

Financial Statements

**Ontario College of Art & Design University**  
May 31, 2012

# 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** as at and for the year ended May 31, 2012 consisting of the following:

- Balance sheet
- Statement of operations and changes in unrestricted net assets
- Statement of changes in net assets (deficit)
- Statement of cash flows

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 generally accepted accounting principles, 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, 2012 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,  
September 24, 2012.

*Ernst + Young LLP*

Chartered Accountants  
Licensed Public Accountants

# Ontario College of Art & Design University

## BALANCE SHEET

As at May 31

	2012 \$	2011 \$
<b>ASSETS</b>		
<b>Current</b>		
Cash and cash equivalents <i>[note 3]</i>	11,468,674	12,492,790
Accounts receivable	3,059,609	3,295,615
Other	1,104,137	480,474
Due from OCAD University Foundation <i>[note 10]</i>	627,509	454,895
<b>Total current assets</b>	<b>16,259,929</b>	<b>16,723,774</b>
Investments <i>[note 3]</i>	4,321,388	8,453,542
Capital assets, net <i>[note 4]</i>	99,181,957	96,865,547
	<b>119,763,274</b>	<b>122,042,863</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current</b>		
Accounts payable and accrued charges	10,229,784	10,219,672
Deferred revenue	5,499,519	4,874,015
Other deferred contributions <i>[notes 5[b] and 8]</i>	2,430,214	2,445,304
Operating loan <i>[note 6]</i>	4,380,000	5,175,000
Current portion of long-term debt <i>[note 6]</i>	592,140	561,046
<b>Total current liabilities</b>	<b>23,131,657</b>	<b>23,275,037</b>
Deferred capital contributions <i>[note 5[a]]</i>	54,851,776	56,306,637
Long-term debt <i>[note 6]</i>	33,401,366	33,973,507
Other <i>[note 6[b]]</i>	11,124,299	4,561,359
<b>Total liabilities</b>	<b>122,509,098</b>	<b>118,116,540</b>
Commitments <i>[note 13]</i>		
<b>Net assets (deficit)</b>		
Unrestricted	69,463	46,640
Internally restricted <i>[note 7]</i>	(2,815,287)	3,879,683
<b>Total net assets (deficit)</b>	<b>(2,745,824)</b>	<b>3,926,323</b>
	<b>119,763,274</b>	<b>122,042,863</b>

*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

	2012	2011
	\$	\$
<b>REVENUE</b>		
Provincial grants	25,315,843	24,150,260
Student fees	26,485,169	23,034,042
Research contributions	3,222,199	2,657,260
Class fees and supply sales	801,063	744,345
Investment income	351,719	151,632
General donations <i>[note 10]</i>	1,064,335	854,875
Bursary and scholarship donations <i>[note 10]</i>	400,104	411,752
Amortization of deferred capital contributions <i>[note 5[a]]</i>	2,401,558	2,059,013
Ancillary services	164,694	149,246
Rental income	3,923,416	4,058,304
Other	2,113,879	1,708,374
	<b>66,243,979</b>	<b>59,979,103</b>
<b>EXPENSES</b>		
Academic		
Salaries and benefits <i>[note 11]</i>	33,751,052	28,758,685
Support	6,758,014	6,146,422
	<b>40,509,066</b>	<b>34,905,107</b>
Administration	11,007,830	10,657,505
Bursaries and scholarships	1,472,327	1,321,329
Physical plant	7,458,060	7,319,489
Amortization of capital assets	3,778,404	3,373,868
Interest <i>[note 6]</i>	2,109,899	2,162,199
Ancillary services	17,600	18,890
	<b>66,353,186</b>	<b>59,758,387</b>
<b>Excess (deficiency) of revenue over expenses for the year</b>	<b>(109,207)</b>	<b>220,716</b>
Net change in unrealized loss on interest rate swap		
<i>[notes 2 and 6[b]]</i>	<b>(6,562,940)</b>	<b>(1,035,821)</b>
Net change in internally restricted net assets <i>[note 7]</i>	<b>6,694,970</b>	<b>1,257,646</b>
<b>Change in unrestricted net assets</b>	<b>22,823</b>	<b>442,541</b>
Unrestricted net assets (deficit), beginning of year	<b>46,640</b>	<b>(395,901)</b>
<b>Unrestricted net assets, end of year</b>	<b>69,463</b>	<b>46,640</b>

