

**UNIVERSITY OF GUELPH**

**ANNUAL FINANCIAL REPORT**

**Fiscal Year 2016**



## Contents

<b>Financial Summary</b> .....	<b>2</b>
Revenue .....	2
Expenses.....	3
Net Income by Major Fund .....	3
Net Assets .....	3
Capital Expenditures .....	4
Debt.....	4
Endowments .....	5
Employee Future Benefits (EFB) .....	6
The Operating Fund .....	7
<b>Supplementary Information</b> .....	<b>9</b>
Financial Health Indicators.....	9
Table of Comparative Results .....	12
Total Revenues and Total Expenses.....	13
OMAFRA Contract .....	14
Research Funding.....	14
Student Aid .....	15
Enrolment .....	15
Statement of Operations – By Fund for Fiscal 2016 (May 1, 2015 to April 30 2016) .....	16
<b>Audited Financial Statements for the Year Ended April 30, 2016</b> .....	<b>17</b>
Independent Auditors’ Report.....	17
Statement of Financial Position.....	18
Statement of Operations.....	19
Statement of Changes in Net Assets.....	20
Statement of Cash Flows.....	21
Notes to the Financial Statements.....	22

## Financial Summary

University financial results for the year reflect the impact of negative investment returns on both endowment and pension assets offset somewhat by positive operating results from a 1.6% increase in enrolments.

These results flow through to University net assets which accumulate the impact of annual operating results plus certain types of accounting changes to Employee Future Benefits (EFB) and externally restricted endowments<sup>1</sup>.

Overall, the University's financial position was slightly positive as net assets increased by \$1.8 million. The table below shows the impact on net assets as positive results from operations were effectively offset by investment losses.

<i>Total University- Annual Results</i>				
<b>\$ millions</b>	<b>2016</b>	<b>2015</b>	<b>Change</b>	
Total Revenue	743.6	759.4	(15.8)	-2.1%
Total Expenses	684.0	689.4	(5.4)	-0.8%
Gain(Loss) on Interest Swaps	0.6	(3.4)	4.0	
<b>Revenue Less Expenses</b>	<b>60.2</b>	<b>66.6</b>	<b>(6.4)</b>	
Direct Changes to Net Assets;				
Endowment Contributions	(8.2)	18.0	(26.2)	
EFB <sup>2</sup> Re-measurements	(50.2)	50.0	(100.2)	
<b>Total Changes to Net Assets</b>	<b>1.8</b>	<b>134.6</b>	<b>(132.8)</b>	

## Revenue

Total revenues declined by 2.1% over last year due mainly to negative investment returns. On an annual comparative basis, one other major decline in revenue and expenses occurred as a contract to build a large provincially, owned and funded research facility<sup>3</sup> was completed.

<sup>1</sup> Under accounting policy, the impact of contributions and investment results on externally restricted endowments are recorded as direct changes to Net Assets and do not impact revenue or expenses. Similarly, assumption changes and experience e.g., asset gains and losses related to EFB's are recorded as direct changes to net assets.

<sup>2</sup> Employee Future Benefits – both pension and non-pension

<sup>3</sup> In 2015 the University oversaw the construction of a provincially-owned \$25 million dairy research facility in

<i>Total University Revenue</i>				
<b>\$ millions</b>	<b>2016</b>	<b>2015</b>	<b>Change</b>	
Prov. Grants MAESD <sup>4</sup>	181.4	179.0	2.4	1.3%
Prov. Contract OMAFRA	70.3	69.6	0.7	1.0%
Student Tuition/Fees	242.6	236.6	6.0	2.5%
Other Grants & Contracts	94.5	108.6	(14.1)	-13.0%
Sales of Goods & Services	87.5	81.0	6.5	8.0%
Investment Income	2.7	25.2	(22.5)	-89.3%
Other	64.6	59.4	5.2	8.8%
<b>Total Revenue</b>	<b>743.6</b>	<b>759.4</b>	<b>(15.8)</b>	<b>-2.1%</b>

Provincial Grants from MAESD and student fees together increased by \$8.4 million, or 2%, as enrolment was up by 1.6% and tuition fees were higher compared to 2015. Sales of Goods and Services were greater with ancillary enterprises (food and housing) operations accounting for \$5.2 million, or 80%, of the total \$6.5 million increase in this category.

Other Revenue contained a \$5.1 million rebate from Hydro, received in 2016 as a result of ongoing work on a major energy retrofit project. These increases were more than offset by a \$22.5 million, or 89%, decrease in investment income, \$17.0 million of which is attributed to internally restricted endowments.

The \$14.1 million decrease in Other Grants and Contracts revenue is directly linked to the amount of spending on various grants and contracts. In particular, a contract to construct a provincial research facility in Elora was substantially completed early in the fiscal year resulting in expenditures and revenue recognition of only \$3 million in 2016 compared to \$14 million in 2015.

Elora. Revenue and expenses mainly occurred in fiscal 2015, reflected as a decline in revenue and expenses in fiscal 2016.

<sup>4</sup> Ministry of Advanced Education and Skills Development; previously known as Ministry of Training, Colleges and Universities ("MTCU").

## Expenses

Total expenses effectively remained flat with a 0.8% decline as increases in student assistance were offset by reductions in other expenses.

<i>University Expenses</i>				
<b>\$ millions</b>	<b>2016</b>	<b>2015</b>	<b>Change</b>	
Salaries	335.5	334.0	1.5	0.4%
Benefits	84.6	86.3	(1.7)	-2.0%
Student Assistance	36.1	33.7	2.4	7.1%
Supplies and Services	60.7	60.6	0.1	0.2%
Utilities	25.2	25.2	0.0	0.0%
Capital Amortization	42.8	43.1	(0.3)	-0.7%
Interest	11.6	12.2	(0.6)	-4.9%
Other Expenses	87.5	94.3	(6.8)	-7.2%
<b>Total Expenses</b>	<b>684.0</b>	<b>689.4</b>	<b>(5.4)</b>	<b>-0.8%</b>

While salary costs increased by 0.4% with continued multi-year plan cost controls, benefits decreased due to a reduction in the accounting annual charge for costs associated with the pension plans. Interest costs declined as capital related debt was repaid and the overall cost of borrowing declined.

As noted earlier, expenditures on the Elora dairy facility contract resulted in a decrease of \$11 million over the prior year, the majority of which is reflected in other expenses.

## Net Income by Major Fund

Net income by major fund shows the impact of positive results across operating activities (the Operating and Ancillary Funds) reflecting the impact of increased enrolments.

The *Operating Fund* experienced a \$13.5 million increase in net income year-over-year as a result of the increase in enrolment that directly resulted in a \$6.5 million increase in tuition and fees revenue and a \$1.7 million increase in MAESD provincial grants. Other positive revenue experienced, such as in veterinary clinic sales, added \$1.6 million and the University's share of Guelph-Humber operations added a further \$1.5 million in new income. With continuing cost

containment much of this increase in revenue resulted in net income.

The *Capital Fund* recorded a major increase in funding as a result of transfers from both Trust and Operating Funds providing funding support of both current and prior years' major capital building projects. This net income is used to reduce the internal financing of capital projects and increase the University's equity in its capital assets.

The increase in *Ancillary Enterprises Fund* net income was mainly due to positive operating results in Student Housing Services and the sale of a piece of land in the Real Estate Division.

*Endowment Funds* recorded a net loss, due to the adverse investment returns experienced in 2016 on internally restricted endowment funds.

<i>Change in Net Income By Fund</i>				
<b>\$ millions</b>	<b>2016</b>	<b>2015</b>	<b>Change</b>	
Operating	35.2	21.7	13.5	62%
Capital	35.4	10.3	25.1	244%
Ancillary Enterprises	11.9	7.7	4.2	55%
Research	2.0	1.7	0.3	18%
Trust	(19.4)	13.1	(32.5)	-248%
Endowments	(4.9)	12.1	(17.0)	-140%
<b>Revenue Less Expenses</b>	<b>60.2</b>	<b>66.6</b>	<b>(6.4)</b>	<b>-10%</b>

## Net Assets

University Net Assets are categorized into four major groups in accordance with accounting policy. The following table highlights 2016 results.

<i>Change in Net Assets</i>			
<b>\$ millions</b>	<b>2016</b>	<b>2015</b>	<b>Change</b>
<b>1. Capital Assets</b>	<b>514.0</b>	<b>458.8</b>	<b>55.2</b>
<b>2. Internally Restricted;</b>			
Operating Fund	225.4	195.5	29.9
Other Funds	36.7	64.6	(27.9)
<b>Total Internally Restricted</b>	<b>262.1</b>	<b>260.1</b>	<b>2.0</b>
<b>3. Unrestricted (Deficit)</b>	<b>(348.9)</b>	<b>(306.6)</b>	<b>(42.3)</b>
<b>4. Endowments</b>	<b>307.1</b>	<b>320.2</b>	<b>(13.1)</b>
<b>Total University Net Assets</b>	<b>734.3</b>	<b>732.5</b>	<b>1.8</b>

Capital Assets is typically the largest net asset category, showing the net undepreciated equity position the University holds in its land, buildings and equipment. In 2016 it grew by \$55.2 million as a result of capital additions of \$75.9 million reduced by net adjustments for revenue and expenses, including amortization and debt repayment.

Internally Restricted funds record the amount of accumulated net income designated by the Board for specific purposes such as completing capital projects, division unspent funds and reserves. Overall these funds remained relatively flat as positive gains in Operating Funds were offset by reductions in other funds mainly as the result of funding capital projects.

The Unrestricted deficit increased by \$42.3 million due to the accounting recognition of EFB re-measurements netted at \$50.2 million for both pension and non-pension benefits. The major adjustment was the result of an actual return of -2.4% on invested pension plan assets that was considerably lower than the discount rate (6.0%) used to represent expected return in the current year.

The Endowment investment portfolio experienced a return of -3.6% contributing to a decrease in Endowment Net Assets.

### Capital Expenditures

The University continued to invest in capital acquisitions with \$75.9 million (\$58.7 million in 2015) in spending on buildings, facilities, and capital equipment.

<i>Capital Expenditures</i>			
<b>\$ millions</b>	<b>2016</b>	<b>2015</b>	<b>Change</b>
Major Buildings	35.9	16.3	19.6
Equipment and Other	14.9	18.3	(3.4)
Main Campus Facilities Renewal	18.1	13.7	4.4
Student Housing Facilities Renewal	7.0	10.4	(3.4)
<b>Total</b>	<b>75.9</b>	<b>58.7</b>	<b>17.2</b>

2016 saw the continuation of a number of major building projects that will occur over the next several years. They include the new Mitchell Centre (total project cost of \$45.4 million, of which \$24.0 million was spent in 2016; total spending to date is \$31.7 million) and the Macdonald Hall refit (total project cost of \$12.3 million, of which \$6.8 million was spent in 2016; total spending to date is \$9.5 million). As these projects are completed, spending will occur up to the approved total project costs. Also in 2016, a building was purchased for \$2.2 million in the Research Park on Stone Road as part of the Real Estate Division's property management portfolio.

In addition, the University continued to invest in facilities renewal and energy conservation. In 2007 the University began a series of five-year capital financing plans with spending directed to facilities renewal programs. With a growing deferred maintenance<sup>5</sup> backlog, capital debt was authorized by the Board for critical infrastructure projects. In recent five- year plans major high priority academic related projects were added. \$11.9 million was spent on the energy retrofit project in 2016 (total project cost of \$26.2 million; total spending to date is 18.6 million).

Major projects completed in Student Housing in 2016 included \$3.2 million for furniture replacement in South Residence. The continuing investments in student housing maintain infrastructure and improve the quality of the residence experience.

### Debt

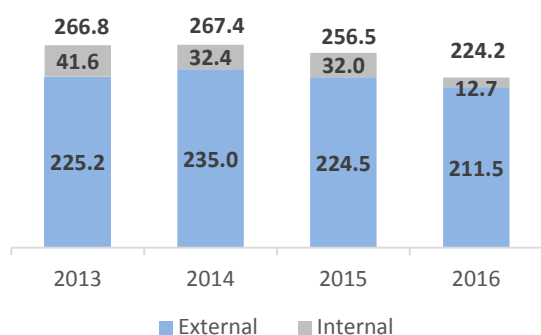
The University uses financing from both internal<sup>6</sup> and external sources to fund high priority capital

<sup>5</sup> Current estimates are that the total deferred maintenance for the University is \$395 million.

