

**THE UNIVERSITY OF WESTERN ONTARIO**  
**COMBINED FINANCIAL STATEMENTS**  
**And Independent Auditors' Report thereon**  
**APRIL 30, 2020**



## Introduction to Western University Financial Statements 2019-2020

Western's financial statements for the year ended April 30, 2020, exhibit continued strength in financial management through a challenging period. The context of this financial performance is significant, as the Coronavirus ("COVID-19") pandemic became the backdrop for the completion of the Winter 2020 academic term and has set the stage for the University's activities in the coming year.

During March 2020, amid the onset of the pandemic, Western dramatically pivoted to online instruction and near virtual operations. Since that time, the University has executed on its return to campus plans and Western expects to deliver online and face-to-face classes for the upcoming Fall 2020 term (with flexibility to adjust based on government and public health directives).

The COVID-19 pandemic presents new challenges for higher education institutions. The impact and extent the global pandemic will ultimately have on the University are unpredictable and difficult to assess given how fluid the situation remains. Management believes that the University has the financial resources to navigate this uncertainty.

The 2019-20 financial results present historical financial information for a period that ended amid the pandemic, when campus was forced to close and financial markets were experiencing significant volatility. Certain revenue categories were impacted and as a result Western's revenues declined to \$1,247.9 million (2019 – \$1,318.0 million). At the same time, expenses increased to \$1,182.6 million (2019 - \$1,169.8 million), resulting in revenues over expenses of \$65.3 million (2019 – \$148.2 million). Investment returns of \$39.5 million (2019 - \$92.8 million) continue to contribute significantly to Western's financial results, however, returns were driven primarily by short-term investments, as exposure to market volatility produced net investment losses in the long-term investment portfolios.

Government grants and contract funding remained nearly flat during 2019-20. Student tuition fees decreased to \$453.1 million (2019 - \$461.0 million), a result of the Province's 2019 announcement of a 10% domestic tuition rollback, which was partially offset by growing undergraduate and graduate enrolment.

Sales and service revenue decreased from \$191.7 million to \$172.0 million due to the impact of COVID-19 on operations. The closure of campus residences, retail stores, and other operations because of Provincial directives affected the ability to generate revenue near the end of the year.

Compensation remains Western's single largest expenditure, representing 62.6% of total expenses at \$740.7 million (2019 – 61.5% and \$719.0 million, respectively). Scholarships increased to \$81.9 million (2019 – \$80.4 million) reflecting increased support to students.

As at April 30, 2020, assets grew to \$3,649.3 million (2019 - \$3,580.0 million), liabilities and deferred contributions were largely unchanged at \$1,824.1 million (2019 - \$1,817.8 million) and net assets increased to \$1,825.2 million (2019 - \$1,762.1 million).

A handwritten signature in black ink that reads "Lynn Logan".

Lynn Logan  
Vice-President (Operations & Finance)

## SUMMARY OF REVENUES AND EXPENSES

### Total Revenues and Expenses

For the year ended April 30, 2020

(millions of dollars)

	2016	2017	2018	2019	2020
	\$	\$	\$	\$	\$
<b>Revenues</b>					
Government grants for general operations	237.4	241.8	263.0	265.7	266.2
Restricted government grants and other grants and contracts	227.2	224.7	214.5	228.8	225.5
Student fees	380.9	407.7	435.7	461.0	453.1
Sales and services	174.9	181.5	184.8	191.7	172.0
Investment returns	27.8	122.5	78.9	92.8	39.5
Donations	37.9	36.6	36.9	35.4	41.3
Recoverable salaries and benefits	19.2	19.2	18.8	19.0	18.4
Other revenues	19.9	19.1	21.1	23.6	31.9
	<b>1,125.2</b>	<b>1,253.1</b>	<b>1,253.7</b>	<b>1,318.0</b>	<b>1,247.9</b>
<b>Expenses</b>					
Salaries and benefits	660.7	678.9	685.5	719.0	740.7
Operating costs	160.8	165.9	170.7	179.6	179.9
Scholarships, fellowships and bursaries	77.2	80.6	84.6	80.4	81.9
Amortization of capital assets	73.2	73.3	72.0	78.5	72.5
Cost of sales and services	38.3	38.4	37.7	38.3	34.9
Repairs and maintenance	26.4	33.2	31.8	35.3	32.5
Utilities and taxes	29.7	30.1	25.8	23.4	25.3
Interest	13.0	12.8	14.0	15.3	14.9
	<b>1,079.3</b>	<b>1,113.2</b>	<b>1,122.1</b>	<b>1,169.8</b>	<b>1,182.6</b>

### % of Total Revenues and Expenses

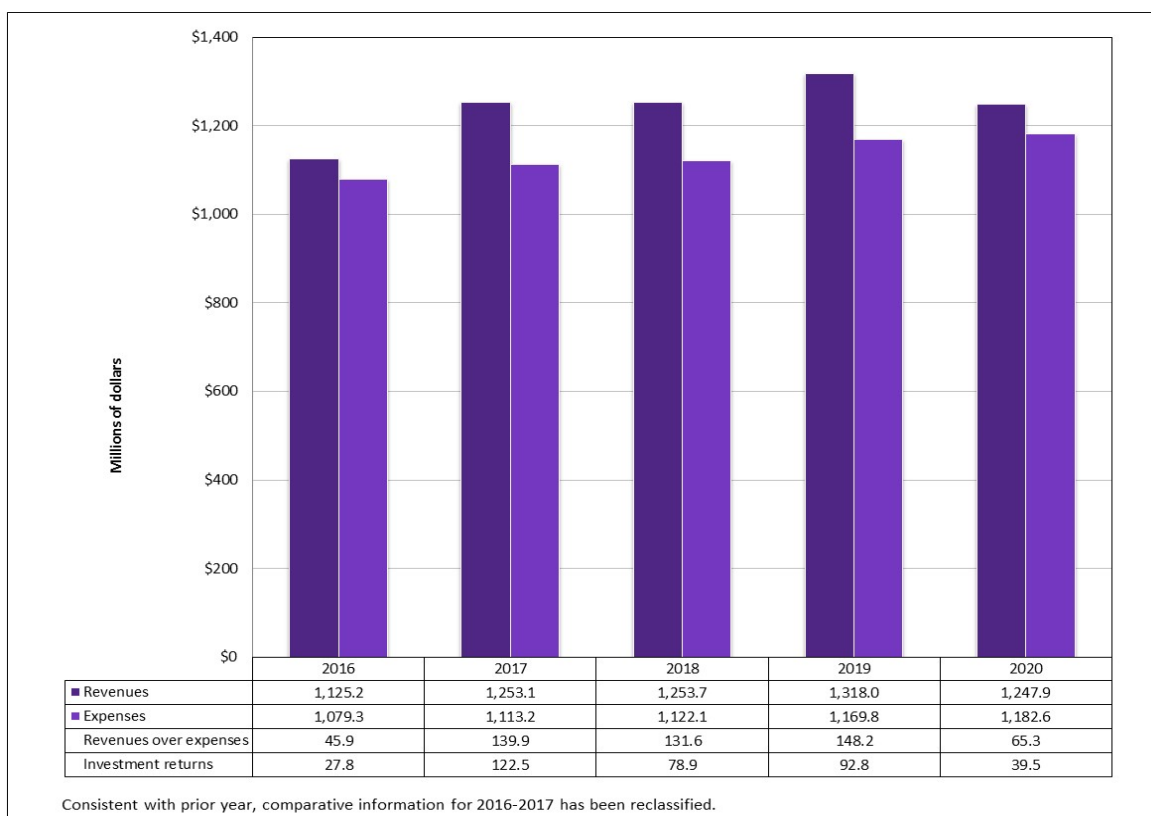
	2016	2017	2018	2019	2020
	%	%	%	%	%
<b>Revenues</b>					
Government grants for general operations	21.1	19.3	21.0	20.2	21.3
Restricted government grants and other grants and contracts	20.2	17.9	17.1	17.4	18.1
Student fees	33.9	32.5	34.8	35.0	36.3
Sales and services	15.5	14.5	14.7	14.5	13.8
Investment returns	2.5	9.8	6.3	7.0	3.2
Donations	3.1	2.9	2.9	2.7	3.3
Recoverable salaries and benefits	1.8	1.5	1.5	1.4	1.5
Other revenues	1.9	1.6	1.7	1.8	2.5
	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
<b>Expenses</b>					
Salaries and benefits	61.2	61.0	61.1	61.5	62.6
Operating costs	14.9	15.0	15.3	15.3	15.3
Scholarships, fellowships and bursaries	7.2	7.2	7.5	6.9	6.9
Amortization of capital assets	6.8	6.6	6.4	6.7	6.1
Cost of sales and services	3.5	3.4	3.4	3.3	3.0
Repairs and maintenance	2.4	3.0	2.8	3.0	2.7
Utilities and taxes	2.8	2.7	2.3	2.0	2.1
Interest	1.2	1.1	1.2	1.3	1.3
	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

