

Consolidated Financial Statements of

ONTARIO TECH UNIVERSITY

For the year ending March 31, 2022

ONTARIO TECH UNIVERSITY
Consolidated Financial Statements
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INDEPENDENT AUDITORS' REPORT

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

Opinion

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

- the consolidated statement of financial position as at March 31, 2022
- 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, 2022, and its consolidated results of operations and its consolidated cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditors' Responsibilities for the Audit of the Financial Statements***" section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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



Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.



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- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Vaughan, Canada

June 29, 2022

ONTARIO TECH UNIVERSITY
Consolidated Statement of Financial Position
As at March 31, 2022

	<u>March 31, 2022</u>	<u>March 31, 2021</u>
Assets		
Current assets:		
Cash and cash equivalents (Note 2)	\$ 69,225,462	\$ 53,127,071
Short-term investments (Note 3)	17,217,673	-
Grant receivable	9,108,026	12,658,992
Other accounts receivable (allowance for doubtful accounts - \$992,542; 2021 - \$1,289,137)	5,611,209	5,343,153
Prepaid expenses and deposits	2,158,816	2,176,575
Inventories	5,730	5,131
	103,326,916	73,310,922
Investments (Note 4)	33,522,655	31,947,275
Other investments (Note 5)	(754,223)	(189,539)
Other assets (Note 6)	2,473,577	2,000,007
Capital assets (Note 7)	403,863,908	405,978,815
Total assets	\$ 542,432,833	\$ 513,047,480
Liabilities and Net Assets		
Current Liabilities:		
Accounts payable and accrued liabilities (Notes 8 and 16)	\$ 30,488,090	\$ 32,995,232
Deferred revenue (Note 9)	32,173,944	28,244,367
Current portion of other long-term debt (Note 10)	3,533	124,683
Current portion of obligations under capital lease (Note 11)	1,012,088	913,057
Current portion of long-term debenture debt (Note 12)	7,436,364	6,985,660
Current portion of fair value of interest rate swap (Note 13)	691,000	-
	71,805,019	69,262,999
Other long-term debt (Note 10)	173,309	176,842
Long-term portion of obligations under capital lease (Note 11)	34,248,680	35,260,768
Long-term portion of debenture debt (Note 12)	137,121,464	144,557,828
Long-term portion of fair value of interest rate swap (Note 13)	22,853,319	-
Deferred capital contributions (Note 14)	160,590,853	161,007,867
	426,792,644	410,266,304
Net Assets		
Unrestricted	21,775,929	1,230,263
Invested in capital assets (Note 17)	39,733,297	57,073,574
Internally restricted (Note 18)	29,214,708	20,127,039
Endowments (Note 19)	24,916,255	24,350,300
	115,640,189	102,781,176
Contingencies and Contractual Commitments (Note 21)		
Guarantee (Note 22)		
Risk Disclosure (Note 23)		
Subsequent Event (Note 24)		
Total liabilities and Net Assets	\$ 542,432,833	\$ 513,047,480

See accompanying notes to the consolidated financial statements



Approved by:

ONTARIO TECH UNIVERSITY
Consolidated Statement of Operations
For the year ended March 31, 2022

	<u>2022</u>	<u>2021</u>
REVENUE		
Grants - operating and research (Note 15)	\$ 85,688,273	\$ 79,858,276
Grants - debenture (Note 12)	13,500,000	13,500,000
Donations	1,591,041	2,809,372
Student tuition fees	87,108,687	79,533,170
Student ancillary fees	11,970,615	11,742,375
Revenues from purchased services (Note 16)	678,601	231,084
Other income	13,165,388	10,533,381
Amortization of deferred capital contributions (Note 14)	9,130,891	9,612,290
Interest revenue	1,130,188	1,131,979
Unrealized gain on investments	892,501	4,947,519
Unrealized gain on interest rate swap	1,117,681	-
	225,973,866	213,899,446
EXPENSES		
Salaries and benefits	121,526,640	113,242,751
Student aid, financial assistance and awards	14,295,553	12,719,669
Supplies and expenses	27,887,832	23,280,870
Purchased services (Note 16)	11,917,359	11,691,399
Interest expense - debt obligations	12,884,913	12,843,504
Interest expense - other	147,928	86,544
Amortization of capital assets	22,999,905	23,090,067
Professional fees	1,315,028	1,282,451
Loss on disposal of assets	28,663	327,862
Loss on other investments	564,684	189,639
	213,568,505	198,754,756
Excess of revenue over expenses	\$ 12,405,361	\$ 15,144,690

