

THE UNIVERSITY OF WESTERN ONTARIO
COMBINED FINANCIAL STATEMENTS
APRIL 30, 2015



Introduction to Western University Financial Statements 2014-2015

Revenues for the year ended April 30, 2015 were \$1,160.4 million, expenses were \$1,084.2 million and the excess of revenue over expenses \$76.2 million, due to investment returns. The year was characterized by strong international undergraduate student growth and strong capital market returns.

Government grants for general operations decreased slightly to \$236.7 million. Restricted government grants and contracts amounted to \$218.7 million compared to \$251.8 million in 2014.

Student fees increased \$23.7 million over the prior year, primarily due to increases in enrolments and tuition.

Compensation is the largest single expenditure component at the University, representing 60.8% of the institution's expenses. Salaries and benefits increased from \$654.2 million in 2014 to \$659.7 million in 2015. Underlying this increase is the growth in employee future benefit costs of \$22.5 million and salary increases.

Scholarships increased to \$73.0 million.

At April 30, 2015, assets were \$2,727.3 million, liabilities and deferred contributions were \$1,592.8 million and net assets were \$1,134.5 million. A change in accounting policy for employee future benefits was implemented retroactively. Remeasurements and other items are now recognized immediately as a direct charge to net assets while previously these were deferred and amortized over future periods. The employee future benefit liability increased \$80.6 million to \$482.3 million and the current period expense was \$22.5 million.

Assets and liabilities growth is mainly due to the construction of additional space to accommodate the increased number of students and increased research activities, as well as growth in endowments as a result of donations and investment returns.

A handwritten signature in blue ink that reads "Gitta Kulczycki".

Gitta Kulczycki
Vice-President (Resources & Operations)

