

Financial Statements of

UNIVERSITY OF WINDSOR

Year ended April 30, 2017

Statement of Administrative Responsibility

The Administration of the University is responsible for the preparation of the financial statements, the notes and all other financial information contained in this annual report.

The Administration has prepared the financial statements in accordance with Canadian accounting standards for not-for-profit organizations. In order to achieve the objective of fair presentation in all material respects, reasonable estimates and judgments were employed. The Administration believes that the financial statements present fairly the University's financial position as at April 30, 2017 and the results of its operations for the year then ended.

In fulfilling its responsibilities and recognizing the limits inherent in all systems, the Administration has developed and maintains a system of internal control designed to provide reasonable assurance that University assets are safeguarded from loss and that the accounting records are a reliable basis for the preparation of financial statements.

The Board of Governors is responsible for ensuring that the Administration fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial statements. The Board of Governors carries out its responsibility for review of the financial statements principally through the Audit Committee. The members of the Audit Committee are not officers or employees of the University. The Audit Committee meets with the Administration, as well as the external auditors, to discuss the results of audit examinations and financial reporting matters and to satisfy itself that each party is properly discharging its responsibilities. The auditors have full access to the Audit Committee with and without the presence of the Administration.

The financial statements for the year ended April 30, 2017 have been reported on by KPMG LLP, Chartered Professional Accountants, the external auditors appointed by the Board of Governors. The independent auditors' report outlines the scope of their audit and their opinion on the presentation of the information included in the financial statements.

Dr. Alan Wildeman
President

Ms. Sandra Aversa
Vice President, Planning and Administration



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INDEPENDENT AUDITORS' REPORT

To the Board of Governors of the University of Windsor

We have audited the accompanying financial statements of the University of Windsor, which comprise the statement of financial position as at April 30, 2017, the statements of operations, changes in net assets and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the University of Windsor as at April 30, 2017, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit-organizations.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

October 10, 2017
Windsor, Canada

UNIVERSITY OF WINDSOR**Statement of Financial Position**

(in thousands of dollars)

As at April 30, 2017, with comparative financial information for 2016

		2017	2016
		\$	\$
ASSETS			
Current			
Cash and cash equivalents		34,458	20,446
Short-term investments	note 2	470	45,171
Accounts receivable		18,245	13,851
Inventories and prepaid expenses		7,524	4,106
Total current assets		60,697	83,574
Investments	note 2	179,130	155,756
Capital assets, net	note 3	389,014	372,991
		628,841	612,321
LIABILITIES and DEFERRED CONTRIBUTIONS			
Current			
Accounts payable and accrued liabilities	note 11	50,958	45,188
Deferred revenue		8,658	9,294
Deferred contributions	note 4	33,206	32,851
Current portion of long-term debt	note 7	2,098	2,021
Total current liabilities		94,920	89,354
Deferred capital contributions	note 5	168,092	170,014
Employee future benefits	note 6	73,556	97,981
Long-term debt	note 7	149,985	153,288
		486,553	510,637
NET ASSETS			
Unrestricted			
Funded operations		-	-
Unfunded operations		(79,692)	(105,183)
Total unrestricted		(79,692)	(105,183)
Internally restricted	note 8	111,214	108,397
Endowment	note 9	110,766	98,470
		142,288	101,684
Commitments and contingent liabilities	note 14	628,841	612,321

See accompanying notes

UNIVERSITY OF WINDSOR**Statement of Operations**

(in thousands of dollars)

