

*Consolidated Financial Statements of*

**UNIVERSITY OF ONTARIO  
INSTITUTE OF TECHNOLOGY**

*For the year ended March 31, 2015*

**UNIVERSITY OF ONTARIO INSTITUTE OF TECHNOLOGY**  
**Consolidated Financial Statements**  
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**For the year ended March 31, 2015**

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## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated financial statements of University of Ontario Institute of Technology, which comprise the consolidated statement of financial position as at March 31, 2015, the consolidated statements of operations, changes in net assets and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of University of Ontario Institute of Technology as at March 31, 2015, and its consolidated results of operations, changes in net assets and its consolidated cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Chartered Professional Accountants, Licensed Public Accountants

June 25, 2015  
Toronto, Canada

**UNIVERSITY OF ONTARIO INSTITUTE OF TECHNOLOGY**  
**Consolidated Statement of Financial Position**  
**As at March 31, 2015**

	<u>2015</u>	<u>2014</u>
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash and Cash Equivalents (Note 4)	\$ 23,683,442	\$ 29,002,551
Short-term investments (Note 5)	10,000,000	-
Grant receivable	6,209,269	6,577,708
Other accounts receivable (Allowance for doubtful accounts \$295,217, 2014 - \$292,235)	7,562,296	7,994,604
Inventories	290,484	316,134
Prepaid expenses and deposits	1,590,363	1,430,358
	<b>49,335,854</b>	<b>45,321,355</b>
<b>INVESTMENTS (Note 2)</b>	<b>36,434,687</b>	<b>38,681,084</b>
<b>CAPITAL ASSETS (Note 3)</b>	<b>414,786,489</b>	<b>428,030,446</b>
<b>TOTAL ASSETS</b>	<b>\$ 500,557,030</b>	<b>\$ 512,032,885</b>
<b>LIABILITIES</b>		
<b>CURRENT AND LONG-TERM LIABILITIES</b>		
Accounts payable and accrued liabilities (Notes 6 and 13)	\$ 25,263,118	\$ 29,365,430
Deferred revenue (Note 7)	20,777,419	20,823,200
Current portion of other long-term debt (Note 8)	5,153,978	4,856,796
Current portion of obligations under capital leases (Note 9)	296,208	226,270
Current portion of long-term debenture debt (Note 10)	4,800,522	4,509,572
	<b>56,291,245</b>	<b>59,781,268</b>
<b>OTHER LONG-TERM DEBT (Note 8)</b>	<b>11,867,700</b>	<b>17,021,235</b>
<b>LONG TERM OBLIGATIONS UNDER CAPITAL LEASES (Note 9)</b>	<b>38,821,864</b>	<b>38,755,187</b>
<b>LONG-TERM DEBENTURE DEBT (Note 10)</b>	<b>180,611,425</b>	<b>185,411,947</b>
<b>DEFERRED CAPITAL CONTRIBUTIONS (Note 11)</b>	<b>170,092,845</b>	<b>178,068,679</b>
	<b>457,685,079</b>	<b>479,038,316</b>
<b>Net Assets / (deficit)</b>		
<b>UNRESTRICTED</b>	<b>(22,571,545)</b>	<b>(26,007,017)</b>
<b>INVESTED IN CAPITAL ASSETS (Note 14)</b>	<b>19,404,133</b>	<b>20,073,981</b>
<b>INTERNALLY RESTRICTED (Note 15)</b>	<b>29,812,857</b>	<b>23,844,724</b>
<b>ENDOWMENTS (Note 16)</b>	<b>16,226,506</b>	<b>15,082,881</b>
	<b>42,871,951</b>	<b>32,994,569</b>
Contingencies and Contractual Commitments (Note 20)		
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 500,557,030</b>	<b>\$ 512,032,885</b>

*See accompanying notes to the consolidated financial statements*

**UNIVERSITY OF ONTARIO INSTITUTE OF TECHNOLOGY**  
**Consolidated Statement of Operations**  
**For the year ended March 31, 2015**

