

Financial Statements of

**ONTARIO COLLEGE OF ART &  
DESIGN UNIVERSITY**

And Independent Auditors' Report thereon

Year ended May 31, 2020



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## INDEPENDENT AUDITORS' REPORT

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

### ***Opinion***

We have audited the financial statements of the Ontario College of Art & Design University (the Entity), which comprise:

- the statement of financial position as at May 31, 2020
- the statement of operations and unrestricted net assets for the year then ended
- the statement of changes in net assets for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at May 31, 2020, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

### ***Basis for Opinion***

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditors' Responsibilities for the Audit of the Financial Statements***" section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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



### ***Responsibilities of Management and Those Charged with Governance for the Financial Statements***

Management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

### ***Auditors' Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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.



Page 3

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

*KPMG LLP*

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Chartered Professional Accountants, Licensed Public Accountants

Vaughan, Canada

October 5, 2020

# ONTARIO COLLEGE OF ART & DESIGN UNIVERSITY

## Statement of Financial Position

May 31, 2020, with comparative information for 2019

	2020	2019
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 5,305,714	\$ 136,705
Accounts receivable (net of allowance for doubtful accounts of \$1,550,215 (2019 - \$1,293,307) (note 11)	5,402,448	5,870,995
Deposits and other	1,472,402	1,506,297
	<u>12,180,564</u>	<u>7,513,997</u>
Investments (note 3)	18,330,306	19,760,363
Restricted cash and guaranteed investment certificates (note 4)	32,526,261	4,250,000
Investment in joint ventures (note 4)	3,201,997	22,383,873
Capital assets (note 5)	96,826,227	88,072,460
Due from related party (OCAD U Co. Foundation) (note 11)	967,276	912,524
	<u>\$ 164,032,631</u>	<u>\$ 142,893,217</u>
<b>Liabilities and Net Assets</b>		
Current liabilities:		
Accounts payable and accrued liabilities (note 6)	\$ 12,823,613	\$ 9,944,291
Deferred revenue	5,617,442	6,551,848
Other deferred contributions (note 7)	13,410,235	13,949,920
Demand loan for capital (note 9)	4,308,333	4,400,000
Current portion of long-term debt (note 9)	913,339	867,779
	<u>37,072,962</u>	<u>35,713,838</u>
Deferred capital contributions (note 8)	68,371,036	62,597,387
Long-term debt (note 9)	27,453,806	28,347,145
	<u>132,897,804</u>	<u>126,658,370</u>
Net assets (deficit):		
Unrestricted	(1,329,011)	(804,126)
Internally restricted (note 10)	15,888,768	850,544
Endowments (notes 12 and 13)	16,575,070	16,188,429
	<u>31,134,827</u>	<u>16,234,847</u>
Contingencies and commitments (note 16)		
Subsequent event (note 18)		
	<u>\$ 164,032,631</u>	<u>\$ 142,893,217</u>

See accompanying notes to financial statements.

On behalf of the Board:

\_\_\_\_\_ Governor

\_\_\_\_\_ Governor

# ONTARIO COLLEGE OF ART & DESIGN UNIVERSITY

## Statement of Operations and Unrestricted Net Assets

Year ended May 31, 2020, with comparative information for 2019

	2020	2019
<b>Revenue:</b>		
Provincial grants	\$ 25,754,224	\$ 26,925,925
Student fees	48,872,717	43,934,382
Research contributions	5,175,097	4,170,757
Class fees and supply sales	580,075	925,695
Unrealized and realized gain on investments	221,145	280,602
General donations	2,074,111	2,034,238
Bursary and scholarship donations (note 13)	1,238,055	1,116,498
Amortization of deferred capital contributions (note 8)	2,666,808	2,398,667
Gain on sale of investment (note 4)	13,279,907	–
Other	4,994,365	6,829,095
	<u>104,856,504</u>	<u>88,615,859</u>
<b>Expenses:</b>		
Academic:		
Salaries and benefits (note 14)	47,068,637	44,455,066
Support	8,212,462	9,465,433
	<u>55,281,099</u>	<u>53,920,499</u>
Non-academic	15,932,133	15,844,993
Bursaries and scholarships	2,359,757	2,484,945
Facility management and operating	10,812,940	11,283,893
Amortization of capital assets	4,198,064	3,918,379
Interest (note 9(c))	1,759,172	1,860,291
	<u>90,343,165</u>	<u>89,313,000</u>
Excess (deficiency) of revenue over expenses	14,513,339	(697,141)
Transfer to/from internally restricted net assets (note 10)	(15,038,224)	1,340,044
Change in unrestricted net assets surplus (deficit)	(524,885)	642,903
Unrestricted net assets (deficit), beginning of year	(804,126)	(1,447,029)
Unrestricted net assets (deficit), end of year	<u>\$ (1,329,011)</u>	<u>\$ (804,126)</u>

See accompanying notes to financial statements.

