

Consolidated Financial Statements of

**UNIVERSITY OF ONTARIO
INSTITUTE OF TECHNOLOGY**

March 31, 2010

UNIVERSITY OF ONTARIO INSTITUTE OF TECHNOLOGY
Consolidated Financial Statements
Table of Contents
March 31, 2010

	<u>Page</u>
Auditors' Report	
Consolidated Statement of Financial Position	1
Consolidated Statement of Operations	2
Consolidated Statement of Changes in Net Assets	3
Consolidated Statement of Cash Flows	4
Notes to the Consolidated Financial Statements	5-19



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 consolidated statement of financial position of the University of Ontario Institute of Technology as at March 31, 2010 and the consolidated 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 consolidated financial statements present fairly, in all material respects, the financial position of the University as at March 31, 2010 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

May 28, 2010

UNIVERSITY OF ONTARIO INSTITUTE OF TECHNOLOGY
Consolidated Statement of Financial Position
March 31, 2010

	<u>2010</u>	<u>2009</u>
ASSETS		
CURRENT		
Cash (Note 3)	\$ 2,069,790	\$ 17,237,965
Grant receivable	6,426,176	9,861,956
Other accounts receivable	7,392,118	7,645,012
Inventories	293,470	217,642
Prepaid expenses and deposits	537,736	749,923
	<u>16,719,290</u>	<u>35,712,498</u>
INVESTMENTS (Note 4)	11,227,413	8,843,291
CAPITAL ASSETS (Note 5)	348,928,803	302,014,106
OTHER ASSETS (Note 6)	6,831,815	6,831,815
TOTAL ASSETS	\$ 383,707,321	\$ 353,401,710
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	\$ 26,987,030	\$ 23,622,940
Deferred revenue (Note 7)	11,935,793	13,296,608
Current portion of other long term debt (Note 8)	5,978,047	3,961,989
Current portion of long term debenture debt (Note 9)	3,511,742	3,298,903
	<u>48,412,612</u>	<u>44,180,440</u>
OTHER LONG TERM DEBT (Note 8)	1,383,340	2,610,505
LONG TERM DEBENTURE DEBT (Note 9)	201,875,594	205,387,336
DEFERRED CAPITAL CONTRIBUTIONS (Note 10)	147,035,946	115,888,227
	<u>398,707,492</u>	<u>368,066,508</u>
Net Assets / (deficit)		
UNRESTRICTED	(21,695,267)	(1,134,380)
ENDOWMENTS (Note 14)	11,229,931	10,136,818
INVESTED IN CAPITAL ASSETS (Note 12)	(10,855,866)	(29,132,854)
INTERNALLY RESTRICTED (Note 13)	6,321,031	5,465,618
	<u>(15,000,171)</u>	<u>(14,664,798)</u>
Contingencies and Contractual Commitments (Note 19)		
Guarantees (Note 20)		
Subsequent event (Note 22)		
TOTAL LIABILITIES AND NET ASSETS	\$ 383,707,321	\$ 353,401,710

See accompanying notes to the financial statements

APPROVED ON BEHALF OF THE BOARD OF GOVERNORS

Chair

President

UNIVERSITY OF ONTARIO INSTITUTE OF TECHNOLOGY
Consolidated Statement of Operations
For the year ended March 31, 2010

	<u>2010</u>	<u>2009</u>
REVENUE		
Grants	\$ 53,461,653	\$ 56,313,091
Donations	3,979,866	3,762,578
Student tuition fees	32,640,796	27,020,704
Student ancillary fees	16,582,075	11,223,142
Other income	5,284,269	11,498,553
Amortization of deferred capital contributions	2,591,571	2,022,217
Interest revenue	54,954	238,741
	114,595,184	112,079,026
EXPENSES		
Salaries and benefits	48,458,311	51,257,801
Supplies and expenses	38,712,391	31,244,203
Cost of goods sold	-	1,869,519
Professional fees	650,361	491,010
Interest expense	14,286,478	14,411,118
Amortization of capital assets	14,536,429	14,305,413
Gain on disposal of assets	(346,750)	-
Unrealized loss on investments	26,450	33,496
	116,323,670	113,612,560
Deficiency of revenue over expenses	\$ (1,728,486)	\$ (1,533,534)

See accompanying notes to the financial statements

UNIVERSITY OF ONTARIO INSTITUTE OF TECHNOLOGY
Consolidated Statement of Changes in Net Assets
For the year ended March 31, 2010

