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

Combined Financial Statements

as at April 30, 1999

The 1998-99 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: Tuesday, November 9, 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, 1999 comprising the following:

Combined Statement of Financial Position
Combined Statement of Operations
Combined Statement of Changes in Net Assets
Combined Statement of Changes in Financial Position

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, 1999 and its 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
August 6, 1999

ERNST & YOUNG
Chartered Accountants

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THE UNIVERSITY OF WESTERN ONTARIO

Combined Statement of Financial Position **Statement 1**

As at April 30, 1999, with comparative amounts for 1998
(thousands of dollars)

	1999	1998
	$	**$**
ASSETS		
Current assets		
Cash	2,599	449
Accounts receivable	29,901	26,595
Inventories	4,899	4,561
Prepaid expenses	3,261	2,211
	40,660	33,816
Other assets		
Long term receivables	1,889	2,516
Investments [note 3]	239,344	238,316
Capital assets, net [note 4]	273,015	253,614
	514,248	494,446
	554,908	528,262
LIABILITIES AND NET ASSETS		
Current liabilities		
Due to bankers on current account [note 6]	5,203	19,257
Accounts payable and accrued liabilities	37,527	27,698
Current portion of long-term debt [note 7]	2,552	2,906
Deferred contributions and income [note 8]	65,525	52,396
	110,807	102,257
Long term debt & deferred contributions		
Long term debt [note 7]	88,451	75,765
Long term payables and liabilities	7,115	6,484
Deferred capital contributions [note 9]	123,180	123,451
Deferred endowed income [note 12]	33,386	34,899
	252,132	240,599
Net assets		
Unrestricted [note 10]	(7,327)	2,691
Internally restricted [note 11]	40,568	45,602
Invested in capital assets [note 5]	58,832	51,492
Endowed [note 12]	99,896	85,621
	191,969	185,406
	554,908	528,262

THE UNIVERSITY OF WESTERN ONTARIO

Combined Statement of Operations **Statement 2**

Year ended April 30, 1999, with comparative amounts for 1998
(thousands of dollars)

	1999	1998
	$	**$**
Revenues:		
Government grants and contracts	170,689	165,051
Student fees	113,918	97,382
Sales and services	86,195	83,897
Grants contracts, and donations	41,535	37,613
Investment returns [note 3]	14,556	26,644
Recoverable salaries and benefits	18,332	18,484
Other revenues	2,838	9,699
	448,063	438,770
Expenses:		
Salaries and benefits	287,879	269,744
Operating costs	66,994	61,222
Amortization of capital assets	30,246	27,572
Cost of goods sold	27,692	26,735
Taxes, utilities and space related costs	19,909	20,640
Scholarships and bursaries	15,278	12,253
Interest	5,303	4,586
Repairs and maintenance	3,741	3,419
	457,042	426,171
Excess (deficiency) of revenue over expenses	(8,979)	12,599

THE UNIVERSITY OF WESTERN ONTARIO

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

As at April 30, 1999, with comparative amounts for 1998
(thousands of dollars)

	1999					1998
	Unrestricted	**Internally Restricted**	**Investment in Capital Assets**	**Endowment**	**Total**	**Total**
	$ [note 10]	**$** [note 11]	$ [note 5]	**$** [note 12]	**$**	**$**
Net assets, beginning of year	2,691	45,602	51,492	85,621	185,406	158,292
Excess (deficiency) of revenue over expenses for the year	(8,979)				(8,979)	12,599
Change in internally restricted net assets	5,034	(5,034)				
Change in investment in capital assets [note 5]	(6,975)		7,340		365	226
Internally endowed contributions	902			(902)		
Endowment contributions				15,177	15,177	14,289
Net assets, end of year	(7,327)	40,568	58,832	99,896	191,969	185,406

THE UNIVERSITY OF WESTERN ONTARIO

Combined Statement of Changes in Financial Position **Statement 4**

For the year ended April 30, 1999, with comparative amounts for 1998
(thousands of dollars)

	1999	1998
	$	**$**
Operating activities		
Excess (deficiency) of revenues over expenses for the year	(8,979)	12,599
Add (deduct) non-cash items		
Amortization of capital assets	30,246	27,572
Amortization of deferred capital contributions	(8,994)	(8,372)
Net change in non-cash balances related to operations [note 14]	18,009	11,379
Cash provided by operating activities	30,282	43,178
Investing and financing activities		
Net change in investments	(1,028)	(46,582)
Purchase of capital assets	(49,416)	(35,633)
Proceeds on disposal of capital assets	134	19
Contributions restricted for capital purposes	8,723	7,932
Repayment of long-term debt	(2,268)	(4,001)
Long-term debt financing	14,600	2,199
Endowment contributions	15,177	14,289
Cash used in investing and financing activities	(14,078)	(61,777)
Net increase (decrease) in cash	16,204	(18,599)
Cash position, beginning of year	(18,808)	(209)
Cash position, end of year	(2,604)	(18,808)

