

Consolidated Financial Statements of

ONTARIO TECH UNIVERSITY

For the year ending March 31, 2023

ONTARIO TECH UNIVERSITY
Consolidated Financial Statements
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For the year ended March 31, 2023

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INDEPENDENT AUDITOR'S 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, 2023
- 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, 2023, 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 "***Auditor's Responsibilities for the Audit of the Financial Statements***" section of our auditor's 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.

Auditor's 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 auditor's 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 auditor's 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 auditor's 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

Chartered Professional Accountants, Licensed Public Accountants

Vaughan, Canada

June 29, 2023

ONTARIO TECH UNIVERSITY
Consolidated Statement of Financial Position
As at March 31, 2023

	<u>March 31, 2023</u>	<u>March 31, 2022</u>
Assets		
Current assets:		
Cash and cash equivalents (Note 4)	62,176,383	69,225,462
Short-term investments (Note 5)	17,000,000	17,217,673
Grant receivable	9,287,216	9,108,026
Other accounts receivable (allowance for doubtful accounts - \$998,855; 2022 - \$992,542)	8,619,781	5,611,209
Prepaid expenses and deposits	2,684,901	2,158,816
Inventories	33,729	5,730
	99,802,010	103,326,916
Investments (Note 6)	33,435,346	33,522,655
Other investments (Note 7)	(1,007,713)	(754,223)
Other assets (Note 8)	2,975,239	2,473,577
Capital assets (Note 9)	398,222,231	403,863,908
Goodwill (Note 10)	973,421	-
Total assets	534,400,534	542,432,833
Liabilities and Net Assets		
Current Liabilities:		
Accounts payable and accrued liabilities (Notes 11 and 19)	30,576,509	30,488,090
Deferred revenue (Note 12)	35,326,367	32,173,944
Current portion of other long-term debt (Note 13)	753,626	3,533
Current portion of obligations under capital lease (Note 14)	434,644	1,012,088
Current portion of long-term debenture debt (Note 15)	7,916,146	7,436,364
Current portion of fair value of interest rate swap (Note 16)	712,000	691,000
	75,719,292	71,805,019
Other long-term debt (Note 13)	6,181,402	173,309
Long-term portion of obligations under capital lease (Note 14)	26,841,138	34,248,680
Long-term portion of debenture debt (Note 15)	129,205,318	137,121,464
Long-term portion of fair value of interest rate swap (Note 16)	20,958,242	22,853,319
Deferred capital contributions (Note 17)	156,391,888	160,590,853
	415,297,280	426,792,644
Net Assets		
Unrestricted	24,923,895	21,775,929
Invested in capital assets (Note 20)	48,827,828	39,733,297
Internally restricted (Note 21)	19,419,098	29,214,708
Endowments (Note 22)	25,932,432	24,916,255
	119,103,254	115,640,189
Contingencies and Contractual Commitments (Note 24)		
Guarantee (Note 25)		
Risk Disclosure (Note 26)		
Total liabilities and Net Assets	534,400,534	542,432,833

See accompanying notes to the consolidated financial statements

Laura Elliott

Approved by: Laura Elliott, Chair, Board of Governors

ONTARIO TECH UNIVERSITY
Consolidated Statement of Operations
For the year ended March 31, 2023

	<u>2023</u>	<u>2022</u>
REVENUE		
Grants - operating and research (Note 18)	81,352,666	85,688,273
Grants - debenture (Note 15)	13,500,000	13,500,000
Donations	3,739,149	1,591,041
Student tuition fees	90,699,135	87,108,687
Student ancillary fees	13,001,273	11,970,615
Revenues from purchased services (Note 19)	1,465,114	678,601
Other income	17,393,541	13,165,388
Amortization of deferred capital contributions	8,252,004	9,130,891
Interest revenue	3,175,838	1,130,188
Gain/(loss) on disposal of assets	4,540	(28,663)
Unrealized gain on interest rate swap	1,183,077	1,117,681
	233,766,337	225,052,702
EXPENSES		
Salaries and benefits	129,031,422	121,526,640
Student aid, financial assistance and awards	15,040,090	14,295,553
Supplies and expenses	34,436,301	26,814,442
Purchased services (Note 19)	12,977,223	12,990,749
Interest expense - debt obligations	12,780,736	12,884,913
Interest expense - other	191,729	147,928
Amortization of capital assets	22,029,875	22,999,905
Professional fees	1,284,069	1,315,028
Loss on termination of capital lease	2,121,527	-
Loss on other investments	253,490	564,684
Unrealized loss/(gain) on investments	1,011,882	(892,501)
	231,158,344	212,647,341
Excess of revenue over expenses	2,607,993	12,405,361

