



FINANCIAL STATEMENTS

April 30, 2012



RYERSON UNIVERSITY

Year ended April 30, 2012

	Page
Independent Auditors' Report	2
Financial Statements	
Balance Sheet	3
Statement of Operations	4
Statement of Changes in Net Assets	5
Statement of Cash Flows	6
Notes to Financial Statements	
1. Description	7
2. Summary of Significant Accounting Policies	7
3. Investments and Investment Income	11
4. Employee Future Benefits	12
5. Note Receivable	15
6. Capital Assets	16
7. Long-term Debt and Derivative Financial Instruments	17
8. Deferred Revenue Contributions	19
9. Deferred Capital Contributions	19
10. Endowments	20
11. Carryforwards	20
12. Investment in Capital Assets	21
13. Donations	21
14. Commitments	22
15. Contingent Liabilities	23
16. Net Change in Non-Cash Working Capital Balances	23
17. Fair Values of Financial Assets and Liabilities	23
18. Ontario Student Opportunity Trust Fund and Ontario Trust for Student Support	24



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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, 2012, 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, 2012, and its results of operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Chartered Accountants, Licensed Public Accountants

June 25, 2012
Toronto, Canada

RYERSON UNIVERSITY

Balance Sheet

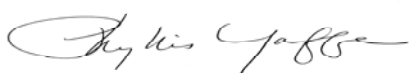
[In thousands of dollars]

April 30, 2012, with comparative figures for 2011

	2012 \$	2011 \$
ASSETS		
Current		
Cash and cash equivalents	113,775	43,811
Short-term investments	29,653	65,939
Accounts receivable	28,001	26,902
Prepaid expenses	3,724	2,398
Inventories	1,146	1,264
Current portion of note receivable [note 5]	196	185
Total current assets	176,495	140,499
Investments [note 3]	187,871	201,488
Employee future benefits - pension [note 4]	86,695	97,405
Note receivable [note 5]	6,339	6,535
Capital assets, net [note 6]	484,656	410,809
	942,056	856,736
LIABILITIES, DEFERRED CONTRIBUTIONS AND NET ASSETS		
Current		
Accounts payable and accrued liabilities	68,212	48,158
Deferred revenue	12,015	12,497
Current portion of long-term debt [note 7[a]]	1,867	1,763
Current portion of fair value of interest rate swap [note 7[b]]	6,068	4,629
Total current liabilities	88,162	67,047
Employee future benefits - other [note 4]	20,980	17,497
Long-term debt [note 7[a]]	130,986	93,053
Fair value of interest rate swap [note 7[b]]	37,733	15,527
Deferred revenue contributions [note 8]	40,057	42,768
Deferred capital contributions [note 9]	205,475	193,088
	523,393	428,980
Net assets		
Endowments [note 10]	97,280	94,716
Other	321,383	333,040
Total net assets	418,663	427,756
	942,056	856,736

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, 2012, with comparative figures for 2011

	2012 \$	2011 \$
REVENUE		
Grants and contracts	250,537	238,907
Student fees	203,841	187,211
Sales and services	29,370	30,572
Donations recognized <i>[note 13[b]]</i>	5,215	4,227
Amortization of deferred capital contributions <i>[note 9]</i>	8,223	7,206
Investment income <i>[note 3[b]]</i>	5,709	1,857
Other income	2,896	2,864
	<u>505,791</u>	<u>472,844</u>
EXPENSES		
Salaries and benefits	334,404	313,640
Materials, supplies, repairs and maintenance	99,346	96,287
Bursaries and scholarships	30,192	26,674
Interest <i>[note 7[a]]</i>	5,355	5,745
Amortization of capital assets <i>[note 6]</i>	24,282	25,381
	<u>493,579</u>	<u>467,727</u>
Unrealized loss on interest rate swap <i>[note 7[b]]</i>	23,645	9,931
	<u>517,224</u>	<u>477,658</u>
Revenue less expenses	<u>(11,433)</u>	<u>(4,814)</u>

