FINANCIAL STATEMENTS

RYERSON POLYTECHNIC UNIVERSITY

March 31, 1999

Ryerson Polytechnic University

March 31, 1999

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AUDITORS' REPORT

To the Board of Governors of
Ryerson Polytechnic University

We have audited the financial statements of **Ryerson Polytechnic University** as at and for the year ended March 31, 1999 comprising the following:

Balance sheet
Statement of operations
Statement of deficit
Statement of changes in net assets
Statement of cash flows

These financial statements are the responsibility of the administration of the University. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, these financial statements present fairly, in all material respects, the financial position of the University as at March 31, 1999 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

Toronto, Canada,
June 4, 1999.

Chartered Accountants

Ryerson Polytechnic University

BALANCE SHEET

[in thousands]

As at March 31

	1999	1998
	$	$
ASSETS		
Cash and short-term investments	**21,445**	25,315
Accounts receivable	**7,671**	8,646
Prepaid expenses	**3,127**	255
Inventories	**749**	794
Investments *[note 3]*		
Endowment	**7,899**	5,640
Debt repayment funds	**15,229**	4,899
Capital assets, net *[note 5]*	**118,676**	119,614
	174,796	165,163
LIABILITIES		
Accounts payable and accrued liabilities	**9,517**	11,035
Deferred revenue	**11,013**	10,002
Long-term debt *[note 6]*	**54,043**	56,748
Deferred revenue contributions *[note 7]*	**29,328**	19,148
Deferred capital contributions *[note 8]*	**24,833**	26,513
	128,734	123,446
NET ASSETS		
Deficit	**(16,590)**	(14,616)
Internally restricted *[note 9]*	**14,953**	14,340
Invested in capital assets *[note 10]*	**39,800**	36,353
Restricted for endowment purposes *[note 11]*	**7,899**	5,640
	46,062	41,717
	174,796	165,163

See accompanying notes

On behalf of the Board of Governors:

Chair Secretary

Ryerson Polytechnic University

STATEMENT OF OPERATIONS

[in thousands]

Year ended March 31

	1999 $	1998 $
REVENUE		
Government grants	**69,549**	69,227
Tuition fees	**64,980**	60,996
Sales and services	**23,431**	21,478
Externally funded grants and contracts *[note 7]*	**4,097**	5,097
Other student fees	**5,074**	4,881
Donations *[note 7]*	**1,749**	1,605
Amortization of deferred capital contributions *[note 8]*	**1,680**	1,753
Investment income *[note 4]*	**1,960**	1,424
Other income	**3,621**	743
	176,141	167,204
EXPENSES		
Salaries and benefits	**102,301**	92,633
Materials, supplies, repairs and renovations	**29,713**	26,136
Financial aid, bursaries, and scholarships	**3,908**	2,816
Student services	**3,298**	3,215
Externally funded grants and contracts	**4,097**	5,097
Cost of sales and services	**17,900**	15,438
Interest *[note 6]*	**4,871**	5,316
Amortization of capital assets	**7,967**	6,829
	174,055	157,480
REVENUE LESS EXPENSES *[note 12]*	**2,086**	9,724

STATEMENT OF DEFICIT

[in thousands]

Year ended March 31

	1999 $	1998 $
Deficit, beginning of year	**(14,616)**	(15,435)
Revenue less expenses	**2,086**	9,724
Change in internally restricted net assets *[note 9]*	**(613)**	(3,526)
Change in net assets invested in capital assets *[note 10]*	**(3,447)**	(5,379)
Deficit, end of year	**(16,590)**	(14,616)

See accompanying notes

Ryerson Polytechnic University

STATEMENT OF CHANGES IN NET ASSETS

[in thousands]

