RYERSON UNIVERSITY

CONSOLIDATED FINANCIAL STATEMENTS

Year ended April 30, 2014

RYERSON UNIVERSITY

Year ended April 30, 2014

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INDEPENDENT AUDITORS' REPORT

To the Board of Governors of Ryerson University

We have audited the accompanying consolidated financial statements of Ryerson University (the "University"), which comprise the consolidated balance sheet as at April 30, 2014, the consolidated 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 Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements present fairly, in all material respects, the consolidated financial position of Ryerson University as at April 30, 2014, and its consolidated results of operations and its consolidated cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

June 23, 2014
Toronto, Canada

RYERSON UNIVERSITY

Consolidated Balance Sheet
[In thousands of dollars]

April 30, 2014, with comparative information for 2013

	2014 $	2013 $ (Restated - note 4)
ASSETS		
Current		
Cash and cash equivalents	160,480	130,911
Short-term investments	6,009	–
Accounts receivable *[note 5]*	23,357	25,229
Prepaid expenses	3,749	4,036
Inventories	1,279	1,222
Current portion of note receivable *[note 6]*	353	208
Total current assets	195,227	161,606
Investments *[note 3]*	206,872	201,144
Employee future benefits - pension *[note 4]*	99,758	95,429
Note receivable *[note 6]*	6,215	6,131
Capital assets, net *[note 7]*	956,075	936,518
	1,464,147	1,400,828
LIABILITIES, DEFERRED CONTRIBUTIONS AND NET ASSETS		
Current		
Accounts payable and accrued liabilities *[note 8]*	66,799	61,100
Deferred revenue	14,047	13,570
Current portion of long-term debt *[note 9[a]]*	13,244	1,976
Current portion of fair value of interest rate swap *[note 9[b]]*	6,840	6,969
Total current liabilities	100,930	83,615
Employee future benefits - other *[note 4]*	23,329	22,137
Long-term debt *[note 9[a]]*	180,016	182,060
Fair value of interest rate swap *[note 9[b]]*	28,808	43,569
Deferred revenue contributions *[note 10]*	57,037	44,842
Deferred capital contributions *[note 11]*	199,519	201,547
	589,639	577,770
Net assets		
Endowments *[note 12]*	105,915	99,498
Other	768,593	723,560
Total net assets	874,508	823,058
	1,464,147	1,400,828

See accompanying notes to consolidated financial statements

On behalf of the Board of Governors:

________________ Chair ________________ Secretary

RYERSON UNIVERSITY

Consolidated Statement of Operations
[In thousands of dollars]

Year ended April 30, 2014, with comparative information for 2013

	2014 $	2013 $ (Restated - note 4)
REVENUE		
Grants and contracts	271,077	258,470
Student fees	252,521	226,085
Sales and services	33,018	32,152
Donations recognized *[note 15[b]]*	4,914	6,104
Amortization of deferred capital contributions *[note 11]*	8,642	8,473
Investment income *[note 3[b]]*	6,032	5,748
Other income	3,523	3,533
	579,727	540,565
EXPENSES		
Salaries and benefits	369,176	346,710
Employee future benefits *[note 4]*	(928)	(29,737)
Materials, supplies, repairs and maintenance	114,082	112,791
Bursaries and scholarships	33,303	28,853
Interest *[note 9[a]]*	9,264	8,507
Amortization of capital assets *[note 7]*	26,763	26,301
	551,660	493,425
Unrealized (gain) loss on interest rate swap *[note 9[b]]*	(14,890)	6,737
	536,770	500,162
Revenue less expenses	42,957	40,403

