



CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2004

THE UNIVERSITY OF WINNIPEG

WINNIPEG, MANITOBA, CANADA

THE UNIVERSITY OF WINNIPEG
CONSOLIDATED FINANCIAL STATEMENTS
for the year ended March 31, 2004

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

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 University of Winnipeg Foundation's financial results are included by means of an extensive note within the consolidated financial statements. 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 & endowment funds.

Overview of the Fiscal Year

The fiscal year ending March 31, 2004 consolidated the University's return to financial health with a continued strengthening of its financial position. The University has experienced a successful year of operations, with record student enrolment and the commencing of major capital work on Wesley Hall. Building on the hard work and initiatives begun in earlier years, the University has in 2003 -2004 achieved an accumulated operating surplus and reports an improved unrestricted net assets position. The success of both administrative and academic areas, in managing operating budgets and keeping operating expenditures within budget, has to be acknowledged in this reporting period as it was last year.

Whilst these results underline the continuing turnaround in the University's financial results, it also has to be acknowledged that there remain significant areas within the University, in terms of infrastructure and equipment that still require attention. These are issues which the University began to tackle in 2003-2004 and will continue to tackle in the coming years. Within the financial statements a number of strategic provisions have been established by the transfer of funds from unrestricted net assets to internally restricted funds. These strategic provisions will provide future financial support for initiatives that are outlined within the University's Academic Plan and Strategic Plan.

The improvement in the University's financial situation was evidenced by a net change in unrestricted net assets of \$1.8 million and an increase in internally restricted net assets of \$1.5 million (Statement III) including:

- a) Internally funded transfers in respect of capital asset additions and amortization;
- b) Establishment of strategic provisions within internally restricted net assets; and
- c) Transfer of net trust revenues in excess of expense to internally restricted net assets.

The above accomplishments were realized primarily through the University's success in retaining a significant portion of the incremental enrolment related revenues, combined with prudent management of the expenses of the University.

The Administration prepared a balanced budget for fiscal 2004-2005 that was approved by the Board of Regents in May 2004. The budget reflects the operating plan for the University in the current year. The 2004-2005 budget is designed to maintain and build on the improvement in the University's financial position achieved in 2003-2004 and provides a balance between supporting and providing for current operating needs, whilst remaining fiscally responsible as the University fosters the process of building the financial position toward long term sustainability.

The University continues to face financial challenges in 2004-2005 and beyond and must remain diligent and prudent in the management of the institution's resources. During 2002-2003 the University embarked upon a Strategic Planning process, including the development, at the core, of a comprehensive Academic Plan. The details of this planning process came to fruition during 2003-2004, with the completion of both a Strategic

Plan and Academic Plan which were ultimately approved by the Board of Regents in May of 2004.

The University resolved some of the funding issues surrounding the pension plan. Discussions were held with all pension plan stakeholder groups during 2002 -2003, with the Board of Regents approving the resolutions in March 2003. Following the approval of these resolutions by both the Board and the various stakeholder groups further, discussions have been ongoing during 2003-2004 in order to bring about a conclusion of this process. Recent developments suggest that final agreement and settlement will be



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 Stephen Willetts)

Stephen Willetts, CPFA
Vice-President (Finance & Administration)

(Original signed by B. Douglas Prophet)

B. Douglas Prophet, CA
Executive Director, Financial Services

Winnipeg, Manitoba
June 3, 2004



Office of the Auditor General

500 - 330 Portage Avenue
Winnipeg, Manitoba
CANADA R3C 0C4

AUDITOR'S REPORT

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 December 31, 2004, and the consolidated statements of operations, management's discussion and analysis, and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Board of Regents. Our audit was based on the consolidated financial statements based on our audit.

