

Financial Statements of

UNIVERSITY OF WINDSOR

And Independent Auditors' Report thereon

Year ended April 30, 2020

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 Canadian accounting standards for not-for-profit organizations. In order to achieve the objective of fair presentation in all material respects, reasonable estimates and judgments were employed. The Administration believes that the financial statements present fairly the University's financial position as at April 30, 2020 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, 2020 have been reported on by KPMG LLP, Chartered Professional Accountants, the external auditors appointed by the Board of Governors. The independent auditors' report outlines the scope of their audit and their opinion on the presentation of the information included in the financial statements.

Dr. Robert Gordon

President & Vice-Chancellor

Ms. Anna Maria Kirby

Acting Vice President, Planning and Administration



KPMG LLP
618 Greenwood Centre
3200 Deziel Drive
Windsor ON N8W 5K8
Canada
Telephone (519) 251-3500
Fax (519) 251-3530

INDEPENDENT AUDITORS' REPORT

To the Board of Governors of the University of Windsor

Opinion

We have audited the financial statements of the University of Windsor (the University), which comprise:

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

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements, present fairly, in all material respects, the financial position of the University as at April 30, 2020, and its results of operations and changes in fund balances and its cash flows for the year then ended in accordance with Canadian Accounting Standards for Not-for-profit Organizations.

Basis for Opinion

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

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

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

We also:

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the University's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the University to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, stylized font. Below the signature is a long, horizontal, slightly wavy line that extends to the right.

Chartered Professional Accountants, Licensed Public Accountants

Windsor, Canada
October 20, 2020

UNIVERSITY OF WINDSOR**Statement of Financial Position**

(in thousands of dollars)

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

		2020 \$	2019 \$
ASSETS			
Current			
Cash and cash equivalents		33,585	42,658
Short-term investments	note 2	120	97
Accounts receivable		21,716	15,745
Inventories, prepaid expenses and other assets		10,840	10,302
Total current assets		66,261	68,802
Investments	note 2	185,527	178,289
Capital assets, net	note 3	439,774	450,040
		691,562	697,131
LIABILITIES and DEFERRED CONTRIBUTIONS			
Current			
Accounts payable and accrued liabilities	note 11	61,358	49,013
Deferred revenue		10,148	8,233
Deferred contributions	note 4	40,483	43,423
Current portion of long-term debt	note 7	2,348	2,261
Total current liabilities		114,337	102,930
Deferred capital contributions	note 5	179,357	181,361
Employee future benefits	note 6	114,880	94,257
Long-term debt	note 7	178,703	182,445
		587,277	560,993
NET ASSETS			
Unrestricted			
Funded operations		-	-
Unfunded operations		(127,015)	(97,737)
Total unrestricted		(127,015)	(97,737)
Internally restricted	note 8	114,091	115,141
Endowment	note 9	117,209	118,734
		104,285	136,138
Commitments, contingencies, COVID-19 and subsequent event	notes 14, 16, 17		
		691,562	697,131

See accompanying notes

UNIVERSITY OF WINDSOR**Statement of Operations**

(in thousands of dollars)

Year ended April 30, 2020, with comparative financial information for 2019

	2020	2019
	\$	\$
REVENUE		
Grants and contracts	135,323	134,954
Student fees	193,536	194,840
Sales and services	18,745	20,661
Investment income	7,625	12,341
Donations, non-endowment	1,818	1,707
Amortization of deferred capital contributions	note 5	8,499
Other revenue	11,168	9,972
	376,714	382,560
EXPENSES		
Salaries and benefits	254,316	252,327
Materials, supplies and services	46,845	46,902
Repairs and renovations	17,777	21,657
Cost of goods sold	4,163	4,990
Utilities	6,259	5,667
Interest on long-term debt	9,458	9,535
Scholarships and bursaries	19,616	18,539
Amortization of capital assets	note 3	22,646
	381,080	380,671
Excess (deficiency) of revenues over expenses, before fair value adjustment	(4,366)	1,889
Change in fair value of interest rate swaps	note 7	(8,649)
Deficiency of revenue over expenses	(13,015)	(854)

See accompanying notes

UNIVERSITY OF WINDSOR

Statement of Changes in Net Assets

(in thousands of dollars)

