UNIVERSITY OF WATERLOO

FINANCIAL STATEMENTS

APRIL 30, 2011

I N D E X

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, 2011 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, 2011 have been audited by Ernst & Young LLP. The independent auditors' report outlines the scope of their audit and their opinion on the presentation of the information included in the financial statements.

INDEPENDENT AUDITORS' REPORT

To the Board of Governors of the
University of Waterloo

We have audited the accompanying financial statements of the **University of Waterloo**, which comprise the balance sheet as at April 30, 2011 and the statements of operations, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the University as at April 30, 2011 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Ernst & Young LLP

Chartered Accountants
Licensed Public Accountants

Kitchener, Canada,
August 11, 2011.

UNIVERSITY OF WATERLOO — STATEMENT 1

BALANCE SHEET

as at April 30, 2011

(with comparative figures as at April 30, 2010)

(thousands of dollars)

	2011	2010
ASSETS		
Current		
Cash and cash equivalents	$ 273,237	$ 268,429
Short-term investments (note 3)	14,463	58,572
Accounts receivable	26,734	25,313
Inventories	3,977	3,037
Prepaid expenses	3,920	3,781
Total current assets	322,331	359,132
Long-term investments (note 3)	473,773	384,695
Capital assets, net (note 4)	645,030	540,653
	1,441,134	1,284,480
LIABILITIES AND NET ASSETS		
Current		
Accounts payable and accrued liabilities	75,894	77,793
Unearned income	52,691	44,070
Current portion of long-term debt (note 5)	1,447	1,361
Total current liabilities	130,032	123,224
Employee future benefits (note 12)	137,165	126,546
Long-term debt (note 5)	28,080	29,527
Deferred contributions (note 6)	243,681	275,557
Deferred capital contributions (note 7)	377,488	292,670
	621,169	568,227
Total liabilities	916,446	847,524
NET ASSETS		
Deficit (note 8)	(134,335)	(130,451)
Internally restricted (note 9)	411,765	340,611
Restricted for endowment (note 10)	247,258	226,796
	524,688	436,956
	$ 1,441,134	$ 1,284,480

(See accompanying notes to the financial statements)

On behalf of the Board of Governors:

Bob Harding
Chair

Feridun Hamdullahpur
President

UNIVERSITY OF WATERLOO

STATEMENT 2

STATEMENT OF OPERATIONS
for the year ended April 30, 2011
(with comparative figures for the year ended April 30, 2010)
(thousands of dollars)

	2011	2010
INCOME		
Academic fees	$ 252,022	$ 224,561
Donations	9,019	9,352
Grants and contracts	367,707	347,813
Sales, services and other income	115,217	116,517
Income from investments (note 3)	17,730	18,990
Amortization of deferred capital contributions (note 7)	19,167	17,465
	780,862	734,698
EXPENSES		
Salaries	345,220	331,871
Employee benefits	74,148	64,203
Cost of goods sold	20,857	21,363
Supplies and other (note 5)	88,867	80,615
Travel	19,336	16,451
Major repairs and renovations	11,886	13,213
Expendable equipment, maintenance and rentals	16,397	15,846
Scholarships and bursaries	88,423	81,030
Municipal taxes and utilities	18,236	15,564
Amortization of capital assets	29,433	28,212
	712,803	668,368
Excess income over expenses for the year	$ 68,059	$ 66,330

(See accompanying notes to the financial statements)

UNIVERSITY OF WATERLOO — STATEMENT 3

STATEMENT OF CHANGES IN NET ASSETS

for the year ended April 30, 2011

(with comparative figures for the year ended April 30, 2010)

(thousands of dollars)

	Deficit	Internally Restricted	Restricted for Endowment	2011 Total	2010 Total
Net assets, beginning of year	$(130,451)	$340,611	$226,796	$436,956	$341,712
Excess income over expenses for the year	68,059			68,059	66,330
Change in net assets internally restricted (note 9)	(71,154)	71,154			
Change in fair value of interest rate swap (note 3)	(340)			(340)	1,915
Change in unrealized loss on investments held for donor endowments (note 10)			10,293	10,293	16,335
Land purchased with restricted funds (note 7)	10			10	
Internally endowed amounts (note 10)	(459)		459		
Endowment contributions (note 10)			9,710	9,710	10,664
Net assets, end of year	$(134,335)	$411,765	$247,258	$524,688	$436,956

