

Financial Statements of

**UNIVERSITY OF ONTARIO
INSTITUTE OF TECHNOLOGY**

March 31, 2008

UNIVERSITY OF ONTARIO INSTITUTE OF TECHNOLOGY
Financial Statements
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AUDITORS' REPORT

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

We have audited the statement of financial position of the University of Ontario Institute of Technology as at March 31, 2008 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, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

The comparative figures for March 31, 2007 were reported on by another firm of chartered accountants.

Chartered Accountants, Licensed Public Accountants

Toronto, Canada

October 1, 2008, except
as to note 14 which is
as of October 25, 2008

UNIVERSITY OF ONTARIO INSTITUTE OF TECHNOLOGY
Statement of Financial Position
March 31, 2008

	<u>2008</u>	<u>2007</u>
ASSETS		
CURRENT		
Restricted cash and cash equivalents (Note 15)	\$ 466,498	\$ 8,631,586
Grants receivable	12,112,577	8,555,343
Other accounts receivable	4,422,855	4,942,555
Inventories	268,192	-
Prepaid expenses and deposits	581,116	620,951
	<u>17,851,238</u>	<u>22,750,435</u>
INVESTMENTS (Notes 3 and 5)	8,634,799	114,070
CAPITAL ASSETS (Note 6)	272,510,905	272,563,262
OTHER ASSETS (Notes 3 and 7)	6,831,815	8,502,200
TOTAL ASSETS	\$ 305,828,757	\$ 303,929,967
LIABILITIES		
CURRENT		
Bank indebtedness (Note 8)	\$ 2,108,786	\$ 8,678,764
Accounts payable and accrued liabilities	12,307,660	13,809,003
Due to Durham College of Applied Arts and Technology (Note 4)	248,530	2,949,859
Deferred revenue (Note 11)	30,985,602	13,307,744
Current portion of other long term debt (Notes 3 and 10)	3,153,237	-
Current portion of long term debenture debt (Notes 3 and 9)	3,098,963	2,911,141
	<u>51,902,778</u>	<u>41,656,511</u>
OTHER LONG TERM DEBT (Notes 3 and 10)	2,535,865	-
LONG TERM DEBENTURE DEBT (Notes 3 and 9)	208,686,238	211,785,201
DEFERRED CAPITAL CONTRIBUTIONS (Note 12)	57,015,123	57,616,766
	<u>320,140,004</u>	<u>311,058,478</u>
NET ASSETS		
UNRESTRICTED	(25,419,280)	(20,121,188)
ENDOWMENTS	8,956,835	7,539,748
INVESTED IN CAPITAL ASSETS (Note 13)	(1,978,521)	250,154
INTERNALLY RESTRICTED (Note 14)	4,129,719	5,202,775
	<u>(14,311,247)</u>	<u>(7,128,511)</u>
Contingencies and Contractual Commitments (Note 20)		
Guarantees (Note 21)		
TOTAL LIABILITIES AND NET ASSETS	\$ 305,828,757	\$ 303,929,967

See accompanying notes to the financial statements

APPROVED ON BEHALF OF THE BOARD OF GOVERNORS

Chair

President

UNIVERSITY OF ONTARIO INSTITUTE OF TECHNOLOGY
Statement of Operations
For the year ended March 31, 2008

	<u>2008</u>	<u>2007</u>
REVENUE		
Grants	\$ 45,683,200	\$ 35,545,220
Donations	3,288,116	3,256,231
Student tuition fees	23,490,051	16,000,639
Student ancillary fees	10,552,327	9,402,434
Other income	10,689,838	3,040,918
Amortization of deferred capital contributions	2,349,496	2,819,054
Interest revenue	492,013	291,322
	96,545,041	70,355,818
EXPENSES		
Salaries and benefits	43,479,556	32,073,681
Supplies and expenses	30,844,866	24,971,837
Cost of goods sold	1,701,325	-
Professional fees	335,528	631,557
Interest expense	14,048,214	13,137,000
Amortization of capital assets	13,046,966	10,679,574
Amortization of financing costs	-	61,866
Unrealized loss on investments (Note 3)	27,259	-
	103,483,714	81,555,515
EXCESS OF EXPENSES OVER REVENUE	\$ (6,938,673)	\$ (11,199,697)

