FINANCIAL STATEMENTS

APRIL 30, 2018

UNIVERSITY OF WATERLOO

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I N D E X

STATEMENT OF MANAGEMENT RESPONSIBILITY

Management of the University of Waterloo (the "University") 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 Canadian accounting standards for not-for-profit organizations developed by the Chartered Professional Accountants of Canada. Management believes the financial statements present fairly the University's financial position as at April 30, 2018 and the results of its operations and its cash flows 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 (the "Board") 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 & Risk Committee (the "Committee").

The 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' report. 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, 2018 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, 2018, 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 accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on 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 of Waterloo** as at April 30, 2018, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Ernst & Young LLP

Chartered Professional Accountants
Licensed Public Accountants

Kitchener, Canada
August 3, 2018

STATEMENT 1

UNIVERSITY OF WATERLOO
BALANCE SHEET
as at April 30, 2018
(with comparative figures as at April 30, 2017)
(thousands of dollars)

	2018	2017
ASSETS		
Current		
Cash and cash equivalents	$ 258,959	$ 229,684
Short-term investments (note 3)	173,432	207,374
Accounts receivable	44,485	62,913
Inventories	2,714	3,007
Prepaid expenses	12,917	6,456
Total current assets	492,507	509,434
Long-term investments (note 3)	620,805	572,476
Capital assets, net (note 4)	900,838	876,315
	2,014,150	1,958,225
LIABILITIES AND NET ASSETS		
Current		
Accounts payable and accrued liabilities (note 5)	76,107	87,578
Unearned revenue	99,340	88,723
Current portion of long-term debt (note 6)	10,495	16,694
Deferred contributions (note 7)	260,809	245,067
Total current liabilities	446,751	438,062
Employee future benefits (note 8)	203,674	222,802
Long-term debt (note 6)	498	10,993
Deferred capital contributions (note 9)	449,103	447,945
Total liabilities	1,100,026	1,119,802
NET ASSETS		
Unrestricted surplus (note 10)	15,409	19,628
Internally restricted (note 11)	523,585	450,900
Endowments (note 12)	375,130	367,895
	914,124	838,423
	$ 2,014,150	$ 1,958,225

Commitments and contingencies (note 13)

(See accompanying notes to the financial statements)

On behalf of the Board of Governors:

Cindy Forbes
Chair

Feridun Hamdullahpur
President

UNIVERSITY OF WATERLOO

STATEMENT 2

STATEMENT OF OPERATIONS
for the year ended April 30, 2018
(with comparative figures for the year ended April 30, 2017)
(thousands of dollars)

	2018	2017
REVENUE		
Academic fees	$ 474,957	$ 431,764
Donations	12,390	10,979
Grants and contracts	416,455	402,970
Sales, services and other revenue	136,262	123,218
Investment income (note 3)	19,505	38,686
Amortization of deferred capital contributions (note 9)	28,843	37,500
	1,088,412	1,045,117
EXPENSES		
Salaries	515,682	487,465
Employee benefits (note 8)	102,458	99,074
Cost of goods sold	18,825	18,402
Supplies and other (note 6)	129,842	117,235
Travel	23,865	22,299
Minor repairs and renovations	19,695	21,621
Equipment, maintenance and rentals	34,030	23,239
Scholarships and bursaries	121,245	105,773
Municipal taxes and utilities	22,233	27,151
Amortization of capital assets	46,541	66,661
	1,034,416	988,920
Excess of revenue over expenses for the year	$ 53,996	$ 56,197

(See accompanying notes to the financial statements)

UNIVERSITY OF WATERLOO

STATEMENT 3

STATEMENT OF CHANGES IN NET ASSETS
for the year ended April 30, 2018
(with comparative figures for the year ended April 30, 2017)
(thousands of dollars)

	Unrestricted Surplus	Internally Restricted	Endowments	2018 Total	2017 Total
Net assets, beginning of year	$ 19,628	$ 450,900	$ 367,895	$ 838,423	$ 701,961
Excess of revenue over expenses for the year	53,996	—	—	53,996	56,197
Change in net assets internally restricted (note 11)	(72,685)	72,685	—	—	—
Change in unrealized gain on investments held for donor endowments (note 12)	—	—	(3,297)	(3,297)	12,856
Employee future benefit remeasurement costs (note 8)	20,319	—	—	20,319	58,426
Internally endowed contributions (note 12)	(5,849)	—	5,849	—	—
Endowment contributions (note 12)	—	—	4,683	4,683	8,983
Net assets, end of year	$ 15,409	$ 523,585	$ 375,130	$ 914,124	$ 838,423