(See accompanying notes to the financial statements)

UNIVERSITY OF WATERLOO

STATEMENT 4

STATEMENT OF CASH FLOWS
for the year ended April 30, 2011
(with comparative figures for the year ended April 30, 2010)
(thousands of dollars)

	2011	2010
OPERATING ACTIVITIES		
Excess income over expenses for the year	$ 68,059	$ 66,330
Add (deduct) non-cash items:		
Decrease in unrealized loss on internally endowed investments (note 10)	(3,059)	(4,612)
Increase in unrealized gain on unrestricted investments	(3,592)	(1,560)
Amortization of capital assets	29,433	28,212
Amortization of deferred capital contributions (note 7)	(19,167)	(17,465)
Net change in employee future benefits (note 12)	10,619	6,826
Net change in non-cash balances (note 13)	(28,894)	33,274
Cash provided by operating activities	53,399	111,005
FINANCING ACTIVITIES		
Repayment of long-term debt (note 5)	(1,361)	(1,280)
Contributions spent on capital assets (note 7)	103,995	74,689
Cash provided by financing activities	102,634	73,409
INVESTING ACTIVITIES		
Net purchases of capital assets	(133,811)	(151,802)
Net purchases of investments (note 3)	(27,124)	(25,217)
Endowment contributions (note 10)	9,710	10,664
Cash used in investing activities	(151,225)	(166,355)
Net change in cash and cash equivalents during the year	4,808	18,059
Cash and cash equivalents, beginning of year	268,429	250,370
Cash and cash equivalents, end of year	$ 273,237	$ 268,429

(See accompanying notes to the financial statements)

1. Description

The University of Waterloo (the “university”) 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 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, Retail Services and WatCard.

2. Summary of Significant Accounting Policies

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles applied within the framework of the significant accounting policies summarized below:

(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 purchased with restricted funds are recognized as direct increases in net assets in the period in which they are received/purchased.

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

Sales, services and other income is recognized at point of sale or when service has been provided.

(b) Cash and cash equivalents

Investments included in cash and cash equivalents consist of deposit receipts ($1,130; 2010 - $242) and the remainder represents cash. These instruments are carried at cost plus accrued interest, which approximates fair value.

(c) Inventories

Inventories are valued at the lower of cost and net realizable value. Cost of inventory is the weighted-average purchase cost and net realizable value is the estimated selling price in the ordinary course of business. Items that are written down to net realizable value are adjusted back up to cost if there is a subsequent increase in the net realizable value. There have been no write-downs of inventory or reversals of previous write-downs during the year.

(d) Investments and investment income (loss)

All investments have been classified as held for trading and are recorded at fair value. Publicly traded securities are valued based on the latest bid prices and pooled funds are valued based on reported unit values. Short-term investments (maturity is less than one year from balance sheet date) are valued at cost plus accrued interest, which approximates fair value. Transactions are recorded on a trade date basis and transaction costs are expensed as incurred. Investment income (loss), which consists of interest, dividends and realized and unrealized gains and losses, is recorded as "Income (loss) from investments" in the Statement of Operations, except for investment income (loss) deferred or recorded directly in endowment net assets.

(e) Capital assets

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value on 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

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.

Works of art are recorded at cost and not amortized.

(f) 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. This method involves the use of the market interest rate at the measurement date on high-quality corporate debt instruments as the discount rate and management's best estimates regarding assumptions about retirement age, termination rates, mortality rates and expected health care costs. The expected long-term return on pension benefit plan assets is calculated using market-related asset values. Past service costs associated with plan amendments are amortized on a straight-line basis over the average remaining service life of the active employees. The minimum amortization of a net actuarial gain or loss is determined using the corridor method, whereby the amount in excess of 10% of the greater of the fair value of plan assets and the accrued benefit obligation is amortized over the average remaining service life of employees. A valuation allowance is recorded against an accrued benefit asset for any excess over the expected future benefit to the university.

(g) 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 knowledge of current events and actions that the university may undertake in the future. Significant areas requiring the use of management estimates relate to the assumptions used in the valuation of pension and other post employment retirement benefit obligations. Actual results could differ from those estimates.

(h) Derivative financial instruments

The university is subject to interest rate cash flow risk with respect to its floating rate debt. The university has addressed this risk by entering into an interest rate swap agreement that fixes the interest rate over the term of the debt. 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.

