RYERSON UNIVERSITY

FINANCIAL STATEMENTS

April 30, 2009

RYERSON UNIVERSITY
Index

Year ended April 30, 2009

KPMG LLP
Chartered Accountants
Yonge Corporate Centre
4100 Yonge Street Suite 200
Toronto ON M2P 2H3
Canada

Telephone (416) 228-7000
Fax (416) 228-7123
Internet www.kpmg.ca

AUDITORS' REPORT

To the Board of Governors of Ryerson University

We have audited the balance sheet of Ryerson University as at April 30, 2009 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, 2009 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

May 29, 2009

RYERSON UNIVERSITY

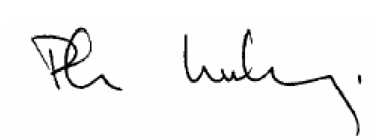
Balance Sheet
[In thousands of dollars]

April 30, 2009, with comparative figures for 2008

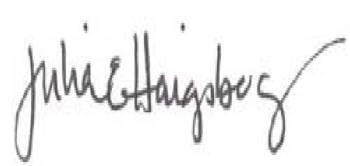
	2009 $	2008 $
ASSETS		
Current		
Cash and cash equivalents	**60,835**	45,156
Short-term investments	**35,796**	10,930
Accounts receivable	**23,576**	21,772
Prepaid expenses	**1,131**	1,369
Inventories	**1,282**	1,170
Current portion of note receivable *[note 5]*	**164**	160
Total current assets	**122,784**	80,557
Investments *[note 3]*	**147,668**	154,925
Employee future benefits - pension *[note 4]*	**110,955**	105,923
Note receivable *[note 5]*	**6,894**	7,053
Capital assets, net *[note 6]*	**368,129**	372,443
	756,430	720,901
LIABILITIES, DEFERRED CONTRIBUTIONS, AND NET ASSETS		
Current		
Accounts payable and accrued liabilities	**38,820**	28,018
Deferred revenue	**16,585**	19,902
Current portion of long-term debt *[note 7[a]]*	**1,574**	1,487
Current portion of fair value of interest rate swap *[note 7[b]]*	**3,492**	1,737
Total current liabilities	**60,471**	51,144
Employee future benefits - other *[note 4]*	**14,507**	12,506
Long-term debt *[note 7[a]]*	**90,282**	91,856
Fair value of interest rate swap *[note 7[b]]*	**11,811**	6,983
Deferred revenue contributions *[note 8]*	**39,562**	39,915
Deferred capital contributions *[note 9]*	**151,357**	145,775
	367,990	348,179
Net assets		
Endowments *[note 10]*	**70,589**	71,439
Other	**317,851**	301,283
Total net assets	**388,440**	372,722
	756,430	720,901

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, 2009, with comparative figures for 2008

	2009 $	2008 $
REVENUE		
Grants and contracts	**228,745**	197,413
Student fees	**160,607**	144,068
Sales and services	**29,311**	28,241
Donations recognized *[note 13[b]]*	**6,404**	6,295
Amortization of deferred capital contributions *[note 9]*	**7,437**	6,910
Investment income *[note 3[b]]*	**3,212**	5,309
Other income	**2,826**	2,745
	438,542	390,981
EXPENSES		
Salaries and benefits	**269,122**	247,832
Materials, supplies, repairs and maintenance	**96,855**	93,424
Bursaries and scholarships	**18,082**	15,059
Interest *[note 7]*	**6,425**	6,503
Amortization of capital assets *[note 6]*	**24,626**	23,774
	415,110	386,592
Revenue less expenses before unrealized losses on interest rate swap	**23,432**	4,389
Unrealized losses on interest rate swap *[note 7[b]]*	**6,583**	1,686
Revenue less expenses	**16,849**	2,703

