University of Guelph

SUMMARY OF FINANCIAL RESULTS AND AUDITED FINANCIAL STATEMENTS

For the fiscal year May 1, 2007 to April 30, 2008

University of Guelph
SUMMARY OF FINANCIAL RESULTS
For the fiscal year May 1, 2007 to April 30, 2008

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The following report summarizes University financial results for the year ended April 30, 2008 (referred to as fiscal 2008). This report consists of two major sections. The first section is management's summary of major financial results for the year and in the second section are the audited financial statements for 2007/2008 including the report from the University's external auditor. The audited financial statements have been prepared under specific accounting principles that are set by the Canadian Institute of Chartered Accountants (CICA) for not-for-profit organizations.

The University of Guelph receives funds from a variety of sources. Many of these funds are restricted by the agency, organization or donor as to use and may not be used for general operating expenses. As a result, the University records its financial activities on a fund accounting basis where financial transactions are segregated according to major University activities, external restrictions on funding and the expendability of funds. (A fund is a self-balancing set of financial accounts including both balance sheet and income statements.) The University currently reports on five different funds: Operating, Capital, Ancillary Enterprises, Research and Trust and Endowment. A description of each of these funds can be found on Page 26.

A. FINANCIAL HIGHLIGHTS:

- In April 2008 a major multi-year agreement was signed between the University and OMAFRA (Ontario Ministry of Agriculture, Food and Rural Affairs). Under this renewal of a long standing relationship with OMAFRA, effective April 1, 2008 annual funding was increased by $21.3 million (to $76.1 million per year) for the next five years. $12.5 million of this annual increase is funded through a one-time payment of $56 million (received in April 2008) which will be disbursed, with interest, over the five year period ending in 2013. This new agreement is a significant commitment to the University (estimated at over $300 million in funding for the first five years, excluding the $56 million one-time funding) and will provide a major platform on which to further innovative research and education in agri-food, environmental sustainability, and animal and human health at the University and in the province of Ontario. In addition, as of April 1, 2008 the diploma education program, historically part of the agreement with OMAFRA, will be funded through MTCU (Ministry of Training Colleges and Universities) grants.

- The market value of University endowment funds experienced an overall annual decrease of 7% (from $184.9 million to $171.9 million), the combined result of a negative investment return of 8.8% partially offset by capital additions of $9.1 million. Market conditions in fiscal 2007/2008 were generally negative particularly in the US and international markets. The annual result will not mean annual spending from endowments will be reduced for established endowments[1].

- In fiscal 2008 provincial operating grants declined by $8.3 million relative to fiscal 2007. In March 2007 (the University's fiscal 2007), the province of Ontario distributed $210 million in one-time operating grants to the university sector resulting in a transfer of $12.7 million to the University of Guelph. The University used these funds to assist in covering expenses for the fiscal 2008 year. However given the on-going nature of most expense increases this relief was temporary and resources must be allocated from programs if a balanced budget is to be achieved. For the University, this has created a significant challenge in fiscal 2009 and beyond to maintain the quality of our programs and cover basic cost increases particularly related to compensation. Partially offsetting this reduction (relative to fiscal 2007) was

[1] *It is the University's policy to set annual spending rates at levels that not only maintain annual spending but protect spending levels against the impact of inflation over the long term. For example, the annual spending limit for the General Endowment Fund is set at 4.5% of the four year average endowment balance. The annual fluctuations of actual returns relative to this rate are added to endowment balances. Refer to section D*

funding of $4.4 million as a result of the University's success to meeting its targets for graduate enrolment growth (the province funded this growth up to pre-approved targets) and a one-time operating grant of $3.3 million received in March 2008.

- In fiscal 2008, post-employment benefits (pension and non-pension) continued to have a significant financial impact on the University in several ways. Non-pension post-retirement (health and dental coverage) expenses and liabilities continued to increase. While the actual employer cash contributions for these plans were $3.8 million (a 12% increase over fiscal 2007), the accounting expense and associated liabilities increased 36% from $23.7 million to $32.2 million and 30% from $93.9 million to $122.1 million respectively. Based on projections (best estimates of usage and price increases) used in the accounting assumptions, significant increases in cash requirements will be necessary in future years to meet these obligations. The major driver of cost increases of these plans are the increasing costs for prescription drugs. The administration of these plans is under regular review in order to find opportunities for increased efficiencies within the context of current negotiated contracts.

  University sponsored pension plans are the other major component of post-employment benefits. Contributions made by the University to its three defined benefit plans totaled $59.3 million in fiscal 2008 ($27.3 million in fiscal 2007). These cash contributions were required as a result of a formal actuarial valuation as of August 1, 2007. The next required valuation is August 1, 2010.

- Spending for the University's capital acquisitions continued at significant levels ($54.3 million) under a number of major programs including a Board of Governor's approved 5-year program (2007-2011 Capital Renewal Financing Plan) for critical building infrastructure and maintenance investments. The current plan will see an estimated $120 million in expenses and estimated borrowing of up to $65 million. The projected borrowing is significantly below initial estimates (of $90 million) due to a combination of cost containment and one-time additional funding from MTCU. This funding consists of one-time grants received from MTCU for campus renewal: $8.1 million received in fiscal 2008 and in June 2008 (fiscal 2009) a further $11 million. Both amounts were used to reduce borrowing relative to the original 5-year plan.

- The success of the University's joint venture with Humber College Institute of Technology and Advanced Learning (referred to as the University of Guelph-Humber) continues to yield significant revenues for both partners. In fiscal 2008 Guelph-Humber earned $8.7 million in net revenues (50% of which is the University's share), returning $4.4M to the University in fiscal 2008 for a total net return of $5.2M since operations commenced in 2002.

Comparative Financial Indicators:

Table A presents some major University statistics (financial and other) over the past five years. As noted in section A, the 2008 University's financial position has been impacted by capital acquisition programs, the increasing costs of compensation including post-employment benefits and a loss in provincial operating support relative to 2007. The balance of this report will discuss these impacts as well as significant events that occurred in fiscal 2008 and are reflected in the 2008 audited financial statements.

Comparative University Financial Results Fiscal 2004 - 2008 **Table A**

	2004	2005	2006	2007	2008
Enrolment - University Degree Programs (FTEs)	17,247	17,653	17,538	18,286	18,298
Faculty and Staff (Regular Budgeted Positions)	2,849	2,952	2,902	2,922	2,963
Revenues and Expenses:					
Total Revenues ($M)	$ 472.1	$ 493.9	$ 503.9	$ 560.5	$ 569.3
Total Expenditures ($M)	$ 486.7	$ 511.1	$ 514.7	$ 563.4	$ 581.4
Annual Surplus/(Deficit) ($M)	$ (14.6)	$ (17.2)	$ (10.9)	$ (2.9)	$ (12.2)
Revenue year-over-year change	6%	5%	2%	11%	2%
Revenue Mix (% of Total Revenues)					
Provincial MTCU	27%	27%	28%	28%	26%
Tuition	18%	18%	18%	17%	18%
Endowment & Donations	2%	2%	3%	2%	2%
Expenditure year-over-year change	9%	5%	1%	9%	3%
Expense Mix (% of Total Expenses)					
Salaries	48%	49%	48%	46%	48%
Benefits	13%	12%	14%	14%	13%
Capital and Capital Debt:					
Total Debt	$ 164.7	$ 161.2	$ 158.6	$ 159.3	$ 167.7
- Total Debt per FTE ($)	*$ 9,549*	*$ 9,132*	*$ 9,043*	*$ 8,712*	*$ 9,162*
% Debt Service to Revenue	3.0%	2.9%	2.6%	3.0%	2.4%
% Debt to Revenue	34.9%	32.6%	31.5%	28.4%	29.4%
Interest Coverage Ratio [1]	1.01	0.90	1.61	2.46	1.56
Capital Acquisitions ($M)	$ 88.3	$ 80.4	$ 100.7	$ 68.7	$ 54.3
Provincial Capital Grants ($M)	$ 2.2	$ 10.5	$ 26.7	$ 2.3	$ 9.7
Endowments:					
- Externally Restricted ($M)	$ 115.9	$ 129.8	$ 143.2	$ 162.3	$ 151.9
- Internally Restricted ($M)	$ 23.6	$ 19.9	$ 20.9	$ 22.6	$ 20.0
Total Endowment Assets - Market Values	$ 139.5	$ 149.7	$ 164.2	$ 184.9	$ 171.9
- Total Endowment per FTE ($)	*$ 8,088*	*$ 8,480*	*$ 9,362*	*$ 10,111*	*$ 9,396*
Post-Employment Benefits:					
Pension Plans - Funded Status Surplus/(Deficit)	$ (55.0)	$ (103.6)	$ (148.5)	$ (71.4)	$ (121.6)
Other Benefit Plans -Funded Status Surplus/(Deficit)	$ (131.2)	$ (152.8)	$ (181.7)	$ (237.0)	$ (250.0)
Latest Valuation Date - Registered Plans	Sep-03	Sep-03	Sep-03	Sep-06	Aug-07
Latest Valuation Date - Other plans	Jan-04	Jan-04	Jan-04	Jan-07	Jan-07

1) Interest Coverage Ratio is the net surplus/deficit excluding interest expense and amortization of capital contributions and depreciation, divided by interest expense.

OPERATING RESULTS:

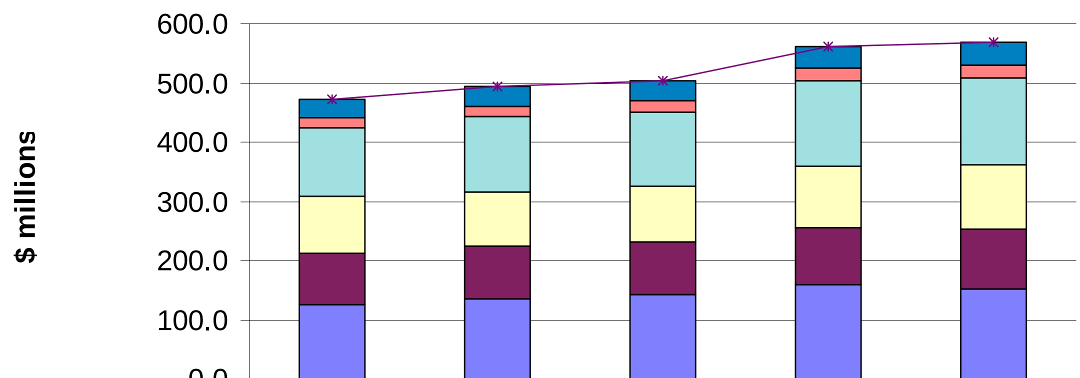
B. REVENUES:

B.1 Five-Year Revenue Summary:

University revenue from all sources was $569.3 million, an increase of 1.6% or $8.8 million from fiscal 2007 ($560.5 million). Refer to Graph A. All major categories of revenue increased with the exception of provincial grants from the Ministry of Training, Colleges and Universities (MTCU). Since fiscal 2004, overall University revenues have grown by 20% or $97.2 million. 58% of this increase occurred in one fiscal year, fiscal 2007, when a combination of one-time provincial operating grants, enrolment revenues and research activity occurred. The following section (B.2) provides details on major revenue changes between fiscal 2007 and fiscal 2008.

Graph A

University Revenues
All Funds/Sources



	2003/2004	2004/2005	2005/2006	2006/2007	2007/2008
Other	31.3	34.1	35.0	35.5	39.9
Amort. of Deferred Capital	16.6	17.0	18.7	20.9	21.6
Other Grants and Contracts [1]	115.6	127.5	124.3	144.0	146.4
Sales of Goods and Services	95.4	91.5	95.5	104.2	107.4
Tuition	86.8	88.8	88.7	96.5	101.5
Provincial MTCU	126.4	135.0	141.7	159.4	152.5
Total	472.1	493.9	503.9	560.5	569.3

[1] ***For this graph, "Other Grants and Contracts" include provincial funding received from OMAFRA***

B.2 Fiscal 2008 Revenues Compared to fiscal 2007:

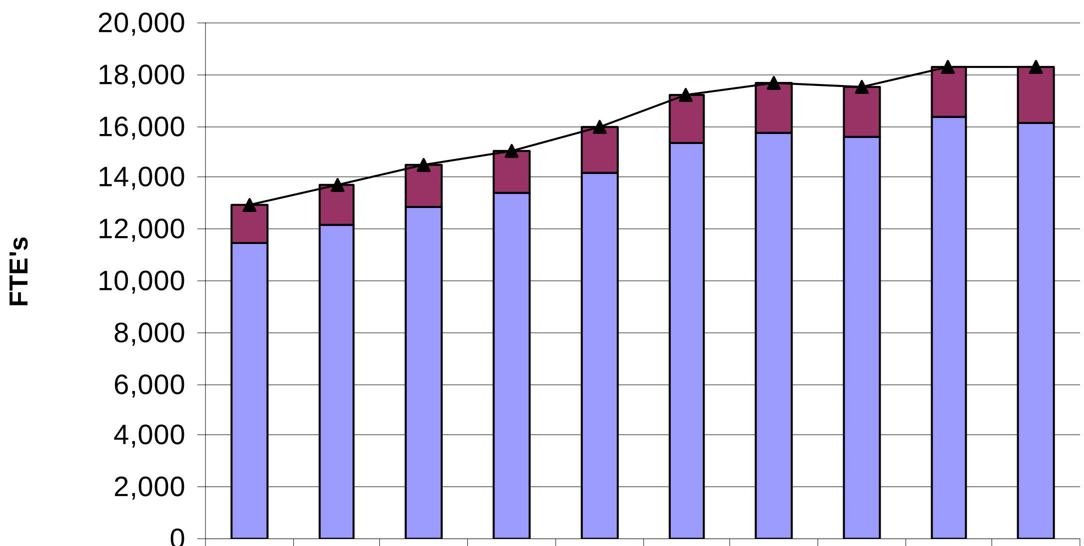
- **Provincial MTCU** grants (operating and capital combined) decreased by $6.9 million or 4.3%. The allocation of one-time operating grants of $12.7 million received from MTCU in April of 2007 as part of a university-sector wide general allocation was not repeated in 2008. This loss was partially offset by additional $4.4 million received under the Graduate Accessibility program (funds received for realizing additional graduate enrolments), a one-time year end transfer of $3.3 million for "quality" enhancements and new MTCU one-time capital funding restricted for campus facilities renewal projects.

