RYERSON UNIVERSITY

FINANCIAL STATEMENTS

April 30, 2010

RYERSON UNIVERSITY

Index

Year ended April 30, 2010

AUDITORS' REPORT

To the Board of Governors of Ryerson University

We have audited the balance sheet of Ryerson University as at April 30, 2010 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, 2010 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 28, 2010

RYERSON UNIVERSITY

Balance Sheet
[In thousands of dollars]

April 30, 2010, with comparative figures for 2009

	2010 $	**2009** $
ASSETS		
Current		
Cash and cash equivalents	20,508	60,835
Short-term investments	77,334	35,796
Accounts receivable	29,280	23,576
Prepaid expenses	2,137	1,131
Inventories	1,142	1,282
Current portion of note receivable *[note 5]*	174	164
Total current assets	130,575	122,784
Investments *[note 3]*	181,696	147,668
Employee future benefits - pension *[note 4]*	108,987	110,955
Note receivable *[note 5]*	6,720	6,894
Capital assets, net *[note 6]*	380,407	368,129
	808,385	756,430
LIABILITIES, DEFERRED CONTRIBUTIONS AND NET ASSETS		
Current		
Accounts payable and accrued liabilities	39,106	38,820
Deferred revenue	17,163	16,585
Current portion of long-term debt *[note 7[a]]*	28,166	1,574
Current portion of fair value of interest rate swap *[note 7[b]]*	2,808	3,492
Total current liabilities	87,243	60,471
Employee future benefits - other *[note 4]*	16,075	14,507
Long-term debt *[note 7[a]]*	62,116	90,282
Fair value of interest rate swap *[note 7[b]]*	7,417	11,811
Deferred revenue contributions *[note 8]*	38,141	39,562
Deferred capital contributions *[note 9]*	173,345	151,357
	384,337	367,990
Net assets		
Endowments *[note 10]*	86,123	70,589
Other	337,925	317,851
Total net assets	424,048	388,440
	808,385	756,430

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, 2010, with comparative figures for 2009

	2010 $	2009 $
REVENUE		
Grants and contracts	230,585	228,745
Student fees	172,260	160,607
Sales and services	29,096	29,311
Donations recognized *[note 13[b]]*	5,519	6,404
Amortization of deferred capital contributions *[note 9]*	7,224	7,437
Investment income *[note 3[b]]*	614	3,212
Other income	3,654	2,826
	448,952	438,542
EXPENSES		
Salaries and benefits	291,890	269,122
Materials, supplies, repairs and maintenance	89,943	96,855
Bursaries and scholarships	20,860	18,082
Interest *[note 7]*	6,345	6,425
Amortization of capital assets *[note 6]*	24,795	24,626
	433,833	415,110
Revenue less expenses before unrealized gain (loss) on interest rate swap	15,119	23,432
Unrealized gain (loss) on interest rate swap *[note 7[b]]*	5,078	(6,583)
Revenue less expenses	20,197	16,849

See accompanying notes to financial statements

RYERSON UNIVERSITY

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

Year ended April 30, 2010, with comparative figures for 2009

			Internally restricted			2010	2009
	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	(49,767)	150,227	96,448	120,943	70,589	388,440	372,722
Revenue less expenses	54,670	(17,571)	(16,902)	–	–	20,197	16,849
Capitalization of investment income (loss) in endowments	(13)	–	–	–	11,292	11,279	(11,058)
Internally restricted endowment	(110)	–	–	–	110	–	–
Endowment contributions	–	–	–	–	4,132	4,132	9,927
Allocations to other internally restricted net assets (carryforwards)	(25,871)	–	–	25,871	–	–	–
Employee future benefit contributions *[note 4]*	(13,366)	–	13,366	–	–	–	–
Net change in net assets invested in capital assets	(13,181)	13,181	–	–	–	–	–
Net assets, end of year	(47,638)	145,837	92,912	146,814	86,123	424,048	388,440

