

CONSOLIDATED FINANCIAL STATEMENTS

The Humber College Institute of Technology and Advanced Learning

March 31, 2020

The Humber College Institute of Technology and Advanced Learning

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MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The consolidated financial statements of The Humber College Institute of Technology and Advanced Learning (the "College") are the responsibility of management and have been approved by the Board of Governors (the "Board").

The consolidated financial statements have been prepared by management in accordance with Canadian public sector accounting standards including the 4200 series of standards applicable to government not-for-profit organizations. Where alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances. Consolidated financial statements are not precise since they include certain amounts based on estimates and judgements. Management has determined such amounts on a reasonable basis in order to ensure that the consolidated financial statements are presented fairly, in all material respects.

The College maintains systems of internal accounting and administrative controls of high quality, consistent with reasonable cost. Such systems are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and that the College's assets are appropriately accounted for and adequately safeguarded.

The College's insurance liabilities have been reviewed by management in consultation with its broker. There are no material liabilities in either fact or contingency as at the date of this report.

The Board is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the consolidated financial statements. The Board carries out this responsibility principally through its Audit and Finance Committee (the "Committee").

The Committee is appointed by the Board, and includes within its ranks seven Board members. The Committee meets periodically with management, as well as the external auditors, to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues, to satisfy itself that each party is properly discharging its responsibilities, and to review the consolidated financial statements and the external auditor's report. The Committee reports its findings to the Board for consideration when approving the consolidated financial statements. The Committee also considers, for review and approval by the Board, the engagement or re-appointment of the external auditors.

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



Chris Whitaker
President & CEO

June 23rd, 2020



Sanjay Puri
Vice President, Administration & CFO

Independent Auditor's Report

To the Board of Governors of The Humber College of Technology and Advanced Learning

Opinion

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

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

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the College in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.



Independent Auditor's Report (Continued)

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the College's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the College to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the College to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the College audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants
Mississauga, Ontario
June 23, 2020

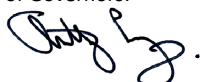
THE HUMBER COLLEGE INSTITUTE OF TECHNOLOGY AND ADVANCED LEARNING
Consolidated Statement of Financial Position

Statement 1

	March 31, 2020	March 31, 2019
ASSETS		
Current assets		
Cash	\$ 175,629,529	\$ 151,245,747
Investments	188,561,206	203,238,592
Grants receivable (Note 4)	3,532,860	3,634,120
Accounts receivable (Note 5)	8,891,750	12,767,990
Loan receivable (Note 7)	83,555	80,124
Prepaid expenses	4,076,284	3,295,891
Total current assets	380,775,184	374,262,464
INVESTMENT IN UNIVERSITY OF GUELPH-HUMBER (Note 6)	10,936,829	13,740,147
LONG-TERM LOAN RECEIVABLE (Note 7)	3,247,054	3,330,609
PREPAID LAND LEASE (Note 8)	2,882,690	2,915,019
CAPITAL ASSETS (Note 9)	516,911,500	516,825,200
TOTAL ASSETS	\$ 914,753,257	\$ 911,073,439
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	\$ 29,367,953	\$ 52,539,604
Accrued payroll and employee benefits	11,950,399	8,874,967
Accrued vacation pay	18,770,043	17,276,334
Deferred revenue	68,632,279	61,054,965
Due to University of Guelph-Humber (Note 6)	29,612,197	31,127,518
Due to IGNITE Student Union (Note 10)	5,367,513	4,147,492
Bank loan (Note 11)	23,639,911	25,595,536
Total current liabilities	187,340,295	200,616,416
POST-EMPLOYMENT BENEFITS AND COMPENSATED ABSENCES (Note 12)	8,535,000	8,784,000
DEFERRED CONTRIBUTIONS (Note 13)	6,632,377	7,501,013
DEFERRED CAPITAL CONTRIBUTIONS (Note 14)	202,525,167	209,865,510
INTEREST RATE SWAP (Note 11)	5,124,904	4,687,213
TOTAL LIABILITIES	410,157,743	431,454,152
NET ASSETS		
Unrestricted		
Operating	32,429,947	30,747,547
Post-employment benefits and compensated absences (Note 12)	(8,535,000)	(8,784,000)
Vacation pay	(18,770,043)	(17,276,334)
Total unrestricted net assets	5,124,904	4,687,213
INVESTED IN CAPITAL ASSETS (Note 15)	291,044,419	294,704,170
INTERNALLY RESTRICTED (Note 16)	197,704,440	168,917,504
EXTERNALLY RESTRICTED (Note 17)	15,846,655	15,997,613
	509,720,418	484,306,500
ACCUMULATED REMEASUREMENT LOSSES	(5,124,904)	(4,687,213)
TOTAL NET ASSETS	504,595,514	479,619,287
TOTAL LIABILITIES AND NET ASSETS	\$ 914,753,257	\$ 911,073,439

See accompanying notes to the consolidated financial statements

On behalf of the Board of Governors:



Anthony Longo
Chair, Board of Governors



Chris Whitaker
President & CEO

THE HUMBER COLLEGE INSTITUTE OF TECHNOLOGY AND ADVANCED LEARNING
Consolidated Statement of Operations

Statement 2

For the year ended	March 31, 2020	March 31, 2019
REVENUE		
Grants and reimbursements	\$ 153,236,521	\$ 159,354,096
Tuition and other fees	244,496,682	234,018,889
Interest and investment income	9,752,399	6,267,949
Other (Note 18)	63,779,839	67,268,509
Amortization of deferred capital contributions (Note 14)	10,710,973	8,243,526
TOTAL REVENUE	481,976,414	475,152,969
EXPENSES		
Salaries and benefits	283,333,114	270,683,172
Contract services	55,136,629	48,149,250
Maintenance, utilities and municipal taxes	14,286,110	18,204,418
Advertising and marketing	8,250,328	8,434,235
Supplies, equipment and other expenses	39,477,907	49,938,617
Information technology, software and licenses	10,648,329	10,540,738
Student assistance	8,139,625	8,388,917
Amortization of capital assets	37,139,496	28,679,301
TOTAL EXPENSES	456,411,538	443,018,648
EXCESS OF REVENUE OVER EXPENSES FOR THE YEAR	\$ 25,564,876	\$ 32,134,321

