



BOARD OF GOVERNORS
Audit & Finance Committee

June 14, 2023
2:00 p.m. to 5:00 p.m.
[Videoconference](#)
+1 289-949-7241 PIN: 590 614 752#

Members: Carla Carmichael (Chair), Roger Thompson (Vice-Chair), Laura Elliott, Mitch Frazer, Kathy Hao, Thorsten Koseck, Dale MacMillan, Steven Murphy, Kim Slade

Staff: Sarah Cantrell, Jacquelyn Dupuis, Krista Hester, Lori Livingston, Brad Maclsaac, Kimberley McCartney, Pamela Onsiong, Lauren Turner

AGENDA

No.	Topic	Lead	Allocated Time	Suggested Start Time
PUBLIC SESSION				
1	Call to Order	Chair	5	2:00 p.m.
2	Agenda (M)			
3	Conflict of Interest Declaration			
4	Chair's Remarks	Chair	5	2:05 p.m.
5	President's Remarks	S. Murphy	5	2:10 p.m.
6	Finance			
6.1	Draft Audited Financial Statements 2022-2023 (includes internally restricted funds)* (M)	KPMG/ P. Onsiong	15	2:15 p.m.
6.2	Fourth Quarter Financial Reports* (U)	P. Onsiong	10	2:30 p.m.
7	Investment Oversight			
7.1	Investment Portfolio Update*	B. Maclsaac	10	2:40 p.m.
8	Interim Risk Update* (U)	B. Maclsaac	10	2:50 p.m.

D – Discussion

M – Motion

P – Presentation

U – Update

* Documents attached

No.	Topic	Lead	Allocated Time	Suggested Start Time
9	Consent Agenda (M):			
9.1	Minutes of Public Session of A&F Meeting of April 12, 2023*	Chair	5	3:00 p.m.
9.2	A&F Annual Board Report*			
9.3	Annual Policy Review*			
9.4	Privacy Report 2023*			
10	Adjournment (M)	Chair		3:05 p.m.
BREAK – 10 minutes				
NON-PUBLIC SESSION (material not publicly available)				
11	Call to Order	Chair	5	3:15 p.m.
12	Conflict of Interest Declaration			
13	President's Remarks	S. Murphy	5	3:20 p.m.
14	Audit			
14.1	Strategic Discussion: Sector Trends – View of External Auditor	KPMG	20	3:25 p.m.
14.2	Audit Findings Report* (U)	KPMG	15	3:45 p.m.
	KPMG Departs			
14.3	Auditor Assessment and Re-Appointment* (M)	B. Maclsaac	5	4:00 p.m.
15	Investment Report*	PH&N/ B. Maclsaac	20	4:05 p.m.
16	Risk Update (Non-Public Questions)	B. Maclsaac	5	4:25 p.m.
17	Finance			
17.1	MCU Draft Financial Accountability Framework* (U)	B. Maclsaac	10	4:30 p.m.

D – Discussion

M – Motion

P – Presentation

U – Update

* Documents attached

17.2	Campus Master Plan Update (U)	B. Maclsaac	5	4:40 p.m.
No.	Topic	Lead	Allocated Time	Suggested Start Time
18	Consent Agenda (M):			
18.1	Minutes of Non-Public Session of A&F Meeting of April 12, 2023*			
18.2	2022-2023 Safe Disclosure Report*	Chair	5	4:45 p.m.
18.3	A&F 2022-2023 Work Plan*			
18.4	A&F Action Points*			
18.5	Board/President Expenses*			
19	<i>In Camera</i> Session			
20	Termination (M)			5:00 p.m.

Lauren Turner, University Secretary

COMMITTEE REPORT

SESSION:

Public
Non-Public

ACTION REQUESTED:

Decision
Discussion/Direction
Information

TO: **Audit & Finance Committee**

DATE: **June 14, 2023**

PRESENTED BY: **Pamela Onsiong**

SLT LEAD: **Brad MacIsaac**

SUBJECT: **Draft Audited Financial Statements for the year ended March 31, 2023**

COMMITTEE MANDATE:

The Committee is responsible for overseeing the financial affairs of the University, including approval of the annual financial statements and financial reporting to ensure that appropriate financial controls, reporting processes and accountabilities are in place at the University.

Management is seeking the Committee’s recommendation of the 2022/23 draft audited financial statements and the 2022/23 proposed internally restricted reserves for approval by the Board of Governors.

BACKGROUND/CONTEXT & RATIONALE:

This report provides the Committee with the following reports for the year ending March 31, 2023:

- Draft audited financial statements and the accompanying notes to the financial statements (Appendix 1)
- Proposed internally restricted reserves (Appendix 2)
- Summary of draft financial health ratios (Appendix 3)
- Detailed year-over-year analysis of the draft audited financial statements (Appendix 4)

These financial statements are prepared on a consolidated basis in accordance with Canadian accounting standards for non-for-profit organizations as described in Note 2 to the financial statements, and include the results of its two fully-owned subsidiaries, Ontario Tech Talent and Regent Square Property Corporation.

HIGHLIGHTS:

In addition to normal operating activities, these Consolidated financial statements reflect a series of financial transactions that took place between the University and the Regent Square Property Corporation (“Regent Corporation”) on Feb 21, 2023, and these are as follows:

On September 1, 2010, the University had entered into a capital lease arrangement on a property located at 55 Bond Street in downtown Oshawa with the Regent Corporation. Regent Corporation is a taxable entity registered with the Canada Revenue Agency.

On February 21, 2023 and,

- (i) Pursuant to a share purchase agreement, the University acquired control of the Regent Corporation and its related property for cash consideration, amounting to \$7.5M. Consideration paid exceeds the fair value of assets acquired and liabilities assumed giving rise to \$1.0M of goodwill upon acquisition.

In connection with the acquisition the University obtained land and buildings with a fair market value of \$13.0M and assumed a mortgage of \$6.4M.

- (ii) The University surrendered its interest in the original capital lease with Regent Corporation and the lease was terminated, resulting in a \$2.1M non-cash loss as the net book value of the asset under capital lease was greater than the carrying value of the lease liability.
- (iii) As recommended by our tax consultants, and in order to minimize the tax obligations of the Regent Corporation, full beneficial ownership of the property was gifted by Regent Corporation to the University

Statement of Operations

The University ended the year with a surplus of \$2.6M. Total revenues increased by \$8.7M (3.9%) and expenses increased by \$18.5M (8.7%) over the prior year.

The University continues to face financial challenges with the ongoing tension between revenues and expenses. On the one hand, the Provincial tuition framework has kept tuition fees for domestic funding-eligible programs flat at the 2019-20 levels, after a 10% decrease in the prior year. Grant

Statement of Operations (continued)

funding, except for the Collaborative Nursing program, has also remained flat with current year funding for domestic students at the 2016-17 funding level. Expenses, on the other hand, continue to outpace revenue growth with increasing labour costs and operating spending at the higher pre-pandemic levels.

Revenue increase is largely driven by:

- \$3.6M increase in tuition fees (international tuition increase of \$5.3M due to growth and year-over-year increase in international tuition fees, offset by domestic/other decreases \$1.7M primarily attributable to the impact of flow-through of the smaller domestic intake in fiscal years 2020 and 2021 to the upper years).
- \$2.0M increase in interest revenue attributable to the rising interest rates in the last year.
- \$2.1M increase in expendable donations to offset expenses incurred in compliance with donors' agreements.
- \$4.2M increase in other income due to the recovery of the ancillary services from the pandemic.
- These increases are offset by a \$4.3M decrease in provincial operating grants as the prior year included specific one-time only grants in support of virtual learning and educational technology growth.

Expenses increase is driven by:

- \$7.5M increase in salaries and benefits for faculty and staff, including new hires and annual salaries increases. Salaries and benefits which comprise over half of the total expenses of the University and are mostly tied to collective agreements, have consumed 85% of the \$8.7M year-over-year increase in revenues.
- \$7.6M increase in supplies and expenses as activities return to pre-pandemic levels with increases in travel, repairs & maintenance and promotional and public relations expenses such as convocation and university fair.

Statement of financial position

The statement of financial position remains stable as at the end of the year with net assets increase of \$3.5M. Total net assets at \$119.1M are at their highest level since the inception of the University. Total unrestricted and internally restricted assets which represent the net expendable assets of the University remain strong, albeit less favourable than in the prior year as a result of the draw down of prior year reserves to fund new capital infrastructure.

Statement of financial position (continued)

Assets decrease of \$8.0M (or 1.5%) is attributable to:

- decrease of \$7.3M in cash and short-term investments relating to the capital injection in Regent Corporation. Cash and operating short-term investment balances remain stable at \$79.0M, of which 28% pertain to externally restricted expendable donations and research funds.
- decrease of \$5.6M in capital assets which is due to the net impact of accumulated amortization vs asset additions.

Liabilities decrease of \$11.5M (or 2.7%) over the prior year is mainly driven by:

- \$11.2M in total debt repayment.
- \$4.2M decrease in deferred capital contributions and relates to the net impact between contribution amortization and new grants and donations received for capital projects.
- These decreases are offset by \$3.1M increase in revenues earned and deferred as these are not spent at the end of the year.

Net Assets increased in line with the net increase in assets and liabilities. Changes in “Invested in Capital Assets” and in “Internally Restricted Assets” reflect primarily the University’s investments in capital projects using operating funds and prior year reserves respectively. The funds in net assets are all supported by cash and restricted investments.

Internally Restricted Reserves

In the current fiscal year, the University utilized \$11.3M of reserves for investment in the University’s capital infrastructure and in support of financial assistance to students. The ongoing tension between operating revenues and expenses and the necessary investments in new capital infrastructure in the current year have meant that there is minimal surplus fund available for future reserves. In the current year, the University is setting aside \$0.5M of additional reserves in compliance with faculty and student contractual obligations.

The University is aware of the need to replenish its reserves for future strategic initiatives and/or to mitigate unforeseen circumstances. We will continue to plan for these reserves in the University’s long-term forecast models.

Financial health ratios

Pending implementation of a new financial accountability framework by the Ministry and adoption of a revised set of financial health ratios, we are reporting on the 5 financial indicators, together with their respective minimum thresholds, that were previously recommended by the Council of Ontario Universities (“COU”) in 2016.

With a small operating surplus in the current year, net income/loss ratio at 1.12% is below the minimum COU recommended threshold of 1.5%. Although net operating revenues and the primary reserve continue to be favorable and are above the minimum recommended threshold, these are less favourable than the prior year due to the decrease in current year operating surplus, coupled with a year-over-year deterioration in working capital.

The University’s debt ratios, as measured by the interest burden and viability ratios, have improved over the last years as the University pays back its debt obligations. They are not within the COU recommended minimum thresholds when the full debenture debt is included in the calculation. However, accounting for the impact of the debt funding by the Province (annual grant of \$13.5M which covers 80% of the debenture repayment), the University’s normalized debt ratios fall within the minimum recommended thresholds (see Appendix 3).

Whilst the University ended the year with a surplus, Management continues to monitor closely the financial challenges that the University is currently facing and is looking at ways to address the tension between revenues and expenses as outlined in the April 2023 budget presentation.

FINANCIAL IMPLICATIONS:

The primary purpose of this financial update is to report on the statement of financial position of the University for the fiscal year ending March 31, 2023. Maintaining a stable financial position is critical to Ontario Tech University’s long-term financial sustainability.

