

*Financial Statements of*

**UNIVERSITY OF ONTARIO  
INSTITUTE OF TECHNOLOGY**

*March 31, 2004*

## Auditors' Report

To the Board of Governors  
University of Ontario Institute of Technology

We have audited the statement of financial position of University of Ontario Institute of Technology as at March 31, 2004 and the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, these financial statements present fairly, in all material respects, the financial position of the University as at March 31, 2004 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

*Deloitte & Touche LLP*

Chartered Accountants

Toronto, Ontario  
June 9, 2004

# UNIVERSITY OF ONTARIO INSTITUTE OF TECHNOLOGY

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**UNIVERSITY OF ONTARIO INSTITUTE OF TECHNOLOGY**  
**Statement of Financial Position**  
**March 31, 2004**

	<u>2004</u>	<u>2003</u> (Note 17)
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash and short term investments	\$ 2,638,533	\$ 41,478,423
Grant receivable	-	4,755,143
Other receivables	2,416,653	849,803
Accrued interest receivable	-	34,316
Prepaid expenses	31,817	-
	<b>5,087,003</b>	47,117,685
CONSTRUCTION-IN-PROGRESS (Note 3)	<b>104,307,085</b>	18,657,616
CAPITAL ASSETS (Note 4)	<b>60,401,697</b>	4,984,679
	<b>\$ 169,795,785</b>	<b>\$ 70,759,980</b>
<b>LIABILITIES</b>		
<b>CURRENT</b>		
Demand loan (Note 5)	\$ 76,259,980	\$ -
Accounts payable and accrued liabilities	25,423,729	8,676,392
Deferred revenue (Note 6)	472,827	10,000
Deferred transitional grant	-	2,475,137
	<b>102,156,536</b>	11,161,529
DEFERRED CONTRIBUTIONS (Note 7)	<b>6,265,069</b>	-
DEFERRED CAPITAL CONTRIBUTIONS (Note 8)	<b>58,609,646</b>	59,598,451
	<b>167,031,251</b>	70,759,980
<b>NET ASSETS</b>		
UNRESTRICTED	<b>(27,445,534)</b>	-
ENDOWMENTS (Note 11)	<b>370,912</b>	-
INVESTED IN CAPITAL ASSETS (Note 9)	<b>29,839,156</b>	-
	<b>2,764,534</b>	-
	<b>\$ 169,795,785</b>	<b>\$ 70,759,980</b>

APPROVED ON BEHALF OF THE BOARD OF GOVERNORS

.....  
Chair

.....  
President

**UNIVERSITY OF ONTARIO INSTITUTE OF TECHNOLOGY**  
**Statement of Operations**  
Year ended March 31, 2004

	<u>2004</u>	<u>2003</u>
<b>REVENUE</b>		
Grants	\$ 15,122,601	\$ 9,280,007
Donations	60,371	-
Student tuition fees	3,719,047	-
Interest revenue	28,393	3,802,166
Student ancillary fees	1,599,555	-
Other income	491,676	-
Amortization of deferred capital contributions	1,988,805	401,549
	<b>23,010,448</b>	<b>13,483,722</b>
<b>EXPENDITURE</b>		
Salaries and benefits	9,600,967	4,097,190
Service costs (Note 10)	2,231,293	2,075,065
Supplies and expenses	6,795,761	6,909,918
Amortization of capital assets	1,988,805	401,549
	<b>20,616,826</b>	<b>13,483,722</b>
<b>EXCESS OF REVENUE OVER EXPENDITURE</b>	<b>\$ 2,393,622</b>	<b>\$ -</b>

**UNIVERSITY OF ONTARIO INSTITUTE OF TECHNOLOGY**  
**Statement of Changes in Net Assets**  
**For the year ended March 31, 2004**

	2004				2003
	Unrestricted	Invested in Capital Assets (Note 9)	Endowments	Total	Total
BALANCE, BEGINNING OF YEAR	\$ -	\$ -	\$ -	\$ -	\$ -
EXCESS OF REVENUE OVER EXPENDITURE	2,393,622	-	-	2,393,622	-
INVESTMENT IN CAPITAL ASSETS	(29,839,156)	29,839,156	-	-	-
ENDOWMENT CONTRIBUTIONS (Note 11)	-	-	370,912	370,912	-
NET CHANGES DURING THE YEAR	(27,445,534)	29,839,156	370,912	2,764,534	-
BALANCE, END OF YEAR	\$ (27,445,534)	\$ 29,839,156	\$ 370,912	\$ 2,764,534	\$ -