See accompanying notes

Ontario College of Art & Design University

**STATEMENT OF CHANGES IN NET ASSETS (DEFICIT)**

Year ended May 31

	<u>2012</u>			<u>2011</u>
	<u>Surplus (deficit)</u> \$	<u>Internally restricted</u> \$	<u>Total</u> \$	<u>Total</u> \$
<b>Net assets, beginning of year</b>	<b>46,640</b>	<b>3,879,683</b>	<b>3,926,323</b>	4,741,428
Excess (deficiency) of revenue over expenses for the year	(109,207)	—	(109,207)	220,716
Net change in unrealized loss on interest rate swap [note 6[b]]	(6,562,940)	—	(6,562,940)	(1,035,821)
Net change in internally restricted net assets [note 7]	6,694,970	(6,694,970)	—	—
<b>Net assets (deficit), end of year</b>	<b>69,463</b>	<b>(2,815,287)</b>	<b>(2,745,824)</b>	3,926,323

*See accompanying notes*

## Ontario College of Art & Design University

### STATEMENT OF CASH FLOWS

Year ended May 31

	2012 \$	2011 \$
<b>OPERATING ACTIVITIES</b>		
Excess (deficiency) of revenue over expenses for the year	(109,207)	220,716
Add (deduct) non-cash items		
Amortization of capital assets	3,778,404	3,373,868
Amortization of deferred capital contributions	(2,401,558)	(2,059,013)
Deferred capital contributions recognized as revenue related to capital funding used for repairs and maintenance	(247,739)	(237,004)
Net (increase) decrease in due from OCAD University Foundation	(172,614)	58,241
	<b>847,286</b>	1,356,808
Net change in non-cash working capital balances related to operations	(533,768)	4,130,235
<b>Cash provided by operating activities</b>	<b>313,518</b>	<b>5,487,043</b>
<b>INVESTING ACTIVITIES</b>		
Purchase of capital assets	(6,183,395)	(4,676,386)
Net change in investments	4,132,154	1,156,703
<b>Cash used in investing activities</b>	<b>(2,051,241)</b>	<b>(3,519,683)</b>
<b>FINANCING ACTIVITIES</b>		
Restricted contributions received for capital purposes	2,049,654	2,030,529
Repayment of long-term debt	(541,047)	(514,936)
Repayments of operating loan	(795,000)	(186,000)
<b>Cash provided by financing activities</b>	<b>713,607</b>	<b>1,329,593</b>
<b>Net increase (decrease) in cash and cash equivalents     during the year</b>	<b>(1,024,116)</b>	<b>3,296,953</b>
Cash and cash equivalents, beginning of year	12,492,790	9,195,837
<b>Cash and cash equivalents, end of year</b>	<b>11,468,674</b>	<b>12,492,790</b>
<b>Supplementary cash flow information</b>		
Capital grant receivable	—	855,218
Capital accounts payable	493,662	582,243

See accompanying notes

# Ontario College of Art & Design University

## NOTES TO FINANCIAL STATEMENTS

May 31, 2012

### 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 professional artists and designers.

The University receives financial support from the OCAD University 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:

#### Future changes in accounting policies

The Accounting Standards Board of the CICA has issued Part III of the CICA Handbook that sets out the accounting standards for not-for-profit organizations that are effective for fiscal years beginning on or after January 1, 2012. The University will adopt these standards in fiscal 2013. As a result of adopting the new standards, the fair value of the Interest Rate Swap Agreement recorded as other liabilities of \$11,124,299 as at May 31, 2012 [2011 - \$4,561,359] will be eliminated, offset by an increase in internally restricted net assets. Management is considering whether the value of land will be adjusted to fair market value as at the date of transition of June 1, 2011. Other changes are not expected to be significant.