	<u>2015</u>	<u>2014</u>
<b>REVENUE</b>		
Grants - operating & research (Note 12)	\$ 68,254,617	\$ 66,176,518
Grants - Debenture	13,500,000	13,500,000
Donations	1,471,688	1,775,099
Student tuition fees	66,978,284	61,721,748
Student ancillary fees	15,277,495	14,943,821
Revenues from ancillary operations (Note 13)	3,485,203	3,801,606
Other income	12,460,492	13,929,680
Amortization of deferred capital contributions	8,818,013	8,753,987
Interest revenue	677,813	647,910
Realized / Unrealized gain on investments	1,269,611	2,114,308
Gain on disposal of assets	534,242	277,089
	<b>192,727,458</b>	<b>187,641,766</b>
<b>EXPENSES</b>		
Salaries and benefits	88,796,164	80,736,089
Supplies and expenses	35,536,995	35,517,365
Purchased Services (Note 13)	16,346,646	17,255,868
Interest expense	15,767,077	16,335,127
Amortization of capital assets	26,744,598	25,746,528
Professional fees	802,221	781,618
	<b>183,993,701</b>	<b>176,372,595</b>
<b>Excess of revenue over expenses</b>	<b>\$ 8,733,757</b>	<b>\$ 11,269,171</b>

*See accompanying notes to the consolidated financial statements*

**UNIVERSITY OF ONTARIO INSTITUTE OF TECHNOLOGY**  
**Consolidated Statement of Changes in Net Assets**  
**For the year ended March 31, 2015**

	<u>Unrestricted</u>	<u>Invested in Capital Assets</u> (Note 14)	<u>Internally Restricted</u> (Note 15)	<u>Endowments</u> (Note 16)	<u>Total 2015</u>	<u>Total 2014</u>
<b>Balance - Beginning of Year</b>	\$ (26,007,017)	\$ 20,073,981	\$ 23,844,724	\$ 15,082,881	\$ 32,994,569	\$ 21,232,446
Excess / (deficiency)						
Revenue over Expenses	26,660,342	(17,926,585)	-	-	8,733,757	11,269,171
Interfund Transfer	(5,968,133)	-	5,968,133	-	-	-
Investment in Capital Assets (Note 14)	(17,256,737)	17,256,737	-	-	-	-
Endowment Contributions (Note 16)	-	-	-	1,143,625	1,143,625	167,952
Donation of Land (Note 3)	-	-	-	-	-	325,000
<b>Net changes during the year</b>	<b>3,435,472</b>	<b>(669,848)</b>	<b>5,968,133</b>	<b>1,143,625</b>	<b>9,877,382</b>	<b>11,762,123</b>
<b>Balance - End of Year</b>	<b>\$ (22,571,545)</b>	<b>\$ 19,404,133</b>	<b>\$ 29,812,857</b>	<b>\$ 16,226,506</b>	<b>\$ 42,871,951</b>	<b>\$ 32,994,569</b>

*See accompanying notes to the consolidated financial statements*

**UNIVERSITY OF ONTARIO INSTITUTE OF TECHNOLOGY**  
**Consolidated Statement of Cash Flows**  
**For the year ended March 31, 2015**

	<u>2015</u>	<u>2014</u>
<b>NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES</b>		
<b>OPERATING</b>		
Excess of revenue over expenses	\$ 8,733,757	\$ 11,269,171
Items not affecting cash:		
Amortization of capital assets	26,744,598	25,746,528
Amortization of deferred capital contributions	(8,818,013)	(8,753,987)
Gain on disposal of capital assets	(534,242)	(277,089)
Realized / Unrealized gains on investments	(1,269,611)	(2,114,308)
	<b>24,856,489</b>	<b>25,870,315</b>
Working Capital		
Grant and other accounts receivable	800,747	674,842
Prepaid expenses and deposits	(160,005)	6,500
Inventories	25,650	(70,564)
Accounts payable and accrued liabilities	(4,102,312)	2,793,016
Deferred revenue	(45,781)	(28,742)
	<b>21,374,788</b>	<b>29,245,367</b>
<b>INVESTING</b>		
Purchase of capital assets	(13,500,641)	(16,813,958)
Proceeds on disposal of capital assets	534,242	291,793
Investments	(6,483,992)	3,744,483
	<b>(19,450,391)</b>	<b>(12,777,682)</b>
<b>FINANCING</b>		
Repayment of long-term debt	(9,365,925)	(9,939,490)
Endowment contributions	1,143,625	167,952
Repayment of obligations under capital leases	136,615	119,709
Deferred capital contributions	842,179	618,945
	<b>(7,243,506)</b>	<b>(9,032,884)</b>
<b>NET CASH (OUTFLOW) / INFLOW</b>	<b>(5,319,109)</b>	<b>7,434,801</b>
<b>CASH &amp; CASH EQUIVALENTS BALANCE, BEGINNING OF YEAR</b>	<b>29,002,551</b>	<b>21,567,750</b>
<b>CASH &amp; CASH EQUIVALENTS BALANCE, END OF YEAR</b>	<b>\$ 23,683,442</b>	<b>\$ 29,002,551</b>
<b>SUPPLEMENTARY CASH FLOW INFORMATION</b>		
Interest paid	\$ 15,865,630	\$ 16,437,941
Other assets, transferred to capital assets	-	\$ 6,831,815
Donation of building	-	\$ 325,000

