

**University of Western Ontario
Combined Financial Statements
April 30, 2009**

The University of Western Ontario's Audited Financial Statements for the fiscal year ended April 30, 2009, were approved by the Board of Governors on September 29, 2009. Statements are prepared in accordance with Canadian generally accepted accounting principles. The full statements are available at <http://www.uwo.ca/finance/finstat/index.html>

Over the last year, Western managed its finances in a challenging fiscal environment marked by unanticipated global economic turmoil and declines in capital markets. For the year ended April 30, 2009, equity markets suffered their sharpest declines since the 1930's, while money market and fixed income investments earned low, single-digit rates of return. Due primarily to the declines in the value of our investments, the University's net assets decreased from \$536.9 million to \$410.1 million, a \$126.8 million decrease from last year. Revenues for the year ended April 30, 2009 were \$834.9 million and expenses were \$905.3 million, resulting in an excess of expenses over revenues of \$70.4 million. Investment losses of \$30.9 million, costs for anticipated future post-employment benefits of \$21.7 million and utilization of \$8.6 million in departmental carry forwards were the main contributing factors to the deficit. These departmental carry forwards represent unspent funds in faculties and units from previous years.

INVESTMENTS AND ENDOWMENTS

Investments are reflected at year end fair values, measured as the price that an asset can be bought or sold on that day. As a result of the downturn in global equity markets between April 30, 2008 and April 30, 2009, investment losses totaling \$102.7 million are reflected in the University's financial statements. Of this amount, \$54.7 million relates to external endowments, \$17.1 million represents spending allocations from accumulated investment returns, and \$30.9 million represents the losses in non-endowed investments.

In 2009, 47% of total investments were in equity securities and 53% in money market and fixed income securities, unchanged from 2008. The reduction of \$61.1 million in short-term investments is due in large part to the planned draw of debenture proceeds for capital expenditures.

In response to the market downturn, Western revised its Investment Payout Policy on Endowed Funds, reducing the annual allocation for spending to four per cent as long as the market value at year end is at or above the original value of the gift, and two and a half percent otherwise. The Policy can be found at www.uwo.ca/univsec/mapp/section2/mapp211.pdf

RESEARCH

One of Canada's top 10 research-intensive universities, Western's research revenues and expenditures (measured as cash expended) were \$175.1 million, an increase of \$27.5 million over the previous year.

CAPITAL PROJECTS

Capital additions for the University totaled \$147.3 million expended for new construction, renovation projects, equipment and other furnishings and fixtures. New construction included the Support Services Building, the Western Student Recreational Centre, The Claudette MacKay-Lassonde Pavilion, the Student Services Building, the Advanced Facility for Avian Research (AFAR), the Materials Sciences Addition, the Institute for Chemicals and Fuels from Alternative Resources Facility (ICFAR), and a new building at the London Campus of the Research Park.

Major renovations included ongoing work in the Biological & Geological Sciences Building, the newly renovated theatre in the Don Wright Faculty of Music, renamed the Paul Davenport Theatre, University Community Centre renovations, Robarts Research Institute (Cuddy Wing) and 7th floor Renovations, major renovations at Bayfield Hall and planning for the Physics & Astronomy Building renovation. These large projects address major deferred maintenance issues and renew facilities to modern-day standards.

The University's current long-range space plan is directed towards making centrally-located space available for academic purposes. Construction projects completed or underway are largely new construction and major renovation projects, required to make centrally-located space available for academic purposes, meet the need for increased space for growth in graduate enrolment, and expand our research infrastructure.

Funding sources for new construction and renovation projects include donations, research infrastructure grants, provincial government grants, operating funds, housing funds and debt.

DONATIONS

Donations to the University totaled \$49.8 million, with \$34.3 million in expendable donations reported as revenue and \$15.5 million added directly to endowments. Total outstanding pledges as of April 30, 2009 totaled \$67.8 million.

GOVERNMENT FUNDING

The Provincial Government's *Reaching Higher* Plan provided Western with substantial incremental grant funding in 2005-06 and 2006-07. This flow of funds in the first two years of the Plan allowed Western to recruit additional faculty and staff necessary to accommodate planned graduate enrolment growth and fulfill its teaching and research mandate. We will continue to receive some incremental funding based upon the government's second allocation of graduate student placements; however, we anticipate a leveling of government grant funding in the next year.

ENROLMENT

For 2009-10, our first-year undergraduate enrolment target remains at 4,350 students – Our plans for significant expansion of graduate student enrolments continues.

LOOKING FORWARD

With a tighter revenue picture and increasing expenditures, the University anticipates continuing need for expenditure constraint. Specific challenges include the ongoing uncertainty in equity markets leading to shorter-term variability of investment returns and increasing pressures on salary and benefit costs.

THE UNIVERSITY OF WESTERN ONTARIO
COMBINED FINANCIAL STATEMENTS
APRIL 30, 2009



Amit Chakma
President & Vice-Chancellor

Responsibility for Financial Reporting

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

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

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

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

The Audit committee is appointed by the Board. This Committee consists of eight members, none of whom are involved in the daily operations of the University. This Committee meets periodically with the administration, the internal auditor and the external auditors, to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues, to satisfy itself that each party is properly discharging its responsibilities, and to review the annual combined financial statements and the external auditors' report. The Committee reports its findings to the Board of Governors for consideration when approving the combined financial statements. The Committee also appoints annually the external auditors.

