

Financial Statements of

UNIVERSITY OF WINDSOR

Year ended April 30, 2018

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, 2018 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, 2018 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. Douglas Kneale
Interim President

Ms. Anna Maria Kirby
Acting Vice President, Planning and Administration



KPMG LLP
618 Greenwood Centre
3200 Deziel Drive
Windsor, Ontario N8W 5K8
Canada
Telephone (519) 251-3500
Fax (519) 251-3530

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, 2018, 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, 2018, 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

Windsor, Canada
October 16, 2018

UNIVERSITY OF WINDSOR**Statement of Financial Position**

(in thousands of dollars)

As at April 30, 2018, with comparative information for 2017

		2018	2017
		\$	\$
ASSETS			
Current			
Cash and cash equivalents		44,909	34,458
Short-term investments	note 2	10,681	470
Accounts receivable		16,987	18,245
Inventories and prepaid expenses		9,319	7,524
Total current assets		81,896	60,697
Investments	note 2	169,701	179,130
Capital assets, net	note 3	436,656	389,014
		688,253	628,841
LIABILITIES and DEFERRED CONTRIBUTIONS			
Current			
Accounts payable and accrued liabilities	note 11	55,825	50,958
Deferred revenue		11,742	8,658
Deferred contributions	note 4	36,245	33,206
Current portion of long-term debt	note 7	2,178	2,098
Total current liabilities		105,990	94,920
Deferred capital contributions	note 5	169,111	168,092
Employee future benefits	note 6	105,519	73,556
Long-term debt	note 7	186,030	149,985
		566,650	486,553
NET ASSETS			
Unrestricted			
Funded operations		-	-
Unfunded operations		(106,257)	(79,692)
Total unrestricted		(106,257)	(79,692)
Internally restricted	note 8	115,193	111,214
Endowment	note 9	112,667	110,766
		121,603	142,288
Commitments and contingent liabilities	note 14	688,253	628,841

See accompanying notes

UNIVERSITY OF WINDSOR**Statement of Operations**

(in thousands of dollars)

Year ended April 30, 2018, with comparative information for 2017

	2018	2017
	\$	\$
REVENUE		
Grants and contracts	131,338	129,211
Student fees	181,911	165,548
Sales and services	20,423	20,172
Investment income	8,305	11,111
Donations, non-endowment	1,582	2,332
Amortization of deferred capital contributions	7,749	7,756
Other revenue	8,912	9,242
	360,220	345,372
EXPENSES		
Salaries and benefits	236,779	229,786
Materials, supplies and services	39,159	35,922
Repairs and renovations	17,723	17,467
Cost of goods sold	4,982	5,320
Utilities	7,623	7,807
Interest on long-term debt	9,315	8,191
Scholarships and bursaries	18,027	17,362
Amortization of capital assets	20,254	21,227
Change in fair value of interest rate swaps	(5,399)	(1,065)
	348,463	342,017
Excess of revenue over expenses	11,757	3,355

See accompanying notes

UNIVERSITY OF WINDSOR

Statement of Changes in Net Assets

(in thousands of dollars)

Year ended April 30, 2018, with comparative information for 2017

					2018	2017
	Unrestricted		Internally Restricted (note 8)	Endowment (note 9)	Total	Total
	Funded Operations	Unfunded Operations				
	\$	\$	\$	\$	\$	\$
Net assets, beginning of year	-	(79,692)	111,214	110,766	142,288	101,684
Excess of revenues over expenses	4,849	6,908	-	-	11,757	3,355
Change in unexpended operating and restricted funds	(12,678)	-	12,678	-	-	-
Net contribution to investment in capital assets	8,938	-	(8,938)	-	-	-
Investment income allocated	-	-	-	4,349	4,349	15,323
Allocation for spending from accumulated investment returns	-	-	-	(5,320)	(5,320)	(6,122)
Employee future benefit remeasurement costs (note 6)	-	(33,473)	-	-	(33,473)	26,725
Contributed assets	-	-	239	-	239	-
Transfers and internal endowment contributions	(1,109)	-	-	1,109	-	-
External contributions	-	-	-	1,763	1,763	1,323
Net assets, end of year	-	(106,257)	115,193	112,667	121,603	142,288

