

*Financial Statements of*

**UNIVERSITY OF ONTARIO  
INSTITUTE OF TECHNOLOGY**

*March 31, 2003*

## **Auditors' Report**

To the Board of Governors  
University of Ontario Institute of Technology

We have audited the statement of financial position of University of Ontario Institute of Technology as at March 31, 2003 and the statements of operations and cash flows for the period from incorporation, June 27, 2002 to March 31, 2003. These financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the University as at March 31, 2003 and the results of its operations and its cash flows for the period then ended in accordance with Canadian generally accepted accounting principles.

*Deloitte & Touche LLP*

Chartered Accountants

Toronto, Ontario  
May 23, 2003

# UNIVERSITY OF ONTARIO INSTITUTE OF TECHNOLOGY

## Financial Statements

### Table of Contents

March 31, 2003

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	<u>Page</u>
<b>Auditors' Report</b>	
<b>Financial Statements:</b>	
Statement of Financial Position	1
Statement of Operations	2
Statement of Cash Flows	3
Notes to the Financial Statements	4-8

**UNIVERSITY OF ONTARIO INSTITUTE OF TECHNOLOGY**  
**Statement of Financial Position**  
**March 31, 2003**

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**ASSETS****CURRENT ASSETS**

Cash and short term investments (Note 3)	\$ 41,478,423
Grant receivable	4,755,143
Other receivable	849,803
Accrued interest receivable	34,316
	<hr/> 47,117,685
CONSTRUCTION-IN-PROGRESS (Note 4)	18,657,616
CAPITAL ASSETS (Note 5)	4,984,679
	<hr/> \$ 70,759,980

**LIABILITIES****CURRENT LIABILITIES**

Accounts payable and accrued liabilities	\$ 8,676,392
Deferred revenue	10,000
Deferred transitional grant (Note 6)	2,475,137
	<hr/> 11,161,529
DEFERRED CAPITAL CONTRIBUTIONS (Note 7)	59,598,451
	<hr/> 70,759,980

**NET ASSETS****UNRESTRICTED**

INVESTED IN CAPITAL ASSETS (Note 8)	-
	<hr/> \$ 70,759,980

APPROVED ON BEHALF OF THE BOARD OF GOVERNORS

.....  
 Chair

.....  
 President

**UNIVERSITY OF ONTARIO INSTITUTE OF TECHNOLOGY****Statement of Operations****Period from incorporation, June 27, 2002, to March 31, 2003**

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## REVENUE

Grants (Note 6)	\$ 9,280,007
Interest revenue (Note 10)	3,802,166
Amortization of deferred capital contributions	401,549
	<hr/> 13,483,722

## EXPENDITURE

Salaries and benefits (Note 10)	4,097,190
Service costs (Note 10)	2,075,065
Supplies and expenses (Note 10)	6,909,918
Amortization of capital assets	401,549
	<hr/> 13,483,722

## EXCESS OF REVENUE OVER EXPENDITURE

FOR THE PERIOD AND NET ASSETS,  
BEGINNING AND END OF PERIOD\$ -

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**UNIVERSITY OF ONTARIO INSTITUTE OF TECHNOLOGY****Statement of Cash Flows****Period from incorporation, June 27, 2002, to March 31, 2003****NET INFLOW (OUTFLOW) OF CASH RELATED TO THE  
FOLLOWING ACTIVITIES****OPERATING**

Excess of revenue over expenditure for the period	\$ -
Items not affecting cash	
Amortization of capital assets	401,549
Amortization of deferred capital contributions	(401,549)
	-
Net change in non-cash working capital balances relating to operations	
Grant and other accounts receivable	(5,604,946)
Accrued interest receivable	(34,316)
Accounts payable and accrued liabilities	8,676,392
Deferred revenue	10,000
Deferred transitional grant	2,475,137
	5,522,267

