

Financial Statements

**Ontario College of Art & Design**  
May 31, 2008

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## AUDITORS' REPORT

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To the Board of Governors of  
**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, 2008 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, 2008 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 31, 2008.

*Ernst + Young LLP*

Chartered Accountants  
Licensed Public Accountants

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

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As at May 31

	2008	2007
	\$	\$
<b>ASSETS</b>		
<b>Current</b>		
Cash and cash equivalents <i>[note 3]</i>	3,577,608	2,289,757
Investments <i>[note 3]</i>	3,100,974	5,240,382
Accounts receivable	1,105,570	1,261,081
Supplies inventory	162,467	145,585
Prepaid expenses	261,386	247,145
Due from Ontario College of Art & Design Foundation <i>[note 12]</i>	568,159	632,985
<b>Total current assets</b>	<b>8,776,164</b>	<b>9,816,935</b>
Investments <i>[note 3]</i>	6,415,363	4,890,447
Capital assets, net <i>[note 4]</i>	64,921,687	51,321,526
Other	214,170	344,850
	<b>80,327,384</b>	<b>66,373,758</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current</b>		
Accounts payable and accrued charges	4,176,768	4,757,861
Deferred revenue	2,936,809	2,485,637
Other deferred contributions <i>[note 9]</i>	912,048	777,236
Current portion of long-term debt <i>[note 7]</i>	309,000	226,000
<b>Total current liabilities</b>	<b>8,334,625</b>	<b>8,246,734</b>
Deferred capital contributions <i>[note 6]</i>	39,010,696	36,782,982
Long-term debt <i>[note 7]</i>	20,322,334	9,775,000
Other <i>[note 7[b]]</i>	1,532,445	—
<b>Total liabilities</b>	<b>69,200,100</b>	<b>54,804,716</b>
Commitments and contingencies <i>[notes 10 and 11]</i>		
<b>Net assets</b>		
Unrestricted	18,930	9,392
Internally restricted <i>[note 8]</i>	3,196,538	4,668,946
Invested in capital assets <i>[note 5[a]]</i>	7,911,816	6,782,465
Endowment <i>[note 9]</i>	—	108,239
<b>Total net assets</b>	<b>11,127,284</b>	<b>11,569,042</b>
	<b>80,327,384</b>	<b>66,373,758</b>

*See accompanying notes*

On behalf of the Board:

Director

Director



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**Ontario College of Art & Design****STATEMENT OF OPERATIONS AND CHANGES IN  
UNRESTRICTED NET ASSETS**

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Year ended May 31

	2008	2007
	\$	\$
<b>REVENUE</b>		
Provincial grants	19,261,797	19,095,220
Student fees	16,834,051	16,359,978
Research grants and donations	305,839	710,632
Class fees and supply sales	466,678	523,041
Investment income	495,545	549,588
General donations <i>[note 12]</i>	903,708	807,178
Bursary and scholarship donations <i>[note 12]</i>	351,804	315,172
Amortization of deferred capital contributions <i>[note 6]</i>	2,307,527	2,297,326
Ancillary services	81,743	77,606
Rental income	1,084,180	—
Other	1,058,224	939,954
	<b>43,151,096</b>	<b>41,675,695</b>
<b>EXPENSES</b>		
Academic		
Salaries and benefits <i>[note 13]</i>	17,454,504	17,475,526
Support	6,124,637	5,620,260
Class supplies	279,081	322,333
	<b>23,858,222</b>	<b>23,418,119</b>
Administration	7,456,857	6,777,981
Bursaries and scholarships	1,124,008	1,094,813
Physical plant	5,010,437	4,558,376
Amortization of capital assets	3,512,605	3,101,919
Interest	960,367	619,310
Ancillary services	29,674	44,823
	<b>41,952,170</b>	<b>39,615,341</b>
<b>Excess of revenue over expenses for the year</b>	<b>1,198,926</b>	<b>2,060,354</b>
Net change in net assets invested in capital assets <i>[note 5[b]]</i>	<b>(1,129,351)</b>	<b>(1,122,931)</b>
Net change in unrealized loss on interest rate swap <i>[note 7[b]]</i>	<b>(907,748)</b>	<b>—</b>
Net change in internally restricted net assets <i>[note 8]</i>	<b>1,472,408</b>	<b>(996,876)</b>
<b>Change in unrestricted net assets</b>	<b>634,235</b>	<b>(59,453)</b>
Adjustment to opening balance re: unrealized loss on interest rate swap <i>[note 2]</i>	<b>(624,697)</b>	<b>—</b>
Unrestricted net assets, beginning of year	<b>9,392</b>	<b>68,845</b>
<b>Unrestricted net assets, end of year</b>	<b>18,930</b>	<b>9,392</b>

