

Financial Statements

**Ontario College of Art & Design University**

May 31, 2013 and 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**, which comprise the balance sheets as at May 31, 2013 and 2012, and June 1, 2011, and the statements of operations and changes in unrestricted net assets, changes in net assets and cash flows for the years ended May 31, 2013 and 2012, 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 audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits 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 in our audits 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, 2013 and 2012, and June 1, 2011, and the results of its operations and its cash flows for the years ended May 31, 2013 and 2012 in accordance with Canadian accounting standards for not-for-profit organizations.

Toronto, Canada,  
September 23, 2013.

*Ernst + Young LLP*

Chartered Accountants  
Licensed Public Accountants

## Ontario College of Art & Design University

### BALANCE SHEETS

As at

	May 31, 2013 \$	May 31, 2012 \$	June 1, 2011 \$
<b>ASSETS</b>			
<b>Current</b>			
Cash and cash equivalents <i>[note 3]</i>	5,786,753	4,660,637	12,492,790
Short-term investments <i>[note 3]</i>	4,176,963	6,808,037	—
Accounts receivable	3,401,283	3,059,609	3,295,615
Other	981,623	1,104,137	480,474
Due from OCAD University Foundation <i>[note 11]</i>	702,953	627,509	454,895
<b>Total current assets</b>	<b>15,049,575</b>	<b>16,259,929</b>	<b>16,723,774</b>
Investments <i>[note 3]</i>	2,949,453	4,321,388	8,453,542
Capital assets, net <i>[note 4]</i>	97,515,097	99,181,957	96,865,547
	<b>115,514,125</b>	<b>119,763,274</b>	<b>122,042,863</b>
<b>LIABILITIES AND NET ASSETS</b>			
<b>Current</b>			
Accounts payable and accrued charges <i>[note 5]</i>	7,986,063	10,229,784	10,219,672
Deferred revenue	5,714,305	5,169,596	4,563,250
Other deferred contributions <i>[notes 6 and 10]</i>	2,683,208	2,430,214	2,445,304
Operating loan <i>[note 8]</i>	4,089,000	4,380,000	5,175,000
Current portion of long-term debt <i>[note 8]</i>	625,079	592,140	561,046
<b>Total current liabilities</b>	<b>21,097,655</b>	<b>22,801,734</b>	<b>22,964,272</b>
Deferred capital contributions <i>[note 7]</i>	52,113,536	54,851,776	56,306,637
Long-term debt <i>[note 8]</i>	32,796,287	33,401,366	33,973,507
<b>Total liabilities</b>	<b>106,007,478</b>	<b>111,054,876</b>	<b>113,244,416</b>
Commitments <i>[note 4]</i>			
<b>Net assets</b>			
Unrestricted	1,231,885	399,386	357,405
Internally restricted <i>[note 9]</i>	8,274,762	8,309,012	8,441,042
<b>Total net assets</b>	<b>9,506,647</b>	<b>8,708,398</b>	<b>8,798,447</b>
	<b>115,514,125</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

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

Years ended May 31

	2013	2012
	\$	\$
<b>REVENUE</b>		
Provincial grants	26,029,039	25,315,843
Student fees	30,070,304	26,504,327
Research contributions	3,684,186	3,222,199
Class fees and supply sales	899,500	801,063
Interest income	215,727	182,548
General donations <i>[note 11]</i>	1,117,569	1,064,335
Bursary and scholarship donations <i>[note 11]</i>	489,520	400,104
Amortization of deferred capital contributions <i>[note 7]</i>	2,240,132	2,401,558
Rental income	3,838,022	3,923,416
Other	2,519,376	2,447,744
	<b>71,103,375</b>	<b>66,263,137</b>
<b>EXPENSES</b>		
Academic		
Salaries and benefits <i>[note 12]</i>	35,328,045	33,751,052
Support	7,011,185	6,758,014
	<b>42,339,230</b>	<b>40,509,066</b>
Administration	12,328,906	11,025,430
Bursaries and scholarships	1,576,191	1,472,327
Physical plant	8,370,607	7,458,060
Amortization of capital assets	3,625,881	3,778,404
Interest <i>[note 8]</i>	2,064,311	2,109,899
	<b>70,305,126</b>	<b>66,353,186</b>
<b>Excess (deficiency) of revenue over expenses for the year</b>	<b>798,249</b>	<b>(90,049)</b>
Net change in internally restricted net assets <i>[note 9]</i>	34,250	132,030
<b>Change in unrestricted net assets</b>	<b>832,499</b>	<b>41,981</b>
Unrestricted net assets, beginning of year	399,386	357,405
<b>Unrestricted net assets, end of year</b>	<b>1,231,885</b>	<b>399,386</b>

