BOARD OF GOVERNORS
Audit & Finance Committee

June 13, 2024
1:00 p.m. to 3:55 p.m.
Videoconference
1 613-778-9329 PIN: 577 965 382#

Members: Dale MacMillan (Acting Chair), Laura Elliott, Mitch Frazer, Steven Murphy, Gaurav Singh, Frank Carnevale

Staff: Kirstie Ayotte, Jackie Dupuis, Sara Gottlieb, Krista Hester, Lori Livingston, Brad MacIsaac, Pamela Onsiong

Guests: KPMG

AGENDA

No.	Topic	Lead	Allocated Time	Suggested Start Time
	PUBLIC SESSION			
1	**Call to Order**	Chair	5	1:00 p.m.
2	**Agenda (M)**			
3	**Conflict of Interest Declaration**			
4	**Chair's Remarks**	Chair	5	1:05 p.m.
5	**President's Remarks**	Steven Murphy	10	1:10 p.m.
6	**Finance**			
6.1	Draft Audited Financial Statements 2023-2024 (includes internally restricted funds) *(M)	KPMG/Pamela Onsiong	15	1:20 p.m.
6.2	Fourth Quarter Financial Reports* (I)	Pamela Onsiong	10	1:35 p.m.
6.3	Auditor General Update*	Brad MacIsaac	5	1:45 p.m.
6.4	Internal Audit Update*	Brad MacIsaac	5	1:50 p.m.
6.5	Campus Master Plan Update – New Residence*	Brad MacIsaac	5	1:55 p.m.
7	**Investment Oversight – Semi-Annual Investment Report* (I)**	Brad MacIsaac	10	2:00 p.m.
8	**Risk – Annual Report* (U)**	Jackie Dupuis & Brad MacIsaac	20	2:10 p.m.

D – Discussion M – Motion P – Presentation U – Update * Documents attached

No.	Topic	Lead	Allocated Time	Suggested Start Time
9	**Consent Agenda (M):**	Chair	5	2:30 p.m.
9.1	Minutes of Public Session of A&F Meeting of April 11, 2024*			
9.2	A&F Annual Board Report*			
9.3	Annual Policy Review*			
9.4	Privacy Report 2024*			
10	**Adjournment (M)**	Chair		2:35 p.m.
BREAK – 10 minutes				
NON-PUBLIC SESSION (material not publicly available)				
11	**Call to Order**	Chair	5	2:45 p.m.
12	**Conflict of Interest Declaration**			
13	**President's Remarks**	Steven Murphy	10	2:50 p.m.
14	**Finance**			
14.1	Campus Master Plan – Building Updates	Brad MacIsaac	20	3:00 p.m.
14.1.1	Residence Appendix*			
14.1.2	Space Planning*			
15	**Audit**			
15.1	Audit Findings Report* (U)	KPMG	10	3:20 p.m.
16	**Non-Public Risk Update – Questions Only**	Jackie Dupuis & Brad MacIsaac	5	3:30 p.m.
17	**Consent Agenda (M):**	Chair	5	3:35 p.m.
17.1	Minutes of Non-Public Session of A&F Meeting of April 11, 2024* (M)			
17.2	2023-2024 Work Plan* (I)			
17.3	A&F Committee Action Points*			
17.4	2023-2024 Safe Disclosure Report*			
17.5	Expenses of President and Board of Governors*			
18	***In Camera* Session (M)**			
18.1	*In Camera* with General Counsel		5	3:40 p.m.
18.2	Committee *in Camera*		10	3:45 p.m.
19	**Termination (M)**			3:55 p.m.

Krista Hester, Interim University Secretary

D – Discussion M – Motion P – Presentation U – Update * Documents attached

COMMITTEE REPORT

SESSION:

Public ☒
Non-Public ☐

ACTION REQUESTED:

Decision ☒
Discussion/Direction ☐
Information ☐

TO:	**Audit & Finance Committee**
DATE:	**June 13, 2024**
PRESENTED BY:	**Pamela Onsiong**
SLT LEAD:	**Brad MacIsaac**
SUBJECT:	**Draft Audited Financial Statements for the year ending March 31, 2024**

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 2023/24 draft audited financial statements and the 2023/24 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, 2024:

- Draft audited financial statements and the accompanying notes to the financial statements (Appendix 1)
- Internally restricted reserves (Appendix 2)
- Financial health ratios (Appendix 3)
- Consolidated financial statements analysis (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 1 to the financial statements, and include the results of its fully-owned subsidiaries, Regent Square Property Corporation accounted for on a consolidation basis and Ontario Tech Talent ("TALENT") accounted for on an equity basis. TALENT is a for profit entity, controlled by the University and it follows Canadian Accounting Standards for Private Enterprises, with no significant differences in accounting policies from those followed by the University.

HIGHLIGHTS:

The University continues to operate within a fiscally-constrained environment, given the significant impacts of the provincially mandated 2019 tuition fee cut and the subsequent freeze for Ontario students, the cap of provincial funding at the 2016-17 level for domestic students along with inflationary cost pressures on its operations.

The University ended the year with a **surplus of $6.4M**. Total revenues at $258.4M increased by $25.7M (or 11.0%) and expenses at $252.0M increased by $21.9M (or 9.5%) over the prior year.

During the year, Management has reviewed the basis of deferral for unspent funds in the revenue-generating units ("RGU's"). Funds that do not meet the criteria of a contractual external restriction have been recognized as income and a recommendation made to restrict some of the funds for future use by the RGU's. The **RGU's net unspent funds amounted to $4.3M** for the fiscal year - these are disclosed under "Other Income" on the Statement of Operations and are **included in the current year surplus of $6.4M**.

In addition to the RGU's surplus, **Revenue** increases are largely driven by increases in tuition and student ancillary fees attributable to domestic and international enrolment growth; and increases in realized and unrealized investment returns reflecting the higher interest rate on treasury balances and the impact of the rebound in the financial markets on our endowed funds in the current year.

Expenses have gradually increased over the last couple of years with spending now at the higher pre-pandemic levels. **Salaries and benefits** which comprise over half of the total expenses of the University and are mostly tied to collective agreements, i**ncreased $15.0M** (or 11.6%) thus consuming **58% of the year-over-year increase in revenues.**

Despite the ongoing financial challenges, the **statement of financial position** remains stable. Factors contributing to the stable financial position include increasing enrolment numbers with good brand and strategic positioning, stable operating results, solid levels of liquidity from cash and investments and effective financial management practices.

The University continues to **meet its various debt obligations** and paid back $10.8M of debt in the fiscal year. **Expendable net assets**, including unrestricted and internally restricted assets, are a reflection of the financial flexibility of the institution and these increased **$3.7M** (or 8.4%) over the prior year. Total **Net Assets** increased in line with the net increase in assets and liabilities, with funds in net assets being fully supported by cash and restricted investments.

See Appendix 4 for a detailed analysis of the Statement of financial position and Statement of Operations.

Internally Restricted Reserve

Internally restricted reserves represent unspent funds in the fiscal year which are committed for specific purposes (e.g. as per faculty contract agreements, student fee protocols), for strategic initiatives or to protect against possible adverse operating circumstances such as changes to student enrolment.

Restricted reserves are reviewed in conjunction with both the year-end management report and the audited financial statements to ensure there is sufficient cash coverage to fund for these reserves whilst maintaining a strong working capital base.

In the current year, and as part of normal operating activities, the University utilized $0.3M of reserves in support of research activities and student aid. Management is recommending to internally **restrict $5.7M of the current operating surplus and donations** received for capital projects, as follows: $3.6M surplus for the RGU's, $1.2M for capital and deferred maintenance and $0.8M in support of students and academic priorities.

The ongoing financial constraints that the University is facing have meant that there is minimal surplus fund available for other strategic reserves. The University is aware of the need to replenish its reserves and continue to plan for these reserves in its long-term forecast models.

Financial health ratios

Consistent with the sector in Ontario, we are reporting on 7 financial indicators (liquidity, sustainability and performance ratios), together with their respective medium-risk and high-risk thresholds. Based on the current year operating surplus and a stable financial position, the University's financial ratios are stable.

Liquidity ratios (primary reserve and working capital) measure the ability of the University to pay off its short-term liabilities. While the **working capital ratio at 1.4 is at a healthy level**, the **primary reserve ratio at 70 days remains in the medium-risk category** due to the utilization of internally restricted reserves to invest in the University's infrastructure in the last 5 years. Management is aware of the need to replenish these reserves and improve the primary ratio over time.

Sustainability (or debt) ratios measure the University's debt capacity and affordability, as measured by its viability, debt, debt to revenue and interest burden ratios. Although the debt ratios have consistently improved over the years as the University continues to pay back its various debt obligations, these ratios all fall within the medium-risk and high-risk categories due to the high level of debt on the University's books (total debt as at March 31, 2024 = $182k which includes an outstanding $129M debenture debt).

Debt affordability is supported by the annual debt service grant of $13.5M from the Province which covers 80% of the University's annual debenture debt repayment. **Adjusting for the impact of the debt funding** by the Province, **the University's debt ratios improve significantly** and fall outside of the risk thresholds, except for the interest burden which, at 2.3%, still presents as a medium risk (see "Adjusted" ratios as highlighted in blue in Appendix 3).

Financial health ratios (continued)

Performance ratios measure the University's ability to generate a surplus, and is measured by its net income/(loss) and net operating revenues ratios. Due to the current year surplus and the University's stable working capital position, the ratios at 2.5% and 7.1% respectively are also stable.

In conclusion, the University is financially sustainable and remains committed to continue with prudent financial planning that will strengthen its financial position over the long term.

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, 2024. 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 27, 2024.

MOTION FOR CONSIDERATION:

That the Audit & Finance Committee hereby recommends the 2023/24 audited financial statements and the 2023/24 internally restricted reserves, as presented, for approval by the Board of Governors.

Appendix 1

ONTARIO TECH UNIVERSITY
Draft Consolidated Financial Statements
Table of Contents
For the year ended March 31, 2024

ONTARIO TECH UNIVERSITY
Draft Consolidated Statement of Financial Position
As at March 31, 2024

		March 31, 2024		March 31, 2023		Variance
Assets						
Current assets:						
Cash and cash equivalents (Note 4)	**$**	**82,501,582**	$	62,176,383	$	20,325,199
Short-term investments (Note 4)		**-**		17,000,000		(17,000,000)
Grant receivable		**9,858,668**		9,287,216		571,452
Other accounts receivable (net of allowance for doubtful accounts - $1,295,707; 2023 - $998,855) (Note 4)		**9,876,098**		8,619,781		1,256,317
Prepaid expenses, deposits and inventories		**2,655,281**		2,718,630		(63,349)
		104,891,629		99,802,010		5,089,619
Investments (Note 5)		**36,442,593**		33,435,346		3,007,247
Other assets (Note 6)		**1,762,867**		2,975,239		(1,212,372)
Capital assets (Note 7)		**387,176,699**		398,222,231		(11,045,532)
Goodwill (Note 8)		**973,421**		973,421		-
Total assets	**$**	**531,247,209**	$	535,408,247	$	(4,161,038)
Liabilities and Net Assets						
Current Liabilities:						
Accounts payable and accrued liabilities (Notes 9 and 18)	**$**	**34,363,050**	$	30,576,509	$	3,786,541
Deferred revenue (Note 10)		**32,799,941**		35,326,367		(2,526,426)
Current portion of other long-term debt (Note 11)		**654,883**		753,626		(98,743)
Current portion of obligations under capital lease (Note 12)		**505,532**		434,644		70,888
Current portion of long-term debenture debt (Note 13)		**8,426,883**		7,916,146		510,737
Current portion of fair value of interest rate swap (Note 14)		**734,000**		712,000		22,000
		77,484,289		75,719,292		1,764,997
Other long-term debt (Note 11)		**5,284,035**		6,181,402		(897,367)
Long-term portion of obligations under capital lease (Note 12)		**26,335,606**		26,841,138		(505,532)
Long-term portion of debenture debt (Note 13)		**120,778,436**		129,205,318		(8,426,882)
Long-term portion of fair value of interest rate swap (Note 14)		**19,529,206**		20,958,242		(1,429,036)
Deficiency in other investments (Note 15)		**1,810,464**		1,007,713		802,751
Deferred capital contributions (Note 16)		**153,399,758**		156,391,888		(2,992,130)
		404,621,794		416,304,993		(11,683,199)
Net Assets						
Unrestricted		**23,236,114**		24,923,896		(1,687,782)
Invested in capital assets (Note 19)		**51,528,361**		48,827,828		2,700,533
Internally restricted (Note 20)		**24,839,069**		19,419,098		5,419,971
Endowments (Note 21)		**27,021,871**		25,932,432		1,089,439
		126,625,415		119,103,254		7,522,161
Related party transactions (Notes 2,3,7,12, 23 and 24)						
Contingencies and contractual commitments (Note 23)						
Guarantee (Note 24)						
Risk disclosure (Note 25)						
Subequent event note (Note 26)						
Total liabilities and Net Assets	**$**	**531,247,209**	$	535,408,247	$	(4,161,038)

See accompanying notes to the consolidated financial statements

Approved by:

ONTARIO TECH UNIVERSITY
Draft Consolidated Statement of Operations
For the year ended March 31, 2024

	2024	2023	Variance
REVENUE			
Grants - operating and research (Note 17)	$ **81,857,720**	$ 81,352,666	$ 505,054
Grants - debenture (Note 13)	**13,500,000**	13,500,000	-
Donations	**3,502,428**	3,739,149	(236,721)
Student tuition fees	**100,540,769**	90,699,135	9,841,634
Student ancillary fees	**16,097,974**	13,001,273	3,096,701
Revenues from purchased services (Note 18)	**1,449,483**	1,465,114	(15,631)
Other income	**25,703,685**	17,393,541	8,310,144
Amortization of deferred capital contributions (Note 16)	**8,234,822**	8,252,004	(17,182)
Interest revenue	**4,909,101**	3,175,838	1,733,263
Gain on disposal of capital assets	**6,947**	4,540	2,407
Unrealized gain/(loss) on investments	**1,963,619**	(1,011,882)	2,975,501
Unrealized gain on interest rate swap	**695,036**	1,183,077	(488,041)
	258,461,584	232,754,455	25,707,129
EXPENSES			
Salaries and benefits	**144,012,224**	129,031,422	14,980,802
Student aid, financial assistance and awards	**15,675,172**	15,040,090	635,082
Supplies and expenses	**40,885,487**	34,436,301	6,449,186
Purchased services (Note 18)	**14,289,761**	12,977,223	1,312,538
Interest expense - debt obligations	**11,961,741**	12,780,736	(818,995)
Interest expense - other	**230,745**	191,729	39,016
Amortization of capital assets	**22,561,202**	22,029,875	531,327
Professional fees	**1,598,982**	1,284,069	314,913
Loss on termination of a capital lease	**-**	2,121,527	(2,121,527)
Loss on other investments (Note 15)	**802,751**	253,490	549,261
	252,018,065	230,146,462	21,871,603
Excess of revenue over expenses	$ **6,443,519**	$ **2,607,993**	$ 3,835,526

See accompanying notes to the consolidated financial statements

ONTARIO TECH UNIVERSITY
Draft Consolidated Statement of Changes in Net Assets
For the year ended March 31, 2024

	Unrestricted	Invested in Capital Assets (Note 19)	Internally Restricted (Note 20)	Endowments (Note 21)	Total 2024	Total 2023
Balance - Beginning of Year	**$ 24,923,896**	**$ 48,827,828**	**$ 19,419,098**	**$ 25,932,432**	**$ 119,103,254**	$ 115,640,189
Excess / (deficiency) Revenue over Expenses	**20,769,899**	**(14,326,380)**	**-**	**-**	**6,443,519**	2,607,993
Interfund Transfer - Endownment	**-**	**-**	**(10,797)**	**10,797**	**-**	-
Interfund Transfer	**(5,430,768)**	**-**	**5,430,768**	**-**	**-**	-
Investment in Capital Assets	**(17,026,913)**	**17,026,913**	**-**	**-**	**-**	-
Endowment Contributions	**-**	**-**	**-**	**1,078,642**	**1,078,642**	855,072
Net changes during the year	**(1,687,782)**	**2,700,533**	**5,419,971**	**1,089,439**	**7,522,161**	3,463,065
Balance - End of Year	**$ 23,236,114**	**$ 51,528,361**	**$ 24,839,069**	**$ 27,021,871**	**$ 126,625,415**	$ 119,103,254

See accompanying notes to the consolidated financial statements

ONTARIO TECH UNIVERSITY
Draft Consolidated Statement of Cash Flows
For the year ended March 31, 2024

	March 31, 2024	March 31, 2023
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES		
OPERATING		
Excess of revenue over expenses	**$ 6,443,519**	$ 2,607,993
Items not affecting cash:		
Amortization of capital assets	**22,561,202**	22,029,875
Amortization of deferred capital contributions	**(8,234,822)**	(8,252,004)
Gain on disposal of capital assets	**(6,947)**	(4,540)
Loss on termination of a capital lease	**-**	2,121,527
Loss on other investments	**802,751**	253,490
Unrealized gain on interest rate swap	**(695,036)**	(1,183,077)
Unrealized (gain)/loss on investments	**(1,963,619)**	1,011,882
	18,907,048	18,585,146
WORKING CAPITAL		
Grant and other accounts receivable	**(1,827,768)**	(2,749,384)
Prepaid expenses, deposits and inventories	**63,349**	(554,084)
Accounts payable and accrued liabilities	**3,786,541**	(398,365)
Deferred revenue	**(2,526,426)**	3,152,423
	18,402,744	18,035,736
INVESTING		
Purchase of capital assets	**(11,597,316)**	(12,707,155)
Proceeds on disposal of capital assets	**88,593**	173,970
Investments	**15,956,372**	(706,900)
Other assets	**1,212,372**	(501,662)
Acquisition of Regent Corporation	**-**	(7,500,000)
	5,660,021	(21,241,747)
FINANCING		
Repayment of interest rate swap	**(712,000)**	(691,000)
Repayment of long-term debt	**(8,912,256)**	(7,103,193)
Repayment of obligations under capital leases	**(434,644)**	(956,986)
Endowment contributions	**1,078,642**	855,072
Deferred capital contributions	**5,242,692**	4,053,039
	(3,737,566)	(3,843,068)
NET CASH INFLOW/(OUTFLOW)	**20,325,199**	(7,049,080)
CASH & CASH EQUIVALENTS BALANCE, BEGINNING OF YEAR	**62,176,383**	69,225,462
CASH & CASH EQUIVALENTS BALANCE, END OF YEAR	**$ 82,501,582**	$ 62,176,383
SUPPLEMENTARY CASH FLOW INFORMATION		
Interest paid	**$ 12,190,418**	$ 12,997,308

See accompanying notes to the financial statements

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 a for profit entity, controlled by the University and its financial results to March 31, 2024 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. Ontario Tech Talent follows Canadian Accounting Standards for Private Enterprises, with no significant differences in accounting policies from those followed by the University.

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.

1. SIGNIFICANT ACCOUNTING POLICIES AND DISCLOSURES (continued)

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

Student fees are recognized as revenue when courses are provided.

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

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 instrument's cash surrender value increase.

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.

1. SIGNIFICANT ACCOUNTING POLICIES AND DISCLOSURES (continued)

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

(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.

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 which time an event has occurred and which indicates a possibility of impairment.

(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.

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 7 and the lease termination is disclosed in Note 12.

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

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:

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

4. CASH AND CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS

		2024		2023
Bank of Montreal, cash balances	**$**	**64,603,412**	$	60,688,807
BMO guaranteed investment certificate		**17,000,000**		-
Royal Bank of Canada, cash balances		**213,957**		425,049
Harris Bank, cash balances/(drawn)		**17,946**		(11,601)
Other, balances		**666,267**		1,074,128
	$	**82,501,582**	$	62,176,383

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, 2024, the University utilized, on a cash consolidated basis, nil (2023 - nil) of the operating line of credit.

4. CASH AND CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS (continued)

The bank balance includes $17,000,000 of an annual guaranteed investment certificate ("GIC") that matured 1 day after year-end and therefore disclosed as "cash and cash equivalents" (2023 - nil as the $17,000,000 was disclosed under short-term investments). The total accrued interest receivable and interest income recognized on the GIC in the current year is $953,798 (2023 - nil).

5. INVESTMENTS

	2024		2023	
	Cost	**Fair Value**	Cost	Fair Value
Equities	**$ 18,826,040**	**$ 24,165,571**	$ 18,101,986	$ 22,245,338
Fixed income	**12,264,656**	**11,389,622**	11,858,967	10,973,700
Money Market/Cash	**887,400**	**887,400**	216,308	216,308
	$ 31,978,096	**$ 36,442,593**	$ 30,177,261	$ 33,435,346

Financial instrument risks are disclosed in Note 25, under "Financial instrument risks".

6. OTHER ASSETS

Included under Other assets is the donation of a life insurance policy the University received in July 2020. This policy, for which the University is the named beneficiary, is recorded at the current cash surrender value of $1,762,867 (2023 - $1,706,563). Other assets are net of an allowance for doubtful accounts of $2,108,943 (2023 - nil) that pertains to a receivable from its subsidiary, Ontario Tech Talent (Note 15).

7. CAPITAL ASSETS

Capital assets consist of:

	2024			2023
	Cost	**Accumulated Amortization**	**Net Book Value**	Net Book Value
Land	**$ 12,805,864**	**$ -**	**$ 12,805,864**	$ 12,805,864
Buildings	**462,522,890**	**176,340,165**	**286,182,725**	314,514,948
Building renovations	**59,754,569**	**30,222,442**	**29,532,127**	12,750,194
Leasehold improvements	**2,753,727**	**1,236,723**	**1,517,004**	1,557,932
Parking	**1,525,624**	**445,356**	**1,080,268**	1,018,313
Furniture and fixtures	**23,509,044**	**20,559,496**	**2,949,548**	2,935,430
Laptops	**3,825,682**	**2,842,877**	**982,805**	1,053,693
Vehicles	**525,564**	**330,862**	**194,702**	116,483
Computer equipment	**26,985,731**	**23,576,106**	**3,409,625**	2,817,951
Major equipment	**106,653,390**	**78,403,538**	**28,249,852**	28,231,923
Construction-in-progress	**341,121**	**-**	**341,121**	5,399
	$ 701,203,206	**$ 333,957,565**	**$ 367,245,641**	$ 377,808,130
Assets under capital leases:				
Land	**2,300,000**	**-**	**2,300,000**	2,300,000
Buildings	**24,152,135**	**6,521,077**	**17,631,058**	18,114,101
Total	**$ 727,655,341**	**$ 340,478,642**	**$ 387,176,699**	$ 398,222,231

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

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 on February 21, 2023.

- 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 on February 21, 2023. The derecognition of capital assets under capital leases resulted in a net loss of $2,121,527 in 2023.

Amortization of assets under capital leases for the current year totaled $483,043 (2023 - $659,303).

8. GOODWILL

Goodwill of $973,421 was recorded by the University in the prior year 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.

9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Included in accounts payable and accrued liabilities are government remittances payable of $3,645,287 (2023 – $3,492,662).

10. DEFERRED REVENUE

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

		2024		2023
Tuition	**$**	**10,524,798**	$	9,732,149
Research		**12,948,376**		14,045,753
Donations		**4,202,600**		3,502,180
Ancillary fees		**1,979,604**		2,003,658
Other		**3,144,563**		6,042,627
	$	**32,799,941**	$	35,326,367

11. OTHER LONG-TERM DEBT

The University has incurred debts in the amount of $5,938,918 through third parties related to a property in downtown Oshawa and leasehold improvements. Other long-term debt comprised the following:

		2024		2023
Unsecured loan for leasehold improvements in downtown Oshawa, repayable monthly at 9.3% per annum, with final instalment due April 30, 2041		**169,433**		173,310
Unsecured loan for ACE equipment, repayable monthly at 9.8% per annum, fully paid in December 2023		**-**		385,391
Secured loan for property at 55 Bond, repayable monthly at 7.2% per annum with final instalment due September 1, 2030		**5,769,485**		6,376,327
	$	**5,938,918**	$	6,935,028

11. OTHER LONG-TERM DEBT (continued)

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

2025	$ 654,883
2026	745,823
2027	862,932
2028	925,326
2029	992,234
Thereafter, through 2042	1,757,720
	5,938,918
Less: current portion	654,883
	$ 5,284,035

The fair value of the other long-term debt is approximately $6,170,000 (2023 - $7,149,000). Fair value has been calculated using the future cash flows of the actual outstanding debt instrument, discounted at current market rates available to the University.

12. 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.

Remaining capital lease repayments are due as follows:

2025	$ 2,899,712
2026	2,928,915
2027	2,958,409
2028	2,988,198
2029	3,018,285
Thereafter, through 2041	38,962,672
Total minimum lease payments	53,756,191
Less: amount representing interest at 9.0%	26,915,053
Present value of net minimum capital lease payments	26,841,138
Less: current portion of principal obligation	505,532
	$ 26,335,606

12. OBLIGATIONS UNDER CAPITAL LEASES (continued)

Interest of $2,436,155 (2023 - $2,910,063) 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 (2023 - $26,452,135) with related accumulated amortization of $6,521,077 (2023 - $6,038,034).

The fair value of the capital leases is approximately $27,300,000 (2023 - $27,806,000). Fair value has been calculated using the future cash flows of the actual outstanding debt instrument, discounted at current market rates available to the University.

13. 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”), and by the University’s operating funds.

On August 12, 2011, an agreement was signed between the University and the MCU whereby the MCU 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, 2024 is $313,519,111 (2023 - $297,018,105), $250,487,712 funded by the MCU and $63,031,399 funded by the University.

As at March 31, 2024, $217,431,043 (2023 - $217,431,043) had been used to finance capital assets.

Total principal repayments for debenture debt are as follows:

2025		8,426,883
2026		8,970,572
2027		9,549,338
2028		10,165,446
2029		10,821,304
Thereafter, through 2035		81,271,776
Total minimum payments		129,205,319
Less: current portion		8,426,883
	$	120,778,436

13. LONG-TERM DEBENTURE DEBT (continued)

The fair value of the long-term debenture debt is approximately $135,537,000 (2023 - $150,466,000). 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.

14. DERIVATIVE FINANCIAL INSTRUMENTS

On September 29, 2021, the University entered into an unsecured interest rate swap agreement with RBC for the long-term financing of the Shawenjigewining Hall. This agreement expires on September 28, 2046. Under the terms of the agreement, the University agrees with the counterparty to exchange, at specified intervals and for a specified period, its floating interest calculated on the notional principal amount of each loan for a fixed rate of 2.53%. The use of the swap effectively enables the University to convert the floating rate interest obligation of the loan into a fixed rate obligation, and thus manages its exposure to interest rate risk.

The fair value of the derivative liability is as follows:

	2024	2023
Interest rate swap	**$ 20,263,206**	$ 21,670,242
Less: current portion	**734,000**	712,000
	$ 19,529,206	$ 20,958,242

15. DEFICIENCY IN OTHER INVESTMENTS

Deficiency in other investments comprise of the investment in Ontario Tech Talent. Investment as at March 31, 2024 is a net loss of $1,810,464 (2023 – $1,007,713) which includes the initial investment in Ontario Tech Talent of 100 shares valued at $100, net of accumulated loss of $1,810,564 (2023 – $1,007,813).

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

		2024		2023
Total assets	**$**	**545,303**	$	394,434
Total liabilities		**2,355,767**		1,402,147
Shareholder's equity				
- 100 common shares		**100**		100
- Net accumulated loss		**(1,810,564)**		(1,007,813)
	$	**545,303**	$	394,434
Results of operations:				
Total revenue		**2,035,603**		811,580
Total expenses		**2,838,354**		1,065,070
Net loss for the year	**$**	**(802,751)**	$	(253,490)

The University has assessed the amounts due from Ontario Tech Talent at the end of the year. Included in the total revenue of Ontario Tech Talent is $1,270,000 of amounts due and forgiven by the University in the current year.

Included in the total liabilities of Ontario Tech Talent is a related party transaction of $2,108,943 (2023 – $1,268,676), representing the draw of a credit facility with the University to fund the operating costs of Ontario Tech Talent. This related party transaction has been provided for by the University in the current year. Interest on the credit facility is at prime rate plus 0.25%, and there are no fixed terms of repayment.

16. 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. The OTSU transferred $4,500,000 to the University in 2021 and 2022, with the remaining $500,000 transferred in 2023. This fee is included in the consolidated financial statements as a deferred capital contribution as the funding was directed to financing the construction.

16. DEFERRED CAPITAL CONTRIBUTIONS (continued)

The changes in the balance consist of the following:

	2024	2023
Balance - beginning of year	**$ 156,391,888**	$ 160,590,853
Contributions	**5,242,692**	4,053,039
Recognized as revenue during the year	**(8,234,822)**	(8,252,004)
Balance - end of year	**$ 153,399,758**	$ 156,391,888

17. GRANT REVENUES – OPERATING AND RESEARCH

Grant revenues consist of the following:

	2024	2023
Operating	**$ 64,553,198**	$ 65,817,279
Externally funded research	**17,304,522**	15,535,387
Total grant revenues	**$ 81,857,720**	$ 81,352,666

18. 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.

19. INVESTED IN CAPITAL ASSETS

		2024		2023
Capital assets - net book value	$	387,176,699	$	398,222,231
Less amount financed by deferred capital contributions		(153,399,758)		(156,391,888)
Less amount financed by long-term debt (Notes 10, 11, 12 and 13)		(182,248,580)		(193,002,515)
Total investment in capital assets	**$**	**51,528,361**	$	48,827,828

		2024		2023
Net change in investment in capital assets:				
Purchase of capital assets	$	11,597,316	$	25,707,155
Assets disposed under capital lease termination		-		(9,149,527)
Lease obligation termination		-		7,028,000
Deferred capital contributions		(5,242,692)		(4,053,039)
Long-term debt		-		(6,425,015)
Repayment of long-term debt		10,058,899		8,751,179
Net Book Value of disposed capital asset and gain on interest rate swap		613,390		1,013,649
	$	**17,026,913**	$	22,872,402

		2024		2023
Amortization of deferred capital contributions	$	8,234,822	$	8,252,004
Less amortization of capital assets		(22,561,202)		(22,029,875)
	$	**(14,326,380)**	$	(13,777,871)
Net change during the year	**$**	**2,700,533**	$	9,094,531

20. 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 investment 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:

	2024	2023
Balance is comprised of the following:		
Research funds (a)	$ **6,301,552**	$ 6,414,309
Capital projects (b)	**1,466,572**	227,976
Student assistance and related funds (c)	**2,834,302**	2,828,606
Working capital (d)	**6,000,000**	6,000,000
Learning re-imagined (e)	**3,260,254**	2,620,632
Digital and physical infrastructure re-imagined (f)	**1,327,575**	1,327,575
Revenue-generating unit carry-forward (g)	**3,648,814**	-
	$ **24,839,069**	$ 19,419,098

(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 funds restricted for the University's 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 MCU.

(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) Revenue-generating unit carry-forward represents surplus funds restricted to be utilized by these units for future operating and strategic initiatives.

21. 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 MCU announced that the OTSS would be discontinued as of the end of Fiscal 2012 fundraising year.

The balance of endowments consists of the following:

	2024	2023
OSOTF	**$ 2,041,124**	$ 2,002,179
OTSS	**19,269,150**	18,726,174
OSOTF and OTSS	**21,310,274**	20,728,353
Other	**5,711,597**	5,204,079
	$ 27,021,871	$ 25,932,432

The change in the balance of endowments is as follows:

	2024	2023
Endowment fund balance, beginning of year	**$ 25,932,432**	$ 24,916,255
Donations	**455,511**	642,408
Realized gains	**312,315**	104,170
Realized investment income	**888,824**	776,409
Income distributions	**(567,211)**	(506,810)
Endowment fund balance, end of year	**$ 27,021,871**	$ 25,932,432

21. ENDOWMENTS (continued)

As per the MCU policies, the transactions related to OSOTF and OTTS should be presented in these consolidated financial statements, for the year ended March 31, 2024.

		OSOTF		OTTS		Total 2024		Total 2023
Schedule of Changes in Endowment Fund Balance								
Endowment balance, beginning of year	**$**	**1,812,973**	**$**	**17,844,430**	**$**	**19,657,403**	$	18,319,841
Eligible cash donations		**-**		**119,282**	**$**	**119,282**		440,477
Preservation of capital		**75,000**		**848,514**	**$**	**923,514**		897,085
Endowment fund balance, end of year	**$**	**1,887,973**	**$**	**18,812,226**	**$**	**20,700,199**	$	19,657,403

Schedule of Changes in Expendable Funds Available for Awards		OSOTF		OTTS		Total 2024		Total 2023
Expendable balance, beginning of year	**$**	**189,207**	**$**	**881,743**	**$**	**1,070,950**	$	1,698,987
Realized investment income		**78,944**		**904,405**		**983,349**		720,858
Less: Preservation of capital		**(75,000)**		**(848,514)**		**(923,514)**		(897,085)
Bursaries and awards disbursed		**(40,000)**		**(480,710)**		**(520,710)**		(451,810)
Expendable balance, end of year	**$**	**153,151**	**$**	**456,924**	**$**	**610,075**	$	1,070,950
Total funds, end of year	**$**	**2,041,124**	**$**	**19,269,150**	**$**	**21,310,274**	$	20,728,353

In the current year, 403 bursaries and awards were disbursed, of which $567,211 was from the total endowed funds and $141,050 from operating funds (2023 – 375 bursaries and awards: $506,810 from endowed funds and $168,800 from operating funds).

22. 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 $8,340,021 (2023 - $7,948,330).

23. 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, 2024 have not been recorded in these consolidated financial statements.

(b) Contractual Commitments

Future minimum lease payments, exclusive of taxes and operating costs, for premises and equipment under operating leases at March 31, 2024 are as follows:

2025	$	905,920
2026		916,362
2027		923,820
2028		445,487
2029		103,820
Thereafter		181,685
	$	3,477,094

(c) Other

On July 24, 2020, the University entered into a land exchange agreement with the City of Oshawa. The appraised fair market value of the City of Oshawa property is $6,250,000 and that of the University was $4,365,000. As per the agreement, the University agrees and warrants that after Closing, it shall be restricted from conveying any part of the City Property to any third party without first offering to the City for the nominal sum of Two Dollars ($2.00) on an “AS IS, WHERE IS” basis.

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.

24. GUARANTEE

On October 30, 2020, the University signed a license agreement with Ontario Tech Student Union (OTSU), whereby the OTSU will pay the University a one-time license fee of $5,000,000 for the use and occupation of the licensed areas in the new Shawenjigewining Hall. Under this agreement, both parties agree and confirm that the University will provide a guarantee of the OTSU’s obligations under a loan of a principal amount of up to a maximum of $3,500,000 which was obtained by OTSU to complete the transactions in the license agreement.

24. GUARANTEE (Continued)

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.

25. FINANCIAL INSTRUMENT RISKS

(a) Credit, interest rate and maturity risk

The value of fixed income securities will generally increase if interest rates fall and decrease if interest rates rise. Changes in interest rates may also affect the value of equity securities. The fixed income investments consist of pooled funds that include various Canadian government and corporate bonds and individual mortgage holdings. The fixed income investments bear coupon rates ranging from 0.0% to 13.9% (2023 – 0.0% to 13.6%) and have maturity dates ranging from April 1, 2024 to December 31, 2099 (2023 - April 1, 2023 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 2023.

(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.

25. FINANCIAL INSTRUMENT RISKS (Continued)

(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.

26. SUBSEQUENT EVENT NOTE

Subsequent to March 31, 2024, the collective agreement between the University and the Ontario Public Service Employees Union representing professional, administrative and technical staff was ratified for 3 years commencing July 1, 2023 and expiring June 30, 2027. The contingency existed prior to March 31, 2024 and the monetary terms of the agreement are known and require a retroactive increase in salaries and benefits, effective July 1, 2023. Accordingly, the negotiated settlement has been reflected as a salary expense and accrued liability in the consolidated financial statements.

27. COMPARATIVE INFORMATION

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

APPENDIX 2

ONTARIO TECH UNIVERSITY

INTERNALLY RESTRICTED RESERVES FOR THE YEAR ENDED MARCH 31, 2024 ($ 000'S)

		2023/24			
Internally restricted assets	**Opening balance as at April 1, 2023**	**Reserves utilized**	**Additonal reserves from donations**	**Proposed Reserves**	**Closing balance, as at March 31, 2024**
Research funds (a)	**(6,414)**	**112**			**(6,302)**
Capital projects (b)	**(228)**		**(335)**	**(904)**	**(1,467)**
Student assistance and related funds (c)	**(2,829)**	**141**		**(146)**	**(2,834)**
Working Capital (d)	**(6,000)**				**(6,000)**
Learning re-imagined (e)	**(2,621)**			**(639)**	**(3,260)**
Digital and physical infrastructure re-imagined (f)	**(1,327)**				**(1,327)**
Revenue-generating unit carry-forward (g)	**0**			**(3,649)**	**(3,649)**
Total internally restricted assets	**(19,419)**	**253**	**(335)**	**(5,338)**	**(24,839)**

(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 unpsent 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) Revenue-generating unit carry-forward represents surplus funds restricted to be utilized by these units for future operating and strategic initiatives.

APPENDIX 3 - FINANCIAL HEALTH RATIOS

Financial Ratios and Thresholds		2021/22	2022/23	2023/24	Thresholds: Medium-risk threshold	Thresholds: High-risk threshold	2023/2024 Results vs Thresholds: Medium-risk threshold	2023/2024 Results vs Thresholds: High-risk threshold
LIQUIDITY RATIOS								
Primary reserve (days)	(Expendable net assets / Total expenses) x 365 days	87	70	70	< 90	< 30	X	✓
Working capital	Current assets / Current liabilities	1.4	1.3	1.4	< 1.25	< 1	✓	✓
SUSTAINABILITY RATIOS								
Viability ratio	Expendable net assets / Long-term debt	26.2%	24.2%	26.4%	< 60%	< 30%	X	X
	Adjusted Viability ratio	**65.0%**	**55.6%**	**60.9%**			✓	✓
Debt ratio	Total liabiliities - DCC / Total assets	49.1%	48.5%	47.3%	> 35%	> 55%	X	✓
	Adjusted Debt ratio	**28.0%**	**29.1%**	**27.8%**			✓	✓
Debt to revenue ratio	Long-term debt / Total revenue	86.0%	78.3%	70.5%	> 35%	> 50%	X	X
	Adjusted debt to revenue ratio	**35.0%**	**34.1%**	**30.5%**			✓	✓
Interest burden ratio	Interest expense / Total expenses less amortization	6.8%	6.1%	5.2%	> 2%	> 4%	X	X
	Adjusted interest burden ratio	**3.0%**	**2.6%**	**2.3%**			X	✓
PERFORMANCE								
Net income / (loss) ratio	Net income (loss) / Total revenues	5.5%	1.1%	2.5%	< 1.5%	< 0%	✓	✓
Net operating revenue ratios	Cash flow from operations / Total revenues	13.1%	7.7%	7.1%	< 7%	< 2%	✓	✓
Credit Rating								
Moodys			**A1 stable**	**A1 stable**			✓	
DBRS			**A low**	**A stable**			✓	

Appendix 4

CONSOLIDATED FINANCIAL STATEMENTS ANALYSIS

Statement of Financial Position

Assets

Cash and short-term investments increase of $3.3M over the prior year is mainly attributable to higher interest revenue due to rising interest rates over the last year, coupled with a slight underspending in the current year budget.

Grant receivable balance of $9.8M includes $5.8M of 23/24 Collaborative Nursing (CN) grant funded on a slip-year basis and therefore received in the next fiscal year, $2.0M of 22/23 CN grant receivable in the current year, and $2.0M of external research grants, all of which are current.

