



THE UNIVERSITY OF
WINNIPEG

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2009

THE UNIVERSITY OF WINNIPEG

WINNIPEG, MANITOBA, CANADA

THE UNIVERSITY OF WINNIPEG
CONSOLIDATED FINANCIAL STATEMENTS

for the year ended March 31, 2009

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THE UNIVERSITY OF WINNIPEG

The University of Winnipeg Report on the Consolidated Financial Statements Report of the Vice-President Finance & Administration

The University of Winnipeg's consolidated financial statements contain the financial results of the University of Winnipeg's operations and the operations of the University of Winnipeg Educational Housing Corporation. The financial results of the University of Winnipeg Foundation and the University of Winnipeg Community Renewal Corporation are included by means of a note to the consolidated financial statements for purposes of disclosure.

The University's operations include the University undergraduate and graduate credit programs, Continuing Education Division, the Collegiate, Campus Services, Academic Enterprises, sponsored research & designated funds, and trust funds.

2008-09 was a productive year at the University, with significant progress made on several Capital Projects, and the performance of a review of academic programs.

Operations unfolded largely as expected at the University in 2008-09. Enrollment remained strong, but the number of courses taken per student decreased in the year, continuing a recent trend, and bringing student fee revenue in slightly under budget. This shortfall was offset by a higher than expected operating grant from the Province of Manitoba and the performance of the English Language Program, whose contribution to the University exceeded expectations. Significant effort was put into controlling expenditures in the year which resulted in a surplus of \$225,000 from normal operations. A liability resulting from an order from the Superintendent of Pensions relating to a series of transactions around the year 2000 however, result in a deficit of \$6.2 million this year.

Capital expansion continued with the completion in the year of the CanWest Center for Theatre and Film and Wesley Hall renovations. Significant progress was made on the McFeetors Hall Student Residence, which is scheduled to open in the Summer of 2009 along with a new daycare facility. Work continued on the development of the Richardson College for the Environment Science Complex and 460 Portage Avenue sites. Work on these projects is expected to continue in the coming year. These projects have been funded through grants provided by the Provincial and Federal Government and private donations, as well as through limited financing funded through dedicated future revenue streams.

The Province of Manitoba generously provided \$7.9 million to the University to address a backlog of deferred maintenance issues on campus. This money will be used to complete a series of deferred maintenance projects including roofing replacement, accessibility improvements to washrooms and doors, fire alarm upgrades, flooring upgrades and numerous other important projects. The money is to be spent over the 2008-09 and 2009-10 fiscal years.

2008-09 was the first full year for the Faculty of Business and new Graduate Programs, both programs have exceeded expectations. The capital and programming initiatives underway are laying the foundation for a bright future at the University.

In January 2009 the Court of Appeal denied the University's appeal of the judgment of the Pension Commission, upholding an order from the Superintendent of Pensions to the University. The order requires the University to pay an amount to certain members of the Defined Benefit Pension Plan. The University is waiting for a response from the Superintendent regarding clarification requested by the Pension Plan's independent Board of Trustees before the payment can be made. The exact amount of the payout is not known, but the expected likely range is between \$7 and \$12 million. In accordance with GAAP we have accrued a liability of \$7 million on the University's financial statements this year. As the University does not anticipate any future benefit from this payment, the entire amount has been expensed in the year. The University does not have the operating dollars to fund this obligation, so we will be applying to the Province of Manitoba for a loan to pay the liability, and anticipate paying off the loan over 30 or 40 years. If the actual payout differs from the amount accrued, or the nature of the payout does provide a future benefit to the University, the entry will be revised in future years. The University also sold two properties it had been holding (a house on Spence Street and the Gladstone Apartments) for a gain of \$603,000 in the year. The net proceeds from these sales have been added to the University's Capital Reserve.

The deficit this year reduces the net assets of the University to \$9,066,000. Total assets have increased to \$124,126,000, primarily as a result of increased investments in facilities. Total liabilities have increased to \$115,060,000, primarily as a result of the Deferred Capital Contributions and loans related to those same capital projects and the Pension Liability.

Total revenues for the year increased 9.5%, primarily as a result of increased operating grants, increased draw on deferred contributions for use in Scholarships, Bursaries and Awards, and increased amortization of Deferred Capital Contributions related to newer Capital Projects. Student enrollment decreased slightly in the year for undergraduate programs, but revenue from student academic fees increased from the previous year as a result of the second year with the new foreign student fee amounts, and additional contributions from the Collegiate, Division of Continuing Education and English Language Program. Operating expenses in the year increased 7.5% primarily as a result of salaries and the costs related to the deferred maintenance monies spent in the year, resulting in a surplus of \$225,000 from operations. The inclusion of the settlement cost related to the Pension Superintendent's decision and gains on sale of assets produces a deficit of \$6,172,000 for the year.

Unrestricted net assets decreased to a deficiency of \$7,286,000 as a result of the deficit, and the transfer of net proceeds of sale from Capital Assets to a Capital Reserve. Internally Restricted Net Assets increased to \$1,418,000 primarily as a result of the creation of the Capital Reserve.

As a result of an agreement between the University and its Pension Plan Stakeholders, administration of The University of Winnipeg Pension Plan was transitioned to a Joint Trusteed Plan in July 2008.

The operating results for fiscal 2008-2009 demonstrate a balanced year of operations for the University, but also report a significant liability for the University, which will have an impact on future operating budgets for years to come.

(Original signed by Bill Balan)

Bill Balan
Vice-President (Finance & Administration)
The University of Winnipeg

June 15, 2009



THE UNIVERSITY OF WINNIPEG

UNIVERSITY OF WINNIPEG

MANAGEMENT REPORT

The accompanying consolidated financial statements are the responsibility of management and have been prepared in accordance with Canadian generally accepted accounting principles. These accounting principles have been applied on a basis consistent with the prior year. In management's opinion, the consolidated financial statements have been properly prepared within reasonable limits of materiality, incorporating management's best judgement regarding all necessary estimates and all other data. Management maintains internal controls to provide reasonable assurance of the reliability and accuracy of the financial information and to ensure the assets of the University are properly safeguarded.

The Board of Regents has reviewed and approved these consolidated financial statements.

On Behalf of Management

(Original signed by Bill Balan)

Bill Balan
Vice-President (Finance & Administration)

(Original signed by Michael Emslie)

Michael Emslie, CA
Controller and Executive Director, Financial Services

Winnipeg, Manitoba
May 29, 2009



OFFICE OF THE
AUDITOR GENERAL
MANITOBA

AUDITOR'S REPORT

To the Lieutenant Governor in Council
To the Legislative Assembly of Manitoba
To the Board of Regents of the University of Winnipeg

We have audited the consolidated statement of financial position of the University of Winnipeg as at March 31, 2009, and the consolidated statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the consolidated 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 consolidated financial statements present fairly, in all material respects, the financial position of the University as at March 31, 2009, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Original document signed by:
Carol Bellringer

Winnipeg, Manitoba
May 29, 2009

Carol Bellringer, FCA, MBA
Auditor General

THE UNIVERSITY OF WINNIPEG
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at March 31, 2009
(with comparative figures for 2008)

Statement I

ASSETS

	2009 \$000	2008 \$000
Current Assets:		
Cash and Cash Equivalents (Note 4)	\$16,638	\$12,791
Accounts Receivable	9,291	6,638
Due from Related Parties (Note 24)	101	135
Prepaid Expenses	802	959
Inventories (Note 5)	1,395	1,057
	<u>28,227</u>	<u>21,580</u>
Long Term Investments (Note 6)	1,324	1,566
Capital Assets (Note 7)	94,575	76,410
	<u>\$124,126</u>	<u>\$99,556</u>

