

University of
Waterloo



Financial Statements

April 30, 2005

UNIVERSITY OF WATERLOO FINANCIAL STATEMENTS

APRIL 30, 2005

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STATEMENT OF MANAGEMENT RESPONSIBILITY

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

The financial statements have been prepared by management in accordance with generally accepted accounting principles recommended by the Canadian Institute of Chartered Accountants. Management believes the financial statements present fairly the University's financial position as at April 30, 2005 and the results of its operations for the year then ended.

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

The Board of Governors is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial statements. The Board carries out this responsibility principally through its Audit Committee.

The Audit Committee is appointed by the Board and its members are not officers or employees of the University. The Committee meets periodically with management, as well as the external auditors, to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues to satisfy itself that each party is properly discharging its responsibilities and to review the annual report, the financial statements and the external auditors' reports. The Committee reports its findings to the Board for consideration when approving the financial statements for issuance. The Committee also considers, for approval by the Board, the engagement or reappointment of the external auditors.

Financial statements for the year ended April 30, 2005 have been audited by Ernst & Young LLP. The auditors' report outlines the scope of their audit and their opinion on the presentation of the information included in the financial statements.

AUDITORS' REPORT

To the Governors of the
University of Waterloo:

We have audited the Balance Sheet [Statement 1] of the **University of Waterloo** as at April 30, 2005 and the following statements for the year then ended:

Statement 2 - Statement of Operations
Statement 3 - Statement of Changes in Net Assets
Statement 4 - Statement of Cash Flows

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 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 financial statements present fairly, in all material respects, the financial position of the University as at April 30, 2005 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

We have also audited the supplementary Schedules 1 and 2 which are presented for purposes of additional analysis and are not a required part of the basic financial statements. In our opinion, these schedules present fairly the information contained therein in all respects material to the financial statements.

Ernst + Young LLP

Kitchener, Canada,
August 5, 2005.

Chartered Accountants



UNIVERSITY OF WATERLOO
BALANCE SHEET
APRIL 30, 2005
(with comparative figures as at April 30, 2004)
(thousands of dollars)

STATEMENT 1

	<u>2005</u>	<u>2004</u>
ASSETS		
<u>Current</u>		
Cash and cash equivalents	\$ 94,063	\$ 106,682
Accounts receivable	22,999	19,737
Inventories	2,984	3,426
Prepaid expenses	<u>4,048</u>	<u>3,310</u>
Total current assets	<u>124,094</u>	<u>133,155</u>
Investments (note 3)	253,168	169,222
Capital assets, net (note 4)	<u>251,884</u>	<u>239,665</u>
	<u>629,146</u>	<u>542,042</u>
LIABILITIES AND NET ASSETS		
<u>Current</u>		
Accounts payable and accrued liabilities	38,009	35,270
Unearned income	26,591	26,704
Current portion of long-term debt (note 5)	<u>1,246</u>	<u>6,436</u>
Total current liabilities	<u>65,846</u>	<u>68,410</u>
Employee future benefits (note 14)	89,046	82,446
Long-term debt (note 5)	<u>37,603</u>	<u>38,849</u>
Deferred contributions (note 6)	112,892	83,570
Deferred capital contributions (note 7)	<u>156,337</u>	<u>139,606</u>
	<u>269,229</u>	<u>223,176</u>
Total liabilities	<u>461,724</u>	<u>412,881</u>
NET ASSETS		
Deficit (note 8)	(90,913)	(85,006)
Internally restricted (note 9)	72,576	57,419
Invested in capital assets (note 10)	65,807	64,426
Restricted for endowment purposes (note 11)	<u>119,952</u>	<u>92,322</u>
	<u>167,422</u>	<u>129,161</u>
	<u>\$ 629,146</u>	<u>\$ 542,042</u>

(See accompanying notes to financial statements)

UNIVERSITY OF WATERLOO
 STATEMENT OF OPERATIONS
 for the year ended April 30, 2005
 (with comparative figures for the year ended April 30, 2004)
 (thousands of dollars)

STATEMENT 2

	<u>2005</u>	<u>2004</u>
INCOME		
Academic fees	\$ 141,116	\$ 131,761
Donations	8,318	8,438
Grants and contracts	250,500	235,810
Sales, services and other income	90,177	85,316
Income from investments (note 3)	11,270	9,334
Amortization of deferred capital contributions (note 7)	<u>16,198</u>	<u>11,837</u>
	<u>517,579</u>	<u>482,496</u>
EXPENSES		
Salaries	250,203	230,758
Employee benefits	48,470	42,034
Cost of goods sold	20,128	20,087
Supplies and expenses	72,271	66,508
Travel	12,263	10,726
Major repairs and renovations	15,760	6,358
Expendable equipment, maintenance and rentals	13,436	11,498
Scholarships and bursaries	33,811	27,726
Municipal taxes and utilities	13,457	12,037
Amortization of capital assets (note 4)	<u>24,249</u>	<u>22,334</u>
	<u>504,048</u>	<u>450,066</u>
Excess income over expenses	<u>\$ 13,531</u>	<u>\$ 32,430</u>

(See accompanying notes to financial statements)

UNIVERSITY OF WATERLOO
 STATEMENT OF CHANGES IN NET ASSETS
 for the year ended April 30, 2005
 (with comparative figures for the year ended April 30, 2004)
 (thousands of dollars)

STATEMENT 3

	<u>Deficit</u>	<u>Internally Restricted</u>	<u>Invested in Capital Assets</u>	<u>Restricted for Endowment</u>	<u>2005 Total</u>	<u>2004 Total</u>
Net assets, beginning of year	\$ (85,006)	\$ 57,419	\$ 64,426	\$ 92,322	\$ 129,161	\$ 87,717
Excess income over expenses for the year	13,531				13,531	32,430
Change in internally restricted net assets (note 9)	(15,157)	15,157				
Land donation in kind (note 4)	350				350	
Change in investment in capital assets (note 10)	(1,381)		1,381			
Capital preservation of endowments (note 11)	(3,250)			3,250		
Endowment contributions (note 11)	<u> </u>	<u> </u>	<u> </u>	24,380	<u>24,380</u>	<u>9,014</u>
Net assets, end of year	<u>\$ (90,913)</u>	<u>\$ 72,576</u>	<u>\$ 65,807</u>	<u>\$ 119,952</u>	<u>\$ 167,422</u>	<u>\$ 129,161</u>

