ANNUAL FINANCIAL HIGHLIGHTS REPORT
FOR THE YEAR ENDED APRIL 30, 2009

I. EXECUTIVE SUMMARY

1. FINANCIAL HIGHLIGHTS

The University of Windsor continues to enjoy a strong financial position as evidenced by the audited financial statements as of April 30, 2009. Total assets approximate $419m, a decrease of $4m over 2007/08. Continued growth in capital assets and a balanced position in the Operating Budget were offset by the investment loss in the Endowment due to the unprecedented credit crisis that was experienced globally. A strong fiscal prudent management style continues to ensure a fiscally strong institution.

The University continues to maintain substantial cash and investment balances to support all expendable operations of the University. The changes in the cash position, as outlined in the Statement of Cash Flows, are primarily a result of continued investment in capital assets through reduction of investments and government capital contributions. Current assets have decreased by $44m while current liabilities have increased by only $9m. The reduction of this key financial indicator is due to the investment in significant capital projects, namely the Centre for Engineering Innovation, the Schulich School of Medicine, the Human Kinetics Expansion, and various other capital projects.

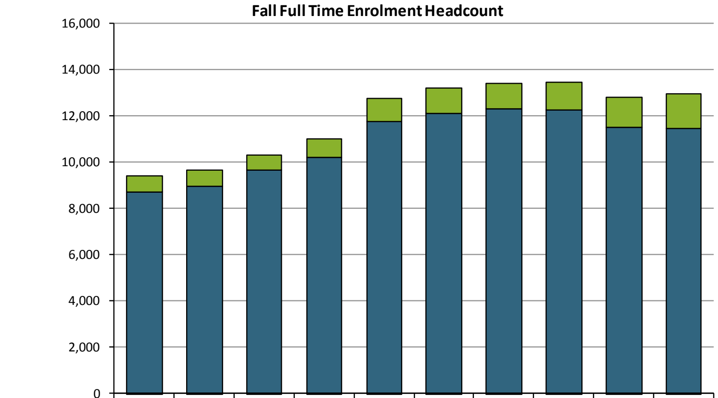
Notwithstanding the strong Statement of Financial Position, the University continues to address operational pressures with structural cost issues in an environment of restrictive operating revenues. The approval of the 2008/09 Operating Budget including a projected shortfall, the recognition that the realignment of base budgets would be required to sustain the long term financial strength, and the resulting realignment process were key events in the year. The final position of the Operating budget for the year resulted in a shortfall of $3.6m which has been fully funded consistent with the budget strategy approved by the Board of Governors. While a fiscal plan was approved in May 2008, significant events following the approval of the budget, namely the work stoppage and the global credit crisis, required budget adjustments in year to ensure that a balanced position could be maintained as originally planned.

As the institution continues to address its challenges through the budget realignment process, 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 realignment processes. The University continues to focus on the long-term and the integration of planning and resource allocation will ensure that the mission of the institution is achieved.

2. 2008/09 Key Financial Highlights

Enrolment Levels

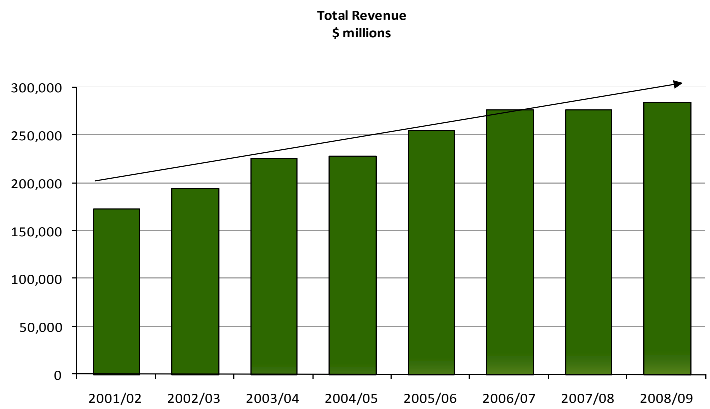
- Fall full-time undergraduate enrolment decreased by 35 students and achieved the budget of 11,455
- Fall full-time graduate enrolment increased by 164 students or 12% demonstrating continued growth in support of the Ministry's graduate growth initiative. The budgeted enrolment of 1,398 was exceeded.
- Fall 2008 1st year undergraduate enrolment totalled 3,437 vs a budget of 3,300.



	1999/00	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09
Graduate	701	673	642	824	985	1,089	1,106	1,205	1,312	1,476
Undergraduate	8,701	8,976	9,671	10,199	11,790	12,132	12,308	12,291	11,529	11,494

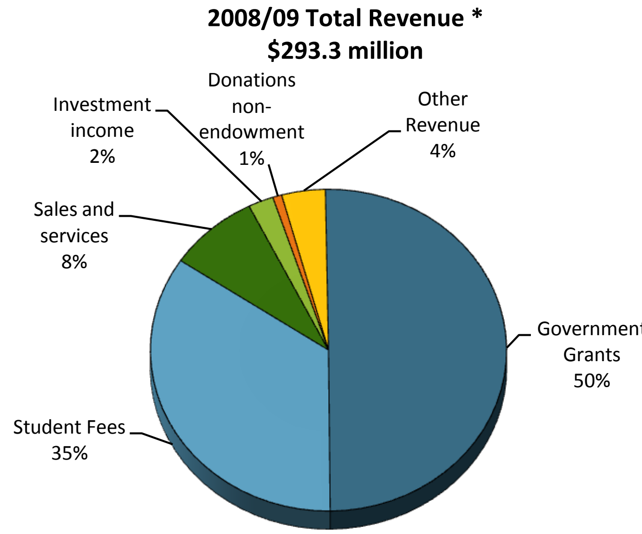
Grow the Consolidated Revenue Base

- Total revenue has grown steadily over the past 8 years to $285m, a 76% increase.
- Revenue per FTE approximates $16,715 increasing by 2% over 2007/08.



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 government grants has decreased in 2008/09 due to the significant Provincial grant received in 2007/08 in support of the Centre for Engineering Innovation.



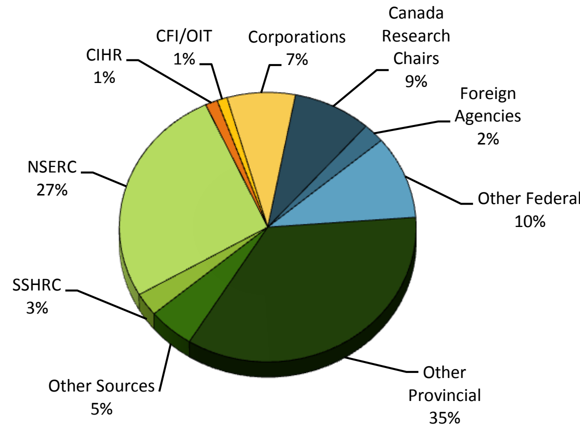
Note * - Revenue (net of deferred contributions adjustment)

2. 2008/09 KEY FINANCIAL HIGHLIGHTS (CONT'D)

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.
- Research revenue increased significantly in 2008/09 including the receipt of a $5.0m research grant in support of the Institute of Diagnostic Imaging.

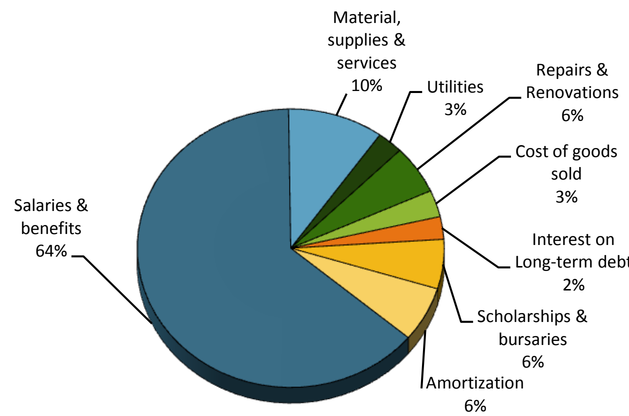
Research Revenue 2008/09



Strategic Deployment of Resources

- Total consolidated expenses are relatively consistent in 2008/09, an increase of $4.2m or 1.5%.

