RYERSON UNIVERSITY

FINANCIAL STATEMENTS

April 30, 2011

RYERSON UNIVERSITY

Index

Year ended April 30, 2011

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

INDEPENDENT AUDITORS' REPORT

To the Board of Governors of Ryerson University

We have audited the accompanying financial statements of Ryerson University, which comprise the balance sheet as at April 30, 2011, the statements of operations, changes in net assets and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Ryerson University as at April 30, 2011, and its results of 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

June 27, 2011
Toronto, Canada

RYERSON UNIVERSITY

Balance Sheet
[In thousands of dollars]

April 30, 2011, with comparative figures for 2010

	2011 $	2010 $
ASSETS		
Current		
Cash and cash equivalents	43,811	20,508
Short-term investments	65,939	77,334
Accounts receivable	26,902	29,280
Prepaid expenses	2,398	2,137
Inventories	1,264	1,142
Current portion of note receivable *[note 5]*	185	174
Total current assets	140,499	130,575
Investments *[note 3]*	201,488	181,696
Employee future benefits - pension *[note 4]*	97,405	108,987
Note receivable *[note 5]*	6,535	6,720
Capital assets, net *[note 6]*	410,809	380,407
	856,736	808,385
LIABILITIES, DEFERRED CONTRIBUTIONS AND NET ASSETS		
Current		
Accounts payable and accrued liabilities	48,158	39,106
Deferred revenue	12,497	17,163
Current portion of long-term debt *[note 7[a]]*	1,763	28,166
Current portion of fair value of interest rate swap *[note 7[b]]*	4,629	2,808
Total current liabilities	67,047	87,243
Employee future benefits - other *[note 4]*	17,497	16,075
Long-term debt *[note 7[a]]*	93,053	62,116
Fair value of interest rate swap *[note 7[b]]*	15,527	7,417
Deferred revenue contributions *[note 8]*	42,768	38,141
Deferred capital contributions *[note 9]*	193,088	173,345
	428,980	384,337
Net assets		
Endowments *[note 10]*	94,716	86,123
Other	333,040	337,925
Total net assets	427,756	424,048
	856,736	808,385

See accompanying notes to financial statements

On behalf of the Board of Governors:

Phyllis Yaffe _______________ Chair

_______________ Secretary

RYERSON UNIVERSITY

Statement of Operations
[In thousands of dollars]

Year ended April 30, 2011, with comparative figures for 2010

	2011 $	2010 $
REVENUE		
Grants and contracts	238,907	230,585
Student fees	187,211	172,260
Sales and services	30,572	29,096
Donations recognized *[note 13[b]]*	4,227	5,519
Amortization of deferred capital contributions *[note 9]*	7,206	7,224
Investment income *[note 3[b]]*	1,857	614
Other income	2,864	3,654
	472,844	448,952
EXPENSES		
Salaries and benefits	316,526	291,890
Materials, supplies, repairs and maintenance	96,287	89,943
Bursaries and scholarships	23,788	20,860
Interest *[note 7]*	5,745	6,345
Amortization of capital assets *[note 6]*	25,381	24,795
	467,727	433,833
Unrealized (gain) loss on interest rate swap *[note 7[b]]*	9,931	(5,078)
	477,658	428,755
Revenue less expenses	(4,814)	20,197

See accompanying notes to financial statements

RYERSON UNIVERSITY

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

Year ended April 30, 2011, with comparative figures for 2010

		Internally restricted				2011	2010
	Unrestricted $	**Invested in capital assets** $ *[note 12]*	**Employee future benefits** $ *[note 4]*	**Carry-forwards** $ *[note 11]*	**Endowments** $ *[note 10]*	**Total** $	**Total** $
Net assets, beginning of year	(47,638)	145,837	92,912	146,814	86,123	424,048	388,440
Revenue less expenses	39,601	(18,175)	(26,240)	–	–	(4,814)	20,197
Capitalization of investment income (loss) in endowments	(5)	–	–	–	4,031	4,026	11,279
Internally restricted endowment	(66)	–	–	–	66	–	–
Endowment contributions	–	–	–	–	4,496	4,496	4,132
Allocations to carryforwards	(19,498)	–	–	19,498	–	–	–
Employee future benefit contributions *[note 4]*	(13,236)	–	13,236	–	–	–	–
Internally financed capital assets and debt payment	(20,825)	20,825	–	–	–	–	–
Net assets, end of year	(61,667)	148,487	79,908	166,312	94,716	427,756	424,048

