UNIVERSITY OF GUELPH

Annual Financial Report

Summary of Financial Results and Audited Financial Statements for the fiscal year
May 1, 2008 to April 30, 2009

UNIVERSITY of GUELPH

CHANGING LIVES IMPROVING LIFE

Table of Contents

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For the fiscal year May 1, 2008 to April 30, 2009

A. INTRODUCTION

The following report summarizes University annual financial results for the year ended April 30, 2009 (referred to as "fiscal 2009"). This report consists of two major components. The first, is management's summary of major financial results for the year; the second presents the audited financial statements for fiscal 2009 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 30.

B. FINANCIAL HIGHLIGHTS 2008/2009

This section summarizes significant financial results for fiscal 2009 including major changes, compared to fiscal 2008. (The following summarizes major changes. For further analysis and details on these changes, refer to the additional sections indicated.)

- **Endowments:** The University endowment investments experienced a significant decline in market value in 2008/2009 reflecting the extremely negative global financial market conditions over the past year. The market value of University endowment funds experienced an overall annual decrease of 16% (from $171.9 million to $144.2 million), the combined result of a negative net investment return of 17.6% partially offset by capital additions of $6.4 million. It is the University's policy to limit annual spending that protects the original capital of endowments in both nominal and real terms. Consistent with this policy, 2008/2009 investment returns will mean the suspension of a significant portion of spending from endowments in 2009/2010. This action has been taken to protect the long-term value of the endowments and to shorten the period required to resume normal spending as markets recover. (Refer to section F.)

- **Revenues**: When compared to fiscal 2008, total University revenues increased by 8.4% or $47.9 million to $617.2 million. Almost all major revenue categories showed increases. While this overall increase is significant, much of this revenue was either restricted for new programs (and expenses) or was used to cover cost increases resulting from increased activity levels in both teaching and research programs. Major contributors of the 2008/2009 overall increase were:

  - MTCU (Ministry of Training Colleges and Universities) grants increased by $13.6 million or 8.9%. However 65% or $8.7 million of this increase were grants restricted by the MTCU for incremental program expenses or capital (campus facilities renewal) projects. Of the remaining 35% increase or $4.9 million, $3.0 million were one-time MTCU grants transferred at year-end leaving $1.9 million (1.5% of total operating grants) most of which was earned by graduate growth under MTCU approved plans.
  - Tuition revenues increased by $9.6 million or 9.5% overall. 85% or $8.3 million of this increase was due to both increased enrolment and tuition for graduate and undergraduate degree credit programs. The balance of the increase was realized in a variety of non-degree credit programs such as certificate and training programs.

- Sales of Goods and Services increased by $7.8 million of 7.3% which is due to increased activity in a wide range of areas and programs including ancillary enterprises (student housing and food), clinical revenues in the Ontario Veterinary College teaching hospital, laboratory testing services and instruction and training program activities in the regional campuses of the Ontario Agricultural College.
- Other grants and Contracts increased by 10% or $8.6 million mainly as a result of increases in externally restricted revenues in support of spending on research projects (under accounting policy, revenue for externally restricted activities is not recognized until expenditures are made.)

  (Refer to Section D.)

- **Expenses:** Total University Expenses from all funds grew by 8.0% or $46.5 million to $627.9 million compared to fiscal 2008. While all but one category of expense (capital asset amortization) showed some increase, 83% or $38.6 million of the total increase was concentrated in salaries and benefits categories;

  - Within the "salaries" category are $11.7 million in one-time costs (accounting for over half of the total recorded increase in this category of 8.1%) for retirement or resignation incentives incurred under a University's program to reduce its total staff complement funded from the MTCU Operating budget. The balance of the increase in total salaries was mainly the result of negotiated compensation increases and a small (less than 2% in all funds) increase in staff levels. (Refer to section E.1)
  - Benefit expenses increased by $16.1 million or 21.6% in fiscal 2009 due to an increase in post-employment (pension and non-pension) accounting expense[1]. Post-employment benefits expense increased by $17.7 million to $58.9 million; Non-pension post-retirement (health and dental coverage) expenses increased by $0.2 million to $32.4 million. The pension expense increased from $9.0 million in fiscal 2008 to $26.5 million in fiscal 2009. This increase in expense reflects a number of events including the impact of the negative global market conditions (reducing pension asset values) offset somewhat by the increase in interest rates. (Refer to Section E.2)

- **Capital acquisitions** spending continued at significant levels ($69.1 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 $118 million in expenses and estimated borrowing of up to $65 million. Special one-time funding recently received from MTCU and restricted for campus infrastructure renewal projects will help contain borrowing requirements under this plan. This funding, totaling $20.1 million consisted of $8.1 million received in fiscal 2008 and $12.0 million received in fiscal 2009. (Refer to Section G.)

[1] *Annual cash contributions do not constitute post-employment "expense" for financial statement purposes. Accounting expense is an estimate of the costs to an employer for the current and future employer pension obligations incurred in a fiscal year. The complex calculation, prepared by the University's actuaries in accordance with C.I.C.A. accounting guidelines, assigns an annual cost to the pension liability accrued in a year considering both new obligations promised to current employees and the experience of market conditions to pension assets and liabilities.*

- **Unrestricted Deficit** of the University increased significantly to $165.5 million from $102.2 million compared to fiscal 2008. This increase was the result of two major events: an increase in an accounting deficit related to post-employment benefits of $35.6 million and a one-time planned deficit in the Operating budget of $27.1 million.

  - The post-employment deficit is the component of post-employment accounting expense that has not been covered by current University revenues. Given the volatility of accounting expenses for post-employment benefits (that, to a large extent are based on current market conditions), it is the University's practice to fund accounting costs through annual allocations that are more constant, with the objective of fully funding these expenses over the longer term. In terms of cash contributions, non-pension post employment benefits are funded on a "pay-as–you" go basis. The University makes pension contributions based on the legislated requirements determined through periodic formal actuarial valuations (the last valuation was completed August 1, 2007 and the next valuation is required August 1, 2010). The University has met all of its cash obligations for post-employment benefits.
  - The other component of the increase in the deficit is $27.1 million related to the University's multi-year plan to eliminate a structural deficit in the MTCU component of the Operating fund. The financial objective of the multi-year plan is to remove $46.1 million in annual (base) expenses over the four year period of the plan (fiscal 2009 to fiscal 2012). This one-time deficit incurred in fiscal 2009 consists of two components;

    1. $11.0 million of incentive and restructuring program costs. A major element of the multi-year plan is the reduction in total faculty and staff compliment using voluntary retirement or resignations through incentive programs as a first step.

    2. In addition, there are $16.1 million in unfunded one-time costs reflecting the time required to implement the very significant restructuring plans particularly associated with academic program changes.

  The first year of the plan is complete and the total deficit is consistent with the University's 2008/2009 MTCU Operating Budget approved by the Board of Governors on April 15, 2009. This document is available: http://www.fin.uoguelph.ca/reports/index.cfm.

As noted in the preceding items, the 2009 University's financial position has been impacted by a number of events such as negative global market conditions, post-employment benefit costs and the University's multi-year plan to reduce structural costs within its Operating budget. The balance of this report will discuss these impacts in more detail and in the context of prior year results.

C. Comparative Financial Indicators

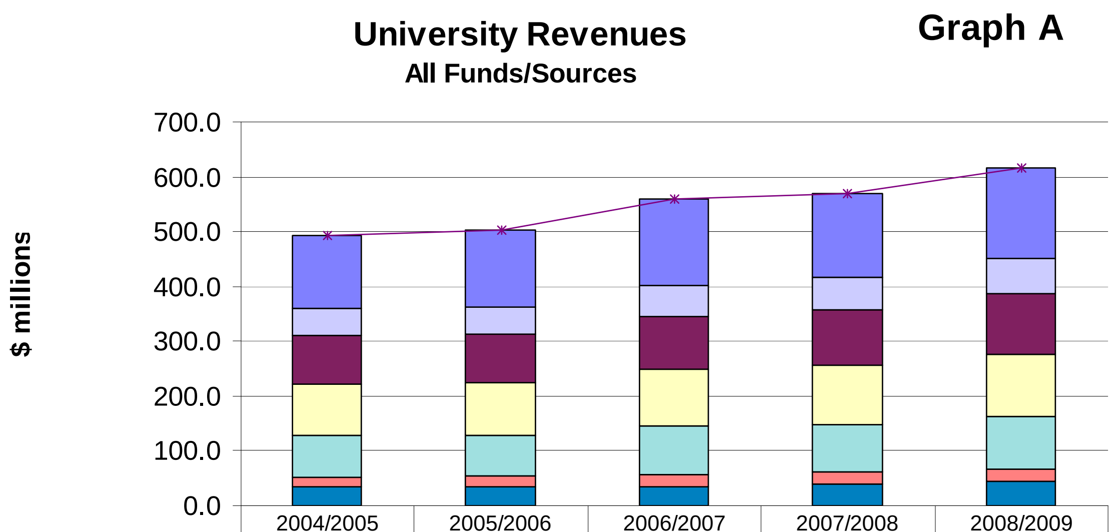
The following table has been prepared to provide some major University statistics (financial and other) over the past five years.

Comparative University Financial Results Fiscal 2005 - 2009				Table A	
	2005	**2006**	**2007**	**2008**	**2009**
Enrolment - University Degree Programs (FTEs)	17,653	17,538	18,286	18,290	18,664
Faculty and Staff (Regular Budgeted Positions)	2,952	2,902	2,922	2,974	3,029
Revenues and Expenses:					
Total Revenues ($M)	$ 493.9	$ 503.9	$ 560.5	$ 569.3	$ 617.2
Total Expenditures ($M)	$ 511.1	$ 514.7	$ 563.3	$ 581.4	$ 627.9
Annual Surplus/(Deficit) ($M)	$ (17.2)	$ (10.9)	$ (2.9)	$ (12.2)	$ (10.7)
Revenue year-over-year change	5%	2%	11%	2%	8%
Revenue Mix (% of Total Revenues)					
Provincial MTCU Operating Grants	27%	28%	28%	26%	26%
Tuition	18%	18%	17%	18%	18%
Endowment & Donations	2%	3%	2%	2%	2%
Expenditure year-over-year change	5%	1%	9%	3%	8%
Expense Mix (% of Total Expenses)					
Salaries	49%	48%	46%	48%	48%
Benefits	12%	14%	14%	13%	14%
Capital and Capital Debt:					
Total Debt	$ 161.2	$ 158.6	$ 159.3	$ 167.7	$ 175.5
- Total Debt per FTE ($)	*$ 9,132*	*$ 9,043*	*$ 8,712*	*$ 9,166*	*$ 9,402*
% Debt Service to Revenue	2.9%	2.6%	3.0%	2.4%	2.1%
% Debt to Revenue	32.6%	31.5%	28.4%	29.4%	28.4%
Interest Coverage Ratio [1]	0.90	1.61	2.47	1.56	1.57
Capital Acquisitions ($M)	$ 80.4	$ 100.7	$ 68.7	$ 54.3	$ 69.1
Provincial Capital Grants ($M)	$ 10.5	$ 26.7	$ 2.3	$ 9.7	$ 13.6
Endowments:					
- Externally Restricted ($M)	$ 129.8	$ 143.2	$ 162.3	$ 151.9	$ 127.7
- Internally Restricted ($M)	$ 19.9	$ 20.9	$ 22.6	$ 20.0	$ 16.5
Total Endowment Assets - Market Values	$ 149.7	$ 164.2	$ 184.9	$ 171.9	$ 144.2
- Total Endowment per FTE ($)	*$ 8,480*	*$ 9,362*	*$ 10,111*	*$ 9,400*	*$ 7,724*
Post-Employment Benefits:					
Pension Plans - Funded Status Surplus/(Deficit)	$ (103.6)	$ (148.5)	$ (71.4)	$ (121.6)	$ (165.3)
Other Benefit Plans -Funded Status Surplus/(Deficit)	$ (152.8)	$ (181.7)	$ (237.0)	$ (250.0)	$ (207.4)
Latest Valuation Date - Registered Plans	Sep-03	Sep-03	Sep-06	Aug-07	Aug-07
Latest Valuation Date - Other plans	Jan-04	Jan-04	Jan-07	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.

D. REVENUES

University revenue from all sources was $617.2 million, an increase of 8.4% or $47.9 million from fiscal 2008 ($569.3 million). Refer to Graph A. Most major categories of revenue increased in fiscal 2009. Since fiscal 2005, overall University revenues have grown by 25% or $123.3 million. 46% of this increase occurred in one fiscal year, fiscal 2007, due to a combination of one-time provincial operating grants, increased enrolment revenues and research activity.



