

**THE UNIVERSITY OF WESTERN ONTARIO**  
**COMBINED FINANCIAL STATEMENTS**  
**APRIL 30, 2018**



## Introduction to Western University Financial Statements 2017-2018

Western is entering the final year of the 4-year budget plan spanning the period 2015-16 to 2018-19. The budget builds on the multi-year plan developed in the context of the strategic plan – Achieving Excellence on the World Stage.

As presented in the attached combined financial statements, revenues for the year ended April 30, 2018 increased to \$1,253.7 million, expenses increased to \$1,122.1 million and the excess of revenue over expenses were \$131.6 million.

Government grants and contract funding increased to \$477.5 million in 2018 compared to \$466.5 million in 2017. The increase is mainly attributable to increased funding for research, while provincial funding remains flat. The structure of provincial grant funding was modified where grant funding for domestic growth is not being provided for.

Student fees increased \$28.0 million over the prior year.

Compensation is the largest single expenditure component at the University, representing 61.1% of the institution's expenses. Salaries and benefits increased from \$678.9 million in 2017 to \$685.5 million in 2018.

Scholarships increased to \$84.6 million reflecting the continuing support of undergraduate and graduate students.

The employee future benefit liability increased \$21.8 million to \$495.3 million.

The University issued new debentures in the aggregate principal amount of \$100 million on December 4, 2017. The proceeds of the issue will be used to finance future capital projects.

At April 30, 2018, assets were \$3,340.3 million, liabilities and deferred contributions were \$1,731.7 million and net assets were \$1,608.6 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, 2018

(millions of dollars)

	2014	2015	2016	2017	2018
	\$	\$	\$	\$	\$
<b>Revenues</b>					
Government grants for general operations	239.6	236.7	237.4	241.8	263.0
Restricted government grants and other grants and contracts	251.8	218.7	227.2	224.7	214.5
Student fees	332.8	356.5	380.9	407.7	435.7
Sales and services	161.4	167.5	174.9	181.5	184.8
Investment returns	90.4	80.8	27.8	122.5	78.9
Donations	32.9	35.6	37.9	36.6	36.9
Recoverable salaries and benefits	19.5	19.4	19.2	19.2	18.8
Other revenues	17.4	22.0	19.9	19.1	21.1
	<b>1,145.8</b>	<b>1,137.2</b>	<b>1,125.2</b>	<b>1,253.1</b>	<b>1,253.7</b>
<b>Expenses</b>					
Salaries and benefits	646.5	648.7	660.7	678.9	685.5
Operating costs	162.9	154.7	160.8	165.9	170.7
Scholarships, fellowships and bursaries	70.1	73.0	77.2	80.6	84.6
Amortization of capital assets	75.9	74.3	73.2	73.3	72.0
Cost of sales and services	37.4	36.0	38.3	38.4	37.7
Repairs and maintenance	22.0	30.0	26.4	33.2	31.8
Utilities and taxes	27.2	27.3	29.7	30.1	25.8
Interest	11.9	17.0	13.0	12.8	14.0
	<b>1,053.9</b>	<b>1,061.0</b>	<b>1,079.3</b>	<b>1,113.2</b>	<b>1,122.1</b>

### % of Total Revenues and Expenses

	2014	2015	2016	2017	2018
	%	%	%	%	%
<b>Revenues</b>					
Government grants for general operations	20.9	20.8	21.1	19.3	21.0
Restricted government grants and other grants and contracts	22.0	19.2	20.2	17.9	17.1
Student fees	29.0	31.3	33.9	32.5	34.8
Sales and services	14.1	14.7	15.5	14.5	14.7
Investment returns	7.9	7.1	2.5	9.8	6.3
Donations	2.9	3.1	3.4	2.9	2.9
Recoverable salaries and benefits	1.7	1.8	1.7	1.5	1.5
Other revenues	1.5	2.0	1.7	1.6	1.7
	<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	61.3	61.1	61.2	61.0	61.1
Operating costs	15.5	14.6	14.9	15.0	15.3
Scholarships, fellowships and bursaries	6.7	6.9	7.2	7.2	7.5
Amortization of capital assets	7.2	7.0	6.8	6.6	6.4
Cost of sales and services	3.5	3.4	3.5	3.4	3.4
Repairs and maintenance	2.1	2.8	2.4	3.0	2.8
Utilities and taxes	2.6	2.6	2.8	2.7	2.3
Interest	1.1	1.6	1.2	1.1	1.2
	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