See accompanying notes to the consolidated financial statements

ONTARIO TECH UNIVERSITY
Consolidated Statement of Changes in Net Assets
As at March 31, 2022

	<u>Unrestricted</u>	<u>Invested in Capital Assets</u> (Note 17)	<u>Internally Restricted</u> (Note 18)	<u>Endowments</u> (Note 19)	<u>Total 2022</u>	<u>Total 2021</u>
Balance - Beginning of Year	\$ 1,230,263	\$ 57,073,574	\$ 20,127,039	\$ 24,350,300	\$ 102,781,176	\$ 84,802,638
Excess / (deficiency)						
Revenue over Expenses	26,274,375	(13,869,014)	-	-	12,405,361	15,144,690
Interfund Transfer - Endowment	-	-	(112,303)	112,303	-	-
Interfund Transfer	(9,199,972)	-	9,199,972	-	-	-
Investment in Capital Assets	3,471,263	(3,471,263)	-	-	-	-
Endowment Contributions	-	-	-	453,652	453,652	678,848
Donation of assets	-	-	-	-	-	2,155,000
Net changes during the year	20,545,666	(17,340,277)	9,087,669	565,955	12,859,013	17,978,538
Balance - End of Year	\$ 21,775,929	\$ 39,733,297	\$ 29,214,708	\$ 24,916,255	\$ 115,640,189	\$ 102,781,176

See accompanying notes to the consolidated financial statements

ONTARIO TECH UNIVERSITY
Consolidated Statement of Cash Flows
As at March 31, 2022

	<u>March 31, 2022</u>	<u>March 31, 2021</u>
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES		
OPERATING		
Excess of revenue over expenses	\$ 12,405,361	\$ 15,144,690
Items not affecting cash:		
Amortization of capital assets	22,999,905	23,090,067
Amortization of deferred capital contributions	(9,130,891)	(9,612,290)
Unrealized gain on investments	(892,501)	(4,947,519)
Unrealised gain on interest rate swap	(1,117,681)	-
Loss on disposal of capital assets	28,663	327,862
Loss on other investments	564,684	189,639
Life insurance policy	-	(1,594,872)
	24,857,540	22,597,577
Working capital:		
Grant and other accounts receivable	3,282,910	(275,411)
Prepaid expenses and deposits	17,759	93,721
Inventories	(599)	52,605
Accounts payable and accrued liabilities	(2,507,142)	5,488,911
Deferred revenue	3,929,577	6,038,159
	29,580,045	33,995,562
INVESTING		
Purchase of capital assets	(20,885,403)	(29,799,566)
Proceeds on disposal of capital assets	(28,258)	130,699
Investments	(17,900,552)	6,190,098
Other assets	(473,570)	(405,135)
	(39,287,783)	(23,883,904)
FINANCING		
Proceeds from derivative financial instrument	24,662,000	-
Repayment of long-term debt	(7,110,343)	(6,686,672)
Endowment contributions	453,652	678,848
Repayment of obligations under capital leases	(913,057)	(780,186)
Deferred capital contributions	8,713,877	7,463,832
	25,806,129	675,822
NET CASH INFLOW	16,098,391	10,787,480
CASH & CASH EQUIVALENTS BALANCE, BEGINNING OF YEAR	53,127,071	42,339,591
CASH & CASH EQUIVALENTS BALANCE, END OF YEAR	\$ 69,225,462	\$ 53,127,071
SUPPLEMENTARY CASH FLOW INFORMATION		
Interest paid	\$ 13,088,360	\$ 13,036,906
Life insurance policy	\$ -	1,594,872
Donation of building	\$ -	960,000
Donation of land	\$ -	2,155,000

See accompanying notes to the consolidated financial statements

ONTARIO TECH UNIVERSITY
Notes to the Consolidated Financial Statements
For the year ended March 31, 2022

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

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

On March 27, 2019, the University launched its brand name and now operates as “Ontario Tech University”.