(See accompanying notes to the financial statements)

UNIVERSITY OF WATERLOO

STATEMENT 4

STATEMENT OF CASH FLOWS

for the year ended April 30, 2018

(with comparative figures for the year ended April 30, 2017)

(thousands of dollars)

	2018	2017
OPERATING ACTIVITIES		
Excess of revenue over expenses for the year	$ 53,996	$ 56,197
Add (deduct) non-cash items:		
Change in unrealized gain on internally endowed investments (note 12)	1,049	(5,434)
Change in unrealized gain on unrestricted investments (note 3)	6,855	(2,839)
Amortization of capital assets	46,541	66,661
Amortization of deferred capital contributions	(28,843)	(37,500)
Employee future benefits expense (note 8)	59,484	57,144
Employee future benefits contributions	(58,291)	(54,712)
Net change in non-cash balances (note 15)	16,185	(1,605)
Cash provided by operating activities	96,976	77,912
FINANCING ACTIVITIES		
Repayment of long-term debt	(16,694)	(11,797)
Contributions for capital assets	30,001	55,065
Endowment contributions	4,683	8,983
Cash provided by financing activities	17,990	52,251
INVESTING ACTIVITIES		
Purchases of capital assets	(58,268)	(83,429)
Net purchases of investments	(27,423)	(57,748)
Cash used in investing activities	(85,691)	(141,177)
Net change in cash and cash equivalents during the year	29,275	(11,014)
Cash and cash equivalents, beginning of year	229,684	240,698
Cash and cash equivalents, end of year	$ 258,959	$ 229,684

(See accompanying notes to the financial statements)

1. Description

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 that 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, as such, is exempt from income taxes.

These financial statements reflect the assets, liabilities, net assets, revenue and expenses of all of the operations of the University. Included are the academic, administrative and other operating expenses funded by academic fees, grants and other general revenue; restricted purpose funds including endowment funds; and the ancillary enterprises, including Housing & Residences, Food Services, Parking, Print and Retail Solutions and WatCard.

2. Summary of Significant Accounting Policies

These financial statements have been prepared in accordance with Part III of the *CPA Canada Handbook – Accounting*, which sets out generally accepted accounting principles for not-for-profit organizations in Canada and includes the following significant accounting policies:

(a) Cash and cash equivalents

Cash and cash equivalents consist of balances with banks and investments in highly liquid investments, with a maturity of approximately three months or less at the date of purchase, that are readily convertible to known amounts of cash and that are subject to an insignificant risk of change in value, unless they are held for investment rather than liquidity purposes, in which case they are classified as investments. These instruments are carried at cost plus accrued interest.

(b) Investments and investment income

All investments are recorded at fair value. Fair value is the amount of consideration that would be agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act. Publicly traded securities are valued based on the latest closing prices, and pooled funds are valued based on reported unit values. 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 (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.

(c) Derivative financial instruments

The University uses forward contracts to economically hedge the impacts of foreign currency changes for investments denominated in foreign currencies and interest rate swaps to mitigate the effect of changes in interest rates on variable-rate debt. Forward contracts used to hedge investment transactions are recorded at fair value and included in investments on the balance sheet. The change in fair value of the derivatives is reflected in investment income.

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 University follows hedge accounting for its interest rate swap, which results in the interest expense related to certain long-term debt being 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. Interest rate swaps in qualifying hedging relationships are not recognized until their maturity.

(d) Other financial instruments

Other financial instruments, including accounts receivable and accounts payable and accrued liabilities, are initially recorded at their fair value and continue to be carried at this value, which represents cost, net of any provisions for impairment.

(e) 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.

(f) 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 their estimated useful lives as follows:

Buildings	40 years
Parking lots/roadways	15 years
Furniture and equipment	3–10 years

Purchases of library acquisitions and works of art are expensed as incurred.

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

(g) Revenue recognition

The University follows the deferral method of accounting for contributions, which include donations and grants. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Endowment contributions and restricted contributions used to purchase land are recognized as direct increases in net assets in the period in which the contributions are received or when the land is purchased.

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

Sales, services and other revenue are recognized at point of sale or when these services have been provided.

