Financial Statement Highlights
April 30, 2011

The University completed the year with revenues of $995.0 million, expenses of $952.2 million and an excess of revenues over expenses of $42.8 million. The University's net assets increased from $508.0 million to $591.1 million, an $83.1 million increase over the prior year.

Combined Investment returns (Statement 2) were $49.6 million in fiscal 2011, compared to $58.5 million in fiscal 2010. The decrease was mainly due to investment returns of $69.3 million achieved in fiscal 2011compared to investment returns of 95.9 million in fiscal 2010. Total combined returns for 2011 in the amount of $69.3 million includes the returns recognized in the Statement of Operations of $49.6 million and those returns directly allocated to the endowed funds. In fiscal 2011 UWO Operating and Endowment portfolio returned approximately 10.9% and Foundation Western Investments returned approximately 10.6%. Money market investments, although positive, were nominal.

On a cash basis, research revenues were $152.9 million, a decrease of .4 million during the year. The University of Western Ontario ranks as one of the top ten research-intensive universities in Canada.

Capital additions for the University totaled $111.7 million. This amount includes purchases of equipment, furnishings, library books, works of art, spending on new construction and renovations, transfer of a building from the Stiller Centre and a gift of land. The construction projects completed or underway support the University's long-range space plan and are largely new construction and major renovation projects, required to make centrally-located space available for academic purposes, meet the need for increased space for growth in graduate enrolment, and to expand research infrastructure. New construction includes The Richard Ivey School of Business and an addition to the Museum of Ontario Archaeology. Maintenance, Modernization and Infrastructure (MMI) projects consist of major renovations in the Stevenson and Lawson Halls and the Physics and Astronomy Building. These large projects will address major deferred maintenance issues and renew facilities to modern day standards. Funding sources for these projects includes donations, research infrastructure grants, provincial and federal government grants, operating funds, and debt. Western will receive a total of $50 million from the Federal/Provincial governments through the Knowledge Infrastructure Program towards construction of Phase 1 of The Richard Ivey School of Business. Of this amount, $35.1 million was received in the 2011 fiscal year. This year the city gave the University industrial land at the Advanced Manufacturing Park (AMP). The Wind Engineering, Energy and Environment (WindEEE) Dome and International Composites Research Centre (ICRC) are two projects that are scheduled to start in 2012 at the AMP.

Donations recognized by the University totaled $52.1 million. $29.4 million in expendable donations were reported as revenue and $22.7 million was added directly to endowments. Total pledges outstanding at April 30, 2011 were $75.3 million.

Looking forward to 2011/12, we expect our revenue sources will be based on the following:

- continuation of government funding for undergraduate enrolment growth
- a first-year enrolment of 5,145
- meeting our graduate expansion targets in the final year of the Provincial Reaching Higher program
- the Province will continue to provide us flexibility with regards to tuition fees that is comparable to the current framework

Expanded first year enrolment (beyond 4,350), as well as the residence guarantee necessitates an expansion of residence capacity. To accommodate all first year students wanting to live in residence, a new $90 million residence is going to be built. To fund this and other project requirements the University will be seeking financing of approximately $100 million.

THE UNIVERSITY OF WESTERN ONTARIO

COMBINED FINANCIAL STATEMENTS

APRIL 30, 2011

Western

Amit Chakma
President & Vice-Chancellor

The UNIVERSITY *of* WESTERN ONTARIO

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.

Dr. Amit Chakma
President & Vice-Chancellor

Gitta Kulczycki
Gitta Kulczycki
Vice-President - Resources & Operations

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INDEPENDENT AUDITORS' REPORT

To the Board of Governors of The University of Western Ontario

We have audited the accompanying combined financial statements of The University of Western Ontario, which comprise the combined statement of financial position as at April 30, 2011, the combined 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 Combined Financial Statements

Management is responsible for the preparation and fair presentation of these combined financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of combined 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 combined 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 combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the combined 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 combined 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 combined financial statements.

