

Financial Statements

Ontario College of Art & Design University
May 31, 2011

INDEPENDENT AUDITORS' REPORT

To the Board of Governors of
Ontario College of Art & Design University

We have audited the accompanying financial statements of **Ontario College of Art & Design University** as at and for the year ended May 31, 2011 consisting of the following:

- Balance sheet
- Statement of operations and changes in unrestricted net assets (deficit)
- Statement of changes in net assets
- Statement of cash flows

and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

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

Auditors' responsibility

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal

control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of **Ontario College of Art & Design University** as at May 31, 2011 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Toronto, Canada,
September 12, 2011.

Ernst & Young LLP

Chartered Accountants
Licensed Public Accountants

Ontario College of Art & Design University

BALANCE SHEET

As at May 31

	2011 \$	2010 \$
ASSETS		
Current		
Cash and cash equivalents <i>[note 3]</i>	12,492,790	9,195,837
Accounts receivable	3,295,615	1,744,260
Other	480,474	502,586
Due from OCAD University Foundation <i>[note 10]</i>	454,895	513,136
Total current assets	16,723,774	11,955,819
Investments <i>[note 3]</i>	8,453,542	9,610,245
Capital assets, net <i>[note 4]</i>	96,865,547	95,374,964
	122,042,863	116,941,028
LIABILITIES AND NET ASSETS		
Current		
Accounts payable and accrued charges	10,219,672	7,043,308
Deferred revenue	4,874,015	4,063,567
Other deferred contributions <i>[note 8]</i>	2,445,304	1,439,791
Operating loan <i>[note 6]</i>	5,175,000	5,361,000
Current portion of long-term debt <i>[note 6]</i>	561,046	534,936
Total current liabilities	23,275,037	18,442,602
Deferred capital contributions <i>[note 5]</i>	56,306,637	55,716,907
Long-term debt <i>[note 6]</i>	33,973,507	34,514,553
Other <i>[note 6[b]]</i>	4,561,359	3,525,538
Total liabilities	118,116,540	112,199,600
Commitments <i>[note 9 and 13]</i>		
Net assets		
Surplus (deficit)	46,640	(395,901)
Internally restricted <i>[note 7]</i>	3,879,683	5,137,329
Total net assets	3,926,323	4,741,428
	122,042,863	116,941,028

See accompanying notes

On behalf of the Board:

Director

Director

Ontario College of Art & Design University

**STATEMENT OF OPERATIONS AND CHANGES IN
UNRESTRICTED NET ASSETS (DEFICIT)**

Year ended May 31

	2011	2010
	\$	\$
REVENUE		
Provincial grants	24,150,260	22,254,467
Student fees	23,034,042	20,172,959
Research contributions	2,657,260	720,030
Class fees and supply sales	744,345	587,346
Investment income	151,632	191,742
General donations <i>[note 10]</i>	854,875	816,233
Bursary and scholarship donations <i>[note 10]</i>	411,752	373,984
Amortization of deferred capital contributions <i>[note 5]</i>	2,059,013	1,627,887
Ancillary services	149,246	163,643
Rental income	4,058,304	1,712,978
Other	1,708,374	1,306,710
	59,979,103	49,927,979
EXPENSES		
Academic		
Salaries and benefits <i>[note 11]</i>	28,758,685	24,487,266
Support	6,146,422	5,665,329
	34,905,107	30,152,595
Administration	10,657,505	9,039,214
Bursaries and scholarships	1,321,329	1,234,684
Physical plant	7,319,489	6,466,516
Amortization of capital assets	3,373,868	2,861,625
Interest <i>[note 6]</i>	2,162,199	1,356,123
Ancillary services	18,890	24,857
	59,758,387	51,135,614
Excess (deficiency) of revenue over expenses for the year	220,716	(1,207,635)
Net change in unrealized loss on interest rate swap <i>[note 6[b]]</i>	(1,035,821)	(291,423)
Net change in internally restricted net assets <i>[note 7]</i>	1,257,646	1,503,457
Change in unrestricted net assets	442,541	4,399
Deficit, beginning of year	(395,901)	(400,300)
Surplus (deficit), end of year	46,640	(395,901)