Year ended April 30, 2020, with comparative financial information for 2019

					2020	2019
	Unrestricted		Internally	Endowment		
	Funded	Unfunded	Restricted	(note 9)	Total	Total
	Operations	Operations	(note 8)			
	\$	\$	\$	\$	\$	\$
Net assets, beginning of year	-	(97,737)	115,141	118,734	136,138	121,603
Deficiency of revenues over expenses	(5,342)	(7,673)	-	-	(13,015)	(854)
Change in unexpended operating and restricted funds	3,688	-	(3,688)	-	-	-
Net contribution to investment in capital assets	3,373	-	(3,373)	-	-	-
Related party transaction (note 15)	-	-	5,630	-	5,630	-
Investment income allocated	-	-	-	(552)	(552)	7,564
Allocation for spending from accumulated investment returns	-	-	-	(5,169)	(5,169)	(5,619)
Employee future benefit remeasurement costs (note 6)	-	(21,605)	-	-	(21,605)	10,519
Contributed assets	-	-	381	-	381	-
Transfers and internal endowment contributions	(1,719)	-	-	1,719	-	-
External contributions	-	-	-	2,477	2,477	2,925
Net assets, end of year	-	(127,015)	114,091	117,209	104,285	136,138

See accompanying notes

UNIVERSITY OF WINDSOR**Statement of Cash Flows**

(in thousands of dollars)

Year ended April 30, 2020, with comparative financial information for 2019

	2020	2019
	\$	\$
OPERATING ACTIVITIES		
Deficiency of revenue over expenses	(13,015)	(854)
Add (deduct) non-cash items:		
Deferred contributions, net	(2,940)	7,178
Amortization of deferred capital contributions	(8,499)	(8,084)
Amortization of capital assets, net of loss on disposal	22,646	21,000
Employee future benefits	(982)	(743)
Interest rate swaps	8,649	2,743
Related party transaction	note 15	5,630
Amortization of debt transaction costs	52	54
Net change in non-cash working capital	note 13	(898)
Cash provided by operating activities	10,643	8,489
FINANCING ACTIVITIES		
Repayments of long-term debt	(2,261)	(2,179)
Contributions deferred for capital purposes	6,495	20,334
Trusteed sinking fund	(1,446)	(1,377)
Investment income allocated to endowments	(552)	7,564
Endowment investment income for spending	(5,169)	(5,619)
External endowment contributions	2,477	2,925
Cash provided by (used in) financing activities	(456)	21,648
INVESTING ACTIVITIES		
Net change in investments	(7,261)	1,996
Net purchase of capital assets	(11,999)	(34,384)
Cash used in investing activities	(19,260)	(32,388)
Net decrease in cash and cash equivalents	(9,073)	(2,251)
Cash and cash equivalents, beginning of year	42,658	44,909
Cash and cash equivalents, end of year	33,585	42,658

See accompanying notes

UNIVERSITY OF WINDSOR
NOTES TO THE FINANCIAL STATEMENTS
(in thousands of dollars, unless otherwise noted)
APRIL 30, 2020

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(1)(f) of the Income Tax Act (Canada), 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 Part III of the Chartered Professional Accountants (CPA) of Canada Handbook – Accounting, which sets out generally accepted accounting principles for not-for-profit organizations in Canada.

The significant accounting policies of the University are summarized below:

(a) Cash and cash equivalents

Cash and cash equivalents consist of balances with banks and investments with a maturity of approximately three months or less at the date of purchase, unless they are held for investment rather than liquidity purposes, in which case they are classified as investments.

(b) Financial Instruments

Financial instruments are recorded at fair value upon initial recognition. Investments in pooled funds and derivative instruments are subsequently measured at fair value. All other financial instruments are measured initially at fair value, and subsequently at amortized cost.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair market value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and are amortized using the straight-line method.

(c) Investments and investment income

Investments reported at fair value consist of cash, money market funds, term notes, treasury bills, real assets (including infrastructure investments) and equity instruments as well as pooled fund investments, derivative contracts and any investments in fixed income securities that the University designates upon purchase to be measured 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.

Common share investments in related parties are measured according to the equity method. All other investments held by the University are subsequently recorded at amortized cost.

UNIVERSITY OF WINDSOR
NOTES TO THE FINANCIAL STATEMENTS
(in thousands of dollars, unless otherwise noted)
APRIL 30, 2020

NOTE 1

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

Investment income and losses, which consist of interest, dividends, income distributed from pooled funds, realized and unrealized capital gains and losses and realized and unrealized currency gains and losses, net of applicable transaction costs are recorded as investment income in the Statement of Operations except for the investment income designated for endowments.

