

The logo for Ryerson University, featuring the text "Ryerson University" in white on a blue rectangular background. To the right of the blue rectangle is a vertical yellow bar.

**Ryerson
University**

*CONSOLIDATED FINANCIAL
STATEMENTS*

Year ended April 30, 2018

RYERSON UNIVERSITY

Year ended April 30, 2018

	Page
Independent Auditors' Report	2
Consolidated Financial Statements	
Consolidated Balance Sheet	4
Consolidated Statement of Operations	5
Consolidated Statement of Changes in Net Assets	6
Consolidated Statement of Cash Flows	7
Notes to Consolidated Financial Statements	
1. Description	8
2. Summary of Significant Accounting Policies	8
3. Investments and Investment Income	11
4. Employee Future Benefits	13
5. Accounts Receivable	16
6. Notes Receivable	17
7. Capital Assets	17
8. Accounts Payable and Accrued Liabilities	18
9. Long-term Debt and Derivative Financial Instruments	19
10. Deferred Revenue Contributions	21
11. Deferred Capital Contributions	22
12. Endowments	22
13. Internally Restricted Net Assets	23
14. Investment in Capital Assets	24
15. Donations	25
16. Commitments	26
17. Contingent Liabilities	27
18. Net Change in Non-Cash Working Capital Balances	27
19. Fair Values of Financial Assets and Liabilities	27
20. Ontario Student Opportunity Trust Fund and Ontario Trust for Student Support	28



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INDEPENDENT AUDITORS' REPORT

To the Board of Governors of Ryerson University

We have audited the accompanying consolidated financial statements of Ryerson University, which comprise the consolidated balance sheet as at April 30, 2018, the consolidated statements of operations, changes in net assets and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Page 2

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Ryerson University as at April 30, 2018, and its consolidated results of operations and its consolidated cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

June 28, 2018
Vaughan, Canada

RYERSON UNIVERSITY

Consolidated Balance Sheet
[In thousands of dollars]

April 30, 2018, with comparative information for 2017

	2018 \$	2017 \$
ASSETS		
Current		
Cash and cash equivalents	86,191	117,544
Short-term investments	125,671	33,054
Accounts receivable [note 5]	35,948	30,053
Prepaid expenses	9,021	9,333
Inventories	1,024	1,076
Current portion of notes receivable [note 6]	280	264
Total current assets	258,135	191,324
Investments [note 3[a]]	320,479	274,126
Employee future benefits - pension [note 4]	223,526	176,854
Notes receivable [note 6]	4,885	5,165
Capital assets [note 7]	1,165,978	1,061,677
	1,973,003	1,709,146
LIABILITIES, DEFERRED CONTRIBUTIONS AND NET ASSETS		
Current		
Accounts payable and accrued liabilities [note 8]	109,133	81,504
Deferred revenue	16,635	20,951
Current portion of long-term debt [note 9[a]]	6,997	6,605
Current portion of fair value of interest rate swaps [note 9[b]]	4,771	6,624
Total current liabilities	137,536	115,684
Employee future benefits - other [note 4]	20,660	23,286
Long-term debt [note 9[a]]	284,390	161,387
Fair value of interest rate swaps [note 9[b]]	24,445	39,258
Deferred revenue contributions [note 10]	78,571	83,423
Deferred capital contributions [note 11]	260,835	227,886
Total Liabilities	806,437	650,924
Net assets		
Endowments [notes 3[a] and 12]	131,998	125,804
Other [notes 13 and 14]	1,034,568	932,418
Total net assets	1,166,566	1,058,222
Commitments [note 16]		
Contingent liabilities [note 17]		
Total Liabilities and Net Assets	1,973,003	1,709,146

See accompanying notes to consolidated financial statements

On behalf of the Board of Governors:



Chair



Secretary

RYERSON UNIVERSITY

Consolidated Statement of Operations
[In thousands of dollars]

Year ended April 30, 2018, with comparative information for 2017

	2018	2017
	\$	\$
REVENUE		
Grants and contracts	334,820	312,642
Student fees	353,750	323,176
Sales and services	35,395	34,400
Unrealized gain on interest rate swaps <i>[note 9[b]]</i>	16,666	4,763
Donations recognized <i>[note 15]</i>	12,833	11,571
Amortization of deferred capital contributions <i>[note 11]</i>	7,917	8,179
Investment income <i>[note 3[b]]</i>	9,221	6,207
Other income	6,997	4,950
	<u>777,599</u>	<u>705,888</u>
EXPENSES		
Salaries and benefits	461,883	434,254
Materials, supplies, repairs and maintenance	169,001	153,709
Bursaries and scholarships	39,721	38,272
Interest <i>[note 9[a]]</i>	11,187	9,676
Amortization of capital assets <i>[note 7]</i>	31,532	29,433
	<u>713,324</u>	<u>665,344</u>
Revenue less expenses	<u>64,275</u>	<u>40,544</u>