(See accompanying notes to financial statements)

UNIVERSITY OF WATERLOO
STATEMENT OF CASH FLOWS
for the year ended April 30, 2005
(with comparative figures for the year ended April 30, 2004)
(thousands of dollars)

STATEMENT 4

	<u>2005</u>	<u>2004</u>
OPERATING ACTIVITIES		
Excess income over expenses for the year	\$ 13,531	\$ 32,430
Add (deduct) non-cash items:		
Amortization of capital assets	24,249	22,334
Amortization of deferred capital contributions (note 7)	(16,198)	(11,837)
Net change in employee future benefits (note 14)	6,600	6,340
Loss on disposal of capital assets (note 4)		124
Net change in non-cash working capital balances (note 15)	<u>28,390</u>	<u>25,588</u>
Cash provided by operating activities	<u>56,572</u>	<u>74,979</u>
INVESTING AND FINANCING ACTIVITIES		
Purchase of capital assets (note 4)	(22,580)	(36,244)
Net change in investments	(83,946)	(29,196)
Contributions received for capital purposes (note 7)	19,391	26,619
Decrease in long-term debt (note 5)	(6,436)	(1,438)
Donor endowed contributions (note 11)	<u>24,380</u>	<u>9,014</u>
Cash used in investing and financing activities	<u>(69,191)</u>	<u>(31,245)</u>
Net change in cash and cash equivalents during the year	(12,619)	43,734
Cash and cash equivalents, beginning of year	<u>106,682</u>	<u>62,948</u>
Cash and cash equivalents, end of year (note 2(b))	<u>\$ 94,063</u>	<u>\$ 106,682</u>

(See accompanying notes to financial statements)

UNIVERSITY OF WATERLOO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED APRIL 30, 2005
(thousands of dollars)

1. Description

The University of Waterloo was incorporated in 1959 under the terms and provisions of the University of Waterloo Act. A new University of Waterloo Act was passed in 1972 which provided that the University continue as the corporation which was established in 1959.

The objectives of the University of Waterloo are the pursuit of learning through scholarship, teaching and research. The University is a degree granting and research organization offering undergraduate and graduate programs. The University is also a registered charity under Section 149 of the Income Tax Act and is, therefore, exempt from income taxes.

These financial statements reflect the assets, liabilities, net assets, income and expenses of all the operations controlled by the University. Included are the academic, administrative and other operating expenditures funded by academic fees, grants and other general income; restricted purpose funds including endowment funds; and the ancillary enterprises, including Residences, Food Services, Parking, Graphic Services, Retail Services and Watcard.

2. Significant Accounting Policies

(a) Income recognition

The University follows the deferral method of accounting for contributions. Unrestricted contributions are recognized as income when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Restricted contributions are recognized as income in the year in which the related expenses are incurred. Endowment contributions and land donations in kind are recognized as direct increases in net assets in the period in which they are received. Restricted investment

income is recognized as income in the year in which the related expenses are incurred. Unrestricted investment income is recognized as income when earned. All other unrestricted income, including academic fees and sales and services, is recognized as income when earned.

(b) Cash and cash equivalents

Investments included in cash and cash equivalents consist of deposit receipts (\$16,978; 2004 - \$30,572), government and corporate notes with a maturity of three months or less from the date of acquisition (\$45,847; 2004 - \$49,395), and the remainder represents cash. These investments are carried at amortized cost which approximates their market value.

(c) Inventories

Inventories are valued at the lower of average cost or market value. Provision is made for obsolescence.

(d) Investments

Investments are recorded at cost. Gains and losses on sale of investments are recognized in the year of disposal and included in investment income based on the deferral method of accounting, as described in note 2(a). Investments are written down in the year when there is deemed to be a loss in value that is other than temporary.

(e) Capital assets

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Capital assets are amortized on a straight-line basis over the assets' estimated useful lives as follows:

Buildings	40 years
Parking lots/roadways	15 years
Furniture and equipment	3-10 years
Library acquisitions	5 years

Amortization of building costs commences in the fiscal year following occupancy.

Contributions received for capital assets are deferred in the accounts and amortized over the same term on the same basis as the related capital assets.

Collections are recorded at cost and not amortized.

(f) Unearned income

Tuition and other academic fees are recorded as income on the accrual basis of accounting. All fees which relate to an academic term occurring within the fiscal year are included as income. Fees billed and collected which relate to academic terms commencing after the end of the fiscal year are included in "Unearned income".

(g) Employee future benefits

The University has a defined benefit pension plan for its employees and provides other retirement and post employment benefits such as extended health care and life insurance coverage. The cost of employee future benefits is determined using the projected benefit method prorated on services and management's best estimates regarding assumptions about retirement age, termination rates, mortality rates and expected health care costs. The net actuarial gain or loss is amortized on a straight-line basis over the average remaining service life of the active employees calculated using the corridor method.

(h) Funding of major capital assets and renovations

University departments, including ancillary enterprises, may be required to expend funds on major capital assets or renovations in a year where the costs exceed the unit's ability to pay. These major expenditures are, however,

charged to the unit in the year incurred and the resulting deficit is to be recovered over time through the budgeting process.

(i) Accounting estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. These amounts are based on management's best knowledge of current events and actions that the University may undertake in the future. Actual results could differ from those estimates.

(j) Derivative financial instruments

Derivative financial instruments are used to manage particular market and currency exposures for hedging and risk management purposes with respect to the University's investments and as a substitute for more traditional investments. Derivative financial instruments that may be employed include interest rate swaps. These contracts are supported by liquid assets with a market value approximately equal to the market value of the instruments underlying the derivative contract.

The University follows hedge accounting for its interest rate swap which results in interest expense related to certain long-term debt recorded in the financial statements at the hedged rate rather than at the original contractual interest rate. In order for a derivative to qualify for hedge accounting, the hedge relationship must be identified, designated and formally documented at its inception. Changes in the cash flows on the interest rate swap must be highly effective in offsetting changes in the amount of cash flows on the hedged long-term debt. In the event a designated hedged long-term debt is extinguished or matures prior to the termination of the related interest rate swap, any realized or unrealized gain or loss on such interest rate swap is recognized in income.

The fair value of derivative financial instruments reflects the daily quoted market amount of those instruments, thereby taking into account the current unrealized gains or losses on open contracts. Investment dealer quotes or quotes from a bank are available for the University's derivative financial instruments.