	<u>Unrestricted</u>	<u>Invested in Capital Assets (Note 12)</u>	<u>Internally Restricted (Note 13)</u>	<u>Endowments (Note 14)</u>	<u>Total 2010</u>	<u>Total 2009</u>
Balance - Beginning of Year	\$ (1,134,380)	\$ (29,132,854)	\$ 5,465,618	\$ 10,136,818	\$ (14,664,798)	\$ (14,311,247)
Deficiency						
Revenue over Expenses	10,216,372	(11,944,858)	-	-	(1,728,486)	(1,533,534)
Interfund Transfer (Note 13)	(855,413)	-	855,413	-	-	-
Investment in Capital Assets (Note 12)	(29,921,846)	29,921,846	-	-	-	-
Endowment Contributions (Note 14)	-	-	-	1,093,113	1,093,113	1,179,983
Donation of Land (Note 5)	-	300,000	-	-	300,000	-
Net changes during the year	(20,560,887)	18,276,988	855,413	1,093,113	(335,373)	(353,551)
Balance - End of Year	\$ (21,695,267)	\$ (10,855,866)	\$ 6,321,031	\$ 11,229,931	\$ (15,000,171)	\$ (14,664,798)

See accompanying notes to the financial statements

UNIVERSITY OF ONTARIO INSTITUTE OF TECHNOLOGY
Consolidated Statement of Cash Flows
For the year ended March 31, 2010

	<u>March 2010</u>	<u>March 2009</u>
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES		
OPERATING		
Deficiency of revenue over expenses	\$ (1,728,486)	\$ (1,533,534)
Items not affecting cash:		
Amortization of capital assets	14,536,429	14,305,413
Amortization of deferred capital contributions	(2,591,571)	(2,022,217)
Gain on disposal of assets	(346,750)	-
Unrealized loss/(gain) on investments	26,450	33,496
	<u>9,896,072</u>	<u>10,783,158</u>
Working Capital		
Grant and other accounts receivable	3,688,674	(971,536)
Prepaid expenses and deposits	212,187	(168,807)
Inventories	(75,828)	50,550
Accounts payable and accrued liabilities	3,364,090	11,066,750
Deferred revenue	(1,360,815)	(3,663,485)
	<u>15,724,380</u>	<u>17,096,630</u>
INVESTING		
Purchase of capital assets	(59,901,126)	(43,808,614)
Proceeds on disposal of assets	346,750	-
Investments	(2,410,572)	(241,988)
Endowment contributions	1,093,113	1,179,983
Donation of Land	300,000	-
	<u>(60,571,835)</u>	<u>(42,870,619)</u>
FINANCING		
Proceeds from long term debt	8,626,394	6,202,868
Repayment of long term debt	(11,136,404)	(8,418,438)
Deferred capital contributions	32,189,290	46,869,812
	<u>29,679,280</u>	<u>44,654,242</u>
NET CASH INFLOW (OUTFLOW)	(15,168,175)	18,880,253
CASH BALANCE, BEGINNING OF YEAR	17,237,965	(1,642,288)
CASH BALANCE, END OF YEAR	\$ 2,069,790	\$ 17,237,965
SUPPLEMENTARY CASH FLOW INFORMATION		
Interest paid	\$ 13,382,942	\$ 14,361,756
Donation of Building	\$ 1,550,000	\$ -

See accompanying notes to the financial statements

UNIVERSITY OF ONTARIO INSTITUTE OF TECHNOLOGY

Notes to the Consolidated Financial Statements

March 31, 2010

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 graduate and undergraduate education. The University is a registered charity under Section 149 of the Income Tax Act and is, therefore, exempt from income taxes.

On November 1, 2009, the Campus Childcare Centre Inc. (“CCC”) was incorporated as a separate legal entity with a fiscal year ended April 30. Its purpose is to provide daycare facilities to the children of faculty, staff and students of the University and Durham College as its first priority and community families. CCC is controlled by the University and its financial results to March 31, 2010 are included in the Consolidated Financial Statements of the University.

The University issued Series A Debentures in the aggregate principal amount of \$220,000,000 in October 2004, the proceeds of which were used to finance the construction of University buildings and related infrastructure. As consistent with prior years the University has a level of reliance on the Ministry of Training, Colleges and Universities to assist in meeting the obligations of the debenture.

1. 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.

UNIVERSITY OF ONTARIO INSTITUTE OF TECHNOLOGY
Notes to the Consolidated Financial Statements
March 31, 2010

1. SIGNIFICANT ACCOUNTING POLICIES AND DISCLOSURES (continued)

b) Revenue recognition (continued)

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.

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 Consolidated Financial Statements
March 31, 2010

1. 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. 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) Sabbaticals and other leaves

The cost of sabbaticals and leaves are recorded when paid.

l) 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.