See accompanying notes to the financial statements

UNIVERSITY OF ONTARIO INSTITUTE OF TECHNOLOGY
Statement of Changes in Net Assets
For the year ended March 31, 2008

	<u>Unrestricted</u>	<u>Invested in Capital Assets</u> (Note 13)	<u>Internally Restricted</u> (Note 14)	<u>Endowments</u> (Note 15)	<u>Total 2008</u>	<u>Total 2007</u>
Balance - Beginning of Year	\$ (20,121,188)	\$ 250,154	\$ 5,202,775	\$ 7,539,748	\$ (7,128,511)	\$ 1,321,371
Excess of (Expenses over Revenue) Revenue over Expenses	3,758,797	(10,697,470)	-	-	(6,938,673)	(11,199,697)
Interfund Transfer (Note 14)	1,073,056	-	(1,073,056)	-	-	-
Investment in Capital Assets	(8,468,795)	8,468,795	-	-	-	-
Endowment Contributions (Note 15)	-	-	-	1,417,087	1,417,087	2,749,815
Net changes during the year	(3,636,942)	(2,228,675)	(1,073,056)	1,417,087	(5,521,586)	(8,449,882)
Change in Accounting Policy (Note 3)	(1,661,150)	-	-	-	(1,661,150)	-
Balance - End of Year	\$ (25,419,280)	\$ (1,978,521)	\$ 4,129,719	\$ 8,956,835	\$ (14,311,247)	\$ (7,128,511)

See accompanying notes to the financial statements

UNIVERSITY OF ONTARIO INSTITUTE OF TECHNOLOGY

Statement of Cash Flows

For the year ended March 31, 2008

	<u>2008</u>	<u>2007</u>
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES		
OPERATING		
Excess of expenses over revenue	\$ (6,938,673)	\$ (11,199,697)
Items not affecting cash:		
Amortization of capital assets	13,046,966	10,679,574
Amortization of deferred financing costs	-	61,866
Amortization of deferred capital contributions	(2,349,496)	(2,819,054)
Unrealized loss on investments	27,259	-
	<u>3,786,056</u>	<u>(3,277,311)</u>
Balances relating to operations		
Grants and other accounts receivable	(3,037,534)	(8,873,037)
Due to Durham College of Applied Arts and Technology	(2,701,329)	2,949,859
Prepaid expenses and deposits	39,835	(317,095)
Inventories	(268,192)	-
Accounts payable and accrued liabilities	(1,501,343)	1,155,138
Deferred revenue	17,677,858	10,633,751
	<u>13,995,351</u>	<u>2,271,305</u>
INVESTING		
Purchase of capital assets	(12,994,609)	(20,691,259)
Investments	(8,538,753)	(2,783)
Endowment contributions	1,417,087	2,749,815
Restricted cash and cash equivalents	8,165,088	577,474
	<u>(11,951,187)</u>	<u>(17,366,753)</u>
FINANCING		
Other assets	-	(2,277,272)
Proceeds from long term debt	7,994,151	-
Repayment of long term debt	(5,216,190)	(2,734,702)
Deferred capital contributions	1,747,853	133,500
	<u>4,525,814</u>	<u>(4,878,474)</u>
NET CASH INFLOW (OUTFLOW)	6,569,978	(19,973,922)
BANK INDEBTEDNESS (CASH AND CASH EQUIVALENTS), BEGINNING OF YEAR	(8,678,764)	11,295,158
BANK INDEBTEDNESS, END OF YEAR	\$ (2,108,786)	\$ (8,678,764)
BANK INDEBTEDNESS IS COMPRISED OF:		
Bank indebtedness	\$ (2,108,786)	\$ (8,753,764)
Short-term investments	-	75,000
	<u>\$ (2,108,786)</u>	<u>\$ (8,678,764)</u>
SUPPLEMENTARY CASH FLOW INFORMATION		
Interest paid	\$ 13,589,865	\$ 13,274,563

See accompanying notes to the financial statements

UNIVERSITY OF ONTARIO INSTITUTE OF TECHNOLOGY

Notes to the Financial Statements

March 31, 2008

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.

