RYERSON UNIVERSITY

CONSOLIDATED FINANCIAL STATEMENTS

Year ended April 30, 2015

RYERSON UNIVERSITY

Year ended April 30, 2015

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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, which comprise the consolidated balance sheet as at April 30, 2015, 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, 2015, 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 29, 2015
Toronto, Canada

RYERSON UNIVERSITY

Consolidated Balance Sheet
[In thousands of dollars]

April 30, 2015, with comparative information for 2014

	2015 $	2014 $
ASSETS		
Current		
Cash and cash equivalents	129,867	160,480
Short-term investments	594	6,009
Accounts receivable *[note 5]*	28,852	23,357
Prepaid expenses	4,163	3,749
Inventories	1,432	1,279
Current portion of notes receivable *[note 6]*	234	353
Total current assets	165,142	195,227
Investments *[note 3[a]]*	229,068	206,872
Employee future benefits - pension *[note 4]*	128,053	99,758
Notes receivable *[note 6]*	5,677	6,215
Capital assets*[note 7]*	997,921	956,075
	1,525,861	1,464,147
LIABILITIES, DEFERRED CONTRIBUTIONS AND NET ASSETS		
Current		
Accounts payable and accrued liabilities *[note 8]*	66,287	66,799
Deferred revenue	18,628	14,047
Current portion of long-term debt *[note 9[a]]*	5,847	13,244
Current portion of fair value of interest rate swap *[note 9[b]]*	7,131	6,840
Total current liabilities	97,893	100,930
Employee future benefits - other *[note 4]*	21,155	23,329
Long-term debt *[note 9[a]]*	174,246	180,016
Fair value of interest rate swap *[note 9[b]]*	40,463	28,808
Deferred revenue contributions *[note 10]*	58,853	57,037
Deferred capital contributions *[note 11]*	197,790	199,519
	590,400	589,639
Net assets		
Endowments *[notes 3[a] and 12]*	116,928	105,915
Other *[notes 13 and 14]*	818,533	768,593
Total net assets	935,461	874,508
Commitments [*note 16*]		
Contingent liabilities [*note 17*]		
	1,525,861	1,464,147

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, 2015, with comparative information for 2014

	2015 $	2014 $
REVENUE		
Grants and contracts	283,689	271,077
Student fees	273,083	252,521
Sales and services	34,108	33,018
Donations recognized *[note 15[b]]*	9,811	4,914
Amortization of deferred capital contributions *[note 11]*	9,190	8,642
Investment income *[note 3[b]]*	6,932	6,032
Other income	4,516	3,523
	621,329	579,727
EXPENSES		
Salaries and benefits	392,295	369,176
Employee future benefits *[note 4]*	(1,354)	(928)
Materials, supplies, repairs and maintenance	125,273	114,082
Bursaries and scholarships	35,224	33,303
Interest *[note 9[a]]*	9,023	9,264
Amortization of capital assets *[note 7]*	27,927	26,763
	588,388	551,660
Unrealized loss (gain) on interest rate swap *[note 9[b]]*	11,946	(14,890)
	600,334	536,770
Revenue less expenses	20,995	42,957

See accompanying notes to consolidated financial statements

RYERSON UNIVERSITY

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

Year ended April 30, 2015, with comparative information for 2014

	Unrestricted $	Internally Restricted $ *[note 13]*	Endowments $ *[note 12]*	2015 Total $	2014 Total $
Net assets, beginning of year	(104,608)	873,201	105,915	874,508	823,058
Revenue less expenses	20,995	–	–	20,995	42,957
Capitalization of investment income (loss) in endowments	(87)	–	9,907	9,820	5,352
Internally restricted endowment	(83)	–	83	–	–
Endowment contributions	–	–	1,023	1,023	932
Change in internally restricted net assets	(80,486)	109,601	–	29,115	2,209
Net assets, end of year	(164,269)	982,802	116,928	935,461	874,508

See accompanying notes to consolidated financial statements

RYERSON UNIVERSITY

Consolidated Statement of Cash Flows
[In thousands of dollars]

