



IMPROVE LIFE.

## **ANNUAL FINANCIAL REPORT**

**Fiscal Year 2019**

## Contents

<b>Financial Summary</b> .....	<b>2</b>
Revenue .....	2
Expenses .....	3
Excess revenue over expenses by fund .....	3
Net assets by category .....	4
Major Capital Activity.....	5
Debt.....	6
Endowments .....	6
Employee Future Benefits (EFB) .....	7
The Operating Fund .....	8
<b>Supplementary Information</b> .....	<b>11</b>
Financial Health Indicators.....	11
Table of Comparative Results .....	14
Total Revenues and Total Expenses - Five Year Trends .....	15
OMAFRA Contract .....	16
Research Funding.....	16
University of Guelph-Humber .....	17
Student Aid .....	17
Enrolment (excluding University of Guelph-Humber) .....	18
Statement of Operations – By Fund for Fiscal 2019 (May 1, 2018 to April 30, 2019) .....	19
<b>Audited Financial Statements for the Year Ended April 30, 2019</b> .....	<b>20</b>
Independent Auditors’ Report .....	20
Statement of Financial Position .....	22
Statement of Operations .....	23
Statement of Changes in Net Assets .....	24
Statement of Cash Flows .....	25
Notes to the Financial Statements .....	26

## Financial Summary

University financial results for the year confirm another overall positive year highlighted by increases in student driven revenues, grants and contracts and sales of goods and services, plus an increase in donation and investment income resulting in a 4.9% increase in total revenue.

When combined with an overall spending increase of 6.4%, the result was excess revenue over expenses of \$46.5 million and a \$116.4 million increase in net assets.

The largest contributor to the decreases in excess revenue over expenses and direct changes to net assets compared to fiscal 2018, was increased salary costs offset by better market returns on investments in both the University endowment fund and assets held for the pension plans; asset returns in these two major portfolios were 5.3% (3.2% in 2018) and 6.5% (3.7% in 2018) respectively.

Investment income recognized, mainly on internally restricted endowments, was \$29.5 million in fiscal 2019 which is \$12.1 million more than the \$17.4 million recognized in 2018. In addition, \$4.4 million was recorded as an increase<sup>2</sup> in endowment net assets from investment returns on externally restricted endowments, which is \$4.6 million more than the \$0.2 million decrease in 2018. Finally, EFB re-measurements resulted in an increase of \$56.5 million to net assets as the result of investment returns on pension plan assets greater than expected per actuarial assumptions.

## Revenue

Of the \$40.5 million increase in total revenue over last year, \$12.6 million was from student tuition and fees mainly due to rate increases, \$12.1 million was from investment income, mostly due to unrealized investment gains in 2019, and \$8.6 million was from other grants & contracts mainly due to reimbursements related to construction of agricultural research facilities on behalf of a provincial agency.

<b>Total University - Annual Results</b>				
<b>\$ millions</b>	<b>2019</b>	<b>2018</b>	<b>Change</b>	
<b>Total Revenue</b>	865.9	825.4	40.5	4.9%
<b>Total Expenses</b>	819.1	769.9	49.2	6.4%
<b>Change in Unrealized Loss on Interest Rate Swaps</b>	(0.3)	6.6	(6.9)	
<b>Revenue Less Expenses</b>	<b>46.5</b>	<b>62.1</b>	<b>(15.6)</b>	
<b>Direct Changes to Net Assets;</b>				
<b>Endowment Additions</b>	13.4	4.7	8.7	
<b>EFB<sup>1</sup> Re-measurements</b>	56.5	(24.5)	81.0	
<b>Total Direct Changes</b>	<b>69.9</b>	<b>(19.8)</b>	<b>89.6</b>	
<b>Total Change in Net Assets</b>	<b>116.4</b>	<b>42.3</b>	<b>74.1</b>	

<b>Total University Revenue</b>				
<b>\$ millions</b>	<b>2019</b>	<b>2018</b>	<b>Change</b>	
<b>Prov. Grants MTCU</b>	204.4	204.3	0.1	0.0%
<b>Prov. Contract OMAFRA</b>	75.7	74.2	1.5	2.0%
<b>Student Tuition/Fees</b>	302.3	289.7	12.6	4.3%
<b>Other Grants &amp; Contracts</b>	105.3	96.7	8.6	8.9%
<b>Sales of Goods &amp; Services</b>	101.6	98.5	3.1	3.1%
<b>Investment Income</b>	29.5	17.4	12.1	69.5%
<b>Other</b>	47.1	44.6	2.5	5.6%
<b>Total Revenue</b>	<b>865.9</b>	<b>825.4</b>	<b>40.5</b>	<b>4.9%</b>

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

<sup>2</sup> 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.

## Expenses

Total expenses increased 6.4% primarily due to increases in salaries, benefits and other expenses. Salaries and benefits costs increased overall by 6.6% and 4.7% respectively, supplies and services increased by 5.8%, and other expenses were up 13.1%.

Compensation expenses were up due to both salary rate increases from negotiated agreements and increased numbers of faculty and staff.

Other than compensation, increases were seen in all expense categories except for utilities and interest. Supplies and services reflects additional costs incurred in preparation for the jointly sponsored pension plan, as well as increases in contracted labour, while the increase in other expenses reflects increased activity in the trust fund related to the construction of agricultural research facilities on behalf of a provincial agency, which the University does not own and thus has not capitalized.

<i>University Expenses</i>				
<b>\$ millions</b>	<b>2019</b>	<b>2018</b>	<b>Change</b>	
<b>Salaries</b>	406.0	381.0	25.0	6.6%
<b>Benefits</b>	103.0	98.4	4.6	4.7%
<b>Student Assistance</b>	47.1	46.0	1.1	2.4%
<b>Supplies and Services</b>	76.2	72.0	4.2	5.8%
<b>Utilities</b>	18.0	18.8	(0.8)	-4.3%
<b>Capital Amortization</b>	48.8	45.8	3.0	6.6%
<b>Interest</b>	11.1	11.6	(0.5)	-4.3%
<b>Other Expenses</b>	108.9	96.3	12.6	13.1%
<b>Total Expenses</b>	<b>819.1</b>	<b>769.9</b>	<b>49.2</b>	<b>6.4%</b>

## Excess revenue over expenses by fund

This section provides a further attribution analysis of excess revenue over expenses across major funds that combined make up the University's overall financial position.

Overall, the decline of \$15.6 million in excess revenue over expenses was spread across all funds, except for the endowment fund which added \$5 million.

<i>Revenue Less Expenses by Fund</i>			
<b>\$ millions</b>	<b>2019</b>	<b>2018</b>	<b>Change</b>
<b>Operating</b>	(6.4)	0.1	(6.5)
<b>Capital</b>	26.3	32.0	(5.7)
<b>Ancillary Enterprises</b>	12.6	15.3	(2.7)
<b>Research</b>	1.5	3.6	(2.1)
<b>Trust</b>	3.8	7.5	(3.7)
<b>Endowment</b>	8.6	3.6	5.0
<b>Total</b>	<b>46.5</b>	<b>62.1</b>	<b>(15.6)</b>

**Operating fund** results reflect increases in compensation, supplies and services and other expenses. *(More details on page 8.)*

**Capital fund** excess revenue over expenses reflects the University's continuing investments in both major building projects and renovations. The decrease from prior year was due partly to increased capital asset amortization and partly to a negative experience in the unrealized loss on interest rate swaps related to long term debt for capital. *(More details on pages 4 and 5.)*

**Endowment fund** excess revenue over expenses increased due to higher investment income recognized on internally restricted endowments, primarily comprised of the Heritage Fund.

**Trust fund** excess revenue over expenses decreased due to the timing of distribution transfers out of the Heritage Fund for capital purposes, which were higher in 2019 than in 2018.

## Net assets by category

<i>Net Asset Balances</i>			
\$ millions	2019	2018	Change
Capital Assets	623.5	587.9	35.6
Internally Restricted	276.9	288.6	(11.7)
Unrestricted (Deficit)	(240.6)	(311.2)	70.6
Endowment	382.7	360.8	21.9
<b>Total University Net Assets</b>	<b>1,042.5</b>	<b>926.1</b>	<b>116.4</b>

University net assets are classified into four major groups in accordance with accounting policy. The following table shows 2019 net asset balances compared to the prior year.

**Capital Assets**, typically the largest net asset category, shows the net undepreciated equity position the University holds in its land, buildings and equipment. In 2019 the University continued to invest its physical assets. Overall Capital Assets grew by a net \$35.6 million (\$71.3 million in 2018).

<i>Increases (Decreases) in Net Assets - Capital Assets</i>			
\$ millions	2019	2018	Change
Capital asset acquisitions	89.1	135.2	(46.1)
Capital contributions recognized	20.9	20.8	0.1
External debt repayment	12.3	11.3	1.0
Capital asset amortization	(48.8)	(45.8)	(3.0)
Capital contributions deferred	(37.9)	(50.2)	12.3
<b>Total Change</b>	<b>35.6</b>	<b>71.3</b>	<b>(35.7)</b>

<i>Internally Restricted Net Asset Balances</i>			
\$ millions	2019	2018	Change
Capital Projects <sup>3</sup>	(33.4)	(38.1)	4.7
Operating Fund	202.9	226.5	(23.6)
Other Funds	107.4	100.2	7.2
<b>Total Internally Restricted</b>	<b>276.9</b>	<b>288.6</b>	<b>(11.7)</b>

**Internally Restricted** funds record the amount of accumulated excess revenue over expenses designated by the Board for specific purposes including completing capital projects, division unspent funds and reserves.

The change in **Capital Projects** category was a result of advancing matching funds related to the Strategic Investment Fund government funding program to finance project costs (internal financing).

The decrease in **Operating Fund** includes an increase in operating 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. These were offset by a large decrease in employee benefit reserves reflecting pension special payments required due to plan deficits.

The **Unrestricted (Deficit)** increased by \$70.6 million mainly due to the accounting recognition of employee future benefit re-measurements, resulting from experiencing an actual return of 6.5% on invested pension plan assets compared to the discount rate of 5.65% used to represent expected return in the current year.

<sup>3</sup> Balances reflect the net financing position in the Capital fund; cash balances for projects in progress less internal financing used for capital projects.

**Endowment** net assets increased by \$21.9 million mainly as the result of the investment portfolio net return of 5.3%. Details of this increase are shown in the table below.

<i>Increases (Decreases) in Net Assets - Endowments</i>			
<b>\$ millions</b>	<b>2019</b>	<b>2018</b>	<b>Change</b>
Investment Income (Loss) not allocated for spending on:			
Externally restricted	4.4	(0.2)	4.6
Internally restricted	3.5	(1.3)	4.8
<b>Total Investment Income (Loss)</b>	<b>7.9</b>	<b>(1.5)</b>	<b>9.4</b>
Contributions to endowments			
From Donors	8.9	5.0	3.9
Internal transfers <sup>4</sup>	5.1	4.9	0.2
<b>Total Contributions</b>	<b>14.0</b>	<b>9.9</b>	<b>4.1</b>
<b>Total Change</b>	<b>21.9</b>	<b>8.4</b>	<b>13.5</b>

## Major Capital Activity

The University continued to invest in its physical assets of buildings, facilities, and capital equipment with acquisitions totaling \$89.1 million (\$135.2 million in 2018). Referring to the table below, once again the major category of new investments occurred in buildings.

