UNIVERSITY of GUELPH

IMPROVE LIFE.

ANNUAL FINANCIAL REPORT

Fiscal Year 2023

Contents

Financial Summary

University financial results for the fiscal year ended April 30th, 2023, show a revenue increase of 10.4% over 2022. The current year increase is driven by the return of full offerings of in-person services and activities on campus as well as higher student enrolments.

Increased services and inflationary costs drove an increase in total expenses of 4.1%. The net result is an excess of revenues over expenses of $18.8 million in fiscal 2023.

Total University - Annual Results				
$ millions	**2023**	**2022**	**Change**	
Total Revenue	929.2	841.9	87.3	*10.4%*
Total Expenses	911.6	876.0	35.6	*4.1%*
Change in Unrealized Loss on Interest Rate Swaps	1.2	3.7	(2.5)	
Revenue Less Expenses	**18.8**	**(30.4)**	**49.2**	
Direct Changes to Net Assets				
Endowment Additions[1]	16.0	(7.0)	23.0	
EFB[2] Re-measurements	(42.1)	81.1	(123.2)	
Total Direct Changes	**(26.1)**	**74.1**	**(100.2)**	
Total Change in Net Assets	**(7.3)**	**43.7**	**(51.0)**	

Further volatility in the markets saw returns rebound once again in fiscal 2023 and the University's endowment fund experienced a positive net return of 7.1%, compared to negative 2.1% in 2022. Investment income recognized in the Statement of Operations of $37.8 million in 2023 was $33.6 million more than the $4.2 million in 2022.

After an opening balance adjustment of negative $46.3 million resulting from the adoption of changes in accounting standards, current year Employee Future Benefits ("EFB") re-measurements increased net assets by $4.2 million; combined with endowment additions of $16.0 million and excess revenues over expenses of $18.8 million to provide an overall decrease in total net assets of $7.3 million.

Revenue

The $87.3 million increase in total revenue compared to the prior year was driven by increased revenues from student contracts for housing and meals of $17.3 million, an increase in sales and services of $17.8 million and an increase in tuition revenues of $16.5 million all of which are attributed to increased enrolment as well as staff and students returning to campus.

Total University Revenue				
$ millions	**2023**	**2022**	**Change**	
Prov. Grants MCU	208.2	212.5	(4.3)	*-2.0%*
Prov. Contract OMAFRA	72.2	73.3	(1.1)	*-1.5%*
Student Tuition/Fees	329.9	292.9	37.0	*12.6%*
Other Grants & Contracts	127.6	124.4	3.2	*2.6%*
Sales of Goods & Services	102.3	84.5	17.8	*21.1%*
Investment Income	37.8	4.2	33.6	*800%*
Other	51.2	50.1	1.1	*2.2%*
Total Revenue	**929.2**	**841.9**	**87.3**	

The large increase in investment income of $33.6 million combined with small changes in grants and contracts, including provincial, and other revenue account for the remainder of the total increase.

[1] Endowment Additions include endowment contributions net of investment income (losses) on endowments for the year.

[2] Employee Future Benefits ("EFB") – include both pension and non-pension defined benefit programs. Note that the University transferred the assets and liabilities of it's registered pension plans to the University Pension Plan Ontario ("UPP") on July 1, 2021 and UPP related re-measurements after July 1, 2021 are not included. EFB Re-measurements above in 2023 includes a direct reduction to opening net assets of $46.3 million as a result of the change in accounting policy for recording defined benefit obligations adopted in the current year.

Expenses

Total expenses increased by $35.6 million or 4.1% to $911.6 million due to expanded on-campus services in operating, ancillary and research activities.

The 5.0% increase in salaries expense was spread out across the ancillary enterprises, operating and research funds with increases of 28.8%, 4.2%, and 3.5%, respectively.

University Expenses				
$ millions	**2023**	**2022**	**Change**	
Salaries	450.9	429.5	21.4	*5.0%*
Benefits	117.6	116.1	1.5	*1.3%*
Student Assistance	53.9	54.8	(0.9)	*-1.6%*
Capital Amortization	53.7	53.6	0.1	*0.2%*
Interest	8.9	9.5	(0.6)	*-6.3%*
Supplies and Services	95.2	92.8	2.4	*2.6%*
Utilities, Equipment, Repairs & Maintenance	76.5	79.1	(2.6)	*-3.3%*
Other Expenses	54.9	40.6	14.3	*35.2%*
Total Expenses	**911.6**	**876.0**	**35.6**	***4.1%***

Similarly, increased non-personnel operating expenses were incurred across all University funds, including $7.6 million for travel costs in operating and research funds, $3.6 million in utilities costs, $4.8 million for food and retail costs of sales, and other smaller amounts.

Excess (Deficiency) of Revenue over Expenses by Fund

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

The deficiency in revenue over expenses in the Operating fund of $35.0 million is offset by excess revenue over expenses in all the other funds, primarily from the Ancillaries fund and investment gains recognized in the Trust and Endowment funds.

Revenue Less Expenses by Fund			
$ millions	**2023**	**2022**	**Change**
Operating	(35.0)	(49.3)	*14.3*
Capital	8.4	13.1	*(4.7)*
Ancillary Enterprises	18.5	8.5	*10.0*
Research	2.6	3.8	*(1.2)*
Trust	6.8	(7.0)	*13.8*
Endowment	17.5	0.5	*17.0*
Total	**18.8**	**(30.4)**	***49.2***

Operating fund is comprised of the operating budget results as well as charges for unfunded post-employment benefits. The results reflect increases in student fees, sales of goods & services and other revenue as well as increased salaries and benefits, with non-personnel operating expenses remaining relatively flat. *(More details on pages 8, 9 and 10.)*

Capital fund excess revenue over expenses reflects the University's continuing investment in both major building projects and renovations. *(More details on page 5.)*

Ancillary Enterprises fund operations were significantly impacted by the COVID-19 pandemic in recent years. Fiscal 2022 reflected a partial return of students and staff to campus while fiscal 2023 saw a full return of on-campus offerings. Total fund revenue increased by $27.4 million to $101.8 million and total fund expenses increased by $17.3 million to $83.2 million. Overall revenue less expenses for the fund returned a net positive amount of $18.5 million.

Trust and Endowment funds are primarily impacted by investment returns earned on expendable funds and internally restricted endowments, largely comprised of the Heritage Fund.

Net Assets by Category

Net Asset Balances			
$ millions	**2023**	**2022**	**Change**
Capital Assets	700.8	718.9	(18.1)
Internally Restricted	196.8	172.3	24.5
Unrestricted (Deficit)	(343.1)	(295.8)	(47.3)
Endowment	445.2	411.6	33.6
Total University Net Assets	**999.7**	**1,007.0**	**(7.3)**

University net assets are classified into four major groups in accordance with accounting policy. The table to the left shows 2023 net asset balances compared to the prior year.

Increases (Decreases) in Net Assets - Capital Assets			
$ millions	**2023**	**2022**	**Change**
Capital asset acquisitions	45.1	63.1	(17.9)
Capital contributions recognized	21.8	22.0	(0.2)
External debt repayment	13.0	12.8	0.2
Capital asset amortization	(53.7)	(53.6)	(0.1)
Capital contributions deferred	(14.3)	(16.1)	1.8
New external debt	(30.0)	0.0	(30.0)
Total Change	**(18.1)**	**28.2**	**(46.3)**

Capital Assets, typically the largest net asset category, shows the net undepreciated equity position the University holds in its land, buildings, and equipment. Capital Assets show a net decrease in 2023 primarily due to the acquisition of $30 million in external debt.

Internally Restricted Net Asset Balances			
$ millions	**2023**	**2022**	**Change**
Capital Projects[3]	(75.2)	(103.1)	27.9
Operating Fund	140.3	156.4	(16.1)
Other Funds	131.7	119.0	12.7
Total Internally Restricted	**196.8**	**172.3**	**24.5**

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 largely impacted by the proceeds of borrowing externally to finance approved projects that were previously financed internally. The decrease in Operating Fund includes decreases in operating carry forwards (accumulated unspent budget allocations); Operating Fund net assets are governed by internal policy for approval of any planned spend.

The **Unrestricted (Deficit)** increased by $47.3 million mainly due to the accounting recognition of employee future benefit re-measurements. *(More details on page 7.)*

Endowment net assets increased by $33.6 million due to a net investment return of 7.1%, as well as $6.0 million in new contributions from donors and $4.9 million in internal transfers.

Increases (Decreases) in Net Assets – Endowments			
$ millions	**2023**	**2022**	**Change**
Investment Income (Loss) not allocated for spending on:			
Externally restricted	10.1	(13.4)	23.5
Internally restricted	12.6	(4.0)	16.6
Total Investment Income (Loss)	**22.7**	**(17.4)**	**40.1**
Contributions to endowments			
From Donors	6.0	6.3	(0.3)
Internal transfers[4]	4.9	4.6	0.3
Total Contributions	**10.9**	**10.9**	**(0.0)**
Total Change	**33.6**	**(6.5)**	**40.1**

[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 $45.6 million ($63.4 million in 2022). Referring to the table to the right, the most significant investments occurred in equipment and on-going student housing facilities renewals.

Capital Expenditures			
$ millions	**2023**	**2022**	**Change**
Major Buildings	6.0	31.9	(25.9)
Equipment and Other	23.1	21.6	1.5
Main Campus Facilities Renewal	5.8	4.3	1.5
Student Housing Facilities Renewal	10.7	5.6	5.1
Total	**45.6**	**63.4**	**(17.8)**

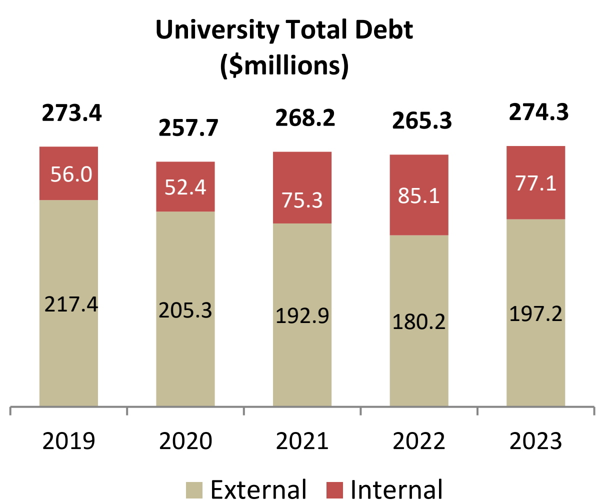
Capital Project Spending			
$ millions	**2023 Spending**	**Total Spending**	**Total Approved**
Improv Theatre/North Wing MacKinnon Renovation	3.3	25.0	25.0
South Residence Renovations	8.3	8.8	20.9
OVC Small Animal Clinic	2.1	7.5	8.4
Alumni Stadium South Addition	0.3	5.7	5.8
Honey Bee Research Centre	0.6	1.6	2.8

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 the 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 $9.0 million reflecting principal repayments of $9.4 million on internal debt and $13.0 million on external debt, net of additions to internal debt of $1.4 million and external debt of $30.0 million in the year.