- **Tuition Revenue** (18% of total revenues) increased by $5.0 million or 5.2% to $101.5 million. Tuition Revenue consists of revenues earned for both credit ($91.7M) and non-credit ($9.8M) courses. In fiscal 2008, non-credit courses included a wide variety of programs ranging from general continuing education to OMAFRA diploma and professional certification programs. (Non-credit courses and international student enrolments are not eligible for grant funding support from MTCU.)

Tuition revenue earned from MTCU credit-course revenues increased by $4.5 million or 5.2% to $91.7 million, mainly as a result of tuition fee increases in accordance with MTCU guidelines and Board approvals. In 2008, total enrolment remained almost unchanged with a slight increase of 0.3% to 18,298 FTEs (Full-Time Equivalents). Refer to Graph B. This overall increase was the net effect of greater graduate enrolment partially offset by a small decline in undergraduate enrolment. The University experienced a growth of approximately 250 graduate students. Accompanying these students, were additional costs associated with teaching, a variety of support services and student assistance. These changes were planned as part of the University's response to increased provincial funding for graduate enrolment, and multi-year planning under the University's Integrated Planning process. Non-credit tuition revenue increased by $0.5 million or 5.4% compared to the previous year reflecting a general increase in numbers and rates charged across a large variety of programs/courses.

Graph B

Fall Full-Time Equivalent (FTE) Enrolment



	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Graduate	1,519	1,547	1,619	1,668	1,783	1,890	1,958	1,949	1,946	2,201
Undergraduate	11,452	12,173	12,855	13,388	14,153	15,357	15,730	15,589	16,340	16,097
Total	12,971	13,719	14,474	15,056	15,936	17,247	17,653	17,538	18,286	18,298

- **Other Grants and Contracts (Including provincial funding from OMAFRA[2]):** Provincial funding recognized under the contract with OMAFRA (9% of total University revenues) increased by $0.1 million to $55.0 million reflecting an increase in provincial cash spent[3] by operating units. (On April 1, 2008 a multi-year agreement with OMAFRA became effective in which annual provincial funding will increase by an estimated $21.3 million. The impact of this increase in provincial funding will not be fully reflected in financial results until fiscal 2009.).

  The balance of spending in this category is predominantly related to funding received from a variety of organizations in the form of **restricted** research contracts and grants. Although reported as one funding category, research activities are comprised of about 5,000 individual accounts that record both revenues and expenses for each grant, contract or specific purpose grant. Major sources of research funding include federal research grants such as the Tri-Councils,[4] CFI (Canada Foundation for Innovation), and provincial infrastructure funding under a variety of programs and contracts from industry for sponsored-research projects. (Research funds and related expenses restricted for capital purposes are reported under the Capital Fund.)

  Total University research funds allocated to departments was $137.7 million in fiscal 2008 ($128.4 million in 2007). Refer to Graph C. When compared to 2007, increased research funding in fiscal 2008 was due mainly to additional funding received from Ontario Ministry of Research & Innovation and Ontario Ministry of Agriculture, Food and Rural Affairs. Of the total research funding allocated, $38.4 million was recorded in the Operating Fund as part of the agreement with the Ontario Ministry of Agriculture, Food and Rural Affairs. The balance of the funding ($99.3 million compared to $92.7 million in fiscal 2007) was received largely from external sponsors as restricted revenue[5] for both operating and capital purposes.

  Federal funding shows a small decline in allocations to departments for spending. This reflects a delay between funding received from NSERC and the internal release of these funds for spending. This is due to the implementation of additional complex reporting, and protocol requirements of the tri-councils. (Funds are not released by the University to departments until these requirements are met). NSERC awards earned by University of Guelph researchers show a modest but steady increase on a year over year comparison. Research funding at the University continues to grow in all other categories. For fiscal 2008 projections are that there will be major increases due to both higher NSERC allocations and the impact of the new OMAFRA agreement.

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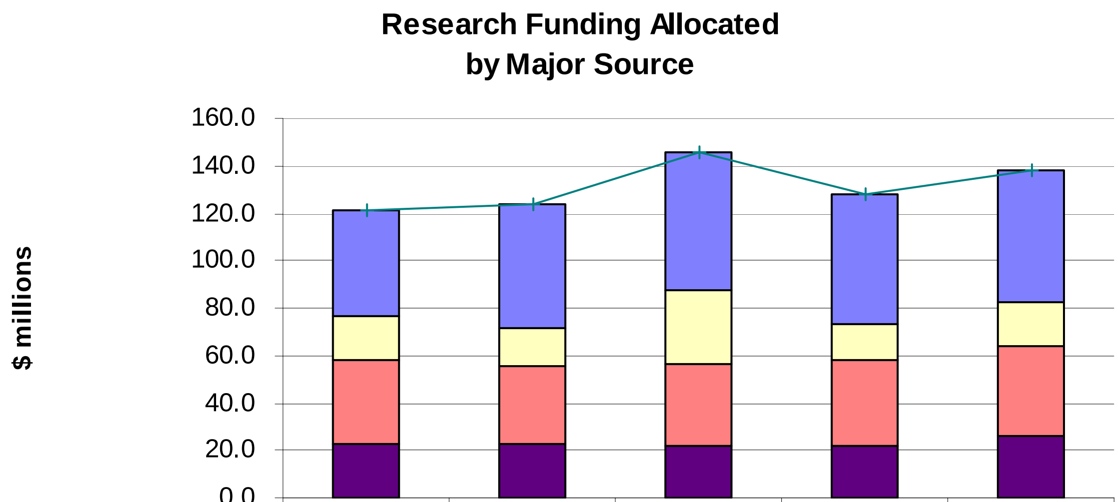
[2] *OMAFRA agreement activities at the University have two sources of funding: funds from the province and general revenue earned at facilities supported under the agreement. These general revenues are derived mainly from the sale of produce, tuition (diploma) revenues and laboratory fees. Since fiscal 2000, these non-provincial sources of revenue have grown significantly, and now provide 37% of funding under the agreement (as compared to 22% in 2000). General revenues earned under the agreement with OMAFRA are recorded on these statements in the appropriate category such as Tuition, Sales of Goods and Services or Other Revenue.*

[3] *Because of the restricted nature of provincial funding under the contract with OMAFRA, recognition of revenue from provincial funds occurs only as these funds are spent. Unused provincial funds are recorded as deferred revenue on the University's balance sheet until required. Under the terms of the agreement, OMAFRA revenues and expenses are treated as a separate restricted account within the Operating Fund and must be fiscally balanced. It therefore has no direct financial impact on the net income of the Operating Fund. For detailed results of the OMAFRA agreement see Schedule 3 on Page 44 of the annual audited financial statements*

[4] *Includes NSERC (Natural Sciences and Engineering Research Council), SSHRC (Social Sciences and Humanities Research Council),CIHR (Canadian Institute of Health Research), CRC's (Canada Research Chair), and NCE's (Networks of Centres of Excellence)*

[5] *Research funding is restricted for specific purposes mainly by external sponsors, and under CICA accounting principles, cannot be recognized as revenue in the financial statements until the designated expenses are incurred. Therefore, while actual funding (cash) may be received in a fiscal year, it may not be recognized or recorded as revenue until future years. In the interim, the funding is recorded as a Deferred Contribution on the University's Statement of Financial Position (refer to page 28 for the accounting policy on revenue recognition.)*

Graph C



	2004	2005	2006	2007	2008
Federal	44.7	52.4	57.8	55.4	54.9
Other Ontario	18.7	16.1	30.9	15.0	18.7
OMAFRA	35.2	33.0	34.4	35.7	38.4
Other	22.6	22.5	22.3	22.3	25.7
Total	121.2	124.0	145.4	128.4	137.7

- **Sales of Goods and Services** (19% of total revenues) include fees charged for services by Ancillary units (e.g., food, residence, parking services) and under the OMAFRA Agreement (e.g., laboratory testing services). This category increased by $3.2 million or 3.1%, the largest component being a $2.2 million combined increase in Hospitality (food) and Student Housing revenues. Increases in revenues were primarily the result of general price increases used to cover the cost of the delivery of goods and services. The balance of $1.0 million in net increases was the result of a large variety of activities such as user fees charged for OVC (Ontario Veterinary College) teaching hospital services particularly the small animal clinic, as well as laboratory fees, printing, and recovery of miscellaneous service costs.

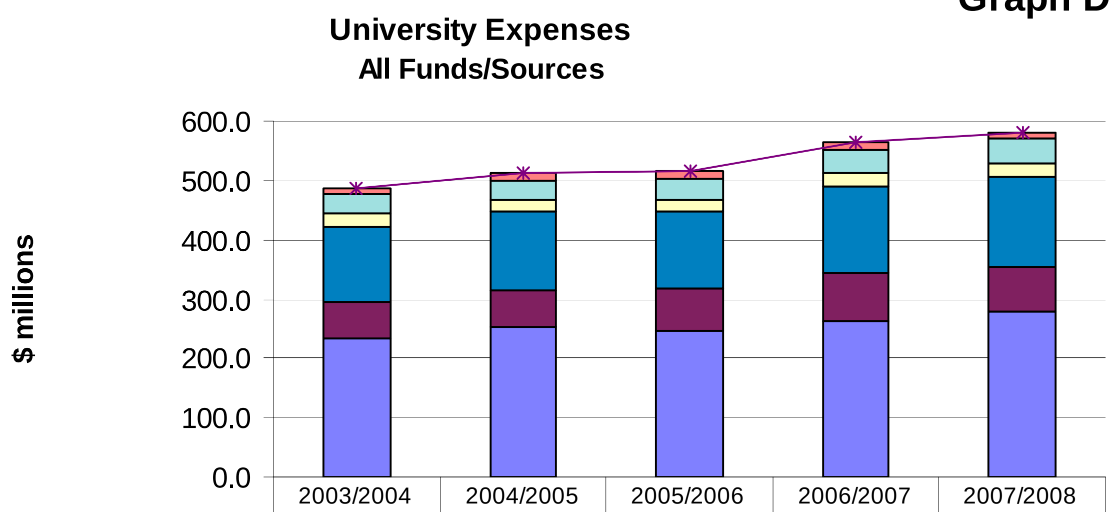
- **Other Revenues:** Increased by $3.4 million or 17.1%. $4.4 million of this increase came from our 50% share in the operations of the University of Guelph-Humber joint venture. A variety of other revenue accounts had some small decreases for a total of $1.0 million.

C. EXPENSES:

C.1 Five-year Expense Summary:

University expenses which totalled $581.4 million increased 3.2% or $18 million from fiscal 2007 ($563.4 million). Refer to Graph D.

Graph D



	2003/2004	2004/2005	2005/2006	2006/2007	2007/2008
Interest	10.8	10.7	10.5	10.6	12.2
Capital Asset Amortization	31.4	33.2	35.9	39.4	39.9
Scholarships and Bursaries	22.9	20.7	19.9	22.9	24.3
Operating	126.9	133.4	131.6	147.8	152.1
Benefits	62.5	61.5	71.3	81.4	74.7
Salaries	232.2	251.6	245.5	261.2	278.2
Total	486.7	511.1	514.7	563.3	581.4

C.2 Fiscal 2008 Expenses Compared to Fiscal 2007:

- **Salaries** (48% of total expenses) In fiscal 2008, the University's total salaries increased by $17.0 million or 6.5%. The increase was due to both the impact of negotiated salary increases for various employee groups and additional hiring including faculty positions for graduate enrolment growth across colleges and additional positions funded from increased research activity.

- **Benefits** (13% of total expenses[6]) decreased by $6.7 million to $74.7 million or 8.3%. The employer costs of benefits are now 26.8% of salaries (31.2% in fiscal 2007). Refer to Graph E. The largest component of employer benefit costs are those for post-employment (pension, health and dental).

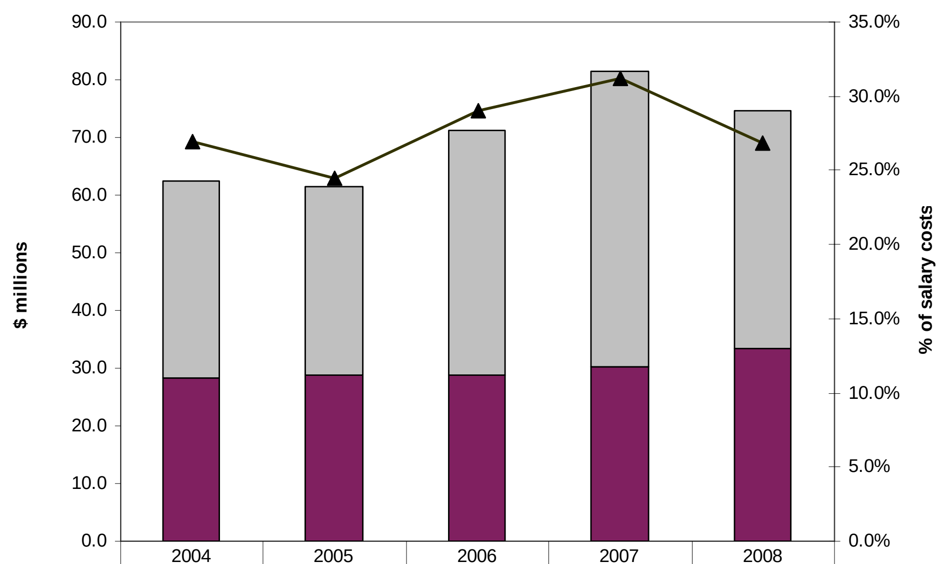
  In fiscal 2008, non-pension post employment expenses and liabilities continued to increase (expenses increased 36% from $23.7 million to $32.2 million; liabilities increased 30% from $93.9 million to $122.1 million).