See accompanying notes to financial statements

RYERSON UNIVERSITY

Statement of Cash Flows
[In thousands of dollars]

Year ended April 30, 2010, with comparative figures for 2009

	2010 $	2009 $
OPERATING ACTIVITIES		
Revenue less expenses	20,197	16,849
Add [deduct] non-cash items:		
Amortization of capital assets *[note 6]*	24,795	24,626
Amortization of deferred capital contributions *[note 9]*	(7,224)	(7,437)
Change in fair value of interest rate swap *[note 7[b]]*	(5,078)	6,583
Disposal of capital assets *[note 6]*	114	–
Employee future benefits contributions *[note 4]*	(13,366)	(11,949)
Employee future benefits expense *[note 4]*	16,902	8,918
Net change in deferred revenue contributions *[note 8]*	(1,421)	(353)
Net change in non-cash working capital balances *[note 16]*	(5,706)	5,807
Cash provided by operating activities	29,213	43,044
INVESTING ACTIVITIES		
Decrease in note receivable *[note 5]*	164	155
Acquisition of capital assets *[note 6]*	(37,187)	(20,312)
Unrealized loss (gain) on investments *[note 10]*	(10,589)	11,641
Increase in short-term investments	(41,538)	(24,866)
Increase in investments	(23,439)	(4,384)
Cash used in investing activities	(112,589)	(37,766)
FINANCING ACTIVITIES		
Contributions received for capital purposes *[note 9]*	29,212	13,019
Endowment contributions	4,132	9,927
Capitalization of investment income (loss) in endowments	11,279	(11,058)
Repayment of long-term debt principal *[note 7[a]]*	(1,574)	(1,487)
Cash provided by financing activities	43,049	10,401
Net increase [decrease] in cash and cash equivalents during the year	(40,327)	15,679
Cash and cash equivalents, beginning of year	60,835	45,156
Cash and cash equivalents, end of year	20,508	60,835
Supplemental cash flow information:		
Interest paid	6,352	6,433
Interest received	1,218	3,238

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 funds, including endowment, research and trust; 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, 2009, the University adopted the recommendation of The Canadian Institute of Chartered Accountants' ["CICA"] Handbook Section 1540, Cash Flow Statements, which require the presentation of investing and financing activities in separate sections as well as other supplementary disclosures and reclassifications of certain numbers in the statement of cash flows.

Effective May 1, 2009, the University adopted the CICA amendments to Handbook Section 4400, Financial Statement Presentation for Not-for-Profit Organizations. The disclosure of net assets invested in capital assets is now optional and revenue and expenses are required to be presented on a gross basis when the not-for-profit organization is acting as principal. Adoption of these recommendations had no significant impact on the financial statements for the year ended April 30, 2010.

Effective May 1, 2009, the University adopted the CICA amendments to Section 1000 of the CICA Handbook. These amendments clarified the criteria for recognition of an asset or liability, removing the ability to recognize assets or liabilities solely on the basis of matching of revenue and expense items. Adoption of these recommendations had no impact on the financial statements for the year ended April 30, 2010.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

Effective May 1, 2009, the University adopted the CICA issued Emerging Issues Committee Abstract No. 173, Credit Risk and the Fair Value of Financial Assets and Financial Liabilities, which requires the entity to consider its own credit risk as well as the credit risk of its counterparty when determining the fair value of financial assets and liabilities, including derivative instruments. Adoption of this recommendation had no significant impact on the valuation of the University's financial assets or liabilities.

[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.

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 period 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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

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

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 year 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 services

An indeterminable number of hours are contributed by volunteers each year. However, because of the difficulty of determining their fair value, contributed 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

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, 2010. The University applies the requirements of Section 3861, Financial Instruments - Disclosure and Presentation.

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.