	2004/2005	2005/2006	2006/2007	2007/2008	2008/2009
Provincial MTCU	135.0	141.7	159.4	152.5	166.1
OMAFRA Agreement	49.5	50.2	54.9	59.3	62.9
Tuition	88.8	88.7	96.5	101.5	111.1
Sales of Goods and Services	91.5	95.5	104.2	107.4	115.2
Other Grants and Contracts	78.0	74.1	89.1	87.1	95.6
Amort. of Deferred Capital	17.0	18.7	20.9	21.6	21.5
All Other Revenues	34.1	35.0	35.5	39.9	44.8
Total	493.9	503.9	560.5	569.3	617.2

The following sub-sections provide details on revenue changes between fiscal 2008 and fiscal 2009.

D.1 Provincial MTCU

MTCU (Ministry of Training Colleges and Universities) provincial grants increased by $13.6 million or 8.9%. These grants which comprise 27% of total University revenue consist of grants targeted for teaching and infrastructure support and capital projects. In fiscal 2009, MTCU increased funding in a number of targeted areas and continued to provide some year-end one-time funding transfers. The $13.6 million recognized as revenue in fiscal 2009 consisted of:

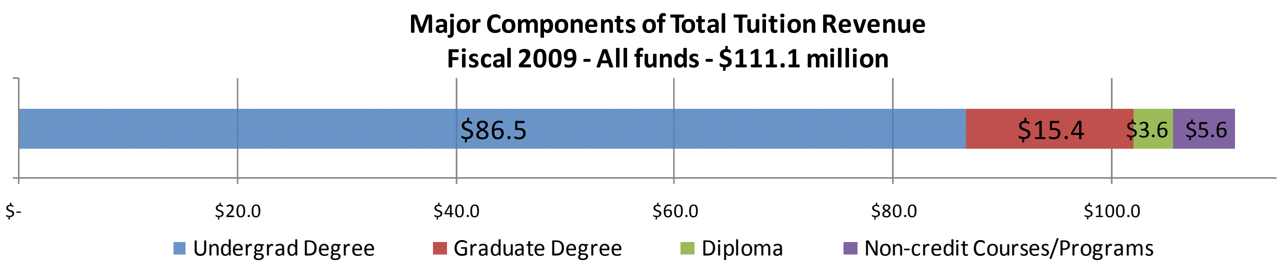
- $8.7 million in funding restricted by MTCU for incremental program expenses or capital (critical campus infrastructure renovation) projects. Major elements of the increase were:
    - $5.2 million for the incremental costs of assuming the responsibility for diploma education at the University's regional campuses that had previously been funded under a contract with OMAFRA (Ontario Ministry of Agriculture Food and Rural Affairs). These funds were, in effect, transferred from OMAFRA to MTCU. All related program costs remain and therefore this apparent increase does not constitute new funding to the University.

- o $2.0 million in new funding in support of veterinary teaching at the University's OVC (Ontario Veterinary College). This increases the annual on-going grant to $6.5 million from $5.0 million, a level at which it has been fixed for many years (Note: In fiscal 2009, the University received an extra one-time monthly payment at the $6.5 million annual rate, or $0.5 million, reflecting the April 1, 2008 new funding level.) Funds are targeted for new program costs in the OVC.
- o $1.5 million increase in capital provincial funding recognized in fiscal 2009 bringing the fiscal 2009 total in this category to $4.4 million. This increase is the accounting impact of new MTCU funding received and restricted for campus facilities renewal. Over the past two years, the MTCU transferred a total of $20.1 million to the University (in addition to the normal annual commitment of approximately $1.6 million) restricted for critical campus deferred maintenance projects. This funding arrived in two "tranches" of $8.1 million received in fiscal 2008 and $12.0 million received in fiscal 2009. As these funds are restricted for specific projects, revenue is not recognized until spent or amortized in the case of capitalized spending. At April 30, 2009, $3.1 million of this funding remained unspent however this will be completely used over the course of the next year. The University has applied these funds to reduce borrowing under its multi-year plan to address some of the most critical elements of building and campus utilities infrastructure deficiencies. (Refer to section G.)

- The remaining $4.9 million consists of $3.0 million in one-time year end grants of which $1.0 million is to be used for "sustaining" teaching program quality (under reporting requirements from MTCU) and $2.0 million earned from undergraduate growth. The final $1.9 million is an increase in base funding for graduate growth under the University's plan to increase graduate enrolments, submitted to and approved by MTCU.

D.2 Tuition Revenue

Tuition Revenue (18% of total revenues) totaled $111.1 million from all funds in fiscal 2009 reflecting a $9.6 million (9.4%) total increase. Tuition Revenue consists of revenues earned for both undergraduate and graduate degree credit programs, diploma and non-credit programs. Refer to the chart below. Non-credit programs include a wide variety of courses such as general continuing education, training and professional certification programs.

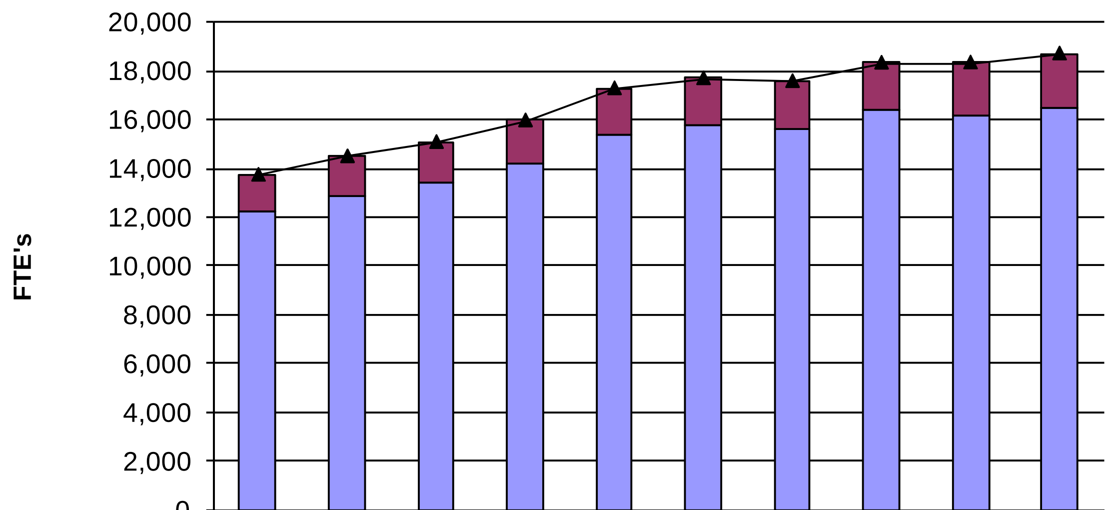


The fiscal 2009 increase in total tuition revenue was the result of a number of factors including increases in both the student enrolment (numbers) and rates charged for programs relative to fiscal 2008. Degree credit (undergraduate and graduate) tuition levels are determined under strict MTCU guidelines which limit increases for new and continuing students. In fiscal 2009 these rate increases ranged from 0-8% which are consistent with MTCU guidelines and Board of Governors approval.

Total degree credit enrolment increased 2% to 18,664 FTEs (Full-Time Equivalents). Refer to Graph B. This overall increase was the net effect of greater undergraduate and graduate enrolment. The University experienced a growth of approximately 300 undergraduate students and 50 graduate students. These increases reflect a combination of strong demand and changes as part of the University's planned response to increased provincial funding for enrolment under the University's Integrated Planning process. Accompanying these students, were additional costs associated with teaching, a variety of support services and student assistance.

Graph B

Fall Full-Time Equivalent (FTE) Enrolment

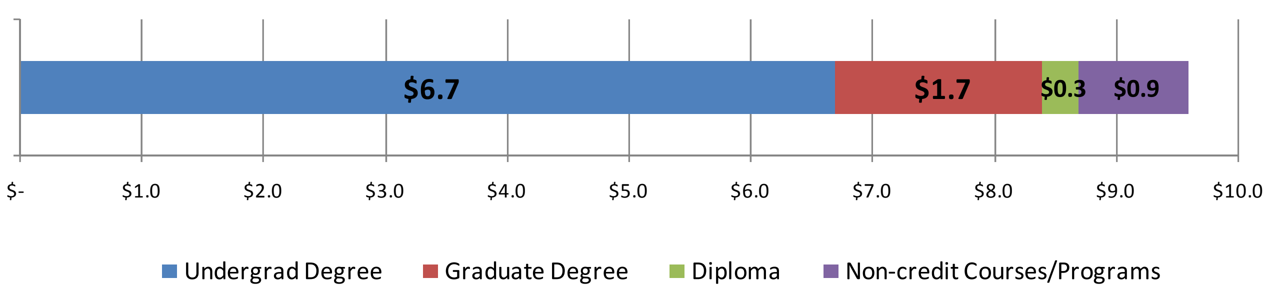


	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Graduate	1,547	1,619	1,668	1,783	1,890	1,958	1,949	1,946	2,201	2,256
Undergraduate	12,173	12,855	13,388	14,153	15,357	15,730	15,589	16,340	16,097	16,408
Total	13,719	14,474	15,056	15,936	17,247	17,653	17,538	18,286	18,298	18,664

In addition, tuition revenues from non-credit and diploma programs experienced a continued increase in demand (increased by $1.2 million or 13.3% compared to the previous year). These programs are offered on both the main campus as part of the Open Learning division and the regional campuses of the Ontario Agricultural College (located in Ridgetown, Kemptville and Alfred).

The chart below presents tuition revenue increases by major program.

Major Components of Changes in Total Tuition Revenue
Fiscal 2009 - All Funds - $9.6 million



D.3 OMAFRA (Ontario Ministry of Agriculture, Food and Rural Affairs) Agreement

Historically, OMAFRA has provided major funding for a number of major research and education programs at the University. On April 1, 2008, this long standing relationship with OMAFRA was renewed for ten years. As part of the renewed agreement, annual funding was increased by $8.8 million to $59.1 million. In addition, $12.5 million will be available in each of the next five years funded from a one-time payment of $56 million (received in April 2008 and referred to as "New Initiatives" funding). These funds will be disbursed, with interest, over the five year period ending in 2013. This new agreement and the $56 million one-time payment is a significant commitment to the University which 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 to provincial funding, OMAFRA activities at the University generate revenues at facilities supported under the agreement derived mainly from the sale of goods (agricultural commodities), services (research facilities) and laboratory testing. These non-provincial sources of revenue have grown significantly over the past number of years and provide 20% of total funding for OMAFRA sponsored facilities and programs. General revenues earned under the agreement with OMAFRA are recorded on these statements in the appropriate category such as Sales of Goods and Services or Other Revenue. 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, investment income related to Agreement cash flows is credited to the Agreement forming part of the overall funding available. All OMAFRA Agreement 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. A separate audited report is prepared for Agreement program revenues and expenses each year.

As of April 1, 2008 the diploma education program, historically part of the agreement with OMAFRA, was removed from the OMAFRA agreement and transferred to MTCU. The transfer of responsibilities and expenses was accompanied with an annual grant of $4.5 million restricted for diploma program education now funded under MTCU provincial operating grants. In fiscal 2009, provincial revenues under the new OMAFRA Agreement saw an increase $3.6 million (6% over 2008). This does not reflect the full impact of new funding given the time necessary to restructure programs and allocations. This restructuring was completed during fiscal 2009. It is expected funding recognized will increase significantly in future years as the full impact of the new funding is realized. The increase in revenues recorded under the "OMAFRA Agreement" category does not reflect provincial New Initiatives revenues of $3.7 million recorded in the "Other Grants and Contract" category.

D.4 Other Grants and Contracts

This revenue category records funding that is restricted by a large number of external governments, organizations or individuals for specific purposes. The major component is funding for research projects. Research activities in this category 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,[2] CFI (Canada Foundation for Innovation), and provincial infrastructure funding and contracts from industry for sponsored-research projects. Research funds and related expenses restricted for capital purposes are reported under the Capital Fund.