See accompanying notes to the consolidated financial statements

ONTARIO TECH UNIVERSITY
Consolidated Statement of Changes in Net Assets
As at March 31, 2023

	<u>Unrestricted</u>	<u>Invested in Capital Assets</u> (Note 20)	<u>Internally Restricted</u> (Note 21)	<u>Endowments</u> (Note 22)	<u>Total 2023</u>	<u>Total 2022</u>
Balance - Beginning of Year	\$ 21,775,929	\$ 39,733,297	\$ 29,214,708	\$ 24,916,255	\$ 115,640,189	\$ 102,781,176
Excess / (deficiency)						
Revenue over Expenses	16,385,864	(13,777,871)	-	-	2,607,993	12,405,361
Interfund Transfer - Endowment	-	-	(161,105)	161,105	-	-
Interfund Transfer	9,634,505	-	(9,634,505)	-	-	-
Investment in Capital Assets	(22,872,402)	22,872,402	-	-	-	-
Endowment Contributions	-	-	-	855,072	855,072	453,652
Net changes during the year	3,147,967	9,094,531	(9,795,610)	1,016,177	3,463,065	12,859,013
Balance - End of Year	\$ 24,923,895	\$ 48,827,828	\$ 19,419,098	\$ 25,932,432	\$ 119,103,254	\$ 115,640,189

See accompanying notes to the consolidated financial statements

ONTARIO TECH UNIVERSITY
Consolidated Statement of Cash Flows
As at March 31, 2023

	<u>March 31, 2023</u>	<u>March 31, 2022</u>
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES		
OPERATING		
Excess of revenue over expenses	\$ 2,607,993	\$ 12,405,361
Items not affecting cash:		
Amortization of capital assets	22,029,875	22,999,905
Amortization of deferred capital contributions	(8,252,004)	(9,130,891)
(Gain)/Loss on disposal of assets	(4,540)	28,663
Loss on the termination of the capital lease	2,121,527	-
Loss on other investments	253,490	564,684
Unrealized gain on interest rate swap	(1,183,077)	(1,117,681)
Unrealized loss/(gain) on investments	1,011,882	(892,501)
	18,585,146	24,857,540
WORKING CAPITAL		
Grant and other accounts receivable	(2,749,384)	3,282,910
Prepaid expenses and deposits	(526,085)	17,759
Inventories	(27,999)	(599)
Accounts payable and accrued liabilities	(398,365)	(2,507,142)
Deferred revenue	3,152,424	3,929,577
	18,035,736	29,580,045
INVESTING		
Purchase of capital assets	(12,707,155)	(20,885,403)
Proceeds on disposal of capital assets	173,970	(28,258)
Investments	(706,900)	(17,900,552)
Other Assets	(501,662)	(473,570)
Acquisition of Regent Corporation (Note 3)	(7,500,000)	-
	(21,241,747)	(39,287,783)
FINANCING		
Repayment of interest-rate swap	(691,000)	24,662,000
Repayment of long-term debt	(7,103,193)	(7,110,343)
Repayment of obligations under capital leases	(956,986)	(913,057)
Endowment contributions	855,072	453,652
Deferred capital contributions	4,053,039	8,713,877
	(3,843,068)	25,806,129
NET CASH (OUTFLOW) / INFLOW	(7,049,079)	16,098,391
CASH & CASH EQUIVALENTS BALANCE, BEGINNING OF YEAR	69,225,462	53,127,071
CASH & CASH EQUIVALENTS BALANCE, END OF YEAR	\$ 62,176,383	\$ 69,225,462
SUPPLEMENTARY CASH FLOW INFORMATION		
Interest paid	\$ 12,997,308	13,088,360

See accompanying notes to the financial statements

ONTARIO TECH UNIVERSITY
Notes to the Consolidated Financial Statements
For the year ended March 31, 2023

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 and now operates as “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. Except for Ontario Tech Talent, these consolidated financial statements reflect the assets, liabilities, net assets, revenue and expenses of all the operations controlled by the University.

