KPMG

Financial Statements of

UNIVERSITY OF WINDSOR

April 30, 2010

Statement of Administrative Responsibility

The Administration of the University is responsible for the preparation of the financial statements, the notes and all other financial information contained in this annual report.

The Administration has prepared the financial statements in accordance with accounting principles generally accepted for Canadian Universities and in accordance with guidelines developed by the Canadian Association of University Business Officers and the Canadian Institute of Chartered Accountants. In order to achieve the objective of fair presentation in all material respects, reasonable estimates and judgments were employed. The Administration believes that financial statements present fairly the University's financial position as at April 30, 2010 and the results of its operations for the year then ended.

In fulfilling its responsibilities and recognizing the limits inherent in all systems, the Administration has developed and maintains a system of internal control designed to provide reasonable assurance that University assets are safeguarded from loss and that the accounting records are a reliable basis for the preparation of financial statements.

The Board of Governors is responsible for ensuring that the Administration fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial statements. The Board of Governors carries out its responsibility for review of the financial statements principally through the Audit Committee. The members of the Audit Committee are not officers or employees of the University. The Audit Committee meets with the Administration, as well as the external auditors, to discuss the results of audit examinations and financial reporting matters and to satisfy itself that each party is properly discharging its responsibilities. The auditors have full access to the Audit Committee with and without the presence of the Administration.

The financial statements for the year ended April 30, 2010 have been reported on by KPMG LLP, Chartered Accountants, the auditors appointed by the Board of Governors. The auditors' report outlines the scope of their audit and their opinion on the presentation of the information included in the financial statements.

Dr. Alan Wildeman
President

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AUDITORS' REPORT TO THE BOARD OF GOVERNORS

We have audited the statement of financial position of the University of Windsor as at April 30, 2010 and the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the University's administration. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by administration, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the University at April 30, 2010 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants, Licensed Public Accountants

Windsor, Canada
July 30, 2010

UNIVERSITY OF WINDSOR

Statement of Financial Position
(in thousands of dollars)

April 30, 2010, with comparative figures for 2009

		2010 $	2009 Restated (note 1a) $
ASSETS			
Current			
Cash and cash equivalents		19,260	38,587
Short-term investments		83,251	104
Accounts receivable		13,403	15,827
Inventories and prepaid expenses		2,624	2,154
Total current assets		118,538	56,672
Investments	note 2	98,119	148,619
Deferred pension asset	note 6	1,648	-
Capital assets, net	note 3	229,568	213,990
		447,873	419,281
LIABILITIES			
Current			
Accounts payable and accrued liabilities		32,176	29,169
Deferred revenue		6,586	8,166
Deferred contributions	note 4	30,859	29,770
Current portion of long-term debt		7,687	569
Total current liabilities		77,308	67,674
Deferred capital contributions	note 5	130,881	115,550
Employee future benefit liabilities	note 6	36,070	31,731
Long-term debt	note 7	95,132	103,655
		339,391	318,610
NET ASSETS			
Unrestricted			
Funded operations		-	-
Unfunded operations		(37,828)	(33,261)
Total unrestricted		(37,828)	(33,261)
Internally restricted	note 8	86,954	83,283
Endowment	note 9	59,356	50,649
		108,482	100,671
Commitments and contingent liabilities	note 15		
		447,873	419,281

See accompanying notes

UNIVERSITY OF WINDSOR

Statement of Operations
(in thousands of dollars)

Year ended April 30, 2010, with comparative figures for 2009

		2010 $	2009 Restated (note 1a) $
REVENUE			
Grants and contracts	note 5	138,635	143,193
Student fees		105,701	101,275
Sales and services		23,903	24,219
Investment income		12,039	6,727
Donations, non-endowment		1,406	1,078
Deferred contributions, net	note 4	(1,089)	(7,444)
Amortization of deferred capital contributions	note 5	4,641	5,163
Other revenue		11,943	11,646
		297,179	285,857
EXPENSES			
Salaries and benefits	note 6	198,240	185,184
Materials, supplies and services		29,790	29,348
Repairs and renovations		13,843	16,450
Cost of goods sold		8,779	9,025
Utilities		6,946	7,945
Interest on long-term debt		7,015	7,625
Scholarships and bursaries		16,127	16,707
Amortization of capital assets	note 3	16,957	18,586
		297,697	290,870
Excess of expenses over revenue		(518)	(5,013)