Other accounts receivable (A/R) includes student and trade receivables. Balance of $9.9M includes $5.6M of student A/R which pertains to winter 2024 semester and prior semester receivables, 3.0M current trade, research and ACE receivables, $1.0M of application fees receivable (rec'd in Apr 2024), $1.0M interest revenue on short-term investments which matured on March 30th and interest credited on April 1st, offset by $1.4M provision in student bad debt, and other balances, none exceeding $0.5M. Against $5.6M of student A/R is $2.9M of unapplied credits which are disclosed under "Accounts Payables and Accrued Liabilities" in the audited financial statements.

Other accounts receivable increase of $1.3M includes $1.6M increase in student receivable, $0.6M research, offset by $1.5M decrease in sales tax recoverable as the prior year included $1.4M rebate attributable to the purchase of Regent Corporation, and other variances, none of which exceeds $0.5M.

Investment balance of $36.4M relates to endowed funds held at PH&N. The year-over-year increase of $3.0M is comprised of $2.0M mark-to-market unrealized gain due to the recovery of both the bond and equity market in the last year, $1.2M net investment income and realized gains, $0.4M new in-year donations, offset by $0.6M bursary and award disbursements to students in the current year.

Other assets of $1.8M relate to a life insurance policy for which the University is the named beneficiary. Other assets are net of an allowance for doubtful accounts of $2.1M that pertains to a receivable from its subsidiary, Ontario Tech Talent.

Capital assets decrease of $11.0M includes net asset additions of $10.8M, offset by accumulated amortization of $21.8M in the current year.

Additions comprise primarily of net $4.4M of major equipment, $3.2M building renovations, $2.7M of computer equipment, laptops and furniture and fixtures and $0.3M of construction-in-progress. Approximately, 50% of the asset additions are funded by operating & external research grants and donations.

Goodwill of $1.0M was recorded in the prior year 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 in February 2023.

Liabilities

Accounts payable and accrued liabilities balance of $34.3M includes $7.4M of trade payables, $4.0M due to Durham College for purchased services of which $3.2M is due and paid in April 2024, $3.9M of payroll deductions paid in April 2024, $3.8M of debenture interest payable due and paid April 15, $2.9M vacation accruals, $2.9M of student unapplied credits, $2.0M of student ancillary fees held in trust, and other variances none exceeding $1.0M.

Increase of $3.8M over the prior year includes $1.2M due to Durham College for purchased services, $0.7M increase in operating accruals and others, none exceeding $0.5M

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 $32.8M comprises $10.5M deferred tuition representing one month of winter term fees not earned at year-end, and $22.3M of revenues billed or received and not yet spent at the end of fiscal ($12.9M of externally funded research grants, $4.2M of expendable donations, $2.0M of student ancillary fees, and $3.2M of miscellaneous deferred revenues).

Decrease of $2.5M in deferred revenue is mainly attributable to revenue from revenue-generating units being recognized as income in the current vs deferred in the prior year.

Current and long-term debt total decrease of $10.8M over the prior year pertains to the repayment of various debt obligations, including repayment of debenture debt, capital lease obligation and inducements for 61 Charles, mortgage loan for 55 Bond and an interest rate swap for a financial derivative for the financing of Shawenjigewing Hall.

Deficiency in other investments pertain to the accumulated net investments in the University's subsidiary, Ontario Tech Talent.

Deferred capital contributions decrease of $3.0M includes grants and donations of $5.2M 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 $2.6M operating grant for campus renovations and lab equipment, $1.6M donations for building construction and $1.0M of external research grants to invest in research equipment.

Statement of Operations

Revenue

Operating and research grant increase of $0.5M includes $3.0M increase associated with increased research activities, offset by $1.4M decrease due to a one-time ACE Project Arrow grant received in the prior year, $0.5M decrease in nursing clinical education grant and other immaterial increases/decreases.

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 $3.5M relates to expendable donations recognized in the current year for awards disbursed to students and funds to cover specific projects, in compliance with donor agreements.

Student tuition fees increase of $9.8M includes $5.1M increase in domestic tuition due to growth (net 689 FTE), $3.5M increase in international tuition of which $2.3M is attributable to a net growth of 70 FTE and $1.2M due to the year-over-year average increase in international tuition fees, and $1.2M in student supplemental fees.

Student ancillary fees increase of $3.1M includes $1.7M attributable to the accounting recognition of ancillary fees to fund capital renovations repairs at the Arena and increased IT license costs and remaining increase of $1.4M due to the year-over-year increase enrolment and an average 2% increase in ancillary fees.

Other income increase of $8.3M over the prior year includes $5.6M due to the income recognition from the revenue-generating units (in the prior year, these revenues were deferred). The remaining variance is due to increases in the ancillary services and for which there are offsetting expenses (see "Supplies and Expenses" below), including $0.9M ACE and other increases in summer camps and food services, none of which exceeds $0.5M.

Interest revenue increase of $1.7M reflects the increase in interest rates with average interest on treasury cash balances at 5.46% in the current year v/s 3.52% in the prior year.

Unrealized gain on investments relate to the mark-to-market gain on our endowed investments held at PH&N. The year-over-year variance of $3.0M reflects the more favourable market conditions in the current year with the both bond and equity market rallying after a significant downturn in the prior year.

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.

Expense

Salaries and benefits increase of $15.0M includes $11.8M increase for full-time employees, of which $5.5M pertains to annual salary and benefit increases for faculty and staff, $5.6M for net new hires, annualization of prior year hires and faculty incentives, and $0.7M for the accounting recognition of vacation accrual. Limited term contracts increased $3.2M and reflects primarily increases in faculty sessionals attributable to growth and increases in casual labour as activities in the ancillary areas return to pre-pandemic levels.

Supplies and Expenses increase of $6.4M over the prior year is mainly driven by a $3.4M expense with regards to Ontario Tech Talent, $1.7M increase in travel and accommodation (mostly externally-research funded as travel returns to pre-pandemic levels), $0.6M increase in cost of sales for food services (offset by increased sales – see under “Other Income” above), $0.6M increase in various supplies for events and workshops, offset by $0.9M decrease in lease costs due to termination of an operating lease at one of the downtown Oshawa locations.

Purchased services from Durham College increase of $1.3m includes $0.6k increase in salaries, $0.5m increase in maintenance and repairs costs, and $0.3m in utilities. These increases are within approved budgets.

Interest expense – debt obligations decrease of $0.8M reflects the decrease in the interest portion as the principal portion increase with the repayments of the various debt obligations.

Loss on termination of capital lease in the prior year is a non-cash loss that pertains to the termination of a lease with Regent Corporation, and is the difference between the carrying value of the asset ($9.1M) and the lease liability ($7.0M).

Loss on other investments relates to the loss arising in the current year for its subsidiary, Ontario Tech Talent.

COMMITTEE REPORT

SESSION:

Public	☒
Non-Public	☐

ACTION REQUESTED:

Decision	☐
Discussion/Direction	☐
Information	☒

TO:	**Audit & Finance Committee**
DATE:	**June 13, 2024**
PRESENTED BY:	**Pamela Onsiong**
SLT LEAD:	**Brad MacIsaac**
SUBJECT:	**Management Reporting - Operating Summary for the year ending March 31, 2024**

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 2023, the Committee approved a balanced 2023/24 budget which included $1.0M of expenses to be funded from internally restricted prior year reserves (see **N1** on Operating Forecast Summary), and an expectation that management would work toward a planned $3.0M - $4.0M surplus to reserve for future capital investment and deferred maintenance. Appendix 1 provides the Committee with an overview of the actual year-end financial results against the approved budget and the third quarter forecast.

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:

In our third quarter reporting to the Committee, we noted that Management was reviewing the basis of deferral for unspent funds in the revenue-generating units ("RGU's") at the University. Funds that do not meet the criteria of a contractual external restriction **have been taken into income** at the end of the fiscal year (these funds were deferred in the third quarter forecast) and a recommendation made to restrict some of the funds for future use by the RGU's – see financial impact under "**Total Revenue**" below.

These highlights focus on the variance between the **year-end actual results vs the third quarter forecast**. The **year-end net operating surplus**, after capital expenses, debenture and lease payments is $5.7M. This compares with a $3.1M surplus reported at the end of the third quarter (see items highlighted in blue in Appendix 1). Operating surplus positive variance of $2.5M is comprised of a couple of variances in revenue and expenses.

Total Revenue is favourable $3.8M against the forecast and includes $4.6M upside in "Other revenue" attributable to $**4.3M revenues from RGU's recognized into income** due to the change in accounting treatment at the end of the fiscal year; $0.7M higher than expected tuition for Nursing; offset by a $1.3M negative variance in grants which includes $0.6M of research support grants and decreases in other operating grants, none of which exceeds $0.1M

Total Operating Expenses unfavourable variance of $1.0M against the forecast is mainly driven **by $1.0M of additional benefit expenses for faculty and staff** as forecast assumptions underestimated the costs of these benefits and $0.5M increase in student bad debt provision. These negative variances are offset by a $0.7M positive variance in purchased services attributable to lower than expected utilities and software supplies.

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: 2023/24 Operating Summary

Ontario Tech University **Appendix 1**

Management Reporting: 2023/24 Operating Summary (in '000s)

	April 1, 2023 - March 31, 2024								
	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	84,876	85,580	84,250	(626)	-1%	705	1%	(1,331)	-2%
Tuition	102,209	102,588	103,282	1,073	1%	380	0%	693	1%
Student Ancillary	16,389	16,370	16,098	(291)	-2%	(19)	0%	(272)	-2%
Other	22,807	26,505	31,160	8,353	37%	3,698	16%	4,655	18%
Total Revenue	**226,280**	**231,044**	**234,789**	**$ 8,509**	**4%**	**$ 4,764**	**2%**	**3,745**	**2%**
Expenditures									
Academic	94,615	94,264	94,659	(44)	0%	351	0%	(395)	0%
Academic Support	48,894	47,063	47,100	1,794	4%	1,831	4%	(38)	0%
Administrative	31,211	31,568	32,621	(1,410)	-5%	(357)	-1%	(1,054)	-3%
Sub-total	**174,720**	**172,895**	**174,381**	**$ 339**	**0%**	**1,825**	**1%**	**$ (1,486)**	**-1%**
Purchased Services	15,308	15,276	14,559	750	5%	33	0%	717	5%
Total Ancillary	10,702	10,749	11,138	(436)	-4%	(47)	0%	(389)	-4%
Debt Interest Expense	9,609	9,586	9,487	122	1%	23	0%	99	1%
Total Operating Expenses	**210,339**	**208,505**	**209,564**	**$ 776**	**0%**	**$ 1,834**	**1%**	**$ (1,059)**	**-1%**
Net Contribution from Operations	**$ 15,941**	**$ 22,539**	**$ 25,225**	**$ 9,285**	**58%**	**$ 6,598**	**41%**	**$ 2,686**	**12%**
Capital Expenses	**7,512**	**10,057**	**9,882**	**(2,370)**	**-32%**	**(2,545)**	**-34%**	**175**	**2%**
Principal Repayments - debt/leases	**9,468**	**9,353**	**9,670**	**(202)**	**-2%**	**115**	**1%**	**(317)**	**-3%**
Operating Surplus	**$ (1,038)**	**$ 3,129**	**$ 5,673**	**6,711**	**0%**	**$ 4,167**	**-401%**	**$ 2,544**	**81%**
Other Disclosures									
Funded by prior year restricted reserves (N1)	**$ 1,038**	**0**	**0**	**(1,038)**	**N/A**	**$ (1,038)**	**-100%**	**$ -**	**0%**
Total Net Surplus	**$ 0**	**$ 3,129**	**$ 5,673**	**$ 5,673**	**N/A**	**$ 3,129**	**N/A**	**$ 2,544**	**81%**

N1. Original 2023/24 budget includes $2,003k of PY reserves, of which $965k pertains to PY deferred ancillary revenues to fund athletic renovations. The $965k has been reclassified to Student Ancillary under the "Revenue" section where the ancillary revenues have been recognized under "Actuals"

Reconciliation of Management Reporting (MR) to Audited Financial Statements (AFS):

	$
Total Net Surplus, per MR	**5,673**
Operating expenses/revenues in MR disclosed on Balance Sheet in AFS	
Capital Expenses	**9,882**
Debt and lease principal repayments	**9,670**
Capital grants accounted as contributions	**(3,153)**
Items not budgeted:	
Externally funded research revenues	**17,814**
Externally funded research expenses	**(17,264)**
Net loss and write-off on other investments	**(4,181)**
Non-cash transactions:	
Amortization of capital assets	**(22,561)**
Amortization of deferred capital contributions	**8,235**
Unrealized gain on investments and interest rate swap	**2,659**
Other accruals	**(330)**
Excess revenues over expenses - as per AFS	**$ 6,444**

COMMITTEE REPORT

SESSION:		**ACTION REQUESTED:**	
Public	☒	**Decision**	☐
Non-Public	☐	**Discussion/Direction**	☐
		Information	☒

TO: **Audit and Finance Committee**

DATE: **June 13, 2024**

PRESENTED BY: **Brad MacIsaac, Vice-President, Administration**

SUBJECT: **Update on Auditor General of Ontario (AGO) Value for Money Audit**

COMMITTEE MANDATE:
Audit & Finance (A&F) is responsible for overseeing the financial affairs of the University with respect to all auditing. This update is provided to ensure members are aware of the two-year report back and how management is addressing each of the AGO recommendations.

BACKGROUND/CONTEXT & RATIONALE:
In summer 2022 Ontario Tech was selected along with three other institutions for the AGO's Value for Money (VFM) audit. A VFM audit is an independent, objective, and systematic assessment of how ministries/entities are managing their activities, responsibilities, and resources. VFM audits focus on how economically and efficiently programs operate.

The VFM was tabled in November 2022 as a component of the AGO Annual Report. As of the November 2023 submission, all items are on track. In May 2024, the Auditor General's office came back with 33 clarification questions. Based on discussions we may have to alter this report. You will see in the attached the two outstanding items are:

a) Recommendation 6 – collect relevant data on the location and careers of international alumni. This is planned to be completed by December 2024. Management is working on a graduation survey to collect this information.

b) Recommendation 10 – reduce the size of the Board, including the number of internal members and increase the duration of governor terms. Management is conducting a best practice review and will have a response ready for June 2025. Note that any change would need to be significant as it requires our legislation to be opened.

SUPPORTING REFERENCE MATERIALS:

FOLLOW UP OF RECOMMENDATIONS OAGO's 2022 ANNUAL REPORT

Appendix A- FOLLOW UP OF RECOMMENDATIONS IN THE OAGO's 2022 ANNUAL REPORT

	Recommendations	Implementation Status	Documentation Provided to Support the Implementation Status of Each Action	Work Outstanding	Estimated Implementation Month/ Year
Rec # 1	So that Ontario Tech University assumes debt only at levels that continue to promote sustainable financial operations, we recommend that the university establish a formal capital debt policy approved by the Board.	Fully Implemented	Debt Policy Memo to Academic Council. Goes to Audit & Finance April 11 and BoG April 18, 2024		
Rec # 2	To manage and maximize the profitability of its ancillary services, we recommend that Ontario Tech University develop strategies to maximize the profitability of its ancillary services where necessary.	Fully Implemented	As part of the annual budget we have separated out ancillary services (noted as commercial services) so the BoG can see the overall impact and further details by unit. See attached 2023 Budget Paper Appendix E.		
Rec # 4	To improve budgeting processes and practices and conduct a complete analysis of the impact from all operations and capital investments and how each will contribute to or draw on the university's resources, we recommend that Ontario Tech University: • develop a separate budget for all capital investments, and present it to the Board for approval;	Fully Implemented	As part of the annual budget we have separated out capital so the BoG can see the overall impact and further details by unit. See attached 2023 Budget Paper appendix D.		
	• consolidate the capital budget, the operating budget and the ancillary budget, and present the consolidated budget to the Board for approval; and	Fully Implemented	As part of the annual budget we have created columns for operating, commercials and capital so BoG can see the impact of each and the total consolidated budget. See attached 2023 Budget Paper Figure 1 (pg.12)		
	• as part of its budget, present to the Board the university's projected cash flows from operations, financing and capital purchasing activities to inform the Board on the impact of each activity on the university's resources.	Fully Implemented	As part of the annual budget we have created an annual cashflow. See attached 2023 Budget Paper in appendix F.		
Rec # 6	To better understand the contribution of international students to the Canadian workforce/ economy after graduation and help inform future recruitment decisions, we recommend that Ontario Tech University: • collect relevant data on the location and careers of international alumni; and	In Process	We are working on an enhanced graduate survey that will go out by Fall 2024.	Finalize survey, send out, and analyze the results for a final report.	12/24
	• use this data to better inform programming and recruitment decisions.				

Rec # 7	To promote and incentivize student recruiting agents to find the most highly prepared international students, we recommend that Ontario Tech University apply a fee structure in future contracts that encourages recruiters to target students with higher scholastic achievement, such as applying bonuses for higher student performance as they progress through their university studies.	Fully Implemented	Ontario Tech has a fee structure in place to reward achievement by paying a portion of the fee if students progress to the second semester. See attached recruitment services agreement Schedule B - Section 1 (d) ii		
Rec # 8	To have a comprehensive picture of the financial contribution of programs in order to offer a sustainable suite of programs, we recommend that as part of its programming considerations Ontario Tech University: • complete an analysis of profitability at the academic program level;	Fully Implemented	Due to the small, interdisciplinary offerings, Ontario Tech has a model in place to show financial contribution at the faculty level. The process was shown to Academic Council and will be at the April BoG.	Note we are in discussions with AGO as they would say In Progress as they would like this at program level.	
	• determine whether there are programs that can be reduced or restructured to provide a better financial contribution to the university, while still retaining overall academic credibility with department course offerings; and	Fully Implemented	This is reviewed annually by the Budget Working Group. This was used to close a faculty in 2022.		
	• reduce or restructure program offerings based on the results of its program profitability analysis and academic needs, in consultation with its academic departments and with the approval of its Board and Academic Council.	Fully Implemented	See above		
Rec # 9	To determine whether major capital projects are financially feasible and beneficial, we recommend that Ontario Tech University prepare a business case for each capital project that includes a financial feasibility assessment to help management and then the Board make decisions on major capital expenditures prior to approval.	Fully Implemented	Ontario Tech formalized its Business Case process by creating a Capital Projects policy that went to Academic Council and goes to Audit & Finance April 11 and BoG April 18, 2024		
Rec # 10	To improve Board effectiveness and minimize the risks posed by large Board sizes and low term limits for board members, we recommend that Ontario Tech University: • reduce and limit the size of the Board, including the number of internal members; and	In Process	Following a review of Board size, the Governance, Nominations and Human Resources Committee has endorsed to the Board of Governors the approach of recruiting the minimum number of governors to comply with our legislation. The university will review best practice and process as it relates to governance within our sector and determine if a change is warranted. While unlikely, if it is determined that a change is warranted this recommendation would require opening/ changing legislation. The number of Board members is set by s.8(1) of the Act.	Best Practice review	06/25
	• increase the term limits of Board members, including current members.	In Process	See above		06/25

Rec # 11	To provide for an effective future transition of the university president position, we recommend that the Board of Ontario Tech University develop, and annually review and approve, both permanent and emergency presidential succession plans.	In Process	Emergency succession plan is complete as it has been written into the Provost appointment letter. The attached permanent succession plan is going to Board this year.		06/24
Rec # 12	To have a Board with essential skills and competencies for effective oversight, and to promote effective Board member succession planning, we recommend that the Board of Ontario Tech University: • prioritize and track competencies using competency matrices and other competency tracking tools;	Fully Implemented	An overhauled skills matrix was presented to the Governance, Nominations and Human Resources Committee in March 2023. In May 2023 the results of the survey were reported.	In discussions with AGO as they would like to see a more detailed PD plan. However the task is complete and the plan will continually be refined after each annual review.	
	• confirm that the Board and its committees possess demonstrably requisite competencies, in order to fulfill its terms of reference; and	Fully implemented	See above	In discussions with AGO as they would like to see the Fall 2024 Cyber PD session completed first.	
	• strengthen university financial and accounting literacy among Board members by providing them with either an internal or external training opportunity to increase the effectiveness of their oversight of the operations of the university.	Fully implemented	Financial training has been added to new BoG orientation. Second, a more in-depth formal presentation was completed by KPMG May 2023 with plans for annual review. See attached PD Financial Reporting.		
Rec # 13	To have and promote effective oversight of the university's finances and operations, we recommend that the Board of Ontario Tech University: • implement internal oversight functions (i.e., risk management, compliance and internal audit) where they do not exist, and have them report regularly to the Board; and	Fully Implemented	As noted in the report Ontario Tech already had formal positions for risk and compliance. In early 2024 we have engaged Deloitte for a three year contract to review Internal Audit		
	• annually review and approve a written risk appetite framework, which includes identification and defining of material financial and non-financial risks, and independent assurance of internal controls to mitigate each of these risks.	Fully Implemented	An annual report with new quarterly updates are provided to A&F. Sample from April 2023 item 8. The university is presenting new Enterprise Risk to A&F at the April 2024 meeting		
Rec # 14	To enable the Academic Council at Ontario Tech University to make well-informed decisions with regard to academic programming, and that consider the financial sustainability of the	Fully Implemented	Due to the small, interdisciplinary offerings, Ontario Tech has a model in place to show financial contribution at the faculty level. The process was shown to Academic Council and will be at the April BoG.	Note we are in discussions with AGO as they	

	university, we recommend that the Academic Council be provided with regular costing information on the financial contribution of individual program offerings and the university as a whole.			would say In Progress as they would like this at program level.	

COMMITTEE REPORT

SESSION:		**ACTION REQUESTED:**	
Public	☒	**Decision**	☐
Non-Public	☐	**Discussion/Direction**	☒
		Information	☐

TO: **Audit and Finance Committee**

DATE: **June 13, 2024**

PRESENTED BY: **Brad MacIsaac, Vice-President, Administration**

SUBJECT: **Update on Internal Audit Function**

COMMITTEE MANDATE:
Audit & Finance (A&F) is responsible for overseeing the financial affairs of the University with respect to all auditing. This update is provided to ensure members are aware of the three-year internal audit plan and provide direction.

BACKGROUND/CONTEXT & RATIONALE:
As part of the 2022 Auditor General report, they noted that Ontario Tech had dedicated positions for risk management and compliance but not for internal audit. The AG recommended, "to have and promote effective oversight of the University's finances and operations … Ontario Tech University implement internal oversight functions (i.e., risk management, compliance and internal audit) where they do not exist and have them report regularly to the Board.

Through various AG updates to the Board, leadership proposed and were endorsed to look at an external company to help with this function rather than establishing out own Internal Audit office. As a small institution that already completes many of the internal audit functions across units this structure appears to be the most appropriate currently. Further, based on the diverse spectrum of topics we are looking to audit no one small shop would be able to provide adequate feedback; whereas a larger firm would be able to pick subject matter experts from across their company.

To select the three year plan, senior leaders first looked at the revised Enterprise Risk top 10 that were endorsed by Board in April 2024. We strategically evaluated the potential areas of review provided as a guide by Deloitte (appendix A) against a few criteria such as: level of risk, probability of incident, alternate reviews (for example as we have external academic program reviews already occurring this would be less of a need for IA), and the recency of policy/process creation (for example as we just completed a cybersecurity table exercise and drafted a new process we wanted to give this one year to implement before a review).

The recommendation from the VP Administration after consultation with risk management is:
- year 1: Research: authorization for grants and funding but will be reviewing scope with team,
- year 2: Information Technology: cybersecurity incident response review
- year 3: Continuity: combination of business continuity procedures which will include scenario planning for disruptions and Health & Safety review

The process will start with a scoping discussion with the functional leads. Normally we see this occurring in August and the actual audit taking place over 12 – 16 weeks starting in October. We could look to alter this if the functional team has competing demands.

What Is an Internal Audit: Internal audits evaluate a company's processes to see if we are following what we (or external compliance) say. Internal Auditors are hired to work on behalf of management teams to provide the tools necessary to attain operational efficiency by identifying problems and correcting lapses before they are discovered in an external audit.

In addition to ensuring compliance with laws and regulations, internal audits also provide a degree of risk management and safeguard against potential fraud, waste, or abuse. The results of internal audits provide management with suggestions for improvements to current processes not functioning as intended, which may include information technology systems as well as supply-chain management.

Unlike and external audit, in an internal audit the company selects its own audit team. As such, the team represents the interests of the company's management team. The end goal of either audit is an audit report; however, audit reports are used for very different reasons. An internal audit report is usually used by management to improve the operations, processes, or policies. An external audit report is often required for an outside reason and is more often used by members outside of the company. Finally, the nature of the engagement will be very different. During an internal audit, the employees of a company may often freely give advice, discuss unrelated matters with the company, or may have a very fluid consulting agreement. During an external audit, a very defined scope is often set, and the external auditor will often take great care to ensure they do not exceed their audit boundaries.

Importance of Internal Audits: Some may think internal audits are not as valuable as external audits. After all, a company may hand-pick its own internal audits who do not have full independence from the company. However, there are many ways internal audits provide value to the company and external parties:

- **Management can be more efficient about what to explore.** For example, while external financial audits must test an entire financial system, a company may be concerned about whether the cash management process is being fraudulently managed; therefore, management can elect to have all audit procedures analyze cash processes.
- **The company enhances its control environment.** Even if the internal audit yields no findings, employees may be aware that their work gets analyzed and reported on, thereby motivating adherence to company policy.
- **Internal audits may make companies more efficient.** External audits often are not intended to make processes better; they are meant to review whether processes are accurate. This distinction is important because a company may be "just getting by" with inefficient processes that meet very minimum requirements.
- **Internal audit reports give management a head start to make corrections.** Instead of having to scramble when an external audit finds a deficiency, management can take

longer to think through solutions, implement the solution with care, and review whether the solution worked.

- **Certain departments may need enhanced oversight.** Whether it is lack of expertise, staffing shortages, or problem with current personnel, a company may benefit from targeting a specific area and formally reviewing its workflow and processes.

SUPPORTING REFERENCE MATERIALS:

Potential audit catalogue with its connections to Ontario Tech's Enterprise Risks:

	Enterprise Connection	Area of Review
1	Academic	New Program Development
		Scheduling Review
		International Student Recruitment
		Continuing Education Review
2	Research	Research Compliance Review
		Safeguarding Research Risk Mitigation Adherence
		Human Participant Research Process Review
		Authorization for Grants and Funding
		Seed Grant Effectiveness
3	Student Experience	**Student Experience and Satisfaction**
		Student Retention
		Student Mental Health and Wellness Assessment
4	Enrolment	**Enrolment Life-Cycle Management**
		International Risk Management Framework
		Immigration, Refugees and Citizenship Canada (IRCC) Review
		Agent Compliance Review
5	Finance	Procurement
		Expense Reimbursement Review
		Payroll System
		Capital Project Review
		Budgeting Review
		Financial Stability and Sustainability
		Cost Optimization Review
		Contract Management Review
		Revenue Generation Review
		Faculty Budgeting Review
6	Continuity	Health and Safety Management System Compliance
		Emergency Management
		Campus Safety Assessment
		Space Management and Planning Review
		Operational Resiliency Review
		Information and Privacy Monitoring Review

		Legislative Compliance Review
		Records Management Review
7	People	Labour Relations Review
		Human Resources Review
		Sessional Instructor Review
		Succession Planning
		Performance Management Framework Review
		Policy, Process and Controls
		Faculty Development
		Talent Process
		Workplace Culture
		Culture Review
		Conduct Framework Review
		EDI Diagnostic and Strategy Assessment
		Leadership and Governance Review
		Strategy Communication
		Service Delivery of EDI within Departments/Faculties
		Accommodation Review
8	External	Alumni Engagement Strategy
		Advancement Services Review
9	Reputation	Strategic Enrolment Management
		Ranking Data Management
		Customer Relationship Management
		Strategic Planning Reivew
		Community Partnership
		Enterprise Risk Management Assessment
		Environmental Sustainability Review
		Social Responsibility Review
		Environmental Management Compliance Review
10	Technology	Cyber Incident Response Review
		Identity Access Management
		Campus Email Security
		Cyber Security Maturity Assessment
		Third Party Cybersecurity Management
		Ransomware Readiness Review
		Data Investigation
		Advanced Penetration Testing

COMMITTEE REPORT

SESSION:		**ACTION REQUESTED:**	
Public	☒	**Decision**	☒
Non-Public	☐	**Discussion/Direction**	☐
		Information	☐

TO: **Audit & Finance Committee**

DATE: **June 13, 2024**

FROM: **Brad MacIsaac, Vice-President, Administration**

SUBJECT: **Campus Master Plan – New Residence Update and Award Process**

COMMITTEE MANDATE:

The Audit & Finance (A&F) Committee is responsible for overseeing the financial affairs of the University with respect to all financial reporting, control functions, budget approvals, risk management, and other internal and external audit functions and activities at the University.

While the expectation for a new residence is to have it provided at no expense implication to the University as we work with a partner to design, build, finance, operate and maintain we will be using University land which requires BoG approval per the signing authority policy.

Leadership is bringing forward this update to ensure A&F is aware that a Term Sheet and possibly the related agreements may be finalized before the November meeting of A&F. Given that there is likely to be particular time sensitivities during the negotiation of this project, we are seeking approval to move decision making authority to the Executive Committee.

BACKGROUND AND STRATEGIC CONTEXT:

In February 2024 a presentation was made to A&F and S&P, in addition to the broader university campus, outlining the University's differentiated growth plan and how it connects with the phasing of the Campus Master Plan. The A&F session elaborated on the connection to financing structures and potential partnerships.

As a reminder, the February session outlined that Ontario Tech continues to grow, expand and mature into the promise its founders envisioned when it was established in 2002. As the University moves forward with the implementation of the 2023-2028 Integrated Academic-Research Plan (IARP) it is anticipated that the bold transformation set out will result in significant differentiated enrolment growth to 18,000 students by 2030. In tandem we will see corresponding expansion in our research and support services.

Recognizing the financially constrained environment in which Ontario Tech operates, the focus of spending the incremental operating and capital budget resources associated with enrolment growth must be on meeting core academic requirements. While there is a compelling need for new investments in ancillary support facilities such as student housing, there is no funding available from government sources (capital or operating) to develop and operate such facilities. Ontario Tech recognizes the need to explore more cost and risk effective models for developing new facilities that support of its academic mission. Over the past decade a trend towards working with private sector partners for the development of these types of facilities has emerged in the post-secondary sector in Canada.

Ontario Tech is looking to deliver growth that:

- contributes to the thoughtful development of the North and Downtown Oshawa campus locations over the longer-term,
- considers the role Ontario Tech University plays as a community and city builder, and
- reflects and supports the implementation of the University's emerging housing strategy.

HOUSING PROJECT OVERVIEW AND STRATEGIC ALIGNMENT:

As a result of this need, the University engaged in a procurement process that was generally outlined at the February A&F meeting. The basic steps included the release of a Request for Proposal, a selection for the top three proponents to carry on to a second submission, two commercially confidential meetings to clarify the vision of the project and a final submission on May 17, 2024.

A key objective for Ontario Tech will be to have the student housing project delivered at no capital or operating cost to the University, and all financing, construction and most operating risk to be assumed by the developer. The selected partner will be expected to work with Ontario Tech to create spaces that focus on students and align with the values and priorities of the University. Given the student housing shortfall that currently exists and that is projected to grow significantly over the next few years, even under moderate enrolment growth, we will be seeking to have the student housing facility be delivered at the earliest date possible, with Fall 2028 being a realistic target date to have the facility open and serving our students.

Transaction Structure and Enabling Agreements

It is expected that a set of enabling agreements will be established between Developer and the University, which will convey rights to the use of the project site for a specified period. In return, it is anticipated that the Developer will make payments to the University for base land rent and potentially a revenue participation component, as negotiated. The term of conveyance is expected to be set to optimize project viability and student affordability. The relevant agreements may be structured to reflect an initial term plus optional extensions, and the University anticipates that, in any event, the total term of conveyance will be less than 99 years. While the transaction structure for these types of projects typically includes a long-term ground lease, a development, construction, and an affiliation agreement, the University will work with the selected Developer to define and implement a transaction structure and set of agreements that optimizes the beneficial outcomes for both parties. Some of the agreement(s) terms we expect are:

CRITERIA	General description of agreement terms to be reviewed
Building Details	Summary of key statistics, including Bed Count
Land/Site Requirements	- Summary of building site(s) proposed - Proposed phasing requirements (if applicable) - Alignment with Campus Vision and CMP
Capital Cost Estimate	Core Student Housing project: $M Additional Academic Space: $M (Optional)
Financial Considerations	Residence Project NPV: $M Additional Academic Space NPV: $M Capital structure: xx% Debt / yy% Equity
Expected Opening	RFS document indicates Fall 2028 is expected, with Fall 2027 preferred
Project Term	Base term length & Optional extension(s) – if proposed
Guarantees/ financing Construction Risk	RFS document indicates that OTU will not provide occupancy guarantees, nor assume responsibility for obtaining financing or construction risk
Project Payment Streams	Base land rent to OTU, plus potential revenue participation
	Share of revenue (meal plan, summer, commercial, other)
	Summary of lease payments from OT for Academic Space (if applicable)
Rental Rates to students	- Anticipated starting rates to students, plus anticipated escalation - Summary of housing rate setting process
End of Term Provisions	RFS document stipulates building ownership will revert to OTU at the end of the contract term, at nominal cost.

Next Steps

Similar to past building projects we would not expect the Board to review term sheets or full contracts but rather ensure governors are aware of the overarching terms and conditions. In addition, the Chair of the Board along with the President are the signing authority on agreements with respect to disposition of land, which provides additional governance oversight. As noted above we expect several different agreements that will support this long-term transaction. We have hired Ernest Young as our transaction advisors and Cassels as our expert legal advisors.

The current timeline anticipates term sheets and related agreements may be finalized between August and September. For this reason, and because of the time sensitivity of various aspects of the agreements and considering that the agreements will ultimately require co-execution by the Chair of the Board, the Executive Committee is best placed to consider and move for approval of the agreements noted above, as per the By-Laws and Terms of Reference, as reviewed in the motion below. As S&P and A&F have approved the project in principle, the Vice-President, Administration will work with Executive Committee of the Board to complete this transaction due to the time sensitive nature of the actions over the summer.

Motion

WHEREAS the university is in the process of completing a Request for Services on Purpose-Built Student Residence;

WHEREAS having received and considered the report entitled "Campus Master Plan – Update and Discussion" on February 8, 2024, the Strategy and Planning Committee:

(a) discussed the need for the building, the general location as it relates to the overall campus master plan and the strategy of using a private/ public partnership. The committee provided direction to continue to move forward with the RFS process.

WHEREAS having received and consider the "Campus Master Plan – Update and Discussion" on February 15, 2024, the Audit and Finance Committee:

(a) discussed the need for the building and different funding models from borrowing to build to fully outsourcing the design, build, finance, operate, maintain. With a focus on university funding being saved for core academic / research mission the committee provided direction to continue to move forward with the RFS process.

WHEREAS pursuant to section 8 of Bylaw 1 of the University of Ontario Institute of Technology Act, *the Executive Committee of the Board of Governors has the following role:*

- *to exercise on behalf of the Board, between regular meetings of the Board, in circumstances where a matter cannot be delayed until the next regular meeting, and where a special meeting of the Board cannot be called, all the powers of the Board. The power of the Executive Committee to act for the Board is subject to prior delegation of powers from the Board to any other committee of the Board and to any specific directions given by the Board to the Executive Committee from time to time;*

WHEREAS it is anticipated that the negotiation and agreement with respect to the terms governing the term sheet(s) and agreement(s) required to select a proponent of the Project will occur over the summer 2024 and will be time sensitive;

NOW THEREFORE, having received and considered "Campus Master Plan – New Residence Update and Award Process" dated June 13, 2024, the Audit and Finance Committee:

i) *Authorizes and delegate to the Executive Committee the execution and delivery (under the corporate seal or otherwise) all such other documents and do all such other acts as may be necessary or desirable to finalize the Project transaction.*

COMMITTEE REPORT

SESSION:		**ACTION REQUESTED:**	
Public	☒	**Decision**	☐
Non-Public	☐	**Discussion/Direction**	☐
		Information	☒

TO: **Audit and Finance Committee**

DATE: **June 13, 2024**

PRESENTED BY: **Brad MacIsaac, Vice-President, Administration**

SUBJECT: **Investment Portfolio Update**

COMMITTEE MANDATE:
The Audit & Finance Committee (A&F) is responsible for 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 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 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, 2024 we have a market value of $36.2M which is up from December 2023 ($35M). 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	*FTSE Canada 30 Day T-Bill Index*	0%	0%	10%	✓
Universe Bonds	*FTSE Canada Universe Bond Index*	20%	15%	35%	✓
Equities		**55%**	**45%**	**65%**	✓
Canadian	*S&P/TSX Capped Composite Index*	20%	10%	30%	✓
Global	*MSCI World Net Index $C*	30%	20%	45%	✓
Emerging Markets	*MSCI Emerging Markets Net Index $C*	5%	0%	10%	✓
Alternatives		**25%**	**10%**	**30%**	✓
Real Estate	*Canadian CPI (Non-Seasonally Adjusted) 1-month lag + 400 bps*	6%	0%	10%	✓
Mortgages	*FTSE Canada Short Term Overall Bond Index*	5%	0%	10%	×
Infrastructure	*Canadian CPI (Non-Seasonally Adjusted) 1-month lag + 400 bps*	6%	0%	10%	✓
Private Debt	*Morningstar LSTA US Leveraged Loan Index*	4%	0%	8%	✓
Private Equity	*MSCI World Net Index ($C)*	4%	0%	8%	✓

2) **Minimum performance expectations** are above our desire 6% annually in a 5-year period as outline in SIP section 7.1. This is being closely monitored based on the volatile market.

Performance[1]	Three Months %	One Year %	Three Years %	Five Years %	Since Incep. %
Ontario Tech Long Term Account	**4.8**	**10.0**	**5.3**	**6.4**	**7.4**
Benchmark[2]	*5.0*	*12.0*	*5.7*	*6.9*	*7.0*
Ontario Tech Term Account	**1.4**	**5.3**	**2.9**	**2.2**	**1.7**
FTSE Canada 30 Day T-Bill Index	*1.2*	*4.9*	*2.6*	*2.0*	*1.4*

[1] Total returns are gross of investment counseling fees and reported in Canadian dollars. Performance for periods of one or more years is annualized. Performance inception date for Long Term Account is August 31, 2010. Performance inception date for Short Term Account is November 30, 2013.

[2] Current Custom benchmark: 8% FTSE Canada Short Term Overall Bond Index; 20% FTSE Canada Universe Bond Index; 20% S&P/TSX Capped Composite Index; 30% MSCI World Net Index (C$); 5% MSCI Emerging Markets Net Index (C$); 17% Canadian CPI (Non-Seasonally Adjusted) 1-month lag + 400 bps.

SUPPORTING REFERENCE MATERIALS:

N/A

COMMITTEE REPORT

SESSION:		**ACTION REQUESTED:**	
Public	☒	**Decision**	☐
Non-Public	☐	**Discussion/Direction**	☒
		Information	☐

TO: **Audit & Finance Committee**

DATE: **June 13, 2024**

FROM: **Brad MacIsaac, Vice-President, Administration**

SUBJECT: **Annual Risk and Insurance Report**

COMMITTEE MANDATE:
The Audit and Finance Committee (A&F) is responsible for overseeing risk management and other financial systems and control functions at the university. This oversight includes approving the risk management process and ensuring the adequacy of the insurance portfolio, as well as ensuring appropriate mitigative actions are taken or planned in areas where material risk is identified.

BACKGROUND/CONTEXT & RATIONALE:
We are pleased to present the ninth Annual Report on University Risk Management (URM), which enables the Audit and Finance Committee to assess the university's progress.