On March 10, 2020, Ontario Tech Talent was incorporated as a separate legal entity with a fiscal year ended March 31st. Its purpose is to provide students and new graduates with opportunities to enhance their job readiness skills and improve employment prospects, and also to 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 to March 31, 2023 are accounted for using the equity method, whereby the investment is carried in the University’s financial statements initially at cost, and includes the share of earnings or loss.

On February 21, 2023, and pursuant to a share purchase agreement, the University acquired the share capital and control of the Regent Square Property Corporation (“Regent Corporation”) and its related property for cash consideration. The acquisition has been accounted for using the acquisition method, whereby the purchase price is allocated to the net assets acquired based on their fair values. The accounting policy choice to consolidate on an annual basis has been selected.

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.

(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.

1. SIGNIFICANT ACCOUNTING POLICIES AND DISCLOSURES (continued)

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.

Life insurance policy donation which is owned by the University and for which it is the named beneficiary, is recognized as revenue at the cash surrender value in the year in which it is received, with adjustments each year thereafter in accordance with the policy cash surrender value increases.

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 or 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.

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,

1. SIGNIFICANT ACCOUNTING POLICIES AND DISCLOSURES (continued)

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

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.

In accordance with Section 4433 “Tangible Assets Held by Not-for-Profit Organizations”, costs for the new Shawenjigewining Hall have been allocated to its separable component parts with differing estimated useful lives and amortized accordingly upon occupancy of the building in September 2021.

1. SIGNIFICANT ACCOUNTING POLICIES AND DISCLOSURES (continued)

(h) Goodwill and its impairment

Goodwill is the excess of the consideration paid over the fair value of the acquired assets and assumed liabilities in a business combination. Goodwill is not amortized but rather tested for impairment at least annually.

(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) Contributed goods and services

The University receives a number of contributed goods and 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. Contributed goods for which fair value is measurable and would have otherwise been purchased for use in the normal course of operations, are recognized in the Consolidated Financial Statements.

(k) 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. Items subject to such estimates and assumptions include the valuation of derivatives and the carrying value of capital assets. Actual results could differ from these estimates.

2. RELATED PARTY TRANSACTION

On September 1, 2010, the University entered into a capital lease arrangement on a property located at 55 Bond Street in downtown Oshawa with the Regent Corporation. Regent Corporation is a taxable entity registered with the Canada Revenue Agency.

On February 21, 2023, a series of financial transactions took place between the University and the Regent Corporation:

Pursuant to a share purchase agreement, the University acquired all of the share capital of the Regent Corporation and its related property for cash consideration. Consideration paid and the estimated fair value of the assets acquired and liabilities assumed are disclosed in Note 3.

The University surrendered its interest in the capital lease with Regent Corporation and the lease was terminated. The derecognition of the carrying value of the leased asset is disclosed in Note 9 and the lease termination is disclosed in Note 14.

Pursuant to a gift agreement, full beneficial ownership of the property was gifted by Regent Corporation to the University.

ONTARIO TECH UNIVERSITY
Notes to the Consolidated Financial Statements
For the year ended March 31, 2023

3. ACQUISITION

The following table summarizes the consideration paid and the estimated fair value of the assets acquired and liabilities assumed at the date of acquisition of the Regent Corporation by the University:

	<u>2023</u>
Assets acquired:	
Land	\$ 960,000
Buildings	12,040,000
Accounts receivable	438,378
Goodwill	973,421
Total assets acquired	<u>14,411,799</u>
Liabilities assumed:	
Accounts payable and accrued liabilities	486,784
Long-term debt	6,425,015
Total liabilities assumed	<u>6,911,799</u>
Net assets acquired	<u>\$ 7,500,000</u>
Total consideration is as follows:	
Cash consideration	<u>7,500,000</u>
	<u>\$ -</u>

