

Consolidated Financial Statements of

**SENECA COLLEGE OF APPLIED
ARTS AND TECHNOLOGY**

And Independent Auditor's Report thereon

Year ended March 31, 2024

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The consolidated financial statements of Seneca College of Applied Arts and Technology ("Seneca") 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 for government not-for-profit organizations, including the 4200 Series of Standards, as issued by the Public Sector Accounting Board. When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances. Consolidated financial statements are not precise since they include certain amounts based on estimates and judgements. Management has determined such amounts on a reasonable basis in order to ensure that the consolidated financial statements are presented fairly, in all material respects.

Seneca 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 Seneca's assets are appropriately accounted for and adequately safeguarded.

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

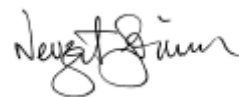
The Board is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the consolidated financial statements. The Board carries out this responsibility principally through its Finance and Administration Committee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

The Committee is appointed by the Board and meets regularly with management and the external auditor to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues. The Committee must be satisfied that each party is properly discharging its responsibilities and is tasked with reviewing 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 auditor.

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



David Agnew
President



Nevzat Gurmen
Vice-President, Finance and Administration

**KPMG LLP**

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INDEPENDENT AUDITOR'S REPORT

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

Opinion

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

- the consolidated statement of financial position as at March 31, 2024
- the consolidated statement of operations for the year then ended
- the consolidated statement of changes in net assets for the year then ended
- the consolidated statement of remeasurement gains and losses for the year then ended
- the consolidated statement of cash flows for the year then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies

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

In our opinion, the accompanying financial statements, present fairly, in all material respects, the consolidated financial position of the Entity as at March 31, 2024, and its consolidated results of operations, its consolidated changes in net assets, its consolidated remeasurement gains and losses and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

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

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

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



Other information

Management is responsible for the other information. Other information comprises: the information, other than the financial statements and the auditor's report thereon, included in 2023-24 Annual Report document.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information, other than the financial statements and the auditor's report thereon, included in 2023-24 Annual Report document as at the date of this auditor's report.

If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditor's report.

We have nothing to report in this regard.

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.

Auditor's 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 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 the financial statements.

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

We also:

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's 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 auditor's 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.



Page 4

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, stylized font and is underlined with a single horizontal stroke.

Chartered Professional Accountants, Licensed Public Accountants

Vaughan, Canada

June 6, 2024

SENECA COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Consolidated Statement of Financial Position

March 31, 2024, with comparative information for 2023

	2024	2023
Assets		
Current assets:		
Cash	\$ 42,805,443	\$ 126,697,281
Short-term investments (note 14(a))	190,873,198	93,442,339
Grants receivable	3,279,855	4,794,453
Accounts receivable (notes 2 and 15)	7,004,222	6,821,322
Prepaid expenses	13,347,310	11,365,105
	257,310,028	243,120,500
Long-term receivable (note 2)	6,233,140	7,246,434
Long-term investments (note 14(a))	150,939,426	139,075,734
Restricted cash and investments (notes 11 and 12)	64,605,359	56,374,340
Capital assets (note 3)	510,013,506	515,137,384
	\$ 989,101,459	\$ 960,954,392
Liabilities, Deferred Contributions and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 71,402,751	\$ 60,739,148
Current portion of long-term debt (note 4)	1,189,107	3,438,169
Due to student associations (note 6)	24,370,240	21,054,992
Deferred revenue	178,718,407	184,913,713
Employee vacation accrual	19,711,139	17,797,441
	295,391,644	287,943,463
Long-term debt (note 4)	626,669	12,351,776
Asset retirement obligation liabilities (note 5)	6,774,879	6,731,626
Deferred derivative liability (note 14(c))	—	789,706
Post-employment benefits and compensated absences (note 7)	10,890,000	10,677,000
	18,291,548	30,550,108
Deferred contributions (note 8)	20,880,186	19,636,893
Deferred contributions for capital assets (note 9)	170,138,821	175,649,383
	191,019,007	195,286,276
Net assets:		
Unrestricted:		
Operating	135,272,414	115,054,508
Post-employment benefits and compensation absences	(10,890,000)	(10,677,000)
Employee vacation accrual	(19,711,139)	(17,797,441)
	104,671,275	86,580,067
Investment in capital assets (note 10(a))	331,284,030	317,639,194
Internally restricted - endowment (note 11)	14,779,890	14,484,799
Externally restricted - endowments (note 12)	33,744,899	30,277,827
	484,480,094	448,981,887
Accumulated remeasurement losses	(80,834)	(1,807,342)
	484,399,260	447,174,545
Commitments and contingent liabilities (note 13)		
	\$ 989,101,459	\$ 960,954,392

See accompanying notes to consolidated financial statements.