See accompanying notes to financial statements

RYERSON UNIVERSITY

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

Year ended April 30, 2012, with comparative figures for 2011

					2012	2011
		Internally restricted				
	Unrestricted	Invested in	Employee	Carry-	Endowments	Total
	\$	capital assets	future benefits	forwards	\$	Total
		\$	\$	\$	\$	\$
		[note 12]	[note 4]	[note 11]	[note 10]	
Net assets, beginning of year	(61,667)	148,487	79,908	166,312	94,716	427,756
Revenue less expenses	33,818	(16,059)	(29,192)	—	—	(11,433)
Capitalization of investment income (loss) in endowments [note 10]	(5)	—	—	—	(727)	(732)
Internally restricted endowment	(219)	—	—	—	219	—
Endowment contributions	—	—	—	—	3,072	3,072
Allocations to carryforwards	(17,615)	—	—	17,615	—	—
Employee future benefit contributions [note 4]	(14,999)	—	14,999	—	—	—
Internally financed capital assets and debt payment	(28,829)	28,829	—	—	—	—
Net assets, end of year	(89,516)	161,257	65,715	183,927	97,280	418,663

See accompanying notes to financial statements

RYERSON UNIVERSITY

Statement of Cash Flows [In thousands of dollars]

Year ended April 30, 2012, with comparative figures for 2011

	2012 \$	2011 \$
OPERATING ACTIVITIES		
Revenue less expenses	(11,433)	(4,814)
Add [deduct] non-cash items:		
Amortization of capital assets <i>[note 6]</i>	24,282	25,381
Amortization of deferred capital contributions <i>[note 9]</i>	(8,223)	(7,206)
Unrealized loss (gain) on interest rate swap <i>[note 7[b]]</i>	23,645	9,931
Unrealized loss (gain) on investments <i>[note 10]</i>	871	(4,031)
Employee future benefits contributions <i>[note 4]</i>	(14,999)	(13,236)
Employee future benefits expense <i>[note 4]</i>	29,192	26,240
Net change in deferred revenue contributions <i>[note 8]</i>	(2,711)	4,627
Net change in non-cash working capital balances <i>[note 16]</i>	17,265	6,381
Cash provided by operating activities	57,889	43,273
INVESTING ACTIVITIES		
Decrease in note receivable <i>[note 5]</i>	185	174
Acquisition of capital assets <i>[note 6]</i>	(98,129)	(55,783)
Increase (decrease) in short-term investments	36,286	11,395
Increase in investments	12,746	(15,761)
Cash used in investing activities	(48,912)	(59,975)
FINANCING ACTIVITIES		
Contributions received for capital purposes <i>[note 9]</i>	20,610	26,949
Endowment contributions	3,072	4,496
Capitalization of investment income (loss) in endowments	(732)	4,026
Repayment of long-term debt principal <i>[note 7[a]]</i>	(1,763)	(28,166)
Increase in long-term debt <i>[note 7[a]]</i>	39,800	32,700
Cash provided by financing activities	60,987	40,005
Net increase (decrease) in cash and cash equivalents during the year	69,964	23,303
Cash and cash equivalents, beginning of year	43,811	20,508
Cash and cash equivalents, end of year	113,775	43,811
Supplemental cash flow information:		
Interest paid	6,970	5,515

See accompanying notes to financial statements

RYERSON UNIVERSITY

Notes to Financial Statements
[In thousands of dollars]

Year ended April 30, 2012

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.

RYERSON UNIVERSITY

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

Year ended April 30, 2012

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.

RYERSON UNIVERSITY

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

Year ended April 30, 2012

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.

RYERSON UNIVERSITY

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

Year ended April 30, 2012

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 2011, the Accounting Standards Board approved 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.

