The UNIVERSITY of WESTERN ONTARIO
London, Canada N6A 5B8 (519) 661 - 2111

Combined Financial Statements

as at April 30, 1997

Direct Links to Individual Notes to the Combined Financial Statements:

Maintained by Albert Birch, Financial Services
Last Update: Friday, November 14, 1997

***The* UNIVERSITY*of* WESTERN ONTARIO**

Responsibility for Financial Reporting

The combined financial statements of The University of Western Ontario are the responsibility of the University administration and have been approved by the Board of Governors.

The financial statements have been prepared by the University administration in accordance with generally accepted accounting principles. Financial statements necessarily include amounts based on informed judgements and estimates, with appropriate consideration to materiality. The administration has determined such amounts on a reasonable basis to ensure that the financial statements present fairly the financial position of the University.

The University maintains systems of internal accounting and administrative controls of high quality, consistent with reasonable cost. Such systems are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and that the University's assets are appropriately accounted for and adequately safeguarded.

The Board of Governors is responsible for ensuring that management fulfils its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial statements. The Board carries out this responsibility principally through its Audit Committee.

The Audit Committee is appointed by the Board. This Committee consists of eight Board members, seven of whom are not involved in the daily operations of the University. The Committee meets periodically with the administration, the internal auditors and the external auditors, to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues, to satisfy itself that each party is properly discharging its responsibilities, and to review the annual financial statements and the external auditors' report. The Committee reports its findings to the Board of Governors for consideration when approving the financial statements. The Committee also recommends to the Board the engagement or re-appointment of the external auditors.

The financial statements have been audited by Ernst & Young, the external auditors, in accordance with generally accepted auditing standards on behalf of the Board of Governors. Ernst & Young has full and free access to the Audit Committee.

P. Mercer
VICE-PRESIDENT ADMINISTRATION

Dr. P. Davenport
PRESIDENT

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AUDITOR'S REPORT

To the Board of Governors of
The University of Western Ontario

We have audited the combined financial statements of **The University of Western Ontario** as at April 30, 1997 comprising the following:

- Combined Balance Sheet
- Combined Statement of Operations
- Combined Statement of Changes in Net Assets
- Combined Statement of Cash Flows

These combined financial statements are the responsibility of The University's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, these combined financial statements present fairly, in all material respects, the financial position of The University as at April 30, 1997 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles. As required by the Corporations Act [Ontario], we report that in our opinion, these principles have been applied, after giving retroactive effect to the changes in accounting policy as explained in Note 3 to the combined financial statements, on a basis consistent with that of the preceding year.

London, Canada	Ernst & Young
July 16, 1997	Chartered Accountants

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The UNIVERSITY *of* WESTERN ONTARIO

Combined Balance Sheet **Statement 1**

As at April 30, 1997, with comparative amounts for 1996 (thousands of dollars)

	1997	1996
	$	$
ASSETS		[as restated, note 3]
Current assets		
Cash	418	47
Accounts receivable	25,251	18,145
Inventories	4,204	4,086
Prepaid expenses	1,520	1,421
	31,393	23,699
Other assets		
Long term receivables	1,687	258
Investments [note 4]	191,733	187,226
Capital assets, net [note 5]	245,347	218,642
	438,767	406,126
	470,160	429,825
	======	======
LIABILITIES & NET ASSETS		
Current liabilities		
Due to bankers on current account [note 7]	627	3,016
Accounts payable and accrued liabilities	28,019	26,596
Current portion of long-term debt [note 8]	4,466	7,116
Deferred contributions and income [note 9]	46,914	44,944
	80,026	81,672
Long term debt & deferred contributions		
Long term debt [note 8]	76,007	63,316
Long term payables and liabilities	8,294	6,525
Deferred capital contributions [note 10]	123,891	118,426

	208,192	188,267
Net assets		
Unrestricted [note 11]	(1,173)	(2,052)
Internally restricted [note 12]	47,719	55,174
Invested in capital assets [note 6]	40,983	33,882
Endowed [note 13]	94,413	72,882
	181,942	159,886
	470,160	429,825
	======	======

