Consolidated Financial Statements of

DURHAM COLLEGE OF APPLIED ARTS AND TECHNOLOGY

March 31, 2007

Deloitte.

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Auditors' Report

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

We have audited the consolidated statement of financial position of Durham College of Applied Arts and Technology as at March 31, 2007 and the consolidated statements of operations, changes in net assets and cash flows for the year then ended. These consolidated financial statements are the responsibility of the College's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the College as at March 31, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants
Licensed Public Accountants

Toronto, Ontario
May 18, 2007

DURHAM COLLEGE OF APPLIED ARTS AND TECHNOLOGY
Consolidated Financial Statements
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DURHAM COLLEGE OF APPLIED ARTS AND TECHNOLOGY
Consolidated Statement of Financial Position
March 31, 2007

	2007	2006
ASSETS		
CURRENT ASSETS		
Cash	**$ -**	$ 2,506,205
Accounts receivable	**21,357,934**	22,552,263
Due from University of Ontario Institute of Technology (Note 15)	**2,949,859**	-
Income taxes recoverable	**-**	19,914
Current portion of long-term loan receivable (Note 2)	**223,544**	281,265
Inventories	**1,002,799**	812,451
Prepaid expenses	**997,329**	1,133,912
	26,531,465	27,306,010
LONG-TERM ASSETS		
Long-term loan receivable (Note 2)	**1,864,098**	2,075,102
Long-term investments (Note 3)	**5,229,838**	4,873,485
Capital assets (Note 4)	**168,380,313**	161,147,461
Future income tax asset	**695,771**	715,257
	176,170,020	168,811,305
	$ 202,701,485	$ 196,117,315
LIABILITIES		
CURRENT LIABILITIES		
Bank indebtedness (Note 7)	**$ 4,599,533**	$ -
Accounts payable and accrued liabilities (Note 5)	**28,517,374**	19,987,686
Deferred revenue (Note 6(a))	**6,934,223**	5,521,837
Current portion of long-term debt (Note 7)	**3,210,095**	4,816,053
	43,261,225	30,325,576
LONG-TERM LIABILITIES		
Deferred contributions (Note 6(b))	**55,999,872**	58,995,448
Long-term debt (Note 7)	**81,967,743**	73,554,401
Employee future benefits (Note 8)	**529,000**	730,000
Other long-term accrued liabilities (Note 9)	**2,741,032**	3,452,218
	141,237,647	136,732,067
	184,498,872	167,057,643
NET ASSETS - Statement 3		
UNRESTRICTED	**(17,188,532)**	(3,350,679)
INVESTED IN CAPITAL ASSETS	**28,541,644**	26,401,472
INTERNALLY RESTRICTED	**1,132,913**	951,300
EXTERNALLY RESTRICTED	**5,716,588**	5,057,579
	18,202,613	29,059,672
	$ 202,701,485	$ 196,117,315

APPROVED ON BEHALF OF THE BOARD OF GOVERNORS:

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Chair   President

DURHAM COLLEGE OF APPLIED ARTS AND TECHNOLOGY
Consolidated Statement of Operations
Year ended March 31, 2007

	2007	2006
REVENUE - Schedule 2-1		
Grants and reimbursements	**$ 48,365,971**	$ 45,251,699
Student tuition fees	**18,581,704**	17,331,636
Ancillary operations	**19,762,883**	17,586,870
Corporate training and other income	**19,595,217**	22,102,934
Amortization of deferred capital contributions	**3,656,004**	3,975,262
	109,961,779	106,248,401
Durham College Educational Network - Schedule 2-6	**50,901,096**	68,528,613
Total Revenue	**160,862,875**	174,777,014
EXPENDITURE		
Operating Human Resources - Schedule 2-2	**56,806,030**	49,634,231
Corporate Training Human Resources - Schedule 2-4	**1,429,348**	2,265,372
Ancillary Human Resources- Schedule 2-5	**2,803,219**	2,442,949
Total Human Resources	**61,038,597**	54,342,552
Operating Administrative and Other - Schedule 2-3	**25,848,555**	21,461,829
Total Flow through - Schedule 2-3	**4,002,557**	4,146,369
Corporate Training Administrative and Other - Schedule 2-4	**4,495,008**	3,685,944
Ancillary Administrative and Other - Schedule 2-5	**13,699,237**	13,370,529
Total Administrative and Other	**48,045,357**	42,664,671
Durham College Educational Network - Schedule 2-6	**53,921,320**	67,310,521
AMORTIZATION OF CAPITAL ASSETS (net of $1,847,960 (2006 - $1,584,103 charged to Durham College Educational Network)	**9,373,669**	10,441,516
TOTAL EXPENDITURE	**172,378,943**	174,759,260
EXCESS OF (EXPENDITURE OVER REVENUE) REVENUE OVER EXPENDITURE	**$ (11,516,068)**	$ 17,754

DURHAM COLLEGE OF APPLIED ARTS AND TECHNOLOGY
Consolidated Statement of Changes in Net Assets
Year ended March 31, 2007