The University is reviewed annually by Standard and Poor's[6]. In the credit rating process debt levels are considered in the context of overall fiscal health and peer institutions. For fiscal 2023, the University maintained its rating at AA with a stable outlook.



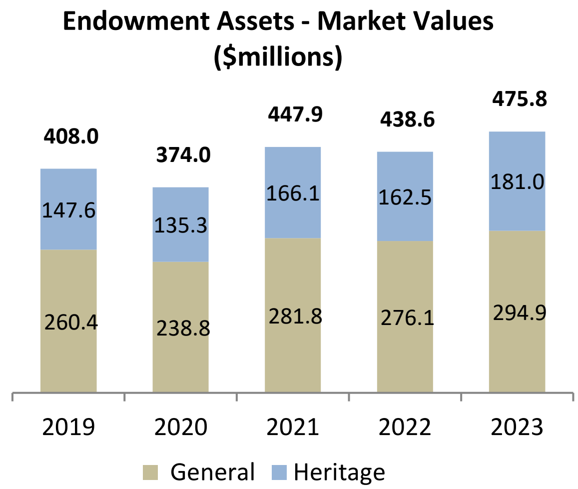
[5] When there is sufficient operating cash liquidity, funds may be temporarily advanced to finance capital expenditures. As with external debt, internal financing must be repaid, usually over a period not exceeding 10 years. Internal debt here does not include short term financing of project costs during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

[6] The University was previously reviewed by credit rating agent DBRS as well, but DBRS discontinued and withdrew the Issuer Rating and the Senior Unsecured Debentures rating for the University at the University's request, effective March 21, 2023.

Endowments

University endowments of $475.8 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 2023, the endowment portfolio increased by $37.2 million on an overall net basis.

Market values continued to fall in major markets across the globe in the first few months of fiscal 2023, however throughout the remainder of the year market conditions improved and gains in the latter months more than offset the earlier losses, rebounding to contribute to a net return of 7.1%.



Endowment Annual & Five-year Annualized Returns (%)						
Returns	**2019**	**2020**	**2021**	**2022**	**2023**	**Five-Year**
Gross	6.6	-7.6	19.8	-0.8	8.6	4.9
Net	5.3	-9.0	18.4	-2.1	7.1	3.5
Benchmark	8.2	0.4	17.5	-0.5	6.0	6.1
Note: Net return includes all investment management fees and internal University administrative fee in the GEF.						

The five-year annualized net return was 3.5% (2.8% in 2022). On a gross return basis, the portfolio outperformed its benchmark in fiscal 2023, with the portfolio's investment managers outperforming their benchmarks in every asset class except for US Equity, which was only under by 0.3%.

Additions to endowment capital totaled $10.9 million in 2023 ($10.9 million in 2022).

Total spending[7] from endowments decreased by $5.6 million to $7.8 million in 2023 largely due to the decrease in the Heritage Fund distribution spending of $nil as compared to $6.1 million in 2022.

Annual Spending from Endowments				
$millions	**2020**	**2021**	**2022**	**2023**
General	7.0	6.5	7.3	7.8
Heritage Fund	5.3	0.6	6.1	0.0
Total	**12.3**	**7.1**	**13.4**	**7.8**

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%).

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

Employee Future Benefits (EFB)

The University is responsible for the funding of post-employment benefit plans that provide both pension and non-pension benefits to retirees.

Prior to July 1, 2021, the administrations, faculty associations, unions and non-represented staff of the University of Guelph, University of Toronto and Queen's University developed the jointly sponsored multi-employer pension plan, called the University Pension Plan Ontario ("UPP"). On the effective date, July 1, 2021, the assets and liabilities of the three universities' RPPs were transferred to the UPP and the accrual of benefits and contributions under the universities' RPPs ceased while commencing under the UPP for all members. The University remains responsible to fund any net pension obligations related to service up to the effective date of July 1, 2021, with any deficits to be funded over 15 years. As at July 1, 2021, the University's RPPs reported a combined actuarial surplus of $145.5 million on a transfer basis so no special funding requirements exist at this point. The net pension obligation may fluctuate in the future based on changes to the UPP's actuarial assumptions and for changes in experience in future periods, which will continue to be the responsibility of the University to fund for the first 10 years, after which the responsibility for such changes becomes gradually shared over the next 10 years with the other participants of the UPP, after which the responsibility is totally shared with all participants. The University does not recognize any share of the UPP's surplus or deficit in its financial statements, but accounts for contributions to the UPP on a defined contribution basis.

EFB Cash Contributions: Prior to July 1, 2021, pension contributions were based on RPP actuarial valuations required by legislation for funding purposes, and after July 1, 2021, are based on contribution requirements prescribed by the UPP. Non-pension contributions reflect claim costs paid.

EFB Contributions				
$ millions	**2023**	**2022**	**Change**	
Cash Contributions				
Pension - UPP	33.1	27.3	5.8	*21.2%*
Pension – non-UPP	0.2	10.2	(10.0)	*-98.0%*
Non-Pension	6.3	6.1	0.2	*3.3%*
Total Contributions	**39.6**	**43.6**	**(4.0)**	*-9.2%*

EFB Expenses (in the Statement of Operations)				
$ millions	**2023**	**2022**	**Change**	
Expenses				
Pension	33.3	31.8	1.5	*4.7%*
Non-Pension	25.2	28.3	(3.1)	*-11.0%*
Total Expenses	**58.5**	**60.1**	**(1.6)**	***-2.7%***

EFB Expenses: Combined EFB expenses decreased by 2.7% or $1.6 million consisting of increased pension expense more than offset by a decrease in the non-cash finance cost, which is actuarially determined and based on the liability of the non-pension benefit plan 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. In 2023, the University recorded a decrease of $46.3 million in net assets as at May 1, 2022 related to changes in accounting standards for unfunded defined benefit plans (*see Financial Statements Notes 2(m) & 10 for further details*). The sum of these adjustments resulted in a net $42.1 million decrease in net assets in 2023.

EFB Direct Changes to Net Assets			
$ millions	**2023**	**2022**	**Change**
Re-measurements – (Gains) Losses			
Pension	(0.3)	5.5	(5.8)
Non-Pension	(3.9)	(86.6)	82.7
Total Re-measurements	**(4.2)**	**(81.1)**	**76.9**
Opening Balance Adjustment			
Pension	0.4	n/a	
Non-Pension	45.9	n/a	
Total Adjustment	**46.3**	**n/a**	
Total EFB Direct Decrease (Increase) in Net Assets	**42.1**	**(81.1)**	

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 2023 the total net EFB liability is $303.5 million, up from $242.5 million in 2022.

EFB Asset (Liability)				
$ millions	**2023**	**2022**	**Change**	
Pension Plans				
Invested Assets	11.5	11.2	0.3	*2.7%*
Less: Obligations	3.8	3.4	0.4	*11.8%*
Pension Plans	**7.7**	**7.8**	**(0.1)**	***-1.3%***
Non-Pension Plans	**(311.2)**	**(250.3)**	**(60.9)**	***24.3%***
EFB Net Obligations	**(303.5)**	**(242.5)**	**(61.0)**	***25.2%***

The $11.5 million of pension invested assets remaining at April 30, 2023 represents excess surplus determined under an actuarial valuation prepared on a wind-up basis, which could not be transferred to the UPP as per provincial pension legislation. These assets are held in trust until all legal requirements have been met and the balance is ultimately distributed.

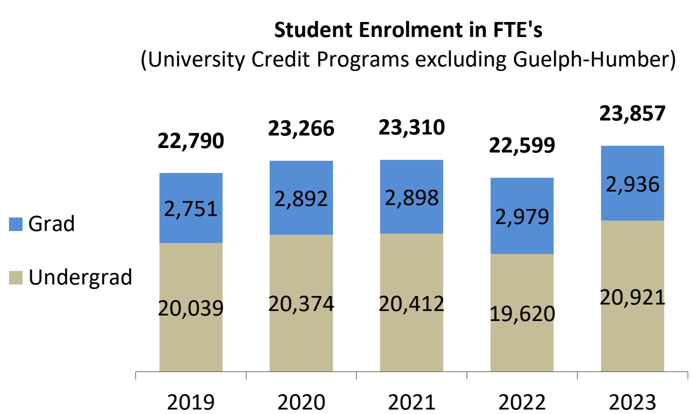
The Operating Fund

The Operating Fund, with over 60% of total University revenue, is the main source of funding for 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 increased by 5.4% or $27.4 million in total largely due to increases of $16.5 million in student tuition and $4.0 million in non-tuition student fees, as well as an increase of $6.2 million in sales of goods & services. These revenue increases are primarily associated with increased student enrolment as well as students and staff returning to campus after the removal of pandemic restriction.

Operating Fund Revenue				
$ millions	**2023**	**2022**	**Change**	
Provincial MCU	202.6	203.2	(0.6)	*-0.3%*
Provincial OMAFRA	5.4	5.4	0.0	*0.0%*
Student Tuition/Fees	261.5	241.0	20.5	*8.5%*
Sales & Other Contracts	50.6	44.4	6.2	*14.0%*
Other	15.2	13.9	1.3	*9.4%*
Total	**535.3**	**507.9**	**27.4**	***5.4%***



In 2023, university degree enrolments changed from 2022 levels by an increase of 6.6% at the undergraduate level and a stable level of graduate level enrolments. International[8] students have been a focus for growth in recent years and international enrolment was up in fiscal 2023 compared to fiscal 2022 by 6.6% for undergraduate and 12.6% for graduate levels.

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

Operating Fund Expenses

Overall, Operating Fund expenses increased by $13.1 million or 2.4% driven almost entirely by increased personnel expenses. Salaries increased 4.2% mainly due to negotiated increases in rates of compensation. Utilities costs increased by almost 20% due partly to increased usage and partly to impacts of the carbon tax being more fully integrated. Other expenses includes a $3.2 million increase in travel, as is to be expected given the very low levels in 2021 and 2022.

