Combined Financial Statements - as at Apr.30, 2001

Notes

Combined Financial Statements as at April 30, 2001

The 2000-2001 Combined Financial Statements and Notes have been converted to **pdf** format for use with **Adobe Acrobat Reader**. If you do not have Adobe Acrobat Reader installed on your system, you can download it from the Adobe website.

Maintained by Financial Services, Oct.24, 2002.

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, 2001 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, 2001 and the results of its operations and the changes in its cash flows for the year then ended in accordance with generally accepted accounting principles.

London, Canada
July 16, 2001

ERNST & YOUNG
Chartered Accountants

THE UNIVERSITY OF WESTERN ONTARIO

Combined Statement of Financial Position **Statement 1**

As at April 30, 2001, with comparative amounts for 2000
(thousands of dollars)

	2001	[as restated in note 3] 2000
	$	**$**
Assets		
Cash	1,217	514
Accounts receivable	27,031	31,612
Inventories	4,893	4,871
Prepaid expenses	1,307	3,113
Investments [note 4]	352,931	314,723
Capital assets [note 5]	327,653	309,165
	715,032	663,998
Liabilities & deferred contributions		
Due to bankers on current account [note 7]	6,035	6,702
Accounts payable and accrued liabilities	49,791	47,436
Employee future benefits [note 3]	125,454	118,283
Long-term debt [note 8]	101,757	102,291
Deferred contributions and income [note 9]	108,795	85,146
Deferred capital contributions [note 10]	190,256	167,770
	582,088	527,628
Net assets including endowments of $153,000 [Statement 3]	132,944	136,370
	715,032	663,998

THE UNIVERSITY OF WESTERN ONTARIO

Combined Statement of Operations **Statement 2**

For the year ended April 30, 2001, with comparative amounts for 2000
(thousands of dollars)

	2001	[as restated in note 3] 2000
	$	**$**
Revenues		
Government grants and contracts	193,137	178,735
Student fees	144,197	132,405
Sales and services	100,191	94,350
Grants, contracts and donations	48,365	41,761
Investment returns	14,934	17,472
Recoverable salaries and benefits	17,918	17,505
Other revenues	4,727	3,886
	523,469	486,114
Expenses		
Salaries and benefits	320,133	306,611
Operating costs	78,360	71,987
Amortization of capital assets	35,760	33,661
Cost of goods sold	32,530	31,177
Utilities, taxes and space related costs	24,060	21,556
Scholarships and bursaries	24,529	19,685
Interest	6,434	5,477
Repairs and maintenance	7,413	6,633
	529,219	496,787
Deficiency of revenue over expenses	(5,750)	(10,673)

THE UNIVERSITY OF WESTERN ONTARIO

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

As at April 30, 2001, with comparative amounts for 2000
(thousands of dollars)

	2001					2000
	Unrestricted	**Internally Restricted**	**Investment in Capital Assets**	**Endowments**	**Total**	**Total**
	[note 11]	[note 12]	[note 6]	[note 13]		[as restated in note 3]
	$	**$**	$	**$**	**$**	**$**
Net assets, beginning of year	(127,741)	35,568	75,940	152,603	136,370	127,660
Deficiency of revenue over expenses for the year	(5,750)				(5,750)	(10,673)
Change in internally restricted net assets	(3,345)	3,345			-	-
Net change in investment in capital assets [note 6]	(7,151)		7,695		544	1,385
Net investment income transfer to internally endowed	927			(927)	-	-
Net investment income credited directly to endowment				(7,780)	(7,780)	7,657
Endowment contributions				9,560	9,560	10,341
Net assets, end of year	(143,060)	38,913	83,635	153,456	132,944	136,370

THE UNIVERSITY OF WESTERN ONTARIO

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

For the year ended April 30, 2001, with comparative amounts for 2000
(thousands of dollars)