			Internally Restricted Net Assets (Note 10)				Total	
	Unrestricted	Invested in Capital Assets (Note 14)	Residence	Foundation	Total Internally Restricted Net Assets	Externally Restricted Net Assets	2007	2006
BALANCE - BEGINNING OF YEAR	$ (3,350,679)	$ 26,401,472	$ 521,249	$ 430,051	$ 951,300	$ 5,057,579	$ 29,059,672	$28,665,424
EXCESS OF REVENUE OVER EXPENDITURE (EXPENDITURE OVER REVENUE)	(3,978,286)	(7,565,625)	-	27,843	27,843	-	(11,516,068)	17,754
INVESTMENT IN CAPITAL ASSETS	(9,705,797)	9,705,797	-	-	-	-	-	-
ENDOWMENT CONTRIBUTIONS	-	-	-	-	-	659,009	659,009	376,494
TRANSFER	(153,770)	-	153,770	-	153,770	-	-	-
NET CHANGES DURING THE YEAR	(13,837,853)	2,140,172	153,770	27,843	181,613	659,009	(10,857,059)	394,248
BALANCE - END OF YEAR	$ (17,188,532)	$ 28,541,644	$ 675,019	$ 457,894	$ 1,132,913	$ 5,716,588	$ 18,202,613	$29,059,672

DURHAM COLLEGE OF APPLIED ARTS AND TECHNOLOGY
Consolidated Statement of Cash Flows
Year ended March 31, 2007

	2007	2006
NET (OUTFLOW) INFLOW OF CASH RELATED TO THE FOLLOWING ACTIVITIES		
OPERATING		
Excess of (expenditure over revenue) revenue over expenditure	**$ (11,516,068)**	$ 17,754
Amortization of capital assets	**11,221,629**	12,025,619
Amortization of deferred capital contributions	**(3,656,004)**	(3,975,262)
Future income taxes	**19,486**	42,487
	(3,930,957)	8,110,598
Net change in non-cash working capital balances relating to operations		
Accounts receivable	**1,194,329**	8,828,187
Due from University of Ontario Institute of Technology	**(2,949,859)**	-
Inventories	**(190,348)**	143,785
Prepaid expenses	**136,583**	(9,272)
Income taxes recoverable	**19,914**	1,376,322
Accounts payable, accrued liabilities and and other long-term accrued liabilities	**7,818,502**	3,463,593
Employee future benefits	**(201,000)**	(1,408,000)
Deferred revenue	**1,412,386**	(2,108,124)
Total Operating Activities	**3,309,550**	18,397,089
INVESTING		
Purchase of capital assets	**(18,454,481)**	(7,529,971)
Decrease in loans receivable	**268,725**	132,973
Increase in long-term investments - net	**(356,353)**	(1,011,821)
Decrease in pledges receivable	**-**	202,173
Total Investing Activities	**(18,542,109)**	(8,206,646)
FINANCING		
Deferred contributions	**660,428**	1,170,076
Endowment contributions	**659,009**	376,494
Proceeds from long-term debt	**10,741,990**	816,425
Repayment of long-term debt	**(3,934,606)**	(3,873,640)
Total Financing Activities	**8,126,821**	(1,510,645)
NET CASH (OUTFLOW) INFLOW	**(7,105,738)**	8,679,798
CASH (BANK INDEBTEDNESS), BEGINNING OF YEAR	**2,506,205**	(6,173,593)
(BANK INDEBTEDNESS) CASH, END OF YEAR	**$ (4,599,533)**	$ 2,506,205
SUPPLEMENTARY CASH FLOW INFORMATION		
Interest paid	$ 4,714,918	$ 4,341,188
Income taxes paid	$ 26,639	$ 19,914

1. SIGNIFICANT ACCOUNTING POLICIES AND DISCLOSURES

(a) Basis of presentation

The financial statements of the College have been prepared by management in accordance with the accounting standards for not-for-profit organizations, published by the Canadian Institute of Chartered Accountants (CICA) (using the deferral method of reporting restricted contributions). These consolidated financial statements reflect the assets, liabilities, revenues and expenses of the Durham College of Applied Arts and Technology and its subsidiaries, and Durham College Foundation.

(b) Investments

Investments are reported at cost, except if the market value of the investments becomes lower than cost and this decline is considered to be other than temporary, then investments are written down to their market values.

(c) Revenue recognition

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

Operating grants are recorded as revenue in the period to which they relate. Grants earned but not received at the end of an accounting period are accrued. When a portion of a grant relates to a future period, it is deferred and recognized in that subsequent period.

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

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

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

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

Pledged contributions for the College, are recognized when the related pledge documentation is received, less an allowance for estimated uncollectible amounts.

Tuition fees are deferred to the extent that the related courses extend beyond the fiscal year of the College.

Other operating revenues are deferred to the extent that related services provided, or goods sold, are rendered/delivered subsequent to the end of the College's fiscal year.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Capital assets

Purchased capital assets are recorded at cost, which includes interest incurred before the commencement of commercial operations. Contributed capital assets are recorded at fair value at the date of contribution when fair value is reasonably determinable. Otherwise, contributed assets are recorded at a nominal amount. Repairs and maintenance costs are charged to expense. Betterments, which extend the estimated life of an asset, are capitalized. When a capital asset no longer contributes to the College's ability to provide services, its carrying amount is written down to its residual value.

Capital assets are amortized on a straight-line basis over their average useful lives, which have been estimated to be as follows:

Buildings	40 years
Furniture and fixtures	5 to 10 years
Equipment and vehicles	5 years
Computer equipment	3 years
Building renovations/Upgrades	10 years
Major equipment	10 years

Capital assets acquired during the year are amortized at half of the applicable rate.

(e) Valuation of inventories

Inventories are valued at the lower of cost and net realizable value. Cost is determined on a first-in, first-out basis.