3. Investments

(a) Total investments consist of the following components:

	<u>Book Value</u>	
	<u>2005</u>	<u>2004</u>
Bonds		
Government of Canada	\$ 29,880	\$ 21,800
Provincial	43,250	36,139
Corporate	<u>52,333</u>	<u>31,503</u>
Total Bonds	125,463	89,442
Pooled Funds	18,362	9,988
Short-Term Investments	32,388	19,173
Equity Investments	<u>76,955</u>	<u>50,619</u>
Total Investments	<u>\$253,168</u>	<u>\$169,222</u>

	<u>2005</u>		<u>2004</u>	
	<u>Book Value</u>	<u>Book Yield</u>	<u>Book Value</u>	<u>Book Yield</u>
Bonds				
0-5 years	\$ 80,293	4.1	\$ 53,839	4.2
5-10 years	32,038	5.0	26,460	5.2
>10 years	<u>13,132</u>	5.7	<u>9,143</u>	5.7
	<u>\$125,463</u>		<u>\$ 89,442</u>	

Yields on fixed term investments are annual effective yields for the respective portfolios based on book value. The

market value of the total investment portfolio as at April 30, 2005 is \$251,088 (2004 - \$167,586).

(b) Investment income recorded in the statement of operations is calculated as follows:

	<u>2005</u>	<u>2004</u>
Income earned on unrestricted resources	\$ 5,628	\$4,019
Income earned on specific purpose funds	1,102	132
Income earned on resources held for endowment		
Internally endowed	1,778	1,481
Donor endowed	<u>4,550</u>	<u>3,813</u>
Total investment income earned	13,058	9,445
Investment income deferred in the year	<u>(1,788)</u>	<u>(111)</u>
Total investment income recognized in the year	<u>\$11,270</u>	<u>\$9,334</u>

4. Capital Assets

Capital assets consist of the following:

	<u>2005</u>		<u>2004</u>	
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Cost</u>	<u>Accumulated Amortization</u>
Land	\$ 5,510		\$ 5,160	
Buildings	303,440	131,703	282,789	125,145
Parking lots/roadways	3,161	1,442	5,278	3,346
Furniture and equipment	113,032	51,864	133,697	71,463
Library acquisitions	29,197	19,353	57,997	46,892
Collections	<u>1,906</u>		<u>1,590</u>	
	456,246	204,362	486,511	246,846
Less accumulated amortization	(204,362)		(246,846)	
Net book value	<u>\$251,884</u>		<u>\$239,665</u>	

Included in the cost of buildings is \$22,245 (2004 - \$53,977) of construction in progress or recently completed projects that are currently not being amortized.

The building for the School of Architecture was transferred to the University by the City of Cambridge for nominal consideration. The land of \$350 and building and equipment of \$13,538 have been recorded at fair market value.

Assets that were fully depreciated were written off during the year.

The increase in net book value of capital assets is due to the following:

	<u>2005</u>	<u>2004</u>
Balance, beginning of year	\$239,665	\$225,879
Land, building and equipment donation in kind	13,888	-
Purchase of capital assets funded by deferred capital contributions	14,127	26,308
Purchase of capital assets internally funded	8,453	9,936
Loss on disposal of capital assets	-	(124)
Amortization of capital assets	<u>(24,249)</u>	<u>(22,334)</u>
Balance, end of year	<u>\$251,884</u>	<u>\$239,665</u>

5. Long-Term Debt

(a) Lease agreements payable

	2005		2004	
	<u>Book Value</u>	<u>Fair Value</u>	<u>Book Value</u>	<u>Fair Value</u>
Residence Ron Eydt Village: 6.9% agreement payable due December 1, 2020. Repayable in semi-annual instalments of \$135 combined principal and interest	\$2,599	\$3,061	\$ 2,686	\$ 3,041
UW Place: 6.9% agreement payable due June 1, 2021. Repayable in semi-annual instalments of \$259 combined principal and interest	5,054	5,977	5,215	5,921
<u>Mortgages and debentures payable</u>				
Canada Mortgage and Housing Corporation: Residence Village I, Phase I - 5 3/8% mortgage payable due July 1, 2016. Repayable in semi-annual instalments of \$56 combined principal and interest	957	1,002	1,016	1,029
Residence Village I, Phase II - 5 3/8% debenture payable due July 1, 2017. Repayable in semi-annual instalments of \$63 combined principal and interest	1,132	1,189	1,195	1,210
Residence Village I, Phase I Amended - 5 7/8% debenture payable due July 1, 2017. Repayable in semi-annual instalments of \$40 combined principal and interest	701	757	738	770
Minota Hagey Residence - 6 1/4% debenture payable due February 1, 2019. Repayable in semi-annual instalments of \$10 combined principal and interest	193	215	202	217

Bank loans payable

Canadian Imperial Bank of Commerce:

Physical Recreation Facility and Student Life Centre – floating interest rate which is fixed at 7.65% through an interest rate swap due November 22, 2004 repayable in three instalments per year of \$112 principal plus interest plus a final payment at maturity of \$5,040

- - 5,264 5,634

Royal Bank of Canada:

Columbia Lake Townhouses – 6.15% term loan payable due November 1, 2007 repayable in monthly instalments of \$31 combined principal and interest plus a final payment at maturity of \$1,616

2,277 2,392 2,505 2,588

Canadian Imperial Bank of Commerce:

MacKenzie King Village Residence and UW Place Renewal Program – floating interest rate which is fixed at 6.045% through an interest rate swap due October 1, 2027 repayable in four instalments per year of \$529 combined principal and interest

25,936 29,793 26,464 28,729

38,849 44,386 45,285 49,139

Less: current portion

(1,246) (6,436)

Long-term debt

\$37,603 \$38,849

Future minimum annual debt principal repayments are as follows:

2006 - \$1,246; 2007 - \$1,324; 2008 - \$2,907; 2009 - \$1,204; 2010 and beyond - \$32,168

The total interest expense recognized and paid on long-term debt for the year ended April 30, 2005 was \$3,068 and \$3,098 respectively (2004 - \$2,970 and \$2,956).

(b) Derivative financial instruments

The University has entered into an interest rate swap contract to manage the interest rate exposure associated with a long-term debt obligation. The contract has the effect of converting the floating rate of interest on this debt obligation to a fixed rate.