<i>Capital Expenditures</i>			
<b>\$ millions</b>	<b>2019</b>	<b>2018</b>	<b>Change</b>
<b>Major Buildings</b>	49.4	90.9	(41.5)
<b>Equipment and Other</b>	21.5	23.1	(1.6)
<b>Main Campus Facilities Renewal</b>	7.9	13.3	(5.4)
<b>Student Housing Facilities Renewal</b>	10.3	7.9	2.4
<b>Total</b>	<b>89.1</b>	<b>135.2</b>	<b>(46.1)</b>

<i>Capital Project Spending</i>			
<b>\$ millions</b>	<b>2019 Spending</b>	<b>Total Spending</b>	<b>Total Approved</b>
<b>SIF</b>	14.2	67.6	69.1
<b>OVC Phases 1 &amp; 2</b>	10.2	23.6	34.2
<b>Greenhouse Gas Campus Retrofit</b>	9.5	9.5	9.5
<b>Powell Building Renovations</b>	4.3	12.3	12.8
<b>Improv Theatre/North Wing MacKinnon Renovation</b>	1.6	1.7	20.3
<b>Turfgrass Institute</b>	1.2	4.5	18.3
<b>Former VMI Building</b>	1.2	1.3	13.3
<b>Main Campus WIFI</b>	1.0	2.5	3.5
<b>South Residence Renovation</b>	5.7	5.7	5.7

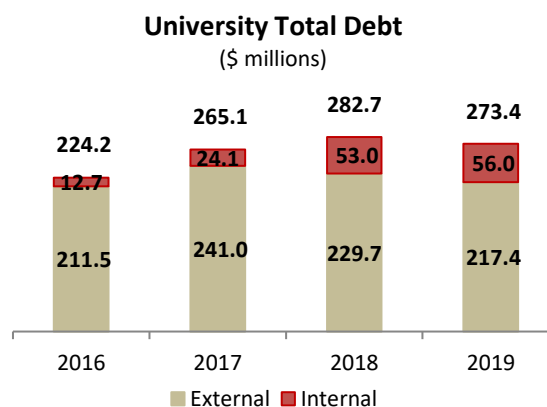
Construction activity included the continuation of several major building projects as well as the start of new projects that will be completed over the next several years. The table below shows current year and total to date spending on significant projects.

<sup>4</sup> Internal transfers to endowments primarily consists of Real Estate Division earnings designated for the Heritage Fund.

## Debt

The University uses financing from both internal<sup>5</sup> and external sources to fund high priority capital projects. Total capital financing decreased by \$12.3 million consisting of principal repayments on external debt.

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 2019, the University held ratings with these agencies at AA and A (high), respectively. Debt levels are compliant with the Board-approved policy for capital debt management.



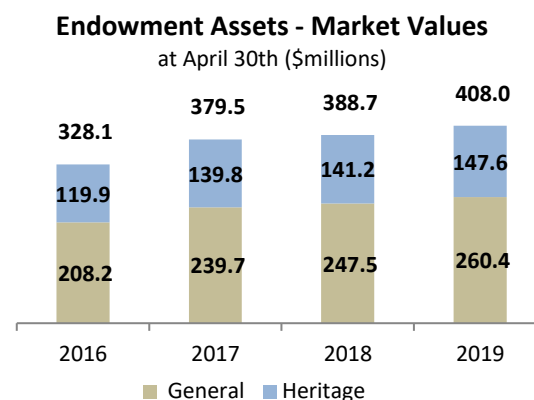
## Endowments

University endowments (\$408.0 million) consist of two major components, the Heritage Fund and the General Endowment Fund (“GEF”). While both funds are invested as a single pool, each has its own payout formula and source of capital growth. In 2019, the endowment portfolio grew by \$19.3 million net of expenses and payouts.

In 2019 increases in equity markets, infrastructure, and fixed income all contributed to a net return of 5.3%.

The five-year annualized net return was 6.0%. On a relative basis the portfolio underperformed its benchmark, with a value-based bias, the portfolio's investment managers underperformed their equity benchmarks in four of the last five years.

Additions to endowment capital totaled \$14.0 million in 2019 (\$9.9 million in 2018).



<i>Endowment Annual &amp; Five-year Annualized Returns (%)</i>						
Returns <sup>1</sup>	2015	2016	2017	2018	2019	Five Year
<b>Gross</b>	11.9	-2.5	16.5	4.3	6.6	7.2
<b>Net <sup>2</sup></b>	10.8	-3.6	15.4	3.2	5.3	6.0
<b>Benchmark</b>	12.7	-1.7	13.9	5.4	8.2	7.6

*Note 1: Currency hedging was phased out in 2018.*  
*Note 2: Net return includes all investment management fees and internal University costs in the GEF.*

<sup>5</sup> 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.

Total spending<sup>6</sup> from endowments decreased by \$0.8 million to \$13.5 million in 2019 as spending in the General Endowment Fund was \$0.8 million higher than in the prior year, but the Heritage Fund distribution was \$1.6 million lower than it was in 2018.

<i>Annual Spending from Endowments</i>				
\$millions	2016	2017	2018	2019
<b>General</b>	4.8	5.8	5.9	6.7
<b>Heritage Fund</b>	7.4	5.3	8.4	6.8
<b>Total</b>	<b>12.2</b>	<b>11.1</b>	<b>14.3</b>	<b>13.5</b>

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 2.4% or \$1.2 million (to \$50.5 million) consisting of an increase in non-pension expenses of \$1.4 million, partially offset by a small decrease in pension expense of \$0.2 million. Both expense changes were the result of changes in financing costs on the net liabilities of each of the benefit programs at the end of the last fiscal period.

<i>EFB Expenses (in the Statement of Operations)</i>				
\$ millions	2019	2018	Change	
<b>Expenses</b>				
<b>Pension Plans</b>	25.6	25.8	(0.2)	(0.8%)
<b>Non-Pension Plans</b>	24.9	23.5	1.4	5.9%
<b>Total Expenses</b>	<b>50.5</b>	<b>49.3</b>	<b>1.2</b>	<b>2.4%</b>

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

<i>EFB Direct Changes to Net Assets</i>			
\$ millions	2019	2018	Change
<b>Re-measurements – (Gains) or Losses</b>			
<b>Pension Plans</b>	(15.4)	26.6	(42.0)
<b>Non-Pension</b>	(41.1)	(2.1)	(39.0)
<b>Total Re-measurements</b>	<b>(56.5)</b>	<b>24.5</b>	<b>81.0</b>

In 2019, the sum of these adjustments resulted in a \$56.5 million increase in Net Assets. This included an increase of \$12.3 million due to the positive experience on pension assets (earning more than expected) as well as a \$41.1 million positive experience in non-pension benefit plans.

The impact of these adjustments by program is presented in the table below. These types of re-measurement adjustments can be volatile, moving significantly with swings in market conditions and changes in assumptions.

<sup>6</sup> University policy limits spending from endowments each year to protect donated capital and real spending over the very long term.



The University's "Unrestricted Deficit" consists mainly of unfunded accounting charges<sup>7</sup> for Employee Future Benefits. In 2019, this deficit decreased by \$73.8 million mainly because of re-measurements noted above. The following table summarizes the changes to the University deficit as a result of EFB charges, where Net Expense includes accrued charges for the current year offset by cash contributions.

<i>Overall EFB Impact on the Unrestricted Deficit</i>			
\$ millions	2019	2018	Change
Opening Deficit	(321.6)	(308.0)	(13.6)
Re-measurements	56.5	(24.5)	81.0
Net Expense	(7.8)	(5.7)	(2.1)
Transfer from Reserves	25.0	16.6	8.4
Closing Deficit	(247.9)	(321.6)	(73.7)

<i>EFB Asset (Liability)</i>				
\$ millions	2019	2018	Change	
<b>Pension Plans:</b>				
Invested Assets	1,614.0	1,509.5	104.5	6.9%
Less: Obligations	1,538.6	1,486.2	52.4	3.5%
<b>Pension Plans</b>	<b>75.4</b>	<b>23.3</b>	<b>52.1</b>	
Non-Pension Plans	(264.6)	(286.3)	21.7	-7.6%
<b>EFB Net Obligations</b>	<b>(189.2)</b>	<b>(263.0)</b>	<b>73.8</b>	<b>-28.1%</b>

**EFB Liabilities:** The Statement of Financial Position captures the net surplus (asset) or deficit (liability) positions of each of the pension and non-pension retirement benefits plans. In 2019 the total net EFB liability is \$189.2 million, down from \$263.0 million in 2018.

**EFB Cash Contributions:** University contributions to pension plans are based on actuarial valuations required by legislation. Non-pension contributions cover claims costs as they occur.

<i>EFB Contributions</i>				
\$ millions	2019	2018	Change	
<b>Cash Contributions</b>				
Pension Plans	62.3	55.3	7.0	12.7%
Non-Pension	5.5	4.9	0.6	12.2%
<b>Total Contributions</b>	<b>67.8</b>	<b>60.2</b>	<b>7.6</b>	<b>12.6%</b>

In 2019, required pension special payment contributions continued to be based on the valuations filed with a date of August 1, 2016 which were completed prior to recent changes to pension legislation.

## The Operating Fund

The Operating Fund, with over 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.

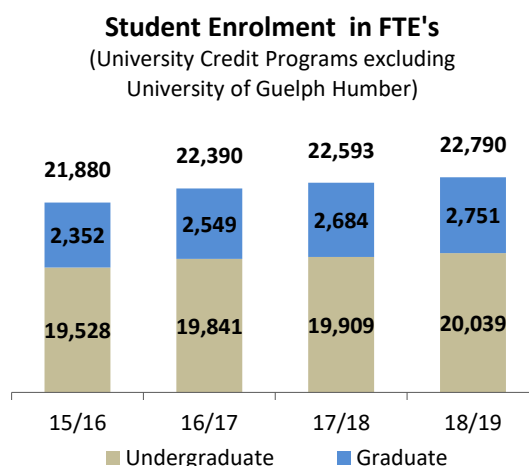
### Operating Fund Revenues

Operating Fund revenue increased by 2.2% or \$11.5 million, primarily driven by the \$11.2 million increase in student tuition and fees.

<i>Operating Fund Revenue</i>				
\$ millions	2019	2018	Change	
Provincial MTCU	204.0	203.8	0.2	0.1%
Provincial OMAFRA	5.4	5.5	(0.1)	-1.8%
Student Tuition/Fees	252.7	241.5	11.2	4.6%
Sales & Other Contracts	48.0	47.4	0.6	1.3%
Other	14.1	14.5	(0.4)	-2.8%
<b>Total</b>	<b>524.2</b>	<b>512.7</b>	<b>11.5</b>	<b>2.2%</b>

<sup>7</sup> The University provides full funding for the cash requirements of its EFB plans.