See accompanying notes

UNIVERSITY OF WINDSOR

Statement of Changes in Net Assets
(in thousands of dollars)

Year ended April 30, 2010, with comparative figures for 2009

	Unrestricted				2010	2009 Restated (note 1a)
	Funded Operations $	**Unfunded Operations** $	**Internally Restricted (note 8)** $	**Endowment** $	**Total** $	**Total** $
Net assets, beginning of year, as originally stated	-	(33,261)	74,162	50,649	91,550	107,111
Change in accounting policies (note 1a)			9,121		9,121	8,222
Net assets, beginning of year, as restated	-	(33,261)	83,283	50,649	100,671	115,333
Excess of expenses over revenue	20,454	(4,567)	(16,405)		(518)	(5,013)
Change in unexpended operating funds	(4,645)		4,645		-	-
Net contribution to investment in capital assets	(15,431)		15,431		-	-
Net investment income (loss) charged directly to endowments				5,517	5,517	(10,074)
Internal contributions	(378)			378	-	-
Return of capital					-	(1,116)
External endowment contributions				2,812	2,812	1,541
Net assets, end of year	-	(37,828)	86,954	59,356	108,482	100,671

See accompanying notes

UNIVERSITY OF WINDSOR

Statement of Cash Flows
(in thousands of dollars)

Year ended April 30, 2010, with comparative figures for 2009

		2010 $	2009 Restated (note 1a) $
OPERATING ACTIVITIES			
Excess of expenses over revenue		(518)	(5,013)
Add (deduct) non-cash items:			
Deferred contributions, net		1,089	7,444
Amortization of deferred capital contributions		(4,641)	(5,163)
Amortization of capital assets		16,957	18,586
Employee future benefits		2,691	2,013
Amortization of debt transaction costs		39	40
Net change in investments		(2,068)	1,846
Net change in non-cash working capital	note 14	3,381	(3,195)
Cash provided by operating activities		16,930	16,558
FINANCING ACTIVITIES			
Repayments of long-term debt		(569)	(713)
Contributions deferred for capital purposes		19,972	7,669
Trusteed sinking fund		(875)	(833)
Investment income (loss) charged directly to endowment		5,517	(10,074)
Return of capital		-	(1,116)
External endowment contributions		2,812	1,541
Cash provided by (used in) financing activities		26,857	(3,526)
INVESTING ACTIVITIES			
Net change in investments		(30,579)	40,548
Purchase of capital assets		(32,535)	(40,366)
Cash provided by (used in) investing activities		(63,114)	182
Net increase (decrease) in cash and cash equivalents		(19,327)	13,214
Cash and cash equivalents, beginning of year		38,587	25,373
Cash and cash equivalents, end of year		19,260	38,587

See accompanying notes

AUTHORITY

The University of Windsor (the "University") is a mid-sized comprehensive research and teaching university. The University operates under the authority of the University of Windsor Act, 1962-63 which defines the authority and responsibilities of the Board of Governors and the Senate. The University is a registered charity and therefore is, under Section 149 of the Income Tax Act, exempt from payment of income tax.

NOTE 1
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles applied within the framework of the significant accounting policies summarized below:

(a) **Change in accounting policies**

(i) Amendments to Accounting Standards that apply to not-for-profit organizations:

Effective May 1, 2009, the University adopted the CICA amendments to Section 4400 of the CICA Handbook. Amongst other items, these amendments clarify the requirement for revenue and expenses to be presented on a gross basis when the not-for-profit organization is acting as principal, add a requirement for disclosure of all revenue and expenditure allocations and require the non-profit organization to present a statement of cash flows. Adoption of these recommendations has had no significant impact on the financial statements for the year ended April 30, 2010.

(ii) Amendments to Section 1000, Financial Statement Concepts

Effective May 1, 2009, the University adopted the CICA amendments to Section 1000 of the CICA Handbook. These amendments clarified the criteria for recognition of an asset or liability, removing the ability to recognize assets or liabilities solely on the basis of matching of revenue and expense items. Adoption of these amendments has been accounted for retrospectively and, as such, the comparative figures for 2009 have been restated.