<sup>6</sup> When there is sufficient operating liquidity, funds may be temporarily advanced to finance capital expenditures. As with external debt, internal financing must be repaid, usually over a period not exceeding 10 years.

projects (currently no borrowing is required for operating purposes). Limits and reviews of debt are consistent with the Board-approved policy for capital debt management. In fiscal 2016, no new borrowing was undertaken and external debt was reduced by \$13.0 million. Internal debt was reduced this year by applying a \$20.1 million transfer of prior years’ accumulated investment income<sup>7</sup> held in the Trust fund against outstanding internal loan balances.

University Total Debt (\$millions)



The current outstanding capital debt does not include Board-approved borrowing for certain capital projects approved in 2014 and 2015 the largest mainly being the \$45.4 million expansion of the Mitchell Athletic Centre. It is expected that this approved debt will be required in the fall of 2016.

The University is reviewed annually by two credit rating agencies, Standards and Poor’s and DBRS which consider debt levels in the context of overall fiscal health and peer institutions. The University held ratings with these agencies in 2016 at AA- and A respectively.

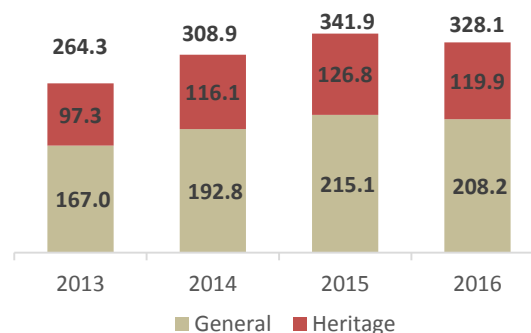
## Endowments

University endowments consist of two major components, the Heritage Fund and the General Fund. While both components are invested as a

<sup>7</sup> This was a non-cash transaction that eliminated a number of internal loans created for major capital projects undertaken in the 1990’s and early 2000’s.

single pool, each has its own payout formula and source of capital growth.

Endowment Assets - Market Values at April 30th (\$millions)



2016 returns reflected a downturn in global equity markets after the past 4 years of positive results. The current year loss, net of expenses, was 3.6% (refer to the table below).

Endowment Annual and Four year Annualized Returns					
Returns <sup>1</sup>	2013	2014	2015	2016	Four Year
Gross	14.8%	16.6%	11.9%	-2.5%	9.9%
Net <sup>2</sup>	13.6%	15.6%	10.8%	-3.6%	8.8%
Benchmark	12.1%	14.2%	12.7%	-1.7%	9.1%

*Note 1: All Returns reflect 50% foreign currency hedging implemented in 2010.*  
*Note 2: Net Returns include all investment management fees and internal University costs.*

The portfolio underperformed its benchmark over the past two years as the portfolio’s equity investment managers have value-based bias, a style which across all similar managers has not fared well in the current market.

Additions to the endowment fund totaled \$10.5 million in 2016 (\$10.1 million in 2015) consisting of donations of \$5.1 million, \$4.9 million in proceeds of real estate division operations added to the Heritage Fund, and other activities totaling \$0.5 million.

University policy limits spending from endowments each year to protect donated capital and real spending over the very long term. With recent investment returns, annual

spending from endowments has increased to \$12.2 million in 2016 mainly as a result of strong investment returns in the past 4 years. The Heritage Fund formula uses a five-year rolling average of annual investment returns and can be volatile reflecting fluctuations in equity markets. The past year's negative investment results are not expected to materially reduce 2017 spending under current policy.

<b>Annual Payouts from Endowments</b>				
<b>\$millions</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
General	3.3	4.1	4.5	4.8
Heritage Fund	-	1.4	7.0	7.4
<b>Total</b>	<b>3.3</b>	<b>5.5</b>	<b>11.5</b>	<b>12.2</b>

### Employee Future Benefits (EFB)

The University is responsible for the funding of post-employment defined benefit plans that provide both pension and non-pension benefits to retirees. These plans impact University financial results in three major categories; expenses and net assets; accrued obligations or liabilities; and cash contributions. Calculations for each of these use methods as prescribed under accounting policy.

Total **EFB expenses** decreased by a net 5.7% or \$2.6 million made up of a reduction in pension plans expenses of \$4.2 million partially offset by an increase in annual non-pension benefit expenses of \$1.6 million.

<b>EFB Expenses and Impact on Net Assets</b>				
<b>\$ millions</b>	<b>2016</b>	<b>2015</b>	<b>Change</b>	
<b>Expenses</b>				
Pension Plans	18.4	22.6	(4.2)	-18.6%
Non-Pension	24.5	22.9	1.6	7.0%
<b>Total Expenses</b>	<b>42.9</b>	<b>45.5</b>	<b>(2.6)</b>	<b>-5.7%</b>
<b>Re-measurements – Direct to Net Assets</b>				
Pension Plans	111.4	(47.9)	159.3	
Non-Pension	(61.2)	(2.1)	(59.1)	
<b>Total Re-measurements</b>	<b>50.2</b>	<b>(50.0)</b>	<b>100.2</b>	
<b>Decrease (Increase) in Net Assets</b>	<b>93.1</b>	<b>(4.5)</b>	<b>97.6</b>	

Both expense changes were the result of financing costs charged on liability values at the beginning of each fiscal year.

“Re-measurements” reflect the accounting treatment of changes in assumptions and actual experience compared to assumptions during the year. Under accounting policy these types of changes are charged directly to Net Assets and not the Statement of Operations.

In 2016, a net of \$50.2 million was recorded as a decrease in Net Assets. This consisted of a \$111.4 million negative experience due to pension assets earning less than expected offset by a \$61.2 million gain in non-pension benefits due to experience gains in benefit usage relative to assumptions.

Total **EFB liabilities** increased by a net \$44.9 million to \$286.6 million due to negative investment returns on pension assets, increasing liabilities by \$86.3 million partially offset by a reduction in non-pension liabilities<sup>8</sup> of \$41.4 million due to positive cost experience.

<b>EFB Asset/Liability</b>				
<b>\$ millions</b>	<b>2016</b>	<b>2015</b>	<b>Change</b>	
<b>Pension Plans</b>				
Assets	1,286.2	1,339.1	(52.9)	-4.0%
Obligations	1,334.4	1,301.0	33.4	2.6%
<b>Pension Asset (Liability)</b>	<b>(48.2)</b>	<b>38.1</b>	<b>(86.3)</b>	
<b>Non-Pension Liability</b>	<b>(238.4)</b>	<b>(279.8)</b>	<b>41.4</b>	<b>-14.8%</b>
<b>EFB Net Obligations</b>	<b>(286.6)</b>	<b>(241.7)</b>	<b>(44.9)</b>	<b>18.6%</b>

**EFB cash contributions** to pension plans are based on legislative requirements and actuarial valuations. Non pension plan cash contributions are based on the actual cash costs of claims during the year. In 2016, pension contributions were slightly lower than in the previous year as a result of the implementation of changes in

<sup>8</sup> In 2016 the University had a full actuarial valuation completed for its non-pension benefit plans. The reduction in liability is based upon recent positive claim (health and dental) experience.



contribution rates in various collective bargaining agreements. The cash cost of non-pension benefits increased slightly from the prior year.

<b>EFB Contributions</b>				
<b>\$ millions</b>	<b>2016</b>	<b>2015</b>	<b>Change</b>	
<b>Cash Contributions</b>				
Pension Plans	43.5	44.7	(1.2)	-2.7%
Non-Pension	4.7	4.6	0.1	2.2%
<b>Total Contributions</b>	<b>48.2</b>	<b>49.3</b>	<b>(1.1)</b>	<b>-2.2%</b>

## The Operating Fund

The Operating Fund reflects 60% of total University revenue and is the major underpinning of all teaching and research activities. Funding primarily comes from provincial grants and student fees.

### Revenues

Operating Fund revenue increased by 2.8%, the majority of which was created through increased tuition revenue.

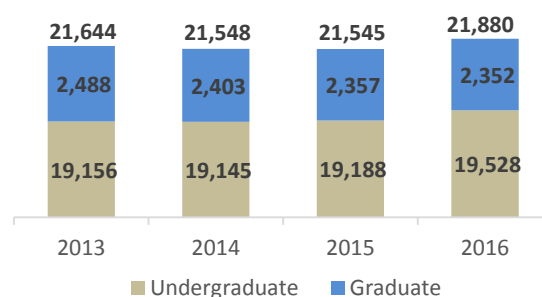
<b>Operating Fund Revenue</b>				
<b>\$ millions</b>	<b>2016</b>	<b>2015</b>	<b>Change</b>	
Provincial MAESD	179.7	178.0	1.7	1.0%
Provincial OMAFRA	5.3	5.3	0.0	0.0%
Student Tuition/Fees	199.4	192.9	6.5	3.4%
Sales & Other Contracts	37.1	35.3	1.8	5.1%
Other	25.5	23.4	2.1	9.0%
<b>Total</b>	<b>447.0</b>	<b>434.9</b>	<b>12.1</b>	<b>2.8%</b>

Enrolment overall increased by 1.6% from 2015 with declines in graduate numbers offset by increases in some other degree-credit programs.

There were also small increases in undergraduate international student numbers (Total international student enrolment at the University is 1,115 FTE's<sup>9</sup> or about 5% of total enrolment).

<sup>9</sup> Full-Time Equivalents; meaning a number of part-time head counts are consolidated into a full time equivalent.

**Student Enrolment in FTE's**  
(University Credit Programs)



### Expenses

Operating Fund expenses decreased 0.3% from 2015. The largest increase was in Student Assistance where \$3.1 million more in spending was recorded due to both increased student numbers and new support programs.

<b>Operating Fund Expenses</b>				
<b>\$ millions</b>	<b>2016</b>	<b>2015</b>	<b>Change</b>	
Salaries	240.7	239.7	1.0	0.4%
Benefits	67.1	68.9	(1.8)	-2.6%
Supplies & Services	30.3	29.5	0.8	2.7%
Other Expenses	34.2	32.2	2.0	6.2%
Utilities	21.1	20.3	0.8	3.9%
Student Assistance	23.2	20.1	3.1	15.4%
Interfund Transfers	(4.8)	2.5	(7.3)	-292%
<b>Total</b>	<b>411.8</b>	<b>413.2</b>	<b>(1.4)</b>	<b>-0.3%</b>

Net Interfund Transfers<sup>10</sup> impacting the Operating Fund decreased by \$7.3 million mainly due to the previous year's relatively high contributions to the Capital Fund for major capital projects such as the new athletic centre and the energy retrofit project.

### Operating Fund Net Assets

Net Operating Fund results are allocated based on a number of practices and policies.

Internally Restricted funds are funds created from accumulated annual net income which is

<sup>10</sup> Interfund Transfers are funds allocated among the different funds within the University; at the University level these transfers sum to zero.



## Annual Financial Report – Summary Information

subsequently allocated for specific future purposes.

Of the 2016 Operating Fund annual net income of \$35.2 million, \$11.6 million was generated by divisional (colleges and departments) underspending of budget allocations, \$20.6

million was added to central reserves and \$3.0 million was the annual accounting adjustment for post-employment. Transfers from Reserves totaled \$2.4 million, which was primarily funding to help cover 2016 pension contribution requirements.

### Operating Fund - Net Assets

\$millions	Opening Balances	2016 Annual Results	Transfers (From)To Reserves	EFB Re- measure	Closing Balances
<b>Internally Restricted</b>					
Divisional Reserves	71.0	11.6			82.6
Central Reserves	48.0	20.6			68.6
Post-Employment Reserves	74.0		(2.3)		71.7
Self-insurance & GH	2.5		(0.1)		2.4
<b>Total Internally Restricted</b>	<b>195.5</b>	<b>32.2</b>	<b>(2.4)</b>		<b>225.3</b>
<b>Unrestricted</b>					
Post-Employment	(300.5)	3.0	2.4	(50.2)	(345.3)
<b>Total Unrestricted</b>	<b>(300.5)</b>	<b>3.0</b>	<b>2.4</b>	<b>(50.2)</b>	<b>(345.3)</b>
<b>Total Operating Net Assets</b>	<b>(105.0)</b>	<b>35.2</b>	<b>-</b>	<b>(50.2)</b>	<b>(120.0)</b>

This concludes the summary section of the annual report. Additional information including the University's major financial indicators is included in the next section. The final section is the actual audited financial statements, with notes, for the 12 month period ending April 30, 2016.