(h) Long-term debt

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

(i) 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 University accounts for these plans using the immediate recognition approach. Under this approach, the University recognizes the accrued benefit obligation, net of the fair value of plan assets, on the balance sheet. Current service and finance costs are expensed during the year, while remeasurements and other items, representing the total of the difference between actual and expected return on plan assets, actuarial gains and losses, and past service costs, are recognized as a direct increase or decrease in net assets through unrestricted surplus. The University has elected to use an actuarial valuation prepared for funding purposes to measure the defined benefit obligation in respect of its pension plan. The accrued benefit obligation for funded employee future benefits is determined using a roll-forward technique to estimate the accrued obligation using funding assumptions from the most recent actuarial valuation, which is prepared at least every three years. The accrued obligation for unfunded plans is prepared on a basis consistent with funded plans. Employee future benefit plans’ assets are measured at fair value as at the date of the balance sheet.

(j) Accounting estimates

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations 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, and the recording of contingencies. Actual results could differ from those estimates.

(k) Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate in effect at year-end. Revenues and expenses are translated at exchange rates in effect on the date of the transaction. Gains or losses arising from these foreign currency transactions are included in operating results, except to the extent that they relate to investments, in which case they are recognized in the same manner as investment income.

3. Investments

The University is subject to various risks 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 at fair value consist of the following components:

	2018	2017
Short-term bonds and guaranteed investment certificates	$173,432	$207,374
Long-term investments:		
Deposits and bankers' acceptances	11,909	17,820
Bonds		
Government	—	1,573
Corporate	112,223	72,881
Pooled funds	225,025	225,744
	337,248	300,198
Equity investments (including pooled equity funds)		
Canadian	129,147	123,908
US	2,168	6,034
Other international including foreign exchange forward contracts	140,333	124,516
	271,648	254,458
Total long-term investments	620,805	572,476
Total investments	$794,237	$779,850

(b) Investment income recognized is calculated as follows:

	2018	2017
Interest, dividend income and realized gains (losses) earned from unrestricted resources	$13,192	$ 9,940
Change in unrealized gain from unrestricted resources	(6,855)	2,839
Investment income from endowment investments (note 12):		
Donor endowed	9,908	15,155
Internally endowed	3,260	10,752
Total investment income recognized in the year	$19,505	$ 38,686

(c) There were no foreign exchange forward contracts outstanding as at April 30, 2018. The following table summarizes the maturity date, notional amount and fair value related to the foreign exchange forward contracts at as April 30, 2017.

	2018			2017		
	Maturity	Notional Amount	Fair Value	Maturity	Notional Amount	Fair Value
Assets						
United States dollar		—	—		—	—
Euro		—	—		—	—
British pound sterling		—	—		—	—
Japanese yen		—	—		—	—
		—	—		—	—
Liabilities						
United States dollar		—	—	12-Jul-17	$(22,666)	$ (435)
Euro		—	—	12-Jul-17	(11,458)	(446)
British pound sterling		—	—	12-Jul-17	(5,080)	(274)
Japanese yen		—	—	12-Jul-17	(3,604)	(56)
		—	—		$(42,808)	$ (1,211)

4. Capital Assets

Capital assets consist of the following:

	2018		2017	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Land	$ 16,745	$ —	$ 16,745	$ —
Buildings	1,095,744	311,225	1,041,575	288,879
Parking lots/roadways	6,358	4,496	6,358	4,250
Furniture and equipment	205,187	107,475	189,083	84,317
	1,324,034	$423,196	1,253,761	$377,446
Less accumulated amortization	(423,196)		(377,446)	
Net book value	$ 900,838		$ 876,315	

During the year ended April 30, 2017, a review of capital assets, including the useful lives, was completed by the University. As a result of this review and the reassessment of certain useful lives, $36,020 of cost, $16,761 of accumulated amortization and additional amortization expense of $19,259 was recorded and deferred capital contributions of $9,133 related to these capital assets were also recognized in income during the year ended April 30, 2017.

During the year ended April 30, 2018, nil (2017 - $206,217) of cost and accumulated amortization was removed from the respective balances for assets that had been fully amortized.

Included in the cost of buildings is $101,559 (2017 - $120,848) of construction in progress that is currently not being amortized.

5. Government Remittances Payable

Included in accounts payable and accrued liabilities as at April 30, 2018 are government remittances payable of $16,982 (2017 - $15,664).

