

*Consolidated Financial Statements of*

**ONTARIO TECH UNIVERSITY**

*For the year ending March 31, 2020*

**ONTARIO TECH UNIVERSITY**  
**Consolidated Financial Statements**  
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**For the year ended March 31, 2020**

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## INDEPENDENT AUDITORS' REPORT

To the Board of Governors of University of  
Ontario Institute of Technology  
(operating as Ontario Tech University)

### ***Opinion***

We have audited the consolidated financial statements of the University of Ontario Institute of Technology (operating as Ontario Tech University) (the Entity), which comprise:

- the consolidated statement of financial position as at March 31, 2020
- the consolidated statement of operations for the year then ended
- the consolidated statement of changes in net assets for the year then ended
- the consolidated statement of cash flows for the year then ended
- and notes to the consolidated 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 consolidated financial position of the Entity as at March 31, 2020, and its consolidated results of operations and its consolidated 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 the 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.



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- 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.
- 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

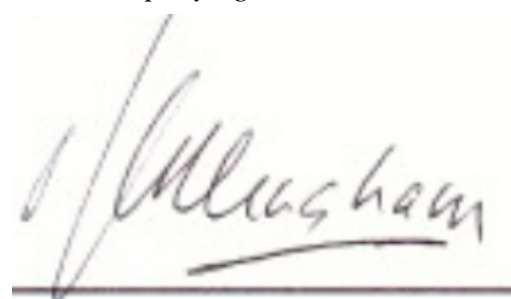
Vaughan, Canada

June 25, 2020

**ONTARIO TECH UNIVERSITY**  
**Consolidated Statement of Financial Position**  
**As at March 31, 2020**

	<u>2020</u>	<u>2019</u>
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash and cash equivalents (Note 2)	\$ 42,339,591	\$ 45,236,989
Short-term investments (Note 3)	7,052,500	16,924,256
Grant receivable	9,183,463	8,669,628
Other accounts receivable (allowance for doubtful accounts - \$284,258; 2019 - \$196,860)	8,543,271	7,231,096
Prepaid expenses and deposits	2,270,296	2,166,750
Inventories	57,736	133,344
	<b>69,446,857</b>	<b>80,362,063</b>
INVESTMENTS (Note 4)	26,137,454	26,809,201
CAPITAL ASSETS (Note 5)	396,612,877	392,097,220
<b>TOTAL ASSETS</b>	<b>\$ 492,197,188</b>	<b>\$ 499,268,484</b>
<b>LIABILITIES</b>		
<b>CURRENT AND LONG-TERM LIABILITIES</b>		
Accounts payable and accrued liabilities (Notes 6 and 13)	\$ 27,506,321	\$ 29,614,038
Deferred revenue (Note 7)	22,206,208	20,299,865
Current portion of other long-term debt (Note 8)	124,398	124,140
Current portion of obligations under capital lease (Note 9)	780,186	642,338
Current portion of long-term debenture debt (Note 10)	6,562,273	6,164,545
	<b>57,179,386</b>	<b>56,844,926</b>
OTHER LONG-TERM DEBT (Note 8)	301,526	425,923
LONG-TERM OBLIGATIONS UNDER CAPITAL LEASES (Note 9)	36,173,825	36,954,011
LONG-TERM DEBENTURE DEBT (Note 10)	151,543,488	158,105,762
DEFERRED CAPITAL CONTRIBUTIONS (Note 11)	162,196,325	161,099,203
	<b>407,394,550</b>	<b>413,429,825</b>
<b>NET ASSETS</b>		
UNRESTRICTED	4,503,900	3,264,048
INVESTED IN CAPITAL ASSETS (Note 14)	39,173,784	28,945,688
INTERNALLY RESTRICTED (Note 15)	17,588,839	31,785,635
ENDOWMENTS (Note 16)	23,536,115	21,843,288
	<b>84,802,638</b>	<b>85,838,659</b>
Contingencies and Contractual Commitments (Note 18)		
Subsequent Event (Note 19)		
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 492,197,188</b>	<b>\$ 499,268,484</b>

