

Financial Statements of

**ONTARIO COLLEGE OF ART &  
DESIGN UNIVERSITY**

And Independent Auditor's Report thereon

Year ended May 31, 2024



## **KPMG LLP**

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# **INDEPENDENT AUDITOR'S REPORT**

To the Board of Governors of the  
Ontario College of Art & Design University

## ***Opinion***

We have audited the financial statements of the Ontario College of Art & Design University (the Entity), which comprise:

- the statement of financial position as at May 31, 2024
- the statement of operations and unrestricted net assets for the year then ended
- the statement of changes in net assets 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 significant accounting policies

(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 May 31, 2024, and its results of operations and its 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 "***Auditor's Responsibilities for the Audit of the Financial Statements***" section of our auditor's 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.

## ***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 or 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 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 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.

- 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.



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- 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.
- 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, slightly slanted style. Below the signature is a horizontal line that starts under the 'K' and ends under the 'P', with a small upward tick at the end.

Chartered Professional Accountants, Licensed Public Accountants

Vaughan, Canada

October 7, 2024

# ONTARIO COLLEGE OF ART & DESIGN UNIVERSITY

## Statement of Financial Position

May 31, 2024, with comparative information for 2023

	2024	2023
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 22,821,526	\$ 27,705,205
Restricted cash (note 3(b))	17,249,002	21,497,329
Accounts receivable (net of allowance for doubtful accounts of \$4,900,432 (2023 - \$4,405,232)) (notes 11(b) and 17(b))	5,038,132	5,555,518
Deposits and other	2,272,784	2,076,190
	<hr/> 47,381,444	<hr/> 56,834,242
Investments (note 3)	27,691,922	24,303,128
Restricted investments (note 3(b))	17,574,992	10,756,675
Investment in joint ventures (note 4)	4,991,354	4,907,142
Capital assets (note 5)	92,690,400	94,196,487
Due from related party (OCAD U Co. Foundation) (net of allowance for doubtful accounts of \$411,524 (2023 - \$411,524)) (note 11)	528,376	542,064
	<hr/> \$ 190,858,488	<hr/> \$ 191,539,738

## Liabilities and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities (note 6)	\$ 17,305,654	\$ 19,099,182
Deferred revenue	7,620,586	8,127,213
Other deferred contributions (notes 7 and 13)	14,876,741	17,196,356
Current portion of long-term debt (note 9)	1,130,368	1,085,154
	<hr/> 40,933,349	<hr/> 45,507,905
Deferred capital contributions (note 8)	68,409,662	68,516,952
Long-term debt (note 9)	23,305,862	24,416,230
	<hr/> 132,648,873	<hr/> 138,441,087
Net assets:		
Unrestricted	941,475	739,000
Internally restricted (note 10)	35,396,040	32,784,416
Endowments (notes 12 and 13)	21,872,100	19,575,235
	<hr/> 58,209,615	<hr/> 53,098,651
Contingencies and commitments (note 16)		
	<hr/> \$ 190,858,488	<hr/> \$ 191,539,738

See accompanying notes to financial statements.

On behalf of the Board:

\_\_\_\_\_ Governor

\_\_\_\_\_ Governor

# ONTARIO COLLEGE OF ART & DESIGN UNIVERSITY

## Statement of Operations and Unrestricted Net Assets

Year ended May 31, 2024, with comparative information for 2023

	2024	2023
<b>Revenue:</b>		
Provincial grants	\$ 27,982,854	\$ 28,095,342
Student fees	64,480,201	61,474,222
Research contributions	5,196,013	4,918,331
Class fees and supply sales	846,019	499,998
Realized gain on investment	3,578,223	2,538,959
Unrealized gain (loss) on investment (note 2(c))	832,060	(235,233)
General donations	1,654,449	1,396,353
Bursary and scholarship donations (note 13)	1,297,792	885,338
Amortization of deferred capital contributions (note 8)	3,037,993	3,002,772
Other	3,959,373	4,010,722
	<u>112,864,977</u>	<u>106,586,804</u>
<b>Expenses:</b>		
Salaries and benefits (note 14)	69,956,094	63,352,630
Academic support non-compensation	12,064,956	11,253,463
Other costs	6,667,305	5,683,235
Bursaries and scholarships	2,343,919	1,839,777
Facility operations	12,937,780	12,500,352
Amortization of capital assets	4,611,888	4,479,331
Interest (note 9(c))	1,468,936	1,543,429
	<u>110,050,878</u>	<u>100,652,217</u>
Excess of revenue over expenses	2,814,099	5,934,587
Transfer to internally restricted net assets (note 10)	(2,611,624)	(5,790,859)
Change in unrestricted net assets/surplus	202,475	143,728
Unrestricted net assets, beginning of year	739,000	595,272
Unrestricted net assets, end of year	<u>\$ 941,475</u>	<u>\$ 739,000</u>

See accompanying notes to financial statements.

