

2021 FINANCIAL STATEMENTS

MARCH 31, 2021



NEW Centre for Aviation Technology at
Hamilton International Airport (YHM).

THE MOHAWK COLLEGE OF APPLIED ARTS AND TECHNOLOGY

FINANCIAL STATEMENTS AND 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, 2021
- 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, 2021, 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.



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- 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.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, stylized font. Below the signature is a horizontal line.

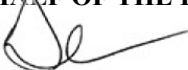

Chartered Professional Accountants, Licensed Public Accountants

Hamilton, Canada
June 9, 2021

THE MOHAWK COLLEGE OF APPLIED ARTS AND TECHNOLOGY
Statement of Financial Position
March 31, 2021, with comparative figures for 2020
Statement 1

		2021	2020
		\$	\$
ASSETS			
CURRENT			
Cash	(note 2)	15,375,256	16,536,295
Investments	(note 2)	117,534,673	113,808,669
Accounts receivable		13,243,699	15,086,562
Grants receivable		5,584,849	5,405,540
Inventories		1,724,315	1,373,448
Prepaid expenses and other assets		7,011,273	6,808,201
Current portion of long-term receivable	(note 4)	1,123,918	1,049,461
		161,597,983	160,068,176
LONG-TERM			
Long-term investment	(note 3)	873,472	873,472
Long-term receivable	(note 4)	27,710,141	28,855,862
Construction in progress		51,992	1,930,522
Capital assets	(note 5)	203,591,097	208,524,217
		232,226,702	240,184,073
		393,824,685	400,252,249
LIABILITIES, DEFERRED CONTRIBUTIONS AND NET ASSETS			
CURRENT LIABILITIES			
Accounts payable and accrued liabilities		20,290,021	26,256,064
Deferred revenue	(note 6)	41,466,293	40,038,002
Vacation pay		7,898,223	8,684,518
Current portion of long-term debt	(note 7)	2,752,736	2,643,529
		72,407,273	77,622,113
LONG-TERM LIABILITIES			
Long-term debt	(note 7)	47,598,932	50,351,668
Post-employment benefits and compensated absences	(note 8)	6,640,000	6,548,000
		54,238,932	56,899,668
DEFERRED CONTRIBUTIONS			
Deferred contributions	(note 9a)	7,030,273	4,035,189
Deferred contributions related to construction in progress	(note 9b)	46,811	500,000
Deferred contributions related to expenses of future periods	(note 9c)	3,984,226	3,425,163
Deferred contributions related to capital assets	(note 9d)	128,924,256	134,232,278
		139,985,566	142,192,630
NET ASSETS (statement 3)			
Net assets invested in capital assets	(note 10)	54,037,735	53,436,273
Unrestricted net assets:			
Operating		10,449,359	10,283,279
Vacation pay		(7,898,223)	(8,684,518)
Post-employment benefits and compensated absences		(6,640,000)	(6,548,000)
Restricted net assets:			
Internally restricted assets		58,325,000	56,922,000
Endowment contributions	(note 11)	17,717,792	17,633,012
		125,991,663	123,042,046
Accumulated remeasurement gains (statement 5)		1,201,251	495,792
		127,192,914	123,537,838
		393,824,685	400,252,249

SIGNED ON BEHALF OF THE BOARD:

	President & CEO	June 9, 2021
	Board Chair	June 9, 2021

See accompanying notes to the financial statements

THE MOHAWK COLLEGE OF APPLIED ARTS AND TECHNOLOGY**Statement of Operations****For the year ended March 31, 2021, with comparative figures for 2020****Statement 2**