RYERSON UNIVERSITY

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

Year ended April 30, 2012

3. INVESTMENTS AND INVESTMENT INCOME

- [a] Investments classified as long-term of \$187,871 [2011 - \$201,488] 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 \$96,528 [2011 - \$94,716] consist of units of Fiera Capital Corp. Sceptre Pooled Investment Endowment Foundation and Trust Fund ["EFT"]. The EFT asset mix was 7.99% short-term investments [2011 - 7.36%], 35.5% bonds [2011 - 37.50%], 30.32% Canadian equities [2011 - 26.58%] and 26.19% foreign equities [2011 - 28.56%].

Investments held for other purposes of \$91,343 [2011 - \$106,772] are invested in money market instruments.

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

	2012	2011
	\$	\$
Net investment income	5,847	10,815
Less amount attributed to deferred revenue contributions [note 8]	(680)	(4,708)
Less amount attributed to deferred capital contributions [note 9]	(185)	(219)
Less amount attributed to endowment capital preservation [note 10]	(144)	(2,281)
Amount attributed to endowment unrealized loss (gain) [note 10]	871	(1,750)
Investment income recognized during the year	5,709	1,857

Investment income earned is net of management fees of \$280 [2011 - \$261].

- [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 0.95% to 1.39% [2011 - 1.02% to 1.48%] with maturity dates ranging from May 1, 2012 to April 19, 2013 [2011 - May 16, 2011 to November 21, 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.

RYERSON UNIVERSITY

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

Year ended April 30, 2012

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, 2011. The next required actuarial valuation will be January 1, 2014. 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.

RYERSON UNIVERSITY

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

Year ended April 30, 2012

4. EMPLOYEE FUTURE BENEFITS [continued]

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

	2012		2011	
	Pension benefit plans \$	Other benefit plans \$	Pension benefit plans \$	Other benefit plans \$
Fair value of plan assets	830,533	–	809,255	–
Accrued benefit obligations	1,063,553	20,980	877,947	17,497
Plan deficit	(233,020)	(20,980)	(68,692)	(17,497)
Unamortized net actuarial adjustments	319,715	–	166,097	–
Employee future benefits asset (liability)	86,695	(20,980)	97,405	(17,497)

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

	2012		2011	
	Pension benefit plans \$	Other benefit plans \$	Pension benefit plans \$	Other benefit plans \$
Employee future benefits expense				
Defined benefit plans	25,416	3,776	24,508	1,732
Contributions to multi-employer defined benefit plan	73	–	70	–
	25,489	3,776	24,578	1,732
Funding by employer	14,706	293	12,926	310
Benefits paid	28,914	293	26,553	310

RYERSON UNIVERSITY

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

Year ended April 30, 2012

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:

	2012		2011	
	Pension benefit plans %	Other benefit plans %	Pension benefit plans %	Other benefit plans %
Accrued benefit obligation				
Discount rate	4.25	4.25	5.00	5.00
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	5.00	5.00	5.25	5.25
Expected long-term rate of return on plan assets	6.80	—	6.80	—
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	
	2012 %	2011 %
Equities	39	49
Debt securities	32	23
Real estate	13	12
Other	16	16
	100	100

RYERSON UNIVERSITY

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

Year ended April 30, 2012

4. EMPLOYEE FUTURE BENEFITS [continued]

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

	2012 \$	2011 \$
Pension benefit plan asset	86,695	97,405
Other benefit plans liability	(20,980)	(17,497)
	65,715	79,908
Net change in internally restricted net assets for employee future benefits	(14,193)	(13,004)

The employee future benefit contribution related to defined employee benefit plans during fiscal 2012 is \$14,999 [2011 - \$13,236] and employee future benefit expense during the year is \$29,192 [2011 - \$26,240].

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:

	\$
2013	196
2014	208
2015	221
2016	234
2017	248
Thereafter	5,428
	6,535
Less current portion	(196)
	6,339

Total interest earned during fiscal 2012 is \$394 [2011 - \$404] and principal repayments received during the year totalled \$185 [2011 - \$174].