See accompanying notes to financial statements

RYERSON UNIVERSITY

Statement of Cash Flows
[In thousands of dollars]

Year ended April 30, 2011, with comparative figures for 2010

	2011 $	2010 $
OPERATING ACTIVITIES		
Revenue less expenses	(4,814)	20,197
Add [deduct] non-cash items:		
Amortization of capital assets *[note 6]*	25,381	24,795
Amortization of deferred capital contributions *[note 9]*	(7,206)	(7,224)
Unrealized loss (gain) on interest rate swap *[note 7[b]]*	9,931	(5,078)
Unrealized gain on investments [note 10]	(4,031)	(10,589)
Disposal of capital assets *[note 6]*	–	114
Employee future benefits contributions *[note 4]*	(13,236)	(13,366)
Employee future benefits expense *[note 4]*	26,240	16,902
Net change in deferred revenue contributions *[note 8]*	4,627	(1,421)
Net change in non-cash working capital balances *[note 16]*	6,381	(5,706)
Cash provided by operating activities	43,273	18,624
INVESTING ACTIVITIES		
Decrease in note receivable *[note 5]*	174	164
Acquisition of capital assets *[note 6]*	(55,783)	(37,187)
Increase (decrease) in short-term investments	11,395	(41,538)
Increase in investments	(15,761)	(23,439)
Cash used in investing activities	(59,975)	(102,000)
FINANCING ACTIVITIES		
Contributions received for capital purposes *[note 9]*	26,949	29,212
Endowment contributions	4,496	4,132
Capitalization of investment income in endowments	4,026	11,279
Repayment of long-term debt principal *[note 7[a]]*	(28,166)	(1,574)
Increase in long-term debt *[note 7[a]]*	32,700	–
Cash provided by financing activities	40,005	43,049
Net increase (decrease) in cash and cash equivalents during the year	23,303	(40,327)
Cash and cash equivalents, beginning of year	20,508	60,835
Cash and cash equivalents, end of year	43,811	20,508
Supplemental cash flow information:		
Interest paid	5,515	6,352
Interest received	1,368	1,218

See accompanying notes to financial statements

1. DESCRIPTION

Ryerson University [the "University"] was incorporated in 1948 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"].

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

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 the 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 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.

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. Contributions externally restricted for purposes other than endowment are deferred and recognized as revenue in the year in which the related expenses are recognized. Donation pledges are not recorded since they are not legally enforceable claims. 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.

Financial instruments

The University has chosen to use the exemption provided by The Canadian Institute of Chartered Accountants ["CICA"] permitting not-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. 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 interest rate swaps 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 December 2010, the Accounting Standards Board approved, subject to written ballot, the accounting standards to be included in Part III of the CICA Handbook. The standards approved were essentially as stated in the exposure draft circulated, and will be effective for the University commencing with the 2013 fiscal year. The existing accounting standards in Part V of the Handbook are being retained until full adoption has taken place.

[In thousands of dollars]

3. INVESTMENTS AND INVESTMENT INCOME

[a] Investments classified as long-term of $201,488 [2010 - $181,696] 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 $94,716 [2010 - $86,123] consist of units of Sceptre Investment Counsel Limited Endowment Foundation and Trust Fund ["EFT"]. The EFT asset mix was 7.36% short-term investments [2010 - 6.10%], 37.50% bonds [2010 - 39.00%], 26.58% Canadian equities [2010 - 29.30%] and 28.56% foreign equities [2010 - 25.60%].

Investments held for other purposes of $106,772 [2010 - $95,573] are invested in money market instruments.

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

	2011 $	**2010** $
Net investment income	10,815	12,124
Less amount attributed to deferred revenue contributions *[note 8]*	(4,708)	(100)
Less amount attributed to deferred capital contributions *[note 9]*	(219)	(118)
Less amount attributed to endowment capital preservation *[note 10]*	(2,281)	(703)
Less amount attributed to endowment unrealized gain *[note 10]*	(1,750)	(10,589)
Investment income recognized during the year	1,857	614

Investment income earned is net of management fees of $261 [2010 - $214].

