RYERSON UNIVERSITY

FINANCIAL STATEMENTS

April 30, 2008

RYERSON UNIVERSITY
Index

Year ended April 30, 2008

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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, 2008 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, 2008 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 12, 2008

RYERSON UNIVERSITY

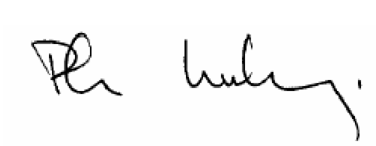
Balance Sheet
[In thousands of dollars]

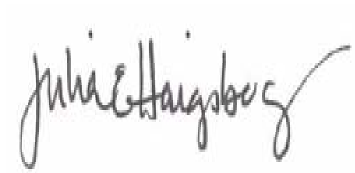
April 30, 2008, with comparative figures for 2007

	2008	2007
	$	$
		(Restated - note 18)
ASSETS		
Current		
Cash and cash equivalents	**45,156**	53,662
Short-term investments	**10,930**	8,362
Accounts receivable	**21,772**	20,431
Prepaid expenses	**1,369**	1,092
Inventories	**1,170**	1,012
Current portion of note receivable *[note 5]*	**160**	153
Total current assets	**80,557**	84,712
Investments *[note 3]*	**154,925**	114,595
Employee future benefits - pension *[note 4]*	**105,923**	101,837
Note receivable *[note 5]*	**7,053**	7,212
Capital assets, net *[note 6]*	**372,443**	320,899
	720,901	629,255
LIABILITIES, DEFERRED CONTRIBUTIONS, AND NET ASSETS		
Current		
Accounts payable and accrued liabilities	**28,018**	23,719
Deferred revenue	**19,902**	17,144
Current portion of long-term debt *[note 7]*	**1,487**	1,405
Current portion of fair value of interest rate swap *[note 7[b]]*	**227**	183
Total current liabilities	**49,634**	42,451
Employee future benefits - other *[note 4]*	**12,506**	10,754
Long-term debt *[note 7]*	**91,856**	93,342
Fair value of interest rate swap *[note 7[b]]*	**8,493**	6,851
Deferred revenue contributions *[note 8]*	**39,915**	29,418
Deferred capital contributions *[note 9]*	**145,775**	126,615
	348,179	309,431
Net assets		
Endowments *[note 10]*	**71,439**	49,954
Other	**301,283**	269,870
Total net assets	**372,722**	319,824
	720,901	629,255

See accompanying notes to financial statements

On behalf of the Board of Governors:


Chair


Secretary

RYERSON UNIVERSITY

Statement of Operations
[In thousands of dollars]

Year ended April 30, 2008, with comparative figures for 2007

	2008 $	2007 $ (Restated - note 18)
REVENUE		
Grants and contracts	**197,413**	187,870
Student fees	**144,068**	132,959
Sales and services	**28,241**	25,866
Donations recognized *[note 12]*	**6,295**	9,669
Amortization of deferred capital contributions *[note 9]*	**6,910**	6,923
Investment income *[note 3]*	**5,309**	4,589
Other income	**2,745**	3,492
	390,981	371,368
EXPENSES		
Salaries and benefits	**247,832**	219,631
Materials, supplies, repairs and maintenance	**93,424**	85,537
Bursaries and scholarships	**15,059**	14,807
Interest *[note 7]*	**8,189**	7,021
Amortization of capital assets *[note 6]*	**23,774**	23,303
	388,278	350,299
Revenue less expenses	**2,703**	21,069