Year ended April 30, 2015, with comparative information for 2014

	2015 $	2014 $
OPERATING ACTIVITIES		
Revenue less expenses	20,995	42,957
Add (deduct) non-cash items:		
Amortization of capital assets *[note 7]*	27,927	26,763
Amortization of deferred capital contributions *[note 11]*	(9,190)	(8,642)
Unrealized loss (gain) on interest rate swap *[note 9[b]]*	11,946	(14,890)
Unrealized gain on investments *[note 10]*	–	(435)
Employee future benefits contributions *[note 4]*	(19,537)	(18,502)
Employee future benefits expense *[note 4]*	18,183	17,574
Net change in deferred revenue contributions *[note 10]*	1,816	12,195
Net change in non-cash working capital balances *[note 18]*	(1,993)	8,278
Cash provided by operating activities	50,147	65,298
INVESTING ACTIVITIES		
Decrease (increase) in notes receivable *[note 6]*	657	(229)
Acquisition of capital assets *[note 7]*	(69,773)	(46,320)
Decrease (increase) in short-term investment	5,415	(6,009)
Increase in investments	(22,196)	(5,293)
Cash used in investing activities	(85,897)	(57,851)
FINANCING ACTIVITIES		
Contributions received for capital purposes *[note 11]*	7,461	6,614
Endowment contributions	1,023	932
Capitalization of investment income in endowments	9,820	5,352
Repayment of long-term debt principal *[note 9[a]]*	(13,267)	(1,976)
Increase in long-term debt *[note 9[a]]*	100	11,200
Cash provided by financing activities	5,137	22,122
Net increase (decrease) in cash and cash equivalents during the year	(30,613)	29,569
Cash and cash equivalents, beginning of year	160,480	130,911
Cash and cash equivalents, end of year	129,867	160,480
Supplemental cash flow information:		
Interest paid	10,329	10,400

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 the CPA Canada Handbook Accounting Part III Section 3463, all employee future benefits plans are reflected using the Funding Valuation Approach.

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 consolidated 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 consolidated 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 date 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 of $229,068 [2014 - $206,872] classified as long-term represent funds held for endowments, deferred revenue contributions, unspent deferred capital contributions and internally designated funds for capital projects.

Investments of $116,928 [2014 - $105,915] held for endowment net assets consist of units of Fiera Capital Corp., Fiera Balanced Endowment Foundation and Trust Fund ["EFT"]. The EFT asset mix was 11.17% short-term investments [2014 - 5.84%], 28.54% bonds [2014 - $30.55%], 30.09% Canadian equities [2014 - 32.91%] and 30.20% foreign equities [2014 - 30.70%].

Investments of $112,140 [2014 - $100,957] held for other purposes are invested in investment savings accounts [2014 - money market instruments, except for $700 invested in equity 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:

	2015 $	**2014** $
Net investment income	17,476	17,974
Less amount attributed to deferred revenue contributions *[note 10]*	(648)	(6,073)
Less amount attributed to deferred capital contributions *[note 11]*	(76)	(82)
Less amount attributed to endowment capital preservation *[note 12]*	(9,820)	(5,352)
Unrealized investment gain *[note 10]*	–	(435)
Investment income recognized during the year	6,932	6,032

Investment income earned is net of management fees of $336 [2014 - $313].

[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, held from time to time, 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:

The value of fixed income securities, held from time to time, 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 investments and 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.

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, Total Earnings Supplementary Plan and the Supplemental Retirement Pension Plan. 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.

[In thousands of dollars]

4. EMPLOYEE FUTURE BENEFITS [continued]

The latest actuarial valuations for the registered pension plans were performed and submitted as at January 1, 2014. The next required actuarial valuation will be on January 1, 2017. 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.

	2015		2014	
	Pension benefit plans $	**Other benefit plans** $	**Pension benefit plans** $	**Other benefit plans** $
Fair value of plan assets	1,092,502	–	984,125	–
Accrued benefit obligations	(964,449)	(21,155)	(884,367)	(23,329)
Employee future benefits asset (liability)	128,053	(21,155)	99,758	(23,329)

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

	2015			2014		
	Pension benefit plans $	**Other benefit plans** $	**Total benefit plans** $	**Pension benefit plans** $	**Other benefit plans** $	**Total benefit plans** $
Defined benefit plans	(3,726)	2,372	(1,354)	(3,170)	2,242	(928)
Funding by employer	18,750	787	19,537	17,672	830	18,502
Employee future benefits expense	15,024	3,159	18,183	14,502	3,072	17,574
Contributions to multi-employer defined benefit plan	58	–	58	84	–	84
Benefits paid	35,412	787	36,199	37,713	830	38,543

[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:

	2015		2014	
	Pension benefit plans %	**Other benefit plans** %	**Pension benefit plans** %	**Other benefit plans** %
Accrued benefit obligation				
Discount rate	6.50	6.50	6.45	6.45
Rate of compensation increase	3.75	3.75	5.25	5.25
Rate of inflation	2.25	–	2.25	–
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	–	2.25	–
Medical costs				
Drug	–	7.00	–	10.00
Hospital	–	4.00	–	4.50
Other medical	–	4.00	–	4.50
Dental	–	4.00	–	4.50