4. CASH AND CASH EQUIVALENTS

	<u>2023</u>	<u>2022</u>
Bank of Montreal, cash balances	\$ 60,688,797	\$ 68,125,699
BMO Nesbitt Burns high interest savings account	10	-
Royal Bank of Canada, cash balances	425,049	364,722
Harris Bank, cash balances (draws)	(11,601)	251,334
Other, balances	1,074,128	483,707
	<u>\$ 62,176,383</u>	<u>\$ 69,225,462</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, 2023, the University utilized, on a cash consolidated basis, nil (2022 - nil) of the operating line of credit.

ONTARIO TECH UNIVERSITY
Notes to the Consolidated Financial Statements
For the year ended March 31, 2023

5. SHORT-TERM INVESTMENTS

Short-term investments consist of \$17,000,000 (2022 – \$17,217,673) of annual Guaranteed Investment Certificates (GIC's), which mature on March 30, 2024.

6. INVESTMENTS

	2023		2022	
	Cost	Fair Value	Cost	Fair Value
Equities	\$ 18,101,986	\$ 22,245,338	\$ 17,531,636	\$ 22,382,352
Fixed income	11,858,967	10,973,700	11,397,462	10,863,060
Money Market/Cash	216,308	216,308	277,243	277,243
	\$ 30,177,261	\$ 33,435,346	\$ 29,206,341	\$ 33,522,655

Financial instrument risks are disclosed in Note 26, under “Financial instrument risks”.

7. OTHER INVESTMENTS

Other investments comprise of a wholly owned investment in Ontario Tech Talent. Investment as at March 31, 2023 is a loss of \$1,007,713 (2022 – \$754,223) which includes the initial investment in Ontario Tech Talent of 100 shares valued at \$100, net of accumulated loss of \$1,007,813 (2022 – \$754,323).

Financial information from Ontario Tech Talent’s financial statements are as follows:

	2023	2022
Total assets	\$ 394,434	\$ 131,623
Total liabilities	1,402,147	885,846
Shareholders' equity		
- 100 common shares	100	100
- Net accumulated loss	(1,007,813)	(754,323)
	\$ 394,434	\$ 131,623
Results of operations:		
Total revenue	811,580	87,539
Total expenses	1,065,070	652,223
Net loss for the year	\$ (253,490)	\$ (564,684)

Included in the total liabilities of Ontario Tech Talent is a related party transaction of \$1,268,676 (2022 – \$823,013), representing the draw of a credit facility with the University to fund the start-up and operating costs of Ontario Tech Talent. Interest on this credit facility is at prime rate plus 0.25%, and there are no fixed terms of repayment.

ONTARIO TECH UNIVERSITY
Notes to the Consolidated Financial Statements
For the year ended March 31, 2023

8. OTHER ASSETS

Included under Other assets is the donation of a life insurance policy the University received in July 2020. This policy, for which the University is the named beneficiary, is recorded at the current cash surrender value of \$1,706,563 (2022 - \$1,650,564). Other assets also include \$1,268,676 (2022 - \$823,013) of a receivable from its subsidiary, Ontario Tech Talent.

9. CAPITAL ASSETS

Capital assets consist of:

	2023			2022
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	\$ 12,805,864	\$ -	\$ 12,805,864	\$ 10,286,815
Buildings & its components	480,347,021	165,832,073	314,514,948	296,781,843
Building renovations	38,760,857	26,010,663	12,750,194	27,605,417
Leasehold improvements	2,910,946	1,353,014	1,557,932	1,630,097
Parking	1,395,444	377,131	1,018,313	989,650
Furniture and fixtures	22,659,983	19,724,553	2,935,430	3,175,893
Laptops	3,871,223	2,817,530	1,053,693	606,526
Vehicles	390,777	274,294	116,483	6,750
Computer equipment	25,045,965	22,228,014	2,817,951	2,830,741
Major equipment	102,253,698	74,021,775	28,231,923	29,117,023
Construction-in-progress	5,399	-	5,399	610,222
	<u>\$ 690,447,177</u>	<u>\$ 312,639,047</u>	<u>\$ 377,808,130</u>	<u>\$ 373,640,977</u>
Assets under capital leases:				
Land	2,300,000	-	2,300,000	2,300,000
Buildings	24,152,135	6,038,034	18,114,101	27,922,931
Total	<u>\$ 716,899,312</u>	<u>\$ 318,677,081</u>	<u>\$ 398,222,231</u>	<u>\$ 403,863,908</u>

Donated assets other than non-depreciables, such as land, are amortized as per note 1(g) under Significant accounting policies and disclosures.