[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 1.02% to 1.48% [2010 - 0.20% to 1.12%] with maturity dates ranging from May 16, 2011 to November 21, 2011 [2010 - May 3, 2010 to February 1, 2011]. 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 and submitted as of January 1, 2010. The next required actuarial valuation will be January 1, 2013. 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:

	2011		2010	
	Pension benefit plans $	**Other benefit plans** $	**Pension benefit plans** $	**Other benefit plans** $
Fair value of plan assets	809,255	–	731,987	–
Accrued benefit obligations	877,947	17,497	786,695	16,075
Plan deficit	(68,692)	(17,497)	(54,708)	(16,075)
Unamortized net actuarial adjustments	166,097	–	163,695	–
Employee future benefits asset (liability)	97,405	(17,497)	108,987	(16,075)

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

	2011		2010	
	Pension benefit plans $	**Other benefit plans** $	**Pension benefit plans** $	**Other benefit plans** $
Employee future benefits expense				
Defined benefit plans	24,508	1,732	14,691	2,211
Contributions to multi-employer defined benefit plan	70	–	56	–
	24,578	1,732	14,747	2,211
Funding by employer	12,926	310	12,723	643
Benefits paid	26,553	310	26,837	643

[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:

	2011		2010	
	Pension benefit plans %	**Other benefit plans** %	**Pension benefit plans** %	**Other benefit plans** %
Accrued benefit obligation				
Discount rate	5.00	5.00	5.25	5.25
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	6.80	–	6.85	–
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	
	2011 %	**2010** %
Equities	49	44
Debt securities	23	27
Real estate	12	13
Other	16	16
	100	100

[In thousands of dollars]

4. EMPLOYEE FUTURE BENEFITS [continued]

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

	2011 $	2010 $
Pension benefit plan asset	97,405	108,987
Other benefit plans liability	(17,497)	(16,075)
	79,908	92,912
Net change in internally restricted net assets for employee future benefits	(13,004)	(3,536)

The employee future benefit contribution related to defined employee benefit plans during fiscal 2011 is $13,236 [2010 - $13,366] and employee future benefit expense during the year is $26,240 [2010 - $16,902].

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:

	$
2012	185
2013	196
2014	208
2015	221
2016	234
Thereafter	5,676
	6,720
Less current portion	(185)
	6,535

Total interest earned during fiscal 2011 is $404 [2010 - $414] and principal repayments received during the year totalled $174 [2010 - $164].

[In thousands of dollars]

6. CAPITAL ASSETS

Capital assets consist of the following:

	2011			2010		
	Cost $	**Accumulated amortization** $	**Net book value** $	**Cost** $	**Accumulated amortization** $	**Net book value** $
Land	87,951	–	87,951	87,951	–	87,951
Buildings	329,104	118,979	210,125	328,009	111,096	216,913
Equipment and furnishings	243,357	205,755	37,602	234,908	190,462	44,446
Library books	23,399	20,627	2,772	22,259	19,027	3,232
Leasehold improvements	3,695	1,564	2,131	2,742	958	1,784
Capital projects in progress	70,228	–	70,228	26,081	–	26,081
	757,734	346,925	410,809	701,950	321,543	380,407

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

	2011 $	**2010** $
Balance, beginning of year	380,407	368,129
Purchase of capital assets financed by debt	6,200	–
Purchase of capital assets internally financed	19,159	11,721
Purchase of capital assets funded by deferred capital contributions	30,424	25,466
Disposal of capital assets	–	(114)
Less amortization of capital assets	(25,381)	(24,795)
Balance, end of year	410,809	380,407

[In thousands of dollars]

7. LONG-TERM DEBT AND DERIVATIVE FINANCIAL INSTRUMENTS

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

	2011 $	2010 $
Student Residence Loan 11.04% mortgage loan with semi-annual payment of interest only of $1,462.8 maturing November 1, 2010	–	26,500
Facilities Expansion Loan [the "TD Loan"] A variable rate loan with interest only payable up to July 2, 2014. Principal and interest payable thereafter. Loan maturing on July 3, 2034. The loan bears interest at the bank's cost of funds in effect for term loans from time to time plus 1.150%. Principal draw-down dates: November 2010: $32.7 million, July 2011: $39.8 million, July 2012: $44.8 million, and July 2013: $11.2 million [Total Loan: $128.5 million]	32,700	–
Facilities Expansion Loan [the "BMO 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%. It is intended that the loan be renewed prior to its maturing on January 1, 2014	62,116	63,782
	94,816	90,282
Less current portion	(1,763)	(28,166)
	93,053	62,116

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

[In thousands of dollars]

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

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

	$
2012	1,763
2013	1,867
2014	1,976
2015	2,830
2016	3,149
Thereafter	83,231
	94,816

Total interest expense on long-term debt for the year ended April 30, 2011 was $5,745 [2010 - $6,345].