6. Long-term Debt

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

	2018	2017
1892160 Ontario Limited: Mortgage payable with 0% interest to be repaid February 14, 2019	$ 10,250	$ 10,250
Ontario Housing Corporation: Lease agreements payable with an interest rate of 6.875% to 7.125% and maturing December 1, 2020	723	933
Canada Mortgage and Housing Corporation: Mortgages payable with interest rates ranging from 5.375% to 6.250% and maturities between July 1, 2017 and February 1, 2019	20	139
Canadian Imperial Bank of Commerce: Term instalment loan, non-revolving and maturity date October 1, 2017 with a floating interest rate, which was fixed at 6.045% through an interest rate swap	—	16,365
	10,993	27,687
Less current portion	(10,495)	(16,694)
Long-term debt	$ 498	$ 10,993

The term instalment loan with Canadian Imperial Bank of Commerce matured on October 1, 2017 and all amounts were repaid at that time. The University had also entered into an interest rate swap contract to manage the cash flow risk associated with this term loan; this interest rate swap contract was concurrently unwound. The termination fee, representing the discounted net present value of the remaining interest on the loan, is included in interest expense for the year.

Future scheduled annual minimum debt principal repayments are as follows:

2019	$10,495
2020	241
2021	257
	$10,993

The total interest expense on long-term debt recognized in “Supplies and other” in the statement of operations for the year ended April 30, 2018 was $3,638 (2017 - $1,143).

7. Deferred Contributions

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

	2018	2017
Balance, beginning of year	$245,067	$216,041
Contributions received or receivable during the year	213,941	235,286
Contributions transferred for capital purchases	(11,046)	(27,552)
Contributions recognized as revenue during the year	(187,153)	(178,708)
Balance, end of year	$260,809	$245,067

8. 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 60 consecutive months in the 10 years immediately preceding retirement, and the CPP's yearly maximum pensionable earnings average for the last 5 years preceding retirement. Effective May 1, 2014, the pension plan's guaranteed indexation related to post-retirement cost of living adjustments changed. Any pension benefits earned as at December 31, 2013 will be indexed at 100% of CPI to a maximum of 5%, and pension benefits earned as at an employee's date of retirement less the pension benefit earned as at December 31, 2013 will be indexed at 75% of CPI to a maximum of 5%.

The latest actuarial valuation for the registered pension plan was performed as at January 1, 2017. 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 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 pension expense for the year is $37,282 (2017 - $37,513) and other benefit plans expense is $22,202 (2017 - $19,631). Remeasurements, which are recorded in the statement of changes in net assets, are as follows:

	2018		2017	
	Pension Benefit Plan	Other Benefit Plans	Pension Benefit Plan	Other Benefit Plans
Difference between actual and expected return on plan assets	$(20,148)	$ —	$106,347	$ —
Actuarial gains (losses)	13,229	30,077	(37,945)	(9,976)
Valuation allowance	(2,839)	—	—	—
Total employee future benefit remeasurement costs	$ (9,758)	$30,077	$ 68,402	$ (9,976)

Information about the University's benefit plans is as follows:

	2018		2017	
	Pension Benefit Plan	Other Benefit Plans	Pension Benefit Plan	Other Benefit Plans
Fair value of plan assets	$1,695,938	$ —	$1,612,182	$ —
Accrued benefit obligation	1,693,099	203,674	1,616,631	218,353
Plan surplus (deficit)	2,839	(203,674)	(4,449)	(218,353)
Valuation allowance	(2,839)	—	—	—
Employee future benefit liability	$ —	$(203,674)	$ (4,449)	$(218,353)

9. 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 revenue in the statement of operations. Changes in the deferred capital contributions balance are as follows:

	2018	2017
Balance, beginning of year	$447,945	$430,380
Additions for capital purchases	30,001	55,065
Amortization of deferred capital contributions	(28,843)	(37,500)
Balance, end of year	$449,103	$447,945

10. Unrestricted Surplus

	2018	2017
Operational surplus	$ 22,771	$ 20,494
Unrealized gain on unrestricted investments	5,243	12,098
Land purchased with restricted funds	726	726
Provision for vacation pay	(13,331)	(13,690)
	$ 15,409	$ 19,628

11. Internally Restricted Net Assets

	2018	2017
Academic and academic support department carryforwards and operational commitments	$379,193	$338,474
Employee future benefits (note 8)	(203,674)	(222,802)
Ancillary enterprises	36,684	31,294
Unspent realized income on internally endowed investments	3,353	2,513
Unrealized gain on internally endowed investments	7,123	8,172
Bridge financing for housing and other construction projects	(139,110)	(112,677)
Net assets invested in capital assets	440,016	405,926
	$523,585	$450,900

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

12. Endowments

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 external and internal 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.

