

Financial Statements

OCAD University

[formerly Ontario College of Art & Design]

May 31, 2010

AUDITORS' REPORT

To the Board of Governors of
OCAD University

We have audited the financial statements of **OCAD University** [the "University"] as at and for the year ended May 31, 2010 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, 2010 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 30, 2010.

Ernst + Young LLP

Chartered Accountants
Licensed Public Accountants

OCAD University

BALANCE SHEET

As at May 31

	2010 \$	2009 \$
ASSETS		
Current		
Cash and cash equivalents <i>[note 3]</i>	9,195,837	9,049,829
Accounts receivable	1,744,260	1,395,703
Other	502,586	526,334
Due from Ontario College of Art & Design Foundation <i>[note 10]</i>	513,136	127,156
Total current assets	11,955,819	11,099,022
Investments <i>[note 3]</i>	9,610,245	10,986,683
Capital assets, net <i>[note 4]</i>	95,374,964	66,891,369
	116,941,028	88,977,074
LIABILITIES AND NET ASSETS		
Current		
Accounts payable and accrued charges	7,043,308	5,840,690
Deferred revenue	4,063,567	3,663,365
Other deferred contributions <i>[note 8]</i>	1,439,791	1,026,841
Operating loan <i>[note 6]</i>	5,361,000	—
Current portion of long-term debt <i>[note 6]</i>	534,936	324,000
Total current liabilities	18,442,602	10,854,896
Deferred capital contributions <i>[note 5]</i>	55,716,907	48,629,244
Long-term debt <i>[note 6]</i>	34,514,553	20,018,333
Other <i>[note 6[b]]</i>	3,525,538	3,234,115
Total liabilities	112,199,600	82,736,588
Commitments <i>[notes 9 and 14]</i>		
Net assets		
Deficit	(395,901)	(400,300)
Internally restricted <i>[note 7]</i>	5,137,329	6,640,786
Total net assets	4,741,428	6,240,486
	116,941,028	88,977,074

See accompanying notes

On behalf of the Board:

Director

Director

OCAD University

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

Year ended May 31

	2010	2009
	\$	\$
REVENUE		
Provincial grants	22,254,467	20,308,644
Student fees	20,172,959	17,518,982
Research grants and donations	720,030	259,198
Class fees and supply sales	587,346	512,719
Investment income	191,742	303,446
General donations <i>[note 10]</i>	816,233	1,181,713
Bursary and scholarship donations <i>[note 10]</i>	373,984	429,141
Amortization of deferred capital contributions <i>[note 5]</i>	1,627,887	1,467,509
Ancillary services	163,643	134,021
Rental income	1,712,978	1,379,552
Other	1,306,710	1,169,487
	49,927,979	44,664,412
EXPENSES		
Academic		
Salaries and benefits <i>[note 11]</i>	24,487,266	23,057,449
Support	5,665,329	5,123,974
	30,152,595	28,181,423
Administration	9,039,214	8,513,813
Bursaries and scholarships	1,234,684	1,209,226
Physical plant	6,466,516	6,154,692
Amortization of capital assets	2,861,625	2,619,733
Interest <i>[note 6]</i>	1,356,123	1,134,120
Ancillary services	24,857	36,533
	51,135,614	47,849,540
Deficiency of revenue over expenses for the year	(1,207,635)	(3,185,128)
Net change in unrealized loss on interest rate swap <i>[note 6[b]]</i>	(291,423)	(1,701,670)
Net change in internally restricted net assets <i>[note 7]</i>	1,503,457	4,467,568
Change in unrestricted net assets (deficit)	4,399	(419,230)
Unrestricted net assets (deficit), beginning of year	(400,300)	18,930
Deficit, end of year	(395,901)	(400,300)

See accompanying notes

OCAD University

STATEMENT OF CHANGES IN NET ASSETS

Year ended May 31

	<u>2010</u>			<u>2009</u>
	Deficit	Internally	Total	Total
	\$	restricted	\$	\$
		\$		
Net assets, beginning of year	(400,300)	6,640,786	6,240,486	11,127,284
Deficiency of revenue over expenses for the year	(1,207,635)	—	(1,207,635)	(3,185,128)
Net change in unrealized loss on interest rate swap <i>[note 6[b]]</i>	(291,423)	—	(291,423)	(1,701,670)
Net change in internally restricted net assets <i>[note 7]</i>	1,503,457	(1,503,457)	—	—
Net assets, end of year	(395,901)	5,137,329	4,741,428	6,240,486