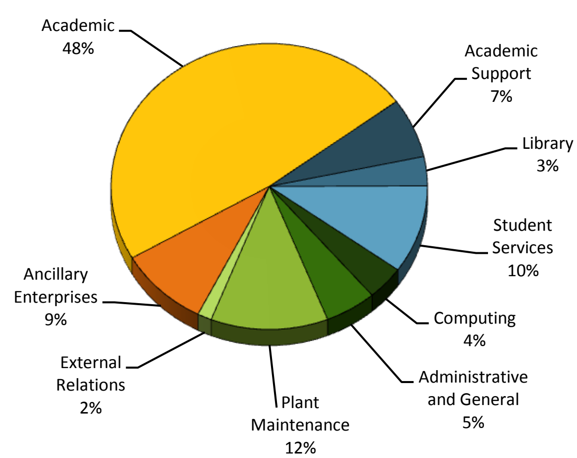
2008/09 Total Expenses
$290.9 million



Strategic Deployment of Resources

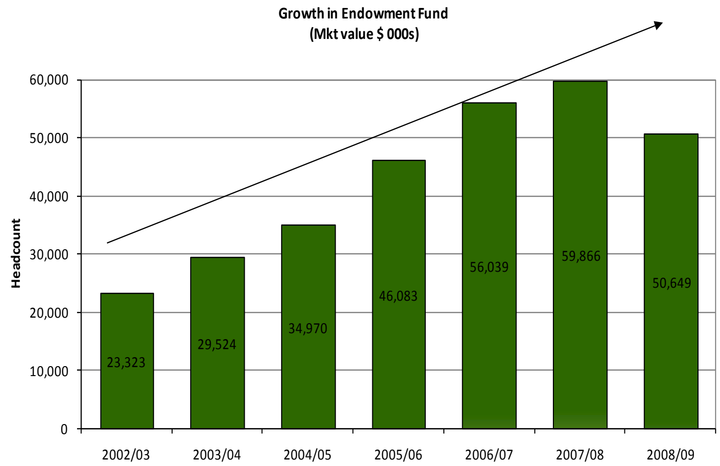
- 65% of operating expenses were invested into academic, academic support, and student service areas.

2008/09 Operating Expenses
$231.1 million



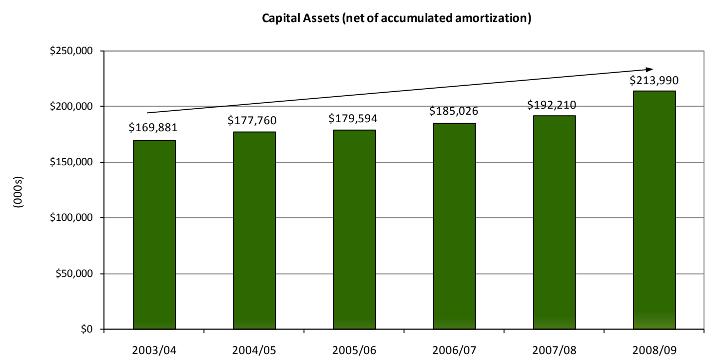
Growth in endowment funds

- At April 30, 2009, the market value of all endowment funds was $50.6m, down 15% from 2007/08.
- Endowment per FTE student of $2,971 is down by 16%.
- During 2008/09, the global economy experienced an unprecedented credit crisis which resulted in significant market losses. A loss of 15.6% was experienced during 2008/09. Positive returns have been experienced following the year-end.



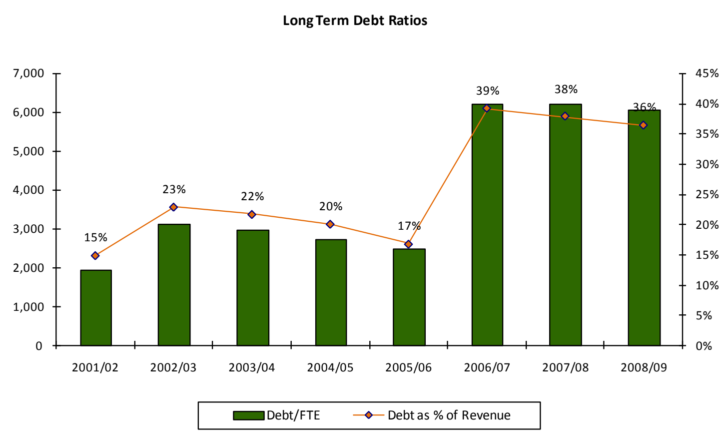
Continued growth in capital assets

- At April 30, 2009, capital assets increased by $21.8m over 2007/08 as the University continues to invest in capital infrastructure.
- Significant capital investments were made in 2008/09 primarily due to the construction of the Schulich School of Medicine, the Human Kinetics Expansion Project, and design of the Centre for Engineering Innovation (CEI).
- Significant capital expansion will continue in the following years with the construction of the $112m CEI project scheduled for tender in September 2009.



Strategic increase in long-term debt

- In June 2006, the University issued $108.3m of unsecured debentures to support capital expansion on campus and established a trusted sinking fund to fully fund the repayment of the $108.3m.
- Long-term debt per student of $6,080 (2007/08 - $6,225) has stabilized at a rate well below other institutions.



3. SUMMARY OF CONSOLIDATED OPERATIONS FOR THE FISCAL YEAR 2008/09

The following is a summary of the comparative consolidated financial results for the years ended April 30, 2009 and April 30, 2008 ($000's). For the purposes of this table, Operations includes the operating activities of the institution, namely the Operating Fund, Ancillary Operations, Expendable Trust funds, and Research. The following sections highlight the significant activities in each of these areas.

	Operations	Capital	2009	2008
REVENUE				
Grants and Contracts	$ 141,869	$ -	$ 141,869	$ 131,127
Student Fees	101,275	-	101,275	95,171
Other	34,071	7,743	41,814	51,102
Total Revenue	$ 277,215	$ 7,743	$ 284,958	$ 277,400
EXPENSES				
Salaries and Benefits	$ 185,184	$ -	$ 185,184	$ 182,081
Scholarships and bursaries	16,707	-	16,707	16,186
Materials, supplies and services	29,334	14	29,348	30,229
Loan Interest	598	7,027	7,625	7,241
Amortization	-	18,586	18,586	17,663
Other	33,420	-	33,420	33,289
Total Expenses	$ 265,243	$ 25,627	$ 290,870	$ 286,689
EXCESS OF REVENUE OVER EXPENSES	$ 11,972	$ (17,884)	$ (5,912)	$ (9,289)
Endowment Changes			(9,649)	3,482
Change in accounting for Financial Instruments				(797)
NET CHANGE IN NET ASSETS			$ (15,561)	$ (6,604)
Net Assets, beginning of year			$ 107,111	$ 113,715
Net Assets, end of year			$ 91,550	$ 107,111

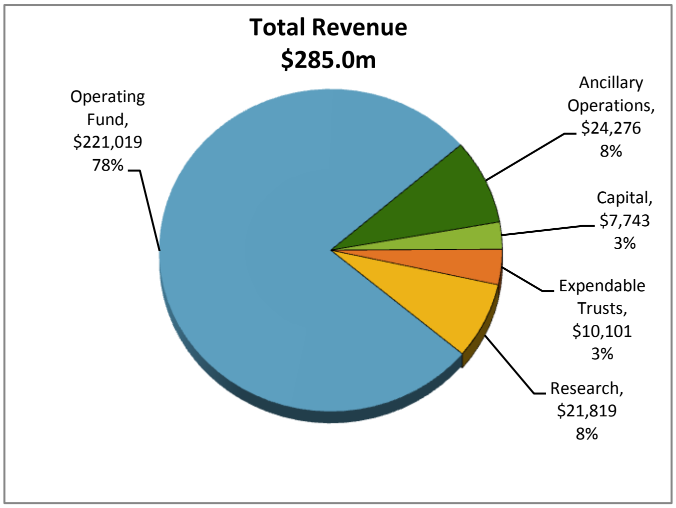
University net assets as of April 30, 2009 total $91.6m, a decrease of $15.5m over 2007/08. The net decrease in assets is attributable to the following decreases:

- Decrease in Unfunded Operations $ (2,584,000)
- Reduction in Internally restricted reserves $ (3,760,000)
- Decrease in Endowment funds $ (9,217,000)

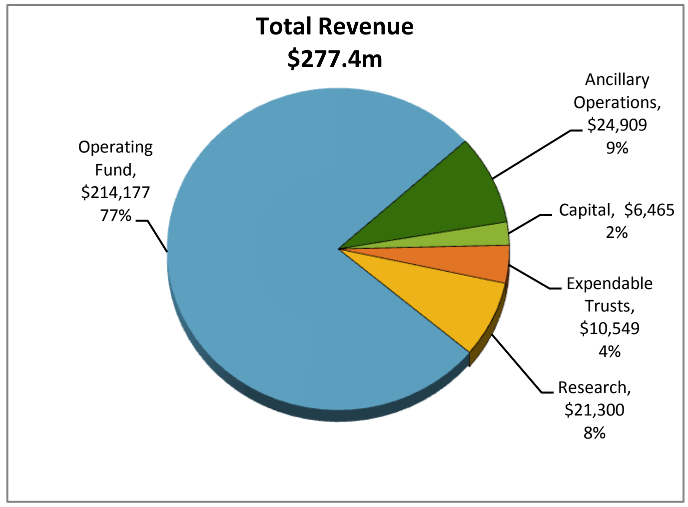
3. Summary of Consolidated Operations for the Fiscal Year 2008/09 (cont'd)

