors.

(j) Endowment contributions

Endowments represent restricted donations received by the College where the principal sum is held for investment while the income earned is expendable for the specific purpose outlined when the funds were donated.

(k) Management estimates

The preparation of 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 the financial statements, and the reported amounts of revenue and expenses during the period. Actual results could differ from these estimates. Areas of key estimation include determination of fair value for long-term investments, allowance for doubtful accounts, useful lives of capital assets, and actuarial estimation of post-employment benefits and compensated absences liabilities.

2. CASH AND INVESTMENTS:

The College's cash and investments include externally restricted amounts for specific purposes that are not available to be spent at the College's discretion. The amounts available for operations are as follows:

	2020 $	2019 $
Cash	16,536,295	13,887,976
Investments	113,808,669	106,891,019
Total cash and investments	130,344,964	120,778,995
Less amounts related to:		
Deferred contributions (note 9a)	4,035,189	5,325,147
Deferred contributions related to expenses of future periods (note 9c)	3,425,163	2,667,346
Endowments (note 11)	17,633,012	17,524,075
	105,251,600	95,262,427

The Canadian bank account earns interest at prime less 1.70%. Cash is carried at fair market value.

Investments are held with the College's investment management firm and consist of the following:

	Level	2020 $	2019 $
Pooled investments			
Fixed income	2	7,995,910	7,894,537
Equities	2	7,778,280	7,798,271
Cash	2	399,262	627,133
Total pooled investments		16,173,452	16,319,941
Segregated investments			
Fixed income	1	95,611,194	87,517,527
Cash	1	2,024,023	3,053,551
Total segregated investments		97,635,217	90,571,078
Total investments		113,808,669	106,891,019

The total cost of the investment portfolio is $114,224,827 (2019 – $105,816,170).

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

Maturity profile of fixed income held is as follows:

	March 31, 2020				
	Within 1 year $	2 to 5 years $	6 to 10 years $	Over 10 years $	Total $
Carrying value	25,519,174	56,914,597	19,887,279	1,286,054	103,607,104
Percent of Total	25%	55%	19%	1%	100%

The College's fixed income portfolio has interest rates ranging from 1.00% to 5.18% (2019 – 1.00% to 9.98%).

3. LONG-TERM INVESTMENT:

Long-term investments are carried at cost. As at March 31, 2020 the long-term investment consists of investment in land of $873,472 (2019 – $873,472). In October 1995, the College purchased land in conjunction with Hillfield-Strathallan College for undetermined future use.

In addition, the College controls Mohawk College Enterprise Corporation ("MCE") and is the only registered holder of issued and outstanding MCE shares (2020 – $100; 2019 – $100) and accounts for the investment using the modified equity method. The equity earnings are recorded in other revenue. MCE undertakes and carries out educational training programs and consulting projects for and on behalf of businesses and industries. MCE is the exclusive provider of corporate training on behalf of the College. MCE is a for-profit organization and was incorporated under the Business Corporations Act (Ontario) by Certificate of Incorporation dated April 1, 2010. The Board of Directors is approved by the College and the Shareholder Declaration provides for limitations on certain activities and actions on the part of MCE without the express consent of the College.

Mohawk College Enterprise Balance Sheet	**2020 $**	**2019 $**
Total assets	404,035	607,389
Total liabilities	481,963	639,924
Total net assets	(77,928)	(32,535)
	404,035	607,389

Mohawk College Enterprise Statement of Operations & Deficit	**2020 $**	**2019 $**
Total revenue	1,928,378	2,695,497
Total expenses	1,973,771	2,622,226
Net (loss) income for the year	(45,393)	73,271
Deficit, beginning of year	(32,635)	(105,906)
Deficit, end of year	(78,028)	(32,635)

Mohawk College Enterprise Statement of Cash Flows	**2020 $**	**2019 $**
Cash flows provided by operating activities	8,248	115,421
Cash flows used in investing activities	(6,254)	(11,012)
Net cash flows	1,994	104,409

The loss on the investment in MCE has been included in accounts payable and accrued liabilities.

