

Financial Statements of

**UNIVERSITY OF ONTARIO
INSTITUTE OF TECHNOLOGY**

March 31, 2009

UNIVERSITY OF ONTARIO INSTITUTE OF TECHNOLOGY
Financial Statements
Table of Contents
March 31, 2009

	<u>Page</u>
Auditors' Report	
Statement of Financial Position	1
Statement of Operations	2
Statement of Changes in Net Assets	3
Statement of Cash Flows	4
Notes to the Financial Statements	5-18



KPMG LLP
Chartered Accountants
Yonge Corporate Centre
4100 Yonge Street Suite 200
Toronto ON M2P 2H3
Canada

Telephone (416) 228-7000
Fax (416) 228-7123
Internet www.kpmg.ca

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, 2009 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, 2009 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Chartered Accountants, Licensed Public Accountants

Toronto, Canada

June 19, 2009

UNIVERSITY OF ONTARIO INSTITUTE OF TECHNOLOGY
Statement of Financial Position
March 31, 2009

	<u>2009</u>	<u>2008</u>
ASSETS		
CURRENT		
Cash (Note 8)	\$ 16,089,436	\$ -
Restricted cash and cash equivalents (Note 15)	1,148,529	466,498
Grants receivable	9,861,956	12,112,577
Other accounts receivable	7,645,012	4,422,855
Inventories	217,642	268,192
Prepaid expenses and deposits	749,923	581,116
	35,712,498	17,851,238
INVESTMENTS (Note 5)	8,843,291	8,634,799
CAPITAL ASSETS (Note 6)	302,014,106	272,510,905
OTHER ASSETS (Note 7)	6,831,815	6,831,815
TOTAL ASSETS	\$ 353,401,710	\$ 305,828,757
LIABILITIES		
CURRENT		
Bank indebtedness (Note 8)	\$ -	\$ 2,108,786
Accounts payable and accrued liabilities	23,622,940	12,556,190
Deferred revenue (Note 11)	13,296,608	30,985,602
Current portion of other long term debt (Note 10)	3,961,989	3,153,237
Current portion of long term debenture debt (Note 9)	3,298,903	3,098,963
	44,180,440	51,902,778
OTHER LONG TERM DEBT (Note 10)	2,610,505	2,535,865
LONG TERM DEBENTURE DEBT (Note 9)	205,387,336	208,686,238
DEFERRED CAPITAL CONTRIBUTIONS (Note 12)	115,888,227	57,015,123
	368,066,508	320,140,004
NET ASSETS		
UNRESTRICTED	(1,134,380)	(25,419,280)
ENDOWMENTS	10,136,818	8,956,835
INVESTED IN CAPITAL ASSETS (Note 13)	(29,132,854)	(1,978,521)
INTERNALLY RESTRICTED (Note 14)	5,465,618	4,129,719
	(14,664,798)	(14,311,247)
Contingencies and Contractual Commitments (Note 20)		
Guarantees (Note 21)		
TOTAL LIABILITIES AND NET ASSETS	\$ 353,401,710	\$ 305,828,757

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, 2009

	<u>2009</u>	<u>2008</u>
REVENUE		
Grants	\$ 56,313,091	\$ 45,683,200
Donations	3,762,578	3,288,116
Student tuition fees	27,020,704	23,490,051
Student ancillary fees	12,042,906	10,552,327
Other income	12,047,937	10,689,838
Amortization of deferred capital contributions	2,022,217	2,349,496
Interest revenue	238,739	492,013
	<hr/> 113,448,172	<hr/> 96,545,041
EXPENSES		
Salaries and benefits	51,257,801	43,479,556
Supplies and expenses	32,613,349	30,844,866
Cost of goods sold	1,869,519	1,701,325
Professional fees	491,010	335,528
Interest expense	14,411,118	14,048,214
Amortization of capital assets	14,305,413	13,046,966
Unrealized loss on investments	33,496	27,259
	<hr/> 114,981,706	<hr/> 103,483,714
EXCESS OF EXPENSES OVER REVENUE	\$ (1,533,534)	\$ (6,938,673)

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, 2009

	<u>Unrestricted</u>	<u>Invested in Capital Assets</u> (Note 13)	<u>Internally Restricted</u>	<u>Endowments</u>	<u>Total 2009</u>	<u>Total 2008</u>
Balance - Beginning of Year	\$ (25,419,280)	\$ (1,978,521)	\$ 4,129,719	\$ 8,956,835	\$ (14,311,247)	\$ (7,128,511)
Excess of (Expenses over Revenue) Revenue over Expenses	10,749,662	(12,283,196)	-	-	(1,533,534)	(6,938,673)
Interfund Transfer (Note 14)	(1,335,899)	-	1,335,899	-	-	-
Investment in Capital Assets (Note 13)	14,871,137	(14,871,137)	-	-	-	-
Endowment Contributions (Note 15)	-	-	-	1,179,983	1,179,983	1,417,087
Net Changes During the Year	24,284,900	(27,154,333)	1,335,899	1,179,983	(353,551)	(5,521,586)
Change in Accounting Policy	-	-	-	-	-	(1,661,150)
Balance - End of Year	\$ (1,134,380)	\$ (29,132,854)	\$ 5,465,618	\$ 10,136,818	\$ (14,664,798)	\$ (14,311,247)