[6] *For audited statement purposes, all employer future obligations for employee post-employment benefits are accounted for as they are earned (accrued), not as they are actually paid (cash). While application of this standard can create significant changes in accounting expense from year to year (it is dependent on financial market conditions at the time the expense is calculated) the accounting expense is a current reflection of future cash requirements.*

Pension expense however recorded a decrease of $16.3 million. This is a reflection of a number of factors primarily the impact of major cash contributions ($59.3 million in fiscal 2008 and $27.3 million in fiscal 2007) and the asset returns of the prior years[7]. Refer to Schedule 4 - Employee Future Benefits on Page 45 for additional details.

Graph E

Benefits Accounting Expense as a Percentage of Salaries



	2004	2005	2006	2007	2008
Post-Employment	34.2	32.8	42.4	51.1	41.2
Current Annual	28.3	28.7	28.9	30.3	33.5
% of Salaries	26.9%	24.4%	29.0%	31.2%	26.9%

On a purely cash basis, total payments for benefits increased by $35.8 million from $61.0 million in fiscal 2007 to $96.8 million in fiscal 2008 – a 58.7% increase consisting of:

- $3.2 million for non post-employment (statutory and negotiated) employer benefit costs, an increase of 10.6% to $33.5 million.
- $32.6 million in increased contributions for post-employment liabilities (from $30.7 million in fiscal 2007 to $63.3 million in fiscal 2008). The major component was an increase of $32.0 million in employer contributions for pension plans (totaling $59.3 million) required as a result of the actuarial valuation[8] performed at August 1, 2007. Cash contributions for non-pension post-employment costs increased from $3.4 million in 2007 to $4.0 million in 2008.

- **Operating Expenses** (25% of total expenses) increased by $4.3 million or 2.9%. About half of the increase was costs associated with minor (non-capital) renovations and repairs. Utilities costs for the University increased by $0.5 million over last year. The balance is made up of minor changes across all funds.

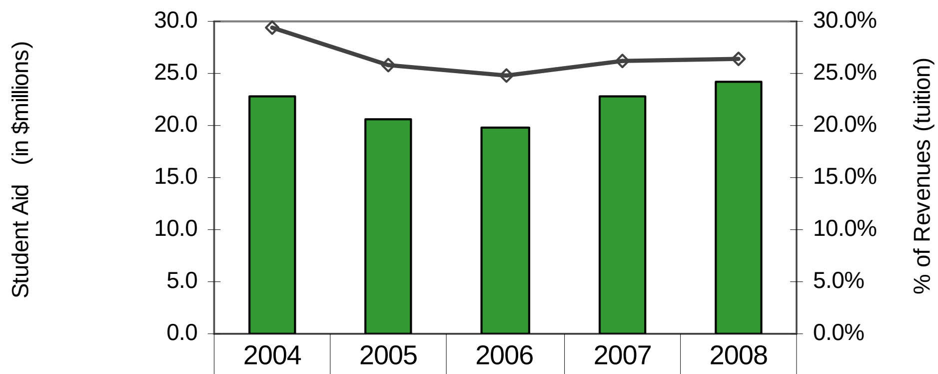
[7] *Under accounting policy, assets gains and losses are recorded on a slip year basis. Therefore fiscal 2008 reflect the 2007 investment gain in assets and 2009 will record the 2008 investment loss. For fiscal 2009 projected pension expenses are currently projected to be $25.8 million.*

[8] *Note: the actuarial valuation is a requirement under the Pensions and Benefits Act of Ontario for all sponsors of registered pension plans. As plan sponsor, the University is required to fund any deficits in the plans using actuarial methods determined appropriate for defined benefits plans by provincial legislation and regulators e.g., Financial Services Commission of Ontario.*

- **Scholarships and Bursaries**: Total University spending on Scholarships and Bursaries increased by $1.5 million or 6.4% to $24.3 million ($22.9 million in fiscal 2007). Refer to Graph F. Scholarships and Bursaries have two main sources of funding: the Operating Fund and externally restricted funds, e.g., grants, donations and endowments. The greater part of the increase in 2008 was within the Operating Fund ($1.0 million of $1.5 million). This increase reflects the increased number of graduate scholarships awarded as a result of new graduate awards programs introduced to support graduate enrolment growth in fiscal 2008. Student aid funding is now approximately 26.6% (26.3% in 2007) of total credit tuition revenues. Of the $24.3 million, 53% is funded from the Operating Fund and 47% from trust (restricted) funds, including endowments.

Graph F

Student Aid: Scholarships, Bursaries As a Percentage of Tuition Revenue (Credit)



	2004	2005	2006	2007	2008
Student Aid	22.9	20.7	19.9	22.9	24.3
% of Revenue	29.4%	25.8%	24.8%	26.3%	26.5%

- **Capital Asset Amortization:** In accordance with CICA accounting principles, the cash costs of major acquisitions, such as equipment and buildings are not charged to expense as they occur but over the expected useful life of the related asset. (Refer to note 2 (h) on Page 28 of the financial statements for the specific policy). The charge to expenditures is called amortization. In fiscal 2008 this charge increased by $0.5 million or 1.3% over 2007 as a direct result of capital acquisitions (equipment, buildings and major renovations). Refer to the section on the Capital fund on Page 14.

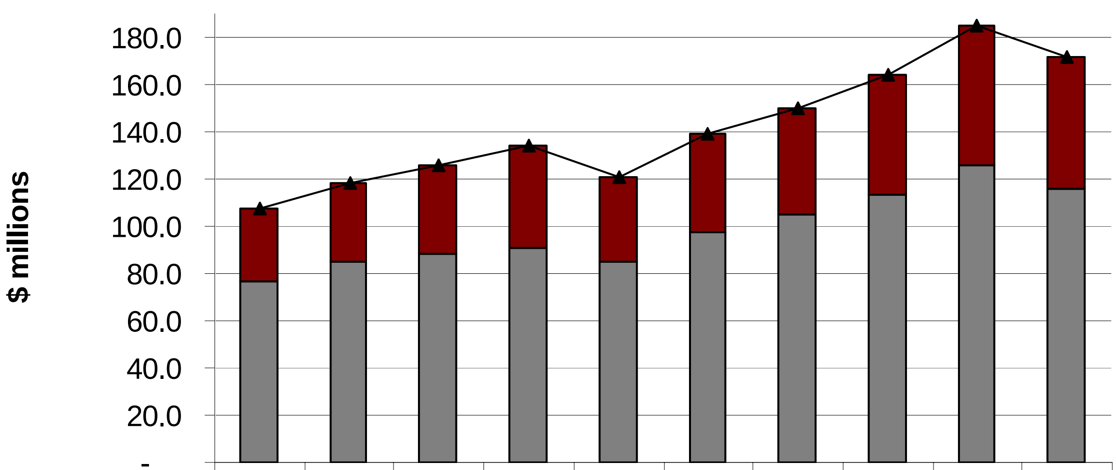
D. ENDOWMENTS:

The Endowment Fund (total investments of $171.9 million, market value) is composed of restricted segregated funds provided by external benefactors or established by the Board of Governors. Under University policy, only accumulated investment income earned on these funds, after having provided for inflation protection, and in specific cases, growth, may be expended for the designated purpose. While all University endowments are pooled for investment purposes, there are two major endowment funds with different spending objectives; the Heritage Fund[9] (investments of $55.7 million) and the General Endowment Fund (investments of $116.2 million). Refer to Graph G.

In total, the market value at April 30th of all endowment investments had decreased by $13.0 million or 7.0% from $184.9 million in 2007 to $171.9 million in 2008. The decrease in market value is the result of negative investment returns of 8.8% (positive 12.8% in fiscal 2007) partially offset by capital additions of $9.1 million, net of funds required for disbursements.

Graph G

University Endowment Assets
Market Values at April 30th



	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Heritage	31.1	33.1	38.2	42.8	36.0	41.6	45.0	50.7	58.7	55.7
General	76.5	85.4	87.9	91.0	84.7	97.9	104.7	113.5	126.2	116.2
Total	107.6	118.5	126.1	133.8	120.7	139.5	149.7	164.2	184.9	171.9

[9] *The **Heritage Fund** was created in 1991 by a declaration of trust of the Board of Governors with the intention that the capital of the fund be held in perpetuity for University strategic purposes. The main sources of growth for the fund are proceeds of University real estate sales, leases from Board-designated properties and investment income earned on the capital of the fund. Distributions from the fund are made in accordance with a formula based on a five-year average of market returns after providing for inflation protection and growth. Management of the fund was delegated by the Board of Governors to the Board of Trustees.*

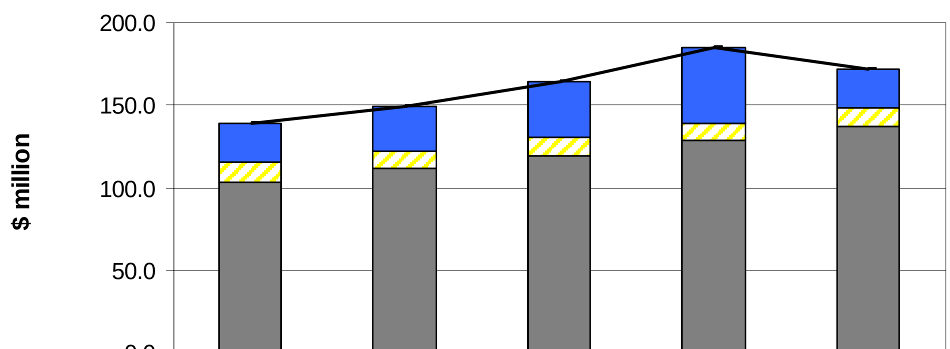
Endowment Fund Net Assets: Endowment Net Assets record the impact to the Endowment Fund of investment income and net funds flow due to donations and disbursements. Endowment Net Assets for fiscal 2008 decreased by $15.2 million (positive $22.9 million in fiscal 2007). This net decrease consisted of:

- An increase of $4.1 million ($3.1 million in 2007) transferred to the Heritage Fund from real estate net proceeds;
- An increase of $5.0 million ($5.6 million in 2007) in additional capital, mainly from donations, received during the year;
- Offset by a decrease of $24.3 million (versus $14.2 million investment income added in 2007) allocated from prior years' investment income to cover the investment loss and to provide for spending

In managing all endowments, the University uses long-term investment assumptions in which investments are averaged over a moving four or five year (Heritage Fund) period in determining both investment performance and disbursement targets. For example, the annual spending rate of the General Endowment Fund is restricted (4.5% in fiscal 2008). The difference between actual returns and the spending rate is accumulated each year in the endowment fund to provide for capital protection, growth, and if required, to supplement annual returns to meet the annual disbursement targets. Total 2008 investment income (realized and unrealized) from all endowments was a negative $17.3 million, reflecting annual investment returns (compared to a $20.5 million positive return in 2007). In fiscal 2008, in accordance with the University's spending policy, approximately $7.0 million of the total accumulated investment earnings were made available for disbursement. The total of negative return ($17.3 million) and funds made available for spending under current policies ($7.0 million) was $24.3 million which will be charged to the accumulated earnings from prior years. Graph H shows the combined allocation of University endowments. The portion referred to as "Capital Appreciation" is the accumulated net investment gain that assists in providing inflation protection and maintaining stable spending despite volatility in annual investment returns.

Graph H

Allocation of University Endowment Investments
(Including Heritage and General Endowment Funds)



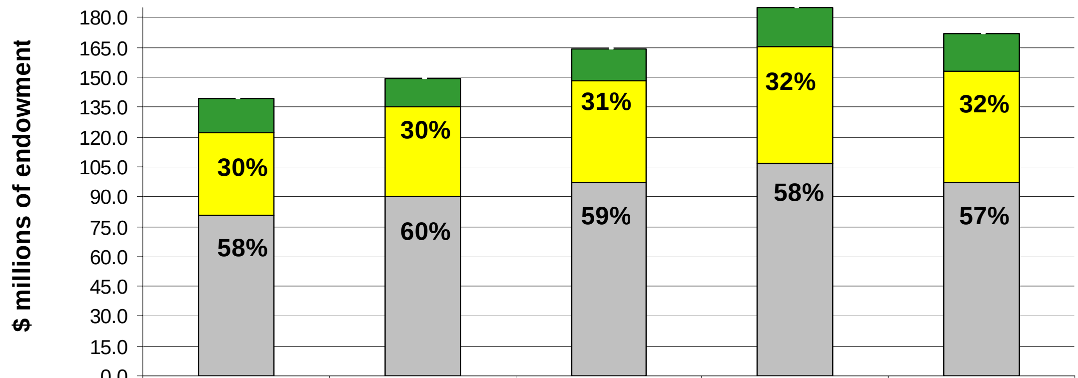
	2004	2005	2006	2007	2008
Capital Appreciation	24.0	27.3	34.0	45.7	23.3
Funds Available	12.2	10.8	10.6	10.9	11.3
Donated Principal	103.2	111.6	119.6	128.3	137.3
Total	139.4	149.7	164.2	184.9	171.9

Note: "Funds Available" are calculated in accordance with endowment policy: Any unspent funds are accumulated for future years as "Capital Appreciation".

Approximately 57% of all University endowments are allocated to student assistance. Refer to Graph I. The balance of endowments are those included in the Heritage Fund and "other' which includes research and a small number of general endowments in support of a variety of designated purposes.

Graph I

Allocation of University Endowments



	2004	2005	2006	2007	2008
Other	17.5	14.5	16.2	19.2	18.7
Heritage	41.6	45.0	50.7	58.7	55.7
Student Aid	80.4	90.2	97.3	107.0	97.5
Total	139.5	149.7	164.2	184.9	171.9

E. CAPITAL AND LONG-TERM DEBT AND INTEREST:

Capital Contributions and Acquisitions: The following is a description of the major capital activity that occurred during the year. Although this activity is not apparent in the audited financial statements, it is reflected in the cash flow and the additions and deletions related to capital assets. Capital Contributions are funds designated by either external restriction or Board of Governor's approval for capital projects. Capital Acquisitions are major building/renovation projects and equipment purchases including projects in progress (not complete).