## Supplementary Information

### Financial Health Indicators

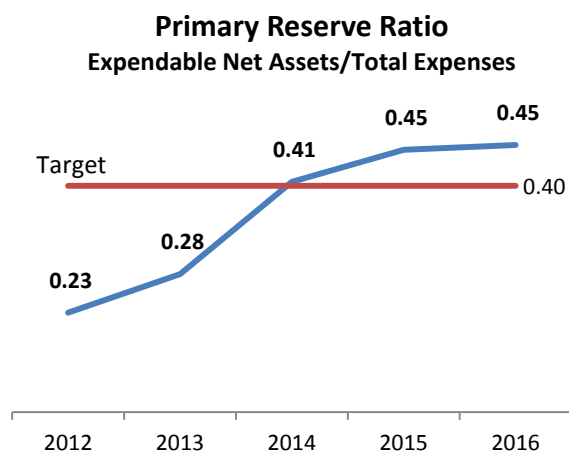
The following metrics use information from the audited statements to provide measures of both overall fiscal strength and more specific information related to University debt.

Each metric has a “target” value intended to provide a long term benchmark around which actual values should be expected to range. Collectively they are intended to provide an overall indication of fiscal “health” using measures of:

- Flexibility
- Capacity
- Operating performance
- Debt management

**1. PRIMARY RESERVE RATIO:** Summarizes financial health and flexibility by indicating how long the University could function only using its expendable reserves without relying on additional net assets generated by operations. Expendable net assets consist of internally restricted endowments, net assets and unrestricted surplus (deficit) adjusted to exclude amounts related to employee future benefits. A target ratio above 0.4 is the ability to cover 4.8 months of expenses.

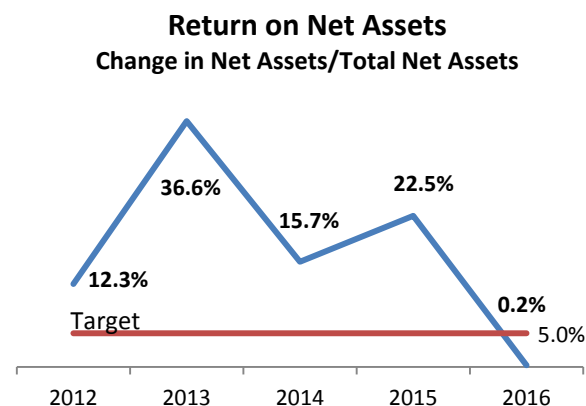
\$000's	2016	5 Year Change
Expendable Net Assets	310,565	158,787 123%
Total Expenses	684,005	29,685 5%



**2. RETURN ON NET ASSETS:** Measures whether the University is growing its total resources over time. It compares the change in net assets over opening net assets. On a combined basis, a growth rate of 5% is expected over time.

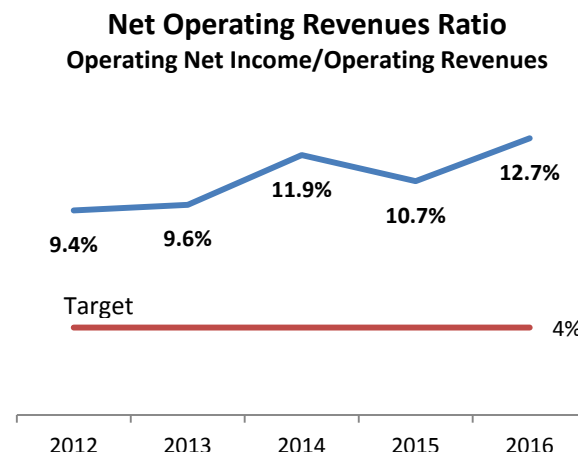
\$000's	2016	5 Year Change
Change in Net Assets	1,800	79,500* 17%*
Opening Net Assets	732,495	395,702 175%

\*Average annual change



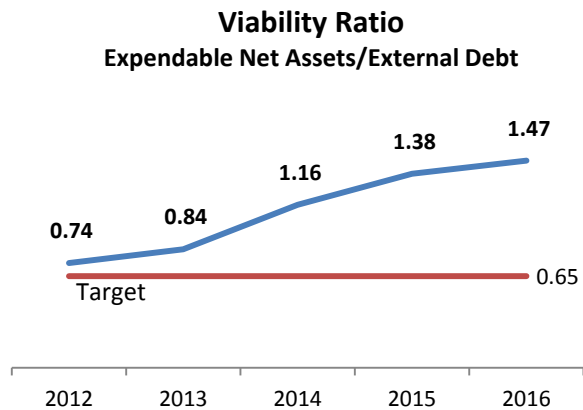
**3. NET OPERATING REVENUES RATIO:** Compares operating net income over operating revenues. Since it only looks at operations, it excludes most restricted funds that are for a specific purpose, e.g. research and endowment funding. Again a long term review of this ratio should be considered, as it can be volatile year over year. A 4% long term benchmark is the expected target.

\$000's	2016	5 Year Change
Operating Net Income	78,895	25,750 77%
Operating Revenues	623,044	55,245 10%



**4. VIABILITY RATIO:** Gauges the extent to which the University has available resources to cover its debt; essentially a “wind-up” ratio for external obligations. It calculates expendable net assets over external debt. The ratio assists in assessing current debt capacity and the ability to issue new debt. A ratio of 0.65 has been set as a target.

\$000's	2016	5 Year Change
Expendable Net Assets	310,565	158,787 123%
External Debt	211,477	7,233 4%



**Debt Specific Metrics**

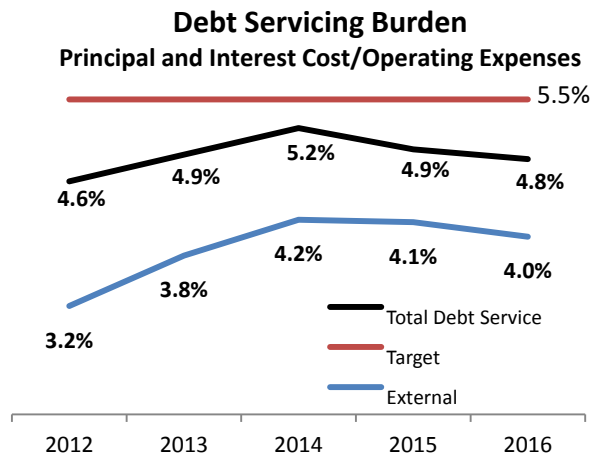
The University has established a group of specific metrics in addition to the Viability Ratio to help manage debt. These are included in the [Capital Debt Policy](#). They include:

- Debt Service Burden – portion of funding used for covering debt payment
- Interest Burden – portion of funding used for interest payments on debt
- Debt Service Coverage – debt service costs as a portion of net income
- Debt to FTE – amount of debt per student

While many standard measures include only external debt e.g., borrowing from banks and financial markets, the University believes that the use of internal resources (liquidity) for capital is also a risk that needs to be tracked. This use of internal financing is therefore part of these metrics where applicable.

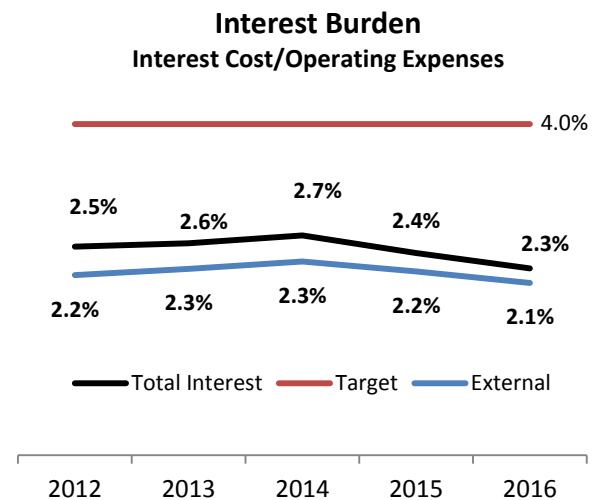
**5.1 DEBT SERVICING BURDEN:** This ratio measures the extent to which total debt servicing (incl. sinking fund payments) is a portion of total operating expenses excluding capital asset amortization. The objective is to stay below the Target.

\$000's	2016	5 Year Change
Debt Servicing Costs	27,013	2,894 14%
Operating Expenses	558,564	33,033 6%



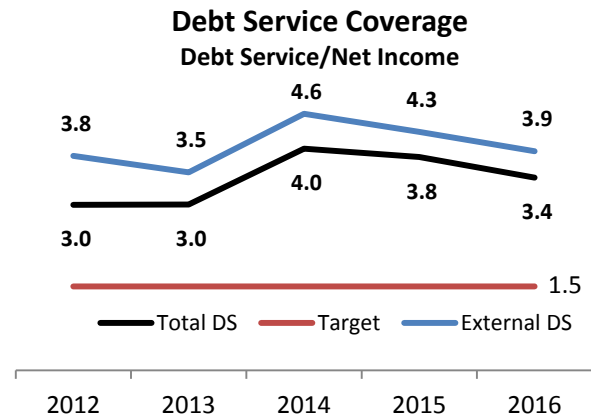
**5.2 INTEREST BURDEN:** Similar to Debt Servicing Burden but uses interest only portion of capital financing. The objective is to stay below the Target.

\$000's	2016	5 Year Change
External Interest	11,618	192 2%
Total Interest	12,598	(644) -5%
Operating Expenses	558,564	33,033 6%



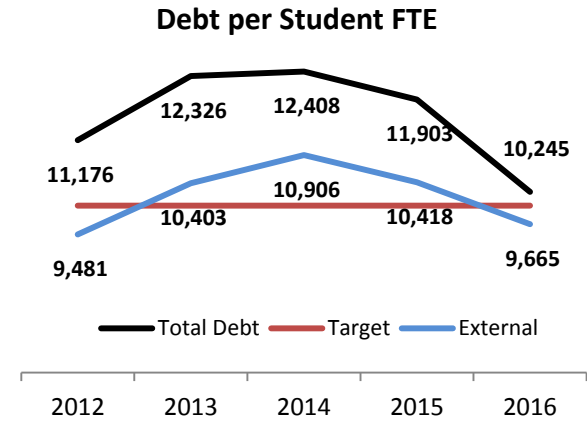
**5.3 DEBT SERVICE COVERAGE:** Expressed as adjusted net income to debt service costs. This shows the cushion in annual operating results that the University has to cover its debt servicing requirements. The objective is to stay above the Target.