See accompanying notes

Ontario College of Art & Design University

STATEMENTS OF CHANGES IN NET ASSETS

Years ended May 31

	2013			2012
	Unrestricted	Internally restricted	Total	Total
	\$	\$	\$	\$
<b>Net assets, beginning of year</b>	<b>399,386</b>	<b>8,309,012</b>	<b>8,708,398</b>	8,798,447
Excess (deficiency) of revenue over expenses for the year	<b>798,249</b>	—	<b>798,249</b>	(90,049)
Net change in internally restricted net assets [note 9]	<b>34,250</b>	<b>(34,250)</b>	—	—
<b>Net assets, end of year</b>	<b>1,231,885</b>	<b>8,274,762</b>	<b>9,506,647</b>	8,708,398

*See accompanying notes*

## Ontario College of Art & Design University

### STATEMENTS OF CASH FLOWS

Years ended May 31

	2013 \$	2012 \$
<b>OPERATING ACTIVITIES</b>		
Excess (deficiency) of revenue over expenses for the year	798,249	(90,049)
Add (deduct) non-cash items		
Amortization of capital assets	3,625,881	3,778,404
Amortization of deferred capital contributions	(2,240,132)	(2,401,558)
Deferred capital contributions recognized as revenue related to capital funding used for repairs and maintenance	(826,462)	(247,739)
Net increase in due from OCAD University Foundation	(75,444)	(172,614)
	<b>1,282,092</b>	866,444
Net change in non-cash working capital balances related to operations	(1,732,578)	(552,926)
<b>Cash provided by operating activities</b>	<b>(450,486)</b>	313,518
<b>INVESTING ACTIVITIES</b>		
Purchase of capital assets	(1,891,621)	(6,183,395)
Net change in short-term investments	2,631,074	(6,808,037)
Net change in long-term investments	1,371,935	4,132,154
<b>Cash provided by (used in) investing activities</b>	<b>2,111,388</b>	(8,859,278)
<b>FINANCING ACTIVITIES</b>		
Restricted contributions received for capital purposes	328,354	2,049,654
Repayment of long-term debt	(572,140)	(541,047)
Repayments of operating loan	(291,000)	(795,000)
<b>Cash provided by (used in) financing activities</b>	<b>(534,786)</b>	713,607
<b>Net increase (decrease) in cash and cash equivalents     during the year</b>	<b>1,126,116</b>	(7,832,153)
Cash and cash equivalents, beginning of year	4,660,637	12,492,790
<b>Cash and cash equivalents, end of year</b>	<b>5,786,753</b>	4,660,637
<b>Supplementary cash flow information</b>		
Capital accounts payable	561,062	493,662

See accompanying notes

# Ontario College of Art & Design University

## NOTES TO FINANCIAL STATEMENTS

May 31, 2013 and 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 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 11]. 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 are prepared in accordance with Part III of the Canadian Institute of Chartered Accountants' ["CICA"] 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 are deferred when initially recorded in the accounts and recognized as revenue in the year in which the related expenses are recognized.

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 statements of operations and changes in unrestricted net assets.



## Ontario College of Art & Design University

### NOTES TO FINANCIAL STATEMENTS

May 31, 2013 and 2012

#### 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 (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 on an accrual basis.