Consistent with prior year, comparative information for 2016-2017 has been reclassified.

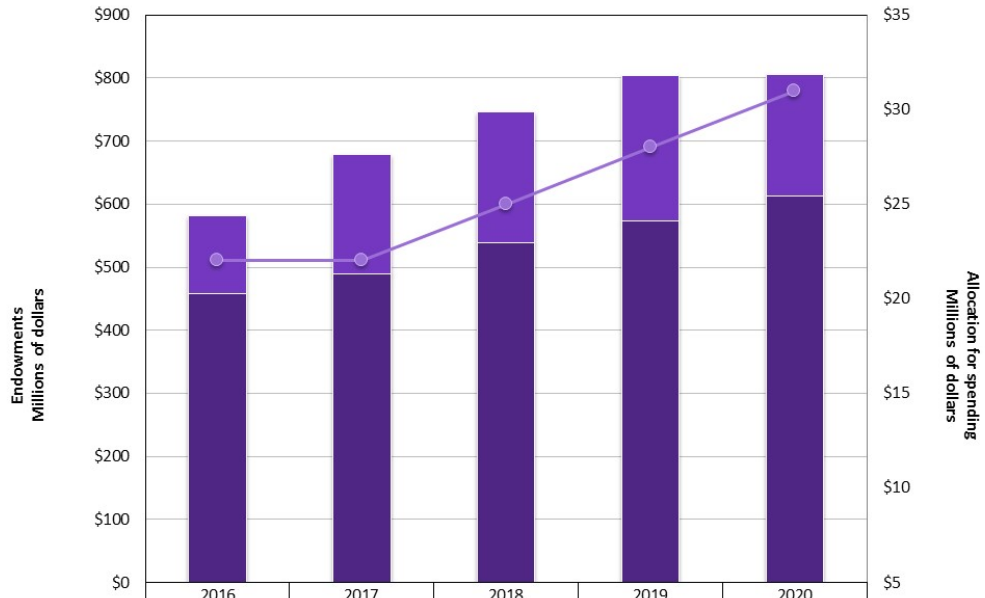
**SUMMARY OF ENDOWMENT ACTIVITY**  
**Contributions, Investment Returns and Allocation for Spending**  
**For the year ended April 30, 2020**  
(millions of dollars)

	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>
	\$	\$	\$	\$	\$
Fund balance, beginning of year	585.8	580.6	679.0	746.5	803.8
New contributions	17.6	34.1	47.6	36.3	39.6
Investment returns	(1.1)	88.2	45.0	49.1	(7.7)
Allocation for spending	(21.7)	(22.4)	(25.1)	(28.1)	(30.6)
Change in control of The Museum of Ontario Archaeology	-	(1.5)	-	-	-
<b>Fund balance, end of year</b>	<b>580.6</b>	<b>679.0</b>	<b>746.5</b>	<b>803.8</b>	<b>805.1</b>

