



IMPROVE LIFE.

ANNUAL FINANCIAL REPORT

Fiscal Year 2017

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Financial Summary

University financial results for the year show another overall positive year highlighted by very strong investment returns which were the primary contributor to a 6.6% increase in revenues. Additional income was earned from continuing growth in student enrolments.

When combined with an overall spending increase of 3.3%, the result was net income of \$89.8 million and a \$149.6 million increase in net assets. (Refer to the Table below).

Total University - Annual Results				
\$ millions	2017	2016	Change	
Total Revenue	818.3	767.4	50.9	6.6%
Total Expenses	731.4	707.8	23.6	3.3%
Decrease in Unrealized Loss on Interest Rate Swaps	2.9	0.6	2.3	
Revenue Less Expenses	89.8	60.2	29.6	
Direct Changes to Net Assets;				
Endowment Additions	25.9	(8.2)	34.1	
EFB¹ Re-measurements	33.9	(50.2)	84.1	
Total Direct Changes	59.8	(58.4)	118.2	
Total Change in Net Assets	149.6	1.8	147.8	

In terms of attribution, the largest contributor to the increase in net income and Net Assets compared to last year, were major market gains on investments in both the University endowment fund and assets held for the pension plans; asset returns in these two major portfolios were 15% (-3.6% in 2016) and 14% (-4.0% in 2016) respectively.

Realized investment returns, mainly from internally restricted endowments, added \$33.4 million in new University revenues this year, most of which flowed through as an increase in Net Assets. In addition, \$22.5 million was

¹Employee Future Benefits (EFB) – include both pension and non-pension defined benefit programs.

recorded as a direct increase² in endowment Net Assets from investment returns on externally restricted endowments. Finally, EFB re-measurements netted a further \$33.9 million gain to Net Assets as the result of investment returns on pension plan assets having exceeded actuarial assumptions.

Revenue

Of the 6.6% increase in total revenues over last year, 4.3% was due to \$33.4 million in increased recognized investment income. The remaining increases were from revenue gains in provincial operating grants and income from an enrolment increase of over 500 students (a 2.3% increase in enrolments and a 3% tuition increase).

Total University Revenue				
\$ millions	2017	2016	Change	
Prov. Grants MAESD³	201.4	197.4	4.0	2.0%
Prov. Contract OMAFRA	71.1	70.3	0.8	1.1%
Student Tuition/Fees	279.9	258.5	21.4	8.3%
Other Grants & Contracts	91.3	94.5	(3.2)	-3.4%
Sales of Goods & Services	93.0	91.9	1.1	1.2%
Investment Income	36.1	2.7	33.4	12X
Other	45.5	52.1	(6.6)	-12.7%
Total Revenue	818.3	767.4	50.9	6.6%

Small revenue reductions were recorded in “Other Grants and Contracts” directly linked to a decline in spending on various research and trust grants and contracts and in “Other” revenues where a one-time rebate of \$5.1 million was received last year related to an energy retrofit project resulting in the comparative decline.

² Under accounting policy, contributions to 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 plans are recorded as direct changes to net assets.

³ Ministry of Advanced Education and Skills Development; previously known as Ministry of Training, Colleges and Universities (“MTCU”).

Expenses

Total expenses increased 3.3% primarily due to increases in salaries, benefits and student assistance in the Operating Fund. Overall “Salaries” and “Benefits” costs increased by 4.3% and 4.6% respectively and student assistance increased by 9.1%.

Most compensation based increases were due to general salary rate increases and an overall increase in the numbers of employees of about 2% as more faculty and staff were hired in response to enrolment increases.

<i>University Expenses</i>				
\$ millions	2017	2016	Change	
Salaries	360.1	345.3	14.8	4.3%
Benefits	91.0	87.0	4.0	4.6%
Student Assistance	41.8	38.3	3.5	9.1%
Supplies and Services	67.2	65.6	1.6	2.4%
Utilities	23.4	25.2	(1.8)	-7.1%
Capital Amortization	43.5	43.0	0.5	1.2%
Interest	11.7	11.6	0.1	0.9%
Other Expenses	92.7	91.8	0.9	1.0%
Total Expenses	731.4	707.8	23.6	3.3%

Other than compensation, the largest increase in expense was in “Student Assistance” reflecting both increases in enrolments and the University’s efforts to increase support for students especially in the highly competitive area of graduate student recruitment.

Utilities savings occurred mainly due to mild winter conditions and continuing investments in energy saving projects and practices.

Net Income by Major Fund

This section provides a further attribution analysis of net income across major funds that combined make up the University’s overall financial position.

Overall, the decline in Operating Fund net income was more than offset by gains in other funds due in large part to investment gains.

<i>Revenue Less Expenses By Fund</i>			
\$ millions	2017	2016	Change
Operating	15.9	35.2	(19.3)
Capital	38.8	35.4	3.4
Ancillary Enterprises	12.1	11.9	0.2
Research	3.4	2.0	1.4
Trust	0.2	(19.4)	19.6
Endowments	19.4	(4.9)	24.3
Total	89.8	60.2	29.6

Operating fund results⁴ reflect increases in compensation related to supporting enrolment growth and an increase in transfers for capital projects. *(More details on page 9.)*

Capital fund net income remained significant reflecting the University’s continuing investments in both major building projects and renovations. *(More details on page 5.)*

Endowments fund revenue reflects investment income gains on internally restricted endowments, which includes the Heritage Fund.

The **Trust fund** shows more normal annual results compared to last year when there was a large one-time transfer to capital.

⁴This is the first year in which the University of Guelph Humber results are reflected in the Operating Fund portion of these statements as a 50% proportionate consolidation. This accounting policy change has been made retroactive to 2016 and therefore does not materially impact comparative results. More details on the impact of Guelph-Humber activities are in following sections and the audited financial statements themselves.)

Net Assets by Category

University Net Assets are classified into four major groups in accordance with accounting policy. The following table shows 2017 Net Asset balances compared to the prior year.

Net Asset Balances			
\$ millions	2017	2016	Change
1. Capital Assets	516.6	514.5	2.1
2. Internally Restricted;			
Capital Projects ⁵	(4.3)	(44.5)	40.2
Operating Fund	237.3	224.8	12.5
Other Funds	87.8	81.3	6.5
Total Internally Restricted	320.8	261.6	59.2
3. Unrestricted (Deficit)	(305.9)	(348.9)	43.0
4. Endowment	352.4	307.1	45.3
Total University Net Assets	883.9	734.3	149.6

Capital Assets, typically the largest net asset category, shows the net undepreciated equity position the University holds in its land, buildings and equipment. In 2017 the University continued to invest its physical assets and undertook a major borrowing of \$40 million in large part to support the capital costs of the Mitchell athletics building addition. Overall Capital Assets grew by a net \$2.1 million. (Refer to table below.)

Increases (Decreases) in Net Assets - Capital Assets			
\$ millions	2017	2016	Change
Capital asset acquisitions	80.9	76.0	4.9
Capital contributions recognized	21.1	22.1	(1.0)
External debt repayment	10.5	12.9	(2.4)
Capital asset amortization	(43.5)	(43.0)	(0.5)
Capital contributions deferred	(26.9)	(12.9)	(14.0)
New external debt	(40.0)	-	(40.0)
Total Change	2.1	55.1	(53.0)

Internally Restricted funds record the amount of accumulated net income designated by the Board for specific purposes including completing capital projects, division unspent funds and reserves. The largest change, accounting for

⁵ Balances reflect the net financing position in the Capital fund; cash balances for projects in progress less internal financing used for capital projects.

most of the increase in Internally Restricted fund occurred in the **Capital Projects** category where taking on new long-term external debt for the Mitchell Building reduced the amount of cash previously advanced to temporarily finance project costs (internal financing).

The increase in **Operating Fund** reflects the increase in division carry forwards (unspent budget allocations). These funds are designated mainly for future projects and programs including capital renovations, start-up funding for new faculty and temporary support staff.

The **Unrestricted (Deficit)** decreased by \$43.0 million mainly due to the accounting recognition of EFB re-measurements which netted \$33.9 million for both pension and non-pension benefits. The major adjustment was the result of an actual return of 14.0% on invested pension plan assets that was considerably higher than the discount rate (5.65%) used to represent expected return in the current year.

Endowment net assets increased by \$45.3 million mainly as the result of the investment portfolio net return of 15.4%. Details of this increase are shown in the table below.

Increases (Decreases) in Net Assets - Endowments			
\$ millions	2017	2016	Change
Investment Income (Loss) not allocated for spending on:			
Externally restricted	22.5	(13.3)	35.8
Internally restricted	12.9	(10.3)	23.2
Total Investment Income (Loss)	35.4	(23.6)	59.0
Contributions to endowments			
From Donors	3.4	5.1	(1.7)
Internal transfers ⁶	6.5	5.4	1.1
Total Contributions	9.9	10.5	(0.6)
Total Change	45.3	(13.1)	58.4

⁶ Internal transfers to endowments primarily consists of Real Estate Division income designated for the Heritage Fund.

Major Capital Activity

The University continued to invest in its physical assets of buildings, facilities, and capital equipment with acquisitions totaling \$80.8 million (\$75.9 million in 2016). Referring to the table below, once again the major category of new investments occurred in buildings.

<i>Capital Expenditures</i>			
\$ millions	2017	2016	Change
Major Buildings	42.3	35.9	6.4
Equipment and Other	20.6	14.9	5.7
Main Campus Facilities Renewal	11.9	18.1	(6.2)
Student Housing Facilities Renewal	6.0	7.0	(1.0)
Total	80.8	75.9	4.9

Construction activity included the continuation of a number of major building projects as well as the start of new projects that will be completed over the next several years. Major projects include;

- Mitchell Centre addition and entrance: total project cost of \$47.4 million; total spending to date is \$46.5 million, of which \$14.8 million was spent in 2017;
- Football Pavilion: total project cost of \$8.2 million; total spending to date is \$6.2 million, of which \$5.5 million was spent in 2017;
- Three phases of the OVC Master Plan: total approved project cost of \$35.2 million; total spending to date of \$4.0 million, all of which was spent in 2017;
- Turfgrass Institute Relocation: total project cost of \$15.0 million; total spending to date of \$1.5 million, all of which was spent in 2017;
- Roads, Parking Lots and Sidewalks: spending of \$3.9 million on improvements in 2017.

As these projects are completed, spending will occur up to the approved total project costs.

