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Mission

The student experience comes first
at Durham College

Vision

- Durham College is the premier college in Canada for career-focused students who will succeed in a challenging, supportive and inclusive learning environment.
- Our programs are continually shaped by market needs and delivered by exceptional teachers with real-world experience.
- Our vibrant campus community enriches the student life experience.

All of this combines to ensure our graduates have the market-ready skills to succeed in their careers and make a difference in the world.

Values

Our values drive our organizational culture and our behaviour in delivering our vision and mission. They are:

Integrity and Transparency...

we will behave and communicate sincerely and honestly

Respect...

we will treat everyone with dignity and offer superior service

Equality and Diversity...

we will champion all learners and celebrate diversity

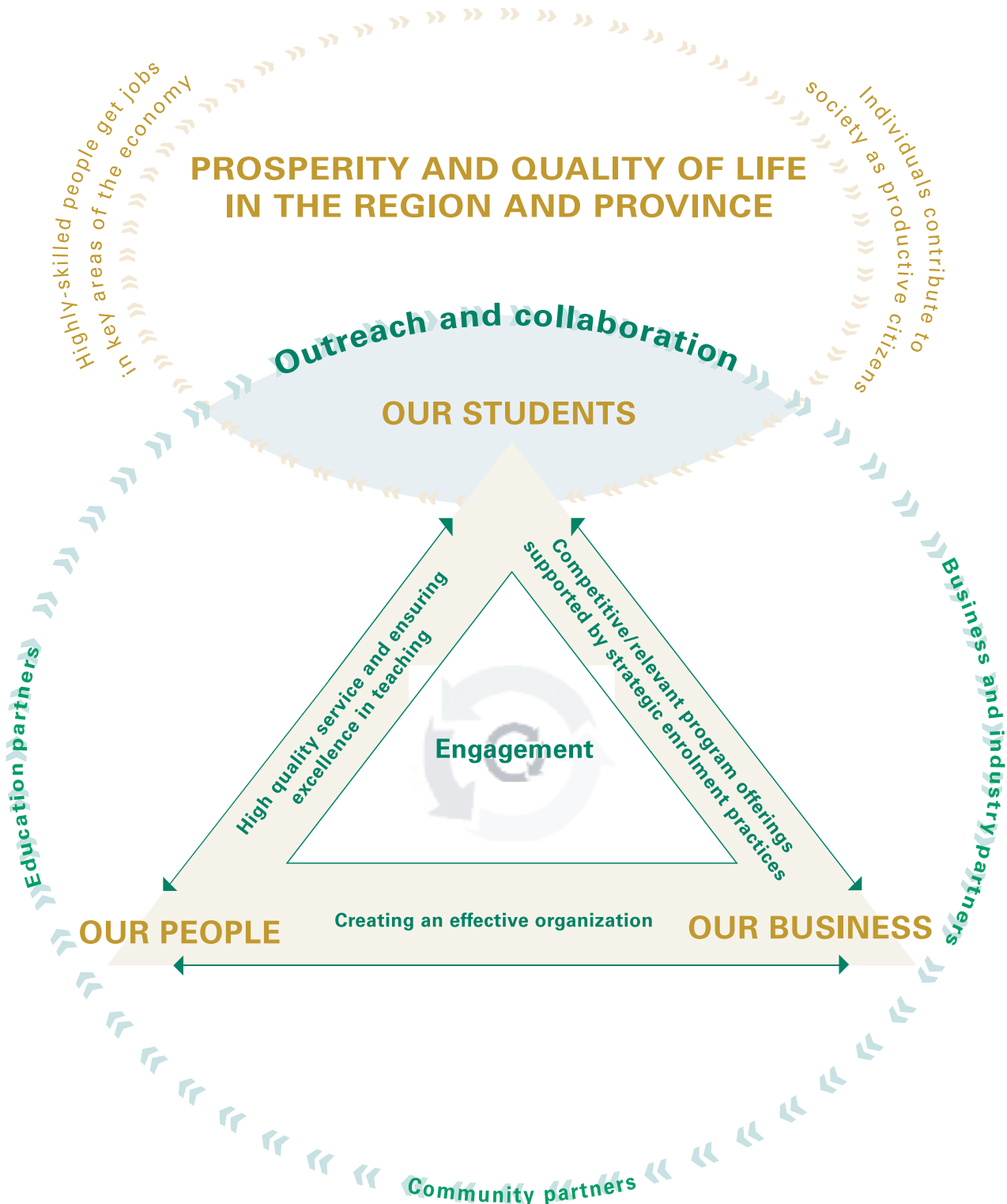
Innovation...

we will be leaders in market-responsive learning experiences and solutions

Personal and team accountability...

we will do what we say we will do

Success Matters Framework





Introduction

The 2007-2008 academic year marked the first year of Durham College's five-year Success Matters Strategic Plan. Durham College's 2007-2008 Annual Report provides details on the implementation of the plan and highlights achievements and success stories related to realizing our mission.

Durham College's 2007-2008 audited financial statements are available at www.durhamcollege.ca.

Durham College's new strategic planning approach was based on guiding principles endorsed by the Board of Governors in June 2006:

- Build on existing strengths and use the process as an opportunity to celebrate/showcase success;
- Look confidently to a future where Durham College is a provincial/national leader in key areas;
- Commit to real, tangible change and improvement;
- Determine key priorities for partnership with the University of Ontario Institute of Technology (UOIT); and
- Provide multiple opportunities for all students, faculty, staff and other stakeholders to have input.

The process and outcome was:

- » Consultative;
- » Open and transparent;
- » Evidence-based, as well as aspirational;
- » Implementable and measurable over a five-year time horizon; and
- » Inspiring.

The resulting plan formed the basis of many decisions and activities that took place over the 2007-2008 year and will continue to do so through 2011-2012.

Success Matters Strategic Plan

Mission statement

A significant outcome of the strategic planning process was a recommitment to the college's mission statement:
The student experience comes first at Durham College.



Three key goals

Building from the productive, cross-institutional dialogue about future directions, Durham College's Success Matters Strategic Plan outlines a number of strategies and priority actions relating to three key goals: Our Students, Our People and Our Business.

The 2007-2012 Success Matters Strategic Plan was approved by the Durham College Board of Governors on January 10, 2007 and used as the basis for planning and allocating resources for the 2007-2008 academic year.

Achievements and Success Stories

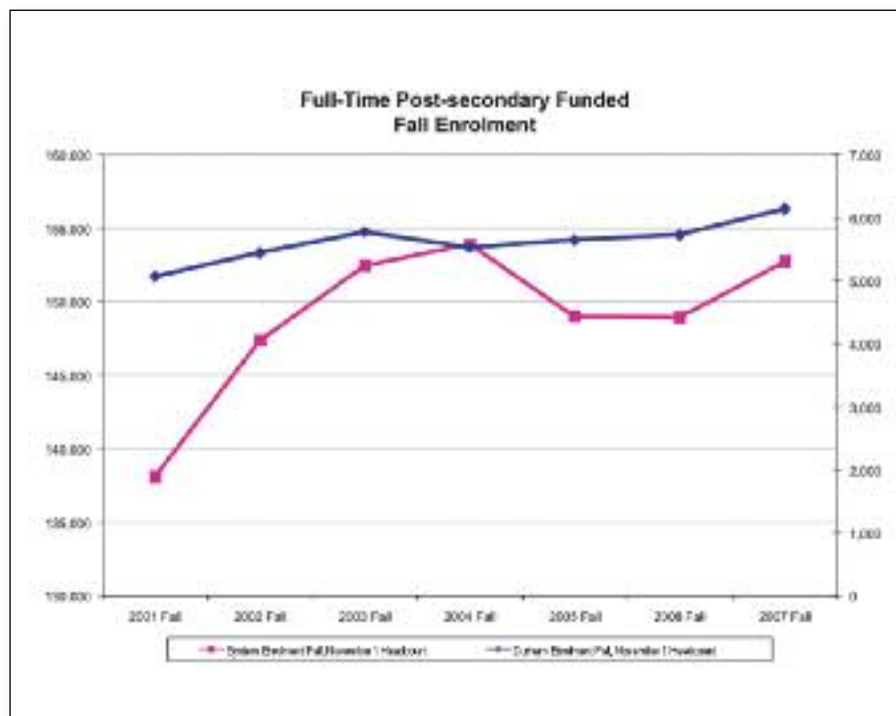
This annual report follows the framework of the new Success Matters Strategic Plan – describing Durham College's achievements and highlights for 2007-2008 against the key goals referenced above.

