UNIVERSITY of GUELPH

IMPROVE LIFE.

ANNUAL FINANCIAL REPORT

Fiscal Year 2020

Contents

Financial Summary

University financial results for the fiscal year ended April 30th, 2020 reflect a year impacted by negative investment returns due to market volatility surrounding the COVID-19 pandemic and decreased student tuition and fee revenues resulting in a 4.5% decrease in total revenue.

When combined with an overall increase in expenses of 1.7%, the result was a deficiency in revenue over expenses of $7.9 million and a $321.7 million decrease in total net assets.

Total University - Annual Results				
$ millions	**2020**	**2019**	**Change**	
Total Revenue	826.6	865.9	(39.3)	*-4.5%*
Total Expenses	833.2	819.1	14.1	*1.7%*
Change in Unrealized Loss on Interest Rate Swaps	(1.3)	(0.3)	(1.0)	
Revenue Less Expenses	**(7.9)**	**46.5**	**(54.4)**	
Direct Changes to Net Assets;				
Endowment Additions	(21.0)	13.4	(34.4)	
EFB[1] Re-measurements	(292.8)	56.5	(349.3)	
Total Direct Changes	**(313.8)**	**69.9**	**(383.7)**	
Total Change in Net Assets	**(321.7)**	**116.4**	**(438.1)**	

The largest contributor to the decrease in revenue less expenses and direct changes to net assets compared to fiscal 2020, was the impact of market driven losses on investments in both the University endowment fund and assets held for the pension plans; asset returns in these two major portfolios were -9.0% (5.3% in 2019) and -3.0% (6.5% in 2019) on a net basis, respectively.

Investment losses recognized for the year were $1.8 million in fiscal 2020, which was $31.3 million less compared to the earnings of $29.5 million recognized in 2019. Further losses of $29.5 million on externally restricted endowments were recorded directly against net assets[2]. This represents a decrease of $33.9 million when compared to the $4.4 million of increases in endowment net assets in 2019. Finally, EFB re-measurements resulted in a decrease of $292.9 million in net assets, almost half of which resulted from a decrease in the market values of pension plan assets, resulting in returns on pension plan assets being significantly less than expected returns per actuarial assumptions.

Revenue

Of the $39.3 million decrease in total revenue compared to last year, $15.0 million related to student tuition and fees primarily resulting from the provincially mandated fee reduction of 10% in domestic tuition fees for 2019/20, and $31.3 million related to unrealized investment losses caused by COVID-19 pandemic impacts on investment market values. Offsetting these decreases is a $6.4 million increase in other grants & contracts revenue

Total University Revenue				
$ millions	**2020**	**2019**	**Change**	
Prov. Grants MTCU	205.3	204.4	0.9	*0.4%*
Prov. Contract OMAFRA	79.3	75.7	3.6	*4.8%*
Student Tuition/Fees	287.3	302.3	(15.0)	*-5.0%*
Other Grants & Contracts	111.7	105.3	6.4	*6.1%*
Sales of Goods & Services	98.2	101.6	(3.4)	*-3.3%*
Investment Income	(1.8)	29.5	(31.3)	*-106.1%*
Other	46.6	47.1	(0.5)	*-1.1%*
Total Revenue	**826.6**	**865.9**	**(39.3)**	***-4.5%***

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

[2] Under accounting policy, contributions to and investment results on externally restricted endowments are recorded as direct changes to Net Assets and do not impact revenue or expenses. Similarly, assumption changes and experience e.g., asset gains and losses, related to EFB plans are recorded as direct changes to net assets.

associated with various research projects across campus.

Expenses

Total expenses increased by 1.7% driven primarily by an overall increase in salaries of 3.9%. Overall benefits expense decreased by 2.0% despite the increase in salaries due partly to the impact of a WSIB surcharge of $1.2 million paid in 2019 of which $0.4 million was reassessed and returned to the University in 2020, when compared year over year this combines to show as a decrease of $1.6 million.

University Expenses				
$ millions	**2020**	**2019**	**Change**	
Salaries	421.7	406.0	15.7	*3.9%*
Benefits	100.9	103.0	(2.1)	*-2.0%*
Student Assistance	48.7	47.1	1.6	*3.4%*
Supplies and Services	77.4	78.1	(0.7)	*-0.9%*
Utilities	19.6	18.0	1.6	*8.9%*
Capital Amortization	50.7	48.8	1.9	*3.9%*
Interest	10.5	11.1	(0.6)	*-5.4%*
Other Expenses	103.7	107.0	(3.3)	*-3.1%*
Total Expenses	**833.2**	**819.1**	**14.1**	***1.7%***

Increases in utilities, capital asset amortization and student assistance of 8.9%, 3.9% and 3.4%, respectively, totaling $5.1 million were offset by decreases in interest, supplies and services and other expenses of 5.4%, 0.9% and 3.1% respectively, totaling $4.6 million.

Excess (Deficiency) of Revenue over Expenses by Fund

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

Overall, the decline of $54.4 million in revenue less expenses impacted most funds, with the exception of the research fund which provided a small increase of $0.9 million.

Revenue Less Expenses by Fund			
$ millions	**2020**	**2019**	**Change**
Operating	(16.1)	(6.3)	*(9.8)*
Capital	14.5	26.3	*(11.8)*
Ancillary Enterprises	6.3	12.6	*(6.3)*
Research	2.4	1.5	*0.9*
Trust	(4.9)	3.8	*(8.7)*
Endowment	(10.1)	8.6	*(18.7)*
Total	**(7.9)**	**46.5**	**(54.4)**

Operating fund results reflect decreased tuition and other revenue and increased salaries and utilities expenses. *(More details on pages 8, 9 and 10.*)

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 to increased capital asset amortization, negative investment return in the long-term debt sinking fund, and less spending on major construction initiatives. *(More details on pages 5 and 6.)*

Ancillary Enterprises fund operations were significantly impacted by the campus closure following March break as a result of the COVID-19 pandemic. Decreased revenues totaling $5.8 million were spread across four of the five major ancillaries with the Real Estate Division being the only exception seeing a small increase. Overall, expenses for the ancillaries fund increased by $0.5 million for the year, reflecting small increases in personnel, equipment, repairs and capital asset amortization offset by some savings in costs of goods sold due to decreased campus activity.

Trust and Endowment funds reflect overall decreases due almost exclusively to investment losses recognized in internally restricted endowments, primarily comprised of the Heritage Fund.

Net Assets by Category

Net Asset Balances			
$ millions	**2020**	**2019**	**Change**
Capital Assets	653.3	623.5	29.8
Internally Restricted	272.9	276.9	(4.0)
Unrestricted (Deficit)	(557.1)	(240.6)	(316.5)
Endowment	351.7	382.7	(31.0)
Total University Net Assets	**720.8**	**1,042.5**	**(321.7)**

University net assets are classified into four major groups in accordance with accounting policy. The following table shows 2020 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 2020 the University continued to invest in its physical assets. Overall Capital Assets grew by a net $29.8 million ($35.6 million in 2019).

Increases (Decreases) in Net Assets Capital Assets			
$ millions	**2020**	**2019**	**Change**
Capital asset acquisitions	75.4	89.1	(13.7)
Capital contributions recognized	21.0	20.9	0.1
External debt repayment	12.1	12.3	(0.2)
Capital asset amortization	(50.7)	(48.8)	(1.9)
Capital contributions deferred	(28.0)	(37.9)	9.9
Total Change	**29.8**	**35.6**	**(5.8)**

Internally Restricted Net Asset Balances			
$ millions	**2020**	**2019**	**Change**
Capital Projects[3]	(37.6)	(33.4)	(4.2)
Operating Fund	206.5	202.9	3.6
Other Funds	104.0	107.4	(3.4)
Total Internally Restricted	**272.9**	**276.9**	**(4.0)**

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 continued spending on approved projects that are being financed internally.

The increase in ***Operating Fund*** includes a net decrease in operating carry forwards (accumulated unspent budget allocations), offset by an increase in employee benefit reserves. The operating carryforwards are designated mainly for future projects and programs including capital renovations, start-up funding for new faculty, and temporary support staff. The most recent pension valuations (filed as of October 1, 2019) reflected excess pension special payments from fiscal 2019 that were applied to employer pension contributions in fiscal 2020, resulting in an increase in employee benefit reserves.

The **Unrestricted (Deficit)** decreased by $316.5 million mainly due to the accounting recognition of employee future benefit re-measurements. This was partially due to experiencing an actual return of -3.0% on invested pension plan assets compared to expected return in the current year, which was

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

driven by COVID-19 impact on market values, as well as actuarial losses due to changes in pension valuations filed in fiscal 2020.

Endowment net assets decreased by $31.1 million in fiscal 2020 mainly as the result of the investment portfolio net return of -9.0%, reflecting market uncertainty and volatility primarily in March amidst the COVID-19 pandemic. Investment losses were partially offset by $8.5 million in new contributions from donors and $5.1 million in internal transfers, with total contributions similar to 2019.

Increases (Decreases) in Net Assets - Endowments			
$ millions	**2020**	**2019**	**Change**
Investment Income (Loss) not allocated for spending on:			
Externally restricted	(29.5)	4.4	(33.9)
Internally restricted	(15.2)	3.5	(18.7)
Total Investment Income (Loss)	**(44.7)**	**7.9**	**(52.6)**
Contributions to endowments			
From Donors	8.5	8.9	(0.4)
Internal transfers[4]	5.1	5.1	0.0
Total Contributions	**13.6**	**14.0**	**(0.4)**
Total Change	**(31.1)**	**21.9**	**(53.0)**

Major Capital Activity

The University continued to invest in its physical assets of buildings, facilities, and capital equipment with acquisitions totaling $75.4 million ($89.1 million in 2019). Referring to the table to the right, once again the most significant investments occurred in buildings.