LIABILITIES AND NET ASSETS

Current Liabilities:		
Accounts Payable and Accrued Liabilities	\$10,408	\$8,470
Deferred Revenue	4,402	2,297
Deferred Contributions (Note 8)	6,697	5,350
Staff Benefits Payable (Note 9)	1,522	1,496
Current Portion of Long Term Debt (Note 11, 12)	2,538	1,271
Due to Related Party (Note 24)	25	301
Settlement Payable for Pension Superintendent's Decision (Note 23)	7,000	0
	<u>32,592</u>	<u>19,185</u>
Obligations under Capital Leases (Note 11)	425	386
Long Term Liabilities (Note 12)	12,666	4,643
Deferred Capital Contributions (Note 13)	69,377	60,048
Net Assets:		
Unrestricted Net Assets (Deficiency)	(7,286)	332
Internally Restricted Net Assets (Note 14)	1,418	751
Endowments (Note 15)	2,628	2,684
Investment in Capital Assets	12,306	11,527
	<u>9,066</u>	<u>15,294</u>
	<u>\$124,126</u>	<u>\$99,556</u>
Special Purpose and Trust Assets (Notes 4, 15)		
Contractual Obligations (Notes 19, 20, 21)		
Contingencies (Note 23)		

Approved by the Board of Regents

(Original signed by Debra Radi)

Chair, Board of Regents

(Original signed by Lloyd Axworthy)

President & Vice Chancellor

See accompanying notes to the consolidated financial statements.

THE UNIVERSITY OF WINNIPEG
CONSOLIDATED STATEMENT OF OPERATIONS
For the Year Ended March 31, 2009
(with comparative figures for 2008)

Statement II

	2009 \$000	2008 \$000
REVENUE		
Government Grants:		
Council on Post Secondary Education	\$47,448	\$42,706
Other Province of Manitoba	4,163	1,906
Government of Canada	2,954	2,775
Student Academic Fees	28,827	28,184
Gifts, Grants and Bequests	2,396	1,898
Investment Income	1,628	1,611
Sales of Services and Products	4,606	4,841
Other Revenues	5,987	5,811
Amortization of Deferred Capital Contributions (Note 13)	1,871	1,695
	<u>99,880</u>	<u>91,227</u>
EXPENSES		
Salaries	57,295	53,739
Staff Benefits	7,690	7,315
Supplies, Services and Other Expenses	15,569	13,696
Cost of Sales	3,166	3,057
Building, Utility and Related Expenses	7,655	7,127
Provincial and Municipal Taxes	1,210	1,151
Scholarships and Awards	3,238	2,670
Gifts to Related Party (Note 24)	624	1,004
Amortization of Capital Assets	3,208	2,933
	<u>99,655</u>	<u>92,692</u>
Excess (Deficiency) of Revenue over Expenses from Operations	225	(1,465)
Gain on Sale of Capital Assets (Note 22)	603	0
Settlement Related to Pension Superintendent's Decision (Note 23)	(7,000)	0
Deficiency of Revenue over Expenses	<u>(\$6,172)</u>	<u>(\$1,465)</u>

See accompanying notes to the consolidated financial statements.

THE UNIVERSITY OF WINNIPEG
CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS
For the Year Ended March 31, 2009
(with comparative figures for 2008)

Statement III

	2009			2008	
	UNRESTRICTED NET ASSETS (DEFICIENCY) \$000	INTERNALLY RESTRICTED NET ASSETS (Note 14) \$000	ENDOWMENTS (Note 15) \$000	INVESTMENT IN CAPITAL ASSETS \$000	TOTAL \$000
BALANCE, BEGINNING OF YEAR	\$332	\$751	\$2,684	\$11,527	\$16,759
Deficiency of Revenue Over Expenses	(6,172)				(1,465)
Direct Increases (Decreases):					
Endowed Investment Net Realized Losses			(56)		0
Transfers:					
Internally Funded:					
Capital Asset Additions	(2,091)			2,091	0
Amortization of Capital Assets	1,168			(1,168)	0
Disposal of Capital Assets	269			(269)	0
Repayment of Long Term Debt	(125)			125	0
Internally Restricted Net Assets	49	(49)		0	0
Strategic Provisions – Reductions (Note 14)	161	(161)		0	0
Strategic Provisions – Additions (Note 14)	(877)	877		0	0
NET CHANGE FOR THE YEAR	(7,618)	667	(56)	779	(1,465)
BALANCE, END OF YEAR	(\$7,286)	\$1,418	\$2,628	\$12,306	\$15,294

See accompanying notes to the consolidated financial statements.

THE UNIVERSITY OF WINNIPEG
CONSOLIDATED STATEMENT OF CASH FLOWS
For the Year Ended March 31, 2009
(with comparative figures for 2008)

Statement IV

	2009 \$000	2008 \$000
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash Received from:		
Government Grants	\$54,238	\$44,987
Student Academic Fees	29,163	28,024
Gifts, Grants and Bequests	2,960	1,080
Investment Income	1,695	1,745
Sales of Services and Products	4,551	4,705
Other Revenues	5,864	5,878
Cash Paid for:		
Salaries and Benefits	(64,842)	(59,776)
Supplies, Services and Other Expenses	(14,921)	(14,010)
Cost of Sales	(3,459)	(3,025)
Building, Utility and Related Expenses	(7,770)	(6,442)
Provincial and Municipal Taxes	(1,208)	(1,151)
Scholarships and Awards	(3,242)	(2,658)
Gifts to Related Party	(634)	(833)
	<u>2,395</u>	<u>(1,476)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Cash Purchase of Capital Assets	(20,100)	(22,624)
Cash from Sale of Capital Assets	1,000	0
Proceeds on Sale of Long Term Investments	186	0
	<u>(18,914)</u>	<u>(22,624)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Long Term Debt Repayments on Mortgages	(845)	(843)
Long Term Debt Proceeds – Building Purchase and Construction	10,150	4,400
Cash Received for Deferred Capital Contributions	11,061	14,557
	<u>20,366</u>	<u>18,114</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	3,847	(5,986)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>12,791</u>	<u>18,777</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$16,638</u>	<u>\$12,791</u>
Cash and Cash Equivalents Consists of:		
Cash in Bank	13,007	6,160
Short Term Investments	3,631	6,631
	<u>\$16,638</u>	<u>\$12,791</u>

Excluded from Investing and Financing Activities are assets acquired under Capital Leases and the related obligations under Capital Leases totalling \$260 (2008 - \$114).

See accompanying notes to the consolidated financial statements.

THE UNIVERSITY OF WINNIPEG
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2009

(AMOUNTS IN THOUSANDS)

1. Authority and Purpose

The University of Winnipeg (the University) operates under the authority of the University of Winnipeg Act of the Province of Manitoba. The primary role of the University is to provide post secondary education and research in Arts, Sciences and Education. The University also operates the Collegiate, an independent high school and a number of other education related activities. The University is a registered charity and is exempt from the payment of income taxes.

2. Summary of Significant Accounting Policies

The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles.

A) Contributions

The University has chosen to use the deferral method of accounting for contributions. Under the deferral method of accounting for contributions, restricted contributions related to expenses of future periods are deferred and recognized as revenue in the period in which the related expenses are incurred. Restricted contributions are stipulations imposed that specify how resources must be used. External restrictions are imposed from outside the organization, usually by the contributor of the resources. Restrictions on contributions may only be externally imposed.

B) Revenue Recognition

Operating grants are recognized as revenue in the period received or receivable. Revenues received for tuition fees and sales of goods and services are recognized in the period in which the goods are received or the services rendered or substantially rendered.

