

Consolidated Financial Statements of

ONTARIO TECH UNIVERSITY

For the year ending March 31, 2021

ONTARIO TECH UNIVERSITY
Consolidated Financial Statements
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For the year ended March 31, 2021

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INDEPENDENT AUDITORS' REPORT

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

Opinion

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

- the consolidated statement of financial position as at March 31, 2021
- the consolidated statement of operations for the year then ended
- the consolidated statement of changes in net assets for the year then ended
- the consolidated statement of cash flows for the year then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at March 31, 2021, and its consolidated results of operations and its consolidated cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Opinion

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

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

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



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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

We also:

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

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



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

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, stylized font and is underlined with a single horizontal stroke.

Chartered Professional Accountants, Licensed Public Accountants

Vaughan, Canada

June 24, 2021

ONTARIO TECH UNIVERSITY
Consolidated Statement of Financial Position
As at March 31, 2021

	<u>March 31, 2021</u>	<u>March 31, 2020</u>
Assets		
Current assets:		
Cash and cash equivalents (Note 2)	\$ 53,127,071	\$ 42,339,591
Short-term investments (Note 3)	-	7,052,500
Grant receivable	12,658,992	9,183,463
Other accounts receivable (allowance for doubtful accounts - \$1,289,137; 2020 - \$284,258)	5,343,153	8,543,271
Prepaid expenses and deposits	2,176,575	2,270,296
Inventories	5,131	57,736
	73,310,922	69,446,857
Investments (Note 4)	31,947,275	26,137,454
Other investments (Note 5)	(189,539)	-
Other assets (Note 6)	2,000,007	-
Capital assets (Note 7)	405,978,815	396,612,877
Total assets	\$ 513,047,480	\$ 492,197,188
Liabilities and Net Assets		
Current Liabilities:		
Accounts payable and accrued liabilities (Notes 8 and 15)	\$ 32,995,232	\$ 27,506,321
Deferred revenue (Note 9)	28,244,367	22,206,208
Current portion of other long-term debt (Note 10)	124,683	124,398
Current portion of obligations under capital lease (Note 11)	913,057	780,186
Current portion of long-term debenture debt (Note 12)	6,985,660	6,562,273
	69,262,999	57,179,386
Other long-term debt (Note 10)	176,842	301,526
Long-term portion of obligations under capital lease (Note 11)	35,260,768	36,173,825
Long-term debenture debt (Note 12)	144,557,828	151,543,488
Deferred capital contributions (Note 13)	161,007,867	162,196,325
	410,266,304	407,394,550
Net Assets		
Unrestricted	1,230,263	4,503,900
Invested in capital assets (Note 16)	57,073,574	39,173,784
Internally restricted (Note 17)	20,127,039	17,588,839
Endowments (Note 18)	24,350,300	23,536,115
	102,781,176	84,802,638
Contingencies and Contractual Commitments (Note 20)		
Guarantee (Note 21)		
Financial instrument risks (Note 22)		
Total liabilities and Net Assets	\$ 513,047,480	\$ 492,197,188

See accompanying notes to the consolidated financial statements

Approved by:

ONTARIO TECH UNIVERSITY
Consolidated Statement of Operations
For the year ended March 31, 2021

	<u>2021</u>	<u>2020</u>
REVENUE		
Grants - operating and research (Note 14)	\$ 79,858,276	\$ 75,291,973
Grants - debenture (Note 12)	13,500,000	13,500,000
Donations	2,809,372	1,865,031
Student tuition fees	79,533,170	77,110,475
Student ancillary fees	11,742,375	14,455,394
Revenues from purchased services (Note 15)	231,084	3,264,721
Other income	10,533,381	14,093,323
Amortization of deferred capital contributions (Note 13)	9,612,290	9,559,062
Interest revenue	1,131,979	1,585,822
Unrealized gain/(loss) on investments	4,947,519	(2,356,163)
	213,899,446	208,369,638
EXPENSES		
Salaries and benefits	113,242,751	114,363,321
Student aid, financial assistance and awards	12,719,669	12,839,158
Supplies and expenses	23,280,870	30,760,072
Purchased services (Note 15)	11,691,399	14,051,255
Interest expense - debt obligations	12,843,504	13,306,043
Interest expense - other	86,544	136,784
Amortization of capital assets	23,090,067	23,751,966
Professional fees	1,282,451	1,639,964
Loss on other investments	189,639	-
Loss on disposal of assets	327,862	77,809
	198,754,756	210,926,372
Excess of revenue over expenses / expenses over revenue	\$ 15,144,690	\$ (2,556,734)
<i>See accompanying notes to the consolidated financial statements</i>		