**UNIVERSITY OF ONTARIO INSTITUTE OF TECHNOLOGY**  
**Notes to the Consolidated Financial Statements**  
**For the year ended March 31, 2015**

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

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

**1. SIGNIFICANT ACCOUNTING POLICIES AND DISCLOSURES**

*a) Basis of presentation*

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

On November 1, 2009, the Campus Childcare Centre Inc. (“CCC”) was incorporated as a separate legal entity with a fiscal year ended April 30. Its purpose is to provide daycare facilities to the children of faculty, staff and students of the University and Durham College, as its first priority, and community families. CCC is controlled by the University and its financial results to March 31, 2015 are included in the Consolidated Financial Statements of the University.

On February 1, 2012, the Automotive Center of Excellence (“ACE”) commenced its operations as a test facility for General Motors of Canada and other commercial customers who are seeking to create, test and validate paradigm-shifting innovations with a focus on bringing them to market as rapidly as possible. ACE is a wholly owned department of the University and its financial results to March 31, 2015 are included in the Consolidated Financial Statements of the University.

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

*b) Revenue Recognition*

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

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

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



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

Student fees are recognized as revenue when courses are provided.

Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

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

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

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

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

*c) Cash and Cash Equivalents*

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

*d) Financial Instruments*

Financial instruments are recorded at fair value on initial recognition. Freestanding derivative instruments that are not in a qualifying hedging relationship and equity instruments that are quoted in an active market are subsequently measured at fair value. All other financial instruments are subsequently recorded at cost or amortized cost.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

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

**UNIVERSITY OF ONTARIO INSTITUTE OF TECHNOLOGY**  
**Notes to the Consolidated Financial Statements**  
**For the year ended March 31, 2015**

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

*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 average useful lives, which have been estimated to be as follows:

Buildings	20 – 40 years
Building renovations	10 years
Leasehold improvements	over lease term
Furniture and fixtures	5 years
Laptops	2 – 3 years
Computer equipment	3 years
Vehicles	3 years
Major equipment	10 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.

*h) Deferred capital contributions*

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

*i) Contributed services*

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

**UNIVERSITY OF ONTARIO INSTITUTE OF TECHNOLOGY**  
**Notes to the Consolidated Financial Statements**  
**For the year ended March 31, 2015**

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

*j) Use of estimates*

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

**2. INVESTMENTS**

	2015		2014	
	Cost	Fair Value	Cost	Fair Value
<b>Equities</b>	\$ 10,192,953	\$ 12,665,330	\$ 9,503,957	\$ 11,430,917
<b>Fixed income</b>	6,400,486	6,750,911	5,931,145	5,987,808
<b>Money Market/Cash</b>	560,624	560,624	604,686	604,686
<b>Held in Trust</b>	15,649,875	16,457,822	20,006,600	20,657,673
	<b>\$ 32,803,938</b>	<b>\$ 36,434,687</b>	<b>\$ 36,046,388</b>	<b>\$ 38,681,084</b>

Investments held in trust represent the principal on the remaining proceeds of a loan of \$16,457,822 (2014 - \$20,657,673) that the University received from the Ontario Financing Authority in February 2012 (Note 8), and which the University then applied for the purpose of paying BNY Trust Company of Canada (“BNY”). These funds are held by BNY pursuant to Section 6.01(h) of the Supplemental Trust Indenture, pursuant to which the University’s Series A Debentures were issued. The funds held in trust comprise of both fixed income and money market investments.