A robust risk culture is essential to fostering an environment where risks are taken to advance Ontario Tech's strategic, academic, and administrative goals. Our university risk management program supports informed risk-taking by integrating analysis, planning, and mitigation into decision-making processes. This report contains three key documents as well as the CCVA presentation:

1) <u>Annual Risk and Insurance Report 2023-2024</u>

This document outlines the University's risk processes and highlights the high and strategic risks we are monitoring. Over the past year, the Office of Risk Management engaged in extensive discussions on our URM program's historical journey and necessary evolution. The senior leadership team actively participated in refining the language, processes, and adequacy of existing strategic risks. All functional areas continue to work through their risk accountabilities, with high, emerging, and strategic risks under continuous review, ensuring proactive adjustments to actions and controls.

Key accomplishments from the June 2023 annual report include:

- Approval to consolidate Strategic Risks into thematic buckets.
- Continued enhancement of the risk management dashboard.
- Completion of a Climate Change Vulnerability Assessment (CCVA attached);
- Successful execution of the second Table Top Exercise for Cyber Security.

The University's nine high risks are detailed in the report, each with substantive mitigation strategies. Although these risks remain high, adequate controls and support structures are in place, and Risk Owners are effectively managing risk treatment through dedicated efforts. Additionally, we have added emerging risks we are monitoring including housing demand, geopolitical tensions, and the impact of artificial intelligence on the university. We are pleased to report there are no extreme risks at the University.

2) <u>Annual CURIE Insurance Report 2023</u>

Article 13.1 of the University's By-law No. 1 provides for the indemnification of Governors and employees, while Article 13.2 offers additional protection for governors. The insurance coverage supports these legal requirements and is a key consideration for the committee.

Recent highlights include:

- Despite challenges posed by increasing inflation and strained supply chains, our premium costs have remained stable.
- Cyber coverage has been expanded for 2024 to include first-party cover, reflecting our commitment to addressing emerging risks.

3) <u>Annual Status Report for Accessibility (May 2023 - April 2024)</u>

The Office of Risk Management and the Accessibility Working Group have completed the institution's Annual Status Report, which tracks progress against the Ontario Tech Multi-Year Accessibility Plan 2020-2025. This report will be published on the university's public-facing website in June 2024.

Notable accomplishments include:

- Celebrating the first Disability Employment Awareness Month (DEAM) through collaboration between Human Resources, Office of Risk Management, and Diversity, Inclusion, and Belonging teams, promoting workplace inclusion for people with disabilities.
- Launching an updated Accessible Instruction for Educators module for faculty, supported by the Teaching & Learning Centre, Human Resources, and Learning Management System teams.

- Implementing GoodMaps Explore, an accessible wayfinding app, in collaboration with the Partnership Office and the AWG, aiding navigation for individuals with disabilities.
- Updating wayfinding signage in the ERC (Energy Research Centre) and SIRC (Software and Informatics Research Centre) buildings to ensure accessibility.
- Submitting the 2023 Accessibility Compliance Reporting Form by the December 31, 2023, deadline with the support of key stakeholders and the AWG.

NEXT STEPS:

We continue working together to enhance with risk management portfolio to remain agile to ongoing change external to the university. Over the following year, Senior Leadership will work towards establishing key risk indicators for the newly formed thematic buckets, to bake these metrics into the risk management annual report for 2025, and beyond.

Attachments:

Annual Risk and Insurance Report 2023-2024
Annual CURIE Report 2023
Annual Accessibility Status Report 2023-2024
Ontario Tech University Climate Change Vulnerability assessment presentation

June 2024

ANNUAL RISK MANAGEMENT AND INSURANCE REPORT

Prepared by:
Brad MacIsaac - Chief Risk Officer
Jackie Dupuis - Director of Risk Management
June 13, 2024

BACKGROUND

Established in June 2014, the URM framework was built upon the collaborative effort of faculty and administrative units, culminating in developing a comprehensive institutional risk register in 2017. This foundational framework has played a pivotal role in identifying, assessing, and mitigating risks across the university, reflecting our collective dedication to safeguarding our institution's interests.

The period of 2023-2024 has been marked by significant transformation within the university's risk management office, ushering in a new era of enhanced structure and operational understanding. Our commitment to advancing risk management practices is underscored by the reinforced "tone at the top," with senior leadership consistently emphasizing the importance of risk management. This commitment has permeated throughout the organization, with leaders and managers integrating risk considerations into their daily responsibilities, laying the groundwork for a more resilient future.

A notable development in 2023-2034 was the migration of risk data into Power BI, which revolutionized our risk management approach by enabling us to leverage advanced analytics for data-driven decision-making. This strategic move has expanded the number of identified risk areas from 27 to 41, increasing the number of Risk Owners and Risk Leads to manage these areas effectively.

Through consolidation, we refined and carved out from the initial count of 189 institutional risks (240 once deconstructed the submissions), subsequently reduced to 56 through consolidation of similar comments across different units. Five of these (56) consolidated risks have been classified as high, underscoring the need for monitoring and targeted mitigation efforts, as outlined in this report's "**At A Glance**" section.

Another notable highlight includes the engagement of our Faculty of Business and Information Technology (FBIT) Capstone teams, who conducted valuable research on various areas within our risk office, benchmarking our practices against those of universities across Canada.

In March 2024, the Senior Leadership Team (SLT) approved the transition from individual Strategic Risks to ten thematic risk buckets, integrating risk management activities with the Integrated Academic Research Plan (IARP) to align with the university's strategic objectives.

In April 2024, the Office of Risk Management (ORM) completed its insurance renewal process, as detailed in **Appendix A**, which includes charts illustrating the ORM's insurance activities throughout the years.

The ongoing evolution of the URM framework is vital for maintaining a proactive approach to risk management. The enhancements made in 2023-2024 signify a leap forward in our risk management capabilities, better equipping us to anticipate and mitigate potential risks in a complementary way while supporting the university's strategic, academic, and administrative goals.

MEASURING UNIVERSITY RISK MANAGEMENT - PROCESS

The Board is charged with ensuring a proper process is in place for risk management. The annual report assists the Board in assessing the progress of the URM process. The university adopted the following six measures of progress as recommended by The Association of Governing Boards in partnership with United Educators[1]:

[1] From "A Wake-up Call: Enterprise Risk Management at Colleges and Universities Today", A Survey by the Association of Governing Boards of Universities and Colleges and United Educators, 2014, pp. 3 to 10

Measure 1: The university demonstrates how the URM is sustained as a priority.

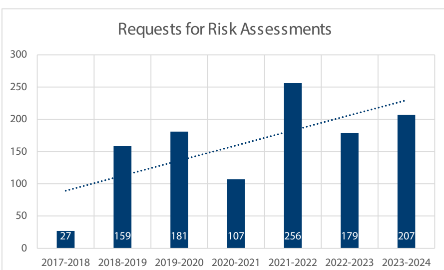
SLT remains unified in managing risk and setting the appropriate 'tone at the top' by facilitating informed decision-making regarding financial, reputational, strategic, and operational risks within their portfolios.

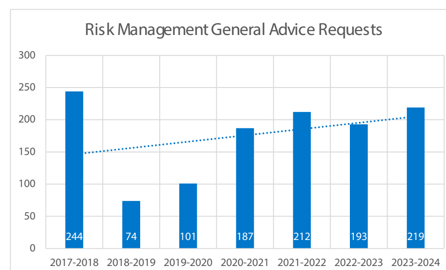
The **Risk Management** [website]() continues to evolve yearly with new tools and resources to support the university's membership.

Dedicated Risk Management Office: The university has a dedicated Director of Risk Management to oversee all URM activities, with the support of the VP of Administration. Risk Management has grown its resource capacity to include compliance and audit assessments. These roles have begun benchmarking data, which is attached in **Appendix B**.

Leveraging Risk Custodians Across the University: The Office of Risk Management collaborates with other units to enhance risk understanding and awareness. They have taken on some risk management-related training to support the university members within their unit/faculty.

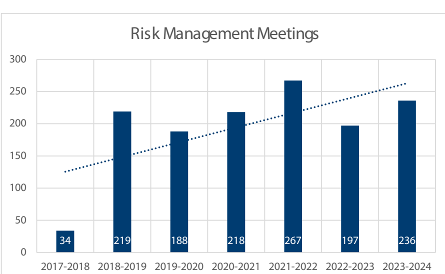
Risk Reporting: The ORM has made significant advancements in analytical capabilities, enabling the creation of new reporting charts. These charts visually demonstrate the year over year numbers and the university's dedication to the ongoing growth and prioritization of risk management efforts.

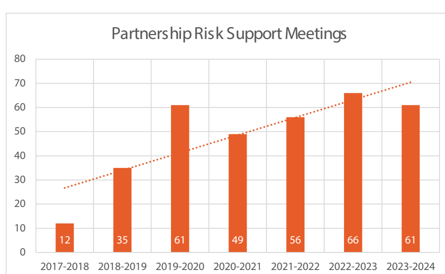


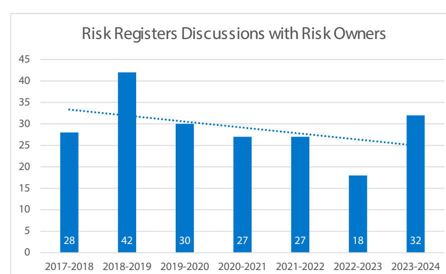


Measure 2: The Board verifies that URM is an essential objective for leadership.

The President retains overall risk responsibility for the university, setting the 'tone at the top.' The VP of Administration is the assigned URM leadership. All Administrative Leadership Team members (ALT) are assigned risk work in various forms within their respective portfolios. These charts serve to visually demonstrate the ongoing meetings with leadership, management, and external stakeholders.







Measure 3: The Board discusses the top strategic and operational risks facing the University and understands how they are managed and monitored.

The Board has been provided with regular progress updates during each A&F meeting. These updates encompass a comprehensive overview of emerging, high, and extreme risks necessitating

significant work and mitigation efforts. **Appendix C** outlines the emerging risks reported during the 2023-2024 reporting cycle, offering an updated overview since their initial communication.
Measure 4: The A&F Committee includes risk management discussions in its work plan.
URM is part of the A&F Work Plan. As noted in the Board Memo, regular talks and reports on risk management and insurance are presented.
Measure 5: The University engages the Board in training sessions on risk
In addition to the general discussions about risk, Board professional development sessions typically focus on the university's risk areas.
Measure 6: The Board assesses the URM and the success of the stated URM goals and objectives.
A&F receives an annual report that aims to secure the Board's comments and direction on the URM process and progress.

RISK SUMMARY

While the Board has approved leaderships new direction on Enterprise Risks this annual report still uses the previous practice as that is how units submitted their reports. The 2023-2024 risk register defines institutional risks into <u>five categories: financial, operational, strategic, compliance, and reputational</u>. Risks are then catalogued based on the calculated risk level within their area based on the risk appetite. Risks identified with a high/ extreme calculated risk level are assigned to a member of SLT for oversight. The ongoing assessment of risk includes reexamining the causes of risk, existing controls, the likelihood and consequence of the risks occurring, and the mitigation strategies in place. Categories are:

Operational Risk: Our approach to managing operational risk remains steadfast and stable. This category encompasses the most diverse array of items within our risk portfolio. Risk management efforts have been focused on mitigating risks associated with health and safety, preventative maintenance, weather-related hazards, technological advancements, and ensuring operational continuity. We continue implementing mitigative strategies and proactive measures to ensure operational flow.

Financial Risk remains a foundational concern for the university and is subject to ongoing review. We are committed to exploring new revenue generation opportunities while remaining mindful of external factors impacting the university. This necessitates a balanced budget approach and the development of conservative budgeting scenarios to ensure prudent allocation of resources.

Reputational Risk remains stable, thanks to a joint risk treatment and strategy effort among all senior leaders, which was recently summoned to task. The notable disruption to campus life was resolved through a measured approach, with a commitment from Senior Leadership to debriefing and collecting insights gained through this experience.

Strategic Risk: Risk management and SLT participated in an exercise that resulted in meaningful changes to our *Strategic Risks*, aiming to maintain agility and adaptability to the university's ongoing growth journey and risk landscape. The twelve Strategic Risks have been reorganized and are now integrated into the ten thematic enterprise buckets instead of being segregated from the overall risk register. Rather than being retired, they have been repackaged for inclusion within the enhanced framework. The list of enterprise risk themes is noted as follows:

Enterprise Risk Themes	Definitions
Academic	Academic encompasses rigorous standards, educational quality, diverse practices, and program offerings, all tailored to market demands and completion rates. Managing risk involves protecting the institution's credibility and competitiveness by ensuring academic integrity against compromises that could undermine its reputation and viability.
Research	Research can be defined as a systematic and strategic process guided by a research plan, ensuring integrity and compliance with regulatory and ethical standards. It involves securing and managing funding, protecting data, and adhering to health and safety protocols.
Student Experience	Student experience encompasses the comprehensive range of supports and opportunities provided to foster student well-being, mental health, and academic success. It aligns with student expectations for educational and campus life, ensuring inclusive access to diverse and socio-cultural resources and campus spaces.
Enrolment	Enrolment refers to the strategic enrollment management (SEM) process encompassing student recruitment, retention, persistence, and graduation. It ensures access to a diverse program and student mix, alongside the provision of student awards. Enrolment strategies consider market competition and socio-cultural factors to attract and retain students.
Financial	Financial management involves strategic planning, budgeting, and decision-making to effectively manage financial resources. This includes activities such as revenue generation, cost analysis, and ensuring compliance with regulations. Failure to manage financial risks may compromise operational efficiency and hinder the ability to make necessary investments for future success.
Continuity	Continuity refers to the ability to maintain consistent and efficient university operations through effective emergency management, adherence to health and safety protocols, and robust security measures. It includes ensuring the campus is in good repair, optimizing service delivery, and maintaining operational agility in response to environmental, global health, and supply chain challenges.
People	People management involves talent acquisition, performance management, and fostering employee well-being. This includes succession planning, leadership development, and labor relations within the sociocultural context. Failure to manage people-related risks may limit opportunities for growth and innovation, impeding academic, research, and student success priorities.
External	External refers to the relationships and interactions the university maintains with various stakeholders, including government entities, industry partners, alumni, local communities, national and global partners, satellite offices, and Indigenous connections. These collaborations are crucial for fostering a supportive community and advancing geopolitical interests.
Reputation	Reputation refers to the continuous effort to uphold and enhance the institution's public image and standing. This involves effective public relations management and maintaining a strong, positive brand.
Technology	Technology refers to the comprehensive management and implementation of digital infrastructure, encompassing cybersecurity, data protection, disaster recovery, and technology solutions. It includes fostering innovation in digital learning and hybrid work environments.

RISK AT A GLANCE – DASHBOARD DEVELOPMENT

The dashboards presented below provide a comprehensive overview of the university's risk portfolio for the 2023-2024 period.

The data count referenced in Figure 1 summarizes the 2023-24 master registry, which encompasses all risks across the institution. In the past year, the university successfully transitioned 21 mitigation strategies into effective risk controls while incorporating additional language associated with 147 mitigative strategies to bolster ongoing risk treatment efforts.

The identified risks have risen compared to the previous reporting period (2022-2023). This increase can be attributed to the emergence of new risk factors and heightened external influences impacting the university, including shifts in social and cultural trends, global events, government regulations, and economic conditions.

Figure 1 – Master Registry Summary

2023-2024 RISK MANAGEMENT DASHBOARD									
Data Count	Local Risks	Institutional Risks (I)	Consolidated Risks (C)	Controls	Causes	Mitigation Strategies	Mitigation Strategies to Controls 2021-22	Mitigation Strategies Altered	Risk Drivers
22-23	107	189	68	256	175	518	14	211	75
23-24	105	240	10	410	409	511	21	147	106

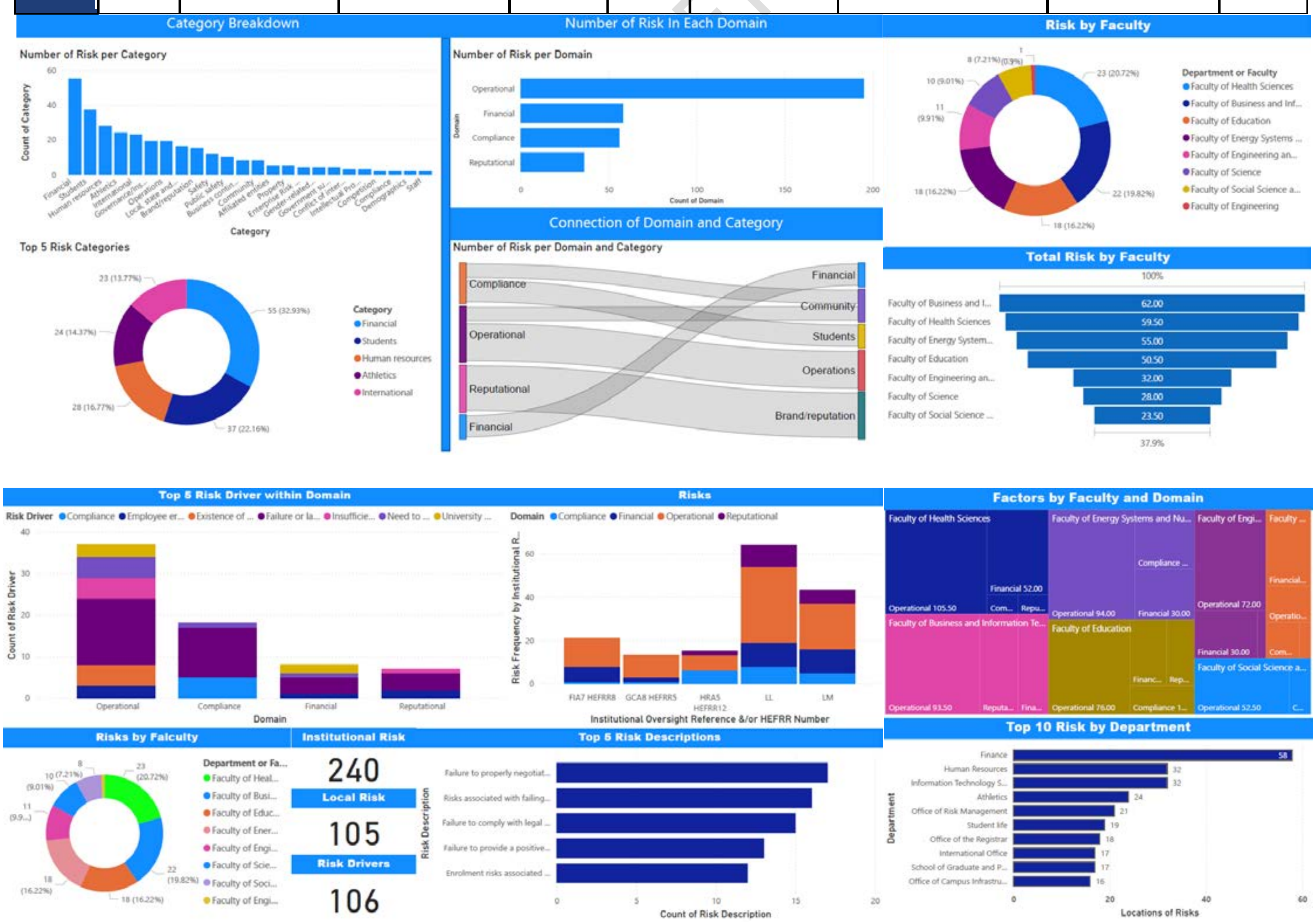


Figure 2 – Unconsolidated Risk Heat Map

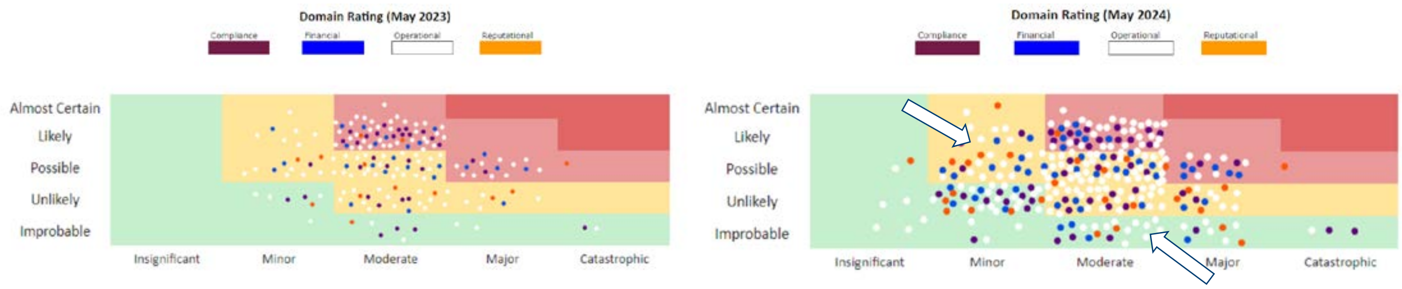
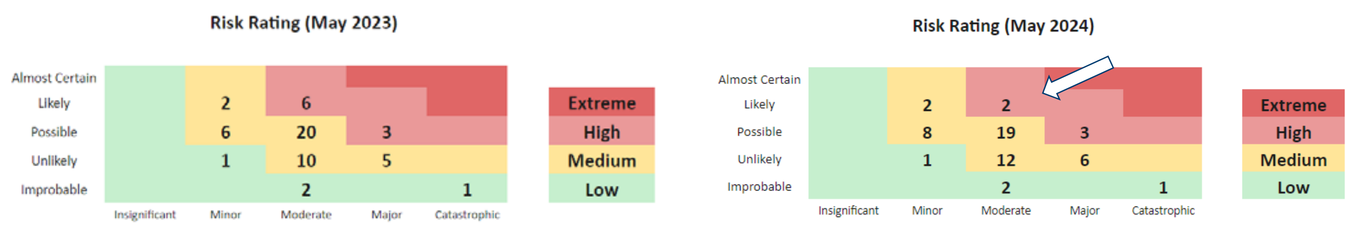


Figure 3 – Consolidated Risk Numbered Heat Map



RISK RATING – EXPANDING ON THE YEAR IN REVIEW

The following risks are high in calculated risk level or required significant time and effort and have undergone the most substantial changes over the past year. At the last A&F meeting there was a request for more information related to mitigation practices. You will see check marks beside those that have been completed whereas the others are still in progress.

Operational Risk

Risk Definition: Exposures that arise from people or a failure in internal processes, systems, or controls and may impact the University's ability to sustain immediate or future business operations.

High Operational Risks	Risk Trend	Risk Mitigation Update
Business Continuity: Any disaster that disrupts business continuity, including Impairments to the University's operations and ability to function due to a disruption to vital technology infrastructure.	→	✔ The university has developed a comprehensive tool for consistently tracking and analyzing business continuity processes, best practices, and monitoring efforts. Fifty percent of the data transfer is complete, with full completion expected by the end of June. Any identified gaps will be addressed in collaboration with Risk Owners before the Senior Leadership Team (SLT) reviews the final plan.
Risk Owner:		VP – Administration
Mental Health: There is an increase in mental health issues among members.	↓	✔ Designated resources, areas, and events that are allocated to support mental health services, resources, and education (i.e., website, university app, wellness (Let's Talk, Mental Health Week, Healthy Workplace month) ✔ Expanded chat features on the EAP and promoting the new federal phone and text support for mental health support.

		✔ Digital resources are now available for members to practice mindfulness (Mindful Society, Global Inst.). ✔ Centre for Addiction and Mental Health course and Red Cross, SafeTalk, made available. ✔ *(Student)* Established a formal Student of Support Committee to support high-risk and community awareness of support services. ✔ *(Student)* Art Therapy and Eating Disorder Support Services were added to the support services program. ✔ *(Student)* Student Life and Human Resources are working collectively on training components, i.e., ASIST. ✔ (Student) Recognition of Bill 166 and the development of a directive has been drafted.
Risk Owner:		Collective: VP – Human Resources and Provost
Health and Safety: The necessary resources and financial investment to support the review, monitoring, maintenance, and implementation of infrastructure enabled to prevent or mitigate potential workplace accidents/injuries will serve to avoid catastrophic incidents	→	The health and safety officer is responsible for the ongoing delivery of services from health and safety committees. Ongoing development of H&S plan. Alignment and utility of existing policies against changing work environment. Solidify and maintain with regional industry H&S stakeholders. ✔ A GAP analysis is underway to focus on overall H&S practices rooted in government regulations. - Monthly inspections for Automated External Defibrillator (AED) have increased; number of AED inventory increased; outdoor AED's installed. - Workplace Inspection Schedule now legislatively compliant. - First Aid Kit Inspections now legislatively compliant H&S collaborates with Risk, OCIS, and Biosafety - through monthly hazard/liability reviews.
Risk Owner:		VP – Human Resources

Financial Risk

Risk Definition: Exposures that arise from the University's financial operations and/or external market forces, with the potential to impact funding level, investment performance, liquidity, budget, premium revenue/rates, and other key financial indicators.

High Financial Risks	Risk Trend	Risk Mitigation Update
University Equipment Failure: Older equipment showing signs of wear and tear will require funding for replacement or repair.	→	Continue to follow the facilities renewal plan and annual electrical maintenance on the plan schedule. Commercial surplus funds are directed into an equipment replacement fund. Continue identifying ways to increase focus on equipment grants and engagement with industry and donors. Continue to provide annual reporting to the Budget Working Group (BWG) on risks associated with equipment.

		A multi-year life cycle management investment plan was established through Durham College. IT Services remain vigilant to ensure the plan is maintained and funding secured.
Risk Owner:		VP – Administration
Financial Sustainability: The risk associated with inadequate fiscal controls	→	Ensure predictive analysis is based on sound assumptions. Continue to monitor what others within the sector are considering and adjust accordingly. ✔ Monthly meetings of BWG over the summer of 2024 and to bi-weekly after a year. We are exploring alternate sources of revenue. Use innovative enrollment tactics to meet University enrollment goals. Assess existing contractual obligations.
Risk Owner:		VP – Administration

Strategic Risk

Risk Definition: Risk that arises from internal and external trends and events that might impact the University's ability to achieve its mandate or from its ability to identify and execute objectives and establish and implement strategies to achieve them.

There are no high or extreme risks to report at this time.

Reputational Risk

Risk Definition: Exposures that arise from stakeholders' perceptions of the University have the potential to impact public trust in the University through direct or indirect action by the University, its employees, partners, or suppliers.

High Reputational Risks	Risk Trend	Risk Mitigation Update
Cyber and Privacy: The failure to safeguard our information systems and data could result in reputation, legal, and other risks. In an era of advancing technology, dramatically increased storage capacity, and new places to store and save information (Cloud), there is a need for an information governance strategy, policy, and procedures.	↓	✔ Breach Counsel and incident response partner confirmed. ✔ Ontario Tech is an active participant of OCCCIO. ✔ The university and college developed and finalized a joint ransomware policy. ✔ A manager of information security has been appointed, reporting directly to the director of information security. ✔ The enterprise backup technology has been upgraded to provide significantly faster backup storage, ensuring robust data protection. ✔ A web application firewall has been deployed to enhance the security of online applications. ✔ Two simulated phishing campaigns were conducted to test and improve the institution's resilience against phishing attacks.
Risk Owner:		VP – Administration

Compliance Risk
Risk Definition: Exposure to penalties, fines, damages, and loss caused by not adhering to applicable laws, regulations, and policies mandated under federal, provincial, or municipal laws, regulations, University policies, procedures, directives, or by-laws.

High Compliance Risks	Risk Trend	Risk Mitigation Update
Contracts: Contracts and agreements create partnerships, obligations, and liabilities for the University. At present, the contract management framework is not consistently adhered to.	↓	✔ Additional support has been seconded to the General Counsel's office to assist in managing the ongoing contract management needs. ✔ Contract Management Framework fulsome review is completed and approved. ✔ The contract training initiative is underway now that the framework has been established. ✔ A Contracts Officer was hired to support the ongoing demand.
Risk Owner:		Collective: General Counsel and VP - Administration
Compliance and Audit: Failure to understand and adhere to compliance requirements will result in critical errors in decision-making, administration, and governance and potential non-compliance with regulations/legislation.	↓	✔ Significant improvement has been made in the compliance program. A dashboard under Appendix C has been established to support the ongoing efforts and demonstrate current benchmarking initiatives.
Risk Owner:		Collective: General Counsel and VP - Administration

LOOKING AHEAD

Ontario Tech is confronted with a multitude of external factors that possess the potential to significantly influence its operations and strategic planning within today's rapidly evolving landscape. Amidst these uncertainties, it is paramount to maintain a steadfast recognition of the significance of robust risk management practices and the necessity for agility in responding to change. The university's leadership is unwaveringly committed to enhancing the design of our risk management portfolio. Continuously, as we identify, allocate resources for, mitigate, and vigilantly monitor new and emerging risks, we must thoroughly survey our environmental landscape. This approach enables us to gain deeper insights into the external factors that directly and indirectly affect our operations.

As we implement the new thematic buckets, Senior Leadership will actively participate in risk discussions and diligently work to integrate risk identification into the Integrated Academic and Research Plan (IARP). This integration serves to fortify the connection between organizational priorities and risk management efforts, becoming complementary by design. In the subsequent year of our review, Key Risk Indicators (KRIs) will undergo refinement and expansion, assuming a pivotal role in evaluating risk trends over time.

Appendix A – 2023-2024 Insurance Portfolio and Metrics YOY

CURIE

Policy	Term
General Liability and Excess	Five Year Term
Errors and Omissions and Excess	Five Year Term
Directors and Officers and Excess	Five Year Term
Property and Excess	Five Year Term
Cyber 1st and 3rd party	Five Year Term

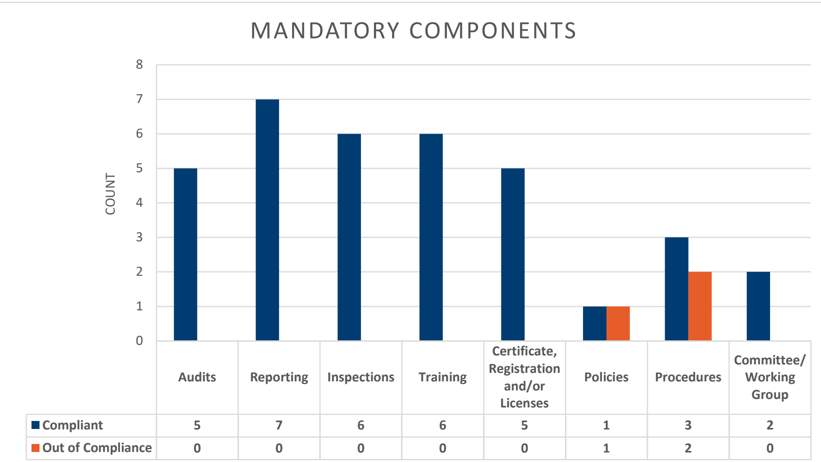
Marsh Canada

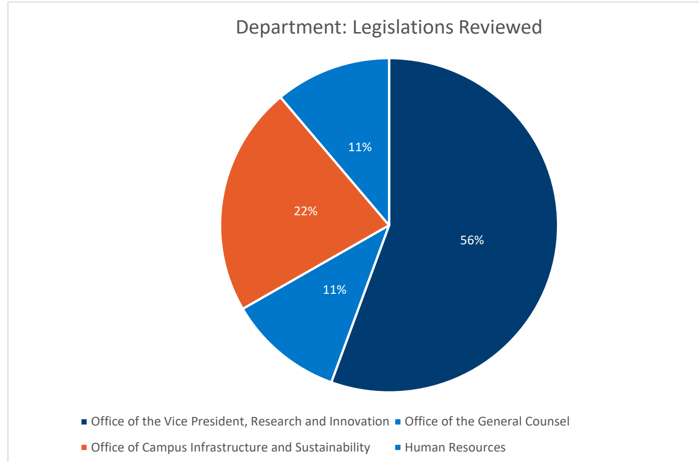
Policy	Term
Commercial Fleet	Annual Renewal
Non-Owned Automobile (CA and USA)	Annual Renewal
Non-Owned Automobile (Worldwide)	Annual Renewal
Garage Automobile	Annual Renewal
Crime	Annual Renewal
Nuclear (NIAC)	Annual Renewal
Machinery Breakdown	Annual Renewal
Marine	Annual Renewal
Special Crime (K&R)	Three Year Term
Student Workplace Medical	Annual Renewal
Student WSIB	Annual Renewal
Student Placement Workers Compensation	CHUBB/MTCU
Cargo and Transit (ad-hoc)	Risk Event Based
Construction – owner-controlled (ad-hoc)	Risk Event Based
International Travel General Liability (ad-hoc)	Risk Event Based

Insurance Metrics YOY

Appendix B - Compliance Dashboard 2023-2024

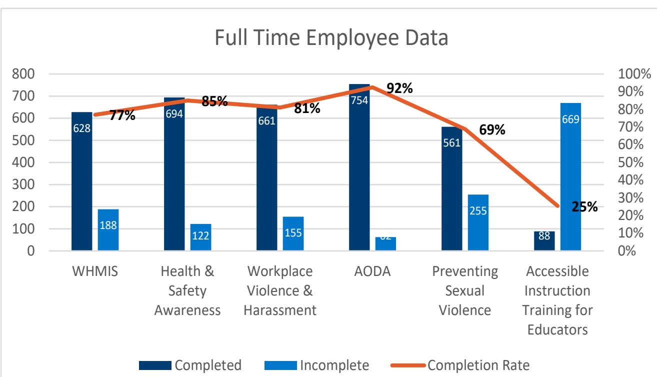
Legislative Compliance Program

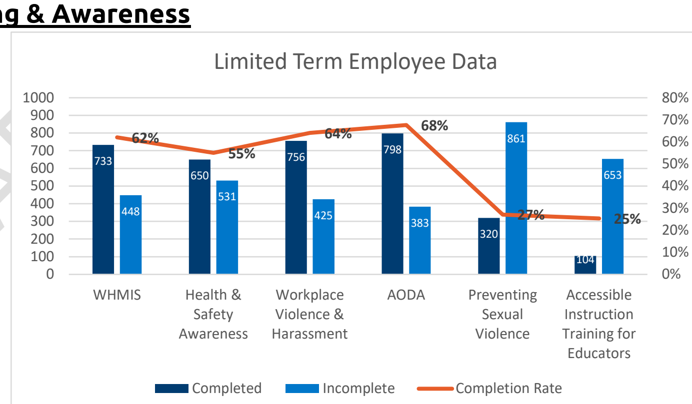




- The university is subject to approximately 105 federal and provincial legislations. We have completed a pilot of nine legislations to demonstrate our compliance obligation. We determined mandatory components, which assisted in collecting data and validating whether we were meeting our compliance obligations per the reviewed legislation.
- **Future Forward:** As we identify gaps and out-of-compliance components, the ORM will work with the stakeholder(s) to create a compliance work plan to set priority and assistance in gathering the appropriate resources and navigating them to the appropriate tools and areas to meet full compliance.

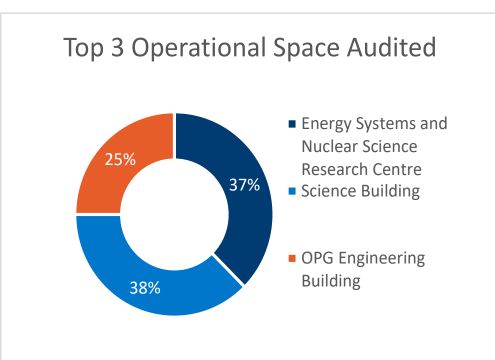
Mandatory Training & Awareness

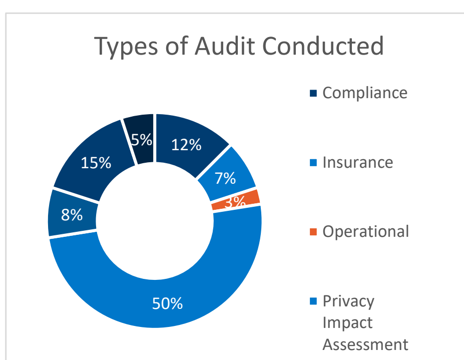


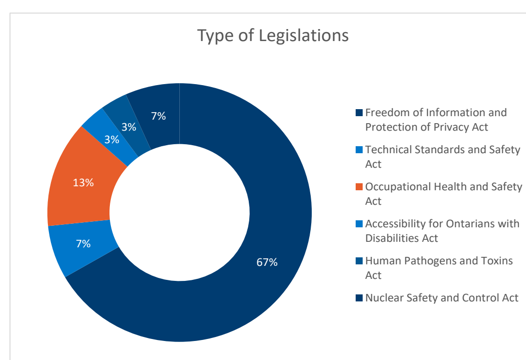


- Currently tracking and monitoring full-time and limited-term employees at the university; the data above reflects numbers from March to April 2024.
- Appropriate measures were taken to achieve a 90% and above completion rate for mandatory training. Limited Term requires support and awareness to achieve a higher completion rate as it is below the threshold.
- Gaps identified with training for volunteers, working towards having processes in place for external and internal volunteers to complete appropriate mandatory training.
- **Future Forward:** Create a process and gather data on volunteers, BoGs, and students to report on for our next annual report on mandatory training completion.

Internal Audit & Audit Reporting Tool







- The Audit Task Force Group utilized the Audit Reporting Tool, implemented as a soft launch. The tool aligns with the recommendations outlined in the Auditor General's Report from 2022.
- The tool provides high-level information (data above) on location, department ownership, type of audits, and legislation driven/requirement, etc.
- **Future Forward:** Throughout the summer, we will identify and launch other areas at the university that conduct non-financial audits as part of a requirement or operationally to utilize and centralize all non-financial audits under the Audit Reporting Tool.

Additional Compliance Topics

- New Legislation: The ORM, in collaboration with the General Counsel and Procurement teams, completed the required annual report under the federal government's *Fighting Against Forced Labour and Child Labour in Supply Chain Act*. They plan to submit the questionnaire and final report by May 31, 2024. We will continue to monitor reporting obligations.

- Internal Ongoing: Policies and procedures mandated by legislation will be reviewed and audited for compliance, requiring amendment by policy owners. The Policy Review Proposal from June 20, 2023, will guide the review of non-legislative policies due to organizational changes or priorities. Strategic priorities from the university's IARP will highlight relevant policies. According to the Policy Framework, all policy instruments must be formally reviewed every three years.

APPENDIX C: UPDATES TO EMERGING RISKS AND NEW INITIATIVES 2023-2024

Four emerging risks were identified during the 2023-2024 and reported to the Board for consideration. This update provides an overview of their current status and the ongoing monitoring efforts.

Emerging Risks:	Climate Change and Extreme Weather
Risk Assessment:	Extreme weather events, such as flash floods, storm surges, wildfires, and excessive heat, are on the rise and will be the primary global risk in 2024. Diverse climate changes are increasing catastrophic losses. Uncertainty can lead to infrastructure vulnerabilities, supply chain disruption, financial exposure, research and academic activities disruptions, and health implications for people.
Risk Category:	Operational, Financial
Update since the last report:	The Climate Change Vulnerability Assessment benchmarking is complete and will be used as a tool in risk assessment and preparedness, addressing infrastructure investment, early warning systems, and disaster recovery mechanisms.
Risk Ownership:	VP – Administration

New Initiatives:	Intellectual Property – insurance policy
Risk Assessment:	The university may lack adequate protection against patents, trademarks, and copyrights.
Risk Category:	Operational, financial, Reputational
Update Since Last Report:	Intellectual property identified, including valuation of IP assets, existing IP protections, and legal implications. The premium cost against the allowable cover was not advantageous for the university at this time. We continue to monitor and assess yearly as part of the university's risk and insurance program.
Risk Ownership:	VP – Administration

Emerging Risks:	Housing Crisis
Risk Assessment:	The housing market crisis significantly affects university students, leading to increased rental costs, limited availability of affordable housing, and heightened financial stress. This situation can impact students' academic performance, mental health, and well-being. The instability in housing can also deter prospective students from enrolling or continuing their education, thus affecting university enrollment rates.
Risk Category:	Financial, Operational
Update Since Last Report:	Continue to monitor and assess the situation ongoing. Ontario Tech has not been explicitly impacted by this risk, although preparing for change should there be a shift in the likelihood of this risk occurring.
Risk Ownership	Registrar

Emerging Risks:	Crisis Management | Campus Disruption
Risk Assessment:	External (geopolitical) factors are becoming more consequential in our assessment of risk identification and treatment.
Risk Category:	Reputational, Operational
Mitigation Plan	Scenario planning and debrief related to historical crisis management events on and off campus.
Risk Ownership:	Collective – Senior Leadership

New Initiatives:	Artificial Intelligence
Risk Assessment:	Integrating Artificial Intelligence (AI) in university operations and academic activities poses risks associated with data privacy concerns, potential bias in AI algorithms, ethical implications of AI decision-making, and the security of AI systems against cyber threats. Furthermore, the reliance on AI may reduce critical thinking among university members.
Risk Category:	Operational, Reputational, Strategic, Compliance
Update Since Last Report:	An assessment is underway, which includes a review of internal existing policies (data privacy, respectful campus, cyber), a comparison with universities in Canada and their existing processes/resources, and an assessment of the needs of individual risk areas (research, administration, academic) and the unique needs of these spaces.
Risk Ownership:	General Counsel

CURIE

ANNUAL REPORT 2023

Message from the Chair & Chief Executive Officer

On behalf of CURIE and the Advisory Board we are pleased to report to you on the results of 2023.