Enrolment increases were experienced mainly in international<sup>8</sup> undergraduate and graduate programs. In 2019, university-degree enrolments increased over 2018 levels by 0.9% or 197 FTE's<sup>9</sup>.



### Operating Fund Expenses

Operating Fund expenses increased 3.5% over 2018. The largest increases were seen in personnel compensation and supplies and services, partially offset by a decrease in interfund transfers<sup>10</sup> primarily to the capital fund.

<i>Operating Fund Expenses</i>				
\$ millions	2019	2018	Change	
Salaries	300.4	280.2	20.2	7.2%
Benefits	84.6	80.6	4.0	5.0%
Supplies & Services	43.6	39.0	4.6	11.8%
Other Expenses	44.6	42.4	2.2	5.2%
Utilities	13.9	14.3	(0.4)	-2.8%
Student Assistance	32.8	32.6	0.2	0.6%
Interfund Transfers	10.7	23.5	(12.8)	-54.5%
<b>Total</b>	<b>530.6</b>	<b>512.6</b>	<b>18.0</b>	<b>3.5%</b>

Salaries and benefits increased due to increases in both the number of full and part time staff as well as increases in the rate of compensation.

Supplies and services increased due to additional costs incurred in preparation for the jointly sponsored pension plan, as well as increases in contracted labour.

Net Interfund transfers impacting the Operating Fund decreased by \$12.8 million mainly due to transfers from the Operating Fund to the Capital Fund for approved capital projects impacting 2018 balances.

<sup>8</sup> International student enrolments are about 5% of total enrolments at the University.

<sup>9</sup> FTE - Full-Time Equivalent, which converts part-time students into full-time equivalents. Actual head-counts would exceed FTE counts.

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

## 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 excess revenue over expenses 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 2019 Operating Fund annual excess revenue over expenses of negative \$6.4 million, \$6.5 million lower than prior year, was a result of increased costs mainly in salaries and benefits which increased \$24.2 million. A \$7.8 million increase in the accounting charge for post-employment<sup>11</sup> was more than offset by the transfer from reserves of \$25.0 million, reflecting funding to help cover 2019 pension cash contribution requirements.

The table below details the major changes to the University's Operating Fund balances year over year.

<i>Operating Fund - Net Assets</i>					
<b>\$millions</b>	Opening Balances	2019 Annual Results	Transfers (From)To Reserves	EFB Re-measure	Closing Balances
<b>Internally Restricted</b>					
Divisional Reserves	100.5	(4.0)			96.5
Central Reserves	76.1	5.3			81.4
Post-Employment Reserves	48.0		(25.0)		23.0
Self-insurance & GH	1.9				1.9
<b>Total Internally Restricted</b>	<b>226.5</b>	<b>1.3</b>	<b>(25.0)</b>		<b>202.9</b>
<b>Unrestricted</b>					
Post-Employment	(321.6)	(7.8)	25.0	56.5	(247.9)
<b>Total Unrestricted</b>	<b>(321.6)</b>	<b>(7.8)</b>	<b>25.0</b>	<b>56.5</b>	<b>(247.9)</b>
<b>Total Operating Net Assets</b>	<b>(95.1)</b>	<b>(6.4)</b>	<b>0.0</b>	<b>56.5</b>	<b>(45.0)</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, 2019.

<sup>11</sup> 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.

## Supplementary Information

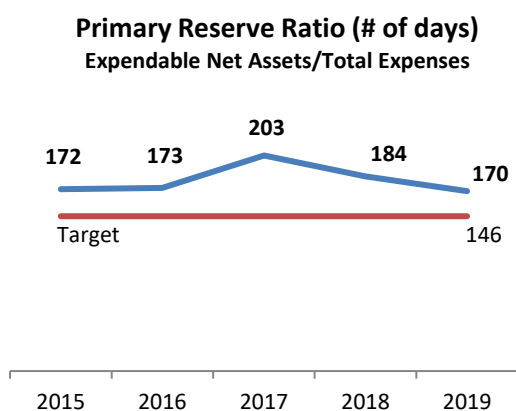
### Financial Health Indicators

The following metrics use information from the audited statements<sup>12</sup> 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

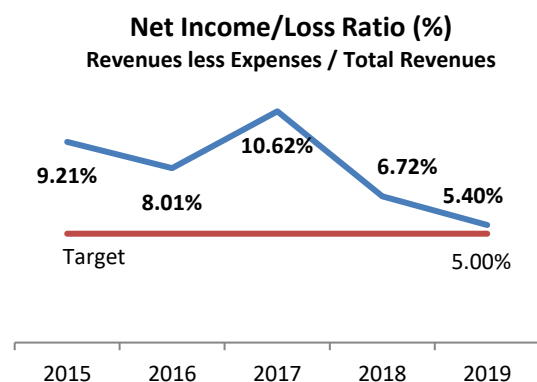
**1. PRIMARY RESERVE RATIO:** Summarizes financial health and flexibility by indicating how long the University could function only using its expendable reserves without relying on additional net assets generated by operations. Expendable net assets consist of internally restricted endowments and net assets and unrestricted surplus (deficit) adjusted to exclude employee future benefits net liability. A target ratio of 146 is the ability to cover 146 days of expenses.

\$000's	2019	5 Year Change
Expendable Net Assets	380,743	56,704 17%
Total Expenses	819,162	129,754 19%



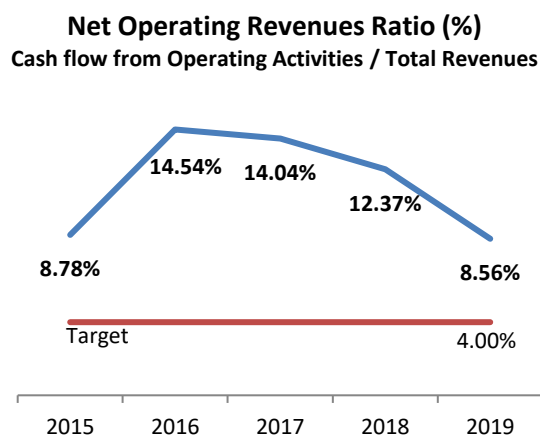
**2. NET INCOME/LOSS RATIO:** Measures whether the University is growing its resources over time. It compares the current year’s excess of revenues over expenses over total revenues. On a combined basis, a growth rate of 5% is expected over time.

\$000's	2019	5 Year Change
Revenues – Expenses	46,747	(23,219) -33%
Total Revenues	865,909	106,535 14%



**3. NET OPERATING REVENUES RATIO:** Compares cash provided by operating activities over income over total revenues. 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.

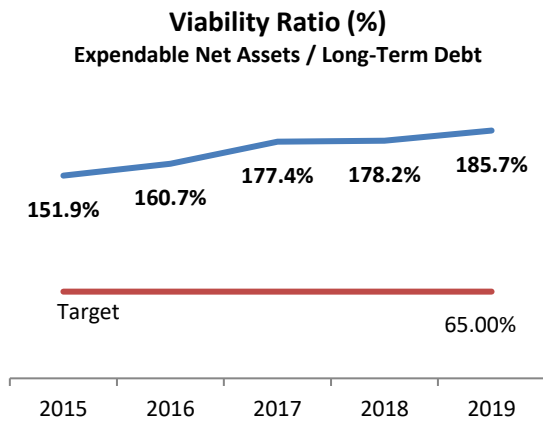
\$000's	2019	5 Year Change
Cash Flow from Operating Activities	74,151	7,492 11%
Total Revenues	865,909	106,535 14%



<sup>12</sup> 2015 and 2016 figures do not include *University of Guelph-Humber proportionate consolidation*.

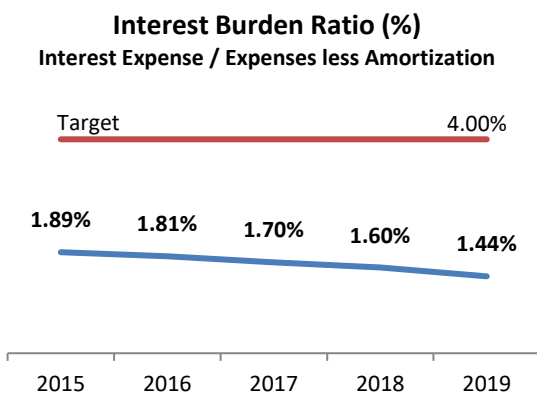
**4. VIABILITY RATIO:** Gauges the extent to which the University has available resources to cover its debt; essentially a “wind-up” ratio for external obligations. It calculates expendable net assets over external long-term debt. The ratio assists in assessing current debt capacity and the ability to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

\$000's	2019	5 Year Change
Expendable Net Assets	380,743	56,704 17%
Long-Term Debt	205,021	(8,263) -4%



**5. INTEREST BURDEN RATIO:** This ratio measures the extent to which interest is a portion of total expenses excluding capital asset amortization. The objective is to stay below the target.

\$000's	2019	5 Year Change
Interest Expense	11,079	(1,127) -9%
Expenses – Amortization	770,398	124,112 19%



### Debt Specific Metrics

The University has established a group of specific metrics in addition to the viability and interest burden ratios to help manage debt.

These are included in the [Capital Debt Policy](#).

They include:

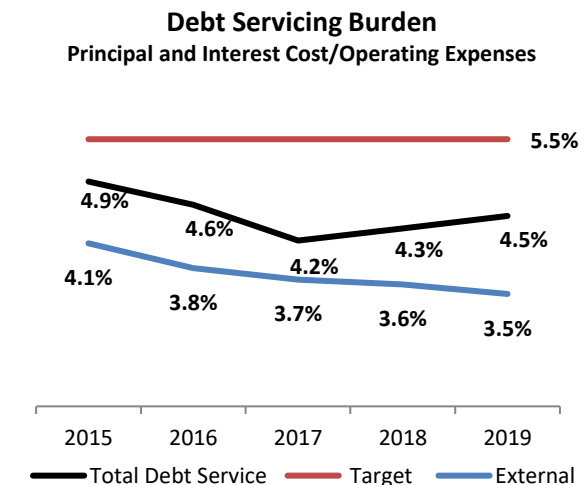
- Debt Service Burden – portion of funding used for covering debt payment
- Debt Service Coverage – debt service costs as a portion of net income
- Debt to FTE – amount of debt per student

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.

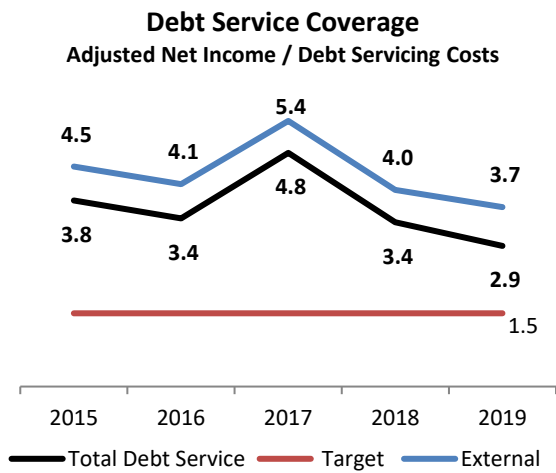
**6.1 DEBT SERVICING BURDEN:** This ratio measures the extent to which total debt servicing (incl. sinking fund payments) is a portion of total operating expenses excluding capital asset amortization. The objective is to stay below the target.