See accompanying notes to consolidated financial statements

RYERSON UNIVERSITY

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

Year ended April 30, 2018, with comparative information for 2017

				2018	2017
	Unrestricted	Internally	Endowments	Total	Total
	\$	\$	\$	\$	\$
		<i>[note 13]</i>	<i>[note 12]</i>		
Net assets, beginning of year	(215,275)	1,147,693	125,804	1,058,222	903,710
Revenue less expenses	64,275	–	–	64,275	40,544
Capitalization of investment income (loss) in endowments	(33)	–	3,803	3,770	2,648
Internally restricted endowment	(227)	–	227	–	–
Endowment contributions	–	–	2,164	2,164	2,755
Employee Future Benefit Remeasurement <i>[note 4]</i>	–	38,135	–	38,135	108,565
Employee Future Benefit Income <i>[note 13]</i>	(11,163)	11,163	–	–	–
Allocation of Carry Forwards	(43,136)	43,136	–	–	–
Investment in capital assets <i>[note 14[b]]</i>	12,571	(12,571)	–	–	–
Net assets, end of year	(192,988)	1,227,556	131,998	1,166,566	1,058,222

See accompanying notes to consolidated financial statements

RYERSON UNIVERSITY

Consolidated Statement of Cash Flows
[In thousands of dollars]

Year ended April 30, 2018, with comparative information for 2017

	2018	2017
	\$	\$
OPERATING ACTIVITIES		
Revenue less expenses	64,275	40,544
Add (deduct) non-cash items:		
Amortization of capital assets <i>[note 7]</i>	31,532	29,433
Amortization of deferred capital contributions <i>[note 11]</i>	(7,917)	(8,179)
Unrealized gain on interest rate swaps <i>[note 9[b]]</i>	(16,666)	(4,763)
Unrealized loss (gain) on investments <i>[note 3[b]]</i>	7,454	(8,434)
Employee future benefits contributions <i>[note 4]</i>	(27,079)	(22,881)
Employee future benefits expense <i>[note 4]</i>	15,916	19,857
Net change in deferred revenue contributions <i>[note 10]</i>	(4,852)	17,745
Net change in non-cash working capital balances <i>[note 18]</i>	17,782	278
Cash provided by operating activities	80,445	63,600
INVESTING ACTIVITIES		
Decrease in notes receivable <i>[note 6]</i>	264	247
Acquisition of capital assets <i>[note 7]</i>	(135,833)	(78,427)
Increase in short-term investments	(92,617)	(29,024)
Increase in investments	(53,807)	(25,266)
Cash used in investing activities	(281,993)	(132,470)
FINANCING ACTIVITIES		
Contributions received for capital purposes <i>[note 11]</i>	40,866	34,544
Endowment contributions <i>[note 12]</i>	2,164	2,755
Capitalization of investment income in endowments <i>[note 12]</i>	3,770	2,648
Increase in debt financing	130,000	–
Repayment of long-term debt principal <i>[note 9[a]]</i>	(6,605)	(6,254)
Cash provided by financing activities	170,195	33,693
Net decrease in cash and cash equivalents during the year	(31,353)	(35,177)
Cash and cash equivalents, beginning of year	117,544	152,721
Cash and cash equivalents, end of year	86,191	117,544
Supplemental cash flow information:		
Interest paid	12,124	9,676

See accompanying notes to consolidated financial statements

RYERSON UNIVERSITY

Notes to Consolidated Financial Statements
[In thousands of dollars]

Year ended April 30, 2018

1. DESCRIPTION

Ryerson University [the "University"] was incorporated in 1948 under the laws of the Province of Ontario. The mission of the University is the advancement of applied knowledge and research to address societal needs and the provision of programs of study that provide a balance between theory and application and that prepare students for careers in professional and quasi-professional fields. As a leading centre for applied education, the goal of the University is to be recognized for the excellence of its teaching, the relevance of its curriculum, the success of its students in achieving their academic and career objectives, the quality of its scholarship, research and creative activity, and its commitment to accessibility, lifelong learning and involvement in the broader community.

These consolidated financial statements reflect the assets, liabilities, net assets, revenues, expenses and other transactions of all of the operations controlled by the University, including its wholly owned subsidiary, Ryerson Futures Incorporated. Accordingly, these consolidated financial statements include the academic, administrative and other operating expenditures funded by fees, grants and other general revenue; restricted purpose funds, including endowment, research and trust; and the ancillary operations, such as residences, food services and parking.

The University is a registered charity and, therefore, is exempt from income taxes under the Income Tax Act [Canada].

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared in accordance with Part III of the Chartered Professional Accountants of Canada ("CPA Canada") Handbook, which sets out generally accepted accounting principles for not-for-profit organizations in Canada and includes the significant accounting policies set out below:

Cash and cash equivalents and investments

Cash and cash equivalents consist of cash on hand and money-market instruments, such as treasury bills, with a term to maturity of three months or less at the time of purchase and which are readily convertible to cash on short notice. All investments with a maturity date greater than three months and less than one year are classified as short-term investments. All investments in excess of one year are classified as long-term investments.

Inventories

Inventories, which consist of goods held for resale, are recorded at the lower of cost and net realizable value.

RYERSON UNIVERSITY

Notes to Consolidated Financial Statements [continued]
[In thousands of dollars]

Year ended April 30, 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

Employee future benefits

The University has defined benefit pension plans for its employees and provides other retirement benefits, such as extended health and dental care, for some of its employees. Consistent with the CPA Canada Handbook Accounting Part III Section 3463, all employee future benefits plans are reflected using the Funding Valuation Approach.

