

Consolidated Financial Statements of

**UNIVERSITY OF ONTARIO
INSTITUTE OF TECHNOLOGY**

For years ended March 31, 2013 and 2012

UNIVERSITY OF ONTARIO INSTITUTE OF TECHNOLOGY
Consolidated Financial Statements
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INDEPENDENT AUDITORS' REPORT

To the Board of Governors of
University of Ontario Institute of Technology

We have audited the accompanying consolidated financial statements of University of Ontario Institute of Technology, which comprise the consolidated statements of financial position as at March 31, 2013, March 31, 2012 and April 1, 2011, the consolidated statements of operations, changes in net assets and cash flows for the years ended March 31, 2013 and March 31, 2012, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated 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 consolidated 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 consolidated financial statements present fairly, in all material respects, the consolidated financial position of University of Ontario Institute of Technology as at March 31, 2013, March 31, 2012 and April 1, 2011, and its consolidated results of operations, changes in net assets and its consolidated cash flows for the years ended March 31, 2013 and March 31, 2012 in accordance with Canadian accounting standards for not-for-profit organizations.

Chartered Accountants, Licensed Public Accountants

June 19, 2013
Toronto, Canada

UNIVERSITY OF ONTARIO INSTITUTE OF TECHNOLOGY
Consolidated Statements of Financial Position
As at March 31, 2013 and 2012 and April 1, 2011

	<u>March 31, 2013</u>	<u>March 31, 2012</u>	<u>April 1, 2011</u>
ASSETS			
CURRENT			
Cash (Note 5)	\$ 21,567,750	\$ 10,415,252	\$ -
Grant receivable	7,734,608	7,047,919	12,732,986
Other accounts receivable	6,985,535	7,052,778	8,228,119
Inventories	245,570	175,446	292,584
Prepaid expenses and deposits	1,436,858	701,631	491,379
	37,970,321	25,393,026	21,745,068
INVESTMENTS (Note 2)	40,311,259	42,257,715	13,320,203
CAPITAL ASSETS (Note 3)	429,820,905	437,223,475	437,538,308
OTHER ASSETS (Notes 4 and 21)	6,831,815	6,831,815	6,831,815
TOTAL ASSETS	\$ 514,934,300	\$ 511,706,031	\$ 479,435,394
LIABILITIES			
CURRENT AND LONG-TERM LIABILITIES			
Bank indebtedness (Note 5)	\$ -	\$ -	\$ 6,399,001
Accounts payable and accrued liabilities (Note 6)	26,045,403	21,409,227	33,820,172
Deferred revenue (Note 7)	20,851,942	19,197,632	12,407,991
Current portion of other long-term debt (Note 8)	5,414,343	5,960,930	232,292
Current portion of obligations under capital lease (Note 9)	212,068	198,756	186,281
Current portion of long-term debenture debt (Note 10)	4,236,255	3,979,504	3,738,314
	56,760,011	50,746,049	56,784,051
OTHER LONG-TERM DEBT (Note 8)	22,166,923	27,581,266	1,663,251
LONG-TERM OBLIGATIONS UNDER CAPITAL LEASES (Note 9)	38,649,680	38,558,413	38,414,979
LONG-TERM DEBENTURE DEBT (Note 10)	189,921,519	194,157,775	198,137,279
DEFERRED CAPITAL CONTRIBUTIONS (Note 11)	186,203,721	194,698,151	182,866,270
	493,701,854	505,741,654	477,865,830
Net Assets / (deficit)			
UNRESTRICTED	(19,962,840)	(16,035,074)	(28,522,732)
ENDOWMENTS (Note 16)	14,914,929	14,130,162	12,482,659
INVESTED IN CAPITAL ASSETS (Note 14)	8,267,337	1,440,589	13,014,772
INTERNALLY RESTRICTED (Note 15)	18,013,020	6,428,700	4,594,865
	21,232,446	5,964,377	1,569,564
Contingencies and Contractual Commitments (Note 20)			
Subsequent Event (Note 21)			
TOTAL LIABILITIES AND NET ASSETS	\$ 514,934,300	\$ 511,706,031	\$ 479,435,394

See accompanying notes to the consolidated financial statements

APPROVED ON BEHALF OF THE BOARD OF DIRECTORS

Chair

President

UNIVERSITY OF ONTARIO INSTITUTE OF TECHNOLOGY
Consolidated Statements of Operations
For the years ended March 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
REVENUE		
Grants (Note 12)	\$ 79,467,641	\$ 74,094,637
Donations	997,651	2,390,409
Student tuition fees	54,669,967	47,339,897
Student ancillary fees	15,017,639	13,458,455
Revenues from ancillary operations	3,716,118	4,134,117
Other income	10,692,417	6,708,240
Amortization of deferred capital contributions	9,225,164	6,231,748
Interest revenue	320,354	73,247
Unrealized gain on investments	951,297	189,228
	175,058,248	154,619,978
EXPENSES		
Salaries and benefits	74,010,771	64,193,728
Supplies and expenses	31,667,625	35,426,262
Purchased Services	13,928,861	15,062,514
Interest expense	16,809,354	16,112,787
Amortization of capital assets	23,822,128	20,608,998
Professional fees	635,862	815,319
Gain on disposal of capital assets	(299,655)	(346,940)
	160,574,946	151,872,668
Excess of revenue over expenses	\$ 14,483,302	\$ 2,747,310

