

## **Financial Highlights**

### **April 30, 2008**

The University completed the year with revenues of \$848.7 million, expenses of \$844.9 million and an excess of revenues over expenses of \$3.8 million. Revenues have grown by 2.4% from the prior year.

The University's net assets increased from \$512.1 million to \$536.9 million, a \$24.8 million (4.8%) increase over the prior year. The primary reasons for this change were the operating results of \$3.8 million, net assets acquired in the integration of Robarts Research Institute of \$17.4 million, the receipt of \$21.8 million of endowed donations, offset by \$16.1 million of allocation for spending from accumulated reinvestment returns and \$2.5 million adjustment for change in accounting policies (the application of the new CICA Financial Instruments Standards).

Government grants for general operations, restricted government grants and student fees account for 74.3% of our overall revenues. Salaries and benefits together with operating costs represent 76.3% of the total expenses.

The changes in excess of revenues over expenses from the prior year are primarily due to a decrease in investment returns of \$22.1 million, an increase in salaries and benefits of \$48.0 million (\$14.6 million relates to former employees of Robarts Research Institute who became employees of the University, \$5 million relates to the growth in employee future benefits and the remainder relates to the addition of new faculty and staff, as well as salary increases for the year), an increase in operating costs of \$16.0 million primarily due to the integration of Robarts Research Institute and an increase in interest expense of \$5.4 million stemming from the issuance of Western's inaugural debenture in May of 2007, due in May of 2047, with an annual interest rate of 4.8%.

The University records investments in the accounts at fair value and returns are subject to market fluctuation. Investment returns reflected in the Combined Statement of Operations (Statement 2) for the year ending April 30, 2008 were \$24.5 million. This includes total returns for 2008 in the amount of \$8.4 million and a net transfer from the endowment accounts for spending in the amount of \$16.2 million for the year.

Investment returns decreased by \$22.1 million primarily due to lower returns in Western's operating and endowment portfolio: -0.5% in fiscal 2008 compared to 12.4% in fiscal 2007, offset by fixed interest rates earned on the proceeds from the debenture issue invested in a structured deposit and earnings on short term money market investments.

During 2008, 47% of the investments were in equity securities (58% in 2007) and 53% in money market and fixed income securities (42% in 2007). The increase in the amounts invested in money market and fixed income securities is largely due to excess debenture proceeds which have been invested in money market securities until the funds are needed. For the year ending April 30, 2008, most equity markets earned double digit negative returns, while money market and fixed income investments earned low single digit rates of return.

On a cash basis, research revenues were \$147.6 million in 2008 compared to \$134.7 million in 2007. \$17.3 million of the 2008 revenues are attributable to research grants at Robarts Research Institute.

Capital additions for the University totaled \$182 million, and include \$57.9 million related to the capital assets acquired during the integration of Robarts Research Institute. This amount also includes purchases of computers, equipment, furnishings, library books, works of art, land and spending on new construction and renovations. The construction projects completed or underway are largely new construction and major renovation projects, required to meet the need for increased space for growth in graduate enrolment, make centrally located space available for academic purposes and to expand research infrastructure. New construction includes the Support Services Building, Western Student Recreational Facility, expansion and renovations at the Ivey Spencer Leadership Centre, Lassonde Pavilion (Green Building), Student Services Building, Advanced Facility for Avian Research (AFAR), the Materials Sciences Addition and a new building at the London Campus of the Research Park. Maintenance, Modernization and Infrastructure (MMI) projects consist of major renovations in the Biological and Geological Sciences Building, the former Westminster College building and Faculty of Education Building. Also included are costs for the major renovations at Bayfield Hall. These large projects will address major deferred maintenance issues and renew facilities to modern day standards. Funding for these projects includes donations,

research infrastructure grants, provincial government grants, operating funds, housing funds and debt. Capital debt grew by \$9.7 million, from \$126.2 million to \$135.9 million. Total debt was \$233.1 million.

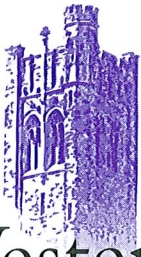
Donations received by the University totaled \$47.9 million: \$26.1 million in expendable donations were reported as revenue and \$21.8 million was added directly to endowments. Total pledges outstanding at April 30, 2008 were \$64.7 million.

Endowments grew by \$16.3 million, up 5.3% from the previous fiscal year. Endowed donations in the year totaled \$14.4 million for Foundation Western and \$7.4 million for the University and \$11.4 million of the increase is due to the integration of Robarts Research Institute.

The Provincial Government's Reaching Higher Plan has provided Western with substantial incremental grant funding. While a large portion of this funding has flowed during the first two years of their plan 2005-06 and 2006-07, we will continue to receive additional funding in support of graduate expansion and targeted program expansion. This flow of funds in the first two years, allowed Western to recruit the additional faculty and staff necessary to accommodate the graduate enrolment growth. The cumulative investments since 2005-06 have positioned us well to achieve our academic aspirations for graduate expansion, to ensure ongoing quality in our undergraduate programs, and to support the high level of research and scholarship at Western.

Looking forward we expect tighter revenue growth as a result of stable undergraduate enrolment, attainment of graduate expansion targets, modest tuition revenue increases and uncertainties in the equity markets impacting investment income. We await the announcement of additional Provincial Government funding to support a second phase of graduate expansion. With a tighter revenue picture, we anticipate the next fiscal year to be more challenging from a financial perspective.

**THE UNIVERSITY OF WESTERN ONTARIO**  
**COMBINED FINANCIAL STATEMENTS**  
**APRIL 30, 2008**



# Western

**Dr. Paul Davenport**  
*President & Vice-Chancellor*

## **Responsibility for Financial Reporting**

The accompanying combined financial statements of The University of Western Ontario are the responsibility of the University administration and have been approved by the Board of Governors.

The financial statements have been prepared by the University administration in accordance with Canadian generally accepted accounting principles. Financial statements necessarily include amounts based on informed judgments and estimates, with appropriate consideration to materiality. The administration has determined such amounts on a reasonable basis to ensure that the combined financial statements present fairly the financial position of the University.

The University maintains systems of internal accounting and administrative controls of high quality, consistent with reasonable cost. Such systems are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and that the University's assets are appropriately accounted for and adequately safeguarded.

The Board of Governors is responsible for ensuring that management fulfils its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial statements. The Board carries out this responsibility principally through its Audit Committee.

The Audit committee is appointed by the Board. This Committee consists of eight members, none of whom are involved in the daily operations of the University. This Committee meets periodically with the administration, the internal auditor and the external auditors, to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues, to satisfy itself that each party is properly discharging its responsibilities, and to review the annual combined financial statements and the external auditors' report. The Committee reports its findings to the Board of Governors for consideration when approving the combined financial statements. The Committee also appoints annually the external auditors.

The combined financial statements have been audited by KPMG LLP, the external auditors, in accordance with Canadian generally accepted auditing standards on behalf of the Board of Governors. KPMG has full and free access to the Audit Committee.