*See accompanying notes*

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**Ontario College of Art & Design**

**STATEMENT OF CHANGES IN NET ASSETS**

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Year ended May 31

	<b>2008</b>					<b>2007</b>
	<b>Unrestricted</b>	<b>Internally</b>	<b>Invested</b>	<b>Endowment</b>	<b>Total</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
		<i>[note 8]</i>	<i>[note 5]</i>	<i>[note 9]</i>		
<b>Net assets, beginning of year</b>	<b>9,392</b>	<b>4,668,946</b>	<b>6,782,465</b>	<b>108,239</b>	<b>11,569,042</b>	12,044,208
Unrealized loss on interest rate swap <i>[note 2]</i>	<b>(624,697)</b>	—	—	—	<b>(624,697)</b>	—
<b>Net assets, beginning of year, as restated</b>	<b>(615,305)</b>	<b>4,668,946</b>	<b>6,782,465</b>	<b>108,239</b>	<b>10,944,345</b>	12,044,208
Excess of revenue over expenses for the year	<b>1,198,926</b>	—	—	—	<b>1,198,926</b>	2,060,354
Net change in net assets invested in capital assets <i>[note 5[b]]</i>	<b>(1,129,351)</b>	—	<b>1,129,351</b>	—	—	—
Net change in unrealized loss on interest rate swap <i>[note 7[b]]</i>	<b>(907,748)</b>	—	—	—	<b>(907,748)</b>	—
Net change in internally restricted net assets <i>[note 8]</i>	<b>1,472,408</b>	<b>(1,472,408)</b>	—	—	—	—
Transfer to the Ontario College of Art & Design Foundation <i>[note 9[a]]</i>	—	—	—	<b>(108,239)</b>	<b>(108,239)</b>	(2,643,759)
Endowment contributions <i>[note 9[d]]</i>	—	—	—	—	—	108,239
<b>Net assets, end of year</b>	<b>18,930</b>	<b>3,196,538</b>	<b>7,911,816</b>	<b>—</b>	<b>11,127,284</b>	11,569,042

*See accompanying notes*

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**Ontario College of Art & Design**

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**STATEMENT OF CASH FLOWS**

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Year ended May 31

	2008	2007
	\$	\$
<b>OPERATING ACTIVITIES</b>		
Excess of revenue over expenses for the year	1,198,926	2,060,354
Add (deduct) non-cash items		
Amortization of capital assets	3,512,605	3,101,919
Amortization of deferred capital contributions	(2,307,527)	(2,297,326)
Deferred capital contributions recognized as revenue relating to items expensed	(12,913)	(7,649)
	<b>2,391,091</b>	<b>2,857,298</b>
Net change in non-cash working capital balances related to operations	154,422	(729,089)
Net change in other assets	130,680	199,651
<b>Cash provided by operating activities</b>	<b>2,676,193</b>	<b>2,327,860</b>
<b>INVESTING AND FINANCING ACTIVITIES</b>		
Restricted contributions received for capital purposes	4,548,154	1,519,246
Purchase of capital assets	(17,112,766)	(2,475,472)
Net decrease in accounts payable related to purchase of capital assets	(25,143)	(91,365)
Net sale (purchase) of investments	614,492	(3,526,500)
Transfer of endowed funds to Ontario College of Art & Design Foundation	(108,239)	(2,643,759)
Long-term debt financing	11,500,000	—
Endowment contributions	—	108,239
Unamortized financing costs	(586,666)	—
Repayment of long-term debt	(283,000)	(215,000)
Net decrease (increase) in due from Ontario College of Art & Design Foundation	64,826	(317,730)
<b>Cash used in investing and financing activities</b>	<b>(1,388,342)</b>	<b>(7,642,341)</b>
<b>Net increase (decrease) in cash and cash equivalents during the year</b>	<b>1,287,851</b>	<b>(5,314,481)</b>
Cash and cash equivalents, beginning of year	2,289,757	7,604,238
<b>Cash and cash equivalents, end of year</b>	<b>3,577,608</b>	<b>2,289,757</b>
<b>Represented by:</b>		
Cash	3,577,608	1,267,921
Cash equivalents	—	1,021,836
	<b>3,577,608</b>	<b>2,289,757</b>