# ONTARIO COLLEGE OF ART & DESIGN UNIVERSITY

## Statement of Changes in Net Assets

Year ended May 31, 2020, with comparative information for 2019

2020	Unrestricted	Internally restricted	Endowments (note 12)	Total
Net assets (deficit), beginning of year	\$ (804,126)	\$ 850,544	\$ 16,188,429	\$ 16,234,847
Excess of revenue over expenses	14,513,339	–	–	14,513,339
Endowment contributions	–	–	589,118	589,118
Net changes in endowment fund activities (note 12(b))	–	–	(202,477)	(202,477)
Board-approved interfund transfer (note 10)	(15,038,224)	15,038,224	–	–
Net assets (deficit), end of year	\$ (1,329,011)	\$ 15,888,768	\$ 16,575,070	\$ 31,134,827

2019	Unrestricted	Internally restricted	Endowments (note 12)	Total
Net assets (deficit), beginning of year	\$ (1,447,029)	\$ 2,190,588	\$ 15,686,970	\$ 16,430,529
Deficiency of revenue over expenses	(697,141)	–	–	(697,141)
Endowment contributions	–	–	372,502	372,502
Net changes in endowment fund activities (note 12(b))	–	–	128,957	128,957
Board-approved interfund transfer (note 10)	1,340,044	(1,340,044)	–	–
Net assets (deficit), end of year	\$ (804,126)	\$ 850,544	\$ 16,188,429	\$ 16,234,847

See accompanying notes to financial statements.

# ONTARIO COLLEGE OF ART & DESIGN UNIVERSITY

## Statement of Cash Flows

Year ended May 31, 2020, with comparative information for 2019

	2020	2019
Cash provided by (used in):		
Operating activities:		
Excess (deficiency) of revenue over expenses	\$ 14,513,339	\$ (697,141)
Items not involving cash:		
Amortization of capital assets	4,198,064	3,918,379
Amortization of deferred capital contributions	(2,666,808)	(2,398,667)
Equity from joint ventures	(1,207,787)	(1,293,531)
Gain on disposal of capital assets	-	(1,344,981)
Gain on sale of investment in joint venture (230/240 Richmond Street)	(13,279,907)	-
Amortization from transfer of capital assets to joint venture	(409,763)	(406,227)
Deferred capital contributions recognized as revenue related to expenses recorded in statement of operations	(508,053)	(489,699)
Unrealized and realized gain on investments	(221,145)	(280,602)
	417,940	(2,992,469)
Net change in non-cash working capital balances related to operations:		
Decrease in deposits and other	33,895	855,413
Decrease (increase) in accounts receivable	468,547	(1,268,419)
Increase in due from OCAD U Co. Foundation	(54,752)	(912,524)
Increase (decrease) in accounts payable and accrued liabilities	2,879,322	(2,282,681)
Increase (decrease) in deferred revenue	(934,406)	969,446
Decrease in other deferred contributions	(129,922)	(47,441)
	2,262,684	(2,686,206)
	2,680,624	(5,678,675)
Financing activities:		
Endowment contributions	589,118	372,502
Capitalization of investment income in endowments	706,198	1,015,450
Endowment disbursements	(908,675)	(886,493)
Restricted contributions received for capital purposes	8,948,510	10,375,544
Repayment of demand loan for capital	(91,667)	-
Repayment of long-term debt	(847,779)	(805,431)
Proceeds from disposal of investment in joint venture (230/240 Richmond Street)	28,294,296	-
Proceeds from sale of capital assets	-	1,835,257
	36,690,001	11,906,829
Investing activities:		
Disbursements from joint ventures	5,375,274	2,150,000
Purchase of capital assets	(12,951,831)	(16,279,333)
Net change in investments	1,651,202	(1,038,912)
	(5,925,355)	(15,168,245)
Increase (decrease) in cash and cash equivalents	33,445,270	(8,940,091)
Cash and cash equivalents, beginning of year	4,386,705	13,326,796
Cash and cash equivalents, end of year	\$ 37,831,975	\$ 4,386,705
Comprised of:		
Cash and cash equivalents	\$ 5,305,714	\$ 136,705
Restricted cash and guaranteed investment certificates	32,526,261	4,250,000
	\$ 37,831,975	\$ 4,386,705
Supplemental disclosure of non-cash transactions:		
Non-cash restricted contributions received for capital purposes	\$ 28,000	\$ -
Non-cash capital assets additions	28,000	-

See accompanying notes to financial statements.



# ONTARIO COLLEGE OF ART & DESIGN UNIVERSITY

Notes to Financial Statements

Year ended May 31, 2020

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## 1. Purpose of the Organization:

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

The University is a charitable organization and, as such, is exempt from income taxes under the Income Tax Act (Canada).