**Revenues and Expenses**  
**2016-2020**

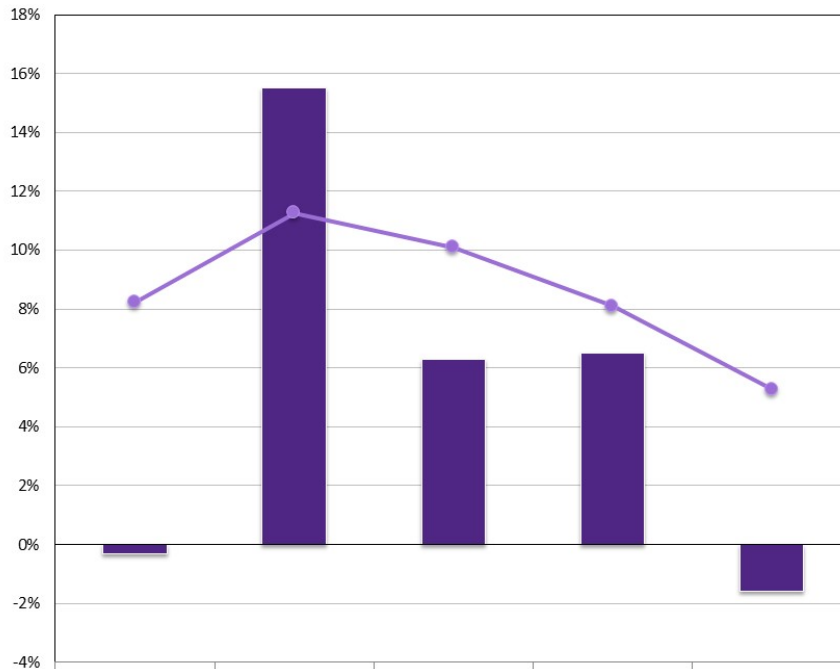


## Endowments



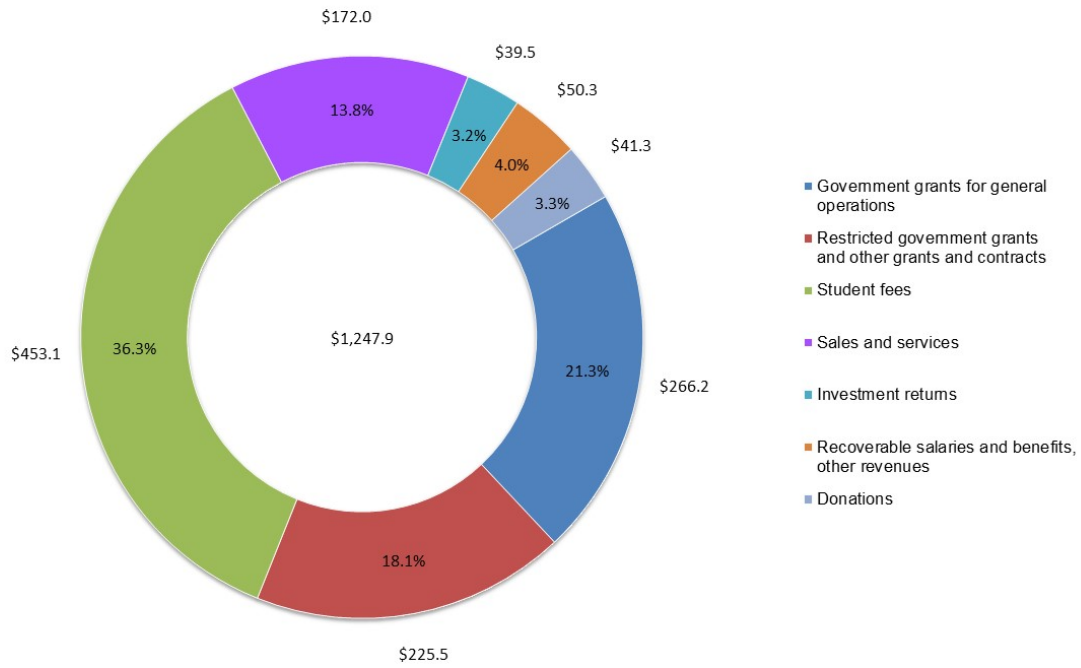
	2016	2017	2018	2019	2020
Market value	581	679	747	804	805
Accumulated investment returns	123	189	209	230	192
Endowed funds	458	490	538	574	613
Allocation for spending	22	22	25	28	31

## Endowment Performance

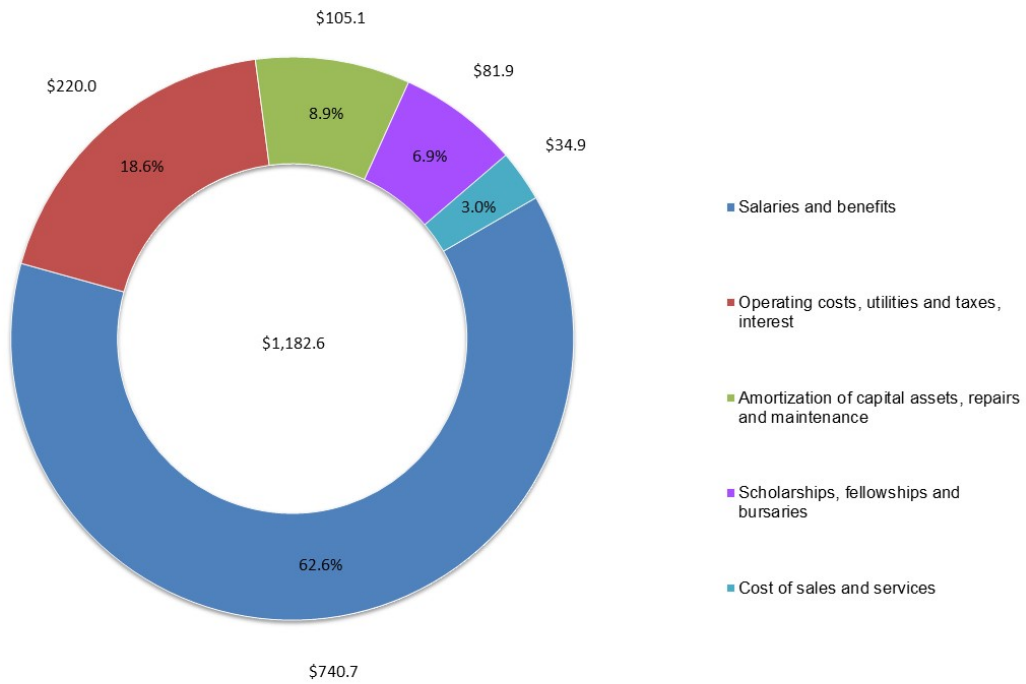


	2016	2017	2018	2019	2020
Endowment performance	(0.3%)	15.5%	6.3%	6.5%	(1.6%)
5-year average	8.2%	11.3%	10.1%	8.1%	5.3%

### 2020 Revenues Millions of dollars



### 2020 Expenses Millions of dollars



## *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 combined financial statements have been prepared by the University administration in accordance with Canadian accounting standards for not-for-profit organizations and are 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, which comprise the combined statement of financial position as at April 30, 2020, 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 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.



Alan Shepard  
President & Vice-Chancellor



Lynn Logan  
Vice-President (Operations & Finance)



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London ON N6A 5P2  
Canada  
Tel 519 672-4880  
Fax 519 672-5684

## INDEPENDENT AUDITORS' REPORT

To the Board of Governors of The University of Western Ontario

### ***Opinion***

We have audited the combined financial statements of The University of Western Ontario (the Entity), which comprise:

- the combined statement of financial position as at April 30, 2020
- the combined statement of operations for the year then ended
- the combined statement of changes in net assets for the year then ended
- the combined statement of cash flows for the year then ended
- and notes to the combined financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the “financial statements”).

In our opinion, the accompanying financial statements present fairly, in all material respects, the combined financial position of the Entity as at April 30, 2020, and its combined results of operations and its combined cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

### ***Basis for Opinion***

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the “***Auditors’ Responsibilities for the Audit of the Financial Statements***” section of our auditors’ report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other responsibilities in accordance with these requirements.

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





### ***Other Information***

Management is responsible for the other information. Other information comprises:

- the information, other than the financial statements and the auditors' report thereon, included in the "Supplementary Information on the Combined Financial Statements".

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information, other than the financial statements and the auditors' report thereon, included in the "Supplementary Information on the Combined Financial Statements" as at the date of this auditors' report.

If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditors' report.

We have nothing to report in this regard.

### ***Responsibilities of Management and Those Charged with Governance for the Financial Statements***

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

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.



