FINANCIAL HIGHLIGHT REPORT
FOR THE YEAR ENDED APRIL 30, 2007

I. Executive Summary

A) Financial Highlights

The University of Windsor continues to enjoy a strong financial position as evidenced by the audited financial statements as of April 30, 2007. Total assets approximate $378.5m, an increase of $81.3m over 2005/06. Significant investment in capital assets, a successful bond offering, a balanced budget, and growth in endowments and research grant activity have all contributed to the continued financial strength of the University.

The University continues to maintain substantial cash and short term investment balances to support all expendable operations of the University. The significant changes in the cash position, as outlined in the Statement of Cash Flows, are primarily a result of the impact of the recent issuance of debentures. Current assets have increased by $75.9m while current liabilities have increased by only $4.5m. The improvement in this key financial indicator is due to the investment of bond proceeds not required in the short term which will be used in the future to finance significant capital projects, namely the Centre for Engineering Innovation and the Schulich School of Medicine.

Notably, the most significant activity during 2006/07 was the issuance of $108.3m of unsecured Series A debentures. The impact of this issuance and its contribution to the "transformation of the University through investment" is evidenced throughout the financial statements. The University is well positioned to make major investments in infrastructure to support the academic mission identified in *To Greater Heights*.

Notwithstanding the strong Statement of Financial Position, the University continues to address operational pressures with structural cost issues in an environment of restrictive operating revenues. The approval of the 2007/08 Operating Budget and the recognition that a realignment of base budgets will be required to sustain the long term financial strength of the institution is paramount.

Continued support from all stakeholders of the institution will ensure success in the delivery of key events which will transpire over the next few years. Ensuring the long term viability of operations and delivering on unprecedented capital expansion will be the main focus. Many years of strong fiscal management resulting in strong financial strength will support the transformation and realignment processes.

B) Issuance of Series A Senior Unsecured Debentures

On June 29, 2006, the University issued Series A senior unsecured debentures in the aggregate principal amount of $108,300,000 at par. The debentures bear interest at 5.37% payable semi-annually on December 29 and June 29 with the principal payable on June 29, 2046. The University received positive credit ratings from Moody's and DBRS, Aa3 and A (high) respectively. The clear strategic goals outlined in *To Greater Heights*, prudent financial planning, and the strategic allocation of resources contributed to these positive credit ratings.

The proceeds of the issue will be used to finance capital projects as noted above and for other general purposes of the University. In addition, the proceeds were used to refinance existing indebtedness in the amount of $26,281,000 and to establish a trusteed sinking fund for the ultimate retirement of the debentures.

Issuance costs associated with the debentures totalling $1,583,000 were capitalized and will be amortized over the life of the debentures at an annual cost of $40,000. One-time costs associated with the retirement of the former indebtedness in the amount of $2,740,000 have been expensed in the year.

As noted, a trusteed sinking fund was established for the sole purpose of accumulating funds to fully retire the series A senior unsecured debentures. An original amount of $14,742,000 was invested in a 30 year Province of Ontario strip bond which will mature June 2, 2035. Proceeds from the strip bond will then be reinvested for 10 years so that, together with interest, there will be sufficient funds necessary to retire the entire debenture. Based on current projections, no additional investment in the sinking fund is anticipated. As of April 30, 2007, this investment has a value of $15,375,000, which includes accrued interest in the amount of $633,000.

As the proceeds to support capital projects were not required immediately, $55,000,000 was invested in Province of Ontario strip bonds that will mature in June 2008 and December 2008. During 2006/07, the investment income earned on these funds was used to fund much needed renovations and improvements across campus. With the limited funding received by the Province to address deferred maintenance needs, such one-time funding opportunities assist the University greatly.

The issuance of the debentures was a significant event for the University. These funds will be focused on supporting the transformation of the campus, both the academic program and supporting infrastructure. The pressures on the Operating fund will not be mitigated with the infusion of bond proceeds which will be entirely directed towards capital enhancement.

C) SUMMARY OF CONSOLIDATED FINANCIAL RESULTS

The following is a summary of the comparative consolidated financial results for the years ended April 30, 2007 and April 30, 2006 ($000's):

	2007	2006	CHANGE ($)	CHANGE (%)
REVENUE				
Student Fees	$90,156	$83,594	$6,562	7.8%
Government & Research Grants	134,603	129,790	4,813	3.7%
Other	53,072	42,642	10,430	24.5%
Total Revenue	$277,831	$256,026	$21,805	8.5%
EXPENDITURES				
Salaries, Wages & Benefits	$149,377	$138,368	$11,009	8.0%
Scholarships and bursaries	16,856	15,572	1,284	8.2%
Research	22,578	19,206	3,372	17.6%
Loan Interest	9,080	2,971	6,109	205.6%
Amortization	17,382	17,545	(163)	-0.9%
Other	57,148	55,158	1,990	3.6%
Total Expenditures	$272,421	$248,820	$23,601	9.5%
EXCESS OF REVENUE OVER EXPENDITURES	$5,410	$7,206	($1,796)	
Endowment Contributions	7,103	10,869	(3,766)	
NET CHANGE IN NET ASSETS	$12,513	$18,075	($5,562)	
Net Assets, beginning of year	$101,202	$83,127	$18,075	
Net Assets, end of year	$113,715	$101,202	$12,513	12.4%

University net assets as of April 30, 2007 total $113.7m, an increase of $12.5m over 2005/06. This net increase in assets is attributable to the following increases (decreases) in the respective funds of the University:

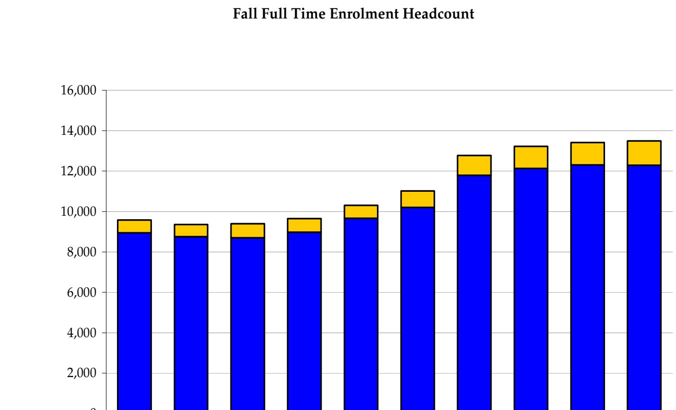
- Current operating fund (operations & post-retirement benefit liability) $ (2,114,000)
- Plant Fund $ 841,000
- Non-expendable appropriations $ 7,455,000
- Endowment funds $ 6,331,000

The various funds listed above are individually reported in the financial statements of the University. The activity reported within each fund corresponds to the nature of expenditure. The Current Operating Fund includes the academic, administrative support, and ancillary operations of the University. The Current Operating Fund balance also includes restricted appropriations established by the Board of Governors for current and future operations.

D) 2006/07 Key Financial Highlights

Achieve Targeted Enrolment Levels

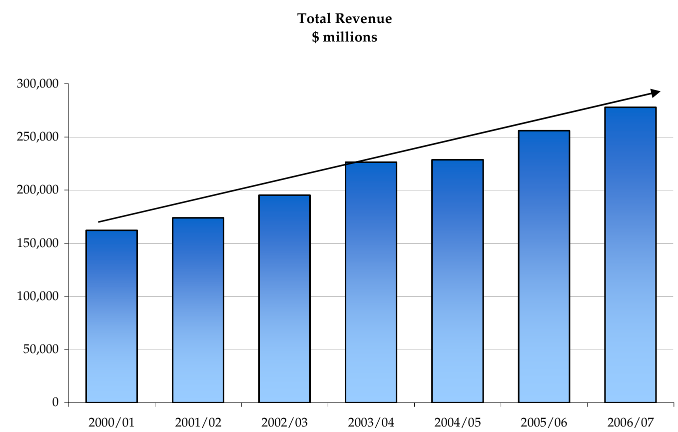
- Total 2006/07 full time equivalent (FTE) enrolment at 17,521, increase of 311 over 2005/06.
- 2.5% growth in Fall full-time first year undergraduate enrolment, and 8.9% increase in Fall full-time graduate enrolment demonstrates that access continues to be of highest priority.