The University recognizes the amount of the accrued obligation, net of the fair value of plan assets in the consolidated balance sheet. Current service and finance costs are expensed during the year. Remeasurements and other items which represent the total of the difference between actual and expected return on plan assets, actuarial gains and losses, and past service costs, are recognized directly in the consolidated statement of changes in net assets as a separately identified line item.

The cost of pensions and other retirement benefits earned by employees is determined using the projected benefit method prorated on services and management's best estimates regarding assumptions about a number of future conditions, including investment returns, salary changes, withdrawals, mortality rates and expected health care costs. The fair market value of assets is used for disclosure and calculation of pension cost, effective on the measurement date, which is April 30 of each year.

Contributions to defined benefit plans are expensed when due.

Capital assets

Capital assets acquired and constructed by the University are recorded at cost. Contributions of capital assets are capitalized at fair value at the date of contribution. Capital assets are amortized on a straight-line basis over their estimated useful lives as follows:

Buildings	40 years
Equipment and furnishings	3 - 10 years
Library books	5 years
Leasehold improvements	Over lease term

Costs of capital projects in progress, including interest, are capitalized. Interest costs are capitalized during the construction period. Amortization is not recognized until project completion.

Collections

Purchases of collections are expensed. Donated collections [artworks] are not recognized in the consolidated financial statements.

RYERSON UNIVERSITY

Notes to Consolidated Financial Statements [continued]
[In thousands of dollars]

Year ended April 30, 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

Revenue recognition

The University follows the deferral method of accounting for contributions, which includes donations and government grants. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Contributions externally restricted for purposes other than endowment are deferred and recognized as revenue in the year in which the related expenses are recognized. Endowment investment income is deferred and recognized as revenue in the year in which the related expenses are recognized. Donation pledges are not recorded since they are not legally enforceable claims. Endowment contributions are recognized as direct increases in net assets in the year in which they are received. Student fees are recognized as revenue when courses and seminars are held. Sales and services revenue is recognized at point of sale or when the service has been provided.

Foreign currency translation

Monetary assets and liabilities in foreign currencies are translated at the exchange rate in effect at year end. Operating revenue and expenses are translated at average rates prevailing during the year. Gains or losses arising from these translations are included in the consolidated statement of operations.

Contributed services

An indeterminable number of hours are contributed by volunteers each year. However, because of the difficulty of determining their fair value, contributed services are not recognized in these consolidated financial statements.

Use of estimates

The preparation of consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses for the year. Significant items subject to such estimates and assumptions include the valuation of derivatives, and employee future benefits. Actual results could differ from those estimates.

Financial instruments

Financial instruments are recorded at fair value on initial recognition. Freestanding derivative instruments that are not in a qualifying hedging relationship and equity instruments that are quoted in an active market are subsequently measured at fair value. Investments in equity instruments that are not quoted in an active market are measured at cost, less any reduction for impairment. All other financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. The University has elected to continue to carry any such financial instruments at fair value.

RYERSON UNIVERSITY

Notes to Consolidated Financial Statements [continued]
[In thousands of dollars]

Year ended April 30, 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year. If there is an indicator of impairment, the University determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the University expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

Capital management

The University manages its capital by maintaining optimum levels on an ongoing basis. The objective is to ensure an adequate supply for operations while maintaining the flexibility to maximize investment returns and/or to reduce the cost of any potential external financing.

The levels of liquid resources are considered in the annual budget process. Cash flows are monitored on a daily basis, and actual operating results are compared to budget on a quarterly basis. The consolidated financial statements are augmented by reports that detail the liquid inflows and outflows.

3. INVESTMENTS AND INVESTMENT INCOME

[a] Investments classified as long-term represent funds held for endowments, deferred revenue contributions, unspent deferred capital contributions and internally designated funds for capital projects.

Investments held for endowment net assets consist of cash and units of Fiera Capital Corp., Fiera Balanced Endowment Foundation and Trust Fund ["FC"] and units of Jarislowsky Fraser Pooled Fund ["JF"].

	FC	JF
Cash & Short Term	9.8%	19.3%
Bonds	31.2%	13.0%
Canadian Equities	32.0%	25.8%
Foreign Equities	27.0%	41.9%
Total	100.0%	100.0%

Investments held for other purposes are invested in investment savings accounts.

RYERSON UNIVERSITY

Notes to Consolidated Financial Statements [continued]
[In thousands of dollars]

Year ended April 30, 2018

3. INVESTMENTS AND INVESTMENT INCOME [continued]

	2018	2017
	\$	\$
Endowments	131,998	125,804
Deferred unrealized gain on endowments	3,791	11,245
Investments- other	184,690	137,077
Investments	320,479	274,126

[b] Investment income included in the consolidated statement of operations is calculated as follows:

	2018	2017
	\$	\$
Net investment income	10,259	19,611
Less amount attributed to deferred revenue contributions [note 10]	(4,617)	(2,283)
Less amount attributed to deferred capital contributions [note 11]	(105)	(39)
Less amount attributed to endowment capital preservation [note 12]	(3,770)	(2,648)
Add (less) unrealized investment loss (gain) [note 10]	7,454	(8,434)
Investment income recognized during the year	9,221	6,207

Investment income earned is net of management fees of \$374 [2017 - \$354].