**UNIVERSITY OF ONTARIO INSTITUTE OF TECHNOLOGY**  
**Statement of Cash Flows**  
Year ended March 31, 2004

	<u>2004</u>	<u>2003</u>
<b>NET (OUTFLOW) INFLOW OF CASH RELATED TO THE FOLLOWING ACTIVITIES</b>		
<b>OPERATING</b>		
Excess of revenue over expenditure for the year	\$ 2,393,622	\$ -
Items not affecting cash		
Amortization of capital assets	1,988,805	401,549
Amortization of deferred contributions	(735,827)	-
Amortization of deferred capital contributions	(1,988,805)	(401,549)
	<u>1,657,795</u>	<u>-</u>
Net change in non-cash working capital balances relating to operations		
Grant and other receivables	3,188,293	(5,604,946)
Accrued interest receivable	34,316	(34,316)
Prepaid expenses	(31,817)	-
Accounts payable and accrued liabilities	16,747,337	8,676,392
Deferred revenue	462,827	10,000
Deferred transitional grant	(2,475,137)	2,475,137
	<u>19,583,614</u>	<u>5,522,267</u>
<b>INVESTING</b>		
Purchase of capital assets	(57,405,823)	(5,386,228)
Construction-in-progress	(85,649,469)	(18,657,616)
Endowment contributions	370,912	-
	<u>(142,684,380)</u>	<u>(24,043,844)</u>
<b>FINANCING</b>		
Demand loan	76,259,980	-
Deferred contributions	7,000,896	-
Deferred capital contributions	1,000,000	60,000,000
	<u>84,260,876</u>	<u>60,000,000</u>
<b>NET CASH (OUTFLOW) INFLOW</b>	<b>(38,839,890)</b>	<b>41,478,423</b>
<b>CASH, BEGINNING OF YEAR</b>	<b>41,478,423</b>	<b>-</b>
<b>CASH, END OF YEAR</b>	<b>\$ 2,638,533</b>	<b>\$ 41,478,423</b>
<b>CASH IS COMPRISED OF:</b>		
Cash	\$ 2,387,637	\$ 34,707,423
Short-term investments	250,896	6,771,000
	<u>\$ 2,638,533</u>	<u>\$ 41,478,423</u>

# UNIVERSITY OF ONTARIO INSTITUTE OF TECHNOLOGY

## Notes to Financial Statements

March 31, 2004

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### 1. DESCRIPTION

The University of Ontario Institute of Technology (the "University") was incorporated without share capital under the University of Ontario Institute of Technology Act which received Royal assent on June 27, 2002. The 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 undergraduate education. The University is a registered charity under Section 149 of the Income Tax Act and is, therefore, exempt from income taxes.

### 2. SIGNIFICANT ACCOUNTING POLICIES AND DISCLOSURES

#### (a) *Basis of presentation*

The Financial Statements of the University have been prepared by management in accordance with the accounting standards for not-for-profit organizations, published by the Canadian Institute of Chartered Accountants (CICA), using the deferral method of reporting restricted contributions. These financial statements reflect the assets, liabilities, net assets, revenue and expenditures of all the operations controlled by the University.

#### (b) *Revenue recognition*

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

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

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.



# UNIVERSITY OF ONTARIO INSTITUTE OF TECHNOLOGY

## Notes to Financial Statements

March 31, 2004

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### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (c) *Capital assets*

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

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

Buildings	40 Years
Furniture, Fixtures and Equipment	5 Years
Computer Equipment	3 Years
Building Renovations/Upgrades	10 Years
Major Equipment	10 Years

Capital assets acquired during the financial year are amortized at half of the applicable rate.

#### (d) *Deferred capital contributions*

Contributions expended for the purchase of capital assets are deferred in the accounts and amortized over the same term and on the same basis as the related capital asset.

#### (e) *Student organizations*

These Financial Statements do not reflect the assets, liabilities, and results of operations of the various student organizations.

#### (f) *Sabbaticals and other leaves*

The cost of sabbaticals and leaves are recorded when paid, as related activities relate to research activities and professional growth undertaken for the benefit of the University.

#### (g) *Use of estimates*

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

# UNIVERSITY OF ONTARIO INSTITUTE OF TECHNOLOGY

## Notes to Financial Statements

March 31, 2004

### 3. CONSTRUCTION-IN-PROGRESS

Construction-in-progress consists of the costs incurred to March 31, 2004 for the construction of two new Academic buildings, the Library and related infrastructure costs. These capital costs will be transferred to capital assets and amortized once they are completed and put into use.