\$000's	2016	5 Year Change
Adjusted Net Income	92,938	21,650 38%
Debt Servicing Costs	27,013	2,894 14%
Adjusted Net Income External	91,958	22,486 41%
External Debt Service	23,498	5,358 32%



**5.4 DEBT PER STUDENT FTE:** Compares the debt of the University to the size of the student body.

\$000's	2016	5 Year Change
External Debt	211,477	7,233 4%
Total Debt	224,170	(16,578) -7%
Total Student FTE's	21,880	338 2%

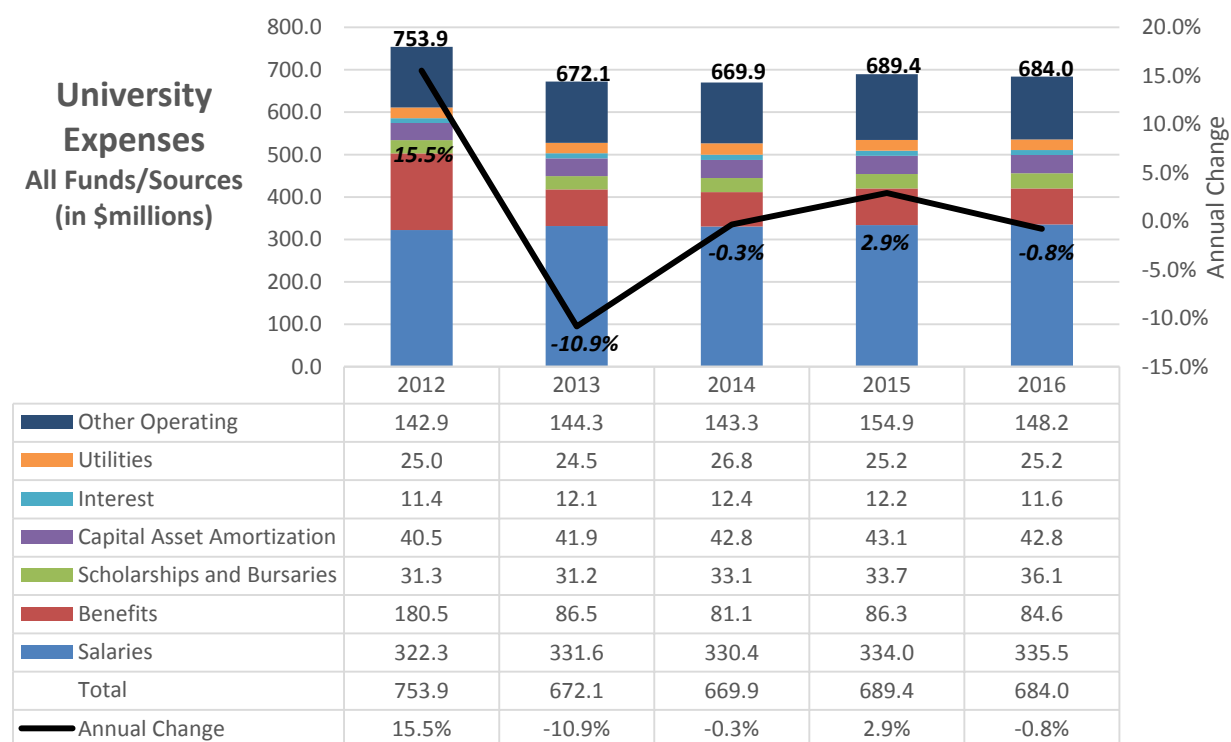
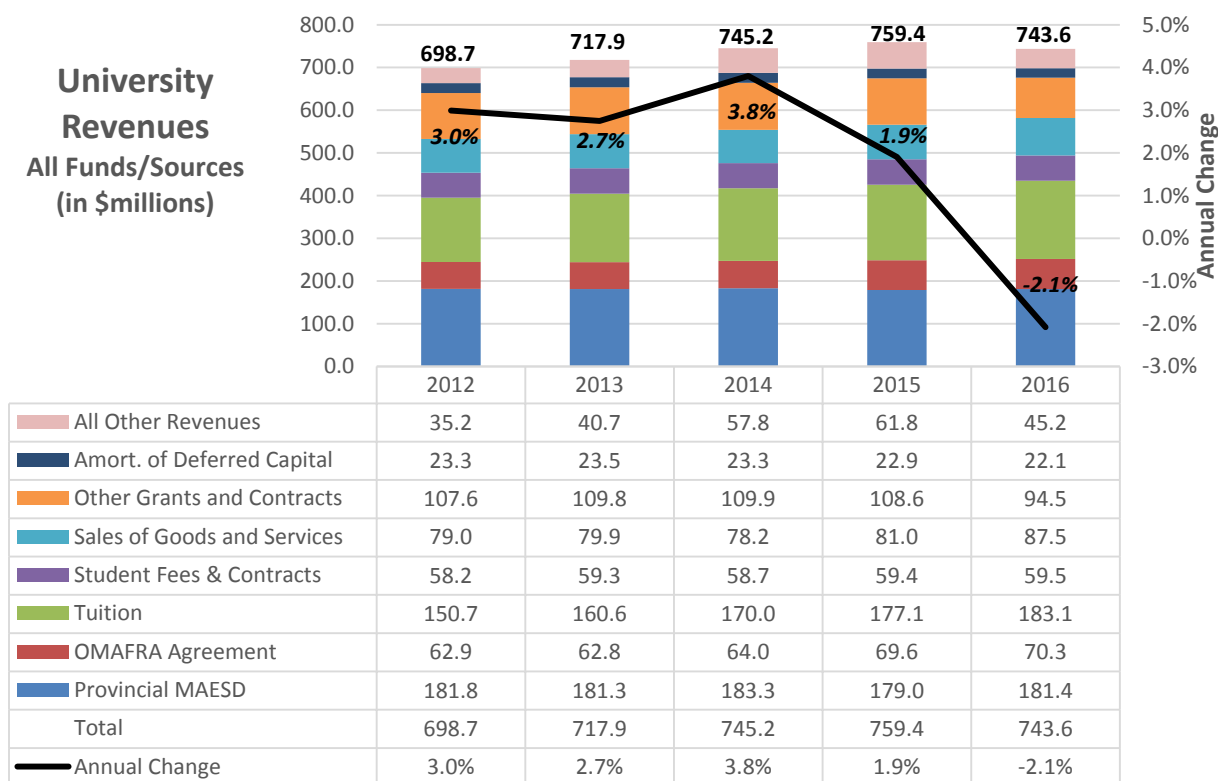


**Table of Comparative Results**

	2012	2013	2014	2015	2016
<b>Enrolment FTEs (University Degree Programs)</b>	21,542	21,644	21,548	21,545	21,880
<b>Faculty and Staff (Budgeted Positions)</b>	2,946	2,951	2,965	2,933	2,885
<b>Faculty (Budgeted Positions)</b>	836	830	829	823	797
<b>Revenues and Expenses</b>					
<b>Total Revenues (\$M)</b>	\$698.7	\$717.9	\$745.2	\$759.4	\$743.6
<b>Total Expenditures (\$M)</b>	\$753.9	\$672.2	\$669.9	\$689.4	\$684.0
<b>Unrealized Gain (Loss) on Interest Rate Swaps</b>	\$(3.5)	\$(4.4)	\$4.6	\$(3.4)	\$0.6
<b>Annual Surplus/(Deficit) (\$M)</b>	\$(58.7)	\$41.3	\$79.9	\$66.6	\$60.2
<b>Revenue year-over-year change</b>	3%	3%	3%	2%	-2%
<b>MAESD Operating Grants per FTE (\$)</b>	\$8,191	\$8,127	\$8,174	\$8,051	\$8,215
<b>Revenue Mix (% of Total Revenues)</b>					
<b>Provincial Operating Grants - MAESD</b>	26%	25%	25%	23%	24%
<b>Tuition</b>	22%	22%	23%	23%	25%
<b>Endowment and Donations</b>	2%	2%	3%	3%	3%
<b>Expenditure year-over-year change</b>	3%	0.4%	0.1%	2.9%	-0.8%
<b>Expense Mix (% of Total Expenses)</b>					
<b>Salaries</b>	43%	49%	49%	48%	49%
<b>Benefits (including EFB accounting policies)</b>	24%	13%	12%	13%	12%
<b>Components of Net Assets</b>					
<b>Invested in Capital Assets (\$M)</b>	\$420.0	\$420.8	\$426.6	\$458.8	\$514.0
<b>Endowed (\$M)</b>	\$218.5	\$251.8	\$290.0	\$320.2	\$307.1
<b>Internally Restricted (\$M)</b>	\$171.8	\$207.3	\$262.3	\$260.1	\$262.1
<b>Unrestricted (Deficit) (\$M)</b>	\$(431.9)	\$(363.0)	\$(381.0)	\$(306.6)	\$(348.9)
<b>Total Net Assets</b>	\$378.4	\$516.9	\$597.9	\$732.5	\$734.3
<b>Capital and Capital Debt</b>					
<b>Total Debt</b>	\$204.2	\$225.2	\$235.0	\$224.5	\$211.5
<b>Total Debt per FTE (\$)</b>	\$9,481	\$10,403	\$10,906	\$10,418	\$9,665
<b>%Debt Service to Revenue</b>	2.6%	3.0%	3.2%	3.2%	3.5%
<b>%Debt to Revenue</b>	29.2%	31.4%	31.9%	29.6%	28.4%
<b>Capital Acquisitions (\$M)</b>	\$81.2	\$70.0	\$49.4	\$58.7	\$75.9
<b>Provincial Capital Grants (\$M)</b>	\$0.7	\$0.9	\$2.7	\$1.0	\$1.6
<b>Endowments</b>					
<b>Externally Restricted (\$M)</b>	\$138.5	\$158.0	\$184.6	\$204.4	\$196.0
<b>Internally Restricted (\$M)</b>	\$89.7	\$106.3	\$124.3	\$137.5	\$132.1
<b>Total Endowment Assets – Market Values</b>	\$228.2	\$264.3	\$308.9	\$341.9	\$328.1
<b>Total Endowment per FTE (\$)</b>	\$10,594	\$12,212	\$14,334	\$15,869	\$14,995
<b>Employee Future Benefits (EFB)</b>					
<b>Pension Plans – Surplus/(Deficit)</b>	\$(92.1)	\$(10.5)	\$(22.4)	\$49.1	\$(40.4)
<b>Other Benefit Plans – (Deficit)</b>	\$(232.7)	\$(251.6)	\$(263.6)	\$(279.8)	\$(238.4)
<b>Latest Valuation Date – Registered Plans</b>	Aug-10	Aug-10	Aug-13	Aug-13	Aug-13
<b>Latest Valuation Date – Other Plans</b>	Aug-09	Aug-09	Aug-13	Aug-13	Jan-16

## Total Revenues and Total Expenses

The following charts present the details of trends in total University revenues and expenses as reported on the audited financial statements.



## OMAFRA Contract

Fiscal 2016 was the third year of a five-year funding agreement with OMAFRA (April 1, 2013 – March 31, 2018) to provide major research and service programs focused in the sectors of agriculture, food, bio-products, and rural communities. OMAFRA Agreement revenues and expenses are recorded within the Research Fund, Trust Fund or Operating Fund depending on the purpose of the specific program.

All contract expenses are recorded in the University's financial statements as they are incurred and provincial funding is recorded as to the extent it is required to support the expenses and balance the overall activities. This accounting treatment reflects the restricted nature of the funding which must be used for contract specific infrastructure and programs.

The OMAFRA contract is a major component of University research providing funding for almost 40% of total University research and supporting 649 University employees, both faculty and staff. In addition to direct provincial funding, the province designates provincially-owned facilities (research stations and laboratories) under the contract. The province provides funding to operate, maintain and from time to time construct new contract-related facilities. These facilities not only provide important research infrastructure for the University but generate revenues from the sale of goods (agricultural commodities), and services (laboratory testing).

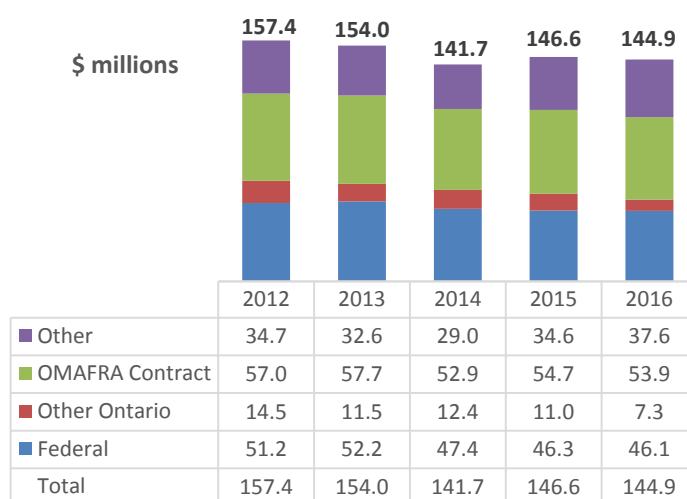
## Research Funding

Major sources of research funding include federal research grants such as the federal government Tri-Councils, CFI (Canada Foundation for Innovation), the OMAFRA contract and contracts from industry for sponsored-research projects. Most research funding is restricted by external sponsors for specific purposes and under accounting policy is not recognized as revenue until spent, not as it is received.

In 2016, \$144.9 million was received and allocated to departments (\$146.6 million in 2015). The small decrease is primarily a result of the completion of some multi-year Ontario Research Fund – Research Excellence awards.