Our Students

Goal: To provide our students with quality learning experiences and support in finding pathways to good jobs and productive citizenship.

Full-time post-secondary

Full-time post-secondary funded (PSE) activity -funded



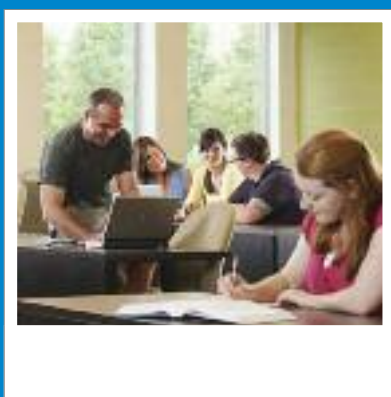
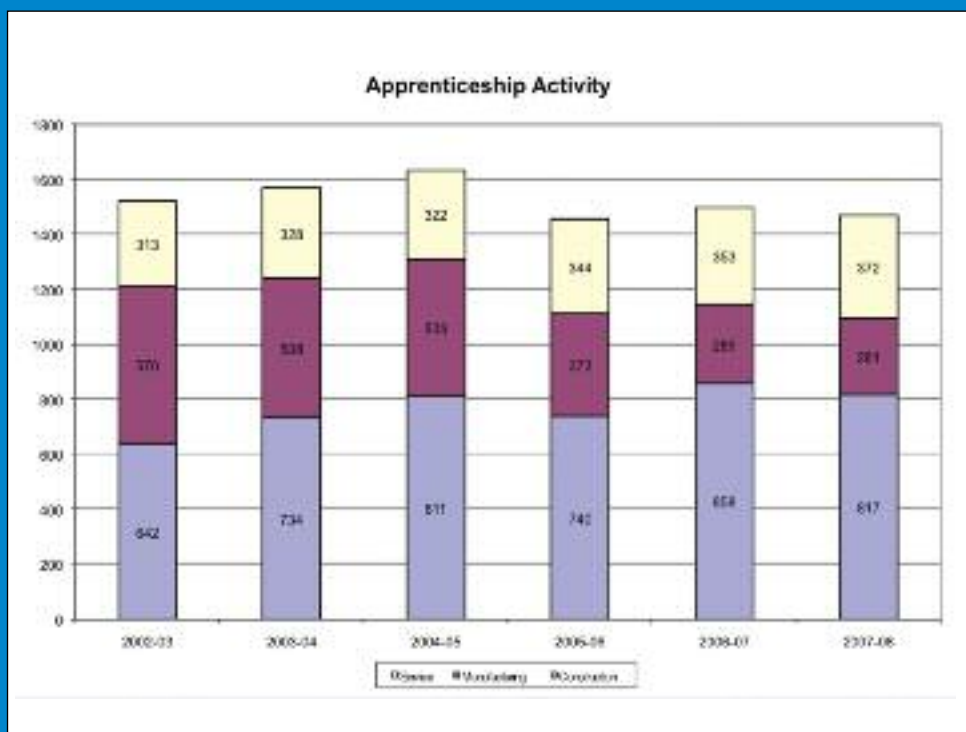
Notes:

- Full-time students are students who are taking at least 70 per cent of the course hours or two-thirds of the courses for the program; and
- Post-secondary – funded programs are those that have been approved for funding by the Ontario Ministry of Training, Colleges and Universities.

- In 2007, 2,042 students graduated with market-ready skills and qualifications from Durham College's full-time post-secondary programs:
 - » School of Applied Sciences, Apprenticeship, Skilled Trades and Technology – 382
 - » School of Business – 253
 - » School of Communication Arts – 107
 - » School of Design – 124
 - » School of Emergency Services – 107
 - » School of Health and Community Services – 396
 - » School of Integrated Studies – 305
 - » School of Information Technology – 53
 - » School of Justice – 315

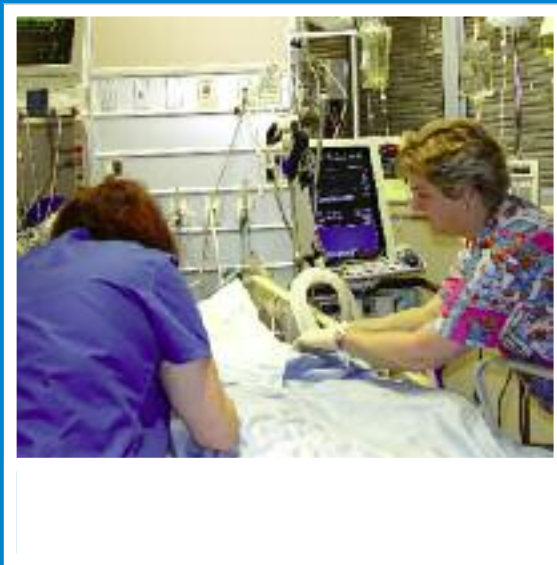
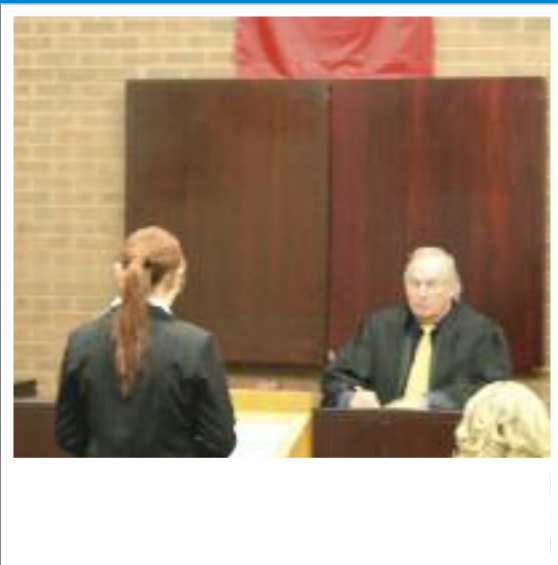
Apprenticeship

- Durham College is a major player in the province for apprenticeship delivery with one of the most diverse program mixes of any college. During the 2007-2008 academic year, the college offered 17 apprenticeship programs, 11 of which are Red Seal, and had more than 1,500 registered apprentices; and
- In all, 437 apprentices graduated during 2007-2008.



Continuing Education and Career Development

- Durham College offered 3,508 continuing education courses during 2007-2008 at its Whitby, Oshawa and Uxbridge campuses, along with its Pickering location, with total registrations of more than 18,600. For the 11th consecutive year, Durham College's Continuing Education won the local Readers' Choice award for favourite adult education provider;
- The offices of the schools of Continuing Education and Career Development, located in Oshawa, Beaverton and Uxbridge, also provided academic upgrading to 167 mature students who wished to update their academic skills in order to enrol in a post-secondary program or to enhance their employability; and
- Durham College delivers Job Connect programs and operates Community Employment Resource Centres in Port Perry, Port Hope, Uxbridge, Beaverton and downtown Oshawa. Job Connect provided employment planning and counselling to more than 1,000 youths this past year and, on average, 75.6 per cent were employed when they exited the program. Job Connect in Port Hope was awarded the Business Excellence Award for 2007 by the Town of Port Hope. The Community Employment Resource Centres served more than 2,000 new clients this year and had almost 15,000 repeat visits.



Highlights of achievements

Quality programs, pathways and services

In addition to continuing with the second year of new programs started in 2006-2007, such as Water Quality Technician and Fitness and Health Promotion, we launched other new programs to meet the needs of today's job market, including:

- Advanced Law Enforcement and Investigation;
- Community Integration through Co-operative Education (CICE);
- Court and Tribunal Agent – graduate certificate;
- Critical Care Nursing E-Learning graduate certificate;
- Military Arts and Science;
- Veterinary Assistant; and
- Welder apprenticeship.

The innovative CICE program had a successful first year with 21 students starting in September and 20 expected to return for the second year. The students matured and gained confidence and integrated into many program areas across the college. The program was the result of almost two years of planning and partnering with key community stakeholders, business leaders, and parents. It delivers workplace-ready skills and opportunities for further post-secondary study to individuals with intellectual disabilities, brain injuries, mental health issues, and other learning challenges.

The Critical Care Nursing E-Learning graduate certificate program is funded by the Ministry of Health and Long-Term Care and attracted 175 students from across Ontario in its first year of operation. Durham College was selected ahead of

other universities and colleges to deliver the program through an innovative training model that includes six online courses, a critical care simulation lab and a hands-on preceptored experience in an intensive care unit.