SUMMARY OF REVENUES AND EXPENSES

Total Revenues and Expenses

For the year ended April 30, 2015

(millions of dollars)

	2011	2012	2013	2014	2015
	\$	\$	\$	\$	\$
Revenues					
Government grants for general operations	234.9	237.8	238.6	239.6	236.7
Restricted government grants and other grants and contracts	224.6	236.9	238.1	251.8	218.7
Student fees	266.6	287.6	308.6	332.8	356.5
Sales and services	153.7	156.4	158.4	173.6	190.2
Investment returns	49.6	24.1	62.7	90.4	80.8
Donations	29.4	38.6	36.5	32.9	35.6
Recoverable salaries and benefits	18.9	17.6	19.1	19.5	19.4
Other revenues	17.3	18.4	19.3	18.7	22.5
	995.0	1,017.4	1,081.3	1,159.3	1,160.4
Expenses					
Salaries and benefits	573.3	594.3	619.4	654.2	659.7
Operating costs	145.1	151.7	158.1	168.0	164.2
Amortization of capital assets	66.1	67.5	69.0	76.0	74.5
Scholarships, fellowships and bursaries	68.8	69.5	70.1	70.1	73.0
Cost of sales and services	38.5	38.3	37.1	38.0	38.5
Utilities and taxes	23.6	25.8	24.3	27.2	27.3
Repairs and maintenance	26.0	17.3	18.6	22.0	30.0
Interest	10.8	11.0	13.1	11.9	17.0
	952.2	975.4	1,009.7	1,067.4	1,084.2

% of Total Revenues and Expenses

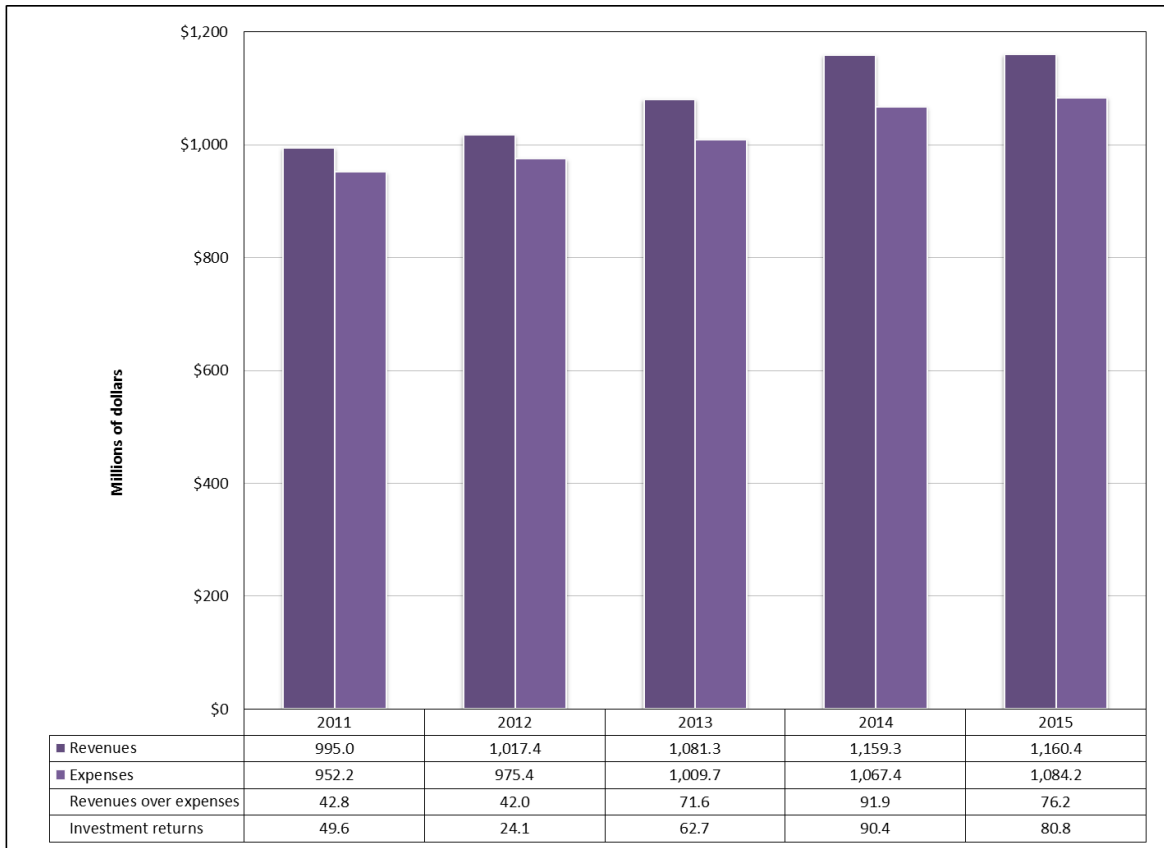
	2011	2012	2013	2014	2015
	%	%	%	%	%
Revenues					
Government grants for general operations	23.6	23.4	22.1	20.7	20.4
Restricted government grants, other grants, contracts	22.6	23.3	22.0	21.7	18.8
Student fees	26.8	28.3	28.5	28.7	30.7
Sales and services	15.4	15.4	14.6	15.0	16.4
Investment returns	5.0	2.4	5.8	7.8	7.0
Donations	3.0	3.8	3.4	2.8	3.1
Recoverable salaries and benefits	1.9	1.7	1.8	1.7	1.7
Other revenues	1.7	1.7	1.8	1.6	1.9
	100.0	100.0	100.0	100.0	100.0
Expenses					
Salaries and benefits	60.2	60.9	61.3	61.3	60.8
Operating costs	15.2	15.6	15.7	15.7	15.1
Amortization of capital assets	6.9	6.9	6.8	7.1	6.9
Scholarships, fellowships and bursaries	7.2	7.1	6.9	6.6	6.7
Cost of sales and services	4.0	3.9	3.7	3.6	3.6
Utilities and taxes	2.5	2.6	2.4	2.5	2.5
Repairs and maintenance	2.7	1.8	1.8	2.1	2.8
Interest	1.3	1.2	1.4	1.1	1.6
	100.0	100.0	100.0	100.0	100.0