See accompanying notes

OCAD University

STATEMENT OF CASH FLOWS

Year ended May 31

	2010	2009
	\$	\$
OPERATING ACTIVITIES		
Deficiency of revenue over expenses for the year	(1,207,635)	(3,185,128)
Add (deduct) non-cash items		
Amortization of capital assets	2,861,625	2,619,733
Amortization of deferred capital contributions	(1,627,887)	(1,467,509)
Deferred capital contributions recognized as revenue relating to items expensed	(350,050)	(526,392)
Net (increase) decrease in due from Ontario College of Art & Design Foundation	(385,980)	441,003
	(709,927)	(2,118,293)
Net change in non-cash working capital balances related to operations	2,014,119	1,662,450
Net change in other assets	—	214,170
Cash provided by (used in) operating activities	1,304,192	(241,673)
INVESTING ACTIVITIES		
Purchase of capital assets	(31,668,377)	(4,139,209)
Net change in investments	1,376,438	(1,470,346)
Cash used in investing activities	(30,291,939)	(5,609,555)
FINANCING ACTIVITIES		
Restricted contributions received for capital purposes	9,065,600	11,612,449
Advances on long-term debt financing	15,000,000	—
Repayment of long-term debt	(292,845)	(289,000)
Advances on operating loan	12,957,000	—
Repayments of operating loan	(7,596,000)	—
Cash provided by financing activities	29,133,755	11,323,449
Net increase in cash and cash equivalents during the year	146,008	5,472,221
Cash and cash equivalents, beginning of year	9,049,829	3,577,608
Cash and cash equivalents, end of year	9,195,837	9,049,829

See accompanying notes

NOTES TO FINANCIAL STATEMENTS

May 31, 2010

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. 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 OCAD University. The University 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 May 1, 2009, the University adopted retroactively The Canadian Institute of Chartered Accountants ["CICA"] Section 1540: Cash Flow Statements which required the presentation of investing and financing activities in separate sections as well as other supplementary disclosures in the statement of cash flows.

Additional disclosures required as a result of adopting CICA 4470, *Disclosure of Allocated Expenses for Not-for-Profit Organizations*, have been provided in the accounting policies note.

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

NOTES TO FINANCIAL STATEMENTS

May 31, 2010

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 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.

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 interest rate swaps in order to manage interest rate exposure. These instruments have been designated as effective hedges.

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 (deficit), and the ineffective portion, if any, is recognized in the statement of operations and changes in unrestricted assets (deficit). 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).

NOTES TO FINANCIAL STATEMENTS

May 31, 2010

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

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.

Allocation of costs

Academic, administration and physical plant expenses presented in the statement of operations and changes in unrestricted net assets (deficit) 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 also allocates salary and benefit costs related to personnel who work directly on managing capital projects to construction in progress.

NOTES TO FINANCIAL STATEMENTS

May 31, 2010

3. INVESTMENTS

[a] Investments consist of the following:

	2010	2009
	\$	\$
Short-term notes		
Province of Ontario	4,168,569	1,000,000
Province of Alberta	—	6,021,062
Province of Quebec	3,043,496	—
	7,212,065	7,021,062
Cash and cash equivalents	2,398,180	3,965,621
	9,610,245	10,986,683

[b] Investments classified as non-current are equal to the total of unspent deferred capital contributions. 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, 2010, short-term notes have a weighted average yield of 0.45% [2009 – 0.59%] and a weighted average term to maturity of 0.95 years [2009 - 0.75 years].