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The UNIVERSITY *of* WESTERN ONTARIO

Combined Statement of Operations **Statement 2**

Year ended April 30, 1997, with comparative amounts for 1996
(thousands of dollars)

	1997	1996
	$	$ (as restated) [note 3]
Revenues:		
Government grants and contracts	167,058	194,003
Student fees	83,405	76,132
Grants contracts, and donations	41,908	45,194
Sales and services	78,804	69,374
Investment returns [note 4]	23,487	19,429
Recoverable salaries and benefits	18,877	19,231
Other revenues and additions	8,046	4,304
	421,585	427,667
Expenses:		
Salaries and benefits	263,861	275,322
Operating costs	64,111	59,509
Amortization of capital assets	25,332	23,493
Cost of goods sold	25,494	24,335
Taxes, utilities and space related costs	17,691	17,092
Repairs and maintenance	7,378	5,138
Scholarships and bursaries	10,342	9,061
Interest	3,069	4,284
	417,278	418,234
Excess of revenue over expenses	4,307	9,433
	======	======

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Combined Statement of Changes in Net Assets **Statement 3**

As at April 30, 1997, with comparative amounts for 1996
(thousands of dollars)

	1997					1996
	Unrestricted $	**Internally Restricted** $ [note 12]	**Investment in Capital Assets** $ [note 6]	**Endowment** $ [note 13]	**Total** $	**Total (as restated)** $ [note 3]
Net assets, beginning of year	(2,052)	55,174	33,882	72,882	159,886	133,985
Excess of revenue over expenses for the year	4,307				4,307	9,433
Change in internally restricted net assets	7,455	(7,455)				
Change in investment in capital assets [note 6]	(6,026)		7,101		1,075	1,315
Investment income credited directly to endowment				3,647	3,647	10,484
Internally endowed contributions	(4,857)			4,857		
Endowment contributions				13,027	13,027	4,669
Net assets, end of year	(1,173)	47,719	40,983	94,413	181,942	159,886
	======	======	======	======	======	======

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Combined Statement of Cash Flows **Statement 4**

For the year ended April 30, 1997, with comparative amounts for 1996
(thousands of dollars)

	1997	1996
	$	$
		(as restated)
		[note 3]
Operating activities		
Excess of revenues over expenses for the year	4,307	9,433
Add (deduct) non-cash items		
Amortization of capital assets	25,332	23,493
Amortization of deferred capital contributions	(8,471)	(8,565)
Net change in non-cash working capital balances [note 14]	(3,590)	7,521
Cash provided by operating activities	17,578	31,882
Investing and financing activities		
Purchase of investments, net	(4,507)	(19,699)
Purchase of capital assets	(51,244)	(26,537)
Proceeds on disposal of capital assets	282	4,098
Contributions restricted for capital purposes	13,936	6,876
Investment income credited directly to endowment	3,647	10,484
Repayment of long-term debt	(7,543)	(9,605)
Long-term debt financing	17,584	6,100
Endowment contributions	13,027	4,669
Cash used in investing and financing activities	(14,818)	(23,614)
Net increase (decrease) in cash	2,760	8,268
Cash position, beginning of year	(2,969)	(11,237)
Cash position, end of year	(209)	(2,969)
	======	======

Cash position consists of:

Cash	418	47
Due to bankers on current account	(627)	(3,016)
	(209)	(2,969)
	======	======

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1. DESCRIPTION

The University of Western Ontario operates under the authority of The University of Western Ontario Act, 1982. The University is dedicated to the advancement of learning through teaching and research and to the discovery and application of knowledge. The University is a registered charity and, under the provisions of section 149 of the Income Tax Act, is exempt from paying income taxes.