Deferred contributions are externally restricted non-capital and non-endowment contributions which are deferred and are recognized as revenue in the period in which the related expenses are incurred.

Promissory notes entered into with the Provincial Government, for the construction or purchase of capital assets, which will be repaid from future funding provided by the Provincial Government through the Council on Post Secondary Education (COPSE) are, in substance, capital grants. These capital grants, under the deferral method of accounting, are reflected as deferred capital contributions in the statement of financial position, if the asset acquired has a limited useful life. The related funding from COPSE to offset the interest expense over the terms of the promissory notes as well as the interest expense are both excluded from the statement of operations and changes in fund balances.

Externally restricted contributions for the acquisitions of capital assets having limited lives are recorded as deferred capital contributions in the period in which they are received. Amortization of deferred capital contributions is recognized as earned revenue in the periods in which the related amortization expense of the funded capital asset is recorded.

Endowment contributions are recorded as direct increases in net assets in the period in which they are received.

**THE UNIVERSITY OF WINNIPEG
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2009**

(AMOUNTS IN THOUSANDS)

C) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, balances with banks and highly liquid temporary money market instruments convertible to cash within three months or less. Bank borrowings are considered to be financing activities.

D) Investments

Investments are recorded at fair value with the exception of a donated equity investment in certain properties, which is recorded at estimated fair value on the date received and designated as available for sale.

E) Inventories

Inventories are valued at the lower of cost or net realizable value.

F) Capital Assets

Capital assets and collections purchased by the University are recorded at cost. Collections include Art Work and Rare Books recorded at fair value derived by independent appraisal at the time of acquisition or donation. Donated assets are recorded at estimated fair market value on the date received. Land, collections of rare books and works of art are not amortized. Capital assets are amortized on a straight-line basis over their estimated useful lives as follows:

Buildings, Additions and Improvements	60 years
Leasehold Improvements	Term of Lease
Library Acquisitions	10 years
Furnishings and Equipment	10 years
Major System Computer Software	10 years
Computer Equipment and Software	5 years
Vehicles	5 years
Equipment under Capital Lease	Term of Lease

G) Financial Instruments

All financial instruments are recorded at fair value. Subsequent measurement is determined by the classification of each financial asset and liability. Financial instruments are classified as one of the following: held-for-trading, loans and receivables, held-to-maturity, available-for-sale or other liabilities. Financial instruments classified as held-for-trading are measured at fair value with gains and losses recognized in the Statement of Operations. Financial instruments classified as held-to-maturity, loans and receivables and other liabilities are measured at amortized cost using the effective interest rate method. Available-for-sale financial instruments are measured at fair value, with unrealized gains and losses recognized directly in unrestricted net assets.

Cash and cash equivalents are designated as held-for-trading; accounts receivable and due from related parties as loans and receivables; accounts payable and accrued liabilities, staff benefits, due to related party and long term liabilities as other liabilities.

**THE UNIVERSITY OF WINNIPEG
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2009**

(AMOUNTS IN THOUSANDS)

Long term investments are designated as available for sale as they are comprised of investments that are not held for the purpose of earning short term income and investments that relate to an equity investment for which fair value information is not readily available.

The University does not have any held-to-maturity instruments.

Except for held-for-trading designated financial instruments, transaction costs that are directly attributable to the acquisition or issuance of financial assets or liabilities are accounted for as part of the respective asset or liability's carrying value at inception and amortized over the expected life of the financial instrument using the effective interest method. For held-for-trading financial assets and liabilities, transaction costs are recorded in the statement of operations as incurred.

H) Use of Estimates

In preparing the University's consolidated financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from these estimates.

I) Principles of Consolidation

The consolidated financial statements of the University include the accounts of the University of Winnipeg Education Housing Corporation (UWEHC), a wholly owned entity. UWEHC secures and provides affordable residential accommodation for the benefit of persons enrolled at the University. The University of Winnipeg Foundation (the Foundation) (Note 20) and the University of Winnipeg Community Renewal Corporation (UWCRC) (Note 21), both controlled entities, are not consolidated in these financial statements.

J) Pension Plan

The University contributes to the University of Winnipeg Pension Plan which is a trustee-administered pension plan for University employees. The pension expense for the defined benefit component of the pension plan is determined actuarially using the projected unit credit actuarial cost method and management's best estimates of investment performance, salary escalation, retirement ages of employees and member mortality. With respect to the amortization of actuarial gains or losses, the University has adopted a policy consistent with the minimum requirements of CICA Handbook section 3461 which is to amortize the excess of the unamortized net gains or losses over 10% of the greater of the defined benefit obligation or defined benefit plan assets as at the beginning of the year, over the expected average remaining service life of active employees. The pension expense for the defined contribution component of the pension plan equals the contributions made during the year.

The accounts of the University of Winnipeg Pension Plan do not form part of the financial statements of the University.

THE UNIVERSITY OF WINNIPEG
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2009

(AMOUNTS IN THOUSANDS)

K) Future Accounting Policy Changes

Not-For-Profit Organizations

The CICA amended a number of standards applicable to not-for-profit organizations (NFPOs) and issued new standard, CICA 4470 "Disclosures of Allocated Expenses by Not-for-Profit Organizations."

CICA 4400 "Financial Statement Presentation by Not-For-Profit Organizations" was amended to:

- eliminate the requirement to treat net assets invested in capital assets as a separate component of net assets and, instead, permit a NFPO to present such an amount as a category of internally restricted net assets when it chooses to do so;
- clarify that revenues and expenses must be recognized and presented on a gross basis when a not-for-profit organization is acting as a principal in transactions;
- make Cash Flow Statements, Section 1540 applicable to NFPOs; and
- make Interim Financial Statements, Section 1751, applicable to NFPOs that prepare interim financial statements in accordance with GAAP.

CICA 4430 "Capital Assets Held by Not-For-Profit Organizations" was amended to provide additional guidance with respect to the appropriate use of the scope exemption for smaller entities.

CICA 4460 "Disclosure of Related Party Transactions by Not-For-Profit Organizations" was amended to make the language in Section 4460 consistent with Related Party Transactions, Section 3840.

New standard CICA 4470 "Disclosure of Allocated Expenses by Not-For-Profit Organizations" establishes disclosure standards for not-for-profit organizations that choose to classify their expenses by function and allocate expenses from one function to another. The main features of the new Section are:

- A requirement for an entity that allocates its fundraising and general support expenses to other functions to disclose the policies adopted for the allocation of expenses among functions, the nature of the expenses being allocated and the basis on which such allocations have been made; and
- A requirement for an entity to disclose the amounts allocated from each of its fundraising and general support functions and the amounts and functions to which they have been allocated.

These new requirements are effective April 1, 2009 and will only require additional disclosure in the financial statements.

Business Combinations and Non-controlling Interests

The CICA has issued these new standards, Business Combinations Section 1582, Consolidations Section 1601 and Non-controlling Interests Section 1602.

**THE UNIVERSITY OF WINNIPEG
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2009**

(AMOUNTS IN THOUSANDS)

Section 1582 will be converged with IFRS 3 Business Combinations. Section 1602 will be converged with the requirements of IAS 27 Consolidated and Separate Financial Statements for non-controlling interests. Section 1601 carries forward the requirements of Consolidated Financial Statements Section 1600 other than those relating to non-controlling interests.

Section 1582 applies to a transaction in which the acquirer obtains control of one or more businesses. The term "business" is more broadly defined than in the existing standard. Most assets acquired and liabilities assumed, including contingent liabilities that are considered to be improbable, will be measured at fair value. Any interest in the acquiree owned prior to obtaining control will be remeasured at fair value at the acquisition date, eliminating the need for guidance on step acquisitions. A bargain purchase will result in recognition of a gain. Acquisition costs must be expensed.

