Financial Statement Highlights
April 30, 2010

The University completed the year with revenues of $961.1 million, expenses of $915.3 million and an excess of revenues over expenses of $45.8 million. The University's net assets increased from $410.1 million to $507.9 million, a $97.8 million increase over the prior year

The University records investments at fair value and returns are subject to market fluctuation. For the year ending April 30, 2010, equity markets rebounded significantly after last year's dismal performance. As a result of strong returns in Canadian, US and international equity markets, investment performance improved accordingly.

Combined Investment returns (Statement 2) were $58.5 million in fiscal 2010, compared to ($30.9) million in fiscal 2009. The increase was mainly due to investment returns of $95.9 million achieved in fiscal 2010 compared to investment returns of ($102.7) million in fiscal 2009. Total combined returns for 2010 in the amount of $95.9 million includes the returns recognized in the Statement of Operations of $58.5 million and those returns directly allocated to the endowed funds. In fiscal 2010 UWO Operating and Endowment portfolio returned approximately 19.3% and Foundation Western Investments returned approximately 19.1%. Money market investments, although positive, were nominal.

The University's research profile continues to grow. On a cash basis, research revenues were $153.3 million, a decrease of $21.8 million during the year. The decrease mainly is due to a decrease in infrastructure projects.
The University of Western Ontario ranks as one of the top ten research-intensive universities in Canada.

Capital additions for the University totaled $92.6 million. This amount includes purchases of computers, equipment, furnishings, library books, works of art and spending on new construction and renovations. The University's current long-range space plan is directed towards making centrally-located space available for academic purposes. The 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 to expand research infrastructure. New construction includes The Richard Ivey School of Business, Student Services Building, and a new building at the London Campus of the Research Park. Maintenance, Modernization and Infrastructure (MMI) projects consist of major renovations in the Biological and Geological Sciences Building, University Community Centre Renovations, Stevenson Hall and Lawson Hall Renovations and the Physics and Astronomy Building Renovations. These large projects will address major deferred maintenance issues and renew facilities to modern day standards. Funding sources for these projects includes donations, research infrastructure grants, provincial and federal government grants, operating funds, and debt. Western will receive $50 million from the Federal/Provincial governments through the Knowledge Infrastructure Program towards construction of Phase 1 of The Richard Ivey School of Business. Of this amount, $10.2 million was received in the 2010 fiscal year.

Donations recognized by the University totaled $48.5 million: $34.6 million in expendable donations were reported as revenue and $13.9 million was added directly to endowments. Total pledges outstanding at April 30, 2010 were $69.1 million.

Looking forward, the currently known sources for incremental revenues are provincial funding for graduate expansion although that is approaching steady state, and incremental funding for incremental undergraduate student enrolment and tuition revenue. In the March 25, 2010 Provincial Budget, the Government clarified that the Reaching Higher grant commitments will remain in place for 2010-11. We are hopeful that the Province will come forward with a successor plan to *Reaching Higher* – in the form of multi-year incremental grant funding, starting in 2011-12.

THE UNIVERSITY OF WESTERN ONTARIO

COMBINED FINANCIAL STATEMENTS

APRIL 30, 2010

Western

The UNIVERSITY *of* WESTERN ONTARIO

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

The University *of* Western Ontario
Office of the President
Room 2107, Stevenson Hall • London, Ontario • CANADA – N6A 5B8
Phone: 519-661-3104 • Fax: 519-661-3139 • www.uwo.ca

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, 2010 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, 2010 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.

KPMG LLP

Chartered Accountants, Licensed Public Accountants

London, Canada
July 23, 2010

KPMG LLP is a Canadian limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.
KPMG Canada provides services to KPMG LLP.