4. LONG-TERM RECEIVABLE:

Long-term receivables held by the College consist of the following:

	2020 $	2019 $
Student ancillary fee receivables	29,905,323	30,920,682
Less: Current portion of long-term receivable	(1,049,461)	(1,022,043)
	28,855,862	29,898,639

The annual principal and interest payments on the long-term debt incurred to finance the construction of the David Braley Athletic and Recreation Centre (the "DBARC") will be provided by the future collection of compulsory student ancillary fees. The total principal and interest payments amount has been discounted at a rate of 4.762% (2019 – 4.762%) and the current amount receivable is $29,741,183 (2019 – $30,687,226). Other student ancillary fee receivables of $164,140 (2019 - $233,456) are to support The Joyce Centre for Partnership & Innovation.

5. CAPITAL ASSETS:

	Cost $	Accumulated Amortization $	2020 Net Book Value $	2019 Net Book Value $
Land	2,201,275	-	2,201,275	2,193,775
Buildings	192,722,486	50,607,712	142,114,774	145,529,511
Portables & roof replacement	15,170,237	4,349,064	10,821,173	10,595,598
Major equipment	51,498,578	22,375,021	29,123,557	28,474,395
Site improvements	55,109,577	41,038,338	14,071,239	18,002,141
Furniture & equipment	22,831,696	18,773,896	4,057,800	5,192,468
Vehicles	1,461,838	1,343,413	118,425	217,977
Computers & software	29,596,506	23,580,532	6,015,974	6,913,400
	370,592,193	162,067,976	208,524,217	217,119,265

6. DEFERRED REVENUE:

Deferred revenue consists of the following:

	2020 $	2019 $
Student fees	33,164,008	29,234,070
Contracts	3,574,630	2,043,099
MCU grants	1,025,619	332,768
Student residence	397,250	311,032
Other	1,876,495	1,328,233
	40,038,002	33,249,202

7. LONG-TERM DEBT:

	2020 $	2019 $
Unsecured loan payable to the Ontario Financing Authority at 4.762%, payable in blended semi-annual instalments of $1,198,162, due November 25, 2038.	$29,742,995	30,689,038
Unsecured loan payable to the Ontario Financing Authority at 3.855%, payable in blended semi-annual instalments of $486,267, due November 29, 2028.	7,336,807	8,007,066
Unsecured loan payable to the Ontario Financing Authority at 4.183%, payable in blended monthly instalments of $40,673, due September 2, 2031.	$4,424,416	4,744,797
Unsecured loan payable to the Ontario Financing Authority at 3.591%, payable in blended semi-annual instalments of $525,650, due October 26, 2033.	11,490,979	12,110,567
	52,995,197	55,551,468
Less current portion	2,643,529	2,556,271
	50,351,668	52,995,197

Principal repayments for the next five years and thereafter:

	$
2021	2,643,529
2022	2,752,736
2023	2,868,908
2024	2,960,319
2025	3,144,448
Thereafter	38,625,257
	52,995,197

8. POST-EMPLOYMENT BENEFITS AND COMPENSATED ABSENCES:

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

	Post-employment benefits $	Non-vesting sick leave $	Vesting sick leave $	2020 Total liability $	2019 Total liability $
Accrued employee future benefit obligations	1,446,000	5,872,000	245,000	7,563,000	5,890,000
Value of plan assets	(324,000)	-	-	(324,000)	(256,000)
Unamortized actuarial gains (losses)	140,000	(1,109,000)	278,000	(691,000)	1,051,000
Total liability	1,262,000	4,763,000	523,000	6,548,000	6,685,000

	Post-employment benefits $	Non-vesting sick leave $	Vesting sick leave $	2020 Total expense $	2019 Total expense $
Current year benefit cost	8,000	224,000	18,000	250,000	234,000
Interest on accrued benefit obligation	3,000	84,000	8,000	95,000	121,000
Amortized actuarial (gains) losses	(15,000)	(3,000)	(27,000)	(45,000)	50,000
Total (recovery) expense	(4,000)	305,000	(1,000)	300,000	405,000

The benefits paid out in the year were $437,000 (2019 – $471,000).

