

Consolidated Financial Statements of

ONTARIO TECH UNIVERSITY

For the year ending March 31, 2024

ONTARIO TECH UNIVERSITY
Consolidated Financial Statements
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For the year ended March 31, 2024

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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, 2024
- 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, 2024, 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.

- 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.



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- 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.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slightly slanted style. A horizontal line is drawn underneath the signature, extending from the left side of the 'K' towards the right.

Chartered Professional Accountants, Licensed Public Accountants

Vaughan, Canada

June 27, 2024

ONTARIO TECH UNIVERSITY
Consolidated Statement of Financial Position
As at March 31, 2024

	<u>March 31, 2024</u>	<u>March 31, 2023</u>
Assets		
Current assets:		
Cash and cash equivalents (Note 4)	\$ 82,501,582	\$ 62,176,383
Short-term investments (Note 4)	-	17,000,000
Grant receivable	9,858,668	9,287,216
Other accounts receivable (net of allowance for doubtful accounts - \$1,295,707; 2023 - \$998,855) (Note 4)	9,876,098	8,619,781
Prepaid expenses, deposits and inventories	2,655,281	2,718,630
	104,891,629	99,802,010
Investments (Note 5)	36,442,593	33,435,346
Other assets (Note 6)	1,762,867	2,975,239
Capital assets (Note 7)	387,176,699	398,222,231
Goodwill (Note 8)	973,421	973,421
Total assets	\$ 531,247,209	\$ 535,408,247
Liabilities and Net Assets		
Current Liabilities:		
Accounts payable and accrued liabilities (Notes 9 and 18)	\$ 34,363,050	\$ 30,576,509
Deferred revenue (Note 10)	32,799,941	35,326,367
Current portion of other long-term debt (Note 11)	654,883	753,626
Current portion of obligations under capital lease (Note 12)	505,532	434,644
Current portion of long-term debenture debt (Note 13)	8,426,883	7,916,146
Current portion of fair value of interest rate swap (Note 14)	734,000	712,000
	77,484,289	75,719,292
Other long-term debt (Note 11)	5,284,035	6,181,402
Long-term portion of obligations under capital lease (Note 12)	26,335,606	26,841,138
Long-term portion of debenture debt (Note 13)	120,778,436	129,205,318
Long-term portion of fair value of interest rate swap (Note 14)	19,529,206	20,958,242
Deficiency in other investments (Note 15)	1,810,464	1,007,713
Deferred capital contributions (Note 16)	153,399,758	156,391,888
	404,621,794	416,304,993
Net Assets		
Unrestricted	23,236,114	24,923,896
Invested in capital assets (Note 19)	51,528,361	48,827,828
Internally restricted (Note 20)	24,839,069	19,419,098
Endowments (Note 21)	27,021,871	25,932,432
	126,625,415	119,103,254
Related party transactions (Notes 2,3,7,12, 23 and 24)		
Contingencies and contractual commitments (Note 23)		
Guarantee (Note 24)		
Risk disclosure (Note 25)		
Subsequent event note (Note 26)		
Total liabilities and Net Assets	\$ 531,247,209	\$ 535,408,247

See accompanying notes to the consolidated financial statements



Approved by: Laura Elliott, Chair, Board of Governors

ONTARIO TECH UNIVERSITY
Consolidated Statement of Operations
For the year ended March 31, 2024

	<u>2024</u>	<u>2023</u>
REVENUE		
Grants - operating and research (Note 17)	\$ 81,857,720	\$ 81,352,666
Grants - debenture (Note 13)	13,500,000	13,500,000
Donations	3,502,428	3,739,149
Student tuition fees	100,540,769	90,699,135
Student ancillary fees	16,097,974	13,001,273
Revenues from purchased services (Note 18)	1,449,483	1,465,114
Other income	25,703,685	17,393,541
Amortization of deferred capital contributions (Note 16)	8,234,822	8,252,004
Interest revenue	4,909,101	3,175,838
Gain on disposal of capital assets	6,947	4,540
Unrealized gain/(loss) on investments	1,963,619	(1,011,882)
Unrealized gain on interest rate swap	695,036	1,183,077
	258,461,584	232,754,455
EXPENSES		
Salaries and benefits	144,012,224	129,031,422
Student aid, financial assistance and awards	15,675,172	15,040,090
Supplies and expenses	40,885,487	34,436,301
Purchased services (Note 18)	14,289,761	12,977,223
Interest expense - debt obligations	11,961,741	12,780,736
Interest expense - other	230,745	191,729
Amortization of capital assets	22,561,202	22,029,875
Professional fees	1,598,982	1,284,069
Loss on termination of a capital lease	-	2,121,527
Loss on other investments (Note 15)	802,751	253,490
	252,018,065	230,146,462
Excess of revenue over expenses	\$ 6,443,519	\$ 2,607,993