Future accounting changes

In March 2010, the Accounting Standards Board ("AcSB") and Public Sector Accounting Board ("PSAB") each issued Exposure Drafts on Accounting Standards for Not-for-Profit Organizations. Both AcSB and PSAB expect that the final standards will be issued late in 2010 and will be effective for fiscal years beginning on or after January 1, 2012. The University will review the impact of the adoption of these proposed new standards on its financial statements once finalized.

[In thousands of dollars]

3. INVESTMENTS AND INVESTMENT INCOME

[a] Investments classified as long-term of $181,696 [2009 - $147,668] 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 $86,123 [2009 - $64,893] consist of units of Sceptre Investment Counsel Limited Endowment Foundation and Trust Fund ["EFT"]. The EFT asset mix was 6.1% short-term investments [2009 - 6.1%], 39.0% bonds [2009 - 42.3%], 29.3% Canadian equities [2009 - 27.6%] and 25.6% foreign equities [2009 - 24.0%].

Investments held for other purposes of $95,573 [2009 - $82,775] are invested in money market instruments.

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

	2010 $	**2009** $
Net investment income (loss)	12,124	(6,423)
Less amount attributed to deferred revenue contributions *[note 8]*	(100)	(740)
Less amount attributed to deferred capital contributions *[note 9]*	(118)	(442)
Less amount attributed to endowment capital preservation *[note 10]*	(703)	(824)
Plus amount attributed to endowment unrealized loss (gain) *[note 10]*	(10,589)	11,641
Investment income recognized during the year	614	3,212

Investment income earned is net of management fees of $214 [2009 - $187].

[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 risks:

Fixed income securities have yields varying from 0.20% to 1.12% [2009 - 0.15% to 3.52%] with maturity dates ranging from May 3, 2010 to February 1, 2011 [2009 - May 1, 2009 to October 19, 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.

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 average pensionable salary over a consecutive 60-month period. 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 premiums for medical and dental benefits.

The latest actuarial valuations for the registered pension plans were performed as of January 1, 2009. The next required actuarial valuation will be January 1, 2012. 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.

[In thousands of dollars]

4. EMPLOYEE FUTURE BENEFITS [continued]

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

	2010		2009	
	Pension benefit plans $	**Other benefit plans** $	**Pension benefit plans** $	**Other benefit plans** $
Fair value of plan assets	731,987	–	662,258	–
Accrued benefit obligations	786,695	16,075	678,376	14,507
Plan surplus [deficit]	(54,708)	(16,075)	(16,118)	(14,507)
Notional amount of employees' share of surplus related to the RRPP	–	–	–	–
Unamortized net actuarial loss	163,695	–	127,073	–
Employee future benefits asset [liability]	108,987	(16,075)	110,955	(14,507)

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.

Information about the expense, funding and benefits paid under University's defined benefit plans is as follows:

	2010		2009	
	Pension benefit plans $	**Other benefit plans** $	**Pension benefit plans** $	**Other benefit plans** $
Employee future benefits expense				
Defined benefit plans	14,691	2,211	6,573	2,345
Contributions to multi-employer defined benefit plan	56	–	46	–
	14,747	**2,211**	6,619	2,345
Funding by employer	12,723	643	11,605	344
Benefits paid	26,837	643	23,673	344

[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:

	2010		2009	
	Pension benefit plans %	**Other benefit plans** %	**Pension benefit plans** %	**Other benefit plans** %
Accrued benefit obligation				
Discount rate	5.25	5.25	5.75	7.20
Rate of compensation increase	5.25	5.25	5.25	5.25
Rate of inflation	2.25	2.25	2.25	2.25
Benefit cost				
Discount rate	5.25	5.25	5.75	7.20
Expected long-term rate of return on plan assets	6.85	–	7.45	–
Rate of compensation increase	5.25	5.25	5.25	5.25
Rate of inflation	2.25	2.25	2.25	2.25
Medical costs				
Drug	–	10.00	–	10.00
Hospital	–	4.50	–	4.50
Other medical	–	4.50	–	4.50
Dental	–	4.50	–	4.50