See accompanying notes to consolidated financial statements

RYERSON UNIVERSITY

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

Year ended April 30, 2014, with comparative information for 2013

		Internally restricted				2014	2013
	Unrestricted $	**Invested in capital assets** $	**Employee future benefits** $	**Carry-forwards** $	**Endowments** $	**Total** $	**Total** $
		[note 14]	*[note 4]*	*[note 13]*	*[note 12]*		(Restated - note 4)
Net assets, beginning of year	(120,974)	566,914	73,292	204,328	99,498	823,058	777,783
Revenue less expenses (expenses less revenue)	78,652	(18,121)	(17,574)	–	–	42,957	40,403
Capitalization of investment income (loss) in endowments	(82)	–	–	–	5,434	5,352	1,585
Internally restricted endowment	(51)	–	–	–	51	–	–
Endowment contributions	–	–	–	–	932	932	1,397
Allocations to internally restricted net assets	(24,392)	–	–	24,392	–	–	–
Employee future benefit contributions	(18,502)	–	18,502	–	–	–	–
Employee future benefit remeasurements	–	–	2,209	–	–	2,209	1,890
Internally financed capital assets and debt payment	(19,259)	19,259	–	–	–	–	–
Net assets, end of year	(104,608)	568,052	76,429	228,720	105,915	874,508	823,058

See accompanying notes to consolidated financial statements

RYERSON UNIVERSITY

Consolidated Statement of Cash Flows
[In thousands of dollars]

Year ended April 30, 2014, with comparative information for 2013

	2014 $	2013 $ (Restated - note 4)
OPERATING ACTIVITIES		
Revenue less expenses	42,957	40,403
Add (deduct) non-cash items:		
Amortization of capital assets *[note 7]*	26,763	26,301
Amortization of deferred capital contributions *[note 11]*	(8,642)	(8,473)
Unrealized (gain) loss on interest rate swap *[note 9[b]]*	(14,890)	6,737
Unrealized gain on investments *[note 10]*	(435)	(1,496)
Employee future benefits contributions *[note 4]*	(18,502)	(17,360)
Employee future benefits expense (income) *[note 4]*	17,574	(12,377)
Net change in deferred revenue contributions *[note 10]*	12,195	3,905
Net change in non-cash working capital balances *[note 18]*	8,278	(3,173)
Cash provided by operating activities	65,298	34,467
INVESTING ACTIVITIES		
(Increase) decrease in note receivable *[note 6]*	(229)	196
Acquisition of capital assets *[note 7]*	(46,320)	(94,114)
(Increase) decrease in short-term investment	(6,009)	29,653
Increase in investments	(5,293)	(11,777)
Cash used in investing activities	(57,851)	(76,042)
FINANCING ACTIVITIES		
Contributions received for capital purposes *[note 11]*	6,614	4,546
Endowment contributions	932	1,397
Capitalization of investment income in endowments	5,352	1,585
Repayment of long-term debt principal *[note 9[a]]*	(1,976)	(1,867)
Increase in long-term debt *[note 9[a]]*	11,200	53,050
Cash provided by financing activities	22,122	58,711
Net increase in cash and cash equivalents during the year	29,569	17,136
Cash and cash equivalents, beginning of year	130,911	113,775
Cash and cash equivalents, end of year	160,480	130,911
Supplemental cash flow information:		
Interest paid	10,400	9,404

See accompanying notes to consolidated 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 needs 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 consolidated financial statements reflect the assets, liabilities, net assets, revenue, expenses and other transactions of all of the operations controlled by the University, including its wholly owned subsidiary Ryerson Futures Incorporated. Accordingly, these consolidated 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 Part III of the Chartered Professional Accountants of Canada ("CPA Canada") Handbook which sets out generally accepted accounting principles for not-for-profit organizations in Canada and includes the significant accounting policies set out below.

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 three months or less at the time of purchase and which are readily convertible to cash on short notice. All investments with a maturity date greater than three months and less than one year are classified as short-term investments. All investments in excess of one year are classified as long-term investments.

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. Consistent with Accounting Standards for Private Enterprises 3461 in Part II of the CPA Canada Handbook, the University has adopted the immediate recognition approach effective in the 2013 fiscal year. Effective May 1, 2013, the University has exercised its option to the early adoption of the new CPA Canada Handbook Accounting Part III Section 3463 using the funding valuation approach for all employee future benefit plans.