Operating Fund Expenses				
$ millions	**2023**	**2022**	**Change**	
Salaries	332.1	318.7	13.4	*4.2%*
Benefits	97.0	97.2	(0.2)	*-0.2%*
Student Assistance	37.3	38.3	(1.0)	*-2.6%*
Supplies & Services	47.8	48.0	(0.2)	*-0.4%*
Utilities	20.4	17.2	3.2	*18.6%*
Other Expenses	43.5	40.3	3.2	*7.9%*
Interfund Transfers	(7.8)	(2.5)	(5.3)	*212%*
Total	**570.3**	**557.2**	**13.1**	***2.4%***

Operating Fund Net Assets

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

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

The 2023 Operating Fund annual deficiency of revenue over expenses impacting Internally Restricted Net Assets was $10.9 million, compared to $22.7 million in 2022. This calculation is consistent with the approach used when developing the operating budget, making these two figures comparable.

A net $42.1 million non-cash charge in the accounting remeasurement charge for post-employment[9] further decreased the University's unrestricted deficit.

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

Operating Fund - Net Assets					
$millions	Opening Balances	2023 Annual Results	Transfers (From)To Reserves	EFB Re-measure	Closing Balances
Internally Restricted					
Divisional Reserves	93.8	(0.3)			93.5
Central Reserves	45.0	(10.6)			34.4
Employee Benefit Reserves	15.7		(5.2)		10.5
Self-insurance & GH	1.9				1.9
Total Internally Restricted	**156.4**	**(10.9)**	**(5.2)**		**140.3**
Unrestricted					
Post-Employment	(301.2)	(24.1)	5.2	(42.1)	(362.2)
Total Unrestricted	**(301.2)**	**(24.1)**	**5.2**	**(42.1)**	**(362.2)**
Total Operating Net Assets	**(144.8)**	**(35.0)**	**-**	**(42.1)**	**(221.9)**

[9] 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

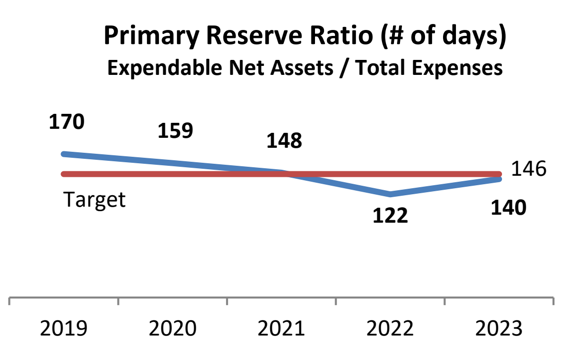
Financial Health Indicators

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

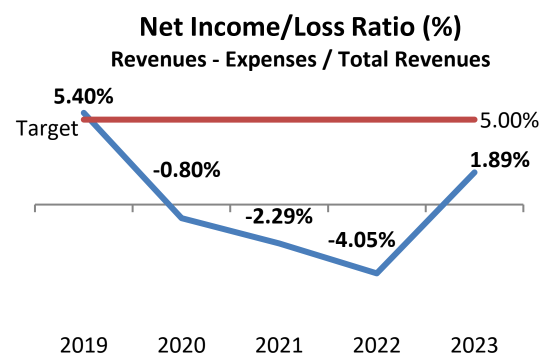
1. PRIMARY RESERVE RATIO: Summarizes financial health and flexibility by indicating how long the University could function only using its expendable reserves without relying on additional net assets generated by operations. Expendable net assets consist of internally restricted endowments and net assets 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	2023	5 Year Change	
Expendable Net Assets	348,532	(32,211)	-8%
Total Expenses	**911,633**	**92,471**	**11%**



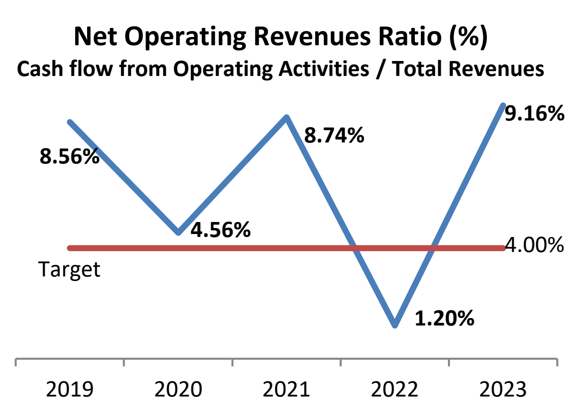
2. NET INCOME/LOSS RATIO: Measures whether the University is growing its resources over time. It compares the current year's excess of revenues over expenses over total revenues. On a combined basis, a growth rate of 5% is expected over time.

$000's	2023	5 Year Change	
Revenues – Expenses	17,600	(29,147)	-62%
Total Revenues	929,233	63,324	7%



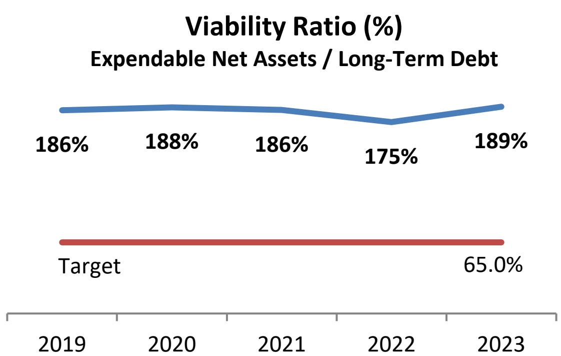
3. NET OPERATING REVENUES RATIO: Compares cash provided by operating activities over total revenues. Again, a long-term review of this ratio should be considered, as it can be volatile year over year. A 4% long-term benchmark is the expected target.

$000's	2023	5 Year Change	
Cash Flow from Operating Activities	85,148	10,997	15%
Total Revenues	929,233	63,324	7%



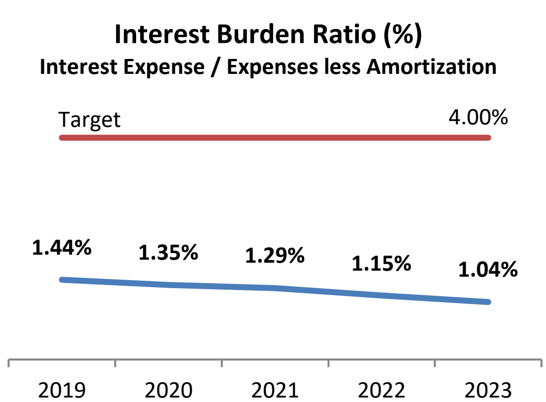
4. VIABILITY RATIO: Gauges the extent to which the University has available resources to cover its debt; essentially a "wind-up" ratio for external obligations. It calculates expendable net assets over external long-term debt. The ratio assists in assessing current debt capacity and the ability to issue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

$000's	2023	5 Year Change	
Expendable Net Assets	348,532	(32,211)	-8%
Long-Term Debt	184,459	(20,562)	-10%



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	2023	5 Year Change	
Interest Expense	8,892	(2,187)	-20%
Expenses – Amortization	857,921	87,523	11%



Debt Specific Metrics

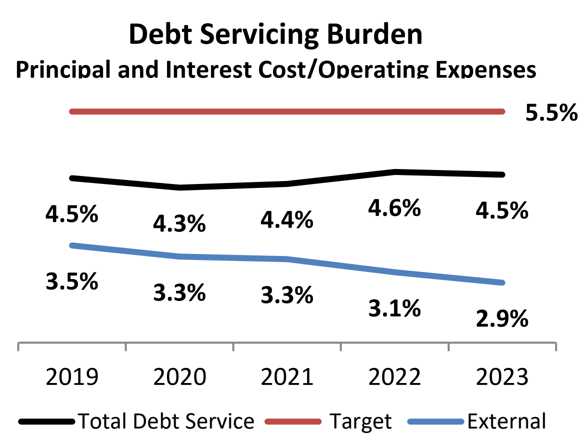
The University has established a group of specific metrics in addition to the viability and interest burden ratios to help manage debt. These are included in the Capital Debt Policy. They include:

- 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.

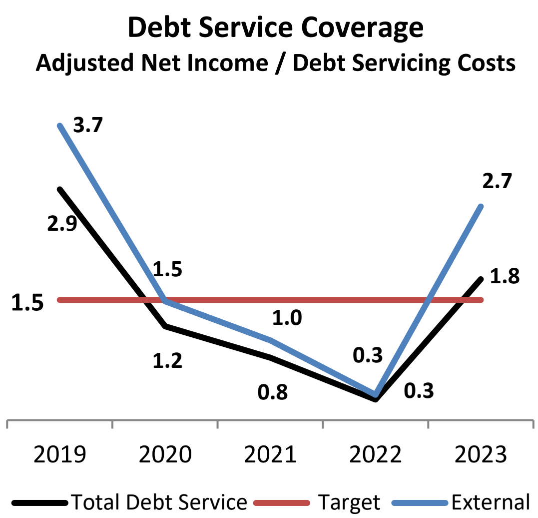
6.1 DEBT SERVICING BURDEN: This ratio measures the extent to which total debt servicing (incl. sinking fund payments) is a portion of total operating expenses excluding capital asset amortization. The objective is to stay below the target.