On behalf of the Board of Governors:

 Chair

 President

SENECA COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Consolidated Statement of Operations

Year ended March 31, 2024, with comparative information for 2023

	2024	2023
Revenue:		
Government grants	\$ 104,511,704	\$ 107,903,120
Tuition and related fees	431,999,689	410,242,571
Ancillary	28,267,215	19,403,812
Amortization of deferred contributions for capital assets (note 9)	11,757,981	11,574,529
Deferred contributions recognized	3,951,646	3,639,093
Other	37,589,789	26,447,404
	<u>618,078,024</u>	<u>579,210,529</u>
Expenses:		
Salaries and benefits	344,973,275	300,138,100
Operating (note 4)	135,052,854	118,461,245
Plant and property maintenance	16,816,153	15,066,248
Bursaries and scholarships	13,714,109	13,708,775
Ancillary	21,172,570	15,132,691
Amortization of capital assets	54,317,928	53,900,658
	<u>586,046,889</u>	<u>516,407,717</u>
Excess of revenue over expenses	<u>\$ 32,031,135</u>	<u>\$ 62,802,812</u>

See accompanying notes to consolidated financial statements.

SENECA COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Consolidated Statement of Changes in Net Assets

Year ended March 31, 2024, with comparative information for 2023

2024	Externally restricted - endowments (note 12)	Investment in capital assets (note 10)	Internally restricted - endowment (note 11)	Unrestricted	Total
Net assets, beginning of year	\$ 30,277,827	\$ 317,639,194	\$ 14,484,799	\$ 86,580,067	\$ 448,981,887
Excess (deficiency) of revenue over expenses	—	(42,087,872)	—	74,119,007	32,031,135
Endowment contributions	3,467,072	—	—	—	3,467,072
Interfund transfer to internally restricted - endowment (note 11)	—	—	295,091	(295,091)	—
Net change in investment in capital assets (note 10(b))	—	55,732,708	—	(55,732,708)	—
Net assets, end of year	\$ 33,744,899	\$ 331,284,030	\$ 14,779,890	\$ 104,671,275	\$ 484,480,094

2023	Externally restricted - endowments (note 12)	Investment in capital assets (note 10)	Internally restricted - endowment (note 11)	Unrestricted	Total
Net assets, beginning of year	\$ 27,710,355	\$ 320,104,393	\$ 12,310,273	\$ 23,486,582	\$ 383,611,603
Excess (deficiency) of revenue over expenses	—	(42,325,024)	—	105,127,836	62,802,812
Endowment contributions	2,567,472	—	—	—	2,567,472
Interfund transfer to internally restricted - endowment (note 11)	—	—	2,174,526	(2,174,526)	—
Net change in investment in capital assets (note 10(b))	—	39,859,825	—	(39,859,825)	—
Net assets, end of year	\$ 30,277,827	\$ 317,639,194	\$ 14,484,799	\$ 86,580,067	\$ 448,981,887

See accompanying notes to consolidated financial statements.

SENECA COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Consolidated Statement of Remeasurement Gains and Losses

Year ended March 31, 2024, with comparative information for 2023

	2024	2023
Accumulated remeasurement losses, beginning of year	\$ (1,807,342)	\$ (2,066,688)
Unrealized gain on derivative liability	789,706	687,837
Unrealized gain (loss) on investments held for internally restricted endowment	936,802	(428,491)
Accumulated remeasurement losses, end of year	\$ (80,834)	\$ (1,807,342)

See accompanying notes to consolidated financial statements.

SENECA COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Consolidated Statement of Cash Flows

Year ended March 31, 2024, with comparative information for 2023

	2024	2023
Cash provided by (used in):		
Operating activities:		
Excess of revenue over expenses	\$ 32,031,135	\$ 62,802,812
Items not involving cash:		
Amortization of capital assets	54,317,928	53,900,658
Net gain on disposals of capital assets	(472,075)	(1,105)
Amortization of deferred contributions for capital assets	(11,757,981)	(11,574,529)
Post-employment benefits and compensated absences	336,359	343,000
	74,455,366	105,470,836
Disbursement of post-employment benefits and compensated absences	(123,359)	—
Change in non-cash operating working capital:		
Decrease (increase) in grants receivable	1,514,598	(2,406,083)
(Increase) decrease in accounts receivable	(182,900)	5,350,540
Increase in prepaid expenses	(1,982,205)	(3,716,369)
Increase (decrease) in accounts payable and accrued liabilities	10,663,603	(2,088,870)
Increase in due to student associations	3,315,248	3,920,283
Decrease in deferred revenue	(6,195,306)	(5,316,521)
Increase in employee vacation accrual	1,913,698	988,401
	9,046,736	(3,268,619)
	83,378,743	102,202,217
Capital activities:		
Contributions received/committed for capital assets	6,247,419	6,607,078
Purchase of capital assets	(49,269,966)	(42,320,990)
Proceeds on disposal of capital assets	591,244	1,248
	(42,431,303)	(35,712,664)
Financing activities:		
Decrease in long-term receivable	1,013,294	544,034
Increase in deferred contributions	1,243,293	2,738,982
Principal payments of long-term debt	(13,974,169)	(5,301,815)
Endowment contributions	3,467,072	2,567,472
	(8,250,510)	548,673
Investing activities:		
Net purchase of investments	(109,294,551)	(2,769,166)
Net increase in restricted cash and investments	(7,294,217)	(4,878,786)
	(116,588,768)	(7,647,952)
(Decrease) increase in cash	(83,891,838)	59,390,274
Cash, beginning of year	126,697,281	67,307,007
Cash, end of year	\$ 42,805,443	\$ 126,697,281
Supplemental cash flow information:		
Interest paid on long-term debt	\$ 534,028	\$ 1,189,458

See accompanying notes to consolidated financial statements.