See accompanying notes

Ontario College of Art & Design University

STATEMENT OF CHANGES IN NET ASSETS

Year ended May 31

	<u>2011</u>			<u>2010</u>
	<u>Surplus (deficit)</u> \$	<u>Internally restricted</u> \$	<u>Total</u> \$	<u>Total</u> \$
Net assets, beginning of year	(395,901)	5,137,329	4,741,428	6,240,486
Excess (deficiency) of revenue over expenses for the year	220,716	—	220,716	(1,207,635)
Net change in unrealized loss on interest rate swap <i>[note 6[b]]</i>	(1,035,821)	—	(1,035,821)	(291,423)
Net change in internally restricted net assets <i>[note 7]</i>	1,257,646	(1,257,646)	—	—
Net assets, end of year	46,640	3,879,683	3,926,323	4,741,428

See accompanying notes

Ontario College of Art & Design University

STATEMENT OF CASH FLOWS

Year ended May 31

	2011 \$	2010 \$
OPERATING ACTIVITIES		
Excess (deficiency) of revenue over expenses for the year	220,716	(1,207,635)
Add (deduct) non-cash items		
Amortization of capital assets	3,373,868	2,861,625
Amortization of deferred capital contributions	(2,059,013)	(1,627,887)
Deferred capital contributions recognized as revenue related to capital funding used for repairs and maintenance	(237,004)	(350,050)
Net (increase) decrease in due from OCAD University Foundation	58,241	(385,980)
	1,356,808	(709,927)
Net change in non-cash working capital balances related to operations	3,463,082	2,014,119
Cash provided by operating activities	4,819,890	1,304,192
INVESTING ACTIVITIES		
Purchase of capital assets	(4,864,451)	(31,668,377)
Net change in investments	1,156,703	1,376,438
Cash used in investing activities	(3,707,748)	(30,291,939)
FINANCING ACTIVITIES		
Restricted contributions received for capital purposes	2,885,747	9,065,600
Advances on long-term debt financing	—	15,000,000
Repayment of long-term debt	(514,936)	(292,845)
Advances on operating loan	—	12,957,000
Repayments of operating loan	(186,000)	(7,596,000)
Cash provided by financing activities	2,184,811	29,133,755
Net increase in cash and cash equivalents during the year	3,296,953	146,008
Cash and cash equivalents, beginning of year	9,195,837	9,049,829
Cash and cash equivalents, end of year	12,492,790	9,195,837

See accompanying notes

Ontario College of Art & Design University

NOTES TO FINANCIAL STATEMENTS

May 31, 2011

1. PURPOSE OF THE ORGANIZATION

Ontario College of Art & Design University commenced operations in 1876 and was continued under the Ontario College of Art & Design Act in 2002. Bill 43, enacted June 8, 2010, the Post-secondary Educational Statute Law Amendment Act, included provisions to change the name of the Ontario College of Art & Design to Ontario College of Art & Design University [the "University"]. The University is dedicated to providing post-secondary education to professional artists and designers.

The University receives financial support from the OCAD University Foundation [the "Foundation"], whose accounts are not consolidated in these financial statements [note 10]. The principal objectives of the Foundation are to solicit, invest, receive and distribute monies and other property to support education and research at the University.

The University is a charitable organization and, as such, is exempt from income taxes under the Income Tax Act (Canada).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles within the framework of the significant accounting policies summarized below:

Future change in accounting policies

The Accounting Standards Board of the Canadian Institute of Chartered Accountants ["CICA"] issued Part III of the CICA Handbook that sets out the accounting standards for not-for-profit organizations that are effective for fiscal years beginning on or after January 1, 2012, with an option to early-adopt. The University is currently evaluating the impact of these standards.