Lloyd Noronha
Chair

Patrick Lundy
CEO

2023 marked the first year of CURIE VIII and our 36th anniversary! The organization was hard at work on-boarding 15 new subscribers, rolling out our new cyber insurance product, and focused on creating enhanced ways to provide continued best-in-class service to each school.

CURIE's 2023 business plan was built around engaging, exchanging, and educating. Our reciprocal delivered new insights in climate change vulnerabilities, provided greater depth of understanding in cyber risk mitigation, and continued to pride itself in the knowledge that community is at the heart of what we do.

From the perspective of market conditions during 2023, unfortunately similar challenges to that of the prior year continued to loom, where major themes of concern for both economic and weather trends were at the forefront. Secondary perils such as wildfires, severe convective storms, floods in several provinces, and dramatically fluctuating temperatures were a heightened burden for Canadian property related risks. From a liability perspective, risks such as geopolitical risk and societal influences (social inflation) continued to increase, and cyber threats continued to trend negatively.

Despite these market concerns, in early December 2023 we were pleased to inform that even with the continued hard market conditions and insurance market challenges, CURIE still managed to achieve a successful outcome with our property renewal program. We responded to some of the challenges faced by making structural changes to the primary (reciprocal) limit, whereby increasing our limit/retention to $15 million per occurrence/$30 million aggregate. This decision ultimately has given us a more stable and controlled program, and the increased flexibility to invest more premiums vs paying to excess insurers and reinsurers. Our excess insurers and reinsurers respect the value of the CURIE reciprocal, commitment that our members continually make towards risk mitigation, loss control efforts, and subsequently provided fair credit for our decision to take on more risk ourselves. Taking all these factors into consideration, we were very pleased to report that we managed to secure stable excess property renewal terms for this renewal. These factors, along with our primary funding requirements within the reciprocal retention directly attributed to an overall average property rate increase of 11.5% (which is a combination of roughly 5% in pure rate increase and 6.5% in property values) for the 2023 renewal.

For general liability and the educators' errors and omissions liability renewal, excess reinsurers continued to be cautious and challenged by capacity limits, offering specific coverage like sexual abuse, concussion injury, and experiencing increased litigation (social inflation). Despite the challenges in the market, liability reinsurers factored into consideration our member's dedication to risk mitigation efforts, CURIE's overall historical positive loss experience, and the spread of risk exposures, which is having a positive impact on the reciprocal. These factors, combined with our funding requirements for the primary reciprocal retention layer, enabled us to provide an average overall rate decrease of -4.5% for the 2023 policy period.

New for 2023, CURIE was excited to provide each subscriber with $1 million of cyber insurance coverage. The creation of this product offering was a direct response to our continued listening to the needs of our Subscriber's. CURIE was proud to deliver a self-sustaining, foundational cyber product, which has since grown to a $2 million offering for the recent 2024 renewal.

Financially, CURIE experienced some mixed results, having reported a moderate underwriting loss for 2023 of $1.2 million (vs underwriting gain in the prior year of $9.6 million, on a restated basis due to implementation of IFRS 17). This was largely in part a result of losses emanating from unforeseen adverse weather patterns like Polar Vortexes, early winter storms, and large water damage claims late in the year from across multiple regions in Canada. The overall calendar year property loss ratio was reported at 93.4% (vs 83.3% in 2022). With respect to liability and educators' errors and omissions liability incurred claims increased significantly, resulting in an unfavourable position, ending the term with a calendar year loss ratio of 80.8% (2022, 15.2%).

Conversely, investment results for the year rebounded very strongly, as the market values of securities were boosted by the pause in interest rate hikes resulting in a positive investment income of $12.1 million (vs $11.7 million investment loss reported in 2022). These investment gains, contributed to the large profit reported for the 2023 year.

When factoring the combined results, the reciprocal remains quite balanced and financially healthy, maintaining $107.5 million in surplus (vs $99.9 million on a restated basis due to IFRS 17, in 2022) and operating at a Minimum Capital Test (MCT) ratio of 509% (vs 426% for the prior year). Our MCT of 509% is well above our internally established minimum MCT of 250% and the regulatory required MCT of 150%.

In consideration of this strength and healthy financial position, we were also pleased to inform that after assessing the statutory capital requirements and the surplus position as of December 31, 2023, the CURIE Advisory Board approved a surplus distribution of $6 million which was paid out to CURIE V, CURIE VI, and CURIE VII underwriting group members in March 2024. As of today's date, CURIE subscribers have benefited from surplus distributions totaling $29 million since 2017 and $63 million since our inception in 1987.

In 2023 we hosted two in-person events: our Annual Risk Conference, which was held in Ottawa, ON and a two-day workshop on cyber and contractual risk in Burlington, ON. These events, alongside the myriad of webinars, virtual round-tables, newsletters, digital content and more, produced by our team, are part of our never-ending spool of thoughts and ideas generated to support CURIE members. Our collaboration with various committees, vendors, and insights gleaned from the many surveys conducted allowed us to continually develop and create relevant and useful content for our membership throughout the year.

In closing, we would like to thank our members for their ongoing support and participation in the reciprocal, our Advisory Board, and Board Committee members for their guidance and leadership. We would also like to thank the CURIE team for their continued dedication to our members and other stakeholders throughout the year.

On a special note, Nancy Walker from the University of Lethbridge and Robert Inglis from Mount Allison University have completed their terms on the CURIE Advisory Board. We are grateful to Nancy for her role as Chair of the CURIE Advisory Board, Chair of the Executive Committee, and as a member of the Audit and Risk Committee. We also thank Robert for his role as a member of the Advisory Board, and as Chair of the Audit and Risk Committee. Their guidance, participation, and efforts will always be appreciated.

CURIE continues to demonstrate the agility it needs to succeed and grow in a fast-changing and challenged economy and environment. As we embark in the next phase of our strategic commitments over the planning cycle, the strength of our value proposition, the leadership we embrace as a community-based collective, and the experience we need to achieve our goals, positions CURIE in the best possible way for the future. We have and always will be for our members, by our members.

CHAIR
Lloyd Noronha, Vice-President, Finance & Administration
Wilfrid Laurier University

CHIEF EXECUTIVE OFFICER
Patrick Lundy, Attorney-In-Fact
CURIE

Our Vision

To be the insurer of choice and key partner in risk management for Canadian universities and colleges.

Our Mission

CURIE is dedicated to addressing the common and unique needs of its members by:

- Securing long-term, stable and cost-effective insurance coverage;
- Managing claims effectively and in a way that recognizes the long-term interests of its members;
- Providing a range of risk-management and loss protection services;
- Sharing information and communicating best practices in risk management to its members

Our Values

In achieving our *mission*, we value:

CURIE
2023 Highlights

Operating & Financial Highlights

Subscribers' Equity **+7.7%**

Net Income **$10,899,167**

Minimum Capital Test **509%**

Surplus Returned **$6,000,000**

Return on Equity
+10.1%

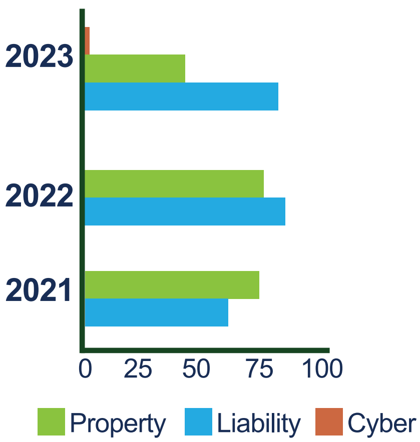
Combined ratio
103%

Operating costs
19%

VS

Industry average of
32%

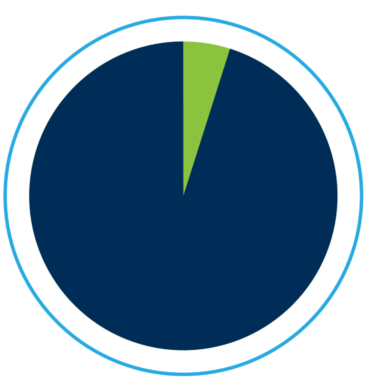
Claims Volume



11 Virtual webinars

In-person conference events 2

89%
Completion of outstanding Loss Control Management



79
CURIE members

Annual Member Survey Results

100%
Members would recommend CURIE to another higher education institution

100%
Members believe CURIE has built an effective and efficient organization to ensure that subscribers interest and needs are appropriately and consistently addressed

100%
Members are satisfied with the prompt and timely response of CURIE claims handling process and claims experience

97%
Members feels current reciprocal and excess of loss insurance program provided by CURIE protect and balance university and college needs between retention and risk transfer

About CURIE

Canadian Universities Reciprocal Insurance Exchange, or CURIE, is the most specialized insurance and risk management option available for universities and colleges across Canada. In 2023 we represented 79 Canadian universities and colleges. As a non-profit reciprocal insurance exchange, we offer comprehensive rates lower than industry, as well as robust risk management programs and services.

CURIE was founded in 1987, at the peak of the liability insurance crisis, with the mandate to stabilize premium costs for Canadian post secondary institutions. In the 80's, premiums were increasing as much as tenfold, policies were not renewed, deductibles were high, and coverage was greatly restricted or eliminated on essential programs. In response, a group of universities created their own insurance reciprocal, CURIE.

Our staff and board work to ensure CURIE is prepared for today and looking ahead to tomorrow.

CURIE Facts

Membership

Subscribers commit to participate in CURIE for a minimum of five years - one underwriting period. This multi-year participation helps stabilize prices and generate consistent coverage.

Premiums

CURIE establishes premiums sufficient to pay anticipated liabilities based on actuarial advice and actual losses. In the long run, CURIE intends for all participants to pay their fair share of total claims and expenses.

What is a Reciprocal?

A reciprocal is an unincorporated group of organizations that contract with each other to share losses on a not-for-profit basis. Due to the fact that the reciprocal is owned and operated by its members, they input directly into the reciprocal's operation, and they share any profit and investment income. As with commercial insurers, reciprocals are regulated and monitored to ensure that their investments and operations keep the organizations financially stable. Since a reciprocal is owned by its members, its sole motivation is to serve those members.

CURIE MEMBERS

Acadia Divinity College
Acadia University
Alberta University of the Arts
Algoma University
Athabasca University
Atlantic School of Theology
Bow Valley College
Brandon University
Brescia University College
Brock University
Canadian Mennonite University
Cape Breton University
Carleton University
Collège Boréal
College Communautaire du Nouveau-Brunswick
Collège La Cité
Confederation College
Dalhousie University
First Nation's University of Canada Inc.
Grant MacEwan University
Humber College
Huron University College
Lakehead University
Laurentian University
Loyalist College
Martin Luther University College
McMaster University
Memorial University of Newfoundland
Mount Allison University
Mount St. Vincent University
NorQuest College
Northern Alberta Institute of Technology (NAIT)
Northern Ontario School of Medicine
Nova Scotia College of Arts & Design
OCAD University
Ontario Tech University
Queen's University
Redeemer University College
Saint Mary's University
Saint Thomas University
Saskatchewan Polytechnic
Seneca College
Sheridan College
Simon Fraser University
Southern Alberta Institute of Technology
St. Francis Xavier University
St. Joseph's College
St. Mary's University
St. Stephen's College
St. Thomas More College
The University of Winnipeg
Thorneloe University
Toronto Metropolitan University
Trent University
Trinity Western University
Université de L'Ontario
Université de Saint-Boniface
Université Sainte-Anne
University of Alberta
University of Calgary
University of Guelph
University of King's College
University of Lethbridge
University of Manitoba
University of Moncton
University of New Brunswick
University of Prince Edward Island
University of Regina
University of Saskatchewan
University of St. Michael's College
University of Toronto
University of Trinity College
University of Victoria
University of Waterloo
University of Windsor
Victoria University
Western University
Wilfrid Laurier University
York University

Our Profile **2023**

Years in operation

36

$132B
Declared Property

5,020
Buildings Protected

Membership

79
Members

775
Member Contacts

9
Provinces Represented

Educational Resources

140+
Waivers

35+
On-demand Videos

8
Handbooks

1
Website/Portal

4
Virtual Townhalls

40+
Digital Newsletters

Staff and students protected by our services

914,011 Students
Full-time and Part-Time students (FTE)

275,000+ Staff
Across Canada

Claims

48
Property Claims

80
Liability Claims

3
Cyber Claims

$44M
Total value of claims reported in 2023

2023 CURIE BOARD MEMBERS

Our Board oversees CURIE's insurance professionals, as well as ensures our policies and programs are serving member universities, both individually and collectively. The Board is comprised of three representatives from Ontario, the Western and Atlantic provinces, as well as the executive director of CAUBO.

Nancy Walker, Chair
Vice-President, Finance & Administration
University of Lethbridge

Lloyd Noronha, Vice-Chair
Vice-President, Finance & Administration
Wilfrid Laurier University

Janet Stein
Senior Director, Risk Management & Insurance
University of Calgary

Robert Inglis
Vice-President, Finance and Administration
Mount Allison University

Nathalie Laporte
Executive Director
CAUBO

Gitta Kulczycki
Vice-President, Finance and Administration
Dalhousie University

Paul Eluchok
University Legal Counsel
Western University

Randy Peters
Director, Risk and Insurance
St. Francis Xavier University

Wanda McKenna
Assistance Vice-President and Chief Human Resources Officer
McMaster University

Mike Emslie
Chief Financial Officer and Comptroller
University of Manitoba

EXECUTIVE COMMITTEE

Nancy Walker, Chair
Vice-President, Finance & Administration
University of Lethbridge

Lloyd Noronha, Vice-Chair
Vice-President, Finance & Administration
Wilfrid Laurier University

Nathalie Laporte
Executive Director
CAUBO

Wanda McKenna
Assistance Vice-President and Chief Human Resources Officer
McMaster University

INVESTMENT COMMITTEE

Lloyd Noronha, Chair
Vice-President, Finance & Administration
Wilfrid Laurier University

Paul Eluchok
University Legal Counsel
Western University

Randy Peters
Director, Risk and Insurance
St. Francis Xavier University

Ron Ritter
Director Treasury & Investment
University of Alberta

AUDIT & RISK COMMITTEE

Robert Inglis, Chair
Vice-President, Finance and Administration
Mount Allison University

Gitta Kulczycki, Vice-Chair
Vice-President, Finance and Administration
Dalhousie University

Mike Emslie
Chief Financial Officer and Comptroller
University of Manitoba

Nathalie Laporte
Executive Director
CAUBO

Nancy Walker
Vice-President, Finance & Administration
University of Lethbridge

RISK ADVISORY COMMITTEE

Janet Stein, Chair
Senior Director, Risk Management & Insurance
University of Calgary

Randy Peters, Vice-Chair
Director, Risk and Insurance
St. Francis Xavier University

Julie Thomas
Acting Director, Risk Management
University of New Brunswick

Bryan McGann
Manager, Insurance
Queen's University

Philani Moyo
Risk & Insurance Officer
Toronto Metropolitan University

Julie Laforet
Insurance and Risk Management Officer
University of Windsor

Toby Clark
Risk & Insurance Advisor
University of Lethbridge

Ruth Damphouse
Risk & Insurance Manager
University of Winnipeg

John Kerr
Director, Risk Management & Insurance
University of Toronto

Nicole Cebuliak
Director, Risk & Insurance
Northern Alberta Institute of Technology (NAIT)

Stacey Smith
Manager, Enterprise Risk & Insurance
Wilfrid Laurier University

The CURIE Advantage

CURIE's sole focus is to support the higher education sector in insurance and loss control. Given this, we understand what members need day-to-day and year-to-year. Membership has its benefits.

SPECIALIZED FOR THE POST-SECONDARY SECTOR

CURIE insurance policies and risk management, campus loss control, and focused training programs are designed to specifically meet the varied and complicated risks of large and small Canadian universities and colleges; from aging infrastructure to complex specific liability issues. We work with our members to ensure not only the customized coverage, but strategic management of premiums and claims.

LONG-TERM COST SAVINGS

CURIE as a 79-member reciprocal, is able to offer premiums 20-45% lower than commercial insurance. As a non-profit, we have low operating costs and our focus is not driven by the bottom line or exclusions.

All underwriting profit and investment income is retained as subscriber surplus. CURIE currently has $107.5 million in surplus. Since the inception of CURIE, we will have returned $63 million to our members with the latest surplus distribution approved by the board.

RECIPROCALS ARE PROVEN

Since the mid-1980s when most reciprocals were formed, they have been proven to be a superior alternative to the traditional insurance market. Today there are many successful reciprocals insuring airports, school boards, and a variety of other large organizations and institutions across Canada. These common interest member-based alternatives continue to be the preferred insurance and risk management source for their members.

EXPERTISE AND KNOWLEDGE SHARING

Through CURIE's ListServ, meetings, the website (curie.org), and events, members connect with peers to gain insight into issues impacting insurance and risk.

CURIE staff are Canada's university and college insurance experts. Our personal member-to-insurer consulting services are unique in the insurance industry. Our educational services are developed with members' input to provide risk management training and to deal with emerging risk trends.

CONTROLLED BY MEMBERS

Members have input into how CURIE is managed, how claims are handled, and how coverage is structured. As such, CURIE strategically manages claims with the goal to deliver optimal outcomes recognizing long-term interests. In addition, the CURIE board is made up of a geographic cross-section of university and college members.

The fact that CURIE retains a significant portion of the insured risks provides a significant leverage with excess and reinsurers in obtaining favourable items and cost savings.

Value-Add Services

CURIE provides a number of special services and programs to members that are designed to help manage risk, identify hazards, and provide guidelines on how to control or eliminate problem areas. The services and programs are fully funded by CURIE, and the reciprocal encourages subscribers to utilize them on a regular basis.

The range of services and programs that CURIE offers includes the following:

SPRINKLER SYSTEM PLAN REVIEW

Sprinkler system installation plans and related hydraulic calculations are reviewed to ensure they meet current National Fire Protection Association (NFPA) requirements.

A review prior to installation reduces the potential for improper installation or misunderstanding of the requirements for the installation of the sprinkler system.

CAMPUS WATER SUPPLY SURVEYS FOR NEW CONSTRUCTION AND RENOVATION PROJECTS

Available water supplies are assessed by conducting hydrant flow tests and an analysis of the water supply grid system for a campus with respect to fire flow requirements. These fire flow requirements can be for individual fire suppression systems or for the entire campus. This can be very advantageous at the design stage by ensuring a water supply distribution system is capable of meeting both current and future fire flows.

LABORATORY SAFETY REVIEWS

A three-part review that provides an assessment of the overall physical condition of equipment, an assessment of chemical storage and handling procedures and, a review of general laboratory safety. Following completion of the physical review, a confidential detailed report including photographs and recommendations will be produced.

NEW BUILDING INSPECTIONS

Inspections are conducted on new buildings to ensure a consistent standard of care is applied to all buildings. The inspection will provide an early alert to possible future problems and will illustrate due diligence in mitigating any risk(s) that may be associated with the new building.

CURIE staff are Canada's university and college insurance experts. Our personal member-to-insurer consulting services are unique in the insurance industry. Our educational services are developed with members' input to provide risk management training and to deal with emerging risk trends.

PREMISES LIABILITY INSPECTION

Annual site inspections are conducted to identify physical hazards that could result in a liability claim. Reports are issued to document deficiencies, recommendations made to address them, and photographs provided to clarify the deficiency.

AQUATIC SAFETY AUDITS

A formal evaluation of the aquatic facility's operations is conducted, along with a review of all relevant literature provided by the facility to direct its operations of the facility, and interviews with select personnel.

ONLINE SAFETY COURSES

A selection of online courses that run on an annual basis include: *Sport Risk: Risk Management/ Strategic Risk Management for Recreational Professionals, Concussion Management and Sport Clubs.* Each course is four weeks in duration.

An online lab safety course is available to CURIE members. The course provides information on identifying and controlling hazards, preventing laboratory accidents/incidents and responding to laboratory emergencies.

CURIE recently introduced a new series of *Travel Risk Awareness* e-Learning courses. These courses assist in developing an understanding of common travel risks and practice in key techniques for real life scenarios.

CERTIFICATE OF INSURANCE MANAGEMENT PROGRAM

ClearRisk software program is available to support CURIE members with existing insurance certificate management. The software uses "Cloud" technology based in Canada to track incoming certificates, store them as searchable attachments, create certificate templates and set reminders for expiring certificates.

WEBINARS

CURIE organizes live webinars each quarter that are made available to our members. These webinars are recorded and made available through the CURIE online Member Portal. Webinars focus on topical issues such as: technology use in risk management*, slips, trips and falls, policy reviews, water risk mitigation, student mental health, ESG, and more!*

RISK ADVISORY COMMITTEE

Our committee is made up of members representing a cross section of schools by all sizes and geography, meeting quarterly to discuss matters of risk impacting the schools. They also help in creating webinars and materials for members to utilize. Thier guidance in creating over 140 waiver templates are available on the CURIE Member Portal.

SUBSCRIBER - LISTSERV

As part of our focus to encourage knowledge sharing among members, CURIE hosts an email-based List Serve.

The intended scope of discussion appeals to a broad audience including but not limited to risk management, insurance, environmental health & safety, finance, legal, campus, security, physical plant, and grounds and maintenance professionals. The CURIE List Serve is a private, un-moderated list open only to employees of CURIE member universities and colleges.

INSPECTING FOR A SAFER FUTURE

CURIE's Loss Control inspection program is intended to focus on physical hazards such as poor housekeeping and electrical deficiencies that were triggering CURIE losses. The program helped to create recommendations that were easy and cost effective to implement. Recommendations are downloaded into a Risk Register in OpticRisk and members can review the recommendations, create a variety of reports and action plans. The majority of CURIE members have exceeded the average completion rate and have put considerable effort into risk improvement.

CURIE has begun a process of benchmarking members based upon their completion rate of recommendations and are working with our actuary to adjust premiums to reward those that are well above the average rate of completion on recommendations and to increase premiums on those who are well below average. The benchmarking process includes comparing universities or colleges of equal size so that institutions with a large enrollment are not directly compared to those that are much smaller. The adjustments will take place for the yearly premium calculation for both property and liability. We hope by working with our members and creating incentives through benchmarking that we will help create a safer future.

Additional information, on all CURIE sponsored risk management services and programs, is available on the CURIE website, www.CURIE.org.

CURIE MEMBER PORTAL

Created in 2022, the CURIE Member Portal is a members-only online platform that is home to all CURIE materials.

Members can find everything from financial notices, waiver templates, bulletins, quarterly newsletters, calendar events, risk management resources, vendor supplied content (Healix, MARSH, OpticRisk, VeRisk, etc.) as well as everything cyber insurance! There's a full video library and CURIE has even created its own CURIE 101 video training series (found in the Training section) where new Risk Managers and equivalent can learn all about CURIE and its policies/coverages.

We're always adding new content on the Member Portal. Be sure to login and check out the latest resources: www.CURIE.org/memberportal. If you need help logging in, please email: memberservices@curie.org.

Independent Auditor's Report

To the Subscribers of Canadian Universities Reciprocal Insurance Exchange

OPINION

We have audited the financial statements of Canadian Universities Reciprocal Insurance Exchange (the Entity), which comprise:

• the statement of financial position as at December 31, 2023

• the statement of comprehensive income for the year then ended

• the statement of changes in equity for the year then ended

• the statement of cash flows for the year then ended

• and notes to the financial statements, including a summary of material accounting policy information (Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2023, and its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board.

BASIS FOR OPINION

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

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

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

EMPHASIS OF MATTER - CHANGES IN ACCOUNTING POLICIES AND COMPARATIVE INFORMATION

We draw your attention to Note 2 to the financial statements, which explains that certain comparative information presented were adjusted as a result of a full retrospective adoption of a change in accounting policy, with respect to IFRS 9 and IFRS 17:

• as at and for the year ended December 31, 2022 has been adjusted

• as at January 1, 2022 has been derived from the financial statements for the year ended December 31, 2021 which have been adjusted (not presented herein).

Note 2 explain the reason for the adjustments.

Our opinion is not modified in respect of these matters.

OTHER MATTER - CHANGES IN ACCOUNTING POLICIES AND COMPARATIVE INFORMATION

As part of our audit of the financial statements for the year ended December 31, 2023, we also audited the adjustments that were applied to adjust certain comparative information presented:

• as at and for the year ended December 31, 2022
• as at January 1, 2022

In our opinion, such adjustments are appropriate and have been properly applied.

RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of the statements in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board and for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

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

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

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

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

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

We also:

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

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

• Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.

• Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

• Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.

• Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

• Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG LLP

CHARTERED PROFESSIONAL ACCOUNTANTS,
LICENSED PUBLIC ACCOUNTANTS
Kitchener, Canada
February 26, 2024

120 Victoria Street South, Suite 600, Kitchener, Ontario N2G 0E1
Tel. 519.747.8800 | Fax. 519.747.8830 | Web. www.kpmg.ca

Report of the Actuary

ROLE OF ACTUARY

The actuary is appointed by the Advisory Board of the Canadian Universities Reciprocal Insurance Exchange ("CURIE") pursuant to the Insurance Act.

The purpose of this report is to provide a valuation of the policy liabilities including reinsurance recoverables, of the Canadian Universities Reciprocal Insurance Exchange at the valuation date of December 31, 2023, in accordance with Section 121 of the Insurance Act and in accordance with IFRS 17 for the Company's financial statements.

The scope of my valuation encompasses the policy liabilities on a gross and net of reinsurance basis. The policy liabilities consist of a provision for unpaid claims and adjustment expenses on the expired portion of policies (Liability for Incurred Claims). Policy liabilities are discounted using a discounting yield curve and grossed-up by a risk adjustment for non-financial risk.

APPOINTED ACTUARY'S REPORT

To the policyholders of Canadian Universities Reciprocal Insurance Exchange

I have valued the policy liabilities of Canadian Universities Reciprocal Insurance Exchange for its consolidated financial statements prepared in accordance with International Financial Reporting Standards for the year ended December 31, 2023.

In my opinion, the amount of policy liabilities is appropriate for this purpose. The valuation conforms to accepted actuarial practice in Canada and the consolidated financial statements fairly present the results of the valuation.

David Mamane, FCIA, FCAS
Appointed Actuary
Toronto, Ontario

February 22, 2024

RSM

11 King St West, Suite 700, Toronto, ON M5H 4C7
Tel. 416.480.0160 | Web. www.rsmcanada.com

Statement of Financial Position

December 31, 2023, with comparative information for December 31, 2022 and January 1, 2022

	As at Dec 31, 2023	As at Dec 31, 2022	As at Jan 1, 2022
		(Restated)	(Restated)
ASSETS			
Cash and cash equivalents	$45,130,099	$26,171,846	$152,468,372
Financial investments and accrued interest (note 7)	178,420,221	174,160,634	34,538,316
Other assets	124,257	1,714,569	2,844,142
Prepaid expenses and other accounts receivable	376,787	378,016	177,797
Property and equipment	241,382	301,067	367,531
Insurance contract assets (note 9)	99,392	21,500	15,000
Reinsurance contract assets (note 9)	1,498	108,221	102,958
	$224,393,636	**$202,855,853**	**$190,514,116**
LIABILITIES AND SUBSCRIBERS' EQUITY			
Insurance contract liabilities (note 9)	$68,237,597	$62,285,601	$57,433,994
Payable to reinsurers on excess program (note 6)	17,092,224	15,234,374	10,227,980
Premiums received in advance	30,795,967	24,810,652	15,587,828
Payables and other liabilities	719,499	673,855	596,471
	$116,845,287	**$103,004,482**	**$83,846,273**
Subscribers' equity (note 11):			
Accumulated comprehensive income	107,548,349	99,851,371	106,667,843
	$224,393,636	**$202,855,853**	**$190,514,116**

See accompanying notes to financial statements.

On behalf of the board:

Chair

Attorney-in-Fact

Statement of Comprehensive Income

Year ended December 31, 2023, with comparative information for 2022

	2023	2022
		(Restated)
Insurance revenue (note 16)	$43,732,415	$32,898,635
Insurance service expenses (note 10)	(36,022,830)	(20,199,803)
Net expense from reinsurance contracts held	(3,014,873)	(1,794,627)
Net insurance service result	**$4,694,712**	**10,904,205**
Investment income (note 7)	12,071,350	(11,734,496)
Investment return	**12,071,350**	**(11,734,496)**
Finance expenses from insurance contracts issued (note 9)	(465,321)	2,322,232
Finance income from reinsurance contracts held (note 9)	(6)	35
Net insurance financial result	**(465,327)**	**2,322,267**
Other operating expenses (note 12)	(5,401,568)	(3,589,987)
Total comprehensive income (loss)	**$10,899,167**	**$(2,098,011)**

See accompanying notes to financial statements.

Statement of Changes in Equity

Year ended December 31, 2023, with comparative information for 2022

	Accumulated comprehensive income	Accumulated other comprehensive income	Subscribers' equity
Balance, December 31, 2020 (as previously reported)	$102,333,892	$3,456,168	$105,790,060
Impact of initial application of IFRS 9	3,456,168	(3,456,168)	–
Impact of initial application of IFRS 17	877,783	–	877,783
Rested balance, January 1, 2022	106,667,843	–	106,667,843
Total comprehensive loss	(2,098,011)	–	(2,098,011)
Distributions	(4,718,461)	–	(4,718,461)
Rested balance, December 31, 2022	99,851,371	–	99,851,371
Total comprehensive income	10,899,167	–	10,899,167
Distributions	(3,202,189)	–	(3,202,189)
Balance, December 31, 2023	**$107,548,349**	**–**	**$107,548,349**

See accompanying notes to financial statements.

Statement of Cash Flows

Year ended December 31, 2023, with comparative information for 2022

	2023	2022
		(Restated)
Cash provided by (used in):		
Operating activities:		
Comprehensive income	$10,899,167	$(2,098,011)
Items not affecting cash:		
Investment income due and accrued	39,617	(51,696)
Depreciation	97,004	103,645
Realized and unrealized (gains) losses on investments	(4,787,519)	18,525,083
Changes in non-cash operating items:		
Other assets	1,590,312	1,129,573
Prepaid expenses and other accounts receivable	1,229	(200,219)
Reinsurance contract assets	106,723	(5,263)
Insurance contract assets	(77,892)	(6,500)
Increase in payable to reinsurers on excess program	1,857,850	5,006,394
Increase in premiums received in advance	5,985,315	9,222,824
Payables and other liabilities	95,525	122,738
Insurance contract liabilities	5,951,996	4,851,608
Subscribers' surplus distributed	(3,202,189)	(4,718,461)
	18,557,138	31,881,715
Investing activities:		
Investment purchases	(103,236,039)	(130,709,428)
Proceeds from maturities and sales of investments	103,721,612	90,543,778
Additions to property and equipment	(34,576)	(37,181)
	450,997	(40,202,831)
Financing activities:		
Payment of lease liabilities	(49,882)	(45,354)
	(49,882)	(45,354)
Increase (decrease) in cash and cash equivalents	18,958,253	(8,366,470)
Cash and cash equivalents, beginning of year	26,171,846	34,538,316
Cash and cash equivalents, end of year	**$45,130,099**	**$26,171,846**

See accompanying notes to financial statements.

Notes to Financial Statements

Year ended December 31, 2023

The Canadian Universities Reciprocal Insurance Exchange (the "Reciprocal") was formed by an agreement dated August 17, 1987. The Reciprocal is domiciled in Canada. The address of the registered office is 5500 North Service Road, Suite 901, Burlington, Ontario, L7L 6W6. The Reciprocal is licensed to write Property and General Liability classes of insurance in all provinces in Canada, with the exception of Quebec.

1. BASIS OF PREPARATION:

(A) STATEMENT OF COMPLIANCE:

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and comply with the requirements for filing with the Superintendents of Insurance of the various provinces in which the Reciprocal is licensed. The financial statements were authorized for issue by the Advisory Board (the "Board") on February 22, 2024.

(B) BASIS OF MEASUREMENT:

The financial statements have been prepared on the historical cost basis except for financial investments, which are measured at fair value and insurance and reinsurance contract assets and liabilities which are measured using acceptable actuarial practices.

(C) BASIS OF ACCOUNTING:

This is the first set of the Reciprocal's annual financial statements in which IFRS 17, Insurance Contracts ("IFRS 17") and IFRS 9, Financial Instruments ("IFRS 9") have been applied. The related changes to significant accounting policies are described in Note 2. The Reciprocal has consistently applied the accounting policies as set out in Note 3 to all periods presented in these financial statements.

(D) FUNCTIONAL AND PRESENTATION CURRENCY:

These financial statements are presented in Canadian dollar, which is the Reciprocal's functional currency.

(E) USE OF ESTIMATES AND JUDGMENTS:

The preparation of the financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies, and the reported amounts of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future periods affected.

The Reciprocal makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgments are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(i) Significant judgments:

Information about judgments made in applying accounting policies that have the most significant effects on the amounts recognized in the financial statements is included in the following notes:

• Classification of financial assets: assign the business model within which the assets are held and whether the contractual terms of the assets are solely payments of principal and interest ("SPPI") on the principal amount outstanding. See note 3(a).

• Classification of insurance and reinsurance contracts. Assessing whether the contract transfers significant insurance risk and whether an insurance contract contains direct participation features. See note 3(c).

• Level of aggregation of insurance and reinsurance contracts. Identifying portfolios of contracts and determining groups of contracts that are onerous on initial recognition and those that have no significant possibility of becoming onerous subsequently. See note 3(c).

• Measurement of insurance and reinsurance contracts. Determining the techniques for estimating risk adjustments for non-financial risk and the coverage using provided under a contract. See note 3(c).

• Impairment of financial assets establishing the criteria for determining whether credit risk on the financial asset has increased significantly since initial recognition, determining the methodology for incorporating forward-looking information into the measurement of the expected credit loss ("ECL") and selection and approval of models use to measure ECL. See note 3(a).

(ii) Estimates and assumptions:

Information about assumptions and estimation uncertainties that have a significant risk of resulting in material adjustment to the carrying amounts of assets and liabilities within the next twelve months include the following notes:

• Measurement of the fair value of financial instruments with significant unobservable inputs. See note 14.

• Impairment of financial assets. Determination of inputs into the ECL measurement model, including key assumptions used in estimating recoverable cash flows and incorporation of forward-looking information. See note 3(a).

• Information about assumptions made in measuring insurance and reinsurance contracts is included in note 3(c) and note 9.

(F) LIQUIDITY FORMAT:

The Reciprocal presents its statement of financial position broadly in order of liquidity. Assets and liabilities that are expected to be recovered or settled within more than 12 months after the reporting date are summarized in note 5.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES:

The Reciprocal has initially applied IFRS 17 and IFRS 9 from January 1, 2023. These standards have brought significant changes to the accounting for insurance and reinsurance contracts and financial instruments. As a result, the Reciprocal has restated certain comparative amounts and presented a third statement of financial position as at January 1, 2022.

The nature and effects of the key changes in the Reciprocal's accounting policies resulting from its adoption of IFRS 17 and IFRS 9 are summarized below.

(A) IFRS 17, *INSURANCE CONTRACTS*:

IFRS 17 replaces existing accounting under IFRS 4, Insurance Contracts and is effective beginning on January 1, 2023. The Reciprocal has restated comparative information for 2022. The nature of the changes in accounting policies can be summarized as follows:

(i) Recognition and measurement:

In May 2017, the IASB issued IFRS 17 to establish a global standard which provides guidance on the recognition, measurement, presentation and disclosure of insurance contracts. Amendments to IFRS 17 were issued in June 2020. IFRS 17 replaces existing accounting under IFRS 4. IFRS 17 is effective beginning on January 1, 2023 with a transition date of January 1, 2022 and is applied retrospectively.

IFRS 17 establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts, reinsurance contracts and investment contracts with discretionary participation features. It introduces a model that measures groups of contracts based on the Reciprocal's estimates of the present value of future cash flows that are expected to arise as the Reciprocal fulfills the contracts, an explicit risk adjustment for non-financial risk and a contractual service margin ("CSM").

Under IFRS 17, insurance revenue in each reporting period represents the changes in the liabilities for remaining coverage that relate to services for which the Reciprocal expects to receive consideration and an allocation of premiums that relate to recovering insurance acquisition cash flows. In addition, investment components are no longer included in insurance revenue and insurance service expenses.

Under IFRS 17, the Reciprocal's insurance contracts issued, and reinsurance contracts held are all eligible to be measured by applying the Premium Allocation Approach ("PAA"). The PAA simplifies the measurement of insurance contracts in comparison with the general model in IFRS 17.

The accounting under the PAA is similar to IFRS 4, but differs in the following key areas:

• Measurement of the liability for remaining coverage is adjusted to include a loss component to reflect the expected loss from onerous contracts.

• Measurement of the liability for incurred claims (previously claims outstanding and incurred-but-not reported claims) is determined on a discounted probability-weighted expected value basis and includes an explicit risk adjustment for non-financial risk. The liability includes the Reciprocal's obligation to pay other incurred insurance expenses.

• Measurement of the asset for remaining coverage (reflecting reinsurance premiums paid for reinsurance held) is adjusted to include a loss-recovery component to reflect the expected recovery of onerous contract losses where such contracts re-insure onerous direct contracts.

Acquisition costs and other costs related to the company will be expensed as incurred.

The Reciprocal's classification and measurement of insurance and reinsurance contracts is explained in Note 3(c).

(ii) Changes to presentation and disclosure:

For presentation in the statement of financial position, the Reciprocal aggregates insurance and reinsurance contracts issued, and reinsurance contracts held, respectively and presents separately:

• Portfolios of insurance contracts issued that are liabilities
• Portfolios of insurance contracts issued that are assets
• Portfolios of reinsurance contracts held that are assets
• Portfolios of reinsurance contracts held that are liabilities

Portfolios were established at initial recognition in accordance with IFRS 17. Portfolios and groups may change prospectively if there are changes to how the Reciprocal manages its business.

Presentation changes in the statements of income are introduced by IFRS 17 where direct insurance results are presented separately from reinsurance results.

The line-item descriptions in the statement of profit or loss and other comprehensive income have been changed significantly compared with last year.

Underwriting performance is presented in the statements of income under insurance service result and is composed of:

• Insurance revenue which includes revenues related to direct business;
• Insurance service expense which includes expenses related to direct business;
• Allocation of reinsurance premiums which includes expenses related to ceded business; and
• Amounts recoverable from reinsurers which include revenues related to ceded business.

Income and expenses from reinsurance contracts other than insurance finance income and expenses are now presented as a single net amount under insurance service result. Previously, amounts recovered from reinsurers and reinsurance expenses were presented separately.

Insurance service results are presented without the impact of discount unwinding and changes in discount rates which are shown separately under Net insurance financial result in total comprehensive income.