## Ontario College of Art & Design University

### NOTES TO FINANCIAL STATEMENTS

May 31, 2012

#### 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 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. Transactions 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.

## **NOTES TO FINANCIAL STATEMENTS**

May 31, 2012

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 net assets. 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 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:

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.

## Ontario College of Art & Design University

### NOTES TO FINANCIAL STATEMENTS

May 31, 2012

#### 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:

	2012 \$	2011 \$
<b>Fixed income securities</b>		
Province of Ontario	10,129,420	6,020,190
Province of British Columbia	—	1,683,804
Province of New Brunswick	1,000,005	—
	<b>11,129,425</b>	7,703,994
Cash and cash equivalents	—	749,548
Amount classified as cash and cash equivalents	<b>(6,808,037)</b>	—
	<b>4,321,388</b>	8,453,542

[b] Investments classified as non-current are equal to the total of unspent deferred capital contributions [note 5]. 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, 2012, fixed income securities have a weighted average yield of 1.28% [2011 - 0.81%] and a weighted average term to maturity of 1.47 years [2011 - 0.99 years].

**NOTES TO FINANCIAL STATEMENTS**

May 31, 2012

**4. CAPITAL ASSETS**

Capital assets consist of the following:

	<b>2012</b>		
	<b>Cost</b>	<b>Accumulated amortization</b>	<b>Net book value</b>
	\$	\$	\$
Land	15,783,783	—	15,783,783
Buildings and building improvements	113,991,415	33,953,517	80,037,898
Equipment and furnishings	9,852,226	8,778,845	1,073,381
Computer equipment	6,816,785	4,529,890	2,286,895
	<b>146,444,209</b>	<b>47,262,252</b>	<b>99,181,957</b>

  

	<b>2011</b>		
	<b>Cost</b>	<b>Accumulated amortization</b>	<b>Net book value</b>
	\$	\$	\$
Land	15,783,783	—	15,783,783
Buildings and building improvements	109,997,692	31,560,992	78,436,700
Equipment and furnishings	9,516,065	8,329,336	1,186,729
Computer equipment	5,051,855	3,593,520	1,458,335
	<b>140,349,395</b>	<b>43,483,848</b>	<b>96,865,547</b>

Building and building improvements include construction in progress of nil [2011 - \$774,000] which is not being amortized.

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

NOTES TO FINANCIAL STATEMENTS

May 31, 2012

5. DEFERRED CONTRIBUTIONS

[a] 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:

	2012 \$	2011 \$
<b>Balance, beginning of year</b>	<b>56,306,637</b>	55,716,907
Add contributions restricted for capital purposes	<b>1,194,436</b>	2,770,204
Add contributions related to prior year capital purchases funded by long-term debt <i>[note 10]</i>	—	115,543
Less amortization of deferred capital contributions	<b>(2,401,558)</b>	(2,059,013)
Less amount recognized as revenue related to capital funding used for repairs and maintenance	<b>(247,739)</b>	(237,004)
<b>Balance, end of year</b>	<b>54,851,776</b>	56,306,637
Less unspent capital contributions <i>[note 3]</i>	<b>(4,321,388)</b>	(8,453,542)
<b>Contributions funding capital assets</b>	<b>50,530,388</b>	47,853,095

[b] Other deferred contributions represent grants and donations received for specific purposes, primarily related to research and financial aid, that are unspent at year end.