*See accompanying notes to the consolidated financial statements*



Approved by:

**ONTARIO TECH UNIVERSITY**  
**Consolidated Statement of Operations**  
**For the year ended March 31, 2020**

	<u>2020</u>	<u>2019</u>
<b>REVENUE</b>		
Grants - operating and research (Note 12)	\$ 75,291,973	\$ 74,211,269
Grants - debenture (Note 10)	13,500,000	13,500,000
Donations	1,865,031	1,573,007
Student tuition fees	77,110,475	80,152,124
Student ancillary fees	14,455,394	12,545,649
Revenues from purchased services (Note 13)	3,264,721	3,733,661
Other income	14,093,323	14,393,649
Amortization of deferred capital contributions	9,559,062	9,238,378
Interest revenue	1,585,822	1,519,946
	<b>\$ 210,725,801</b>	<b>\$ 210,867,683</b>
<b>EXPENSES</b>		
Salaries and benefits	114,363,321	106,246,121
Student aid, financial assistance and awards	12,839,158	12,478,785
Supplies and expenses	30,760,072	31,080,802
Purchased services (Note 13)	14,051,255	15,614,695
Interest expense - debt obligations	13,306,043	13,734,615
Interest expense - other	136,784	127,880
Amortization of capital assets	23,751,966	23,676,465
Professional fees	1,639,964	1,783,586
Unrealized loss/(gain) on investments	2,356,163	(585,167)
Loss/(gain) on disposal of assets	77,809	(157,306)
	<b>\$ 213,282,535</b>	<b>\$ 204,000,476</b>
<b>Excess of expenses over revenues</b>	<b>\$ (2,556,734)</b>	<b>\$ 6,867,207</b>

*See accompanying notes to the consolidated financial statements*

**ONTARIO TECH UNIVERSITY**  
**Consolidated Statement of Changes in Net Assets**  
**As at March 31, 2020**

	<u>Unrestricted</u>	<u>Invested in Capital Assets</u> (Note 14)	<u>Internally Restricted</u> (Note 15)	<u>Endowments</u> (Note 16)	<u>Total 2020</u>	<u>Total 2019</u>
<b>Balance - Beginning of Year</b>	\$ 3,264,048	\$ 28,945,688	\$ 31,785,635	\$ 21,843,288	\$ 85,838,659	\$ 78,168,592
Excess / (deficiency) Revenue over Expenses	11,636,170	(14,192,904)	-	-	(2,556,734)	6,867,207
Interfund Transfer - Endowment	-	-	(172,114)	172,114	-	-
Interfund Transfer	14,024,682	-	(14,024,682)	-	-	-
Investment in Capital Assets	(24,421,000)	24,421,000	-	-	-	-
Endowment Contributions	-	-	-	1,520,713	1,520,713	802,860
<b>Net changes during the year</b>	<b>1,239,852</b>	<b>10,228,096</b>	<b>(14,196,796)</b>	<b>1,692,827</b>	<b>(1,036,021)</b>	<b>7,670,067</b>
<b>Balance - End of Year</b>	<b>\$ 4,503,900</b>	<b>\$ 39,173,784</b>	<b>\$ 17,588,839</b>	<b>\$ 23,536,115</b>	<b>\$ 84,802,638</b>	<b>\$ 85,838,659</b>