In 2017, the University also began working on projects approved under the federally and provincially sponsored Strategic Investment Fund (SIF) program. The total approved spending of

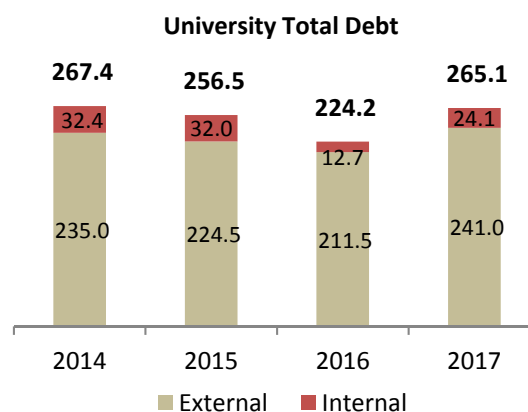
\$66.6 million is allocated over six approved projects, of which \$5.7 million was spent in 2017; the bulk of the balance is expected to be completed by the end 2017/2018.

In addition, the University continued to invest in energy conservation. \$3.9 million was spent on the energy retrofit project in 2017 (total project cost is \$26.2 million; total spending to date is \$22.5 million).

Debt

The University uses financing from both internal⁷ and external sources to fund high priority capital projects. Total capital financing increased by \$40.9 million consisting of;

- total net external debt increased by \$29.5 million reflecting new financing of \$40 million, less \$10.5 million in repayments;
- internal financing increased by \$11.4 million mainly for capital maintenance projects



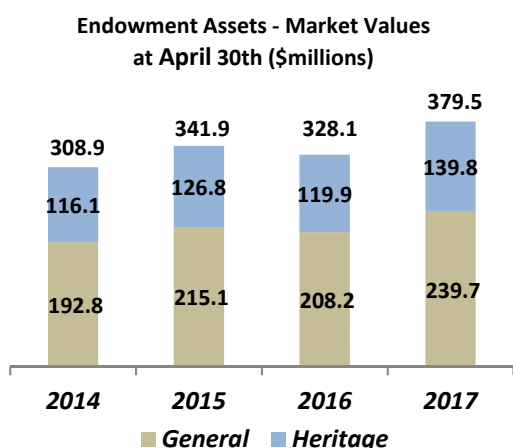
The University is reviewed annually by two credit rating agencies, Standards and Poor's and DBRS. In the credit rating process debt levels are considered in the context of overall fiscal health and peer institutions. (For fiscal 2016, the

⁷ When there is sufficient operating cash 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.

University held ratings with these agencies at AA- and A+ respectively). Debt levels are compliant with the Board-approved policy for capital debt management.

Endowments

University endowments (\$379.5 million) consist of two major components, the Heritage Fund and the General Endowment Fund. While both funds are invested as a single pool, each has its own payout formula and source of capital growth. In 2017, the endowment portfolio grew by \$51.4 million net of expenses and payouts.



In 2017 major increases in global equity markets contributed to a 15.4% return net of expenses. (Refer to table below.)

Endowment Annual and Four year Annualized Returns					
Returns ¹	2014	2015	2016	2017	Four Year
Gross	16.6%	11.9%	-2.5%	16.5%	10.3%
Net ²	15.6%	10.8%	-3.6%	15.4%	9.3%
Benchmark	14.2%	12.7%	-1.7%	13.9%	9.6%

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

Four-year returns averaged a historically very strong 9.3% return. On a relative basis while the portfolio outperformed its benchmark for this year, with a value-based bias, the portfolio's

investment managers underperformed their equity benchmarks in the prior 2 years.

Capital additions to endowment funds totaled \$9.9 million in 2017 (\$10.5 million in 2016).

Total spending⁸ from endowments decreased by \$1.1 million to \$11.1 million in 2017 as increased spending from the General Endowment fund was offset by a lower Heritage Fund distribution.

Annual Spending from Endowments				
\$millions	2014	2015	2016	2017
General	4.1	4.5	4.8	5.8
Heritage Fund	1.4	7.0	7.4	5.3
Total	5.5	11.5	12.2	11.1

The Heritage Fund disbursement formula tends to be more volatile as it is based on an average of recent total annual returns in equity markets whereas the General Endowment portion of the portfolio uses a fixed long term disbursement rate (currently 3.5%).

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 four major categories; expenses; net assets; "obligations" or liabilities; and cash contributions. Calculations for each of these use methods as prescribed under accounting policy.

EFB Expenses: Combined EFB expenses increased by 5.1% or \$2.2 million (to \$45.1 million) consisting of an increase in pension expenses of \$5.3 million partially offset by a decrease in non-pension expenses of \$3.1 million. Both expense changes were the result of changes in financing costs on the net liabilities of

⁸ University policy limits spending from endowments each year to protect donated capital and real spending over the very long term.

each of the benefit programs at the end of the last fiscal period.

<i>EFB Expenses (in the Statement of Operations)</i>				
\$ millions	2017	2016	Change	
Expenses				
Pension Plans	23.7	18.4	5.3	28.8%
Non-Pension Plans	21.4	24.5	(3.1)	-12.7%
Total Expenses	45.1	42.9	2.2	5.1%

Net Assets- Under accounting policy requirements, the financial impact of changes in actuarial assumptions and actual experience (gains or losses) on any defined benefits plans must be recorded directly to Net Assets (on the Statement of Financial Position) and not the Statement of Operations.

In 2017, the sum of these adjustments resulted in a \$33.9 million increase in Net Assets. This consisted of an increase of \$101.9 million due to the positive experience on pension assets (earning more than expected) partially offset by a \$68.0 million negative adjustment reflecting a lower discount rate used to calculate liabilities (reduced from 6.0% to 5.65% reflecting updated funding valuations.)

The impact of these adjustments by program is presented in the table below. It demonstrates the volatility of these types of adjustments with the current swings in market values and changes to assumptions.

<i>EFB Direct Changes to Net Assets</i>			
\$ millions	2017	2016	Change
Re-measurements – (Gains) or Losses			
Pension Plans	(48.9)	111.4	(160.3)
Non-Pension	15.0	(61.2)	76.2
Total Re-measurements	(33.9)	50.2	(84.1)

Further impacting the University's Net Assets is the "Unrestricted Deficit" which is mainly the result of unfunded accounting charges⁹ for

⁹ The University provides full funding for the cash requirements of its EFB plans.

Employee Future Benefits. In 2017, this deficit decreased by \$37.3 million mainly because of re-measurements noted above. The table below summarizes the changes to the University deficit as a result of EFB charges.

<i>Overall EFB Impact on the Unrestricted Deficit</i>			
\$ millions	2017	2016	Change
Opening Deficit	(345.3)	(300.5)	(44.8)
Re-measurements	33.9	(50.2)	84.1
Net Expenses	(3.7)	3.0	(6.7)
Transfer From Reserves	7.1	2.4	4.7
Closing Deficit	(308.0)	(345.3)	37.3

EFB Liabilities: The Assets and Liabilities portions of the Statement of Financial Position captures the net surplus or deficit positions of each of the pension plans and non-pension retirement benefits.

In 2017 the total net liability for EFB is \$249.3 million down from \$286.6 million in 2016. This net decline of \$37.3 million over last year, is due to positive investment returns on pension assets, decreasing liabilities by \$68.7 million partially offset by an increase in non-pension liabilities of \$31.4 million as unfunded financing costs and the actuarial loss due to the lowering of the discount rate.

<i>EFB Asset (Liability)</i>				
\$ millions	2017	2016	Change	
Pension Plans:				
Invested Assets	1,453.5	1,286.2	167.3	13.0%
Less: Obligations	1,433.0	1,334.4	98.6	7.4%
Pension Plans	20.5	(48.2)	68.7	
Non-Pension Plans	(269.8)	(238.4)	(31.4)	13.2%
EFB Net Obligations	(249.3)	(286.6)	37.3	-13.0%

EFB Cash Contributions: University contributions to pension plans are based on legislative requirements and actuarial valuations. Non-pension plan cash contributions are based on the actual costs of claims during the year.

EFB Contributions				
\$ millions	2017	2016	Change	
Cash Contributions				
Pension Plans	43.6	43.5	0.1	0.2%
Non-Pension	4.9	4.7	0.2	4.3%
Total Contributions	48.5	48.2	0.3	0.6%

In 2017, pension contributions remained effectively unchanged from the prior year while the cost of non-pension benefits increased from the prior year reflecting the expected growth in cash contributions in this plan with increasing medical and dental costs.

The Operating Fund

The Operating Fund, with 60% of total University revenue, is the main source of funding for all teaching programs and infrastructure support for all University research and services. The principle funding sources for this fund are provincial operating grants and student fees, both of which are based on student enrolments.

Operating Fund Revenues

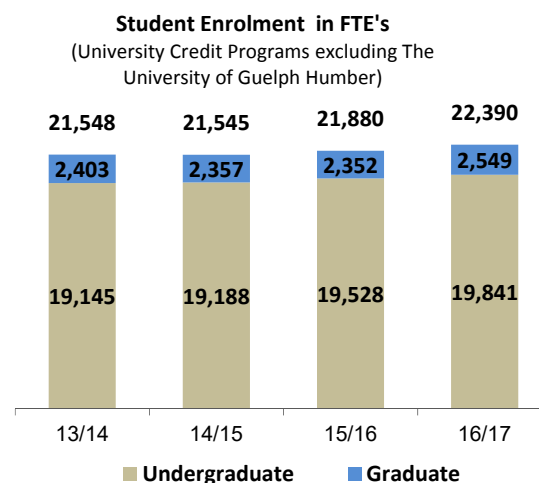
Operating Fund revenue increased by 5.1% or \$23.9 million, \$21.4 million reflects the increases in provincial enrolment-based grants and income from student fees directly correlated to increased enrolment.

Operating Fund Revenue				
\$ millions	2017	2016	Change	
Provincial MAESD	200.9	195.8	5.1	2.6%
Provincial OMAFRA	5.5	5.3	0.2	3.8%
Student Tuition/Fees	231.6	215.3	16.3	7.6%
Sales & Other Contracts	44.4	41.4	3.0	7.2%
Other	12.2	12.9	(0.7)	-5.4%
Total	494.6	470.7	23.9	5.1%

Enrolment increases were experienced in both domestic and international¹⁰ and graduate and undergraduate programs. In 2017, university-

¹⁰ International student enrolments are about 5% of total enrolments at the University.

degree enrolments increased over 2016 levels by 2.3% or 510 FTE's¹¹.



