

Financial Statements of

**UNIVERSITY OF ONTARIO
INSTITUTE OF TECHNOLOGY**

March 31, 2007

Auditors' Report

To the Board of Governors of
University of Ontario Institute of Technology

We have audited the statement of financial position of University of Ontario Institute of Technology as at March 31, 2007 and the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the University as at March 31, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants
Licensed Public Accountants

Toronto, Ontario
May 18, 2007 (except for Note 12 which is dated June 13, 2007)

UNIVERSITY OF ONTARIO INSTITUTE OF TECHNOLOGY

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UNIVERSITY OF ONTARIO INSTITUTE OF TECHNOLOGY
Statement of Financial Position
March 31, 2007

	<u>2007</u>	<u>2006</u>
ASSETS		
CURRENT		
Cash and cash equivalents	\$ -	\$ 11,295,158
Restricted cash and cash equivalents (Note 7 and 13)	8,631,586	9,209,060
Grant receivable	8,555,343	2,782,488
Other accounts receivable (Note 3)	4,942,555	1,842,373
Prepaid expenses and deposits	620,951	303,856
	22,750,435	25,432,935
INVESTMENTS (Note 4)	114,070	111,287
CAPITAL ASSETS (Note 5)	272,563,262	262,551,577
OTHER ASSETS (Note 6)	8,502,200	6,286,794
TOTAL ASSETS	\$ 303,929,967	\$ 294,382,593
LIABILITIES		
CURRENT		
Bank indebtedness	\$ 8,678,765	\$ -
Due to Durham College of Applied Arts and Technology (Note 11)	2,949,859	-
Accounts payable and accrued liabilities	13,809,003	12,653,866
Deferred revenue (Note 8)	13,307,744	2,673,993
Current portion of long term debt (Note 7)	2,911,140	2,734,702
	41,656,511	18,062,561
LONG TERM DEBT (Note 7)	211,785,201	214,696,341
DEFERRED CAPITAL CONTRIBUTIONS (Note 9)	57,616,766	60,302,320
	311,058,478	293,061,222
NET ASSETS		
UNRESTRICTED	(20,121,188)	(7,069,791)
ENDOWMENTS (Note 13)	7,539,748	4,789,933
INTERNALLY RESTRICTED (Note 12)	5,202,775	5,888,161
INVESTED IN CAPITAL ASSETS (Note 10)	250,154	(2,286,932)
	(7,128,511)	1,321,371
TOTAL LIABILITIES AND NET ASSETS	\$ 303,929,967	\$ 294,382,593

APPROVED ON BEHALF OF THE BOARD OF GOVERNORS

.....
Chair

UNIVERSITY OF ONTARIO INSTITUTE OF TECHNOLOGY

Statement of Operations

Year ended March 31, 2007

	<u>2007</u>	<u>2006</u>
REVENUE		
Grants	\$ 35,545,220	\$ 24,502,191
Donations	3,256,231	4,458,633
Student tuition fees	16,000,639	12,564,342
Interest revenue	291,322	845,283
Student ancillary fees	9,402,434	7,540,793
Other income	3,040,918	2,116,129
Amortization of deferred capital contributions (Note 9)	2,819,054	3,214,448
	<u>70,355,818</u>	<u>55,241,819</u>
EXPENSES		
Salaries and benefits	32,073,681	25,182,284
Supplies and expenses	24,971,837	15,936,695
Professional fees	631,557	630,329
Interest expense	13,137,000	11,591,713
Amortization of capital assets	10,679,574	8,430,763
Amortization of financing costs	61,866	61,866
	<u>81,555,515</u>	<u>61,833,650</u>
EXCESS OF EXPENSES OVER REVENUE	\$ (11,199,697)	\$ (6,591,831)

UNIVERSITY OF ONTARIO INSTITUTE OF TECHNOLOGY

Statement of Changes in Net Assets

Year ended March 31, 2007

	2007			2006
	Unrestricted	Invested in Capital Assets (Note 10)	Internally Restricted (Note 12)	Endowments Total
BALANCE, BEGINNING OF YEAR	\$ (7,069,791)	\$ (2,286,932)	\$ 5,888,161	\$ 1,321,371
EXCESS OF EXPENSES OVER REVENUE	(3,339,177)	(7,860,520)	-	(11,199,697)
INTERFUND TRANSFER	685,386	-	(685,386)	-
INVESTMENT IN CAPITAL ASSETS	(10,397,606)	10,397,606	-	-
ENDOWMENT CONTRIBUTIONS (Note 13)	-	-	-	2,749,815
NET CHANGES DURING THE YEAR	(13,051,397)	2,537,086	(685,386)	(8,449,882)
BALANCE - END OF YEAR	\$ (20,121,188)	\$ 250,154	\$ 5,202,775	\$ (7,128,511)
			\$ 7,539,748	\$ 1,321,371
			2,749,815	2,795,686