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

Retirement Benefits

CAAT Pension Plan

All full-time employees of the College, and any part-time employees who opt to participate, are members of the Colleges of Applied Arts and Technology Pension Plan (the "Plan"), 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 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.

8. POST-EMPLOYMENT BENEFITS AND COMPENSATED ABSENCES (continued):

Retirement Benefits

CAAT Pension Plan (continued)

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 on a going concern basis of $2.9 billion. The College made contributions to the Plan and its associated retirement compensation arrangement of $12,634,384 (2019 - $12,147,868), which has been included in the 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 valuation are as follows:

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

(b) *Drug costs*
Drug costs were assumed to increase at an 8% rate for 2020 (2019 – 8%) and decrease proportionately thereafter to an ultimate rate of 4% in 2040 for fiscal 2020 (2019 – 4%).

(c) *Hospital and other medical*
Hospital and other medical costs were assumed to increase at 4% per annum for fiscal 2020 (2019 – 4%).

(d) *Dental costs*
Dental costs were assumed to increase at 4% per annum for fiscal 2020 (2019 – 4%).

Compensated Absences

Vesting Sick Leave
The College has provided for vesting sick leave benefits during the year. Eligible Faculty employees, hired before April 1, 1991 and Administrative employees hired before July 1, 1974 are entitled to receive on termination or retirement, accumulated sick days multiplied by their actual daily rate to a maximum of six months' salary. 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.

8. POST-EMPLOYMENT BENEFITS AND COMPENSATED ABSENCES (continued):

Compensated Absences

Non-vesting Sick Leave (continued)

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

	2020	2019
Wage and salary escalation	1% - 2%	1.5% - 2%
Discount rate	1.6%	2.2%

The probability that the employee will use more sick days than the annual accrual and the excess number of sick days used are within ranges of 0% to 23.7% and 0 to 48 days respectively for age groups ranging from 20 and under to 65 and over in bands of 5 years.

9. DEFERRED CONTRIBUTIONS:

a) Deferred contributions:

Deferred contributions represent unspent externally restricted scholarships, bursaries, grants and donations for student awards and student assistance. It also includes unspent endowment investment income.

	2020 $	2019 $
Balance, beginning of year	5,325,147	4,534,320
Additional contributions received	3,699,566	5,369,130
Less award payments & administrative expenses	(4,989,524)	(4,578,303)
Balance, end of year	4,035,189	5,325,147
Deferred contributions are comprised of:		
Endowment interest funds and unrealized gains	1,364,676	2,269,775
Scholarships and bursaries	1,189,224	1,062,439
Tuition set-aside funds	599,121	1,143,661
Joint employment stability replacement fund	564,385	531,962
MCU grants	313,949	311,832
Other	3,834	5,478
	4,035,189	5,325,147

b) Deferred contributions related to construction in progress:

	2020 $	2019 $
Balance, beginning of year	1,126,640	22,817,357
Additional contributions received	500,000	1,126,640
Less amounts transferred to capital assets in the year	(1,126,640)	(22,817,357)
Balance, end of year	500,000	1,126,640

9. DEFERRED CONTRIBUTIONS (continued):

c) Deferred contributions related to expenses of future periods:

Deferred contributions related to expenses of future periods represent unspent externally restricted grants and donations intended to support primarily college-wide equipment and facility improvements and also provide student financial assistance.