The combined financial statements of The University of Western Ontario reflect the assets, liabilities, net assets, revenues, expenses and other transactions of all the operations of the University and organizations that the University has the primary economic interest in or controls. Accordingly, these financial statements include the academic, administrative and other operating expenditures funded by fees, grants and other general revenue; restricted purpose endowment funds; the ancillary operations such as the Bookstore and Parking Services; the support and research units such as the Boundary Layer Wind Tunnel Laboratory and Surface Science Western; related corporations and foundations whose Board of Directors are controlled by the University including Platt's Lane Estates Inc., The London Museum of Archaeology, The London and Middlesex Heritage Museum, Lawson-Jury Heritage Foundation, Spencer Hall Foundation, Ivey Management Services Inc., The University of Western Ontario Research & Development Park, and Windermere Manor Ltd.; and related foundations in which the University has an economic interest including Foundation Western, The University of Western Ontario Foundation Inc., and The University of Western Ontario Foundation.

These financial statements do not include the assets, liabilities, and operations of three colleges that are affiliated with, but not controlled by the University (Brescia College, King's College and Huron College), or the net assets of the Pension Funds of the Academic Staff and Administrative Staff of The University of Western Ontario.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The combined financial statements have been prepared by management in accordance with generally accepted accounting principles (GAAP). The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities as of the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual amounts could differ from those estimates.

A summary of significant accounting policies is as follows:

(a) Revenue recognition

The University follows the deferral method of accounting for contributions, which include donations and government grants. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Contributions externally restricted for purposes other than endowment are deferred and recognized as revenue in the year in which the related expenses are recognized. Contributions of capital assets are recorded at fair market value at the date of the contribution and deferred and amortized to operations on the same basis as the related capital asset. Contributions of collection items are recorded at fair market value at the date of the contribution as a direct increase to net assets. Endowment contributions and related restricted investment income are recognized on the accrual basis as direct increases in net assets. Student fees are recognized as revenue when courses and seminars are held. Sales and services revenue is recognized at point of sale or when the service has been provided.

(b) Investments

Investments, other than property held for resale, are recorded in the accounts at market value. Unrealized gains (losses) are included in investment income. Externally restricted investment income other than that designated for endowments is recognized as revenue when the related expenses are incurred. Externally restricted investment income for endowments is recognized as direct increase in net assets. Unrestricted investment income is recognized as revenue in the period it is earned. Internally restricted investment income is recorded as a transfer from unrestricted to internally restricted in the statement of changes in net assets. Under the investment policy of the University, the majority of funds available for investment from operating funds, capital funds, expendable funds and endowed funds are pooled and the majority of these funds are managed by external fund managers. Property held for resale is accounted for at the lower of cost and net realizable value.

(c) Pledges and grants outstanding

Pledges are recorded as revenue on a cash basis, due to uncertainty of collection, and accordingly are not set up as assets in the combined financial statements. Due to the uncertainty of collection, the actual amounts collected will differ from the amounts pledged, and that amount may be material. The total amount of pledges and grants outstanding are approximately $28,925 at April 30, 1997, and are expected to be received as follows:

		1997
1998 -	$	14,584
1999 -		9,338
2000 -		2,105
subsequent years -		2,898
	$	28,925
		===========

At the request of the contributor, restrictions may apply to the use of these funds.

(d) Inventory valuation

Inventories are stated at the lower of cost and net realizable value.

(e) Capital assets

Purchased capital assets, including works of arts, are recorded at cost. Contributed capital assets are recorded at fair market value at the date of contribution. Amortization is provided on a straight-line basis over the estimated useful life for buildings and on a declining balance basis for all other capital assets.

Amortization rates are generally as follows:

Buildings	40 years
Roads, parking lots and infrastructure	10%
Computer equipment	30%
Equipment and furnishings	20%
Library books	100%

(f) Works of arts

The University of Western Ontario maintains a collection of art that was insured for $5,521 at December 31, 1996. At April 30, 1997, these assets were included in capital assets and equity in capital assets. During the year ended April 30, 1997, the University acquired 212 paintings. Of these, 209 works were donated with a total appraised value of $660. Works of art are not amortized.

(g) Foreign exchange

The University accounts for transactions in foreign currency at the exchange rate in effect at the time of the transactions. At year-end, monetary assets and liabilities denominated in foreign currency are translated at year-end exchange rates. Foreign exchange gains and losses on securities have been included in investment income.