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

Dr. Amit Chakma
President & Vice-Chancellor

Gitta Kulczycki
Vice-President - Resources & Operations



KPMG LLP
Chartered Accountants
140 Fullarton Street Suite 1400
PO Box 2305
London ON N6A 5P2
Canada

Telephone (519) 672-4880
Fax (519) 672-5684
Internet www.kpmg.ca

AUDITORS' REPORT

To the Board of Governors of The University of Western Ontario

We have audited the combined statement of financial position of The University of Western Ontario as at April 30, 2009 and the combined statements of operations, changes in net assets, and cash flows for the year then ended. These combined financial statements are the responsibility of management. Our responsibility is to express an opinion on these combined financial statements based on our audit.

We conducted our audit in accordance with Canadian 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, 2009 and the results of its operations, changes in net assets, and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Chartered Accountants, Licensed Public Accountants

London, Canada

July 31, 2009

THE UNIVERSITY OF WESTERN ONTARIO

Combined Statement of Financial Position

Statement 1

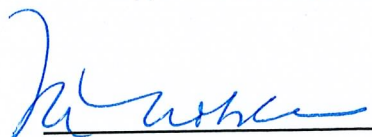
As at April 30, 2009, with comparative amounts for 2008
(thousands of dollars)

	2009 \$	2008 \$
Assets		
Cash	2,014	5,302
Accounts receivable	78,805	59,020
Inventories	4,864	4,675
Prepaid expenses	12,645	12,599
Investments [note 5]	641,009	798,989
Capital assets [note 6]	832,448	751,894
	<u>1,571,785</u>	<u>1,632,479</u>
Liabilities and deferred contributions		
Bank indebtedness [note 7]	8,679	5,693
Accounts payable and accrued liabilities	82,203	85,090
Deferred fees and income	50,966	41,678
Employee future benefits [note 8]	229,864	208,172
Debt [note 10]	230,527	233,114
Deferred contributions [note 11]	149,698	146,189
Deferred capital contributions [note 12]	409,730	375,633
	<u>1,161,667</u>	<u>1,095,569</u>
Net assets [Statement 3]	<u>410,118</u>	<u>536,910</u>
	<u>1,571,785</u>	<u>1,632,479</u>

See accompanying notes to the combined financial statements.

Commitments and contingencies [note 20].

Approved on behalf of the Board of Governors:



M. Noble
Chair, Board of Governors



K. Zerebecki
Chair, Audit Committee

THE UNIVERSITY OF WESTERN ONTARIO

Combined Statement of Operations

Statement 2

For the year ended April 30, 2009, with comparative amounts for 2008
(thousands of dollars)

	2009 \$	2008 \$
Revenues		
Government grants for general operations	224,845	214,914
Restricted government grants and other grants and contracts	206,004	199,731
Student fees	225,264	215,855
Sales and services	141,650	131,390
Investment returns (losses) [note 5(b)]	(30,882)	24,521
Donations	34,326	30,107
Recoverable salaries and benefits	15,066	14,079
Other revenues	18,656	18,150
	<u>834,929</u>	<u>848,747</u>
Expenses		
Salaries and benefits	543,121	509,269
Operating costs	140,322	134,984
Amortization of capital assets	67,180	58,914
Scholarships, fellowships and bursaries	61,757	55,866
Cost of sales and services	35,703	34,103
Utilities	22,316	20,204
Repairs and maintenance	18,925	15,167
Taxes	3,291	3,277
Interest	12,665	13,129
	<u>905,280</u>	<u>844,913</u>
Excess of revenues over expenses (expenses over revenues)	<u>(70,351)</u>	<u>3,834</u>

See accompanying notes to the combined financial statements.

THE UNIVERSITY OF WESTERN ONTARIO

Combined Statement of Changes in Net Assets

Statement 3

For the year ended April 30, 2009, with comparative amounts for 2008
(thousands of dollars)

	2009					2008
	Unrestricted [note 13]	Internally Restricted [note 14]	Investment in Capital Assets [note 15]	Endowments [note 16]	Total	Total
	\$	\$	\$	\$	\$	\$
Net assets, beginning of year	(159,023)	104,206	266,419	325,308	536,910	526,963
Excess of revenues over expenses (expenses over revenues)	(70,351)	-	-	-	(70,351)	3,834
Change in internally restricted net assets	18,727	(18,727)	-	-	-	-
Change in investment in capital assets [note 15]	(21,025)	-	21,439	-	414	480
Transfer to internally endowed	2,630	-	-	(2,630)	-	-
Allocation of internally endowed returns	701	-	-	(701)	-	-
Investment returns allocated to external endowments [note 5(b)]	-	-	-	(54,745)	(54,745)	(29)
Allocation for spending from accumulated investment returns [note 5(b)]	-	-	-	(17,067)	(17,067)	(16,129)
Endowment contributions	(503)	-	-	15,460	14,957	21,791
Net assets, end of year	<u>(228,844)</u>	<u>85,479</u>	<u>287,858</u>	<u>265,625</u>	<u>410,118</u>	<u>536,910</u>

See accompanying notes to the combined financial statements.