In the fiscal 2008 financial statements**,** the net book value of capital assets increased by $14.4 million ($29.3 million in 2007), reflecting expenditures on capital and project-in-progress in several building/renovation projects of $54.3 million ($68.7 million in 2007; refer to Graph J) less capital asset amortization of $39.9 million. These acquisitions will be funded through a combination of new debt, external grant or contract funding, donations, student residence user fees and designated funds in the University's Operating Budget.

- **Capital Contributions received (total $28.5 million):**
  - $1.6 million ($1.6 million in 2007) in facilities renewal grants were received from MTCU. The contribution is restricted for deferred maintenance repairs and renovations for the campus physical plant infrastructure. Given the age and usage of University buildings and past deficiencies in funding, at least $200 million in deferred maintenance costs for buildings alone have been estimated[10]. Facilities renewal funding is normally allocated to deal with the highest priority items such as safety and emergency repairs;

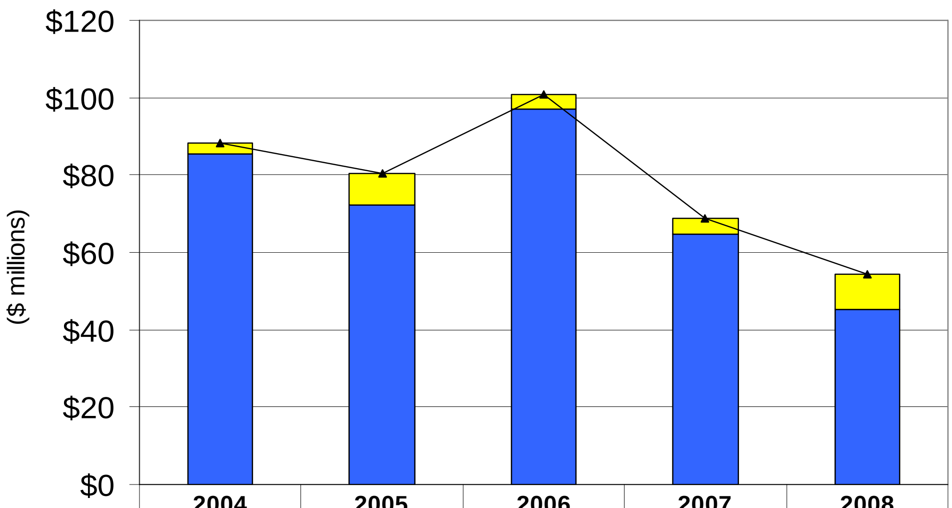
[10]*The University has started a five year financing plan (2007-2011) for investment in high priority deferred maintenance projects including residence buildings where currently it is planned to spend $120 million. These costs are to be funded from a combination of the designated provincial grants, residence fees and borrowing which in the absence of any provincial or federal capital funding, will be serviced from the Operating Fund.*

- $8.1 million in one-time Campus Renewal Program funding from MTCU. The funds will be allocated to specific projects such as the Macdonald Hall parapets and portico repairs, PCB transformer replacement, and roofing repairs within the five year deferred maintenance program;
- $9.5 million was received from MTCU for Phase 2 of the OVC redevelopment project;
- $2.6 million of interest was earned on invested funds received from the federal government and OMAFRA for Phase 1 of the Ontario Veterinary College (OVC) redevelopment project. Invested funds are restricted for the renovation and expansion of the veterinary hospital, laboratories and research buildings. This project has started and to the end of fiscal 2008, $6.9 million had been spent;
- $1.5 million was received in donations designated for capital projects;
- $1.5 million was transferred from the Heritage Fund to assist in funding the University's integrated data and voice communication system and $0.4 million for the Bio-products Discovery and Development Centre;
- $3.3 million was allocated from the Provincial Research Performance fund, the Federal Indirect Cost Program, CFI and Ontario research infrastructure funds to support a number of ongoing capital projects.

- **Capital acquisitions ($54.3 million, refer to Graph J):**
  - $3.4 million to complete the science and teaching facilities which was financed with the SuperBuild provincial grant, external federal and provincial capital research grants, campaign donations and debenture financing (external debt);
  - $23.1 million in major equipment purchases and major building renovations funded by both departmental transfers from the Operating Fund and external research grant/contract funding transferred from the Research and Trust Fund;
  - $13.7 million on the second year of a five-year critical deferred maintenance financing plan, total costs to date are $18.2 million ;
  - $5.4 million on the second year of Student Housing Services' five-year critical deferred maintenance plan, to date total spending is $7.9 million
  - A balance of $8.7 million made up of multiple projects of less than $2.5 million each.

Graph J

Capital Acquisitions by Major Fund



	2004	2005	2006	2007	2008
Ancillary	2.9	8.1	3.7	4.0	9.1
Capital	85.4	72.3	97.1	64.7	45.2
Total	88.3	80.4	100.8	68.7	54.3

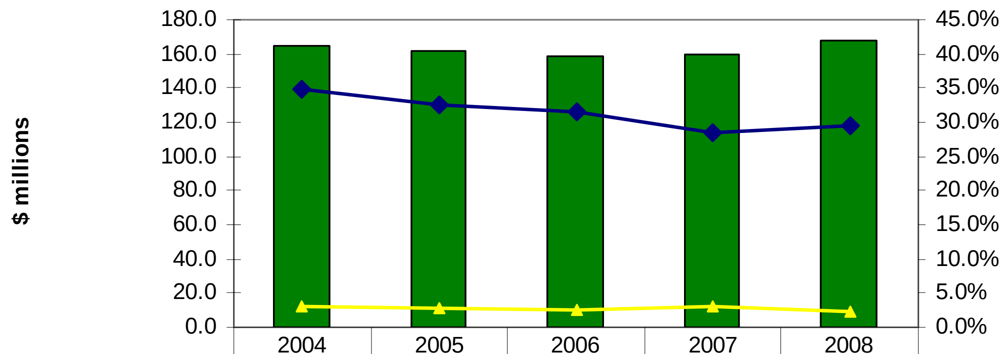
LONG-TERM DEBT AND INTEREST:

Starting in 2002/2003, the University initiated a number of major capital projects to meet its strategic planning objectives to improve existing facilities, including the reduction of deferred maintenance and to provide new space to meet the needs of additional planned enrolments. In support of these plans, the University recorded a major increase in its external debt in fiscal 2003 as a result of its issuance of a $100-million, 40-year debenture. The proceeds of this additional debt are designated to finance major capital projects in the context of long-term strategic plans. Fiscal 2008 saw the continuation of this major capital construction program with purchases of $54.3 million ($68.7 million in fiscal 2007) in capital assets, $13.7 million of which were related to the five-year critical deferred maintenance plan. Other acquisitions reflect the combined impact of both increased research funding under federal and provincial government programs and a general increase in teaching equipment purchases and renovations funded from new enrolment revenues.

Total external[11] debt and debt servicing as a percentage of total University revenue are 29.5% (28.4% in 2007) and 2.3% (3.0% in 2007) respectively. Refer to Graph K. Both percentages are within University policy limits of 45% and 4.5%, respectively. Additional debt totaling $10.9 million was incurred in fiscal 2008 to finance critical deferred maintenance projects. The increase in total debt from 2007 reflects the new debt partially offset by the repayment of $2.6 million in external debt in 2008.[12]

Graph K

Total Debt and Debt Servicing as a Percentage of Total Revenue



	2004	2005	2006	2007	2008
Total Debt	164.7	161.2	158.6	159.3	167.7
% debt to revenues	34.9%	32.7%	31.5%	28.4%	29.5%
% debt servicing to revenues	3.0%	2.9%	2.6%	3.0%	2.3%

Note: policy limits for % debt to revenues and % debt servicing to revenues are 45% and 4.5% respectively.

[11] *The University presents internal funds used for the temporary financing of capital projects in both the Capital Fund and Ancillary Enterprise Fund. They are reported on Statement 3 Page 24 of this report under Internally Restricted Net Assets in the appropriate fund (Capital or Ancillary).*

[12] *Total external debt repayment excludes internal "sinking" fund investments ($16.4 million, market value, in fiscal 2008) that have been set up to retire interest- only debt. Refer to Note 4 on Page 32"Investments Held for Debt Repayment".*

F. CHANGES IN UNIVERSITY NET ASSETS

F.1 Summary - All Funds:

Total University income received in fiscal 2008 from all funds was $569.3 million ($560.5 million in fiscal 2007). Total expenses were $581.4 million ($563.4 million in fiscal 2007). The net result was a deficit of $12.1 million ($2.9 million net deficit in 2007). In order to complete the total calculation of changes in Net Assets two additional adjustments were required. The first is the addition of "Endowment Contributions". In 2008 Endowment Contributions totaled a negative $19.4 million (a net result of negative investment returns, positive new contributions less funds allocated for spending). Second, in fiscal 2008, an adjustment of $6.5 million, reducing the opening balance of certain Net Assets was required as a result of accounting policy changes. Refer to section F.2. The resulting $31.5 million net decrease in Net Assets was allocated in accordance with external restrictions, Board policy, and future budget and expenditure requirements. The following table summarizes total University changes in Net Assets for fiscal year 2007/2008:

2007/2008 UNIVERSITY RESULTS
Summary of All Funds ($millions)

	Opening Net Assets (Deficit)	Financial Instrument Adjustment	2007/2008 Results	Closing Net Assets (Deficit)
Total University Revenues			569.3	
Total University Expenses			581.4	
Revenue Less Expenses			(12.1)	
Add: Endowment Contributions			(19.4)	
Increase (Decrease) in Net Assets			(31.5)	
UNIVERSITY NET ASSETS:				
Invested In Capital Assets	128.5		2.7	131.2
Endowed Funds	173.2		(15.2)	158.0
Internally Restricted	24.6	(0.2)	9.2	33.6
Unrestricted Operating	(78.4)		(21.0)	(99.4)
Unrestricted All Other Funds	10.8	(6.3)	(7.2)	(2.7)
Total Net Assets	**258.7**	**(6.5)**	**(31.5)**	**220.7**

F.2 Accounting Changes and Net Assets:

In fiscal 2008, the University implemented a new accounting policy related to "financial instruments"[13] consistent with requirements of the CICA (Canadian Institute of Chartered Accountants). While these changes have no material impact on the cash position or underlying financial position of the University, significant account entries were required in the audited financial statements. (Detailed disclosures on this new accounting policy are presented in Note 2, Page 26.) Generally, the new policy requires that financial instruments be valued at fair value (e.g., market value for investments and interest rate swaps) and that changes in the fair value are recorded in the

[13] "Financial instruments" for the purposes of the University's statements include all investments, receivable, payables, loans or derivatives (interest rate swaps or forward contracts.)

Statement of Changes in Financial Position (income statement) each year. Initial valuations were recorded at May 1, 2007 as adjustments to the Opening Net Assets values. The table below summarizes the impact of these adjustments both in terms of the Opening May 1 balances and the changes as a result of fiscal 2008 operations.

CICA Financial Instruments - Accounting Changes
(Changes to Net Assets - Unrestricted and Internally Restricted)
$ millions

Fund	May 1, 2007	2007/2008	Total
Capital	$ (0.9)	$ (0.2)	$ (1.1)
Ancillary	$ (5.6)	$ (1.1)	$ (6.8)
Total	$ (6.5)	$ (1.4)	$ (7.9)

In total $7.9 million in reduced Net Assets (relative to old accounting policy) has been recorded in the statements. These are non-cash entries that mainly consist of changes in market values of interest rates swaps. As market interest rates decline, the fair value of variable to fixed interest rates swaps decline. Conversely if interest rate increase, gains would be recognized under this new policy. To the extent that the University holds these swaps to maturity, these reductions will not be realized. Interest rates swaps were entered into in order to fix debt service costs on long term debt and it is our practice and policy to hold all interest rate swaps until the maturity of that debt and related swap.

F.3 Changes in Net Assets, By Fund:

The following notes and tables summarize the distribution of changes to Net Assets (Statement 1, Page 22) based on fiscal 2008 financial results:

F.3.1 Invested in Capital Assets – increase of $2.7 million (2007, increase of $27.1 million). This account records the net change in the University's equity in its capital assets. This account increased as a result of an increase in net book value of capital assets (acquisitions greater than depreciation) partially offset by the increase in debt on the University's capital assets. (In fiscal 2007, the completion of the Science Complex contributed to the major increase in this category.)

F.3.2 Endowed – a decrease of $15.2 million (2007, $22.9 million increase). This account records the net assets allocated to endowments (net of funds allocated for spending). The change consisted of; $4.9 million in new donations/contributions; plus $4.2 million in net proceeds from real estate sales; less a use of $24.3 million of prior year's investment income. (Note: Recorded Endowed Assets of $158.0 million is that portion of endowed investments of $171.9 million designated for initial donated capital, plus accumulated investment earnings allocated for inflation protection and growth. The balance of investments has been either designated for spending in accordance with Board policies or has been advanced to the endowment fund for investment purposes only.)