Total revenue for the year ended April 30, 2009 totals $285m, an increase of $7.6m over 2007/08. The following chart illustrates revenue by main activity:

2008/09 ($000)

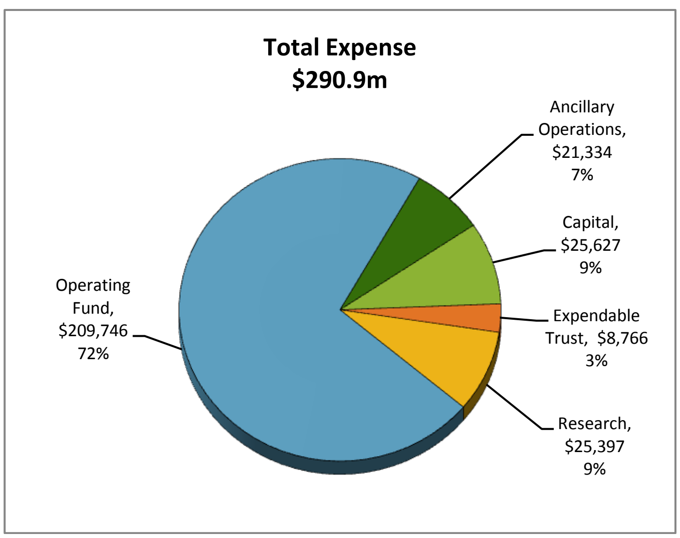


2007/08 ($000)

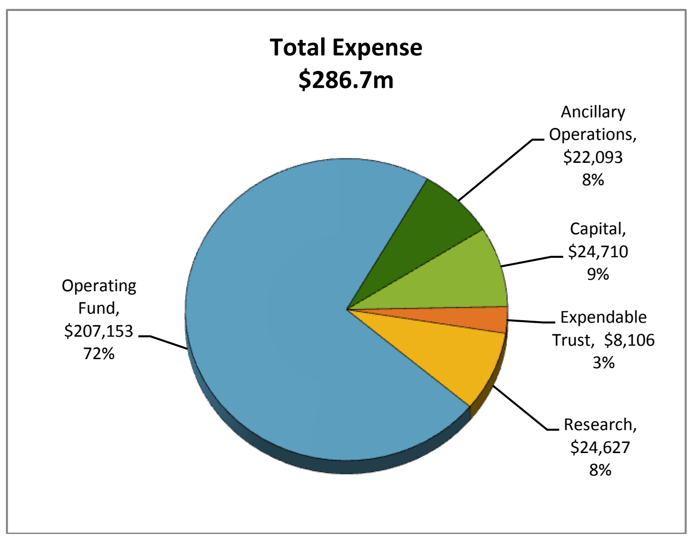


Total expenses for the year ended April 30, 2009 totals $291m, an increase of $4.2m over 2007/08. The following chart illustrates expenses by main activity:

2008/09 ($000)



2007/08 ($000)



II. HIGHLIGHTS OF OPERATIONS

The following is a summary of the financial results of funded and unfunded Operations, which includes the Current Operating Fund including Ancillary operations, Expendable trust activities, and Research activities (in $000's):

	Operating Funds *	Expendable Trust Funds	Research Funds	2009 Total	2008 Total
REVENUE					
Grants and contracts	$ 108,528	$ 2,745	$ 30,596	$ 141,869	$ 131,127
Student fees	100,760	515	-	101,275	95,171
Sales and services	24,219	-	-	24,219	24,843
Investment income	2,212	1,877	115	4,204	6,908
Donations	100	2,302	-	2,402	3,949
Deferral of Contributions	-	549	(8,892)	(8,343)	(278)
Other revenue	9,476	2,113	-	11,589	9,215
TOTAL REVENUE	$ 245,295	$ 10,101	$ 21,819	$ 277,215	$ 270,935
EXPENSES	$ 231,080	$ 8,766	$ 25,397	$ 265,243	$ 261,979
EXCESS OF REVENUE OVER EXPENSES	$ 14,215	$ 1,335	$ (3,578)	$ 11,972	$ 8,956
Transfer from (to) Operating Reserves	36			36	2,388
Contribution to Investment in Capital Assets	(16,835)	(903)	3,578	(14,160)	(14,240)
Transfer to Endowment		(432)		(432)	(345)
Change in accounting for Financial Instruments				0	(797)
NET CHANGE IN NET ASSETS	$ (2,584)	$ -	$ -	$ (2,584)	$ (4,038)
NET CHANGE IN NET ASSETS REPRESENTS:					
Operating Fund Shortfall for the Year				$ -	$ (5)
Unfunded:					
Increase in Employee Future Benefits				(2,013)	(3,074)
Unrealized loss on interest rate swap				$ (571)	(959)
				$ (2,584)	$ (4,038)

* includes ancillaries

Unfunded net assets represent liabilities that are not currently funded and are funded as actual costs are incurred. Unfunded liabilities have increased by $2,584,000 over 2007/08. The unfunded employee future benefit liability as of April 30, 2009 totals $31.7m, an increase of $2,013,000 due to an update to the actuarial valuation completed. The actual costs of such benefits are expensed in the year incurred. In addition, the change in unrealized loss on an interest rate swap resulted in an increase in unfunded net assets of $571,000.

1. OPERATING FUND

A. 2008/09 OPERATING BUDGET

The University of Windsor, like all universities in Ontario, faces a budgetary challenge which is structural in nature: operating revenues are not keeping pace with the increases in operating expenses and an operating shortfall has resulted. This challenge facing Ontario universities has been clearly presented to the Government by the COU on behalf of the university sector. As approved in the 2008/09 Operating Budget, the University was working towards a balanced budget for 2009/10. Due to events occurring during the first half of the 2008/09 fiscal year, it became apparent that achieving a balanced budget for the 2009/10 fiscal year would be counter to key principles in the budget strategy regarding the long term viability of the institution. Specifically, the University's realignment process should not erode the University's competitive position and financial decisions must support the maintenance of the long term focus of the University.

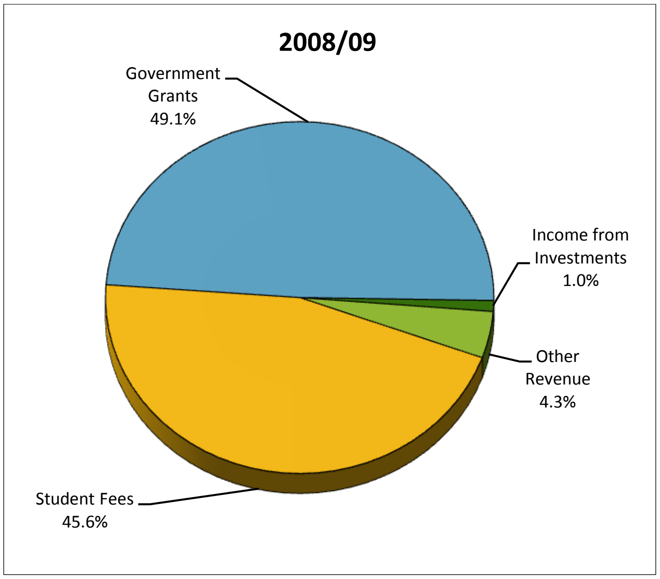
In Fall 2008, the University negotiated a settlement with its faculty which ended a work stoppage and resulted in an increase in the overall salary expense by an amount beyond that which was in the assumptions underlying the aspirations that a balanced budget could be achieved by 2009/10. Compounding this event was the unprecedented credit crisis and the ensuing significant deterioration of market conditions.

