UNIVERSITY OF GUELPH

Annual Financial Report

Summary of Financial Results and Audited Financial Statements
for the fiscal year May 1, 2012 to April 30, 2013

CHANGING LIVES
IMPROVING LIFE

BOARD OF GOVERNORS

Dick Freeborough
Chair, Board of Governors
University Secretariat
University of Guelph

Dear Readers:

The University of Guelph is undergoing a phase of significant change on many fronts. Over the past year and coming year we are planning for and implementing: the change to a new president; reaction to and interaction with the Ontario Government on their new accountability measures and funding formulae for University education; the conclusion of our BetterPlanet Project fundraising campaign; our Program Prioritization Process including its ongoing impact for Integrated Planning and budgeting; the celebration of the University's 50th anniversary; changes to the way we educate our students and measures to continue to advance our University in many ways.

In this environment, it becomes increasingly important to continue to have a fully engaged and effective Board of Governors, which in conjunction with the Senate under the University's bicameral governance structure, is able to provide oversight and direction to the University management.

In this context the essential role of the board is to focus on matters of strategy, financial stewardship, CEO and management oversight and risk management. As we transition through the change issues, attention to CEO matters and risk management will continue to be paramount

The Board of Governors brings a multidisciplinary approach to its responsibilities for oversight of the University's affairs. The board is comprised of a number of external and alumni members, representatives of students, faculty and staff, and includes the chancellor and vice-chancellor. In setting the tone at the top, our goal is to foster a culture characterized by collaboration, transparency and the constant drive for excellence. We have an active program of board education and regular presentations on matters of importance to the University and its operations.

The University's financial position demonstrates the continuing commitment of the Board of Governors in partnership with all members of the University community to the concepts of managing within constraints and, at the same time, accessing opportunities as they become available.

The knowledgeable and dedicated volunteers who served with me on the Board of Governors during 2012-2013 are listed in the closing pages of this publication, as are key members of the University's administrative team who supported and informed their work. I offer my gratitude and appreciation to each of them for their part in the University's achievements to date and for their continued resolve to address the challenges and opportunities before us in our shared pursuit of the University's mission. In particular, I want to recognize the service of Jason Carere, Sofia Oke, Trish Walker and Chris Whitfield whose terms ended June 30, 2013. I also want to welcome Gavin Armstrong, Ana Paula Beccara and Paul Gallagher as new members of the board.

Speaking of volunteers, it always makes me very proud when I talk about the University and mention the outstanding volunteer commitment of its students, faculty and staff offered to local, regional and global communities on an ongoing basis. This is so important both to the communities served by the University and for all of us within it as a contribution to our overall mission and commitment to learning excellence.

On behalf of the board, I wish to acknowledge the leadership and managerial effectiveness of president Alastair Summerlee and his executive team. His abilities in pursuing the University's mission include a commitment to the highest calibre of educational experience for students, advancement of world-class researchers and innovators, broad-based engagement in community service and unwavering attention to fiscal responsibility. Together, Dr. Summerlee and his leadership team are setting new standards for institutional planning and assessment practices that are placing the University of Guelph at the vanguard.

We can all take pride in the University of Guelph's reputation as a socially and globally responsible institution, one capable of achieving great things while facing uncertain support commitments and difficult financial choices. Key to Guelph's success on the road ahead will be a continuing focus on addressing the needs and interests of its students, as these are paramount considerations in the choices still to be made.

As we work through the change issues noted above and the ongoing challenges of managing in times of constraint while continuing to advance the University and see it prosper for many more years to come, the strength of its leadership team and its governance practices are proving themselves time and again.

On behalf of the Board of Governors

Dick Freeborough, Chair, Board of Governors

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UNIVERSITY of GUELPH

OFFICE OF THE PRESIDENT

Alastair Summerlee
President, Vice-Chancellor
Executive Office
University of Guelph

Dear Readers:

This financial report is one of a number of operational reports prepared annually by the University of Guelph to demonstrate its commitment to being accountable for the use of public funds and revenue received from students and benefactors. While meeting government requirements for financial reporting, this report is also an important measure of our efforts to manage and maximize resources effectively in ways that are critical to the University's long-term academic, research and service mission.

Consistent with the approach taken and the success of the University's first integrated plan, we are in the second five-year planning cycle that engages the whole University community. The second integrated plan provides institutional goals in a framework of good financial management to ensure the institution maintains a balanced Ministry of Training, Colleges and Universities (MTCU) budget. As a result of on-going and persistent increases in the cost of delivering education and decreasing support from the provincial government, the University is challenged to preserve and enhance its distinctive mission while also fulfilling its commitment to accessibility, quality and innovation.

The University of Guelph continues to be very attractive to Ontario students. Applications to the University of Guelph were up 5 per cent for fall 2013 – the overall Ontario system average was 4 per cent. Applications to the University of Guelph-Humber were up 11.4 per cent. Total University enrolments for the main Guelph campus and regional campuses now stand at 21,625 with an additional 4,000 at Guelph-Humber.

Sponsored research also continues to be strong, reaching $150 million in 2012-2013. This impressive level of support places the University of Guelph among Canada's top research universities. It reflects the University's ability to attract outstanding faculty and staff, who enhance the educational experience for both undergraduate and graduate students, and advance Guelph's reputation for both curiosity-driven and applied research. However, the University of Guelph remains unique among Canadian universities with its focus not only on teaching and research but also on its commitment to community engagement and volunteerism. The institution believes that these additional values provide benefits for society and focus for our teaching and research programs.

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Our recognized national and international successes are amplified by the University's fundraising efforts. The BetterPlanet Project capital campaign has reached 70 per cent of its $200-million goal. Although scheduled to end in 2014, the campaign is already augmenting other sources of revenue to support priority needs such as student financial assistance, research chairs and infrastructure for teaching and research.