2. SIGNIFICANT ACCOUNTING POLICIES AND DISCLOSURES

a) *Basis of presentation*

The Financial Statements of the University have been prepared by management in accordance with Canadian generally accepted accounting standards for not-for-profit organizations, published by the Canadian Institute 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 held for trading and therefore are recorded at fair market value (notes 3 and 5). The prior year comparatives were stated at cost.

c) *Revenue Recognition*

The University follows the deferral method of accounting for 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 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, 2008

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 equivalents consist of highly liquid investments having terms to maturity on acquisition of three months or less, and are readily convertible to cash on short notice and are recorded at market value.

e) *Capital assets*

Purchased capital assets are recorded at cost less accumulated amortization. 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
Building renovations/upgrades	10 years
Major equipment	10 years
Furniture and fixtures	5 years
Computer equipment	3 years
Laptops	3 years

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

f) *Inventories*

Inventories are valued at the lower of cost and net realizable value. Cost is determined on a first-in, first-out basis.

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, 2008

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 paid.

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.

l) Future accounting changes

The following summarizes future accounting changes that will be relevant to the University's financial statements subsequent to March 31, 2008:

Financial instruments – disclosure:

The CICA has issued new accounting standards on financial instruments that revise and enhance the current disclosure requirements but do not change the existing presentation requirements for financial instruments. These new standards will be effective for the University commencing on April 1, 2008. The new disclosures will provide additional information on the nature and extent of risks arising from financial instruments to which the University is exposed and how it manages those risks.

Inventories:

The CICA Handbook has a new Section 3031, Inventories, to replace existing section 3030 of the same title. The new standards provide more guidance on the measurement and disclosure requirements for inventories. Specifically, they require inventories to be measured at the lower of cost and net realizable value, and provide guidance on the determination of cost and its subsequent recognition as an expense, including any write-down to net realizable value. This new standard is required to be adopted on April 1, 2008, and is not expected to have a material impact on the financial statements.

UNIVERSITY OF ONTARIO INSTITUTE OF TECHNOLOGY

Notes to the Financial Statements

March 31, 2008

3. CHANGE IN ACCOUNTING POLICY

Effective April 1, 2007, the University adopted the CICA Handbook Section 3855, Financial Instruments – Recognition and Measurement.

In accordance with the transitional provisions of this section, the University has applied this change on a retroactive basis without restatement. The University does not enter into derivative financial instruments for trading or speculative purposes.

Other assets

The University has designated its long-term loan receivable, categorized as other assets, from Durham College of Applied Arts and Technology as “Loans and Receivables” and carries it at amortized cost. There is no impact from this adoption as the amortized cost of the long-term loan receivable approximates its carrying value (see note 7).

Investments

The University has designated all of its investments as “Held for Trading” and as such they are recorded at fair value. Transaction costs related to the purchase and sale of investments are expensed in the year incurred. Changes in unrealized gains and losses are treated as an increase or decrease in the statement of operations.

The impact of this change is to adjust unrestricted net assets as at April 1, 2007 for the net unrealized gain on investments of \$9,235 and to recognize as expense in the current year net unrealized losses of \$27,259.

Long-term debt

The University has designated its long-term debt as “Other Liabilities” and carries them at amortized cost. There is no impact from this adoption as the amortized cost of the long-term debt approximates its carrying value.

Effective April 1, 2007, the University records all transaction costs for financial assets and financial liabilities in the statement of operations as incurred. The University had previously deferred these costs and amortized them over the term of the related debt. The carrying value of the transaction costs at March 31, 2007 of \$1,670,385 was charged to opening unrestricted net assets on transition on April 1, 2007.

UNIVERSITY OF ONTARIO INSTITUTE OF TECHNOLOGY

Notes to the Financial Statements

March 31, 2008

4. SERVICE COSTS

Durham College provides certain administrative services to the University under a shared service agreement. The cost of salaries, benefits and operating expenses allocated to the University has been calculated based on an individual percentage per department.