Durham College's School of Health and Community Services worked in collaboration with UOIT, Georgian College and the Michener Institute to develop a Bachelor of Allied Health Sciences program to begin in September 2008. Graduates in Dental Hygiene, Medical Laboratory Science, Massage Therapy, Nursing, Opticianry and Paramedicine from accredited educational institutions are among the professionals eligible to apply to this program.

Durham College's Innovation Centre hosted a successful provincial educational technology conference, This is IT. The centre's faculty also partnered with UOIT faculty to receive grants from the Inukshuk Foundation and the Canadian Council on Learning for work in respect to learning objects.

Considerable work took place during the 2007-2008 year to restructure the Durham College academic schools to ensure our programs are best positioned to meet the needs of the marketplace and are equipping students with the best possible platform upon which to build their careers. All changes will be fully implemented for September 2008. Highlights of the transformation included:

- Creation of a new, centralized service school called the School of Communication, Language & General Studies (previously the School of Integrated Studies). This school will provide an opportunity for communication and general education faculty to collaborate across their subject areas in a manner that facilitates strong linkages to the other schools;
- Renaming of two schools as follows: The School of

Business, IT & Management (previously the schools of Business and Information Technology) and The School of Media, Art & Design (previously the schools of Communication Arts and Design);

- Expansion of the School of Career Development & Continuing Education's (previously the schools of Continuing Education and Career Development) preparatory programming to include a cluster of post-secondary programs in Office and Dental Administration; and
- The addition of new capacity in the Innovation Centre to support the academic agenda, curriculum changes and program quality initiatives.

Chris Bentley, then Ontario Minister of Training, Colleges and Universities, visited our campus in June 2007 to announce \$3.9 million in funding to Durham College, while local MPP Wayne Arthurs made an announcement in September 2007 of a \$10-million investment in the campus community.

More than 1,400 graduates enjoyed spring convocation at a new venue, the General Motors Centre in downtown Oshawa. More than 400 graduates were honoured at the fall convocation, bringing our alumni ranks to more than 42,000.

At spring convocation Durham College honoured five distinguished Durham College graduates with Alumnus of Distinction Awards.

A new Staff-to-Student mentor program was introduced in September 2007. Approximately 26 first-year students interacted with staff mentors who helped them adapt to college life and provided guidance on a variety of topics.

Work continued on the amalgamation of the schools of Applied Sciences & Technology and Skilled Trades & Apprenticeship. The new organization was fully operational by the beginning of the academic year in September and continues to evolve as the college delivers on the merger's objectives for enhancing students' options and experiences.

To support better pathways from high school to college, Durham College continued its commitment to delivering a number of programs under the provincial School-College-Work Initiative (SCWI).

A special High Skills Major was piloted for 10 Dr. F.J. Donevan Collegiate Institute students during the fall of 2007.

Durham College and UOIT held a planning meeting that resulted in 16 specific pathway initiatives and a permanent joint deans' committee that will oversee the development and implementation of these projects.

The Key Performance Indicators survey results for Durham College continue to reflect our commitment to providing students with quality learning experiences and support in finding pathways to jobs and productive citizenship. They

also demonstrate that Durham is meeting the needs of students when compared with colleges across the province.

Our indicators this year show that Durham College:

- Is more than two per cent above the Ontario average for employer satisfaction;
- Is almost three per cent above the Ontario average for graduation rate; and
- Improved almost two percentage points over last year in overall student satisfaction.

Graduate employment:	90.7 per cent
Employer satisfaction:	95.6 per cent
Graduate satisfaction:	81.5 per cent
Student satisfaction:	77.4 per cent
Graduation rate:	67.4 per cent

Durham College was selected this year to participate in the Program Quality Assurance Process Audit (PQAPA) by the Ministry of Training, Colleges and Universities. During the academic year a campus-wide PQAPA task force was formed and a comprehensive self-study conducted in preparation for the formal audit in April 2008. The PQAPA self-study report gathered an impressive collection of evidence to provide to the auditors. In addition it provided a framework for ensuring quality programs on an ongoing basis.

Policies and procedures for program development, review and renewal were updated and documented to ensure a consistent cross-college approach.

The expanded Campus Recreation and Wellness Centre (CRWC) officially opened on September 12, 2007. Covering 90,000 square feet, the expansion includes a 10,000-sq.-ft. fitness centre; two fitness/dance studios; two rooms for sports training and fitness-related classes; and a 28,000-sq.-ft. triple gymnasium with elevated jogging/running track and seating capacity for 2,000. The CRWC also offers an expanded Campus Health Centre, which features a full-service Lovell Drugs pharmacy and medical clinic offers extended hours of service, on-site doctors, nurses, counselling and a variety of alternative health services, including massage therapy, physiotherapy, acupuncture, nutritional counselling, chiropractic and orthotic services.

Federal Finance Minister Jim Flaherty visited Durham College's Whitby campus in August 2007 for the Ontario launch of the federal government's Apprenticeship Incentive Grant (AIG). The AIG provides a \$1,000 cash grant per year to registered apprentices who have completed their first or second year in a Red Seal trade program, on or after January 1, 2007, and will help apprentices achieve their goals by offsetting the costs of tuition, travel and tools. It is

estimated that up to 100,000 apprentices in Canada will be entitled to receive this taxable cash grant annually. Durham College offers 11 Red Seal programs and almost 800 apprentices were eligible to apply for the grant during the 2006-2007 academic year.

Success stories

The following are a few examples of the ways Durham College demonstrated the quality of its programs and services during 2007-2008:

- Durham College's fall scholarship reception provided 178 awards, valued at more than \$127,000, to students representing all diploma programs at the Oshawa and Whitby campuses. Among those being honoured with financial gifts were two students with the highest marks from each of the college's full-time programs;
- Seven Durham College students earned prestigious Canada Millennium Scholarship Foundation awards in recognition of their outstanding leadership and success in the classroom and community. Two of these were Level 1 scholarships, the first time ever at Durham College;
- Students in the Law and Security Administration and the Advanced Law Enforcement and Investigations programs participated in a practical learning model in the form of a Special Events Auxiliary Team (SEAT). SEAT is a security operation designed to teach the fundamental principles of security services to students, while also providing security support to campus events;
- Soccer player Katie Szeghalmi, a Paramedic program student, was named the Ontario Colleges Athletic Association (OCAA) Female Athlete of the Year for 2007-2008 and Canadian Colleges Athletic Association (CCAA) Women's Soccer Player of the Year;
- Anthony Batchelor finished his final season with the Durham Lords men's basketball team with a place in history. Batchelor broke the Ontario Colleges Athletic Association's (OCAA) 22-year-old career scoring mark when he sunk his 1,435 point on February 8. He finished the season and his four-year career with 1,524 points. Batchelor was named the 2007-2008 Ontario Colleges Athletic Association (OCAA) Basketball Player of the Year and a Canadian Colleges Athletic Association (CCAA) All-Canadian;
- A Women's Centre opened on campus September 14, 2007, offering a safe haven for students, confidential counselling and assistance, and events such as Break the Silence Day, an event protesting violence against women;
- Two Business Administration – Marketing program students showed off their business savvy and scored a silver medal at the 2007 Ontario Colleges' Marketing Competition (OCMC) hosted by Fanshawe College in London, Ontario;
- The Chronicle campus newspaper was awarded second-place at the Ontario Community Newspapers Association General Excellence awards for college and university newspapers. It is entirely produced by students in the Journalism and Advertising programs;
- The Chronicle also received an Outstanding Media Award for sports coverage from the Ontario Colleges Athletic Association; and
- Students from the schools of Communication Arts and Design participated in the "Explore Design" show with faculty from Games and Animation as presenters.



Our People

Goal: To support and empower each employee to make the best possible contribution to achieving our mission.

Highlights of achievements include:

- Internal communication remained an area of focus in 2007-2008. Extensive work on establishing an intranet was undertaken as well as the development of an internal communications strategy;
- A new performance management system for administrative staff, including orientation and training sessions for staff and supervisors, was implemented in 2007-2008;
- A new talent management/succession planning program, Leadership Enrichment and Development (LEAD) was implemented in 2007-2008 with two cohorts each comprised of almost 20 employees working with mentors as well as attending special training sessions and workshops; and
- An internal health and safety function was established as was a health and safety strategy.