4. CAPITAL ASSETS

Capital assets consist of the following:

	2010		Net
	Cost	Accumulated	book
	\$	amortization	value
	\$	\$	\$
Land	15,783,783	—	15,783,783
Buildings and building improvements	106,331,269	29,269,433	77,061,836
Equipment and furnishings	8,952,194	7,883,706	1,068,488
Computer equipment	4,417,698	2,956,841	1,460,857
	135,484,944	40,109,980	95,374,964

NOTES TO FINANCIAL STATEMENTS

May 31, 2010

	2009		Net book value
	Cost	Accumulated amortization	
	\$	\$	\$
Land	5,018,680	—	5,018,680
Buildings and building improvements	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

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:

	2010	2009
	\$	\$
Balance, beginning of year	48,629,244	39,010,696
Add contributions restricted for capital purposes	8,132,217	11,612,449
Add contributions related to prior year capital purchases funded by long-term debt	933,383	—
Less amortization of deferred capital contributions	(1,627,887)	(1,467,509)
Less amount recognized as revenue related to items expensed	(350,050)	(526,392)
Balance, end of year	55,716,907	48,629,244
Less unspent capital contributions	(9,610,245)	(10,986,683)
Contributions funding capital assets	46,106,662	37,642,561

NOTES TO FINANCIAL STATEMENTS

May 31, 2010

6. DEBT

The University has the following outstanding debt:

	2010		
	Current \$	Long-term \$	Total \$
Campus Expansion			
Loan facility due October 2017 <i>[note 6[a][i]]</i>	340,000	19,735,334	20,075,334
Loan facility due March 2020 <i>[note 6[a][ii]]</i>	194,936	14,779,219	14,974,155
	534,936	34,514,553	35,049,489
Operating loan <i>[note 6[a][iii]]</i>	5,361,000	—	5,361,000
	5,895,936	34,514,553	40,410,489
	2009		
	Current \$	Long-term \$	Total \$
Campus Expansion			
Loan facility <i>[note 6[a][i]]</i>	324,000	20,018,333	20,342,333
	324,000	20,018,333	20,342,333

[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% [converted to an effective rate of 5.39%], 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 are being used to finance the Superbuild expansion program and acquisition of 205 Richmond Street.

[ii] The University has a term reducing facility with interest payable at the banker's acceptance rate plus a fee of 1.50% [converted to an effective rate of 5.84%], 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.

NOTES TO FINANCIAL STATEMENTS

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[iii] The University has an operating loan with a variable interest rate at prime rate plus 0.15% 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] The University has in place Interest Rate Swap Agreements [the "Agreements"], designated as hedges of the long-term debt [the "Facilities 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 Facilities Expansion Loans. The use of the swaps effectively enables the University to convert the floating rate interest obligations of the Facilities Expansion Loans into fixed rate obligations and thus manage its exposure to interest rate cash flow risk. As at May 31, 2010 and 2009, the Agreements qualified as effective hedge transactions.

As at May 31, 2010, the total notional and fair values of the financial instruments are \$35,596,155 [2009 - \$20,909,000] and a loss of \$3,525,538 [2009 - \$3,234,115], 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:

	\$
2011	534,936
2012	561,046
2013	592,140
2014	625,079
2015	661,864
Thereafter	32,621,090
	35,596,155
Less unamortized financing costs	546,666
	<u>35,049,489</u>

Total interest recognized on an accrual basis in the statement of operations and changes in unrestricted net assets (deficit) was \$1,356,123 [2009 - \$1,134,120], of which \$1,315,132 [2009 - \$1,134,120] related to debt initially incurred for a term of more than one year. Total interest paid for the year ended May 31, 2010 was \$1,294,747 [2009 - \$1,134,120].

NOTES TO FINANCIAL STATEMENTS

May 31, 2010

7. INTERNALLY RESTRICTED NET ASSETS

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

	2010 \$	2009 \$
Internally financed capital assets	7,696,410	6,788,763
Shortfall in SuperBuild project funding	—	603,100
Research & Graduate Studies commitments	—	96,846
Digital Futures Initiative	966,457	1,469,192
Faculty Workload Adjustment	—	917,000
Unrealized loss on interest rate swap [note 6[b]]	(3,525,538)	(3,234,115)
	5,137,329	6,640,786
Net change in internally restricted net assets		1,503,457

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 2010, the University transferred matching grants of \$9,000 [2009 - \$463,223] 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.

NOTES TO FINANCIAL STATEMENTS

May 31, 2010

[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.