Effective April 1, 2007, the ancillary operations are being allocated based on metrics per operation between Durham College and the University. Prior to fiscal 2008, the gross revenues and expenses were recorded on the Durham College statements and an allocation of net profits was provided to the University.

The balance owing to Durham College is non-interest bearing with no fixed terms of repayment, but it is expected to be repaid during the next fiscal year.

5. INVESTMENTS

	2008		2007	
	Cost	Fair	Cost	Fair
Equities	\$ 180,428	\$ 161,242	\$ 89,036	\$ 98,376
Fixed income	43,049	44,210	23,631	23,526
Money Market	8,429,347	8,429,347	1,403	1,403
	\$ 8,652,824	\$ 8,634,799	\$ 114,070	\$ 123,305

(a) *Credit, interest rate and maturity risk:*

The value of fixed income securities will generally rise if interest rates fall and decrease if interest rates rise. Changes in interest rates may also affect the value of equity securities. The fixed income investments consist of one corporate bond and various Canadian and International bond funds. The corporate bond bears interest at a rate of 5.15% (2007 – 6.1%) and matures on June 6, 2013 (2007 – March 16, 2035).

(b) *Foreign currency risk:*

The value of securities denominated in a currency other than Canadian dollars will be affected by changes in the value of the Canadian dollar in relation to the value of the currency in which the security is denominated.

(c) *Market risk:*

Market risk arises as a result of trading fixed income securities. The value of equity securities change with stock market conditions which are affected by general economic and market conditions. Changes in interest rates may also affect the value of equity securities. Fluctuation in the market exposes the University to a risk of loss.

UNIVERSITY OF ONTARIO INSTITUTE OF TECHNOLOGY

Notes to the Financial Statements

March 31, 2008

5. INVESTMENTS (continued)

(d) *Liquidity risk:*

Money market investments represent instruments in highly liquid investments that are readily converted into known amounts of cash.

6. CAPITAL ASSETS

Capital assets consist of:

	2008					2007
	Cost		Balance	Accumulated	Net Book	Net Book
	Balance	Additions	End	Amortization	Value	Value
	Beginning	/Transfers	of Year			
	of Year					
Buildings	\$ 265,288,046	\$ 1,761,554	\$ 267,049,600	\$ 22,079,496	\$ 244,970,104	\$ 249,862,669
Building Renovations	3,259,829	392,355	3,652,184	1,511,496	2,140,688	2,093,934
Furniture, fixtures and equipment	9,027,689	284,212	9,311,901	5,963,463	3,348,438	4,898,185
Laptops	-	4,730,004	4,730,004	1,418,906	3,311,098	-
Computer equipment	5,690,997	249,319	5,940,316	5,940,316	-	1,456,548
Major Equipment	9,818,342	2,152,417	11,970,759	3,048,885	8,921,874	7,857,971
Construction-in- progress	6,393,955	3,424,748	9,818,703	-	9,818,703	6,393,955
	\$ 299,478,858	\$ 12,994,609	\$ 312,473,467	\$ 39,962,562	\$ 272,510,905	\$ 272,563,262

Interest capitalized for the current year totaled \$316,249 (2007 - \$254,151).

7. OTHER ASSETS

On September 4, 2003, Durham College 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.

Throughout 2005-2007, the University provided yearly payments from the debenture proceeds to Durham College of Applied Arts and Technology for the mortgage payment on the Windfields Farms land. Included in other assets is \$6,831,815 (2007 - \$6,831,815) due from Durham College of Applied Arts and Technology relating the 2005, 2006 and 2007 payments.

UNIVERSITY OF ONTARIO INSTITUTE OF TECHNOLOGY

Notes to the Financial Statements

March 31, 2008

8. BANK INDEBTEDNESS

	<u>2008</u>	<u>2007</u>
Bank of Montreal, credit facility drawn	\$ (3,668,315)	\$ (8,663,555)
Bank of Montreal, cash balances	5,909,143	4,794,847
IBM, credit facility drawn	(5,000,000)	(5,000,000)
Royal Bank of Canada, cash balances	376,549	11,322
Other, balances	273,837	178,622
	<u>\$ (2,108,786)</u>	<u>\$ (8,678,764)</u>

The University has a credit facility agreement with a Canadian chartered bank, which provides for a revolving operating line of credit up to \$10,000,000, bearing interest at prime less 0.25%. At March 31, 2008 the University utilized nil (2007 - \$3,868,708) of the operating line of credit, on a consolidated cash basis with this financial institution.