*See accompanying notes to the consolidated financial statements*



**ONTARIO TECH UNIVERSITY**  
**Consolidated Statement of Cash Flows**  
**As at March 31, 2020**

	<u>2020</u>	<u>2019</u>
<b>NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES</b>		
<b>OPERATING</b>		
Excess of expenses over revenues	\$ (2,556,734)	\$ 6,867,207
Items not affecting cash:		
Amortization of capital assets	23,751,966	23,676,465
Amortization of deferred capital contributions	(9,559,062)	(9,238,378)
Unrealized loss/(gain) on investments	2,356,163	(585,167)
Loss/(gain) on disposal of assets	77,809	(157,306)
	<b>14,070,142</b>	<b>20,562,821</b>
Working capital:		
Grant and other accounts receivable	(1,826,010)	(195,625)
Prepaid expenses and deposits	(103,546)	(547,703)
Inventories	75,608	108,289
Accounts payable and accrued liabilities	(2,107,717)	3,792,805
Deferred revenue	1,906,343	720,218
	<b>12,014,820</b>	<b>24,440,805</b>
<b>INVESTING</b>		
Purchase of capital assets	(28,535,264)	(16,350,967)
Proceeds on disposal of capital assets	189,832	322,286
Investments	8,187,340	(841,535)
	<b>(20,158,092)</b>	<b>(16,870,216)</b>
<b>FINANCING</b>		
Repayment of long-term debt	(6,288,685)	(5,923,598)
Endowment contributions	1,520,713	802,860
Repayment of obligations under capital leases	(642,338)	(571,000)
Deferred capital contributions	10,656,184	7,788,678
	<b>5,245,874</b>	<b>2,096,940</b>
<b>NET CASH (OUTFLOW)/INFLOW</b>	<b>(2,897,398)</b>	<b>9,667,529</b>
<b>CASH &amp; CASH EQUIVALENTS BALANCE, BEGINNING OF YEAR</b>	<b>45,236,989</b>	<b>35,569,460</b>
<b>CASH &amp; CASH EQUIVALENTS BALANCE, END OF YEAR</b>	<b>\$ 42,339,591</b>	<b>\$ 45,236,989</b>
<b>SUPPLEMENTARY CASH FLOW INFORMATION</b>		
Interest paid	\$ 13,485,807	\$ 13,903,748

*See accompanying notes to the consolidated financial statements*

**ONTARIO TECH UNIVERSITY**  
**Notes to the Consolidated Financial Statements**  
**For the year ended March 31, 2020**

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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 March 27, 2019, the University launched its brand name “Ontario Tech University”.

## **1. SIGNIFICANT ACCOUNTING POLICIES AND DISCLOSURES**

### *(a) Basis of presentation*

The University follows Canadian Accounting Standards for Not-for-Profit Organizations (“ASNPO”) in Part III of the Chartered Professional Accountants of Canada (“CPA”) Handbook. These consolidated financial statements reflect the assets, liabilities, net assets, revenue and expenses of all the operations controlled by the University.

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, 2020 are included in the Consolidated Financial Statements of the University.

On February 1, 2012, the Automotive Center of Excellence (“ACE”) commenced 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 financial results to March 31, 2020 are included in the Consolidated Financial Statements of the University.

On March 10, 2020, Ontario Tech Talent Inc. was incorporated as a separate legal entity with a fiscal year ended March 31. Its purpose is to provide students and new graduates with opportunities to enhance their job readiness skills and improve employment prospects. It will also help alumni and community members remain current in the ever-changing job market by providing reskilling and upskilling. Ontario Tech Talent is controlled by the University and its financial results will be included in the Consolidated Financial Statements of the University. For the year ended March 31, 2020, there are no financial transactions for this new entity.

These consolidated 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.

**1. SIGNIFICANT ACCOUNTING POLICIES AND DISCLOSURES (continued)**

*(b) Revenue recognition*

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

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

Student fees are recognized as revenue when courses are provided.

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

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 the 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 when 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.

**1. SIGNIFICANT ACCOUNTING POLICIES AND DISCLOSURES (continued)**

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.

*(e) Long-term debt*

The University carries long-term debt at amortized cost.

*(f) Inventories*

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

*(g) 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 useful lives, which have been estimated to be as follows:

Buildings	15 – 40 years
Building renovations and major equipment	10 years
Leasehold improvements	over lease term
Parking lot	20 years
Furniture and fixtures	5 years
Laptops	2 – 4 years
Computer equipment and vehicles	3 years
Capital leases	over economic life of assets

**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.

On April 1, 2019, the University adopted Section 4433 “Tangible Capital Assets Held by Non-for-Profit Organizations”, Part III of the CPA Handbook. The University is applying this standard on a prospective basis. In the current year, costs for the new A5 building are being allocated to its separable component parts with differing estimated useful life. Amortization of the separable components will start upon completion of the construction and occupancy of the building in summer 2021.