Operating Fund Expenses

Operating Fund expenses increased 9.9% from 2016. The largest increases were experienced in Salaries, Benefits and Student Assistance to accommodate increased enrolment.

Operating Fund Expenses				
\$ millions	2017	2016	Change	
Salaries	266.1	250.5	15.6	6.2%
Benefits	73.9	69.5	4.4	6.3%
Supplies & Services	38.1	35.3	2.8	7.9%
Other Expenses	39.0	38.4	0.6	1.6%
Utilities	19.0	21.1	(2.1)	-10.0%
Student Assistance	28.4	25.4	3.0	11.8%
Interfund Transfers	14.1	(4.7)	18.8	400%
Total	478.6	435.5	43.1	9.9%

Salaries and benefits increased due to increases in both the numbers of full and part time staff mainly in response to increased enrolments as well as increases in the rate of compensation (averaging about 3% annually). Net Interfund

¹¹ FTE - Full-Time Equivalent, which converts part-time students into full-time equivalents. Actual head-counts would exceed FTE counts.

Transfers¹² impacting the Operating Fund increased by \$18.8 million mainly due to transfers from the Operating Fund to the Capital Fund for capital projects.

University of Guelph-Humber

The University 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 (“UGH”), an unincorporated joint venture shared equally between the two institutions.

This year marks the implementation of proportional consolidation of the University of Guelph Humber in the University’s financial statements¹³. The decision to move to this accounting method is a reflection of the size and importance of this joint venture to the University in terms of both enrolments and financial results.

The table below presents 50% of UGH financial results for the year. These results equate to the University’s share of UGH, and are included in the University’s overall Operating Fund results. The major impacts of this change are mainly in recognizing increased revenues and expenses; the previous accounting treatment essentially netted both. The overall impact on the University’s net income is unchanged.

<i>University of Guelph Humber – 50% Share</i>				
\$ millions	2017	2016	Change	
MAESD Grants	17.9	16.0	1.9	11.9%
Tuition	18.8	15.5	3.3	21.3%
Student Fees	0.5	0.4	0.1	25.0%
Total Revenues	37.2	31.9	5.3	16.6%
Salaries	4.1	3.4	0.7	20.6%
Benefits	1.0	0.9	0.1	11.1%
Student Assistance	2.5	2.2	0.3	13.6%
Professional Services	10.3	8.8	1.5	17.0%

¹² Interfund Transfers are funds allocated among the different funds within the University; at the total University level these transfers sum to zero.

¹³ 2016 results have been restated to reflect this decision ensuring comparability of overall results.

Other Expenses	5.8	5.1	0.7	13.7%
Total Expenses	23.7	20.4	3.3	16.2%
Net Income	13.5	11.5	2.0	17.4%
Enrolments (FTE’s)	4,714	4,492	222	4.9%

Operating Fund Net Assets

Net Assets on the Statement of Financial Position accumulate annual net financial results each year. For the Operating Fund, results are classified into two components;

- **Internally Restricted** funds are created from accumulated annual net income which is subsequently allocated for specific future purposes;
- **Unrestricted** fund balance in the Operating Fund currently consists of unfunded accounting charges for post-employment benefits.

The 2017 Operating Fund annual net income of \$15.9 million, was generated through a combination of revenues and cost savings. \$13.1 million was generated by divisional (colleges and departments) underspending of budget allocations and \$6.5 million was mainly the result of the University having exceeded enrolment targets. Partially offsetting these positive results was a \$3.7 million accounting charge for post-employment¹⁴. Transfers from Reserves totaled \$7.1 million, which was funding to help cover 2017 pension cash contribution requirements.

The table on the following page details the major changes to the University’s Operating Fund balances year over year.

¹⁴ The University does not fund the full accounting costs of non-pension post-employment benefits choosing to instead meet annual cash requirements of the plans. The Unrestricted Deficit effectively records the accumulated difference between accounting charges and cash contributions.

Annual Financial Report – Summary Information

Operating Fund - Net Assets

\$millions	Opening Balances	2017 Annual Results	Transfers (From)To Reserves	EFB Re- measure	Closing Balances
Internally Restricted					
Divisional Reserves	82.6	13.1			95.7
Central Reserves	68.6	6.5			75.1
Post-Employment Reserves	71.7		(7.1)		64.6
Self-insurance & GH	1.9				1.9
Total Internally Restricted	224.8	19.6	(7.1)		237.3
Unrestricted					
Post-Employment	(345.3)	(3.7)	7.1	33.9	(308.0)
Total Unrestricted	(345.3)	(3.7)	7.1	33.9	(308.0)
Total Operating Net Assets	(120.5)	15.9	-	33.9	(70.7)

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, 2017.

Supplementary Information

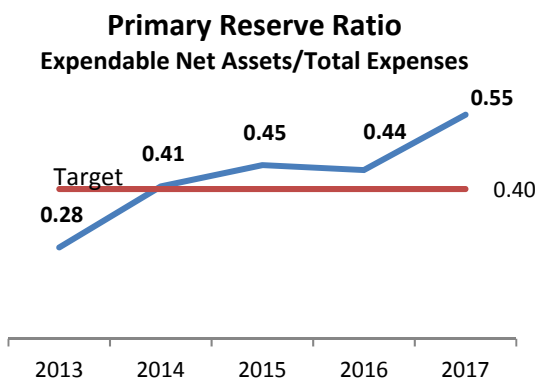
Financial Health Indicators

The following metrics use information from the audited statements¹⁵ 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.

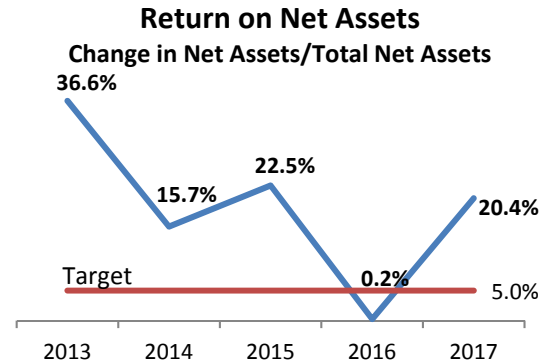
\$000's	2017	5 Year Change
Expendable Net Assets	401,424	212,102 112%
Total Expenses	731,424	62,588 9%



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.

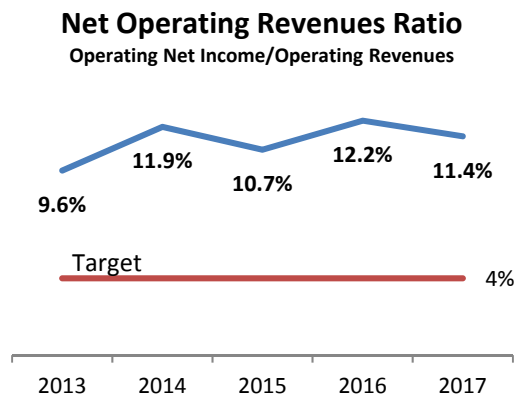
\$000's	2017	5 Year Change
Change in Net Assets	149,555	11,019* 26%*
Opening Net Assets	734,295	355,912 106%

*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.

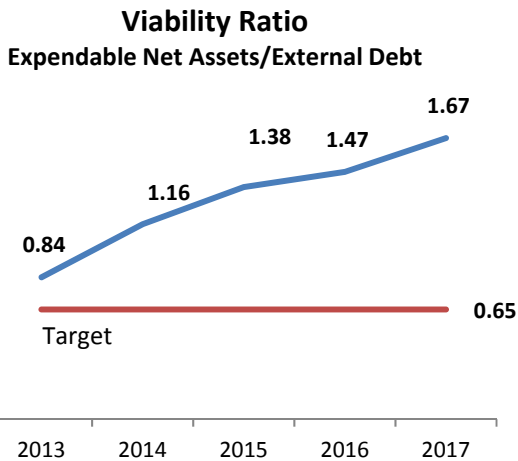
\$000's	2017	5 Year Change
Operating Net Income	76,452	20,483 39%
Operating Revenues	670,496	88,550 15%



¹⁵ Includes UGH proportionately consolidated in 2017 and 2016, but not in previous years

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	2017	5 Year Change
Expendable Net Assets	401,424	212,102 112%
External Debt	240,951	15,795 7%



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:

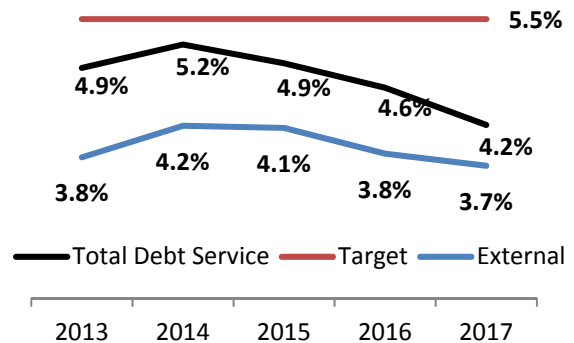
- Debt Service Burden – portion of funding used for covering debt payment
- Interest Burden – portion of funding used for interest payments on debt
- Debt Service Coverage – debt service costs as a portion of net income
- Debt to FTE – amount of debt per student

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	2017	5 Year Change
Debt Servicing Costs	25,340	(980) -4%
Operating Expenses	607,348	68,840 13%

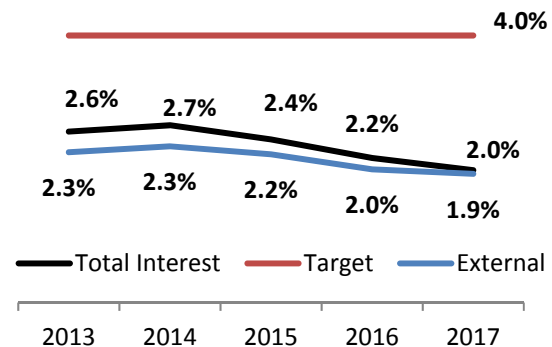
Debt Servicing Burden
Principal and Interest Cost/Operating Expenses



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.