SUMMARY OF ENDOWMENT ACTIVITY
Contributions, Investment Returns and Allocation for Spending
For the year ended April 30, 2015
(millions of dollars)

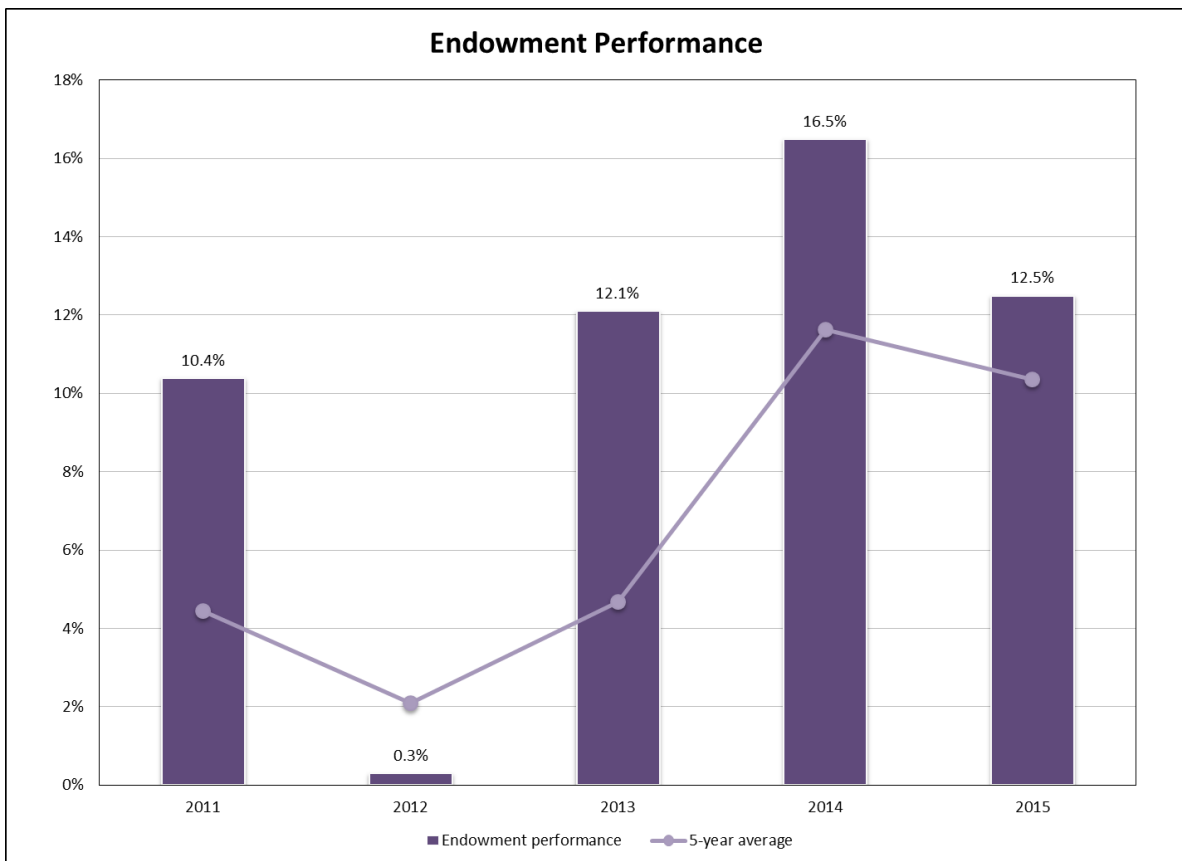
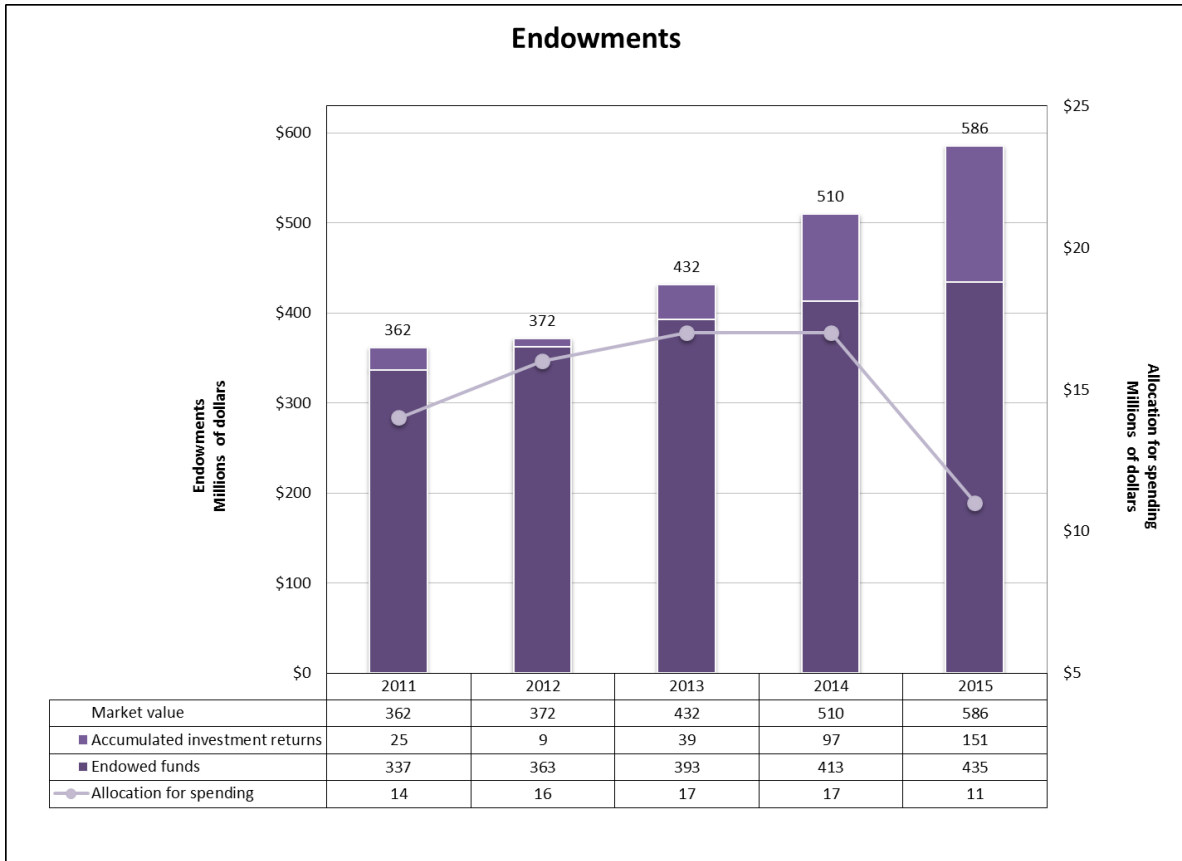
	2011	2012	2013	2014	2015
	\$	\$	\$	\$	\$
Fund balance, beginning of year	318.9	362.4	371.7	431.9	509.7
New contributions	22.7	24.1	29.9	19.4	22.3
Investment returns	35.0	1.2	47.4	75.1	64.5
Allocation for spending	(14.2)	(16.0)	(17.1)	(16.7)	(10.7)
Fund balance, end of year	362.4	371.7	431.9	509.7	585.8