$000's	2023	5 Year Change	
Total Debt Servicing Costs	34,208	4,038	13%
External Debt Costs only	21,883	(1,432)	-6%
Operating Expenses	752,410	80,970	12%



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	2023	5 Year Change	
Adjusted Net Income	60,174	(26,701)	-31%
Debt Servicing Costs	34,208	4,038	13%
Adjusted Net Income–External	58,355	(27,305)	-32%
External Debt Service	21,883	(1,432)	-6%



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

$000's	2023	5 Year Change	
External Debt	197,166	(20,260)	-9%
Total Debt	274,265	805	0%
Total Student FTE's	23,857	1,067	5%

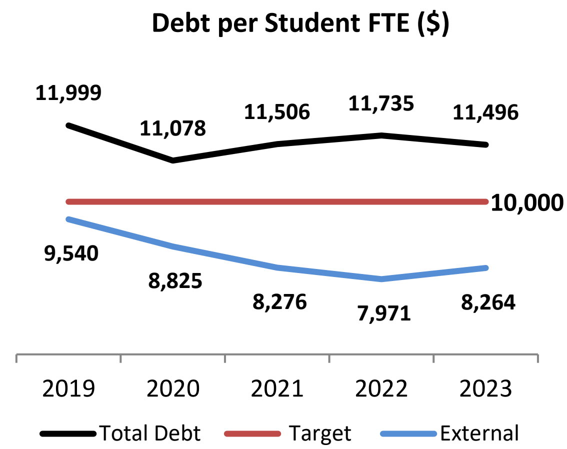


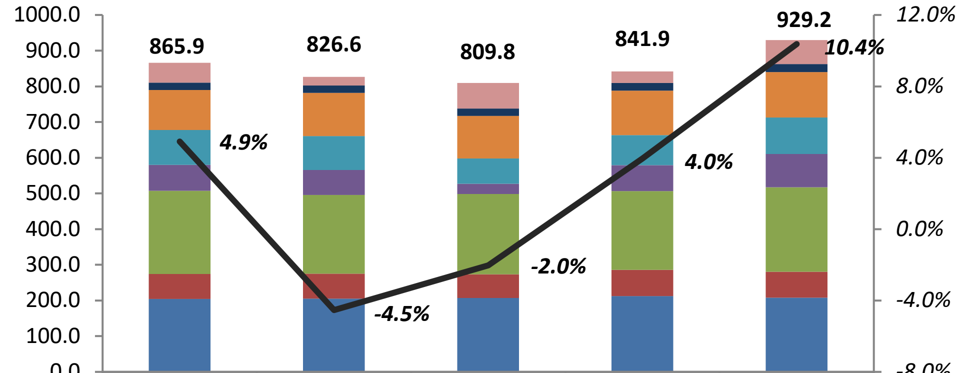
Table of Comparative Results[10]

	2019	2020	2021	2022	2023
Enrolment FTEs (excluding Guelph-Humber)	22,790	23,226	23,310	22,602	23,857
Faculty and Staff (Budgeted Positions)	3,122	3,175	3,203	3,225	3,234
Full-time Faculty (as of October 1st)	823	830	839	836	823
Revenues and Expenses					
Total Revenues ($M)	$865.9	$826.6	$809.8	$841.9	$929.2
Total Expenditures ($M)	$819.1	$833.2	$828.3	$872.2	$910.5
Unrealized Gain (Loss) on Interest Rate Swaps	$(0.3)	$(1.3)	$2.6	$3.7	$1.2
Annual Surplus/(Deficit) ($M)	$46.5	$(7.9)	$(15.9)	$(30.4)	$18.8
Revenue year-over-year change	5%	-5%	-2%	4%	10%
MCU Operating Grants per FTE ($)	$8,754	$8,632	$8,552	$8,801	$8,323
Revenue Mix (% of Total Revenues)					
Provincial Operating Grants - MCU	24%	25%	25%	24%	22%
Tuition	27%	27%	28%	26%	26%
Endowment and Donations	3%	3%	3%	3%	3%
Expenditure year-over-year change	6.4%	1.7%	-0.6%	6.2%	4.1%
Expense Mix (% of Total Expenses)					
Salaries	50%	51%	50%	49%	49%
Benefits (including EFB accounting charges)	13%	12%	15%	13%	13%
Components of Net Assets					
Invested in Capital Assets ($M)	$623.5	$653.3	$690.6	$718.9	$700.8
Endowed ($M)	$382.7	$351.7	$418.0	$411.6	$445.2
Internally Restricted ($M)	$276.9	$272.9	$222.9	$172.3	$196.8
Unrestricted (Deficit) ($M)	$(240.6)	$(557.1)	$(368.3)	$(295.8)	$(343.1)
Total Net Assets ($M)	$1,042.5	$720.8	$963.2	$1,007.0	$999.7
Capital and Capital Debt					
Total External Debt ($M)	$217.4	$205.3	$192.9	$180.1	$197.2
Total Debt per FTE ($)	$9,540	$8,825	$8,276	$7,971	$8,264
%Debt Service to Revenue	2.8%	2.8%	2.9%	2.8%	2.4%
%Debt to Revenue	25.1%	24.8%	23.8%	21.4%	21.2%
Capital Acquisitions ($M)	$89.1	$75.4	$71.3	$63.1	$45.1
Provincial Capital Grants ($M)	$0.4	$0.3	$3.2	$9.2	$5.6
Endowments					
Externally Restricted ($M)	$242.4	$219.5	$244.8	$237.8	$253.9
Internally Restricted ($M)	$165.6	$154.5	$173.2	$173.8	$191.2
Total Endowment Assets – Market Values ($M)	$408.0	$374.0	$418.0	$411.6	$445.1
Total Endowment per FTE ($)	$17,903	$16,103	$17,932	$18,211	$18,657
Employee Future Benefits (EFB)					
Pension Plans – Asset (Obligation) ($M)	$76.2	$(196.0)	$7.6	$7.8	$7.7
Other Benefit Plans – Obligation ($M)	$(264.6)	$(305.8)	$(314.7)	$(250.3)	$(311.2)
Latest Valuation Date – Pension Plans	Aug-16	Oct-19	Oct-20	Apr-22	Apr-22
Latest Valuation Date – Other Benefit Plans	Jan-19	Jan-19	Jan-19	Jan-22	Jan-22

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

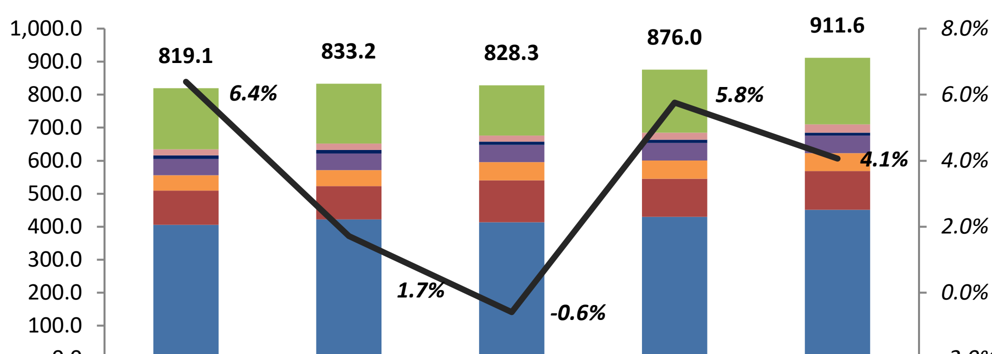
Total Revenues and Total Expenses - Five Year Trends

University Revenues
All Fund/Sources
(in $millions)



	18/19	19/20	20/21	21/22	22/23
All Other Revenues	55.6	23.9	71.7	32.3	67.0
Amort. of Deferred Capital	20.9	21.0	21.4	22.0	21.9
Other Grants and Contracts	111.7	121.3	118.6	124.4	127.7
Sales of Goods and Services	97.9	94.4	71.0	84.5	102.4
Student Fees & Contracts	72.7	70.1	28.4	72.3	92.8
Tuition	233.3	220.9	225.0	220.6	237.1
OMAFRA Agreement	69.4	69.7	67.0	73.3	72.1
Provincial MTCU	204.4	205.3	206.7	212.5	208.2
Total	865.9	826.6	809.8	841.9	929.2
Annual Change	4.9%	-4.5%	-2.0%	4.0%	10.4%

University Expenses
All Funds/ Sources
(in $millions)



	18/19	19/20	20/21	21/22	22/23
Other Operating	185.1	181.2	152.5	191.5	202.0
Utilities	18.0	19.6	17.8	21.0	24.6
Interest	11.1	10.5	10.0	9.5	8.9
Capital Asset Amortization	48.8	50.7	52.2	53.6	53.7
Scholarships and Bursaries	47.1	48.7	55.7	54.8	53.9
Benefits	103.0	100.8	126.4	116.1	117.6
Salaries	406.0	421.7	413.7	429.5	450.9
Total	819.1	833.2	828.3	876.0	911.6
Annual Change	6.4%	1.7%	-0.6%	5.8%	4.1%

OMAFRA Contract

Fiscal 2023 was the fifth 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.

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

OMAFRA Agreement ($millions)	2023	2022	Change
REVENUE			
OMAFRA	67.6	70.4	-4.0%
Sales of Goods & Services	24.9	22.3	11.7%
Investment Income	1.9	0.0	0.0%
Other Revenue	0.9	0.8	12.5%
Total Revenue	**95.3**	**93.5**	**1.9%**
EXPENSES			
Salaries	36.2	35.5	2.0%
Benefits	9.3	8.8	5.7%
Support for Faculty Costs	13.0	13.0	0.0%
Travel	0.7	0.3	133.3%
Operating	41.3	41.0	0.7%
Internal Recoveries	-5.2	-5.1	2.0%
Total Expenses	**95.3**	**93.5**	**1.9%**
REVENUE LESS EXPENSES	-	-	

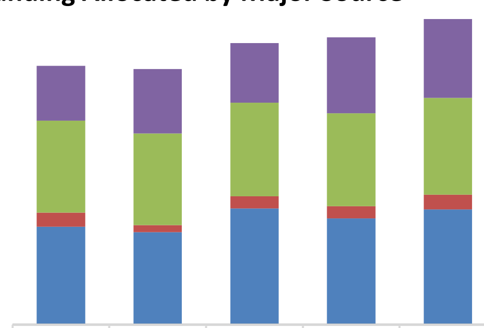
The OMAFRA agreement is a major component of University research providing funding for approximately 35% of total University research and supporting approximately 20% of University employees, both faculty and staff. In addition to direct provincial funding, the province designates provincially owned 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 2023, $186.7 million was received and allocated to departments ($175.6 million in 2022).

