

*Consolidated Financial Statements of*

**UNIVERSITY OF ONTARIO  
INSTITUTE OF TECHNOLOGY**

*For the year ended March 31, 2014*

**UNIVERSITY OF ONTARIO INSTITUTE OF TECHNOLOGY**  
**Consolidated Financial Statements**  
**Table of Contents**  
**For the year ended March 31, 2014**

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	<u>Page</u>
<b>Independent Auditors' Report</b>	
Consolidated Statement of Financial Position	1
Consolidated Statement of Operations	2
Consolidated Statement of Changes in Net Assets	3
Consolidated Statement of Cash Flows	4
Notes to the Consolidated Financial Statements	5-20



**KPMG LLP**  
Yonge Corporate Centre  
4100 Yonge Street Suite 200  
Toronto ON M2P 2H3  
Canada

Telephone (416) 228-7000  
Fax (416) 228-7123  
Internet [www.kpmg.ca](http://www.kpmg.ca)

## 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, 2014, 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, 2014, 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 18, 2014  
Toronto, Canada

**UNIVERSITY OF ONTARIO INSTITUTE OF TECHNOLOGY**  
**Consolidated Statement of Financial Position**  
As at March 31, 2014

	<u>Mar 31, 2014</u>	<u>Mar 31, 2013</u>
<b>ASSETS</b>		
CURRENT		
Cash (Note 5)	\$ 29,002,551	\$ 21,567,750
Grant receivable	6,577,708	7,734,608
Other accounts receivable (Allowance for doubtful accounts \$292,235, 2013 - \$291,265)	7,467,593	6,584,194
Inventories	316,134	245,570
Prepaid expenses and deposits	1,430,358	1,436,858
	<b>44,794,344</b>	<b>37,568,980</b>
INVESTMENTS (Note 2)	<b>38,681,084</b>	40,311,259
CAPITAL ASSETS (Note 3)	<b>428,030,446</b>	429,820,905
OTHER ASSETS (Note 4)	-	6,831,815
<b>TOTAL ASSETS</b>	<b>\$ 511,505,874</b>	<b>\$ 514,532,959</b>
<b>LIABILITIES</b>		
CURRENT AND LONG-TERM LIABILITIES		
Accounts payable and accrued liabilities (Note 6)	\$ 28,838,419	\$ 25,644,062
Deferred revenue (Note 7)	20,823,200	20,851,942
Current portion of other long term debt (Note 8)	4,856,796	5,414,343
Current portion of obligations under capital lease (Note 9)	226,270	212,068
Current portion of long-term debenture debt (Note 10)	4,509,572	4,236,255
	<b>59,254,257</b>	<b>56,358,670</b>
OTHER LONG TERM DEBT (Note 8)	<b>17,021,235</b>	22,166,923
LONG TERM OBLIGATIONS UNDER CAPITAL LEASES (Note 9)	<b>38,755,187</b>	38,649,680
LONG TERM DEBENTURE DEBT (Note 10)	<b>185,411,947</b>	189,921,519
DEFERRED CAPITAL CONTRIBUTIONS (Note 11)	<b>178,068,679</b>	186,203,721
	<b>478,511,305</b>	<b>493,300,513</b>
<b>NET ASSETS / (DEFICIT)</b>		
UNRESTRICTED	<b>(26,007,017)</b>	(19,962,840)
INVESTED IN CAPITAL ASSETS (Note 14)	<b>20,073,981</b>	8,267,337
INTERNALLY RESTRICTED (Note 15)	<b>23,844,724</b>	18,013,020
ENDOWMENTS (Note 16)	<b>15,082,881</b>	14,914,929
	<b>32,994,569</b>	<b>21,232,446</b>
Contingencies and Contractual Commitments (Note 20)		
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 511,505,874</b>	<b>\$ 514,532,959</b>