See accompanying notes to financial statements

RYERSON UNIVERSITY

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

Year ended April 30, 2009, with comparative figures for 2008

			Internally restricted			2009	2008
	Unrestricted $	**Invested in capital assets** $	**Employee future benefits** $	**Other** $	**Endowments** $	**Total** $	**Total** $
		[note 12]	*[note 4]*	*[note 11]*	*[note 10]*		
Net assets, beginning of year	**(45,126)**	**155,846**	**93,417**	**97,146**	**71,439**	**372,722**	319,824
Revenue less expenses	**42,956**	**(17,189)**	**(8,918)**	**–**	**–**	**16,849**	2,703
Capitalization of investment income (loss) in endowments	**(241)**	**–**	**–**	**–**	**(10,817)**	**(11,058)**	115
Internally restricted endowments	**(40)**	**–**	**–**	**–**	**40**	**–**	–
Endowment contributions	**–**	**–**	**–**	**–**	**9,927**	**9,927**	21,370
Allocations to other internally restricted net assets (carryforwards)	**(23,797)**	**–**	**–**	**23,797**	**–**	**–**	–
Employee future benefit contributions *[note 4]*	**(11,949)**	**–**	**11,949**	**–**	**–**	**–**	–
Net change in net assets invested in capital assets	**(11,570)**	**11,570**	**–**	**–**	**–**	**–**	–
Contribution restricted for the purchase of land	**–**	**–**	**–**	**–**	**–**	**–**	28,710
Net assets, end of year	**(49,767)**	**150,227**	**96,448**	**120,943**	**70,589**	**388,440**	372,722

See accompanying notes to financial statements

RYERSON UNIVERSITY

Statement of Cash Flows
[In thousands of dollars]

Year ended April 30, 2009, with comparative figures for 2008

	2009 $	2008 $
OPERATING ACTIVITIES		
Revenue less expenses	**16,849**	2,703
Add [deduct] non-cash items		
Amortization of capital assets *[note 6]*	**24,626**	23,774
Amortization of deferred capital contributions *[note 9]*	**(7,437)**	(6,910)
Change in fair value of interest rate swap *[note 7[b]]*	**6,583**	1,686
Unrealized losses on investments	**11,641**	436
Employee future benefits contributions *[note 4]*	**(11,949)**	(11,303)
Employee future benefits expense *[note 4]*	**8,918**	8,969
Net change in deferred revenue contributions *[note 8]*	**(353)**	10,497
Net change in non-cash working capital balances *[note 16]*	**5,807**	5,281
Cash provided by operating activities	**54,685**	35,133
FINANCING AND INVESTING ACTIVITIES		
Contributions received for capital purposes *[note 9]*	**13,019**	26,070
Contributions received for purchase of land	**–**	28,710
Endowment contributions	**9,927**	21,370
Capitalization of investment income (loss) in endowments	**(11,058)**	115
Decrease in note receivable *[note 5]*	**155**	152
Acquisition of capital assets *[note 6]*	**(20,312)**	(76,172)
Net disposal of capital assets *[note 6]*	**–**	854
Repayment of long-term debt principal *[note 7[a]]*	**(1,487)**	(1,404)
Increase in short-term investments	**(24,866)**	(2,568)
Increase in investments, net	**(4,384)**	(40,766)
Cash used in financing and investing activities	**(39,006)**	(43,639)
Net increase [**decrease**] **in cash and cash equivalents during the year**	**15,679**	(8,506)
Cash and cash equivalents, beginning of year	**45,156**	53,662
Cash and cash equivalents, end of year	**60,835**	45,156

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

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles ["GAAP"].

[a] Change in accounting policies

Effective May 1, 2008, the University adopted the recommendations of The Canadian Institute of Chartered Accountants' ["CICA"] Handbook Section 1535, Capital Disclosures, which require the disclosure of qualitative and quantitative information that enables users of the financial statements to evaluate the University’s objectives, policies and processes for managing capital. The adoption of these recommendations only required additional disclosures, which are provided below.

Effective May 1, 2008, the University adopted the recommendations of Handbook Section 3031, Inventories. These recommendations provide guidance on the measurement and disclosure requirements for inventories. The adoption of these recommendations had no impact on the University’s financial statements.

[b] Significant accounting policies:

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

Works of art

Purchases of artworks are expensed. Donated artworks (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.

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.

Financial instruments

The University has chosen to use the exemption provided by the CICA permitting non-for-profit organizations not to apply the following sections of the CICA Handbook: Section 3862, Financial Instruments - Disclosures, and Section 3863, Financial Instruments - Presentation, which would otherwise have applied to financial instruments for the University for the year ended April 30, 2009. The University applies the requirements of Section 3861, Financial Instruments - Disclosure and Presentation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

Under Section 3855, Financial Instruments - Recognition and Measurement, 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. Accounts receivable and note receivable are classified as loans and receivables, accounts payable as other liabilities, and long-term debt as held-to-maturity, all of which are measured at amortized cost using the effective interest rate method.

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.

