FIDUCIARY RESPONSIBILITY - KEY FINANCIAL INDICATORS

From Document - Role of the Board of Governors: (attached)
Item 1 — ***To provide stewardship and ensure that University actions support University objectives***
Item 8 — ***To ensure adequate resources and financial solvency***

TYPE OF INDICATOR	FREQUENCY & REPORT	PERFORMANCE MEASURE	TARGET/ MAXIMUM	OUTCOME
POLICY COMPLIANCE				**Actual at April 30/11:**
Capital Debt Policy 2.30	Quarterly Report on Capital Debt *(P&F - September, January, March, June)*	Debt per Student FTE	**$8,756**	**$7,255**
		Ratio of Debt to Total Revenue	**35%**	**22%**
		Debt Service Costs as a Percentage of Revenues	**4%**	**1.3%**
		Ratio of Debt to Revenues that are Available for Debt Repayment	**45%**	**32%**
		Maximum allowable debt based on Student FTE	**$261.9**	**$217.0M**
		Floating rate debt between 0% - 50% of total debt	**0-50%**	**2%**
Ratio on Non-endowed Funds (also an indicator of Financial Health)	Quarterly Ratio Report on Non-Endowed Funds *(P&F - September, January, March, June)* *(Investment Committee)*	Target Ratio of Investments to Obligations	**1.08**	**1.21**
FINANCIAL HEALTH				
Budget Indicators	Annual *(P&F - October)*	Carryforward Reserve	**N/A**	**$93.9M**
		Operating Reserve	**$2.5M**	**$33.0M**
		Student Aid	**N/A**	**$57.8M**
		Real Operating Revenue excluding Student Aid	**N/A**	**$265.8M**
		Real Operating Revenue excluding Student Aid per Student FTE	**N/A**	**$8,886**
Credit Rating	Annual	External credit rating - Standard & Poor's	**AA**	**AA - December 2010**
STEWARDSHIP & MONITORING				
Statutory Financial Statements	Annual *(Audit Committee - September)*	Approval of Combined Financial Statements	**N/A**	**Unqualified Audit Opinion**
		Approval of Retirement Income Fund Financial Statements	**N/A**	**Unqualified Audit Opinion**
		Pension Financial Statements for information	**N/A**	**-**
Audit Findings Report	Annual *(Audit Committee - September)*	External auditors report to the Audit Committee.	**N/A**	**No recommendations/ No Audit Differences**
Operating Reserve	Annual Budget *(P&F - April)*	Minimum target set by Board	**$2.5M**	**$33.0M**
Deferred Maintenance	Annual Budget *(P&F - April)*	Comparison annually to 2% target	**2%**	**Budget 3.4%**
Report on Endowments	Annual *(P&F - October)*	Endowment Performance and Underwater endowments	**5%**	**One year 10.2%**
		Endowment per FTE	**$12,150** **at 12/31/09**	**$15,414** **at 12/31/10**
		Rank of Endowment/FTE per CAUBO Investment Survey	**23**	**20**
		Rank - Endowments > $100M per CAUBO Investment Survey	**9**	**10**
Report of the Investment Committee	Quarterly *(P&F - September, January, March, June)*	Performance of the operating and endowment investment portfolio and the recent activities of the Investment Committee		**See Appendix 1**
Employee Future Benefits	Annual Budget *(P&F - April)*	Reported through the operating budget.	**2010-$248.1M**	**$272.1M**

TYPE OF INDICATOR	FREQUENCY & REPORT	PERFORMANCE MEASURE	TARGET/ MAXIMUM	OUTCOME
PERFORMANCE				
Financial Report (Operating Budgets)	Quarterly *(P&F - September, January, March, June)*	Performance - Actual versus budget for Operating Budgets Surplus/(Deficit)	**$2.7M**	**$33.0M**
Statutory Financial Statements - Combined	Annual *(P&F - September)*	Excess of revenues over expenses (expenses over revenues)	**2010 $45.8M**	**$42.8M**
Ancillary Financial Report	Semi-Annual *(P&F - January,June)*	Budget versus actual revenues and expenses for Student Fee Funded units, Ancillaries, Academic Support Units and Associated Companies Surplus/(Deficit)	**$5.6M**	**$7.1M**
Fundraising	Quarterly *Development & Fundraising Committee* *Property & Finance Committee*	Performance against fundraising targets 2009-10 2010-11	**$65M** **$54M**	**$55M** **$63.4M**
CAUBO Investment Survey	Annual	Investment portfolio performance against our Canadian peers Endowment per FTE. Included in the Report of the Investment Committee.	**No target**	**-**