	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07
Graduate	627	602	701	673	642	824	985	1,089	1,106	1,205
Undergraduate	8,946	8,755	8,701	8,976	9,671	10,199	11,790	12,132	12,308	12,291

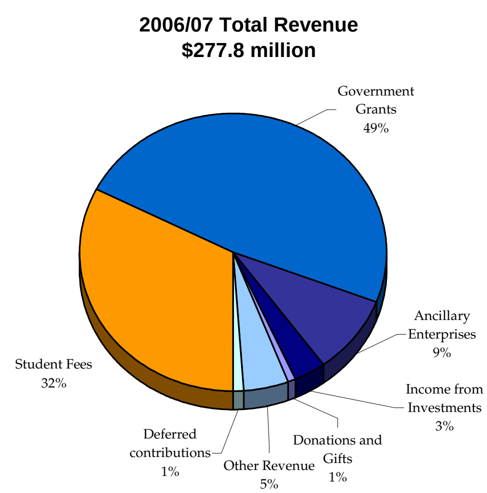
Grow the Consolidated Revenue Base

- $21.8m or 8.5% annual growth in 2006/07 total revenue reflects increased student fees and strong growth in operating grants, donations, other grants, and investment income.
- Total revenue has grown steadily over the past 6 years to $277.8m, a 71.5% increase.
- Revenue per FTE at $18,110 is above last year by 7.6%.



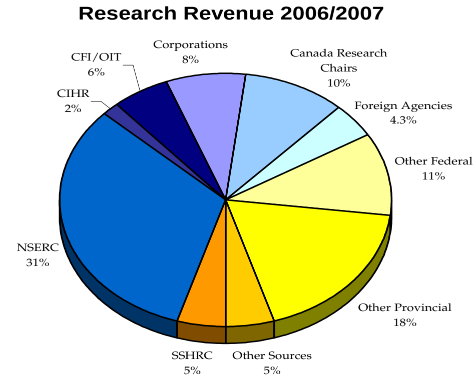
Diversify the Revenue Base

- Windsor continues to have a well-diversified revenue base which provides reduced dependency on any single revenue source and is an important source of future financial stability.
- The percentage of revenue received from operating grants decrease from 2005/06 mainly as a result of significant growth in investment income, donations and other revenue.



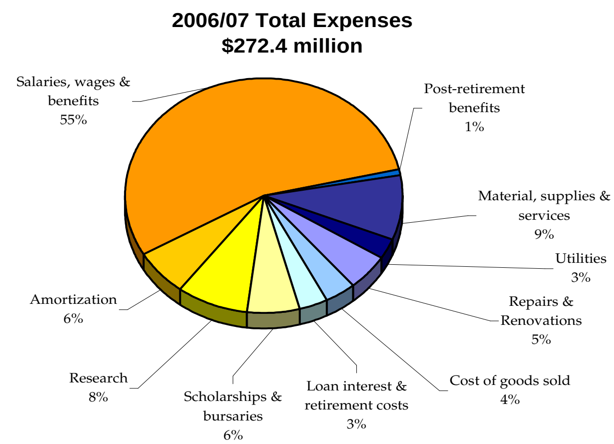
Diversify the Research Revenue Base

- Windsor continues to diversify the research revenue base which provides reduced dependency on a limited number of research funding agencies.
- The percentage of revenue received from the Tri-Council agencies has decreased from 2005/06 as a result of the introduction of new funding sources.
- Research funding is expected to increase and further diversify into the future with the addition of the Schulich School of Medicine.



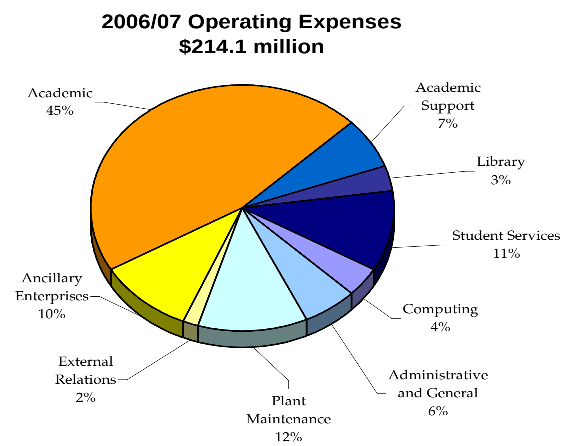
Strategic Deployment of Resources

- Total consolidated expenditures are up by \$23.6m or 9.5%, due mainly to increases in salary and benefit costs, increasing investment in strategic initiatives, loan interest, and research expenditures.



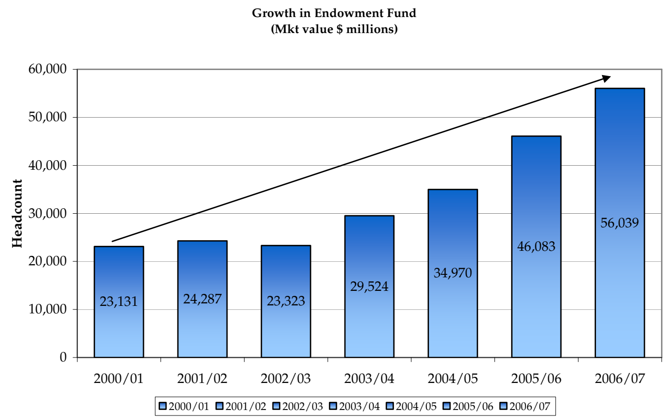
Strategic Deployment of Resources

- 63% of operating expenditures were invested into academic, academic support, and student service areas. An additional \$11.5m was spent in this category in 2006/07.



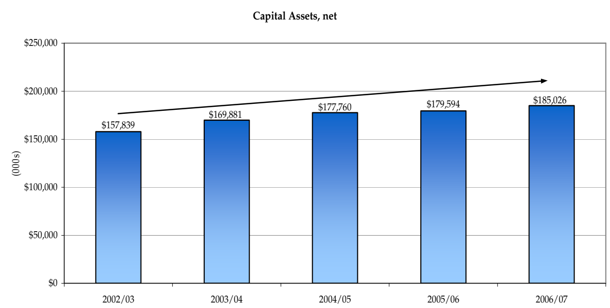
Growth in endowment funds

- At April 30, 2007, the market value of all endowment funds was $56.0m, up 21.7% from the previous year.
- Endowment per FTE student of $3,653 is up by 20.6% compared to last year ($3,029).
- 2006/07 annual investment return was 12.8% compared to 12.7% in 2005/06.



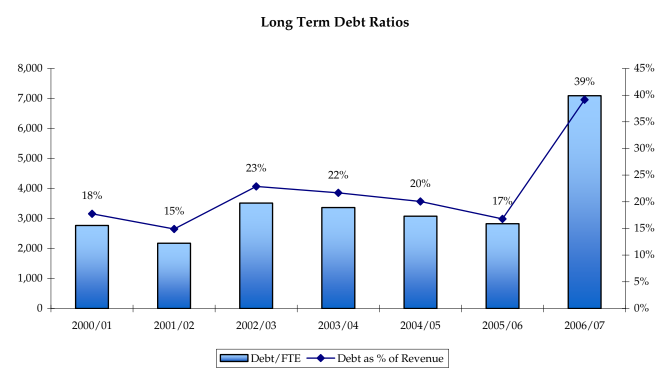
Continued growth in capital assets

- At April 30, 2007, capital assets increased by $22.1m over 2005/06 as the University continues to implement the approved *Capital Plan Evaluation Framework 2004 – 2009.*



Strategic increase in Long-term debt

- During 2006/07, the University issued $108.3m of unsecured debentures to support capital expansion on campus.
- The establishment of the trusteed sinking fund to fully fund the repayment of the $108.3m debenture principal in 2046 mitigates the institution's risk.
- Long-term debt per student of $7,091 has increased significantly over 2005/06 with the issuance of the debentures, still well below the provincial average.



The following sections highlight the activity during 2006/07 in each of the funds noted.

II. HIGHLIGHTS OF THE CURRENT OPERATING FUND

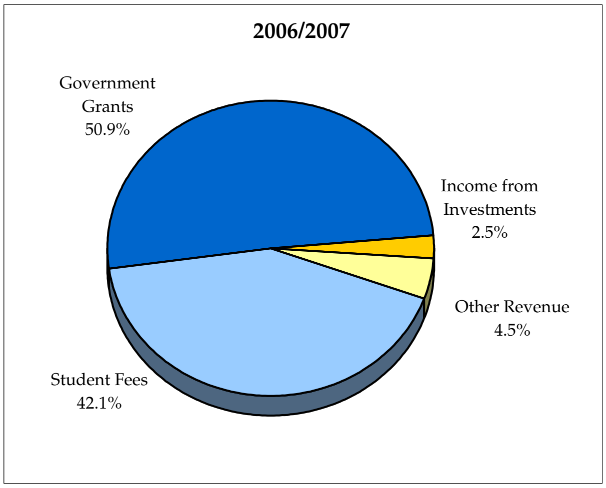
The net decrease in the Current Operating Fund totalled $2.1m for the year ended April 30, 2007. This decrease is the net result of two components - a slight operating deficit of $8,000 and an increase of $2,106,000 in the liability related to post-retirement benefits as a result of the recent actuarial valuation. The cumulative surplus in the unrestricted fund balance for operations is $5,000, as compared to a cumulative surplus of $13,000 as of April 30, 2006. The cumulative deficit related to the liability for post-retirement benefits totals $26.6m, as compared to $24.5m as of April 30, 2006.