[c] The associated risks with the investments are as follows:

Liquidity risk:

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. All of the University's pooled fund investments, held from time to time, are considered to be readily realizable as they are listed on recognized stock exchanges and can be quickly liquidated at amounts close to their fair value in order to meet liquidity requirements.

Interest rate risk:

The value of fixed income securities, held from time to time, will generally rise if interest rates fall and fall if interest rates rise. The value of securities will vary with developments within the specific companies or governments which issue the securities.

Credit risk:

Credit risk refers to the risk that a counterparty may default on its contractual obligations, resulting in a financial loss. The University is exposed to credit risk with respect to investments and accounts receivable. The University assesses, on a continuous basis, accounts receivable and provides for any amounts that are not collectible in the allowance for doubtful accounts.

RYERSON UNIVERSITY

Notes to Consolidated Financial Statements [continued]
[In thousands of dollars]

Year ended April 30, 2018

3. INVESTMENTS AND INVESTMENT INCOME [continued]

Market risk:

The value of equity securities changes with stock market conditions, which are affected by general economic and market conditions. The University manages the market risk of its investment portfolio by investing in pooled funds in a widely diversified group of asset classes managed by external investment managers.

Foreign exchange risk:

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

4. EMPLOYEE FUTURE BENEFITS

The University has defined benefit plans, being the Ryerson Retirement Pension Plan, Total Earnings Supplementary Plan and the Supplemental Retirement Pension Plan. Other defined benefit plans provide other retirement and post-employment benefits to most of its employees. Certain faculty are members of the Teachers' Superannuation Fund, a multi-employer defined benefit plan. Pension indexing has been incorporated in the plans.

The University's pension plans are based on years of service and the average pensionable salary over a consecutive 60-month period. Pension benefits will be increased each year in accordance with the increases to the Consumer Price Index ["CPI"] to a maximum CPI increase of 8%. Any increases in the CPI above 8% will be carried forward and added in years when the CPI is less than 8%.

Other defined benefit plans are for faculty early retirees where the University pays 100% of the premium for medical, dental and life insurance until the age of 65. All retirees after the age of 65 are required to pay their own premiums for medical and dental benefits.

The latest actuarial valuations for the registered pension plans were performed and submitted as at January 1, 2017. The next required actuarial valuation will be on January 1, 2020. The University has a practice of performing annual valuations for accounting purposes for defined benefit plans. The University measures its accrued benefit obligation and the fair value of plan assets as at April 30.

RYERSON UNIVERSITY

Notes to Consolidated Financial Statements [continued]
[In thousands of dollars]

Year ended April 30, 2018

4. EMPLOYEE FUTURE BENEFITS [continued]

	2018		2017	
	Pension benefit plans	Other benefit plans	Pension benefit plans	Other benefit plans
	\$	\$	\$	\$
Fair value of plan assets	1,395,405	–	1,281,675	–
Accrued benefit obligations	(1,171,879)	(20,660)	(1,104,821)	(23,286)
Employee future benefits asset (liability)	223,526	(20,660)	176,854	(23,286)

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

	2018			2017		
	Pension benefit plans	Other benefit plans	Total benefit plans	Pension benefit plans	Other benefit plans	Total benefit plans
	\$	\$	\$	\$	\$	\$
Funding by employer	26,306	773	27,079	22,146	735	22,881
Defined benefit plans cost (income)	(13,459)	2,296	(11,163)	(5,040)	2,016	(3,024)
Employee future benefits expense	12,847	3,069	15,916	17,106	2,751	19,857
Contributions to multi-employer defined benefit plan	46	–	46	47	–	47
Benefits paid	43,092	773	43,865	42,141	735	42,876

RYERSON UNIVERSITY

Notes to Consolidated Financial Statements [continued]
[In thousands of dollars]

Year ended April 30, 2018

4. EMPLOYEE FUTURE BENEFITS [continued]

The principal actuarial assumptions adopted in measuring the University's accrued benefit obligations and expense for defined benefit plans are as follows:

	2018		2017	
	Pension benefit plans %	Other benefit plans %	Pension benefit plans %	Other benefit plans %
Accrued benefit obligation				
Discount rate	6.20	6.20	6.25	6.25
Rate of compensation increase	3.50	3.50	3.50	3.50
Rate of inflation	2.00	–	2.00	–
Benefit cost				
Discount rate	6.25	6.25	6.50	6.50
Rate of compensation increase	3.50	3.50	3.75	3.75
Rate of inflation	2.00	–	2.25	–
Medical costs				
Drug	–	6.55	–	6.70
Hospital	–	4.00	–	4.00
Other medical	–	4.00	–	4.00
Dental	–	4.00	–	4.00

RYERSON UNIVERSITY

Notes to Consolidated Financial Statements [continued]
[In thousands of dollars]

Year ended April 30, 2018

4. EMPLOYEE FUTURE BENEFITS [continued]

Internally restricted net assets [note 13] for employee future benefits are calculated as follows:

	2018	2017
	\$	\$
Pension benefit plan asset	223,526	176,854
Other benefit plans liability	(20,660)	(23,286)
	202,866	153,568

Increase / (decrease) to net assets from remeasurement:

	2018			2017		
	Pension benefit plans	Other benefit plans	Total benefit plans	Pension benefit plans	Other benefit plans	Total benefit plans
	\$	\$	\$	\$	\$	\$
Difference between actual asset return and expected return	27,288	–	27,288	100,256	–	100,256
Actuarial gain (loss) on obligation	5,925	4,922	10,847	8,317	(8)	8,309
Remeasurement	33,213	4,922	38,135	108,573	(8)	108,565

5. ACCOUNTS RECEIVABLE

	2018	2017
	\$	\$
Student receivable	23,414	20,798
Grants receivable	2,602	53
Other receivable	11,105	10,166
	37,121	31,017
Less allowance for doubtful accounts	(1,173)	(964)
	35,948	30,053

RYERSON UNIVERSITY

Notes to Consolidated Financial Statements [continued]
[In thousands of dollars]

Year ended April 30, 2018

6. NOTES RECEIVABLE

The notes receivable balance includes:

The Palin Foundation, in the amount of \$5,165 [2017 - \$5,429], as outlined in the Student Campus Centre Operating Agreement, which bears interest at 5.93% per annum.

The repayment period will continue until January 2031 as follows:

	\$
2019	280
2020	297
2021	315
2022	334
2023	354
Thereafter	3,585
	5,165
Less current portion	(280)
	4,885

Total interest earned during fiscal 2018 is \$315 [2017 - \$330] and principal repayments received during the year totalled \$264 [2017 - \$247].

7. CAPITAL ASSETS

Capital assets consist of the following:

	2018			2017		
	Cost	Accumulated amortization	Net book value	Cost	Accumulated amortization	Net book value
	\$	\$	\$	\$	\$	\$
Land	523,554	–	523,554	523,554	–	523,554
Buildings	584,522	205,993	378,529	584,522	192,591	391,931
Equipment and furnishings	357,465	293,477	63,988	342,387	279,333	63,054
Library books	31,772	29,227	2,545	30,544	27,963	2,581
Leasehold improvements	34,464	12,182	22,282	27,112	9,460	17,652
Capital projects in progress	175,080	–	175,080	62,905	–	62,905
	1,706,857	540,879	1,165,978	1,571,024	509,347	1,061,677

RYERSON UNIVERSITY

Notes to Consolidated Financial Statements [continued]
[In thousands of dollars]

Year ended April 30, 2018

7. CAPITAL ASSETS [continued]

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

	2018	2017
	\$	\$
Balance, beginning of year	1,061,677	1,012,683
Purchase of capital assets financed by debt	82,622	–
Purchase of capital assets internally financed <i>[note 14[b]]</i>	4,439	50,639
Purchase of capital assets funded by deferred capital contributions	48,772	27,788
Less amortization of capital assets <i>[note 14[b]]</i>	(31,532)	(29,433)
Balance, end of year	1,165,978	1,061,677

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Included in accounts payable and accrued liabilities are government remittances payable of \$4,112 [2017 - \$3,777], which includes amounts payable for harmonized sales tax and payroll-related taxes.

RYERSON UNIVERSITY

Notes to Consolidated Financial Statements [continued]
[In thousands of dollars]

Year ended April 30, 2018

9. LONG-TERM DEBT AND DERIVATIVE FINANCIAL INSTRUMENTS

[a] Long-term debt consists of the following:

	2018	2017
	\$	\$
Facilities Expansion Loan [the "TD Loan"] A variable rate loan with interest only payable up to July 2, 2014, principal and interest payable thereafter. The loan bears interest at the bank's cost of funds in effect for term loans from time to time plus 1.150%. The loan matures on July 3, 2034	113,910	118,033
Facilities Expansion Loan [the "BMO Loan"] A variable rate loan with interest and principal payable monthly. The loan bears interest at the bank's cost of funds in effect for term loans from time to time plus 0.225%. The loan matures on January 2, 2024	47,377	49,859
Other project Debenture Senior unsecured debentures, bearing fixed interest at 3.768% per annum, repayable semi-annually, with final installment due on October 11, 2057	100	100
	130,000	—
	291,387	167,992
Less current portion	(6,997)	(6,605)
	284,390	161,387

RYERSON UNIVERSITY

Notes to Consolidated Financial Statements [continued]
[In thousands of dollars]

Year ended April 30, 2018

9. LONG-TERM DEBT AND DERIVATIVE FINANCIAL INSTRUMENTS [continued]

The unspent long term debt was \$47,378 [2017 - nil]. The long-term debt is unsecured; however, in the event of default, the bank and lenders may impose additional requirements.

The fair value of the long-term debt approximates its carrying value as the rates fluctuate with bank prime.

The following are the future minimum annual debt principal repayments due over the next five fiscal years and thereafter:

	\$
2019	6,997
2020	7,394
2021	7,819
2022	8,334
2023	8,825
Thereafter	252,019
	<hr/> 291,388

Total interest expense on long-term debt for the year ended April 30, 2018 was \$11,187 [2017 - \$9,676], which excluded capitalized interest of \$860 [2017- nil].

[b] Derivative financial instruments:

The University has in place two Interest Rate Swap Agreements ["Agreements"]. The BMO agreement will expire on January 1, 2031, and the TD agreement will expire on July 4, 2034. Under the terms of the Agreements, the University agrees with the counterparty to exchange, at specified intervals and for a specified period, its floating interest on the BMO Loan and TD Loan [note 9[a]] for fixed interest of 5.705% for the BMO Agreement and 4.675% for the TD Agreement calculated on the notional principal amount of each loan, respectively. The use of the swaps effectively enable the University to convert the floating rate interest obligations of the loans into fixed rate obligations and thus, manage its exposure to interest rate risk.