ONTARIO TECH UNIVERSITY
Consolidated Statement of Changes in Net Assets
As at March 31, 2021

	<u>Unrestricted</u>	<u>Invested in Capital Assets</u> (Note 16)	<u>Internally Restricted</u> (Note 17)	<u>Endowments</u> (Note 18)	<u>Total 2021</u>	<u>Total 2020</u>
Balance - Beginning of Year	\$ 4,503,900	\$ 39,173,784	\$ 17,588,839	\$ 23,536,115	\$ 84,802,638	\$ 85,838,659
Excess / (deficiency) Revenue over Expenses	28,622,467	(13,477,777)	-	-	15,144,690	(2,556,734)
Interfund Transfer - Endowment	-	-	(135,337)	135,337	-	-
Interfund Transfer	(2,673,537)	-	2,673,537	-	-	-
Investment in Capital Assets	(29,222,567)	29,222,567	-	-	-	-
Endowment Contributions	-	-	-	678,848	678,848	1,520,713
Donation of assets	-	2,155,000	-	-	2,155,000	-
Net changes during the year	(3,273,637)	17,899,790	2,538,200	814,185	17,978,538	(1,036,021)
Balance - End of Year	\$ 1,230,263	\$ 57,073,574	\$ 20,127,039	\$ 24,350,300	\$ 102,781,176	\$ 84,802,638

See accompanying notes to the consolidated financial statements

ONTARIO TECH UNIVERSITY
Consolidated Statement of Cash Flows
As at March 31, 2021

	<u>March 31, 2021</u>	<u>March 31, 2020</u>
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES		
OPERATING		
Excess of revenue over expenses	\$ 15,144,690	\$ (2,556,734)
Items not affecting cash:		
Amortization of capital assets	23,090,067	23,751,966
Amortization of deferred capital contributions	(9,612,290)	(9,559,062)
Unrealized (gain)/loss on investments	(4,947,519)	2,356,163
Loss on other investments	189,639	-
Loss on disposal of assets	327,862	77,809
Life insurance policy	(1,594,872)	-
	22,597,577	14,070,142
Working capital:		
Grant and other accounts receivable	(275,411)	(1,826,010)
Prepaid expenses and deposits	93,721	(103,546)
Inventories	52,605	75,608
Accounts payable and accrued liabilities	5,488,911	(2,107,717)
Deferred revenue	6,038,159	1,906,343
	33,995,562	12,014,820
INVESTING		
Purchase of capital assets	(29,799,566)	(28,535,264)
Proceeds on disposal of capital assets	130,699	189,832
Investments	6,190,098	8,187,340
Other assets	(405,135)	-
	(23,883,904)	(20,158,092)
FINANCING		
Repayment of long-term debt	(6,686,672)	(6,288,685)
Endowment contributions	678,848	1,520,713
Repayment of obligations under capital leases	(780,186)	(642,338)
Deferred capital contributions	7,463,832	10,656,184
	675,822	5,245,874
NET CASH INFLOW / (OUTFLOW)	10,787,480	(2,897,398)
CASH & CASH EQUIVALENTS BALANCE, BEGINNING OF YEAR	42,339,591	45,236,989
CASH & CASH EQUIVALENTS BALANCE, END OF YEAR	\$ 53,127,071	\$ 42,339,591
SUPPLEMENTARY CASH FLOW INFORMATION		
Interest paid	\$ 13,036,906	\$ 13,485,807
Life insurance policy	\$ 1,594,872	-
Donation of building	\$ 960,000	-
Donation of land	\$ 2,155,000	-

See accompanying notes to the financial statements

ONTARIO TECH UNIVERSITY
Notes to the Consolidated Financial Statements
For the year ended March 31, 2021

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

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

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

1. SIGNIFICANT ACCOUNTING POLICIES AND DISCLOSURES

(a) Basis of presentation

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

On March 10, 2020, Ontario Tech Talent was incorporated as a separate legal entity with a fiscal year ended March 31st. Its purpose is to provide students and new graduates with opportunities to enhance their job readiness skills and improve employment prospects, and also to help alumni and community members remain current in the ever-changing job market by providing reskilling and upskilling. Ontario Tech Talent is controlled by the University and its financial results to March 31, 2021 are accounted for using the equity method, whereby the investment is carried in the University’s financial statements initially at cost, and includes the share of earnings or loss.