Year ended March 31

	1999					1998
	Deficit $	**Internally restricted** $	**Invested in capital assets** $	**Restricted for endowment purposes** $	**Total** $	**Total** $
		[note 9]	*[note 10]*	*[note 11]*		
Net assets, beginning of year	**(14,616)**	**14,340**	**36,353**	**5,640**	**41,717**	30,649
Revenue less expenses	**2,086**	**—**	**—**	**—**	**2,086**	9,724
Change in internally restricted net assets *[note 9]*	**(613)**	**613**	**—**	**—**	**—**	—
Change in net assets invested in capital assets *[note 10]*	**(3,447)**	**—**	**3,447**	**—**	**—**	—
Endowment contributions	**—**	**—**	**—**	**2,259**	**2,259**	1,344
Net assets, end of year	**(16,590)**	**14,953**	**39,800**	**7,899**	**46,062**	41,717

See accompanying notes

Ryerson Polytechnic University

STATEMENT OF CASH FLOWS

[in thousands]

Year ended March 31

	1999 $	**1998** $
OPERATING ACTIVITIES		
Revenue less expenses	**2,086**	9,724
Add non-cash items		
Amortization of capital assets	**7,967**	6,829
Increase in deferred revenue contributions and capital contributions	**8,500**	3,865
Net change in non-cash working capital balances related to operations	**(2,359)**	2,310
Cash provided by operating activities	**16,194**	22,728
FINANCING AND INVESTING ACTIVITIES		
Endowment contributions	**2,259**	1,344
Purchase of endowment investments, net	**(2,259)**	(1,344)
Purchase of capital assets	**(7,029)**	(5,074)
Long-term debt principal repayments	**(2,705)**	(5,381)
Increase in debt repayment funds	**(10,330)**	(3,250)
Cash used in financing and investing activities	**(20,064)**	(13,705)
Net increase (decrease) in cash and short-term investments during the year	**(3,870)**	9,023
Cash and short-term investments, beginning of year	**25,315**	16,292
Cash and short-term investments, end of year	**21,445**	25,315

See accompanying notes

NOTES TO FINANCIAL STATEMENTS

[amounts in thousands, except for note 18]

March 31, 1999

1. DESCRIPTION

Ryerson Polytechnic University [the "University"] was incorporated as a university in 1993 under the laws of the Province of Ontario. The special mission of the University is the advancement of applied knowledge and research to address societal need, and the provision of programs of study that provide a balance between theory and application and that prepare students for careers in professional and quasi-professional fields. As a leading centre for applied education, the University is recognized for the excellence of its teaching, the relevance of its curriculum, the success of its students in achieving their academic and career objectives, the quality of its scholarship, research and creative activity, and its commitment to accessibility, lifelong learning and involvement in the broader community.

These financial statements reflect the assets, liabilities, net assets, revenue, expenses and other transactions of all of the operations and organizations controlled by the University. Accordingly, these financial statements include the academic, administrative and other operating expenditures funded by fees, grants and other general revenue; restricted purpose endowment funds; and the ancillary operations, such as residences, food services and parking.

These financial statements do not include the assets, liabilities and operations of organizations federated or affiliated with the University but not controlled by the University.

The University is a not-for-profit organization and, as such, is exempt from income taxes under the Income Tax Act (Canada).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

These financial statements have been prepared in accordance with generally accepted accounting principles within the framework of the accounting policies summarized below:

Cash and short-term investments

Short-term investments, which consist primarily of bankers' acceptances and short-term deposits, are carried at cost which approximates market value.

NOTES TO FINANCIAL STATEMENTS

[amounts in thousands, except for note 18]

March 31, 1999

Investments

Investments, which consist of endowment and debt repayment funds, are recorded at cost. Gains and losses on sales of investments are recognized in the year of disposal and are included in investment income unless otherwise designated for capital preservation and credited directly to the endowment fund. Investments are written down in the year when there is deemed to be an impairment in value which is other than temporary.

Inventories

Inventories, which consist of goods held for resale, are recorded at the lower of cost and net realizable value.

Fair value of financial instruments

For certain of the University's financial instruments, including cash and cash equivalents, accounts receivable, government grants receivable, accounts payable and accrued liabilities, the carrying amounts approximate the fair value due to their short maturities. The fair value of investments is determined based on quoted market values.

