IMPROVE LIFE.

ANNUAL FINANCIAL REPORT

Fiscal Year 2021

Contents

Financial Summary

University financial results for the fiscal year ended April 30th, 2021 reflect a full year impacted by COVID-19 pandemic restrictions with reduced ancillary services revenues and other revenues from in-person services resulting in a 2% decrease in total revenue.

The University was partially able to offset the decrease in revenue by decreasing expenses by 0.6% resulting in a deficiency in revenue over expenses of $15.8 million. Rebounding investment market values provided a significant $242.5 million increase in total net assets.

Total University - Annual Results				
$ millions	**2021**	**2020**	**Change**	
Total Revenue	809.8	826.6	(16.8)	*-2.0%*
Total Expenses	828.3	833.2	(4.9)	*-0.6%*
Change in Unrealized Loss on Interest Rate Swaps	2.7	(1.3)	4.0	
Revenue Less Expenses	**(15.8)**	**(7.9)**	**(7.9)**	
Direct Changes to Net Assets				
Endowment Additions	38.0	(21.0)	59.0	
EFB[1] Re-measurements	220.3	(292.8)	513.1	
Total Direct Changes	**258.3**	**(313.8)**	**572.1**	
Total Change in Net Assets	**242.5**	**(321.7)**	**564.2**	

Market returns in the University endowment fund and assets held for the pension plans were 18.4% (-9.0% in 2020) and 16.6% (-3.0% in 2020) on a net basis, respectively.

Investment income recognized for the year was $49.3 million in fiscal 2021, which was $51.1 million more compared to the loss of $1.8 million recognized in 2020. Further gains of $33.9 million on externally restricted endowments were recorded directly against net assets[2]. Finally, Employee Future Benefits ("EFB") re-measurements resulted in an increase of $220.3 million in net assets, a large portion of which resulted from increases in market values of pension plan assets, resulting in returns on pension plan assets being significantly greater than expected returns per actuarial assumptions.

Revenue

The $16.8 million decrease in total revenue compared to the prior year was due to decreased revenues from student contracts for housing and meals ($37.8 million) and lower campus sales and services ($23.3 million) due to pandemic driven campus closures. These decreases were partially offset by the $51.1 million of investment gains recognized in income. The remaining $6.8 million decrease was spread across the other revenue categories including provincial and other grants & contracts and other revenues.

Total University Revenue				
$ millions	**2021**	**2020**	**Change**	
Prov. Grants MTCU	206.7	205.3	1.4	*0.7%*
Prov. Contract OMAFRA	67.0	69.4	(2.4)	*-3.5%*
Student Tuition/Fees	249.5	287.3	(37.8)	*-13.2%*
Other Grants & Contracts	118.6	121.6	(3.0)	*-2.5%*
Sales of Goods & Services	74.9	98.2	(23.3)	*-23.7%*
Investment Income	49.3	(1.8)	51.1	*>500%*
Other	43.8	46.6	(2.8)	*-6.0%*
Total Revenue	**809.8**	**826.6**	**(16.8)**	***-2.0%***

[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.

Expenses

Total expenses decreased by 0.6%.

The $22.6 million (21.8%) decrease in Other Expenses includes $12.2 million in reduced travel expenses and $8.9 million in decreased costs of goods sold in ancillary enterprises reflecting the impacts of pandemic restrictions. Similarly, decreased activity in ancillary enterprises driven by COVID-19 closures accounts for the $8.0 million (1.9%) decrease in Salaries.

University Expenses				
$ millions	**2021**	**2020**	**Change**	
Salaries	413.7	421.7	(8.0)	*-1.9%*
Benefits	126.5	100.9	25.6	*25.4%*
Student Assistance	55.7	48.7	7.0	*14.4%*
Supplies and Services	71.3	77.4	(6.1)	*-7.9%*
Utilities	17.8	19.6	(1.8)	*-9.2%*
Capital Amortization	52.2	50.7	1.5	*3.0%*
Interest	10.0	10.5	(0.5)	*-4.8%*
Other Expenses	81.1	103.7	(22.6)	*-21.8%*
Total Expenses	**828.3**	**833.2**	**(4.9)**	***-0.6%***

Partially offsetting these decreases was an increase of $25.6 million (25.4%) in total benefits primarily due to a $19.0 million increase in non-cash post-employment finance costs caused by deficit positions in EFB plans at the beginning of the year.

Increases in student assistance and capital asset amortization were offset by decreases in supplies and services, utilities, and interest expenses.

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 $7.9 million in revenue less expenses was the result of large decreases in the Ancillary Enterprises and Operating Funds, partially offset by investment driven increases in the Endowment and Trust funds.

Revenue Less Expenses by Fund			
$ millions	**2021**	**2020**	**Change**
Operating	(42.9)	(16.1)	*(26.8)*
Capital	11.1	14.5	*(3.4)*
Ancillary Enterprises	(25.1)	6.3	*(31.4)*
Research	4.8	2.4	*2.4*
Trust	8.0	(4.9)	*12.9*
Endowment	28.3	(10.1)	*38.4*
Total	**(15.8)**	**(7.9)**	***(7.9)***

Operating fund is comprised of the operating budget results as well as charges for unfunded post-employment benefits. The results reflect decreased sales of goods & services and other revenue and increased salaries, benefits, and student aid expenses to support students through the pandemic as well non-cash accounting remeasurement of EFB as at year-end. *(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, although to a lesser extent than in the prior year. The decrease from prior year was due to increased capital asset amortization and less spending on major construction initiatives. *(More details on page 5.)*

Ancillary Enterprises fund operations were significantly impacted by the campus closures in fiscal 2021 due to the COVID-19 pandemic. Decreased revenues totaling $56.6 million (69.4%) were spread across all five major ancillaries. Overall, expenses for the ancillaries decreased by $25.2 million (33.6%) for the year, reflecting large decreases in personnel and costs of goods sold and smaller decreases in all other expenses.

Trust and Endowment funds reflect overall increases due mostly to investment income recognized in internally restricted endowments, primarily comprised of the Heritage Fund.

Net Assets by Category

University net assets are classified into four major groups in accordance with accounting policy. The following table shows 2021 net asset balances compared to the prior year.

Net Asset Balances			
$ millions	**2021**	**2020**	**Change**
Capital Assets	690.6	653.3	37.3
Internally Restricted	222.9	272.9	(50.0)
Unrestricted (Deficit)	(368.4)	(557.1)	188.7
Endowment	418.1	351.7	66.4
Total University Net Assets	**963.2**	**720.8**	**242.4**

Capital Assets, typically the largest net asset category, shows the net undepreciated equity position the University holds in its land, buildings and equipment. In 2021 the University continued to invest in its physical assets. Overall Capital Assets grew by a net $37.3 million in 2021.

Increases (Decreases) in Net Assets - Capital Assets			
$ millions	**2021**	**2020**	**Change**
Capital asset acquisitions	71.3	75.4	(4.1)
Capital contributions recognized	21.3	21.0	0.3
External debt repayment	12.4	12.1	0.3
Capital asset amortization	(52.2)	(50.7)	(1.5)
Capital contributions deferred	(15.5)	(28.0)	12.5
Total Change	**37.3**	**29.8**	**7.5**

Internally Restricted Net Asset Balances			
$ millions	**2021**	**2020**	**Change**
Capital Projects[3]	(87.8)	(37.6)	(50.2)
Operating Fund	189.1	206.5	(17.4)
Other Funds	121.6	104.0	17.6
Total Internally Restricted	**222.9**	**272.9**	**(50.0)**

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 decrease in Operating Fund includes decreases in operating carry forwards (accumulated unspent budget allocations) due to the need to rely on carry forwards to address pandemic pressures and employee benefit reserves. The operating net assets are governed by internal policy for approval of any planned spend.

The **Unrestricted (Deficit)** decreased by $188.7 million mainly due to the accounting recognition of employee future benefit re-measurements. This was due to actual returns on invested pension plan assets exceeding expected return in the current year and actuarial gains due to changes in pension valuations filed in fiscal 2021.

Endowment net assets increased by $66.4 million due to a net investment return of 18.4%, reflecting recovery from the market volatility amidst the early months of the COVID-19 pandemic, as well as $4.2 million in new contributions from donors and $5.3 million in internal transfers.

Increases (Decreases) in Net Assets – Endowments			
$ millions	**2021**	**2020**	**Change**
Investment Income (Loss) not allocated for spending on:			
Externally restricted	33.9	(29.5)	63.4
Internally restricted	23.0	(15.2)	38.2
Total Investment Income (Loss)	**56.9**	**(44.7)**	**101.6**
Contributions to endowments			
From Donors	4.2	8.5	(4.3)
Internal transfers[4]	5.3	5.1	0.2
Total Contributions	**9.5**	**13.6**	**(4.1)**
Total Change	**66.4**	**(31.1)**	**97.5**

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

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

Major Capital Activity

The University continued to invest in its buildings, facilities, and capital equipment with acquisitions totaling $71.3 million ($75.4 million in 2020). Referring to the table to the right, once again the most significant investments occurred in buildings.