Under the new standard, the University recognizes the amount of the accrued obligation, net of the fair value of plan assets in the consolidated balance sheet. Current service and finance costs are expensed during the year. Remeasurements and other items which represent the total of the difference between actual and expected return on plan assets, actuarial gains and losses, and past service costs, are recognized directly in the statement of changes in net assets as a separately identified line item.

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. The fair market value of assets is used for disclosure and calculation of pension cost, effective on the measurement date which is April 30 of each year.

Contributions to defined benefit plans 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
Library books	5 years
Leasehold improvements	Over lease term

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 includes 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 consolidated 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 consolidated financial statements.

Use of estimates

The preparation of consolidated 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 dates of the consolidated financial statements and the reported amounts of revenue and expenses for the year. Actual results could differ from those estimates.

Financial instruments

Financial instruments are recorded at fair value on initial recognition. Freestanding derivative instruments that are not in a qualifying hedging relationship and equity instruments that are quoted in an active market are subsequently measured at fair value. All other financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. The University has elected to continue to carry any such financial instruments at fair value.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year. If there is an indicator of impairment, the University determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the University expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

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 consolidated financial statements are augmented by reports that detail the liquid inflows and outflows.

3. INVESTMENTS AND INVESTMENT INCOME

[a] Investments classified as long-term of $206,872 [2013 - $201,144] 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 $105,915 [2013 - $99,498] consist of units of Fiera Capital Corp., Fiera Balanced Endowment Foundation and Trust Fund ["EFT"]. The EFT asset mix was 5.84% short-term investments [2013 - 6.75%], 30.55% bonds [2013 - $36.01%], 32.91% Canadian equities [2013 - 28.81%] and 30.70% foreign equities [2013 - 28.43%].

Investments held for other purposes of $100,957 [2013 - $101,646] are invested in money market instruments except for $700 [2013 - $350], which is held as equity investments and nil [2013 - $127], which is held as other fixed income instruments.

[In thousands of dollars]

3. INVESTMENTS AND INVESTMENT INCOME [continued]

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

	2014 $	2013 $
Net investment income	17,974	11,953
Less amount attributed to deferred revenue contributions *[note 10]*	(6,073)	(3,038)
Less amount attributed to deferred capital contributions *[note 11]*	(82)	(96)
Less amount attributed to endowment capital preservation *[note 12]*	(5,352)	(1,575)
Unrealized investment gain *[note 10]*	(435)	(1,496)
Investment income recognized during the year	6,032	5,748

Investment income earned is net of management fees of $313 [2013 - $296].

[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.

Interest rate risk:

Fixed income securities have yields varying from 0.60% to 1.70% [2013 - 1.04% to 1.36%] with maturity dates ranging from May 1, 2014 to March 16, 2015 [2013 - May 24, 2013 to April 28, 2014]. 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.

Credit risk:

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss. The University is exposed to credit risk with respect to the accounts receivable. The University assesses, on a continuous basis, accounts receivable and provides for any amounts that are not collectible in the allowance for doubtful accounts.

Market risk:

The value of equity securities changes with stock market conditions, which are affected by general economic and market conditions. The University manages the market risk of its investment portfolio by investing in pooled funds in a widely diversified group of asset classes managed by external investment managers.

[In thousands of dollars]

3. INVESTMENTS AND INVESTMENT INCOME [continued]

Foreign exchange risk:

The value of securities denominated in a currency other than the Canadian dollar 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 University implemented Handbook Section 3463, Employee Future Benefits retrospectively. The impact as at April 30, 2013 is as follows:

	Statement of operations	**Statement of changes in net assets**	**Balance sheet**	
			Asset	**Liability**
	$	$	$	$
As previously presented	40,085	809,919	84,931	24,778
Employee future benefits restatement:				
Transitional adjustment	–	10,931	10,498	(2,641)
Remeasurement and other items	–	1,890	–	–
Current service and finance costs adjustment	318	318	–	–
As restated	40,403	823,058	95,429	22,137

[In thousands of dollars]

4. EMPLOYEE FUTURE BENEFITS [continued]

The latest actuarial valuations for the registered pension plans were performed and submitted as of January 1, 2013. The next required actuarial valuation will be on January 1, 2016. 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 as at April 30.