Capital management

The University manages its capital by maintaining optimum levels on an ongoing basis. The objective is to ensure an adequate supply for operations while maintaining the flexibility to maximize investment returns and/or to reduce the cost of any potential external financing.

The levels of liquid resources are considered in the annual budget process. Cash flows are monitored on a daily basis, and actual operating results are compared to budget on a quarterly basis. The financial statements are augmented by reports that detail the liquid inflows and outflows compared to budgets.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

[c] Future accounting changes

The CICA has amended Section 4400, Financial Statement Presentation by Not-for-Profit Organizations, that will revise and enhance current disclosure requirements for various elements of financial reporting. For the University, the amendments will be effective for the fiscal year commencing May 1, 2009. The amendments require the reporting of certain gross revenue in the statement of operations, and additional disclosures, when a not-for-profit organization classifies its expenditures by function, and allocates a portion of its fundraising and general support costs to another function. Reporting net assets invested in capital assets will be optional. The University is currently assessing the future impact of these changes on its financial statements.

In January 2009, the CICA's Emerging Issues Committee ("EIC") issued Abstract No. 173, Credit and the Fair Value of Financial Assets and Liabilities ("EIC-173"), which requires entities to take both counterparty credit risk and their own credit risk into account when measuring the fair value of financial assets and liabilities, including derivatives. EIC-173 will be effective for annual periods beginning on or after January 1, 2009. The University is currently assessing the impact of this standard.

3. INVESTMENTS AND INVESTMENT INCOME

[a] Investments classified as long-term of $147,668 [2008 - $154,925] 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 $64,893 [2008 - $71,439] consist of units of Sceptre Investment Counsel Limited Endowment Foundation and Trust Fund ["EFT"]. The EFT asset mix was 6.1% short-term investments [2008 - 7.8%], 42.3% bonds [2008 - 37.8%], 27.6% Canadian equities [2008 - 29.0%] and 24.0% foreign equities [2008 - 25.4%]. At April 30 an additional $5,697 is still due from the Ministry of Training, Colleges and Universities.

Investments held for other purposes of $82,775 [2008 - $83,486] are invested in money market instruments.

[In thousands of dollars]

3. INVESTMENTS AND INVESTMENT INCOME [continued]

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

	2009 $	**2008** $
Net investment income (loss)	**(6,423)**	6,582
Less amount attributed to deferred revenue contributions *[note 8]*	**(740)**	(1,023)
Less amount attributed to deferred capital contributions *[note 9]*	**(442)**	(135)
Less amount attributed to endowment capital preservation *[note 10]*	**(824)**	(551)
Plus amount attributed to endowment unrealized loss *[note 10]*	**11,641**	436
Investment income recognized during the year	**3,212**	5,309

Investment income earned is net of management fees of $187 [2008 - $177].

[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 0.15% to 3.52% [2008 - 2.90% to 3.55%] with maturity dates ranging from May 1, 2009 to October 19, 2009 [2008 - May 1, 2008 to April 14, 2009]. 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.

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.

[In thousands of dollars]

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, 2008. The next required actuarial valuation will be January 1, 2011. The University has a practice of performing annual valuations for accounting purposes for defined benefit plans. 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:

	2009		**2008**	
	Pension benefit plans $	**Other benefit plans** $	**Pension benefit plans** $	**Other benefit plans** $
Fair value of plan assets	**662,258**	**–**	763,806	–
Accrued benefit obligations	**678,376**	**14,507**	602,941	12,506
Plan surplus [deficit]	**(16,118)**	**(14,507)**	160,865	(12,506)
Notional amount of employees' share of surplus related to the RRPP	**–**	**–**	(82,705)	–
Unamortized net actuarial loss	**127,073**	**–**	27,763	–
Employee future benefits asset [liability]	**110,955**	**(14,507)**	105,923	(12,506)

[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.