Capital Expenditures			
$ millions	**2021**	**2020**	**Change**
Major Buildings	42.1	34.5	7.6
Equipment and Other	14.8	21.6	(6.8)
Main Campus Facilities Renewal	8.2	10.9	(2.7)
Student Housing Facilities Renewal	6.2	8.4	(2.2)
Total	**71.3**	**75.4**	**(4.1)**

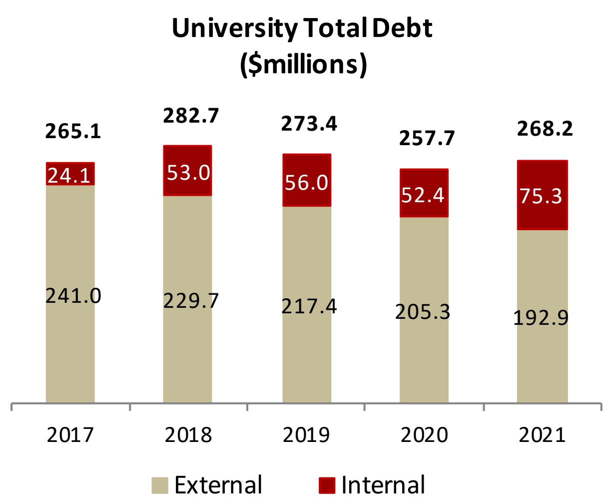
Capital Project Spending			
$ millions	**2021 Spending**	**Total Spending**	**Total Approved**
OVC Phases 1 & 2	5.0	36.8	37.7
Improv Theatre/North Wing MacKinnon Renovation	9.1	13.4	22.6
Turfgrass Institute	5.3	17.6	18.1
MacNaughton Building	9.3	12.2	13.8
Former VMI Building	4.0	11.6	13.3
OVC Small Animal Clinic	0.3	1.3	8.4
South Residence Renovations	5.0	18.0	21.5

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.

Debt

The University uses financing from both internal[5] and external sources to fund high priority capital projects. Total capital financing increased by $10.5 million including reflecting increased internal debt greater than the $12.4 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 2021, the University held ratings with these agencies at AA and A (high), respectively.

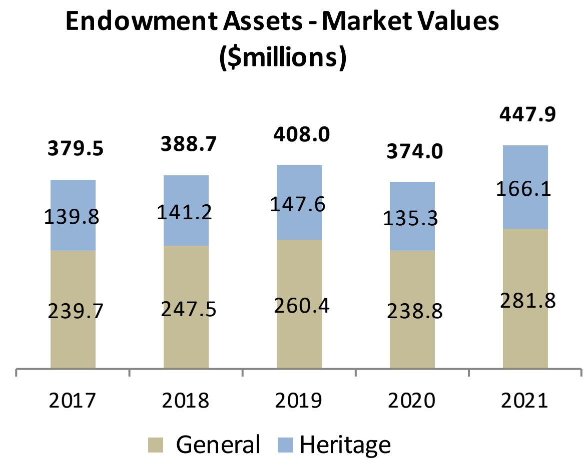


[5] When there is sufficient operating cash liquidity, funds may be temporarily advanced to finance capital expenditures. As with external debt, internal financing must be repaid, usually over a period not exceeding 10 years. Internal debt here does not include short term financing of project costs during construction.

Endowments

University endowments of $447.9 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 2021, the endowment portfolio increased by $73.9 million on an overall net basis.

Market values recovered in fiscal 2021 to reverse the large unrealized losses seen primarily in March of 2020 contributing to a net return of 18.4% for the current year, outperforming the benchmark by 0.9%.



Endowment Annual & Five-year Annualized Returns (%)						
Returns [1]	**2017**	**2018**	**2019**	**2020**	**2021**	**Five Year**
Gross	16.5	4.3	6.6	-7.6	19.8	7.5
Net [2]	15.4	3.2	5.3	-9.0	18.4	6.2
Benchmark	13.9	5.4	8.2	0.4	17.5	8.9
Note: Net return includes all investment management fees and internal University costs in the GEF.						

The five-year annualized net return was 6.2%. On a relative basis the portfolio underperformed its benchmark, with a value-based bias, the portfolio's investment managers underperformed their equity benchmarks in three of the last five years.

Additions to endowment capital totaled $9.5 million in 2021 ($13.6 million in 2020).

Total spending[6] from endowments decreased by $5.2 million to $7.1 million in 2021 driven by a decrease in the Heritage Fund spending distribution by $4.7 million as compared to 2020.

Annual Spending from Endowments				
$millions	**2018**	**2019**	**2020**	**2021**
General	5.9	6.7	7.0	6.5
Heritage Fund	8.4	6.8	5.3	0.6
Total	**14.3**	**13.5**	**12.3**	**7.1**

The Heritage Fund disbursement formula is based on an average of recent total annual returns and is more susceptible to single year market volatility whereas the General Endowment Fund 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; cash contributions, expenses, net assets, and "obligations" or liabilities. Calculations for each of these use methods as prescribed under accounting policy.

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

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

In fiscal 2021, pension contribution requirements were based on funding valuations filed as of October 1, 2019 and October 1, 2020 for May to September 2020 and October 2020 to April 2021, respectively. The University continued to use letters of credit to cover solvency special payments as allowed by pension funding regulations.

EFB Contributions				
$ millions	**2021**	**2020**	**Change**	
Cash Contributions				
Pension Plans	38.5	24.5	14.0	*56.7%*
Non-Pension	6.0	5.8	0.2	*3.6%*
Total Contributions	**44.5**	**30.3**	**14.2**	***46.9%***

EFB Expenses (in the Statement of Operations)				
$ millions	**2021**	**2020**	**Change**	
Expenses				
Pension Plans	42.3	26.6	15.7	*59.0%*
Non-Pension Plans	27.8	23.5	4.3	*18.3%*
Total Expenses	**70.1**	**50.1**	**20.0**	***39.9%***

EFB Expenses: Combined EFB expenses increased by 40% or $20.0 million (to $70.1 million) consisting of increases in both pension and non-pension expenses largely due to $19.0 million in non-cash actuarially determined finance costs based on the net liabilities of each benefit program at the beginning of the year.

Net Assets: Under accounting policy requirements, the financial impact of changes in actuarial assumptions and actual experience gains/losses on defined benefit plans are recorded directly to Net Assets on the Consolidated Statement of Financial Position.

The sum of these adjustments resulted in a $220.3 million increase in net assets in 2021 compared to a decrease of $292.8 million in 2020. EFB re-measurements include a $160.5 million increase in pension assets resulting from a return of 16.6% (-3.0% in 2020) being greater than the discount rate and an actuarial gain of $163.3 million (loss of $131.1 million in 2020) resulting from liability assumption changes. As demonstrated in recent years, these types of re-measurement adjustments can be volatile, which is primarily why they are recorded directly in net assets instead of being reported in the Consolidated Statement of Operations.

EFB Direct Changes to Net Assets			
$ millions	**2021**	**2020**	**Change**
Re-measurements – (Gains) or Losses			
Pension Plans			
Return on plan assets	(160.5)	139.2	(299.7)
Actuarial loss (gain)	(163.3)	131.1	(294.4)
Valuation allowance	116.6	(0.8)	117.4
Non-Pension	(13.1)	23.3	(36.4)
Total Re-measurements	**(220.3)**	**292.8**	**(513.1)**

The University's "Unrestricted Deficit" consists mainly of unfunded accounting charges[7] for Employee Future Benefits. In 2021, this deficit decreased by $194.7 million mainly because of re-measurements noted above. The table to the right summarizes the effects of EFB charges on the University deficit, where Net Expense includes accrued charges for the year offset by cash contributions.

Overall EFB Impact on the Unrestricted Deficit			
$ millions	**2021**	**2020**	**Change**
Opening Deficit	**(560.5)**	**(247.9)**	**(312.6)**
Re-measurements	220.3	(292.8)	513.1
Net Expense	(29.4)	(17.9)	(11.5)
Transfer (to)from Reserves	3.8	(1.9)	5.7
Closing Deficit	**(365.8)**	**(560.5)**	**(194.7)**

EFB Liabilities: The Consolidated 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 2021 the total net EFB liability is $307.1 million, down from $501.8 million in 2020. See table on the following page for further details.

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

EFB Asset (Liability)				
$ millions	**2021**	**2020**	**Change**	
Pension Plans				
Invested Assets	1,771.6	1,536.5	235.1	*15.3%*
Less: Obligations	1,647.4	1,732.5	(85.1)	*-4.9%*
Less: Val Allow	116.6	-	116.6	
Pension Plans	**7.6**	**(196.0)**	**203.6**	
Non-Pension Plans	**(314.7)**	**(305.8)**	**(8.9)**	***-2.9%***
EFB Net Obligations	**(307.1)**	**(501.8)**	**194.7**	***62.1%***

The assets and liabilities of the University's registered pension plans will be transferred as at July 1st, 2021 (the "Effective Date") to the new jointly sponsored multi-employer pension plan, the University Pension Plan Ontario ("UPP"). The UPP was established on January 1, 2020 to cover the employees, retirees and other members under the currently existing plans at the University, the University of Toronto and Queen's University. As of the Effective Date, the accrual of benefits and contributions under the University's existing registered pension plans will cease.

Under the UPP, the University is required to fund the University's registered pension plans deficit determined at July 1st, 2021 based on the UPP's actuarial assumptions over a period of 15 years. This deficit may fluctuate in the future based on experience gains/losses and changes to the UPP's actuarial assumptions. Any such changes requiring additional funding would continue to be the responsibility of the University for the first 10 years, after which the responsibility for such changes transitions to the UPP over the next 10 years.

As at April 30, 2021, a valuation allowance adjustment of $116.6 million was recorded under EFB Re-measurements to limit the accrued pension asset reflected in the Consolidated Statement of Financial Position due to the uncertainty around the ability of the University to fully realize a pension asset in the future under the UPP.