# ONTARIO COLLEGE OF ART & DESIGN UNIVERSITY

## Statement of Changes in Net Assets

Year ended May 31, 2024, with comparative information for 2023

2024	Unrestricted	Internally restricted	Endowments (note 12)	Total
Net assets, beginning of year	\$ 739,000	\$ 32,784,416	\$ 19,575,235	\$ 53,098,651
Excess of revenue over expenses	2,814,099	–	–	2,814,099
Endowment contributions	–	–	857,394	857,394
Net changes in endowment fund activities (note 12(b))	–	–	1,439,471	1,439,471
Board-approved interfund transfer (note 10)	(2,611,624)	2,611,624	–	–
<b>Net assets, end of year</b>	<b>\$ 941,475</b>	<b>\$ 35,396,040</b>	<b>\$ 21,872,100</b>	<b>\$ 58,209,615</b>

  

2023	Unrestricted	Internally restricted	Endowments (note 12)	Total
Net assets, beginning of year	\$ 595,272	\$ 26,993,557	\$ 19,896,698	\$ 47,485,527
Excess of revenue over expenses	5,934,587	–	–	5,934,587
Endowment contributions	–	–	366,279	366,279
Net changes in endowment fund activities (note 12(b))	–	–	(687,742)	(687,742)
Board-approved interfund transfer (note 10)	(5,790,859)	5,790,859	–	–
<b>Net assets, end of year</b>	<b>\$ 739,000</b>	<b>\$ 32,784,416</b>	<b>\$ 19,575,235</b>	<b>\$ 53,098,651</b>

See accompanying notes to financial statements.

# ONTARIO COLLEGE OF ART & DESIGN UNIVERSITY

## Statement of Cash Flows

Year ended May 31, 2024, with comparative information for 2023

	2024	2023
Cash provided by (used in):		
Operating activities:		
Excess of revenue over expenses	\$ 2,814,099	\$ 5,934,587
Items not involving cash:		
Amortization of capital assets	4,611,888	4,479,331
Amortization of deferred capital contributions	(3,037,993)	(3,002,772)
Equity from joint ventures	(84,212)	(694,425)
Deferred capital contributions recognized as revenue related to expenses recorded in statement of operations	(314,450)	(563,012)
Realized gain on investment	3,578,223	2,538,959
Unrealized gain (loss) on investment	832,060	(235,233)
	8,399,615	8,457,435
Net change in non-cash working capital balances related to operations:		
Increase in deposits and other	(196,594)	(483,830)
Decrease (increase) in accounts receivable	517,386	(17,351)
Decrease (increase) in due from OCAD U Co. Foundation	13,688	(13,688)
Increase (decrease) in accounts payable and accrued liabilities	(1,793,468)	2,920,073
Decrease in deferred revenue	(506,627)	(87,211)
Increase (decrease) in other deferred contributions	(2,319,675)	465,915
	(4,285,290)	2,783,908
	4,114,325	11,241,343
Financing activities:		
Endowment contributions	857,394	366,279
Capitalization of investment income in endowments	2,409,513	294,845
Endowment disbursements	(970,042)	(982,587)
Restricted contributions received for capital purposes	3,245,153	4,039,517
Repayment of long-term debt	(1,065,154)	(1,013,582)
	4,476,864	2,704,472
Investing activities:		
Purchase of capital assets	(3,105,801)	(4,399,748)
Net change in investments	(7,799,077)	(2,826,191)
	(10,904,878)	(7,225,939)
Increase (decrease) in cash and cash equivalents	(2,313,689)	6,719,876
Cash and cash equivalents, beginning of year	59,959,209	53,239,333
Cash and cash equivalents, end of year	\$ 57,645,520	\$ 59,959,209
Comprised of:		
Cash and cash equivalents	\$ 22,821,526	\$ 27,705,205
Restricted cash and cash equivalents	17,249,002	21,497,329
Restricted investments	17,574,992	10,756,675
	\$ 57,645,520	\$ 59,959,209

See accompanying notes to financial statements.



# ONTARIO COLLEGE OF ART & DESIGN UNIVERSITY

Notes to Financial Statements

Year ended May 31, 2024

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## 1. Purpose of the Organization:

Ontario College of Art & Design University commenced operations in 1876 and was continued under the Ontario College of Art & Design Act in 2002. Bill 43, enacted June 8, 2010, the Post-secondary Educational Statute Law Amendment Act, included provisions to change the name of the Ontario College of Art & Design to Ontario College of Art & Design University (the "University"). The University is dedicated to providing post-secondary education to artists and designers.

The University is a charitable organization and, as such, is exempt from income taxes under the Income Tax Act (Canada).

## 2. Significant accounting policies:

These financial statements are prepared in accordance with Part III of the Chartered Professional Accountants of Canada ("CPA Canada") Handbook - Accounting, which sets out generally accepted accounting principles for not-for-profit organizations in Canada and includes the significant accounting policies summarized below:

### (a) Revenue recognition:

The University follows the deferral method of accounting for contributions, which include grants and donations. Grants and donations are recognized in the accounts when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Other donations are recorded when received as pledges are not legally enforceable claims. Unrestricted contributions are recognized as revenue when initially received. Externally restricted contributions, except endowment contributions, are deferred and recognized as revenue in the year in which the related expenses are recognized. Externally restricted endowment contributions are recognized as direct increases in net assets.

Fees are recognized when the services have been provided.