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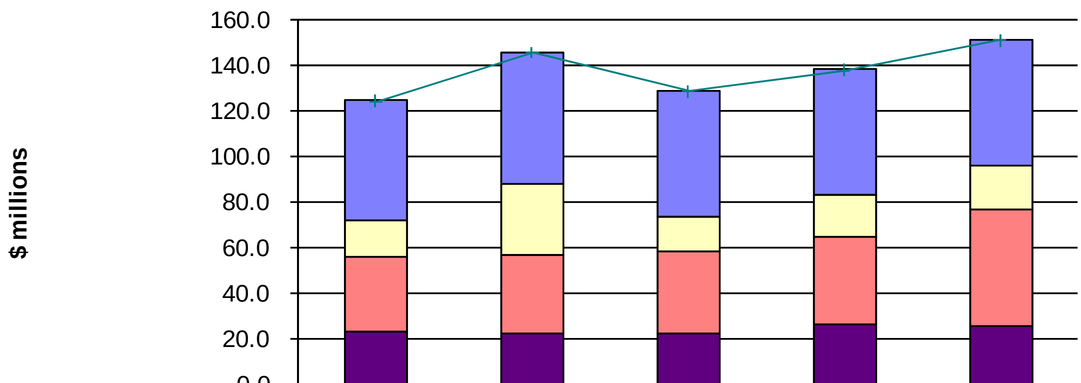
[2] Includes NSERC (Natural Sciences and Engineering Research Council), SSHRC (Social Sciences and Humanities Research Council),CIHR (Canadian Institute of Health Research), CRC's (Canada Research Chair), and NCE's (Networks of Centres of Excellence)

In fiscal 2009, revenue (recognized for financial statement purposes[3]) increased by $8.6 million, $3.7 million of which of is funding from OMAFRA under the New Initiative envelope (refer to section D.3). The balance of the increase or $4.9 million was mainly research revenue restricted for fiscal 2009 spending which increased relative to fiscal 2008.

In terms of research funds received, $150.7 million was received and allocated to departments in fiscal 2009 ($137.7 million in 2008). Refer to Graph C. The increase was due to additional funding received from OMAFRA under the new Agreement recorded in the Operating Fund. The balance of the funding received ($99.3 million, unchanged from fiscal 2008) was received largely from external sponsors as restricted revenue for both operating and capital purposes.

Graph C

Research Funding Allocated by Major Source



	2005	2006	2007	2008	2009
Federal	52.4	57.8	55.4	54.9	55.2
Other Ontario	16.1	30.9	15.0	18.7	18.9
OMAFRA Agreement	33.0	34.4	35.7	38.4	51.4
Other	22.5	22.3	22.3	25.7	25.2
Total	124.0	145.4	128.4	137.7	150.7

[3] *Research funding is restricted for specific purposes by external sponsors, and under C.I.C.A. 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 32 for the accounting policy on revenue recognition).*

D.5 Sales of Goods and Services

This category increased by $7.8 million or 7.3%, the largest component was a $3.3 million combined increase in Hospitality (food), Student Housing and Parking revenues. Increases in Ancillary Enterprises revenues were the result of general price and enrolment increase and were used to cover the cost of the delivery of goods and services and maintain the quality of facilities. Another major component was the $1.4 million increase in laboratory services such as testing. The balance of $2.9 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, printing, and recovery of miscellaneous service costs.

D.6 All Other Revenues

This category (on Graph A) summarizes revenues from donations (total of $7.5 million), investment income (total of $11.5 million) and all “Other” sources (total of $25.8 million).

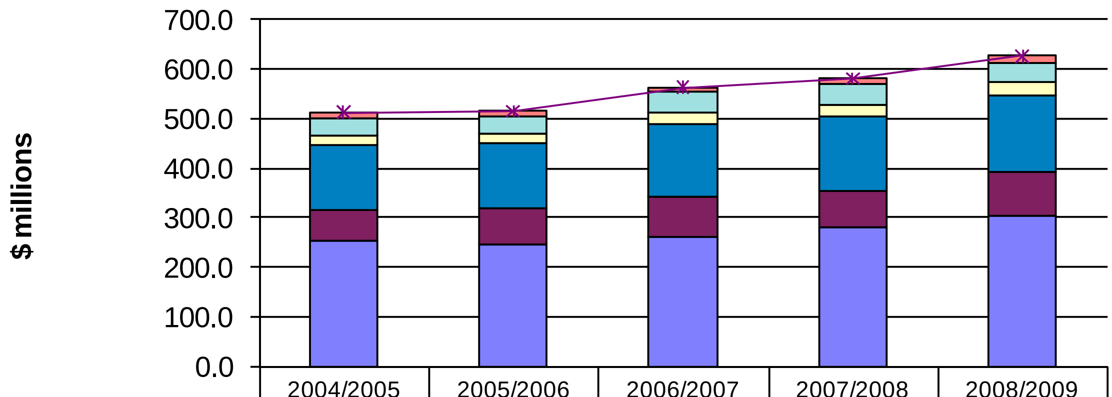
In fiscal 2009, combined revenues from these sources increased by $4.9 million or 12.3% compared to 2008. Major components of the increase were donations ($1.9 million), cost-recovery increase from the University of Guelph-Humber for services provided to the joint venture ($1.0 million), investment income ($0.6 million increase). The balance of the net increase in this category was from a large variety of miscellaneous sources reflecting increased level of activities.

E. EXPENSES

University expenses, which totaled $627.9 million, increased 8.0% or $46.5 million from fiscal 2008 ($581.4 million). Refer to Graph D.

Graph D

University Expenses
All Funds/Sources



	2004/2005	2005/2006	2006/2007	2007/2008	2008/2009
Interest	10.7	10.5	10.6	12.2	15.3
Capital Asset Amortization	33.2	35.9	39.4	39.9	38.4
Scholarships and Bursaries	20.7	19.9	22.9	24.3	26.7
Operating	133.4	131.6	147.8	152.1	156.0
Benefits	61.5	71.3	81.4	74.7	90.8
Salaries	251.6	245.5	261.2	278.2	300.7
Total	511.1	514.7	563.3	581.4	627.9

E.1 Salaries

(48% of total expenses): Salaries (all funds) increased by $22.5 million or 8.1%. About 3.9% of this increase consisted of both basic increases across all employee groups averaging 3% and a small increase in overall staffing levels which increased by just under 2%. The growth in the numbers of staff, both faculty and non-faculty positions, related to both earlier planned programs to allocate resources to areas of high enrolment growth or where new funding was available e.g., the new OMAFRA Agreement or Ancillary Enterprise units. The balance of the increase in the salaries category (4.2% of the total 8.1% or $11.7 million) was due to one-time costs for retirement or resignation incentives. These incentives are part of a Board of Governors approved multi-year plan to reduce the total staff complement funded from the University's MTCU Operating budget. Most departures under this plan and the related cash flows will not occur until May 1, 2010[4]. Under the plan, which covers the fiscal periods 2009 to 2012, $46.2 million is scheduled to be removed from the annual net costs of the MTCU Operating budget with the objective of eliminating the structural deficit by fiscal 2012.

[4] *Under accounting guidelines, the total expense for these costs must be recorded when the commitment to pay the resignation or retiring allowance is made not at the time of the cash payment or departure.*

E.2 Benefits

(14% of total expenses) increased by $16.1 million to $90.8 million or 21.5%. The employer costs of benefits consists of a wide variety of negotiated (e.g., extended health and dental care) and statutory (e.g., Employment Insurance, Canada Pension Plan and Employer Health Tax). In addition, the University is the sponsor of three defined pension plans that provide eligible employees pension coverage. Further post-employment benefits include a portion of the extended health and dental coverage which is provided to retirees under a cost sharing arrangement. 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 (the expense calculation is dependent on financial market conditions at measurement date each fiscal year), the accounting expense can be an indicator of future cash requirements.

For active employees (non-retirees) employer benefit costs are funded and expensed in the audited statements essentially on a cash basis each year. Those costs in fiscal 2009 (total of $31.9 million) showed a net decrease of $1.6 million. While most benefit costs showed expected increases, these were offset by a one-time reduction in recorded long-term disability costs in fiscal 2009, relative to fiscal 2008, reflecting the timing of payments required to fund this program.

Overall employee benefit expenses are now 30.2% of salaries (26.9% in fiscal 2008). Refer to Graph E. The largest component of employer benefit costs are those for post-employment (pension, health and dental). Refer to Schedule 3 - Employee Future Benefits on Page 50 for details on the calculation of post-employment expenses.

Post-employment Benefits:

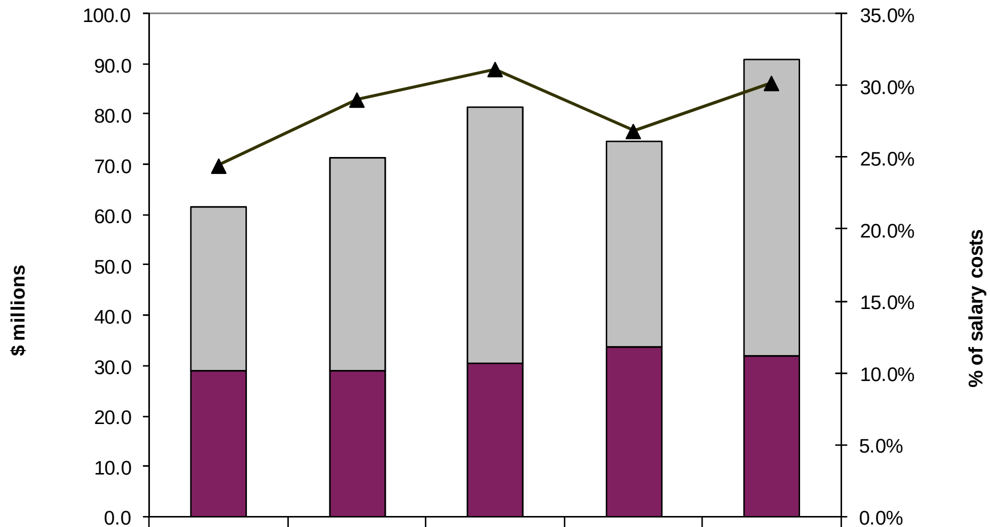
In Ontario, cash requirements (not accounting expense), for defined pension plans are governed by provincial legislation. This legislation, the Pension and Benefit Act (PBA), prescribes the reporting and methodologies for determining the funded status (and any cash requirements) for sponsors of defined benefit pension plans. The University manages a major pool of segregated pension assets to provide funding for future pension obligations. Any shortfalls in asset values (including employee contributions) relative to estimated liabilities must be funded by the plan sponsor from its current assets in the form of cash contributions. Measurement of funding requirements, referred to as an actuarial valuation, is required no less than every three years. As a result of an August 1, 2007 valuation, the date of the University’s last pension valuation, over the past three fiscal years the University made major cash contributions totaling $98.3 million.

Current projections indicate that by August 1, 2010, the next required actuarial valuation date, cash contributions will increase substantially and well beyond current levels. These estimates are based on current provincially-mandated regulation (under the PBA) for the calculation of defined plan valuations, current contribution levels and the past several years of poor financial market conditions (negative equity returns and low interests rates) which have eroded pension asset value and increased computed liability values. Discussions are underway with provincial authorities for relief from these regulations and recent revisions will provide some flexibility in terms of deficiency payment schedules. In addition the University is reviewing the structure of the current pension plans with the objective of reducing both the volatility of costs and total liabilities under these plans.

Cash requirements for non-pension post employment benefits (dental and extended health coverage for retirees) are not required to be funded and are effectively funded on a pay-as-you go basis whereby only current cash requirements are met. In fiscal 2009, non-pension post employment expenses and liabilities continued to increase (expenses increased 0.6% from $32.2 million to $32.4 million; liabilities increased 23% from $122.1 million to $150.4 million). While not an immediate cash requirement, these liabilities indicate significant future requirements based on current usage and cost. In fiscal 2009, cash contribution for these plans increased 2.5% to $4.1 million from fiscal 2008.

Graph E

Benefits Accounting Expense as a Percentage of Salaries



	2005	2006	2007	2008	2009
Post-Employment	32.8	42.4	51.1	41.2	58.9
Current Annual	28.7	28.9	30.3	33.5	31.9
% of Salaries	24.4%	29.0%	31.2%	26.9%	30.2%

The 2008 reduction in post-employment benefits costs reflects the impact of significant asset gains in 2007/2008, which temporarily offset a portion of increasing pension liabilities.

E.3 Operating Expenses

(25% of total expenses) increased by $3.9 million or 2.5%. The increase in cost was mainly associated with expenditures for minor (non-capital) renovations, repairs and maintenance at OMAFRA supported research stations. These expenses, which were funded under the OMAFRA Agreement, reflect the capital intensive nature of these facilities and in some cases the need to repair older building and equipment. Also of note is that while most other operating categories experienced minor changes, overall campus utility expenses decreased by $1.7 million (total net costs of $18.6 million) reflecting a combination of favourable price on natural gas contracts and investment in newer utility delivery systems and conservation practices.