The amount made available for spending against externally restricted endowments is recorded as investment income and any restricted amounts available for spending that remain unspent at year-end are deferred and categorized as deferred contributions. Investment income on externally restricted endowments in excess of the amount made available for spending, losses on externally restricted endowments, and deficiency of investment income compared to the amount available for spending are recorded as direct increases (decreases) to endowments.

(d) Derivative financial instruments

In order to manage its interest rate risk, the University has entered into interest rate swap agreements to convert variable rate interest on bankers' acceptances term loans 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 the Statement of Operations.

(e) Inventories

Inventories are valued at lower of cost and net realizable value.

(f) Capital assets

Capital assets are recorded at cost. Contributed assets including land are recorded at fair market value at the date of contribution are reported in the Statement of Changes in Net Assets.

Amortization of capital assets includes any loss recognized on disposal or impairment in value of capital assets. When a capital asset no longer contributes to the University's ability to provide services, the carrying value is written down to the fair value or replacement cost. Amortization is provided on a straight line basis using the following rates:

Land improvements	20 Years
Buildings	40 Years
Parking lots	15 Years
Building and Plant Equipment	20 Years
Equipment	5 Years
Library and books	5 Years
Computing systems	15 Years
Leasehold improvements	Term of lease
Collections (Works of Art and Rare books)	not amortized
Capital in progress	not amortized

UNIVERSITY OF WINDSOR
NOTES TO THE FINANCIAL STATEMENTS
(in thousands of dollars, unless otherwise noted)
APRIL 30, 2020

NOTE 1

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

(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 endowments, 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. External endowment contributions and income preserved as capital protection on externally restricted endowments are recognized as direct increase in net assets in the year in which they are received. Income preserved as capital protection on internally restricted endowments is recorded as unrestricted revenue and transferred to internal endowments.

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.

Tuition fees which relate to academic terms or parts thereof occurring after April 30 are recorded as deferred revenue.

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.

Externally 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.

(h) Employee future benefits

The University of Windsor Employees' Retirement Plan (Employee Plan) is a defined benefit plan, fully cost shared with its members. The University of Windsor Retirement Plan for Faculty and Certain Other Employees (Faculty Plan) is a money purchase plan with 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 pensionable 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.

UNIVERSITY OF WINDSOR
NOTES TO THE FINANCIAL STATEMENTS
(in thousands of dollars, unless otherwise noted)
APRIL 30, 2020

NOTE 1

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

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 University accounts for the Employee and Faculty pension plans using the immediate recognition approach. The University recognizes the amount of the accrued benefit obligation net of the fair value of plan assets, adjusted for any valuation allowance, in the Statement of Financial Position. Current service and finance costs are expensed during the year, while remeasurements and other items, representing the total of the difference between actual and expected return on plan assets, actuarial gains and losses, adjustments to the valuation allowance including the impact on finance costs, and past service costs, are recognized as a direct increase or decrease in net assets.

The accrued benefit obligations for the plans are determined based on the latest actuarial valuation reports prepared for funding purposes. The accrued obligation for the unfunded plan is prepared on a basis consistent with funded plans. The actuarial valuations are performed at least every three years. In the years between valuations, the University uses a roll-forward technique to estimate the defined benefit obligation. Assets of the pension plans are valued using fair values at April 30.

(i) Unrestricted unfunded operations

The changes in unfunded employee future benefits and the fair value of interest rate swaps 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. Also included are amounts restricted for the purpose of investment in capital assets and unexpended departmental internally restricted funds.

(k) 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.

(l) Change in accounting policy

During the year, the University prospectively adopted the new accounting standard Section 4433, Tangible capital assets held by not-for-profit organizations of CPA Canada Handbook – Accounting (the "Handbook") as of May 1, 2019, that requires the University to follow the componentization guidelines of Section 3061, Property, plant and equipment of the Handbook, and the guidelines for the impairment of long-lived assets of Section 3063, Impairment of long-lived assets of the Handbook. The guidelines require capital assets to be separated into significant component parts and each component to be amortized in accordance with their useful lives.

UNIVERSITY OF WINDSOR
NOTES TO THE FINANCIAL STATEMENTS
(in thousands of dollars, unless otherwise noted)
APRIL 30, 2020

NOTE 1

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

Partial impairments on tangible capital assets will now need to be considered. Section 4441, Collections held by not-for-profit organizations of the Handbook was also adopted retrospectively during the year. Collections will continue to be recorded at a nominal value. The changes did not have a material impact on these financial statements.