The consolidated financial statements are free of material misstatement. An audit includes

examination of supporting documents, as well as other procedures designed to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

In our opinion, these consolidated financial statements present fairly, in all material aspects, the

consolidated financial position of The University of Winnipeg as at December 31, 2004, and the consolidated statements of operations, management's discussion and analysis, and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Original document signed by:
Jon W. Singleton

June 4, 2004

Auditor General

**THE UNIVERSITY OF WINNIPEG
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at March 31, 2004
(with comparative figures for 2003)**

Statement I

ASSETS

THE UNIVERSITY OF WINNIPEG
CONSOLIDATED STATEMENT OF OPERATIONS
For the Year Ended March 31, 2004
(with comparative figures for 2003)

Statement II

| | 2004 \$000 | 2003 \$000 |
|--|-----------------------------|-----------------------------|
| REVENUE | | |
| Government Grants: | | |
| Council on Post Secondary Education | \$35,446 | \$34,288 |
| Other Province of Manitoba | 1,638 | 1,333 |
| Government of Canada | 1,865 | 1,069 |
| Student Academic Fees | 24,154 | 21,921 |
| Gifts, Grants & Bequests | 622 | 455 |
| Investment Income | 1,476 | 1,371 |
| Sales of Services & Products | 3,940 | 3,619 |
| Other Revenues | 4,460 | 4,494 |
| Amortization of Deferred Capital Contributions | 1,170 | 1,238 |
| | <hr/> 74,771 <hr/> | <hr/> 69,788 <hr/> |
| EXPENSE | | |
| Salaries | 41,534 | 40,295 |
| Staff Benefits | 4,961 | 5,549 |
| Supplies, Services & Other Expenses | 10,555 | 9,360 |
| Cost of Sales | 2,701 | 2,438 |
| Building, Utility & Related Expenses | 5,484 | 4,814 |
| Provincial & Municipal Taxes | 2,168 | 2,511 |
| Scholarships & Awards | 1,930 | 1,711 |
| Amortization of Capital Assets | 2,545 | 2,565 |
| | <hr/> 71,878 <hr/> | <hr/> 69,243 <hr/> |
| EXCESS OF REVENUE OVER EXPENSES BEFORE EXTRAORDINARY ITEM | \$2,893 | \$ 545 |
| EXTRAORDINARY ITEM | | |
| Write Off of Pension Contribution Credit (Note 20) | 0 | 8,898 |
| | <hr/> 0 <hr/> | <hr/> 8,898 <hr/> |
| EXCESS OF REVENUE OVER EXPENSES AFTER EXTRAORDINARY ITEM | \$2,893 | (\$8,353) |
| | <hr/> <hr/> | <hr/> <hr/> |

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, 2004
(with comparative figures for 2003)**

Statement III

----- 2004 -----

2003

**THE UNIVERSITY OF WINNIPEG
CONSOLIDATED STATEMENT OF CASH FLOWS
For the Year Ended March 31, 2004
(with comparative figures for 2003)**

Statement IV

| | 2004 \$000 | 2003 \$000 |
|---|------------------------|------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Cash Received from: | | |
| Government Grants | \$39,447 | \$36,124 |
| Student Academic Fees | 24,622 | 21,729 |
| Gifts, Grants & Bequests | 537 | 1,638 |
| Investment Income | 544 | 336 |
| Sales of Services & Products | 3,934 | 3,610 |
| Other Revenues | 4,757 | 4,640 |
| Cash Paid for: | | |
| Salaries & Benefits | (47,141) | (44,336) |
| Supplies, Services & Other Expenses | (10,696) | (9,390) |
| Cost of Sales | (2,778) | (2,503) |
| Building, Utility & Related Expenses | (5,641) | (4,945) |
| Provincial & Municipal Taxes | (2,327) | (2,551) |
| Scholarships & Awards | (1,930) | (1,711) |
| | <u>3,328</u> | <u>2,641</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Investment Purchases for Campus Development | (274) | (383) |
| Proceeds on Sale of Long Term Investments | 0 | 800 |
| Purchase of Long Term Investments | (3,117) | (1,128) |
| Cash Received on Sale of Capital Assets | 0 | 168 |
| Contributions of Assets | 56 | 37 |
| Contributed Assets Put in Service | (56) | (37) |
| Cash Purchase of Capital Asset | (2,930) | (1,457) |
| | <u>(6,321)</u> | <u>(2,000)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Investment Income on Campus Development Fund | 274 | 383 |
| Retirement of Campus Development Fund | 14,657 | 0 |
| Transfer Campus Development Fund to UofW Foundation Inc. | (14,657) | 0 |
| Investment Income on Endowments | 994 | 591 |
| Long Term Debt Repayments on Mortgages | (45) | (57) |
| Cash Contributions Received for Endowment | 1,365 | 618 |
| Cash Received for Deferred Capital Contributions | 2,055 | 759 |
| | <u>4,643</u> | <u>2,294</u> |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 1,650 | 2,935 |
| CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR | 10,312 | 7,377 |
| CASH AND CASH EQUIVALENTS, END OF YEAR | <u>\$11,962</u> | <u>\$10,312</u> |
| Cash and Cash Equivalents Consists of: | | |
| Cash in Bank | 1,872 | 2,135 |
| Short Term Investments | 10,090 | 8,177 |
| | <u>\$11,962</u> | <u>\$10,312</u> |