The University has a credit facility agreement with IBM Global Financing, which provides for a revolving operating line of credit up to \$5,000,000 bearing interest at prime plus 0.25%. At March 31, 2008, the University utilized \$5,000,000 (2007 - \$5,000,000) of the operating line of credit.

9. LONG-TERM DEBENTURE 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 were 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.

As at March 31, 2008, \$217,431,043 (2007 - \$217,431,043) had been used to finance capital assets.

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

2009	\$ 3,098,963
2010	3,298,903
2011	3,511,742
2012	3,738,314
2013	3,979,504
Thereafter	194,157,775
	<u>211,785,201</u>
Less current portion	3,098,963
	<u>\$ 208,686,238</u>

UNIVERSITY OF ONTARIO INSTITUTE OF TECHNOLOGY

Notes to the Financial Statements

March 31, 2008

10. OTHER LONG-TERM DEBT

The University has incurred debts in the amount of \$5,689,102 (represents the total amount remaining) through a third party related to the financing of specific furniture and equipment. Payment terms on the various loans are monthly or quarterly over a period of 1 to 5 years and at interest rates that range from 5.97% to 6.69%.

Total principal payments in each of the next five years and thereafter for other long-term debt repayment are as follows:

2009	\$	3,153,237
2010		1,079,728
2011		229,682
2012		156,125
2013		166,846
Thereafter		903,484
		<u>5,689,102</u>
Less current portion		<u>3,153,237</u>
	\$	<u>2,535,865</u>

11. DEFERRED REVENUE

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

	<u>2008</u>	<u>2007</u>
Research	\$ 6,425,210	\$ 5,097,659
Grants	10,383,075	3,451,824
Ancillary fees	-	331,916
Donations	578,171	959,479
Bursaries	26,101	26,523
Tuition	2,364,647	3,245,964
Other	11,208,398	194,379
	<u>\$ 30,985,602</u>	<u>\$ 13,307,744</u>

UNIVERSITY OF ONTARIO INSTITUTE OF TECHNOLOGY

Notes to the Financial Statements

March 31, 2008

12. 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>2008</u>	<u>2007</u>
Balance - beginning of year	\$ 57,616,766	\$ 60,302,320
Contributions	1,747,853	133,500
Recognized as revenue during the year	(2,349,496)	(2,819,054)
Balance - end of year	\$ 57,015,123	\$ 57,616,766

13. INVESTED IN CAPITAL ASSETS

Investment in capital assets represents the following:

	<u>2008</u>	<u>2007</u>
Capital assets - net book value	\$ 272,510,905	\$ 272,563,262
Less amount financed by deferred capital contributions	(57,015,123)	(57,616,766)
Less amount financed by long-term debt (Notes 9 and 10)	(217,474,303)	(214,696,342)
Investment in capital assets	\$ (1,978,521)	\$ 250,154

	<u>2008</u>	<u>2007</u>
Amortization of deferred contributions related to capital assets	\$ 2,349,496	\$ 2,819,054
Less amortization of capital assets	(13,046,966)	(10,679,574)
	\$ (10,697,470)	\$ (7,860,520)

Net change in investment in capital assets:

Purchases of capital assets	\$ 12,994,609	\$ 20,691,259
Amounts funded by:		
Deferred capital contributions	(1,747,853)	(133,500)
Long-term debt	(7,994,151)	(12,894,855)
Repayment of long-term debt	5,216,190	2,734,702
	\$ 8,468,795	\$ 10,397,606

UNIVERSITY OF ONTARIO INSTITUTE OF TECHNOLOGY

Notes to the Financial Statements

March 31, 2008

14. INTERNALLY RESTRICTED NET ASSETS

On October 25, 2008, the Board of Governors approved the transfer of \$1,073,056 from internally restricted funds to unrestricted funds for operating activities. Details of the internally restricted net assets are as follows:

	<u>2008</u>	<u>2007</u>
Balance is comprised of:		
Academic and department carry-forwards	\$ 1,405,234	\$ 2,810,896
Research related activities	2,724,485	2,391,879
Balance - end of year	<u>\$ 4,129,719</u>	<u>\$ 5,202,775</u>

15. 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, 2008 is \$466,498 (2007 - \$6,172,335).