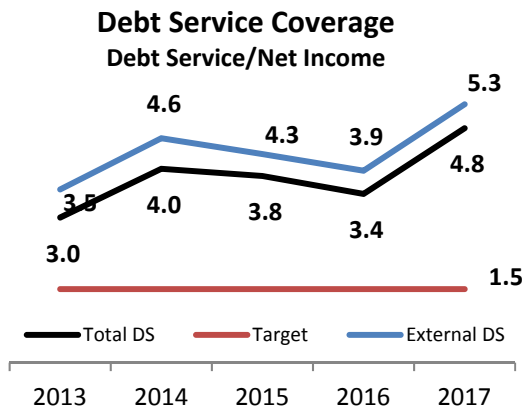
\$000's	2017	5 Year Change
External Interest	11,707	(410) -3%
Total Interest	12,036	(1,753) -13%
Operating Expenses	607,348	68,840 13%

Interest Burden
Interest Cost/Operating Expenses



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	2017	5 Year Change	
Adjusted Net Income	121,249	43,305	56%
Debt Servicing Costs	25,340	(980)	-4%
Adjusted Net Income External	120,920	44,648	59%
External Debt Service	22,933	1,357	6%



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

\$000's	2017	5 Year Change	
External Debt	240,951	15,795	7%
Total Debt	265,097	(1,677)	-1%
Total Student FTE's	22,390	746	3%

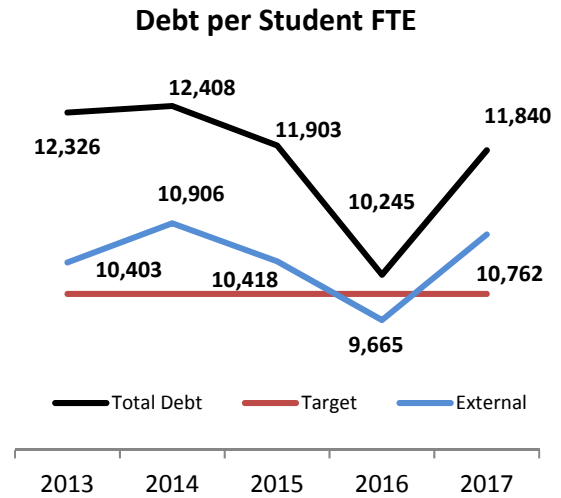
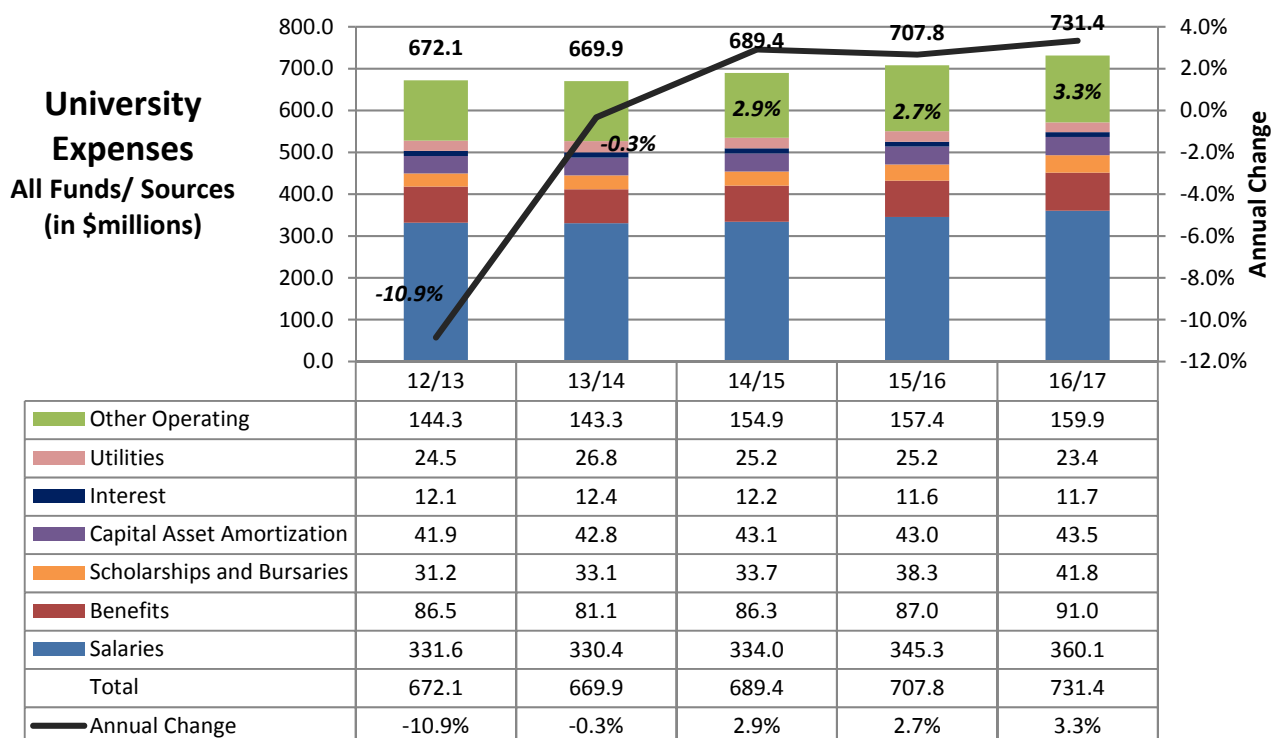
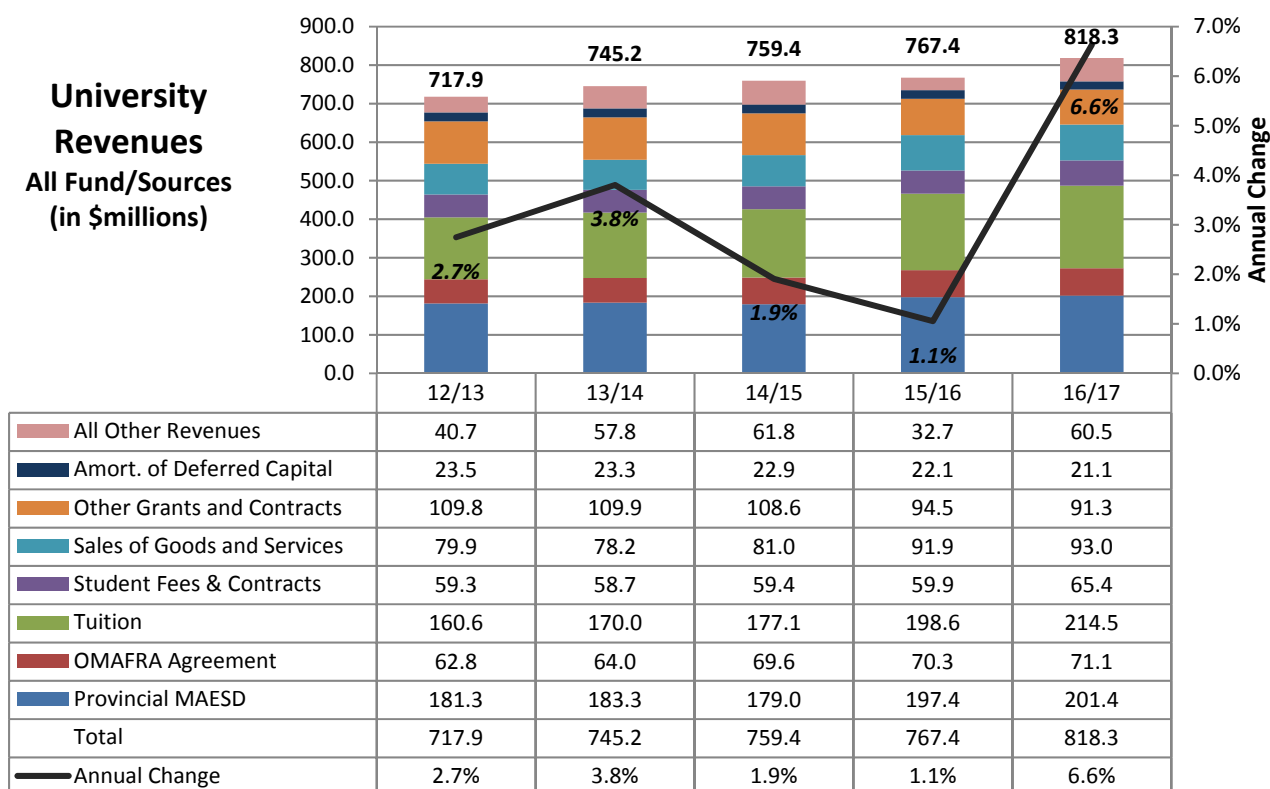


Table of Comparative Results¹⁶

	2013	2014	2015	2016	2017
Enrolment FTEs (excluding Guelph-Humber)	21,644	21,548	21,545	21,880	22,390
Faculty and Staff (Budgeted Positions)	2,951	2,965	2,933	2,885	2,928
Faculty (Budgeted Positions)	795	797	797	797	816
Revenues and Expenses					
Total Revenues (\$M)	\$717.9	\$745.2	\$759.4	\$767.4	\$818.3
Total Expenditures (\$M)	\$672.2	\$669.9	\$689.4	\$707.8	\$731.4
Unrealized Gain (Loss) on Interest Rate Swaps	\$(4.4)	\$4.6	\$(3.4)	\$0.6	\$2.9
Annual Surplus/(Deficit) (\$M)	\$41.3	\$79.9	\$66.6	\$60.2	\$89.8
Revenue year-over-year change	3%	3%	2%	1%	7%
MAESD Operating Grants per FTE (\$)	\$8,127	\$8,174	\$8,051	\$8,742	\$8,773
Revenue Mix (% of Total Revenues)					
Provincial Operating Grants - MAESD	25%	25%	23%	26%	25%
Tuition	22%	23%	23%	25%	26%
Endowment and Donations	2%	3%	3%	3%	3%
Expenditure year-over-year change	0.4%	0.1%	2.9%	2.7%	3.3%
Expense Mix (% of Total Expenses)					
Salaries	49%	49%	48%	49%	49%
Benefits (including EFB accounting policies)	13%	12%	13%	12%	12%
Components of Net Assets					
Invested in Capital Assets (\$M)	\$420.8	\$426.6	\$458.8	\$514.5	\$516.6
Endowed (\$M)	\$251.8	\$290.0	\$320.2	\$307.1	\$352.4
Internally Restricted (\$M)	\$207.3	\$262.3	\$260.1	\$261.6	\$320.8
Unrestricted (Deficit) (\$M)	\$(363.0)	\$(381.0)	\$(306.6)	\$(348.9)	\$(305.9)
Total Net Assets	\$516.9	\$597.9	\$732.5	\$734.3	\$883.9
Capital and Capital Debt					
Total Debt	\$225.2	\$235.0	\$224.5	\$211.5	\$241.0
Total Debt per FTE (\$)	\$10,403	\$10,906	\$10,420	\$9,666	\$10,764
%Debt Service to Revenue	3.0%	3.2%	3.2%	3.4%	2.8%
%Debt to Revenue	31.4%	31.9%	29.6%	27.6%	29.5%
Capital Acquisitions (\$M)	\$70.0	\$49.4	\$58.7	\$75.9	\$80.6
Provincial Capital Grants (\$M)	\$0.9	\$2.7	\$1.0	\$1.6	\$0.5
Endowments					
Externally Restricted (\$M)	\$158.0	\$184.6	\$204.4	\$196.0	\$225.5
Internally Restricted (\$M)	\$106.3	\$124.3	\$137.5	\$132.1	\$154.0
Total Endowment Assets – Market Values	\$264.3	\$308.9	\$341.9	\$328.1	\$379.5
Total Endowment per FTE (\$)	\$12,212	\$14,334	\$15,869	\$14,995	\$16,950
Employee Future Benefits (EFB)					
Pension Plans –Asset/(Obligation)	\$(10.5)	\$(22.4)	\$49.1	\$(40.4)	\$26.4
Other Benefit Plans – (Obligation)	\$(251.6)	\$(263.6)	\$(279.8)	\$(238.4)	\$(269.8)
Latest Valuation Date – Registered Plans	Aug-10	Aug-13	Aug-13	Aug-13	Aug-16
Latest Valuation Date – Other Plans	Aug-09	Aug-13	Aug-13	Jan-16	Jan-16

¹⁶ Excludes the University of Guelph Humber except for the 50% consolidation of revenue/expenses.