See accompanying notes to the consolidated financial statements

ONTARIO TECH UNIVERSITY
Consolidated Statement of Changes in Net Assets
For the year ended March 31, 2024

	<u>Unrestricted</u>	<u>Invested in Capital Assets</u> (Note 19)	<u>Internally Restricted</u> (Note 20)	<u>Endowments</u> (Note 21)	<u>Total 2024</u>	<u>Total 2023</u>
Balance - Beginning of Year	\$ 24,923,896	\$ 48,827,828	\$ 19,419,098	\$ 25,932,432	\$ 119,103,254	\$ 115,640,189
Excess / (deficiency)						
Revenue over Expenses	20,769,899	(14,326,380)	-	-	6,443,519	2,607,993
Interfund Transfer - Endowment	-	-	(10,797)	10,797	-	-
Interfund Transfer	(5,430,768)	-	5,430,768	-	-	-
Investment in Capital Assets	(17,026,913)	17,026,913	-	-	-	-
Endowment Contributions	-	-	-	1,078,642	1,078,642	855,072
Net changes during the year	(1,687,782)	2,700,533	5,419,971	1,089,439	7,522,161	3,463,065
Balance - End of Year	\$ 23,236,114	\$ 51,528,361	\$ 24,839,069	\$ 27,021,871	\$ 126,625,415	\$ 119,103,254

See accompanying notes to the consolidated financial statements

ONTARIO TECH UNIVERSITY
Consolidated Statement of Cash Flows
For the year ended March 31, 2024

	<u>March 31, 2024</u>	<u>March 31, 2023</u>
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES		
OPERATING		
Excess of revenue over expenses	\$ 6,443,519	\$ 2,607,993
Items not affecting cash:		
Amortization of capital assets	22,561,202	22,029,875
Amortization of deferred capital contributions	(8,234,822)	(8,252,004)
Gain on disposal of capital assets	(6,947)	(4,540)
Loss on termination of a capital lease	-	2,121,527
Loss on other investments	802,751	253,490
Unrealized gain on interest rate swap	(695,036)	(1,183,077)
Unrealized (gain)/loss on investments	(1,963,619)	1,011,882
	18,907,048	18,585,146
WORKING CAPITAL		
Grant and other accounts receivable	(1,827,769)	(2,749,384)
Prepaid expenses, deposits and inventories	63,349	(554,084)
Accounts payable and accrued liabilities	3,786,541	(398,365)
Deferred revenue	(2,526,426)	3,152,423
	18,402,743	18,035,736
INVESTING		
Purchase of capital assets	(11,597,316)	(12,707,155)
Proceeds on disposal of capital assets	88,593	173,970
Investments	15,956,372	(706,900)
Other assets	1,212,372	(501,662)
Acquisition of Regent Corporation	-	(7,500,000)
	5,660,021	(21,241,747)
FINANCING		
Repayment of interest rate swap	(712,000)	(691,000)
Repayment of long-term debt	(8,912,255)	(7,103,193)
Repayment of obligations under capital leases	(434,644)	(956,986)
Endowment contributions	1,078,642	855,072
Deferred capital contributions	5,242,692	4,053,039
	(3,737,565)	(3,843,068)
NET CASH INFLOW/(OUTFLOW)	20,325,199	(7,049,079)
CASH & CASH EQUIVALENTS BALANCE, BEGINNING OF YEAR	62,176,383	69,225,462
CASH & CASH EQUIVALENTS BALANCE, END OF YEAR	\$ 82,501,582	\$ 62,176,383
SUPPLEMENTARY CASH FLOW INFORMATION		
Interest paid	\$ 12,190,418	\$ 12,997,308

See accompanying notes to the financial statements

ONTARIO TECH UNIVERSITY
Notes to the Consolidated Financial Statements
For the year ended March 31, 2024

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 a for profit entity, controlled by the University and its financial results to March 31, 2024 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. Ontario Tech Talent follows Canadian Accounting Standards for Private Enterprises, with no significant differences in accounting policies from those followed by the University.