COMPLIANCE WITH POLICY/LEGISLATION:

These audited financial statements are prepared in compliance with generally accepted accounting principles for not-for-profit organizations.

NEXT STEPS:

Presented to the Board of Governors for approval on June 28, 2023.

MOTION FOR CONSIDERATION:

That the Audit & Finance Committee hereby recommends the 2022/23 audited financial statements and the 2022/23 internally restricted reserves, as presented, for approval by the Board of Governors.

SUPPORTING REFERENCE MATERIALS:

- Appendix 1: Draft Consolidated Financial Statements and Notes to Financial Statements
- Appendix 2: Draft Internally Restricted Reserves
- Appendix 3: Financial Health Ratios
- Appendix 4: Detailed Analysis of Statement of Financial Position and Statement of Operations

APPENDIX 1

DRAFT Consolidated Financial Statements of

ONTARIO TECH UNIVERSITY

For the year ended March 31, 2023

ONTARIO TECH UNIVERSITY
Consolidated Financial Statements
Table of Contents
For the year ended March 31, 2023

	<u>Page</u>
Independent Auditor's Report	
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	5-23

ONTARIO TECH UNIVERSITY
Consolidated Statement of Financial Position
As at March 31, 2023

	<u>March 31, 2023</u>	<u>March 31, 2022</u>
Assets		
Current assets:		
Cash and cash equivalents (Note 4)	62,176,383	69,225,462
Short-term investments (Note 5)	17,000,000	17,217,673
Grant receivable	9,287,216	9,108,026
Other accounts receivable (allowance for doubtful accounts - \$998,855; 2022 - \$992,542)	8,619,781	5,611,209
Prepaid expenses and deposits	2,684,901	2,158,816
Inventories	33,729	5,730
	99,802,010	103,326,916
Investments (Note 6)	33,435,346	33,522,655
Other investments (Note 7)	(1,007,713)	(754,223)
Other assets (Note 8)	2,975,239	2,473,577
Capital assets (Note 9)	398,222,231	403,863,908
Goodwill (Note 10)	973,421	-
Total assets	534,400,534	542,432,833
Liabilities and Net Assets		
Current Liabilities:		
Accounts payable and accrued liabilities (Notes 11 and 19)	30,576,509	30,488,090
Deferred revenue (Note 12)	35,326,367	32,173,944
Current portion of other long-term debt (Note 13)	753,626	3,533
Current portion of obligations under capital lease (Note 14)	434,644	1,012,088
Current portion of long-term debenture debt (Note 15)	7,916,146	7,436,364
Current portion of fair value of interest rate swap (Note 16)	712,000	691,000
	75,719,292	71,805,019
Other long-term debt (Note 13)	6,181,402	173,309
Long-term portion of obligations under capital lease (Note 14)	26,841,138	34,248,680
Long-term portion of debenture debt (Note 15)	129,205,318	137,121,464
Long-term portion of fair value of interest rate swap (Note 16)	20,958,242	22,853,319
Deferred capital contributions (Note 17)	156,391,888	160,590,853
	415,297,280	426,792,644
Net Assets		
Unrestricted	24,923,895	21,775,929
Invested in capital assets (Note 20)	48,827,828	39,733,297
Internally restricted (Note 21)	19,419,098	29,214,708
Endowments (Note 22)	25,932,432	24,916,255
	119,103,254	115,640,189
Contingencies and Contractual Commitments (Note 24)		
Guarantee (Note 25)		
Risk Disclosure (Note 26)		
Total liabilities and Net Assets	534,400,534	542,432,833

See accompanying notes to the consolidated financial statements

ONTARIO TECH UNIVERSITY
Consolidated Statement of Operations
For the year ended March 31, 2023

	<u>2023</u>	<u>2022</u>
REVENUE		
Grants - operating and research (Note 18)	81,352,666	85,688,273
Grants - debenture (Note 15)	13,500,000	13,500,000
Donations	3,739,149	1,591,041
Student tuition fees	90,699,135	87,108,687
Student ancillary fees	13,001,273	11,970,615
Revenues from purchased services (Note 19)	1,465,114	678,601
Other income	17,393,541	13,165,388
Amortization of deferred capital contributions	8,252,004	9,130,891
Interest revenue	3,175,838	1,130,188
Gain/(loss) on disposal of assets	4,540	(28,663)
Unrealized gain on interest rate swap	1,183,077	1,117,681
	233,766,337	225,052,702
EXPENSES		
Salaries and benefits	129,031,422	121,526,640
Student aid, financial assistance and awards	15,040,090	14,295,553
Supplies and expenses	34,436,301	26,814,442
Purchased services (Note 19)	12,977,223	12,990,749
Interest expense - debt obligations	12,780,736	12,884,913
Interest expense - other	191,729	147,928
Amortization of capital assets	22,029,875	22,999,905
Professional fees	1,284,069	1,315,028
Loss on termination of capital lease	2,121,527	-
Loss on other investments	253,490	564,684
Unrealized loss/(gain) on investments	1,011,882	(892,501)
	231,158,344	212,647,341
Excess of revenue over expenses	2,607,993	12,405,361

See accompanying notes to the consolidated financial statements

ONTARIO TECH UNIVERSITY
Consolidated Statement of Changes in Net Assets
As at March 31, 2023

	<u>Unrestricted</u>	<u>Invested in Capital Assets</u> (Note 20)	<u>Internally Restricted</u> (Note 21)	<u>Endowments</u> (Note 22)	<u>Total 2023</u>	<u>Total 2022</u>
Balance - Beginning of Year	\$ 21,775,929	\$ 39,733,297	\$ 29,214,708	\$ 24,916,255	\$ 115,640,189	\$ 102,781,176
Excess / (deficiency)						
Revenue over Expenses	16,385,864	(13,777,871)	-	-	2,607,993	12,405,361
Interfund Transfer - Endowment	-	-	(161,105)	161,105	-	-
Interfund Transfer	9,634,505	-	(9,634,505)	-	-	-
Investment in Capital Assets	(22,872,402)	22,872,402	-	-	-	-
Endowment Contributions	-	-	-	855,072	855,072	453,652
Net changes during the year	3,147,967	9,094,531	(9,795,610)	1,016,177	3,463,065	12,859,013
Balance - End of Year	\$ 24,923,895	\$ 48,827,828	\$ 19,419,098	\$ 25,932,432	\$ 119,103,254	\$ 115,640,189

See accompanying notes to the consolidated financial statements

ONTARIO TECH UNIVERSITY
Consolidated Statement of Cash Flows
As at March 31, 2023

	<u>March 31, 2023</u>	<u>March 31, 2022</u>
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES		
OPERATING		
Excess of revenue over expenses	\$ 2,607,993	\$ 12,405,361
Items not affecting cash:		
Amortization of capital assets	22,029,875	22,999,905
Amortization of deferred capital contributions	(8,252,004)	(9,130,891)
(Gain)/Loss on disposal of assets	(4,540)	28,663
Loss on the termination of the capital lease	2,121,527	-
Loss on other investments	253,490	564,684
Unrealized gain on interest rate swap	(1,183,077)	(1,117,681)
Unrealized loss/(gain) on investments	1,011,882	(892,501)
	18,585,146	24,857,540
WORKING CAPITAL		
Grant and other accounts receivable	(2,749,384)	3,282,910
Prepaid expenses and deposits	(526,085)	17,759
Inventories	(27,999)	(599)
Accounts payable and accrued liabilities	(398,365)	(2,507,142)
Deferred revenue	3,152,424	3,929,577
	18,035,736	29,580,045
INVESTING		
Purchase of capital assets	(12,707,155)	(20,885,403)
Proceeds on disposal of capital assets	173,970	(28,258)
Investments	(706,900)	(17,900,552)
Other Assets	(501,662)	(473,570)
Acquisition of Regent Corporation (Note 3)	(7,500,000)	-
	(21,241,747)	(39,287,783)
FINANCING		
Repayment of interest-rate swap	(691,000)	24,662,000
Repayment of long-term debt	(7,103,193)	(7,110,343)
Repayment of obligations under capital leases	(956,986)	(913,057)
Endowment contributions	855,072	453,652
Deferred capital contributions	4,053,039	8,713,877
	(3,843,068)	25,806,129
NET CASH (OUTFLOW) / INFLOW	(7,049,079)	16,098,391
CASH & CASH EQUIVALENTS BALANCE, BEGINNING OF YEAR	69,225,462	53,127,071
CASH & CASH EQUIVALENTS BALANCE, END OF YEAR	\$ 62,176,383	\$ 69,225,462
SUPPLEMENTARY CASH FLOW INFORMATION		
Interest paid	\$ 12,997,308	13,088,360

See accompanying notes to the financial statements

ONTARIO TECH UNIVERSITY
Notes to the Consolidated Financial Statements
For the year ended March 31, 2023

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, 2023 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.

On February 21, 2023, and pursuant to a share purchase agreement, the University acquired the share capital and control of the Regent Square Property Corporation (“Regent Corporation”) and its related property for cash consideration. The acquisition has been accounted for using the acquisition method, whereby the purchase price is allocated to the net assets acquired based on their fair values. The accounting policy choice to consolidate on an annual basis has been selected.

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.

1. SIGNIFICANT ACCOUNTING POLICIES AND DISCLOSURES (continued)

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.

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,

1. SIGNIFICANT ACCOUNTING POLICIES AND DISCLOSURES (continued)

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.

(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 and its components	15 – 40 years
Building renovations and major equipment	10 years
Leasehold improvements	over lease term
Parking	20 years
Furniture and fixtures	5 years
Laptops	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 Assets Held by Not-for-Profit Organizations”, costs for the new Shawenjigewining Hall have been allocated to its separable component parts with differing estimated useful lives and amortized accordingly upon occupancy of the building in September 2021.

1. SIGNIFICANT ACCOUNTING POLICIES AND DISCLOSURES (continued)

(h) Goodwill and its impairment

Goodwill is the excess of the consideration paid over the fair value of the acquired assets and assumed liabilities in a business combination. Goodwill is not amortized but rather tested for impairment at least annually.

(i) 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.

(j) 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.

(k) 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. RELATED PARTY TRANSACTION

On September 1, 2010, the University entered into a capital lease arrangement on a property located at 55 Bond Street in downtown Oshawa with the Regent Corporation. Regent Corporation is a taxable entity registered with the Canada Revenue Agency.

On February 21, 2023, a series of financial transactions took place between the University and the Regent Corporation:

Pursuant to a share purchase agreement, the University acquired all of the share capital of the Regent Corporation and its related property for cash consideration. Consideration paid and the estimated fair value of the assets acquired and liabilities assumed are disclosed in Note 3.

The University surrendered its interest in the capital lease with Regent Corporation and the lease was terminated. The derecognition of the carrying value of the leased asset is disclosed in Note 9 and the lease termination is disclosed in Note 14.

Pursuant to a gift agreement, full beneficial ownership of the property was gifted by Regent Corporation to the University.