Any non-controlling interest will be recognized as a separate component of equity [net assets]. Net income is calculated without deduction for the non-controlling interest. Rather, net income is allocated between the controlling and non-controlling interests.

The new standards are effective for fiscal years beginning on or after January 1, 2011. Early adoption is encouraged. This standard will affect the accounting treatment used for any future business acquisitions.

3. Change in Accounting Policies

Effective April 1, 2008, the University adopted the following new CICA accounting standards:

Inventories

Section 3031, establishes standards for determining the cost of inventories. The standard requires that inventories be measured at the lower of cost and net realizable value, and provides guidance on the types of costs that are to be assigned to inventories. There was no material effect on the University's consolidated financial statements as a result of implementing the new standard (Note 5).

Financial Instruments – Disclosures and Presentation

Sections 3862 and 3863 establish standards for the disclosure and presentation of financial instruments. The new standards require additional disclosure regarding financial instruments to assist in evaluating their significance on an entity's financial position, performance and cash flows, the nature and extent of risks to which the entity is exposed during the period and at the balance sheet date and how the risks are managed. Adoption of these new standards has resulted in additional note disclosure (Note 16).

Capital Disclosures

Section 1535 establishes standards for disclosing information about an entity's capital to enable an evaluation of the entity's objectives, policies and processes for managing capital. These standards require an entity to disclose its objectives, policies and processes for managing capital, a summary of quantitative data about what it manages as capital and whether it complied with any externally imposed capital requirements to which it is subject and, if not, the consequences of such non-compliance. Adoption of this new standard has resulted in additional note disclosure (Note 17).

**THE UNIVERSITY OF WINNIPEG
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2009**

(AMOUNTS IN THOUSANDS)

4. Cash and Cash Equivalents

Cash and cash equivalents consist of the following:

	2009 \$000	2008 \$000
Operating Funds	\$7,822	\$5,295
Sponsored Research and Designated Funds	3,343	2,675
	<u>11,165</u>	<u>7,970</u>
Special Purpose and Trust Funds	5,473	4,821
	<u>\$16,638</u>	<u>\$12,791</u>

Trust funds are restricted funds held for deferred contributions - \$2,810 (2008 - \$2,148) and endowments - \$1,304 (2008 - \$1,118). Special purpose funds are comprised of internally restricted net assets - \$431 (2008 - \$479), due to operating - \$734 (2008 - \$673) and due to related party - \$194 (2008 - \$403).

5. Inventories

Inventory consists of finished goods, comprised primarily of books purchased for resale. During the year ended March 31, 2009, inventories totalling \$ 2,672 were expensed (2008 - \$2,665) to Cost of Sales.

6. Long Term Investments

Long term investments are comprised of endowment funds (Note 15):

	2009 \$000	2008 \$000
Fixed Income Instruments	\$600	\$600
Investment Shares	0	50
Equity investment in properties	724	916
	<u>\$1,324</u>	<u>\$1,566</u>

Long term investments are recorded at fair value with the exception of the equity investment in properties of which market information is not readily available.

**THE UNIVERSITY OF WINNIPEG
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2009**

(AMOUNTS IN THOUSANDS)

7. Capital Assets

	2009		2008	
	Cost \$000	Accumulated Amortization \$000	Net Book Value \$000	Net Book Value \$000
Land	\$8,168	\$0	\$8,168	\$8,278
Buildings, Additions and Improvements	72,107	20,822	51,285	46,451
Library Acquisitions	13,285	11,245	2,040	2,026
Furnishings and Equipment	29,263	22,421	6,842	6,458
Collections	1,304	0	1,304	1,239
Buildings Under Construction	24,330	0	24,330	11,443
Equipment Under Capital Leases	979	373	606	515
	<u>\$149,436</u>	<u>\$54,861</u>	<u>\$94,575</u>	<u>\$76,410</u>

Furnishings and Equipment include Vehicles, Major System Computer Software and Computer Equipment and Software.

8. Deferred Contributions

Deferred contributions represent contributions received for special purposes such as Sponsored Research and Designated Funds and Special Purpose Trust consisting of scholarships and bursaries, library acquisitions and lecture funds.

	2009 \$000	2008 \$000
Balance, Beginning of Year	\$5,350	\$5,702
Contributions Received	10,284	7,078
Contributions Expended	(8,333)	(5,507)
Transferred to Foundation	(604)	(1,923)
Balance, End of Year	<u>\$6,697</u>	<u>\$5,350</u>
Balance Consists of:		
Sponsored Research and Designated Funds	\$3,704	\$3,052
Special Purpose Trust	2,810	2,148
Operating Funds	183	150
	<u>\$6,697</u>	<u>\$5,350</u>

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9. Staff Benefits Payable

The balance of staff benefits is comprised of accrued vacation pay of \$1,522 (2008 - \$1,496).

10. Bank Indebtedness

The University has an operating line of credit with a bank authorized in the amount of \$1,250. The line of credit is unsecured and bears interest at prime. It was not utilized at March 31, 2009 or March 31, 2008.

11. Obligations under Capital Leases

The following is a schedule of future minimum lease payments under capital leases expiring between June 1, 2011 and March 1, 2014 together with the balances of the obligations under capital leases:

	\$000
2009/10	\$220
2010/11	220
2011/12	140
2012/13	74
2013/14	31
Total minimum lease payments	685
Less amount representing interest at approximately 3.5%	(62)
Balance of Obligations under Capital Leases	623
Less: Current Portion	(198)
Obligations under Capital Leases	<u>\$ 425</u>

Interest expense for the current year on the lease obligations amounted to \$23 (2008 - \$23).

**THE UNIVERSITY OF WINNIPEG
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12. Long Term Liabilities

	2009 \$000	2008 \$000
Promissory Notes	\$13,926	\$4,488
Mortgage Payable	142	174
UWEHC Mortgages Payable	466	564
Supplementary Pensions Payable	472	546
	<u>15,006</u>	<u>5,772</u>
Less: Current Portion	<u>(2,340)</u>	<u>(1,129)</u>
	<u>\$12,666</u>	<u>\$4,643</u>

The promissory notes are loans from the Province of Manitoba. The loans were used to finance and are secured by the properties listed below:

	2009 \$000	2008 \$000
509 Ellice and 433 Young Street Interest rate 4.45%, due April 15, 2015	\$596	\$694
CanWest Centre for Theatre and Film Interest rate 4.00%, due March 31, 2011	1,200	1,800
Duckworth Athletic Complex Expansion Interest rate 5.55%, due October 31, 2047	1,980	1,994
Wesley Hall – HVAC Interest rate 3.875%, due June 30, 2010	1,700	0
Student Housing Bridge Financing Interest rate 4.10%, due September 30, 2013	1,500	0
Student Housing Interest rate 5.25%, due October 31, 2049	6,950	0
	<u>\$13,926</u>	<u>\$4,488</u>

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Annual principal payments on the notes during the next five years and thereafter are: 2010 - \$1,977; 2011 - \$2,138; 2012 - \$689; 2013 - \$690; 2014 - \$691; thereafter - \$7,741.

The mortgage payable, secured by Graham Hall, is payable to Canada Mortgage and Housing with interest at 5 3/8% due October 1, 2012. The Council on Post-Secondary Education annual operating grant provides for the \$40 annual mortgage payment. Principal payments on this mortgage during the next four years are: 2010 - \$33; 2011 - \$35; 2012 - \$36; 2013 - \$38.