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

The value of fixed income securities will and generally rise if interest rates fall and decrease if interest rates rise. Changes in interest rates may also affect the value of equity securities. The fixed income investments consist of various Canadian government and corporate bonds and individual mortgage holdings. The bonds bear interest rates ranging from 1.5% to 10.3% (2014 – 1.2% to 12.2%) and have maturity dates ranging from April 27, 2015 to December 31, 2099 (2014 - April 15, 2014 to December 31, 2099).

*(b) Foreign currency risk:*

The University is exposed to financial risks as a result of exchange rate fluctuations and the volatility of these rates. The University, through its investment management company, hedges against foreign exchange risks. There has been no change in the University’s hedging policy from 2014.

**UNIVERSITY OF ONTARIO INSTITUTE OF TECHNOLOGY**  
**Notes to the Consolidated Financial Statements**  
**For the year ended March 31, 2015**

**2. INVESTMENTS (continued)**

*(c) Market price risk:*

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

*(d) Liquidity risk:*

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

**3. CAPITAL ASSETS**

Capital assets consist of:

	2015					2014
	Cost		Balance, End of Year	Accumulated Amortization	Net Book Value	Net Book Value
	Balance, Beginning of Year	Additions /Transfers / Disposals				
Land	\$ 8,456,815	\$ -	\$ 8,456,815	\$ -	\$ 8,456,815	\$ 8,456,815
Buildings	389,954,592	1,412,229	391,366,821	80,064,768	311,302,053	319,781,515
Building Renovations	18,678,682	2,954,748	21,633,430	10,113,521	11,519,909	10,341,134
Leasehold Improvements	3,375,262	-	3,375,262	683,628	2,691,634	2,935,387
Furniture and Fixtures	14,990,150	333,752	15,323,902	13,224,332	2,099,570	2,738,824
Laptops	20,075,106	1,980,473	22,055,579	16,084,314	5,971,265	5,867,099
Computer equipment	11,338,173	2,369,561	13,707,734	10,645,100	3,062,634	2,301,654
Vehicles	144,051	20,446	164,497	127,321	37,176	55,581
Major Equipment	60,920,780	2,088,046	63,008,826	28,313,614	34,695,212	38,464,109
Construction-in-progress	1,462,780	(1,462,780)	-	-	-	1,462,780
	<b>\$ 529,396,391</b>	<b>\$ 9,696,475</b>	<b>\$ 539,092,866</b>	<b>\$ 159,256,598</b>	<b>\$ 379,836,268</b>	<b>\$ 392,404,898</b>
Assets under Capital leases:						
Land	2,300,000	-	2,300,000	-	2,300,000	2,300,000
Buildings	35,689,192	-	35,689,192	3,038,971	32,650,221	33,325,548
Total	<b>\$ 567,385,583</b>	<b>\$ 9,696,475</b>	<b>\$ 577,082,058</b>	<b>\$ 162,295,569</b>	<b>\$ 414,786,489</b>	<b>\$ 428,030,446</b>

Included in Land and Buildings are two specific assets donated to the University in 2009 and 2010 respectively (2009 – Dulemba Property: Land \$325,000; 2010 - Regent Theater: Land \$300,000 and Buildings \$1,550,000).

Amortization of assets under capital leases for the current year totaled \$675,327 (2014 - \$675,327).

**UNIVERSITY OF ONTARIO INSTITUTE OF TECHNOLOGY**  
**Notes to the Consolidated Financial Statements**  
**For the year ended March 31, 2015**

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**4. CASH AND CASH EQUIVALENTS**

	<u>2015</u>	<u>2014</u>
Bank of Montreal, credit facility	\$ 8,083,679	\$ 21,526,280
Bank of Montreal, cash balances	9,234,926	11,667,631
BMO Nesbitt Burns, high interest savings	6,000,000	-
IBM, credit facility drawn	(10,000)	(5,000,000)
Royal Bank of Canada, cash balances	40,893	173,623
Harris Bank, cash balances	11,782	109,082
Other, balances	322,162	525,935
	<u>\$ 23,683,442</u>	<u>\$ 29,002,551</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, 2015, the University utilized, on a cash consolidated basis, nil (2014 - nil) of the operating line of credit.