		2021	2020
		\$	\$
REVENUE			
Grants	(schedule 1)	97,760,308	95,481,287
Student fees		107,742,914	122,091,432
Ancillary	(schedule 1)	3,678,180	14,560,442
Amortization of deferred contributions		4,268,761	4,989,524
Amortization of deferred contributions related to capital assets		9,274,331	10,429,783
Other	(schedule 1)	9,475,919	9,533,358
		<u>232,200,413</u>	<u>257,085,826</u>
EXPENDITURES			
Salaries and benefits		148,094,510	152,352,949
Contracted services and professional fees		16,442,156	20,506,076
Supplies and other expenses		15,312,687	21,474,194
Utilities, maintenance and taxes		6,877,974	9,380,355
Instructional supplies		8,530,812	7,953,425
Ancillary	(schedule 2)	7,816,332	12,081,476
Scholarship, bursary and award payments		4,476,086	4,989,524
Amortization expense		19,559,739	19,699,753
Interest on long-term liabilities		2,225,280	2,349,927
		<u>229,335,576</u>	<u>250,787,679</u>
EXCESS OF REVENUE OVER EXPENDITURES		<u><u>2,864,837</u></u>	<u><u>6,298,147</u></u>

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, 2021, with comparative figures for 2020

Statement 3

	Invested in Capital Assets \$	Unrestricted Operating \$	Vacation & post- employment benefits & compensated absences \$	Internally Restricted \$	Endowment Contributions \$	2021 Total \$	2020 Total \$
Balance, beginning of year	53,436,273	10,283,279	(15,232,518)	56,922,000	17,633,012	123,042,046	116,634,962
(Deficiency) excess of revenue over expenditures	(10,285,408)	14,315,906	694,295	(1,859,956)	-	2,864,837	6,298,147
Investment in capital assets	10,886,870	(2,705,654)	-	(8,181,216)	-	-	-
Change in internally imposed restrictions	-	(11,444,172)	-	11,444,172	-	-	-
Endowment contributions	-	-	-	-	84,780	84,780	108,937
Balance, end of year	54,037,735	10,449,359	(14,538,223)	58,325,000	17,717,792	125,991,663	123,042,046

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, 2021, with comparative figures for 2020****Statement 4**

	2021 \$	2020 \$
Cash provided by (used in):		
OPERATING ACTIVITIES		
Excess of revenue over expenditures	2,864,837	6,298,147
Items not involving cash:		
Amortization expense	19,559,739	19,699,753
Net (income) loss of Mohawk College Enterprise	(65,950)	45,393
Increase (decrease) in post-employment benefits and compensated absences	92,000	(137,000)
(Gain) loss on disposal of capital assets	(14,244)	417,861
Amortization of deferred contributions related to capital assets	(9,274,331)	(10,429,783)
	13,162,051	15,894,371
Changes in non-cash working capital items:		
Accounts receivable	1,842,863	(89,960)
Grants receivable	(179,309)	(275,269)
Inventories	(350,867)	(2,283)
Prepaid expenses and other assets	(203,072)	(561,328)
Accounts payable and accrued liabilities	(5,900,093)	(3,459,499)
Deferred revenue	1,428,291	6,788,800
Vacation pay	(786,295)	598,009
	9,013,569	18,892,841
INVESTING ACTIVITIES		
Purchase of investments, net	(3,020,545)	(7,277,367)
Long-term receivable	1,071,264	1,015,359
	(1,949,281)	(6,262,008)
CAPITAL ACTIVITIES		
Purchase of capital assets	(12,696,097)	(10,710,692)
Proceeds from sale of capital assets	14,244	393,458
Contributions for capital purposes	3,466,309	4,744,717
Construction in progress, net of deferred contributions	(5,181)	(1,430,522)
	(9,220,725)	(7,003,039)
FINANCING ACTIVITIES		
Contributions for endowment	84,780	108,937
Contributions for other restricted purposes, net	2,995,084	(1,289,958)
Contributions for expenses of future periods, net	559,063	757,817
Repayment of long-term debt	(2,643,529)	(2,556,271)
	995,398	(2,979,475)
(DECREASE) INCREASE IN CASH	(1,161,039)	2,648,319
CASH, BEGINNING OF YEAR	16,536,295	13,887,976
CASH, END OF YEAR	15,375,256	16,536,295

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, 2021, with comparative figures for 2020****Statement 5**

	2021 \$	2020 \$
Accumulated remeasurement gains, beginning of year	495,792	855,509
Unrealized gains (losses) attributable to:		
Investments	762,901	(350,909)
Amounts reclassified to the statement of operations:		
Disposition of investments	(57,442)	(8,808)
Net remeasurement gains (losses) for the year	705,459	(359,717)
Accumulated remeasurement gains, end of year	1,201,251	495,792

See accompanying notes to the financial statements

THE MOHAWK COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements

For the year ended March 31, 2021

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.