	2020 $	2019 $
Balance, beginning of year	2,667,346	5,571,767
Additional contributions received	2,176,469	1,543,834
Less amounts recognized as revenue in the year	(1,418,652)	(978,464)
Less amounts transferred to deferred contributions related to capital assets	-	(3,469,791)
Balance, end of year	3,425,163	2,667,346

Deferred contributions related to expenses of future periods are comprised of:

Donations	1,670,564	1,312,341
Student ancillary fees	1,714,077	1,315,414
Other	40,522	26,311
MCU	-	13,280
	3,425,163	2,667,346

d) Deferred contributions related to capital assets:

Deferred capital contributions related to capital assets represent the unamortized amount of donations, grants and other contributions received for the purchase of capital assets.

	2020 $	2019 $
Balance, beginning of year	138,790,704	107,074,751
Additional contributions received	4,744,717	14,470,255
Plus amounts transferred from deferred contributions related to construction in progress	1,126,640	22,817,357
Plus amounts transferred from deferred contributions related to expenses of future periods	-	3,469,791
Less amortization in the year	(10,429,783)	(9,041,450)
Balance, end of year	134,232,278	138,790,704

Deferred contributions related to capital assets are comprised of:

MCU	59,532,498	62,117,360
Student ancillary fees - DBARC	27,574,381	28,453,693
Federal grants	20,854,940	19,750,000
Donations	20,801,749	22,233,723
Other	5,468,710	6,235,928
	134,232,278	138,790,704

10. INVESTMENT IN CAPITAL ASSETS:

The College's investment in capital assets is calculated as follows:

	2020 $	2019 $
Capital assets	208,524,217	217,119,265
Construction in progress	1,930,522	1,205,332
Investment in land	873,472	873,472
	211,328,211	219,198,069
Less:		
Current portion of long-term debt	(1,651,900)	(1,610,229)
Long-term debt	(21,507,760)	(23,159,661)
Deferred contributions related to construction in progress	(500,000)	(1,126,640)
Deferred contributions related to capital assets	(134,232,278)	(138,790,704)
Investment in capital assets	53,436,273	54,510,835

Change in net assets invested in capital assets is calculated as follows:

	2020 $	2019 $
Deficiency of revenues over expenditures:		
Amortization of deferred capital contributions related to capital assets	10,429,783	9,041,450
Amortization of capital assets	(19,699,753)	(17,781,617)
	(9,269,970)	(8,740,167)

	2020 $	2019 $
Net change in investment of capital assets:		
Purchase of capital assets and construction in progress	12,641,214	43,109,270
Disposals of capital assets	(811,319)	(130,094)
Amounts funded by deferred capital contributions	(5,244,717)	(19,066,686)
Amounts funded by term debt	-	(5,416,019)
Repayment of term debt	1,610,230	928,293
Investment in capital assets	8,195,408	19,424,764

11. ENDOWMENT CONTRIBUTIONS:

The College has the following endowment funds:

	2020 $	2019 $
Ontario Student Opportunity Trust Funds (Schedule 3)	6,064,725	6,054,725
Ontario Trust for Student Support (Schedule 4)	8,015,208	7,984,916
Other	3,553,079	3,484,434
	17,633,012	17,524,075

11. ENDOWMENT CONTRIBUTIONS (continued):

Investment income on endowments that was disbursed during the year has been recorded in the statement of operations since this income is available for disbursement as scholarships and bursaries and the donors' conditions have been met. The unspent portion of investment income is recorded in deferred contributions. Investment income on endowed assets recognized and deferred was $640,020 and $2,276,623 respectively (2019 – $555,409 and $2,050,435).

12. FINANCIAL INSTRUMENT RISK MANAGEMENT:

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, debt holdings in its investment portfolio, long-term receivable, accounts receivable and grants 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 to $100,000.

The College's investment policy operates within the constraints of the investment guidelines issued by the MCU 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 bonds issued by the Government of Canada, a Canadian province or a Canadian municipality having a rating of AAA or better.

The College's maximum exposure to credit risk is representative of the carrying value of cash, investments, accounts receivable, grants receivable, current portion of long-term receivable and long-term receivable which as at March 31, 2020 totals $180,742,389.