THE UNIVERSITY OF WESTERN ONTARIO

Combined Statement of Cash Flows

Statement 4

For the year ended April 30, 2009, with comparative amounts for 2008
(thousands of dollars)

	2009 \$	2008 \$
Operating activities		
Excess of revenues over expenses (expenses over revenues)	(70,351)	3,834
Add/(deduct) non-cash items		
Amortization of capital assets	67,180	58,914
Amortization of deferred capital contributions	(32,017)	(28,332)
Amortization of financial instrument transitional adjustment	-	(2,544)
Change in unrealized investment losses (gains)	72,694	46,611
Employee future benefits	21,692	20,002
Net change in non-cash working capital [note 19]	(13,619)	19,030
Cash provided by operating activities	<u>45,579</u>	<u>117,515</u>
Investing and financing activities		
Net change in investments	85,286	(187,445)
Purchase of capital assets	(147,320)	(182,082)
Receipt of deferred capital contributions	66,114	106,372
Net change in deferred contributions	3,509	24,733
Investment returns allocated to external endowments [note 5(b)]	(54,745)	(29)
Allocation for spending from accumulated investment returns [note 5(b)]	(17,067)	(16,129)
Repayment of debt	(2,587)	(14,449)
Endowment contributions	14,957	21,791
Receipt of debt	-	121,382
Integration of Robarts Research Institute	-	17,402
Cash used in investing and financing activities	<u>(51,853)</u>	<u>(108,454)</u>
Net increase/(decrease) in cash	(6,274)	9,061
Cash position, beginning of year	(391)	(9,452)
Cash position, end of year	<u>(6,665)</u>	<u>(391)</u>
Represented by:		
Cash	2,014	5,302
Bank indebtedness	(8,679)	(5,693)
	<u>(6,665)</u>	<u>(391)</u>

See accompanying notes to the combined financial statements.

The University of Western Ontario

Notes to the Combined Financial Statements

Year Ended April 30, 2009
(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 Museum of Ontario Archaeology, Ivey Management Services, Richard Ivey School of Business Foundation, Richard Ivey School of Business (Asia) Limited, The University of Western Ontario Research & Development Park, Windermere Manor Ltd., The Siebens - Drake Research Institute, 1675025 Ontario Limited (Boundary Layer Wind Tunnel), Robarts Research Institute and related foundations in which The University has an economic interest, including: Foundation Western and The University of Western Ontario Foundation Inc.

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 University College at The University of Western Ontario and Huron University College), or the net assets of the Pension Plans of the Academic Staff and Administrative Staff of The University and the Retirement Income Fund.

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.

Operating grants are recorded as revenue in the period to which they relate. Grants approved but not received at the end of the year are accrued. Where a portion of a grant relates to a future year, it is deferred and recognized in the subsequent year.

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.

Externally restricted contributions, other than endowment contributions, are deferred and recognized as revenue in the year in which the related expenses are recognized. Contributions restricted for the purchase of capital assets are deferred, and when expended, are amortized into revenue, at a rate corresponding with the amortization rate for the related capital assets.

Endowment contributions, having externally or internally imposed restrictions, are recognized as direct increases in endowment net assets.

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

The University of Western Ontario

Notes to the Combined Financial Statements

Year Ended April 30, 2009
(thousands of dollars)

items are recorded at fair market value at the date of the receipt and as a direct increase to endowed net assets.

Pledges are recorded as revenue on a cash basis, due to uncertainty of collection, and accordingly, pledges outstanding and not received at the year end are not recorded as an asset.

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) Inventories

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

(c) Investments and investment returns

Investments, other than strip bonds and the structured deposit are recorded in the accounts at fair value. The value of investments recorded in the financial statements is determined as follows:

- i) Short-term investments are valued based on cost plus accrued interest which together approximates fair value.
- ii) Publically traded bonds and equities are determined based on the latest bid prices.
- iii) Investments in pooled funds are valued at their reported net asset value per unit.
- iv) Strip bonds are recorded at cost plus accrued interest at their effective yield.
- v) The structured deposit is recorded at its amortized cost.

Transactions are recorded on a trade date basis and transaction costs are expensed as incurred.

Investment returns, in the combined statement of operations, include interest, dividends, income distributions from pooled funds, realized and unrealized capital gains and losses and realized and unrealized currency gains and losses.

Investment returns (losses) attributed to the endowments are recorded as an addition (reduction) to endowments net assets. All other investment returns along with the amounts allocated for spending from the endowments are recorded as investment returns in the combined statement of operations.

Investment returns on internally restricted endowments are recorded as a transfer from unrestricted to endowments in the combined statement of changes in net assets.

The University protects the capital value of the endowments by limiting the amount of investment returns that are allocated for spending and requiring the reinvestment of investment returns in excess of such amounts allocated for spending. In any particular year, should investment returns be insufficient to fund the amounts made available for spending, amounts are transferred from the accumulated reinvested returns. For individual endowment funds without sufficient accumulated reinvestment returns, encroachment on endowed capital is permitted to support the desired level of spending. This amount is expected to be recovered by future net investment returns.

(d) Capital assets

Purchased capital assets, including works of art, are recorded at cost. Contributed capital assets are

The University of Western Ontario

Notes to the Combined Financial Statements

Year Ended April 30, 2009
(thousands of dollars)

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, computer equipment and library books, and on a declining balance basis for all other capital assets.

Amortization rates are generally as follows:

Buildings	40 years
Computer equipment	5 years
Equipment and furnishings	20 %
Library books	5 years
Works of art are not amortized	

Construction in progress is primarily buildings. No amortization is recorded until construction is substantially complete and the assets are ready for productive use.

(e) Employee future benefits

i) Non-pension plans:

The University provides medical, dental and life insurance benefits to eligible employees. The University accrues for these obligations, with the cost of these benefits being 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.

ii) Pension plans and other retirement income funds:

The University sponsors pension plans for its academic and administrative staff. The benefits provided under the plans are primarily defined contribution. There is no past service liability in respect of either of these plans. Contributions to defined contribution plans are expensed as incurred.

For academic staff that attained the age of 45 on July 1, 1970 (the date the academic staff plan was changed to provide defined contribution benefits) a minimum annual pension income was guaranteed based on a defined benefit formula. For administrative staff members who were hired prior to May 1, 1974 (the date the administrative staff plan was amended to provide defined contribution benefits) a minimum annual pension income was guaranteed based on a defined benefit formula. The costs of these guarantee formulas are actuarially determined. The existing net surplus in these plans is not recorded in the combined financial statements.