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

(b) Revenue recognition

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

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

Student fees are recognized as revenue when courses are provided.

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

1. SIGNIFICANT ACCOUNTING POLICIES AND DISCLOSURES (continued)

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

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

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

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

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

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

(c) Cash and cash equivalents

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

(d) Financial instruments

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

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

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

1. SIGNIFICANT ACCOUNTING POLICIES AND DISCLOSURES (continued)

(e) Long-term debt

The University carries long-term debt at amortized cost.

(f) Inventories

Inventories are valued at the lower of cost and net realizable value. Cost is determined on a first-in, first-out basis.

(g) Capital assets

Purchased capital assets are recorded at cost less accumulated amortization. Contributed capital assets are recorded at fair value at the date of contribution when fair value is reasonably determinable. Otherwise, contributed assets are recorded at a nominal amount. Betterments, which extend the estimated useful life of an asset, are capitalized. When a capital asset no longer contributes to the University's ability to provide services, its carrying amount is written down to its residual value. Capital assets are amortized on a straight-line basis over their useful lives, which have been estimated to be as follows:

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

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

Costs for the new A5 building currently under construction, are being allocated to its separable component parts with differing estimated useful life. Amortization of the separable components will start upon completion of the construction and occupancy of the building, expected to be in September 2021.

(h) Deferred capital contributions

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

1. SIGNIFICANT ACCOUNTING POLICIES AND DISCLOSURES (continued)

(i) Contributed goods and services

The University receives a number of contributed goods and services from individuals, corporations and community partners. Because of the difficulty in determining the fair value, contributed services are not recognized in the Consolidated Financial Statements. Contributed goods which are measurable and would have otherwise been purchased for use in the normal course of operations, are recognized in the Consolidated Financial Statements.

(j) Use of estimates

The preparation of Consolidated Financial Statements requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the Consolidated Financial Statements, and the reported amounts of revenue and expenses during the year. Significant estimates includes the carrying value of capital assets. Actual results could differ from these estimates.

2. CASH AND CASH EQUIVALENTS

	<u>2021</u>	<u>2020</u>
Bank of Montreal, cash balances	\$ 45,316,861	\$ 22,938,173
BMO Nesbitt Burns high interest savings account	7,196,840	18,605,727
Royal Bank of Canada, cash balances	5,177	6,556
Harris Bank, cash balances	506,348	461,370
Other, balances	101,845	327,765
	<u>\$ 53,127,071</u>	<u>\$ 42,339,591</u>

The University has a credit facility agreement with a Canadian chartered bank, which provides for a revolving operating line of credit up to \$17,000,000, bearing interest at prime plus 0.25%. At March 31, 2021, the University utilized, on a cash consolidated basis, nil (2020 - nil) of the operating line of credit.

On January 7, 2021 the University entered into a credit facility agreement with a Canadian chartered bank, which provides for a construction non-revolving term facility of \$25,000,000 by way of a bankers' acceptance loan plus a credit spread of 0.49%. The University will commence drawing down on this loan in May 2021.

The construction loan is fully repayable on September 30, 2021 as which time the University will enter into a 25-year bankers' acceptance loan hedged with an interest rate swap facility for the long-term financing of the new A5 building, at a fixed swap rate of 2.59% plus a credit spread of 0.49%.

ONTARIO TECH UNIVERSITY
Notes to the Consolidated Financial Statements
For the year ended March 31, 2021

3. SHORT-TERM INVESTMENTS

Short-term investments are NIL (2020 - \$7,052,500) as balances at BMO Nesbitt Burns are currently invested in a high interest savings account and therefore accounted for as cash and cash equivalents.