The interest rate swap is measured at fair value at the year end date and included on the Balance Sheet. The fair value of derivative financial instruments reflects the daily quoted market amount of those instruments. Investment dealer quotes or quotes from a bank are available for the university's derivative financial instruments. The gain or loss is recorded as a direct change in net assets.

(i) Long-term debt

Long-term debt is initially recorded at fair value and subsequently measured at amortized cost using the effective interest rate method.

(j) Capital management

In managing capital, the university focuses on liquid resources available for operations. The university's objective is to have sufficient liquid resources to continue operating even if adverse financial events were to occur and to provide it with the flexibility to take advantage of opportunities that will advance its mission. The need for sufficient liquid resources is considered in the preparation of its annual operating and capital budgets and in the monitoring of cash flows and actual operating results compared to the budget. The university would enter into long-term debt to assist with the financing of capital assets when other sources are not available. As at April 30, 2011, the university has met its objective of having sufficient liquid resources to meet its current obligations.

(k) Financial instruments

The university has chosen to apply CICA 3861 - Financial Instruments - Disclosure and Presentation in place of CICA 3862 - Financial Instruments - Disclosures and CICA 3863 - Financial Instruments - Presentation.

(l) Future accounting policy changes

The Accounting Standards Board of the CICA issued Part III of the CICA Handbook that sets out the accounting standards for not-for-profit organizations that are effective for fiscal years beginning on or after January 1, 2012, with an option to early-adopt. The University is currently evaluating the impact of these standards.

3. Investments

The university is subject to market risk, foreign currency risk and interest rate price risk with respect to its investment portfolio. To manage these risks, the university has established a target mix of investment types designed to achieve the optimal return within reasonable risk tolerances.

(a) Total investments consist of the following components:

	2011		2010	
	Fair Value	Cost	Fair Value	Cost
Short-term bonds and guaranteed investment certificates	$ 14,463	$ 14,192	$ 58,572	$ 57,965
Long-term investments:				
Deposits, guaranteed investment certificates and treasury bills	49,159	48,541	19,866	19,631
Bonds				
Government	70,860	71,534	55,205	54,792
Corporate	91,956	90,147	53,456	52,871
Pooled	127,292	123,989	118,176	115,940
	290,108	285,670	226,837	223,603
Equity investments				
Canadian	75,067	65,907	75,000	73,605
US	26,600	29,986	27,218	34,163
Other international	37,135	52,635	39,730	60,840
	138,802	148,528	141,948	168,608
Interest rate swap (note 8)	(4,296)	-	(3,956)	-
Total long-term investments	473,773	482,739	384,695	411,842
Total investments	$488,236	$496,931	$443,267	$469,807

All corporate bonds are rated A or better (2010 - A or better) by recognized rating services.

The university has entered into an interest rate swap contract to manage the cash flow risk associated with a long-term debt obligation (note 5). The contract has the effect of converting the floating rate of interest to a fixed rate of 6.045% (2010 - 6.045%) on $22,003 (2010 - $22,760) of debt obligation that is exchanged with 60-90 day investment vehicles. The notional amount of the derivative financial instrument does not represent amounts exchanged between parties and is not a measure of the university's exposure resulting from the use of a financial instrument contract. The amounts exchanged are based on the applicable rates applied to the notional amount.

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

(b) Investment income recorded in the Statement of Operations is calculated as follows:

	2011	2010
Investment income earned from unrestricted and internally endowed resources	$ 8,581	$ 7,722
Change in unrealized losses from unrestricted and internally endowed resources	6,651	6,171
Restricted investment income (note 6)	2,498	5,097
Total investment income recognized in the year	$17,730	$18,990

4. Capital Assets

Capital assets consist of the following:

	2011		2010	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Land	$ 7,798	$ -	$ 7,775	$ -
Buildings (note 5)	719,725	177,653	610,739	168,769
Parking lots/roadways	6,108	2,583	4,159	2,397
Furniture and equipment	223,632	141,597	203,590	124,764
Library acquisitions	43,248	36,688	41,619	34,204
Works of art	3,040	-	2,905	-
	1,003,551	$358,521	870,787	$330,134
Less accumulated amortization	(358,521)		(330,134)	
Net book value	$ 645,030		$540,653	

Included in the cost of buildings is $284,479 (2010 - $210,012) of construction in progress that is currently not being amortized. Included in the cost of parking lots/roadways is $2,530 (2010 - $998) of construction in progress that is currently not being amortized.