(f) Student organizations

These financial statements do not reflect the assets, liabilities, and results of operations of the various student organizations.

(g) Accumulated sick leave credits

The College has provided for sick leave benefits as they are earned during the employee’s tenure of service.

(h) Employee future benefits

The College recognizes employee future benefits (health, dental, life insurance and other retirement obligations) as they are earned during the employees' tenure of service.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Derivative financial instrument and hedge accounting

The College uses interest rate swaps to reduce interest rate risk on certain of its variable rate debt. The College does not enter into derivative financial instruments for trading or speculative purposes.

The swaps used by the College have been formally designated as hedges of specifically identified debt. The College believes the swaps are highly effective as hedges of its exposure to interest rate risk and are eligible for hedge accounting. As such, the College accounts for the swaps on an accrual basis as an adjustment to interest expense.

(j) Income taxes

The College has a subsidiary which operates in the United States and is subject to income tax. The College follows the liability method of accounting for income taxes. Under this method, future income tax assets and liabilities are determined based on differences between the financial reporting and tax base of assets and liabilities and are measured using substantively enacted tax rates estimated to be in effect when the differences are expected to reverse.

Future income tax assets relate primarily to income tax loss carryfowards and to recording allowance for doubtful accounts for accounting purposes, which are not currently deductible for U.S. income tax purposes.

(k) Foreign currency translation

Transactions in foreign currencies are translated into Canadian dollars at rates of exchange at the time of such transactions. Monetary assets and liabilities are translated at current rates of exchange with the resulting gains and losses included in income. Foreign operations are considered integrated and are translated into Canadian dollars using current rates of exchange for monetary assets and liabilities, historical rate of exchange for non-monetary assets and liabilities, and average rates of exchange for revenues and expenditures, except amortization which is translated at rates of exchange applicable to the related assets. Gains and losses resulting from these translation adjustments are included in income.

(l) Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, the disclosure of contingent assets and liabilities at the date of financial statements, and the reported amounts of revenue and expenditures during the year. Actual results could differ from these estimates. The items subject to the most significant estimates are the allowance for doubtful accounts and the ultimate realization of recorded future income tax assets.

2. LONG-TERM LOAN RECEIVABLE

Long-term loan receivable is receivable from the Durham College Student Association Incorporated, a corporation without share capital, amounting to $2,087,642 (2006 - $2,356,367) which is repayable from an annual special levy on student fees over a period not to exceed 40 years. The loan bears interest at prime rate calculated monthly, not in advance.

3. LONG TERM INVESTMENTS

	2007		2006	
	Cost	**Market**	Cost	Market
Equities	**$ 2,829,658**	**$ 3,460,884**	$ 2,609,865	$ 3,210,440
Fixed income	**2,191,683**	**2,174,069**	2,059,401	2,001,393
Mutual Funds	**208,497**	**258,693**	204,219	249,013
	$ 5,229,838	**$ 5,893,646**	$ 4,873,485	$ 5,460,846

U.S. Equities are held in U.S. dollars, which have been converted to Canadian dollars as at year-end, using the exchange rate at that date. Investments held in U.S. dollars at March 31, 2007 were approximately $1,026,000 (2006 - $915,000) in Canadian dollars.

4. CAPITAL ASSETS

	2007					2006
	Cost					
	Beginning Balance	**Additions**	**Ending Balance**	**Accumulated Amortization**	**Net Book Value**	Net Book Value
Land	**$ 14,328,016**	**$ -**	**$ 14,328,016**	**$ -**	**$ 14,328,016**	$ 14,328,016
Buildings	**178,061,781**	**2,360,047**	**180,421,828**	**65,151,169**	**115,270,659**	118,422,016
Equipment and furniture	**65,626,384**	**3,485,489**	**69,111,873**	**44,826,294**	**24,285,579**	26,510,315
Construction-in-progress	**1,887,114**	**12,608,945**	**14,496,059**	**-**	**14,496,059**	1,887,114
	$ 259,903,295	**$ 18,454,481**	**$ 278,357,776**	**$ 109,977,463**	**$ 168,380,313**	$ 161,147,461

Amortization for the current year totalled $11,221,629 (2006 - $12,025,619).

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

On September 4, 2003, the College purchased the Windfields Farms property for $7,831,815, consisting of $1,000,000 of cash and $6,831,815 of debt, for the purposes of expansion including the future development of University of Ontario Institute of Technology. The ownership of the land currently resides with the College.

During the year, University of Ontario Institute of Technology provided $2,277,272 (2006 - $2,277,272) from its debenture proceeds to the College for the 2007 mortgage payment on the Windfields Farms land. Included in accounts payable and accrued liabilities is $6,831,816 (2006 - $4,554,544) due to University of Ontario Institute of Technology relating to payments from 2005, 2006 and 2007.

Included in accounts payable and accrued liabilities is $736,741 (2006 - $365,747) due to University of Ontario Institute of Technology relating to the university portion of the activity in ancillary operations.

6. DEFERRED CONTRIBUTIONS

(a) Deferred revenue

Deferred revenue represent grants, tuition fees and other revenue related to expenses of future periods.

(b) Deferred contributions

(i) Capital contributions

Deferred capital contributions represent the unamortized amount of donations and grants for the purchase of capital assets. The amortization of capital contributions is recorded as revenue in the Consolidated Statement of Operations at the same rate as amortization is recorded on the related capital assets.

