RYERSON UNIVERSITY

FINANCIAL STATEMENTS

April 30, 2007

RYERSON UNIVERSITY

Index

Year ended April 30, 2007

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AUDITORS' REPORT

To the Board of Governors of Ryerson University

We have audited the balance sheet of Ryerson University as at April 30, 2007 and the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian 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 April 30, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants, Licensed Public Accountants

Toronto, Canada

June 1, 2007

RYERSON UNIVERSITY

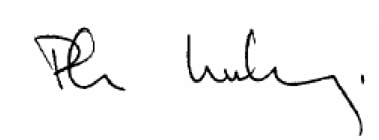
Balance Sheet
[In thousands of dollars]

April 30, 2007, with comparative figures for 2006

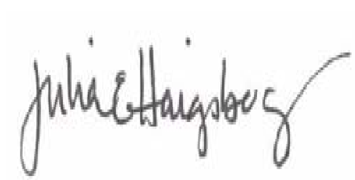
	2007 $	2006 $
ASSETS		
Current		
Cash and cash equivalents	**53,662**	35,836
Short-term investments	**8,362**	26,644
Accounts receivable	**20,431**	17,315
Prepaid expenses	**1,092**	734
Inventories	**1,012**	1,022
Current portion of note receivable *[note 5]*	**153**	–
Total current assets	**84,712**	81,551
Investments *[note 3]*	**114,595**	109,331
Employee future benefits - pension *[note 4]*	**101,837**	101,247
Note receivable *[note 5]*	**7,212**	–
Capital assets, net *[note 6]*	**320,899**	292,867
	629,255	584,996
LIABILITIES, DEFERRED CONTRIBUTIONS, AND NET ASSETS		
Current		
Accounts payable and accrued liabilities	**23,719**	27,566
Deferred revenue	**17,144**	12,311
Current portion of long-term debt *[note 7]*	**1,405**	1,327
Total current liabilities	**42,268**	41,204
Employee future benefits - other *[note 4]*	**10,754**	10,753
Long-term debt *[note 7]*	**93,342**	94,747
Deferred revenue contributions *[note 8]*	**29,418**	23,170
Deferred capital contributions *[note 9]*	**126,615**	122,624
	302,397	292,498
Net assets		
Endowments *[note 10]*	**49,954**	38,421
Other	**276,904**	254,077
Total net assets	**326,858**	292,498
	629,255	584,996

See accompanying notes

On behalf of the Board of Governors:



Chair



Secretary

RYERSON UNIVERSITY

Statement of Operations
[In thousands of dollars]

Year ended April 30, 2007, with comparative figures for 2006

	2007 $	2006 $
REVENUE		
Grants and contracts	**187,870**	157,199
Student fees	**132,959**	127,022
Sales and services	**25,866**	24,484
Donations recognized *[note 12]*	**9,669**	3,874
Amortization of deferred capital contributions *[note 9]*	**6,923**	6,243
Investment income *[note 3]*	**4,589**	4,726
Other income	**3,492**	3,092
	371,368	326,640
EXPENSES		
Salaries and benefits	**219,631**	197,065
Materials, supplies, repairs and maintenance	**85,537**	87,981
Bursaries and scholarships	**14,807**	14,040
Interest *[note 7]*	**5,263**	6,288
Amortization of capital assets *[note 6]*	**23,303**	19,233
	348,541	324,607
Revenue less expenses *[note 13]*	**22,827**	2,033

See accompanying notes

RYERSON UNIVERSITY

Statement of Changes in Net Assets
[In thousands of dollars]