THE MOHAWK COLLEGE OF APPLIED ARTS AND TECHNOLOGY
Notes to Financial Statements
For the year ended March 31, 2021

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:

<u>Asset Class</u>	<u>Rate</u>
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.

THE MOHAWK COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements

For the year ended March 31, 2021

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.

THE MOHAWK COLLEGE OF APPLIED ARTS AND TECHNOLOGY
Notes to Financial Statements
For the year ended March 31, 2021

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:

	2021	2020
	\$	\$
Cash	15,375,256	16,536,295
Investments	117,534,673	113,808,669
Total cash and investments	132,909,929	130,344,964
Less amounts related to:		
Deferred contributions (note 9a)	7,030,273	4,035,189
Deferred contributions related to expenses of future periods (note 9c)	3,984,226	3,425,163
Endowments (note 11)	17,717,792	17,633,012
	104,177,638	105,251,600

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	2021	2020
		\$	\$
Pooled investments			
Fixed income	2	10,684,741	7,995,910
Equities	2	10,870,923	7,778,280
Cash	2	626,923	399,262
Total pooled investments		22,182,587	16,173,452
Segregated investments			
Fixed income	1	89,982,276	95,611,194
Cash	1	5,369,810	2,024,023
Total segregated investments		95,352,086	97,635,217
Total investments		117,534,673	113,808,669

The total cost of the investment portfolio is \$114,895,849 (2020 – \$114,224,827).

There were no significant transfers between Levels 1 and 2 for the years ended March 31, 2021 and 2020. There were no transfers in or out of Level 3.

Maturity profile of fixed income held is as follows:

	March 31, 2021				
	Within 1 year	2 to 5 years	6 to 10 years	Over 10 years	Total
	\$	\$	\$	\$	\$
Carrying value	14,059,821	64,214,952	21,133,285	1,258,959	100,667,017
Percent of Total	14%	64%	21%	1%	100%

The College's fixed income portfolio has interest rates ranging from 0.7% to 3.75%. (2020 – 1.00% to 5.18%).

THE MOHAWK COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements

For the year ended March 31, 2021

3. LONG-TERM INVESTMENT:

Long-term investments are carried at cost. As at March 31, 2021 the long-term investment consists of investment in land of \$873,472 (2020 – \$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 (2021 – \$100; 2020 – \$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	2021 \$	2020 \$
Total assets	402,473	404,035
Total liabilities	414,451	481,963
Total net assets	(11,978)	(77,928)
	402,473	404,035
Mohawk College Enterprise Statement of Operations & Deficit	2021 \$	2020 \$
Total revenue	1,108,396	1,928,378
Total expenses	1,042,446	1,973,771
Net income (loss) for the year	65,950	(45,393)
Deficit, beginning of year	(78,028)	(32,635)
Deficit, end of year	(12,078)	(78,028)
Mohawk College Enterprise Statement of Cash Flows	2021 \$	2020 \$
Cash flows provided by operating activities	34,862	8,248
Cash flows used in investing activities	-	(6,254)
Net cash flows	34,862	1,994

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

THE MOHAWK COLLEGE OF APPLIED ARTS AND TECHNOLOGY
Notes to Financial Statements
For the year ended March 31, 2021

4. LONG-TERM RECEIVABLE:

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

	2021	2020
	\$	\$
Student ancillary fee receivables	28,834,059	29,905,323
Less: Current portion of long-term receivable	(1,123,918)	(1,049,461)
	<u>27,710,141</u>	<u>28,855,862</u>

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% (2020 – 4.762%) and the current amount receivable is \$28,749,554 (2020 – \$29,741,183). Other student ancillary fee receivables of \$84,505 (2020 - \$164,140) are to support The Joyce Centre for Partnership & Innovation.