In October 2000, The University established the Retirement Income Funds Program to provide periodic income payments to former members of The University's pension plans who choose to enroll. 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 University's 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.

(f) Foreign currency translation

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

The University of Western Ontario

Notes to the Combined Financial Statements

Year Ended April 30, 2009
(thousands of dollars)

at year-end exchange rates. Foreign exchange gains and losses on investments have been included in investment returns.

(g) Financial instruments

All financial instruments are initially recorded on the combined statement of financial position at fair value. They are subsequently valued at fair value or amortized cost depending on the classification selected for the financial instrument. Financial assets are classified as either "held-for-trading", "held-to-maturity", "available-for-sale" or "loans and receivables" and financial liabilities are classified as either "held-for-trading" or "other liabilities". Financial assets and liabilities classified as held-for-trading are measured at fair value with changes in fair value recorded in the combined statement of operations. Financial assets classified as held-to-maturity or loans and receivables and financial liabilities classified as other liabilities are subsequently measured at amortized cost using the effective interest method. Available-for-sale financial assets that have a quoted price in an active market are measured at fair value with the changes in fair value recorded in deferred contributions if the investment is externally restricted and in the combined statement of changes in net assets if the investment is not externally restricted. Such gains or losses are reclassified to the combined statement of operations when the related financial asset is disposed of or when the decline in value is considered to be other-than-temporary.

The University has classified its financial instruments as follows:

- i) Cash is classified as held-for-trading.
- ii) Accounts receivable are classified as loans and receivables.
- iii) Investments are classified as held-for-trading, other than the strip bonds and the structured deposit which are classified as held-to-maturity and the investment in class B preferred shares of 810679 Ontario Limited which is classified as available-for-sale.
- iv) Bank indebtedness, accounts payable and accrued liabilities and debt are classified as other liabilities.
- v) Derivative financial instruments which have not been designated as hedges for accounting purposes are classified as held-for-trading. The University's objective for holding derivatives is to minimize risk using the most efficient methods to eliminate or reduce the impacts of these exposures. These derivative financial instruments consist of foreign exchange forward contracts and interest rate swap agreements. Derivative financial instruments are carried at fair value and marked-to-market at each reporting date with the unrealized gain/losses recorded in the combined statement of operations with a corresponding amount recorded in the combined statement of financial position. The University's policy is not to utilize derivative financial instruments for trading or speculative purposes. The University has elected to record transaction costs as part of the amortized cost using the effective interest method related to financial instruments classified as other than held-for-trading.

The University has elected to use trade date accounting for regular-way purchases and sales of financial assets.

The University has elected not to apply CICA 3855 to derivatives embedded in leases, derivatives embedded in insurance contracts, contracts to buy or sell non-financial items including derivatives embedded therein, and derivatives embedded in contracts to buy or sell a non-financial item in accordance with The University's expected purchase, sale or usage requirements, in accordance with CICA 3855 paragraph 07A.

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Notes to the Combined Financial Statements

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(thousands of dollars)

3. CHANGES IN ACCOUNTING POLICIES

(a) Current accounting policy changes:

Effective May 1, 2008, the University adopted the recommendations of the Canadian Institute of Chartered Accountants ("CICA") Section 1535 – "*Capital Disclosures*", which requires the disclosure of qualitative information that enables users of the financial statements to evaluate the University's objectives, policies and processes for managing capital. The adoption of these recommendations only required additional disclosures, which are provided in note 4.

In December 2006, the CICA issued two new handbook sections, Section 3862 – *Financial Instruments – Disclosures* and Section 3863 – *Financial Instruments – Presentation*. These new standards were expected to be effective for the University beginning May 1, 2008. However, the CICA has now permitted not-for-profit entities to defer the adoption of these standards. The University has continued to disclose and present financial instruments under Section 3861 – *Financial Instruments – Disclosures and Presentation* for the year ended April 30, 2009.

(b) Future accounting policy changes:

The CICA has issued amendments to the accounting standards for Not-For-Profit Organizations which will be effective for the University commencing on May 1, 2009. Management does not expect that the adoption of these amendments will have a material impact on the University's financial statements.

4. CAPITAL MANAGEMENT

In managing capital, the University focuses on liquid resources available for operations. The University's objective is to have sufficient liquid resources to continue operating even if adverse financial events were to occur and to provide it with the flexibility to take advantage of opportunities that will advance its mission. The need for sufficient resources is considered in the preparation of its annual operating and capital budgets and in the monitoring of cash flows and actual operating results compared to budget. The University attempts to minimize the use of its line of credit of \$20,000 which can be used in the event that sufficient cash flow is not available to cover operating and capital expenditures. As at April 30, 2009, the University has met its objective of having sufficient liquid resources to meet its current obligations.

5. INVESTMENTS

(a) Investments consist of the following:

	2009	2008
Short-term investments	\$ 137,242	\$ 198,295
Government bonds	135,490	151,845
Corporate bonds	66,245	72,730
Canadian equities	108,576	125,837
U.S. equities	95,319	113,349
Non-North American equities	84,889	115,328
Hedge funds	13,248	21,605
	<u>\$ 641,009</u>	<u>\$ 798,989</u>

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(thousands of dollars)

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, 2009, of \$9,504 (2008 - \$8,541) which is included with corporate bonds in the above table. The fair value of these bonds as at April 30, 2009 was \$10,409 (2008 - \$9,760).