UWEHC mortgages are secured by Balmoral Street and Spence Street properties and are payable to the Assiniboine Credit Union. The mortgage payable on the Balmoral Street properties is a variable term mortgage and has a floating interest rate at prime. The three individual mortgages payable on the Spence Street properties are due April 1, 2012 and have an interest rate of 6.55%. Principal payments on these mortgages during the next four years are: 2010 - \$279; 2011 - \$11; 2012 - \$11; 2013 - \$165.

Supplementary pensions payable represents payments to past Presidents of the University for services performed and is based on an actuarial calculation. The amount due in 2010 is \$51.

The determination of the fair value of the Province of Manitoba promissory notes and the other long term debt is not practicable due to their underlying terms and conditions.

Interest expense during the year on long term liabilities totalled \$347 (2008 - \$126).

13. Deferred Capital Contributions

Deferred capital contributions represent unamortized external contributions related to the purchase of capital assets in the amount of \$67,812 (2008 - \$59,739) and funds held for future capital project expenditures in the amount of \$1,565 (2008 - \$309). The amortization of deferred capital contributions is recorded as revenue in the Statement of Operations.

	2009	2008
	\$000	\$000
Balance, Beginning of Year	\$60,048	\$48,221
Contributions Received	8,182	9,386
Contributions from University of Winnipeg Foundation	2,972	4,106
Mortgage Principal Contributions	46	30
Amortization of Deferred Capital Contributions	(1,871)	(1,695)
Balance, End of Year	<u>\$69,377</u>	<u>\$60,048</u>

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14. Internally Restricted Net Assets

Internally restricted net assets balance at March 31, 2009 is \$1,418 (2008 - \$751). It consists of cumulative net unrestricted trust income of \$430 (2008 - \$479) and strategic provisions of \$988 (2008 - \$272).

The cumulative net unrestricted trust income of \$430 is available to fund Board of Regents scholarships.

The strategic provisions additions represent an appropriation from unrestricted net assets to internally restricted assets. These appropriations are made to provide for future funding support of initiatives within the Strategic Plan and the Academic Plan. The 2009 addition represents the net proceeds on the sale of two properties which have been used to create a capital reserve. Actual expenses related to strategic provisions are charged to operations with a corresponding transfer of funds from internally restricted (see Statement III).

The strategic provisions provide for:

	March 31, 2008 \$000	Reductions \$000	Additions \$000	March 31, 2009 \$000
Infrastructure				
Capital Reserve	0	0	877	877
Academic Equipment	100	(100)	0	0
Building Renovations	51	0	0	51
Strategic Development				
Internal Research Grants	59	(57)	0	2
Project Development	62	(4)	0	58
	<u>\$ 272</u>	<u>(\$ 161)</u>	<u>\$ 877</u>	<u>\$ 988</u>

15. Net Assets Restricted for Endowment Purposes

Endowments consist of externally restricted contributions where the principal donation is required to be maintained in perpetuity. The investment income generated from endowments must be used in accordance with the various purposes established by the donors.

Endowments are comprised of long-term investments of \$1,324 – Note 6 (2008 - \$1,566) and short term investments of \$1,304 (2008 – \$1,118).

Endowments of \$1,978 (2008 - \$2,034) are held in trust in accordance with the terms of a certain bequest. In 2009, the University has a 10% share in the income distribution from this trust (2008 – 10% share).

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16. Financial Instruments

The University's financial instrument assets consist of cash and cash equivalents, which is designated as held for trading and measured at fair value; accounts receivable and due from related parties, which are designated as loans and receivables and are measured at amortized cost; long term investments, which are designated as available for sale and are measured at fair value. Financial instrument liabilities are accounts payable and accrued liabilities, staff benefits, current portion of long term debt, due to related party, obligations under capital leases and long term debt which are designated as other liabilities and measured at amortized cost. The University is exposed to credit, interest rate and liquidity risk. Based on the University's small amount of foreign currency denominated assets and liabilities, a change in exchange rates would not have a material effect on its Consolidated Statement of Operations.

Credit risk

Credit risk is the risk of potential loss to the University if a counterparty to a financial instrument fails to discharge an obligation. The University's credit risk is primarily attributable to its cash and cash equivalents, accounts receivable and long term investments. The credit risk on cash and cash equivalents is considered low as the counterparties are high credit quality institutions. The credit risk on receivables is considered low as the counterparts are primarily various levels of government and student fee related. The carrying amount of accounts receivable has been reduced through the use of allowance for doubtful accounts. The credit risk on long term investments is considered low as the counterparts are highly rated financial institutions and quality commercial property.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at March 31 was:

	Carrying Amount	
	2009	2008
	\$000	\$000
Financial Assets Held-For-Trading:		
Cash and Cash Equivalents	\$16,638	\$12,791
Financial Assets Available for Sale:		
Long Term Investments – Fixed Income Instruments	1,324	1,566
Loans and Receivables:		
Accounts Receivable	9,291	6,638
Due from Related Parties	101	135
	<u>\$27,354</u>	<u>\$21,130</u>

The University manages the credit risk related to these items by maintaining its cash and cash equivalents and its long term investments with highly rated financial institutions. Accounts receivable are due, for the most part, from various levels of government and student fee accounts where collection is considered very likely.

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The ageing of accounts receivable at March 31, 2009 is as follows:

	2009 \$000
Accounts Receivable, gross	
Current	\$7,928
Past Due	1,727
	<u>9,655</u>
Less: Allowance for Doubtful Accounts	(364)
Accounts Receivable	<u>\$9,291</u>

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's exposure to interest rate risk is concentrated in its cash equivalents. Generally, the value of cash equivalents increases if interest rates fall and decrease if interest rates rise. Due to the short term nature of the cash equivalents, the University has minimal exposure to risk associated with changes in interest rates.

Liquidity risk

Liquidity risk is the risk that an investment could not be readily converted into cash when needed. The risk is managed by holding the majority of our investments in cash and cash equivalents. As cash equivalents are held in a premium money market fund in which at least 90% of the assets must be comprised of liquid investments, the exposure to liquidity risk is not considered material.

17. Capital Disclosures

The university's objectives in managing capital are:

- minimizing the cost of capital
- preserving the ability to continue as a going concern
- maintaining flexibility to ensure the ongoing ability to execute the Strategic Plan

Management considers the current and long term portions of debt, unrestricted net assets and internally restricted net assets as capital. The University has various policies in place to manage capital, including a policy requiring Board approval on major capital expenditures, securing debt and capital budget approval. The University also uses its unrestricted net assets in a strategic fashion to support the Strategic Plan, special initiatives and campus expansion and redevelopment. During the fiscal year ended March 31, 2009 the University has received Province of Manitoba funding to provide financing to support major capital projects. The University also maintains deferred contribution accounts and endowments for externally restricted funding. These funds are managed with the objectives of spending the funds in accordance with the various terms stipulated in the funding arrangements. For the year ended March 31, 2009, the University has met its externally imposed capital requirements.

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18. University of Winnipeg Pension Plan (the Plan)

The Plan was established as a contributory defined benefit pension plan at September 1, 1972. The Plan is registered under the Income Tax Act and the Manitoba Pension Benefits Act (Registration #309914). A Trust Company holds the assets under a Trust Agreement and provides daily administration of the Plan. Professional investment managers administer the portfolio. A Pension Committee of the Board of Regents of the University was responsible for overseeing the administration of the Plan, monitoring investments and making policy recommendations to the Board until March 25, 2008, when the University and the Stakeholders signed a series of agreements including a Transition Agreement and a Trust Agreement, to transfer the administration of the Plan from the University to an independent Board of Trustees, which became fully effective July 7, 2008. Until then, the University continued to administer the Plan, although the new Board of Trustees, for all intents and purposes, had assumed that responsibility.