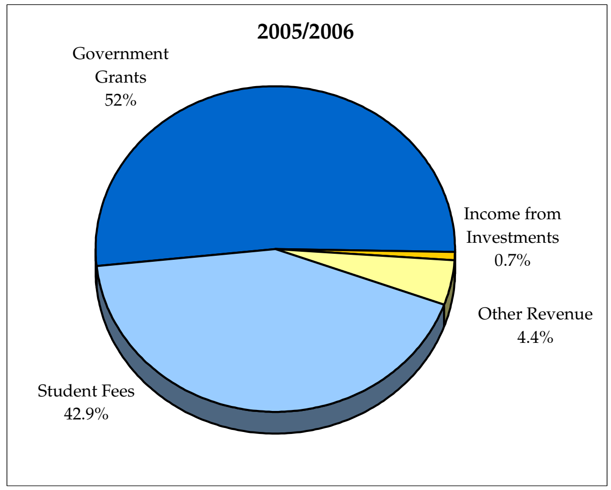
The following is a summary of the comparative financial results of the Current Operating Fund for the years ended April 30, 2007 and April 30, 2006 ($000's):

	2007	2006	CHANGE ($)	CHANGE (%)
REVENUE				
Student Fees	$90,156	$83,594	$6,562	7.8%
Government Grants	108,789	101,294	7,495	7.4%
Ancillary Enterprises	25,411	24,719	692	2.8%
Income from Investments	5,340	1,437	3,903	271.6%
Other Revenue	9,628	8,677	951	11.0%
TOTAL REVENUE	$239,324	$219,721	$19,603	8.9%
EXPENDITURES				
Operating Expenditures	$214,112	$199,028	$15,084	7.6%
Appropriations to Reserves for Current and Future Operations	3,830	2,003	1,827	
Interfund Transfers, Net	23,496	20,741	2,755	
TOTAL EXPENDITURES	$241,438	$221,772	$19,666	
NET CHANGE IN NET ASSETS	($2,114)	($2,051)	($63)	
NET CHANGE IN NET ASSETS REPRESENTS:				
- Operating Fund Surplus (Deficit) for the Year	($8)	$4		
- Increase in post-retirement benefits liability	(2,106)	(2,055)		
	($2,114)	($2,051)		

A) OPERATING REVENUE

Total operating revenue has increased by $19.6m over 2005/06, representing an 8.9% increase. This increase is primarily attributable to an increase in student fees, government grants, and income from investments. The following graph illustrates the percentage of revenue for each of the individual components of operating fund revenue:





Government grants and student fees represent 93.0% of operating revenues, when not including ancillary enterprises. Income from investments has provided a higher level of support to the Operating fund due to the investment of bond proceeds in the current year, resulting in slight decreases in the percentage of support from government grants and student fees.

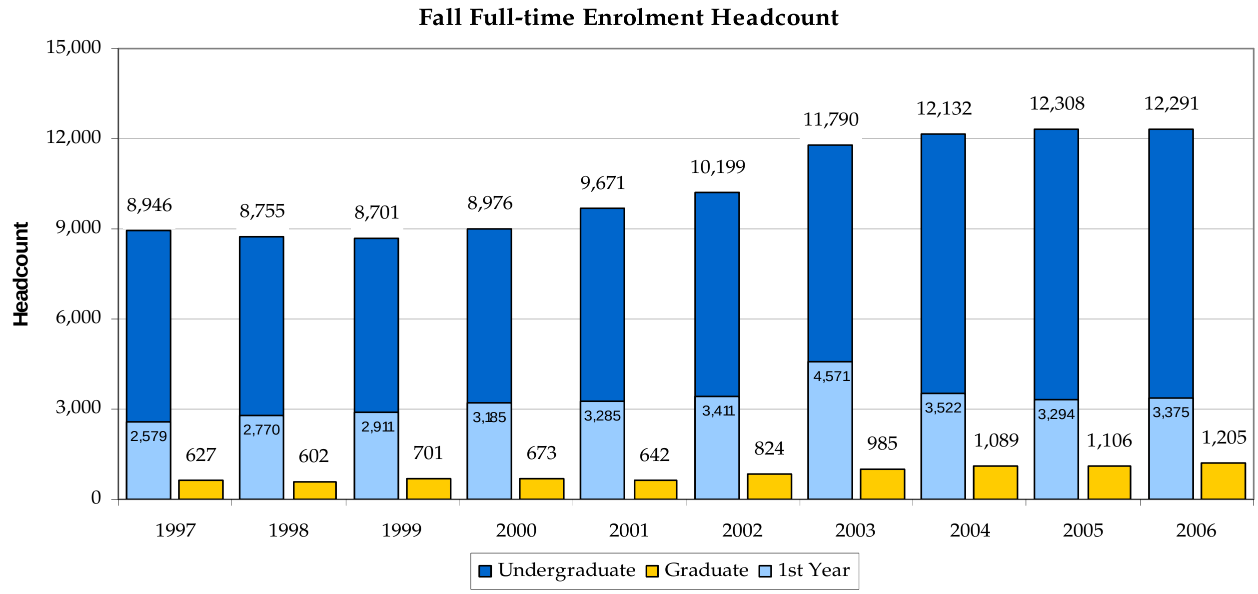
a) Student Fees

After the "double cohort" year (Fall 2003), first-year undergraduate student enrolment has been moving back to pre-double cohort levels. Fall full-time first year enrolment increased from 3,294 in 2005/06 to 3,375 in 2006/07. The positive impact on undergraduate enrolment as a result of the double cohort continues as students flow-through into the upper years. The majority of double cohort students graduated at the end 2006/07 which will impact the undergraduate enrolment into the future. Total undergraduate Fall full-time enrolment was 12,291, a slight decrease of 17 or 0.1% over Fall 2005. Both the budgeted first-year enrolment of 3,245 and the Fall 2006 full-time enrolment budget of 11,834 were surpassed primarily due to increased enrolment at first and fourth year levels.

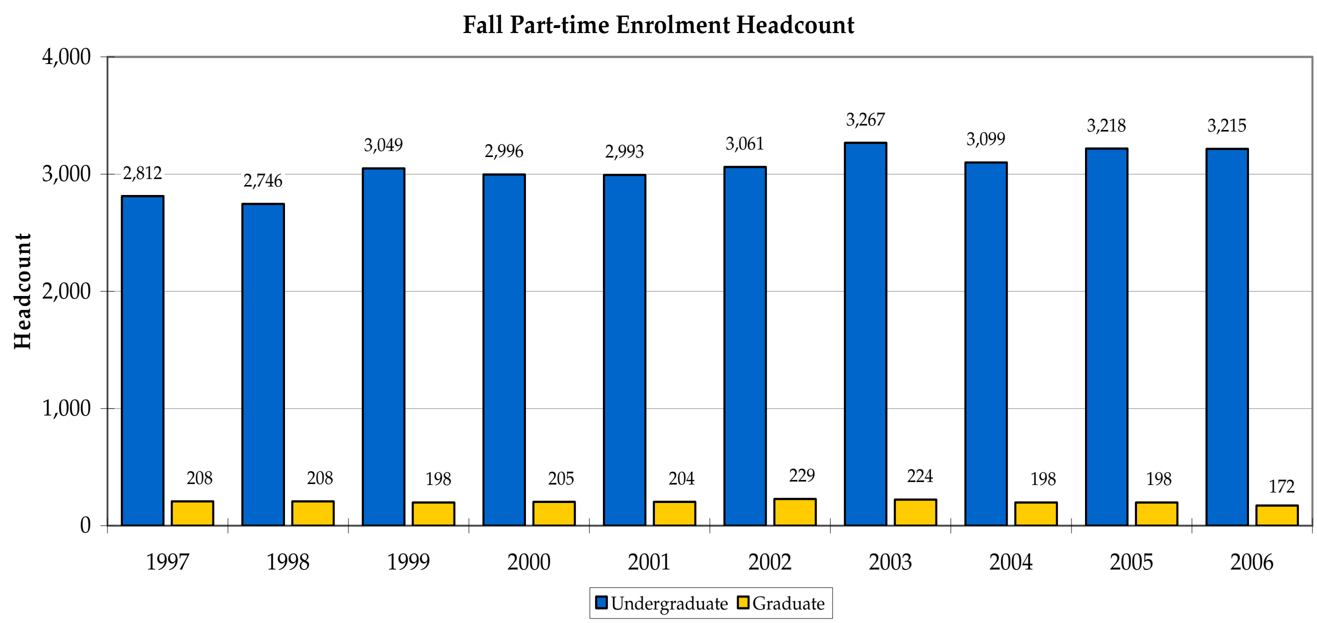
Full-time Fall graduate enrolment increased 8.9% from 1,106 in 2005/06 to 1,205 in 2006/07 (budget for Fall 2006 - 1,225). Full-time international enrolments, both graduate and undergraduate, increased 9.9% from 1,224 in Fall 2005 to 1,345 in Fall 2006. Full time equivalents (FTE's) for 2006/07 total 17,521, an increase of 311 over the 2005/06 total of 17,210.