1. SIGNIFICANT ACCOUNTING POLICIES AND DISCLOSURES

(a) Basis of presentation

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

On March 10, 2020, Ontario Tech Talent was incorporated as a separate legal entity with a fiscal year ended March 31st. Its purpose is to provide students and new graduates with opportunities to enhance their job readiness skills and improve employment prospects, and also to help alumni and community members remain current in the ever-changing job market by providing reskilling and upskilling. Ontario Tech Talent is controlled by the University and its financial results to March 31, 2022 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.

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

(b) Revenue recognition

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

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

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.

1. SIGNIFICANT ACCOUNTING POLICIES AND DISCLOSURES (continued)

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

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

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

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

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

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

(c) Cash and cash equivalents

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

(d) Financial instruments

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

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

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the University determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, 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.

ONTARIO TECH UNIVERSITY
Notes to the Consolidated Financial Statements
For the year ended March 31, 2022

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

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

Capital assets acquired during the financial year are amortized at half of the applicable rate. Construction-in-progress represents assets not yet available for use, therefore amortization commences when the project is complete.

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

(h) Deferred capital contributions

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

ONTARIO TECH UNIVERSITY
Notes to the Consolidated Financial Statements
For the year ended March 31, 2022

1. SIGNIFICANT ACCOUNTING POLICIES AND DISCLOSURES (continued)

(i) 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.

(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. 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. CASH AND CASH EQUIVALENTS

	<u>2022</u>	<u>2021</u>
Bank of Montreal, cash balances	\$ 68,125,699	\$ 45,316,861
BMO Nesbitt Burns high interest savings account	-	7,196,840
Royal Bank of Canada, cash balances	364,722	5,177
Harris Bank, cash balances	251,334	506,348
Other, balances	483,707	101,845
	<u>\$ 69,225,462</u>	<u>\$ 53,127,071</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, 2022, the University utilized, on a cash consolidated basis, nil (2021 - nil) of the operating line of credit.

3. SHORT-TERM INVESTMENTS

Short-term investments consist of \$17,217,673 (2021 - NIL) of annual Guaranteed Investment Certificates (GIC's), with maturity dates ranging from March 14, 2023 to March 30, 2023.

ONTARIO TECH UNIVERSITY
Notes to the Consolidated Financial Statements
For the year ended March 31, 2022

4. INVESTMENTS

	2022		2021	
	Cost	Fair Value	Cost	Fair Value
Equities	\$ 17,531,636	\$ 22,382,352	\$ 17,385,678	\$ 21,365,171
Fixed income	11,397,462	10,863,060	10,083,684	10,165,176
Money Market/Cash	277,243	277,243	416,928	416,928
	\$ 29,206,341	\$ 33,522,655	\$ 27,886,290	\$ 31,947,275

Financial instrument risks are disclosed in Note 23, under “Financial instrument risks”.

5. OTHER INVESTMENTS

Other investments comprise of a wholly owned investment in Ontario Tech Talent. Investment as at March 31, 2022 is a loss of \$754,223 (2021 – \$189,539) which includes the initial investment in Ontario Tech Talent of 100 shares valued at \$100, net of accumulated loss of \$754,323 (2021 – \$189,639).

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

	2022	2021
Total assets	\$ 131,623	\$ 340,040
Total liabilities	885,846	529,579
Shareholders' equity		
- 100 common shares	100	100
- Net accumulated loss for the year	(754,323)	(189,639)
	\$ 131,623	\$ 340,040
Results of operations:		
Total revenue	87,539	2
Total expenses	652,223	189,641
Net loss for the year	\$ (564,684)	\$ (189,639)

Included in the total liabilities of Ontario Tech Talent is a related party transaction of \$823,013 (2021 – \$405,135), representing the draw of a credit facility with the University to fund the start-up costs of Ontario Tech Talent. Interest on this credit facility is at prime rate plus 0.25%.

ONTARIO TECH UNIVERSITY
Notes to the Consolidated Financial Statements
For the year ended March 31, 2022

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 \$1,650,564. Other assets also include \$823,013 (2021 - \$405,135) of a receivable from its subsidiary, Ontario Tech Talent.