See accompanying notes to the financial statements

UNIVERSITY OF ONTARIO INSTITUTE OF TECHNOLOGY
Statement of Cash Flows
For the year ended March 31, 2009

	<u>March 2009</u>	<u>March 2008</u>
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES		
OPERATING		
Excess of expenses over revenue	\$ (1,533,534)	\$ (6,938,673)
Items not affecting cash:		
Amortization of capital assets	14,305,413	13,046,966
Amortization of deferred capital contributions	(2,022,217)	(2,349,496)
Unrealized loss on investments	33,496	27,259
	10,783,158	3,786,056
Balances relating to operations		
Grant and other accounts receivable	(971,536)	(3,037,534)
Due to Durham College of Applied Arts and Technology	-	(2,701,329)
Prepaid expenses and deposits	(168,807)	39,835
Inventories	50,550	(268,192)
Accounts payable and accrued liabilities	11,066,750	(1,501,343)
Deferred revenue	(3,663,485)	17,677,858
	17,096,629	13,995,351
INVESTING		
Purchase of capital assets	(43,808,614)	(12,994,609)
Investments	(241,988)	(8,538,753)
Endowment contributions	1,179,983	1,417,087
Restricted cash and cash equivalents	(682,031)	8,165,088
	(43,552,650)	(11,951,187)
FINANCING		
Proceeds from long term debt	6,202,869	7,994,151
Repayment of long term debt	(8,418,438)	(5,216,190)
Deferred capital contributions	46,869,812	1,747,853
	44,654,243	4,525,814
NET CASH INFLOW	18,198,223	6,569,978
BANK INDEBTEDNESS, BEGINNING OF YEAR	(2,108,786)	(8,678,764)
BANK INDEBTEDNESS, END OF YEAR	\$ 16,089,436	\$ (2,108,786)
SUPPLEMENTARY CASH FLOW INFORMATION		
Interest paid	\$ 14,361,756	\$ 14,375,514

See accompanying notes to the financial statements

UNIVERSITY OF ONTARIO INSTITUTE OF TECHNOLOGY

Notes to the Financial Statements

March 31, 2009

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 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) *Revenue Recognition*

The University follows the deferral method of accounting for contributions, which includes 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, 2009

2. SIGNIFICANT ACCOUNTING POLICIES AND DISCLOSURES (continued)

b) *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.

c) *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.

d) *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 University does not enter into derivative financial instruments for trading or speculative purposes.

e) *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.

f) *Long-term debt*

The University has designated its long-term debt as "Other Liabilities" and carries them at amortized cost.

g) *Inventories*

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

UNIVERSITY OF ONTARIO INSTITUTE OF TECHNOLOGY

Notes to the Financial Statements

March 31, 2009

2. SIGNIFICANT ACCOUNTING POLICIES AND DISCLOSURES (continued)

h) 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.

i) Deferred capital contributions

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

j) Student organizations

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

k) 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.

l) Sabbaticals and other leaves

The cost of sabbaticals and leaves are recorded when paid.

UNIVERSITY OF ONTARIO INSTITUTE OF TECHNOLOGY

Notes to the Financial Statements

March 31, 2009

2. SIGNIFICANT ACCOUNTING POLICIES AND DISCLOSURES (continued)

m) 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. CHANGE IN ACCOUNTING PRONOUNCEMENTS

a) Recent amendments to Section 4400, Financial Statement Presentation by Not-for-Profit Organizations will modify the requirements with respect to various elements of the financial statement presentation. These amendments include:

- Reporting certain revenues at its gross amount in the statement of operations when acting as a principal in a transaction.
- The elimination of the requirement to treat net assets invested in property and equipment as a separate component of net assets.
- When a not-for-profit organization classifies its expenses by function and allocates some of its general support costs to another function, disclosing the policy adopted for expenses and amounts allocated from general support costs to other functions.

The new standard applies to the financial statements relating to the fiscal years beginning on or after January 1, 2009. The University is evaluating the impact of the amendments on its financial statements for the fiscal year beginning April 1, 2009.

b) The University has adopted The Canadian Institute of Chartered Accountants' ("CICA") Handbook Section 3861, Financial Instruments – Disclosures and Presentation. In accordance with the Accounting Standards Board's decision to exempt not-for-profit organizations from the disclosure requirements with respect to financial instruments contained within Section 3862, Financial Instruments – Disclosures, and Section 3863, Financial Instruments – Presentation, the University has elected not to adopt these standards in its financial statements. It is management's opinion there is no exposure to significant amounts of credit or interest rate risks.