4. INVESTMENTS

	2021		2020	
	Cost	Fair Value	Cost	Fair Value
Equities	\$ 17,385,678	\$ 21,365,171	\$ 16,898,745	\$ 16,299,624
Fixed income	10,083,684	10,165,176	9,200,627	9,281,327
Money Market/Cash	416,928	416,928	556,503	556,503
	\$ 27,886,290	\$ 31,947,275	\$ 26,655,875	\$ 26,137,454

Financial instrument risks are disclosed in Note 22, under “Financial instruments and related risks”.

5. OTHER INVESTMENTS

Other investments comprise of a wholly owned investment in Ontario Tech Talent. Investment as at March 31, 2021 is a loss of \$189,539 (2020 – NIL) which includes the initial investment in Ontario Tech Talent of 100 shares valued at \$100, net of the loss in the current year of \$189,639 (2020 – NIL).

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

	2021	2020
Total assets	\$ 340,040	\$ 100
Total liabilities	529,579	-
Shareholders' equity		
- 100 common shares	100	100
- Net loss for the year	(189,639)	-
	\$ 340,040	\$ 100
Results of operations:		
Total revenue	2	-
Total expenses	189,641	-
Net loss	\$ (189,639)	\$ -

Included in the total liabilities of Ontario Tech Talent is a related party transaction of \$405,135 (2020 – NIL), representing the draw of a credit facility with the University to fund the start-up costs of Ontario Tech Talent. Interest on this credit facility is at prime rate plus 0.25%.

ONTARIO TECH UNIVERSITY
Notes to the Consolidated Financial Statements
For the year ended March 31, 2021

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 cash surrender value of \$1,594,872.

7. CAPITAL ASSETS

Capital assets consist of:

	2021			2020
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	\$ 10,286,815	\$ -	\$ 10,286,815	\$ 8,131,815
Buildings	425,652,694	142,191,174	283,461,520	293,246,937
Building renovations	31,780,946	22,170,071	9,610,875	10,707,639
Leasehold improvements	3,541,889	1,868,643	1,673,246	1,803,960
Parking	1,299,410	244,790	1,054,620	1,119,591
Furniture and fixtures	19,985,762	17,730,324	2,255,438	2,832,780
Laptops	12,937,770	12,067,257	870,513	1,663,572
Vehicles	288,467	196,910	91,557	86,345
Computer equipment	22,462,556	19,260,661	3,201,895	3,752,276
Major equipment	80,367,904	64,251,772	16,116,132	19,409,669
Construction-in-progress	46,457,945	-	46,457,945	22,284,707
	<u>\$ 655,062,158</u>	<u>\$ 279,981,602</u>	<u>\$ 375,080,556</u>	<u>\$ 365,039,291</u>
Assets under capital leases:				
Land	2,300,000	-	2,300,000	2,300,000
Buildings	35,689,192	7,090,933	28,598,259	29,273,586
Total	<u>\$ 693,051,350</u>	<u>\$ 287,072,535</u>	<u>\$ 405,978,815</u>	<u>\$ 396,612,877</u>

Included in land and buildings are the donations of specific assets to the University: in the current fiscal year 2021 (Land \$270,000 and Buildings \$960,000) and in 2010 (Land \$300,000 and Buildings \$1,550,000). Donated assets other than non-depreciables such as land, are amortized as per note 1(g) under “Significant accounting policies and disclosures”.

In addition, 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 is \$4,365,000. The net difference of \$1,885,000 in the fair market values of the respective properties is included in land.

Amortization of assets under capital leases for the current year totaled \$675,327 (2020 - \$675,327).

ONTARIO TECH UNIVERSITY
Notes to the Consolidated Financial Statements
For the year ended March 31, 2021

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Included in accounts payable and accrued liabilities are government remittances payable of \$181,166 (2020 – \$177,045).