Capital Expenditures			
$ millions	**2020**	**2019**	**Change**
Major Buildings	34.5	49.4	(14.9)
Equipment and Other	21.6	21.5	0.1
Main Campus Facilities Renewal	10.9	7.9	3.0
Student Housing Facilities Renewal	8.4	10.3	(1.9)
Total	**75.4**	**89.1**	**(13.7)**

Capital Project Spending			
$ millions	**2020 Spending**	**Total Spending**	**Total Approved**
SIF	0.9	68.5	69.1
OVC Phases 1 & 2	8.2	31.8	37.7
Improv Theatre/North Wing MacKinnon Renovation	2.5	4.3	18.4
Turfgrass Institute	7.7	12.3	17.9
MacNaughton Building	2.8	2.9	13.8
Former VMI Building	6.3	7.6	13.3
Powell Building Renovations	0.5	12.8	12.8
OVC Small Animal Clinic	0.7	1.0	8.4
South Residence Renovations	7.0	7.0	7.2

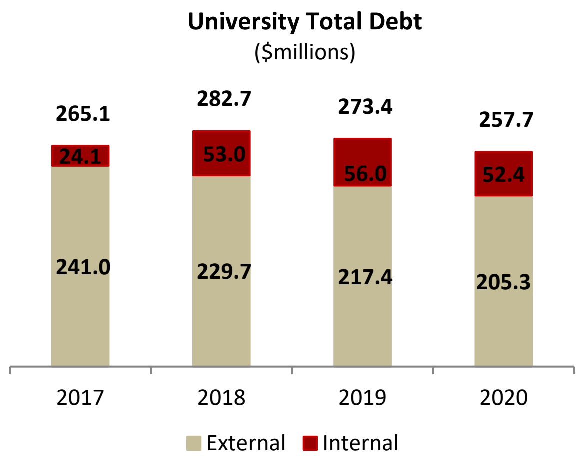
Construction activity included the continuation of several major building projects as well as the start of new projects that will be completed over the next several years. The table to the left shows current year and total to date spending on significant capital projects.

[4] Internal transfers to endowments primarily consists of Real Estate Division earnings designated for the Heritage Fund.

Debt

The University uses financing from both internal[5] and external sources to fund high priority capital projects. Total capital financing decreased by $15.7 million including $12.1 million 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 2020, 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.



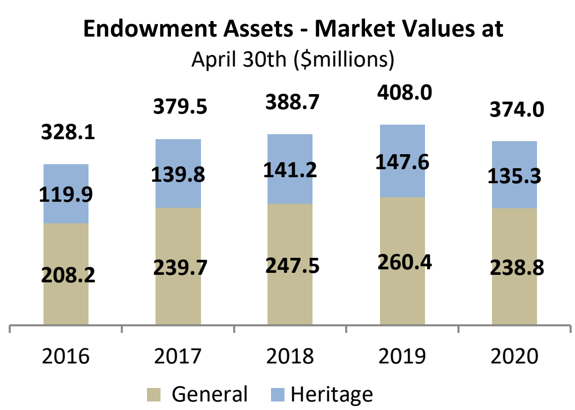
Endowments

University endowments of $374.0 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 2020, the endowment portfolio declined by $34.0 million on an overall net basis.

Despite positive returns in infrastructure and fixed income funds, large unrealized losses seen primarily in March in equity markets contributed to a net return of negative 9.0% as of the end of April 2020.

The five-year annualized net return was 1.9%. 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 $13.6 million in 2020 ($14.0 million in 2019).



Endowment Annual & Five-year Annualized Returns (%)

Returns [1]	2016	2017	2018	2019	2020	Five Year
Gross	-2.5	16.5	4.3	6.6	-7.6	3.2
Net [2]	-3.6	15.4	3.2	5.3	-9.0	1.9
Benchmark	-1.7	13.9	5.4	8.2	0.4	5.1

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.

[5] 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[6] from endowments decreased by $1.2 million to $12.3 million in 2020 as spending in the General Endowment Fund continued to increase by $0.3 million, but the Heritage Fund distribution was $1.5 million lower than it was in 2019.

Annual Spending from Endowments				
$millions	**2017**	**2018**	**2019**	**2020**
General	5.8	5.9	6.7	7.0
Heritage Fund	5.3	8.4	6.8	5.3
Total	**11.1**	**14.3**	**13.5**	**12.3**

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 based on total endowment balance (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 decreased slightly by 0.8% or $0.4 million (to $50.1 million) consisting of a decrease in non-pension expenses of $1.4 million, partially offset by an increase in pension expense of $1.0 million. Increased pension current service costs were offset by decreased financing costs based on the net liabilities of each of the benefit programs at the beginning of the fiscal period.

EFB Expenses (in the Statement of Operations)				
$ millions	**2020**	**2019**	**Change**	
Expenses				
Pension Plans	26.6	25.6	1.0	*3.9%*
Non-Pension Plans	23.5	24.9	(1.4)	*-5.6%*
Total Expenses	**50.1**	**50.5**	**(0.4)**	***-0.8%***

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 are recorded directly to Net Assets (on the Statement of Financial Position) and are not recognized in the Statement of Operations. The sum of these adjustments resulted in a $292.8 million decrease in Net Assets in 2020 compared to an increase of $56.5 million in 2019.

EFB Direct Changes to Net Assets			
$ millions	**2020**	**2019**	**Change**
Re-measurements – (Gains) or Losses			
Pension Plans			
Return on plan assets	139.2	(12.4)	151.6
Actuarial loss (gain)	131.1	-	131.1
Valuation allowance	(0.8)	(3.0)	2.2
Non-Pension	23.3	(41.1)	64.4
Total Re-measurements	**292.8**	**(56.5)**	**349.3**

The most recently filed pension plan funding valuations were performed as of October 1, 2019 and as required by recent legislative changes a Provision for Adverse Deviation ("PfAD") of close to 15.2% was applied in calculating accrued benefit obligations. The impact of including PfAD contributed to the actuarial loss, which was partially offset by the impact of the change in discount rate from 5.65% to 6%[7] as well, to a lesser extent, changes in demographic, salary and other assumptions. The other significant item included in EFB re-measurements is the $139.2 million decrease in pension assets resulting from

[6] University policy limits spending from endowments to protect donated capital and real spending over the long term.

[7] The smallest of the University's three registered pension plans has a most recent funding valuation prepared as of October 1, 2018 using a discount rate of 6.2%. This valuation included a PfAD of 9.5%.

returns of -3.0% being less than the discount rate. As demonstrated in recent years, these types of re-measurement adjustments can be volatile, moving significantly with swings in market conditions and changes in assumptions.

The University's "Unrestricted Deficit" consists mainly of unfunded accounting charges[8] for Employee Future Benefits. In 2020, this deficit increased by $312.6 million mainly because of re-measurements noted above. The table to the right 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.

Overall EFB Impact on the Unrestricted Deficit			
$ millions	**2020**	**2019**	**Change**
Opening Deficit	(247.9)	(321.6)	73.7
Re-measurements	(292.8)	56.5	(349.3)
Net Expense	(17.9)	(7.8)	(10.1)
Transfer (to)from Reserves	(1.9)	25.0	(26.9)
Closing Deficit	**(560.5)**	**(247.9)**	**(312.6)**

EFB Asset (Liability)				
$ millions	**2020**	**2019**	**Change**	
Pension Plans:				
Invested Assets	1,536.5	1,614.0	(77.5)	*-4.8%*
Less: Obligations	1,732.5	1,538.6	193.9	*12.6%*
Pension Plans	**(196.0)**	**75.4**	**(271.4)**	
Non-Pension Plans	**(305.8)**	**(264.6)**	**(41.2)**	***15.6%***
EFB Net Obligations	**(501.8)**	**(189.2)**	**(312.6)**	***165.2%***

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 2020 the total net EFB liability is $501.8 million, up from $189.2 million in 2019.

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. In 2020, required pension special payment contribution requirements were based on funding valuations filed as of October 1, 2018 and October 1, 2019 for May to September 2019 and October 2019 to April 2020, respectively. Also new in fiscal 2020 was the use of letters of credit to cover solvency special payments as allowed by pension funding legislation.

EFB Contributions				
$ millions	**2020**	**2019**	**Change**	
Cash Contributions				
Pension Plans	24.7	62.3	(37.6)	*-60.4%*
Non-Pension	5.6	5.5	0.1	*1.8%*
Total Contributions	**30.3**	**67.8**	**(37.5)**	***-55.3%***

The Operating Fund

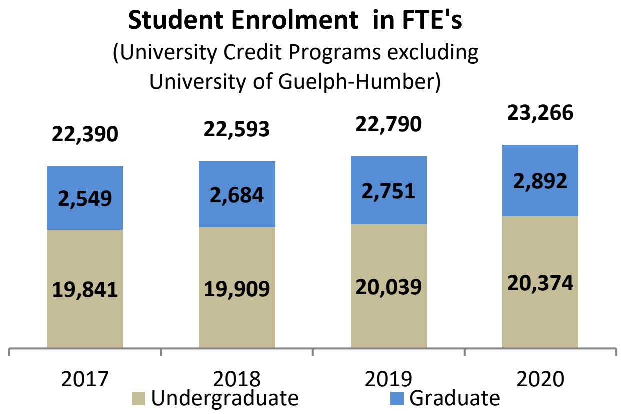
The Operating Fund, with over 60% of total University revenue, is the main source of funding for all teaching programs and infrastructure support for all University research and services. The principle funding sources for this fund are provincial operating grants and student fees, both of which are based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

[8] The University provides full funding for the cash requirements of its EFB plans.