	2010	2009
	\$	\$
Endowment balance, at cost, beginning and end of year	501,887	501,887
Endowment balance, at market, beginning and end of year	481,216	450,293

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.

	2010	2009
	\$	\$
Expendable funds available for awards, beginning of year	—	20,301
Amount available for spending transferred from the Foundation	—	—
Bursaries awarded	—	(20,301)
Expendable funds available for awards, end of year	—	—
Number of bursaries awarded	—	12

[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.

	2010	2009
	\$	\$
Endowment balance, at cost, beginning and end of year	346,054	346,054
Endowment balance, at market, beginning and end of year	331,801	310,480

NOTES TO FINANCIAL STATEMENTS

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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.

	2010 \$	2009 \$
Expendable funds available for awards, beginning of year	—	13,998
Amount available for spending transferred from the Foundation	—	—
Bursaries awarded	—	(13,998)
Expendable funds available for awards, end of year	—	—
Number of bursaries awarded	—	8

[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.

	2010 \$	2009 \$
Cash donations eligible for matching	—	238,259
Cash donations not yet eligible for matching	11,059	236,984
Total cash donations eligible for matching	11,059	475,243

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.

	2010 \$	2009 \$
Endowment balance, at cost, beginning of year	4,750,113	4,016,611
Cash donations received	11,059	475,243
Matching funds received or receivable from Ministry of Training, Colleges and Universities	248,042	258,259
Endowment balance, at cost, end of year	5,009,214	4,750,113
Endowment balance, at market, end of year	4,802,903	4,343,434

OCAD University

NOTES TO FINANCIAL STATEMENTS

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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.

	2010	2009
	\$	\$
Expendable funds available for awards, beginning of year	—	109,372
Transfer from the Foundation	—	—
Bursaries awarded	—	(109,372)
Expendable funds available for awards, end of year	—	—
Number of bursaries awarded	—	63

9. LEASE COMMITMENTS

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

	\$
2011	132,003
2012	101,313
2013	87,489
2014	54,808
2015	51,837

NOTES TO FINANCIAL STATEMENTS

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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, 2010, the total fund balances of the Foundation at market value were as follows:

	2010	2009
	\$	\$
Operating	273,879	413,186
Restricted	504,621	262,160
Endowment	8,224,267	7,312,100
	9,002,767	7,987,446

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 operations and changes in unrestricted net assets (deficit). 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 and are recorded as general donations, to the extent that the donations fund Capital Campaign expenses, and otherwise, as deferred capital contributions. During the year ended May 31, 2010, the Foundation transferred \$933,383 [2009 - \$301,279] from the Capital Fundraising Campaign to the University.

In addition, the Foundation transferred \$219,865 [2009 - \$79,707] to the University for bursaries and scholarships, which is included in bursary and scholarship donations, and \$163,632 [2009 - \$274,327] for general operations, which is included in general donations in the statement of operations and changes in unrestricted net assets (deficit).

The University charged the Foundation a fee of \$79,875 [2009 - \$25,000] 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 (deficit).

NOTES TO FINANCIAL STATEMENTS

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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.

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 2010, contributions to the Plan included in the statement of operations and changes in unrestricted net assets (deficit) totalled \$1,146,029 [2009 - \$1,044,619].

12. FIRST GENERATION PILOT PROJECT INITIATIVES

For the period from May 1, 2008 to June 20, 2010, the University incurred expenditures totaling \$148,479 for the purpose of carrying out the First Generation Pilot Project Initiatives. The goal of this project is to increase the awareness of the benefits of post-secondary education of first generation students thereby increasing their participation, retention and graduation rates.

13. 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 cash flow risk with respect to its variable rate debt. The University has limited this risk on its long-term debt by converting the variable rate to a fixed rate through an interest rate swap contract.

14. 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, 2009, CURIE was fully funded.

NOTES TO FINANCIAL STATEMENTS

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15. 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, 2010, the University met its objective of having sufficient liquid resources to meet its current obligations.

16. COMPARATIVE FINANCIAL STATEMENTS

The comparative financial statements have been reclassified from statements previously presented to conform to the presentation of the 2010 financial statements.

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