THE UNIVERSITY OF WESTERN ONTARIO

Combined Statement of Financial Position **Statement 1**

As at April 30, 2010, with comparative amounts for 2009
(thousands of dollars)

	2010	2009
	$	$
Assets		
Cash	4,125	2,014
Accounts receivable	63,471	78,805
Inventories	5,236	4,864
Prepaid expenses	13,242	12,645
Investments [note 5]	737,355	641,009
Capital assets [note 6]	858,698	832,448
	1,682,127	1,571,785
Liabilities and deferred contributions		
Bank indebtedness [note 7]	2,643	8,679
Accounts payable and accrued liabilities	75,968	82,203
Deferred fees and income	61,087	50,966
Employee future benefits [note 8]	248,130	229,864
Debt [note 10]	218,411	230,527
Deferred contributions [note 11]	153,831	149,698
Deferred capital contributions [note 12]	414,069	409,730
	1,174,139	1,161,667
Net assets [Statement 3]	507,988	410,118
	1,682,127	1,571,785

See accompanying notes to the combined financial statements.

Commitments, contingencies and subsequent events [note 21].

Approved on behalf of the Board of Governors:

F. Angeletti
Chair, Board of Governors

J. Knowles
Chair, Audit Committee

THE UNIVERSITY OF WESTERN ONTARIO

Combined Statement of Operations **Statement 2**

For the year ended April 30, 2010, with comparative amounts for 2009
(thousands of dollars)

	2010	2009
	$	$
Revenues		
Government grants for general operations	230,195	224,845
Restricted government grants and other grants and contracts	216,290	206,004
Student fees	242,097	225,264
Sales and services	143,447	141,650
Investment returns (losses) [note 5(b)]	58,539	(30,882)
Donations	34,580	34,326
Recoverable salaries and benefits	16,275	15,066
Other revenues	19,642	18,656
	961,065	834,929
Expenses		
Salaries and benefits	549,623	543,121
Operating costs	139,983	140,322
Amortization of capital assets	67,199	67,180
Scholarships, fellowships and bursaries	65,758	61,757
Cost of sales and services	35,296	35,703
Utilities	21,165	22,316
Repairs and maintenance	21,713	18,925
Taxes	3,362	3,291
Interest	11,163	12,665
	915,262	905,280
Excess of revenues over expenses (expenses over revenues)	45,803	(70,351)

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, 2010, with comparative amounts for 2009
(thousands of dollars)

	2010				2009
	Unrestricted [note 13]	Internally Restricted [note 14]	Endowments [note 15]	Total	Total
	$	$	$	$	$
Net assets, beginning of year	(228,844)	373,337	265,625	410,118	536,910
Excess of revenues over expenses (expenses over revenues)	45,803	-	-	45,803	(70,351)
Change in internally restricted net assets	(18,313)	19,151	-	838	414
Transfer to internally endowed	(2,608)	-	2,608	-	-
Allocation of internally endowed returns	544	-	(544)	-	-
Investment returns allocated to external endowments [note 5(b)]	-	-	50,018	50,018	(54,745)
Allocation for spending from accumulated investment returns [note 5(b)]	-	-	(12,696)	(12,696)	(17,067)
Endowment contributions	39	-	13,868	13,907	14,957
Net assets, end of year	(203,379)	392,488	318,879	507,988	410,118

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, 2010, with comparative amounts for 2009
(thousands of dollars)