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

	2009	2008
Investment returns (losses)	\$ (102,694)	\$ 8,363
Investment returns allocated to external endowments	54,745	29
Allocation for spending from accumulated investment returns	17,067	16,129
	<u>\$ (30,882)</u>	<u>\$ 24,521</u>

(c) Investment returns (losses) based on financial instrument classifications are as follows:

	2009	2008
Held-for-trading	\$ (37,375)	\$ 19,648
Held-to-maturity	6,396	4,566
Available-for-sale	97	307
	<u>\$ (30,882)</u>	<u>\$ 24,521</u>

6. CAPITAL ASSETS

Capital assets consist of the following:

	2009			2008		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Buildings	\$ 832,765	\$ 270,647	\$ 562,118	\$ 737,993	\$ 250,508	\$ 487,485
Equipment, furnishing & computer equipment	400,281	243,339	156,942	353,064	215,961	137,103
Library books	180,201	164,542	15,659	172,381	156,796	15,585
Construction in progress	66,077	-	66,077	81,975	-	81,975
Land	19,581	-	19,581	18,118	-	18,118
Works of arts	12,071	-	12,071	11,628	-	11,628
	<u>\$ 1,510,976</u>	<u>\$ 678,528</u>	<u>\$ 832,448</u>	<u>\$ 1,375,159</u>	<u>\$ 623,265</u>	<u>\$ 751,894</u>

The University of Western Ontario

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(thousands of dollars)

The University maintains a collection of art that is insured for \$11,276. During the year, paintings were donated to The University with a total appraised value of \$414 (2008 - \$480).

The University's insurer determines replacement values of buildings and contents for insurance purposes using an independent appraisal service. The insured replacement value of buildings is \$1,823,503 (2008 - \$1,589,466); contents is \$1,597,361 (2008 - \$1,535,254), which amount includes library books of \$1,155,940 (2008 - \$1,108,948).

7. BANK INDEBTEDNESS

The University's bank overdraft facility is covered by an unsecured line of credit agreement of \$20,000. The line of credit is due on demand and bears interest at the bank's prime rate.

8. EMPLOYEE FUTURE BENEFITS

The interval between actuarial valuations for the defined benefit pension plans does not exceed three years with the most recent valuations prepared as at April 30, 2008 for the non-pension plans and December 31, 2006 for the pension plans. In the years between valuations, an extrapolation of the actuarial valuation is used to determine the market related value of the plan assets and the projected benefit obligations.

(i) Non-pension plans:

The accrued benefit liability relating to the non-pension plans is \$229,864 (2008 - \$208,172). This liability has been recorded in the combined financial statements.

Total expense for these plans is \$21,692 (2008 - \$20,002). Benefits paid during the year amounted to \$6,439 (2008 - \$6,222).

(ii) Pension plans:

Information regarding the academic and administrative staff pension plans is as follows:

	2009	2008
Accrued benefit obligation:		
Academic staff	\$ 5,168	\$ 6,051
Administrative staff	1,864	2,191
	<u>\$ 7,032</u>	<u>\$ 8,242</u>
Fair value of plan assets:		
Academic staff	\$ 5,680	\$ 7,813
Administrative staff	2,201	2,193
	<u>\$ 7,881</u>	<u>\$ 10,006</u>
Funded status – surplus	<u>\$ 849</u>	<u>\$ 1,764</u>
Contributions to the pension plans during the year are as follows:		
	2009	2008
Employer contributions	\$ 24,947	\$ 24,225
Employee contributions	13,336	12,493
	<u>\$ 38,283</u>	<u>\$ 36,718</u>

Total expense for these plans is \$47,003 (2008 - \$52,305) which include benefits paid during the year in the amount of \$47,003 (2008 - \$50,880).

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Notes to the Combined Financial Statements

Year Ended April 30, 2009
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(iii) Non-pension and pension plans:

The significant actuarial assumptions adopted in measuring The University's accrued benefit obligations for all defined benefit plans are as follows (weighted-average assumptions as of December 31):

	Non-Pension Plans		Pension Plans	
	2009	2008	2009	2008
Discount rate	5.4%	5.5%	6.8%	5.4%
Expected long-term rate of return on plan assets	-	-	6.8%	5.4%
Medical cost increases:				
Hospital	5.0%	5.0%	-	-
Drug	9.0%	9.5%	-	-
Other Medical	5.0%	5.0%	-	-
Dental cost	4.5%	4.5%	-	-

Drug cost is projected to decrease .5% each year to a 5% ultimate rate.

9. FINANCIAL INSTRUMENTS

(a) Fair values

Fair value estimates are made as of a specific point in time, using available information about the financial instrument.

The carrying value of cash, accounts receivable, bank indebtedness and accounts payable and accrued liabilities approximates their fair values based on the short-term maturity of those instruments. The fair value of investments is disclosed in note 5, debt is disclosed in note 10(i) and derivative financial instruments in note 9(b).

(b) Derivative financial instruments

The notional and fair values of the financial instruments are as follows:

	2009		2008	
	Notional value	Fair value	Notional value	Fair value
Foreign currency forward contracts	\$ -	\$ -	\$ 1,263	\$ 70
Interest rate swap agreements	13,950	(1,535)	14,971	(658)
		<u>\$ (1,535)</u>		<u>\$ (588)</u>

The unrealized losses on the derivative financial instruments are reported in accounts payable and accrued liabilities in the combined statement of financial position.

Interest rate swaps:

The interest rate swap contracts result in The University fixing a weighted average long-term interest rate of 4.8% (2008 – 4.3%) on certain floating rate debt obligations instead of paying a weighted average short-term floating rate of 0.6% (2008 – 3.9%).