E.4 Scholarships and Bursaries

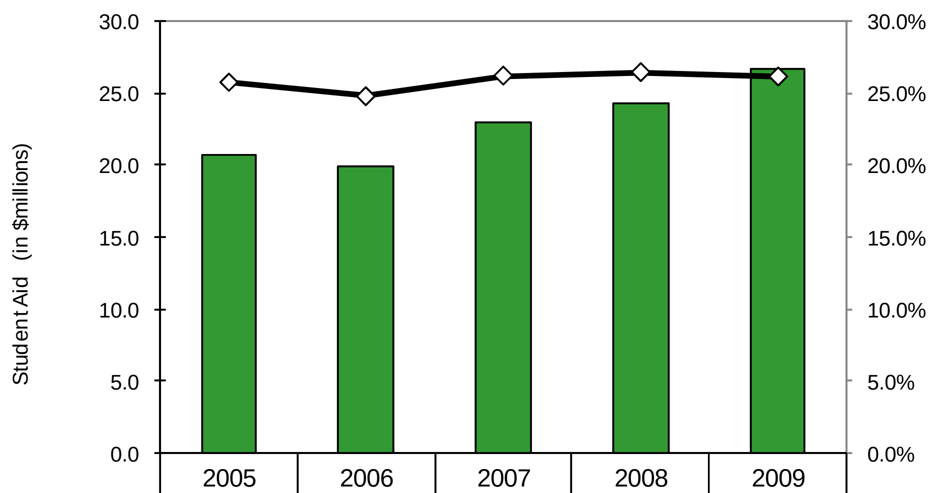
Total University spending on Scholarships and Bursaries increased by $2.4 million or 9.9% to $26.7 million ($24.3 million in fiscal 2008). Refer to Graph F.

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 2009 was within the Operating Fund ($1.8 million of $2.4 million). This increase reflects the enrolment growth that took place in undergraduate and graduate students during fiscal 2009. Student aid funding is now approximately 26.2%

(26.5% in 2008) of total credit tuition revenues. Of the $26.7 million, 55% was funded from the Operating Fund and 45% from trust (restricted) funds, including endowments. (Note: despite the impact of the negative global financial markets on endowment fund assets, the University did not curtail spending from endowments in fiscal 2009 as many commitments to students had already been made prior to knowing the extent of the investment losses. Significant limits will be placed on spending in fiscal 2010 in order to speed the recovery of endowment asset values as global financial markets recover.

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

Graph F



	2005	2006	2007	2008	2009
Student Aid	20.7	19.9	22.9	24.3	26.7
% of Revenue	25.8%	24.8%	26.3%	26.5%	26.2%

E.5 Interest Expense

Interest expense increased by $3.1 million or 25%. Of this total increase, $2.7 million was due to the impact of accounting for market value changes on several interest rate “swaps”. These arrangements are used to fix long term interest costs on bank debt.

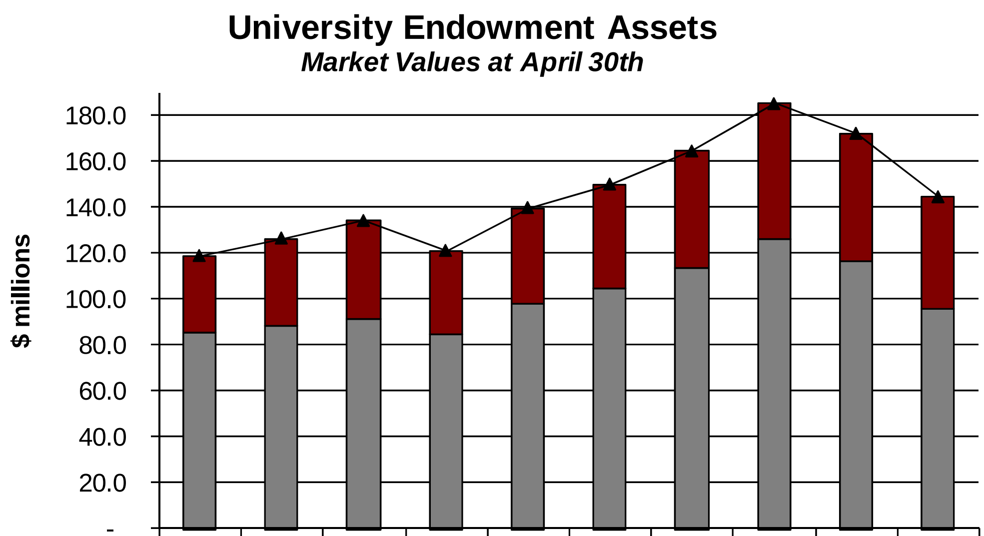
In fiscal 2008, the University implemented a new accounting policy related to “financial instruments”[5] consistent with requirements of the C.I.C.A. While these changes have no material impact on cash, the policy requires that financial instruments be valued annually at fair value (e.g., market value for investments and interest rate swaps) and that changes in the fair value are recorded in the Statement of Changes in Financial Position (income statement) each year. These are non-cash entries that reflect changes in the market values of interest rates swaps measured on April 30th each year. As market interest rates decline, the fair value of variable to fixed interest rates swaps decline. Conversely if interest rates 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. The remaining increase in interest expense was the additional debt serving associated with new capital borrowing. (Refer to section G)

[5] *“Financial instruments” for the purposes of the University’s statements include all investments, receivable, payables, loans or derivatives (interest rate swaps or forward contracts.)*

F. ENDOWMENTS

The Endowment Fund is composed of restricted segregated funds provided by external benefactors or established by the Board of Governors. While all University endowments are pooled for investment purposes, there are two major endowment funds with different spending objectives; the Heritage Fund[6] (investments of $48.6 million) and the General Endowment Fund (investments of $95.6 million). Refer to Graph G. Within the General Endowment Fund there are over 900 individual accounts reflecting individual spending objectives established by both donors and the Board of Governors. In total, the market value at April 30th of all endowment investments had decreased by $27.7 million or 16.0% from $171.9 million in 2008 to $144.2 million in 2009. The decrease in market value is the result of negative investment returns of - 17.6% (- 9.4% in fiscal 2008) partially offset by capital additions of $6.4 million, net of funds allocated for disbursements.

Graph G



	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Heritage	33.1	38.2	42.8	36.0	41.6	45.0	50.7	58.7	55.7	48.6
General	85.4	87.9	91.0	84.7	97.9	104.7	113.5	126.2	116.2	95.6
Total	118.5	126.1	133.8	120.7	139.5	149.7	164.2	184.9	171.9	144.2

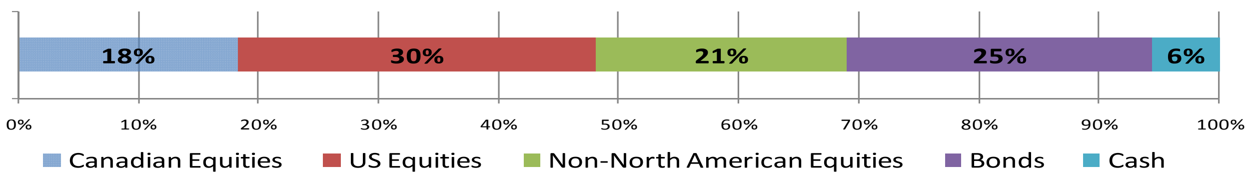
The primary objective of all endowment funds is to provide a permanent source of funding by investing the principal amount of the gift and making a portion of the total investment return available for spending. In addition, the goal of the University of Guelph's endowment is to preserve the purchasing power of the endowment account over the long-term. The realization of this objective is achieved in two ways: spending only a portion of total investment returns; and investing in asset classes (e.g., equities) that yield sufficient investment returns to provide inflation protected spending. For University endowments, annual spending is limited to a percentage of total endowment asset value averaged over the most recent moving four year period

6 *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.*

or in the case of the Heritage Fund, five years. For example, the annual spending rate of the General Endowment Fund was set at 4.5% of the average asset value in fiscal 2009.

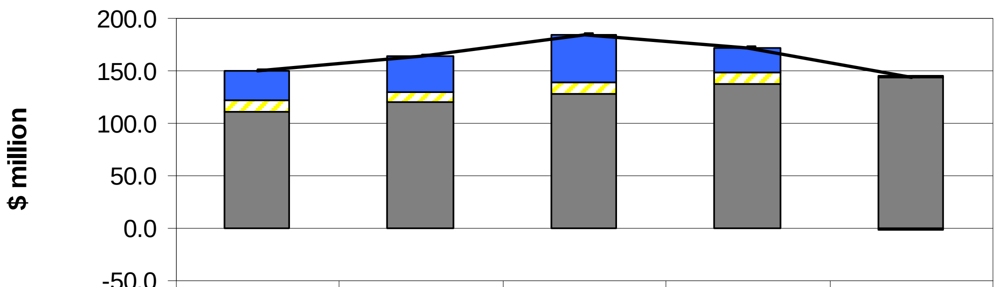
The University's endowment assets are managed as a single portfolio of investments in a number of different asset classes. These include Canadian and Global equities as well as fixed income investments such as government and corporate bonds. Investments in equities, while more volatile, provide greater long-term returns that are more effective for preserving the real spending power of endowment funds. This strategy is well accepted for the management of endowments and historically has met the University's endowment objective. At April 30, 2009, 69% of the portfolio was in equities and 25% was in bonds and 6% in cash. Refer to chart below.

Asset Allocation of Endowments Funds
At April 30, 2009



Endowment Spending: The difference between actual total market returns and the spending rate (referred to as Capital Appreciation) is accumulated each year in the endowment fund to provide for capital protection, growth, and if required, to supplement annual returns in meeting annual disbursement. In fiscal 2009, spending was permitted under the current policy for most General Endowment accounts. The extent of the 2009 negative investment returns on endowments (negative $29.9 million) has created a negative Capital Appreciation balance of $1.6 million (refer to Graph H).

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



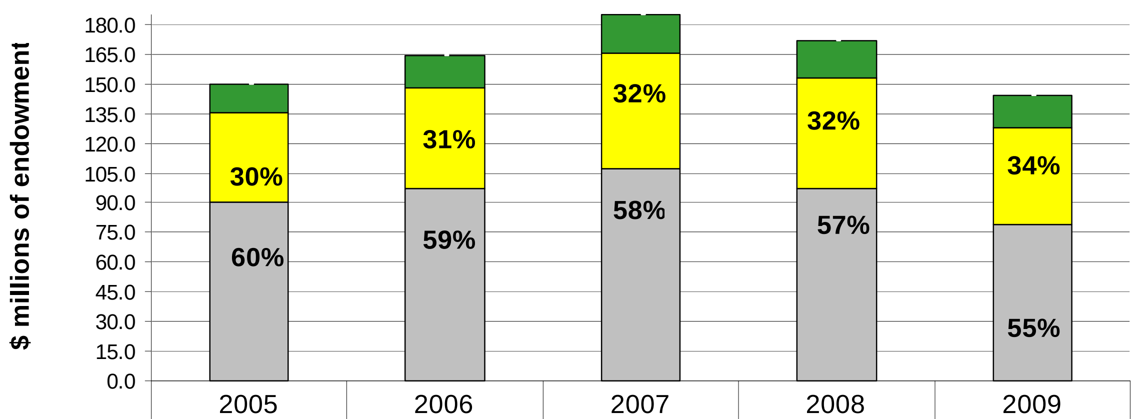
	2005	2006	2007	2008	2009
Capital Appreciation	27.3	34.0	45.7	23.3	-1.6
Funds Available	10.8	10.6	10.9	11.3	2.1
Donated Principal	111.6	119.6	128.3	137.3	143.7
Total	149.7	164.2	184.9	171.9	144.2

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

In order to protect the long term capacity of endowments and the ability to recover market losses sooner than otherwise, most fiscal 2010 spending from endowment accounts will be suspended. This difficult decision is necessary if endowments are to be able to recover value and not impede the return to expected spending levels. While the impact of restricting endowment spending in 2010 will have some relatively minor impact on University operations (e.g., endowed faculty chairs) the major impact will be on student assistance [55% of all University endowments are allocated to student assistance. Refer to Graph I]. Accordingly, the University has taken action to assist in offsetting some of the loss in endowment support. This has been accomplished by allocating temporary funding from the operating budget for certain University commitments for multi-year scholarships and to provide needs- based assistance where possible (refer to the 2009/2010 Preliminary MTCU Operating Budget approved by the Board of Governors in April, 2009.)