	2014		2013	
	Pension benefit plans $	Other benefit plans $	Pension benefit plans $	Other benefit plans $
Fair value of plan assets	984,125	–	924,628	–
Accrued benefit obligations	884,367	23,329	829,199	22,137
Employee future benefits asset (liability)	99,758	(23,329)	95,429	(22,137)

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

	2014			2013		
	Pension benefit plans $	Other benefit plans $	Total benefit plans $	Pension benefit plans $	Other benefit plans $	Total benefit plans $
Employee future benefits (income) expense						
Defined benefit plans	(3,170)	2,242	(928)	(32,815)	3,078	(29,737)
Funding by employer	17,672	830	18,502	17,026	334	17,360
	14,502	3,072	17,574	(15,789)	3,412	(12,377)
Contributions to multi-employer defined benefit plan	84	–	84	77	–	77
Benefits paid	37,713	830	38,543	33,577	334	33,911

[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:

	2014		2013	
	Pension benefit plans %	**Other benefit plans** %	**Pension benefit plans** %	**Other benefit plans** %
Accrued benefit obligation				
Discount rate	6.45	6.45	6.45	6.45
Rate of compensation increase	5.25	5.25	5.25	5.25
Rate of inflation	2.25	4.50	2.25	4.50
Benefit cost				
Discount rate	6.45	6.45	6.45	6.45
Rate of compensation increase	5.25	5.25	5.25	5.25
Rate of inflation	2.25	4.50	2.25	4.50
Medical costs				
Drug	–	10.00	–	10.00
Hospital	–	4.50	–	4.50
Other medical	–	4.50	–	4.50
Dental	–	4.50	–	4.50

[In thousands of dollars]

4. EMPLOYEE FUTURE BENEFITS [continued]

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

	2014 $	2013 $
Pension benefit plan asset	99,758	95,429
Other benefit plans liability	(23,329)	(22,137)
	76,429	73,292

Increase to net assets from remeasurement:

	2014			2013		
	Pension benefit plans $	Other benefit plans $	Total benefit plans $	Pension benefit plans $	Other benefit plans $	Total benefit plans $
Restatement	1,159	1,050	2,209	581	1,309	1,890

5. ACCOUNTS RECEIVABLE

	2014 $	2013 $
Student Receivable	18,329	16,437
Grants Receivable	941	–
Other Receivable	4,857	10,072
	24,127	26,509
Less allowance for doubtful accounts	(770)	(1,280)
	23,357	25,229

[In thousands of dollars]

6. NOTE RECEIVABLE

The note receivable balance includes:

(i) The Palin Foundation, as outlined in the Student Campus Centre Operating Agreement, bears interest at 5.93%.

(ii) Other agreements with Ryerson Futures Inc.

The repayment period will continue until January 2031 as follows:

	$
2015	353
2016	234
2017	553
2018	264
2019	280
Thereafter	4,884
	6,568
Less current portion	(353)
	6,215

Total interest earned during fiscal 2014 is $375 [2013 - $382] and principal repayments received during the year totalled $208 [2013 - $196].