5. CAPITAL ASSETS:

	Cost	Accumulated	2021	2020
	\$	Amortization	Net Book	Net Book
	\$	\$	Value	Value
Land	2,201,275	-	2,201,275	2,201,275
Buildings	192,722,486	55,308,931	137,413,555	142,114,774
Portables & roof replacement	16,704,209	5,144,827	11,559,382	10,821,173
Major equipment	53,790,193	26,832,083	26,958,110	29,123,557
Site improvements	64,541,216	45,344,300	19,196,916	14,071,239
Furniture & equipment	23,334,321	20,303,240	3,031,081	4,057,800
Vehicles	1,563,807	1,400,547	163,260	118,425
Computers & software	30,287,550	27,220,032	3,067,518	6,015,974
	<u>385,145,057</u>	<u>181,553,960</u>	<u>203,591,097</u>	<u>208,524,217</u>

6. DEFERRED REVENUE:

Deferred revenue consists of the following:

	2021	2020
	\$	\$
Student fees	32,398,904	33,164,008
Contracts	4,864,552	3,574,630
Ministry grants	2,039,301	1,025,619
Student residence	123,443	397,250
Other	2,040,093	1,876,495
	<u>41,466,293</u>	<u>40,038,002</u>

THE MOHAWK COLLEGE OF APPLIED ARTS AND TECHNOLOGY
Notes to Financial Statements
For the year ended March 31, 2021

7. LONG-TERM DEBT:

	2021	2020
	\$	\$
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.	28,751,366	29,742,995
Unsecured loan payable to the Ontario Financing Authority at 3.855%, payable in blended semi-annual instalments of \$486,267, due November 29, 2028.	6,640,461	7,336,807
Unsecured loan payable to the Ontario Financing Authority at 4.183%, payable in blended monthly instalments of \$40,673, due September 2, 2031.	4,115,536	4,424,416
Unsecured loan payable to the Ontario Financing Authority at 3.591%, payable in blended semi-annual instalments of \$525,650, due October 26, 2033.	10,844,305	11,490,979
	50,351,668	52,995,197
Less current portion	2,752,736	2,643,529
	<u>47,598,932</u>	<u>50,351,668</u>

Principal repayments for the next five years and thereafter:

	\$
2022	2,752,736
2023	2,868,909
2024	2,960,319
2025	3,144,448
2026	3,248,834
Thereafter	35,376,422
	<u>50,351,668</u>

THE MOHAWK COLLEGE OF APPLIED ARTS AND TECHNOLOGY
Notes to Financial Statements
For the year ended March 31, 2021

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 \$	2021 Total liability \$	2020 Total liability \$
Accrued employee future benefit obligations	1,422,000	5,822,000	198,000	7,442,000	7,563,000
Value of plan assets	(332,000)	-	-	(332,000)	(324,000)
Unamortized actuarial gains (losses)	137,000	(872,000)	265,000	(470,000)	(691,000)
Total liability	1,227,000	4,950,000	463,000	6,640,000	6,548,000

	Post-employment benefits \$	Non-vesting sick leave \$	Vesting sick leave \$	2021 Total expense \$	2020 Total expense \$
Current year benefit cost	7,000	615,000	6,000	628,000	250,000
Interest on accrued benefit obligation	2,000	96,000	4,000	102,000	95,000
Amortized actuarial (gains) losses	(35,000)	135,000	(13,000)	87,000	(45,000)
Total (recovery) expense	(26,000)	846,000	(3,000)	817,000	300,000

The benefits paid out in the year were \$725,000 (2020 – \$437,000).

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.