The impact of this change to the 2009 comparative figures is an increase in opening internally restricted net assets of $8,222, a decrease to the excess of expenditures over revenues of $899 and a decrease in deferred contributions of $9,121.

NOTE 1
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES (cont'd)

(b) **Financial instruments**
The University has classified its financial instruments as follows:

- Cash is classified as held-for-trading.
- Investments are classified as either held-for-trading or held-to-maturity when there is the positive intent and ability to hold to maturity.
- Accounts receivable are classified as loans and receivables.
- Accounts payable and accrued liabilities and debt are classified as other liabilities.
- Derivative financial instruments which have not been designated as hedges for accounting purposes are classified as held-for-trading. The derivative financial instruments consist of an interest rate swap agreement which is included with accounts payable and accrued liabilities.

The University has elected to record transaction costs on long-term debt as part of the amortized cost using the effective interest method. Other transactions costs related to investments are expensed as incurred.

The University has elected to use trade date accounting for regular-way purchases and sales of financial assets.

(c) **Investments and investment income**
Investments that are classified as held-for-trading are carried at fair value. Fair value amounts represent estimates of the consideration that would be agreed upon by knowledgeable, willing parties who are under no compulsion to act. It is best evidenced by a quoted market price, if one exists. The calculation of estimated fair value is based upon market conditions at a specific point in time and may not be reflective of future fair values.

Investments that are classified as held-to-maturity are recorded at cost plus accrued interest at their effective yield (amortized cost).

Investment income includes interest, dividends, income distributed from pooled funds, realized and unrealized capital gains and losses and realized and unrealized currency gains and losses and is net of applicable transaction costs. Investment income is recorded as revenue in the Statement of Operations except for the amount in excess of what is made available for spending on restricted endowments, which is recorded as a direct change to endowments.

(d) **Derivative financial instruments**
In order to manage its interest rate risk, the University has entered into an interest rate swap agreement to convert variable rate interest on the bankers' acceptances term loan to a fixed rate. The University does not designate interest rate swap agreements as hedges for accounting purposes. Accordingly, the interest rate swap contracts are marked to market based on the fair value provided by the financial institution which is counterparty to these contracts, with changes in fair value recorded in investment income or interest on long-term debt.

(e) **Inventories**
Inventories are valued at lower of cost and net realizable value.

NOTE 1
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES (cont'd)

(f) **Capital assets**

Capital assets are recorded at cost, or at fair market value on the date of acquisition for donated assets.

Amortization of capital assets includes any loss recognized on disposal or impairment in value of capital assets. Any gains are reported in Other revenue. Amortization is provided on a straight line basis using the following rates:

Buildings	40 Years
Parking lots	15 Years
Equipment	5–20 Years
Library and books	5 Years
Collections (Works of Art and Rare books)	not amortized
Capital in progress	not amortized

(g) **Revenue recognition**

The University follows the deferral method of accounting for contributions which include donations and government grants.

Unrestricted contributions are recognized as revenue when received or receivable. The operating grant from the Province of Ontario is considered unrestricted and is recorded in the period to which the operating funds relate.

Externally restricted contributions, other than endowment, are 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.

Donations of assets are recorded at fair value when a fair value can be reasonably estimated. Pledges receivable are not recorded as an asset in the accompanying financial statements. Endowment contributions are recognized as direct increases in net assets.

Revenue from student fees and from the sale of services and products is recognized at the time the products are delivered or the services provided. All ancillary revenues from student fees and sale of goods and services are included in sales and services on the Statement of Operations.

Restricted investment income is recognized as revenue in the year in which the related expenses are incurred. Unrestricted investment income is recognized as revenue when earned.

NOTE 1

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES (cont'd)

(h) **Employee future benefits**

The University of Windsor Employees' Retirement Plan (Employee) is a defined benefit plan. The University of Windsor Retirement Plan for Faculty and Certain Other Employees (Faculty) is a defined contribution pension plan, which has a defined benefit component that provides a minimum level of pension benefits. Under this hybrid Faculty plan, the University and employees are required to make contributions based on a specified percentage of the employee's earnings. The amount of pension benefits provided to employees is based upon the accumulation of contributions and investment earnings thereon, when the employee retires, subject to a guaranteed minimum benefit amount.

The University has approved supplemental plans for certain retirees to provide them with benefits that are in excess of limitations within a Registered Plan.