Accounts receivable are ultimately due from students. Credit risk is mitigated by financial approval processes before a student is enrolled and the highly diversified nature of the student population.

Grants receivable are due from government sources. The College works to ensure that all eligibility criteria are met in order to qualify to receive the funding.

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.

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.

Market risk

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

The College's investment policy operates within the constraints of the investment guidelines issued by the MCU. The policy's application is monitored by management, the investment managers and the board of governors. Diversification techniques are utilized to minimize risk.

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 levels when adverse changes in foreign currency rates occur. The College does not have any material transactions or financial instruments denominated in foreign currencies.

12. FINANCIAL INSTRUMENT RISK MANAGEMENT (continued):

Currency risk (continued)

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

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 its interest-bearing investments and long-term debt.

The College's long-term debt is fixed rate debt as disclosed in note 7. Fluctuations in market interest rates would not impact future cash flows and operations relating to term debt.

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 bonds of $3,144,847.

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.

Equity risk

Equity risk is the uncertainty associated with the valuation of assets arising from changes in equity markets. The College is exposed to this risk through its equity holdings within its investment portfolio. At March 31, 2020, a 10% 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 $777,828. 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.

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.

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.

13. COMMITMENTS:

a) Leases:

Mohawk's commitments to annual rental payments in the aggregate and in each of the next five years principally as a result of premise rental leases are as follows:

	$
2021	2,568,243
2022	2,945,817
2023	2,967,890
2024	2,990,405
2025	3,013,371
	14,485,726

b) Student residence:

Collegiate Management Services Corp. manages the student residence by way of a property management agreement. The annual property management fee is $716,148.

14. THE MOHAWK COLLEGE FOUNDATION:

The College has an economic interest in the Mohawk College Foundation (the "Foundation"), which raises funds from the community and alumni to finance certain expenditures of the College. The Foundation's accounts are not included in these financial statements. The Foundation is incorporated under the Province of Ontario as a public foundation and is a registered charity under the Income Tax Act.

15. COMPARATIVE FIGURES:

The financial statements have been reclassified, where applicable, to conform to the presentation used in the current year. The changes do not affect prior year excess of revenue over expenditures.

16. IMPACT OF COVID-19:

On January 30, 2020, the World Health Organization ("WHO") announced a global health emergency because of a new strain of coronavirus, the "COVID-19 outbreak". On March 11, 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally. As a result of this, on March 23, 2020, the government of Ontario ordered the closure of all non-essential businesses effective March 24, 2020, through to at least May 29, 2020. In addition, the Canadian government has imposed travel restrictions to Canada until further notice.

On March 16, 2020, the College closed its campuses and learning sites and they remain closed to the date of the auditor's report. The plan for continuing education throughout the summer and fall semesters offered by the College will be through online curriculum which could have implications on number of course offerings, enrollment and ancillary revenues.

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

As the impacts of COVID-19 continue, there could be further impact on the College, its students and funding sources. Management is actively monitoring the effect on its financial condition, liquidity, operations, suppliers, and workforce. Given the daily evolution of COVID-19 and the global responses to curb its spread, the College is not able to fully estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity at this time. In order to mitigate the impact of the COVID-19 outbreak, the College implemented cost-reduction measures and re-evaluated budget targets for the upcoming fiscal year. The College is confident that through all of this, the core mission of educating and supporting students will continue to be priority.