	2001	[as restated in note 3] 2000
	$	**$**
Operating activities		
Deficiency of revenues over expenses for the year	(5,750)	(10,673)
Add (deduct) non-cash items		
Amortization of capital assets	35,760	33,661
Amortization of deferred capital contributions	(12,529)	(10,503)
Net change in non-cash balances related to operations [note 15]	39,540	29,309
Cash provided by operating activities	57,021	41,794
Investing and financing activities		
Net change in investments	(38,208)	(75,379)
Purchase of capital assets	(53,846)	(54,672)
Proceeds on disposal of capital assets	142	294
Contributions restricted for capital purposes	35,015	55,093
Net investment income credited directly to endowment	(7,780)	7,657
Repayment of long-term debt	(5,089)	(2,970)
Long-term debt financing	4,555	14,258
Endowment contributions	9,560	10,341
Cash used in investing and financing activities	(55,651)	(45,378)
Net increase (decrease) in cash	1,370	(3,584)
Cash position, beginning of year	(6,188)	(2,604)
Cash position, end of year	(4,818)	(6,188)
Cash position consists of:		
Cash	1,217	514
Due to bankers on current account	(6,035)	(6,702)
	(4,818)	(6,188)

Notes to the Combined Financial Statements

The following are in PDF format. If you don't have the Adobe Acrobat Reader installed on your system, you can download it from the Adobe website.

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The University of Western Ontario

Notes to the Combined Financial Statements

Year Ended April 30, 2001
(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 contain the accounts of the University and organizations that the University controls, including: the London Museum of Archaeology, 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 accounts 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 Canadian generally accepted accounting principles. 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.

Gifts of capital assets are recorded at fair market value at the date of receipt and the related contributions are 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 receipt and 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 real estate, are recorded in the accounts at market value. Unrealized gains (losses) are included in investment income. Externally restricted investment income is recognized as revenue when the related expenses are incurred. Unrestricted investment income is recognized as revenue in the period it is earned. Investment income on internally restricted endowments is recorded as a transfer from unrestricted to endowments in the statement of changes in net assets. Real estate held for resale is accounted for at the lower of cost and net realizable value.

(c) Pledges

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. At the request of the contributor, restrictions may apply to the use of these funds. Total pledges outstanding and expected year of collection are as follows:

	Pledges
2002 -	$ 25,797
2003 -	10,925
2004 -	7,751
subsequent years -	16,449
	$ 60,922

(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 art, 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 library books, 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	5 years

Buildings include construction in progress. No amortization is recorded until construction is substantially complete and the assets are ready for productive use.

(f) Works of art

The University of Western Ontario maintains a collection of art that is insured for $9,066. At April 30, 2001, these assets are included in capital assets and investment in capital assets. During the year ended April 30, 2001, 48 paintings were donated to the University with a total appraised value of $143 (2000 - $412). 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) Employee future benefits

The University accrues its obligations for employee future benefit plans. The cost of non-pension post-retirement and post-employment benefits earned by employees is actuarially determined using the projected benefit method pro-rated on service using best estimates of salary escalation, retirement ages of employees and expected health care costs.

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(thousands of dollars)

3. CHANGES IN ACCOUNTING POLICY

(i) During the year, the University changed its accounting policy to comply with the revised C.I.C.A. guidelines for employee future benefits. The changes have been applied on a retroactive basis and are as follows:

(a) Expense recognition

Prior to the current fiscal year, employee future benefits for medical, dental, life insurance, and spousal benefits were accounted for on a cash basis. During the year, the accrual method of accounting for its obligations as described in note 2 (h) was adopted. The change in policy had the effect of increasing the 2001 benefit expense by $7,171 (2000 - $6,601) and decreasing the April 30, 2001 unrestricted net assets by $125,454 (2000 - $118,283).

(b) Accrued benefit liability

Prior to the current fiscal year, non-pension post employment benefit obligations were not disclosed. During the year, the accrual method of accounting for its obligations as described in note 2 (h) was adopted. The change in policy had the effect of increasing the April 30, 2001 liabilities by $125,454 (2000 - $118,283).

(c) Actuarial assumptions

The significant actuarial assumptions adopted in measuring the University's accrued benefit obligations are as follows:

Discount rate	6.75%
Medical cost increases:	
Hospital & drug	9.00% per annum (decreasing to 4.50% per annum after 5 years)
Other medical	4.50% per annum
Dental cost increases	4.00% per annum

(ii) Prior to the current fiscal year, the University amortized library books using a 100% amortization rate in the year of acquisition. Library books are now amortized on a straight-line basis over 5 years, as described in note 2 (e). This change was made to better reflect the value of the library collection. As a result of this change, the April 30, 2000 capital assets and investment in capital assets have increased by $14,625 and the 2000 amortization expense has been reduced by $577.