ONTARIO TECH UNIVERSITY
Notes to the Consolidated Financial Statements
For the year ended March 31, 2023

9. CAPITAL ASSETS (continued)

Included in the asset schedule are:

- land and buildings acquired and stated at fair market value (land: \$960,000 and buildings: \$12,040,000) upon the acquisition of control of the Regent Corporation.
- The derecognition of buildings at net book value of \$9,149,527 (cost: \$11,537,057 and accumulated amortization: \$2,387,530) under “Assets under capital leases” upon the surrender of the University’s interest in the lease with the Regent Corporation. The derecognition of capital assets under capital leases resulted in a net loss of \$2,121,527.

Amortization of assets under capital leases for the current year totaled \$659,303 (2022 - \$675,327).

10. GOODWILL

Goodwill of \$973,421 has been recorded by the University upon the acquisition of control of the Regent Corporation and represents the excess of the purchase price over the fair market value of Regent Corporation’s net assets.

11. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Included in accounts payable and accrued liabilities are government remittances payable of \$3,492,662 (2022 – \$3,401,716).

12. DEFERRED REVENUE

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

	<u>2023</u>	<u>2022</u>
Tuition	\$ 9,732,149	\$ 9,420,307
Research	14,045,753	12,571,734
Donations	3,502,180	4,675,598
Ancillary fees	2,003,658	1,654,572
Other	6,042,627	3,851,733
	<u>\$ 35,326,367</u>	<u>\$ 32,173,944</u>

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13. OTHER LONG-TERM DEBT

The University has incurred debts in the amount of \$6,935,027 through third parties related to leasehold improvements, equipment financing and a property in downtown Oshawa. Other long-term debt comprised the following:

	<u>2023</u>	<u>2022</u>
Unsecured loan for leasehold improvements in downtown Oshawa, repayable monthly at 9.3% interest per annum, with final instalment due April 30, 2041	173,310	176,842
Unsecured loan for ACE equipment, repayable monthly at 9.8% interest per annum, with final instalment due September 1, 2025	385,391	-
Secured loan for property at 55 Bond, repayable monthly at 7.1% interest per annum with final instalment due September 1, 2030	6,376,327	-
	<u>\$ 6,935,028</u>	<u>\$ 176,842</u>

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

2024	\$ 753,626
2025	812,539
2026	830,651
2027	862,932
2028	925,326
Thereafter, through 2042	2,749,954
	<u>6,935,028</u>
Less: current portion	753,626
	<u>\$ 6,181,402</u>

The fair value of the other long-term debt is approximately \$7,149,000 (2022 - \$245,000). 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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14. OBLIGATIONS UNDER CAPITAL LEASES

In fiscal year 2010/11, the University entered into capital leasing arrangements on two properties in downtown Oshawa to accommodate the growth in student population. On February 21, 2023, and upon the acquisition of control of Regent Corporation, the capital lease on one of the properties, with net remaining obligation of \$7,028,000, was terminated.

Capital lease repayments are due as follows:

2024	\$ 2,870,799
2025	2,899,712
2026	2,928,915
2027	2,958,409
2028	2,988,198
Thereafter, through 2041	41,980,957
Total minimum lease payments	56,626,990
Less: amount representing interest at 9.30%	29,351,208
Present value of net minimum capital lease payments	27,275,782
Less: current portion of principal obligation	434,644
	\$ 26,841,138

Interest of \$2,910,063 (2022 - \$3,018,819) relating to capital lease obligations has been included in interest expense – debt obligations on the consolidated statement of operations. The total cost of assets under capital leases is \$26,452,135 (2022 - \$37,989,192) with related accumulated amortization of \$6,038,034 (2022 - \$7,766,261).