Research Funding Allocated by Major Source



	2019	2020	2021	2022	2023
Other	33.4	39.4	36.4	46.4	48.1
OMAFRA Contract	56.2	56.0	57.1	56.9	59.2
Other Ontario	8.7	4.3	7.6	7.3	9.1
Federal	59.8	56.4	70.9	65.0	70.3
Total	158.1	156.1	172.0	175.6	186.7

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)	2023	2022	Change $	Change %
REVENUE				
MCU	17.2	17.2	0.0	0.0%
Tuition	15.8	16.1	-0.3	-1.9%
Student Fees	0.2	0.2	0.0	0.0%
Other Revenue	0.1	0.0	0.1	0.0%
Total Revenue	**33.3**	**33.5**	**-0.2**	**-0.6%**
EXPENSES				
Salaries	4.8	4.6	0.2	4.3%
Benefits	1.2	1.2	0.0	0.0%
Amortization	0.5	0.5	0.0	0.0%
Scholarships & Bursaries	3.0	3.3	-0.3	-9.1%
Supplies & Services	12.0	10.9	1.1	10.1%
Other Operating	4.3	3.9	0.4	10.3%
Total Expenses	**25.8**	**24.3**	**1.5**	**6.2%**
REVENUE LESS EXPENSES	**7.5**	**9.2**	**-1.7**	**-18.5%**
Guelph-Humber Undergraduate Enrolment (FTE's)	*4,511*	*4,667*	*-156*	*-3.3%*

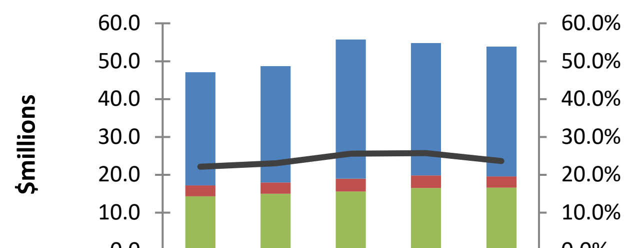
Student Aid

The University of Guelph, including 50% of the University of Guelph-Humber, spent $53.9 million on Scholarships and Bursaries in fiscal 2023 reflecting a decrease of 1.6% from the prior year. The main sources of funding for student assistance include the Operating Fund and University of Guelph-Humber operations as well as external funds which consist of a wide variety of restricted funds, e.g., grants, donations, and endowments.

Student aid funding is now approximately 23.6% (25.7% in 2022) of total credit tuition revenues. Of the $53.9 million, 64% was funded from the Operating Fund, 6% was from Guelph-Humber, and 30% was funded from trust funds including endowments.

Student Aid: Scholarships & Bursaries

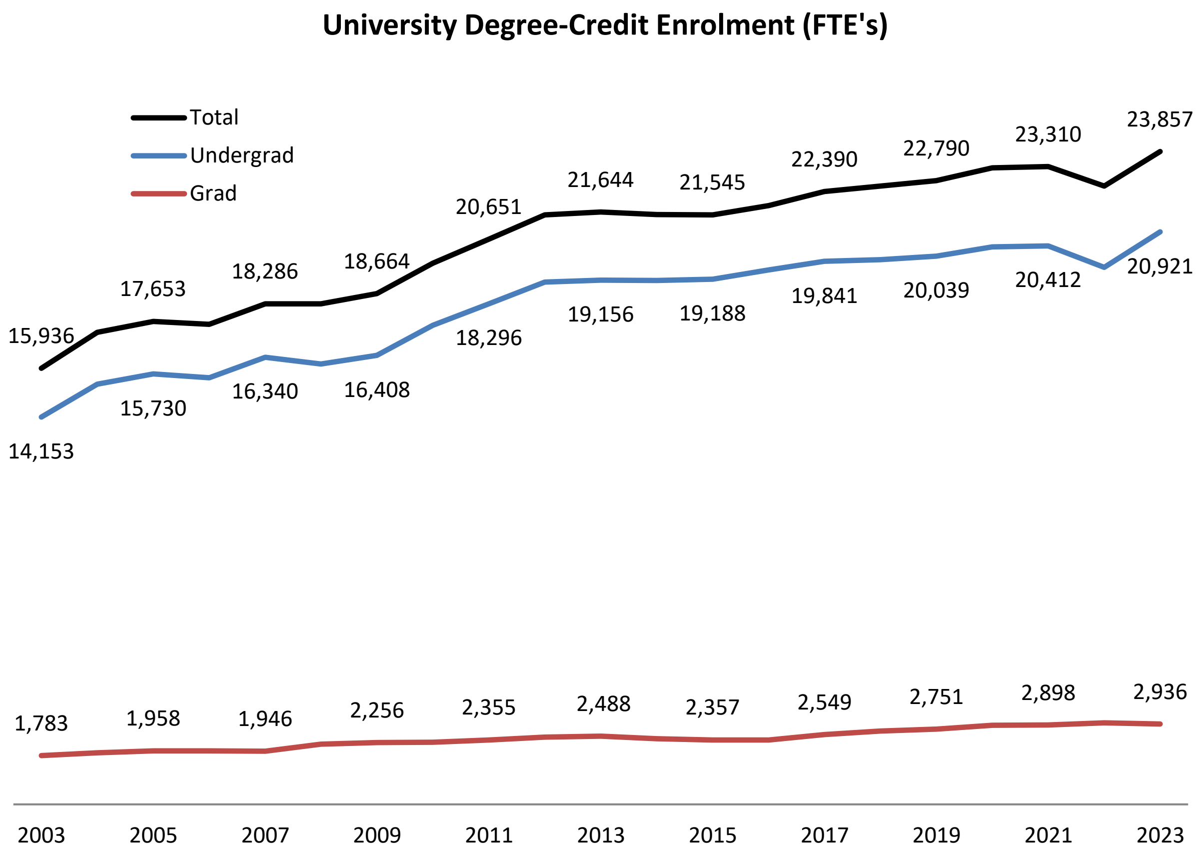
as a Percentage of Tuition Revenue (Credit)



	2019	2020	2021	2022	2023
Operating	29.9	30.7	36.7	35.0	34.3
Guelph-Humber	2.9	3.0	3.4	3.3	3.0
Trust and Endowments	14.3	15.0	15.6	16.5	16.6
Total Student Aid	47.1	48.7	55.7	54.8	53.9
% of Revenue	22.1%	23.1%	25.6%	25.7%	23.6%

Enrolment (excluding University of Guelph-Humber)

In 2023 University enrolment as measured in full-time equivalents (“FTE’s”) increased compared to 2022. Graduate enrolment decreased slightly by 1.4%, and undergraduate enrolment increased by 6.6%. The chart below shows 20 years of enrolment figures, reflecting the management of enrolment growth in recent years compared to the significant growth seen in the previous decade.



Statement of Operations – By Fund for Fiscal 2022 (May 1, 2022 to April 30, 2023)

(in thousands of dollars)	Operating Fund	Capital Fund	Ancillary Enterprises	Research Fund	Trust Fund	Endowment Fund	Total 2023	Total 2022
REVENUE								
Provincial Grants – MCU	202,563	5,652	-	-	-	-	208,215	212,506
Provincial Contract – OMAFRA Agreement	5,383	-	-	50,689	16,090	-	72,162	73,334
Other Grants and Contracts	7,032	-	35	107,401	12,960	229	127,657	124,411
Tuition (Credit and Non-credit)	237,079	-	-	-	-	-	237,079	220,590
Student Fees and Contracts	24,379	-	67,753	-	667	-	92,799	72,293
Sales of Goods and Services	43,551	-	33,948	6,437	18,417	-	102,353	84,517
Investment Income	4,295	2,125	-	1,918	16,824	12,611	37,773	4,227
Amortization of Deferred Capital Contributions	-	21,807	42	-	-	-	21,849	21,969
Donations	144	-	-	7,512	10,037	21	17,714	17,705
Other	10,842	(8)	-	752	46	-	11,632	10,331
	535,268	29,576	101,778	174,709	75,041	12,861	929,233	841,883
EXPENSES								
Salaries	332,030	-	22,200	79,677	16,964	-	450,871	429,467
Employee Future Benefits (EFB)	58,477	-	-	-	-	-	58,477	60,108
Other Employee Benefits	38,544	-	4,332	11,507	4,762	-	59,145	55,955
Scholarships and Bursaries	37,282	-	5	5,555	11,092	-	53,934	54,817
Capital Asset Amortization	-	45,688	8,024	-	-	-	53,712	53,618
Equipment, Repairs and Maintenance	21,316	19,350	3,773	5,167	2,257	-	51,863	58,089
Professional and Externally Contracted Services	29,839	15	1,929	17,840	1,193	-	50,816	51,086
Supplies	18,035	-	2,579	17,536	6,266	-	44,416	41,692
Utilities	20,409	-	1,075	3,122	2	-	24,608	21,003
Interest	-	7,814	1,078	-	-	-	8,892	9,473
Travel	6,141	-	98	5,846	153	-	12,238	4,609
Other Operating	16,064	-	18,832	8,851	(1,085)	-	42,661	36,045
Decrease in Unrealized Loss on Interest Rate Swaps	-	(455)	(719)	-	-	-	(1,174)	(3,722)
Interfund Transactions	(7,822)	(51,187)	20,031	16,992	26,589	(4,603)	-	-
	570,315	21,225	83,237	172,093	68,192	(4,603)	910,459	872,240
Excess of Revenues over Expenses	**(35,047)**	**8,351**	**18,541**	**2,616**	**6,849**	**17,464**	**18,774**	**(30,357)**
Endowment Income & Contributions	-	-	-	-	-	16,073	16,073	(6,989)
EFB Remeasurements and Other Items	(42,104)	-	-	-	-	-	(42,104)	81,075
Transfers (To) From Invested in Capital and Endowed Net	-	27,266	(9,247)	-	-	(33,537)	(15,518)	(21,750)
Transfers (To) From Internally Restricted Net Assets	16,125	(35,162)	4,014	(2,616)	(6,849)	-	(24,488)	50,578
Net Increase (Decrease) in Unrestricted Net Assets	(61,026)	455	13,308	-	-	-	(47,263)	72,557
Unrestricted Net Assets, Beginning of Year	(301,194)	(93)	5,479	-	-	-	(295,808)	(368,365)
Unrestricted Net Assets, End of Year	(362,220)	362	18,787	-	-	-	(343,071)	(295,808)

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, 2023, 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, 2023 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 18, 2023

Statement 1

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

(in thousands of dollars)

