

Financial Statements of

**PENSION PLAN FOR EMPLOYEES
OF ONTARIO COLLEGE OF ART &
DESIGN UNIVERSITY**

Year ended September 30, 2015



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INDEPENDENT AUDITORS' REPORT

To the Pension Committee of the Pension Plan for
Employees of Ontario College of Art & Design University

We have audited the accompanying financial statements of the Pension Plan for Employees of Ontario College of Art & Design University, which comprise the statement of financial position as at September 30, 2015, the statement of changes in net assets available for benefits for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of the accounting principles used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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



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Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Pension Plan for Employees of Ontario College of Art & Design University as at September 30, 2015, and the changes in its net assets available for benefits for the year then ended in accordance with Canadian accounting standards for pension plans.

Other matters

The financial statements of the Pension Plan for Employees of Ontario College of Art & Design University as at and for the year ended September 30, 2014 were audited by another auditor who expressed an unmodified opinion on those statements on February 23, 2015.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

March 7, 2016
Toronto, Canada

PENSION PLAN FOR EMPLOYEES OF ONTARIO COLLEGE OF ART & DESIGN UNIVERSITY

Statement of Financial Position

September 30, 2015, with comparative information for 2014

	2015	2014
Assets		
Investments (notes 3 and 5)	\$ 41,571,397	\$ 39,129,514
Contributions receivable:		
Employee	120,556	177,528
Employer	120,555	177,203
Net assets available for benefits	41,812,508	39,484,245
Pension obligations (note 2(a))	41,812,508	39,484,245
Surplus	\$ —	\$ —

See accompanying notes to financial statements.

On behalf of the Pension Committee:

PENSION PLAN FOR EMPLOYEES OF ONTARIO COLLEGE OF ART & DESIGN UNIVERSITY

Statement of Changes in Net Assets Available for Benefits

Year ended September 30, 2015, with comparative information for 2014

	2015	2014
Increase in net assets:		
Investment income	\$ 765,073	\$ 2,446,407
Employer contributions	1,976,194	1,849,261
Employee normal contributions	1,950,499	1,818,682
Employee voluntary contributions	4,908	–
Transfers from other plans	109,595	225,076
Change in net unrealized gain (loss)	218,753	(102,933)
	5,025,022	6,236,493
Decrease in net assets:		
Benefit payments (note 4)	2,696,759	1,586,576
Increase in net assets	2,328,263	4,649,917
Net assets available for benefits, beginning of year	39,484,245	34,834,328
Net assets available for benefits, end of year	\$ 41,812,508	\$ 39,484,245

See accompanying notes to financial statements.

PENSION PLAN FOR EMPLOYEES OF ONTARIO COLLEGE OF ART & DESIGN UNIVERSITY

Notes to Financial Statements

Year ended September 30, 2015

1. Description of the Plan:

The following description of the Pension Plan for Employees of Ontario College of Art and Design University (the "Plan") is a summary only. For more complete information, reference should be made to the Plan agreement.

The Plan is a registered pension plan in the Province of Ontario under registration number 0284455. The Plan is a contributory defined contribution plan and provides pension benefits to substantially all salaried employees of Ontario College of Art & Design University (the "University") with greater than one year of service. Members of the Plan are required to contribute either 5% or 7.5% of monthly earnings. The total contributions are matched by the University.

Employee contributions can be invested in guaranteed investments or other segregated funds, such as fixed income funds, balances funds, Canadian equity funds, global equity funds, U.S. equity funds and international equity funds, at the discretion of the Plan member.

A member becomes entitled to a retirement pension at his/her date of retirement, normally at the age of 65. The retirement pension payable to a member who becomes a pensioner is provided by purchasing an annuity with the accumulated value of the member's contributions and the employer's contributions made on his/her behalf, and/or transferring the accumulated value to another available retirement income option.

A member who terminates employment with the University, other than through retirement, before completing one year of continuous Plan membership is entitled to receive a cash refund equal to the accumulated value of his/her contributions. A member who terminates employment with the University on or after completion on one year of continuous membership in the Plan has the option of receiving a cash refund equal to the accumulated value of his/her contributions or a deferred retirement annuity with payments commencing on his/her normal retirement date.

In the event of death before retirement, the member's beneficiary is entitled to cash refund equal to the accumulated value of his/her contributions and the employer's contributions made on his/her behalf.

Forfeitures represent employer contributions that are not vested at the time a member is terminated from the Plan. Effective July 1, 2012, all employer contributions immediately vest.

The Great West Life Assurance Company ("Great West Life") acts as Custodian and Trustee of the Plan.