Year ended April 30, 2007, with comparative figures for 2006

			Internally restricted			2007	2006
	Unrestricted	**Invested in capital assets**	**Employee future benefits**	**Other**	**Endowment**	**Total**	**Total**
	$	$	$	$	$	$	$
Net assets, beginning of year	**(9,327)**	**78,637**	**90,494**	**94,273**	**38,421**	**292,498**	283,334
Revenue less expenses	**53,988**	**(23,303)**	**(7,858)**	**–**	**–**	**22,827**	2,033
Adjustments to account for measurement date change *[note 4]*	**3,522**	**–**	**(3,522)**	**–**	**–**	–	–
Net investment income credited directly to Endowment	**–**	**–**	**–**	**–**	**840**	**840**	289
Endowment contribution	**–**	**–**	**–**	**–**	**10,693**	**10,693**	6,842
Allocations to other internally restricted net assets *[note 11]*	**(11,947)**	**–**	**–**	**11,947**	**–**	**–**	**–**
Employee future benefit contributions *[note 4]*	**(11,969)**	**–**	**11,969**	**–**	**–**	**–**	**–**
Net change in net assets invested in capital assets *[note 10[b]]*	**(50,574)**	**50,574**	**–**	**–**	**–**	**–**	**–**
Net assets, end of year	**(26,307)**	**105,908**	**91,083**	**106,220**	**49,954**	**326,858**	292,498

See accompanying notes

RYERSON UNIVERSITY

Statement of Cash Flows
[In thousands of dollars]

Year ended April 30, 2007, with comparative figures for 2006

	2007 $	2006 $
OPERATING ACTIVITIES		
Revenue less expenses	**22,827**	2,033
Add [deduct] non-cash items		
Amortization of capital assets *[note 6]*	**23,303**	19,233
Amortization of deferred capital contributions *[note 9]*	**(6,923)**	(6,243)
Employee future benefits contributions *[note 4]*	**(11,969)**	(7,419)
Net change in deferred revenue contributions *[note 8]*	**6,248**	3,940
Net change in non-cash working capital balances *[note 16]*	**(2,478)**	(1,709)
Cash provided by operating activities	**31,008**	9,835
FINANCING AND INVESTING ACTIVITIES		
Contributions received for capital purposes *[note 9]*	**10,914**	17,958
Endowment contributions *[note 10]*	**10,693**	6,842
Capitalization of investment income in endowments *[note 10]*	**840**	289
Note receivable *[note 5]*	**(7,365)**	–
Acquisition of capital assets *[note 6]*	**(51,335)**	(75,895)
Repayment of long-term debt principal *[note 7]*	**(1,327)**	(5,926)
Decrease [increase] in short-term investments	**18,282**	(17,321)
Decrease [increase] in investments, net	**(5,264)**	36,569
Employee future benefits expense *[note 4]*	**7,858**	9,365
Change in measurement date *[note 4]*	**3,522**	–
Cash used in financing and investing activities	**(13,182)**	(28,119)
Net increase [decrease] in cash and cash equivalents during the year	**17,826**	(18,284)
Cash and cash equivalents, beginning of year	**35,836**	54,120
Cash and cash equivalents, end of year	**53,662**	35,836

See accompanying notes

1. DESCRIPTION

Ryerson University [the "University"] was incorporated as a university in 1993 under the laws of the Province of Ontario. The 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 goal of the University is to be 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 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.

The University is a registered charity and, therefore, 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 Canadian generally accepted accounting principles within the framework of the significant accounting policies summarized below:

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and money-market instruments, such as treasury bills, with a term to maturity of less than 90 days at the time of purchase and which are readily convertible to cash on short notice.

Investments

Investments and short-term investments are recorded at quoted market value.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

Derivative financial instruments

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. The University uses an interest rate swap in order to manage interest rate exposure. This instrument is used for hedging an on-balance sheet liability and has been designated as a hedge.

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. When derivatives designated as hedges cease to exist, have been terminated or cease to be effective prior to maturity, any gains, losses, revenue or expenses deferred previously as a result of applying hedge accounting continue to be deferred and are recognized in income over the period in which the underlying item is recognized. Derivative transactions that do not qualify for hedge accounting are carried at fair value, with changes in value during the year recorded as income.

Inventories

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

Employee future benefits

The University has defined benefit pension plans for its employees and provides other retirement benefits, such as extended health and dental care, for some of its employees. The cost of pensions and other retirement benefits earned by employees is determined using the projected benefit method prorated on services and management's best estimates regarding assumptions about a number of future conditions including investment returns, salary changes, withdrawals, mortality rates and expected health care costs. Assets of the pension fund and other benefit plans are valued using year-end market values. The excess of the cumulative net actuarial gain [loss] over 10% of the greater of the benefit obligations and the fair value of the plan assets are amortized over the average remaining service year of active employees. Liabilities are discounted at current rates for long-term debt.