On behalf of the University of Guelph community, I would like to extend my gratitude to members of the Board of Governors for their judicious oversight and advice. The University community is grateful for the considerable number of volunteer hours that the governors contribute to enhancing the reputation of the University.

The University is equally indebted to members of the University community who work in partnership with the Board to oversee financial affairs and to Guelph's volunteer senators, students, employees, clients and other stakeholders who contribute to the integrated planning process. They support the University in a myriad of ways, and it is their commitment to the vision of the University that will ensure its long-term success and its capacity to serve the generations to follow.

Alastair Summerlee, President

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University of Guelph
Annual Financial Report
For the fiscal year May 1, 2012 to April 30, 2013

A. INTRODUCTION

The following report summarizes the University of Guelph ("University") annual financial results for the year ended April 30, 2013 (referred to as "fiscal 2013"). This report consists of two major components. The first is management's discussion of major financial results for the year; the second presents the audited financial statements for fiscal 2013 including the report from the University's external auditor. The audited financial statements have been prepared under the specific accounting principles set by the Canadian Institute of Chartered Accountants (CICA) for not-for-profit organizations under Part III of the CICA Handbook, Accounting Standards for Not-for-Profit Organizations ("ASNPO").

B. SUMMARY OF 2012/13 FINANCIAL RESULTS

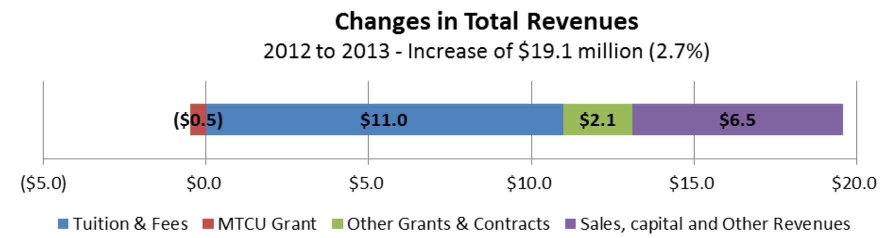
Financial Statement Highlights

$ in millions For the Year ended April 30	2013	2012	Chg%
Revenue and Expenses:			
Revenues	717.9	698.8	2.7%
Expenses	640.5	757.4	-15.4%
Net Income (Loss)	77.4	(58.6)	
Adjustment for Post-Employment *	(30.9)	92.7	
Adjusted Net Income	46.5	34.1	36.4%
Balance Sheet;			
Total Assets	1,618.5	1,501.2	7.8%
Total Liabilities	1,228.0	1,219.1	0.7%
Net Assets	390.5	282.1	38.4%
Composition of Net Assets;			
Invested in Capital Assets	420.8	420.0	0.2%
Endowed Funds	251.8	218.5	15.2%
Internally Restricted Assets	207.3	171.8	20.7%
Post-employment Deficit	(454.8)	(485.7)	-6.4%
Unrestricted Net Deficit	(34.6)	(42.5)	-18.6%
Total Net Assets	390.5	282.1	38.4%

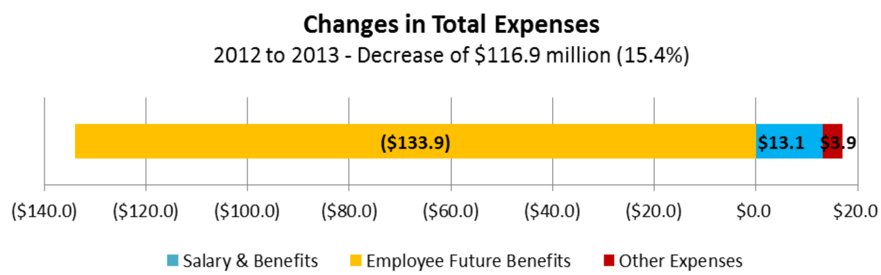
* Adjustment to record the cash costs of post-employment in the fiscal year.

Highlights in Fiscal 2013

- Revenues; Tuition revenue was the primary contributor to the growth in revenues, most of which was generated in undergraduate degree programs.

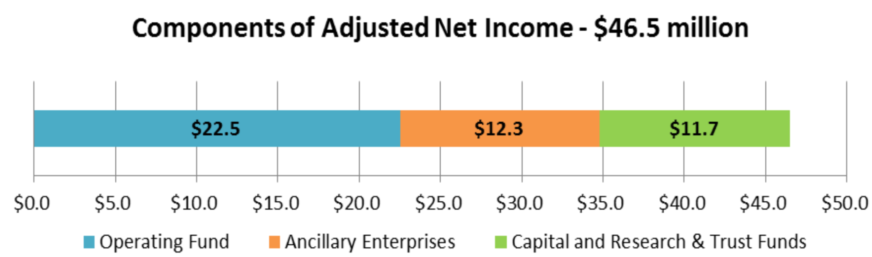


- Expenses were significantly impacted by the change in recorded pension expense due to the very good annual returns on invested pension plan assets (13.9%). These returns, which are much higher than plan assumptions (6.5%) generated a positive net benefit cost of $42.4 million. More than offsetting this were costs of $52.6 million in non-pension post-employment costs; the result was an overall post-employment costs of $10.2 million. This compares to a total post-employment cost of $144.1 million in fiscal 2012 when investment returns were flat. Salaries which remained the largest component of expenses, increased by 2.9%.



- Endowment investments experienced a 13.6% net return increasing endowment assets to $264.3 million in fiscal 2013.

- Net income, adjusted to reflect the results of recording the cash costs of post-employment expenses increased by $46.5 million. All major funds showed positive results with the MTCU Operating Fund contributing $22.5 million. Most of these funds were allocated for future pension contribution payments. Ancillary net income was derived mainly in; Student Housing where these funds will be used for capital improvements in residences; and in Real Estate where net income of $4.5 million will be transferred into the Heritage Endowment.