### ***Auditors' Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



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- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Combined Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

*KPMG LLP*

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Chartered Professional Accountants, Licensed Public Accountants

London, Canada

September 22, 2020

# THE UNIVERSITY OF WESTERN ONTARIO

## Combined Statement of Financial Position

Statement 1

As at April 30, 2020, with comparative information for 2019

(thousands of dollars)

	<u>2020</u>	<u>2019</u>
	\$	\$
<b>Assets</b>		
Current		
Cash	27,560	23,571
Accounts receivable [note 3]	83,929	86,363
Inventories	4,817	4,365
Prepaid expenses and deposits	15,572	20,423
Short-term investments [note 4(a)]	643,177	624,593
	<u>775,055</u>	<u>759,315</u>
Long-term other assets	8,842	8,445
Investments [note 4(a)]	1,610,509	1,527,567
Capital assets [note 5]	1,254,893	1,284,578
	<u>3,649,299</u>	<u>3,579,905</u>
<b>Liabilities and deferred contributions</b>		
Current		
Accounts payable and accrued liabilities [note 7]	86,617	85,860
Current portion long-term debt [note 10]	7,987	8,217
Deferred fees and income	103,443	105,906
	<u>198,047</u>	<u>199,983</u>
Long-term accounts payable	9,027	202
Employee future benefits [note 8(a)]	561,781	546,546
Long-term debt [note 10]	344,587	352,553
Deferred contributions [note 11]	224,410	216,744
Deferred capital contributions [note 12]	486,293	501,751
	<u>1,824,145</u>	<u>1,817,779</u>
<b>Net assets</b>	<u>1,825,154</u>	<u>1,762,126</u>
	<u>3,649,299</u>	<u>3,579,905</u>

See accompanying notes to the combined financial statements.

Commitments and contingencies [note 4(a), note 18].

Approved on behalf of the Board of Governors:



R. Konrad  
Chair, Board of Governors



S. Bennett  
Chair, Audit Committee

# THE UNIVERSITY OF WESTERN ONTARIO

## Combined Statement of Operations

## Statement 2

For the year ended April 30, 2020, with comparative information for 2019

(thousands of dollars)

	<u>2020</u>	<u>2019</u>
	\$	\$
<b>Revenues</b>		
Government grants for general operations	266,206	265,744
Restricted government grants and other grants and contracts	225,463	228,804
Student fees	453,144	461,023
Sales and services	172,038	191,739
Investment returns [note 4(b)]	39,535	92,810
Donations	41,244	35,439
Recoverable salaries and benefits	18,380	18,966
Other revenues	31,934	23,439
	<u>1,247,944</u>	<u>1,317,964</u>
<b>Expenses</b>		
Salaries and benefits	740,675	718,953
Operating costs	179,867	179,669
Scholarships, fellowships and bursaries	81,908	80,393
Amortization of capital assets	72,533	78,457
Cost of sales and services	34,854	38,341
Repairs and maintenance	32,547	35,293
Utilities and taxes	25,318	23,388
Interest	14,865	15,293
	<u>1,182,567</u>	<u>1,169,787</u>
<b>Excess of revenues over expenses</b>	<u>65,377</u>	<u>148,177</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, 2020, with comparative information for 2019

(thousands of dollars)

	2020			2019	
	Unrestricted [note 13]	Internally Restricted [note 14]	Endowments [note 15]	Total	Total
	\$	\$	\$	\$	\$
<b>Net assets, beginning of year</b>	(447,765)	1,406,098	803,793	1,762,126	1,608,619
Excess of revenues over expenses	65,377	-	-	65,377	148,177
Change in internally restricted net assets	(74,081)	74,260	-	179	1,257
Investment returns allocated to internal endowments	(2,259)	-	2,259	-	-
Allocation for spending of internally endowed returns	5,647	-	(5,647)	-	-
Investment returns allocated to external endowments [note 4(b)]	-	-	(9,922)	(9,922)	40,786
Allocation for spending of externally endowed accumulated investment returns [note 4(b)]	-	-	(24,976)	(24,976)	(23,518)
Endowment contributions	(13,860)	-	39,556	25,696	14,650
Employee future benefits remeasurements and other items	6,674	-	-	6,674	(27,845)
<b>Net assets, end of year</b>	<u>(460,267)</u>	<u>1,480,358</u>	<u>805,063</u>	<u>1,825,154</u>	<u>1,762,126</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, 2020, with comparative information for 2019

(thousands of dollars)

	<u>2020</u>	<u>2019</u>
	\$	\$
<b>Operating activities</b>		
Excess of revenues over expenses	65,377	148,177
Non-cash items		
Amortization of capital assets	72,533	78,457
Amortization of deferred capital contributions	(32,569)	(34,394)
Employee future benefits	21,908	23,399
Net change in non-cash working capital [note 17]	<u>13,555</u>	<u>12,249</u>
<b>Cash provided by operating activities</b>	<u>140,804</u>	<u>227,888</u>
<b>Investing activities</b>		
Net change in investments	(101,526)	(232,959)
Purchase of capital assets	<u>(42,668)</u>	<u>(70,749)</u>
<b>Cash used in investing activities</b>	<u>(144,194)</u>	<u>(303,708)</u>
<b>Financing activities</b>		
Receipt of deferred capital contributions	17,111	45,823
Net change in deferred contributions	7,666	22,904
Investment returns allocated to external endowments [note 4(b)]	(9,922)	40,786
Allocation for spending of externally endowed accumulated investment returns [note 4(b)]	<u>(24,976)</u>	<u>(23,518)</u>
Endowment contributions	25,696	14,650
Repayment of long-term debt	<u>(8,196)</u>	<u>(13,598)</u>
<b>Cash provided by financing activities</b>	<u>7,379</u>	<u>87,047</u>
Net increase (decrease) in cash	3,989	11,227
Cash position, beginning of year	<u>23,571</u>	<u>12,344</u>
<b>Cash position, end of year</b>	<u><u>27,560</u></u>	<u><u>23,571</u></u>

See accompanying notes to the combined financial statements.

# THE UNIVERSITY OF WESTERN ONTARIO

## Notes to the Combined Financial Statements

Year Ended April 30, 2020  
(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 incorporated without share capital. 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: Ivey Business School Foundation, Ivey Business School Asia Limited, The University of Western Ontario Research & Development Park, The Siebens - Drake Research Institute, UWO Investment Trust (#1), UWO Investment Trust (#2), and related foundations in which the University has an economic interest.

These combined financial statements do not include the accounts of three university 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 Plan for Academic Staff and the Pension Plan for Administrative Staff of the University.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The combined financial statements have been prepared by management in accordance with Canadian Accounting Standards for not-for-profit organizations in Part III of the CPA Canada Handbook - Accounting and are in accordance with Canadian generally accepted accounting principles.

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 imposed restrictions, are recognized as direct increases in endowment net assets.

Gifts of capital assets are recorded at fair 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 value at the date of the receipt and as a direct increase to 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.



# THE UNIVERSITY OF WESTERN ONTARIO

## Notes to the Combined Financial Statements

Year Ended April 30, 2020  
(thousands of dollars)

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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 the 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 using the weighted average cost method.