Paul Davenport  
President & Vice-Chancellor

Gitta Kulczycki  
Vice-President, Resources & Operations



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## AUDITORS' REPORT

To the Board of Governors of The University of Western Ontario

We have audited the combined statement of financial position of The University of Western Ontario as at April 30, 2008 and the combined statements of operations, changes in net assets, and cash flows for the year then ended. These combined financial statements are the responsibility of management. Our responsibility is to express an opinion on these combined 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 combined financial statements present fairly, in all material respects, the financial position of The University as at April 30, 2008 and the results of its operations, changes in net assets, and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Chartered Accountants, Licensed Public Accountants

London, Canada

August 6, 2008

# THE UNIVERSITY OF WESTERN ONTARIO

## Combined Statement of Financial Position

## Statement 1


As at April 30, 2008, with comparative amounts for 2007  
(thousands of dollars)

	<u>2008</u>	<u>2007</u>
	\$	\$
<b>Assets</b>		
Cash	5,302	2,724
Accounts receivable	59,020	58,429
Inventories	4,675	5,205
Prepaid expenses	12,599	8,844
Investments [note 5]	798,989	658,155
Capital assets [note 6]	<u>751,894</u>	<u>628,246</u>
	<u>1,632,479</u>	<u>1,361,603</u>
<b>Liabilities and deferred contributions</b>		
Bank indebtedness [note 7]	5,693	12,176
Accounts payable and accrued liabilities	85,090	67,468
Deferred fees and income	41,678	36,454
Employee future benefits [note 8]	208,172	188,170
Debt [note 10]	233,114	126,181
Deferred contributions [note 11]	146,189	121,456
Deferred capital contributions [note 12]	<u>375,633</u>	<u>297,593</u>
	<u>1,095,569</u>	<u>849,498</u>
<b>Net assets</b> [Statement 3]	<u>536,910</u>	<u>512,105</u>
	<u>1,632,479</u>	<u>1,361,603</u>

See accompanying notes to the combined financial statements.

Commitments and contingencies [note 20].

Approved on behalf of the Board of Governors:

  
M. Noble  
Chair, Board of Governors

  
K. Zerebecki  
Chair, Audit Committee

# THE UNIVERSITY OF WESTERN ONTARIO

## Combined Statement of Operations

## Statement 2

For the year ended April 30, 2008, with comparative amounts for 2007  
(thousands of dollars)

	<u>2008</u>	<u>2007</u>
	\$	\$
<b>Revenues</b>		
Government grants for general operations	214,914	207,848
Restricted government grants and other grants and contracts	199,731	186,792
Student fees	215,855	209,581
Sales and services	131,390	128,698
Investment returns [note 5(b)]	24,521	46,567
Donations	26,073	21,268
Recoverable salaries and benefits	14,079	14,239
Other revenues	22,184	14,137
	<u>848,747</u>	<u>829,130</u>
<b>Expenses</b>		
Salaries and benefits	509,269	461,297
Operating costs	134,984	118,993
Amortization of capital assets	58,914	53,139
Scholarships, fellowships and bursaries	55,866	52,327
Cost of sales and services	34,103	33,852
Utilities	20,204	19,164
Repairs and maintenance	15,167	12,620
Taxes	3,277	3,131
Interest	13,129	7,728
	<u>844,913</u>	<u>762,251</u>
<b>Excess of revenues over expenses</b>	<u>3,834</u>	<u>66,879</u>

See accompanying notes to the combined financial statements.

# THE UNIVERSITY OF WESTERN ONTARIO

## Combined Statement of Changes in Net Assets

Statement 3

For the year ended April 30, 2008, with comparative amounts for 2007  
(thousands of dollars)

	2008				2007	
	Unrestricted [note 13] \$	Internally Restricted [note 14] \$	Investment in Capital Assets [note 15] \$	Endowments [note 16] \$	Total \$	Total \$
<b>Net assets, beginning of year, as originally stated</b>	(141,151)	139,021	205,219	309,016	512,105	403,388
Change in accounting policies [note 3]	(2,544)	-	-	-	(2,544)	-
<b>Net assets, beginning of year, as restated</b>	(143,695)	139,021	205,219	309,016	509,561	403,388
Excess of revenues over expenses	3,834	-	-	-	3,834	66,879
Change in internally restricted net assets	34,816	(34,816)	-	-	-	-
Change in investment in capital assets [note 15]	(60,185)	-	60,665	-	480	456
Transfer to internally endowed	136	-	-	(136)	-	-
Allocation of internally endowed returns	640	-	-	(640)	-	-
Investment returns allocated to external endowments [note 5(b)]	-	-	-	(29)	(29)	30,385
Allocation for spending from accumulated reinvestment returns [note 5(b)]	-	-	-	(16,129)	(16,129)	(13,069)
Endowment contributions	-	-	-	21,791	21,791	24,066
Integration of Robarts Research Institute	5,432	-	535	11,435	17,402	-
<b>Net assets, end of year</b>	<u>(159,022)</u>	<u>104,205</u>	<u>266,419</u>	<u>325,308</u>	<u>536,910</u>	<u>512,105</u>

See accompanying notes to the combined financial statements.



# THE UNIVERSITY OF WESTERN ONTARIO

## Combined Statement of Cash Flows

## Statement 4

For the year ended April 30, 2008, with comparative amounts for 2007  
(thousands of dollars)

	2008	2007
	\$	\$
<b>Operating activities</b>		
Excess of revenues over expenses	3,834	66,879
Add/(deduct) non-cash items		
Amortization of capital assets	58,914	53,139
Amortization of deferred capital contributions	(28,332)	(24,601)
Amortization of financial instrument transitional adjustment	(2,544)	-
Change in unrealized investment losses/(gains)	30,896	(26,601)
Employee future benefits	20,002	14,945
Net change in non-cash working capital [note 19]	19,030	805
<b>Cash provided by operating activities</b>	<u>101,800</u>	<u>84,566</u>
<b>Investing and financing activities</b>		
Net change in investments	(171,730)	(80,280)
Purchase of capital assets	(182,082)	(110,953)
Receipt of deferred capital contributions	106,372	39,256
Net change in deferred contributions	24,733	14,113
Investment returns allocated to external endowments [note 5(b)]	(29)	30,385
Allocation for spending from accumulated reinvestment returns [note 5(b)]	(16,129)	(13,069)
Repayment of debt	(14,449)	(9,617)
Receipt of debt	121,382	8,600
Endowment contributions	21,791	24,066
Integration of Robarts Research Institute	17,402	-
<b>Cash used in investing and financing activities</b>	<u>(92,739)</u>	<u>(97,499)</u>
Net increase/(decrease) in cash	9,061	(12,933)
Cash position, beginning of year	(9,452)	3,481
<b>Cash position, end of year</b>	<u>(391)</u>	<u>(9,452)</u>
<b>Represented by:</b>		
Cash	5,302	2,724
Bank indebtedness	(5,693)	(12,176)
	<u>(391)</u>	<u>(9,452)</u>

See accompanying notes to the combined financial statements.

# The University of Western Ontario

## Notes to the Combined Financial Statements

Year Ended April 30, 2008  
(thousands of dollars)

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### 1. DESCRIPTION

The University of Western Ontario (The University) operates under the authority of The University of Western Ontario Act, 1982. The University is dedicated to the advancement of learning through teaching and research and to the discovery and application of knowledge. The University is a registered charity and, under the provisions of section 149 of the Income Tax Act, is exempt from paying income taxes.