	2010	2009
	$	**$**
Operating activities		
Excess of revenues over expenses (expenses over revenues)	45,803	(70,351)
Add/(deduct) non-cash items		
Amortization of capital assets	67,199	67,180
Amortization of deferred capital contributions	(31,765)	(32,017)
Change in unrealized investment (gains) losses	(72,231)	72,694
Employee future benefits	18,266	21,692
Net change in non-cash working capital [note 20]	18,251	(13,619)
Cash provided by operating activities	45,523	45,579
Investing activities		
Net change in investments	(24,115)	85,286
Purchase of capital assets	(92,611)	(147,320)
Cash used in investing activities	(116,726)	(62,034)
Financing activities		
Receipt of deferred capital contributions	36,104	66,114
Net change in deferred contributions	4,133	3,509
Investment returns allocated to external endowments [note 5(b)]	50,018	(54,745)
Allocation for spending from accumulated investment returns [note 5(b)]	(12,696)	(17,067)
Repayment of debt	(12,116)	(2,587)
Endowment contributions	13,907	14,957
Cash provided by financing activities	79,350	10,181
Net increase/(decrease) in cash	8,147	(6,274)
Cash position, beginning of year	(6,665)	(391)
Cash position, end of year	1,482	(6,665)
Represented by:		
Cash	4,125	2,014
Bank indebtedness	(2,643)	(8,679)
	1,482	(6,665)

See accompanying notes to the combined financial statements.

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

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) Publicly 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

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

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.

3. CHANGES IN ACCOUNTING POLICIES

(a) Current accounting policy changes:

Effective May 1, 2009 the University retroactively adopted the changes to the recommendations of the Canadian Institute of Chartered Accountants ("CICA") Section 4400 - "Financial Statement Presentation for Not-for-Profit Organizations" that eliminates the requirements to separately disclose the amount of net assets invested in capital assets. The recommendations have been applied retroactively resulting in the following reclassifications to the statements of net assets as at April 30, 2009.

	As issued	Restated
Investment in capital assets	$ 287,858	$ -
Internally restricted	$ 85,479	$ 373,337

(b) Future accounting policy changes:

The CICA will be issuing a new accounting framework applicable to not-for-profit organizations. The new standards are currently anticipated to be effective for fiscal years beginning on or after January 1, 2012, however the impact of this transition has not yet been determined.

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, 2010, the University has met its objective of having sufficient liquid resources to meet its current obligations.

5. INVESTMENTS

(a) Investments consist of the following:

	2010	2009
Short-term investments	$ 151,351	$ 137,242
Government bonds	150,139	135,490
Corporate bonds	57,686	66,245
Canadian equities	150,314	108,576
U.S. equities	93,642	95,319
Non-North American equities	85,539	84,889
Global equities	43,578	-
Hedge funds	5,106	13,248
	$ 737,355	$ 641,009

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

	2010	2009
Investment returns (losses)	$ 95,861	$ (102,694)
Investment (returns) losses allocated to external endowments	(50,018)	54,745
Allocation for spending from accumulated investment returns	12,696	17,067
	$ 58,539	$ (30,882)

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

	2010	2009
Held-for-trading	$ 57,402	$ (37,375)
Held-to-maturity	1,073	6,396
Available-for-sale	64	97
	$ 58,539	$ (30,882)

6. CAPITAL ASSETS

Capital assets consist of the following:

	2010			2009		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Buildings	$ 927,799	$ 292,818	$ 634,981	$ 832,765	$ 270,647	$ 562,118
Equipment, furnishing & computer equipment	415,474	265,947	149,527	400,281	243,339	156,942
Library books	189,988	172,740	17,248	180,201	164,542	15,659
Construction in progress	24,388	-	24,388	66,077	-	66,077
Land	19,581	-	19,581	19,581	-	19,581
Works of arts	12,973	-	12,973	12,071	-	12,071
	$ 1,590,203	$ 731,505	$ 858,698	$ 1,510,976	$ 678,528	$ 832,448

The University maintains a collection of art that is insured for $11,982. During the year, paintings were donated to The University with a total appraised value of $838 (2009 - $414).

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 $2,033,967 (2009 - $1,823,503); contents is $1,635,621 (2009 - $1,597,361), which amount includes library books of $1,037,034 (2009 - $1,155,940).

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, 2009 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 $248,130 (2009 - $229,864). This liability has been recorded in the combined financial statements.

Total expense for these plans is $18,266 (2009 - $21,692). Benefits paid during the year amounted to $6,259 (2009 - $6,439).