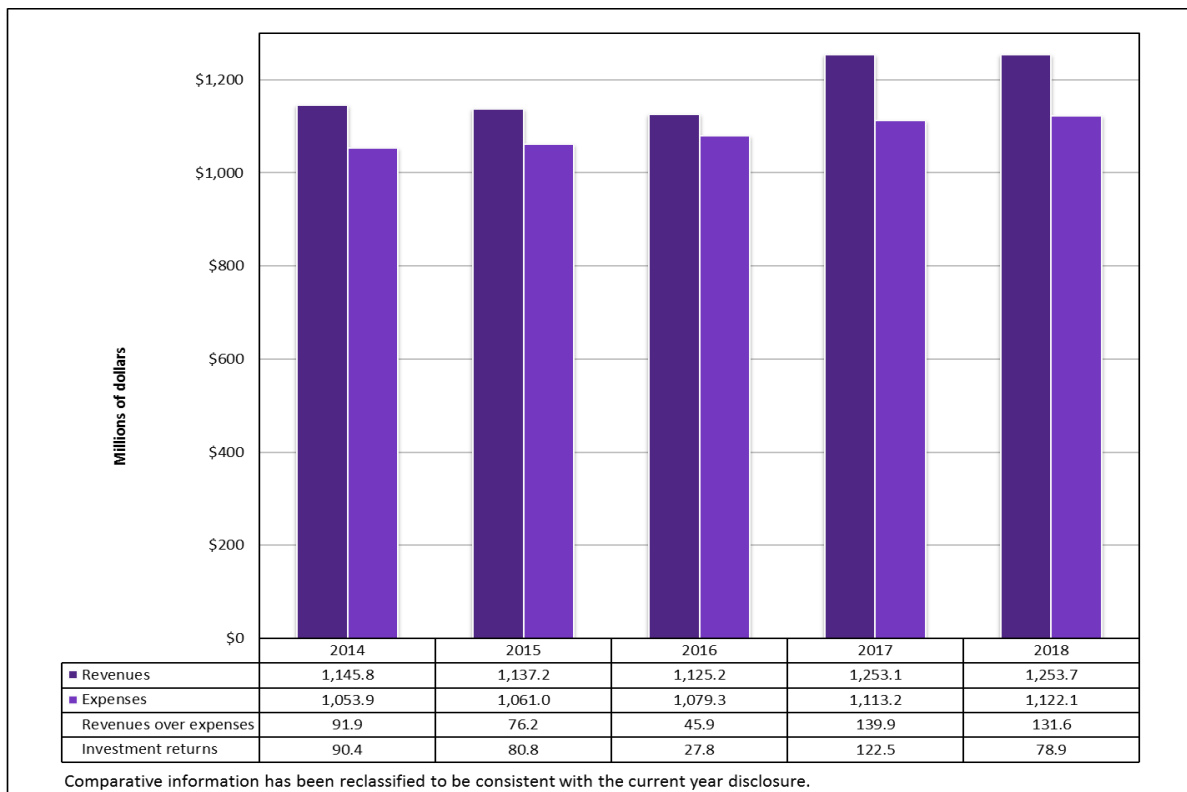
Comparative information has been reclassified to be consistent with the current year disclosure.

**SUMMARY OF ENDOWMENT ACTIVITY**  
**Contributions, Investment Returns and Allocation for Spending**  
**For the year ended April 30, 2018**  
(millions of dollars)

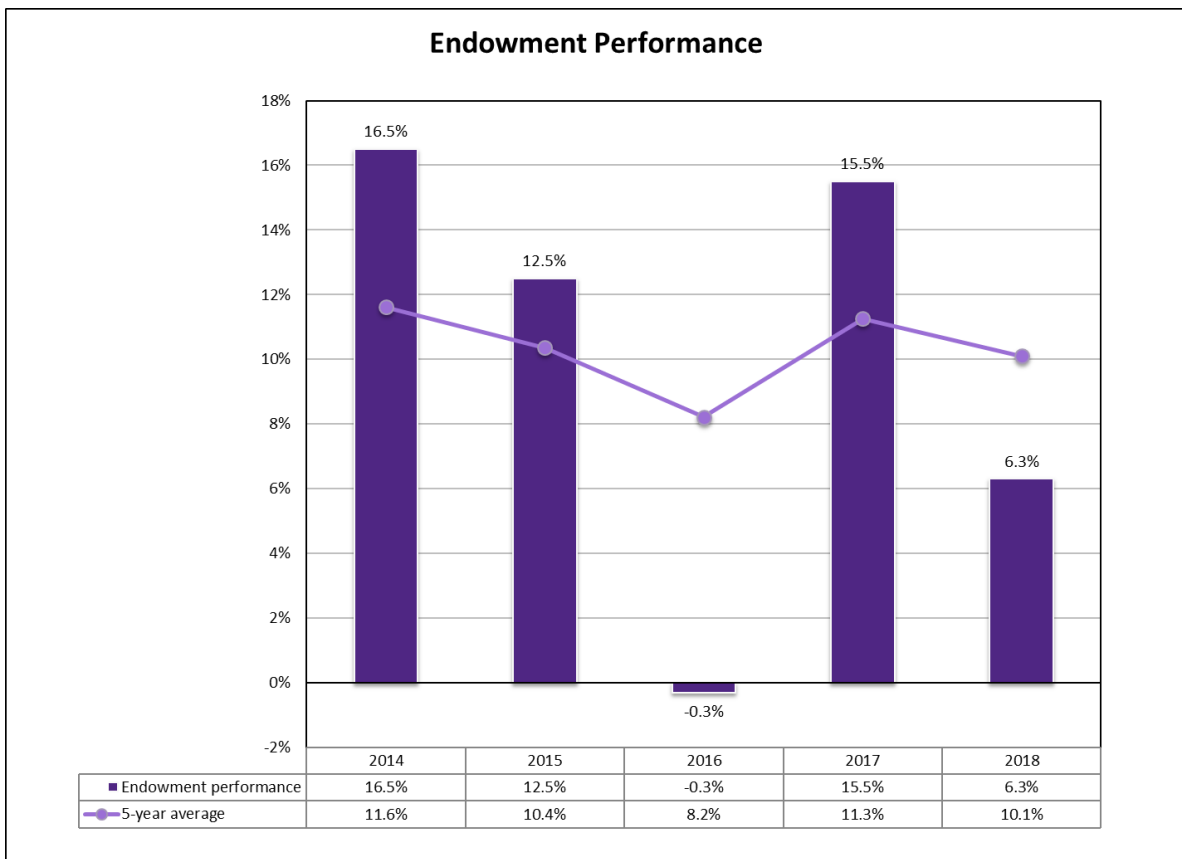
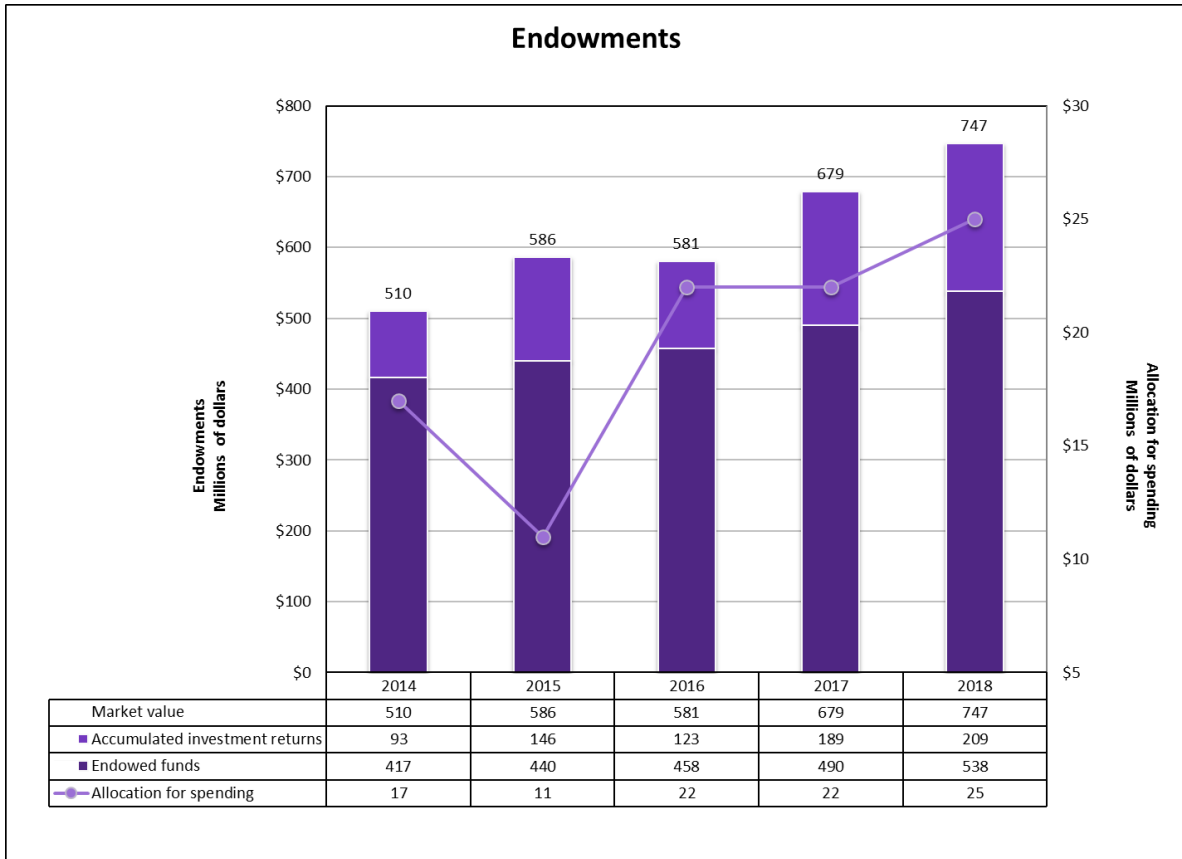
	2014	2015	2016	2017	2018
	\$	\$	\$	\$	\$
Fund balance, beginning of year	431.9	509.7	585.8	580.6	679.0
New contributions	19.4	22.3	17.6	34.1	47.6
Investment returns	75.1	64.5	(1.1)	88.2	45.0
Allocation for spending	(16.7)	(10.7)	(21.7)	(22.4)	(25.1)
Change in control of The Museum of Ontario Archaeology	-	-	-	(1.5)	-
<b>Fund balance, end of year</b>	<b>509.7</b>	<b>585.8</b>	<b>580.6</b>	<b>679.0</b>	<b>746.5</b>