Total Revenues and Total Expenses - Five Year Trends¹⁷



¹⁷ Years 15/16 and 16/17 include 50% proportionate consolidation of the University of Guelph-Humber.

OMAFRA Contract

Fiscal 2017 was the fourth 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 637 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).

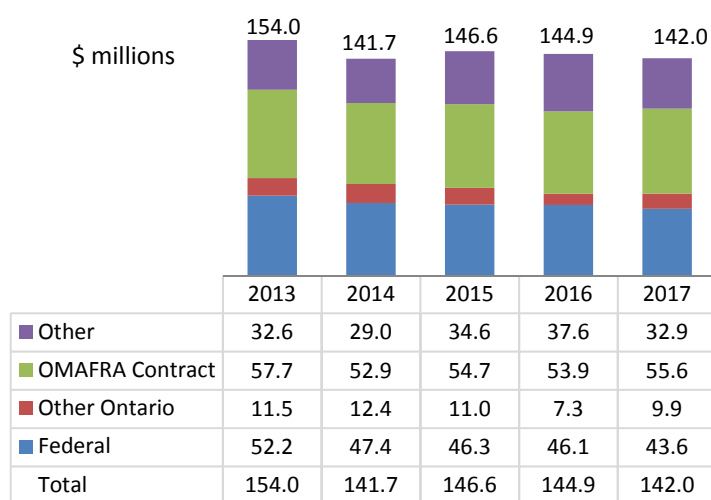
OMAFRA Agreement (\$Millions)	2017	2016	Change
REVENUE			
OMAFRA Agreement	71.1	70.3	1.1%
Student Fees	0.0	0.1	-100.0%
Sales of Goods & Services	18.0	18.0	0.0%
Investment Income	0.2	0.2	0.0%
Other Grants/ Contracts	0.8	1.3	-38.5%
Other Revenue	3.9	1.5	160.0%
Total Revenue	94.0	91.4	2.8%
EXPENSES			
Salaries	32.7	33.6	-2.7%
Benefits	8.2	8.4	-2.4%
Operating	27.9	24.6	13.4%
Utilities	3.4	3.0	13.3%
Scholarships & Bursaries	0.5	0.5	0.0%
Cost Transfers	21.3	21.3	0.0%
Total Expenses	94.0	91.4	2.8%
REVENUE LESS EXPENSES	-	-	

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 2017, \$142.0 million was received and allocated to departments (\$144.9 million in 2016). The small decrease is primarily a result of the general fluctuation of "Other" general research funding received primarily from industry and non-federal or provincial governments.

Research Funding Allocated by Major Source



University of Guelph-Humber

The University 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 (“UGH”), an unincorporated joint venture.

The University changed its accounting policy during the year to report its 50% interest in the operations of UGH using the proportionate consolidation method rather than the previously used equity method.

The table here shows the 50% of UGH’s operations that are consolidated in the University’s financial statements.

2016 reflects results up to March 31st in line with University of Guelph-Humber’s reporting year end. However, 2017 reflects results up to April 30th. The impact of this is that the statement of Operations reflects one additional month of activity, but all future years will align with the University’s fiscal year end.

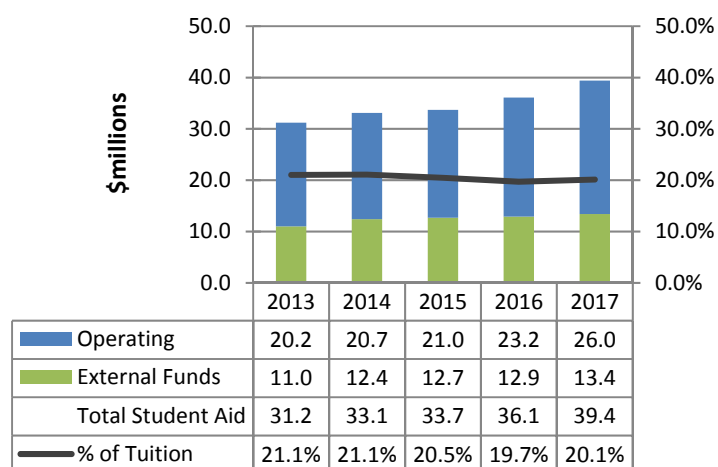
Guelph-Humber (\$Millions)	2017	2016	Change \$ %	
REVENUE				
MAESD	17.9	16.0	1.9	11.9%
Tuition	18.8	15.5	3.3	21.3%
Student Fees	0.5	0.4	0.1	25.0%
Total Revenue	37.2	31.9	5.3	16.6%
EXPENSES				
Salaries	4.1	3.4	0.7	20.6%
Benefits	1.0	0.9	0.1	11.1%
Amortization	0.1	0.1	0.0	0.0%
Scholarships & Bursaries	2.5	2.2	0.3	13.6%
Supplies	0.4	0.5	-0.1	-20.0%
Professional Services	10.3	8.8	1.5	17.0%
Equip., Repairs & Maint.	1.5	1.2	0.3	25.0%
Travel	0.7	0.4	0.3	75.0%
Other Operating	3.1	2.9	0.2	6.9%
Total Expenses	23.7	20.4	3.3	16.2%
REVENUE LESS EXPENSES	13.5	11.5	2.0	17.4%
UGH Undergraduate Enrolment (FTE's)	4,714	4,492	222	4.9%

Student Aid

The University of Guelph (excluding the University of Guelph-Humber) spent \$39.4 million on Scholarships and Bursaries in fiscal 2017 reflecting an increase of 9.1% from the prior year. Student assistance has two main sources of funding; the Operating Fund external funds which consist of a wide variety of restricted funds, e.g., grants, donations and endowments.

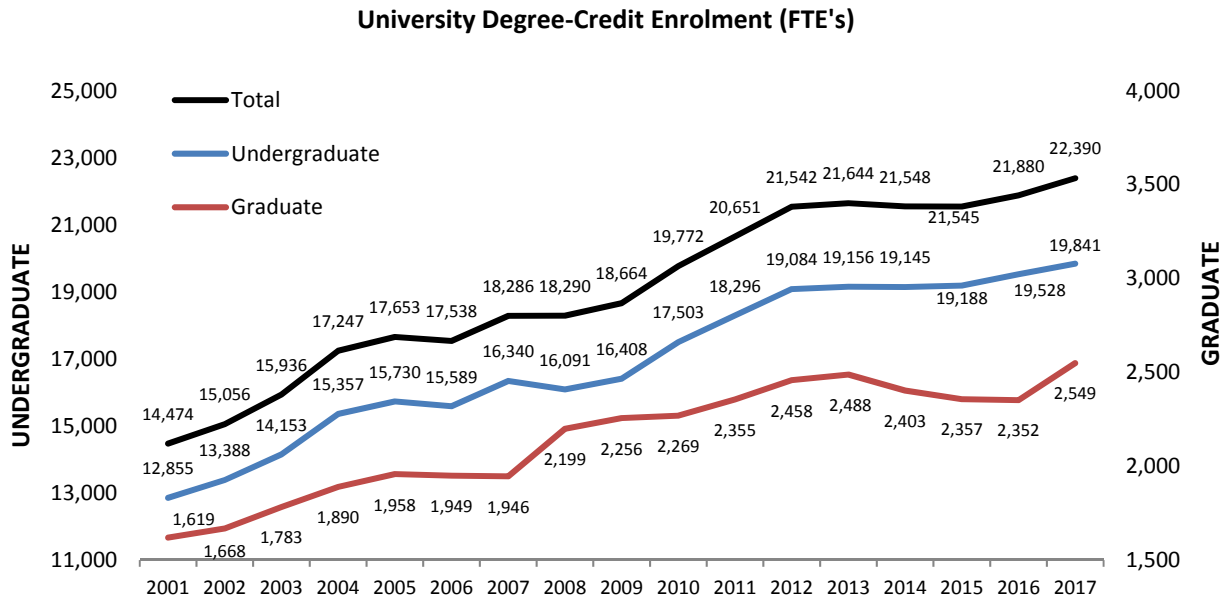
Student aid funding is now approximately 20.1% (19.7% in 2016) of total credit tuition revenues. Of the \$39.4 million, 66% was funded from the Operating Fund and 34% from trust funds, including endowments.

Student Aid: Scholarships & Bursaries
As a Percentage of Tuition Excluding UGH



Enrolment (excluding UGH)

In 2017 University enrolment as measured in full-time equivalents increased slightly compared to 2016. Increases were seen in both undergraduate enrolment and in graduate numbers. The chart below shows the recent years of relatively flat enrolment compared to 4 years of major growth (2008 to 2012).