See accompanying notes to financial statements

RYERSON UNIVERSITY

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

Year ended April 30, 2008, with comparative figures for 2007

			Internally restricted			2008	2007
	Unrestricted $	**Invested in capital assets** $	**Employee future benefits** $	**Other** $	**Endowments** $	**Total** $	**Total** $
							(Restated - note 18)
Net assets, beginning of year	**(33,341)**	**105,908**	**91,083**	**106,220**	**49,954**	**319,824**	287,222
Revenue less expenses	**35,446**	**(23,774)**	**(8,969)**	–	–	**2,703**	21,069
Capitalization of investment income in endowments	–	–	–	–	**115**	**115**	840
Endowment contributions	–	–	–	–	**21,370**	**21,370**	10,693
Allocations to other internally restricted net assets *[note 11]*	**9,074**	–	–	**(9,074)**	–	–	–
Employee future benefit contributions *[note 4]*	**(11,303)**	–	**11,303**	–	–	–	–
Net change in net assets invested in capital assets *[note 10[b]]*	**(45,002)**	**45,002**	–	–	–	–	–
Contribution restricted for the purchase of land	–	**28,710**	–	–	–	**28,710**	–
Net assets, end of year	**(45,126)**	**155,846**	**93,417**	**97,146**	**71,439**	**372,722**	319,824

See accompanying notes to financial statements

RYERSON UNIVERSITY

Statement of Cash Flows
[In thousands of dollars]

Year ended April 30, 2008, with comparative figures for 2007

	2008 $	2007 $ (Restated - note 18)
OPERATING ACTIVITIES		
Revenue less expenses	**2,703**	21,069
Add [deduct] non-cash items		
Amortization of capital assets *[note 6]*	**23,774**	23,303
Amortization of deferred capital contributions *[note 9]*	**(6,910)**	(6,923)
Fair value of interest rate swap	**1,686**	1,758
Change in measurement date *[note 4]*	**–**	3,522
Employee future benefits contributions *[note 4]*	**(11,303)**	(11,969)
Employee future benefits expense *[note 4]*	**8,969**	7,858
Net change in deferred revenue contributions *[note 8]*	**10,497**	6,248
Net change in non-cash working capital balances *[note 15]*	**5,281**	(2,478)
Cash provided by operating activities	**34,697**	42,388
FINANCING AND INVESTING ACTIVITIES		
Contributions received for capital purposes *[note 9]*	**26,070**	10,914
Contributions received for purchase of land	**28,710**	–
Endowment contributions *[note 10]*	**21,370**	10,693
Capitalization of investment income in endowments *[note 10]*	**115**	840
Note receivable *[note 5]*	**152**	(7,365)
Acquisition of capital assets *[note 6]*	**(76,172)**	(51,335)
Net disposal of capital assets	**854**	–
Repayment of long-term debt principal *[note 7]*	**(1,404)**	(1,327)
Decrease [increase] in short-term investments	**(2,568)**	18,282
Increase in investments, net	**(40,330)**	(5,264)
Cash used in financing and investing activities	**(43,203)**	(24,562)
Net increase [decrease] in cash and cash equivalents during the year	**(8,506)**	17,826
Cash and cash equivalents, beginning of year	**53,662**	35,836
Cash and cash equivalents, end of year	**45,156**	53,662

See accompanying notes to financial statements

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 ["GAAP"].

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

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.

Capital assets

Capital assets acquired and constructed by the University are recorded at cost. Contributions of capital assets are capitalized at fair 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

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.

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.

Accounting changes - financial instruments

Effective May 1, 2007, the University adopted The Canadian Institute of Chartered Accountants' ["CICA"] Handbook Section 3855, Financial Instruments - Recognition and Measurement, CICA Handbook Section 3861, Financial Instruments - Disclosure and Presentation, and CICA Section 3865, Hedges. These new handbook sections provide comprehensive requirements for the recognition and measurement of financial instruments, as well as standards on when and how hedge accounting may be applied.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

Under Section 3855, financial assets and liabilities are initially recognized and subsequently measured based on their classification. The University has designated its cash and cash equivalents, short-term investments, and investments as held-for-trading and, as such, these financial assets are measured at fair value and changes in fair value are recognized in the statement of operations as investment income. Note receivable, accounts payable, accounts receivable and long-term debt are measured at amortized cost using the effective interest rate method.