The Operating Fund

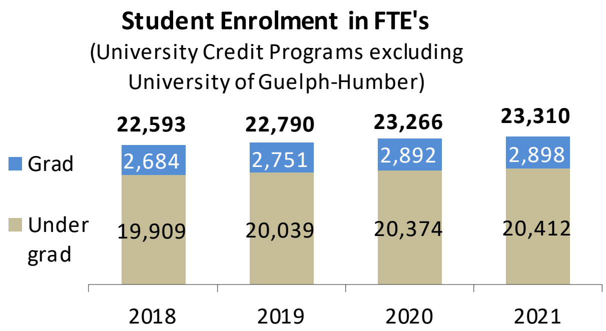
The Operating Fund, with over 60% of total University revenue, is the main source of funding for all teaching programs and infrastructure support for all University research and services. The principal funding sources for this fund are provincial operating grants and student fees, both of which are based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

Operating Fund Revenues

Operating Fund revenue decreased by 1.4% or $6.9 million in total.

A 9.0% or $4.3 million decrease in sales of goods & services and a 10.5% or $1.3 million decrease in other revenue resulted from pandemic driven campus closures largely impacting Athletics division sales and rentals.

Operating Fund Revenue				
$ millions	**2021**	**2020**	**Change**	
Provincial MTCU	203.5	205.0	(1.5)	*-0.7%*
Provincial OMAFRA	5.3	5.3	0.0	*0.0%*
Student Tuition/Fees	240.2	240.0	0.2	*0.1%*
Sales & Other Contracts	43.3	47.6	(4.3)	*-9.0%*
Other	11.5	12.8	(1.3)	*-10.5%*
Total	**503.8**	**510.7**	**(6.9)**	***-1.4%***



In 2021 university-degree enrolments increased marginally over 2020 levels by 0.2% at the undergraduate level and remained the same at the graduate level. International[8] students have been a focus for growth in recent years and despite the effects of pandemic travel restrictions enrolment levels were similar to fiscal 2020.

Operating Fund Expenses

Overall, Operating Fund net expenses increased by $19.9 million or 3.8% compared to 2020, with the largest increase being $24.4 million or 29.4% in benefits due primarily to $19 million in non-cash actuarially determined accounting charge for EFB finance costs. Additionally, student assistance increased by $6.4 million or 19.0% due to enhanced scholarships and bursaries provided to help students during the pandemic.

Operating Fund Expenses				
$ millions	**2021**	**2020**	**Change**	
Salaries	313.8	310.0	3.8	*1.2%*
Benefits	107.3	82.9	24.4	*29.4%*
Student Assistance	40.1	33.7	6.4	*19.0%*
Supplies & Services	39.4	44.2	(4.8)	*-10.9%*
Utilities	14.0	15.6	(1.6)	*-10.3%*
Other Expenses	35.8	41.0	(5.2)	*-12.7%*
Interfund Transfers	(3.7)	(0.6)	(3.1)	*516.7%*
Total	**546.7**	**526.8**	**19.9**	***3.8%***

Salaries increased 1.2% due to negotiated increases in rates of compensation, but supplies, services and other expense items decreased by more than 10% as departments across campus implemented cost containment measures to reduce discretionary spending.

Utilities expense decreased 10.3% or $1.6 million because of significantly reduced campus consumption driven by campus facility closures throughout the year.

Net Interfund transfers[9] impacting the Operating Fund provided recoveries totaling $3.7 million which was $3.1 million more than in fiscal 2020 mostly due to decreased transfers from the Operating Fund to the Capital Fund for various capital equipment and renovation projects.

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.

[8] International student enrolments are about 7% of total enrolments at the University.

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

The 2021 Operating Fund annual deficiency of revenue over expenses impacting Internally Restricted Net Assets was $13.5 million, compared to $1.8 million excess revenue over expenses in 2020. This calculation is consistent with the approach used when developing the operating budget, making these two figures comparable. A $25.6 million increase in the accounting charge for post-employment[10] further decreased the University's unrestricted deficit, with an additional $3.8 million expense 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	2021 Annual Results	Transfers (From)To Reserves	EFB Re-measure	Closing Balances
Internally Restricted					
Divisional Reserves	100.5	(5.2)			95.3
Central Reserves	74.5	(8.3)			66.2
Employee Benefit Reserves	29.6		(3.8)		25.8
Self-insurance & GH	1.9				1.9
Total Internally Restricted	**206.5**	**(13.5)**	**(3.8)**		**189.2**
Unrestricted					
Post-Employment	(560.5)	(29.4)	3.8	220.3	(365.8)
Total Unrestricted	**(560.5)**	**(29.4)**	**3.8**	**220.3**	**(365.8)**
Total Operating Net Assets	**(354.0)**	**(42.9)**	**0.0**	**220.3**	**(176.6)**

[10] 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

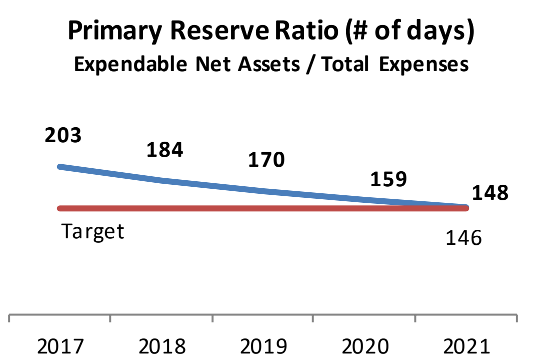
Financial Health Indicators

The following metrics use information from the audited statements 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

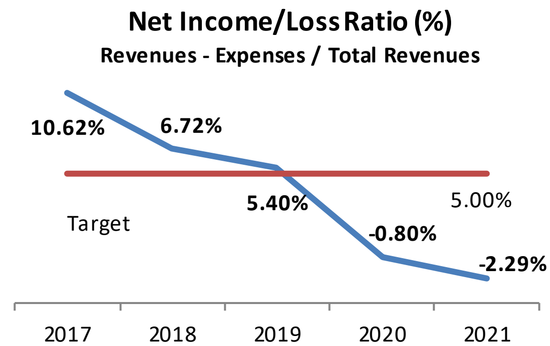
1. PRIMARY RESERVE RATIO: Summarizes financial health and flexibility by indicating how long the University could function only using its expendable reserves without relying on additional net assets generated by operations. Expendable net assets consist of internally restricted endowments and net assets 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	2021	5 Year Change	
Expendable Net Assets	334,851	(72,443)	-22%
Total Expenses	**828,319**	**96,895**	**14%**



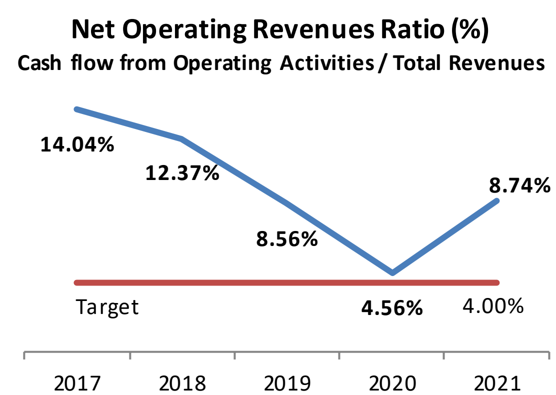
2. NET INCOME/LOSS RATIO: Measures whether the University is growing its resources over time. It compares the current year’s excess of revenues over expenses over total revenues. On a combined basis, a growth rate of 5% is expected over time.

$000’s	2021	5 Year Change	
Revenues – Expenses	(18,550)	(105,440)	-177%
Total Revenues	809,769	(8,545)	-1%



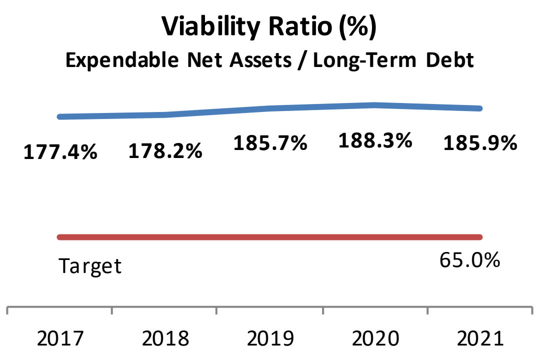
3. NET OPERATING REVENUES RATIO: Compares cash provided by operating activities over total revenues. Again, a long-term review of this ratio should be considered, as it can be volatile year over year. A 4% long term benchmark is the expected target.

$000’s	2021	5 Year Change	
Cash Flow from Operating Activities	70,759	(44,132)	-41%
Total Revenues	809,769	(8,545)	-1%



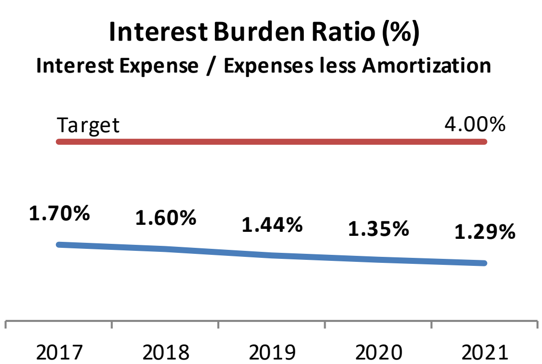
4. VIABILITY RATIO: Gauges the extent to which the University has available resources to cover its debt; essentially a "wind-up" ratio for external obligations. It calculates expendable net assets over external long-term debt. The ratio assists in assessing current debt capacity and the ability to issue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

$000's	2021	5 Year Change	
Expendable Net Assets	334,851	(72,443)	-22%
Long-Term Debt	180,142	(49,418)	-25%



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	2021	5 Year Change	
Interest Expense	9,997	(1,710)	-15%
Expenses – Amortization	776,120	88,163	14%



Debt Specific Metrics

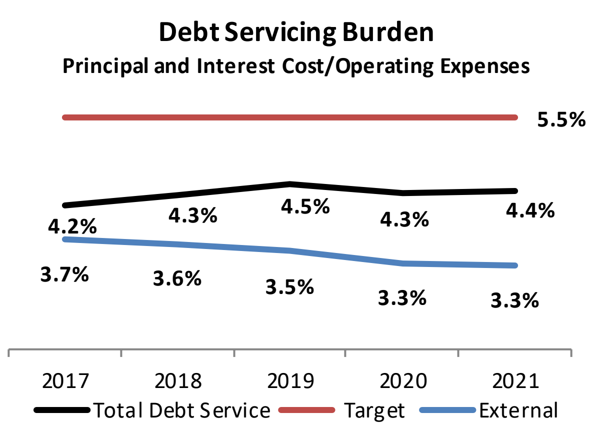
The University has established a group of specific metrics in addition to the viability and interest burden ratios to help manage debt. These are included in the Capital Debt Policy. They include:

- 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.