The fair value of the capital leases is approximately \$27,806,000 (2022 - \$35,694,000). 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.

15. 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” or “the Ministry”), and by the University’s operating funds.

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15. LONG-TERM DEBENTURE DEBT (continued)

On August 12, 2011, an agreement was signed between the University and MCU 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, 2023 is \$297,018,105 (2022 - \$280,517,100), \$236,987,712 funded by MCU and \$60,030,393 funded by the University.

As at March 31, 2023, \$217,431,043 (2022 - \$217,431,043) had been used to finance capital assets.

Total principal repayments for debenture debt are as follows:

2024	7,916,146
2025	8,426,883
2026	8,970,572
2027	9,549,338
2028	10,165,446
Thereafter, through 2034	92,093,079
Total minimum payments	137,121,464
Less: current portion	7,916,146
	<u>\$ 129,205,318</u>

The fair value of the long-term debenture debt is approximately \$150,466,000 (2022 - \$162,246,000). 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.

16. DERIVATIVE FINANCIAL INSTRUMENTS

On September 29, 2021, the University entered into an unsecured interest rate swap agreement with RBC for the long-term financing of the Shawenjigewining Hall. This agreement expires on September 28, 2046. Under the terms of the agreement, the University agrees with the counterparty to exchange, at specified intervals and for a specified period, its floating interest calculated on the notional principal amount of each loan for a fixed rate of 2.59%. The use of the swap effectively enables the University to convert the floating rate interest obligation of the loan into a fixed rate obligation, and thus manages its exposure to interest rate risk.

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16. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

The fair value of the derivative liability is as follows:

	<u>2023</u>		<u>2022</u>
Interest rate swap	21,670,242	\$	23,544,319
Less: current portion	712,000		691,000
	<u>\$ 20,958,242</u>	<u>\$</u>	<u>22,853,319</u>

17. DEFERRED CAPITAL CONTRIBUTIONS

Deferred capital contributions represent the unamortized amount of contributions, including grants and donations, for the investment in capital assets.

On October 30, 2020, the University signed an agreement with the Ontario Tech Student Union (OTSU), whereby the OTSU will pay the University a one-time fee of \$5,000,000 for the construction, use and occupation of the licensed areas in the new Shawenjigewining Hall. In 2020 and 2021, the OTSU transferred \$4,500,000 to the University, with the remaining \$500,000 transferred in the current fiscal year. This fee is included in the consolidated financial statements as a deferred capital contribution as the funding is directed to financing the construction.

The changes in the balance consist of the following:

	<u>2023</u>		<u>2022</u>
Balance - beginning of year	\$ 160,590,853	\$	161,007,867
Contributions	4,053,039		8,713,877
Recognized as revenue during the year	(8,252,004)		(9,130,891)
Balance - end of year	<u>\$ 156,391,888</u>	<u>\$</u>	<u>160,590,853</u>

18. GRANT REVENUES – OPERATING AND RESEARCH

Grant revenues consist of the following:

	<u>2023</u>		<u>2022</u>
Operating	\$ 65,817,279	\$	70,670,809
Externally funded research	15,535,387		15,017,464
Total grant revenues	<u>\$ 81,352,666</u>	<u>\$</u>	<u>85,688,273</u>

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19. 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.

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.

Shared services are paid by a standing monthly instalment to Durham College, with a final true-up and settlement in April following the end of the fiscal year.

20. INVESTED IN CAPITAL ASSETS

Investment in capital assets represents the following:

	<u>2023</u>	<u>2022</u>
Capital assets - net book value	\$ 398,222,231	\$ 403,863,908
Less amount financed by deferred capital contributions	(156,391,888)	(160,590,853)
Less amount financed by long-term debt (Notes 13, 14, 15 and 16)	(193,002,515)	(203,539,758)
Total investment in capital assets	\$ 48,827,828	\$ 39,733,297