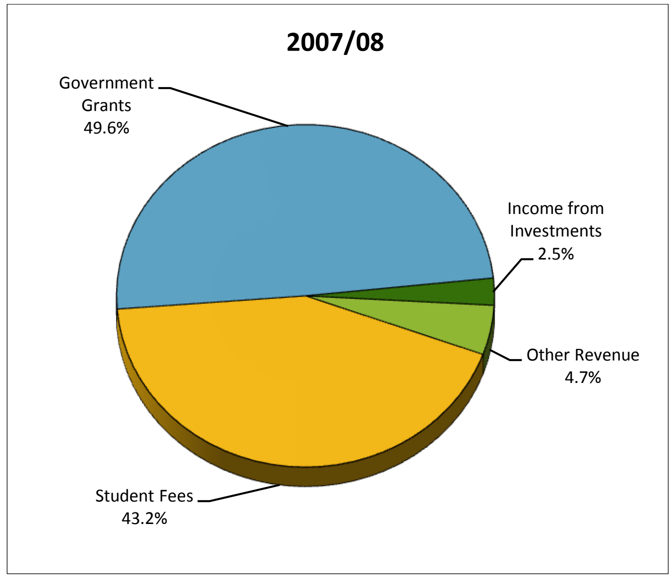
A revised multi-year financial strategy was approved by the Board of Governors in November 2008. This revised strategy allowed for a further 3 year planning period to restore the University to a balanced base budget position in 2011/12. The projected operating shortfall for 2008/09 was $4.39m. This base shortfall was to be fully funded on a 1-time basis in 2008/09.

Revised financial projections for 2008/09 were approved by the Board of Governors. The final fiscal position for the fiscal year ended April 30, 2009 was within this revised fiscal strategy. The operating shortfall was fully funded by the Positioning Fund.

B. <u>OPERATING FUND REVENUE</u>

Total operating fund revenue has increased $6.3m or 2.3 % over last year. This increase is primarily attributable to increased government grants, increased student fees, and other income offset by a reduction of government grants. Government grants and student fees represent 94.7% of operating revenues. The following graphs illustrate the percentage of revenue for each of the individual components of operating budget when not considering ancillaries:





(a) Student Fees

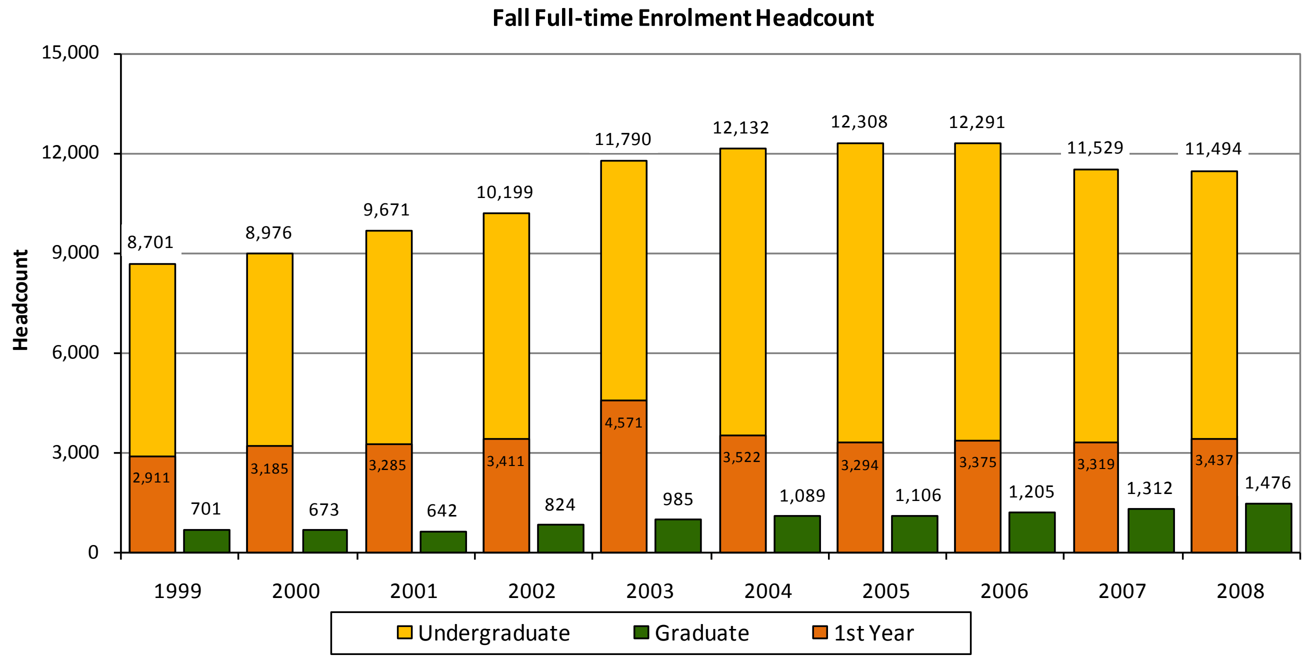
Fall full-time first year enrolment increased from 3,319 in 2007/08 to 3,437 in 2008/09, or 3.56%. Total undergraduate enrolment for Fall 2008 full-time students was 11,494, an increase of 39 over the budgeted enrolment of 11,455.

Full-time graduate enrolment increased by 164 students to 1,476 from the Fall 2007 enrolment of 1,312 students, an increase of 12.5%, largely attributable to an increase in the Master of Engineering and Master of Social Work programs.

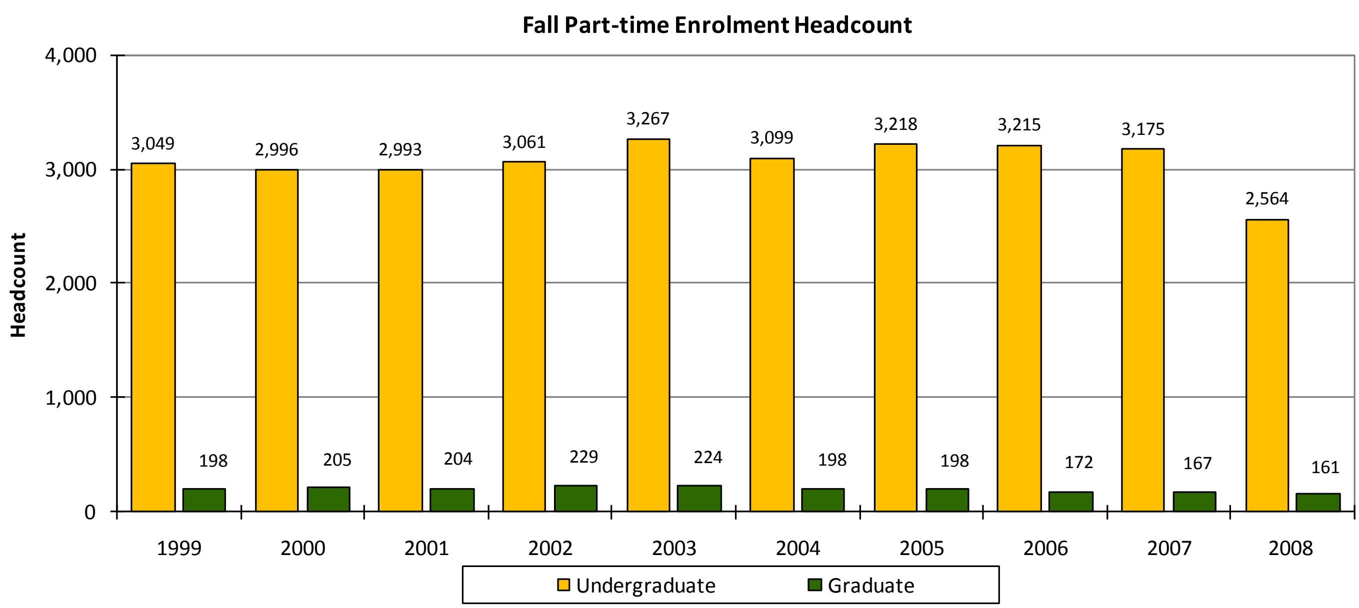
Historically, part-time undergraduate enrolment has remained relatively stable at approximately 3,000 students. In Fall 2007, the undergraduate part-time enrolment was 3,175. In Fall 2008, undergraduate part-time enrolment fell by 611 students to 2,564, a drop of 19.2%. Efforts to determine the case of this marked decrease continues. Graduate part-time enrolment was relatively stable at 161 in 2008/09.

