

Financial Statements

Ontario College of Art & Design
May 31, 2009

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, 2009 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

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, 2009 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, 2009.

Ernst & Young LLP

Chartered Accountants
Licensed Public Accountants

Ontario College of Art & Design

BALANCE SHEET

As at May 31

	2009 \$	2008 \$
ASSETS		
Current		
Cash and cash equivalents <i>[note 3]</i>	9,049,829	3,577,608
Investments <i>[note 3]</i>	—	3,100,974
Accounts receivable	1,395,703	1,105,570
Other	526,334	423,853
Due from Ontario College of Art & Design Foundation <i>[note 10]</i>	127,156	568,159
Total current assets	11,099,022	8,776,164
Investments <i>[note 3[b]]</i>	10,986,683	6,415,363
Capital assets, net <i>[note 4]</i>	66,891,369	64,921,687
Other	—	214,170
	88,977,074	80,327,384
LIABILITIES AND NET ASSETS		
Current		
Accounts payable and accrued charges	5,840,690	4,176,768
Deferred revenue	3,663,365	2,936,809
Other deferred contributions <i>[note 8]</i>	1,026,841	912,048
Current portion of long-term debt <i>[note 6]</i>	324,000	309,000
Total current liabilities	10,854,896	8,334,625
Deferred capital contributions <i>[note 5]</i>	48,629,244	39,010,696
Long-term debt <i>[note 6]</i>	20,018,333	20,322,334
Other <i>[note 6[b]]</i>	3,234,115	1,532,445
Total liabilities	82,736,588	69,200,100
Commitments and contingency <i>[notes 9 and 13]</i>		
Net assets <i>[note 2]</i>		
Unrestricted (deficit)	(400,300)	18,930
Internally restricted <i>[note 7]</i>	6,640,786	11,108,354
Total net assets	6,240,486	11,127,284
	88,977,074	80,327,384

See accompanying notes

On behalf of the Board:

Director

Director

Ontario College of Art & Design

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

Year ended May 31

	2009 \$	2008 \$
REVENUE		
Provincial grants	20,308,644	19,261,797
Student fees	17,518,982	16,834,051
Research grants and donations	259,198	305,839
Class fees and supply sales	512,719	466,678
Investment income	303,446	495,545
General donations <i>[note 10]</i>	1,181,713	903,708
Bursary and scholarship donations <i>[note 10]</i>	429,141	351,804
Amortization of deferred capital contributions <i>[note 5]</i>	1,467,509	2,307,527
Ancillary services	134,021	81,743
Rental income	1,379,552	1,084,180
Other	1,169,487	1,058,224
	44,664,412	43,151,096
EXPENSES		
Academic		
Salaries and benefits <i>[note 11]</i>	23,057,449	19,429,488
Support	5,123,974	4,428,734
	28,181,423	23,858,222
Administration	8,513,813	7,456,857
Bursaries and scholarships	1,209,226	1,124,008
Physical plant	6,154,692	5,010,437
Amortization of capital assets	2,619,733	3,512,605
Interest	1,134,120	960,367
Ancillary services	36,533	29,674
	47,849,540	41,952,170
Excess (deficiency) of revenue over expenses for the year	(3,185,128)	1,198,926
Net change in unrealized loss on interest rate swap <i>[note 6[b]]</i>	(1,701,670)	(907,748)
Net change in internally restricted net assets <i>[note 7]</i>	4,467,568	343,057
Change in unrestricted net assets	(419,230)	634,235
Unrestricted net assets (deficit), beginning of year	18,930	(615,305)
Unrestricted net assets (deficit), end of year	(400,300)	18,930