Statement of Operations – By Fund for Fiscal 2017 (May 1, 2016 to April 30, 2017)

(in thousands of dollars)	Operating Fund	Capital Fund	Ancillary Enterprises	Research Fund	Trust Fund	Endowment Fund	Total 2017	Total 2016
REVENUE								
Provincial Grants – MAESD	200,929	491	-	-	-	-	201,420	197,400
Provincial Contract – OMAFRA Agreement	5,483	-	-	47,220	18,401	-	71,104	70,295
Other Grants and Contracts	5,761	-	-	80,281	5,034	222	91,298	94,541
Tuition (Credit and Non-credit)	214,523	-	-	-	-	-	214,523	198,632
Student Fees and Contracts	17,103	-	48,280	-	-	-	65,383	59,906
Sales of Goods and Services	38,680	-	36,311	3,590	14,412	-	92,993	91,859
Investment Income	2,384	2,144	-	166	18,461	12,914	36,069	2,673
Amortization of Deferred Capital Contributions	-	21,112	32	-	-	-	21,144	22,094
Donations	29	-	-	2,070	8,511	43	10,653	12,175
Other	9,691	2,257	-	1,657	122	-	13,727	17,777
	494,583	26,004	84,623	134,984	64,941	13,179	818,314	767,352
EXPENSES								
Salaries	266,126	-	18,326	59,632	16,043	-	360,127	345,341
Employee Future Benefits (EFB)	45,095	-	-	-	-	-	45,095	42,895
Other Employee Benefits	28,809	-	3,674	9,006	4,426	-	45,915	44,077
Capital Asset Amortization	-	37,308	6,159	-	-	-	43,467	42,953
Scholarships and Bursaries	28,441	-	-	4,465	8,923	-	41,829	38,288
Supplies	15,518	-	2,278	10,196	5,841	-	33,833	34,512
Professional and Externally Contracted Services	22,623	27	1,516	7,309	1,869	-	33,344	31,082
Utilities	19,000	-	1,005	3,424	20	-	23,449	25,247
Equipment, Repairs and Maintenance	10,884	3,387	2,867	4,086	3,393	-	24,617	26,018
Travel	8,752	-	140	4,952	195	-	14,039	13,398
Interest	-	8,979	2,728	-	-	-	11,707	11,618
Other Operating	19,330	-	19,623	14,600	449	-	54,002	52,334
Decrease in Unrealized Loss on Interest Rate Swaps	-	(1,147)	(1,745)	-	-	-	(2,892)	(595)
Interfund Transactions	14,107	(61,304)	16,002	13,890	23,603	(6,298)	-	-
	478,685	(12,750)	72,573	131,560	64,742	(6,298)	728,532	707,168
Excess of Revenues over Expenses	15,898	38,754	12,050	3,424	179	19,477	89,782	60,184
Endowment Income & Contributions	-	-	-	-	-	25,847	25,847	(8,184)
EFB Remeasurements and Other Items	33,925	-	-	-	-	-	33,925	(50,200)
Transfers (To) From Invested in Capital and Endowed Net	-	6,953	(9,056)	-	-	(45,324)	(47,427)	(42,068)
Transfers (To) From Internally Restricted Net Assets	(12,481)	(44,560)	1,474	(3,424)	(179)	-	(59,170)	(2,056)
Net Increase (Decrease) in Unrestricted Net Assets	37,342	1,147	4,468	-	-	-	42,957	(42,324)
Unrestricted Net Assets, Beginning of Year	(345,344)	(5,820)	2,272	-	-	-	(348,892)	(306,568)
Unrestricted Net Assets, End of Year	(308,002)	(4,673)	6,740	-	-	-	(305,935)	(348,892)

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated financial statements of the **University of Guelph**, which comprise the consolidated statement of financial position as at April 30, 2017 and the consolidated 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 consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements present fairly, in all material respects, the financial position of the **University of Guelph** as at April 30, 2017 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 20, 2017

Ernst & Young LLP

Chartered Professional Accountants
Licensed Public Accountants

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

(in thousands of dollars)

	<u>2017</u>	<u>2016</u> [Restated - see Note 3]
<u>ASSETS</u>		
Current		
Cash and Cash Equivalents (Note 4)	56,063	130,401
Short-term Investments (Note 5)	199,050	95,767
Accounts Receivable	41,350	37,015
Inventories and Prepaid Expenses	11,108	13,410
	<u>307,571</u>	<u>276,593</u>
Long-term Investments (Note 5)	559,258	464,200
Defined Benefit Asset (Note 11)	24,750	4,414
Capital Assets (Note 6)	1,123,477	1,086,067
	<u>2,015,056</u>	<u>1,831,274</u>
<u>LIABILITIES</u>		
Current		
Accounts Payable and Accrued Liabilities (Note 7)	52,212	48,893
Unrealized Loss on Interest Rate Swaps (Note 8)	12,409	15,301
Current Portion of Long-term Debt (Note 8)	11,391	10,027
Current Portion of Deferred Revenue	9,820	11,652
Deferred Contributions (Note 9)	166,030	149,265
	<u>251,862</u>	<u>235,138</u>
Long-term Debt (Note 8)	229,560	201,450
Deferred Revenue	9,815	9,248
Deferred Capital Contributions (Note 10)	365,907	360,075
Defined Benefit Liability (Note 11)	274,062	291,068
	<u>1,131,206</u>	<u>1,096,979</u>
<u>NET ASSETS</u>		
Invested in Capital Assets (Note 12)	516,619	514,515
Internally Restricted (Note 13)	320,792	261,622
Unrestricted Deficit	(305,935)	(348,892)
Endowed (Note 14)	352,374	307,050
	<u>883,850</u>	<u>734,295</u>
	<u>2,015,056</u>	<u>1,831,274</u>

Commitments and Contingencies (Notes 5(d), 18 & 19)

(See accompanying notes)

On behalf of the Board of Governors:

Signed

Kevin Golding
Chair

Signed

Franco Vaccarino
President

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

(in thousands of dollars)

	<u>2017</u>	<u>2016</u> [Restated - see Note 3]
REVENUE		
Ministry of Advanced Education and Skills Development	201,420	197,400
Ministry of Agriculture, Food and Rural Affairs Agreement	71,104	70,295
Other Grants and Contracts	91,298	94,541
Tuition	214,523	198,632
Student Fees and Contracts	65,383	59,906
Sales of Goods and Services	92,993	91,859
Investment Income (Note 5)	36,069	2,673
Amortization of Deferred Capital Contributions (Note 10)	21,144	22,094
Donations (Note 15)	10,653	12,175
Other	13,727	17,777
	<u>818,314</u>	<u>767,352</u>
EXPENSES		
Salaries	360,127	345,341
Employee Future Benefits (Note 11)	45,095	42,895
Other Employee Benefits	45,915	44,077
Capital Asset Amortization	43,467	42,953
Scholarships and Bursaries	41,829	38,288
Supplies	33,833	34,512
Professional and Externally Contracted Services	33,344	31,082
Utilities	23,449	25,247
Equipment, Repairs and Maintenance	24,617	26,018
Travel	14,039	13,398
Interest (Note 8)	11,707	11,618
Other Operating	54,002	52,334
	<u>731,424</u>	<u>707,763</u>
Decrease in Unrealized Loss on Interest Rate Swaps (Note 8)	<u>2,892</u>	<u>595</u>
Excess of Revenues over Expenses	<u>89,782</u>	<u>60,184</u>

(See accompanying notes)

UNIVERSITY OF GUELPH
CONSOLIDATED 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
2017					
Net Assets, Beginning of Year	514,515	261,622	(348,892)	307,050	734,295
Excess (Deficiency) of Revenues over Expenses	(22,323)	-	112,105	-	89,782
Net Change in Net Assets Invested in Capital Assets (Note 12)	24,427	-	(24,427)	-	-
Net Change in Internally Restricted Net Assets (Note 13)	-	59,170	(59,170)	-	-
Employee Future Benefits Remeasurements and Other Items (Note 11)	-	-	33,925	-	33,925
Endowment Contributions (Note 14)	-	-	-	3,401	3,401
Increase in Accumulated Investment Income on Externally Restricted Endowments (Note 14)	-	-	-	22,447	22,447
Internally Restricted Endowments (Note 14)	-	-	(12,914)	12,914	-
Other Transfers to Endowments (Note 14)	-	-	(6,562)	6,562	-
Net Assets, End of Year	<u>516,619</u>	<u>320,792</u>	<u>(305,935)</u>	<u>352,374</u>	<u>883,850</u>
2016					
[Restated - see Note 3]					
Net Assets, Beginning of Year	459,367	259,539	(306,568)	320,157	732,495
Excess (Deficiency) of Revenues over Expenses	(20,859)	-	81,043	-	60,184
Net Change in Net Assets Invested in Capital Assets (Note 12)	76,007	-	(76,007)	-	-
Net Change in Internally Restricted Net Assets	-	2,083	(2,083)	-	-
Employee Future Benefits Remeasurements and Other Items (Note 11)	-	-	(50,200)	-	(50,200)
Endowment Contributions (Note 14)	-	-	-	5,099	5,099
Decrease in Accumulated Investment Income on Externally Restricted Endowments (Note 14)	-	-	-	(13,283)	(13,283)
Internally Restricted Endowments (Note 14)	-	-	10,298	(10,298)	-
Other Transfers to Endowments (Note 14)	-	-	(5,375)	5,375	-
Net Assets, End of Year	<u>514,515</u>	<u>261,622</u>	<u>(348,892)</u>	<u>307,050</u>	<u>734,295</u>

(See accompanying notes)

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

(in thousands of dollars)

	<u>2017</u>	<u>2016</u> [Restated - see Note 3]
OPERATING ACTIVITIES		
Excess of Revenues over Expenses	89,782	60,184
Add (Deduct) Non-cash Items:		
Gain on Sale of Capital Assets	(1,566)	-
Capital Asset Amortization	43,467	42,953
Amortization of Deferred Capital Contributions	(21,144)	(22,094)
(Increase) Decrease in Unrealized Investment Income	(6,125)	10,983
Decrease in Unrealized Loss on Interest Rate Swaps	(2,892)	(595)
Employee Future Benefits Expense	45,095	42,895
Employee Future Benefits Contributions	(48,512)	(48,197)
Net Change in Other Non-cash Items (Note 17)	16,786	20,556
	<u>114,891</u>	<u>106,685</u>
FINANCING ACTIVITIES		
Repayment of Long-term Debt	(10,526)	(12,979)
Proceeds from Long-term Debt	40,000	-
Deferred Capital Contributions Received During the Year	26,720	12,535
Endowment Contributions	3,401	5,099
	<u>59,595</u>	<u>4,655</u>
INVESTING ACTIVITIES		
Net Purchase of Investments	(169,769)	(127,135)
Purchase of Capital Assets	(82,123)	(75,563)
Proceeds from Sale of Capital Assets	3,068	-
	<u>(248,824)</u>	<u>(202,698)</u>
Decrease in Cash and Cash Equivalents	(74,338)	(91,358)
Cash and Cash Equivalents, Beginning of Year	<u>130,401</u>	<u>221,759</u>
Cash and Cash Equivalents, End of Year	<u><u>56,063</u></u>	<u><u>130,401</u></u>

(See accompanying notes)

UNIVERSITY OF GUELPH
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
APRIL 30, 2017
(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 RR0001) and is therefore exempt from income taxes under section 149 of the Income Tax Act.