Additionally, certain faculty are members of the Teachers' Superannuation Fund and employees who are members of CUPE 1001 are members of the CUPE 1001 Pension Plan. Both of these plans are multi-employer plans and as such, the University records the cost of providing these benefits equal to its requirement to make contributions on an annual basis.

The University provides other post employment employee benefits such as medical, dental and life insurance to eligible employees and retirees.

The cost of providing pension benefits for the Employee and Faculty plans and post-employment benefits other than pensions is determined and recognized in the Statements of Operations and Changes in Net Assets on an actuarial basis using the projected benefit method prorated on services and management's best estimates regarding assumptions about a number of future conditions including investment returns, compensation changes, withdrawals, mortality rates and expected health care costs. The discount rate used to determine service cost and liabilities is based on the prevailing market interest rates on long-term fixed income securities. Actuarial gains (losses) on plan assets arise from the difference between the actual return on plan assets for a period and the expected return on plan assets for that period. For the purpose of calculating the expected return on plan assets, those assets are valued at fair value. Actuarial gains (losses) on the accrued benefit obligation arise from differences between the actual and expected experience and from changes in the actuarial assumptions used to determine the accrued benefit obligation. The excess of the cumulative net actuarial gain (loss) over 10% of the greater of the benefit obligation and the fair value of plan assets is amortized over the expected average remaining service period of active employees.

(i) **Unrestricted unfunded operations**

Employee future benefits and the loss on the interest rate swap are included in unrestricted unfunded operations.

(j) **Internally restricted net assets**

University policy permits faculties and other departments to carry forward certain unexpended budget allocations for future purposes. These amounts are provided for by transfers to internally restricted net assets. Amounts restricted for the purpose of investment in capital assets and unspent departmental restricted funds, are also included.

NOTE 1
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES (cont'd)

(k) **Vacation pay**

Unpaid vacation pay is accrued for salaried staff and hourly staff. No accrual is made for faculty as normal salaries include provision for vacation.

(l) **Contributed services**

Volunteers contribute an indeterminable number of hours per year to assist the University in carrying out its service delivery activities. Due to the difficulty of determining their fair value, contributed services are not recognized in the financial statements.

(m) **Use of estimates**

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires Administration to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the year. Significant items subject to such estimates and assumptions include the carrying amount of capital assets, valuation allowance for accounts receivable, accrued liabilities, and assets and obligations related to pension and employee future benefits. Actual results could differ from those estimates.

(n) **Agency obligations**

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

NOTE 2
INVESTMENTS

	2010	2009
	$	$
Cash, money market funds, term notes and treasury bills	22,963	22,498
Bank note	44,218	42,328
Government and corporate bonds	73,492	46,643
Canadian equities	22,330	21,450
US equities	12,550	10,347
Other international equities	5,817	5,457
	181,370	148,723
Less amounts reported as:		
Short-term investments	83,251	104
	98,119	148,619

NOTE 3
CAPITAL ASSETS

	2010			2009
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
	$	$	$	$
Land	7,945	-	7,945	7,145
Buildings	279,353	116,429	162,924	148,065
Parking lots	4,622	3,072	1,550	1,098
Equipment	149,640	130,432	19,208	18,846
Library and books	101,488	89,253	12,235	12,239
Collections	1,359	-	1,359	1,352
Capital in progress	24,347	-	24,347	25,245
	568,754	339,186	229,568	213,990

In the year, amortization of capital assets includes write downs and loss on disposals of $410 (2009 - $2,002).

NOTE 4
DEFERRED CONTRIBUTIONS

Deferred contributions represent unspent resources externally restricted for research and other purposes. Changes in deferred contributions are as follows:

	2010	2009
	$	$
Balance, beginning of year	29,770	22,326
Amount recognized as revenue in the year	(29,770)	(22,326)
Amount received or accrued related to the following year	30,859	29,770
Balance, end of year	30,859	29,770

NOTE 5
DEFERRED CAPITAL CONTRIBUTIONS

Deferred capital contributions represent the unspent and unamortized amount of donations and grants received for the purchase of capital assets. Changes in deferred capital contributions are as follows:

	2010 $	2009 $
Unspent:		
Balance, beginning of year	41,655	42,177
Add contributions received in the year	19,972	7,669
Less amounts utilized	(19,072)	(8,191)
Balance, end of year	42,555	41,655
Unamortized:		
Balance, beginning of year	73,895	70,867
Add contributions utilized in the year	19,072	8,191
Less amounts amortized to revenue	(4,641)	(5,163)
Balance, end of year	88,326	73,895
Total unspent and unamortized capital contributions	130,881	115,550

NOTE 6
EMPLOYEE FUTURE BENEFITS

Defined benefit plans

The University measures its accrued benefit obligations and the fair value of plan assets for accounting purposes as at April 30 of each year. The latest actuarial valuations for funding purposes, for the University of Windsor Retirement Plan for Faculty and Certain Other Employees (Faculty) and the University of Windsor Employees' Retirement Plan (Employee) were completed as of July 1, 2008. The next valuations are required no later than July 1, 2011.

The assets of the plans (other than the supplemental plan) are managed by external investment managers, are held by an independent custodian, and are completely separate and apart from the assets of the University.

The University also provides for other non-pension post-employment employee benefits. The University measures its accrued non-pension employee future benefits for accounting purposes as of April 30 each year. An actuarial valuation was completed as of April 30, 2010.

NOTE 6
EMPLOYEE FUTURE BENEFITS (cont'd)

Information about the University's benefit plans as at April 30 is as follows:

(a) Reconciliation of the funded status of the defined benefit plans to the accrued benefit asset (liability):

	2010		
	Pension		Other
	Faculty	Employee	
	$	$	$
Accrued benefit obligation	(359,017)	(150,406)	(41,052)
Fair value of plan assets	299,861	131,557	-
Plan surplus (deficit)	(59,156)	(18,849)	(41,052)
Balance of unamortized amounts	58,930	20,497	5,208
Accrued benefit asset (liability)	(226)	1,648	(35,844)

	2009		
	Pension		Other
	Faculty	Employee	
	$	$	$
Accrued benefit obligation	(282,671)	(94,115)	(34,384)
Fair value of plan assets	255,888	112,354	-
Plan surplus (deficit)	(26,783)	18,239	(34,384)
Balance of unamortized amounts	26,783	(18,239)	2,653
Accrued benefit asset (liability)	-	-	(31,731)

In addition to the plan assets, the University has set aside $1,734 (2009 - $1,780) as internally restricted net assets at April 30, 2010 related to its supplemental retirement arrangement obligations (Payroll pensions) (note 8).

(b) Details of annual contributions and benefits paid are as follows:

	2010			
	Pension			Other
	Faculty	Employee	Multi-employer	
	$	$	$	$
Employer contributions	10,480	2,291	444	1,223
Employees contributions	4,185	2,295	438	-
Benefits paid	16,538	5,251	n/a	1,223

NOTE 6
EMPLOYEE FUTURE BENEFITS (cont'd)

	2009			
	Pension			Other
	Faculty	Employee	Multi-employer	
	$	$	$	$
Employer contributions	9,415	2,204	422	1,180
Employees contributions	3,899	2,205	417	-
Benefits paid	17,277	5,009	n/a	1,180

(c) Information on the net benefit expense included in salaries and benefits is as follows:

	2010		2009	
	Pension	Other	Pension	Other
	$	$	$	$
Net benefit expense	12,205	5,336	12,125	3,193

(d) Plan assets are invested as follows:

	2010	2009
	%	%
Equities	55.9	54.2
Fixed income	42.8	45.1
Other	1.3	.7
	100%	100%

NOTE 6
EMPLOYEE FUTURE BENEFITS (cont'd)

(e) The significant actuarial assumptions adopted in measuring the University's accrued benefit obligation and benefit costs for accounting purposes are as follows:

	2010		
	Pension		Other
	Faculty	Employee	
Accrued Benefit Obligation:			
Discount rate	6.00%	6.00%	6.00%
Rate of compensation increase	5.00%	5.00%	5.00%
Initial weighted average health care trend rate	n/a	n/a	7.75%
Ultimate weighted average health care trend rate	n/a	n/a	4.50%
Year ultimate rate reached	n/a	n/a	2030
Benefit Cost:			
Discount rate	8.40%	8.40%	8.40%
Rate of inflation	2.50%	2.50%	
Expected long-term rate of return on plan assets	7.50%	7.50%	n/a
Rate of compensation increase	5.00%	5.00%	5.00%

