

Financial Statements

Ontario College of Art & Design
May 31, 2007

AUDITORS' REPORT

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

We have audited the financial statements of the **Ontario College of Art & Design** [the "University"] as at and for the year ended May 31, 2007 consisting of the following:

Balance sheet
Statement of operations and changes in unrestricted net assets
Statement of changes in net assets
Statement of cash flows

These financial statements are the responsibility of the University'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 financial statements present fairly, in all material respects, the financial position of the University as at May 31, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Toronto, Canada,
July 27, 2007 [except as to note 15
which is as of September 28, 2007].

Ernst & Young LLP

Chartered Accountants
Licensed Public Accountants

Ontario College of Art & Design**BALANCE SHEET**

As at May 31

	2007	2006
	\$	\$
ASSETS		
Current		
Cash and cash equivalents <i>[note 3]</i>	2,289,757	7,604,238
Investments <i>[notes 3 and 15]</i>	5,240,382	—
Accounts receivable	1,261,081	918,528
Supplies inventory	145,585	139,308
Prepaid expenses	247,145	181,114
Due from Ontario College of Art & Design Foundation <i>[note 12]</i>	632,985	315,255
Total current assets	9,816,935	9,158,443
Investments <i>[note 3]</i>	4,890,447	6,604,329
Capital assets, net <i>[note 4]</i>	51,321,526	51,947,973
Other assets	344,850	544,501
	66,373,758	68,255,246
LIABILITIES AND NET ASSETS		
Current		
Accounts payable and accrued charges	4,757,861	4,662,595
Due to Ministry of Training, Colleges & Universities	—	604,999
Deferred revenue	2,485,637	2,215,347
Other deferred contributions <i>[note 9]</i>	777,236	943,386
Current portion of long-term debt <i>[note 7]</i>	226,000	215,000
Total current liabilities	8,246,734	8,641,327
Deferred capital contributions <i>[note 6]</i>	36,782,982	37,568,711
Long-term debt <i>[notes 7 and 15]</i>	9,775,000	10,001,000
Total liabilities	54,804,716	56,211,038
Commitments and contingencies <i>[notes 10 and 11]</i>		
Net assets		
Unrestricted	9,392	68,845
Internally restricted <i>[note 8]</i>	4,668,946	3,672,070
Invested in capital assets <i>[note 5[a]]</i>	6,782,465	5,659,534
Endowment <i>[note 9]</i>	108,239	2,643,759
Total net assets	11,569,042	12,044,208
	66,373,758	68,255,246

See accompanying notes

On behalf of the Board:

Director

Director



Ontario College of Art & Design

**STATEMENT OF OPERATIONS AND CHANGES IN
UNRESTRICTED NET ASSETS**

Year ended May 31

	2007	2006
	\$	\$
REVENUE		
Provincial grants	19,095,220	16,574,947
Student fees	16,359,978	15,730,442
Research grants and donations	710,632	673,153
Class fees and supply sales	523,041	496,953
Investment income	549,588	361,259
General donations <i>[note 12]</i>	807,178	930,322
Bursary and scholarship donations <i>[note 12]</i>	315,172	281,195
Amortization of deferred capital contributions <i>[note 6]</i>	2,297,326	2,340,540
Ancillary services	77,606	88,980
Other	939,954	816,272
	41,675,695	38,294,063
EXPENSES		
Academic		
Salaries and benefits <i>[note 13]</i>	17,475,526	16,248,867
Support	5,620,260	5,560,194
Class supplies	322,333	277,501
	23,418,119	22,086,562
Administration <i>[note 7[c]]</i>	7,377,681	6,698,972
Bursaries and scholarships	1,094,813	1,127,123
Physical plant	4,558,376	4,322,078
Amortization of capital assets	3,101,919	3,016,030
Ancillary services	44,823	51,202
Early retirement/severances	19,610	364,793
	39,615,341	37,666,760
Excess of revenue over expenses for the year	2,060,354	627,303
Net change in net assets invested in capital assets <i>[note 5[b]]</i>	(1,122,931)	(519,996)
Net change in internally restricted net assets <i>[note 8]</i>	(996,876)	(180,250)
Change in unrestricted net assets	(59,453)	(72,943)
Unrestricted net assets, beginning of year	68,845	141,788
Unrestricted net assets, end of year	9,392	68,845