The following table provides key indicators of University activities and financial results over the past five years. The balance of this report includes further details on the major components of University financial operations and fiscal 2013 results.

University of Guelph

Annual Financial Report

For the fiscal year May 1, 2012 to April 30, 2013

Comparative University Financial Results Fiscal 2009 - 2013 **Table A**

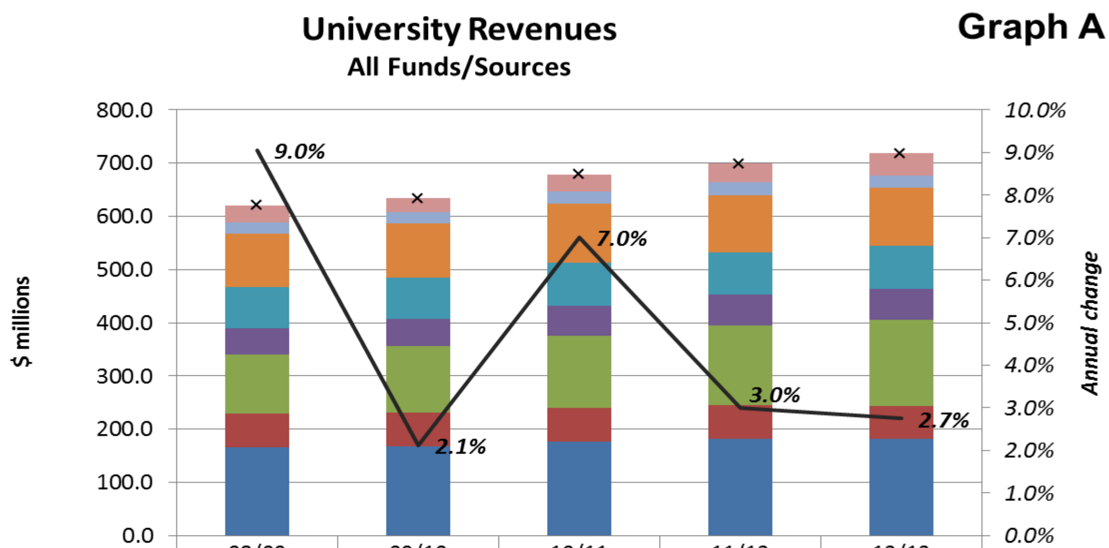
	2009 *	2010 *	2011 *	2012	2013
Enrolment FTEs (University Degree Programs)	18,664	19,772	20,651	21,542	21,644
Total Faculty and Staff (Regular Budgeted Positions)	3,029	2,985	2,944	2,946	2,951
Faculty (Regular Budgeted Positions)	886	865	855	836	830
Revenues and Expenses:					
Total Revenues ($M)	$ 620.8	$ 634.0	$ 678.4	$ 698.7	$ 717.9
Total Expenditures ($M)	$ 627.1	$ 636.6	$ 652.5	$ 753.9	$ 636.1
Unrealized Gain(Loss) on Interest Rate Swaps	$ (4.3)	$ 3.9	$ (1.1)	$ (3.5)	$ (4.4)
Annual Surplus/(Deficit) ($M)	$ (10.7)	$ 1.3	$ 24.7	$ (58.7)	$ 77.4
Revenue year-over-year change	9%	2%	7%	3%	3%
- MTCU Operating Grants per FTE ($)	*$ 8,393*	*$ 8,203*	*$ 8,275*	*$ 8,191*	*$ 8,127*
Revenue Mix (% of Total Revenues)					
Provincial MTCU Operating Grants	26%	26%	26%	26%	25%
Tuition	18%	20%	20%	22%	22%
Endowment & Donations	2%	2%	2%	2%	2%
Expenditure year-over-year change	8%	2%	2%	16%	-16%
Expense Mix (% of Total Expenses)					
Salaries	48%	48%	48%	43%	52%
Benefits (Including EFB)	14%	15%	14%	24%	8%
Components of Net Assets:					
- Invested in Capital Assets ($M)	$ 136.2	$ 143.9	$ 163.0	$ 420.0	$ 420.8
- Endowed ($M)	$ 140.1	$ 180.8	$ 210.4	$ 218.5	$ 251.8
- Internally Restricted ($M)	$ 76.8	$ 112.0	$ 155.3	$ 171.8	$ 207.3
- Unrestricted Surplus (Deficit) ($M)	$ (165.5)	$ (210.8)	$ (253.1)	$ (528.2)	$ (489.4)
Total Net Assets	$ 187.6	$ 225.9	$ 275.6	$ 282.1	$ 390.5
Capital and Capital Debt:					
Total Debt	$ 175.5	$ 179.1	$ 185.1	$ 204.2	$ 225.2
- Total Debt per FTE ($)	*$ 9,402*	*$ 9,057*	*$ 8,961*	*$ 9,481*	*$ 10,403*
% Debt Service to Revenue	2.3%	2.4%	2.5%	2.6%	3.0%
% Debt to Revenue	28.3%	28.2%	27.3%	29.2%	31.4%
Interest Coverage Ratio [1]	1.98	2.29	4.61	(0.29)	11.20
Capital Acquisitions ($M)	$ 69.1	$ 89.5	$ 105.9	$ 81.2	$ 70.0
Provincial Capital Grants ($M)	$ 13.6	$ 1.6	$ 1.5	$ 0.7	$ 0.9
Endowments:					
- Externally Restricted ($M)	$ 127.7	$ 169.9	$ 197.1	$ 207.5	$ 240.9
- Internally Restricted ($M)	$ 16.5	$ 19.4	$ 20.9	$ 20.8	$ 23.4
Total Endowment Assets - Market Values	$ 144.2	$ 189.3	$ 218.0	$ 228.2	$ 264.3
- Total Endowment per FTE ($)	*$ 7,724*	*$ 9,575*	*$ 10,557*	*$ 10,594*	*$ 12,212*
Post-Employment Benefits:					
Pension Plans - Funded Status Surplus/(Deficit)	$ (165.3)	$ (188.5)	$ (220.7)	$ (92.1)	$ (11.3)
Other Benefit Plans -Funded Status Surplus/(Deficit)	$ (207.4)	$ (221.5)	$ (263.5)	$ (329.0)	$ (377.3)
Latest Valuation Date - Registered Plans	Aug-07	Aug-07	Aug-10	Aug-10	Aug-10
Latest Valuation Date - Other plans	Jan-07	Aug-09	Aug-09	Aug-09	Aug-09

* 2009, 2010 and 2011 reported here under pre-ASNPO accounting policies as reported in prior years.