OMAFRA Agreement (\$Millions)	2016	2015	Change
<b>REVENUE</b>			
OMAFRA Agreement	70.3	69.6	1.0%
Student Fees	0.1	0.1	0.0%
Sales of Goods & Services	18.0	18.3	-1.6%
Investment Income	0.2	0.3	-33.3%
Other Grants/ Contracts	1.3	2.5	-48.0%
Other Revenue	1.5	1.4	7.1%
<b>Total Revenue</b>	<b>91.4</b>	<b>92.2</b>	<b>-0.9%</b>
<b>EXPENSES</b>			
Salaries	33.6	33.9	-0.9%
Benefits	8.4	8.6	-2.3%
Operating	24.6	23.6	4.2%
Utilities	3.0	3.8	-21.1%
Scholarships & Bursaries	0.5	1.0	-50.0%
Cost Transfers	21.3	21.3	0.0%
<b>Total Expenses</b>	<b>91.4</b>	<b>92.2</b>	<b>-0.9%</b>
REVENUE LESS EXPENSES	-	-	

Research Funding Allocated by Major Source



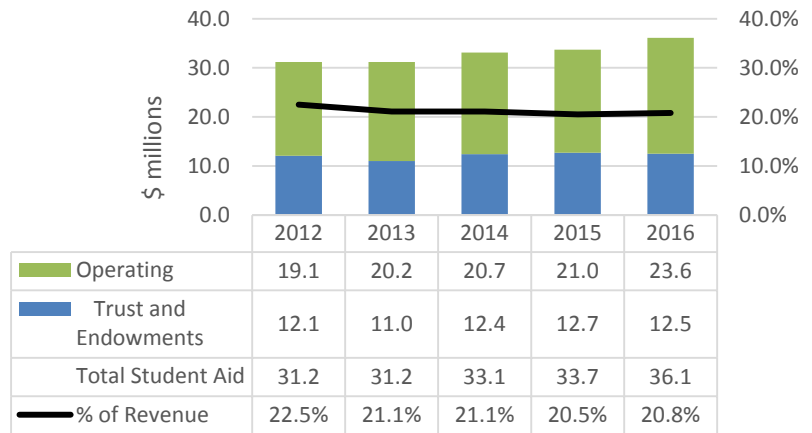


### Student Aid

Total University spending on Scholarships and Bursaries in fiscal 2016 was \$36.1 million up from \$33.7 million in fiscal 2015. Scholarships and Bursaries have two main sources of funding; the Operating Fund and externally restricted funds, e.g., grants, donations and endowments.

Student aid funding is now approximately 20.8% (20.5% in 2015) of total credit tuition revenues. Of the \$36.1 million, 65% was funded from the Operating Fund and 35% from trust funds, including endowments.

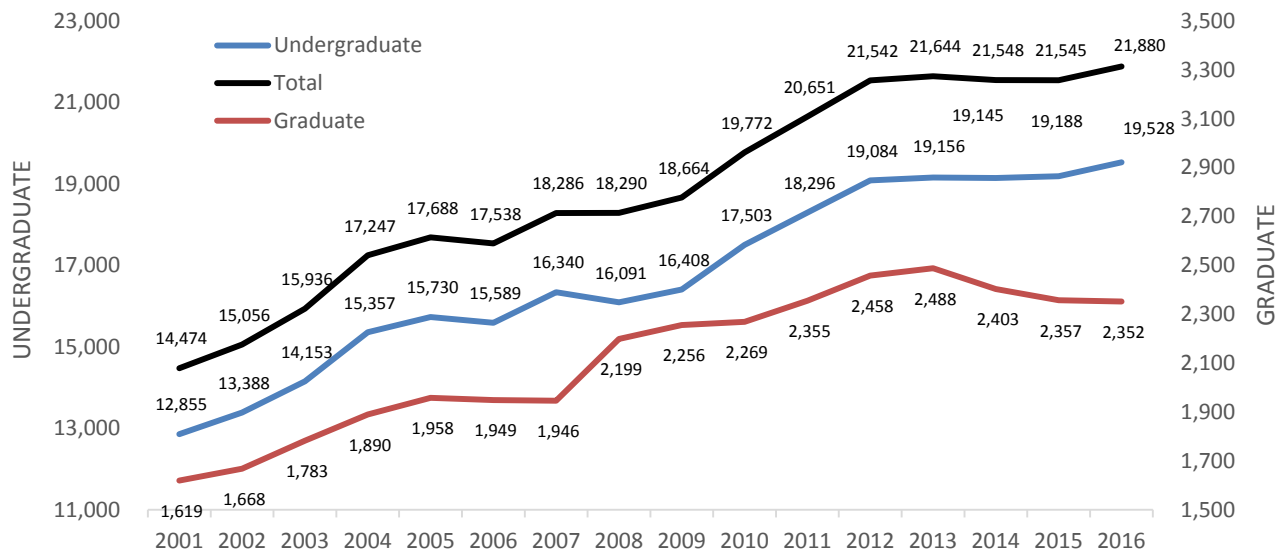
**Student Aid: Scholarships & Bursaries**  
As a Percentage of Tuition Revenue (Credit)



### Enrolment

In 2016 University enrolment as measured in full-time equivalents was basically flat compared to 2015. Undergraduate enrolment offset the decline in graduate numbers. The chart below shows the recent years of relatively flat enrolment compared to 4 years of major growth (2008 to 2012).

**University Degree-Credit Enrolment (FTE's)**



**Statement of Operations – By Fund for Fiscal 2016 (May 1, 2015 to April 30 2016)**

(in thousands of dollars)

	<b>Operating Fund</b>	<b>Capital Fund</b>	<b>Ancillary Enterprise</b>	<b>Research Fund</b>	<b>Trust Fund</b>	<b>Endowment Fund</b>	<b>Total 2016</b>	<b>Total 2015</b>
<b>REVENUE</b>								
Provincial Grants – MAESD	179,749	1,630	-	-	-	-	181,379	178,990
Provincial Contract – OMAFRA Agreement	5,294	-	-	46,167	18,834	-	70,295	69,602
Other Grants and Contracts	5,646	1,590	-	77,478	9,622	205	94,541	108,593
Tuition (Credit and Non-credit)	183,131	-	-	-	-	-	183,131	177,127
Student Fees and Contracts	16,256	-	43,170	52	-	-	59,478	59,360
Sales of Goods and Services	31,383	-	38,104	4,614	13,405	-	87,506	81,038
Investment Income (Loss)	1,987	170	-	180	10,634	(10,298)	2,673	25,188
Amortization of Deferred Capital Contributions	-	22,062	32	-	-	-	22,094	22,880
Donations	27	-	-	3,509	8,497	142	12,175	13,008
University of Guelph Humber Operations	11,562	-	-	-	-	-	11,562	9,925
Other	11,948	5,275	-	1,529	8	-	18,760	13,663
	<b>446,983</b>	<b>30,727</b>	<b>81,306</b>	<b>133,529</b>	<b>61,000</b>	<b>(9,951)</b>	<b>743,594</b>	<b>759,374</b>
<b>EXPENSES</b>								
Salaries	240,693	-	17,528	61,640	15,637	-	335,498	334,009
Employee Future Benefits (EFB)	42,895	-	-	-	-	-	42,895	45,492
Other Employee Benefits	24,152	-	3,707	9,378	4,426	-	41,663	40,788
Capital Asset Amortization	-	37,073	5,772	-	-	-	42,845	43,122
Scholarships and Bursaries	23,195	-	-	4,205	8,698	-	36,098	33,688
Supplies	14,816	-	1,985	11,779	5,387	-	33,967	33,024
Professional and Externally Contracted Services	15,533	24	1,850	7,067	2,186	-	26,660	27,573
Utilities	21,067	-	1,082	3,097	1	-	25,247	25,236
Equipment, Repairs and Maintenance	7,681	5,556	2,704	4,096	4,737	-	24,774	24,773
Travel	7,422	-	189	5,062	316	-	12,989	12,739
Interest	-	8,668	2,950	-	-	-	11,618	12,206
Other Operating	19,101	-	17,215	11,003	2,432	-	49,751	56,758
Unrealized Loss (Gain) on Interest Rate Swaps	-	191	(786)	-	-	-	(595)	3,431
Interfund Transactions	(4,790)	(56,210)	15,264	14,153	36,611	(5,028)	-	-
	<b>411,765</b>	<b>(4,698)</b>	<b>69,460</b>	<b>131,480</b>	<b>80,431</b>	<b>(5,028)</b>	<b>683,410</b>	<b>692,839</b>
<b>Excess (Deficiency) of Revenues over Expenses</b>	<b>35,218</b>	<b>35,425</b>	<b>11,846</b>	<b>2,049</b>	<b>(19,431)</b>	<b>(4,923)</b>	<b>60,184</b>	<b>66,535</b>
Endowment Income & Contributions	-	-	-	-	-	(8,184)	(8,184)	18,023
EFB Remeasurements and Other Items	(50,200)	-	-	-	-	-	(50,200)	50,034
Transfers (To) From Invested in Capital and Endowed Net Assets	-	(43,138)	(12,037)	-	-	13,107	(42,068)	(62,386)
Transfers (To) From Internally Restricted Net Assets	(29,916)	7,522	2,956	(2,049)	19,431	-	(2,056)	2,204
Net Increase (Decrease) in Unrestricted Net Assets	(44,898)	(191)	2,765	-	-	-	(42,324)	74,410
Unrestricted Net Assets, Beginning of Year	(300,446)	(5,629)	(493)	-	-	-	(306,568)	(380,978)
Unrestricted Net Assets, End of Year	(345,344)	(5,820)	2,272	-	-	-	(348,892)	(306,568)

# INDEPENDENT AUDITORS' REPORT

To the Board of Governors of the **University of Guelph**:

We have audited the accompanying financial statements of the **University of Guelph**, which comprise the statement of financial position as at April 30, 2016 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 Guelph** as at April 30, 2016 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.

Kitchener, Canada  
October 26, 2016

*Ernst & Young LLP*

Chartered Professional Accountants  
Licensed Public Accountants



**UNIVERSITY OF GUELPH**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT APRIL 30**

(in thousands of dollars)

	<u>2016</u>	<u>2015</u>
<b>ASSETS</b>		
<b>Current</b>		
Cash and Cash Equivalents (Note 3)	130,401	221,759
Short-term Investments (Note 4)	108,791	61,509
Accounts Receivable (Note 15)	21,893	22,947
Inventories and Prepaid Expenses	12,529	11,143
	<u>273,614</u>	<u>317,358</u>
Long-term Investments (Note 4)	464,200	407,083
Defined Benefit Asset (Note 10)	4,414	40,470
Capital Assets (Note 5)	<u>1,085,533</u>	<u>1,052,451</u>
	<b><u>1,827,761</u></b>	<b><u>1,817,362</u></b>
<b>LIABILITIES</b>		
<b>Current</b>		
Accounts Payable and Accrued Liabilities (Note 6)	47,257	48,630
Unrealized Loss on Interest Rate Swaps (Note 7)	15,301	15,896
Current Portion of Long-term Debt (Note 7)	10,027	11,172
Current Portion of Deferred Revenue	9,775	9,080
Deferred Contributions (Note 8)	149,265	125,920
	<u>231,625</u>	<u>210,698</u>
Long-term Debt (Note 7)	201,450	213,284
Deferred Revenue	9,248	9,469
Deferred Capital Contributions (Note 9)	360,075	369,190
Defined Benefit Liability (Note 10)	291,068	282,226
	<u>1,093,466</u>	<u>1,084,867</u>
<b>NET ASSETS</b>		
Invested in Capital Assets (Note 11)	513,981	458,805
Internally Restricted (Note 12)	262,156	260,101
Unrestricted Deficit	(348,892)	(306,568)
Endowed (Note 13)	307,050	320,157
	<u>734,295</u>	<u>732,495</u>
	<b><u>1,827,761</u></b>	<b><u>1,817,362</u></b>

Commitments and Contingencies (Notes 4(d), 17 & 18)

(See accompanying notes)

On behalf of the Board of Governors:

**Signed**

---

Kevin Golding  
Chair

**Signed**

---

Franco Vaccarino  
President

**UNIVERSITY OF GUELPH**  
**STATEMENT OF OPERATIONS**  
**FOR THE YEAR ENDED APRIL 30**

(in thousands of dollars)