The University's overall objective with respect to endowments is to achieve an annual realized investment income that provides for both spending and inflation protection. Each year, the portion of the realized investment income that is made available for spending is allocated to individual endowments at a rate that is established annually. Another portion of the realized investment income is used to provide inflation protection based on the Consumer Price Index. The residual amount of realized investment income, if any, is used to create a reserve to cover spending and inflation protection in years with low investment returns. The allocation to each endowment is based on the weighted-average principal of the endowment for the fiscal year. Unspent expendable amounts or parts thereof may be carried forward for future expenditures or added to the endowment's principal.

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. The amount of realized investment income that was reinvested for preservation of capital for the year ended April 30, 2018 was $5,138 (2017 - $11,367).

Net assets restricted for endowment consist of the following:

	2018	2017
Donor endowed (cost)	$252,772	$248,089
Internally endowed (cost)	105,250	99,401
Unrealized gain on investments held for donor endowments	17,108	20,405
	$375,130	$367,895

Endowment net investment income includes the following:

	2018		2017	
	Donor Endowed	Internally Endowed	Donor Endowed	Internally Endowed
Realized income earned	$12,197	$4,309	$14,700	$ 5,318
Unrealized gains (losses) recognized as income	—	(1,049)	—	5,434
Income deferred	(2,289)	—	455	—
Income recognized in the statement of operations (note 3(b))	$ 9,908	$3,260	$15,155	$10,752

13. Commitments and Contingencies

(a) 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, 2017, CURIE had an accumulated surplus of $81,232 (2016 - $84,908), of which the University's pro rata share is approximately 4.0% (2016 - 4.1%) on an ongoing basis. The University does not have access to their pro rata share of the accumulated surplus and, accordingly, no amount is recorded in these financial statements.

(b) 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, 2020. Based on the number of units available for rent as at April 30, 2018, the following are the annual lease payments committed:

2019 - $2,823   2020 - $2,859   2021 - $957

(c) The nature of the University's activities is such that there are usually claims or potential claims in prospect at any one time. At April 30, 2018, the University believes it has valid defenses and appropriate insurance coverage in place on certain claims that are not expected to have a material impact on the University's financial position. There also exist other claims or potential claims where the ultimate outcome cannot be determined at this time. Any additional losses related to claims would be recorded in the year during which the amount of the liability is able to be estimated or adjustments to the amount recorded are determined to be required.

14. Financial Instruments

The University is exposed to various financial risks through transactions in financial instruments.

(a) Foreign currency risk

The University is exposed to foreign currency risk with respect to its investments denominated in foreign currencies because the fair value and future cash flows will fluctuate due to the changes in the relative value of foreign currencies against the Canadian dollar.

(b) Credit risk

The University is exposed to credit risk in connection with its accounts receivable and its short-term and fixed income investments because of the risk of one party to the financial instrument may cause a financial loss for the other party by failing to settle an obligation. The credit risk related to bonds is considered to be negligible because the University invests in bonds with investment grade ratings by recognized credit rating services.

(c) Interest rate risk

The University is exposed to interest rate risk with respect to its investments in fixed income securities because the fair value will fluctuate with changes in market interest rates.

(d) Liquidity risk

The University is exposed to liquidity risk to the extent it will encounter difficulty in meeting obligations associated with its financial liabilities.

(e) Other price risk

The University is exposed to other price risk through changes in market prices (other than changes from interest or currency rates) in connection with its equity and pooled fund investments.

15. Net Change in Non-cash Balances

	2018	2017
Accounts receivable	$ 18,428	$(35,951)
Inventories	293	492
Prepaid expenses	(6,461)	1,705
Accounts payable and accrued liabilities	(11,471)	17,137
Less capital asset purchases in accounts payable	(12,797)	(15,912)
Unearned revenue	10,617	5,133
Deferred cash contributions	17,576	25,791
	$16,185	$ (1,605)

16. Comparative Financial Statements

The comparative financial statements have been reclassified from statements previously presented to conform to the presentation of the 2018 statements.