Revenue recognition

The University follows the deferral method of accounting for contributions, which include donations and government grants. 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. Donations are recorded on a cash basis since pledges are not legally enforceable claims. Externally restricted contributions are deferred and recognized as revenue in the year in which the related expenses are recognized. Student fees are recognized as revenue when courses are held. Ancillary services revenue and rental income are recognized at point of sale or when the service has been provided.

NOTES TO FINANCIAL STATEMENTS

May 31, 2011

Cash and cash equivalents

Cash and cash equivalents consist of cash on deposit and short-term investments with maturities of less than 90 days at the date of purchase. Cash and cash equivalents exclude amounts that are managed for returns rather than being held for liquidity.

Investments

Publicly traded securities are valued based on the latest bid prices and pooled funds are valued based on reported unit values. Short-term securities are valued based on cost plus accrued income, which approximates fair value. Transactions are recorded on a settlement date basis and transaction costs are expensed as incurred.

Financial instruments

The University has chosen to apply CICA 3861: *Financial Instruments - Disclosure and Presentation* in place of CICA 3862: *Financial Instruments - Disclosures* and CICA 3863: *Financial Instruments - Presentation*.

Derivative financial instruments

Derivative financial instruments are contracts that require or provide the opportunity to exchange cash flows or payments determined by applying certain rates, indices or changes to notional contract amounts. The University uses interest rate swaps in order to manage interest rate exposure. These instruments have been designated as effective hedges.

Hedges are documented at inception, detailing the particular risk management objective and the strategy for undertaking the hedge transaction. The documentation identifies the liability being hedged, the type of derivative used and how effectiveness is measured. The derivative must be highly effective in accomplishing the objective of offsetting changes in cash flows attributable to the risk being hedged both at inception and over the life of the hedge.

For derivatives in hedging relationships, the effective portion of the gain or loss is recorded as a direct increase (decrease) in net assets (deficit), and the ineffective portion, if any, is recognized in the statement of operations and changes in unrestricted net assets (deficit). Derivative transactions that do not qualify for hedge accounting are carried at fair value, with changes in value during the year recorded as revenue (expense).

Ontario College of Art & Design University

NOTES TO FINANCIAL STATEMENTS

May 31, 2011

Capital assets

Land is carried at cost. Purchased capital assets are carried at acquisition cost. Contributed capital assets are capitalized at fair market value at the date of contribution. Capital assets are amortized on a straight-line basis over the estimated useful lives of the assets as follows:

Buildings and building improvements	40 years
Equipment and furnishings	8 years
Computer equipment	5 years

Employee future benefits

Contributions to a defined contribution pension plan are expensed when due.

Contributed materials and services

Donors contribute an indeterminable amount of materials and services each year. Because of the difficulty of determining their fair value, contributed materials and services are not recognized in these financial statements.

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 amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Allocation of costs

Academic, administration and physical plant expenses presented in the statement of operations and changes in unrestricted net assets (deficit) include the costs of personnel and other expenses that are directly related to the function. General support and other costs are not allocated.

The University also allocates salary and benefit costs related to personnel who work directly on managing capital projects to construction in progress.

Ontario College of Art & Design University

NOTES TO FINANCIAL STATEMENTS

May 31, 2011

3. INVESTMENTS

[a] Investments consist of the following:

	2011	2010
	\$	\$
Short-term notes		
Province of Ontario	6,020,190	4,168,569
Province of British Columbia	1,683,804	—
Province of Quebec	—	3,043,496
	7,703,994	7,212,065
Cash and cash equivalents	749,548	2,398,180
	8,453,542	9,610,245

[b] Investments classified as non-current are equal to the total of unspent deferred capital contributions [note 5]. To the extent that the total of investments exceeds this total, the difference is recorded as current assets. To the extent that the total of investments is less than this total, an amount of cash and cash equivalents is classified as long-term.