5. Long-Term Debt

(a) Long-term debt obligations are summarized as follows:

	2011		2010	
	Book Value	Fair Value	Book Value	Fair Value
Ontario Housing Corporation: Lease agreements payable with interest rates ranging from 6.875% to 7.125% and maturities between December 1, 2020 and June 1, 2021	$ 5,756	$ 6,889	$ 6,128	$ 7,259
Canada Mortgage and Housing Corporation: Mortgages payable with interest rates ranging from 5.375% to 6.25% and maturities between July 1, 2016 and February 1, 2019	1,768	1,920	2,000	2,159

Canadian Imperial Bank of Commerce: Term instalment loan, non-revolving and committed to October 1, 2012 with a floating interest rate which is fixed at 6.045% through an interest rate swap with a term expiring on October 1, 2012 (note 3)	22,003	22,589	22,760	23,923
	29,527	$31,398	30,888	$ 33,341
Less current portion	(1,447)		(1,361)	
Long-term debt	$ 28,080		$ 29,527	

Future scheduled annual debt principal repayments are as follows:

2012	1,447
2013	1,538
2014	1,635
2015	1,739
2016	1,848
2017 and beyond	21,320
	$29,527

The total interest expense on long-term debt recognized in "Supplies and other" and the amount paid for the year ended April 30, 2011 was $1,956 and $1,883 respectively (2010 - $1,991 and $1,964).

Various residence buildings included in capital assets are pledged as collateral for debt (note 4).

(b) Fair value

The fair values of debt instruments are estimated using a discounted cash flow calculation that uses approximate market interest rates at April 30, 2011 for debt instruments with similar characteristics.

6. Deferred Contributions

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

	2011	2010
Balance, beginning of year	$275,557	$267,171
Contributions received during the year	214,168	211,464
Contributions recognized as income during the year	(135,173)	(128,783)
Transfer of prior year contributions to other institutions	(8,271)	-
Investment income made available for spending (note 10)	3,893	5,491
Investment income spent during the year (note 3)	(2,498)	(5,097)
Contributions spent on capital assets during the year (note 7)	(103,995)	(74,689)
Balance, end of year	$243,681	$275,557

7. Deferred Capital Contributions

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

	2011	2010
Balance, beginning of year	$292,670	$235,446
Amortization of deferred capital contributions	(19,167)	(17,465)
Contributions spent on capital assets during the year (note 6)	103,995	74,689
Land purchased with restricted funds	(10)	-
Balance, end of year	$377,488	$292,670

8. Deficit

	2011	2010
Operational surplus	$ 10,118	$ 6,355
Unrealized gain on unrestricted investments	6,039	2,447
Fair value of interest rate swap (note 3)	(4,296)	(3,956)
Land purchased with restricted funds	717	707
Provision for vacation pay	(9,748)	(9,458)
Employee future benefits (note 12)	(137,165)	(126,546)
	$(134,335)	$(130,451)

9. Net Assets Internally Restricted

	2011	2010
Academic and academic support department carryforwards and operational commitments	$197,423	$157,766
Ancillary enterprises	21,378	10,722
Unspent realized income on internally endowed investments	944	79
Unrealized loss on internally endowed investments (note 10)	(2,411)	(5,470)
Bridge financing for housing and other construction projects	(50,890)	(47,174)
Net assets invested in capital assets	245,321	224,688
	$411,765	$340,611

The university appropriates funds at year end to cover outstanding operational commitments.

10. Net Assets Restricted for Endowment

Contributions restricted for endowment consist of restricted donations received by the university and donations internally designated by the Board of Governors. 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 by limiting the amount made available for spending and reinvesting any income not made available for spending in a particular year.

Net assets restricted for endowment consist of the following:

	2011	2010
Donor endowed (cost)	$200,681	$190,971
Internally endowed (cost)	55,323	54,864
Unrealized loss on investments held for donor endowments	(8,746)	(19,039)
	$247,258	$226,796

The decrease in the unrealized loss on investments held for donor endowments of $10,293 (2010 - $16,335) increased net assets restricted for endowment. Of the $3,893 (2010 - $5,491) of realized income, $2,498 (2010 - $5,097) was spent and recognized as investment income and $1,395 (2010 - $394) was unspent and deferred. The change in the unrealized loss on internally endowed investments of $3,059 (2010 - $4,612) was recognized as investment income and increased internally restricted net assets. Realized income of $1,143 (2010 - $1,652) was recognized as investment income.