### (c) Investments

Investments are recorded at fair value. The value of investments recorded in the combined financial statements is determined as follows:

i) Short-term investments, which consist of GICs, savings accounts and money market funds, are valued at cost plus accrued interest which together approximates fair value. Some of these short-term investments meet the definition of cash and cash equivalents but are held for investment rather than liquidity purposes and are classified as investments.

ii) Equities consist of Canadian, U.S., Non-North American and private equities. Canadian, U.S. and Non-North American equities are traded on the open market. Fair values are based on the latest closing price. Private equities are valued based on the latest valuation provided by the external investment manager, reflecting any impairment.

iii) Fixed income includes Canadian bonds and mortgages. Canadian bonds are traded on the open market and fair values are based on the latest closing price. Mortgages are valued at their net asset value per unit valued based on the latest valuation provided by the external investment manager, reflecting any impairment.

iv) Real assets consist of real estate and infrastructure investments. Both are valued based on the latest valuation provided by the external investment manager, reflecting any impairment.

v) Diversifiers include absolute return strategies which are valued based on the latest valuation provided by the external investment manager, reflecting any impairment, structured notes and cash that is held for investment rather than liquidity purposes.

Transactions are recorded on a settlement date basis and any transaction costs are expensed against investment returns when incurred.

### (d) Investment returns

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 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 an allocation 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, 2020  
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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. Endowments are permitted to spend an amount equal to 4% of the average value of the total endowment over the most recent 5 year period. In any particular year, should investment returns be insufficient to fund the amounts made available for spending, endowment capital will be used, with the expectation that such amounts will be recovered from future investment returns.

### (e) Capital assets

Purchased tangible capital assets, including works of art, are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. When an estimate of fair value cannot reasonably be made, both the intangible asset and the related contribution are not recorded.

Repairs and maintenance costs are expensed. Capital assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not contribute to the University's ability to provide goods and services. Any impairment results in a write-down of the asset and an expense in the statement of operations. An impairment loss is not reversed if the fair value of the related asset subsequently increases.

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	5 to 40 years
Computer equipment	5 years
Equipment and furnishings	20% declining balance
Library books	5 years

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

Works of art and collections are not amortized.

### (f) 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 using accounting assumptions, 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. Remeasurements and other items, including plan amendments and actuarial gains and losses are recognized directly in net assets in the combined statement of financial position and are presented as a separately identified line item in the combined statement of changes in net assets.

#### 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 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 is guaranteed

# THE UNIVERSITY OF WESTERN ONTARIO

## Notes to the Combined Financial Statements

Year Ended April 30, 2020  
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based on a defined benefit formula. The costs of these guaranteed benefits are actuarially determined and included in the liability of that plan.

(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.

(h) Derivative and other financial instruments

Derivative financial instruments are used to manage market and currency exposure risk primarily associated with the University's debt and investments. The University does not enter into derivative financial instruments for trading or speculative purposes. Derivative financial instruments that may be employed include interest rate swaps, currency forward contracts and currency futures. These contract positions will generally be the same or smaller than the market value of the underlying investments, thereby ensuring that the portfolio remains unleveraged. Investment manager valuations or bank valuations are used by the University to fair value the derivative financial instruments, reflecting any impairment. Derivatives are included in the diversifiers investment category.

Other financial instruments including accounts receivable and accounts payable are initially recorded at fair value and are subsequently recorded at cost or amortized cost, net of any provisions for impairment.

(i) Accounting estimates

The preparation of the combined financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Significant items subject to the use of management estimates and assumptions include the determination of the useful lives of capital assets for amortization and the amortization of deferred capital contributions, determination of the fair value of financial instruments, valuation of non-pension retirement benefit obligations and provisions for contingencies. Actual results could differ from those estimates.

(j) Contributed services

The University benefits from services provided by volunteers in assisting the institution in carrying out its activities. Because of the difficulty of determining the fair value, contributed services are not recognized in the combined financial statements.

(k) Agency obligations

The University acts as an agent which holds resources and makes disbursements on behalf of various unrelated individuals or groups. These individuals and 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.

(l) Controlled organizations

The University includes controlled organizations in its combined financial statements.

# THE UNIVERSITY OF WESTERN ONTARIO

## Notes to the Combined Financial Statements

Year Ended April 30, 2020  
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(m) Change in accounting policies

During the year, the University prospectively adopted two new accounting standards Section 4433, Tangible capital assets held by not-for-profit organizations as of May 1, 2019 which replaces Section 4431, Tangible capital assets held by not-for-profit organizations. Section 4433 requires capital assets to be separated into its significant component parts and each component to be amortized in accordance with their useful lives. In addition, the standard requires not-for-profit organizations to consider partial impairments. Section 4441, Collections held by not-for-profit organizations replaces Section 4440, Collections held by not-for-profit organizations. Section 4441 requires all collections to be recorded at either cost or nominal value. These changes do not have a material impact on these combined financial statements.

### 3. ACCOUNTS RECEIVABLE

Current accounts receivable is comprised primarily of balances for trade accounts receivable and research projects. An allowance of \$2,148 (2019 - \$1,646) has been recorded.

### 4. INVESTMENTS

(a) Endowed and non-endowed investments consist of the following:

	2020	2019
Equities	\$ 904,823	\$ 880,674
Fixed income	315,609	206,763
Real assets	208,358	211,870
Diversifiers	181,719	228,260
	<u>1,610,509</u>	<u>1,527,567</u>
Short-term	643,177	624,593
	<u>\$ 2,253,686</u>	<u>\$ 2,152,160</u>

Endowed investments consist of donations held in perpetuity received by the University to benefit current and future generations. Non-endowed investments consist of research, capital and other funds received and held for future expenditures.

Uncalled commitments:

Approximately 12.6% (2019 - 15.8%) of the University's Operating and Endowment Portfolio is invested in funds managed by third-party managers that, by way of the legal terms and conditions, require investors to make initial commitments. Funds are then invested in response to a series of capital calls issued by the manager over a pre-defined investment period. These private funds typically take the form of limited partnerships managed by a general partner and cover various areas of private equity, real estate, mortgage and infrastructure investments. The University has uncalled commitments of approximately \$59,707 (2019 - \$95,842). The University anticipates being able to meet all calls as they are made.

# THE UNIVERSITY OF WESTERN ONTARIO

## Notes to the Combined Financial Statements

Year Ended April 30, 2020  
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(b) Investment returns recorded in the combined statement of operations are calculated as follows:

	2020	2019
Investment returns	\$ 4,637	\$ 110,078
Investment returns allocated to external endowments	9,922	(40,786)
Allocation for spending of externally endowed accumulated investment returns	24,976	23,518
	<u>\$ 39,535</u>	<u>\$ 92,810</u>

Investment income is comprised of the following:

	2020	2019
Unrealized gains (losses) on investments	\$ (42,284)	\$ 12,352
Realized gains on investments	19,297	34,982
Interest and dividend income	62,522	45,476
	<u>\$ 39,535</u>	<u>\$ 92,810</u>

## 5. CAPITAL ASSETS

Capital assets consist of the following:

	2020			2019		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Buildings	\$ 1,445,598	\$ 576,847	\$ 868,751	\$ 1,450,899	\$ 544,842	\$ 906,057
Equipment, furnishing & computer equipment	551,727	411,937	139,790	549,989	405,372	144,617
Library books	275,476	259,461	16,015	267,878	251,630	16,248
Construction in progress	15,282	-	15,282	2,910	-	2,910
Land	190,080	-	190,080	190,080	-	190,080
Works of art and collections	24,975	-	24,975	24,666	-	24,666
	<u>\$ 2,503,138</u>	<u>\$ 1,248,245</u>	<u>\$ 1,254,893</u>	<u>\$ 2,486,422</u>	<u>\$ 1,201,844</u>	<u>\$ 1,284,578</u>

The University maintains a collection of art that is insured for \$16,352. During the year, paintings were donated to the University with a total appraised value of \$179 (2019 - \$1,257).