(a) Student Fees (cont'd)

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



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



(b) Government Grants and Contracts

Operating government grants totalled $108.5m for the year, an increase of $2.31m over 2007/08 or 2.2%. The following table illustrates the comparative provincial government operating grant revenue for the years ended April 30, 2009 and April 30, 2008 ($000):

	2009	2008
Operating Grants		
Basic Operating Grants*	$88,224	$87,014
Graduate Expansion Fund	1,998	558
	$90,222	$87,572
Quality Improvement Fund	3,521	5,955
Nursing Funding	4,573	4,548
Performance Fund	514	704
Provincial - One time monies	2,088	2,113
Other Provincial Grants	4,262	2,026
Federal Grants - Indirect Cost of Research	3,291	3,242
TOTAL OPERATING GRANTS	$108,471	$106,160

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

Basic Operating Grant – In 2008/09, the Ministry rolled a number of funding envelopes into the Basic Operating Grant totalling $28.736m as follows:

- Undergraduate Accessibility Fund - $14.956m
- Graduate Accessibility and Grad Expansion - $1.55m
- Quality Improvement Fund – Per Student Funding - $6.35m
- Quality Assurance Fund - $2.893m
- Nursing - $109,000
- Grant in Lieu of Tuition Freeze - $2.878m

Graduate Expansion Envelope - The Ministry committed to funding 12,000 new eligible graduate spaces over 2004 enrolment up to the allocated targets for all Ontario universities. Nursing growth was excluded at the time as it had been funded separately. Each university was provided individual targets, with Windsor being allocated

(b) Government Grants and Contracts (cont'd)

191 growth in Masters and 25 in PhD, to be achieved by April 30, 2008, at which time the Ministry would re-evaluate Graduate Expansion funding. The Ministry has decided to allocate an additional 3,298 graduate spaces in Ontario to support additional graduate growth in the province. The Ministry confirmed that Windsor would maintain its original allocation of 191 Masters' spaces, providing for future growth of 56 Masters. In addition, Windsor was allocated 4 additional PhD spaces through this process, representing the 4 PhD spaces actually achieved in 2008/09. The University anticipates realizing a growth of 47 Masters' students in 2009/10 towards its allotment of the additional 56 Masters' spaces available. For 2008/09, the Ministry funded the growth at $12,955 for each additional Masters and $27,482 for each additional PhD. In addition to operating support, the Ministry has announced a Graduate Capital Expansion program. Included in this capital program is the opportunity to obtain capital support for expansion of eligible graduate enrolment. No capital funding has been included in this budget. The achievement of the projected graduate enrolments is critical as the receipt of available funding is contingent upon achievement of graduate enrolment growth.

Quality Improvement Fund – In 2005/06, the Ministry announced that it would flow $211m to Ontario postsecondary education through a new Quality Improvement Fund. Originally the fund consisted of three components: Advancing Quality Fund, Supporting Excellence Fund and the Change Fund. The government subsequently consolidated this funding into categories as follows:

- Per Student funding: The government has committed to eliminate the differences in per-student funding over a three year period. In 2007/08 the University was fully paid and no further funds are allocated for this purpose. In 2008/09, the Ministry included $6.35m of this funding into the Basic Operating Grant.
- General Quality: This envelope is allocated based on system shares. When the Reaching Higher Quality Funding was announced, the Council of Ontario Universities expected a greater share to be allocated to universities and the budget for last year was developed based on this assumption. In addition, the government had not allocated the total quality funding amount, leaving several million for alternate purposes. As part of the government's "Reaching Higher 2" plan, an additional $199m in funding for the postsecondary sector was announced in the 2009 Provincial budget. The University's portion is estimated at $1.217m, representing Windsor's share of an approximate $35m increase in the Quality Improvement envelope.

Nursing Funding – The special Nursing envelope, based on enrolment, funds the Collaborative Nursing programs with St. Clair College and Lambton College. Masters' funding of $109,000 to April, 2008 has been rolled into the Basic Operating Grant and future growth in Nursing will be funded through the Graduate Expansion envelope.

(b) Government Grants and Contracts (cont'd)

Performance Fund – The Performance Fund is distributed according to institutional performance on three indicators: graduation rate, placement rate six months after graduation, and placement rate two years after graduation. A benchmark is set at 10% below the system average and institutions at or above the benchmark will be allocated funding in proportion to their actual performance relative to the benchmark and their size.

Other provincial grants – Included in this category are the municipal tax grant, aboriginal and disability grants.

In the Spring 2008 Provincial budget, the Ministry announced a review of the funding formula which supports the operating grants of post secondary institutions. For the college system, a revised funding formula was expected to be implemented for the 2008/09 fiscal year. For the university sector, consultation on revisions to the funding formula will commence in 2009/10 and amendments to the formula will likely not be implemented for at least two to three years. At this time, there is no change projected to the base operating grants for the University. The government is expected to announce a new tuition framework for the 2010/11 fiscal year, since the current framework in the Reaching Higher plan is now entering its final year.

As part of the government's strategic commitment to postsecondary education as announced in the 2009 Provincial budget, the Ministry announced that an additional one time grant of $81.7m would be made available to universities immediately in the 2008/09 fiscal year. Of these funds Windsor was allocated $2.087m, representing approximately 2.6% of the system. These monies are reported in 2008/09 revenue and have been appropriated to the *Positioning Fund* earmarked to partially fund the 2009/10 operating shortfall.

In addition to these one-time monies to support operations, the Ministry also announced a one-time allocation in support of the Ontario Graduate Fellowship Endowment. Windsor's allocation under this funding totalled $296,000. These funds were allocated to address the shortfall in the expendable portion of this endowment due to the market downturn.

C. <u>OPERATING FUND EXPENSES</u>

Expenses for fiscal 2008/09 totalled $231.1m, an increase of $1.9m over 2007/08, representing a .1% increase. The following table summarizes the operating expenses ($000's) by the functional area of responsibility at the University:

	2008/09	2007/08	CHANGE ($)
EXPENSES			
Academic	$111,374	$110,002	$1,372
Academic Support	15,653	16,110	(457)
Library	7,616	7,840	(224)
Student Services	23,044	23,049	(5)
Computing	8,863	8,401	462
Administration and General	12,106	12,805	(699)
Plant Maintenance	27,732	25,375	2,357
External Relations	3,358	3,571	(213)
Ancillary Enterprises	21,334	22,093	(759)
TOTAL EXPENSES	$231,080	$229,246	$1,834

The graph in *Appendix C* summarizes the relative percentage of operating expenses by the functional areas of responsibility of the University for the year ended April 30, 2009.

The 2008/09 Operating Budget was another step in a multi-year strategy to position the University for the future and for the required realignment of both revenue and expense base budgets that will ensure a long term financially-viable institution and a balanced operating budget for 2011/12.

The approved 2008/09 Operating Budget included an operating shortfall of $4.389m after a $10.25 base budget realignment. In March, 2008, the Ministry announced a one-time allocation of $55.0m of additional quality funding, from which the University received $2.113m. These funds were used to help fund the 2008/09 shortfall. The balance of the shortfall was funded by the *Positioning Fund* ($1.353m) and the University's Deferred Maintenance Fund ($923,000). The operating shortfall was fully funded allowing the University to maintain a balanced position with no cumulative deficits.

Appendix B highlights the Current Operating Fund Expenses by Type for the University for the years ended April 30, 2009 and April 30, 2008. The graph illustrates the relative percentages of the respective expenses for the years presented. Salaries, wages and benefits have increased to 72.6% of total operating expenses. Repairs & Renovations have grown proportionately to maintain 6.3% of expenses. Scholarships & Bursaries have grown slightly.

2. Ancillary Operations

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

Ancillary gross revenue amounted to $24.3 million in 2008/2009, a decrease of $0.6m from 2007/08. The following comparative table summarizes the gross revenue by ancillary:

	2008/09		2007/08		CHANGE ($)	
Residence	$	7,640	$	7,528	$	112
Food & Catering Services		7,196		7,487		(291)
Bookstore		7,927		8,307		(380)
Parking		1,388		1,307		81
Rental		39		226		(187)
Uwin CARD		86		54		32
	$	24,276	$	24,909	$	(633)

Residence and Rental experienced a decrease of $75,000 over the prior year due to lower enrolment, to the University, of students coming from outside Windsor/Essex County. To address this reduction, the department conducted a targeted marketing campaign to continue its efforts to attract current students to return to on-campus residences beyond their first year. On a regular basis, Residence Services works closely with students to ensure residence life programming supports their academic and social development. Despite the decrease in revenues, Residence Services was able to contribute $220,000 toward its prior years' deficit as was budgeted. With some vacant rooms, the department was able to run a successful "casual stay program" in Laurier Hall to support commuter students during the December exams and inclement weather.

The Food Services and Catering Department's gross revenues were down from the previous year by $291,000. The two major contributing factors for this were a decline in sales of meal plan revenues a net loss of cash and catering sales experienced during the faculty strike. Despite the decline in revenue, the department realized a net profit of $50,000. The positive financial contribution is attributed to (a) savings in the cost of utilities, (b) controlled labour costs, and (c) closing the Mini Mart. During the year Food & Catering Services was awarded the prestigious Peoples' Choice Award at the Big Brothers/Big Sisters Battle of the Hors d'Oeuvres annual event.