PENSION PLAN FOR EMPLOYEES OF ONTARIO COLLEGE OF ART & DESIGN UNIVERSITY

Notes to Financial Statements (continued)

Year ended September 30, 2015

2. Significant accounting policies:

(a) Basis of presentation:

In selecting or changing accounting policies that do not relate to its investment portfolio or pension obligations, Canadian accounting standards for pension plans require the Plan to comply (on a consistent basis) with either International Financial Reporting Standards ("IFRS") in Part I of the Chartered Professional Accountants of Canada ("CPA Canada") Handbook - Accounting or Canadian Accounting Standards for Private Enterprises ("ASPE") in Part II of the CPA Canada Handbook - Accounting. The Plan has chosen to comply on a consistent basis with ASPE.

The financial statements are prepared in accordance with Canadian accounting standards for pension plans which also comply with the accounting requirements prescribed by the Financial Services Commission of Ontario for financial statements under Section 76 of Regulation 909 of the Pension Benefits Act (Ontario).

The Plan is a defined contribution plan. For a defined contribution pension plan, premium benefits are determined by the employer's and employees' contributions and the performance of the plan. Actuarial valuations are not required as the pension obligation equals the net assets available for benefits.

A statement of changes in pension obligations has not been provided, since the change in the pension obligation for the year is equal to the change in net assets available for benefits for that year.

(b) Basis of measurement:

The financial statements have been prepared on the historical cost basis except for investments, which are measured at fair value through the statement of changes in net assets available for benefits.

PENSION PLAN FOR EMPLOYEES OF ONTARIO COLLEGE OF ART & DESIGN UNIVERSITY

Notes to Financial Statements (continued)

Year ended September 30, 2015

2. Significant accounting policies (continued):

(c) Functional and presentation currency:

These financial statements are presented in Canadian dollars, which is the Plan's functional currency.

(d) Income recognition:

Investment income is recorded on an accrual basis and includes interest income, dividends and distribution income from pooled fund units to the extent of amounts distributed.

The cost of investments is not readily available. Accordingly, investment income does not distinguish between net realized gains (losses) on sale of investments, dividend income and other sources of investment income.

Administrative fees are deducted at the segregated level by Group Retirement Services - Great West Life. Fees are calculated separately on each segregated fund based on daily average unit holdings. Aggregate fees deducted during the year were \$144,192 (2014 - \$122,592).

(e) Financial assets and financial liabilities:

Financial assets:

Financial assets are recognized initially on the trade date, which is the date that the Plan becomes a party to the contractual provisions of the instrument. Upon initial recognition, attributable transaction costs are recognized in the statement of changes in net assets available for benefits as incurred.

The Plan measures all of its investments at fair value through the statement of changes in net assets available for benefits.

PENSION PLAN FOR EMPLOYEES OF ONTARIO COLLEGE OF ART & DESIGN UNIVERSITY

Notes to Financial Statements (continued)

Year ended September 30, 2015

2. Significant accounting policies (continued):

The Plan derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or in which the Plan neither transfers nor retains substantially all the risks and rewards of ownership and does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset, and consideration received is recognized in the statement of changes in net assets available for benefits as a net realized gain on sale of investments. Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Plan has a legal right to offset the amounts and it intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

(f) Fair value measurement:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

In determining the fair value, the Plan has adopted the guidance in IFRS 13, Fair Value Measurement ("IFRS 13"), in Part I of the CPA Canada Handbook. As allowed under IFRS 13, if an asset or a liability measured at fair value has a bid and an ask price, the price within the bid-ask spread that is most representative of fair value in the circumstances shall be used to measure fair value. The Plan uses closing market price as a practical expedient for fair value measurement.

When available, the Plan measures the fair value of an instrument using quoted prices in an active market for that instrument. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on an arm's-length basis.

PENSION PLAN FOR EMPLOYEES OF ONTARIO COLLEGE OF ART & DESIGN UNIVERSITY

Notes to Financial Statements (continued)

Year ended September 30, 2015

2. Significant accounting policies (continued):

If a market for a financial instrument is not active, then the Plan establishes fair value using a valuation technique. Valuation techniques include using recent arm's-length transactions between knowledgeable, willing parties (if available), reference to the current fair value of other instruments that are substantially the same, discounted cash flow analyses and option pricing models.

The best evidence of the fair value of a financial instrument at initial recognition is the transaction price, i.e., the fair value of the consideration given or received, unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instruments or based on a valuation technique whose variables include only data from observable markets. When transaction price provides the best evidence of fair value at initial recognition, the financial instrument is initially measured at the transaction prices and any difference between this price and the value initially obtained from a valuation model is subsequently recognized in profit or loss on an appropriate basis over the life of the instrument but not later than when the valuation is supported wholly by observable market data or the transaction is closed out.