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

	Percentage of plan assets	
	2010 %	**2009** %
Equities	44	51
Debt securities	27	19
Real estate	13	15
Other	16	15
	100	100

[In thousands of dollars]

4. EMPLOYEE FUTURE BENEFITS [continued]

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

	2010 $	**2009** $
Pension benefit plan asset	108,987	110,955
Other benefit plans liability	(16,075)	(14,507)
	92,912	96,448
Net change in internally restricted net assets for employee future benefits	(3,536)	3,031

The employee future benefit contribution during fiscal 2010 is $13,366 [2009 - $11,949] and employee future benefit expense during the year is $16,902 [2009 - $8,918].

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:

	$
2011	174
2012	185
2013	196
2014	208
2015	221
Thereafter	5,910
	6,894
Less current portion	174
	6,720

Total interest earned during fiscal 2010 is $414 (2009 - $424) and principal repayments received during the year totalled $164 (2009 - $155).

[In thousands of dollars]

6. CAPITAL ASSETS

Capital assets consist of the following:

	2010			2009		
	Cost	**Accumulated amortization**	**Net book value**	**Cost**	**Accumulated amortization**	**Net book value**
	$	$	$	$	$	$
Land	87,951	–	87,951	85,396	–	85,396
Buildings	328,009	111,096	216,913	331,127	106,899	224,228
Equipment and furnishings	234,908	190,462	44,446	221,372	175,385	45,987
Library books	22,259	19,027	3,232	20,830	17,399	3,431
Leasehold improvements	2,742	958	1,784	2,306	602	1,704
Capital projects in progress	26,081	–	26,081	7,383	–	7,383
	701,950	321,543	380,407	668,414	300,285	368,129

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

	2010	**2009**
	$	$
Balance, beginning of year	368,129	372,443
Purchase of capital assets internally financed	11,721	10,083
Purchase of capital assets funded by deferred capital contributions	25,466	10,229
Disposal of capital assets	(114)	–
Less amortization of capital assets	(24,795)	(24,626)
Balance, end of year	380,407	368,129

[In thousands of dollars]

7. LONG-TERM DEBT AND DERIVATIVE FINANCIAL INSTRUMENTS

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

	2010 $	**2009** $
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	63,782	65,356
	90,282	91,856
Less current portion	(28,166)	(1,574)
	62,116	90,282

The long-term debt is unsecured; however, in the event of default, the bank may impose additional requirements.

The fair value of long-term debt approximates its carrying value, except for the Student Residence Loan, which has a fair value of $27,455 [2009 - $29,170].

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

	$
2011	28,166
2012	1,763
2013	1,867
2014	1,976
2015	2,092
Thereafter	54,418
	90,282

Total interest expense on long-term debt for the year ended April 30, 2010 was $6,345 [2009 - $6,425].

[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 Facility Expansion 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 amount and fair value of the derivative financial instrument are as follows:

	2010		**2009**	
	Notional amount $	**Fair value** $	**Notional amount** $	**Fair value** $
Interest rate swap	63,782	(10,225)	65,356	(15,303)
Less current portion	–	(2,808)	–	(3,492)
	63,782	(7,417)	65,356	(11,811)

The change in fair value of the interest rate swap for the year ended April 30, 2010 was $5,078 [2009 - ($6,583)].

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:

	2010 $	**2009** $
Balance, beginning of year	39,562	39,915
Grants and donations received during the year	40,701	45,400
Investment income *[note 3[b]]*	100	740
Amount recognized as revenue during the year	(42,222)	(46,493)
Balance, end of year	38,141	39,562

[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:

	2010 $	**2009** $
Balance, beginning of year	151,357	145,775
Grants and donations received during the year	29,094	12,577
Investment income *[note 3[b]]*	118	442
Amortization of deferred capital contributions	(7,224)	(7,437)
Balance, end of year	173,345	151,357

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

	2010 $	**2009** $
Unamortized deferred capital contributions used to purchase capital assets *[note 12[a]]*	144,288	126,046
Unspent deferred capital contributions	29,057	25,311
	173,345	151,357