See accompanying notes

Ontario College of Art & Design

STATEMENT OF CHANGES IN NET ASSETS

Year ended May 31

	2007					2006
	Unrestricted \$	Internally restricted \$	Invested in capital assets \$	Endowment \$	Total \$	Total \$
		[note 8]	[note 5]	[note 9]		
Net assets, beginning of year	68,845	3,672,070	5,659,534	2,643,759	12,044,208	9,686,636
Excess of revenue over expenses for the year	2,060,354	—	—	—	2,060,354	627,303
Net change in net assets invested in capital assets [note 5[b]]	(1,122,931)	—	1,122,931	—	—	—
Net change in internally restricted net assets [note 8]	(996,876)	996,876	—	—	—	—
Transfer to the Ontario College of Art & Design Foundation [note 9[a]]	—	—	—	(2,643,759)	(2,643,759)	—
Endowment contributions [note 9]	—	—	—	108,239	108,239	1,730,269
Net assets, end of year	9,392	4,668,946	6,782,465	108,239	11,569,042	12,044,208

See accompanying notes



Ontario College of Art & Design**STATEMENT OF CASH FLOWS**

Year ended May 31

	2007	2006
	\$	\$
OPERATING ACTIVITIES		
Excess of revenue over expenses for the year	2,060,354	627,303
Add (deduct) non-cash items		
Amortization of capital assets	3,101,919	3,016,030
Amortization of deferred capital contributions	(2,297,326)	(2,340,540)
Deferred capital contributions recognized as revenue relating to items expensed	(7,649)	(15,734)
	2,857,298	1,287,059
Net change in non-cash working capital balances related to operations	(729,089)	(911,638)
Net change in other assets	199,651	173,163
Cash provided by operating activities	2,327,860	548,584
INVESTING AND FINANCING ACTIVITIES		
Restricted contributions received for capital purposes	1,519,246	1,692,247
Purchase of capital assets	(2,475,472)	(1,377,907)
Net decrease in accounts payable related to purchase of capital assets	(91,365)	(969,313)
Net purchase of investments	(3,526,500)	(1,993,839)
Transfer of endowed funds to Ontario College of Art & Design Foundation	(2,643,759)	—
Endowment contributions	108,239	1,730,269
Repayment of long-term debt	(215,000)	(203,000)
Net increase in due from Ontario College of Art & Design Foundation	(317,730)	(179,091)
Cash used in investing and financing activities	(7,642,341)	(1,300,634)
Net decrease in cash and cash equivalents during the year	(5,314,481)	(752,050)
Cash and cash equivalents, beginning of year	7,604,238	8,356,288
Cash and cash equivalents, end of year	2,289,757	7,604,238

See accompanying notes

NOTES TO FINANCIAL STATEMENTS

May 31, 2007

1. PURPOSE OF THE ORGANIZATION

The Ontario College of Art & Design [the "University"] commenced operations in 1876 and was continued under the Ontario College of Art & Design Act in 2002. It is dedicated to providing post-secondary education to professional artists and designers.

The University receives financial support from the Ontario College of Art & Design Foundation [the "Foundation"], whose accounts are not consolidated in these financial statements [note 12]. 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:

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. Contributions externally restricted for purposes other than endowments are deferred and recognized as revenue in the year in which the related expenses are recognized. Endowment contributions are recognized as direct increases in net assets in the year in which they are received. Tuition fees are recognized as revenue when courses are held. Ancillary revenue is recognized at point of sale or when the service has been provided.

Cash and cash equivalents

Cash and cash equivalents consist of cash on deposit and short-term investments with an original term to maturity of less than three months.

NOTES TO FINANCIAL STATEMENTS

May 31, 2007

Investments

Investments are carried at cost. Investments are written down in the year when there is deemed to be an impairment in value which is other than temporary.

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 an interest rate swap in order to manage interest rate exposure. This instrument is used for hedging an on-balance sheet liability and has been designated as an effective hedge.

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. When derivatives designated as hedges cease to exist, have been terminated or cease to be effective prior to maturity, any gains, losses, revenue or expenses deferred previously as a result of applying hedge accounting continue to be deferred and are recognized in income over the period in which the underlying item is recognized. Derivative transactions that do not qualify for hedge accounting are carried at fair value, with changes in value during the year recorded as income.

