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

Combined Financial Statements

as at April 30, 1998

The 1997-98 Combined Financial Statements and Notes have been converted to "pdf" format for use with Adobe Acrobat Reader.

Direct Links to Individual Notes to the Combined Financial Statements:

Maintained by Albert Birch, Financial Services
Last Update: Thursday, October 21, 1999

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, 1998 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, 1998 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 on a basis consistent with that of the preceding year.

London, Canada July 15, 1998	ERNST & YOUNG Chartered Accountants

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THE UNIVERSITY OF WESTERN ONTARIO

Combined Balance Sheet **Statement 1**

As at April 30, 1998, with comparative amounts for 1997
(thousands of dollars)

	1998	1997
	$	**$**
ASSETS		
Current assets		
Cash	449	418
Accounts receivable	26,595	25,251
Inventories	4,561	4,204
Prepaid expenses	2,211	1,520
	33,816	31,393
Other assets		
Long term receivables	2,516	1,687
Investments [note 3]	238,316	191,733
Capital assets, net [note 4]	253,614	245,347
	494,446	438,767
	528,262	470,160
LIABILITIES AND NET ASSETS		
Current liabilities		
Due to bankers on current account [note 6]	19,257	627
Accounts payable and accrued liabilities	27,698	28,019
Current portion of long-term debt [note 7]	2,906	4,466
Deferred contributions and income [note 8]	52,396	46,914
	102,257	80,026
Long term debt & deferred contributions		
Long term debt [note 7]	75,765	76,007
Long term payables and liabilities	6,484	8,294
Deferred capital contributions [note 9]	123,451	123,891
Deferred endowed income [note 12]	34,899	23,650
	240,599	231,842
Net assets		
Unrestricted [note 10]	2,691	(1,173)
Internally restricted [note 11]	45,602	47,719
Invested in capital assets [note 5]	51,492	40,983
Endowed [note 12]	85,621	70,763
	185,406	158,292
	528,262	470,160

THE UNIVERSITY OF WESTERN ONTARIO

Combined Statement of Operations **Statement 2**

Year ended April 30, 1998, with comparative amounts for 1997
(thousands of dollars)

	1998	1997
	$	**$**
Revenues:		
Government grants and contracts	165,051	167,058
Student fees	90,757	83,405
Sales and services	90,522	78,804
Grants contracts, and donations	37,613	41,908
Investment returns [note 3]	26,644	23,487
Recoverable salaries and benefits	18,484	18,877
Other revenues	9,699	8,046
	438,770	421,585
Expenses:		
Salaries and benefits	267,072	263,861
Operating costs	62,114	64,111
Amortization of capital assets	27,572	25,332
Cost of goods sold	29,407	25,494
Taxes, utilities and space related costs	20,640	17,691
Scholarships and bursaries	12,253	10,342
Interest	3,694	3,069
Repairs and maintenance	3,419	7,378
	426,171	417,278
Excess of revenue over expenses	12,599	4,307

THE UNIVERSITY OF WESTERN ONTARIO

Combined Statement of Changes in Net Assets

As at April 30, 1998, with comparative amounts for 1997

	1998					
			Investment			
		Internally		**Endowment**		**Total**
			Assets			
	$		$		**$**	
		[note 11]		[note 12]		
Net assets, beginning of year	(1,173)	47,719	40,983	70,763	158,292	139,329
Excess of revenue over expenses for the year	12,599				12,599	4,307
Change in internally restricted net assets	2,117	(2,117)				
Change in investment in capital assets [note 5]	(10,283)		10,509		226	1,075
Investment income credited directly to endowment						554
Internally endowed contributions	(569)			569		
Endowment contributions				14,289	14,289	13,027
Net assets, end of year	2,691	45,602	51,492	85,621	185,406	158,292

THE UNIVERSITY OF WESTERN ONTARIO

Combined Statement of Cash Flows **Statement 4**

For the year ended April 30, 1998, with comparative amounts for 1998
(thousands of dollars)