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(thousands of dollars)

4. INVESTMENTS

(a) Investments consist of the following:

	2001		2000	
	Market Value	Cost	Market Value	Cost
Short-term Investments	$ 71,508	$ 71,508	$ 44,876	$ 44,876
Government Bonds	103,590	104,557	95,991	95,931
Corporate Bonds	19,411	19,263	18,911	19,154
Canadian Equities	55,119	45,509	62,921	47,921
U.S. Equities	59,462	51,781	56,041	39,132
Non-North American Equities	42,261	36,521	34,403	25,081
Real Estate	1,580	1,580	1,580	1,580
	$ 352,931	$ 330,719	$ 314,723	$ 273,675

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

	2001	2000
Total investment income earned	$ 7,154	$ 25,129
Decrease (increase) in capitalized endowment income	7,780	(7,657)
	$ 14,934	$ 17,472

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(thousands of dollars)

The University of Western Ontario

5. CAPITAL ASSETS

Capital assets consist of the following:

	2001			2000		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Equipment & furnishings	$ 209,045	$ 145,478	$ 63,567	$ 196,036	$ 139,911	$ 56,125
Buildings & roads	389,733	156,810	232,923	371,034	147,524	223,510
Library books	122,112	106,398	15,714	114,107	99,482	14,625
Land	6,535		6,535	6,535		6,535
Works of art	8,914		8,914	8,370		8,370
	$ 736,339	$ 408,686	$ 327,653	$ 696,082	$ 386,917	$ 309,165

The University's insurer develops replacement values of buildings and contents for insurance purposes using an independent appraisal service. The insured replacement value of buildings is $830,500 (2000 - $773,500); contents is $1,000,000 (2000 - $1,000,000), which includes library books of $730,000 (2000 - $735,000).

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(thousands of dollars)

6. INVESTMENT IN CAPITAL ASSETS

The investment in capital assets consists of the following:

	2001	2000
Capital assets	$ 327,653	$ 309,165
Less amounts financed by		
Long-term debt	(101,757)	(102,291)
Deferred capital contributions [note 10]	(142,261)	(130,934)
Balance, end of year	$ 83,635	$ 75,940

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

	2001	2000
Repayment of long-term debt	$ 5,089	$ 2,970
Purchase of capital assets internally funded	25,435	22,157
Non-depreciable capital assets donated to the University	544	1,385
Increase in investment in capital assets	31,068	26,512
Amortization expense	(35,760)	(33,661)
Less amortization of deferred capital contributions [note 10]	12,529	10,503
Net book value of disposed capital assets	(142)	(294)
Net change in investment in capital assets	(23,373)	(23,452)
	$ 7,695	$ 3,060

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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, 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, 2001 (2000 - 7.0%).

Ivey Management Services' overdraft facility is covered by a general security agreement. Ivey Management Services may borrow up to $5,250 (2000 - $5,250) 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. The line of credit is due on demand and bears interest at the bank's prime rate. As at April 30, 2001 the University has not drawn against this facility (2000 - $1,306).

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(thousands of dollars)

8. LONG-TERM DEBT

	Maturity	Interest Rate	Annual Payments (Principal & Interest)	2001 Principal Outstanding	2000 Principal Outstanding
(a) The details of the mortgages are as follows:					
Housing					
Canada Mortgage and Housing Corporation:					
Platt's Lane Estates	Aug 1, 2028	8.00%	$ 699	$ 8,209	$ 8,262
Glenmore Complex	Dec 1, 2019	6.25%	500	5,518	5,666
Delaware Hall	Sept 1, 2011	5.37%	134	986	1,064
Ontario Housing Corporation:					
Lambton Hall [note (c)]	April 1, 2010	10.36%	1,114	10,750	10,750
Glenmore Complex	Dec 1, 2019	6.50%	31	331	340
Total mortgages			$ 2,478	$ 25,794	$ 26,082