Year ended April 30, 2017, with comparative financial information for 2016

	2017	2016
	\$	\$
REVENUE		
Grants and contracts	129,211	133,550
Student fees	165,548	158,928
Sales and services	20,172	21,102
Investment income	11,111	8,917
Donations, non-endowment	2,332	971
Amortization of deferred capital contributions	7,756	7,777
Other revenue	9,242	9,687
	345,372	340,932
EXPENSES		
Salaries and benefits	229,786	222,845
Materials, supplies and services	35,922	37,487
Repairs and renovations	17,467	18,555
Cost of goods sold	5,320	5,271
Utilities	7,807	7,751
Interest on long-term debt	8,191	8,266
Scholarships and bursaries	17,362	16,816
Amortization of capital assets	21,227	23,883
Change in fair value of interest rate swaps	(1,065)	2,737
	342,017	343,611
Excess (deficiency) of revenue over expenses	3,355	(2,679)

See accompanying notes

UNIVERSITY OF WINDSOR

Statement of Changes in Net Assets
(in thousands of dollars)

Year ended April 30, 2017, with comparative financial information for 2016

					2017	2016
	Unrestricted		Internally Restricted (note 8)	Endowment (note 9)	Total \$	Total \$
	Funded Operations	Unfunded Operations				
	\$	\$	\$	\$	\$	\$
Net assets, beginning of year	-	(105,183)	108,397	98,470	101,684	115,767
Excess (deficiency) of revenues over expenses	4,589	(1,234)	-	-	3,355	(2,679)
Change in unexpended operating and restricted funds	(2,871)	-	2,871	-	-	-
Net contribution to investment in capital assets	54	-	(54)	-	-	-
Investment income (loss) allocated	-	-	-	15,323	15,323	(1,261)
Allocation for spending from accumulated investment returns	-	-	-	(6,122)	(6,122)	(4,659)
Employee future benefit remeasurement costs (note 6)	-	26,725	-	-	26,725	(6,987)
Contributed assets	-	-	-	-	-	165
Transfers and internal endowment contributions	(1,772)	-	-	1,772	-	-
External contributions	-	-	-	1,323	1,323	1,338
Net assets, end of year	-	(79,692)	111,214	110,766	142,288	101,684

See accompanying notes

UNIVERSITY OF WINDSOR**Statement of Cash Flows**

(in thousands of dollars)

Year ended April 30, 2017, with comparative financial information for 2016

	2017	2016
	\$	\$
OPERATING ACTIVITIES		
Excess of revenue over expenses	3,355	(2,679)
Add (deduct) non-cash items:		
Deferred contributions, net	355	(1,031)
Amortization of deferred capital contributions	(7,756)	(7,777)
Amortization of capital assets, net of loss on disposal	21,126	20,986
Employee future benefits	2,300	1,232
Interest rate swaps	(1,065)	2,737
Amortization of debt transaction costs	39	39
Net change in non-cash working capital	(1,613)	3,451
	note 13	
Cash provided by operating activities	16,741	16,958
FINANCING ACTIVITIES		
Repayments of long-term debt	(2,021)	(1,948)
Contributions deferred for capital purposes	5,834	5,609
Trusted sinking fund	(1,244)	(1,183)
Investment income allocated to endowments	15,323	(1,261)
Endowment investment income for spending	(6,122)	(4,659)
External endowment contributions	1,323	1,338
Cash provided by (used in) financing activities	13,093	(2,104)
INVESTING ACTIVITIES		
Net change in investments	21,327	1,056
Net purchase of capital assets	(37,149)	(27,550)
Cash used in investing activities	(15,822)	(26,494)
Net increase (decrease) in cash and cash equivalents	14,012	(11,640)
Cash and cash equivalents, beginning of year	20,446	32,086
Cash and cash equivalents, end of year	34,458	20,446

See accompanying notes

UNIVERSITY OF WINDSOR
NOTES TO THE FINANCIAL STATEMENTS
(in thousands of dollars, unless otherwise noted)
APRIL 30, 2017

AUTHORITY

The University of Windsor (the “University”) is a mid-sized comprehensive research and teaching university. The University operates under the authority of the University of Windsor Act, 1962-63 which defines the authority and responsibilities of the Board of Governors and the Senate. The University is a registered charity and therefore is, under Section 149(1)(f) of the Income Tax Act (Canada), exempt from payment of income tax.