### 4. CAPITAL ASSETS

Capital assets consist of the following:

	2004				2003	
	Cost		Balance End of Year	Accumulated Amortization	Net Book Value	Net Book Value
	Balance Beginning of Year	Additions				
Buildings	\$ -	\$ 54,818,937	\$ 54,818,937	\$ 799,443	\$ 54,019,494	\$ -
Building renovations	2,027,009	384,349	2,411,358	323,267	2,088,091	1,925,659
Furniture, fixtures and equipment	2,449,859	-	2,449,859	735,023	1,714,836	2,204,873
Computer equipment	83,528	2,202,535	2,286,063	408,745	1,877,318	69,607
Major equipment	825,833	-	825,833	123,875	701,958	784,540
	<b>\$ 5,386,229</b>	<b>\$ 57,405,821</b>	<b>\$ 62,792,050</b>	<b>\$ 2,390,353</b>	<b>\$ 60,401,697</b>	<b>\$ 4,984,679</b>

### 5. DEMAND LOAN

The University has been approved for bridge loan financing in the amount of \$100,000,000 at an interest rate of Bank of Canada Prime less 0.25%. As of March 31, 2004, \$76,259,980 was drawn against this facility, to finance the construction of Academic Buildings. This loan is repayable in full upon demand. This loan is secured by Durham College of Applied Arts and Technology supported by a letter of approval from the Ministry of Finance, Ontario.

### 6. DEFERRED REVENUE

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

	2004	2003
Research	\$ 95,511	\$ -
Ancillary fees	45,377	-
Donations	-	10,000
Bursaries	126,939	-
Tuition	205,000	-
	<b>\$ 472,827</b>	<b>\$ 10,000</b>

# UNIVERSITY OF ONTARIO INSTITUTE OF TECHNOLOGY

## Notes to Financial Statements

March 31, 2004

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### 7. DEFERRED CONTRIBUTIONS

Deferred contributions represent unspent externally restricted grants and donations. The changes in the balance consist of the following:

	<u>2004</u>	<u>2003</u>
Balance, beginning of year	\$ -	\$ -
Contributions	7,000,896	-
Recognized as revenue during the year	(735,827)	-
<b>Balance, end of year</b>	<b>\$ 6,265,069</b>	<b>\$ -</b>

Balance is comprised of:

	<u>2004</u>	<u>2003</u>
Ministry of Training Colleges and Universities		
Grant - capital debt repayment	\$ 6,750,000	\$ -
Other donation for debt repayment	250,896	-
	<u>7,000,896</u>	<u>-</u>
Less recognized as revenue	(735,827)	-
	<b>\$ 6,265,069</b>	<b>\$ -</b>

### 8. DEFERRED CAPITAL CONTRIBUTIONS

Deferred capital contributions represent the unamortized amount of grants and donations for the purchase of capital assets. The amortization of capital contributions is recorded as revenue in the statement of operations at the same rate as amortization is recorded on the related capital assets. The changes in the balance consist of the following:

	<u>2004</u>	<u>2003</u>
Balance, beginning of year	\$ 59,598,451	\$ -
Contributions	1,000,000	60,000,000
Recognized as revenue during the year	(1,988,805)	(401,549)
	<u>\$ 58,609,646</u>	<u>\$ 59,598,451</u>

The balance of unamortized capital contributions consists of the following:

	<u>2004</u>	<u>2003</u>
Unamortized capital contributions used to purchase capital assets	\$ 58,609,646	\$ 23,642,295
Unspent contributions	-	35,956,156
	<u>\$ 58,609,646</u>	<u>\$ 59,598,451</u>

**UNIVERSITY OF ONTARIO INSTITUTE OF TECHNOLOGY**  
**Notes to Financial Statements**  
**March 31, 2004**

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**9. INVESTED IN CAPITAL ASSETS**

(a) Investment in capital assets represents the following:

	<u>2004</u>	<u>2003</u>
Construction-in-progress	\$ 104,307,085	\$ 18,657,616
Capital assets, net	60,401,697	4,984,679
Less net book value of assets financed by:		
Demand loan (Note 5)	(76,259,980)	-
Deferred capital contributions (Note 7)	(58,609,646)	(23,642,295)
	<u>\$ 29,839,156</u>	<u>\$ -</u>

(b) Change in investment in capital assets is calculated as follows:

	<u>2004</u>	<u>2003</u>
Amortization of deferred contributions related to capital assets	\$ 1,988,805	\$ 401,549
Less amortization of capital assets	(1,988,805)	(401,549)
	<u>\$ -</u>	<u>\$ -</u>

Net change in investment in capital assets:

	<u>2004</u>	<u>2003</u>
Purchases of capital assets	\$ 143,055,292	\$ 24,043,844
Amounts funded by:		
Demand loan	(76,259,980)	-
Deferred capital contributions	(36,956,156)	(24,043,844)
	<u>\$ 29,839,156</u>	<u>\$ -</u>

As at March 31, 2004, there were no unspent capital contributions (2003 - \$35,956,156).