**INVESTING**

Purchase of capital assets	(5,386,228)
Construction-in-progress	(18,657,616)
	(24,043,844)

**FINANCING**

Deferred capital contributions	60,000,000
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**NET CASH INFLOW** **41,478,423****CASH, BEGINNING OF YEAR** **-****CASH, END OF YEAR** **\$ 41,478,423****CASH IS COMPRISED OF:**

Cash	\$ 34,707,423
Short-term investments	6,771,000
	\$ 41,478,423

**UNIVERSITY OF ONTARIO INSTITUTE OF TECHNOLOGY****Notes to Financial Statements****March 31, 2003**

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**1. DESCRIPTION**

The 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 University of Ontario Institute of Technology is a market-driven University integrating inquiry, discovery and application through excellence in teaching and learning, value-added research and vibrant student life. The University is a degree granting and research organization offering undergraduate and postgraduate programs.

**2. SIGNIFICANT ACCOUNTING POLICIES AND DISCLOSURES***(a) Basis of presentation*

The financial statements of the University have been prepared by management in accordance with the accounting standards for not-for-profit organizations, published by the Canadian Institute of Chartered Accountants (CICA) (using the deferral method of reporting restricted contributions). These financial statements reflect the assets, liabilities, net assets, revenue and expenditures of all the operations controlled by the University. Included are the academic, administrative and other operating expenditures funded through a transitional grant from the Province of Ontario to assist in the start up phase.

*(b) Investments*

Investments are reported at cost, except if the market value of the investments becomes lower than cost and this decline is considered to be other than temporary, then investments are written down to their market values.

*(c) Revenue recognition*

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

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

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 are recognized as revenue in the year in which the related expenses are recognized. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on a straight-line basis, at a rate corresponding with the amortization rate for the related capital assets.

# UNIVERSITY OF ONTARIO INSTITUTE OF TECHNOLOGY

## Notes to Financial Statements

March 31, 2003

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### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) *Revenue recognition (continued)*

Restricted investment income is recognized as revenue in the year in which the related expenses are recognized. Unrestricted investment income is recognized as revenue when earned.

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

(d) *Capital assets*

Purchased capital assets are recorded at cost. 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. Repairs and maintenance costs are charged to expense. Betterments, which extend the estimated life of an asset, are capitalized. When a capital asset no longer contributes to the University's ability to provide services, its carrying amount is written down to its residual value.

Capital assets are amortized on a straight-line basis over their average useful lives, which have been estimated to be as follows:

Furniture, fixtures and equipment	3 - 5 years
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(e) *Use of estimates*

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, the disclosure of contingent assets and liabilities at the date of financial statements, and the reported amounts of revenue and expenses during the year. Actual results could differ from these estimates.

### 3. CASH AND SHORT TERM INVESTMENTS

Cash and short term investments include the following:

	<u>Cost</u>	<u>Market Value</u>
Fixed income securities	\$ 6,771,000	\$ 6,709,345

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# UNIVERSITY OF ONTARIO INSTITUTE OF TECHNOLOGY

## Notes to Financial Statements

March 31, 2003

### 4. CONSTRUCTION-IN-PROGRESS

Construction in progress consists of the costs incurred to March 31, 2003 for the construction of the first University academic building, including related infrastructure costs. These capital costs will be transferred to capital assets and amortized once they are completed and put into use.

### 5. CAPITAL ASSETS

	Cost		Accumulated Amortization	Net Book Value
	Balance Beginning of Period	Balance End of Period		
Furniture, fixtures and equipment	\$ -	\$ 5,386,228	\$ 401,549	\$ 4,984,679

### 6. DEFERRED TRANSITIONAL GRANT

During the 2003 year, the Ministry of Training, Colleges and Universities flowed a transitional grant in the amount of \$11,755,144 to the University. This grant was intended to fund the 2002-03 start up costs of the University. An amount of \$9,280,007, equal to the 2002-03 start-up costs, net of interest earned during the year, was recognized as revenue in the statement of operations.