UNIVERSITY OF ONTARIO INSTITUTE OF TECHNOLOGY

Notes to the Consolidated Financial Statements

March 31, 2010

2. CHANGE IN ACCOUNTING POLICIES

Effective April 1, 2009, the University adopted the CICA amendments to the 4400 Sections of the CICA Handbook. These amendments provide the option to eliminate net assets invested in capital assets as a separate component of net assets, clarify the requirement for revenue and expenses to be presented on a gross basis when the not-for-profit organization is acting as principal and require a statement of cash flows. Adoption of these recommendations had no significant impact on the financial statements for the year ended March 31, 2010. The University classifies expenses on the statement of operations by function. The University does not allocate expenses between functions on the statement of operations.

Effective April 1, 2009, the University adopted the CICA amendments to section 1000 of the CICA Handbook. These amendments clarified the criteria for recognition of an asset or liability, removing the ability to recognize assets or liabilities solely on the basis of matching of revenue and expense items. Adoption of these recommendations had no effect on the financial statements for the year ended March 31, 2010.

3. CASH BALANCES

	<u>2010</u>	<u>2009</u>
Bank of Montreal, credit facility (drawn)	3,667,454	(2,487,210)
Bank of Montreal, cash balances	3,061,186	19,283,300
IBM, credit facility drawn	(5,000,000)	(5,000,000)
Royal Bank of Canada, cash balances	118,127	3,763,995
Harris Bank, cash balances	(161,249)	-
Other, balances	384,272	1,677,880
	<u>\$2,069,790</u>	<u>\$17,237,965</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, 2010 the University utilized on a cash consolidated basis nil (2009 - 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, 2010, the University utilized \$5,000,000 (2009 - \$5,000,000) of the operating line of credit.

UNIVERSITY OF ONTARIO INSTITUTE OF TECHNOLOGY
Notes to the Consolidated Financial Statements
March 31, 2010

4. INVESTMENTS

	2010		2009	
	Cost	Fair	Cost	Fair
Equities	\$ 174,801	\$ 146,471	\$ 174,729	\$ 122,779
Fixed income	43,049	44,928	43,049	43,478
Money Market	11,036,013	11,036,014	8,677,034	8,677,034
	\$ 11,253,863	\$ 11,227,413	\$ 8,894,812	\$ 8,843,291

(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% (2009 – 5.15%) and matures on June 6, 2013 (2009 – 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 price risk:

Market price 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.

(d) Liquidity risk:

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

UNIVERSITY OF ONTARIO INSTITUTE OF TECHNOLOGY
Notes to the Consolidated Financial Statements
March 31, 2010

5. CAPITAL ASSETS

Capital assets consist of:

	2010					2009
	Cost		Balance End of Year	Accumulated Amortization	Net Book Value	Net Book Value
	Balance Beginning of Year	Additions /Transfers / Disposals				
Land	\$ -	\$ 300,000	\$ 300,000	\$ -	\$ 300,000	\$ -
Buildings	267,118,975	4,558,500	271,677,475	35,510,851	236,166,624	238,374,346
Building Renovations	6,831,204	4,244,561	11,075,765	2,931,013	8,144,752	4,795,540
Furniture, fixtures and equipment	10,284,391	15,200	10,299,591	8,435,990	1,863,601	2,428,743
Laptops	9,492,366	3,729,580	13,221,946	8,360,922	4,861,024	4,141,815
Computer equipment	5,940,316	370,922	6,311,238	5,906,585	404,653	-
Major Equipment	13,874,942	1,664,796	15,539,738	5,769,050	9,770,688	9,533,775
Construction-in- progress	42,739,887	44,677,574	87,417,461	-	87,417,461	42,739,887
	\$ 356,282,081	\$ 59,561,133	\$ 415,843,214	\$ 66,914,411	\$ 348,928,803	\$ 302,014,106

Included in Land and Buildings is a specific asset donated to the University in the current fiscal year (land \$300,000 and building \$1,550,000).

Interest capitalized for the current year totaled \$127,778 (2009 - \$265,216).

Construction-In-Progress (“CIP”) relates to on-going construction at the University, of which \$78,755,213 pertains to the Automotive Center of Excellence (2009 - \$39,672,872). This will be completed and amortized accordingly in September 2010. Also included in CIP is \$7,091,435 (2009 - NIL) relating to the new Energy Research Center which will be completed in September 2011.

6. 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 (2009 - \$6,831,815) due from Durham College of Applied Arts and Technology relating to the 2005, 2006 and 2007 payments made by the University.