The interest rate swap agreement relates to Research Park debt and matures on October 25, 2012. The

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counterparty to this contract is a major Canadian financial institution. The University does not anticipate any material adverse effect on its financial position resulting from its involvement in these types of contracts, nor does it anticipate non-performance by the counterparty given their high credit rating.

(c) Risk management

The University, through its financial assets and liabilities is exposed to various risks. The following analysis will provide a measurement of risks as at the statement of financial position date, April 30, 2009.

(i) Credit risk

Credit risk is the risk of financial loss to The University if a counterparty to a financial instrument fails to meet its contractual obligation.

Approximately 53% (2008 - 56%) of The University's investments consists of money market investments and government and corporate bonds. In order to minimize the risk of having an issuer of these debt instruments fail to pay interest or principal as required, The University has established minimum credit rating requirements for such investments.

The University has established policies for extending credit to various businesses, groups and individuals who purchase goods and services from The University, in order to reduce incidents of non payment. Management believes that the credit risk is minimized by dealing with creditworthy counterparties.

The University is also exposed to credit risk through its use of interest rate swaps and foreign exchange contracts. The credit risk associated with foreign exchange contracts arises from the possibility that a counterparty to a foreign exchange contract in which The University has an unrealized gain fails to perform according to the terms of the contract. The credit risk is much less than the notional principal amount, being limited at any time to the change in fair value attributable to the instruments.

(ii) Currency risk

Currency risk is the risk that the fair value or future cash flow of a financial instrument will fluctuate due to changes in foreign exchange rates.

The University purchases equipment, books and other supplies and services in foreign currencies and may occasionally mitigate its exposure to foreign currency by entering into forward exchange contracts at the time of ordering.

The University receives research and other revenues in foreign currencies and does not mitigate the potential for a loss in revenues that could result due to a fall in the value of the Canadian dollar between invoicing for such amounts and the time of receipt of funds.

Approximately 28% (2008 - 38%) of The University's investments is exposed to investments outside of Canada. A reduction in the values of these foreign currencies in relation to the Canadian dollar would have an adverse effect on the value of these investments. The University monitors foreign currency exposure and through its investment managers, enters into forward exchange contracts and futures contracts for approximately 18% (2008 - 24%) of foreign investments in order to reduce its foreign currency exposure risk.

(iii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates.

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The University is subject to interest rate cash flow risk with respect to its floating rate debt. The University mitigates this risk by entering into interest rate swap agreements for a portion of its floating rate debt that fix the interest rate over the term of the debt.

All other debt of The University, being unsecured debentures, mortgages and capital lease obligations, have fixed interest rates and are therefore not exposed to cash flow interest rate risks.

The University's short-term investments are subject to interest rate fluctuations as maturing investments are reinvested at new rates of interest. The market value of investments held in Government and Corporate bonds will fluctuate due to changes in market interest rates.

(iv) Market risk

Market risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market.

The University's investments in short-term investments, bonds, equities and hedge funds are subject to market risk. Management mitigates this risk through diversification of its investment portfolio.

(v) Liquidity risk

Liquidity risk is the risk that The University will encounter difficulty in raising funds to meet its obligations as they fall due.

Additionally, The University's investments are listed on public stock exchanges and are therefore considered to be liquid, except redemptions from the hedge funds investments which may be postponed or withheld by the manager under certain special circumstances.

Management expects that cash flows from operations will be sufficient to meet The University's obligations.

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Notes to the Combined Financial Statements

Year Ended April 30, 2009
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10. DEBT

	Maturity	Interest Rate at April 30, 2009	Annual Payments (Principal and Interest)	2009 Principal Outstanding	2008 Principal Outstanding
(a) Senior Unsecured Debentures [note (d)]	May 24, 2047	4.798%	\$	189,102	\$ 189,094
(b) The details of the mortgages are as follows:					
Housing					
Canada Mortgage and Housing Corporation:					
Platt's Lane Estates	Aug. 1, 2028	8.00%	\$ 699	\$ 7,521	\$ 7,640
Glenmore Complex	Dec 1, 2019	6.25%	500	3,937	4,179
Delaware Hall	Sept 1, 2011	5.38%	134	191	309
Ontario Housing Corporation:					
Lambton Hall [note (e)]	April 1, 2010	10.36%	1,114	10,750	10,750
Glenmore Complex	Dec 1, 2019	6.50%	31	238	253
Total mortgages			\$ 2,478	\$ 22,637	\$ 23,131
(c) The details of the loans payable, demand notes, bankers' acceptances and capital lease obligations are as follows:					
Capital					
Telecommunications System			\$	-	\$ 800
Related Corporations					
Research & Development Park					
(i) Bankers' Acceptances [note (f)]	July 31, 2009	0.59%		13,950	14,171
Richard Ivey School of Business Foundation					
(i) Bankers' Acceptances [note (g)]	April 30, 2009	prime		3,300	3,800
Robarts Research Institute					
(i) Capital Lease Obligation [note (h)]	Sept 11, 2011	5.51%		1,538	2,118
Total loans payable			\$	18,788	\$ 20,889
Total debt			\$	230,527	\$ 233,114