See accompanying notes to the consolidated financial statements

THE HUMBER COLLEGE INSTITUTE OF TECHNOLOGY AND ADVANCED LEARNING
Consolidated Statement of Changes in Net Assets

Statement 3

	March 31, 2020				
	Unrestricted	Internally restricted (Note 16)	Invested in capital assets (Note 15)	Externally restricted (Note 17)	Total
Balance, beginning of year	\$ 4,687,213	\$ 168,917,504	\$ 294,704,170	\$ 15,997,613	\$ 484,306,500
Excess of revenue over expenses for the year	25,564,876	-	-	-	25,564,876
Change in internally restricted net assets	(28,786,936)	28,786,936	-	-	-
Net change in invested in capital assets (Note 15)	3,659,751	-	(3,659,751)	-	-
Endowment contributions	-	-	-	(150,958)	(150,958)
Balance, end of year	\$ 5,124,904	\$ 197,704,440	\$ 291,044,419	\$ 15,846,655	\$ 509,720,418

	March 31, 2019				
	Unrestricted	Internally restricted (Note 16)	Invested in capital assets (Note 15)	Externally restricted (Note 17)	Total
Balance, beginning of year	\$ 4,793,620	\$ 183,371,996	\$ 248,008,950	\$ 15,863,718	\$ 452,038,284
Excess of revenue over expenses for the year	32,134,321	-	-	-	32,134,321
Change in internally restricted net assets	14,454,492	(14,454,492)	-	-	-
Net change in invested in capital assets (Note 15)	(46,695,220)	-	46,695,220	-	-
Endowment contributions	-	-	-	133,895	133,895
Balance, end of year	\$ 4,687,213	\$ 168,917,504	\$ 294,704,170	\$ 15,997,613	\$ 484,306,500

See accompanying notes to the consolidated financial statements:

THE HUMBER COLLEGE INSTITUTE OF TECHNOLOGY AND ADVANCED LEARNING
Consolidated Statement of Cash Flows

Statement 4

	March 31, 2020	March 31, 2019
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES		
OPERATING		
Excess of revenue over expenses for the year	\$ 25,564,876	\$ 32,134,321
Non-cash items:		
Amortization of capital assets	37,139,496	28,679,301
Amortization of deferred capital contributions	(10,710,973)	(8,243,526)
Gain on sale of capital assets	(382,115)	-
Share of excess of revenue over expenses for the year from University of Guelph-Humber (Note 6)	(9,017,402)	(11,707,272)
	42,593,882	40,862,824
Change in post-employment benefits and compensated absences	(249,000)	(74,000)
Endowment contributions	(150,958)	133,895
Net change in non-cash working capital items (Note 20)	(8,091,060)	37,653,665
Cash provided by operating activities	34,102,864	78,576,384
INVESTING		
Distribution from University of Guelph-Humber (Note 6)	11,820,720	11,534,930
Net decrease (increase) in investments (net of fair market value adjustment)	14,677,386	(23,249,967)
Cash provided by (used in) investing activities	26,498,106	(11,715,037)
FINANCING		
Deferred contributions (net of fair market value adjustment)	(868,636)	(4,239,546)
Repayment (issuance) of loan receivable (Note 7)	80,124	(3,410,733)
Repayment of bank loan (Note 11)	(1,955,625)	(1,851,570)
Cash used in financing activities	(2,744,137)	(9,501,849)
CAPITAL		
Purchase of capital assets and construction in progress	(37,542,092)	(95,032,506)
Proceeds on sale of capital assets	698,411	-
Contributions received for capital purposes	3,370,630	20,180,860
Cash used in capital activities	(33,473,051)	(74,851,646)
Net increase (decrease) in cash during the year	24,383,782	(17,492,148)
Cash, beginning of year	151,245,747	168,737,895
Cash, end of year	\$ 175,629,529	\$ 151,245,747

See accompanying notes to the consolidated financial statements

THE HUMBER COLLEGE INSTITUTE OF TECHNOLOGY AND ADVANCED LEARNING
Consolidated Statement of Remeasurement Gains and Losses

Statement 5

	March 31, 2020	March 31, 2019
Accumulated remeasurement losses at the beginning of year	\$ (4,687,213)	\$ (4,793,620)
Unrealized (losses) gains attributable to:		
Derivative - interest rate swap	(437,691)	106,407
Net remeasurement (losses) gains for the year	(437,691)	106,407
Accumulated remeasurement (losses) gains at end of year	\$ (5,124,904)	\$ (4,687,213)

See accompanying notes to the consolidated financial statements

The Humber College Institute of Technology and Advanced Learning

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended March 31, 2020

1. DESCRIPTION OF THE ORGANIZATION

The College system was created by an Act of the Ontario Legislature on December 30, 1966. Regulation 771 empowered the Ministry of Education (now named Ministry of Colleges and Universities, "MCU") to establish individual colleges. On February 23, 1967, Humber College of Applied Arts and Technology became a reality. By Ontario Regulation 34/03 filed on February 11, 2003, the name of the College was changed to The Humber College Institute of Technology and Advanced Learning (the "College").

The College's mission statement is as follows:

"Humber develops global citizens with the knowledge and skills to lead and innovate."

The College's consolidated financial statements include the accounts of the Humber College Educational Foundation, which is controlled by the College, and the College's 50% interest in the University of Guelph-Humber joint venture (the "Joint Venture"). These consolidated financial statements do not reflect the assets, liabilities and results of operations of IGNITE Student Union ("IGNITE") or the various other student organizations and clubs of the College.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The consolidated 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 Public Sector Accounting Board ("PSAB for Government NPOs"). The significant accounting policies are as follows:

Revenue recognition

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

Tuition fees and contract training revenues are recorded as revenue rateably over the term to which the tuition fees revenue applies to the extent that the related courses and services are provided to the student or client.