The combined financial statements of The University contain the accounts of The University and organizations that The University controls, including: the Museum of Ontario Archaeology, Ivey Management Services, Richard Ivey School of Business Foundation, Richard Ivey School of Business (Asia) Limited, The University of Western Ontario Research & Development Park, Windermere Manor Ltd., 6027334 Canada Inc. (Newco), The Siebens - Drake Research Institute, Canadian Centre for Activity and Aging, 1675025 Ontario Limited (Boundary Layer Wind Tunnel), Robarts Research Institute and related foundations in which The University has an economic interest, including: Foundation Western and The University of Western Ontario Foundation Inc. These financial statements do not include the accounts, transactions, and operations of the following related entities, which carry out certain fundraising and other activities, and are not material to these financial statements: The University of Western Ontario (United Kingdom) Foundation, and The University of Western Ontario (Hong Kong) Foundation Limited.

These financial statements do not include the accounts of three colleges that are affiliated with, but not controlled by The University (Brescia University College, King's University College at The University of Western Ontario and Huron University College), or the net assets of the Pension Plans of the Academic Staff and Administrative Staff of The University and the Retirement Income Fund.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The combined financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles. The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities as of the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual amounts could differ from those estimates.

A summary of significant accounting policies is as follows:

(a) Revenue recognition

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

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

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, other than endowment contributions, are deferred and recognized as revenue in the year in which the related expenses are recognized. Contributions restricted for the purchase of capital assets are deferred, and when expended, are amortized into revenue, at a rate corresponding with the amortization rate for the related capital assets.

# The University of Western Ontario

## Notes to the Combined Financial Statements

Year Ended April 30, 2008  
(thousands of dollars)

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Endowment contributions, having externally or internally imposed restrictions requiring that the principal be maintained intact, are recognized as direct increases in endowment net assets.

Gifts of capital assets are recorded at fair market value at the date of receipt and the related contributions are amortized to operations on the same basis as the related capital asset. Contributions of collection items are recorded at fair market value at the date of the receipt and as a direct increase to endowed net assets.

Pledges are recorded as revenue on a cash basis, due to uncertainty of collection, and accordingly, pledges outstanding and not received at the year end are not recorded as an asset.

Student fees are recognized as revenue when courses and seminars are held. Activity fees are included in student fees. Sales and services revenue is recognized at point of sale or when the service has been provided.

(b) Inventories

Inventories are recorded at the lower of cost and net realizable value.

(c) Investments and investment returns

Investments, other than strip bonds and the structured deposit are recorded in the accounts at fair value. The value of investments recorded in the financial statements is determined as follows:

- i) Short-term investments are valued based on cost plus accrued interest which together approximates fair value.
- ii) Publically traded bonds and equities are determined based on the latest bid prices.
- iii) Investments in pooled funds are valued at their reported net asset value per unit.
- iv) Strip bonds are recorded at cost plus accrued interest at their effective yield.
- v) The structured deposit is recorded at its amortized cost.

Transactions are recorded on a trade date basis and transaction costs are expensed as incurred.

Investment returns, in the combined statement of operations, include interest, dividends, income distributions from pooled funds, realized and unrealized capital gains and losses and realized and unrealized currency gains and losses.

Investment returns (losses) attributed to the endowments are recorded as an addition (reduction) to endowments net assets. All other investment returns along with the amounts allocated for spending from the endowments are recorded as investment returns in the combined statement of operations.

Investment returns on internally restricted endowments are recorded as a transfer from unrestricted to endowments in the combined statement of changes in net assets.

# The University of Western Ontario

## Notes to the Combined Financial Statements

Year Ended April 30, 2008  
(thousands of dollars)

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The University protects the capital value of the endowments by limiting the amount of investment returns that are allocated for spending and requiring the reinvestment of investment returns in excess of such amounts allocated for spending. In any particular year, should investment returns be insufficient to fund the amounts made available for spending, amounts are transferred from the accumulated reinvested returns. For individual endowment funds without sufficient accumulated reinvestment returns, temporary encroachment on endowed capital is permitted to support the desired level of spending. This amount is expected to be recovered by future net investment returns.

### (d) Capital assets

Purchased capital assets, including works of art, are recorded at cost. Contributed capital assets are recorded at fair market value at the date of contribution. Amortization is provided on a straight-line basis over the estimated useful life for buildings, computer equipment and library books, and on a declining balance basis for all other capital assets.

Amortization rates are generally as follows:

Buildings	40 years
Computer equipment	5 years
Equipment and furnishings	20 %
Library books	5 years
Works of art are not amortized	

Construction in progress is primarily buildings. No amortization is recorded until construction is substantially complete and the assets are ready for productive use.

### (e) Employee future benefits

#### i) Non-pension plans:

The University provides medical, dental and life insurance benefits to eligible employees. The University accrues for these obligations, with the cost of these benefits being actuarially determined using the projected benefit method pro-rated on service using best estimates of salary escalation, retirement ages of employees and expected health care costs. Differences arising from plan amendments, changes in assumptions and actuarial gains and losses are recognized in income over the expected average remaining service life of employees.

#### ii) Pension plans and other retirement income funds:

The University sponsors pension plans for its academic and administrative staff. The benefits provided under the plans are primarily defined contribution. There is no past service liability in respect of either of these plans. Contributions to defined contribution plans are expensed as incurred.

For academic staff that attained the age of 45 on July 1, 1970 (the date the academic staff plan was changed to provide defined contribution benefits) a minimum annual pension income was guaranteed based on a defined benefit formula. For administrative staff members who were hired prior to May 1, 1974 (the date the administrative staff plan was amended to provide defined contribution benefits) a minimum annual pension income was guaranteed based on a defined benefit formula. The costs of these guarantee formulas are actuarially determined. The existing net surplus in these plans is not recorded in the combined financial statements.

# The University of Western Ontario

## Notes to the Combined Financial Statements

Year Ended April 30, 2008  
(thousands of dollars)

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In October 2000, The University established the Retirement Income Funds Program to provide periodic income payments to former members of The University's pension plans who choose to enroll. The University's obligations are solely related to the administration of these programs. Former members allocate, at their own discretion, all or a portion of their entitlements under The University's pension plans to either a Registered Retirement Income Fund (RRIF), a Life Income Fund (LIF) or a Locked-in Retirement Income Fund (LRIF). The funds are invested and administered in the same manner as The University pension plans.

(f) Financial instruments

i) Derivative financial instruments

The University uses derivative instruments to manage exposures to changes in foreign exchange and interest rates. The University's objective for holding derivatives is to minimize risk using the most efficient methods to eliminate or reduce the impacts of these exposures.

Interest rate swaps:

The University enters into interest rate swaps to manage the interest rate cash flow exposure associated with certain debt obligations. The contracts have the effect of converting the floating rate of interest on certain debt to a fixed rate.