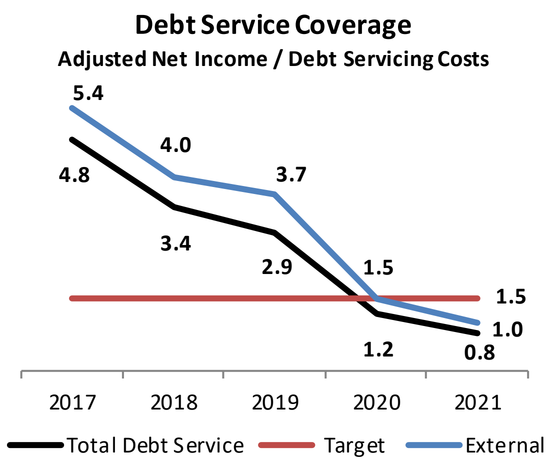
6.1 DEBT SERVICING BURDEN: This ratio measures the extent to which total debt servicing (incl. sinking fund payments) is a portion of total operating expenses excluding capital asset amortization. The objective is to stay below the target.

$000's	2021	5 Year Change	
Total Debt Servicing Costs	30,212	4,872	19%
External Debt Costs only	22,392	159	1%
Operating Expenses	685,776	78,428	13%



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 service requirements. The objective is to stay above the target.

$000's	2021	5 Year Change	
Adjusted Net Income	23,522	(97,727)	-81%
Debt Servicing Costs	30,212	4,872	19%
Adjusted Net Income–External	22,278	(98,642)	-82%
External Debt Service	22,392	159	1%



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

$000's	2021	5 Year Change	
External Debt	192,921	(48,030)	-23%
Total Debt	268,207	3,110	1%
Total Student FTE's	23,311	921	4%

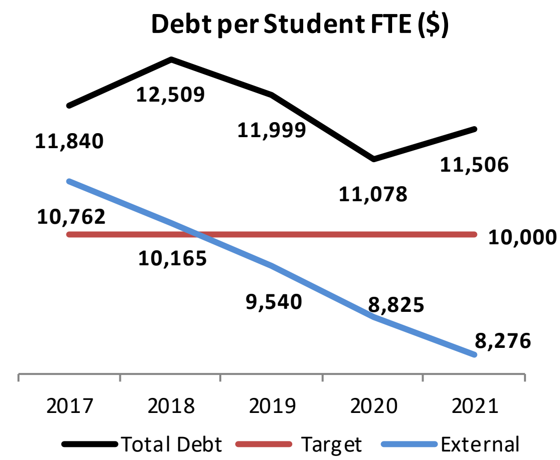


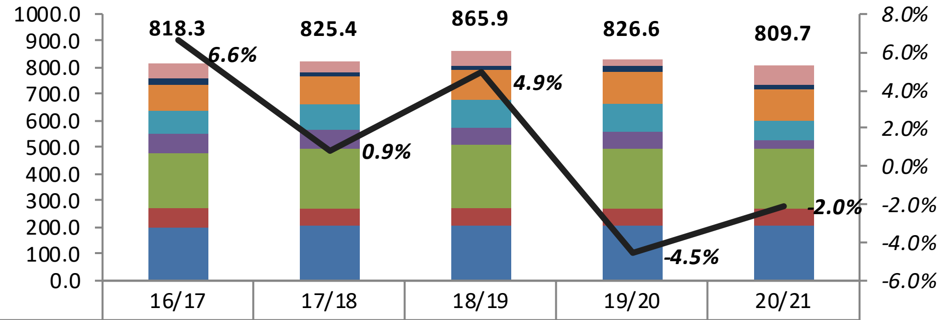
Table of Comparative Results[11]

	2017	2018	2019	2020	2021
Enrolment FTEs (excluding Guelph-Humber)	22,390	22,593	22,790	23,272	23,311
Faculty and Staff (Budgeted Positions)	2,928	3,032	3,122	3,175	3,205
Full-time Faculty (as of October 1st)	762	789	823	830	839
Revenues and Expenses					
Total Revenues ($M)	$818.3	$825.4	$865.9	$826.6	$809.8
Total Expenditures ($M)	$731.4	$769.9	$819.2	$833.2	$828.3
Unrealized Gain (Loss) on Interest Rate Swaps	$2.9	$6.6	$(0.3)	$(1.3)	$2.6
Annual Surplus/(Deficit) ($M)	$89.8	$62.1	$46.5	$(7.9)	$(15.9)
Revenue year-over-year change	7%	1%	5%	-5%	-6%
MCU Operating Grants per FTE ($)	$8,773	$8,822	$8,754	$8,632	$8,552
Revenue Mix (% of Total Revenues)					
Provincial Operating Grants - MTCU	25%	25%	24%	25%	25%
Tuition	26%	27%	27%	27%	28%
Endowment and Donations	3%	3%	3%	3%	3%
Expenditure year-over-year change	3.3%	5.3%	6.4%	1.7%	1.1%
Expense Mix (% of Total Expenses)					
Salaries	49%	49%	50%	51%	50%
Benefits (including EFB accounting policies)	12%	13%	13%	12%	15%
Components of Net Assets					
Invested in Capital Assets ($M)	$516.6	$587.9	$623.5	$653.3	$690.6
Endowed ($M)	$352.4	$360.8	$382.7	$351.7	$418.0
Internally Restricted ($M)	$320.8	$288.6	$276.9	$272.9	$222.9
Unrestricted (Deficit) ($M)	$(305.9)	$(311.2)	$(240.6)	$(557.1)	$(368.3)
Total Net Assets ($M)	$883.9	$926.1	$1,042.5	$720.8	$963.2
Capital and Capital Debt					
Total External Debt ($M)	$241.0	$229.7	$217.4	$205.3	$192.9
Total Debt per FTE ($)	$10,764	$10,167	$9,539	$8,839	$8,275
%Debt Service to Revenue	2.8%	2.9%	2.8%	2.8%	2.9%
%Debt to Revenue	29.5%	27.8%	25.1%	24.8%	23.8%
Capital Acquisitions ($M)	$80.6	$135.2	$89.1	$75.4	$71.3
Provincial Capital Grants ($M)	$0.5	$0.4	$0.4	$0.3	$3.2
Endowments					
Externally Restricted ($M)	$225.5	$230.6	$242.4	$219.5	$244.8
Internally Restricted ($M)	$154.0	$158.1	$165.6	$154.5	$173.2
Total Endowment Assets – Market Values ($M)	$379.5	$388.7	$408.0	$374.0	$418.1
Total Endowment per FTE ($)	$16,950	$17,204	$17,903	$16,103	$17,932
Employee Future Benefits (EFB)					
Pension Plans – Asset / (Obligation) ($M)	$26.4	$26.9	$76.2	$(196.0)	$7.6
Other Benefit Plans – Obligation ($M)	$(269.8)	$(286.3)	$(264.6)	$(305.8)	$(314.7)
Latest Valuation Date – Registered Plans	Aug-16	Aug-16	Aug-16	Oct-19	Oct-20
Latest Valuation Date – Other Plans	Jan-16	Jan-16	Jan-19	Jan-19	Jan-19

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

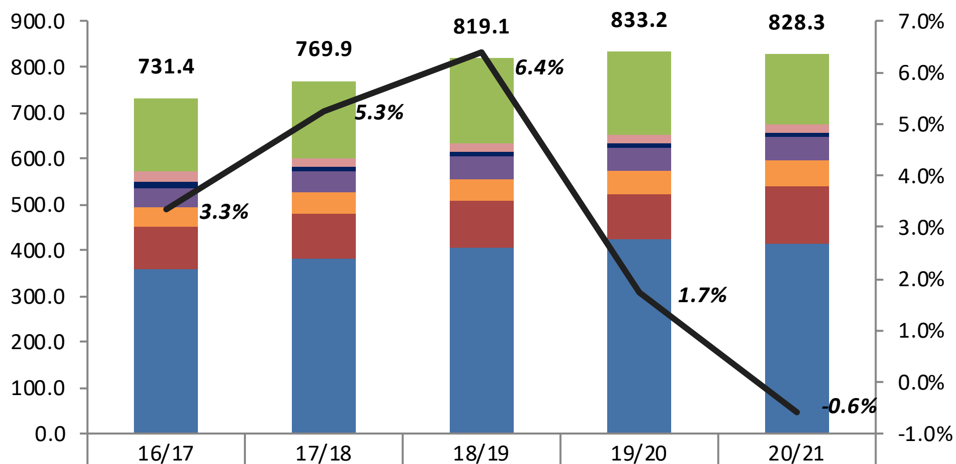
Total Revenues and Total Expenses - Five Year Trends