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:

	2010 $	**2009** $
Endowment balance, beginning of year	70,589	71,439
Donations received *[note 13]*	2,740	1,712
Matching provincial grant *[note 18[c]]*	1,502	7,864
Other grant	–	391
Capital preservation *[note 3[b]]*	703	824
Unrealized gain (loss) *[note 3[b]]*	10,589	(11,641)
Endowment balance, end of year	86,123	70,589

The accumulated internally restricted endowment for the year ended April 30, 2010 was $160 [2009 - $37].

[In thousands of dollars]

11. OTHER INTERNALLY RESTRICTED NET ASSETS CARRIED FORWARD

	2010 $	2009 $	Net change $
Budget incentive program	40,069	36,891	3,178
Student non-tuition activities	2,253	1,603	650
Student support [including scholarships]	8,801	8,228	573
University Affinity program	1,623	1,680	(57)
Professional development fund	923	776	147
Capital and infrastructure projects	24,352	14,237	10,115
IT initiatives	4,023	3,665	358
Internal research and projects	14,523	12,753	1,770
Academic growth and priorities	17,377	12,732	4,645
Other	32,870	28,378	4,492
	146,814	120,943	25,871

12. INVESTMENT IN CAPITAL ASSETS

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

	2010 $	2009 $
Capital assets, net	380,407	368,129
Less long-term debt *[note 7]*	(90,282)	(91,856)
Less unamortized deferred capital contributions *[note 9]*	(144,288)	(126,046)
	145,837	150,227

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

	2010 $	2009 $
Purchase of capital assets internally financed *[note 6]*	11,721	10,083
Disposal of capital assets *[note 6]*	(114)	–
Repayment of long-term debt principal *[note 7]*	1,574	1,487
	13,181	11,570
Amortization of deferred capital contributions *[note 9]*	7,224	7,437
Less amortization of capital assets *[note 6]*	(24,795)	(24,626)
	(17,571)	(17,189)
	(4,390)	(5,619)

[In thousands of dollars]

13. DONATIONS

[a] Total donations received consist of the following:

	2010 $	2009 $
Donations to endowments *[note 10]*	2,740	1,712
Donations restricted for capital purposes	1,413	6,109
Other restricted donations	3,083	2,479
Unrestricted donations	1,125	692
	8,361	10,992

[b] Donations recognized of $5,519 [2009 - $6,404] represent unrestricted donations received during the year of $1,125 [2009 - $692] and the amount of restricted donations spent during the year of $4,394 [2009 - $5,712].

14. COMMITMENTS

[a] The estimated cost to complete construction and renovation projects in progress as at April 30, 2010, which will be funded by government grants, donations and operations, is approximately $24,300 [2009 - $7,300].

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

	Student Campus Centre $
2011	378
2012	385
2013	393
2014	401
	1,557

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

	Leases $
2011	2,809
2012	2,260
2013	1,583
2014	685
2015	139
	7,476

[In thousands of dollars]

14. COMMITMENTS (continued)

[d] The University entered into a new credit facility agreement on April 29, 2010 with Toronto-Dominion Bank in the amount of $128,500 for a term of 20 years from initial drawdown scheduled for November 2010. This loan will be used primarily to finance the construction of various capital projects and to refinance the maturing loan for the Student Residence *[note 19]*.

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, 2010, 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:

	2010 $	**2009** $
Accounts receivable	(5,704)	(1,804)
Prepaid expenses	(1,006)	238
Inventories	140	(112)
Accounts payable and accrued liabilities	286	10,802
Deferred revenue	578	(3,317)
	(5,706)	5,807

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, 2010 and 2009 in the first phase of the OSOTF I balance, which is included in the endowment balance *[note 10]*.