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.

1. SIGNIFICANT ACCOUNTING POLICIES AND DISCLOSURES (continued)

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.

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 instrument's cash surrender value increase.

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.

1. SIGNIFICANT ACCOUNTING POLICIES AND DISCLOSURES (continued)

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

(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.

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 which time an event has occurred and which indicates a possibility of impairment.

(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.

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 7 and the lease termination is disclosed in Note 12.

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

ONTARIO TECH UNIVERSITY
Notes to the Consolidated Financial Statements
For the year ended March 31, 2024

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 AND SHORT-TERM INVESTMENTS

	<u>2024</u>	<u>2023</u>
Bank of Montreal, cash balances	\$ 64,603,412	\$ 60,688,807
BMO guaranteed investment certificate	17,000,000	-
Royal Bank of Canada, cash balances	213,957	425,049
Harris Bank, cash balances/(drawn)	17,946	(11,601)
Other, balances	666,267	1,074,128
	<u>\$ 82,501,582</u>	<u>\$ 62,176,383</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, 2024, the University utilized, on a cash consolidated basis, nil (2023 - nil) of the operating line of credit.

ONTARIO TECH UNIVERSITY
Notes to the Consolidated Financial Statements
For the year ended March 31, 2024

4. CASH AND CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS (continued)

The bank balance includes \$17,000,000 of an annual guaranteed investment certificate (“GIC”) that matured 1 day after year-end and therefore disclosed as “cash and cash equivalents” (2023 - nil as the \$17,000,000 was disclosed under short-term investments). The total accrued interest receivable and interest income recognized on the GIC in the current year is \$953,798 (2023 - nil).

5. INVESTMENTS

	2024		2023	
	Cost	Fair Value	Cost	Fair Value
Equities	\$ 18,826,040	\$ 24,165,571	\$ 18,101,986	\$ 22,245,338
Fixed income	12,264,656	11,389,622	11,858,967	10,973,700
Money Market/Cash	887,400	887,400	216,308	216,308
	\$ 31,978,096	\$ 36,442,593	\$ 30,177,261	\$ 33,435,346

Financial instrument risks are disclosed in Note 25, under “Financial instrument risks”.

6. 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 \$1,762,867 (2023 - \$1,706,563). Other assets are net of an allowance for doubtful accounts of \$2,108,943 (2023 - nil) that pertains to a receivable from its subsidiary, Ontario Tech Talent (Note 15).

ONTARIO TECH UNIVERSITY
Notes to the Consolidated Financial Statements
For the year ended March 31, 2024

7. CAPITAL ASSETS

Capital assets consist of:

	2024			2023
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	\$ 12,805,864	\$ -	\$ 12,805,864	\$ 12,805,864
Buildings	462,522,890	176,340,165	286,182,725	314,514,948
Building renovations	59,754,569	30,222,442	29,532,127	12,750,194
Leasehold improvements	2,753,727	1,236,723	1,517,004	1,557,932
Parking	1,525,624	445,356	1,080,268	1,018,313
Furniture and fixtures	23,509,044	20,559,496	2,949,548	2,935,430
Laptops	3,825,682	2,842,877	982,805	1,053,693
Vehicles	525,564	330,862	194,702	116,483
Computer equipment	26,985,731	23,576,106	3,409,625	2,817,951
Major equipment	106,653,390	78,403,538	28,249,852	28,231,923
Construction-in-progress	341,121	-	341,121	5,399
	<u>\$ 701,203,206</u>	<u>\$ 333,957,565</u>	<u>\$ 367,245,641</u>	<u>\$ 377,808,130</u>
Assets under capital leases:				
Land	2,300,000	-	2,300,000	2,300,000
Buildings	24,152,135	6,521,077	17,631,058	18,114,101
Total	<u>\$ 727,655,341</u>	<u>\$ 340,478,642</u>	<u>\$ 387,176,699</u>	<u>\$ 398,222,231</u>

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

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 on February 21, 2023.
- 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 on February 21, 2023. The derecognition of capital assets under capital leases resulted in a net loss of \$2,121,527 in 2023.