*See accompanying notes*

**NOTES TO FINANCIAL STATEMENTS**

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May 31, 2008

**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:

**Change in accounting policies**

Effective May 1, 2007, the University adopted the recommendations of the Canadian Institute of Chartered Accountants ["CICA"] Section 3855: *Financial Instruments - Recognition and Measurement*, CICA 3861: *Financial Instruments - Disclosure and Presentation* and CICA 3865: *Hedges*. CICA 3855 establishes standards for recognizing and measuring financial instruments, including the accounting treatment for changes in fair value. As required by CICA 3855, investments are to be presented at fair value. In prior years, short-term investments were recorded at cost plus accrued income which approximated fair value. In accordance with CICA 3865, all derivatives are measured at fair value and included on the balance sheet. In prior years, no value was recorded on the balance sheet for contracts in a hedging relationship. Further, CICA 3855 requires that debt be recorded net of transaction costs related to the issuance of the debt. As permitted by CICA 3855, the University's other financial assets and liabilities continue to be presented at amortized cost.

The adoption of CICA 3855, 3861 and 3865 did not have a significant impact on the financial statements in the prior or current year, except for the recording of the value of derivative financial instruments on the balance sheet and reclassification of transaction costs related to the issuance of debt. As required by the transitional provisions of CICA 3855, the change in accounting policy was adopted, without restatement of the prior year's financial statements. The impact on the balance sheet as at May 1, 2007 of recording the derivative contracts at fair value was an increase in other liabilities and a decrease in unrestricted net assets of \$624,697.

**NOTES TO FINANCIAL STATEMENTS**

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May 31, 2008

**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.

**Investments**

Publically 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. Transaction costs are recorded on a settlement date basis and transaction costs are expensed as incurred.

**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 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.

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

**NOTES TO FINANCIAL STATEMENTS**

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May 31, 2008

**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

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.



NOTES TO FINANCIAL STATEMENTS

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May 31, 2008

**Future changes in accounting policies**

The CICA has issued two new standards, CICA 3862: *Financial Instruments – Disclosures* and CICA 3863: *Financial Instruments – Presentation*, which enhance the abilities of users of financial statements to evaluate the significance of financial instruments to an entity, related exposures and the management of these risks.

The CICA has also issued a new accounting standard, CICA 1535: *Capital Disclosures*, which requires the disclosure of qualitative and quantitative information that enables users of financial statements to evaluate the entity's objectives, policies and processes for managing capital.

In addition, the CICA has issued a new accounting standard, CICA 3031: *Inventories*, which requires additional disclosures and sets out new rules that may affect the valuation of inventories.

These changes in accounting policies, which will be adopted effective June 1, 2008 will only require additional disclosures in the financial statements, except for CICA 3031: *Inventories*. The impact of this section on the financial statements has not yet been determined.

**3. INVESTMENTS**

[a] Investments consist of the following:

	2008	2007
	\$	\$
<b>Short-term notes</b>		
Government of Canada	—	4,748,621
Province of Ontario	3,852,731	2,000,000
Province of British Columbia	—	3,382,208
Province of Alberta	5,663,606	—
	<b>9,516,337</b>	10,130,829
Less amount classified as current	<b>(3,100,974)</b>	(5,240,382)
	<b>6,415,363</b>	4,890,447

[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.

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**Ontario College of Art & Design****NOTES TO FINANCIAL STATEMENTS**

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May 31, 2008

[c] As at May 31, 2008, short-term notes have a fair market value of \$9,587,690 [2007 - \$10,274,747], a weighted-average yield of 2.88% [2007 - 4.27%] and a weighted-average term to maturity of 0.31 years [2007 - 0.49 years].

**4. CAPITAL ASSETS**

Capital assets consist of the following:

	<b>2008</b>		<b>Net book value \$</b>
	<b>Cost \$</b>	<b>Accumulated amortization \$</b>	
Land	<b>5,018,680</b>	<b>—</b>	<b>5,018,680</b>
Buildings	<b>83,368,076</b>	<b>25,708,126</b>	<b>57,659,950</b>
Equipment and furnishings	<b>8,490,587</b>	<b>6,999,703</b>	<b>1,490,884</b>
Computer equipment	<b>2,672,966</b>	<b>1,920,793</b>	<b>752,173</b>
	<b>99,550,309</b>	<b>34,628,622</b>	<b>64,921,687</b>

  

	<b>2007</b>		<b>Net book value \$</b>
	<b>Cost \$</b>	<b>Accumulated amortization \$</b>	
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

Net book value does not represent current net realizable value.