The notional amounts of the derivative financial instruments do not represent amounts exchanged between parties and are not a measure of the University's exposure resulting from the use of financial instrument contracts. The amounts exchanged are based on the applicable rates applied to the notional amounts.

The University is exposed to credit-related losses in the event of non-performance by counterparties to these financial instruments, but it does not expect any counterparties to fail to meet their obligations. The University limits its derivative financial instruments' credit risk by only dealing with Canadian chartered banks that are rated AA or better.

(c) Fair value

The fair value of the debt instruments above are estimated using a discounted cash flow calculation that uses approximate market interest rates at April 30, for debt instruments with similar characteristics. The interest rate swap contract results in the University fixing long-term interest rates at 6.045% (2004 - 6.045% to 7.65%) on \$25,936 (2004 - \$31,728) of debt obligation which is exchanged with 60-90 day investment vehicles. The fair value of the interest rate swap contract is (\$3,358) (2004 - (\$2,140)).

6. Deferred Contributions

Deferred contributions represent unspent externally restricted grants, donations and investment income for research and other restricted purposes. Changes in the deferred contributions balance are as follows:

	<u>2005</u>	<u>2004</u>
Balance, beginning of year	\$ 83,570	\$ 57,485
Amount recognized as income during the year	(44,606)	(50,320)
Amount received related to the following year	<u>73,928</u>	<u>76,405</u>
Balance, end of year	<u>\$112,892</u>	<u>\$ 83,570</u>

7. Deferred Capital Contributions

Deferred capital contributions represent the unamortized amount of grants, donations and investment income received for the purchase of capital assets. The amortization of deferred capital contributions is recorded as income in the statement of operations. The changes in the deferred contributions are as follows:

	<u>2005</u>	<u>2004</u>
Balance, beginning of year	\$139,606	\$124,824
Less amortization of deferred capital contributions	(16,198)	(11,837)
Add: Cash contributions received for capital purposes	19,391	26,619
Donations in kind received for capital purposes (note 4)	<u>13,538</u>	<u>-</u>
Balance, end of year	<u>\$156,337</u>	<u>\$139,606</u>

8. Deficit

The deficit is comprised of the following balances:

	<u>2005</u>	<u>2004</u>
Operational surplus	\$ 4,341	\$ 3,470
Land donation in kind	350	-
Provision for vacation pay	(6,558)	(6,030)
Employee future benefits	<u>(89,046)</u>	<u>(82,446)</u>
	<u>\$(90,913)</u>	<u>\$(85,006)</u>

9. Internally Restricted Net Assets

	<u>2005</u>	<u>2004</u>
Academic and academic support department carryforwards and operational commitments	\$103,908	\$81,200
Ancillary enterprises	(2,140)	(4,333)
Research related activities	3,522	3,634
Other specific purpose funds	783	604
Bridge financing for housing and other construction projects	<u>(33,497)</u>	<u>(23,686)</u>
Balance, end of year	<u>\$ 72,576</u>	<u>\$57,419</u>

The University allows academic and academic support units to carryforward a maximum of 10% of their current year's operating budget. In addition, the University appropriates funds at year end to cover outstanding operational commitments.

10. Net Assets Invested in Capital Assets

The investment in capital assets consists of the following:

	<u>2005</u>	<u>2004</u>
Capital assets (net)	\$251,884	\$239,665
Less amounts financed by:		
Long-term debt	(29,390)	(35,633)
Deferred capital contributions (note 7)	(156,337)	(139,606)
Land donation in kind (note 4)	<u>(350)</u>	<u>-</u>
Balance, end of year	<u>\$ 65,807</u>	<u>\$ 64,426</u>

The change in investment in capital assets is calculated as follows:	<u>2005</u>	<u>2004</u>
Repayment of long-term debt	\$ 979	\$ 920
Purchase of capital assets internally funded	<u>8,453</u>	<u>9,936</u>
Increase in investment in capital assets	<u>9,432</u>	<u>10,856</u>
Loss on disposal of capital assets		99
Amortization expense	24,249	22,334
Less amount of amortization expense related to capital assets purchased with restricted contributions	<u>(16,198)</u>	<u>(11,837)</u>
Decrease in investment in capital assets	<u>8,051</u>	<u>10,596</u>
Change in investment in capital assets	<u>\$ 1,381</u>	<u>\$ 260</u>

11. Net Assets Restricted for Endowment Purposes

Contributions restricted for endowment consist of restricted donations received by the University and donations internally designated by the Board of Governors. The endowment principal is to be permanently maintained. The investment income generated from endowments must be used for the purposes designated by the donors or Board of Governors. The University ensures that all funds received for restricted purposes are expended for those purposes for which they were provided.

Investment income on endowments is recorded in the statement of operations if it is available for spending at the discretion of the University or if the conditions of any restrictions have been met. Fundamental to the University's philosophy on endowments is the general principle of maintaining the purchasing power of all endowment funds. This preservation of capital is recorded in the statement of changes in net assets as a direct increase of endowment capital when this is a condition of the original donation. For internally restricted endowments and for externally restricted amounts for which the preservation of capital is not a condition of the original donation, the preservation of capital is recorded as either an increase in the deficit or a reduction of internally restricted net assets and an increase in the endowment capital.

(a) Contributions restricted for endowment consist of the following:

	<u>2005</u>	<u>Additions</u>	<u>2004</u>
Donor endowed	\$ 89,967	\$24,380	\$65,587
Internally endowed	<u>29,985</u>	<u>3,250</u>	<u>26,735</u>
	<u>\$119,952</u>	<u>\$27,630</u>	<u>\$92,322</u>

(b) Ontario Student Opportunity Trust Fund

The donor endowed balance includes funds provided by the Government of Ontario from the Ontario Student Opportunity Trust Fund matching program to award student aid.