	1998	1997
	$	**$**
Operating activities		
Excess of revenues over expenses for the year	12,599	4,307
Add (deduct) non-cash items		
Amortization of capital assets	27,572	25,332
Amortization of deferred capital contributions	(8,372)	(8,471)
Net change in non-cash balances related to operations [note 13]	11,379	(497)
Cash provided by operating activities	43,178	20,671
Investing and financing activities		
Net change in investments	(46,582)	(4,507)
Purchase of capital assets	(35,633)	(51,244)
Proceeds on disposal of capital assets	19	282
Contributions restricted for capital purposes	7,932	13,936
Investment income credited directly to endowment		554
Repayment of long-term debt	(4,001)	(7,543)
Long-term debt financing	2,199	17,584
Endowment contributions	14,289	13,027
Cash used in investing and financing activities	(61,777)	(17,911)
Net increase (decrease) in cash	(18,599)	2,760
Cash position, beginning of year	(209)	(2,969)
Cash position, end of year	(18,808)	(209)
Cash position consists of:		
Cash	449	418
Due to bankers on current account	(19,257)	(627)
	(18,808)	(209)

The University of Western Ontario

Notes to the Combined Financial Statements

Year Ended April 30, 1998
(thousands of dollars)

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, Richard Ivey School of Business Foundation, Richard Ivey School of Business (Asia), 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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(thousands of dollars)

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, including investment income designated for endowments, is recognized as revenue when the related expenses are incurred. 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 29,281 at April 30, 1998, and are expected to be received as follows:

	Pledges
1999 -	$ 16,107
2000 -	6,910
2001 -	3,471
subsequent years -	2,793
	$ 29,281

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

(thousands of dollars)

(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 $7,090 at December 31, 1997. At April 30, 1998, these assets were included in capital assets and equity in capital assets. During the year ended April 30, 1998, the University acquired 92 paintings. Of these, 92 works were donated with a total appraised value of $221. 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

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 Agreement

The University is party to an interest rate swap agreement to manage risk. Payments and receipts under this interest rate swap contract are recognized as adjustments to interest expense.

(thousands of dollars)

3. 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 (including endowed funds and deferred endowment income) amounts to $120,520 [note 12]. This portion of the portfolio is invested in a manner that is consistent with the long-term nature of the endowed funds.

(a) Investments consist of the following:

	Maturity					1998		1997	
	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	$ 6,694					$ 6,694	$ 6,680	$ 9,642	$ 9,642
Government Bonds		$ 29,488	$ 28,914	$ 26,197		84,599	81,502	67,036	65,672
Corporate Bonds		5,084	2,309	6,653		14,046	13,363	11,072	10,599
Canadian Equities					$ 66,299	66,299	48,043	49,911	38,433
U.S. Equities					41,526	41,526	26,517	35,388	29,700
Non-North American Equities					23,122	23,122	17,998	16,897	16,262
Property for Resale					2,030	2,030	2,030	1,787	1,787
	$ 6,694	$ 34,572	$ 31,223	$ 32,850	$132,977	$238,316	$196,133	$191,733	$172,095

(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	4.1% - 4.8%	N/A	N/A	N/A
Government Bonds	N/A	4.9% - 5.6%	5.3% - 5.7%	5.5% - 6.2%
Corporate Bonds	N/A	5.4% - 6.3%	5.7% - 6.8%	5.9% - 8.9%

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

	1998	1997
Total investment income earned	$ 42,948	$ 27,134
Less amounts credited to deferred endowment income and to restricted investment income	(16,304)	(3,647)
	$ 26,644	$ 23,487

The University of Western Ontario

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Year Ended April 30, 1998
(thousands of dollars)

4. CAPITAL ASSETS

Capital assets consist of the following:

	1998			1997		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Equipment and furnishings	$ 246,611	$ 207,136	$ 39,475	$ 230,980	$ 195,947	$ 35,033
Buildings and roads	330,249	129,217	201,032	311,788	122,942	188,846
Library books	100,278	100,278		93,787	93,787	
Land and improvements	6,535		6,535	6,535		6,535
Property under development				8,587		8,587
Works of art	6,572		6,572	6,346		6,346
	$ 690,245	$ 436,631	$ 253,614	$ 658,023	$ 412,676	$ 245,347

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

	1998	1997
Balance, beginning of year	$ 245,347	$ 218,642
Purchase of capital assets funded by deferred capital contributions	7,932	13,936
Purchase of capital assets internally funded	25,501	19,724
Purchase of capital assets financed by long-term debt	2,199	17,584
Capital assets donated to the University	226	1,075
Disposals of capital assets at cost	(6,136)	(4,134)
Accumulated amortization on disposed capital assets	6,117	3,852
Amortization of capital assets	(27,572)	(25,332)
Balance, end of year	$ 253,614	$ 245,347

(a) During the year, the total cost of items added to the library collection was $7,037 (1997 - $6,762) and the total cost of items removed from the collection was $546 (1997 - $559).