In 2015 the allocation for spending declined as 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.

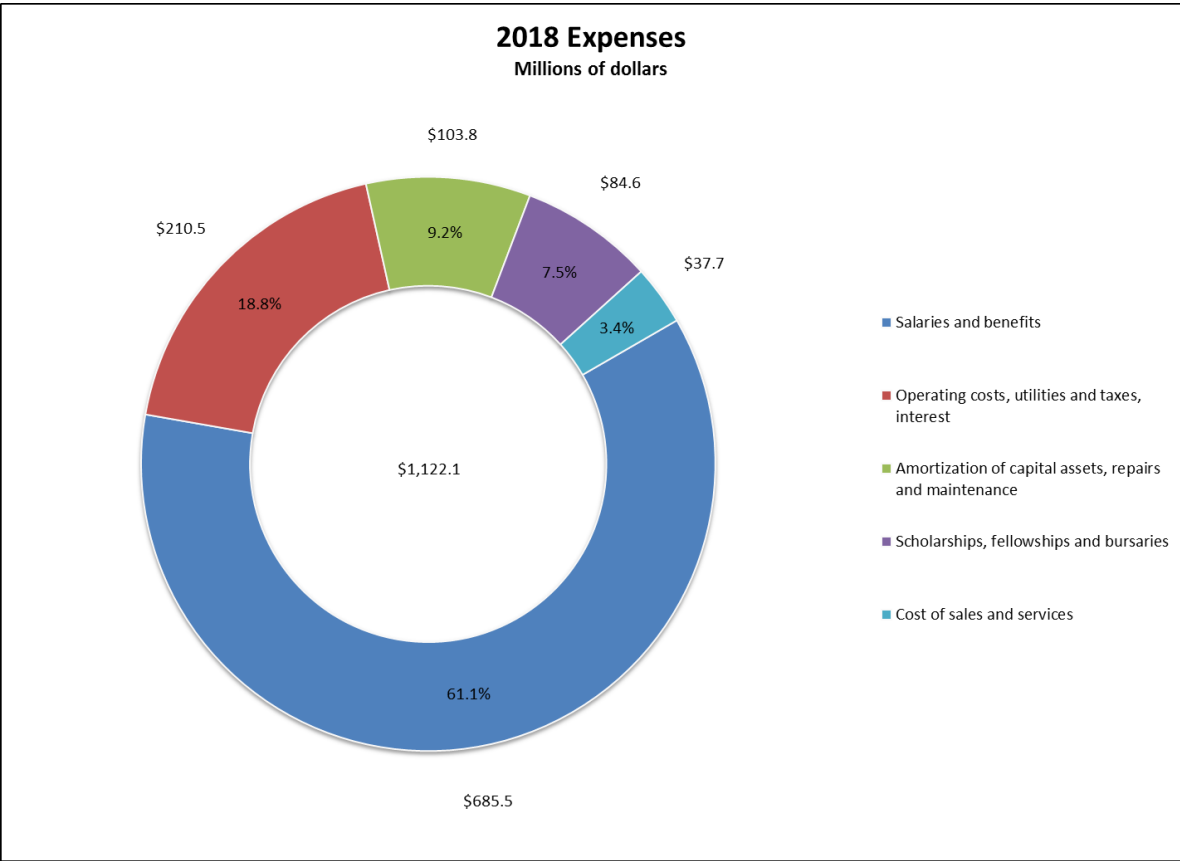
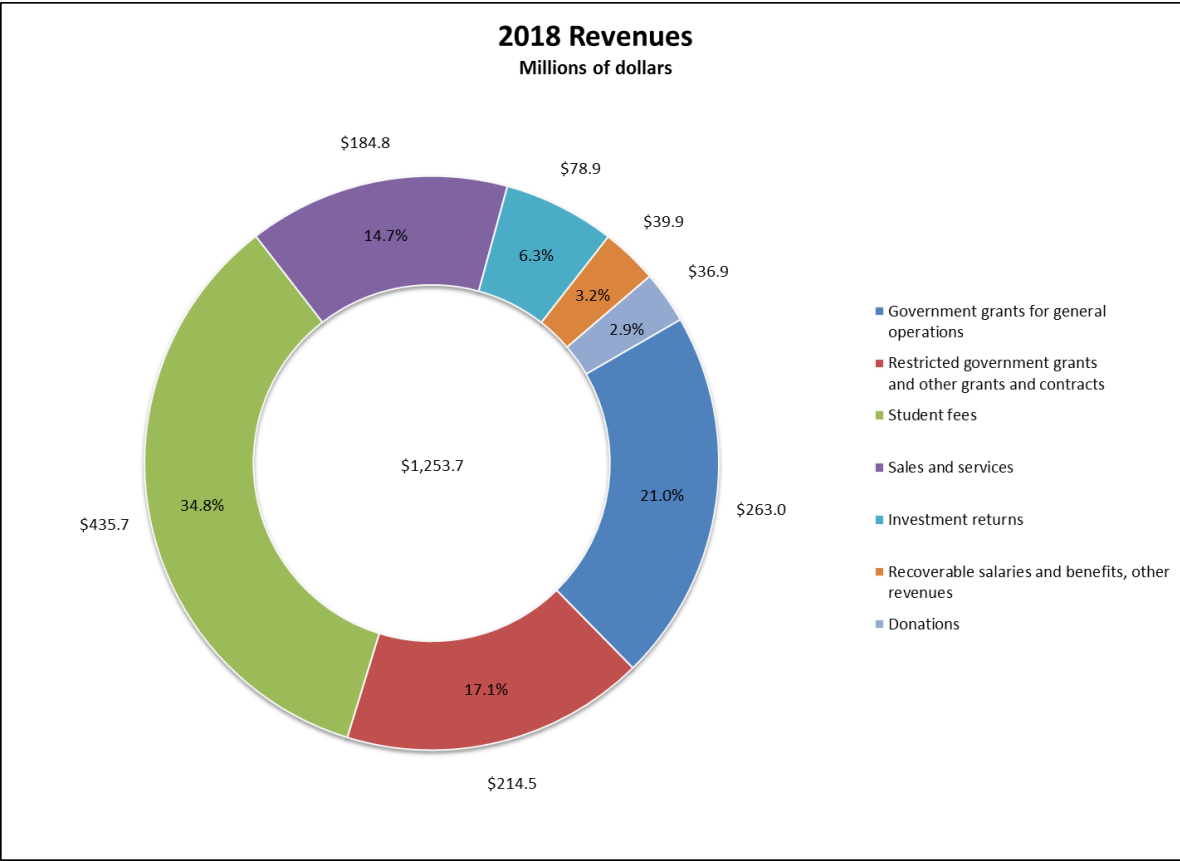
**Revenues and Expenses**  
**2014-2018**



## Endowment Performance 2014-2018



# Revenues and Expenses 2018



## *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.

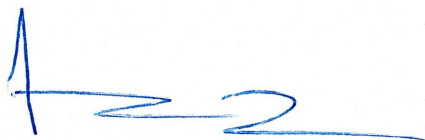
The combined financial statements have been prepared by the University administration in accordance with Canadian accounting standards for not-for-profit organizations and are in accordance with Canadian generally accepted accounting principles. Financial statements necessarily include amounts based 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, 2018, 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.



Amit Chakma  
President & Vice-Chancellor



Lynn Logan  
Vice-President (Operations & Finance)



KPMG LLP  
140 Fullarton Street Suite 1400  
London ON N6A 5P2  
Canada  
Tel 519 672-4800  
Fax 519 672-5684

## 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, 2018, 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, 2018, 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.