## 2. Significant accounting policies:

These financial statements are prepared in accordance with Part III of the Chartered Professional Accountants of Canada ("CPA Canada") Handbook - Accounting, which sets out generally accepted accounting principles for not-for-profit organizations in Canada and includes the significant accounting policies summarized below:

### (a) 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 as pledges are not legally enforceable claims. Unrestricted contributions are recognized as revenue when initially received. Externally restricted contributions, except endowment contributions, are deferred and recognized as revenue in the year in which the related expenses are recognized. Externally restricted endowment contributions are recognized as direct increases in net assets.

Fees are recognized when the services have been provided.

Investment income, which consists of interest, dividends, income distributions from pooled funds, and realized and unrealized gains and losses, is recorded in the statement of operations and unrestricted net assets, except to the extent it is externally restricted; in which case, it is deferred and recognized as revenue in the year when the restriction is met.

# ONTARIO COLLEGE OF ART & DESIGN UNIVERSITY

Notes to Financial Statements (continued)

Year ended May 31, 2020

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## 2. Significant accounting policies (continued):

### (b) 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.

### (c) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Equity instruments that are quoted in an active market are subsequently measured at fair value. All other financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. The University has elected to carry fixed income investments at fair value based on quoted bid prices.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the University determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the University expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

# ONTARIO COLLEGE OF ART & DESIGN UNIVERSITY

Notes to Financial Statements (continued)

Year ended May 31, 2020

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## 2. Significant accounting policies (continued):

Derivative financial instruments are contracts that require or provide the opportunity to exchange cash flows or payments determined by applying certain rates, indices or changes to notional contract amounts. When these instruments have been designated as effective hedges, they are not recorded in the accounts. Hedges are documented at inception, detailing the particular risk management objective and the strategy for undertaking the hedge transaction. The documentation identifies the liability being hedged, the type of derivative used and how effectiveness is measured. The derivative must be highly effective in accomplishing the objective of offsetting changes in cash flows attributable to the risk being hedged both at inception and over the life of the hedge. Derivative transactions that do not qualify for hedge accounting are carried at fair value, with changes in value during the year recorded as revenue or expenses.

### (d) Capital assets:

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

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#### Tangible

Buildings and building improvements	20 - 40 years
Equipment and furnishings	8 years
Computer equipment	5 years
Leasehold improvements	Term of lease

#### Intangible

Enterprise Resource Planning ("ERP") Solution	20 years
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On June 1, 2019, the University adopted Section 4433 "Tangible Capital Assets Held by Not-for-Profit Organizations", Part III of the CPA Handbook. The standard is applied on a prospective basis. The standard requires capital asset acquisitions to be allocated to separable components with differing estimated useful lives. There were no partial impairments or disposals of assets during the year.

### (e) 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 (continued)

Year ended May 31, 2020

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## 2. Significant accounting policies (continued):

(f) 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.

(g) Allocation of costs:

Academic and non-academic expenses and facility management and operating costs presented in the statement of operations and 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.

(h) Investment in joint ventures:

The University elected to account for the investment in joint ventures (note 4) by using the equity method, whereby the investment is carried in the financial statements at cost plus post-acquisition changes in the University's share of operation.

(i) Related party transactions:

The University is related to two joint ventures (note 4) of which the University has a 50% interest. Related party transactions between the two organizations are recorded at the exchange amount, which is the consideration established and agreed upon by the related parties.

The University is also related to OCAD U Co. Foundation ("the Foundation") which was established as a separate entity from the University during 2019. The Foundation is the beneficiary to the OCAD U Co Corp (the "Corporate Trustee" or the "Trust") and as such all disbursements from the Trust are recorded in the financial statements of the Foundation. The difference between the revenue and expenses for the year has been recorded as a receivable on the University's statement of financial position (note 11).

# ONTARIO COLLEGE OF ART & DESIGN UNIVERSITY

Notes to Financial Statements (continued)

Year ended May 31, 2020

## 2. Significant accounting policies (continued):

### (j) Use of estimates:

The preparation of the financial statements 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 year. Significant estimates include allowance for doubtful accounts, certain accounts receivable and accrued liabilities, and carrying values of investment in joint ventures and capital assets. Actual results could differ from those estimates.

## 3. Investments:

### (a) Investments consist of the following:

	2020		2019	
	Fair value	Cost	Fair value	Cost
Canadian equities	\$ 4,049,377	\$ 2,411,263	\$ 5,165,655	\$ 2,519,669
Non-Canadian equities	5,480,049	2,944,125	5,418,933	3,186,029
International equities	2,568,831	2,728,952	2,621,619	2,658,884
Fixed income	5,538,940	5,385,474	5,454,302	5,356,546
Money market	693,109	692,908	1,099,854	1,097,771
	<u>\$ 18,330,306</u>	<u>\$ 14,162,722</u>	<u>\$ 19,760,363</u>	<u>\$ 14,818,899</u>

(b) To the extent that total investments exceed the total of unspent deferred capital contributions (note 8) and fair value of the investments held for endowments (note 12), the difference is recorded as short-term investments.