RYERSON UNIVERSITY

Notes to Consolidated Financial Statements [continued]
[In thousands of dollars]

Year ended April 30, 2018

9. LONG-TERM DEBT AND DERIVATIVE FINANCIAL INSTRUMENTS [continued]

The notional amount of the loan and the fair value of the derivative liability are as follows:

	2018		2017	
	Notional amount \$	Fair value \$	Notional amount \$	Fair value \$
Interest rate swap:				
BMO	47,378	(9,639)	49,859	(14,650)
TD	113,910	(19,577)	118,033	(31,232)
	161,288	(29,216)	167,892	(45,882)
Less current portion:				
BMO	–	(1,729)	–	(2,312)
TD	–	(3,042)	–	(4,312)
	161,288	(24,445)	167,892	(39,258)

The change in fair values of the interest rate swaps for the year ended April 30, 2018 was \$16,666 [2017 - \$4,763].

10. DEFERRED REVENUE CONTRIBUTIONS

Deferred revenue contributions represent unspent externally restricted grants and donations for research and other specific purposes. The changes in the deferred revenue contributions balance were as follows:

	2018 \$	2017 \$
Balance, beginning of year	83,423	65,678
Grants and donations received	71,069	65,468
Unrealized investment (loss) gain [note 3[b]]	(7,454)	8,434
Amount recognized as investment income [note 3[b]]	4,617	2,283
Amount recognized as revenue	(73,084)	(58,440)
Balance, end of year	78,571	83,423

RYERSON UNIVERSITY

Notes to Consolidated Financial Statements [continued]
[In thousands of dollars]

Year ended April 30, 2018

11. DEFERRED CAPITAL CONTRIBUTIONS

Deferred capital contributions represent the unamortized and unspent amounts of donations and grants received for the purchase of capital assets. The amortization of deferred capital contributions is recorded as revenue in the consolidated statement of operations over the estimated useful lives of the capital assets. The changes in the deferred capital contributions balance were as follows:

	2018	2017
	\$	\$
Balance, beginning of year	227,886	201,521
Grants and donations received	40,761	34,505
Investment income [note 3[b]]	105	39
Amortization of deferred capital contributions [note 14[b]]	(7,917)	(8,179)
Balance, end of year	260,835	227,886

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

	2018	2017
	\$	\$
Unamortized deferred capital contributions		
used to purchase capital assets [note 14[a]]	256,285	215,432
Unspent deferred capital contributions	4,550	12,454
	260,835	227,886

12. ENDOWMENTS

Endowments consist of internally and externally restricted donations and grants received by the University. The endowment principal is required to be maintained intact, with the investment income generated used for the purposes established by donors. The University ensures, as part of its fiduciary responsibilities, that all funds received with a restricted purpose are expended for the purpose for which they were provided. The University has established a policy with the objective of protecting the real value of the endowments. The amount of income made available for spending is prescribed annually and an amount is added to endowment net assets for capital preservation. The changes in the endowment fund balance were as follows:

	2018	2017
	\$	\$
Endowment balance, beginning of year	125,804	118,326
Donations received - externally restricted [note 15]	2,164	2,755
Donations received - internally restricted [note 15]	227	2,007
Capital preservation - externally restricted [note 3[b]]	3,770	2,648
Capital preservation - internally restricted	33	68
Endowment balance, end of year	131,998	125,804

RYERSON UNIVERSITY

Notes to Consolidated Financial Statements [continued]
[In thousands of dollars]

Year ended April 30, 2018

12. ENDOWMENTS [continued]

The accumulated internally restricted endowment for the year ended April 30, 2018 was \$3,510 [2017 - \$3,323].

13. INTERNALLY RESTRICTED NET ASSETS

Internally restricted net assets represent unspent funds which have been committed for specific purposes to enhance the University's operations, including its facilities, equipment, and information technology.

Internally restricted net assets – carryforwards have been designated for the following purposes:

	2018	2017
	\$	\$
Investment in capital assets [a, note 14[a]]	665,682	678,253
Employee future benefits [b, note 4]	202,866	153,568
	<u>868,548</u>	<u>831,821</u>
Professional development fund [c]	2,040	2,038
Capital projects [d]	50,720	48,077
Student assistance and related funds [e]	22,100	20,564
Academic plan, growth and internal research [f]	123,603	99,094
Department carryforwards [g]	111,558	103,343
Information Technology and other initiatives [h]	45,054	31,409
One time only strategic budget allocations [i]	3,933	11,347
	<u>359,008</u>	<u>315,872</u>
	<u>1,227,556</u>	<u>1,147,693</u>

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

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

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

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

RYERSON UNIVERSITY

Notes to Consolidated Financial Statements [continued]
[In thousands of dollars]

Year ended April 30, 2018

13. INTERNALLY RESTRICTED NET ASSETS [continued]

- [e] Student assistance and related funds include funds which have been approved as part of the operating budget each year. It also includes the expendable portion of unrestricted donations and endowment fund income. Related funds include the athletic fee, the special activities reserve fee, the student services fee and other similar fees.
- [f] Academic plan, growth and internal research funds represent amounts which have been allocated to the Provost for support of the academic plan, new programs and internally funded research and projects.
- [g] Department carryforwards represent unspent budgets at the end of the fiscal year. The University has in place a flexible budgeting program, which allows operating budget units to defer surpluses and deficits to the subsequent year(s).
- [h] Information Technology and other initiatives include funds allocated to new enterprise systems and other technological initiatives. This also includes a number of centrally funded projects, from self-insurance to safety initiatives and staff training.
- [i] One time only strategic budget allocations includes additional grants and other savings which were allocated as part of the annual budget process.