Capital assets

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

Buildings	40 years
Equipment and furnishings	3 - 10 years
Library books	5 years

Revenue recognition

The University follows the deferral method of accounting for contributions, which include donations and government grants. 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. Unrestricted donations are recorded on a cash basis since pledges are not legally enforceable claims. Contributions externally restricted for purposes other than endowment are deferred and recognized as revenue in the year in which the related expenses are recognized.

[amounts in thousands, except for note 18]

Endowment contributions are recognized as direct increases in net assets in the year in which they are received. Student fees are recognized as revenue when courses and seminars are held. Sales and services revenue is recognized at point of sale or when the service has been provided.

Contributed materials and services

Volunteers contribute an indeterminable number of hours per year. Because of the difficulty of determining their fair value, contributed services are not recognized in these financial statements. Contributed materials are recorded at their appraised value.

3. INVESTMENTS

Endowment investments consist mainly of funds held in pooled investment funds managed by Sceptre Investment Counsel Limited. The cost and market value of these funds as at March 31, 1999 was $7,057 and $7,297 [$4,985 and $5,263 as at March 31, 1998]. The remaining investments are term deposits, where market value approximates their cost.

Debt repayment funds consist of cash and short-term investments set aside to fund term debt maturing and payable within 24 months of the date of the financial statements.

4. INVESTMENT INCOME

Investment income included in the statement of operations is calculated as follows:

	1999	**1998**
	$	$
Total investment income earned	**1,979**	1,448
Less amount credited directly to endowment principal for capital preservation of externally restricted amounts	**(19)**	(24)
	1,960	1,424

NOTES TO FINANCIAL STATEMENTS

[amounts in thousands, except for note 18]

March 31, 1999

5. CAPITAL ASSETS

Capital assets consist of the following:

	1999			1998		
	Cost $	Accumulated amortization $	Net book value $	Cost $	Accumulated amortization $	Net book value $
Land	**31,643**	**—**	**31,643**	31,643	—	31,643
Buildings	**131,376**	**54,346**	**77,030**	130,582	51,062	79,520
Equipment and furnishings	**79,814**	**72,627**	**7,187**	75,138	69,086	6,052
Library books	**7,113**	**4,297**	**2,816**	5,554	3,155	2,399
	249,946	**131,270**	**118,676**	242,917	123,303	119,614

The decrease in net book value of capital assets is due to the following:

	1999 $	1998 $
Balance, beginning of year	**119,614**	121,369
Purchase of capital assets internally financed	**7,029**	5,074
Less amortization of capital assets	**(7,967)**	(6,829)
Balance, end of year	**118,676**	119,614

NOTES TO FINANCIAL STATEMENTS

[amounts in thousands, except for note 18]

March 31, 1999

6. LONG-TERM DEBT

Long-term debt consists of the following:

	1999 $	1998 $
Ryerson Athletic Centre 5.3% term note with one year term, semi-annual blended payments of principal and interest of $410,996 with balance of principal due June 2, 1999, against which the student athletics capital levy has been pledged	**1,168**	1,899
Student residence and underground parking facilities 11.04% mortgage loan with semi-annual payments of interest only of $1,462,800, maturing November 1, 2010	**26,500**	26,500
Land held for future development 5% mortgage loan with annual payments of interest and principal of $350,000, maturing December 31, 2002	**4,800**	4,900
International Living and Learning Centre 6% mortgage loan with quarterly payments of interest of $136,109, maturing August 5, 2013. Principal repayments are scheduled to begin in August 1998 and continue through August 2013	**7,700**	9,000
Bookstore/parking facilities and Rogers Communication Centre 7.95% term loan with monthly blended payments of principal and interest of $94,446 with the balance of principal due on October 1, 2000, collateralized by a mortgage debenture on the bookstore/parking facilities	**12,224**	12,378
Obligations under capital leases Three leases for computers and telephone equipment with terms ranging from 72 months to 84 months, and maturing from March 2002 to September 2002. The leases bear interest at 8.02% to 9.25% with total monthly payments of $48,678	**1,651**	2,071
	54,043	56,748

[amounts in thousands, except for note 18]

The following are the future minimum annual debt principal repayments due over the next five years and thereafter:

	$
2000	2,194
2001	13,034
2002	951
2003	4,864
2004	300
Thereafter	32,700
	54,043

Total interest expense for the year ended March 31, 1999 is $4,871 [1998 - $5,316].