7. CAPITAL ASSETS

Capital assets consist of:

	2022			2021
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	\$ 10,286,815	\$ -	\$ 10,286,815	\$ 10,286,815
Buildings	450,428,237	153,646,394	296,781,843	283,461,520
Building renovations	51,968,864	24,363,447	27,605,417	9,610,875
Leasehold improvements	3,541,889	1,911,792	1,630,097	1,673,246
Parking	1,299,410	309,760	989,650	1,054,620
Furniture and fixtures	21,923,799	18,747,906	3,175,893	2,255,438
Laptops	13,150,262	12,543,736	606,526	870,513
Vehicles	288,803	282,053	6,750	91,557
Computer equipment	23,738,053	20,907,312	2,830,741	3,201,895
Major equipment	98,703,411	69,586,388	29,117,023	16,116,132
Construction-in-progress	610,222	-	610,222	46,457,945
	<u>\$ 675,939,765</u>	<u>\$ 302,298,788</u>	<u>\$ 373,640,977</u>	<u>\$ 375,080,556</u>
Assets under capital leases:				
Land	2,300,000	-	2,300,000	2,300,000
Buildings	35,689,192	7,766,261	27,922,931	28,598,259
Total	<u>\$ 713,928,957</u>	<u>\$ 310,065,049</u>	<u>\$ 403,863,908</u>	<u>\$ 405,978,815</u>

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

Amortization of assets under capital leases for the current year totaled \$675,327 (2021 - \$675,327).

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Included in accounts payable and accrued liabilities are government remittances payable of \$3,401,716 (2021 - \$181,166).

ONTARIO TECH UNIVERSITY
Notes to the Consolidated Financial Statements
For the year ended March 31, 2022

9. DEFERRED REVENUE

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

	<u>2022</u>	<u>2021</u>
Tuition	\$ 9,420,307	\$ 9,380,653
Research	12,571,734	10,028,107
Donations	4,675,598	3,254,554
Ancillary fees	1,654,572	995,207
Other	3,851,733	4,585,846
	<u>\$ 32,173,944</u>	<u>\$ 28,244,367</u>

10. OTHER LONG-TERM DEBT

The University has incurred debts in the amount of \$176,842 through third parties related to improvements in our downtown locations. Other long-term debt comprised the following:

	<u>2022</u>	<u>2021</u>
Unsecured loan, payable monthly over 21 years, at interest of 9.3%	176,842	301,525
	<u>\$ 176,842</u>	<u>\$ 301,525</u>

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

2023	\$ 3,533
2024	3,876
2025	4,252
2026	4,665
2027	5,118
Thereafter, through 2042	155,398
	<u>176,842</u>
Less: current portion	3,533
	<u>\$ 173,309</u>

The fair value of the other long-term debt is approximately \$245,000 (2021 - \$452,000). 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.

ONTARIO TECH UNIVERSITY
Notes to the Consolidated Financial Statements
For the year ended March 31, 2022

11. 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:

2023	\$ 3,960,219
2024	3,988,846
2025	4,017,759
2026	4,112,219
2027	4,188,326
Thereafter, through 2041	49,171,374
Total minimum lease payments	69,438,743
Less: amount representing interest at rates ranging from 6.50% to 9.30%	34,177,975
Present value of net minimum capital lease payments	35,260,768
Less: current portion of principal obligations	1,012,088
	\$ 34,248,680

Interest of \$3,018,819 (2021 - \$3,081,277) relating to capital lease obligations has been included in interest expense. The total cost of assets under capital leases is \$37,989,192 (2021 - \$37,989,192) with related accumulated amortization of \$7,766,261 (2021 - \$7,090,934).

The fair value of the capital leases is approximately \$35,694,000 (2021 - \$36,670,000). 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. 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.

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12. LONG-TERM DEBENTURE DEBT (continued)

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

Total principal and interest paid on the debenture to March 31, 2022 is \$280,517,100 (2021 - \$264,016,094), \$223,487,712 funded by MCU and \$57,029,388 funded by the University.

As at March 31, 2022, \$217,431,043 (2021 - \$217,431,043) had been used to finance capital assets.

Total principal repayments for debenture debt are as follows:

2023	\$ 7,436,364
2024	7,916,146
2025	8,426,883
2026	8,970,572
2027	9,549,338
Thereafter, through 2034	102,258,525
<u>Total minimum payments</u>	<u>144,557,828</u>
<u>Less: current portion</u>	<u>7,436,364</u>
	<u>\$ 137,121,464</u>

The fair value of the long-term debenture debt is approximately \$162,246,000 (2021 - \$187,866,000). 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. 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.