Investment income, which consists of interest, dividends, income distributions from pooled funds, and realized and unrealized gains and losses, is recorded in the statement of operations and unrestricted net assets, except to the extent it is externally restricted; in which case, it is deferred and recognized as revenue in the year when the restriction is met.

# ONTARIO COLLEGE OF ART & DESIGN UNIVERSITY

Notes to Financial Statements (continued)

Year ended May 31, 2024

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## 2. Significant accounting policies (continued):

### (b) Cash and cash equivalents:

Cash and cash equivalents consist of cash on deposit and short-term investments with maturities of less than 90 days at the date of purchase. Cash and cash equivalents exclude amounts that are managed for returns rather than being held for liquidity.

### (c) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. 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, unless management has elected to carry the instruments at fair value. The University has elected to carry fixed income investments at fair value based on quoted bid prices.

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.

# ONTARIO COLLEGE OF ART & DESIGN UNIVERSITY

Notes to Financial Statements (continued)

Year ended May 31, 2024

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## 2. Significant accounting policies (continued):

Derivative financial instruments are contracts that require or provide the opportunity to exchange cash flows or payments determined by applying certain rates, indices or changes to notional contract amounts. When these instruments have been designated as effective hedges, they are not recorded in the accounts. Hedges are documented at inception, detailing the particular risk management objective and the strategy for undertaking the hedge transaction. The documentation identifies the liability being hedged, the type of derivative used and how effectiveness is measured. The derivative must be highly effective in accomplishing the objective of offsetting changes in cash flows attributable to the risk being hedged both at inception and over the life of the hedge. Derivative transactions that do not qualify for hedge accounting are carried at fair value, with changes in value during the year recorded as revenue or expenses.

### (d) Capital assets:

Land is carried at cost. Purchased capital assets are recorded at acquisition cost. Donated capital assets are capitalized at fair market value at the date of contribution. Capital assets are amortized on a straight-line basis over the estimated useful lives of the assets as follows:

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#### Tangible

Buildings and building improvements	20 - 40 years
Equipment and furnishings	8 years
Computer equipment	5 years
Leasehold improvements	Term of lease

#### Intangible

Enterprise Resource Planning ("ERP") Solution	20 years
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There were no temporary or partial impairments or disposals of assets during the year. Amortization is not recognized until project completion.

### (e) Employee future benefits:

Contributions to a defined contribution pension plan are expensed on an accrual basis.

# ONTARIO COLLEGE OF ART & DESIGN UNIVERSITY

Notes to Financial Statements (continued)

Year ended May 31, 2024

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## 2. Significant accounting policies (continued):

(f) Contributed materials and services:

Donors contribute an indeterminable amount of materials and services each year. Because of the difficulty of determining their fair value, contributed materials and services are not recognized in these financial statements.

(g) Allocation of costs:

Academic and non-academic expenses and facility management and operating costs presented in the statement of operations and unrestricted net assets include the costs of personnel and other expenses that are directly related to the function. General support and other costs are not allocated.

(h) Investment in joint ventures:

The University elected to account for the investment in joint ventures (note 4) by using the equity method, whereby the investment is carried in the financial statements at cost plus post-acquisition changes in the University's share of operation.

(i) Related party transactions:

The University is related to a joint venture (note 4) of which the University has a 50% interest. Related party transactions between the two organizations are recorded at the exchange amount, which is the consideration established and agreed upon by the related parties.

The University is also related to OCAD U Co. Foundation (the "Foundation") which was established as a separate entity from the University during 2019. The Foundation is the beneficiary to the OCAD U Co. Corp. (the "Corporate Trustee" or the "Trust") and as such any expenses from the Trust are recorded in the financial statements of the Foundation. The difference between the revenue and expenses for the year has been recorded as a receivable on the University's statement of financial position (note 11).

# ONTARIO COLLEGE OF ART & DESIGN UNIVERSITY

Notes to Financial Statements (continued)

Year ended May 31, 2024

## 2. Significant accounting policies (continued):

### (j) Use of estimates:

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Estimates include allowance for doubtful accounts, certain accounts receivable and accrued liabilities, and carrying values of investment in joint ventures and capital assets. Actual results could differ from those estimates.

## 3. Investments:

Investments consist of the following:

### (a) Investments:

	2024		2023	
	Fair value	Cost	Fair value	Cost
Canadian equities	\$ 6,149,980	\$ 2,689,746	\$ 5,294,596	\$ 2,316,225
Non-Canadian equities	6,458,735	3,167,138	6,300,583	2,775,825
International equities	4,966,177	4,468,248	4,697,636	4,367,245
Fixed income	6,976,077	6,980,498	6,186,644	6,472,513
Money market	3,140,953	3,139,184	1,823,669	1,816,399
	<u>\$ 27,691,922</u>	<u>\$ 20,444,814</u>	<u>\$ 24,303,128</u>	<u>\$ 17,748,207</u>

(i) To the extent that total investments exceed the total of unspent deferred capital contributions (note 8) and fair market value of the investments held for endowments (note 12), the difference is recorded as short-term investments.

(ii) As at May 31, 2024, fixed income securities have a weighted average yield of 4.43% (2023 - 4.67%) and a weighted average term to maturity of 6.54 years (2023 - 5.52 years).