*KPMG LLP*

---

Chartered Professional Accountants, Licensed Public Accountants

London, Canada

September 25, 2018

# THE UNIVERSITY OF WESTERN ONTARIO

## Combined Statement of Financial Position

Statement 1

As at April 30, 2018, with comparative information for 2017

(thousands of dollars)

	2018	2017
	\$	\$
<b>Assets</b>		
Current		
Cash	14,552	25,052
Accounts receivable [note 5]	81,136	95,131
Inventories	4,109	4,554
Prepaid expenses and deposits	19,213	14,984
Short-term investments [note 6(a)]	594,532	381,026
	<u>713,542</u>	<u>520,747</u>
Long-term other assets	11,037	5,718
Investments [note 6(a)]	1,324,669	1,255,721
Capital assets [note 7]	1,291,029	1,270,620
	<u><u>3,340,277</u></u>	<u><u>3,052,806</u></u>
<b>Liabilities and deferred contributions</b>		
Current		
Bank indebtedness [note 8]	2,208	5,133
Accounts payable and accrued liabilities [note 9]	79,161	89,627
Current portion long-term debt [note 12]	13,619	7,966
Deferred fees and income	94,848	100,495
	<u>189,836</u>	<u>203,221</u>
Long-term accounts payable	1,609	2,482
Employee future benefits [note 10]	495,302	473,519
Long-term debt [note 12]	360,749	274,943
Deferred contributions [note 13]	193,840	170,307
Deferred capital contributions [note 14]	490,322	487,746
	<u>1,731,658</u>	<u>1,612,218</u>
<b>Net assets</b>	<u>1,608,619</u>	<u>1,440,588</u>
	<u><u>3,340,277</u></u>	<u><u>3,052,806</u></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:



P. Jenkins  
Chair, Board of Governors



K. Gibbons  
Chair, Audit Committee

# THE UNIVERSITY OF WESTERN ONTARIO

## Combined Statement of Operations

## Statement 2

For the year ended April 30, 2018, with comparative information for 2017

(thousands of dollars)

	<u>2018</u>	<u>2017</u>
	\$	\$
<b>Revenues</b>		
Government grants for general operations	263,032	241,794
Restricted government grants and other grants and contracts	214,473	224,662
Student fees	435,727	407,688
Sales and services	184,772	181,501
Investment returns [note 6(b)]	78,869	122,469
Donations	36,889	36,584
Recoverable salaries and benefits	18,831	19,203
Other revenues	21,138	19,218
	<u>1,253,731</u>	<u>1,253,119</u>
<b>Expenses</b>		
Salaries and benefits	685,450	678,907
Operating costs	170,712	165,827
Scholarships, fellowships and bursaries	84,622	80,566
Amortization of capital assets	71,966	73,344
Cost of sales and services	37,689	38,392
Repairs and maintenance	31,785	33,225
Utilities and taxes	25,858	30,125
Interest	14,007	12,805
	<u>1,122,089</u>	<u>1,113,191</u>
<b>Excess of revenues over expenses</b>	<u>131,642</u>	<u>139,928</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, 2018, with comparative information for 2017

(thousands of dollars)

	2018			2017	
	Unrestricted [note 15]	Internally Restricted [note 16]	Endowments [note 17]	Total	Total
	\$	\$	\$	\$	\$
<b>Net assets, beginning of year</b>	(417,861)	1,179,489	678,960	1,440,588	1,154,048
Excess of revenues over expenses	131,642	-	-	131,642	139,928
Change in internally restricted net assets	(96,411)	97,379	-	968	239
Investment returns allocated to internal endowments	(7,474)	-	7,474	-	-
Allocation for spending of internally endowed returns	3,213	-	(3,213)	-	-
Investment returns allocated to external endowments [note 6(b)]	-	-	37,467	37,467	79,231
Allocation for spending of externally endowed accumulated investment returns [note 6(b)]	-	-	(21,862)	(21,862)	(20,304)
Endowment contributions	(27,824)	-	47,640	19,816	8,838
Employee future benefits remeasurements and other items	-	-	-	-	81,010
Change in control of The Museum of Ontario Archaeology [note 4]	-	-	-	-	(2,402)
<b>Net assets, end of year</b>	<u>(414,715)</u>	<u>1,276,868</u>	<u>746,466</u>	<u>1,608,619</u>	<u>1,440,588</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, 2018, with comparative information for 2017

(thousands of dollars)

	<u>2018</u>	<u>2017</u>
	\$	\$
<b>Operating activities</b>		
Excess of revenues over expenses	131,642	139,928
Non-cash items		
Amortization of capital assets	71,966	73,344
Amortization of deferred capital contributions	(28,934)	(29,617)
Employee future benefits	21,783	28,881
Net change in non-cash working capital [note 19]	<u>(12,094)</u>	<u>13,498</u>
<b>Cash provided by operating activities</b>	<u>184,363</u>	<u>226,034</u>
<b>Investing activities</b>		
Net change in investments	(282,454)	(240,278)
Purchase of capital assets	<u>(91,407)</u>	<u>(91,646)</u>
<b>Cash used in investing activities</b>	<u>(373,861)</u>	<u>(331,924)</u>
<b>Financing activities</b>		
Receipt of deferred capital contributions	31,510	38,111
Net change in deferred contributions	23,533	12,486
Investment returns allocated to external endowments [note 6(b)]	37,467	79,231
Allocation for spending of externally endowed accumulated investment returns [note 6(b)]	(21,862)	(20,304)
Endowment contributions	19,816	8,838
Repayment of long-term debt	(8,541)	(7,654)
Proceeds from long-term debt	<u>100,000</u>	<u>-</u>
<b>Cash provided by financing activities</b>	<u>181,923</u>	<u>110,708</u>
Net (decrease) increase in cash	(7,575)	4,818
Cash position, beginning of year	<u>19,919</u>	<u>15,101</u>
<b>Cash position, end of year</b>	<u><u>12,344</u></u>	<u><u>19,919</u></u>
<b>Represented by:</b>		
Cash	14,552	25,052
Bank indebtedness	<u>(2,208)</u>	<u>(5,133)</u>
	<u><u>12,344</u></u>	<u><u>19,919</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, 2018  
(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: 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. The financial information of Robarts Clinical Trials Inc. has been included up to the date of divestiture, as described in note 3.

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.

# THE UNIVERSITY OF WESTERN ONTARIO

## Notes to the Combined Financial Statements

Year Ended April 30, 2018  
(thousands of dollars)

---

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) Short-term investments, which consist primarily 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, 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.

# THE UNIVERSITY OF WESTERN ONTARIO

## Notes to the Combined Financial Statements

Year Ended April 30, 2018  
(thousands of dollars)

---

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 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. 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 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.