NOTE 1

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES

These financial statements have been prepared in accordance with Part III of the Chartered Professional Accountants (CPA) of Canada Handbook – Accounting, which sets out generally accepted accounting principles for not-for-profit organizations in Canada.

The significant accounting policies of the University are summarized below:

(a) Cash and cash equivalents

Cash and cash equivalents consist of balances with banks and investments with a maturity of approximately three months or less at the date of purchase, unless they are held for investment rather than liquidity purposes, in which case they are classified as investments.

(b) Financial Instruments

Financial instruments are recorded at fair value upon initial recognition. Investments in pooled funds and derivative instruments are subsequently measured at fair value. All other financial instruments are measured initially at fair value, and subsequently at amortized cost.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair market value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and are amortized using the straight-line method.

(c) Investments and investment income

Investments reported at fair value consist of cash, money market funds, term notes, treasury bills, and equity instruments as well as pooled fund investments, derivative contracts and any investments in fixed income securities that the University designates upon purchase to be measured at fair value. Fair value amounts represent estimates of the consideration that would be agreed upon by knowledgeable, willing parties who are under no compulsion to act. It is best evidenced by a quoted market price, if one exists. The calculation of estimated fair value is based upon market conditions at a specific point in time and may not be reflective of future fair values.

NOTE 1

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES (cont'd)

Investments that are not designated to be measured at fair value are subsequently recorded at amortized cost.

Investment income and losses, which consist of interest, dividends, income distributed from pooled funds, realized and unrealized capital gains and losses and realized and unrealized currency gains and losses, net of applicable transaction costs are recorded as investment income in the Statement of Operations except for the investment income designated for endowments.

The amount made available for spending against externally restricted endowments is recorded as investment income and any restricted amounts available for spending that remain unspent at year-end are deferred and categorized as deferred contributions. Investment income on externally restricted endowments in excess of the amount made available for spending, losses on externally restricted endowments, and deficiency of investment income compared to the amount available for spending are recorded as direct increases (decreases) to endowments.

(d) Derivative financial instruments

In order to manage its interest rate risk, the University has entered into interest rate swap agreements to convert variable rate interest on bankers' acceptances term loans to a fixed rate. The University does not designate interest rate swap agreements as hedges for accounting purposes. Accordingly, the interest rate swap contracts are marked to market based on the fair value provided by the financial institution which is counterparty to these contracts, with changes in fair value recorded in the Statement of Operations.

(e) Inventories

Inventories are valued at lower of cost and net realizable value.

(f) Capital assets

Capital assets are recorded at cost. Contributed assets including land are recorded at fair market value at the date of contribution are reported in the Statement of Changes in Net Assets.

Amortization of capital assets includes any loss recognized on disposal or impairment in value of capital assets. When a capital asset no longer contributes to the University's ability to provide services, the carrying value is written down to its residual value. Amortization is provided on a straight line basis using the following rates:

Land improvements	20 Years
Buildings	40 Years
Parking lots	15 Years
Equipment	5 to 20 Years
Library and books	5 Years
Leasehold improvements	Term of lease
Collections (Works of Art and Rare books)	not amortized
Capital in progress	not amortized

NOTE 1

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES (cont'd)

(g) Revenue recognition

The University follows the deferral method of accounting for contributions which include donations and government grants.

Unrestricted contributions are recognized as revenue when received or receivable. The operating grant from the Province of Ontario is considered unrestricted and is recorded in the period to which the operating funds relate.

Externally restricted contributions, other than endowments, are 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. External endowment contributions and income preserved as capital protection on externally restricted endowments are recognized as direct increase in net assets in the year in which they are received. Income preserved as capital protection on internally restricted endowments is recorded as unrestricted revenue and transferred to internal endowments.

Donations of assets are recorded at fair value when a fair value can be reasonably estimated. Pledges receivable are not recorded as an asset in the accompanying financial statements. Endowment contributions are recognized as direct increases in net assets.