**10. SERVICE COSTS**

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

# UNIVERSITY OF ONTARIO INSTITUTE OF TECHNOLOGY

## Notes to Financial Statements

March 31, 2004

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### 11. 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 apart 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 recorded in the statement of operations when the donors' conditions have been met.

Endowment funds include grants provided by the Government of Ontario from the Ontario Student Opportunity Trust Fund ("OSOTF"). Under this program, the government matches funds raised by the University. The purpose of the programs is to assist academically qualified individuals who, for financial reasons, would not otherwise be able to attend University.

The balance of endowments at March 31, 2004 consists of the following:

OSOTF	\$ 332,405
Other	38,507
	<hr/>
	\$ 370,912

### 12. ONTARIO STUDENT OPPORTUNITY TRUST FUNDS

The restricted endowment fund includes funds granted by the Government of Ontario for the Ontario Student Opportunity Trust Funds. The investment revenue gained on those funds must be used for financial aid of Ontario students.

The University has recorded the following amounts under the program:

	<u>2004</u>	<u>2003</u>
Endowment balance, beginning of year	\$ -	\$ -
Cash donations received	332,405	-
Transfer to Expendable Funds	-	-
Endowment balance, end of year	<hr/> \$ 332,405	<hr/> \$ -

# UNIVERSITY OF ONTARIO INSTITUTE OF TECHNOLOGY

## Notes to Financial Statements

March 31, 2004

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### 12. ONTARIO STUDENT OPPORTUNITY TRUST FUNDS (continued)

Expendable funds available for awards:

	<u>2004</u>	<u>2003</u>
Expendable funds, beginning of year	\$ -	\$ -
Investment income, net of direct investment related expenses	<b>2,909</b>	-
Transfer from endowment	-	-
Bursaries awarded (total number: 0)	-	-
Expendable funds, end of year	<b>\$ 2,909</b>	\$ -

### 13. 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 8% of contributory earnings to this plan. Contributions made by the University to the pension plan during the period were \$320,525.

### 14. CONTRACTUAL COMMITMENTS

During the year ended March 31, 2004, the University had signed contracts for the construction of new facilities totaling approximately \$190,000,000. As at March 31, 2004, \$105,042,912 had been incurred with respect to these contracts.

### 15. FINANCIAL INSTRUMENTS

#### *Fair value*

The fair value of financial assets and liabilities approximates their market value due to their short-term nature.

#### *Interest rate risk*

The University is exposed to interest rate fluctuations on its demand loan. The University does not hedge its interest rate risk.

**16. GUARANTEES**

Effective for the fiscal year 2004, the University adopted the new Canadian accounting guideline, which requires certain disclosures of guarantees.

In the normal course of business, the University enters into agreements that meet the definition of a guarantee. The University's primary guarantees subject to the disclosure requirements are as follows:

- (a) Indemnity has been provided to all directors and or officers of the University for various items including, but not limited to, all costs to settle suits or actions due to association with the University, subject to certain restrictions. The University has purchased directors' and officers' liability insurance to mitigate the cost of any potential future suits or actions. The term of the indemnification is not explicitly defined, but is limited to the period over which the indemnified party served as a trustee, director or officer of the University. The maximum amount of any potential future payment cannot be reasonably estimated.
- (b) In the normal course of business, the University has entered into agreements that include indemnities in favour of third parties, such as purchase and sale agreements, confidentiality agreements, engagement letters with advisors and consultants, outsourcing agreements, leasing contracts, information technology agreements and service agreements. These indemnification agreements may require the University to compensate counterparties for losses incurred by the counterparties as a result of breaches in representation and regulations or as a result of litigation claims or statutory sanctions that may be suffered by the counterparty as a consequence of the transaction. The terms of these indemnities are not explicitly defined and the maximum amount of any potential reimbursement cannot be reasonably estimated.

The nature of these indemnification agreements prevents the University from making a reasonable estimate of the maximum exposure due to the difficulties in assessing the amount of liability which stems from the unpredictability of future events and the unlimited coverage offered to counterparties. Historically, the University has not made any significant payments under such or similar indemnification agreements and therefore no amount has been accrued in the statement of financial position with respect to these agreements.

**17. COMPARATIVE FIGURES**

Certain prior year figures presented for comparison purposes have been reclassified to conform to the current year's presentation.