Embedded derivatives contracts requiring separation are measured at their fair value with changes in fair value recognized in revenue less expenses for the period. As part of the process of implementing these new standards, all contracts signed after April 1, 2003 were reviewed to identify embedded derivatives requiring separation from the host contract. No material embedded derivatives requiring separation were identified.

Effective May 1, 2007, the University began expensing all transaction costs and loan fees for financial assets and liabilities. Upon adoption, there was no impact to the University's financial statements.

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.

The University does not enter into financial instruments for trading or speculative purposes. Derivative transactions that do not qualify for hedge accounting are carried at fair value and changes in fair value are recorded in the statement of operations during the year with interest expense.

Future accounting changes:

[a] Financial Instruments - Disclosure and Presentation:

The CICA has issued two new accounting standards, Handbook Section 3862, Financial Instruments - Disclosures, and Handbook Section 3863, Financial Instruments - Presentation, on financial instruments that enhance current disclosure requirements. These new standards will be effective for the University starting May 1, 2008. The new disclosures will provide additional information on the nature and extent of risks arising from financial instruments to which the University is exposed and how it manages those risks.

[b] International Financial Reporting Standards ["IFRS"]:

In January 2006, the CICA Accounting Standards Board adopted a strategic plan for the direction of accounting standards in Canada commonly referred to as GAAP. The University continues to monitor and assess the impact of the convergence of Canadian GAAP and IFRS.

[In thousands of dollars]

3. INVESTMENTS AND INVESTMENT INCOME

[a] Investments classified as long-term of $154,925 [2007 - $114,595] 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 $71,439 [2007 - $49,954] consist of units of Sceptre Investment Counsel Limited Endowment Foundation and Trust Fund ["EFT"]. The EFT asset mix was 7.8% short-term investments [2007 - 2.3%], 37.8% bonds [2007 - 41.5%], 29.0% Canadian equities [2007 - 29.3%] and 25.4% foreign equities [2007 - 26.9%].

Investments held for other purposes of $83,486 [2007 - $64,641] consist of government and corporate bonds of nil [2007 - $10,045] and money market instruments of $83,486 [2007 - $54,596].

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

	2008 $	**2007** $
Net investment income earned	**6,582**	9,552
Less amount attributed to deferred revenue contributions *[note 8]*	**(1,023)**	(4,123)
Less amount attributed to deferred capital contributions *[note 9]*	**(135)**	–
Less amount attributed to endowment capital preservation *[note 10]*	**(551)**	(940)
Plus amount attributed to endowment unrealized loss *[note 10]*	**436**	100
Investment income recognized during the year	**5,309**	4,589

Investment income earned is net of management fees of $177 [2007 - $127].

[c] The associated risks with the investments are as follows:

Liquidity risk:

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. All of the University's pooled fund investments are considered to be readily realizable as they are listed on recognized stock exchanges and can be quickly liquidated at amounts close to their fair value in order to meet liquidity requirements.

Credit, interest rate, and maturity risk:

Fixed income securities have yields varying from 2.90% to 3.55% [2007 - 3.37% to 4.33%] with maturity dates ranging from May 1, 2008 to April 14, 2009 [2007 - May 1, 2007 to March 8, 2008]. The value of fixed income securities will generally rise if interest rates fall and fall if interest rates rise. The value of securities will vary with developments within the specific companies or governments which issue the securities.

3. INVESTMENTS AND INVESTMENT INCOME [continued]

Market risk:

The value of equity securities changes with stock market conditions, which are affected by general economic and market conditions.

Foreign exchange risk:

The value of securities denominated in a currency other than Canadian dollars will be affected by changes in the value of the Canadian dollar in relation to the value of the currency in which the security is denominated.

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.

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, 2007. The next required actuarial valuation will be January 1, 2010. 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. As a result of this change in measurement date, the University had an additional expense in the amount of $3,522 in 2007.