(c) As at May 31, 2020, fixed income securities have a weighted average yield of 1.46% (2019 - 2.06%) and a weighted average term to maturity of 3.67 years (2019 - 3.92 years).

## 4. Investment in joint ventures:

The University has two 50% joint venture investments at 205 Richmond Street and 230/240 Richmond Street. On May 5, 2020, the investment in 230/240 Richmond was sold.

# ONTARIO COLLEGE OF ART & DESIGN UNIVERSITY

Notes to Financial Statements (continued)

Year ended May 31, 2020

## 4. Investment in joint ventures (continued):

### (a) 230/240 Richmond Street Joint Venture:

Pursuant to a joint venture agreement dated May 28, 2015, the University conveyed its 50% interest in 230/240 Richmond Street property to the joint venture. The joint venture has a December 31 year end and follows Canadian accounting standards for private enterprises of the CPA Canada Handbook.

As at May 5, 2020 and for the period from June 1, 2019 to May 5, 2020, the University's interest in the joint venture is summarized as follows:

	2020	2019
Total assets	\$ –	\$ 26,915,972
Total liabilities	–	8,447,681
Total shareholders' equity	–	18,168,291
Revenue	2,446,350	2,666,715
Expenses	1,732,018	1,862,716

Corresponding with the conveyance of the 50% interest of the property, the University immediately entered into an agreement to lease a portion of the property back from the joint venture for 20 years. The future lease commitments under the arrangement are disclosed in note 16(b).

On May 5, 2020, the University disposed of the 50% interest of the property. The net cash proceeds of this transaction of \$28,294,296 are internally restricted for the purposes of future capital improvements and leveraging working capital and are included under restricted cash and guaranteed investment certificates on the statement of financial position. The net gain on disposal realized on the transaction of \$13,279,907 is included in internally restricted net assets on the statement of financial position for future capital improvements and leveraging working capital (note 10).

The University and the purchaser of the 50% interest of the joint venture agreed to an incremental amount to be placed in trust of \$2,000,000 of the purchase price to be held back from the purchase price. Release of the holdback is dependent on the fulfillment of monthly tenant payments to the joint venture. The determination and amount of the holdback release will take place on the first partial release date (December 31, 2020) and final release date (September 30, 2021). This portion of the transaction settlement is a contingent gain and will be recorded as revenue upon receipt.

# ONTARIO COLLEGE OF ART & DESIGN UNIVERSITY

Notes to Financial Statements (continued)

Year ended May 31, 2020

## 4. Investment in joint ventures (continued):

Included in facility management and operating expense is \$2,177,481 of rent paid to the joint venture in fiscal year 2020 (2019 - \$2,192,768).

Distributions received from the 230/240 Richmond Street Joint Venture to the University prior to the May 1 interest disposal were \$2,213,863 (2019 - \$1,700,000) and included as a deduction to the investment in joint ventures.

### (b) 205 Richmond Street Joint Venture:

Pursuant to a joint venture agreement dated August 1, 2017, the University conveyed its 50% interest in the 205 Richmond Street property to the joint venture. The joint venture has a December 31 year end and follows Canadian accounting standards for private enterprises of the CPA Canada Handbook.

As at and for the year ended May 31, 2020, the University's interest in the joint venture is summarized as follows:

	2020	2019
Total assets	\$ 11,457,942	\$ 12,938,501
Total liabilities	6,891,962	7,115,974
Total shareholders' equity	4,565,980	5,822,527
Revenue	1,100,101	1,117,430
Expenses	606,647	627,899

Corresponding with the conveyance of the 50% interest of the property, the University immediately entered into an agreement to lease a portion of the property back from the joint venture for 20 years. The gain on disposal realized on this transaction is deferred (note 7) and is being recorded in the statement of operations and unrestricted net assets in proportion to the rental payments over the lease term of 20 years. The future lease commitments under the arrangement are disclosed in note 16(b).

Distributions received from the 205 Richmond Street Joint Venture to the University were \$3,161,411 (2019 - \$450,000) and included as a deduction to the investment in joint ventures.

Included in facility management and operating expense is \$2,266,727 of rent paid to the joint venture in fiscal year 2020 (2019 - \$2,345,678).