The Humber College Institute of Technology and Advanced Learning

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended March 31, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Ancillary revenues, including corporate training, retail operations, food services, student residence, parking and other sundry revenues, are recognized when products are delivered or services are provided to the student or client where the sales price is fixed and determinable, and collection is reasonably assured.

Contributions externally restricted for purposes other than endowments are recognized as revenue in the year in which the related expenses are recognized. Externally restricted contributions for the purchase or construction of depreciable capital assets are deferred and amortized over the life of the related capital asset.

Endowment contributions are recognized as direct increases in net assets in the period in which they are received. Restricted investment income is recognized as revenue in the year in which the related expenses are incurred. Unrestricted investment income is recognized as revenue when earned.

Capital assets

Purchased capital assets are recorded at cost while contributed capital assets are recorded at fair value at the date of contribution. Capital assets are amortized on a straight-line basis over their useful lives, which has been estimated to be as follows:

Buildings	25 to 40 years
Site improvements	10 to 20 years
Leasehold improvements	10 to 20 years
Furniture and equipment	3 to 10 years
Automotive equipment	5 years
Software	5 to 7 years

Construction in progress costs are capitalized as incurred and are transferred to various categories of capital assets and are amortized on a basis consistent with similar assets, once the assets are placed in service. When a capital asset no longer contributes to the College's ability to provide services, its carrying amount is written down to its net realizable value.

Vacation pay

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

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:

The Humber College Institute of Technology and Advanced Learning

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended March 31, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- (i) The costs of post-employment future benefits are actuarially determined using management's best estimate of health care costs, disability recovery rates and discount rates. Adjustments to these costs arising from changes in estimates and experience gains and losses are amortized to income over the estimated average remaining service life of the employee groups on a straight line basis.
- (ii) The costs of the multi-employer defined benefit pension are the employer's contributions due to the plan in the period.
- (iii) The cost of vesting and non-vesting sick leave benefits are actuarially determined using management's best estimate of salary escalation, employees' use of entitlement and discount rates. Adjustments to these costs arising from changes in actuarial assumptions 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 equal to the College's internal rate of borrowing.

Investment in University of Guelph-Humber

The investment in the Joint Venture is accounted for using the modified equity method. No adjustment is made for the basis of accounting of the Joint Venture being different than PSAB for Government NPOs.

Financial instruments

The College classifies its financial instruments into one of the following categories based on the purpose for which the asset was acquired or liability incurred except for those instruments designated into the fair value category. The College's accounting policy for each category is as follows:

Fair value

This category includes cash, derivatives and pooled funds quoted in an active market. The College's interest rate swap is considered to be a derivative financial instrument and is included in this category. The College invests its externally restricted funds in pooled funds with its investment management firm. These funds are considered to be equity instruments and are included in this category.

Financial instruments in this category are initially recognized at cost and subsequently measured at fair value. Unrealized changes in fair value are recognized in the consolidated statement of remeasurement gains and losses until they are realized, when they are transferred to the consolidated statement of operations. Unrealized changes in fair value related to externally restricted funds are recognized in deferred contributions until the criterion attached to the restrictions has been met, when they are transferred to the consolidated statement of operations.

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

The Humber College Institute of Technology and Advanced Learning

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended March 31, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Amortized cost

This category includes investments not considered to be equity instruments, grants receivable, accounts receivable, loan receivable, long-term loan receivable, long-term accounts receivable, accounts payable and accrued liabilities, accrued payroll and employee benefits, accrued vacation pay, due to University of Guelph-Humber, due to IGNITE, and bank loan. They are initially recognized at cost and subsequently carried at amortized cost using the effective interest rate method, less any impairment losses on financial assets, except for contributions, which are initially recognized at fair value.

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

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

Management estimates

The preparation of consolidated financial statements in conformity with PSAB for Government NPOs requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the year. Due to inherent uncertainty involved in making such estimates, actual results could differ from those estimates. Areas of key estimation include determination of fair value of equity instruments quoted in an active market, determination of fair value of derivatives, determination of percentage of completion of construction in progress, deferred tuition revenue, allowance for doubtful accounts, capital asset amortization, amortization of deferred capital contributions and actuarial estimation of post-employment benefits and compensated absences liabilities.

Public sector salary disclosure act

The Public Sector Salary Disclosure Act, 1996 (the "Act") requires the disclosure of the salaries and benefits of employees in the public sector who are paid a salary of \$100,000 or more in a year. The College complies with this Act by providing the information to Ministry of Colleges and Universities ("MCU") for disclosure on the public website.

3. FINANCIAL INSTRUMENT CLASSIFICATION

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

The Humber College Institute of Technology and Advanced Learning

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended March 31, 2020

3. FINANCIAL INSTRUMENT CLASSIFICATION (continued)

	2020		
	Fair Value	Amortized Cost	Total
Cash	\$ 175,629,529	\$ -	\$ 175,629,529
Investments	18,479,985	170,081,221	188,561,206
Grants receivable	-	3,532,860	3,532,860
Accounts receivable	-	8,891,750	8,891,750
Loan receivable	-	83,555	83,555
Long-term loan receivable	-	3,247,054	3,247,054
Accounts payable and accrued liabilities	-	29,367,953	29,367,953
Accrued payroll and employee benefits	-	11,950,399	11,950,399
Accrued vacation pay	-	18,770,043	18,770,043
Due to University of Guelph-Humber	-	29,612,197	29,612,197
Due to IGNITE	-	5,367,513	5,367,513
Bank loan	-	23,639,911	23,639,911
Interest rate swap	5,124,904	-	5,124,904