[In thousands of dollars]

4. EMPLOYEE FUTURE BENEFITS [continued]

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

	2015 $	**2014** $
Pension benefit plan asset	128,053	99,758
Other benefit plans liability	(21,155)	(23,329)
	106,898	76,429

Increase to net assets from remeasurement:

	2015			**2014**		
	Pension benefit plans $	**Other benefit plans** $	**Total benefit plans** $	**Pension benefit plans** $	**Other benefit plans** $	**Total benefit plans** $
Remeasurement	24,569	4,546	29,115	1,159	1,050	2,209

5. ACCOUNTS RECEIVABLE

	2015 $	**2014** $
Student receivable	19,500	18,329
Grants receivable	1,930	941
Other receivable	8,273	4,857
	29,703	24,127
Less allowance for doubtful accounts	(851)	(770)
	28,852	23,357

[In thousands of dollars]

6. NOTES RECEIVABLE

The notes receivable balance includes:

[a] The Palin Foundation, in the amount of $5,911 [2014 - $6,131], as outlined in the Student Campus Centre Operating Agreement, which bears interest at 5.93%.

[b] Other agreements with Ryerson Futures Incorporated totalling nil [2014 - $437].

The repayment period will continue until January 2031 as follows:

	$
2016	234
2017	248
2018	264
2019	280
2020	315
Thereafter	4,570
	5,911
Less current portion	(234)
	5,677

Total interest earned during fiscal 2015 is $358 [2014 - $375] and principal repayments received during the year totalled $657 [2014 - $229].

7. CAPITAL ASSETS

Capital assets consist of the following:

	2015			**2014**		
	Cost $	**Accumulated amortization** $	**Net book value** $	**Cost** $	**Accumulated amortization** $	**Net book value** $
Land	514,462	–	514,462	514,493	–	514,493
Buildings	583,459	165,312	418,147	482,633	151,303	331,330
Equipment and furnishings	293,930	254,873	39,057	277,826	243,409	34,417
Library books	27,887	25,591	2,296	26,568	24,465	2,103
Leasehold improvements	9,005	6,424	2,581	7,665	5,096	2,569
Capital projects in progress	21,378	–	21,378	71,163	–	71,163
	1,450,121	452,200	997,921	1,380,348	424,273	956,075

[In thousands of dollars]

7. CAPITAL ASSETS [continued]

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

	2015 $	2014 $
Balance, beginning of year	956,075	936,518
Purchase of capital assets financed by debt	100	17,099
Purchase of capital assets internally financed *[note 14[b]]*	61,816	17,283
Purchase of capital assets funded by deferred capital contributions	7,857	11,938
Less amortization of capital assets *[note 14[b]]*	(27,927)	(26,763)
Balance, end of year	997,921	956,075

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Included in accounts payable and accrued liabilities are government remittances payable of $819 [2014 - $3,065], 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:

	2015 $	**2014** $
Facilities Expansion Loan [the "TD Loan"] A variable rate loan with interest only payable up to July 2, 2014, principal and interest payable thereafter. The loan bears interest at the bank's cost of funds in effect for term loans from time to time plus 1.150%. The loan matures on July 3, 2034	125,575	128,500
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%. The loan matures on January 2, 2024	54,418	56,510
Mattamy Athletic Centre Land Promissory Note (Loblaw), matured July 20, 2014	–	8,250
Other project	100	–
	180,093	193,260
Less current portion	(5,847)	(13,244)
	174,246	180,016

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:

	$
2016	5,847
2017	6,254
2018	6,605
2019	6,997
2020	7,394
Thereafter	146,996
	180,093

Total interest expense on long-term debt for the year ended April 30, 2015 was $9,023 [2014 - $9,264], which excludes capitalized interest of $1,412 [2014 - $1,157].

[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 swaps effectively enable the University to convert the floating rate interest obligations of the loans into fixed rate obligations and thus, manage its exposure to interest rate risk.

The notional amount and the fair value of the derivative financial instruments are as follows:

	2015		**2014**	
	Notional amount $	**Fair value** $	**Notional amount** $	**Fair value** $
Interest rate swap:				
BMO	54,418	(16,571)	56,510	(13,964)
TD	125,575	(31,023)	128,500	(21,684)
	179,993	(47,594)	185,010	(35,648)
Less current portion:				
BMO	–	(2,528)	–	(2,476)
TD	–	(4,603)	–	(4,364)
	179,993	(40,463)	185,010	(28,808)

The change in fair values of the interest rate swaps for the year ended April 30, 2015 was ($11,946) [2014 - $14,890].