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

Opinion

In our opinion, the combined financial statements present fairly, in all material respects, the combined financial position of The University of Western Ontario as at April 30, 2011, and its combined results of operations and its combined cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants, Licensed Public Accountants

September 27, 2011

London, Canada

THE UNIVERSITY OF WESTERN ONTARIO

Combined Statement of Financial Position **Statement 1**

As at April 30, 2011, with comparative amounts for 2010
(thousands of dollars)

	2011	2010
	$	$
Assets		
Cash	9,423	4,125
Accounts receivable	77,923	63,416
Inventories	4,279	5,236
Prepaid expenses	10,919	13,242
Investments [note 5]	831,584	737,355
Capital assets [note 6]	904,798	858,698
	1,838,926	1,682,072
Liabilities and deferred contributions		
Bank indebtedness [note 7]	1,465	2,643
Accounts payable and accrued liabilities	81,690	75,913
Deferred fees and income	66,179	61,087
Employee future benefits [note 8]	272,110	248,130
Debt [note 10]	216,034	218,411
Deferred contributions [note 11]	158,912	153,831
Deferred capital contributions [note 12]	451,429	414,069
	1,247,819	1,174,084
Net assets [Statement 3]	591,107	507,988
	1,838,926	1,682,072

See accompanying notes to the combined financial statements.

Commitments and contingencies [note 20].

Approved on behalf of the Board of Governors:

F. Angeletti
Chair, Board of Governors

James K Knowles
J. Knowles
Chair, Audit Committee

THE UNIVERSITY OF WESTERN ONTARIO

Combined Statement of Operations **Statement 2**

For the year ended April 30, 2011, with comparative amounts for 2010
(thousands of dollars)

	2011	2010
	$	$
Revenues		
Government grants for general operations	234,894	230,195
Restricted government grants and other grants and contracts	224,644	216,290
Student fees	266,568	242,097
Sales and services	153,660	143,447
Investment returns [note 5(b)]	49,581	58,539
Donations	29,449	34,580
Recoverable salaries and benefits	18,862	16,275
Other revenues	17,337	19,642
	994,995	961,065
Expenses		
Salaries and benefits	573,332	549,623
Operating costs	145,105	139,983
Amortization of capital assets	66,066	67,199
Scholarships, fellowships and bursaries	68,820	65,758
Cost of sales and services	38,460	35,296
Utilities	20,822	21,165
Repairs and maintenance	25,988	21,713
Taxes	2,821	3,362
Interest	10,790	11,163
	952,204	915,262
Excess of revenues over expenses	42,791	45,803

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, 2011, with comparative amounts for 2010
(thousands of dollars)

	2011				2010
	Unrestricted [note 13]	Internally Restricted [note 14]	Endowments [note 15]	Total	Total
	$	$	$	$	$
Net assets, beginning of year	(203,379)	392,488	318,879	507,988	410,118
Excess of revenues over expenses	42,791	-	-	42,791	45,803
Change in internally restricted net assets	(38,728)	39,145	-	417	838
Transfer to internally endowed	(1,751)	-	1,751	-	-
Allocation of internally endowed returns	669	-	(669)	-	-
Investment returns allocated to external endowments [note 5(b)]	-	-	33,328	33,328	50,018
Allocation for spending from accumulated investment returns [note 5(b)]	-	-	(13,580)	(13,580)	(12,696)
Endowment contributions	(2,535)	-	22,698	20,163	13,907
Net assets, end of year	(202,933)	431,633	362,407	591,107	507,988

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, 2011, with comparative amounts for 2010
(thousands of dollars)