Foreign exchange contracts:

The University's activities which result in exposures to fluctuations in foreign currency exchange rates consist of the purchasing of goods and services denominated in a foreign currency and holding investments denominated in other than Canadian currencies. The University manages this exposure by creating offsetting positions through the use of financial instruments. These instruments include forward contracts, which are commitments to buy or sell at a future date, and may be settled in cash.

Effective May 1, 2007, derivative financial instruments are carried at fair value and marked-to-market at each reporting date with the unrealized gain/losses recorded in the combined statement of operations with a corresponding amount recorded in the combined statement of financial position.

ii) Hedge accounting

The University's policy is not to utilize derivative financial instruments for trading or speculative purposes. Prior to the adoption of new accounting policies, see note 3, eligible gains and losses on interest rate swap agreements were deferred and recognized in the combined statement of operations in the same period as the related hedged item. As a result of the accounting policies adopted by The University, see note 3, The University no longer designates its interest rate swaps as accounting hedges. Therefore, all changes in fair values of derivative financial instruments are now immediately recognized. There was no change in the accounting for foreign exchange contracts as a result of the new standards.

(g) Foreign currency translation

The University accounts for transactions in foreign currency at the exchange rate in effect at the time of the transactions. At year-end, monetary assets and liabilities denominated in foreign currency are translated at year-end exchange rates. Foreign exchange gains and losses on investments have been included in investment returns.

# The University of Western Ontario

## Notes to the Combined Financial Statements

Year Ended April 30, 2008  
(thousands of dollars)

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### 3. CHANGES IN ACCOUNTING POLICIES

#### *Financial instruments*

Effective May 1, 2007, The University adopted the following new Canadian Institute of Chartered Accountants ("CICA") Standards: Section 3855, "*Financial Instruments – Recognition and Measurement*", Section 3865, "*Hedges*", Section 3861, "*Financial Instruments – Presentation and Disclosure*", and amendments in Section 4400, "*Financial Statement Presentation by Not-for-Profit Organizations*". Under the new standards, all financial instruments are initially recorded on the combined statement of financial position at fair value. They are subsequently valued at fair value or amortized cost depending on the classification selected for the financial instrument. Financial assets are classified as either "held-for-trading", "held-to-maturity", "available-for-sale" or "loans and receivables" and financial liabilities are classified as either "held-for-trading" or "other liabilities". Financial assets and liabilities classified as held-for-trading are measured at fair value with changes in fair value recorded in the combined statement of operations. Financial assets classified as held-to-maturity or loans and receivables and financial liabilities classified as other liabilities are subsequently measured at amortized cost using the effective interest method. Available-for-sale financial assets that have a quoted price in an active market are measured at fair value with the changes in fair value recorded in deferred contributions if the investment is externally restricted and in the combined statement of changes in net assets if the investment is not externally restricted. Such gains or losses are reclassified to the combined statement of operations when the related financial asset is disposed of or when the decline in value is considered to be other-than-temporary.

The University has classified its financial instruments as follows:

- i) Cash is classified as held-for-trading.
- ii) Accounts receivable is classified as loans and receivables.
- iii) Investments are classified as held-for-trading, other than the strip bonds and the structured deposit which are classified as held-to-maturity and the investment in class B preferred shares of 810679 Ontario Limited which is classified as available-for-sale.
- iv) Bank indebtedness, accounts payable and accrued liabilities and debt are classified as other liabilities.
- v) Derivative financial instruments which have not been designated as hedges for accounting purposes are classified as held-for-trading. These derivative financial instruments consist of foreign exchange forward contracts and interest rate swap agreements. The University no longer designates interest rate swap agreements as hedges as a result of new requirements for hedge accounting which came into effect on May 1, 2007.

The University has elected to record transaction costs as part of the amortized cost using the effective interest method related to financial instruments classified as other than held-for-trading.

The University has elected to use trade date accounting for regular-way purchases and sales of financial assets.

The University has elected not to apply CICA 3855 to derivatives embedded in leases, derivatives embedded in insurance contracts, contracts to buy or sell non-financial items including derivatives embedded therein, and derivatives embedded in contracts to buy or sell a non-financial item in accordance with The University's expected purchase, sale or usage requirements, in accordance with CICA 3855 paragraph 07A.

The change in the accounting policy is treated prospectively as required under the standards.

# The University of Western Ontario

## Notes to the Combined Financial Statements

Year Ended April 30, 2008  
(thousands of dollars)

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The impact from adopting the new standards on opening net assets was a decrease of \$2,544 for an unrealized loss on the interest rate swaps at May 1, 2007. This transitional adjustment will be amortized to interest expense over the remaining term of the swaps.

### *Future accounting policy changes*

The CICA has issued two new standards, CICA 3862: *Financial Instruments – Disclosures* and CICA 3863: *Financial Instruments – Presentation*, which enables users of financial statements to evaluate the significance of financial instruments to an entity, related exposures and the management of these risks.

The CICA has also issued a new accounting standard, CICA 1535: *Capital Disclosures*, which requires the disclosure of qualitative and quantitative information that enables users of financial statements to evaluate the entity's objectives, policies and processes for managing capital.

These changes in accounting policies, which will be adopted effective May 1, 2008, will require additional disclosure in the financial statements.

## 4. INTEGRATION OF ROBARTS RESEARCH INSTITUTE

Effective July 1, 2007, Robarts Research Institute ("Robarts") was integrated into The University in accordance with the agreement between Robarts and The University. Robarts joined The University as an Institute in the Schulich School of Medicine and Dentistry. The operating results of Robarts have been included in the combined financial statements since that date. Robarts operates a medical research facility.

The estimated fair value of the assets acquired and liabilities assumed at the date of integration are as follows:

Current assets	\$	20,194
Investments		20,674
Capital assets		57,932
Total assets acquired	\$	<u>98,800</u>
Current liabilities	\$	4,900
Capital lease obligation		2,529
Deferred contributions		21,732
Deferred capital contributions		54,868
Total liabilities assumed	\$	<u>84,029</u>
Endowments	\$	11,435
Invested in capital assets		535
Unrestricted net assets		2,801
Net Assets	\$	<u>14,771</u>

# The University of Western Ontario

## Notes to the Combined Financial Statements

Year Ended April 30, 2008  
(thousands of dollars)

The Provincial Government provided one-time funding of \$11,000 to support the integration of Robarts into The University, included in current assets as a receivable at July 1, 2007. This funding was primarily applied to the existing net working capital deficiency of \$8,199, as at July 1, 2007. The remaining \$2,801 (\$11,000 - \$8,199) which is included in other revenues in the combined statement of operations has been internally restricted and will be used for the recruitment and start-up costs of the new scientific director, building improvements, post-employment benefits and other costs related to the integration.

The operating results of Robarts for the period July 1, 2007 to April 30, 2008 have been included in the combined statement of operations.