14. INVESTMENT IN CAPITAL ASSETS

- [a] Net assets invested in capital assets, which represent internally financed capital assets, are calculated as follows:

	2018	2017
	\$	\$
Capital assets [note 7]	1,165,978	1,061,677
Less long-term debt [note 9[a]]	(244,011)	(167,992)
Less unamortized deferred capital contributions [note 11]	(256,285)	(215,432)
	<u>665,682</u>	<u>678,253</u>

RYERSON UNIVERSITY

Notes to Consolidated Financial Statements [continued]
[In thousands of dollars]

Year ended April 30, 2018

14. INVESTMENT IN CAPITAL ASSETS [continued]

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

	2018	2017
	\$	\$
Purchase of capital assets internally financed [note 7]	4,439	50,639
Repayment of long-term debt principal [note 9[a]]	6,605	6,254
	11,044	56,893
Amortization of deferred capital contributions [note 11]	7,917	8,179
Less amortization of capital assets [note 7]	(31,532)	(29,433)
	(23,615)	(21,254)
	(12,571)	35,639

15. DONATIONS

Donation recognized is calculated as follows:

	2018	2017
	\$	\$
Donations received	15,775	21,680
Less: donations to endowments [note 12]	(2,391)	(4,762)
Less: donations restricted for capital purposes	(246)	(2,434)
Less: donations restricted for other purposes	(305)	(2,913)
	12,833	11,571
Unrestricted donations	1,625	1,494
Restricted donations spent	11,208	10,077
	12,833	11,571

RYERSON UNIVERSITY

Notes to Consolidated Financial Statements [continued]
[In thousands of dollars]

Year ended April 30, 2018

16. COMMITMENTS

[a] The estimated cost to complete construction and renovation projects in progress as at April 30, 2018, which will be funded by government grants, donations and operations, is \$122,491 [2017 - \$135,410].

[b] The operating contribution to the Student Campus Centre is approximately \$400 per year.

[c] The following are the future minimum annual operating lease payments due over the next five fiscal years and thereafter:

	\$
2019	11,966
2020	11,181
2021	10,676
2022	9,725
2023	7,984
Thereafter	30,489
	<hr/> 82,021

[d] The University is contingently liable in the amount of \$4,926 with respect to letters of guarantee issued.

RYERSON UNIVERSITY

Notes to Consolidated Financial Statements [continued]
[In thousands of dollars]

Year ended April 30, 2018

17. CONTINGENT LIABILITIES

- [a] In 2018, the University renewed its agreement with the Canadian Universities Reciprocal Insurance Exchange ["CURIE"] for a period of five years, ending January 1, 2023. CURIE is a pooling of the property damage and public liability insurance risks of its members. All members pay annual deposit premiums which are actuarially determined and are subject to further assessment in the event members' premiums are insufficient to cover losses and expenses.
- [b] The University is involved from time to time in litigation, which arises in the normal course of operations. With respect to claims as at April 30, 2018, the University believes it has valid defences, funded provisions and/or appropriate insurance coverage in place. In the unlikely event any claims are successful, such claims are not expected to have a material effect on the University's consolidated financial position.

18. NET CHANGE IN NON-CASH WORKING CAPITAL BALANCES

The net change in non-cash working capital balances related to operations consists of the following:

	2018	2017
	\$	\$
Accounts receivable	(5,895)	(1,517)
Prepaid expenses	312	(1,874)
Inventories	52	120
Accounts payable and accrued liabilities	27,629	4,008
Deferred revenue	(4,316)	(459)
	<u>17,782</u>	<u>278</u>

19. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

The fair values of financial instruments approximate their carrying values unless otherwise noted.

Fair value estimates are made at a specific point in time, based on relevant market information and information about the financial instruments. These estimates involve uncertainties and matters of significant judgment and, therefore, cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

RYERSON UNIVERSITY

Notes to Consolidated Financial Statements [continued]
[In thousands of dollars]

Year ended April 30, 2018

20. ONTARIO STUDENT OPPORTUNITY TRUST FUND AND ONTARIO TRUST FOR STUDENT SUPPORT

The Ministry of Advanced Education and Skills Development ["MAESD"] requires separate reporting of balances and details of changes in balances for the two phases of the Ontario Student Opportunity Trust Fund ["OSOTF I and II"] and the Ontario Trust for Student Support ["OTSS"]. The required government reporting for each is as follows:

[a] The following is the schedule of changes for the year ended April 30 in the first phase of the OSOTF I balance, which is included in the endowment balance [note 12]:

	2018	2017
	\$	\$
Endowment balance at cost, beginning of year	8,604	8,377
Cash donations received	10	71
Capital preservation	–	156
Endowment balance at cost, end of year	8,614	8,604
Cumulative unrealized gain	1,277	1,568
Endowment balance at market, end of year	9,891	10,172

The following is the schedule of changes for the year ended April 30 in the OSOTF I expendable funds available for awards. The balance is included in deferred revenue contributions [note 10]. Investment income, net of direct investment-related expenses represents the balance made available for spending by the University during the year in accordance with its policy.