[In thousands of dollars]

4. EMPLOYEE FUTURE BENEFITS [continued]

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

	2008		2007	
	Pension benefit plans $	Other benefit plans $	Pension benefit plans $	Other benefit plans $
Fair value of plan assets	**763,806**	**–**	724,479	–
Accrued benefit obligations	**602,941**	**12,506**	649,458	10,754
Plan surplus [deficit]	**160,865**	**(12,506)**	75,021	(10,754)
Notional amount of employees' share of surplus related to the RRPP	**(82,705)**	**–**	(39,534)	–
Unamortized net actuarial loss	**27,763**	**–**	66,350	–
Employee future benefits asset [liability]	**105,923**	**(12,506)**	101,837	(10,754)

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.

	2008		2007	
	Pension benefit plans $	Other benefit plans $	Pension benefit plans $	Other benefit plans $
Employee future benefits expense				
Defined benefit plans	**6,672**	**2,297**	7,299	559
Contributions to multi-employer defined benefit plan	**63**	**–**	81	–
	6,735	**2,297**	7,380	559

	2008		2007	
	Pension benefit plans $	Other benefit plans $	Pension benefit plans $	Other benefit plans $
Funding by employer	**10,758**	**545**	11,411	558
Benefits paid	**24,064**	**545**	25,355	558

[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:

	2008		2007	
	Pension benefit plans %	**Other benefit plans** %	**Pension benefit plans** %	**Other benefit plans** %
Accrued benefit obligation				
Discount rate	**6.25**	**6.25**	5.25	5.25
Rate of compensation increase	**5.50**	**5.50**	4.50	4.50
Rate of inflation	**2.50**	**2.50**	2.50	2.50
Benefit cost				
Discount rate	**6.25**	**6.25**	5.25	5.25
Expected long-term rate of return on plan assets	**7.00**	**–**	7.00	–
Rate of compensation increase	**5.50**	**5.50**	4.50	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	
	2008 %	**2007** %
Equities	**55**	60
Debt securities	**22**	22
Real estate	**12**	10
Other	**11**	8
	100	100

RYERSON UNIVERSITY

Notes to Financial Statements [continued]
[In thousands of dollars]

Year ended April 30, 2008

4. EMPLOYEE FUTURE BENEFITS [continued]

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

	2008 $	2007 $
Pension benefit plan asset	**105,923**	101,837
Other benefit plans liability	**(12,506)**	(10,754)
	93,417	91,083
Net change in internally restricted net assets for employee future benefits	**(2,334)**	(589)

The employee future benefit contribution during fiscal 2008 is $11,303 [2007 - $11,969] and employee future benefit expense during the year is $8,969 [2007 - $7,858 and $3,522].

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:

	$
2009	**160**
2010	**170**
2011	**180**
2012	**190**
2013	**201**
Thereafter	**6,312**
	7,213
Less current portion	**(160)**
	7,053

Total interest earned during fiscal 2008 is $433 (2007 - $441) and principal repayments received during the year totalled $152 (2007 - $143).

[In thousands of dollars]

6. CAPITAL ASSETS

Capital assets consist of the following:

	2008			2007		
	Cost $	**Accumulated amortization** $	**Net book value** $	**Cost** $	**Accumulated amortization** $	**Net book value** $
Land	**85,396**	**–**	**85,396**	46,892	–	46,892
Buildings	**329,589**	**99,088**	**230,501**	314,242	91,288	222,954
Equipment and furnishings	**195,887**	**160,396**	**35,491**	187,019	146,193	40,826
Library books	**19,155**	**15,822**	**3,333**	17,492	14,368	3,124
Leasehold improvements	**2,288**	**353**	**1,935**	401	80	321
Capital projects in progress	**15,787**	**–**	**15,787**	6,782	–	6,782
	648,102	**275,659**	**372,443**	572,828	251,929	320,899