University Revenues
All Fund/Sources
(in $millions)



	16/17	17/18	18/19	19/20	20/21
All Other Revenues	60.5	40.5	55.6	23.9	71.6
Amort. of Deferred Capital	21.1	20.8	20.9	21.0	21.4
Other Grants and Contracts	96.0	101.2	111.7	121.3	118.6
Sales of Goods and Services	93.0	98.5	101.6	98.2	74.9
Student Fees & Contracts	65.4	67.0	69.0	66.3	24.6
Tuition	214.5	222.7	233.3	220.9	224.9
OMAFRA Agreement	66.4	70.4	69.4	69.7	67.0
Provincial MTCU	201.4	204.3	204.4	205.3	206.7
Total	818.3	825.4	865.9	826.6	809.7
Annual Change	6.6%	0.9%	4.9%	-4.5%	-2.0%

University Expenses
All Funds/



	16/17	17/18	18/19	19/20	20/21
Other Operating	159.9	168.3	185.1	181.2	152.5
Utilities	23.4	18.8	18.0	19.6	17.8
Interest	11.7	11.6	11.1	10.5	10.0
Capital Asset Amortization	43.5	45.8	48.8	50.7	52.2
Scholarships and Bursaries	41.8	46.0	47.1	48.7	55.7
Benefits	91.0	98.4	103.0	100.8	126.4
Salaries	360.1	381.0	406.0	421.7	413.7
Total	731.4	769.9	819.1	833.2	828.3
Annual Change	3.3%	5.3%	6.4%	1.7%	-0.6%

OMAFRA Contract

Fiscal 2021 was the third 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)	2021	2020	Change
REVENUE			
OMAFRA	67.0	69.4	-3%
Sales of Goods & Services	21.3	20.8	2%
Other Revenue	1.1	1.3	-15%
Total Revenue	**89.4**	**91.5**	**-2%**
EXPENSES			
Salaries	34.1	33.8	1%
Benefits	8.8	8.6	2%
Support for Faculty Costs	13.0	13.0	0%
Travel	0.3	0.8	-63%
Operating	37.7	40.6	-7%
Internal Recoveries	-4.5	-5.3	-15%
Total Expenses	**89.4**	**91.5**	**-2%**
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.

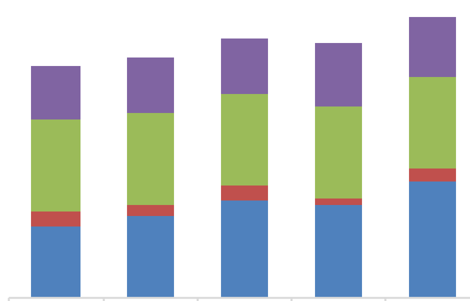
The OMAFRA agreement is a major component of University research providing funding for approximately 35% of total University research and supporting approximately 20% of University employees, both faculty and staff. In addition to direct provincial funding, the province designates provincially owned 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 2021, $172.0 million was received and allocated to departments ($156.1 million in 2020). The increase is due to $6.4 million in emergency funding from the Federal government to provide assistance with research continuity amidst the COVID-19 pandemic as well as other grants from both the federal and provincial governments.

Research Funding Allocated by Major Source



	2017	2018	2019	2020	2021
Other	32.9	33.9	33.4	39.4	36.4
OMAFRA Contract	55.6	56.8	56.2	56.0	57.1
Other Ontario	9.9	5.8	8.7	4.3	7.6
Federal	43.6	50.6	59.8	56.4	70.9
Total	142.0	147.1	158.1	156.1	172.0

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)	2021	2020	Change $	Change %
REVENUE				
MCU	17.2	17.2	0.0	0.0%
Tuition	16.9	16.0	0.9	5.6%
Student Fees	0.2	0.2	0.0	0.0%
Total Revenue	**34.3**	**33.4**	**0.9**	**2.7%**
EXPENSES				
Salaries	4.7	4.8	-0.1	-2.1%
Benefits	1.2	1.1	0.1	9.1%
Amortization	0.4	0.2	0.2	100.0%
Scholarships & Bursaries	3.4	3.0	0.4	13.3%
Supplies & Services	10.5	10.3	0.2	1.9%
Other Operating	3.8	5.1	-1.3	-25.5%
Total Expenses	**24.0**	**24.5**	**-0.5**	**-2.0%**
REVENUE LESS EXPENSES	**10.3**	**8.9**	**1.4**	**15.7%**
Guelph-Humber Undergraduate Enrolment (FTE's)	***4,957***	***4,664***	***293***	***6.3%***

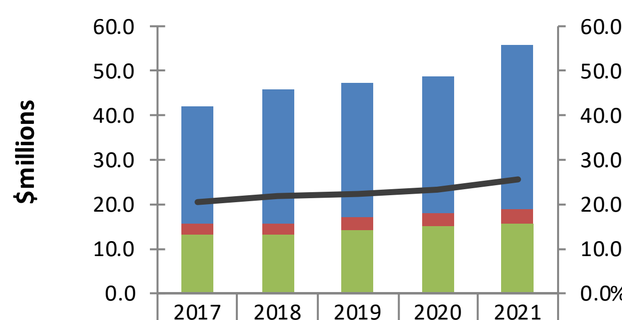
Student Aid

The University of Guelph, including 50% of the University of Guelph-Humber, spent $55.7 million on Scholarships and Bursaries in fiscal 2021 reflecting an increase of 14.4% 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 25.6% (23.1% in 2020) of total credit tuition revenues. Of the $55.7 million, 66% was funded from the Operating Fund, 6% was from Guelph-Humber, and 28% was funded from trust funds including endowments.

Student Aid: Scholarships & Bursaries

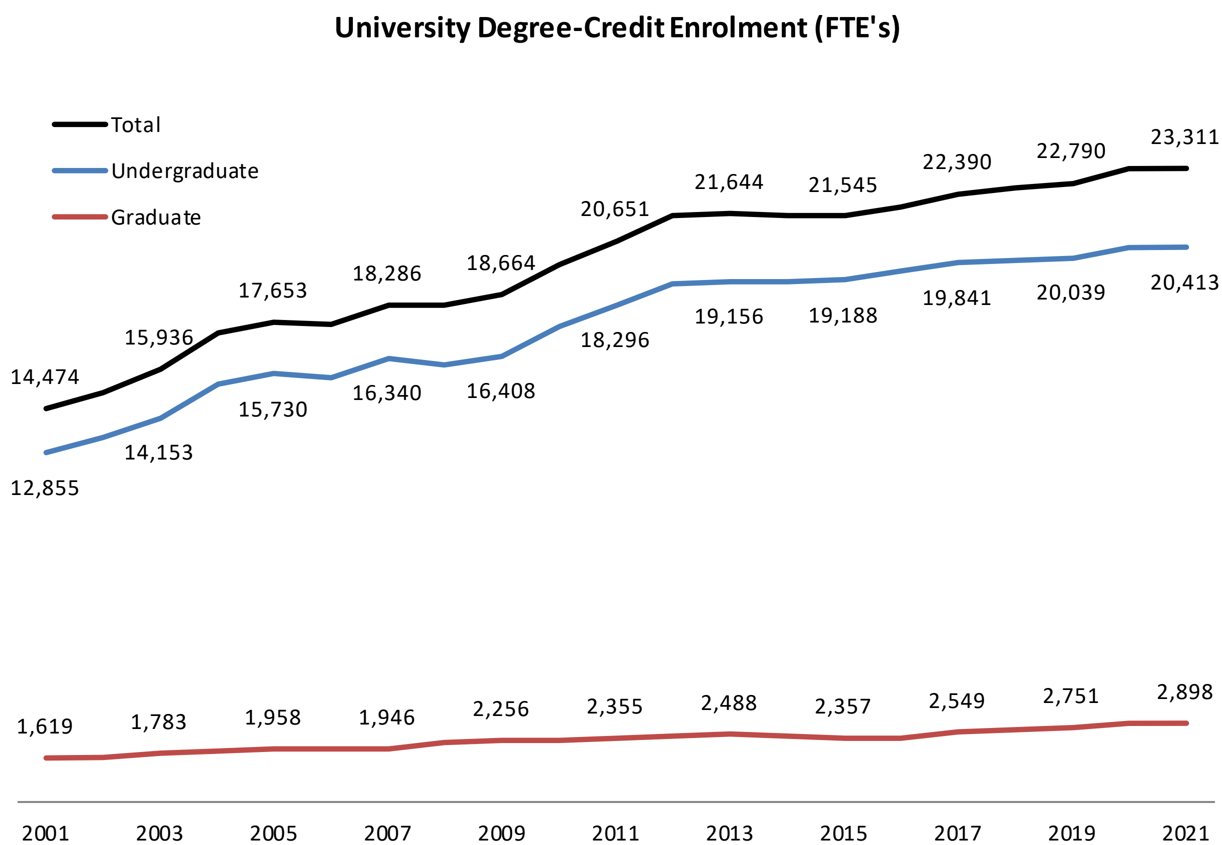
as a Percentage of Tuition Revenue (Credit)



	2017	2018	2019	2020	2021
Operating	26.0	30.2	29.9	30.7	36.7
Guelph-Humber	2.4	2.4	2.9	3.0	3.4
Trust and Endowments	13.4	13.4	14.3	15.0	15.6
Total Student Aid	41.8	46.0	47.1	48.7	55.7
% of Revenue	20.5%	21.6%	22.1%	23.1%	25.6%

Enrolment (excluding University of Guelph-Humber)

In 2021 University enrolment as measured in full-time equivalents ("FTE's") increased marginally compared to 2020. Graduate enrolment was flat compared to 2020. Undergraduate enrolment was consistent with prior year, increasing by 38 FTE's, or 0.2%. The chart below shows 20 years of enrolment figures, reflecting the management of enrolment growth in recent years compared to the major growth seen in the previous decade.