UNIVERSITY OF ONTARIO INSTITUTE OF TECHNOLOGY

Statement of Cash Flows

Year ended March 31, 2007

	2007	2006
NET (OUTFLOW) INFLOW OF CASH RELATED TO THE FOLLOWING ACTIVITIES		
OPERATING		
Excess of expenses over revenue	\$ (11,199,697)	\$ (6,591,831)
Items not affecting cash		
Amortization of capital assets	10,679,574	8,430,763
Amortization of deferred financing costs	61,866	61,866
Amortization of deferred capital contributions	(2,819,054)	(3,214,448)
Net change in non-cash working capital	(3,277,311)	(1,313,650)
Balances relating to operations		
Grant and other accounts receivable	(8,873,037)	1,506,517
Prepaid expenses and deposits	(317,095)	(277,236)
Accounts payable and accrued liabilities	1,155,137	(2,309,894)
Due to Durham College of Applied Arts and Technology	2,949,859	-
Deferred revenue	10,633,751	537,755
	2,271,304	(1,856,508)
INVESTING		
Purchase of capital assets	(20,691,259)	(27,905,163)
Endowment contributions	2,749,815	2,795,686
Restricted cash and cash equivalents	577,474	(156,621)
	(17,363,970)	(25,266,098)
FINANCING		
Investments	(2,783)	(111,287)
Other assets	(2,277,272)	(2,277,271)
Repayment of long term debt	(2,734,702)	(2,568,957)
Deferred capital contributions	133,500	133,501
	(4,881,257)	(4,824,014)
NET CASH OUTFLOW	(19,973,923)	(31,946,620)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	11,295,158	43,241,778
BANK INDEBTEDNESS (CASH AND CASH EQUIVALENTS), END OF YEAR	\$ (8,678,765)	\$ 11,295,158
BANK INDEBTEDNESS (CASH AND CASH EQUIVALENTS) IS COMPRISED OF:		
Bank indebtedness (Cash)	\$ (8,753,765)	\$ 6,213,761
Cash equivalents	75,000	5,081,397
	\$ (8,678,765)	\$ 11,295,158
SUPPLEMENTARY CASH FLOW INFORMATION		
Interest paid	\$ 13,274,563	\$ 13,857,195

UNIVERSITY OF ONTARIO INSTITUTE OF TECHNOLOGY

Notes to the Financial Statements

March 31, 2007

1. DESCRIPTION

University of Ontario Institute of Technology (the "University") was incorporated without share capital under the University of Ontario Institute of Technology Act which received Royal assent on June 27, 2002. The objectives of the University, as well as the powers of the Board of Governors and the Academic Council, are defined in the Act.

The University is a market-oriented University integrating inquiry, discovery and application through excellence in teaching, learning and value-added research. The University is a degree granting and research organization offering undergraduate education. The University is a registered charity under Section 149 of the Income Tax Act and is, therefore, exempt from income taxes, provided the specified disbursements quota is achieved.

2. SIGNIFICANT ACCOUNTING POLICIES AND DISCLOSURES

(a) *Basis of presentation*

The Financial Statements of the University have been prepared by management in accordance with the accounting standards for not-for-profit organizations, published by the Canadian Institute of Chartered Accountants (CICA). These financial statements reflect the assets, liabilities, net assets, revenue and expenses of all the operations controlled by the University.

(b) *Investments*

Investments are reported at cost, except if the market value of the investments becomes lower than cost and this decline is considered to be other than temporary, then investments are written down to their market values.

(c) *Revenue recognition*

The University follows the deferral method of accounting for restricted contributions, which include donations and government grants.

Operating grants are recorded as revenue in the period to which they relate. Grants earned but not received at the end of an accounting period are accrued. When a portion of a grant relates to a future period, it is deferred and recognized in that subsequent period.

Tuition fees are deferred to the extent that related courses extend beyond the fiscal year of the University.

Student incidental fees are recognized as revenue when courses are provided.

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.

Externally restricted contributions for purposes other than endowment are deferred and recognized as revenue in the year in which related expenses are incurred. Pledged donations are not recorded until received due to the uncertainty involved in their collection.

