Financial Services

Combined Financial Statements - as at Apr.30, 2002

Western

Notes

Combined Financial Statements as at April 30, 2002

The 2001-2002 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.21, 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, 2002 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, 2002 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 8, 2002

ERNST & YOUNG
Chartered Accountants

THE UNIVERSITY OF WESTERN ONTARIO

Combined Statement of Financial Position **Statement 1**

As at April 30, 2002, with comparative amounts for 2001
(thousands of dollars)

	2002	2001
	$	**$**
Assets		
Cash	1,603	1,217
Accounts receivable	37,449	27,031
Inventories	4,697	4,893
Prepaid expenses	2,575	1,307
Investments [note 3]	373,613	352,931
Capital assets [note 4]	362,259	327,653
	782,196	715,032
Liabilities & deferred contributions		
Due to bankers on current account [note 6]	12,416	6,035
Accounts payable and accrued liabilities	56,081	49,791
Deferred fees and income	25,448	20,003
Employee future benefits [note 16]	133,059	125,454
Long term debt [note 7]	104,031	101,757
Deferred contributions [note 8]	97,327	88,792
Deferred capital contributions [note 9]	204,175	190,256
	632,537	582,088
Net assets [Statement 3]		
Endowments	156,778	153,456
Other	(7,119)	(20,512)
	149,659	132,944
	782,196	715,032

THE UNIVERSITY OF WESTERN ONTARIO

Combined Statement of Operations **Statement 2**

For the year ended April 30, 2002, with comparative amounts for 2001
(thousands of dollars)

	2002	2001
	$	**$**
Revenues		
Government grants for general operations	148,720	140,220
Restricted government grants and other grants and contracts	81,008	67,713
Student fees	163,794	145,161
Sales and services	105,433	99,613
Donations [note 14]	23,223	23,674
Recoverable salaries and benefits	19,826	17,918
Investment returns [note 3(b)]	15,294	14,934
Other revenues	7,256	5,181
	564,554	514,414
Expenses		
Salaries and benefits	333,108	323,444
Operating costs	78,447	69,695
Amortization of capital assets	38,978	35,760
Cost of sales and services	35,624	32,956
Scholarships, fellowships and bursaries	31,611	24,529
Taxes and utilities	16,967	14,998
Repairs and maintenance	12,089	12,348
Interest	5,593	6,434
	552,417	520,164
Excess (deficiency) of revenue over expenses	12,137	(5,750)

THE UNIVERSITY OF WESTERN ONTARIO

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

As at April 30, 2002, with comparative amounts for 2001
(thousands of dollars)

	2002						2001
		Other					
	Unrestricted [note 10]	**Internally Restricted** [note 11]	**Investment in Capital Assets** [note 5]	**Total**	**Endowments** [note 12]	**Total**	**Total**
	$	**$**	**$**	**$**	**$**	**$**	**$**
Net assets, beginning of year	(143,060)	38,913	83,635	(20,512)	153,456	132,944	136,370
Excess (deficiency) of revenue over expenses for the year	12,137			12,137	-	12,137	(5,750)
Change in internally restricted net assets	(12,768)	12,768		-	-	-	-
Change in investment in capital assets [note 5]	(7,003)		7,249	246	-	246	544
Net transfer from internally endowed	1,010			1,010	(1,010)	-	-
Net change in capitalized income charged directly to endowments [note 3]					(8,306)	(8,306)	(7,780)
Endowment contributions [note 14]					12,638	12,638	9,560
Net assets, end of year	(149,684)	51,681	90,884	(7,119)	156,778	149,659	132,944

THE UNIVERSITY OF WESTERN ONTARIO

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

For the year ended April 30, 2002, with comparative amounts for 2001
(thousands of dollars)

	2002	2001
	$	**$**
Operating activities		
Excess (deficiency) of revenues over expenses for the year	12,137	(5,750)
Add (deduct) non-cash items		
Amortization of capital assets	38,978	35,760
Amortization of deferred capital contributions	(15,043)	(12,529)
Reduction in unrealized investment gain	9,258	18,836
Net change in non-cash balances related to operations [note 15]	16,384	39,540
Cash provided by operating activities	61,714	75,857
Investing and financing activities		
Purchase of investments, net	(29,940)	(57,044)
Purchase of capital assets	(74,161)	(53,846)
Proceeds on disposal of capital assets	824	142
Contributions restricted for capital purposes	28,962	35,015
Change in capitalized income	(8,306)	(7,780)
Repayment of long-term debt	(6,101)	(5,089)
Additions to long-term debt	8,375	4,555
Endowment contributions	12,638	9,560
Cash used in investing and financing activities	(67,709)	(74,487)
Net increase (decrease) in cash position	(5,995)	1,370
Cash position, beginning of year	(4,818)	(6,188)
Cash position, end of year	(10,813)	(4,818)