a) Student Fees (cont'd)

The following chart illustrates a 10-year history of Fall Full-time Undergraduate and Graduate Enrolments:



The graph illustrates the stability of the Fall full-time undergraduate enrolment at the 12,000–12,300 level with first-year enrolment at pre-double cohort levels. Undergraduate part-time enrolment was essentially unchanged from 3,218 in 2005/06 to 3,215 in 2006/07. Graduate part-time enrolment decreased from 198 in 2005/06 to 172 in 2006/07. The following chart illustrates the 10 year history of Fall Part-time Enrolment:



b) Government Grants

Government grants totalled $108.8m for the year, an increase of $7.5m over 2005/06 or 7.4%. The May 11, 2005 provincial budget announced the government's *Reaching Higher* plan for postsecondary education in Ontario. The plan, to be implemented over the four-year period 2005/06 to 2009/10, has provided institutions with additional provincial support in meeting the demands of the sector. Future provincial funding must provide for inflation if the current gains being made with the increased funding are to be sustained. The University continues to lobby the Provincial government for sufficient funding to support the cost structure of the institution.

The following table illustrates the comparative provincial government operating grant revenue for the years ended April 30, 2007 and April 30, 2006 ($000):

	2007	**2006**
	($000s)	($000s)
OPERATING GRANTS		
Basic Operating Grants*	$77,945	$78,253
Accessibility Fund	1,343	1,164
TOTAL OPERATING GRANTS	$79,288	$79,417
QUALITY IMPROVEMENT FUND		
Per Student Funding	$4,502	$2,861
Advancing Quality	4,382	2,324
Excellence Fund	0	620
TOTAL QUALITY IMPROVEMENT	$8,884	$5,805
NURSING FUNDING	3,262	2,097
GRANT IN LIEU OF TUITION FREEZE	2,992	2,763
PERFORMANCE FUND	819	890
PROVINCIAL - ONE TIME MONIES	8,066	0
OTHER PROVINCIAL GRANTS	1,892	1,894
TOTAL PROVINCIAL GRANTS	$105,203	$92,866

* Basic Operating Grants include Quality Assurance Funding and ATOP

b) Government Grants (cont'd)

The following provides a brief description of the major provincial funding envelopes:

- Accessibility fund – Enrolment based grants include funding for growth in undergraduate and graduate programs. The University did not receive full funding for undergraduate growth in 2006/07. The Accessibility funding supported postsecondary institutions during the double cohort period and the newly announced Graduate Expansion funding will provide targeted funding for increases in graduate enrolment over the Fall 2004 levels.
- Quality Improvement Fund – The per student funding represented grant monies to allow for full funding of basic income units at the 2004/05 level. The Advancing Quality funding allowed for improvements in quality education. Contingent on the receipt of this funding was the need to file an Accountability Agreement with the Ministry. The University filed this agreement in Fall 2006 (www.uwindsor.ca/president).
- Quality Assurance Fund – The May 2003 provincial budget included a Quality Assurance Fund that committed $200m in base funding over four years to assist universities in making quality improvements. This envelope was cancelled in 2004/05 and further increases are not anticipated.
- Nursing Funding – This funding supports the collaborative nursing programs with the colleges and is enrolment dependant.
- Grant in Lieu of Tuition Freeze – In May 2004, the provincial government announced a two-year tuition freeze and introduced a grant to compensate for the freeze.
- Performance Fund – This fund is based on achievement against three key performance indicators -- degree completion rate; employment rates six months after graduation; and employment rates two years after graduation.
- Other provincial grants – Included in this category are the municipal tax grant, aboriginal and disability grants.

In addition to the above provincial operating grant funding, the University received funding from the federal government in the amount of $3.051m (2005/06 - $2.8m) in support of the indirect costs of research. The distribution of funds to individual universities is based on research awards granted by the federal Tri-Council agencies (Natural Sciences and Engineering Council (NSERC), Social Sciences and Humanities Research Council (SSHRC), and the Canadian Institutes of Health Research (CIHR).

c) Ancillary Enterprises

Ancillary enterprises represent the business operations of the University. These areas provide goods and services and are expected to break-even after covering their full cost of operating expenditures. A number of ancillaries contribute to the operating budget of the University.

Ancillary gross revenue totalled $25.4m in 2006/07, an increase of $.7m. The following comparative table summarizes the gross revenue by ancillary:

	2007 (000's)	**2006 (000's)**	**CHANGE ($)**
Residence	$7,688	$6,871	$817
Food & Catering Services	7,376	7,390	-14
Youth Programming	123	161	-38
Bookstore	8,749	8,890	-141
Parking	1,151	1,117	34
Rental	324	290	34
	$25,411	$24,719	$692

These changes will be further discussed in the following paragraphs.

Residence Services experienced positive financial results primarily as a result of attaining the budgeted occupancy of students and experiencing some cost savings in various accounts, primarily the utility accounts. Residence Services concentrated on enhancing the residence experience for students which contributed to the increased return rate of upper year students. Since the double cohort, with first-year students attending the University from outside the local tri-county area decreasing, Residence Services has made a concerted effort to attract upper year students to meet its occupancy targets. With this effort, in addition to other cost savings, the department was able to increase renovations funded through its operations and also contribute approximately $145,000 towards prior years' deficits.

Food & Catering Services experienced positive changes this year with the addition of a new Tim Hortons outlet in the CAW Student Centre and the renovation of the previous Tim Hortons outlet located in the Odette School of Business. New contracts were signed with Tim Hortons for both locations requiring that the outlets be full-service outlets versus the previous style of self-serve coffee service. The altered service mode, coupled with the great popularity of the outlets, resulted in actual labour costs being higher than budget. Although gross revenues were up from the previous year overall by approximately $100,000, the Department experienced a deficit of $46,000. This deficit will be recovered and has been included in the 2007/08 budget.

c) Ancillary Enterprises (cont'd)

The *University Bookstore* experienced a decrease in gross revenues with sales of $8.7m for 2006/07. Notwithstanding the decrease in gross revenues, the net surplus of $22,500 for the year was consistent with the prior years' results. The decrease in gross sales revenue was attributed to decreased gross revenues from textbook sales. This decrease was a result of an increase in lower priced used textbook sales, trade books sold (which the Bookstore was able to purchase through publishers' clearance books at lower costs and passed these savings on to its customers), and a conscious decision to move away from computer hardware sales. Sales for general supplies were also down and a more focused marketing approach will be taken. As in the past, the Bookstore was able to contribute $150,000 to support the University's central operating budget.

Parking Services' gross revenues were up slightly in 2006/07. A new parking lot was built to provide additional space and to replace spaces lost due to the Centre for Engineering Innovation building. This lot was built and available for students sooner than anticipated. Parking Services was then able to sell an additional 250 permits which increased revenues by $45,000 over budget for the 2006/07 year. An additional parking lot was approved late 2006/07 and monies from the Parking Development appropriation were used to partially fund the new lot.

During the 2007/2008 budget year, campus ancillary services will continue to focus on increasing revenues through improvements in customer service, product offerings and its recruitment and marketing efforts. With ever increasing costs, continual efforts will be made to maintain and/or decrease its costs as much as possible through innovative operating efficiencies.

d) Investment Income & Other Revenue

Investment income totalled $5.3m for 2006/07, an increase of $3.9m over 2005/06. This significant increase in investment income is a result of the investments made with portions of the bond proceeds that were not required immediately. As the bond proceeds were not required in the short-term for the construction of the designated capital projects, the funds were invested in provincial strip bonds. The investment income generated from the investment of bond proceeds was $2.1m. In addition, the interest earned on long-term bonds increased by approximately $1.0m over prior year as rates of return achieved were significantly higher in the current year (2006/07 - 6.8%; 2005/06 - 3.8%).

Other Revenue increased by $1.1m over 2005/06. This increase was primarily attributable to increases across various programs including further growth in the English Language Improvement Program, application fees, medical billings, foreign exchange and other miscellaneous sources.