Amortization of assets under capital leases for the current year totaled \$483,043 (2023 - \$659,303).

8. GOODWILL

Goodwill of \$973,421 was recorded by the University in the prior year 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.

ONTARIO TECH UNIVERSITY
Notes to the Consolidated Financial Statements
For the year ended March 31, 2024

9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Included in accounts payable and accrued liabilities are government remittances payable of \$3,645,287 (2023 – \$3,492,662).

10. DEFERRED REVENUE

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

	<u>2024</u>	<u>2023</u>
Tuition	\$ 10,524,798	\$ 9,732,149
Research	12,948,376	14,045,753
Donations	4,202,600	3,502,180
Ancillary fees	1,979,604	2,003,658
Other	3,144,563	6,042,627
	<u>\$ 32,799,941</u>	<u>\$ 35,326,367</u>

11. OTHER LONG-TERM DEBT

The University has incurred debts in the amount of \$5,938,918 through third parties related to a property in downtown Oshawa and leasehold improvements. Other long-term debt comprised the following:

	<u>2024</u>	<u>2023</u>
Unsecured loan for leasehold improvements in downtown Oshawa, repayable monthly at 9.3% per annum, with final instalment due April 30, 2041	169,433	173,310
Unsecured loan for ACE equipment, repayable monthly at 9.8% per annum, fully paid in December 2023	-	385,391
Secured loan for property at 55 Bond, repayable monthly at 7.2% per annum with final instalment due September 1, 2030	5,769,485	6,376,327
	<u>\$ 5,938,918</u>	<u>\$ 6,935,028</u>

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11. OTHER LONG-TERM DEBT (continued)

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

2025	\$ 654,883
2026	745,823
2027	862,932
2028	925,326
2029	992,234
Thereafter, through 2042	1,757,720
	<u>5,938,918</u>
Less: current portion	654,883
	<u>\$ 5,284,035</u>

The fair value of the other long-term debt is approximately \$6,170,000 (2023 - \$7,149,000). 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.

12. 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.

Remaining capital lease repayments are due as follows:

2025	\$ 2,899,712
2026	2,928,915
2027	2,958,409
2028	2,988,198
2029	3,018,285
Thereafter, through 2041	38,962,672
Total minimum lease payments	<u>53,756,191</u>
Less: amount representing interest at 9.0%	26,915,053
Present value of net minimum capital lease payments	26,841,138
Less: current portion of principal obligation	505,532
	<u>\$ 26,335,606</u>

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12. OBLIGATIONS UNDER CAPITAL LEASES (continued)

Interest of \$2,436,155 (2023 - \$2,910,063) 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 (2023 - \$26,452,135) with related accumulated amortization of \$6,521,077 (2023 - \$6,038,034).

The fair value of the capital leases is approximately \$27,300,000 (2023 - \$27,806,000). 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.

13. 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.

On August 12, 2011, an agreement was signed between the University and the MCU whereby the 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, 2024 is \$313,519,111 (2023 - \$297,018,105), \$250,487,712 funded by the MCU and \$63,031,399 funded by the University.

As at March 31, 2024, \$217,431,043 (2023 - \$217,431,043) had been used to finance capital assets.

Total principal repayments for debenture debt are as follows:

2025	8,426,883
2026	8,970,572
2027	9,549,338
2028	10,165,446
2029	10,821,304
Thereafter, through 2035	81,271,776
Total minimum payments	129,205,319
Less: current portion	8,426,883
	<u>\$ 120,778,436</u>

ONTARIO TECH UNIVERSITY
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13. LONG-TERM DEBENTURE DEBT (continued)

The fair value of the long-term debenture debt is approximately \$135,537,000 (2023 - \$150,466,000). 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.

14. 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 2.53%. 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.

The fair value of the derivative liability is as follows:

	<u>2024</u>		<u>2023</u>	
Interest rate swap	\$	20,263,206	\$	21,670,242
Less: current portion		734,000		712,000
	\$	19,529,206	\$	20,958,242

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15. DEFICIENCY IN OTHER INVESTMENTS

Deficiency in other investments comprise of the investment in Ontario Tech Talent. Investment as at March 31, 2024 is a net loss of \$1,810,464 (2023 – \$1,007,713) which includes the initial investment in Ontario Tech Talent of 100 shares valued at \$100, net of accumulated loss of \$1,810,564 (2023 – \$1,007,813).