# ONTARIO COLLEGE OF ART & DESIGN UNIVERSITY

Notes to Financial Statements (continued)

Year ended May 31, 2024

### 3. Investments (continued):

(b) Restricted cash and investments:

	2024		2023	
	Fair value	Cost	Fair value	Cost
Canadian equities	\$ 2,913,060	\$ 2,747,606	\$ 2,453,557	\$ 2,498,580
Non-Canadian equities	2,802,539	2,732,506	2,665,038	2,893,034
International equities	1,786,404	1,807,672	1,559,793	1,719,723
Fixed income	3,575,996	3,634,383	3,292,052	3,523,238
Money market	995,769	993,638	786,235	784,811
Cash and cash equivalents	5,501,224	5,501,224	—	—
	17,574,992	17,417,029	10,756,675	11,419,386
Cash and cash equivalents	17,249,002	17,249,002	21,497,329	21,497,329
	\$ 34,823,994	\$ 34,666,031	\$ 32,254,004	\$ 32,916,715

Restricted cash and investments consist of cash and investments, which have been internally restricted by the University's Board of Governors.

(i) As of May 31, 2024, fixed income securities have a weighted average yield of 4.29% (2023 - 4.54%) and weighted average term of 7.59 years (2023 - 6.49 years).

### 4. Investment in joint ventures:

The University has a 50% joint venture investment at 205 Richmond Street. In 2020, the University also had a remaining 50% joint venture investment in 230/240 Richmond Street, which was sold on May 5, 2020.

(a) 230/240 Richmond Street Joint Venture:

On May 5, 2020, the University disposed of the 50% interest of the property. The proceeds of this transaction of \$31,646,535 are internally restricted for the purposes of future capital improvements and leveraging working capital and are included under restricted cash and investments on the statement of financial position. The net gain on disposal realized on the transaction of \$15,279,907 is included in internally restricted net assets on the statement of financial position for future capital improvements and leveraging working capital (note 10).

# ONTARIO COLLEGE OF ART & DESIGN UNIVERSITY

Notes to Financial Statements (continued)

Year ended May 31, 2024

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#### 4. Investment in joint ventures (continued):

Included in facility management and operating expense is \$2,190,627 (2023 - \$2,031,561) of rent and utilities paid.

##### (b) 205 Richmond Street Joint Venture:

Pursuant to a joint venture agreement dated August 1, 2017, the University conveyed its 50% interest in the 205 Richmond Street property to the joint venture. The joint venture has a December 31 year end and follows Canadian accounting standards for private enterprises of the CPA Canada Handbook.

As at and for the year ended May 31, 2024, the University's interest in the joint venture is summarized as follows:

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	2024	2023
Total assets	\$ 11,691,973	\$ 11,915,506
Total liabilities	6,061,633	6,294,379
Total shareholders' equity	5,630,340	5,621,127
Revenue	892,522	1,409,532
Expenses	808,310	715,107

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Corresponding with the conveyance of the 50% interest of the property, the University immediately entered into an agreement to lease the property back from the joint venture for 20 years. The gain on disposal realized on this transaction is deferred (note 7) and is being recorded in the statement of operations and unrestricted net assets in proportion to the rental payments over the lease term of 20 years. The future lease commitments under the arrangement are disclosed in note 16(b).

Included in facility management and operating expense is \$2,394,779 (2023 - \$2,116,764) of rent paid to the joint venture.

# ONTARIO COLLEGE OF ART & DESIGN UNIVERSITY

Notes to Financial Statements (continued)

Year ended May 31, 2024

## 5. Capital assets:

			2024	2023
	Cost	Accumulated amortization	Net book value	Net book value
<b>Tangible</b>				
Land	\$ 666,000	\$ –	\$ 666,000	\$ 666,000
Buildings and building improvements	141,699,946	59,525,921	82,174,025	83,443,564
Equipment and furnishings	15,425,787	12,971,745	2,454,042	2,206,872
Computer equipment	12,120,545	11,528,881	591,664	714,599
Leasehold improvements	5,235,024	1,928,300	3,306,724	3,355,639
<b>Intangible</b>				
ERP Solution	6,237,260	2,739,315	3,497,945	3,809,813
	<b>\$ 181,384,562</b>	<b>\$ 88,694,162</b>	<b>\$ 92,690,400</b>	<b>\$ 94,196,487</b>

## 6. Accounts payable and accrued liabilities - government remittances payable:

As at May 31, 2024, accounts payable and accrued liabilities include government remittances payable of \$1,403,260 (2023 - \$789,611).