B) Operating Expenditures

Expenditures for fiscal 2006/07 totalled $214.1m, an increase of $15.1m over 2005/06, representing a 7.6% increase.

The following table summarizes the operating expenditures ($000's) by the functional area of responsibility at the University:

	2007	2006	CHANGE ($)
EXPENDITURES			
Academic	$98,886	$90,909	$7,977
Academic Support	14,103	13,220	883
Library	7,236	6,610	626
Student Services	22,787	20,183	2,604
Computing	7,936	7,711	225
Administration and General	12,628	11,636	992
Plant Maintenance	25,010	24,003	1,007
External Relations	3,454	2,657	797
Ancillary Enterprises	22,072	22,099	(27)
TOTAL EXPENDITURES	$214,112	$199,028	$15,084

The graph in ***Appendix A*** summarizes the relative percentage of operating expenditures by the functional areas of responsibility of the University for the year ended April 30, 2007. The University continued its commitment to teaching and learning support for students as evidenced by 8.8% increase to Academic expenditures over 2005/06.

As noted in the 2006/07 Operating Budget, *Transformation Through Investment (www.uwindsor.ca/finance.)*, preference was given to strategic investments most likely to yield improvements in the priority areas set out in *To Greater Heights,* each area's five-year plan, and recommendations emanating from the *Task Force on Performance*.

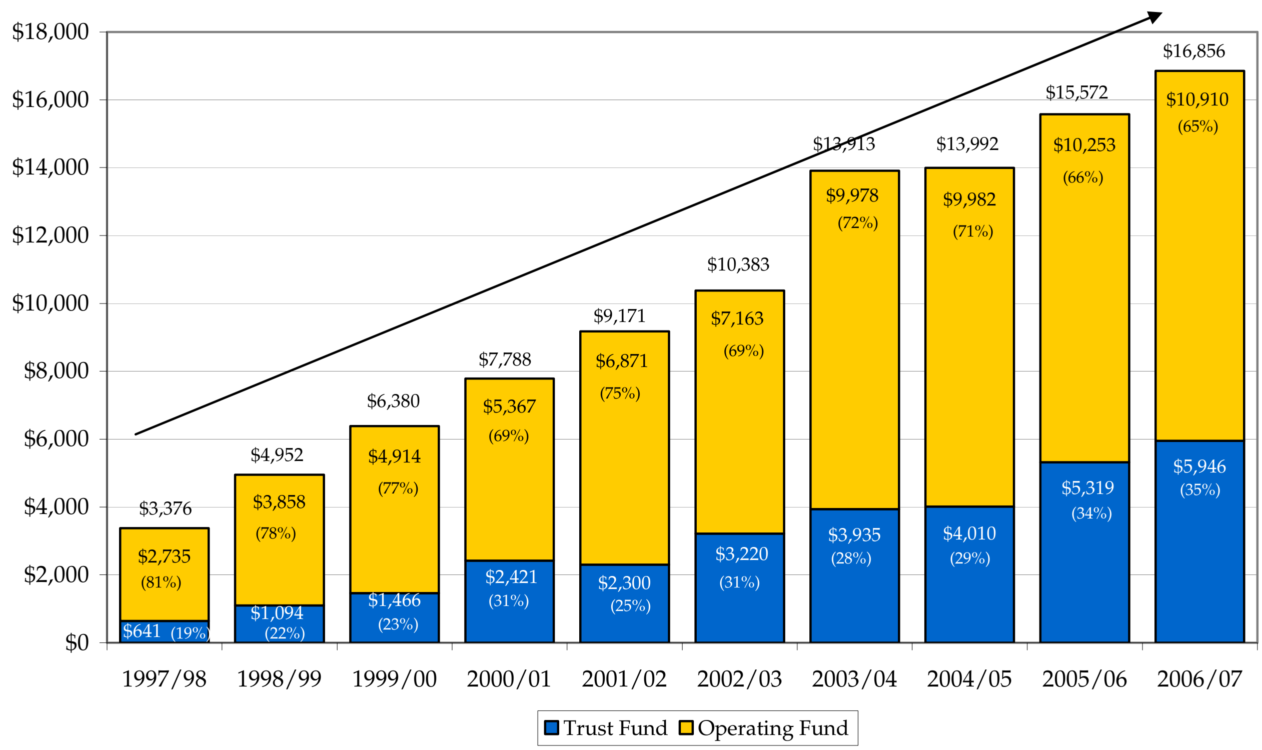
The base budget increase for 2006/07 totalled $14.1m with an additional investment of $6.4m in capital and other one-time expenditures for a total of $20.5m. Increases in faculty and staff salaries, benefits, utilities, insurance, existing commitments and other contractual obligations totalled $9.6m.

The University is committed to improving the student environment, both academically and socially. The allocation of expenditures in the operating budget for Learning Centeredness included student area improvements such as lab and classroom upgrades, the establishment of a Learning Commons in the Leddy Library, support for improving the student experience for first-year students, residence enhancements, and additional staff positions in many of the student support areas. These increases are noted in the financial statements.

B) OPERATING EXPENDITURES (CONT'D)

The University's ongoing commitment to promote accessibility through enhanced financial aid is again illustrated by the increasing investment in Scholarships for 2006/07. Scholarships and bursaries paid from the Operating Fund in 2006/07 amounted to $10.9m, an increase of $657,000 or 6.4%. Including trust funds, scholarships and bursaries increased by 8.2% over 2005/06 to $16.9m.

The following graph illustrates the 10-year history of continual investment in scholarships and bursaries funded by both the Operating Fund and the Trust Fund ($000's):



The allocation of new initiatives in the budget for Research totalled $1.7m. Investments were made in Animal Care facilities that support research in FASS and the Faculty of Science, increased research support staff, and increase in library acquisitions, and additional laboratory equipment. Academic Support expenditures have increased $882,000 over 2005/06 or 6.7%. Academic Support areas include Centre for Flexible Learning, Office of Research Services, Registrar's Office, Co-op Education and Career Services. Increases in these service areas supported the enhancement of service levels to students.

B) OPERATING EXPENDITURES (CONT'D)

Significant investments were made in the area of Profile and Reputation in the 2006/07 operating budget. Approximately $1.6m was allocated for additional staff positions in Advancements, Housekeeping and Grounds, Human Resources, FASS and the Odette School of Business, an increase to the branding budget of the University to help implement a broad-based marketing plan, web development funding to begin the initial phase of a Campus Portal solution, financing for a Day Care facility, and funding for the Vice President-Research to help increase the University's provincial, national, and international profile.

The University's strategic plan advocates continuing attention to creative and effective Enrolment Management. Key investments included an increase to Graduate and Teaching Assistantships, additional funding for recruitment and advertising, graduate recruitment initiatives, the promotion of the University's Automotive Pinnacle, increased staffing in student-oriented areas in a number of faculties, and student communications improvements in Student Services. In addition to the above initiatives to support enrolment, a review was done to evaluate a capital and enrolment expansion plan promoted by the Faculty of Human Kinetics. The faculty will begin accepting new students as a result of this initiative beginning in the Fall of 2007, with an addition to the building planned for completion by 2009.

Capital Developments and Improvements were initiated in the Faculty of Arts and Social Sciences, Education, Law, Odette and Essex Hall, new equipment was purchased for IT Services, the budget for the Deferred Maintenance Fund was increased and other projects were funded in Facilities Services, Science and Engineering.

An actuarial valuation was completed as of April 30, 2007 to determine the post-retirement liability. During this process, certain benefits were identified that had not been included in the previous actuarial valuation. An adjustment in the amount of $4.9m was made to reflect the impact of these benefits on the beginning balance of the liability. The cumulative deficit related to the liability for post-retirement benefits does not have an impact on the operating surplus of the institution as this liability is unfunded and actual post-retirement benefit costs are charged in the year incurred.

Appendix B highlights the Current Operating Fund Expenditures by Type for the University for the years ended April 30, 2007 and April 30, 2006. The graph illustrates the relative percentages of the respective expenditures for the years presented. Salaries, wages and benefits remain constant at 69.8% of total operating expenditures. Changes in other expenditure categories also remained within 1% of 2005/06 ratios.

III. HIGHLIGHTS OF THE PLANT FUND

The net increase in the Plant Fund totalled $841,000 for the year ended April 30, 2007. The net increase is primarily the result of the following factors: an increase in capital assets, bond offering transactions, repayment of existing indebtedness and changes in deferred capital contributions. The University continues to make substantial investments in the campus infrastructure. Investments have been made to support both new construction and deferred maintenance issues through a number of funding sources identified throughout this document.