Operating Fund Revenues

Operating Fund revenue decreased by 2.6% or $13.5 million, primarily driven by a $12.7 million decrease in student tuition and fees. In fiscal 2020, the provincial Ministry of Colleges and Universities introduced 10% reduction in domestic tuition fees relative to fiscal 2019. Other revenue decreased by 9.2% or $1.3 million due largely to a $0.8 million decrease in property insurance recoveries received as well as reduced athletic facilities rentals in March and April 2020 due to COVID-19.

Operating Fund Revenue				
$ millions	**2020**	**2019**	**Change**	
Provincial MTCU	205.0	204.0	1.0	*0.5%*
Provincial OMAFRA	5.3	5.4	(0.1)	*-1.9%*
Student Tuition/Fees	240.0	252.7	(12.7)	*-5.0%*
Sales & Other Contracts	47.6	48.0	(0.4)	*-0.8%*
Other	12.8	14.1	(1.3)	*-9.2%*
Total	**510.7**	**524.2**	**(13.5)**	***-2.6%***



Even though tuition revenue decreased due to fee reductions, enrolment increased at both the undergraduate and graduate levels with international[9] students being a focus for growth. In 2020, university-degree enrolments increased over 2019 levels by 2.1% or 476 FTE's[10] in total.

Operating Fund Expenses

Overall, Operating Fund net expenses decreased slightly compared to 2019, with the largest changes being an increase of $9.6 million in salaries offset by a decrease of $11.3 million in interfund transfers[11] primarily to the capital fund, for an overall net decrease of $3.8 million or 0.7%.

Operating Fund Expenses				
$ millions	**2020**	**2019**	**Change**	
Salaries	310.0	300.4	9.6	*3.2%*
Benefits	82.9	84.6	(1.7)	*-2.0%*
Supplies & Services	44.2	44.6	(0.4)	*-0.9%*
Other Expenses	41.0	43.6	(2.6)	*-6.0%*
Utilities	15.6	13.9	1.7	*12.2%*
Student Assistance	33.7	32.8	0.9	*2.7%*
Interfund Transfers	(0.6)	10.7	(11.3)	*-105.6%*
Total	**526.8**	**530.6**	**(3.8)**	***-0.7%***

Salaries increased primarily due to negotiated increases in rates of compensation. Benefits expense decreased despite increased salaries due partly to an WSIB adjustment refunded in fiscal 2020.

Utilities expense increased 12.2% or $1.7 million due to hydro and gas cost increases in fiscal 2020, despite reductions in campus consumption.

Net Interfund transfers impacting the Operating Fund decreased by $11.3 million mostly due to decreased transfers from the Operating Fund to the Capital Fund for various capital and renovation projects.

[9] International student enrolments are about 5% of total enrolments at the University.

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

[11] 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 2020 Operating Fund annual deficiency of revenue over expenses impacting Internally Restricted Net Assets of $1.8 million reflects a small $0.5 million increase from the $1.3 million in 2019. The calculation is consistent with the approach used when developing the operating budget, making these two figures comparable. A $19.8 million increase in the accounting charge for post-employment[12] further decreased the University's unrestricted deficit, with an offsetting $1.9 million resulting from the difference in benefit rates charged and actual cash benefit costs incurred.

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

Operating Fund - Net Assets

$millions	Opening Balances	2020 Annual Results	Transfers (From)To Reserves	EFB Re-measure	Closing Balances
Internally Restricted					
Divisional Reserves	96.5	4.0			100.5
Central Reserves	81.4	(6.9)			74.5
Employee Benefit Reserves	23.0	4.7	1.9		29.6
Self-insurance & GH	1.9				1.9
Total Internally Restricted	202.8	1.8	1.9		206.5
Unrestricted					
Post-Employment	(247.9)	(17.9)	(1.9)	(292.8)	(560.5)
Total Unrestricted	(247.9)	(17.9)	(1.9)	(292.8)	(560.5)
Total Operating Net Assets	**(45.1)**	**(16.1)**	**0.0**	**(292.8)**	**(354.0)**

[12] 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

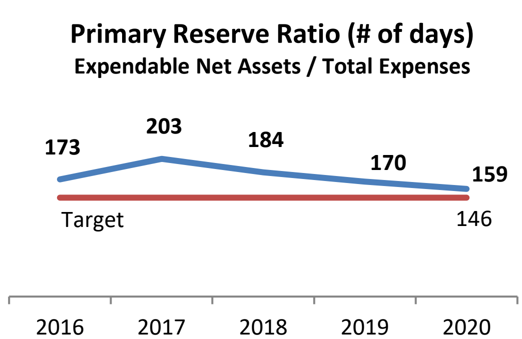
Financial Health Indicators

The following metrics use information from the audited statements[13] 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

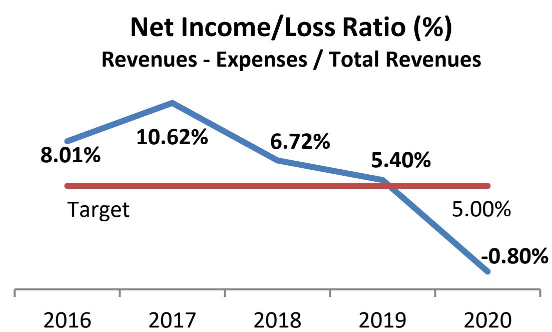
1. PRIMARY RESERVE RATIO: Summarizes financial health and flexibility by indicating how long the University could function only using its expendable reserves without relying on additional net assets generated by operations. Expendable net assets consist of internally restricted endowments and net assets 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	2020	5 Year Change	
Expendable Net Assets	362,803	39,036	12%
Total Expenses	**833,212**	**149,207**	**22%**



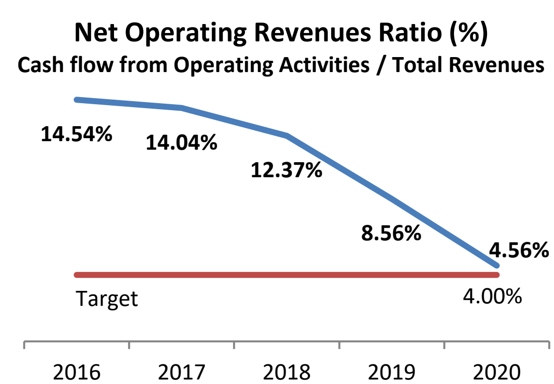
2. NET INCOME/LOSS RATIO: Measures whether the University is growing its resources over time. It compares the current year's excess of revenues over expenses over total revenues. On a combined basis, a growth rate of 5% is expected over time. In March 2020, the market values of investments declined substantially as a result of COVID-19 negatively impacting the year's results.

$000's	2020	5 Year Change	
Revenues – Expenses	(6,622)	(66,211)	-95%
Total Revenues	826,590	82,996	11%



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.

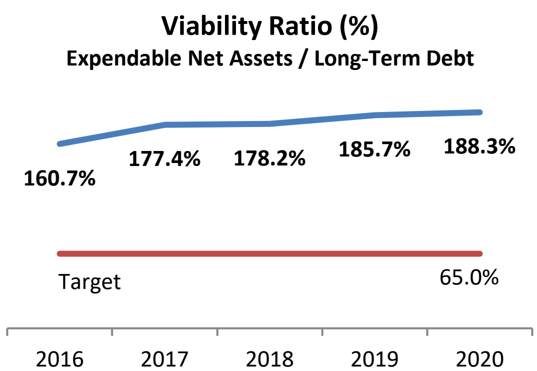
$000's	2020	5 Year Change	
Cash Flow from Operating Activities	37,685	(70,450)	-106%
Total Revenues	826,590	82,996	11%



[13] 2016 figures do not include *University of Guelph-Humber proportionate consolidation.*

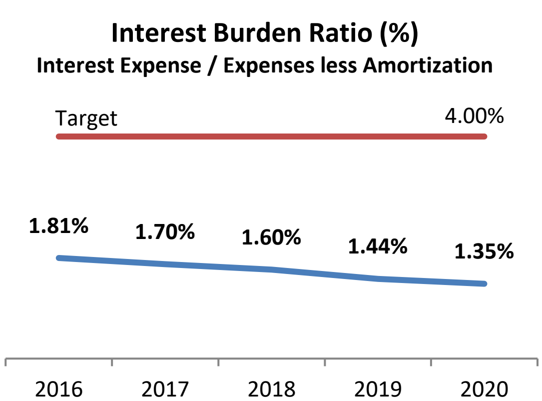
4. VIABILITY RATIO: Gauges the extent to which the University has available resources to cover its debt; essentially a "wind-up" ratio for external obligations. It calculates expendable net assets over external long-term debt. The ratio assists in assessing current debt capacity and the ability to issue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

$000's	2020	5 Year Change	
Expendable Net Assets	362,803	39,036	12%
Long-Term Debt	192,709	(8,741)	-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	2020	5 Year Change	
Interest Expense	10,543	(1,075)	-9%
Expenses – Amortization	782,546	141,386	22%



Debt Specific Metrics

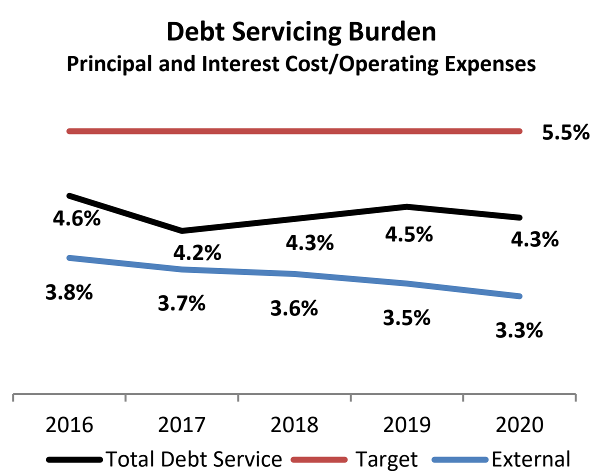
The University has established a group of specific metrics in addition to the viability and interest burden ratios to help manage debt. These are included in the Capital Debt Policy. They include:

- 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.