See accompanying notes

Ontario College of Art & Design

STATEMENT OF CASH FLOWS

Year ended May 31

	2009	2008
	\$	\$
OPERATING ACTIVITIES		
Excess (deficiency) of revenue over expenses for the year	(3,185,128)	1,198,926
Add (deduct) non-cash items		
Amortization of capital assets	2,619,733	3,512,605
Amortization of deferred capital contributions	(1,467,509)	(2,307,527)
Deferred capital contributions recognized as revenue relating to items expensed	(526,392)	(12,913)
Net decrease in due from Ontario College of Art & Design Foundation	441,003	64,826
	(2,118,293)	2,455,917
Net change in non-cash working capital balances related to operations	1,662,450	154,422
Net change in other assets	214,170	130,680
Cash provided by (used in) operating activities	(241,673)	2,741,019
INVESTING AND FINANCING ACTIVITIES		
Restricted contributions received for capital purposes	11,612,449	4,548,154
Purchase of capital assets	(4,139,209)	(17,137,909)
Net sale (purchase) of investments	(1,470,346)	614,492
Transfer of endowed funds to Ontario College of Art & Design Foundation	—	(108,239)
Long-term debt financing	—	11,500,000
Unamortized financing costs	—	(586,666)
Repayment of long-term debt	(289,000)	(283,000)
Cash provided by (used in) investing and financing activities	5,713,894	(1,453,168)
Net increase in cash and cash equivalents during the year	5,472,221	1,287,851
Cash and cash equivalents, beginning of year	3,577,608	2,289,757
Cash and cash equivalents, end of year	9,049,829	3,577,608

See accompanying notes

Ontario College of Art & Design

NOTES TO FINANCIAL STATEMENTS

May 31, 2009

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 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:

Change in accounting policies

Effective June 1, 2008, the University adopted retroactively the changes to the recommendations in Canadian Institute of Chartered Accountants ["CICA"] 4400: *Financial Statement Presentation for Not-for-Profit Organizations*, that eliminate the requirement to separately disclose the amount of net assets invested in capital assets. The University has therefore eliminated from the financial statements details about the amount of net assets invested in capital assets and the calculation of this amount. As a result, the University has reclassified the prior year financial statements to include the amount of net assets invested in capital assets as at June 1, 2007 of \$6,782,465 and as at June 1, 2008 of \$7,911,816 in internally restricted net assets.

Effective June 1, 2008, the University adopted the recommendations of CICA 1535: *Capital Disclosures*, which require the disclosure of qualitative and quantitative information that enables users of the financial statements to evaluate the University's objectives, policies and processes for managing capital. The adoption of these recommendations only required additional disclosures, which are provided in note 14.

Ontario College of Art & Design

NOTES TO FINANCIAL STATEMENTS

May 31, 2009

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.

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

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. Transaction costs 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 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.

Ontario College of Art & Design

NOTES TO FINANCIAL STATEMENTS

May 31, 2009

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 revenue (expense).

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	40 years
Equipment and furnishings	8 years
Computer equipment	5 years

Effective June 1, 2008, the University changed its estimate of the useful life of its buildings from 25 years to 40 years. This change has been applied prospectively. As a result of this change, amortization of capital assets and deferred capital contributions was reduced by \$1,343,467 and \$936,335, respectively.

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

May 31, 2009

Future changes in accounting policies

Financial statement presentation

The CICA has issued revisions to the 4400 series and certain other sections to amend or improve certain parts of the CICA Handbook that relate to not-for-profit organizations. With respect to presentation, these changes include making the disclosure of net assets invested in capital assets optional; making CICA 1540: *Cash Flow Statements* applicable to not-for-profit organizations; and requiring the reporting of revenues and expenses on a gross basis in the statement of operations unless not required by other guidance. A new section, CICA 4470: *Disclosure of Allocated Expenses by Not-for-Profit Organizations*, was included in the revisions which requires certain disclosures when fundraising and general support expenses are allocated to other functions. These changes in accounting policies must be adopted by years beginning on or after January 1, 2009, with earlier adoption permitted. Management has adopted the recommendations related to the disclosure of net assets invested in capital assets and is assessing the impact of the other revisions and the timing of their adoption. However, the impact will be limited to reclassification of numbers in the financial statements and additional disclosures.

Financial statement concepts

In February 2008, the Accounting Standards Board amended CICA 1000: *Financial Statement Concepts* to clarify that assets not meeting the definition of an asset or the recognition criteria are not permitted to be recognized on the statement of changes in financial position.