Contributions to a multi-employer defined benefit plan are expensed when due.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

Capital assets

Capital assets acquired and constructed by the University 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
Leasehold improvements	over the lease term
Library books	5 years

Costs of construction in progress, including interest, are capitalized. Interest costs are capitalized during the construction period. Amortization is not recognized until project completion.

Collections

Purchases of collections are expensed. Contributed collections are not recognized in the financial statements.

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 period in which the related expenses are recognized. 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.

Foreign currency translation

Monetary assets and liabilities in foreign currencies are translated at the exchange rate in effect at year end. Operating revenue and expenses are translated at average rates prevailing during the year. Gains or losses arising from these translations are included in the statement of operations.

Contributed materials and services

An indeterminable number of hours are contributed by volunteers each year. However, because of the difficulty of determining their fair value, contributed materials and services are not recognized in these financial statements.

[In thousands of dollars]

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

Use of estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses for the year. Actual results could differ from those estimates.

3. INVESTMENTS AND INVESTMENT INCOME

[a] Investments classified as long-term of $114,595 [2006 - $109,331] represent funds held for endowments, deferred revenue contributions, unspent deferred capital contributions and internally designated funds for capital projects.

Investments held for endowment net assets of $49,954 [2006 - $38,421] consist of units of Sceptre Investment Counsel Limited Endowment Foundation and Trust Fund ["EFT"]. The EFT asset mix was 2.3% short-term investments [2006 - 2.9%], 41.5% bonds [2006 - 42.5%], 29.3% Canadian equities [2006 - 30.2%] and 26.9% foreign equities [2006 - 24.4%].

Investments held for other purposes of $64,641 [2006 - $70,910] consist of government and corporate bonds of $10,045 [2006 - $30,235] and money market instruments of $54,596 [2006 - $40,675].

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

	2007 $	2006 $
Net investment income earned	**9,552**	9,316
Less amount attributed to deferred revenue contributions *[note 8]*	**(4,123)**	(4,301)
Less amount attributed to endowment preservation of capital *[note 10]*	**(940)**	(624)
Plus amount attributed to endowment unrealized loss *[note 10]*	**100**	335
Investment income recognized during the year	**4,589**	4,726

Investment income earned is net of management fees of $127 [2006 - $106].

4. EMPLOYEE FUTURE BENEFITS

The University has defined benefit plans, being the Ryerson Retirement Pension Plan ("RRPP"), Total Earnings Supplementary Plan ("TESP") and the Supplemental Retirement Pension Plan ("SRPP"). Other defined benefit plans provide other retirement and post-employment benefits to most of its employees. Certain faculty are members of the Teachers' Superannuation Fund, a multi-employer defined benefit plan. Pension indexing has been incorporated in the plans.

[In thousands of dollars]

4. EMPLOYEE FUTURE BENEFITS [continued]

The University's pension plans are based on years of service and the highest average salary received in any 60 consecutive months of service. Pension benefits will be increased each year in accordance with the increases to the Consumer Price Index ["CPI"] to a maximum CPI increase of 8%. Any increases in the CPI above 8% will be carried forward and added in years when the CPI is less than 8%.

Other defined benefit plans are for faculty early retirees where the University pays 100% of the premium for medical, dental, and life insurance until the age of 65. All retirees after the age of 65 are required to pay their own premium for medical and dental benefits.

The latest actuarial valuations for the registered pension plans were performed as of January 1, 2006. The next required actuarial valuation will be January 1, 2009. The University has a practice of performing annual valuations for accounting purposes for defined benefit plans. Effective from fiscal 2007, the University measures its accrued benefit obligation and the fair value of plan assets for accounting purposes as at April 30.