# ONTARIO COLLEGE OF ART & DESIGN UNIVERSITY

Notes to Financial Statements (continued)

Year ended May 31, 2020

## 5. Capital assets:

			2020	2019
	Cost	Accumulated amortization	Net book value	Net book value
<b>Tangible</b>				
Land	\$ 666,000	\$ –	\$ 666,000	\$ 666,000
Buildings and building improvements	133,134,629	46,986,025	86,148,604	77,208,936
Equipment and furnishings	12,696,954	11,228,548	1,468,406	1,116,255
Computer equipment	11,010,274	10,492,444	517,830	706,610
Leasehold improvements	4,264,617	984,647	3,279,970	3,317,374
<b>Intangible</b>				
ERP Solution	6,237,260	1,491,843	4,745,417	5,057,285
	<b>\$ 168,009,734</b>	<b>\$ 71,183,507</b>	<b>\$ 96,826,227</b>	<b>\$ 88,072,460</b>

## 6. Government remittances payable:

As at May 31, 2020, accounts payable and accrued liabilities include government remittances payable of \$698,815 (2019 - nil).

## 7. Other deferred contributions:

Other deferred contributions represent unspent resources externally restricted for program expenses in future years and a portion of the gain deferred on the sale leaseback transaction (note 4). Changes in the deferred contributions balance are as follows:

	2020	2019
Balance, beginning of year	\$ 13,949,920	\$ 14,403,588
Amounts received	9,902,841	10,979,571
Amounts recognized as revenue	(10,442,526)	(11,433,239)
Balance, end of year	<b>\$ 13,410,235</b>	<b>\$ 13,949,920</b>



# ONTARIO COLLEGE OF ART & DESIGN UNIVERSITY

Notes to Financial Statements (continued)

Year ended May 31, 2020

## 8. 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 unrestricted net assets. The changes in the deferred capital contributions balance are as follows:

	2020	2019
Balance, beginning of year	\$ 62,597,387	\$ 55,110,209
Contributions restricted for capital purposes	8,948,510	10,375,544
Amortization of deferred capital contributions	(2,666,808)	(2,398,667)
Amount recognized as revenue-related expensed capital items	(508,053)	(489,699)
Balance, end of year	68,371,036	62,597,387
Less unspent capital contributions	618,537	1,202,964
Contributions funding capital assets	\$ 67,752,499	\$ 61,394,423

## 9. Debt:

The University has the following outstanding debt:

2020	Current	Long-term	Total
Campus expansion:			
Loan facility (a)(i)	\$ 573,000	\$ 15,353,333	\$ 15,926,333
Loan facility (a)(ii)	340,339	12,100,473	12,440,812
Loan facility (a)(iii)	-	-	-
	913,339	27,453,806	28,367,145
Demand loan for capital (a)(iv)	4,308,333	-	4,308,333
	\$ 5,221,672	\$ 27,453,806	\$ 32,675,478

# ONTARIO COLLEGE OF ART & DESIGN UNIVERSITY

Notes to Financial Statements (continued)

Year ended May 31, 2020

## 9. Debt (continued):

2019	Current	Long-term	Total
Campus expansion:			
Loan facility (a)(i)	\$ 545,000	\$ 15,906,333	\$ 16,451,333
Loan facility (a)(ii)	322,779	12,440,812	12,763,591
Loan facility (a)(iii)	—	—	—
	867,779	28,347,145	29,214,924
Demand loan for capital (a)(iv)	4,400,000	—	4,400,000
	\$ 5,267,779	\$ 28,347,145	\$ 33,614,924

(a) Outstanding debt consists of:

- (i) The University has a term-reducing facility with interest payable at the bankers' acceptance rate plus a fee of 0.79% (2019 - 0.79%) converted to an effective rate of 5.93%, repayable at \$128,000 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.

On September 2017, the University renewed this facility for 60 months from October 1, 2017 at a rate of 5.14% and a stamping fee of 0.79%.

- (ii) The University has a term-reducing facility with interest payable at the bankers' acceptance rate plus a fee of 1.25% (2019 - 1.50%) converted to an effective rate of 5.59%, repayable at \$86,100 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.

On February 20, 2020, the University renewed this facility for 60 months from March 8, 2020 at a rate of 4.34% and a stamping fee of 1.25%.

# ONTARIO COLLEGE OF ART & DESIGN UNIVERSITY

Notes to Financial Statements (continued)

Year ended May 31, 2020

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## 9. Debt (continued):

(iii) During fiscal year 2016, the University entered into an unsecured demand operating facility available as: (a) loans by way of direct advances with a variable interest based on prime rate, or (b) 28 to 181 day bankers' acceptances with rates calculated on the face amount multiplied by a fraction of which the numerator is equivalent to the term to maturity of such bankers' acceptances expressed in days, and the denominator represents the number of days in each applicable year. Interest is paid monthly and the credit limit is not to exceed \$8,000,000. The proceeds from the facility are used for the purpose of financing the operating requirements of the University.