(h) Post Employment Benefits

The University provides a paid-up life insurance policy for its staff and faculty upon retirement. As well, certain coverage for dental and supplementary health care is continued for employees after retirement. These costs are accounted for on a cash basis.

(i) Financial Instruments

Effective in fiscal 1997, the University adopted the new Canadian Institute of Chartered Accountants accounting recommendations for the presentation and disclosure of financial instruments. The fair value of accounts receivable, due to bankers on current account, and accounts payable and accrued liabilities approximate their carrying amounts because of the short-term maturity of these instruments. The fair value of long term receivables, and long term payables and liabilities approximate fair values as the rates approximate market rates for the associated risk of the underlying instrument. Fair value estimates are made at a specific point in time, based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

(j) Interest Rate Swap Agreements

The University is party to interest rate swap agreements to manage risk. Payments and receipts under interest rate swap contracts are recognized as adjustments to interest expense.

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3. CHANGE IN ACCOUNTING POLICY AND RESTATEMENT OF PRIOR YEARS FINANCIAL STATEMENTS

During the year, the University changed certain of its accounting policies in order to comply with new policies for not-for-profit organizations required under generally accepted accounting principles (GAAP). These changes have been applied on a retroactive basis, as follows:

(a) Financial Statement Presentation

Prior to the current fiscal year, the financial statements were prepared in accordance with generally accepted accounting principles (GAAP) on a fund accounting basis. During the current year, the operations and resources of the entity were combined into a single fund for reporting purposes.

(b) Revenue recognition

Prior to the current fiscal year, donations and government grants were taken into income as received. During the year, the deferral method of accounting for contributions, as described in note 2(a), was adopted. This change in policy has had the effect of reducing reported revenues by $14,080 (1996 - $19,420). Of this reduction, $8,504 (1996 - $15,153) has been recorded as direct increases to endowments, $65 (1996 - ($5,956)) has been recorded as a decrease (increase) in deferred contributions and income, and $5,641 (1996 - ($1,689)) has been recorded as an increase (decrease) in deferred capital contributions.

This change in policy also had the effect of increasing deferred contributions and income by $38,821 (1996 - $38,886), increasing deferred capital contributions by $122,900 (1996 - $116,475), and decreasing net assets by $161,721 (1996 - $155,361).

(c) Amortization of capital assets

Prior to the current fiscal year, no amortization was recorded on capital assets except for capital assets owned by ancillaries, support and research units and related companies. During the current year, the University changed its accounting policy and all capital assets are now amortized over their estimated useful lives as set out in note 2(e). Previously, capital assets were added to capital assets and equity in capital assets. The costs of capital assets were expensed as acquired.

Under this change in policy, capital expenditures are no longer expensed in the statement of operations but an amortization expense is recorded, with the overall effect of decreasing reported expenses by $17,121 (1996 - $4,213). In addition, this change in policy increased accumulated amortization, which has had the effect of decreasing the net book value of capital assets by $373,280 (1996 - $354,834) and of decreasing net assets by the same amount.

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4. INVESTMENTS

The University's investments portfolio comprises a large number of different securities carrying a variety of terms and conditions. Debt securities pay interest quarterly, semi-annually or annually at a fixed rate. Fair values are based on quoted market prices of the securities. The Endowments' share of the investment portfolio amounts to $94,413 [note 13]. This portion of the portfolio is invested in a manner that is consistent with the long-term of the endowed funds.