(m) Use of estimates

The preparation of financial statements 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 expenses during the year. Significant items subject to such estimates and assumptions include the carrying amount of capital assets, valuation allowance for accounts receivable, valuation of investments 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, and subsequent distributions are reported as decreases to these liabilities.

NOTE 2

INVESTMENTS

	2020	2019
	\$	\$
Cash, money market funds, term notes and treasury bills	1,896	2,306
Government and corporate bonds	94,333	90,191
Real assets	3,981	1,864
Canadian equities	35,123	45,796
Global equities	37,977	38,229
Investment in LSRC Corp. (note 15)	12,337	-
	185,647	178,386
Less amounts reported as:		
Short-term investments	120	97
	185,527	178,289

UNIVERSITY OF WINDSOR
NOTES TO THE FINANCIAL STATEMENTS
(in thousands of dollars, unless otherwise noted)
APRIL 30, 2020

NOTE 3
CAPITAL ASSETS

	Cost	Accumulated Amortization	2020 Net Book Value	2019 Net Book Value
	\$	\$	\$	\$
Land	15,324	-	15,324	15,324
Land improvements	8,293	1,700	6,593	7,007
Buildings	561,855	201,135	360,720	363,081
Parking lots	2,994	2,809	185	227
Equipment	204,186	184,139	20,047	15,351
Library and books	135,992	128,403	7,589	7,305
Computing systems	25,487	2,239	23,248	24,942
Leasehold improvements	1,075	636	439	602
Collections	2,235	-	2,235	1,854
Capital in progress	3,394	-	3,394	14,347
	960,835	521,061	439,774	450,040

In the year, amortization of capital assets totaled \$22,646 (2019 - \$21,053). There were no write downs or loss on disposals for 2020 (2019 - \$53).

NOTE 4
DEFERRED CONTRIBUTIONS

Deferred contributions represent unspent externally restricted grants, donations, contributions and investment income. Changes in deferred contributions are as follows:

	2020 \$	2019 \$
Balance, beginning of year	43,423	36,245
Grants, contributions, donations and investment income	43,090	44,952
Recognized to revenue	(46,030)	(37,774)
Balance, end of year	40,483	43,423

UNIVERSITY OF WINDSOR
NOTES TO THE FINANCIAL STATEMENTS
(in thousands of dollars, unless otherwise noted)
APRIL 30, 2020

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:

	2020	2019
	\$	\$
Balance, beginning of year	181,361	169,111
Additions for capital purchases	6,495	20,334
Amortization of deferred capital contributions	(8,499)	(8,084)
Balance, end of year	179,357	181,361

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 were completed as of July 1, 2017 for the Faculty Plan and as of January 1, 2018 for the Employee Plan. The next valuations are required to be completed as of July 1, 2020 and January 1, 2021, respectively. Valuation results report a going concern deficit for the Faculty Plan and a going concern surplus for the Employee Plan.

The assets of the funded plans 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 funding purposes as of April 30. The latest actuarial valuation for funding purposes was completed as of April 30, 2020.

UNIVERSITY OF WINDSOR
NOTES TO THE FINANCIAL STATEMENTS
(in thousands of dollars, unless otherwise noted)
APRIL 30, 2020

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 liability:

	2020			
	Pension		Other	Totals
	Faculty \$	Employee \$	\$	\$
Accrued benefit obligation	620,158	232,921	60,427	913,506
Fair value of plan assets	565,705	256,899	-	822,604
Valuation allowance	-	(23,978)	-	(23,978)
Plan deficit	(54,453)	-	(60,427)	(114,880)

	2019			
	Pension		Other	Totals
	Faculty \$	Employee \$	\$	\$
Accrued benefit obligation	601,187	225,120	58,063	884,370
Fair value of plan assets	564,993	259,562	-	824,555
Valuation allowance	-	(34,442)	-	(34,442)
Plan deficit	(36,194)	-	(58,063)	(94,257)

In addition to the Plan assets, the University has invested \$732 (2019 - \$924) at April 30, 2020 related to its supplemental retirement arrangement obligations. The liability associated with this obligation is included in the accrued benefit obligation for the Employee Plan.