	2023	Restated (note 2(m)) 2022
ASSETS		
Current		
Cash and Cash Equivalents (Note 3)	79,876	80,569
Short-term Investments at Fair Value (Note 4)	113,925	85,595
Accounts Receivable	54,366	62,734
Inventories and Prepaid Expenses	13,865	12,715
Unrealized Gain on Interest Rate Swaps (Note 7)	206	-
	262,238	241,613
Long-term Investments at Fair Value (Note 4)	673,080	602,042
Defined Benefit Asset (Note 10)	11,448	11,202
Capital Assets (Note 5)	1,298,779	1,306,870
	2,245,545	2,161,727
LIABILITIES		
Current		
Accounts Payable and Accrued Liabilities (Note 6)	55,071	57,348
Unrealized Loss on Interest Rate Swaps (Note 7)	-	968
Current Portion of Long-term Debt (Note 7)	12,707	12,753
Current Portion of Deferred Revenue	24,296	17,663
Deferred Contributions (Note 8)	245,189	228,450
	337,263	317,182
Long-term Debt (Note 7)	184,459	167,404
Deferred Revenue	8,307	8,558
Deferred Capital Contributions (Note 9)	400,801	407,882
Defined Benefit Liability (Note 10)	314,980	253,709
	1,245,810	**1,154,735**
NET ASSETS		
Invested in Capital Assets (Note 11)	700,812	718,831
Internally Restricted (Note 12)	196,829	172,341
Unrestricted Deficit	(343,071)	(295,808)
Endowed (Note 13)	445,165	411,628
	999,735	1,006,992
	2,245,545	2,161,727

Commitments, Collections and Contingencies (Notes 4(d), 5, 18 & 19)

(See accompanying notes)

On behalf of the Board of Governors:

Signed	**Signed**
Nancy Brown Andison	Charlotte Yates
Chair	President

Statement 2

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

(in thousands of dollars)

	2023	Restated (note 2(m)) 2022
REVENUE		
Ministry of Colleges and Universities	208,215	212,506
Ministry of Agriculture, Food and Rural Affairs Agreement	72,162	73,334
Other Grants and Contracts	127,657	124,411
Tuition	237,079	220,590
Student Fees and Contracts	92,799	72,293
Sales of Goods and Services	102,353	84,517
Investment Income (Note 4)	37,773	4,227
Amortization of Deferred Capital Contributions (Note 9)	21,849	21,969
Donations (Note 15)	17,714	17,705
Other	11,632	10,331
	929,233	841,883
EXPENSES		
Salaries	450,871	429,467
Employee Future Benefits (Note 10)	58,477	60,108
Other Employee Benefits	59,145	55,955
Scholarships and Bursaries	53,934	54,817
Capital Asset Amortization	53,712	53,618
Equipment, Repairs and Maintenance	51,863	58,089
Professional and Externally Contracted Services	50,816	51,086
Supplies	44,416	41,692
Utilities	24,608	21,003
Interest (Note 7)	8,892	9,473
Travel	12,238	4,609
Other Operating	42,661	36,045
	911,633	875,962
Decrease in Unrealized Loss on Interest Rate Swaps (Note 7)	1,174	3,722
Excess (Deficiency) of Revenues over Expenses	18,774	(30,357)

(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
			2023		
Net Assets, Beginning of Year	718,831	172,341	(295,808)	411,628	1,006,992
Adjustment for Employee Future Benefits (Notes 2(m) & 10)	-	-	(46,337)	-	(46,337)
Net Assets, Beginning of Year, as restated	718,831	172,341	(342,145)	411,628	960,655
Excess (Deficiency) of Revenues over Expenses	(31,863)	-	50,637	-	18,774
Net Change in Net Assets Invested in Capital Assets (Note 11)	13,844	-	(13,844)	-	-
Net Change in Internally Restricted Net Assets (Note 12)	-	24,488	(24,488)	-	-
Employee Future Benefits Remeasurements and Other Items (Note 10)	-	-	4,233	-	4,233
Endowment Contributions (Note 13)	-	-	-	5,973	5,973
Increase in Accumulated Investment Income on					
Externally Restricted Endowments (Note 13)	-	-	-	10,100	10,100
Internally Restricted Endowments (Note 13)	-	-	(12,611)	12,611	-
Other Transfers to Endowments (Note 13)	-	-	(4,853)	4,853	-
Net Assets, End of Year	700,812	196,829	(343,071)	445,165	999,735
			2022		
Net Assets, Beginning of Year	690,636	222,919	(368,365)	418,073	963,263
Deficiency of Revenues over Expenses	(31,649)	-	1,292	-	(30,357)
Net Change in Net Assets Invested in Capital Assets (Note 11)	59,844	-	(59,844)	-	-
Net Change in Internally Restricted Net Assets (Note 12)	-	(50,578)	50,578	-	-
Employee Future Benefits Remeasurements and Other Items (Note 10)	-	-	81,075	-	81,075
Endowment Contributions (Note 13)	-	-	-	6,350	6,350
Decrease in Accumulated Investment Income on					
Externally Restricted Endowments (Note 13)	-	-	-	(13,339)	(13,339)
Internally Restricted Endowments (Note 13)	-	-	4,044	(4,044)	-
Other Transfers to Endowments (Note 13)	-	-	(4,588)	4,588	-
Net Assets, End of Year	718,831	172,341	(295,808)	411,628	1,006,992

(See accompanying notes)

Statement 4

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

(in thousands of dollars)

	2023	2022
OPERATING ACTIVITIES		
Excess (Deficiency) of Revenues over Expenses	18,774	(30,357)
Add (Deduct) Non-cash Items:		
Capital Asset Amortization	53,712	53,618
Amortization of Deferred Capital Contributions	(21,849)	(21,969)
Decrease (Increase) in Unrealized Investment Income	(11,298)	22,657
Decrease in Unrealized Loss on Interest Rate Swaps	(1,174)	(3,722)
Employee Future Benefits Expense	25,392	32,832
Employee Future Benefits Contributions	(6,471)	(16,312)
Net Change in Other Non-cash Items (Note 17)	28,062	(26,641)
	85,148	10,106
FINANCING ACTIVITIES		
Repayment of Long-term Debt	(12,991)	(12,764)
Proceeds from Long-term Debt	30,000	-
Capital Contributions Received	14,286	16,054
Endowment Contributions	5,973	6,350
	37,268	9,640
INVESTING ACTIVITIES		
Net Sale (Purchase) of Investments	(77,970)	13,703
Purchase of Capital Assets	(45,139)	(63,134)
	(123,109)	(49,431)
Decrease in Cash and Cash Equivalents	(693)	(29,685)
Cash and Cash Equivalents, Beginning of Year	80,569	110,254
Cash and Cash Equivalents, End of Year	79,876	80,569

(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 16(a)).

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. Cash and cash equivalents held for investing for endowment and debt repayment purposes are classified as Short-term 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 pooled fund 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, comprised of interest, dividends and realized and unrealized gains (losses), and 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 20 other universities, of TRIUMF, Canada's national laboratory for particle and nuclear physics located on the University of British Columbia ("UBC") campus. TRIUMF is a joint venture and was an unincorporated registered charity prior to June 1, 2021. On June 1, 2021, TRIUMF transferred all of its assets and liabilities to TRIUMF Inc., a not-for-profit corporation. From that day onward, the University became a member of the corporation with the 20 other universities. Each university has an undivided 1/21 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 governments grants, and the University has made no direct financial contributions 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 16(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, Collections and Cloud Computing Arrangements

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.

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.

The University analyzes its cloud computing arrangements to determine if a software element in the arrangement is a software intangible asset. Any such asset is accounted for as a software intangible asset; if the software element is not an asset, the University accounts for it as a software service and expenses it as incurred. Expenditures on implementation activities that are directly attributable to preparing the software service for its intended use that do not give rise to a separate intangible asset are capitalized as an asset for implementation of software services; the asset for implementation of software services is expensed using the straight-line method over the expected period of access to the software service, which is estimated at six years.

(h) Recognition of Revenue

The University accounts for contributions, which include 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 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 became a member of the University Pension Plan Ontario ("UPP"), which is a multi-employer jointly sponsored, defined benefit plan effective July 1, 2021. The University does not recognize any share of the UPP's pension surplus or deficit as insufficient information is available to identify the University's share of the underlying pension assets and liabilities. It therefore, also accounts for its contributions to the UPP on a defined contribution basis. The University's contributions are expensed in the period they come due.

The University maintains defined benefit plans providing pension (Pre-UPP), other retirement and post-employment benefits for its employees and accounts for these using the immediate recognition approach. Under this approach, the University recognizes the amount of the defined benefit obligation net of the fair value of plan assets measured at the date of the Consolidated Statement of Financial Position. Current service and finance costs are expensed during the year, while remeasurements and other items, representing the total of the difference between actual and expected return on plan assets, actuarial gains and losses, net change in valuation allowance, and past service costs are recognized as a direct increase or decrease in net assets. The liability for unfunded plans is determined using accounting assumptions.

(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, assumptions used in the determination of the fair value of financial instruments where the values are based on non-observable inputs that are supported by little or no market activity, accrued liabilities, valuation of derivative financial instruments, obligations related to employee future benefits and the recording of contingencies. Actual results could differ from those estimates.

(l) Contributed Services and Materials

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

(m) Changes in Accounting Policies

During the year, the University adopted the amendments to accounting standards Section 3462, *Employee Future Benefits* ("Section 3462") and Section 3463, *Reporting Employee Future Benefits by Not-for-Profit Organizations* ("Section 3463"). These amendments remove the accommodation which allowed organizations, under certain conditions, to make an accounting policy choice to measure their defined benefit obligations using either an actuarial valuation prepared for accounting purposes or an actuarial valuation prepared for funding purposes. These standards now require the University to value its defined benefit obligations using an actuarial valuation prepared for accounting purposes. The only impact of the change in accounting policy is a change in the discount rate used to measure the University's defined benefit obligations as at May 1, 2022, which is recorded as a direct reduction to opening net assets of $46,337.

(in thousands of dollars)

Also, effective May 1, 2022, the University early adopted the new Accounting Guideline AcG-20, *Customer's Accounting for Cloud Computing Arrangements*. This new guideline provides guidance on both accounting for a customer's expenditures in a cloud computing arrangement and determining whether a software intangible asset exists in the arrangement. The University adopted the new AcG-20 retrospectively. In accordance with the transitional provisions and because the University does not apply the simplification approach, the University did not make any retrospective adjustments in respect of expenditures on implementation activities incurred in cloud computing arrangements prior to May 1, 2021. In addition to not applying the simplification approach, the University has also made an accounting policy choice to capitalize directly attributable expenditures on implementation activities when the arrangement is a software service. As a result of the adoption of this new AcG-20, salaries, other employee benefits and professional and externally contracted services expenses and net income for the year ended April 30, 2022 decreased by $3,498 and increased by $3,498, respectively, and the asset for implementation of software services and net assets invested in capital assets as at April 30, 2022 each increased by $3,498.