7. DEFERRED REVENUE CONTRIBUTIONS

Deferred revenue contributions represent unspent externally restricted grants and donations for research and other specific purposes. The changes in the deferred revenue contribution balance are as follows:

	1999					**1998**
	University status funding $	**Access to Opportunities Program** $	**Donations and other** $	**Externally funded grants and contracts** $	**Total** $	**Total** $
Balance, beginning of year	**5,077**	**—**	**3,765**	**10,306**	**19,148**	13,530
Amount received during the year	**16,900**	**4,687**	**2,002**	**6,949**	**30,538**	24,906
Amount recognized as revenue during the year	**(14,512)**	**—**	**(1,749)**	**(4,097)**	**(20,358)**	(19,288)
Balance, end of year	**7,465**	**4,687**	**4,018**	**13,158**	**29,328**	19,148

[amounts in thousands, except for note 18]

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. The change in the deferred capital contributions balance is as follows:

	1999 $	1998 $
Balance, beginning of year	**26,513**	28,266
Less amortization of deferred capital contributions	**(1,680)**	(1,753)
Balance, end of year	**24,833**	26,513

9. INTERNALLY RESTRICTED NET ASSETS

Details of internally restricted funds are as follows:

	1999 $	1998 $
Budget incentive program	**3,517**	4,503
Student non-tuition activities	**893**	1,475
Student athletics capital levy	**588**	543
Student aid	**876**	626
Capital maintenance fund	**1,828**	2,461
Professional development fund	**216**	222
Ancillaries - capital replacement fund	**3,261**	2,410
Other	**3,774**	2,100
	14,953	14,340

During the year, the University changed the basis upon which certain amounts are allocated to internally restricted funds. These changes have been made on a retroactive basis. The effect of these changes was to increase both internally restricted funds and the deficit by $6,350 as at March 31, 1998.

[amounts in thousands, except for note 18]

10. NET ASSETS INVESTED IN CAPITAL ASSETS

The investment in capital assets consists of the following:

	1999 $	1998 $
Capital assets, net	**118,676**	119,614
Less amounts financed by		
Long-term debt	**54,043**	56,748
Deferred capital contributions *[note 8]*	**24,833**	26,513
Balance, end of year	**39,800**	36,353

The change in investment in capital assets is calculated as follows:

	1999 $	1998 $
Repayment of long-term debt	**2,705**	5,381
Purchase of capital assets internally financed	**7,029**	5,074
Amortization expense	**(7,967)**	(6,829)
Addback amount of amortization expense related to capital assets purchased with restricted contributions	**1,680**	1,753
Net increase in investment in capital assets	**3,447**	5,379

11. ENDOWMENTS

Endowments consist of externally restricted donations received by the University. The endowment principal is required to be maintained intact, with the investment income generated used for the 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.

[amounts in thousands, except for note 18]

12. SEGMENTATION OF OPERATIONS

	1999				1998
	General operations $	**Ancillary operations** $	**Restricted and other specific purposes** $	**Total** $	**Total** $
Revenue less expenses	**(182)**	**513**	**1,755**	**2,086**	9,724

13. ONTARIO STUDENT OPPORTUNITY TRUST FUND

Externally restricted endowments include grants provided by the Government of Ontario from the Ontario Student Opportunity Trust Fund matching program to award student aid as a result of raising an equal amount of endowed donations.

	1999 $	**1998** $
Endowment balance, beginning of year	**1,564**	577
Donations	**1,081**	380
Matching funds from the Government of Ontario	**399**	607
Endowment balance, end of year	**3,044**	1,564

14. PENSION PLANS

The majority of the University's employees are members of the Ryerson Retirement Pension Plan [the "RRPP"], a defined benefit plan. Certain faculty are members of the Teachers' Superannuation Fund [the "TSF"], a multi-employer defined benefit plan. Pension indexing has been incorporated in the RRPP and the TSF.