Cash (due to bankers) consists of:		
Cash	1,603	1,217
Due to bankers on current account	(12,416)	(6,035)
	(10,813)	(4,818)

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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Direct Links to Individual Notes to the Combined Financial Statements:

The University of Western Ontario

Notes to the Combined Financial Statements

Year Ended April 30, 2002
(thousands of dollars)

1. DESCRIPTION

The University of Western Ontario (The University) 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 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, Windermere Manor Ltd., The Siebens - Drake Research Institute 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 University College, King's College and Huron University College), or the net assets of the Pension Funds and the Retirement Income Fund Program of the Academic Staff and Administrative Staff of The University.

☞ To the next Note

● Back to the 2002 Combined Financial Statements Page ● Financial Services Home Page

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. Activity fees are included in student fees. 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
2003 -	$ 20,193
2004 -	10,864
2005 -	7,997
subsequent years -	16,371
	$ 55,425

(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
Works of art are not amortized.	

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 maintains a collection of art that is insured for $9,150. At April 30, 2002, these assets are included in capital assets and investment in capital assets. During the year ended April 30, 2002, 256 paintings were donated to The University with a total appraised value of $246 (2001 - $544).

(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) Non-pension employee future benefits

The University accrues its obligations for non-pension 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. Differences arising from plan amendments, changes in assumptions and actuarial gains and losses are recognized in income over the expected average remaining service life of employees.

(i) Pension plan

Contributions to defined contribution plans are expensed when due.

(thousands of dollars)

3. INVESTMENTS

(a) Investments consist of the following:

	2002		2001	
	Market Value	Cost	Market Value	Cost
Short-term investments	$ 68,906	$ 68,906	$ 71,508	$ 71,508
Government bonds	83,173	83,742	103,590	104,557
Corporate bonds	40,737	40,898	19,411	19,263
Canadian equities	65,260	57,030	55,119	45,509
U.S. equities	67,134	63,331	59,462	51,781
Non-North American equities	47,067	45,416	42,261	36,521
Real estate	1,336	1,336	1,580	1,580
	$ 373,613	$ 360,659	$ 352,931	$ 330,719

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

	2002	2001
Total investment income earned	$ 6,988	$ 7,154
Decrease in capitalized endowment income	8,306	7,780
	$ 15,294	$ 14,934

To the previous Note   To the next Note

Back to the 2002 Combined Financial Statements Page   Financial Services Home Page

The University of Western Ontario
Notes to the Combined Financial Statements

Year Ended April 30, 2002
(thousands of dollars)

4. CAPITAL ASSETS

Capital assets consist of the following:

	2002			2001		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Equipment & furnishings	$ 218,601	$ 147,620	$ 70,981	$ 209,045	$ 145,478	$ 63,567
Buildings & roads	429,018	170,523	258,495	389,733	156,810	232,923
Library books	129,445	113,961	15,484	122,112	106,398	15,714
Land	8,123		8,123	6,535		6,535
Works of art	9,176		9,176	8,914		8,914
	$ 794,363	$ 432,104	$ 362,259	$ 736,339	$ 408,686	$ 327,653

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 $881,147 (2001 - $830,500); contents is $1,136,685 (2001 - $1,000,000), which amount includes library books of $785,451 (2001 - $730,000).

☜ To the previous Note ☞ To the next Note

● Back to the 2002 Combined Financial Statements Page ● Financial Services Home Page

The University of Western Ontario

Notes to the Combined Financial Statements

Year Ended April 30, 2002
(thousands of dollars)

5. INVESTMENT IN CAPITAL ASSETS

The investment in capital assets consists of the following:

	2002	2001
Capital assets [note 4]	$ 362,259	$ 327,653
Less amounts financed by		
Long-term debt [note 7]	(104,031)	(101,757)
Deferred capital contributions [note 9]	(167,344)	(142,261)
	$ 90,884	$ 83,635