Supplies inventory

Supplies inventory, which consists of goods held for resale, is recorded at the lower of cost and net realizable value.

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	25 years
Equipment and furnishings	8 years
Computer equipment	5 years

NOTES TO FINANCIAL STATEMENTS

May 31, 2007

Construction in progress comprises direct construction and other costs associated with the project including capitalized interest. Interest costs are capitalized during the construction period. No amortization is recorded until construction is substantially complete and the assets are ready for use.

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.

3. INVESTMENTS

[a] Investments consist of the following:

	2007	2006
	\$	\$
Short-term notes		
Government of Canada	4,748,621	2,579,810
Province of Ontario	2,000,000	2,250,000
Province of British Columbia	3,382,208	—
	10,130,829	4,829,810
Less amount classified as current	(5,240,382)	—
Plus cash and cash equivalents classified as non-current	—	1,774,519
	4,890,447	6,604,329

NOTES TO FINANCIAL STATEMENTS

May 31, 2007

[b] Investments classified as non-current are equal to the total of assets held for endowments, unspent deferred capital contributions and internally restricted net assets. 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, 2007, short-term notes have a fair market value of \$10,274,747 [2006 - \$4,865,423], a weighted-average yield of 4.27% [2006 - 4.37%] and a weighted-average term to maturity of 0.49 years [2006 - 0.44 years].

4. CAPITAL ASSETS

Capital assets consist of the following:

	2007		Net
	Cost	Accumulated	book
	\$	amortization	value
		\$	\$
Land	723,486	—	723,486
Buildings	71,204,896	22,945,267	48,259,629
Equipment and furnishings	8,374,225	6,571,887	1,802,338
Computer equipment	2,134,936	1,598,863	536,073
	82,437,543	31,116,017	51,321,526

	2006		Net
	Cost	Accumulated	book
	\$	amortization	value
		\$	\$
Land	723,486	—	723,486
Buildings	68,299,055	20,512,828	47,786,227
Equipment and furnishings	8,267,798	6,127,777	2,140,021
Computer equipment	1,868,462	1,373,493	494,969
Construction in progress	803,270	—	803,270
	79,962,071	28,014,098	51,947,973

Net book value does not represent current net realizable value.

NOTES TO FINANCIAL STATEMENTS

May 31, 2007

The increase in net book value of capital assets is due to the following:

	2007 \$	2006 \$
Balance, beginning of year	51,947,973	53,586,096
Purchase of capital assets funded by deferred capital contributions	547,948	182,421
Purchase of capital assets internally funded	1,927,524	1,195,486
Less amortization of capital assets	(3,101,919)	(3,016,030)
Balance, end of year	51,321,526	51,947,973

5. NET ASSETS INVESTED IN CAPITAL ASSETS

[a] Net assets invested in capital assets consists of the following:

	2007 \$	2006 \$
Capital assets, net	51,321,526	51,947,973
Less amounts financed by		
Deferred capital contributions [note 6]	(34,538,061)	(36,072,439)
Long-term debt [note 7]	(10,001,000)	(10,216,000)
	6,782,465	5,659,534

[b] The net change in net assets invested in capital assets is calculated as follows:

	2007 \$	2006 \$
Purchase of capital assets internally funded [note 4]	1,927,524	1,195,486
Repayments of long-term debt	215,000	203,000
Increase in net assets invested in capital assets	2,142,524	1,398,486
Contributions related to prior year purchases funded by long-term debt	215,000	203,000
Amortization expense	3,101,919	3,016,030
Less amount of amortization expense related to capital assets purchased with deferred capital contributions	(2,297,326)	(2,340,540)
Decrease in net assets invested in capital assets	1,019,593	878,490
	1,122,931	519,996

NOTES TO FINANCIAL STATEMENTS

May 31, 2007

6. DEFERRED CAPITAL CONTRIBUTIONS

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. The changes in the deferred capital contributions balance are as follows:

	2007	2006
	\$	\$
Balance, beginning of year	37,568,711	38,232,738
Add contributions related to prior year capital purchases funded by long-term debt <i>[note 12]</i>	1,138,937	1,410,722
Add contributions restricted for capital purposes <i>[note 12]</i>	380,309	281,525
Less amortization of deferred capital contributions	(2,297,326)	(2,340,540)
Less amount recognized as revenue related to items expensed	(7,649)	(15,734)
Balance, end of year	36,782,982	37,568,711
Less contributions relating to future debt repayment	(2,131,659)	(1,207,722)
Less unspent capital contributions	(113,262)	(288,550)
Contributions funding capital assets <i>[note 5[a]]</i>	34,538,061	36,072,439

7. LONG-TERM DEBT

[a] The University has a term reducing facility of \$10,001,000 [2006 - \$10,216,000] with interest payable at the bankers' acceptance rate plus a fee of 0.475% [2006 - 0.475%]. The loan is repayable in equal monthly payments. The term of the loan is 10 years from the date of the drawdown of January 4, 2005 with a 24-year amortization period.

[b] The University has in place an Interest Rate Swap Agreement [the "Agreement"], designated as a hedge of the long-term debt [the "Loan"], which will expire on February 1, 2029. Under the terms of the Agreement, the University agrees with the counterparty to exchange, at specified intervals and for a specified period, its floating interest for fixed interest of 6.095% calculated on the notional principal amount of the Loan. The use of the swap effectively enables the University to convert the floating rate interest obligations of the Loan into a fixed rate obligation and thus manage its exposure to interest rate risk. As at May 31, 2007 and 2006, this Agreement qualified as an effective hedge transaction.

As at May 31, 2007, the notional and fair values of the financial instrument are \$10,001,000 [2006 - \$10,216,000] and a loss of \$624,697 [2006 - \$628,434] respectively.

Ontario College of Art & Design

NOTES TO FINANCIAL STATEMENTS

May 31, 2007

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

	\$
2008	226,000
2009	243,000
2010	255,000
2011	275,000
2012	291,000
Thereafter	8,711,000
	<hr/> 10,001,000

Total interest expense recorded in the accounts on long-term debt for the year ended May 31, 2007 is \$619,310 [2006 - \$631,390].

8. INTERNALLY RESTRICTED NET ASSETS

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

	2007 \$	2006 \$
Shortfall in SuperBuild project funding	803,100	836,570
Implementation of the University's Strategic Plan	2,105,000	800,000
Research commitments	108,846	33,500
Digital Futures Initiative	1,000,000	—
Faculty Workload Adjustment - 08/09	652,000	—
Capital renovations	—	1,575,000
2006/07 budgeted commitments	—	427,000
	<hr/> 4,668,946	<hr/> 3,672,070

NOTES TO FINANCIAL STATEMENTS

May 31, 2007

9. ONTARIO GOVERNMENT MATCHING PROGRAMS

- [a] The Board of Governors of the University approved the transfer to the Foundation, effective June 1, 2006, of \$2,643,759 from endowment net assets related to Government of Ontario matching programs that provide funding for bursaries.

The Foundation now receives and records in its financial statements donations eligible for matching under these Government of Ontario programs. The matching contributions from the Government, 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 2007, the University transferred matching grants of \$1,078,513 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 since these grants represent endowed funds.

Investment income 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 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.

- [b] The following is the schedule of changes for the years ended May 31 in the first phase of the Ontario Student Opportunity Trust Fund ["OSOTF I"] balance, at cost, which, as of June 1, 2006, is included in the Endowment Fund.

	2007	2006
	\$	\$
Endowment balance, at cost, beginning and end of year	501,887	501,887
Endowment balance, at market, beginning and end of year	507,522	501,887

NOTES TO FINANCIAL STATEMENTS

May 31, 2007

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.

	2007 \$	2006 \$
Expendable funds available for awards, beginning of year	22,500	22,500
Investment income transferred from the Foundation	20,075	—
Investment income	—	22,500
Bursaries awarded	(22,500)	(22,500)
Expendable funds available for awards, end of year	20,075	22,500
Number of bursaries awarded	26	39

[c] The Ontario government 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 is the schedule of changes in endowment balance of OSOTF II, at cost, for the years ended March 31. Effective June 1, 2006, this balance is included in the Endowment Fund of the Foundation.