[b] Derivative financial instruments:

The University has in place two Interest Rate Swap Agreements. The BMO agreement will expire on January 1, 2031, and the TD agreement will expire on July 3, 2034. Under the terms of the Agreements, 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 of 5.705% for the BMO Agreement and 4.675% for the TD Agreement 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 the fair value of the derivative financial instrument are as follows:

	2011		**2010**	
	Notional amount $	**Fair value** $	**Notional amount** $	**Fair value** $
Interest rate swap:				
BMO	62,116	(11,793)	63,782	(10,225)
TD	32,700	(8,363)	–	–
	94,816	(20,156)	63,782	(10,225)
Less current portion:				
BMO	–	(2,622)	–	(2,808)
TD	–	(2,007)	–	–
	94,816	(15,527)	63,782	(7,417)

The change in fair value of the interest rate swap for the year ended April 30, 2011 was $(9,931) [2010 - $5,078].

[In thousands of dollars]

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:

	2011 $	2010 $
Balance, beginning of year	38,141	39,562
Grants and donations received during the year	36,592	40,701
Investment income *[note 3[b]]*	4,708	100
Amount recognized as revenue during the year	(36,673)	(42,222)
Balance, end of year	42,768	38,141

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:

	2011 $	2010 $
Balance, beginning of year	173,345	151,357
Grants and donations received during the year	26,730	29,094
Investment income *[note 3[b]]*	219	118
Amortization of deferred capital contributions *[note 12[b]]*	(7,206)	(7,224)
Balance, end of year	193,088	173,345

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

	2011 $	2010 $
Unamortized deferred capital contributions used to purchase capital assets *[note 12[a]]*	167,506	144,288
Unspent deferred capital contributions	25,582	29,057
	193,088	173,345

[In thousands of dollars]

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:

	2011 $	**2010** $
Endowment balance, beginning of year	86,123	70,589
Donations received *[note 13]*	2,440	2,740
Matching provincial grant *[note 18[c]]*	2,122	1,502
Capital preservation *[note 3[b]]*	2,281	703
Unrealized gain *[note 3[b]]*	1,750	10,589
Endowment balance, end of year	94,716	86,123

The accumulated internally restricted endowment for the year ended April 30, 2011 was $231 [2010 - $160].

11. CARRYFORWARDS

	2011 $	**2010** $	**Net change** $
Budget incentive program	29,817	29,355	**462**
Student non-tuition activities	2,643	2,253	**390**
Student support [including scholarships]	10,633	8,801	**1,832**
University Affinity program	1,413	1,623	**(210)**
Professional development fund	1,002	923	**79**
Capital and infrastructure projects	34,324	24,352	**9,972**
IT initiatives	4,098	4,023	**75**
Internal research and projects	14,777	14,523	**254**
Academic growth and priorities	34,580	28,091	**6,489**
Other	33,025	32,870	**155**
	166,312	146,814	**19,498**

[In thousands of dollars]

12. INVESTMENT IN CAPITAL ASSETS

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

	2011 $	**2010** $
Capital assets, net	410,809	380,407
Less long-term debt *[note 7]*	(94,816)	(90,282)
Less unamortized deferred capital contributions *[note 9]*	(167,506)	(144,288)
	148,487	145,837

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

	2011 $	**2010** $
Purchase of capital assets internally financed *[note 6]*	19,159	11,721
Disposal of capital assets *[note 6]*	–	(114)
Repayment of long-term debt principal *[note 7]*	1,666	1,574
	20,825	13,181
Amortization of deferred capital contributions *[note 9]*	7,206	7,224
Less amortization of capital assets *[note 6]*	(25,381)	(24,795)
	(18,175)	(17,571)
	2,650	(4,390)

13. DONATIONS

[a] Total donations received consist of the following:

	2011 $	**2010** $
Donations to endowments *[note 10]*	2,440	2,740
Donations restricted for capital purposes	923	1,413
Other restricted donations	2,666	3,083
Unrestricted donations	1,056	1,125
	7,085	8,361

[In thousands of dollars]

13. DONATIONS [continued]

[b] Donations recognized of $4,227 [2010 - $5,519] represent unrestricted donations received during the year of $1,056 [2010 - $1,125] and the amount of restricted donations spent during the year of $3,171 [2010 - $4,394].

14. COMMITMENTS

[a] The estimated cost to complete construction and renovation projects in progress as at April 30, 2011, which will be funded by government grants, donations and operations, is approximately $93,272 [2010 - $24,300].