	2007	2006
Balance, beginning of year	**$ 57,944,564**	$ 60,828,047
Contributions	**483,210**	1,091,779
Less amounts amortized to revenue	**(3,656,004)**	(3,975,262)
Balance, end of year	**$ 54,771,770**	$ 57,944,564

As at March 31, 2007 there was $110,939 (2006 - $1,569,029) of deferred capital contributions which were received and not spent.

6. DEFERRED CONTRIBUTIONS (continued)

(b) Deferred contributions (continued)

(ii) Fundraising

		2007		2006
Balance, beginning of year	**$**	**1,050,884**	$	972,587
Contributions - net of allowance		**438,451**		289,982
Expenditure financed from fundraising receipts		**(261,233)**		(211,685)
Balance, end of year	**$**	**1,228,102**	$	1,050,884
Total deferred contributions	**$**	**55,999,872**	$	58,995,448

7. LONG TERM DEBT

	2007	2006
5.48% unsecured mortgage on student residence, repayable in monthly instalments of $69,740 principal and interest, due 2023, interest rate renewable in 2013.	**$ 9,227,641**	$ 9,491,196
5.27% unsecured mortgage on student residence, repayable in monthly instalments of $60,039 principal and interest, due 2027, interest rate renewable in 2008.	**8,958,033**	9,199,520
5.57% unsecured mortgage on student residence, repayable in monthly instalments of $204,649 principal and interest, due 2029, interest rate renewable in 2014.	**31,417,960**	31,921,360
4.89% unsecured mortgage on student residence, repayable in monthly instalments of $74,505 principal and interest, due 2030, interest rate renewable in 2015.	**12,069,370**	12,374,511
5.75% unsecured mortgage on off-campus parking lot, interest payable monthly, principal repayable 2008.	**1,100,000**	1,100,000
4.78% unsecured loan to finance the Student Centre, repayable in monthly instalments of $18,629 principal and interest only, due 2018, interest rate renewable in 2008.	**1,963,815**	2,090,170
Variable rate secured mortgage, with an underlying swap fixing the rate at 5.14% on 199 Wentworth Avenue, due in 2017, interest and principal paid monthly.	**8,915,000**	-
Prime rate less 0.25% loan on athletic and health centre construction to be converted into a 25 year 5.13% amortized mortgage on November 1, 2007.	**11,393,494**	651,504
Prime rate plus 0.75% non-revolving term facility, repayable in monthly instalments of $2,945 principal and interest, due 2011.	**132,525**	164,920
Non-interest bearing mortgage on property north of Conlin Road, repayable in three equal instalments of $2,277,272.	**-**	2,277,272
Prime rate less 0.25%, unsecured demand loan, interest only repayable monthly.	**-**	5,600,000
Prime rate less 0.25%, unsecured demand loan, interest only repayable monthly.	**-**	3,500,000
	85,177,838	78,370,454
Less current portion	**3,210,095**	4,816,053
	$ 81,967,743	$ 73,554,401

7. LONG TERM DEBT (continued)

Principal payments due in each of the next five years and thereafter are as follows:

2009	$ 2,412,470
2010	2,539,967
2011	2,674,871
2012	2,816,532
2013	2,966,320
Thereafter	71,767,678
	$ 85,177,838

The fair value of this long-term debt as at March 31, 2007 is estimated to be $81,300,000.

The College has entered into a forward starting interest swap to manage the interest rate variability arising on the 25 year mortgage to be entered into on the completion of the athletic and health centre construction. The mortgage is expected to bear interest at floating rates based on banker's acceptances. The swap effectively fixes the interest rate at 5.13% on an initial principal amount of $14,000,000 over the 25 year life of the mortgage. At March 31, 2007, the fair value of the swap was $(622,414) (2006 - ($394,452)).

The College has entered into an interest swap to manage the interest rate variability arising on the 10 year mortgage for 199 Wentworth Avenue. The mortgage is expected to bear interest at floating rates based on banker's acceptances. The swap effectively fixes the interest rate at 5.145% on an initial principal amount of $9,100,000 over the 10 year life of the mortgage. At March 31, 2007, the fair value of the swap was $9,125,496.

The College has a credit facility agreement with a Canadian chartered bank, which provides for a revolving operating line of credit up to $11,000,000, bearing interest at prime less 0.25%. At March 31, 2007, the College utilized $9,950,881 (2006 - $1,053,454) of the operating line of credit.

The College has entered into Irrevocable Standby Letters of Credit with a Canadian chartered bank. They include the letters of credit for $15,000 bearing interest at 1.2% and $43,025 bearing interest at 0.4%.

A subsidiary of the College has a credit facility agreement with a Canadian chartered bank, which provides for a revolving operating line of credit to a maximum of $15,000,000, subject to the borrowing base calculation which is based on a percentage of trade accounts receivable. At March 31, 2007 the subsidiaries had utilized $372,960 of the operating line of credit.

7. LONG TERM DEBT (continued)

The Subsidiary has a non-revolving term credit facility repayable in equal monthly installments over a 60 month term. The maximum credit available is $1.6 million. As at March 31, 2007, the balance of this loan facility was $132,525, repayable as follows:

2008	$ 35,340
2009	35,340
2010	35,340
2011	26,505
	$ 132,525

Interest on this non-revolving term credit facility during the year was $9,950 (2006 - $3,647).

On April 2, 2007, the company increased its use of this facility by $756,000 to a total of $888,525.