Information about the University's defined benefit plans is as follows:

	2007		2006	
	Pension benefit plans $	**Other benefit plans** $	**Pension benefit plans** $	**Other benefit plans** $
Fair value of plan assets	**724,479**	**–**	643,474	–
Accrued benefit obligations	**649,458**	**10,754**	578,302	10,753
Plan surplus [deficit]	**75,021**	**(10,754)**	65,172	(10,753)
Notional amount of employees' share of surplus related to the RRPP	**(39,534)**	**–**	(34,274)	–
Unamortized net actuarial loss	**66,350**	**–**	68,531	–
Contributions between measurement date and April 30	**–**	**–**	1,818	–
Employee future benefits asset [liability]	**101,837**	**(10,754)**	101,247	(10,753)

[In thousands of dollars]

4. EMPLOYEE FUTURE BENEFITS [continued]

The notional amount of employees' share of surplus relates to the distribution of the excess plan assets upon termination of the RRPP. These excess surplus assets, if any, would be divided into two equal shares, one share to be paid to the employer and the other share divided among the members, former members, pensioners and their beneficiaries and spouses, subject to legislative requirements.

	2007		**2006**	
	Pension benefit plans $	**Other benefit plans** $	**Pension benefit plans** $	**Other benefit plans** $
Employee future benefits expense				
Defined benefit plans	**7,299**	**559**	7,650	1,715
Contributions to multi-employer defined benefit plan	**81**	**–**	56	–
	7,380	**559**	7,706	1,715

	2007		**2006**	
	Pension benefit plans $	**Other benefit plans** $	**Pension benefit plans** $	**Other benefit plans** $
Funding by employer	**11,411**	**558**	6,772	647
Benefits paid	**25,355**	**558**	18,299	647

[In thousands of dollars]

4. EMPLOYEE FUTURE BENEFITS [continued]

The principal actuarial assumptions adopted in measuring the University's accrued benefit obligations and expense for defined benefit plans are as follows:

	2007		2006	
	Pension benefit plans %	**Other benefit plans** %	**Pension benefit plans** %	**Other benefit plans** %
Accrued benefit obligation				
Discount rate	**5.25**	**5.25**	5.25	5.25
Rate of compensation increase	**4.50**	**4.50**	4.00	4.00
Rate of inflation	**2.50**	**2.50**	2.50	2.50
Benefit cost				
Discount rate	**5.25**	**5.25**	5.75	5.75
Expected long-term rate of return on plan assets	**7.00**	**–**	6.50	–
Rate of compensation increase	**4.50**	**4.50**	4.00	4.50
Rate of inflation	**2.50**	**2.50**	2.50	2.50
Medical costs				
Drug	**–**	**5.00**	–	5.00
Hospital	**–**	**5.00**	–	5.00
Other medical	**–**	**5.00**	–	5.00
Dental	**–**	**5.00**	–	5.00

For measurement purposes, a 10% annual rate of increase in the per capita cost of covered health care benefits was assumed for 2007. The rate was assumed to decrease to 5% for each year after the current year and remain at that level thereafter.

The plan assets are invested with Ontario Municipal Employees Retirement System as follows:

	Percentage of plan assets	
	2007 %	**2006** %
Equities	**60**	63
Debt securities	**22**	23
Real estate	**10**	8
Other	**8**	6
	100	100

[In thousands of dollars]

4. EMPLOYEE FUTURE BENEFITS [continued]

Internally restricted net assets for employee future benefits are calculated as follows:

	2007 $	2006 $
Pension benefit plan asset	**101,837**	101,247
Other benefit plans liability	**(10,754)**	(10,753)
	91,083	90,494
Net change in internally restricted net assets for employee future benefits	**(589)**	1,946

5. NOTE RECEIVABLE

The note receivable balance is due from The Palin Foundation.

The note receivable bears interest at 5.93%. The repayment period will continue until January 2031 as follows:

	$
2008	**152**
2009	**160**
2010	**170**
2011	**180**
2012	**190**
Thereafter	**6,513**
	7,365
Less current portion	**153**
	7,212

Total interest earned during fiscal 2007 is $441 and principal repayments received during the year totalled $143.