Cash position consists of:		
Cash	2,599	449
Due to bankers on current account	(5,203)	(19,257)
	(2,604)	(18,808)

The University of Western Ontario

Notes to the Combined Financial Statements

Year Ended April 30, 1999
(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 Boards of Directors are controlled by the University including Platt's Lane Estates Inc., The London Museum of Archaeology, Lawson-Jury Heritage 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 for the purchase of capital assets are 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 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. Restricted investment income on deferred contributions and 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 amounts of pledges and grants outstanding are approximately $33,682 at April 30,1999 (1998 - $29,281) and are expected to be received as follows:

	Pledges
2000 -	$ 14,730
2001 -	10,945
2002 -	5,371
subsequent years -	2,636
	$ 33,682

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 $8,269. At April 30, 1999, these assets were included in capital assets and equity in capital assets. During the year ended April 30, 1999, the University acquired 128 paintings. All of these were donated with a total appraised value of $226 (1998 - $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 Agreements

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

The University of Western Ontario

Notes to the Combined Financial Statements

Year Ended April 30, 1999
(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, semiannually 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 $133,282 [note 12] (1998 - $120,520). 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					1999		1998	
	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	$ 3,744					$ 3,744	$ 3,725	$ 6,694	$ 6,680
Government Bonds		$ 38,081	$ 27,121	$ 22,715		87,917	85,660	84,599	81,502
Corporate Bonds		5,148	1,262	5,711		12,121	11,809	14,046	13,363
Canadian Equities					$ 65,460	65,460	53,129	66,299	48,043
U.S. Equities					42,014	42,014	25,299	41,526	26,517
Non-North American Equities					26,058	26,058	19,637	23,122	17,998
Property for Resale					2,030	2,030	2,030	2,030	2,030
	$ 3,744	$ 43,229	$ 28,383	$ 28,426	$135,562	$239,344	$201,289	$238,316	$196,133

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

	1999	1998
Total investment income earned	$ 13,043	$ 42,948
Decrease (increase) in deferred endowment income	1,513	(16,304)
	$ 14,556	$ 26,644

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The University of Western Ontario

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Year Ended April 30, 1999
(thousands of dollars)

4. CAPITAL ASSETS

Capital assets consist of the following:

	1999			1998		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Equipment and furnishings	$ 262,009	$ 219,091	$ 42,918	$ 246,611	$ 207,136	$ 39,475
Buildings and roads	354,305	137,680	216,625	330,249	129,217	201,032
Library books	107,103	107,103		100,278	100,278	
Land and improvements	6,535		6,535	6,535		6,535
Works of art	6,937		6,937	6,572		6,572
	$ 736,889	$ 463,874	$ 273,015	$ 690,245	$ 436,631	$ 253,614

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

	1999	1998
Balance, beginning of year	$ 253,614	$ 245,347
Purchase of capital assets funded by deferred capital	8,723	7,932
Purchase of capital assets internally funded	26,093	25,501
Purchase of capital assets financed by long-term debt	14,600	2,199
Capital assets donated to the University	365	226
Disposals of capital assets at cost	(3,137)	(6,136)
Accumulated amortization on disposed capital assets	3,003	6,117
Amortization of capital assets	(30,246)	(27,572)
Balance, end of year	$ 273,015	$ 253,614

During the year, the total cost of items added to the library collection was $7,446 (1998 - $7,037) and the total cost of items removed from the collection was $621 (1998 - $546).

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(thousands of dollars)

5. INVESTMENT IN CAPITAL ASSETS

The investment in capital assets consists of the following:

	1999	1998
Capital assets	$ 273,015	$ 253,614
Less amounts financed by		
Long-term debt	(91,003)	(78,671)
Deferred capital contributions [note 9]	(123,180)	(123,451)
Balance, end of year	$ 58,832	$ 51,492

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

	1999	1998
Repayment of long-term debt	$ 2,268	$ 4,001
Purchase of capital assets internally funded	26,093	25,501
Capital assets donated to the University	365	226
Increase in investment in capital assets	28,726	29,728
Amortization expense	(30,246)	(27,572)
Less amortization of deferred capital contributions [note 9]	8,994	8,372
Net book value of disposed capital assets	(134)	(19)
Decrease in investment in capital assets	(21,386)	(19,219)
Change in investment in capital assets	$ 7,340	$ 10,509

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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 Research & Development Park and Ivey Management Services. The University of Western Ontario Research & Development Park and Windermere Manor's combined overdraft facility is $281.This unsecured line of credit is due on demand and bears interest at the bank's prime rate which was 6.5% at April 30,1999 (1998 - 6.5%)

Ivey Management Services overdraft is covered by an unsecured line of credit agreement. Ivey Management Services may borrow up to $4,500 at the bank's prime rate.