SENECA COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Consolidated Financial Statements

Year ended March 31, 2024

Seneca College of Applied Arts and Technology ("Seneca") was incorporated as a college in 1966 under legislation of the Province of Ontario. Seneca is an agency of the Crown and is a not-for profit organization and, therefore, exempt from payment of income tax under Section 149 of the Income Tax Act (Canada).

Seneca's mission is to deliver a polytechnic education that combines rigorous academic and practical training across a wide range of careers and professions.

1. Significant accounting policies:

(a) Basis of accounting:

These consolidated financial statements are the representation of management and have been prepared in accordance with Canadian public sector accounting standards for government not-for-profit organizations, including the 4200 Series of Standards, as issued by the Public Sector Accounting Board.

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

(b) Subsidiary:

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

(c) Revenue recognition:

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

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

SENECA COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2024

1. Significant accounting policies (continued):

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

Tuition and related fees are recognized as revenue based on services provided during the fiscal year.

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

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

Investment income from externally restricted endowment funds is maintained as restricted cash and investments of the endowment fund and are credited to deferred contributions until the related expense is incurred.

Investment income from internally restricted endowment funds is maintained as restricted cash and investments of the endowment fund and are recognized as revenue in the year they are earned.

Unrestricted investment income is recognized as revenue in the year it is earned.

Ancillary revenues are related to activities such as parking, bookstore and residence and are recognized as revenue when products and services are provided.

Other income are related to activities such as investment income, research grants and are recognized as revenue based on services provided during the fiscal year.

SENECA COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2024

1. Significant accounting policies (continued):

(d) Vacation accrual:

Seneca recognizes vacation as an expense on the accrual basis.

(e) Derivative financial instrument:

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

(f) Financial instruments:

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

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

(i) Fair value:

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

Investment in private asset funds are held through ownership in limited partnership arrangements. Fair value of these assets is determined by the limited partnership's managers annually, using the most recent valuation information obtained.

Unrealized changes in the fair value associated with unrestricted and internally restricted investments carried at fair value are recognized in the consolidated statement of remeasurement gains and losses until they are realized, when they are transferred to the consolidated statement of operations.

SENECA COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2024

1. Significant accounting policies (continued):

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

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

On sale or disposition, the amount held in accumulated remeasurement gains and losses associated with that instrument is removed from net assets and recognized in the consolidated statement of financial position for restricted investments and the consolidated statement of operations for unrestricted investments.

(ii) Amortized cost:

This category includes short-term investments, grants receivable, accounts receivable, long-term receivable, long-term investments, accounts payable and accrued liabilities, employee vacation accrual and long-term debt. They are initially recognized at cost and subsequently carried at amortized cost using the effective interest rate method, less any impairment losses on financial assets.

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

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

SENECA COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2024

1. Significant accounting policies (continued):

(g) Capital assets:

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

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

Construction in progress relates to continuing capital expenditure projects. Upon completion, Seneca will start amortizing such costs in accordance with defined useful life criteria.

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

(h) Asset retirement obligation:

An asset retirement obligation is recognized when all of the following criteria are met: there is a legal obligation to incur retirement costs in relation to a capital asset, a past transaction giving rise to the liability has occurred, it is expected that future economic benefits will be given up, and is reasonably estimable.

SENECA COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2024

1. Significant accounting policies (continued):

(i) Student organizations:

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

(j) Retirement and post-employment benefits and compensated absences:

Seneca provides defined retirement and post-employment benefits and compensated absences to certain employee groups. These benefits include pension, health and dental, life insurance benefits, vesting sick leave, and non-vesting sick leave. Seneca has adopted the following policies with respect to accounting for these employee benefits:

- (i) The costs of post-employment future benefits are actuarially determined using management's best estimate of health care costs, disability recovery rates and discount rates. Adjustments to these costs arising from changes in estimates and experience gains and losses are amortized to income over the estimated average remaining service life of the employee groups on a straight-line basis.
- (ii) Seneca's contributions to the multi-employer defined benefit pension plan are recorded as expenses in the consolidated statement of operations in the year they are due.
- (iii) The costs 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.

SENECA COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2024

1. Significant accounting policies (continued):

(k) Use of estimates:

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

2. Long-term receivable:

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

	2024	2023
Long-term receivable	\$ 6,835,959	\$ 7,863,540
Less current portion	602,819	617,106
	<u>\$ 6,233,140</u>	<u>\$ 7,246,434</u>

Seneca entered into agreements with student bodies and other donors who contributed \$23,200,000 to the funding of the Seneca King Campus Expansion project. As at March 31, 2024, \$6,835,959 (2023 - \$7,863,540) remains outstanding on these commitments, of which \$602,819 (2023 - \$617,106) is included in accounts receivable.