ONTARIO TECH UNIVERSITY
Notes to the Consolidated Financial Statements
For the year ended March 31, 2023

3. ACQUISITION

The following table summarizes the consideration paid and the estimated fair value of the assets acquired and liabilities assumed at the date of acquisition of the Regent Corporation by the University:

	<u>2023</u>
Assets acquired:	
Land	\$ 960,000
Buildings	12,040,000
Accounts receivable	438,378
Goodwill	973,421
Total assets acquired	<u>14,411,799</u>
Liabilities assumed:	
Accounts payable and accrued liabilities	486,784
Long-term debt	6,425,015
Total liabilities assumed	<u>6,911,799</u>
Net assets acquired	<u>\$ 7,500,000</u>
Total consideration is as follows:	
Cash consideration	<u>7,500,000</u>
	<u>\$ -</u>

4. CASH AND CASH EQUIVALENTS

	<u>2023</u>	<u>2022</u>
Bank of Montreal, cash balances	\$ 60,688,797	\$ 68,125,699
BMO Nesbitt Burns high interest savings account	10	-
Royal Bank of Canada, cash balances	425,049	364,722
Harris Bank, cash balances (draws)	(11,601)	251,334
Other, balances	1,074,128	483,707
	<u>\$ 62,176,383</u>	<u>\$ 69,225,462</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, 2023, the University utilized, on a cash consolidated basis, nil (2022 - nil) of the operating line of credit.

ONTARIO TECH UNIVERSITY
Notes to the Consolidated Financial Statements
For the year ended March 31, 2023

5. SHORT-TERM INVESTMENTS

Short-term investments consist of \$17,000,000 (2022 – \$17,217,673) of annual Guaranteed Investment Certificates (GIC's), which mature on March 30, 2024.

6. INVESTMENTS

	2023		2022	
	Cost	Fair Value	Cost	Fair Value
Equities	\$ 18,101,986	\$ 22,245,338	\$ 17,531,636	\$ 22,382,352
Fixed income	11,858,967	10,973,700	11,397,462	10,863,060
Money Market/Cash	216,308	216,308	277,243	277,243
	\$ 30,177,261	\$ 33,435,346	\$ 29,206,341	\$ 33,522,655

Financial instrument risks are disclosed in Note 26, under “Financial instrument risks”.

7. OTHER INVESTMENTS

Other investments comprise of a wholly owned investment in Ontario Tech Talent. Investment as at March 31, 2023 is a loss of \$1,007,713 (2022 – \$754,223) which includes the initial investment in Ontario Tech Talent of 100 shares valued at \$100, net of accumulated loss of \$1,007,813 (2022 – \$754,323).

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

	2023	2022
Total assets	\$ 394,434	\$ 131,623
Total liabilities	1,402,147	885,846
Shareholders' equity		
- 100 common shares	100	100
- Net accumulated loss	(1,007,813)	(754,323)
	\$ 394,434	\$ 131,623
Results of operations:		
Total revenue	811,580	87,539
Total expenses	1,065,070	652,223
Net loss for the year	\$ (253,490)	\$ (564,684)

Included in the total liabilities of Ontario Tech Talent is a related party transaction of \$1,268,676 (2022 – \$823,013), representing the draw of a credit facility with the University to fund the start-up and operating costs of Ontario Tech Talent. Interest on this credit facility is at prime rate plus 0.25%, and there are no fixed terms of repayment.

ONTARIO TECH UNIVERSITY
Notes to the Consolidated Financial Statements
For the year ended March 31, 2023

8. 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 \$1,706,563 (2022 - \$1,650,564). Other assets also include \$1,268,676 (2022 - \$823,013) of a receivable from its subsidiary, Ontario Tech Talent.

9. CAPITAL ASSETS

Capital assets consist of:

	2023			2022
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	\$ 12,805,864	\$ -	\$ 12,805,864	\$ 10,286,815
Buildings & its components	480,347,021	165,832,073	314,514,948	296,781,843
Building renovations	38,760,857	26,010,663	12,750,194	27,605,417
Leasehold improvements	2,910,946	1,353,014	1,557,932	1,630,097
Parking	1,395,444	377,131	1,018,313	989,650
Furniture and fixtures	22,659,983	19,724,553	2,935,430	3,175,893
Laptops	3,871,223	2,817,530	1,053,693	606,526
Vehicles	390,777	274,294	116,483	6,750
Computer equipment	25,045,965	22,228,014	2,817,951	2,830,741
Major equipment	102,253,698	74,021,775	28,231,923	29,117,023
Construction-in-progress	5,399	-	5,399	610,222
	<u>\$ 690,447,177</u>	<u>\$ 312,639,047</u>	<u>\$ 377,808,130</u>	<u>\$ 373,640,977</u>
Assets under capital leases:				
Land	2,300,000	-	2,300,000	2,300,000
Buildings	24,152,135	6,038,034	18,114,101	27,922,931
Total	<u>\$ 716,899,312</u>	<u>\$ 318,677,081</u>	<u>\$ 398,222,231</u>	<u>\$ 403,863,908</u>

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

ONTARIO TECH UNIVERSITY
Notes to the Consolidated Financial Statements
For the year ended March 31, 2023

9. CAPITAL ASSETS (continued)

Included in the asset schedule are:

- land and buildings acquired and stated at fair market value (land: \$960,000 and buildings: \$12,040,000) upon the acquisition of control of the Regent Corporation.
- The derecognition of buildings at net book value of \$9,149,527 (cost: \$11,537,057 and accumulated amortization: \$2,387,530) under “Assets under capital leases” upon the surrender of the University’s interest in the lease with the Regent Corporation. The derecognition of capital assets under capital leases resulted in a net loss of \$2,121,527.

Amortization of assets under capital leases for the current year totaled \$659,303 (2022 - \$675,327).

10. GOODWILL

Goodwill of \$973,421 has been recorded by the University upon the acquisition of control of the Regent Corporation and represents the excess of the purchase price over the fair market value of Regent Corporation’s net assets.

11. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Included in accounts payable and accrued liabilities are government remittances payable of \$3,492,662 (2022 – \$3,401,716).

12. DEFERRED REVENUE

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

	<u>2023</u>	<u>2022</u>
Tuition	\$ 9,732,149	\$ 9,420,307
Research	14,045,753	12,571,734
Donations	3,502,180	4,675,598
Ancillary fees	2,003,658	1,654,572
Other	6,042,627	3,851,733
	<u>\$ 35,326,367</u>	<u>\$ 32,173,944</u>

ONTARIO TECH UNIVERSITY
Notes to the Consolidated Financial Statements
For the year ended March 31, 2023

13. OTHER LONG-TERM DEBT

The University has incurred debts in the amount of \$6,935,027 through third parties related to leasehold improvements, equipment financing and a property in downtown Oshawa. Other long-term debt comprised the following:

	<u>2023</u>	<u>2022</u>
Unsecured loan for leasehold improvements in downtown Oshawa, repayable monthly at 9.3% interest per annum, with final instalment due April 30, 2041	173,310	176,842
Unsecured loan for ACE equipment, repayable monthly at 9.8% interest per annum, with final instalment due September 1, 2025	385,391	-
Secured loan for property at 55 Bond, repayable monthly at 7.1% interest per annum with final instalment due September 1, 2030	6,376,327	-
	<u>\$ 6,935,028</u>	<u>\$ 176,842</u>

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

2024	\$ 753,626
2025	812,539
2026	830,651
2027	862,932
2028	925,326
Thereafter, through 2042	2,749,954
	<u>6,935,028</u>
Less: current portion	753,626
	<u>\$ 6,181,402</u>

The fair value of the other long-term debt is approximately \$7,149,000 (2022 - \$245,000). 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, 2023

14. OBLIGATIONS UNDER CAPITAL LEASES

In fiscal year 2010/11, the University entered into capital leasing arrangements on two properties in downtown Oshawa to accommodate the growth in student population. On February 21, 2023, and upon the acquisition of control of Regent Corporation, the capital lease on one of the properties, with net remaining obligation of \$7,028,000, was terminated.

Capital lease repayments are due as follows:

2024	\$ 2,870,799
2025	2,899,712
2026	2,928,915
2027	2,958,409
2028	2,988,198
Thereafter, through 2041	41,980,957
<u>Total minimum lease payments</u>	<u>56,626,990</u>
<u>Less: amount representing interest at 9.30%</u>	<u>29,351,208</u>
Present value of net minimum capital lease payments	27,275,782
<u>Less: current portion of principal obligation</u>	<u>434,644</u>
	<u>\$ 26,841,138</u>

Interest of \$2,910,063 (2022 - \$3,018,819) relating to capital lease obligations has been included in interest expense – debt obligations on the consolidated statement of operations. The total cost of assets under capital leases is \$26,452,135 (2022 - \$37,989,192) with related accumulated amortization of \$6,038,034 (2022 - \$7,766,261).

The fair value of the capital leases is approximately \$27,806,000 (2022 - \$35,694,000). 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.

15. 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 is funded through special one-time grants from the Ministry of Colleges and Universities (“MCU” or “the Ministry”), and by the University’s operating funds.

ONTARIO TECH UNIVERSITY
Notes to the Consolidated Financial Statements
For the year ended March 31, 2023

15. LONG-TERM DEBENTURE DEBT (continued)

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, 2023 is \$297,018,105 (2022 - \$280,517,100), \$236,987,712 funded by MCU and \$60,030,393 funded by the University.

As at March 31, 2023, \$217,431,043 (2022 - \$217,431,043) had been used to finance capital assets.

Total principal repayments for debenture debt are as follows:

2024	7,916,146
2025	8,426,883
2026	8,970,572
2027	9,549,338
2028	10,165,446
Thereafter, through 2034	92,093,079
Total minimum payments	137,121,464
Less: current portion	7,916,146
	<u>\$ 129,205,318</u>

The fair value of the long-term debenture debt is approximately \$150,466,000 (2022 - \$162,246,000). 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.

16. 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 2.59%. 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.

ONTARIO TECH UNIVERSITY
Notes to the Consolidated Financial Statements
For the year ended March 31, 2023

16. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

The fair value of the derivative liability is as follows:

	<u>2023</u>		<u>2022</u>
Interest rate swap	21,670,242	\$	23,544,319
Less: current portion	712,000		691,000
	<u>\$ 20,958,242</u>	<u>\$</u>	<u>22,853,319</u>

17. 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 \$4,500,000 to the University, with the remaining \$500,000 transferred in the current fiscal year. 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>2023</u>		<u>2022</u>
Balance - beginning of year	\$ 160,590,853	\$	161,007,867
Contributions	4,053,039		8,713,877
Recognized as revenue during the year	(8,252,004)		(9,130,891)
Balance - end of year	<u>\$ 156,391,888</u>	<u>\$</u>	<u>160,590,853</u>

18. GRANT REVENUES – OPERATING AND RESEARCH

Grant revenues consist of the following:

	<u>2023</u>		<u>2022</u>
Operating	\$ 65,817,279	\$	70,670,809
Externally funded research	15,535,387		15,017,464
Total grant revenues	<u>\$ 81,352,666</u>	<u>\$</u>	<u>85,688,273</u>

ONTARIO TECH UNIVERSITY
Notes to the Consolidated Financial Statements
For the year ended March 31, 2023

19. 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.