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

C. REVENUES

University revenue from all sources was $717.9 million, an increase of 2.7% or $19.2 million from fiscal 2012 $698.7 million. Refer to Graph A. Most categories of revenue were relatively flat in fiscal 2013 with the exception of tuition revenue. Over the four years since fiscal 2009, total University revenues have grown by 16% or $97 million.



	08/09	09/10	10/11	11/12	12/13
All Other Revenues	32.6	26.7	32.5	35.2	40.7
Amort. of Deferred Capital	21.5	21.4	22.5	23.3	23.5
Other Grants and Contracts	99.2	101.5	111.5	107.6	109.8
Sales of Goods and Services	77.4	77.2	80.6	79.0	79.9
Student Fees & Contracts	50.0	51.5	55.0	58.2	59.3
Tuition	111.1	124.2	137.1	150.7	160.6
OMAFRA Agreement	62.9	63.1	62.3	62.9	62.8
Provincial MTCU	166.1	168.4	176.9	181.8	181.3
Total	620.8	634.0	678.4	698.7	717.9
Annual Change	9.0%	2.1%	7.0%	3.0%	2.7%

The following sub-sections provide details on revenue changes between fiscal 2012 and fiscal 2013.

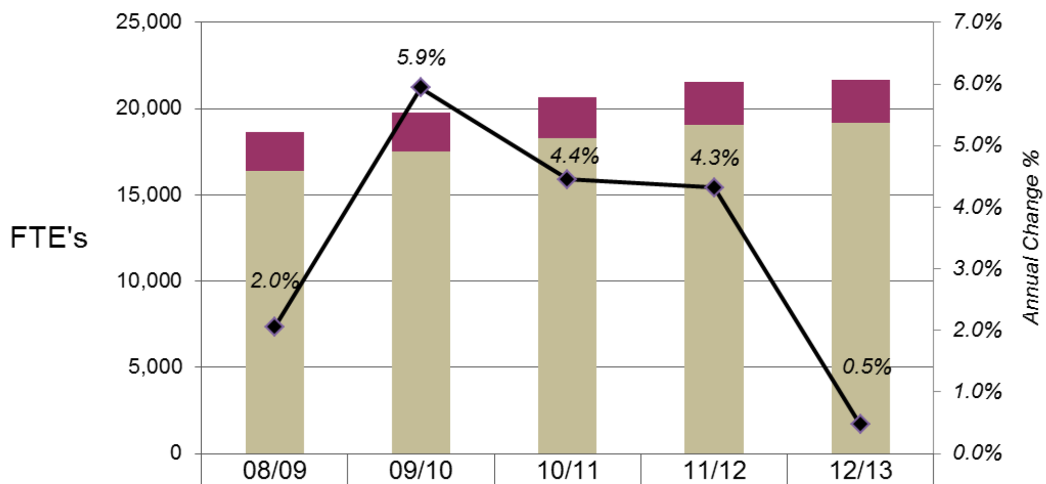
C.1 Provincial MTCU

MTCU (Ministry of Training, Colleges and Universities) provincial grants effectively remained flat with a small decrease of $0.5 million or 0.3% reflecting stable enrolments. (These grants are earned mainly in direct proportion to enrolments in provincially funded university-degree credit programs. This is no funding provided to support general cost increases.)

C.2 Tuition Revenue

Tuition Revenue (22% of total revenues) totaled $160.6 million in fiscal 2013 reflecting a $9.9 million or 6.6% total increase. Tuition Revenue consists of revenues earned for both undergraduate and graduate MTCU degree credit programs, MTCU diploma programs, and non-credit programs. Non-credit programs include a wide variety of courses such as general continuing education, training, and professional certification programs. In fiscal 2013 tuition rate increases for MTCU degree credit programs ranged from 0-8% and were consistent with MTCU guidelines and Board of Governors approval. Total MTCU degree credit enrolment slightly increased, by 0.5%, reflected in 21,644 FTEs (Full-Time Equivalents) as measured in the fall semester of 2012. Refer to Graph B.

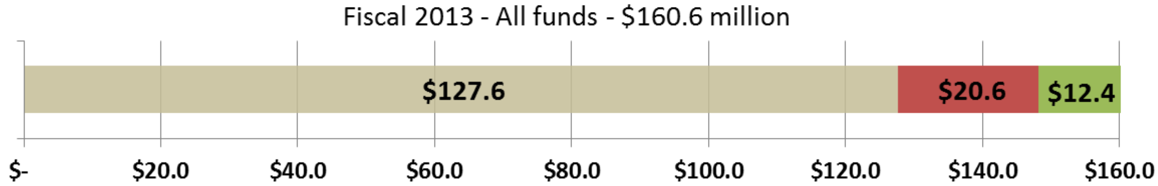
Full-Time Equivalent (FTE) Student Enrolment **Graph B**
(MTCU Credit Programs)