	<u>2016</u>	<u>2015</u>
<b>REVENUE</b>		
Ministry of Advanced Education and Skills Development	181,379	178,990
Ministry of Agriculture, Food and Rural Affairs Agreement	70,295	69,602
Other Grants and Contracts	94,541	108,593
Tuition	183,131	177,127
Student Fees and Contracts	59,478	59,360
Sales of Goods and Services	87,506	81,038
Investment Income (Note 4)	2,673	25,188
Amortization of Deferred Capital Contributions (Note 9)	22,094	22,880
Donations (Note 14)	12,175	13,008
University of Guelph Humber Operations (Note 15)	11,562	9,925
Other	18,760	13,663
	<u>743,594</u>	<u>759,374</u>
<b>EXPENSES</b>		
Salaries	335,498	334,009
Employee Future Benefits (Note 10)	42,895	45,492
Other Employee Benefits	41,663	40,788
Capital Asset Amortization	42,845	43,122
Scholarships and Bursaries	36,098	33,688
Supplies	33,967	33,024
Professional and Externally Contracted Services	26,660	27,573
Utilities	25,247	25,236
Equipment, Repairs and Maintenance	24,774	24,773
Travel	12,989	12,739
Interest (Note 7)	11,618	12,206
Other Operating	49,751	56,758
	<u>684,005</u>	<u>689,408</u>
Unrealized Gain (Loss) on Interest Rate Swaps (Note 7)	595	(3,431)
Excess of Revenues over Expenses	<u>60,184</u>	<u>66,535</u>

(See accompanying notes)

**UNIVERSITY OF GUELPH**  
**STATEMENT OF CHANGES IN NET ASSETS**  
**FOR THE YEAR ENDED APRIL 30**

(in thousands of dollars)

	Invested in Capital Assets	Internally Restricted	Unrestricted Surplus (Deficit)	Endowed	Total
<b>2016</b>					
Net Assets, Beginning of Year	458,805	260,101	(306,568)	320,157	732,495
Excess (Deficiency) of Revenues over Expenses	(20,751)	-	80,935	-	60,184
Net Change in Net Assets Invested in Capital Assets (Note 11)	75,927	-	(75,927)	-	-
Net Change in Internally Restricted Net Assets (Note 12)	-	2,055	(2,055)	-	-
Employee Future Benefits Remeasurements and Other Items (Note 10)	-	-	(50,200)	-	(50,200)
Endowment Contributions (Note 13)	-	-	-	5,099	5,099
Decrease in Accumulated Investment Income on Externally Restricted Endowments (Note 13)	-	-	-	(13,283)	(13,283)
Internally Restricted Endowments (Note 13)	-	-	10,298	(10,298)	-
Other Transfers to Endowments (Note 13)	-	-	(5,375)	5,375	-
Net Assets, End of Year	<u>513,981</u>	<u>262,156</u>	<u>(348,892)</u>	<u>307,050</u>	<u>734,295</u>
<b>2015</b>					
Net Assets, Beginning of Year	426,541	262,305	(380,978)	290,035	597,903
Excess (Deficiency) of Revenues over Expenses	(20,242)	-	86,777	-	66,535
Net Change in Net Assets Invested in Capital Assets (Note 11)	52,506	-	(52,506)	-	-
Net Change in Internally Restricted Net Assets	-	(2,204)	2,204	-	-
Employee Future Benefits Remeasurements and Other Items (Note 10)	-	-	50,034	-	50,034
Endowment Contributions (Note 13)	-	-	-	4,711	4,711
Increase in Accumulated Investment Income on Externally Restricted Endowments (Note 13)	-	-	-	13,312	13,312
Transfer of Investment Income to Internally Restricted Endowments (Note 13)	-	-	(6,730)	6,730	-
Other Transfers to Endowments (Note 13)	-	-	(5,369)	5,369	-
Net Assets, End of Year	<u>458,805</u>	<u>260,101</u>	<u>(306,568)</u>	<u>320,157</u>	<u>732,495</u>

(See accompanying notes)

**UNIVERSITY OF GUELPH  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED APRIL 30**

(in thousands of dollars)

	<u>2016</u>	<u>2015</u>
<b>OPERATING ACTIVITIES</b>		
Excess of Revenues over Expenses	60,184	66,535
Add (Deduct) Non-cash Items:		
Capital Asset Amortization	42,845	43,122
Amortization of Deferred Capital Contributions	(22,094)	(22,880)
(Increase) Decrease in Unrealized Investment Income	10,983	(10,561)
Increase (Decrease) in Unrealized (Gain) Loss on Interest Rate Swaps	(595)	3,431
Employee Future Benefits Expense	42,895	45,492
Employee Future Benefits Contributions	(48,197)	(49,319)
Net Change in Other Non-cash Items (Note 16)	22,114	(9,161)
	<u>108,135</u>	<u>66,659</u>
<b>FINANCING ACTIVITIES</b>		
Repayment of Long-term Debt	(12,979)	(10,544)
Deferred Capital Contributions Received During the Year	12,535	16,115
Endowment Contributions	5,099	4,711
	<u>4,655</u>	<u>10,282</u>
<b>INVESTING ACTIVITIES</b>		
Net Purchase of Investments	(128,665)	(40,893)
Purchase of Capital Assets	(75,483)	(58,077)
	<u>(204,148)</u>	<u>(98,970)</u>
Decrease in Cash and Cash Equivalents	(91,358)	(22,029)
<b>Cash and Cash Equivalents, Beginning of Year</b>	<u>221,759</u>	<u>243,788</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u>130,401</u>	<u>221,759</u>

(See accompanying notes)



**UNIVERSITY OF GUELPH**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**APRIL 30, 2016**  
(in thousands of dollars)

---

**1. AUTHORITY AND PURPOSE**

The University of Guelph (the "University") operates as a not-for-profit entity under the authority of the University of Guelph Act (1964). The University is a comprehensive, research intensive university offering a range of undergraduate and graduate programs. With the exception of academic governance, which is vested in the University's Senate, the University is governed by the Board of Governors. The University is a registered charity (#10816 1829 RR001) and is therefore exempt from income taxes under section 149 of the Income Tax Act.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

These financial statements have been prepared by management in accordance with Part III of the Chartered Professional Accountants of Canada Handbook – Accounting which sets out generally accepted accounting principles for not-for-profit organizations in Canada ("GAAP") and includes the following significant accounting policies:

**(a) Cash and Cash Equivalents**

Cash and cash equivalents consist of balances with banks and highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. These investments are held for the purpose of meeting short-term cash commitments rather than for investing or other purposes, such as debt repayment. Cash and cash equivalents held for investing or other purposes are classified as investments on the Statement of Financial Position.

**(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. Short-term investments are readily convertible to cash and are recorded at cost plus accrued income, which approximates fair value. Publicly traded securities are valued on the latest quoted market prices and pooled funds are valued based on reported unit values.

The values of private investments are determined based on the latest valuations provided by the external investment managers of the fund, adjusted for subsequent cash receipts and distributions from the fund, and cash disbursements to the fund through April 30. The University believes that the carrying amount of these financial instruments is a reasonable estimate of fair value. Because private investments are not readily traded, their estimated values are subject to uncertainty and therefore may differ from the value that would have been used had a ready market for such investments existed.

Transactions are recorded on a trade date basis and transaction costs are expensed as incurred.

Investment income, comprised of interest, dividends, realized and unrealized gains (losses), and changes in fair value of currency forward contracts, is recorded as revenue in the Statement of Operations, except for investment income earned on externally restricted endowments, for which only the amount made available for spending is recorded as revenue. Investment income earned in excess of the amount made available for spending is recorded as a direct increase in endowments. In years where the investment income earned is below the amount made available for spending, the shortfall is recorded as a direct decrease in endowments.

**(c) Derivative Financial Instruments**

The University uses currency forward contracts to manage 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. The University does not enter into derivative financial instruments for trading or speculative purposes.

**UNIVERSITY OF GUELPH**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**APRIL 30, 2016**  
(in thousands of dollars)

---

Investment manager valuations are used to determine the fair value of currency forward contracts.

Bank valuations are used to determine the fair value of interest rate swaps. Changes in fair value of interest rate swaps during the year are recorded in the Statement of Operations.

**(d) Other Financial Instruments**

Other financial instruments, including accounts receivable consisting primarily of trade receivables, accounts payable and long-term debt are recorded at amortized cost.

**(e) Inventory Valuation**

Inventories are recorded at the lower of cost, determined using the weighted average method, and net realizable value.

**(f) Joint Venture**

With the approval of the Ontario Ministry of Advanced Education and Skills Development, the University of Guelph and The Humber College Institute of Technology and Advanced Learning entered into a Memorandum of Understanding dated June 10, 1999, to develop and deliver joint programming as the University of Guelph-Humber (the Joint Venture). The Joint Venture is accounted for using the equity method.

**(g) Capital Assets**

Capital assets are recorded at cost less accumulated amortization, except for the donated assets which are recorded at appraised values. Art, rare books and other collections are recorded at a nominal value of \$1 and are not amortized. The cost of capital assets is amortized on a straight-line basis over the estimated useful lives as follows:

Land Improvements	10 to 60 Years
Buildings	40 Years
Furniture and Equipment	10 Years
Computer Equipment	3 Years
Library Books	5 Years

**(h) Leases Payable**

The University has entered into building leases for which title to the related assets will vest in the University on the termination of the leases. The cost of these assets is reflected in capital assets and the present value of the lease commitments is reflected as a liability.

**(i) Recognition of Revenue**

The University accounts for contributions, which includes government grants and donations, in accordance with the deferral method.

Externally restricted contributions received for:

- Purposes other than endowment or the acquisition of capital assets are initially recorded as deferred contributions and recognized as revenue in the year in which the related expenses are incurred.
- The acquisitions of capital assets having limited life are initially recorded as deferred contributions in the period in which they are received and recognized as revenue over the useful life of the related capital assets.
- The acquisition of unlimited life assets such as land and collections are recorded as direct increases in net assets in the period in which they are received.

**UNIVERSITY OF GUELPH**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**APRIL 30, 2016**  
(in thousands of dollars)

---

Endowment contributions and related investment income (loss) allocated to endowment capital preservation and growth are recorded as direct increases or decreases in net assets in the period in which they are received or earned.

Unrestricted contributions are recognized as revenue when received.

Revenues received for the provision of goods and services are recognized in the period in which the goods or services are provided by the University. Revenues received for a future period are deferred until the goods or services are provided.

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 collected that relate to academic terms commencing after the end of the fiscal year are included in Current Portion of Deferred Revenue.

**(j) Employee Future Benefits**

The University maintains defined benefit plans providing pension, other retirement and post-employment benefits for its employees and accounts for these using the immediate recognition approach. Under this approach, the University recognizes the amount of the defined benefit obligation net of the fair value of plan assets measured at the date of the statement of financial position in the Statement of Financial Position. 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, net change in valuation allowance, past service costs, and curtailment and settlement gains and losses are recognized as a direct increase or decrease in net assets. The liability for funded and unfunded defined benefit plans is determined using a roll-forward technique to estimate the defined benefit liability using funding assumptions from the most recent actuarial valuation report prepared at least every three years.

**(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 translations are included in revenue except to the extent that they relate to investments, in which case they are recognized in the same manner as investment income.

**(l) Use of Estimates**

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Significant items subject to such estimates and assumptions include the carrying amount of capital assets, valuation allowances for receivables, accrued liabilities, valuation of derivative financial instruments, obligations related to employee future benefits and the recording of contingencies. Actual results could differ from those estimates.