3. Ancillary Operations (cont'd)

The University Bookstore's gross revenues were largely impacted by the Faculty work stoppage which occurred during the peak period in September. Consequently, the department suffered a significant reduction in gross sales. The loss of sales was never recouped throughout the remainder of the fiscal year. The year ended in a shortfall of $169,000, with the Bookstore making its budgeted contribution to the central operating fund of $150,000. The Bookstore has a positive outlook for the 2009/2010 fiscal year and remains focused on keeping textbook prices competitive despite increased challenges, such as an increasing number of on-line competitors. Several initiatives have been implemented to improve sales and to cultivate a "One Stop Shopping" experience for students. Campus partnerships continue to grow, including most recently, the Document Imaging Department bringing the sale of all courseware back into the Bookstore, IT Services distribution of software licenses in the Bookstore and the Procurement Department establishing the Bookstore as the Preferred Vendor for Apple computers and products. New off-campus partnerships are also being established to complement the services that the Bookstore already provides.

Parking Services' gross revenue increased by $81,000 from the prior year due to a 10% increase in parking fees.

The UwinCARD (Student Card) Office completed its second year of operations in 2008/2009. It continues to add and improve services. Residence students can now submit pictures on-line so their UwinCARD can be pre-printed and waiting for them at their residence on Move-in Day even if they are not able to attend Head Start. The department has added a second production station giving it the flexibility to be present where the students are checking in for Move-in Day and expedite service during Welcome Week. Additionally this second work station provides a backup system in case of technical problems. The University Bookstore is using the advantages of the UwinCARD system to provide a gift card program for its customers. The students in the Schulich School of Medicine have been issued a dual technology card which allows them to use their UwinCARD as a traditional student card and as a proximity card to enhance the security in their new building. Students continue to take advantage of the convenience of using UwinCASH. Both the deposits made onto the UwinCARD and the sales transactions made using the UwinCARD, were more than doubled from the previous year. The UwinCARD office plans to continue the expansion of UwinCASH acceptance thus reducing the need for students to carry cash on campus to perform their many transactions.

4. EXPENDABLE TRUST FUND ACTIVITIES

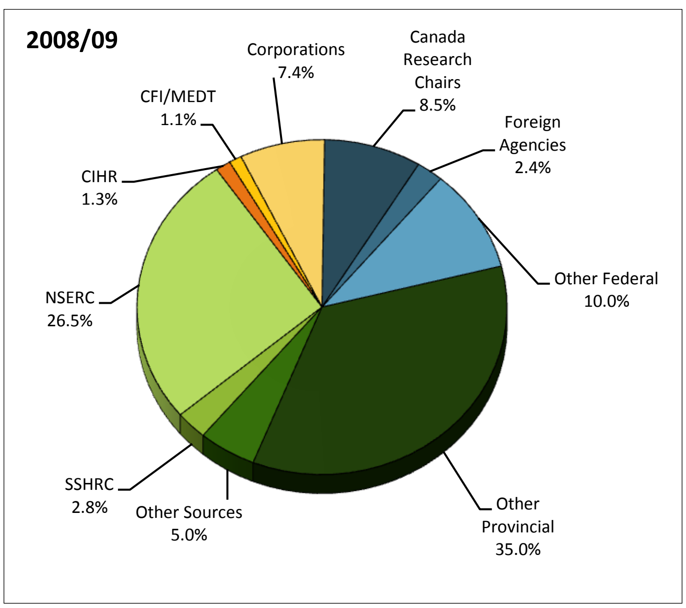
Expendable trust fund activities include revenue and expense activities related to the expendable portion of the endowment and other expendable trust funds. Revenue in the Expendable trust fund has decreased by $.45m due primarily to the decrease in donation income by $1.5m. Grants have increased by $1.1m to offset other revenue shortfalls. In 2008/09, only $1.696m was allocated to expendable trust funds for 2009/10 spending.

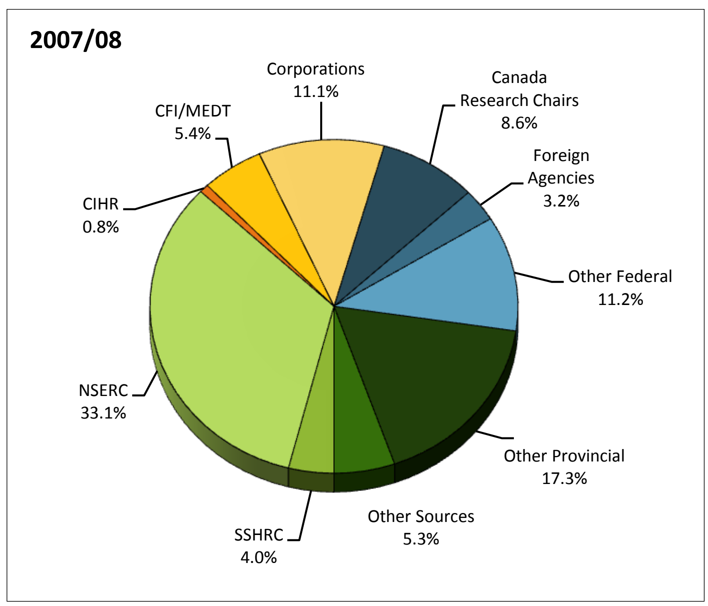
Scholarship and financial aid support has increase by $.36m to $4.97m. A ten year comparison is included in the Highlights of Endowment (page 22). Other expenses are up slightly to $3.8m.

5. RESEARCH ACTIVITIES

Research activities for the University are also reported in Funded Operations of the University. Research revenue totalled $21.8m, an increase of $.5m over 2007/08. 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 corporate contracts and CIDA (Canadian International Development Agency) as well as other international research initiatives. Additionally, the Ministry of Research and Innovation funded the Institute for Diagnostic Imaging Research (IDIR) in the amount of $5.0m in the current year (most of which is reflected with deferred contributions until expenses are incurred). It anticipated that this new institute will promote research and development through commercialization of technology and will facilitate further research contract revenue in the coming years.

The following graph illustrates the relative percentages of the various sources of research grant funding for the years ended April 30, 2009 and April 30, 2008. For 2008/09, Tri-Council grant funding totalled $9.6m or 31% of total research funding (2007/08 - $8.9 or 38%). The diversification of research revenue, to sources beyond Tri-Council funding is clearly evident in these percentages.