Graph I

Allocation of University Endowments



	2005	2006	2007	2008	2009
Other	14.5	16.2	19.2	18.7	16.3
Heritage	45.0	50.7	58.7	55.7	48.6
Student Aid	90.2	97.3	107.0	97.5	79.3
Total	149.7	164.2	184.9	171.9	144.2

G. CAPITAL AND LONG-TERM DEBT AND INTEREST

G.1 Capital Asset Amortization

In accordance with accounting principles, the cash expenditures for major acquisitions, such as equipment and buildings are not charged to expenses as they occur but over the expected useful life of the related asset. (Refer to note 2 (h) on Page 32 for the specific accounting policy). The charge to expenditures is called Capital Asset Amortization. In fiscal 2009 this charge decreased by $1.4 million or 3.6% from 2008. New amortization charges as the result of asset acquisitions were more than offset by the removal of fully depreciated capital assets from the calculations especially related to certain major buildings now more than 40 years old (acquired in 1969 or prior).

G.2 Capital Contributions and Acquisitions:

Over the course of the fiscal year the University completed a number of major capital acquisitions (funds spent) funded from a variety of sources ("capital contributions" – funds received) or financed with new external debt. 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 (projects not yet completed).

In the fiscal 2009 financial statements**,** the net book value of capital assets increased by $30.6 million ($14.4 million in 2008), reflecting expenditures on capital and project-in-progress in several building/renovation projects of $69.1 million ($54.3 million in 2008; refer to Graph J) less capital asset amortization of $38.4 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 $16.5 million):**
  - $1.6 million ($1.6 million in 2008) in MTCU facilities renewal grants were received. The contribution is restricted for deferred maintenance repairs and renovations to 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[7]. Facilities renewal funding is normally allocated to deal with the highest priority items such as safety and emergency repairs;
  - $12.0 million in one-time Campus Renewal Program funding received from MTCU. The funds are allocated to specific critical campus infrastructure renovation/replacement projects such as the chiller and air handler replacement, the MacNaughton Courtyard and Caulking Restoration, PCB transformer replacement, air quality improvement, Lennox-Addington utilities replacement and roofing repairs. All of these projects are included as part of the University's multi-year critical deferred maintenance program.
  - $1.6 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 with the new Large Animal Isolation Hospital and the Patho-biology/Animal Health Labs Facility and to the end of fiscal 2009, $17.8 million had been spent;
  - $0.2 million was received in donations designated for capital projects;
  - $1.1 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.

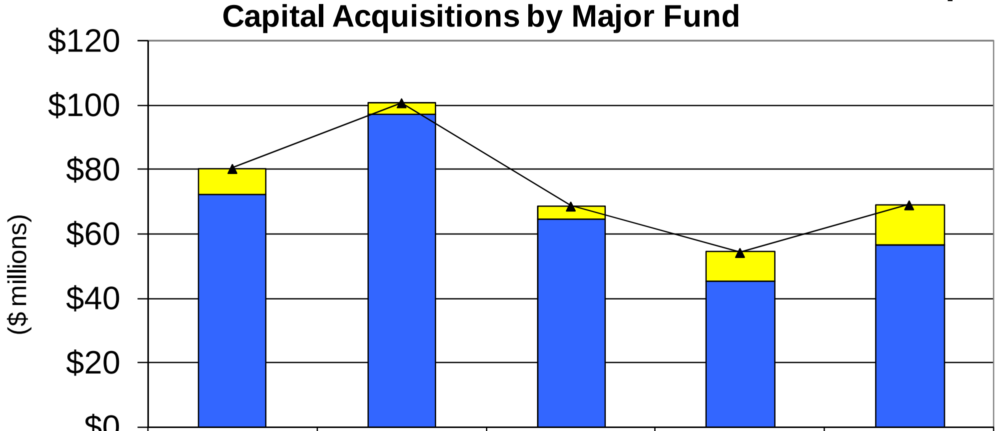
- **Capital acquisitions ($69.1 million, refer to Graph J**):
  - $9.2 million for Pathobiology/Animal Health Labs Facility, $5.3 million for the Axelrod Building Adaptive Reuse project and $4.2 million for the Large Animal Isolation Hospital, which were financed with external federal and provincial capital research grants;
  - $21.3 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;

[7]*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 $118 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.*

- $13.2 million on the third year of a five-year critical deferred maintenance financing plan, total costs to date are $31.4 million;
- $8.6 million on the third year of Student Housing Services' five-year critical deferred maintenance plan, to date total spending is $16.5 million;
- A balance of $7.3 million made up of multiple projects of less than $2.5 million each.

Graph J

Capital Acquisitions by Major Fund



	2005	2006	2007	2008	2009
Ancillary	8.1	3.7	4.0	9.1	12.4
Capital	72.3	97.1	64.7	45.2	56.7
Total	80.4	100.8	68.7	54.3	69.1

G.3 Long Term Debt and Interest

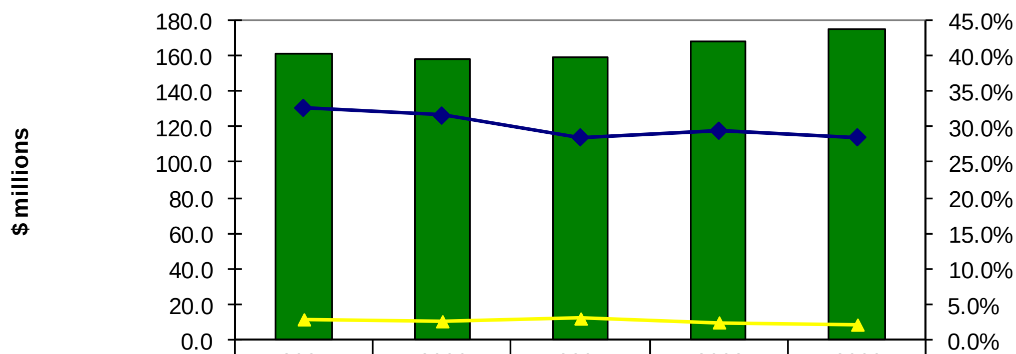
Starting in 2002/2003, the University initiated a number of major capital projects to meet its strategic planning objectives to improve existing facilities, including the reduction of deferred maintenance and to provide new space to meet the needs of additional planned enrolments. In support of these 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 were designated to finance major capital projects in the context of long-term strategic teaching and research plans including a new science building, a major teaching facility (Rozanski Hall) and faculty offices. In addition, in fiscal 2007 the University created a multi-year plan (fiscal 2007 to fiscal 2011) to begin to address the backlog of major capital deferred maintenance for its campus infrastructure (buildings and utilities delivery systems). This plan which is approved annually by the Board of Governors (the "Five-Year Capital Renewal Financing Plan") has identified $118 million in spending for high priority projects in both residences and main campus facilities. While funding for these projects will include annual provincial grants and housing revenues, at this time, the majority of the expenditures will be financed with new external debt.

In fiscal 2009 major capital acquisitions totaled $69.1 million ($54.3 million in fiscal 2008). $21.8 million of this expenditure was under the Five-Year Capital Renewal Financing Plan of which a total of $10 million was financed with new external debt. This debt was secured through bank loans using 15 year interest rate SWAP's to fix the University's interest cost. $5 million of the debt will be serviced from the Operating Fund and $5 million funded by the Ancillary Enterprise unit, Student Housing Services. 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 operating revenues.

Total external[8] debt and debt servicing as a percentage of total University revenue are 28.4% (29.4% in 2008) and 2.1% (2.4% in 2008) respectively. Refer to Graph K. Both percentages are within University policy limits of 45% and 4.5%, respectively. The increase in total debt in fiscal 2009 reflects the new debt ($10.0 million) partially offset by a total debt repayment of $2.2 million.[9]

Graph K

Total Debt and Debt Servicing as a Percentage of Total Revenue



	2005	2006	2007	2008	2009
Total Debt	161.2	158.6	159.3	167.7	175.5
% debt to revenues	32.6%	31.5%	28.4%	29.4%	28.4%
% debt servicing to revenues	2.9%	2.6%	3.0%	2.4%	2.1%

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

H. CHANGES IN UNIVERSITY NET ASSETS

The following section summarizes changes to the net asset component of the University's balance sheet. Net assets contain three major elements; **Invested in capital assets** which indicate the University's "equity" (asset value less debt) in capital assets; **Endowed** which indicate the size of total endowment accounts (assets, commitments), **Internally Restricted** which indicated funds set aside for specific purposes by the University; **Unrestricted Surplus (Deficit)** which records the net operating position of the University.

H.1 Summary - All Funds:

Total University income received in fiscal 2009 from all funds was $617.2 million ($569.3 million in fiscal 2008). Total expenses were $627.9 million ($581.4 million in fiscal 2008). The net result was a deficit of $10.7 million

[8] *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 28 of this report under Internally Restricted Net Assets in the appropriate fund (Capital or Ancillary).*

[9] *Total external debt repayment excludes internal "sinking" fund investments ($18.1 million, market value, in fiscal 2009) that have been set up to retire interest- only debt. Refer to Note 5 on Page 36 "Investments Held for Debt Repayment".*

($12.1 million net deficit in 2008). In order to complete the total calculation of changes in Net Assets the impact of the changes to "Endowment Contributions" must be considered. In 2009 Endowment Contributions totaled a negative $22.3 million (a net result of negative investment returns, positive new contributions less funds allocated for spending). The resulting $33.0 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 2008/2009:

2008/2009 UNIVERSITY RESULTS
Summary of All Funds ($millions)

	Opening Net Assets (Deficit)	2008/2009 Results	Closing Net Assets (Deficit)
Total University Revenues		617.2	
Total University Expenses		627.9	
Revenue Less Expenses		(10.7)	
Add: Endowment Contributions		(22.3)	
Increase (Decrease) in Net Assets		(33.0)	
UNIVERSITY NET ASSETS:			
Invested in Capital Assets	131.1	5.1	136.2
Endowed Funds	158.0	(17.9)	140.1
Internally Restricted	33.6	43.2	76.8
Unrestricted Operating	(99.4)	(62.3)	(161.7)
Unrestricted All Other Funds	(2.7)	(1.1)	(3.8)
Total Net Assets	**220.6**	**(33.0)**	**187.6**

H.2 Changes in Net Assets, By Fund:

The following notes and tables summarize the distribution of changes to Net Assets (Statement 1, Page 26) based on fiscal 2009 financial results:

Invested in Capital Assets: increase of $5.1 million (2008, increase of $2.7 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.

Endowment Fund: Endowment Net Assets record the impact in the financial statements of annual changes in endowment investment income and net funds flow due to donations and disbursements. Endowment Net Assets for fiscal 2009 decreased by $17.9 million ($15.2 million in fiscal 2008). This net decrease consisted of:

- An increase of $2.3 million ($4.1 million in 2008) transferred to the Heritage Fund from real estate net proceeds;

- An increase of $4.1 million ($5.0 million in 2008) in additional capital, mainly from donations, received during the year;
- An increase of $9.9 million removed from funds allocated for spending in prior years. These were funds accumulated from prior year allocations for spending but not yet spent. Given the condition of the endowment fund due to negative market conditions, these funds will be removed from the spending allocation and transferred back into the endowment "Capital Appreciation" account;
- A decrease of $34.2 million ($24.3 million in 2008) allocated from prior years' investment income to cover the negative investment return ($29.9 million) and to provide for fiscal 2009 spending ($4.3 million).

(Note: Recorded Endowed Assets of $140.1 million is that portion of endowed investments of $144.2 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.)

Internally Restricted: (refer to Statement 3 on Page 28) – 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,[10] research, capital replacement expenses or contingencies. In total, the University's Internally Restricted Net Assets increased by $43.2 million (2008, increase of $9.2 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 increase of $33 million to $67.2 million consists of:
  - $22.9 million increase in funds to be used for the purchase of Equipment and Supplies mainly by operational units (colleges and departments);
  - $7.0 million set aside to increase the University Contingency fund which now stands at $12.0 million. These funds will be used to provide a reserve for items such as the cost restructuring and pension contributions ;
  - $3.1 million in funds for Employee Benefits (timing differences between payments and recoveries by departments for employee benefit costs).
- **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 increase of $0.7 million consists of $0.5 million in funds designated to complete projects in fiscal 2010 plus $1.0 million in additional sinking funds (designated to retire debt) offset by an increase of $0.8 million in new 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 $0.2 million consists of $0.7 million in sinking funds offset by a decrease of internal financing of $0.5 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 $9.3 million

[10] *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 28 for details on all Internal Restricted funds.*

reflects new funds that have been designated but not spent for these purposes ($0.7 million) plus a change in restriction from external to internal on OMAFRA Post & Early Retirement grants accounts ($8.6 million) as a result of the new agreement with OMAFRA.