F.3.3 Internally Restricted Assets (refer to Statement 3 on Page 24); – Internally Restricted refers to funds that are designated for specific purposes by either the Board of Governors or University policy. Examples are funds committed or used for specific purposes such as temporarily financing capital projects, outstanding purchase commitments, departmental funds,[14] research, capital replacement expenses or contingencies. In total, the

[14] *Internally Restricted refers to funds that are designated for specific purposes by either the Board of Governors or University policy. A major example of Internally Restricted funds is operating budget funds that departments may "carry forward" into the following year for specific purposes. Refer to Statement 3 on page 24 for details on all Internal Restricted funds.*

University's Internally Restricted Net Assets increased by $9.2 million (2007, decrease of $15.8 million). Details by Fund are as follows;

- **Internally Restricted Assets - Operating Fund:** This account records funds designated for specific Operating Fund purposes under either University policy (e.g., carry forwards of unspent departmental funds) or Board designated funds. The net decrease of $0.8 million to $34.2 million consists of:
    - $6.4 million increase in funds to be used for the purchase of Equipment and Supplies mainly by operational units (colleges and departments);
    - $5.0 million as a University Contingency fund;
    - $0.5 million increase in funds for Self Insured Losses and
    - $1.5 million in funds for Employee Benefits (timing on payments and recoveries by departments for non-pension employee benefit costs).
    - Offsetting these increases was the use of $14.2 million in 2007 surplus funds (the majority of which was the result of the one-time MTCU grant received in March 2007) allocated in the Board-approved 2007/2008 budget to assist with meeting the University's 2007/2008 budget target.
- **Internally Restricted Assets - Capital Fund:** This account records funds designated for specific capital purposes (<u>excluding</u> capital projects funded from Ancillary Operations) such as unspent (but committed) project funds, funds set aside for debt repayment (sinking funds) or funds used to internally finance capital projects. The net decrease of $0.6 million consists of $2.3 million in prior years' funds used to complete projects offset by an increase in sinking funds of $0.9 and $0.8 million in reduced internal financing.
- **Internally Restricted Assets - Ancillary Fund:** This account records funds designated for specific operating and capital purposes funded from Ancillary Enterprise Operations. Major capital items include funding designated for debt repayment (sinking funds) and internally financed capital projects. The net increase in this fund of $8.4 million primarily relates to capital adjustments in Student Housing comprised of new funds designated for external debt repayment ("sinking fund") of $5.6 million and the reduction of internal financing of $2.4 million.
- **Internally Restricted Assets: Research and Trust Fund:** This account records internal funding designated for specific research or special purpose accounts that has not been spent. The increase of $2.2 million reflects new funds that have been designated but not spent for these purposes.

F.3.4 Unrestricted Surplus (Deficit) – reports the accumulated net income or deficit of University operations after adjustments for internal restrictions and investments in capital assets. In total, the University's Unrestricted Deficit increased by $34.6 million ($67.6 million to $102.2 million). Components of this increase were:

- **Operating Fund:** an increased deficit of $21.1 million, $20.9 million of which is deficit from the accounting accrual (non-cash expense) of post-employment benefits (This portion of the deficit reflects the difference between benefit expenses funded through the University's annual budget process and the accounting accrual of pension and other post-employment benefits.)
- **Ancillary Fund:** an increased deficit of $11.4 million, $6.8 million of which were charges as a result of the implementation of accounting changes (Financial Instruments). The other major change was the transfer (to Internally Restricted Net Assets) from prior years' accumulated unrestricted funds of $5.6 million for future debt repayment ("sinking fund") by Student Housing.
- **Capital Fund:** **t**he Capital Fund is recording a deficit of $1.3 million which is composed of temporary funding shortfalls in a number of small projects. These deficits will be covered from operations in 2009.
- **Research & Trust Funds:** the deficit of $0.8 million in this fund is the result of an unfunded research project. This deficit will be retired over the next three years from allocations from other unrestricted research operations.

Budget to Actual Variances on the MTCU Portion of the Operating Fund Table B: The following table presents the University's net financial results for the MTCU component of the Operating Fund. This portion of the Operating Fund records the major components of the University's teaching and related infrastructure costs including most faculty and support staff positions. The Table shows the disposition of fiscal 2008 (2007/2008) results by major category of revenue and expense. In total $34.2 million was allocated mainly to departments (under the University's policy of permitting the "carry-forward of unspent funds).

2007/2008 MTCU Operating Fund Results (in thousands of dollars) — TABLE B

	2007/08 Budget	2007/08 Actual		Variance
Revenue				
MTCU Grants	144,843	149,062		4,219
Tuition (Credit & Non-Credit)	96,211	97,972		1,761
Sales of Goods and Services	16,984	18,762		1,778
Investment Income	1,241	1,312		71
Other Revenue	12,567	14,747		2,180
Research OH Cost Rec & Rev	24,857	25,635		778
Institutional Recoveries	13,823	14,258		435
Uof G Share of Guelph Humber Surplus	0	4,473		4,473
Total Revenue	310,526	326,221		15,695
Expenses				
Salaries	188,768	191,490		(2,722)
Benefits	42,675	42,023		652
Operating	50,066	49,533		533
Budgeted Carryforwards from Prior Year	19,150			19,150
Utilities	21,352	20,504		848
Scholarships and Bursaries	10,942	12,739		(1,797)
University Contingency	123			123
Other Institutional Transfers	10,800	10,798		2
Total Expenses	343,876	327,087		16,789
Revenue Less Expenses	(33,350)	(866)	#1	32,484
Add:Int Restricted Net Assets - Beginning				
From Departments	19,150	19,150		-
From Self Insured Losses		550		550
From Employee Benefits		1,187		1,187
From Prior Year for Budget Relief	14,200	14,200		-
Total Funds Available	0	34,221		34,221
Less: Int Restricted Net Assets - Ending				
For Departments		25,569		25,569
For Self Insured Losses		1,000		1,000
For Employee Benefits		2,652		2,652
For University Contingency		5,000		5,000
Total Int. Restricted Net Assets	-	34,221		34,221
Net Change in Fund Balance	-	-		-

#1 Excludes the $20.891 million accrual for employee future benefits (see note #12 on page #38) which is unbudgeted for within the Operating fund. This is the difference between the net expense of $0.866 million in Table B above and the $21.901 million Net Decrease in Operating Net Assets per Schedule #1 on page #40.

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers LLP
Chartered Accountants
95 King Street South, Suite 201
Waterloo, Ontario
Canada N2J 5A2
Telephone +1 519 570 5700
Facsimile +1 519 570 5730

October 2, 2008

Auditors' Report

To the Governors of the
University of Guelph

We have audited the statement of financial position of the **University of Guelph** as at April 30, 2008 and the statements of operations and changes in net assets (internally restricted, unrestricted surplus, endowed, and invested in capital assets), changes in internally restricted net assets and cash flows for the year then ended. These financial statements are the responsibility of the management of the University of Guelph. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the University of Guelph as at April 30, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Chartered Accountants, Licensed Public Accountants

Statement 1

UNIVERSITY OF GUELPH
STATEMENT OF FINANCIAL POSITION
AS AT APRIL 30, 2008

(in thousands of dollars)

	2008	2007
ASSETS		
Current		
Cash	3,621	(1,091)
Short-term Investments (Note 4)	205,847	149,203
Accounts Receivable	17,676	25,049
Inventories	3,500	3,352
Prepaid Expenses	1,077	786
	231,721	177,299
Long-term		
Deferred Pension Costs (Schedule 4)	91,146	40,419
Real Estate Projects in Progress	503	356
Long-term Receivables	212	238
Deferred Charge (Note 15)		817
Investments (Note 4)	186,883	215,910
	278,744	257,740
Capital Assets (Note 7)	565,114	550,752
	1,075,579	**985,791**
LIABILITIES		
Current		
Accounts Payable and Accrued Charges	52,163	50,557
Unrealized Loss on Swap Contracts (Note 8)	7,578	
Current Portion of Long-term Debt (Note 8)	2,326	1,960
Current Portion of Deferred Revenue and Contributions (Note 9)	26,891	13,680
	88,958	66,197
Employee Future Benefits (Schedule 4)	118,433	90,613
Long-term Debt (Note 8)	165,328	157,347
Deferred Revenue and Contributions (Note 9)	215,376	149,979
Deferred Capital Contributions (Note 10)	266,839	262,954
	854,934	**727,090**
NET ASSETS		
Invested in Capital Assets (Note 11)	131,169	128,491
Endowed (Note 13)	158,078	173,267
Internally Restricted (Statement 3)	33,586	24,565
Unrestricted Surplus (Deficit) (Note 12)	(102,188)	(67,622)
	220,645	**258,701**
	1,075,579	**985,791**

Chair Board of Governors President

Statement 2

UNIVERSITY OF GUELPH
STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED APRIL 30, 2008

(in thousands of dollars)

	2008	2007
REVENUE		
Ministry of Training, Colleges and Universities	152,510	159,354
Ministry of Agriculture, Food and Rural Affairs (Schedule 3)	54,946	54,885
Tuition (Credit and Non-Credit)	101,506	96,531
Donations (Note 14)	5,639	5,055
Sales of Goods and Services	107,370	104,169
Investment Income (Note 5)	10,903	10,489
Other Grants and Contracts	91,365	89,133
Amortization of Deferred Capital Contributions (Note 10)	21,644	20,901
Other	23,384	19,974
	569,267	560,491
EXPENSES		
Salaries	278,207	261,231
Benefits	74,658	81,444
Travel	13,711	13,215
Operating	132,432	130,619
Minor Renovations and Repairs	6,022	3,968
Interest	12,166	10,635
Scholarships and Bursaries	24,356	22,901
Capital Asset Amortization	39,889	39,378
	581,441	563,391
Revenue Less Expenses	(12,174)	(2,900)
Endowment Contributions (Note 13)	(19,390)	19,052
Net Increase (Decrease) in Net Assets	(31,564)	16,152
Net Assets, Beginning of Year as Previously Reported	258,701	242,549
Financial Instruments Adjustment (Note 2a)	(6,492)	
Net Assets, Beginning of Year	252,209	242,549
Net Assets, End of Year	220,645	258,701

Statement 3

UNIVERSITY OF GUELPH
STATEMENT OF CHANGES IN INTERNALLY RESTRICTED NET ASSETS
FOR THE YEAR ENDED APRIL 30, 2008
(in thousands of dollars)

OPERATING FUND	Balance, Beginning of Year as Previously Reported	Financial Instrument Adjustment (Note 2a)	Balance, Beginning of Year	Transfer To (From) Internally Restricted	Balance, End of Year
Equipment and Supplies	19,150		19,150	6,419	25,569
Self Insured Losses	550		550	450	1,000
Employee Benefits	1,187		1,187	1,465	2,652
University Contingency				5,000	5,000
Budget 2007/08	14,200		14,200	(14,200)	
	35,087		35,087	(866)	34,221
CAPITAL FUND					
Capital Projects and Renovations	6,612	(817)	5,795	(1,687)	4,108
Minor Renovations	1,669		1,669	(654)	1,015
Sinking Fund	2,453	(32)	2,421	925	3,346
Internally Financed Projects	(41,007)		(41,007)	860	(40,147)
	(30,273)	(849)	(31,122)	(556)	(31,678)
ANCILLARY ENTERPRISES					
Real Estate Division Internally Financed Projects	(776)		(776)	776	
Student Housing Services	500		500		500
Student Housing Sinking Fund	6,752	688	7,440	5,598	13,038
Student Housing Internally Financed Projects	(16,386)		(16,386)	2,388	(13,998)
Hospitality Services Internally Financed Projects	(3,163)		(3,163)	(379)	(3,542)
University Centre	232		232	(5)	227
	(12,841)	688	(12,153)	8,378	(3,775)
RESEARCH AND TRUST FUND					
Research and Trust	32,592		32,592	2,226	34,818
TOTAL	24,565	(161)	24,404	9,182	33,586

Statement 4

UNIVERSITY OF GUELPH
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED APRIL 30, 2008

(in thousands of dollars)

	2008	2007
OPERATING ACTIVITIES		
Increase (Decrease) in Net Assets (Statement 2)	(31,564)	16,152
Add (Deduct) Non-cash Items:		
Capital Asset Amortization (Statement 2)	39,889	39,378
Amortization of Deferred Capital Contributions (Statement 2)	(21,644)	(20,901)
Unrealized (Gain) Loss on Investments	29,128	(8,907)
Unrealized Loss on Swap Contracts	1,247	
(Increase) Decrease in Long-term Receivables	26	25
(Increase) in Deferred Pension Costs	(50,727)	(144)
Increase in Employee Future Benefits	27,820	20,307
(Increase) Decrease in Non-cash Working Capital	8,393	(7,384)
	2,568	38,526
FINANCING ACTIVITIES		
Decrease in Deferred Charges		23
Increase in Long-term Debt	10,948	6,857
Repayment of Long-term Debt	(2,601)	(6,157)
Deferred Capital Contributions Received During the Year	25,529	22,418
Increase in Deferred Contributions	78,608	12,345
	112,484	35,486
INVESTING ACTIVITIES		
(Acquisition) Disposal of Investments	(56,089)	8,652
(Acquisition) Disposal of Capital Assets (Note 7)	(54,251)	(68,686)
	(110,340)	(60,034)
Change in Cash	4,712	13,978
CASH, BEGINNING OF THE YEAR	(1,091)	(15,069)
CASH, END OF THE YEAR (Statement 1)	3,621	(1,091)

(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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES

These financial statements have been prepared by management in accordance with generally accepted accounting principles, applied consistently within the framework of the accounting policies summarized below:

(a) Change in Accounting Policy

The CICA recently released the following Handbook Sections: 3855, *Financial Instruments -Recognition and Measurement;* 3865, *Hedges;* 1506, *Accounting Changes and 3861 Financial Instruments – Disclosure and Presentation.* The University adopted these sections on May 1, 2007. The impact of the adoption of these sections on the University's financial statements, as prescribed by the applicable transitional provisions, is presented below.

The new Sections prescribe when a financial instrument is to be recognized on the Statement of Financial Position and at what amount; sometimes using fair value and other times using cost-based measures depending on the financial instrument's classification. Additionally, changes in subsequent measurements, if any, are recognized in the Statement of Operations and Changes in Net Assets.

Investments that were previously recorded at cost are now recorded at fair value. Derivatives (interest rate swaps) are recorded at fair value on the Statement of Changes in Net Assets, the gains and losses arising from recording the derivatives at fair value are recognized in current earnings.

The University has classified its cash, short-term investments and long-term investments as "held for trading"; and its accounts receivable as "loans and receivables". The Banker's Acceptance (BA) portion of long-term debt has been classified as "held for trading". Accounts payable and the remaining long-term debt have been classified as "other financial liabilities". Upon initial application of this Section, all adjustments to the carrying amount of financial assets and liabilities are recognized as an adjustment to the opening balance of net assets depending on the classification of the existing asset or liability.