UNIVERSITY OF ONTARIO INSTITUTE OF TECHNOLOGY

Notes to the Financial Statements

March 31, 2009

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 April 1, 2007, 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, included in accounts payable and accrued liabilities, is non-interest bearing with no fixed terms of repayment, but it is expected to be repaid during the next fiscal year.

5. INVESTMENTS

	2009		2008	
	Cost	Fair	Cost	Fair
Equities	\$ 174,729	\$ 122,779	\$ 180,428	\$ 161,242
Fixed income	43,049	43,478	43,049	44,210
Money Market	8,677,034	8,677,034	8,429,347	8,429,347
	\$ 8,894,812	\$ 8,843,291	\$ 8,652,824	\$ 8,634,799

(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% (2008 – 5.15%) and matures on June 6, 2013 (2008 – June 6, 2013).

(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, 2009

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:

	2009					2008
	Cost		Balance	Accumulated	Net Book	Net Book
	Balance Beginning	Additions	End	Amortization	Value	Value
	of Year	/Transfers	of Year			
Buildings	\$ 267,049,600	\$ 69,375	\$ 267,118,975	\$ 28,744,629	\$ 238,374,346	\$ 244,970,104
Building Renovations	3,652,184	3,179,020	6,831,204	2,035,664	4,795,540	2,140,688
Furniture, fixtures and equipment	9,311,901	972,490	10,284,391	7,855,648	2,428,743	3,348,438
Laptops	4,730,004	4,762,362	9,492,366	5,350,551	4,141,815	3,311,098
Computer equipment	5,940,316	-	5,940,316	5,940,316	-	-
Major Equipment	11,970,759	1,904,183	13,874,942	4,341,167	9,533,775	8,921,874
Construction-in- progress	9,818,703	32,921,184	42,739,887	-	42,739,887	9,818,703
	\$ 312,473,467	\$ 43,808,614	\$ 356,282,081	\$ 54,267,975	\$ 302,014,106	\$ 272,510,905

Interest capitalized for the current year totaled \$265,216 (2008 - \$316,249).

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 (2008 - \$6,831,815) due from Durham College of Applied Arts and Technology relating to the 2005, 2006 and 2007 payments.

UNIVERSITY OF ONTARIO INSTITUTE OF TECHNOLOGY

Notes to the Financial Statements

March 31, 2009

8. BANK BALANCES

	<u>2009</u>	<u>2008</u>
Bank of Montreal, credit facility drawn	(2,487,210)	(\$3,668,315)
Bank of Montreal, cash balances	19,283,300	5,909,143
IBM, credit facility drawn	(5,000,000)	(5,000,000)
Royal Bank of Canada, cash balances	3,763,995	376,549
Other, balances	529,351	273,837
	<u>16,089,436</u>	<u>(\$2,108,786)</u>

The University has a credit facility agreement with a Canadian chartered bank, which provides for a revolving operating line of credit up to \$17,000,000, bearing interest at prime plus 0.25%. At March 31, 2009 the University utilized nil (2008 - nil) of the operating line of credit.

The University also 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, 2009, the University utilized \$5,000,000 (2008 - \$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, 2009, \$217,431,043 (2008 - \$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:

2010	3,298,903
2011	3,511,742
2012	3,738,314
2013	3,979,504
2014	4,236,255
Thereafter	189,921,521
	<u>208,686,239</u>
Less current portion	3,298,903
	<u>\$ 205,387,336</u>

UNIVERSITY OF ONTARIO INSTITUTE OF TECHNOLOGY

Notes to the Financial Statements

March 31, 2009

10. OTHER LONG-TERM DEBT

The University has incurred debts in the amount of \$6,572,494 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 10 years and at interest rates that range from 5.16% to 9%.

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

2010	\$	3,961,989
2011		1,188,050
2012		220,856
2013		182,562
2014		196,460
Thereafter		822,577
		<u>6,572,494</u>
Less current portion		3,961,989
	\$	<u>2,610,505</u>

11. DEFERRED REVENUE

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

	<u>2009</u>	<u>2008</u>
Research	\$ 4,698,672	\$ 6,425,210
Grants	-	10,383,075
Ancillary fees	21,642	-
Donations	714,549	578,171
Tuition	2,697,514	2,364,647
Other	5,164,231	11,234,499
	<u>\$ 13,296,608</u>	<u>\$ 30,985,602</u>