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 consists of the following:

	<u>2008</u>	<u>2007</u>
OSOTF (Note 16)	\$ 1,375,780	\$ 1,375,780
OTSS (Note 17)	6,943,932	5,765,496
Other	637,123	398,472
	<u>\$ 8,956,835</u>	<u>\$ 7,539,748</u>

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16. ONTARIO STUDENT OPPORTUNITY TRUST FUNDS

The restricted endowment fund includes funds granted by the Government of Ontario for OSOTF. 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>2008</u>	<u>2007</u>
Endowment fund balance at beginning of year	\$ 1,375,780	\$ 1,375,780
Transferred to OTSS	-	-
Endowment fund balance at end of year	<u>\$ 1,375,780</u>	<u>\$ 1,375,780</u>

Schedule of Changes in Expendable Funds Available for Awards

	<u>2008</u>	<u>2007</u>
Expendable balance, beginning of year	\$ 74,170	\$ 25,761
Realized investment income	58,990	70,409
Bursaries awarded		(22,000)
Expendable balance, end of year	<u>\$ 133,160</u>	<u>\$ 74,170</u>
Number of bursaries awarded	<u>-</u>	<u>14</u>

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17. ONTARIO TRUST FOR STUDENT SUCCESS

The restricted endowment fund includes funds granted by the Government of Ontario for OTSS. 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>2008</u>	<u>2007</u>
Cash donations matched	\$ 589,218	\$ 936,707
Transferred from OSOTF	-	-
Total cash donations	\$ 589,218	\$ 936,707

Schedule of Changes in Endowment Fund Balance

	<u>2008</u>	<u>2007</u>
Endowment balance, beginning of year	\$ 5,765,496	\$ 3,293,092
Eligible cash donations	589,218	936,707
Matching funds received/receivable from MTCU	589,218	1,535,697
Endowment fund balance at end of year	\$ 6,943,932	\$ 5,765,496

Schedule of Changes in Expendable Funds

Available for Awards

	<u>2008</u>	<u>2007</u>
Expendable balance, beginning of year	\$ 153,076	\$ 20,057
Realized investment income	153,242	139,819
Bursaries awarded	(113,700)	(6,800)
Expendable balance, end of year	\$ 192,618	\$ 153,076
Number of bursaries awarded	<u>70</u>	<u>8</u>

18. 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 \$1,380,908 (2007 - \$1,077,606).

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19. FINANCIAL INSTRUMENTS

Fair value

The fair value of financial assets and liabilities, except for long-term debenture debt, and other long term debt, approximates their carrying value due to their short-term nature. Investments are recorded at fair value as described in note 3.

20. CONTINGENCIES AND CONTRACTUAL COMMITMENTS

(a) Contingencies:

The University has been named as the defendant in certain legal actions, in which damages have been sought. The outcome of these actions is not determinable as at March 31, 2008 and accordingly, no provision has been made in these financial statements for any liability which may result.

In fiscal 2004, the University and Durham College jointly entered into an agreement to construct a facility for which the commitment has not yet been fulfilled. Management is in the process of determining an alternative plan with the third party. A resolution has not been finalized and no accrual related to this matter has been recorded in the financial statements.

(b) Contractual Commitments:

Computer equipment

The University has entered into various arrangements to lease laptop computers which will expire up to and including fiscal 2010. The current cost of this operating lease in fiscal 2008 reflected in the statement of operations is \$1,610,019 (2007- \$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, 2008 are as follows:

2009	\$	2,063,222
2010		1,805,703
2011		1,803,703
2012		1,096,804
	\$	<u>6,769,432</u>

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21. 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.

22. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to current year presentation.