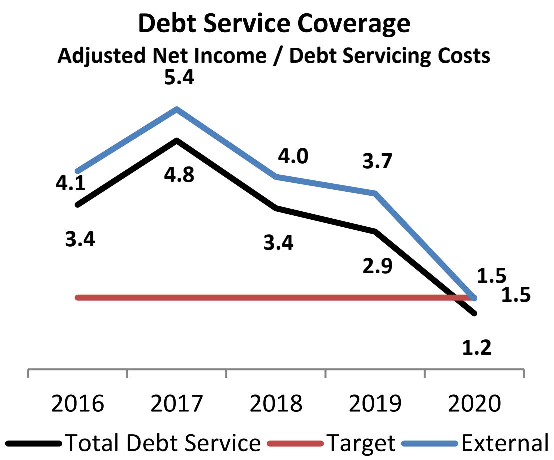
6.1 DEBT SERVICING BURDEN: This ratio measures the extent to which total debt servicing (incl. sinking fund payments) is a portion of total operating expenses excluding capital asset amortization. The objective is to stay below the target.

$000's	2020	5 Year Change	
Total Debt Servicing Costs	29,830	2,817	10%
External Debt Costs only	22,653	455	2%
Operating Expenses	686,074	103,860	19%



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	2020	5 Year Change	
Adjusted Net Income	34,878	(58,168)	-56%
Debt Servicing Costs	29,830	2,817	10%
Adjusted Net Income–External	33,592	(58,474)	-57%
External Debt Service	22,653	455	2%



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

$000's	2020	5 Year Change	
External Debt	205,316	(6,161)	-3%
Total Debt	257,752	33,582	13%
Total Student FTE's	23,266	1,386	6%

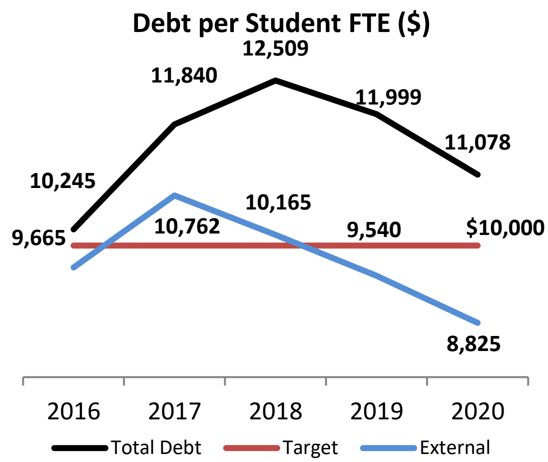


Table of Comparative Results[14]

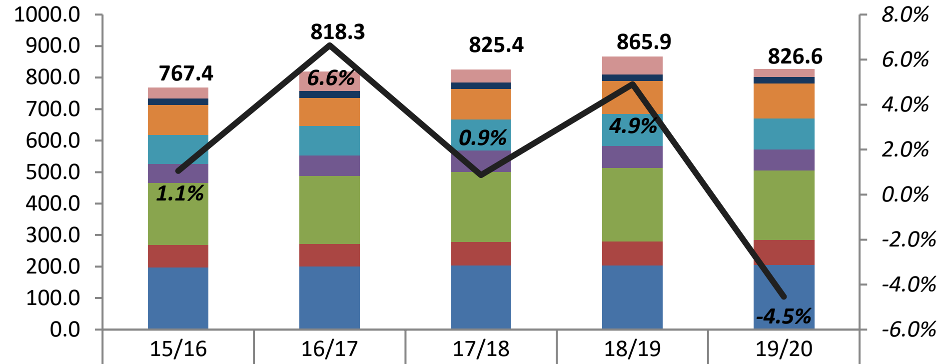
	2016	2017	2018	2019	2020
Enrolment FTEs (excluding Guelph-Humber)	21,880	22,390	22,593	22,790	23,226
Faculty and Staff (Budgeted Positions)	2,885	2,928	3,032	3,122	3,175
Full-time Faculty (as of October 1st)	777	762	789	823	830
Revenues and Expenses					
Total Revenues ($M)	$767.4	$818.3	$825.4	$865.9	$826.6
Total Expenditures ($M)	$707.8	$731.4	$769.9	$819.2	$833.2
Unrealized Gain (Loss) on Interest Rate Swaps	$0.6	$2.9	$6.6	$(0.3)	$(1.3)
Annual Surplus/(Deficit) ($M)	$60.2	$89.8	$62.1	$46.5	$(7.9)
Revenue year-over-year change	1%	7%	1%	5%	-5%
MCU Operating Grants per FTE ($)	$8,742	$8,773	$8,822	$8,754	$8,632
Revenue Mix (% of Total Revenues)					
Provincial Operating Grants - MCU	26%	25%	25%	24%	25%
Tuition	25%	26%	27%	27%	27%
Endowment and Donations	3%	3%	3%	3%	3%
Expenditure year-over-year change	2.7%	3.3%	5.3%	6.4%	1.7%
Expense Mix (% of Total Expenses)					
Salaries	49%	49%	49%	50%	51%
Benefits (including EFB accounting policies)	12%	12%	13%	13%	12%
Components of Net Assets					
Invested in Capital Assets ($M)	$514.5	$516.6	$587.9	$623.5	$653.3
Endowed ($M)	$307.1	$352.4	$360.8	$382.7	$351.7
Internally Restricted ($M)	$261.6	$320.8	$288.6	$276.9	$272.9
Unrestricted (Deficit) ($M)	$(348.9)	$(305.9)	$(311.2)	$(240.6)	$(557.1)
Total Net Assets ($M)	$734.3	$883.9	$926.1	$1,042.5	$720.8
Capital and Capital Debt					
Total External Debt ($M)	$211.5	$241.0	$229.7	$217.4	$205.3
Total Debt per FTE ($)	$9,666	$10,764	$10,167	$9,539	$8,839
%Debt Service to Revenue	3.4%	2.8%	2.9%	2.8%	2.8%
%Debt to Revenue	27.6%	29.5%	27.8%	25.1%	24.8%
Capital Acquisitions ($M)	$75.9	$80.6	$135.2	$89.1	$75.4
Provincial Capital Grants ($M)	$1.6	$0.5	$0.4	$0.4	$0.3
Endowments					
Externally Restricted ($M)	$196.0	$225.5	$230.6	$242.4	$219.5
Internally Restricted ($M)	$132.1	$154.0	$158.1	$165.6	$154.5
Total Endowment Assets – Market Values ($M)	$328.1	$379.5	$388.7	$408.0	$374.0
Total Endowment per FTE ($)	$14,995	$16,950	$17,204	$17,903	$16,103
Employee Future Benefits (EFB)					
Pension Plans – Asset / (Obligation) ($M)	$(40.4)	$26.4	$26.9	$76.2	$(196.0)
Other Benefit Plans – (Obligation) ($M)	$(238.4)	$(269.8)	$(286.3)	$(264.6)	$(305.8)
Latest Valuation Date – Registered Plans[15]	Aug-13	Aug-16	Aug-16	Aug-16	Oct-19
Latest Valuation Date – Other Plans	Jan-16	Jan-16	Jan-16	Jan-19	Jan-19

[14] Excludes the University of Guelph-Humber except for the 50% consolidation of revenue/expenses.

[15] The last valuation date for the smallest of the University's three registered pension plans was Oct-18

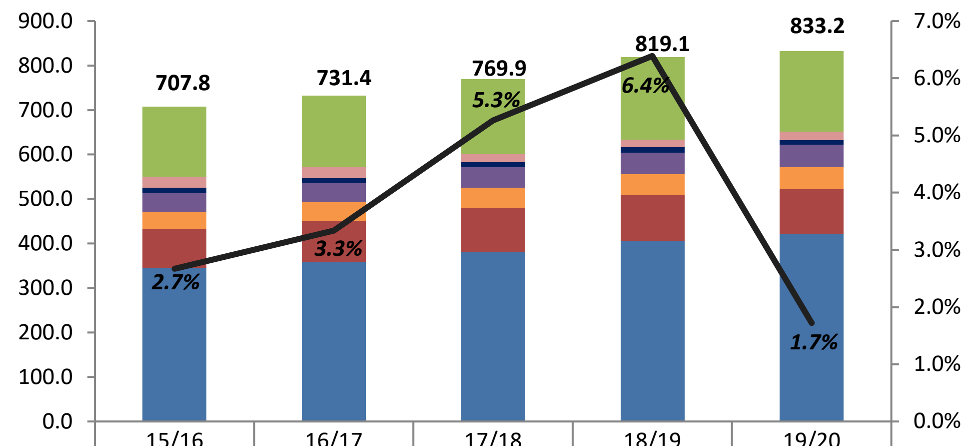
Total Revenues and Total Expenses - Five Year Trends

University Revenues
All Fund/Sources
(in $millions)



	15/16	16/17	17/18	18/19	19/20
All Other Revenues	32.7	60.5	40.5	55.6	23.9
Amort. of Deferred Capital	22.1	21.1	20.8	20.9	21.0
Other Grants and Contracts	94.5	91.3	97.4	105.4	111.7
Sales of Goods and Services	91.9	93.0	98.5	101.6	98.2
Student Fees & Contracts	59.9	65.4	67.0	69.0	66.3
Tuition	198.6	214.5	222.7	233.3	220.9
OMAFRA Agreement	70.3	71.1	74.2	75.7	79.3
Provincial MTCU	197.4	201.4	204.3	204.4	205.3
Total	767.4	818.3	825.4	865.9	826.6
Annual Change	1.1%	6.6%	0.9%	4.9%	-4.5%

University Expenses
All Funds/ Sources
(in $millions)



	15/16	16/17	17/18	18/19	19/20
Other Operating	157.4	159.9	168.3	185.1	181.2
Utilities	25.2	23.4	18.8	18.0	19.6
Interest	11.6	11.7	11.6	11.1	10.5
Capital Asset Amortization	43.0	43.5	45.8	48.8	50.7
Scholarships and Bursaries	38.3	41.8	46.0	47.1	48.7
Benefits	87.0	91.0	98.4	103.0	100.8
Salaries	345.3	360.1	381.0	406.0	421.7
Total	707.8	731.4	769.9	819.1	833.2
Annual Change	2.7%	3.3%	5.3%	6.4%	1.7%

OMAFRA Contract

Fiscal 2020 was the second fiscal year of the current 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.