### 5. INVESTMENTS

(a) Investments consist of the following:

	2008	2007
	Fair Value	Fair Value
Short-term investments	\$ 198,295	\$ 78,428
Government bonds	151,845	158,629
Corporate bonds	72,730	38,188
Canadian equities	125,837	124,808
U.S. equities	113,349	138,603
Non-North American equities	115,328	97,673
Hedge funds	21,605	21,826
	<u>\$ 798,989</u>	<u>\$ 658,155</u>

The University has provided for the repayment of the principal of the Lambton Hall mortgage by the purchase of strip bonds that will have a maturity value of \$10,750 on April 1, 2010. These bonds have an effective yield of 10.98% compounded semi-annually and a book value, as at April 30, 2008, of \$8,541 (2007 - \$7,675) which is included with corporate bonds in the above table. The fair value of these bonds as at April 30, 2008 was \$9,760 (2007 - \$9,363).

The University invested a portion of the debenture proceeds (see note 10(d)) in a structured deposit, which matures on May 15, 2009. This investment has an effective yield of 4.44% compounded semi annually and a book value, as at April 30, 2008, of \$67,600 which is included with short-term investments in the above table. The fair value of this investment as at April 30, 2008 was \$68,115.

(b) Investment returns recorded in the combined statement of operations are calculated as follows:

	2008	2007
Investment returns	\$ 8,363	\$ 63,883
Investment returns allocated to external endowments	29	(30,385)
Allocation for spending from accumulated reinvestment returns	16,129	13,069
	<u>\$ 24,521</u>	<u>\$ 46,567</u>



# The University of Western Ontario

## Notes to the Combined Financial Statements

Year Ended April 30, 2008  
(thousands of dollars)

(c) Investment returns earned based on financial instrument classifications are as follows:

	2008	2007
Held-for-trading	\$ 19,648	\$ 45,789
Held-to-maturity	4,566	778
Available-for-sale	307	-
	<u>\$ 24,521</u>	<u>\$ 46,567</u>

## 6. CAPITAL ASSETS

Capital assets consist of the following:

	2008			2007		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Building	\$ 737,993	\$ 250,508	\$ 487,485	\$ 638,103	\$ 232,923	\$ 405,180
Equipment, furnishing & computer equipment	353,064	215,961	137,103	312,995	192,764	120,231
Library books	172,380	156,796	15,585	164,705	149,173	15,532
Construction in progress	81,975	-	81,975	62,725	-	62,725
Land	18,118	-	18,118	13,485	-	13,485
Works of arts	11,628	-	11,628	11,093	-	11,093
	<u>\$ 1,375,159</u>	<u>\$ 623,265</u>	<u>\$ 751,894</u>	<u>\$ 1,203,106</u>	<u>\$ 574,859</u>	<u>\$ 628,246</u>

The University maintains a collection of art that is insured for \$11,211. During the year, paintings were donated to The University with a total appraised value of \$480 (2007 - \$456).

The University's insurer determines replacement values of buildings and contents for insurance purposes using an independent appraisal service. The insured replacement value of buildings is \$1,589,466 (2007 - \$1,478,317); contents is \$1,535,254 (2007 - \$1,513,241), which amount includes library books of \$1,108,948 (2007 - \$1,099,608).

## 7. BANK INDEBTEDNESS

The University's bank overdraft facility is covered by an unsecured line of credit agreement of \$20,000. The line of credit is due on demand and bears interest at the bank's prime rate.

Ivey Management Services bank indebtedness is repayable on demand and bears interest at prime. The demand facility is subject to a general security agreement over all present and future personal properties.

# The University of Western Ontario

## Notes to the Combined Financial Statements

Year Ended April 30, 2008  
(thousands of dollars)

### 8. EMPLOYEE FUTURE BENEFITS

The interval between actuarial valuations for the defined benefit pension plans does not exceed three years with the most recent valuations prepared as at April 30, 2008 for the non-pension plans and December 31, 2006 for the pension plans. In the years between valuations, an extrapolation of the actuarial valuation is used to determine the market related value of the plan assets and the projected benefit obligations.

(i) Non-pension plans:

The accrued benefit liability relating to the non-pension plans is \$208,172 (2007 - \$188,170). This liability has been recorded in the combined financial statements.

Total expense for these plans is \$20,002 (2007 - \$14,945). Benefits paid during the year amounted to \$6,222 (2007 - \$5,775).

(ii) Pension plans:

Information regarding the academic and administrative staff pension plans is as follows:

	2008	2007
Accrued benefit obligation:		
Academic staff	\$ 6,051	\$ 7,044
Administrative staff	2,191	2,541
	<u>\$ 8,242</u>	<u>\$ 9,585</u>
Fair value of plan assets:		
Academic staff	\$ 7,813	\$ 8,618
Administrative staff	2,193	2,383
	<u>\$ 10,006</u>	<u>\$ 11,001</u>
Funded status – surplus	<u>\$ 1,764</u>	<u>\$ 1,416</u>

Contributions to the pension plans during the year are as follows:

	2008	2007
Employer contributions	\$ 24,225	\$ 21,910
Employee contributions	12,493	11,289
	<u>\$ 36,718</u>	<u>\$ 33,199</u>

Total expense for these plans is \$52,305 (2007 - \$62,519) which include benefits paid during the year in the amount of \$50,880 (2007 - \$61,229).

(iii) Non-pension and pension plans:

The significant actuarial assumptions adopted in measuring The University's accrued benefit obligations for all defined benefit plans are as follows (weighted-average assumptions as of December 31):

	Non-Pension Plans		Pension Plans	
	2008	2007	2008	2007
Discount rate	5.5%	5.2%	5.4%	4.5%
Expected long-term rate of return on plan assets	-	-	5.4%	4.5%
Medical cost increases:				
Hospital	5.0%	5.0%	-	-
Drug	9.5%	10.0%	-	-
Other Medical	5.0%	5.0%	-	-
Dental cost	4.5%	4.5%	-	-

Drug cost is projected to decrease .5% each year to a 5% ultimate rate.

# The University of Western Ontario

## Notes to the Combined Financial Statements

Year Ended April 30, 2008  
(thousands of dollars)

### 9. FINANCIAL INSTRUMENTS

#### (a) Fair values

Fair value estimates are made as of a specific point in time, using available information about the financial instrument.

The carrying value of cash, accounts receivable, bank indebtedness and accounts payable and accrued liabilities approximates their fair values based on the short-term maturity of those instruments. The fair value of investments is disclosed in note 5, debt is disclosed in note 10(j) and derivative financial instruments in note 9(b).

#### (b) Derivative financial instruments

The notional and fair values of the financial instruments are as follows:

	2008		2007	
	Notional value	Fair value	Notional value	Fair value
Foreign currency forward contracts	\$ 1,263	\$ 70	\$ -	\$ -
Interest rate swap agreements	14,971	(658)	52,460	(2,544)
		<u>\$ (588)</u>		<u>\$ (2,544)</u>

The unrealized losses on the derivative financial instruments are reported in accounts payable and accrued liabilities in the combined statement of financial position.

#### Interest rate swaps:

The interest rate swap contracts result in The University fixing a weighted average long-term interest rate of 4.3% (2007 – 5.1%) on certain floating rate debt obligations instead of paying a weighted average short-term floating rate of 3.9% (2007 – 4.2%).