Borrowings under the credit facility bear interest at rates based upon the bank's prime lending rate plus 0.5%. Borrowing under the non-revolving term credit facility bears interest at banks' prime lending rate plus 0.75%. The Subsidiary of the College has provided the bank with a general security agreement as security for its borrowings.

8. EMPLOYEE FUTURE BENEFITS

Employee future benefits are health and dental benefits that are provided to early retirees, current employees and employees currently on long term disability. The College recognizes these employee future benefits as they are earned during the employees' tenure of services. The related benefit liability at March 31, 2007 was determined by an actuarial valuation study as March 31, 2007 commissioned by the College Compensation and Appointments Council using a discount rate of 4.85%.

The main actuarial assumptions employed for the valuation are as follows:

Hospital

Hospital costs were assumed to increase at 5% for 2007 and thereafter.

Drugs

Drug costs were assumed to increase at 9% for 2007, grading down to 5% in 2010.

Other medical

Other medical costs were assumed to increase at 5% for 2007 and thereafter.

8. EMPLOYEE FUTURE BENEFITS (continued)

Dental costs

Dental costs were assumed to increase at 4% in 2007 and thereafter.

Information about the College's employee future benefits is as follows:

	2007	2006
Balance, beginning of year	**$ 730,000**	$ 2,138,000
Current service costs	**(125,000)**	86,000
Interest	**27,000**	59,000
Curtailment gain	**-**	(1,432,000)
Benefits paid	**(103,000)**	(121,000)
Balance, end of year	**$ 529,000**	$ 730,000

Effective September 1, 2005, the plan provisions changed with the cost of the early retiree benefits (Extended Health, Dental Care and Life Insurance provided to age 65) no longer subsidized by the College. The College's liability was commensurately reduced as a result of this plan curtailment. This gain was recognized in the financial statements as there were no unamortized losses to offset on the date of curtailment.

9. OTHER LONG-TERM ACCRUED LIABILITIES

Included in other long-term accrued liabilities are the following:

(a) Early retirement incentive plans, payments incentive plans and other agreements

Future employee retirement and other compensation payments are calculated based on estimated employee retirement dates and are valued at March 31, 2007 using a discount rate of 4.85%.

(b) Employee sick leave gratuity

The employee sick leave gratuity liability is calculated based on management's best estimate of salary escalation rates and expected retirement dates and using a discount rate of 4.85%.

10. RESTRICTED NET ASSETS

Internally restricted

Residence reserve: These funds are expendable for major capital refurbishments. Income earned is expendable.

Fundraising - General: These funds are expendable as directed by the Board of Governors. Income earned is expendable.

Externally restricted

Foundation - Endowments: Endowment funds are 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 the various purposes established by donors. The College ensures, as part of its fiduciary responsibilities, that all funds received and transferred to the Foundation with a restricted purpose are expended for the purpose for which they were provided.

Endowment funds include grants provided by the Government of Ontario from the Ontario Student Opportunity Trust Fund ("OSOTF") and the Ontario Trust for Student Success ("OTSS"). Under these programs, the government matches funds raised by the College. The purpose of these programs is to assist academically qualified individuals who, for financial reasons, would not otherwise be able to attend College.

The balance of endowments at March 31 consists of the following:

	2007	2006
OSOTF (Note 11)	**$ 4,038,578**	$ 3,925,164
OTSS (Note 12)	**772,821**	257,514
Other	**905,189**	874,901
	$ 5,716,588	$ 5,057,579

These funds are donated specifically for student assistance. Income earned is expendable to provide financial assistance to students.

11. ONTARIO STUDENT OPPORTUNITY TRUST FUNDS

Net assets restricted for endowments include monies provided by the Government of Ontario from the Ontario Student Opportunity Trust Fund matching program to award student aid as a result of raising an equal amount of endowment donations.

The College has recorded the following amounts under the program:

OSOTF I

Schedule of Changes in Endowment Fund Balance for the year ended	**2007**	2006
Endowment fund balance, beginning of year	**$ 1,961,983**	$ 1,904,838
Preservation of Capital	**58,860**	57,145
Endowment fund balance, end of year	**$ 2,020,843**	$ 1,961,983

Schedule of Changes in Expendable Funds Available for Awards for the year ended	**2007**	2006
Expendable balance, beginning of year	**$ 32,300**	$ -
Realized investment income	**68,164**	71,300
Bursaries awarded	**(77,000)**	(39,000)
Expendable balance, end of year	**$ 23,464**	$ 32,300
Number of bursaries awarded	**124**	70
Market value of endorsement	**$ 1,888,397**	$ 1,994,283

OSOTF II

Schedule of Changes in Endowment Fund Balance for the year ended	**2007**	2006
Endowment fund balance, beginning of year	**$ 1,958,840**	$ 1,906,002
Unmatched cash donations received	**-**	-
Transferred to OTSS	**-**	(4,341)
Preservation of Capital	**58,895**	57,179
Endowment fund balance, end of year	**$ 2,017,735**	$ 1,958,840

Schedule of Changes in Expendable Funds Available for Awards for the year ended	**2007**	2006
Expendable balance, beginning of year	**$ 56,358**	$ 24,014
Realized investment income	**68,206**	71,344
Bursaries awarded	**(77,000)**	(39,000)
Expendable balance, end of year	**$ 47,564**	$ 56,358
Number of bursaries awarded	**52**	70
Market value endorsement	**$ 1,888,115**	$ 2,015,198

12. ONTARIO TRUST FOR STUDENT SUPPORT

Net assets restricted for endowments include monies provided by the Government of Ontario from the Ontario Trust for Student Support matching program to award student aid as a result of raising an equal amount of endowment donations.