See accompanying notes to the consolidated financial statements

UNIVERSITY OF ONTARIO INSTITUTE OF TECHNOLOGY
Consolidated Statements of Changes in Net Assets
For the years ended March 31, 2013 and 2012

<u>March 31, 2013</u>	<u>Unrestricted</u>	<u>Endowments</u>	<u>Invested in</u>	<u>Internally</u>	<u>Total</u>
		(Note 16)	Capital Assets	Restricted	
			(Note 14)	(Note 15)	
Balance - Beginning of Year	\$ (16,035,074)	\$ 14,130,162	\$ 1,440,589	\$ 6,428,700	\$ 5,964,377
Excess / (deficiency)					
Revenue over Expenses	29,080,266	-	(14,596,964)	-	14,483,302
Interfund Transfer	(11,584,320)		-	11,584,320	
Investment in Capital Assets (Note 13)	(21,423,712)		21,423,712		-
Endowment Contributions (Note 15)	-	784,767		-	784,767
Net changes during the year	(3,927,766)	784,767	6,826,748	11,584,320	15,268,069
Balance - End of Year	\$ (19,962,840)	\$ 14,914,929	\$ 8,267,337	\$ 18,013,020	\$ 21,232,446
<u>March 31, 2012</u>					<u>Total</u>
Balance - Beginning of Year	\$ (28,522,732)	\$ 12,482,659	\$ 13,014,772	\$ 4,594,865	\$ 1,569,564
Excess / (deficiency)					
Revenue over Expenses	17,124,560	-	(14,377,250)	-	2,747,310
Interfund Transfer	(1,833,835)		-	1,833,835	-
Investment in Capital Assets	(2,803,067)		2,803,067		-
Endowment Contributions	-	1,647,503		-	1,647,503
Net changes during the year	12,487,658	1,647,503	(11,574,183)	1,833,835	4,394,813
Balance - End of Year	\$ (16,035,074)	\$ 14,130,162	\$ 1,440,589	\$ 6,428,700	\$ 5,964,377

See accompanying notes to the consolidated financial statements

UNIVERSITY OF ONTARIO INSTITUTE OF TECHNOLOGY
Consolidated Statements of Cash Flows
For the years ended March 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES		
OPERATING		
Excess of revenue over expenses	\$ 14,483,302	\$ 2,747,310
Items not affecting cash:		
Amortization of capital assets	23,822,128	20,608,998
Amortization of deferred capital contributions	(9,225,164)	(6,231,748)
Gain on disposal of capital assets	(299,655)	(346,940)
Unrealized gain on investments	(951,297)	(189,228)
	<hr/> 27,829,314	<hr/> 16,588,392
Working Capital:		
Grant and other accounts receivable	(619,446)	6,860,408
Prepaid expenses and deposits	(735,227)	(210,252)
Inventories	(70,124)	117,138
Accounts payable and accrued liabilities	4,636,176	(9,253,925)
Deferred revenue	1,654,310	3,632,621
	<hr/> 32,695,003	<hr/> 17,734,382
INVESTING		
Purchase of capital assets	(16,429,786)	(20,298,279)
Proceeds on disposal of capital assets	309,883	351,052
Investments	2,897,753	(28,748,284)
	<hr/> (13,222,150)	<hr/> (48,695,511)
FINANCING		
Proceeds from long-term debt	-	31,878,947
Repayment of long-term debt	(9,940,435)	(3,970,606)
Endowment contributions	784,767	1,647,503
Repayment of obligations under capital leases	104,579	155,909
Deferred capital contributions	730,734	18,063,629
	<hr/> (8,320,355)	<hr/> 47,775,382
NET CASH INFLOW	11,152,498	16,814,253
CASH BALANCE / (BANK INDEBTEDNESS), BEGINNING OF YEAR	10,415,252	(6,399,001)
CASH BALANCE, END OF YEAR	\$ 21,567,750	\$ 10,415,252
SUPPLEMENTARY CASH FLOW INFORMATION		
Interest paid	\$ 16,560,263	\$ 16,282,989

See accompanying notes to the consolidated financial statements

UNIVERSITY OF ONTARIO INSTITUTE OF TECHNOLOGY

Notes to the Consolidated Financial Statements

For years ended March 31, 2013 and 2012

University of Ontario Institute of Technology (the “University”) was incorporated without share capital under the University of Ontario Institute of Technology Act which received Royal assent on June 27, 2002. The objectives of the University, as well as the powers of the Board of Governors and the Academic Council, are defined in the Act.

The University is a market-oriented University integrating inquiry, discovery and application through excellence in teaching, learning and value-added research. The University is a degree granting and research organization offering graduate and undergraduate education. The University is a registered charity under Section 149 of the Income Tax Act and is, therefore, exempt from income taxes.

On April 1, 2012, the University adopted Canadian Accounting Standards for Not-for-Profit Organizations (“ASNPO”) in Part III of the Canadian Institute of Chartered Accountants (“CICA”) Handbook. These are the first financial statements prepared in accordance with ASNPO. These consolidated financial statements reflect the assets, liabilities, net assets, revenue and expenses of all the operations controlled by the University.