	2011	2010
	$	$
Operating activities		
Excess of revenues over expenses	42,791	45,803
Add/(deduct) non-cash items		
Amortization of capital assets	66,066	67,199
Amortization of deferred capital contributions	(29,962)	(31,765)
Change in unrealized investment (gains)	(42,084)	(72,231)
Employee future benefits	23,980	18,266
Net change in non-cash working capital [note 19]	(358)	18,251
Cash provided by operating activities	60,433	45,523
Investing activities		
Net change in investments	(52,145)	(24,115)
Purchase of capital assets	(111,749)	(92,611)
Cash used in investing activities	(163,894)	(116,726)
Financing activities		
Receipt of deferred capital contributions	67,322	36,104
Net change in deferred contributions	5,081	4,133
Investment returns allocated to external endowments [note 5(b)]	33,328	50,018
Allocation for spending from accumulated investment returns [note 5(b)]	(13,580)	(12,696)
Repayment of debt	(2,377)	(12,116)
Endowment contributions	20,163	13,907
Cash provided by financing activities	109,937	79,350
Net increase in cash	6,476	8,147
Cash position (bank indebtedness), beginning of year	1,482	(6,665)
Cash position, end of year	7,958	1,482

	2011	2010
Represented by:		
Cash	9,423	4,125
Bank indebtedness	(1,465)	(2,643)
	7,958	1,482

See accompanying notes to the combined financial statements.

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, Richard Ivey School of Business Foundation, Richard Ivey School of Business (Asia) Limited, The University of Western Ontario Research & Development Park, Windermere Manor Ltd., The Siebens - Drake Research Institute,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 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.

Endowment contributions, having externally or internally imposed restrictions, 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, determined largely using the weighted average cost method.

(c) Investments and investment returns

Investments, other than strip bonds 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) Publicly 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 records at cost plus accrued interest at their effective yield.

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 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, 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.

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 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) 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.

(g) Financial instruments

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 are 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 (comparatives only).

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. 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. These derivative financial instruments consist of foreign exchange forward contracts and interest rate swap agreements. 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. The University's policy is not to utilize derivative financial instruments for trading or speculative purposes.

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.

(h) Accounting estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, related amounts of revenues and expenses, and disclosure of contingent assets and liabilities. Significant areas requiring the use of management estimates relate to the assumptions used in the determination of the fair value of financial instruments and the valuation of pension and other retirement benefit obligations. Actual results could differ from those estimates.

(i) Contributed services

The University benefits from services provided by volunteers in assisting the institution in carrying out its activities. The fair value of these services is indeterminable and accordingly is not included in the combined financial statements.

(j) Agency obligations

The University acts as an agent which holds resources and makes disbursements on behalf of various unrelated individuals or groups. These individuals/groups include the affiliate colleges as well as other universities. The University has no discretion over such agency transactions. Resources received in connection with such agency transactions are reported as liabilities, not revenue, and subsequent distributions are reported as decreases to these liabilities.

3. FUTURE ACCOUNTING POLICY CHANGES

In November 2010, the Accounting Standards Board of the CICA issued Part III of the CICA Handbook that sets out the accounting standards for not-for-profit organizations that are effective for fiscal years beginning on or after January 1, 2012.

The University is currently evaluating the impact of these standards.

4. CAPITAL MANAGEMENT

In managing capital, the University focuses on liquid resources available for operations. The University's objective is to have sufficient liquid resources to continue operating even if adverse financial events were to occur and to provide it with the flexibility to take advantage of opportunities that will advance its mission. The need for sufficient resources is considered in the preparation of its annual operating and capital budgets and in the monitoring of cash flows and actual operating results compared to budget. The University attempts to minimize the use of its line of credit of $20,000 which can be used in the event that sufficient cash flow is not available to cover operating and capital expenditures. As at April 30, 2011, the University has met its objective of having sufficient liquid resources to meet its current obligations.