The Plan covers all eligible employees of the University, except those who are members of the United Church of Canada Pension Plan. Permanent academic employees join the Plan on their date of employment. Permanent non-academic employees may elect to join on their date of employment but must join on their first anniversary date of employment. The defined benefit side of the Plan is now closed, and all new employees must now participate in the defined contribution side of the Plan.

At December 31, 2008 the fair value of the Plan's net assets was \$111,474 (2007 - \$135,044). Under the Plan, contributions are made by Plan members, which are matched by the University for the defined contribution members; for defined benefit members, an additional 1% is paid by the University. A member who receives benefits from the long-term disability plan of the University is not required to contribute to the Plan. The annual pension payable to a defined benefit member on retirement is based on the member's final average earnings and years of credited service.

In accordance with the Canadian Institute of Chartered Accountants (CICA) accounting standard for Employee Future Benefits, Section 3461 of the CICA Handbook – Accounting, the University uses a three-month accelerated measurement date for financial reporting purposes. As a result, with respect to the defined benefit segment of the Plan, the reported value of the plan assets and plan obligations as at December 31, 2008 are \$95,016 and \$120,328 respectively. The corresponding values for the plan assets and plan obligations projected to the fiscal year-end, March 31, 2009 are \$92,614 and \$121,045 respectively.

The University's financial statements reflect a liability regarding the settlement of the Pension Superintendent's Decision. Note 23 provides additional details regarding this decision.

Defined Contribution Obligation

The obligation for pension benefits under the defined contribution segment of the Plan will always be equal to the net assets in each member's account. Therefore, no surplus or deficiency arises from fluctuations in the investment market. Contributions of \$1,291 (2008 - \$1,085) were recorded as an expense in the statement of operations.

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The defined contribution segment of the Plan consists of:

	December 31 2008 \$000	December 31 2007 \$000
Balance, Beginning of Year	\$18,560	\$16,561
Contributions	2,499	2,110
Refunds and transfers	(860)	(486)
Net Investment Return (Loss)	(3,741)	375
Balance, End of Year	<u>\$16,458</u>	<u>\$18,560</u>

Defined Benefit Obligation

In accordance with the Pension Benefits Act, an actuarial valuation of the defined benefit segment of the Plan is required at least every 3 years. An actuarial valuation of the Plan was prepared effective December 31, 2007 by Eckler Ltd., a firm of consulting actuaries. The results were extrapolated by them to December 31, 2008.

The benefit obligation has been calculated pursuant to CICA Handbook 3461, using a prescribed market-related discount rate. This approach differs from the calculation of the benefit obligation in the Pension Plan financial statements which uses a discount rate based on the expected long-term rate of return consistent with the investment policy of the fund and determined in accordance with accepted actuarial practice.

Excluding the obligation with respect to the Revised Order of the Superintendent of Pensions, made June 6, 2008, the financial information is based on the financial position of the Defined Benefit Pension Plan as of December 31, 2008, the "measurement date" and for the purpose of financial statements, the in-year pension expense (and the calculation of the valuation allowance in particular) reflects the employer contributions to the Plan during the three-month period ending March 31, 2009.

Change in Defined Benefit Obligation

	December 31 2008 \$000	December 31 2007 \$000
Benefit Obligation, January 1	\$124,184	\$125,951
Current Service Cost	2,640	2,816
Interest Cost	6,511	6,138
Benefits and Refunds Paid	(7,610)	(9,199)
Actuarial Gain	(5,397)	(1,522)
Benefit Obligation, December 31	<u>\$120,328</u>	<u>\$124,184</u>

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Change in Plan Assets

	December 31 2008 \$000	December 31 2007 \$000
Fair Value of Plan Assets, January 1	\$116,485	\$123,236
Actual Return on Plan Assets, Net of Expenses	(16,630)	(235)
Employer Contributions	1,847	1,748
Employee Contributions	924	935
Benefits and Refunds Paid	(7,610)	(9,199)
Fair Value of Plan Assets, December 31	<u>\$95,016</u>	<u>\$116,485</u>

Reconciliation of Accrued Benefit Asset

	March 31 2009 \$000	March 31 2008 \$000
Accrued Benefit Obligation	(\$25,312)	(\$7,699)
Employer Contributions After December 31	422	423
Unamortized Transitional Asset	(2,732)	(3,188)
Unamortized Net Actuarial Losses	28,496	11,160
Accrued Benefit Asset, Before Valuation Allowance	874	696
Less: Valuation Allowance	(874)	(696)
Accrued Benefit Asset, Net of Valuation Allowance	<u>\$ 0</u>	<u>\$ 0</u>

Components of Pension Expense

	December 31 2008 \$000	December 31 2007 \$000
Employer Share of Current Service Cost	\$1,716	\$1,881
Interest Cost	6,511	6,138
Expected Return on Plan Assets	(6,103)	(5,999)
Amortization of Transitional Asset	(456)	(456)
Increase in Valuation Allowance	178	319
Net Pension Expense	<u>\$1,846</u>	<u>\$1,883</u>

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Significant actuarial assumptions used in the determination of the 2008-09 pension expense were:

Discount Rate	- pre and post-retirement	5.35%
Rate of salary increase	- 2008 and 2009	2.50%
	- thereafter	4.00%

Significant actuarial assumptions used in the determination of the defined benefit obligation at December 31, 2008 were:

Discount Rate	- pre and post-retirement	6.00%
Rate of salary increase	- 2008 and 2009	2.50%
	- thereafter	4.00%

Funding Obligation

In the event that the actuarial valuation of the Plan determines that the Plan is not fully funded, the University is responsible for providing adequate funding levels in accordance with the *Pension Benefits Act of Manitoba*.

The actuarial valuation at December 31, 2007 reported that the defined benefit segment of the Plan has a solvency deficiency of \$20,665. The actuary projects this amount to be \$43,936 at December 31, 2008.

The University would normally be required under the *Pension Benefits Act* to make additional contributions to amortize the solvency deficiency over a five year period. However, the Provincial Government has provided universities in Manitoba with an opportunity to be permanently exempted from the usual solvency funding requirements, while the Plan continues on a going-concern basis. The University Pension Plan's exemption regulation (regulation 141/2007) was registered October 15, 2007. The University has complied with all requirements to be entitled to the permanent exemption.

The going-concern deficiency at December 31, 2007 was \$2,384 and the annual deficiency funding payments are \$386, which the University will continue to make until the deficiency is eliminated.

In addition, because of the going-concern deficiency at December 31, 2007, the University is required to make additional contributions of \$295 in 2009, \$291 in 2010 to cover the current service shortfall.

During 2005, amendments were made to the *Pension Benefits Act* which will affect the benefits payable from the Plan. These amendments have been proclaimed but the corresponding regulations have yet to be published. Based on a preliminary interpretation, the Plan's Actuary has estimated that these changes will add approximately \$1,100 to the actuarial present value of accrued benefits at December 31, 2004 and would have increased the annual special funding payments by approximately \$110 per year at that time. The 2005 amendments have not yet come into effect. The longer the effective date is delayed; the financial impact will tend to decline as active members retire.

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19. Contractual Obligations

The University has operating lease obligations that cover equipment and building space integral to the University's operations. The lease obligations expire at various dates up to and including March 31, 2022. In addition, the University has entered into a number of contracts to complete capital additions and renovations on campus properties during the upcoming year. The above obligations require annual payments over the next five years and thereafter as follows:

	\$000
2009/10	\$11,784
2010/11	1,776
2011/12	1,148
2012/13	1,033
2013/14	929
Thereafter	2,768
	<u>\$19,438</u>

20. The University of Winnipeg Foundation Inc.

The University's Board of Regents approved the establishment of the University of Winnipeg Foundation Inc. (the Foundation) in March 2003. The Foundation's vision is to strengthen, deepen and advance the University's mission through the creation of a long-term income stream.