Phase 1 (for the year ended April 30)

Schedule of Changes in Endowment Fund Balance	<u>2005</u>	<u>2004</u>
Fund balance, beginning of year	\$5,765	\$5,540
Preservation of capital	<u>179</u>	<u>225</u>
	<u>\$5,944</u>	<u>\$5,765</u>
Schedule of Changes in Expendable Funds Available for Awards		
Balance, beginning of year	\$ 314	\$ 322
Investment income	231	139
Bursaries awarded (total number 229; 2004-133)	<u>(318)</u>	<u>(147)</u>
Balance, end of year	<u>\$ 227</u>	<u>\$ 314</u>

Phase 2 (for the year ended March 31)

Eligible for matching	\$ 873	\$ 238
Unmatched	103	60
Outstanding donations pledged	<u>1,214</u>	<u>366</u>
Cash and pledge total	<u>\$2,190</u>	<u>\$ 664</u>
Schedule of Changes in Endowment Fund Balance		
Fund balance, beginning of year	\$ 562	\$ -
Cash donations and government matching received	1,681	562
Preservation of capital	<u>6</u>	<u>-</u>
	<u>\$2,249</u>	<u>\$ 562</u>

Schedule of Changes in Expendable Funds Available
for Awards

	<u>2005</u>	<u>2004</u>
Balance, beginning of year	-	-
Investment income	30	-
Bursaries awarded (total number 2; 2004-0)	<u>(4)</u>	<u>-</u>
Balance, end of year	<u>\$ 26</u>	<u>\$ -</u>

12. Financial Information

	<u>General Operations</u>	<u>Ancillary Enterprises</u>	<u>Restricted and Other Specific Purposes</u>	<u>2005 Total</u>	<u>2004 Total</u>
Income	<u>\$329,540</u>	<u>\$63,939</u>	<u>\$124,100</u>	<u>\$517,579</u>	<u>\$482,496</u>
Expenses	306,876	60,868	142,617	510,361	456,424
Less capital asset balances included in expenses above	<u>(5,883)</u>	<u>(430)</u>	<u>-</u>	<u>(6,313)</u>	<u>(6,358)</u>
Expenses net of capital assets	300,993	60,438	142,617	504,048	450,066
Transfer of funds for capital asset purchases and other purposes	<u>(12,096)</u>	<u>(1,308)</u>	<u>13,404</u>	<u>-</u>	<u>-</u>
Excess income over expenses	<u>\$ 16,451</u>	<u>\$ 2,193</u>	<u>\$ (5,113)</u>	<u>\$ 13,531</u>	<u>\$ 32,430</u>

13. Commitments and Contingent Liabilities

(a) Canadian university reciprocal insurance exchange

The University is a member of a self-insurance co-operative, named CURIE, in association with 56 Canadian universities. Under this arrangement, a contractual agreement exists to share the property and liability insurance risks of member universities. The projected cost of claims is funded through members' premiums based on actuarial projections. As at December 31, 2004, CURIE had a surplus of \$5,995 (2003 - \$100), of which the University's pro rata share is approximately 3.6% (2003 - 3.9%) on an ongoing basis.

(b) Contractual obligations

The University has entered into a long-term land lease and operating agreement with Reid's Heritage Homes Ltd. for the construction and rental of student housing. The University has a three year commitment to rent units in the townhouse complex and after that a two year renewable commitment. Based on the number of units available for rent as at April 30, following are the annual lease payments committed.

2006 - \$1,976; 2007 - \$2,001; 2008 - \$2,001

14. Employee Future Benefits

The University has a defined benefit plan that provides pension, non-pension post retirement, and post employment benefits to eligible employees. The registered pension plan is based on years of credited service, highest average earnings in 36 consecutive months in the 10 years immediately preceding retirement, and the CPP average. Pension benefits will increase annually by the ratio between the average of each of the two previous years' indices of the Consumer Price Index, normally to a maximum of 5%.

Other retirement benefits are extended health care and life insurance. A plan also provides for long-term disability income benefits after employment, but before retirement.

The latest actuarial valuation for the registered pension plan was performed as of January 1, 2005, and for the retirement benefits plan as of May 1, 2004. The next required actuarial valuation for the registered pension plan will be January 1, 2008 and May 1, 2007 for the retirement benefits plan. The University has a practice of performing annual actuarial valuations for accounting purposes for the registered pension plan. The University measures its accrued benefit obligation and the fair value of plan assets for accounting purposes as at April 30 of each year.

The employee benefits expense for the year includes pension expense of \$13,916 (2004 - \$9,219) and other retirement benefits expense of \$6,600 (2004 - \$6,340).

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

	<u>2005</u>		<u>2004</u>	
	<u>Pension Benefit Plan</u>	<u>Other Benefits Plan</u>	<u>Pension Benefit Plan</u>	<u>Other Benefits Plan</u>
Accrued benefit obligation	\$741,298	\$ 101,653	\$707,817	\$ 86,028
Fair value of plan assets	<u>798,806</u>	<u>-</u>	<u>746,394</u>	<u>-</u>
Plan surplus(deficit)	57,508	(101,653)	38,577	(86,028)
Valuation allowance	(57,508)	-	(38,577)	-
Unamortized net actuarial loss	<u>-</u>	<u>12,607</u>	<u>-</u>	<u>3,582</u>
Accrued liability	<u>\$ -</u>	<u>\$ (89,046)</u>	<u>\$ -</u>	<u>\$(82,446)</u>

The significant actuarial assumptions adopted in measuring the University's accrued benefit obligation and benefit cost are as follows:

	<u>2005</u>		<u>2004</u>	
	<u>Pension Benefit Plan</u>	<u>Other Benefits Plan</u>	<u>Pension Benefit Plan</u>	<u>Other Benefits Plan</u>
Accrued benefit obligation:				
Discount rate	6.5%	6.0%	7.0%	6.5%
Rate of compensation increase	4.5%	4.5%	5.0%	5.0%
Rate of inflation	2.5%	2.5%	3.5%	3.5%
Benefit cost:				
Discount rate	7.0%	6.5%	7.0%	6.75%
Expected long-term rate of return on plan assets	6.5%	-	7.0%	-
Rate of compensation increase	4.5%	4.5%	5.0%	5.0%
Rate of inflation	2.5%	2.5%	2.5%	3.5%

For measurement purposes, a 9.0% (2004 – 10%) annual rate of increase in the per capita cost of covered health care benefits was assumed for 2005. The rate of increase was assumed to decrease gradually to 5.0% in and after 2013 and remain at that level thereafter.