## Ontario College of Art & Design University

### NOTES TO FINANCIAL STATEMENTS

May 31, 2012

#### 6. DEBT

The University has the following outstanding debt:

	2012		
	Current \$	Long-term \$	Total \$
Campus Expansion			
Loan facility due October 2017 <i>[note 6[a][i]]</i>	376,000	19,042,333	19,418,333
Loan facility due March 2020 <i>[note 6[a][ii]]</i>	216,140	14,359,033	14,575,173
	592,140	33,401,366	33,993,506
Operating loan <i>[note 6[a][iii]]</i>	4,380,000	—	4,380,000
	4,972,140	33,401,366	38,373,506
	2011		
	Current \$	Long-term \$	Total \$
Campus Expansion			
Loan facility due October 2017 <i>[note 6[a][i]]</i>	357,000	19,398,334	19,755,334
Loan facility due March 2020 <i>[note 6[a][ii]]</i>	204,046	14,575,173	14,779,219
	561,046	33,973,507	34,534,553
Operating loan <i>[note 6[a][iii]]</i>	5,175,000	—	5,175,000
	5,736,046	33,973,507	39,709,553

[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. The proceeds from the facility were used to finance a portion of the acquisition of 230/240 Richmond Street.

## Ontario College of Art & Design University

### NOTES TO FINANCIAL STATEMENTS

May 31, 2012

- [iii] The University has an operating loan with a variable interest rate at prime rate plus 0.15% [May 31, 2012 - 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] 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, 2012 and 2011, the Agreements qualified as effective hedge transactions.

As at May 31, 2012, the total notional and fair values of the financial instruments are \$34,500,173 [2011 - \$35,061,219] and a loss of \$11,124,299 [2011 - \$4,561,359] [note 2], respectively. The loss is recorded as other long-term liabilities on the balance sheet.

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

	\$
2013	592,140
2014	625,079
2015	661,864
2016	689,062
2017	743,902
Thereafter	31,188,126
	34,500,173
Less unamortized financing costs	506,667
	33,993,506

Total interest recognized on an accrual basis in the statement of operations and changes in unrestricted net assets was \$2,109,899 [2011 - \$2,162,199], of which \$1,963,274 [2011 - \$2,001,748] related to debt initially incurred for a term of more than one year. Total interest paid for the year ended May 31, 2012 was \$2,110,630 [2011 - \$2,169,686].

## Ontario College of Art & Design University

### NOTES TO FINANCIAL STATEMENTS

May 31, 2012

#### 7. INTERNALLY RESTRICTED NET ASSETS

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

	2012	2011
	\$	\$
ERP Project Implementation	567,000	—
Internally financed capital assets	7,279,972	7,598,609
Digital Futures Initiative	462,040	842,433
Unrealized loss on interest rate swap <i>[note 6[b]]</i>	(11,124,299)	(4,561,359)
	<b>(2,815,287)</b>	<b>3,879,683</b>
<b>Net change in internally restricted net assets</b>		<b>6,694,970</b>

#### 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 2012, the University transferred matching grants of \$65,447 [2011 - \$299,602] to the Foundation. The receipt and transfer of the matching grants is not recorded in the University's statement of operations and changes in unrestricted net assets since these grants represent endowed funds.

Investment income (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.



Ontario College of Art & Design University

NOTES TO FINANCIAL STATEMENTS

May 31, 2012

[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.

	2012 \$	2011 \$
<b>Endowment balance, at cost, beginning and end of year</b>	<b>501,887</b>	501,887
<b>Endowment balance, at market, beginning and end of year</b>	<b>526,079</b>	533,720

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.

	2012 \$	2011 \$
<b>Expendable funds available for awards, beginning of year</b>	<b>2,500</b>	—
Amount available for spending transferred from the Foundation	<b>8,235</b>	2,500
Bursaries awarded	<b>(2,500)</b>	—
<b>Expendable funds available for awards, end of year</b>	<b>8,235</b>	2,500
<b>Number of bursaries awarded</b>	<b>1</b>	—

[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.