In accordance with the transitional provisions in ASNPO, the University has adopted the changes retrospectively, subject to certain exemptions allowed under these standards. The transition date is April 1, 2011 and all comparative information provided has been presented by applying ASNPO.

1. SIGNIFICANT ACCOUNTING POLICIES AND DISCLOSURES

a) Basis of presentation

On November 1, 2009, the Campus Childcare Centre Inc. (“CCC”) was incorporated as a separate legal entity with a fiscal year ended April 30. Its purpose is to provide daycare facilities to the children of faculty, staff and students of the University and Durham College as its first priority, and community families. CCC is controlled by the University and its financial results to March 31, 2013 are included in the Consolidated Financial Statements of the University.

On February 1, 2012, the Automotive Center of Excellence (“ACE”) started its operations as a test facility for General Motors of Canada and other commercial customers who are seeking to create, test and validate paradigm-shifting innovations with a focus on bringing them to market as rapidly as possible. ACE is 100% owned by the University and its financial results to March 31, 2013 are included in the Consolidated Financial Statements of the University.

These financial statements do not reflect the assets, liabilities, and results of operations of the various student organizations as they are not controlled by the University.

b) Revenue Recognition

The University follows the deferral method of accounting for contributions, which includes donations and government grants.

UNIVERSITY OF ONTARIO INSTITUTE OF TECHNOLOGY
Notes to the Consolidated Financial Statements
For years ended March 31, 2013 and 2012

1. SIGNIFICANT ACCOUNTING POLICIES AND DISCLOSURES (continued)

Operating grants are recorded as revenue in the period to which they relate. Grants earned but not received at the end of an accounting period are accrued. When a portion of a grant relates to a future period, it is deferred and recognized in that subsequent period.

Tuition fees are deferred to the extent that related courses extend beyond the fiscal year of the University.

Student fees are recognized as revenue when courses are provided.

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.

Externally restricted contributions for purposes other than endowment are deferred and recognized as revenue in the year in which related expenses are incurred. Pledged donations are not recorded until received due to the uncertainty involved in their collection.

Endowment contributions are reported as direct increases in net assets when received.

Other operating revenues are deferred to the extent that related services provided, or goods sold, are rendered/delivered subsequent to the end of the University's fiscal year.

Investment income related to restricted spending is deferred. Investment income without restrictions is recognized as earned.

c) Cash and Cash Equivalents

Cash equivalents consist of highly liquid investments having terms to maturity on acquisition of three months or less, and are readily convertible to cash on short notice and are recorded at market value.

d) Financial Instruments

Financial instruments are recorded at fair value on initial recognition. Freestanding derivative instruments that are not in a qualifying hedging relationship and 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.

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.

UNIVERSITY OF ONTARIO INSTITUTE OF TECHNOLOGY

Notes to the Consolidated Financial Statements

For years ended March 31, 2013 and 2012

1. SIGNIFICANT ACCOUNTING POLICIES AND DISCLOSURES (continued)

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.

e) *Other assets*

The University has designated its long-term loan receivable, owing from Durham College of Applied Arts and Technology (“Durham College”) for the purchase of certain lands and premises from Windfield Farms, as Loans and Receivables under “Other Assets” and carries it at amortized cost. See Notes 4 and 21.

f) *Long-term debt*

The University carries long-term debt at amortized cost.

g) *Inventories*

Inventories are valued at the lower of cost and net realizable value. Cost is determined on a first-in, first-out basis.

h) *Capital assets*

Purchased capital assets are recorded at cost less accumulated amortization. Contributed capital assets are recorded at fair value at the date of contribution when fair value is reasonably determinable. Otherwise, contributed assets are recorded at a nominal amount. Betterments, which extend the estimated useful life of an asset, are capitalized. When a capital asset no longer contributes to the University's ability to provide services, its carrying amount is written down to its residual value. Capital assets are amortized on a straight-line basis over their average useful lives, which have been estimated to be as follows:

Buildings	20 - 40 years
Building renovations/upgrades	10 years
Major equipment	10 years
Furniture and Fixtures	5 years
Computer equipment	3 years
Vehicles	3 years
Laptops	2 years
Leasehold improvements	over lease term
Capital leases	over economic life of asset

UNIVERSITY OF ONTARIO INSTITUTE OF TECHNOLOGY

Notes to the Consolidated Financial Statements

For years ended March 31, 2013 and 2012

1. SIGNIFICANT ACCOUNTING POLICIES AND DISCLOSURES (continued)

Capital assets acquired during the financial year are amortized at half of the applicable rate. Construction-in-progress represents assets not yet available for use, therefore amortization commences when the project is complete.

i) *Deferred capital contributions*

Contributions received for capital assets are deferred and amortized over the same term and on the same basis as the related capital assets.

j) *Use of estimates*

The preparation of Consolidated Financial Statements requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, the disclosure of contingent assets and liabilities at the date of financial statements, and the reported amounts of revenue and expenses during the year. Actual results could differ from these estimates.