Statement of Operations – By Fund for Fiscal 2021 (May 1, 2020 to April 30, 2021)

(in thousands of dollars)	Operating Fund	Capital Fund	Ancillary Enterprises	Research Fund	Trust Fund	Endowment Fund	Total 2021	Total 2020
REVENUE								
Provincial Grants – MTCU	203,469	3,239	-	-	-	-	206,708	205,336
Provincial Contract – OMAFRA Agreement	5,289	-	-	49,146	12,580	-	67,015	69,417
Other Grants and Contracts	6,172	-	-	90,449	21,780	178	118,579	121,567
Tuition (Credit and Non-credit)	224,956	-	-	-	-	-	224,956	220,935
Student Fees and Contracts	15,333	-	8,452	-	816	-	24,601	66,320
Sales of Goods and Services	37,147	-	16,436	4,780	16,510	-	74,873	98,190
Investment Income	4,262	4,045	-	-	17,962	23,010	49,279	(1,763)
Amortization of Deferred Capital Contributions	-	21,328	40	-	-	-	21,368	20,995
Donations	57	-	-	5,102	8,996	9	14,164	14,857
Other	7,103	46	-	1,061	16	-	8,226	10,736
	503,788	28,658	24,928	150,538	78,660	23,197	809,769	826,590
EXPENSES								
Salaries	313,835	-	11,190	71,779	16,897	-	413,701	421,739
Employee Future Benefits (EFB)	70,063	-	-	-	-	-	70,063	50,072
Other Employee Benefits	37,282	-	2,910	10,132	6,117	-	56,441	50,835
Capital Asset Amortization	-	44,541	7,658	-	-	-	52,199	50,666
Scholarships and Bursaries	40,059	-	3	6,181	9,418	-	55,661	48,687
Supplies	13,366	-	799	13,570	5,719	-	33,454	36,980
Professional and Externally Contracted Services	26,033	8	830	9,637	1,300	-	37,808	40,391
Utilities	13,992	-	943	2,846	2	-	17,783	19,589
Equipment, Repairs and Maintenance	18,294	19,137	1,921	4,349	3,485	-	47,186	44,261
Travel	1,782	-	25	681	23	-	2,511	14,759
Interest	-	8,314	1,683	-	-	-	9,997	10,543
Other Operating	15,675	-	5,715	10,220	(95)	-	31,515	44,690
Decrease in Unrealized Loss on Interest Rate Swaps	-	(1,238)	(1,454)	-	-	-	(2,692)	1,251
Interfund Transactions	(3,669)	(53,173)	17,763	16,381	27,835	(5,137)	-	-
	546,712	17,589	49,986	145,776	70,701	(5,137)	825,627	834,463
Excess of Revenues over Expenses	**(42,924)**	**11,069**	**(25,058)**	**4,762**	**7,959**	**28,334**	**(15,858)**	**(7,873)**
Endowment Income & Contributions	-	-	-	-	-	38,067	38,067	(20,979)
EFB Remeasurements and Other Items	220,282	-	-	-	-	-	220,282	(292,857)
Transfers (To) From Invested in Capital and Endowed Net	-	(32,815)	(4,478)	-	-	(66,401)	(103,694)	1,242
Transfers (To) From Internally Restricted Net Assets	17,378	22,984	22,365	(4,762)	(7,959)	-	50,006	3,957
Net Increase (Decrease) in Unrestricted Net Assets	194,736	1,238	(7,171)	-	-	-	188,803	(316,510)
Unrestricted Net Assets, Beginning of Year	(560,488)	(3,205)	6,525	-	-	-	(557,168)	(240,658)
Unrestricted Net Assets, End of Year	(365,752)	(1,967)	(646)	-	-	-	(368,365)	(557,168)

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, 2021, 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, 2021 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 University 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 20, 2021

Statement 1

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

(in thousands of dollars)

	2021	2020
ASSETS		
Current		
Cash and Cash Equivalents (Note 3)	110,254	59,907
Short-term Investments at Fair Value (Note 4)	78,398	156,281
Accounts Receivable	40,616	44,742
Inventories and Prepaid Expenses	13,288	11,607
	242,556	272,537
Long-term Investments at Fair Value (Note 4)	658,939	568,172
Defined Benefit Asset (Note 10)	10,921	11,674
Capital Assets (Note 5)	1,297,026	1,277,897
	2,209,442	**2,130,280**
LIABILITIES		
Current		
Accounts Payable and Accrued Liabilities (Note 6)	59,257	48,072
Unrealized Loss on Interest Rate Swaps (Note 7)	4,690	7,382
Current Portion of Long-term Debt (Note 7)	12,779	12,607
Current Portion of Deferred Revenue	12,670	13,001
Deferred Contributions (Note 8)	236,378	193,967
	325,774	275,029
Long-term Debt (Note 7)	180,142	192,709
Deferred Revenue	8,810	9,061
Deferred Capital Contributions (Note 9)	413,469	419,238
Defined Benefit Liability (Note 10)	317,984	513,471
	1,246,179	**1,409,508**
NET ASSETS		
Invested in Capital Assets (Note 11)	690,636	653,343
Internally Restricted (Note 12)	222,919	272,925
Unrestricted Deficit	(368,365)	(557,168)
Endowed (Note 13)	418,073	351,672
	963,263	**720,772**
	2,209,442	**2,130,280**

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

(See accompanying notes)

On behalf of the Board of Governors:

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

Statement 2

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

(in thousands of dollars)

	2021	2020
REVENUE		
Ministry of Colleges and Universities	206,708	205,336
Ministry of Agriculture, Food and Rural Affairs Agreement	67,015	69,417
Other Grants and Contracts	118,579	121,567
Tuition	224,956	220,935
Student Fees and Contracts	24,601	66,320
Sales of Goods and Services	74,873	98,190
Investment Income (Note 4)	49,279	(1,763)
Amortization of Deferred Capital Contributions (Note 9)	21,368	20,995
Donations (Note 14)	14,164	14,857
Other	8,226	10,736
	809,769	826,590
EXPENSES		
Salaries	413,701	421,739
Employee Future Benefits (Note 10)	70,063	50,072
Other Employee Benefits	56,441	50,835
Capital Asset Amortization	52,199	50,666
Scholarships and Bursaries	55,661	48,687
Supplies	33,454	36,980
Professional and Externally Contracted Services	37,808	40,391
Utilities	17,783	19,589
Equipment, Repairs and Maintenance	47,186	44,261
Travel	2,511	14,759
Interest (Note 7)	9,997	10,543
Other Operating	31,515	44,690
	828,319	833,212
Increase (Decrease) in Unrealized Loss on Interest Rate Swaps (Note 7)	2,692	(1,251)
Deficiency of Revenues over Expenses	(15,858)	(7,873)

(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
			2021		
Net Assets, Beginning of Year	653,343	272,925	(557,168)	351,672	720,772
Excess (Deficiency) of Revenues over Expenses	(30,831)	-	14,973	-	(15,858)
Net Change in Net Assets Invested in Capital Assets (Note 11)	68,124	-	(68,124)	-	-
Net Change in Internally Restricted Net Assets (Note 12)	-	(50,006)	50,006	-	-
Employee Future Benefits Remeasurements and Other Items (Note 10)	-	-	220,282	-	220,282
Endowment Contributions (Note 13)	-	-	-	4,144	4,144
Increase in Accumulated Investment Income on					
Externally Restricted Endowments (Note 13)	-	-	-	33,923	33,923
Internally Restricted Endowments (Note 13)	-	-	(23,010)	23,010	-
Other Transfers to Endowments (Note 13)	-	-	(5,324)	5,324	-
Net Assets, End of Year	690,636	222,919	(368,365)	418,073	963,263
			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

(See accompanying notes)

Statement 4

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

(in thousands of dollars)

	2021	2020
OPERATING ACTIVITIES		
Deficiency of Revenues over Expenses	(15,858)	(7,873)
Add (Deduct) Non-cash Items:		
Capital Asset Amortization	52,199	50,666
Amortization of Deferred Capital Contributions	(21,368)	(20,995)
Decrease (Increase) in Unrealized Investment Income	(22,529)	20,755
(Decrease) Increase in Unrealized Loss on Interest Rate Swaps	(2,692)	1,251
Employee Future Benefits Expense	70,063	50,072
Employee Future Benefits Contributions	(44,515)	(30,318)
Net Change in Other Non-cash Items (Note 16)	55,459	(25,873)
	70,759	37,685
FINANCING ACTIVITIES		
Repayment of Long-term Debt	(12,395)	(12,110)
Capital Contributions Received	15,487	27,581
Endowment Contributions	4,144	8,487
	7,236	23,958
INVESTING ACTIVITIES		
Net Sale of Investments	43,568	26,685
Purchase of Capital Assets	(71,216)	(74,960)
	(27,648)	(48,275)
Increase in Cash and Cash Equivalents	50,347	13,368
Cash and Cash Equivalents, Beginning of Year	59,907	46,539
Cash and Cash Equivalents, End of Year	110,254	59,907

(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. Restricted Cash Equivalents are cash and cash equivalents held for investing or other purposes and 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.