(ii) Pension plans:

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

	2010	2009
Accrued benefit obligation:		
Academic staff	$ 5,766	$ 5,168
Administrative staff	2,093	1,864
	$ 7,859	$ 7,032
Fair value of plan assets:		
Academic staff	$ 5,708	$ 5,680
Administrative staff	2,001	2,201
	$ 7,709	$ 7,881
Funded status – (deficit) surplus	$ (150)	$ 849

Contributions to the pension plans during the year are as follows:

	2010	2009
Employer contributions	$ 26,074	$ 25,258
Employee contributions	13,723	13,336
	$ 39,797	$ 38,594

Total expense for these plans is $50,724 (2009 - $45,933) which include benefits paid during the year in the amount of $51,888 (2009 - $47,003).

(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	
	2010	2009	2010	2009
Discount rate	4.75%	5.4%	5.0%	6.8%
Expected long-term rate of return on plan assets	-	-	5.0%	6.8%
Medical cost increases:				
Hospital	5.0%	5.0%	-	-
Drug	8.5%	9.0%	-	-
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(h) and derivative financial instruments in note 9(b).

(b) Derivative financial instruments

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

	2010		2009	
	Notional value	Fair value	Notional value	Fair value
Foreign currency forward contracts	$ 739	$ (27)	$ -	$ -
Interest rate swap agreements	13,719	(793)	13,950	(1,535)
		$ (820)		$ (1,535)

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 contract results in The University fixing a long-term interest rate of 4.8% on certain floating rate debt obligations instead of paying a short-term floating rate of 0.8% (2009 – 0.6%).

The interest rate swap agreement relates to The University of Western Ontario Research & Development Park debt and matures on October 25, 2012. The 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, 2010.

(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 49% (2009 - 53%) 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 31% (2009 - 28%) 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 19% (2009 - 18%) 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.

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.

10. DEBT

	Maturity	Interest Rate at April 30, 2010	Annual Payments (Principal and Interest)	2010 Principal Outstanding	2009 Principal Outstanding
(a) Senior Unsecured Debentures [note (d)]	May 24, 2047	4.798%	$ 9,116	$ 189,111	$ 189,102
(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	$ 7,389	$ 7,521
Glenmore Complex	Dec 1, 2019	6.25%	500	3,678	3,937
Delaware Hall	Sept 1, 2011	5.38%	134	65	191
Ontario Housing Corporation:					
Lambton Hall				-	10,750
Glenmore Complex	Dec 1, 2019	6.50%	31	223	238
Total mortgages			$ 1,364	$ 11,355	$ 22,637
(c) The details of the loans payable, demand notes, bankers' acceptances and capital lease obligations are as follows:					
Related Corporations					
Research & Development Park					
(i) Bankers' Acceptances [note (e)]	July 30, 2010	0.84%		13,719	13,950
Richard Ivey School of Business Foundation					
(i) Bankers' Acceptances [note (f)]	April 30, 2010	prime		3,300	3,300
Robarts Research Institute					
(i) Capital Lease Obligation [note (g)]	Sept 11, 2011	5.51%		926	1,538
Total loans payable				$ 17,945	$ 18,788
Total debt				$ 218,411	$ 230,527

(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) 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.

(f) The bankers' acceptance for the Richard Ivey School of Business Foundation is guaranteed by The University.

(g) In fiscal 2005, Robarts Research Institute entered into a capital lease for a 3 Tesla magnet. 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%.

(h) The fair value of long-term debt at April 30, 2010 was $205,288 (2009 – $202,202) compared to a carrying amount of $218,411 (2009 - $230,527).