\$000's	2019	5 Year Change
Total Debt Servicing Costs	30,170	2,970 11%
External Debt Costs only	23,315	565 2%
Operating Expenses	671,440	121,424 22%



**6.2 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	2019	5 Year Change
Adjusted Net Income	86,875	(16,765) -16%
Debt Servicing Costs	30,170	2,970 11%
Adjusted Net Income–External	85,660	(16,754) -16%
External Debt Service	23,315	565 2%



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

\$000's	2019	5 Year Change
External Debt	217,426	(7,030) -3%
Total Debt	273,460	17,001 7%
Total Student FTE's	22,790	1,245 6%

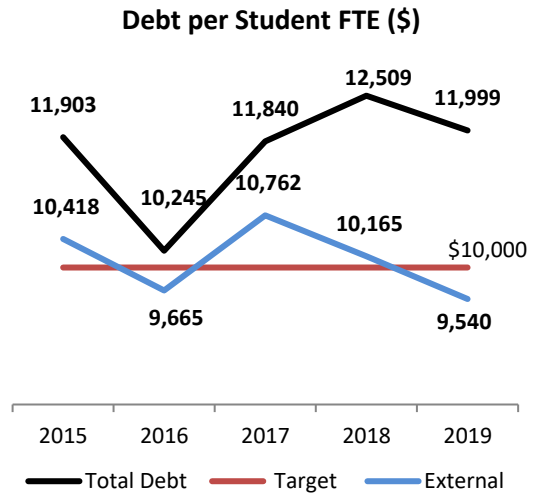
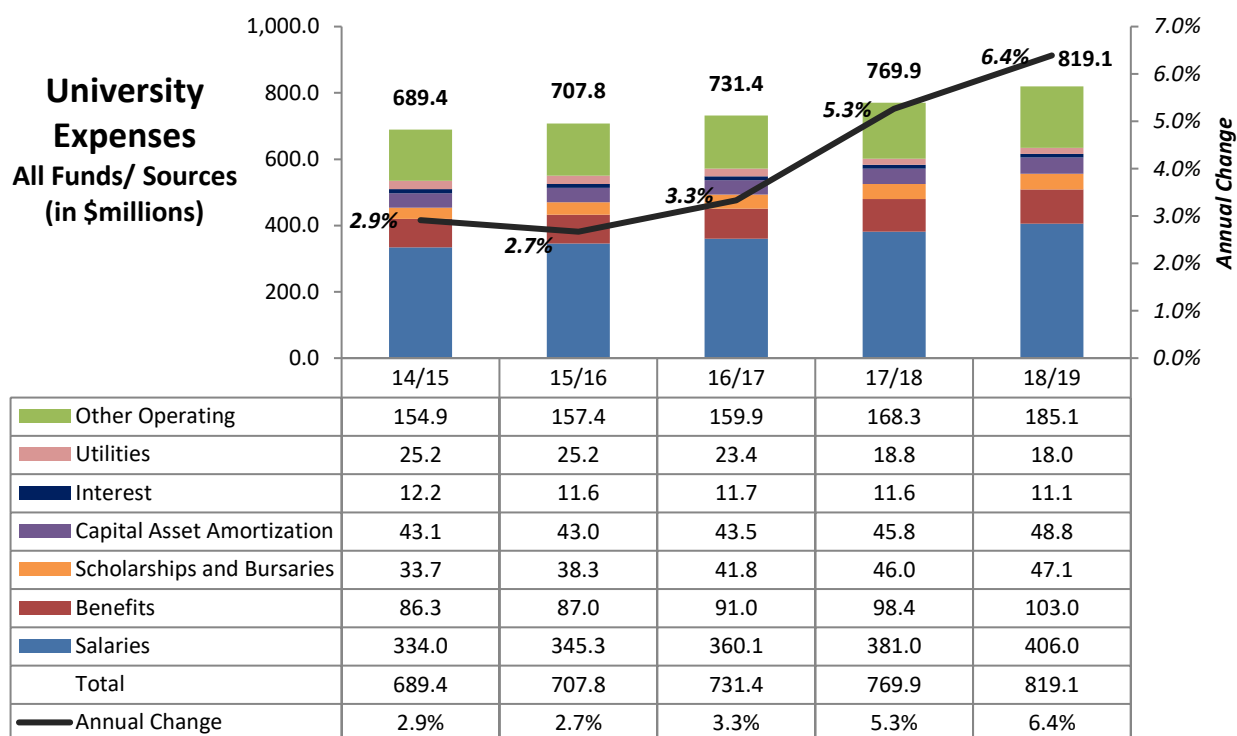
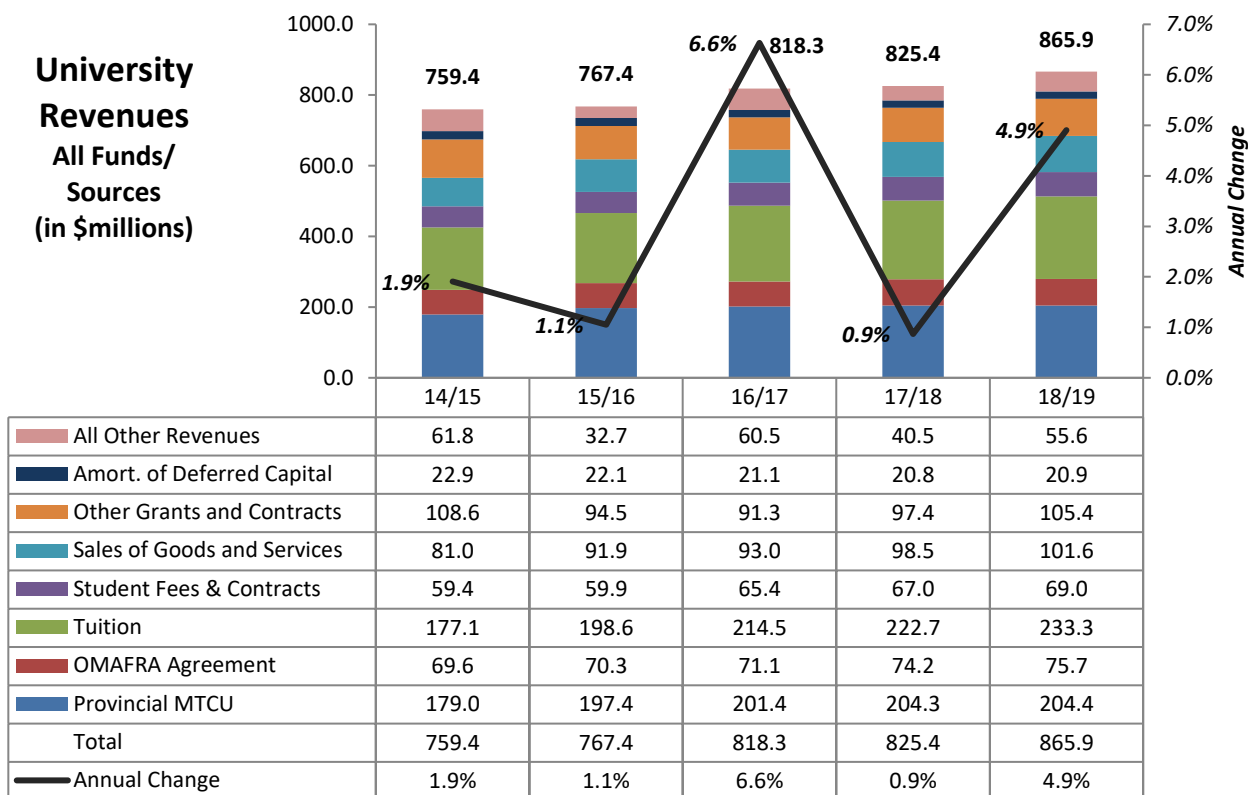


Table of Comparative Results<sup>13</sup>

	2015	2016	2017	2018	2019
<b>Enrolment FTEs (excluding Guelph-Humber)</b>	21,545	21,880	22,390	22,593	22,790
<b>Faculty and Staff (Budgeted Positions)</b>	2,933	2,885	2,928	3,032	3,122
<b>Full-time Faculty (as of October 1st)</b>	759	777	762	789	823
<b>Revenues and Expenses</b>					
<b>Total Revenues (\$M)</b>	\$759.4	\$767.4	\$818.3	\$825.4	\$865.9
<b>Total Expenditures (\$M)</b>	\$689.4	\$707.8	\$731.4	\$769.9	\$819.2
<b>Unrealized Gain (Loss) on Interest Rate Swaps</b>	\$(3.4)	\$0.6	\$2.9	\$6.6	\$(0.3)
<b>Annual Surplus/(Deficit) (\$M)</b>	\$66.6	\$60.2	\$89.8	\$62.1	\$46.5
<b>Revenue year-over-year change</b>	2%	1%	7%	1%	5%
<b>MTCU Operating Grants per FTE (\$)</b>	\$8,051	\$8,742	\$8,773	\$8,822	\$8,754
<b>Revenue Mix (% of Total Revenues)</b>					
<b>Provincial Operating Grants - MTCU</b>	23%	26%	25%	25%	24%
<b>Tuition</b>	23%	25%	26%	27%	27%
<b>Endowment and Donations</b>	3%	3%	3%	3%	3%
<b>Expenditure year-over-year change</b>	2.9%	2.7%	3.3%	5.3%	6.4%
<b>Expense Mix (% of Total Expenses)</b>					
<b>Salaries</b>	48%	49%	49%	49%	50%
<b>Benefits (including EFB accounting policies)</b>	13%	12%	12%	13%	13%
<b>Components of Net Assets</b>					
<b>Invested in Capital Assets (\$M)</b>	\$458.8	\$514.5	\$516.6	\$587.9	\$623.5
<b>Endowed (\$M)</b>	\$320.2	\$307.1	\$352.4	\$360.8	\$382.7
<b>Internally Restricted (\$M)</b>	\$260.1	\$261.6	\$320.8	\$288.6	\$276.9
<b>Unrestricted (Deficit) (\$M)</b>	\$(306.6)	\$(348.9)	\$(305.9)	\$(311.2)	\$(240.6)
<b>Total Net Assets (\$M)</b>	\$732.5	\$734.3	\$883.9	\$926.1	\$1,042.5
<b>Capital and Capital Debt</b>					
<b>Total External Debt (\$M)</b>	\$224.5	\$211.5	\$241.0	\$229.7	\$217.4
<b>Total Debt per FTE (\$)</b>	\$10,420	\$9,666	\$10,764	\$10,167	\$9,539
<b>%Debt Service to Revenue</b>	3.2%	3.4%	2.8%	2.9%	2.8%
<b>%Debt to Revenue</b>	29.6%	27.6%	29.5%	27.8%	25.1%
<b>Capital Acquisitions (\$M)</b>	\$58.7	\$75.9	\$80.6	\$135.2	\$89.1
<b>Provincial Capital Grants (\$M)</b>	\$1.0	\$1.6	\$0.5	\$0.4	\$0.4
<b>Endowments</b>					
<b>Externally Restricted (\$M)</b>	\$204.4	\$196.0	\$225.5	\$230.6	\$242.4
<b>Internally Restricted (\$M)</b>	\$137.5	\$132.1	\$154.0	\$158.1	\$165.6
<b>Total Endowment Assets – Market Values (\$M)</b>	\$341.9	\$328.1	\$379.5	\$388.7	\$408.0
<b>Total Endowment per FTE (\$)</b>	\$15,869	\$14,995	\$16,950	\$17,204	\$17,903
<b>Employee Future Benefits (EFB)</b>					
<b>Pension Plans –Asset/(Obligation) (\$M)</b>	\$49.1	\$(40.4)	\$26.4	\$26.9	\$76.2
<b>Other Benefit Plans – (Obligation) (\$M)</b>	\$(279.8)	\$(238.4)	\$(269.8)	\$(286.3)	\$(264.6)
<b>Latest Valuation Date – Registered Plans</b>	Aug-13	Aug-13	Aug-16	Aug-16	Aug-16
<b>Latest Valuation Date – Other Plans</b>	Aug-13	Jan-16	Jan-16	Jan-16	Jan-19

<sup>13</sup> Excludes the University of Guelph-Humber except for the 50% consolidation of revenue/expenses.