OMAFRA Agreement ($Millions)	2020	2019	Change
REVENUE			
OMAFRA	**79.3**	**75.5**	**5%**
Sales of Goods & Services	**20.8**	**20.3**	**2%**
Investment Income	**0.0**	**0.6**	**-100%**
Other Revenue	**1.3**	**1.5**	**-13%**
Total Revenue	**101.4**	**97.9**	**4%**
EXPENSES			
Salaries	**33.8**	**33.4**	**1%**
Benefits	**8.6**	**8.5**	**1%**
Support for Faculty Costs	**13.0**	**13.0**	**0%**
Travel	**0.8**	**0.8**	**0%**
Operating	**50.5**	**47.1**	**7%**
Internal Recoveries	**-5.3**	**-4.9**	**8%**
Total Expenses	**101.4**	**97.9**	**4%**
REVENUE LESS EXPENSES	**-**	**-**	

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

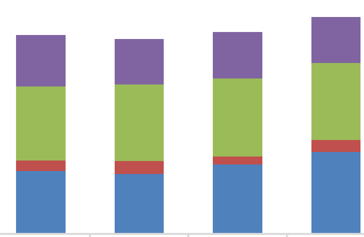
The OMAFRA contract is a major component of University research providing funding for approximately 35% of total University research and supporting approximately 20% of University employees, both faculty and staff. In addition to direct provincial funding, the province designates provincially-owned facilities (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 2020, $156.1 million was received and allocated to departments ($158.1 million in 2019). The decrease is primarily a result of a decrease in Tri-Agency Institutional Programs Secretariat (TIPS).

Research Funding Allocated by Major Source



	2016	2017	2018	2019	2020
Other	37.6	32.9	33.9	33.4	39.4
OMAFRA Contract	53.9	55.6	56.8	56.2	56.0
Other Ontario	7.3	9.9	5.8	8.7	4.3
Federal	46.1	43.6	50.6	59.8	56.4
Total	144.9	142.0	147.1	158.1	156.1

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.

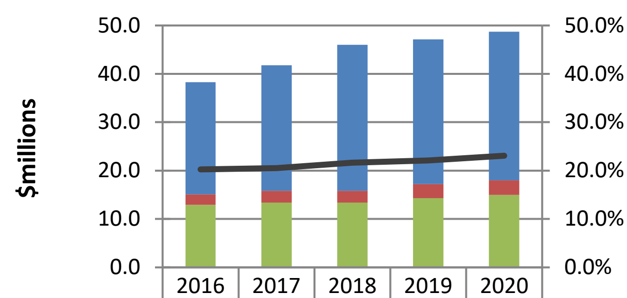
Guelph-Humber ($millions)	2020	2019	Change $	%
REVENUE				
MTCU	17.2	17.1	0.1	0.6%
Tuition	16.0	17.5	(1.5)	(8.6%)
Student Fees	0.2	0.2	0.0	0.0%
Total Revenue	**33.4**	**34.8**	**(1.4)**	**(4.0%)**
EXPENSES				
Salaries	4.8	4.3	0.5	11.6%
Benefits	1.1	1.1	0.0	0.0%
Amortization	0.2	0.2	0.0	0.0%
Scholarships & Bursaries	3.0	2.9	0.1	3.4%
Supplies	0.2	0.2	0.0	0.0%
Professional Services	10.1	9.7	0.4	4.1%
Equip., Repairs & Maint.	1.3	1.1	0.2	18.2%
Travel	0.8	0.5	0.3	60%
Other Operating	3.0	3.1	0.0	0.0%
Total Expenses	**24.5**	**23.1**	**1.5**	**6.5%**
REVENUE LESS EXPENSES	**8.9**	**11.7**	**(2.9)**	**(24.6%)**
Guelph-Humber Undergraduate Enrolment (FTE's)	***4,664***	***4,600***	***64***	***1.4%***

Student Aid

The University of Guelph, including 50% of the University of Guelph-Humber, spent $48.7 million on Scholarships and Bursaries in fiscal 2020 reflecting an increase of 3.4% 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 23.1% (22.1% in 2019) of total credit tuition revenues. Of the $48.7 million, 63% was funded from the Operating Fund, 6% was for Guelph-Humber, and 31% was funded from trust funds including endowments.

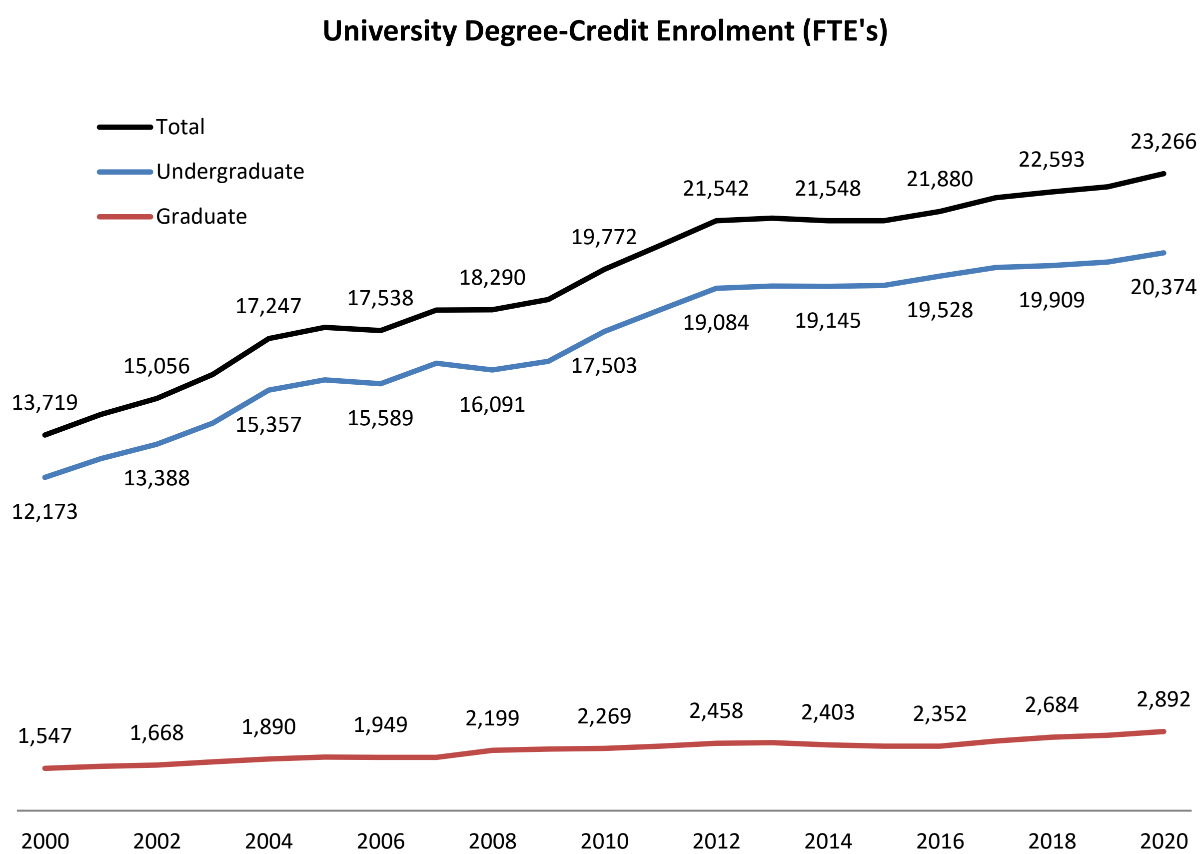
Student Aid: Scholarships & Bursaries
as a Percentage of Tuition Revenue (Credit)



	2016	2017	2018	2019	2020
Operating	23.2	26.0	30.2	29.9	30.7
Guelph-Humber	2.2	2.4	2.4	2.9	3.0
Trust and Endowments	12.9	13.4	13.4	14.3	15.0
Total Student Aid	38.3	41.8	46.0	47.1	48.7
% of Revenue	20.3%	20.5%	21.6%	22.1%	23.1%

Enrolment (excluding University of Guelph-Humber)

