

Financial Statements

Ontario College of Art & Design University
May 31, 2014



INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of **Ontario College of Art & Design University**, which comprise the balance sheet as at May 31, 2014, and the statements of operations and changes in unrestricted net assets, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

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

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



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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of **Ontario College of Art & Design University** as at May 31, 2014, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Toronto, Canada,
October 6, 2014.

Ernst + Young LLP

Chartered Professional Accountants
Licensed Public Accountants

Ontario College of Art & Design University

BALANCE SHEET

As at May 31

	2014 \$	2013 \$
ASSETS		
Current		
Cash and cash equivalents	7,396,340	5,786,753
Short-term investments <i>[note 3]</i>	3,468,755	4,176,963
Accounts receivable	2,796,239	3,401,283
Other	893,689	981,623
Due from OCAD University Foundation <i>[note 12]</i>	601,980	702,953
Total current assets	15,157,003	15,049,575
Due from OCAD University Foundation <i>[note 12]</i>	12,500,161	—
Investments <i>[note 3]</i>	1,781,245	2,949,453
Capital assets, net <i>[note 4]</i>	97,662,427	97,515,097
	127,100,836	115,514,125
LIABILITIES AND NET ASSETS		
Current		
Accounts payable and accrued charges <i>[note 5]</i>	8,326,313	7,986,063
Deferred revenue	6,010,892	5,714,305
Other deferred contributions <i>[notes 6 and 11]</i>	3,157,815	2,683,208
Operating loan <i>[note 8]</i>	3,683,000	4,089,000
Current portion of long-term debt <i>[note 8]</i>	661,864	625,079
Total current liabilities	21,839,884	21,097,655
Deferred capital contributions <i>[note 7]</i>	50,246,579	52,113,536
Long-term debt <i>[note 8]</i>	32,154,423	32,796,287
Total liabilities	104,240,886	106,007,478
Net assets		
Unrestricted	2,685,968	1,231,885
Internally restricted <i>[note 9]</i>	8,308,603	8,274,762
Endowments <i>[notes 10, 11 and 12]</i>	11,865,379	—
Total net assets	22,859,950	9,506,647
	127,100,836	115,514,125

See accompanying notes

On behalf of the Board:

Director

Director



Ontario College of Art & Design University

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

Year ended May 31

	2014	2013
	\$	\$
REVENUE		
Provincial grants	27,081,599	26,029,039
Student fees	32,315,239	30,070,304
Research contributions	3,145,612	3,684,186
Class fees and supply sales	911,219	899,500
Interest income	233,342	215,727
General donations <i>[note 12[d]]</i>	1,176,638	1,117,569
Bursary and scholarship donations <i>[notes 11 and 12[d]]</i>	488,952	489,520
Amortization of deferred capital contributions <i>[note 7]</i>	2,335,502	2,240,132
Rental income	3,568,315	3,838,022
Other	2,442,368	2,519,376
	73,698,786	71,103,375
EXPENSES		
Academic		
Salaries and benefits <i>[note 13]</i>	36,496,626	35,328,045
Support	6,974,123	7,011,185
	43,470,749	42,339,230
Administration	13,269,516	12,328,906
Bursaries and scholarships	1,628,312	1,576,191
Physical plant	8,148,354	8,370,607
Amortization of capital assets	3,692,922	3,625,881
Interest <i>[note 8]</i>	2,001,009	2,064,311
	72,210,862	70,305,126
Excess of revenue over expenses for the year	1,487,924	798,249
Net change in internally restricted net assets <i>[note 9]</i>	(33,841)	34,250
Change in unrestricted net assets	1,454,083	832,499
Unrestricted net assets, beginning of year	1,231,885	399,386
Unrestricted net assets, end of year	2,685,968	1,231,885