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(thousands of dollars)

5. INVESTMENT IN CAPITAL ASSETS

The investment in capital assets consists of the following:

	1998	1997
Capital assets	$ 253,614	$ 245,347
Less amounts financed by		
Long-term debt	(78,671)	(80,473)
Deferred capital contributions [note 9]	(123,451)	(123,891)
Balance, end of year	$ 51,492	$ 40,983

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

	1998	1997
Repayment of long-term debt	$ 4,001	$ 3,445
Purchase of capital assets internally funded	25,501	19,724
Capital assets donated to the University	226	1,075
Increase in investment in capital assets	29,728	24,244
Amortization expense	(27,572)	(25,332)
Less amortization of deferred capital contributions [note 9]	8,372	8,471
Net book value of disposed capital assets	(19)	(282)
Decrease in investment in capital assets	(19,219)	(17,143)
Change in investment in capital assets	$ 10,509	$ 7,101

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6. DUE TO BANKERS ON CURRENT ACCOUNT

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

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 6.50% at April 30, 1998 (1997 - 4.75%).

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(thousands of dollars)

7. LONG-TERM DEBT

Long-term debt consists of mortgages, loans payable, demand notes, public sector term loans and capital leases. The University does not plan to repay certain of its public sector term loans 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 $79,672 (1997 - $82,837).

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

	Maturity	Interest Rate	Annual Payments (Principal & Interest)	1998 Principal Outstanding	1997 Principal Outstanding
Canada Mortgage and Housing Corporation					
Platt's Lane Estates	August 1, 2028	8.00%	$ 699	$ 8,353	$ 8,450
Glenmore Complex	December 1, 2019	6.25%	500	5,937	6,060
Delaware Hall	September 1, 2011	5.37%	134	1,207	1,273
Ontario Housing Corporation:					
Lambton Hall [note 7 (d)]	April 1, 2010	10.36%	1,114	10,750	10,750
Glenmore Complex	December 1, 2019	6.50%	31	357	364
Total Mortgages			$ 2,478	$ 26,604	$ 26,897

(b) The details of the loans payable, demand notes, public sector term loans and capital lease are as follows:

	Maturity	Interest Rate	1998	1997
Loans Payable:				
R. Ivey School of Business Foundation	December 31, 2002	prime -1%	$ 217	$ 168
Demand Notes:				
R. Ivey School of Business Foundation		prime	7,500	7,500
Public Sector Term Loans [note 7(c)]:				
Law Library	May 29, 1998	5.15%	300	400
3M Centre	May 29, 1998	5.15%	2,700	3,100
Essex Hall	May 29, 1998	5.15%	15,660	14,500
University Community Centre [note 7 (e)]	June 30, 1998	7.32%	11,000	11,100
Research Park [note 7 (f)]	May 18, 1998	5.04%	14,150	13,700
Residence under construction	May 29, 1998	5.15%	540	
University Community Centre				2,800
Alumni House				190
Visual Arts				100
Capital Leases:				
Research Park				18
Total loans payable, demand notes, public sector term loans and capital leases			$ 52,067	$ 53,576
Total long-term debt			$ 78,671	$ 80,473
Less: current portion			(2,906)	(4,466)
Long-term debt			$ 75,765	$ 76,007

(thousands of dollars)

(c) All public sector term loans are for 90 day terms and they are all subject to refinancing during the coming year. Any public sector term loans 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, 1998, of $2,933 (1997 - $2,635). The market value of these bonds as at April 30, 1998 was $5,245 (1997 - $3,974). These bonds are included with investments at their April 30, 1998 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 7.32% 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 $14,150 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 public sector term loans 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 has been developed to complement the operations of the Research Park. 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
1998 - 1999	$ 2,906
1999 - 2000	1,700
2000 - 2001	1,485
2001 - 2002	1,092
2002 - 2003	1,092
subsequent years	70,396
	$ 78,671

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(thousands of dollars)

8. DEFERRED CONTRIBUTIONS AND INCOME

Deferred contributions and income consist of the following:

	1998	1997
Unspent research grants	$ 19,075	$ 19,248
Other unspent restricted funds	21,646	16,019
Deferred fees and income	11,675	11,613
Unspent capital grants		34
Balance, end of year	$ 52,396	$ 46,914

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(thousands of dollars)

9. 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:

	1998	1997
Balance, beginning of year	$ 123,891	$ 118,426
Less amortization of deferred capital contributions	(8,372)	(8,471)
Add contributions received for capital purposes	7,932	13,936
Balance, end of year	$ 123,451	$ 123,891