The two outstanding interest rate swap agreements relate to the Telecommunications Systems and Research Park debt and mature on May 1, 2008 and October 31, 2012, respectively. The counterparties to these contracts are major Canadian financial institutions. The University does not anticipate any material adverse effect on its financial position resulting from its involvement in these types of contracts, nor does it anticipate non-performance by the counterparty given their high credit rating.

#### Foreign exchange contracts:

The forward foreign exchange contracts relate to the purchase of goods and services and the forward contracts covering a portion of The University's investments that are denominated in non-Canadian currencies have a remaining term to maturity of less than one year and relate to U.S. and British Pound currencies. The counterparties to these contracts are major Canadian financial institutions. The University does not anticipate any material adverse effect on its financial position resulting from its involvement in these types of contracts, nor does it anticipate non-performance by the counterparty.

# The University of Western Ontario

## Notes to the Combined Financial Statements

Year Ended April 30, 2008  
(thousands of dollars)

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### (c) Risk management

The University, through its financial assets and liabilities is exposed to various risks. The following analysis will provide a measurement of risks as at the statement of financial position date, April 30, 2008.

#### (i) Credit risk

Credit risk is the risk of financial loss to The University if a counterparty to a financial instrument fails to meet its contractual obligation.

Approximately 56% (42% at April 30, 2007) of The University's investments consists of money market investments and government and corporate bonds. In order to minimize the risk of having an issuer of these debt instruments fail to pay interest or principal as required, The University has established minimum credit rating requirements for such investments.

The University has established policies for extending credit to various businesses, groups and individuals who purchase goods and services from The University, in order to reduce incidents of non payment. Management believes that the credit risk is minimized by dealing with creditworthy counterparties.

The University is also exposed to credit risk through its use of interest rate swaps and foreign exchange contracts. The credit risk associated with foreign exchange contracts arises from the possibility that a counterparty to a foreign exchange contract in which The University has an unrealized gain fails to perform according to the terms of the contract. The credit risk is much less than the notional principal amount, being limited at any time to the change in fair value attributable to the instruments.

#### (ii) Currency risk

Currency risk is the risk that the fair value or future cash flow of a financial instrument will fluctuate due to changes in foreign exchange rates.

The University purchases equipment, books and other supplies and services in foreign currencies and may occasionally mitigate its exposure to foreign currency by entering into forward exchange contracts at the time of ordering.

The University receives research and other revenues in foreign currencies and does not mitigate the potential for a loss in revenues that could result due to a fall in the value of the Canadian dollar between invoicing for such amounts and the time of receipt of funds.

Approximately 38% (42% at April 30, 2007) of The University's investments is exposed to investments outside of Canada. A reduction in the values of these foreign currencies in relation to the Canadian dollar would have an adverse effect on the value of these investments. The University monitors foreign currency exposure and through its investment managers, enters into forward exchange contracts and futures contracts for approximately 24% (21% as at April 30, 2007) of foreign investments in order to reduce its foreign currency exposure risk.

#### (iii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates.

The University is subject to interest rate cash flow risk with respect to its floating rate debt. The University mitigates this risk by entering into interest rate swap agreements for a portion of its floating rate debt that fix the interest rate over the term of the debt.

# The University of Western Ontario

## Notes to the Combined Financial Statements

Year Ended April 30, 2008  
(thousands of dollars)

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All other debt of The University, being unsecured debentures, mortgages and capital lease obligations, have fixed interest rates and are therefore not exposed to cash flow interest rate risks.

The University's short-term investments are subject to interest rate fluctuations as maturing investments are reinvested at new rates of interest. The market value of investments held in Government and Corporate bonds will fluctuate due to changes in market interest rates.

(iv) Market risk

Market risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market.

The University's investments in short-term investments, bonds, equities and hedge funds are subject to market risk. Management mitigates this risk through diversification of its investment portfolio.

(v) Liquidity risk

Liquidity risk is the risk that The University will encounter difficulty in raising funds to meet its obligations as they fall due.

Additionally, The University's investments are listed on public stock exchanges and are therefore considered to be liquid, except redemptions from the hedge funds investments which may be postponed or withheld by the manager under certain special circumstances.

The University also has available overdraft facilities of \$20 million which were not used during fiscal 2008.

Management expects that cash flows from operations will be sufficient to meet The University's obligations.

# The University of Western Ontario

## Notes to the Combined Financial Statements

Year Ended April 30, 2008  
(thousands of dollars)

### 10. DEBT

	Maturity	Interest Rate at April 30, 2008	Annual Payments (Principal and Interest)	2008 Principal Outstanding	2007 Principal Outstanding
(a) Senior Unsecured Debentures [note (d)]	May 24, 2047	4.798%	\$	189,094	-

(b) The details of the mortgages are as follows:

#### Housing

##### Canada Mortgage and Housing Corporation:

Platt's Lane Estates	Aug. 1, 2028	8.00%	\$ 699	\$ 7,640	\$ 7,748
Glenmore Complex	Dec 1, 2019	6.25%	500	4,179	4,407
Delaware Hall	Sept 1, 2011	5.38%	134	309	422

##### Ontario Housing Corporation:

Lambton Hall [note (e)]	April 1, 2010	10.36%	1,114	10,750	10,750
Glenmore Complex	Dec 1, 2019	6.50%	31	253	267

Total mortgages			\$ 2,478	\$ 23,131	\$ 23,594
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(c) The details of the loans payable, demand notes, fixed rate operating loans, preferred shares, bankers' acceptances and capital lease obligations are as follows:

#### Capital

Telecommunications System [note (f)]	May 1, 2008	4.59%	\$ 800	\$ 1,500
NCMRD Expansion			-	1,540

#### Housing

London Hall Residence			-	30,200
Essex Hall/Elgin Hall			-	29,700
Perth Hall			-	21,260

#### Related Corporations

##### Research & Development Park

(i) Bankers' Acceptances [note (g)]	July 31, 2008	3.389%		14,171	-
(ii) Operating Loan [note (g)]				-	3,500
(iii) Preferred Shares [note (g)]				-	10,587

##### Richard Ivey School of Business Foundation

(i) Bankers' Acceptances [note (h)]	April 30, 2008	prime		3,800	4,300
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##### Robarts Research Institute

(i) Capital Lease Obligation [note (i)]	Sept 11, 2011	5.51%		2,118	-
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Total loans payable			\$ 20,889	\$ 102,587
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Total debt			\$ 233,114	\$ 126,181
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# The University of Western Ontario

## Notes to the Combined Financial Statements

Year Ended April 30, 2008  
(thousands of dollars)