	<u>2023</u>	<u>2022</u>
Net change in investment in capital assets:		
Purchase of capital assets	\$ 25,707,155	\$ 20,885,403
Assets disposed under capital lease termination	(9,149,527)	-
Lease obligation termination	7,028,000	-
Amounts funded by:		
Deferred capital contributions	(4,053,039)	(8,713,877)
Long-term debt	(6,761,719)	(23,544,319)
Repayment of long-term debt	10,101,532	7,901,530
	\$ 22,872,402	\$ (3,471,263)

	<u>2023</u>	<u>2022</u>
Amortization of deferred capital contributions related to capital assets	\$ 8,252,004	\$ 9,130,891
Less amortization of capital assets	(22,029,875)	(22,999,905)
	\$ (13,777,871)	\$ (13,869,014)
Net change during the year	\$ 9,094,531	\$ (17,340,277)

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21. INTERNALLY RESTRICTED NET ASSETS

Internally restricted net assets represent unspent funds which have been committed for specific purposes, including the appropriation of internally-funded research and to invest in the University's academic priorities, working capital, facilities, information technology 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>2023</u>	<u>2022</u>
Balance is comprised of the following:		
Research funds (a)	\$ 6,414,309	\$ 6,151,175
Capital projects (b)	227,976	4,923,974
Student assistance and related funds (c)	2,828,606	4,018,927
Working capital (d)	6,000,000	6,000,000
Learning re-imagined (e)	2,620,632	3,370,632
Digital and physical infrastructure re-imagined (f)	1,327,575	2,750,000
One-time only budget allocations (g)	-	2,000,000
	<u>\$ 19,419,098</u>	<u>\$ 29,214,708</u>

- (a) Research funds represent unspent start-up and professional development funds of individual members funded by Operations, and as provided by their collective agreement.
- (b) Capital projects represent internally restricted funds for university-wide and ancillary operations, in support of deferred maintenance, renovations and capital projects.
- (c) Student assistance and related funds includes the unspent operating funds and expendable portion of unrestricted donations in support of financial assistance to students. It also includes unspent student fees such as the athletic fee and the student services fee.
- (d) Working capital represents internally restricted funds set aside to improve the financial sustainability of the University, as mandated by the Ministry.
- (e) Learning re-imagined represents amounts which have been allocated in support of the academic plan and to enhance the "pedagogy-technology" interface with the aim of providing skilled support for our students, staff and faculty. It also includes recruitment and student success initiatives.
- (f) Digital and physical infrastructure re-imagined are funds restricted to enhance the virtual and physical campus.
- (g) One-time only budget allocations approved for specific initiatives. For 2022, funds were reserved for IT equipment and construction projects that were delayed to 2023 due to supply chain issues associated with the pandemic.

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22. 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 Ministry announced that the OTSS would be discontinued as of the end of Fiscal 2012 fundraising year.

The balance of endowments consists of the following:

	<u>2023</u>	<u>2022</u>
OSOTF	\$ 2,002,179	\$ 1,997,945
OTSS	18,726,174	18,020,883
OSOTF and OTSS	20,728,353	20,018,828
Other	5,204,080	4,897,427
	<u>\$ 25,932,433</u>	<u>\$ 24,916,255</u>

The change in the balance of endowments is as follows:

	<u>2023</u>	<u>2022</u>
Endowment fund balance, beginning of year	\$ 24,916,255	\$ 24,350,300
Donations	642,409	436,354
Realized gains	104,170	267,814
Realized investment income	776,409	580,277
Income distributions	(506,810)	(718,490)
Endowment fund balance, end of year	<u>\$ 25,932,433</u>	<u>\$ 24,916,255</u>

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22. ENDOWMENTS (continued)

As per the Ministry policies, the transactions related to OSOTF and OTTS should be presented in these financial statements, for the year ended March 31, 2023.