## 7. Other deferred contributions:

Other deferred contributions represent unspent resources externally restricted for program expenses in future years and a portion of the gain deferred on the sale leaseback transaction (note 4). Changes in the deferred contributions balance are as follows:

	2024	2023
Balance, beginning of year	\$ 17,196,356	\$ 16,730,441
Amounts received	14,944,930	16,145,571
Amounts recognized as revenue	(17,264,545)	(15,679,656)
<b>Balance, end of year</b>	<b>\$ 14,876,741</b>	<b>\$ 17,196,356</b>



# ONTARIO COLLEGE OF ART & DESIGN UNIVERSITY

Notes to Financial Statements (continued)

Year ended May 31, 2024

## 8. Deferred capital contributions:

Deferred capital contributions represent the unamortized amount of donations and grants received for the purchase of capital assets. The amortization of deferred capital contributions is recorded as revenue in the statement of operations and unrestricted net assets. The changes in the deferred capital contributions balance are as follows:

	2024	2023
Balance, beginning of year	\$ 68,516,952	\$ 68,043,219
Contributions restricted for capital purposes	3,245,153	4,039,517
Amortization of deferred capital contributions	(3,037,993)	(3,002,772)
Amount recognized as revenue-related expensed capital items	(314,450)	(563,012)
Balance, end of year	68,409,662	68,516,952
Less unspent capital contributions	731,395	170,843
Accumulated contributions funding capital assets	\$ 67,678,267	\$ 68,346,109

## 9. Debt:

The University has the following outstanding debt:

2024	Current	Long-term	Total
Capital projects:			
Loan facility (a)(i)	\$ 696,000	\$ 12,803,333	\$ 13,499,333
Loan facility (a)(ii)	434,368	10,502,529	10,936,897
Loan facility (a)(iii)	-	-	-
	\$ 1,130,368	\$ 23,305,862	\$ 24,436,230

# ONTARIO COLLEGE OF ART & DESIGN UNIVERSITY

Notes to Financial Statements (continued)

Year ended May 31, 2024

## 9. Debt (continued):

2023	Current	Long-term	Total
Capital projects:			
Loan facility (a)(i)	\$ 677,000	\$ 13,479,333	\$ 14,156,333
Loan facility (a)(ii)	408,154	10,936,897	11,345,051
Loan facility (a)(iii)	—	—	—
	\$ 1,085,154	\$ 24,416,230	\$ 25,501,384

(a) Outstanding debt consists of:

- (i) The University has a term-reducing facility with interest payable at the bankers' acceptance rate plus a fee of 0.79% (2023 - 0.79%) converted to an effective rate of 5.93%, repayable at \$128,000 per month principal and interest. The term of the unsecured loan is 10 years from the date of the drawdown of October 1, 2007 with a 30-year amortization period. The proceeds from the facility were used to finance the Superbuild Expansion Program and acquisition of 205 Richmond Street.

On September 2017, this facility was renewed for 60 months from October 1, 2017 at a rate of 5.14% and a stamping fee of 0.79%.

Effective June 1, 2024, bankers' acceptances will migrate to the Canadian Overnight Repo Rate ("CORRA") administered by the Bank of Canada.

- (ii) The University has a term-reducing facility with interest payable at the bankers' acceptance rate plus a fee of 1.25% (2023 - 1.25%) converted to an effective rate of 5.59%, repayable at \$86,100 per month principal and interest. The term of the unsecured loan is 10 years from the date of the drawdown of March 8, 2010 with a 30-year amortization period. The proceeds from the facility were used to finance a portion of the acquisition of 230/240 Richmond Street.

On February 20, 2020, this facility was renewed for 60 months from March 8, 2020 at a rate of 4.34% and a stamping fee of 1.25%.

Effective June 1, 2024, bankers' acceptances will migrate to the CORRA administered by the Bank of Canada.

# ONTARIO COLLEGE OF ART & DESIGN UNIVERSITY

Notes to Financial Statements (continued)

Year ended May 31, 2024

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## 9. Debt (continued):

(iii) During fiscal year 2016, the University entered into an unsecured demand operating facility available as: (a) loans by way of direct advances with a variable interest based on prime rate, or (b) 28 to 181 day bankers' acceptances with rates calculated on the face amount multiplied by a fraction of which the numerator is equivalent to the term to maturity of such bankers' acceptances expressed in days, and the denominator represents the number of days in each applicable year. Interest is paid monthly and the credit limit is not to exceed \$8,000,000 (2023 - \$8,000,000). Interest on the outstanding unsecured demand operation facility is nil (2023 - nil). The proceeds from the facility are used for the purpose of financing the operating requirements of the University.

The term-reducing facility and demand loan for capital (a)(iii) agreements require the University to comply with certain non-financial covenants and that the University cannot undertake certain transactions without the lender's consent.

(b) In order to manage interest rate exposure, the University has in place interest rate swap agreements (the "Agreements"), designated as hedges of the long-term debt (the "Campus Expansion Loans"), which will expire on October 1, 2037 and March 8, 2040. Under the terms of the Agreements, the University agrees with the counterparty to exchange, at specified intervals and for a specific period, its floating interest for fixed interest calculated on the notional principal amount of the Campus Expansion Loans. The use of the swaps effectively enables the University to convert the floating rate interest obligations of the Campus Expansion Loans into fixed rate obligations and thus, manage its exposure to interest rate cash flow risk. As at May 31, 2024, the Agreements continued to qualify as effective hedge transactions. Having met the criteria to apply hedge accounting, the University has not recognized the fair value of the Agreements in these financial statements.

As at May 31, 2024, the total notional values of the Agreements are \$25,681,737 (2023 - \$26,766,891).