The allocation for spending dropped from \$16.7 million in 2014 to \$10.7 million in 2015. The decline is a result of the unification of Foundation Western endowments. Foundation Western did their allocation for spending in advance. Their allocation in fiscal 2014 was for spending in fiscal 2015. The effect of the transition to Western's policies was that there was no allocation for spending in fiscal 2015 related to Foundation Western Endowments resulting in the decrease noted in the above table.

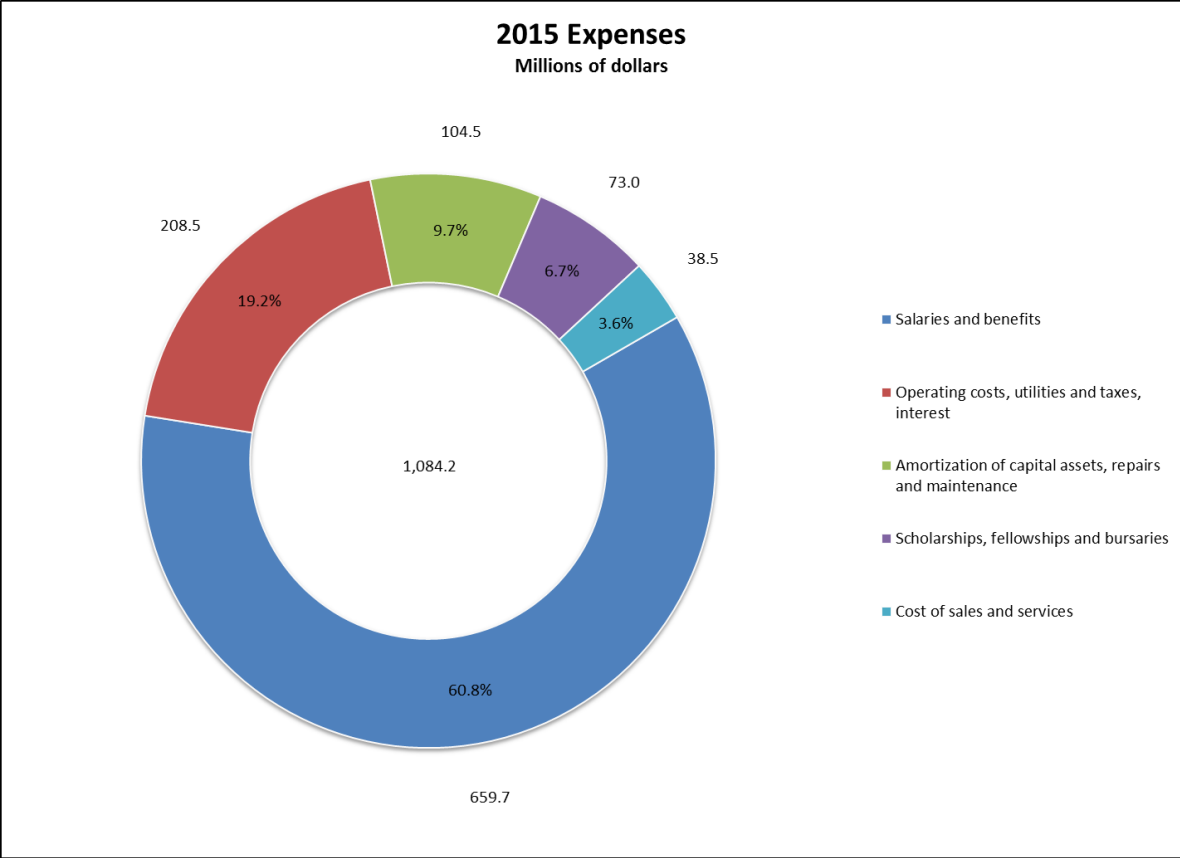
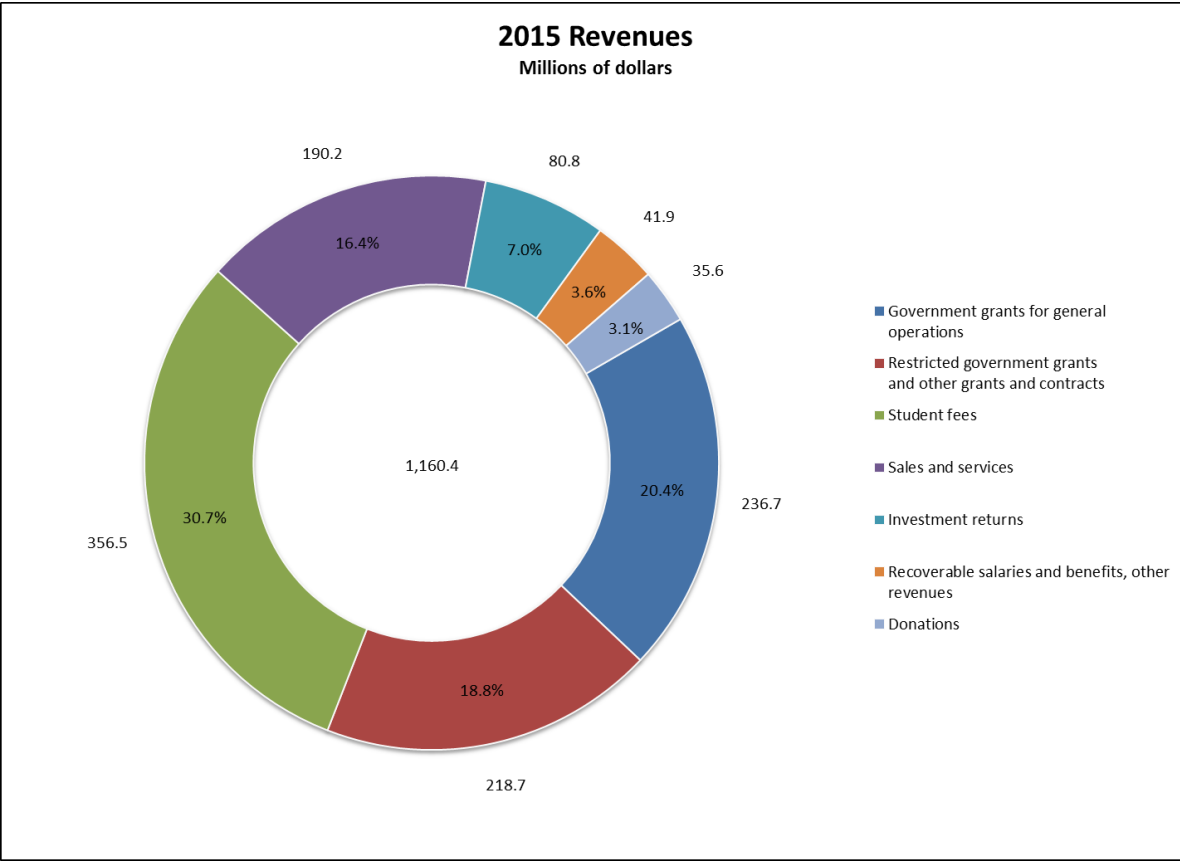
Revenues and Expenses
2011-2015



Endowment Performance 2011-2015



Revenues and Expenses 2015



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.

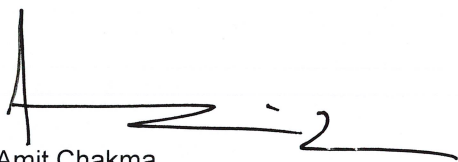
The combined financial statements have been prepared by the University administration in accordance with Canadian accounting standards for not-for-profit organizations and are in accordance with Canadian generally accepted accounting principles. Financial statements necessarily include amounts based 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, 2015, 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 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.