See accompanying notes



Ontario College of Art & Design University

STATEMENT OF CHANGES IN NET ASSETS

Year ended May 31

	2014				2013
	Unrestricted \$	Internally restricted \$	Endowments \$	Total \$	Total \$
Net assets, beginning of year	1,231,885	8,274,762	—	9,506,647	8,708,398
Excess of revenue over expenses for the year	1,487,924	—	—	1,487,924	798,249
Endowments transferred from OCAD Foundation <i>[note 12]</i>	—	—	11,865,379	11,865,379	—
Net change in internally restricted net assets <i>[note 9]</i>	(33,841)	33,841	—	—	—
Net assets, end of year	2,685,968	8,308,603	11,865,379	22,859,950	9,506,647

See accompanying notes



Ontario College of Art & Design University

STATEMENT OF CASH FLOWS

Year ended May 31

	2014 \$	2013 \$
OPERATING ACTIVITIES		
Excess of revenue over expenses for the year	1,487,924	798,249
Add (deduct) non-cash items		
Amortization of capital assets	3,692,922	3,625,881
Amortization of deferred capital contributions	(2,335,502)	(2,240,132)
Deferred capital contributions recognized as revenue related to expenses recorded in statement of operations	(1,372,802)	(826,462)
Net decrease (increase) in due from OCAD University Foundation classified as current assets	550,395	(75,444)
	2,022,937	1,282,092
Net change in non-cash working capital balances related to operations	1,236,541	(1,732,578)
Cash provided by (used in) operating activities	3,259,478	(450,486)
INVESTING ACTIVITIES		
Purchase of capital assets	(4,356,575)	(1,891,621)
Net change in short-term investments	708,208	2,631,074
Net change in long-term investments	1,168,208	1,371,935
Cash provided by (used in) investing activities	(2,480,159)	2,111,388
FINANCING ACTIVITIES		
Restricted contributions received for capital purposes	1,841,347	328,354
Repayment of long-term debt	(605,079)	(572,140)
Repayments of operating loan	(406,000)	(291,000)
Cash provided by (used in) financing activities	830,268	(534,786)
Net increase in cash and cash equivalents during the year	1,609,587	1,126,116
Cash and cash equivalents, beginning of year	5,786,753	4,660,637
Cash and cash equivalents, end of year	7,396,340	5,786,753
Supplementary cash flow information		
Capital accounts payable	44,739	561,062
Transfer of investments from OCAD University Foundation	12,949,583	—

See accompanying notes



Ontario College of Art & Design University

NOTES TO FINANCIAL STATEMENTS

May 31, 2014

1. PURPOSE OF THE ORGANIZATION

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

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 are prepared in accordance with Part III of the Chartered Professional Accountants of Canada ["CPA Canada"] Handbook – Accounting, which sets out generally accepted accounting principles for not-for-profit organizations in Canada and includes the significant accounting policies summarized below.

Revenue recognition

The University follows the deferral method of accounting for contributions, which include grants and donations. Grants and bequests are recognized in the accounts when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Other donations are recorded when received since pledges are not legally enforceable claims. Unrestricted contributions are recognized as revenue when initially recorded in the accounts. Externally restricted contributions, except endowment contributions, are deferred when initially recorded in the accounts and recognized as revenue in the year in which the related expenses are recognized. Externally restricted endowment contributions are recognized as direct increases in net assets when recorded in the accounts.

Fees are recognized when the services have been provided.

Investment income (loss), which consists of interest, dividends, income distributions from pooled funds, and realized and unrealized gains and losses, is recorded in the statement of operations and changes in unrestricted net assets except to the extent it is externally restricted, in which case it is added to or deducted from endowment net assets or other restricted balances.

NOTES TO FINANCIAL STATEMENTS

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Cash and cash equivalents

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

Financial instruments

Fixed income investments are initially recorded at fair value plus transaction costs and are subsequently measured at amortized cost less any provision for impairment. Transactions are recorded on a trade date basis.

Other financial instruments, including accounts receivable and accounts payable, are initially recorded at their fair value and are subsequently measured at cost, net of any provisions for impairment.