	2012 \$	2011 \$
<b>Endowment balance, at cost, beginning and end of year</b>	<b>346,054</b>	346,054
<b>Endowment balance, at market, beginning and end of year</b>	<b>362,735</b>	368,003

## Ontario College of Art & Design University

### NOTES TO FINANCIAL STATEMENTS

May 31, 2012

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.

	2012	2011
	\$	\$
<b>Expendable funds available for awards, beginning of year</b>	<b>1,723</b>	—
Amount available for spending transferred from the Foundation	<b>5,678</b>	1,723
Bursaries awarded	<b>(1,723)</b>	—
<b>Expendable funds available for awards, end of year</b>	<b>5,678</b>	1,723
<b>Number of bursaries awarded</b>	<b>1</b>	—

[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.

	2012	2011
	\$	\$
Cash donations eligible for matching	<b>65,447</b>	272,263
Cash donations not yet eligible for matching	—	27,339
Cash donations not eligible for matching	<b>65,131</b>	—
<b>Total cash donations eligible for matching</b>	<b>130,578</b>	299,602

## Ontario College of Art & Design University

### NOTES TO FINANCIAL STATEMENTS

May 31, 2012

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.

	2012	2011
	\$	\$
<b>Endowment balance, at cost, beginning of year</b>	<b>5,523,900</b>	5,009,214
Cash donations received	<b>130,578</b>	299,602
Matching funds received or receivable from Ministry of Training, Colleges and Universities	<b>65,477</b>	215,084
<b>Endowment balance, at cost, end of year</b>	<b>5,719,955</b>	5,523,900
<b>Endowment balance, at market, end of year</b>	<b>5,995,637</b>	5,993,106

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.

	2012	2011
	\$	\$
<b>Expendable funds available for awards, beginning of year</b>	<b>28,067</b>	—
Transfer from the Foundation	<b>93,858</b>	28,067
Bursaries awarded	<b>(28,067)</b>	—
<b>Expendable funds available for awards, end of year</b>	<b>93,858</b>	28,067
<b>Number of bursaries awarded</b>	<b>9</b>	—

#### 9. FIRST GENERATION PILOT PROJECT INITIATIVES

For the period from April 1, 2010 to March 31, 2012, the University's financial statements include expenditures totaling \$269,241, which includes salaries and benefits of \$219,026, 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.

## Ontario College of Art & Design University

### NOTES TO FINANCIAL STATEMENTS

May 31, 2012

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

	2012	2011
	\$	\$
Operating	282,913	289,049
Restricted	395,234	474,086
Endowment	9,532,522	9,576,604
	<b>10,210,669</b>	<b>10,339,739</b>

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.

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, 2012, the Foundation transferred nil [2011 - \$115,543] from the Capital Fundraising Campaign to the University [note 5].

In addition, the Foundation transferred \$311,901 [2011 - \$248,475] to the University for bursaries and scholarships, which is included in bursary and scholarship donations, and \$53,072 [2011 - \$86,450] 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 \$102,450 [2011 - \$88,114] 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.

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 University

### NOTES TO FINANCIAL STATEMENTS

May 31, 2012

#### 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 2012, contributions to the Plan included in the statement of operations and changes in unrestricted net assets totalled \$1,506,075 [2011 - \$1,322,604].

#### 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 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 interest rate swap contracts.

#### 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. As of December 31, 2011, CURIE was fully funded.

#### 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. The University has an available line of credit that is used when sufficient cash flow is not available from operations to cover operating and capital expenditures [note 6[a][iii]]. The University enters into long-term debt to assist with the financing of capital assets when other sources are not available. As at May 31, 2012, the University met its objective of having sufficient liquid resources to meet its current obligations.

**Ontario College of Art & Design University**

**NOTES TO FINANCIAL STATEMENTS**

May 31, 2012

**15. COMPARATIVE FINANCIAL STATEMENTS**

The comparative financial statements have been reclassified from statements previously presented to conform to the presentation of the 2012 financial statements.