Durham College's 40th anniversary celebrations offered an opportunity to celebrate faculty, staff, students, alumni, and retirees in several ways over the course of the 2007-2008 year. Highlights of the celebrations included:

- The official kickoff on September 18, 2007, which attracted more than 1,200 people, including Oshawa Mayor John Gray who declared it Durham College day;
- The unveiling of the Alumni Wall of Distinction on October 23, 2007. The spectacular wall features photos and biographies of the 56 alumni who have received the college's prestigious Alumnus of Distinction Award. Dozens of the alumni attended the event, some coming from as far away as British Columbia;



- Employer luncheons with alumni currently working in local organizations, such as Ontario Power Generation, Hubbell Canada, Lakeridge Health, and our own Durham College.

Success stories

The following are some examples of the ways in which Durham College faculty and staff made significant contributions to the success of our students and our college in 2007-2008:

- Katherine Wilson, a professor in the School of Applied Sciences, Apprenticeship, Skilled Trades and Technology, received the Emerald Award in Environmental Protection from Minister of the Environment John Gerretsen on February 20, 2008. The award recognized her efforts, along with six other colleagues, to support and monitor mercury reduction initiatives in Ontario;
- Tom Cunningham, professor in the School of Applied Sciences, Apprenticeship, Skilled Trades and Technology, was one of the first winners of the new Leadership in Faculty Teaching (LIFT) Award sponsored by Ministry of Training, Colleges and Universities;
- Kevin McAlpine, a professor in the School of Justice, was named to a new federal task force announced by Stockwell Day, the federal minister of Public Safety. McAlpine, the former chief of the Durham Regional Police Service, was one of only five members from across Canada named to the Royal Canadian Mounted Police (RCMP) Reform Implementation Council; and
- Beverly Beuermann-King, an instructor with the Durham College schools of Career Development and Continuing Education, was awarded the Certified Speaking Professional (CSP) designation. She is now one of only 36 people in Canada and 555 around the world to be awarded this title.

Our Business

Goal: To make business decisions that are evidence-based, reflect best practices and result in the college being prosperous and achieving its mission.

Highlights of achievements included:

- The focus of the Business and Industry Development Services (BIDS) group was reoriented under the name Durham College Corporate Training Services to ensure effectiveness and avoid duplication of effort in new business development centred on external businesses as their clients to deliver non-diploma and non-certificate programs;
- Senior staff at Durham College increased their involvement in key local community and corporate organizations; and
- A targeted plan was put in place to improve alumni outreach and communication. Activities included the Alumni Wall of Distinction, alumni employer luncheons and the alumni online community at <http://alumni.durhamcollege.ca>, which now has almost 600 alumni registered.

Success stories

The following are just some examples of how Durham College demonstrated its commitment to quality business decisions and enhanced prosperity during 2007-08.

- The Durham College/UOIT campus was selected as the host site for the Special Olympics Ontario Spring Games and the Healthy Athletes Expo events to be held in May. More than 700 athletes and 170 coaches attended the Games, while more than 1,000 athletes, coaches and individuals from the community received important health services.



Conclusion

Durham College is proud to make a significant contribution to the prosperity and quality of life in the region and the province through high-quality, relevant programs and services for all learners. Over the coming months and years, it will continue to build on its successes to ensure its graduates have the market-ready skills needed to succeed in their careers and make a difference in the world.







2000 Simcoe Street North, Oshawa, Ontario, Canada L1H 7K4
T: 905.721.2000 | www.durhamcollege.ca

Consolidated Financial Statements of

**DURHAM COLLEGE OF APPLIED ARTS
AND TECHNOLOGY**

March 31, 2008

DURHAM COLLEGE OF APPLIED ARTS AND TECHNOLOGY
Consolidated Financial Statements
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March 31, 2008

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KPMG LLP
Chartered Accountants
Yonge Corporate Centre
4100 Yonge Street Suite 200
Toronto ON M2P 2H3
Canada

Telephone (416) 228-7000
Fax (416) 228-7123
Internet www.kpmg.ca

AUDITORS' REPORT

To the Board of Governors of
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, 2008 and the consolidated statements of operations, changes in net assets and cash flows for the year then ended. These 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, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

The comparative figures for March 31, 2007 were reported on by another firm of chartered accountants.

Chartered Accountants, Licensed Public Accountants

Toronto, Canada

September 19, 2008

DURHAM COLLEGE OF APPLIED ARTS AND TECHNOLOGY
Consolidated Statement of Financial Position
March 31, 2008

	2008	2007
ASSETS		
CURRENT ASSETS		
Cash	\$ -	\$ -
Accounts receivable	16,165,051	21,357,934
Due from University of Ontario Institute of Technology	248,530	2,949,859
Current portion of long-term loan receivable (Notes 2 and 3)	268,953	223,544
Inventories	586,050	1,002,799
Prepaid expenses	953,904	997,329
	18,222,488	26,531,465
LONG-TERM ASSETS		
Long-term loan receivable (Notes 2 and 3)	1,575,623	1,864,098
Long-term investments (Notes 2 and 4)	5,864,411	5,229,838
Investment in CTRC (Note 5)	500,000	-
Capital assets (Note 6)	165,812,762	168,380,313
Future income tax asset	638,226	695,771
	174,391,022	176,170,020
	\$ 192,613,510	\$ 202,701,485
LIABILITIES		
CURRENT LIABILITIES		
Bank indebtedness (Note 9)	\$ 995,317	\$ 4,599,533
Accounts payable and accrued liabilities (Note 7)	25,966,653	28,517,374
Deferred revenue (Note 8(a))	9,697,400	6,934,223
Current portion of long-term debt (Notes 2 and 9)	5,169,340	3,210,095
	41,828,710	43,261,225
LONG-TERM LIABILITIES		
Deferred contributions (Note 8(b))	56,550,402	55,999,872
Long-term debt (Notes 2 and 9)	80,148,380	81,967,743
Derivative liability (Notes 2 and 9)	1,578,576	-
Employee future benefits (Note 10)	559,000	529,000
Other long-term accrued liabilities (Note 11)	2,782,126	2,741,032
	141,618,484	141,237,647
	183,447,194	184,498,872
NET ASSETS		
UNRESTRICTED	(24,592,011)	(17,188,532)
INVESTED IN CAPITAL ASSETS	25,384,998	28,541,644
INTERNALLY RESTRICTED	1,186,852	1,137,254
ENDOWMENTS	7,186,477	5,712,247
	9,166,316	18,202,613
Commitments (Note 18)		
Contingent liabilities (Note 19)		
Guarantees (Note 20)		
Subsequent event (Note 23)		
	\$ 192,613,510	\$ 202,701,485

See accompanying notes to the consolidated financial statements.

APPROVED ON BEHALF OF THE BOARD OF GOVERNORS:



Chair



President

DURHAM COLLEGE OF APPLIED ARTS AND TECHNOLOGY
Consolidated Statement of Operations
Year ended March 31, 2008

	<u>2008</u>	<u>2007</u>
REVENUE - Schedule 2-1		
Grants and reimbursements	\$ 49,878,898	\$ 46,808,654
Student tuition fees	20,782,218	18,581,704
Ancillary operations	15,503,834	19,026,142
Other income	16,805,194	14,991,186
Corporate training	6,044,266	6,898,090
Amortization of deferred capital contributions	3,995,717	3,656,004
	113,010,127	109,961,779
Durham College Educational Network - Schedule 2-6	53,462,131	50,901,096
Total Revenue	166,472,258	160,862,875
EXPENDITURE		
Operating Human Resources - Schedule 2-2	61,354,588	55,783,030
Corporate Training Human Resources - Schedule 2-4	2,634,233	2,905,289
Ancillary Human Resources- Schedule 2-5	1,628,944	2,803,219
Total Human Resources	65,617,765	61,491,538
Operating Administrative and Other - Schedule 2-3	28,735,119	27,844,889
Total Flow through - Schedule 2-3	3,639,200	4,002,557
Corporate Training Administrative and Other - Schedule 2-4	2,085,752	2,045,733
Ancillary Administrative and Other - Schedule 2-5	11,167,273	13,699,237
Total Administrative and Other	45,627,344	47,592,416
Durham College Educational Network - Schedule 2-6	54,713,038	53,921,320
LOSS ON FOREIGN EXCHANGE	93,118	-
AMORTIZATION OF CAPITAL ASSETS		
(net of \$1,866,076 (2007 - \$1,847,960 charged to Durham College Educational Network)	10,309,105	9,373,669
TOTAL EXPENDITURE	176,360,370	172,378,943
EXCESS OF EXPENDITURES OVER REVENUE	\$ (9,888,112)	\$ (11,516,068)