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

	2008 $	**2007** $
Balance, beginning of year	**320,899**	292,867
Purchase of capital assets internally financed	**37,542**	42,324
Purchase of capital assets funded by deferred capital contributions	**9,920**	9,011
Purchase of land funded by capital contribution	**28,710**	–
Disposal of capital assets	**(854)**	–
Less amortization of capital assets	**(23,774)**	(23,303)
Balance, end of year	**372,443**	320,899

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

	2008 $	**2007** $
Capital assets, net	**372,443**	320,899
Less long-term debt *[note 7]*	**(93,343)**	(94,747)
Less unamortized deferred capital contributions *[note 9]*	**(123,254)**	(120,244)
	155,846	105,908

There is no capitalized interest included in capital assets for the year ended April 30, 2008 [2007 - $865].

[In thousands of dollars]

7. LONG-TERM DEBT AND DERIVATIVE FINANCIAL INSTRUMENTS

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

	2008 $	2007 $
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
Facilities Expansion Loan [the "Loan"] A variable rate loan with interest and principal payable monthly. The loan bears interest at the Bank's cost of funds in effect for term loans from time to time plus 0.225%. The loan matures January 1, 2014	**66,843**	68,247
	93,343	94,747
Less current portion	**(1,487)**	(1,405)
	91,856	93,342

The long-term debt is secured by all of the University's assets.

The fair value of long-term debt approximates its carrying value, except for the Student Residence Loan, which has a fair value of $28,917 [2007 - $29,817].

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

	$
2009	**1,487**
2010	**1,574**
2011	**28,166**
2012	**1,764**
2013	**1,867**
Thereafter	**58,485**
	93,343

Total interest expense on long-term debt for the year ended April 30, 2008 was $6,503 [2007 - $5,263]. There is no capitalized interest for this fiscal year [2007 - $865].

[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"], 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 on the loan [note 7[a]] 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.

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

	2008		**2007**	
	Notional amount $	**Fair value** $	**Notional amount** $	**Fair value** $
Interest rate swap	**66,843**	**(8,720)**	68,247	(7,034)

The change in fair value of the interest rate swap for the year ended April 30, 2008 was $1,686 [2007 - $1,758].

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:

	2008 $	**2007** $
Balance, beginning of year	**29,418**	23,170
Grants and donations received during the year	**40,409**	29,710
Investment income *[note 3[b]]*	**1,023**	4,123
Amount recognized as revenue during the year	**(30,935)**	(27,585)
Balance, end of year	**39,915**	29,418

[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:

	2008	**2007**
	$	$
Balance, beginning of year	**126,615**	122,624
Grants and donations received during the year	**25,935**	10,914
Investment income *[note 3[b]]*	**135**	–
Amortization of deferred capital contributions	**(6,910)**	(6,923)
Balance, end of year	**145,775**	126,615

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

	2008	**2007**
	$	$
Unamortized deferred capital contributions used to purchase capital assets *[note 6]*	**123,254**	120,244
Unspent deferred capital contributions	**22,521**	6,371
	145,775	126,615

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 2008, net investment income of $115 [2007 - $840] was credited directly to endowment net assets. The changes in the endowment fund balance were as follows:

	2008	**2007**
	$	$
Endowment balance, beginning of year	**49,954**	38,421
Donations received *[note 12]*	**12,206**	5,532
Matching provincial grant *[note 17[c]]*	**9,164**	4,110
Other provincial grants	**–**	1,051
Capital preservation *[note 3[b]]*	**551**	940
Unrealized loss *[note 3[b]]*	**(436)**	(100)
Endowment balance, end of year	**71,439**	49,954

[In thousands of dollars]

10. NET ASSETS [continued]

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

	2008 $	2007 $
Purchase of capital assets internally financed *[note 6]*	**37,542**	42,324
Disposal of capital assets *[note 6]*	**(854)**	–
Repayment of long-term debt principal *[note 7]*	**1,404**	1,327
Amortization of deferred capital contributions *[note 9]*	**6,910**	6,923
	45,002	50,574