[In thousands of dollars]

6. CAPITAL ASSETS

Capital assets consist of the following:

	2007			2006		
	Cost $	**Accumulated amortization** $	**Net book value** $	**Cost** $	**Accumulated amortization** $	**Net book value** $
Land	**46,892**	**–**	**46,892**	39,691	–	39,691
Buildings	**314,242**	**91,288**	**222,954**	248,933	83,819	165,114
Equipment and furnishings	**187,019**	**146,193**	**40,826**	169,521	131,753	37,768
Library books	**17,492**	**14,368**	**3,124**	15,399	13,054	2,345
Leasehold improvements	**401**	**80**	**321**	–	–	–
Capital projects in progress	**6,782**	**–**	**6,782**	47,949	–	47,949
	572,828	**251,929**	**320,899**	521,493	228,626	292,867

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

	2007 $	**2006** $
Balance, beginning of year	**292,867**	236,205
Purchase of capital assets financed by debt	**–**	44,308
Purchase of capital assets internally financed	**42,324**	13,789
Purchase of capital assets funded by deferred capital contributions	**9,011**	17,798
Less amortization of capital assets	**(23,303)**	(19,233)
Balance, end of year	**320,899**	292,867

Net assets invested in capital assets, which represent internally financed capital assets, are calculated as follows:

	2007 $	**2006** $
Capital assets, net	**320,899**	292,867
Less long-term debt *[note 7]*	**(94,747)**	(96,074)
Less unamortized deferred capital contributions *[note 9]*	**(120,244)**	(118,156)
	105,908	78,637

The capitalized interest included in capital assets for the year ended April 30, 2007 was $865 [2006 - $925].

[In thousands of dollars]

7. LONG-TERM DEBT AND DERIVATIVE FINANCIAL INSTRUMENTS

[a] Long-term debt consists of the following:

	2007	**2006**
	$	$
Student residence and underground parking facilities ["Student Residence Loan"] 11.04% mortgage loan with semi-annual payments of interest only of $1,463, maturing November 1, 2010	**26,500**	26,500
Capital Expansion Plan Loan [the "Loan"] 5.93% loan for multiple capital projects [calculated as 5.705% fixed rate swap plus 0.225% spread rate], based on a 27-year amortization, maturing January 1, 2014. Swap interest rate is in effect for the entire amortization period to January 1, 2031	**68,247**	69,574
	94,747	96,074
Less current portion	**(1,405)**	(1,327)
	93,342	94,747

The fair value of long-term debt approximates its carrying value except for the Student Residence Loan, which has a fair value of $29,817 [2006 - $32,106].

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

	$
2008	1,405
2009	1,487
2010	1,574
2011	28,166
2012	1,764
Thereafter	60,351
	94,747

Total interest expense on long-term debt for the year ended April 30, 2007 was $5,263 [2006 - $6,288]. This excludes capitalized interest of $865 [2006 - $925].

[In thousands of dollars]

7. LONG-TERM DEBT AND DERIVATIVE FINANCIAL INSTRUMENTS [continued]

[b] Derivative financial instruments:

The University has in place an Interest Rate Swap Agreement [the "Agreement"], designated as a hedge of the Loan, which will expire on January 1, 2031. Under the terms of the Agreement, the University agrees with the counterparty to exchange, at specified intervals and for a specified period, its floating interest for fixed interest [5.705%] calculated on the notional principal amount of the Loan. The use of the swap effectively enables the University to convert the floating rate interest obligations of the Loan into a fixed rate obligation and thus manage its exposure to interest rate risk. At April 30, 2007, this Agreement qualified as an effective hedge transaction.

The notional and fair values of the derivative financial instrument are as follows:

	2007		**2006**	
	Notional value $	**Fair value** $	**Notional value** $	**Fair value** $
Interest rate swap	**68,247**	**(7,034)**	69,574	(5,276)

8. 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 contributions balance were as follows:

	2007 $	**2006** $
Balance, beginning of year	**23,170**	19,230
Grants and donations received during the year	**29,710**	20,641
Investment income *[note 3[b]]*	**4,123**	4,301
Amount recognized as revenue during the year	**(27,585)**	(21,002)
Balance, end of year	**29,418**	23,170

[In thousands of dollars]

9. DEFERRED CAPITAL CONTRIBUTIONS

Deferred capital contributions represent the unamortized and unspent amounts 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 changes in the deferred capital contributions balance were as follows:

	2007 $	2006 $
Balance, beginning of year	**122,624**	110,909
Grants and donations received during the year	**10,914**	17,958
Amortization of deferred capital contributions	**(6,923)**	(6,243)
Balance, end of year	**126,615**	122,624

The balance of deferred capital contributions related to capital assets consists of the following:

	2007 $	2006 $
Unamortized deferred capital contributions used to purchase capital assets *[note 6]*	**120,244**	118,156
Unspent deferred capital contributions	**6,371**	4,468
	126,615	122,624

10. NET ASSETS

[a] Endowments consist of externally restricted donations and grants 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. The University has established a policy with the objective of protecting the real value of the endowments. The amount of income made available for spending is limited, and an amount is added to endowment net assets for capital preservation. In fiscal 2007, net investment income of $840 [2006 - $289] was credited directly to endowment net assets. The changes in the endowment fund balance were as follows:

	2007 $	2006 $
Endowment balance, beginning of year	**38,421**	31,290
Donations received *[note 12]*	**5,532**	4,420
Matching provincial grant *[note 18[c]]*	**4,110**	2,422
Other provincial grants	**1,051**	–
Preservation of capital *[note 3[b]]*	**940**	624
Unrealized loss *[note 3[b]]*	**(100)**	(335)
Endowment balance, end of year	**49,954**	38,421

[In thousands of dollars]

10. NET ASSETS [continued]

[b] The net change in net assets invested in capital assets is calculated as follows:

	2007 $	2006 $
Purchase of capital assets internally financed *[note 6]*	**42,324**	13,789
Repayment of long-term debt principal *[note 7]*	**1,327**	5,926
Amortization of deferred capital contributions *[note 9]*	**6,923**	6,243
	50,574	25,958

11. OTHER INTERNALLY RESTRICTED NET ASSETS

Details of other internally restricted net assets are as follows:

	2007 $	2006 $	Net change $
Budget incentive program	**18,480**	14,867	3,613
Student non-tuition activities	**1,299**	1,514	(215)
Student support [including scholarships]	**3,246**	2,932	314
University Affinity program	**1,425**	1,500	(75)
Professional development fund	**587**	569	18
Joint nursing program	**–**	3,261	(3,261)
Capital and infrastructure projects	**20,895**	37,718	(16,823)
IT initiatives	**7,957**	5,553	2,404
Internal research and projects	**11,249**	6,621	4,628
Advanced technology programs' support	**–**	2,719	(2,719)
Academic growth and priorities	**13,975**	7,182	6,793
Other	**27,107**	9,837	17,270
	106,220	94,273	11,947

At April 30, 2007, unrestricted year-end grants of $12,800, which were unbudgeted and unallocated, are included in internally restricted net assets with "Other".

[In thousands of dollars]

12. DONATIONS

[a] Total donations received consist of the following:

	2007 $	2006 $
Donations to endowments *[note 10]*	**5,532**	4,420
Donations restricted for capital purposes	**2,105**	6,610
Other restricted donations	**1,583**	2,811
Unrestricted donations	**4,886**	367
	14,106	14,208

[b] Donations recognized of $9,669 [2006 - $3,874] represent unrestricted donations during the year of $4,886 [2006 - $367] and the amount of restricted donations included in deferred revenue contributions recognized during the year of $4,783 [2006 - $3,507].

13. SEGMENTED INFORMATION

The following schedule segments the University's financial results on a basis consistent with the management of its financial affairs and the preparation and approval of its annual operating budget:

	2007				2006
	General operations $	Ancillary operations $	Research and other $	Total $	Total $
Revenue	**308,442**	**26,671**	**36,255**	**371,368**	326,640
Expenses	**(292,711)**	**(26,635)**	**(29,195)**	**(348,541)**	(324,607)
Transfers and appropriations	**(15,710)**	**(36)**	**15,746**	**–**	–
	21	**–**	**22,806**	**22,827**	2,033

General operations include government operating grants, tuition fees and other income received to fund salaries, benefits, materials and supplies, bursaries and general operating costs associated with instruction, academic and administrative support services and research other than sponsored or contract research.

Ancillary operations include services provided which are supplementary to the University's primary function of instruction and research. They include student residences, bookstore, parking, food services, facility rental and conference operations. Revenue includes internal charge backs.