Total Revenues and Total Expenses - Five Year Trends<sup>14</sup>



<sup>14</sup> 14/15 fiscal year does not include 50% proportionate consolidation of the University of Guelph-Humber.



## OMAFRA Contract

Fiscal 2019 marked the first fiscal year of the new five-year funding agreement with OMAFRA (April 1, 2018 – March 31, 2023) 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.

OMAFRA Agreement (\$Millions)	2019	2018	Change
<b>REVENUE</b>			
OMAFRA Agreement	75.5	74.4	2%
Sales of Goods & Services	20.3	19.8	2%
Investment Income	0.6	0.3	83%
Other Revenue	1.5	2.0	-26%
<b>Total Revenue</b>	<b>97.9</b>	<b>96.5</b>	<b>1%</b>
<b>EXPENSES</b>			
Salaries	33.4	33.9	-2%
Benefits	8.5	8.5	0%
Operating	28.7	28.3	2%
Utilities	3.1	3.5	-13%
Scholarships & Bursaries	0.7	0.5	51%
Cost Transfers	23.5	21.8	8%
<b>Total Expenses</b>	<b>97.9</b>	<b>96.5</b>	<b>1%</b>
<b>REVENUE LESS EXPENSES</b>	<b>-</b>	<b>-</b>	

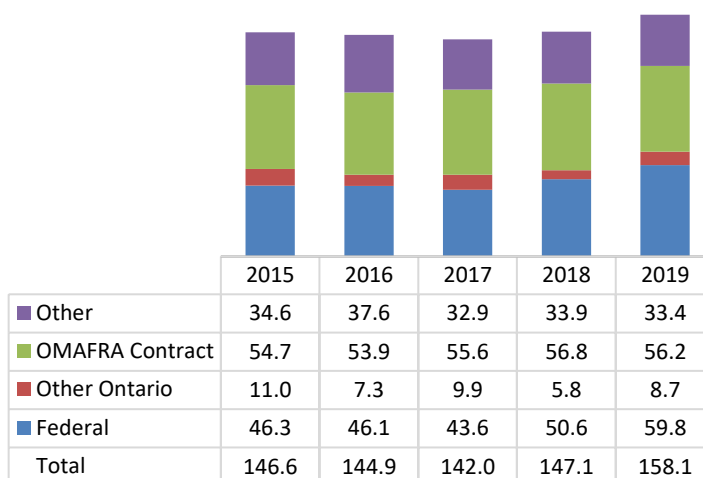
The OMAFRA contract is a major component of University research providing funding for almost 33% of total University research and supporting 638 University employees, both faculty and staff. In addition to direct provincial funding, the province designates provincially-owned facilities (research stations 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 2019, \$158.1 million was received and allocated to departments (\$147.1 million in 2018). The increase is primarily a result of an increase in Tri-Agency Institutional Programs Secretariat (TIPS).

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, an unincorporated joint venture.

The University reports its 50% interest in the operations of Guelph-Humber using the proportionate consolidation method. The table shows the 50% of operations that are consolidated in the University's financial statements.

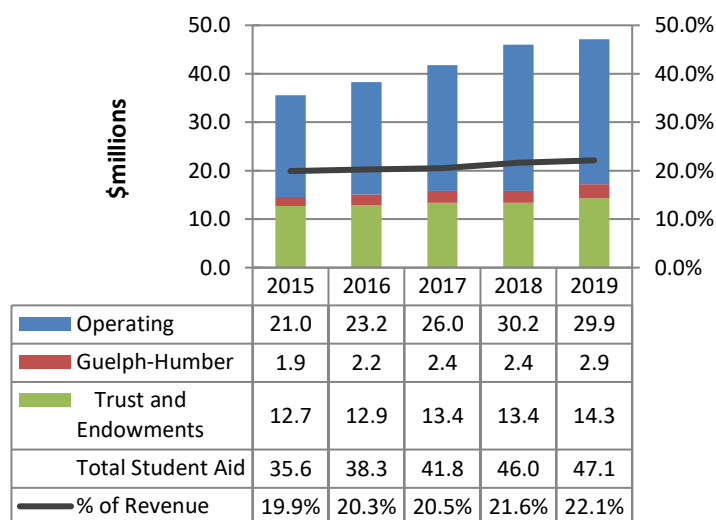
Guelph-Humber (\$millions)	2019	2018	Change	
			\$	%
<b>REVENUE</b>				
MTCU	17.1	17.4	(0.3)	-1.7%
Tuition	17.5	17.0	0.5	2.9%
Student Fees	0.2	0.2	0.0	0.0%
<b>Total Revenue</b>	<b>34.8</b>	<b>34.6</b>	<b>0.2</b>	<b>0.6%</b>
<b>EXPENSES</b>				
Salaries	4.3	4.1	0.2	4.9%
Benefits	1.1	1.1	0.0	0.0%
Amortization	0.2	0.2	0.0	0.0%
Scholarships & Bursaries	2.9	2.4	0.5	20.8%
Supplies	0.2	0.2	0.0	0.0%
Professional Services	9.7	9.8	(0.1)	-1.0%
Equip., Repairs & Maint.	1.1	1.1	0.0	0.0%
Travel	0.5	0.6	(0.1)	-16.7%
Other Operating	3.1	3.0	0.0	0.0%
<b>Total Expenses</b>	<b>23.1</b>	<b>22.5</b>	<b>0.6</b>	<b>2.7%</b>
<b>REVENUE LESS EXPENSES</b>	<b>11.7</b>	<b>12.1</b>	<b>(0.4)</b>	<b>-3.3%</b>
<b>Guelph-Humber Undergraduate Enrolment (FTE's)</b>	<b>4,600</b>	<b>4,664</b>	<b>(64)</b>	<b>-1.4%</b>

## Student Aid

The University of Guelph, including 50% of the University of Guelph-Humber, spent \$47.1 million on Scholarships and Bursaries in fiscal 2018 reflecting an increase of 2.4% from the prior year. The main sources of funding for student assistance include the Operating Fund and University of Guelph-Humber operations as well as external funds which consist of a wide variety of restricted funds, e.g., grants, donations and endowments.

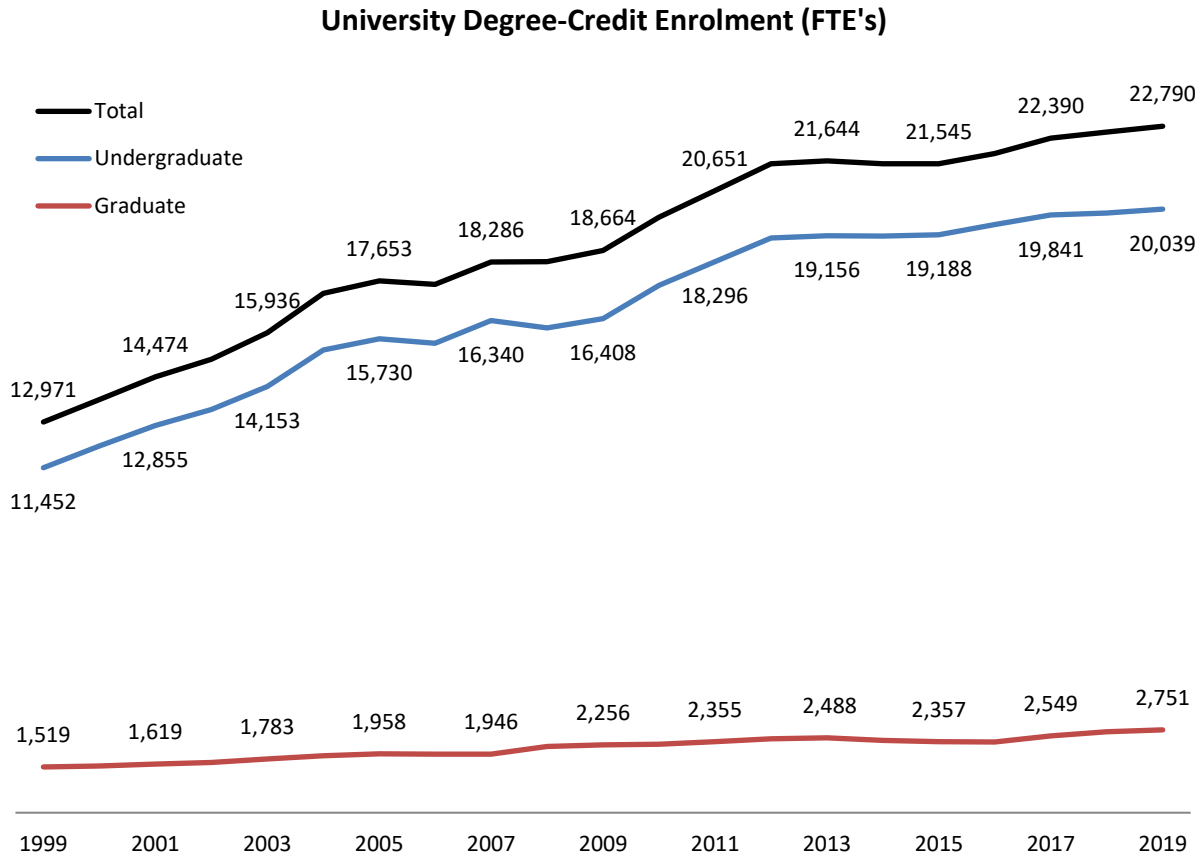
Student aid funding is now approximately 22.1% (21.6% in 2018) of total credit tuition revenues. Of the \$47.1 million, 64% was funded from the Operating Fund, 6% was for Guelph-Humber, and 30% was funded from trust funds including endowments.