KEY FINANCIAL INDICATORS

CAPITAL DEBT POLICY 2.30

Policy defines the responsibilities for approval of capital debt, the maximum limits on the amount of capital debt and the system of accountability

Administration reports quarterly to the Property & Finance Committee on the four measures contained within the Capital Debt Policy:

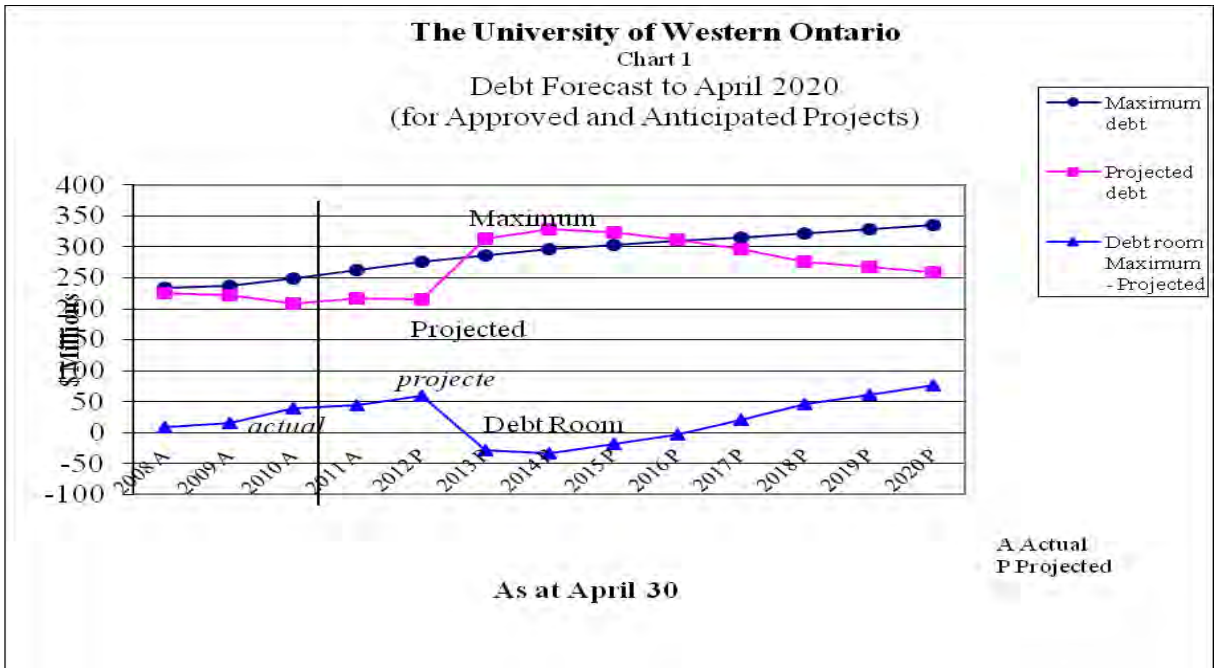
a) Debt per Student FTE measures the amount of total UWO capital debt on a per FTE basis. The amount of total debt shall remain less than $7,500 (adjusted by the change in CPI annually) per student FTE.
b) Ratio of Debt to Total Revenue measures the amount of total UWO capital debt as a percentage of total UWO revenue. Total debt shall remain less than 35% of total revenue.
c) Debt Service Costs as a Percentage of Revenues measures the percentage of total revenue that is allocated to debt principal and interest payments. The amount of obligatory debt principal and interest payments shall not exceed 4% of total University revenues.
d) Ratio of Debt to Revenues that are Available for Debt Repayment measures the amount of total UWO capital debt as a percentage of revenues that are available to service debt. Such revenues include ancillary revenue, provincial operating grants, tuition fees and a portion of investment returns, but do not include research grants. Total debt shall remain less than 45% of revenues that are available to repay such debt.

The most limiting of the above ratios is the Debt per Student FTE. The Quarterly Report on Capital Debt informs the Property & Finance Committee about the impact that newly approved and proposed projects will have on the level of capital debt and on the debt ratios.

This Policy is also closely monitored by Standard and Poor's as part of their annual credit rating review of the University.

Chart 1 below shows the maximum debt; actual and projected debt; and Debt Room, which is the difference between the two. Total debt at April 30, 2011 was $217.0 million.