The University also had a credit facility agreement with IBM Global Financing, which provides for a revolving operating line of credit up to \$5,000,000 bearing interest at prime plus 0.25%. At March 31, 2014, the University utilized \$5,000,000 of the operating line of credit. During fiscal year 2015, \$4,990,000 was repaid, leaving a balance of \$10,000 owed to IBM as at March 31, 2015.

**5. SHORT-TERM INVESTMENTS**

In September 2014, the University invested \$10,000,000 of surplus operating cash in GIC's with a maturity date of 1 year.

**6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

Included in accounts payable and accrued liabilities are government remittances payable of \$210,878 (2014 - \$197,576), relating to payroll related taxes.

**UNIVERSITY OF ONTARIO INSTITUTE OF TECHNOLOGY**  
**Notes to the Consolidated Financial Statements**  
**For the year ended March 31, 2015**

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**7. DEFERRED REVENUE**

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

	<u>2015</u>	<u>2014</u>
Research	\$ 5,436,549	\$ 6,227,980
Donations	2,611,544	2,625,846
Tuition	7,370,175	6,884,430
Ancillary	4,081,616	4,306,798
Other	1,277,535	778,146
	<u>\$ 20,777,419</u>	<u>\$ 20,823,200</u>

**8. OTHER LONG-TERM DEBT**

The University has incurred debts in the amount of \$17,021,678 through third parties related to the financing of the debenture (offset by amounts held in trust, as disclosed in Note 2 and Note 10), lab equipment and leasehold improvements in our downtown locations. Other long-term debt comprised the following:

	<u>2015</u>	<u>2014</u>
Unsecured loan, bearing fixed interest rate at 2.77% per annum, repayable semi-annually, with final instalment due October 15, 2017	\$ 15,411,947	\$ 19,921,518
Other unsecured loans, payable monthly / quarterly over a period of 1 to 26 years and at interest rates ranging from 0% to 9.3%	1,609,731	1,956,513
	<u>\$ 17,021,678</u>	<u>\$ 21,878,031</u>

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

2016	\$ 5,153,978
2017	5,477,658
2018	5,707,308
2019	132,672
2020	124,139
Thereafter, through 2041	425,923
	<u>17,021,678</u>
Less: current portion	5,153,978
	<u>\$ 11,867,700</u>

**UNIVERSITY OF ONTARIO INSTITUTE OF TECHNOLOGY**  
**Notes to the Consolidated Financial Statements**  
**For the year ended March 31, 2015**

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**8. OTHER LONG-TERM DEBT (continued)**

The fair value of the other long-term debt is \$17,508,413 (2014 - \$22,305,319). Fair value has been calculated using the future cash flows of the actual outstanding debt instrument, discounted at current market rates available to the University.

**9. OBLIGATIONS UNDER CAPITAL LEASES**

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

2016	\$	3,285,287
2017		3,664,911
2018		3,719,641
2019		3,746,878
2020		3,774,388
Thereafter, through 2041		<u>77,232,082</u>
Total minimum lease payments		95,423,187
Less: amount representing interest at rates ranging from 6.50 to 9.30%		<u>56,305,115</u>
Present value of net minimum capital lease payments		39,118,072
Less: current portion of principal obligations		296,208
	\$	<u>38,821,864</u>

Interest of \$3,244,297 (2014 - \$3,227,391) relating to capital lease obligations has been included in interest expense. The total amount of assets under capital leases is \$37,989,192 (2014 - \$37,989,192) with related accumulated amortization of \$3,038,971 (2014 - \$2,363,644).

The fair value of the capital leases is \$44,471,419 (2014 - \$42,864,253). Fair value has been calculated using the future cash flows of the actual outstanding debt instrument, discounted at current market rates available to the University.

**10. LONG-TERM DEBENTURE DEBT**

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

The debt has been funded through special one-time grants from the Ministry of Training, Colleges and Universities ("MTCU"), and by the University through donations and the operating line of credit.