(a) Investments consist of the following:

	Maturity					1997		1996	
	1 year or less	Over 1 to 5 years	Over 5 to 10 years	Over 10 years	No fixed maturity	Fair Value	Cost	Fair Value	Cost
Short-term Notes	$ 8,988	$ 546		$ 108		$ 9,642	$ 9,642	$ 2,494	$ 2,494
Government Bonds	1,167	22,044	$ 40,390	3,435		67,036	65,672	69,468	69,912
Corporate Bonds		3,202	1,854	6,016		11,072	10,599	8,944	8,692
Canadian Equities					$ 49,911	49,911	38,433	58,853	48,813
U.S. Equities					35,388	35,388	29,700	27,605	22,537
Non-North American Equities					16,897	16,897	16,262	17,614	12,054
Property for Resale					1,787	1,787	1,787	2,248	2,248
	$ 10,155	$ 25,792	$ 42,244	$ 9,559	$103,983	$191,733	$172,095	$187,226	$166,750

(b) The effective yields on debt securities are as follows:

Maturity			
1 year or less	Over 1 to 5 years	Over 5 to 10 years	Over 10 years

Short-term Notes	2.5% - 8.5%	6.0% - 9.3%	N/A	N/A
Government Bonds	N/A	5.2% - 6.4%	6.1% - 6.9%	4.2% - 7.6%
Corporate Bonds	N/A	4.9% - 8.5%	6.6% - 7.3%	6.8% - 11.6%

(c) Investment returns recorded in the statement of operations are calculated as follows:

	1997	1996
Total investment income earned	$ 27,134	$ 29,913
Less amounts credited directly to endowment	(3,647)	(10,484)
	$ 23,487	$ 19,429
	=========	=========

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5. CAPITAL ASSETS

Capital assets consist of the following:

	1997			1996		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Equipment and furnishings	$ 230,980	$ 195,947	$ 35,033	$ 218,849	$ 185,901	$ 32,948
Buildings and roads	311,788	122,942	188,846	290,383	117,711	172,672
Library books	93,787	93,787		87,584	87,584	
Land and improvements	6,535		6,535	6,535		6,535
Property under development	8,587		8,587	1,235		1,235
Works of art	6,346		6,346	5,252		5,252
	$ 658,023	$ 412,676	$ 245,347	$ 609,838	$ 391,196	$ 218,642
	========	========	========	========	========	========

The increase in net book value of capital assets is due to the following:

	1997	1996
Balance, beginning of year	$ 218,642	$ 218,381
Purchase of capital assets funded by deferred capital contributions	13,936	6,876
Purchase of capital assets internally funded	19,724	13,561
Purchase of capital assets financed by long-term debt	17,584	6,100
Capital assets donated to the University	1,075	1,315
Disposals of capital assets at cost	(4,134)	(6,591)

Accumulated amortization on disposed capital assets	3,852	2,493
Amortization of capital assets	(25,332)	(23,493)
Balance, end of year	$ 245,347	$ 218,642

(a) During the year, the total cost of items added to the library collection was $6,762 (1996 - $5,998) and the total cost of items removed from the collection was $559 (1996 - $176).

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6. INVESTMENT IN CAPITAL ASSETS

The investment in capital assets consists of the following:

	1997	1996
Capital assets	$ 245,347	$ 218,642
Less amounts financed by		
Long-term debt	(80,473)	(66,334)
Deferred capital contributions [note 10]	(123,891)	(118,426)
Balance, end of year	$ 40,983	$ 33,882
	=========	=========

The change in investment in capital assets is calculated as follows:

	1997	1996
Repayment of long-term debt	$ 3,445	$ 13,703
Purchase of capital assets internally funded	19,724	13,561
Capital assets donated to the University	1,075	1,315
Increase in investment in capital assets	24,244	28,579
Amortization expense	(25,332)	(23,493)
Less amortization of deferred capital contributions [note 10]	8,471	8,565
Net book value of disposed capital assets	(282)	(4,098)

Decrease in investment in capital assets	(17,143)	(19,026)
Change in investment in capital assets	$ 7,101	$ 9,553
	=========	=========

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7. DUE TO BANKERS ON CURRENT ACCOUNT

Due to bankers on current account includes bank overdrafts for The University of Western Ontario and The University of Western Ontario Research & Development Park.

The University of Western Ontario's bank overdraft is covered by an unsecured line of credit agreement with the Bank of Montreal. Under the terms of this line of credit agreement, the University may borrow up to $30,000. The line of credit is due on demand and bears interest at the Bank of Montreal's prime rate which was 4.75% at April 30, 1997 (1996 - 6.5%).