	2019		
	Fair Value	Amortized Cost	Total
Cash	\$ 151,245,747	\$ -	\$ 151,245,747
Investments	19,086,666	184,151,926	203,238,592
Grants receivable	-	3,634,120	3,634,120
Accounts receivable	-	12,767,990	12,767,990
Loan receivable	-	80,124	80,124
Long-term loan receivable	-	3,330,609	3,330,609
Accounts payable and accrued liabilities	-	52,539,604	52,539,604
Accrued payroll and employee benefits	-	8,874,967	8,874,967
Accrued vacation pay	-	17,276,334	17,276,334
Due to University of Guelph-Humber	-	31,127,518	31,127,518
Due to IGNITE	-	4,147,492	4,147,492
Bank loan	-	25,595,536	25,595,536
Interest rate swap	4,687,213	-	4,687,213

Cash and investments consist of cash, daily interest deposits, Canadian treasury bills, guaranteed investment certificates, Canadian federal bonds, Canadian provincial bonds, Canadian corporate bonds and mutual funds.

Maturity profile of investments held at amortized cost is as follows:

	2020				
	Within 1 year	1 to 5 years	5 to 10 years	Over 10 years	Total
Carrying value	\$ 571,498	\$ 69,005,704	\$ 100,504,019	\$ -	\$ 170,081,221
Percent of Total	0.3%	40.6%	59.1%	0.0%	

	2019				
	Within 1 year	1 to 5 years	5 to 10 years	Over 10 years	Total
Carrying value	\$ 20,433,242	\$ 63,388,924	\$ 95,236,350	\$ 5,093,410	\$ 184,151,926
Percent of Total	11.1%	34.4%	51.7%	2.8%	

The Humber College Institute of Technology and Advanced Learning

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended March 31, 2020

3. FINANCIAL INSTRUMENT CLASSIFICATION (continued)

The following table provides an analysis of investments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities using the last bid price;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	2020			
	Level 1	Level 2	Level 3	Total
Cash	\$ 175,629,529	\$ -	\$ -	\$ 175,629,529
Investments	18,479,985	-	-	18,479,985
Interest rate swap	-	-	5,124,904	5,124,904
Total	\$ 194,109,514	\$ -	\$ 5,124,904	\$ 199,234,418

	2019			
	Level 1	Level 2	Level 3	Total
Cash	\$ 151,245,747	\$ -	\$ -	\$ 151,245,747
Investments	19,086,666	-	-	19,086,666
Interest rate swap	-	-	4,687,213	4,687,213
Total	\$ 170,332,413	\$ -	\$ 4,687,213	\$ 175,019,626

There were no transfers between levels for the years ended March 31, 2020 and 2019. For a sensitivity analysis of financial instruments recognized in Level 3, see Note 21.

4. GRANTS RECEIVABLE

Grants receivable represent amounts receivable from the MCU and other agencies to fund programs delivered by the College.

The Humber College Institute of Technology and Advanced Learning

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended March 31, 2020

5. ACCOUNTS RECEIVABLE

	2020	2019
Investment interest receivable	\$ 1,062,510	\$ 1,153,182
Commodity taxes receivable	4,256,411	4,345,657
Current portion of long-term accounts receivable	-	2,846,563
Other accounts receivable	2,662,464	3,290,357
Student accounts receivable	3,640,465	4,181,025
Allowance for doubtful accounts	(2,730,100)	(3,048,794)
Total current accounts receivable	\$ 8,891,750	\$ 12,767,990

Other accounts receivable represent sundry receivables such as revenues earned by faculties, for corporate training or teaching sessions and commissions earned on ancillary businesses.

6. INVESTMENT IN UNIVERSITY OF GUELPH-HUMBER

In 1999, the College entered into a Memorandum of Understanding with the University of Guelph, known as the University of Guelph-Humber joint venture. The purpose of the Joint Venture is to provide students with a four-year collaborative learning opportunity which results in the conferment of both a university degree and a college diploma.

The following is the College's combined 50% share of the components of the financial statements of the Joint Venture:

	2020	2019
Total assets	\$ 18,137,735	\$ 19,083,864
Total liabilities	7,200,455	5,343,265
Net assets	\$ 10,937,280	\$ 13,740,599
Revenue	\$ 33,628,443	\$ 34,729,895
Expenses	24,611,041	23,022,623
Excess of revenue over expenses for the year	\$ 9,017,402	\$ 11,707,272
Cash provided by operating activities	\$ 11,839,636	\$ 11,647,730
Cash used in investing activities	(18,916)	(112,800)
Cash used in financing activities	(11,820,720)	(11,534,930)
Net cash flows	\$ -	\$ -

Excess of revenue over expenses for the year has been included in other revenue (see Note 18).

During the year, the College earned \$13,637,410 (2019 - \$13,091,467) of fees from the Joint Venture for services provided which has been included in other revenue (Note 18).

The amount due to the Joint Venture is unsecured, non-interest bearing and due on demand.

During the year, the Joint Venture distributed \$11,820,721 (2019 - \$11,534,930) to the College which was applied against the investment.

The Humber College Institute of Technology and Advanced Learning

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended March 31, 2020

6. INVESTMENT IN UNIVERSITY OF GUELPH-HUMBER (continued)

The Joint Venture is a not-for-profit organization, and follows the recommendations of CPA Canada Handbook Part III – Accounting Standards for Not-for-Profit Organizations. As such, there are differences between the accounting policies of the College under PSAB and the Joint Venture under Part III of the CPA Handbook. Under the modified equity approach, the College makes no adjustment to the amounts disclosed or recognized in its consolidated financial statements for these differences. For the year ended March 31, 2020, there were no accounting policy differences that would have resulted in an adjustment to amounts or disclosures in these consolidated financial statements.