During the year, this loan facility was amended to increase the maximum loan limit to \$10,000,000 on a temporary basis, specifically for the period from May 25, 2020 to September 8, 2020.

(iv) During fiscal year 2016, the University entered into an unsecured demand operating facility available as: (a) loans by way of direct advances with a variable interest based on prime rate, or (b) 28 to 181 day bankers' acceptances with rates calculated on the face amount multiplied by a fraction of which the numerator is equivalent to the term to maturity of such bankers' acceptances expressed in days, and the denominator represents the number of days in each applicable year. The maximum principal amount not to exceed \$10,000,000 is for the purpose of financing short-term capital projects at 230 Richmond Street, 199 Richmond Street and 115 McCaul Street (the "Capital Projects"). The outstanding principal prior to any demand by the lender shall be payable by way of equal monthly installments calculated on the basis of a straight-line method, determined on an amortization period of 20 years commencing on the earlier of: (a) substantial completion of all of the Capital Projects and (b) the date which is five years subsequent to the date of this agreement.

The term-reducing facility and demand loan for capital (a)(iii) and (iv) agreements require the University to comply with certain non-financial covenants and that the University cannot sell or dispose of any assets, without prior approval, and create, incur or assume any debt, other than certain allowable transactions, without the lender's consent.

# ONTARIO COLLEGE OF ART & DESIGN UNIVERSITY

Notes to Financial Statements (continued)

Year ended May 31, 2020

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## 9. Debt (continued):

- (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 October 1, 2037 and March 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, 2020, the Agreements qualified as effective hedge transactions. Having met the criteria to apply hedge accounting, the University has not recognized the fair value of the Agreements in these financial statements.

As at May 31, 2020, the total notional values of the Agreements are \$29,581,591 (2019 - \$30,407,022).

- (c) The following are the future annual debt principal repayments due over the next five fiscal years and thereafter for the Campus Expansion Loans:

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2021	\$ 913,339
2022	978,840
2023	1,033,582
2024	1,085,154
2025	1,150,368
Thereafter	23,552,529
	<hr/> 28,713,812
Less unamortized financing costs	346,667
	<hr/> \$ 28,367,145

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The future annual debt repayments are based on the loan terms being co-terminus with the swap amortization periods.

Total interest recognized on an accrual basis in the statement of operations and unrestricted net assets was \$1,759,172 (2019 - \$1,860,291), of which \$1,697,275 (2019 - \$1,791,441) is related to debt initially incurred for a term of more than one year.

# ONTARIO COLLEGE OF ART & DESIGN UNIVERSITY

Notes to Financial Statements (continued)

Year ended May 31, 2020

## 10. Internally restricted net assets:

Net assets have been internally restricted for the following purposes:

	2020	2019
Capital assets funded by operations	\$ 2,070,968	\$ 116,496
Future capital improvements and leveraging working capital	13,279,907	–
Inclusive Design Research Centre	537,893	734,048
	<u>\$ 15,888,768</u>	<u>\$ 850,544</u>

In fiscal year 2020, the net change in the internally restricted net assets totalled \$15,038,224 (2019 - (\$1,340,044)).

## 11. Related parties:

- (a) OCAD U Co. Foundation is a directly controlled subsidiary, with a Board of Directors appointed by the University, and is therefore a related party.

The Foundation was established on May 23, 2019 as a registered charity under the Canadian Income Tax Act. The purpose of the Foundation is to provide funding for the programs at the University.

The accounts of the Foundation are not included in the accompanying financial statements. Funds from the Foundation are directed to the University when approved by the Board of Directors of the Foundation.

As at May 31, 2020, the Foundation's unaudited financial statements are summarized as follows:

	2020	2019
Total assets	\$ 967,276	\$ 912,524
Total liabilities	967,276	912,524
Net assets	<u>\$ –</u>	<u>\$ –</u>
Recovery of expenses	\$ 54,751	\$ 412,524
Expenses	54,751	412,524

# ONTARIO COLLEGE OF ART & DESIGN UNIVERSITY

Notes to Financial Statements (continued)

Year ended May 31, 2020

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## 11. Related parties (continued):

Total assets include a promissory note receivable from the Trust in the amount of \$500,000 (2019 - \$500,000), bearing at 6%, a receivable of \$411,524 (2019 - \$411,524) for 2019 start-up costs due from the Trust, and \$13,688 (2019 - nil) of interest receivable due from the Trust.

Total liabilities include a promissory note payable to the University of \$500,000 (2019 - \$500,000), bearing interest at 6%, a payable of \$411,524 (2019 - \$411,524) to the University for 2019 start-up costs and \$55,752 for interest and accounts payable to the University.

During the year, the University charged the Foundation \$54,752 (2019 - nil) of interest.

(b) OCAD U Co Corp was established on May 21, 2019 for the purpose of facilitating delivery of executive education programming.