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- (d) On May 24, 2007, The University issued Series A Senior Unsecured Debentures in the aggregate principal amount of \$190,000. The debentures bear interest at 4.798% which is payable semi-annually on May 24 and November 24 with the principal amount to be repaid on May 24, 2047. The proceeds of the issue were used to retire certain existing capital debt and to finance new capital projects. The unused portion of the debenture proceeds were invested in a structured deposit and cash in action fund.
- (e) 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 30, 2010.
- (f) An interest rate swap agreement has been entered into to fix the effective interest rate for this loan at 4.89% over the remaining term, ending October 25, 2012.
- (g) The bankers' acceptance for the Richard Ivey School of Business Foundation is guaranteed by The University.
- (h) In fiscal 2005, Robarts Research Institute entered into a capital lease for a 3 Tesla magnet with GE Capital. The lease terms provide for the acquisition of an asset with a cost of \$3,897, which will be repaid over seven years at an interest rate of 5.51%.
- (i) The fair value of long-term debt at April 30, 2009 was \$202,202 (2008 – \$227,494) compared to a carrying amount of \$230,527 (2008 - \$233,114).
- (j) Anticipated requirements to meet the principal portion of the debt repayments over the next five years are as follows:

	Principal
2010	\$ 16,302
2011	1,617
2012	1,213
2013	13,921
2014	718
Subsequent years	196,756
	<u>\$ 230,527</u>

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Notes to the Combined Financial Statements

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11. DEFERRED CONTRIBUTIONS

Deferred contributions consist of the following:

	2009	2008
Unspent research grants	\$ 74,900	\$ 74,991
Other restricted funds	74,798	71,198
Balance, end of year	\$ 149,698	\$ 146,189

12. DEFERRED CAPITAL CONTRIBUTIONS

The changes in the deferred capital contributions balance are as follows:

	2009	2008
Balance, beginning of year	\$ 375,633	\$ 297,593
Less amortization of deferred capital contributions	(32,017)	(28,332)
Add contributions received during the year	66,114	106,372
Balance, end of year	\$ 409,730	\$ 375,633

Represented by:

Amounts used for the purchase of capital assets	\$ 390,145	\$ 349,555
Amounts to be spent on capital assets	19,585	26,078
	\$ 409,730	\$ 375,633

13. UNRESTRICTED NET ASSETS

Details of the unrestricted net assets are as follows:

	2009	2008
Undistributed investment returns	\$ 9,723	\$ 57,968
Operating fund surplus	29,007	25,465
Provision for vacation pay	(7,883)	(7,545)
Operating deficit - related organizations	(29,827)	(26,739)
Provision for employee future benefits	(229,864)	(208,172)
Balance, end of year	\$ (228,844)	\$ (159,023)

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14. INTERNALLY RESTRICTED NET ASSETS

Details of the internally restricted net assets are as follows:

	2009	2008
Departmental carry forwards	\$ 47,071	\$ 55,630
Capital reserve	(5,172)	8,081
Operating surplus – ancillary and support units	7,991	7,093
Faculty and research trust funds	21,963	20,498
Equipment reserves	12,626	11,692
Self-insurance funds	1,000	1,212
Balance, end of year	\$ 85,479	\$ 104,206

- i) Departmental carry forwards represent amounts that vary from budget. The University has in place a flexible budgeting program, which allows operating budget units to defer surpluses and deficits to the subsequent year.
- ii) The capital reserve represents funds restricted for capital purposes.
- iii) Ancillary and support unit carry forwards represent amounts that these units are permitted to carry forward.
- iv) Faculty and research trust funds include donations and other revenue with no external restrictions that departments are permitted to carry forward.
- v) The equipment reserves represent funds that departments have allocated for the future replacement of assets.
- vi) The reserve for self-insurance represents funds set aside to cover uninsured losses and the deductible portion of insured losses.

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15. INVESTMENT IN CAPITAL ASSETS

The investment in capital assets consists of the following:

	2009	2008
Capital assets [note 6]	\$ 832,448	\$ 751,894
Less amounts financed by		
Debt [note 10]	(154,445)	(135,920)
Deferred capital contributions [note 12]	(390,145)	(349,555)
	<u>\$ 287,858</u>	<u>\$ 266,419</u>

Capital assets financed by debt is calculated as follows: total debt at April 30, 2009 of \$230,527 (2008 - \$233,114) less debenture proceeds invested in a structured deposit and cash in action fund of \$76,980 (2008 - \$98,100), plus the difference between total debenture proceeds of \$190,000 and the amortized cost of the debenture of \$189,102 (2008 - \$189,094).

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

	2009	2008
Amortization of deferred capital contributions	\$ 32,017	\$ 28,332
Amortization of capital assets	(67,180)	(58,914)
	<u>(35,163)</u>	<u>(30,582)</u>
Purchase of capital assets	147,320	182,082
Amounts funded by:		
Debt	(21,120)	(24,188)
Deferred capital contributions	(72,608)	(81,041)
Repayment of debt	2,596	14,449
	<u>56,188</u>	<u>91,302</u>
Non-depreciable assets donated to The University	414	480
Change in investment in capital assets	<u>\$ 21,439</u>	<u>\$ 61,200</u>

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Notes to the Combined Financial Statements

Year Ended April 30, 2009
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16. ENDOWMENTS

Net assets restricted for endowment consist of the following:

	2009	2008
Externally Endowed	\$ 251,650	\$ 308,505
Internally Endowed	13,975	16,803
	<u>\$ 265,625</u>	<u>\$ 325,308</u>

Represented by:

Endowed funds	\$ 300,792	\$ 285,333
Accumulated investment returns	(35,167)	39,975
	<u>\$ 265,625</u>	<u>\$ 325,308</u>

17. (a) ONTARIO STUDENT OPPORTUNITY TRUST FUND – PHASE I

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

	2009	2008
Schedule of Changes in Endowment Fund Balance		
Fund balance, beginning of year	\$ 38,319	\$ 39,385
Cash donations received	562	71
Expenditure of endowment principal	-	-
Preservation of capital	(8,024)	(1,137)
Fund balance, end of year	<u>\$ 30,857</u>	<u>\$ 38,319</u>

Schedule of Changes in Expendable Funds Available for Awards

Fund balance, beginning of year	\$ 2,421	\$ 2,176
Realized investment income, net of direct investment-related expenses and preservation of capital contributions	1,661	1,770
Expendable donations	4	3
Bursaries awarded [776 (2008 – 725)]	(1,564)	(1,528)
Balance, end of year	<u>\$ 2,522</u>	<u>\$ 2,421</u>
Endowment total based on book value	<u>\$ 33,379</u>	<u>\$ 40,740</u>

The fair value of the endowment at April 30, 2009 was \$31,696 (2008 - \$40,056).