The following previously reported line items are no longer disclosed: net premiums earned, net claims and adjustment expenses, and underwriting income.

IFRS 17 introduces extensive disclosure requirements on the amounts recognized from insurance and reinsurance contracts and the nature and extent of risks arising from these contracts.

(iii) Transition

On transition date to IFRS 17, January 1, 2022, the Reciprocal:

• identified, recognized and measured each group of insurance and reinsurance contracts as if IFRS 17 had always been applied;

• unrecognized previously reported balances that would not have existed if IFRS 17 had always been applied; and

• recognized any resulting net difference in subscribers' equity.

Upon transition to IFRS 17 on January 1, 2022, the Reciprocal's subscribers' equity increased by $877,783 due to the impact on the measurement of claims liabilities. Outside of that difference, the accounting practices under IFRS 4 were generally aligned with IFRS 17. IFRS 17 also resulted in presentation reclassification as described above.

The following tables summarize the impact of IFRS 17 on the Reciprocal's statement of financial position on transition.

	IFRS 4	Change in Measurement	Change in Presentation	IFRS 17
Total assets	$191,129,465	–	$(615,349)	$190,514,116
Total liabilities	85,339,405	(877,783)	(615,349)	83,846,273
Subscribers' equity	105,790,060	877,783	–	106,667,843

(B) IFRS 9, FINANCIAL INSTRUMENTS:

(i) Classification of financial assets and financial liabilities

On January 1, 2023, the Reciprocal adopted IFRS 9, Financial Instruments, replacing IAS 39, Financial Instruments. The standard includes requirements on classification and measurement of financial assets and liabilities, impairment of financial assets, and general hedge accounting.

IFRS 9 includes three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income ("FVOCI") and fair value through profit and loss ("FVTPL"). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. IFRS 9 eliminates the previous IAS 39 categories of held-to-maturity investments, loans and receivables, and available-for-sale financial assets. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of IFRS 9 are not separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

The Reciprocal has elected to measure all invested assets at FVTPL, as this significantly reduces the accounting mismatch arising from any measurement inconsistency between total Reciprocal assets and liabilities. This resulted in the reclassification of assets previously carried at amortized cost or designated as available-for-sale, where changes in fair value were recorded to unrealized gains and losses in other comprehensive income ("OCI").

With the election to measure at FVTPL, testing and disclosure of financial assets meeting the test of solely payments of principal and interest is no longer applicable.

For financial liabilities, IFRS 9 largely retains the IAS 39 classification for classification for financial liabilities which can be measured at either amortized cost or FVTPL. Under IFRS 9, applicable financial liabilities will be measured at FVTPL, as this election significantly reduces accounting mismatch that would otherwise arise.

(ii) Transition

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively.

The table below presents the classifications and carrying amount of financial assets and liabilities previously under IAS 39 and following transition to IFRS 9. The Reciprocal recognized the impacts of adoption through the elimination of balance in accumulated other comprehensive income ("AOCI") and the offsetting increase to the accumulated comprehensive income balance by $3,456,168 on January 1, 2022.

Financial instrument	Classification IAS 39	Classification IFRS 9
Cash and cash equivalents	Loans and receivables	Loans and receivables
Financial investments	AFS	FVTPL
Investment income due and accrued	Loans and receivables	Amortized cost
Receivables	Loans and receivables	Amortized cost
Payables	Loans and receivables	Amortized cost

The introduction of the IFRS 9 ECL model, which replaced the IAS 39 incurred loss model. The new impairment model applies to financial assets measured at amortized cost, debt investments at FVOCI and lease receivables. IFRS 9 also introduced the new general hedge accounting standard. These changes did not have a significant impact upon transition for the Reciprocal.

The Reciprocal's accounting policies on the classification of financial instruments under IFRS 9 are set out in Note 3.

3. MATERIAL ACCOUNTING POLICIES:

The Reciprocal's material accounting policies are as follows:

(a) Financial instruments:

(i) Financial assets:

a) Classification and measurement of financial instruments:

Financial assets are classified FVTPL, FVOCI or amortized cost based on their characteristics and purpose of their acquisition.

Financial assets are not reclassified subsequent to their initial recognition unless the Reciprocal changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- It is held within a business model whose objective is to hold assets to collect contractual cash flows: and
- Its contractual terms give rise on specified dates to cash flows that are SPPI.

A financial asset is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- It is held within a business model whose objective is to hold assets to collect contractual cash flows and selling financial assets: and
- Its contractual terms give rise on specified dates to cash flows that are SPPI.

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL. In addition, on initial recognition the Reciprocal may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

The Reciprocal classifies financial assets into the following categories:

- financial assets held at FVTPL: financial investments;
- financial assets at amortized cost: cash and cash equivalents, investment income due and accrued, receivables.

Cash and cash equivalents comprise cash and securities with original maturities of three months or less.

The Reciprocal recognizes financial assets on the trade date, at which the Reciprocal becomes a party to the contractual provisions of the financial asset contract.

The Reciprocal measures all financial investments as FVTPL, that are recorded at fair value with changes in the fair value recorded as investment return in the statement of comprehensive income.

The Reciprocal assesses the objective of the business model in which a financial asset is held for each portfolio of financial assets because this best reflects the way that the business is managed, and information is provided to management. The Reciprocal determines its investment business model by considering its insurance activities. In addition, judgment is used in concluding which model aligns best with its core business objectives and practices.

(ii) Business model assessment:

Factors that are used in business model decisions include how insurance business generate benefits, significant risks facing the business on asset and liability fronts, how compensation is determined for portfolio managers responsible for managing investments, as well as historical and projected turnover of the investment portfolio to fund insurance business on a day-to-day basis. The Reciprocal's business models fall into two categories, which are indicative of the key strategies to generate returns:

- The Reciprocal's primary business model is held-to-collect and sell which provides a desired flexibility to support the Reciprocal's insurance business i.e., contractual cash flows from financial assets are collected by holding such investments, and these financial assets are sold when required to fund insurance contract liabilities.

- The Reciprocal also carries certain financial assets under the held-to-collect business model where the emphasis is to collect contractual cash flows. Sales are incidental to this objective and are expected to be insignificant or infrequent.

The Reciprocal designates all financial investments as FVTPL to reduce accounting mismatch in the comprehensive income. This designation is irrevocable.

(iii) SPPI assessment:

In assessing whether contractual cash flows are SPPI, the Reciprocal considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that they would not be consistent with a basic lending arrangement.

In making the assessment, the Reciprocal considers the primary terms as follows and assesses if the contractual cash flows of the instruments continue to meet the SPPI test:

- Contingent events that would change the amount or timing of cash flows:
- Terms that limit the Reciprocal's claim to cash flows from specified assets (e.g. non-recourse terms);
- Prepayment and extension terms;
- Leverage features; and
- Features that modify elements of the time value of money (e.g. periodic reset of interest rates).

(iv) Financial liabilities:

Financial liabilities are classified as financial liabilities at amortized cost. Financial liabilities are recognized initially on the trade date at which the Reciprocal becomes a party to the contractual provisions of the instrument. The Reciprocal de-recognizes a financial liability when its contractual obligations are discharged or canceled or expire. The Reciprocal has the following non-derivative financial liabilities: accounts payable and accrued liabilities and sales tax payable.

(v) Investment income:

Dividends and interest income from these securities are included in investment income and are recorded as they accrue. Dividend income on equity investments is recorded on the ex-dividend date. Gains and losses on disposal of investments are calculated using first-in, first-out ("FIFO") cost method and are determined and recorded on the settlement date.

Realized gains and losses on sale, as well as unrealized gains and losses from investments, are recorded as investment income in the statement of comprehensive income.

(vi) General investment expenses:

General investment expenses are recognized as incurred.

(vii) Impairment:

All financial investments are classified as FVTPL and therefore there is no requirement to evaluate investment impairment.

(b) Foreign currency transactions:

Transactions in foreign currencies are translated into functional currency of the Reciprocal at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

(c) Insurance and reinsurance contracts accounting treatment:

i) Insurance and reinsurance contracts accounting classification:

The Reciprocal issues insurance contracts in the normal course of business, under which it accepts significant insurance risk from its policyholders. As a general guideline, the Reciprocal determines whether it has significant insurance risk, by comparing benefits payable after an insured event with benefits payable if the insured event did not occur. Insurance contracts can also transfer financial risk. The Reciprocal issues property, liability, and cyber insurance to its members.

ii) Separating components from insurance and reinsurance contracts:

The Reciprocal assesses its insurance products to determine whether they contain distinct components which must be accounted for under another IFRS instead of under IFRS 17. After separating any distinct components, the Reciprocal applies IFRS 17 to all remaining components of the host insurance contract. Currently, the Reciprocal's products do not include any distinct components that require separation.

iii) Levels of aggregation:

IFRS 17 requires a company to determine the level of aggregation for applying its requirements. The Reciprocal previously applied aggregation levels, which were higher than the level of aggregation required by IFRS 17. The level of aggregation for the Reciprocal is determined firstly by dividing the business written into portfolios. Portfolios comprise groups of contracts with similar risks which are managed together. Portfolios are further divided based on expected profitability at inception into three categories: onerous contracts with no significant risk of becoming onerous, and the remainder. No group for level of aggregation purposes may contain contracts issued more than one year apart.

The profitability of groups of contracts is assessed by actuarial valuation models that take into consideration existing and new business. The Reciprocal assumes that no contracts in the portfolio are onerous at initial recognition unless facts and circumstances indicate otherwise. For contracts that are not onerous, the Reciprocal assesses, at initial recognition, that there is no significant possibility of becoming onerous subsequently by assessing the likelihood of changes in applicable facts and circumstances. The Reciprocal considers facts and circumstances to identify whether a group of contracts are onerous based on pricing information, results of similar contracts it has recognized, market experience and regulations.

The Reciprocal divides portfolios of reinsurance contracts held applying the same principles set out above, except that the references to onerous contracts refer to contracts on which there is a net gain on initial recognition. For some groups of reinsurance contracts held, a group can comprise a single contract.

iv) Recognition:

The Reciprocal recognizes groups of insurance contracts it issues from the earliest of the following:

• The beginning of the coverage period of the group of contracts
• The date when the first payment from a policyholder in the group is due or when the first payment is received if there is no due date
• For a group of onerous contracts, if facts and circumstances indicate that the group is onerous

The Reciprocal recognizes a group of reinsurance contracts held it has entered into from the earlier of the following:

• The beginning of the coverage period of the group of reinsurance contracts held (however, the Reciprocal delays the recognition of a group of reinsurance contracts held that provide proportionate coverage until the date any underlying insurance contract is initially recognized, if that date is later than the beginning of the coverage period of the group of reinsurance contracts held), and

• The date the Reciprocal recognizes an onerous group of underlying insurance contracts if the Reciprocal entered the related reinsurance contract held in the group of reinsurance contracts held at or before that date.

The Reciprocal adds new contracts to the group in the reporting period in which that contract meets one of the criteria set out above.

v) Contract boundary:

The Reciprocal includes in the measurement of a group of insurance contracts all the future cash flows within the boundary of each contract in the group. Cash flows are within the boundary of an insurance contract if they arise from substantive rights and obligations that exist during the reporting period in which the Reciprocal can compel the policyholder to pay the premiums, or in which the Reciprocal has a substantive obligation to provide the policyholder with insurance contract services.

A liability or asset relating to expected premiums or claims outside the boundary of the insurance contract is not recognized. Such amounts relate to future insurance contracts.

vi) Measurement – Premium Allocation Approach:

a) Premium Allocation Approach eligibility:

Subject to specified criteria, the PAA can be adopted as a simplified approach to the IFRS 17 general measurement model. The coverage period for all insurance contracts is one year or less and so qualifies automatically for PAA.

b) Insurance acquisition cash flows:

Where the coverage period of all contracts withing a group is not longer than one year, insurance acquisition cash flows can either be expenses as incurred, or allocated, using a systematic and rational method, to groups of insurance contracts and then amortized over the coverage period of the related group.

Acquisition costs and other costs related to the company are expensed as incurred.

c) Liability for Remaining Coverage (“LRC”), adjusted for the financial risk and the time value of money:

(i) Where there is no significant financing component in relation to the LRC, or where the time between providing each part of the services and the related premium due date is no more than a year, an entity is not required to make an adjustment for accretion of interest on the LRC.

(ii) For all contracts, there is no allowance for the accretion of interest as the premiums are received within one year of the coverage period.

d) Liability for Incurred Claims (“LIC”), adjusted for the time value of money:

(i) Where claims are expected to be paid within a year of the date that the claim is incurred, it is not required to adjust these amounts for the time value of money.

(ii) For all business lines, adjustments are made for the time value of money when assessing the incurred claims.

e) Insurance finance income and expense:

Insurance finance income and expenses comprise changes in the carrying amounts of groups of insurance and reinsurance contracts arising from the effects of the time value of money, financial risk, and changes therein, unless any such changes for groups of direct participating contracts are allocated to a loss component and included in insurance service expenses. They include changes in the measurement of groups of contracts caused by changes in the value of underlying items (excluding additions and withdrawals).

The Reciprocal presents insurance finance income or expenses as a separate line in the statement of comprehensive income.

vii) Insurance contracts measurement:

a) Initial measurement:

The Reciprocal applies the PAA to all the insurance contracts that it issues and reinsurance contracts that it holds as the coverage period for all contracts is one year or less.

For a group of contracts that is not onerous at initial recognition, the Reciprocal measures the liability for remaining coverage as:

• The premiums, if any, received at initial recognition,
• Minus any insurance acquisition cash flows allocated to the group of contracts,
• Any other asset or liability previously recognized for cash flows related to the group of contracts that the Reciprocal pays or receives before the group of insurance contracts is recognized.

Where facts and circumstances indicate that contracts are onerous at initial recognition, the Reciprocal performs additional analysis to determine if a net outflow is expected from the contract. Such onerous contracts are separately grouped from other contracts and the Reciprocal recognizes a loss in profit or loss for the net outflow, resulting in the carrying amount of the liability for the group being equal to the fulfillment cash flows. A loss component is established by the Reciprocal for the liability for remaining coverage for such onerous group depicting the losses recognized.

b) Subsequent measurement:

The Reciprocal measures the carrying amount of the liability for remaining coverage at the end of each reporting period as the liability for remaining coverage at the beginning of the period:

• Plus premiums received in the period,
• And the amortization of insurance acquisition cash flows recognized as expenses,
• Minus the amount recognized as insurance revenue for the services provided in the period,

The Reciprocal estimates the liability for incurred claims as the fulfillment cash flows related to incurred claims. The fulfillment cash flows incorporate, in an unbiased way, all reasonable and supportable information available without undue cost or effort about the amount, timing and uncertainty of those future cash flows, they reflect current estimates from the perspective of the Reciprocal and include an explicit adjustment for non-financial risk (the risk adjustment).

Where, during the coverage period, facts and circumstances indicate that a group of insurance contracts is onerous, the Reciprocal recognizes a loss in profit or loss for the net outflow, resulting in the carrying amount of the liability for the group being equal to the fulfillment cash flows. A loss component is established by the Reciprocal for the liability for remaining coverage for such onerous group depicting the losses recognized.

viii) Reinsurance contracts held measurement:

a) Initial measurement:

The Reciprocal measures its reinsurance assets for a group of reinsurance contracts that it holds on the same basis as insurance contracts that it issues (i.e. the PAA). However, they are adapted to reflect the features of reinsurance contracts held that differ from insurance contracts issued, for example the generation of expenses or reduction in expenses rather than revenue. Where the Reciprocal recognizes a loss on initial recognition of an onerous group of underlying insurance contracts or when further onerous underlying insurance contracts are added to a group, the Reciprocal establishes a loss-recovery component of the asset for remaining coverage for a group of reinsurance contracts held depicting the recovery of losses. The Reciprocal calculates the loss-recovery component by multiplying the loss recognized on the underlying insurance contracts and the percentage of claims on the underlying insurance contracts the Reciprocal expects to recover from the group of reinsurance contracts held. The Reciprocal uses a systematic and rational method to determine the portion of losses recognized on the group to insurance contracts covered by the group of reinsurance contracts held where some contracts in the underlying group are not covered by the group of reinsurance contracts held. The loss-recovery component adjusts the carrying amount of the asset for remaining coverage.

b) Subsequent measurement:

The subsequent measurement of reinsurance contracts held follows the same principles as those for insurance contracts issued and has been adapted to reflect the specific features of reinsurance held.

Where the Reciprocal has established a loss-recovery component, the Reciprocal subsequently reduces the loss-recovery component to zero in line with reductions in the onerous group of underlying insurance contracts in order to reflect that the loss-recovery component shall not exceed the portion of the carrying amount of the loss component of the onerous group of underlying insurance contracts that the entity expects to recover from the group of reinsurance contracts held.

ix) Insurance contracts – modification and nonrecognition:

The Reciprocal de-recognizes insurance contracts when:

• The rights and obligations relating to the relevant contracts are extinguished (i.e., discharged, canceled or expired), or

• The contract is modified such that the modification results in a change in the measurement model or the applicable standard for measuring a component of the contract, substantially changes the contract boundary, or requires the modified contract to be included in a different group. In such cases, the Reciprocal de-recognizes the initial contract and recognizes the modified contract as a new contract.

• When a modification is not treated as a nonrecognition, the Reciprocal recognizes amounts paid or received for the modification with the contract as an adjustment to the relevant liability for remaining coverage.

x) Presentation:

The Reciprocal has presented separately, in the statement of financial position, the carrying amount of portfolios of insurance contracts issued that are assets, portfolios of insurance contracts issued that are liabilities, portfolios of reinsurance contracts held that are assets and portfolios of reinsurance contracts held that are liabilities.

The Reciprocal does not disaggregate the change in risk adjustment for non-financial risk between a financial and non-financial portion and includes the entire change as part of the insurance service result.

The Reciprocal separately presents income or expenses from reinsurance contracts held from the expenses or income from insurance contracts issued.

xi) Insurance revenue:

The insurance revenue for the period is the amount of expected premium receipts allocated to the period. The Reciprocal allocates the expected premium receipts to each period of insurance contract services on the basis of the passage of time. But if the expected pattern of release of risk during the coverage period differs significantly from the passage of time, then the allocation is made on the basis of the expected timing of incurred insurance service expenses.

The Reciprocal changes the basis of allocation between the two methods above as necessary, if facts and circumstances change. The change is accounted for prospectively as a change in accounting estimate.

For the periods presented, all revenue has been recognized on the basis of the passage of time.

xii) Loss components:

The Reciprocal assumes that no contracts are onerous at initial recognition unless facts and circumstances indicate otherwise. Where this is not the case, and if at any time during the coverage period, facts and circumstances indicate that a group of insurance contracts is onerous, the Reciprocal establishes a loss component as the excess of the fulfillment cash flows that relate to the remaining coverage of the group over the carrying amount of the liability for remaining coverage of the group. Accordingly, by the end of the coverage period of the group of contracts the loss component will be zero.

xiii) Net income or expense from reinsurance contracts held:

Net income or expense from reinsurance contracts comprises of the amounts expected to be recovered from reinsurers and an allocation of the reinsurance premiums paid.

The Reciprocal treats reinsurance cash flows that are contingent on claims of the underlying contracts as part of the amounts recoverable from reinsurers and includes ceded commissions not contingent on claims as a reduction of the premiums paid to reinsurers.

xiv) Risk adjustment:

The risk adjustment for non-financial risk is the compensation that the Reciprocal requires for bearing the uncertainty about the amount and timing of the cash flows of groups of insurance contracts. The risk adjustment reflects an amount that an insurer would rationally pay to remove the uncertainty that future cash flows will exceed the expected value amount.

The Reciprocal has estimated the risk adjustment using the margin method. The method estimates the risk adjustment by applying a percentage to the present value of unpaid claims. The corresponding probability of sufficiency of the net liability for incurred claims, inclusive of the risk adjustment for non-financial risk, was estimated at 81%.

The Reciprocal does not disaggregate the change in risk adjustment for non-financial risk between a financial and non-financial portion. It includes the entire change as part of the insurance service result.

(d) Equipment:

Equipment, which consist primarily of computer equipment and furniture and fixtures, are stated at amortized cost. Amortization is provided on a straight-line basis over four years for computer equipment and five years for furniture and fixtures.

e) Leases:

At inception of a contract, the Reciprocal assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Reciprocal assesses whether:

i. The contract involves the use of an identified asset;

ii. The Reciprocal has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and

iii. The Reciprocal has the right to direct the use of the asset.
The Reciprocal has the right to direct the use of the asset if either:
a) The Reciprocal has the right to operate the asset; or
b) The Reciprocal designed the asset in a way that predetermines how and for what purposes it will be used.

The Reciprocal recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use assets or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurement of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Reciprocal's incremental borrowing rate. Generally, the Reciprocal uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

• Fixed payments, including in-substance fixed payments;
• Variable lease payments that depend on an index or a rate, initially measured using the index or rates as at the commencement date;
• Amounts expected to be payable under a residual value guarantee;
• The exercise price under a purchase option that the Reciprocal is reasonably certain to exercise, lease payments in an optional renewal period if the Reciprocal is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Reciprocal is reasonably certain not to terminate early.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Reciprocal's estimate of the amount expected to be payable under a residual value guarantee, or if the Reciprocal changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Short-term leases and low value assets

The Reciprocal has elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Reciprocal recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(f) Income taxes:

No provision for income taxes has been made in these financial statements as the Reciprocal is not subject to such income taxes.

4. ROLE OF THE ACTUARY AND AUDITORS:

The actuary has been appointed by the Board of the Reciprocal. The actuary's responsibility with respect to the preparation of the financial statements is to carry out an annual valuation of the policy liabilities, which include the unpaid claims and adjustment expenses, in accordance with accepted actuarial practice and regulatory requirements and report thereon to the Reciprocal. In performing the valuation, the actuary makes assumptions as to the future rates of claims frequency and severity, inflation, reinsurance recoveries and expenses, taking into consideration the circumstances of the Reciprocal and the insurance policies in force. The actuary, in their verification of the data used in the valuation, uses the work of the external auditors. The actuary's report outlines the scope of their work and opinion. The external auditors have been appointed by the Board of the Reciprocal. Their responsibility is to conduct an independent and objective audit of the financial statements in accordance with Canadian generally accepted auditing standards and report thereon to the subscribers of the Reciprocal. In carrying out their audit, the auditors also make use of the work of the actuary and his report on the unpaid claims and adjustment expenses. The auditor’s report outlines the scope of their audit and their opinion.

5. NON-CURRENT ASSETS AND LIABILITIES:

The assets and liabilities that the Reciprocal expects to recover or settle after 12 months are insurance contract liabilities for incurred claims estimated to be $40,386,945 (2022 - $33,556,816), the related reinsurance contract assets recoverable from reinsurers of $nil (2022 - $nil) and long-term investments of $ 31,313,817 (2022 - $42,244,846).

6. UNDERWRITING POLICY:

During 2023, the Reciprocal wrote Property policies with a limit of $10,000,000 (2022 - $10,000,000) per occurrence, $20,000,000 (2022 - $20,000,000) annual aggregate and placed on behalf of subscribers an excess policy for $1,240,000,000 (2022 - $1,240,000,000) above the Reciprocal's limit.

During 2023 and 2022, the Reciprocal wrote General Liability policies with a limit of $5,000,000 per occurrence. In respect of Errors and Omissions Liability policies, during 2023 and 2022, the Reciprocal's limit of liability per claim for the claim made coverage was $5,000,000. In 2023 and 2022, the Reciprocal purchased combined reinsurance policies for General Liability and Errors and Omissions Liability above the Reciprocal’s $5,000,000 limit on behalf of subscribers in the amount of $45,000,000.

During 2023, the Reciprocal wrote Cyber policies with a limit of $1,000,000 per occurrence and per aggregate, inclusive of defence. Subscribers were given the option to have their policy primary or excess if they had other viable insurance in place at inception. In 2023, some Subscribers have purchased additional cyber insurance coverage through the reciprocal on a direct reinsurance agreement. These excess policies for Cyber are above the primary $1,000,000 limit, and range anywhere from $1,000,000 to $4,000,000.

The Reciprocal's annual assessment includes a provision for the excess program premium costs. These amounts are payable to excess insurers for the upcoming policy year. Unlike reinsurance ceded, these amounts are not recorded as premium income and ceded premium expenses as the Reciprocal only provides the administrative services of collecting the premiums from the subscribers and remitting the premiums to the insurer.

In order to facilitate the claims handling process, the Reciprocal, at its option, will make claims payments on those claims that fall within the excess program directly to the subscriber. Upon payment by the Reciprocal, these amounts are reported as due from insurers on excess program.

As the originating insurer, the Reciprocal has a contingent liability in the event that a reinsurer is unable to meet its obligations. To mitigate this risk, all reinsurance is placed with insurers registered in Canada and subject to supervision by the Office of the Superintendent of Financial Institutions Canada.

7. FINANCIAL INVESTMENTS MEASURED AT FAIR VALUE:

The fair value of investments are summarized as follows:

	2023	2022
Investment interest income accrued	414,389	454,006
Short-term	7,350,862	9,876,135
Long-term:		
Government bonds	27,121,160	25,824,975
Corporate bonds	26,744,788	25,070,629
Pooled funds:		
Fixed income	64,337,191	62,134,616
Canadian equity	11,336,028	12,414,215
United States equity	10,180,337	11,230,735
Global equity	10,338,559	11,395,391
Infrastructure	4,898,404	896,189
Mortgages	7,283,233	6,847,085
Real estate	8,415,270	8,016,658
	170,654,970	163,830,493
	$178,420,221	**$174,160,634**

Fair values have been determined on the basis described in note 14.

(A) BONDS - INTEREST RATE RISK:

		2023	2022
	Interest Receivable Basis	**Effective Rates (% range)**	**Effective Rates (% range)**
Government	Semi-annual	3.51-5.04	3.83-4.59
Canadian Corporate	Semi-annual	3.91-5.38	3.87-5.25

(B) CONTRACTUAL MATURITIES:

The following table shows fair value of investments, excluding cash and cash equivalents, accrued income and pooled funds, by contractual maturity of the investment.

	2023	2022
Term to maturity	**Fair value**	**Fair value**
Bonds - government:		
Due in 1 year or less	4,924,164	3,495,259
After 1 through 5 years	9,118,889	11,112,677
After 5 years	13,078,106	11,217,039
Bonds - Canadian corporate:		
Due in 1 year or less	17,627,967	5,155,498
After 1 through 5 years	6,625,863	15,566,293
After 5 years	2,490,959	4,348,838
	$53,865,948	**$50,895,604**

(C) CREDIT RISK RATINGS:

Credit Rating	Credit Risk	Fair Value	% of Total
AAA	Low	1,517,617	2.82%
AA	Low	5,114,470	9.49%
AA-	Low	16,495,415	30.62%
A+	Low	13,643,722	25.33%
A	Low	3,164,545	5.87%
A-	Low	5,596,798	10.39%
BBB+	Low	4,364,121	8.10%
BBB	Low	3,969,260	7.37%
		$53,865,948	**100.00%**

(D) INVESTMENT INCOME OF FINANCIAL INSTRUMENTS:

	2023	2022
Interest income	$2,351,799	$1,793,500
Dividend and other investment income	4,950,249	4,997,087
Net realized losses	(3,013,004)	(640,012)
Net unrealized gains (losses)	$ 7,782,306	$(17,885,071)
Net investment income	**$12,071,350**	**$(11,734,496)**

8. LEASES:

The Reciprocal leases office space and office equipment. The lease of the office space runs for a period of 5 years with an option to renew the lease after that date for a period of 5 years. The lease of the office equipment is for a period of 5 years.

Some leases require the Reciprocal to make payments that relate to the property taxes levied on the lessor and insurance payments made by the lessor; these amounts are generally determined annually.

From time to time the Reciprocal may enter into lease contracts for office equipment that are short-term or leases of low-value items. The Reciprocal has elected not to recognize right-of-use assets and lease liabilities for these leases.

(A) RIGHT-OF-USE ASSETS:

Right-of use assets related to leased properties that do not meet the definition of investment property are presented in property, plant and equipment.

	2023	2022
Right-of-use asset balance, beginning of year	$215,861	$263,437
Depreciation charge for the year	(47,576)	(47,576)
Right-of-use asset balance, end of year	$168,285	$215,861

(B) LEASE LIABILITIES:

The maturity profile of lease liabilities is as follows:

Less than one year	$49,528	$49,882
One to five years	145,088	194,616
	$194,616	$ 244,498

(C) AMOUNTS RECOGNIZED IN PROFIT OR LOSS:

Leases	2023	2022
Interest on lease liabilities	$12,182	$16,365

(D) EXTENSION OPTIONS:

Some property leases contain extension options exercisable by the Reciprocal up to one year before the end of the non-cancellable contract period. Where practicable, the Reciprocal seeks to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the Reciprocal and not by the lessors. The Reciprocal assesses at each commencement date whether it is reasonably certain to exercise the extension options. The Reciprocal reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant changes in circumstances within its control.

At commencement date, the Reciprocal determined that it is reasonably certain to exercise the option to renew the current office space lease and has included the renewal term in its determination of the lease liability.

9. INSURANCE AND REINSURANCE CONTRACTS:

(A) NATURE OF INSURANCE CONTRACTS:

The establishment of the insurance contract liabilities is based on known facts and interpretation of circumstances and is, therefore, a complex and dynamic process influenced by a large variety of factors. These factors include the Reciprocal's experience with similar cases and historical trends involving claim payment patterns, loss payments, pending levels of unpaid claims, product mix or concentration, claims severity and claim frequency patterns, such as those caused by natural disasters or accidents.

Other factors include the continually evolving and changing regulatory and legal environment, actuarial studies, professional experience and expertise of the Reciprocal's claims department personnel and independent adjusters retained to handle individual claims, the quality of the data used for projection purposes, existing claims management practices, including claims handling and settlement practices, the effect of inflationary trends on future claims settlement costs, court decisions, economic conditions and public attitudes.

In addition, time can be a critical part of the provision determination, since the longer the span between the incidence of a loss and the payment or settlement of the claims, the more variable the ultimate settlement amount can be. Accordingly, short-tailed claims, such as property claims, tend to be more reasonably predictable than long-tailed claims, such as general liability and professional liability claims.

Consequently, the establishment of the insurance contract liabilities process relies on the judgment and opinions of a large number of individuals, on historical precedent and trends, on prevailing legal, economic, social and regulatory trends and on expectations as to future developments. The process of determining the provisions necessarily involves risks that the actual results will deviate, perhaps substantially, from the best estimates made.

The table below details the liabilities for incurred claims by line of business:

	2023		2022	
	Gross	**Ceded**	**Gross**	**Ceded**
Property	$19,973,895	$1,498	$21,459,774	$108,221
Liability	45,418,811	–	39,915,210	–
Cyber	1,489,219	–	–	–
	$66,881,925	**$1,498**	**$61,374,984**	**$108,221**

(B) KEY ASSUMPTIONS:

The best estimate of the subscribers' liabilities, as reported in these financial statements, have been determined by the Reciprocal's appointed actuary in accordance with accepted actuarial practice, as determined by the Standards of Practice of the Actuarial Standards Board ("ASB"), including the selection of appropriate assumptions and methods.

The liabilities for incurred claims have been estimated for each coverage period using a combination of the Incurred Loss Development Method and the Bornhuetter-Ferguson Method, which are based on expected claims development patterns and expected losses for the latter method.

The provision for incurred claims and related reinsurance recoveries is calculated on a discounted basis with a provision for risk adjustment for non-financial risk in accordance with the standards of the ASB, using the bottom-up approach to calculate the yield curve in accordance with IFRS 17. The yield curve is Fiera Capital’s CIA IFRS 17 Market curves.

The risk adjustment for non-financial risk is calculated using the margin approach.

Sensitivities regarding these assumptions are provided in note 16.

(C) ROLL-FORWARD OF NET ASSET OR LIABILITY FOR INSURANCE CONTRACTS:

Roll-forward of net asset or liability for insurance contracts issued showing the liability for remaining coverage and the liability for incurred claims:

	LIABILITIES FOR REMAINING COVERAGE		LIABILITIES FOR INCURRED CLAIMS		
	Excluding loss component	**Loss component**	**Estimates of PVFCF**	**Risk adjustments**	**TOTAL**
2023					
Insurance contract liabilities, beginning of year	$910,617	–	$57,163,239	$4,211,745	$62,285,601
Insurance contract assets, beginning of year	–	–	(21,500)	–	(21,500)
Net balance liability, beginning of year	**910,617**	**–**	**57,141,739**	**$4,211,745**	**62,264,101**
Insurance revenue	(43,732,415)	–	–	–	(43,732,415)
Insurance service expenses					
Incurred claims and other insurance service expenses	–	–	33,835,845	327,013	34,162,858
Losses on onerous contracts and reversals of those losses	–	–	–	–	–
Amortization of insurance acquisition cash flows	1,937,864	–	–	–	1,937,864
Changes that relate to past service - adj. to LIC	–	–	(77,892)	–	(77,892)
Impairment losses recognized during year	–	–	–	–	–
Reversal of impairment losses recognized during year	–	–	–	–	–
Insurance service result	**(41,794,551)**	**–**	**33,757,953**	**327,013**	**(7,709,585)**
Insurance finance expenses	–	–	465,321	–	465,321
Total changes in the statement of comprehensive income	**(41,794,551)**	**–**	**34,223,274**	**327,013**	**(7,244,264)**
Cash flows					
Premiums received	43,732,415	–	–	–	43,732,415
Claims and other directly attributed expenses paid	–	–	(29,121,238)	–	(29,121,238)
Insurance acquisition cash flows	(1,492,809)	–	–	–	(1,492,809)
Total cash flows	42,239,606	–	(29,121,238)	–	13,118,368
Other movements	–	–	–	–	–
Net balance liability, end of year	**1,355,672**	**–**	**62,243,775**	**4,538,758**	**68,138,205**
Insurance contract liabilities, end of year	1,355,672	–	62,343,167	4,538,758	68,237,597
Insurance contract assets, end of year	–	–	(99,392)	–	(99,392)
Net balance liability, end of year	**$1,355,672**	**–**	**$62,243,775**	**$4,538,758**	**$68,138,205**

(C) ROLL-FORWARD OF NET ASSET OR LIABILITY FOR INSURANCE CONTRACTS:

Roll-forward of net asset or liability for insurance contracts issued showing the liability for remaining coverage and the liability for incurred claims:

	LIABILITIES FOR REMAINING COVERAGE		LIABILITIES FOR INCURRED CLAIMS		TOTAL
	Excluding loss component	Loss component	Estimates of PVFCF	Risk adjustments	
2022					
Insurance contract liabilities, beginning of year	$836,771	–	$51,480,258	$5,116,965	$57,433,994
Insurance contract assets, beginning of year	–	–	(15,000)	–	(15,000)
Net balance liability, beginning of year	**836,771**	**–**	**51,465,258**	**5,116,965**	**57,418,994**
Insurance revenue	(32,898,635)	–	–	–	(32,898,635)
Insurance service expenses					
Incurred claims and other insurance service expenses	–	–	19,619,896	(905,220)	18,714,676
Losses on onerous contracts and reversals of those losses	–	–	–	–	–
Amortization of insurance acquisition cash flows	1,491,627	–	–	–	1,491,627
Changes that relate to past service - adj. to LIC	–	–	(6,500)	–	(6,500)
Impairment losses recognized during year	–	–	–	–	–
Reversal of impairment losses recognized during year	–	–	–	–	–
Insurance service result	**(31,407,008)**	–	**19,613,396**	**(905,220)**	**(12,698,832)**
Insurance finance expenses	–	–	(2,322,232)	–	(2,322,232)
Total changes in the statement of comprehensive income	**(31,407,008)**	**–**	**17,291,164**	**(905,220)**	**(15,021,064)**
Cash flows					
Premiums received	32,898,635	–	–	–	32,898,635
Claims and other directly attributed expenses paid	–	–	(11,614,683)	–	(11,614,683)
Insurance acquisition cash flows	(1,417,781)	–	–	–	(1,417,781)
Total cash flows	31,480,854	–	(11,614,683)	–	19,866,171
Other movements	–	–	–	–	–
Net balance liability, end of year	**$910,617**	**–**	**$57,141,739**	**$4,211,745**	**$68,138,205**
Insurance contract liabilities, end of year	$910,617	–	$57,163,239	$4,211,745	$62,285,601
Insurance contract assets, end of year	–	–	(21,500)	–	(21,500)
Net balance liability, end of year	**$910,617**	**–**	**$57,141,739**	**$4,211,745**	**$62,264,101**

(D) ROLL-FORWARD OF NET ASSET OR LIABILITY FOR REINSURANCE CONTRACTS:

The roll-forward of the net asset or liability for reinsurance contracts held showing assets for remaining coverage and amounts recoverable on incurred claims arising on insurance ceded to reinsurers is disclosed in the table below:

	ASSETS FOR REMAINING COVERAGE		ASSETS RECOVERABLE ON INCURRED CLAIMS		
	Excluding loss recovery component	Loss recovery component	Estimates of PVFCF	Risk adjustments	TOTAL
2023					
Reinsurance contract liabilities, beginning of year	–	–	–	–	–
Reinsurance contract assets, beginning of year	–	–	107,730	491	108,221
Net balance assets, beginning of year	**–**	**–**	**107,730**	**491**	**108,221**
An allocation of Reinsurance premiums	(3,052,004)	–	–	–	(3,052,004)
Amounts recoverable from reinsurers for incurred claims					
Amounts recoverable for claims/other Reinsurance expenses	–	–	37,486	(355)	37,131
Loss-recovery on onerous underlying contracts/adjustments	–	–	–	–	–
Changes to amounts recoverable for incurred claims	–	–	–	–	–
Net income (expense) from Reinsurance contracts held	**(3,052,004)**	**–**	**37,486**	**(355)**	**(3,014,873)**
Reinsurance finance income	–	–	(6)	–	(6)
Effect of changes in the risk of reinsurers non-performance	–	–	–	–	–
Total changes in the statement of comprehensive income	**(3,052,004)**	**–**	**37,480**	**(355)**	**(3,014,879)**
Cash flows					
Premiums paid net of ceding commissions and other directly attributable expenses paid	3,052,004	–		–	3,052,004
Amounts received	–	–	(143,848)	–	(143,848)
Total cash flows	**3,052,004**	**–**	**(143,848)**	**–**	**2,908,156**
Other movements	–	–	–	–	–
Net balance assets, end of year	–	–	$1,362	136	1,498
Reinsurance contract liabilities, end of year	–	–	–	–	–
Reinsurance contract assets, end of year	–	–	1,362	136	1,498
Net balance assets, end of year	**–**	**–**	**$1,362**	**$136**	**$1,498**

(D) ROLL-FORWARD OF NET ASSET OR LIABILITY FOR REINSURANCE CONTRACTS:

	ASSETS FOR REMAINING COVERAGE		ASSETS RECOVERABLE ON INCURRED CLAIMS		
	Excluding loss recovery component	Loss recovery components	Estimates of PVFCF	Risk adjustments	TOTAL
2022					
Reinsurance contract liabilities, beginning of year	–	–	–	–	–
Reinsurance contract assets, beginning of year	–	–	102,386	572	102,958
Net balance assets, beginning of year	**–**	**–**	**102,386**	**572**	**102,958**
An allocation of Reinsurance premiums	(1,800,000)	–	–	–	(1,800,000)
Amounts recoverable from reinsurers for incurred claims					
Amounts recoverable for claims/other Reinsurance expenses	–	–	5,454	(81)	5,373
Loss-recovery on onerous underlying contracts/adjustments	–	–	–	–	–
Changes to amounts recoverable for incurred claims	–	–	–	–	–
Net income (expense) from Reinsurance contracts held	**(1,800,000)**	**–**	**5,454**	**(81)**	**(1,794,627)**
Reinsurance finance income	–	–	35	–	35
Effect of changes in the risk of reinsurers non-performance	–	–	–	–	–
Total changes in the statement of comprehensive income	**(1,800,000)**	**–**	**5,489**	**(81)**	**(1,794,592)**
Cash flows					
Premiums paid net of ceding commissions and other directly attributable expenses paid	1,800,000	–	–	–	1,800,000
Amounts received	–	–	(145)	–	(145)
Total cash flows	**1,800,000**	**–**	**(145)**	**–**	**1,799,855**
Other movements	–	–	–	–	–
Net balance assets, end of year	**–**	**–**	**$107,730**	**491**	**108,221**
Reinsurance contract liabilities, end of year	–	–	–	–	–
Reinsurance contract assets, end of year	–	–	107,730	491	108,221
Net balance assets, end of year	**–**	**–**	**$107,730**	**$491**	**$108,221**

10. INSURANCE SERVICE EXPENSES:

	2023	2022
Incurred claims	$33,784,088	$18,354,551
Directly attributable operating expenses	378,770	360,125
Total incurred claims and other expenses	34,162,858	18,714,676
Amortization of insurance acquisition cash flows	1,937,864	1,491,627
Changes that relate to past service-adjustments to LIC	(77,892)	(6,500)
Total insurance service expenses	**$36,022,830**	**$20,199,803**

11. SUBSCRIBERS' EQUITY:

In accordance with the Reciprocal Insurance Exchange Agreement, subscribers may be required to contribute any amounts to the Reciprocal in the form of capital contributions. Section 12 of the Reciprocal Insurance Exchange Agreement dated August 17, 1987 provides that additional assessments may be required of the subscribers to the extent that premiums collected are not sufficient to cover the expenses of the Reciprocal. There were no such assessments made in 2023 or 2022.