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8. LONG-TERM DEBT

Long-term debt consists of mortgages, loans payable, demand notes, Banker's Acceptances and capital leases. The University does not plan to repay certain of its Banker's Acceptances from current assets during the coming year and its bankers have indicated that they will renew the debt. As such, these items have been presented as long-term. The fair value of the long-term debt, determined by discounting the contractual cash flows at the current rates charged for similar debt instruments, is $82,837.

(a) The details of the mortgages are as follows:

	Maturity	Interest Rate	Annual Payments (Principal & Interest)	1997 Principal Outstanding	1996 Principal Outstanding
Canada Mortgage and Housing Corporation					
Platt's Lane Estates	August 1, 2028	8.00%	$ 699	$ 8,450	$ 8,428
Glenmore Complex	December 1, 2019	6.25%	500	6,060	6,177
Delaware Hall	September 1, 2011	5.37%	134	1,273	1,336
Ontario Housing Corporation:					
Lambton Hall [note 8 (d)]	April 1, 2010	10.36%	1,114	10,750	10,750
Glenmore Complex	December 1, 2019	6.50%	31	364	370
Total Mortgages			$ 2,478	$ 26,897	$ 27,061

(b) The details of the loans payable, demand notes, Banker's Acceptances and capital leases are as follows:

Loans Payable:					
Spencer Hall	December 20, 2002	prime -1%		$ 168	$ 231

Demand Notes:				
Spencer Hall	May 27, 1997	3.23%	7,500	7,700
Banker's Acceptances [note 8(c)]:				
Alumni House	May 30, 1997	3.51%	190	508
Law Library	May 30, 1997	3.51%	400	500
Visual Arts	May 30, 1997	3.51%	100	700
3M Centre	May 30, 1997	3.51%	3,100	4,100
Essex Hall	May 30, 1997	3.51%	14,500	1,400
University Community Centre	May 30, 1997	3.51%	2,800	
University Community Centre [note 8 (e)]	June 30, 1997	3.65%	11,100	11,700
Research Park [note 8 (f)]	May 19, 1997	3.47%	13,700	12,000
Land Acquisitions				4,400
Western Science Centre & Elborn College				100
Capital Leases:				
Research Park	March, 1998	12.50%	18	32
Total loans payable, demand notes, Banker's Acceptances and capital leases			$ 53,576	$ 43,371
Total long-term debt			$ 80,473	$ 70,432
Less: current portion			(4,466)	(7,116)
Long-term debt			$ 76,007	$ 63,316

(c) All Banker's Acceptances are for 90 day terms and they are all subject to refinancing during the coming year. Any Banker's Acceptances that will be repaid from current assets during the coming year are included with the current portion of long-term debt.

(d) The University has provided for the repayment of the principal of the Lambton Hall mortgage by the purchase of strip bonds that will have a maturity value of $10,750 on April 1, 2010. These bonds have an effective yield of 10.98% compounded semi-annually and a book value, as at April 30, 1997, of $2,933 (1996 - $2,635). The market value of these bonds as at April 30, 1997 was $3,974 (1996 - $3,036). These bonds are included with investments at their April 30, 1997 book value.

(e) An interest rate swap agreement has been entered into for the University Community Centre Expansion financing which fixes the effective interest rate at 7.62% over the period ending September 2008. The University is exposed to credit related losses in the event of non-performance by counter parties to financial instruments, but it does not expect any counter parties to fail to meet their obligations given their high credit ratings. An agreement has been entered into whereby the loan will be retired by student contributions.

(f) The University of Western Ontario Research & Development Park debt of $13,700 on the property represents the Research Park's debt and the loans owing by Windermere Manor which is 100% owned by The Research Park.

Windermere Manor's Banker's Acceptances in the amount of $10,700 are collateralized with a mortgage of $8,200 on 238 Windermere Road (property of Windermere Manor Ltd.) and a comfort letter from the University of Western Ontario.

Windermere Manor Ltd. is dependent upon the completion of the Research Park development to generate demand for the facilities. It is also dependent in the interim upon the financial support of the University of Western Ontario, through letters of comfort, to allow it to continue to obtain financing to fund future operations and debt repayment.