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

	Principal
2011	$ 2,391
2012	1,505
2013	14,231
2014	1,048
2015	1,091
Subsequent years	198,145
	$ 218,411

11. DEFERRED CONTRIBUTIONS

Deferred contributions consist of the following:

	2010	2009
Unspent research grants	$ 79,237	$ 74,900
Other restricted funds	74,594	74,798
Balance, end of year	$ 153,831	$ 149,698

12. DEFERRED CAPITAL CONTRIBUTIONS

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

	2010	2009
Balance, beginning of year	$ 409,730	$ 375,633
Less amortization of deferred capital contributions	(31,765)	(32,017)
Add contributions received during the year	36,104	66,114
Balance, end of year	$ 414,069	$ 409,730

Represented by:

Amounts used for the purchase of capital assets	$ 400,001	$ 390,145
Amounts to be spent on capital assets	14,068	19,585
	$ 414,069	$ 409,730

13. UNRESTRICTED NET ASSETS

Details of the unrestricted net assets are as follows:

	2010	2009
Undistributed investment returns	$ 46,840	$ 9,723
Operating fund surplus	31,420	29,007
Provision for vacation pay	(7,870)	(7,883)
Operating deficit - related organizations	(25,639)	(29,827)
Provision for employee future benefits	(248,130)	(229,864)
Balance, end of year	$ (203,379)	$ (228,844)

14. INTERNALLY RESTRICTED NET ASSETS

Details of the internally restricted net assets are as follows:

	2010	2009
Investment in capital assets	$ 277,442	$ 287,858
Departmental carry forwards	70,992	47,071
Capital reserve	(5,343)	(5,172)
Operating surplus – ancillary and support units	12,888	7,991
Faculty and research trust funds	22,783	21,963
Equipment reserves	12,675	12,626
Self-insurance funds	1,051	1,000
Balance, end of year	$ 392,488	$ 373,337

i) Investment in capital assets represents the unamortized value of capital assets funded by the University, net of outstanding debt. It excludes those assets funded through capital contributions.

ii) 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.

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

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

v) Faculty and research trust funds include donations and other revenue with no external restrictions that departments are permitted to carry forward.

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

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

15. ENDOWMENTS

Net assets restricted for endowment consist of the following:

	2010	2009
Externally Endowed	$ 302,930	$ 251,650
Internally Endowed	15,949	13,975
	$ 318,879	$ 265,625
Represented by:		
Endowed funds	$ 314,660	$ 300,792
Accumulated investment returns	4,219	(35,167)
	$ 318,879	$ 265,625

16. (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.

	2010	2009
Schedule of Changes in Endowment Fund Balance		
Fund balance, beginning of year	$ 30,857	$ 38,319
Cash donations received	50	562
Expenditure of endowment principal	-	-
Preservation of capital	2,664	(8,024)
Fund balance, end of year	$ 33,571	$ 30,857
Schedule of Changes in Expendable Funds Available for Awards		
Fund balance, beginning of year	$ 2,522	$ 2,421
Realized investment income, net of direct investment-related expenses and preservation of capital contributions	1,146	1,661
Expendable donations	20	4
Bursaries awarded [713 (2009 – 776)]	(1,464)	(1,564)
Balance, end of year	$ 2,224	$ 2,522
Endowment total based on book value	$ 35,795	$ 33,379

The fair value of the endowment at April 30, 2010 was $36,167 (2009 - $31,696).

(b) ONTARIO STUDENT OPPORTUNITY TRUST FUND – PHASE II

	2010 Western	2010 Affiliates	2009 Western	2009 Affiliates
Schedule of Changes in Endowment Fund Balances				
Fund balance, beginning of year	$ 11,508	$ 1,312	$ 14,507	$ 1,471
Cash donations received	141	-	140	-
Expenditure of endowment principal	-	-	-	-
Preservation of capital	900	46	(3,139)	(159)
Fund balance, end of year	$ 12,549	$ 1,358	$ 11,508	$ 1,312
Schedule of Changes in Expendable Funds Available for Awards				
Fund balance, beginning of year	$ 556	$ 102	$ 519	$ 155
Realized investment income, net of direct investment related expenses and preservation of capital	1,336	84	1,382	(7)
Expendable contributions received	2	-	1	-
Bursaries awarded [229 (2009 – 261)]	(1,358)	(47)	(1,346)	(46)
Balance, end of year	$ 536	$ 139	$ 556	$ 102
Endowment total based on book value	$ 13,085	$ 1,497	$ 12,064	$ 1,414

The fair value of the endowment at April 30, 2010 was $14,576 (2009 - $13,559).