NOTES TO FINANCIAL STATEMENTS

May 31, 2008

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

	2008 \$	2007 \$
<b>Balance, beginning of year</b>	<b>51,321,526</b>	51,947,973
Purchase of capital assets funded by deferred capital contributions	3,278,337	547,948
Purchase of capital assets funded by long-term debt	<b>11,500,000</b>	—
Purchase of capital assets internally funded	<b>2,334,429</b>	1,927,524
Less amortization of capital assets	<b>(3,512,605)</b>	(3,101,919)
<b>Balance, end of year</b>	<b>64,921,687</b>	51,321,526

5. NET ASSETS INVESTED IN CAPITAL ASSETS

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

	2008 \$	2007 \$
Capital assets, net	<b>64,921,687</b>	51,321,526
Less amounts financed by		
Deferred capital contributions [note 6]	<b>(35,791,871)</b>	(34,538,061)
Long-term debt [note 7]	<b>(21,218,000)</b>	(10,001,000)
	<b>7,911,816</b>	6,782,465

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

	2008 \$	2007 \$
Purchase of capital assets internally funded [note 4]	<b>2,334,429</b>	1,927,524
Repayment of long-term debt	<b>283,000</b>	215,000
<b>Increase in net assets invested in capital assets</b>	<b>2,617,429</b>	2,142,524
Contributions related to prior year purchases funded by long-term debt	<b>283,000</b>	215,000
Amortization expense	<b>3,512,605</b>	3,101,919
Less amount of amortization expense related to capital assets purchased with deferred capital contributions	<b>(2,307,527)</b>	(2,297,326)
<b>Decrease in net assets invested in capital assets</b>	<b>1,488,078</b>	1,019,593
	<b>1,129,351</b>	1,122,931

NOTES TO FINANCIAL STATEMENTS

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May 31, 2008

**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:

	2008 \$	2007 \$
<b>Balance, beginning of year</b>	<b>36,782,982</b>	37,568,711
Add contributions related to prior year capital purchases funded by long-term debt <i>[note 12]</i>	<b>950,172</b>	1,138,937
Add contributions restricted for capital purposes <i>[note 12]</i>	<b>3,597,982</b>	380,309
Less amortization of deferred capital contributions	<b>(2,307,527)</b>	(2,297,326)
Less amount recognized as revenue related to items expensed	<b>(12,913)</b>	(7,649)
<b>Balance, end of year</b>	<b>39,010,696</b>	36,782,982
Less contributions relating to future debt repayment	—	(2,131,659)
Less unspent capital contributions	<b>(3,218,825)</b>	(113,262)
<b>Contributions funding capital assets <i>[note 5[a]]</i></b>	<b>35,791,871</b>	34,538,061

**7. LONG-TERM DEBT**

[a] The University has a term reducing facility of \$21,218,000 [2007 - \$10,001,000] with interest payable at the bankers' acceptance rate plus a fee of 0.250% [2007 - 0.475%]. The loan is repayable in equal monthly payments. 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.

[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, 2037. 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 5.15% 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, 2008 and 2007, this Agreement qualified as an effective hedge transaction.

As at May 31, 2008, the notional and fair values of the financial instrument are \$21,218,000 [2007 - \$10,001,000] and a loss of \$1,532,445 [2007 - \$624,697] respectively. As at May 31, 2008, the loss is included in other long-term liabilities.

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**Ontario College of Art & Design**

**NOTES TO FINANCIAL STATEMENTS**

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May 31, 2008

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

	\$
2009	309,000
2010	324,000
2011	342,000
2012	357,000
2013	374,000
Thereafter	19,512,000
	21,218,000
Less unamortized financing costs	586,666
	<u>20,631,334</u>

**8. INTERNALLY RESTRICTED NET ASSETS**

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

	2008	2007
	\$	\$
Shortfall in SuperBuild project funding	703,100	803,100
Implementation of the University's Strategic Plan	1,538,432	2,105,000
Research commitments	71,846	108,846
Digital Futures Initiative	1,719,758	1,000,000
Faculty Workload Adjustment - 08/09	1,125,000	652,000
Future budget commitments	900,000	—
Unrealized loss on interest rate swap [note 7[b]]	(1,532,445)	—
Capital assets purchased to be funded by future contributions	(1,329,153)	—
	<u>3,196,538</u>	<u>4,668,946</u>
<b>Net change in internally restricted net assets</b>	<b>1,472,408</b>	

NOTES TO FINANCIAL STATEMENTS

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May 31, 2008

**9. 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, 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 2008, the University transferred matching grants of \$322,593 [2007 - \$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.

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. A further transfer of \$108,239 [note 9[d]] was approved by the Board of Governors in fiscal 2008.

[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. This balance is included in the Endowment Fund of the Foundation.