The College has recorded the following amounts this program:

	2007	2006	
Cash donations	**$ 253,791**	$ 128,757	*
Total cash donations	**$ 253,791**	$ 128,757	

* Cash donations reported to date include $4,341 in unmatched phase two OSTOF cash donations.

Schedule of Changes in Endowment Fund Balance for the year ended	**2007**	2006
Endowment balance, beginning of year	**$ 257,514**	$ -
Eligible cash donations	**253,791**	128,757
Matching funds recevied/receivable from MTCU	**253,791**	128,757
Preservation of capital	**7,725**	-
Endowment fund balance, end of year	**$ 772,821**	$ 257,514

Schedule of Changes in Expendable Funds Available for Awards for the year ended	**2007**	2006
Expendable balance, beginning of year	**$ -**	$ -
Realized Investment income	**8,947**	-
Bursaries awarded	**(8,000)**	-
Expendable balance, end of year	**$ 947**	$ -
Number of Bursaries awarded	**10**	Nil

13. PENSION PLANS

Employees are participants in the contributory retirement pension plans administered by the Colleges of Applied Arts and Technology Pension Plan. Under this arrangement, the College makes contributions to these plans equal to those of the employees. No provision has been made for any actuarial deficiencies of the plan. In the 2007 fiscal year, the College's contributions in respect to the current service costs for these pension plans, amounted to $3,884,535 (2006 - $3,538,039).

13. PENSION PLANS (continued)

A subsidiary of the College sponsors and administers a Defined Contribution Registered Pension Plan for their employees. The Plan provides for contributions by employees up to 10% of their salary. The subsidiary matches these contributions to the employees plan up to a maximum of 5% of the employees' salary. In 2007, the subsidiary contributed a total of $244,000 (2006 - $296,000) to this pension plan. Employees are responsible for the investments made and held in their individual plans. The subsidiary funds the employer portion of the contribution on a current basis to the plan manager (a large Canadian financial institution). The College's contribution vests with the employees two years after the employee has joined the subsidiary companies.

14. INVESTED IN CAPITAL ASSETS

(a) Investment in capital assets represents the following:

	2007	2006
Capital assets - net book value	**$ 168,380,313**	$ 161,147,461
Less amount financed by deferred capital contributions	**(54,660,831)**	(56,375,535)
Less amount financed by long term debt (Note 7)	**(85,177,838)**	(78,370,454)
Investment in capital assets (Statement 3)	**$ 28,541,644**	$ 26,401,472

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

	2007	2006
Amortization of deferred contributions related to capital assets	**$ 3,656,004**	$ 3,975,262
Less amortization of capital assets	**(11,221,629)**	(12,025,619)
	$ (7,565,625)	$ (8,050,357)

Net change in investment in capital assets:

	2007	2006
Purchases of capital assets	**$ 18,454,481**	$ 7,529,971
Amounts funded by:		
Deferred capital contributions	**(1,941,300)**	(3,115,670)
Long-term debt	**(10,741,990)**	(816,425)
Repayment of long-term debt	**3,934,606**	3,873,640
	$ 9,705,797	$ 7,471,516

15. SERVICE COSTS

Durham College provides certain administrative services to the University of Ontario Institute of Technology under a shared service agreement. The costs of salaries and benefits allocated to the University has been calculated using the percentage of time that each administrative function spent on University activities. An allocation of overhead expenses has been recorded based on College facilities used by the University based on a square footage allocation. As a result of the sharing of administrative services, the College had a balance of $2,949,533 (2006 - $Nil) due from the University. This amount is non-interest bearing with no fixed term of repayment, but it is expected to be repaid during the next fiscal year.

16. COMMITMENTS

Computer equipment

The College has entered into an arrangement to lease laptop computers over a two-year period, with the number of computers leased dependant upon the expected enrolment in programs utilizing laptop computers. The current cost of this operating lease reflected in the financial statements is $1,530,087 (2006 - $1,182,660).

Premises and equipment

Future minimum lease payments, exclusive of taxes and operating costs, for premises and equipment under operating leases at March 31, 2007 are as follows:

2008	$ 1,123,873
2009	641,115
2010	268,178
2011	229,268
2012	135,360
	$ 2,397,794

The Board of Governors approved a resolution to assist in the funding of the semi-annual principal and interest payments for the University of Ontario Institute of Technology $220 million bond, by contributing $3.5 million from surplus on a year-to-year basis, only if required.

During the year ended March 31, 2007, the College had signed a contract for the construction of the Athletic Centre totaling $14,115,300. As at March 31, 2007, $13,327,682 (2006 - $636,795) had been incurred with respect to this contract.

17. CONTINGENT LIABILITIES

The College has been named as the defendant in certain legal actions, in which damages have been sought The outcome of these actions are not determinable as at March 31, 2007 and accordingly, no provision has been made in these financial statements for any liability which may result.

18. GUARANTEES

The College's primary guarantees are as follows:

(a) Indemnity has been provided to all directors and or officers of the College for various items including, but not limited to, all settled suits or actions due to association with the College, subject to certain restrictions. The College has purchased directors' and officers' liability insurance to mitigate the cost of any potential future suits or actions. The term of indemnification is not explicitly defined, but is limited to the period over which the indemnified party served as a governor, director or officer of the College. The maximum amount of any potential future payment cannot be reasonably estimated.