2. INVESTMENTS

	2013		2012	
	Cost	Fair Value	Cost	Fair Value
Equities	\$ 8,847,202	\$ 9,544,578	\$ 8,240,322	\$ 8,373,233
Fixed income	5,259,149	5,288,336	4,895,450	4,951,767
Money Market	831,739	831,739	795,436	795,436
Held in Trust	25,252,692	24,646,606	28,137,279	28,137,279
	\$ 40,190,782	\$ 40,311,259	\$ 42,068,487	\$ 42,257,715

	April 1, 2011	
	Cost	Fair Value
Equities	\$ 7,392,929	\$ 8,456,044
Fixed income	4,679,129	4,529,125
Money Market	335,034	335,034
Held in Trust	-	-
	\$ 12,407,092	\$ 13,320,203

Investments held in trust represent the principal on the remaining proceeds of a loan of \$24,646,606 (2012 - \$28,137,279) that the University received from the Ontario Financing Authority in February 2012 (2011 - \$ nil) (Note 10), and which the University then applied for the purpose of paying BNY Trust Company of Canada ("BNY"). These funds are held by BNY pursuant to Section 6.01(h) of the Supplemental Trust Indenture, pursuant to which the University's Series A Debentures were issued. The funds held in trust comprise of both fixed income and money market investments.

UNIVERSITY OF ONTARIO INSTITUTE OF TECHNOLOGY
Notes to the Consolidated Financial Statements
For years ended March 31, 2013 and 2012

2. INVESTMENTS (continued)

(a) Credit, interest rate and maturity risk:

The value of fixed income securities will and generally rise if interest rates fall and decrease if interest rates rise. Changes in interest rates may also affect the value of equity securities. The fixed income investments consist of various Canadian government and corporate bonds and individual mortgage holdings. The bonds bear interest rates ranging from 1.0% to 6.0% (2012 – 1.1% to 7.4%; 2011 – 3% to 9.98%) and have maturity dates ranging from April 2, 2013 to December 16, 2049 (2012 - April 30, 2012 to December 16, 2049; 2011 – April 13, 2011 to December 16, 2049).

(b) Foreign currency risk:

The University is exposed to financial risks as a result of exchange rate fluctuations and the volatility of these rates. The University, through its investment management company, hedges against foreign exchange risks. There has been no change in the University's hedging policy from 2012.

(c) Market price risk:

Market price risk arises as a result of trading fixed income securities and equities. The value of equity securities change with stock market conditions which are affected by general economic and market conditions. Changes in interest rates may also affect the value of equity securities. Fluctuation in the market exposes the University to a risk of loss.

(d) Liquidity risk:

Money market investments represent instruments in highly liquid investments that are readily converted into known amounts of cash. The University invested in equity and fixed income investments that are traded in an active quote market.

UNIVERSITY OF ONTARIO INSTITUTE OF TECHNOLOGY
Notes to the Consolidated Financial Statements
For years ended March 31, 2013 and 2012

3. CAPITAL ASSETS

Capital assets consist of:

	March 31, 2013				
	Cost		Balance, End of Year	Accumulated Amortization	Net Book Value
	Balance, Beginning of Year	Additions /Transfers / Disposals			
Land	\$ 300,000	\$ -	\$ 300,000	\$ -	\$ 300,000
Buildings	388,073,391	1,826,005	389,899,396	60,299,708	329,599,688
Building Renovations / Upgrades	15,264,075	710,408	15,974,483	6,826,807	9,147,676
Leasehold Improvements	2,652,875	100,852	2,753,727	258,275	2,495,452
Furniture and Fixtures	12,453,752	1,657,901	14,111,653	11,300,774	2,810,879
Laptops	16,623,315	2,103,399	18,726,714	13,130,091	5,596,623
Computer equipment	8,239,469	1,384,056	9,623,525	7,787,268	1,836,257
Vehicles	75,440	42,504	117,944	44,804	73,140
Major Equipment	53,838,954	3,972,668	57,811,622	16,597,915	41,213,707
Construction-in-progress	-	446,608	446,608	-	446,608
	\$ 497,521,271	\$ 12,244,401	\$ 509,765,672	\$ 116,245,642	\$ 393,520,030
Assets under Capital leases:					
Land	2,300,000	-	2,300,000	-	2,300,000
Buildings	35,689,192	-	35,689,192	1,688,317	34,000,875
Total	\$ 535,510,463	\$ 12,244,401	\$ 547,754,864	\$ 117,933,959	\$ 429,820,905

UNIVERSITY OF ONTARIO INSTITUTE OF TECHNOLOGY
Notes to the Consolidated Financial Statements
For years ended March 31, 2013 and 2012

3. CAPITAL ASSETS (continued)

Capital assets consist of:

	March 31, 2012				
	Cost		Balance, End of Year	Accumulated Amortization	Net Book Value
	Balance, Beginning of Year	Additions /Transfers / Disposals			
Land	\$ 300,000	\$ -	\$ 300,000	\$ -	\$ 300,000
Buildings	271,677,475	116,395,916	388,073,391	50,448,317	337,625,074
Building Renovations / Upgrades	14,078,817	1,185,258	15,264,075	5,655,887	9,608,188
Leasehold Improvements	2,652,875	-	2,652,875	148,914	2,503,961
Furniture and Fixtures	11,754,360	699,392	12,453,752	10,478,193	1,975,559
Laptops	17,147,700	(524,385)	16,623,315	12,583,649	4,039,666
Computer equipment	7,154,953	1,084,516	8,239,469	6,852,028	1,387,441
Vehicles	-	75,440	75,440	12,573	62,867
Major Equipment	18,564,527	35,274,427	53,838,954	11,094,437	42,744,517
Construction-in-progress	138,082,529	(138,082,529)	-	-	-
	\$ 481,413,236	\$ 16,108,035	\$ 497,521,271	\$ 97,273,998	\$ 400,247,273
Assets under Capital leases:					
Land	2,300,000	-	2,300,000	-	2,300,000
Buildings	35,689,192	-	35,689,192	1,012,990	34,676,202
Total	\$ 519,402,428	\$ 16,108,035	\$ 535,510,463	\$ 98,286,988	\$ 437,223,475

UNIVERSITY OF ONTARIO INSTITUTE OF TECHNOLOGY
Notes to the Consolidated Financial Statements
For years ended March 31, 2013 and 2012

3. CAPITAL ASSETS (continued)

Capital assets consist of:

	April 1, 2011				
	Cost		Balance, End of Year	Accumulated Amortization	Net Book Value
	Balance, Beginning of Year	Additions /Transfers / Disposals			
Land	\$ 300,000	\$ -	\$ 300,000	\$ -	\$ 300,000
Buildings	271,677,475	-	271,677,475	42,112,353	229,565,122
Building Renovations / Upgrades	11,075,765	3,003,052	14,078,817	4,188,743	9,890,074
Leasehold Improvements	-	2,652,875	2,652,875	49,638	2,603,237
Furniture and Fixtures	10,299,592	1,454,768	11,754,360	9,572,326	2,182,034
Laptops	13,221,946	3,925,754	17,147,700	11,862,737	5,284,963
Computer equipment	6,311,238	843,715	7,154,953	6,266,397	888,556
Vehicles	-	-	-	-	-
Major Equipment	15,539,738	3,024,789	18,564,527	7,474,263	11,090,264
Construction-in-progress	87,417,461	50,665,068	138,082,529	-	138,082,529
	\$ 415,843,215	\$ 65,570,021	\$ 481,413,236	\$ 81,526,457	\$ 399,886,779
Assets under Capital leases:					
Land	-	2,300,000	2,300,000	-	2,300,000
Buildings	-	35,689,192	35,689,192	337,663	35,351,529
Total	\$ 415,843,215	\$ 103,559,213	\$ 519,402,428	\$ 81,864,120	\$ 437,538,308

Included in Land and Buildings is a specific asset donated to the University in 2010 (Land \$300,000 and Buildings \$1,550,000).

Amortization on assets under capital leases totaled \$675,327 (2012 - \$675,327; 2011 – \$337,663).

Interest capitalized relates to interest on a line of credit used for the construction of ACE. Interest capitalized for the current year is NIL (2012 - \$165,208; 2011 - \$137,014) as the construction on ACE was completed in the prior year and the interest is now accounted for as an operating expense for ACE.

UNIVERSITY OF ONTARIO INSTITUTE OF TECHNOLOGY

Notes to the Consolidated Financial Statements

For years ended March 31, 2013 and 2012

4. OTHER ASSETS

On September 4, 2003, Durham College purchased the Windfields Farms property for \$7,831,815, for the purposes of expansion including the development of the University. Durham College payment for this purchase consisted of \$1,000,000 of cash and \$6,831,815 of debt. The ownership of the land currently resides with Durham College.

Throughout 2005-2007, the University provided yearly payments from the debenture proceeds to Durham College for the mortgage payment on the Windfields Farms land. Included in other assets is \$6,831,815 (2012 - \$6,831,815; 2011 - \$6,831,815) due from Durham College relating to the 2005, 2006 and 2007 payments made by the University.

The fair value of the receivable approximates carrying value due to the short maturity of the transfer of the asset to the University.

Please see "Subsequent Event" Note 21.

5. CASH BALANCE / (BANK INDEBTEDNESS)

	<u>March 31, 2013</u>	<u>March 31, 2012</u>	<u>April 1, 2011</u>
Bank of Montreal, credit facility (drawn)	\$ 17,616,072	\$ 9,090,214	\$ (8,297,587)
Bank of Montreal, cash balances	8,422,055	6,040,030	6,394,344
IBM, credit facility drawn	(5,000,000)	(5,000,000)	(5,000,000)
Royal Bank of Canada, cash balances	59,310	19,145	31,445
Harris Bank, cash balances	49,407	(142,920)	169,366
Other, balances	420,906	408,783	303,431
	<u>\$ 21,567,750</u>	<u>\$ 10,415,252</u>	<u>\$ (6,399,001)</u>

The University has a credit facility agreement with a Canadian chartered bank, which provides for a revolving operating line of credit up to \$17,000,000, bearing interest at prime plus 0.25%. At March 31, 2013, the University utilized on a cash consolidated basis nil (2012 - nil; 2011 - nil) of the operating line of credit.

The University also has a credit facility agreement with IBM Global Financing, which provides for a revolving operating line of credit up to \$5,000,000 bearing interest at prime plus 0.25%. At March 31, 2013, the University utilized \$5,000,000 (2012 - \$5,000,000; 2011 - \$5,000,000) of the operating line of credit.