Analysis of Operating Grants, Ancillary and Other Revenue

For the year ended March 31, 2020, with comparative figures for 2019 **Schedule 1**

	2020	2019
	$	$
OPERATING GRANTS REVENUE		
General operating and capital grants	67,380,912	77,011,428
Apprenticeship	8,239,355	9,335,424
Collaborative program grants	7,310,459	7,235,553
Federal projects	4,597,711	3,737,341
Employment Services	2,077,767	2,689,387
School College Works Initiative	1,433,462	1,475,007
Literacy & Basic Skills	1,420,404	1,551,326
Disability Services	1,077,287	1,061,789
Municipal tax grant	764,625	795,750
Aboriginal grants	627,892	646,825
Termination gratuities	-	163,086
Other	551,413	1,633,894
	95,481,287	107,336,810
ANCILLARY REVENUE		
Campus stores	4,765,193	5,377,234
Parking	4,052,454	4,157,024
Student residence	3,367,545	3,299,485
Food services	1,097,896	1,219,170
Facility rentals	586,497	532,290
Student life	356,940	356,949
Athletic and recreation centre	167,622	208,183
Other	166,295	136,064
	14,560,442	15,286,399
OTHER REVENUE		
Contract projects	4,083,466	5,068,804
Investment income	2,626,239	2,367,722
Donations	917,423	351,497
Student government	308,535	333,949
Special events	227,101	287,956
Miscellaneous	1,370,594	2,784,592
	9,533,358	11,194,520

THE MOHAWK COLLEGE OF APPLIED ARTS AND TECHNOLOGY
Analysis of Ancillary Expenditures
For the year ended March 31, 2020, with comparative figures for 2019 **Schedule 2**

	2020 $	2019 $
Salaries and benefits	2,506,909	2,365,761
Cost of sales	3,579,910	4,048,245
Contracted services and professional fees	2,003,055	2,105,716
Supplies and other expenses	2,604,562	2,873,444
Utilities, maintenance and taxes	1,387,040	1,916,960
	12,081,476	13,310,126

THE MOHAWK COLLEGE OF APPLIED ARTS AND TECHNOLOGY
Analysis of Ontario Student Opportunity Trust Fund (OSOTF I)
For the year ended March 31, 2020, with comparative figures for 2019 **Schedule 3**

	2020 (Book Value) $	2019 (Book Value) $
Endowment Fund Balance		
Fund Balance, beginning of year	5,987,497	5,976,997
Cash donations received	10,000	10,500
Fund Balance, end of year	5,997,497	5,987,497
Expendable Funds Available for Awards		
Balance, beginning of year	835,147	787,015
Investment income, net of related expenses	217,216	191,752
Awards issued (2020-#170; 2019-#182)	(137,002)	(143,620)
Balance, end of year	915,361	835,147

The amounts recorded above are for Ministry purposes only. The fair market value of the endowment and expendable funds as at March 31, 2020 were $5,997,497 and $611,602 respectively.

THE MOHAWK COLLEGE OF APPLIED ARTS AND TECHNOLOGY
Analysis of Ontario Student Opportunity Trust Fund (OSOTF II)
For the year ended March 31, 2020, with comparative figures for 2019

	2020 (Book Value) $	2019 (Book Value) $
Endowment Fund Balance		
Fund Balance, beginning and end of year	67,228	67,228
Expendable Funds Available for Awards		
Balance, beginning of year	28,343	25,840
Investment income, net of related expenses	3,017	2,503
Balance, end of year	31,360	28,343

The amounts recorded above are for Ministry purposes only. The fair market value of the endowment and expendable funds as at March 31, 2020 were $67,228 and $25,969 respectively.

Analysis of Ontario Trust for Student Support (OTSS)

For the year ended March 31, 2020, with comparative figures for 2019 **Schedule 4**

	2020 (Book Value) $	2019 (Book Value) $
Endowment Fund Balance		
Fund Balance, beginning of year	7,984,916	7,963,943
Cash donations received	30,292	20,973
Fund Balance, end of year	8,015,208	7,984,916
Expendable Funds Available for Awards		
Balance, beginning of year	697,853	660,851
Investment income, net of related expenses	268,831	237,344
Cash donations received	-	18,649
Awards issued (2020-#170; 2019-#204)	(207,861)	(218,991)
Balance, end of year	758,823	697,853

The amounts recorded above are for Ministry purposes only. The fair market value of the endowment and expendable funds as at March 31, 2020 were $8,015,208 and $399,231 respectively.