See accompanying notes to the consolidated financial statements.

**THE UNIVERSITY OF WINNIPEG
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2004**

1. Authority and Purpose

The University of Winnipeg 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 the humanities, sciences and social sciences. 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 and Reporting Practices

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, one preferred by the Canadian Association of University Business Officers (CAUBO). 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.

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

C) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, balances with banks and highly liquid temporary money market instruments with original maturities of one year or less. Bank borrowings are considered to be financing activities.

D) Investments

Investments are recorded at cost. When there has been a loss in the value of a long term investment, that is other than a temporary decline, the investment is written down to recognize the loss.

E) Inventories

Bookstore and Printing inventories are valued at the lower of cost or net realizable value.

F) Capital Assets and Collections

Capital assets and collections purchased by the University are recorded at cost. 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 and Additions | 60 years |
| Lease Hold Improvements | Term of Lease |
| Library Acquisitions | 10 years |
| Furnishings & Equipment | 10 years |
| Major System Computer Software | 10 years |
| Computer Equipment & Software | 5 years |
| Vehicles | 5 years |

G) Pension Plan

The University contributes to The University of Winnipeg Pension Plan. The Plan is comprised of a defined benefit segment and a defined contribution segment.

The University of Winnipeg Pension Plan assets, liabilities and changes in net assets are reported in the Plan's financial statements. The assets of the Plan are held in trust by independent custodians and are not recorded in the accounts of the University. The Auditor General of Manitoba audits the Plan's financial statements.

Recorded in the University's statements is the actuarially determined cost of maintaining the Plan. The accumulated difference between this cost and the University's funding contribution is reflected in the University's financial statements as either an accrued benefit asset or liability. The corridor approach is used to record actuarial gains and losses for the pension plan. Under this approach, the annual actuarial gains and losses are aggregated and, if that amount exceeds 10% of the greater of plan assets or liabilities, the excess amount is amortized over the expected average remaining service life of the covered employees.

H) Employee Future Benefits

The University accounts for employee future benefits on a prospective basis. Under this method, the cost of pension benefits earned by employees is actuarially determined using the projected benefit method prorated on service and management's best estimates of expected plan investment performance, salary escalation, retirement ages of employees and expected health care costs. Future plan obligations are discounted using current market interest rates.

I) Endowment Investment Income Capitalization

The University capitalizes investment income on endowment funds in excess of the amount required for annual distribution. The annual distribution of income is based on 5% of the 5 year rolling average market value of the endowment fund.

J) Financial Instruments

Financial instruments include receivables, investments, bank overdraft, payables and accrued liabilities and long-term debt.

a) Fair Value of Financial Instruments

The fair value of financial instruments are assumed to approximate carrying values, unless otherwise noted.

b) Credit Risk

The University is subject to credit risk through receivables. Receivables are with numerous organizations and individuals which reduces the concentration of credit risk. Reviews are made of the credit worthiness of accounts and reserves established as required.

c) Interest Rate and Foreign Exchange Risk

Interest rates, maturities and security affect the interest rate risk of the University's financial assets and liabilities.