THE MOHAWK COLLEGE OF APPLIED ARTS AND TECHNOLOGY
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For the year ended March 31, 2021

8. POST-EMPLOYMENT BENEFITS AND COMPENSATED ABSENCES (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, 2021 indicated an actuarial surplus on a going concern basis of \$3.3 billion. The College made contributions to the Plan and its associated retirement compensation arrangement of \$12,464,540 (2020 - \$12,634,384), 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, 2021 of the future benefits was determined using a discount rate of 1.7% (2020 – 1.6%).

(b) *Drug costs*

Drug costs were assumed to increase at an 8% rate for 2021 (2020 – 8%) and decrease proportionately thereafter to an ultimate rate of 4% in 2040 for fiscal 2021 (2020 – 4%).

(c) *Hospital and other medical*

Hospital and other medical costs were assumed to increase at 4% per annum for fiscal 2021 (2020 – 4%).

(d) *Dental costs*

Dental costs were assumed to increase at 4% per annum for fiscal 2021 (2020 – 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.

THE MOHAWK COLLEGE OF APPLIED ARTS AND TECHNOLOGY
Notes to Financial Statements
For the year ended March 31, 2021

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

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

	2021	2020
Wage and salary escalation	1% - 2%	1% - 2%
Discount rate	1.7%	1.6%

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 26.2% and 0 to 51 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.

	2021	2020
	\$	\$
Balance, beginning of year	4,035,189	5,325,147
Additional contributions received	7,263,845	3,699,566
Less award payments & administrative expenses	(4,268,761)	(4,989,524)
Balance, end of year	<u>7,030,273</u>	<u>4,035,189</u>

Deferred contributions are comprised of:

Endowment interest funds and unrealized gains	3,847,311	1,364,676
Scholarships and bursaries	1,631,963	1,189,224
Tuition set-aside funds	943,984	599,121
Joint employment stability replacement fund	566,513	564,385
Ministry grants	34,540	313,949
Other	5,962	3,834
	<u>7,030,273</u>	<u>4,035,189</u>

b) Deferred contributions related to construction in progress:

	2021	2020
	\$	\$
Balance, beginning of year	500,000	1,126,640
Additional contributions received	46,811	500,000
Less amounts transferred to capital assets in the year	(500,000)	(1,126,640)
Balance, end of year	<u>46,811</u>	<u>500,000</u>

THE MOHAWK COLLEGE OF APPLIED ARTS AND TECHNOLOGY
Notes to Financial Statements
For the year ended March 31, 2021

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.

	2021	2020
	\$	\$
Balance, beginning of year	3,425,163	2,667,346
Additional contributions received	2,448,751	2,176,469
Less amounts recognized as revenue in the year	(1,889,688)	(1,418,652)
Balance, end of year	<u>3,984,226</u>	<u>3,425,163</u>

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

Donations	2,008,922	1,670,564
Student ancillary fees	1,930,486	1,714,077
Other	44,818	40,522
	<u>3,984,226</u>	<u>3,425,163</u>

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.

	2021	2020
	\$	\$
Balance, beginning of year	134,232,278	138,790,704
Additional contributions received	3,466,309	4,744,717
Plus amounts transferred from deferred contributions related to construction in progress	500,000	1,126,640
Less amortization in the year	(9,274,331)	(10,429,783)
Balance, end of year	<u>128,924,256</u>	<u>134,232,278</u>

Deferred contributions related to capital assets are comprised of:

Ministry	57,995,716	59,532,498
Student ancillary fees - DBARC	26,695,070	27,574,381
Federal grants	20,453,289	20,854,940
Donations	19,618,572	20,801,749
Other	4,161,609	5,468,710
	<u>128,924,256</u>	<u>134,232,278</u>

THE MOHAWK COLLEGE OF APPLIED ARTS AND TECHNOLOGY
Notes to Financial Statements
For the year ended March 31, 2021