7. CAPITAL ASSETS

Capital assets consist of the following:

	2014			2013		
	Cost $	**Accumulated amortization** $	**Net book value** $	**Cost** $	**Accumulated amortization** $	**Net book value** $
Land	514,493	–	514,493	514,493	–	514,493
Buildings	482,630	151,300	331,330	482,630	139,830	342,800
Equipment and furnishings	277,826	243,409	34,417	267,928	230,455	37,473
Library books	26,568	24,465	2,103	25,445	23,318	2,127
Leasehold improvements	7,665	5,096	2,569	6,920	3,904	3,016
Capital projects in progress	71,163	–	71,163	36,609	–	36,609
	1,380,345	424,270	956,075	1,334,025	397,507	936,518

[In thousands of dollars]

7. CAPITAL ASSETS [continued]

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

	2014 $	2013 $
Balance, beginning of year	936,518	868,705
Purchase of capital assets financed by debt	17,099	47,151
Purchase of capital assets internally financed *[note 14(b)]*	17,283	37,569
Purchase of capital assets funded by deferred capital contributions	11,938	9,394
Less amortization of capital assets *[note 14(b)]*	(26,763)	(26,301)
Balance, end of year	956,075	936,518

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Included in accounts payable and accrued liabilities are government remittances payable of $3,065 (2013 - $1,858), which includes amounts payable for harmonized sales tax and payroll-related taxes.

[In thousands of dollars]

9. LONG-TERM DEBT AND DERIVATIVE FINANCIAL INSTRUMENTS

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

	2014 $	**2013** $
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 - $32,700; July 2011 - $39,800; July 2012 - $44,800; and July 2013 - $11,200	128,500	117,300
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 2, 2024	56,510	58,486
Mattamy Athletic Centre Land Promissory Note (Loblaw) Principal due on July 20, 2014	8,250	8,250
	193,260	184,036
Less current portion	(13,244)	(1,976)
	180,016	182,060

The unspent long-term debt was nil (2013 - $5,899).

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.

[In thousands of dollars]

9. 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:

	$
2015	13,244
2016	5,887
2017	6,237
2018	6,607
2019	7,000
Thereafter	154,285
	193,260

Total interest expense on long-term debt for the year ended April 30, 2014 was $9,264 [2013 - $8,507], which excludes capitalized interest of $1,157 [2013 - $1,021].

[b] Derivative financial instruments:

The University has in place two Interest Rate Swap Agreements ("Agreements"). The BMO agreement will expire on January 2, 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 BMO Loan and TD Loan *[note 9[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 each loan respectively. 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:

	2014		**2013**	
	Notional amount $	**Fair value** $	**Notional amount** $	**Fair value** $
Interest rate swap:				
BMO	56,510	(13,964)	58,486	(18,529)
TD	128,500	(21,684)	117,300	(32,009)
	185,010	(35,648)	175,786	(50,538)
Less current portion:				
BMO	–	(2,476)	–	(2,599)
TD	–	(4,364)	–	(4,370)
	185,010	(28,808)	175,786	(43,569)

The change in fair value of the interest rate swap for the year ended April 30, 2014 was $14,890 [2013 - $(6,737)].

[In thousands of dollars]

10. 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:

	2014 $	2013 $
Balance, beginning of year	44,842	40,937
Grants and donations received	53,605	47,033
Realized investment income *[note 3[b]]*	6,073	3,038
Unrealized investment gain *[note 3[b]]*	435	1,496
Amount recognized as revenue	(47,918)	(47,662)
Balance, end of year	57,037	44,842

11. 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 consolidated statement of operations over the useful lives of the capital assets. The changes in the deferred capital contributions balance were as follows:

	2014 $	2013 $
Balance, beginning of year	201,547	205,474
Grants and donations received	6,532	4,450
Investment income *[note 3[b]]*	82	96
Amortization of deferred capital contributions *[note 14[b]]*	(8,642)	(8,473)
Balance, end of year	199,519	201,547

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

	2014 $	2013 $
Unamortized deferred capital contributions used to purchase capital assets *[note 14[a]]*	194,763	191,467
Unspent deferred capital contributions	4,756	10,080
	199,519	201,547

[In thousands of dollars]

12. 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 prescribed annually and an amount is added to endowment net assets for capital preservation. The changes in the endowment fund balance were as follows:

	2014 $	**2013** $
Endowment balance, beginning of year	99,498	96,401
Donations received *[note 15]*	983	1,522
Capital preservation - externally restricted *[note 3[b]]*	5,352	1,575
Capital preservation - internally restricted	82	–
Endowment balance, end of year	105,915	99,498

The accumulated internally restricted endowment for the year ended April 30, 2014 was $744 [2013 - $597].