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Year Ended April 30, 2009
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(b) ONTARIO STUDENT OPPORTUNITY TRUST FUND – PHASE II

	2009 Western	2009 Affiliates	2008 Western	2008 Affiliates
Schedule of Changes in Endowment Fund Balances				
Fund balance, beginning of year	\$ 14,507	\$ 1,471	\$ 15,087	\$ 1,468
Cash donations received	140	-	65	-
Expenditure of endowment principal	-	-	-	-
Preservation of capital	(3,139)	(159)	(645)	3
Fund balance, end of year	\$ 11,508	\$ 1,312	\$ 14,507	\$ 1,471
Schedule of Changes in Expendable Funds Available for Awards				
Fund balance, beginning of year	\$ 519	\$ 155	\$ 462	\$ 127
Realized investment income, net of direct investment related expenses and preservation of capital	1,382	(7)	1,386	91
Expendable contributions received	1	-	1	-
Bursaries awarded [261 (2008 – 237)]	(1,346)	(46)	(1,330)	(63)
Balance, end of year	\$ 556	\$ 102	\$ 519	\$ 155
Endowment total based on book value	\$ 12,064	\$ 1,414	\$ 15,026	\$ 1,626

The fair value of the endowment at April 30, 2009 was \$13,559 (2008 - \$16,739).

The amounts for affiliates noted above are provided for information purposes only and are not included in the combined financial statements.

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Notes to the Combined Financial Statements

Year Ended April 30, 2009
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18. ONTARIO TRUST FOR STUDENT SUPPORT

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

(For the year ended March 31, 2009)

	2009 Western	2009 Affiliates	2008 Western	2008 Affiliates
Schedule of Cash Donations Matched Between April 1, 2008 and March 31, 2009				
Cash donations matched between April 1, 2008 and March 31, 2009	\$ 2,334	\$ 462	\$ 2,748	\$ 538
Schedule of Changes in Endowment Fund Balances				
Fund balance, beginning of year	\$ 38,642	\$ 4,725	\$ 34,262	\$ 3,439
Eligible cash donations received	2,004	579	2,717	739
Cash donations included in endowment funds but not eligible for matching	582	-	82	-
Matching funds received from MTCU	2,333	463	2,748	538
Preservation of capital	(8,844)	(315)	(1,167)	9
Fund balance, end of year	\$ 34,717	\$ 5,452	\$ 38,642	\$ 4,725
Schedule of Changes in Expendable Funds Available for Awards				
Fund balance, beginning of year	\$ 924	\$ 117	\$ 610	\$ 100
Expendable donations	55	-	-	-
Realized investment income, net of direct investment-related	1,103	142	945	139
Bursaries awarded [296 (2008 – 214)]	(708)	(145)	(631)	(122)
Fund balance, end of year	\$ 1,374	\$ 114	\$ 924	\$ 117
Outstanding donations pledged	\$ 5,125	\$ 532	\$ 7,009	\$ 201

The fair value of the endowment at April 30, 2009 was \$39,615 (2008 - \$43,572).

The amounts for affiliates noted above are provided for information purposes only and are not included in the combined financial statements.

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Notes to the Combined Financial Statements

Year Ended April 30, 2009
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19. STATEMENT OF CASH FLOWS

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

	2009	2008
Accounts receivable	\$ (19,785)	\$ (591)
Inventories	(189)	530
Prepaid expenses	(46)	(3,755)
Accounts payable and accrued liabilities	(2,887)	17,622
Deferred fees and income	9,288	5,224
Net change in non-cash working capital	\$ (13,619)	\$ 19,030

20. COMMITMENTS AND CONTINGENCIES

(a) Legal matters

The University is involved from time to time in litigation that 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 litigation when the outcome becomes reasonably determinable. In the administration's judgement no material exposure exists on the eventual settlement of any litigation.

(b) Capital commitments

The estimated cost to complete capital projects in progress at April 30, 2009 is approximately \$60,304.

(c) Canadian Universities Reciprocal Insurance Exchange

On January 1, 2008 The University entered a fifth, 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 general liability insurance, CURIE continues to pool the risks of its members and to carry \$5,000 of liability coverage per occurrence with \$20,000 and \$5,000 excess coverages. For property insurance, the limit in any one loss shall not exceed \$5,000. All losses are subject to an annual aggregate of \$7,500. Once the per occurrence or aggregate is exhausted the excess policy shall apply. For excess coverages, members of CURIE are insured by various insurance companies to a limit of \$995,000. For errors or omissions insurance CURIE pools the risk of its members and carries \$5,000 of coverage with additional excess coverages of \$20,000 and \$5,000.

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21. PLEDGES

Total pledges outstanding and expected year of collection are as follows:

	Pledges
2010 -	\$ 17,565
2011 -	13,917
2012 -	10,532
subsequent years -	25,811
	<u>\$ 67,825</u>