(b) In the normal course of business, the College has entered into agreements that include indemnities in favour of third parties, such as student work placement agreements, purchase and sale agreements, confidentiality agreements, engagement letters with advisors and consultants, outsourcing agreements, leasing contracts, information technology agreements and service agreements. These indemnification agreements may require the College to compensate counterparties for losses incurred by the counterparties as a result of breaches in representation and regulations or as a result of litigation claims or statutory sanctions that may be suffered by the counterparty as a consequence of the transaction. The terms of these indemnities are not explicitly defined and the maximum amount of any potential reimbursement cannot be reasonably estimated.

(c) The College received approval from the Ministry of Finance, Ontario to guarantee $220,000,000 in Series A Debentures for the University of Ontario Institute of Technology. These debentures bear interest at 6.351%, payable semi-annually, with the principal due in 2034.

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

19. FINANCIAL INSTRUMENTS

Fair value

The fair value of financial assets and liabilities approximate their market value due to the related short-term maturity except for long-term investments (Note 3) and long-term debt (Note 7).

Interest rate risk

The College is exposed to interest rate fluctuations on its long-term debt. The College currently does not use any hedging strategy to mitigate this interest rate exposure other than as disclosed in Note 7.

19. FINANCIAL INSTRUMENTS (continued)

Foreign exchange risk

The College is subject to foreign exchange risk on its U.S. operations. The College currently does not use any hedging strategy to mitigate this foreign exchange risk.

The following financial statement categories contain U.S dollar denominated amounts as follows:

	2007	2006
(Bank indebtedness) cash	**$ (45,674)**	$ 446,740
Accounts receivable	**4,591,323**	5,439,034
Future income tax asset	**602,607**	616,378
Accounts payable and accrued liabilities	**658,281**	660,276

Credit risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. The College is exposed to credit risk from customers, however the risk is mitigated by proactive credit collections.

20. COMPARATIVE FIGURES

Certain of the prior year's comparative figures have been reclassified to conform with the current year presentation.

DURHAM COLLEGE OF APPLIED ARTS AND TECHNOLOGY
Consolidated Analysis of Operating Revenue
Year ended March 31, 2007

	2007	2006
GRANTS AND REIMBURSEMENTS		
General Operating (mainly Post Secondary)	**$ 27,766,755**	$ 25,695,395
Grants In Lieu of Municipal Taxation	**423,300**	414,450
Termination Gratuities	**57,262**	328,300
Special Programs/Projects	**10,517,015**	8,521,591
Other Reimbursements	**2,188,290**	2,295,311
Canadian Job Strategy		
Apprenticeship	**3,678,143**	4,200,097
Ontario Training Strategy		
Career and Employment Preparation Program and Summer Job Services Program	**2,499,804**	2,602,121
Literacy and Basic Skills	**1,235,402**	1,194,434
	48,365,971	45,251,699
STUDENT TUITION FEES		
Full-Time Students	**13,219,423**	12,287,329
Part-Time Students	**5,362,281**	5,044,307
	18,581,704	17,331,636
ANCILLARY OPERATIONS		
Paid Parking	**2,446,010**	1,606,602
Bookstore	**7,231,291**	6,584,402
Day Care Centres	**566,448**	550,905
Fitness/Sports Centre	**411,964**	672,680
Residence	**7,837,247**	7,461,318
Cafeterias	**1,269,923**	710,963
	19,762,883	17,586,870
CORPORATE TRAINING AND OTHER INCOME		
Training Centre Fees	**6,773,149**	7,608,075
Other	**8,969,480**	10,393,576
Student Incidental Fees	**3,852,588**	4,101,283
	19,595,217	22,102,934
AMORTIZATION OF DEFERRED CAPITAL CONTRIBUTIONS	**3,656,004**	3,975,262
TOTAL OPERATING REVENUE	**$ 109,961,779**	$ 106,248,401

DURHAM COLLEGE OF APPLIED ARTS AND TECHNOLOGY
Consolidated Analysis of Operating Human Resource Expenditure
Year ended March 31, 2007

	2007	2006
TEACHING SALARIES		
Full-Time Academic	**$ 21,528,923**	$ 18,654,590
Coordinator's Allowances	**223,430**	165,258
Other Leaves	**389,261**	322,319
Professional Leaves	**172,394**	123,544
Overtime - Academic	**170,362**	129,584
Part-Time Academic	**4,023,261**	3,291,771
Partial Load Academic	**551,040**	405,151
Sessional Teaching	**1,263,726**	1,109,060
Contract Teaching Services	**1,187,223**	1,238,966
	29,509,620	25,440,243
OTHER SALARIES		
Full-Time Administration	**5,936,021**	5,197,194
Full-Time Support	**10,956,802**	10,133,509
Other Leaves	**504,841**	299,274
Overtime - Support	**161,072**	153,878
Part-Time Support	**1,099,455**	830,877
Other Support	**80,021**	22,299
	18,738,212	16,637,031
EMPLOYEE BENEFITS	**8,558,198**	7,556,957
TOTAL OPERATING HUMAN RESOURCE EXPENDITURE	**$ 56,806,030**	$ 49,634,231

DURHAM COLLEGE OF APPLIED ARTS AND TECHNOLOGY
Consolidated Analysis of Operating Administrative and Other Expenditure
Year ended March 31, 2007