## 6. 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 lender's prime rate.

## 7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

As at April 30, 2020, accounts payable and accrued liabilities include current government remittances payable of \$15,763 (2019 - \$14,894).

# THE UNIVERSITY OF WESTERN ONTARIO

## Notes to the Combined Financial Statements

Year Ended April 30, 2020  
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### 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, 2020, for the non-pension plans and December 31, 2019 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.

(a) Non-pension plans:

The accrued benefit liability relating to the employee future benefits is \$561,781 (2019 - \$546,546). This liability has been recorded in the combined financial statements.

Total expense for these plans is \$21,908 (2019 - \$23,399) including \$5,424 (2019 - \$1,014) for supplemental and other benefits. Benefits paid during the year amounted to \$7,375 (2019 - \$9,995).

(b) Pension plans:

Information regarding the academic and administrative staff defined benefit obligation of the pension plans is as follows:

	December 31, 2019	December 31, 2018
Accrued benefit obligation:		
Administrative staff	\$ 91	\$ 87
	<u>\$ 91</u>	<u>\$ 87</u>
Fair value of plan assets:		
Academic staff	\$ 136	\$ 428
Administrative staff	278	274
	<u>\$ 414</u>	<u>\$ 702</u>
Funded status - surplus	<u>\$ 323</u>	<u>\$ 615</u>

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

	December 31, 2019	December 31, 2018
Employer contributions	\$ 34,668	\$ 34,430
Employee contributions	23,061	22,044
	<u>\$ 57,729</u>	<u>\$ 56,474</u>

(c) 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 for pension plans and April 30 for non-pension plans):

	Non-Pension Plans		Pension Plans	
	2020	2019	2019	2018
Discount rate	3.2%	3.4%	5.0%	5.0%
Expected long-term rate of return on plan assets	-	-	5.0%	5.0%
Medical trend rate	5.12%	5.5%	-	-
Dental trend rate	2.75%	2.75%	-	-

# THE UNIVERSITY OF WESTERN ONTARIO

## Notes to the Combined Financial Statements

Year Ended April 30, 2020  
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### 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 4(a) and derivative financial instruments in note 9(b).

#### (b) Derivative financial instruments

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

	2020		2019	
	Notional Value	Fair Value	Notional Value	Fair Value
Foreign currency contracts	\$ 737,023	\$ 5,894	\$ 747,579	\$ (1,464)
Interest rate swap agreements	\$ 63,924	\$ (3,110)	\$ 71,634	\$ (1,396)

##### (i) Foreign currency forward contracts:

The fair value of the foreign currency forward contracts is included with investments. The change in the fair value of the foreign currency forward contracts is accounted for consistent with investment returns in the combined statements of operations and changes in net assets. All outstanding contracts have a remaining term to maturity of less than one year.

##### (ii) Interest rate swaps:

The fair value of the interest rate swaps is recorded within accounts payable and accrued liabilities in the combined statement of financial position and the unrealized gain or loss in the fair value is recorded in operating costs in the combined statement of operations. During the year, the total unrealized loss on the interest rate swaps was (\$1,714) (2019 - (\$1,347)).

The interest rate swap contracts result in the University fixing a weighted average long-term interest rate of 2.93% on certain floating rate debt obligations instead of paying a weighted average short-term floating rate of 0.62% (2019 - 1.98%).

The interest rate swap agreements relate to the University of Western Ontario Research & Development Park debt which matures on October 30, 2022, and the debt related to the construction of Ontario Hall Residence which matures on October 15, 2026. The counterparty to each 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.

# THE UNIVERSITY OF WESTERN ONTARIO

## Notes to the Combined Financial Statements

Year Ended April 30, 2020  
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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 combined statement of financial position date:

#### (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 51% (2019 - 49%) of the University's investments consist 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 these contracts arises from the possibility that the counterparty to the 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 is exposed to currency risk with respect to its investments denominated in foreign currencies. To manage foreign currency risk associated with these investments, the University uses foreign currency forward contracts that are administered by an investment manager. These contract positions will generally be the same or smaller than the market value of the underlying assets, thereby ensuring that the portfolio remains unleveraged. A policy range of exposure to non-Canadian currencies has been established to be within the range of 0% to 60% of the total Operating and Endowment Fund, after currency hedging.

#### (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 its floating rate debt that fixes the interest rate over the term of the debt.

All other debt of the University, being unsecured debenture and mortgages have fixed interest rates and are therefore not exposed to cash flow interest rate risks.



# THE UNIVERSITY OF WESTERN ONTARIO

## Notes to the Combined Financial Statements

Year Ended April 30, 2020  
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The University's short-term investments are subject to interest rate fluctuations as maturing investments are reinvested at new rates of interest. The fair value held in fixed income, diversifiers, GIC's and other short-term investments 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 equities, fixed income, real assets, GIC's and other short-term investments 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 be unable to fulfill its obligations on a timely basis or at a reasonable cost when its obligations fall due. The University manages its liquidity risk by monitoring its operating and capital requirements. The University prepares capital and operating budgets to fulfill its obligations.

#### (vi) Inflation risk

Inflation risk is the risk that unexpected increases in the price level of goods and services may negatively impact investment performance.

The University's investments in equities and fixed income are sensitive to inflation risk. Management mitigates this risk by investing in real assets which provide a natural hedge to inflation risk by exhibiting returns that are highly correlated with inflation.

#### (vii) Deflation risk

Deflation risk is the risk that a decrease in the price level of goods and services may negatively impact economic growth as businesses and consumers may decide to postpone spending and investment. A prolonged period of weak economic growth may negatively impact investment performance, especially equity investments.

Management mitigates this risk by maintaining investments in fixed income, specifically nominal bonds, which tend to do better than other asset classes in a deflationary environment.