11. OTHER INTERNALLY RESTRICTED NET ASSETS

Details of other internally restricted net assets are as follows:

	2008 $	2007 $	Net change $
Budget incentive program	**23,022**	18,480	4,542
Student non-tuition activities	**1,321**	1,299	22
Student support [including scholarships]	**7,306**	3,246	4,060
University Affinity program	**1,628**	1,425	203
Professional development fund	**645**	587	58
Capital and infrastructure projects	**14,967**	20,895	(5,928)
IT initiatives	**6,084**	7,957	(1,873)
Internal research and projects	**8,696**	11,249	(2,553)
Academic growth and priorities	**12,389**	13,975	(1,586)
Other	**21,088**	27,107	(6,019)
	97,146	106,220	(9,074)

[In thousands of dollars]

12. DONATIONS

[a] Total donations received consist of the following:

	2008 $	2007 $
Donations to endowments *[note 10]*	**12,206**	5,532
Donations restricted for capital purposes	**6,912**	2,105
Other restricted donations	**2,830**	1,583
Unrestricted donations	**528**	4,886
	22,476	14,106

[b] Donations recognized of $6,295 [2007 - $9,669] represent unrestricted donations during the year of $528 [2007 - $4,886] and the amount of restricted donations included in deferred revenue contributions recognized during the year of $5,767 [2007 - $4,783].

13. COMMITMENTS

[a] The estimated cost to complete construction and renovation projects in progress as at April 30, 2008, which will be funded by government grants, donations and operations, is approximately $11,800 [2007 - $21,500].

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

	Student Campus Centre $
2009	363
2010	370
2011	378
2012	385
2013	393
	1,889

[In thousands of dollars]

13. COMMITMENTS [continued]

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

	Leases $
2009	2,608
2010	1,712
2011	1,232
2012	1,027
2013	927
	7,506

14. CONTINGENT LIABILITIES

[a] In 2008, the University renewed its agreement with the Canadian Universities Reciprocal Insurance Exchange ["CURIE"] for a period of five years, ending January 1, 2013. 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, 2008, 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.

15. NET CHANGE IN NON-CASH WORKING CAPITAL BALANCES

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

	2008 $	**2007** $
Accounts receivable	**(1,341)**	(3,116)
Prepaid expenses	**(277)**	(358)
Inventories	**(158)**	10
Accounts payable and accrued liabilities	**4,299**	(3,847)
Deferred revenue	**2,758**	4,833
	5,281	(2,478)

[In thousands of dollars]

16. FINANCIAL INSTRUMENTS

The fair values of financial instruments approximate their carrying values unless otherwise noted. The University is subject to certain risks with respect to its investment portfolio, *[note 3]*, and credit risk with respect to its accounts receivable.

Fair value estimates are made at a specific point in time, based on relevant market information and information about the financial instruments. These estimates are subjective in outcome and involve uncertainties and matters of significant judgement and therefore, cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

17. 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 ["OSOTF I"] 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, 2008 and 2007 in the first phase of the OSOTF I balance, which is included in the endowment balance *[note 10]*.

	2008 $	**2007** $
Endowment balance at cost, beginning of year	**6,043**	6,031
Cash donations received	**19**	12
Capital preservation	**130**	–
Endowment balance at cost, end of year	**6,192**	6,043
Cumulative unrealized gain	**199**	175
Endowment balance at market, end of year	**6,391**	6,218

The following is the schedule of changes for the years ended April 30, 2008 and 2007 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.

	2008 $	**2007** $
Expendable balance at cost, beginning of year	**462**	343
Investment income, net of direct investment-related expenses	**291**	283
Bursaries awarded	**(110)**	(164)
Expendable balance at cost, end of year	**643**	462
Number of bursaries awarded	**69**	119

[In thousands of dollars]

17. 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, 2008 and 2007 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.