# THE UNIVERSITY OF WESTERN ONTARIO

## Notes to the Combined Financial Statements

Year Ended April 30, 2018  
(thousands of dollars)

---

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 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.

# THE UNIVERSITY OF WESTERN ONTARIO

## Notes to the Combined Financial Statements

Year Ended April 30, 2018  
(thousands of dollars)

---

### (l) Controlled organizations

The University includes controlled organizations in its combined financial statements. The financial statements of controlled organizations are included in the combined financial statements from the date on which control commences until the date on which control ceases. When the University no longer controls an organization, it derecognizes the assets and liabilities of that organization, along with any other components of net assets on the date that control ceases. Endowments and other amounts originally recognized directly in the combined statement of changes in net assets are offset in this statement. Any gains or losses as a result of derecognition are recognized in the combined statement of operations.

### 3. DIVESTITURE OF ROBARTS CLINICAL TRIALS INC.

On April 30, 2018, the University divested of its investment in Robarts Clinical Trials Inc. ("RCTI"). Accordingly, the operating results of RCTI have been classified as a discontinued operation included in other revenue in the combined statement of operations and comparative information for RCTI has been reclassified. During 2018, the University recorded excess of revenues over expenses of \$1,007 (2017 - \$90) in respect of RCTI. Revenues related to RCTI were \$39,018 (2017 - \$34,929). The consideration received on the divestiture of RCTI consisted of non-voting preference shares of \$4,500, resulting in a loss of \$680 included in the combined statement of operations.

### 4. CHANGE IN CONTROL OF THE MUSEUM OF ONTARIO ARCHAEOLOGY

During fiscal year 2017, the University's control of The Museum of Ontario Archaeology ("the Museum") ceased. As a result, the financial position of the Museum has not been included in these combined financial statements as at April 30, 2017.

### 5. ACCOUNTS RECEIVABLE

Current accounts receivable is comprised primarily of balances for trade accounts receivable and research projects. An allowance of \$1,649 (2017 - \$1,941) has been recorded.

### 6. INVESTMENTS

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

	2018	2017
Equities	\$ 867,368	\$ 843,680
Fixed income	190,251	178,731
Real assets	203,307	177,490
Diversifiers	63,743	55,820
	<u>1,324,669</u>	<u>1,255,721</u>
Short-term investments	594,532	381,026
	<u>\$ 1,919,201</u>	<u>\$ 1,636,747</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.

# THE UNIVERSITY OF WESTERN ONTARIO

## Notes to the Combined Financial Statements

Year Ended April 30, 2018  
(thousands of dollars)

Uncalled commitments:

Approximately 8.3% (2017 - 12.4%) of the University's Operating and 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 \$102,521 (2017 - \$100,709). 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:

	2018	2017
Investment returns	\$ 94,474	\$ 181,396
Investment returns allocated to external endowments	(37,467)	(79,231)
Allocation for spending of externally endowed accumulated investment returns	21,862	20,304
	<u>\$ 78,869</u>	<u>\$ 122,469</u>

Investment income is comprised of the following:

	2018	2017
Unrealized (losses) gains on investments	\$ (5,621)	\$ 84,026
Realized gains on investments	47,522	14,885
Interest and dividend income	36,968	23,558
	<u>\$ 78,869</u>	<u>\$ 122,469</u>

## 7. CAPITAL ASSETS

Capital assets consist of the following:

	2018			2017		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Buildings	\$ 1,368,580	\$ 511,311	\$ 857,269	\$ 1,321,393	\$ 479,531	\$ 841,862
Equipment, furnishing & computer equipment	535,515	397,830	137,685	543,566	394,461	149,105
Library books	260,339	243,216	17,123	252,011	234,407	17,604
Construction in progress	65,487	-	65,487	49,607	-	49,607
Land	190,080	-	190,080	190,080	-	190,080
Works of art and collections	23,385	-	23,385	22,362	-	22,362
	<u>\$ 2,443,386</u>	<u>\$ 1,152,357</u>	<u>\$ 1,291,029</u>	<u>\$ 2,379,019</u>	<u>\$ 1,108,399</u>	<u>\$ 1,270,620</u>

The University maintains a collection of art that is insured for \$15,531. During the year, paintings were donated to the University with a total appraised value of \$968 (2017 - \$239).

# THE UNIVERSITY OF WESTERN ONTARIO

## Notes to the Combined Financial Statements

Year Ended April 30, 2018  
(thousands of dollars)

---

### 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, 2018, accounts payable and accrued liabilities include current government remittances payable of \$14,610 (2017 - \$13,631).

### 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, 2017 for the non-pension plans and December 31, 2016 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 \$495,302 (2017 - \$473,519). This liability has been recorded in the combined financial statements.

Total expense for these plans is \$21,783 (2017 - \$28,881) including \$835 (2017 - \$1,891) for supplemental and other benefits. Benefits paid during the year amounted to \$10,046 (2017 - \$9,268).

#### (b) Pension plans:

The University Pension Board implemented a group annuity buy-out plan for defined benefit payment recipients from both plans. This transaction eliminated all defined benefit liabilities of the Pension Plan for Academic Staff and reduced the defined benefit liabilities in the Pension Plan for Administrative Staff.