In 2020 University enrolment as measured in full-time equivalents ("FTE's") increased slightly compared to 2019. Small increases were seen in both undergraduate and in graduate enrolment numbers. Graduate enrolment increased by 141 FTE's, which was 5.1% higher than 2019. Undergraduate enrolment was relatively flat, increasing by 335 FTE's or 1.7%, 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 2020 (May 1, 2019 to April 30, 2020)

(in thousands of dollars)	Operating Fund	Capital Fund	Ancillary Enterprises	Research Fund	Trust Fund	Endowment Fund	Total 2020	Total 2019
REVENUE								
Provincial Grants – MTCU	204,991	345	-	-	-	-	205,336	204,398
Provincial Contract – OMAFRA Agreement	5,292	-	-	50,441	23,541	-	79,274	75,699
Other Grants and Contracts	5,310	-	-	94,440	11,716	244	111,710	105,358
Tuition (Credit and Non-credit)	220,935	-	-	-	-	-	220,935	233,312
Student Fees and Contracts	19,051	-	46,456	-	813	-	66,320	68,997
Sales of Goods and Services	42,339	-	35,027	4,347	16,477	-	98,190	101,584
Investment Income	3,347	(1,761)	-	6	11,868	(15,223)	(1,763)	29,466
Amortization of Deferred Capital Contributions	-	20,955	40	-	-	-	20,995	20,930
Donations	86	-	-	5,439	9,310	22	14,857	13,497
Other	9,342	118	-	1,267	9	-	10,736	12,668
	510,693	19,657	81,523	155,940	73,734	(14,957)	826,590	865,909
EXPENSES								
Salaries	309,970	-	21,487	73,324	16,958	-	421,739	406,027
Employee Future Benefits (EFB)	50,072	-	-	-	-	-	50,072	50,475
Other Employee Benefits	32,807	-	4,285	10,339	3,404	-	50,835	52,545
Capital Asset Amortization	-	43,079	7,587	-	-	-	50,666	48,764
Scholarships and Bursaries	33,696	-	-	5,192	9,799	-	48,687	47,100
Supplies	15,438	-	2,049	13,388	6,105	-	36,980	37,843
Professional and Externally Contracted Services	28,739	8	1,682	8,824	1,138	-	40,391	40,241
Utilities	15,631	-	943	3,012	3	-	19,589	18,008
Equipment, Repairs and Maintenance	16,154	15,182	4,079	5,497	3,349	-	44,261	36,710
Travel	8,748	-	132	5,739	140	-	14,759	15,697
Interest	-	8,563	1,980	-	-	-	10,543	11,079
Other Operating	16,119	-	16,176	10,412	1,983	-	44,690	54,673
Decrease in Unrealized Loss on Interest Rate Swaps	-	1,115	136	-	-	-	1,251	279
Interfund Transactions	(608)	(62,793)	14,706	17,839	35,732	(4,876)	-	-
	526,766	5,154	75,242	153,566	78,611	(4,876)	834,463	819,441
Excess of Revenues over Expenses	**(16,073)**	**14,503**	**6,281**	**2,374**	**(4,877)**	**(10,081)**	**(7,873)**	**46,468**
Endowment Income & Contributions	-	-	-	-	-	(20,979)	(20,979)	13,385
EFB Remeasurements and Other Items	(292,857)	-	-	-	-	-	(292,857)	56,482
Transfers (To) From Invested in Capital and Endowed Net	-	(21,326)	(8,492)	-	-	31,060	1,242	(57,548)
Transfers (To) From Internally Restricted Net Assets	(3,681)	5,708	(573)	(2,374)	4,877	-	3,957	11,738
Net Increase (Decrease) in Unrestricted Net Assets	(312,611)	(1,115)	(2,784)	-	-	-	(316,510)	70,525
Unrestricted Net Assets, Beginning of Year	(247,877)	(2,090)	9,309	-	-	-	(240,658)	(311,183)
Unrestricted Net Assets, End of Year	(560,488)	(3,205)	6,525	-	-	-	(557,168)	(240,658)

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, 2020, 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, 2020 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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.

Ernst & Young LLP

Chartered Professional Accountants
Licensed Public Accountants

Waterloo, Canada
October 21, 2020

Statement 1

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

(in thousands of dollars)

	2020	2019
ASSETS		
Current		
Cash and Cash Equivalents (Note 3)	59,907	46,539
Short-term Investments at Fair Value (Note 4)	156,281	196,375
Accounts Receivable	44,742	46,714
Inventories and Prepaid Expenses	11,607	11,606
	272,537	301,234
Long-term Investments at Fair Value (Note 4)	568,172	604,984
Defined Benefit Asset (Note 10)	11,674	78,639
Capital Assets (Note 5)	1,277,897	1,253,172
	2,130,280	**2,238,029**
LIABILITIES		
Current		
Accounts Payable and Accrued Liabilities (Note 6)	48,072	60,395
Unrealized Loss on Interest Rate Swaps (Note 7)	7,382	6,131
Current Portion of Long-term Debt (Note 7)	12,607	12,405
Current Portion of Deferred Revenue	13,001	13,907
Deferred Contributions (Note 8)	193,967	208,330
	275,029	301,168
Long-term Debt (Note 7)	192,709	205,021
Deferred Revenue	9,061	9,313
Deferred Capital Contributions (Note 9)	419,238	412,221
Defined Benefit Liability (Note 10)	513,471	267,825
	1,409,508	**1,195,548**
NET ASSETS		
Invested in Capital Assets (Note 11)	653,343	623,525
Internally Restricted (Note 12)	272,925	276,882
Unrestricted Deficit	(557,168)	(240,658)
Endowed (Note 13)	351,672	382,732
	720,772	**1,042,481**
	2,130,280	**2,238,029**

Commitments, Collections and Contingencies (Notes 4(c), 5, 17 & 18)

(See accompanying notes)

On behalf of the Board of Governors:

Signed	**Signed**
Shauneen Bruder	Charlotte Yates
Chair	President

Statement 2

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

(in thousands of dollars)

	2020	2019
REVENUE		
Ministry of Colleges and Universities	205,336	204,398
Ministry of Agriculture, Food and Rural Affairs Agreement	79,274	75,699
Other Grants and Contracts	111,710	105,358
Tuition	220,935	233,312
Student Fees and Contracts	66,320	68,997
Sales of Goods and Services	98,190	101,584
Investment Income (Note 4)	(1,763)	29,466
Amortization of Deferred Capital Contributions (Note 9)	20,995	20,930
Donations (Note 14)	14,857	13,497
Other	10,736	12,668
	826,590	865,909
EXPENSES		
Salaries	421,739	406,027
Employee Future Benefits (Note 10)	50,072	50,475
Other Employee Benefits	50,835	52,545
Capital Asset Amortization	50,666	48,764
Scholarships and Bursaries	48,687	47,100
Supplies	36,980	37,843
Professional and Externally Contracted Services	40,391	40,241
Utilities	19,589	18,008
Equipment, Repairs and Maintenance	44,261	36,710
Travel	14,759	15,697
Interest (Note 7)	10,543	11,079
Other Operating	44,690	54,673
	833,212	819,162
Increase in Unrealized Loss on Interest Rate Swaps (Note 7)	(1,251)	(279)
Excess (Deficiency) of Revenues over Expenses	(7,873)	46,468

(See accompanying notes)

Statement 3

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
			2020		
Net Assets, Beginning of Year	623,525	276,882	(240,658)	382,732	1,042,481
Excess (Deficiency) of Revenues over Expenses	(29,671)	-	21,798	-	(7,873)
Net Change in Net Assets Invested in Capital Assets (Note 11)	59,489	-	(59,489)	-	-
Net Change in Internally Restricted Net Assets (Note 12)	-	(3,957)	3,957	-	-
Employee Future Benefits Remeasurements and Other Items (Note 10)	-	-	(292,857)	-	(292,857)
Endowment Contributions (Note 13)	-	-	-	8,487	8,487
Decrease in Accumulated Investment Income on					
Externally Restricted Endowments (Note 13)	-	-	-	(29,466)	(29,466)
Internally Restricted Endowments (Note 13)	-	-	15,223	(15,223)	-
Other Transfers to Endowments (Note 13)	-	-	(5,142)	5,142	-
Net Assets, End of Year	653,343	272,925	(557,168)	351,672	720,772
			2019		
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	623,525	276,882	(240,658)	382,732	1,042,481

(See accompanying notes)

Statement 4

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

(in thousands of dollars)

	2020	2019
OPERATING ACTIVITIES		
Excess/(Deficiency) of Revenues over Expenses	(7,873)	46,468
Add (Deduct) Non-cash Items:		
Capital Asset Amortization	50,666	48,764
Amortization of Deferred Capital Contributions	(20,995)	(20,930)
Decrease (Increase) in Unrealized Investment Income	20,755	(4,813)
Increase in Unrealized Loss on Interest Rate Swaps	1,251	279
Employee Future Benefits Expense	50,072	50,475
Employee Future Benefits Contributions	(30,318)	(67,789)
Net Change in Other Non-cash Items (Note 16)	(25,873)	21,697
	37,685	74,151
FINANCING ACTIVITIES		
Repayment of Long-term Debt	(12,110)	(12,236)
Capital Contributions Received	27,581	37,355
Endowment Contributions	8,487	8,945
	23,958	34,064
INVESTING ACTIVITIES		
Net Sale (Purchase) of Investments	26,685	(17,828)
Purchase of Capital Assets	(74,960)	(88,533)
	(48,275)	(106,361)
Increase in Cash and Cash Equivalents	13,368	1,854
Cash and Cash Equivalents, Beginning of Year	46,539	44,685
Cash and Cash Equivalents, End of Year	59,907	46,539

(See accompanying notes)

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 Consolidated 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 is recorded on an accrual basis and is comprised of interest, dividends and realized and unrealized gains (losses) is recorded as revenue in the Consolidated 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.