See accompanying notes

UNIVERSITY OF WINDSOR**Statement of Cash Flows**

(in thousands of dollars)

Year ended April 30, 2018, with comparative information for 2017

	2018	2017
	\$	\$
OPERATING ACTIVITIES		
Excess of revenue over expenses	11,757	3,355
Add (deduct) non-cash items:		
Deferred contributions, net	3,039	355
Amortization of deferred capital contributions	(7,749)	(7,756)
Amortization of capital assets, net of loss on disposal	20,185	21,126
Employee future benefits	(1,510)	2,300
Interest rate swaps	(5,399)	(1,065)
Amortization of debt transaction costs	50	39
Net change in non-cash working capital	12,813	(1,613)
Cash provided by operating activities	33,186	16,741
FINANCING ACTIVITIES		
Repayments of long-term debt	(2,098)	(2,021)
Proceeds from issuance of debt	40,000	-
Deferral of bond costs	(519)	-
Contributions deferred for capital purposes	8,768	5,834
Trusted sinking fund	(1,308)	(1,244)
Investment income allocated to endowments	4,349	15,323
Endowment investment income for spending	(5,320)	(6,122)
External endowment contributions	1,763	1,323
Cash provided by (used in) financing activities	45,635	13,093
INVESTING ACTIVITIES		
Net change in investments	(782)	21,327
Net purchase of capital assets	(67,588)	(37,149)
Cash used in investing activities	(68,370)	(15,822)
Net increase in cash and cash equivalents	10,451	14,012
Cash and cash equivalents, beginning of year	34,458	20,446
Cash and cash equivalents, end of year	44,909	34,458

See accompanying notes

UNIVERSITY OF WINDSOR
NOTES TO THE FINANCIAL STATEMENTS
(in thousands of dollars, unless otherwise noted)
APRIL 30, 2018

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.

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

UNIVERSITY OF WINDSOR
NOTES TO THE FINANCIAL STATEMENTS
(in thousands of dollars, unless otherwise noted)
APRIL 30, 2018

NOTE 1

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

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

UNIVERSITY OF WINDSOR
NOTES TO THE FINANCIAL STATEMENTS
(in thousands of dollars, unless otherwise noted)
APRIL 30, 2018

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.

UNIVERSITY OF WINDSOR
NOTES TO THE FINANCIAL STATEMENTS
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APRIL 30, 2018

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.

UNIVERSITY OF WINDSOR
NOTES TO THE FINANCIAL STATEMENTS
(in thousands of dollars, unless otherwise noted)
APRIL 30, 2018

NOTE 1

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

(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.

(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

	2018	2017
	\$	\$
Cash, money market funds, term notes and treasury bills	11,011	11,487
Government and corporate bonds	85,956	86,085
Canadian equities	45,523	42,733
Global equities	37,892	39,295
	180,382	179,600
Less amounts reported as:		
Short-term investments	10,681	470
	169,701	179,130

UNIVERSITY OF WINDSOR
NOTES TO THE FINANCIAL STATEMENTS
(in thousands of dollars, unless otherwise noted)
APRIL 30, 2018

NOTE 3
CAPITAL ASSETS

	Cost	Accumulated Amortization	2018 Net Book Value	2017 Net Book Value
	\$	\$	\$	\$
Land	14,862	-	14,862	14,419
Land improvements	8,273	871	7,402	6,055
Buildings	520,115	177,569	342,546	297,390
Parking lots	2,994	2,723	271	319
Equipment	191,580	174,343	17,237	20,798
Library and books	129,922	122,475	7,447	7,978
Leasehold improvements	1,075	310	765	930
Collections	1,793	-	1,793	1,556
Capital in progress	44,333	-	44,333	39,569
	914,947	478,291	436,656	389,014

In the year, amortization of capital assets totaled \$20,254 (2017 - \$21,227) including write downs and loss on disposals of \$69 (2017 - \$101).