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Included in accounts payable and accrued liabilities are government remittances payable of \$219,810 (2012 - \$178,080; 2011 - \$134,833), relating to payroll related taxes.

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7. DEFERRED REVENUE

Deferred revenue represents revenues related to expenses of future periods. The balance comprised the following:

	<u>March 31, 2013</u>	<u>March 31, 2012</u>	<u>April 1, 2011</u>
Research	\$ 6,185,676	\$ 6,823,501	\$ 5,678,802
Donations	2,710,096	1,702,289	771,459
Tuition	6,405,571	5,991,365	4,372,385
Ancillary	4,469,531	3,157,020	-
Other	1,081,068	1,523,457	1,585,345
	<u>\$ 20,851,942</u>	<u>\$ 19,197,632</u>	<u>\$ 12,407,991</u>

8. OTHER LONG-TERM DEBT

The University has incurred debts in the amount of \$27,581,266 through third parties related to the financing of the debenture (offset by amounts held in trust, as disclosed in Note 2 and Note 10), laptops, lab equipment and leasehold improvements in our downtown locations. Other long-term debt comprised the following:

	<u>March 31, 2013</u>	<u>March 31, 2012</u>	<u>April 1, 2011</u>
Unsecured loan, bearing fixed interest rate at 2.77% per annum, repayable semi-annually, with final instalment due October 15, 2017	\$ 24,157,774	\$ 28,137,279	\$ -
Unsecured loan, bearing fixed interest rate at 1.66% per annum, repayable semi-annually, with final instalment due August 16, 2013	838,039	2,493,811	-
Other unsecured loans, payable monthly / quarterly over a period of 4 to 30 years and at interest rates ranging from 0% to 9.3%	2,585,453	2,911,106	1,895,543
	<u>\$ 27,581,266</u>	<u>\$ 33,542,196</u>	<u>\$ 1,895,543</u>

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8. OTHER LONG-TERM DEBT (continued)

Total principal repayments in each of the next five years and thereafter for other long-term debt are as follows:

2014	\$	5,414,343
2015		4,865,046
2016		5,162,920
2017		5,487,810
2018		5,718,288
Thereafter, through 2041		932,859
		<u>27,581,266</u>
Less: current portion		5,414,343
	\$	<u>22,166,923</u>

The fair value of the other long-term debt is \$28,388,080 (2012 - \$33,691,074; 2011 - \$1,948,122). Fair value has been calculated using the future cash flows of the actual outstanding debt instrument, discounted at current market rates available to the University.

9. OBLIGATIONS UNDER CAPITAL LEASES

The University entered into capital leasing arrangements on two properties in downtown Oshawa to accommodate the growth in student population. Capital lease repayments are due as follows:

2014	\$	3,107,682
2015		3,107,682
2016		3,285,287
2017		3,664,911
2018		3,719,641
Thereafter, through 2041		84,753,348
Total minimum lease payments		<u>101,638,551</u>
Less: amount representing interest at rates ranging from 6.50 to 9.30%		62,776,803
Present value of net minimum capital lease payments		38,861,748
Less: current portion of principal obligations		212,068
	\$	<u>38,649,680</u>

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9. OBLIGATIONS UNDER CAPITAL LEASES (continued)

Interest of \$3,212,261 (2012 - \$3,081,619; 2011 - \$1,150,916) relating to capital lease obligations has been included in interest expense. The total amount of assets under capital leases is \$37,989,192 (2012 - \$37,989,192; 2011 - \$37,989,192) with related accumulated amortization of \$1,688,317 (2012 - \$1,012,990; 2011 - \$337,663).

The fair value of the capital leases was \$42,865,835 (2012 - \$42,869,198; 2011 - \$37,886,130). Fair value has been calculated using the future cash flows of the actual outstanding debt instrument, discounted at current market rates available to the University.

10. LONG-TERM DEBENTURE DEBT

On October 8, 2004, the University issued Series A Debentures in the aggregate principal amount of \$220,000,000. These debentures bear interest at 6.351%, payable semi-annually on April 15 and October 15, with the principal due in 2034. The proceeds of the issuance were used to finance capital projects including the construction of three Academic Buildings, a Library and related infrastructure. These debentures are secured by all assets of the University and are guaranteed by Durham College.

The debt has been funded through special one-time grants from the Ministry of Training, Colleges and Universities ("MTCU"), and by the University through donations and the operating line of credit. On August 12, 2011, an agreement was signed between the University and MTCU whereby the Ministry shall pay the University \$13,500,000 each year in equal semi-annual payments of \$6,750,000 in April and October to fund the repayment of the debentures. The agreement took effect on April 1, 2011 and the grant will continue until the maturity of the debentures in October 2034.

Total principal and interest paid on the debenture to March 31, 2013 is \$132,008,047 (2012 - \$115,507,041; 2011 - \$99,006,035), \$101,987,712 funded by MTCU and \$30,020,335 funded by the University.

The University has deposited a minimum of \$50,000,000, less the aggregate principal repaid to-date of \$25,842,225. The fair value of funds amounting to \$24,646,606 are held in trust on behalf of the University (Note 2).