The increase in capital assets, net of disposals totals $22.1m and represents the following investments in capital assets during the year:

➢ Land and buildings	$ 1,158,000
➢ Parking Lots	$ 890,000
➢ Equipment	$ 6,216,000
➢ Library and books	$ 5,567,000
➢ Capital in progress	$ 8,290,000

The increase in Capital in progress in the amount of $8.3m is due to major building construction in progress as at year end. This increase is mainly due to the design of the new Centre for Engineering Innovation, the design and construction of the Medical Education Building, and renovations to the Law Building.

The campus continues to operate with a high level of deferred maintenance on existing buildings. Government funding and operating budgets continue to be strategically allocated to address the most pressing needs. In response to the need to address deferred maintenance, critical renovations were carried out during the year. Following is a summary of renovation projects in progress at year end:

- Relocation of the Visitor parking lot
- Energy Conversion Centre - Boiler Feedwater Pump Replacement
- Energy Conversion Centre - Building transformer replacement
- Residence Capital Enhancement projects
- Numerous classroom and lab upgrades

A revised *Capital Plan Evaluation Framework 2004 – 2009* was approved by the Board of Governors in February 2007 with an estimated value of $277.6m. This plan will serve to direct the institution in the future development of capital infrastructure on campus. The plan calls for the individual approval of capital projects.

III. HIGHLIGHTS OF THE PLANT FUND (CONT'D)

The following capital projects were approved during 2006/07:

Project	Project Budget Estimated Cost	Funding Sources	Status
Schulich School of Medicine	$24m	Government funding/public & private donations	Construction approved; Expected completion Fall 2008
Parking Lot Expansion	$931,180	Parking revenues	Construction approved; Expected completion Fall 2007
Day Care Expansion	$800,000	University sources	Construction approved; Expected completion Fall 2007
Engineering Building	$57m	Bond proceeds/Government/ Public & private donations	Design up to $4.0m approved
Animal Quarters Renovation	$1m	University Sources	Design approved
Residence Renovations	Up to $10m	Bond proceeds/ Energy Savings	Partial project - expected completion Fall 2007
Cody Hall	$5 – 6m	University Sources	Awaiting space allocation decisions; Approvals pending

Subsequent to the year end, the Province announced funding of $40m to assist the University in the development and construction of a $110m Centre for Engineering Innovation building. The Centre will have a unique "Manufacturing Courtyard" concept and will bring industry partners directly to faculty and students to operate research & development and co-op programs. A comprehensive planning process will be undertaken to finalize the locations, design and functionality of the building. Approval of the construction of the Centre by the Board of Governors is pending.

IV. HIGHLIGHTS OF THE EXPENDABLE TRUST FUND

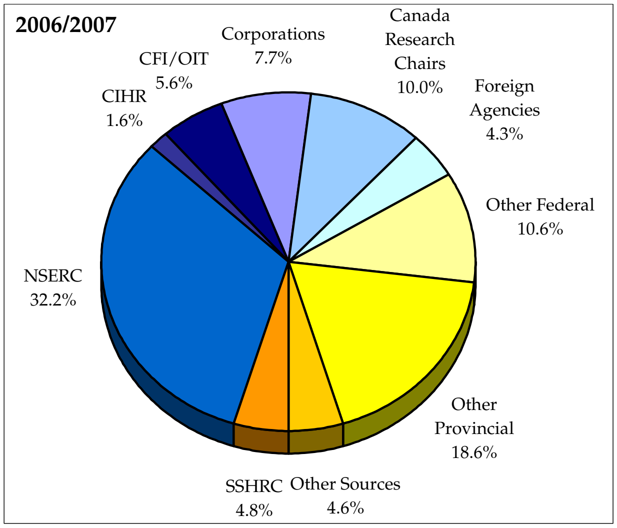
Expendable trust fund activities include revenue and expenditures of research activity on campus and activities related to the expendable portion of the endowment and other expendable trust funds. Revenue in the Expendable trust fund has increased by $1.8m due primarily to the increase in investment income generated from the Endowment, and a reduction in funds deferred from capital contributions. The change in deferral is a result of the significant capital funding received in 2005/06 in support of research capital expenditures. The endowment fund earned returns of approximately 12.8% during the year, allowing for the maximum allowable interest to be allocated to the expendable trust accounts supporting the spending policy of the University endowment fund. In 2006/07, $2.6m of investment income was allocated to expendable trust funds for spending, an increase of $571,000.

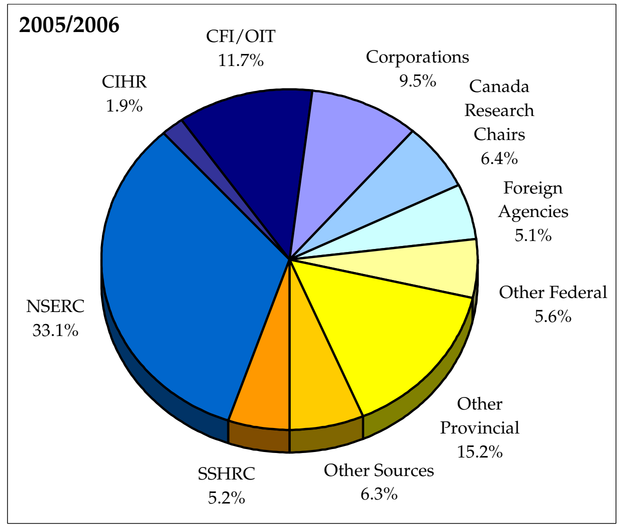
Scholarships funded out of the Endowment and other expendable trust funds totalled $5.9m in 2006/07, an increase of $627,000. A 10-year history of scholarship and bursary is illustrated on the graph on page 15.

Research activities for the University are also reported in the Expendable Trust Fund. Total research revenue totaled $22.0m, a slight decrease of $148,000 or 0.67% over 2005/06. As noted on the graph below, the sources of research grant funding continue to increase from a heavy reliance on Tri-Council funding, being NSERC, SSHRC, and CIHR, to other sources of research funding. Increases are noted in Other Provincial and Other Federal funding in addition to an increase in Canada Research Chair funding. These increases are a result of the continuation of many international projects that have received funding from the Canadian International Development Agency (CIDA) and the Department for Foreign Affairs and International Trade Canada. In addition, there was a significant increase in Canada Research Chair funding as new chairs were appointed during the fiscal year. A decrease was noted in funding from NSERC. Although the agency increased their funding directed towards research equipment and the University benefited from this allocation strategy, a reduction in Discovery Grant funding was noted. In addition, many collaborative research projects funded by NSERC came to an end during the current fiscal period. Diversification of research grant funding continues to benefit the University.

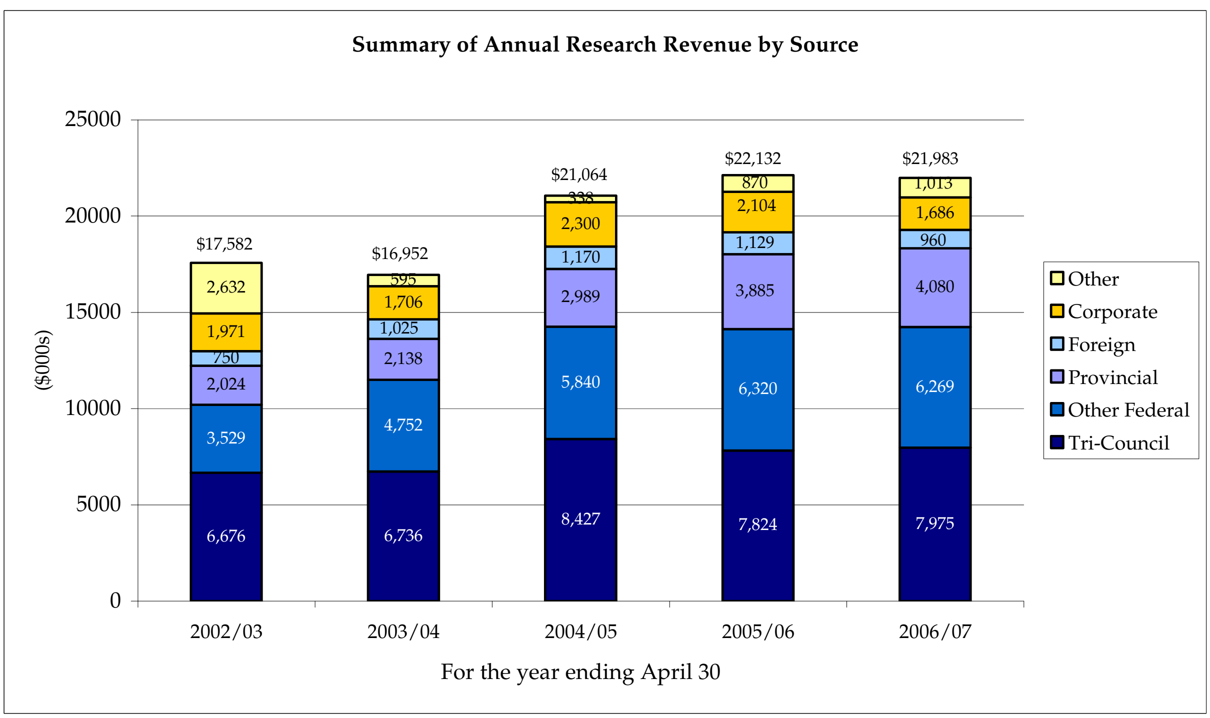
IV. HIGHLIGHTS OF THE EXPENDABLE TRUST FUND (CONT'D)

The following graph illustrates the relative percentages of the various sources of research grant funding for the years ended April 30, 2007 and April 30, 2006. For 2006/07, Tri-Council grant funding totalled $8.5m or 38.62% of total research funding (2005/06 - $8.9m/40.2%).