	2009		**2008**	
	Pension benefit plans $	**Other benefit plans** $	**Pension benefit plans** $	**Other benefit plans** $
Employee future benefits expense				
Defined benefit plans	**6,573**	**2,345**	6,672	2,297
Contributions to multi-employer defined benefit plan	**46**	**–**	63	–
	6,619	**2,345**	6,735	2,297

	2009		**2008**	
	Pension benefit plans $	**Other benefit plans** $	**Pension benefit plans** $	**Other benefit plans** $
Funding by employer	**11,605**	**344**	10,758	545
Benefits paid	**23,673**	**344**	24,064	545

[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:

	2009		2008	
	Pension benefit plans %	**Other benefit plans** %	**Pension benefit plans** %	**Other benefit plans** %
Accrued benefit obligation				
Discount rate	**5.75**	**7.20**	6.25	6.25
Rate of compensation increase	**5.25**	**5.25**	5.50	5.50
Rate of inflation	**2.25**	**2.25**	2.50	2.50
Benefit cost				
Discount rate	**5.75**	**7.20**	6.25	6.25
Expected long-term rate of return on plan assets	**7.45**	**–**	7.00	–
Rate of compensation increase	**5.25**	**5.25**	5.50	5.50
Rate of inflation	**2.25**	**2.25**	2.50	2.50
Medical costs				
Drug	**–**	**10.00**	–	10.00
Hospital	**–**	**4.50**	–	5.00
Other medical	**–**	**4.50**	–	5.00
Dental	**–**	**4.50**	–	5.00

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

	Percentage of plan assets	
	2009 %	**2008** %
Equities	**51**	55
Debt securities	**19**	22
Real estate	**15**	12
Other	**15**	11
	100	100

[In thousands of dollars]

4. EMPLOYEE FUTURE BENEFITS [continued]

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

	2009 $	2008 $
Pension benefit plan asset	**110,955**	105,923
Other benefit plans liability	**(14,507)**	(12,506)
	96,448	93,417
Net change in internally restricted net assets for employee future benefits	**3,031**	(2,334)

The employee future benefit contribution during fiscal 2009 is $11,949 [2008 - $11,303] and employee future benefit expense during the year is $8,918 [2008 - $8,969].

5. NOTE RECEIVABLE

The note receivable balance is due from The Palin Foundation as outlined in the Student Campus Centre Operating Agreement.

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

	$
2010	**164**
2011	**174**
2012	**185**
2013	**196**
2014	**208**
Thereafter	**6,131**
	7,058
Less current portion	**(164)**
	6,894

Total interest earned during fiscal 2009 is $424 (2008 - $433) and principal repayments received during the year totalled $155 (2008 - $152).

[In thousands of dollars]

6. CAPITAL ASSETS

Capital assets consist of the following:

	2009			2008		
	Cost $	**Accumulated amortization** $	**Net book value** $	**Cost** $	**Accumulated amortization** $	**Net book value** $
Land	**85,396**	**–**	**85,396**	85,396	–	85,396
Buildings	**331,127**	**106,899**	**224,228**	329,589	99,088	230,501
Equipment and furnishings	**221,372**	**175,385**	**45,987**	195,887	160,396	35,491
Library books	**20,830**	**17,399**	**3,431**	19,155	15,822	3,333
Leasehold improvements	**2,306**	**602**	**1,704**	2,288	353	1,935
Capital projects in progress	**7,383**	**–**	**7,383**	15,787	–	15,787
	668,414	**300,285**	**368,129**	648,102	275,659	372,443

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

	2009 $	**2008** $
Balance, beginning of year	**372,443**	320,899
Purchase of capital assets internally financed	**10,083**	37,542
Purchase of capital assets funded by deferred capital contributions	**10,229**	9,920
Purchase of land funded by capital contribution	**–**	28,710
Disposal of capital assets	**–**	(854)
Less amortization of capital assets	**(24,626)**	(23,774)
Balance, end of year	**368,129**	372,443

[In thousands of dollars]

7. LONG-TERM DEBT AND DERIVATIVE FINANCIAL INSTRUMENTS

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

	2009 $	2008 $
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	**65,356**	66,843
	91,856	93,343
Less current portion	**(1,574)**	(1,487)
	90,282	91,856

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 $29,170 [2008 - $28,917].

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

	$
2010	**1,574**
2011	**28,166**
2012	**1,764**
2013	**1,867**
2014	**1,976**
Thereafter	**56,509**
	91,856

Total interest expense on long-term debt for the year ended April 30, 2009 was $6,425 [2008 - $6,503].

[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:

	2009		**2008**	
	Notional amount $	**Fair value** $	**Notional amount** $	**Fair value** $
Interest rate swap	**65,356**	**(15,303)**	66,843	(8,720)
Less current portion	**–**	**(3,492)**	–	(1,737)
	65,356	**(11,811)**	66,843	(6,983)

The change in fair value of the interest rate swap for the year ended April 30, 2009 was $6,583 [2008 - $1,686].