SENECA COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2024

3. Capital assets:

2024	Cost	Accumulated amortization	Net book value
Land	\$ 14,143,980	\$ —	\$ 14,143,980
Land and site improvements	217,553,115	134,611,484	82,941,631
Buildings	498,793,094	186,544,199	312,248,895
Building improvements	10,087,871	1,250,954	8,836,917
Leasehold improvements	33,466,024	28,167,684	5,298,340
Furniture	39,080,542	32,911,024	6,169,518
Equipment	227,337,674	162,929,092	64,408,582
Computer equipment	117,308,739	109,388,283	7,920,456
Construction in progress	8,045,187	—	8,045,187
	\$ 1,165,816,226	\$ 655,802,720	\$ 510,013,506

2023	Cost	Accumulated amortization	Net book value
Land	\$ 14,143,980	\$ —	\$ 14,143,980
Land and site improvements	205,457,265	119,662,826	85,794,439
Buildings	498,172,634	174,831,766	323,340,868
Building improvements	4,781,222	857,251	3,923,971
Leasehold improvements	33,466,024	25,237,945	8,228,079
Furniture	36,659,770	30,274,011	6,385,759
Equipment	206,392,190	149,281,061	57,111,129
Computer equipment	113,132,372	104,254,795	8,877,577
Construction in progress	7,331,582	—	7,331,582
	\$ 1,119,537,039	\$ 604,399,655	\$ 515,137,384

During 2024, construction in progress of \$6,201,434 (2023 - \$835,753) was completed, transferred to capital assets and amortization commenced.

SENECA COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2024

4. Long-term debt:

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

	2024	2023
Mortgage (a)	\$ —	\$ 680,838
Mortgage (b)	1,815,776	2,924,107
Bankers' acceptance loan (c)	—	12,185,000
	1,815,776	15,789,945
Less current portion	1,189,107	3,438,169
	\$ 626,669	\$ 12,351,776

Interest on long-term debt amounted to \$534,028 (2023 - \$1,189,458), and is included in operating expenses.

- (a) Mortgage on the student residence on the King campus was fully paid off by the maturity date March 1, 2024.
- (b) Mortgage on the student residence on the Newnham Campus (Phase II). The rate is fixed at 7.16% and the maturity date is September 1, 2025. Blended semi-annual payments of \$649,103 commenced September 1, 2000.
- (c) Seneca negotiated a term bank loan, by way of a bankers' acceptance loan, to finance the acquisition of the Markham campus. Seneca had entered into an interest rate swap agreement to modify the floating rate of interest on this loan to a fixed rate of 5.607% (note 14(c)) which was terminated on July 31, 2023. The loan was fully paid off on September 25, 2023 in advance of the maturity date of June 25, 2029.

Annual principal payments in each of the next two fiscal years are as follows:

2025	\$ 1,189,107
2026	626,669
	\$ 1,815,776

SENECA COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2024

5. Asset retirement obligation liabilities:

The asset retirement obligation liabilities are related to retirement costs of capital assets and are based on estimated future expenses for the retirement of capital assets. The following table outlines the liability components for the stated obligation.

	2024	2023
Land and site improvements	\$ 43,253	\$ —
Buildings	4,006,465	4,006,465
Leasehold improvements	2,637,262	2,637,262
Equipment	87,899	87,899
	<u>\$ 6,774,879</u>	<u>\$ 6,731,626</u>

Asset retirement obligation liabilities of nil (2023 - \$547,489) were settled during the year.

6. Due to student associations:

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

7. Post-employment benefits and compensated absences:

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

2024	Post-employment benefits	Non-vesting sick leave	Vesting sick leave	Total liability
Accrued employee future benefits obligations	\$ 2,464,000	\$ 11,339,000	\$ 728,000	\$ 14,531,000
Value of plan assets	(591,000)	—	—	(591,000)
Unamortized actuarial losses	(15,000)	(2,814,000)	(221,000)	(3,050,000)
Total liability	\$ 1,858,000	\$ 8,525,000	\$ 507,000	\$ 10,890,000

SENECA COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2024

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

2023	Post-employment benefits	Non-vesting sick leave	Vesting sick leave	Total liability
Accrued employee future benefits obligations	\$ 2,354,000	\$ 9,743,000	\$ 681,000	\$ 12,778,000
Value of plan assets	(563,000)	—	—	(563,000)
Unamortized actuarial losses	(16,000)	(1,342,000)	(180,000)	(1,538,000)
Total liability	\$ 1,775,000	\$ 8,401,000	\$ 501,000	\$ 10,677,000

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

2024	Post-employment benefits	Non-vesting sick leave	Vesting sick leave	Total expense
Current year benefit costs	\$ 91,000	\$ 788,000	\$ 13,000	\$ 892,000
Interest on accrued benefit obligation	6,000	337,000	23,000	366,000
Amortized actuarial losses	—	259,000	29,000	288,000
Total expenses	\$ 97,000	\$ 1,384,000	\$ 65,000	\$ 1,546,000