UNIVERSITY OF ONTARIO INSTITUTE OF TECHNOLOGY

Notes to the Financial Statements

March 31, 2007

2. SIGNIFICANT ACCOUNTING POLICIES AND DISCLOSURES (continued)

(c) *Revenue recognition (continued)*

Endowment contributions are reported as direct increases in net assets when received.

Other operating revenues are deferred to the extent that related services provided, or goods sold, are rendered/delivered subsequent to the end of the University's fiscal year.

(d) *Cash and cash equivalents*

Cash and cash equivalents comprise of cash on hand, demand deposits and short-term investments. Short-term investments are highly liquid, subject to insignificant risk of changes in value and have a short-term maturity of less than 90 days.

(e) *Deferred financing costs*

Deferred financing costs are amortized on a straight-line basis over the term of the long-term debt.

(f) *Capital assets*

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution when fair value is reasonably determinable. Otherwise, contributed assets are recorded at a nominal amount. Repairs and maintenance costs are charged to expense. Betterments, which extend the estimated useful life of an asset, are capitalized. When a capital asset no longer contributes to the University's ability to provide services, its carrying amount is written down to its residual value.

Capital assets are amortized on a straight-line basis over their average useful lives, which have been estimated to be as follows:

Buildings	40 years
Furniture and fixtures	5 years
Computer equipment	3 years
Building renovations/upgrades	10 years
Major equipment	10 years

Capital assets acquired during the financial year are amortized at half of the applicable rate.

(g) *Deferred capital contributions*

Contributions received for capital assets are deferred in the accounts and amortized over the same term and on the same basis as the related capital asset.

UNIVERSITY OF ONTARIO INSTITUTE OF TECHNOLOGY

Notes to the Financial Statements

March 31, 2007

2. SIGNIFICANT ACCOUNTING POLICIES AND DISCLOSURES (continued)

(h) *Student organizations*

These financial statements do not reflect the assets, liabilities, and results of operations of the various student organizations.

(i) *Employee future benefits*

The University recognizes employee future benefits (health, dental, life insurance and other retirement obligations) as they are earned during the employees' tenure of service.

(j) *Sabbaticals and other leaves*

The cost of sabbaticals and leaves are recorded when determinable.

(k) *Use of estimates*

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, the disclosure of contingent assets and liabilities at the date of financial statements, and the reported amounts of revenue and expenses during the year. Actual results could differ from these estimates.

3. OTHER ACCOUNTS RECEIVABLE

Included in other accounts receivable is \$736,741 (2006 - \$365,747) due from Durham College of Applied Arts and Technology relating to the university portion of the activity in ancillary operations.

4. INVESTMENTS

	2007		2006	
	Cost	Market	Cost	Market
Equities	\$ 89,036	\$ 98,376	\$ 87,656	\$ 88,055
Fixed income	25,034	24,929	23,631	23,473
	\$ 114,070	\$ 123,305	\$ 111,287	\$ 111,528

UNIVERSITY OF ONTARIO INSTITUTE OF TECHNOLOGY
Notes to the Financial Statements
March 31, 2007

5. CAPITAL ASSETS

Capital assets consist of:

	2007				2006	
	Cost		Balance End of Year	Amortization	Net Book Value	Net Book Value
	Balance Beginning of Year	Additions/ Transfers				
Buildings	\$ 247,069,086	\$ 18,218,960	\$ 265,288,046	\$ 15,425,379	\$ 249,862,669	\$ 238,040,890
Buildings renovations	3,029,292	230,537	3,259,829	1,165,895	2,093,934	2,177,852
Furniture, fixture and equipment	6,121,751	2,905,938	9,027,689	4,129,504	4,898,185	3,507,191
Computer equipment	4,124,336	1,566,661	5,690,997	4,234,449	1,456,548	1,525,776
Major equipment	6,523,697	3,294,645	9,818,342	1,960,371	7,857,971	5,380,429
Construction-in- progress	11,919,439	(5,525,484)	6,393,955	-	6,393,955	11,919,439
	\$ 278,787,601	\$ 20,691,257	\$ 299,478,858	\$ 26,915,598	\$ 272,563,262	\$ 262,551,577

Interest capitalized for the current year totalled \$254,151 (2006 - \$2,461,123).

6. OTHER ASSETS

On September 4, 2003, Durham College of Applied Arts and Technology purchased the Windfields Farms property for \$7,831,815, consisting of \$1,000,000 of cash and \$6,831,815 of debt, for the purposes of expansion including development of the University. The ownership of the land currently resides with Durham College of Applied Arts and Technology.