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. When these instruments have been designated as effective hedges, they are not recorded in the accounts. 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. Derivative transactions that do not qualify for hedge accounting are carried at fair value, with changes in value during the year recorded as revenue or expense.

Capital assets

Land is carried at cost. Purchased capital assets are recorded 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:

Tangible

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

Intangible

Enterprise Resource Planning Solution	20 years
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NOTES TO FINANCIAL STATEMENTS

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Employee future benefits

Contributions to a defined contribution pension plan are expensed on an accrual basis.

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.

Allocation of costs

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

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

3. INVESTMENTS

[a] Investments consist of the following:

	2014	2013
	\$	\$
Fixed income securities		
Province of Ontario	5,250,000	7,126,416
Less amount classified as short-term investments	(3,468,755)	(4,176,963)
	1,781,245	2,949,453

[b] Investments classified as non-current are equal to the total of unspent deferred capital contributions [note 7]. To the extent that the total of investments exceeds this total, the difference is recorded as short-term investments. 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, 2014, fixed income securities have a weighted average yield of 2.60% [2013 – 1.73%] and a weighted average term to maturity of 1.73 years [2013 – 2.16 years].

Ontario College of Art & Design University

NOTES TO FINANCIAL STATEMENTS

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4. CAPITAL ASSETS

Capital assets consist of the following:

	2014		Net book value
	Cost	Accumulated amortization	
	\$	\$	\$
Tangible			
Land	15,783,783	—	15,783,783
Buildings and building improvements	116,650,424	38,830,967	77,819,457
Equipment and furnishings	10,555,355	9,336,275	1,219,080
Computer equipment	8,152,275	6,358,726	1,793,549
Intangible			
Enterprise Resource Planning Solution	1,101,645	55,087	1,046,558
	152,243,482	54,581,055	97,662,427
	2013		
	Cost	Accumulated amortization	Net book value
	\$	\$	\$
Tangible			
Land	15,783,783	—	15,783,783
Buildings and building improvements	115,028,337	36,371,966	78,656,371
Equipment and furnishings	10,238,407	9,050,330	1,188,077
Computer equipment	7,352,703	5,465,837	1,886,866
	148,403,230	50,888,133	97,515,097

As at May 31, 2013, buildings and building improvements include construction in progress of \$126,369 which was not being amortized.

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

5. GOVERNMENT REMITTANCES PAYABLE

As at May 31, 2014, accounts payable and accrued liabilities include government remittances payable of \$891,652 [2013 - \$115,435].

NOTES TO FINANCIAL STATEMENTS

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6. DEFERRED CONTRIBUTIONS

Deferred contributions represent unspent resources externally restricted for program expenses in future years. Changes in the deferred contributions balance are as follows:

	2014 \$	2013 \$
Balance, beginning of year	2,683,208	2,430,214
Amounts received during the year <i>[note 12]</i>	5,640,401	3,868,309
Amounts recognized as revenue during the year	(5,165,794)	(3,615,315)
Balance, end of year	3,157,815	2,683,208

7. 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:

	2014 \$	2013 \$
Balance, beginning of year	52,113,536	54,851,776
Add contributions restricted for capital purposes	1,841,347	328,354
Less amortization of deferred capital contributions	(2,335,502)	(2,240,132)
Less amount recognized as revenue related to expenses recorded in statement of operations	(1,372,802)	(826,462)
Balance, end of year	50,246,579	52,113,536
Less unspent capital contributions <i>[note 3]</i>	(1,781,245)	(2,949,453)
Contributions funding capital assets	48,465,334	49,164,083

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NOTES TO FINANCIAL STATEMENTS

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8. DEBT

The University has the following outstanding debt:

	2014		
	Current \$	Long-term \$	Total \$
Campus Expansion			
Loan facility due October 2017 <i>[note 8[a][i]]</i>	419,000	18,267,423	18,686,423
Loan facility due March 2020 <i>[note 8[a][ii]]</i>	242,864	13,887,000	14,129,864
	661,864	32,154,423	32,816,287
Operating loan <i>[note 8[a][iii]]</i>	3,683,000	—	3,683,000
	4,344,864	32,154,423	36,499,287
	2013		
	Current \$	Long-term \$	Total \$
Campus Expansion			
Loan facility due October 2017 <i>[note 8[a][i]]</i>	396,000	18,666,333	19,062,333
Loan facility due March 2020 <i>[note 8[a][ii]]</i>	229,079	14,129,954	14,359,033
	625,079	32,796,287	33,421,366
Operating loan <i>[note 8[a][iii]]</i>	4,089,000	—	4,089,000
	4,714,079	32,796,287	37,510,366

[a] Campus Expansion debt consists of:

- [i] The University has a term reducing facility with interest payable at the banker's acceptance rate plus a fee of 0.25% [May 31, 2014 – 1.51%] converted to an effective rate of 5.39% *[note 8[b]]*, repayable at \$120,000 per month principal and interest. The term of the unsecured loan is 10 years from the date of the drawdown of October 1, 2007 with a 30-year amortization period. The proceeds from the facility were used to finance the Superbuild expansion program and acquisition of 205 Richmond Street.

NOTES TO FINANCIAL STATEMENTS

May 31, 2014

- [ii] The University has a term reducing facility with interest payable at the banker's acceptance rate plus a fee of 1.50% [May 31, 2014 – 2.76%] converted to an effective rate of 5.84% [note 8[b]], repayable at \$88,000 per month principal and interest. The term of the unsecured loan is 10 years from the date of the drawdown of March 8, 2010 with a 30-year amortization period. The proceeds from the facility were used to finance a portion of the acquisition of 230/240 Richmond Street.
- [iii] The University has an operating loan with a variable interest rate at prime rate plus 0.15% [May 31, 2014 - 3.15%] with interest paid monthly and credit limit not to exceed \$7,000,000. The unsecured loan is due on demand with all amounts outstanding repayable on or before December 31, 2015. The proceeds from the facility were used to finance a portion of the acquisition of 230/240 Richmond Street.
- [b] In order to manage interest rate exposure, the University has in place Interest Rate Swap Agreements [the "Agreements"], designated as hedges of the long-term debt [the "Campus Expansion Loans"], which will expire on February 1, 2037 and February 8, 2040. Under the terms of the Agreements, the University agrees with the counterparty to exchange, at specified intervals and for a specific period, its floating interest for fixed interest calculated on the notional principal amount of the Campus Expansion Loans. The use of the swaps effectively enables the University to convert the floating rate interest obligations of the Campus Expansion Loans into fixed rate obligations and thus manage its exposure to interest rate cash flow risk. As at May 31, 2014 and 2013, the Agreements qualified as effective hedge transactions. Having met the criteria to apply hedge accounting, the University has not recognized the Agreements in these financial statements.

As at May 31, 2014, the total notional values of the Agreements are \$33,282,954 [2013 - \$33,908,032].

Ontario College of Art & Design University

NOTES TO FINANCIAL STATEMENTS

May 31, 2014

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

	\$
2014	661,864
2015	689,062
2016	743,902
2017	781,104
2018	825,431
Thereafter	29,581,591
	<hr/> 33,282,954
Less unamortized financing costs	466,667
	<hr/> 32,816,287

Total interest recognized on an accrual basis in the statement of operations and changes in unrestricted net assets was \$2,001,010 [2013 - \$2,064,311], of which \$1,894,679 [2013 - \$1,932,860] is related to debt initially incurred for a term of more than one year and \$106,331 [2013 - \$131,451] is related to current debt.