20. INVESTED IN CAPITAL ASSETS

Investment in capital assets represents the following:

	<u>2023</u>	<u>2022</u>
Capital assets - net book value	\$ 398,222,231	\$ 403,863,908
Less amount financed by deferred capital contributions	(156,391,888)	(160,590,853)
Less amount financed by long-term debt (Notes 13, 14, 15 and 16)	(193,002,515)	(203,539,758)
Total investment in capital assets	\$ 48,827,828	\$ 39,733,297

	<u>2023</u>	<u>2022</u>
Net change in investment in capital assets:		
Purchase of capital assets	\$ 25,707,155	\$ 20,885,403
Assets disposed under capital lease termination	(9,149,527)	-
Lease obligation termination	7,028,000	-
Amounts funded by:		
Deferred capital contributions	(4,053,039)	(8,713,877)
Long-term debt	(6,761,719)	(23,544,319)
Repayment of long-term debt	10,101,532	7,901,530
	\$ 22,872,402	\$ (3,471,263)

	<u>2023</u>	<u>2022</u>
Amortization of deferred capital contributions related to capital assets	\$ 8,252,004	\$ 9,130,891
Less amortization of capital assets	(22,029,875)	(22,999,905)
	\$ (13,777,871)	\$ (13,869,014)
Net change during the year	\$ 9,094,531	\$ (17,340,277)

ONTARIO TECH UNIVERSITY
Notes to the Consolidated Financial Statements
For the year ended March 31, 2023

21. 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>2023</u>	<u>2022</u>
Balance is comprised of the following:		
Research funds (a)	\$ 6,414,309	\$ 6,151,175
Capital projects (b)	227,976	4,923,974
Student assistance and related funds (c)	2,828,606	4,018,927
Working capital (d)	6,000,000	6,000,000
Learning re-imagined (e)	2,620,632	3,370,632
Digital and physical infrastructure re-imagined (f)	1,327,575	2,750,000
One-time only budget allocations (g)	-	2,000,000
	<u>\$ 19,419,098</u>	<u>\$ 29,214,708</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 were reserved for IT equipment and construction projects that were delayed to 2023 due to supply chain issues associated with the pandemic.

ONTARIO TECH UNIVERSITY
Notes to the Consolidated Financial Statements
For the year ended March 31, 2023

22. 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>2023</u>	<u>2022</u>
OSOTF	\$ 2,002,179	\$ 1,997,945
OTSS	18,726,174	18,020,883
OSOTF and OTSS	20,728,353	20,018,828
Other	5,204,080	4,897,427
	<u>\$ 25,932,433</u>	<u>\$ 24,916,255</u>

The change in the balance of endowments is as follows:

	<u>2023</u>	<u>2022</u>
Endowment fund balance, beginning of year	\$ 24,916,255	\$ 24,350,300
Donations	642,409	436,354
Realized gains	104,170	267,814
Realized investment income	776,409	580,277
Income distributions	(506,810)	(718,490)
Endowment fund balance, end of year	<u>\$ 25,932,433</u>	<u>\$ 24,916,255</u>

ONTARIO TECH UNIVERSITY
Notes to the Consolidated Financial Statements
For the year ended March 31, 2023

22. ENDOWMENTS (continued)

As per the Ministry policies, the transactions related to OSOTF and OTTS should be presented in these financial statements, for the year ended March 31, 2023.

	OSOTF	OTTS	Total 2023	Total 2022
Schedule of Changes in Endowment Fund Balance				
Endowment balance, beginning of year	\$ 1,737,973	\$ 16,581,868	\$ 18,319,841	\$ 17,435,856
Eligible cash donations	-	440,477	440,477	112,354
Preservation of capital	75,000	822,085	897,085	771,631
Endowment fund balance, end of year	\$ 1,812,973	\$ 17,844,430	\$ 19,657,403	\$ 18,319,841

Schedule of Changes in Expendable Funds

Available for Awards	OSOTF	OTTS	Total 2023	Total 2022
Expendable balance, beginning of year	\$ 259,972	\$ 1,439,015	\$ 1,698,987	\$ 2,393,509
Realized investment income	59,235	661,623	720,858	699,099
Less: Preservation of capital	(75,000)	(822,085)	(897,085)	(771,631)
Bursaries and awards disbursed	(55,000)	(396,810)	(451,810)	(621,990)
Expendable balance, end of year	\$ 189,207	\$ 881,743	\$ 1,070,950	\$ 1,698,987
Total funds, end of year	\$ 2,002,180	\$ 18,726,173	\$ 20,728,353	\$ 20,018,828

In the current year, 375 bursaries and awards were disbursed, of which \$506,810 was from the total endowed funds and \$168,800 from operating funds (2022 – 411 bursaries and awards valued at \$718,490).

23. 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 \$7,948,330 (2022 - \$7,173,675).

24. 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, 2023 have not been recorded in these consolidated financial statements.

ONTARIO TECH UNIVERSITY
Notes to the Consolidated Financial Statements
For the year ended March 31, 2023

24. CONTINGENCIES AND CONTRACTUAL COMMITMENTS (continued)

(b) Contractual Commitments

Future minimum lease payments, exclusive of taxes and operating costs, for premises and equipment under operating leases at March 31, 2023 are as follows:

2024	\$	969,320
2025		969,320
2026		979,762
2027		987,220
2028		471,903
Thereafter		285,505
	\$	<u>4,663,030</u>

(c) Other

On July 24, 2020, the University entered into a land exchange agreement with the City of Oshawa (“the City”). The appraised fair market value of the City 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.

On March 15, 2023, a letter of credit in the amount of \$158,940 was issued on behalf of the University to the Province of Ontario. This letter of credit represents the obligations of the University to be incurred under the Land Transfer Tax Act with regards to the donation of property from Regent Corporation to the University.

25. GUARANTEE

On October 30, 2020, the University signed a license agreement with 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.

On February 21, 2023, Regent Corporation signed an amended credit agreement with Sun Life Assurance Company of Canada and the University, with the latter acting as guarantor on the mortgage assumed upon acquisition of control of Regent Corporation by the University.

26. 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 13.6% (2022 – 0.0% to 13.9%) and have maturity dates ranging from April 1, 2023 to December 31, 2099 (2022 - April 1, 2022 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.

The University is also exposed to interest rate risk on its fixed and floating interest financial instruments. Fixed-interest instruments subject the University to a fair value risk while the floating-rate instruments subject it to a cash flow risk.

The University mitigates interest rate risk on its term debt through derivative financial instruments (interest rate swaps) that exchange the variable rate inherent in the term debt for a fixed rate. Therefore, fluctuations in market interest rates will not impact future cash flows and operations relating to the term debt. There have been no changes in interest rate risk exposure as compared to the prior year.

(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 2022..

(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.

27. COMPARATIVE INFORMATION

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

APPENDIX 2

ONTARIO TECH UNIVERSITY

DRAFT SUMMARY OF INTERNALLY RESTRICTED RESERVES FOR THE YEAR ENDED MARCH 31, 2023 (\$ 000'S)

Internally restricted assets	Opening balance as at April 1, 2022	2022/23				Closing balance
		Additional reserves from donations	Reserves reallocated	Reserves utilized	Proposed Reserves (per contractual obligation)	
Research funds (a)	(6,151)		0	0	(263)	(6,414)
Capital projects (b)	(4,924)	(1,003)	(4,448)	10,200	(53)	(228)
Student assistance and related funds (c)	(4,019)		275	1,053	(138)	(2,829)
Working Capital (d)	(6,000)		0	0	0	(6,000)
Learning re-imagined (e)	(3,371)		750	0	0	(2,621)
Digital and physical infrastructure re-imagined (f)	(2,750)		1,423	0	0	(1,327)
One-time only budget allocations (g)	(2,000)		2,000	0	0	0
Total internally restricted assets	(29,215)	(1,003)	0	11,253	(454)	(19,419)

- (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 include 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 renovation projects that have been delayed to 2023 due to supply chain issues associated with the pandemic.

APPENDIX 3

FINANCIAL HEALTH INDICATORS

The Council of Ontario Universities (“COU”) had recommended 5 financial health indicators to the Ministry, together with minimum thresholds, to assist with assessing university financial health and sustainability. Thresholds will provide early signals to the health of the institution and help support the development of plans to address financial challenges.

The table below shows COU recommended minimum threshold, Ontario Tech University’s 3-year average metrics and those for the last 2 fiscal years. Also included are the average comparator and average sector metrics for fiscal year 2020/21 (latest published data). The average comparator includes the data for the “small” universities based on student FTE (‘Full-time equivalents’), and includes seven universities: Algoma, Lakehead, Laurentian, Nipissing, OCADU, Trent and Ontario Tech University.

Financial Metrics	Minimum threshold	Ontario Tech Actual			Average comparator	Average sector
		3-year average	2022/23	2021/22	2020/21	2020/21
Financial Ratios						
(1) Net Income/Loss Ratio	1.5%	4.6%	1.1%	5.5%	0.0%	4.9%
(2) Net Operating Revenues Ratio	2.0%	12.2%	7.7%	13.1%	24.5%	19.0%
(3) Primary Reserve Ratio (days)	30	65	70	87	45	145
(4) Interest Burden Ratio ("IBR")	5.0%	6.7%	6.1%	6.8%	2.5%	2.0%
Normalized* IBR		2.6%	2.4%	2.8%		
(5) Viability Ratio ("VR")	30.0%	18.4%	24.2%	26.2%	33.1%	151.7%
Normalized* VR		49.6%	55.5%	60.2%		

Normalized* ratios account for the \$13.5M annual debenture funding by the Province. This funding covers 80% of the annual debenture debt repayment.

Ratios are favourable if they are at or **above** minimum threshold, except for the **interest burden ratio** where we would want to be at or **below** the recommended minimum threshold.

Therefore, ratios highlighted in green fall within the minimum recommended threshold. Ratios highlighted in yellow do not meet the minimum threshold requirements.

Financial health indicator analysis

1. The Net Income / Loss ratio tracks the trend in the University's net earnings.

This ratio for the year at 1.1% is below the recommended minimum threshold due to the minimal operating surplus as a result of expenses outpacing revenue growth, coupled with the recognition of a loss incurred upon the termination of the lease with Regent Corporation.

The 3-year average at 4.6% is above the recommended minimum threshold of 1.5%.

FINANCIAL HEALTH INDICATORS (continued)

2. Net Operating Revenues ratio indicates the extent to which the University is generating positive cash flows in the long-run to be financially sustainable.

This ratio continues to be positive and reflects the University's slight operating surplus, coupled with a stable positive working capital at the end of the fiscal year. The current year ratio at 7.7% and 3-year average of 12.2% are above the recommended minimum threshold of 2%.

3. Primary Reserve ratio indicates the University's financial strength and flexibility by determining the number of days Ontario Tech University could function using its resources that are can be expended without restrictions.

Primary reserve ratio continues to be positive but less favourable than the prior year due to the decrease in net expendable assets attributable to the drawdown of internally restricted reserves to fund new capital infrastructure during the fiscal year. Current year at 70 days and 3-year average primary reserve ratio at 65 are above the minimum threshold of 30 days.

4. Interest Burden ratio indicates the University's debt affordability and the cost of servicing debt.

The interest ratio continues to improve over the years as the University continues to pay back its debt obligations. Due to its relatively high debt obligations (\$193.0M outstanding debt at March 31, 2023), the current year ratio at 6.1% and 3-year average at 6.7% does not meet the minimum threshold of 5%.

The normalized IBR, which accounts for the \$13.5M provincial funding of the debenture, falls within the minimum threshold for both the current year and the 3-year average.

5. Viability ratio determines Ontario Tech University's financial health, as it indicates the funds on hand to settle its long-term obligations. Current year ratio at 24.2% continues to be below the recommended minimum threshold of 30% due to the University's high debt commitments. Viability ratio decreased over last year due to the decrease in net expendable assets at the end of the fiscal year.

The normalized VR, which accounts for the \$13.5M provincial funding of the debenture. are above the minimum recommended threshold of 30% for both the current year and the 3-year average.