*See accompanying notes to the financial statements*

**UNIVERSITY OF ONTARIO INSTITUTE OF TECHNOLOGY**  
**Consolidated Statement of Operations**  
For the year ended March 31, 2014

	<u>2014</u>	<u>2013</u>
<b>REVENUE</b>		
Grants - operating & research (Note 12)	\$ 66,176,518	\$ 65,450,669
Grants - debenture	13,500,000	13,500,000
Donations	1,775,099	997,651
Student tuition fees	61,721,748	54,379,171
Student ancillary fees	14,943,821	15,017,639
Revenues from ancillary operations	3,801,606	3,716,118
Other income	13,929,680	11,500,185
Amortization of deferred capital contributions	8,753,987	9,225,164
Interest revenue	647,910	320,354
Unrealized gain on investments	2,114,308	951,297
	<b>187,364,677</b>	<b>175,058,248</b>
<b>EXPENSES</b>		
Salaries and benefits	80,736,089	74,010,771
Supplies and expenses	35,517,365	31,195,207
Purchased Services	17,255,868	14,401,279
Interest expense	16,335,127	16,809,354
Amortization of capital assets	25,746,528	23,822,128
Professional fees	781,618	635,862
Gain on disposal of assets	(277,089)	(299,655)
	<b>176,095,506</b>	<b>160,574,946</b>
<b>Excess of revenue over expenses</b>	<b>\$ 11,269,171</b>	<b>\$ 14,483,302</b>

*See accompanying notes to the financial statements*

**UNIVERSITY OF ONTARIO INSTITUTE OF TECHNOLOGY**

**Consolidated Statement of Changes in Net Assets**

For the year ended March 31, 2014

	<u>Unrestricted</u>	<u>Invested in Capital Assets</u>	<u>Internally Restricted</u>	<u>Endowments</u>	<u>Total 2014</u>	<u>Total 2013</u>
		(Note 14)	(Note 15)	(Note 16)		
<b>Balance - Beginning of Year</b>	\$ (19,962,840)	\$ 8,267,337	\$ 18,013,020	\$ 14,914,929	\$ 21,232,446	\$ 5,964,377
Excess / (deficiency) Revenue over Expenses	28,261,712	(16,992,541)	-	-	11,269,171	14,483,302
Interfund Transfer	(5,831,704)	-	5,831,704	-	-	-
Investment in Capital Assets (Note 14)	(28,474,185)	28,474,185	-	-	-	-
Endowment Contributions (Note 16)	-	-	-	167,952	167,952	784,767
Donation of Land (Note 3)	-	325,000	-	-	325,000	-
<b>Net changes during the year</b>	(6,044,177)	11,806,644	5,831,704	167,952	11,762,123	15,268,069
<b>Balance - End of Year</b>	\$ (26,007,017)	\$ 20,073,981	\$ 23,844,724	\$ 15,082,881	\$ 32,994,569	\$ 21,232,446