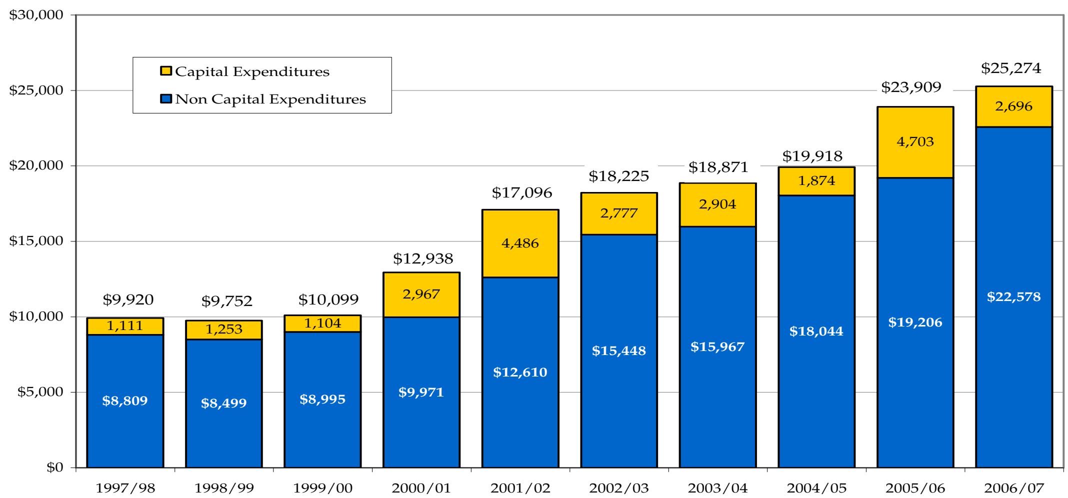
Research funding is expected to increase and diversify in its sources in the coming years. With the construction of the new Schulich School of Medicine, additional research funding is anticipated for health-related research. Health and health-related research continues to be an emerging area in the Strategic Research Plan and has become a demonstrated and funded area of growth.



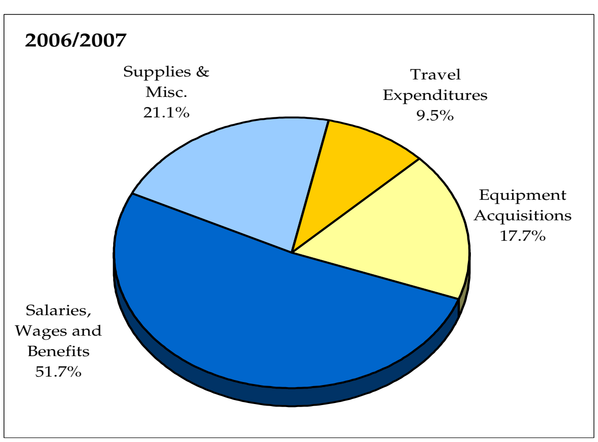
IV. HIGHLIGHTS OF THE EXPENDABLE TRUST FUND (CONT'D)

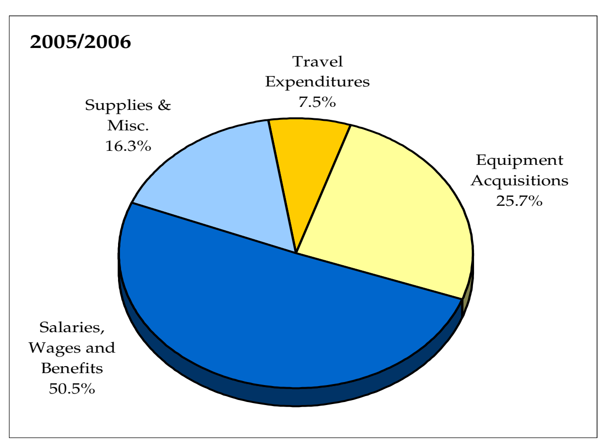
Total research expenditures continue to increase as noted in the following graph. Total research expenditures increased during the current fiscal year to $25.3m, an increase of 5.7%. A significant increase in non-capital research expenditures of $3.4m or 17.6% was noted while capital expenditures decreased by $2.0m to a total of $2.7m during 2006/07. This decrease was a result of a large Canada Federation of Innovation (CFI) project with a significant capital component ending in 2005/06.

The following chart illustrates the continual increase in research expenditures on campus over a 10-year period:



The following graph illustrates research expenditures by type. Salaries, wages and benefits paid in support of research activity to graduate and undergraduate students, post doctoral fellows, and research associates in support of research continue to represent the largest portion of research expenditures.





V. Highlights of the Restricted Appropriations

The net increase in Restricted Appropriations totalled $7.45m for the year ended April 30, 2007 bringing the restricted appropriations to $ 44.9m. Following are the key changes to the Restricted Appropriations:

Reserves for Current Operations have increased by $3.9m for the year. The following summarizes the specific reserves:

- *Reserve for Purchase orders and special projects* increased by $.6m. This increase is a result of an increase in the level of purchase orders outstanding as compared to the prior year. Included in this reserve is $1.1m for the implementation of the new Learning Management System on campus.
- *Reserve for budget carryforward for operating expenditures* decreased by $3.3m as of April 30, 2007. This reserve represents general operating budgets, 2007/08 budget allocations funded out of the current fiscal year, and other specific earmarked funds to be spent in the following year.
- *Reserve for Positioning Fund* represents the one-time monies received by the Ministry in late 2006/07. These funds were appropriated and will be used to support the Board approved 2007/08 Operating Budget - *Optimizing of Institutional Resources* (www.uwindsor.ca/finance).
- *Reserve for Parking Services* decreased by $410,000. These funds were used to fund the recently Board approved new parking lot.
- *Reserve for Ancillary enterprises* increased by $385,000. This reserve maintains the net surplus (deficit) position of ancillaries on campus. These funds are carried forward to fund capital enhancement and/or future operations of the ancillaries. Included in the amount, is the Residence Service cumulative deficit of $1.137m that will be funded in future years.

Reserves for Future Operations have decreased by $70,000 for the year. This decrease represents a transfer from reserve to fund pension payments outside of the registered pension plan. These payments are cost neutral to the University and funds are transferred to the Reserve as required.

Non-Expendable Reserves include both endowments restricted by the Board and the recapitalization of interest to build the Growth & Protection Fund of the endowments. This recapitalized interest is reported in the donor-restricted non-expendable reserve. These reserves increased by $3.6m in the current year. The significant increase was a result of the endowment fund earning 12.8% during 2006/07.