The University is subject to foreign exchange risk because a portion of its financial instruments are denominated in foreign currencies.

The financial risk is the risk to the University's earnings that arises from fluctuations in interest rates and foreign exchange rates and the degree of volatility of these rates. The University does not use derivative instruments to reduce its exposure to interest rate and foreign exchange risk.

K) Use of Estimates

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

L) 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 of Winnipeg. The University of Winnipeg Foundation, a controlled entity, is not consolidated in these financial statements.

3. Cash and Short Term Investments

Cash and short term investments consist of current operating and trust funds:

| | March 31, 2004 | | | March 31, 2003 |
|--|---------------------------|---|------------------------|---------------------------|
| | Cash \$000 | Short Term Investments \$000 | Total \$000 | Total \$000 |
| Operating Funds | \$483 | \$6,670 | \$7,153 | \$4,825 |
| Sponsored Research & Designated Funds | 236 | 2,024 | 2,260 | 2,221 |
| | 719 | 8,694 | 9,413 | 7,046 |
| Trust Fund | 1,153 | 1,396 | 2,549 | 3,266 |
| | \$1,872 | \$10,090 | \$11,962 | \$10,312 |

Cash and short term investments are comprised of:

| | | |
|-------------------------------------|----------|----------|
| Cash | \$1,872 | \$2,135 |
| Provincial Instruments | 8,090 | 4,273 |
| Bankers Instruments | 2,000 | 2,904 |
| Government of Canada Treasury Bills | 0 | 1,000 |
| | \$11,962 | \$10,312 |

4. Accounts Receivable

The major components of Accounts Receivable are:

| | 2004 | 2003 |
|--|----------------|----------------|
| | \$000 | \$000 |
| Province of Manitoba Grant – Collegiate | \$428 | \$366 |
| Research Receivable | 231 | 316 |
| Investment Income Receivable – Operating | 174 | 182 |
| Investment Income Receivable - Trust & Endowment | 74 | 129 |
| Student Fees | 389 | 482 |
| Menno Simons College | 12 | 213 |
| Donations Receivable | 100 | 175 |
| COPSE Grant Receivable | 17 | 491 |
| CRA - GST Net Rebates Receivable | 333 | 198 |
| University of Winnipeg Foundation – Capital Fund | 413 | 0 |
| Other Receivables | 505 | 822 |
| | <u>\$2,676</u> | <u>\$3,374</u> |

5. Investment for Campus Development

The Investment for Campus Development, which was a contribution in March 2001 by the Provincial Government for planned future development, was transferred to the University of Winnipeg Foundation effective April 1, 2003.

6. Long Term Investments

Long term investments are comprised of endowment funds:

| | March 31, 2004 | | March 31, 2003 | |
|----------------------|---------------------------------|-----------------------|---------------------------------|-----------------------|
| | Fair Value \$000 | Cost \$000 | Fair Value \$000 | Cost \$000 |
| Mennonite Studies | | | | |
| Bonds and Debentures | | | | |
| Government of Canada | \$614 | \$600 | \$655 | |

8. Deferred Contributions

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

| | 2004 \$000 | 2003 \$000 |
|---------------------------------------|-----------------------------|-----------------------------|
| Balance, Beginning of Year | \$5,326 | \$4,537 |
| Contributions Received | 4,988 | 4,702 |
| Contributions Expended | (5,028) | (3,599) |
| Transferred to Endowment | (686) | (314) |
| Balance, End of Year | <u>\$4,600</u> | <u>\$5,326</u> |
| Balance Consists of: | | |
| Sponsored Research & Designated Funds | \$2,355 | \$2,626 |
| Special Purpose Trust | 2,245 | 2,700 |
| | <u>\$4,600</u> | <u>\$5,326</u> |