	2009		
	Pension		Other
	Faculty	Employee	
Accrued Benefit Obligation:			
Discount rate	8.40%	8.40%	8.40%
Rate of compensation increase	5.00%	5.00%	4.50%
Initial weighted average health care trend rate	n/a	n/a	8.30%
Ultimate weighted average health care trend rate	n/a	n/a	4.96%
Year ultimate rate reached	n/a	n/a	2028
Benefit Cost:			
Discount rate	6.25%	6.25%	6.25%
Rate of inflation	2.50%	2.50%	
Expected long-term rate of return on plan assets	7.50%	7.50%	n/a
Rate of compensation increase	5.00%	5.00%	5.00%

NOTE 7
LONG-TERM DEBT

(a) Details of the long-term debt are as follows:

	Maturity Fiscal Year	Interest Rate	Annual Payment (Principal and/or Interest) $	2010 Principal Outstanding $	2009 Principal Outstanding $
Series A Senior Unsecured Debentures	2047	5.37%	5,816	108,300	108,300
Less: Trusteed Sinking Fund				(17,874)	(16,999)
Transaction costs				(1,432)	(1,471)
			5,816	88,994	89,830
Ministry of Municipal Affairs and Housing	2011	10.47%	758	7,242	7,242
Bank of Montreal	2024	6.425%	674	5,983	6,260
Bank of Montreal	2010	7.32%	147	-	142
Great West Life Assurance Co.	2015	0.00%	150	600	750
			1,729	13,825	14,394
				102,819	104,224
Current portion of long-term debt				7,687	569
			7,545	95,132	103,655

The fair value of long-term debt, based on rates currently available to the University for debt with similar terms and maturities, is approximately $118,478 (2009 - $110,955) with a carrying value of $122,125 (2009 -$122,694). The fair value is based on discounted cash flows at current rates. The fair value of the Trusteed Sinking Fund is $18,470 (2009 – $17,861).

The University has entered into an interest derivative agreement to manage the volatility of interest rates. The University converted floating rate debt for fixed rate debt at 6.425 %. The related derivative agreement is in place until the maturity of the debt in fiscal 2024.

(b) Long-term debt repayments:
The principal repayments of the long-term debt required in the next five fiscal years are:

Fiscal Year	Principal
2011	7,687
2012	463
2013	482
2014	503
2015	376

NOTE 8
INTERNALLY RESTRICTED NET ASSETS

	2010	2009
	$	$
Invested in capital assets	47,878	48,852
Unexpended operating funds		
Purchase orders and special projects	14,103	10,126
Budget carryforward for operating expenditures	10,393	9,896
Positioning fund	2,417	2,971
Other specific purposes	200	200
Ancillary enterprises	(1,105)	(663)
Financial planning	1,000	1,000
Working capital investment reserve	500	-
Payroll pensions	1,734	1,780
	29,242	25,310
Unexpended restricted funds		
Unspent departmental research funds	8,411	7,589
Unspent departmental trust funds	1,423	1,532
	9,834	9,121
	86,954	83,283

NOTE 9
ENDOWMENT

Contributions restricted for endowment consist of restricted donations received by the University, internal allocations, and contributions internally endowed by the Board of Governors. The investment income generated from endowments must be used in accordance with the various purposes established by the donors or the Board of Governors.

Investment income on endowments that is available for spending at the discretion of the University or is available for spending as conditions have been met, has been recorded in the Statement of Operations. Under University policy only a portion of the income is spent and the balance is reinvested with the objective of protecting the real value of the endowment against inflation and fluctuations in market returns. In any particular year, should net investment income be insufficient to fund the amount to be made available for spending, or if the investment return is negative, the amount that is made available for spending is funded from accumulated reinvested income.

			2010	2009
	Externally Endowed	Internally Endowed	Total Endowed	Total Endowed
	$	$	$	$
Endowment, beginning of year	44,904	5,745	50,649	59,866
Internal contributions	378	-	378	432
External contributions	2,812	-	2,812	1,541
Investment income (loss)	4,922	595	5,517	(10,074)
Return of capital	-	-	-	(1,116)
Endowment, end of year	53,016	6,340	59,356	50,649

NOTE 10
ONTARIO STUDENT OPPORTUNITY TRUST FUND (PHASE I)

Externally restricted endowments include monies provided by the Government of Ontario from the Ontario Student Opportunity Trust Fund matching program to award student aid as a result of raising an equal amount of endowed donations.