	2007	2006
Instructional supplies	**$ 1,896,378**	$ 2,029,752
Memberships and dues	**105,814**	117,880
Professional development and recruitment	**672,452**	523,640
Travel and accommodation	**780,266**	569,045
Promotion/Public Relations	**1,398,998**	888,029
Maintenance - Equipment	**1,084,392**	620,159
Telecommunications	**536,707**	453,469
Office supplies and other expense	**1,384,540**	1,107,103
IT hardware, software and maintenance	**1,141,978**	429,785
Maintenance - Buildings and grounds	**670,617**	659,346
Insurance	**656,225**	673,259
Professional fees	**606,925**	404,434
Contract Security Services	**497,092**	482,429
Contract cleaning services	**1,145,306**	1,149,118
Contract - Other services	**2,968,006**	3,070,342
Utilities	**2,216,727**	2,037,531
Refuse removal	**149,537**	81,851
Postage	**220,352**	246,066
Bank services and credit card charges	**1,690,809**	856,087
Rental and leasing charges	**2,893,124**	2,213,248
Bad debts	**342,049**	454,633
Student assistance program	**2,790,261**	2,394,623
TOTAL ADMINISTRATIVE AND OTHER OPERATING EXPENDITURES	**$ 25,848,555**	$ 21,461,829
FLOW THROUGH EXPENDITURE		
Participants Wages, Training Allowances and Benefits	**$ 838,876**	$ 1,118,574
Special Support Allowances	**35,161**	48,100
Municipal Taxes	**423,291**	414,573
Termination Gratuities	**196,368**	233,992
Reimbursable Expenditure	**2,508,861**	2,331,130
TOTAL FLOW THROUGH EXPENDITURE	**$ 4,002,557**	$ 4,146,369

DURHAM COLLEGE OF APPLIED ARTS AND TECHNOLOGY
Consolidated Analysis of Corporate Training Expenditure
Year ended March 31, 2007

	2007	2006
SALARIES		
Full-Time Academic	**$ 3,414**	$ 97,097
Part-Time Academic	**113,312**	112,821
Contract Teaching Services	**5,681**	5,537
Full-Time Administration	**168,000**	214,900
Full-Time Support	**263,970**	170,705
Overtime - Support	**20,224**	24,287
Part-Time Support	**43,690**	57,063
Other Support	**599,083**	1,269,025
	1,217,374	1,951,435
EMPLOYEE BENEFITS	**211,974**	313,937
	1,429,348	2,265,372
ADMINISTRATIVE AND OTHER EXPENDITURE		
Instructional supplies	**125,023**	106,027
Travel and accommodation	**402,203**	70,289
Promotion/Public Relations	**9,117**	5,731
Office supplies and other expense	**295,432**	23,190
Contract - Other services	**1,351,717**	1,070,262
Reimbursable expenditure	**2,311,516**	2,410,445
	4,495,008	3,685,944
TOTAL CORPORATE TRAINING EXPENDITURE	**$ 5,924,356**	$ 5,951,316

DURHAM COLLEGE OF APPLIED ARTS AND TECHNOLOGY
Consolidated Analysis of Ancillary Expenditure
Year ended March 31, 2007

	2007	2006
SALARIES		
Full-Time Administrative	**$ 597,387**	$ 520,392
Full-Time Support	**919,208**	787,534
Overtime - Support	**2,304**	1,727
Part-Time Support	**288,804**	245,042
Other Support	**632,895**	573,269
	2,440,598	2,127,964
EMPLOYEE BENEFITS	**362,621**	314,985
	2,803,219	2,442,949
ADMINISTRATIVE AND OTHER EXPENDITURE		
Instructional supplies	**29,380**	30,116
Maintenance - Office and other equipment	**112,428**	140,040
Office supplies and other expense	**196,554**	194,408
Maintenance - Buildings	**46,854**	49,210
Maintenance - Grounds	**557,784**	452,107
Contract security services	**299,022**	317,593
Contract - Other services	**661,339**	952,754
Electricity	**140,860**	55,437
Fossil Fuels	**92,492**	73,204
Credit card charges	**79,142**	61,018
Residence	**6,129,495**	6,184,440
Cost of goods sold	**5,353,887**	4,860,202
	13,699,237	13,370,529
TOTAL ANCILLARY EXPENDITURE	**$ 16,502,456**	$ 15,813,478

DURHAM COLLEGE OF APPLIED ARTS AND TECHNOLOGY
Consolidated Analysis of Durham College Educational Network
Statement of Operations
Year ended March 31, 2007

	2007	2006
REVENUES	**$ 50,901,096**	$ 68,528,613
DIRECT COST OF SERVICES	**35,403,413**	47,552,907
EXPENSES		
Salaries and benefits	**8,613,052**	8,387,626
Occupancy	**2,412,719**	2,937,594
Professional fees	**368,825**	779,593
Bad debt expense	**737,046**	1,537,306
Other	**1,073,609**	1,045,788
Depreciation and amortization	**1,847,960**	1,584,103
Foreign exchange	**514,360**	214,287
General administration	**739,479**	877,249
Technology	**1,414,870**	1,645,329
Marketing	**784,864**	748,739
Income taxes	**11,123**	-
TOTAL EXPENSES	**53,921,320**	67,310,521
EXCESS OF (EXPENSES OVER REVENUE) REVENUE OVER EXPENSES	**$ (3,020,224)**	1,218,092