	2010 $	**2009** $
Endowment balance at cost, beginning of year	6,290	6,192
Cash donations received	6	5
Capital preservation	350	93
Endowment balance at cost, end of year	6,646	6,290
Cumulative unrealized gain (loss)	85	(810)
Endowment balance at market, end of year	6,731	5,480

The following is the schedule of changes for the years ended April 30, 2010 and 2009 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.

	2010 $	**2009** $
Expendable balance at cost, beginning of year	–	643
Investment and other income, net of direct investment-related expenses	238	–
Bursaries awarded	(144)	(136)
Unspent balance transfer to stabilization account	(94)	(507)
Expendable balance at cost, end of year	–	–
Number of bursaries awarded	124	118

[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, 2010 and 2009 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.

	2010 $	**2009** $
Stabilization funds balance at cost, beginning of year	1,300	864
Investment income made available for spending and capital preservation	(569)	(71)
Unspent balance transfer from expendable accounts	94	507
Stabilization funds balance at cost, end of year	825	1,300

[b] The following is the schedule of changes for the years ended April 30, 2010 and 2009 in the second phase of the OSOTF II balance, which is included in the endowment balance *[note 10]*.

	2010 $	**2009** $
Endowment balance at cost, beginning of year	3,154	3,106
Cash donations received within annual matching ceiling	3	3
Capital preservation	57	45
Endowment balance at cost, end of year	3,214	3,154
Cumulative unrealized gain (loss)	61	(387)
Endowment balance at market, end of year	3,275	2,767

The following is the schedule of changes for the years ended April 30, 2010 and 2009 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.

	2010 $	**2009** $
Expendable balance, beginning of year	–	147
Investment and other income, net of direct investment-related expenses	133	–
Bursaries awarded	(122)	(122)
Unspent balance transfer to stabilization accounts	(11)	(25)
Expendable balance, end of year	–	–
Number of bursaries awarded	67	39

[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, 2010 and 2009 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.

	2010 $	**2009** $
Stabilization funds balance at cost, beginning of year	424	434
Investment income made available for spending and capital preservation	(167)	(35)
Unspent balance transfer from expendable accounts	11	25
Stabilization funds balance at cost, end of year	268	424

[c] The Ontario government requires separate reporting of balances as at March 31, 2010 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:

	2010 $	**2009** $
Cash donations	1,502	1,045
Unmatched cash donations	–	–
Total cash donation	1,502	1,045

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

	2010 $	**2009** $
Endowment balance at cost, beginning of year	34,172	25,044
Eligible cash donations received	1,502	1,045
Matching funds received/receivable from MTCU *[note 10]*	1,502	7,864
Capital preservation and others	15	219
Cumulative unrealized loss	(841)	(4,677)
Endowment balance at market value, end of year	36,350	29,495

[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.

	2010 $	**2009** $
Expendable balance, beginning of year	160	146
Investment and other income, net of direct investment-related expenses	33	318
Bursaries awarded	(659)	(979)
Other income	739	675
Expendable balance, end of year	273	160
Number of bursaries awarded	162	220

The following is the schedule of changes for the period from April 1, 2009 to March 31, 2010 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.

	2010 $	**2009** $
Stabilization funds balance at cost, beginning of year	101	226
Investment and other income made available for spending	(58)	(125)
Stabilization funds balance at cost, end of year	43	101

OTSS awards issued for the period from April 1, 2009 to March 31, 2010.

Status of Recipients	OSAP Recipients		Non-OSAP Recipients		Total	
	Number	Amount	Number	Amount	Number	Amount
Full-Time	58	$ 200	74	$ 421	132	$ 621
Part-Time	3	4	27	34	30	38
Total	61	$ 204	101	$ 455	162	$ 659

19. SUBSEQUENT EVENT - NEW FINANCING AGREEMENT

Pursuant to the credit facility agreement *[note 14[d]]* the University has entered into an interest rate swap agreement on May 3, 2010 to hedge the interest rate risk under this facility. Under the swap agreement the University will swap the floating rate provided under the facility for a fixed rate of 5.825%.