RYERSON UNIVERSITY

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

Year ended April 30, 2012

6. CAPITAL ASSETS

Capital assets consist of the following:

	2012			2011		
	Cost	Accumulated	Net	Cost	Accumulated	Net
	\$	amortization	book	\$	amortization	book
		\$	value		\$	value
			\$			\$
Land	87,378	–	87,378	87,951	–	87,951
Buildings	386,570	128,203	258,367	329,104	118,979	210,125
Equipment and furnishings	256,813	218,217	38,595	243,357	205,755	37,602
Library books	24,653	22,060	2,594	23,399	20,627	2,772
Leasehold improvements	6,855	2,726	4,129	3,695	1,564	2,131
Capital projects in progress	93,593	–	93,593	70,228	–	70,228
	855,862	371,206	484,656	757,734	346,925	410,809

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

	2012	2011
	\$	\$
Balance, beginning of year	410,809	380,407
Purchase of capital assets financed by debt	39,800	6,200
Purchase of capital assets internally financed	27,066	19,159
Purchase of capital assets funded by deferred capital contributions	31,263	30,424
Less amortization of capital assets	(24,282)	(25,381)
Balance, end of year	484,656	410,809

RYERSON UNIVERSITY

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

Year ended April 30, 2012

7. LONG-TERM DEBT AND DERIVATIVE FINANCIAL INSTRUMENTS

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

	2012 \$	2011 \$
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]	72,500	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	60,353	62,116
	132,853	94,816
Less current portion	(1,867)	(1,763)
	130,986	93,053

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

The fair value of the long-term debt approximates carrying value as the rates fluctuate with bank prime.

RYERSON UNIVERSITY

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

Year ended April 30, 2012

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:

	\$
2013	1,867
2014	1,976
2015	3,729
2016	4,287
2017	4,541
Thereafter	116,453
	<u>132,853</u>

Total interest expense on long-term debt for the year ended April 30, 2012 was \$5,355 [2011 - \$5,745], which excludes capitalized interest of \$1,709 [2011 - nil].

[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:

	<u>2012</u>		<u>2011</u>	
	<u>Notional amount</u>	<u>Fair value</u>	<u>Notional amount</u>	<u>Fair value</u>
	\$	\$	\$	\$
Interest rate swap:				
BMO	60,353	(17,454)	62,116	(11,793)
TD	72,500	(26,347)	32,700	(8,363)
	<u>132,853</u>	<u>(43,801)</u>	<u>94,816</u>	<u>(20,156)</u>
Less current portion:				
BMO	–	(2,580)	–	(2,622)
TD	–	(3,488)	–	(2,007)
	<u>132,853</u>	<u>(37,733)</u>	<u>94,816</u>	<u>(15,527)</u>

The change in fair value of the interest rate swap for the year ended April 30, 2012 was \$(23,645) [2011 - (\$9,931)].

RYERSON UNIVERSITY

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

Year ended April 30, 2012

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:

	2012 \$	2011 \$
Balance, beginning of year	42,768	38,141
Grants and donations received during the year	49,729	36,592
Investment income [note 3[b]]	680	4,708
Amount recognized as revenue during the year	(53,120)	(36,673)
Balance, end of year	40,057	42,768

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:

	2012 \$	2011 \$
Balance, beginning of year	193,088	173,345
Grants and donations received during the year	20,425	26,730
Investment income [note 3[b]]	185	219
Amortization of deferred capital contributions [note 12[b]]	(8,223)	(7,206)
Balance, end of year	205,475	193,088

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

	2012 \$	2011 \$
Unamortized deferred capital contributions		
used to purchase capital assets [note 12[a]]	190,546	167,506
Unspent deferred capital contributions	14,929	25,582
	205,475	193,088

RYERSON UNIVERSITY

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

Year ended April 30, 2012

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:

	2012 \$	2011 \$
Endowment balance, beginning of year	94,716	86,123
Donations received [note 13]	1,948	2,440
Matching provincial grant [note 18[c]]	1,343	2,122
Capital preservation [note 3[b]]	144	2,281
Unrealized (loss) gain [note 3[b]]	(871)	1,750
Endowment balance, end of year	97,280	94,716

The accumulated internally restricted endowment for the year ended April 30, 2012 was \$477 [2011 - \$231].