The Board of the Reciprocal may, from time to time, direct that the accumulated comprehensive income be distributed back to subscribers. In 2023, distributions of $3,202,191 were made (2022 - $4,718,461).

12. OTHER OPERATING EXPENSES:

The other operating expenses of the Reciprocal are summarized by nature as follows:

	2023	2022
Actuarial	$191,688	$104,997
Professional services	1,177,395	840,941
Inspection and risk management	1,471,468	565,715
Salaries	1,815,534	1,319,507
Depreciation	97,004	103,645
Office	648,479	655,182
	$5,401,568	**$3,589,987**

13. RELATED PARTY TRANSACTIONS:

Transactions with key management personnel: Key management personnel are those persons having authority and responsibility for planning, directing and controlling activities of the Reciprocal.

Compensation expenses related to all key management personnel consisted of $909,681 (2022 - $873,009) related to salaries and short-term employee benefits.

14. FAIR VALUE DISCLOSURES:

The following methods and assumptions were used to estimate the fair value of each class of financial instrument:

The fair value of pooled funds is estimated based on bid prices published in financial newspapers or bid quotations received from securities dealers for those or similar investments, less estimated broker fees. The fair values of bonds and debentures are determined using a pricing model that reflects recent public trading activity and observable market information on market yields and credit risk spreads. The fair values of financial instruments other than investments approximate their carrying amounts due to the immediate or short term to maturity of the financial instruments.

(a) Fair value hierarchy:

The Reciprocal uses a fair value hierarchy to categorize the inputs used in valuation techniques to measure fair value. The extent of the Reciprocal's use of quoted market prices (Level 1), models using observable market information as inputs (Level 2) and internal models without observable market information as inputs (Level 3) in the valuation of bond and equity investments was as follows:

	2023	2022
Level 2:		
Valued using marketing information as models with observable inputs	$169,590,562	$165,689,971
Level 3:		
Internal models without observable market information as inputs	8,415,270	8,016,657
	$178,005,832	**$173,706,628**

(b) Significant transfers:

There were no transfers between any levels of the fair value hierarchy for the years ended December 31, 2023 and 2022.

15. SURPLUS MANAGEMENT AND ADEQUACY:

Subscribers' equity comprises accumulated comprehensive income. At December 31, 2023, the subscribers' equity was $107,548,349 (2022 - $99,851,371). The Reciprocal's objectives for the management of surplus are for the prudent operation of the Reciprocal and to provide relatively predictable premium costs for its members over time.

As a reciprocal insurance exchange, the requirement for surplus is lower than that of an incorporated insurance company. A reciprocal may rely on the contractual agreement among its members to contribute to the losses incurred by other members and to make assessments for additional contributions to surplus, if required and, accordingly, can rely on the creditworthiness of its subscribers.

The Reciprocal is regulated by the Financial Services Regulatory Authority of Ontario ("FSRA"), which expects insurance organizations to meet a Minimum Capital Test ratio of capital available to capital required of at least 150%. The Reciprocal's practice is to maintain a surplus level which is higher than this regulatory minimum. At December 31, 2023, the Reciprocal's Minimum Capital Test ratio was 509% (2022 - 427%). The Reciprocal's surplus adequacy is evaluated regularly and this evaluation takes into account the gross exposure to risk, the level and nature of reinsurance purchased and the resulting net exposure to members. Input from the appointed actuary, which includes an assessment of loss volatility, is factored into this evaluation.

16. INSURANCE AND FINANCIAL INSTRUMENT RISK MANAGEMENT:

The Reciprocal has policies related to the identification, monitoring and mitigating of risks associated with insurance and financial instruments. The key risks related to insurance are that the actual claims payment amounts or timing are different from expectations. The key risks related to financial instruments are credit risk, liquidity risk and market risk (interest rate, equity and currency). The following describes how the Reciprocal manages each of these risks:

(A) CREDIT RISK:

Credit risk is the risk of loss due to the failure of debtors to make payments when due. Credit risks are primarily associated with invested assets and amounts due from subscribers and reinsurance counter-parties. The investment portfolio's exposure to credit risk is managed through policies and procedures, including a credit evaluation by the investment manager and investment guidelines which specify investment quality and exposure limits. The portfolio is monitored and reviewed regularly by the Board.

Premiums due from subscribers present minimal risk due to the historic and financial relationship as a reciprocal insurance exchange. Reinsurance is placed with counter-parties with good credit ratings and concentration of credit risk is managed by utilizing an appropriate mix of reinsurers.

(i) Maximum exposure to credit risk:

The following table summarizes the maximum exposure to credit risk related to financial instruments:

	2023	**2022**
Cash and cash equivalents	$45,130,099	$26,171,846
Financial investments and accrued income	178,420,221	174,160,634
Other assets	124,257	1,714,569
Insurance contract assets	99,392	21,500
Reinsurance contract assets	1,498	108,221
Total statement of financial position maximum credit exposure	**$223,775,467**	**$202,176,770**

(ii) Concentration of credit risk:

The Reciprocal utilizes an investment policy to minimize the concentration of credit risk by ensuring diversification across asset classes. A summary of the fair value of investments by asset class and term to maturity is in note 7.

The Reciprocal's risk management strategy is to invest primarily in debt instruments of high credit quality issuers and to limit the amount of credit exposure with respect to any one issuer. The Reciprocal attempts to limit credit exposure by imposing portfolio limits on individual corporate issuers, as well as limits based on credit quality and may, from time to time, invest in credit default swaps to further mitigate credit risk exposure. The breakdown of the Reciprocal's fixed income portfolio, by the higher of Standard & Poor's and Moody's credit ratings, is presented below:

	2023		2022	
Credit Rating	**Fair Value**		**Fair Value**	
AAA	$1,517,617	2.82%	$4,995,561	9.82%
AA+	-	-	4,919,061	9.67%
AA	5,114,470	9.49%	-	-
AA-	16,495,415	30.62%	17,882,817	35.14%
A+	13,643,722	25.33%	17,532,589	34.45%
A	3,164,545	5.87%	462,861	0.91%
A-	5,596,798	10.39%	5,102,715	10.01%
BBB+	4,364,121	8.10%	-	-
BBB	3,969,260	7.37%	-	-
Total	**$53,865,948**	**100.00%**	**$50,895,604**	**100.00%**

(iii) Counter-parties credit risk:

With regard to reinsurance, the Reciprocal’s risk management strategy is to place reinsurance with insurers of high credit quality. The table below provides information regarding the credit exposure of the Reciprocal, classifying these assets according to the Reciprocal's credit ratings of counter-parties. This analysis is based on external credit ratings obtained from A.M. Best.

	2023	2022
A++	-	$ 76,218
A+	(14,976)	1,104,196
A	140,731	636,973
Total	**$125,755**	**$1,817,387**

(B) LIQUIDITY RISK:

Liquidity risk is the risk that the Reciprocal will not be able to meet all cash outflow obligations as they come due. Liquidity risk arises from the general business activities and the management of assets and liabilities.

The primary potential cash outflow is the payment of insurance claims and is represented by the provision for unpaid claims and adjustment expenses liability on the statement of financial position. In order to manage the liquidity risk associated with this liability, an investment policy is in place, which requires that a material portion of the investment portfolio be maintained in short-term investments. A summary of fixed income investments by term to maturity is in note 7(b).

The following table shows the expected payout pattern of the Reciprocal's net undiscounted future cash flows:

	2023	2022
Within 1 year	$22,585,106	$ 22,489,800
1 to 5 years	35,134,459	30,421,617
Over 5 years	13,202,374	10,865,662
	$70,921,939	**$63,777,079**

(C) MARKET RISK:

Market risk is the risk of loss arising from adverse changes in market rates and prices, such as interest rates, equity market fluctuations and foreign currency rates. The primary market risk exposures are discussed below:

(i) Interest rate risk:

Interest rate risk is the risk of financial loss arising from changes in interest rates. Fluctuations in interest rates will impact the market value of the fixed income portion of the investment portfolio and the liability values. Generally, investment income will move with interest rates and interest rate fluctuations will create unrealized gains or losses. The Reciprocal's investments are designated as FVTPL with changes in fair value recorded in the comprehensive income. These assets support the estimated actuarial liabilities represented by the provision for insurance contract liabilities on the statement of financial position which is calculated, in part, using a discount rate based on the rate of return of the investment portfolio.

The Reciprocal is exposed to interest rate risk if the cash flows from the investments are not matched to the liabilities that they support. This risk is mitigated by the investment policy, which is based on the duration of invested assets with the actuarial estimation of the timing of unpaid claims.

The estimated impact of a 1% increase in interest rates would decrease the market value of the fixed income portion of the investment portfolio by $1,182,031 (2022 - $1,752,551), which would be offset by a decrease in the liability for incurred claims of $1,583,267 (2022 - $1,539,944). Conversely, a 1% decrease in interest rates would increase the market value of the fixed income portion of the investment portfolio by $1,182,031 (2022 - $1,428,328), which would be offset by an increase in the liability for incurred claims of $1,683,208 (2022 - $1,634,644).

(ii) Equity risk:

Equity risk is the uncertainty associated with the valuation of assets arising from changes in equity markets. To mitigate this risk, the Reciprocal's investment policy specifies limits to the exposure from equity markets. Equities held in the investment portfolio as at December 31, 2023 consist of pooled funds which are designated as FVTPL with changes in fair value recorded in the comprehensive income.

The estimated impact of a 10% increase in equity markets would increase comprehensive income by $5,245,183 (2022 - $5,080,027). A 10% decrease in equity markets would have the corresponding opposite effect decreasing excess of comprehensive income by the same amount.

(iii) Currency risk:

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. As at December 31, 2023, the Reciprocal held $10,180,337 (2022 - $11,230,735) of its investments in United States equity, representing 5.7% (2022 - 6.9%) of its total investment portfolio and $10,338,559 (2022 - $11,395,391) of its investments in global equity, representing 5.8% (2022 - 7.0%) of its total investment portfolio. All other investments are held in Canadian dollars.

(D) INSURANCE RISK:

The Reciprocal principally issues Property, Cyber, Errors and Omissions and General Liability coverages for Canadian universities.

The principal risk the Reciprocal faces under insurance contracts is that the actual claims payments or the timing thereof differs from expectations. Expectations are influenced by trends involving claims payment patterns, loss payments, pending levels of unpaid claims, claims' severity and claim frequency patterns. The objective of the Reciprocal is to ensure that sufficient reserves are available to cover these liabilities.

The Reciprocal manages insurance risk rating within an overall risk management framework that includes a focus on rating, use of reinsurance and surplus management. Reinsurance is purchased to mitigate the effect of potential loss to the Reciprocal from individual large events. Reinsurance policies are written with reinsurers who meet the Reciprocal's standards for financial strength. Reinsurers and reinsurer security is monitored on a continuous basis.

The Reciprocal faces some concentration of risk since all coverage is related to property, cyber and liability risks of Canadian universities which are a homogeneous group. This concentration risk is somewhat mitigated by the fact that the universities are geographically dispersed which would reduce the risk of physical damages impacting more than a few facilities. There is some risk of increased claim activity in the event of circumstances that could increase the number of or value of legal actions against universities. Examples could be changes in legislation, a severe economic downturn or increases in the nature of legal actions, such as failure to educate. This risk is mitigated to some extent by the Reciprocal's surplus management policy. Concentration risk regarding reinsurance is mitigated by the use of multiple reinsurers with varying participations and an ongoing assessment of the financial strength of all reinsurers.

(i) Geographic risk by insurance revenue:

2023	Property	Liability	Cyber	Total
Atlantic Canada	$3,446,079	$1,614,316	$719,044	$5,779,439
Ontario	9,630,207	10,880,417	$2,021,913	22,532,537
Western Canada	8,399,869	5,431,259	$1,589,311	15,420,439
	$21,476,155	**$17,925,992**	**$4,330,268**	**$43,732,415**

2022	Property	Liability	Cyber	Total
Atlantic Canada	$3,474,892	$1,550,508	–	$5,025,400
Ontario	7,820,677	7,778,541	–	15,599,218
Western Canada	7,534,262	4,739,755	–	12,274,017
	$18,829,831	**$14,068,804**	**–**	**$32,898,635**

(ii) Claims development:

Uncertainty exists on reported claims in that all information may not be available at the reporting date; therefore, the claim cost may rise or fall at some date in the future when the information is obtained. In addition, claims may not be reported to the Reciprocal immediately; therefore, estimates are made as to the value of claims incurred but not yet reported, a value which may take some years to finally determine. In order to determine the liability, assumptions are developed considering the characteristics of the line of business, the historical pattern of payments, the amount of data available and any other pertinent factors. In general, the longer the term required for the settlement of a group of claims, the more variable the estimates. Short settlement term claims are those which are expected to be substantially paid within a year of being reported.

The following table shows the estimate of cumulative incurred claims for each successive accident year at each reporting date, together with cumulative payments to date.

2023 Analysis of claims development - Net and gross (undiscounted):

(in $000's)	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Total
Estimate of ultimates:	$ 000	$ 000	$ 000	$ 000	$ 000	$ 000	$ 000	$ 000	$ 000	$ 000	$ 000
End of year	18,439	18,471	15,484	11,740	18,077	18,267	18,335	23,155	29,229	34,511	
1 year later	20,600	17,531	13,281	12,128	16,802	18,086	17,095	22,292	32,777		
2 years later	18,917	17,689	12,656	15,039	16,557	17,169	16,449	17,873			
3 years later	18,162	18,006	11,061	13,362	16,089	17,974	19,077				
4 years later	18,530	19,839	10,369	16,458	15,163	19,012					
5 years later	17,817	19,547	10,146	14,597	15,222						
6 years later	18,011	19,118	6,604	16,328							
7 years later	18,056	18,850	6,838								
8 years later	17,789	18,907									
9 years later	18,545										
Current estimate of ultimates:	18,545	18,907	6,838	16,328	15,222	19,012	19,077	17,873	32,777	34,511	199,089
Cumulative Payments	17,228	17,031	6,070	9,797	13,455	14,538	12,464	10,736	20,803	3,742	125,863
Undiscounted future cash flows	1,317	1,876	768	6,531	1,767	4,474	6,613	7,137	11,974	30,769	73,226

Table continued on next page.

(in $000's)	Total
10-year net liability for incurred claims	73,226
Liability in respect of prior years	1,686
Effect of discounting	(8,580)
Other attributable expenses	549
Reinsurance contract assets	1
Insurance contract assets	(99)
Net liability for incurred claims	**$ 66,783**

2022 Analysis of claims development – Net and gross (undiscounted):

(in $000's)	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Total
Estimate of ultimates:	$ 000	$ 000	$ 000	$ 000	$ 000	$ 000	$ 000	$ 000	$ 000	$ 000	$ 000
End of year	15,967	18,439	18,471	15,484	11,740	18,077	18,267	18,335	23,155	29,736	
1 year later	16,093	20,600	17,531	13,281	12,128	16,802	18,086	17,095	23,664		
2 years later	15,003	18,917	17,689	12,656	15,039	16,557	17,169	16,912			
3 years later	14,175	18,162	18,006	11,061	13,362	16,089	18,480				
4 years later	15,318	18,530	19,839	10,369	16,458	15,368					
5 years later	15,679	17,817	19,547	10,146	15,139						
6 years later	15,058	18,011	19,118	6,680							
7 years later	15,133	18,056	19,146								
8 years later	15,005	17,939									
9 years later	14,759										
Current estimate of ultimates:	14,759	17,939	19,146	6,680	15,139	15,368	18,480	16,912	23,664	29,736	177,823
Cumulative Payments	13,854	16,189	16,975	5,905	8,896	13,191	12,798	11,604	6,461	5,393	111,266
Undiscounted future cash flows	905	1,750	2,171	775	6,243	2,177	5,682	5,308	17,203	24,343	66,557
10-year net liability for incurred claims											66,557
Liability in respect of prior years											1,461
Effect of discounting											(7,256)
Other attributable expenses											505
Reinsurance contract assets											108
Insurance contract assets											(22)
Net liability for incurred claims											**$ 61,353**

(iii) Sensitivities:

The insurance contract liabilities are sensitive to the key assumptions that follow. It has not been possible to quantify the sensitivity of certain assumptions, such as legislative changes or uncertainty in the estimation process.

The table below shows the effect on comprehensive income and subscribers' equity of a +/-1% change in the discount rate applied to claims provision for the year ended December 31, 2023 (2022 - +/-1%, respectively).

	2023		2022	
Gross basis	**Increase (decrease) of comprehensive income**	**Subscribers' equity**	**Increase (decrease) of comprehensive income**	**Subscribers' equity**
Discount rate:				
1% increase	$1,583,267	$1,583,267	$1,539,944	$1,539,944
1% decrease	(1,683,208)	(1,683,208)	(1,634,644)	(1,634,644)

	2023		2022	
Net basis	**Increase (decrease) of comprehensive income**	**Subscribers' equity**	**Increase (decrease) of comprehensive income**	**Subscribers' equity**
Discount rate:				
1% increase	$1,583,260	$1,583,260	$1,539,944	$1,539,944
1% decrease	(1,683,201)	(1,683,201)	(1,634,644)	(1,634,644)

CURIE

Multi-Year AODA Accessibility Plan 2020-2025 Annual Status Report May 2023 – April 2024

This document is available in alternate formats upon request.
Please see Page 12 for our contact information.

Contents

Introduction

Background

This report is a collaborative effort between the multiple units represented on the university-wide Accessibility Working Group (AWG). The AWG was established at Ontario Tech University in September 2010 to create an inclusive and barrier-free campus for all individuals with disabilities. In response to the Accessibility for Ontarians with Disabilities Act (AODA) and, more recently, the Integrated Accessibility Standards and Regulations (IASR), which mandated province-wide accessibility planning to address the staggered implementation of the accessibility standards. The Ontario Tech AODA Multi-Year Accessibility Plan ("Multi-Year Plan") published in 2020 reaffirms the university's commitment to developing and maintaining a study and work environment that is inclusive and facilitates the full participation of all students and employees with disabilities.

Statement of Commitment

Ontario Tech University is committed to creating a campus community that includes all individuals and ensures equal opportunity among its members to succeed in their academic and/or employment endeavors. The university recognizes that successful learning and employment outcomes result from shared responsibility and commitment by students, faculty and staff. Therefore, the university expects all community members to advance the ongoing development of an accessible and inclusive environment while actively working to identify, remove and prevent barriers to persons with disabilities.

Accessibility Feedback

Ontario Tech University recognizes community feedback as a critical process in identifying, removing and preventing barriers in its accessibility strategy. Feedback is essential to the University's plan to improve how we deliver our services and encourage inclusive community participation. Feedback may be given by emailing the Office of Risk Management at aoda@ontariotechu.ca or by telephone at 905.721.3201. You may also send feedback by completing our Accessibility Feedback Form or by mailing us:

Office of Risk Management
2000 Simcoe Street North
Oshawa, Ontario L1G 0C5

Institutional Achievements and Accomplishments

General

Initiatives related to accessibility may or may not be directly associated with a regulatory requirement or initiatives that do not fall within a particular standard.

- ➔ The Accessibility Working Group (AWG) had three (3) meetings in the 2023-2024 year, where members participated in strategic discussions and accessibility priority planning.
- ➔ The Athletics and Recreation department is finalizing a partnership with the YMCA downtown area to provide access to their fitness center for our downtown Oshawa location students.
  - ◆ The FLEX Centre at the North Oshawa location is still available for our downtown students; however, we recognize that access to downtown space is minimal.
- ➔ The annual Health, Safety and Wellness Fair included vendors specializing in ergonomics and preventive strain injuries.
  - ◆ A therapy dog attended the fair and was a comforting presence for all those who attended.
- ➔ We are in ongoing collaboration with The Canadian Institute for the Blind (CNIB), a non-profit organization that advocates for and empowers those impacted by blindness.
  - ◆ CNIB and Ontario Tech are conducting a new research project exploring accessible forms of explainable artificial intelligence (AI).
  - ◆ Ontario Tech regularly participates in Phone It Forward, a CNIB Foundation Program that collects gently used smartphones. The smartphones are then refurbished and equipped with accessible apps, technical training, and discounted maintenance costs for those with sight loss.
  - ◆ Ontario Tech has donated twenty-five smartphones to CNIB.
  - ◆ The Campus Library and Human Resources (HR) departments work closely to ensure the Phone It Forward program remains well-known in the university community.
- ➔ The Durham College and Ontario Tech University disability management Community of Practice group has accepted an offer for the Wellness at Work team to host the next annual conference in June 2024. Planning for this event started in November 2023, and key stakeholders across the university will be involved as the planning continues over the next six months.
- ➔ The Ontario Tech Campus Library has been engaging (along with other Ontario Council of University Libraries (OCUL) members) with the proposed postsecondary education standards — final recommendations report 2022 and their implications in our contexts.
- ➔ The Human Resources, Office of Risk Management and Diversity, Inclusion and Belonging teams collaborated to celebrate our first Disability Employment Awareness Month (DEAM) at Ontario Tech University.
  - ◆ We promoted and celebrated the inclusion of people with disabilities in the workplace and recognized all individuals who live with a disability.

- The Accessible Instruction for Educators module was launched to all faculty members on campus and updated with the support and assistance of the Teaching & Learning Centre, Human Resources and Learning Management System teams.
- The team created activities to engage our community and bring awareness to DEAM with a Spot the Difference activity using social media platforms and the Phone it Forward campaign with the HR and Library departments. We showcased our support and strengthened awareness by wearing purple and blue on October 19, 2023.
- We worked with the Campus Library team to create collections of accessibility and disability representation through media and art available at our north and downtown campus libraries.
- A webpage was developed on our Accessibility Hub for DEAM, showcasing all the activities and awareness at a central spot, and provided all resources available at the university as a refresher.

➔ The Office of Risk Management, with the support of key stakeholders and the AWG, submitted the 2023 Accessibility Compliance Reporting Form, which was due by December 31, 2023.

Customer Service

Initiatives implemented related to the Customer Service Standards. For example, this can include training employees, updating/establishing policies and following up on feedback received.

➔ The Organizational Development Specialist from the HR department worked in partnership with the Teaching and Learning Centre (TLC) to promote and register for the Lunch & Learns—Creating Accessible Documents workshop.
- This lunch-and-learn workshop was included in HR's Learning and Development catalog and was well recognized and received by staff.

➔ The School of Graduate and Postdoctoral Studies team worked with the Student Accessibility Services (SAS) office to develop an intake tool regarding accessibility services at the university and create specific support mechanisms while working and aligning with the SAS Manager for our graduate students.

➔ Student Accessibility Services continues to work with university stakeholders on policies and processes to ensure they are student-focused and inclusive.

➔ The Academic Advising team opened more online appointments for the winter semester.

➔ The Records and Registration team moved the deferred exams to a first-floor room, which allowed easy accessibility. They also worked with Student Accessibility Services and academic faculties to ensure that students with mobility concerns had classes scheduled in specific buildings/floor levels when required.

➔ The Records and Registration team provided early registration for specified students.

➔ The Student Awards and Financial Aid team implemented customer service change initiatives, including:
- The team continued work with SAS to support students with bursary assistance via TSA (Technical Support Analysts) or the provincial BSWD (Bursary for Students with Disabilities) program.

    - We returned to in-person, virtual, or phone appointments (from virtual only).
    - PDF forms were modified into online forms and continued to improve our internal processing, such as refund submissions, bursary reviews and the University Works program.
    - At the direction of the federal and provincial government, students are now considered prolonged or persistent disabilities (vs just permanent).
    - We have eliminated the Domestic Debt Exchange Programme (DDEP) feature for students to receive grocery assistance. As we return to being on campus, we are requesting students to visit in person.
    - A new process, to provide students with an on-campus food card for those in immediate need.
- ➔ The Teaching and Learning Centre (TLC) continues to provide reviews of all content concerning AODA compliance and Universal Design for Learning (UDL) principles for all micro-credentials and Continuous Learning modules.
    - Two TLC team members participated in additional workshops to enhance their skills and knowledge related to UDL, which helped them provide comprehensive training for others in our university community.
    - TLC provided regular workshops on UDL as continuing education and training for our university members, which expanded UDL training to non-academic staff.
    - TLC included UDL training as part of the TLC Certificate in University Teaching program.
- ➔ The Vice-President, Research and Innovation (VPRI) department hosted accessible hybrid events “Undergraduate Research Awards” and “All About Nuclear Hydrogen Production” to increase accessibility.
- ➔ The Campus Library offers access support for printing, photocopying, extended loan periods, in-depth research support and online appointment booking.
- ➔ The Campus Library team members routinely attend professional development opportunities offered via webinars offered by members of OCUL’s accessibility community. Recent examples include a Queen’s presentation on Dragon Naturally Speaking within Omni (our Library Services Platform) and an NYPL presentation on tactile graphics.
- ➔ The Campus Libraries continuously provide support and assistance regarding the availability of adaptive equipment. The Assisted Use Carrel Room includes a computer with ZoomText, Read&Write, a 22” LCD Monitor which may also be used with a laptop and a height-adjustable table.
- ➔ Students can borrow equipment from the Campus Library, including headphones, a high-contrast wireless keyboard, adaptive and ergonomic computer mice, laptops, portable DVD players, Christie Brio electronic pen and energy lights.

Information and Communication

Initiatives implemented related to the Information and Communications Standards. For example, this can include creating accessible documents, updating websites to meet accessibility *requirements, developing new policies to ensure information/documents are provided in alternate formats, and following up on feedback.*

- ➔ Communications & Marketing (C&M) has been proactively implementing accessibility monitoring and striving to comply with WCAG, AA and AODA standards. Ensuring that digital content is accessible to all users is a legal requirement and a fundamental aspect of inclusivity and fairness.
  - The team implemented a new accessibility wayfinding software, [GoodMaps Explore](), launched in collaboration with the Partnership Office and members of the AWG.
  - We have developed a webpage to encourage our university community members to download and use the app while hosting a booth event to showcase how to use the app and gather feedback in person.
  - GoodMaps Explore is an accessible navigation app designed to provide an inclusive experience for all individuals on our campus, including those who are blind, visually impaired, deaf, or mobility impaired.
  - The wayfinding project has updated the ERC (Energy Research Centre) and SIRC (Software and Informatics Research Centre) buildings, making all installed signage accessible.
  - The signage in each building complies with AODA standards (font, height, contrast) while embracing best practices.
  - We have taken a proactive approach by projecting signage and braille on each door-side sign in both the ERC and SIRC buildings.
  - We have increased consistency in signage-type locations. Expectations are set as to where to find essential information such as the building directory, floor directories, Health and Safety (Staff) board, Areas of Refuge, etc., while noting all signs are contrast compliant.
  - Emergency signs and services are now located in a central location on every floor of each building.
  - Each elevator is equipped with an Emergency Health and Safety Centre that displays information, including First Aid, AED and Bleed Control Kits (or a sign that indicates the nearest location).
- ➔ The Office of the Registrar enhanced accessibility standards in communications, social media platforms, advertising, print and the web.
  - The Admissions and Recruitment team continued to include alternative text with all images on all future student social platforms and videos, use inclusive language on all content, use CamelCase in hashtags, remove infographic PDFs from the website and use pages and alternate web tools that are AODA compliant.
    - Closed captioning on all organic and paid social/ad videos.
    - Email image headers were changed, and consistent web layouts were utilized to ensure full AODA compliance.
    - Webpages were created that offer multiple ways of accessing content through text, audio, and video.
  - The team initiated a revamp of the Equity Admissions process with the AVP Diversity, Inclusion, and Belonging. We developed an initial rubric to assess

submissions. A strategic framework is established, and further work on front-end applications is required.

- Issued fifty equity admission offers to Bachelor of Education
- Issued two Indigenous admission consideration offers to Bachelor of Education

◆ The International Office made a considerable amount of website changes which included adding descriptions to images, changing content located in a table format to a more accessible format for reader technologies (standard text, accordion style, etc.), simplifying the tab/navigation menu on the website for easier user experience and adding a mega menu to the website to make the tabular content have an expanded view.

◆ The Enrolment Services team enhanced accessibility information and communication in their area by creating an online query submission form for students who may be unable to easily send or access email, converting online PDF documents into MachForms, increasing access and readability, and allowing for larger copy and inclusion of hyperlinking actions.

◆ The Enrolment Services team also ensured consistent web layouts and formatting and provided holistically accessible communications to students (in as many accessible mediums as possible, i.e., email, mobile app, MyOntarioTech and the Ridgeback Report).

◆ The Records and Registration team posted content for students and instructors on multiple platforms for accessibility.

◆ The Student Awards and Financial Aid department adapted several PDF forms into online forms and continued to make improvements with internal processing (i.e., refund submissions, bursary reviews and the University Works program).

➔ The Vice-President Research & Innovation (VPRI) department has reviewed and implemented information and communication standards throughout its website and documents.

◆ The VPRI team conducted a complete web analysis of the VPRI website to correct accessibility issues while ensuring any new files uploaded to the website were reviewed for accessibility.

◆ Historical Research Committee minutes and agenda from 2021 onward were updated to accessible PDFs.

◆ We converted all agendas and minutes to an accessible format for our internal team meetings.

◆ The Research Ethics Board (REB) Standard Operating Procedures, Terms of Reference and Animal Care Committee (ACC) Standard Operating Procedures were revised from Word files to accessible web pages.

◆ We modified IP disclosure forms to accessible Word files.

➔ The Campus Library continues to provide alternate formats, on request, for print material held in our collections via the Accessible Content E-Portal (ACE). An assessment of the ACE portal is being conducted by the Ontario Council of University Libraries ACE working group to discern. This assessment project's goals are to identify barriers to usage of the ACE service and to understand the alternate format service landscape, ensuring that ACE's continuing development aligns with anticipated policy changes as well as the needs of end users and local library staff.

- ➔ The Campus Library is partnering with the College Libraries Ontario (CLO) and Ontario College Library Service to expand the Library eResources Accessibility Portal (LEAP) to include Ontario universities. This resource is a collaborative database where libraries evaluate and share standardized accessibility scores for popular library databases.
- ➔ The Campus Library continues to offer a transcript or closed-captioned version of any DVD in its collection.

Employment

Initiatives implemented related to the Employment Standards. This can include, for example, accommodating all candidates during the recruitment process and employment life cycle, steps taken to ensure accommodation plans, and ensuring employees have accessible emergency information.

- ➔ The Recruitment and Compensation Specialist provided input and was part of the “Spot the Difference” activity during Disability Employment Awareness Month (DEAM).
- ➔ The Health and Disability Management Specialist worked in collaboration with the Recruitment and Compensation Specialist on the creation of a Manager’s Guide to Recruitment Process and Manager’s Checklist for Supporting Job Applicants.
- ➔ A new partnership was formed with Homewood Health Inc., which will provide support with the university’s process for supporting an employee seeking an accommodation based on disability. Homewood brings a vast amount of experience and expertise to disability management and is highly focused on inclusivity and equity.
- ➔ Ergonomic resources for employees have been enhanced and a stronger emphasis has been placed on the importance of conducting self-assessments of workstations and identifying issues that may lead to pain and discomfort.
- ➔ The Human Resources team enhanced the Rookie to Ridgeback employee orientation program to further promote the role that all university members play in making a campus community more inclusive and accessible.
- ➔ The Records and Registration team worked with the Academic Faculty to schedule classes to meet specific instructor accessibility and accommodation needs.

Design of Public Spaces

Initiatives implemented related to the Design of Public Spaces Standards. This can include, for example, installing accessible playgrounds, tactile walking surface indicators, and establishing design guidelines that consider accessibility.

- ➔ Ontario Tech’s Campus Infrastructure & Sustainability (OCIS) continues to work towards enhancing physical space throughout the university as outlined in IASR. In 2023-2024, the focus was improvements through deferred maintenance and capital initiatives, including:
  - ◆ The exit signs were changed out for the running-man sign in the following buildings: Science, ACE Climatic Wind Tunnel & Engineering, 151 Athol, Clean Energy Research Laboratory (CERL), Campus Fieldhouse (CFH), Pavilion and Campus Ice Centre (CIC).

- Continuous lighting upgrades occurred throughout 2023, bringing several areas back to design levels.
- The stairwell tactile walking surface indicators (TWSI) and stair nosing upgrades were completed in the following buildings: ACE - Stairwell #3, 4, 5 & 6, CIC stair locations #1 - 19, as well as Baagwating Indigenous Student Centre (UBISC) 151 Athol Street East - Stairwell #1.
- The Wayfinding Signage Upgrade was carried out in collaboration with Communication & Marketing, taking the lead role in the following buildings: ERC & SIRC.
- 38 Automatic Door o\Operators (ADO) in the Science building under deferred maintenance (continued reliability) were upgraded. This was done as a high priority over replacing the round ADO activation switches.
- Eleven new ADOs were installed in the washrooms at Bordessa Hall, and two were installed in the Science building.
- Ten new accessible picnic tables were added between the Science and the Business & IT buildings.
- The Software and Informatics Research Centre (SIRC) Concrete Ramp was replaced due to structural damage.
- Several Textile Walking Surface Indicators (TWSI) were replaced that were damaged or removed by snow clearing.
- Ball Diamond - The elevator was installed in the press box.
- In collaboration with Durham College, ongoing capital investments were made to repair the hardscape in various locations on the north Oshawa location.

➔ In 2023, a physical space audit continued, completing the draft audits in the following areas: CFH, CIC, CERL and exterior at the downtown facilities against the Design of Public Spaces, an amendment to the Integrated Accessibility Standards Regulation (IASR).

➔ The Athletics department has renovation plans approved for three all-gender washrooms to be added to the CRWC. These will also act as a universal changing space while the scope for a larger project is prepared.

➔ The Athletics department and team will be adding a lactation space to the CRWC to make nursing more accessible to mothers on campus by making the space accessibility friendly.

➔ The CRWC updated accessible equipment in the FLEX center.

➔ The Campus Libraries continue to recognize individual needs and support equitable access to a full range of services, resources, and facilities for all.

- The Assisted Use Carrel Room is located on the fourth floor of the North Oshawa Library. Ontario Tech and Durham College students can book this space on the Library's website. at.
- The Campus Library began collecting usage statistics on the Assisted Use Carrel Room in the fall of 2023. From September to December 2023, 99 unique users accessed this space, with 311 total bookings.
- The Campus Library facilities include an automatic door at building entrances, desk-height countertops at service desks, wheelchair-accessible elevator services in all multi-floor libraries and wheelchair-accessible washrooms, including an all-gender accessible washroom with wheelchair-access and a change table located on the second floor of the North Oshawa Library.

    - Adjustable height desks are now available in all open study spaces on each library floor on the north campus.
    - Two height-adjustable desks are available at the Social Science, Humanities, and Education Library at Charles Hall.
- The International Education team participated in a health and safety inspection in U5, and no accessibility issues were identified.
- The Student Accessibility Services team initiated the creation/renovation of additional multi-purpose accessible space for students on the second floor in Shawenjigewining Hall.

Next Steps

The university's multi-year plans emphasize investing in new technologies and continuously updating policies and processes in line with the Accessibility for Ontarians with Disabilities Act (AODA). Ontario Tech is committed to creating a respectful and accessible environment, supporting all community members to reach their full potential, thereby strengthening the university community as a whole.

As we gear up to complete the final year of our accessibility multi-year plans, we are preparing to produce a refreshed report for the next five years. We will take this opportunity to review the following as our next steps in preparation:

- Review and update all accessibility-related policies and procedures.
- Review and update our current Multi-Year Accessibility Plan
- Develop a new Multi-Year Accessibility Plan for the next 5 years.
- Monitor and propose any changes based on ‘proposed postsecondary education standards — final recommendations report 2022.’

For more information

For more information on this Annual Status Report, please contact:
Telephone Number: 905.721.3201
Email: aoda@ontariotechu.ca
Website: accessibility.ontariotechu.ca

Attention: Compliance Officer
Standard and accessible formats of this document are available upon request.

CURIE

Ontario Tech
Climate Change Vulnerability Assessment

Presented by: *Piotr Luszczyk, CURIE*

Jillian Jarvis, CURIE

Natalie Evers, CURIE

Brent Lough, CURIE

Speaker Spotlight

Jillian Jarvis,

Director, Risk Management

& Loss Control

Natalie Evers,

Claims & Risk Management Analyst

Brent Lough,

Insurance & Member Services Administrator

Piotr Luszczyk,

Director,

Underwriting & Insurance Products/Services

Purpose of today

Utilize a Climate Vulnerability Assessment strategy to create climate change awareness and facilitate fact-based discussions with Ontario Tech risk related stakeholders about your losses, trends, open recommendations, and climate change projection impacts to losses and/or deductibles.

We will present and overlay data about the school's known property losses that are considered:

1) Weather related and

2) Preventable

We will share details about the buildings in which these losses have occurred, include trends and themes – deferred maintenance, occupancy vs building COPE, outstanding recommendations emanating from physical risk inspections to these buildings.

We will help identify natural catastrophe perils that your campus is exposed to and utilizing a climate related prognostication tool to reimage further severity of exposure and/or new exposures based on rising temperature of climate change.