9. INTERNALLY RESTRICTED NET ASSETS

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

	2014	2013
	\$	\$
ERP Project Implementation	1,047,674	791,556
Capital assets funded by operations	6,798,889	7,021,166
Digital Futures Initiative	462,040	462,040
	<hr/> 8,308,603	<hr/> 8,274,762
Net change in internally restricted net assets	<hr/> (33,841)	

Ontario College of Art & Design University

NOTES TO FINANCIAL STATEMENTS

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10. ENDOWMENT NET ASSETS

Endowment net assets consist of externally or internally restricted contributions received by the University where the endowment principal is required by the donor or the Board to be maintained permanently. The investment income generated from assets held for endowment purposes must be used in accordance with the various purposes established by the donors or the Board.

Endowment net assets consist of the following:

	2014	2013
	\$	\$
Externally endowed funds with income to be used for donor-restricted purposes	11,345,024	—
Externally endowed funds with income unrestricted	217,656	—
Internally endowed restricted funds with income to be used for scholarships and bursaries	302,699	—
	11,865,379	—

Since the endowment net assets were transferred to the University effective May 31, 2014, no investment income was earned on endowment net assets in fiscal 2014.

11. ONTARIO GOVERNMENT MATCHING PROGRAMS

- [a] The University receives and records in its financial statements donations eligible for matching under Government of Ontario matching programs that provide funding for bursaries.
- [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"]. The balance as at May 31, 2014 is included in the University's endowment net assets. The balance as at May 31, 2013 was included in the Endowment Fund of the Foundation.

	2014	2013
	\$	\$
Endowment balance, at cost, beginning and end of year	501,887	501,887
Endowment balance, at market, beginning and end of year	643,090	579,908

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NOTES TO FINANCIAL STATEMENTS

May 31, 2014

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

	2014	2013
	\$	\$
Expendable funds available for awards, beginning of year	18,400	8,235
Amount available for spending transferred from the Foundation	20,307	18,391
Bursaries awarded recorded as bursary and scholarship donations	(18,400)	(8,226)
Expendable funds available for awards, end of year	20,307	18,400
Number of bursaries awarded	7	3

[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. The balance as at May 31, 2014 is included in the University's endowment net assets. The balance as at May 31, 2013 was included in the Endowment Fund of the Foundation.

	2014	2013
	\$	\$
Endowment balance, at cost, beginning and end of year	346,054	346,054
Endowment balance, at market, beginning and end of year	443,414	399,850

Ontario College of Art & Design University

NOTES TO FINANCIAL STATEMENTS

May 31, 2014

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.

	2014	2013
	\$	\$
Expendable funds available for awards, beginning of year	12,687	5,678
Amount available for spending transferred from the Foundation	14,002	12,681
Bursaries awarded recorded as bursary and scholarship donations	(12,687)	(5,672)
Expendable funds available for awards, end of year	14,002	12,687
Number of bursaries awarded	4	2

[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.

	2014	2013
	\$	\$
Cash donations not eligible for matching	7,764	7,725
Total cash donations	7,764	7,725

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May 31, 2014

The following is the schedule of changes in the endowment balance of OTSS, at cost, for the years ended March 31. The balance as at May 31, 2014 is included in the University's endowment net assets. The balance as at May 31, 2013 was recorded in the Endowment Fund of the Foundation.

	2014	2013
	\$	\$
Endowment balance, at cost, beginning of year	5,727,680	5,719,955
Cash donations received	7,764	7,725
Endowment balance, at cost, end of year	5,735,444	5,727,680
Endowment balance, at market, end of year	7,348,926	6,618,042

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.