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

	December 31, 2017	December 31, 2016
Accrued benefit obligation:		
Administrative staff	\$ 83	\$ 372
	<u>\$ 83</u>	<u>\$ 372</u>
Fair value of plan assets:		
Academic staff	\$ 783	\$ 904
Administrative staff	319	525
	<u>\$ 1,102</u>	<u>\$ 1,429</u>
Funded status - surplus	<u>\$ 1,019</u>	<u>\$ 1,057</u>

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

	December 31, 2017	December 31, 2016
Employer contributions	\$ 33,326	\$ 33,036
Employee contributions	21,102	20,569
	<u>\$ 54,428</u>	<u>\$ 53,605</u>

# THE UNIVERSITY OF WESTERN ONTARIO

## Notes to the Combined Financial Statements

Year Ended April 30, 2018  
(thousands of dollars)

### (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	
	2018	2017	2017	2016
Discount rate	3.7%	3.7%	5.0%	5.0%
Expected long-term rate of return on plan assets	-	-	5.0%	5.0%
Medical trend rate	5.75%	6.0%	-	-
Dental trend rate	2.75%	2.75%	-	-

## 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).

### (b) Derivative financial instruments

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

	2018		2017	
	Notional Value	Fair Value	Notional Value	Fair Value
Foreign currency contracts	\$ 736,812	\$ 8,303	\$ 716,214	\$ (12,049)
Interest rate swap agreements	\$ 79,146	\$ (48)	\$ 86,317	\$ (4,144)

#### (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 gain (loss) on the interest rate swaps was (\$4,095) (2017 - \$1,363).

# THE UNIVERSITY OF WESTERN ONTARIO

## Notes to the Combined Financial Statements

Year Ended April 30, 2018  
(thousands of dollars)

---

The interest rate swap contracts result in the University fixing a weighted average long-term interest rate of 2.94% on certain floating rate debt obligations instead of paying a weighted average short-term floating rate of 1.65% (2017 - 1.27%).

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.

### (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 44% (2017 - 38%) 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.

# THE UNIVERSITY OF WESTERN ONTARIO

## Notes to the Combined Financial Statements

Year Ended April 30, 2018  
(thousands of dollars)

---

### (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.

### (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.

# THE UNIVERSITY OF WESTERN ONTARIO

## Notes to the Combined Financial Statements

Year Ended April 30, 2018  
(thousands of dollars)

### 12. LONG-TERM DEBT

	Maturity	Interest Rate at April 30, 2018	2018 Principal Outstanding	2017 Principal Outstanding
(a) The details of the debentures are as follows:				
Series A Senior Unsecured Debentures [note (d)]	May 24, 2047	4.80%	\$ 189,196	\$ 189,184
Series B Senior Unsecured Debentures [note (e)]	December 4, 2057	3.39%	99,412	-
Total debentures			\$ 288,608	\$ 189,184
(b) The details of the mortgages are as follows:				
Housing [note (f)]				
Canada Mortgage and Housing Corporation:				
Platt's Lane Estates [note (g)]	August 1, 2028	8.00%	\$ 5,680	\$ 5,976
Glenmore Complex	December 1, 2019	6.25%	927	1,350
Ontario Housing Corporation:				
Glenmore Complex	December 1, 2019	6.50%	57	82
Total mortgages			\$ 6,664	\$ 7,408
(c) The details of the Bankers' Acceptances (BA's) are as follows:				
Bankers' Acceptances [note (h)]	May 15, 2018	2.99%	\$ 68,338	\$ 75,131
Related Corporation				
Research & Development Park [note (i)]	July 30, 2018	2.64%	10,758	11,186
Total Bankers' Acceptances			\$ 79,096	\$ 86,317
Total debt			\$ 374,368	\$ 282,909
Less current portion			\$ 13,619	\$ 7,966
			\$ 360,749	\$ 274,943

(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 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, 2018, the value of the sinking fund was \$23,346.

(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.

A sinking fund has been established to provide funds to repay the debenture principal upon maturity. At April 30, 2018, the value of the sinking fund was \$7,105.



# THE UNIVERSITY OF WESTERN ONTARIO

## Notes to the Combined Financial Statements

Year Ended April 30, 2018  
(thousands of dollars)

---

- (f) Certain assets have been pledged as collateral for mortgages.
- (g) Subsequent to year end, the mortgage was repaid in full on June 1, 2018.
- (h) At April 30, 2018, the University has outstanding debt of \$68,338 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 \$68,338 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.
- (i) 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.
- (j) Anticipated requirements to meet the principal portion of the debt repayments over the next five years are as follows:

	Principal
2019	\$ 13,619
2020	8,217
2021	7,987
2022	8,255
2023	17,064
Subsequent years	319,226
	<u>\$ 374,368</u>

### 13. DEFERRED CONTRIBUTIONS

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

	2018	2017
Balance, beginning of year	\$ 170,307	\$ 157,821
Grants, contributions, donations and investment income	309,214	377,051
Recognized to revenue	(285,681)	(364,565)
Balance, end of year	<u>\$ 193,840</u>	<u>\$ 170,307</u>

	2018	2017
Unspent research grants	\$ 109,054	\$ 96,054
Scholarships	14,457	14,016
Other restricted funds	70,329	60,237
	<u>\$ 193,840</u>	<u>\$ 170,307</u>

# THE UNIVERSITY OF WESTERN ONTARIO

## Notes to the Combined Financial Statements

Year Ended April 30, 2018  
(thousands of dollars)

---

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

	2018	2017
Balance, beginning of year	\$ 487,746	\$ 479,252
Amortization of deferred capital contributions	(28,934)	(29,617)
Contributions received during the year	31,510	38,111
Balance, end of year	<u>\$ 490,322</u>	<u>\$ 487,746</u>

Represented by:

	2018	2017
Amounts used for the purchase of capital assets	\$ 488,324	\$ 487,746
Amounts to be spent on capital assets	1,998	-
	<u>\$ 490,322</u>	<u>\$ 487,746</u>

### 15. UNRESTRICTED NET ASSETS

Details of the unrestricted net assets are as follows:

	2018	2017
Operating fund surplus	\$ 81,477	\$ 67,656
Provision for vacation pay	(10,000)	(9,545)
Operating deficit - related organizations	(13,725)	(24,918)
Provision for employee future benefits	(472,467)	(451,054)
	<u>\$ (414,715)</u>	<u>\$ (417,861)</u>

# THE UNIVERSITY OF WESTERN ONTARIO

## Notes to the Combined Financial Statements

Year Ended April 30, 2018  
(thousands of dollars)

---

### 16. INTERNALLY RESTRICTED NET ASSETS

Details of the internally restricted net assets are as follows:

	2018	2017
Investment in capital assets	\$ 616,046	\$ 571,288
Departmental carry forwards	186,153	166,765
Capital reserves	48,302	41,751
Operating surplus - ancillary and support units	13,774	9,689
Faculty and research trust funds	59,414	57,184
Equipment reserves	39,148	38,309
Self-insurance funds	1,218	1,170
Undistributed investment returns	282,362	293,333
Sinking funds	30,451	-
	<u>\$ 1,276,868</u>	<u>\$ 1,179,489</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) 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, 2018  
(thousands of dollars)

---

### 17. 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:

	2018	2017
Externally endowed	\$ 624,802	\$ 590,023
Internally endowed	121,664	88,937
	<u>\$ 746,466</u>	<u>\$ 678,960</u>
Represented by:		
Endowed funds	\$ 537,654	\$ 490,008
Accumulated investment returns	208,812	188,952
	<u>\$ 746,466</u>	<u>\$ 678,960</u>

# THE UNIVERSITY OF WESTERN ONTARIO

## Notes to the Combined Financial Statements

Year Ended April 30, 2018  
(thousands of dollars)

(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.

	2018		2017	
	Western	Affiliates	Western	Affiliates
<b>Changes in Endowment Fund Balances</b>				
Fund balances, beginning of year	\$ 52,297	\$ 2,887	\$ 46,808	\$ 2,878
Cash donations	55	-	92	-
Preservation of capital	1,291	4	5,211	9
Other change to balance	153	43	186	-
<b>Fund balances, end of year</b>	<b>\$ 53,796</b>	<b>\$ 2,934</b>	<b>\$ 52,297</b>	<b>\$ 2,887</b>

### Changes in Expendable Funds Available for Awards

Fund balances, beginning of year	\$ 1,352	\$ 783	\$ 1,409	\$ 605
Investment income	1,879	133	1,777	295
Expendable donations	8	-	18	-
Value of bursaries awarded [750 (2017 - 757)]	(1,776)	(145)	(1,666)	(117)
Other change to balance	(153)	(4)	(186)	-
<b>Fund balances, end of year</b>	<b>\$ 1,310</b>	<b>\$ 767</b>	<b>\$ 1,352</b>	<b>\$ 783</b>

The fair value of the endowment at April 30, 2018 was \$58,818 (2017 - \$57,339).

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, 2018  
(thousands of dollars)

ii) Phase II

	2018 Western	2018 Affiliates	2017 Western	2017 Affiliates
<b>Changes in Endowment Fund Balances</b>				
Fund balances, beginning of year	\$ 19,276	\$ 1,486	\$ 17,354	\$ 1,480
Cash donations	80	-	94	-
Preservation of capital	352	4	1,804	6
Other change to balance	68	24	24	-
<b>Fund balances, end of year</b>	<b>\$ 19,776</b>	<b>\$ 1,514</b>	<b>\$ 19,276</b>	<b>\$ 1,486</b>

**Changes in Expendable Funds Available for Awards**

Fund balances, beginning of year	\$ 321	\$ 300	\$ 327	\$ 247
Investment income	1,746	76	1,665	92
Expendable donations	21	-	13	-
Value of bursaries awarded [260 (2017 - 260)]	(1,707)	(59)	(1,660)	(42)
Other change to balance	(68)	(16)	(24)	3
<b>Fund balances, end of year</b>	<b>\$ 313</b>	<b>\$ 301</b>	<b>\$ 321</b>	<b>\$ 300</b>

The fair value of the endowment at April 30, 2018 was \$21,905 (2017 - \$21,395).

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, 2018  
(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.

	2018 Western	2018 Affiliates	2017 Western	2017 Affiliates
<b>Changes in Endowment Fund Balances</b>				
Fund balances, beginning of year	\$ 57,746	\$ 7,808	\$ 52,160	\$ 7,756
Cash donations	48	43	14	22
Preservation of capital	1,186	16	5,560	30
Other change to balance	114	(14)	12	-
<b>Fund balances, end of year</b>	<b>\$ 59,094</b>	<b>\$ 7,853</b>	<b>\$ 57,746</b>	<b>\$ 7,808</b>

### Changes in Expendable Funds Available for Awards

Fund balances, beginning of year	\$ 587	\$ 695	\$ 527	\$ 447
Investment income	1,495	351	1,420	398
Expendable donations	12	-	1	-
Value of bursaries awarded [550 (2017 - 476)]	(1,464)	(310)	(1,349)	(248)
Other change to balance	(114)	(92)	(12)	98
<b>Fund balances, end of year</b>	<b>\$ 516</b>	<b>\$ 644</b>	<b>\$ 587</b>	<b>\$ 695</b>

The fair value of the endowment at April 30, 2018 was \$68,144 (2017 - \$66,917).

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 \$40,744 (2017 - \$40,328). 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, 2018  
(thousands of dollars)

---

### 19. STATEMENT OF CASH FLOWS

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

	2018	2017
Accounts receivable	\$ 8,676	\$ (11,525)
Inventories	445	817
Prepaid expenses and deposits	(4,229)	3,437
Accounts payable and accrued liabilities	(11,339)	11,020
Deferred fees and income	(5,647)	9,749
Net change in non-cash working capital	<u>\$ (12,094)</u>	<u>\$ 13,498</u>

### 20. 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, 2018 is approximately \$24,000 (2017 - \$80,000).

(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. If premiums collected are insufficient to cover expenses and claims, the University may be requested to pay additional amounts.



# THE UNIVERSITY OF WESTERN ONTARIO

## Notes to the Combined Financial Statements

Year Ended April 30, 2018  
(thousands of dollars)

---

### 21. PLEDGES

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

	Pledges
2019	\$ 21,886
2020	15,425
2021	8,493
Subsequent years	15,529
	<u>\$ 61,333</u>

### 22. COMPARATIVE INFORMATION

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