2023	Post-employment benefits	Non-vesting sick leave	Vesting sick leave	Total expense
Current year benefit costs	\$ 305,000	\$ 477,000	\$ 20,000	\$ 802,000
Interest on accrued benefit obligation	6,000	216,000	11,000	233,000
Amortized actuarial losses (gains)	(31,000)	—	333,000	302,000
Total expenses	\$ 280,000	\$ 693,000	\$ 364,000	\$ 1,337,000

SENECA COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2024

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

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

(a) Pension plan:

All full-time employees of Seneca, and any part-time employees who opt to participate, are members of the Plan, which is a multi-employer, jointly sponsored defined benefit plan for eligible employees of public colleges in Ontario and other employers across Canada. Seneca makes contributions to the Plan equal to those of the employees. Contribution rates are set by the Plan's governors to ensure the long-term viability of the Plan. Since the Plan is a multi-employer plan, Seneca's contributions are accounted for as if the plan were a defined contribution plan with Seneca's contributions being expensed in the period they come due.

Any pension surplus or deficit is a joint responsibility of the members and employers and may affect future contribution rates related to full-time members. Seneca does not recognize any share of the Plan's pension surplus or deficit as insufficient information is available to identify Seneca's share of the underlying pension assets and liabilities. The most recent actuarial valuation filed with pension regulators as at January 1, 2024 indicated an actuarial surplus on a going concern basis of \$5.3 billion. Seneca made contributions to the Plan and its associated retirement compensation arrangement of \$25,634,865 in 2024 (2023 - \$21,518,479), which has been included in the consolidated statement of operations.

(b) Post-employment benefits:

Seneca extends post-employment life insurance, health and dental benefits to a limited number of employees subsequent to their retirement. Seneca 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 as at February 2023 for employee post-employment benefits, August 2022 for non-vesting sick leave and March 2023 for vesting sick leave and extrapolated to March 31, 2024.

SENECA COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2024

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

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

(i) Discount rate:

The present value, as at March 31, 2024, of the future benefits was determined using a discount rate of 3.50% (2023 - 3.40%).

(ii) Medical premium:

Medical premiums are 6.04% in 2024 and decrease thereafter to 4.00% in 2040.

(iii) Dental costs:

Dental costs were assumed to increase at 4.00% per annum.

(c) Compensated absences:

(i) Vesting sick leave:

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

SENECA COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2024

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

(ii) Non-vesting sick leave:

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

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

	2024	2023
Wage and salary escalation	1.00%	1.00%
Discount rate	3.50%	3.40%

The probability that the employee will use more sick days than the annual accrual and the excess number of sick days used are within ranges of 0.00% to 23.50% and 0 to 54 days, respectively, for age groups ranging from 20 and under to 65 and over in bands of five years.

SENECA COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2024

8. Deferred contributions:

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

	2024	2023
Balance, beginning of year	\$ 19,636,893	\$ 16,897,911
Add amount received from:		
Set aside tuition	6,375,804	6,881,609
Other sources	2,846,869	6,423,755
Realized investment income on endowments (note 12)	1,914,920	1,712,584
Unrealized gain (loss) on endowments (note 12)	2,814,183	(1,402,277)
Less amounts disbursed:		
Set aside tuition	(7,376,886)	(6,862,897)
Other sources	(5,331,597)	(4,013,792)
Balance, end of year	\$ 20,880,186	\$ 19,636,893
Deferred contributions comprise:		
Scholarships and bursaries	\$ 4,128,719	\$ 6,298,181
Joint employment stability reserve	712,000	692,517
Prepaid leave plan	24,122	–
Endowment income:		
Ontario Trust for Student Support and other	16,015,345	12,646,195
	\$ 20,880,186	\$ 19,636,893

SENECA COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2024

9. Deferred contributions for capital assets:

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

	2024	2023
Balance, beginning of year	\$ 175,649,383	\$ 180,616,834
Amortization of deferred contributions for capital assets	(11,757,981)	(11,574,529)
Contributions received/committed for capital assets	6,247,419	6,607,078
Balance, end of year	\$ 170,138,821	\$ 175,649,383

Deferred contributions for capital assets include nil (2023 - \$672,764) of unspent contributions.

10. Investment in capital assets:

(a) Investment in capital assets represents the following:

	2024	2023
Capital assets (note 3)	\$ 510,013,506	\$ 515,137,384
Less amounts financed by:		
Long-term debt (note 4)	1,815,776	15,789,945
Asset retirement obligation liabilities (note 5)	6,774,879	6,731,626
Deferred contributions for capital assets (note 9)	170,138,821	174,976,619
	\$ 331,284,030	\$ 317,639,194

SENECA COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2024

10. Investment in capital assets (continued):

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

	2024	2023
Deficiency of revenue over expenses:		
Amortization of deferred contributions for capital assets	\$ 11,757,981	\$ 11,574,529
Amortization of capital assets	(54,317,928)	(53,900,658)
Net gain on disposals of capital assets	472,075	1,105
	<u>\$ (42,087,872)</u>	<u>\$ (42,325,024)</u>
Net change in investment in capital assets:		
Purchase of capital assets	\$ 49,269,966	\$ 42,320,990
Proceeds on disposal of capital assets	(591,244)	(1,248)
Amounts funded by contributions received/committed for capital assets	(6,920,183)	(7,761,732)
Principal payments of long-term debt	13,974,169	5,301,815
	<u>\$ 55,732,708</u>	<u>\$ 39,859,825</u>

11. Internally restricted endowment:

Internally restricted endowment represents an endowment fund established by the Board of Governors of Seneca to support student-centred initiatives, student bursaries and scholarships. During 2024, the Board of Governors approved an additional transfer of \$295,091 (2023 - \$2,174,526) to the fund.