Amit Chakma
President & Vice-Chancellor



Gitta Kulczycki
Vice-President (Resources & Operations)



KPMG LLP
140 Fullarton Street Suite 1400
London, ON N6A 5P2
Canada

Telephone (519) 672-4880
Fax (519) 672-5684
Internet www.kpmg.ca

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, 2015, 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 accounting standards for not-for-profit organizations, 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 an 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 University'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 University'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 financial position of The University of Western Ontario as at April 30, 2015, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Chartered Professional Accountants, Licensed Public Accountants

September 22, 2015

London, Canada

THE UNIVERSITY OF WESTERN ONTARIO

Combined Statement of Financial Position

Statement 1

As at April 30, 2015, with comparative amounts for 2014

(thousands of dollars)

	<u>2015</u>	<u>2014</u>
	\$	\$
Assets		
Current		
Cash	20,308	22,547
Accounts receivable [note 5]	77,523	75,594
Inventories	5,297	4,540
Prepaid expenses and deposits	17,357	14,601
Short-term investments [note 6(a)]	306,533	245,419
	<u>427,018</u>	<u>362,701</u>
Long-term accounts receivable [note 5]	4,580	4,257
Investments [note 6(a)]	1,045,488	931,246
Capital assets [note 7]	1,250,254	1,252,440
	<u>2,727,340</u>	<u>2,550,644</u>
Liabilities and deferred contributions		
Current		
Bank indebtedness [note 8]	5,336	4,437
Accounts payable and accrued liabilities [note 9]	80,234	68,412
Current portion long-term debt [note 12]	7,689	7,624
Deferred fees and income	87,165	79,425
	<u>180,424</u>	<u>159,898</u>
Long-term accounts payable	255	650
Employee future benefits [note 10]	482,294	401,675
Long-term debt [note 12]	290,551	298,229
Deferred contributions [note 13]	162,138	152,627
Deferred capital contributions [note 14]	477,130	488,415
	<u>1,592,792</u>	<u>1,501,494</u>
Net assets [Statement 3]	<u>1,134,548</u>	<u>1,049,150</u>
	<u>2,727,340</u>	<u>2,550,644</u>

See accompanying notes to the combined financial statements.

Commitments and contingencies [note 6(a), note 20]

Approved on behalf of the Board of Governors:



C. Shah
Chair, Board of Governors



J. Knowles
Chair, Audit Committee

THE UNIVERSITY OF WESTERN ONTARIO

Combined Statement of Operations

Statement 2

For the year ended April 30, 2015, with comparative amounts for 2014

(thousands of dollars)

	<u>2015</u>	<u>2014</u>
	\$	\$
Revenues		
Government grants for general operations	236,684	239,592
Restricted government grants and other grants and contracts	218,748	251,753
Student fees	356,511	332,848
Sales and services	190,160	173,625
Investment returns [note 6(b)]	80,782	90,355
Donations	35,570	32,897
Recoverable salaries and benefits	19,440	19,459
Other revenues	22,506	18,803
	<u>1,160,401</u>	<u>1,159,332</u>
Expenses		
Salaries and benefits	659,665	654,153
Operating costs	164,230	167,970
Amortization of capital assets	74,538	76,003
Scholarships, fellowships and bursaries	72,968	70,107
Cost of sales and services	38,515	38,071
Utilities and taxes	27,250	27,157
Repairs and maintenance	29,994	22,025
Interest on long-term debt	17,004	11,960
	<u>1,084,164</u>	<u>1,067,446</u>
Excess of revenues over expenses	<u>76,237</u>	<u>91,886</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, 2015, with comparative amounts for 2014

(thousands of dollars)

	2015			2014	
	Unrestricted [note 15]	Internally Restricted [note 16]	Endowments [note 17]	Total	Total [note 4]
	\$	\$	\$	\$	\$
Net assets, beginning of year	(375,788)	915,279	509,659	1,049,150	871,824
Excess of revenues over expenses	76,237	-	-	76,237	91,886
Change in internally restricted net assets	(90,951)	91,176	-	225	226
Investment returns allocated to internal endowments	(5,458)	-	5,458	-	-
Allocation for spending of internally endowed returns	1,360	-	(1,360)	-	-
Investment returns allocated to external endowments [note 6(b)]	-	-	59,025	59,025	69,562
Allocation for spending of externally endowed returns [note 6(b)]	-	-	(9,374)	(9,374)	(15,727)
Endowment contributions	(4,970)	-	22,371	17,401	15,524
Employee future benefits remeasurements and other items [note 10(a)]	(58,116)	-	-	(58,116)	15,855
Net assets, end of year	<u>(457,686)</u>	<u>1,006,455</u>	<u>585,779</u>	<u>1,134,548</u>	<u>1,049,150</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, 2015, with comparative amounts for 2014

(thousands of dollars)

	<u>2015</u>	<u>2014</u>
	\$	\$
Operating activities		
Excess of revenues over expenses	76,237	91,886
Non-cash items		
Amortization of capital assets	74,538	76,003
Amortization of deferred capital contributions	(32,421)	(33,011)
Change in fair value of investments	(81,474)	(62,494)
Employee future benefits	22,503	23,217
Net change in non-cash working capital [note 19]	<u>13,402</u>	<u>(16,974)</u>
Cash provided by operating activities	<u>72,785</u>	<u>78,627</u>
Investing activities		
Net change in investments	(93,882)	(52,294)
Purchase of capital assets	<u>(72,127)</u>	<u>(110,540)</u>
Cash used in investing activities	<u>(166,009)</u>	<u>(162,834)</u>
Financing activities		
Receipt of deferred capital contributions	21,136	39,532
Net change in deferred contributions	9,511	(8,543)
Investment returns allocated to external endowments [note 6(b)]	59,025	69,562
Allocation for spending from accumulated investment returns [note 6(b)]	(9,374)	(15,727)
Repayment of long-term debt	(7,613)	(7,351)
Endowment contributions	<u>17,401</u>	<u>15,524</u>
Cash provided by financing activities	<u>90,086</u>	<u>92,997</u>
Net (decrease) increase in cash	(3,138)	8,790
Cash position, beginning of year	<u>18,110</u>	<u>9,320</u>
Cash position, end of year	<u><u>14,972</u></u>	<u><u>18,110</u></u>
Represented by:		
Cash	20,308	22,547
Bank indebtedness	<u>(5,336)</u>	<u>(4,437)</u>
	<u><u>14,972</u></u>	<u><u>18,110</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, 2015
(thousands of dollars)

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: The Museum of Ontario Archaeology, Richard Ivey School of Business Foundation, Richard Ivey School of Business (Asia) Limited, Richard Ivey School of Business (India) Limited, Richard Ivey School of Business Consulting (Shanghai) Limited, The University of Western Ontario Research & Development Park, Windermere Manor Ltd., The Siebens - Drake Research Institute, Roberts Clinical Trials Inc., UWO Investment Trust (#1), UWO Investment Trust (#2), and related foundations in which the University has an economic interest.