## Ontario College of Art & Design University

### NOTES TO FINANCIAL STATEMENTS

May 31, 2013 and 2012

#### 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:

	May 31, 2013 \$	May 31, 2012 \$	June 1, 2011 \$
<b>Fixed income securities</b>			
Province of Ontario	7,126,416	10,129,420	6,020,190
Province of British Columbia	—	—	1,683,804
Province of New Brunswick	—	1,000,005	—
	<b>7,126,416</b>	11,129,425	7,703,994
Cash and cash equivalents	—	—	749,548
Amount classified as short-term investments	(4,176,963)	(6,808,037)	—
	<b>2,949,453</b>	4,321,388	8,453,542

[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, 2013, fixed income securities have a weighted average yield of 1.73% [May 31, 2012 - 1.28%; June 1, 2011 - 0.81%] and a weighted average term to maturity of 2.16 years [May 31, 2012 - 1.47 years; June 1, 2011 - 0.99 years].

Ontario College of Art & Design University

NOTES TO FINANCIAL STATEMENTS

May 31, 2013 and 2012

4. CAPITAL ASSETS

Capital assets consist of the following:

	<b>May 31, 2013</b>		
	<b>Cost</b>	<b>Accumulated amortization</b>	<b>Net book value</b>
	\$	\$	\$
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
	<b>148,403,230</b>	<b>50,888,133</b>	<b>97,515,097</b>

	<b>May 31, 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>June 1, 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>

Buildings and building improvements include construction in progress of \$126,369 [May 31, 2012 - nil; June 1, 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, 2013 and 2012

### 5. GOVERNMENT REMITTANCES PAYABLE

As at May 31, 2013, accounts payable and accrued liabilities include government remittances payable of \$115,435 [May 31, 2012 - \$624,787; June 1, 2011 - \$487,448].

### 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:

	2013 \$	2012 \$
<b>Balance, beginning of year</b>	<b>2,430,214</b>	2,445,304
Amounts received during the year	<b>3,868,309</b>	2,624,419
Amounts recognized as revenue during the year	<b>(3,615,315)</b>	(2,639,509)
<b>Balance, end of year</b>	<b>2,683,208</b>	2,430,214

### 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:

	2013 \$	2012 \$
<b>Balance, beginning of year</b>	<b>54,851,776</b>	56,306,637
Add contributions restricted for capital purposes	<b>328,354</b>	1,194,436
Less amortization of deferred capital contributions	<b>(2,240,132)</b>	(2,401,558)
Less amount recognized as revenue related to capital funding used for operating expenses	<b>(826,462)</b>	(247,739)
<b>Balance, end of year</b>	<b>52,113,536</b>	54,851,776
Less unspent capital contributions [note 3]	<b>(2,949,453)</b>	(4,321,388)
<b>Contributions funding capital assets</b>	<b>49,164,083</b>	50,530,388

## Ontario College of Art & Design University

### NOTES TO FINANCIAL STATEMENTS

May 31, 2013 and 2012

#### 8. DEBT

The University has the following outstanding debt:

	<b>May 31, 2013</b>		
	<b>Current</b>	<b>Long-term</b>	<b>Total</b>
	\$	\$	\$
<b>Campus Expansion</b>			
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
	<b>625,079</b>	<b>32,796,287</b>	<b>33,421,366</b>
Operating loan <i>[note 8[a][iii]]</i>	4,089,000	—	4,089,000
	<b>4,714,079</b>	<b>32,796,287</b>	<b>37,510,366</b>
<b>May 31, 2012</b>			
	\$	\$	\$
<b>Campus Expansion</b>			
Loan facility due October 2017 <i>[note 8[a][i]]</i>	376,000	19,042,333	19,418,333
Loan facility due March 2020 <i>[note 8[a][ii]]</i>	216,140	14,359,033	14,575,173
	592,140	33,401,366	33,993,506
Operating loan <i>[note 8[a][iii]]</i>	4,380,000	—	4,380,000
	<b>4,972,140</b>	<b>33,401,366</b>	<b>38,373,506</b>
<b>June 1, 2011</b>			
	\$	\$	\$
<b>Campus Expansion</b>			
Loan facility due October 2017 <i>[note 8[a][i]]</i>	357,000	19,398,334	19,755,334
Loan facility due March 2020 <i>[note 8[a][ii]]</i>	204,046	14,575,173	14,779,219
	561,046	33,973,507	34,534,553
Operating loan <i>[note 8[a][iii]]</i>	5,175,000	—	5,175,000
	<b>5,736,046</b>	<b>33,973,507</b>	<b>39,709,553</b>