(thousands of dollars)

5. INVESTMENTS

(a) Investments consist of the following:

	2011	2010
Short-term investments	$ 189,558	$ 151,351
Government bonds	160,212	150,139
Corporate bonds	48,414	57,686
Canadian equities	162,904	150,314
U.S. equities	106,640	93,642
Non-North American equities	103,669	85,539
Global equities	52,238	43,578
Alternative Investments	7,949	5,106
	$ 831,584	$ 737,355

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

	2011	2010
Investment returns	$ 69,329	$ 95,861
Investment (returns) allocated to external endowments	(33,328)	(50,018)
Allocation for spending from accumulated investment returns	13,580	12,696
	$ 49,581	$ 58,539

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

	2011	2010
Held-for-trading	$ 49,581	$ 57,402
Held-to-maturity	-	1,073
Available-for-sale	-	64
	$ 49,581	$ 58,539

(thousands of dollars)

6. CAPITAL ASSETS

Capital assets consist of the following:

	2011			2010		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Buildings	$ 935,092	$ 313,833	$ 621,259	$ 927,799	$ 292,818	$ 634,981
Equipment, furnishing & computer equipment	432,739	286,031	146,708	415,474	265,947	149,527
Library books	201,233	181,568	19,665	189,988	172,740	17,248
Construction in progress	82,657	-	82,657	24,388	-	24,388
Land	21,051	-	21,051	19,581	-	19,581
Works of arts	13,458	-	13,458	12,973	-	12,973
	$ 1,686,230	$ 781,432	$ 904,798	$ 1,590,203	$ 731,505	$ 858,698

The University maintains a collection of art that is insured for $12,709. During the year, paintings were donated to The University with a total appraised value of $417 (2010 - $838).

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 $2,119,392 (2010 - $2,033,967); contents is $1,612,816 (2010 - $1,635,621), which amount includes library books of $1,008,163 (2010 - $1,037,034).

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.

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, 2011 for the non-pension plans and December 31, 2010 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 $272,110 (2010 - $248,130). This liability has been recorded in the combined financial statements.

Total expense for these plans is $23,980 (2010 - $18,266). Benefits paid during the year amounted to $6,183 (2010 - $6,259).

(thousands of dollars)

(ii) Pension plans:

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

	2011	2010
Accrued benefit obligation:		
Academic staff	$ 5,159	$ 5,058
Administrative staff	2,008	1,833
	$ 7,167	$ 6,891
Fair value of plan assets:		
Academic staff	$ 4,902	$ 5,688
Administrative staff	1,889	2,001
	$ 6,791	$ 7,689
Funded status – (deficit) surplus	$ (376)	$ 798

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

	2011	2010
Employer contributions	$ 27,299	$ 26,074
Employee contributions	14,357	13,723
	$ 41,656	$ 39,797

Total expense for these plans is $57,759 (2010 - $51,888) which include benefits paid during the year in the amount of $56,598 (2010 - $50,724).

(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	
	2011	2010	2011	2010
Discount rate	5.25%	5.75%	2.55 -2.59%	5.0%
Expected long-term rate of return on plan assets	-	-	2.55 - 2.59%	5.0%
Medical cost increases:				
Hospital	5.0%	5.0%	-	-
Drug	8.0%	8.5%	-	-
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.

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(h) and derivative financial instruments in note 9(b).

(b) Derivative financial instruments

(thousands of dollars)

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

	2011		2010	
	Notional value	Fair value	Notional value	Fair value
Foreign currency forward contracts	$ -	$ -	$ 739	$ (27)
Interest rate swap agreements	13,476	(596)	13,719	(793)
		$ (596)		$ (820)

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 contract results in The University fixing a long-term interest rate of 4.80% on certain floating rate debt obligations instead of paying a short-term floating rate of 1.44% (2010 – 0.8%).

The interest rate swap agreement relates to The University of Western Ontario Research & Development Park debt and matures on October 25, 2012. The counterparty to this contract is a major Canadian financial institution. 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.

(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, 2011.