9. DEFERRED REVENUE

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

	<u>2021</u>	<u>2020</u>
Tuition	\$ 9,380,653	\$ 8,027,877
Research	10,028,107	8,321,859
Donations	3,254,554	2,587,092
Ancillary fees	995,207	1,097,889
Other	4,585,846	2,171,491
	<u>\$ 28,244,367</u>	<u>\$ 22,206,208</u>

10. OTHER LONG-TERM DEBT

The University has incurred debts in the amount of \$301,525 through third parties related to improvements in our downtown locations. Other long-term debt comprised the following:

	<u>2021</u>	<u>2020</u>
Unsecured loans, payable monthly/ annually over a period of 1 - 21 years and at interest rates ranging from 0% to 9.3%	301,525	425,924
	<u>\$ 301,525</u>	<u>\$ 425,924</u>

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

2022	\$ 124,683
2023	3,533
2024	3,876
2025	4,252
2026	4,665
Thereafter, through 2042	160,516
	<u>301,525</u>
Less: current portion	124,683
	<u>\$ 176,842</u>

10. OTHER LONG-TERM DEBT (continued)

The fair value of the other long-term debt is approximately \$452,000 (2020 - \$556,000). 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.

11. OBLIGATIONS UNDER CAPITAL LEASES

The University entered into capital leasing arrangements on two properties in downtown Oshawa to accommodate the growth in student population. Capital lease repayments are due as follows:

2022	\$ 3,931,876
2023	3,960,219
2024	3,988,846
2025	4,017,759
2026	4,112,219
Thereafter, through 2041	53,359,700
Total minimum lease payments	73,370,619
Less: amount representing interest at rates ranging from 6.50% to 9.30%	37,196,794
Present value of net minimum capital lease payments	36,173,825
Less: current portion of principal obligations	913,057
	<u>\$ 35,260,768</u>

Interest of \$3,081,277 (2020 - \$3,132,050) relating to capital lease obligations has been included in interest expense. The total cost of assets under capital leases is \$37,989,192 (2020 - \$37,989,192) with related accumulated amortization of \$7,090,933 (2020 - \$6,415,606).

The fair value of the capital leases is approximately \$36,670,000 (2020 - \$38,683,000). 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.

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12. LONG-TERM DEBENTURE DEBT

On October 8, 2004, the University issued Series A Debentures in the aggregate principal amount of \$220,000,000. These debentures bear interest at 6.351%, payable semi-annually on April 15 and October 15, with the principal due in 2034. The proceeds of the issuance were used to finance capital projects including the construction of three Academic Buildings, a Library and related infrastructure. These debentures are secured by all assets of the University and are guaranteed by Durham College.

The debt is funded through special one-time grants from the Ministry of Colleges and Universities ("MCU"), and by the University's operating funds.

On August 12, 2011, an agreement was signed between the University and MCU whereby the Ministry shall pay the University \$13,500,000 each year in equal semi-annual payments of \$6,750,000 in April and October to fund the repayment of the debentures. The agreement took effect on April 1, 2011 and the grant will continue until the maturity of the debentures in October 2034.

Total principal and interest paid on the debenture to March 31, 2021 is \$264,016,094 (2020 - \$247,515,088), \$209,987,712 funded by MCU and \$54,028,382 funded by the University.

As at March 31, 2021, \$217,431,043 (2020 - \$217,431,043) had been used to finance capital assets.

Total principal repayments for debenture debt are as follows:

2022	\$ 6,985,660
2023	7,436,364
2024	7,916,146
2025	8,426,883
2026	8,970,572
Thereafter, through 2034	111,807,863
Total minimum payments	151,543,488
Less: current portion	6,985,660
	<u>\$ 144,557,828</u>

The fair value of the long-term debenture debt is approximately \$187,866,000 (2020 - \$194,294,000). 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.

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13. 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 A5 building currently under construction. In November 2020, the OTSU transferred \$3,000,000 of this one-time fee to the University. This fee is included in the consolidated financial statements as a deferred capital contribution as the funding is directed to financing the construction.

The changes in the balance consist of the following:

	<u>2021</u>	<u>2020</u>
Balance - beginning of year	\$ 162,196,325	\$ 161,099,203
Contributions	7,463,832	10,656,184
Donated building	960,000	-
Recognized as revenue during the year	(9,612,290)	(9,559,062)
Balance - end of year	<u>\$ 161,007,867</u>	<u>\$ 162,196,325</u>

14. GRANT REVENUES – OPERATING AND RESEARCH

Grant revenues consist of the following:

	<u>2021</u>	<u>2020</u>
Operating	\$ 67,220,501	\$ 64,046,170
Externally funded research	12,637,775	11,245,803
Total grant revenues	<u>\$ 79,858,276</u>	<u>\$ 75,291,973</u>

15. 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.