	2018	2017
	\$	\$
Expendable balance at cost, beginning of year	–	–
Investment and other income, net of direct investment-related expenses	331	307
Bursaries awarded	(291)	(293)
Unspent balance transfer to stabilization account	(40)	(14)
Expendable balance at cost, end of year	–	–
Number of bursaries awarded	359	208

RYERSON UNIVERSITY

Notes to Consolidated Financial Statements [continued]
[In thousands of dollars]

Year ended April 30, 2018

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

The following is the schedule of changes for the year ended April 30 in the OSOTF I Stabilization funds. Investment income earned in excess of amounts made available for spending is recorded in the Stabilization funds as deferred revenue contributions [note 10].

	2018	2017
	\$	\$
Stabilization funds balance at cost, beginning of year	1,288	1,132
Investment income not available for spending and capital preservation	306	142
Unspent balance transfer from expendable accounts	40	14
Stabilization funds balance at cost, end of year	1,634	1,288

[b] The following is the schedule of changes for the year ended April 30 in the second phase of the OSOTF II balance, which is included in the endowment balance [note 12].

	2018	2017
	\$	\$
Endowment balance at cost, beginning of year	3,935	3,838
Cash donations received	107	25
Capital preservation	–	72
Endowment balance at cost, end of year	4,042	3,935
Cumulative unrealized gain	477	606
Endowment balance at market, end of year	4,519	4,541

The following is the schedule of changes for the year ended April 30 in the OSOTF II expendable funds available for awards. The balance is included in deferred revenue contributions [note 10]. Investment income, net of direct investment-related expenses, represents the balance made available for spending by the University during the year in accordance with its policy.

	2018	2017
	\$	\$
Expendable balance, beginning of year	–	–
Investment and other income, net of direct investment-related expenses	154	142
Bursaries awarded	(136)	(138)
Unspent balance transfer to stabilization accounts	(18)	(4)
Expendable balance, end of year	–	–
Number of bursaries awarded	76	87

RYERSON UNIVERSITY

Notes to Consolidated Financial Statements [continued]
[In thousands of dollars]

Year ended April 30, 2018

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

The following is the schedule of changes for the year ended April 30 in the OSOTF II Stabilization funds. Investment income earned in excess of amounts made available for spending is recorded in the Stabilization funds as deferred revenue contributions [note 10].

	2018	2017
	\$	\$
Stabilization funds balance at cost, beginning of year	529	462
Investment income not available for spending and capital preservation	136	63
Unspent balance transfer from expendable accounts	18	4
Stabilization funds balance at cost, end of year	683	529

- [c] The Government of Ontario requires separate reporting of balances as at March 31, 2018 and details of the changes in the balances for the period then ended in connection with the OTSS fund, which is included in the endowment balance [note 12].

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

	2018	2017
	\$	\$
Cash donations	—	—
Unmatched cash donations	85	13
Total cash donations	85	13

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

	2018	2017
	\$	\$
Endowment balance at cost, beginning of year	49,779	49,766
Eligible cash donations received	85	13
Capital preservation and others	915	—
Endowment balance at cost, end of year	50,779	49,779
Cumulative unrealized gain	6,503	7,677
Endowment balance at market value, end of year	57,282	57,456

RYERSON UNIVERSITY

Notes to Consolidated Financial Statements [continued]
[In thousands of dollars]

Year ended April 30, 2018

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

The following is the schedule of changes in expendable funds available for awards of OTSS for the period from April 1 to March 31. Investment income, net of direct investment-related expenses, represents the balance made available for spending by the University during the year in accordance with its policy.

	2018 \$	2017 \$
Expendable balance, beginning of year	387	403
Investment and other income, net of direct investment-related expenses	1,923	1,803
Bursaries awarded	(1,522)	(1,538)
Unspent balance transfer to Stabilization account	(320)	(281)
Expendable balance, end of year	468	387
Number of bursaries awarded	524	482

The following is the schedule of changes for the period from April 1 to March 31 in the OTSS Stabilization funds. Investment income earned in excess of amounts made available for spending is recorded in the Stabilization funds as a deferred revenue contribution [note 10].

	2018 \$	2017 \$
Stabilization funds balance at cost, beginning of year	8,005	6,010
Investment and other income not available for spending	787	1,714
Unspent balance transfer from expendable account	320	281
Stabilization funds balance at cost, end of year	9,112	8,005

OTSS awards issued for the period from April 1, 2017 to March 31, 2018:

Status of Recipients	OSAP Recipients		Non-OSAP Recipients		Total	
	#	\$ (In dollars)	#	\$ (In dollars)	#	\$ (In dollars)
Full-Time	292	1,039,563	131	367,709	423	1,407,272
Part-Time	36	56,888	65	57,833	101	114,721
Total	328	1,096,451	196	425,542	524	1,521,993