3. CASH AND CASH EQUIVALENTS

	2023	2022
Cash	76,326	75,739
Pooled Fund Cash & Cash Equivalents	3,550	4,830
	79,876	80,569

4. INVESTMENTS

(a) Details

	2023	2022
Short-term Investments	113,925	85,595
Long-term Investments:		
Fixed Income	278,176	243,690
Canadian Equities	72,158	80,341
U.S. Equities	111,063	120,710
Non-North American Equities	107,879	103,995
Pooled Funds - Emerging Markets Equities	50,716	25,833
Pooled Funds - Real Estate	30,277	5,258
Infrastructure Limited Partnership	22,811	22,215
	673,080	602,042
Total Investments	787,005	687,637

(b) Investment Income

	2023		
	Non-Endowed	Endowed	Total
Net Realized Investment Income	12,292	17,540	29,832
Net Increase in Unrealized Investment Income	4,305	15,766	20,071
	16,597	33,306	49,903
Increase in Accumulated Investment Income on Externally Restricted Endowments (Note 13)	-	(10,100)	(10,100)
Increase in Accumulated Investment Income on Internally Restricted Endowments (Note 13)	12,611	(12,611)	-
Investment Income Made Available for Spending (Note 13)	10,595	(10,595)	-
Net Investment Income Deferred	(2,030)	-	(2,030)
	37,773	-	37,773

(in thousands of dollars)

	2022		
	Non-Endowed	Endowed	Total
Net Realized Investment Income	9,500	27,682	37,182
Net Decrease in Unrealized Investment Income	(7,974)	(35,376)	(43,350)
	1,526	(7,694)	(6,168)
Decrease in Accumulated Investment Income on Externally Restricted Endowments (Note 13)	-	13,339	13,339
Decrease in Accumulated Investment Income on Internally Restricted Endowments (Note 13)	(4,044)	4,044	-
Investment Income Made Available for Spending (Note 13)	9,689	(9,689)	-
Net Investment Income Deferred	(2,944)	-	(2,944)
	4,227	-	4,227

(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.

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

	2023		2022	
	Notional Value	Fair Value	Notional Value	Fair Value
United States Dollar	18,887	(188)	23,679	(484)
Other	68	-	(249)	1
		(188)		(483)

(d) Uncalled Commitments

As at April 30, 2023, approximately 3.4% (2022 – 3.7%) 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, 2023, the University had uncalled commitments of $1,570 (2022 - $1,508).

5. CAPITAL ASSETS

	2023		
	Cost	Accumulated Amortization	Net Book Value
Land	256,559	-	256,559
Land Improvements	44,484	15,911	28,573
Buildings	1,351,425	442,326	909,099
Furniture and Equipment	214,753	141,461	73,292
Construction in Progress	19,463	-	19,463
Computer Equipment	17,172	15,270	1,902
Asset for Implementation of Software Services	9,140	1,585	7,555
Library Books	12,305	9,970	2,335
Art, Rare Books and Other Collections	1	-	1
	1,925,302	626,523	1,298,779

(in thousands of dollars)

	2022		
	Cost	Accumulated Amortization	Net Book Value
Land	256,559	-	256,559
Land Improvements	44,173	14,888	29,285
Buildings	1,300,174	411,429	888,745
Furniture and Equipment	214,467	142,360	72,107
Construction in Progress	50,576	-	50,576
Computer Equipment	17,466	14,436	3,030
Asset for Implementation of Software Services	3,547	49	3,498
Library Books	13,521	10,452	3,069
Art, Rare Books and Other Collections	1	-	1
	1,900,484	593,614	1,306,870

For the year ended April 30, 2023, the University expensed $1,605 (2022 - $724) for software services included in professional and externally contracted services expenses and capitalized $5,593 (2022 - $3,547) in directly attributable expenditures on implementation activities related to software services.

6. GOVERNMENT REMITTANCES

Accounts Payable and Accrued Liabilities include $720 (2022 - $706) with respect to government remittances payable.

7. LONG-TERM DEBT

(a) Details

	Interest Rate	Issue Date	Due Date	2023	2022
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	-	420
Toronto Dominion Bank	4.54%	10-Apr-08	10-Jan-23	-	200
Toronto Dominion Bank	3.47%	13-Mar-09	13-Dec-23	660	1,334
Royal Bank of Canada	4.50%	23-Mar-10	24-Mar-25	1,020	1,550
Royal Bank of Canada	4.57%	1-May-10	1-May-25	1,479	2,167
Bank of Montreal	7.88%	16-Oct-00	15-Jun-25	8,300	11,300
Royal Bank of Canada	3.84%	3-Oct-11	2-Oct-26	8,724	11,321
Royal Bank of Canada	2.96%	5-Sep-12	5-Sep-27	8,548	10,518
Canadian Imperial Bank of Commerce	3.73%	1-Oct-13	1-Oct-28	7,140	8,464
Royal Bank of Canada	2.19%	15-Sep-16	15-Sep-41	31,429	32,883
Royal Bank of Canada	4.02%	28-Apr-23	28-Apr-30	29,866	-
				97,166	80,157
				197,166	180,157
Current Portion				(12,707)	(12,753)
				184,459	167,404

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 $12,991 (2022 - $12,764) and incurred $8,892 (2022 - $9,473) in interest expense from long-term debt.

(in thousands of dollars)

The repayments required in the next five years and thereafter for long-term debt are summarized as follows:

	2024	2025	2026	2027	2028	after 2028	Total
Required Repayments	12,707	12,522	9,897	6,801	4,478	150,761	197,166

(b) Series A Unsecured Debenture

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

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

(c) Interest Rate Swaps

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

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

		2023		2022	
	Due Date	Notional Amount	Gain (Loss)	Notional Amount	Gain (Loss)
Toronto Dominion	20-Sep-22	-	-	419	(6)
Toronto Dominion	10-Jan-23	-	-	200	(3)
Toronto Dominion	13-Dec-23	666	8	1,333	(5)
Royal Bank of Canada	24-Mar-25	1,030	8	1,550	(25)
Royal Bank of Canada	1-May-25	1,483	13	2,151	(45)
Bank of Montreal	15-Jun-25	8,300	(262)	11,300	(828)
Royal Bank of Canada	2-Oct-26	8,820	120	11,340	(102)
Royal Bank of Canada	5-Sep-27	8,568	229	10,508	101
Canadian Imperial Bank of Commerce	1-Oct-28	7,150	90	8,450	(55)
			206		(968)

The decrease in unrealized loss of $1,174 (2022 – decrease of $3,722) is recorded in the Consolidated Statement of Operations.

The University applied hedge accounting for the interest rate swaps entered into with Royal Bank of Canada in fiscal 2017 and in 2023. The swap contract entered in fiscal 2017 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 $4,515 (2022 – $4,714) is not recorded in the Consolidated Financial Statements as at April 30th. The swap contract entered in fiscal 2023 has the effect of converting the floating rate of interest to a fixed rate of 4.02% on the original $30 million debt obligation. The swap matures on the maturity date of the debt and therefore the net change in the unrealized loss of $297 (2022 – $0) is not recorded in the Consolidated Financial Statements as at April 30th.

(in thousands of dollars)

8. DEFERRED CONTRIBUTIONS

Deferred contributions represent unspent externally restricted grants, donations and investment income for research and other purposes. Changes in the deferred contributions are as follows:

	2023	2022
Balance, Beginning of Year	228,450	236,378
Contributions Received During the Year	239,339	221,865
Contributions Recognized to Revenue During the Year	(222,600)	(229,793)
Balance, End of Year	245,189	228,450

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:

	2023	2022
Balance, Beginning of Year	407,882	413,469
Contributions Received During the Year	14,768	16,382
Amortization of Deferred Capital Contributions	(21,849)	(21,969)
Balance, End of Year	400,801	407,882

10. EMPLOYEE FUTURE BENEFITS

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

The assets and liabilities, including the pension obligations, of the University's registered pension plans ("RPPs") were transferred to the UPP as at July 1, 2021 (the "Effective Date"). As of the Effective Date, the accrual of benefits and contributions under the UPP commenced for members of the RPPs, all of whom have been transferred to the UPP, and benefits and contributions under the RPPs ceased. During fiscal 2021, the University amended the RPPs to allow for the July 1, 2021 transfer of assets and liabilities into the UPP and the subsequent termination of the RPPs. Two of the RPPs were terminated and the other is still open due to a windup surplus of $11,448 to be transferred to the University pending legislative process requirements. This balance is held in a separate trust, until all relevant legislative and legal requirements are determined and settled.

As at July 1, 2021, the University transferred $145.5 million in excess of its defined benefit obligations to the UPP. Due to the uncertainty around the ability of the University to fully realize the RPP's accrued benefit surplus in the future under the UPP, the funding excess is not reflected in the University's Consolidated Financial Statements, in accordance with Canadian GAAP.

Any pension surplus or deficit of the UPP is a joint responsibility of the members and employers for service after the transition date of July 1, 2021 and may affect future contribution rates for members and employers. The University remains responsible to fund any net pension obligations (determined based on the UPP actuarial assumptions) related to service up to the transition date of July 1, 2021, over 15 years. The net pension obligations may fluctuate in the future based on changes to the UPP's actuarial assumptions and for changes in experience in future periods, which will continue to be the responsibility of the University to fund for the first 10 years, after which the responsibility for such changes becomes gradually shared over the next 10 years with the other members of the UPP, after which the responsibility is totally shared with all members.

(in thousands of dollars)

Contribution rates are determined by the UPP Sponsors (representing employees and employers). The most recent actuarial valuation filed with pension regulators by the UPP as at January 1, 2022 indicated an actuarial surplus on a going concern basis of $1.2 billion. Contributions made to the UPP during the year are included in employee future benefits expense in the Consolidated Statement of Operations and amounted to $33,085 (2022 - $27,276).

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.

In addition to contributions to the UPP, employee future benefits expense for the year includes other benefits expense of $25,392 (2022 - $32,832). Remeasurements, which are recorded in the consolidated statement of changes in net assets, rather than in the Consolidated Statement of Operations, are as follows:

	2023	2022
Return on Plan Assets Greater than Discount Rate	(246)	(34,393)
Actuarial Gain	(3,987)	(74,461)
Transfer to UPP	-	145,479
Valuation Allowance	-	(116,637)
Effect of Valuation Allowance on Finance Cost	-	(1,063)
	(4,233)	(81,075)

The most recent actuarial valuations were prepared as at April 30, 2022 for unfunded pension arrangements and January 1, 2022 for the other benefits plan. The University measures its accrued benefit obligation (using a roll-forward technique from the most recent actuarial valuation) and the fair value of plan assets for accounting purposes as at April 30th.