The Board of Directors of the Corporate Trustee is approved by the University's Board of Governors, acting on behalf of the University as sole shareholder, however, a majority of the Trust's Board of Directors is independent of the University. The University does not exercise significant influence over the Corporate Trustee which is not a controlled entity.

The beneficiary of the Trust is the Foundation. All distributions from the Trust will therefore be recorded in the financial statements of the Foundation.

As at May 31, 2020, the Trust's unaudited financial statements are summarized as follows:

	2020	2019
Total assets	\$ 537,302	\$ 500,000
Total liabilities	1,981,501	1,262,524
Deficit	\$ (1,444,199)	\$ (762,524)
Revenue	\$ 1,375,867	\$ -
Expenses	2,057,542	762,524

The Corporate Trustee is economically dependent on the Foundation.

# ONTARIO COLLEGE OF ART & DESIGN UNIVERSITY

Notes to Financial Statements (continued)

Year ended May 31, 2020

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## 11. Related parties (continued):

Total liabilities include a promissory note of \$500,000 (2019 - \$500,000), bearing interest at 6%, payable to the Foundation, accrued net start-up expenses of \$411,524 (2019 - \$411,524) payable to the Foundation, accrued interest of \$13,688 to the Foundation; and accrued rent expenses payable to the University of \$770,000 (2019 - \$350,000) and accounts payable of \$232,635 (2019 - nil).

During the year, the University charged the Trust \$827,084 for service agreements (2019 - nil) and \$420,000 (2019 - \$350,000) of rent.

A receivable of \$1,002,635 (2019 - \$350,000) is included in accounts receivable on the University's statement of financial position.

## 12. Endowments:

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

(a) Endowment net assets consist of the following:

	2020	2019
Externally endowed funds with income to be used for donor-restricted purposes	\$ 15,664,093	\$ 15,265,906
Externally endowed funds with income unrestricted	264,419	267,772
Internally endowed restricted funds with income to be used for scholarships and bursaries	646,558	654,751
	<u>\$ 16,575,070</u>	<u>\$ 16,188,429</u>

# ONTARIO COLLEGE OF ART & DESIGN UNIVERSITY

Notes to Financial Statements (continued)

Year ended May 31, 2020

## 12. Endowments (continued):

(b) The change in endowment activities are summarized as follows:

	2020	2019
Unrealized gain (loss) on investments	\$ (746,221)	\$ 314,955
Realized gain on investments	927,513	241,734
Capitalization of investment income	524,906	458,761
Management fees	(261,370)	(259,009)
Disbursements	(647,305)	(627,484)
	(202,477)	128,957
Endowment contributions	589,118	372,502
	\$ 386,641	\$ 501,459

## 13. Ontario government matching programs:

(a) The University receives and records in its financial statements donations eligible for matching under Government of Ontario matching programs that provide funding for bursaries.

(b) The following represents the cost and market values of the endowment balance in the first phase of the Ontario Student Opportunity Trust Fund ("OSOTF I"):

	2020	2019
Endowment balance, at cost, beginning and end of year	\$ 501,887	\$ 501,887
Endowment balance, at market, end of year	\$ 733,770	\$ 743,533



# ONTARIO COLLEGE OF ART & DESIGN UNIVERSITY

Notes to Financial Statements (continued)

Year ended May 31, 2020

## 13. Ontario government matching programs (continued):

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

	2020	2019
Expendable funds available for awards, beginning of year	\$ 29,443	\$ 29,621
Amount available for spending	29,741	29,443
Bursaries awarded recorded as bursary and scholarship donations	(29,443)	(29,621)
Expendable funds available for awards, end of year	\$ 29,741	\$ 29,443
Number of bursaries awarded	11	13

- (c) The Government of Ontario requires separate reporting of balances as at May 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 year ended May 31:

	2020	2019
Endowment balance, at cost, beginning and end of year	\$ 346,054	\$ 346,054
Endowment balance, at market, end of year	\$ 505,939	\$ 512,671

# ONTARIO COLLEGE OF ART & DESIGN UNIVERSITY

Notes to Financial Statements (continued)

Year ended May 31, 2020

## 13. Ontario government matching programs (continued):

The following is the schedule of changes in expendable funds available for awards of OSOTF II for the year ended May 31. This balance is included in other deferred contributions on the statement of financial position of the University.