In June 2011, the Board of Governors approved a recommendation to authorize the University to exceed the limits set out in the Capital Debt Policy, if required, by up to $45 million for the fiscal periods 2013 and 2014 subject to review and renewal for an additional two years, with a commitment to minimize the quantum of the overage. Chart 1 reflects the relief that is required from 2013 through 2016.



The Capital Debt Policy also provides a guideline for administration to manage the percentage of floating rate debt within the range of 0% - 50% of total debt.

RATIO REPORT ON NON-ENDOWED FUNDS

Administration reports quarterly on the ratio of total investments to total obligations for non-endowed funds. The total obligations reflect funds that are owed to University accounts and other creditors. The Board target for this ratio is an average of 1.08 over the previous 12 quarters. At April 30, 2011 the ratio of investments to obligations for non-endowed funds was 1.21. When this ratio falls below 1.08, draws from non-endowed funds cease until the target ratio is reached as part of an approved annual budget.

BUDGET INDICATORS

This report tracks the actual annual results for five budget indicators: the Carryforward Reserve, the Operating Reserve, Operating Revenue, and Student aid.

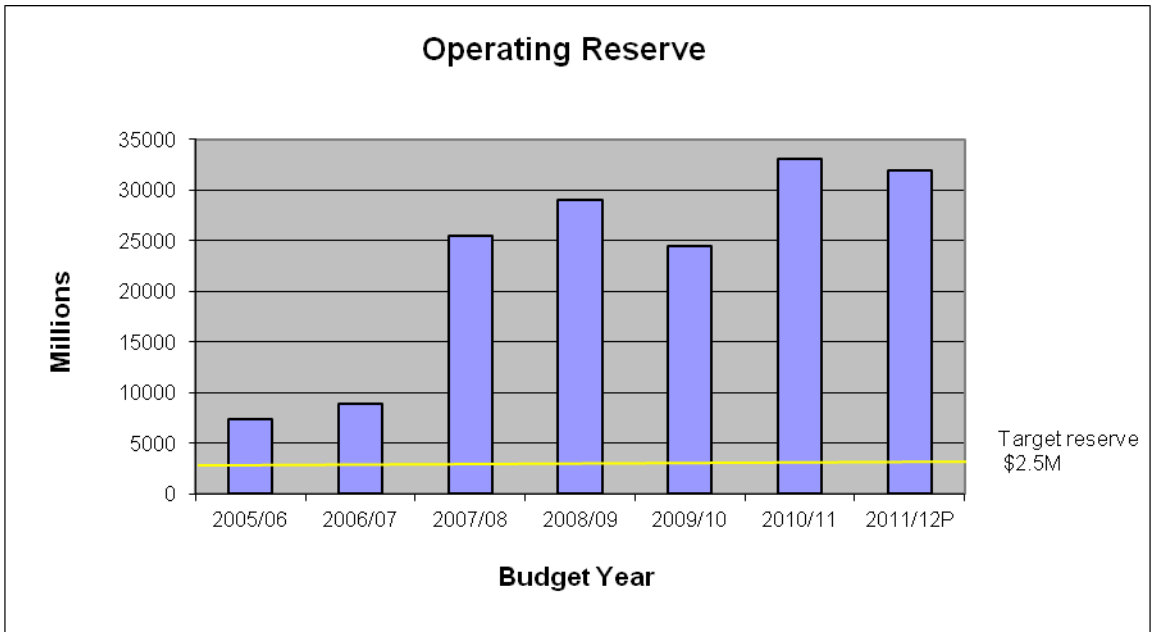
CREDIT RATING (AA)

Standard & Poor's measures financial health using a variety of indicators. The most recent credit rating review was issued December 22, 2010 which reaffirmed Western's AA rating (Negative trend) and identified the following outlook for Western:

- Improving Demand Profile
- Tight Operating Environment
- Strong Government Funding Support for Capital Projects
- Expected Debt Increase
- Balance Sheet remains weak
- Higher-but-manageable postemployment liabilities

OPERATING RESERVE

The Board of Governors has set a minimum level for the operating reserve at $2.5M. The University has maintained an operating reserve above this level since 2002. The 2011/12 operating and capital budgets project the operating reserve at $31.9M at April 30, 2012.



DEFERRED MAINTENANCE

Deferred maintenance is defined as work on the maintenance of physical facilities that has been deferred on a planned or unplanned basis to a future budget cycle or postponed until funds become available. To avoid increasing the size of the deferred maintenance backlog, it is necessary to carry out replacement of facility components on an annual basis.