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

	2002	2001
Amortization of deferred capital contributions	$ 15,043	$ 12,529
Amortization of capital assets	(38,978)	(35,760)
	(23,935)	(23,231)
Purchase of capital assets	74,161	53,846
Amounts funded by:		
Long-term debt	(8,375)	(4,555)
Deferred capital contributions	(40,125)	(23,856)
Repayment of long-term debt	6,101	5,089
Net book value of disposed capital assets	(824)	(142)
	30,938	30,382
Non-depreciable assets donated to The University	246	544
Change in investment in capital assets	$ 7,249	$ 7,695

To the previous Note   To the next Note

Back to the 2002 Combined Financial Statements Page   Financial Services Home Page

6. DUE TO BANKERS ON CURRENT ACCOUNT

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

The University of Western Ontario Research & Development Park and Windermere Manor Ltd.'s combined overdraft facility is $281. As at April 30, 2002, $140 (2001 - $308) has been drawn against this facility. This unsecured line of credit is due on demand and bears interest at the bank's prime rate which was 4.0% at April 30, 2002 (2001 - 6.5%).

Ivey Management Services' overdraft facility is covered by a general security agreement. Ivey Management Services may borrow up to $5,250 (2001 - $5,250) at the bank's prime rate. As at April 30, 2002, $4,511 (2001 - $5,270) has been drawn against this facility.

The University'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, 2002, The University has drawn $2,144 (2001 - $0) against this facility.

☜ To the previous Note ☞ To the next Note

- Back to the 2002 Combined Financial Statements Page
- Financial Services Home Page

(thousands of dollars)

7. LONG-TERM DEBT

	Maturity/ Refinancing Date	Interest Rate	Annual Payments (Principal & Interest)	2002 Principal Outstanding	2001 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	$ 8,150	$ 8,209
Glenmore Complex	Dec 1, 2019	6.25%	500	5,360	5,518
Delaware Hall	Sept 1, 2011	5.37%	134	904	986
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	323	331
Total mortgages			$ 2,478	$ 25,487	$ 25,794
(b) The details of the loans payable, demand notes, public sector term loans and bankers' acceptances are as follows:					
Housing					
Essex Hall/Elgin Hall [note (d)]	May 30, 2002	2.495%		$ 21,300	$ 21,300
Elgin Hall [note (e)]	May 16, 2002	2.45%		12,400	13,200
New Residence [note (e)]	May 16, 2002	2.45%		3,395	-
Capital					
Stadium [note (e)]	May 20, 2002	2.57%		5,410	3,430
Stadium				-	2,000
Telecommunications System [note (f)]	May 01, 2002	2.39%		4,000	4,400
NCMRD Expansion [note (e)]	May 20, 2002	2.48%		2,215	-
Dental and Medical Facilities [note (e)]	May 16, 2002	2.45%		100	-
Other Capital Projects [note (e)]	May 16, 2002	2.45%		275	450
Other					
University Community Centre [note (g)]	June 27, 2002	2.53%		8,070	9,100
Related Corporations					
Research Park [note (h)]	May 9, 2002	2.39%		14,200	14,200
Richard Ivey School of Business Foundation					
(i) Bankers' Acceptances [note (i)]	Oct. 17, 2002	2.95%		6,400	6,700
(ii) Demand Loan [note (i)]	Apr. 30, 2003	prime+1/2%		749	1,125
(iii) Term Loan [note (i)]	Dec. 31, 2002	prime -1%		30	58
Total loans payable				$ 78,544	$ 75,963
Total long-term debt				$ 104,031	$ 101,757

(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, 2002, of $4,497 (2001 - $4,042). The market value of these bonds as at April 30, 2002 was $6,450 (2001 - $5,817). These bonds are included with investments at their April 30, 2002 book value.

(d) An interest rate swap agreement has been entered into for $15,700 for Essex Hall and $5,600 for Elgin Hall's financing which fixes the effective interest rate at 5.52% (monthly) over the period ending January 2014.

(e) These financings consist of public sector term loans, which are for 30 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) 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.

(h) 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 Ltd. which is 100% owned by the Research Park.

Windermere Manor Ltd.'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 has issued comfort letters to the lender for Windermere Manor Ltd. and the Research Park debt.

Windermere Manor Ltd. 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.

(i) The bankers' acceptance and term loan for the Richard Ivey School of Business Foundation are guaranteed by The University. The demand loan is secured by a general security agreement.