DURHAM COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Consolidated Statement of Changes in Net Assets

Year ended March 31, 2008

	Internally Restricted Net Assets (Note 12)						Total	
	Unrestricted	Invested in Capital Assets (Note 16)	Residence	Foundation	Total Internally Restricted Net Assets	Endowments (Note 12)	2008	2007
BALANCE - BEGINNING OF YEAR	\$ (17,188,532)	\$ 28,541,644	\$ 675,019	\$ 462,235	\$ 1,137,254	\$ 5,712,247	\$ 18,202,613	\$ 29,059,672
EXCESS OF REVENUE OVER EXPENDITURE (EXPENDITURE OVER REVENUE)	(1,758,246)	(8,179,464)	-	49,598	49,598	-	(9,888,112)	(11,516,068)
INVESTMENT IN CAPITAL ASSETS	(5,022,818)	5,022,818	-	-	-	-	-	-
ENDOWMENT CONTRIBUTIONS	-	-	-	-	-	1,474,230	1,474,230	659,009
CHANGE IN ACCOUNTING POLICY (Note 2)	(622,415)	-	-	-	-	-	(622,415)	-
NET CHANGES DURING THE YEAR	(7,403,479)	(3,156,646)	-	49,598	49,598	1,474,230	(9,036,297)	(10,857,059)
BALANCE - END OF YEAR	\$ (24,592,011)	\$ 25,384,998	\$ 675,019	\$ 511,833	\$ 1,186,852	\$ 7,186,477	\$ 9,166,316	\$ 18,202,613

See accompanying notes to the consolidated financial statements.

DURHAM COLLEGE OF APPLIED ARTS AND TECHNOLOGY
Consolidated Statement of Cash Flows
Year ended March 31, 2008

	2008	2007
NET (OUTFLOW) INFLOW OF CASH		
RELATED TO THE FOLLOWING ACTIVITIES		
OPERATING		
Excess of (expenditure over revenue) revenue over expenditure	\$ (9,888,112)	\$ (11,516,068)
Items not affecting cash		
Amortization of capital assets	12,175,181	11,221,629
Amortization of deferred capital contributions	(3,995,717)	(3,656,004)
Derivative liability	956,161	-
Employee future benefits	30,000	(201,000)
Future income taxes	57,545	19,486
	(664,942)	(4,131,957)
Net change in non-cash working capital		
balances relating to operations		
Accounts receivable	5,192,883	1,194,329
Due from University of Ontario Institute of Technology	2,701,329	(2,949,859)
Inventories	416,749	(190,348)
Prepaid expenses	43,425	136,583
Income taxes recoverable	-	19,914
Accounts payable, accrued liabilities and		
and other long-term accrued liabilities	(2,509,627)	7,818,502
Deferred revenue	2,763,177	1,412,386
Total Operating Activities	7,942,994	3,309,550
INVESTING		
Purchase of capital assets	(9,607,630)	(18,454,481)
Decrease in long-term loans receivable	243,066	268,725
Increase in long-term investments - net	(634,573)	(356,353)
Investment in CTRC	(500,000)	-
Total Investing Activities	(10,499,137)	(18,542,109)
FINANCING		
Deferred contributions	4,546,247	660,428
Endowment contributions	1,474,230	659,009
Proceeds from long-term debt	2,606,506	10,741,990
Repayment of long-term debt	(2,466,624)	(3,934,605)
Total Financing Activities	6,160,359	8,126,822
NET CASH (OUTFLOW) INFLOW	3,604,216	(7,105,737)
CASH (BANK INDEBTEDNESS), BEGINNING OF YEAR	(4,599,533)	2,506,205
CASH (BANK INDEBTEDNESS), END OF YEAR	\$ (995,317)	\$ (4,599,532)
SUPPLEMENTARY CASH FLOW INFORMATION		
Interest paid	\$ 5,822,780	\$ 4,723,478
Income taxes paid	\$ 42,677	\$ 26,639

See accompanying notes to the consolidated financial statements.

DURHAM COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to the Consolidated Financial Statements

March 31, 2008

1. SIGNIFICANT ACCOUNTING POLICIES AND DISCLOSURES

(a) Basis of presentation

The financial statements of Durham College of Applied Arts and Technology (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. All significant intercompany balances and transactions have been eliminated in consolidation.

(b) Investments

Investments are reported at market value (Note 2). Investments for the year ended March 31, 2007 are stated at cost.

(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 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.

DURHAM COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to the Consolidated Financial Statements

March 31, 2008

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 recognizes employee sick leave gratuity liabilities as they are earned during the employees' 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.

DURHAM COLLEGE OF APPLIED ARTS AND TECHNOLOGY
Notes to the Consolidated Financial Statements
March 31, 2008

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Derivative financial instruments

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 College uses interest rate swap agreements to economically manage the floating interest rate portion of the debt portfolio and the related overall cost of borrowing. These instruments are not designated as hedges for accounting purposes and are carried on the balance sheet, under the caption derivative liability, at the estimated fair market value. Realized and unrealized gains or losses arising from net payments made or received and changes in fair value related to the interest rate swap agreements are recognized in the statement of revenue and expenditures in the period of the change as 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 asset and 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 carryforwards 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.

DURHAM COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to the Consolidated Financial Statements

March 31, 2008

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(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.

(m) Future accounting changes

The following summarizes future accounting changes that will be relevant to the College's financial statements subsequent to March 31, 2008:

Financial instruments – disclosure:

The Canadian Institute of Chartered Accountants ("CICA") has issued new accounting standards on financial instruments that revise and enhance the current disclosure requirements but do not change the existing presentation requirements for financial instruments. These new standards will be reflective for the College commencing on April 1, 2008. The new disclosures will provide additional information on the nature and extent of risks arising from financial instruments to which the College is exposed and how it manages those risks.

Inventories:

The CICA Handbook has a new Section 3031, Inventories, to replace existing Section 3030 of the same title. The new standards provide additional guidance on the measurement and disclosure requirements for inventories. Specifically, they require inventories to be measured at the lower of cost and net realizable value, and provide guidance on the determination of cost and its subsequent recognition as an expense, including any write-down to net realizable value. This new standard is required to be adopted on April 1, 2008, management is currently investigating the impact of the standard on the financial statements.

2. ACCOUNTING CHANGES – FINANCIAL INSTRUMENTS

Effective April 1, 2007, the College adopted the CICA Handbook Section 3855, Financial Instruments – Recognition and Measurement. In accordance with the transitional provisions of this section, the College has applied this change on a retroactive basis without restatement.

DURHAM COLLEGE OF APPLIED ARTS AND TECHNOLOGY
Notes to the Consolidated Financial Statements
March 31, 2008

2. ACCOUNTING CHANGES – FINANCIAL INSTRUMENTS (continued)

(a) Long-term loan receivable

The College has designated its long-term loan receivable as Loans and Receivables and carries it at amortized cost. There is no impact from this adoption as the amortized cost of the long-term loan receivable approximates its carrying value.

(b) Long-term investments

The College has designated all of its investments as held for trading and as such they are recorded at fair value. Transaction costs related to the purchase of investments are capitalized and sale of investments are expensed in the year incurred. Changes in unrealized gains are treated as an increase or decrease in the statement of operations.

As required by the transitional provision of the handbook section, the accounting policy change has been adopted on a retroactive basis, without restatement. The impact of this change is to adjust deferred contributions for \$7,037 representing the net unrealized loss on investments, beginning of year of \$663,808 and a gain in the current year of \$656,771.

(c) Long-term debt

The College has designated its long-term debt as Other Liabilities and carries them at amortized cost. There is no impact from this adoption as the amortized cost of the long-term debt approximates its carrying value.

(d) Interest rate swaps

The College has two interest rate swaps considered to be derivatives and valued at market. The impact of the adoption was to record a reduction to unrestricted net assets of \$622,415 and to record a current year unrealized expense of \$956,161.

3. LONG-TERM LOAN RECEIVABLE

Long-term loan receivable includes a loan receivable from the Durham College Student Association Incorporated, a corporation without share capital, amounting to \$1,844,576 (2007 - \$2,087,642) 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.