## Ontario College of Art & Design University

### NOTES TO FINANCIAL STATEMENTS

May 31, 2013 and 2012

[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, 2013 – 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.
  - [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, 2013 – 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, 2013 - 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, 2013 and 2012, and June 1, 2011, 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, 2013, the total notional values of the Agreements are \$33,908,032 [May 31, 2012 - \$34,500,173; June 1, 2011 - \$35,061,219].

Ontario College of Art & Design University

NOTES TO FINANCIAL STATEMENTS

May 31, 2013 and 2012

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

	\$
2014	625,079
2015	661,864
2016	689,062
2017	743,902
2018	781,104
Thereafter	30,407,021
	<u>33,908,032</u>
Less unamortized financing costs	486,666
	<u>33,421,366</u>

Total interest recognized on an accrual basis in the statement of operations and changes in unrestricted net assets was \$2,064,311 [2012 - \$2,109,899], of which \$1,932,860 [2012 - \$1,963,274] is related to debt initially incurred for a term of more than one year and \$131,451 [2012 - \$146,625] is related to current debt.

**9. INTERNALLY RESTRICTED NET ASSETS**

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

	May 31, 2013 \$	May 31, 2012 \$	June 1, 2011 \$
ERP Project Implementation	<b>791,556</b>	567,000	—
Capital assets funded by operations	<b>7,021,166</b>	7,279,972	7,598,609
Digital Futures Initiative	<b>462,040</b>	462,040	842,433
	<u><b>8,274,762</b></u>	<u>8,309,012</u>	<u>8,441,042</u>
<b>Net change in internally restricted net assets</b>	<b>34,250</b>	132,030	

# Ontario College of Art & Design University

## NOTES TO FINANCIAL STATEMENTS

May 31, 2013 and 2012

### 10. 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 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.

[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.

	2013	2012
	\$	\$
<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>579,908</b>	526,079



Ontario College of Art & Design University

NOTES TO FINANCIAL STATEMENTS

May 31, 2013 and 2012

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.

	2013	2012
	\$	\$
<b>Expendable funds available for awards, beginning of year</b>	<b>8,235</b>	2,500
Amount available for spending transferred from the Foundation	<b>18,391</b>	8,235
Bursaries awarded	<b>(8,226)</b>	(2,500)
<b>Expendable funds available for awards, end of year</b>	<b>18,400</b>	8,235
<b>Number of bursaries awarded</b>	<b>3</b>	1

[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.

	2013	2012
	\$	\$
<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>399,850</b>	362,735

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.

	2013	2012
	\$	\$
<b>Expendable funds available for awards, beginning of year</b>	<b>5,678</b>	1,723
Amount available for spending transferred from the Foundation	<b>12,681</b>	5,678
Bursaries awarded	<b>(5,672)</b>	(1,723)
<b>Expendable funds available for awards, end of year</b>	<b>12,687</b>	5,678
<b>Number of bursaries awarded</b>	<b>2</b>	1

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- [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.

	2013	2012
	\$	\$
Cash donations eligible for matching		65,447
Cash donations not yet eligible for matching	—	—
Cash donations not eligible for matching	7,725	65,131
<b>Total cash donations eligible for matching</b>	<b>7,725</b>	<b>130,578</b>

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.

	2013	2012
	\$	\$
<b>Endowment balance, at cost, beginning of year</b>	<b>5,719,955</b>	5,523,900
Cash donations received	7,725	130,578
Matching funds received or receivable from Ministry of Training, Colleges and Universities	—	65,477
<b>Endowment balance, at cost, end of year</b>	<b>5,727,680</b>	<b>5,719,955</b>
<b>Endowment balance, at market, end of year</b>	<b>6,618,042</b>	5,995,637

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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.