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

17. 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, 2010)

	2010 Western	2010 Affiliates	2009 Western	2009 Affiliates
Schedule of Cash Donations Matched Between April 1, 2009 and March 31, 2010				
Cash donations matched between April 1, 2009 - March 31, 2010	$ 3,116	$ 607	$ 2,334	$ 462
Unmatched cash donations received between April 1, 2009 - March 31, 2010	1,955	746	2,005	293
	$ 5,071	$ 1,353	$ 4,339	$ 755
Schedule of Changes in Endowment Fund Balances				
Fund balance, beginning of year	$ 34,717	$ 5,452	$ 38,642	$ 4,725
Eligible cash donations received	1,955	746	2,004	579
Cash donations included in endowment funds but not eligible for matching	49	-	582	-
Matching funds received from MTCU	3,116	607	2,333	463
Expenditure of endowment principal	(150)	-	-	-
Preservation of capital	3,486	(300)	(8,844)	(315)
Fund balance, end of year	$ 43,173	$ 6,505	$ 34,717	$ 5,452
Schedule of Changes in Expendable Funds Available for Awards				
Fund balance, beginning of year	$ 1,374	$ 114	$ 924	$ 117
Expendable donations	93	-	55	-
Realized investment income, net of direct investment-related	885	171	1,103	142
Bursaries awarded [284 (2009 – 296)]	(875)	(79)	(708)	(145)
Fund balance, end of year	$ 1,477	$ 206	$ 1,374	$ 114
Outstanding donations pledged	$ 3,449	$ 445	$ 5,125	$ 532

The fair value of the endowment at April 30, 2010 was $50,049 (2009 - $39,615).

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

18. THE SEYMOUR SCHULICH ENDOWMENT FUND

The Seymour Schulich Endowment Fund has a current market value of $29,739. Under the Government of Ontario Matching Programs (Ontario Student Opportunity Trust Fund and Ontario Trust for Student Support) $9,648 of matching funds have been received. An additional $4,018 in matching funds are outstanding.

19. FIRST GENERATION PILOT PROJECT INITIATIVES

For the period from May 1, 2008 to April 30, 2010, the University's financial statements include expenditures totaling $207 incurred for the purpose of carrying out the First Generation Pilot Project Initiatives. The goal of this project is to increase the awareness of the benefits of post-secondary education of first generation students and to increase their participation, retention and graduation rates.

20. STATEMENT OF CASH FLOWS

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

	2010	2009
Accounts receivable	$ 15,334	$ (19,785)
Inventories	(372)	(189)
Prepaid expenses	(597)	(46)
Accounts payable and accrued liabilities	(6,235)	(2,887)
Deferred fees and income	10,121	9,288
Net change in non-cash working capital	$ 18,251	$ (13,619)

21. COMMITMENTS, CONTINGENCIES AND SUBSEQUENT EVENTS

(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, 2010 is approximately $87,623.

(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 coverage's of $20,000 and $5,000.

(d) Subsequent Event

Effective June 30, 2010, ownership of the Stiller Centre transferred to The University of Western Ontario Research and Development Park "Research Park" in accordance with an agreement between the Research Park, the City of London, the University, Robarts Research Institute, the Lawson Health Research Institute, and the London Biotechnology Commercialization Centre. The Research Park will operate the facility and continue the programming activities of the centre.

22. PLEDGES

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

	Pledges
2011 -	$ 17,784
2012 -	14,492
2013 -	11,327
subsequent years -	25,463
	$ 69,066