(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 48% (2010 - 49%) 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 33% (2010 - 31%) 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. In order to reduce its foreign currency exposure risk, the University does use currency hedging techniques employed by the investment managers. It is appropriate to have some exposure to investments within currencies that are non-Canadian in order to provide a hedge against a major fall in the value of the Canadian dollar. Approximately 19% (2010 – 19%) of the University's investments are exposed to non-Canadian currency fluctuations.

(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 a interest rate swap agreement for its floating rate debt that fix the interest rate over the term of the debt.

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.

(thousands of dollars)

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

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

10. DEBT

	Maturity	Interest Rate at April 30, 2011	Annual Payments (Principal and Interest)	2011 Principal Outstanding	2010 Principal Outstanding
(a) Senior Unsecured Debentures [note (d)]	May 24, 2047	4.798%	$ 9,116	$ 189,120	$ 189,111

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

	Maturity	Interest Rate at April 30, 2011	Annual Payments (Principal and Interest)	2011 Principal Outstanding	2010 Principal Outstanding
Housing					
Canada Mortgage and Housing Corporation:					
Platt's Lane Estates	Aug. 1, 2028	8.00%	$ 699	$ 7,243	$ 7,389
Glenmore Complex	Dec 1, 2019	6.25%	500	3,404	3,678
Delaware Hall				-	65
Ontario Housing Corporation:					
Glenmore Complex	Dec 1, 2019	6.50%	31	206	223
Total mortgages			$ 1,230	$ 10,853	$ 11,355

(c) The details of the loans payable, demand notes, bankers' acceptances and capital lease obligations are as follows:

	Maturity	Interest Rate at April 30, 2011	Annual Payments (Principal and Interest)	2011 Principal Outstanding	2010 Principal Outstanding
Related Corporations					
Research & Development Park					
(i) Bankers' Acceptances [note (e)]	July 29, 2011	1.44%		13,476	13,719
Richard Ivey School of Business Foundation					
(i) Bankers' Acceptances [note (f)]	April 30, 2012	prime		2,300	3,300
Robarts Research Institute					
(i) Capital Lease Obligation [note (g)]	Sept 25, 2011	5.51%		285	926
Total loans payable				$ 16,061	$ 17,945
Total debt				$ 216,034	$ 218,411

(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 unused portion of the debenture proceeds were invested in a short term fund.

(thousands of dollars)

(e) 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.

(f) The bankers' acceptance for the Richard Ivey School of Business Foundation is guaranteed by The University.

(g) In fiscal 2005, Robarts Research Institute entered into a capital lease for a 3 Tesla magnet. 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%.

(h) The fair value of long-term debt at April 30, 2011 was $212,231 (2010 – $205,288) compared to a carrying amount of $216,034 (2010 - $218,411).

(i) Anticipated requirements to meet the principal portion of the debt repayments over the next five years are as follows:

	Principal
2012	$ 1,510
2013	14,232
2014	1,048
2015	1,091
2016	939
Subsequent years	197,214
	$ 216,034

11. DEFERRED CONTRIBUTIONS

Deferred contributions represent unspent externally restricted grants, donations, contributions and endowment investment income. The balance consists of:

	2011	2010
Balance, beginning of year	$ 153,831	$ 149,698
Grants, contributions, donations and endowment income	264,847	278,456
Recognized to revenue	(259,766)	(274,323)
Balance, end of year	$ 158,912	$ 153,831

	2011	2010
Unspent research grants	$ 76,536	$ 79,237
Scholarships	10,123	10,785
Other restricted funds	72,253	63,809
Balance, end of year	$ 158,912	$ 153,831

(thousands of dollars)

12. DEFERRED CAPITAL CONTRIBUTIONS

Deferred capital contributions represent the unamortized amount of donations and grants received for the purchase of capital assets. Unspent deferred capital contributions are included in deferred contributions to be spent until such time as capital expenditures are incurred. The changes in the deferred capital contributions balance are as follows:

	2011	2010
Balance, beginning of year	$ 414,069	$ 409,730
Less amortization of deferred capital contributions	(29,962)	(31,765)
Add contributions received during the year	67,322	36,104
Balance, end of year	$ 451,429	$ 414,069

	2011	2010
Represented by:		
Amounts used for the purchase of capital assets	$ 444,823	$ 400,001
Amounts to be spent on capital assets	6,606	14,068
	$ 451,429	$ 414,069

13. UNRESTRICTED NET ASSETS

Details of the unrestricted net assets are as follows:

	2011	2010
Undistributed investment returns	$ 70,827	$ 46,840
Operating fund surplus	33,014	31,420
Provision for vacation pay	(8,058)	(7,870)
Operating deficit - related organizations	(26,606)	(25,639)
Provision for employee future benefits	(272,110)	(248,130)
Balance, end of year	$ (202,933)	$ (203,379)

(thousands of dollars)

14. INTERNALLY RESTRICTED NET ASSETS

Details of the internally restricted net assets are as follows:

	2011	2010
Investment in capital assets	$ 265,953	$ 277,442
Departmental carry forwards	93,830	70,992
Capital reserve	24,217	(5,343)
Operating surplus – ancillary and support units	7,190	12,888
Faculty and research trust funds	25,834	22,783
Equipment reserves	13,424	12,675
Self-insurance funds	1,185	1,051
Balance, end of year	$ 431,633	$ 392,488

i) Investment in capital assets represents the unamortized value of capital assets funded by the University, net of outstanding debt. It excludes those assets funded through capital contributions.

ii) 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(s).

iii) The capital reserve represents funds internally restricted for deferred maintenance, capital emergencies and capital projects either planned or in progress.

iv) Ancillary and support unit carry forwards represent amounts that these units are permitted to carry forward.

v) Faculty and research trust funds include donations and other revenue with no external restrictions that departments are permitted to carry forward.

vi) The equipment reserves represent funds that departments have allocated for the future replacement of assets.

vii) The reserve for self-insurance represents funds set aside to cover uninsured losses and the deductible portion of insured losses.

15. ENDOWMENTS

Contributions restricted for endowments consist of restricted donations received by the University and contributions internally restricted by The University, in the exercise of its discretion. The endowment principal is required to be maintained intact. The investment income generated from endowments must be used in accordance with the various purposes established by donors or internally restricted by The University. 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.

(thousands of dollars)

Net assets restricted for endowment consist of the following:

	2011	2010
Externally Endowed	$ 342,840	$ 302,930
Internally Endowed	19,567	15,949
	$ 362,407	$ 318,879

Represented by:

	2011	2010
Endowed funds	$ 337,361	$ 314,660
Accumulated investment returns	25,046	4,219
	$ 362,407	$ 318,879

16. (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.

Schedule of Changes in Endowment Fund Balance	2011	2010
Fund balance, beginning of year	$ 33,571	$ 30,857
Cash donations received	20	50
Expenditure of endowment principal	-	-
Preservation of capital	1,942	2,664
Fund balance, end of year	$ 35,533	$ 33,571

Schedule of Changes in Expendable Funds Available for Awards	2011	2010
Fund balance, beginning of year	$ 2,224	$ 2,522
Realized investment income, net of direct investment-related expenses and preservation of capital contributions	1,327	1,146
Expendable donations	12	20
Bursaries awarded [720 (2010 – 713)]	(1,475)	(1,464)
Balance, end of year	$ 2,088	$ 2,224
Endowment total based on book value	$ 37,621	$ 35,795

The fair value of the endowment at April 30, 2011 was $38,300 (2010 - $36,167).