DURHAM COLLEGE OF APPLIED ARTS AND TECHNOLOGY
Notes to the Consolidated Financial Statements
March 31, 2008

4. LONG TERM INVESTMENTS

	2008		2007	
	Cost	Market	Cost	Market
Equities	\$ 3,514,964	\$ 3,646,064	\$ 2,829,658	\$ 3,460,884
Fixed income	1,969,787	1,879,491	2,191,683	2,174,069
Mutual Funds	386,697	338,856	208,497	258,693
	\$ 5,871,448	\$ 5,864,411	\$ 5,229,838	\$ 5,893,646

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, 2008 were approximately \$987,000 (2007 - \$1,026,000) in Canadian dollars.

(a) Credit, interest rate and maturity risk:

The value of fixed income securities will generally rise if interest rates fall and decrease if interest rates rise. Changes in interest rates may also affect the value of equity securities. The fixed income investments consist of government bonds and corporate bonds, bearing interest at rates ranging from 4.25% to 6.35% (2007 - 4.25% to 6.35%) and maturing from November 19, 2008 to October 15, 2036 (2007 – September 24, 2007 to June 18, 2035).

(b) Foreign currency risk:

The value of securities denominated in a currency other than Canadian dollars will be affected by changes in the value of the Canadian dollar in relation to the value of the currency in which the security is denominated.

(c) Market risk:

Market risk arises as a result of trading fixed income securities. The value of equity securities change with stock market conditions, which are affected by general economic and market conditions. Changes in interest rates may also affect the value of equity securities. Fluctuation in the market exposes the College to a risk of loss.

(d) Liquidity risk:

Money market investments represent instruments in highly liquid investments that are readily converted into known amounts of cash.

5. INVESTMENT IN CTRC

Durham College holds a 7% equity position in Canada Technology & Relationship Centre (“CTRC”) as a result of an investment of \$500,000 in 2008.

DURHAM COLLEGE OF APPLIED ARTS AND TECHNOLOGY
Notes to the Consolidated Financial Statements
March 31, 2008

6. CAPITAL ASSETS

	Cost			Accumulated Amortization	Net Book Value	
	Beginning Balance	Additions	Ending Balance		2008	2007
Land	\$ 14,328,016	\$ -	\$ 14,328,016	\$ -	\$ 14,328,016	\$ 14,328,016
Buildings	180,421,828	21,119,571	201,541,399	62,231,228	139,310,171	115,270,659
Computers	-	1,344,286	1,344,286	349,304	994,982	-
Equipment and furniture	69,111,873	1,639,837	70,751,710	59,572,117	11,179,593	24,285,579
Construction- in-progress	14,496,059	(14,496,059)	-	-	-	14,496,059
	\$ 278,357,776	\$ 9,607,635	\$ 287,965,411	\$ 122,152,649	\$ 165,812,762	\$ 168,380,313

Amortization for the current year totalled \$12,175,181 (2007 - \$11,221,629).

7. 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.

Included in accounts payable and accrued liabilities is \$6,831,815 from 2007 due to the University of Ontario Institute of Technology relating to payments of \$2,277,272 each in years 2005, 2006 and 2007 for the mortgage payments on the Windfields Farms land.

8. DEFERRED CONTRIBUTIONS

(a) Deferred revenue

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

DURHAM COLLEGE OF APPLIED ARTS AND TECHNOLOGY
Notes to the Consolidated Financial Statements
March 31, 2008

8. DEFERRED CONTRIBUTIONS (continued)

(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.

	<u>2008</u>	<u>2007</u>
Balance, beginning of year	\$ 54,771,770	\$ 57,944,564
Contributions	4,399,300	483,210
Less amounts amortized to revenue	(3,995,717)	(3,656,004)
Balance, end of year	<u>\$ 55,175,353</u>	<u>\$ 54,771,770</u>

As at March 31, 2008 there was \$65,309 (2007 – \$110,939) of deferred capital contributions which were received and not spent.

(ii) Foundation

	<u>2008</u>	<u>2007</u>
Balance, beginning of year	\$ 1,228,102	\$ 1,050,884
Contributions	448,021	438,451
Scholarships & Bursaries	(301,074)	(261,233)
Balance, end of year	<u>\$ 1,375,049</u>	<u>\$ 1,228,102</u>
Total deferred contributions	<u>\$ 56,550,402</u>	<u>\$ 55,999,872</u>

DURHAM COLLEGE OF APPLIED ARTS AND TECHNOLOGY
Notes to the Consolidated Financial Statements
March 31, 2008

9. LONG TERM DEBT

	<u>2008</u>	<u>2007</u>
5.48% unsecured mortgage on student residence, repayable in monthly instalments of \$69,740 principal and interest, due 2023, interest rate renewable in 2013.	\$ 8,815,326	\$ 9,227,641
5.51% unsecured mortgage on student residence, repayable in monthly instalments of \$61,392 principal and interest, due July 2017.	8,717,121	8,958,033
5.57% unsecured mortgage on student residence, repayable in monthly instalments of \$204,649 principal and interest, due May 2029, interest rate renewal in May 2014.	30,480,985	31,417,960
4.89% unsecured mortgage on student residence, repayable in monthly instalments of \$74,505 principal and interest, due in May 2014.	11,759,687	12,069,370
5.75% unsecured mortgage on off-campus parking lot, interest payable monthly, principal due August 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, due August 2008.	1,831,420	1,963,815
Variable rate secured mortgage, with an underlying swap fixing the rate at 5.14% on 199 Wentworth Avenue, due April 2016, interest and principal paid monthly.	8,706,000	8,915,000
Variable rate secured mortgage, with an underlying swap fixing the rate at 5.38% on the Athletic and Health Centre, due in November 2032, interest and principal paid monthly.	13,907,181	11,393,494
Prime rate plus 0.75% non-revolving term facility, repayable in monthly instalments of \$2,945 principal and interest paid in full March, 2008.	-	132,525
	85,317,720	85,177,838
Less current portion	5,169,340	3,210,095
	\$ 80,148,380	\$ 81,967,743

DURHAM COLLEGE OF APPLIED ARTS AND TECHNOLOGY
Notes to the Consolidated Financial Statements
March 31, 2008

9. LONG TERM DEBT (continued)

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

2009	\$	5,169,340
2010		2,358,298
2011		2,486,486
2012		2,620,460
2013		2,737,917
Thereafter		69,945,219
	\$	85,317,720

The College has entered into a forward starting interest rate swap to manage the interest rate variability arising on the 25 year mortgage for the Athletic and Health Centre. 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, 2008, the fair value of the swap was a liability of \$1,065,564 (2007 – \$622,414).

The College has entered into an interest rate 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 5.14% on an initial principal amount of \$9,100,000 over the 10 year life of the mortgage. At March 31, 2008, the fair value of the swap was a liability of \$513,012 (2007 – \$210,496).

The College has a credit facility agreement with a Canadian chartered bank, which provides for a revolving operating line of credit up to \$10,000,000, bearing interest at prime less 0.25%. At March 31, 2008, the college utilized \$6,810,950 (2007 - \$9,950,881) of the operating line of credit.

The College has a credit facility agreement with another Canadian chartered bank, which provides for a revolving operating line of credit up to \$1,000,000 bearing interest at prime. As at March 31, 2008, nil was utilized.

The College has entered into Irrevocable Standby Letters of Credit with a Canadian chartered bank. They include: \$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 up to \$15,000,000, subject to the borrowing base calculation which is based on a percentage of trade accounts receivable. At March 31, 2008, the subsidiary had not utilized the operating line of credit (2007 - \$372,960).

DURHAM COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to the Consolidated Financial Statements

March 31, 2008

9. LONG TERM DEBT (continued)

The subsidiary has a non-revolving term credit facility of \$1,600,000, repayable in equal monthly installments over a 60 month term. As at March 31, 2008, the balance of the loan facility was nil (2007 - \$132,525).

Interest on this non-revolving term credit facility during the year was \$53,899 (2007 - \$9,950).

Borrowings under the line of 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 and a Guarantee for the repayment of the loans.

Starting in June 2007, the subsidiary was in breach of one of the Covenants under this banking agreement. Therefore the maximum amount of the line of credit allowed by the bank was limited to \$3,500,000 until the covenant requirements are met by the subsidiary. The subsidiary does not have any amounts drawn under this facility as at March 31, 2008.

10. EMPLOYEE FUTURE BENEFITS

Employee future benefits are health and dental benefits that are provided to early retirees, future retirees 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, 2008 was determined by an actuarial valuation study as at March 31, 2008 commissioned by the College Compensation and Appointments Council using a discount rate of 5.50% (2007 – 4.85%).