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

	2020			
	Pension			Other
	Faculty \$	Employee \$	Multi-employer \$	\$
Employer contributions	18,125	4,016	534	1,981
Employee contributions	8,383	4,012	533	-
Benefits paid	29,775	12,922	n/a	1,981

UNIVERSITY OF WINDSOR
NOTES TO THE FINANCIAL STATEMENTS
(in thousands of dollars, unless otherwise noted)
APRIL 30, 2020

NOTE 6
EMPLOYEE FUTURE BENEFITS (cont'd)

	2019			Other \$
	Pension			
	Faculty	Employee	Multi-employer	
	\$	\$	\$	
Employer contributions	17,997	4,158	550	2,084
Employee contributions	7,992	4,165	537	-
Benefits paid	32,997	13,062	n/a	2,084

(c) Information on the Remeasurements and other items included in the Statement of Changes in Net Assets is as follows:

	2020		
	Pension \$	Other \$	Total \$
Difference between actual and expected return on plan assets	38,176	-	38,176
Actuarial gains	(3,362)	(817)	(4,179)
Decrease in valuation allowance and impact on finance cost	(12,392)	-	(12,392)
Remeasurements and other items	22,422	(817)	21,605

	2019		
	Pension \$	Other \$	Total \$
Difference between actual and expected return on plan assets	(16,993)	-	(16,993)
Actuarial (gains) losses	20,257	(3,750)	16,507
Decrease in valuation allowance and impact on finance cost	(10,033)	-	(10,033)
Remeasurements and other items	(6,769)	(3,750)	(10,519)

Included in the salaries and benefits expense on the Statement of Operations, are the current service costs and finance costs of \$23,329 (2019 - \$23,687).

UNIVERSITY OF WINDSOR
NOTES TO THE FINANCIAL STATEMENTS
(in thousands of dollars, unless otherwise noted)
APRIL 30, 2020

NOTE 6

EMPLOYEE FUTURE BENEFITS (cont'd)

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

	2020		
	Pension		Other
	Faculty	Employee	
Accrued Benefit Obligation:			
Discount rate	5.25%	5.6%	5.58%
Rate of compensation increase	4.0%	3.0%	n/a
Initial weighted average health care trend rate	n/a	n/a	6.05%
Ultimate weighted average health care trend rate	n/a	n/a	4.00%
Year ultimate rate reached	n/a	n/a	2030
Benefit Cost:			
Discount rate	5.25%	5.6%	5.58%
Rate of compensation increase	4.00%	3.00%	n/a
	2019		
	Pension		Other
	Faculty	Employee	
Accrued Benefit Obligation:			
Discount rate	5.25%	5.6%	5.60%
Rate of compensation increase	4.0%	3.0%	n/a
Initial weighted average health care trend rate	n/a	n/a	6.13%
Ultimate weighted average health care trend rate	n/a	n/a	4.00%
Year ultimate rate reached	n/a	n/a	2030
Benefit Cost:			
Discount rate	5.25%	5.6%	5.62%
Rate of compensation increase	4.00%	3.00%	n/a

UNIVERSITY OF WINDSOR
NOTES TO THE FINANCIAL STATEMENTS
(in thousands of dollars, unless otherwise noted)
APRIL 30, 2020

NOTE 7
LONG-TERM DEBT

Details of the long-term debt are as follows:

			2020	2019
	Maturity	Interest Rate	Principal Outstanding \$	Principal Outstanding \$
Series A Senior Unsecured Debentures	June 2046	5.37%	108,300	108,300
Less: Trusteed Sinking Fund			(29,534)	(28,088)
Transaction costs			(1,036)	(1,075)
			77,730	79,137
Series B Senior Unsecured Debentures	July 2057	3.745%	40,000	40,000
Less: Transaction costs			(483)	(496)
			39,517	39,504
TD Bank, Tranche 1	January 2043	3.03%	23,939	24,660
TD Bank, Tranche 2	June 2044	3.13%	37,815	38,845
Bank of Montreal	October 2023	6.425%	2,050	2,560
			181,051	184,706
Current portion of long-term debt			(2,348)	(2,261)
			178,703	182,445

The University has hedged until maturity the TD Bank credit facilities (Tranche 1 and 2) with interest rate swaps to lock in effective rates of 3.03% and 3.13%, respectively. The University has hedged the Bank of Montreal loan with an interest rate swap to lock in an effective rate of 6.425% until maturity. All of the credit facilities are unsecured.