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

On August 12, 2011, an agreement was signed between the University and MTCU whereby the Ministry shall pay the University \$13,500,000 each year in equal semi-annual payments of \$6,750,000 in April and October to fund the repayment of the debentures. The agreement took effect on April 1, 2011 and the grant will continue until the maturity of the debentures in October 2034.

Total principal and interest paid on the debenture to March 31, 2015 is \$165,010,059 (2014 - \$148,509,053), \$128,987,712 funded by MTCU and \$36,022,347 funded by the University.

The University has deposited a minimum of \$50,000,000, less the aggregate principal repaid to-date of \$34,588,054. The fair value of funds amounting to \$16,457,822 are held in trust on behalf of the University (Note 2).

As at March 31, 2015, \$217,431,043 (2014 - \$217,431,043) had been used to finance capital assets.

2016	\$	4,800,522
2017		5,110,244
2018		5,439,949
2019		5,790,925
2020		6,164,546
Thereafter, through 2034		158,105,761
Total minimum payments		185,411,947
Less: current portion		4,800,522
	\$	<u>180,611,425</u>

The fair value of the long-term debenture debt is \$239,038,445 (2014 - \$220,199,044). Fair value has been calculated using the future cash flows of the actual outstanding debt instrument, discounted at current market rates available to the University.

**11. DEFERRED CAPITAL CONTRIBUTIONS**

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

The changes in the balance consist of the following:

	<u>2015</u>	<u>2014</u>
Balance - beginning of year	\$ 178,068,679	\$ 186,203,721
Contributions	842,179	618,945
Recognized as revenue during the year	(8,818,013)	(8,753,987)
Balance - end of year	<u>\$ 170,092,845</u>	<u>\$ 178,068,679</u>



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**12. GRANT REVENUES**

Grant revenues are split as follows:

	<u>2015</u>	<u>2014</u>
Operating	\$ 59,026,507	\$ 57,624,896
Externally funded research	9,228,110	8,551,622
<b>Total grant revenues</b>	<b>\$ 68,254,617</b>	<b>\$ 66,176,518</b>

**13. PURCHASED SERVICE COSTS**

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

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

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

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

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

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**14. INVESTED IN CAPITAL ASSETS**

	<u>2015</u>	<u>2014</u>
Capital assets - net book value	\$ 414,786,489	\$ 428,030,446
Less amount financed by deferred capital contributions	(170,092,845)	(178,068,679)
Less amount financed by long-term debt (Notes 8, 9 and 10)	(225,289,511)	(229,887,786)
<b>Investment in capital assets</b>	<b>\$ 19,404,133</b>	<b>\$ 20,073,981</b>

	<u>2015</u>	<u>2014</u>
Net change in investment in capital assets:		
Purchases of capital assets	\$ 13,500,641	\$ 23,645,773
Donation of Land	-	325,000
Amounts funded by:		
Deferred capital contributions	(842,179)	(618,945)
Long-term debt	(362,884)	(331,777)
Repayment of long-term debt	4,961,159	5,779,134
	<b>\$ 17,256,737</b>	<b>\$ 28,799,185</b>

	<u>2015</u>	<u>2014</u>
Amortization of deferred contributions related to capital assets	\$ 8,818,013	\$ 8,753,987
Less amortization of capital assets	(26,744,598)	(25,746,528)
	<b>\$ (17,926,585)</b>	<b>\$ (16,992,541)</b>
Net change during the year	<b>\$ (669,848)</b>	<b>\$ 11,806,644</b>

**15. INTERNALLY RESTRICTED NET ASSETS**

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

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**15. INTERNALLY RESTRICTED NET ASSETS (continued)**

Details of the internally restricted net assets are as follows:

	<u>2015</u>	<u>2014</u>
Balance comprised the following:		
Research related activities	\$ 4,960,180	\$ 4,728,618
Capital related activities	17,600,871	13,175,994
Student awards	822,000	980,000
Working capital	5,000,000	4,000,000
Other	1,429,806	960,112
	<u>\$ 29,812,857</u>	<u>\$ 23,844,724</u>

**16. ENDOWMENTS**

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

Investment income on endowments is deferred and recorded in the Consolidated Statement of Operations when the donors' conditions have been met and the related expenses are recognized.