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 $63.3 million to $165.5 million ($102.2 million in fiscal 2008). Components of this increase were:

- **Operating Fund:** recorded an increased in the deficit of $62.3 million. $35.6 million of this deficit is the portion of the accounting accrual (non-cash expense) of post-employment benefits that is not funded through the University's annual budget process. The balance of $27.1 million is a restructuring deficit offset by a $0.4 million increases in the University's equity share of the capital assets the Guelph-Humber joint venture. The restructuring deficit of $27.1 million incurred in fiscal 2009 consists of two components:
  1. $11.0 million of incentive and restructuring program costs. A major element of the multi-year plan is the reduction in total faculty and staff complements using voluntary retirement or resignations through incentive programs as a first step.
  2. In addition, there are $16.1 million in unfunded one-time costs reflecting the time required to implement the very significant restructuring plans particularly associated with academic program changes.

  The first year of the plan is complete and the total deficit is consistent with the University's 2008/2009 MTCU Operating Budget approved by the Board of Governors on April 15, 2009[11]. Under the plan $46.1 million in restructuring costs will be removed from the MTCU component of the University's Operating Fund budget by fiscal 2012. All deficits incurred under this plan will be repaid over a period not to exceed fiscal 2018.
- **Ancillary Fund:** an increased deficit of $1.4 million, which is the result of unfavorable fair market value adjustment of $4.0 million on long term debt contracts (the impact of accounting for financial instruments. Refer to section E.5) offset by the surplus of 2.6 million from all ancillary units.
- **Capital Fund: t**he Capital Fund is recording a deficit of $1.1 million (2008 – 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 2010.
- **Research & Trust Funds:** the deficit of $0.5 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.

I. MTCU Budget to Actual Variances

Table B (following page) presents the University's net financial results, compared to the approved budget, for the MTCU component of the Operating Fund (referred to as the MTCU Operating Budget). The MTCU Operating Budget records the University's teaching and related infrastructure costs including most faculty and support staff positions. Overall results were positive relative to budget, reflecting unexpected year-end MTCU grants, higher than expected enrolments and other program revenues greater than budget estimates. Table B presents results and the disposition of net funds for fiscal 2009 by major category of revenue and expense.

[11] *This document is available: http://www.fin.uoguelph.ca/reports/index.cfm.*

2008/2009 MTCU Operating Fund Results (in thousands of dollars) — TABLE B

	2008/09 Budget	2008/09 Actual		Variance
Revenue				
MTCU Grants	152,176	161,553		9,377
Tuition (Credit & Non-Credit)	103,608	111,092		7,484
Sales of Goods and Services	20,819	26,756		5,937
Investment Income	541	615		74
Other Revenue	15,293	19,432		4,139
Research OH Cost Rec & Rev	31,895	31,761		(134)
Institutional Recoveries	15,328	16,033		705
Uof G Share of Guelph Humber Surplus	2,000	4,047		2,047
Total Revenue	341,660	371,289		29,629
Expenses				
Salaries	204,728	205,754		(1,026)
Benefits	48,890	48,232		658
Operating	56,964	56,426		538
Budgeted Carryforwards from Prior Year	25,569			25,569
Utilities	21,503	18,598		2,905
Scholarships and Bursaries	13,145	14,583		(1,438)
University Contingency	1,730			1,730
Restructuring Costs	20,000	11,025		8,975
Other Institutional Transfers	10,800	10,798		2
Total Expenses	403,329	365,416		37,913
Revenue Less Expenses	(61,669)	5,873	#1	67,542
Add:Int Restricted Net Assets - Beginning	25,569	34,221	#2	
Total Funds Available	(36,100)	40,094		76,194
Less: Int Restricted Net Assets - Ending				
For Departments		48,436		48,436
For Self Insured Losses		1,000		1,000
For Employee Benefits		5,783		5,783
For University Contingency		12,000		12,000
Total Int. Restricted Net Assets	-	67,219	#2	67,219
Net Change in Fund Balance	(36,100)	(27,125)		8,975

#1 Excludes the $35.638 million accrual for employee future benefits (see note #13 on page #43, excluding Guelph Humber) which is unbudgeted for within the Operating fund. This accounts for the difference between the net expense of $5.873 million in Table B above and the $29.317 million Net Decrease in Operating Net Assets per Schedule #1 on page #46.

#2 See Statement 3 on Page 28 - Statement of Changes in Internally Restricted Net Assets

PricewaterhouseCoopers LLP
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October 7, 2009

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, 2009 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, 2009 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

Chartered Accountants, Licensed Public Accountants

Statement 1

UNIVERSITY OF GUELPH
STATEMENT OF FINANCIAL POSITION
AS AT APRIL 30, 2009

(in thousands of dollars)

	2009	2008
ASSETS		
Current		
Cash	4,658	3,621
Short-term Investments (Note 5)	215,834	205,847
Accounts Receivable	21,132	17,676
Inventories	3,419	3,500
Prepaid Expenses	1,905	1,077
	246,948	231,721
Deferred Pension Costs (Schedule 3)	77,531	91,146
Real Estate Projects in Progress	594	503
Long-term Accounts Receivable	186	212
Investments (Note 5)	153,932	186,883
	232,243	278,744
Capital Assets (Note 8)	595,725	565,114
	1,074,916	**1,075,579**
LIABILITIES		
Current		
Accounts Payable and Accrued Charges	52,417	52,163
Unrealized Loss on Swap Contracts (Note 9)	11,920	7,578
Current Portion of Long-term Debt (Note 9)	4,307	2,326
Current Portion of Deferred Revenue and Contributions (Note 10)	30,865	26,891
	99,509	88,958
Employee Future Benefits (Schedule 3)	146,388	118,433
Long-term Debt (Note 9)	171,166	165,328
Deferred Revenue and Contributions (Note 10)	186,101	215,376
Deferred Capital Contributions (Note 11)	284,152	266,839
	887,316	**854,934**
NET ASSETS		
Invested in Capital Assets (Note 12)	136,214	131,169
Endowed (Note 14)	140,117	158,078
Internally Restricted (Statement 3)	76,777	33,586
Unrestricted Surplus (Deficit) (Note 13)	(165,508)	(102,188)
	187,600	**220,645**
	1,074,916	**1,075,579**

Signed
E. Siddall — Chair

Signed
A. Summerlee — President

Statement 2

UNIVERSITY OF GUELPH
STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED APRIL 30, 2009

(in thousands of dollars)

	2009	2008
REVENUE		
Ministry of Training, Colleges and Universities	166,107	152,510
Ministry of Agriculture, Food and Rural Affairs Agreement	62,930	59,305
Tuition (Credit and Non-Credit)	111,092	101,506
Donations (Note 15)	7,521	5,639
Sales of Goods and Services	115,234	107,370
Investment Income (Note 6)	11,488	10,903
Other Grants and Contracts	95,568	87,006
Amortization of Deferred Capital Contributions (Note 11)	21,469	21,644
Other	25,787	23,384
	617,196	569,267
EXPENSES		
Salaries	300,686	278,207
Benefits	90,815	74,658
Travel	14,004	13,711
Operating	134,533	132,432
Minor Renovations and Repairs	7,495	6,022
Interest	15,283	12,166
Scholarships and Bursaries	26,659	24,356
Capital Asset Amortization	38,442	39,889
	627,917	581,441
Revenue Less Expenses	(10,721)	(12,174)
Endowment Investment Income (Loss) Net of Contributions (Note 14)	(22,324)	(19,390)
Net Increase (Decrease) in Net Assets	(33,045)	(31,564)
Net Assets, Beginning of Year	220,645	252,209
Net Assets, End of Year	187,600	220,645

Statement 3

UNIVERSITY OF GUELPH
STATEMENT OF CHANGES IN
INTERNALLY RESTRICTED NET ASSETS
FOR THE YEAR ENDED APRIL 30, 2009

(in thousands of dollars)

OPERATING FUND	Balance, Beginning of Year	Transfer To (From) Internally Restricted	Balance, End of Year
Equipment and Supplies	25,569	22,867	48,436
Self Insured Losses	1,000		1,000
Employee Benefits	2,652	3,131	5,783
University Contingency	5,000	7,000	12,000
	34,221	32,998	67,219
CAPITAL FUND			
Capital Projects and Renovations	4,108	626	4,734
Minor Renovations	1,015	(107)	908
Sinking Fund	3,346	968	4,314
Internally Financed Projects	(40,147)	(817)	(40,964)
	(31,678)	670	(31,008)
ANCILLARY ENTERPRISES FUND			
Student Housing Services	500		500
Student Housing Sinking Fund	13,038	748	13,786
Student Housing Internally Financed Projects	(13,998)	1,419	(12,579)
Parking Services Internally Financed Projects		(1,624)	(1,624)
Hospitality Services Internally Financed Projects	(3,542)	(334)	(3,876)
University Centre	227	19	246
	(3,775)	228	(3,547)
RESEARCH AND TRUST FUND			
Research and Trust	34,818	9,295	44,113
TOTAL	33,586	43,191	76,777

Statement 4

UNIVERSITY OF GUELPH
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED APRIL 30, 2009

(in thousands of dollars)

	2009	2008
OPERATING ACTIVITIES		
Increase (Decrease) in Net Assets (Statement 2)	(33,045)	(31,564)
Add (Deduct) Non-cash Items:		
Capital Asset Amortization (Statement 2)	38,442	39,889
Amortization of Deferred Capital Contributions (Statement 2)	(21,469)	(21,644)
Increase in Unrealized Loss on Swap Contracts	4,342	1,247
(Increase) Decrease in Long-term Receivables	26	26
(Increase) Decrease in Deferred Pension Costs	13,615	(50,727)
Increase in Employee Future Benefits	27,955	27,820
(Increase) Decrease in Non-cash Working Capital	(4,040)	8,393
	25,826	(26,560)
FINANCING ACTIVITIES		
Increase in Long-term Debt	9,996	10,948
Repayment of Long-term Debt	(2,177)	(2,601)
Deferred Capital Contributions Received During the Year	38,782	25,529
Increase (Decrease) in Deferred Revenue and Contributions	(25,301)	78,608
	21,300	112,484
INVESTING ACTIVITIES		
(Increase) Decrease in Investments	22,964	(26,961)
(Acquisition) Disposal of Capital Assets (Note 8)	(69,053)	(54,251)
	(46,089)	(81,212)
Change in Cash	1,037	4,712
CASH, BEGINNING OF THE YEAR	3,621	(1,091)
CASH, END OF THE YEAR	4,658	3,621

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 Policies

Effective May 1, 2008 the University adopted the Canadian Institute of Chartered Accountants (CICA) Handbook Section 1535: Capital Disclosures, which requires the disclosure of qualitative and quantitative information on the University's managed capital (Note 4).

Section 3863, "Financial Instruments -Presentation", which establishes standards for presentation of financial instruments and non-financial derivatives was also effective, however during the year, Section 3863 was amended allowing not-for-profit organizations to maintain the disclosure requirements in Section 3861. The University has chosen to apply Section 3861.

(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 is preserved by restricting future spending should insufficient income be available. 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 Heritage Fund will be held in perpetuity for University strategic purposes. The main sources of growth for the Heritage Fund are proceeds of University real estate sales and leases from designated properties and investment income earned on the Heritage Fund.

Distributions from the Heritage 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 Heritage Fund is delegated by the Board of Governors to the Board of Trustees of the Heritage Fund.

The General Endowment Fund contains all remaining University endowments which consist of private and Board designated donations directed primarily for student aid.

(c) Short-term Investments

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. Art, rare books and artifacts are recorded at a nominal value of $1 and are not amortized.

The cost of capital assets is amortized on a straight-line basis over the estimated useful 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.

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.

(m) Real Estate Projects

The Real Estate Division is included in the Ancillary Enterprise 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 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.

3. FINANCIAL INSTRUMENTS

(a) Fair value

Cash and short-term investments, accounts receivable, 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 publicly traded securities which are valued on the latest bid prices and pooled funds are valued based on reported unit values. The fair value of derivatives have been estimated using market quoted rates and interest rates, and are included on the University's Statement of Financial Position as an Unrealized Loss on Swap Contracts.

(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 9)

(c) Credit risk

The University is exposed to credit risk in its cash and cash equivalents, marketable securities, accounts receivable, 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 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. MANAGED CAPITAL

The University defines its capital as the total of endowment, expendable and externally restricted investments, as well as interest bearing debt. The University's objectives in managing capital are: the preservation of capital, minimizing risk of capital loss, maintaining liquidity for operational requirements, complying with imposed external restrictions and financing capital projects in an effective and competitive manner.