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- (d) On May 24, 2007 The University issued Series A Senior Unsecured Debentures in the aggregate principal amount of \$190,000. The debentures bear interest at 4.798% which is payable semi-annually on May 24 and November 24 with the principal amount to be repaid on May 24, 2047. The proceeds of the issue were used to retire certain existing capital debt and to finance new capital projects. The debt that was retired in May and June of 2007, included loans related to London Hall Residence, Essex Hall Residence, Elgin Hall Residence, Perth Hall Residence and NCMRD Expansion. The unused portion of the debenture proceeds were invested in a structured deposit and cash in action fund.
- (e) The University has provided for the repayment of the principal of the Lambton Hall mortgage by the purchase of strip bonds that will have a maturity value of \$10,750 on April 30, 2010.
- (f) An interest rate swap agreement has been entered into for the telecommunications system financing which fixes the effective interest rate at 5.97% over the period ending May 2008, at which time, the debt will be retired.
- (g) On January 3, 2002 the Canada Revenue Agency granted a preferred tax status that allowed the long-term debt of Windermere Manor to be refinanced with preferred shares. The restructuring plan was implemented on October 16, 2002 through a series of transactions involving Newco, a wholly owned subsidiary of Windermere Manor, created for the purpose. On October 10, 2007 all remaining outstanding preferred shares were redeemed using proceeds from a loan payable entered into on behalf of the Research Park by the University. The total amount of the loan payable was \$14,267 and the proceeds were applied to redeem the previously mentioned preferred shares and retire an outstanding fixed rate loan payable. The current outstanding balance of this loan payable is \$14,171. An interest rate swap agreement has been entered into to fix the effective interest rate for this loan at 4.89% over the remaining term, ending October 25, 2012.
- (h) The bankers' acceptance for the Richard Ivey School of Business Foundation is guaranteed by The University.
- (i) In fiscal 2005, Robarts Research Institute entered into a capital lease for a 3 Tesla magnet with GE Capital. The lease terms provide for the acquisition of an asset with a cost of \$3,897, which will be repaid over seven years at an interest rate of 5.51%.
- (j) The fair value of long-term debt at April 30, 2008 was \$227,494 (2007 – \$132,487) compared to a carrying amount of \$233,114 (2007 - \$126,181).
- (k) Anticipated requirements to meet the principal portion of the debt repayments over the next five years are as follows:

	Principal
2009	\$ 6,531
2010	12,365
2011	1,616
2012	1,213
2013	13,923
Subsequent years	197,466
	<u>\$ 233,114</u>

# The University of Western Ontario

## Notes to the Combined Financial Statements

Year Ended April 30, 2008  
(thousands of dollars)

### 11. DEFERRED CONTRIBUTIONS

Deferred contributions consist of the following:

	2008	2007
Unspent research grants	\$ 74,991	\$ 53,320
Other restricted funds	71,198	68,136
<b>Balance, end of year</b>	<b>\$ 146,189</b>	<b>\$ 121,456</b>

### 12. DEFERRED CAPITAL CONTRIBUTIONS

The changes in the deferred capital contributions balance are as follows:

	2008	2007
Balance, beginning of year	\$ 297,593	\$ 282,938
Less amortization of deferred capital contributions	(28,332)	(24,601)
Add contributions received during the year	106,372	39,256
<b>Balance, end of year</b>	<b>\$ 375,633</b>	<b>\$ 297,593</b>

Represented by:

Amounts used for the purchase of capital assets	\$ 349,555	\$ 296,846
Amounts to be spent on capital assets	26,078	747
	<b>\$ 375,633</b>	<b>\$ 297,593</b>

### 13. UNRESTRICTED NET ASSETS

Details of the unrestricted net assets are as follows:

	2008	2007
Undistributed investment returns	\$ 57,968	\$ 67,966
Operating fund surplus	25,465	8,953
Provision for vacation pay	(7,545)	(6,694)
Operating deficit - related organizations	(26,738)	(23,206)
Provision for employee future benefits	(208,172)	(188,170)
<b>Balance, end of year</b>	<b>\$ (159,022)</b>	<b>\$ (141,151)</b>



# The University of Western Ontario

## Notes to the Combined Financial Statements

Year Ended April 30, 2008  
(thousands of dollars)

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### 14. INTERNALLY RESTRICTED NET ASSETS

Details of the internally restricted net assets are as follows:

	2008	2007
Departmental carry forwards	\$ 55,630	\$ 45,482
Capital reserve	8,081	51,204
Operating surplus – ancillary and support units	7,092	15,049
Faculty and research trust funds	20,498	14,638
Equipment reserves	11,692	11,593
Self-insurance funds	1,212	1,055
<b>Balance, end of year</b>	<b>\$ 104,205</b>	<b>\$ 139,021</b>

- i) Departmental carry forwards represent amounts that vary from budget. The University has in place a flexible budgeting program, which allows operating budget units to defer surpluses and deficits to the subsequent year.
- ii) The capital reserve represents funds restricted for capital purposes.
- iii) Ancillary and support unit carry forwards represent amounts that these units are permitted to carry forward.
- iv) Faculty and research trust funds include donations and other revenue with no external restrictions that departments are permitted to carry forward.
- v) The equipment reserves represent funds that departments have allocated for the future replacement of assets.
- vi) The reserve for self-insurance represents funds set aside to cover uninsured losses and the deductible portion of insured losses.

# The University of Western Ontario

## Notes to the Combined Financial Statements

Year Ended April 30, 2008  
(thousands of dollars)

### 15. INVESTMENT IN CAPITAL ASSETS

The investment in capital assets consists of the following:

	2008	2007
Capital assets [note 6]	\$ 751,894	\$ 628,246
Less amounts financed by		
Debt [note 10]	(135,920)	(126,181)
Deferred capital contributions [note 12]	(349,555)	(296,846)
	<u>\$ 266,419</u>	<u>\$ 205,219</u>

Capital assets financed by debt at April 30, 2008 is calculated as follows: total debt at April 30, 2008 of \$233,114 less debenture proceeds invested in a structured deposit and cash in action fund of \$98,100, plus the difference between total debenture proceeds of \$190,000 and the amortized cost of the debenture of \$189,094.

The change in investment in capital assets is calculated as follows:

	2008	2007
Amortization of deferred capital contributions	\$ 28,332	\$ 24,601
Amortization of capital assets	(58,914)	(53,139)
	<u>(30,582)</u>	<u>(28,538)</u>
Purchase of capital assets	182,082	110,953
Amounts funded by:		
Debt	(24,188)	(8,600)
Deferred capital contributions	(81,041)	(38,937)
Repayment of debt	14,449	9,617
	<u>91,302</u>	<u>73,033</u>
Non-depreciable assets donated to The University	480	456
<b>Change in investment in capital assets</b>	<u><u>\$ 61,200</u></u>	<u><u>\$ 44,951</u></u>

# The University of Western Ontario

## Notes to the Combined Financial Statements

Year Ended April 30, 2008  
(thousands of dollars)

### 16. ENDOWMENTS

Net assets restricted for endowment consist of the following:

	2008	2007
Externally Endowed	\$ 308,505	\$ 291,437
Internally Endowed	16,803	17,579
	<u>\$ 325,308</u>	<u>\$ 309,016</u>

#### Represented by:

Endowed funds	\$ 285,333	\$ 252,118
Accumulated reinvestment returns	39,975	56,898
	<u>\$ 325,308</u>	<u>\$ 309,016</u>

### 17. (a) ONTARIO STUDENT OPPORTUNITY TRUST FUND – PHASE I

Externally restricted endowments include grants provided by the Government of Ontario from the Ontario Student Opportunity Trust Fund (OSOTF) matching program. These monies are to award student aid as a result of raising an equal amount of endowed donations.