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



## Enrolment (excluding University of Guelph-Humber)

In 2019 University enrolment as measured in full-time equivalents (“FTE’s”) increased slightly compared to 2018. Small increases were seen in both undergraduate and in graduate enrolment numbers. Graduate enrolment increased by 67 FTE’s, which was 2.5% higher than 2018. Undergraduate enrolment was relatively flat, increasing by 130 FTE’s or 0.6%, with the slight amount of growth coming from international students. The chart below shows 20 years of enrolment figures, reflecting slower enrolment growth in recent years compared to the major growth seen in the previous decade.



## Statement of Operations – By Fund for Fiscal 2019 (May 1, 2018 to April 30, 2019)

(in thousands of dollars)	Operating Fund	Capital Fund	Ancillary Enterprises	Research Fund	Trust Fund	Endowment Fund	Total 2019	Total 2018
<b>REVENUE</b>								
Provincial Grants – MTCU	204,005	393	-	-	-	-	204,398	204,251
Provincial Contract – OMAFRA Agreement	5,368	-	-	49,137	21,194	-	75,699	74,182
Other Grants and Contracts	5,492	-	-	89,629	10,040	197	105,358	96,744
Tuition (Credit and Non-credit)	233,312	-	-	-	-	-	233,312	222,658
Student Fees and Contracts	19,382	-	48,516	-	1,099	-	68,997	67,030
Sales of Goods and Services	42,482	-	38,806	4,740	15,556	-	101,584	98,543
Investment Income	3,356	1,169	-	630	20,832	3,479	29,466	17,374
Amortization of Deferred Capital Contributions	-	20,893	37	-	-	-	20,930	20,799
Donations	95	-	-	2,177	11,199	26	13,497	10,424
Other	10,740	435	-	1,473	20	-	12,668	13,348
	<b>524,232</b>	<b>22,890</b>	<b>87,359</b>	<b>147,786</b>	<b>79,940</b>	<b>3,702</b>	<b>865,909</b>	<b>825,353</b>
<b>EXPENSES</b>								
Salaries	300,407	-	21,261	68,059	16,300	-	406,027	381,018
Employee Future Benefits (EFB)	50,475	-	-	-	-	-	50,475	49,292
Other Employee Benefits	34,123	-	4,162	9,651	4,609	-	52,545	49,119
Capital Asset Amortization	-	41,581	7,183	-	-	-	48,764	45,838
Scholarships and Bursaries	32,848	-	-	4,798	9,454	-	47,100	45,982
Supplies	15,586	-	2,465	13,176	5,357	-	36,584	35,590
Professional and Externally Contracted Services	27,998	19	1,465	8,204	1,901	-	39,587	36,401
Utilities	13,937	-	939	3,124	8	-	18,008	18,844
Equipment, Repairs and Maintenance	11,425	5,478	2,870	5,563	4,424	-	29,760	26,100
Travel	9,352	-	135	5,989	221	-	15,697	14,575
Interest	-	8,810	2,269	-	-	-	11,079	11,595
Other Operating	23,776	-	18,150	14,211	7,399	-	63,536	55,507
Decrease in Unrealized Loss on Interest Rate Swaps	-	590	(311)	-	-	-	279	(6,557)
Interfund Transactions	10,657	(59,913)	14,196	13,503	26,438	(4,881)	-	-
	<b>530,584</b>	<b>(3,435)</b>	<b>74,784</b>	<b>146,278</b>	<b>76,111</b>	<b>(4,881)</b>	<b>819,441</b>	<b>763,304</b>
<b>Excess of Revenues over Expenses</b>	<b>(6,352)</b>	<b>26,325</b>	<b>12,575</b>	<b>1,508</b>	<b>3,829</b>	<b>8,583</b>	<b>46,468</b>	<b>62,049</b>
Endowment Income & Contributions	-	-	-	-	-	13,385	13,385	4,784
EFB Remeasurements and Other Items	56,482	-	-	-	-	-	56,482	(24,537)
Transfers (To) From Invested in Capital and Endowed Net	-	(22,450)	(13,130)	-	-	(21,968)	(57,548)	(79,716)
Transfers (To) From Internally Restricted Net Assets	23,664	(4,465)	(2,124)	(1,508)	(3,829)	-	11,738	32,172
Net Increase (Decrease) in Unrestricted Net Assets	73,794	(590)	(2,679)	-	-	-	70,525	(5,248)
Unrestricted Net Assets, Beginning of Year	(321,671)	(1,500)	11,988	-	-	-	(311,183)	(305,935)
Unrestricted Net Assets, End of Year	(247,877)	(2,090)	9,309	-	-	-	(240,658)	(311,183)

## Independent auditor's report

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

### Opinion

We have audited the accompanying consolidated financial statements of the **University of Guelph** [the "University"], which comprise the consolidated statement of financial position as at April 30, 2019, and the consolidated statement of operations, consolidated statement of changes in net assets and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the University as at April 30, 2019 and the consolidated results of its operations and its consolidated cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

### Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the University in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Other information

Management is responsible for the other information. The other information comprises the information included in the Annual Financial Report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information, and in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained the Annual Financial Report prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

### Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the consolidated financial statements, management is responsible for assessing the University's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the University or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the University's financial reporting process.

### **Auditor's responsibilities for the audit of the consolidated financial statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 University's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the University's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the University to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Waterloo, Canada  
October 23, 2019

*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>2019</u>	<u>2018</u>
<b><u>ASSETS</u></b>		
<b>Current</b>		
Cash and Cash Equivalents (Note 3)	46,539	44,685
Short-term Investments at fair value (Note 4)	196,375	221,569
Accounts Receivable	46,714	43,355
Inventories and Prepaid Expenses	11,606	11,143
	<u>301,234</u>	<u>320,752</u>
Long-term Investments at fair value (Note 4)	604,984	552,709
Defined Benefit Asset (Note 10)	78,639	28,888
Capital Assets (Note 5)	1,253,172	1,212,862
	<u><b>2,238,029</b></u>	<u><b>2,115,211</b></u>
<b><u>LIABILITIES</u></b>		
<b>Current</b>		
Accounts Payable and Accrued Liabilities (Note 6)	60,395	62,593
Unrealized Loss on Interest Rate Swaps (Note 7)	6,131	5,852
Current Portion of Long-term Debt (Note 7)	12,405	12,398
Current Portion of Deferred Revenue	13,907	11,724
Deferred Contributions (Note 8)	208,330	182,545
	<u>301,168</u>	<u>275,112</u>
Long-term Debt (Note 7)	205,021	217,264
Deferred Revenue	9,313	9,564
Deferred Capital Contributions (Note 9)	412,221	395,255
Defined Benefit Liability (Note 10)	267,825	291,870
	<u><b>1,195,548</b></u>	<u><b>1,189,065</b></u>
<b><u>NET ASSETS</u></b>		
Invested in Capital Assets (Note 11)	623,525	587,945
Internally Restricted (Note 12)	276,882	288,620
Unrestricted Deficit	(240,658)	(311,183)
Endowed (Note 13)	382,732	360,764
	<u><b>1,042,481</b></u>	<u><b>926,146</b></u>
	<u><b>2,238,029</b></u>	<u><b>2,115,211</b></u>

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

(See accompanying notes)

On behalf of the Board of Governors:

**Signed**

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Shauneen Bruder  
Chair

**Signed**

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Franco Vaccarino  
President

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

(in thousands of dollars)

	<b>2019</b>	<b>2018</b>
<b>REVENUE</b>		
Ministry of Training, Colleges and Universities	204,398	204,251
Ministry of Agriculture, Food and Rural Affairs Agreement	75,699	74,182
Other Grants and Contracts	105,358	96,744
Tuition	233,312	222,658
Student Fees and Contracts	68,997	67,030
Sales of Goods and Services	101,584	98,543
Investment Income (Note 4)	29,466	17,374
Amortization of Deferred Capital Contributions (Note 9)	20,930	20,799
Donations (Note 14)	13,497	10,424
Other	12,668	13,348
	<u>865,909</u>	<u>825,353</u>
<b>EXPENSES</b>		
Salaries	406,027	381,018
Employee Future Benefits (Note 10)	50,475	49,292
Other Employee Benefits	52,545	49,119
Capital Asset Amortization	48,764	45,838
Scholarships and Bursaries	47,100	45,982
Supplies	36,584	35,590
Professional and Externally Contracted Services	39,587	36,401
Utilities	18,008	18,844
Equipment, Repairs and Maintenance	29,760	26,100
Travel	15,697	14,575
Interest (Note 7)	11,079	11,595
Other Operating	63,536	55,507
	<u>819,162</u>	<u>769,861</u>
(Increase) Decrease in Unrealized Loss on Interest Rate Swaps (Note 7)	<u>(279)</u>	<u>6,557</u>
Excess of Revenues over Expenses	<u>46,468</u>	<u>62,049</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
<b>2019</b>					
Net Assets, Beginning of Year	587,945	288,620	(311,183)	360,764	926,146
Excess (Deficiency) of Revenues over Expenses	(27,834)	-	74,302	-	46,468
Net Change in Net Assets Invested in Capital Assets (Note 11)	63,414	-	(63,414)	-	-
Net Change in Internally Restricted Net Assets (Note 12)	-	(11,738)	11,738	-	-
Employee Future Benefits Remeasurements and Other Items (Note 10)	-	-	56,482	-	56,482
Endowment Contributions (Note 13)	-	-	-	8,945	8,945
Increase in Accumulated Investment Income on Externally Restricted Endowments (Note 13)	-	-	-	4,440	4,440
Internally Restricted Endowments (Note 13)	-	-	(3,479)	3,479	-
Other Transfers to Endowments (Note 13)	-	-	(5,104)	5,104	-
Net Assets, End of Year	<u>623,525</u>	<u>276,882</u>	<u>(240,658)</u>	<u>382,732</u>	<u>1,042,481</u>
<b>2018</b>					
Net Assets, Beginning of Year	516,619	320,792	(305,935)	352,374	883,850
Excess (Deficiency) of Revenues over Expenses	(25,039)	-	87,088	-	62,049
Net Change in Net Assets Invested in Capital Assets (Note 11)	96,365	-	(96,365)	-	-
Net Change in Internally Restricted Net Assets (Note 12)	-	(32,172)	32,172	-	-
Employee Future Benefits Remeasurements and Other Items (Note 10)	-	-	(24,537)	-	(24,537)
Endowment Contributions (Note 13)	-	-	-	4,946	4,946
Decrease in Accumulated Investment Income on Externally Restricted Endowments (Note 13)	-	-	-	(162)	(162)
Internally Restricted Endowments (Note 13)	-	-	1,323	(1,323)	-
Other Transfers to Endowments (Note 13)	-	-	(4,929)	4,929	-
Net Assets, End of Year	<u>587,945</u>	<u>288,620</u>	<u>(311,183)</u>	<u>360,764</u>	<u>926,146</u>

(See accompanying notes)

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

(in thousands of dollars)

	<u>2019</u>	<u>2018</u>
<b>OPERATING ACTIVITIES</b>		
Excess of Revenues over Expenses	46,468	62,049
Add (Deduct) Non-cash Items:		
Capital Asset Amortization	48,764	45,838
Amortization of Deferred Capital Contributions	(20,930)	(20,799)
Decrease (Increase) in Unrealized Investment Income	(4,813)	5,924
Increase (Decrease) in Unrealized Loss on Interest Rate Swaps	279	(6,557)
Employee Future Benefits Expense	50,475	49,292
Employee Future Benefits Contributions	(67,789)	(60,159)
Net Change in Other Non-cash Items (Note 16)	21,697	26,509
	<u>74,151</u>	<u>102,097</u>
<b>FINANCING ACTIVITIES</b>		
Repayment of Long-term Debt	(12,236)	(11,289)
Deferred Capital Contributions Received During the Year	37,355	50,134
Endowment Contributions	8,945	4,946
	<u>34,064</u>	<u>43,791</u>
<b>INVESTING ACTIVITIES</b>		
Net Purchase of Investments	(17,828)	(22,056)
Purchase of Capital Assets	(88,533)	(135,210)
	<u>(106,361)</u>	<u>(157,266)</u>
Increase (Decrease) in Cash and Cash Equivalents	1,854	(11,378)
<b>Cash and Cash Equivalents, Beginning of Year</b>	<u>44,685</u>	<u>56,063</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u>46,539</u>	<u>44,685</u>

(See accompanying notes)

**UNIVERSITY OF GUELPH**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**APRIL 30, 2019**  
(in thousands of dollars)

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**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 (Note 15).