All changes in fair value are recognized in the statement of changes in net assets available for benefits as part of the change in net unrealized gain (loss).

The fair values of investments are determined as follows:

Guaranteed investment certificates maturing after a year are valued at the present value of estimated future cash flows discounted at interest rates in effect on the last business day of the year for investments of similar type, quality and maturity.

Pooled fund investments are valued at the unit values supplied by the fund administrator, and represent the Plan's proportionate share of underlying net assets at fair values determined using closing market prices.

PENSION PLAN FOR EMPLOYEES OF ONTARIO COLLEGE OF ART & DESIGN UNIVERSITY

Notes to Financial Statements (continued)

Year ended September 30, 2015

2. Significant accounting policies (continued):

(g) Foreign currency translation:

Foreign currency-denominated transactions are translated into Canadian dollars at the rates of exchange on the dates of the related transactions. The fair values of foreign currency denominated investments included in the statement of financial position are translated into Canadian dollars at year end rates of exchange. Gains and losses arising from translations are included in the statement of changes in net assets available for benefits in the change in investment income.

(h) Income taxes:

The Plan is a registered pension plan, as defined by the Income Tax Act (Canada) and, accordingly, is not subject to income taxes.

(i) Use of estimates and judgments:

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities at the date of the statement of financial position and the reported amounts of changes in net assets available for benefits during the year. Actual results could differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future years affected.

PENSION PLAN FOR EMPLOYEES OF ONTARIO COLLEGE OF ART & DESIGN UNIVERSITY

Notes to Financial Statements (continued)

Year ended September 30, 2015

3. Investments:

All funds are held with Group Retirement Services - Great West Life.

Guaranteed investment certifications comprise the following:

	2015		2014	
	Cost	Fair value	Cost	Fair value
Guaranteed investment certificates	\$ 26,511,716	\$ 26,964,278	\$ 25,229,512	\$ 25,463,321

The guaranteed investment certificates bear interest at interest rates ranging from 0.750% to 1.596% (2014 - 0.750% to 2.175%) with terms to maturity ranging from 1 or 5 (2014 - 1 or 5) years.

Carrying value of the investments held within the pooled funds is the same as fair value. The fair value of investments held within the pooled funds is as follows:

	2015	2014
Pooled fund investments:		
Fixed income funds	\$ 604,371	\$ 633,543
Balanced funds	9,348,121	8,211,658
Canadian equity funds	2,941,811	3,351,237
Global equity funds	901,976	1,003,081
U.S. equity funds	623,221	262,596
International equity funds	187,619	204,078
	\$ 14,607,119	\$ 13,666,193

4. Benefit payments:

	2015	2014
Retirement benefit payments	\$ 1,466,940	\$ 515,125
Termination benefit payments	1,041,134	1,071,451
Death benefit payments	188,685	—
	\$ 2,696,759	\$ 1,586,576

PENSION PLAN FOR EMPLOYEES OF ONTARIO COLLEGE OF ART & DESIGN UNIVERSITY

Notes to Financial Statements (continued)

Year ended September 30, 2015

5. Statutory disclosures:

The following information is provided in respect of individual investments with a fair value in excess of 1% of the fair value of the Plan, as required by Section 76 of Regulation 909 of the Pension Benefits Act (Ontario):

Fund name	Fund operator	Nature of investments	Fair value	
			2015	2014
Guaranteed investment certificates	The London Life Assurance Company	1 to 5 year guaranteed term investments	\$ 26,964,278	\$ 25,463,321
Pooled fund investments:				
Balanced Continuum (PSG)	The London Life Assurance Company	Balanced	4,370,079	3,892,914
Canadian Equity Fund (JF)	The London Life Assurance Company	Canadian Equity	1,690,243	1,764,414
Income Growth Fund (Trimark)	The London Life Assurance Company	Balanced	1,196,534	1,336,522
Advanced Continuum (PSG)	The London Life Assurance Company	Balanced	981,518	758,693
Aggressive Continuum (PSG)	The London Life Assurance Company	Balanced	917,307	778,522
Canadian Equity Fund (Leith Wheeler)	The London Life Assurance Company	Canadian Equity	778,988	1,142,224
Global Equity Fund (Trimark)	The London Life Assurance Company	Global Equity	748,740	797,033
Conservative Continuum (PSG)	The London Life Assurance Company	Balanced	634,964	437,200
American Equity Fund (MFS)	The London Life Assurance Company	U.S. Equity	556,289	248,012
Moderate Continuum (PSG)	The London Life Assurance Company	Balanced	512,540	455,953
			39,351,480	37,074,808
Other investments less than 1% of total investments			2,219,917	2,054,706
			\$ 41,571,397	\$ 39,129,514

6. Related party transactions:

Certain professional and administrative expenses of the Plan are paid by the University. Trustee expenses are included in the unit values of the investments. The University pays all non-trustee expenditures related to Plan administration. The Plan is not obligated to reimburse the University for these amounts. Total expenses paid directly by the University were \$10,000 (2014 - \$10,615).