Tuition fees which relate to academic terms or parts thereof occurring after April 30 are recorded as deferred revenue.

Revenue from student fees and from the sale of services and products is recognized at the time the products are delivered or the services provided. All ancillary revenues from student fees and sale of goods and services are included in sales and services on the Statement of Operations.

Externally restricted investment income is recognized as revenue in the year in which the related expenses are incurred. Unrestricted investment income is recognized as revenue when earned.

(h) Employee future benefits

The University of Windsor Employees' Retirement Plan (Employee Plan) is a defined benefit plan, fully cost shared with its members. The University of Windsor Retirement Plan for Faculty and Certain Other Employees (Faculty Plan) is a money purchase plan with a defined benefit component that provides a minimum level of pension benefits. Under this hybrid Faculty Plan, the University and employees are required to make contributions based on a specified percentage of the employee's pensionable earnings. The amount of pension benefits provided to employees is based upon the accumulation of contributions and investment earnings thereon, when the employee retires, subject to a guaranteed minimum benefit amount.

The University has approved supplemental plans for certain retirees to provide them with benefits that are in excess of limitations within a Registered Plan.

NOTE 1

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES (cont'd)

Additionally, certain faculty are members of the Teachers' Superannuation Fund and employees who are members of CUPE 1001 are members of the CUPE 1001 Pension Plan. Both of these plans are multi-employer plans and as such, the University records the cost of providing these benefits equal to its requirement to make contributions on an annual basis.

The University provides other post employment employee benefits such as medical, dental and life insurance to eligible employees and retirees.

The University accounts for the Employee and Faculty pension plans using the immediate recognition approach. The University recognizes the amount of the accrued benefit obligation net of the fair value of plan assets, adjusted for any valuation allowance, in the Statement of Financial Position. Current service and finance costs are expensed during the year, while remeasurements and other items, representing the total of the difference between actual and expected return on plan assets, actuarial gains and losses, adjustments to the valuation allowance including the impact on finance costs, and past service costs, are recognized as a direct increase or decrease in net assets.

The accrued benefit obligations for the plans are determined based on the latest actuarial valuation reports prepared for funding purposes. The accrued obligation for the unfunded plan is prepared on a basis consistent with funded plans. The actuarial valuations are performed at least every three years. In the years between valuations, the University uses a roll-forward technique to estimate the defined benefit obligation. Assets of the pension plans are valued using fair values at April 30.

(i) Unrestricted unfunded operations

The changes in unfunded employee future benefits and the fair value of interest rate swaps are included in unrestricted unfunded operations.

(j) Internally restricted net assets

University policy permits Faculties and other departments to carry forward certain unexpended budget allocations for future purposes. These amounts are provided for by transfers to internally restricted net assets. Also included are amounts restricted for the purpose of investment in capital assets and unexpended departmental internally restricted funds.

(k) Contributed services

Volunteers contribute an indeterminable number of hours per year to assist the University in carrying out its service delivery activities. Due to the difficulty of determining their fair value, contributed services are not recognized in the financial statements.

(l) Use of estimates

The preparation of financial statements requires Administration to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the year. Significant items subject to such estimates and assumptions include the carrying amount of capital assets, valuation allowance for accounts receivable, valuation of investments and assets and obligations related to pension and employee future benefits. Actual results could differ from those estimates.

NOTE 1**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES (cont'd)****(m) Agency obligations**

The University acts as an agent which holds resources and makes disbursements on behalf of various unrelated individuals and groups. The University has no discretion over such agency transactions. Resources received in connection with such agency transactions are reported as liabilities, and subsequent distributions are reported as decreases to these liabilities.