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

These consolidated financial statements have been prepared by management in accordance with Part III of the *CPA Canada Handbook – Accounting* which sets out generally accepted accounting principles for not-for-profit organizations in Canada ("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 and realized and unrealized gains (losses) 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, 2019**  
(in thousands of dollars)

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**(c) Derivative Financial Instruments**

Prior to fiscal 2017 all interest rate swaps 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 in 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 Training, Colleges and Universities, 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.

The University is a member, with 13 other universities, of a joint venture called TRIUMF, Canada's national laboratory for particle and nuclear physics located on the University of British Columbia ("UBC") campus. TRIUMF is an unincorporated registered charity and each university has an undivided 1/14 interest in its assets, liabilities and obligations. The land and buildings it occupies are owned by UBC. The facilities and its operations are funded by federal government grants, and the University has made no direct financial contribution to date. TRIUMF's net assets are not contemplated to be and are not readily realizable by the University. The University's interest in the assets, liabilities and results of operations are not included in these consolidated financial statements.

**(e) Other Financial Instruments**

Other financial instruments, including cash and cash equivalents, 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.

Unrestricted contributions are recognized as revenue when received.

**UNIVERSITY OF GUELPH**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**APRIL 30, 2019**  
(in thousands of dollars)

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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 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.

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, 2019**  
(in thousands of dollars)

**(I) Contributed Services and Materials**

Volunteers contribute an indeterminable number of hours per year. Because of the difficulty of determining their fair value, contributed services and materials are not recognized in the consolidated financial statements.

**3. CASH AND CASH EQUIVALENTS**

	<u>2019</u>	<u>2018</u>
Cash	46,499	44,655
Government of Canada Treasury Bills	40	30
	<u>46,539</u>	<u>44,685</u>

**4. INVESTMENTS**

**(a) Details**

	<u>2019</u>	<u>2018</u>
<b>Short-term Investments</b>		
Restricted Cash Equivalents	17,753	13,816
Canadian Bank Guaranteed Investment Certificates	112,664	101,677
Government Bonds	65,953	81,251
Canadian Fixed Income	5	24,825
	<u>196,375</u>	<u>221,569</u>
<b>Long-term Investments</b>		
Canadian Bank Guaranteed Investment Certificates	61,692	44,255
Government Bonds	57,200	20,474
Canadian Fixed Income	171,692	184,557
Canadian Equities	81,587	77,565
U.S. Equities	84,816	79,576
Non-North American Equities	97,236	96,706
Emerging Markets Equities	23,448	23,969
Infrastructure Limited Partnership	27,313	25,607
	<u>604,984</u>	<u>552,709</u>
<b>Total Investments</b>	<u>801,359</u>	<u>774,278</u>

**(b) Investment Income**

	<u>2019</u>		
	<u>Non-Endowed</u>	<u>Endowed</u>	<u>Total</u>
Net Realized Investment Income	10,385	20,355	30,740
Net Increase in Unrealized Investment Income	4,491	888	5,379
	<u>14,876</u>	<u>21,243</u>	<u>36,119</u>
Increase in Accumulated Investment Income			
on Externally Restricted Endowments (Note 13)	-	(4,440)	(4,440)
Increase in Accumulated Investment Income			
on Internally Restricted Endowments (Note 13)	3,479	(3,479)	-
Investment Income Made Available for Spending (Note 13)	13,324	(13,324)	-
Net Investment Income Deferred	(2,213)	-	(2,213)
	<u>29,466</u>	<u>-</u>	<u>29,466</u>



**UNIVERSITY OF GUELPH**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**APRIL 30, 2019**  
(in thousands of dollars)

**6. GOVERNMENT REMITTANCES**

Accounts Payables and Accrued Liabilities include \$653 (2018 - \$671) with respect to government remittances payable.

**7. LONG-TERM DEBT**

<b>(a) Details</b>	Interest Rate	Issue Date	Due Date	<b>2019</b>	<b>2018</b>
<b>Series A Unsecured Debenture</b>	6.24%	11-Oct-02	10-Oct-42	100,000	100,000
<b>Banker's Acceptances</b>					
Toronto Dominion Bank	4.91%	20-Dec-07	20-Sep-22	2,015	2,549
Toronto Dominion Bank	4.54%	10-Apr-08	10-Jan-23	798	998
Toronto Dominion Bank	3.47%	13-Mar-09	13-Dec-23	3,327	3,995
Royal Bank of Canada	4.85%	23-Mar-10	24-Mar-25	3,102	3,623
Royal Bank of Canada	5.02%	1-May-10	1-May-25	4,172	4,849
Bank of Montreal	7.52%	16-Oct-00	15-Jun-25	19,700	22,300
Royal Bank of Canada	3.84%	3-Oct-11	2-Oct-26	18,839	21,365
Royal Bank of Canada	2.96%	5-Sep-12	5-Sep-27	16,329	18,274
Canadian Imperial Bank of Commerce	3.73%	1-Oct-13	1-Oct-28	12,361	13,666
Royal Bank of Canada	2.19%	15-Sep-16	15-Sep-41	36,783	38,043
				<u>117,426</u>	<u>129,662</u>
				217,426	229,662
				<u>(12,405)</u>	<u>(12,398)</u>
Current Portion				<u>205,021</u>	<u>217,264</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 \$12,236 (2018 - \$11,289) and incurred \$11,079 (2018 - \$11,595) 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:

2020	12,405
2021	12,454
2022	12,684
2023	12,082
2024	11,493
2025 and beyond	156,308
	<u>217,426</u>



**UNIVERSITY OF GUELPH**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**APRIL 30, 2019**  
(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.

The University has a voluntary sinking fund established to repay the debenture principal at maturity. This is reflected in the balance of Funds Held for Debt Repayment within Internally Restricted Net Assets (Note 12).

**(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 into prior to fiscal 2017 and outstanding at April 30th are:

	Due Date	2019		2018	
		Notional Amount	Loss	Notional Amount	Loss
Toronto Dominion	20-Sep-22	2,015	(110)	2,547	(147)
Toronto Dominion	10-Jan-23	800	(40)	1,000	(49)
Toronto Dominion	13-Dec-23	3,333	(84)	4,000	(61)
Royal Bank of Canada	24-Mar-25	3,110	(181)	3,630	(177)
Royal Bank of Canada	1-May-25	4,155	(258)	4,823	(260)
Bank of Montreal	15-Jun-25	19,700	(3,250)	22,300	(3,720)
Royal Bank of Canada	2-Oct-26	18,900	(1,012)	21,420	(797)
Royal Bank of Canada	5-Sep-27	16,328	(478)	18,268	(145)
Canadian Imperial Bank of Commerce	1-Oct-28	12,350	(718)	13,650	(496)
			<u>(6,131)</u>		<u>(5,852)</u>

The net change in the unrealized loss of \$279 (2018 – \$6,557) is recorded in the Statement of Operations.

The University applied hedge accounting for the interest rate swap entered into with Royal Bank of Canada in fiscal 2017. The swap contract has the effect of converting the floating rate of interest to a fixed rate of 2.19% on the original \$40 million debt obligation. The swap matures on the maturity date of the debt and therefore the net change in the unrealized gain of \$2,412 (2018 – \$4,104) is not recorded in the consolidated financial statements as at April 30th.

**UNIVERSITY OF GUELPH**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**APRIL 30, 2019**  
(in thousands of dollars)

**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:

	<u>2019</u>	<u>2018</u>
Balance, Beginning of Year	182,545	166,030
Contributions Received During the Year	255,245	246,586
Contributions Recognized to Revenue During the Year	<u>(229,460)</u>	<u>(230,071)</u>
Balance, End of Year	<u>208,330</u>	<u>182,545</u>

**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>2019</u>	<u>2018</u>
Balance, Beginning of Year	395,255	365,907
Contributions Received During the Year	37,896	50,147
Amortization of Deferred Capital Contributions	<u>(20,930)</u>	<u>(20,799)</u>
Balance, End of Year	<u>412,221</u>	<u>395,255</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 pension's 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 filed as of April 30, 2019 were prepared as of August 1, 2016 for the University's registered pension plans and January 1, 2019 for other benefit plans. For financial statement purposes, the results of these valuations were extrapolated to April 30, 2019 which is the measurement date used to determine the plans' assets and the accrued benefit obligations.