*(h) 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.

*(i) Contributed services*

The University receives a number of contributed services from individuals, corporations and community partners. Because of the difficulty in determining the fair value, contributed services are not recognized in the Consolidated Financial Statements.

*(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 the Consolidated Financial Statements, and the reported amounts of revenue and expenses during the year. Significant estimates includes the carrying value of capital assets. Actual results could differ from these estimates.

**ONTARIO TECH UNIVERSITY**  
**Notes to the Consolidated Financial Statements**  
**For the year ended March 31, 2020**

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**2. CASH AND CASH EQUIVALENTS**

	<u>2020</u>	<u>2019</u>
Bank of Montreal, cash balances	\$ 22,938,173	\$ 36,920,330
BMO Nesbitt Burns GICs	18,605,727	8,000,000
IBM, credit facility drawn	-	(10,000)
Royal Bank of Canada, cash balances	6,556	37,288
Harris Bank, cash balances	461,370	(36,524)
Other, balances	327,765	325,895
	<u>\$ 42,339,591</u>	<u>\$ 45,236,989</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, 2020, the University utilized, on a cash consolidated basis, nil (2019 - nil) of the operating line of credit.

In fiscal year 2018 – 19, the University had a credit facility agreement with IBM Global Financing, which provided for a revolving operating line of credit up to \$5,000,000 bearing interest at prime plus 0.25%. At March 31, 2020, this line of credit no longer exists.

**3. SHORT-TERM INVESTMENTS**

Short-term investments consist of \$7,052,500 (2019 – \$16,924,256) 30-day cashable annual Guaranteed Investment Certificates which mature on October 26, 2020 (2019 – maturity ranged from September 30, 2019 to October 11, 2019).

**4. INVESTMENTS**

	<u>2020</u>		<u>2019</u>	
	Cost	Fair Value	Cost	Fair Value
<b>Equities</b>	\$ 16,898,745	\$ 16,299,624	\$ 15,634,889	\$ 17,315,009
<b>Fixed income</b>	9,200,627	9,281,327	8,992,229	9,084,206
<b>Money Market/Cash</b>	556,504	556,503	409,987	409,986
	<u>\$ 26,655,876</u>	<u>\$ 26,137,454</u>	<u>\$ 25,037,105</u>	<u>\$ 26,809,201</u>

**4. INVESTMENTS (continued)**

*(a) Credit, interest rate and maturity risk*

The value of fixed income securities will generally increase 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 pooled funds that include various Canadian government and corporate bonds and individual mortgage holdings. The fixed income investments bear coupon rates ranging from 0.0% to 16.2% (2019 – 0.0% to 24.4%) and have maturity dates ranging from April 1, 2020 to December 31, 2099 (2019 - April 1, 2019 to December 31, 2099).

*(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 advisors, hedges against foreign exchange risks. There has been no change in the University's hedging policy from 2019.

*(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 market.

**ONTARIO TECH UNIVERSITY**  
**Notes to the Consolidated Financial Statements**  
**For the year ended March 31, 2020**

**5. CAPITAL ASSETS**

Capital assets consist of:

	2020			2019
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	\$ 8,131,815	\$ -	\$ 8,131,815	\$ 8,131,815
Buildings	424,691,688	131,444,751	293,246,937	298,380,128
Building renovations	31,018,099	20,310,460	10,707,639	10,118,510
Leasehold improvements	3,541,889	1,737,929	1,803,960	1,934,673
Parking	1,299,410	179,819	1,119,591	859,724
Furniture and fixtures	19,694,169	16,861,389	2,832,780	3,270,629
Laptops	14,117,062	12,453,490	1,663,572	2,367,834
Computer equipment	21,244,668	17,492,392	3,752,276	2,833,873
Vehicles	288,467	202,122	86,345	92,445
Major equipment	77,466,528	58,056,859	19,409,669	23,292,546
Construction-in-progress	22,284,707	-	22,284,707	8,566,131
	<b>\$ 623,778,502</b>	<b>\$ 258,739,211</b>	<b>\$ 365,039,291</b>	<b>\$ 359,848,308</b>
Assets under capital leases:				
Land	2,300,000	-	2,300,000	2,300,000
Buildings	35,689,192	6,415,606	29,273,586	29,948,912
Total	<b>\$ 661,767,694</b>	<b>\$ 265,154,817</b>	<b>\$ 396,612,877</b>	<b>\$ 392,097,220</b>