As part of the 1995 Strategic Plan, the Board of Governors approved an incremental annual base transfer of $750,000 from operating to capital in support of maintenance spending for 10 years, from 1996-97 to 2005-06 (the Maintenance, Modernization, and Infrastructure (MMI) transfer). In 2004, Western's Board of Governors approved the recommendation that the base transfer of $750,000 be continued for another ten years after 2005-06 until 2015-16, when the annual transfer will be $15.5 million. This commitment establishes Western as a leader among Canadian universities in maintaining its facilities and dealing with deferred maintenance.

For 2009-10 and 2010-11, the Board of Governors approved the transfer be maintained at $10.25 million. The MMI transfer, coupled with Facilities Renewal Funds received from MTCU will allow Western to allocate $28.3M to maintenance expenditures in 2011-12, representing 1.8% of the Current Replacement Value of our nonresidential buildings, utilities and infrastructure.

Our ability to achieve the 2% target over the long-term is entirely dependent on Facilities Renewal Funds received from government (MTCU).

REPORT ON ENDOWMENTS

Annually, a report is provided to the Property & Finance Committee that details the growth of the endowment portfolio and any underwater endowments (current market value of the funds is less than the original donated amount(s)) that exist. The University's policy with respect to management of endowments permits a temporary

draw down of endowment capital on the premise that the funds will recover. The market value of endowments at April 30, 2011 was $362.4M versus legal capital of $339M and the prior year value of $318.9M.

REPORT OF THE INVESTMENT COMMITTEE

This report is provided quarterly to the Property & Finance Committee and outlines the performance of the operating and endowment investment portfolio and the recent activities of the Investment Committee.

For the CAUBO investment survey (conducted annually), we report the weighted average of the returns of Western and Foundation Western, as follows:

Annualized Returns as of December 31, 2010

	1-Yr	**2-Yr**	**3-Yr**	**4-Yr**	**5-Yr**	*10-Yr*
Western	10.2%	13.3%	1.4%	1.9%	4.0%	4.4%
Foundation Western	10.3%	13.1%	2.4%	2.0%	4.0%	3.9%
Weighted average	10.2%	13.2%	1.8%	2.0%	4.0%	4.3%

CAUBO 2010 Survey
Western vs Median:

	One year	Two years	Three Years	Four Years	Five years	Ten Years
Western	10.2%	13.2%	1.8%	2.0%	4.0%	4.3%
Median returns, funds > $100	9.9%	12.7%	1.1%	1.1%	3.5%	4.3%

CAUBO 2010 Investment Survey

Top 10 Endowment Funds:

	University	**Endowment Value (millions)**		**% Change**
		2010	2009	
1	Toronto	$1,539	$1627	-5%
2	British Columbia	$1,046	$960	+ 9%
3	McGill	$941	$845	+ 11%
4	Alberta	$767	$699	+ 10%
5	Queen's	$610	$577	+ 6%
6	Calgary	$475	$429	+ 11%
7	McMaster	$429	$402	+ 7%

8	Manitoba	$374	$353	+ 6%
9	Dalhousie	$363	$319	+ 14%
10	Western Ontario	$348	$325	+ 7%
			Average change:	+ 8%

EMPLOYEE FUTURE BENEFITS

Reported annually through the operating budget.

Employee Future Benefits – Obligation and Expense

as a % of Total Expenditures

2006 through 2011

	Obligation (in millions)	Expense (in millions)	Total Expenses (in millions)	Obligation %	Expense %
2011	$272.1	$24.0	$ 952	28.6%	2.5%
2010	$248.1	$18.3	$ 915	27.1%	2.0%
2009	$229.9	$21.7	$ 905	25.4%	2.4%
2008	$208.2	$20.0	$ 845	24.6%	2.4%
2007	$ 188.1	$ 14.9	$ 762	24.7%	2.0%
2006	$ 173.2	$ 14.7	$ 722	24.0%	2.0%

FINANCIAL REPORT (OPERATING BUDGETS)

This report is provided to the Property & Finance Committee on a quarterly basis and tracks budget versus actual revenues, expenses and operating reserve.

ANCILLARY FINANCIAL REPORT

This report is provided to the Property & Finance Committee on a semi-annual basis and tracks budget versus actual revenues and expenses for Student Fee Funded units, Ancillaries, Academic Support Units and Associated Companies.

FUNDRAISING

This quarterly report presented to the Property & Finance Committee outlines pledge data for the current and two previous fiscal years and provides a status report on fundraising initiatives.