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10. LONG-TERM DEBENTURE DEBT (continued)

As at March 31, 2013, \$217,431,043 (2012 - \$217,431,043; 2011 - \$217,431,043) had been used to finance capital assets.

2014	\$	4,236,255
2015		4,509,572
2016		4,800,522
2017		5,110,244
2018		5,439,949
Thereafter, through 2034		170,061,232
Total minimum payments		194,157,774
Less: current portion		4,236,255
	\$	<u>189,921,519</u>

The fair value of the long-term debenture debt is \$243,787,422 (2012 - \$285,997,257; 2011 - \$237,764,163). Fair value has been calculated using the future cash flows of the actual outstanding debt instrument, discounted at current market rates available to the University.

11. DEFERRED CAPITAL CONTRIBUTIONS

Deferred capital contributions represent the unamortized amount of grants and donations for the purchase of capital assets.

The changes in the balance consist of the following:

	<u>March 31, 2013</u>	<u>March 31, 2012</u>
Balance - beginning of year	\$ 194,698,151	\$ 182,866,270
Contributions	730,734	18,063,629
Recognized as revenue during the year	(9,225,164)	(6,231,748)
Balance - end of year	<u>\$ 186,203,721</u>	<u>\$ 194,698,151</u>

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12. GRANT REVENUES

Grant revenues are split as follows:

	<u>March 31, 2013</u>	<u>March 31, 2012</u>
Operating	\$ 55,798,107	\$ 52,356,075
Research	10,169,534	8,238,562
Debenture	13,500,000	13,500,000
Total grant revenues	\$ 79,467,641	\$ 74,094,637

13. PURCHASED SERVICE COSTS

Under a shared service agreement, the University purchases certain administrative services from Durham College. The cost of salaries, benefits and operating expenses purchased by the University are calculated based on a combination of individual percentage and actual cost by service area.

The ancillary operations are managed by Durham College and a portion of the net contribution is allocated to the University based on agreed metrics.

Amounts invoiced from Durham College for purchased services expense, including expense from ancillary operations, are recorded as expenses under "Purchased Services" in the consolidated financial statements. Revenues from ancillary operations are recorded as revenues and are included under "Revenues from ancillary operations" in the consolidated financial statements.

In fiscal year 2011, the University signed a number of service level agreements with Durham College, covering specifically Purchasing, Health and Safety, and Campus Safety. Amounts are invoiced on a monthly basis by Durham College and these are recorded as expense under "Purchased Services" in the consolidated financial statements.

The balance owing to Durham College for purchased services costs, included in accounts payable and accrued liabilities, is non-interest bearing with no fixed terms of repayment, and will be paid during the next fiscal year.

On March 21, 2012, a "Memorandum of Agreement in Principle" between the University and Durham College was signed by the two institutions, whereby both agree to continue the shared service relationship in the areas of Information Technology, Facilities Management, and Services & Ancillaries.

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14. INVESTED IN CAPITAL ASSETS

	<u>March 31, 2013</u>	<u>March 31, 2012</u>
Capital assets - net book value	\$ 429,820,905	\$ 437,223,475
Less amount financed by deferred capital contributions	(186,203,721)	(194,698,151)
Less amount financed by long-term debt (Notes 8, 9 and 10)	(235,349,847)	(241,084,735)
Investment in capital assets	\$ 8,267,337	\$ 1,440,589

	<u>March 31, 2013</u>	<u>March 31, 2012</u>
Net change in investment in capital assets:		
Purchases of capital assets	\$ 16,429,786	\$ 20,298,279
Amounts funded by:		
Deferred capital contributions	(730,734)	(18,063,629)
Long-term debt	(303,336)	(3,398,076)
Repayment of long-term debt	6,027,996	3,966,493
	\$ 21,423,712	\$ 2,803,067

	<u>March 31, 2013</u>	<u>March 31, 2012</u>
Amortization of deferred contributions related to capital assets	\$ 9,225,164	\$ 6,231,748
Less amortization of capital assets	(23,822,128)	(20,608,998)
	\$ (14,596,964)	\$ (14,377,250)

15. INTERNALLY RESTRICTED NET ASSETS

Details of the internally restricted net assets are as follows:

	<u>March 31, 2013</u>	<u>March 31, 2012</u>	<u>April 1, 2011</u>
Balance comprised the following:			
Research related activities	\$ 3,619,382	\$ 3,527,192	\$ 3,564,865
Capital related activities	9,972,475	901,508	1,030,000
Student awards	1,000,000	-	-
Working capital	3,000,000	2,000,000	-
Other	421,163	-	-
Balance - end of year	\$ 18,013,020	\$ 6,428,700	\$ 4,594,865

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16. ENDOWMENTS

Endowment funds are restricted donations received by the University where the endowment principal is required to be maintained intact. The investment income generated from these endowments must be used in accordance with the various purposes established by donors. The University ensures, as part of its fiduciary responsibilities, that all funds received with a restricted purpose are expended for the purpose for which they were provided.

Investment income on endowments is deferred and recorded in the consolidated statement of operations when the donors' conditions have been met and the related expenses are recognized.