(thousands of dollars)

16. (b) ONTARIO STUDENT OPPORTUNITY TRUST FUND – PHASE II

	2011 Western	2011 Affiliates	2010 Western	2010 Affiliates
Schedule of Changes in Endowment Fund Balances				
Fund balance, beginning of year	$ 12,549	$ 1,358	$ 11,508	$ 1,312
Cash donations received	67	-	141	-
Expenditure of endowment principal	-	-	-	-
Preservation of capital	608	13	900	46
Fund balance, end of year	$ 13,224	$ 1,371	$ 12,549	$ 1,358
Schedule of Changes in Expendable Funds Available for Awards				
Fund balance, beginning of year	$ 536	$ 139	$ 556	$ 102
Realized investment income, net of direct investment related expenses and preservation of capital	1,290	71	1,336	84
Expendable contributions received	3	-	2	-
Bursaries awarded [261 (2010 – 229)]	(1,317)	(53)	(1,358)	(47)
Balance, end of year	$ 512	$ 157	$ 536	$ 139
Endowment total based on book value	$ 13,736	$ 1,528	$ 13,085	$ 1,497

The fair value of the endowment at April 30, 2011 was $15,260 (2010 - $14,576).

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

(thousands of dollars)

17. 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, 2011)

	2011 Western	2011 Affiliates	2010 Western	2010 Affiliates
Schedule of Cash Donations Matched Between April 1, 2010 and March 31, 2011				
Cash donations matched between April 1, 2010 - March 31, 2011	$ 1,885	$ 371	$ 3,116	$ 607
Unmatched cash donations received between April 1, 2010 - March 31, 2011	1,637	573	1,955	746
Total Cash Donations	$ 3,522	$ 944	$ 5,071	$ 1,353
Schedule of Changes in Endowment Fund Balances				
Fund balance, beginning of year	$ 43,173	$ 6,505	$ 34,717	$ 5,452
Eligible cash donations received	1,637	573	1,955	746
Cash donations included in endowment funds but not eligible for matching	880	-	49	-
Matching funds received from MTCU	1,885	371	3,116	607
Expenditure of endowment principal	-	-	(150)	-
Preservation of capital	2,946	27	3,486	(300)
Fund balance, end of year	$ 50,521	$ 7,476	$ 43,173	$ 6,505
Schedule of Changes in Expendable Funds Available for Awards				
Fund balance, beginning of year	$ 1,477	$ 206	$ 1,374	$ 114
Expendable donations	77	-	93	-
Realized investment income, net of direct investment-related	949	312	885	171
Bursaries awarded [538 (2010 – 284)]	(1,184)	(247)	(875)	(79)
Fund balance, end of year	$ 1,319	$ 271	$ 1,477	$ 206
Outstanding donations pledged	$ 5,708	$ 308	$ 3,449	$ 445

The fair value of the endowment at April 30, 2011 was $58,032 (2010 - $50,049).

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

(thousands of dollars)

18. THE SEYMOUR SCHULICH ENDOWMENT FUND

The Seymour Schulich Endowment Fund has a current market value of $31,572. Under the Government of Ontario Matching Programs (Ontario Student Opportunity Trust Fund and Ontario Trust for Student Support) $10,282 in matching funds has been received. An additional $3,385 in matching funds is outstanding.

19. STATEMENT OF CASH FLOWS

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

	2011	2010
Accounts receivable	$ (14,507)	$ 15,334
Inventories	957	(372)
Prepaid expenses	2,323	(597)
Accounts payable and accrued liabilities	5,777	(6,235)
Deferred fees and income	5,092	10,121
Net change in non-cash working capital	$ (358)	$ 18,251

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, 2011 is approximately $29,946.

(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 $20,000 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 $995,000. For errors or omissions insurance CURIE pools the risk of its members and carries $5,000 of coverage with additional excess coverage's of $20,000 and $5,000.

(thousands of dollars)

21. PLEDGES

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

	Pledges
2012 -	$ 20,106
2013 -	14,346
2014 -	12,296
subsequent years -	28,572
	$ 75,320

22. COMPARATIVE FIGURES

Comparative figures have been reclassified where necessary to be consistent with the presentation adopted in the current year.