Foundation Western was integrated into the University in accordance with an agreement between the University and the Foundation, on consent of the Public Guardian and Trustee, and an Ontario Superior Court of Justice court order dated April 22, 2014. The Foundation’s assets, liabilities and operations, including all employees, were transferred to the University effective April 30, 2014.

These combined 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 accounting standards for not-for-profit organizations 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.

THE UNIVERSITY OF WESTERN ONTARIO

Notes to the Combined Financial Statements

Year Ended April 30, 2015
(thousands of dollars)

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.

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 largely 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) GIC's and other short-term investments, which consist primarily of savings accounts and money market funds, are valued based on 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, 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.

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Notes to the Combined Financial Statements

Year Ended April 30, 2015
(thousands of dollars)

(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, realized and unrealized currency gains and losses and the unrealized loss in the fair value of the interest rate swaps.

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.

(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. Betterments which extend the estimated life of an asset are capitalized. When a capital asset no longer contributes to the University's ability to provide services, its carrying amount is written down to its residual value.

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

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

THE UNIVERSITY OF WESTERN ONTARIO

Notes to the Combined Financial Statements

Year Ended April 30, 2015
(thousands of dollars)

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 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 (note 10) in these plans is not recorded in the combined statement of financial position.

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.

(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.

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

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Notes to the Combined Financial Statements

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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 consolidates controlled organizations into its combined financial statements.

3. CHANGE IN ACCOUNTING POLICY

For the fiscal year ended April 30, 2015, the University has adopted Section 3463 – Reporting Employee Future Benefits by Not-for-Profit Organizations of the CPA Canada Handbook, applied retrospectively to May 1, 2013. In accordance with this standard, the immediate recognition method is used to account for employee future benefits. Remeasurements and other items 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.

4. IMPACT OF CHANGE IN ACCOUNTING POLICY

The following table summarizes the impact of adopting Section 3463 – Reporting Employee Future Benefits by Not-for-Profit Organizations on the University's combined net assets as at May 1, 2013:

Net Assets:	
As previously reported as at May 1, 2013	\$ 903,572
Change in accounting policy related to non-pension plan employee future benefits	(31,748)
Restated, May 1, 2013	\$ 871,824

Remeasurements and other items are now recognized immediately as a direct charge to net assets while previously these were deferred and amortized over future periods and charged to excess of revenues over expenses. As a result of the retrospective application of the new standard, no adjustment to excess of revenue over expenses for the comparative year ended April 30, 2014 was required.

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5. ACCOUNTS RECEIVABLE

Accounts receivable is comprised primarily of balances for trade accounts receivable and research projects. An allowance of \$1,465 (2014 - \$1,699) has been recorded.

6. INVESTMENTS

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

	2015	2014
Equities	\$ 692,015	\$ 600,554
Fixed income	215,395	179,159
Real assets	87,989	77,219
Diversifiers	50,089	74,314
	<u>1,045,488</u>	<u>931,246</u>
GICs and other short-term investments	306,533	245,419
	<u>\$ 1,352,021</u>	<u>\$ 1,176,665</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 in advance for future expenditures.

Uncalled commitments:

Approximately 12.2% (2014 - 13.6%) of the University's Operating & Endowment Portfolio is invested in private 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 \$96,166 (2014 - \$96,593). The University anticipates being able to meet all calls as they are made.

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

	2015	2014
Investment returns	\$ 130,433	\$ 144,190
Investment returns allocated to external endowments	(59,025)	(69,562)
Allocation for spending from accumulated investment returns	9,374	15,727
	<u>\$ 80,782</u>	<u>\$ 90,355</u>

Investment income is comprised of the following:

	2015	2014
Realized gains on investments	\$ 51,370	\$ 60,666
Unrealized gains on investments	18,806	14,202
Interest and dividend income	10,606	15,487
	<u>\$ 80,782</u>	<u>\$ 90,355</u>

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7. CAPITAL ASSETS

Capital assets consist of the following:

	2015			2014		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Buildings	\$ 1,244,536	\$ 419,388	\$ 825,148	\$ 1,241,973	\$ 390,695	\$ 851,278
Equipment, furnishing & computer equipment	521,656	372,153	149,503	521,318	360,121	161,197
Library books	234,709	216,389	18,320	225,891	206,952	18,939
Construction in progress	45,750	-	45,750	9,927	-	9,927
Land	189,759	-	189,759	189,759	-	189,759
Works of art and collections	21,774	-	21,774	21,340	-	21,340
	<u>\$ 2,258,184</u>	<u>\$ 1,007,930</u>	<u>\$ 1,250,254</u>	<u>\$ 2,210,208</u>	<u>\$ 957,768</u>	<u>\$ 1,252,440</u>

The University maintains a collection of art that is insured for \$13,775. During the year, paintings were donated to the University with a total appraised value of \$225 (2014 - \$226).

8. 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.

9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

As at April 30, 2015, accounts payable and accrued liabilities include government remittances payable of \$13,468 (2014 - \$13,066).

10. 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, 2014 for the non-pension plans and December 31, 2012 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 \$482,294 (2014 - \$401,675). This liability has been recorded in the combined financial statements.

Total expense for these plans is \$22,503 (2014 - \$23,217) including \$1,200 (2014 - \$1,859) for supplemental and other benefits. Benefits paid during the year amounted to \$8,978 (2014 - \$7,966).