The plan assets consist of:

	<u>2005</u>	<u>2004</u>
Equity securities	23.0%	26.2%
Debt securities	53.6%	56.3%
Pooled funds	22.2%	16.4%
Cash and short-term investments	<u>1.2%</u>	<u>1.1%</u>
	<u>100.0%</u>	<u>100.0%</u>

The table below outlines the funding provided by the University and its employees and the benefits paid under the University's defined benefit plan:

	<u>2005</u>		<u>2004</u>	
	<u>Pension Benefit Plan</u>	<u>Other Benefits Plan</u>	<u>Pension Benefit Plan</u>	<u>Other Benefits Plan</u>
Employer contributions	13,916	2,203	9,219	2,050
Employee contributions	10,123	-	9,353	-
Benefits paid	23,264	2,203	21,646	2,050

15. Change in Non-Cash Working Capital

	<u>2005</u>	<u>2004</u>
(Increase) decrease in accounts receivable	\$ (3,262)	\$ (3,689)
(Increase) decrease in inventories	442	159
(Increase) decrease in prepaid expenses	(738)	1,190
Increase (decrease) in accounts payable	2,739	675
Increase (decrease) in unearned income	(113)	1,168
Increase (decrease) in deferred contributions	<u>29,322</u>	<u>26,085</u>
	<u>\$28,390</u>	<u>\$25,588</u>

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

UNIVERSITY OF WATERLOO
 SCHEDULE OF GENERAL OPERATING EXPENSES
 for the year ended April 30, 2005
 (with comparative figures for the year ended April 30, 2004)
 (thousands of dollars)

SCHEDULE 1
 Page 1

	Salaries				Employee Benefits	Supplies and Other Expenses	Equipment, Maintenance and Rentals	Travel	Scholarships and Bursaries	Cost Recoveries	Totals		
	Faculty	Teaching Assistants	Technicians	Staff							Total	2005	2004
ACADEMIC													
Applied Health Sciences:													
Dean's Office	\$ 363	19		737	1,119	191	192	57	56	144	(60)	1,699	1,742
Health Studies & Gerontology	1,054	250	21	135	1,460	239	102	22	20		(7)	1,836	1,652
Kinesiology	1,629	303	436	264	2,632	449	220	227	35		(10)	3,553	3,327
Recreation & Leisure Studies	1,279	197		127	1,603	261	56	20	8			1,948	1,793
Total - 2005	4,325	769	457	1,263	6,814	1,140	570	326	119	144	(77)	9,036	
Total - 2004	4,002	698	454	1,230	6,384	1,051	512	430	106	87	(56)		8,514
Arts:													
Accountancy	3,227	114		413	3,754	571	774	41	102	27	(5)	5,264	4,598
Anthropology	573			26	599	100	26	26	1			752	637
Classical Studies	571	1		31	603	99	17	2	3	1		725	740
Computing Office		40		429	469	81	34	18			(8)	594	632
Dean's Office	616	4		1,055	1,675	265	402	127	114	681	(34)	3,230	2,926
Drama and Speech Communication	703	29	75	105	912	158	104	28	12		(7)	1,207	1,081
Economics	2,290	203		113	2,606	405	121	15	6			3,153	2,845
English Language & Literature	1,683	335	12	115	2,145	334	75	5	16		(1)	2,574	2,434
Fine Arts	783	16	40	153	992	173	104	9	10			1,288	1,137
French Studies	959	66	150	73	1,248	195	52	8	33		(2)	1,534	1,574
Germanic and Slavic Studies	926	125		78	1,129	185	34	4	15			1,367	1,264
History	1,177	184		79	1,440	234	70		20		(23)	1,741	1,654
Language Laboratory		27		50	77	10	3	1	1			92	99
Philosophy	1,261	256		78	1,595	205	42	4	8			1,854	1,780
Political Science	1,272	94		77	1,443	236	29		12			1,720	1,549
Psychology	3,321	847	206	725	5,099	791	391	93	78		(21)	6,431	5,606
Religious Studies	70	24		17	111	16	5	2				134	55
Sociology	1,362	194		77	1,633	257	153	6	6		(8)	2,047	1,962
Spanish	449	2	24	18	493	79	12	6	3			593	549
Total - 2005	21,243	2,561	507	3,712	28,023	4,394	2,448	395	440	709	(109)	36,300	
Total - 2004	\$ 19,499	2,212	463	3,353	25,527	3,990	2,331	377	408	649	(160)		33,122

(continued)

UNIVERSITY OF WATERLOO
 SCHEDULE OF GENERAL OPERATING EXPENSES
 for the year ended April 30, 2005
 (with comparative figures for the year ended April 30, 2004)
 (thousands of dollars)

	Salaries					Employee Benefits	Supplies and Other Expenses	Equipment, Maintenance and Rentals	Travel	Scholarships and Bursaries	Cost Recoveries	Totals		
	Faculty	Teaching Assistants	Technicians	Staff	Total							2005	2004	
Engineering:														
Centre for Society, Technology & Values	\$ 61	14		27	102	13	7		3			125	126	
Chemical	2,425	317	418	247	3,407	542	249	82	50	1	(73)	4,258	3,924	
Civil	2,869	303	509	246	3,927	652	258	82	34		(28)	4,925	4,387	
Computer		58	552	52	662	110	164	43	1		(15)	965	990	
Dean's Office	331	79	69	1,250	1,729	221	1,522	242	360	1,647	(172)	5,549	3,312	
Electrical & Computer	6,360	1,227	1,183	591	9,361	1,501	459	123	157		(124)	11,477	10,220	
Environmental Engineering	8	7		10	25	3	9	3				40	55	
Geological	4			10	14	2	3		1			20	18	
Machine Shop			411	128	539	92	149	136	1		(124)	793	679	
Management Sciences	1,462	205	54	173	1,894	296	522	28	34	4	(24)	2,754	2,722	
Mechanical	4,012	574	711	434	5,731	943	737	528	143	5	(20)	8,067	6,002	
Systems Design	2,156	341	206	184	2,887	460	133	21	35		(18)	3,518	3,225	
Undergraduate Office	132	568		418	1,118	153	161	38	26			1,496	1,208	
Total - 2005	19,820	3,693	4,113	3,770	31,396	4,988	4,373	1,326	845	1,657	(598)	43,987		
Total - 2004	17,565	3,190	3,787	3,224	27,766	4,428	3,027	634	610	960	(557)		36,868	
Environmental Studies:														
Architecture	1,911	147	30	336	2,424	373	275	1	48		(6)	3,115	2,704	
Dean's Office	606	185		1,179	1,970	334	682	76	200	136	(22)	3,376	3,104	
Environment and Resource Studies	861	110		125	1,096	197	31	2	9			1,335	1,229	
Geography	1,819	259	59	200	2,337	381	84	19	52		(38)	2,835	2,743	
School of Planning	1,201	231	75	173	1,680	281	61	12	120			2,154	1,878	
Total - 2005	6,398	932	164	2,013	9,507	1,566	1,133	110	429	136	(66)	12,815		
Total - 2004	5,957	832	158	1,737	8,684	1,395	1,018	203	345	86	(73)		11,658	
Mathematics:														
Applied Mathematics	2,110	241		127	2,478	408	140	114	26		(2)	3,164	2,647	
Combinatorics and Optimization	2,463	248		196	2,907	432	122	23	79	7	(3)	3,567	3,206	
Computer Science	7,436	2,787	862	1,327	12,412	1,847	1,001	336	252	33	(146)	15,735	14,880	
Computing Facility	5	71	516	174	766	141	163	133	16		(90)	1,129	1,068	
Dean's Office	1,170	1,060	16	1,354	3,600	499	1,438	217	417	1,343	(4)	7,510	6,015	
Graduate Studies	8			56	64	13	7		13			97	120	
Pure Mathematics	2,067	172		127	2,366	377	119	24	91		(4)	2,973	2,853	
Statistics	3,382	693	32	230	4,337	695	161	39	46	88	(15)	5,351	4,746	
Total - 2005	18,641	5,272	1,426	3,591	28,930	4,412	3,151	886	940	1,471	(264)	39,526		
Total - 2004	\$ 16,735	5,049	1,151	3,199	26,134	3,965	2,687	1,304	614	1,124	(293)		35,535	