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13. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

The fair value of the derivative liability is as follows:

	<u>2022</u>
Interest rate swap	\$ 23,544,319
Less: current portion	691,000
	<u>\$ 22,853,319</u>

14. DEFERRED CAPITAL CONTRIBUTIONS

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

On October 30, 2020, the University signed an agreement with the Ontario Tech Student Union (OTSU), whereby the OTSU will pay the University a one-time fee of \$5,000,000 for the construction, use and occupation of the licensed areas in the new Shawenjigewining Hall. In 2020 and 2021, the OTSU transferred \$3,000,000 and \$1,500,000 respectively to the University. This fee is included in the consolidated financial statements as a deferred capital contribution as the funding is directed to financing the construction.

The changes in the balance consist of the following:

	<u>2022</u>	<u>2021</u>
Balance - beginning of year	\$ 161,007,867	\$ 162,196,325
Contributions	8,713,877	7,463,832
Donated building	-	960,000
Recognized as revenue during the year	(9,130,891)	(9,612,290)
Balance - end of year	<u>\$ 160,590,853</u>	<u>\$ 161,007,867</u>

15. GRANT REVENUES – OPERATING AND RESEARCH

Grant revenues consist of the following:

	<u>2022</u>	<u>2021</u>
Operating	\$ 70,670,809	\$ 67,220,501
Externally funded research	15,017,464	12,637,775
Total grant revenues	<u>\$ 85,688,273</u>	<u>\$ 79,858,276</u>

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16. 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.

17. INVESTED IN CAPITAL ASSETS

Investment in capital assets represents the following:

	<u>2022</u>	<u>2021</u>
Capital assets - net book value	\$ 403,863,908	\$ 405,978,815
Less amount financed by deferred capital contributions	(160,590,853)	(161,007,867)
Less amount financed by long-term debt (Notes 10, 11, 12 and 13)	(203,539,758)	(187,897,374)
Total investment in capital assets	\$ 39,733,297	\$ 57,073,574

	<u>2022</u>	<u>2021</u>
Net change in investment in capital assets:		
Purchases of capital assets	\$ 20,885,403	\$ 29,799,566
Donated land	-	2,155,000
Donated building	-	960,000
Amounts funded by:		
Deferred capital contributions	(8,713,877)	(7,463,832)
Derivative financial instrument	(23,544,319)	-
Donated building	-	(960,000)
Repayment of long-term debt	7,901,530	6,886,833
	\$ (3,471,263)	\$ 31,377,567

	<u>2022</u>	<u>2021</u>
Amortization of deferred capital contributions related to capital assets	\$ 9,130,891	\$ 9,612,290
Less amortization of capital assets	(22,999,905)	(23,090,067)
	\$ (13,869,014)	\$ (13,477,777)
Net change during the year	\$ (17,340,277)	\$ 17,899,790

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18. INTERNALLY RESTRICTED NET ASSETS

Internally restricted net assets represent unspent funds which have been committed for specific purposes, including the appropriation of internally-funded research and to invest in the University's academic priorities, working capital, facilities, information technology and student aid. Re-purposing or increasing such restrictions is subject to Board approval.

Details of the internally restricted net assets are as follows:

	<u>2022</u>	<u>2021</u>
Balance is comprised of the following:		
Research funds (a)	\$ 6,151,175	\$ 5,107,430
Capital projects (b)	4,923,974	1,120,562
Student assistance and related funds (c)	4,018,927	2,488,415
Working capital (d)	6,000,000	6,000,000
Learning re-imagined (e)	3,370,632	2,410,632
Digital and physical infrastructure re-imagined (f)	2,750,000	2,750,000
One-time only budget allocations (g)	2,000,000	250,000
	<u>\$ 29,214,708</u>	<u>\$ 20,127,039</u>

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

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19. ENDOWMENTS

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

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

Endowment funds include grants provided by the Government of Ontario from the Ontario Student Opportunity Trust Fund ("OSOTF") and the Ontario Trust for Student Support ("OTSS"). Under these programs, the government matches funds raised by the University. The purpose of these programs is to assist academically qualified individuals who, for financial reasons, would not otherwise be able to attend University. On January 5, 2012, the Ministry announced that the OTSS would be discontinued as of the end of Fiscal 2012 fundraising year.