NOTE 2**INVESTMENTS**

	2017	2016
	\$	\$
Cash, money market funds, term notes and treasury bills	11,487	46,085
Government and corporate bonds	86,085	81,264
Canadian equities	42,733	37,933
Global equities	39,295	35,645
	179,600	200,927
Less amounts reported as:		
Short-term investments	470	45,171
	179,130	155,756

NOTE 3**CAPITAL ASSETS**

	Cost	Accumulated Amortization	2017 Net Book Value	2016 Net Book Value
	\$	\$	\$	\$
Land	14,419	-	14,419	14,159
Land improvements	6,556	501	6,055	4,425
Buildings	464,392	167,002	297,390	305,117
Parking lots	2,994	2,675	319	367
Equipment	189,320	168,522	20,798	23,257
Library and books	127,302	119,324	7,978	8,860
Leasehold improvements	1,075	145	930	-
Collections	1,556	-	1,556	1,524
Capital in progress	39,569	-	39,569	15,282
	847,183	458,169	389,014	372,991

In the year, amortization of capital assets totaled \$21,227 (2016 - \$23,883) including write downs and loss on disposals of \$101 (2016 - \$2,897).

NOTE 4
DEFERRED CONTRIBUTIONS

Deferred contributions represent unspent resources restricted for research and other purposes. Changes in deferred contributions are as follows:

	2017	2016
	\$	\$
Balance, beginning of year	32,851	33,882
Amount recognized as revenue in the year	(32,851)	(33,882)
Amount received or accrued related to the following year	33,206	32,851
Balance, end of year	33,206	32,851

NOTE 5
DEFERRED CAPITAL CONTRIBUTIONS

Deferred capital contributions represent the unspent and unamortized amount of donations and grants received for the purchase of capital assets. Changes in deferred capital contributions are as follows:

	2017	2016
	\$	\$
Balance, beginning of year	170,014	172,182
Additions for capital purchases	5,834	5,609
Amortization of deferred capital contributions	(7,756)	(7,777)
Balance, end of year	168,092	170,014

NOTE 6
EMPLOYEE FUTURE BENEFITS

Defined benefit plans

The University measures its accrued benefit obligations and the fair value of plan assets for accounting purposes as at April 30 of each year. The latest actuarial valuations for funding purposes, for the Faculty and Employee Plans were completed as of July 1, 2014. The next valuations are required to be completed as of July 1, 2017. Valuation results report a going concern deficit for the Faculty Plan and a going concern surplus for the Employee Plan.

The assets of the funded plans are managed by external investment managers, are held by an independent custodian, and are completely separate and apart from the assets of the University.

The University also provides for other non-pension post-employment employee benefits. The University measures its accrued non-pension employee future benefits for funding purposes as of April 30. An actuarial valuation for the non-pension employee future benefits plans was completed as of April 30, 2017. The next valuation will be completed as of April 30, 2018.

NOTE 6
EMPLOYEE FUTURE BENEFITS (cont'd)

Information about the University's benefit plans as at April 30 is as follows:

(a) Reconciliation of the funded status of the defined benefit plans to the accrued benefit liability:

	2017			
	Pension		Other	Totals
	Faculty	Employee		
	\$	\$	\$	\$
Accrued benefit obligation	529,745	200,065	55,756	785,566
Fair value of plan assets	511,945	237,516	-	749,461
Valuation allowance	-	(37,451)	-	(37,451)
Plan deficit	(17,800)	-	(55,756)	(73,556)

	2016			
	Pension		Other	Totals
	Faculty	Employee		
	\$	\$	\$	\$
Accrued benefit obligation	491,902	192,121	53,097	737,120
Fair value of plan assets	447,018	208,616	-	655,634
Valuation allowance	-	(16,495)	-	(16,495)
Plan deficit	(44,884)	-	(53,097)	(97,981)

In addition to the Plan assets, the University has invested \$1,192 (2016 - \$1,239) at April 30, 2017 related to its supplemental retirement arrangement obligations. The liability associated with this obligation is included in the accrued benefit obligation for the Employee Plan.