13. INTERNALLY RESTRICTED NET ASSETS

Internally restricted net assets 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:

	2014 $	**2013** $
Budget incentive program	60,808	48,568
Student non-tuition activities	4,416	4,956
Student support [including scholarships]	13,936	15,188
University Affinity program	1,409	1,513
Professional development fund	1,653	1,623
Capital and infrastructure projects	33,266	35,934
New Facilities Operations and Setup	4,360	5,262
IT initiatives	5,199	4,526
Internal research and projects	17,854	18,776
Academic growth and priorities	55,734	35,944
Other	30,085	32,038
	228,720	204,328

[In thousands of dollars]

14. INVESTMENT IN CAPITAL ASSETS

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

	2014 $	**2013** $
Capital assets, net *[note 7]*	956,075	936,518
Less long-term debt spent *[note 9[a]]*	(193,260)	(178,137)
Less unamortized deferred capital contributions *[note 11]*	(194,763)	(191,467)
	568,052	566,914

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

	2014 $	**2013** $
Purchase of capital assets internally financed *[note 7]*	17,283	37,569
Repayment of long-term debt principal *[note 9[a]]*	1,976	1,867
	19,259	39,436
Amortization of deferred capital contributions *[note 11]*	8,642	8,473
Less amortization of capital assets *[note 7]*	(26,763)	(26,301)
	(18,121)	(17,828)
	1,138	21,608

15. DONATIONS

[a] Total donations received consist of the following:

	2014 $	**2013** $
Donations to endowments *[note 12]*	983	1,522
Donations restricted for capital purposes	3,017	3,185
Other restricted donations	5,064	5,620
Unrestricted donations	1,570	1,634
	10,634	11,961

[b] Donations recognized of $4,914 [2013 - $6,104] represent unrestricted donations received during the year of $1,570 [2013 - $1,634] and the amount of restricted donations spent during the year of $3,344 [2013 - $4,470].

[In thousands of dollars]

16. COMMITMENTS

[a] The estimated cost to complete construction and renovation projects in progress as at April 30, 2014, which will be funded by government grants, donations and operations, is approximately $53,745 [2013 - $85,731].

[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 and thereafter:

	Leases $
2015	5,534
2016	4,485
2017	2,809
2018	1,968
2019	1,485
Thereafter	2,964
	19,245

[d] The University is contingently liable in the amount of $812 with respect to letters of guarantee issued.

17. CONTINGENT LIABILITIES

[a] In 2013, the University renewed its agreement with the Canadian Universities Reciprocal Insurance Exchange ["CURIE"] for a period of five years, ending January 1, 2018. 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, 2014, 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.

[In thousands of dollars]

18. NET CHANGE IN NON-CASH WORKING CAPITAL BALANCES

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

	2014 $	2013 $
Accounts receivable	1,872	2,772
Prepaid expenses	287	(312)
Inventories	(57)	(76)
Accounts payable and accrued liabilities	5,699	(7,112)
Deferred revenue	477	1,555
	8,278	(3,173)

19. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

The fair values of financial instruments approximate their carrying values unless otherwise noted.

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]

20. 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 II"] 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 year ended April 30 in the first phase of the OSOTF I balance, which is included in the endowment balance *[note 12]*.