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:

	2009 $	**2008** $
Balance, beginning of year	**39,915**	29,418
Grants and donations received during the year	**45,400**	40,409
Investment income *[note 3[b]]*	**740**	1,023
Amount recognized as revenue during the year	**(46,493)**	(30,935)
Balance, end of year	**39,562**	39,915

[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 over the useful life of the capital assets. The changes in the deferred capital contributions balance were as follows:

	2009 $	2008 $
Balance, beginning of year	**145,775**	126,615
Grants and donations received during the year	**12,577**	25,935
Investment income *[note 3[b]]*	**442**	135
Amortization of deferred capital contributions	**(7,437)**	(6,910)
Balance, end of year	**151,357**	145,775

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

	2009 $	2008 $
Unamortized deferred capital contributions used to purchase capital assets *[note 12[a]]*	**126,046**	123,254
Unspent deferred capital contributions	**25,311**	22,521
	151,357	145,775

10. ENDOWMENTS

Endowments consist of internally and 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. The changes in the endowment fund balance were as follows:

	2009 $	2008 $
Endowment balance, beginning of year	**71,439**	49,954
Donations received *[note 13]*	**1,712**	12,206
Matching provincial grant *[note 18[c]]*	**7,864**	9,164
Other grant	**391**	–
Capital preservation *[note 3[b]]*	**824**	551
Unrealized loss *[note 3[b]]*	**(11,641)**	(436)
Endowment balance, end of year	**70,589**	71,439

The internally restricted endowment for the year ended April 30, 2009 was $40 [2008 - nil].

[In thousands of dollars]

11. OTHER INTERNALLY RESTRICTED NET ASSETS (CARRYFORWARDS)

	2009 $	2008 $	Net change $
Budget incentive program	**36,891**	23,022	**13,869**
Student non-tuition activities	**1,603**	1,321	**282**
Student support [including scholarships]	**8,228**	7,306	**922**
University Affinity program	**1,680**	1,628	**52**
Professional development fund	**776**	645	**131**
Capital and infrastructure projects	**14,237**	14,967	**(730)**
IT initiatives	**3,665**	6,084	**(2,419)**
Internal research and projects	**12,753**	8,696	**4,057**
Academic growth and priorities	**12,732**	12,389	**343**
Other	**28,378**	21,088	**7,290**
	120,943	97,146	**23,797**

12. INVESTMENT IN CAPITAL ASSETS

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

	2009 $	2008 $
Capital assets, net	**368,129**	372,443
Less long-term debt *[note 7]*	**(91,856)**	(93,343)
Less unamortized deferred capital contributions *[note 9]*	**(126,046)**	(123,254)
	150,227	155,846

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

	2009 $	2008 $
Purchase of capital assets internally financed *[note 6]*	**10,083**	37,542
Disposal of capital assets *[note 6]*	**–**	(854)
Repayment of long-term debt principal *[note 7]*	**1,487**	1,404
	11,570	38,092
Amortization of deferred capital contributions *[note 9]*	**7,437**	6,910
Less amortization of capital assets [note 6]	**(24,626)**	(23,774)
	(17,189)	(16,864)
	(5,619)	21,228

[In thousands of dollars]

13. DONATIONS

[a] Total donations received consist of the following:

	2009 $	**2008** $
Donations to endowments *[note 10]*	**1,712**	12,206
Donations restricted for capital purposes	**6,109**	6,912
Other restricted donations	**2,479**	2,830
Unrestricted donations	**692**	528
	10,992	22,476

[b] Donations recognized of $6,404 [2008 - $6,295] represent unrestricted donations received during the year of $692 [2008 - $528] and the amount of restricted donations included in deferred revenue contributions recognized during the year of $5,712 [2008 - $5,767].

14. COMMITMENTS

[a] The estimated cost to complete construction and renovation projects in progress as at April 30, 2009, which will be funded by government grants, donations and operations, is approximately $7,300 [2008 - $11,800].

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

	Student Campus Centre $
2010	**370**
2011	**378**
2012	**385**
2013	**393**
2014	**401**
	1,927

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

	Leases $
2010	**2,541**
2011	**1,799**
2012	**1,568**
2013	**999**
2014	**192**
	7,099

[In thousands of dollars]

15. 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, 2009, 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.

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:

	2009 $	**2008** $
Accounts receivable	**(1,804)**	(1,341)
Prepaid expenses	**238**	(277)
Inventories	**(112)**	(158)
Accounts payable and accrued liabilities	**10,802**	4,299
Deferred revenue	**(3,317)**	2,758
	5,807	5,281

17. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

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.