(continued)

UNIVERSITY OF WATERLOO
 SCHEDULE OF GENERAL OPERATING EXPENSES
 for the year ended April 30, 2005
 (with comparative figures for the year ended April 30, 2004)
 (thousands of dollars)

SCHEDULE 1
 Page 3

	Salaries					Employee Benefits	Supplies and Other Expenses	Equipment, Maintenance and Rentals	Travel	Scholarships and Bursaries	Cost Recoveries	Totals	
	Faculty	Teaching Assistants	Technicians	Staff	Total							2005	2004
Science:													
Biology	\$ 3,097	653	586	483	4,819	746	784	285	124	1	(104)	6,655	5,936
Chemistry	2,663	669	600	627	4,559	725	1,118	177	59		(700)	5,938	5,978
Dean's Office	234		162	503	899	138	570	221	164	313	(2)	2,303	1,648
Earth Sciences	1,861	356	138	345	2,700	459	380	75	155	21	(29)	3,761	3,435
Optometry - Clinic	1,406	14	281	544	2,245	341	1,100	21	28		(3)	3,732	3,510
- School	1,579	449	191	647	2,866	450	593	98	108		(47)	4,068	3,754
Physics	2,605	649	77	416	3,747	614	434	553	109	22	(45)	5,434	4,641
Technical Services			497	2	499	106	66	52	1		(233)	491	490
Total - 2005	13,445	2,790	2,532	3,567	22,334	3,579	5,045	1,482	748	357	(1,163)	32,382	
Total - 2004	12,452	2,614	2,367	3,238	20,671	3,356	4,531	1,137	644	277	(1,224)		29,392
Centre for Business, Entrepreneurship and Technology													
Total - 2005	87			223	310	38	231	9	19	23		630	
Total - 2004	47			199	246	23	239	45	10	23			586
Distance Education													
Total - 2005				1,492	1,492	307	636	14	6	1	(4)	2,452	
Total - 2004				1,756	1,756	346	706	22	17	1	(5)		2,843
English Language Proficiency													
Total - 2005			278		278	40	13	2				333	
Total - 2004			196		196	31	7	3					237
Independent Studies													
Total - 2005	24			31	55	5	14	3	4			81	
Total - 2004	\$ 38			17	55	6	15	2	1				79

(continued)

UNIVERSITY OF WATERLOO
 SCHEDULE OF GENERAL OPERATING EXPENSES
 for the year ended April 30, 2005
 (with comparative figures for the year ended April 30, 2004)
 (thousands of dollars)

	Salaries					Employee Benefits	Supplies and Other Expenses	Equipment, Maintenance and Rentals	Travel	Scholarships and Bursaries	Cost Recoveries	Total	
	Faculty	Teaching Assistants	Technicians	Staff	Total							2005	2004
Inter-University service teaching - net													
Total - 2005	\$						554					554	
Total - 2004							518						518
Survey Research Centre													
Total - 2005		3		7	10	1						11	
Total - 2004				18	18	2	2				(5)		17
Teaching Resource & Continuing Education													
Total - 2005	1	43		265	309	58	369	1	23		(7)	753	
Total - 2004	7	63		230	300	53	457	6	16		(9)		823
Waterloo Centre for the Advancement of Co-op Education													
Total - 2005	10			175	185	24	16	2	11			238	
Total - 2004	9			194	203	27	12		13				255
Women's Studies													
Total - 2005	54			41	95	14	3		1			113	
Total - 2004	47			39	86	10	3		1				100
Academic expenses													
Total - 2005	84,048	16,063	9,477	20,150	129,738	20,566	18,556	4,556	3,585	4,498	(2,288)	179,211	
Total - 2004	76,358	14,658	8,576	18,434	118,026	18,683	16,065	4,163	2,785	3,207	(2,382)		160,547
PHYSICAL PLANT													
Fire and liability insurance							1,466					1,466	979
Municipal taxes							1,733					1,733	1,644
Plant Operations				13,793	13,793	2,963	2,962	930	5		(4,841)	15,812	15,183
Security				1,267	1,267	217	214	25	5		(147)	1,581	1,315
Leased/Rental Properties				4	4		199					203	190
Utilities							10,208				(1,611)	8,597	7,395
Total - 2005				15,064	15,064	3,180	16,782	955	10		(6,599)	29,392	
Total - 2004	\$			14,325	14,325	2,914	14,768	887	12		(6,200)		26,706

(continued)

UNIVERSITY OF WATERLOO
 SCHEDULE OF GENERAL OPERATING EXPENSES
 for the year ended April 30, 2005
 (with comparative figures for the year ended April 30, 2004)
 (thousands of dollars)