# THE UNIVERSITY OF WESTERN ONTARIO

## Notes to the Combined Financial Statements

Year Ended April 30, 2020  
(thousands of dollars)

### 10. LONG-TERM DEBT

	Maturity	Interest Rate at April 30, 2020	2020 Principal Outstanding	2019 Principal Outstanding
(a) The details of the debentures are as follows:				
Series A Senior Unsecured Debentures [note (d)]	May 24, 2047	4.80%	\$ 189,223	\$ 189,209
Series B Senior Unsecured Debentures [note (e)]	December 4, 2057	3.39%	99,427	99,420
Total debentures			\$ 288,650	\$ 288,629
(b) The details of the mortgages are as follows:				
Housing				
Canada Mortgage and Housing Corporation:				
Glenmore Complex			\$ -	\$ 478
Ontario Housing Corporation:				
Glenmore Complex			-	29
Total mortgages			\$ -	\$ 507
(c) The details of the Bankers' Acceptances (BA's) are as follows:				
Bankers' Acceptances [note (f)]	May 15, 2020	2.99%	\$ 54,033	\$ 61,304
Related Corporation				
Research & Development Park [note (g)]	July 31, 2020	2.64%	9,891	10,330
Total Bankers' Acceptances			\$ 63,924	\$ 71,634
Total debt			\$ 352,574	\$ 360,770
Less current portion			\$ 7,987	\$ 8,217
			\$ 344,587	\$ 352,553

(d) On May 24, 2007, the University issued Series A Senior Unsecured Debentures in the aggregate principal amount of \$190,000. The debenture bears interest at 4.80% 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 initially used to retire certain existing capital debt and to finance new capital projects.

A sinking fund has been established to provide funds to repay the debenture principal upon maturity. At April 30, 2020, the value of the sinking fund was \$24,452 (2019 - \$24,857).

(e) On December 4, 2017, the University issued Series B Senior Unsecured Debentures in the aggregate principal amount of \$100,000. The debenture bears interest at 3.39% which is payable semi-annually on June 4 and December 4 with the principal amount to be repaid on December 4, 2057. The proceeds of the issue will be used to finance future capital projects.

# THE UNIVERSITY OF WESTERN ONTARIO

## Notes to the Combined Financial Statements

Year Ended April 30, 2020  
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A sinking fund has been established to provide funds to repay the debenture principal upon maturity. At April 30, 2020, the value of the sinking fund was \$7,442 (2019 - \$7,565).

- (f) At April 30, 2020, the University has outstanding debt of \$54,033 on a \$100,000 committed non-revolving facility. An interest rate swap agreement has been entered into to fix the effective interest rate on the \$54,033 at 2.99% over the remaining term, ending October 15, 2026. There is a remaining credit facility in the amount of \$30,000 which is a revolving demand facility by way of BA's that has not been drawn upon.
- (g) An interest rate swap agreement was renegotiated, to fix the effective interest rate for this credit facility at 2.64% over the remaining term, ending October 30, 2022. The credit facility has a maturity date of October 25, 2027.
- (h) Anticipated requirements to meet the principal portion of the debt repayments over the next five years are as follows:

	Principal
2021	\$ 7,987
2022	8,255
2023	17,063
2024	8,373
2025	8,373
Subsequent years	302,523
	<u>\$ 352,574</u>

## 11. DEFERRED CONTRIBUTIONS

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

	2020	2019
Balance, beginning of year	\$ 216,744	\$ 193,840
Grants, contributions, donations and investment income	220,789	349,582
Recognized to revenue	(213,123)	(326,678)
Balance, end of year	<u>\$ 224,410</u>	<u>\$ 216,744</u>

	2020	2019
Unspent research grants	\$ 128,984	\$ 126,818
Scholarships	17,707	17,297
Other restricted funds	77,719	72,629
	<u>\$ 224,410</u>	<u>\$ 216,744</u>

# THE UNIVERSITY OF WESTERN ONTARIO

## Notes to the Combined Financial Statements

Year Ended April 30, 2020  
(thousands of dollars)

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### 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 until such time as capital expenditures are incurred. The changes in the deferred capital contributions balance are as follows:

	2020	2019
Balance, beginning of year	\$ 501,751	\$ 490,322
Amortization of deferred capital contributions	(32,569)	(34,394)
Contributions received during the year	17,111	45,823
Balance, end of year	<u>\$ 486,293</u>	<u>\$ 501,751</u>

Represented by:

	2020	2019
Amounts used for the purchase of capital assets	\$ 486,293	\$ 499,801
Amounts to be spent on capital assets	-	1,950
	<u>\$ 486,293</u>	<u>\$ 501,751</u>

### 13. UNRESTRICTED NET ASSETS

Details of the unrestricted net assets are as follows:

	2020	2019
Operating fund surplus	\$ 98,400	\$ 94,516
Provision for vacation pay	(10,522)	(10,158)
Operating deficit - related organizations	(8,937)	(9,387)
Provision for employee future benefits	(539,208)	(522,736)
	<u>\$ (460,267)</u>	<u>\$ (447,765)</u>

# THE UNIVERSITY OF WESTERN ONTARIO

## Notes to the Combined Financial Statements

Year Ended April 30, 2020  
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### 14. INTERNALLY RESTRICTED NET ASSETS

Details of the internally restricted net assets are as follows:

	2020	2019
Investment in capital assets	\$ 669,486	\$ 645,969
Departmental carry forwards	269,949	211,899
Capital reserves	55,557	66,938
Operating surplus - ancillary and support units	8,847	15,427
Faculty and research trust funds	79,594	66,122
Equipment reserves	54,429	46,282
Self-insurance funds	1,329	1,109
Undistributed investment returns	64,143	319,930
Major strategic opportunities fund	245,130	-
Sinking funds	31,894	32,422
	<u>\$ 1,480,358</u>	<u>\$ 1,406,098</u>

- 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 reserves represent 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.
- viii) The undistributed investment returns represent funds internally restricted for uses as determined by the University.
- ix) The major strategic opportunities fund represents funds to be used for strategic opportunities and the long-term benefit of the University.
- x) Sinking funds were established for the purpose of accumulating funds to repay principal outstanding on the University's debentures at maturity.

# THE UNIVERSITY OF WESTERN ONTARIO

## Notes to the Combined Financial Statements

Year Ended April 30, 2020  
(thousands of dollars)

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### 15. ENDOWMENTS

(a) Endowments

Endowments consist of externally restricted donations received by the University and internal resources transferred by the University in the exercise of its discretion. The University ensures, as part of its fiduciary responsibilities, that investment income generated from endowments is used in accordance with the various purposes established by donors or the University.

Net assets restricted for endowment consist of the following:

	<u>2020</u>	<u>2019</u>
Externally endowed	\$ 647,518	\$ 656,720
Internally endowed	157,545	147,073
	<u>\$ 805,063</u>	<u>\$ 803,793</u>

Represented by:

	<u>2020</u>	<u>2019</u>
Endowed funds	\$ 613,534	\$ 573,978
Accumulated investment returns	191,529	229,815
	<u>\$ 805,063</u>	<u>\$ 803,793</u>

# THE UNIVERSITY OF WESTERN ONTARIO

## Notes to the Combined Financial Statements

Year Ended April 30, 2020  
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(b) Ontario Student Opportunity Trust Fund Endowment

i) Phase I

Externally restricted endowments include grants provided by the Government of Ontario for 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.