9. Unfunded Staff Benefits

11. Long Term Liabilities

| | 2004 \$000 | 2003 \$000 |
|--------------------------------|-----------------------------|-----------------------------|
| Early Retirement Payable | \$1 | \$4 |
| Mortgage Payable | 258 | 283 |
| UWEHC Mortgages Payable | 633 | 653 |
| Supplementary Pensions Payable | 520 | 602 |
| | <hr/> \$1,412 <hr/> | <hr/> \$1,542 <hr/> |

The mortgage payable is for Graham Hall and is payable to Canada Mortgage and Housing at 5 3/8% due April 2, 2012. The Council on Post-Secondary Education annual operating grant provides for the \$40,054 annual mortgage payment.

UWEHC mortgages payable are for Balmoral Street and Spence Street properties and are payable to the Assiniboine Credit Union. The mortgage payable on the Balmoral Street properties is due August 30, 2006 and has an interest rate of 6.61%. It is repayable at \$2,715 per month including principal and interest. The four individual mortgages payable on the Spence Street properties are due April 1, 2007 and have an interest rate of 6.75%. They are repayable at \$2,521 per month including principal and interest.

13. Internally Restricted Net Assets

Internally restricted net assets balance at March 31, 2004 is \$1,825,000 (2003 - \$292,000). It consists of cumulative net unrestricted trust income of \$425,000 and strategic provisions of \$1,400,000.

The cumulative net unrestricted trust income of \$425,000 is available to fund Board of Regents

15. University of Winnipeg Pension Plan

The University of Winnipeg Pension 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 Pension Committee oversees the administration of the Plan, monitors investments and makes policy recommendations to the Board of Regents of the University. A trust company holds the assets under a trust agreement and provides daily administration of the Pension Plan. Professional investment managers administer the portfolio.

In April 2003, the University and the stakeholders who represented the members of the defined benefit segment of the Pension Plan agreed to modify the provisions of both the Plan Amendment #2001/1 and the December 4, 2000 Board Resolution as described in Note 20.

Effective April 1, 2002, the University adopted the new accounting standard, Section 3461, of the Canadian Institute of Chartered Accountants concerning employee future benefits which includes pension, other retirement, and post-employment benefits other than pensions. The new standard moves the accounting for pension benefits to an accrual basis from the cash accounting basis previously used, and with respect to pensions, requires the use of a prescribed market rate to measure the accrued pension benefit obligation. Consistent with Section 3461, the University has exercised a three-month accelerated measurement date for financial reporting purposes. Information about the University's benefit plans is as follows:

Defined Contribution Obligation

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 University of Winnipeg Pension Plan was prepared effective December 31, 2001 by Eckler Partners Ltd., a firm of consulting actuaries, the results of which were extrapolated by them to December 31, 2003.

The benefit obligation has been calculated pursuant to CICA Handbook 3461 using a prescribed market rate. This approach differs from the calculation of the benefit obligation in the Pension Plan Financial Statements which use an expected long term rate of return.

The financial information is based on financial position of the Defined Benefit Pension Plan as of December 31, 2003 and updated with employer contributions to the Pension Plan during the three-month period ending March 31, 2004.

Change in Defined Benefit Obligation

| | 2003 \$000 | 2002 \$000 |
|---|-----------------------------|-----------------------------|
| Benefit Obligation, January 1 | \$95,788 | \$94,174 |
| Current Service Cost, Net of Employee Contributions | 2,272 | 2,340 |
| Interest Cost | 5,919 | 5,817 |
| Benefits and Refunds Paid | (4,438) | (4,543) |
| Actuarial Loss (Gain) | 2,678 | (2,000) |
| Benefit Obligation, December 31 | \$102,219 | \$95,788 |

Change in Plan Assets

| | 2003 \$000 | 2002 \$000 |
|--|--|-----------------------------|
| Fair Value of Plan Assets, January 1 | \$90,349 | \$100,098 |
| Actual Return on Plan Assets, Net of Expense | 11,076 | (6,985) |
| Employer Contributions | 1,120 | 757 |
| Employee Contributions | \$95,788.88p..9201 Tm0 Tc()Tj1f198 0 5wrTj10.98 0 0 10.98 506.9399 422.7 Tr | |