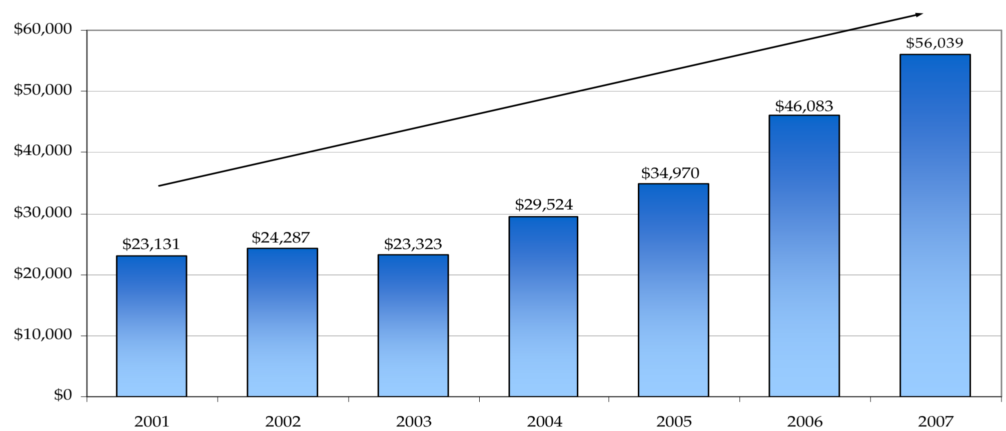
VI. HIGHLIGHTS OF THE ENDOWMENT FUND

In 2006/07, the Endowment Funds increased by $10m, or 21.6%, to a market value of $56.0m. Following are the key changes to the Endowment during the year:

- $1.4m - donation income received
- $1.1m - matching funds received from the Ministry (OTSS program)
- $900,000 - Provincial one-time grant endowed to support the Ontario Graduate Fellowship program
- $3.6m - interest income recapitalized in excess of the spending policy requirements; and
- $2.9m - net transfers from expendable funds to the endowment

The Endowment funds are managed by two external investment managers, Foyston, Gordon & Payne and McLean Budden. The Investment Committee of the Board oversees the management of these funds. During 2006/07, the endowment funds earned 12.8% (2005/06 – 12.7%). As the interest earned exceeds the amount required to fund the Board approved spending policy, the excess interest is recapitalized. As noted above, $3.6m was recapitalized at April 30, 2007 to protect the endowment from inflation and periods of poor investment performance.

The following is a 7-year history of the market value of the Endowment Fund:



This increase in endowment levels will support enhanced scholarships and bursaries into the future and spending levels are anticipated to increase.

VII. Transformation Through Investment

2006/07 has been a very productive year at the University of Windsor. We have achieved almost all of our top priorities, including starting construction on the new facilities for the Windsor program of the Schulich School of Medicine and Dentistry on our campus, developing plans and funding for a $110m Centre for Engineering Innovation, gaining Board approval for our Key Performance Indicator and Balanced Scorecard approach to accountability, redefining the role of and support for the position of Vice-President, Research and successfully recruiting a top candidate, delegating more responsibility and authority to the Provost and Deans for the academic management of the University, and agreeing upon a new logo and fresh approach to marketing that will be spun out during 2007/08.

At the same time, there are significant challenges before us as we continue to implement the priorities set out in the Strategic Plan for the period 2004-2009, *To Greater Heights*. These include the rapid expansion of graduate studies, improvements to labour relations, and most pointedly and most directly related to this report, address the financial challenges outlined in the 2007/08 Operating Budget and returning the institution as quickly as possible to a balanced base budget (with a particular focus on ensuring budgeted levels of undergraduate enrolment).

Several important conclusions can be derived from this *Financial Highlight Report* for the Fiscal Year 2006/07 ending on April 30, 2007:

1. The overall financial position of the University of Windsor is solid, as reflected in its recent bond rating review and in the continuing growth across a wide range of indicators. We have managed our resources prudently and always managed to live within our means, notwithstanding the considerable challenges of managing an institution that offers a very broad range of academic programs and services for its size and setting and achieving enrolment targets which will ensure the requisite levels of funding to meet these.

2. Notwithstanding this position, the University has projected an operating shortfall in 2007/08 for the first time in many years. The Board of Governors will be reviewing this position in November, 2007 (when the 2007/08 enrolment position and consequent Government funding are known formally), but has recognized that it may take until the end of 2009/10 to return to the long-standing practice of a balanced base budget. The $8m *Reserve for Positioning Fund*, resulting from the very late one-time funding from the Government of Ontario at the end of the 2006/07, has been set aside precisely to facilitate the institution's strategy for returning to a balanced base budget position and will be a critical factor in our ability to achieve this. While these funds can also be usefully applied to such urgent needs as deferred maintenance and equipment purchase, no such allocations will be contemplated until the recovery strategy is considered and approved by the Board and funded where required from this one-time Positioning Fund.

3. As a result, the continuing challenge of meeting enrolment projections is a critical one to the University's financial future. That we have been able to meet recent past targets while improving the academic quality of incoming students is a tribute to the focus and hard work of all those involved in student recruitment and retention initiatives. At the same time, and particularly in light of Ken Snowdon's *Report on Optimizing Resources for the University of Windsor* (commissioned by Provost Neil Gold as part of the Budget Committee's preparation for the November 2007 Board discussions), it may well be time to reconsider the optimum size for the University. Again following from Snowdon, there may also be a strong case for special envelope funding for the University to recognize our unique features and the special demands made upon the institution as a regional comprehensive university.

4. The inadequate provision of provincial funding for deferred maintenance continues to plague all Ontario universities. The huge shortfalls have been professionally documented and the University is not in a strong position to divert more operating funds to this purpose than has been recent practice. As renovations do not usually illicit a lot of interest from donors to the University, it remains a critical priority for government to do more to protect the ongoing quality of the massive infrastructure that has grown up in Ontario over the past half-century. The University is doing a lot to raise its profile and reputation and to develop a stronger campus pride, but the state of campus buildings and facilities, especially those most used by students (classrooms, labs, residences), can seriously undermine such efforts. As we fall behind professional standards for maintenance, as has been the case for at least the past decade, the state of facilities becomes an increasing challenge.

So, the University is in a solid financial position on both the capital and operating sides. At the same time, it faces stiff challenges in meeting enrolment targets and in returning to a balanced base budget position that will require the focussed attention of senior administration and the Board of Governors in the months ahead.

In closing, I want to reiterate what I have said in past financial reports. We have the right plan, we have the will and we have the people – the right faculty, staff, Board of Governors and alumni – to reach and even surpass our goals. I enter this, the last year of my presidency at Windsor, with pride in what we have achieved to date and in confidence that we will build substantially on that pride during 2007/08.

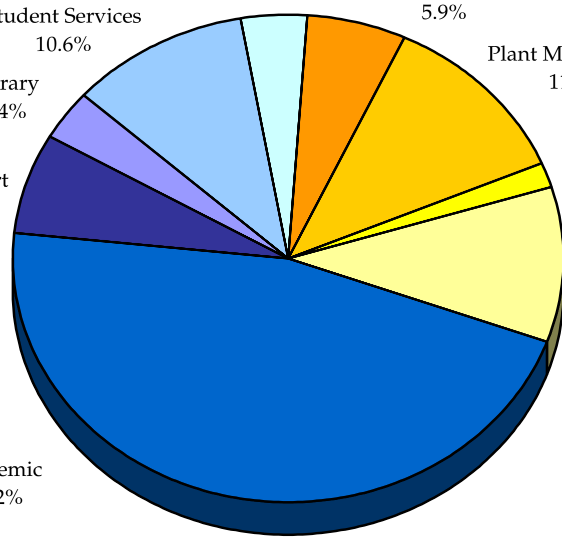
Respectfully submitted,

Ross Paul, President
August 30, 2007

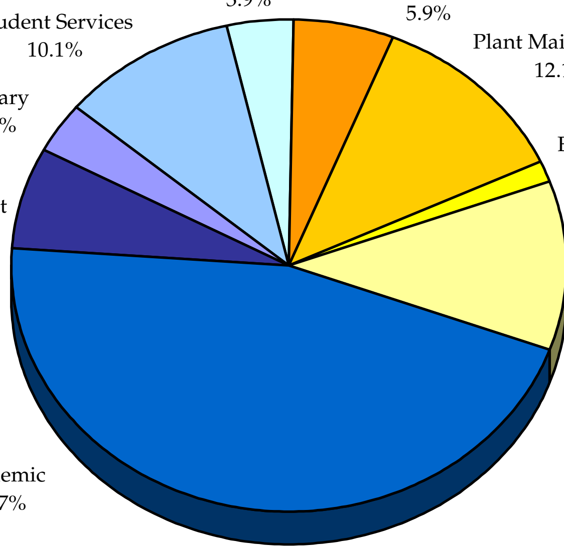
APPENDIX A: CURRENT OPERATING FUND EXPENDITURES BY FUNCTION

for the years ending April 30, 2007 and April 30, 2006

2006/2007



2005/2006



APPENDIX B: CURRENT OPERATING FUND EXPENDITURES BY TYPE

for the years ending April 30, 2007 and April 30, 2006
(in thousands of dollars)

	2006/07	2005/06	CHANGE ($)	CHANGE (%)
EXPENDITURES				
Salaries, Wages & Benefits	$149,377	$138,368	$11,009	8.0%
Utilities	7,897	9,400	(1,503)	-16.0%
Repairs & Renovations	13,473	11,464	2,009	17.5%
Cost of Goods Sold	9,797	10,163	(366)	-3.6%
Scholarships & Bursaries	10,910	10,253	657	6.4%
Other	22,658	19,380	3,278	16.9%
Total Expenditures	$214,112	$199,028	$15,084	7.6%