These consolidated financial statements include the assets, liabilities, revenues, expenses and other transactions of all the operations of the University, including its 50% share in the University of Guelph-Humber Joint Venture.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These consolidated 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 limited partnership units 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.

UNIVERSITY OF GUELPH
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
APRIL 30, 2017
(in thousands of dollars)

(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.

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

Prior to fiscal 2017 all interest rate swap were recorded at fair value where, 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.

Starting fiscal 2017 the University follows hedge accounting for its new interest rate swaps to manage the cash flow risk associated with its long-term debt obligation. In order for a derivative to qualify for hedge accounting, the hedge relationship must be identified, designated and formally documented at its inception. Change in the cash flows on the interest rate swaps 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) Interest in 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 University's 50% interest in the Joint Venture is accounted for using the proportionate consolidation method.

(e) 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.

(f) Inventory Valuation

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

(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	5 to 40 Years
Furniture and Equipment	5 to 10 Years
Computer Equipment	3 Years
Library Books	5 Years

(h) 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.

UNIVERSITY OF GUELPH
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
APRIL 30, 2017
(in thousands of dollars)

- The acquisitions of capital assets having limited life are initially recorded as deferred capital 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.

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.

(i) 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.

(j) 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.

(k) 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.

UNIVERSITY OF GUELPH
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
APRIL 30, 2017
(in thousands of dollars)

3. CHANGE IN ACCOUNTING POLICY

During the year, the University changed its accounting policy for reporting its interests in joint ventures as it relates to the University of Guelph-Humber. Previously, the University used the equity method to account for its interest in the Joint Venture; it now has chosen to use the proportionate consolidation method instead. The reason for this change is to provide a more comprehensive picture of the significant financial undertaking that the University shares in through the operations of the Joint Venture. The operating activities of the Joint Venture align with the operating activities of the University and the revenues and expenses of the Joint Venture have grown considerably since its inception.

This change in accounting policy has been accounted for retrospectively, and the comparative statements for the year ended April 30, 2016 have been restated. The effect of the change on the year ended April 30, 2016 is shown below. There was no impact on total opening net assets.

	2016		
	Previous accounting policy	Impact of the change in accounting policy	New accounting policy
Statement of Financial Position:			
Total Assets	1,827,761	3,513	1,831,274
Total Liabilities	1,093,466	3,513	1,096,979
Net Assets	734,295	-	734,295
Statement of Operations:			
Total Revenue	743,594	23,758	767,352
Total Expenses	684,005	23,758	707,763
Decrease in Unrealized Loss on Interest Rate Swaps	595	-	595
Excess of Revenues over Expenses	60,184	-	60,184
Statement of Cash Flows:			
Operating Activities	108,135	(1,450)	106,685
Financing Activities	4,655	-	4,655
Investing Activities	(204,148)	1,450	(202,698)
Increase/Decrease in Cash and Cash Equivalents	(91,358)	-	(91,358)

4. CASH AND CASH EQUIVALENTS

	2017	2016
Cash	30,965	40,121
Money Market Funds	25,098	90,280
	<u>56,063</u>	<u>130,401</u>

UNIVERSITY OF GUELPH
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
APRIL 30, 2017
(in thousands of dollars)

5. INVESTMENTS

a) Details

	<u>2017</u>	<u>2016</u>
Short-term Investments		
Restricted Cash Equivalents	17,115	12,111
Foreign Currency Forward Contracts	(3,599)	5,172
Canadian Bank G.I.C.s	127,948	67,329
Government Bonds	32,536	11,155
Canadian Fixed Income	25,050	-
	<u>199,050</u>	<u>95,767</u>
Long-term Investments		
Canadian Bank G.I.C.s	20,182	10,090
Government Bonds	78,462	83,403
Canadian Fixed Income	158,015	125,785
Canadian Equities	76,912	75,871
U.S. Equities	87,364	67,154
Non-North American Equities	91,876	68,257
Emerging Markets Equities	21,438	15,607
Infrastructure Limited Partnership	25,009	18,033
	<u>559,258</u>	<u>464,200</u>
Total Investments	<u><u>758,308</u></u>	<u><u>559,967</u></u>

b) Investment Income

	<u>2017</u>			<u>2016</u>
	<u>Operations</u>	<u>Endowment</u>	<u>Total</u>	<u>Total</u>
Net Realized Investment Income	17,220	19,559	36,779	19,426
Net Increase (Decrease) in Unrealized Investment Income	(6,814)	31,377	24,563	(27,942)
	10,406	50,936	61,342	(8,516)
(Increase) Decrease in Accumulated Investment Income on Externally Restricted Endowments (Note 14)	-	(22,447)	(22,447)	13,283
(Increase) Decrease in Accumulated Investment Income on Internally Restricted Endowments (Note 14)	12,914	(12,914)	-	-
Investment Income Made Available for Spending (Note 14)	15,575	(15,575)	-	-
Net Investment Income Deferred	(2,826)	-	(2,826)	(2,094)
	<u>36,069</u>	<u>-</u>	<u>36,069</u>	<u>2,673</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 CONSOLIDATED FINANCIAL STATEMENTS
APRIL 30, 2017
(in thousands of dollars)

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

	2017		2016	
	Notional Value	Fair Value	Notional Value	Fair Value
United States Dollar				
Euro	80,467	(1,770)	65,975	4,571
British Pound Sterling	13,883	(776)	11,321	229
Japanese Yen	7,209	(551)	5,574	131
Other	5,537	(259)	4,634	70
	7,940	(243)	7,109	171
		(3,599)		5,172

d) Uncalled Commitments

As at April 30, 2017, approximately 4.5% (2016 – 3.9%) 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, 2017, the University had uncalled commitments of \$2,936 (2016 - \$5,589).

6. CAPITAL ASSETS

	2017			2016		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Land	254,160	-	254,160	255,660	-	255,660
Land Improvements	39,061	12,593	26,468	32,168	12,056	20,112
Buildings	992,131	288,188	703,943	928,021	269,706	658,313
Furniture and Equipment	230,205	155,368	74,837	231,505	154,900	76,605
Construction in Progress	57,026	-	57,026	69,341	-	69,341
Computer Equipment	12,593	9,736	2,857	13,475	11,720	1,755
Library Books	15,876	11,691	4,185	15,990	11,712	4,280
Art, Rare Books and Other Collections	1	-	1	1	-	1
	1,601,053	477,576	1,123,477	1,546,161	460,094	1,086,067

7. GOVERNMENT REMITTANCES

Accounts Payables and Accrued Liabilities include \$591 (2016 - \$568) with respect to government remittances payable.

UNIVERSITY OF GUELPH
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
APRIL 30, 2017
(in thousands of dollars)

8. LONG-TERM DEBT

a) Details	Interest Rate	Issue Date	Due Date	2017	2016
Series A Unsecured Debenture	6.24%	11-Oct-02	10-Oct-42	100,000	100,000
Banker's Acceptances					
Canadian Imperial Bank of Commerce	4.96%	1-May-06	2-May-16	-	151
Toronto Dominion Bank	4.91%	20-Dec-07	20-Dec-22	3,087	3,620
Toronto Dominion Bank	4.54%	10-Apr-08	10-Apr-23	1,199	1,399
Toronto Dominion Bank	3.47%	13-Mar-09	13-Mar-24	4,670	5,338
Royal Bank of Canada	4.85%	23-Mar-10	24-Mar-25	4,151	4,671
Royal Bank of Canada	5.02%	1-May-10	1-May-25	5,530	6,204
Bank of Montreal	7.63%	16-Oct-00	15-Jun-25	23,900	25,200
Royal Bank of Canada	3.84%	3-Oct-11	2-Oct-26	23,924	26,443
Royal Bank of Canada	2.96%	5-Sep-12	5-Sep-27	20,228	22,172
Canadian Imperial Bank of Commerce	3.73%	1-Oct-13	1-Oct-28	14,975	16,279
Royal Bank of Canada	2.19%	15-Sep-16	15-Sep-41	39,287	-
				<u>140,951</u>	<u>111,477</u>
				240,951	211,477
Current Portion				<u>(11,391)</u>	<u>(10,027)</u>
				<u>229,560</u>	<u>201,450</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 \$10,526 (2016 - \$12,979) and incurred \$11,707 (2016 - \$11,618) 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:

2018	11,391
2019	12,197
2020	12,225
2021	12,454
2022	12,684
2023 and beyond	<u>180,000</u>
	<u>240,951</u>

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.

UNIVERSITY OF GUELPH
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
APRIL 30, 2017
(in thousands of dollars)

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 the contracts entered prior to fiscal 2016 outstanding at April 30th are:

	Due Date	2017		2016	
		Notional Amount	Gain (Loss)	Notional Amount	Gain (Loss)
Canadian Imperial Bank of Commerce	2-May-16	-	-	150	(1)
Toronto Dominion	20-Dec-22	3,079	(316)	3,611	(349)
Toronto Dominion	10-Apr-23	1,200	(113)	1,400	(124)
Toronto Dominion	13-Mar-24	4,667	(264)	5,333	(284)
Royal Bank of Canada	24-Mar-25	4,150	(412)	4,670	(535)
Royal Bank of Canada	1-May-25	5,491	(578)	6,159	(746)
Bank of Montreal	15-Jun-25	23,900	(5,924)	25,200	(7,262)
Royal Bank of Canada	2-Oct-26	23,940	(2,168)	26,460	(2,734)
Royal Bank of Canada	5-Sep-27	20,208	(1,214)	22,148	(1,535)
Canadian Imperial Bank of Commerce	1-Oct-28	14,950	(1,420)	16,250	(1,731)
			<u>(12,409)</u>		<u>(15,301)</u>

The net change in the unrealized loss of \$ 2,892 (2016 – \$595) is recorded in the Statement of Operations.

Starting fiscal 2017, the University applied hedge accounting for its new interest rate swap. The swap contract has the effect of converting the floating rate of interest to a fixed rate of 2.19% on the \$40 million debt obligation. The swap matures on the maturity date of the debt and therefore the net change in the unrealized gain of \$1,713 is not recorded in the consolidated financial statements as at April 30th.