Research and other include sponsored research, expendable gifts, grants for special purposes, interest on non-expendable gifts, capital grants and monies for capital purposes, and internally restricted operating funds. The funds received for these purposes have some degree of limitations on their use.

[In thousands of dollars]

14. COMMITMENTS

[a] The estimated cost to complete construction and renovation projects in progress as at April 30, 2007, which will be funded by government grants, donations and operations, is approximately $21,500 [2006 - $27,300].

[b] The following are operating contributions to the Student Campus Centre over the next five fiscal years:

	Student Campus Centre $
2008	356
2009	363
2010	370
2011	378
2012	385
	1,852

[c] The following are the future minimum annual operating lease payments due over the next five fiscal years:

	Leases $
2008	2,238
2009	1,902
2010	1,323
2011	1,238
2012	1,044
	7,745

15. CONTINGENT LIABILITIES

[a] In 2003, the University renewed its agreement with the Canadian Universities Reciprocal Insurance Exchange ["CURIE"] for a period of five years, ending January 1, 2008. 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.

[b] The University is involved from time to time in litigation, which arises in the normal course of operations. With respect to claims as at April 30, 2007, the University believes it has valid defences, funded provisions and/or appropriate insurance coverage in place. In the unlikely event any claims are successful, such claims are not expected to have a material effect on the University's financial position.

[In thousands of dollars]

16. NET CHANGE IN NON-CASH WORKING CAPITAL BALANCES

The net change in non-cash working capital balances related to operations consists of the following:

	2007 $	2006 $
Accounts receivable	**(3,116)**	(6,647)
Prepaid expenses	**(358)**	(219)
Inventories	**10**	(186)
Accounts payable and accrued liabilities	**(3,847)**	4,915
Deferred revenue	**4,833**	428
	(2,478)	(1,709)

17. FINANCIAL INSTRUMENTS

The fair values of financial instruments approximate their carrying values unless otherwise noted. The University is subject to market and foreign exchange risk with respect to its investment portfolio and credit risk with respect to its accounts receivable.

18. ONTARIO STUDENT OPPORTUNITY TRUST FUND AND ONTARIO TRUST FOR STUDENT SUPPORT

Ministry of Training, Colleges and Universities ["MTCU"] requires separate reporting of balances and details of changes in balances for the two phases of the Ontario Student Opportunity Trust Fund and the Ontario Trust for Student Support ["OTSS"]. The required government reporting for each is as follows:

[a] The following is the schedule of changes for the years ended April 30, 2007 and 2006 in the first phase of the Ontario Student Opportunity Trust Fund ["OSOTF I"] balance, which is included in the endowment balance *[note 10]*.

	2007 $	2006 $
Endowment balance at cost, beginning of year	**6,031**	6,018
Cash donations received	**12**	13
Endowment balance at cost, end of year	**6,043**	6,031
Cumulative unrealized gain	**175**	132
Endowment balance at market, end of year	**6,218**	6,163

[In thousands of dollars]

18. ONTARIO STUDENT OPPORTUNITY TRUST FUND AND ONTARIO TRUST FOR STUDENT SUPPORT [continued]

The following is the schedule of changes for the years ended April 30, 2007 and 2006 in the OSOTF I expendable funds available for awards. This balance is included in deferred revenue contributions *[note 8]*. Investment income, net of direct investment-related expenses represents the balance made available for spending by the University during the year in accordance with its policy.

	2007 $	2006 $
Expendable balance at cost, beginning of year	**343**	243
Investment income, net of direct investment-related expenses	**283**	305
Bursaries awarded	**(164)**	(205)
Expendable balance at cost, end of year	**462**	343
Number of bursaries awarded	**119**	109

The following is the schedule of changes for the years ended April 30, 2007 and 2006 in the OSOTF I Stabilization funds. Investment income earned in excess of amounts made available for spending is recorded in Stabilization funds as a deferred revenue contribution.