11. CARRYFORWARDS

Carry-forwards are internally restricted assets that represent unspent funds which have been committed for specific purposes to enhance the University's operations, including its facilities, equipment, and information technology.

Internally restricted net assets have been designated for the following purposes:

	2012 \$	2011 \$	Net change \$
Budget incentive program	36,232	29,817	6,415
Student non-tuition activities	3,124	2,643	481
Student support [including scholarships]	12,033	10,633	1,400
University Affinity program	1,483	1,413	70
Professional development fund	1,167	1,002	165
Capital and infrastructure projects	32,224	34,324	(2,100)
New Facilities Operations & Setup	6,470	—	6,470
IT initiatives	4,133	4,098	35
Internal research and projects	16,906	14,777	2,129
Academic growth and priorities	32,479	34,580	(2,101)
Other	37,676	33,025	4,651
	183,927	166,312	17,615

RYERSON UNIVERSITY

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

Year ended April 30, 2012

12. INVESTMENT IN CAPITAL ASSETS

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

	2012 \$	2011 \$
Capital assets, net	484,656	410,809
Less long-term debt [note 7[a]]	(132,853)	(94,816)
Less unamortized deferred capital contributions [note 9]	(190,546)	(167,506)
	161,257	148,487

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

	2012 \$	2011 \$
Purchase of capital assets internally financed [note 6]	27,066	19,159
Repayment of long-term debt principal [note 7[a]]	1,763	1,666
	28,829	20,825
Amortization of deferred capital contributions [note 9]	8,223	7,206
Less amortization of capital assets [note 6]	(24,282)	(25,381)
	(16,059)	(18,175)
	12,770	2,650

13. DONATIONS

[a] Total donations received consist of the following:

	2012 \$	2011 \$
Donations to endowments [note 10]	1,948	2,440
Donations restricted for capital purposes	618	923
Other restricted donations	9,605	2,666
Unrestricted donations	1,796	1,056
	13,967	7,085

RYERSON UNIVERSITY

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

Year ended April 30, 2012

13. DONATIONS [continued]

- [b] Donations recognized of \$5,215 [2011 - \$4,227] represent unrestricted donations received during the year of \$1,796 [2011 - \$1,056] and the amount of restricted donations spent during the year of \$3,419 [2011 - \$3,171].

14. COMMITMENTS

- [a] The estimated cost to complete construction and renovation projects in progress as at April 30, 2012, which will be funded by government grants, donations and operations, is approximately \$122,865 [2011 - \$93,272].
- [b] The operating contribution to the Student Campus Centre is approximately \$400 per year.
- [c] The following are the future minimum annual operating lease payments due over the next five fiscal years:

	Leases \$
2013	3,809
2014	4,000
2015	3,557
2016	2,585
2017	1,156
Thereafter	1,600
	16,707

- [d] The University is contingently liable in the amount of \$1,786 with respect to letters of guarantee issued.

RYERSON UNIVERSITY

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

Year ended April 30, 2012

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, 2012, 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:

	2012 \$	2011 \$
Accounts receivable	(1,099)	2,378
Prepaid expenses	(1,326)	(261)
Inventories	118	(122)
Accounts payable and accrued liabilities	20,054	9,052
Deferred revenue	(482)	(4,666)
	17,265	6,381

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.

RYERSON UNIVERSITY

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

Year ended April 30, 2012

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, 2012 and 2011 in the first phase of the OSOTF I balance, which is included in the endowment balance [note 10].