Investment performance and asset allocation for the endowment funds is reviewed by the Investment Management Committee of the Board of Trustees as reported to the Finance Committee of the Board of Governors. Investment performance and asset allocation for expendable investments are reviewed by the Finance Committee of the Board of Governors.

Capital borrowing is undertaken by the administration only after review and approval by the Board of Governors for design and costs of the related projects. The University has selected the following two key ratios as benchmarks for the maximum level of debt: Ratio of Debt to Total Revenue 45% and Debt Service Costs as a Percentage of Revenues 4.5%. Compliance with these ratios should ensure that the University maintains a strong credit rating and stable access to competitively priced financing. The University also has available a $10 million unused line of credit. Included in investments are cash, and short and long-term investments.

	2009	**2008**
Investments		
Endowments	144,167	171,924
Expendable	206,928	198,338
Externally Restricted	23,329	26,089
Debt		
Interest Bearing Debt	175,473	167,654
	549,897	564,005

(in thousands of dollars)

5. INVESTMENTS

	Fair Value 2009	Fair Value 2008
Short-term Investments		
Money Market Funds	176,164	161,881
Canadian Treasury Bills	34,402	38,794
Guelph-Humber Equity	5,268	5,172
	215,834	205,847
Long-term Investments		
Government of Canada Bonds	1,520	1,555
Province of Ontario Bonds	7,545	7,020
Canadian Equities	34,859	42,641
Canadian Fixed Income	36,099	39,035
Foreign Equities	73,340	95,989
Foreign Fixed Income	569	643
	153,932	186,883

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 2009	Fair Value 2008
Investments Held for Debt Repayment	18,100	16,384
General and Heritage Endowment Funds		
Cash and Short-term Notes	7,879	4,042
Canadian Equities	26,280	32,215
Canadian Fixed Income	36,099	39,035
Foreign Equities	73,340	95,989
Foreign Fixed Income	569	643
	144,167	171,924

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 foreign 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 2009	Fair Value 2008
General Endowment	95,624	116,172
Heritage Fund	48,543	55,752
	144,167	171,924

(in thousands of dollars)

6. INVESTMENT INCOME

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

	Operations	Endowment	Total 2009	Total 2008
Net Realized Investment Income (Loss)	6,425	(10,484)	(4,059)	17,822
Increase (Decrease) in Unrealized Investment Income	(1,802)	(19,410)	(21,212)	(29,268)
Total Investment Income (Loss)	4,623	(29,894)	(25,271)	(11,446)
(Increase) Decrease in Accumulated Endowed Investment Income		34,242	34,242	24,332
Investment Income Available for Expenditure	4,348	(4,348)		
Net (Increase) Decrease in Deferred Contributions	2,517		2,517	(1,983)
Total	11,488		11,488	10,903

(in thousands of dollars)

7. 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, 2009, there is a net advance of $4,058 (2008 $126) 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, 2009). The total surplus for the University is $5,268 (2008 $5,172).

A financial summary of the joint venture for the fiscal years ended March 31, 2009 and 2008 is as follows:

University of Guelph - Humber

	2009	**2008**
Financial Position:		
Total Assets	16,039	11,709
Total Liabilities	5,503	1,365
Total Net Assets	10,536	10,344
Results of Operations:		
Total Revenue	32,729	27,586
Total Expenses	23,738	18,928
Excess of Revenue over Expenses	8,991	8,658
Net Assets		
Unrestricted	8,241	8,946
Invested in capital Assets	2,295	1,398
	10,536	10,344
University Share (50%)	5,268	5,172

(in thousands of dollars)

8. CAPITAL ASSETS

a) Details

	2009			2008
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	8,761		8,761	8,761
Land improvements	27,900	10,491	17,409	15,702
Buildings	680,744	231,867	448,877	415,884
Furniture and equipment	215,701	125,470	90,231	92,559
Construction in progress	23,309		23,309	23,552
Computer equipment	27,606	24,740	2,866	4,050
Library and art collection	19,366	15,094	4,272	4,606
	1,003,387	407,662	595,725	565,114

b) Change in Net Book Value

	2009	2008
Balance, beginning	565,114	550,752
Purchase of capital assets	69,053	54,251
Less: Amortization of capital assets	(38,442)	(39,889)
Balance, ending	595,725	565,114

c) Insured Values

	2009 Net Book Value	2009 Insured Value	2008 Net Book Value	2008 Insured Value
Buildings	448,877	1,393,607	415,884	1,271,957
Furniture, equipment and library books	97,368	698,122	101,214	869,074
Art and artifacts collection	1	31,703	1	11,952

(in thousands of dollars)

9. a) LONG-TERM DEBT

	Interest Rate %	Issue Date	Due Date	2009 Total	2008 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	7,359	7,836
Toronto Dominion Bank	4.54	10-Apr-08	10-Apr-23	2,800	2,979
Toronto Dominion Bank	4.89	13-Mar-09	13-Mar-24	9,996	
Canadian Imperial Bank of Commerce	4.96	1-May-06	2-May-16	4,389	4,963
Bank of Montreal	7.01	16-Oct-00	15-Jun-25	30,600	31,100
				55,144	46,878
Leases payable					
Ontario Student Housing Corp.	6.13	1-Jan-69	1-Dec-18	555	594
Canada Mortgage and Housing Corp.	5.88	1-Jan-69	1-Dec-18	4,874	5,224
				5,429	5,818
Mortgages payable					
Canada Mortgage and Housing Corp.	5.38	1-Jan-67	1-Dec-16	595	653
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
				14,900	14,958
				175,473	167,654
Current Portion				(4,307)	(2,326)
				171,166	165,328

During the current fiscal year, the University of Guelph made principal repayments in the amount of $2,177 (2008 $2,601) and incurred $10,941 (2008 $10,685) 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
2010	4,307	11,281	15,588
2011	3,000	10,960	13,960
2012	16,110	10,773	26,883
2013	3,361	9,310	12,671
2014	3,395	9,137	12,532
	30,173	51,461	81,634
Thereafter	145,300		
	175,473		

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, 2009 are:

		2009		2008	
	Due Date	Notional Amount	Gain/(Loss)	Notional Amount	Gain/(Loss)
Toronto Dominion	20-Dec-22	7,335	(924)	7,807	(297)
Toronto Dominion	10-Apr-23	2,800	(280)	3,000	(40)
Toronto Dominion	13-Mar-24	10,000	(46)		
Canadian Imperial Bank of Commerce	2-May-16	4,350	(471)	4,950	(194)
Bank of Montreal	15-Jun-25	30,538	(10,199)	31,038	(7,047)
			(11,920)		(7,578)

10. 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**	**2009**	**2008**
Prepaid Leases, Fees and Grants	16,546	17,242
OMAFRA Advance	14,621	12,204
OMAFRA Five Year Grant	52,258	56,045
Other	3,126	4,974
	86,551	90,465
Less: Current Deferred Revenue	(30,865)	(26,891)
	55,686	63,574
b) **Deferred Contributions**		
Changes in Deferred Contributions are as follows:		
Balance, beginning of year	151,802	132,402
Contributions received during the year	119,054	139,791
Contributions recognized in the year	(140,441)	(120,391)
Balance, end of year	130,415	151,802
Total Deferred Revenue and Contributions	186,101	215,376

(in thousands of dollars)

11. 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.

	2009	2008
Changes in Deferred Capital Contributions are as follows:		
Balance, beginning of year	266,839	262,954
Contributions received during the year	38,782	25,529
Amortization of deferred capital contributions	(21,469)	(21,644)
Balance, end of year	284,152	266,839

12. INVESTED IN CAPITAL ASSETS

	2009	2008
Capital Assets (Net Book Value)	595,725	565,114
Less:		
Long-term Debt	(175,473)	(167,654)
Deferred Capital Contributions	(284,152)	(266,839)
Add: Unused Real Estate Debt	114	548
Invested in Capital Assets	136,214	131,169

Change in Invested in Capital Assets

	2009	2008
Purchase of Capital Assets	69,053	54,251
Debt Payment	2,177	2,601
Used (Unused) Real Estate Debt	(434)	548
Increase in Deferred Capital Contributions	(38,782)	(25,529)
Amortization Expense	(38,442)	(39,889)
Deferred Capital Contribution Amortization	21,469	21,644
Increase in Long-term Debt	(9,996)	(10,948)
	5,045	2,678

(in thousands of dollars)

13. UNRESTRICTED SURPLUS (DEFICIT)

	2009	2008
Operating Fund		
Unfunded Deficit & Restructuring Costs	(27,125)	
Accrual for Employee Future Benefits	(135,777)	(100,139)
University of Guelph-Humber	1,147	699
	(161,755)	(99,440)
Capital Fund (Schedule 1)	(1,133)	(1,341)
Ancillary Enterprises (Schedule 2)	(2,094)	(657)
Research & Trust Fund (Schedule 1)	(526)	(750)
Balance, end of year	(165,508)	(102,188)

The University's total Unrestricted Surplus (Deficit) for the Operating Fund at the end of fiscal 2008/09 shows a net deficit of $161,755 consisting of:

- **Unfunded Deficit & Restructuring Costs**: The University has an unfunded base budget deficit of $16,100 and restructuring costs (employee buy-out programs) of $11,025. This deficit has been approved by the Board of Governors as part of a multi-year plan to eliminate the structural deficit over a four year period.
- **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 3)
- **University of Guelph-Humber**: This joint venture surplus represents a portion of the University's unrestricted net assets with The Humber College Institute of Technology and Advanced Learning.

14. 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 2009	Total 2008
Investment income (loss) on endowments	(26,380)	(3,514)	(29,894)	(17,372)
Less: available for expenditure	(3,421)	(927)	(4,348)	(6,960)
Increase (Decrease) in accumulated endowed investment income	(29,801)	(4,441)	(34,242)	(24,332)
Contributions recognized during year	11,460	458	11,918	4,942
Endowment Investment Income (Loss) Net of Contributions	(18,341)	(3,983)	(22,324)	(19,390)
Transfers in	2,796	1,567	4,363	4,201
Net Increase (Decrease) in Net Assets	(15,545)	(2,416)	(17,961)	(15,189)
Net assets, beginning of year	139,653	18,425	158,078	173,267
Net assets, end of year	124,108	16,009	140,117	158,078

(in thousands of dollars)

15. DONATIONS

	2009	2008
Donations received during the year	18,191	11,713
Donations recorded as a direct addition to endowments	(2,688)	(4,155)
Donations recorded as deferred contributions	(7,477)	
Donations recorded as deferred capital contributions	(505)	(1,919)
Donations recognized as revenue	7,521	5,639

16. VILLAGE BY THE ARBORETUM

The Village by the Arboretum (VBA) is an adult lifestyle community situated on 110 acres of University land, which is managed by Reid's Heritage Homes Ltd. The University (Landlord) entered into a lease agreement with Reid's Heritage Homes Ltd. (Tenant), whereby, the tenant contributes to two reserve funds for the repair and replacement of capital items. The fund balance at December 31, 2008 is $2,378 (2007 $2,518).

These funds are restricted for the above stated purpose and are held by an independent portfolio manager in a consolidated account.

The University makes no financial contribution to these funds and the assets are not readily realizable by the University. Consequently, the University's interest in the assets, liabilities and results of operation are not included in these financial statements. During the term of the lease the Tenant has ownership responsibility for the property and improvements. On expiration July 1, 2052 the ownership responsibilities are passed to the Landlord.

17. COMMITMENTS

Costs to complete major capital projects in progress as at April 30, 2009 are estimated to be $52,919 (2008 $15,100) and will be funded by government grants, gifts and University resources.

18. CONTINGENCY

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.

The University is a member in a self-insurance co-operative in association with other Canadian universities to provide property and general liability insurance coverage. Under this arrangement referred to as the Canadian Universities Reciprocal Insurance Exchange (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.

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.

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.

The University has guaranteed a loan of up to $2,500 for the Guelph Cutten Club. As of April 30, 2009 the Guelph Cutten Club borrowed $2,000 under this guarantee.