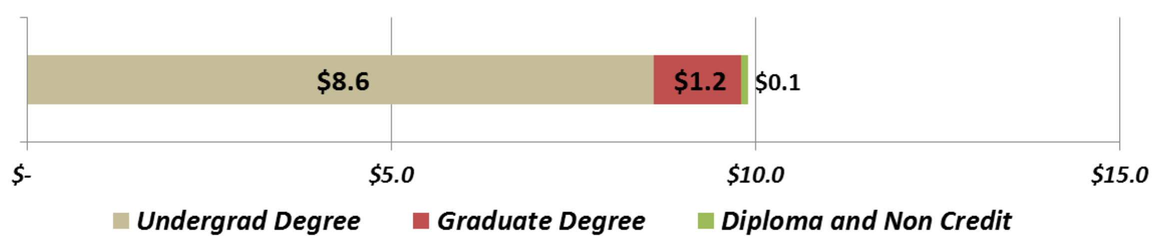
	08/09	09/10	10/11	11/12	12/13
Graduate	2,256	2,269	2,355	2,458	2,488
Undergraduate	16,408	17,503	18,296	19,084	19,156
Total	18,664	19,772	20,651	21,542	21,644
Annual Change	2.0%	5.9%	4.4%	4.3%	0.5%

The fiscal 2013 increase in total tuition revenue was mainly the result of increases in tuition rates charged for programs relative to fiscal 2012. Most MTCU degree credit (undergraduate and graduate) tuition levels are determined under strict provincial guidelines which limit increases for new and continuing students. The charts below present tuition revenue and changes in tuition revenue for the fiscal year by major type.

Total Components of Tuition Revenue
Fiscal 2013 - All funds - $160.6 million



Changes in Total Tuition Revenue
Fiscal 2012 to Fiscal 2013 - All Funds - $9.9 million



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

Fiscal 2013 was the fifth year of a five year funding agreement with OMAFRA to provide major research and service programs focused in the sectors of agriculture, food, bio-products, and rural communities. In addition to provincial funding, OMAFRA activities at the University generate revenues at facilities supported under the agreement derived from the sale of goods (agricultural commodities), services (research facilities) and laboratory testing. These non-provincial sources of revenue provide 20% of total funding for OMAFRA-sponsored facilities and programs.

All revenues earned under the agreement with OMAFRA are recorded in the University's financial statements in the appropriate category such as "Ministry of Agriculture, Food and Rural Affairs Agreement", "Sales of Goods and Services" or "Other". Because of the restricted nature of provincial funding from 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 from related cash flows is credited to the Agreement forming part of the overall funding available. All OMAFRA Agreement revenues and expenses including funding for indirect support costs and capital projects are recorded as a separately restricted account within the Operating Fund and must be fiscally balanced (therefore with 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.

In fiscal 2013, provincial revenues under the OMAFRA Agreement remained relatively flat at $62.8 million compared to 2012 when $62.9 million was recorded. As detailed in the "OMAFRA Agreement – 2013/2014 Preliminary Budget" dated June 6, 2013, in January 2013 a five year review to reflect upon and update plans for the next five year agreement concluded with a commitment from OMAFRA to provide annual funding of approximately $70 million up to the end of fiscal 2018.

C.4 Other Grants and Contracts

This revenue category records funding received and spent from many external governments, organizations or individuals that is mainly restricted for specific purposes. The major designation is funding for research projects. Research activities in this category are comprised of about 5,000 individual accounts that record both revenues and operating expenses for each grant, contract or specific purpose grant. (Funds and related expenses restricted for capital purposes are reported under the Capital Fund.)

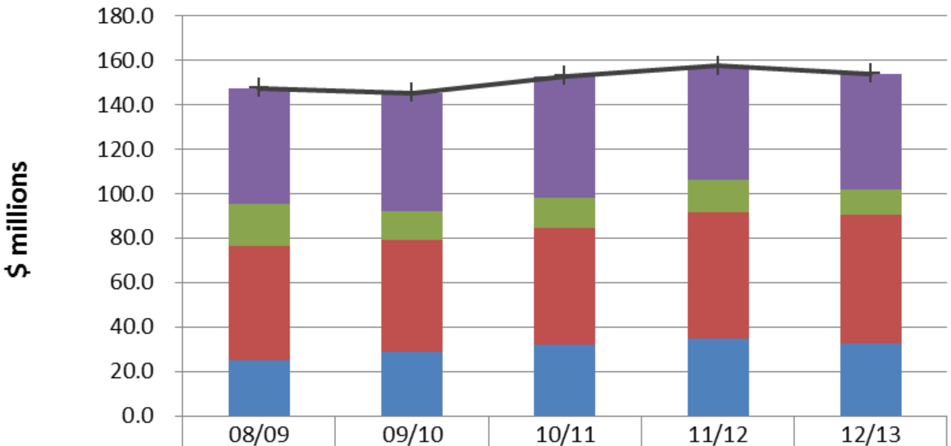
Major sources of research funding include federal research grants such as the Tri-Councils[1], CFI (Canada Foundation for Innovation), provincial infrastructure funding and contracts from industry for sponsored-research projects. While $109.8 million was recognized as revenue[2], research funds actually received in fiscal 2013, $154.0 million was received and allocated to departments ($157.4 million in 2012). Refer to Graph C.

Revenue recognized increased by $2.2 million (2.0%), reflecting an overall increase in research project expenses and transfers relative to fiscal 2012.

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

[2]Research funding is restricted for specific purposes by external sponsors, and under CICA accounting principles, cannot be recognized as revenue in the financial statements until the designated expenses are incurred. Therefore, while actual funding (cash) may be received in a fiscal year, it may not be recognized or recorded as revenue until future years. In the interim, the funding is recorded as a Deferred Contribution on the University's Statement of Financial Position (refer to page 31 for the accounting policy on revenue recognition).