FINANCIAL HEALTH INDICATORS (continued)

DEFINITIONS

(1) Net Income/Loss Ratio

$$\frac{\text{Total Revenues less Total Expenses}}{\text{Total Revenues}}$$

Measures the percentage of revenues that contribute to net assets. The objective is to track trends in net earnings

(2) Net Operating Revenues Ratio

$$\frac{\text{Cash flow from Operating Activities}}{\text{Total Revenues}}$$

Indicates the extent to which the University is generating positive cash flow in the long-run to be financially sustainable.

(3) Primary Reserve Ratio

$$\frac{\text{Expendable Net Assets}}{\text{Total Expenses}} \times 365 \text{ days}$$

Indicates the University's financial strength and flexibility by determining the number of days it can function using only its resources that can be expended without restrictions. Expendable net assets include: Unrestricted surplus (deficit), internally restricted net assets and endowments.

(4) Interest Burden Ratio

$$\frac{\text{Interest Expense}}{\text{Total Expenses - Depreciation}}$$

Indicates debt affordability as it examines the percentage of total expenses used to cover the University's cost of servicing debt

(5) Viability Ratio

$$\frac{\text{Expendable Net Assets}}{\text{Long-Term Debt}}$$

Determines financial health as it indicates the funds on hand to settle its long-term obligations. Long-Term Debt is total external long-term debt, excluding the current portion of debt.

APPENDIX 4

CONSOLIDATED FINANCIAL STATEMENTS DETAILED ANALYSIS

Consolidated Statement of Financial Position

Assets

Cash and short-term investments decrease of \$7.3M over the prior year is mainly attributable to a \$7.5M operating investment for the acquisition of the Regent Corporation and its real estate located at 55 Bond Street on Feb 21, 2023.

Grant receivable balance of \$9.3M includes \$5.6M of 22/23 Collaborative Nursing (CN) grant funded on a slip-year basis and therefore to be received in 23/24, \$1.7M of 21/22 CN grant rec'd after year-end on April 28th, \$1.3M of external research grants, and \$0.7M operating grants, all of which are current.

Other accounts receivable (A/R) includes student and trade receivables. Balance of \$8.6M includes \$4.0M of student A/R, other current receivables including \$3.5M trade, research and ACE receivables, \$1.8M of sales tax recoverable of which \$1.4M pertains to the rebate on the sales tax arising upon the donation of 55 Bond to the University, \$1.0M of application fees receivable, offset by \$1.0M provision in student bad debt, and other balances, none exceeding \$0.5M. Against \$4.0M of student A/R is \$2.6M of unapplied credits which are disclosed in "Accounts Payables and Accrued Liabilities".

Other accounts receivable increase of \$3.0M includes \$1.3M of sales tax recoverable, and \$1.0M of application fees received in April 2023 (v/s PY's application fees which were received in-year) and other variances, none of which exceeds \$0.5M.

Investment balance of \$33.4M relates to endowed funds held at PH&N. The year-over-year decrease is comprised of \$1.0M mark-to-market unrealized loss due to the deterioration of both the bond and equity market in the last year, \$0.5M bursary and award disbursements to students, offset by \$0.7M new in-year donations and \$0.7M net investment income and realized gains.

Other investments represent the investment in Ontario Tech Talent in the current year, and includes the original investment of 100 common shares (valued at \$100), net of accumulated loss to date of \$1.0M.

Other assets of \$3.0M include \$1.7M of a life insurance policy for which the University is the named beneficiary and \$1.3M of related party loan advanced to fund the operating costs of Ontario Tech Talent.

Capital assets decrease of \$5.6M includes net asset additions of \$3.0M (\$25.7M additions less \$22.7M disposals), offset by accumulated amortization of \$8.6M in the current year.

Significant additions comprise of \$12.0M building and \$2.5M land acquired at fair market value from Regent Corporation, \$4.2M building renovations, \$3.3M of major equipment and \$3.0M of computer equipment, laptops and furniture and fixtures. Disposals include \$11.5M building as a result of the termination of the capital lease at 55 Bond, and \$10.0M of old student laptops dating back to 2008 and 2009 (NBV =0).

Goodwill of \$1.0M was recorded and represents the excess of the purchase price over the fair market value of the Regent's net assets upon the acquisition of control of the Regent by the University.

Liabilities

Accounts payable and accrued liabilities balance of \$30.6M includes \$4.6M of trade payables, \$4.0M of payroll deductions paid in April 2023, \$2.6M vacation accruals, \$4.0M of debenture interest payable due April 15th, \$2.6M of student unapplied credits, \$2.7M due to Durham College for purchased services of which \$1.6M is due and paid in April 2023 net \$2.4M of student ancillary fees held in trust and other variances none exceeding \$1.0M.

Deferred revenue relate to revenues deferred to subsequent periods as these have not yet been earned at the end of the fiscal year or will be recognized as revenue in the period in which related expenses are incurred.

Balance of \$35.3M comprises \$9.7M deferred tuition representing one month of winter term fees not earned at year-end, and \$25.6M of revenues billed or received and not yet spent at the end of fiscal (\$14.0M of externally funded research grants, \$3.5M of expendable donations, \$2.0M of student ancillary fees, and \$6.1M of miscellaneous deferred revenues).

Increase of \$3.2M in deferred revenue includes \$2.8M of “Brilliant SUV program” unspent revenues, \$1.5M of research revenue mostly attributable to new Tri-agency grants, offset by \$0.8M of prior year deferred grants recognized in the current year, and other variances none of which exceeds \$0.5M.

Current and other long-term debt increase of \$6.8M over the prior year includes a new \$6.7M debt further to the acquisition of control of the Regent Corporation and its real estate. This new debt is offset by a decrease in capital lease obligation of \$7.0M as a result of the derecognition of the lease at 55 Bond (see below under capital lease).

Current and long-term obligations under capital lease decrease of \$8.0M includes \$1.0M principal lease repayment for 61 Charles and \$7.0M pertaining to the derecognition of the lease at 55 Bond.

Current and long-term debenture debt decrease of \$7.4M relates to the principal repayment and resulting drawdown of the debt in the current year. This debt is fully payable in October 2034.

Current and long-term fair value of interest rate swap relates to a new financial derivative entered into for the financing of the Shawenjigewining Hall. The notional amount of the swap is \$25.0M, and is fully repayable in September 2046.

Deferred capital contributions decrease of \$4.2M includes grants and donations of \$4.0M received for capital projects during the fiscal year, offset by \$8.2M amortization into revenues of capital grants and donations received since inception of the University.

New grants and donations received include \$3.0M grant for campus renovations and lab equipment, \$0.5M contribution from the University Student Union for the utilization of space in the new Shawenjigewining Hall and \$0.5M donation for building construction.

Statement of Operations

Revenue

Significant revenue variances include:

Operating and research grant decreased \$4.3M as the prior year included \$4.9M of specific one-time only operating grants (i.e. \$2.6M in new e-campus grant in support of virtual learning and educational technology growth, \$2.3M for student work placement program) and a decrease of \$0.9M in external research grants. These decreases are offset by \$1.4M in research grants for the ACE Project Arrow to build Canada's first zero-emission concept electric vehicle, \$0.9M additional grant for Nursing clinical education and other variances, none of which exceeds \$0.5M.

Donations for the purposes other than endowment are deferred and recognized as revenue in the year in which the related expenses are incurred. Donation revenue of \$3.7M relates to expendable donations recognized in the current year, e.g. awards disbursed to students and funds used to cover specific projects, in compliance with donor agreements.

The increase of \$2.1M includes \$1.4M increase in specific project costs recognized in the current year and \$0.5M increase in award disbursements.

Student tuition fees increase of \$3.6M includes \$5.3M in international tuition revenues of which \$1.5M is due to the increase in enrolment and \$3.8M due to the year-over-year increase in the average international tuition fees, offset by a net decrease of \$1.1M in domestic tuition revenues due to a decrease in enrolment and decrease \$0.6M attributable to increased nursing allocation to Durham College under the collaborative nursing program.

Student ancillary fees increase of \$1.0M includes \$0.4M for the accounting recognition of prior year fees to cover for roof repairs at the Arena, \$0.3M increase of fees recognized due to higher expenses incurred, with remaining increase attributable to year-over-year increase in ancillary fees.

Revenue from purchased services increased \$0.8M and is mostly due to the increase in parking revenues associated with the return to campus.

Other income increase of \$4.2M over the prior year is due to the recovery of the ancillary services associated with the return to campus (\$1.5M food services, \$0.6M in Regent theater revenues, \$0.6M field rentals and summer camps, \$0.5M ACE) and \$0.8M revenues from the "Start-Up Visa", a federal-run program that gives entrepreneurs the opportunity to immigrate to Canada in order to establish new innovative businesses.

Amortization of deferred capital contributions decreased \$0.9M due to grants received for capital projects being fully amortized in the second half of the prior fiscal year and beginning of the current fiscal year, including \$30.0M of ACE equipment that was put in use in 2012.

Interest revenue increase of \$2.0M reflects both the increase in interest rates in the 12 months and the re-negotiation for a more favourable rate of return on Treasury balances.

Unrealized gain on interest rate swap relates to the mark-to-mark gain on our new derivative financial instrument and reflects the prevailing swap rates.

Expenses

Significant variances include:

Salaries and benefits increase includes \$6.3M increase for full-time employees, of which \$4.4M pertains to annual salary and benefit increases for faculty and staff, \$2.1M for net new hires, net \$0.5M for the accounting recognition of vacation accrual, offset by \$0.7M savings from vacant positions. Limited term contracts increased \$1.2M and reflects primarily increases in sessionals to back-fill full-time vacant positions and increases in casual labour as activities in the ancillary areas return to pre-pandemic levels.

Student aid, financial assistance and awards increase of \$0.7M includes \$0.4M increase in expendable and endowed awards due to a number of new awards created during the current fiscal year, \$0.5m increase in graduate research awards for international students as a result of international growth (this represents a 26% YOY increase in awards), offset with a \$0.2m decrease in entrance scholarships due to a decrease in domestic students.

Supplies and Expenses increase of \$7.6M over the prior year is attributable to the lifting of COVID-19 restrictions and university activities returning to pre-pandemic levels. Increase includes \$1.9M in travel and accommodation, \$1.2M increase in cost of sales for food services, \$0.9M increase in various supplies, \$0.9M increase in repairs and maintenance, \$0.8M for promotional and public relations expenses including convocation and university fair and other general expenses none of which exceeds \$0.5M.

Amortization of capital assets decreased by \$1.0M is mainly due to \$30.0M of ACE equipment with a useful life of 10 years being fully amortized at the end of last fiscal year.

Loss on termination of capital lease represents the loss charged to the income statement as a result of the termination of the lease with Regent Corporation, and is the difference between the carrying value of the asset (9.1M) and the lease liability (\$7.0M).

Unrealized loss on investments relate to the mark-to-market loss on our endowed investments held at PH&N. The year-over-year variance of \$1.9M reflects the less favourable market conditions in the current year with the ongoing concerns around inflation, surging interest rates and the geo-political issues of the Russia-Ukraine war. These have adversely impacted both the bond and equity market.