19. 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, 2009
(in thousands of dollars)

	OPERATING FUND	CAPITAL FUND	ANCILLARY ENTERPRISES (Schedule 2)	RESEARCH & TRUST FUND	ENDOWMENT FUND	TOTAL 2009	TOTAL 2008
REVENUE							
Ministry of Training, Colleges and Universities	161,553	4,425	129			166,107	152,510
Ministry of Agriculture, Food and Rural Affairs Agreement	62,930					62,930	59,305
Tuition (Credit and Non-credit)	111,092					111,092	101,506
Donations (Note 15)	11			7,510		7,521	5,639
Sales of Goods and Services	43,634		71,600			115,234	107,370
Investment Income (Note 6)	2,266	112	722	8,388		11,488	10,903
Other Grants and Contracts	7,306			88,262		95,568	87,006
Amortization of Deferred Capital Contributions (Note 11)		21,404	65			21,469	21,644
Other	25,316	65	406			25,787	23,384
	414,108	26,006	72,922	104,160		617,196	569,267
EXPENSES							
Salaries	244,468		15,286	40,932		300,686	278,207
Benefits	82,989		3,153	4,673		90,815	74,658
Travel	7,304		132	6,568		14,004	13,711
Operating	84,103	16	24,256	26,158		134,533	132,432
Minor Renovations and Repairs		6,796	699			7,495	6,022
Interest		6,866	8,417			15,283	12,166
Scholarships and Bursaries	14,626			12,033		26,659	24,356
Institutional (Recovery) Charges	(9,426)		9,426				
Capital Asset Amortization		34,056	4,386			38,442	39,889
	424,064	47,734	65,755	90,364		627,917	581,441
Revenue Less Expenses	(9,956)	(21,728)	7,167	13,796		(10,721)	(12,174)
Endowment Investment Income (Loss) Net of Contributions (Note 14)					(22,324)	(22,324)	(19,390)
Interfund Transactions	(19,361)	23,277	(4,002)	(4,277)	4,363		
Net Increase (Decrease) in Net Assets	(29,317)	1,549	3,165	9,519	(17,961)	(33,045)	(31,564)
Composed Of:							
Net Increase (Decrease) in Invested in Capital Assets		671	4,374			5,045	2,678
Net Increase (Decrease) in Endowments					(17,961)	(17,961)	(15,189)
Net Increase (Decrease) in Internally Restricted	32,998	670	228	9,295		43,191	9,182
Net Increase (Decrease) in Unrestricted	(62,315)	208	(1,437)	224		(63,320)	(28,235)
Net Increase (Decrease) in Net Assets	(29,317)	1,549	3,165	9,519	(17,961)	(33,045)	(31,564)

Schedule 1

UNIVERSITY OF GUELPH
STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED APRIL 30, 2009
(in thousands of dollars)

	OPERATING FUND	CAPITAL FUND	ANCILLARY ENTERPRISES (Schedule 2)	RESEARCH & TRUST FUND	ENDOWMENT FUND	TOTAL 2009	TOTAL 2008
Net Assets, Beginning of Year	(65,219)	72,449	21,269	34,068	158,078	220,645	252,209
Net Increase (Decrease) in Net Assets	(29,317)	1,549	3,165	9,519	(17,961)	(33,045)	(31,564)
Net Assets, End of Year	(94,536)	73,998	24,434	43,587	140,117	187,600	220,645
Net Assets Components:							
Invested in Capital Assets		106,139	30,075			136,214	131,169
Endowed					140,117	140,117	158,078
Internally Restricted	67,219	(31,008)	(3,547)	44,113		76,777	33,586
Unrestricted Surplus (Deficit)	(161,755)	(1,133)	(2,094)	(526)		(165,508)	(102,188)
Net Assets, End of Year, Surplus (Deficit)	(94,536)	73,998	24,434	43,587	140,117	187,600	220,645

UNIVERSITY OF GUELPH
STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS
FOR ANCILLARY ENTERPRISES
FOR THE YEAR ENDED APRIL 30, 2009

(in thousands of dollars)

	HOSPITALITY SERVICES	REAL ESTATE	STUDENT HOUSING SERVICES	PARKING	UNIVERSITY CENTRE	TOTAL 2009	TOTAL 2008
REVENUE	33,171	5,190	29,896	2,545	2,120	72,922	69,379
EXPENSES							
Cost of Materials	13,614				384	13,998	13,824
Salaries	9,946	183	3,981	375	801	15,286	14,159
Benefits	2,052	34	798	100	169	3,153	2,923
Institutional Charges	1,840		6,891	215	480	9,426	9,018
Operating	4,285	761	4,565	252	395	10,258	9,730
Travel	36	4	72	12	8	132	136
Minor Renovations and Repairs	16		651	32		699	946
Interest		479	7,938			8,417	5,508
Capital Asset Amortization	592	470	3,123	178	23	4,386	4,032
Total Operating Expenses	32,381	1,931	28,019	1,164	2,260	65,755	60,276
Revenue Less Expenses	790	3,259	1,877	1,381	(140)	7,167	9,103
Interfund Transactions	(408)	(2,075)	(891)	(842)	214	(4,002)	(5,250)
Net Increase (Decrease) in Net Assets	382	1,184	986	539	74	3,165	3,853
Composed Of:							
Net Increase (Decrease) in Invested in Capital Assets	689	(125)	1,900	1,881	29	4,374	585
Net Increase (Decrease) in Internally Restricted	(334)		2,167	(1,624)	19	228	8,378
Net Increase (Decease) in Unrestricted	27	1,309	(3,081)	282	26	(1,437)	(5,110)
Net Increase (Decrease) in Net Assets	382	1,184	986	539	74	3,165	3,853

Schedule 2

UNIVERSITY OF GUELPH
STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS
FOR ANCILLARY ENTERPRISES
FOR THE YEAR ENDED APRIL 30, 2009

(in thousands of dollars)

	HOSPITALITY SERVICES	REAL ESTATE	STUDENT HOUSING SERVICES	PARKING	UNIVERSITY CENTRE	TOTAL 2009	TOTAL 2008
Net Assets, Beginning of Year	5,643	11,408	(408)	3,869	757	21,269	17,416
Net Increase (Decrease) in Net Assets	382	1,184	986	539	74	3,165	3,853
Net Assets, End of Year	6,025	12,592	578	4,408	831	24,434	21,269
Net Assets Components:							
Invested in Capital Assets *	9,868	9,008	5,400	5,453	346	30,075	25,701
Internally Restricted	(3,876)		1,707	(1,624)	246	(3,547)	(3,775)
Unrestricted Surplus (Deficit)**	33	3,584	(6,529)	579	239	(2,094)	(657)
Net Assets, End of Year, Surplus (Deficit)	6,025	12,592	578	4,408	831	24,434	21,269

* 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.

UNIVERSITY OF GUELPH
EMPLOYEE FUTURE BENEFITS
For the Year Ended April 30, 2009
(in thousands of dollars)

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:

	Pension Plans*		Other Benefit Plans		Total	
	2009	2008	2009	2008	2009	2008
Change in Benefit Obligation						
Benefit obligation - beginning of measurement period	1,001,128	958,116	249,977	236,978	1,251,105	1,195,094
Current service cost (employer)	29,704	28,353	9,660	9,451	39,364	37,804
Interest cost	51,529	48,278	13,122	12,222	64,651	60,500
Employee contributions	12,057	11,299	-	-	12,057	11,299
Employee transfers	1,144	-	-	-	1,144	-
Plan amendments	1,859	-	-	-	1,859	-
Actuarial loss (gain)	(165,682)	(995)	(61,385)	(4,904)	(227,067)	(5,899)
Benefits paid	(47,207)	(43,923)	(3,939)	(3,770)	(51,146)	(47,693)
Benefit obligation - end of measurement period	884,532	1,001,128	207,435	249,977	1,091,967	1,251,105
Change in Plan Assets						
Market value of plan assets - beginning of measurement period	879,549	886,699	-	-	879,549	886,699
Actual return on plan assets, net of expenses	(134,826)	(45,799)	-	-	(134,826)	(45,799)
Employer contribution	8,516	71,273	3,939	3,770	12,455	75,043
Employee contribution	12,057	11,299	-	-	12,057	11,299
Employee transfers	1,144	-	-	-	1,144	-
Benefits paid	(47,207)	(43,923)	(3,939)	(3,770)	(51,146)	(47,693)
Market value of plan assets - end of measurement period	719,233	879,549	-	-	719,233	879,549

(in thousands of dollars)

b) Accrued Benefit Obligations and Plan Assets (continued)

	Pension Plans*		Other Benefit Plans		Total	
	2009	2008	2009	2008	2009	2008
Reconciliation of funded status						
Funded status - surplus (deficit)	(165,299)	(121,579)	(207,435)	(249,977)	(372,734)	(371,556)
Employer contributions after measurement date	3,284	5	1,214	1,066	4,498	1,071
Unamortized transitional obligation (asset)	(51,409)	(64,064)	25,661	29,939	(25,748)	(34,125)
Unamortized past service costs	22,834	24,074	-	-	22,834	24,074
Unamortized net actuarial loss (gain)	269,544	256,028	30,180	96,890	299,724	352,918
Accrued benefit asset (liability), before Valuation Allowance	78,954	94,464	(150,380)	(122,082)	(71,426)	(27,618)
Total Valuation Allowance (VA)	(2,994)	(4,546)	-	-	(2,994)	(4,546)
Accrued benefit asset (liability), net of VA	75,960	89,918	(150,380)	(122,082)	(74,420)	(32,164)
Statement of Financial Position						
Deferred pension costs	77,531	91,146	-	-	77,531	91,146
Accounts payable (employee future benefits - current liability)	(22)	(22)	(5,541)	(4,855)	(5,563)	(4,877)
Employee future benefits (long-term liability)	(1,549)	(1,206)	(144,839)	(117,227)	(146,388)	(118,433)
Accrued benefit asset (liability), net of VA	75,960	89,918	(150,380)	(122,082)	(74,420)	(32,164)

*Pension plans include accrued benefit obligations and plan assets in respect of plans that are not fully funded of $876,129 and $707,674 respectively ($991,256 and $864,926 respectively for 2008).

UNIVERSITY OF GUELPH
EMPLOYEE FUTURE BENEFITS
For the Year Ended April 30, 2009
(in thousands of dollars)

c) Net Benefit Plan Costs

	Pension Plans		Other Benefit Plans		Total	
	2009	2008	2009	2008	2009	2008
Components of cost						
Current service cost (employer)	29,704	28,353	9,660	9,451	39,364	37,804
Interest cost	51,529	48,278	13,122	12,222	64,651	60,500
Actual return on assets	134,826	45,799	-	-	134,826	45,799
Actuarial (gains) losses	(165,682)	(995)	(61,385)	(4,904)	(227,067)	(5,899)
Past service costs	1,859	-	-	-	1,859	-
Difference between actual and expected return	(193,349)	(106,933)	-	-	(193,349)	(106,933)
Difference between actual and recognized actuarial gains (losses)	179,833	6,354	66,710	11,152	246,543	17,506
Difference between actual and recognized past service costs in year	1,240	3,007	-	-	1,240	3,007
Amortization of transitional obligation (asset)	(12,655)	(12,658)	4,278	4,278	(8,377)	(8,380)
Amortization of transitional increase in VA	3	5	-	-	3	5
Current increase (decrease) in VA	(1,555)	(1,443)	-	-	(1,555)	(1,443)
Net benefit cost	25,753	9,767	32,385	32,199	58,138	41,966

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

(in thousands of dollars)

d) Cash Payments

Total cash payments for employee future benefits for the 12-months ended January 31, 2009, 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 $12,455 (2008 $75,043).

e) Asset Allocation

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

	2009	2008
Percentage plan assets at January 31		
Equity securites	56.9%	57.8%
Debt securites	34.6%	31.2%
Cash and short term investments	8.1%	10.6%
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 August 1, 2010.

(in thousands of dollars)

g) Significant Assumptions

The significant actuarial assumptions adopted are as follows:

	Pension Plans		Other Benefit Plans	
	2009	2008	2009	2008
For determining accrued benefit obligation at end of fiscal period:				
Discount rate	6.45%	5.15%	6.60%	5.20%
Rate of increase in future compensation	3.50%-4.50%	3.50%-4.50%	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%	n/a	
For determining benefit cost during 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%	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	2010	2008
Ultimate health care cost trend rate	n/a	n/a	5.00%	5.00%

(in thousands of dollars)

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.

	Benefit Obligation 2009	Net Benefit Cost 2010	Benefit Obligation 2009	Net Benefit Cost 2010
	Increase (Decrease)		Increase (Decrease)	
Impact of discount rate change:				
1% increase	(109,942)	(14,727)	(34,642)	(2,981)
1% decrease	125,625	15,968	44,599	5,746
Impact of health care cost trend rate change:				
1% increase	n/a	n/a	42,732	7,967
1% decrease	n/a	n/a	(33,604)	(4,604)