	2008	2007
	\$	\$
<b>Endowment balance, at cost, beginning and end of year</b>	<b>501,887</b>	501,887
<b>Endowment balance, at market, beginning and end of year</b>	<b>479,185</b>	507,522

**NOTES TO FINANCIAL STATEMENTS**

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May 31, 2008

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.

	2008	2007
	\$	\$
<b>Expendable funds available for awards, beginning of year</b>	<b>20,075</b>	22,500
Investment income transferred from the Foundation	<b>20,301</b>	20,075
Bursaries awarded	<b>(20,075)</b>	(22,500)
<b>Expendable funds available for awards, end of year</b>	<b>20,301</b>	20,075
<b>Number of bursaries awarded</b>	<b>31</b>	26

[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. This balance is included in the Endowment Fund of the Foundation.

	2008	2007
	\$	\$
<b>Endowment balance, at cost, beginning of year</b>	<b>346,054</b>	411,603
Transfer to Ontario Trust for Student Support	—	(65,549)
<b>Endowment balance, at cost, end of year</b>	<b>346,054</b>	346,054
<b>Endowment balance, at market, end of year</b>	<b>330,401</b>	349,939

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**Ontario College of Art & Design**

**NOTES TO FINANCIAL STATEMENTS**

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May 31, 2008

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.

	2008 \$	2007 \$
<b>Expendable funds available for awards, beginning of year</b>	<b>13,842</b>	13,495
Investment income transferred from the Foundation	<b>13,998</b>	13,842
Bursaries awarded	<b>(13,842)</b>	(13,495)
<b>Expendable funds available for awards, end of year</b>	<b>13,998</b>	13,842
<b>Number of bursaries awarded</b>	<b>7</b>	16

[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 were recorded as Endowment Fund revenue in the Foundation.

	2008 \$	2007 \$
Cash donations eligible for matching	<b>295,980</b>	403,566
Cash donations not yet eligible for matching	<b>20,000</b>	25,980
Unmatched OSOTF II cash donations eligible for matching by OTSS	—	—
<b>Total cash donations eligible for matching</b>	<b>315,980</b>	429,546

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**Ontario College of Art & Design**

**NOTES TO FINANCIAL STATEMENTS**

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May 31, 2008

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

	2008	2007
	\$	\$
<b>Endowment balance, at cost, beginning of year</b>	<b>3,270,432</b>	1,730,269
Transfer from OSOTF II	—	65,549
Cash donations received	<b>315,980</b>	429,546
Matching funds received or receivable from MTCU	<b>321,960</b>	1,045,068
Ineligible cash contribution [note 9[a]]	<b>108,239</b>	—
<b>Endowment balance, at cost, end of year</b>	<b>4,016,611</b>	3,270,432
<b>Endowment balance, at market, end of year</b>	<b>3,954,674</b>	3,409,428

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.

	2008	2007
	\$	\$
<b>Expendable funds available for awards, beginning of year</b>	<b>44,828</b>	—
Transfer from Foundation	<b>136,377</b>	71,833
Bursaries awarded	<b>(71,833)</b>	(27,005)
<b>Expendable funds available for awards, end of year</b>	<b>109,372</b>	44,828
<b>Number of bursaries awarded</b>	<b>25</b>	8



NOTES TO FINANCIAL STATEMENTS

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May 31, 2008

**10. LEASE COMMITMENTS**

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

	\$
2009	189,555
2010	155,145
2011	127,359
2012	94,566
2013	79,718

**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, 2008, the total fund balances of the Foundation at market value were \$8,483,682 [2007 - \$8,284,297].

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, 2008, the Foundation transferred \$1,080,852 [2007 - \$1,338,587] 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.



**NOTES TO FINANCIAL STATEMENTS**

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May 31, 2008

In addition, the Foundation transferred \$256,015 [2007 - \$140,162] to the University for bursaries and scholarships, which is included in bursary and scholarship donations, and \$180,465 [2007 - \$61,711] for general operations included in general donations in the statement of operations and changes in unrestricted net assets.

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 2008, contributions to the Plan included in the statement of operations and changes in unrestricted net assets totalled \$931,256 [2007 - \$831,371].

**14. 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 price risk with respect to its long-term debt.

**15. 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. This self-insurance co-operative is named the Canadian Universities Reciprocal Exchange ["CURIE"] 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.

**16. COMPARATIVE FINANCIAL STATEMENTS**

The comparative financial statements have been reclassified from statements previously presented to conform to the presentation of the 2008 financial statements.

ERNST & YOUNG LLP

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