[c] As at May 31, 2011, short-term notes have a weighted average yield of 0.81% [2010 - 0.45%] and a weighted average term to maturity of 0.99 years [2010 - 0.95 years].

4. CAPITAL ASSETS

Capital assets consist of the following:

	2011		
	Cost	Accumulated amortization	Net book value
	\$	\$	\$
Land	15,783,783	—	15,783,783
Buildings and building improvements	109,997,692	31,560,992	78,436,700
Equipment and furnishings	9,516,065	8,329,336	1,186,729
Computer equipment	5,051,855	3,593,520	1,458,335
	140,349,395	43,483,848	96,865,547

Ontario College of Art & Design University

NOTES TO FINANCIAL STATEMENTS

May 31, 2011

	2010		
	Cost	Accumulated amortization	Net book value
	\$	\$	\$
Land	15,783,783	—	15,783,783
Buildings and building improvements	106,331,269	29,269,433	77,061,836
Equipment and furnishings	8,952,194	7,883,706	1,068,488
Computer equipment	4,417,698	2,956,841	1,460,857
	135,484,944	40,109,980	95,374,964

Building and building improvements include construction in progress of \$774,000 [2010 - \$192,000] which is not being amortized.

The net book value of capital assets does not represent current net realizable value.

5. DEFERRED CONTRIBUTIONS

[a] Deferred capital contributions represent the unamortized amount of donations and grants received for the purchase of capital assets. The amortization of deferred capital contributions is recorded as revenue in the statement of operations and changes in unrestricted net assets (deficit). The changes in the deferred capital contributions balance are as follows:

	2011	2010
	\$	\$
Balance, beginning of year	55,716,907	48,629,244
Add contributions restricted for capital purposes	2,770,204	8,132,217
Add contributions related to prior year capital purchases funded by long-term debt <i>[note 10]</i>	115,543	933,383
Less amortization of deferred capital contributions	(2,059,013)	(1,627,887)
Less amount recognized as revenue related to capital funding used for repairs and maintenance	(237,004)	(350,050)
Balance, end of year	56,306,637	55,716,907
Less unspent capital contributions <i>[note 3]</i>	(8,453,542)	(9,610,245)
Contributions funding capital assets	47,853,095	46,106,662

[b] Other deferred contributions represent grants and donations received for specific purposes, primarily related to research and financial aid, that are unspent at year end.

Ontario College of Art & Design University

NOTES TO FINANCIAL STATEMENTS

May 31, 2011

6. DEBT

The University has the following outstanding debt:

	2011		
	Current \$	Long-term \$	Total \$
Campus Expansion			
Loan facility due October 2017 <i>[note 6[a][i]]</i>	357,000	19,398,334	19,755,334
Loan facility due March 2020 <i>[note 6[a][ii]]</i>	204,046	14,575,173	14,779,219
	561,046	33,973,507	34,534,553
Operating loan <i>[note 6[a][iii]]</i>	5,175,000	—	5,175,000
	5,736,046	33,973,507	39,709,553
	2010		
	Current \$	Long-term \$	Total \$
Campus Expansion			
Loan facility due October 2017 <i>[note 6[a][i]]</i>	340,000	19,735,334	20,075,334
Loan facility due March 2020 <i>[note 6[a][ii]]</i>	194,936	14,779,219	14,974,155
	534,936	34,514,553	35,049,489
Operating loan <i>[note 6[a][iii]]</i>	5,361,000	—	5,361,000
	5,895,936	34,514,553	40,410,489

[a] Campus Expansion debt consists of:

- [i] The University has a term reducing facility with interest payable at the banker's acceptance rate plus a fee of 0.25% [converted to an effective rate of 5.39%], repayable at \$120,000 per month principal and interest. The term of the unsecured loan is 10 years from the date of the drawdown of October 1, 2007 with a 30 year amortization period. The proceeds from the facility are being used to finance the Superbuild expansion program and acquisition of 205 Richmond Street.
- [ii] The University has a term reducing facility with interest payable at the banker's acceptance rate plus a fee of 1.50% [converted to an effective rate of 5.84%], repayable at \$88,000 per month principal and interest. The term of the unsecured loan is 10 years from the date of the drawdown of March 8, 2010 with a 30 year amortization period. The proceeds from the facility were used to finance a portion of the acquisition of 230/240 Richmond Street.