(b) Details of annual contributions and benefits paid are as follows:

	2017			
	Pension			Other
	Faculty	Employee	Multi-employer	
	\$	\$	\$	\$
Employer contributions	13,367	3,548	569	1,935
Employee contributions	7,341	3,548	561	-
Benefits paid	23,235	9,617	n/a	1,935

NOTE 6
EMPLOYEE FUTURE BENEFITS (cont'd)

	2016			Other
	Pension		Multi- employer	
	Faculty	Employee		
	\$	\$	\$	\$
Employer contributions	12,864	3,558	535	1,651
Employee contributions	6,270	3,556	558	-
Benefits paid	22,383	9,415	n/a	1,651

(c) Information on the Remeasurements and other items included in the Statement of Changes in Net Assets is as follows:

	2017		
	Pension	Other	Total
	\$	\$	\$
Difference between actual and expected return on plan assets	(60,622)	-	(60,622)
Actuarial (gains) losses	14,461	(597)	13,864
Decrease in valuation allowance and impact on finance cost	20,033	-	20,033
Remeasurements and other items	(26,128)	(597)	(26,725)

	2016		
	Pension	Other	Total
	\$	\$	\$
Difference between actual and expected return on plan assets	46,968	-	46,968
Actuarial gains	(9,695)	(16,172)	(25,867)
Decrease in valuation allowance and impact on finance cost	(14,114)	-	(14,114)
Remeasurements and other items	23,159	(16,172)	6,987

Included in the salaries and benefits expense on the Statement of Operations, are the current service costs and finance costs of \$21,347 (2016 - \$19,509).

NOTE 6**EMPLOYEE FUTURE BENEFITS (cont'd)**

(d) The significant actuarial assumptions adopted in measuring the University's accrued benefit obligation and benefit costs for accounting purposes are as follows:

	2017		
	Pension		Other
	Faculty	Employee	
Accrued Benefit Obligation:			
Discount rate	5.9%	5.6%	5.6% - 5.9%
Rate of compensation increase	4%	4%	n/a
Initial weighted average health care trend rate	n/a	n/a	6.7%
Ultimate weighted average health care trend rate	n/a	n/a	4.5%
Year ultimate rate reached	n/a	n/a	2030
Benefit Cost:			
Discount rate	5.95%	5.6%	5.6% - 5.95%
Rate of compensation increase	4%	4%	n/a
	2016		
	Pension		Other
	Faculty	Employee	
Accrued Benefit Obligation:			
Discount rate	5.9%	5.6%	5.6% - 5.9%
Rate of compensation increase	4%	4%	n/a
Initial weighted average health care trend rate	n/a	n/a	7.1%
Ultimate weighted average health care trend rate	n/a	n/a	4.5%
Year ultimate rate reached	n/a	n/a	2030
Benefit Cost:			
Discount rate	5.95%	5.6%	5.6% - 5.95%
Rate of compensation increase	4%	4%	n/a

NOTE 7
LONG-TERM DEBT

Details of the long-term debt are as follows:

	Maturity	Interest Rate	2017 Principal Outstanding \$	2016 Principal Outstanding \$
Series A Senior Unsecured Debentures	June 2046	5.37%	108,300	108,300
Less: Trusteed Sinking Fund			(25,403)	(24,159)
Transaction costs			(1,156)	(1,195)
			81,741	82,946
TD Bank, Tranche 1	January 2043	3.03%	26,037	26,694
TD Bank, Tranche 2	June 2044	3.13%	40,814	41,753
Bank of Montreal	October 2023	6.425%	3,491	3,916
			152,083	155,309
Current portion of long-term debt			(2,098)	(2,021)
			149,985	153,288

The University has hedged until maturity the TD Bank credit facilities (Tranche 1 and 2) with interest rate swaps to lock in effective rates of 3.03% and 3.13%, respectively. The University has hedged the Bank of Montreal loan with an interest rate swap to lock in an effective rate of 6.425% until maturity. All of the credit facilities are unsecured.