UNIVERSITY OF ONTARIO INSTITUTE OF TECHNOLOGY

Notes to the Consolidated Financial Statements

March 31, 2010

7. DEFERRED REVENUE

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

	<u>2010</u>	<u>2009</u>
Research	\$ 5,151,211	\$ 4,698,672
Donations	796,712	714,549
Tuition	4,125,042	2,697,514
Other	1,862,828	5,185,873
	<u>\$ 11,935,793</u>	<u>\$ 13,296,608</u>

8. OTHER LONG-TERM DEBT

The University has incurred debts in the amount of \$7,362,437 through a third party related to the financing of specific buildings and 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 2.80% to 9%.

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

2011	\$ 5,978,047
2012	223,469
2013	185,356
2014	198,479
2015	213,506
Thereafter	562,530
	<u>7,361,387</u>
Less current portion	5,978,047
	<u>\$ 1,383,340</u>

The fair value of the long-term debt was \$7,401,882 (2009 - \$6,711,829). Fair value has been calculated using the future cash flows of the actual outstanding debt instrument, discounted at current market rates available to the University.

UNIVERSITY OF ONTARIO INSTITUTE OF TECHNOLOGY

Notes to the Consolidated Financial Statements

March 31, 2010

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.

The debt has been funded through special one-time grants from the Ministry of Training, Colleges and Universities, and by the University through donations and the operating line of credit. Total principal and interest paid on the debenture to March 31, 2010 is \$82,505,029, \$52,487,712 funded by the Ministry of Training, Colleges and Universities and \$30,017,317 funded by the University.

As at March 31, 2010, \$217,431,043 (2009 - \$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:

2011	3,511,742
2012	3,738,314
2013	3,979,504
2014	4,236,255
2015	4,509,572
Thereafter	185,411,949
	<hr/>
	205,387,336
Less current portion	3,511,742
	<hr/>
	\$ 201,875,594

The fair value of the long-term debenture debt was \$237,058,341 (2009 - \$241,922,857). Fair value has been calculated using the future cash flows of the actual outstanding debt instrument, discounted at current market rates available to the University.

UNIVERSITY OF ONTARIO INSTITUTE OF TECHNOLOGY

Notes to the Consolidated Financial Statements

March 31, 2010

10. 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>2010</u>	<u>2009</u>
Balance - beginning of year	\$ 115,888,227	\$ 57,015,123
Contributions	32,189,290	46,869,812
Donation of building	1,550,000	-
Transfers from deferred revenue	-	14,025,509
Recognized as revenue during the year	(2,591,571)	(2,022,217)
Balance - end of year	<u>\$ 147,035,946</u>	<u>\$ 115,888,227</u>

11. PURCHASED SERVICE COSTS

Under a shared service agreement the University purchases certain administrative services from Durham College. The cost of salaries, benefits and operating expenses purchased by the University are calculated based on a combination of individual percentage and actual cost by service area.

The ancillary operations are managed by Durham College and a portion of the net contribution is allocated to the University based on agreed metrics.

Amounts invoiced from Durham College for purchased services expense are recorded as a single line item on the financial statements and net contributions from ancillary operations are recorded as revenues.

The balance owing to Durham College, included in accounts payable and accrued liabilities, is non-interest bearing with no fixed terms of repayment, and will be paid during the next fiscal year.

UNIVERSITY OF ONTARIO INSTITUTE OF TECHNOLOGY
Notes to the Consolidated Financial Statements
March 31, 2010

12. INVESTED IN CAPITAL ASSETS

Investment in capital assets represents the following:

	<u>2010</u>	<u>2009</u>
Capital assets - net book value	\$ 348,628,803	\$ 302,014,106
Donation of land	300,000	-
Less amount financed by deferred capital contributions	(147,035,946)	(115,888,227)
Less amount financed by long-term debt (Notes 8 and 9)	(212,748,723)	(215,258,733)
Investment in capital assets	\$ (10,855,866)	\$ (29,132,854)

	<u>2010</u>	<u>2009</u>
Net change in investment in capital assets:		
Purchases of capital assets	\$ 61,151,126	\$ 43,808,614
Donation of land	300,000	-
Amounts funded by:		
Deferred capital contributions	(33,739,290)	(60,895,321)
Long-term debt	(8,626,394)	(6,202,869)
Repayment of long-term debt	11,136,404	8,418,439
	\$ 30,221,846	\$ (14,871,137)