These changes were applied without restatement of prior year's financial statements. The application of these sections at May 1, 2007 did not have a significant impact on the financial statements except for:

• Investments increased by	$656
• Deferred charges decreased by	($817)
• Interest rate swap contracts increased by	($6,331)
Total Net Assets decreased by	($6,492)

(b) 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. For financial reporting purposes, the University has combined funds with similar characteristics into five major fund groups:

i. The Operating Fund presents the academic, administrative and other operating activities of the University.

ii. The Capital Fund presents the funds received and expended on property, plant and equipment except capital expenditures related to ancillary operations.

iii. The Ancillary Enterprises Fund presents the operations of services carried on by the University that are supportive of but not directly related to the University's primary functions of teaching and research. Any deficits incurred are recoverable from each ancillary's future operations. The Ancillary Enterprises Fund includes the following:

Hospitality Services
Parking Services and Transportation Planning
Real Estate Division
Student Housing Services
University Centre

iv. The Research and Trust Fund includes those funds provided by benefactors and external contracts, the expenditure of which is restricted to a specific purpose. Also included is that portion of investment income on endowments which has been made available for expenses under University Policy.

v. The Endowment Fund records donations provided by benefactors or funds designated by the Board, which are restricted as to purpose and expendability. Only the accumulated investment income earned on these funds, after having provided for inflation protection and, in specific cases, growth may be expended for the designated purpose. The endowment capital remains intact. Endowment earnings available for expenditure are recorded in the Research and Trust Fund.

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 Fund will be held in perpetuity for University strategic purposes. The main sources of growth for the Fund are proceeds of University real estate sales and leases from designated properties and investment income earned on the capital of the Fund.

Distributions from the Fund are made in accordance with a formula based on a five-year average of market returns after having provided for inflation protection and growth. Management of the 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.

(c) Short-term Notes

These are highly liquid short-term investments that are held-for-trading. The investments are readily convertible to cash and are recorded at cost plus accrued income, which approximates fair value.

(d) Accounts Receivable

Accounts Receivable consists primarily of trade receivables that are recorded at amortized cost. These receivables are short-term in nature, which approximates fair value.

(e) Long-term Investments

The University reports its investments at fair value. Publicly traded securities are valued on the latest bid prices and pooled funds are valued based on reported unit values.

(f) Related Entity

With the approval of the Ontario Ministry of Training, 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). Under the Joint Venture, the University is represented on the Executive Committee of the Joint Venture. The Joint Venture has not been consolidated in the University financial statements; however the University recognizes 50% of the total net operating results in the Statement of Operations and Changes in Net Assets of the Joint Venture.

(g) Inventory Valuation

Inventories are recorded at the lower of cost and net realizable value.

(h) Capital Assets

Capital assets are recorded at cost less accumulated amortization, except for the donated assets which are recorded at appraised values with the exception of art, rare books and artifacts. These are recorded at a nominal value of $1,000 and are not amortized.

The cost of capital assets is amortized on a straight-line basis over the estimated useful life as follows:

Land Improvements	10 to 60 Years
Buildings	40 Years
Furniture and Equipment	10 Years
Library Acquisitions	5 Years
Computer Equipment	3 Years

(i) Leases Payable

The University has entered into certain equipment and building leases for which title to the related assets will vest in the University on the termination of the leases. The cost of these assets is reflected in capital assets and the present value of the lease commitments is reflected as a liability, which approximates fair value.

(j) Internally Restricted Net Assets

These are restrictions of net assets designated for future purchase order 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 such amounts as are deemed necessary by the Board.

(k) Recognition of Revenue

The University accounts for restricted contributions in accordance with the deferral method.

Externally restricted contributions received for:

- purposes other than endowment or the acquisition of capital assets are deferred and recognized as revenue in the year in which the related expenses are incurred.
- the acquisition of capital assets having limited life are initially recorded as deferred contributions in the period in which they are received. They are recognized as revenue over the useful life of the related assets.
- the acquisition of unlimited life assets such as land and collections are recognized as direct increases in net assets in the period in which they are received.

Endowment contributions and related investment income or loss allocated to endowment capital preservation and growth are recognized as direct increases or decreases in net assets in the period in which they are received or earned.

Unrestricted contributions are recognized as revenue when received.

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.

(l) Employee Future Benefits

The University maintains three defined benefit pension plans for its employees: Professional Plan, Retirement Plan and Non-Professional Plan. Pension plan assets, liabilities and changes in net assets are reported in the respective financial statements of these plans. The assets of the plans are held by an independent custodian and are not recorded in the accounts of the University.

Additionally, the University provides extended health care and dental benefits to retirees and their eligible dependents on a cost-sharing basis.

The cost of the pension and other retirement benefits earned by employees is actuarially determined using the projected benefit method prorated on service and management's best estimate of expected plan investment performance, salary escalation, retirement ages of employees and other actuarial factors. Future plan obligations are discounted using current market interest rates.

As allowed under generally accepted accounting principles, the University has exercised a three-month accelerated measurement date for financial reporting purposes. Accordingly, January 31 of each year is the measurement date used for determining the benefit obligation and value of plan assets.

For the purpose of calculating the expected return of plan assets, the assets are valued at fair value. Actuarial gains (losses) arise from actual experience differing from expected or from changes in actuarial assumptions used to determine the accrued benefit obligation. The excess of the net accumulated actuarial gain (loss) over 10 percent of the greater of the accrued benefit obligation and the fair value of plan assets is amortized over the average remaining service period of the active employees (or, if applicable, the average remaining life expectancy of the former employees). Past service costs arising from plan amendments are amortized over the average remaining service period of employees active at the date of amendment.

On May 1, 2000, the University adopted the new accounting standard on employee future benefits using the prospective application method. The University is amortizing the resulting transitional asset/obligation over the average remaining service period of employees expected to receive benefits under the benefit plans as of May 1, 2000. (refer to Schedule 4)

(m) Real Estate Projects

The Real Estate Division is included in the ancillary enterprises fund. The Real Estate Division was established to develop certain real estate properties owned by the University and designated as Heritage Fund properties.

Real Estate projects in progress are carried at the lower of total cost and estimated net realizable value.

Costs, including capitalized interest (2008 $14; 2007 $14) of projects not yet completed are deferred and recorded as "Real Estate Projects in Progress" on the Statement of Financial Position. It is anticipated that these project costs will be recovered from future Real Estate Division revenues.

(n) Future Accounting Policy Changes

The Canadian Institute of Chartered Accountants ("CICA") has issued the following new Handbook Sections which are effective for the University's 2009 fiscal year:

Section 3862, "Financial Instruments -Disclosures", describes the significance of financial instruments, the nature and extent of the risks arising from financial instruments and how the entity manages those risks.

Section 3863, "Financial Instruments -Presentation", establishes standards for presentation of financial instruments and non-financial derivatives.

Section 1535, "Capital Disclosures", establishes standards for disclosing information about an entity's capital and how it is managed. It describes the disclosure of the entity's objectives, policies and processes for managing capital, the quantitative data about what the entity regards as capital,

These changes are effective May 1, 2008 and will be reflected in the financial statements as of April 30, 2009.

3. FINANCIAL INSTRUMENTS

(a) Fair value

Cash and Short-term Investments, accounts receivable, other receivables, accounts payable and accrued liabilities are short term financial instruments whose fair value approximates the carrying amount given that they will mature shortly. The fair value of Long-term Investments is based on last bid price. The fair values of derivatives have been estimated using market quoted rates and interest rates, and have been included in Long-term Debt on the University's Statement of Financial Position**.**

(b) Interest rate risk

The University entered into interest rate exchange (swap) contracts with the Toronto Dominion Bank, Bank of Montreal and Canadian Imperial Bank of Commerce in order to convert variable-rate borrowings to fixed rates, thereby reducing interest rate risk associated with its outstanding debt. The interest rate swap contract involves an exchange of floating rate to fixed rate interest payments between the University and the financial institutions. 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 swap transactions are completely independent and have no direct effect on the relationship between the University and its lenders.

The notional amounts of the interest rate swap contracts and the net unrealized gain (loss) on these contracts outstanding are reflected in the Statement of Financial Position and the Statement of Operations and Changes in Net Assets. (Refer to Note 8)

(c) Credit risk

The University is exposed to credit risk in its cash and cash equivalents, marketable securities, accounts receivable, other receivables and to the credit risk of its derivative financial instrument counterparties that do not meet their obligations. The University minimizes the credit risk of cash and cash equivalents and marketable securities by depositing with only reputable financial institutions and investing in securities that meet minimum credit ratings as stipulated by the University's investment policy and limiting exposure to any one marketable security. The University minimizes its credit risk of its accounts receivable and other receivables by performing credit reviews of each of its customers. The University minimizes the credit risk of its derivative financial instruments by dealing only with reputable financial institutions and monitoring the credit risk of these financial institutions.

(d) Foreign Exchange Risk

Foreign exchange risk is the risk that the value of the foreign denominated financial instrument portfolio will fluctuate as a result of changes in foreign exchange rates.

The University has an exposure to foreign currency exchange rates primarily because the net assets and earnings of certain investments are denominated in foreign currencies.

(in thousands of dollars)

4. INVESTMENTS

	Fair Value	
	2008	**2007**
Short-term Investments		
Money Market Funds	161,881	121,801
Canadian Treasury Bills	38,794	20,034
Government of Canada Bonds		3,039
Province of Ontario Bonds		3,490
	200,675	148,364
Guelph-Humber Equity	5,172	843
	205,847	149,207
Long-term Investments		
Government of Canada Bonds	1,555	16,392
Province of Ontario Bonds	7,020	6,705
Canadian Equities	42,641	46,359
Canadian Fixed Income	39,035	40,953
Foreign Equities	95,989	105,328
Foreign Fixed Income	643	640
	186,883	216,377

In the 2007 financial statements, investments were presented using a combination of book and fair values. Below is the financial statement presentation of prior year's investments.

	2007
Short-term Investments	
Reported at Fair Value	120,383
Reported at Book Value	28,820
	149,203
Long-term Investments	
Reported at Fair Value	193,281
Reported at Book Value	22,629
	215,910

(in thousands of dollars)

4. INVESTMENTS, continued

Included in short and long-term investments are investments held for debt repayment and the General and Heritage Endowment Funds. The total amounts held are as follows:

	Fair Value 2008	Fair Value 2007
Investments Held for Debt Repayment	16,384	9,861
General and Heritage Endowment Funds		
Cash and Short-term Notes	4,042	2,763
Canadian Equities	30,628	32,809
Canadian Pooled Equity	1,587	2,403
Canadian Fixed Income	39,035	40,953
Foreign Equities	92,477	100,726
Foreign Pooled Equity	3,512	4,602
Foreign Fixed Income	643	640
	171,924	184,896

Pooled investments held by the General and Heritage Endowment Funds refer to the value of units held in externally managed investment funds specializing in equities, fixed income and international investments.

The assets of the General and Heritage Endowment Funds have been pooled for investment purposes. Each fund's interest in the pooled investments is calculated based on the units held by each fund in the investment pool using market values. The respective values of the assets of the General and Heritage Endowment Funds, based on the number of units held by each fund, are as follows:

	Fair Value 2008	Fair Value 2007
General Endowment	116,172	126,194
Heritage Fund	55,752	58,702
	171,924	184,896

5. INVESTMENT INCOME

Investment income is earned from operations and endowments. The income from endowments is recorded in operations as the income becomes available for expenditure in accordance with the University's endowment spending policy.

Investment Income	**Operations**	**Endowment**	**Total 2008**	**Total 2007**
Net Realized Investment Income	6,561	11,261	17,822	18,680
Increase in Unrealized Investment Income	(635)	(28,633)	(29,268)	9,680
Total Investment Income	5,926	(17,372)	(11,446)	28,360
Increase in Accumulated Endowed Investment Income		24,332	24,332	(14,174)
Investment Income Available for Expenditure	6,960	(6,960)		
Net (Increase) Decrease in Deferred Contributions	(1,983)		(1,983)	(3,697)
Total	10,903		10,903	10,489

(in thousands of dollars)

6. JOINT VENTURE, UNIVERSITY OF GUELPH-HUMBER

With the approval of the Ontario Ministry of Training, 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). Under the Joint Venture, the University is represented on the Executive Committee of the Joint Venture.

As part of its participation in the Joint Venture, the University also provides certain services including academic administration, student recruitment and admissions, curriculum development, student aid and course delivery. 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. At April 30, 2008, there is a net advance of $126 (2007 $4,952) outstanding.

The Joint Venture has not been consolidated in the University financial statements however the University recognized 50% of the total net operating results of the Joint Venture as an investment and revenue. Separately audited financial statements are prepared for the Joint Venture (year-ended March 31, 2008). The total cumulative surplus for the University is $5,172 (2007 $843).