**3. CASH AND CASH EQUIVALENTS**

	<u>2016</u>	<u>2015</u>
Cash	40,121	50,037
Money Market Funds	90,280	164,614
Canadian Bank Term Deposits	-	7,108
	<u>130,401</u>	<u>221,759</u>

**UNIVERSITY OF GUELPH**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**APRIL 30, 2016**  
(in thousands of dollars)

**4. INVESTMENTS**

**a) Details**

	<u>2016</u>	<u>2015</u>
<b>Short-term Investments</b>		
Restricted Cash Equivalents	12,111	16,893
Foreign Currency Forward Contracts	5,172	3,008
Canadian Bank G.I.C.s	67,329	-
Government Bonds	11,155	30,114
Guelph-Humber Equity (Note 15)	<u>13,024</u>	<u>11,494</u>
	108,791	61,509
<b>Long-term Investments</b>		
Canadian Bank G.I.C.s	10,090	-
Government Bonds	83,403	41,379
Canadian Fixed Income	125,785	105,805
Canadian Equities	75,871	78,272
U.S. Equities	67,154	76,786
Non-North American Equities	68,257	71,092
Emerging Markets Equities	15,607	19,331
Infrastructure Pooled Fund	<u>18,033</u>	<u>14,418</u>
	464,200	407,083
<b>Total Investments</b>	<u><u>572,991</u></u>	<u><u>468,592</u></u>

**b) Investment Income**

	<u>2016</u>			<u>2015</u>
	<u>Operations</u>	<u>Endowment</u>	<u>Total</u>	<u>Total</u>
Net Realized Investment Income	2,115	17,311	19,426	20,168
Net Increase (Decrease) in Unrealized Investment Income	<u>1,285</u>	<u>(29,227)</u>	<u>(27,942)</u>	<u>20,522</u>
	3,400	(11,916)	(8,516)	40,690
(Increase) Decrease in Accumulated Investment Income on Externally Restricted Endowments (Note 13)	-	13,283	13,283	(13,312)
(Increase) Decrease in Accumulated Investment Income on Internally Restricted Endowments (Note 13)	(10,298)	10,298	-	-
Investment Income Made Available for Spending (Note 13)	11,665	(11,665)	-	-
Net Investment Income Deferred	<u>(2,094)</u>	<u>-</u>	<u>(2,094)</u>	<u>(2,190)</u>
	<u><u>2,673</u></u>	<u><u>-</u></u>	<u><u>2,673</u></u>	<u><u>25,188</u></u>

**c) Derivative Investments**

The University has entered into foreign currency forward contracts to minimize exchange rate fluctuations and the resulting volatility on future financial results. All outstanding contracts have a remaining term to maturity of less than one year. These contracts are recorded at fair value as Short-Term Investments on the Statement of Financial Position.

**UNIVERSITY OF GUELPH**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**APRIL 30, 2016**  
(in thousands of dollars)

The notional and fair values of foreign currency forward contracts are as follows:

**Derivatives - FFX contracts**

	<b>2016</b>		<b>2015</b>	
	Notional Value	Fair Value	Notional Value	Fair Value
United States Dollar	65,975	4,571	68,612	2,197
Euro	11,321	229	12,161	373
British Pound Sterling	5,574	131	6,276	206
Japanese Yen	4,634	70	4,278	134
Other	7,109	171	7,495	98
		<u>5,172</u>		<u>3,008</u>

**d) Uncalled Commitments**

As at April 30, 2016, approximately 3.9% (2015 – 3.5%) of the University's long-term investment portfolio is invested in Brookfield Infrastructure Fund. The legal terms and conditions of these investments require that investors initially make an unfunded commitment and then remit funds over time (cumulatively up to a maximum of the total committed amount) in response to a series of capital calls issued to the investors by the manager. As at April 30, 2016, the University had uncalled commitments of \$5,589 (2015 - \$8,385).

**5. CAPITAL ASSETS**

	<b>2016</b>			<b>2015</b>		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Land	255,660	-	255,660	255,660	-	255,660
Land Improvements	32,168	12,056	20,113	32,410	11,543	20,867
Buildings	927,382	269,451	657,932	915,386	253,058	662,328
Furniture and Equipment	229,073	152,602	76,471	233,942	153,471	80,471
Construction in Progress	69,341	-	69,341	26,482	-	26,482
Computer Equipment	12,297	10,560	1,736	12,979	11,013	1,966
Library Books	15,990	11,711	4,279	16,755	12,079	4,676
Art, Rare Books and Other Collections	1	-	1	1	-	1
	<u>1,541,914</u>	<u>456,380</u>	<u>1,085,533</u>	<u>1,493,615</u>	<u>441,164</u>	<u>1,052,451</u>

**6. GOVERNMENT REMITTANCES**

Accounts Payables and Accrued Liabilities include \$568 (2015 - \$586) with respect to government remittances payable.

**UNIVERSITY OF GUELPH**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**APRIL 30, 2016**  
(in thousands of dollars)

**7. LONG-TERM DEBT**

<b>a) Details</b>	Interest Rate	Issue Date	Due Date	<b>2016</b>	<b>2015</b>
	%				
<b>Series A Unsecured Debenture</b>	6.24	11-Oct-02	10-Oct-42	100,000	100,000
<b>Banker's Acceptances</b>					
Canadian Imperial Bank of Commerce	4.96	1-May-06	2-May-16	151	758
Toronto Dominion Bank	4.91	20-Dec-07	20-Dec-22	3,620	4,153
Toronto Dominion Bank	4.54	10-Apr-08	10-Apr-23	1,399	1,599
Toronto Dominion Bank	3.47	13-Mar-09	13-Mar-24	5,338	6,003
Royal Bank of Canada	4.85	23-Mar-10	24-Mar-25	4,671	5,190
Royal Bank of Canada	5.02	1-May-10	1-May-25	6,204	6,874
Bank of Montreal	7.63	16-Oct-00	15-Jun-25	25,200	26,500
Royal Bank of Canada	3.84	3-Oct-11	2-Oct-26	26,443	28,961
Royal Bank of Canada	2.96	5-Sep-12	5-Sep-27	22,172	24,110
Canadian Imperial Bank of Commerce	3.73	1-Oct-13	1-Oct-28	16,279	17,580
				<u>111,477</u>	<u>121,728</u>
<b>Leases Payable</b>					
Ontario Student Housing Corp.	6.13	1-Jan-69	1-Dec-18	-	262
Canada Mortgage and Housing Corp.	5.88	1-Jan-69	1-Dec-18	-	2,293
				<u>-</u>	<u>2,555</u>
<b>Mortgages Payable</b>					
Canada Mortgage and Housing Corp.	5.38	1-Jan-67	1-Dec-16	-	173
				<u>-</u>	<u>173</u>
				211,477	224,456
Current Portion				<u>(10,027)</u>	<u>(11,172)</u>
				<u>201,450</u>	<u>213,284</u>

The interest rates disclosed above are the effective rates as a result of entering into interest rate swaps as discussed in part **c)** of this note. During the current fiscal year, the University made principal repayments in the amount of \$12,979 (2015 - \$10,544) and incurred \$11,618 (2015 - \$12,206) in interest expense from long-term debt.

The repayments required in the next five years and thereafter for the debt listed above are summarized as follows:

2017	10,027
2018	9,947
2019	10,947
2020	10,947
2021	11,147
2022 and beyond	158,462
	<u>211,477</u>

**UNIVERSITY OF GUELPH**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**APRIL 30, 2016**  
(in thousands of dollars)

**b) Series A Unsecured Debenture**

On October 11, 2002 the University issued a Series A senior unsecured debenture in the aggregate principal amount of \$100,000 at a price of \$998.69 for proceeds of \$99,869. The debenture bears interest at 6.24%, which is payable semi-annually on April 10 and October 10 with the principal amount to be repaid on October 10, 2042. The proceeds of the issue were primarily used to finance capital projects including the construction of new classrooms and a science complex.

**c) Interest Rate Swaps**

The University has entered into interest rate exchange (swap) contracts with the Toronto Dominion Bank, Bank of Montreal, Royal Bank of Canada, and Canadian Imperial Bank of Commerce in order to convert variable-rate borrowings to fixed rates. Under the terms of these agreements, the University pays a fixed rate and receives a variable rate on each swap's notional principal amount. The notional amounts and the net unrealized gain (loss) of these contracts outstanding at April 30th are:

	Due Date	2016		2015	
		Notional Amount	Gain (Loss)	Notional Amount	Gain (Loss)
Canadian Imperial Bank of Commerce	2-May-16	150	(1)	750	(21)
Toronto Dominion	20-Dec-22	3,611	(349)	4,143	(523)
Toronto Dominion	10-Apr-23	1,400	(124)	1,600	(182)
Toronto Dominion	13-Mar-24	5,333	(284)	6,000	(363)
Royal Bank of Canada	24-Mar-25	4,670	(535)	5,190	(566)
Royal Bank of Canada	1-May-25	6,159	(746)	6,827	(788)
Bank of Montreal	15-Jun-25	25,200	(7,262)	26,500	(7,945)
Royal Bank of Canada	2-Oct-26	26,460	(2,734)	28,980	(2,657)
Royal Bank of Canada	5-Sep-27	22,148	(1,535)	24,088	(1,270)
Canadian Imperial Bank of Commerce	1-Oct-28	16,250	(1,731)	17,550	(1,581)
			<u>(15,301)</u>		<u>(15,896)</u>

The net change in the unrealized loss of \$ 595 (2015 – loss of \$3,431) is recorded in the Statement of Operations.

**8. 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:

	2016	2015
Balance, Beginning of Year	125,920	145,549
Contributions Received During the Year	206,653	174,699
Contributions Recognized During the Year	<u>(183,308)</u>	<u>(194,328)</u>
Balance, End of Year	<u>149,265</u>	<u>125,920</u>



**UNIVERSITY OF GUELPH**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**APRIL 30, 2016**  
(in thousands of dollars)

**9. DEFERRED CAPITAL CONTRIBUTIONS**

Deferred capital contributions represent the unamortized amount of donations and grants received over a number of years restricted to 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 are as follows:

	<u>2016</u>	<u>2015</u>
Balance, Beginning of Year	369,190	375,359
Contributions Received During the Year	12,979	16,711
Amortization of Deferred Capital Contributions	<u>(22,094)</u>	<u>(22,880)</u>
Balance, End of Year	<u>360,075</u>	<u>369,190</u>

**10. EMPLOYEE FUTURE BENEFITS**

**a) Description of Plans**

The University has a number of funded and unfunded programs that provide defined benefit pension and other post-employment benefits to its employees. The pension plans provide benefits that are based on years of service and best average earnings. The benefit rates are adjusted annually to reflect any increase in the Consumer Price Index (limited to 8%) that is in excess of 2%. The University's other post-employment benefit plans provide extended health care and dental coverage to retirees and their eligible dependents on a cost-sharing basis. Retiree contributions to the health and dental programs cover 30% and 50% of the costs respectively. During the year, changes were made to certain key pension plan provisions. These changes include increases to the employee contribution rates and greater early retirement penalties.

The most recent actuarial valuations were prepared as of August 1, 2013 for the University's registered pension plans and January 1, 2016 for other benefit plans. The next required funding valuation for the University's registered pension plans will be August 1, 2016. The University measures its accrued benefit obligation and the fair value of plan assets for accounting purposes as at April 30 of each year.

**b) Defined Benefit Obligations and Plan Assets**

Information about the University's defined benefit plans, in aggregate, is as follows:

	<u>Pension Plans</u>		<u>Other Benefit Plans</u>		<u>Total</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Defined Benefit Obligation	1,326,682	1,289,921	238,365	279,832	1,565,047	1,569,753
Fair Value of Plan Assets	1,286,240	1,339,059	-	-	1,286,240	1,339,059
Funded Status-Surplus (Deficit)	(40,442)	49,138	(238,365)	(279,832)	(278,807)	(230,694)
Valuation Allowance (VA)	(7,847)	(11,062)	-	-	(7,847)	(11,062)
Net Defined Benefit Asset (Liability)	<u>(48,289)</u>	<u>38,076</u>	<u>(238,365)</u>	<u>(279,832)</u>	<u>(286,654)</u>	<u>(241,756)</u>
<b>Statement of Financial Position</b>						
Defined Benefit Asset	4,414	40,470	-	-	4,414	40,470
Defined Benefit Liability	<u>(52,703)</u>	<u>(2,394)</u>	<u>(238,365)</u>	<u>(279,832)</u>	<u>(291,068)</u>	<u>(282,226)</u>
Net Defined Benefit Asset (Liability)	<u>(48,289)</u>	<u>38,076</u>	<u>(238,365)</u>	<u>(279,832)</u>	<u>(286,654)</u>	<u>(241,756)</u>

**UNIVERSITY OF GUELPH**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**APRIL 30, 2016**  
(in thousands of dollars)

**c) Net Benefit Plan Costs**

	<b>Pension Plans</b>		<b>Other Benefit Plans</b>		<b>Total</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
Total Service Cost	40,502	39,991	7,469	7,046	47,971	47,037
Less: Employee Contributions	(19,201)	(18,711)	-	-	(19,201)	(18,711)
Current Service Cost	21,301	21,280	7,469	7,046	28,770	28,326
Finance Cost (Recovery)	(2,889)	1,276	17,014	15,890	14,125	17,166
<b>Employee Future Benefits Expense</b>	<b>18,412</b>	<b>22,556</b>	<b>24,483</b>	<b>22,936</b>	<b>42,895</b>	<b>45,492</b>
Return on Plan Assets Less (Greater) than Discount Rate	113,621	(50,106)	-	-	113,621	(50,106)
Actuarial (Gain) Loss	1,702	749	(61,242)	(2,140)	(59,540)	(1,391)
Current Increase (Decrease) in VA	(3,215)	1,463	-	-	(3,215)	1,463
Effect of VA on Finance Cost	(666)	-	-	-	(666)	-
<b>Remeasurements and Other Items</b>	<b>111,442</b>	<b>(47,894)</b>	<b>(61,242)</b>	<b>(2,140)</b>	<b>50,200</b>	<b>(50,034)</b>
Net Benefit Cost (Income)	129,854	(25,338)	(36,759)	20,796	93,095	(4,542)

**d) Significant Assumptions**

The discount rate used for determining defined benefit obligation at April 30<sup>th</sup> is 6% (2015 - 6.0%) and for determining benefit cost for the fiscal year is 6% (2015 - 6.0%).