	2013	2012
	\$	\$
<b>Expendable funds available for awards, beginning of year</b>	<b>93,858</b>	28,067
Transfer from the Foundation	<b>209,884</b>	93,858
Bursaries awarded	<b>(93,874)</b>	(28,067)
<b>Expendable funds available for awards, end of year</b>	<b>209,868</b>	93,858
<b>Number of bursaries awarded</b>	<b>33</b>	9

#### 11. OCAD UNIVERSITY FOUNDATION

[a] 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. The total fund balances of the Foundation at market value were as follows:

	May 31, 2013	May 31, 2012	June 1, 2011
	\$	\$	\$
Operating	<b>146,812</b>	282,913	289,049
Restricted	<b>464,609</b>	395,234	474,086
Endowment	<b>10,632,210</b>	9,532,522	9,576,604
	<b>11,243,631</b>	10,210,669	10,339,739

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.

The Foundation transferred \$306,914 [2012 - \$311,901] to the University for bursaries and scholarships, which is included in bursary and scholarship donations, and \$221,652 [2012 -

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### NOTES TO FINANCIAL STATEMENTS

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\$53,072] 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 \$102,107 [2012 - \$102,450] 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.

[b] On April 25, 2013, the OCAD University Foundation approved a motion of intent to wind-up the Foundation and transfer its fund balances to the University by the end of the 2014 fiscal year.

#### 12. 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 2013, contributions to the Plan included in the statement of operations and changes in unrestricted net assets totalled \$1,699,732 [2012 - \$1,506,075].

#### 13. 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.

##### **Interest rate risk**

The University is exposed to interest rate risk with respect to its fixed rate debt and its investments in fixed income securities 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]].

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### Liquidity risk

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

### 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, 2012, CURIE was fully funded.

### 15. FIRST-TIME ADOPTION OF ACCOUNTING STANDARDS FOR NOT-FOR-PROFIT ORGANIZATIONS

These financial statements are the first financial statements which the University has prepared in accordance with Part III of the CICA Handbook – Accounting, which constitutes generally accepted accounting principles for not-for-profit organizations in Canada ["GAAP"]. In preparing its opening balance sheet as at June 1, 2011 [the "Transition Date"], the University has applied CICA Handbook Section 1501, *First-time Adoption for Not-for-Profit Organizations*.

The accounting policies that the University has used in the preparation of its opening balance sheet have resulted in certain adjustments to balances which were presented in the balance sheet prepared in accordance with Part V of the CICA Handbook – Accounting ["Previous GAAP"]. These adjustments were recorded directly to the University's net assets at the Transition Date using the transitional provisions set out in Section 1501 and are described below.

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#### Reconciliation

The following table provides a reconciliation of net assets as at June 1, 2011 and the deficiency of revenue over expenses for the year ended May 31, 2012, as presented under Previous GAAP with those computed under GAAP.

	<b>Deficiency of revenue over expenses for the year ended May 31, 2012</b>	<b>Net assets as at June 1, 2011</b>
	\$	\$
<b>Excess (deficiency) of revenue over expenses and net assets, Previous GAAP</b>	(109,207)	3,926,323
Fair value of interest rate swaps	—	4,561,359
Adjustment related to deferred revenue	19,158	310,765
<b>Excess (deficiency) of revenue over expenses and net assets, GAAP</b>	<b>(90,049)</b>	<b>8,798,447</b>

Under Previous GAAP, the fair value of the interest rate swap contracts designated as hedges was recorded on the balance sheet with changes in the value recorded in the statement of changes in net assets. Under GAAP, no value is recorded on the balance sheet related to these contracts.

It was determined that, as at June 1, 2011, \$310,765 related to the summer sessions that commenced prior to June 1, 2011 should not have been recorded as deferred revenue. As a result, net assets as at June 1, 2011 were increased and deferred revenue reduced by \$310,765. Deferred revenue and net assets as at May 31, 2012 were increased by \$329,923 and revenue for the year then ended was increased by \$19,158.