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

Amortization of assets under capital leases for the current year totaled \$675,327 (2019 - \$675,327).

**6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

Included in accounts payable and accrued liabilities are government remittances payable of \$177,045 (2019 – nil).



**ONTARIO TECH UNIVERSITY**  
**Notes to the Consolidated Financial Statements**  
**For the year ended March 31, 2020**

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**7. DEFERRED REVENUE**

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

	<u>2020</u>	<u>2019</u>
Tuition	\$ 8,027,877	\$ 8,456,847
Research	8,321,859	5,959,593
Donations	2,587,092	2,672,006
Ancillary fees	1,097,889	1,312,546
Other	2,171,491	1,898,873
	<u>\$ 22,206,208</u>	<u>\$ 20,299,865</u>

**8. OTHER LONG-TERM DEBT**

The University has incurred debts in the amount of \$425,924 due to third parties. Other long-term debt comprised the following:

	<u>2020</u>	<u>2019</u>
Unsecured loans, payable monthly/ annually over a period of 2 - 21 years and at interest rates ranging from 0% to 9.3%	<u>425,924</u>	<u>550,063</u>
	<u>\$ 425,924</u>	<u>\$ 550,063</u>

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

2021	\$ 124,398
2022	124,683
2023	3,533
2024	3,876
2025	4,252
Thereafter, through 2042	<u>165,182</u>
	425,924
Less: current portion	<u>124,398</u>
	<u>\$ 301,526</u>

The fair value of the other long-term debt is approximately \$556,000 (2019 - \$680,000). 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.

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**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:

2021	\$ 3,861,463
2022	3,931,876
2023	3,960,219
2024	3,988,846
2025	4,017,759
Thereafter, through 2041	57,471,919
Total minimum lease payments	77,232,082
Less: amount representing interest at rates ranging from 6.50% to 9.30%	40,278,071
Present value of net minimum capital lease payments	36,954,011
Less: current portion of principal obligations	780,186
	<u>\$ 36,173,825</u>

Interest of \$3,132,050 (2019 - \$3,175,878) relating to capital lease obligations has been included in interest expense. The total cost of assets under capital leases is \$37,989,192 (2019 - \$37,989,192) with related accumulated amortization of \$6,415,606 (2019 - \$5,740,280).

The fair value of the capital leases is approximately \$38,683,000 (2019 - \$39,437,000). 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 is funded through special one-time grants from the Ministry of Colleges and Universities (“MCU”), and by the University’s operating funds.

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**10. LONG-TERM DEBENTURE DEBT (continued)**

On August 12, 2011, an agreement was signed between the University and MCU whereby MCU 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, 2020 is \$247,515,088 (2019 - \$231,014,082), \$196,487,712 funded by MCU and \$51,027,376 funded by the University.

As at March 31, 2020, \$217,431,043 (2019 - \$217,431,043) had been used to finance capital assets.