	2014 $	2013 $
Endowment balance at cost, beginning of year	6,859	6,751
Cash donations received	19	6
Capital preservation	808	102
Endowment balance at cost, end of year	7,686	6,859
Cumulative unrealized gain	705	539
Endowment balance at market, end of year	8,391	7,398

The following is the schedule of changes for the year ended April 30 in the OSOTF I expendable funds available for awards. This balance is included in deferred revenue contributions *[note 10]*. 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.

	2014 $	2013 $
Expendable balance at cost, beginning of year	–	1
Investment and other income, net of direct investment-related expenses	258	246
Bursaries awarded	(201)	(170)
Unspent balance transfer to stabilization account	(57)	(77)
Expendable balance at cost, end of year	–	–
Number of bursaries awarded	174	171

The following is the schedule of changes for the year ended April 30 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.

[In thousands of dollars]

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

	2014 $	2013 $
Stabilization funds balance at cost, beginning of year	1,284	1,112
Investment income not available (available) for spending and capital preservation	(152)	95
Unspent balance transfer from expendable accounts	57	77
Stabilization funds balance at cost, end of year	1,189	1,284

[b] The following is the schedule of changes for the year ended April 30 in the second phase of the OSOTF II balance, which is included in the endowment balance *[note 12]*.

	2014 $	2013 $
Endowment balance at cost, beginning of year	3,236	3,221
Cash donations received	6	12
Capital preservation	234	3
Endowment balance at cost, end of year	3,476	3,236
Cumulative unrealized gain	346	275
Endowment balance at market, end of year	3,822	3,511

The following is the schedule of changes for the year ended April 30 in the OSOTF II expendable funds available for awards. The balance is included in deferred revenue contributions *[note 10]*. 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.

	2014 $	2013 $
Expendable balance, beginning of year	1	1
Investment and other income, net of direct investment-related expenses	119	118
Bursaries awarded	(114)	(108)
Unspent balance transfer to stabilization accounts	(6)	(10)
Expendable balance, end of year	–	1
Number of bursaries awarded	74	74

The following is a schedule of changes for the year ended April 30 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.

[In thousands of dollars]

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

	2014 $	2013 $
Stabilization funds balance at cost, beginning of year	445	349
Investment income not available for spending and capital preservation	79	86
Unspent balance transfer from expendable accounts	6	10
Stabilization funds balance at cost, end of year	530	445

[c] The Ontario Government requires separate reporting of balances as at March 31, 2014 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:

	2014 $	2013 $
Cash donations	–	–
Unmatched cash donations	73	128
Total cash donations	73	128

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

	2014 $	2013 $
Endowment balance at cost, beginning of year	44,083	43,955
Eligible cash donations received	73	128
Matching funds received/receivable from MTCU	–	–
Capital preservation and others	1,262	–
Endowment balance at cost, end of year	45,418	44,083
Cumulative unrealized gain	3,420	2,669
Endowment balance at market value, end of year	48,838	46,752

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.

[In thousands of dollars]

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

	2014 $	2013 $
Expendable balance, beginning of year	354	250
Investment and other income, net of direct investment-related expenses	1,533	1,213
Bursaries awarded	(1,221)	(1,109)
Unspent balance transfer to Stabilization account	(280)	–
Expendable balance, end of year	386	354
Number of bursaries awarded	420	365

The following is the schedule of changes for the period from April 1, 2013 to March 31, 2014 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.

	2014 $	2013 $
Stabilization funds balance at cost, beginning of year	3,688	2,337
Investment and other income not available for spending	2,982	1,351
Unspent balance transfer from Expendable account	280	–
Stabilization funds balance at cost, end of year	6,950	3,688

OTSS awards issued for the period from April 1, 2013 to March 31, 2014.

Status of Recipients	OSAP Recipients		Non-OSAP Recipients		Total	
	Number	Amount (In dollars)	Number	Amount (In dollars)	Number	Amount (In dollars)
Full-Time	166	$561,454	172	$575,643	338	$1,137,097
Part-Time	1	1,000	81	82,721	82	83,721
Total	167	$562,454	253	$658,364	420	$1,220,818