COMMITTEE REPORT

SESSION:

Public
Non-Public

ACTION REQUESTED:

Decision
Discussion/Direction
Information

TO: **Audit & Finance Committee**

DATE: **June 14, 2023**

PRESENTED BY: **Pamela Onsiong**

SLT LEAD: **Brad MacIsaac**

SUBJECT: **4th Quarter Financial Reports: Management Reporting -
Operating Summary for the year ending March 31, 2023**

COMMITTEE MANDATE:

The Committee is responsible for overseeing the financial affairs of the University, including approval of the annual budget and financial reporting to ensure that appropriate financial controls, reporting processes and accountabilities are in place at the University.

BACKGROUND/CONTEXT & RATIONALE:

In April 2022, the Committee approved a budget with a net operating surplus of \$1.0M for the 2022/23 fiscal year. This report provides the Committee with an overview of the actual year-end financial results against the approved budget and the third quarter forecast (Appendix 1).

The operating budget is based on a projection of cash receipts and expenditures for the year. This contrasts with the audited financial statements which are prepared in accordance with generally accepted accounting principles (“GAAP”) for non-for-profit organizations in Canada. In arriving at the year-end results on a GAAP basis, adjustments are required to be made to the management report, e.g.

- The management report includes cash outlays for capital investment in the budget year while the GAAP financial statements include an expense that reflects the amortization of all capital assets over their useful lives.

- Conversely, the GAAP financial statements include the unrealized gain/loss on endowed investments while these are not budgeted and therefore not included in the management report.

A reconciliation between the 2 sets of financial reports is disclosed at the bottom of Appendix 1.

HIGHLIGHTS:

The **year-end net operating surplus**, after capital expenses, debenture and lease payments and investment in Regent Corporation, is \$0.5M. This compares with a 2022/23 budgeted surplus of \$1.1M and a \$0.2M surplus reported at the end of the 3rd Quarter (see items highlighted in blue in Appendix 1).

The current year has been marked by backlogs on student visa processing which has had a direct impact on international enrolment and in turn tuition revenues. The shortfall in international enrolment is offset by an increase in domestic enrolment (see Appendix 2) for a net negative variance of \$1.5M in total tuition against the budget.

On the expense side, the ongoing Russia-Ukraine war and the energy crisis in Europe have led to worsening economic conditions with both interest and inflation rates increasing to new highs. In spite of the increase in inflation rates since the budget was approved in April 2022, the University did not see a significant inflationary pressure on its expenses in the current year as over 75% of expenses pertain to labour which are tied to collective agreements; fixed debt obligations; and contracted services and license fees which are also fixed for the year under vendor contracts.

As part of the University's long-term campus master planning which includes a gradual move from the more expensive leased buildings to fully-owned buildings, the University acquired control of the Regent Corporation and its real estate located at 55 Bond Street for \$7.5M cash consideration. This financial transaction was completed on February 21, 2023, and funded through a combination of current year surplus and prior year reserves.

Analysis

This analysis focuses on the variance between the year-end actual results vs the Q3 forecast. The actual operating surplus fell short \$2.1M of the forecast and is comprised of a number of significant variances in both revenue and expenses.

Total Revenue is unfavourable \$1.2M against the forecast and is mainly driven by:

- \$1.0M unspent grants deferred to be offset against expenses in the following year (see "academic support" under Expenses below)
- \$1.0 lower tuition revenues due to an error in the forecast

- \$0.9M favourable variance in “Other revenue” which comprises of \$1.1M increase in expendable donations to offset project expenses incurred in the year in alignment with donors’ agreements, \$0.5M in ancillary revenues offset by decrease in revenues attributable due to contracts deferred to next year (ACE \$0.6M, Start-Up Visa Program \$0.6M for which expenses have also been deferred) and other variances none of which exceeds \$0.5M.

Total Operating Expenses are unfavourable \$0.9M against the forecast:

- Academic Support units are favourable \$2.0M and is primarily due to expenses deferred to the following year and which will be covered by deferred grants and other revenue (see “grants” and “other revenue” above).
- Administrative units’ spending is unfavourable \$1.6M and is mostly due to \$1.1M increase in benefit costs for faculty and staff and \$0.3M associated with the early termination of an operating lease in downtown Oshawa.

Total Ancillary Expenses are unfavourable \$1.0M against forecast and includes \$0.6M due to higher than expected repairs and maintenance for the ACE facility

Investment in Regent Corporation

Our Q3 forecast included a projected operating surplus of \$4.5M to reserve and invest in the acquisition of Regent Corporation. Due to the actual shortfall in net operating surplus as described above, the \$7.5M total investment in Regent Corporation has now been funded using \$1.5M of current year dollars with the remaining \$6.0M being funded through prior year reserves.

Conclusion

In light of the ongoing tension between revenues and expenses, the University continues with prudent financial planning. The year-end surplus after investment in Regent Corporation is \$0.5M, and this has been internally restricted for faculty and student contractual obligations (e.g. faculty professional development and start-up funds and unspent student ancillary funds).

FINANCIAL IMPLICATIONS:

The primary purpose of this financial update is to report on the year-end results of the operating budget. Maintaining a balanced (or surplus) budget is critical to Ontario Tech University’s short-term financial health and long-term financial sustainability.

SUPPORTING REFERENCE MATERIALS:

- Appendix 1: Management Reporting: 2022/23 Operating Summary
- Appendix 2: Enrolment table

APPENDIX 1

Ontario Tech University Management Reporting: 2022/23 Operating Summary (in '000s) For the year ending March 31, 2023

April 1, 2022 - March 31, 2023									
Total Annual Budget	3rd Quarter Y/E Forecast	Actuals	Fav. (Unfav.) Actuals vs. Budget \$ / %		Fav. (Unfav.) Forecast vs Budget \$ / %		Fav. (Unfav.) Actuals vs. Forecast \$ / %		
Revenue									
Grants	82,179	86,138	85,160	2,980	4%	3,959	5%	(978)	-1%
Tuition	94,719	94,166	93,252	(1,467)	-2%	(553)	-1%	(914)	-1%
Student Ancillary	14,081	13,162	13,005	(1,076)	-8%	(919)	-7%	(157)	-1%
Other	18,867	21,934	22,813	3,945	21%	3,067	16%	879	4%
Total Revenue	209,846	215,399	214,229	\$ 4,383	2%	\$ 5,553	3%	(1,170)	-1%
Expenditures									
Academic/ACRU	85,761	84,967	85,706	55	0%	794	1%	(739)	-1%
Academic Support	44,418	45,462	43,487	931	2%	(1,044)	-2%	1,975	4%
Administrative	29,895	28,729	30,315	(420)	-1%	1,166	4%	(1,586)	-6%
Sub-total	160,073	159,157	159,507	\$ 566	0%	917	1%	\$ (350)	0%
Purchased Services	14,237	13,596	13,399	838	6%	641	5%	197	1%
Total Ancillary	10,533	10,937	12,024	(1,491)	-14%	(404)	-4%	(1,087)	-10%
Debt Interest Expense	9,613	9,540	9,796	(183)	-2%	73	1%	(256)	-3%
Total Operating Expenses	194,456	193,229	194,726	\$ (270)	0%	\$ 1,227	1%	\$ (1,497)	-1%
Net Contribution from Operations	\$ 15,391	\$ 22,170	\$ 19,503	\$ 4,113	27%	\$ 6,779	44%	\$ (2,667)	-12%
Capital Expenses	9,761	12,862	12,517	(2,756)	-28%	(3,101)	-32%	345	3%
Principal Repayments - debt/leases	9,360	9,359	9,184	176	2%	0	0%	176	2%
Operating Surplus	\$ (3,730)	\$ (51)	\$ (2,198)	\$ 1,532	-41%	\$ 3,679	-99%	\$ (2,146)	4184%
Funded by prior year reserves	\$ 4,782	\$ 4,782	\$ 4,200	\$ (582)	-12%	\$ -	0%	\$ (582)	-12%
Net Operating Surplus	\$ 1,052	\$ 4,731	\$ 2,002	\$ 950	90%	\$ 3,679	350%	\$ (2,728)	-58%
Investment in Regent Corporation (55 Bond St)	\$ -	\$ 4,500	\$ 1,500	(1,500)	N/A	(4,500)	N/A	3,000	67%
Net Surplus after investment in Regent Corporation	\$ 1,052	\$ 231	\$ 502	\$ (550)	-52%	\$ (821)	-78%	\$ 272	118%

Reconciliation of MR to Audited Financial Statements (AFS):

Net Operating Surplus, per MR	\$ 502
Operating expenses/revenues disclosed on Balance Sheet	
Capital Expenses	14,017
Debt and lease principal repayments	9,184
Capital grants accounted as contributions	(2,710)
Prior year revenue reserves	(4,200)
Items not budgeted:	
Externally funded research revenues	15,582
Externally funded research expenses	(14,051)
Non-cash transactions:	
Amortization of capital assets	(22,004)
Amortization of deferred capital contributions	8,252
Net loss on lease termination and other investments	(2,349)
Net unrealized gain on investments	172
Other accruals	212
Excess revenue over expenses - as per AFS	\$ 2,608

APPENDIX 2

ONTARIO TECH UNIVERSITY Operating Summary For the year ending March 31, 2023

Enrolment

FTE's	2021/22 actual	2022/23 approved budget	Q3 forecast *	2022/23 actual	2022/23 actual vs approved budget
Undergraduate					
Domestic	8,084	7,785	8,046	8,028	243
International	693	810	692	693	-117
Graduate					
Domestic	452	384	406	438	54
International	308	410	389	397	-13
Total FTE's	9,537	9,389	9,533	9,556	167

* Q3 enrolment forecast reflects Winter 2023 Day 10 fall enrolment count.

Under the new funding formula implemented by the Ministry in 2017/18, the funding for domestic students for the current year remains flat at the 2016/17 level. Current eligible undergraduate and graduate enrolment projection is within the + / - 3% of the University's corridor midpoint.

The actual FTE against **budget** is favourable 167 FTE. This variance includes an increase in domestic FTE's as a result of higher than expected domestic intake and number of returning students, offset by a shortfall in international FTE's attributable to the delays in student visa processing.

COMMITTEE REPORT

SESSION:

Public
 Non-Public

ACTION REQUESTED:

Decision
 Discussion/Direction
 Information

TO: Audit and Finance Committee

DATE: June 14, 2023

PRESENTED BY: Brad Maclsaac, VP Administration

SUBJECT: Investment Portfolio Update

COMMITTEE MANDATE:

The Audit & Finance Committee is responsible for overseeing the investment of the university's endowment funds (Funds), which includes Overseeing the investment of the Funds in accordance with the university's [Statement of Investment Policies](#) ("SIP") and the performance of the investment manager.

BACKGROUND/CONTEXT & RATIONALE:

In summer 2021 the committee reviewed the process and recommended receiving updates twice a year with management bringing forward updates if needed (i.e. changes outside of the Investment Manager's purview). The overall investment objective is to obtain the best possible total return on investments that is commensurate with the degree of risk that Ontario Tech is willing to assume in obtaining such return. As of March 31, 2023, the performance summary shows that we have a market value of just over \$33.2M which is up from last December (\$32.5M) and September (\$31M). Our performance measurements are:

1) **Asset mix range** as per SIP section 6.1 has been adhered to:

Asset Mix	Benchmark	Target	Min	Max	Check
Fixed Income		20%	15%	35%	✓
Cash & Short-term	<i>FTSE Canada 30 Day T-Bill Index</i>	0%	0%	10%	✓
Universe Bonds	<i>FTSE Canada Universe Bond Index</i>	20%	15%	35%	✓
Equities		55%	45%	65%	✓
Canadian	<i>S&P/TSX Capped Composite Index</i>	20%	10%	30%	✓
Global	<i>MSCI World Net Index \$C</i>	30%	20%	45%	✓
Emerging Markets	<i>MSCI Emerging Markets Net Index \$C</i>	5%	0%	10%	✓
Alternatives		25%	10%	30%	✓
Real Estate	<i>Canadian CPI (Non-Seasonally Adjusted) 1-month lag + 400 bps</i>	10%	0%	15%	✓
Mortgages	<i>FTSE Canada Short Term Overall Bond Index</i>	8%	0%	15%	✓
Infrastructure	<i>Canadian CPI (Non-Seasonally Adjusted) 1-month lag + 400 bps</i>	7%	0%	15%	✓

- 2) **Minimum performance expectations** are currently under our desire for at least 6% annually in a 5-year period as outline in SIP section 7.1. This is being closely monitored based on the volatile market. We note that the current 5-year rate is at benchmark and since inception we are still above our target.