[In thousands of dollars]

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

The 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, 2009 and 2008 in the first phase of the OSOTF I balance, which is included in the endowment balance *[note 10]*.

	2009 $	2008 $
Endowment balance at cost, beginning of year	**6,192**	6,043
Cash donations received	**5**	19
Capital preservation	**93**	130
Endowment balance at cost, end of year	**6,290**	6,192
Cumulative unrealized gain/loss	**(810)**	199
Endowment balance at market, end of year	**5,480**	6,391

The following is the schedule of changes for the years ended April 30, 2009 and 2008 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.

	2009 $	2008 $
Expendable balance at cost, beginning of year	**643**	462
Investment income, net of direct investment-related expenses	**–**	291
Bursaries awarded	**(136)**	(110)
Unspent balance transfer to stabilization account	**(507)**	–
Expendable balance at cost, end of year	**–**	643
Number of bursaries awarded	**118**	69

[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, 2009 and 2008 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.

	2009 $	**2008** $
Stabilization funds balance at cost, beginning of year	**864**	1,106
Investment income made available for spending	**(71)**	(242)
Unspent balance transfer from expendable accounts	**507**	–
Stabilization funds balance at cost, end of year	**1,300**	864

[b] The following is the schedule of changes for the years ended April 30, 2009 and 2008 in the second phase of the OSOTF II balance, which is included in the endowment balance *[note 10]*.

	2009 $	**2008** $
Endowment balance at cost, beginning of year	**3,106**	3,102
Cash donations received within annual matching ceiling	**3**	4
Capital preservation	**45**	–
Endowment balance at cost, end of year	**3,154**	3,106
Cumulative unrealized gain (loss)	**(387)**	120
Endowment balance at market, end of year	**2,767**	3,226

The following is the schedule of changes for the years ended April 30, 2009 and 2008 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.

	2009 $	**2008** $
Expendable balance, beginning of year	**147**	158
Investment income, net of direct investment-related expenses	**–**	140
Bursaries awarded	**(122)**	(151)
Unspent balance transfer to stabilization accounts	**(25)**	–
Expendable balance, end of year	**–**	147
Number of bursaries awarded	**39**	40

[In thousands of dollars]

18. 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, 2009 and 2008 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.

	2009 $	**2008** $
Stabilization funds balance at cost, beginning of year	**434**	552
Investment income made available for spending	**(35)**	(118)
Unspent balance transfer from expendable accounts	**25**	–
Stabilization funds balance at cost, end of year	**424**	434

[c] The Ontario government requires separate reporting of balances as at March 31, 2009 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:

	2009 $	**2008** $
Cash donations	**1,045**	3,580
Unmatched cash donations	**–**	2,473
Total cash donation	**1,045**	6,053

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

	2009 $	**2008** $
Endowment balance at cost, beginning of year	**25,044**	9,827
Eligible cash donations received	**1,045**	6,053
Matching funds received/receivable from MTCU *[note 10]*	**7,864**	9,164
Preservation of capital	**219**	–
Cumulative unrealized loss	**(4,677)**	–
Endowment balance at market value, end of year	**29,495**	25,044

[In thousands of dollars]

18. 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.

	2009 $	**2008** $
Expendable balance, beginning of year	**146**	18
Investment income, net of direct investment-related expenses	**–**	164
Donations	**318**	202
Bursaries awarded	**(979)**	(238)
Other income	**675**	–
Expendable balance, end of year	**160**	146
Number of bursaries awarded	220	77

The following is the schedule of changes for the period from April 1, 2008 to March 31, 2009 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.

	2009 $	**2008** $
Stabilization funds balance at cost, beginning of year	**226**	2
Investment income [made available] not available for spending	**(125)**	224
Stabilization funds balance at cost, end of year	**101**	226

OTSS awards issued for the period from April 1, 2008 to March 31, 2009.

Status of Recipients	OSAP Recipients		Non-OSAP Recipients		Total	
	Number	Amount	Number	Amount	Number	Amount
Full-Time	45	$ 203	146	$ 735	191	$ 938
Part-Time	2	4	27	37	29	41
Total	47	$ 207	173	$ 772	220	$ 979

19. COMPARATIVE FINANCIAL STATEMENTS

The comparative financial statements have been reclassified from statements previously presented to conform to the presentation of the 2009 financial statements.