	Salaries					Employee Benefits	Supplies and Other Expenses	Equipment, Maintenance and Rentals	Travel	Scholarships and Bursaries	Cost Recoveries	Totals	
	Faculty	Teaching Assistants	Technicians	Staff	Total							2005	2004
ACADEMIC SUPPORT													
Associate Provost-Academic & Student Affairs	\$	3		248	251	39	203	9	19			521	555
Associate Provost-Human Resources & Student Services				716	716	117	290	22	43		(1)	1,187	1,024
Associate Vice-President, Academic	100			154	254	21	158		79			512	480
Associate Vice-President, Learning Resource & Innovation	52	107		184	343	38	88	27	40			536	214
Athletics & Recreational Services				1,836	1,836	303	868	43	409		(24)	3,435	3,456
Audio Visual Centre				724	724	147	229	203	2		(61)	1,244	1,363
Business Operations				458	458	52	60		8		(194)	384	212
Central Stores				1,087	1,087	231	279	88	5		(84)	1,606	1,846
Communications & Public Affairs				718	718	138	557	3	12		(40)	1,388	1,288
Co-op Education & Career Services		182		5,510	5,692	1,061	634	23	426		(1)	7,835	8,140
Corporate				611	611		2,329	642	70	176		3,828	2,836
Counselling Services				848	848	162	60	8	4			1,082	988
Development & Alumni Affairs				3,155	3,155	580	1,395	10	138		(20)	5,258	5,038
Finance				1,722	1,722	344	156	11	6		(2)	2,237	2,064
Graduate Studies	50			875	925	175	204	4	94	6,806	(3)	8,205	6,884
Health Services				992	992	191	180	5	2		(2)	1,368	1,316
Human Resources				1,492	1,492	301	144	1	15		(10)	1,943	1,775
Information Systems & Technology				7,072	7,072	1,314	3,432	1,482	124		(774)	12,650	12,031
Institutional Analysis & Planning				469	469	97	58		9			633	513
Learning & Teaching through Technology	102		37	541	680	117	51	67	61		(1)	975	864
Library - operations				6,621	6,621	1,311	624	112	58			8,726	9,107
- acquisitions							7,088					7,088	7,434
Office of Research	29	10		2,092	2,131	399	268	10	78		(263)	2,623	2,562
President's Office				497	497	64	33	2	45			641	532
Procurement Services				428	428	92	53	9	4			586	737
Registrar				4,557	4,557	790	751	116	72	7,117		13,403	10,860
Retirement/employee future benefits						8,051						8,051	5,014
Safety				298	298	59	162	7	2			528	469
Secretariat				556	556	104	307		4			971	790
Student Life Centre				222	222	28	621	8			(46)	833	768
Theatre Centre				170	170	25	79	24	3		(15)	286	200
VP Academic & Provost				593	593	75	340	19	49	6		1,082	812
VP Administration & Finance				296	296	50	16	2	3		(1)	366	356
VP University Relations				237	237	26	46	2	27			338	297
Cost Recovery											(4,076)	(4,076)	(3,776)
Total - 2005	333	302	37	45,979	46,651	16,502	21,763	2,959	1,911	14,105	(5,618)	98,273	
Total - 2004	332	314	45	43,279	43,970	12,903	22,401	3,230	1,828	10,383	(5,666)		89,049
Total expenses 2005	84,381	16,365	9,514	81,193	191,453	40,248	57,101	8,470	5,506	18,603	(14,505)	306,876	
Total expenses 2004	\$ 76,690	14,972	8,621	76,038	176,321	34,500	53,234	8,280	4,625	13,590	(14,248)		276,302

UNIVERSITY OF WATERLOO
 SCHEDULE OF ANCILLARY ENTERPRISES INCOME AND EXPENSES
 for the year ended April 30, 2005
 (with comparative figures for the year ended April 30, 2004)
 (thousands of dollars)

SCHEDULE 2

	Retail Services	Food Services	Graphic Services	Residences	Parking	Watcard	Totals	
							2005	2004
Income:								
Sales, services and other income	\$ 16,378	13,580	7,193	23,986	2,213	589	63,939	59,721
Expenses and other deductions:								
Salaries	1,461	4,854	2,070	4,561	526	211	13,683	13,422
Employee benefits	278	932	413	920	97	37	2,677	2,609
Cost of goods sold	12,889	4,899	2,340				20,128	20,087
Supplies and expenses	1,147	1,824	1,172	10,389	1,215	92	15,839	12,758
Renovations	1	482	69	1,858	11		2,421	1,298
Travel	35	63	4	232	4	13	351	158
Equipment, maintenance and rentals	28	481	1,420	508	207	145	2,789	2,381
Utilities	70	112	61	2,732	5		2,980	2,856
	<u>15,909</u>	<u>13,647</u>	<u>7,549</u>	<u>21,200</u>	<u>2,065</u>	<u>498</u>	<u>60,868</u>	<u>55,569</u>
EXCESS INCOME OVER EXPENSES	469	(67)	(356)	2,786	148	91	3,071	4,152
Interfund transfers	<u>2</u>	<u>2</u>	<u>11</u>	<u>(896)</u>	<u>1</u>	<u>2</u>	<u>(878)</u>	<u>(1,239)</u>
NET INCREASE (DECREASE)	471	(65)	(345)	1,890	149	93	2,193	2,913
NET ASSETS BEGINNING OF YEAR	<u>553</u>	<u>(2,372)</u>	<u>(2,319)</u>	<u>(157)</u>	<u>(128)</u>	<u>90</u>	<u>(4,333)</u>	<u>(7,246)</u>
NET ASSETS END OF YEAR	<u>1,024</u>	<u>(2,437)</u>	<u>(2,664)</u>	<u>1,733</u>	<u>21</u>	<u>183</u>	<u>(2,140)</u>	<u>(4,333)</u>
NET ASSETS: ACCUMULATED SURPLUS(DEFICIT) FROM OPERATIONS	1,024	289	(2,206)	1,733	677	183	1,700	(184)
DEFICIT DUE TO MAJOR CAPITAL ASSET ACQUISITIONS/RENOVATIONS		<u>(2,726)</u>	<u>(458)</u>		<u>(656)</u>		<u>(3,840)</u>	<u>(4,149)</u>
NET ASSETS END OF YEAR	\$ <u>1,024</u>	<u>(2,437)</u>	<u>(2,664)</u>	<u>1,733</u>	<u>21</u>	<u>183</u>	<u>(2,140)</u>	<u>(4,333)</u>