Performance ¹	Three Months %	One Year %	Three Years %	Five Years %	Since Incep. %
Ontario Tech Long Term Account	3.3	0.2	9.2	5.5	7.2
<i>Benchmark²</i>	4.5	-0.1	9.2	5.7	6.6

Further to these regular updates, management wanted to ensure A&F was aware that there is a new disbursement quota in place effective January 1, 2023 and that we are compliant with it. This new quota was announced in the Federal Budget 2022 and then brought to law through Bill C-32. The quota increases from 3.5% to 5% on the portion of property not used in charitable activities and administration for those entities exceeding \$1 million. Charities have until the end of 2024 to meet their disbursement rate for 2023 and 2024. However, when the university calculates all disbursements to students and administration we are already above this quota.

SUPPORTING REFERENCE MATERIALS:

N/A

COMMITTEE REPORT

SESSION:

Public
Non-Public

ACTION REQUESTED:

Decision
Discussion/Direction
Information

TO: Audit & Finance Committee

DATE: June 14, 2023

FROM: Brad MacIsaac, Vice President Administration

SUBJECT: Interim Risk Update

COMMITTEE MANDATE:

The Audit and Finance Committee is responsible for overseeing risk management, and other control functions at the University. This oversight includes receiving regular reports from management.

The office of Risk Management is charged with reporting each A&F meeting new additions and initiatives, changes, or emerging risks impacting the University. As the annual report was presented in February this update will focus on a few key activities since that date.

BACKGROUND/CONTEXT & RATIONALE:

The University Risk Management (URM) framework was established in June 2014. The University's revised annual risk report was accepted by the Board in April 2023, which included the University's first institutional risk dashboard.

There are no substantive changes to convey to the Board since the University presented the annual report in April. A summary of some key actions since the last report include:

- Continuing to work with A&F chair and committee to develop expectations for the four meetings a year. The plan is to have a more in-depth report (including heat map) in November and June, with interim updates at the other meetings.
- A cross institution operational taskforce has been created to establish an auditing platform to better track all risk related action plans in a single location.

- The University is working closely with its insurance reciprocal on a series of programs to develop practical risk management tools and resources. Demonstrating the use and efficacy of these new mitigative tools will provide some financial relief in areas surrounding the existing deductibles, premiums, and limits.

Attachments:

NA



BOARD OF GOVERNORS
Audit & Finance Committee (A&F)

Minutes of the Public Session of the Meeting of April 12, 2023
2:00 p.m. to 3:52 p.m. Videoconference

Attendees: Carla Carmichael (Chair), Laura Elliott, Kathy Hao, Thorsten Koseck, Dale MacMillan, Steven Murphy, Roger Thompson

Regrets: Mitch Frazer, Kim Slade

Staff: Sarah Cantrell, Jacqueline Dupuis, Krista Hester, Lori Livingston, Brad MacIsaac, Kimberley McCartney, Lauren Turner

1. Call to Order

The Chair called the meeting to order at 2:00 p.m., read aloud the land acknowledgement, and reflected on the lands of both Ontario and Florida.

2. Agenda

Upon a motion duly made by R. Thompson and seconded by D. MacMillan, the Agenda, including the contents of the consent agenda, was approved as presented.

3. Conflict of Interest Declaration

There was none.

4. Chair's Remarks

The Chair welcomed participants to the meeting and thanked them for attending. She wished members and participants a happy Passover and blessed Ramadan.

5. President's Remarks

The President updated the Committee on recent events including the Experience Days spring open house, and visits by Ministers and other dignitaries. He congratulated all those involved in their respective successes. He outlined the many ways in which the University is doing well, including the increase in research funds and applications as well as brand awareness. He then remarked on the difficult financial context in which the University operates, stating that the impact on Ontario Tech will be significant if there are no changes to the freezes of grants and tuition. He described some of the avenues to alleviate financial pressure that the leadership team is exploring. In response to a question, he advised the Committee that he regards the financial risk to be high but would consider

upgrading it to extreme if the government takes no action; conversely, the risk could lower to medium if the financial situation improves.

6. Finance

6.1 Approval of 2023-2026 Budget

The Committee Chair provided opening remarks on the 2023-2026 Budget, advising that she has been in discussions with the leadership team. She congratulated the team on moving ahead with the transition to a 1-year budget with a 3-year view aligned to the Board-approved strategic plan.

B. Maclsaac then reminded the Committee of the modified cash basis used by the University to create the budget; a practice common across the higher education sector. He discussed the strategic priorities that drive the budget and the difficult deliberations of the Budget Working Group when allocating scarce discretionary resources. He advised the Committee that the requests for funding were numerous and valid, each one critically assessed against its potential contribution to achieving the objectives of the Integrated Academic Research Plan. He highlighted the importance of balance, not only in the budget, but in priorities. To illustrate, he discussed the need to act with the need for prudence; the former reflected in the University making plans to increase enrolment and expand capacity and the latter in not exceeding existing funds. He underscored the importance of being poised to capitalize on future opportunities.

S. Cantrell discussed the enrolment plan underpinning the budget, advising that it balances demand and capacity with growth when possible. She noted that there is a focus on both recruitment and retention rates and gave an overview of the COVID-19 pandemic's impact on the latter. She advised that the 14% international enrolment target is achievable by the end of this planning period.

B. Maclsaac presented a detailed review of the 2023-2024 budget summary, advising that approximately 5% of the budget can be allocated to discretionary spending after contractual and operational obligations are met. He drew the Committee's attention to the newly differentiated category of operating revenue, citing Brilliant Catalyst as an example. He noted the ongoing impact of the debenture on the University's finances, which draws \$3 million from the operating budget. He also commented on labour costs, both the contractually obligated growth as well as the need for certain full time equivalent increases. He noted that the majority of the latter come from revenue generating units.

The Provost discussed the twin priorities of growth and retention of students. She advised the Committee that over \$8 million of the proposed budget is dedicated to innovative programming that will enhance the classroom and student experience. She discussed increases to teaching assistant and sessional hiring to support student growth as well as investments in cooperative and experiential learning. She discussed the \$4.5 million allocated to differentiated technology and physical space such as simulation labs, investments in information technology, and

deferred maintenance. Aligned to the priorities of sticky campus and learning re-imagined, she highlighted scholarships, financial aid, supporting student mental health and the allocation of funds for a full-time Indigenous Knowledge Keeper.

B. MacIsaac closed the presentation by looking to the future and discussing risks. He advised that the requested tuition anomaly increases won't materially impact the budget even if granted. He discussed increasing expenses, and projections assuming flat tuition. He advised that while the leadership team is making efforts to bring forward balanced budgets, government freezes are exerting pressure on the University. With respect to risk, he advised that some mitigations can be made without costs – for example, creating or clarifying policies or procedures. Others require financial investment, which are incorporated into budgetary assumptions and projections and are also monitored. He commented on contingency funds set aside for emergency repairs.

A discussion then ensued on the proposed budget. In response to a question, B. MacIsaac clarified that the teaching staff complement was consciously increased beginning six years ago to accommodate enrolment growth. As the desired ratios of students to teaching staff have now been achieved, recruitment is also plateauing. In contrast, administrative staff were cut or hirings frozen during the pandemic; the requested increase in administrative full-time equivalents reflects pent up demand from the last three or four years. In response to a different question, S. Cantrell discussed some of the growth projections for the University, noting that figuring out the right size for Ontario Tech is a question of sustainability. In the medium term, the University seeks to grow to 18,000 students. In response to a further question, the Provost advised that the number of applicants directly out of high school in the Greater Toronto Area are starting to rise. The Committee made further positive comments about the priorities espoused in the budget and expressed a willingness to assist with advocacy.

Upon a motion duly made by L. Elliott and seconded by D. MacMillan, pursuant to the recommendation of management, the Audit and Finance Committee recommends to the Board of Governors approval of the 2023-2024 budget and approval in principle of the budgetary projections for 2024-2025 and 2025-2026.

6.2 Amendments – 2023-2024 Tuition & Ancillary Fees

S. Cantrell presented the amendment to the 2023-2024 Tuition Fees, reminding the Committee that the potential to increase fees for a few programs was shared at the last meeting. She advised that since then, the University has requested the maximum allowable increase to three programs with tuition below sector averages from the Ministry of Colleges and Universities.

Upon a motion duly made by R. Thompson and seconded by L. Elliott, the Audit & Finance Committee hereby approves the 2023-2024 Tuition Anomaly proposal to increase tuition fees in Computer Science, Engineering and Commerce for new/incoming domestic students up to the maximum 7.5% increase.

S. Cantrell then presented the amendment to the 2023-2024 Ancillary Fees, advising that the requested increase is the result of systemic analysis of cooperative education fees. Noting the requirements to build cooperative experiences for students, she advised that the fee increase will bring the University into line with the system average.

Upon a motion duly made by D. MacMillan and seconded by T. Koseck, the Audit and Finance Committee hereby recommends an increase to the current internship/co-operative education fee to \$3,600 for Fall 2023 as presented, for approval by the Board of Governors.

7. Investment Oversight
7.1 Endowment Disbursement

B. MacIsaac presented the Endowment Disbursement, advising the Committee that the proposal represents a 3-4% disbursement with the preservation of capital.

Upon a motion duly made by T. Koseck and seconded by D. MacMillan, the Audit and Finance Committee, in conjunction with Strategy and Planning Committee, hereby recommends that the Board of Governors approves the disbursement of up to \$750,000 from the University's endowed fund and unrestricted expendable sources for distribution by Financial Aid in 2023-24.

8. Risk Management Annual Report

J. Dupuis presented the Risk Management Annual Report, providing an overview of the evolution of the risk program and its reporting in response to Board-level feedback and consultation. She discussed risk assessment methodology and data sources, including direct input from risk owners. She advised the Committee of the ongoing review of risk appetite and assessment of risk acceptance versus risk avoidance or rejection. In response to a question, J. Dupuis advised that mitigation of the risk posed by artificial intelligence (AI) is largely operational in nature, adding that every institution in the sector is facing challenges. A discussion then ensued on further considerations for risk leadership, including management of catastrophic risk, monitoring issues logs, and integration of risk mitigation strategies into other areas such as emergency management.

9 Consent Agenda

9.1 Minutes of Public Session of A&F Meeting of February 22, 2023

9.2 Credit Rating Update

10. Adjournment

Upon a motion duly made by R. Thompson, the public session adjourned at 3:52 p.m.