(in thousands of dollars)

(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 Consolidated 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 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 and Collections

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

Capital assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not contribute to the University's ability to provide goods and services. Any impairment results in a write-down of the capital asset and an expense in the Consolidated Statement of Operations. An impairment loss is not reversed if the fair value of the related capital asset subsequently increases.

The value of library, art and other special collections has been excluded from the consolidated balance sheet except for a nominal value of $1. Donated collections are recorded as revenue at values based on appraisals by independent appraisers and are expensed in the year received. Purchased collections are expensed in the year they are acquired. When collections are deaccessioned and then sold, proceeds from the sale are included in deferred contributions and recognized as revenue when the cost of insurance, cleaning, restoration and conservation of works in the collection are expensed.

(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.

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 Consolidated 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.

(in thousands of dollars)

(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 Consolidated 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 Consolidated 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.

(l) 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.

(m) Change in Accounting Policy

During the year, the University prospectively adopted the new accounting standard Section 4433, Tangible capital assets held by not-for-profit organizations of CPA Canada Handbook – Accounting (the "Handbook") as of May 1, 2019, that requires the University to follow the componentization guidelines of Section 3061, Property, plant and equipment of the Handbook, and the guidelines for the impairment of long-lived assets of Section 3063, Impairment of long-lived assets of the Handbook. The guidelines require capital assets to be separated into significant component parts and each component to be amortized in accordance with their useful lives. Partial impairments on tangible capital assets will now need to be considered. Section 4441, Collections held by not-for-profit organizations of the Handbook was also adopted retrospectively during the year. Collections will continue to be recorded at a nominal value. The changes did not have a material impact on these Consolidated Financial Statements.

3. CASH AND CASH EQUIVALENTS

	2020	2019
Cash	58,700	46,499
Pooled Fund Cash & Cash Equivalents	1,207	-
Government of Canada Treasury Bills	-	40
	59,907	46,539

(in thousands of dollars)

4. INVESTMENTS

(a) Details

	2020	2019
Short-term Investments		
Restricted Cash Equivalents	12,178	17,753
Canadian Bank Guaranteed Investment Certificates	109,605	112,664
Government Bonds	34,498	65,953
Canadian Fixed Income	5	5
Foreign Currency Forward Contracts	(5)	-
	156,281	196,375
Long-term Investments		
Canadian Bank Guaranteed Investment Certificates	55,915	61,692
Government Bonds	51,970	57,200
Canadian Fixed Income	180,807	171,692
Canadian Equities	69,330	81,587
U.S. Equities	73,017	84,816
Non-North American Equities	89,658	97,236
Emerging Markets Equities	20,530	23,448
Infrastructure Limited Partnership	26,945	27,313
	568,172	604,984
Total Investments	724,453	801,359

(b) Investment Income

	2020		
	Non-Endowed	Endowed	Total
Net Realized Investment Income	9,892	8,122	18,014
Net Decrease in Unrealized Investment Income	(3,160)	(43,762)	(46,922)
	6,732	(35,640)	(28,908)
Decrease in Accumulated Investment Income on Externally Restricted Endowments (Note 13)	-	29,466	29,466
Decrease in Accumulated Investment Income on Internally Restricted Endowments (Note 13)	(15,223)	15,223	-
Investment Income Made Available for Spending (Note 13)	9,049	(9,049)	-
Net Investment Income Deferred	(2,321)	-	(2,321)
	(1,763)	-	(1,763)

	2019		
	Non-Endowed	Endowed	Total
Net Realized Investment Income	10,385	20,355	30,740
Net Increase in Unrealized Investment Income	4,491	888	5,379
	14,876	21,243	36,119
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)
	29,466	-	29,466

(in thousands of dollars)

(c) Uncalled Commitments

As at April 30, 2020, approximately 4.7% (2019 – 4.5%) of the University's long-term investment portfolio is invested in Brookfield Infrastructure Fund. The legal terms and conditions of these investments require that investors initially make an unfunded commitment and then remit funds over time (cumulatively up to a maximum of the total committed amount) in response to a series of capital calls issued to the investors by the manager. As at April 30, 2020, the University had uncalled commitments of $2,610 (2019 - $2,619).

5. CAPITAL ASSETS

	2020		
	Cost	Accumulated Amortization	Net Book Value
Land	256,559	-	256,559
Land Improvements	43,943	12,866	31,077
Buildings	1,185,753	349,265	836,488
Furniture and Equipment	227,586	150,169	77,417
Construction in Progress	68,280	-	68,280
Computer Equipment	16,119	11,750	4,369
Library Books	14,731	11,025	3,706
Art, Rare Books and Other Collections	1	-	1
	1,812,972	535,075	1,277,897

	2019		
	Cost	Accumulated Amortization	Net Book Value
Land	256,559	-	256,559
Land Improvements	43,235	12,179	31,056
Buildings	1,160,904	326,980	833,924
Furniture and Equipment	231,052	152,776	78,276
Construction in Progress	45,169	-	45,169
Computer Equipment	14,859	10,348	4,511
Library Books	15,381	11,705	3,676
Art, Rare Books and Other Collections	1	-	1
	1,767,160	513,988	1,253,172

6. GOVERNMENT REMITTANCES

Accounts Payables and Accrued Liabilities include $143 (2019 - $653) with respect to government remittances payable.

(in thousands of dollars)

7. LONG-TERM DEBT

(a) Details

	Interest Rate	Issue Date	Due Date	2020	2019
Series A Unsecured Debenture	6.24%	11-Oct-02	10-Oct-42	100,000	100,000
Banker's Acceptances					
Toronto Dominion Bank	4.91%	20-Dec-07	20-Sep-22	1,484	2,015
Toronto Dominion Bank	4.54%	10-Apr-08	10-Jan-23	600	798
Toronto Dominion Bank	3.47%	13-Mar-09	13-Dec-23	2,665	3,327
Royal Bank of Canada	4.50%	23-Mar-10	24-Mar-25	2,586	3,102
Royal Bank of Canada	4.57%	1-May-10	1-May-25	3,503	4,172
Bank of Montreal	7.52%	16-Oct-00	15-Jun-25	17,100	19,700
Royal Bank of Canada	3.84%	3-Oct-11	2-Oct-26	16,361	18,839
Royal Bank of Canada	2.96%	5-Sep-12	5-Sep-27	14,403	16,329
Canadian Imperial Bank of Commerce	3.73%	1-Oct-13	1-Oct-28	11,067	12,361
Royal Bank of Canada	2.19%	15-Sep-16	15-Sep-41	35,547	36,783
				105,316	117,426
				205,316	217,426
Current Portion				(12,607)	(12,405)
				192,709	205,021

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 $12,110 (2019 - $12,236) and incurred $10,543 (2019 - $11,079) 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:

2021	12,607
2022	12,684
2023	12,082
2024	11,493
2025	11,258
2026 and beyond	145,192
	205,316

(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).

(in thousands of dollars)

(c) Interest Rate Swaps

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

The notional amounts and the net unrealized gain (loss) of the contracts entered into prior to fiscal 2017 and outstanding at April 30th are:

		2020		2019	
	Due Date	Notional Amount	Loss	Notional Amount	Loss
Toronto Dominion	20-Sep-22	1,483	(88)	2,015	(110)
Toronto Dominion	10-Jan-23	600	(36)	800	(40)
Toronto Dominion	13-Dec-23	2,667	(122)	3,333	(84)
Royal Bank of Canada	24-Mar-25	2,590	(208)	3,110	(181)
Royal Bank of Canada	1-May-25	3,487	(295)	4,155	(258)
Bank of Montreal	15-Jun-25	17,100	(3,045)	19,700	(3,250)
Royal Bank of Canada	2-Oct-26	16,380	(1,436)	18,900	(1,012)
Royal Bank of Canada	5-Sep-27	14,388	(1,011)	16,328	(478)
Canadian Imperial Bank of Commerce	1-Oct-28	11,050	(1,141)	12,350	(718)
			(7,382)		(6,131)

The net change in the unrealized loss of $1,251 (2019 – $279) is recorded in the Consolidated 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 loss of $1,900 (2019 – $2,412) is not recorded in the Consolidated Financial Statements as at April 30th.

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:

	2020	2019
Balance, Beginning of Year	208,330	182,545
Contributions Received During the Year	216,684	255,245
Contributions Recognized to Revenue During the Year	(231,047)	(229,460)
Balance, End of Year	193,967	208,330

(in thousands of dollars)

9. DEFERRED CAPITAL CONTRIBUTIONS

Deferred capital contributions represent the unamortized amount of donations and grants received over a number of years restricted to the purchase of capital assets. The amortization of deferred capital contributions is recorded as revenue in the Consolidated Statement of Operations. Changes in the deferred capital contributions are as follows:

	2020	2019
Balance, Beginning of Year	412,221	395,255
Contributions Received During the Year	28,012	37,896
Amortization of Deferred Capital Contributions	(20,995)	(20,930)
Balance, End of Year	419,238	412,221

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, 2020 were prepared as of October 1, 2018 for one of the University's registered pension plans, October 1, 2019 for all other pension plans and January 1, 2019 for other benefits plan. For financial statement purposes, the results of these valuations were extrapolated to April 30, 2020 which is the measurement date used to determine the plans' assets and the accrued benefit obligations.