The discount rate used for determining the defined benefit obligation at April 30th is 4.65% (2022 – 5.60%) for unfunded pension arrangements and 4.70% (2022 – 5.60%) for the other benefits plan. During the year, the University adopted the amendments in Section 3462 and Section 3463. As a result, the University revalued its defined benefit obligations using a discount rate appropriate under an accounting valuation at April 30, 2022, and immediately recognized the resulting actuarial loss of $46,337 at May 1, 2022. The revised discount rate for the accrued benefit obligation at April 30, 2022 and the benefit cost for 2023 was 4.55% for unfunded pension arrangements and 4.65% for the other benefits plan.

The assumed rate for dental inflation is 4.0% (2022 – 4.0%). The assumed rates for prescription drug costs inflation is 5.0% up to 2030, decreasing linearly to 4.0% in 2040 (2022 – same), and for other health care costs is 4.0% to 2025, 4.5% in 2026, 5.0% from 2027 to 2030, decreasing linearly to 4.0% in 2040 (2022 – same).

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

	2023	2022
Accrued Benefit Obligation	314,980	253,709
Fair Value of Pension Plan Asset	11,448	11,202
Funded Status - Deficit	(303,532)	(242,507)
Consolidated Statement of Financial Position		
Defined Benefit Asset	11,448	11,202
Defined Benefit Liability	(314,980)	(253,709)
Net Defined Benefit Liability	(303,532)	(242,507)

In addition to the plan assets, as at April 30, 2023, the University has internally restricted net assets of $10,558 (2022 - $15,763) for its UPP obligations and its other benefit plans (Note 12).

(in thousands of dollars)

11. INVESTED IN CAPITAL ASSETS

	2023	2022
Capital Assets (Net Book Value) (Note 5)	1,298,779	1,306,870
Less: Long-term Debt (Note 7 (a))	(197,166)	(180,157)
Deferred Capital Contributions (Note 9)	(400,801)	(407,882)
Invested in Capital Assets	700,812	718,831

Changes in Invested in Capital Assets are as follows:

	2023	2022
Capital Asset Amortization	(53,712)	(53,618)
Amortization of Deferred Capital Contributions	21,849	21,969
	(31,863)	(31,649)
Acquisition of Capital Assets	45,620	63,462
Repayment of Long-term Debt	12,991	12,764
Increase in Long-term Debt	(30,000)	-
Cash Contributions Received During the Year	(14,286)	(16,054)
Contributions of Depreciable Assets Received During the Year	(481)	(328)
	13,844	59,844
	(18,019)	28,195

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 of Governors.

	Balance, April 30, 2022	Transfer to (from) in year	Balance, April 30, 2023
Operating Fund Reserves			
Division Reserves	93,779	(298)	93,481
Central Operating Reserves	44,969	(10,622)	34,347
Guelph-Humber Internally Restricted	900	-	900
Self Insured Losses	1,000	-	1,000
Employee Benefit Reserves (Note 10)	15,763	(5,205)	10,558
	156,411	(16,125)	140,286
Capital Projects Reserves			
Capital Projects and Renovations	24,701	(38)	24,663
Internally Financed Projects	(127,804)	27,961	(99,843)
Funds Held for Debt Repayment (Note 7 (b))	26,043	3,225	29,268
Trust	38,020	6,849	44,869
Research	54,470	2,616	57,086
Other	500	-	500
	172,341	24,488	196,829

(in thousands of dollars)

13. ENDOWED NET ASSETS

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 2023, the allocation made available for spending was calculated as 3.5% (2022 - 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:

	2023		
	Externally Restricted	Internally Restricted	Total
Investment Income on Endowments	18,491	14,815	33,306
Less: Available for Spending (Note 4(b))	(8,391)	(2,204)	(10,595)
Increase in Accumulated Investment Income on Endowments (Note 4(b))	10,100	12,611	22,711
Endowment Contributions (Note 15)	5,973	-	5,973
	16,073	12,611	28,684
Transfers to Endowments	-	4,853	4,853
Net Increase in Net Assets	16,073	17,464	33,537
Net Assets, Beginning of Year	237,850	173,778	411,628
Net Assets, End of Year	253,923	191,242	445,165

	2022		
	Externally Restricted	Internally Restricted	Total
Investment Loss on Endowments	(5,057)	(2,637)	(7,694)
Less: Available for Spending (Note 4(b))	(8,282)	(1,407)	(9,689)
Decrease in Accumulated Investment Income on Endowments (Note 4(b))	(13,339)	(4,044)	(17,383)
Endowment Contributions (Note 15)	6,350	-	6,350
	(6,989)	(4,044)	(11,033)
Transfers to Endowments	-	4,588	4,588
Net Increase (Decrease) in Net Assets	(6,989)	544	(6,445)
Net Assets, Beginning of Year	244,839	173,234	418,073
Net Assets, End of Year	237,850	173,778	411,628

(in thousands of dollars)

14. ONTARIO STUDENT OPPORTUNITY TRUST FUNDS ("OSOTF") - PHASE I & PHASE II AND ONTARIO TRUST FOR STUDENT SUPPORT ("OTSS")

Externally restricted endowments, as described in Note 13, include grants provided by the Government of Ontario from the OSOTF Phases I and II and OTSS matching programs to award student aid as a result of raising endowed donations. Under terms of agreement with the Ministry of Colleges and Universities, note disclosure or separate audited year-end reports containing the information below are required.

	2023		
	OSOTF Phase I	**OSOTF Phase II**	**OTSS**
Endowment Funds, Beginning of Year	20,529	770	8,297
Donations	-	-	-
Endowment Funds, End of Year - Book Value	20,529	770	8,297
Expendable Funds, Beginning of Year	10,712	435	3,318
Contributions to Awards	1	-	-
Realized Investment Income	1,176	48	444
Bursaries Awarded	(991)	(41)	(387)
Expendable Funds, End of Year - Book Value	10,898	442	3,375
Number of Bursaries Awarded	*616*	*19*	*228*
Total Balance, End of Year - Book Value	31,427	1,212	11,672
Total Balance, End of Year - Market Value	34,013	1,377	12,858

	2022		
	OSOTF Phase I	**OSOTF Phase II**	**OTSS**
Endowment Funds, Beginning of Year	20,529	770	8,297
Donations	-	-	-
Endowment Funds, End of Year - Book Value	20,529	770	8,297
Expendable Funds, Beginning of Year	9,678	393	2,910
Contributions to Awards	1	-	-
Realized Investment Income	2,017	82	761
Bursaries Awarded	(984)	(40)	(353)
Expendable Funds, End of Year - Book Value	10,712	435	3,318
Number of Bursaries Awarded	*565*	*17*	*212*
Total Balance, End of Year - Book Value	31,241	1,205	11,615
Total Balance, End of Year - Market Value	32,689	1,324	12,372

15. DONATIONS

	2023	**2022**
Donations Received During the Year	36,747	38,916
Less: Donations Recorded as Endowment Contributions (Note 13)	(5,973)	(6,350)
Donations Recorded as Deferred Capital Contributions	(7,286)	(8,383)
Net Increase in Deferred Contributions from Donations	(5,774)	(6,478)
Donations Recognized as Revenue	17,714	17,705

(in thousands of dollars)

16. 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 $12,774 (2022 - $11,922), 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:

		2023	2022
Financial Position:	Total Assets	14,731	17,515
	Total Liabilities	3,338	4,825
	Total Net Assets	11,393	12,690
Results of Operations:	Total Revenue	33,172	33,427
	Total Expenses	25,880	24,215
	Excess of Revenue over Expenses	7,292	9,212

(b) TRIUMF

The following financial information for the year ended March 31st 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. Any differences in the reporting framework are not material to the University's Consolidated Financial Statements.

		2023	2022
Financial Position:	Total Assets	53,755	51,029
	Total Liabilities	11,266	10,338
	Total Net Assets	42,489	40,691
Results of Operations:	Total Revenue	101,155	98,605
	Total Expenses	99,356	103,404
		1,799	(4,799)

17. NET CHANGE IN OTHER NON-CASH ITEMS

	2023	2022
Accounts Receivable	8,368	(22,118)
Inventories and Prepaid Expenses	(1,150)	573
Accounts Payable and Accrued Liabilities	(2,277)	(1,909)
Deferred Revenue	6,382	4,741
Deferred Contributions	16,739	(7,928)
	28,062	(26,641)

18. COMMITMENTS

Costs to complete major capital projects in progress as at April 30, 2023 are estimated to be $24,703 (2022 - $26,803) and will be funded by government grants, gifts and University resources.

19. 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, 2023, 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, 2022, CURIE had an accumulated surplus of $97,444 (2022 - $105,790) of which the University's pro rata share is $3,306 (2022 – $3,607).

(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, 2023 the Guelph Cutten Fields has fully repaid all borrowings under this guarantee, so the balance outstanding is $nil (2022 – $94).

(e) The University has signed four letters of credit related to ongoing construction projects. At April 30, 2023, the total amount outstanding is $880 (2022 - $896) and all four letters of credit 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.

20. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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 direct and indirect (e.g., pooled funds) 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. The University manages foreign currency risk through monitoring activities. In the University's endowment fund investments, foreign currency exposure in the fixed income portfolio is fully hedged. The University also generally holds enough USD dollars to hedge against approximately one year of expenses that are payable in USD and will occasionally buy forward contracts to hedge this position.

(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 fixed and floating interest rate financial instruments. Fixed-interest instruments subject the University to a fair value risk while the floating-rate instruments subject it to a cash flow risk. The University mitigates interest rate risk on its term debt through derivative financial instruments (interest rate swaps) that exchange the variable rate inherent in the term debt for a fixed rate (see note 7). Therefore, fluctuations in market interest rates would not impact future cash flows and operations relating to the term debt. There have been no changes in interest rate risk exposure as compared to the prior year.

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. This risk is managed by having diversified investments and by ensuring the asset mix of each investment mandate is maintained within investment policy approved ranges for each investment asset category.

(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. Accounts payable and accrued liabilities are generally paid shortly after year end. For long-term debt, the University has established sinking fund investments to provide for cash flow requirements.

(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. The University's investment policies detail the objectives, management and guidelines of investment, as well as providing for an appropriate risk tolerance strategy.

21. COMPARATIVE NUMBERS

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