Ontario College of Art & Design University

NOTES TO FINANCIAL STATEMENTS

May 31, 2011

- [iii] The University has an operating loan with a variable interest rate at prime rate plus 0.15% with interest paid monthly and credit limit not to exceed \$7,000,000. The unsecured loan is due on demand with all amounts outstanding repayable on or before December 31, 2015. The proceeds from the facility were used to finance a portion of the acquisition of 230/240 Richmond Street.
- [b] The University has in place Interest Rate Swap Agreements [the "Agreements"], designated as hedges of the long-term debt [the "Campus Expansion Loans"], which will expire on February 1, 2037 and February 8, 2040. Under the terms of the Agreements, the University agrees with the counterparty to exchange, at specified intervals and for a specific period, its floating interest for fixed interest calculated on the notional principal amount of the Campus Expansion Loans. The use of the swaps effectively enables the University to convert the floating rate interest obligations of the Campus Expansion Loans into fixed rate obligations and thus manage its exposure to interest rate cash flow risk. As at May 31, 2011 and 2010, the Agreements qualified as effective hedge transactions.

As at May 31, 2011, the total notional and fair values of the financial instruments are \$35,061,219 [2010 - \$35,596,155] and a loss of \$4,561,359 [2010 - \$3,525,538], respectively. The loss is recorded as other long-term liabilities on the balance sheet.

- [c] The following are the future annual debt principal repayments due over the next five fiscal years and thereafter:

	\$
2012	561,046
2013	592,140
2014	625,079
2015	661,864
2016	692,499
Thereafter	31,928,591
	35,061,219
Less unamortized financing costs	526,666
	34,534,553

Total interest recognized on an accrual basis in the statement of operations and changes in unrestricted net assets (deficit) was \$2,162,199 [2010 - \$1,356,123], of which \$2,001,748 [2010 - \$1,315,132] related to debt initially incurred for a term of more than one year. Total interest paid for the year ended May 31, 2011 was \$2,169,686 [2010 - \$1,294,747].

Ontario College of Art & Design University

NOTES TO FINANCIAL STATEMENTS

May 31, 2011

7. INTERNALLY RESTRICTED NET ASSETS

The funds recorded as internally restricted have been set aside as follows:

	2011 \$	2010 \$
Internally financed capital assets	7,598,609	7,696,410
Digital Futures Initiative	842,433	966,457
Unrealized loss on interest rate swap [note 6[b]]	(4,561,359)	(3,525,538)
	3,879,683	5,137,329
Net change in internally restricted net assets	1,257,646	

8. ONTARIO GOVERNMENT MATCHING PROGRAMS

[a] The Foundation receives and records in its financial statements donations eligible for matching under Government of Ontario matching programs that provide funding for bursaries. The matching contributions from the Government of Ontario, which are claimed by the University and received by them, are transferred to the Foundation where they are recorded in the Endowment Fund. In fiscal 2011, the University transferred matching grants of \$299,602 [2010 - \$9,000] to the Foundation. The receipt and transfer of the matching grants is not recorded in the University's statement of operations and changes in unrestricted net assets (deficit) since these grants represent endowed funds.

Investment income (loss) is earned on the endowed funds held by the Foundation. An amount is made available for spending each year in accordance with the Foundation's policies. This amount is transferred to the University and these expendable funds, which are available for awards, are recorded in other deferred contributions on the balance sheet.