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

	Maturity	Interest Rate	Annual Payments (Principal & Interest)	2001 Principal Outstanding	2000 Principal Outstanding
Housing					
Essex Hall/Elgin Hall [note (d)]	May 31, 2001	4.90%		$ 21,300	$ 21,300
Elgin Hall [note (e)]	May 15, 2001	4.92%		13,200	14,000
Capital					
Stadium [note (e)]	May 15, 2001	5.02%		3,430	2,000
Stadium [note (g)]	May 15, 2001	4.50%		2,000	-
Telecommunications System [note (f)]	May 1, 2001	5.17%		4,400	4,800
Other Capital Projects [note (e)]	May 15, 2001	4.92%		450	2,125
Other					
University Community Centre [note (h)]	June 28, 2001	4.91%		9,100	10,000
Related Corporations					
Research Park [note (i)]	June 10, 2001	5.00%		14,200	14,200
Richard Ivey School of Business Foundation					
(i) Bankers' Acceptances [note (j)]	July 12, 2001	4.80%		6,700	7,200
(ii) Demand Loan	Apr 30, 2003	prime +1/2%		1,125	-
(iii) Term Loan [note (j)]	Dec 31, 2002	prime -1%		58	584
Total loans payable				$ 75,963	$ 76,209
Total long-term debt				$ 101,757	$ 102,291

(thousands of dollars)

(c) 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, 2001, of $4,042 (2000 - $3,632). The market value of these bonds as at April 30, 2001 was $5,817 (2000 - $5,354). These bonds are included with investments at their April 30, 2001 book value.

(d) An interest rate swap agreement has been entered into for Essex Hall and $5,600 of Elgin Hall's financing which fixes the effective interest rate at 5.52% (monthly) over the period ending January 2014.

(e) All public sector term loans are for 30 to 90 day terms and subject to refinancing during the coming year.

(f) An interest rate swap agreement has been entered into for the telecommunications system financing which fixes the effective interest rate at 5.97% (monthly) over the period ending June 2009.

(g) The 2001 Alliance London Canada Summer Games Host Society Inc. has advanced funds to the University to assist in the financing of the new stadium. This loan, which is due on demand, is secured by a promissory note with interest at bank prime rate less 2%.

(h) An interest rate swap agreement has been entered into for the University Community Centre Expansion financing which fixes the effective interest rate at 7.47% (semi-annually) over the period ending September 2008. An agreement has been entered into whereby the loan will be retired by student contributions.

(i) The University of Western Ontario Research & Development Park debt of $14,200 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.). The University of Western Ontario has issued comfort letters to the lender for Windermere Manor and the Research Park debt.

Windermere Manor and the Research Park are currently in the process of restructuring their debt. Any change in the value of the assets and liabilities related to either entity as a result of this restructuring is not known at this time and therefore, no adjustments have been made in these financial statements.

(j) These loans for the Richard Ivey School of Business Foundation are guaranteed by The University of Western Ontario.

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

	Principal
2001 - 2002	$ 7,988
2002 - 2003	4,237
2003 - 2004	3,353
2004 - 2005	3,459
2005 - 2006	3,512
subsequent years	79,208
	$ 101,757

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(thousands of dollars)

9. DEFERRED CONTRIBUTIONS AND INCOME

Deferred contributions and income consist of the following:

	2001	2000
Unspent research grants	$ 46,942	$ 32,098
Other unspent restricted funds	41,850	36,549
Deferred fees and income	20,003	16,499
Balance, end of year	$ 108,795	$ 85,146

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(thousands of dollars)

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:

	2001	2000
Balance, beginning of year	$ 167,770	$ 123,180
Less amortization of deferred capital contributions	(12,529)	(10,503)
Add contributions received for capital purposes	35,015	55,093
Balance, end of year	$ 190,256	$ 167,770

This balance represents:

Amounts used for the purchase of capital assets	$ 142,261	$ 130,934
Amounts to be spent on capital assets	47,995	36,836
	$ 190,256	$ 167,770

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(thousands of dollars)

11. UNRESTRICTED NET ASSETS

Details of the unrestricted net assets are as follows:

	2001	2000
Operating fund surplus (deficit)	$ 423	$ (531)
Provision for employee future benefits	(125,454)	(118,283)
Provision for vacation pay	(4,482)	(4,482)
Operating deficit - related corporations	(20,058)	(19,268)
Undistributed investment returns	6,511	14,823
Balance, end of year	$ (143,060)	$ (127,741)