A financial summary of the joint venture for the fiscal years ended March 31, 2007 and 2008 is as follows:

University of Guelph - Humber

	2008	**2007**
Financial Position:		
Total Assets	11,709	11,709
Total Liabilities	1,365	10,023
Total Net Assets	10,344	1,686
Results of Operations:		
Total Revenue	27,586	26,280
Total Expenses	18,928	18,399
Excess of Revenue over Expenses	8,658	7,881
Net Assets		
Unrestricted	8,946	38
Invested in capital Assets	1,398	1,648
	10,344	1,686
University Share (50%)	5,172	843

(in thousands of dollars)

7. CAPITAL ASSETS

a) Details

	2008			2007
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	8,761		8,761	8,761
Land improvements	25,495	9,793	15,702	15,617
Buildings	637,109	221,225	415,884	401,756
Furniture and equipment	207,083	114,524	92,559	90,845
Construction in progress	23,552		23,552	21,001
Computer equipment	27,156	23,106	4,050	8,171
Library and art collection	22,120	17,514	4,606	4,601
	951,276	386,162	565,114	550,752

b) Change in Net Book Value

	2008	2007
Balance, beginning	550,752	521,444
Purchase of capital assets	54,251	68,686
Less: Amortization of capital assets	(39,889)	(39,378)
Balance, ending	565,114	550,752

c) Insured Values

	2008 Net Book Value	2008 Insured Value	2007 Net Book Value	2007 Insured Value
Buildings	415,884	1,271,957	401,756	1,125,112
Furniture, equipment and library books	101,215	869,074	103,617	850,305
Art and artifacts collection	1	11,952	1	11,865

(in thousands of dollars)

8. a) LONG-TERM DEBT

	Interest Rate %	Issue Date	Due Date	2008 Total	2007 Total
Series A Unsecured Debenture	6.24	11-Oct-02	10-Oct-42	100,000	100,000
Banker's Acceptance					
Toronto Dominion Bank	4.91	20-Dec-07	20-Dec-22	7,836	
Toronto Dominion Bank	4.54	10-Apr-08	10-Apr-23	2,979	
Canadian Imperial Bank of Commerce	4.96	1-May-06	2-May-16	4,963	5,557
Canadian Imperial Bank of Commerce	5.89	6-Jul-98	6-Jul-07		282
Bank of Montreal	7.01	16-Oct-00	16-Jun-25	31,100	31,600
				46,878	37,439
Leases payable					
Ontario Student Housing Corp.	6.13	1-Jan-69	1-Dec-18	594	630
Canada Mortgage and Housing Corp.	5.88	1-Jan-69	1-Dec-18	5,224	5,554
Applied Biosystems	4.75	2-Dec-06	1-Dec-11		670
				5,818	6,854
Mortgages payable					
Canada Mortgage and Housing Corp.	5.38	1-Jan-67	1-Dec-16	653	709
Ontario Housing Corp.(interest only)	10.36	1-Oct-90	1-Apr-10	1,225	1,225
Ontario Housing Corp.(interest only)	9.86	1-Dec-92	1-Jun-11	13,080	13,080
				14,958	15,014
				167,654	159,307
Current Portion				(2,326)	(1,960)
				165,328	157,347

During the current fiscal year, the University of Guelph made principal repayments in the amount of $2,601 (2007 $6,157) and incurred $10,685 (2007 $10,635) in interest expense from long-term debt.

The repayments required in the next five years for the debt listed above are summarized as follows:

	Principal	Interest	Total
2009	2,326	10,927	13,253
2010	3,530	10,802	14,332
2011	2,334	10,517	12,851
2012	15,443	10,362	25,805
2013	2,695	8,930	11,625
	26,328	51,538	77,866
Thereafter	141,326		
	167,654		

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 are primarily being used to finance capital projects including the construction of new classrooms and a science complex.

(in thousands of dollars)

c) INTEREST RATE RISK

The University entered into interest rate exchange (swap) contracts with the Toronto Dominion Bank, Bank of Montreal and Canadian Imperial Bank of Commerce in order to convert variable-rate borrowings to fixed rates, thereby reducing interest rate risk associated with its outstanding debt. The interest rate swap contract involves an exchange of floating rate to fixed rate interest payments between the University and the financial institutions. 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 swap transactions are completely independent and have no direct effect on the relationship between the University and its lenders.

The notional amounts of the interest rate swap and the net unrealized gain (loss) on these contracts outstanding at April 30, 2008 are:

	Due Date	Notional Amount	Gain/(Loss)
Toronto Dominion	20-Dec-22	7,807	(297)
Toronto Dominion	10-Apr-23	3,000	(40)
Canadian Imperial Bank of Commerce	2-May-16	4,950	(194)
Bank of Montreal	16-Jun-25	31,038	(7,047)
			(7,578)

9. DEFERRED REVENUE AND CONTRIBUTIONS

Deferred revenue and contributions are monies received in the current and prior years for services to be provided in a future year.

a) **Deferred Revenue**	**2008**	**2007**
Prepaid Leases, Fees and Grants	17,242	14,374
OMAFRA Advance	12,204	11,275
OMAFRA Five Year Grant	56,045	
Other	4,974	5,608
	90,465	31,257
Less: Current Deferred Revenue	(26,891)	(13,680)
	63,574	17,577
b) **Deferred Contributions**		
Changes in Deferred Contributions are as follows:		
Balance, beginning of year	132,402	124,428
Contributions received during the year	139,791	119,751
Contributions recognized in the year	(120,391)	(111,777)
Balance, end of year	151,802	132,402
Total Deferred Revenue and Contributions	215,376	149,979

(in thousands of dollars)

10. 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 statement of operations and changes in net assets.

Deferred Capital Contributions	**2008**	**2007**
Changes in Deferred Capital Contributions are as follows:		
Balance, beginning of year	262,954	261,437
Contributions received during the year	25,529	22,418
Amortization of deferred capital contributions	(21,644)	(20,901)
Balance, end of year	266,839	262,954

11. INVESTED IN CAPITAL ASSETS

	2008	**2007**
Capital Assets (Net Book Value)	565,114	550,752
Less:		
Long-term Debt	(167,654)	(159,307)
Deferred Capital Contributions	(266,839)	(262,954)
Add: Unused Real Estate Debt	548	
Invested in Capital Assets	131,169	128,491

Change in Invested in Capital Assets

	2008	**2007**
Purchase of Capital Assets	54,251	68,686
Debt Payment	2,601	6,157
Unused Real Estate Debt	548	
Increase in Deferred Capital Contributions	(25,529)	(22,418)
Amortization Expense	(39,889)	(39,378)
Deferred Capital Contribution Amortization	21,644	20,901
Increase in Long-term Debt	(10,948)	(6,857)
	2,678	27,091

(in thousands of dollars)

12. UNRESTRICTED SURPLUS (DEFICIT)

	2008	2007
Operating Fund		
Accrual for Employee Future Benefits	(100,139)	(79,248)
University of Guelph-Humber	699	843
	(99,440)	(78,405)
Capital Fund (Schedule 1)	(1,341)	
Ancillary Enterprises (Schedule 2)	(657)	10,783
Research & Trust Fund (Schedule 1)	(750)	
Balance, end of year	(102,188)	(67,622)

The University's total Unrestricted Surplus (Deficit) for the Operating Fund at the end of fiscal 2007/2008 shows a net deficit of $99,440 consisting of:

- **Accrual for Employee Future Benefits**: The University has costs associated with its sponsorship of three pension plans and other post-retirement benefits. These costs are actuarially determined and charged to the University's Statement of Operations and Changes in Net Assets. (Refer to Schedule 4)

- **University of Guelph-Humber**: This surplus represents the University's unrestricted share of the joint venture with The Humber College Institute of Technology and Advanced Learning.

13. CHANGES IN NET ASSETS – ENDOWED

Endowed net assets include externally restricted donations received by the University and donations designated by the Board to be endowed for specific purposes. 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 balance of annual investment income is recorded as a direct change to the endowed net assets.

	Externally Restricted	Board Restricted	Total 2008	Total 2007
Investment income (loss) on endowments	(15,259)	(2,113)	(17,372)	20,475
Less: available for expenditure	(6,049)	(911)	(6,960)	(6,301)
Increase (Decrease) in accumulated endowed investment income	(21,308)	(3,024)	(24,332)	14,174
Contributions received during year	4,642	300	4,942	4,878
Endowment Contributions	(16,666)	(2,724)	(19,390)	19,052
Transfers in	4,201		4,201	3,868
Net Increase (Decrease) in Net Assets	(12,465)	(2,724)	(15,189)	22,920
Net assets, beginning of year	152,118	21,149	173,267	150,347
Net assets, end of year	139,653	18,425	158,078	173,267

(in thousands of dollars)

14. DONATIONS

	2008	2007
Donations received during the year	11,713	12,289
Donations recorded as a direct addition to endowments	(4,155)	(3,779)
Donations recorded as deferred capital contibutions	(1,919)	(3,455)
Donations recognized as revenue	5,639	5,055

15. DEFERRED CHARGE

Transaction costs and discount totaling $934 incurred in connection with the $100,000 6.24% Series A unsecured debenture issue were being amortized over the term of the debt (40 years). The University has elected to expense the remaining $817 of the deferred charge under CICA Section 3855.

16. COMMITMENTS

Costs to complete major capital projects in progress as at April 30, 2008 are estimated to be $15,100 (2007 $9,600) and will be funded by government grants, gifts and University resources.

17. CONTINGENCY

a) The University is a defendant in a number of legal proceedings. Claims against the University in these proceedings have not been reflected in these financial statements. It is the opinion of the management and the University's legal counsel that the resolution of these claims will not have a material effect on the financial position of the University.

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 University Reciprocal Insurance Exchange (C.U.R.I.E.), the University is required to share in any net losses experienced by C.U.R.I.E. The commitment was renewed to January 1, 2013.

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 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 Guelph Golf & Recreation Club Limited was wholly owned by the University. As of March 31, 2005, the Guelph Golf & Recreation Club Limited discontinued operations. The University has entered into a new lease arrangement with the Guelph Cutten Club, whereby the University leases the assets to the Guelph Cutten Club, which is owned by the members.

   Under this new arrangement, the University has guaranteed a loan of up to $2,500 for the Guelph Cutten Club. As of April 30, 2008 the Guelph Cutten Club borrowed $2,000.

18. COMPARATIVE NUMBERS

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

Schedule 1

UNIVERSITY OF GUELPH
STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED APRIL 30, 2008

(in thousands of dollars)

	OPERATING FUND	CAPITAL FUND	ANCILLARY ENTERPRISES (Schedule 2)	RESEARCH & TRUST FUND	ENDOWMENT FUND	TOTAL 2008	TOTAL 2007
REVENUE							
Ministry of Training, Colleges and Universities	149,451	2,911	148			152,510	159,354
Ministry of Agriculture, Food and Rural Affairs	54,946					54,946	54,885
Tuition (Credit and Non-credit)	101,506					101,506	96,531
Donations (Note 14)	26			5,613		5,639	5,055
Sales of Goods and Services	39,038		68,332			107,370	104,169
Investment Income (Note 5)	1,313	116	471	9,003		10,903	10,489
Other Grants and Contracts	7,795			83,570		91,365	89,133
Amortization of Deferred Capital Contributions (Note 10)		21,601	43			21,644	20,901
Other	22,979	20	385			23,384	19,974
	377,054	24,648	69,379	98,186	-	569,267	560,491
EXPENSES							
Salaries	225,096		14,159	38,952		278,207	261,231
Benefits	65,964		2,923	5,771		74,658	81,444
Travel	7,222		136	6,353		13,711	13,215
Operating	81,789	55	23,554	27,034		132,432	130,619
Minor Renovations and Repairs		5,076	946			6,022	3,968
Interest	234	6,424	5,508			12,166	10,635
Scholarships and Bursaries	12,828			11,528		24,356	22,901
Institutional (Recovery) Charges	(9,018)		9,018			-	-
Capital Asset Amortization		35,857	4,032			39,889	39,378
	384,115	47,412	60,276	89,638	-	581,441	563,391
Revenue Less Expenses	(7,061)	(22,764)	9,103	8,548	-	(12,174)	(2,900)
Endowment Contributions (Note 13)					(19,390)	(19,390)	19,052
Interfund Transactions	(14,840)	22,961	(5,250)	(7,072)	4,201	-	-
Net Increase (Decrease) in Net Assets	(21,901)	197	3,853	1,476	(15,189)	(31,564)	16,152
Composed Of:							
Net Increase (Decrease) in Invested in Capital Assets		2,093	585			2,678	27,091
Net Increase (Decrease) in Endowments					(15,189)	(15,189)	22,920
Net Increase (Decrease) in Internally Restricted	(866)	(556)	8,378	2,226		9,182	(15,761)
Net Increase (Decrease) in Unrestricted	(21,035)	(1,340)	(5,110)	(750)		(28,235)	(18,098)
Net Increase (Decrease) in Net Assets	(21,901)	197	3,853	1,476	(15,189)	(31,564)	16,152

Schedule 1

UNIVERSITY OF GUELPH
STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED APRIL 30, 2008
(in thousands of dollars)

	OPERATING FUND	CAPITAL FUND	ANCILLARY ENTERPRISES (Schedule 2)	RESEARCH & TRUST FUND	ENDOWMENT FUND	TOTAL 2008	TOTAL 2007
Net Assets, Beginning of Year as Previously Reported	(43,318)	73,102	23,058	32,592	173,267	258,701	242,549
Financial Instruments Adjustment (Note 2a)		(850)	(5,642)			(6,492)	
Net Assets, Beginning of Year	(43,318)	72,252	17,416	32,592	173,267	252,209	
Net Increase (Decrease) in Net Assets	(21,901)	197	3,853	1,476	(15,189)	(31,564)	16,152
Net Assets, End of Year	(65,219)	72,449	21,269	34,068	158,078	220,645	258,701
Net Assets Components:							
Invested in Capital Assets		105,468	25,701			131,169	128,491
Endowed					158,078	158,078	173,267
Internally Restricted	34,221	(31,678)	(3,775)	34,818		33,586	24,565
Unrestricted Surplus (Deficit)	(99,440)	(1,341)	(657)	(750)		(102,188)	(67,622)
Net Assets, End of Year, Surplus (Deficit)	(65,219)	72,449	21,269	34,068	158,078	220,645	258,701

Schedule 2

UNIVERSITY OF GUELPH
STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS
FOR ANCILLARY ENTERPRISES
FOR THE YEAR ENDED APRIL 30, 2008

(in thousands of dollars)

	HOSPITALITY SERVICES	REAL ESTATE	STUDENT HOUSING SERVICES	PARKING	UNIVERSITY CENTRE	TOTAL 2008	TOTAL 2007
REVENUE	31,650	5,119	28,351	2,339	1,920	69,379	66,928
EXPENSES							
Cost of Materials	13,458				366	13,824	13,688
Salaries	9,124	208	3,788	283	756	14,159	13,538
Benefits	1,829	54	800	75	165	2,923	2,722
Institutional Charges	1,769		6,580	207	462	9,018	8,763
Operating	4,343	639	4,009	387	352	9,730	9,853
Travel	47	6	68	7	8	136	155
Minor Renovations and Repairs	35		850	61		946	837
Interest		377	5,131			5,508	4,334
Capital Asset Amortization	469	484	2,923	136	20	4,032	3,950
Total Operating Expenses	31,074	1,768	24,149	1,156	2,129	60,276	57,840
Revenue Less Expenses	576	3,351	4,202	1,183	(209)	9,103	9,088
Interfund Transactions	(333)	(3,576)	(738)	(842)	239	(5,250)	(5,155)
Net Increase (Decrease) in Net Assets	243	(225)	3,464	341	30	3,853	3,933
Composed Of:							
Net Increase (Decrease) in Invested in Capital Assets	595	685	(1,240)	530	15	585	(900)
Net Increase (Decrease) in Internally Restricted	(379)	776	7,986		(5)	8,378	837
Net Increase (Decease) in Unrestricted	27	(1,686)	(3,282)	(189)	20	(5,110)	3,996
Net Increase (Decrease) in Net Assets	243	(225)	3,464	341	30	3,853	3,933