In the current year, the bookstore and food services, once managed by Durham College, are now outsourced to third party service providers.

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15. PURCHASED SERVICE COSTS (continued)

The balance owing to Durham College for their share of the Collaborative Nursing program, included in accounts payable and accrued liabilities, is non-interest bearing and will be paid at the end of the next fiscal year.

16. INVESTED IN CAPITAL ASSETS

Investment in capital assets represents the following:

	2021	2020
Capital assets - net book value	\$ 405,978,815	\$ 396,612,877
Less amount financed by deferred capital contributions	(161,007,867)	(162,196,325)
Less amount financed by long-term debt (Notes 10, 11 and 12)	(187,897,374)	(195,242,768)
Total investment in capital assets	\$ 57,073,574	\$ 39,173,784

	2021	2020
Net change in investment in capital assets:		
Purchases of capital assets	\$ 29,799,566	\$ 28,535,264
Donated land	2,155,000	-
Donated building	960,000	-
Amounts funded by:		
Deferred capital contributions	(7,463,832)	(10,656,184)
Donated building	(960,000)	-
Repayment of long-term debt	6,886,833	6,541,920
	\$ 31,377,567	\$ 24,421,000

	2021	2020
Amortization of deferred capital contributions related to capital assets	\$ 9,612,290	\$ 9,559,062
Less amortization of capital assets	(23,090,067)	(23,751,966)
	\$ (13,477,777)	\$ (14,192,904)

17. INTERNALLY RESTRICTED NET ASSETS

Internally restricted net assets are funds restricted by the University and approved by the Board for future commitments for the appropriation of internally-funded research and for projects to improve and invest in the University's campus facilities, working capital and student aid. Re-purposing or increasing such restrictions is subject to Board approval.

Details of the internally restricted net assets are as follows:

	<u>2021</u>	<u>2020</u>
Balance is comprised of the following:		
Research funds (a)	\$ 5,107,430	\$ 4,700,130
Capital projects (b)	1,120,562	2,939,883
Student assistance and related funds (c)	2,488,415	2,397,536
Working capital (d)	6,000,000	6,000,000
Learning re-imagined (e)	2,410,632	1,154,500
Digital and physical infrastructure re-imagined (f)	2,750,000	-
One-time only budget allocations (g)	250,000	396,790
	<u>\$ 20,127,039</u>	<u>\$ 17,588,839</u>

- (a) Research funds represent unspent start-up and professional development funds of individual members funded by Operations, and as provided by their collective agreement.
- (b) Capital projects represent internally restricted funds for university-wide and ancillary operations, in support of deferred maintenance, renovations and capital projects.
- (c) Student assistance and related funds includes the unspent operating funds and expendable portion of unrestricted donations in support of financial assistance to students. It also includes unspent student fees such as the athletic fee and the student services fee.
- (d) Working capital represents internally restricted funds set aside to improve the financial sustainability of the University, as mandated by the Ministry.
- (e) Learning re-imagined represents amounts which have been allocated in support of the academic plan and to enhance the "pedagogy-technology" interface with the aim of providing skilled support for our students, staff and faculty. It also includes recruitment and student success initiatives.
- (f) Digital and physical infrastructure re-imagined are funds restricted to enhance the virtual and physical campus.
- (g) One-time only budget allocations approved for specific initiatives. For 2021, funds have been set aside for potential additional COVID-19 costs.

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18. ENDOWMENTS

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

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

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

The balance of endowments consists of the following:

	<u>2021</u>	<u>2020</u>
OSOTF	\$ 1,995,123	\$ 2,007,717
OTSS	17,834,242	17,660,963
Other	4,520,935	3,867,435
	<u>\$ 24,350,300</u>	<u>\$ 23,536,115</u>

The change in the balance of endowments is as follows:

	<u>2021</u>	<u>2020</u>
Endowment fund balance, beginning of year	\$ 23,536,115	\$ 21,843,288
Donations	724,575	1,333,985
Realized gains	256,466	226,255
Realized investment income	544,054	625,847
Income distributions	(710,910)	(493,260)
Endowment fund balance, end of year	<u>\$ 24,350,300</u>	<u>\$ 23,536,115</u>

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18. ENDOWMENTS (continued)

As per the Ministry of Colleges and Universities policies, the transactions related to OSOTF and OTTS should be presented in these financial statements, for the year ended March 31, 2021.