	2020	2019
Expendable funds available for awards, beginning of year	\$ 20,301	\$ 20,424
Amount available for spending	20,507	20,301
Bursaries awarded recorded as bursary and scholarship donations	(20,301)	(20,424)
Expendable funds available for awards, end of year	\$ 20,507	\$ 20,301
Number of bursaries awarded	31	8

- (d) The Government of Ontario requires separate reporting of balances as at May 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 May 31:

	2020	2019
Cash donations not eligible for matching	\$ 13,078	\$ 19,055

The following is the schedule of changes in the endowment balance of OTSS, at cost, for the year ended May 31:

	2020	2019
Endowment balance, at cost, beginning of year	\$ 5,888,443	\$ 5,869,388
Cash donations received	13,078	19,055
Endowment balance, at cost, end of year	\$ 5,901,521	\$ 5,888,443
Endowment balance, at market, end of year	\$ 8,628,158	\$ 8,723,585

# ONTARIO COLLEGE OF ART & DESIGN UNIVERSITY

Notes to Financial Statements (continued)

Year ended May 31, 2020

## 13. Ontario government matching programs (continued):

The following is the schedule of changes in expendable funds available for awards of OTSS for the year ended May 31. The balance is included in other deferred contributions on the statement of financial position of the University.

	2020	2019
Expendable funds available for awards, beginning of year	\$ 346,710	\$ 346,408
Amount available for spending	348,943	346,710
Bursaries awarded recorded as bursary and scholarship donations	(346,710)	(346,408)
Expendable funds available for awards, end of year	\$ 348,943	\$ 346,710
Number of bursaries awarded	383	238

## 14. 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 2020, contributions made by the University to the Plan included in the statement of operations and unrestricted net assets totalled \$2,552,480 (2019 - \$2,440,840).

## 15. Canadian Universities Reciprocal Insurance 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 Insurance Exchange ("CURIE") is a self-insurance cooperative 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 at December 31, 2019, CURIE was fully funded.

# ONTARIO COLLEGE OF ART & DESIGN UNIVERSITY

Notes to Financial Statements (continued)

Year ended May 31, 2020

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## 16. Contingencies and commitments:

- (a) From time to time, the University is involved in litigation matters arising in the ordinary course of operations. In the opinion of management, the ultimate disposition of these matters will not have a material impact on the University's financial position or results of operations of the University.
- (b) The following are the future minimum annual operating lease payments due over the next five fiscal years and thereafter:

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2021	\$ 3,597,445
2022	3,657,510
2023	3,671,022
2024	3,311,189
2025	3,404,129
Thereafter until 2037	42,913,831
<b>Total</b>	<b>\$ 60,555,126</b>

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- (c) Joint venture asset management fee is equal to the sum of (i) the greater of \$50,000 and one quarter of 2.5% of the net operating income of the property for each year during the term; and (ii) 4% of the annual capital expenditures for the property incurred in such year.

## 17. Financial instruments:

The University is exposed to various financial risks through transactions in financial instruments. Aside from the potential impacts as disclosed in note 18, there have been no significant change to the risk exposure from 2019.

- (a) Market risk:

Market risk arises as a result of trading equities and fixed income securities. Fluctuations in the market expose the University to a risk of loss. The Investment Committee of the University monitors investments decisions and results.

- (b) 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.

# ONTARIO COLLEGE OF ART & DESIGN UNIVERSITY

Notes to Financial Statements (continued)

Year ended May 31, 2020

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## 17. Financial instruments (continued):

### (c) Interest rate and currency risks:

The University is exposed to interest rate and currency risks with respect to its fixed rate debt and its investments in fixed income investments and foreign currency-denominated investments, because the fair value will fluctuate due to changes in market 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 the Agreements to manage interest rate risk associated with its long-term variable rate debt (note 9). The University currently does not use any hedging strategies to mitigate the interest rate and currency risks exposure related to investments and demand loans.

### (d) Liquidity risk:

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

## 18. Subsequent event:

In March 2020, the World Health Organization declared the spread of coronavirus ("COVID-19") as a global pandemic. This has resulted in countries enacting emergency measures to mitigate the spread of the virus including travel restrictions in and out of and within Canada. These restrictions impacted the operations of the University and resulted in the closure of the University's physical premises. The impact of the COVID-19 also adversely impacted global commercial activity contributing to the volatility in equity and debt markets.

The extent of such adverse effects on the University's financial and operational performances are difficult to assess. The duration and severity of the outbreak, physical distancing requirements, duration and scope of geographical related travel advisories and restrictions will impact University finances and operations. As at May 31, 2020, the University did not have significant adjustments to reflect the possible future impact of COVID-19. Investments are recorded at fair value which included the impact on financial markets at year end and extra emphasis was put on the collectability of receivables and evaluation of the estimates within the financial statements as at May 31, 2020.

# ONTARIO COLLEGE OF ART & DESIGN UNIVERSITY

Notes to Financial Statements (continued)

Year ended May 31, 2020

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**18. Subsequent event (continued):**

Management has assessed the going concern assumptions and believe there are no issues given the University has access to liquid resources to support operations through fiscal 2021.

Given the volatility and time frame to a recovery from the current pandemic is unpredictable, it is not practicable to estimate and disclose its financial effect on future operations at this time.