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10. UNRESTRICTED NET ASSETS

Details of the unrestricted net assets are as follows:

	1998	1997
Operating surplus, excluding provision for vacation pay	$ 4,297	$ 2,533
Provision for vacation pay	(4,031)	(4,031)
Operating deficit -- related companies	(11,112)	(9,167)
Undistributed investment returns	13,537	9,492
Balance, end of year	$ 2,691	$ (1,173)

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11. INTERNALLY RESTRICTED NET ASSETS

Details of the internally restricted net assets are as follows:

	1998	1997
Departmental trust funds	$ 3,578	$ 9,745
CFI and ORDCF	10,000	
Departmental carry forwards	3,315	9,325
Operating surplus-ancillaries & support units	4,030	7,452
Equipment replacement reserves	4,425	4,588
Capital reserve	13,181	7,188
Undistributed investment returns - restricted for operating	6,000	8,500
Self insurance funds	1,073	921
Balance, end of year	$ 45,602	$ 47,719

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) Funds restricted for CFI and ORDCF represent the University's commitment to a research program that is being jointly funded with the Canada Foundation for Innovation (CFI) and the Ontario Research and Development Challenge Fund (ORDCF).

iii) 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.

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

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

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

vii) The portion of the undistributed investment returns - restricted for operating, represent funds set aside for the next year's operating budget.

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

(thousands of dollars)

12. 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 and recorded as deferred endowment income. Investment returns on endowments that are available for spending have been recorded in the statement of operations.

Net assets restricted for endowment and deferred endowment income consists of the following:

	1998				
	Externally restricted - UWO	Internally restricted - UWO	Foundation Western	Lawson-Jury Heritage Foundation	Total
Endowed funds and deferred endowment income, April 30, 1997	$ 37,811	$ 11,792	$ 42,232	$ 2,578	$ 94,413
New contributions (reductions)	8,488	1,209	5,800	(639)	14,858
Net investment returns	8,487	2,755	7,799	416	19,457
Allocations for spending	(1,542)	(528)	(5,722)	(416)	(8,208)
Endowed funds and deferred endowment income, April 30, 1998	$53,244	$ 15,228	$ 50,109	$ 1,939	$ 120,520
Balance consists of:					
Endowed funds	$ 33,506	$ 10,086	$ 40,090	$ 1,939	$ 85,621
Deferred endowment income	19,738	5,142	10,019		34,899
	$53,244	$ 15,228	$ 50,109	$ 1,939	$ 120,520

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13. STATEMENT OF CASH FLOWS

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

	1998	1997
Accounts receivable	$ (2,173)	$ (8,535)
Prepaid expenses	(691)	(99)
Inventories	(357)	(118)
Accounts payable and accrued liabilities	(2,131)	3,192
Deferred contributions and income	16,731	5,063
Increase (decrease) in non-cash balances related to operations	$ 11,379	$ (497)

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14. 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, 1997 indicated an accrued pension obligation for these special members of $14,814 (faculty:$10,659 and staff: $4,155). The market value of the related pension fund assets as of that date amounted to $25,150(faculty: $19,274 and staff:$5,876). The disposition of this surplus of $10,336(faculty:$8,615 and staff:$1,721) 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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15. COMMITMENTS AND CONTINGENT LIABILITIES

(a) Guaranteed housing loans

At April 30, 1998, the University was guarantor of 17 housing loans for faculty and staff in the amount of $256 (1997 - $272). 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, 1998 is approximately $23,000 (1997 - $18,800). These costs will be financed by fund raising, government grants and borrowings.

(d) Canadian Universities Reciprocal Insurance Exchange

On January 1, 1998 the University of Western Ontario entered a third, 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 per occurrence with reinsurance of $15,000. For property insurance, CURIE pools coverage for the first $2,500 per loss of property loss exceeding the deductible. For excess coverage policies, members of CURIE are insured directly by various insurance companies to a limit of $647,500. 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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16. 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.

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17. UNCERTAINTY DUE TO THE YEAR 2000 ISSUE

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. The effects of the Year 2000 Issue may be experienced before, on, or after January 1, 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect the University's ability to conduct normal operations. It is not possible to be certain that all aspects of the Year 2000 Issue affecting the University, including those related to the efforts of suppliers, or other third parties, will be fully resolved.

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18. COMPARATIVE AMOUNTS

Certain of the comparative amounts have been restated to conform to the financial statement presentation adopted in the current period.

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