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

	<u>2024</u>	<u>2023</u>
Total assets	\$ 545,303	\$ 394,434
Total liabilities	2,355,767	1,402,147
Shareholder's equity		
- 100 common shares	100	100
- Net accumulated loss	(1,810,564)	(1,007,813)
	<u>\$ 545,303</u>	<u>\$ 394,434</u>
Results of operations:		
Total revenue	2,035,603	811,580
Total expenses	2,838,354	1,065,070
Net loss for the year	<u>\$ (802,751)</u>	<u>\$ (253,490)</u>

The University has assessed the amounts due from Ontario Tech Talent at the end of the year. Included in the total revenue of Ontario Tech Talent is \$1,270,000 of amounts due and forgiven by the University in the current year.

Included in the total liabilities of Ontario Tech Talent is a related party transaction of \$2,108,943 (2023 – \$1,268,676), representing the draw of a credit facility with the University to fund the operating costs of Ontario Tech Talent. This related party transaction has been provided for by the University in the current year. Interest on the credit facility is at prime rate plus 0.25%, and there are no fixed terms of repayment.

16. 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. The OTSU transferred \$4,500,000 to the University in 2021 and 2022, with the remaining \$500,000 transferred in 2023. This fee is included in the consolidated financial statements as a deferred capital contribution as the funding was directed to financing the construction.

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16. DEFERRED CAPITAL CONTRIBUTIONS (continued)

The changes in the balance consist of the following:

	<u>2024</u>	<u>2023</u>
Balance - beginning of year	\$ 156,391,888	\$ 160,590,853
Contributions	5,242,692	4,053,039
Recognized as revenue during the year	(8,234,822)	(8,252,004)
Balance - end of year	<u>\$ 153,399,758</u>	<u>\$ 156,391,888</u>

17. GRANT REVENUES – OPERATING AND RESEARCH

Grant revenues consist of the following:

	<u>2024</u>	<u>2023</u>
Operating	\$ 64,553,198	\$ 65,817,279
Externally funded research	17,304,522	15,535,387
Total grant revenues	<u>\$ 81,857,720</u>	<u>\$ 81,352,666</u>

18. 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.

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19. INVESTED IN CAPITAL ASSETS

	2024	2023
Capital assets - net book value	\$ 387,176,699	\$ 398,222,231
Less amount financed by deferred capital contributions	(153,399,758)	(156,391,888)
Less amount financed by long-term debt (Notes 10, 11, 12 and 13)	(182,248,580)	(193,002,515)
Total investment in capital assets	\$ 51,528,361	\$ 48,827,828

	2024	2023
Net change in investment in capital assets:		
Purchase of capital assets	\$ 11,597,316	\$ 25,707,155
Assets disposed under capital lease termination	-	(9,149,527)
Lease obligation termination	-	7,028,000
Deferred capital contributions	(5,242,692)	(4,053,039)
Long-term debt	-	(6,425,015)
Repayment of long-term debt	10,058,899	8,751,179
Net Book Value of disposed capital asset and gain on interest rate swap	613,390	1,013,649
	\$ 17,026,913	\$ 22,872,402

	2024	2023
Amortization of deferred capital contributions	\$ 8,234,822	\$ 8,252,004
Less amortization of capital assets	(22,561,202)	(22,029,875)
	\$ (14,326,380)	\$ (13,777,871)
Net change during the year	\$ 2,700,533	\$ 9,094,531

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Notes to the Consolidated Financial Statements
For the year ended March 31, 2024

20. 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 investment 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>2024</u>	<u>2023</u>
Balance is comprised of the following:		
Research funds (a)	\$ 6,301,552	\$ 6,414,309
Capital projects (b)	1,466,572	227,976
Student assistance and related funds (c)	2,834,302	2,828,606
Working capital (d)	6,000,000	6,000,000
Learning re-imagined (e)	3,260,254	2,620,632
Digital and physical infrastructure re-imagined (f)	1,327,575	1,327,575
Revenue-generating unit carry-forward (g)	3,648,814	-
	<u>\$ 24,839,069</u>	<u>\$ 19,419,098</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 funds restricted for the University's 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 MCU.
- (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) Revenue-generating unit carry-forward represents surplus funds restricted to be utilized by these units for future operating and strategic initiatives.