10. INVESTMENT IN CAPITAL ASSETS:

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

	2021	2020
	\$	\$
Capital assets	203,591,097	208,524,217
Construction in progress	51,992	1,930,522
Investment in land	873,472	873,472
	<u>204,516,561</u>	<u>211,328,211</u>
Less:		
Current portion of long-term debt	(1,713,322)	(1,651,900)
Long-term debt	(19,794,437)	(21,507,760)
Deferred contributions related to construction in progress	(46,811)	(500,000)
Deferred contributions related to capital assets	<u>(128,924,256)</u>	<u>(134,232,278)</u>
Investment in capital assets	<u>54,037,735</u>	<u>53,436,273</u>

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

	2021	2020
	\$	\$
Deficiency of revenues over expenditures:		
Amortization of deferred capital contributions related to capital assets	9,274,331	10,429,783
Amortization of capital assets	<u>(19,559,739)</u>	<u>(19,699,753)</u>
	<u>(10,285,408)</u>	<u>(9,269,970)</u>
	2021	2020
	\$	\$
Net change in investment of capital assets:		
Purchase of capital assets and construction in progress	12,748,090	12,641,214
Disposals of capital assets	-	(811,319)
Amounts funded by deferred capital contributions	(3,513,120)	(5,244,717)
Repayment of term debt	<u>1,651,900</u>	<u>1,610,230</u>
Investment in capital assets	<u>10,886,870</u>	<u>8,195,408</u>

11. ENDOWMENT CONTRIBUTIONS:

The College has the following endowment funds:

	2021	2020
	\$	\$
Ontario Student Opportunity Trust Funds (Schedule 3)	6,065,725	6,064,725
Ontario Trust for Student Support (Schedule 4)	8,028,103	8,015,208
Other	<u>3,623,964</u>	<u>3,553,079</u>
	<u>17,717,792</u>	<u>17,633,012</u>

THE MOHAWK COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements

For the year ended March 31, 2021

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 \$618,313 and \$2,409,734 respectively (2020 – \$640,020 and \$2,276,623).

12. FINANCIAL INSTRUMENT RISK MANAGEMENT:

General Risk

The COVID-19 pandemic continues to result in on-going government intervention, lockdown measures and safety protocols that are continuing to impact business in Canada and globally. The College has responded by providing a hybrid of virtual and remote learning, in-person delivery and online services which has allowed a degree of flexibility that did not exist in prior years. The pandemic has had a negative impact on enrolments both from domestic and international students, and ancillary revenues. The MCU provided a one-time support fund grant for post-secondary institutions to address COVID-19 related expenses, however, the College was not eligible according to the allocation methodology and did not receive any support. In order to mitigate lost revenues, the College reduced its expenses by implementing cost-reduction measures. The College continues to monitor the effect of the pandemic on its financial condition, liquidity, operations, suppliers and workforce. The College is confident that through all of this, the core mission of educating and supporting students will continue to be a priority.

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, 2021 totals \$180,575,536.

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.

12. FINANCIAL INSTRUMENT RISK MANAGEMENT (continued):

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.

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, 2021, a 1% fluctuation in interest rates, with all other variables held constant, would have an estimated impact on the fair value of bonds of \$3,402,312.

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, 2021, 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 \$1,087,092. 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.

THE MOHAWK COLLEGE OF APPLIED ARTS AND TECHNOLOGY
Notes to Financial Statements
For the year ended March 31, 2021

13. COMMITMENTS:

a) Leases:

The College'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:

	<u>\$</u>
2022	2,991,256
2023	3,014,710
2024	3,037,350
2025	3,060,444
2026	<u>3,084,000</u>
	<u>15,187,760</u>

b) Student residence:

Collegiate Management Services Corp. manages the student residence by way of a property management agreement. The annual property management fee is \$731,960 (2020 - \$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.