### 7. DEFERRED CAPITAL CONTRIBUTIONS

Deferred capital contributions represent the unamortized amount of grants for the purchase of capital assets. The amortization of capital contributions is recorded as revenue in the statement of operations at the same rate as amortization is recorded on the related capital assets.

*Deferred Capital Contributions:*

Balance - beginning of period	\$ -
Contributions	60,000,000
Less amount amortized to revenue	(401,549)
Balance - end of period	\$ 59,598,451

The balance of unamortized capital contributions consists of the following:

Unamortized capital contributions used to purchase capital assets	\$ 23,642,295
Unspent contributions	35,956,156
	\$ 59,598,451

# UNIVERSITY OF ONTARIO INSTITUTE OF TECHNOLOGY

## Notes to Financial Statements

March 31, 2003

### 8. INVESTMENT IN CAPITAL ASSETS

Investment in capital assets represent the following:

Construction-in-progress	\$ 18,657,616
Capital assets	4,984,679
Less amount financed by deferred capital contributions	(23,642,295)
	\$ -

### 9. SERVICE COSTS

Under Bill 109 the University must enter into an agreement with Durham College of Applied Arts and Technology to use its administrative services. This service agreement is currently under negotiation and is expected to be in place during the next fiscal year. The service costs for salary and benefit expenses recorded in the University financial statements have been allocated using the percentage of time that each administrative function spent on University activities, and an allocation for overhead expense has been recorded based on College facilities utilized by the University.

### 10. FINANCIAL TRANSACTIONS PRIOR TO INCORPORATION

The Provincial funding for the construction of the University in the amount of \$60,000,000 was approved in the 2001 Provincial Budget and advanced to Durham College of Applied Arts and Technology (the College) to administer in trust for the University, pending the approval of the legislation which created the University. During the current fiscal year, the legislation was approved and the funding (net of expenditures made by the College in trust for the University), was transferred to the University. The revenue earned and expenditure/capital costs incurred during 2001-02, as well as, for the period from April 1, 2002 to June 27, 2002, were recognized in the current year financial statements of the University.

Significant financial transactions incurred by the College during 2001-02, and for the period April 1, 2002 to June 27, 2002, in trust for the University, were as follows:

	April 1, 2001 to March 31, 2002	April 1, 2002 to June 27, 2002	June 27, 2002 to March 31, 2003	Total
Interest earned	\$ 1,710,690	\$ 461,250	\$ 1,630,226	\$ 3,802,166
Capital costs incurred	\$ 735,794	\$ 1,454,123	\$ 21,853,927	\$ 24,043,844
Operating costs				
Salaries and benefits	\$ 625,648	\$ 274,357	\$ 3,197,185	\$ 4,097,190
Service costs	350,000	575,021	1,150,044	2,075,065
Supplies and expenses	2,838,495	254,063	3,817,360	6,909,918
	\$ 3,814,143	\$ 1,103,441	\$ 8,164,589	\$ 13,082,173

**UNIVERSITY OF ONTARIO INSTITUTE OF TECHNOLOGY****Notes to Financial Statements**March 31, 2003

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**11. PENSION PLAN**

All employees of the University are members of a defined contribution pension plan. Employees must contribute a minimum of 3% of their earnings to this plan with the option at the employees' discretion, to increase these contributions to a total of 6% of contributory earnings. The University must contribute 8% of contributory earnings to this plan. Contributions made by the University to the pension plan during the period were \$55,811.

**12. CONTRACTUAL COMMITMENTS**

During the period ended March 31, 2003, the University had signed contracts for the construction of new facilities totaling approximately \$41,322,000. As at March 31, 2003 \$18,657,616 had been incurred with respect to these contracts.

**13. SUBSEQUENT EVENT**

Subsequent to the year end, the Board of Governors approved the construction of additional buildings and related infrastructure in the amount of \$162,000,000.