The establishment of the Foundation is based upon mutually binding agreements between the University and the Foundation that provide for the administration of the specified fund, the basis of operation and the relationship between the University and the Foundation, the transfer of endowment funds and the provision of support services by the University to the Foundation.

The agreements with the Foundation are as follows:

(a) Coordination, Cooperation and Funding Agreement

The University and the Foundation have jointly agreed that all future fund raising activities directed to the general public shall generally be conducted by the Foundation. However, certain fund raising activities, such as the Wesmen Booster Club and direct gifts to libraries, will continue on an agency basis through the University.

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During the 2008-2009 budget discussions and as approved by the University's Board of Regents and the Foundation's Board of Directors, the University agreed to provide an operating grant to the Foundation of \$575 for the year. In addition, the University provided \$50 from the interest earned on Science Complex funding. The operating grant is subject to annual approval of the Board of Regents.

(b) Occupancy and Support Agreement

This Agreement, which expired March 31, 2009, documents the basis upon which the Foundation occupied space on campus and the Foundation's use of certain existing systems, programs and personnel of the University. Through this agreement, the Foundation has agreed to pay the University a fee of \$45 per annum for occupancy and support services. The University has agreed to waive the occupancy and support costs of \$45 per year until March 31, 2009. The University and the Foundation have negotiated a renewed Occupancy and Support Agreement which takes effect April 1, 2009 and expires March 31, 2014. This agreement largely continues the terms of the current agreement unchanged.

(c) Specified Fund Agreement

This Agreement provides for the transfer of the \$14,000 Government of Manitoba capital contribution from the University to the Foundation. As at March 31, 2009, the entire \$14,000 has been transferred to the University to fund capital projects under the Campus Development Plan.

(d) Endowment Fund Agreement

The University and the Foundation entered into an Agreement that provided for the transfer of existing endowment funds from the University to the Foundation, with an effective date of April 1, 2004.

This Agreement states that the Foundation will assume responsibility for the Endowment Fund effective April 1, 2004. In accordance with the Endowment Agreement, the Foundation has a commitment to provide the University with an amount equal to the agreed percentage multiplied by the current year's beginning balance of the contributed capital. The agreed percentage is established by the Foundation and the University between September and December of each year.

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The University and the Foundation have agreed that the amount will be determined by applying the agreed percentage (4.25% for 2008-2009) to the prior year beginning balance of the contributed capital plus a pro-rated percentage of the agreed percentage for those gifts received in each quarter of the previous year. (ie. $\frac{3}{4}$ of 4.25% for those gifts received in the first quarter, $\frac{1}{2}$ of 4.25% in the second quarter and $\frac{1}{4}$ of 4.25% for those gifts received in the third quarter). Based on this formula, the Foundation provided the University with \$1,119 in 2008-2009.

The Foundation is entitled to an annual administration fee equal to $\frac{1}{2}$ of 1% of the Endowment Fund capital of the previous year (or such other higher percentage as the University may agree to from time to time). On April 24, 2008, the University confirmed its continued support of the Foundation by providing that the Foundation may continue to retain an annual administration fee of 2% each year for the duration of the Capital Campaign.

(e) Endowment Supplemental Agreement

This agreement, signed on July 22, 2008, formalizes practices in place between the Foundation and the University with respect to the handling of residuals, immature funds and the calculation of the award based on the agreed percentage.

The financial information of the Foundation is not consolidated in the University's financial statements and is provided within this note and note 24 on Related Party Transactions and Balances. The Foundation is a controlled entity of the University based upon the following factors:

- i) The University has a significant economic interest in the Foundation which conducts its activities for the exclusive benefit of the University.
- ii) The Foundation requires the University's consent to amend its by-laws.
- iii) The objectives of the Foundation and the University have the common purpose to strengthen, deepen and advance the University's mission.

Financial Position:

The Foundation follows the restricted fund method of accounting for contributions. The Foundation maintains separate funds within its assets and follows the principles of fund accounting to record the day to day transactions.

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The financial position of the Foundation at March 31 is summarized as follows:

	2009 \$000	2008 \$000
Statement of Financial Position:		
Assets	\$35,479	\$39,200
Liabilities	1,034	726
Fund Balances:		
Operating Fund	310	109
Unrestricted Fund	1	10
Investment in Capital Assets	42	48
Building and Program Fund	4,612	5,171
Funds Held Pending Terms of Reference	84	57
Specified Fund	0	59
Unrestricted Bequests	299	254
Endowment Fund	29,097	32,766
	34,445	38,474
	\$35,479	\$39,200
Statement of Operations		
Sources of Funds:		
Transfer from University of Winnipeg	\$119	\$927
Investment Income	715	2,867
Unrealized Loss on Investments	(5,455)	(3,247)
University of Winnipeg Support Funding	625	575
Endowment Administration Fee	668	584
Annual Donations	7,442	5,334
	4,114	7,040
Uses of Funds:		
Capital Programs	59	2,406
Endowment - Gifts to the University	1,119	1,000
Endowment - Administration Fee	668	584
Endowment - Administration Expenses	98	99
Operations	1,320	1,564
Donations Gifted to the University of Winnipeg	4,879	3,095
	8,143	8,748
Decrease in Funds	(4,029)	(1,708)

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Restrictions are placed upon expenditures within Funds including:

- i) The Operating Fund reflects the administrative and overhead costs of undertaking the Foundation's activities.
- ii) The Unrestricted Fund records the receipt of donations received in the year that are identified by the donor to go to the area of greatest need.
- iii) The Building and Program Fund is specifically intended to record the receipt of all donations intended for University programs and capital projects.
- iv) The Specified Fund consists of the initial funding of \$14,000 transferred to the Foundation from the University, pursuant to the "Specified Fund Agreement".
- v) The Funds held pending Terms of Reference includes donations received for capital gifts, endowment gifts, and other restricted purposes not yet allocated pending donor wishes.
- vi) The Endowment Fund reports the receipt of funds established from gifts by donors, which are designated to remain under the Foundation's management in perpetuity for endowment purposes.

In the Coordination Cooperation and Funding Agreement, the University has agreed to provide the Foundation with a \$300 per annum operating grant, reducing by \$30 per annum commencing in 2010-2011. This funding commitment will end in 2013-2014.

The University is required to make annual payments over the next 5 years and thereafter as follows:

	\$000
2009/10	275
2010/11	270
2011/12	240
2012/13	210
2013/14	180
	<u>\$1,175</u>

For 2009-2010, the University and the Foundation have agreed that the operating grant will be \$275. However, no formal agreement has been signed to reflect this change.

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21. University of Winnipeg Community Renewal Corporation

The University of Winnipeg Community Renewal Corporation ("UWCRC") was incorporated by Articles of Incorporation, without share capital, on April 6, 2005, as a controlled entity of the University. UWCRC's mandate is to support the University by developing a sustainable university community that promotes the attractiveness of the University to its faculty, staff, students, and the greater community. As part of its mandate, UWCRC will manage projects on behalf of the University, including but not limited to, the development of a comprehensive Campus and Community Development Plan, the assessment of particular development projects and the development of partnerships with community, private and public sector organizations.

During the year, UWCRC provided consulting services (in accordance to agreements entered into) to the University in connection with the following:

- a) To assist the University with the design and development of the Science Building Complex on the basis of a per diem fee of \$1 for a total of \$122 for the year.
- b) To assist in the early development of a variety of capital projects on behalf of the University based on a fee for performance contract. The amount of the consulting fee for services rendered in the year is \$75.
- c) To manage the University's Student Housing assets and all aspects of the Student Housing Program for a fixed annual fee of \$250. In return, the UWCRC contracted back to the University for delivery of the Student Life aspects of the Student Housing Program, which continues to be managed by the University's Student Life Services Department, for a fixed annual fee of \$175.
- d) In addition, the University paid \$56 for management services related to student housing and food services.