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

The balance of endowments consists of the following:

	<u>2015</u>	<u>2014</u>
OSOTF (Note 17)	\$ 1,574,547	\$ 1,548,982
OTSS (Note 18)	12,352,945	11,895,778
Other	2,299,014	1,638,121
	<u>\$ 16,226,506</u>	<u>\$ 15,082,881</u>

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**17. ONTARIO STUDENT OPPORTUNITY TRUST FUNDS**

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

The University has recorded the following amounts under the program:

**Schedule of Changes in Endowment Fund Balance**

	<u>2015</u>	<u>2014</u>
Endowment fund balance, beginning of year	\$ 1,548,982	\$ 1,539,348
Preservation of capital	25,565	9,634
Endowment fund balance, end of year	<u>\$ 1,574,547</u>	<u>\$ 1,548,982</u>

**Schedule of Changes in Expendable Funds Available for Awards**

	<u>2015</u>	<u>2014</u>
Expendable balance, beginning of year	\$ 194,075	\$ 203,614
Realized investment income	100,166	30,095
Less: Preservation of capital	(25,565)	(9,634)
Bursaries awarded	(15,000)	(30,000)
Expendable balance, end of year	<u>\$ 253,676</u>	<u>\$ 194,075</u>
Number of bursaries awarded	<u>3</u>	<u>5</u>

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**18. ONTARIO TRUST FOR STUDENT SUPPORT**

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

The University has recorded the following amounts under the program:

	<u>2015</u>	<u>2014</u>
Cash donations matched	\$ -	\$ -
Unmatched Cash Donations	<b>188,643</b>	57,909
Total cash donations	<u>\$ 188,643</u>	<u>\$ 57,909</u>

**Schedule of Changes in Endowment Fund Balance**

	<u>2015</u>	<u>2014</u>
Endowment balance, beginning of year	\$ 11,895,778	\$ 11,737,914
Eligible cash donations	<b>188,643</b>	57,909
Matching funds received/receivable from MTCU	-	-
Preservation of capital	<b>268,524</b>	99,955
Endowment fund balance, end of year	<u>\$ 12,352,945</u>	<u>\$ 11,895,778</u>

**Schedule of Changes in Expendable Funds  
Available for Awards**

	<u>2015</u>	<u>2014</u>
Expendable balance, beginning of year	\$ 517,326	\$ 535,238
Realized investment income	<b>899,110</b>	313,368
Less: Preservation of capital	<b>(268,524)</b>	(99,955)
Bursaries awarded	<b>(320,260)</b>	(231,325)
Expendable balance, end of year	<u>\$ 827,652</u>	<u>\$ 517,326</u>

In the current year, 224 bursaries valued at \$344,260 were disbursed from the total endowed funds (2014 – 186 bursaries valued at \$268,325).

**19. PENSION PLAN**

All employees of the University are members of a defined contribution pension plan. Employees must contribute a minimum of 3% of their earnings to this plan with an election to increase these contributions to a total of 6% of contributory earnings. The University must contribute 8% of an employee's contributory earnings, with 6% allocated to the pension plan and the remaining 2% allocated, upon the employee's election, to either the pension plan or the employee's health care expense account. Contributions made by the University to the pension plan during the year were \$4,337,461 (2014 - \$3,877,056).

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**20. CONTINGENCIES AND CONTRACTUAL COMMITMENTS**

**(a) Contingencies:**

The University has been named as the defendant in certain legal actions, in which damages have been sought. The outcome of these actions is not determinable as at March 31, 2015 and, accordingly, no provision has been made in these Consolidated Financial Statements for any liability which may result.

**(b) Contractual Commitments:**

Future minimum lease payments, exclusive of taxes and operating costs, for premises and equipment under operating leases at March 31, 2015 are as follows:

2016	\$	1,867,281
2017		1,928,749
2018		1,715,992
2019		1,591,975
2020		1,591,975
Thereafter		9,832,930
	\$	<u>18,528,902</u>

**21. Comparative Information**

Certain comparative information have been reclassified to conform to the presentation adopted in the current year.