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21. 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 MCU 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>2024</u>	<u>2023</u>
OSOTF	\$ 2,041,124	\$ 2,002,179
OTSS	19,269,150	18,726,174
OSOTF and OTSS	<u>21,310,274</u>	<u>20,728,353</u>
Other	5,711,597	5,204,079
	<u>\$ 27,021,871</u>	<u>\$ 25,932,432</u>

The change in the balance of endowments is as follows:

	<u>2024</u>	<u>2023</u>
Endowment fund balance, beginning of year	\$ 25,932,432	\$ 24,916,255
Donations	455,511	642,408
Realized gains	312,315	104,170
Realized investment income	888,824	776,409
Income distributions	(567,211)	(506,810)
Endowment fund balance, end of year	<u>\$ 27,021,871</u>	<u>\$ 25,932,432</u>

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21. ENDOWMENTS (continued)

As per the MCU policies, the transactions related to OSOTF and OTTS should be presented in these consolidated financial statements, for the year ended March 31, 2024.

	OSOTF	OTTS	Total 2024	Total 2023
Schedule of Changes in Endowment Fund Balance				
Endowment balance, beginning of year	\$ 1,812,973	\$ 17,844,430	\$ 19,657,403	\$ 18,319,841
Eligible cash donations	-	119,282	\$ 119,282	440,477
Preservation of capital	75,000	848,514	\$ 923,514	897,085
Endowment fund balance, end of year	<u>\$ 1,887,973</u>	<u>\$ 18,812,226</u>	<u>\$ 20,700,199</u>	<u>\$ 19,657,403</u>

Schedule of Changes in Expendable Funds

Available for Awards	OSOTF	OTTS	Total 2024	Total 2023
Expendable balance, beginning of year	\$ 189,207	\$ 881,743	\$ 1,070,950	\$ 1,698,987
Realized investment income	78,944	904,405	983,349	720,858
Less: Preservation of capital	(75,000)	(848,514)	(923,514)	(897,085)
Bursaries and awards disbursed	(40,000)	(480,710)	(520,710)	(451,810)
Expendable balance, end of year	<u>\$ 153,151</u>	<u>\$ 456,924</u>	<u>\$ 610,075</u>	<u>\$ 1,070,950</u>
Total funds, end of year	<u>\$ 2,041,124</u>	<u>\$ 19,269,150</u>	<u>\$ 21,310,274</u>	<u>\$ 20,728,353</u>

In the current year, 403 bursaries and awards were disbursed, of which \$567,211 was from the total endowed funds and \$141,050 from operating funds (2023 – 375 bursaries and awards: \$506,810 from endowed funds and \$168,800 from operating funds).

22. 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 \$8,340,021 (2023 - \$7,948,330).

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For the year ended March 31, 2024

23. 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, 2024 have not been recorded in these consolidated financial statements.

(b) Contractual Commitments

Future minimum lease payments, exclusive of taxes and operating costs, for premises and equipment under operating leases at March 31, 2024 are as follows:

2025	\$	905,920
2026		916,362
2027		923,820
2028		445,487
2029		103,820
Thereafter		181,685
	<u>\$</u>	<u>3,477,094</u>

(c) Other

On July 24, 2020, the University entered into a land exchange agreement with the City of Oshawa. The appraised fair market value of the City of Oshawa 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.

24. GUARANTEE

On October 30, 2020, the University signed a license agreement with Ontario Tech Student Union (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.

24. GUARANTEE (Continued)

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.

25. 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 13.9% (2023 – 0.0% to 13.6%) and have maturity dates ranging from April 1, 2024 to December 31, 2099 (2023 - April 1, 2023 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 2023.

(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.

25. FINANCIAL INSTRUMENT RISKS (Continued)

(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.

26. SUBSEQUENT EVENT NOTE

Subsequent to March 31, 2024, the collective agreement between the University and the Ontario Public Service Employees Union representing professional, administrative and technical staff was ratified for 4 years commencing July 1, 2023 and expiring June 30, 2027. The contingency existed prior to March 31, 2024 and the monetary terms of the agreement are known and require a retroactive increase in salaries and benefits, effective July 1, 2023. Accordingly, the negotiated settlement has been reflected as a salary expense and accrued liability in the consolidated financial statements.

27. COMPARATIVE INFORMATION

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