NOTE 4
DEFERRED CONTRIBUTIONS

Deferred contributions represent unspent externally restricted grants, donations, contributions and investment income. Changes in deferred contributions are as follows:

	2018 \$	2017 \$
Balance, beginning of year	33,206	32,851
Grants, contributions, donations and investment income	39,200	37,914
Recognized to revenue	(36,161)	(37,559)
Balance, end of year	36,245	33,206

UNIVERSITY OF WINDSOR
NOTES TO THE FINANCIAL STATEMENTS
(in thousands of dollars, unless otherwise noted)
APRIL 30, 2018

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:

	2018	2017
	\$	\$
Balance, beginning of year	168,092	170,014
Additions for capital purchases	8,768	5,834
Amortization of deferred capital contributions	(7,749)	(7,756)
Balance, end of year	169,111	168,092

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 were completed as of July 1, 2017 for the Faculty Plan and as of January 1, 2018 for the Employee Plan. The next valuations are required to be completed as of July 1, 2020 and January 1, 2021, respectively. 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, 2018. The next valuation will be completed as of April 30, 2019.

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

	2018			
	Pension		Other	Totals
	Faculty	Employee		
	\$	\$	\$	\$
Accrued benefit obligation	578,715	202,733	58,538	839,986
Fair value of plan assets	531,734	245,708	-	777,442
Valuation allowance	-	(42,975)	-	(42,975)
Plan deficit	(46,981)	-	(58,538)	(105,519)

	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)

In addition to the Plan assets, the University has invested \$1,039 (2017 - \$1,192) at April 30, 2018 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:

	2018			
	Pension			Other
	Faculty	Employee	Multi-employer	
	\$	\$	\$	\$
Employer contributions	15,269	3,694	564	2,183
Employee contributions	7,730	3,694	563	-
Benefits paid	24,981	9,330	n/a	2,183

UNIVERSITY OF WINDSOR
NOTES TO THE FINANCIAL STATEMENTS
(in thousands of dollars, unless otherwise noted)
APRIL 30, 2018

NOTE 6
EMPLOYEE FUTURE BENEFITS (cont'd)

	2017			Other \$
	Pension			
	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

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

	2018		Total \$
	Pension \$	Other \$	
Difference between actual and expected return on plan assets	11,801	-	11,801
Actuarial (gains) losses	18,527	(282)	18,245
Decrease in valuation allowance and impact on finance cost	3,427	-	3,427
Remeasurements and other items	33,755	(282)	33,473

	2017		Total \$
	Pension \$	Other \$	
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)

Included in the salaries and benefits expense on the Statement of Operations, are the current service costs and finance costs of \$19,829 (2017 - \$21,347).

UNIVERSITY OF WINDSOR
NOTES TO THE FINANCIAL STATEMENTS
(in thousands of dollars, unless otherwise noted)
APRIL 30, 2018

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:

	2018		
	Pension		Other
	Faculty	Employee	
Accrued Benefit Obligation:			
Discount rate	5.25%	5.6%	5.25% - 5.6%
Rate of compensation increase	4.0%	3.0%	n/a
Initial weighted average health care trend rate	n/a	n/a	6.5%
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	5.9%	5.6%	5.6% - 5.9%
Rate of compensation increase	4.0%	4.0%	n/a
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

UNIVERSITY OF WINDSOR
NOTES TO THE FINANCIAL STATEMENTS
(in thousands of dollars, unless otherwise noted)
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NOTE 7
LONG-TERM DEBT

Details of the long-term debt are as follows:

	Maturity	Interest Rate	2018 Principal Outstanding \$	2017 Principal Outstanding \$
Series A Senior Unsecured Debentures	June 2046	5.37%	108,300	108,300
Less: Trusteed Sinking Fund			(26,711)	(25,403)
Transaction costs			(1,116)	(1,156)
			80,473	81,741
Series B Senior Unsecured Debentures	July 2057	3.75%	40,000	-
Less: Transaction costs			(509)	-
			39,491	-
TD Bank, Tranche 1	January 2043	3.03%	25,359	26,037
TD Bank, Tranche 2	June 2044	3.13%	39,845	40,814
Bank of Montreal	October 2023	6.425%	3,040	3,491
			188,208	152,083
Current portion of long-term debt			(2,178)	(2,098)
			186,030	149,985

The University issued a Series B Senior Unsecured Debenture during the fiscal year, due July 16, 2057, with interest of 3.75% per annum. A sinking fund, by way of an internally restricted Endowment has been established.