The balance of endowments consists of the following:

	<u>2022</u>	<u>2021</u>
OSOTF	\$ 1,997,945	\$ 1,995,123
OTSS	18,020,883	17,834,242
OSOTF and OTSS	<u>20,018,828</u>	<u>19,829,365</u>
Other	4,897,427	4,520,935
	<u>\$ 24,916,255</u>	<u>\$ 24,350,300</u>

The change in the balance of endowments is as follows:

	<u>2022</u>	<u>2021</u>
Endowment fund balance, beginning of year	\$ 24,350,300	\$ 23,536,115
Donations	436,354	724,575
Realized gains	267,814	256,466
Realized investment income	580,277	544,054
Income distributions	<u>(718,490)</u>	<u>(710,910)</u>
Endowment fund balance, end of year	<u>\$ 24,916,255</u>	<u>\$ 24,350,300</u>

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19. ENDOWMENTS (continued)

As per the Ministry of Colleges and Universities policies, the transactions related to OSOTF and OTTS should be presented in these financial statements, for the year ended March 31, 2022.

	OSOTF	OTTS	Total 2022	Total 2021
Schedule of Changes in Endowment Fund Balance				
Endowment balance, beginning of year	\$ 1,672,973	\$ 15,762,883	\$ 17,435,856	\$ 17,221,045
Eligible cash donations	-	112,354	112,354	111,720
Preservation of capital	65,000	706,631	771,631	103,091
Endowment fund balance, end of year	<u>\$ 1,737,973</u>	<u>\$ 16,581,868</u>	<u>\$ 18,319,841</u>	<u>\$ 17,435,856</u>

Schedule of Changes in Expendable Funds

Available for Awards	OSOTF	OTTS	Total 2022	Total 2021
Expendable balance, beginning of year	\$ 322,150	\$ 2,071,359	\$ 2,393,509	\$ 2,447,635
Realized investment income	59,322	639,777	699,099	667,275
Less: Preservation of capital	(65,000)	(706,631)	(771,631)	(103,091)
Bursaries and awards disbursed	(56,500)	(565,490)	(621,990)	(618,310)
Expendable balance, end of year	<u>\$ 259,972</u>	<u>\$ 1,439,015</u>	<u>\$ 1,698,987</u>	<u>\$ 2,393,509</u>
Total funds, end of year	<u>\$ 1,997,945</u>	<u>\$ 18,020,883</u>	<u>\$ 20,018,828</u>	<u>\$ 19,829,365</u>

In the current year, 411 bursaries and awards valued at \$718,490 were disbursed from the total endowed funds (2021 – 409 bursaries and awards valued at \$710,910).

20. PENSION PLAN

All eligible employees of the University are members of a defined contribution pension plan. Contributions made by the University to the pension plan during the year were \$7,173,675 (2021 - \$6,963,749).

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21. 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, 2022 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, 2022 are as follows:

2023	\$	1,712,583
2024		1,226,820
2025		1,001,820
2026		1,012,262
2027		1,019,720
Thereafter		770,950
	\$	<u>6,744,155</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.

22. 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.

23. 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% (2021 – 0.0% to 16.2%) and have maturity dates ranging from April 1, 2022 to December 31, 2099 (2021 - April 1, 2021 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.

(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 2021.

(c) Market price risk

Market price risk arises as a result of trading fixed income securities and equities. The value of equity securities change with stock market conditions which are affected by general economic and market conditions. Changes in interest rates may also affect the value of equity securities. Fluctuation in the market exposes the University to a risk of loss. The University manages this risk through policies and procedures in place governing asset mix, equity and fixed income allocations, and diversification among and within categories.

(d) Liquidity risk

Money market investments represent instruments in highly liquid investments that are readily converted into known amounts of cash. The University invested in equity and fixed income investments that are traded in an active market, and can be readily liquidated at amounts close to their fair value in order to meet liquidity requirements.

24. SUBSEQUENT EVENT

On April 14, 2022, the Board of Directors of the Campus Childcare informed the University of its decision to close the Campus Childcare Centre permanently with the last day of operation being September 2, 2022. As a result of the announcement, the University will assess the amounts due from the Campus Childcare Center upon closure in September, and will forgive the balance owing at that time. It is anticipated the amount will be approximately \$2 million.

25. COMPARATIVE INFORMATION

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