UNIVERSITY OF ONTARIO INSTITUTE OF TECHNOLOGY

Notes to the Financial Statements

March 31, 2009

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>2009</u>	<u>2008</u>
Balance - beginning of year	\$ 57,015,123	\$ 57,616,766
Contributions	46,869,812	1,747,853
Transfers from deferred revenue	14,025,509	-
Recognized as revenue during the year	(2,022,217)	(2,349,496)
Balance - end of year	\$ 115,888,227	\$ 57,015,123

13. INVESTED IN CAPITAL ASSETS

Investment in capital assets represents the following:

	<u>2009</u>	<u>2008</u>
Capital assets - net book value	\$ 302,014,106	\$ 272,510,905
Less amount financed by deferred capital contributions	(115,888,227)	(57,015,123)
Less amount financed by long-term debt (Notes 9 and 10)	(215,258,733)	(217,474,303)
Investment in capital assets	\$ (29,132,854)	\$ (1,978,521)

	<u>2009</u>	<u>2008</u>
Amortization of deferred contributions related to capital assets	\$ 2,022,217	\$ 2,349,496
Less amortization of capital assets	(14,305,413)	(13,046,966)
	\$ (12,283,196)	\$ (10,697,470)

Net change in investment in capital assets:

Purchases of capital assets	\$ 43,808,614	\$ 12,994,609
Amounts funded by:		
Deferred capital contributions	(60,895,321)	(1,747,853)
Long-term debt	(6,202,869)	(7,994,151)
Repayment of long-term debt	8,418,439	5,216,190
	\$ (14,871,137)	\$ 8,468,795

UNIVERSITY OF ONTARIO INSTITUTE OF TECHNOLOGY

Notes to the Financial Statements

March 31, 2009

14. INTERNALLY RESTRICTED NET ASSETS

Details of the internally restricted net assets are as follows:

	<u>2009</u>	<u>2008</u>
Balance is comprised of:		
Academic and department carry-forwards	\$ -	\$ 1,405,234
Research related activities	3,403,444	2,724,485
Capital related activities	2,062,174	-
Balance - end of year	\$ 5,465,618	\$ 4,129,719

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, 2009 is \$1,148,529 (2008 - \$466,498).

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>2009</u>	<u>2008</u>
OSOTF (Note 16)	\$ 1,375,780	\$ 1,375,780
OTSS (Note 17)	8,050,949	6,943,932
Other	710,089	637,123
	\$ 10,136,818	\$ 8,956,835

UNIVERSITY OF ONTARIO INSTITUTE OF TECHNOLOGY

Notes to the Financial Statements

March 31, 2009

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>2009</u>	<u>2008</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>2009</u>	<u>2008</u>
Expendable balance, beginning of year	\$ 133,160	\$ 74,170
Realized investment income	51,957	58,990
Bursaries awarded		
Expendable balance, end of year	<u>\$ 185,117</u>	<u>\$ 133,160</u>
Number of bursaries awarded	<u>-</u>	<u>-</u>

UNIVERSITY OF ONTARIO INSTITUTE OF TECHNOLOGY

Notes to the Financial Statements

March 31, 2009

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>2009</u>	<u>2008</u>
Cash donations matched	\$ 511,978	\$ 589,218
Transferred from OSOTF	-	-
Total cash donations	\$ 511,978	\$ 589,218

Schedule of Changes in Endowment Fund Balance

	<u>2009</u>	<u>2008</u>
Endowment balance, beginning of year	\$ 6,943,932	\$ 5,765,496
Eligible cash donations	595,039	589,218
Matching funds received/receivable from MTCU	511,978	589,218
Endowment fund balance at end of year	\$ 8,050,949	\$ 6,943,932

Schedule of Changes in Expendable Funds

Available for Awards	<u>2009</u>	<u>2008</u>
Expendable balance, beginning of year	\$ 192,618	\$ 153,076
Realized investment income	204,481	153,242
Bursaries awarded	(251,900)	(113,700)
Expendable balance, end of year	\$ 145,199	\$ 192,618
Number of bursaries awarded	<u>152</u>	<u>70</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 \$1,766,636 (2008 - \$1,380,908).

UNIVERSITY OF ONTARIO INSTITUTE OF TECHNOLOGY

Notes to the Financial Statements

March 31, 2009

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 5.

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, 2009 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 2009 reflected in the statement of operations is \$294,777 (2008- \$1,610,019).

Premises and equipment

Future minimum lease payments, exclusive of taxes and operating costs, for premises and equipment under operating leases at March 31, 2009 are as follows:

2010	\$	3,427,366
2011		3,456,990
2012		2,888,822
2013		2,138,922
2014		1,688,554
Thereafter		15,886,215
		<hr/>
	\$	29,486,869

UNIVERSITY OF ONTARIO INSTITUTE OF TECHNOLOGY

Notes to the Financial Statements

March 31, 2009

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 the presentation adopted in the current year.