	2012 \$	2011 \$
Endowment balance at cost, beginning of year	6,648	6,646
Cash donations received	2	2
Capital preservation	101	—
Endowment balance at cost, end of year	6,751	6,648
Cumulative unrealized gain	323	388
Endowment balance at market, end of year	7,074	7,036

The following is the schedule of changes for the years ended April 30, 2012 and 2011 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.

	2012 \$	2011 \$
Expendable balance at cost, beginning of year	—	—
Investment and other income, net of direct investment-related expenses	295	306
Bursaries awarded	(200)	(167)
Unspent balance transfer to stabilization account	(94)	(139)
Expendable balance at cost, end of year	1	—
Number of bursaries awarded	179	121

RYERSON UNIVERSITY

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

Year ended April 30, 2012

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, 2012 and 2011 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.

	2012 \$	2011 \$
Stabilization funds balance at cost, beginning of year	1,118	825
Investment income not available (available) for spending and capital preservation	(100)	154
Unspent balance transfer from expendable accounts	94	139
Stabilization funds balance at cost, end of year	1,112	1,118

- [b] The following is the schedule of changes for the years ended April 30, 2012 and 2011 in the second phase of the OSOTF II balance, which is included in the endowment balance [note 10].

	2012 \$	2011 \$
Endowment balance at cost, beginning of year	3,215	3,214
Cash donations received within annual matching ceiling	3	1
Capital preservation	3	—
Endowment balance at cost, end of year	3,221	3,215
Cumulative unrealized gain	175	209
Endowment balance at market, end of year	3,396	3,424

The following is the schedule of changes for the years ended April 30, 2012 and 2011 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.

	2012 \$	2011 \$
Expendable balance, beginning of year	—	—
Investment and other income, net of direct investment-related expenses	141	216
Bursaries awarded	(119)	(158)
Unspent balance transfer to stabilization accounts	(21)	(58)
Expendable balance, end of year	1	—
Number of bursaries awarded	66	77

RYERSON UNIVERSITY

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

Year ended April 30, 2012

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, 2012 and 2011 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.

	2012 \$	2011 \$
Stabilization funds balance at cost, beginning of year	335	268
Investment income not available (available) for spending and capital preservation	(7)	9
Unspent balance transfer from expendable accounts	21	58
Stabilization funds balance at cost, end of year	349	335

- [c] The Ontario government requires separate reporting of balances as at March 31, 2012 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:

	2012 \$	2011 \$
Cash donations	1,060	1,962
Unmatched cash donations	118	160
Total cash donation	1,178	2,122

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

	2012 \$	2011 \$
Endowment balance at cost, beginning of year	41,275	37,191
Eligible cash donations received	1,178	2,122
Matching funds received/receivable from MTCU [note 10]	1,502	1,962
Capital preservation and others	—	—
Cumulative unrealized gain (loss)	804	308
Endowment balance at market value, end of year	44,759	41,583

RYERSON UNIVERSITY

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

Year ended April 30, 2012

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.

	2012 \$	2011 \$
Expendable balance, beginning of year	505	273
Investment and other income, net of direct investment-related expenses	1,007	1,183
Bursaries awarded	(1,262)	(951)
Expendable balance, end of year	250	505
Number of bursaries awarded	414	259

The following is the schedule of changes for the period from April 1, 2011 to March 31, 2012 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.

	2012 \$	2011 \$
Stabilization funds balance at cost, beginning of year	2,050	43
Investment and other income not available (available) for spending	287	2,007
Stabilization funds balance at cost, end of year	2,337	2,050

OTSS awards issued for the period from April 1, 2011 to March 31, 2012.

Status of Recipients	OSAP Recipients		Non-OSAP Recipients		Total	
	Number	Amount	Number	Amount	Number	Amount
Full-Time	170	\$ 602,163	151	\$ 579,550	321	\$ 1,181,713
Part-Time	3	4,500	90	75,923	93	80,423
Total	173	\$ 606,663	241	\$ 655,473	414	\$ 1,262,136