(b) Defined Benefit Obligations and Plan Assets

	Pension Plans		Other Benefits Plan		Total	
	2020	2019	2020	2019	2020	2019
Defined Benefit Obligation	1,732,504	1,537,853	305,787	264,595	2,038,291	1,802,448
Fair Value of Plan Assets	1,536,494	1,614,010	-	-	1,536,494	1,614,010
Funded Status -Surplus(Deficit)	(196,010)	76,157	(305,787)	(264,595)	(501,797)	(188,438)
Valuation Allowance ("VA")	-	(748)	-	-	-	(748)
Net Defined Benefit Asset (Liability)	(196,010)	75,409	(305,787)	(264,595)	(501,797)	(189,186)
Statement of Financial Position						
Defined Benefit Asset	11,674	78,639	-	-	11,674	78,639
Defined Benefit Liability	(207,684)	(3,230)	(305,787)	(264,595)	(513,471)	(267,825)
Net Defined Benefit Asset (Liability)	(196,010)	75,409	(305,787)	(264,595)	(501,797)	(189,186)

(in thousands of dollars)

(c) Net Benefit Plan Costs

	Pension Plans		Other Benefits Plan		Total	
	2020	2019	2020	2019	2020	2019
Total Service Cost	56,997	51,412	8,479	8,707	65,476	60,119
Less: Employee Contributions	(26,305)	(23,571)	-	-	(26,305)	(23,571)
Current Service Cost	30,692	27,841	8,479	8,707	39,171	36,548
Finance Cost (Recovery)	(4,096)	(2,277)	14,997	16,204	10,901	13,927
Employee Future Benefits Expense	26,596	25,564	23,476	24,911	50,072	50,475
Return on Plan Assets Less (Greater) than Discount Rate	139,226	(12,344)	-	-	139,226	(12,344)
Actuarial (Gain) Loss	131,141	-	23,280	(41,122)	154,421	(41,122)
Current Decrease in VA	(748)	(2,815)	-	-	(748)	(2,815)
Effect of VA on Finance Cost	(42)	(201)	-	-	(42)	(201)
Remeasurements and Other Items	269,577	(15,360)	23,280	(41,122)	292,857	(56,482)
Net Benefit Cost (Recovery)	296,173	10,204	46,756	(16,211)	342,929	(6,007)

(d) Significant Assumptions

	Pension Plans		Other Benefits Plan	
	2020	2019	2020	2019
Discount Rate for Accrued Benefit Obligation	6.00 - 6.20%	5.65%	6.00%	5.65%
Rate of Increase In Future Compensation	3.75 - 4.00%	4.00%	n/a	n/a
Dental Inflation			4.50%	4.50%
Health Care Cost Trend Rate			5.00%	5.00%

(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. Before this can occur, a highly regulated approval process must take place, which includes a consent process for members and other persons entitled to benefits under the existing plans, and the necessary regulatory approvals. The consent process was completed in June 2019 with the required consent threshold for each of the existing plans being surpassed, enabling the conversion to the JSPP to proceed. Only once the remaining necessary regulatory approvals are obtained will the assets and liabilities of the Plan be transferred to the new JSPP as at the effective date of accrual of benefits under the new plan (anticipated to be July 1, 2021).

(in thousands of dollars)

11. INVESTED IN CAPITAL ASSETS

	2020	2019
Capital Assets (Net Book Value) (Note 5)	1,277,897	1,253,172
Less: Long-term Debt (Note 7)	(205,316)	(217,426)
Deferred Capital Contributions (Note 9)	(419,238)	(412,221)
Invested in Capital Assets	653,343	623,525

Changes in Invested in Capital Assets are as follows:

	2020	2019
Capital Asset Amortization	(50,666)	(48,764)
Amortization of Deferred Capital Contributions	20,995	20,930
	(29,671)	(27,834)
Acquisition of Capital Assets	75,391	89,074
Repayment of Long-term Debt	12,110	12,236
Cash Contributions Received During the Year	(27,581)	(37,355)
Contributions of Depreciable Assets Received During the Year	(431)	(541)
	59,489	63,414
	29,818	35,580

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, 2019	Transfer to (from) in 2020	Balance, April 30, 2020
Operating Fund Reserves			
Division Reserves	96,472	4,083	100,555
Central Operating Reserves	81,437	(6,974)	74,463
Guelph-Humber Internally Restricted	900	-	900
Self Insured Losses	1,000	-	1,000
Employee Benefit Reserves	23,041	6,572	29,613
	202,850	3,681	206,531
Capital Projects Reserves			
Capital Projects and Renovations	30,228	(1,835)	28,393
Internally Financed Projects	(63,648)	(2,373)	(66,021)
Funds Held for Debt Repayment	21,064	(860)	20,204
Trust	41,918	(4,877)	37,041
Research	43,569	2,374	45,943
Other	901	(67)	834
	276,882	(3,957)	272,925

(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 2020, the allocation made available for spending was calculated as 3.5% (2019 - 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:

	2020		
	Externally Restricted	Internally Restricted	Total
Investment Loss on Endowments	(22,003)	(13,637)	(35,640)
Less: Available for Spending (Note 4(b))	(7,463)	(1,586)	(9,049)
Decrease in Accumulated Investment Income on Endowments (Note 4(b))	(29,466)	(15,223)	(44,689)
Endowment Contributions (Note 14)	8,487	-	8,487
	(20,979)	(15,223)	(36,202)
Transfers to Endowments	3	5,139	5,142
Net Decrease in Net Assets	(20,976)	(10,084)	(31,060)
Net Assets, Beginning of Year	227,399	155,333	382,732
Net Assets, End of Year	206,423	145,249	351,672

	2019		
	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
	13,385	3,479	16,864
Transfers to (from) Endowments	(6)	5,110	5,104
Net Increase in Net Assets	13,379	8,589	21,968
Net Assets, Beginning of Year	214,020	146,744	360,764
Net Assets, End of Year	227,399	155,333	382,732

(in thousands of dollars)

14. DONATIONS

	2020	2019
Donations Received During the Year	28,742	36,279
Less: Donations Recorded as Endowment Contributions (Note 13)	(8,487)	(8,945)
Donations Recorded as Deferred Capital Contributions	(5,121)	(2,173)
Net Increase in Deferred Contributions from Donations	(277)	(11,664)
Donations Recognized as Revenue	14,857	13,497

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 $11,608 (2019 - $11,496), 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:

	2020	2019
Financial Position:		
Total Assets	13,782	18,717
Total Liabilities	1,546	3,510
Total Net Assets	12,236	15,207
Results of Operations:		
Total Revenue	33,438	34,825
Total Expenses	24,588	23,107
Excess of Revenue over Expenses	8,850	11,718

(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:

	March 31, 2020 (Unaudited)	March 31, 2019
Financial Position:		
Total Assets	54,749	54,766
Total Liabilities	9,496	9,283
Total Net Assets	45,253	45,483
Results of Operations:		
Total Revenue	85,605	87,263
Total Expenses	85,834	82,832
Excess of Revenue over Expenses	(229)	4,431

(in thousands of dollars)

16. NET CHANGE IN OTHER NON-CASH ITEMS

	2020	2019
Accounts Receivable	1,972	(3,359)
Inventories and Prepaid Expenses	(1)	(463)
Accounts Payable and Accrued Liabilities	(12,323)	(2,198)
Deferred Revenue	(1,158)	1,932
Deferred Contributions	(14,363)	25,785
	(25,873)	21,697

17. COMMITMENTS

Costs to complete major capital projects in progress as at April 30, 2020 are estimated to be $50,169 (2019 - $51,662) and will be funded by government grants, gifts and University resources.

18. CONTINGENCIES

a) 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, 2020, 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.

b) 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, 2019, CURIE had an accumulated surplus of $90,185 (2019 - $79,338) of which the University's pro rata share is $2,981 (2019 – $2,598).

c) 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.

d) 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, 2020 the Guelph Cutten Fields borrowed $361 (2019 – $478) under this guarantee.

e) The University issued four letters of credit for its capital construction projects that guarantee payments to the City of Guelph if it failed to perform certain restorative work at the completion of its capital construction projects. The University also issued two new letters of credit related to special solvency pension payments for the University's registered pension plans. At April 30, 2020, the amount of outstanding letters of credit issued for construction purpose was $875 (2019 - $875), and for special solvency pension payments was $10,582 (2019 - $0). All such letters expire in the next fiscal year.

f) 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.

g) 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. COVID-19

In March 2020, the World Health Organization declared the spread of coronavirus ("COVID-19") to constitute a global pandemic. This has resulted in governments worldwide enacting emergency measures to combat the spread of the virus including travel restrictions in and out of and within Canada, barring gathering of people and requirements to stay at home. These restrictions impacted the operations of the University and resulted in the closure of physical premises of all post-secondary institutions. The impact of COVID-19 also adversely impacted global commercial activity and contributed to the significant volatility in certain equity and debt markets. This led to significant volatility and declines in the global public equity markets and it is uncertain how long this volatility will continue.

The extent of such adverse effects on the University's business and financial and operational performance are uncertain and difficult to assess. The financial impacts will depend on future developments, including the duration, spread and severity of the outbreak, physical distancing requirements, the duration and geographic scope of related travel advisories and restrictions, and the extent of disruptions to businesses globally and its related impact on the economy.
As at April 30, 2020, the University did not have significant adjustments to reflect the possible future impact of COVID-19. Investments are recorded at fair value which included the impact on financial markets as at year-end.

Management has assessed the going concern assumptions and believes there are no issues, given the University has a strong working capital base and access to liquid resources to support operations in the coming year. Given the outcome and timeframe to a recovery from the current pandemic is highly unpredictable, it is not practicable to estimate and disclose its financial effect on future operations at this time.

21. COMPARATIVE NUMBERS

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