*See accompanying notes to the financial statements*

# UNIVERSITY OF ONTARIO INSTITUTE OF TECHNOLOGY

## Consolidated Statement of Cash Flows

For the year ended March 31, 2014

	<u>2014</u>	<u>2013</u>
<b>NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES</b>		
<b>OPERATING</b>		
Excess of revenue over expenses	\$ 11,269,171	\$ 14,483,302
Items not affecting cash:		
Amortization of capital assets	25,746,528	23,822,128
Amortization of deferred capital contributions	(8,753,987)	(9,225,164)
Gain on disposal of assets	(277,089)	(299,655)
Unrealized (gain) on investments	(2,114,308)	(951,297)
	<b>25,870,315</b>	<b>27,829,314</b>
Working Capital		
Grant and other accounts receivable	674,842	(619,446)
Prepaid expenses and deposits	6,500	(735,227)
Inventories	(70,564)	(70,124)
Accounts payable and accrued liabilities	2,793,016	4,636,176
Deferred revenue	(28,742)	1,654,310
	<b>29,245,367</b>	<b>32,695,003</b>
<b>INVESTING</b>		
Purchase of capital assets	(16,813,958)	(16,429,786)
Proceeds on disposal of assets	291,793	309,883
Investments	3,744,483	2,897,753
	<b>(12,777,682)</b>	<b>(13,222,150)</b>
<b>FINANCING</b>		
Repayment of long term debt	(9,939,490)	(9,940,435)
Endowment contributions	167,952	784,767
Repayment of obligations under capital leases	119,709	104,579
Deferred capital contributions	618,945	730,734
	<b>(9,032,884)</b>	<b>(8,320,355)</b>
<b>NET CASH INFLOW</b>	<b>7,434,801</b>	<b>11,152,498</b>
<b>CASH BALANCE, BEGINNING OF YEAR</b>	<b>21,567,750</b>	<b>10,415,252</b>
<b>CASH BALANCE, END OF YEAR</b>	<b>\$ 29,002,551</b>	<b>\$ 21,567,750</b>
<b>SUPPLEMENTARY INFORMATION</b>		
Interest paid	\$ 16,437,941	\$ 16,560,263
Other assets	6,831,815	-
Donation of Land	325,000	-

See accompanying notes to the financial statements

**UNIVERSITY OF ONTARIO INSTITUTE OF TECHNOLOGY**  
**Notes to the Consolidated Financial Statements**  
**For the year ended March 31, 2014**

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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.

On April 1, 2012, the University adopted Canadian Accounting Standards for Not-for-Profit Organizations (“ASNPO”) in Part III of the Canadian Institute of Chartered Accountants (“CICA”) Handbook. These consolidated financial statements reflect the assets, liabilities, net assets, revenue and expenses of all the operations controlled by the University.

**1. SIGNIFICANT ACCOUNTING POLICIES AND DISCLOSURES**

*a) Basis of presentation*

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, 2014 are included in the Consolidated Financial Statements of the University.

On February 1, 2012, the Automotive Center of Excellence (“ACE”) started 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 wholly owned by the University and its financial results to March 31, 2014 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, 2014**

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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/upgrades	10 years
Major equipment	10 years
Furniture and Fixtures	5 years
Computer equipment	3 years
Vehicles	3 years
Laptops	2 - 3 years
Leasehold improvements	over lease term
Capital leases	over economic life of asset

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) 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 financial statements, and the reported amounts of revenue and expenses during the year. Actual results could differ from these estimates.

**UNIVERSITY OF ONTARIO INSTITUTE OF TECHNOLOGY**  
**Notes to the Consolidated Financial Statements**  
**For the year ended March 31, 2014**

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**2. INVESTMENTS**

	2014		2013	
	Cost	Fair Value	Cost	Fair Value
<b>Equities</b>	\$ 9,503,957	\$ 11,430,917	\$ 8,847,202	\$ 9,544,578
<b>Fixed income</b>	6,253,617	6,310,280	5,259,149	5,288,336
<b>Money Market/Cash</b>	282,214	282,214	831,739	831,739
<b>Held in Trust</b>	21,016,436	20,657,673	25,252,692	24,646,606
	<b>\$ 37,056,224</b>	<b>\$ 38,681,084</b>	<b>\$ 40,190,782</b>	<b>\$ 40,311,259</b>

Investments held in trust represent the principal on the remaining proceeds of a loan of \$20,657,673 (2013 - \$24,646,606) that the University received from the Ontario Financing Authority in February 2012 (Note 10), 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 1.2% to 12.2% (2013 – 1.0% to 6.0%) and have maturity dates ranging from April 15, 2014 to December 31, 2099 (2013 - April 2, 2013 to December 16, 2049).

*(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 2013.

*(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.