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(b) Pension plans:

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

	December 31, 2014	December 31, 2013
Accrued benefit obligation:		
Academic staff	\$ 2,823	\$ 3,286
Administrative staff	1,512	1,802
	<u>\$ 4,335</u>	<u>\$ 5,088</u>
Fair value of plan assets:		
Academic staff	\$ 3,235	\$ 3,489
Administrative staff	1,433	1,505
	<u>\$ 4,668</u>	<u>\$ 4,994</u>
Funded status – surplus (deficit)	<u>\$ 333</u>	<u>\$ (94)</u>

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

	December 31, 2014	December 31, 2013
Employer contributions	\$ 31,315	\$ 30,602
Employee contributions	19,082	18,342
	<u>\$ 50,397</u>	<u>\$ 48,944</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	
	2015	2014	2014	2013
Discount rate	3.9%	4.6%	2.25 - 2.53%	2.09%
Expected long-term rate of return on plan assets	-	-	2.25 - 2.53%	2.09%
Medical trend rate	5.0%	5.0%	-	-
Dental trend rate	4.5%	4.5%	-	-

11. 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 6(a) and derivative financial instruments in note 11(b).

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(b) Derivative financial instruments

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

	2015		2014	
	Notional value	Fair value	Notional value	Fair value
Foreign Currency Contracts				
U.S. dollars	\$ 111,554	\$ 4,918	\$ 115,633	\$ 614
Other International	150,300	2,120	131,303	103
	<u>\$ 261,854</u>	<u>\$ 7,038</u>	<u>\$ 246,936</u>	<u>\$ 717</u>
Interest rate swap agreements	<u>\$ 100,044</u>	<u>\$ (4,721)</u>	<u>\$ 106,577</u>	<u>\$ (905)</u>

(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/(loss) in the fair value is recorded as investment returns/(interest expense) in the combined statement of operations.

The interest rate swap contracts result in the University fixing a weighted average long-term interest rate of 2.87% on certain floating rate debt obligations instead of paying a weighted average short-term floating rate of 1.34% (2014 - 1.59%).

The interest rate swap agreements relate to the University of Western Ontario Research & Development Park debt which matures on October 30, 2017 and new debt related to the construction of the new 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.

(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, April 30, 2015:

(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.

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Approximately 42% (2014 - 42%) 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 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 employed 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 10% to 30% of the total Operating & Endowment Fund.

(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'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.

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(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.

(vi) 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.

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12. LONG-TERM DEBT

	Maturity	Interest Rate at April 30, 2015	2015 Principal Outstanding	2014 Principal Outstanding
(a) Senior Unsecured Debentures [note (d)]	May 24, 2047	4.80%	\$ 189,160	\$ 189,149
(b) The details of the mortgages are as follows:				
Housing [note (e)]				
Canada Mortgage and Housing Corporation:				
Platt's Lane Estates	August 1, 2028	8.00%	\$ 6,486	\$ 6,705
Glenmore Complex	December 1, 2019	6.25%	2,120	2,471
Ontario Housing Corporation:				
Glenmore Complex	December 1, 2019	6.50%	130	151
Total mortgages			\$ 8,736	\$ 9,327
(c) The details of the Bankers' Acceptances (BA's) are as follows:				
Bankers' Acceptances [note (f)]	May 15, 2015	1.37%	\$ 87,989	\$ 94,100
Related Corporations				
Research & Development Park [note (g)]	July 31, 2015	1.14%	12,055	12,477
Richard Ivey School of Business Foundation	April 30, 2016	lender's prime	300	800
Total Bankers' Acceptances			\$ 100,344	\$ 107,377
Total debt			\$ 298,240	\$ 305,853
Less current portion			\$ 7,689	\$ 7,624
			\$ 290,551	\$ 298,229

(d) On May 24, 2007, the University issued Series A Senior Unsecured Debenture 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 used to retire certain existing capital debt and to finance new capital projects.

(e) Certain assets have been pledged as collateral for mortgages.

(f) At April 30, 2015, the University has outstanding debt of \$87,989 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 \$87,989 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 on.

(g) An interest rate swap agreement has been entered into to fix the effective interest rate for this loan at 1.98% over the remaining term, ending October 30, 2017.

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

	Principal
2016	\$ 7,689
2017	7,666
2018	18,723
2019	7,837
2020	8,143
Subsequent years	248,182
	<u>\$ 298,240</u>

13. DEFERRED CONTRIBUTIONS

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

	2015	2014
Balance, beginning of year	\$ 152,627	\$ 161,170
Grants, contributions, donations and investment income	321,892	334,273
Recognized to revenue	(312,381)	(342,816)
Balance, end of year	<u>\$ 162,138</u>	<u>\$ 152,627</u>

	2015	2014
Unspent research grants	\$ 88,856	\$ 75,507
Scholarships	13,162	19,071
Other restricted funds	60,120	58,049
	<u>\$ 162,138</u>	<u>\$ 152,627</u>

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14. 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:

	2015	2014
Balance, beginning of year	\$ 488,415	\$ 481,894
Less amortization of deferred capital contributions	(32,421)	(33,011)
Add contributions received during the year	21,136	39,532
Balance, end of year	<u>\$ 477,130</u>	<u>\$ 488,415</u>

Represented by:

	2015	2014
Amounts used for the purchase of capital assets	\$ 474,917	\$ 483,329
Amounts to be spent on capital assets	2,213	5,086
	<u>\$ 477,130</u>	<u>\$ 488,415</u>

15. UNRESTRICTED NET ASSETS

Details of the unrestricted net assets are as follows:

	2015	2014
Operating fund surplus	\$ 39,534	\$ 41,386
Provision for vacation pay	(9,113)	(8,946)
Operating deficit - related organizations	(25,948)	(25,460)
Provision for employee future benefits	(462,159)	(382,768)
	<u>\$ (457,686)</u>	<u>\$ (375,788)</u>

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16. INTERNALLY RESTRICTED NET ASSETS

Details of the internally restricted net assets are as follows:

	2015	2014
Investment in capital assets	\$ 499,143	\$ 460,907
Departmental carry forwards	184,082	189,205
Capital reserve	37,707	22,967
Operating surplus - ancillary and support units	10,773	22,896
Faculty and research trust funds	41,795	39,812
Equipment reserves	21,546	17,708
Self-insurance funds	1,000	1,200
Undistributed investment returns	210,409	160,584
	<u>\$ 1,006,455</u>	<u>\$ 915,279</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 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.
- viii) The undistributed investment returns represent funds internally restricted for uses as determined by the University.