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

		Principal
2002 - 2003	$	9,316
2003 - 2004		4,083
2004 - 2005		4,071
2005 - 2006		4,172
2006 - 2007		4,159
Subsequent years		78,230
	$	104,031

☜ To the previous Note ☞ To the next Note

The University of Western Ontario
Notes to the Combined Financial Statements

Year Ended April 30, 2002
(thousands of dollars)

8. DEFERRED CONTRIBUTIONS

Deferred contributions consist of the following:

	2002	2001
Unspent research grants	$ 49,437	$ 46,942
Other restricted funds	47,890	41,850
Balance, end of year	$ 97,327	$ 88,792

☜ To the previous Note ☞ To the next Note

● Back to the 2002 Combined Financial Statements Page ● Financial Services Home Page

(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 capital contributions balance are as follows:

	2002	2001
Balance, beginning of year	$ 190,256	$ 167,770
Less amortization of deferred capital contributions	(15,043)	(12,529)
Add contributions received for capital purposes	28,962	35,015
Balance, end of year	$ 204,175	$ 190,256

This balance represents:

	2002	2001
Amounts used for the purchase of capital assets	$ 167,344	$ 142,261
Amounts to be spent on capital assets	36,831	47,995
	$ 204,175	$ 190,256

To the previous Note   To the next Note

Back to the 2002 Combined Financial Statements Page   Financial Services Home Page

The University of Western Ontario
Notes to the Combined Financial Statements

Year Ended April 30, 2002
(thousands of dollars)

10. UNRESTRICTED NET ASSETS

Details of the unrestricted net assets are as follows:

	2002	2001
Operating fund surplus	$ 7,152	$ 423
Provision for employee future benefits	(133,059)	(125,454)
Provision for vacation pay	(4,910)	(4,482)
Operating deficit - related corporations	(20,007)	(20,058)
Undistributed investment returns	1,140	6,511
Balance, end of year	$ (149,684)	$ (143,060)

To the previous Note   To the next Note

Back to the 2002 Combined Financial Statements Page   Financial Services Home Page

(thousands of dollars)

11. INTERNALLY RESTRICTED NET ASSETS

Details of the internally restricted net assets are as follows:

	2002	2001
Faculty and research trust funds	$ 5,459	$ 3,271
Departmental carry forwards	13,000	3,990
Equipment reserves	5,655	4,667
Operating surplus - ancillaries & support units	7,548	5,803
Capital reserve	19,131	17,720
CFI and OIT	-	2,500
Self-insurance funds	888	962
Balance, end of year	$ 51,681	$ 38,913

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 and research 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.

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

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

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

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)

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 London Museum of Archaeology, Siebens-Drake Research Institute 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. However, for individual endowment funds without sufficient accumulated reinvestment income, endowment capital is used in the current year. This amount is expected to be recovered by future net investment income.

Net assets restricted for endowment consist of the following:

	2002	2001
Externally Endowed	$ 143,602	$ 139,270
Internally Endowed	13,176	14,186
	$ 156,778	$ 153,456

Balance consists of:

	2002	2001
Endowed funds	$ 132,435	$ 119,797
Capitalized income	24,343	33,659
	$ 156,778	$ 153,456

(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.

Schedule of Changes in Endowment Fund Balance

	2002	2001
Balance, beginning of year	$ 36,743	$ 38,126
Cash donations received	136	227
Net Investment Income Capitalized	(1,810)	(1,610)
Balance, end of year	$ 35,069	$ 36,743

Schedule of Changes in Expendable Funds Available for Awards

	2002	2001
Balance, beginning of year	$ 1,192	$ 1,019
Allocations for spending	1,720	1,737
Bursaries awarded [863 (2001 – 769)]	(1,642)	(1,564)
Balance, end of year	$ 1,270	$ 1,192

The University of Western Ontario

Notes to the Combined Financial Statements

Year Ended April 30, 2002
(thousands of dollars)

14. DONATIONS

During the year, The University received donations of $42,490 (2001 - $41,117). Donations have been recognized as follows:

	2002	2001
Combined Statement of Operations	$ 23,223	$ 23,674
Externally restricted endowments	12,638	9,560
Change in deferred contributions	6,629	7,883
	$ 42,490	$ 41,117

☜ To the previous Note ☞ To the next Note

● Back to the 2002 Combined Financial Statements Page ● Financial Services Home Page

(thousands of dollars)

15. STATEMENT OF CASH FLOWS

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

	2002	2001
Accounts receivable	$ (10,419)	$ 4,581
Inventories	196	(22)
Prepaid expenses	(1,268)	1,806
Accounts payable and accrued liabilities	6,290	2,355
Deferred fees and income	5,445	4,113
Employee future benefits	7,605	7,171
Deferred contributions	8,535	19,536
Net change in non-cash balances related to operations	$ 16,384	$ 39,540

☜ To the previous Note ☞ To the next Note

● Back to the 2002 Combined Financial Statements Page ● Financial Services Home Page

The University of Western Ontario

Notes to the Combined Financial Statements

Year Ended April 30, 2002
(thousands of dollars)

16. NON-PENSION EMPLOYEE FUTURE BENEFITS

The University provides medical, dental and life insurance benefits to eligible employees.

