

UNIVERSITY OF GUELPH OMAFRA AGREEMENT

Annual Financial Report

Audited Financial Statements for the fiscal year May 1, 2013 to April 30, 2014





August 28, 2014

Independent Auditor's Report

To the Ministry of Training, Colleges and Universities

We have audited the accompanying statement of revenues and expenses for the year ended April 30, 2014 (the statement) of the University of Guelph (the organization) with respect to the OMAFRA program (the program) carried out in accordance with the agreement between the University of Guelph and the Ontario Ministry of Agriculture, Food and Rural Affairs dated April 1, 2008 (the agreement), and the related notes, which comprise a summary of significant accounting policies and other explanatory information. The statement has been prepared by management using the basis of accounting described in note 2.

Management's responsibility for the statement

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

Auditor's responsibility

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

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

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

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"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.



Opinion

In our opinion, the statement of the organization with respect to the program for the year ended April 30, 2014 is prepared, in all material respects, in accordance with the basis of accounting described in note 2.

Basis of accounting and restriction on distribution and use

Without modifying our opinion, we draw attention to note 2 to the statement, which describes the basis of accounting. The statement is prepared to assist the organization to comply with the financial reporting requirements of the agreement dated April 1, 2008 between the Ontario Ministry of Agriculture, Food and Rural Affairs and the organization. As a result, the statement may not be suitable for another purpose. Our report is intended solely for the organization and the Ontario Ministry of Agriculture, Food and Rural Affairs and should not be distributed to or used by parties other than the organization or the Ontario Ministry of Agriculture, Food and Rural Affairs.

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

UNIVERSITY OF GUELPH
ONTARIO MINISTRY OF AGRICULTURE, FOOD AND RURAL AFFAIRS AGREEMENT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE TWELVE MONTHS ENDED APRIL 30, 2014
(in thousands of dollars)

1. AUTHORITY AND PURPOSE

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES

These financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations ("ASNPO"), applied consistently within the framework of the accounting policies:

(a) Fund Accounting

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

(b) Recognition of Revenue

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

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

3. UNSPENT REVENUE

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

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(in thousands of dollars)

	<u>2014</u>	<u>2013</u>
Opening Balance	32,890	22,278
Funds Received	56,850	68,775
Expenditure	<u>(59,876)</u>	<u>(58,163)</u>
Ending Balance	<u>29,864</u>	<u>32,890</u>

4. MINOR CAPITAL REPAIRS

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

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

5. NEW INITIATIVE FUND

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

The \$56 million was expected to be utilized during the five year period starting May 2008 and ending April 2013. As of April 30, 2014, \$51,416 has been spent leaving a balance of \$4,584. It is now expected that the remaining \$4.6 million will be spent within the next two years.

The expenditures were spent in the following OMAFRA programs:

	<u>2014</u>	<u>2013</u>
Research	4,657	9,599
VCEP	496	495
Animal Health Lab	<u>184</u>	<u>1,711</u>
	<u>5,337</u>	<u>11,805</u>