Research Funding Allocated by Major Source **Graph C**



	08/09	09/10	10/11	11/12	12/13
Federal	52.0	53.1	54.7	51.2	52.2
Other Ontario	18.9	12.7	13.6	14.5	11.5
OMAFRA Agreement	51.4	50.6	52.3	57.0	57.7
Other	25.2	28.8	32.3	34.7	32.6
Total	147.5	145.2	152.9	157.4	154.0

C.5 Sales of Goods and Services

This category remained relatively constant increasing by $0.9 million or 1.1% in fiscal 2013. The balance reflects small increases and decreases in a large variety of activities such as user fees charged for OVC (Ontario Veterinary College) teaching hospital services (particularly the small animal clinic), laboratory services, food and beverage sales, and recoveries of miscellaneous service costs.

C.6 Student Fees & Contracts

Overall student fees & contracts increased by $1.1 million or 1.9% in fiscal 2013, reflecting the small growth in enrolment this year. Student contract revenues for residence and meal plans in the ancillary funds totaling $43.1 million ($42.7 million in 2012) comprise 73% of the revenue in this category. The balance of $16.2 million ($15.5 million in 2012) consists of compulsory fees including those for athletics, health and various student services.

C.7 All Other Revenues

"All Other Revenues" (on Graph A) summarizes revenues from Donations ($11.8 million), Investment Income ($7.4 million) and Other ($21.5 million) revenue shown on Statement 2 of the Audited Financial Statements.

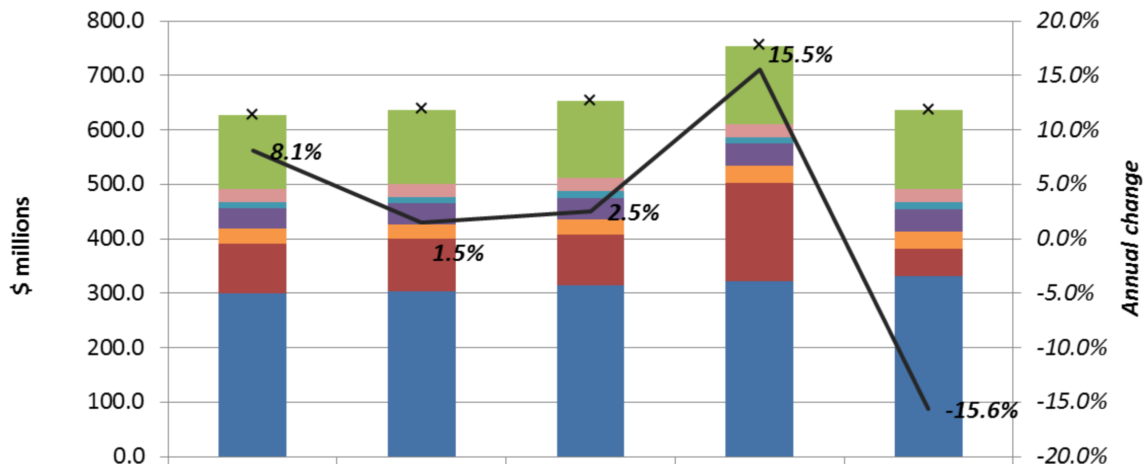
In fiscal 2013, combined revenues from these sources increased by $5.5 million or 15.6% compared to 2012. The increase consisted of $1.6 million in investment income, $1.1 million in donations, and the balance from a variety of miscellaneous revenue sources and cost recoveries.

D. EXPENSES

Total University Expenses decreased by 15.6% or $117.7 million to $636.1 million compared to fiscal 2012. Most categories of expense, except benefits, saw modest changes relative to fiscal 2012. Refer to Graph D.

University Expenses
All Funds/Sources

Graph D



	08/09 *	09/10 *	10/11 *	11/12	12/13
Other Operating	136.3	136.7	140.9	142.9	144.3
Utilities	23.3	23.4	24.3	25.0	24.5
Interest	10.9	11.3	11.8	11.4	12.1
Capital Asset Amortization	38.4	38.5	39.3	40.5	41.9
Scholarships and Bursaries	26.7	26.5	28.9	31.3	31.2
Benefits	90.8	95.9	93.1	180.5	50.5
Salaries	300.7	304.3	314.2	322.3	331.6
Total	627.1	636.6	652.5	753.9	636.1
Annual Change	8.1%	1.5%	2.5%	15.5%	-15.6%

** 08/09, 09/10, and 10/11 reported here under pre-ASNPO accounting policies as reported in prior years.*

The following sub-sections provide details on expense changes between fiscal 2012 and fiscal 2013.

D.1 Salaries

Salaries expense from all funds (52% of total expenses) increased by 2.9% or $9.3 million. The salaries category is impacted by several major factors including salary rate increases, changes to total staff complement and one-time costs. The increase in salaries this year was primarily due to negotiated salary increases across all major employee groups.

D.2 Benefits

The employer cost of benefits consists of a wide variety of negotiated benefits (e.g., extended health and dental care) and statutory benefits (e.g., Employment Insurance, Canada Pension Plan and Employer Health Tax) for current employees. In addition, there are costs for future or post-employment benefits which consist of pension coverage (the University is the sponsor of three defined benefit pension plans) and other non-pension benefits including extended health and dental coverage (provided to retirees under cost sharing arrangements).

Accounting Presentation of Employee Benefit Costs:

Current benefit costs, excluding post-employment benefits, are funded and expensed in the audited statements essentially on a cash basis each year. In fiscal 2013, these benefit costs (total of $40.2 million) increased 10.6% or $3.8 million relative to 2012 due to increased costs of premiums for negotiated health benefit plans and payment of $1.8 million ($0.6 million in 2012) into the PBGF (Pension Benefit Guarantee Fund).

Post-employment benefit costs are charged to the financial statements as they are earned (accrued), not as they are actually paid (cash). This accounting policy requires that the committed obligations for future payments be actuarially estimated and recorded at their present value to reflect the total future obligation that exists at the date of the financial statements.