Endowment funds include grants provided by the Government of Ontario from the Ontario Student Opportunity Trust Fund ("OSOTF") and the Ontario Trust for Student Support ("OTSS"). Under these programs, the government matches funds raised by the University. The purpose of these programs is to assist academically qualified individuals who, for financial reasons, would not otherwise be able to attend University. On January 5, 2012, the Minister of Education announced that the Ontario Trust for Student Support would be discontinued as of the end of Fiscal 2012 fundraising year. Consequently, there is no longer any matching for cash donations from the prior year or current year's pledges.

The balance of endowments consists of the following:

	<u>March 31, 2013</u>	<u>March 31, 2012</u>	<u>April 1, 2011</u>
OSOTF (Note 17)	\$ 1,539,348	\$ 1,519,877	\$ 1,488,053
OTSS (Note 18)	11,737,914	11,371,767	10,439,006
Other	1,637,667	1,238,518	555,600
	<u>\$ 14,914,929</u>	<u>\$ 14,130,162</u>	<u>\$ 12,482,659</u>

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17. ONTARIO STUDENT OPPORTUNITY TRUST FUNDS

The restricted endowment fund includes funds granted by the Government of Ontario for OSOTF. The investment revenue earned on those funds must be used for financial aid of Ontario students.

The University has recorded the following amounts under the program:

	<u>March 31, 2013</u>	<u>March 31, 2012</u>
Endowment fund balance at beginning of year	\$ 1,519,877	\$ 1,488,053
Preservation of capital	19,471	31,824
Endowment fund balance at end of year	<u>\$ 1,539,348</u>	<u>\$ 1,519,877</u>

Schedule of Changes in Expendable Funds Available for Awards

	<u>2013</u>	<u>2012</u>
Expendable balance, beginning of year	\$ 167,652	\$ 138,393
Realized investment income	55,433	61,083
Less: Preservation of capital	(19,471)	(31,824)
Bursaries awarded	-	-
Expendable balance, end of year	<u>\$ 203,614</u>	<u>\$ 167,652</u>
Number of bursaries awarded	<u>-</u>	<u>-</u>

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18. ONTARIO TRUST FOR STUDENT SUPPORT

The restricted endowment fund includes funds generated by the Government of Ontario for OTSS.

The investment revenue earned on those funds must be used for financial aid of Ontario students.

The University has recorded the following amounts under the program:

	<u>March 31, 2013</u>	<u>March 31, 2012</u>
Cash donations matched	\$ -	\$ 155,448
Unmatched Cash Donations	201,466	188,258
Total cash donations	\$ 201,466	\$ 343,706

Schedule of Changes in Endowment Fund Balance

	<u>March 31, 2013</u>	<u>March 31, 2012</u>
Endowment balance, beginning of year	\$ 11,371,767	\$ 10,439,006
Eligible cash donations	201,466	343,706
Matching funds received/receivable from MTCU	-	321,687
Preservation of capital	164,681	267,368
Endowment fund balance at end of year	\$ 11,737,914	\$ 11,371,767

Schedule of Changes in Expendable Funds

Available for Awards	<u>March 31, 2013</u>	<u>March 31, 2012</u>
Expendable balance, beginning of year	\$ 232,466	\$ -
Realized investment income	467,453	499,834
Less: Preservation of capital	(164,681)	(267,368)
Bursaries awarded	-	-
Expendable balance, end of year	\$ 535,238	\$ 232,466

In the current year, 175 bursaries valued at \$268,400 were disbursed from operations (2012 – 166 bursaries valued at \$251,400 were funded from operations; 2011 – 166 bursaries valued at \$268,700 were funded from operations).

19. PENSION PLAN

All employees of the University are members of a defined contribution pension plan. Employees must contribute a minimum of 3% of their earnings to this plan with the option at the employee's discretion, to increase these contributions to a total of 6% of contributory earnings. The University must contribute a minimum of 6% and may contribute a maximum of 8% of contributory earnings to this plan, depending on the employee's election of 2%. Contributions made by the University to the pension plan during the year were \$3,445,697 (2012 - \$2,935,039; 2011 - \$2,640,681).

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20. CONTINGENCIES AND CONTRACTUAL COMMITMENTS

(a) Contingencies:

The University has been named as the defendant in certain legal actions, in which damages have been sought. The outcome of these actions is not determinable as at March 31, 2013 and accordingly, no provision has been made in these consolidated financial statements for any liability which may result.

(b) Contractual Commitments:

Premises and equipment

Future minimum lease payments, exclusive of taxes and operating costs, for premises and equipment under operating leases at March 31, 2013 are as follows:

2014	\$	1,736,752
2015		1,811,387
2016		1,867,281
2017		1,928,749
2018		1,715,992
Thereafter		13,016,880
	\$	<u>22,077,041</u>

21. SUBSEQUENT EVENTS

On April 2, 2013, Durham College and the University signed an agreement, whereby both institutions agree they have completed the discussions on the terms by which the property acquired from Windfields Farm in 2003 will be conveyed to the University as the sole owner.

As per the agreement signed with Durham College, the University made a final cash transfer of \$1,000,000 to the College on April 1, 2013. The amount due from the College in the amount of \$6,831,815, and disclosed under "Other Assets" as at March 31, 2013, was extinguished as at that same date. On April 2, 2013, the University recorded Land at \$7,831,815.