(g) Anticipated requirements to meet the principal portion of the long-term debt repayments over the next five years are as follows:

	Principal
1997 - 1998	$ 4,466
1998 - 1999	1,582
1999 - 2000	1,500
2000 - 2001	1,218
2001 - 2002	878
subsequent years	70,829
	$ 80,473
	========

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9. DEFERRED CONTRIBUTIONS AND INCOME

Deferred contributions and income consist of the following:

	1997	1996
Unspent capital grants	$ 34	$ 2,500
Unspent research grants	19,248	16,233
Other unspent restricted funds	16,019	17,579
Deferred fees and income	11,613	8,632
Balance, end of year	$ 46,914	$ 44,944
	========	========

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10. DEFERRED CAPITAL CONTRIBUTIONS

Deferred capital contributions represent the unamortized amount of donations and grants received for the purchase of capital assets. The amortization of deferred capital contributions is recorded as revenue in the statement of operations. The changes in the deferred contributions balance are as follows:

	1997	1996
Balance, beginning of year	$ 118,426	$ 120,115
Less amortization of deferred capital contributions	(8,471)	(8,565)
Add contributions received for capital purposes	13,936	6,876
Balance, end of year	$ 123,891	$ 118,426
	========	========

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11. UNRESTRICTED NET ASSETS

Details of the unrestricted net assets are as follows:

	1997	1996
Operating surplus (deficit), excluding provision for vacation pay	$ 2,533	$ (7,122)
Provision for vacation pay	(4,031)	(4,187)
Operating deficit -- related companies	(9,167)	(7,757)
Undistributed investment returns	9,492	17,014
Balance, end of year	$ (1,173)	$ (2,052)
	========	========

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12. INTERNALLY RESTRICTED NET ASSETS

Details of the internally restricted net assets are as follows:

	1997	1996
Departmental trust funds	$ 9,745	$ 18,582
Departmental carry forwards	9,325	11,255
Operating surplus-ancillaries & support units	7,452	8,258
Equipment replacement reserves	4,588	6,738
Capital reserve	7,188	5,354
Undistributed investment returns - restricted for operating	8,500	4,100
Self insurance funds	921	887
Balance, end of year	$ 47,719	$ 55,174
	========	========

Internally restricted net assets include funds committed for specific purposes that reflect the application of the Board of Governor's policy as follows:

i) Departmental trust funds include donations and similar income that departments are permitted to carry forward.

ii) Departmental carry forwards represent amounts budgeted for but not expended. The University has in place a flexible budgeting program which allows operating budget units to defer expenditures, and to carry forward this amount to the subsequent year.

iii) Ancillary and support unit carry forwards represent income that these units are permitted to carry forward.

iv) The equipment reserves represent funds that departments have allocated for the future replacement of assets.

v) The capital reserve represents funds restricted for capital purposes.

vi) The portion of the undistributed investment returns - restricted for operating, represent funds set aside as an operating reserve.

vii) The reserve for self insurance represents funds set aside to cover both the deductible portion of insured losses and uninsured losses.

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13. ENDOWMENTS

Endowments include restricted donations received by the University; donations internally designated by the University's Board of Governors; restricted donations received by the Lawson-Jury Heritage Foundation; and all donations held by Foundation Western. Investment returns generated from endowments are used in accordance with the various purposes established by the donors or by the Board of Governors.

University policy has been established with the objective of protecting the real value of the endowments over time by limiting the amount of income available for spending to 5% of the average value of each endowment over the most recent three year period. The investment returns generated by the endowed funds, net of amounts available for spending and net of fees for administration and investment management, are allocated to the endowed funds. These amounts are recorded as a direct increase (decrease if a loss) to the endowed funds. Investment returns on endowments that are available for spending have been recorded in the statement of operations.