According to the most recent actuarial valuation of the RRPP as at January 1, 1998, the RRPP had actuarial assets of $457,968 and actuarial liabilities of $374,364.

Total pension costs incurred for the year were $3,498 [1998 - $3,181].

15. CANADIAN UNIVERSITIES RECIPROCAL INSURANCE EXCHANGE

In 1998, the University renewed its agreement with the Canadian Universities Reciprocal Insurance Exchange ["CURIE"] for a period of five years, ending January 1, 2003. CURIE is a pooling of the property damage and public liability insurance risks of its members. All members pay annual deposit premiums which are actuarially determined and are subject to further assessment in the event members' premiums are insufficient to cover losses and expenses. No additional assessment has been made for the current year.

16. YEAR 2000 ISSUE

The Year 2000 Issue arises because many existing computer systems record and identify years with two digits, rather than four. These systems may not properly distinguish years beginning after 1999, as they may, for example, recognize the year 2000 as 1900 or some other date. As a result, data processing by such date-sensitive systems may result in errors. The effects of the Year 2000 Issue may be experienced before, on, or after January 1, 2000. If not properly addressed, the impact on operations and financial reporting may range from minor calculation errors to significant systems failure, which could affect an entity's ability to conduct normal business activities. It is not possible to be certain that all aspects of the Year 2000 Issue affecting the University, including those of suppliers or other third parties, will be fully resolved.

17. COMPARATIVE FINANCIAL STATEMENTS

The comparative financial statements have been reclassified from statements previously presented to conform to the presentation of the 1999 financial statements.

NOTES TO FINANCIAL STATEMENTS

[amounts in thousands, except for note 18]

March 31, 1999

18. PUBLIC SECTOR SALARY DISCLOSURES ACT, 1996 [UNAUDITED]

Details of employees who were paid a salary of $100,000 or more in the calendar year of 1998 are as follows:

Name	Position	Salary paid* $	Taxable benefits $
Allen, L.	Executive Director, Human Resources	115,951	639
Aspevig, K.	Dean, Faculty of Arts	105,637	637
Bailey, K.L.	Professor	103,053	498
Booth, M.	Dean, Division of Continuing Education	110,265	674
Crow, R.E.	Executive Director, University Advancement	118,299	—
Deutsch, E.	Professor	112,588	483
Dewson, M.R.	Vice President, Faculty & Staff Affairs	126,831	749
Forrester, J.D.	Professor	101,115	501
Grayson, L.M.	Vice President, Admin. & Student Affairs	136,608	774
Greenberg, R.	Professor	106,330	496
Heath, S.	Dean, Faculty of Business	113,995	688
Jones, B.E.	Professor	102,505	526
Jones, K.G.	Director, CSCA	106,372	659
Kushnir, V.M.	Professor	112,514	539
Lajeunesse, C.	President	176,807	20,522
Lea, J.A.	Professor	101,935	548
Levine, I.	Dean, Applied Arts	100,664	606
McKessock, D.	Professor	102,148	508
Mendelson, R.	Associate Vice President, Academic	110,433	664
Mock, D.R.	Vice President, Academic	139,340	805
Northwood, D.	Dean, Engineering & Applied Science	120,147	725
Sandys, J.	Dean, Faculty of Community Services	101,710	621
Shoniker, T.J.	Professor	118,264	562
Smith, D.A.	Professor	106,613	474
Swirsky, R.	Director/Professor	128,561	692
Towsley, C.W.	Professor	103,528	486
Wargo, J.	Chair, Department of History	101,237	599
Wilson, P.	Professor	102,768	474
Winton, J.	Executive Director, Financial Services	103,559	633
Worrell, C.R.	Professor	104,430	520

* Salaries listed here may include retroactive adjustments and may not, therefore, represent an individual's annual salary.