The rate of increase in future compensation used for determining defined benefit obligation at April 30<sup>th</sup> is 4% (2015 - 4.0%) and for determining benefit cost for the fiscal year is 4% (2015 - 4.0%).

The assumed rate for dental inflation is 4.5% (2015 - 4.5%). The assumed health care cost trend rate is 6.5% in 2016 (2015 - 7.0%) declining annually by 0.5% (2015 - 0.5%) until reaching the ultimate rate of 5% (2015 - 5.0%).

**UNIVERSITY OF GUELPH**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**APRIL 30, 2016**  
(in thousands of dollars)

**11. INVESTED IN CAPITAL ASSETS**

	<u>2016</u>	<u>2015</u>
Capital Assets (Net Book Value) (Note 5)	1,085,533	1,052,451
Less: Long-term Debt (Note 7)	(211,477)	(224,456)
Deferred Capital Contributions (Note 9)	<u>(360,075)</u>	<u>(369,190)</u>
Invested in Capital Assets	<u>513,981</u>	<u>458,805</u>

Changes in Invested in Capital Assets are as follows:

Capital Asset Amortization	(42,845)	(43,122)
Amortization of Deferred Capital Contributions	<u>22,094</u>	<u>22,880</u>
	<u>(20,751)</u>	<u>(20,242)</u>
Acquisition of Capital Assets	75,927	58,673
Repayment of Long-term Debt	12,979	10,544
Cash Contributions Received During the Year	(12,535)	(16,115)
Contributions of Depreciable Assets Received During the Year	<u>(444)</u>	<u>(596)</u>
	<u>75,927</u>	<u>52,506</u>
	<u>55,176</u>	<u>32,264</u>

**12. INTERNALLY RESTRICTED NET ASSETS**

These are restrictions of net assets designated for future purchase order commitments; capital and renovation projects committed but not completed; capital assets funded through internal borrowings; unspent organizational unit funds permitted to be carried forward at the end of each year for expenditure in the following year; and contingencies in such amounts as are deemed necessary by the Board.

	<u>Balance,</u> <u>April 30, 2015</u>	<u>Transfer to</u> <u>(from) in 2016</u>	<u>Balance,</u> <u>April 30, 2016</u>
Operating Fund Reserves			
Division Reserves	71,021	11,569	82,590
Central Operating Reserves	47,973	20,669	68,642
Guelph-Humber Internally Restricted	1,463	(29)	1,434
Self Insured Losses	1,000	-	1,000
Employee Benefit Reserves	<u>73,985</u>	<u>(2,293)</u>	<u>71,692</u>
	195,442	29,916	225,358
Capital Projects Reserves			
Capital Projects and Renovations	4,945	5,828	10,773
Internally Financed Projects	(37,475)	(17,774)	(55,249)
Funds Held for Debt Repayment	13,497	1,456	14,953
Trust	49,869	(19,433)	30,436
Research	33,028	2,050	35,078
Other	<u>795</u>	<u>12</u>	<u>807</u>
	<u>260,101</u>	<u>2,055</u>	<u>262,156</u>

**UNIVERSITY OF GUELPH**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**APRIL 30, 2016**  
(in thousands of dollars)

**13. CHANGES IN NET ASSETS – ENDOWED**

The Endowment Fund consists of two major groups of investments each with different spending objectives: the Heritage Fund and the General Endowment Fund. The Heritage Fund was created in 1991 by a declaration of trust of the Board of Governors with the sole intention that the capital of the Heritage Fund will be held in perpetuity for University strategic purposes. The main sources of growth for the Heritage Fund are proceeds of University real estate sales and leases from designated properties and investment income earned on the Heritage Fund. Distributions from the Heritage Fund are made in accordance with a formula based on a five-year average of market returns after having provided for inflation protection and growth. Management of the Heritage Fund is delegated by the Board of Governors to the Board of Trustees of the Heritage Fund. The General Endowment Fund contains all remaining University endowments which consist of private and Board designated donations directed primarily for student aid.

Endowed net assets include externally restricted donations received by the University and donations designated by the Board to be endowed for specific purposes. The University endowment policy has the objective of protecting the real spending value of the endowed principal by limiting spending of investment income earned on endowments.

Details of changes in endowed net assets are as follows:

	<b>2016</b>			<b>2015</b>		
	Externally Restricted	Internally Restricted	Total	Externally Restricted	Internally Restricted	Total
Investment Income (Loss) on Endowments	(7,115)	(4,801)	(11,916)	19,193	14,062	33,255
Less: Available for Spending	(6,168)	(5,497)	(11,665)	(5,881)	(7,332)	(13,213)
Increase (Decrease) in Accumulated Investment Income on Endowments (Note 4(b))	(13,283)	(10,298)	(23,581)	13,312	6,730	20,042
Endowment Contributions (Note 14)	5,099	-	5,099	4,711	-	4,711
	(8,184)	(10,298)	(18,482)	18,023	6,730	24,753
Transfers to Endowments	178	5,197	5,375	36	5,333	5,369
Net Increase (Decrease) in Net Assets	(8,006)	(5,101)	(13,107)	18,059	12,063	30,122
Net Assets, Beginning of Year	191,407	128,750	320,157	173,348	116,687	290,035
Net Assets, End of Year	183,401	123,649	307,050	191,407	128,750	320,157

**14. DONATIONS**

	<b>2016</b>	<b>2015</b>
Donations Received During the Year	27,159	20,434
Less:		
Donations Recorded as Endowment Contributions	(5,099)	(4,711)
Donations Recorded as Deferred Capital Contributions	(3,433)	(2,612)
Net Increase in Deferred Contributions from Donations	(6,452)	(103)
Donations Recognized as Revenue	12,175	13,008

**UNIVERSITY OF GUELPH**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**APRIL 30, 2016**  
(in thousands of dollars)

**15. JOINT VENTURE, UNIVERSITY OF GUELPH-HUMBER**

As part of its participation in the Joint Venture, the University provides certain services including academic administration, student recruitment and admissions, curriculum development, student aid and course delivery. The University advances funds equal to the cost of these services to the Joint Venture on an ongoing basis and is then reimbursed for these expenses periodically. All amounts are shared 50% by each venturer. At April 30, 2016, there is a net advance of \$356 (2015 - \$1,500) outstanding, which is included in Accounts Receivable.

The University provides certain administrative services to the Joint Venture for which the exchange amount, as agreed to by the parties, for the year ended April 30, 2016 was \$2 million (2014 - \$2 million).

A financial summary of the University's share of the Joint Venture for the fiscal year ended March 31st is as follows:

	<u>2016</u>	<u>2015</u>
Financial Position:		
Total Assets	17,753	14,186
Total Liabilities	<u>4,729</u>	<u>2,692</u>
Total Net Assets	<u><u>13,024</u></u>	<u><u>11,494</u></u>
Results of Operations:		
Total Revenue	31,966	28,748
Total Expenses	<u>20,404</u>	<u>18,823</u>
Excess of Revenue over Expenses	<u><u>11,562</u></u>	<u><u>9,925</u></u>
Net Assets:		
Unrestricted	11,590	10,032
Internally Restricted	900	900
Invested in Capital Assets	<u>534</u>	<u>562</u>
	<u><u>13,024</u></u>	<u><u>11,494</u></u>
Cash Flows:		
Cash Provided by Operating Activities	10,111	9,176
Cash Used in Investing Activities	(80)	(10)
Cash Used in Financing Activities	(10,032)	(9,166)
Cash, Beginning of Year	<u>-</u>	<u>-</u>
Cash, End of Year	<u><u>-</u></u>	<u><u>-</u></u>

**16. NET CHANGE IN OTHER NON-CASH ITEMS**

	<u>2016</u>	<u>2015</u>
Accounts Receivable	1,054	3,390
Inventories and Prepaid Expenses	(1,386)	(336)
Accounts Payable and Accrued Liabilities	(1,373)	7,821
Deferred Revenue	474	(407)
Deferred Contributions	<u>23,345</u>	<u>(19,629)</u>
	<u><u>22,114</u></u>	<u><u>(9,161)</u></u>

**UNIVERSITY OF GUELPH**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**APRIL 30, 2016**  
(in thousands of dollars)

---

**17. COMMITMENTS**

Costs to complete major capital projects in progress as at April 30, 2016 are estimated to be \$48,603 (2015 - \$72,961) and will be funded by government grants, gifts and University resources.

**18. CONTINGENCIES**

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, 2016, the University believes it has valid defenses and appropriate insurance coverage in place on certain claims which are not expected to have 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.

The University is a member in a self-insurance co-operative in association with other Canadian universities to provide property and general liability insurance coverage. Under this arrangement referred to as the Canadian Universities Reciprocal Insurance Exchange (CURIE), 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 Dec. 31, 2015, CURIE had an accumulated surplus of \$69,679 (2014 - \$74,231) of which the University's pro rata share is \$2,223 (2014 - \$2,372).

The University allows a licensee to extract aggregate from its Puslinch property. Under the terms of the license agreement, the licensee is responsible for site restoration after extraction is complete, according to an agreed upon plan of restoration. Site restoration is regularly carried out by the licensee as extraction from portions of the property is complete. While management is of the view that the licensee will meet its obligations under the agreement with respect to site restoration, should the licensee be unable to do so, the University as property owner would be responsible.

The University has a lease arrangement with the Guelph Cutten Club, whereby the University leases the assets to the Guelph Cutten Club, which is owned by the members. The University has guaranteed a loan of up to \$2,500 for the Guelph Cutten Club. As of April 30, 2016 the Guelph Cutten Club borrowed \$883 (2015 - \$1,017) under this guarantee.

**UNIVERSITY OF GUELPH**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**APRIL 30, 2016**  
(in thousands of dollars)

---

**19. FINANCIAL INSTRUMENTS**

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

**(a) 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. To manage foreign currency risk, the Endowment Investment policy at the University limits exposure to unhedged foreign currencies to 50% of the market value of foreign currency denominated assets of the Endowment Funds.

**(b) Credit Risk**

The University is exposed to credit risk in connection with its short-term investments, accounts receivable and its derivative financial instruments. The University minimizes the credit risk of cash and cash equivalents and short-term investments by depositing with only reputable financial institutions, investing in securities that meet minimum credit ratings as stipulated by the University's investment policies, and limiting exposure to any one investment. The University minimizes the credit risk of its accounts receivable by performing credit reviews where necessary.

**(c) Interest Rate Risk**

The University is exposed to interest rate risk on its variable rate debt. The University minimizes this risk by entering into interest rate exchange (swap) contracts with Canadian chartered banks in order to convert variable-rate borrowings to fixed rates, thereby reducing interest rate risk associated with its outstanding debt. The University is also 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 financial liabilities. The University manages its liquidity risk by monitoring its operating and capital requirements. The University prepares capital and operating budgets to fulfill its obligations.

**(e) Other Price Risk**

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

**20. COMPARATIVE NUMBERS**

Certain comparative numbers have been reclassified to conform to the presentation adopted for the current year.