[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:

	2015 $	2014 $
Balance, beginning of year	57,037	44,842
Grants and donations received	50,759	53,605
Realized investment income *[note 3[b]]*	648	6,073
Unrealized investment gain *[note 3[b]]*	–	435
Amount recognized as revenue	(49,591)	(47,918)
Balance, end of year	58,853	57,037

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:

	2015 $	2014 $
Balance, beginning of year	199,519	201,547
Grants and donations received	7,385	6,532
Investment income *[note 3[b]]*	76	82
Amortization of deferred capital contributions *[note 14[b]]*	(9,190)	(8,642)
Balance, end of year	197,790	199,519

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

	2015 $	2014 $
Unamortized deferred capital contributions used to purchase capital assets *[note 14[a]]*	193,430	194,763
Unspent deferred capital contributions	4,360	4,756
	197,790	199,519

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

	2015 $	**2014** $
Endowment balance, beginning of year	105,915	99,498
Donations received *[note 15]*	1,106	983
Capital preservation - externally restricted *[note 3[b]]*	9,820	5,352
Capital preservation - internally restricted	87	82
Endowment balance, end of year	116,928	105,915

The accumulated internally restricted endowment for the year ended April 30, 2015 was $914 [2014 - $744].

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 – carryforwards have been designated for the following purposes:

	2015 $	**2014** $
Investment in capital assets *[a, note 14[a]]*	624,398	568,052
Employee Future Benefits *[b, note 4]*	106,898	76,429
Professional development fund *[c]*	1,840	1,653
Capital projects *[d]*	42,346	37,626
Student assistance and related funds *[e]*	17,372	18,352
Academic plan, growth and internal research *[f]*	75,472	73,588
Department carryforwards *[g]*	79,462	60,808
IT and other initiatives *[h]*	35,014	36,693
	982,802	873,201

13. INTERNALLY RESTRICTED NET ASSETS [continued]

[a] Investment in capital assets represents the unamortized value of capital assets funded by the University, net of outstanding debt. It excludes those amounts funded through capital contributions.

[b] Employee future benefits balance represents the surpluses or deficits associated with the pension and other benefit plans.

[c] Professional development fund represents unspent funds of individual members of the Ryerson Faculty Association, as provided by their collective agreement.

[d] Capital projects represent internally restricted funds for deferred maintenance, renovations and capital projects, either planned or in progress.

[e] Student assistance and related funds include funds which have been approved as part of the operating budget each year. It also includes the expendable portion of unrestricted donations and endowment fund income. Related funds include the athletic fee, the special activities reserve fee, the student services fee and other similar fees.

[f] Academic plan, growth and internal research funds represent amounts which have been allocated to the Provost for support of the academic plan, new programs and internally funded research and projects.

[g] Department carryforwards represent unspent budgets at the end of the fiscal year. The University has in place a flexible budgeting program, which allows operating budget units to defer surpluses and deficits to the subsequent year(s).

[h] IT and other initiatives include funds allocated to new enterprise systems and other technological initiatives. They also include additional grants and savings during the prior year which were allocated as part of the annual budget process, as well as a number of centrally funded projects, from self-insurance to safety initiatives and staff training.

[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:

	2015 $	**2014** $
Capital assets *[note 7]*	997,921	956,075
Less long-term debt *[note 9[a]]*	(180,093)	(193,260)
Less unamortized deferred capital contributions *[note 11]*	(193,430)	(194,763)
	624,398	568,052

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

	2015 $	**2014** $
Purchase of capital assets internally financed *[note 7]*	61,816	17,283
Repayment of long-term debt principal *[note 9[a]]*	13,267	1,976
	75,083	19,259
Amortization of deferred capital contributions *[note 11]*	9,190	8,642
Less amortization of capital assets *[note 7]*	(27,927)	(26,763)
	(18,737)	(18,121)
	56,346	1,138

15. DONATIONS

[a] Total donations received consist of the following:

	2015 $	**2014** $
Donations to endowments *[note 12]*	1,106	983
Donations restricted for capital purposes	1,817	3,017
Other restricted donations	10,318	5,064
Unrestricted donations	1,195	1,570
	14,436	10,634

[b] Donations of $9,811 [2014 - $4,914] recognized represent unrestricted donations of $1,195 [2014 - $1,570] received during the year and the amount of restricted donations of $8,616 [2014 - $3,344] spent during the year.