	2008 $	**2007** $
Stabilization funds balance at cost, beginning of year	**1,106**	986
Investment income not available [available] for spending	**(242)**	120
Stabilization funds balance at cost, end of year	**864**	1,106

[b] The following is the schedule of changes for the years ended April 30, 2008 and 2007 in the second phase of the OSOTF II balance, which is included in the endowment balance *[note 10]*.

	2008 $	**2007** $
Endowment balance at cost, beginning of year	**3,102**	3,094
Cash donations received within annual matching ceiling	**4**	8
Endowment balance at cost, end of year	**3,106**	3,102
Cumulative unrealized gain	**120**	102
Endowment balance at market, end of year	**3,226**	3,204

The following is the schedule of changes for the years ended April 30, 2008 and 2007 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.

	2008 $	**2007** $
Expendable balance, beginning of year	**158**	84
Investment income, net of direct investment-related expenses	**140**	172
Bursaries awarded	**(151)**	(98)
Expendable balance, end of year	**147**	158
Number of bursaries awarded	**40**	33

[In thousands of dollars]

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

The following is a schedule of changes for the years ended April 30, 2008 and 2007 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.

	2008 $	2007 $
Stabilization funds balance at cost, beginning of year	**552**	446
Investment income not available [available] for spending	**(118)**	106
Stabilization funds balance at cost, end of year	**434**	552

[c] The Ontario government requires separate reporting of balances as at March 31, 2008 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:

	2008 $	2007 $
Cash donations	**3,580**	1,896
Unmatched cash donations	**2,473**	66
Total cash donation	**6,053**	1,962

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

	2008 $	2007 $
Endowment balance at cost, beginning of year	**9,827**	3,755
Eligible cash donations received	**6,053**	1,962
Matching funds received/receivable from MTCU *[note 10]*	**9,164**	4,110
Endowment balance at cost, end of year	**25,044**	9,827

[In thousands of dollars]

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

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.

	2008 $	2007 $
Expendable balance, beginning of year	**18**	4
Investment income, net of direct investment-related expenses	**164**	1
Donations	**202**	51
Bursaries awarded	**(238)**	(38)
Expendable balance, end of year	**146**	18
Number of bursaries awarded	**77**	14

The following is the schedule of changes for the period from April 1, 2007 to March 31, 2008 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.

	2008 $	2007 $
Stabilization funds balance at cost, beginning of year	**2**	1
Investment income not available for spending	**224**	1
Stabilization funds balance at cost, end of year	**226**	2

OTSS awards issued for the period from April 1, 2007 to March 31, 2008:

Status of Recipients	OSAP Recipients		Non-OSAP Recipients		Total	
	Number	Amount	Number	Amount	Number	Amount
Full-Time	25	$ 92	22	$ 107	47	$ 199
Part-Time	4	6	26	33	30	39
Total	29	$ 98	48	$ 140	77	$ 238

18. COMPARATIVE FINANCIAL STATEMENTS

[a] The University uses an interest rate swap in order to manage interest rate exposure on the Loan [note 7[a]]. Since the inception of the swap, the University designated and accounted for this interest rate swap as a hedge.

During the year, the University determined that the interest rate swap did not meet the criteria for hedge accounting and accordingly, has restated the comparative financial statements to measure the interest rate swap at fair value and to record changes in fair value in the statement of operations in the period incurred.

The 2007 comparative financial statements have been restated to record the fair value of the swap at May 1, 2006 as a decrease to opening unrestricted net assets in the amount of $5,276, the fair value of the interest rate swap as a derivative liability at April 30, 2007 in the amount of $7,034 and the unrealized loss in the interest rate swap of $1,758 for the year ended April 30, 2007 in the statement of operations. These adjustments reduced the excess of revenue less expenses and unrestricted net assets for the year ended April 30, 2007 by $1,758.

[b] The comparative financial statements have been reclassified from statements previously presented to conform to the presentation of the 2008 financial statements.