Schedule 2

UNIVERSITY OF GUELPH
STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS
FOR ANCILLARY ENTERPRISES
FOR THE YEAR ENDED APRIL 30, 2008

(in thousands of dollars)

	HOSPITALITY SERVICES	REAL ESTATE	STUDENT HOUSING SERVICES	PARKING	UNIVERSITY CENTRE	TOTAL 2008	TOTAL 2007
Net Assets, Beginning of Year as Previously Reported	5,400	11,694	1,709	3,528	727	23,058	19,125
Financial Instruments Adjustment (Note 2a)		(61)	(5,581)			(5,642)	
Net Assets, Beginning of Year	5,400	11,633	(3,872)	3,528	727	17,416	19,125
Net Increase (Decrease) in Net Assets	243	(225)	3,464	341	30	3,853	3,933
Net Assets, End of Year	5,643	11,408	(408)	3,869	757	21,269	23,058
Net Assets Components:							
Invested in Capital Assets *	9,179	9,133	3,500	3,572	317	25,701	25,116
Internally Restricted	(3,542)	-	(460)		227	(3,775)	(12,841)
Unrestricted Surplus (Deficit)**	6	2,275	(3,448)	297	213	(657)	10,783
Net Assets, End of Year, Surplus (Deficit)	5,643	11,408	(408)	3,869	757	21,269	23,058

* Net Assets "Invested in Capital Assets" presents the funds expended on capital assets less accumulated amortization, related debt and deferred capital contributions.

** Accumulated net results for operations are presented in the Unrestricted Net Assets.

Schedule 3

UNIVERSITY OF GUELPH

STATEMENT OF OMAFRA REVENUES AND EXPENSES BY OBJECT

For the Year Ended April 30, 2008

(in thousands of dollars)

The University's agreement with the Ontario Ministry of Agriculture, Food and Rural Affairs (OMAFRA) includes the research and education programs at Guelph, the operation of 3 campuses at Alfred, Kemptville and Ridgetown, Ontario and a laboratory services' facility. This agreement was renewed for 10 years effective April 1, 2008. The following figures reflect the revenues and expenses of the OMAFRA agreement for 2007/2008. Schedule #3 excludes the revenue and expenses of the former OMAFRA Education programs effective March 31, 2008. These programs are being transferred to the Ministry of Training, Colleges and Universities (MTCU). The salary and benefits amounts includes estimates for salary agreements signed with certain employee groups in April 2008 but not paid to employees until after the close of the fiscal year.

	OAC Guelph	OAC Alfred	OAC Kemptville	OAC Ridgetown	OVC Guelph	Other Colleges Guelph	Lab Services Division	Stations & Academic Services Guelph	Institutional Revenue & Expenses	Total OMAFRA 2008	Total OMAFRA 2007
Income											
Provincial	10,827	2,058	5,424	4,973	6,878	1,670	9,670	6,961	6,485	54,946	54,885
Tuition	255	318	1,571	1,036	-	-	-	-	-	3,180	3,332
Sales of Goods and Services	5	339	1,685	3,280	-	-	12,194	2,402	-	19,905	20,358
Other	28	860	2,971	2,162	-	10	186	2,494	-	8,711	6,699
Total Income	11,115	3,575	11,651	11,451	6,878	1,680	22,050	11,857	6,485	86,742	85,274
Expenses											
Salaries	4,298	1,830	4,805	5,255	2,252	521	12,033	4,466	-	35,460	34,257
Benefits	893	425	1,099	1,248	547	60	2,905	1,117	-	8,294	7,524
Total Personnel Costs	5,191	2,255	5,904	6,503	2,799	581	14,938	5,583		43,754	41,781
Travel	164	75	174	103	249	42	120	40	-	967	965
Operating	874	1,199	5,205	4,688	1,000	357	6,743	6,147	-	26,213	25,828
Equipment	262	26	192	215	-	-	414	238	-	1,347	2,076
Support for Faculty Costs	4,636	-	-	-	2,657	622	-	-	-	7,915	7,915
Service Costs	-	-	-	-	-	-	-	-	6,485	6,485	6,485
Expenses before Transfers	11,127	3,555	11,475	11,509	6,705	1,602	22,215	12,008	6,485	86,681	85,050
Interfund Transfers	(12)	20	176	(58)	173	78	(165)	(151)	-	61	224
Total Contract Expenses	11,115	3,575	11,651	11,451	6,878	1,680	22,050	11,857	6,485	86,742	85,274
Net Income (Expense)	-	-	-	-	-	-	-	-	-	-	-

EMPLOYEE FUTURE BENEFITS

a) Description of Plans

The University has a number of funded and unfunded defined benefit programs that provide pension and other post-employment benefits to its employees. The pension programs provide benefits that are based on years of service and best average earnings. The benefit rates are adjusted annually to reflect any increase in the Consumer Price Index (limited to 8%) that is in excess of 2%. The University's other benefit plans provide extended health care and dental plan benefits 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.

b) Accrued Benefit Obligations and Plan Assets

The University measures the accrued benefit obligations (ABOs) and the fair value of plan assets for accounting purposes as at January 31 of each year. Information about the University's defined benefit plans, in aggregate, is as follows:

[in thousands of dollars]	Pension Plans*		Other Benefit Plans		Total	
	2008	2007	2008	2007	2008	2007
Change in Benefit Obligation						
Benefit obligation - beginning of measurement period	958,116	906,007	236,978	181,748	1,195,094	1,087,755
Current service cost (employer)	28,353	26,315	9,451	6,554	37,804	32,869
Interest cost	48,278	46,528	12,222	9,611	60,500	56,139
Employee contributions	11,299	9,558	-	-	11,299	9,558
Plan amendments	-	648	-	-	0	648
Actuarial loss (gain)	(995)	10,370	(4,904)	42,509	(5,899)	52,879
Benefits paid	(43,923)	(41,310)	(3,770)	(3,444)	(47,693)	(44,754)
Benefit obligation - end of measurement period	1,001,128	958,116	249,977	236,978	1,251,105	1,195,094
Change in Plan Assets						
Market value of plan assets - beginning of measurement period	886,699	757,526	-	-	886,699	757,526
Actual return on plan assets, net of expenses	(45,799)	146,055	-	-	(45,799)	146,055
Employer contribution	71,273	14,870	3,770	3,444	75,043	18,314
Employee contribution	11,299	9,558	-	-	11,299	9,558
Benefits paid	(43,923)	(41,310)	(3,770)	(3,444)	(47,693)	(44,754)
Market value of plan assets - end of measurement period	879,549	886,699	-	-	879,549	886,699

EMPLOYEE FUTURE BENEFITS (CONTINUED)

b) Accrued Benefit Obligations and Plan Assets (continued)

[in thousands of dollars]	Pension Plans*		Other Benefit Plans		Total	
	2008	2007	2008	2007	2008	2007
Reconciliation of funded status						
Funded status - surplus (deficit)	(121,579)	(71,417)	(249,977)	(236,978)	(371,556)	(308,395)
Employer contributions after measurement date	5	11,171	1,066	861	1,071	12,032
Unamortized transitional obligation (asset)	(64,064)	(76,722)	29,939	34,217	(34,125)	(42,505)
Unamortized past service costs	24,074	27,081	-	-	24,074	27,081
Unamortized net actuarial loss (gain)	256,028	155,449	96,890	108,042	352,918	263,491
Accrued benefit asset (liability), before Valuation Allowance	94,464	45,562	(122,082)	(93,858)	(27,618)	(48,296)
Total Valuation Allowance (VA)	(4,546)	(5,984)	-	-	(4,546)	(5,984)
Accrued benefit asset (liability), net of VA	89,918	39,578	(122,082)	(93,858)	(32,164)	(54,280)
Statement of Financial Position						
Deferred pension costs	91,146	40,419	-	-	91,146	40,419
Accounts payable (employee future benefits - current liability)	(22)	(22)	(4,855)	(4,064)	(4,877)	(4,086)
Employee future benefits (long-term liability)	(1,206)	(819)	(117,227)	(89,794)	(118,433)	(90,613)
Accrued benefit asset (liability), net of VA	89,918	39,578	(122,082)	(93,858)	(32,164)	(54,280)

*Pension plans include accrued benefit obligations and plan assets in respect of plans that are not fully funded of $991,256 and $864,926 respectively ($948,156 and $870,581 respectively for 2007).

EMPLOYEE FUTURE BENEFITS (CONTINUED)

c) Net Benefit Plan Costs

[in thousands of dollars]	Pension Plans		Other Benefit Plans		Total	
	2008	2007	2008	2007	2008	2007
Components of cost						
Current service cost (employer)	28,353	26,315	9,451	6,554	37,804	32,869
Interest cost	48,278	46,528	12,222	9,611	60,500	56,139
Actual return on assets	45,799	(146,055)	-	-	45,799	(146,055)
Actuarial (gains) losses	(995)	10,370	(4,904)	42,509	(5,899)	52,879
Past service costs	-	648	-	-	-	648
Difference between actual and expected return	(106,933)	93,608	-	-	(106,933)	93,608
Difference between actual and recognized actuarial gains (losses)	6,354	2,300	11,152	(39,243)	17,506	(36,943)
Difference between actual and recognized past service costs in year	3,007	2,276	-	-	3,007	2,276
Amortization of transitional obligation (asset)	(12,658)	(12,658)	4,278	4,278	(8,380)	(8,380)
Amortization of transitional increase in VA	5	5	-	-	5	5
Current increase (decrease) in VA	(1,443)	2,757	-	-	(1,443)	2,757
Net benefit cost	9,767	26,094	32,199	23,709	41,966	49,803

The net benefit plan costs are recorded in the Statement of Operations and Changes in Fund Balances as a benefit expense.

EMPLOYEE FUTURE BENEFITS (CONTINUED)

d) Cash Payments

Total cash payments for employee future benefits for the 12-months ended January 31, 2008, consisting of cash contributions by the University to the funded pension plans and cash payments directly to beneficiaries for the unfunded other benefit plans, were $75,043 (2007 $18,314).

e) Asset Allocation

The asset allocation of the pension plans pooled funds, at the measurement date of January 31, is as follows:

	2008	2007
Percentage plan assets at January 31		
Equity securites	57.8%	68.0%
Debt securites	31.2%	30.1%
Cash and short term investments	10.6%	1.5%
Other	0.4%	0.4%
	100.0%	100.0%

f) Actuarial Valuations

The most recent actuarial valuations for the University's defined benefit plans are as follows:

Registered Pension Plans	August 1, 2007
Other Plans	January 31, 2007

For the University's registered pension plans, the next funding valuation is required to be prepared with an effective date no later than September 30, 2010.

EMPLOYEE FUTURE BENEFITS (CONTINUED)

g) Significant Assumptions

The significant actuarial assumptions adopted are as follows:

	Pension Plans		Other Benefit Plans	
	2008	**2007**	**2008**	**2007**
For determining accrued benefit obligation at end of fiscal period:				
Discount rate	5.15%	5.05%	5.20%	5.10%
Rate of increase in future compensation	3.50% - 4.50%	3.75%	n/a	n/a
Rate of increase in national average wage	3.25%	3.25%	n/a	n/a
Rate of increase in Consumer Price Index (CPI)	2.25%	2.25%	n/a	n/a
Rate of post-retirement pension increases	0.50%	0.50%	n/a	n/a
Expected long-term rate of return on plan assets	6.75%	6.75%		
For determining benefit cost during fiscal period:				
Discount rate	5.05%	5.15%	5.10%	5.25%
Rate of increase in future compensation	3.75%	4.00%	n/a	n/a
Rate of increase in national average wage	3.25%	3.50%	n/a	n/a
Rate of increase in Consumer Price Index (CPI)	2.25%	3.00%	n/a	n/a
Rate of post-retirement pension increases	0.50%	1.00%	n/a	n/a
Expected long-term rate of return on plan assets	6.75%	7.00%	n/a	n/a
Assumed health care cost trend rate at end of fiscal period:				
Dental Inflation	n/a	n/a	4.50%	4.50%
Initial health care cost trend rate	n/a	n/a	10.00%	10.00%
Annual rate of decline in health care cost trend rate	n/a	n/a	0.50%	0.50%
Year of initial decline in health care cost trend rate	n/a	n/a	2008	2008
Ultimate health care cost trend rate	n/a	n/a	5.00%	5.00%

EMPLOYEE FUTURE BENEFITS (CONTINUED)

h) Sensitivity Analysis

Assumed discount rate and health care cost trend rates have a significant effect on the amounts reported for the benefit plans. The sensitivities of each assumption have been calculated independently of changes in other assumptions. Actual experience may result in changes in multiple assumptions simultaneously, which could magnify or reduce certain sensitivities.

[in thousands of dollars]	Pension Plans		Other Benefit Plans	
	Benefit Obligation 2008	Net Benefit Cost 2009	Benefit Obligation 2008	Net Benefit Cost 2009
	Increase (Decrease)		Increase (Decrease)	
Impact of discount rate change:				
1% increase	(124,397)	(15,182)	(41,746)	(5,239)
1% decrease	142,133	16,709	53,858	6,582
Impact of health care cost trend rate change:				
1% increase	n/a	n/a	51,553	9,287
1% decrease	n/a	n/a	(40,446)	(7,128)