	2007 \$	2006 \$
Endowment balance, at cost, beginning of year	411,603	411,603
Transfer to Ontario Trust for Student Support	(65,549)	—
Endowment balance, at cost, end of year	346,054	411,603
Endowment balance, at market, end of year	349,939	411,603

NOTES TO FINANCIAL STATEMENTS

May 31, 2007

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.

	2007	2006
	\$	\$
Expendable funds available for awards, beginning of year	13,495	13,495
Investment income transferred from the Foundation	13,842	—
Investment income	—	18,607
Bursaries awarded	(13,495)	(18,607)
Expendable funds available for awards, end of year	13,842	13,495
Number of bursaries awarded	16	7

- [d] The Ontario government 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 in 2007 were recorded as Endowment Fund revenue in the Foundation and those received in 2006 were recorded as direct increases in endowment net assets of the University.

	2007	2006
	\$	\$
Cash donations eligible for matching	403,566	424,813
Cash donations not yet eligible for matching	25,980	—
Unmatched OSOTF II cash donations eligible for matching by OTSS	—	65,549
Total cash donations eligible for matching	429,546	490,362

Ontario College of Art & Design

NOTES TO FINANCIAL STATEMENTS

May 31, 2007

The following is the schedule of changes in endowment balance of OTSS, at cost, for the years ended March 31. Effective June 1, 2006, this balance is recorded in the Endowment Fund of the Foundation.

	2007	2006
	\$	\$
Endowment balance, at cost, beginning of year	1,730,269	—
Transfer from OSOTF II	65,549	—
Cash donations received	429,546	424,813
Matching funds received or receivable from MTCU	1,045,068	1,305,456
Endowment balance, at cost, end of year	3,270,432	1,730,269
Endowment balance, at market, end of year	3,409,428	1,730,269

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.

	2007	2006
	\$	\$
Expendable funds available for awards, beginning of year	—	—
Transfer from Foundation	71,833	—
Bursaries awarded	(27,005)	—
Expendable funds available for awards, end of year	44,828	—
Number of bursaries awarded	8	—



NOTES TO FINANCIAL STATEMENTS

May 31, 2007

10. LEASE COMMITMENTS

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

	\$
2008	176,850
2009	159,762
2010	115,662
2011	83,073
2012	80,109

11. CONTINGENCIES

In the normal course of its operations and in connection with the completion of capital projects, the University is subject to various claims. Where the potential liability is determinable, management believes that the ultimate disposition of the matters will not materially exceed the amounts recorded in the accounts. In other cases, the ultimate outcome of the claims cannot be determined at this time. Any additional losses related to claims will be recorded in the period during which the liability is determinable.

12. ONTARIO COLLEGE OF ART & DESIGN 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 fund-raising 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, 2007, the total fund balances of the Foundation at market value were \$8,284,297 [2006 - \$3,663,604].

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 as needed. During the year ended May 31, 2007, the Foundation transferred \$1,338,587 [2006 - \$1,726,013] from the Capital Fundraising Campaign to the University. These donations have been recorded as either deferred capital contributions [note 6] or general donations to the extent that they relate to the funding of campaign expenses.

In addition, the Foundation transferred \$140,162 [2006 - \$110,415] to the University for bursaries and scholarships, which is included in bursary and scholarship donations, and \$61,711 [2006 - \$54,000] for general operations included in general donations in the statement of operations and changes in unrestricted net assets.

NOTES TO FINANCIAL STATEMENTS

May 31, 2007

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.

13. 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 2007, contributions to the Plan included in the statement of operations and changes in unrestricted net assets totalled \$831,371 [2006 - \$737,371].

14. FINANCIAL INSTRUMENTS

The carrying values of financial instruments approximate their fair values unless otherwise noted. The University is subject to credit risk with respect to its accounts receivable and investments. It is also subject to market and interest rate risks with respect to its investments.

15. SUBSEQUENT EVENT

Subsequent to year end, the University purchased a building in close proximity to the University's current location for \$14,900,000 plus fees and other closing costs for a total of approximately \$15,900,000. A long-term bank loan of approximately \$10,900,000 was obtained to partially finance the purchase with the balance of approximately \$5,000,000 paid in cash.

16. COMPARATIVE FINANCIAL STATEMENTS

The comparative financial statements have been reclassified from statements previously presented to conform to the presentation of the 2007 financial statements.

ERNST & YOUNG LLP

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