The fair value of the interest rate swaps of \$12,135 (2019 – \$3,481) is recorded on the Statement of Financial Position (Net Assets, Unfunded Operations). The change in fair value of the interest rate swaps of \$8,649 (loss) (2019 – \$2,746 (loss)) is recorded in the Statement of Operations.

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

<u>Fiscal Year</u>	<u>Principal</u>
2021	\$2,348
2022	\$2,439
2023	\$2,558
2024	\$2,302
2025	\$2,044

UNIVERSITY OF WINDSOR
NOTES TO THE FINANCIAL STATEMENTS
(in thousands of dollars, unless otherwise noted)
APRIL 30, 2020

NOTE 8
INTERNALLY RESTRICTED NET ASSETS

Details of the internally restricted net assets are as follows:

	2020	2019
	\$	\$
Invested in capital assets	96,011	93,755
Unexpended operating funds		
Purchase orders and special projects	19,372	19,730
Internally financed capital or repair projects	(32,566)	(36,324)
Budget carryforward for operations	13,945	21,755
Financial planning	4,917	3,417
	5,668	8,579
Unexpended restricted funds		
Unspent departmental research funds	8,791	9,439
Unspent departmental trust funds	3,621	3,368
	12,412	12,807
Total unexpended operating and restricted funds	18,080	21,386
Total internally restricted net assets	114,091	115,141

NOTE 9
ENDOWMENT

Contributions restricted for endowment consist of restricted donations received by the University 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.

UNIVERSITY OF WINDSOR
NOTES TO THE FINANCIAL STATEMENTS
(in thousands of dollars, unless otherwise noted)
APRIL 30, 2020

NOTE 9
ENDOWMENT (cont'd)

	Externally Endowed \$	Internally Endowed \$	2020 Total Endowed \$	2019 Total Endowed \$
Endowment, beginning of year	102,151	16,583	118,734	112,667
Internal contributions	1,255	464	1,719	1,856
External contributions	2,313	164	2,477	2,925
Transfers to deferred contributions	-	-	-	(659)
Investment income (loss) allocated	(552)	-	(552)	7,564
Allocation for spending from accumulated investment returns	(5,169)	-	(5,169)	(5,619)
Endowment, end of year	99,998	17,211	117,209	118,734

NOTE 10
ONTARIO STUDENT OPPORTUNITY TRUST FUND (OSOTF) AND ONTARIO TRUST FOR STUDENT SUPPORT (OTSS)

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

The University has recorded the following amounts under Phase I of the OSOTF program:

	2020 \$	2019 \$
Endowment Funds:		
Balance, beginning of year	9,077	8,943
Investment income (loss)	(43)	132
Preservation (loss) of capital	(425)	2
Balance, end of year	8,609	9,077
Expendable Funds:		
Balance, beginning of year	851	733
Investment income	-	470
Bursaries awarded (2020 - 203; 2019 - 185)	(484)	(352)
Transfer from Endowment	435	-
Balance, end of year	802	851

UNIVERSITY OF WINDSOR
NOTES TO THE FINANCIAL STATEMENTS
(in thousands of dollars, unless otherwise noted)
APRIL 30, 2020

NOTE 10

ONTARIO STUDENT OPPORTUNITY TRUST FUND (OSOTF) AND ONTARIO TRUST FOR STUDENT SUPPORT (OTSS) (cont'd)

The University has recorded the following amounts under Phase II of the OSOTF program:

	2020	2019
Endowment Funds:	\$	\$
Balance, beginning of year	3,121	3,061
Preservation of capital	111	60
Balance, end of year	3,232	3,121
Expendable Funds:		
Balance, beginning of year	219	185
Realized investment income, net of direct investment-related expenses and preservation of capital contributions	100	149
Bursaries awarded (2020 - 70; 2019 - 69)	(85)	(115)
Balance, end of year	234	219

The market value of the endowment as at April 30, 2020 is \$3,643 (2019 - \$3,744).

The University has recorded the following amounts under the OTSS program:

	2020	2019
Endowment Funds:	\$	\$
Balance, beginning of year	28,966	27,979
Donations	121	521
Preservation capital	(1,294)	466
Balance, end of year	27,793	28,966
Expendable Funds:		
Balance, beginning of year	2,639	2,251
Realized investment income, net of direct investment-related expenses and preservation of capital contributions	1,133	1,345
Bursaries awarded (2020 - 468; 2019- 595)	(835)	(957)
Balance, end of year	2,937	2,639

The market value of the endowment as at April 30, 2020 is \$33,814 (2019 - \$34,751).