PENSION PLAN FOR EMPLOYEES OF ONTARIO COLLEGE OF ART & DESIGN UNIVERSITY

Notes to Financial Statements (continued)

Year ended September 30, 2015

7. Capital risk management:

The capital of the Plan is represented by the net assets available for benefits and is managed individually by the participating members of the Plan via guaranteed term deposits and pooled fund investments offered by the Great West Life. The benefits a retiree or employee receives at retirement or on termination under this defined contribution plan are not predetermined. Income distribution or benefits are based on the assets within the retiree or employee individual retirement plan account at the time they retire.

Under this Plan, the employee determines which investments his/her contributions, along with the contributions of the University, are invested in from a selection of investment options available within the Plan. This allows the individual to create a portfolio suited to his/her own investment goals and tolerance for risk. The amount of money an individual employee has in the group plan account at retirement is based on the amount of contributions made over the years and the earnings these investments have made.

The Plan's administrator has adopted a Statement of Investment Policies and Procedures (the "SIP&P"), which states investment guidelines and benchmarks used in providing investment options to members, and permitted categories of investments. The SIP&P was last amended in August 2013.

The Plan invests in pooled funds managed by Great West Life (the investment manager) in accordance with the SIP&P, and member selections. A comprehensive review is conducted quarterly, which includes comparison of returns to appropriate benchmarks, and risk analysis.

The employer is required under the Pension Benefits Act (Ontario) to pay contributions in accordance with the Plan's provision. More details on employee and employer contributions that were paid during the year is disclosed in the statement of changes in net assets available for benefits. As at September 30, 2015, contributions receivable are \$241,111 (2014 - \$354,731).

PENSION PLAN FOR EMPLOYEES OF ONTARIO COLLEGE OF ART & DESIGN UNIVERSITY

Notes to Financial Statements (continued)

Year ended September 30, 2015

8. Financial instruments:

(a) Fair value:

The fair values of investments are described in note 2(f). The fair value of contributions receivable approximates its carrying value due to the short-term nature of this financial instrument.

Fair value measurements recognized in the statement of financial position are categorized using a fair value hierarchy that reflects the significance of inputs used in determination the fair values.

- Level 1 - unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 - inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3 - inputs for assets and liabilities that are not based on observable market data.

As at September 30, 2015 and 2014, all investments of the Plan are classified as Level 2 investments.

(b) Associated risks:

In this defined contribution Plan, the members direct the investment decisions for the assets in their accounts. As a result, the Plan does not provide the quantitative sensitivity analysis disclosure for market, interest, credit or foreign currency risk.

(i) Liquidity risk:

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

All of the Plan's investments are considered to be readily realizable as their underlying assets are listed on recognized stock exchanges and can be quickly liquidated at amounts close to their fair value in order to meet liquidity requirements.

PENSION PLAN FOR EMPLOYEES OF ONTARIO COLLEGE OF ART & DESIGN UNIVERSITY

Notes to Financial Statements (continued)

Year ended September 30, 2015

8. Financial instruments (continued):

(ii) Market price risk:

Market price risk is the risk that the value of an instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to an individual investment, its issuer or all factors affecting all instruments traded in the market. The underlying equity instruments of the Plan's pooled fund investments would be subject to this risk.

(iii) Foreign currency risk:

Foreign currency risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Plan is exposed to foreign currency risk with respect to the underlying securities denominated in foreign currencies within some of the Plan's pooled fund investments.

(iv) Credit risk:

Credit risk is the risk that an issuer or counterparty will be unable or unwilling to meet a commitment that it has entered into with the Plan. The sponsor of the Plan limits the exposure to credit risk by its selection of investment vehicles appropriate for the members of the Plan.

(v) Interest rate risk:

Interest rate risk is the risk that the market value of the Plan's investments will fluctuate due to changes in market interest rates. The Plan is exposed to interest rate risk with respect to its investments in guaranteed investment accounts and the underlying interest bearing securities in its pooled fund investments.

9. Comparative information:

Certain comparative information has been reclassified to conform with the financial statement presentation adopted in the current year.