	2020		2019	
	Western	Affiliates	Western	Affiliates
<b>Changes in Endowment Fund Balances</b>				
Fund balances, beginning of year	\$ 55,301	\$ 2,934	\$ 53,796	\$ 2,934
Cash donations	63	-	70	-
Preservation (use) of capital	(2,923)	-	1,398	-
Other change to balance	111	-	37	-
<b>Fund balances, end of year</b>	<b>\$ 52,552</b>	<b>\$ 2,934</b>	<b>\$ 55,301</b>	<b>\$ 2,934</b>

### Changes in Expendable Funds Available for Awards

Fund balances, beginning of year	\$ 1,413	\$ 767	\$ 1,310	\$ 767
Investment income	2,083	57	1,979	144
Expendable donations	12	-	9	-
Value of bursaries awarded [752 (2019 - 790)]	(1,864)	(145)	(1,848)	(144)
Other change to balance	(111)	-	(37)	-
<b>Fund balances, end of year</b>	<b>\$ 1,533</b>	<b>\$ 679</b>	<b>\$ 1,413</b>	<b>\$ 767</b>

The fair value of the endowment at April 30, 2020 was \$57,672 (2019 - \$60,430).

The amounts for affiliated colleges 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, 2020  
(thousands of dollars)

ii) Phase II

	2020 Western	2020 Affiliates	2019 Western	2019 Affiliates
<b>Changes in Endowment Fund Balances</b>				
Fund balances, beginning of year	\$ 20,264	\$ 1,516	\$ 19,776	\$ 1,514
Cash donations	93	-	83	-
Preservation (use) of capital	(1,175)	-	402	2
Other change to balance	39	-	3	-
<b>Fund balances, end of year</b>	<b>\$ 19,221</b>	<b>\$ 1,516</b>	<b>\$ 20,264</b>	<b>\$ 1,516</b>

**Changes in Expendable Funds Available for Awards**

Fund balances, beginning of year	\$ 330	\$ 272	\$ 313	\$ 301
Investment income	1,799	92	1,771	31
Expendable donations	18	-	18	-
Value of bursaries awarded [273 (2019 - 265)]	(1,756)	(60)	(1,769)	(58)
Other change to balance	(39)	-	(3)	(2)
<b>Fund balances, end of year</b>	<b>\$ 352</b>	<b>\$ 304</b>	<b>\$ 330</b>	<b>\$ 272</b>

The fair value of the endowment at April 30, 2020 was \$21,379 (2019 - \$22,390).

The amounts for affiliated colleges 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, 2020  
(thousands of dollars)

### (c) Ontario Trust For Student Support Endowment

Externally restricted endowments include grants provided by the Government of Ontario for 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.

	2020 Western	2020 Affiliates	2019 Western	2019 Affiliates
<b>Changes in Endowment Fund Balances</b>				
Fund balances, beginning of year	\$ 60,514	\$ 7,885	\$ 59,094	\$ 7,853
Cash donations	27	30	10	16
Preservation (use) of capital	(3,367)	5	1,321	16
Other change to balance	4	-	89	-
<b>Fund balances, end of year</b>	<b>\$ 57,178</b>	<b>\$ 7,920</b>	<b>\$ 60,514</b>	<b>\$ 7,885</b>

### Changes in Expendable Funds Available for Awards

Fund balances, beginning of year	\$ 445	\$ 537	\$ 516	\$ 644
Investment income	1,636	411	1,569	207
Expendable donations	12	-	23	-
Value of bursaries awarded [537 (2019 - 556)]	(1,632)	(286)	(1,574)	(298)
Other change to balance	(4)	(5)	(89)	(16)
<b>Fund balances, end of year</b>	<b>\$ 457</b>	<b>\$ 657</b>	<b>\$ 445</b>	<b>\$ 537</b>

The fair value of the endowment at April 30, 2020 was \$66,115 (2019 - \$69,435).

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

## 16. THE SEYMOUR SCHULICH ENDOWMENT FUND

The Seymour Schulich Endowment Fund has a current fair value of \$38,291 (2019 - \$41,168). The Fund includes \$11,639 received from two Government of Ontario matching programs, the Ontario Student Opportunity Trust Fund and the Ontario Trust for Student Support.

# THE UNIVERSITY OF WESTERN ONTARIO

## Notes to the Combined Financial Statements

Year Ended April 30, 2020  
(thousands of dollars)

### 17. STATEMENT OF CASH FLOWS

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

	2020	2019
Accounts receivable and other long-term other assets	\$ 2,037	\$ (2,635)
Inventories	(452)	(256)
Prepaid expenses and deposits	4,851	(1,210)
Accounts payable and accrued liabilities	9,582	5,292
Deferred fees and income	(2,463)	11,058
Net change in non-cash working capital	<u>\$ 13,555</u>	<u>\$ 12,249</u>

### 18. COMMITMENTS AND CONTINGENCIES

#### (a) Legal matters

The University is involved 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 litigation when the outcome becomes reasonably determinable. In the administration's judgement no material exposure exists on the eventual settlement of litigation.

#### (b) Capital commitments

The estimated cost to complete capital projects in progress at April 30, 2020 is approximately \$28,000 (2019 - nil).

#### (c) Canadian Universities Reciprocal Insurance Exchange

The University participates in a reciprocal exchange of insurance risks in association with other Canadian universities. This self-insurance reciprocal, CURIE, involves a subscriber agreement to share the insurable property and liability risks of member universities for a term of not less than five years. Plan members are required to pay annual deposit premiums, which are actuarially determined and expensed in the year. If premiums collected are insufficient to cover expenses and claims, the University may be requested to pay additional amounts.

### 19. PLEDGES

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

	Pledges
2021	\$ 24,703
2022	13,968
2023	11,861
Subsequent years	18,175
	<u>\$ 68,707</u>

# THE UNIVERSITY OF WESTERN ONTARIO

## Notes to the Combined Financial Statements

Year Ended April 30, 2020  
(thousands of dollars)

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### 20. COVID-19

In March 2020, the World Health Organization declared the spread of coronavirus (“COVID-19”) to constitute a global pandemic. The pandemic has had a significant financial, market and social dislocating impact. Governments worldwide enacted emergency measures including travel restrictions, limitations on social gatherings, requirements to stay at home and closure of all non-essential workplaces. These restrictions impacted the University and resulted in a move to an essential services model through the closure of physical premises and delivery of student programs online.

The impact of COVID-19 has led to significant volatility in certain equity and debt markets and has had an adverse effect on global commercial activity. Given that the magnitude and duration of the pandemic is unknown, the extent of adverse effects on the University’s business, operational and financial performance are uncertain and difficult to assess. It may increase risk exposure to long-term investments that are subject to market volatility, which could lead to declines in market value.

As of April 30, 2020, the University did not record significant adjustments to reflect the possible future impact of COVID-19. Investments are recorded at fair-value which include the impact on financial markets as at year-end. Management has assessed the going concern assumption and believes there are no major issues given the University has a strong working capital base and access to sufficient liquid resources to support operations in the coming year. Given the outcome and timeframe to a recovery from the current pandemic is highly unpredictable, it is not practicable to estimate and disclose its financial effect on future operations at this time.