The Government of Ontario requires the University to provide certain details of the endowed funds held by the Foundation and the expendable funds held by the University in connection with these matching programs. These details are provided in the financial statements of the University.

Ontario College of Art & Design University

NOTES TO FINANCIAL STATEMENTS

May 31, 2011

[b] The following represents the cost and market values of the endowment balance in the first phase of the Ontario Student Opportunity Trust Fund ["OSOTF I"]. This balance is included in the Endowment Fund of the Foundation.

	2011 \$	2010 \$
Endowment balance, at cost, beginning and end of year	501,887	501,887
Endowment balance, at market, beginning and end of year	533,720	481,216

The following is the schedule of changes for the years ended May 31 in the OSOTF I expendable funds available for awards. This balance is included in other deferred contributions on the balance sheet of the University.

	2011 \$	2010 \$
Expendable funds available for awards, beginning of year	—	—
Amount available for spending transferred from the Foundation	2,500	—
Bursaries awarded	—	—
Expendable funds available for awards, end of year	2,500	—
Number of bursaries awarded	—	—

[c] The Government of Ontario requires separate reporting of balances as of March 31 in connection with the second phase of the Ontario Student Opportunity Trust Fund ["OSOTF II"]. The following represents the cost and market values of the endowment balance of OSOTF II for the years ended March 31. This balance is included in the Endowment Fund of the Foundation.

	2011 \$	2010 \$
Endowment balance, at cost, beginning and end of year	346,054	346,054
Endowment balance, at market, beginning and end of year	368,003	331,801

Ontario College of Art & Design University

NOTES TO FINANCIAL STATEMENTS

May 31, 2011

The following is the schedule of changes in expendable funds available for awards of OSOTF II for the years ended March 31. This balance is included in other deferred contributions on the balance sheet of the University.

	2011	2010
	\$	\$
Expendable funds available for awards, beginning of year	—	—
Amount available for spending transferred from the Foundation	1,723	—
Bursaries awarded	—	—
Expendable funds available for awards, end of year	1,723	—
Number of bursaries awarded	—	—

- [d] The Government of Ontario requires separate reporting of balances as of March 31 and details of the changes in the balances for the year then ended in connection with the Ontario Trust for Student Support ["OTSS"].

The following is the schedule of donations received for the years ended March 31. The donations received were recorded as Endowment Fund revenue of the Foundation.

	2011	2010
	\$	\$
Cash donations eligible for matching	272,263	—
Cash donations not yet eligible for matching	27,339	11,059
Total cash donations eligible for matching	299,602	11,059

The following is the schedule of changes in the endowment balance of OTSS, at cost, for the years ended March 31. This balance is recorded in the Endowment Fund of the Foundation.

	2011	2010
	\$	\$
Endowment balance, at cost, beginning of year	5,009,214	4,750,113
Cash donations received	299,602	11,059
Matching funds received or receivable from Ministry of Training, Colleges and Universities	215,084	248,042
Endowment balance, at cost, end of year	5,523,900	5,009,214
Endowment balance, at market, end of year	5,993,106	4,802,903

Ontario College of Art & Design University

NOTES TO FINANCIAL STATEMENTS

May 31, 2011

The following is the schedule of changes in expendable funds available for awards of OTSS for the years ended March 31. The balance is included in other deferred contributions on the balance sheet of the University.

	2011	2010
	\$	\$
Expendable funds available for awards, beginning of year	—	—
Transfer from the Foundation	28,067	—
Bursaries awarded	—	—
Expendable funds available for awards, end of year	28,067	—
Number of bursaries awarded	—	—

9. LEASE COMMITMENTS

The University has commitments for future minimum annual lease payments under operating leases as follows:

	\$
2012	140,929
2013	121,590
2014	85,773
2015	51,837
2016	51,837

Ontario College of Art & Design University

NOTES TO FINANCIAL STATEMENTS

May 31, 2011

10. OCAD UNIVERSITY FOUNDATION

The Foundation, an organization with an independent Board of Directors, is a registered charity under the Income Tax Act (Canada) and serves as the major fundraising body for the University. The accounts of the Foundation are not included in the accompanying financial statements. Funds from the Foundation are given to the University when approved by the Board of Directors of the Foundation. As at May 31, the total fund balances of the Foundation at market value were as follows:

	2011	2010
	\$	\$
Operating	289,049	273,879
Restricted	474,086	504,621
Endowment	9,576,604	8,224,267
	10,339,739	9,002,767

In fiscal 2007, the University transferred all endowment funds to the Foundation and all endowment donations received subsequent to that date have been recorded as revenue of the Foundation and are not recorded in the University's statement of operations and changes in unrestricted net assets (deficit).

Donations to the Capital Fundraising Campaign are recorded as revenue of the Foundation. Proceeds and related investment income from the Capital Fundraising Campaign are transferred to the University and are recorded as general donations, to the extent that the donations fund Capital Campaign expenses, and otherwise, as deferred capital contributions. During the year ended May 31, 2011, the Foundation transferred \$115,543 [2010 - \$933,383] from the Capital Fundraising Campaign to the University [note 5].

In addition, the Foundation transferred \$248,475 [2010 - \$219,865] to the University for bursaries and scholarships, which is included in bursary and scholarship donations, and \$86,450 [2010 - \$163,632] for general operations, which is included in general donations in the statement of operations and changes in unrestricted net assets (deficit).

The University charged the Foundation a fee of \$88,114 [2010 - \$79,875] in connection with administrative services provided to the Foundation which is included in general donations in the statement of operations and changes in unrestricted net assets (deficit).

Transactions with the Foundation are measured at the exchange amount, which is the amount of consideration established and agreed to by the parties. Amounts due to/from the Foundation are non-interest bearing and due on demand.

NOTES TO FINANCIAL STATEMENTS

May 31, 2011

11. PENSION PLAN

The Ontario College of Art & Design Pension Plan [the "Plan"] is a defined contribution plan. The University matches contributions made by members of the Plan and also contributes any further amounts which may be required to defray the administrative and operating expenses of the Plan. In 2011, contributions to the Plan included in the statement of operations and changes in unrestricted net assets (deficit) totalled \$1,322,604 [2010 - \$1,146,029].

12. FINANCIAL INSTRUMENTS

The University is subject to credit risk with respect to its accounts receivable. It is subject to market and interest rate cash flow risks with respect to its investments, and interest rate cash flow risk with respect to its variable rate debt. The University has limited this risk on its long-term debt by converting the variable rate to a fixed rate through interest rate swap contracts.

13. CANADIAN UNIVERSITIES RECIPROCAL EXCHANGE

The University became a member of a reciprocal exchange of insurance risks in association with other Canadian universities on January 1, 2008. The Canadian Universities Reciprocal Exchange ["CURIE"] is a self-insurance co-operative and involves a contractual agreement to share the insurable property and liability risks of member universities arising during the period of membership. As a consequence, the University will be eligible to receive its pro-rata share of any potential future surplus distribution and will share in any deficits generated by claims arising during the University's period of membership in CURIE. As of December 31, 2010, CURIE was fully funded.

14. CAPITAL MANAGEMENT

In managing capital, the University focuses on liquid resources available for operations. The University's objective is to have sufficient liquid resources to continue operating despite adverse financial events and to provide it with the flexibility to take advantage of opportunities that will advance its purposes. The need for sufficient liquid resources is considered in the preparation of an annual budget and in the monitoring of cash flows and actual operating results compared to the budget. The University has an available line of credit that is used when sufficient cash flow is not available from operations to cover operating and capital expenditures [note 6[a][iii]]. The University enters into long-term debt to assist with the financing of capital assets when other sources are not available. As at May 31, 2011, the University met its objective of having sufficient liquid resources to meet its current obligations.