The fair value of the interest rate swaps of \$6,136 (2016 – \$7,201) is recorded on the Statement of Financial Position (Net Assets, Unfunded Operations). The change in fair value of the interest rate swaps of \$1,065 (gain) (2016 – \$2,737 (loss)) is recorded in the Statement of Operations.

The principal repayments of the long-term debt required in the next five fiscal years are:

<u>Fiscal Year</u>	<u>Principal</u>
2018	\$ 2,098
2019	\$ 2,178
2020	\$ 2,261
2021	\$ 2,348
2022	\$ 2,439

NOTE 8
INTERNALLY RESTRICTED NET ASSETS

Details of the internally restricted net assets are as follows:

	2017	2016
	\$	\$
Invested in capital assets	70,809	70,863
Unexpended operating funds		
Purchase orders and special projects	26,307	17,580
Internally financed capital and repair projects	(22,290)	(24,119)
Budget carryforward for operations	21,861	30,671
Financial planning	3,417	3,417
	29,295	27,549
Unexpended restricted funds		
Unspent departmental research funds	7,788	7,351
Unspent departmental trust funds	3,322	2,634
	11,110	9,985
Total unexpended operating and restricted funds	40,405	37,534
Total internally restricted net assets	111,214	108,397

NOTE 9
ENDOWMENT

Contributions restricted for endowment consist of restricted donations received by the University and contributions internally endowed by the Board of Governors. The investment income generated from endowments must be used in accordance with the various purposes established by the donors or the Board of Governors.

Investment income on endowments that is available for spending at the discretion of the University or is available for spending as conditions have been met, has been recorded in the Statement of Operations.

Under University policy, only a portion of the income is spent and the balance is reinvested with the objective of protecting the real value of the endowment against inflation and fluctuations in market returns. In any particular year, should net investment income be insufficient to fund the amount to be made available for spending, or if the investment return is negative, the amount that is made available for spending is funded from accumulated reinvested income.

NOTE 9
ENDOWMENT (cont'd)

	Externally Endowed \$	Internally Endowed \$	2017 Total Endowed \$	2016 Total Endowed \$
Endowment, beginning of year	86,236	12,234	98,470	102,142
Internal contributions	673	1,099	1,772	1,552
External contributions	1,273	50	1,323	1,338
Investment income (loss) allocated	15,323	-	15,323	(1,261)
Allocation for spending from accumulated investment returns	(6,122)	-	(6,122)	(4,659)
Allocation to investment in capital assets	-	-	-	(642)
Endowment, end of year	97,383	13,383	110,766	98,470

NOTE 10
**ONTARIO STUDENT OPPORTUNITY TRUST FUND (OSOTF) AND ONTARIO TRUST FOR STUDENT
SUPPORT (OTSS)**

Externally restricted endowments include monies provided by the Government of Ontario from the Ontario Student Opportunity Trust Fund and Ontario Trust for Student Support matching programs to award student aid as a result of raising an equal amount of endowed donations.

The University has recorded the following amounts under Phase I of the OSOTF program:

	2017 \$	2016 \$
Endowment Funds:		
Balance, beginning of year	8,243	8,739
Investment income (loss)	803	(98)
Preservation (loss) of capital	13	(398)
Balance, end of year	9,059	8,243
Expendable Funds:		
Balance, beginning of year	567	507
Investment income	436	460
Bursaries awarded (2017 - 197; 2016 - 167)	(376)	(344)
Transfer to Endowment	(13)	(56)
Balance, end of year	614	567

NOTE 10**ONTARIO STUDENT OPPORTUNITY TRUST FUND (OSOTF) AND ONTARIO TRUST FOR STUDENT SUPPORT (OTSS) (cont'd)**

The University has recorded the following amounts under Phase II of the OSOTF program:

	2017	2016
Endowment Funds:	\$	\$
Balance, beginning of year	3,011	2,804
Preservation of capital	31	207
Balance, end of year	3,042	3,011
Expendable Funds:		
Balance, beginning of year	163	152
Realized investment income, net of direct investment-related expenses and preservation of capital contributions	115	136
Bursaries awarded (2017 - 70 ; 2016 - 86)	(125)	(125)
Balance, end of year	153	163

The market value of the endowment as at April 30, 2017 is \$3,620 (2016 - \$3,284).

