

Financial information

University of Guelph

OMAFRA Agreement

Year ended April 30, 2016



Building a better
working world

Independent auditors' report

To the Ontario Ministry of Agriculture, Food and Rural Affairs

We have audited the accompanying statement of revenue and expenses for the year ended April 30, 2016 [the "Statement"] of the **University of Guelph** [the "University"] with respect to the OMAFRA program carried out in accordance with the agreement between the University and the Ontario Ministry of Agriculture, Food and Rural Affairs dated April 1, 2008 [the "Agreement"]. The Statement has been prepared by management using the basis of accounting described in note 2.

Management's responsibility for the Statement

Management is responsible for the preparation of the Statement in accordance with the basis of accounting described in note 2, and for such internal control as management determines is necessary to enable the preparation of a Statement that is free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on the Statement based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Statement. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the Statement, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of the Statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the Statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for qualified opinion

Our verification of the total expenses is limited to the amounts recorded in the records of the University, the completeness of which is not susceptible to satisfactory audit verification. We are, therefore, not able to determine whether any adjustments might be necessary to total expenses for the year ended April 30, 2016.

Qualified opinion

In our opinion, except for the possible effects of the matter described in the basis for qualified opinion paragraph, the Statement is prepared, in all material respects, in accordance with the basis of accounting described in note 2.



Basis of accounting and restriction on use

Without modifying our opinion, we draw attention to note 2 to the Statement, which describes the basis of accounting. The Statement is prepared to assist the University to comply with the financial reporting requirements of the Agreement. As a result, the Statement may not be suitable for another purpose. Our report is intended solely for the University and the Ontario Ministry of Agriculture, Food and Rural Affairs and should not be distributed to or used by parties other than the University or the Ontario Ministry of Agriculture, Food and Rural Affairs.

Kitchener, Canada
September 27, 2016

Ernst + Young LLP

Chartered Professional Accountants
Licensed Public Accountants

University of Guelph

Ontario Ministry of Agriculture, Food and Rural Affairs Agreement

Statement of revenue and expenses

(in thousands of dollars)

For the year ended April 30, 2016

	OMAFRA Programs					Total OMAFRA 2016	Total OMAFRA 2015
	Research	Vet Clinical Education	Agri-food Laboratory	Animal Health Laboratory	Minor Capital Repairs		
	\$	\$	\$	\$	\$	\$	\$
Revenue							
Provincial	46,167	5,294	6,810	6,987	5,037	70,295	69,601
Sales of goods and services	4,615	—	7,373	6,032	—	18,020	18,366
Investment income	180	—	—	—	—	180	303
Other	1,580	2	7	2	—	1,591	1,447
Total revenue	52,542	5,296	14,190	13,021	5,037	90,086	89,717
Expenses							
Personnel costs	22,012	152	9,916	9,096	6	41,182	40,259
Support for faculty costs	8,900	1,900	—	—	—	10,800	10,800
Operating	14,861	3,162	4,422	5,226	5,031	32,702	33,575
Internal recoveries	(3,061)	(38)	(435)	(1,564)	—	(5,098)	(5,417)
Service costs	9,830	120	287	263	—	10,500	10,500
Total contract expenses	52,542	5,296	14,190	13,021	5,037	90,086	89,717
Net income (expense)	—	—	—	—	—	—	—

See accompanying notes

University of Guelph

Ontario Ministry of Agriculture, Food and Rural Affairs Agreement

Notes to the statements

[in thousands of dollars]

For the year ended April 30, 2016

1. Authority and purpose

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

In April 2008, a ten-year agreement [the "Agreement"] was signed between the University and OMAFRA [Ontario Ministry of Agriculture, Food and Rural Affairs]. This financial statement has been prepared under the terms of the Agreement, which requires an audited financial statement of revenues and expenditures summarized by program.

2. Summary of significant accounting policies and reporting practices

[a] Fund accounting

The accounts of the University are maintained in accordance with the principles of fund accounting in order to observe the limitations and restrictions placed on the use of available resources. Under fund accounting, resources for various purposes are classified for accounting and reporting purposes into separate funds in accordance with specified activities or objectives.

[b] Recognition of revenue

The University accounts for revenue in accordance with the deferral method whereby externally restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unspent revenue is deferred until the goods or services are provided.

Unrestricted revenue is recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

3. Unspent revenue

The Agreement provides revenue restricted for use in approved research and service programs. Funds that were received but unspent during the year will be recognized as revenue in future years as eligible expenses are incurred.

	<u>2016</u>	<u>2015</u>
Opening Balance	26,376	29,864
Funds Received	71,300	61,300
Expenditures	<u>(64,759)</u>	<u>(64,788)</u>
Ending Balance	<u>32,917</u>	<u>26,376</u>

University of Guelph

Ontario Ministry of Agriculture, Food and Rural Affairs Agreement

Notes to the statements

[in thousands of dollars]

For the year ended April 30, 2016

4. Minor capital repairs

The University operates facilities designated under the Agreement located across Ontario. These facilities are either owned by the Province or Agricultural Research Institute of Ontario ["ARIO"].

For ARIO owned properties, the cost of minor capital projects for facilities are funded through separate funds held by ARIO.

5. New initiative funds

While not formally included as part of the Agreement a major one-time allocation of \$56 million was received in April 2008. The New Initiative funds are not included in the attached statement of revenue and expenses.

The \$56 million was expected to be utilized during the five-year period starting May 2008 and ending April 2013. As at April 30, 2016, \$55,218 has been spent leaving a balance of \$782. It is now expected that the remaining \$0.8 million will be spent within the next year.

The expenditures were spent in the following OMAFRA programs:

	<u>2016</u>	<u>2015</u>
Research	1,333	2,396
Veterinary Clinical Education Program	(9)	26
Animal Health Laboratory	-	56
	<u>1,324</u>	<u>2,478</u>