NOTE 11

ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Included in accounts payable and accrued liabilities, are government remittances payable of \$3,310 (2019 - \$3,503) which includes amounts payable for HST and payroll related taxes.

UNIVERSITY OF WINDSOR
NOTES TO THE FINANCIAL STATEMENTS
(in thousands of dollars, unless otherwise noted)
APRIL 30, 2020

NOTE 12
FINANCIAL INSTRUMENTS

The University's financial instruments have been recognized and measured as disclosed in note 1. There has been no change in risk from the prior year. 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 debts. The University has addressed this risk by entering into interest rate swaps that fix the interest rates for the terms of the loans. 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.

(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 effect 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. Accounts receivable are recorded net of an allowance for doubtful accounts of \$5,909 (2019 - \$5,226). The University does not expect other 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
STATEMENT OF CASH FLOWS

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

	2020	2019
	\$	\$
Accounts receivable	(5,971)	1,242
Inventories, prepaid expenses and other assets	(538)	(983)
Accounts payable and accrued liabilities, net of impact of swaps	3,696	(9,555)
Deferred revenue	1,915	(3,509)
Net change in non-cash working capital balances	(898)	(12,805)

UNIVERSITY OF WINDSOR
NOTES TO THE FINANCIAL STATEMENTS
(in thousands of dollars, unless otherwise noted)
APRIL 30, 2020

NOTE 14
COMMITMENTS AND CONTINGENT LIABILITIES

At April 30, 2020, commitments for future construction and renovations amounted to approximately \$6,274 (2019 - \$5,935). These projects will be financed by grants, internal funds, external borrowings and fundraising. Commitments for operations are reported in Note 8.

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 15
RELATED PARTY TRANSACTIONS

The University is a 25% shareholder of LSRC Corp ("LSRC Corp."). LSRC Corp. is a special purpose project company for the purposes of constructing, financing, and maintaining the new Lancer Sport & Recreation Centre ("LSRC"). LSRC Corp. was incorporated on April 25, 2019 and is a taxable corporation established under the Ontario Business Corporations Act. The year end for LSRC Corp. is June 30. Its issued and outstanding common shares are held equally by four shareholder groups. No one party has a controlling interest in the Corporation. The Common Shares are voting shares which allow each of the Shareholders to elect an equal number of the Board of Directors of the Corporation.

As at April 30, 2020, LSRC Corp. recognized a net loss of \$26. As a result of the University's 25% share in LSRC Corp, the University recorded an investment loss of \$7 (2019 - \$0) at April 30, 2020.

In 2020 the University obtained \$12,343 preferred shares in LSRC Corp. This was in exchange for the University's financial contribution to the LSRC Corp. at April 30, 2020, partially provided in cash (\$6,713) and the remainder provided through transfer of assets (\$5,630). These transactions have been recorded at the carrying value. The University also has \$1,502 in Other Assets related to LSRC Corp. (2019 - \$0).

NOTE 16
COVID-19

In March 2020, the World Health Organization declared the spread of coronavirus ("COVID-19") to constitute a global pandemic. This has resulted in governments worldwide enacting emergency measures to combat the spread of the virus including travel restrictions to and from Canada, and within Canada, barring gathering of people and requirements to stay at home. The impact of COVID-19 also adversely impacted global commercial activity and contributed to the significant volatility in certain equity and debt markets.

UNIVERSITY OF WINDSOR
NOTES TO THE FINANCIAL STATEMENTS
(in thousands of dollars, unless otherwise noted)
APRIL 30, 2020

NOTE 16
COVID-19 (cont'd)

This led to significant volatility and declines in the global public equity markets and it is uncertain how long this volatility will continue. The extent of such adverse effects on the University's business and financial and operational performance are uncertain and difficult to assess. The financial impacts will depend on future developments, including the duration, spread and severity of the outbreak, physical distancing requirements, the duration and geographic scope of related travel advisories and restrictions, and the extent of disruptions to businesses globally and its related impact on the economy.

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

NOTE 17
SUBSEQUENT EVENT: SERIES C DEBENTURES

During the subsequent events period, the University issued \$60 million of senior unsecured Series C Debentures with a coupon of 2.786% due September 15, 2060. The proceeds will be used to fund capital projects and replenish working capital reserves.

NOTE 18
COMPARATIVE FIGURES

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