**UNIVERSITY OF ONTARIO INSTITUTE OF TECHNOLOGY**  
**Notes to the Consolidated Financial Statements**  
**For the year ended March 31, 2014**

**3. CAPITAL ASSETS**

Capital assets consist of:

	2014				2013	
	Balance, Beginning of Year	Cost Additions /Transfers / Disposals	Balance, End of Year	Accumulated Amortization	Net Book Value	Net Book Value
Land	\$ 300,000	\$ 8,156,815	\$ 8,456,815	\$ -	\$ 8,456,815	\$ 300,000
Buildings	389,899,396	55,196	389,954,592	70,173,077	319,781,515	329,599,688
Building Renovations / Upgrades	15,974,483	2,704,199	18,678,682	8,337,548	10,341,134	9,147,676
Leasehold Improvements	2,753,727	621,535	3,375,262	439,875	2,935,387	2,495,452
Furniture and Fixtures	14,111,653	878,497	14,990,150	12,251,326	2,738,824	2,810,879
Laptops	18,726,714	1,348,392	20,075,106	14,208,007	5,867,099	5,596,623
Computer equipment	9,623,525	1,714,648	11,338,173	9,036,519	2,301,654	1,836,257
Vehicles	117,944	26,107	144,051	88,470	55,581	73,140
Major Equipment	57,811,622	3,109,158	60,920,780	22,456,671	38,464,109	41,213,707
Construction-in-progress	446,608	1,016,172	1,462,780	-	1,462,780	446,608
	<b>\$ 509,765,672</b>	<b>\$ 19,630,719</b>	<b>\$ 529,396,391</b>	<b>\$ 136,991,493</b>	<b>\$ 392,404,898</b>	<b>\$ 393,520,030</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	2,363,644	33,325,548	34,000,875
Total	<b>\$ 547,754,864</b>	<b>\$ 19,630,719</b>	<b>\$ 567,385,583</b>	<b>\$ 139,355,137</b>	<b>\$ 428,030,446</b>	<b>\$ 429,820,905</b>

Included in Land and Buildings two are 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 totaled \$675,327 (2013 - \$675,327).

Interest capitalized relates to interest on a line of credit used for the construction of ACE. Interest capitalized for the current year is NIL (2013 - NIL) as the construction on ACE was completed in 2011 - 2012 and the interest is now accounted for as an operating expense for ACE.

**4. OTHER ASSETS**

On September 4, 2003, Durham College purchased the Windfields Farms property for \$7,831,815, for the purposes of expansion including the development of the University. Durham College's payment for this purchase consisted of \$1,000,000 of cash and \$6,831,815 of debt from the University. The ownership of the land resided with Durham College.

**UNIVERSITY OF ONTARIO INSTITUTE OF TECHNOLOGY**  
**Notes to the Consolidated Financial Statements**  
**For the year ended March 31, 2014**

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**4. OTHER ASSETS (continued)**

The University made a final cash transfer of \$1,000,000 to the College on April 1, 2013. On April 2, 2013, Durham College and the University signed an agreement, whereby both institutions agree they have completed the discussions on the terms by which the property acquired from Windfields Farm in 2003 will be conveyed to the University as the sole owner. The amount due from the College in the amount of \$6,831,815, and disclosed under "Other Assets" as at March 31, 2013, was extinguished as of April 2, 2013, and the University recorded Land at \$7,831,815 as at the same date.

**5. CASH BALANCE / (BANK INDEBTEDNESS)**

	<u>March 31, 2014</u>	<u>March 31, 2013</u>
Bank of Montreal, credit facility	\$ 21,526,280	\$ 17,616,072
Bank of Montreal, cash balances	11,667,631	8,422,055
IBM, credit facility drawn	(5,000,000)	(5,000,000)
Royal Bank of Canada, cash balances	173,623	59,310
Harris Bank, cash balances	109,082	49,407
Other, balances	525,935	420,906
	<u>\$ 29,002,551</u>	<u>\$ 21,567,750</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, 2014, the University utilized on a cash consolidated basis nil (2013 - nil) of the operating line of credit.

The University also has 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 (2013 - \$5,000,000) of the operating line of credit.