Under current accounting standards, the University has the option to either defer the recognition of major changes in accrued net benefit obligations thereby smoothing major events e.g., asset gains/losses in pension plans in any one year, and amortizing actuarial gains and losses over many years to smooth the effects of these changes on the financial statements, or to immediately recognize the full impact of these events in the year in which they occur. While the “immediate recognition” simplifies reporting and more closely reflects current funding obligations especially for pension plans, it can create significant volatility in results from year to year, especially where there are significant changes in market conditions or experiences relative to assumptions.

Post-employment Benefits

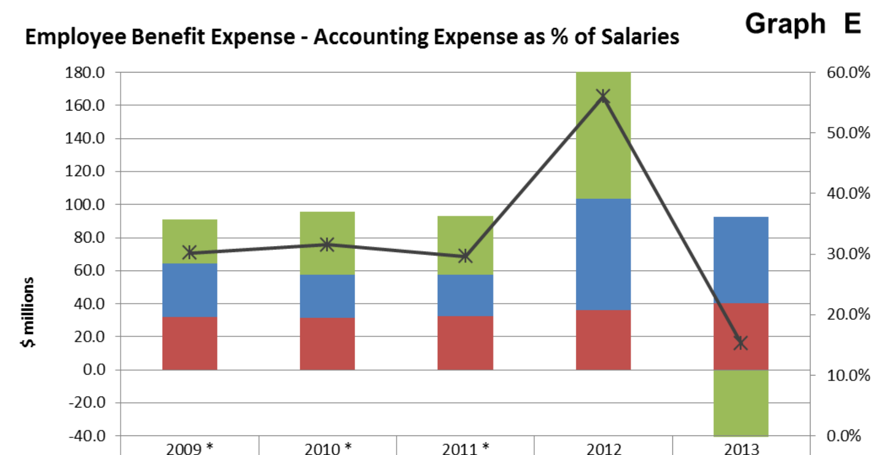
The University currently has two major types of post-employment benefits available to its employees;

- ***Post-employment Benefits –Defined Benefit Pension Plans:*** The University is the legal sponsor of three pension plans. In Ontario, cash requirements for defined benefit 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 future benefit obligations to determine funding requirements, referred to as an actuarial valuation, is required no less than every three years. As a result of required pension valuations and provincial funding requirements, over the past 5 years the University has made major cash contributions totaling $137 million (refer to Graph F).
- ***Post-employment Benefits – Non-Pension:*** Unlike defined benefit pension plans, future estimated costs (liabilities) for non-pension post-employment benefits (dental and extended health coverage for retirees) are not required to be funded e.g., have assets designated for meeting future expected payments. Funding requirements are therefore on a “pay-as-you go” basis whereby only current cash requirements are met. However for financial statements requirements, the expenses for all future benefits are estimated. In fiscal 2013, these liabilities increased 14.7% from $329.0 million in fiscal 2012 to $377.3 million. The associated annual expenses were $52.6 million ($67.2 million in fiscal 2012) consisting mainly of interests costs on the unfunded liability and continuing increases in future expected payments is a result of declining long-term interest rates. While not an immediate cash requirement, these liabilities indicate significant future requirements based on usage and cost estimates. In fiscal 2013, cash contributions for these plans decreased 7% from $4.6 million in fiscal 2012 to $4.3 million.

Accounting Expenses for Employee Benefits;

Overall, employer cost of benefits expense is now 15.2% of salaries compared to 56.0% in fiscal 2012. The major change was mainly the result of very good returns earned on pension fund assets in fiscal 2013, relative to flat returns earned in fiscal 2012. Refer to Graph E. The pension "expenses" was actually a $42.3 million credit reflecting the 13.9% return on assets, creating a temporary experience gain that offset normal annual costs. This does not impact contribution requirements which are set under provincial legislation. (See the next section on "Cash Payments.)

Refer to Note 12 of the Audited Financial Statements for more detail on the calculation of employee future benefit expenses under current accounting standards.



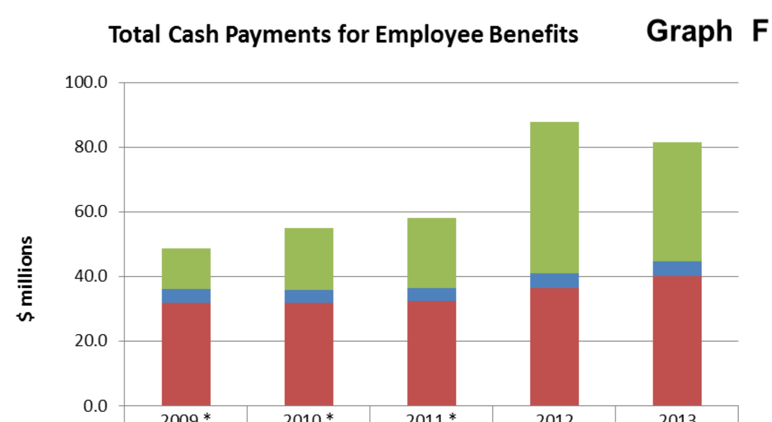
	2009 *	2010 *	2011 *	2012	2013
Pension	26.5	38.5	35.6	76.9	-42.3
Non-Pension Post-Employ	32.4	25.7	25.2	67.2	52.6
Non Post-Employment	31.9	31.7	32.3	36.4	40.2
Total	90.8	95.9	93.1	180.5	50.5
% of Salaries	30.2%	31.5%	29.6%	56.0%	15.2%

* 2009, 2010 and 2011 reported here using the defer and amortize approach to record employee future benefits under pre-ASNPO GAAP. 2012 and 2013 are reported here using the immediate recognition approach under ASNPO, see F/S Notes 2, 3 and 12.