7. LONG-TERM LOAN RECEIVABLE

On October 23, 2018, the College entered into a mortgage agreement with Colleges Ontario to provide a mortgage supporting the purchase of Colleges Ontario's new office facility. The original loan amount of \$3,430,245 is amortized over 25 years, bearing interest at 4.20% fixed rate per annum, receivable in monthly payments of \$18,487 on the first day of each month. The initial term of the mortgage is 5 years, maturing on December 3, 2023.

	2020	2019
Loan receivable	\$ 3,330,609	\$ 3,410,733
Less: Current portion included in loan receivable	83,555	80,124
Total long-term loan receivable	\$ 3,247,054	\$ 3,330,609

8. PREPAID LAND LEASE

In 2014, the College negotiated a land lease with the City of Toronto. This amount, recorded as a prepaid land lease, includes the original payment made to the City of Toronto for a ninety-five year lease upon which the College has constructed an administrative building. The amount is being expensed over the term of the lease.

The Humber College Institute of Technology and Advanced Learning

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended March 31, 2020

9. CAPITAL ASSETS

	2020		
	Cost	Accumulated Amortization	Net Book Value
Land	\$ 20,382,944	\$ -	\$ 20,382,944
Buildings	510,012,839	160,915,919	349,096,920
Site improvements	132,000,860	46,261,139	85,739,721
Leasehold improvements	83,726,061	80,396,187	3,329,874
Furniture and equipment	95,003,696	69,947,371	25,056,325
Automotive equipment	3,550,320	3,151,459	398,861
Software	41,900,841	16,978,399	24,922,442
Artwork	204,370	-	204,370
	886,781,931	377,650,474	509,131,457
Construction in progress	7,780,043	-	7,780,043
	\$ 894,561,974	\$ 377,650,474	\$ 516,911,500

	2019		
	Cost	Accumulated Amortization	Net Book Value
Land	\$ 20,382,944	\$ -	\$ 20,382,944
Buildings	507,057,252	149,119,507	357,937,745
Site improvements	95,904,439	35,119,092	60,785,347
Leasehold improvements	83,726,061	79,061,925	4,664,136
Furniture and equipment	80,925,771	60,131,580	20,794,191
Automotive equipment	3,489,441	2,852,774	636,667
Software	14,539,329	14,313,674	225,655
Artwork	204,370	-	204,370
	806,229,607	340,598,552	465,631,055
Construction in progress	51,194,145	-	51,194,145
	\$ 857,423,752	\$ 340,598,552	\$ 516,825,200

10. DUE TO IGNITE Student Union

The amount due to IGNITE is unsecured, bears interest at the bank's prime rate less 1.60% with an effective rate at March 31, 2020 of 0.85% (2019 - 2.35%) and is due on demand.

The Humber College Institute of Technology and Advanced Learning

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended March 31, 2020

11. BANK LOAN

The College has unsecured loan facilities with the Bank of Montreal to a maximum amount of \$62,000,000 to finance the construction of two student residences, an interest rate swap arrangement and an operating line of credit. The College has utilized \$23,639,911 (2019 - \$25,595,536) under this facility as described below. The balance of the facility is available in either prime rate loans bearing interest at the bank's prime rate of 2.45% (2019 – 3.95%) per annum or Bankers' Acceptances bearing interest of 1.25% (2019 – 1.98%) plus 1.25% per annum.

The original loan of \$45,000,000 obtained on April 1, 2004 for the residences is scheduled to be repaid over twenty-five years, bears interest at prime rate per annum and is repayable monthly on the first of each month in blended payments of \$275,802 and is scheduled to be repaid by April 1, 2029.

The loan is due on demand and has therefore been classified as current. The College has fixed its interest rate at 5.98% (2019 – 5.98%) through an interest rate swap arrangement for the term of the loan. The interest rate includes a bank stamping fee of 0.50%. The interest rate swap is a derivative financial instrument. It has effectively locked in a fixed rate through 2029.

The fair value of the interest rate swap, in favour of the counterparty, of \$5,124,904 (2019 - \$4,687,213) is recorded in the consolidated statement of financial position with the fluctuations in fair value being recorded in the consolidated statement of remeasurement gains and losses.

The scheduled principal amounts payable within the next five years and thereafter are as follows:

2021	\$ 2,065,526
2022	2,181,603
2023	2,304,204
2024	2,433,695
2025	2,570,462
Thereafter	12,084,421
Total	\$ 23,639,911

Interest and bank fees on the demand loan amounted to \$1,468,076 (2019 - \$1,581,517) and is included in supplies, equipment and other expenses.

12. POST-EMPLOYMENT BENEFITS AND COMPENSATED ABSENCES

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

The Humber College Institute of Technology and Advanced Learning

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended March 31, 2020

12. POST-EMPLOYMENT BENEFITS AND COMPENSATED ABSENCES (continued)

	2020			
	Post-employment Benefits	Non-vesting sick leave	Vesting sick leave	Total liability
Accrued employee future benefits obligations	\$ 2,290,000	\$ 10,169,000	\$ 482,000	\$ 12,941,000
Value of plan assets	(524,000)	-	-	(524,000)
Unamortized actuarial gains (losses)	114,000	(3,986,000)	(10,000)	(3,882,000)
Total liability	\$ 1,880,000	\$ 6,183,000	\$ 472,000	\$ 8,535,000
	2019			
	Post-employment Benefits	Non-vesting sick leave	Vesting sick leave	Total liability
Accrued employee future benefits obligations	\$ 2,280,000	\$ 8,467,000	\$ 468,000	\$ 11,215,000
Value of plan assets	(429,000)	-	-	(429,000)
Unamortized actuarial gains (losses)	112,000	(2,227,000)	113,000	(2,002,000)
Total liability	\$ 1,963,000	\$ 6,240,000	\$ 581,000	\$ 8,784,000
	2020			
	Post-employment Benefits	Non-vesting sick leave	Vesting sick leave	Total expense
Current year benefit cost	\$ (58,000)	\$ 464,000	\$ 21,000	\$ 427,000
Interest cost on accrued benefit obligation	4,000	174,000	10,000	188,000
Amortized actuarial gains	(15,000)	(6,000)	(31,000)	(52,000)
Total expense (recovery)	\$ (69,000)	\$ 632,000	\$ -	\$ 563,000