(c) Derivative Financial Instruments

The University uses currency forward contracts to manage the impacts of foreign currency changes for investments denominated in foreign currencies and interest rate swaps to mitigate the effect of changes in interest rates on variable-rate debt. The University does not enter into derivative financial instruments for trading or speculative purposes.

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

Prior to fiscal 2017 all interest rate 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 a joint venture, an unincorporated registered charity. However, TRIUMF plans to transfer all of its assets and liabilities to TRIUMF Inc., a not-for-profit corporation on June 1, 2021. From that day onward, the University will become a member of the corporation with the 13 other universities. 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 (Note 15(b)).

(e) Other Financial Instruments

Other financial instruments, including cash and cash equivalents, accounts receivable consisting primarily of trade receivables, accounts payable and accrued liabilities 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 Statement of Financial Position 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 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.

(in thousands of dollars)

Current service and finance costs are expensed during the year, while remeasurements and other items, representing the total of the difference between actual and expected return on plan assets, actuarial gains and losses, net change in valuation allowance, past service costs, and curtailment and settlement gains and losses are recognized as a direct increase or decrease in net assets.

The liability for funded and unfunded defined benefit plans is determined using a roll-forward technique to estimate the defined benefit liability using funding assumptions from the most recent actuarial valuation report prepared at least every three years.

(j) Foreign Currency Translation

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

(k) Use of Estimates

The preparation of 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.

3. CASH AND CASH EQUIVALENTS

	2021	2020
Cash	98,178	58,700
Pooled Fund Cash & Cash Equivalents	12,076	1,207
	110,254	59,907

4. INVESTMENTS

(a) Details

	2021	2020
Short-term Investments		
Restricted Cash Equivalents	10,377	12,178
Canadian Bank Guaranteed Investment Certificates	31,378	109,605
Government Bonds	36,404	34,498
Canadian Fixed Income	-	5
Foreign Currency Forward Contracts	239	(5)
	78,398	156,281

(in thousands of dollars)

	2021	2020
Long-term Investments		
Canadian Bank Guaranteed Investment Certificates	36,496	55,915
Government Bonds	15,543	51,970
Canadian Fixed Income	234,107	180,807
Foreign Fixed Income	13,906	-
Canadian Equities	130,138	69,330
U.S. Equities	69,780	73,017
Non-North American Equities	105,541	89,658
Emerging Markets Equities	26,356	20,530
Infrastructure Limited Partnership	27,072	26,945
	658,939	568,172
Total Investments	737,337	724,453

(b) Investment Income

	2021		
	Non-Endowed	Endowed	Total
Net Realized Investment Income	13,089	19,724	32,813
Net Increase in Unrealized Investment Income	1,649	51,347	52,996
	14,738	71,071	85,809
Increase in Accumulated Investment Income on Externally Restricted Endowments (Note 13)	-	(33,923)	(33,923)
Increase in Accumulated Investment Income on Internally Restricted Endowments (Note 13)	23,010	(23,010)	-
Investment Income Made Available for Spending (Note 13)	14,138	(14,138)	-
Net Investment Income Deferred	(2,607)	-	(2,607)
	49,279	-	49,279

	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)

(c) Derivative Investments

Foreign currency forward contracts used to minimize exchange rate fluctuations and the resulting volatility on future financial results are recorded at fair value as Short-Term Investments on the Consolidated Statement of Financial Position.

(in thousands of dollars)

The notional and fair values of these contracts are as follows:

	2021		2020	
	Notional Value	Fair Value	Notional Value	Fair Value
United States Dollar	13,320	240	-	-
Other	14	-	-	-
		240		-

(d) Uncalled Commitments

As at April 30, 2021, approximately 4.1% (2020 – 4.7%) 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, 2021, the University had uncalled commitments of $1,918 (2020 - $2,610).

5. CAPITAL ASSETS

	2021		
	Cost	Accumulated Amortization	Net Book Value
Land	256,559	-	256,559
Land Improvements	44,002	13,870	30,132
Buildings	1,255,938	378,398	877,540
Furniture and Equipment	219,265	146,987	72,278
Construction in Progress	52,430	-	52,430
Computer Equipment	16,726	13,001	3,725
Library Books	15,343	10,982	4,361
Art, Rare Books and Other Collections	1	-	1
	1,860,264	563,238	1,297,026

	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

6. GOVERNMENT REMITTANCES

Accounts Payable and Accrued Liabilities include $1,023 (2020 - $1,010) with respect to government remittances payable.

(in thousands of dollars)

7. LONG-TERM DEBT

(a) Details

	Interest Rate	Issue Date	Due Date	**2021**	**2020**
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	954	1,484
Toronto Dominion Bank	4.54%	10-Apr-08	10-Jan-23	400	600
Toronto Dominion Bank	3.47%	13-Mar-09	13-Dec-23	2,004	2,665
Royal Bank of Canada	4.50%	23-Mar-10	24-Mar-25	2,073	2,586
Royal Bank of Canada	4.57%	1-May-10	1-May-25	2,842	3,503
Bank of Montreal	7.52%	16-Oct-00	15-Jun-25	14,300	17,100
Royal Bank of Canada	3.84%	3-Oct-11	2-Oct-26	13,867	16,361
Royal Bank of Canada	2.96%	5-Sep-12	5-Sep-27	12,466	14,403
Canadian Imperial Bank of Commerce	3.73%	1-Oct-13	1-Oct-28	9,771	11,067
Royal Bank of Canada	2.19%	15-Sep-16	15-Sep-41	34,244	35,547
				92,921	105,316
				192,921	205,316
Current Portion				(12,779)	(12,607)
				180,142	192,709

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 $12,395 (2020 - $12,110) and incurred $9,997 (2020 - $10,543) 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:

2022	12,779
2023	12,082
2024	11,493
2025	11,258
2026	8,603
2027 and beyond	136,707
	192,921

(b) Series A Unsecured Debenture

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

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

(c) Interest Rate Swaps

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

(in thousands of dollars)

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

		2021		2020	
	Due Date	Notional Amount	Loss	Notional Amount	Loss
Toronto Dominion	20-Sep-22	951	(40)	1,483	(88)
Toronto Dominion	10-Jan-23	400	(17)	600	(36)
Toronto Dominion	13-Dec-23	2,000	(72)	2,667	(122)
Royal Bank of Canada	24-Mar-25	2,070	(132)	2,590	(208)
Royal Bank of Canada	1-May-25	2,819	(194)	3,487	(295)
Bank of Montreal	15-Jun-25	14,300	(2,036)	17,100	(3,045)
Royal Bank of Canada	2-Oct-26	13,860	(910)	16,380	(1,436)
Royal Bank of Canada	5-Sep-27	12,448	(585)	14,388	(1,011)
Canadian Imperial Bank of Commerce	1-Oct-28	9,750	(704)	11,050	(1,141)
			(4,690)		(7,382)

The decrease in unrealized loss of $2,692 (2020 – increase of $1,251) 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 gain of $1,642 (2020 – loss of $1,900) 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:

	2021	2020
Balance, Beginning of Year	193,967	208,330
Contributions Received During the Year	257,890	216,684
Contributions Recognized to Revenue During the Year	(215,479)	(231,047)
Balance, End of Year	236,378	193,967

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:

	2021	2020
Balance, Beginning of Year	419,238	412,221
Contributions Received During the Year	15,599	28,012
Amortization of Deferred Capital Contributions	(21,368)	(20,995)
Balance, End of Year	413,469	419,238

(in thousands of dollars)

10. EMPLOYEE FUTURE BENEFITS

The University has a number of funded and unfunded programs that provide defined benefit pension and other post-employment benefits to its employees.

After years of planning and discussion together with other Ontario universities, the administrations, faculty associations, unions and non-represented staff of the University, University of Toronto and Queen's University have developed a new jointly sponsored multiemployer pension plan, the University Pension Plan Ontario ("UPP"), which is open to other Ontario universities. The UPP was formally established on January 1, 2020 to cover employees, retired employees and other members under the currently existing plans at all three universities. The assets and liabilities of the University's registered pension plans ("RPPs") will be transferred to the UPP as at July 1, 2021 (the "Effective Date"), where the assets will exclude any wind up surplus as per legislative requirements. As of the Effective Date, the accrual of benefits and contributions under the UPP will commence for members of the RPPs, all of whom will have been transferred to the UPP, and benefits and contributions under the RPPs will cease. During the year, the University amended the RPPs to allow for the planned July 1, 2021 transfer of assets and liabilities into the UPP and the subsequent termination of the RPPs.

For the period prior to July 1, 2021, the University's 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%. Effective September 1, 2020, the employee contribution rates for certain employee groups were increased 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 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.