The University of Western Ontario's bank overdraft facility is covered by an unsecured line of credit agreement of $30,000. As at April 30,1999 the University of Western Ontario has not drawn against this facility. The line of credit is due on demand and bears interest at the bank's prime rate.

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(thousands of dollars)

7. LONG-TERM DEBT

Long-term debt consists of mortgages, loans payable, demand notes and public sector term loans. 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.

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

	Maturity	Interest Rate	Annual Payments (Principal & Interest)	1999 Principal Outstanding	1998 Principal Outstanding
Canada Mortgage and Housing Corporation					
Platt's Lane Estates	August 1, 2028	8.00%	$ 699	$ 8,310	$ 8,353
Glenmore Complex	December 1, 2019	6.25%	500	5,806	5,937
Delaware Hall	September 1, 2011	5.37%	134	1,137	1,207
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	349	357
Total Mortgages			$ 2,478	$ 26,352	$ 26,604

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

	Maturity	Interest Rate	1999	1998
Loans Payable:				
R. Ivey School of Business Foundation	December 31, 2002	prime -1%	$ 126	$ 217
Demand Notes:				
R. Ivey School of Business Foundation		prime	7,500	7,500
Public Sector Term Loans [note 7(c)]:				
Law Library	May 2, 1999	5.21%	225	300
3M Centre	May 2, 1999	5.00%	1,350	2,700
Essex Hall [note 7 (e)]	May 30, 1999	5.516%	15,700	15,660
University Community Centre [note 7 (f)]	June 29, 1999	7.32%	10,500	11,000
Research Park [note 7 (g)]	May 12, 1999	5.22%	14,200	14,150
Elgin Hall	May 30, 1999	4.86%	6,900	540
Elgin Hall [note 7 (e)]	May 30, 1999	5.516%	5,600	
Weldon Library	May 16, 1999	4.86%	1,350	
Conron Hall	May 16, 1999	4.86%	1,100	
Stadium under construction	May 16, 1999	4.86%	100	
Total loans payable, demand notes and public sector term loans			$ 64,651	$ 52,067
Total long-term debt			$ 91,003	$ 78,671
Less: current portion			(2,552)	(2,906)
Long-term debt			$ 88,451	$ 75,765

(c) All public sector term loans are for 30 to 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.

(thousands of dollars)

(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 semiannually and a book value, as at April 30, 1999, of $3,264 (1998 - $2,933). The market value of these bonds as at April 30, 1999 was $5,551 (1998 - $5,245). These bonds are included with investments at their April 30, 1999 book value.

(e) An interest rate swap agreement has been entered into for the Essex Hall and $5,600 of Elgin Hall's financing which fixes the effective interest rate at 5.516% over the period ending January 2014.

(f) 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. An agreement has been entered into whereby the loan will be retired by student contributions.

(g) The University of Western Ontario Research & Development Park debt of $14,200 represents the Research Park's debt and the loans owing by Windermere Manor which is 100% owned by the Research Park. Windermere Manor has been developed to complement the operations of the Research Park, and is dependent upon the completion of the Research Park development to generate demand for its facilities.

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.). The University of Western Ontario has issued comfort letters to the lender for Windermere Manor and the Research Park debt.

The Research Park is currently in discussions with its lender with respect to the overall operations of the consolidated Research Park and its ability to fund its ongoing debt repayments. The Research Park and Windermere Manor are dependent upon the continued support of its lender to enable continued operations and support the carrying value of assets. It is also dependent upon the support of the University of Western Ontario to allow it to continue to obtain financing to fund future operations and debt repayments.