**6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

Included in accounts payable and accrued liabilities are government remittances payable of \$197,576 (2013 - \$219,810), relating to payroll related taxes.

**UNIVERSITY OF ONTARIO INSTITUTE OF TECHNOLOGY**  
**Notes to the Consolidated Financial Statements**  
**For the year ended March 31, 2014**

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**7. DEFERRED REVENUE**

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

	<u>March 31, 2014</u>	<u>March 31, 2013</u>
Research	\$ 6,227,980	\$ 6,185,676
Donations	2,625,846	2,710,096
Tuition	6,884,430	6,405,571
Ancillary	4,306,798	4,469,531
Other	778,146	1,081,068
	<u>\$ 20,823,200</u>	<u>\$ 20,851,942</u>

**8. OTHER LONG-TERM DEBT**

The University has incurred debts in the amount of \$21,878,031 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 is comprised of the following:

	<u>2014</u>	<u>2013</u>
Unsecured loan, bearing fixed interest rate at 2.77% per annum, repayable semi-annually, with final instalment due October 15, 2017	\$ 19,921,518	\$ 24,157,774
Unsecured loan, bearing fixed interest rate at 1.66% per annum, repayable semi-annually, with final instalment due August 16, 2013	-	838,039
Other unsecured loans, payable monthly / quarterly over a period of 4 to 30 years and at interest rates ranging from 0% to 9.3%	1,956,513	2,585,453
	<u>\$ 21,878,031</u>	<u>\$ 27,581,266</u>

**UNIVERSITY OF ONTARIO INSTITUTE OF TECHNOLOGY**  
**Notes to the Consolidated Financial Statements**  
**For the year ended March 31, 2014**

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

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

2015	\$	4,856,796
2016		5,153,534
2017		5,477,659
2018		5,707,308
2019		132,672
Thereafter, through 2041		550,062
		<u>21,878,031</u>
Less: current portion		4,856,796
	\$	<u>17,021,235</u>

The fair value of the other long-term debt is \$22,305,319 (2013 - \$28,388,080). 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:

2015	\$	3,107,682
2016		3,285,287
2017		3,664,911
2018		3,719,641
2019		3,746,878
Thereafter, through 2041		81,006,469
Total minimum lease payments		<u>98,530,868</u>
Less: amount representing interest at rates ranging from 6.50 to 9.30%		59,549,411
Present value of net minimum capital lease payments		38,981,457
Less: current portion of principal obligations		226,270
	\$	<u>38,755,187</u>

Interest of \$3,227,391 (2013 - \$3,212,261) relating to capital lease obligations has been included in interest expense. The total amount of assets under capital leases is \$37,989,192 (2013 - \$37,989,192) with related accumulated amortization of \$2,363,644 (2013 - \$1,688,317).

**UNIVERSITY OF ONTARIO INSTITUTE OF TECHNOLOGY**  
**Notes to the Consolidated Financial Statements**  
**For the year ended March 31, 2014**

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**9. OBLIGATIONS UNDER CAPITAL LEASES (continued)**

The fair value of the capital leases was \$42,864,253 (2013 - \$42,865,835). 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. 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, 2014 is \$148,509,053 (2013 - \$132,008,047), \$115,487,712 funded by MTCU and \$33,021,341 funded by the University.

The University has deposited a minimum of \$50,000,000, less the aggregate principal repaid to-date of \$30,078,482. The fair value of funds amounting to \$20,657,673 are held in trust on behalf of the University (Note 2).

As at March 31, 2014, \$217,431,043 (2013 - \$217,431,043) had been used to finance capital assets.

2015	\$	4,509,572
2016		4,800,522
2017		5,110,244
2018		5,439,949
2019		5,790,925
Thereafter, through 2034		164,270,307
Total minimum payments		189,921,519
Less: current portion		4,509,572
	\$	185,411,947

The fair value of the long-term debenture debt is \$220,199,044 (2013 - \$243,787,422). 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.