The most recent actuarial valuations filed as of April 30, 2021 were prepared as of October 1, 2020 for all of the University's registered pension plans. The most recent actuarial valuations prepared for the unfunded plans were as at October 1, 2019 for the other unfunded pension plan and January 1, 2019 for the other benefits plan. For financial statement purposes, the results of these valuations, based on UPP assumptions, were extrapolated to April 30, 2021, which is the measurement date used to determine the plans' assets and the accrued benefit obligations

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

	Pension Plans		Other Benefits Plan		Total	
	2021	**2020**	**2021**	**2020**	**2021**	**2020**
Defined Benefit Obligation	1,647,405	1,732,504	314,670	305,787	1,962,075	2,038,291
Fair Value of Plan Assets	1,771,649	1,536,494	-	-	1,771,649	1,536,494
Funded Status -Surplus(Deficit)	124,244	(196,010)	(314,670)	(305,787)	(190,426)	(501,797)
Valuation Allowance ("VA")	(116,637)	-	-	-	(116,637)	-
Net Defined Benefit Asset (Liability)	7,607	(196,010)	(314,670)	(305,787)	(307,063)	(501,797)
Statement of Financial Position						
Defined Benefit Asset	10,921	11,674	-	-	10,921	11,674
Defined Benefit Liability	(3,314)	(207,684)	(314,670)	(305,787)	(317,984)	(513,471)
Net Defined Benefit Asset (Liability)	7,607	(196,010)	(314,670)	(305,787)	(307,063)	(501,797)

(in thousands of dollars)

	Pension Plans		Other Benefits Plan		Total	
	2021	**2020**	**2021**	**2020**	**2021**	**2020**
Total Service Cost	57,656	56,997	9,392	8,479	67,048	65,476
Less: Employee Contributions	(26,910)	(26,305)	-	-	(26,910)	(26,305)
Current Service Cost	30,746	30,692	9,392	8,479	40,138	39,171
Finance Cost (Recovery)	11,524	(4,096)	18,401	14,997	29,925	10,901
Employee Future Benefits Expense	42,270	26,596	27,793	23,476	70,063	50,072
Return on Plan Assets Less (Greater) than Discount Rate	(160,514)	139,226	-	-	(160,514)	139,226
Actuarial (Gain) Loss	(163,262)	131,141	(13,143)	23,280	(176,405)	154,421
Valuation Allowance	116,637	(748)	-	-	116,637	(748)
Effect of VA on Finance Cost	-	(42)	-	-	-	(42)
Remeasurements and Other Items	(207,139)	269,577	(13,143)	23,280	(220,282)	292,857
Net Benefit Cost (Recovery)	(164,869)	296,173	14,650	46,756	(150,219)	342,929

* The full value of the plan assets are expected to be transferred to the UPP, subject to legislative requirements (i.e. the value of plan assets to be transferred is limited to the value of the wind-up liabilities at the date of transfer). As at April 30, 2021, it is estimated that the full value of assets can be transferred for two of the RPPs , and the full net asset positions are fully impaired as there are no expected future benefits resulting from any withdrawal surplus or reduction in future contributions. For one of the RPPs, the plan assets are expected to exceed the wind-up liabilities and cannot be transferred to UPP per the legislation. As such, the net asset position is limited to the remaining non-transferrable assets corresponding to the potential refund of surplus for the University. Therefore, in aggregate, a valuation allowance of $116,637 was recognized in the current fiscal year bringing the accrued pension asset to $10,921 as at April 30, 2021.

The significant actuarial assumptions adopted in measuring the University's accrued benefit obligation and benefits cost are set out below:

	Pension Plans		Other Benefits Plan	
	2021	**2020**	**2021**	**2020**
Discount Rate for Accrued Benefit Obligation	5.60%	6.00 - 6.20%	5.60%	6.00%
Rate of Increase In Future Compensation	4.00%	3.75 - 4.00%	n/a	n/a
Dental Inflation			4.50%	4.50%
Health Care Cost Trend Rate			5.00%	5.00%

Under the UPP, the University is required to fund any deficits that may arise in the future from changes to the UPP's actuarial assumptions and for experience gains/losses. Any such changes requiring additional funding would continue to be the responsibility of the University for the first 10 years, after which the responsibility for such changes becomes gradually shared over time with the other participants of the UPP. At April 30, 2021, the University's RPPs were all in surplus positions totaling $127,558. The plan assets of $10,921 is expected to remain after the UPP transfer and is reflected in the Consolidated Statement of Financial Position. The defined benefit asset recognized of $10,921 is the estimated amount of the RPPs' surplus determined using a windup valuation, that is not expected to be transferred to the UPP as required by pension legislation. This balance will be held in a separate trust, until all relevant legislative and legal requirements are determined and settled.

In addition to the plan assets, as at April 30, 2021, the University has internally restricted net assets of $25,790 (2020 - $29,613) for its pension obligations and its other benefit plans (note 12).

(in thousands of dollars)

11. INVESTED IN CAPITAL ASSETS

	2021	2020
Capital Assets (Net Book Value) (Note 5)	1,297,026	1,277,897
Less: Long-term Debt (Note 7)	(192,921)	(205,316)
Deferred Capital Contributions (Note 9)	(413,469)	(419,238)
Invested in Capital Assets	690,636	653,343

Changes in Invested in Capital Assets are as follows:

	2021	2020
Capital Asset Amortization	(52,199)	(50,666)
Amortization of Deferred Capital Contributions	21,368	20,995
	(30,831)	(29,671)
Acquisition of Capital Assets	71,328	75,391
Repayment of Long-term Debt	12,395	12,110
Cash Contributions Received During the Year	(15,487)	(27,581)
Contributions of Depreciable Assets Received During the Year	(112)	(431)
	68,124	59,489
	37,293	29,818

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, 2020	Transfer to (from) in 2021	Balance, April 30, 2021
Operating Fund Reserves			
Division Reserves	100,555	(5,213)	95,342
Central Operating Reserves	74,463	(8,342)	66,121
Guelph-Humber Internally Restricted	900	-	900
Self Insured Losses	1,000	-	1,000
Employee Benefit Reserves	29,613	(3,823)	25,790
	206,531	(17,378)	189,153
Capital Projects Reserves			
Capital Projects and Renovations	28,393	(3,132)	25,261
Internally Financed Projects	(66,021)	(47,028)	(113,049)
Funds Held for Debt Repayment	20,204	5,145	25,349
Trust	37,041	7,959	45,000
Research	45,943	4,762	50,705
Other	834	(334)	500
	272,925	(50,006)	222,919

(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 2021, the allocation made available for spending was calculated as 3.5% (2020 - 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:

	2021		
	Externally Restricted	Internally Restricted	Total
Investment Income on Endowments	41,527	29,544	71,071
Less: Available for Spending (Note 4(b))	(7,604)	(6,534)	(14,138)
Increase in Accumulated Investment Income on Endowments (Note 4(b))	33,923	23,010	56,933
Endowment Contributions (Note 14)	4,144	-	4,144
	38,067	23,010	61,077
Transfers to Endowments	349	4,975	5,324
Net Increase in Net Assets	38,416	27,985	66,401
Net Assets, Beginning of Year	206,423	145,249	351,672
Net Assets, End of Year	244,839	173,234	418,073

	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

(in thousands of dollars)

14. DONATIONS

	2021	2020
Donations Received During the Year	30,126	28,742
Less: Donations Recorded as Endowment Contributions (Note 13)	(4,144)	(8,487)
Donations Recorded as Deferred Capital Contributions	(4,733)	(5,121)
Net Increase in Deferred Contributions from Donations	(7,085)	(277)
Donations Recognized as Revenue	14,164	14,857

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 $12,566 (2020 - $11,608), 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:

	2021	2020
Financial Position:		
Total Assets	14,137	13,782
Total Liabilities	867	1,546
Total Net Assets	13,270	12,236
Results of Operations:		
Total Revenue	34,286	33,438
Total Expenses	24,014	24,588
Excess of Revenue over Expenses	10,272	8,850

(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, 2021 (Unaudited)	March 31, 2020
Financial Position:		
Total Assets	54,446	54,749
Total Liabilities	8,956	9,496
Total Net Assets	45,490	45,253
Results of Operations:		
Total Revenue	89,092	85,605
Total Expenses	88,856	85,834
Excess of Revenue over Expenses	236	(229)

(in thousands of dollars)

16. NET CHANGE IN OTHER NON-CASH ITEMS

	2021	2020
Accounts Receivable	4,126	1,972
Inventories and Prepaid Expenses	(1,681)	(1)
Accounts Payable and Accrued Liabilities	11,185	(12,323)
Deferred Revenue	(582)	(1,158)
Deferred Contributions	42,411	(14,363)
	55,459	(25,873)

17. COMMITMENTS

Costs to complete major capital projects in progress as at April 30, 2021 are estimated to be $37,953 (2020 - $50,169) 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, 2021, 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, 2020, CURIE had an accumulated surplus of $99,449 (2020 - $90,185) of which the University's pro rata share is $3,319 (2020 – $2,981).

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, 2021 the Guelph Cutten Fields borrowed $247 (2020 – $361) under this guarantee.

e) The University issued five letters of credit for its capital construction project; one of them is for independent electrical review program and the remaining guarantees 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 letters of credit related to special solvency pension payments for the University's registered pension plans. At April 30, 2021, the amount of outstanding letters of credit issued for construction purpose was $903 (2020 - $875), and for special solvency pension payments was $19,522 (2020 - $10,582). 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 extent of adverse effects on the University's financial and operational performance are uncertain and difficult to assess. The financial impacts will depend on future developments, including 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.

The University halted in-person activity and restricted its facilities to essential faculty, staff and students in March 2020 and for most of the 2021 fiscal year. As a result, the University experienced significant revenue losses, mainly in Ancillary Operations responsible for on campus services such as housing, food, and parking, as faculty, staff and students were mostly working off campus in accordance with Public Health guidelines. The University was able to partially mitigate revenue losses with expenditure reductions and program deferrals. In addition to campus activity, COVID-19 also impacted global commercial and financial activities. This led to significant volatility and declines in the global equity markets towards the end of fiscal 2020. These markets subsequently recovered their losses and continued to generate strong returns through the remainder of fiscal 2021, resulting in strong investment returns for the University. It is uncertain whether market volatility relating to COVID-19 will occur again in the near future.

The University's budgets and forecasts have taken the expected impacts of the pandemic into account and management continues to manage the University's liquidity to ensure that obligations are met as they become due. The University has access to sufficient 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 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.