# ONTARIO COLLEGE OF ART & DESIGN UNIVERSITY

Notes to Financial Statements (continued)

Year ended May 31, 2024

## 9. Debt (continued):

(c) The following are the future annual debt principal repayments due over the next five fiscal years and thereafter for the Campus Expansion Loans:

2025	\$	1,150,368
2026		1,216,468
2027		1,279,047
2028		1,361,933
2029		1,437,316
Thereafter		18,257,765
		24,702,897
Less unamortized financing costs		266,667
	\$	24,436,230

The future annual debt repayments are based on the loan terms being co-terminus with the swap amortization periods.

Total interest recognized on an accrual basis in the statement of operations and unrestricted net assets was \$1,468,936 (2023 - \$1,543,429), of which \$1,468,936 (2023 - \$1,543,429) is related to debt initially incurred for a term of more than one year.

## 10. Internally restricted net assets:

Net assets have been internally restricted for the following purposes:

	2024	2023
Capital assets funded by operations	\$ 4,506,244	\$ 4,494,620
Joint venture capital gain proceeds	15,279,907	15,279,907
Inclusive Design Research Centre	609,889	609,889
Financial Sustainability Fund	11,000,000	8,000,000
Student Experience Fund	2,500,000	2,900,000
Revenue Diversification Seed Fund	1,500,000	1,500,000
	\$ 35,396,040	\$ 32,784,416

In fiscal year 2024, the net change in the internally restricted net assets totalled \$2,611,624 (2023 - \$5,790,859).

# ONTARIO COLLEGE OF ART & DESIGN UNIVERSITY

Notes to Financial Statements (continued)

Year ended May 31, 2024

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## 10. Internally restricted net assets (continued):

Internally restricted net assets are funds set aside that reflect the application of the Board of Governors policy.

- (a) Capital assets funded by operations represents the unamortized value of capital assets funded by the University. It excludes those amounts funded through external capital contribution.
- (b) Joint venture capital gain proceeds (part of what is called Restricted Cash and Investments) represents the capital gain that had been taken into income on disposition of the 50% interest in the 230/240 Richmond Street Joint Venture.
- (c) Inclusive Design Research Centre represents the accumulated net revenue from the operation of the Inclusive Design Research Unit.
- (d) The Financial Sustainability Fund provides a means by which to address financial challenges of the University in future years, any allocation from which would be subject to Board of Governors approval.
- (e) A Student Experience Fund has been set aside to provide operating and capital initiatives to enhance the student experience.
- (f) Revenue Diversification Seed Fund has been created to advance initiatives and strategies for revenue diversification aligned with the University mission.

## 11. Related parties:

- (a) OCAD U Co. Foundation is a directly controlled subsidiary, with a Board of Directors appointed by the University, comprised of members that are not independent of the University, and is therefore a related party.

The Foundation was established on May 23, 2019 as a registered charity under the Income Tax Act (Canada). The purpose of the Foundation is to provide funding for the programs at the University.

The accounts of the Foundation are not included in the accompanying financial statements. Funds from the Foundation are directed to the University when approved by the Board of Directors of the Foundation.

# ONTARIO COLLEGE OF ART & DESIGN UNIVERSITY

Notes to Financial Statements (continued)

Year ended May 31, 2024

## 11. Related parties (continued):

As at May 31, 2024, the Foundation's unaudited financial statements are summarized as follows:

	2024	2023
Total assets	\$ 528,376	\$ 542,064
Total liabilities	939,900	953,588
Net assets	\$ (411,524)	\$ (411,524)
Recovery of expenses	\$ 54,751	\$ 54,751
Expenses	54,751	54,751

Total assets include a promissory note receivable from the Trust in the amount of \$500,000 (2023 - \$500,000), bearing interest at 6%, a receivable of \$411,524 (2023 - \$411,524) for 2020 start-up costs due from the Trust, and \$41,064 (2023 - \$41,064) of interest receivable due from the Trust. An allowance for doubtful accounts provision of \$411,524 (2023 - \$411,524) has been applied against the receivable balance from the Trust.

Total liabilities include a promissory note payable to the University of \$500,000 (2023 - \$500,000), bearing interest at 6%, a payable of \$411,524 (2023 - \$411,524) to the University for 2020 start-up costs and \$42,064 (2023 - \$42,064) for interest and accounts payable to the University. During the year, the University charged the Foundation \$54,751 (2023 - \$54,751) of interest.

In prior years, due to the impact of COVID-19 on the operations of OCAD U Co. Corp. that impacted the Foundation, a provision of \$411,524 (2023 - \$411,524) continued to be recorded in allowance for doubtful accounts of the University.

# ONTARIO COLLEGE OF ART & DESIGN UNIVERSITY

Notes to Financial Statements (continued)

Year ended May 31, 2024

## 11. Related parties (continued):

- (b) OCAD U Co. Corp. was established on May 21, 2019 for the purpose of facilitating delivery of executive education programming.

The Board of Directors of the Corporate Trustee is approved by the University's Board of Governors, acting on behalf of the University as sole shareholder, however, a majority of the Trust's Board of Directors is independent of the University. The University does not exercise control over the Corporate Trustee.