	OSOTF	OTTS	Total 2021	Total 2020
Schedule of Changes in Endowment Fund Balance				
Endowment balance, beginning of year	\$ 1,664,223	\$ 15,556,822	\$ 17,221,045	\$ 16,574,532
Eligible cash donations	-	111,720	111,720	452,373
Preservation of capital	8,750	94,341	103,091	194,140
Endowment fund balance, end of year	<u>\$ 1,672,973</u>	<u>\$ 15,762,883</u>	<u>\$ 17,435,856</u>	<u>\$ 17,221,045</u>

Schedule of Changes in Expendable Funds

Available for Awards	OSOTF	OTTS	Total 2021	Total 2020
Expendable balance, beginning of year	\$ 343,494	\$ 2,104,141	\$ 2,447,635	\$ 2,338,741
Realized investment income	57,406	609,869	667,275	737,794
Less: Preservation of capital	(8,750)	(94,341)	(103,091)	(194,140)
Bursaries awarded	(70,000)	(548,310)	(618,310)	(434,760)
Expendable balance, end of year	<u>\$ 322,150</u>	<u>\$ 2,071,359</u>	<u>\$ 2,393,509</u>	<u>\$ 2,447,635</u>
Total funds, end of year	<u>\$ 1,995,123</u>	<u>\$ 17,834,242</u>	<u>\$ 19,829,365</u>	<u>\$ 19,668,680</u>

In the current year, 409 bursaries valued at \$710,910 were disbursed from the total endowed funds (2020 – 277 bursaries valued at \$493,260).

19. 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 \$6,963,749 (2020 - \$6,353,112).

20. CONTINGENCIES AND CONTRACTUAL COMMITMENTS

(a) Contingencies

The University has been named as the defendant in certain legal actions, in which damages have been sought. Provision for losses that are probable and for which an amount can be reasonably estimated are included in these financial statements.

The outcome of actions that are not determinable as at March 31, 2021 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, 2021 are as follows:

2022	\$	1,728,406
2023		1,712,583
2024		1,226,820
2025		1,001,820
2026		1,012,262
Thereafter		1,790,670
	\$	<u>8,472,561</u>

(c) Other

On July 24, 2020, the University entered into a land exchange agreement with the City of Oshawa. The appraised fair market value of the City of Oshawa property is \$6,250,000 and that of the University is \$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.

21. 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 A5 building currently under construction. 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.

22. 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 16.2% (2020 – 0.0% to 16.2%) and have maturity dates ranging from April 1, 2021 to December 31, 2099 (2020 - April 1, 2020 to December 31, 2099).

Credit risk refers to the risk that a counterparty may default on its contractual obligations, resulting in a financial loss. The University is exposed to credit risk with respect to investments and accounts receivable. The University assesses, on a continuous basis, accounts receivable and provides for any amounts that are not collectible in the allowance for doubtful accounts.

(b) Foreign currency risk

The University is exposed to financial risks as a result of exchange rate fluctuations and the volatility of these rates. The University, through its investment management advisors, hedges against foreign exchange risks. There has been no change in the University's hedging policy from 2020.

(c) Market price risk

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

(d) Liquidity risk

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

23. IMPACT OF COVID-19 PANDEMIC

In March 2020, the World Health Organization declared the spread of the coronavirus (COVID-19) to constitute a global pandemic and this has had a significant financial, market and social dislocating impact. As a result of the pandemic, the University limited only essential services to the campus facilities. Using its current technology infrastructure, academic courses were delivered on-line and staff worked from home.

Despite the roll-out of many vaccines, uncertainty remains as a result of the onset of many variants of the coronavirus and the impact that this might have on a return to campus and on travelling international students.

Management has considered the consequences of COVID-19, and has determined that they do not create a material uncertainty that casts significant doubt upon the University's ability to continue as a going concern as the University has a strong working capital base and access to sufficient liquid resources to see through operations in the coming year.

24. COMPARATIVE INFORMATION

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