Total principal repayments for debenture debt are as follows:

2021	\$ 6,562,273
2022	6,985,660
2023	7,436,364
2024	7,916,146
2025	8,426,883
Thereafter, through 2034	120,778,435
Total minimum payments	158,105,761
Less: current portion	6,562,273
	<u>\$ 151,543,488</u>

The fair value of the long-term debenture debt is approximately \$194,294,000 (2019 - \$205,695,000). 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>2020</u>	<u>2019</u>
Balance - beginning of year	\$ 161,099,203	\$ 162,548,903
Contributions	10,656,184	7,788,678
Recognized as revenue during the year	(9,559,062)	(9,238,378)
Balance - end of year	<u>\$ 162,196,325</u>	<u>\$ 161,099,203</u>

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**12. GRANT REVENUES – OPERATING AND RESEARCH**

Grant revenues consist of the following:

	<u>2020</u>	<u>2019</u>
Operating	\$ 64,046,170	\$ 63,767,696
Externally funded research	11,245,803	10,443,573
<b>Total grant revenues</b>	<b>\$ 75,291,973</b>	<b>\$ 74,211,269</b>

**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 Statement of Operations. Revenues from ancillary operations are recorded as revenues and are included under “Revenues from purchased services” in the consolidated Statement of Operations.

On March 11, 2015, the University and Durham College signed a Service Level Agreement (“SLA”) covering Facilities and Ancillary, Information Technology Services and Student Services. This SLA outlines the guiding principles, work description documents to be adopted by both institutions and the methodology to determine administrative overhead costs.

On March 4, 2019, Durham College gave the University one year’s notice of termination of the sharing of the bookstore operation at the Oshawa campus, effective April 1, 2020.

The balance owing to Durham College for their share of the Collaborative Nursing program, included in accounts payable and accrued liabilities, is non-interest bearing, and will be paid at the end of the next fiscal year.

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**14. INVESTED IN CAPITAL ASSETS**

Investment in capital assets represents the following:

	<u>2020</u>	<u>2019</u>
Capital assets - net book value	\$ 396,612,877	\$ 392,097,220
Less amount financed by deferred capital contributions	(162,196,325)	(161,099,203)
Less amount financed by long-term debt (Notes 8, 9 and 10)	(195,242,768)	(202,052,329)
<b>Total investment in capital assets</b>	<b>\$ 39,173,784</b>	<b>\$ 28,945,688</b>

	<u>2020</u>	<u>2019</u>
<b>Net change in investment in capital assets:</b>		
Purchases of capital assets	\$ 28,535,264	\$ 16,350,967
Amounts funded by:		
Deferred capital contributions	(10,656,184)	(7,788,678)
Repayment of long-term debt	6,541,920	6,208,155
	<b>\$ 24,421,000</b>	<b>\$ 14,770,444</b>

	<u>2020</u>	<u>2019</u>
Amortization of deferred capital contributions related to capital assets	\$ 9,559,062	\$ 9,238,378
Less amortization of capital assets	(23,751,966)	(23,676,465)
	<b>\$ (14,192,904)</b>	<b>\$ (14,438,087)</b>
<b>Net change during the year</b>	<b>\$ 10,228,096</b>	<b>\$ 332,357</b>

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**15. INTERNALLY RESTRICTED NET ASSETS**

Internally restricted net assets are funds restricted by the University and approved by the Board for future commitments for the appropriation of internally-funded research and for projects to improve and invest in the University’s campus facilities, working capital and student aid. Re-purposing or increasing such restrictions is subject to Board approval.

Details of the internally restricted net assets are as follows:

	<u>2020</u>	<u>2019</u>
Balance comprised of the following:		
Research related activities	\$ 4,700,130	\$ 5,205,581
Capital related activities	2,408,603	14,500,714
Student awards	222,073	1,000,000
Working capital	6,000,000	6,000,000
Faculty carry-forwards	1,154,500	1,154,500
Fundraising campaign	396,790	1,453,321
Other	2,706,743	2,471,519
	<u>\$ 17,588,839</u>	<u>\$ 31,785,635</u>

**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 matched 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 OTSS would be discontinued as of the end of Fiscal 2012 fundraising year.