The beneficiary of the Trust is the Foundation. Any distributions from the Trust will therefore be recorded in the financial statements of the Foundation.

As at May 31, 2024, the Trust's unaudited financial statements are summarized as follows:

	2024	2023
Total assets	\$ 464,544	\$ 758,014
Total liabilities	2,305,098	2,601,981
Deficit	\$ (1,840,554)	\$ (1,843,967)
Revenue	\$ 1,123,936	\$ 1,442,052
Expenses	1,120,233	1,564,897

The Corporate Trustee is economically dependent on the Foundation.

Total liabilities include a promissory note of \$500,000 (2023 - \$500,000), bearing interest at 6%, payable to the Foundation, accrued net start-up expenses of \$411,524 (2023 - \$411,524) payable to the Foundation, accrued interest of \$41,064 (2023 - \$41,064) to the Foundation; and accrued rent expenses payable to the University of \$570,000 (2023 - \$570,000) and accounts payable to the University of \$685,210 (2023 - \$709,784).

During the year, the University invoiced the Trust \$188,973 for service agreements (2023 - \$222,614).

# ONTARIO COLLEGE OF ART & DESIGN UNIVERSITY

Notes to Financial Statements (continued)

Year ended May 31, 2024

## 11. Related parties (continued):

A receivable of \$1,255,210 (2023 - \$1,279,784) is included in accounts receivable on the University's statement of financial position. During the year, due to the impact of COVID-19 on the operations of the Corporate Trustee, a provision of \$1,202,697 (2023 - \$1,202,697) continued to be recorded in an allowance for doubtful accounts.

## 12. Endowments:

Endowment funds consist of externally or internally restricted contributions received by the University where the endowment principal is required by the donor or the Board of Governors to be maintained permanently. The investment income generated from assets held for endowment purposes must be used in accordance with the various purposes established by the donors or the Board of Governors.

(a) Endowment net assets consist of the following:

	2024	2023
Externally endowed funds with income to be used for donor-restricted purposes	\$ 20,659,514	\$ 18,477,982
Externally endowed funds with income unrestricted	312,933	291,990
Internally endowed restricted funds with income to be used for scholarships and bursaries	899,653	805,263
	<u>\$ 21,872,100</u>	<u>\$ 19,575,235</u>

(b) The change in endowment activities are summarized as follows:

	2024	2023
Unrealized gain (loss) on investments	\$ 1,242,286	\$ (283,602)
Realized gain (loss) on investments	422,255	(26,609)
Capitalization of investment income	744,972	605,059
Management fees	(314,239)	(305,926)
Disbursements	(655,803)	(676,664)
	<u>1,439,471</u>	<u>(687,742)</u>
Endowment contributions	857,394	366,279
	<u>\$ 2,296,865</u>	<u>\$ (321,463)</u>



# ONTARIO COLLEGE OF ART & DESIGN UNIVERSITY

Notes to Financial Statements (continued)

Year ended May 31, 2024

## 13. Ontario government matching programs:

- (a) The University receives and records in its financial statements donations eligible for matching under Government of Ontario matching programs that provide funding for bursaries.
- (b) The following represents the cost and market values of the endowment balance in the first phase of the Ontario Student Opportunity Trust Fund I ("OSOTF I"):

	2024	2023
Endowment balance, at cost, beginning and end of year	\$ 501,887	\$ 501,887
Endowment balance, at market, end of year	\$ 869,210	\$ 810,738

The following is the schedule of changes in expendable funds available for awards of OSOTF I for the year ended May 31. This balance is included in other deferred contributions on the statement of financial position of the University.

	2024	2023
Expendable funds available for awards, beginning of year	\$ 29,389	\$ 35,101
Amount available for spending	30,422	29,389
Bursaries awarded recorded as bursary and scholarship donations	(29,389)	(35,101)
Expendable funds available for awards, end of year	\$ 30,422	\$ 29,389
Number of bursaries awarded	18	22

# ONTARIO COLLEGE OF ART & DESIGN UNIVERSITY

Notes to Financial Statements (continued)

Year ended May 31, 2024

## 13. Ontario government matching programs (continued):

- (c) The Government of Ontario requires separate reporting of balances as at May 31 in connection with the second phase of the Ontario Student Opportunity Trust Fund II ("OSOTF II"). The following represents the cost and market values of the endowment balance of OSOTF II for the year ended May 31:

	2024	2023
Endowment balance, at cost, beginning and end of year	\$ 346,054	\$ 346,054
Endowment balance, at market, end of year	\$ 599,325	\$ 559,009

The following is the schedule of changes in expendable funds available for awards of OSOTF II for the year ended May 31. This balance is included in other deferred contributions on the statement of financial position of the University.

	2024	2023
Expendable funds available for awards, beginning of year	\$ 20,264	\$ 24,202
Amount available for spending	20,976	20,264
Bursaries awarded recorded as bursary and scholarship donations	(20,264)	(24,202)
Expendable funds available for awards, end of year	\$ 20,976	\$ 20,264
Number of bursaries awarded	9	9

# ONTARIO COLLEGE OF ART & DESIGN UNIVERSITY

Notes to Financial Statements (continued)

Year ended May 31, 2024

## 13. Ontario government matching programs (continued):

- (d) The Government of Ontario requires separate reporting of balances as at May 31 and details of the changes in the balances for the year then ended in connection with the Ontario Trust for Student Support ("OTSS").