[In thousands of dollars]

16. COMMITMENTS

[a] The estimated cost to complete construction and renovation projects in progress as at April 30, 2015, which will be funded by government grants, donations and operations, is approximately $169,867 [2014 - $53,745].

[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:

	$
2016	7,497
2017	8,153
2018	7,859
2019	6,445
2020	5,246
Thereafter	31,308
	66,508

[d] The University is contingently liable in the amount of $1,209 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, 2015, 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:

	2015 $	2014 $
Accounts receivable	(5,495)	1,872
Prepaid expenses	(414)	287
Inventories	(153)	(57)
Accounts payable and accrued liabilities	(512)	5,699
Deferred revenue	4,581	477
	(1,993)	8,278

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]*:

	2015 $	**2014** $
Endowment balance at cost, beginning of year	7,686	6,859
Cash donations received	15	19
Capital preservation	671	808
Endowment balance at cost, end of year	8,372	7,686
Cumulative unrealized gain	752	705
Endowment balance at market, end of year	9,124	8,391

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.

	2015 $	**2014** $
Expendable balance at cost, beginning of year	–	–
Investment and other income, net of direct investment-related expenses	268	258
Bursaries awarded	(214)	(201)
Unspent balance transfer to stabilization account	(54)	(57)
Expendable balance at cost, end of year	–	–
Number of bursaries awarded	188	174

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 *[note 10]*.

[In thousands of dollars]

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

	2015 $	2014 $
Stabilization funds balance at cost, beginning of year	1,189	1,284
Investment income not available (available) for spending and capital preservation	62	(152)
Unspent balance transfer from expendable accounts	54	57
Stabilization funds balance at cost, end of year	1,305	1,189

[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]*.

	2015 $	2014 $
Endowment balance at cost, beginning of year	3,476	3,236
Cash donations received	10	6
Capital preservation	321	234
Endowment balance at cost, end of year	3,807	3,476
Cumulative unrealized gain	366	346
Endowment balance at market, end of year	4,173	3,822

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.

	2015 $	2014 $
Expendable balance, beginning of year	–	1
Investment and other income, net of direct investment-related expenses	127	119
Bursaries awarded	(121)	(114)
Unspent balance transfer to stabilization accounts	(6)	(6)
Expendable balance, end of year	–	–
Number of bursaries awarded	82	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 *[note 10]*.

[In thousands of dollars]

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

	2015 $	2014 $
Stabilization funds balance at cost, beginning of year	530	445
Investment income not available for spending and capital preservation	26	79
Unspent balance transfer from expendable accounts	6	6
Stabilization funds balance at cost, end of year	562	530

[c] The Government of Ontario requires separate reporting of balances as at March 31, 2015 and details of the changes in the balances for the period then ended in connection with the OTSS fund, which is included in the endowment balance *[note 12]*.

The following is the schedule of donations received between April 1 and March 31:

	2015 $	2014 $
Cash donations	–	–
Unmatched cash donations	61	73
Total cash donations	61	73

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

	2015 $	2014 $
Endowment balance at cost, beginning of year	45,418	44,083
Eligible cash donations received	61	73
Matching funds received/receivable from MTCU	–	–
Capital preservation and others	4,269	1,262
Endowment balance at cost, end of year	49,748	45,418
Cumulative unrealized gain	4,762	3,420
Endowment balance at market value, end of year	54,510	48,838

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]

	2015 $	2014 $
Expendable balance, beginning of year	386	354
Investment and other income, net of direct investment-related expenses	1,677	1,533
Bursaries awarded	(1,370)	(1,221)
Unspent balance transfer to Stabilization account	(321)	(280)
Expendable balance, end of year	372	386
Number of bursaries awarded	450	420

The following is the schedule of changes for the period from April 1, 2014 to March 31, 2015 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 *[note 10]*.

	2015 $	2014 $
Stabilization funds balance at cost, beginning of year	6,950	3,688
Investment and other income not available for spending	83	2,982
Unspent balance transfer from Expendable account	321	280
Stabilization funds balance at cost, end of year	7,354	6,950

OTSS awards issued for the period from April 1, 2014 to March 31, 2015.

Status of Recipients	OSAP Recipients		Non-OSAP Recipients		Total	
	Number	Amount (In dollars)	Number	Amount (In dollars)	Number	Amount (In dollars)
Full-Time	243	$830,989	132	$471,504	375	$1,302,493
Part-Time	11	$15,583	64	$52,231	75	$67,814
Total	254	$846,572	196	$523,735	450	$1,370,307