The University has recorded the following amounts under the OTSS program:

	2017	2016
Endowment Funds:	\$	\$
Balance, beginning of year	26,510	23,980
Donations	184	425
Preservation capital	223	2,105
Balance, end of year	26,917	26,510
Expendable Funds:		
Balance, beginning of year	1,801	1,757
Realized investment income, net of direct investment-related expenses and preservation of capital contributions	1,067	1,093
Bursaries awarded (2017 - 536; 2016 - 513)	(1,022)	(1,049)
Balance, end of year	1,846	1,801

The market value of the endowment as at April 30, 2017 is \$32,465 (2016 - \$29,102).

NOTE 11**ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

Included in accounts payable and accrued liabilities, are government remittances payable of \$3,098 (2016 - \$3,174) which includes amounts payable for HST and payroll related taxes.

NOTE 12
FINANCIAL INSTRUMENTS

The University's financial instruments have been recognized and measured as disclosed in note 1. The University manages certain risks associated with its financial instruments as follows:

(a) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The University is subject to interest rate cash flow risk with respect to its floating rate debts. The University has addressed this risk by entering into interest rate swaps that fix the interest rates for the terms of the loans. All other debts of the University have fixed rates and are therefore not exposed to cash flow interest rate risk.

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

(b) 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 receives some research revenues in non-Canadian currencies and does not mitigate the potential for loss in revenues that could result due to a fall in value of the foreign currency between invoicing of such amounts and the time of receipt of funds. A portion of the University's investments for Endowment is invested outside of Canada. A reduction in the value of that foreign currency would have an adverse effect on the value of these investments. This risk is monitored through its investment managers.

(c) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause another party to incur a financial loss. Accounts receivable are recorded net of an allowance for doubtful accounts of \$4,843 (2016 - \$5,088). The University does not expect other counterparties to fail to meet their obligations given their high credit ratings. The University has established policies and minimum credit rating requirements for such investments.

NOTE 13
STATEMENT OF CASH FLOWS

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

	2017	2016
	\$	\$
Accounts receivable	(4,394)	2,052
Inventories and prepaid expenses	(3,418)	(151)
Accounts payable and accrued liabilities, net of impact of swaps	6,835	(1,379)
Deferred revenue	(636)	2,929
Net change in non-cash working capital balances	(1,613)	3,451

NOTE 14
COMMITMENTS AND CONTINGENT LIABILITIES

At April 30, 2017, commitments for future construction and renovations amounted to approximately \$66,720 (2016 - \$19,321). These projects will be financed by grants, internal funds, external borrowings and fundraising. Commitments for operations are reported in Note 8.

The University is a member of the Canadian University Reciprocal Insurance Exchange (CURIE). CURIE insures general liability, property and certain other risks. Annual premiums paid by the University will be determined by an Advisory Committee on the advice of the Actuary. There is provision under the agreement for assessments to the University if these premiums are not sufficient to cover any losses of CURIE.

The University has been named as a defendant or co-defendant in several actions for damages. The outcome and the amount of the losses, if any, are not determinable at this time and accordingly, no provision for losses has been made in the financial statements. The amount will be accounted for in the period when and if such losses are determined.

NOTE 15
SUBSEQUENT EVENT

During the subsequent events period, the University issued \$40 million of senior unsecured Series B Debentures with a coupon of 3.745% due July 16, 2057. The proceeds will be used to fund capital projects and replenish working capital reserves.

NOTE 16
COMPARATIVE FIGURES

The comparative financial statements have been reclassified from statements previously presented to conform to the presentation of the current year financial statements.