The following is the schedule of donations received for the years ended May 31:

	2024	2023
Cash donations not eligible for matching	\$ 7,630	\$ 6,751

The following is the schedule of changes in the endowment balance of OTSS, at cost, for the year ended May 31:

	2024	2023
Endowment balance, at cost, beginning of year	\$ 5,919,896	\$ 5,913,145
Cash donations received	7,630	6,751
<b>Endowment balance, at cost, end of year</b>	<b>\$ 5,927,526</b>	<b>\$ 5,919,896</b>
Endowment balance, at market, end of year	\$ 10,254,093	\$ 9,562,885

The following is the schedule of changes in expendable funds available for awards of OTSS for the year ended May 31. The balance is included in other deferred contributions on the statement of financial position of the University.

	2024	2023
Expendable funds available for awards, beginning of year	\$ 346,253	\$ 413,069
Amount available for spending	358,893	346,253
Bursaries awarded recorded as bursary and scholarship donations	(346,253)	(413,069)
<b>Expendable funds available for awards, end of year</b>	<b>\$ 358,893</b>	<b>\$ 346,253</b>
Number of bursaries awarded	158	162

# ONTARIO COLLEGE OF ART & DESIGN UNIVERSITY

Notes to Financial Statements (continued)

Year ended May 31, 2024

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## 14. Salaries and benefits - Pension Plan:

The Ontario College of Art & Design Pension Plan (the "Plan") is a defined contribution plan. The University matches contributions made by members of the Plan and also contributes any further amounts which may be required to defray the administrative and operating expenses of the Plan. In 2024, contributions made by the University to the Plan, as included in salaries and benefits in the statement of operations and unrestricted net assets, \$2,821,020 (2023 - \$2,466,000).

## 15. Canadian Universities Reciprocal Insurance Exchange:

The University became a member of a reciprocal exchange of insurance risks in association with other Canadian universities on January 1, 2008. The Canadian Universities Reciprocal Insurance Exchange ("CURIE") is a self-insurance cooperative and involves a contractual agreement to share the insurable property and liability risks of member universities arising during the period of membership. As a consequence, the University will be eligible to receive its pro rata share of any potential future surplus distribution and will share in any deficits generated by claims arising during the University's period of membership in CURIE. As at December 31, 2023, CURIE was fully funded.

## 16. Contingencies and commitments:

- (a) From time to time, the University is involved in litigation matters arising in the ordinary course of operations. In the opinion of management, the ultimate disposition of these matters will not have a material impact on the University's financial position or results of operations of the University.
- (b) The following are the future minimum annual operating lease payments due over the next five fiscal years and thereafter:

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2025	\$ 3,561,283
2026	3,608,381
2027	3,660,886
2028	3,736,995
2029	3,816,841
Thereafter until 2037	28,362,912
<b>Total</b>	<b>\$ 46,747,298</b>

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# ONTARIO COLLEGE OF ART & DESIGN UNIVERSITY

Notes to Financial Statements (continued)

Year ended May 31, 2024

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## 17. Financial instruments:

The University is exposed to various financial risks through transactions in financial instruments. There has been no significant change to the risk exposure from 2023.

### (a) Market risk:

Market risk arises as a result of trading equities and fixed income securities. Fluctuations in the market expose the University to a risk of loss. The Investment Committee of the University monitors investments decisions and results.

### (b) Credit risk:

The University is exposed to credit risk in connection with its accounts receivable and its fixed income investments because of the risk that one party to the financial instrument may cause a financial loss for the other party by failing to discharge an obligation.

Included in allowance for doubtful accounts is \$3,697,735 (2023 - \$3,202,535) related to student receivables and \$1,202,697 (2023 - \$1,202,697) related to other accounts receivable (note 11).

### (c) Interest rate and currency risks:

The University is exposed to interest rate and currency risks with respect to its fixed rate debt and its investments in fixed income investments and foreign currency-denominated investments, because the fair value will fluctuate due to changes in market rates.

In addition, the University is exposed to interest rate risk with respect to its floating rate loans because cash flows will fluctuate because the interest rate is linked to the bank's prime rate, which changes from time to time. The University uses the Agreements to manage interest rate risk associated with its long-term variable rate debt (note 9). The University currently does not use any hedging strategies to mitigate the interest rate and currency risks exposure related to investments and loans.

### (d) Liquidity risk:

The University is exposed to the risk that it will encounter difficulty in meeting obligations associated with its financial liabilities. The University manages liquidity risk by investing a sufficient amount to meet foreseeable needs in highly liquid guaranteed investment certificates that can be redeemed in a reasonable period should the need arise.

# ONTARIO COLLEGE OF ART & DESIGN UNIVERSITY

Notes to Financial Statements (continued)

Year ended May 31, 2024

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## **18. Comparative information:**

Comparative figures for salaries and benefits, realized gain on investment, and unrealized gain (loss) on investments, have been reclassified to conform with the financial statement presentation adopted in the current year.