Reconciliation of Funded Status

| | 2003 | 2002 |
|---|--------------|--------------|
| | \$000 | \$000 |
| Funded Status - Surplus (Deficit) | (\$3,124) | (\$5,439) |
| Employer Contributions After December 31 | 292 | 248 |
| Unamortized Transitional Asset | (5,012) | (5,468) |
| Unamortized Net Actuarial Loss | 8,210 | 11,155 |
| Accrued Benefit Asset, Before Valuation Allowance | 366 | 496 |
| Valuation Allowance | (366) | (496) |
| Accrued Benefit Asset, Net of Valuation Allowance | <u>\$ 0</u> | <u>\$ 0</u> |

Components of Pension Expense

| | 2003 | 2002 |
|--|----------------|----------------|
| | \$000 | \$000 |
| Current Service Cost-Employer | \$1,284 | \$1,318 |
| Interest Cost | 5,919 | 5,817 |
| Expected Return on Plan Assets | (5,574) | (6,170) |
| Amortization of Transitional Asset | (456) | (456) |
| Amortization of Actuarial Loss | 121 | 0 |
| Increase (Decrease) in Valuation Allowance | (130) | 496 |
| Net Pension Expense | <u>\$1,164</u> | <u>\$1,005</u> |

16. Segmented Operations

Included in the excess of income over expenses in the Statement of Operations is:

| | 2004 | | | 2003 | | |
|-------------------------|------------------|------------------|-------------------------------|------------------|------------------|-------------------------------|
| | Revenue \$000 | Expense \$000 | Surplus (Deficit) \$000 | Revenue \$000 | Expense \$000 | Surplus (Deficit) \$000 |
| Collegiate | \$3,099 | \$3,314 | (\$ 215) | \$2,760 | \$3,149 | (\$ 389) |
| Continuing Education | \$4,349 | \$4,461 | (\$ 112) | \$4,037 | \$4,196 | (\$ 159) |
| Campus Operations | \$4,775 | \$4,714 | \$ 61 | \$4,641 | \$4,574 | \$ 67 |

17. Commitments

The University has 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 August 31, 2012. These lease contracts require annual payments over the next 5 years and in aggregate as follows:

| | \$000 |
|------------|-------------|
| 2004/05 | \$1,903 |
| 2005/06 | 1,167 |
| 2006/07 | 700 |
| 2007/08 | 600 |
| 2008/09 | 587 |
| Thereafter | 1,419 |
| | <hr/> |
| | \$6,376 |
| | <hr/> <hr/> |

18. The University of Winnipeg Foundation

The University's Board of Regents approved the establishment of the University of Winnipeg Foundation in March 2003.

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, and the provision of support services by the University to the Foundation.

The agreements with The University of Winnipeg Foundation are as follows:

a) Occupancy and Support Agreement

This Agreement documents the basis upon which the Foundation occupies space in Wesley Hall and elsewhere on Campus and the Foundation's use of certain existing systems, programs and personnel of the University. The Foundation has agreed to pay the University a fee of

The financial position of the Foundation at March 31, 2004 is summarized as follows:

| | \$000 | \$000 |
|----------------------------------|--------------|-----------------|
| Statement of Financial Position: | | |
| Total Assets | | <u>\$14,239</u> |
| Total Liabilities | | <u>\$ 478</u> |
| Fund Balances: | | |
| Operating Fund | \$ 446 | |
| Investment in Capital Assets | 27 | |
| Restricted Fund | 723 | |
| Specified Fund | 12,500 | |
| Endowment Fund | <u>65</u> | |
| | | <u>\$13,761</u> |

| | \$000 |
|--|-----------------|
| Statement of Operations | |
| Sources of Funds: | |
| Transfer from University of Winnipeg | \$14,000 |
| Accumulated Investment Fund | 382 |
| Investment Income | 434 |
| University of Winnipeg Support Funding | 300 |
| Annual Donations | <u>2,443</u> |
| | <u>\$17,559</u> |
| Uses of Funds: | |
| Capital Programs | \$ 1,500 |
| Operations | 720 |
| Amounts Funded to the University of Winnipeg | <u>1,578</u> |
| | <u>\$ 3,798</u> |
| Increase in Funds | <u>\$13,761</u> |