**UNIVERSITY OF ONTARIO INSTITUTE OF TECHNOLOGY**  
**Notes to the Consolidated Financial Statements**  
**For the year ended March 31, 2014**

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**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:

	<b>2014</b>	2013
Balance - beginning of year	<b>\$ 186,203,721</b>	\$ 194,698,151
Contributions	<b>618,945</b>	730,734
Recognized as revenue during the year	<b>(8,753,987)</b>	(9,225,164)
Balance - end of year	<b>\$ 178,068,679</b>	\$ 186,203,721

**12. GRANT REVENUES**

Grant revenues are split as follows:

	<b>2014</b>	2013
Operating	<b>\$ 57,624,896</b>	\$ 55,281,135
Research	<b>8,551,622</b>	10,169,534
Total grant revenues	<b>\$ 66,176,518</b>	\$ 65,450,669

**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.

In fiscal year 2011, the University signed a number of service level agreements with Durham College, covering specifically Purchasing, Health and Safety, and Campus Safety. Amounts are

**13. PURCHASED SERVICE COSTS (continued)**

invoiced on a monthly basis by Durham College and these are recorded as expenses under “Purchased Services” in the consolidated financial statements.

On March 21, 2012, a “Memorandum of Agreement in Principle” between the University and Durham College was signed by the two institutions, whereby both agree to continue the shared service relationship in the areas of Information Technology, Facilities Management, and Services & Ancillaries.

In fiscal year 2013, the University and the College agreed that the University will pay administrative overhead costs for employees under those shared services that are managed by Durham College. These costs are recorded as expenses under “Purchased Services” in the consolidated statement of operations. Conversely, the Library is managed by the University and Durham College will pay UOIT administrative overhead costs for the Library employees. This revenue is recorded as income under “Other Income” in the consolidated statement of operations.

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.

**UNIVERSITY OF ONTARIO INSTITUTE OF TECHNOLOGY**  
**Notes to the Consolidated Financial Statements**  
**For the year ended March 31, 2014**

**14. INVESTED IN CAPITAL ASSETS**

Investment in capital assets represents the following:

	<b>2014</b>	2013
Capital assets - net book value	\$ 428,030,446	\$ 429,820,905
Less amount financed by deferred capital contributions	(178,068,679)	(186,203,721)
Less amount financed by long-term debt (Notes 8, 9 and 10)	(229,887,786)	(235,349,847)
<b>Investment in capital assets</b>	<b>\$ 20,073,981</b>	<b>\$ 8,267,337</b>

	<b>2014</b>	2013
Net change in investment in capital assets:		
Purchases of capital assets	\$ 23,645,773	\$ 16,429,786
Donation of Land	\$ 325,000	\$ -
Amounts funded by:		
Deferred capital contributions	(618,945)	(730,734)
Long-term debt	(331,777)	(303,336)
Repayment of long-term debt	5,779,134	6,027,996
	<b>\$ 28,799,185</b>	<b>\$ 21,423,712</b>

	<b>2014</b>	2013
Amortization of deferred contributions related to capital assets	\$ 8,753,987	\$ 9,225,164
Less amortization of capital assets	(25,746,528)	(23,822,128)
	<b>\$ (16,992,541)</b>	<b>\$ (14,596,964)</b>
<b>Net change during the year</b>	<b>\$ 11,806,644</b>	<b>\$ 6,826,748</b>

**UNIVERSITY OF ONTARIO INSTITUTE OF TECHNOLOGY**  
**Notes to the Consolidated Financial Statements**  
**For the year ended March 31, 2014**

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**15. INTERNALLY RESTRICTED NET ASSETS**

Details of the internally restricted net assets are as follows:

	<u>March 31, 2014</u>	<u>March 31, 2013</u>
Balance comprised the following:		
Research related activities	\$ 4,728,618	\$ 3,619,382
Capital related activities	13,175,994	9,972,475
Student awards	980,000	1,000,000
Working capital	4,000,000	3,000,000
Other	960,112	421,163
<b>Balance - end of year</b>	<b>\$ 23,844,724</b>	<b>\$ 18,013,020</b>