The University has recorded the following amounts under the program:

	2010	2009
Endowment Funds:	$	$
Balance, beginning of year	6,144	7,575
Investment income (loss)	587	(1,043)
Preservation capital	163	(388)
Balance, end of year	6,894	6,144
Expendable Funds:		
Balance, beginning of year	556	430
Investment income	369	389
Bursaries awarded (2010-196; 2009-149)	(292)	(263)
Transfer to Endowment	(163)	-
Balance, end of year	470	556

NOTE 11
FIRST GENERATION PILOT PROJECT INITIATIVES

For the period from May 1, 2008 to April 30, 2010, the University's financial statements include expenditures totaling $55 incurred for the purpose of carrying out the First Generation Pilot Project Initiatives. The goal of this project is to increase the awareness of the benefits of post-secondary education of First Generation Students and to increase their participation, retention and graduation rates.

NOTE 12
FINANCIAL INSTRUMENTS

The University's financial instruments have been recognized and measured as disclosed in note 1. The University manages certain risks associated with its financial instruments as follows:

(a) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The University is subject to interest rate cash flow risk with respect to its floating rate debt. The University has addressed this risk by entering into a twenty-year interest rate swap that fixes the interest at 6.425%. All other debts of the University have fixed rates and are therefore not exposed to cash flow interest rate risk.

The University's short-term and portfolio investments are subject to interest rate fluctuations as maturing investments are reinvested at new rates of interest. The market value of investments in Government and Corporate bonds will fluctuate due to changes in market interest rates.

NOTE 12
FINANCIAL INSTRUMENTS (cont'd)

(b) 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 receives some research revenues in non-Canadian currencies and does not mitigate the potential for loss in revenues that could result due to a fall in value of the foreign currency between invoicing of such amounts and the time of receipt of funds. A portion of the University's investments for Endowment is invested outside of Canada. A reduction in the value of that foreign currency would have an adverse affect on the value of these investments. This risk is monitored through its investment managers.

(c) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause another party to incur a financial loss. The University does not expect any counterparties to fail to meet their obligations given their high credit ratings. The University has established policies and minimum credit rating requirements for such investments.

NOTE 13
CAPITAL MANAGEMENT

In managing capital, the University focuses on liquid resources available for operations. The organization's objective is to have sufficient liquid resources to continue operating despite adverse financial events and to provide it with the flexibility to take advantage of opportunities that will advance its purpose. The need for sufficient liquid resources is considered in the preparation of the annual operating budget and capital projects, with actual results being compared to budget on a regular basis, and in the monitoring and forecasting of cash flows.

The University has an available line of credit of $3 million that can be used when sufficient cash flow is not available from operations to cover operating and capital expenditures. This line of credit was not utilized during the current fiscal year.

As at April 30, 2010, the University has met its objective of having sufficient liquid resources to meet its current obligations.

NOTE 14
STATEMENT OF CASH FLOWS

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

	2010	**2009**
	$	$
Accounts receivable	2,424	(3,895)
Inventories and prepaid expenses	(470)	360
Accounts payable and accrued liabilities	3,007	(1,234)
Deferred revenue	(1,580)	1,574
Net change working in non-cash working capital balances	3,381	(3,195)

NOTE 15
COMMITMENTS AND CONTINGENT LIABILITIES

At April 30, 2010, commitments for future construction and renovations amounted to approximately $86,418 (2009 - $11,873).

The University is a member of the Canadian University Reciprocal Insurance Exchange (CURIE). CURIE insures general liability, property and certain other risks. Annual premiums paid by the University will be determined by an Advisory Committee on the advice of the Actuary. There is provision under the agreement for assessments to the University if these premiums are not sufficient to cover any losses of CURIE.

The University has been named as a defendant or co-defendant in several actions for damages. The outcome and the amount of the losses, if any, are not determinable at this time and accordingly, no provision for losses has been made in the financial statements. The amount will be accounted for in the period when and if such losses are determined.

NOTE 16
COMPARATIVE FINANCIAL STATEMENTS

The comparative financial statements have been reclassified from statements previously presented to conform to the presentation of the 2010 financial statements.