Agenda for today

1. Introductions
2. Past - A review of Ontario Tech Claims History
3. Present – A review of the Campus today
4. Current Climate Conditions
5. Future modeling of climate conditions
6. Conclusion and Questions

Past

A Review of Ontario Tech Claims History

Ontario Tech Property Claim Frequency and Severity

Claim Type	Severity	Frequency	Average Claim Amount
Water	1,415,000	8	177,000
Fire	160,000	3	53,000
Maintenance	17,000	3	5,500
Wind	4,800	2	2,400
Total	**1,596,000**	**16**	**99,700**

CURIE Medium School Comparison

Medium Schools 2008 - 2024

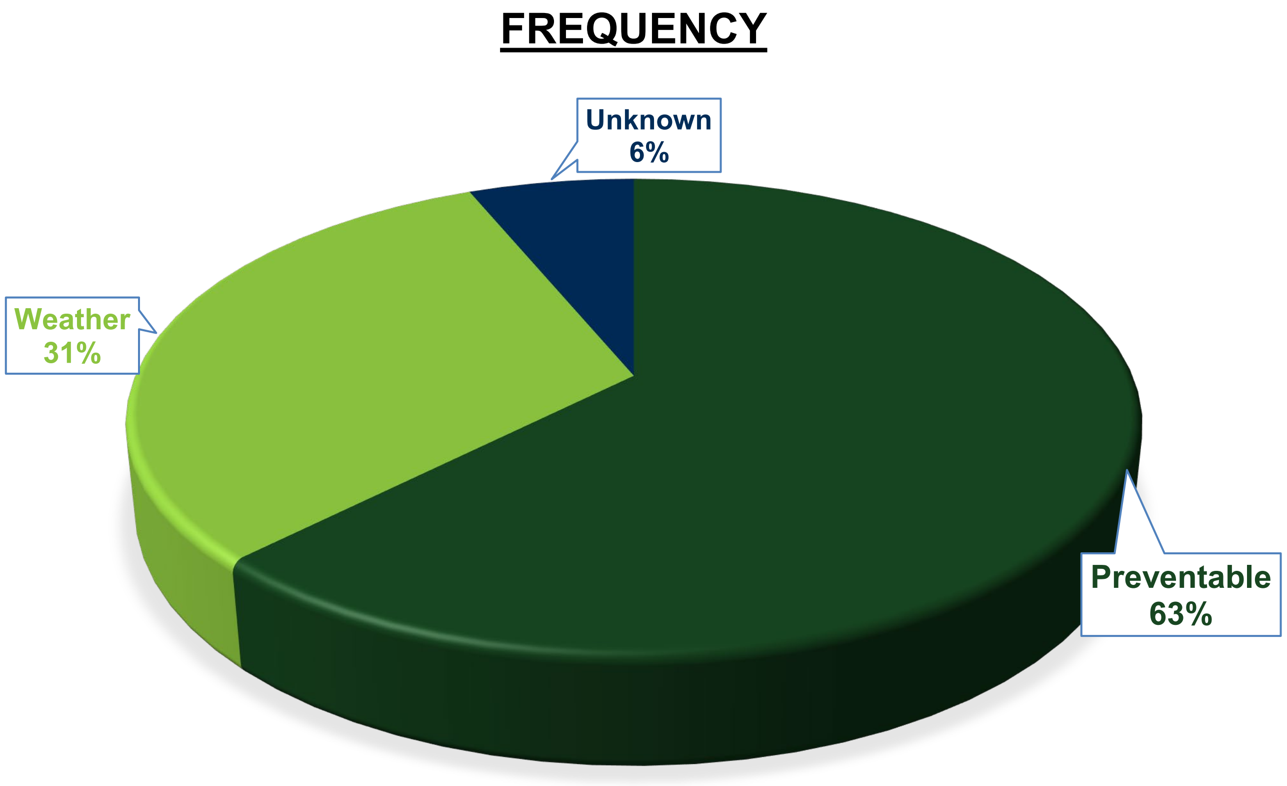
Total Severity	$127,336,000
Frequency	253
Average Claim Amount	$503,000
Average Frequency	14

** Ontario Tech not included in this comparison of medium schools

Ontario Tech

Total Severity	$1,596,000
Frequency	16
Average Claim Amount	$99,700

Preventable Property Losses vs Weather Losses



Severity

Total Incurred Weather-Related Losses:

$220,000

Total Incurred Preventable Water Losses:

$541,000

Total Insurable Value and Property Deductibles

Ontario Tech Total Insurable Value (TIV) :

$765,230,000

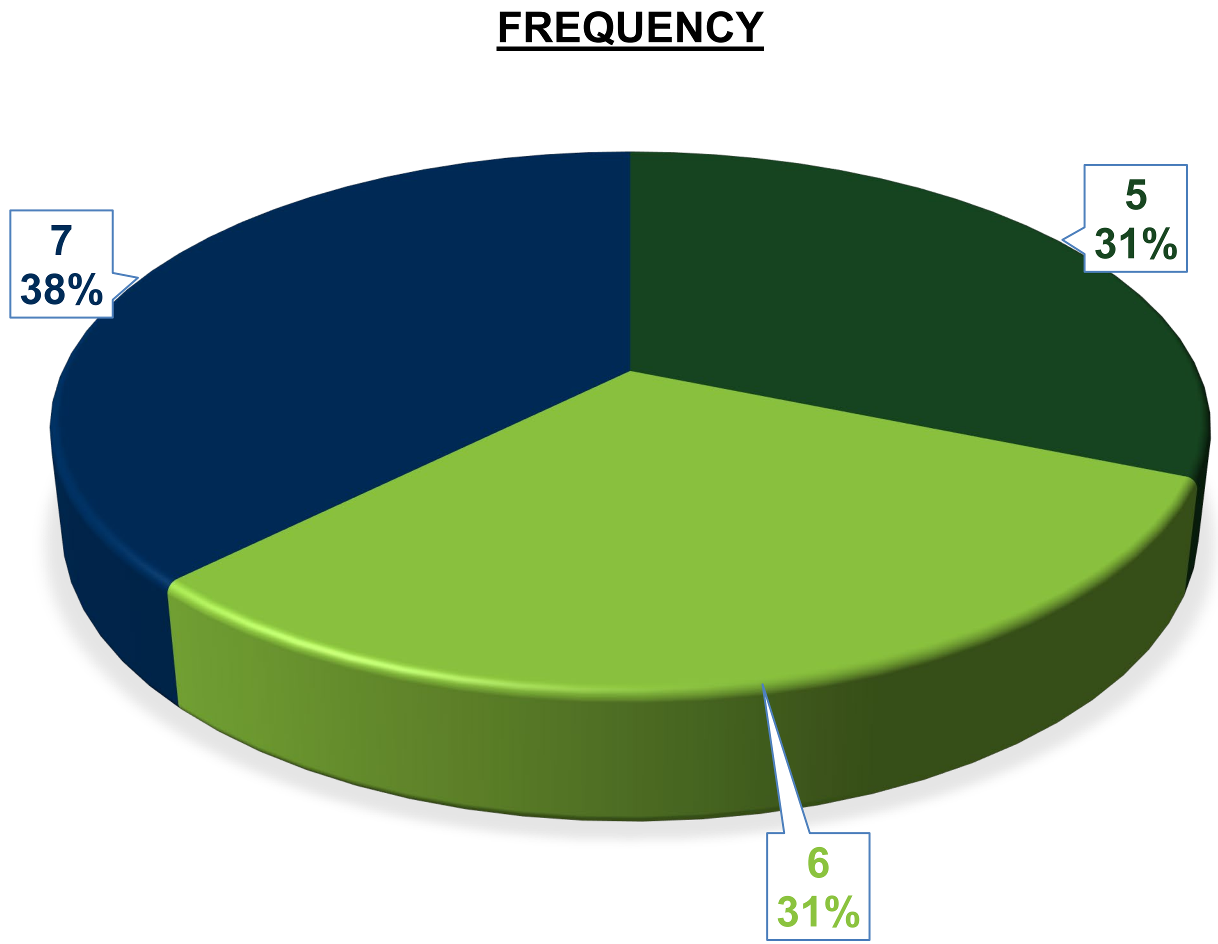
Building Values vs Content Value

Building $598,692,000	Contents $150,000,000

Deductible History

2008 - $10,000	2009-2019 - $25,000	2020 - 2024 - $50,000

Number of Claims Reported Per CURIE Underwriting Period



CURIE 1 - 1988 to 1992
CURIE 2 – 1993 to 1997
CURIE 3 – 1998 to 2002
CURIE 4 – 2003 to 2007
CURIE 5 – 2008 to 2012
CURIE 6 – 2013 to 2017
CURIE 7 – 2018 to 2022
CURIE 8 – 2023 to 2027

Present

A review of your campus today

Campus Overview

- Celebrating 20 Years
- 33 Owned or leased buildings
- 2 Campus Locations – North Oshawa and Downtown Oshawa
- FTE 8,902

Top 10 Highest Value Buildings

Building	Year of Construction	Building Value	Contents Value	Total Insurable Value
GENERAL MOTORS OF CANADA AUTOMOTIVE CENTRE OF EXCELLENCE	2011, 2022	121,174,000	44,570,000	**170,744,000**
SCIENCE BUILDING	2003-2004	86,661,000	23,785,000	**110,446,000**
BUSINESS & IT BUILDING	2004	65,033,000	20,524,000	**85,557,000**
ENERGY RESEARCH CENTRE	2011	68,662,000	8,504,000	**77,166,000**
LIBRARY BUILDING	2004	37,810,000	19,100,000	**56,910,903**
SHAWENJIGEWINING HALL	2021	48,819,000	3,679,000	**52,598,000**
SIRC	2017	40,063,000	4,430,000	**44,493,000**
CAMPUS ICE CENTRE	2005	41,977,000	545,000	**42,522,000**
ENGINEERING BUILDING	2006	20,392,000	8,143,000	**28,535,000**
BORDESSA HALL	2010	14,400,000	1,721,000	**16,121,000**

Ontario Tech Risk Recommendation Benchmark Numbers

Ontario Tech Benchmarking 2023

Total Recommendation	Completed Recommendation	Benchmarking %	Deferred	Repeated	Recommendations Closed in 2023
125	111	**89%**	0	14	5

Average Benchmarking for Medium Sized Schools in 2023 – 90%

16 New Recommendations in 2023

Climate Action at Ontario Tech

- Home to one of Canada's largest geothermal systems – 370 bore holes that heat and cool ON Tech North Campus
- Facilities is operated on Building Automated Systems (BAS)
- Building Envelope – designed with high level of installation for all outer envelopes – to avoid heat loss
- 4 buildings have green roofs
- Solar Reflective windows

Current Climate Conditions

Canada: Insured Catastrophic Losses in 2023

Insured Damage Estimate (YTD):
$ 3.1 billion+

NWT
Behchokǫ̀-Yellowknife and Hay River wildfires
$60 million (Aug/Sept)

BC
Okanagan and Shuswap area wildfires
$720 million (Aug/Sept)

AB, SK
Cental AB flooding
$40 million (June)

AB & SK Canada Day Storms
$100 million (July)

Calgary Hailstorm
$110 million (July)

Prairies, Central Canada
Prairies severe storms
$40 million (July)

Winnipeg hailstorm
$140 million (August)

Ontario & Quebec
ON/QC Spring Ice Storm
$330 million (April)

ON Severe summer storms
$340 million (July-August)

QC Thanksgiving flooding
$40 million (October)

Atlantic Canada
Atlantic Canada Cold Snap
$120 million (February)

Tantallon wildfire
$165 million (May-June)

Nova Scotia flooding
$170 million (July)

The amount of insured damage is an estimate provided by CatIQ (www.catiq.com) under license to Insurance Bureau of Canada.

2024 Outlook – La Nina Conditions

We have been in El Nino conditions for the last year.

+ World Meteorological Org. estimated a 98% likelihood of new annual temperature record between 2023 & 2026
+ El Nino conditions represent storms coming up the pacific side of Canada.

El Niño correlates to warmer surface conditions.

+ Greater temperatures of the oceans lead to higher air temperatures and greater amounts of moisture/precipitation.
+ High volatility in weather patterns that can prompt floods to be more prolific and droughts to be more intense.
+ Additional precipitation is not always spread out. Without precipitation, additional heat translates to dry drought-like conditions that increase the chance of wildfire.

Projections are that are going to moving away from El Nino Conditions in 2024.

+ The projections for 2024 from the National Weather Service is that there is an 80% chance we move to neutral conditions and a 55% chance of moving to La Nina conditions through the spring/summer months.

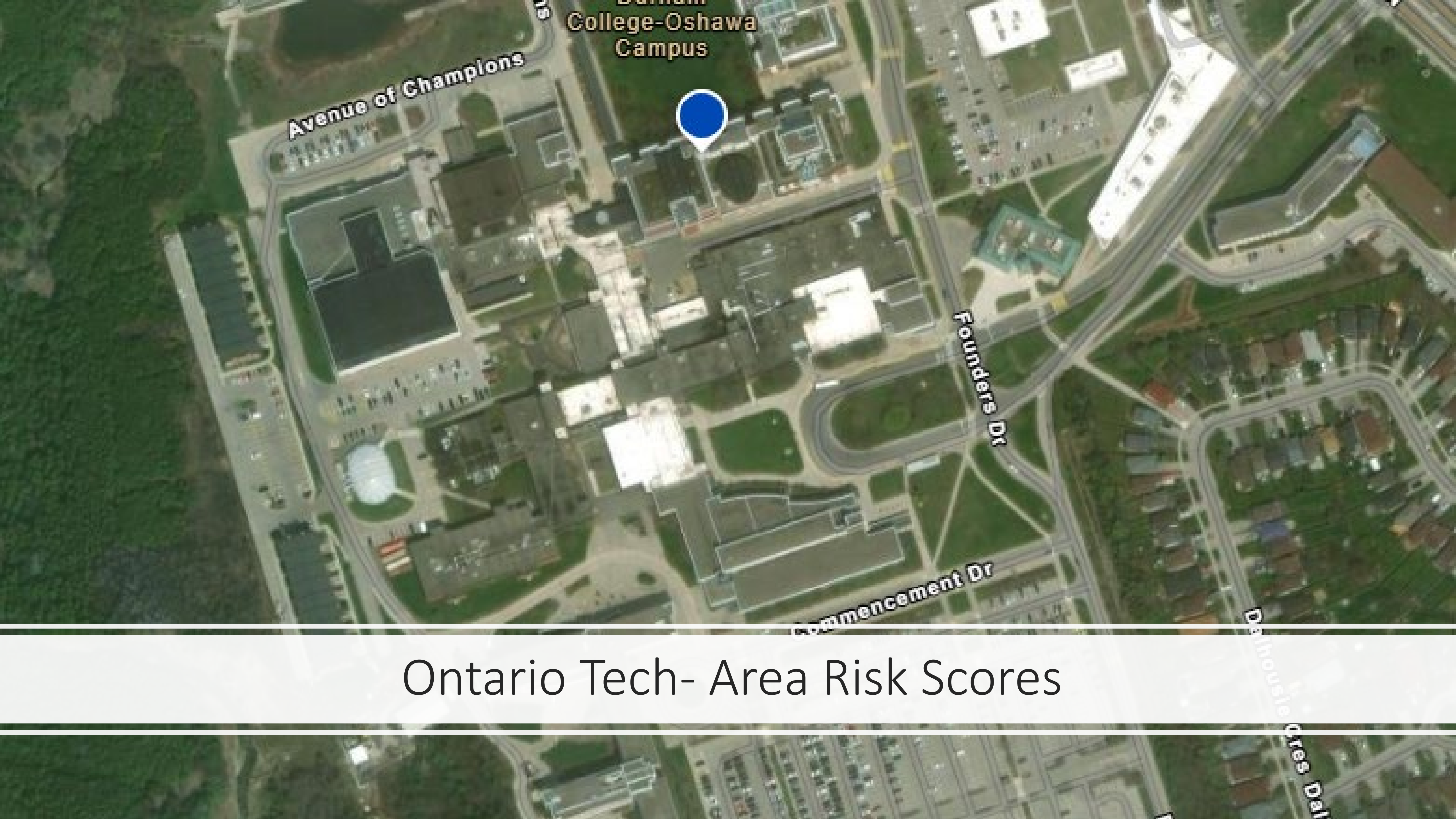
Southern Ontario is generally more active during La Nina years.

+ La Nina conditions represent a cooler ocean but with more storms coming up the eastern coast.
+ 2022, when Hurricane Fiona hit was in La Nina conditions.

Wind & Storm Events

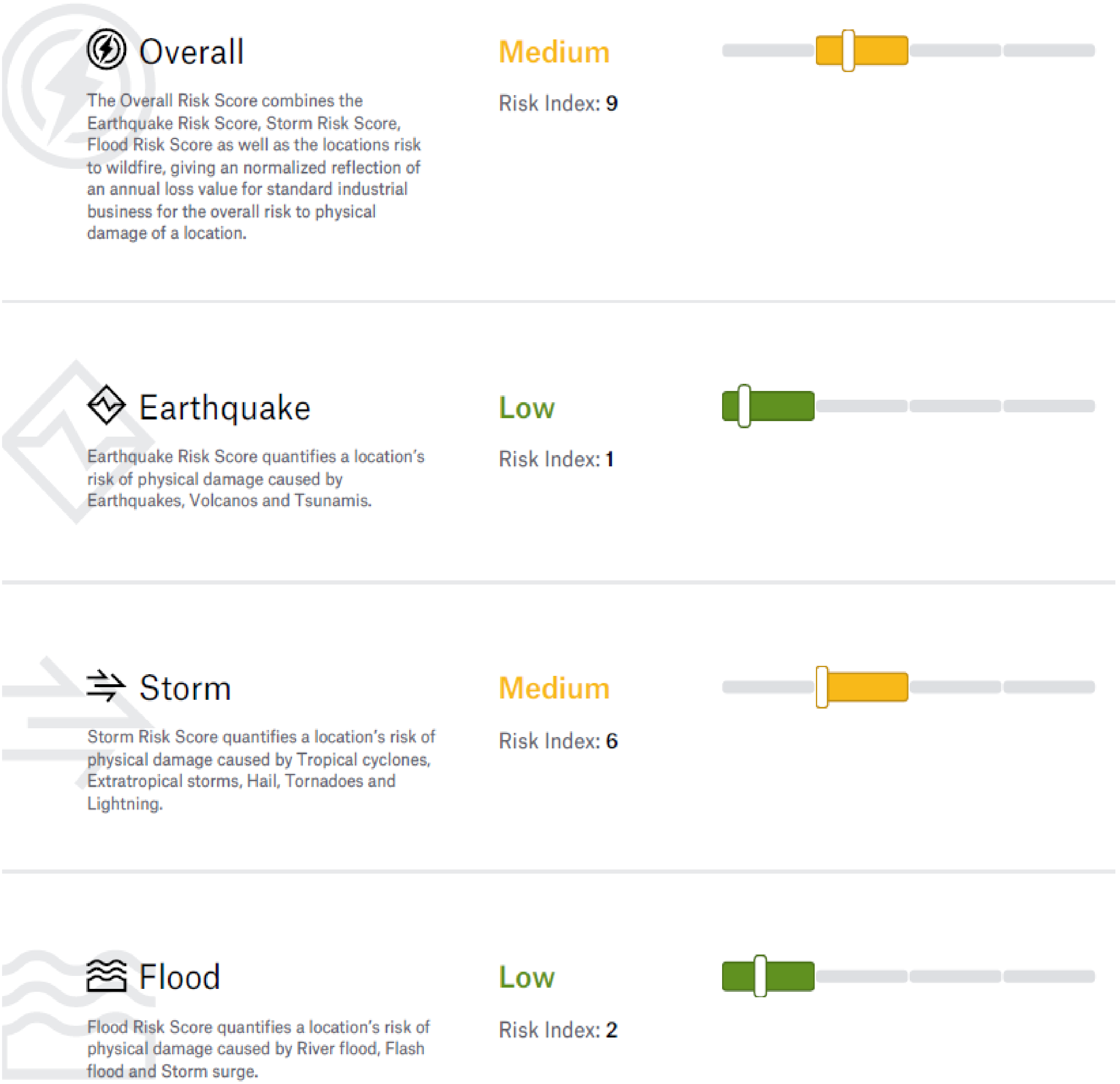
- Typical storms in the greater Toronto area are Extratropical Storms, when a cold front and warm front come together.
- Warm temperatures in cold months and cold temperatures in warm months increase frequency and strength of events. Leading to more wind caused loss events.
- The warmer weather can also lead to wetter heavier snow and ice events in years to come.
- Precipitation amounts are projected to increase by 10% in the next 25 years.

Ontario Tech- Area Risk Scores



NATHAN RISK SCORE –

- The risk scores can be used as a traffic light-style indication of the physical risk to a location for the 12 perils
- The risk scores are categorized based on risk index values.
- The Risk indices incorporate Munich RE proprietary models and loss data to weigh the hazards according to their damage potential
- The risk indices are derived by normalizing the average annual loss rates for property damage for standard industrial companies within each hazard zone



NATHAN
Peril Scores

NATHAN Hazards	Score	Low Hazard – High Hazard
Earthquake	Zone 0 (MM V and below)	0
Volcanoes	No Hazard	-1
Tsunami	No Hazard	-1
Tropical Cyclone	Zone 0 (76 - 141 km/h)	0
Extratropical Storm	Zone 1 (81 - 120 km/h)	1
Hail	Zone 2	2
Tornado	Zone 3 (2.1 – 10.0)	3
Lightning	Zone 3 (4.1 - 10.0)	3
River Flood	Zone 0 (minimal flood risk)	0
Flash Flood	Zone 2	2
Storm Surge	No Hazard	-1
Wildfire	Zone 1 (Low)	1

Supplementary Hazards	Score	Low Hazard – High Hazard
Peak Ground Acceleration	Zone 3 (0.021 - 0.030)	3
Soil & Shaking	Class 3 (soft rock/dense soil)	3
Distance to Active Faults	> 50000 m (Class: > 50000 m)	-1
Annual Water Stress	Zone 0 (Low (<10%))	0
Landslide	Zone 1 (Very Low)	1

Extratropical Storm

- The hazard score shows the probable maximum wind intensity occurring during storms in the extratropical region (approx. 30 – 70° north and south of the equator) for a 100-year return period.
- **Extratropical storms are created in the transition region between subtropical and polar climatic zones, i.e. in the latitudes between about 30° and 70°. In these regions, cold polar air masses collide with tropical air masses, forming extensive low-pressure eddies.**

Extratropical Storm

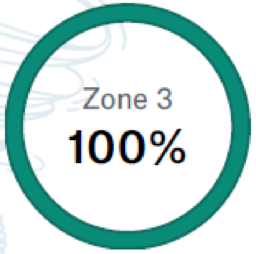
Probable maximum intensity with an average exeedance probability of 10% in ten years (equivalent to a „return period" of 100 years). Areas were examined in which there is a high frequency of extratropical storms (approx. 30°–70° north and south of the equator).

Score	Percent	Size, km²
No Hazard	0.0 %	0
Zone 0: ≤ 80 km/h	0.0 %	0
Zone 1: 81 - 120 km/h	100.0 %	0.5
Zone 2: 121 - 160 km/h	0.0 %	0
Zone 3: 161 - 200 km/h	0.0 %	0
Zone 4: > 200 km/h	0.0 %	0

Tornado

- The tornado hazard score is based on the annual frequency and intensity of tornadoes, interpolated from meteorological data.
- **Tornadoes occur worldwide at latitudes between 20° and 60°, but are undeniably most frequent in the USA. Tornadoes are very localized but extremely intense. The direct damage caused by the high wind speeds is exacerbated by the sharp drop in air pressure (10% or more) at the center of the funnel.**

Tornado

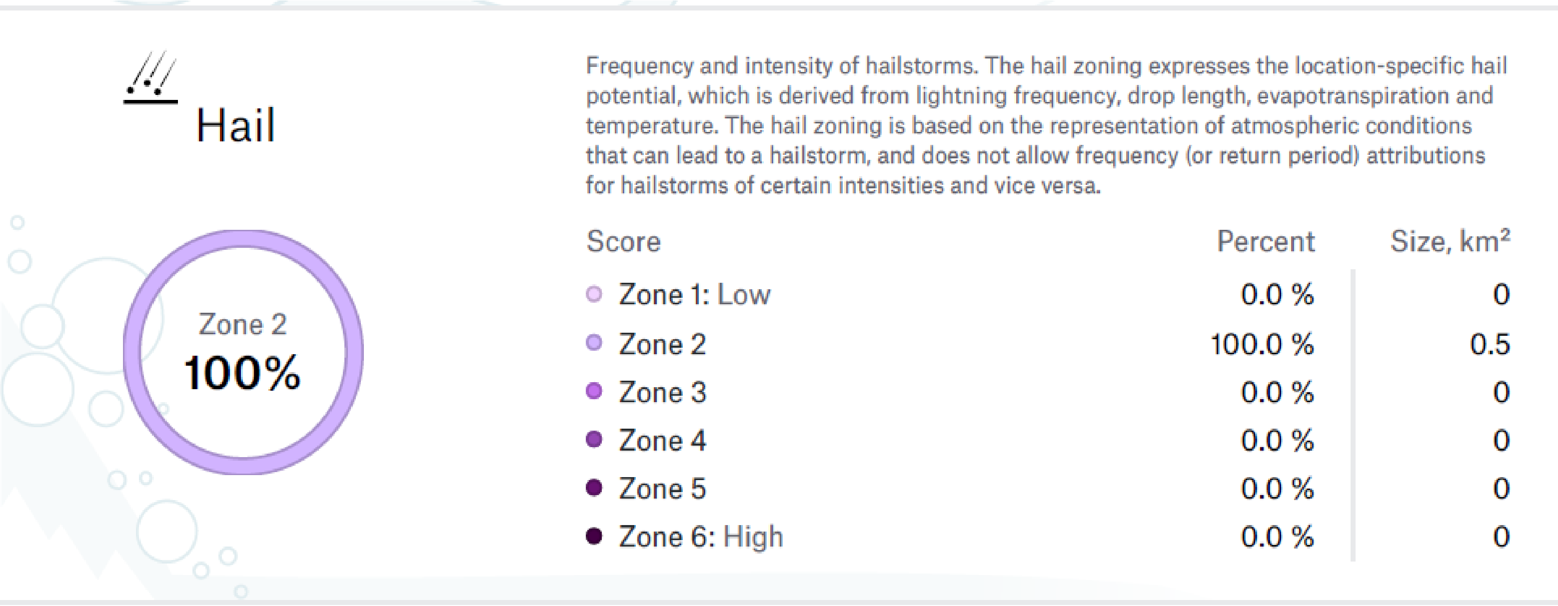


The Tornado Zones are based on frequency and intensity interpolated from meteorological data (Unit: Tornadoes per 10,000 km² and year).

Score	Percent	Size, km²
Zone 1: 0.1 – 0.5	0.0 %	0
Zone 2: 0.6 – 2.0	0.0 %	0
Zone 3: 2.1 – 10.0	100.0 %	0.5
Zone 4: > 10.0	0.0 %	0

Hail

- The hail hazard score describes the frequency and intensity of hailstorms by combing meteorological data, elevation and the global distribution of lightning activity.
- **Hailstorms cause extensive damage to agriculture, as well as to buildings and vehicles. Heavy hailstorms are usually triggered by wide cold fronts Occasionally, local hot weather thunderstorms – a result of intense insolation over land or mountain slopes – also lead to severe localised hailstorms**

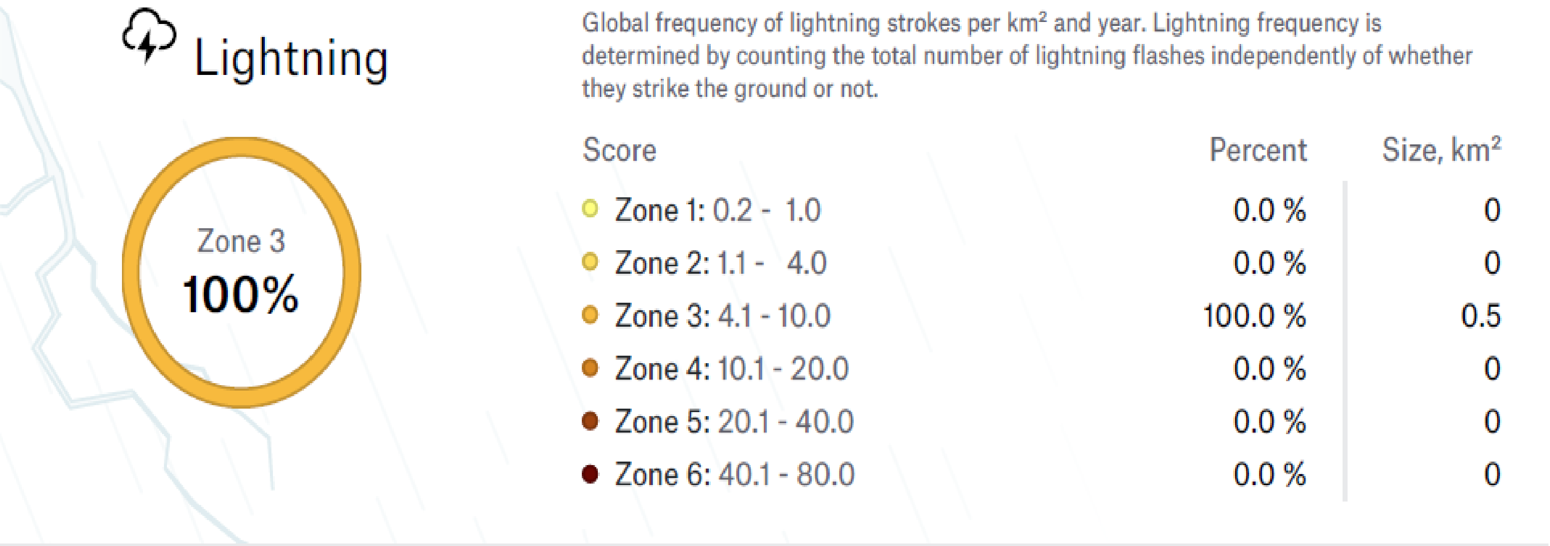


Frequency and intensity of hailstorms. The hail zoning expresses the location-specific hail potential, which is derived from lightning frequency, drop length, evapotranspiration and temperature. The hail zoning is based on the representation of atmospheric conditions that can lead to a hailstorm, and does not allow frequency (or return period) attributions for hailstorms of certain intensities and vice versa.

Score	Percent	Size, km²
Zone 1: Low	0.0 %	0
Zone 2	100.0 %	0.5
Zone 3	0.0 %	0
Zone 4	0.0 %	0
Zone 5	0.0 %	0
Zone 6: High	0.0 %	0

Lightning

- Global frequency of lightning strokes per km² and year. Lightning frequency is determined by counting the total number of lightning flashes independently of whether they strike the ground or not.
- The hazard score shows the global frequency of lightning strikes per km² and year recorded by satellites and ground-based lightning detection networks.

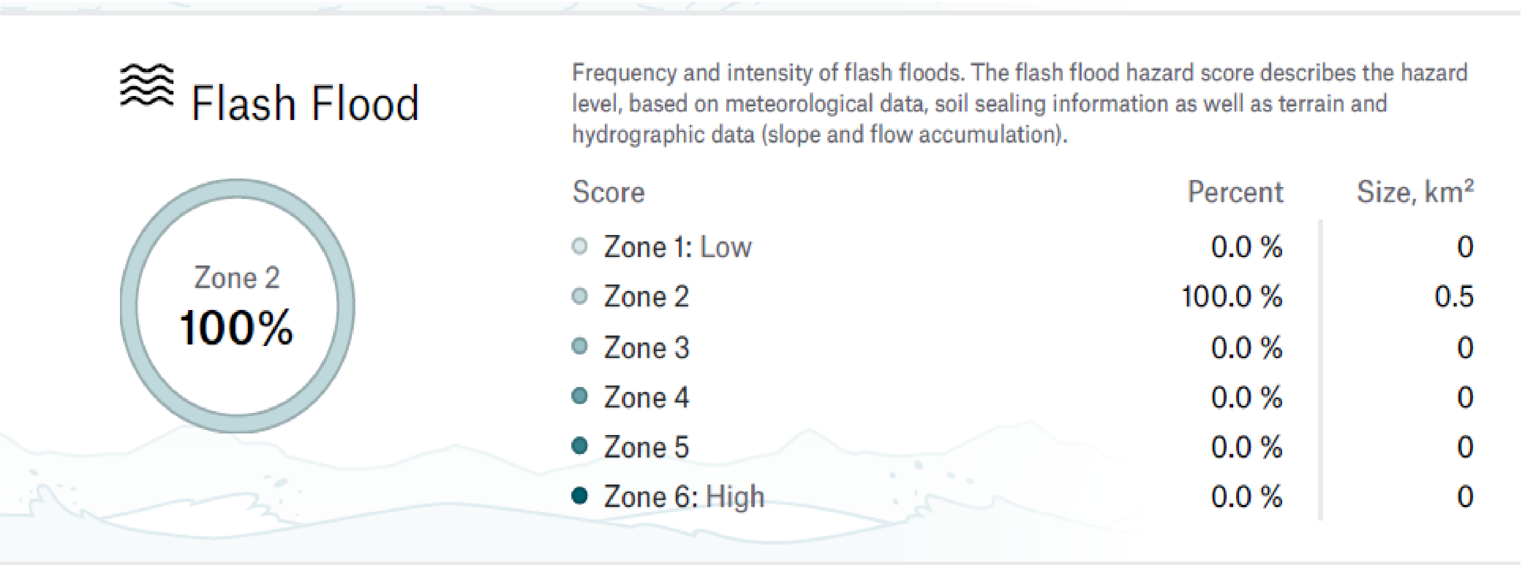


Global frequency of lightning strokes per km² and year. Lightning frequency is determined by counting the total number of lightning flashes independently of whether they strike the ground or not.

Score	Percent	Size, km²
Zone 1: 0.2 - 1.0	0.0 %	0
Zone 2: 1.1 - 4.0	0.0 %	0
Zone 3: 4.1 - 10.0	100.0 %	0.5
Zone 4: 10.1 - 20.0	0.0 %	0
Zone 5: 20.1 - 40.0	0.0 %	0
Zone 6: 40.1 - 80.0	0.0 %	0

Flash Flood

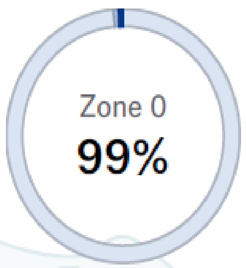
- The flash flood hazard score describes the frequency and intensity of flash floods, based on meteorological data, soil sealing information as well as terrain and hydrographic data (slope and flow accumulation).
- **Flash floods are short-term events which can be produced by severe convective storms or heavy rain events over one area. Flash floods can be heavily destructive due to the enormous amount of water which often carries rocks, debris and mud.**



River Flood

- NATHAN's current river flood hazard data (provided by JBA Risk Management) offers state-of-the-art flood hazard information (with a 30m horizontal resolution), available on a global scale. The global flood maps are constantly improved and are a market standard.
- Flood protection systems are defence structures to reduce the flooding of areas and properties.

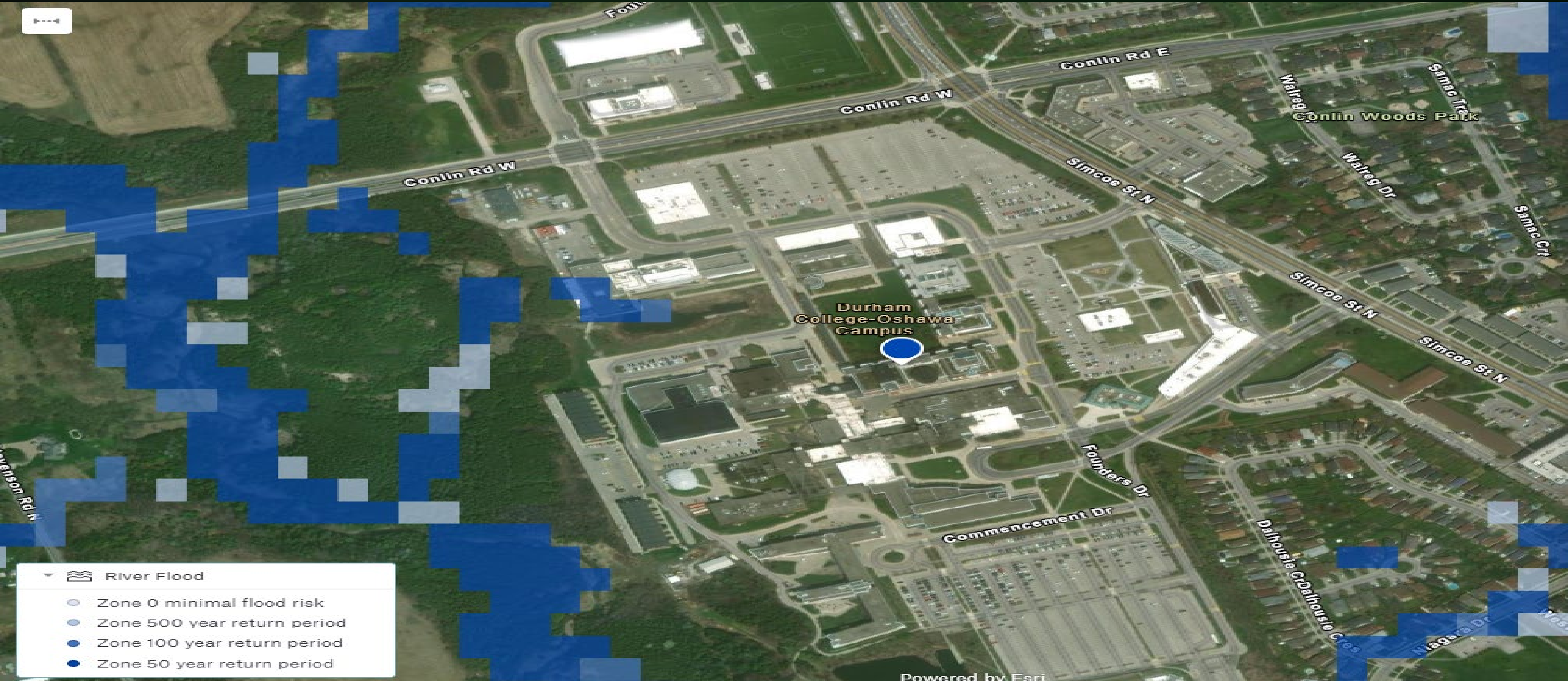
River Flood



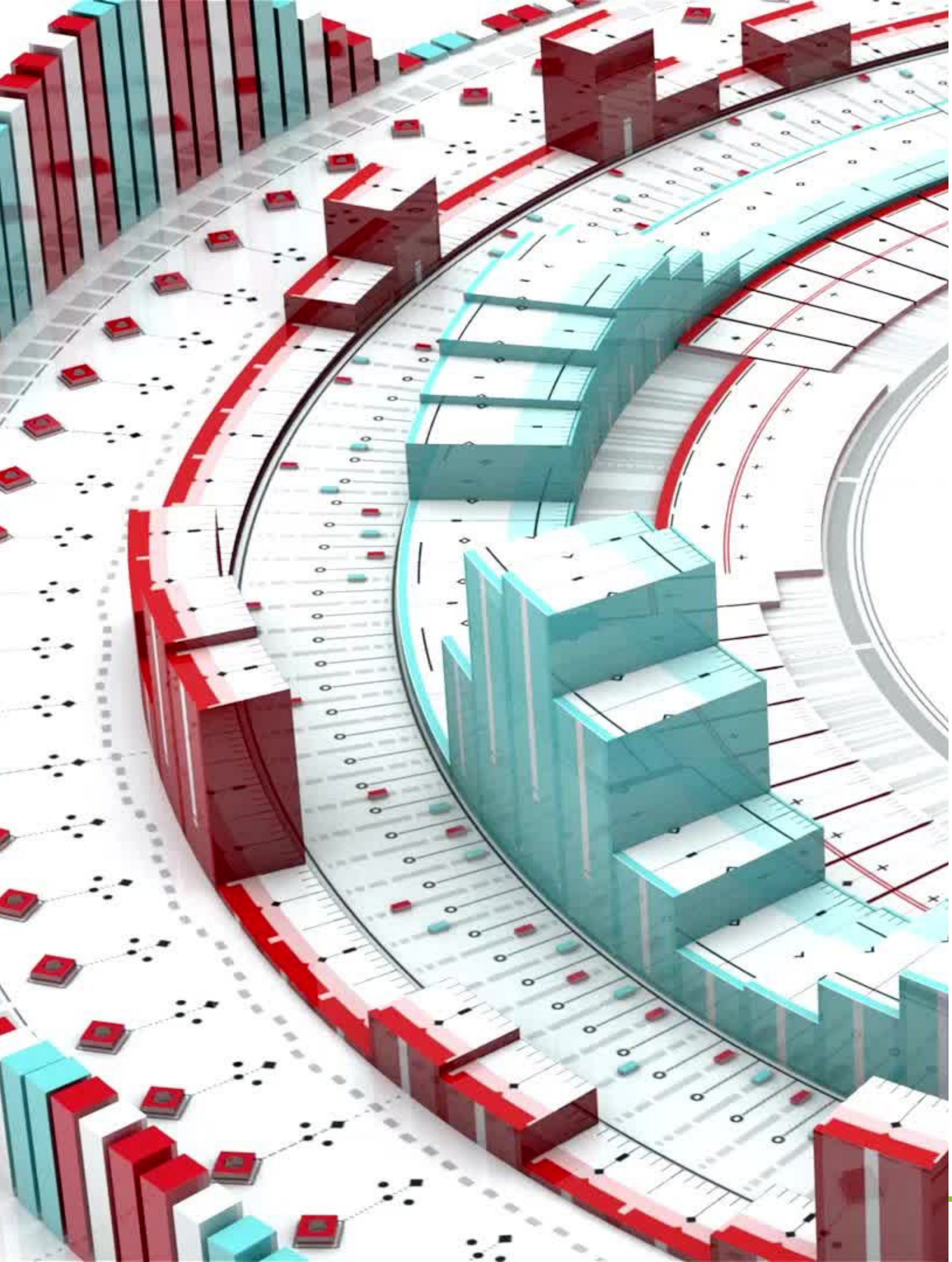
Areas threatened by extreme floods. JBA flood maps with return periods of 50, 100 and 500 years.