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

	<u>2008</u>	<u>2007</u>
Balance, beginning of year	\$ 529,000	\$ 730,000
Current service costs	65,000	(125,000)
Interest	22,000	27,000
Benefits paid	(57,000)	(103,000)
Balance, end of year	<u>\$ 559,000</u>	<u>\$ 529,000</u>

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.

DURHAM COLLEGE OF APPLIED ARTS AND TECHNOLOGY
Notes to the Consolidated Financial Statements
March 31, 2008

11. 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 as at March 31, 2008 using a discount rate of 5.50% (2007 - \$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 5.50% (2007 - \$4.85%).

12. 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 individual donor. Income earned is expendable.

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.

DURHAM COLLEGE OF APPLIED ARTS AND TECHNOLOGY
Notes to the Consolidated Financial Statements
March 31, 2008

12. RESTRICTED NET ASSETS (continued)

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

	<u>2008</u>	<u>2007</u>
OSOTF (Note 13)	\$ 4,159,737	\$ 4,038,578
OTSS (Note 14)	2,098,870	772,821
Other	927,870	905,189
	<u>\$ 7,186,477</u>	<u>\$ 5,716,588</u>

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

13. 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:

DURHAM COLLEGE OF APPLIED ARTS AND TECHNOLOGY
Notes to the Consolidated Financial Statements
March 31, 2008

OSOTF I

**Schedule of Changes in Endowment Fund Balance
for the year ended March 31**

	<u>2008</u>	<u>2007</u>
Endowment fund balance, beginning of year	\$ 2,020,845	\$ 1,961,983
Preservation of Capital	60,625	58,862
Endowment fund balance, end of year	\$ 2,081,470	\$ 2,020,845

**Schedule of Changes in Expendable Funds Available for
Awards for the year ended March 31**

	<u>2008</u>	<u>2007</u>
Expendable balance, beginning of year	\$ 23,464	\$ 32,300
Realized investment income	156,290	68,164
Bursaries awarded	(80,835)	(77,000)
Expendable balance, end of year	98,919	23,464

Number of bursaries awarded	104	124
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Market value of endowment	\$ 2,098,766	\$ 1,888,397
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OSOTF II

**Schedule of Changes in Endowment Fund Balance
for the year ended March 31**

	<u>2008</u>	<u>2007</u>
Endowment fund balance, beginning of year	\$ 2,017,735	\$ 1,958,840
Preservation of Capital	60,532	58,895
Endowment fund balance, end of year	\$ 2,078,267	\$ 2,017,735

**Schedule of Changes in Expendable Funds Available for
Awards for the year ended March 31**

	<u>2008</u>	<u>2007</u>
Expendable balance, beginning of year	\$ 47,564	\$ 56,358
Realized investment income	158,538	68,206
Bursaries awarded	(80,705)	(77,000)
Expendable balance, end of year	125,397	47,564

Number of bursaries awarded	104	52
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Market value of endowment	\$ 2,095,736	\$ 1,888,115
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DURHAM COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to the Consolidated Financial Statements

March 31, 2008

14. 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 in this program:

Schedule of Changes in Endowment Fund Balance for the year ended March 31

	2008	2007
Endowment balance, beginning of year	\$ 772,821	\$ 257,514
Eligible cash donations	483,399	253,791
Matching funds received/receivable from MTCU	819,465	253,791
Preservation of capital	23,185	7,725
Endowment fund balance, end of year	\$ 2,098,870	\$ 772,821

Schedule of Changes in Expendable Funds Available for Awards for the year ended March 31

	2008	2007
Expendable balance, beginning of year	\$ 947	\$ -
Realized Investment income	103,977	8,947
Bursaries awarded	(30,913)	(8,000)
Expendable balance, end of year	\$ 74,011	\$ 947
Number of Bursaries awarded	40	10

15. 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. The College follows defined contribution accounting for its portion of the multi-employer plan. In the 2008 fiscal year, the College's contributions in respect to the current service costs for these pension plans amounted to \$4,325,744 (2007 - \$3,884,535). The pension plan is administered by a Board of Trustees and, based on the latest actuarial report of January 1, 2007, the plan has a going concern and solvency deficit. The deficit on a going concern basis is eliminated when the contribution increase over the next three years is considered. The solvency deficit is of a manageable size. Any unfunded liability would be shared equally between the colleges and their employees.

Durham College Educational Networks, 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 2008, the subsidiary

DURHAM COLLEGE OF APPLIED ARTS AND TECHNOLOGY
Notes to the Consolidated Financial Statements
March 31, 2008

15. PENSION PLANS (continued)

contributed a total of \$199,250 (2007 - \$244,000) 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.

16. INVESTED IN CAPITAL ASSETS

(a) Investment in capital assets represents the following:

	<u>2008</u>	<u>2007</u>
Capital assets - net book value	\$ 165,812,762	\$ 168,380,313
Less amount financed by deferred capital contributions (Note 8(b))	(55,110,044)	(54,660,830)
Less amount financed by long term debt (Note 9)	(85,317,720)	(85,177,839)
Investment in capital assets	<u>\$ 25,384,998</u>	<u>\$ 28,541,644</u>

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

	<u>2008</u>	<u>2007</u>
Amortization of deferred contributions related to capital assets	\$ 3,995,717	\$ 3,656,004
Less amortization of capital assets	(12,175,181)	(11,221,629)
	<u>(8,179,464)</u>	<u>(7,565,625)</u>

Net change in investment in capital assets:

Purchases of capital assets	9,607,630	18,454,481
Amounts funded by:		
Deferred capital contributions	(4,444,930)	(1,941,300)
Long-term debt	(2,606,506)	(10,741,990)
Repayment of long-term debt	2,466,624	3,934,606
	<u>\$ 5,022,818</u>	<u>\$ 9,705,797</u>

DURHAM COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to the Consolidated Financial Statements

March 31, 2008

17. SERVICE COSTS

Durham College provides certain administrative services to the University of Ontario Institute of Technology under a shared service agreement. The cost of salaries, benefits and operating expenses allocated to the University has been calculated based on an individual percentage per department.

Effective April 1, 2007, the ancillary operations are being allocated based on metrics per operation between the College and the University of Ontario Institute of Technology. Prior to fiscal 2008, the gross revenues and expenses were recorded on the Durham College statements and an allocation of net profits was provided to the University.

18. COMMITMENTS

Computer equipment

The College has entered into various arrangements to lease laptop computers which will expire up to and including Fiscal 2010. The current cost of this operating lease reflected in the financial statements is \$1,015,163 (2007 - \$1,530,087).

Premises and equipment

Future minimum lease payments, exclusive of taxes and operating costs, for premises and equipment under operating leases at March 31, 2008 are as follows:

2009	1,672,848
2010	689,774
2011	307,926
2012	169,485
2013	56,400
	<u>\$ 2,896,433</u>

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 debenture, by contributing \$3.5 million from surplus on a year-to-year basis.

19. CONTINGENCIES

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, 2008 and accordingly, no provision has been made in these financial statements for any liability which may result.

The College's subsidiaries have been named defendants in one legal action that relates to a dispute with a former customer. The legal action has been resolved subsequent to year end and the settlement liability has been accrued in the financial statements.

DURHAM COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to the Consolidated Financial Statements

March 31, 2008

19. CONTINGENCIES (continued)

The College and its subsidiaries are involved in various legal actions that are normal to their business. In the opinion of management, any resulting liabilities are not expected to have a material adverse effect on the consolidated financial position or net operations.

In Fiscal 2004, the College entered into an agreement to construct a facility for which the commitment has not yet been fulfilled. Management is in the process of determining an alternative plan with the third party. A resolution has not yet been finalized and no accruals have been recorded in the financial statements.

20. 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.

DURHAM COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to the Consolidated Financial Statements

March 31, 2008

21. FINANCIAL INSTRUMENTS

Fair value

The fair value of financial assets and liabilities approximate their carrying value due to the related short-term maturity. Fair value of long-term note receivable are disclosed in (Note 3), long-term investments (Note 4), and long-term debt (Note 9).

Interest rate risk

The College is exposed to interest rate fluctuations on its long-term debt. The College currently does not use any hedging strategies to mitigate this interest rate exposure other than as disclosed in Note 9.

Foreign exchange risk

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

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

	<u>2008</u>	<u>2007</u>
Cash (Bank Indebtedness)	\$ 418,980	\$ (45,674)
Accounts receivable	2,560,699	4,591,323
Future income tax asset	621,750	602,607
Accounts payable and accrued liabilities	421,313	658,281

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.