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

	Principal
1999 - 2000	$ 2,552
2000 - 2001	2,571
2001 - 2002	2,467
2002 - 2003	2,537
2003 - 2004	2,596
subsequent years	78,280
	$ 91,003

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(thousands of dollars)

8. DEFERRED CONTRIBUTIONS AND INCOME

Deferred contributions and income consist of the following:

	1999	1998
Unspent research grants	$ 23,530	$ 19,075
Other unspent restricted funds	29,996	21,646
Deferred fees and income	11,999	11,675
Balance, end of year	$ 65,525	$ 52,396

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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 is as follows:

	1999	1998
Balance, beginning of year	$ 123,451	$ 123,891
Less amortization of deferred capital contributions	(8,994)	(8,372)
Add contributions received for capital purposes	8,723	7,932
Balance, end of year	$ 123,180	$ 123,451

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(thousands of dollars)

10. UNRESTRICTED NET ASSETS

Details of the unrestricted net assets are as follows:

	1999	1998
Operating surplus, excluding provision for vacation pay	$ 497	$ 4,297
Provision for vacation pay	(4,031)	(4,031)
Operating deficit -- related companies	(15,310)	(11,112)
Undistributed investment returns	11,517	13,537
Balance, end of year	$ (7,327)	$ 2,691

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(thousands of dollars)

11. INTERNALLY RESTRICTED NET ASSETS

Details of the internally restricted net assets are as follows:

	1999	1998
Departmental trust funds	$ 4,030	$ 3,578
CFI and ORDCF	7,500	10,000
Departmental carry forwards	982	3,315
Operating surplus-ancillaries & support units	4,800	4,030
Equipment replacement reserves	3,622	4,425
Capital reserve	12,737	13,181
Undistributed investment returns - restricted for operating	6,000	6,000
Self insurance funds	897	1,073
Balance, end of year	$ 40,568	$ 45,602

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) Operating surplus for ancillaries and support units 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.

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Year Ended April 30, 1999
(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.

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

	1999				
	Externally restricted - UWO	Internally restricted - UWO	Foundation Western	Lawson-Jury Heritage Foundation	Total
Endowed funds and deferred endowment income, April 30, 1998	$ 53,244	$ 15,228	$ 50,109	$ 1,939	$ 120,520
New contributions (reductions)	6,909	(402)	8,268	(500)	14,275
Net investment returns	2,166	521	2,278	16	4,981
Allocations for spending	(2,194)	(1,081)	(3,203)	(16)	(6,494)
Endowed funds and deferred endowment income, April 30, 1999	$60,125	$ 14,266	$ 57,452	$ 1,439	$ 133,282
Balance consists of:					
Endowed funds	$ 40,415	$ 9,684	$ 48,358	$ 1,439	$ 99,896
Deferred endowment income	19,710	4,582	9,094		33,386
	$60,125	$ 14,266	$ 57,452	$ 1,439	$ 133,282

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(thousands of dollars)

13. ONTARIO STUDENT OPPORTUNITY TRUST FUND

Externally restricted endowments include grants provided by the Government of Ontario from the Ontario Student Opportunity Trust Fund matching program. These monies are to award student aid as a result of raising an equal amount of endowed donations.

Details of the Ontario Student Opportunity Trust Fund are as follows:

	1999	1998
Endowment Funds:		
Balance, beginning of year	$ 23,278	$ 10,913
Donations	5,280	5,161
Matching Funds from the Government of Ontario	5,280	5,161
	33,838	21,235
Deferred Investment Income:		
Net Investment Returns	744	2,440
Allocations for Spending	(869)	(397)
	(125)	2,043
Balance, end of year	$ 33,713	$ 23,278
Expendable Funds:		
Balance,beginning of year	$ 403	$ 102
Allocations for Spending	869	397
Bursaries Awarded	(756)	(96)
Balance, end of year	$ 516	$ 403

(thousands of dollars)

14. STATEMENT OF CASH FLOWS

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

	1999	1998
Accounts receivable	$ (2,679)	$ (2,173)
Prepaid expenses	(1,050)	(691)
Inventories	(338)	(357)
Accounts payable and accrued liabilities	10,460	(2,131)
Deferred contributions and income	11,616	16,731
Increase (decrease) in non-cash balances related to operations	$ 18,009	$ 11,379

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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.

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. As the plan sponsor, the University is responsible to fund any deficit arising from variances between actuarial funding estimates and actual experience. The actuarial valuations which are based on best estimate assumptions at December 31, 1998 indicated an accrued pension obligation for these special members of $13,968 (faculty:$10,047 and staff:$3,921). The market value of the related pension fund assets as of that date amounted to $22,685 (faculty:$17,102 and staff:$5,583). The disposition of this surplus of $8,717 (faculty:$7,055 and staff:$1,662) 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, 1999, the University was guarantor of 18 housing loans for faculty and staff in the amount of $334 (1998 - $256). 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, 1999 is approximately $22,300 (1998 - $23,000). 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 exceeding the deductible. For excess coverage policies, members of CURIE are insured directly by various insurance companies to a limit of $645,500. For errors and omissions insurance CURIE pools the risk of its members and carries $3,000 of coverage with reinsurance for an additional $17,000.

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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.

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18. 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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19. COMPARATIVE AMOUNTS

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

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