At April 30, 2002 The University's accrued benefit liability relating to the employee future benefit plan is $133,059 (2001- $125,454). An unrecognized net gain arising from changes in assumptions and actuarial gains and losses of $5,524 exists at April 30, 2002.

The significant actuarial assumptions adopted in measuring The University's accrued benefit obligations for non-pension employee future benefits are as follows:

Discount rate	7.00% per annum (6.75% as at April 30, 2001)
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	4.00% per annum

Included in the Combined Statement of Operations is an annual expense in the amount $7,605 (2001 - $7,171) regarding non-pension employee future benefits.

☜ To the previous Note ☞ To the next Note

● Back to the 2002 Combined Financial Statements Page ● Financial Services Home Page

The University of Western Ontario

Notes to the Combined Financial Statements

Year Ended April 30, 2002
(thousands of dollars)

17. PENSION PLANS AND OTHER RETIREMENT INCOME FUNDS

The University sponsors pension plans for its faculty and staff. The benefits provided under the plans are primarily defined contribution. There is no past service liability in respect of either of these plans.

For faculty members who attained the age of 45 on July 1, 1970 (the date the faculty plan was changed to provide defined contribution benefits) a minimum annual pension income was guaranteed based on a defined benefit formula. For staff members who were hired prior to May 1, 1974 (the date the staff plan was amended to provide defined contribution benefits) a minimum annual pension income was guaranteed based on a defined benefit formula. There are actuarial liabilities, primarily for former employees who retired under these guarantee formulas, under both plans. The actuarial valuations which are based on best estimate assumptions at December 31, 2000 and projected to December 31, 2001 indicated that the accrued pension obligation for these plans amount to $11,807 (faculty: $8,556 and staff: $3,251). The market value of the related pension fund assets as of December 31, 2001 amount to $16,511 (faculty: $13,031 and staff: $3,480). The disposition of this surplus of $4,704 (faculty: $4,475 and staff: $229) is subject to the approval of the Board of Governors and the Pension Boards. The surplus is not reflected in the financial statements.

In October 2000, The University established the Retirement Income Funds Program to provide periodic income payments to former members of the UWO pension plan who choose to enrol. The University's obligations are solely related to the administration of these programs. Former members allocate, at their own discretion, all or a portion of their entitlements under the UWO pension plans to either a Registered Retirement Income Fund (RRIF), a Life Income Fund (LIF) or a Locked-in Retirement Income Fund (LRIF). The funds are invested and administered in the same manner as the University pension plans. The net assets of members held by the Retirement Income Funds Program at December 31, 2001 was $53,050 (2000 - $29,701).

☜ To the previous Note ☞ To the next Note

● Back to the 2002 Combined Financial Statements Page ● Financial Services Home Page

18. COMMITMENTS AND CONTINGENT LIABILITIES

(a) Guaranteed housing loans

At April 30, 2002, The University was guarantor of 14 housing loans for faculty and staff in the amount of $242 (2001 - $234). 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, 2002 is approximately $134,240 (2001 - $59,348).

(d) Canadian Universities Reciprocal Insurance Exchange

On January 1, 1998 The University 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.

The University of Western Ontario

Notes to the Combined Financial Statements

Year Ended April 30, 2002
(thousands of dollars)

19. THE SIEBENS-DRAKE RESEARCH INSTITUTE

The University, The London Health Sciences Centre and John P. Robarts Institute participated in a consortium and shared one-third of the net operating expenses of the Siebens-Drake Research Institute for the 9 month period ended December 31, 2001. As at January 1, 2002, The University agreed to purchase its partner's interests in the Institute for $6,000, which amount was funded from deferred capital contributions.

To the previous Note   To the next Note

- Back to the 2002 Combined Financial Statements Page
- Financial Services Home Page

20. 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.

To the previous Note   To the next Note

Back to the 2002 Combined Financial Statements Page   Financial Services Home Page

21. COMPARATIVE AMOUNTS

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

To the previous Note

- Back to the 2002 Combined Financial Statements Page
- Financial Services Home Page