11. 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 other 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, 2010, CURIE had a surplus of $43,288 (2009 - $32,032), of which the university's pro rata share is approximately 3.7% (2009 - 3.7%) on an ongoing basis.

(b) Contractual obligations

The university has entered into a long-term land lease and operating agreement with Ivest Properties Limited and London Property Corp. for the construction and rental of student housing. The university has a commitment to rent units in the townhouse complex with an option to terminate. The university is committed until at least September 1, 2013. Based on the number of units available for rent as at April 30, the following are the annual lease payments committed:

2012 - $ 2,427   2013 - $ 2,481   2014 - $833

(c) In the normal course of operations, the university is involved on an ongoing basis in legal actions. In management's opinion, the resolution of such actions is not expected to have a material adverse effect on the financial condition of the university.

12. Employee Future Benefits

The university has a defined benefit pension plan that provides pension benefits to eligible employees. This 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%.

The university also has a benefit plan that provides other retirement benefits, including extended health care and life insurance and one that provides for long-term disability income benefits after employment, but before retirement.

The latest actuarial valuation for the registered pension plan was performed as at January 1, 2010. The next required actuarial valuation for the registered pension plan is January 1, 2013. The university performs annual actuarial valuations for accounting purposes for the registered pension plan and other benefit plans. 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 $29,376 (2010 - $22,456) and other benefit plan expenses of $12,760 (2010 - $10,118).

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

	2011		2010	
	Pension Benefit Plan	Other Benefit Plans	Pension Benefit Plan	Other Benefit Plans
Fair value of plan assets	$ 980,011	$ -	$ 900,183	$ -
Accrued benefit obligation	1,143,552	148,178	1,036,208	132,477
Plan deficit	(163,541)	(148,178)	(136,025)	(132,477)
Unamortized past service cost	-	(4,972)	-	(5,423)
Unamortized net actuarial loss	162,166	17,360	136,018	11,354
Accrued liability	$ (1,375)	$(135,790)	$ (7)	$(126,546)

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

	2011		2010	
	Pension Benefit Plan	Other Benefit Plans	Pension Benefit Plan	Other Benefit Plans
Accrued benefit obligation:				
Discount rate	5.50%	4.40-5.80%	5.80%	4.75-6.00%
Rate of compensation increase	4.25%	4.25%	4.10%	4.10%
Rate of inflation	2.25%	2.25%	2.10%	2.10%

	2011		2010	
	Pension Benefit Plan	Other Benefit Plans	Pension Benefit Plan	Other Benefit Plans
Benefit cost:				
Discount rate	5.80%	4.75-6.00%	7.75%	7.75%
Expected long-term rate of return on fair value of plan assets	6.50%	-	6.65%	-
Rate of compensation increase	4.10%	4.10%	4.25%	4.25%
Rate of inflation	2.10%	2.10%	2.25%	2.25%

For measurement purposes, a 7.5% annual rate of increase in the per capita cost of covered health care benefits was assumed for 2011. The rate of increase was assumed to decrease gradually to 5.0% in 2016 and remain at that level thereafter.

The pension plan assets consist of:

	2011	2010
Equity securities	40.9%	43.5%
Debt securities	58.2%	55.4%
Cash and short-term investments	0.9%	1.1%
	100.0%	100.0%

The table below outlines the funding provided by the university and its employees and the benefits paid under the university's benefit plans:

	2011		2010	
	Pension Benefit Plan	Other Benefit Plans	Pension Benefit Plan	Other Benefit Plans
Employer contributions	$28,008	$3,407	$22,497	$3,381
Employee contributions	19,307	-	18,758	-
Benefits paid	36,486	3,407	33,318	3,381

13. Net Change in Non-Cash Balances

	2011	2010
Accounts receivable	$ (1,421)	$ 2,251
Inventories	(940)	7
Prepaid expenses	(139)	(383)
Accounts payable and accrued liabilities	(1,899)	20,168
Unearned income	8,621	6,147
Deferred cash contributions	(33,116)	5,084
	$(28,894)	$ 33,274

14. Comparative Financial Statements

The comparative financial statements have been reclassified from statements previously presented to conform to the presentation of the 2011 financial statements.