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(thousands of dollars)

12. INTERNALLY RESTRICTED NET ASSETS

Details of the internally restricted net assets are as follows:

	2001	2000
Faculty trust funds	$ 3,271	$ 3,373
Departmental carry forwards and equipment reserves	8,657	2,260
Operating surplus-ancillaries & support units	5,803	6,933
Capital reserve	17,720	17,084
CFI and OIT	2,500	5,000
Self insurance funds	962	918
Balance, end of year	$ 38,913	$ 35,568

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

i) Faculty trust funds include donations and other income with no external restrictions 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. As at April 30, 2001, the University had a carry forward of $3,990 (2000 - negative $1,578).

The equipment reserves represent funds that departments have allocated for the future replacement of assets. As at April 30, 2001, these reserves were $4,667 (2000 - $3,622).

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

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

v) Funds restricted for CFI and OIT represent the University's commitment to research programs that are being jointly funded with the Canada Foundation for Innovation (CFI) and the Ontario Innovation Trust (OIT).

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

(thousands of dollars)

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 London Museum of Archaeology; 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.

Investment income on endowments, which is comprised of interest, dividend income and realized and unrealized gains and losses, is recorded in the statement of operations when this income is available for spending, at the discretion of the University. University policy has been established with the objective of protecting the real value of the endowments by limiting the amount of income made available for spending and requiring the reinvestment of income not made available. The policy is based on the anticipated net long term real rate of return on investments of 5%. In any particular year, should net investment income be insufficient to fund the amount to be made available for spending, the amount that is made available for spending is funded by the accumulated reinvested income.

In 2001, net investment income was not sufficient to fund the amount available for spending. As a result, transfers consisting of allocations from capitalized income were recorded of $7,780 from externally restricted endowments and $927 from internally restricted endowments to unrestricted assets for expenditures in the year. In 2000, $8,980 was allocated for the preservation of capital of which $7,657 related to externally restricted endowments which was recorded as a direct increase to endowments and $1,323 related to internally restricted endowments which was recorded as investment income and then transferred from unrestricted assets to endowments.

Net assets restricted for endowment consist of:

	2001	2000
Externally Endowed	$ 139,270	$ 137,490
Internally Endowed	14,186	15,113
	$ 153,456	$ 152,603
Balance consists of:		
Endowed funds	$ 119,797	$ 110,237
Capitalized income	33,659	42,366
	$ 153,456	$ 152,603

(thousands of dollars)

14. 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:

	2001	2000
Endowment Funds:		
Balance, beginning of year	$ 38,126	$ 33,713
Donations	227	1,069
Matching Funds from the Government of Ontario	-	1,039
Net Investment Income Capitalized	(1,610)	2,305
Balance, end of year	$ 36,743	$ 38,126
Expendable Funds:		
Balance, beginning of year	1,019	516
Allocations for spending	1,737	1,577
Bursaries awarded	(1,564)	(1,074)
Balance, end of year	$ 1,192	$ 1,019

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(thousands of dollars)

15. STATEMENT OF CASH FLOWS

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

	2001	2000
Accounts receivable	$ 4,581	$ 178
Prepaid expenses	1,806	148
Inventories	(22)	28
Accounts payable and accrued liabilities	2,355	2,733
Employee future benefits	7,171	6,601
Deferred contributions and income	23,649	19,621
Net Change in non-cash balances related to operations	$ 39,540	$ 29,309

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16. 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.

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, 2000 indicated an accrued pension obligation for these special members of $12,797 (faculty:$9,279 and staff: $3,518). The market value of the related pension fund assets as of that date amounted to $20,166 (faculty: $15,606 and staff:$4,560). The disposition of this surplus of $7,369 (faculty:$6,327 and staff:$1,042) 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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17. COMMITMENTS AND CONTINGENT LIABILITIES

(a) Guaranteed housing loans

At April 30, 2001, the University was guarantor of 13 housing loans for faculty and staff in the amount of $234 (2000 - $342). The University holds mortgages as collateral security against such guarantees.

(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 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, 2001 is approximately $59,348 (2000 - $21,325). 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 $640,000. 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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18. 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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Year Ended April 30, 2001
(thousands of dollars)

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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