22. COMPARATIVE FIGURES

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

23. SUBSEQUENT EVENT

The Durham College Board of Governors agreed to the divestiture of the Durham Contact Centre (DCC) and the Productivity Improvement Centre (PIC) group of companies. The activities are not complete and hence, the impact to the financial statements is not yet known. The financial impact of the divestiture will be recognized in the period the transaction is finalized.

DURHAM COLLEGE OF APPLIED ARTS AND TECHNOLOGY
Consolidated Analysis of Operating Revenue - Schedule 2-1
Year ended March 31, 2008

	<u>2008</u>	<u>2007</u>
GRANTS AND REIMBURSEMENTS		
General Operating (mainly Post Secondary)	\$ 29,324,626	\$ 27,766,755
Grants In Lieu of Municipal Taxation	429,750	423,300
Termination Gratuities	-	57,262
Special Programs/Projects	11,208,518	8,959,698
Other Reimbursements	1,086,539	2,188,290
Canadian Job Strategy Apprenticeship	4,052,857	3,678,143
Ontario Training Strategy Career and Employment Preparation Program and Summer Job Services Program	2,364,009	2,499,804
Literacy and Basic Skills	1,412,599	1,235,402
	49,878,898	46,808,654
STUDENT TUITION FEES		
Full-Time Students	13,327,573	11,310,899
Part-Time Students	4,924,430	4,149,642
International	1,174,088	1,212,639
Tuition Set-Aside	1,356,127	1,908,524
	20,782,218	18,581,704
ANCILLARY OPERATIONS	15,503,834	19,026,142
CORPORATE TRAINING AND OTHER INCOME		
Training Centre Fees	6,044,266	6,898,090
Other	11,912,753	11,138,597
Student Incidental Fees	4,892,441	3,852,588
	22,849,460	21,889,275
AMORTIZATION OF DEFERRED CAPITAL CONTRIBUTIONS	3,995,717	3,656,004
TOTAL OPERATING REVENUE	\$ 113,010,127	\$ 109,961,779

DURHAM COLLEGE OF APPLIED ARTS AND TECHNOLOGY
Consolidated Analysis of Operating Human Resource Expenditure - Schedule 2-2
Year ended March 31, 2008

	<u>2008</u>	<u>2007</u>
TEACHING SALARIES		
Full-time academic	\$ 22,843,474	\$ 20,728,923
Coordinators' allowances	229,424	223,430
Other leaves	469,528	389,261
Professional leaves	191,515	172,394
Overtime - academic	604,817	170,362
Part-time academic	4,051,886	4,023,261
Partial load academic	839,146	551,040
Sessional teaching	1,521,496	1,263,726
Contract teaching services	639,869	964,223
	<u>31,391,155</u>	<u>28,486,620</u>
OTHER SALARIES		
Full-time administration	7,077,601	5,936,021
Full-time support	11,808,976	10,956,802
Other leaves	607,972	504,841
Overtime - support	147,839	161,072
Part-time support	1,283,011	1,099,455
Other support	189,323	80,021
	<u>21,114,722</u>	<u>18,738,212</u>
EMPLOYEE BENEFITS	<u>8,848,711</u>	<u>8,558,198</u>
TOTAL OPERATING HUMAN RESOURCE EXPENDITURE	<u>\$ 61,354,588</u>	<u>\$ 55,783,030</u>

DURHAM COLLEGE OF APPLIED ARTS AND TECHNOLOGY
Consolidated Analysis of Operating Administrative
and Other Expenditure - Schedule 2-3
Year ended March 31, 2008

	<u>2008</u>	<u>2007</u>
Instructional supplies	\$ 2,017,314	\$ 1,896,378
Memberships and dues	127,525	105,814
Professional development and recruitment	415,006	672,452
Travel and accommodation	690,640	780,266
Promotion/public relations	1,285,825	1,398,998
Maintenance - equipment	670,590	1,084,392
Telecommunications	377,937	536,707
Office supplies and other	5,631,012	3,380,874
IT hardware, software & maintenance	1,478,013	1,141,978
Maintenance - buildings and grounds	631,940	670,617
Insurance	507,756	656,225
Professional fees	498,135	606,925
Contract - security services	562,766	497,092
Contract - cleaning services	1,252,793	1,145,306
Contract - other services	2,211,480	2,968,006
Utilities	2,281,197	2,216,727
Refuse removal	154,123	149,537
Postage	213,123	220,352
Bank services and credit card charges	2,086,554	1,690,809
Derivative interest	956,161	-
Rental and leasing charges	1,936,145	2,893,124
Bad debts	267,030	342,049
International	437,099	-
Student assistance program	2,044,955	2,790,261
TOTAL ADMINISTRATIVE AND OTHER OPERATING EXPENDITURES	\$ 28,735,119	\$ 27,844,889
FLOW THROUGH EXPENDITURE		
Participants Wages, Training Allowances and Benefits	\$ 778,540	\$ 838,876
Special Support Allowances	31,789	35,161
Municipal Taxes	429,879	423,291
Termination Gratuities	134,701	196,368
Reimbursable Expenditure	2,264,291	2,508,861
TOTAL FLOW THROUGH EXPENDITURE	\$ 3,639,200	\$ 4,002,557

DURHAM COLLEGE OF APPLIED ARTS AND TECHNOLOGY
Consolidated Analysis of Corporate Training Expenditure - Schedule 2-4
Year ended March 31, 2008

	<u>2008</u>	<u>2007</u>
SALARIES		
Full-time academic	\$ 91,509	\$ 87,628
Part-time academic	157,431	284,584
Contract teaching services	4,740	5,681
Full-time administration	284,152	295,249
Full-time support	278,012	353,829
Overtime - support	6,512	23,610
Part-time support	45,907	43,690
Other support	1,279,580	1,436,454
	2,147,843	2,530,725
EMPLOYEE BENEFITS	486,390	374,564
	2,634,233	2,905,289
ADMINISTRATIVE AND OTHER EXPENDITURE		
Instructional supplies	115,511	125,023
Travel and accommodation	72,397	402,203
Promotion/public relations	38,942	9,117
Office supplies and other	473,047	295,432
Contract - other services	1,385,855	1,213,958
	2,085,752	2,045,733
TOTAL CORPORATE TRAINING EXPENDITURE	\$ 4,719,985	\$ 4,951,022

DURHAM COLLEGE OF APPLIED ARTS AND TECHNOLOGY
Consolidated Analysis of Ancillary Expenditure - Schedule 2-5
Year ended March 31, 2008

	<u>2008</u>	<u>2007</u>
SALARIES		
Full-time administrative	\$ 136,916	\$ 597,387
Full-time support	550,100	919,208
Overtime - support	4,717	2,304
Part-time support	157,022	288,804
Other support	606,448	632,895
	1,455,203	2,440,598
EMPLOYEE BENEFITS	173,741	362,621
	1,628,944	2,803,219
ADMINISTRATIVE AND OTHER EXPENDITURE		
Office supplies and other	196,126	225,934
Maintenance - buildings and equipment	118,343	159,282
Maintenance - grounds	277,455	557,784
Contract security services	119,784	299,022
Contract - other services	605,198	661,339
Utilities	79,698	233,352
Credit card charges	32,239	79,142
Residence	5,839,127	6,129,495
Cost of goods sold	3,899,303	5,353,887
	11,167,273	13,699,237
TOTAL ANCILLARY EXPENDITURE	\$ 12,796,217	\$ 16,502,456

DURHAM COLLEGE OF APPLIED ARTS AND TECHNOLOGY
Consolidated Analysis of Durham College Educational Network
Statement of Operations - Schedule 2-6
Year ended March 31, 2008

	<u>2008</u>	<u>2007</u>
REVENUES	\$ 53,462,131	\$ 50,901,096
DIRECT COST OF SERVICES	34,689,105	35,403,413
EXPENSES		
Salaries and benefits	8,268,215	8,613,052
Occupancy	1,915,796	2,412,719
Professional fees	617,015	368,825
Bad debt	748,228	737,046
Amortization	1,866,076	1,847,960
Foreign exchange	1,746,609	514,360
General administration and other	2,522,830	1,813,088
Technology	1,403,328	1,414,870
Marketing	912,578	784,864
Income taxes	23,258	11,123
TOTAL EXPENSES	54,713,038	53,921,320
EXCESS OF EXPENSES OVER REVENUE		
REVENUE OVER EXPENSES	\$ (1,250,907)	\$ (3,020,224)