9. 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:

	2017	2016
Balance, Beginning of Year	149,265	125,920
Contributions Received During the Year	206,915	206,653
Contributions Recognized to Revenue During the Year	<u>(190,150)</u>	<u>(183,308)</u>
Balance, End of Year	<u>166,030</u>	<u>149,265</u>

UNIVERSITY OF GUELPH
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
APRIL 30, 2017
(in thousands of dollars)

10. 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>2017</u>	<u>2016</u>
Balance, Beginning of Year	360,075	369,190
Contributions Received During the Year	26,976	12,979
Amortization of Deferred Capital Contributions	<u>(21,144)</u>	<u>(22,094)</u>
Balance, End of Year	<u>365,907</u>	<u>360,075</u>

11. 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, primary pension plan provision changes were increases to employee contribution rates in accordance with negotiated agreements between the University and employee groups to achieve 50/50 costing sharing of the normal actuarial cost of each plan. The most recent actuarial valuations were prepared as of August 1, 2016 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, 2019. 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>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Defined Benefit Obligation	1,427,027	1,326,682	269,806	238,365	1,696,833	1,565,047
Fair Value of Plan Assets	1,453,470	1,286,240	-	-	1,453,470	1,286,240
Funded Status - Surplus (Deficit)	26,443	(40,442)	(269,806)	(238,365)	(243,363)	(278,807)
Valuation Allowance (VA)	<u>(5,949)</u>	<u>(7,847)</u>	-	-	<u>(5,949)</u>	<u>(7,847)</u>
Net Defined Benefit Asset (Liability)	<u>20,494</u>	<u>(48,289)</u>	<u>(269,806)</u>	<u>(238,365)</u>	<u>(249,312)</u>	<u>(286,654)</u>
Statement of Financial Position						
Defined Benefit Asset	24,750	4,414	-	-	24,750	4,414
Defined Benefit Liability	<u>(4,256)</u>	<u>(52,703)</u>	<u>(269,806)</u>	<u>(238,365)</u>	<u>(274,062)</u>	<u>(291,068)</u>
Net Defined Benefit Asset (Liability)	<u>20,494</u>	<u>(48,289)</u>	<u>(269,806)</u>	<u>(238,365)</u>	<u>(249,312)</u>	<u>(286,654)</u>

UNIVERSITY OF GUELPH
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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(in thousands of dollars)

c) Net Benefit Plan Costs

	Pension Plans		Other Benefit Plans		Total	
	2017	2016	2017	2016	2017	2016
Total Service Cost	41,774	40,502	6,852	7,469	48,626	47,971
Less: Employee Contributions	(20,348)	(19,201)	-	-	(20,348)	(19,201)
Current Service Cost	21,426	21,301	6,852	7,469	28,278	28,770
Finance Cost (Recovery)	2,292	(2,889)	14,525	17,014	16,817	14,125
Employee Future Benefits Expense	23,718	18,412	21,377	24,483	45,095	42,895
Return on Plan Assets (Greater) Less than Discount Rate	(101,850)	113,621	-	-	(101,850)	113,621
Actuarial (Gain) Loss	55,331	1,702	14,963	(61,242)	70,294	(59,540)
Current Decrease in VA	(1,898)	(3,215)	-	-	(1,898)	(3,215)
Effect of VA on Finance Cost	(471)	(666)	-	-	(471)	(666)
Past Service Costs	-	-	-	-	-	-
Remeasurements and Other Items	(48,888)	111,442	14,963	(61,242)	(33,925)	50,200
Net Benefit Cost (Income)	(25,170)	129,854	36,340	(36,759)	11,170	93,095

d) Significant Assumptions

The discount rate used for determining defined benefit obligation at April 30th is 5.65% (2016 - 6.0%) and for determining benefit cost for the fiscal year is 5.65% (2016 - 6.0%). The rate of increase in future compensation used for determining defined benefit obligation at April 30th is 4% (2016 - 4.0%) and for determining benefit cost for the fiscal year is 4% (2016 - 4.0%). The assumed rate for dental inflation is 4.5% (2016 - 4.5%). The assumed health care cost trend rate is 6.0% (2016 - 6.5%) declining annually by 0.5% (2016 - 0.5%) until reaching the ultimate rate of 5% (2016 - 5.0%).

12. INVESTED IN CAPITAL ASSETS

	2017	2016
Capital Assets (Net Book Value) (Note 6)	1,123,477	1,086,067
Less: Long-term Debt (Note 8)	(240,951)	(211,477)
Deferred Capital Contributions (Note 10)	(365,907)	(360,075)
Invested in Capital Assets	<u>516,619</u>	<u>514,515</u>

Changes in Invested in Capital Assets are as follows:

	2017	2016
Capital Asset Amortization	(43,467)	(42,953)
Amortization of Deferred Capital Contributions	21,144	22,094
	<u>(22,323)</u>	<u>(20,859)</u>
Acquisition of Capital Assets	80,877	76,007
Repayment of Long-term Debt	10,526	12,979
Increase in Long-term Debt	(40,000)	-
Cash Contributions Received During the Year	(26,720)	(12,535)
Contributions of Depreciable Assets Received During the Year	(256)	(444)
	<u>24,427</u>	<u>76,007</u>
	<u>2,104</u>	<u>55,148</u>

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13. 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.

	Balance, April 30, 2016	Transfer to (from) in 2017	Balance, April 30, 2017
Operating Fund Reserves			
Division Reserves	82,590	13,128	95,718
Central Operating Reserves	68,642	6,485	75,127
Guelph-Humber Internally Restricted	900	-	900
Self Insured Losses	1,000	-	1,000
Employee Benefit Reserves	71,692	(7,132)	64,560
	<u>224,824</u>	<u>12,481</u>	<u>237,305</u>
Capital Projects Reserves			
Capital Projects and Renovations	10,773	15,362	26,135
Internally Financed Projects	(55,249)	24,831	(30,418)
Funds Held for Debt Repayment	14,953	2,886	17,839
Trust	30,436	180	30,616
Research	35,078	3,424	38,502
Other	807	6	813
	<u>261,622</u>	<u>59,170</u>	<u>320,792</u>

14. 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.

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Details of changes in endowed net assets are as follows:

	2017		
	Externally Restricted	Internally Restricted	Total
Investment Income (Loss) on Endowments	29,687	21,249	50,936
Less: Available for Spending	<u>(7,240)</u>	<u>(8,335)</u>	<u>(15,575)</u>
Increase (Decrease) in Accumulated Investment			
Income on Endowments (Note 5(b))	22,447	12,914	35,361
Endowment Contributions (Note 15)	3,401	-	3,401
	<u>25,848</u>	<u>12,914</u>	<u>38,762</u>
Transfers to Endowments	-	6,562	6,562
Net Increase (Decrease) in Net Assets	<u>25,848</u>	<u>19,476</u>	<u>45,324</u>
Net Assets, Beginning of Year	<u>183,401</u>	<u>123,649</u>	<u>307,050</u>
Net Assets, End of Year	<u><u>209,249</u></u>	<u><u>143,125</u></u>	<u><u>352,374</u></u>
	2016		
	Externally Restricted	Internally Restricted	Total
Investment Income (Loss) on Endowments	(7,115)	(4,801)	(11,916)
Less: Available for Spending	<u>(6,168)</u>	<u>(5,497)</u>	<u>(11,665)</u>
Increase (Decrease) in Accumulated Investment			
Income on Endowments (Note 5(b))	(13,283)	(10,298)	(23,581)
Endowment Contributions (Note 15)	5,099	-	5,099
	<u>(8,184)</u>	<u>(10,298)</u>	<u>(18,482)</u>
Transfers to Endowments	178	5,197	5,375
Net Increase (Decrease) in Net Assets	<u>(8,006)</u>	<u>(5,101)</u>	<u>(13,107)</u>
Net Assets, Beginning of Year	<u>191,407</u>	<u>128,750</u>	<u>320,157</u>
Net Assets, End of Year	<u><u>183,401</u></u>	<u><u>123,649</u></u>	<u><u>307,050</u></u>

15. DONATIONS

	<u>2017</u>	<u>2016</u>
Donations Received During the Year	28,683	27,159
Less:		
Donations Recorded as Endowment Contributions (Note 14)	(3,401)	(5,099)
Donations Recorded as Deferred Capital Contributions	(10,892)	(3,433)
Net Increase in Deferred Contributions from Donations	<u>(3,737)</u>	<u>(6,452)</u>
Donations Recognized as Revenue	<u><u>10,653</u></u>	<u><u>12,175</u></u>

16. 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, course delivery, and IT services. 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. The total amount advanced by the University for such services during the year was \$11,406 (2016 - \$10,706), which represents the exchange amount as agreed to by the parties.

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A financial summary of the University's share of the Joint Venture consolidated at April 30 is as follows:

	<u>2017</u>	<u>2016</u>
Financial Position:		
Total Assets	17,948	17,794
Total Liabilities	<u>2,935</u>	<u>4,770</u>
Total Net Assets	<u>15,013</u>	<u>13,024</u>
Results of Operations:		
Total Revenue	37,229	31,967
Total Expenses	<u>23,652</u>	<u>20,405</u>
Excess of Revenue over Expenses	<u>13,577</u>	<u>11,562</u>

17. NET CHANGE IN OTHER NON-CASH ITEMS

	<u>2017</u>	<u>2016</u>
Accounts Receivable	(4,335)	(3,161)
Inventories and Prepaid Expenses	2,302	(1,392)
Accounts Payable and Accrued Liabilities	3,319	1,083
Deferred Revenue	(1,265)	681
Deferred Contributions	<u>16,765</u>	<u>23,345</u>
	<u>16,786</u>	<u>20,556</u>

18. COMMITMENTS

Costs to complete major capital projects in progress as at April 30, 2017 are estimated to be \$62,344 (2016 - \$48,603) and will be funded by government grants, gifts and University resources.

19. 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, 2017, 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, 2016, CURIE had an accumulated surplus of \$84,908 (2015 - \$69,679) of which the University's pro rata share is \$2,722 (2015 - \$2,223).

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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, 2017 the Guelph Cutten Club borrowed \$750 (2016 – \$883) under this guarantee.

20. 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. The University is also exposed to counterparty credit risk inherent in its interest rate swap agreements and foreign currency derivatives. The counterparty is either a Canadian chartered bank or major foreign/multinational bank, and the University has assessed these risks as minimal.

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.