Seneca's policy sets out an objective to maintain the purchasing power of the original contributions. Accordingly, on an annual basis, an amount based on inflation, is internally allocated to the endowment fund. The ending value of this fund is \$14,779,890 (2023 - \$14,484,799).

SENECA COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2024

12. Externally restricted endowments:

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

Endowment funds of \$33,744,899 (2023 - \$30,277,827) consist of restricted cash and investments. The fair value of the restricted cash and investments at March 31, 2024 is \$48,533,899 (2023 - \$41,889,541), which represents funds restricted as to use and are not available for general operations.

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

			2024	2023
	OTSS	Non-OTSS	Total	Total
Unrealized gains (losses)	\$ 1,856,839	\$ 957,344	\$ 2,814,183	\$ (1,402,277)
Realized investment income	1,263,492	651,428	1,914,920	1,712,584
	\$ 3,120,331	\$ 1,608,772	\$ 4,729,103	\$ 310,307

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

SENECA COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2024

12. Externally restricted endowments (continued):

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

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

	2024	2023
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Schedule of Changes in Endowment Fund Balance

Fund balance, beginning of year	\$ 21,406,111	\$ 20,768,404
Cash donations received and receivable	859,263	637,707
Fund balance, end of year	\$ 22,265,374	\$ 21,406,111

	2024	2023
--	------	------

Schedule of Changes in Expendable Funds Available for Awards

Balance, beginning of year	\$ 9,705,958	\$ 9,890,401
Investment income	1,263,492	1,210,779
Bursaries awarded (total number - 1,430; 2023 - 607)	(1,095,184)	(403,827)
Unrealized gain (loss) on endowment funds	1,856,839	(991,395)
Balance, end of year	\$ 11,731,105	\$ 9,705,958

SENECA COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2024

13. Commitments and contingent liabilities:

(a) Service agreements and lease commitments:

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

2025	\$ 16,666,124
2026	14,184,795
2027	11,819,457
2028	5,042,803
2029	688,407
Thereafter	912,822
	\$ 49,314,408

(b) Contractual commitments:

The primary services contracted by Seneca through contractual agreements with external companies include facilities management, security, grounds maintenance and technology management services.

(c) Contingent liabilities:

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

(d) Letters of guarantee:

Seneca issues letters of guarantee through its financial institutions to provide guarantees to certain vendors. Outstanding letters of guarantee amount to \$2,937,786 as at March 31, 2024 (2023 - \$2,937,786).

SENECA COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2024

13. Commitments and contingent liabilities (continued):

(e) Indemnification agreements:

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

- (i) Seneca has provided indemnities under lease agreements for the use of various operating facilities and equipment. Under the terms of these agreements, Seneca agrees to indemnify the counterparties for various items, including, but not limited to, all liabilities, loss, suits and damages arising during, on or after the term of the agreement. The maximum amount of any potential future payment cannot be reasonably estimated.
- (ii) Indemnity has been provided to all directors and/or officers of Seneca for various items including, but not limited to, all costs to settle suits or actions due to association with Seneca, subject to certain restrictions. Seneca has purchased directors' and officers' liability insurance to mitigate the cost of any potential future lawsuits or actions. The term of the indemnification is not explicitly defined, but is limited to the period over which the indemnified party served as a trustee, director or officer of Seneca. The maximum amount of any potential future payment cannot be reasonably estimated.
- (iii) In the normal course of business, Seneca has entered into agreements that include indemnities in favour of third parties, such as student work placement agreements. These indemnification agreements may require Seneca to compensate counterparties for losses incurred by the counterparties as a result of breaches in representation and regulations or as a result of litigation claims or statutory sanctions that may be suffered by the counterparty as a consequence of the transaction. The terms of these indemnities are not explicitly defined and the maximum amount of any potential reimbursement cannot be reasonably estimated.

SENECA COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2024

13. Commitments and contingent liabilities (continued):

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

(f) Insurance:

During 2023, Seneca became a member of the Canadian University Reciprocal Insurance Exchange ("CURIE"). CURIE insures general liability, university property and errors and omissions. Annual premiums paid by Seneca are actuarially determined by CURIE. There is a provision under the agreement for further assessments to all member colleges and universities if these premiums are not sufficient to cover losses.

Additional insurance for automobiles, artwork, miscellaneous property, and major construction projects is purchased through commercial insurers to provide coverage for potential losses not insured by CURIE.

(g) Investments:

The college has committed to invest in private asset funds through ownership in limited partnership arrangements. The maximum exposure towards this fund is \$5,284,500. No contributions have been made as at March 31, 2024.