UWCRC holds a 25% investment in the land and building situated at 491 Portage Avenue ("Property") in Winnipeg, Manitoba. It does so by owning all of the shares of 4332181 Manitoba Ltd., which owns 25% of the property and shares of 4306946 Manitoba Ltd. The latter entity holds title to the Property as bare trustee for its shareholders. The Property is a commercial complex comprising an office building, retail stores, a bus depot and a parkade adjacent to the University's main Campus. The University is leasing office space in the Property.

UWCRC records its 25% investment in the Property on an equity basis as a result of significant influence.

As one of the conditions to obtaining financing for the Property, the financing company required that the University take responsibility for assuring that the debt service coverage ratio on the Property did not go below 1.0:1.0; (that is, that the Property would always generate \$1.00 in revenue from its tenants for each \$1.00 the owners of the Property are required to pay to its lender). If for any reason the Property fell below that ratio, the University would be required to lease space in the property at normal commercial rents, or assure that another tenant is obtained, such that the additional revenue would bring the debt service coverage ratio back to 1.0:1.0. The debt service coverage ratio did not go below 1.0:1.0 during the 2008-09 fiscal year.

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The financial position of UWCRC at March 31 is summarized as follows:

	2009 \$000	2008 \$000
Statement of Financial Position:		
Assets:		
Cash	\$224	\$198
Investment, at Equity	925	900
Other	276	89
	<u>\$1,425</u>	<u>\$1,187</u>
Liabilities and Net Assets:		
Accounts Payable and Accrued Liabilities	\$58	\$41
Due to University of Winnipeg (Note 23)	102	78
Future Income Taxes	101	0
Net Assets	1,164	1,068
	<u>\$1,425</u>	<u>\$1,187</u>

	2009 \$000	2008 \$000
Statement of Operations and Changes in Net Assets:		
Revenue		
Operating Grants	\$0	\$25
Share of Equity Income	146	221
Consulting	541	450
Net Property Income	10	69
Other	33	68
	<u>730</u>	<u>833</u>
Expenses	<u>634</u>	<u>512</u>
Excess of Revenue over Expenses	96	321
Net Assets – Beginning of Year	1,068	747
Net Assets – End of Year	<u>\$1,164</u>	<u>\$1,068</u>

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22. Gain on Sale of Capital Assets

During the year, the University disposed of two properties previously recorded as land and buildings within capital assets. These properties were not considered integral to the ongoing operations of the University.

As the disposal of land and buildings is not a regular occurrence for the University, the gain on sale of these properties (\$603) is disclosed separately on the Statement of Operations (Statement II) after the Excess of Revenue over Expenses from Operations.

The net proceeds (net of transaction costs and debt repayment) of \$877 are reported on the Statement of Changes in Net Assets (Statement III) as an addition to Internally Restricted Net Assets. This addition was used to establish a capital reserve (see Note 14).

23. Contingencies

- a) The University is named as a defendant in litigations where legal action has commenced or is anticipated. While the ultimate outcomes of these proceedings cannot be predicted at this time, management and its legal counsel are of the opinion that, either the outcomes will not have a material effect on the financial position of the University, or the outcomes are not determinable. No provision has been made in the financial statements in respect of these claims, as of March 31, 2009.
- b) On December 8, 2006, the Superintendent of Pensions issued an Order requiring the University to develop and implement a written governance framework, and pay a lump sum amount estimated to be \$6,454, plus interest net of adjustments of approximately \$1.6 million, into the Plan, for the benefit of defined benefit members, in relation to the undistributed portion of their proportionate share of the Plan surplus, as determined by the Plan Actuary in 1999.

The University appealed the Superintendent's decision to the Pension Commission, and the Commission's Final Decision was made on April 23, 2008. The Final Decision upheld the Superintendent's Order. The University further appealed the decision of the Commission to the Manitoba Court of Appeal; and the Court denied the appeal in January 2009.

There are a number of issues affecting the value of the payment to be made, and the Plan's Board of Trustees has written the Superintendent requesting clarification of several of these issues. Once the Superintendent has provided this clarification and an amount is calculated, the payment will be made. The University has been granted an extension until August 31, 2009 to make the payment. The exact amount of the payment with interest is unknown at the date of the Financial Statements, but is expected to be within the range of \$7 to \$12 million. In accordance with CICA Handbook sections 3290 Contingencies, and 3461 Employee Future Benefits, the University has accrued in its accounts for the year ended March 31, 2009 the minimum likely amount of the range of estimated liabilities. As the University deems there is no future economic benefit associated with this payment, the entire amount has been recognized as an expense in the current year. Any difference between the actual payout amount and the accrued amount will be recognized as an expense in the period the amount is determined.

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The University is currently discussing arrangements with the Province of Manitoba to borrow the monies required to make the payment as soon as the amount is known. The exact amount and interest rate of the loan will not be known until such time as the loan is executed which is expected on or before August 31, 2009. The University expects the loan to be for a term of 30 to 40 years.

24. Related Party Transactions and Balances

The Foundation and UWCRC are controlled entities of the University. The Trusteed Plan is also a related party.

The University charges benefit administration costs to the Pension Plan. The charge for 2008-2009 was \$50 (2007-2008 - \$56). These transactions are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

During the year ending March 31, the University incurred transactions as follows:

	2009 \$000	2008 \$000
From the University to the Foundation:		
i) Operating grant	\$625	\$575
ii) Gifts for endowment	\$624	\$1,004
iii) Transfer of income allocation	\$0	\$920
From the Foundation to the University:		
i) Transfer of specified funds	\$59	\$2,417
ii) Transfer of annual donations	\$4,879	\$3,095
iii) Income allocation	\$1,119	\$1,000
From the University to UWCRC		
i) Consulting fees	\$469	\$475
From UWCRC to the University		
i) Management fees	\$167	\$176

These transactions are recorded at the exchange amount which is the amount established and agreed to by the related parties.

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At the end of the year, the amounts due to and from related parties are as follows:

	2009 \$000	2008 \$000
Due from Related Parties		
Specified Fund – Foundation	\$0	\$52
Operating – UWCRC	101	83
	<u>101</u>	<u>135</u>
Due to Related Party		
Operating – Foundation	25	301
	<u>\$ 25</u>	<u>\$ 301</u>

25. Richardson College for the Environment & Science Complex

The University has commenced the development and design of the Richardson College for the Environment and Science Complex to be completed in March 2011. The University signed a Definitive Agreement with Laureate Developments Inc. (the Developer) to assemble and transfer lands to the University that will become the site for the University's Science Complex, develop and build the Science Building Complex for the University on a turnkey basis and assist the University in attracting partners to the project for the purposes of fund-raising.

The University has received a commitment from the Provincial Government to provide funding of \$25,000 to contribute to the funding of the Science Building Complex. The University has received \$12,643 from the Provincial Government. This capital funding has been recorded as deferred capital contributions. The funding is financed by promissory notes payable to the Province of Manitoba in the amount of \$5,000, \$5,311 and \$2,332 bearing interest at 5.15%, 5.80% and 5.65% respectively. The notes are notionally repayable over a term of 40 years with funding from the Province of Manitoba.

The remaining \$12,357 will be provided to the University on the basis of \$1.00 of funding for every \$2.00 raised on the Foundation's Capital Campaign.

26. Reclassification of Comparative Figures

Certain 2008 comparative figures have been reclassified to conform with the financial statement presentation adopted for 2009.