During the year, the University provided \$2,277,272 (2006 - \$2,277,272) from the debenture proceeds to Durham College of Applied Arts and Technology for the 2007 mortgage payment on the Windfields Farms land. Included in other assets is \$6,831,816 (2006 - \$4,554,544) due from Durham College of Applied Arts and Technology relating the 2005, 2006 and 2007 payments.

Also included are deferred financing costs of \$1,670,384 (2006 - \$1,732,250), incurred on the issuance of the \$220,000,000 Series A Debentures (Note 7).

UNIVERSITY OF ONTARIO INSTITUTE OF TECHNOLOGY

Notes to the Financial Statements

March 31, 2007

7. LONG-TERM DEBT

On October 8, 2004, the University issued Series A Debentures in the aggregate principal amount of \$220,000,000. These debentures bear interest at 6.351%, payable semi-annually on April 15 and October 15, with the principal due in 2034. The proceeds of the issuance are being used to finance capital projects including the construction of three Academic Buildings, a Library and related infrastructure. These debentures are secured by all assets of the University and are guaranteed by Durham College of Applied Arts and Technology.

As at March 31, 2007, \$217,431,043 (2006 - \$207,105,146) had been used to finance capital assets and construction in progress.

In accordance with the Debenture agreement, as at March 31, 2007, \$2,459,251 (2006 - \$5,112,778) of cash had been restricted for principal payments.

Total principal payments in each of the next five years and thereafter for debenture repayment are as follows:

2008	\$ 2,911,140
2009	3,098,963
2010	3,298,903
2011	3,511,742
2012	3,738,314
Thereafter	198,137,279
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	214,696,341
Less current portion	2,911,140
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	\$ 211,785,201

The University has a credit facility agreement with a Canadian chartered bank, which provides for a revolving operating line of credit up to \$5,000,000, bearing interest at prime less 0.25%. At March 31, 2007, the University utilized \$2,818,180 (2006 - \$nil) of the operating line of credit.

The University has a credit facility agreement with IBM Global Financing, which provides for a revolving operating line credit up to \$5,000,000, bearing interest at prime plus 0.75%. At March 31, 2007, the University utilized \$5,000,000 (2006 - \$nil) of the operating line of credit.

UNIVERSITY OF ONTARIO INSTITUTE OF TECHNOLOGY

Notes to the Financial Statements

March 31, 2007

8. DEFERRED REVENUE

Deferred revenue represents revenues related to expenses of future periods. The balance is comprised of the following:

	<u>2007</u>	<u>2006</u>
Research	\$ 5,097,659	\$ 1,513,010
Grants	3,451,824	-
Ancillary fees	331,916	57,403
Donations	959,479	274,911
Bursaries	26,523	255,964
Tuition	3,245,964	437,744
Other	194,379	134,961
	<u>\$ 13,307,744</u>	<u>\$ 2,673,993</u>

9. DEFERRED CAPITAL CONTRIBUTIONS

Deferred capital contributions represent the unamortized amount of grants and donations for the purchase of capital assets. The amortization of capital contributions is recorded as revenue in the statement of operations at the same rate as amortization is recorded on the related capital assets. The changes in the balance consist of the following:

	<u>2007</u>	<u>2006</u>
Balance, beginning of year	\$ 60,302,320	\$ 63,383,267
Contributions	133,500	133,501
Recognized as revenue during the year	(2,819,054)	(3,214,448)
Balance, end of year	<u>\$ 57,616,766</u>	<u>\$ 60,302,320</u>

10. INVESTED IN CAPITAL ASSETS

(a) Investment in capital assets represents the following:

	<u>2007</u>	<u>2006</u>
Capital assets - net book value	\$ 272,563,262	\$ 262,551,577
Less amount financed by deferred capital contributions	(57,616,766)	(60,302,320)
Less:		
amount financed by long term debt (Note 7)	(214,696,342)	(204,536,189)
Investment in capital assets	<u>\$ 250,154</u>	<u>\$ (2,286,932)</u>

UNIVERSITY OF ONTARIO INSTITUTE OF TECHNOLOGY

Notes to the Financial Statements

March 31, 2007

10. INVESTED IN CAPITAL ASSETS (continued)

(b) Change in investment in capital assets is calculated as follows:

	<u>2007</u>	<u>2006</u>
Amortization of deferred contributions related to capital assets	\$ 2,819,054	\$ 3,214,448
Less amortization of capital assets	<u>(10,679,574)</u>	<u>(8,430,763)</u>
	<u>(7,860,520)</u>	<u>(5,216,315)</u>
Net change in investment in capital assets:		
Purchases of capital assets	\$ 20,691,259	\$ 27,905,163
Amounts funded by:		
Deferred capital contributions	(133,500)	(133,501)
Long-term debt	(12,894,855)	(25,022,708)
Repayment of long-term debt	<u>2,734,702</u>	<u>2,568,957</u>
	<u>\$ 10,397,606</u>	<u>\$ 5,317,911</u>

11. SERVICE COSTS

As required under Bill 109, Schedule O (University of Ontario Institute of Technology Act, 2002) the University has entered into an agreement with Durham College of Applied Arts and Technology to share in the use of its administrative services. The service costs for salary and benefit expenses recorded in the University financial statements have been allocated using the percentage of time that each administrative function spent on University activities and an allocation for overhead expenses has been recorded based on College facilities used by the University based on square footage utilized. As a result of the sharing of administrative services, the University had a balance of \$2,949,859 (2006 - \$Nil) due to the College. This amount is non-interest bearing with no fixed term of repayment, but it is expected to be repaid during the next fiscal year.

12. INTERNALLY RESTRICTED NET ASSETS

On June 13, 2007, the Board of Governors approved the transfer of \$685,386 from internally restricted funds to unrestricted funds for operating activities during the year ended March 31, 2007. Details of the internally restricted net assets are as follows:

	<u>2007</u>	<u>2006</u>
Balance is comprised of:		
Academic and department carry-forwards	\$ 2,810,896	\$ 2,362,688
Research related activities	<u>2,391,879</u>	<u>3,525,473</u>
Balance, end of year	<u>\$ 5,202,775</u>	<u>\$ 5,888,161</u>

The University's policy permits the carry forward of unspent budget allocations at the end of each year for expenditure in future years.

UNIVERSITY OF ONTARIO INSTITUTE OF TECHNOLOGY

Notes to the Financial Statements

March 31, 2007

13. ENDOWMENTS

Endowment funds are restricted donations received by the University where the endowment principal is required to be maintained intact. The investment income generated from these endowments must be used in accordance with the various 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.

Investment income on endowments is deferred and recorded in the statement of operations when the donors' conditions have been met and the related expenses are recognized.

Restricted cash and cash equivalents related to endowments at March 31, 2007 is \$ 6,172,335 (2006 - \$4,096,282).

Endowment funds include grants provided by the Government of Ontario from the Ontario Student Opportunity Trust Fund ("OSOTF") and the Ontario Trust for Student Success ("OTSS"). Under this program, the government matches funds raised by the University. The purpose of these programs is to assist academically qualified individuals who, for financial reasons, would not otherwise be able to attend University.

The balance of endowments at March 31st consists of the following:

	<u>2007</u>	<u>2006</u>
OSOTF (Note 14)	\$ 1,375,780	\$ 1,370,964
OTSS (Note 15)	5,765,496	3,293,092
Other	398,472	125,877
	<u>\$ 7,539,748</u>	<u>\$ 4,789,933</u>

UNIVERSITY OF ONTARIO INSTITUTE OF TECHNOLOGY

Notes to the Financial Statements

March 31, 2007

14. ONTARIO STUDENT OPPORTUNITY TRUST FUNDS

The restricted endowment fund includes funds granted by the Government of Ontario for the Ontario Student Opportunity Trust Funds. The investment revenue earned on those funds must be used for financial aid of Ontario students.

The University has recorded the following amounts under the program:

OSOTF (Phase 2)

Schedule of Changes in Endowment Fund Balance

	<u>2007</u>	<u>2006</u>
Endowment fund balance, beginning of year	\$ 1,375,780	\$ 1,962,313
Transferred to OTSS	-	(586,533)
Endowment fund balance, end of year	<u>1,375,780</u>	<u>1,375,780</u>

Schedule of Changes in Expendable Funds Available for Awards

Expendable balance, beginning of year	25,761	26,834
Realized investment income	70,409	41,927
Bursaries awarded	(22,000)	(43,000)
Expendable balance, end of year	<u>\$ 74,170</u>	<u>\$ 25,761</u>

Number of bursaries awarded	<u>14</u>	<u>31</u>
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Market value of endowment	<u>\$ 1,449,950</u>	<u>\$ 1,401,541</u>
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UNIVERSITY OF ONTARIO INSTITUTE OF TECHNOLOGY

Notes to the Financial Statements

March 31, 2007

15. ONTARIO TRUST FOR STUDENT SUPPORT

The restricted endowment fund includes funds granted by the Government of Ontario for the Ontario Trust for Student Support. The investment revenue earned on those funds must be used for financial aid of Ontario students.