The Humber College Institute of Technology and Advanced Learning

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended March 31, 2020

12. POST-EMPLOYMENT BENEFITS AND COMPENSATED ABSENCES (continued)

	2019				
	Post-employment Benefits	Non-vesting	sick leave	Vesting	sick leave
Current year benefit cost	\$ 143,000	\$ 434,000	\$ 20,000	\$	\$ 597,000
Interest cost on accrued benefit obligation	5,000	217,000	13,000		235,000
Amortized actuarial (gains) losses	(15,000)	(31,000)	2,000		(44,000)
Total expense	\$ 133,000	\$ 620,000	\$ 35,000	\$	\$ 788,000

Post-employment benefits and compensated absences expense has been included in salaries and benefits expense.

Above amounts exclude pension contributions to the Colleges of Applied Arts and Technology Pension Plan (the "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 Plan, a multi-employer jointly-sponsored defined benefit plan for eligible employees of public colleges and other employers in Ontario. 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 expensed in the period they come due.

Any pension surplus or deficit is a joint responsibility of the members and employers and may affect future contribution rates related to full-time members. The College does not recognize any share of the Plan's pension surplus or deficit as insufficient information is available to identify the College's share of the underlying pension assets and liabilities. The most recent actuarial valuation filed with pension regulators as at January 1, 2020 indicated an actuarial surplus of \$2.9 billion. The College made contributions to the Plan and its associated retirement compensation arrangement of \$21,078,292 in 2020 (2019 - \$21,064,991), which has been included in the consolidated statement of operations.

Post-Employment Benefits

The College extends post employment life insurance, health and dental benefits to certain employee groups subsequent to their retirement. The College recognizes these benefits as they are earned during the employees' tenure of service. The College also provide continuation of medical and dental benefits to certain employee groups while receiving long-term disability benefits. The related benefit liabilities were determined by an actuarial valuation study commissioned by the College Employer Council.

The Humber College Institute of Technology and Advanced Learning

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended March 31, 2020

12. POST-EMPLOYMENT BENEFITS AND COMPENSATED ABSENCES (continued)

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

a) *Discount rate*

The present value as at March 31, 2020 of the future benefits was determined using a discount rate of 1.60% (2019 – 2.20%).

b) *Drug Costs*

Drug costs were assumed to increase at a 8.00% rate in 2018 and decrease proportionately thereafter to an ultimate rate of 4.00% in 2040.

c) *Hospital and other medical*

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

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

d) *Dental costs*

Dental costs were assumed to increase at 4.00% per annum in 2020 (2019 – 4.00%).

Compensated Absences

Vesting Sick Leave

The College has provided for vesting sick leave benefits during the year. Eligible employees, after 10 years of service, are entitled to receive 50% of their accumulated sick leave credit on termination or retirement to a maximum of 6 months' salary. The program to accumulate sick leave credits ceased for employees hired after March 31, 1991. The related benefit liability was determined by an actuarial valuation study commissioned by the College Employer Council.

Non-Vesting Sick Leave

The College allocates to certain employee groups a specified number of days each year for use as paid absences in the event of illness or injury. These days do not vest and are available immediately. Certain employee groups 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 Humber College Institute of Technology and Advanced Learning

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended March 31, 2020

12. 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 estimates of expected rates of:

a) *Discount rate*

The present value as at March 31, 2020 of the future benefits was determined using a discount rate of 1.60% (2019 – 2.60%).

b) *Wage and salary escalation rates*

Academic full-time and academic partial load salaries were assumed to increase at a rate of 1.80% in 2016, 1.75% in 2017, 2.00% in 2018, 2019, 2020 and 1.50% per annum thereafter.

Support staff full-time salaries were assumed to increase at a rate of 0.50% per annum in 2016, 2017 and 1.50% per annum thereafter.

The probability that the employee will use more sick days than the annual accrual and the excess number of sick days used are within ranges of 0.00% to 23.70% and 0 to 48 days respectively for age groups ranging from 20 and under to 65 and over, in bands of 5 years.

13. DEFERRED CONTRIBUTIONS

Deferred contributions represent unspent externally restricted grants and donations for awards, scholarships and bursaries, and other restricted purposes. The change in the deferred contributions balance are as follows:

	2020	2019
Balance, beginning of year	\$ 7,501,013	\$ 11,740,559
Amounts received during the year	46,683,404	49,981,676
Amounts recognized as revenue during the year	(47,552,040)	(54,221,222)
Balance, end of year	\$ 6,632,377	\$ 7,501,013

Deferred contributions are comprised of:

Externally restricted funds (net of fair market value adjustments)	\$ 2,199,316	\$ 3,150,104
Joint employment stability funds	347,669	279,940
Student building levy	1,751,229	-
Other restricted grants and contributions	2,334,163	4,070,969
Balance, end of year	\$ 6,632,377	\$ 7,501,013

14. DEFERRED CAPITAL CONTRIBUTIONS

Deferred capital contributions represent the unamortized amount and unspent amount of restricted donations and grants received for the purchase of capital assets. The change in the deferred capital contributions balance are as follows:

The Humber College Institute of Technology and Advanced Learning

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended March 31, 2020

14. DEFERRED CAPITAL CONTRIBUTIONS (continued)

	2020	2019
Balance, beginning of year	\$ 209,865,510	\$ 197,928,176
Add: contributions received for capital purposes	3,370,630	20,180,860
Less: amortization of deferred capital contributions	(10,710,973)	(8,243,526)
Balance, end of year	\$ 202,525,167	\$ 209,865,510

15. INVESTED IN CAPITAL ASSETS

Invested in capital assets consists of the following:

	2020	2019
Net book value of capital assets (Note 9)	\$ 516,911,500	\$ 516,825,200
Less amounts financed by:		
Bank loan (Note 11)	23,639,911	25,595,536
Spent deferred capital contributions	202,227,170	196,525,494
Balance, end of year	\$ 291,044,419	\$ 294,704,170

The change in invested in capital assets is as follows:

	2020	2019
Amortization of deferred capital contributions	\$ 10,710,973	\$ 8,243,526
Amortization of capital assets	(37,139,496)	(28,679,301)
Acquisition of capital assets and construction in progress	37,225,795	95,032,506
Amounts funded by deferred capital contributions	(16,412,648)	(29,753,081)
Repayment of bank loan	1,955,625	1,851,570
Total change in invested in capital assets	\$ (3,659,751)	\$ 46,695,220

16. INTERNALLY RESTRICTED NET ASSETS

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

	2020	2019
Strategic investments	\$ 157,204,440	\$ 144,812,504
Operating contingency	40,500,000	24,105,000
Total internally restricted net assets	\$ 197,704,440	\$ 168,917,504

The Humber College Institute of Technology and Advanced Learning

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended March 31, 2020

17. EXTERNALLY RESTRICTED NET ASSETS

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

Investment income on endowments that was disbursed during the year has been recorded in the consolidated statement of operations since this income is available for disbursement as the donors' conditions have been met. The unspent portion of investment income is recorded in deferred contributions.

Externally restricted endowment funds include grants provided by the MCU from the Ontario Student Opportunity Trust Fund 1 ("OSOTF 1") matching program, the Ontario Student Opportunity Trust Fund 2 ("OSOTF 2") matching program, and the Ontario Trust for Student Support Fund ("OTSS") matching program. Under these programs the government matched the funds raised by the College. The purpose of these programs is to assist students who, for financial reasons, would not otherwise be able to attend College.

Changes in expendable funds available for awards under the OSOTF 1, OSOTF 2 and OTSS matching programs are as follows:

				2020	2019
	OSOTF 1	OSOTF 2	OTSS	TOTAL	TOTAL
Balance, beginning of year	\$ 85,209	\$ 27,398	\$ 397,315	\$ 509,922	\$ 666,784
Investment income, net of direct expenses	47,276	19,094	296,764	363,134	253,777
Bursaries awarded	(37,500)	(35,750)	(337,009)	(410,259)	(410,639)
Balance, end of year	\$ 94,985	\$ 10,742	\$ 357,070	\$ 462,797	\$ 509,922
Bursaries awarded (#)	17	24	181	222	248

The bursaries awarded under OTSS comprise 126 to OSAP recipients totaling \$238,415 and 55 to non-OSAP recipients totaling \$98,594.

18. OTHER REVENUE

Other revenue consists of the following:

	2020	2019
Excess of revenue over expenses from Joint Venture	\$ 9,017,402	\$ 11,707,272
Fees from Joint Venture	13,637,410	13,091,467
Residence fees	15,079,745	14,009,424
Parking revenue	5,641,284	5,493,885
Miscellaneous revenues	20,403,998	22,966,461
Total other revenue	\$ 63,779,839	\$ 67,268,509

The Humber College Institute of Technology and Advanced Learning

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended March 31, 2020

19. COMMITMENTS

The College has entered into a ninety-nine (99) year lease agreement with Her Majesty the Queen in Right of Ontario for the property now known as the Robert A. Gordon Learning Centre. The base rent is one dollar (\$1) per year for the term of the lease which expires January 31, 2094.

The College has provided letters of credit to certain third parties amounting to \$619,868 (2019 - \$635,196) primarily related to possible defaults in agreements for certain construction projects.

The College has also entered into various other agreements to lease premises. The anticipated annual payments for the next five fiscal years under current lease arrangements are as follows:

2021	\$	967,091
2022		1,685,415
2023		1,649,214
2024		1,649,214
2025		1,649,214
Total commitments	\$	7,600,148

20. CONSOLIDATED STATEMENT OF CASH FLOWS

The net change in non-cash working capital balances related to operations consists of the following:

	2020	2019
Grants receivable	\$ 101,260	\$ (1,237,268)
Accounts receivable	3,876,240	1,091,583
Prepaid expenses	(780,393)	(208,546)
Prepaid land lease	32,329	32,329
Long-term accounts receivable	-	2,988,295
Accounts payable and accrued liabilities	(23,171,651)	22,126,742
Accrued payroll and employee benefits	3,075,432	935,872
Accrued vacation pay	1,493,709	571,198
Deferred revenue	7,577,314	11,108,397
Due to University of Guelph-Humber	(1,515,321)	1,368,866
Due to IGNITE	1,220,021	(1,123,803)
Net change, non-cash working capital	\$ (8,091,060)	\$ 37,653,665

21. 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, grants receivable, accounts receivable, loan receivable, long-term loan receivable and long-term 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 (2019 - \$100,000).

The Humber College Institute of Technology and Advanced Learning

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended March 31, 2020

21. FINANCIAL INSTRUMENT RISK MANAGEMENT (continued)

The College's investment guideline operates within the constraints of the investment directive issued by the MCU. The guideline puts limits on its portfolio investments including portfolio composition limits, issuer type limits, investment quality limits, aggregate issuer limits and sector limits. All portfolios are measured for performance by the Committee on an annual basis while monitored by management on a monthly basis.

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

The maximum exposure to investment credit risk is outlined in Note 3.

A significant portion of accounts receivable are due from students. Credit risk is mitigated by the highly diversified nature of the student population.

Grants receivable are ultimately due from the MCU, as well as other government entities. Credit risk is mitigated by the governmental nature of the funding source.