	2007 $	2006 $
Stabilization funds balance at cost, beginning of year	**986**	502
Investment income not available for spending	**120**	484
Stabilization funds balance at cost, end of year	**1,106**	986

[b] The following is the schedule of changes for the years ended April 30, 2007 and 2006 in the second phase of the Ontario Student Opportunity Trust Fund ["OSOTF II"] balance, which is included in the endowment balance *[note 10]*.

	2007 $	2006 $
Endowment balance at cost, beginning of year	**3,094**	3,424
Cash donations received within annual matching ceiling	**8**	79
Unmatched cash donations transferred to OTSS	**–**	(409)
Endowment balance at cost, end of year	**3,102**	3,094
Cumulative unrealized gain	**102**	84
Endowment balance at market, end of year	**3,204**	3,178

[In thousands of dollars]

18. ONTARIO STUDENT OPPORTUNITY TRUST FUND AND ONTARIO TRUST FOR STUDENT SUPPORT [continued]

The following is the schedule of changes for the years ended April 30, 2007 and 2006 in the OSOTF II expendable funds available for award. The balance is included in deferred revenue contributions *[note 8]*. Investment income, net of direct investment-related expenses, represents the balance made available for spending by the University during the year in accordance with its policy.

	2007 $	**2006** $
Expendable balance, beginning of year	**84**	–
Investment income, net of direct investment-related expenses	**172**	161
Bursaries awarded	**(98)**	(77)
Expendable balance, end of year	**158**	84
Number of bursaries awarded	**33**	29

The following is a schedule of changes for the years ended April 30, 2007 and 2006 in the OSOTF II Stabilization funds. Investment income earned in excess of amounts made available for spending is recorded in the Stabilization funds as deferred revenue contributions.

	2007 $	**2006** $
Stabilization funds balance at cost, beginning of year	**446**	3
Investment income not available for spending	**106**	443
Stabilization funds balance at cost, end of year	**552**	446

[In thousands of dollars]

18. ONTARIO STUDENT OPPORTUNITY TRUST FUND AND ONTARIO TRUST FOR STUDENT SUPPORT [continued]

[c] The Ontario government requires separate reporting of balances as at March 31, 2007 and details of the changes in the balances for the period then ended in connection with the OTSS fund.

The following is the schedule of donations received between April 1 and March 31:

	2007 $	**2006** $
Cash donations	**1,896**	1,333
Unmatched cash donations	**66**	–
Total cash donation	**1,962**	1,333

The following is the schedule of changes in endowment balance of OTSS for the period from April 1 and March 31:

	2007 $	**2006** $
Endowment balance at cost, beginning of year	**3,755**	–
Eligible cash donations received	**1,962**	1,333
Matching funds received/receivable from MTCU *[note 10]*	**4,110**	2,422
Endowment balance at cost, end of year	**9,827**	**3,755**

The following is the schedule of changes in expendable funds available for awards of OTSS for the period from April 1 to March 31. Investment income, net of direct investment-related expenses, represents the balance made available for spending by the University during the year in accordance with its policy.

	2007 $	**2006** $
Expendable balance, beginning of year	**4**	–
Investment income, net of direct investment-related expenses	**1**	4
Donations	**51**	–
Bursaries awarded	**(38)**	–
Expendable balance, end of year	**18**	4
Number of bursaries awarded	**14**	–

[In thousands of dollars]

18. ONTARIO STUDENT OPPORTUNITY TRUST FUND AND ONTARIO TRUST FOR STUDENT SUPPORT [continued]

The following is the schedule of changes for the period from April 1, 2006 to March 31, 2007 in the OTSS Stabilization funds. Investment income earned in excess of amounts made available for spending is recorded in the Stabilization funds as a deferred revenue contribution.

	2007 $	**2006** $
Stabilization funds balance at cost, beginning of year	**1**	–
Investment income not available for spending	**1**	1
Stabilization funds balance at cost, end of year	**2**	1

OTSS Awards Issued for the Period of April 1, 2006 to March 31, 2007

Status of Recipients	OSAP Recipients		Non-OSAP Recipients		Total	
	Number	Amount	Number	Amount	Number	Amount
Full-Time	2	$ 8	8	$ 24	10	$ 32
Part-Time	N/A	N/A	4	6	4	6
Total	2	$ 8	12	$ 30	14	$ 38