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 Annual Fund records the receipt of all donations, including endowed funds, received in the year (other than capital pledge payments).
- iii) The Capital Fund is specifically intended to record the receipt of capital pledge payments and other donations restricted for capital purposes only.
- iv) The Specified Fund consists of the Initial Funding of \$14 Million transferred to the Foundation from The University of Winnipeg, pursuant to the "Specified Fund Agreement".
- v) The Restricted Fund includes donations received for potential 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 as designated by the donor.

Commitments:

The University has agreed to provide the Foundation with a \$300,000 per annum operating grant that will be reduced by \$30,000 per annum commencing in 2010-2011 and ending in 2019-2020 when the commitment will be fully utilized. Accordingly, the University is required to make annual payments over the next 5 years and in aggregate as follows:

| | \$000 |
|------------|--------------|
| 2004/05 | \$300 |
| 2005/06 | 300 |
| 2006/07 | 300 |
| 2007/08 | 300 |
| 2008/09 | 300 |
| Thereafter | 1,650 |
| | <hr/> |
| | \$3,150 |
| | <hr/> |

19. Contingencies

The University of Winnipeg is named as a defendant in litigations where legal action has commenced or is anticipated. ie8()Tj-4mr6ultim22 4r 6ultim22 4s7.3 550.32 Tm0 Tc()Tjesmed 50.sehere

- iv) Required University contributions to the defined benefit segment of the Plan will be modified as follows:

The University pays both employee and University required contributions in respect of defined benefit members who are in receipt of long-term disability benefits, effective April 1, 2003;

The University's required contributions for defined benefit members were increased to 6.5% of pensionable salary less 1.8% of Canada Pension Plan contributory earnings effective April 1, 2003.

- v) The University made a special payment of \$638,000 in April 2003 direct to pensioners and active members of the defined benefit segment of the Plan as part of the final agreement.

The provisions of the agreement that remain outstanding are;

- i) Establishment of a Board of Trustees to oversee administration of the Pension Plan, subject to the filing of a Plan amendment and its approval by the Manitoba Pension Commission.
- ii) The University's required contributions for defined benefit members will increase to 7% of pensionable salary less 1.8% of Canada Pension Plan contributory earnings effective April 1, 2004.
- iii) The University will make an additional contribution of \$600,000 into the defined benefit segment of the Pension Plan by no later than April 2004 or as soon thereafter as regulatory approval is secured.

The University has deferred implementation of the provisions that affect Plan funding, referred to above, until the text of the Plan amendment is finalized. It is the University's intent to file a Plan amendment with the Manitoba Pension Commission that will implement the Agreement in the current year.

21. Related Party Transactions

The University of Winnipeg Foundation (Foundation) is a controlled entity of The University of Winnipeg. During the year ending March 31, 2004, The University of Winnipeg (University) incurred transactions as follows:

| | \$000 |
|--|--------------|
| From the University to the Foundation: | |
| i) Operating grant | \$ 300 |
| ii) Annual donations received by the University on behalf of the Foundation and transferring to the Foundation | \$ 198 |
| iii) Transfer of the Campus Development Fund | \$14,657 |
| From the Foundation to the University: | |
| i) Annual service fee | \$ 45 |
| ii) Transfer of specified funds | \$ 1,500 |
| iii) Transfer of annual donations to be endowed at the direction of donors. | \$ 677 |
| iv) Transfer of annual donations | \$ 905 |

22. Reclassification of Comparative Figures

Certain 2003 comparative figures have been reclassified to conform with the financial statement