The amendments are effective for financial statements for fiscal years beginning on or after October 1, 2008. The University is examining its current approach to recognizing costs as assets and will implement these standards effective June 1, 2009 retroactively with restatement of the prior year. The impact of implementing these amendments on the University's financial statements is currently not known.

Ontario College of Art & Design

NOTES TO FINANCIAL STATEMENTS

May 31, 2009

3. INVESTMENTS

[a] Investments consist of the following:

	2009 \$	2008 \$
Short-term notes		
Province of Ontario	1,000,000	3,852,731
Province of Alberta	6,021,062	5,663,606
	7,021,062	9,516,337
Cash and cash equivalents	3,965,621	—
Less amount classified as current	—	(3,100,974)
	10,986,683	6,415,363

[b] Investments classified as non-current are equal to the total of unspent deferred capital contributions and certain 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, 2009, short-term notes have a weighted average yield of 0.59% [2008 - 2.88%] and a weighted average term to maturity of 0.75 years [2008 - 0.31 years].

4. CAPITAL ASSETS

Capital assets consist of the following:

	2009		Net book value \$
	Cost \$	Accumulated amortization \$	
Land	5,018,680	—	5,018,680
Buildings	86,719,792	27,418,861	59,300,931
Equipment and furnishings	8,711,121	7,431,147	1,279,974
Computer equipment	3,690,131	2,398,347	1,291,784
	104,139,724	37,248,355	66,891,369

Ontario College of Art & Design

NOTES TO FINANCIAL STATEMENTS

May 31, 2009

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

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

5. 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 (deficit). The changes in the deferred capital contributions balance are as follows:

	2009 \$	2008 \$
Balance, beginning of year	39,010,696	36,782,982
Add contributions related to prior year capital purchases funded by long-term debt <i>[note 10]</i>	—	950,172
Add contributions restricted for capital purposes <i>[note 10]</i>	11,612,449	3,597,982
Less amortization of deferred capital contributions	(1,467,509)	(2,307,527)
Less amount recognized as revenue related to items expensed	(526,392)	(12,913)
Balance, end of year	48,629,244	39,010,696
Less unspent capital contributions	(10,986,683)	(3,218,825)
Contributions funding capital assets	37,642,561	35,791,871

NOTES TO FINANCIAL STATEMENTS

May 31, 2009

6. LONG-TERM DEBT

[a] The University has a term reducing facility of \$20,909,000 [2008 - \$21,218,000] with interest payable at the bankers' acceptance rate plus a fee of 0.25% [2009 - 2.06%]. The loan is repayable in equal monthly principal and interest payments of \$120,283. 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, 2009 and 2008, this Agreement qualified as an effective hedge transaction.

As at May 31, 2009, the notional and fair values of the financial instrument are \$20,909,000 [2008 - \$21,218,000] and a loss of \$3,234,115 [2008 - \$1,532,445] respectively. The loss is included in other long-term liabilities.

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

	\$
2010	324,000
2011	342,000
2012	357,000
2013	374,000
2014	403,000
Thereafter	19,109,000
	<hr/> 20,909,000
Less unamortized financing costs	566,667
	<hr/> <hr/> 20,342,333

Ontario College of Art & Design

NOTES TO FINANCIAL STATEMENTS

May 31, 2009

7. INTERNALLY RESTRICTED NET ASSETS

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

	2009	2008
	\$	\$
Internally financed capital assets <i>[note 2]</i>	8,030,812	7,911,816
Shortfall in SuperBuild project funding	603,100	703,100
Research & Graduate Studies commitments	96,846	71,846
Digital Futures Initiative	1,469,192	3,258,190
Faculty Workload Adjustment	917,000	1,125,000
Future budget commitments	—	900,000
Unrealized loss on interest rate swap <i>[note 6[b]]</i>	(3,234,115)	(1,532,445)
Capital assets purchased to be funded by future contributions	(1,242,049)	(1,329,153)
	6,640,786	11,108,354
Net change in internally restricted net assets	4,467,568	

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 2009, the University transferred matching grants of \$463,223 [2008 - \$322,593] 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.