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**16. ENDOWMENTS (continued)**

The balance of endowments consists of the following:

	<u>2020</u>	<u>2019</u>
OSOTF	\$ 2,007,717	\$ 1,983,628
OTSS	17,660,963	16,929,645
Other	3,867,435	2,930,015
	<u>\$ 23,536,115</u>	<u>\$ 21,843,288</u>

The change in the balance of endowments is as follows:

	<u>2020</u>	<u>2019</u>
Endowment fund balance, beginning of year	\$ 21,843,288	\$ 21,040,428
Donations	1,333,985	739,279
Realized gains	226,255	278,298
Realized investment income	625,847	401,943
Income distributions	(493,260)	(616,660)
Endowment fund balance, end of year	<u>\$ 23,536,115</u>	<u>\$ 21,843,288</u>

As per the MCU policies, the transactions related to OSOTF and OTTS should be presented in these financial statements, for the year ended March 31, 2020.

	<u>OSOTF</u>	<u>OTTS</u>	<u>Total 2020</u>	<u>Total 2019</u>
<b>Schedule of Changes in Endowment Fund Balance</b>				
Endowment balance, beginning of year	\$ 1,647,223	\$ 14,927,309	\$ 16,574,532	\$ 15,763,834
Eligible cash donations	-	452,373	452,373	617,708
Preservation of capital	17,000	177,140	194,140	192,990
Endowment fund balance, end of year	<u>\$ 1,664,223</u>	<u>\$ 15,556,822</u>	<u>\$ 17,221,045</u>	<u>\$ 16,574,532</u>

**Schedule of Changes in Expendable Funds**

<b>Available for Awards</b>	<u>OSOTF</u>	<u>OTTS</u>	<u>Total 2020</u>	<u>Total 2019</u>
Expendable balance, beginning of year	\$ 336,405	\$ 2,002,336	\$ 2,338,741	\$ 2,471,501
Realized investment income	64,089	673,705	737,794	600,990
Less: Preservation of capital	(17,000)	(177,140)	(194,140)	(192,990)
Bursaries awarded	(40,000)	(394,760)	(434,760)	(540,760)
Expendable balance, end of year	<u>\$ 343,494</u>	<u>\$ 2,104,141</u>	<u>\$ 2,447,635</u>	<u>\$ 2,338,741</u>
Total funds, end of year	<u>\$ 2,007,717</u>	<u>\$ 17,660,963</u>	<u>\$ 19,668,680</u>	<u>\$ 18,913,273</u>

In the current year, 277 bursaries valued at \$493,260 were disbursed from the total endowed funds (2019 – 309 bursaries valued at \$616,660).

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**17. PENSION PLAN**

All eligible employees of the University are members of a defined contribution pension plan. Contributions made by the University to the pension plan during the year were \$6,353,112 (2019 - \$5,407,509).

**18. 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, 2020 and, accordingly, no provision has been made in these consolidated financial statements for any liability which may result.

*(b) Contractual Commitments*

Future minimum lease payments, exclusive of taxes and operating costs, for premises and equipment under operating leases at March 31, 2020 are as follows:

2021	\$	1,724,304
2022		1,728,406
2023		1,712,583
2024		1,226,820
2025		1,001,820
Thereafter		2,802,931
	\$	<u>10,196,864</u>

**19. SUBSEQUENT EVENT**

In March 2020, the World Health Organization declared the spread of the coronavirus (COVID-19) to constitute a global pandemic and this has had a significant financial, market and social dislocating impact.

As a result of the pandemic, the University officially closed its campus on March 13, 2020. Using its current technology infrastructure, academic courses were delivered on-line and staff worked from home within the following week.

The pandemic has had a negative impact on our endowed portfolio with an unrealized loss of \$2.4 million being recognized in the current year. In addition, the University has experienced loss of revenues from its commercial business such as ACE, Regent Theater and the Daycare Center, totaling approximately \$500,000. These are reflected in these Consolidated Financial Statements.



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**19. SUBSEQUENT EVENT (continued)**

Given the outcome and timeframe to a recovery from the current pandemic is highly unpredictable, it is not practicable to estimate and disclose its financial effect on the University's future operations at this time.

**20. COMPARATIVE INFORMATION**

Certain comparative information has been reclassified to conform with the financial statement presentation adopted in the current year.