[b] The following are operating contributions to the Student Campus Centre:

	Student Campus Centre $
2012	385
2013	393
2014	401
	1,179

[c] The following are the future minimum annual operating lease payments:

	Leases $
2012	3,626
2013	2,772
2014	2,751
2015	2,284
2016	1,834
	13,267

[In thousands of dollars]

14. COMMITMENTS (continued)

[d] The University is contingently liable in the amount of $1,606 with respect to letters of guarantee issued.

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, 2011, 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:

	2011 $	**2010** $
Accounts receivable	2,378	(5,704)
Prepaid expenses	(261)	(1,006)
Inventories	(122)	140
Accounts payable and accrued liabilities	9,052	286
Deferred revenue	(4,666)	578
	6,381	(5,706)

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, 2011 and 2010 in the first phase of the OSOTF I balance, which is included in the endowment balance *[note 10]*.

	2011 $	**2010** $
Endowment balance at cost, beginning of year	6,646	6,290
Cash donations received	2	6
Capital preservation	–	350
Endowment balance at cost, end of year	6,648	6,646
Cumulative unrealized gain	388	85
Endowment balance at market, end of year	7,036	6,731

The following is the schedule of changes for the years ended April 30, 2011 and 2010 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.

	2011 $	**2010** $
Expendable balance at cost, beginning of year	**–**	**–**
Investment and other income, net of direct investment-related expenses	306	238
Bursaries awarded	(167)	(144)
Unspent balance transfer to stabilization account	(139)	(94)
Expendable balance at cost, end of year	**–**	**–**
Number of bursaries awarded	121	124

[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, 2011 and 2010 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.

	2011 $	**2010** $
Stabilization funds balance at cost, beginning of year	825	1,300
Investment income not available (available) for spending and capital preservation	154	(569)
Unspent balance transfer from expendable accounts	139	94
Stabilization funds balance at cost, end of year	1,118	825

[b] The following is the schedule of changes for the years ended April 30, 2011 and 2010 in the second phase of the OSOTF II balance, which is included in the endowment balance *[note 10]*.

	2011 $	**2010** $
Endowment balance at cost, beginning of year	3,214	3,154
Cash donations received within annual matching ceiling	1	3
Capital preservation	–	57
Endowment balance at cost, end of year	3,215	3,214
Cumulative unrealized gain	209	61
Endowment balance at market, end of year	3,424	3,275

The following is the schedule of changes for the years ended April 30, 2011 and 2010 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.

	2011 $	**2010** $
Expendable balance, beginning of year	–	–
Investment and other income, net of direct investment-related expenses	216	133
Bursaries awarded	(158)	(122)
Unspent balance transfer to stabilization accounts	(58)	(11)
Expendable balance, end of year	–	–
Number of bursaries awarded	77	67

[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, 2011 and 2010 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.

	2011 $	2010 $
Stabilization funds balance at cost, beginning of year	268	424
Investment income not available (available) for spending and capital preservation	9	(167)
Unspent balance transfer from expendable accounts	58	11
Stabilization funds balance at cost, end of year	335	268

[c] The Ontario government requires separate reporting of balances as at March 31, 2011 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:

	2011 $	2010 $
Cash donations	1,962	1,502
Unmatched cash donations	160	–
Total cash donation	2,122	1,502

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

	2011 $	2010 $
Endowment balance at cost, beginning of year	37,191	34,172
Eligible cash donations received	2,122	1,502
Matching funds received/receivable from MTCU *[note 10]*	1,962	1,502
Capital preservation and others	–	15
Cumulative unrealized gain (loss)	308	(841)
Endowment balance at market value, end of year	41,583	36,350

[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.

	2011 $	**2010** $
Expendable balance, beginning of year	273	160
Investment and other income, net of direct investment-related expenses	4	33
Bursaries awarded	(951)	(659)
Other income	1,179	739
Expendable balance, end of year	505	273
Number of bursaries awarded	259	162

The following is the schedule of changes for the period from April 1, 2010 to March 31, 2011 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.

	2011 $	**2010** $
Stabilization funds balance at cost, beginning of year	43	101
Investment and other income not available (available) for spending	2,007	(58)
Stabilization funds balance at cost, end of year	2,050	43

OTSS awards issued for the period from April 1, 2010 to March 31, 2011.

Status of Recipients	OSAP Recipients		Non-OSAP Recipients		Total	
	Number	Amount	Number	Amount	Number	Amount
Full-Time	84	$ 297	135	$ 593	219	$ 890
Part-Time	6	8	34	53	40	61
Total	90	$ 305	169	$ 646	259	$ 951