In fiscal 2008, the Board of Governors of the University approved a transfer of endowed funds of \$108,239 *[note 8[d]]* to the Foundation.

Ontario College of Art & Design

NOTES TO FINANCIAL STATEMENTS

May 31, 2009

- [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.

	2009 \$	2008 \$
Endowment balance, at cost, beginning and end of year	501,887	501,887
Endowment balance, at market, beginning and end of year	450,293	479,185

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.

	2009 \$	2008 \$
Expendable funds available for awards, beginning of year	20,301	20,075
Amount available for spending transferred from the Foundation	—	20,301
Bursaries awarded	(20,301)	(20,075)
Expendable funds available for awards, end of year	—	20,301
Number of bursaries awarded	12	31

- [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.

	2009 \$	2008 \$
Endowment balance, at cost, beginning and end of year	346,054	346,054
Endowment balance, at market, beginning and end of year	310,480	330,401

Ontario College of Art & Design

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May 31, 2009

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.

	2009 \$	2008 \$
Expendable funds available for awards, beginning of year	13,998	13,842
Amount available for spending transferred from the Foundation	—	13,998
Bursaries awarded	(13,998)	(13,842)
Expendable funds available for awards, end of year	—	13,998
Number of bursaries awarded	8	7

[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.

	2009 \$	2008 \$
Cash donations eligible for matching	238,259	295,980
Cash donations not yet eligible for matching	236,984	20,000
Total cash donations eligible for matching	475,243	315,980

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.

	2009 \$	2008 \$
Endowment balance, at cost, beginning of year	4,016,611	3,270,432
Cash donations received	475,243	315,980
Matching funds received or receivable from Ministry of Training, Colleges and Universities	258,259	321,960
Ineligible cash contribution [note 8[a]]	—	108,239
Endowment balance, at cost, end of year	4,750,113	4,016,611
Endowment balance, at market, end of year	4,343,434	3,954,674

Ontario College of Art & Design

NOTES TO FINANCIAL STATEMENTS

May 31, 2009

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.

	2009	2008
	\$	\$
Expendable funds available for awards, beginning of year	109,372	44,828
Transfer from the Foundation	—	136,377
Bursaries awarded	(109,372)	(71,833)
Expendable funds available for awards, end of year	—	109,372
Number of bursaries awarded	63	25

9. LEASE COMMITMENTS

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

	\$
2010	127,568
2011	99,478
2012	66,685
2013	51,837
2014	51,837

Ontario College of Art & Design

NOTES TO FINANCIAL STATEMENTS

May 31, 2009

10. 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 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, 2009, the total fund balances of the Foundation at market value were as follows:

	2009	2008
	\$	\$
Operating	413,186	648,900
Restricted	262,160	312,058
Endowment	7,312,100	7,459,782
	7,987,446	8,420,740

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 changes in net assets. In fiscal 2009, a grant from the Government of Ontario of \$53,631 for the Ontario Graduates Fellowship Program was received and transferred to the Foundation where it was recorded as Endowment Fund revenue.

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, 2009, the Foundation transferred \$301,279 [2008 - \$1,080,852] from the Capital Fundraising Campaign to the University. These donations have been recorded as either deferred capital contributions [note 5] or general donations to the extent that they relate to the funding of campaign expenses.

In addition, the Foundation transferred \$79,706 [2008 - \$256,015] to the University for bursaries and scholarships, which is included in bursary and scholarship donations, and \$274,327 [2008 - \$180,465] for general operations, 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.

Ontario College of Art & Design

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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 2009, contributions to the Plan included in the statement of operations and changes in unrestricted net assets (deficit) totalled \$1,044,619 [2008 - \$931,256].

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 price risk with respect to its long-term debt.

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.

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. As at May 31, 2009, the University met its objective of having sufficient liquid resources to meet its current obligations.

15. COMPARATIVE FINANCIAL STATEMENTS

The comparative financial statements have been reclassified from statements previously presented to conform to the presentation of the 2009 financial statements.

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