THE MOHAWK COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Analysis of Operating Grants, Ancillary and Other Revenue

For the year ended March 31, 2021, with comparative figures for 2020

Schedule 1

	2021	2020
	\$	\$
OPERATING GRANTS REVENUE		
General operating and capital grants	69,779,343	67,380,912
Apprenticeship	6,948,873	8,239,355
Collaborative program grants	7,997,521	7,310,459
Federal projects	5,225,038	4,597,711
Employment Services	1,964,065	2,077,767
Literacy & Basic Skills	1,402,522	1,420,404
School College Works Initiative	1,154,252	1,433,462
Disability Services	1,126,439	1,077,287
Municipal tax grant	715,875	764,625
Aboriginal grants	694,986	627,892
Termination gratuities	179,917	-
Other	571,477	551,413
	<u>97,760,308</u>	<u>95,481,287</u>
ANCILLARY REVENUE		
Campus stores	2,593,889	4,765,193
Student residence	851,770	3,367,545
Parking	26,446	4,052,454
Facility rentals	127,600	586,497
Food services	69,722	1,097,896
Athletic and recreation centre	3,214	167,622
Student life	-	356,940
Other	5,539	166,295
	<u>3,678,180</u>	<u>14,560,442</u>
OTHER REVENUE		
Contract projects	3,955,467	4,083,466
Investment income	2,459,741	2,626,239
Donations	1,035,693	917,423
Student government	211,410	308,535
Special events	153,764	227,101
Miscellaneous	1,659,844	1,370,594
	<u>9,475,919</u>	<u>9,533,358</u>

THE MOHAWK COLLEGE OF APPLIED ARTS AND TECHNOLOGY**Analysis of Ancillary Expenditures****For the year ended March 31, 2021, with comparative figures for 2020****Schedule 2**

	2021	2020
	\$	\$
Salaries and benefits	1,302,102	2,506,909
Cost of sales	2,102,128	3,579,910
Contracted services and professional fees	1,028,112	2,003,055
Supplies and other expenses	2,337,307	2,604,562
Utilities, maintenance and taxes	1,046,683	1,387,040
	7,816,332	12,081,476

THE MOHAWK COLLEGE OF APPLIED ARTS AND TECHNOLOGY**Analysis of Ontario Student Opportunity Trust Fund (OSOTF I)****For the year ended March 31, 2021, with comparative figures for 2020****Schedule 3**

	2021 (Book Value) \$	2020 (Book Value) \$
Endowment Fund Balance		
Fund Balance, beginning of year	5,997,497	5,987,497
Cash donations received	1,000	10,000
Fund Balance, end of year	5,998,497	5,997,497

Expendable Funds Available for Awards

Balance, beginning of year	915,361	835,147
Investment income, net of related expenses	215,376	217,216
Awards issued (2021-#155; 2020-#170)	(134,959)	(137,002)
Balance, end of year	995,778	915,361

The amounts recorded above are for Ministry purposes only. The fair market value of the endowment and expendable funds as at March 31, 2021 were \$5,998,497 and \$1,480,905 respectively.

THE MOHAWK COLLEGE OF APPLIED ARTS AND TECHNOLOGY**Analysis of Ontario Student Opportunity Trust Fund (OSOTF II)****For the year ended March 31, 2021, with comparative figures for 2020**

	2021 (Book Value) \$	2020 (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	31,360	28,343
Investment income, net of related expenses	2,885	3,017
Balance, end of year	34,245	31,360

The amounts recorded above are for Ministry purposes only. The fair market value of the endowment and expendable funds as at March 31, 2021 were \$67,228 and \$41,201 respectively.

THE MOHAWK COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Analysis of Ontario Trust for Student Support (OTSS)

For the year ended March 31, 2021, with comparative figures for 2020

Schedule 4

	2021 (Book Value) \$	2020 (Book Value) \$
Endowment Fund Balance		
Fund Balance, beginning of year	8,015,208	7,984,916
Cash donations received	12,895	30,292
Fund Balance, end of year	8,028,103	8,015,208
Expendable Funds Available for Awards		
Balance, beginning of year	758,823	697,853
Investment income, net of related expenses	267,591	268,831
Cash donations received	15,280	-
Awards issued (2021-#194; 2020-#170)	(251,727)	(207,861)
Balance, end of year	789,967	758,823

The amounts recorded above are for Ministry purposes only. The fair market value of the endowment and expendable funds as at March 31, 2021 were \$8,028,103 and \$1,381,633 respectively.