Lauren Turner, University Secretary



Audit & Finance Committee



2022-2023 Annual Report

2022-2023 Work Plan

MANDATE-DRIVEN PRIORITIES

Financial Statements 2022-23

- Quarterly reporting & year-end financial reporting
- Credit rating update

Audited Financial Statements 2022-23

- Engagement Audit Plan
- Audited financial statements
- Receipt of Audit Findings Report
- Auditor performance review

Budget for 2023-24

- Update on assumptions, targets & outcomes
- Enrolment updates
- Multi-year financial model & forecasting
- Recommendation of 2023-24 budget to Board of Governors
- Recommendation of endowment disbursement

Budget for 2024-25; 2025-26

- Recommended approval in principle of budgetary projections

2022-2023 Work Plan

MANDATE-DRIVEN PRIORITIES

Risk Management

- Oversight of risk management processes, including risk parameters and appetite
- Monitoring risks and mitigations
- Regular reporting on significant risks
- Annual Report
 - Includes annual insurance report
- Annual policy & privacy reports

Capital Projects & Acquisitions

- 55 Bond Street

Student fees

- Recommendation of tuition & ancillary fees for 2023-2024

2022-2023 Work Plan

MANDATE-DRIVEN PRIORITIES

Investment Committee Oversight

- Receipt of bi-annual reports
- Review of Statement of Investment Policies (SIP)

Policy Development & Review

- Freedom of Expression Annual Report
- University Driving Policy
- Personal Health Information Privacy Policy
- Expenditure Signing Authority Procedures
- Rescind: International Agreements Procedure

Accomplishments

Terms of Reference

- Reviewed committee Terms of Reference

Financial & Audit

- Committee reviewed & discussed quarterly reports, allowing for ongoing assessment of opportunities & risks
- Recommended purchase of currently leased building to the Board of Governors
- Conducted auditor performance review
- Received credit rating update
- Recommended disbursement of up to \$750,000 from the Endowment Funds to be distributed as awards in 2023-24

Accomplishments

Financial & Audit (cont'd)

- Audited financial statements for the university's Pension Plan were presented to the committee by KPMG
- Recommended Audited Financial Statements for approval
- Recommended internally restricted funds for approval
- Received recommendations from, and is overseeing remediation of, Auditor General's Value for Money Audit
 - Oversight of University submission to Auditor General in November 2022
 - Receipt of University remediation plan in March 2023
- Received report on Ontario Internal Audit of the University with all items either substantially or fully implemented

Accomplishments

Budget for 2022-2023

- Oversight of the 2022-2023 budget in a challenging financial environment (ongoing tuition and grant freeze)

Budget for 2023-24

- Recommended the 2022-23 budget for approval by the Board

Budget for 2024-25, 2025-26

- Recommended approval in principle of budgetary projections for additional two years in line with multi-year planning approach

Student Fees

- Recommended the 2023-24 tuition & ancillary fees amendments for approval by the Board

Accomplishments

Investment Oversight

- Received bi-annual reports
- Recommended amendments to the Statement of Investment Policies

Risk Management & Compliance

- Receipt of the second Freedom of Expression Policy Annual Report
- Oversight of the continued development of the University Risk Management (URM) framework
- Folded Compliance reporting into URM quarterly reports
- Received the Annual URM Report
- Continued oversight of privacy and compliance
- Received annual Safe Disclosure report

Accomplishments

Strategic Discussions:

- Budget Assumptions
- Multi-Year Planning
- Sector Trends – View of the External Auditor

Policy:

- University Driving Policy
- Personal Health Information Privacy Policy
- Expenditure Signing Authority Procedures
- Rescind: International Agreements Procedure



In Progress

Financial

- Continued oversight of the university's debenture strategy

Risk Management & Compliance

- Continued development of URM program
- Implementation of University Continuity Management Policy & program
- Continued oversight of university's compliance program
- Continued oversight of university's insurance program

Contracts

- Implementation of the Contract Management & Legal Suite systems

Future Planning

Audit

- Continued updates on progress against AG VFMA recommendations
- Proposal for internal audit function

Investment

- Continued oversight of the investment of the university's endowment funds

Policy

- Endowment Policy/Procedure
- Debt Policy

Future Planning

Risk Management & Compliance

- Review of University's strategic risks
- Ongoing refinement of URM regular reports
- Continue to mature University risk appetite

COMMITTEE REPORT

SESSION:

Public
Non-Public

ACTION REQUESTED:

Decision
Discussion/Direction
Information

TO: Audit & Finance Committee

DATE: June 14, 2023

FROM: Niall O’Halloran, Manager, Privacy & Policy

SLT LEAD: Sara Gottlieb, General Counsel

SUBJECT: Annual Policy Review

COMMITTEE MANDATE:

- The Audit and Finance Committee is responsible for overseeing compliance and risk management, and other internal systems and control functions at the university.
- This oversight includes receiving regular reports from management on areas of significant risk to the university including compliance and regulatory matters, as well as policy development and approvals at the university, in accordance with the Policy Framework. Policies are a key compliance tool.

BACKGROUND/CONTEXT & RATIONALE:

- The purpose of this report is to update the committee on the ongoing policy development activities taking place throughout the university. These initiatives are being supported by the University Secretariat in collaboration with the Office of the General Counsel.
- The university's Policy Framework was initially approved in November 2014. Since then, its implementation has been treated as a change management project. This undertaking involved educating the university community about the new consultation, review, and approval processes, as well as emphasizing the significance of policies for enhancing efficiency and communication throughout the institution.
- We have seen policy activity over the past year, including revisions to: policies regulating governance processes for approval and review of academic programs; undergraduate academic regulations; and Financial compliance policy instruments related to expenses.

Policy Update

- Since June 1, 2022, a total of 6 new and 17 amended policy instruments have been approved in accordance with the Policy Framework. This marks an increase from the previous year, which saw 20 new or amended instruments.
- The University Secretariat, with support from the General Counsel's Office, continues to support a variety of policy projects, including collaborating with policy owners to develop policies newly mandated by the provincial government, privacy compliance policies and policies related to student conduct.
- The comprehensive review of the Policy Framework, originally scheduled for the 2022-23 year, has been delayed due to organizational changes associated with the reorganization of the University Secretariat and the General Counsel's Office. However, with new leaders of both offices now in place, the University Secretariat will proceed with the review during the 2023-24 year, noting that this may be a multi-year project. Any recommendations for enhancements will be presented to the Audit and Finance Committee for consideration.
- The tables below track support of policy instrument development to the University. Table 1 tracks policy support provided over the past five years. Table 2 identifies the unit responsible for the policy being supported over the past year.

TABLE 1: Overall Policy Support 2018-19 to 2022-23

Year	Drafting	Recommendations	Advice
2018-19	23	35	42
2019-20	18	54	10
2020-21	21	11	25
2021-22	18	16	25
2022-23	6	12	19

TABLE 2: Policy Support by Unit June 1, 2021 to May 26, 2022

Unit	Drafting	Recommendations	Advice
General Counsel	4		
University Secretary	2		
Student Life		1	
Research Services		1	5
Finance		5	
Human Resources			3
Graduate Studies			5
Registrar's Office		1	7
Teaching and Learning		2	
Provost's Office		1	5

SUPPORTING DOCUMENTS:

- Schedule A List of Policy Instrument approvals

Schedule A: Policy Instrument Approvals

- Administrative Guidelines for Determining the Academic Schedule (Provost, June 27, 2022)
- Undergraduate and Professional Admissions Policy (Academic Council, June 28, 2022)
- Policy on Auditing an Undergraduate and Graduate Course (Academic Council, June 28, 2022)
- Procedures for Auditing an Undergraduate and Graduate Course (USC, May 17, 2022)
- Directives for Co-Operative Education, Internship and Practicum Development (USC, June 21, 2022)
- Use of University Automobile Driving Policy (Board, December 1, 2022)*
- Renting Automobiles for University Business Directive (President, December 19, 2022)*
- Electronic Monitoring Policy (President, December 23, 2022)*
- Examination and Grading Policy (Academic Council, June 28, 2022)
- Expenses Procedures (ALT, June 16, 2022)
- Employee Phone Directive (Vice-President Administration, October 6, 2022)*
- Graduate Submission of Thesis, Project or Major Paper Policy (Academic Council, June 28, 2022)
- Institutional Quality Assurance Process Policy (Academic Council, September 27, 2022)
- Curriculum Change Procedures (Academic Council, September 27, 2022)
- Cyclical Review and Auditing Procedures (Academic Council, September 27, 2022)
- New Program Procedures (Academic Council, September 27, 2022)
- Program Closure Procedures (Academic Council, September 27, 2022)
- Medication Administration – Nursing (FHS Faculty Council, November 2, 2022)*
- Registration and Course Selection Policy (Academic Council, June 28, 2022)
- Expenditure Signing Authority Procedures (A&F, June 26, 2022)
- Personal Health Information Privacy Policy (Board, March 9, 2023)*
- Personal Health Information Privacy Procedures (A&F, February 22, 2023)*
- Rescind: International Agreements Procedure (A&F, February 22, 2023)
- Statement of Investment Policies (Board, March 9, 2023)

*New Policy Instruments

COMMITTEE REPORT

SESSION:

Public
 Non-Public

ACTION REQUESTED:

Decision
 Discussion/Direction
 Information

TO: Audit & Finance Committee

DATE: April 28, 2023

FROM: Niall O’Halloran, Manager, Policy &

SLT LEAD: Privacy Sara Gottlieb, General Counsel

SUBJECT: Privacy Report 2023

COMMITTEE MANDATE:

- The Audit and Finance Committee is responsible for overseeing compliance and risk management, and other internal systems and control functions at the university.
- This oversight includes receiving regular reports from management on areas of significant risk to the university including compliance and regulatory matters. Privacy is an active compliance portfolio from several perspectives: requests for access to information, advising on privacy obligations and interpretation of the legislation, and managing and investigating alleged privacy breaches.

BACKGROUND/CONTEXT & RATIONALE:

- The purpose of this report is to update the committee on the current status of privacy compliance activities being conducted by the Privacy Office.
- Annually, the university submits statistical reports to the Information and Privacy Commissioner concerning compliance activities under FIPPA. These reports include the number of access to information and certain details.
- This year, for the first time, the university is also reporting on compliance activities under PHIPA. This change is a result of the Board's approval of the Personal Health Information Protection Policy, designating the university as the Health Information Custodian for healthcare providers like Student Mental Health Services and Athletic Therapy.

- The table below sets out the number of FIPPA and PHIPA access to information requests, Privacy Impact Assessments (PIAs), and privacy investigations during the 2022 calendar year with a comparison to the three previous years:

TABLE 3: Privacy Activity by year, calendar year 2019-2022

Category	Calendar year 2019	Calendar year 2020	Calendar year 2021	Calendar year 2022
Requests for personal information	9	4	2	2
Requests for general information	3	3	1	7
FIPPA Appeals	3	0	2	6*
Requests for Personal Health Information	-	-	-	2
Informal Requests resolved by USGC	9	7	8	13
3rd party notifications	1	3	1	3
Privacy Impact Assessments	-	9	3	6^
Breaches investigated	16	8	12	10

*4 closed in CY 2022

^7 ongoing

- One request for General Records was carried over for completion in the 2023 calendar year. This request has since been completed and a decision issued.
- Ontario Tech was the subject of an IPC Order, PO-4372, which upheld the university's decision on an access request from 2021. The appeal focused on the application of an exclusion pertaining to research records.