Score	Percent	Size, km^2
Zone 0: minimal flood risk	98.7 %	0.5
Zone 500: year return period	0.7 %	0.0
Zone 100: year return period	0.1 %	0.0
Zone 50: year return period	0.5 %	0.0

River Flood


Conlin Rd E
Conlin Rd W
Conlin Rd W
Conlin Woods Park
Walreg Dr
Simcoe St N
Simcoe St N
Simcoe St N
Samac Crt
Durham College-Oshawa Campus
Founders Dr
Commencement Dr
River Flood
Zone 0 minimal flood risk
Zone 500 year return period
Zone 100 year return period
Zone 50 year return period
Powered by Esri

Future

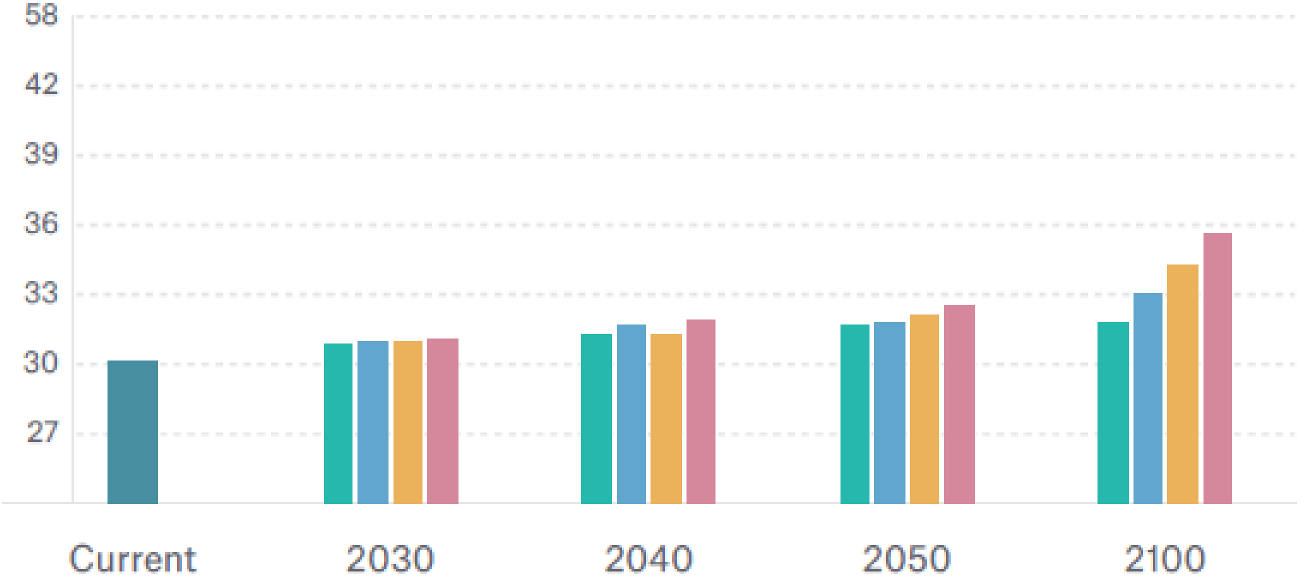


Scientific framework and modeling approach

- The Intergovernmental Panel on Climate Change(IPCC), a United Nations body, established a framework that formed the bases for the Paris Agreement in 2015.
- The projection years for the four emission scenarios are 2030,2040,2050 and 2100. The projections are a hybrid composite of local high-resolution CORDEX models and global CMIP6 models.
- The Munich Re physical climate hazard assessment services are based on this framework and use the Representative Concentration Pathways(RCP) and Shared Socioeconomic Pathways(SSPs) from the sixth IPCC Assessment Report. The available projections are:
    - RCP 8.5 / SSP 5
    - RCP 7.0 / SSP 3
    - RCP 4.5 / SSP 2
    - RCP 2.6 / SSP 1

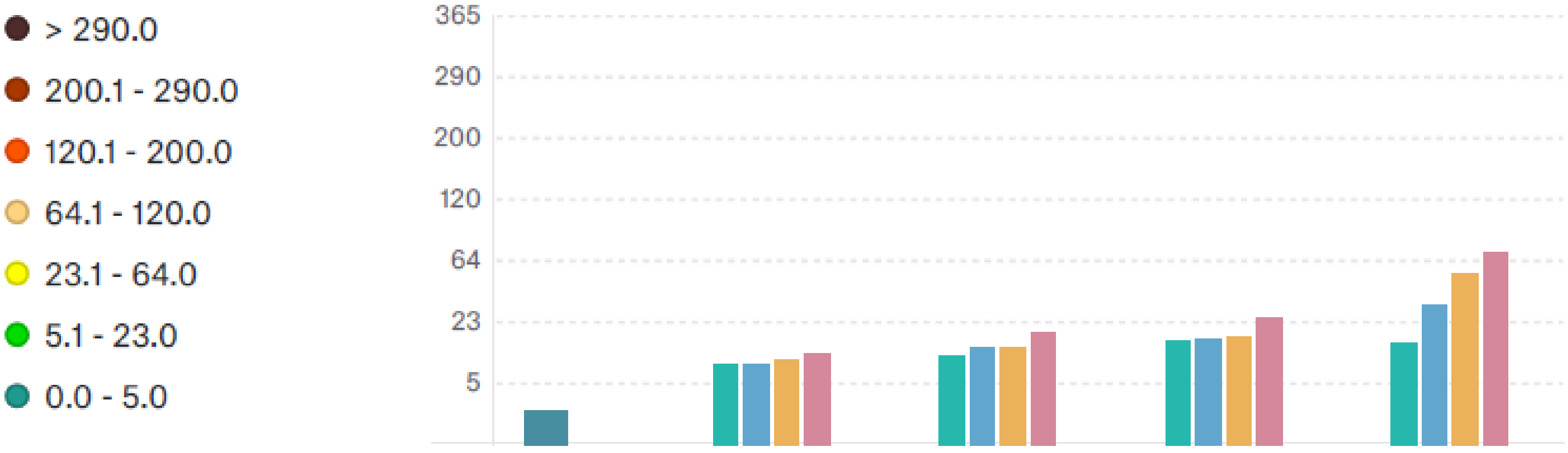
Annual Maximum Temperature

- > 42.0
- 39.1 - 42.0
- 36.1 - 39.0
- 33.1 - 36.0
- 30.1 - 33.0
- 27.1 - 30.0
- 0.0 - 27.0



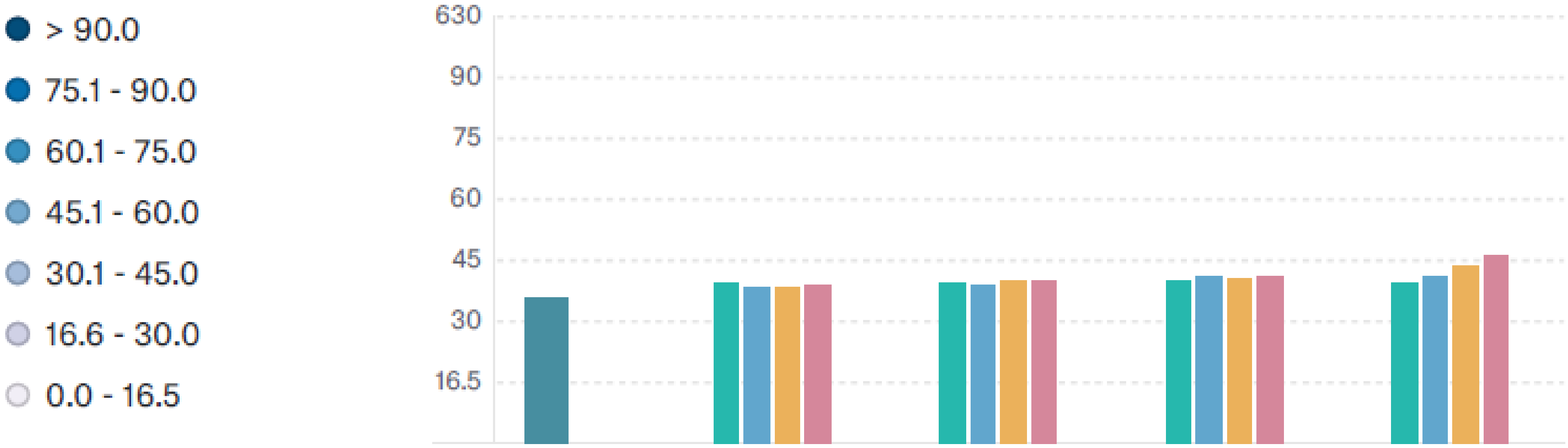
degree celsius:	Current	2030	2040	2050	2100
SSP1-/ RCP2.6	30.1	▲ 30.9	▲ 31.3	▲ 31.7	▲ 31.8
SSP2-/ RCP4.5		▲ 31.0	▲ 31.7	▲ 31.8	▲ 33.0
SSP3-/ RCP7.0		▲ 31.0	▲ 31.3	▲ 32.1	▲ 34.3
SSP5-/ RCP8.5		▲ 31.1	▲ 31.9	▲ 32.5	▲ 35.6

Days Above 30 C



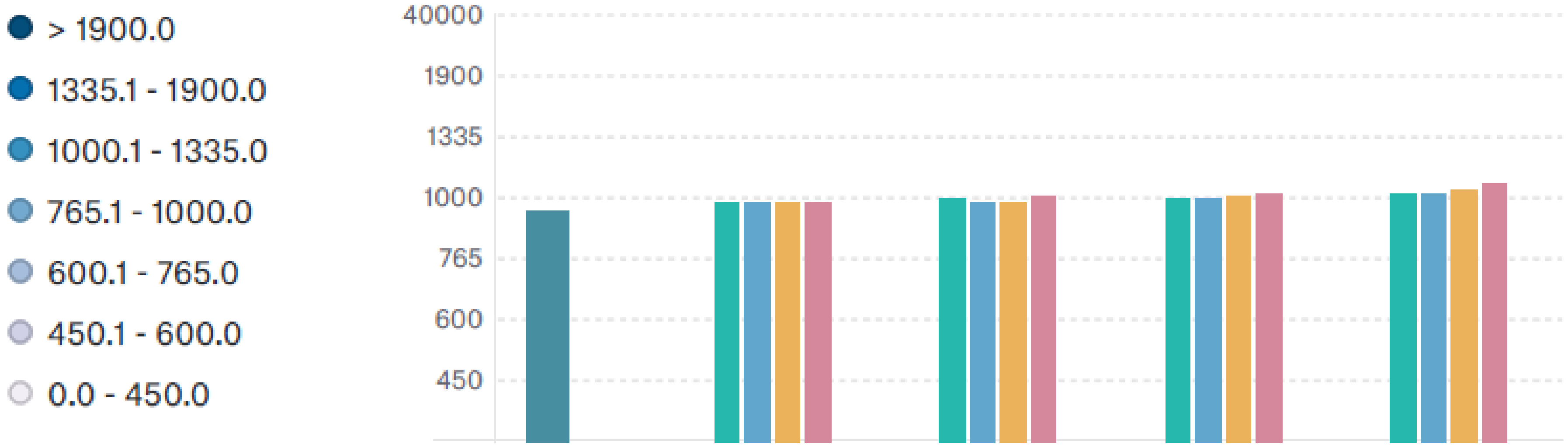
time interval:	Current	2030	2040	2050	2100
SSP1-/ RCP2.6	2.8	▴ 10.6	▴ 13.1	▴ 17.3	▴ 16.9
SSP2-/ RCP4.5		▴ 10.9	▴ 15.8	▴ 18.3	▴ 33.8
SSP3-/ RCP7.0		▴ 11.7	▴ 15.4	▴ 18.7	▴ 55.6
SSP5-/ RCP8.5		▴ 13.4	▴ 19.8	▴ 26.3	▴ 72.4

Maximum Day Precipitation



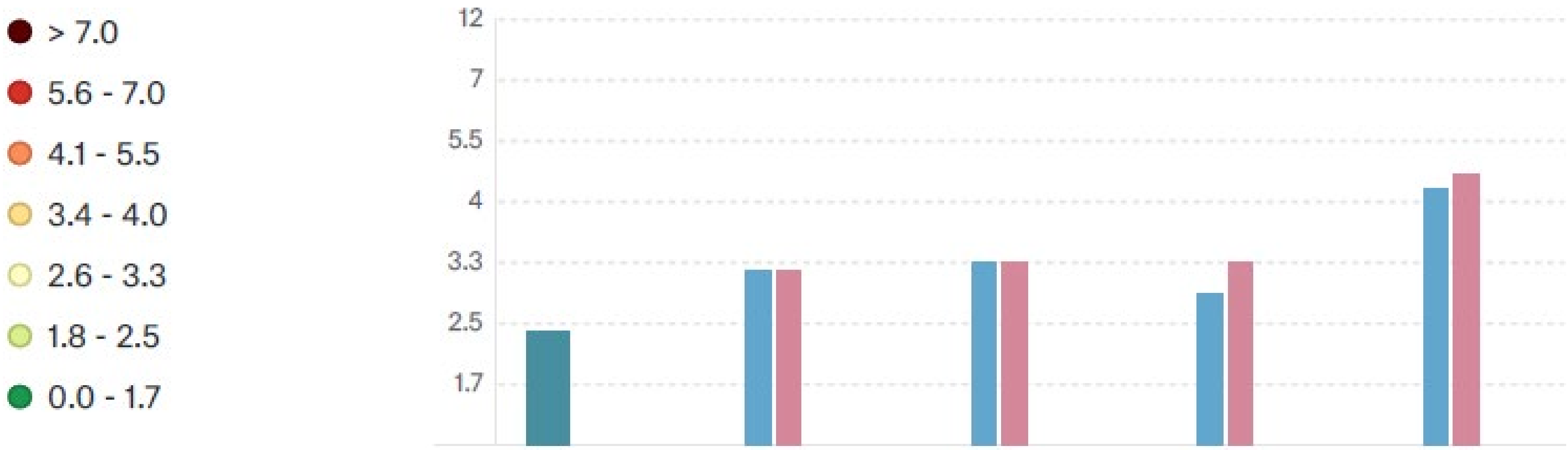
millimeter:	Current	2030	2040	2050	2100
SSP1-/ RCP2.6	35.6	▲ 39.3	▲ 39.5	▲ 40.1	▲ 39.6
SSP2-/ RCP4.5		▲ 38.2	▲ 39.1	▲ 40.9	▲ 41.0
SSP3-/ RCP7.0		▲ 38.6	▲ 39.7	▲ 40.5	▲ 43.8
SSP5-/ RCP8.5		▲ 39.0	▲ 39.8	▲ 40.8	▲ 46.2

Annual Precipitation



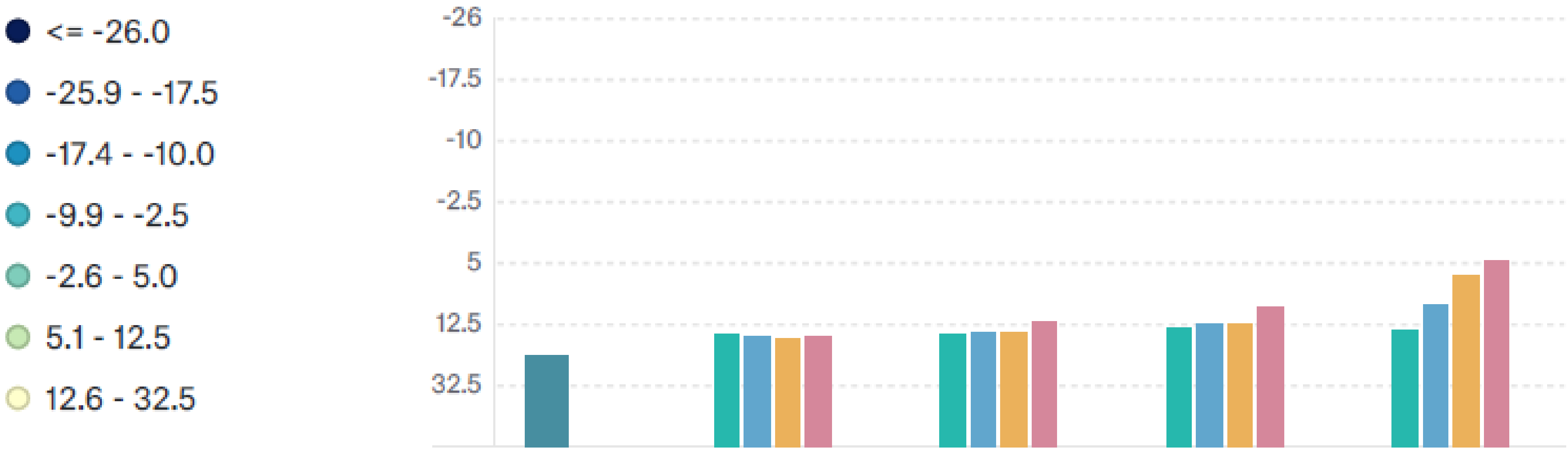
millimeter:	Current	2030	2040	2050	2100
SSP1-/ RCP2.6	949.3	▲ 982.8	▲ 995.9	▲ 997.7	▲ 1014.0
SSP2-/ RCP4.5		▲ 977.9	▲ 983.7	▲ 1000.4	▲ 1020.2
SSP3-/ RCP7.0		▲ 979.0	▲ 978.0	▲ 1001.3	▲ 1043.9
SSP5-/ RCP8.5		▲ 983.0	▲ 1001.9	▲ 1015.3	▲ 1075.2

Drought Duration Year



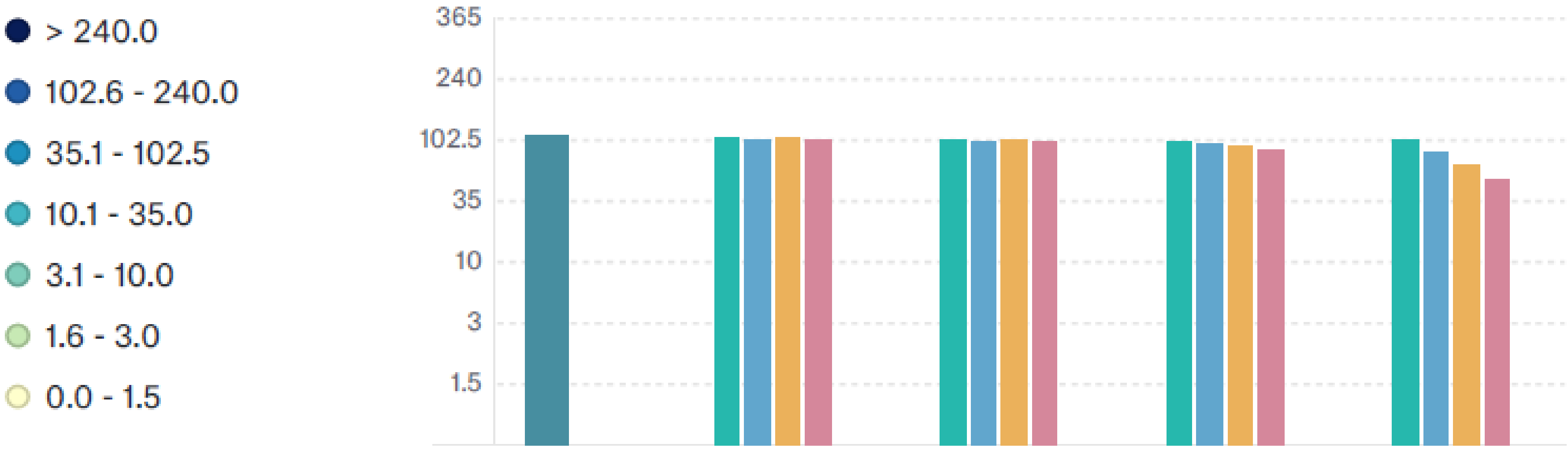
time interval:	Current	2030	2040	2050	2100
SSP2-/ RCP4.5	2.4	▴ 3.2	▴ 3.3	▴ 2.9	▴ 4.3
SSP5-/ RCP8.5		▴ 3.2	▴ 3.3	▴ 3.3	▴ 4.7

Annual Minimum Temperature



degree celsius:	Current	2030	2040	2050	2100
SSP1-/ RCP2.6	-21.8	▲ -19.0	▲ -19.0	▲ -18.1	▲ -18.3
SSP2-/ RCP4.5		▲ -19.3	▲ -18.5	▲ -17.4	▲ -15.0
SSP3-/ RCP7.0		▲ -19.4	▲ -18.7	▲ -17.4	▲ -11.4
SSP5-/ RCP8.5		▲ -19.1	▲ -17.2	▲ -15.4	▲ -9.6

Frost Days



time interval:	Current	2030	2040	2050	2100
SSP1-/ RCP2.6	114.2	▾ 105.7	▾ 104.1	▾ 101.7	▾ 101.9
SSP2-/ RCP4.5		▾ 104.3	▾ 101.5	▾ 97.6	▾ 88.0
SSP3-/ RCP7.0		▾ 106.4	▾ 101.8	▾ 95.8	▾ 74.1
SSP5-/ RCP8.5		▾ 103.9	▾ 99.6	▾ 92.4	▾ 59.0

Preventative measures

- CURIE's policy has coverage for the protection and preservation of property
- Expenses incurred by the school in taking reasonable and necessary action to temporarily protect and preserve property will be added to the total amount of the loss

Available Resources

1. Institute for Catastrophic Loss Reduction (ICLR)

The Institute's mission is to reduce the loss of life and property caused by severe weather and earthquakes through the identification and support of sustained actions that improve society's capacity to adapt to, anticipate, mitigate, withstand and recover from natural disasters.

iclr.org

Various whitepapers and resources including:

i. How to inspect and maintain your commercial roof

ii. Protect your business from hail

iii. Nine budget-friendly ways to prepare your commercial building for the winter season

iv. Protect your business from floods

v. Protect your business from heavy rains

2. Public Infrastructure Engineering Vulnerability Committee (PIEVC)

Engineering assessments of vulnerabilities of Canada's Public infrastructure to the impacts of climate change. **PIEVC is <u>freely</u> available, at no charge, for any public infrastructure in Canada.**

pievc.ca

PIEVC Infographic

Questions

Conclusion

Potential climate change impacts of “secondary perils”

Long-term changes in temperature and precipitation, as well as increased frequency and severity of weather events such as severe rainstorms and extreme winter cold snaps.

Rapid changes in temperature that will stress infrastructure and heating and cooling systems within buildings

Understand impacts of new technology (innovations vs loss potential)

BOARD OF GOVERNORS

Audit & Finance Committee

Minutes of the Public Session of the Meeting of April 11, 2024
2:01 – 3:58 p.m., videoconference

Members: Carla Carmichael (Chair), Laura Elliott, Dale MacMillan, Steven Murphy

Regrets: Mitch Frazer, Kim Slade, Roger Thompson

Staff: Kirstie Ayotte, Jamie Bruno, Jacquelyn Dupuis, Sara Gottlieb, Barbara Hamilton, Krista Hester, Lori Livingston, Brad MacIsaac, Sarah Thrush,

Guests: Dwight Thompson (guest governor), Chelsea Bauer, Mikael Eklund

1. Call to Order

The Chair called the meeting to order at 2:01 p.m. and read aloud the land acknowledgment.

2. Agenda

Upon a motion duly made by D. MacMillan and seconded by L. Elliott, the Agenda was approved as presented.

3. Conflict of Interest Declaration

None.

4. Chair's Remarks

The Chair welcomed everyone to the Audit & Finance (A&F) meeting and began by regretfully informing the group of Roger Thompson's resignation from the Board. She highlighted his valuable contributions and insight over the years and expressed appreciation for his knowledge and insight noting his presence will be missed. She noted the fullness of the agenda today, and the importance of the budget discussion.

5. President's Remarks

The President provided an overview of the current financial landscape, emphasizing government funding and the impact of tuition freezes. He highlighted that tuition would remain frozen for another three years, following a previous cut and subsequent freeze in 2019. He cautioned against relying solely on tuition due to its fixed nature, and noted that while the proposed new government grants may seem substantial, they become less significant when divided over three years and among numerous institutions. Additionally, he discussed the uncertainty regarding international student intake, noting that the government has permitted the University to admit the same number of students as last year, with no allowance for growth. Despite this limitation, efforts will be made to maintain intake levels from the previous year, however, the recruitment cycle has been disrupted by delays, presenting challenges in filling international student spaces. He then noted the end of the semester and academic year and highlighted recent celebrations of student athletes' achievements and teaching excellence. Despite uncertainties, he expressed confidence in the University's value proposition and ability to navigate challenges ahead.

In response to a question regarding the immigration process for international students once they have been accepted, and if the acceptance is for the full duration of their degree program, B. MacIsaac confirmed the permit is usually for the full duration of the program, assuming the student maintains full-time enrollment. Another inquiry was made about the influence of attrition rates on the intake of international students. S. Thrush clarified that non-converted students are lost from the potential pool, highlighting the importance of optimizing conversion rates by carefully evaluating offers to prospective students.

6. Finance

6.1. Approval of the 2024-2027 Budget

The Committee Chair provided opening remarks on the 2024-2027 Budget, noting the sector is being challenged with rapid changes and uncertainties. She reiterated the importance of keeping abreast of the information and asking questions.

L. Livingston highlighted the current unpredictability in the fiscal environment, contrasting it with a previously stable system. She noted the challenges that the President outlined previously in his remarks and emphasized the daily emergence of new challenges, making the future fiscal landscape unclear. As a result, she highlighted a shift in budgeting approach towards ensuring fiscal sustainability.

S. Thrush began the Budget presentation noting the enrollment plan is conservatively optimistic and that it assumes meeting domestic intake targets while adjusting international targets due to expected caps. Delays in program approvals and increased competition, especially for international students, directly impacts domestic applications. She noted that the plan projects growth in student numbers from 2023 to 2026, while carefully managing risks to balance goals with challenges.

B. MacIsaac delivered a comprehensive overview of the 2024-2027 budget, highlighting the University's use of a modified cash basis for financial presentations noting that the presentation omitted items such as amortization and investment income. He continued by emphasizing the exclusion of restricted funds, particularly the significant research enterprise budgeted for next year and recognized enrollment targets are just estimates that could be more than three percent off in any given year. The presentation offered a consolidated perspective, detailing the allocation of ancillary fees and operating budgets with a focus on much of the budget being committed to base expenditures.

B. MacIsaac highlighted the creation of a risk contingency fund to accommodate potential revenue growth, pointing out the revenue-boosting role of tuition through additional students. However, he also acknowledged a potential decline in international tuition if they cannot obtain study permits. He completed his report by noting the current shortfall in setting aside planned reserves for future large expenses and projected the impact of current decisions on future finances. He addressed misconceptions about university reserves and highlighted the need for reserves to cover a number of items such as required maintenance costs. Financial indicators underscore the need to bolster reserves to mitigate risk and maintain autonomy.

L. Livingston thanked B. MacIsaac and S. Thrush for the presentation and, moving forward, noted that the focus is on maintaining a growth strategy while actively and aggressively pursuing all available funding opportunities.

A discussion then ensued on the proposed budget. In response to several questions, B. MacIsaac clarified the distinction between testing and monitoring assumptions, noting that testing occurs before implementing new models and monitoring will involve ongoing assessment and adjustment based on real-time data. He highlighted key dates in the enrollment cycle such as registration windows for different cohorts and the monitoring process that allows the budget working group to gauge enrollment consistency.

The group also emphasized the uncertainty surrounding government funding levels and the importance of updating budget projections based on changes in grant allocations. B. MacIsaac noted regular bi-weekly meetings of the budget working group where they review recent developments and adjust plans accordingly.

S. Thrush expanded on the discussion by elaborating on the sensitivity analysis conducted during enrollment planning, which assesses factors like enrollment caps and intake strategy changes on revenue projections, identifying areas of variability helps the budget working group make decisions to mitigate risks and optimize revenue.

In response to a question regarding process for reserve allocation, B. MacIsaac advised the budget working group reviews all requests, with anything over four million dollars requiring approval from the Board Audit & Finance Committee.

S. Thrush responded to a question regarding Ministry approvals for new programs by pointing out the coordination required to manage the time needed to allow for both the university’s academic approval processes and the Ministry’s review and approval prior to launching new programs. Revenue projections are based on estimated enrollments of program and there are several checks and balances in place, including academic governance processes and resource requirements for faculty to ensure the success of new programs.

Upon a motion duly made by D. MacMillan and seconded by L. Elliott, pursuant to the recommendation of management, that the Audit & Finance Committee recommends to the Board of Governors approval of the 2024-2025 budget and approval in principle of the budgetary projections for 2025-2026 and 2026-2027.

6.2. Budget Allocation Model

S. Thrush detailed efforts to enhance understanding of revenue and cost drivers within the university's operating budget through the activity-based budgeting (ABB) model at the faculty levels. ABB facilitates the alignment of funding with program costs and priorities, as well as providing an understanding of the financial implications of enrollment changes. The model encompasses operating revenue sources such as tuition, fees, grants, and service teaching adjustments that promote interdisciplinary collaboration. She discussed the distribution of revenues and costs across faculties, noting the primary objective is to initiate conversations, optimize resource allocation and to better understand the impact of enrollment shifts and program changes. ABB is a tool to inform budget allocation decisions and provide transparency on revenue and costs.

A fulsome discussion ensued after the presentation addressing concerns about ABB implementation. While acknowledging its benefits, caution was noted against rapid expansion into areas where the cost-benefit ratio may not be favourable and emphasized the administrative burden and challenges of comparing incomparable elements.

7. Investment Oversight – Endowment Disbursement

B. MacIsaac presented the Investment Oversight Endowment Disbursement and drew attention to more money being invested into scholarships.

Upon a motion duly made by S. Murphy 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 $790,000 from the University's endowed fund and unrestricted expendable sources for distribution by Financial Aid in 2024-25.

8. Debt Policy

8.1. Debt Policy

B. MacIsaac presented the Debt Policy noting that this has come from the Auditor General report requesting a written guideline.

Upon a motion duly made by D. MacMillan and seconded by L. Elliott, the Audit and Finance Committee hereby recommends the Debt Management Policy as presented, for approval by the Board of Governors.

8.2. Capital Policy

B. MacIsaac presented the Capital Policy, which also follows the Auditor General's suggestion to require a formal business case for infrastructure projects over four million dollars. This formalization also includes adopting a campus master plan to be reviewed every five years.

Upon a motion duly made by S. Murphy and seconded by L. Elliott, the Audit and Finance Committee hereby recommends the Capital Policy as presented, for approval by the Board of Governors.

8.3. Signing Authority and Contracts Policy

B. MacIsaac presented the Signing Authority and Contracts Policy noting no major changes to the policies. It is a combination of four policies/procedures into two for administrative ease and some clarification on the approval tables based on feedback from users.

Upon a motion duly made by D. MacMillan and seconded by L. Elliott, the Audit & Finance Committee hereby approves the Signing Authority and Approval of Expenditures Procedures, as presented, and recommends the Contract Management and Signing Authority Policy, as presented, for approval by the Board of Governors.

9. Consent Agenda

9.1. Minutes of Public Session of A&F Meeting of February 15, 2024

9.2. Credit Rating Update

Upon a motion duly made by D. MacMillan and seconded by L. Elliott, the Consent Agenda was approved as presented.

10. Adjournment

There being no other business, upon a motion duly made, by D. MacMillan the meeting adjourned at 3:58 p.m.

Krista Hester, Interim University Secretary

Audit & Finance Committee

2023-2024 Annual Report

Ontario Tech University

2023-2024 Work Plan

MANDATE-DRIVEN PRIORITIES

Financial Statements 2023-24

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

Audited Financial Statements 2023-24

- Engagement Audit Plan
- Audited financial statements
- Receipt of Audit Findings Report
- Auditor appointment/re-appointment

Budget for 2023-24

- Update on assumptions, targets & outcomes
- Enrolment updates
- Multi-year financial model & forecasting
- Recommendation of 2024-25 budget to Board of Governors
- Recommendation of endowment disbursement

Budget for 2025-26; 2026-27

- Recommended approval in principle of budgetary projections

2023-2024 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

- Continue to reduce reliance on leases and temporary space
- Commencing of RFP Process for Student Housing project

Student fees

- Recommendation of tuition & ancillary fees for 2024-2025

2023-2024 Work Plan

MANDATE-DRIVEN PRIORITIES

Investment Committee Oversight

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

Policy Development & Review

- Endowment Policy
- Signing Authority & Contracts Policy
- Debt Policy
- Capital Policy

Accomplishments

Terms of Reference

- Reviewed committee Terms of Reference

Financial & Audit

- Committee reviewed & discussed quarterly reports, allowing for ongoing assessment of opportunities & risks
- Conducted auditor performance review
- Received credit rating update
- Recommended disbursement of up to $790,000 from the Endowment Funds to be distributed as awards in 2024-25

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
- Continued updates to the 2022 Auditor General's Value for Money Audit
- Received report on Ontario Internal Audit of the University with all items either substantially or fully implemented

Accomplishments

Budget for 2024-2025

- Recommended the 2024-2025 budget for approval by the Board
- Recommended the 2024-25 tuition & ancillary fees amendments for approval by the Board

Budget for 2025-26, 2026-27

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

Accomplishments

Investment Oversight

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

Risk Management & Compliance

- Receipt of the third Freedom of Expression Policy Annual Report
- Oversight of the continued development of the University Risk Management (URM) framework
- 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:

- Endowment Policy
- Signing Authority & Contracts Policy
- Debt Policy
- Capital Policy

In Progress

Financial

- Continued oversight of the University's debenture strategy

Risk Management & Compliance

- Enterprise Risks
- 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

- Under review

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:		**ACTION REQUESTED:**	
Public	☒	**Decision**	☐
Non-Public	☐	**Discussion/Direction**	☐
		Information	☒

TO: **Audit & Finance Committee**

DATE: **June 13, 2024**

FROM: **Niall O'Halloran, Manager, Privacy & Policy**

SLT LEAD: **Sara Gottlieb, General Counsel**

SUBJECT: **Annual Policy Update**

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 first approved in November 2014. The implementation of the Policy Framework has been a change management project. The project has necessitated educating the community not only on a new set of consultation, review and approval processes, as well as on the importance of policies for efficiency and communication across the university.

Policy Update

- Since June 1, 2023, a total of 4 new and 14 amended policy instruments have been approved in accordance with the Policy Framework, down from 23 new or amended instruments last year.
- The table below tracks support of policy instrument development provided over the past five years.

TABLE 1: Overall Policy Support 2019-20 to 2023-24

Year	Drafting	Recommendations	Advice
2019-20	18	54	10
2020-21	21	11	25
2021-22	18	16	25
2022-23	6	12	19
2023-24	24	7	9

TABLE 2: Policy Support by Unit June 1, 2023 to May 31, 2024

Unit	Drafting	Recommendations	Advice
University Secretary and General Counsel	9		
Research Services		3	2
Advancement	3		
Continuous Learning	5	2	
Finance	2	2	
Graduate Studies			1
Registrar’s Office			6
Provost’s Office	5		

SUPPORTING DOCUMENTS:

- Schedule A List of Policy Instrument approvals

Schedule A – List of Policy Instrument Approvals

1. Undergraduate Academic Appeals Policy (Academic Council, January 23, 2024)
2. Undergraduate Academic Appeals Procedure (Undergraduate Studies Committee, December, 2023)
3. Capital Projects Policy (Board of Governors, April 19, 2024) *
4. Procedures for Consideration of Missed In-Term Course Work and Examinations (Academic Council, September 26, 2023)
5. Debt Management Policy (Board of Governors, April 19, 2024) *
6. Endowment Management Policy (Board of Governors, November 30, 2023)
7. Endowment Management Procedures (Audit & Finance Committee, November 23, 2023)
8. Examination and Grading Policy (Academic Council, June 2025)
9. Expenses Procedures (Administrative Leadership Team, July 1, 2023)
10. Procedures for Final Examination Administration (Graduate Studies Committee & Undergraduate Studies Committee, November 28, 2023)
11. Grading System and Academic Standing Policy (Undergraduate) (Academic Council, March 26, 2024)
12. Policy on Micro-credentials and Continuous Learning Offerings (Academic Council, November 28, 2023)[1]
13. Policy on Micro-credentials and Continuous Learning Offerings (Editorial Amendments, December 20, 2023)
14. Nursing Pre-Practicum Math Assessment – Process (Faculty Council, December 6, 2023)
15. Contract Management and Signing Authority Policy (Board of Governors, April 19, 2024) *[2]
16. Signing Authority and Expenditure Procedures (Audit & Finance Committee, April 11, 2024) *[3]
17. University Building Naming Policy (Editorial Amendment, June 27, 2023)
18. Course Nomenclature Directives (Academic Council, May 28, 2024)

[*] New Policy

[1] Replaces separate Policy on Continuing Education Programs Policy and Not-for-Academic Credit Digital Badges, Microcredentials, and Stackable Credentials Policy

[2] Replaces separate Contract Management Policy and Signing Authority Policy

[3] Replaces separate Expenditure Signing Authority Procedures and Legal Commitments Signing Authority Procedures

COMMITTEE REPORT

SESSION:		ACTION REQUESTED:	
Public	☒	Decision	☐
Non-Public	☐	Discussion/Direction	☐
		Information	☒

TO: Audit & Finance Committee

DATE: June 13, 2024

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

SLT LEAD: Sara Gottlieb, General Counsel

SUBJECT: Privacy Report

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.
- The university submits statistical reports to the Information and Privacy Commissioner each year concerning compliance activities under FIPPA and, since last year, PHIPA. These reports include the number of access to information requests completed and certain details about each request.
- The Privacy Office is monitoring Bill 194 which includes proposed amendments to FIPPA, including mandatory reporting of privacy breaches, a standard for notifying individuals affected by a privacy breach, and the mandatory completion of Privacy

Impact Assessments (PIAs). Privacy Office practices will be assessed and modified to comply with the new requirements

- The table below sets out the number of FIPPA and PHIPA access to information requests, Privacy Impact Assessments (PIAs), and privacy investigations during the 2023 calendar year with a comparison to the three previous years:

TABLE 3: Privacy Activity by year, calendar year 2020-2023

Category	Calendar year 2021	Calendar year 2022	Calendar year 2023	YTD 2024
Requests for personal information	2	2	2	1
Requests for general information	1	7	2*	4
FIPPA Appeals	2	6	4	2
Requests for Personal Health Information	-	2	0	0
Informal Requests resolved by USGC	8	13	15	4
3rd party notifications	1	3	1	0
Privacy Impact Assessments	3	6	22	11
Breaches investigated	12	10	10^	1

*4 closed in CY 2022
^ includes one breach of PHI reported to the IPC

- Four requests for General Records were carried over for completion in the 2024 calendar year. These requests are pending the submission of a deposit by the requester.