SENECA COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2024

14. Financial instruments classification:

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

2024	Fair value	Amortized cost
Cash	\$ 42,805,443	\$ —
Short-term investments (a)	—	190,873,198
Grants receivable	—	3,279,855
Accounts receivable	—	7,004,222
Long-term receivable	—	6,233,140
Long-term investments (a)	—	150,939,426
Restricted cash and investments (b)	64,605,359	—
Accounts payable and accrued liabilities	—	71,402,751
Current portion of long-term debt	—	1,189,107
Employee vacation accrual	—	19,711,139
Long-term debt	—	626,669

2023	Fair value	Amortized cost
Cash	\$ 126,697,281	\$ —
Short-term investments (a)	—	93,442,339
Grants receivable	—	4,794,453
Accounts receivable	—	6,821,322
Long-term receivable	—	7,246,434
Long-term investments (a)	—	139,075,734
Restricted cash and investments (b)	56,374,340	—
Accounts payable and accrued liabilities	—	60,739,148
Current portion of long-term debt	—	3,438,169
Employee vacation accrual	—	17,797,441
Long-term debt	—	12,351,776
Deferred derivative liability (c)	789,706	—

SENECA COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2024

14. Financial instruments classification (continued):

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

Excess operating funds held in short-term investments have yields varying from 0.75% to 6.18% (2023 - 1.50% to 4.37%) with maturity dates ranging from April 2024 to March 2025 (2023 - April 2023 to March 2024). Excess operating funds held in long-term investments have yields varying from 0.80% to 5.20% (2023 - 0.75% to 3.40%) with maturity dates ranging from April 2025 to September 2028 (2023 - April 2024 to June 2028).

Below is a summary of the fair value of short-term and long-term investments held by Seneca:

	2024		2023	
	Fair value	Amortized cost	Fair value	Amortized cost
Short-term investments	\$ 190,534,821	\$ 190,873,198	\$ 92,287,947	\$ 93,442,339
Long-term investments	148,720,842	150,939,426	134,716,185	139,075,734
	\$ 339,255,663	\$ 341,812,624	\$ 227,004,132	\$ 232,518,073

As at March 31, 2024, Seneca's investments measured at amortized cost exceed fair value, representing a temporary decline in value. There is no impairment due to the low-risk nature of the investments, the high credit ratings of the issuers, and Seneca's ability to hold these investments to their maturities.

- (b) Restricted cash and investments are internally and externally restricted funds for endowment purposes (notes 11 and 12) and consist of cash and pooled funds invested in the securities market.

SENECA COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2024

14. Financial instruments classification (continued):

- (c) Seneca entered into an interest rate swap agreement in a prior year to manage the floating interest rate of the bankers' acceptance loan (note 4(c)). Under the terms of the interest rate swap agreement, Seneca has contracted with the counterparty to pay a fixed rate of interest of 5.607% (2023 - 5.607%), while receiving interest at a variable rate to be set quarterly based on the bankers' acceptance rates. The interest rate swap agreement was terminated on July 31, 2023. The notional value of the interest rate swap agreement at March 31, 2024 is nil (2023 - \$12,185,000). The fair value of the interest rate swap agreement at March 31, 2024 is nil (2023 - \$789,706) and was recorded as a deferred derivative liability on the consolidated statement of financial position.

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

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

All cash and restricted cash and investments are classified as Level 1 financial instruments, except for \$63,419,393 (2023 - \$53,249,080) invested in a Canadian Equity Fund, U.S. Equity Funds, a Fixed Income Fund and an International Equity Fund, which are classified as Level 2 financial instruments.

SENECA COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2024

14. Financial instruments classification (continued):

There were no transfers among levels for the years ended March 31, 2024 and 2023. For a sensitivity analysis of financial instruments recognized in Level 3, see note 15(d), interest rate risk, as the prevailing interest rate is the most significant input into the fair value of the instrument.

15. Risk management:

(a) Credit risk:

Credit risk is the risk of financial loss to Seneca if a debtor fails to make payments of interest and principal when due. Seneca is exposed to this risk relating to its cash and accounts receivable. Seneca holds its cash accounts with federally regulated chartered banks which are insured by the Canadian Deposit Insurance Corporation. In the event of default, Seneca's cash accounts are insured up to \$100,000 (2023 - \$100,000).

Seneca's investment policy operates within the constraints of the investment guidelines issued by the Government of Ontario Binding Policy Directive on Banking, Investments and Borrowing and puts limits on the bond portfolio, including portfolio composition limits, issuer type limits, bond quality limits, aggregate issuer limits, corporate sector limits and general guidelines for geographic exposure. All fixed income portfolios are measured for performance on a quarterly basis and monitored by management on a monthly basis. The guidelines permit Seneca's funds to be invested in government bonds, bonds by a bank-listed in Schedule I or Schedule II or a branch in Canada of an authorized foreign bank under the Bank Act. All other funds are restricted to corporate bonds with a rating of AAA.

Externally restricted and endowment funds, which are generally money and donations for scholarships and bursaries, can be invested in corporate bonds with a credit rating of A(R-1) or better.