**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.

**16. ENDOWMENTS (continued)**

**UNIVERSITY OF ONTARIO INSTITUTE OF TECHNOLOGY**  
**Notes to the Consolidated Financial Statements**  
**For the year ended March 31, 2014**

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The balance of endowments consists of the following:

	<u>2014</u>	<u>2013</u>
OSOTF (Note 17)	\$ 1,548,982	\$ 1,539,348
OTSS (Note 18)	11,895,778	11,737,914
Other	1,638,121	1,637,667
	<u>\$ 15,082,881</u>	<u>\$ 14,914,929</u>

**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>2014</u>	<u>2013</u>
Endowment fund balance at beginning of year	\$ 1,539,348	\$ 1,519,877
Preservation of capital	9,634	19,471
Endowment fund balance at end of year	<u>\$ 1,548,982</u>	<u>\$ 1,539,348</u>

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

	<u>2014</u>	<u>2013</u>
Expendable balance, beginning of year	\$ 203,614	\$ 167,652
Realized investment income	30,095	55,433
Less: Preservation of capital	(9,634)	(19,471)
Bursaries awarded	(30,000)	-
Expendable balance, end of year	<u>\$ 194,075</u>	<u>\$ 203,614</u>
Number of bursaries awarded	<u>5</u>	<u>-</u>

**18. ONTARIO TRUST FOR STUDENT SUPPORT**

**UNIVERSITY OF ONTARIO INSTITUTE OF TECHNOLOGY**  
**Notes to the Consolidated Financial Statements**  
**For the year ended March 31, 2014**

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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>2014</u>	<u>2013</u>
Cash donations matched	\$ -	\$ -
Unmatched Cash Donations	<b>57,909</b>	<b>201,466</b>
Total cash donations	<b>\$ 57,909</b>	<b>\$ 201,466</b>

**Schedule of Changes in Endowment Fund Balance**

	<u>2014</u>	<u>2013</u>
Endowment balance, beginning of year	\$ 11,737,914	\$ 11,371,767
Eligible cash donations	<b>57,909</b>	201,466
Matching funds received/receivable from MTCU	-	-
Preservation of capital	<b>99,955</b>	164,681
Endowment fund balance at end of year	<b>\$ 11,895,778</b>	<b>\$ 11,737,914</b>

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

	<u>2014</u>	<u>2013</u>
Expendable balance, beginning of year	\$ 535,238	\$ 232,466
Realized investment income	<b>313,368</b>	467,453
Less: Preservation of capital	<b>(99,955)</b>	(164,681)
Bursaries awarded	<b>(231,325)</b>	-
Expendable balance, end of year	<b>\$ 517,326</b>	<b>\$ 535,238</b>

In the current year, 186 bursaries valued at \$268,325 were disbursed from the endowed funds (2013 – 175 bursaries valued at \$268,400 were funded from operations).

**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 the option at the employee's discretion, to increase these contributions to a total of 6% of contributory earnings. The University must contribute a minimum of 6% and may contribute a maximum of 8% of contributory earnings to this plan, depending on the employee's election of 2%. Contributions made by the University to the pension plan during the year were \$3,877,056 (2013 - \$3,445,697).

**20. CONTINGENCIES AND CONTRACTUAL COMMITMENTS**

**UNIVERSITY OF ONTARIO INSTITUTE OF TECHNOLOGY**  
**Notes to the Consolidated Financial Statements**  
**For the year ended March 31, 2014**

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**(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, 2014 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, 2014 are as follows:

2015	\$	1,811,387
2016		1,867,281
2017		1,928,749
2018		1,715,992
2019		1,591,975
Thereafter		11,424,905
	\$	<u>20,340,289</u>

**21. Comparative Figures**

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