**UNIVERSITY OF GUELPH**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**APRIL 30, 2019**  
(in thousands of dollars)

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

	Pension Plans		Other Benefit Plans		Total	
	2019	2018	2019	2018	2019	2018
Defined Benefit Obligation	1,537,853	1,482,670	264,595	286,314	1,802,448	1,768,984
Fair Value of Plan Assets	1,614,010	1,509,565	-	-	1,614,010	1,509,565
Funded Status -Surplus(Deficit)	76,157	26,895	(264,595)	(286,314)	(188,438)	(259,419)
Valuation Allowance ("VA")	(748)	(3,563)	-	-	(748)	(3,563)
Net Defined Benefit Asset (Liability)	75,409	23,332	(264,595)	(286,314)	(189,186)	(262,982)

**Statement of Financial Position**

Defined Benefit Asset	78,639	28,888	-	-	78,639	28,888
Defined Benefit Liability	(3,230)	(5,556)	(264,595)	(286,314)	(267,825)	(291,870)
Net Defined Benefit Asset (Liability)	75,409	23,332	(264,595)	(286,314)	(189,186)	(262,982)

**(c) Net Benefit Plan Costs**

	Pension Plans		Other Benefit Plans		Total	
	2019	2018	2019	2018	2019	2018
Total Service Cost	51,412	49,534	8,707	8,241	60,119	57,775
Less: Employee Contributions	(23,571)	(21,839)	-	-	(23,571)	(21,839)
Current Service Cost	27,841	27,695	8,707	8,241	36,548	35,936
Finance Cost (Recovery)	(2,277)	(1,923)	16,204	15,279	13,927	13,356
Employee Future Benefits Expense	25,564	25,772	24,911	23,520	50,475	49,292
Return on Plan Assets Less (Greater) than Discount Rate	(12,344)	29,347	-	-	(12,344)	29,347
Actuarial Gain	-	-	(41,122)	(2,088)	(41,122)	(2,088)
Current Decrease in VA	(2,815)	(2,386)	-	-	(2,815)	(2,386)
Effect of VA on Finance Cost	(201)	(336)	-	-	(201)	(336)
Remeasurements and Other Items	(15,360)	26,625	(41,122)	(2,088)	(56,482)	24,537
Net Benefit Cost (Recovery)	10,204	52,397	(16,211)	21,432	(6,007)	73,829

**(d) Significant Assumptions**

The discount rate used for determining defined benefit obligation at April 30<sup>th</sup> is 5.65% (2018 – 5.65%) and for determining benefit cost for the fiscal year is 5.65% (2018 – 5.65%). The rate of increase in future compensation used for determining defined benefit obligation at April 30<sup>th</sup> is 4% (2018 – 4.0%) and for determining benefit cost for the fiscal year is 4% (2018 – 4.0%). The assumed rate for dental inflation is 4.5% (2018 – 4.5%). The assumed health care cost trend rate is 5.0% (2018 – 5.5%) declining annually by 0.5% (2018 – 0.5%) until reaching the ultimate rate of 5% (2018 – 5.0%).

**(e) Jointly Sponsored Pension Plan**

The administrations, faculty associations, unions and non-represented staff at the University, University of Toronto and Queen's University have been working through the highly regulated approval process to develop a new jointly sponsored pension plan ("JSPP") that would cover employees and retirees in the existing plans at all three universities, with contributions and accrual of benefits to be effective from a future date (anticipated to be July 1, 2021). If and when this occurs, the assets and liabilities of the existing plans would be transferred to the new JSPP.

**UNIVERSITY OF GUELPH**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**APRIL 30, 2019**  
(in thousands of dollars)

**11. INVESTED IN CAPITAL ASSETS**

	<b>2019</b>	<b>2018</b>
Capital Assets (Net Book Value) (Note 5)	1,253,172	1,212,862
Less: Long-term Debt (Note 7)	(217,426)	(229,662)
Deferred Capital Contributions (Note 9)	(412,221)	(395,255)
Invested in Capital Assets	<u>623,525</u>	<u>587,945</u>

Changes in Invested in Capital Assets are as follows:

	<b>2019</b>	<b>2018</b>
Capital Asset Amortization	(48,764)	(45,838)
Amortization of Deferred Capital Contributions	20,930	20,799
	<u>(27,834)</u>	<u>(25,039)</u>
Acquisition of Capital Assets	89,074	135,223
Repayment of Long-term Debt	12,236	11,289
Cash Contributions Received During the Year	(37,355)	(50,134)
Contributions of Depreciable Assets Received During the Year	(541)	(13)
	<u>63,414</u>	<u>96,365</u>
	<u>35,580</u>	<u>71,326</u>

**12. INTERNALLY RESTRICTED NET ASSETS**

These are restrictions on net assets designated for future purchase 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 amounts deemed necessary by the Board.

	Balance, April 30, 2018	Transfer to (from) in 2019	Balance, April 30, 2019
Operating Fund Reserves			
Division Reserves	100,512	(4,040)	96,472
Central Operating Reserves	76,091	5,346	81,437
Guelph-Humber Internally Restricted	900	-	900
Self Insured Losses	1,000	-	1,000
Employee Benefit Reserves	48,011	(24,970)	23,041
	<u>226,514</u>	<u>(23,664)</u>	<u>202,850</u>
Capital Projects Reserves			
Capital Projects and Renovations	20,662	9,566	30,228
Internally Financed Projects	(58,722)	(4,926)	(63,648)
Funds Held for Debt Repayment	19,195	1,869	21,064
Trust	38,089	3,829	41,918
Research	42,061	1,508	43,569
Other	821	80	901
	<u>288,620</u>	<u>(11,738)</u>	<u>276,882</u>

**UNIVERSITY OF GUELPH**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**APRIL 30, 2019**  
(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.. 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.

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. The Heritage Fund limits spending through a specific distribution formula based on a five-year average of market returns after having provided for inflation protection and growth. The General Endowment Fund utilizes a spending or pay-out policy that limits disbursements to an estimated long-term real rate of investment return. Any difference between actual investment return (net of expenses) and the allocation of amount made available for spending will be accumulated in the endowment fund. In fiscal 2019, the allocation made available for spending was calculated as 3.5% (2018 - 3.5%) of the average endowment account fund balance over the most recent four-year period.

Details of changes in endowed net assets are as follows:

	<b>2019</b>		
	Externally Restricted	Internally Restricted	Total
Investment Income on Endowments	12,023	9,220	21,243
Less: Available for Spending (Note 4(b))	(7,583)	(5,741)	(13,324)
Increase in Accumulated Investment Income on Endowments (Note 4(b))	4,440	3,479	7,919
Endowment Contributions (Note 14)	8,945	-	8,945
	<u>13,385</u>	<u>3,479</u>	<u>16,864</u>
Transfers to (from) Endowments	(6)	5,110	5,104
Net Increase in Net Assets	<u>13,379</u>	<u>8,589</u>	<u>21,968</u>
Net Assets, Beginning of Year	<u>214,020</u>	<u>146,744</u>	<u>360,764</u>
Net Assets, End of Year	<u><u>227,399</u></u>	<u><u>155,333</u></u>	<u><u>382,732</u></u>
	<b>2018</b>		
	Externally Restricted	Internally Restricted	Total
Investment Income on Endowments	7,238	5,672	12,910
Less: Available for Spending	(7,400)	(6,995)	(14,395)
Decrease in Accumulated Investment Income on Endowments (Note 4(b))	(162)	(1,323)	(1,485)
Endowment Contributions (Note 14)	4,946	-	4,946
	<u>4,784</u>	<u>(1,323)</u>	<u>3,461</u>
Transfers to Endowments	(13)	4,942	4,929
Net Increase in Net Assets	<u>4,771</u>	<u>3,619</u>	<u>8,390</u>
Net Assets, Beginning of Year	<u>209,249</u>	<u>143,125</u>	<u>352,374</u>
Net Assets, End of Year	<u><u>214,020</u></u>	<u><u>146,744</u></u>	<u><u>360,764</u></u>

**UNIVERSITY OF GUELPH**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**APRIL 30, 2019**  
(in thousands of dollars)

**14. DONATIONS**

	<u>2019</u>	<u>2018</u>
Donations Received During the Year	36,279	27,174
Less: Donations Recorded as Endowment Contributions (Note 13)	(8,945)	(4,946)
Donations Recorded as Deferred Capital Contributions	(2,173)	(8,800)
Net Increase in Deferred Contributions from Donations	<u>(11,664)</u>	<u>(3,004)</u>
Donations Recognized as Revenue	<u>13,497</u>	<u>10,424</u>

**15. JOINT VENTURES**

**(a) 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 \$11,496 (2018 - \$11,372), which represents the exchange amount as agreed to by the parties. A financial summary of the University's share of the Joint Venture consolidated at April 30 is as follows:

	<u>2019</u>	<u>2018</u>
Financial Position:		
Total Assets	18,717	18,422
Total Liabilities	3,510	3,397
Total Net Assets	<u>15,207</u>	<u>15,025</u>
Results of Operations:		
Total Revenue	34,825	34,568
Total Expenses	23,107	22,459
Excess of Revenue over Expenses	<u>11,718</u>	<u>12,109</u>

**(b) TRIUMF**

The following financial information for TRIUMF was prepared in accordance with Canadian Public Sector Accounting Standards, including accounting standards that apply to government not-for-profit organizations, except that all capital assets and related provisions for decommissioning costs, if any, are expensed in the year in which the costs are incurred:

	<u>March 31,</u> <u>2019</u>	<u>March 31,</u> <u>2018</u>
Financial Position:		
Total Assets	54,766	50,147
Total Liabilities	9,283	9,095
Total Net Assets	<u>45,483</u>	<u>41,052</u>
Results of Operations:		
Total Revenue	87,263	95,214
Total Expenses	82,832	81,630
Excess of Revenue over Expenses	<u>4,431</u>	<u>13,584</u>

**UNIVERSITY OF GUELPH**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**APRIL 30, 2019**  
(in thousands of dollars)

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

	<u>2019</u>	<u>2018</u>
Accounts Receivable	(3,359)	(2,005)
Inventories and Prepaid Expenses	(463)	(35)
Accounts Payable and Accrued Liabilities	(2,198)	10,381
Deferred Revenue	1,932	1,653
Deferred Contributions	25,785	16,515
	<u>21,697</u>	<u>26,509</u>

**17. COMMITMENTS**

Costs to complete major capital projects in progress as at April 30, 2019 are estimated to be \$51,662 (2018 - \$59,659) 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, 2019, 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 December 31, 2018, CURIE had an accumulated surplus of \$79,338 (2018 - \$81,232) of which the University's pro rata share is \$2,598 (2018 - \$2,678).

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 Fields, whereby the University leases the assets to the Guelph Cutten Fields, which is owned by the members. The University has guaranteed a loan of up to \$2,500 for the Guelph Cutten Fields. As at April 30, 2019 the Guelph Cutten Fields borrowed \$478 (2018 - \$616) under this guarantee.

The University has signed four letters of credit with the City of Guelph related to landscaping totaling \$875 at April 30, 2019 (2018 - \$161). All such letters expire in the next fiscal year.

The members of the TRIUMF joint venture and the Canadian Nuclear Safety Commission ("CNSC") approved a decommissioning plan that requires all members to be severally responsible for their share of the decommissioning costs as well as provide financial covenants to the CNSC for the amount of these costs. While there are no current intentions of decommissioning the facilities, TRIUMF has put in place a plan for funding the cost of decommissioning that does not require any payments from the joint venture partners.

**UNIVERSITY OF GUELPH**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**APRIL 30, 2019**  
(in thousands of dollars)

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The University has identified potential asset retirement obligations related to the existence of asbestos in a number of its facilities. Although not a current health hazard, upon renovation or demolition of these facilities, the University may be required to take appropriate remediation procedure to remove the asbestos. As the University has no legal obligation to remove the asbestos in these facilities as long as the asbestos is contained and does not pose a public health risk, the fair value of the obligation cannot be reasonably estimated due to the indeterminate timing and scope of the removal. The asset retirement obligation for these assets will be recorded in the period in which there is certainty that the capital project will proceed and there is sufficient information to estimate the fair value of the obligation.

## **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.

### **(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.

## **20. COMPARATIVE NUMBERS**

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