Net assets restricted for endowment consist of the following:

	1997				
	Endowed Funds Balance, May 1	New Contributions	Net Investment Returns	Allocations for Spending	Endowed Funds Balance, April 30
Externally restricted - UWO	$ 30,057	$ 4,967	$ 4,185	$ (1,398)	$ 37,811
Internally restricted - UWO	6,216	4,857	1,031	(312)	11,792
Externally restricted - Foundation Western	34,031	8,060	5,116	(4,975)	42,232
Externally restricted - Lawson-Jury Heritage Foundation	2,578		469	(469)	2,578
	$ 72,882	$ 17,884	$ 10,801	$ (7,154)	$ 94,413

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14. STATEMENT OF CASH FLOWS

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

	1997	1996
Accounts receivable	$ (8,535)	$ 908
Prepaid expenses	(99)	558
Inventories	(118)	1,213
Accounts payable and accrued liabilities	3,192	3,957
Deferred contributions and income	1,970	885
Increase (decrease) in non-cash working capital balances	$ (3,590)	$ 7,521
	========	========

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15. PENSION PLANS

The University maintains defined contribution pension plans for its faculty and staff. There is no past service liability in respect of either of these plans. Contributions are fully vested with the employee. As the plan sponsor, the University is responsible to fund any deficit arising from variances between actuarial funding estimates and actual experience. Faculty members who had attained the age of 45 on July 1, 1970 and staff members who were full-time employees on May 1, 1974 qualify for pensions subject to a minimum formula guarantee. The actuarial valuations which are based on best estimate assumptions at December 31, 1996 indicated an accrued pension obligation for these special members of $14,334 (faculty: $10,349 and staff: $3,985). The market value of the related pension fund assets as of that date amounted to $25,751 (faculty: $19,820 and staff: $5,931). The disposition of this surplus of $11,417 (faculty: $9,471 and staff: $1,946) is subject to the approval of the Board of Governors and the Pension Boards. This surplus is not reflected in the financial statements.

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16. COMMITMENTS AND CONTINGENT LIABILITIES

(a) Guaranteed housing loans

At April 30, 1997, the University was guarantor of 17 housing loans for faculty and staff in the amount of $272 (1996 - $326). Guarantees are subject to off balance sheet credit risk equal to the contractual amounts of the housing loans.

(b) Legal matters

The University is involved from time to time in litigation which arises in the normal course of operations. In respect to these claims the University believes it has valid defences, funded provisions and/or appropriate insurance coverage in place. Litigation is subject to many uncertainties, and the outcome of individual matters is not predictable. It is possible that the final resolution of some of these matters may require the University to make expenditures in excess of estimated reserves, over an extended period of time and in a range that cannot be reasonably estimated at this time. The University's policy is to recognize the losses on any such litigation when the outcome becomes reasonably determinable. In the administration's judgement no material exposure exists on the eventual settlement of such litigation.

(c) Capital and other commitments

The estimated cost to complete capital projects in progress at April 30, 1997 is approximately $18,800 (1996 - $37,000). These costs will be financed by fund raising, government grants and borrowings.

(d) Canadian Universities Reciprocal Insurance Exchange

On January 1, 1993 the University of Western Ontario entered a second, 5-year membership with the Canadian Universities Reciprocal Insurance Exchange (CURIE). All members pay annual deposit premiums which are actuarially determined and may be subject to further assessment in the event members' premiums are insufficient to cover losses and expenses.

For public liability insurance, CURIE continues to pool the risks of its members and to carry $5,000 of liability coverage with reinsurance of $15,000. For property insurance, CURIE pools coverage for the first $5,000 of property loss exceeding the deductible. For excess coverage policies, members of CURIE are insured directly by various insurance companies. For errors and omissions insurance CURIE pools the risk of its members and carries $3,000 of coverage with reinsurance for an additional $15,000.

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17. FOUNDATION WESTERN

Foundation Western is an independent charitable foundation established to solicit Alumni donations to be held as endowed capital, with the income to be used for the benefit of the University. The University includes Foundation Western in the combined financial statements because of the economic interest the University has in the Foundation. In light of the Foundation's objectives and its relationship to the University, all funds held by Foundation Western are treated as endowments in the combined financial statements.

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