The maximum exposure to investment credit risk is outlined in note 14.

Grants receivable are due from government for program grants.

SENECA COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2024

15. Risk management (continued):

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

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

Long-term receivable is as outlined in note 2. The maximum exposure to credit risk is the carrying value of this asset. As at March 31, 2024 and March 31, 2023, the full balances of the long-term receivable were not past due and were not impaired.

Seneca measures its exposure to credit risk based on how long the amounts have been outstanding. An impairment allowance is set up based on Seneca's historical experience regarding collections. The amounts outstanding were as follows:

2024	Total	1 - 30 days	Past due		
			31 - 60 days	61 - 90 days	> 90 days
Grants receivable	\$ 3,279,855	\$ 3,279,855	\$ —	\$ —	\$ —
Accounts receivable	8,928,861	4,981,591	39,257	1,830,831	2,077,182
Less impairment allowances	1,924,639	—	—	489,614	1,435,025
	7,004,222	4,981,591	39,257	1,341,217	642,157
	\$ 10,284,077	\$ 8,261,446	\$ 39,257	\$ 1,341,217	\$ 642,157

2023	Total	1 - 30 days	Past due		
			31 - 60 days	61 - 90 days	> 90 days
Grants receivable	\$ 4,794,453	\$ 4,794,453	\$ —	\$ —	\$ —
Accounts receivable	8,448,731	5,342,471	112,428	1,279,943	1,713,889
Less impairment allowances	1,627,409	—	—	445,350	1,182,059
	6,821,322	5,342,471	112,428	834,593	531,830
	\$ 11,615,775	\$ 10,136,924	\$ 112,428	\$ 834,593	\$ 531,830

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.

SENECA COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2024

15. Risk management (continued):

(b) Market risk:

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

Seneca's investment policy operates within the constraints of the investment guidelines issued by the Ministry of Colleges and Universities ("MCU") for operating funds and the Ontario Trustee Act for the endowment funds. The policy's application is monitored by management, the investment manager and the Board of Governors. Diversification techniques are utilized to minimize risk.

The investment policy outlines an asset mix comprising:

Fixed income	25% - 55%
Equities	45% - 70%
Cash and short-term investments	0% - 25%
Illiquid alternative assets	0% - 15%

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

(c) Currency risk:

Currency risk relates to Seneca operating in different currencies and converting non-Canadian earnings at different points in time at different foreign exchange rates when adverse changes in foreign currency rates occur. Seneca 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.

SENECA COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2024

15. Risk management (continued):

(d) Interest rate risk:

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

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

Seneca's long-term debt, as described in note 4(b), would not be impacted as the inherent rate is fixed.

Fixed income securities have yields varying from 3.28% to 7.70% (2023 - 2.86% to 13.69%) with maturity dates ranging from April 2024 to June 2065 (2023 - April 2023 to June 2065).

At March 31, 2024, a 1% fluctuation in interest rates, with all other variables held constant, would have an estimated impact on the fair value of the bonds and the interest rate swap of \$4,851,915 (2023 - \$4,622,205) and nil (2023 - \$389,300), respectively.

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

(e) Other price risk:

Other price risk is the uncertainty associated with the valuation of assets arising from changes in market prices. Seneca is exposed to this risk through the equity holdings with its investment portfolio. At March 31, 2024, a 10% movement in the stock markets with all variables held constant would have an estimated effect on the fair values of Seneca's equities of \$4,203,562 (2023 - \$3,458,408).

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

SENECA COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2024

15. Risk management (continued):

(f) Liquidity risk:

Liquidity risk is the risk that Seneca will not be able to meet all cash outflow obligations as they come due. Seneca mitigates this risk by monitoring cash activities and expected outflows through extensive budgeting and maintaining investments that may be converted to cash in the near term if unexpected cash outflows arise. The following tables set out the contractual maturities (representing undiscounted contractual cash flows of financial liabilities):

2024	Within 6 months	6 months to 1 year	2 - 5 years	Greater than 5 years	Total
Accounts payable and accrued liabilities	\$ 69,885,094	\$ 1,517,657	\$ —	\$ —	\$ 71,402,751
Employee vacation accrual	19,711,139	—	—	—	19,711,139
Current portion of long-term debt	584,098	605,009	—	—	1,189,107
Long-term debt	—	—	626,669	—	626,669
	\$ 90,180,331	\$ 2,122,666	\$ 626,669	\$ —	\$ 92,929,666

2023	Within 6 months	6 months to 1 year	2 - 5 years	Greater than 5 years	Total
Accounts payable and accrued liabilities	\$ 59,005,986	\$ 1,733,162	\$ —	\$ —	\$ 60,739,148
Employee vacation accrual	17,797,441	—	—	—	17,797,441
Current portion of long-term debt	1,691,569	1,746,600	—	—	3,438,169
Long-term debt	—	—	9,526,776	2,825,000	12,351,776
	\$ 78,494,996	\$ 3,479,762	\$ 9,526,776	\$ 2,825,000	\$ 94,326,534

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

16. Comparative information:

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