	OSOTF	OTTS	Total 2023	Total 2022
Schedule of Changes in Endowment Fund Balance				
Endowment balance, beginning of year	\$ 1,737,973	\$ 16,581,868	\$ 18,319,841	\$ 17,435,856
Eligible cash donations	-	440,477	440,477	112,354
Preservation of capital	75,000	822,085	897,085	771,631
Endowment fund balance, end of year	\$ 1,812,973	\$ 17,844,430	\$ 19,657,403	\$ 18,319,841

Schedule of Changes in Expendable Funds

Available for Awards	OSOTF	OTTS	Total 2023	Total 2022
Expendable balance, beginning of year	\$ 259,972	\$ 1,439,015	\$ 1,698,987	\$ 2,393,509
Realized investment income	59,235	661,623	720,858	699,099
Less: Preservation of capital	(75,000)	(822,085)	(897,085)	(771,631)
Bursaries and awards disbursed	(55,000)	(396,810)	(451,810)	(621,990)
Expendable balance, end of year	\$ 189,207	\$ 881,743	\$ 1,070,950	\$ 1,698,987
Total funds, end of year	\$ 2,002,180	\$ 18,726,173	\$ 20,728,353	\$ 20,018,828

In the current year, 375 bursaries and awards were disbursed, of which \$506,810 was from the total endowed funds and \$168,800 from operating funds (2022 – 411 bursaries and awards valued at \$718,490).

23. 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 \$7,948,330 (2022 - \$7,173,675).

24. 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 actions that are not determinable as at March 31, 2023 have not been recorded in these consolidated financial statements.

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24. CONTINGENCIES AND CONTRACTUAL COMMITMENTS (continued)

(b) Contractual Commitments

Future minimum lease payments, exclusive of taxes and operating costs, for premises and equipment under operating leases at March 31, 2023 are as follows:

2024	\$	969,320
2025		969,320
2026		979,762
2027		987,220
2028		471,903
Thereafter		285,505
	\$	<u>4,663,030</u>

(c) Other

On July 24, 2020, the University entered into a land exchange agreement with the City of Oshawa (“the City”). The appraised fair market value of the City property is \$6,250,000 and that of the University was \$4,365,000. As per the agreement, the University agrees and warrants that after closing, it shall be restricted from conveying any part of the City Property to any third party without first offering to the City for the nominal sum of Two Dollars (\$2.00) on an “AS IS, WHERE IS” basis.

On March 15, 2023, a letter of credit in the amount of \$158,940 was issued on behalf of the University to the Province of Ontario. This letter of credit represents the obligations of the University to be incurred under the Land Transfer Tax Act with regards to the donation of property from Regent Corporation to the University.

25. GUARANTEE

On October 30, 2020, the University signed a license agreement with OTSU, whereby the OTSU will pay the University a one-time license fee of \$5,000,000 for the use and occupation of the licensed areas in the new Shawenjigewining Hall. Under this agreement, both parties agree and confirm that the University will provide a guarantee of the OTSU’s obligations under a loan of a principal amount of up to a maximum of \$3,500,000 which was obtained by OTSU to complete the transactions in the license agreement.

On February 21, 2023, Regent Corporation signed an amended credit agreement with Sun Life Assurance Company of Canada and the University, with the latter acting as guarantor on the mortgage assumed upon acquisition of control of Regent Corporation by the University.

26. FINANCIAL INSTRUMENT RISKS

(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 13.6% (2022 – 0.0% to 13.9%) and have maturity dates ranging from April 1, 2023 to December 31, 2099 (2022 - April 1, 2022 to December 31, 2099).

Credit risk refers to the risk that a counterparty may default on its contractual obligations, resulting in a financial loss. The University is exposed to credit risk with respect to investments and accounts receivable. The University assesses, on a continuous basis, accounts receivable and provides for any amounts that are not collectible in the allowance for doubtful accounts.

The University is also exposed to interest rate risk on its fixed and floating interest financial instruments. Fixed-interest instruments subject the University to a fair value risk while the floating-rate instruments subject it to a cash flow risk.

The University mitigates interest rate risk on its term debt through derivative financial instruments (interest rate swaps) that exchange the variable rate inherent in the term debt for a fixed rate. Therefore, fluctuations in market interest rates will not impact future cash flows and operations relating to the term debt. There have been no changes in interest rate risk exposure as compared to the prior year.

(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 2022..

(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. The University manages this risk through policies and procedures in place governing asset mix, equity and fixed income allocations, and diversification among and within categories.

(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, and can be readily liquidated at amounts close to their fair value in order to meet liquidity requirements.

27. COMPARATIVE INFORMATION

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