17a. 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.

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Net assets restricted for endowment consist of the following:

	2015	2014
Externally endowed	\$ 532,185	\$ 465,133
Internally endowed	53,594	44,526
	<u>\$ 585,779</u>	<u>\$ 509,659</u>

Represented by:

Endowed funds	\$ 439,609	\$ 417,238
Accumulated investment returns	146,170	92,421
	<u>\$ 585,779</u>	<u>\$ 509,659</u>

17b. ONTARIO STUDENT OPPORTUNITY TRUST FUND

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.

	2015 Western	2015 Affiliates	2014 Western	2014 Affiliates
Changes in Endowment Fund Balances				
Fund balances, beginning of year	\$ 43,599	\$ 2,851	\$ 36,712	\$ 2,811
Cash donations	99	-	167	-
Preservation of capital	4,451	11	6,720	40
Other change to balance (recapitalization)	76	-	-	-
Fund balances, end of year	<u>\$ 48,225</u>	<u>\$ 2,862</u>	<u>\$ 43,599</u>	<u>\$ 2,851</u>

Changes in Expendable Funds Available for Awards

Fund balances, beginning of year	\$ 2,090	\$ 601	\$ 2,063	\$ 412
Investment income	897	272	1,371	322
Expendable donations	23	-	61	-
Value of bursaries awarded [737 (2014 - 735)]	(1,445)	(132)	(1,405)	(133)
Other change to balance (recapitalization)	(76)	-	-	-
Fund balances, end of year	<u>\$ 1,489</u>	<u>\$ 741</u>	<u>\$ 2,090</u>	<u>\$ 601</u>

The fair value of the endowment at April 30, 2015 was \$53,356 (2014 - \$49,169).

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

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ii) Phase II

	2015		2014	
	Western	Affiliates	Western	Affiliates
Changes in Endowment Fund Balances				
Fund balances, beginning of year	\$ 16,414	\$ 1,465	\$ 14,031	\$ 1,425
Cash donations	108	-	118	-
Preservation of capital	1,505	(8)	2,265	40
Other change to balance (recapitalization)	63	-	-	-
Fund balances, end of year	<u>\$ 18,090</u>	<u>\$ 1,457</u>	<u>\$ 16,414</u>	<u>\$ 1,465</u>

Changes in Expendable Funds Available for Awards

Fund balances, beginning of year	\$ 515	\$ 221	\$ 513	\$ 165
Investment income	1,389	79	1,336	111
Expendable donations	18	-	-	-
Value of bursaries awarded [289 (2014 - 237)]	(1,587)	(56)	(1,334)	(55)
Other change to balance (recapitalization)	(66)	-	-	-
Fund balances, end of year	<u>\$ 269</u>	<u>\$ 244</u>	<u>\$ 515</u>	<u>\$ 221</u>

The fair value of the endowment at April 30, 2015 was \$20,082 (2014 - \$18,631).

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

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17c. ONTARIO TRUST FOR STUDENT SUPPORT

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.

	2015	2015	2014	2014
	Western	Affiliates	Western	Affiliates
Changes in Endowment Fund Balances				
Fund balances, beginning of year	\$ 49,834	\$ 7,391	\$ 43,652	\$ 7,096
Cash donations	124	28	62	47
Preservation of capital	4,326	148	6,120	248
Other change to balance (recapitalization)	171	-	-	-
Fund balances, end of year	<u>\$ 54,455</u>	<u>\$ 7,567</u>	<u>\$ 49,834</u>	<u>\$ 7,391</u>

Changes in Expendable Funds Available for Awards

Fund balances, beginning of year	\$ 834	\$ 446	\$ 831	\$ 300
Investment income	946	382	1,037	422
Expendable donations	1	-	-	-
Value of bursaries awarded [485 (2014 - 485)]	(1,141)	(273)	(1,034)	(276)
Other change to balance (recapitalization)	(169)	-	-	-
Fund balances, end of year	<u>\$ 471</u>	<u>\$ 555</u>	<u>\$ 834</u>	<u>\$ 446</u>

The fair value of the endowment at April 30, 2015 was \$63,183 (2014 - \$58,526).

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

18. THE SEYMOUR SCHULICH ENDOWMENT FUND

The Seymour Schulich Endowment Fund has a current fair value of \$39,141 (2014 - \$36,842). 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.

19. STATEMENT OF CASH FLOWS

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

	2015	2014
Accounts receivable	\$ (2,252)	\$ (8,773)
Inventories	(757)	(445)
Prepaid expenses and deposits	(2,756)	5,142
Accounts payable and accrued liabilities	11,427	(15,344)
Deferred fees and income	7,740	2,446
Net change in non-cash working capital	<u>\$ 13,402</u>	<u>\$ (16,974)</u>

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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 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, 2015 is approximately \$57,000.

(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. Plan members are subject to further assessment in proportion to their participation in the event premiums are insufficient to cover losses and expenses. As at December 31, 2014, CURIE was fully funded.

21. PLEDGES

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

	Pledges
2016 -	\$ 22,136
2017 -	14,483
2018 -	17,619
Subsequent years -	23,052
	<u>\$ 77,290</u>

22. COMPARATIVE INFORMATION

Certain comparative information has been reclassified where necessary to be consistent with the presentation adopted in the current year.