The College measures its exposure to credit risk based on how long the amounts have been outstanding or the academic term that the receivable relates to. An impairment allowance is set up based on the College's historical experience regarding collections. Subsequent to year-end, the credit risk related to the College's accounts receivable for tuition revenue has increased due to the impact of COVID-19, which could lead to potential losses. The amounts outstanding at year end were as follows:

Student Receivables

As at March 31, 2020

	Total	Winter 2020	Fall 2019	Summer 2019	Winter 2019 & Prior
Student receivable	\$ 3,640,465	\$ 1,469,006	\$ 674,875	\$ 316,122	\$ 1,180,462
Less: impairment allowance	(2,607,895)	(786,501)	(498,241)	(148,618)	(1,174,535)
Net receivables	\$ 1,032,570	\$ 682,505	\$ 176,634	\$ 167,504	\$ 5,927

	Total	Winter 2019	Fall 2018	Summer 2018	Winter 2018 & Prior
Student receivable	\$ 4,181,025	\$ 1,614,651	\$ 527,267	\$ 204,547	\$ 1,834,559
Less: impairment allowances	(3,041,846)	(529,650)	(527,267)	(177,456)	(1,807,473)
Net receivables	\$ 1,139,179	\$ 1,085,001	\$ -	\$ 27,091	\$ 27,086

The Humber College Institute of Technology and Advanced Learning

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended March 31, 2020

21. FINANCIAL INSTRUMENT RISK MANAGEMENT (continued)

Government Grants and Other Receivables

As at March 31, 2020	Past Due					
	Total	Current	0 - 30 days	31 - 60 days	61 - 90 days	91 - 120 days
Government grants receivable	\$ 3,132,860	\$ 3,132,860	\$ -	\$ -	\$ -	\$ -
Interest receivable	1,062,510	1,062,510	-	-	-	-
Commodity taxes receivable	4,256,411	4,256,411	-	-	-	-
Other accounts receivable	2,662,465	1,678,987	747,408	113,863	13,247	108,959
Gross receivables	11,114,246	10,130,768	747,408	113,863	13,247	108,959
Less: impairment allowances	(122,206)	-	-	-	(13,247)	(108,959)
Net receivables	\$ 10,992,040	\$ 10,130,768	\$ 747,408	\$ 113,863	\$ -	\$ -

As at March 31, 2019	Past Due					
	Total	Current	0 - 30 days	31 - 60 days	61 - 90 days	91 - 120 days
Government grant receivable	\$ 3,634,120	\$ 3,634,120	\$ -	\$ -	\$ -	\$ -
Interest receivable	1,153,182	1,153,182	-	-	-	-
Commodity taxes receivable	4,345,657	4,345,657	-	-	-	-
Other accounts receivable	6,136,920	5,715,991	323,185	89,466	1,330	6,948
Gross receivables	15,269,879	14,848,950	323,185	89,466	1,330	6,948
Less: impairment allowances	(6,948)	-	-	-	-	(6,948)
Net receivables	\$ 15,262,931	\$ 14,848,950	\$ 323,185	\$ 89,466	\$ 1,330	\$ -

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 guideline operates within the constraints of the investment directive 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. The guideline puts certain sector limits and individual issuer limits on the asset mix of investments.

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 Humber College Institute of Technology and Advanced Learning

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended March 31, 2020

21. FINANCIAL INSTRUMENT RISK MANAGEMENT (continued)

Subsequent to year-end, the financial markets experienced a significant increase in volatility as a result of the uncertainty related to the COVID-19 pandemic which could have a negative effect on the College's externally restricted pooled fund investments, which are measured at their fair values as at March 31, 2020. The extent of any future impact on the College's investments or operations as a result of COVID-19 is unknown.

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

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

The College mitigates interest rate risk on its term debt through a derivative financial instrument that exchanges the variable rate inherent in the term debt for a fixed rate (see Note 11). Therefore, fluctuations in market interest rates would not impact future cash flows and operations relating to the 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 market value of the interest rate swap of \$1,256,000 (2019 - \$1,499,251).

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 externally restricted funds being held in pooled fund investments with its investment management firm. At March 31, 2020 a 10% movement in equity prices with all other variables held constant would have an estimated effect on the fair value of the College's equities of \$1,847,999 (2019 - \$1,908,667).

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

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended March 31, 2020

21. FINANCIAL INSTRUMENT RISK MANAGEMENT (continued)

budgeting and maintaining investments that may be converted to cash in the near-term if unexpected cash outflows arise.

The following table sets out the expected maturities, representing undiscounted cash-flows of financial liabilities:

	2020		
	Within 1 year	1 to 5 years	Over 5 years
Accounts payable and accrued liabilities	\$ 29,367,953	\$ -	\$ -
Accrued payroll and employee benefits	11,950,399	-	-
Accrued vacation pay	9,385,022	9,385,021	-
Bank loan	2,065,526	9,489,964	12,084,421
Due to University of Guelph-Humber	29,612,197	-	-
Due to IGNITE	5,367,513	-	-
	<u>\$ 87,748,610</u>	<u>\$ 18,874,985</u>	<u>\$ 12,084,421</u>

	2019		
	Within 1 year	1 to 5 years	Over 5 years
Accounts payable and accrued liabilities	\$ 52,539,604	\$ -	\$ -
Accrued payroll and employee benefits	8,874,967	-	-
Accrued vacation pay	8,638,167	8,638,167	-
Bank loan	1,955,624	8,985,028	14,654,884
Due to University of Guelph-Humber	31,127,518	-	-
Due to IGNITE	4,147,492	-	-
	<u>\$ 107,283,372</u>	<u>\$ 17,623,195</u>	<u>\$ 14,654,884</u>

Derivative financial liabilities mature as described in Note 11.

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.

22. SUBSEQUENT EVENT

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

On March 17, the College closed its campuses and learning sites and they remain closed to the date of the auditor’s report. The learning for the balance of the winter semester was delivered online. The plan for continuing education, throughout the summer and possibly fall semesters offered by the College may be delivered through a hybrid teaching model or online curriculum which could have implications on a number of course offerings and enrollment. Additionally, the continued closure of the College’s campuses may have a negative impact on other revenues.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended March 31, 2020

22. SUBSEQUENT EVENT (continued)

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