	2008	2007
<b>Schedule of Changes in Endowment Fund Balance</b>		
Fund balance, beginning of year	\$ 39,385	\$ 36,707
Cash donations received	71	39
Preservation of capital	(1,137)	2,639
<b>Fund balance, end of year</b>	<u>\$ 38,319</u>	<u>\$ 39,385</u>

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

Fund balance, beginning of year	\$ 2,176	\$ 1,294
Realized investment income, net of direct investment-related expenses and preservation of capital contributions	2,509	2,517
Expendable donations	3	8
Bursaries awarded [725 (2007 – 768)]	(1,528)	(1,643)
<b>Balance, end of year</b>	<u>\$ 3,160</u>	<u>\$ 2,176</u>
<b>Endowment total based on book value</b>	<u>\$ 41,479</u>	<u>\$ 41,561</u>

The fair value of the endowment at April 30, 2008 was \$40,795 (2007 - \$41,924).

# The University of Western Ontario

## Notes to the Combined Financial Statements

Year Ended April 30, 2008  
(thousands of dollars)

### (b) ONTARIO STUDENT OPPORTUNITY TRUST FUND – PHASE II

	2008 Western	2008 Affiliates	2007 Western	2007 Affiliates
<b>Schedule of Changes in Endowment Fund Balances</b>				
Fund balance, beginning of year	\$ 15,087	\$ 1,468	\$ 14,306	\$ 1,441
Cash donations received	65	-	191	1
Preservation of capital	(645)	3	590	26
<b>Fund balance, end of year</b>	<u>\$ 14,507</u>	<u>\$ 1,471</u>	<u>\$ 15,087</u>	<u>\$ 1,468</u>
<b>Schedule of Changes in Expendable Funds Available for Awards</b>				
Fund balance, beginning of year	\$ 462	\$ 127	\$ 593	\$ 88
Realized investment income, net of direct investment related expenses and preservation of capital	1,386	91	1,132	98
Expendable contributions received	1	-	-	-
Bursaries awarded [237 (2007 – 270)]	(1,330)	(63)	(1,263)	(59)
<b>Balance, end of year</b>	<u>\$ 519</u>	<u>\$ 155</u>	<u>\$ 462</u>	<u>\$ 127</u>
Endowment total based on book value	<u>\$ 15,026</u>	<u>\$ 1,626</u>	<u>\$ 15,549</u>	<u>\$ 1,595</u>

The amounts for affiliates noted above are provided for information purposes only and are not included in the combined financial statements.

The fair value of the endowment at April 30, 2008 was \$16,739 (2007 - \$17,255).

# The University of Western Ontario

## Notes to the Combined Financial Statements

Year Ended April 30, 2008  
(thousands of dollars)

### 18. ONTARIO TRUST FOR STUDENT SUPPORT

Externally restricted endowments include grants provided by the Government of Ontario from the Ontario Trust for Student Support (OTSS) matching program. These monies are to award student aid as a result of raising an equal amount of endowed donations.

(For the year ended March 31, 2008)

	2008 Western	2008 Affiliates	2007 Western	2007 Affiliates
<b>Schedule of Cash Donations Matched Between April 1, 2007 and March 31, 2008</b>				
Cash donations matched between April 1, 2007 and March 31, 2008	\$ 2,748	\$ 538	\$ 2,593	\$ 495
<b>Schedule of Changes in Endowment Fund Balances</b>				
Fund balance, beginning of year	\$ 34,262	\$ 3,439	\$ 22,503	\$ 2,060
Eligible cash donations received	2,717	739	7,611	873
Cash donations included in endowment funds but not eligible for matching	82	-	-	-
Matching funds received from MTCU	2,748	538	2,593	495
Preservation of capital	(1,167)	9	1,555	11
<b>Fund balance, end of year</b>	<b>\$ 38,642</b>	<b>\$ 4,725</b>	<b>\$ 34,262</b>	<b>\$ 3,439</b>
<b>Schedule of Changes in Expendable Funds Available for Awards</b>				
Fund balance, beginning of year	\$ 610	\$ 100	\$ 92	\$ 5
Expendable donations	-	-	1	-
Realized investment income, net of direct investment-related	945	139	599	121
Bursaries awarded [214 (2007 – 50)]	(631)	(122)	(82)	(26)
<b>Fund balance, end of year</b>	<b>\$ 924</b>	<b>\$ 117</b>	<b>\$ 610</b>	<b>\$ 100</b>
<b>Outstanding donations pledged</b>	<b>\$ 7,009</b>	<b>\$ 201</b>	<b>\$ 6,867</b>	<b>\$ 200</b>

The amounts for affiliates noted above are provided for information purposes only and are not included in the combined financial statements.

# The University of Western Ontario

## Notes to the Combined Financial Statements

Year Ended April 30, 2008  
(thousands of dollars)

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### 19. STATEMENT OF CASH FLOWS

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

	2008	2007
Accounts receivable	\$ (591)	\$ (2,924)
Inventories	530	(475)
Prepaid expenses	(3,755)	(168)
Accounts payable and accrued liabilities	17,622	1,803
Deferred fees and income	5,224	2,569
<b>Net change in non-cash working capital</b>	<b>\$ 19,030</b>	<b>\$ 805</b>

### 20. COMMITMENTS AND CONTINGENCIES

(a) Legal matters

The University is involved from time to time in litigation that arises in the normal course of operations. In respect to these claims The University believes it has valid defences, funded provisions and/or appropriate insurance coverage in place. Litigation is subject to many uncertainties, and the outcome of individual matters is not predictable. It is possible the final resolution of some of these matters may require The University to make expenditures in excess of estimated reserves, over an extended period of time and in a range that cannot be reasonably estimated at this time. The University's policy is to recognize the losses on any litigation when the outcome becomes reasonably determinable. In the administration's judgement no material exposure exists on the eventual settlement of any litigation.

(b) Capital commitments

The estimated cost to complete capital projects in progress at April 30, 2008 is approximately \$104,583.

(c) Canadian Universities Reciprocal Insurance Exchange

On January 1, 2008 The University entered a fifth, 5-year membership with the Canadian Universities Reciprocal Insurance Exchange (CURIE). All members pay annual deposit premiums which are actuarially determined and may be subject to further assessment in the event members' premiums are insufficient to cover losses and expenses.

For general liability insurance, CURIE continues to pool the risks of its members and to carry \$5,000 of liability coverage per occurrence with \$15,000 and \$5,000 excess coverages. For property insurance, the limit in any one loss shall not exceed \$5,000. All losses are subject to an annual aggregate of \$7,500. Once the per occurrence or aggregate is exhausted the excess policy shall apply. For excess coverages, members of CURIE are insured by various insurance companies to a limit of \$750,000. For errors or omissions insurance CURIE pools the risk of its members and carries \$5,000 of coverage with additional excess coverages of \$15,000 and \$5,000.

# The University of Western Ontario

## Notes to the Combined Financial Statements

Year Ended April 30, 2008  
(thousands of dollars)

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### 21. PLEDGES

Total pledges outstanding and expected year of collection are as follows:

	Pledges
2009 -	\$ 19,712
2010 -	12,020
2011 -	11,391
subsequent years -	21,586
	<u>\$ 64,709</u>