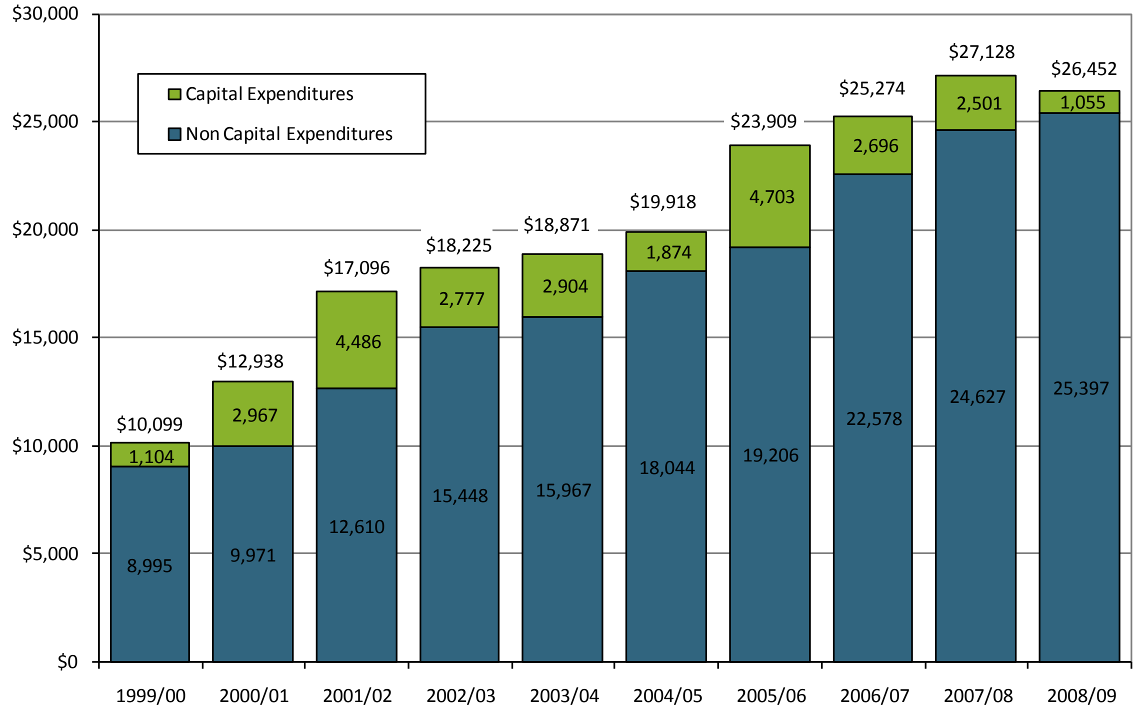




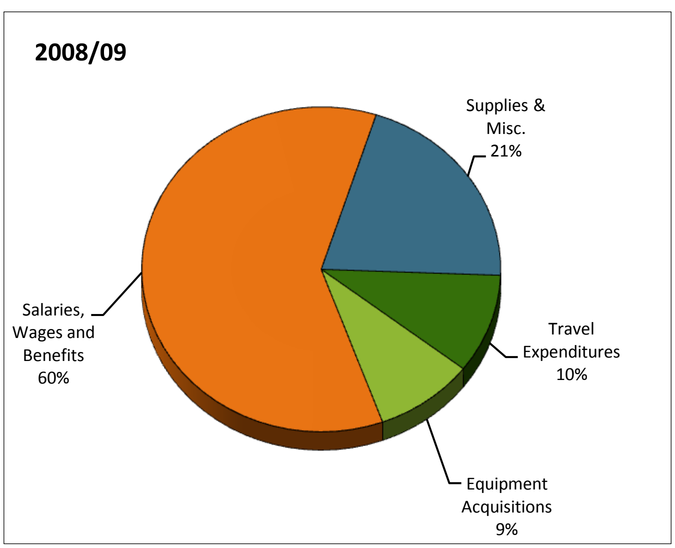
4. RESEARCH ACTIVITIES (CONT'D)

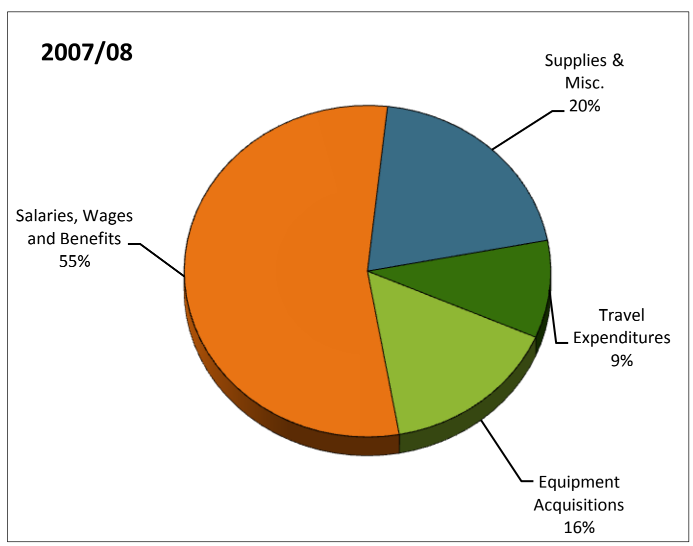
Total research expenditures show a steady increase over recent years as noted in the following graph. Total research expenditures declined slightly to $26.5m in 2008/09. A consistent increase in non-capital research expenditures of $.8m or 3% was noted while capital expenditures fell $1.5m to 1.0m.

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



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. The following graph illustrates comparative graphs of research expenditures by type:





III. HIGHLIGHTS OF OPERATING RESERVES

Operating Reserves, referred to as Unexpended Operating Funds in the financial statements, totalled $25.3m for the year ended April 30, 2009, a decrease of $36,000.

The following highlights the significant changes to these reserves:

- *Purchase orders and special projects* increased by $1.5m. This increase is the net result of an increase in purchase orders outstanding at year end of $0.2m and a net increase in the reserve for special projects of $1.3m.
- *Budget carryforward for operating expenses* increased by $0.7m. This reserve includes amounts of carryforwards generated by self-supporting academic programs, *i.e.,* MEng and the Masters of Management programs. These carryforward amounts support their respective programs in future years.
- *Positioning fund* was created initially with funding received by the Ministry in late 2006/07. This funding was used to help offset the deficit in 2007/08, with the balance used to help fund the 2008/09 deficit and some one-time initiatives. Additional funding was received by the Ministry in late 2008/09, and a number of one-time funding initiatives mentioned above were put on hold and the funding returned to the *Positioning* Fund. The net increase of $0.6m represents the above-noted activity. This reserve will be carried forward in support of the 2009/10 operating budget.
- *Other specific purposes increased by $1.7m. In 2007/08, this reserve included the one-time monies received in April 2008 of $2.113m. This funding was used to help fund the 2008/09 deficit.*
- *Ancillary enterprises declined by $75,000. This reserve maintains the net surplus (shortfall) position of ancillaries on campus.*
- *Financial Planning has not changed from prior years.*
- *Working capital investment was established during 2007/08 with an initial value of $500,000. This reserve was approved by the Board of Governors as recommended by the Investment Committee. With the introduction of Canadian equities as an allowable investment of the University's working capital, this reserve was used during the year when the investment income from this investment did not achieve the budgeted return.*
- *Payroll Pensions totals $1.78m, a slight decrease of $136,000 for the year and represents funds available to the institution to fund pension payments outside of the registered pension plans.*

IV. HIGHLIGHTS OF CAPITAL PROJECTS

The net decrease in the amount Invested in Capital Assets totalled $3,724,000 for the year ended April 30, 2009, due primarily to the following factors: an increase in capital assets, amortization of capital assets, 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 through a number of funding sources identified throughout this document.

The increase in capital assets, net of disposals, totals $37,927,000 and represents the following investments in during the year:

Land, buildings and parking lots	$22,350,000	
Equipment	$ 4,394,000	
Library and books	$ 4,961,000	
Capital in progress (net)	$ 6,216,000	
Major additions include:		
Residence revitalization	$ 2,669,000	(approval - $8 - 10m)
Human Kinetics expansion	$ 10,501,000	(approval - $12.5m)
Centre for Engineering Innovation	$ 3,344,000	(approval - $112m)

The Centre for Engineering Innovation (CEI) continues to be major construction project on campus. The budget for this project was approved at $112m. In May 2009, the University was awarded $40 million for the construction of the CEI under the Federal government's Knowledge Infrastructure Program. Investments under this program represent near-term economic stimulus, vital to the rebound of Ontario's and Canada's economies from the current economic crisis. Final details on how the funds will flow to the University remain outstanding. This centre will have Canada's most advanced engineering learning environment, a unique industrial centre within the building where companies can work directly with researchers on innovations.

In fiscal 2008/09, the University received $7.2m in Campus Renewal Program funding for deferred maintenance. Major projects to be funded from this renewal program are as follows:

Biology Insect Lab	$ 630,000
University Computer Centre Accessibility Elevator	$1,563,000
Animal Care Facility	$3,500,000
Boiler Replacement	$2,400,000

V. HIGHLIGHTS OF ENDOWMENT

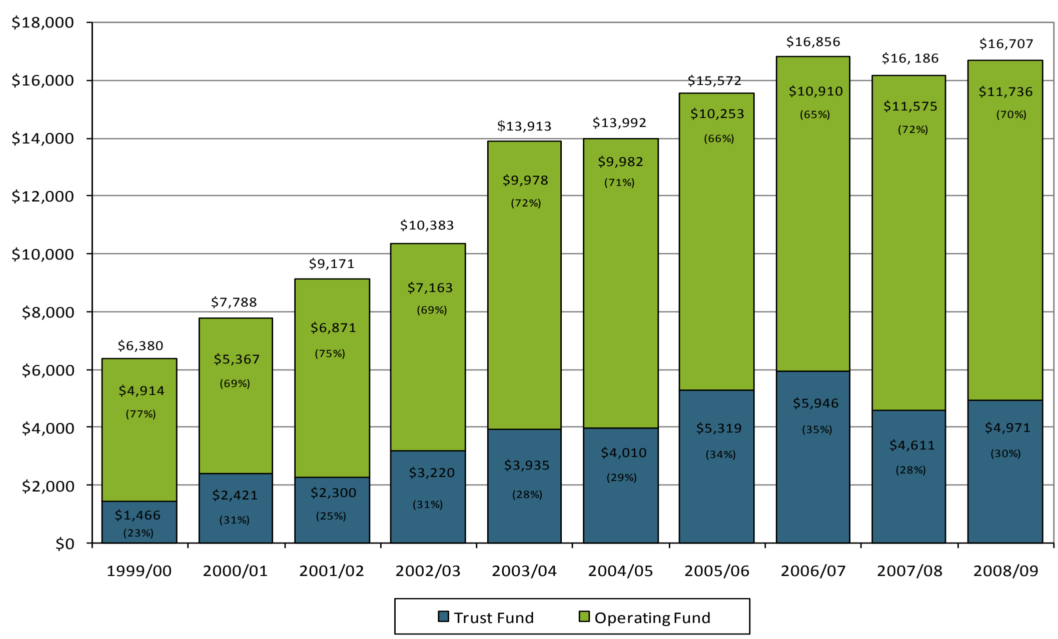
In 2008/09, the Endowment decreased by $9.3m, or 15%, to a market value of $50.6m. The decrease was primarily due to an investment loss of $8.5m. The following significant factors were noted during the year:

+	$ 894,000	Donations and other income received
+	$ 647,000	Ontario Trust for Student Support Opportunity - matching funds received
+	$ 432,000	Recapitalization of expendable trust funds
-	$ 1.61m	Funding of 2009/10 spending policy
-	$ 1.12m	Transfer of endowment to third party

During the year, Canterbury College renegotiated a lease arrangement for a student residence. The University had guaranteed this obligation and held bonds as security. As a result of the release of guarantee, the bonds were sold and funds returned to Canterbury College totalling $1.12m shown above.

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. For several years, interest earned has exceeded the amount required to fund the Board approved spending policy; the excess interest was recapitalized to protect the endowment from inflation and periods of poor investment performance, namely the Growth & Protection Reserve. During fiscal 2008/09, the endowment fund experienced an investment loss of approximately 15.6%. In order to fund the actual investment loss and investment management fees totalling $8.46m and the 2009/10 spending policy, the Growth & Protection Reserve was drawn down by $10.08m.

Scholarships and financial aid support funded out of the Endowment and other expendable trust funds totalled $4.9m during 2008/09. 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):

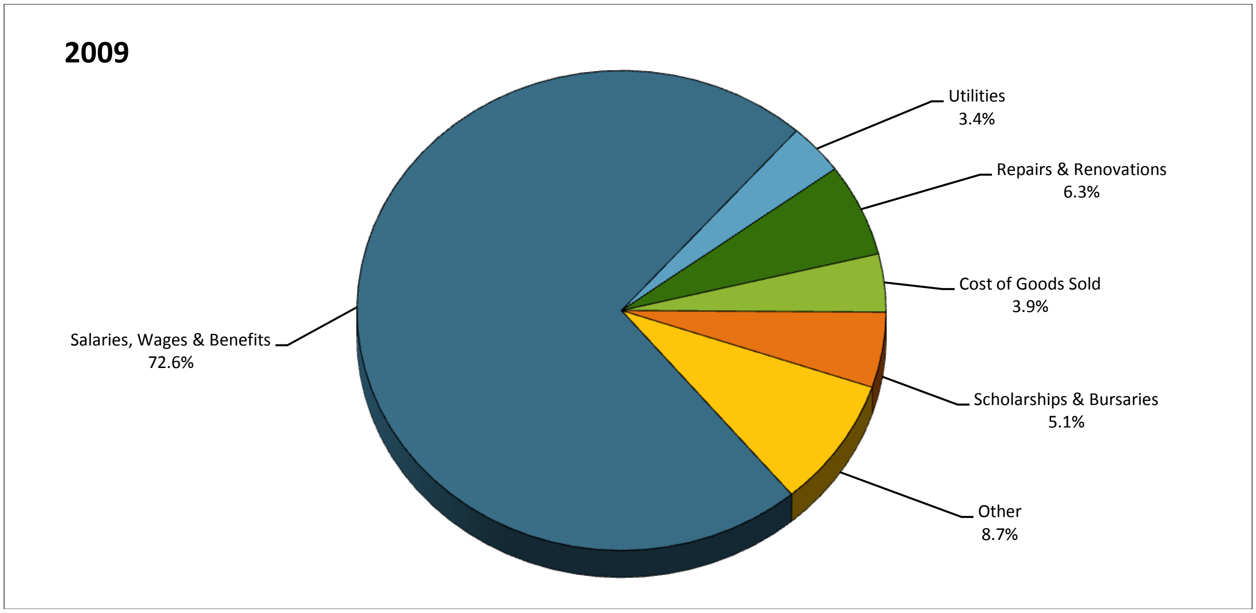


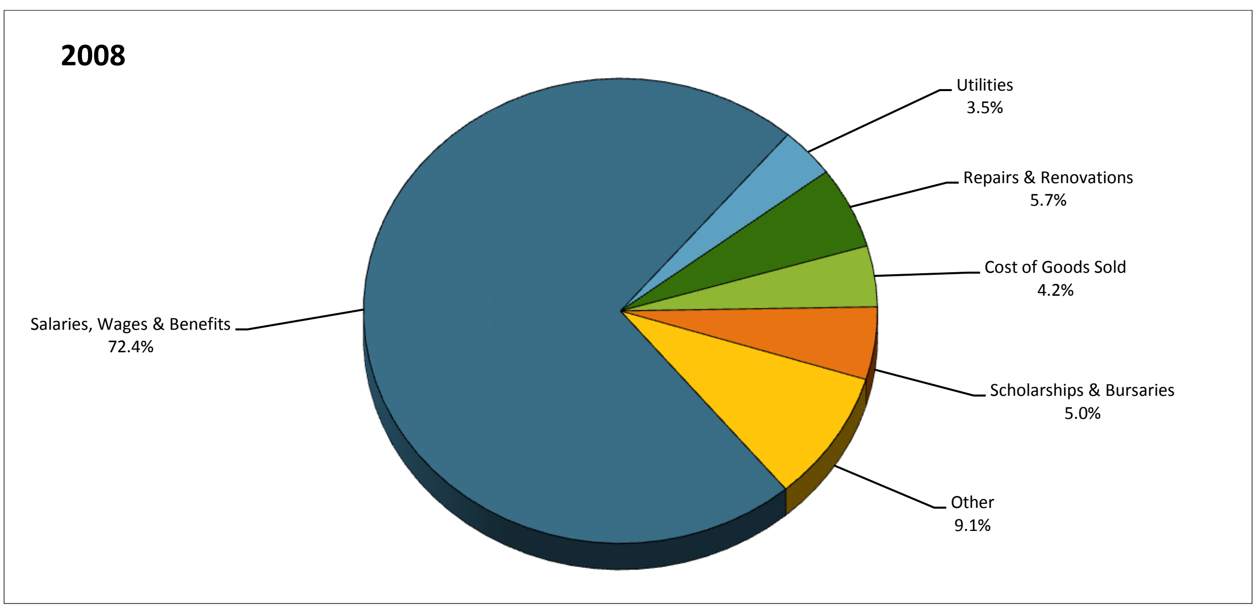
APPENDIX A: EXPENSES OF CONSOLIDATED OPERATIONS ($000'S)

	Operating Fund	Ancillary Operations	Capital	Expendable Trust	Research	2009	2008
EXPENSES							
Salaries and benefits	$ 161,424	$ 6,399		$ 816	$ 16,545	$ 185,184	$ 182,049
Materials, supplies and services	15,669	3,840	14	2,371	7,454	29,348	30,274
Repairs and renovations	13,748	696		608	1,398	16,450	15,554
Cost of goods sold	651	8,374				9,025	9,711
Utilities	5,920	2,025				7,945	8,011
Interest on long-term debt and retirement costs	598		7,027			7,625	7,241
Scholarships and bursaries	11,736			4,971		16,707	16,186
Amortization of capital assets			18,586			18,586	17,663
Total expenses - 2009	**$ 209,746**	**$ 21,334**	**$ 25,627**	**$ 8,766**	**$ 25,397**	**$ 290,870**	
Total expenses - 2008	$ 207,153	$ 22,093	$ 24,710	$ 8,106	$ 24,627		**$ 286,689**

APPENDIX B: OPERATING FUND EXPENSES BY TYPE ($000'S)

	2009	2008	CHANGE ($)	CHANGE (%)
EXPENSES				
Salaries, Wages & Benefits	$167,823	$165,984	$1,839	1.1%
Utilities	7,945	8,011	(66)	-0.8%
Repairs & Renovations	14,444	13,060	1,384	10.6%
Cost of Goods Sold	9,025	9,711	(686)	-7.1%
Scholarships & Bursaries	11,736	11,575	161	1.4%
Other	20,107	20,905	(798)	-3.8%
Total Expenses	$231,080	$229,246	$1,834	0.8%





APPENDIX C: OPERATING FUND EXPENSES BY FUNCTION