The University has recorded the following amounts under the program:

	<u>2007</u>	<u>2006</u>
Cash donations matched	\$ 936,707	\$ 555,346
Transferred from OSOTF (Phase 2)	-	586,533
Unmatched cash donations	-	-
Total cash donations	\$ 936,707	\$ 1,141,879

Schedule of Changes in Endowment Fund Balance	<u>2007</u>	<u>2006</u>
Endowment balance, beginning of year	\$ 3,293,092	\$ -
Eligible cash donations	936,707	1,141,879
Matching funds received/receivable from MTCU	1,535,697	2,151,213
Endowment fund balance at end of year	\$ 5,765,496	\$ 3,293,092

Schedule of Changes in Expendable Funds Available for Awards	<u>2007</u>	<u>2006</u>
Expendable balance, beginning of year	\$ 20,057	\$ -
Realized Investment income	139,819	20,057
Bursaries awarded	(6,800)	-
Expendable balance, end of year	\$ 153,076	\$ 20,057
Number of bursaries awarded	8	-

16. PENSION PLAN

All employees of the University are members of a defined contribution pension plan. Employees must contribute a minimum of 3% of their earnings to this plan with the option at the employee's discretion, to increase these contributions to a total of 6% of contributory earnings. The University must contribute a minimum of 6% and may contribute a maximum of 8% of contributory earnings to this plan, depending on the employee elections of 2%. Contributions made by the University to the pension plan during the period were \$1,077,606 (2006 - \$804,435).

UNIVERSITY OF ONTARIO INSTITUTE OF TECHNOLOGY

Notes to the Financial Statements

March 31, 2007

17. CONTRACTUAL COMMITMENTS

Computer equipment

The University has entered into an arrangement to lease laptop computers over a two-year period, with the number of computers leased dependant upon the expected enrolment in programs utilizing laptop computers. The current cost of this operating lease reflected in the financial statements is \$3,342,987.

Premises and equipment

Future minimum lease payments, exclusive of taxes and operating costs, for premises and equipment under operating leases at March 31, 2007 are as follows:

2008	\$3,167,119
2009	1,772,662
2010	1,616,069
2011	1,616,069
2012	233,809
	<hr/>
	\$ 8,405,728

18. FINANCIAL INSTRUMENTS

Fair value

The fair value of financial assets and liabilities except for long-term debt approximates their carrying value due to their short-term nature. The estimated fair value of long-term debt is approximately \$235,376,000.

Interest rate risk

The University is exposed to interest rate risk on its credit facilities. The University does not use any hedging strategy to mitigate this interest rate exposure.

UNIVERSITY OF ONTARIO INSTITUTE OF TECHNOLOGY

Notes to the Financial Statements

March 31, 2007

19. GUARANTEES

The University's primary guarantees are as follows:

- (a) Indemnity has been provided to all governors and/or officers of the University for various items including, but not limited to, all costs to settle suits or actions due to association with the University, subject to certain restrictions. The University has purchased directors' and officers' liability insurance to mitigate the cost of any potential future suits or actions. The term of the indemnification is not explicitly defined, but is limited to the period over which the indemnified party served as a trustee, director or officer of the University. The maximum amount of any potential future payment cannot be reasonably estimated.
- (b) In the normal course of business, the University has entered into agreements that include indemnities in favour of third parties, such as purchase and sale agreements, confidentiality agreements, engagement letters with advisors and consultants, outsourcing agreements, leasing contracts, information technology agreements and service agreements. These indemnification agreements may require the University to compensate counterparties for losses incurred by the counterparties as a result of breaches in representation and regulations or as a result of litigation claims or statutory sanctions that may be suffered by the counterparty as a consequence of the transaction. The terms of these indemnities are not explicitly defined and the maximum amount of any potential reimbursement cannot be reasonably estimated.

The nature of these indemnification agreements prevents the University from making a reasonable estimate of the maximum exposure due to the difficulties in assessing the amount of liability which stems from the unpredictability of future events and the unlimited coverage offered to counterparties. Historically, the University has not made any significant payments under such or similar indemnification agreements and therefore no amount has been accrued with respect to these agreements.