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 \$738 (2017 – \$6,137) is recorded on the Statement of Financial Position (Net Assets, Unfunded Operations). The change in fair value of the interest rate swaps of \$5,399 (gain) (2017 – \$1,065 (gain)) 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>
2019	\$2,178
2020	\$2,261
2021	\$2,348
2022	\$2,439
2023	\$2,534

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NOTE 8
INTERNALLY RESTRICTED NET ASSETS

Details of the internally restricted net assets are as follows:

	2018	2017
	\$	\$
Invested in capital assets	67,846	76,784
Unexpended operating funds		
Purchase orders and special projects	20,973	26,307
Internally financed capital or repair projects	(15,043)	(28,265)
Budget carryforward for operations	24,612	21,861
Financial planning	3,417	3,417
	33,959	23,320
Unexpended restricted funds		
Unspent departmental research funds	9,978	7,788
Unspent departmental trust funds	3,410	3,322
	13,388	11,110
Total unexpended operating and restricted funds	47,347	34,430
Total internally restricted net assets	115,193	111,214

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.

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NOTE 9
ENDOWMENT(cont'd)

	Externally Endowed \$	Internally Endowed \$	2018 Total Endowed \$	2017 Total Endowed \$
Endowment, beginning of year	97,383	13,383	110,766	98,470
Internal contributions	297	812	1,109	1,772
External contributions	1,763	-	1,763	1,323
Investment income (loss) allocated	4,349	-	4,349	15,323
Allocation for spending from accumulated investment returns	(5,320)	-	(5,320)	(6,122)
Endowment, end of year	98,472	14,195	112,667	110,766

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:

	2018 \$	2017 \$
Endowment Funds:		
Balance, beginning of year	9,059	8,243
Investment income (loss)	-	803
Preservation (loss) of capital	(116)	13
Balance, end of year	8,943	9,059
Expendable Funds:		
Balance, beginning of year	614	567
Investment income	474	436
Bursaries awarded (2018 - 178; 2017 - 197)	(355)	(376)
Transfer to Endowment	-	(13)
Balance, end of year	733	614

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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:

	2018	2017
	\$	\$
Endowment Funds:		
Balance, beginning of year	3,042	3,011
Preservation of capital	19	31
Balance, end of year	<u>3,061</u>	<u>3,042</u>
Expendable Funds:		
Balance, beginning of year	153	163
Realized investment income, net of direct investment-related expenses and preservation of capital contributions	150	115
Bursaries awarded (2018 – 77; 2017 - 70)	(118)	(125)
Balance, end of year	<u>185</u>	<u>153</u>

The market value of the endowment as at April 30, 2018 is \$3,634 (2017 - \$3,620).

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

	2018	2017
	\$	\$
Endowment Funds:		
Balance, beginning of year	26,917	26,510
Donations	377	184
Preservation capital	685	223
Balance, end of year	<u>27,979</u>	<u>26,917</u>
Expendable Funds:		
Balance, beginning of year	1,846	1,801
Realized investment income, net of direct investment-related expenses and preservation of capital contributions	1,328	1,067
Bursaries awarded (2018 - 579; 2017 - 536)	(923)	(1,022)
Balance, end of year	<u>2,251</u>	<u>1,846</u>

The market value of the endowment as at April 30, 2018 is \$33,057 (2017 - \$32,465).

NOTE 11

ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Included in accounts payable and accrued liabilities, are government remittances payable of \$3,668 (2017 - \$3,098) which includes amounts payable for HST and payroll related taxes.

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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 \$4,819 (2017 - \$4,843). 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:

	2018	2017
	\$	\$
Accounts receivable	1,258	(4,394)
Inventories and prepaid expenses	(1,795)	(3,418)
Accounts payable and accrued liabilities, net of impact of swaps	10,266	6,835
Deferred revenue	3,084	(636)
Net change in non-cash working capital balances	12,813	(1,613)

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NOTE 14
COMMITMENTS AND CONTINGENT LIABILITIES

At April 30, 2018, commitments for future construction and renovations amounted to approximately \$26,055 (2017 - \$66,720). 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
COMPARATIVE FIGURES

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