	2014	2013
	\$	\$
Expendable funds available for awards, beginning of year	209,868	93,858
Transfer from the Foundation	231,614	209,884
Bursaries awarded recorded as bursary and scholarship donations	(209,868)	(93,874)
Expendable funds available for awards, end of year	231,614	209,868
Number of bursaries awarded	110	33

12. OCAD UNIVERSITY FOUNDATION

- [a] The Foundation, an organization with an independent Board of Directors [the "Board"], is a registered charity under the Income Tax Act (Canada).
- [b] On April 25, 2013, the Foundation's Board approved a motion of intent to wind-up the Foundation and transfer its fund balances to the University. On May 31, 2014, a Deed of Appointment and Deed of Gift was enacted between the Foundation and University appointing the University as the successor trustee of the Foundation's trust funds. As a result, as at May 31, 2014, fund balances of \$12,448,688 were transferred to the University.

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The following fund balances were transferred and recorded in the accounts as follows:

- \$45,224 of unrestricted funds recorded as general donations in the statement of operations and changes in unrestricted net assets;
- \$538,085 of restricted funds recorded as an increase in other deferred contributions [note 6]; and
- \$11,865,379 of endowment funds recorded as a direct increase in net assets in the statement of changes in net assets.

The amounts transferred to the University are included in the amounts due from OCAD University Foundation recorded on the balance sheet. The amount related to investments of \$12,500,161 held by the Foundation at the year-end has been recorded as a long-term asset since this amount was included in long-term assets when transferred to the University. The balance is included in the amount recorded in current assets.

The amount due from the Foundation is primarily held in investments as set out below. These investments were transferred to the University on July 2, 2014.

	\$
Bonds and debentures	3,429,442
Equities	
Canadian	4,474,754
Foreign	4,534,882
Accrued income	61,083
	12,500,161

As at May 31, 2014, the weighted average rate of return on fixed income securities based on market values is 3.02% [2013 – 3.30%] and the weighted average term to maturity is 6.0 years [2013 – 5.6 years].

Ontario College of Art & Design University

NOTES TO FINANCIAL STATEMENTS

May 31, 2014

[c] As at May 31, the total fund balances of the Foundation at market value were as follows:

	2014	2013
	\$	\$
Operating Fund	—	146,812
Restricted Fund	—	464,609
Endowment Fund	—	10,632,210
	—	11,243,631

[d] The Foundation transferred \$352,815 [2013 - \$306,914] to the University for bursaries and scholarships, which is included in bursary and scholarship donations, and \$169,017 [2013 - \$221,652] for general operations, which is included in general donations in the statement of operations and changes in unrestricted net assets.

The University charged the Foundation a fee of \$112,326 [2013 - \$102,107] in connection with administrative services provided to the Foundation which is included in general donations in the statement of operations and changes in unrestricted net assets.

[e] The income earned on the investments held by the Foundation transferred to the University in July was payable to the University.

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 2014, contributions to the Plan included in the statement of operations and changes in unrestricted net assets totalled \$1,781,377 [2013 - \$1,699,732].

14. FINANCIAL INSTRUMENTS

The University is exposed to various financial risks through transactions in financial instruments.

Credit risk

The University is exposed to credit risk in connection with its accounts receivable and its fixed income investments because of the risk that one party to the financial instrument may cause a financial loss for the other party by failing to discharge an obligation.

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May 31, 2014

Interest rate risk

The University is exposed to interest rate risk with respect to its fixed rate debt and its investments in fixed income investments because the fair value will fluctuate due to changes in market interest rates. In addition, the University is exposed to interest rate risk with respect to its floating rate loans because cash flows will fluctuate because the interest rate is linked to the bank's prime rate, which changes from time to time. The University uses interest rate swap agreements to manage interest rate risk associated with its long-term variable rate debt [note 8[b]].

Liquidity risk

The University is exposed to the risk that it will encounter difficulty in meeting obligations associated with its financial liabilities.

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. The Canadian Universities Reciprocal Exchange ["CURIE"] is a self-insurance co-operative and involves a contractual agreement to share the insurable property and liability risks of member universities arising during the period of membership. As a consequence, the University will be eligible to receive its pro-rata share of any potential future surplus distribution and will share in any deficits generated by claims arising during the University's period of membership in CURIE. As of December 31, 2013, CURIE was fully funded.