	<u>2010</u>	<u>2009</u>
Amortization of deferred contributions related to capital assets	\$ 2,591,571	\$ 2,022,217
Less amortization of capital assets	(14,536,429)	(14,305,413)
	\$ (11,944,858)	\$ (12,283,196)
Total	\$ 18,276,988	\$ (27,154,333)

UNIVERSITY OF ONTARIO INSTITUTE OF TECHNOLOGY

Notes to the Consolidated Financial Statements

March 31, 2010

13. INTERNALLY RESTRICTED NET ASSETS

Details of the internally restricted net assets are as follows:

	<u>2010</u>	<u>2009</u>
Balance is comprised of:		
Research related activities	\$ 3,187,031	\$ 3,403,444
Capital related activities	<u>3,134,000</u>	<u>2,062,174</u>
Balance - end of year	<u>\$ 6,321,031</u>	<u>\$ 5,465,618</u>

14. 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, 2010 is NIL (2009 - \$1,148,529).

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>2010</u>	<u>2009</u>
OSOTF (Note 15)	\$ 1,375,780	\$ 1,375,780
OTSS (Note 16)	9,215,072	8,050,949
Other	<u>639,079</u>	<u>710,089</u>
	<u>\$ 11,229,931</u>	<u>\$ 10,136,818</u>

UNIVERSITY OF ONTARIO INSTITUTE OF TECHNOLOGY
Notes to the Consolidated Financial Statements
March 31, 2010

15. 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>2010</u>	<u>2009</u>
Endowment fund balance at beginning of year	\$ 1,375,780	\$ 1,375,780
Transferred to OTSS	-	-
Endowment fund balance at end of year	\$ 1,375,780	\$ 1,375,780

Schedule of Changes in Expendable Funds Available for Awards

	<u>2010</u>	<u>2009</u>
Expendable balance, beginning of year	\$ 185,117	\$ 133,160
Realized investment income	14,642	51,957
Bursaries awarded		
Expendable balance, end of year	\$ 199,759	\$ 185,117
 Number of bursaries awarded	 -	 -

UNIVERSITY OF ONTARIO INSTITUTE OF TECHNOLOGY
Notes to the Consolidated Financial Statements
March 31, 2010

16. 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>2010</u>	<u>2009</u>
Cash donations matched	\$ 697,124	\$ 511,978
Transferred from OSOTF	-	-
Total cash donations	\$ 697,124	\$ 511,978

Schedule of Changes in Endowment Fund Balance

	<u>2010</u>	<u>2009</u>
Endowment balance, beginning of year	\$ 8,050,949	\$ 6,943,932
Eligible cash donations	697,124	595,039
Matching funds received/receivable from MTCU	466,999	511,978
Endowment fund balance at end of year	\$ 9,215,072	\$ 8,050,949

**Schedule of Changes in Expendable Funds
Available for Awards**

	<u>2010</u>	<u>2009</u>
Expendable balance, beginning of year	\$ 145,199	\$ 192,618
Realized investment income	88,272	204,481
Bursaries awarded	(50,000)	(251,900)
Expendable balance, end of year	\$ 183,471	\$ 145,199
 Number of bursaries awarded	 <u>101</u>	 <u>152</u>

17. 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 year were \$2,166,863 (2009 - \$1,766,636).

UNIVERSITY OF ONTARIO INSTITUTE OF TECHNOLOGY
Notes to the Consolidated Financial Statements
March 31, 2010

18. 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 4.

Fair value of long-term debenture debt is as disclosed in Note 9, and other long-term debt in Note 8.

19. 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, 2010 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 expired up to and including fiscal 2010. The current cost of this operating lease in fiscal 2010 reflected in the statement of operations is \$31,012 (2009- \$294,777).

Premises and equipment

Future minimum lease payments, exclusive of taxes and operating costs, for premises and equipment under operating leases at March 31, 2010 are as follows:

2011	\$	2,409,290
2012		2,396,138
2013		2,138,922
2014		1,688,554
2015		1,734,705
Thereafter		14,151,511
		<hr/>
	\$	24,519,120

UNIVERSITY OF ONTARIO INSTITUTE OF TECHNOLOGY
Notes to the Consolidated Financial Statements
March 31, 2010

20. 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.

21. COMPARATIVE FIGURES

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

22. SUBSEQUENT EVENT

Subsequent to March 31, 2010 the first collective agreement between the University and the University Faculty Association was ratified, for a one year term commencing on July 1, 2009 and expiring on June 30, 2010. The contingency existed prior to March 31, 2010 and the monetary terms of the agreement are known and require a retroactive increase in salaries and fringe benefits, effective July 1, 2009. Accordingly the negotiated settlement has been reflected as a salary expense and accrued liability in the financial statements.