Cash Payments for All Employee Benefits;

As noted above, accounting for post-employment benefits requires the recognition of an estimate of the future cash obligations. In terms of cash only payments in fiscal 2013, the University paid $81.4 million in total for employee benefits (refer to Graph F).

Pension contributions reflect both normal annual costs and deficit payments on both going concern and solvency deficits in accordance with current provincial legislation. Pension contributions declined by $6.4 million relative to 2012 when special "catch up" lump sum payments toward the solvency deficit were made. Effective for August 1, 2013, a new funding valuation will be prepared in which new contribution requirements will be determined. These new contribution levels will take effect August 1, 2014.



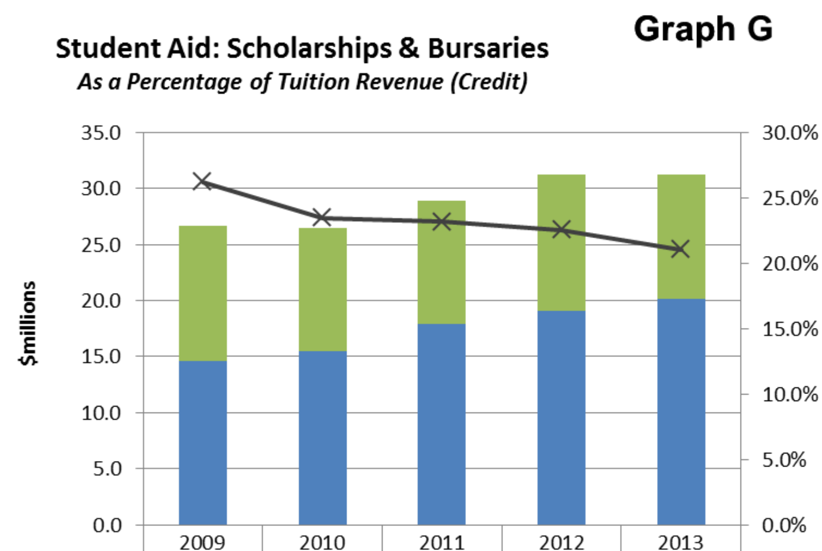
	2009 *	2010 *	2011 *	2012	2013
Pension	12.5	19.1	21.9	46.8	36.9
Non-Pension Post-Employ	4.1	4.2	4.0	4.6	4.3
Non Post-Employment	31.9	31.7	32.3	36.4	40.2
Total	48.5	55.0	58.2	87.8	81.4

D.3 Utilities

Campus utilities expense decreased slightly by $0.5 million or 1.9% in fiscal 2013 reflecting recent investments in more efficient utility delivery and utilization systems to offset rate increases.

D.4 Scholarships and Bursaries

Total University spending on Scholarships and Bursaries in fiscal 2013 was unchanged from fiscal 2012 at $31.2 million. Refer to Graph G.



	2009	2010	2011	2012	2013
Trust and Endowments	12.1	11.0	11.0	12.1	11.0
Operating	14.6	15.5	17.9	19.1	20.2
Total Student Aid	26.7	26.5	28.9	31.2	31.2
% of Revenue	26.2%	23.5%	23.2%	22.5%	21.1%

Scholarships and Bursaries have two main sources of funding; the Operating Fund and externally restricted funds, e.g., grants, donations and endowments.

Under University policy, spending from endowments is curtailed when investment returns are insufficient to protect endowment capital. With the poor market conditions of 2008 and 2009, restrictions in spending resulted in reduced spending from endowments over the past few years. Action was taken to increase contributions from the Operating fund to make up total spending (in the form of needs-based bursaries). With improvements in market returns and increased donor contributions, funding from endowments is slowly increasing; however, funding from other non-endowment trust (restricted) funds decreased in fiscal 2013 relative to 2012. Student aid funding is now approximately 21.1% (22.5% in 2012) of total credit tuition revenues. Of the $31.2 million, 65% was funded from the Operating Fund and 35% from trust funds, including endowments.

Interest expense increased by $0.7 million or 6% to 12.1 million reflecting additional debt servicing associated with increased capital borrowing in recent years. (Refer to section G)

D.6 Other Operating Expenses

Other Operating Expenses[3] (23% of total expenses) captures a wide variety of University expenses ranging from travel to minor repairs and maintenance. This category increased by $1.4 million or 1.0% in fiscal 2013. Travel

[3] *"Other Operating Expenses" (on Graph D) summarizes expenses of Travel ($15.0 million), Minor Renovations and Repairs ($5.5 million) and "Operating Expenses" ($123.8 million) shown on Statement 2 of the Audited Financial Statements.*

expenditures were essentially unchanged from fiscal 2012, increasing just $0.1 million. Minor renovations and repairs expenses increased by $0.9 million. Most other operating categories experienced minor increases.

D.7 Unrealized Gain (Loss) on Interest Rate Swaps

Under accounting standards related to "financial instruments"[4] certain financial transactions (e.g., market value for investments and interest rate swaps) must be valued annually at the market value on April 30. Any changes from one year to the next in the market of "fair" value are recorded in the Statement of Operations (income statement) each year.

The University has entered into a number of interest rate derivatives contracts (referred to as interest rate swaps) that effectively fix the cost of borrowings over long periods (10-15 years). The purpose of these swaps is to reduce interest rate risk over the term of the swap. As market interest rates decline, the value of these swaps decline. Conversely if interest rates increase, gains would be recognized under this policy. These contracts are recorded at the mark-to-market value based on prevailing interest rates at year end. Adjustments are non-cash entries that reflect changes in the market values of interest rate swaps measured on April 30th each year.

To the extent that the University holds these swaps to maturity, these reductions/gains will not be realized. It is the University's practice to hold all interest rate swaps until the maturity of that debt and related swap. The Unrealized Gain (Loss) on Interest Rate Swaps in the current year was a loss of $4.4 million ($3.5 million in 2012).

E. ENDOWMENTS

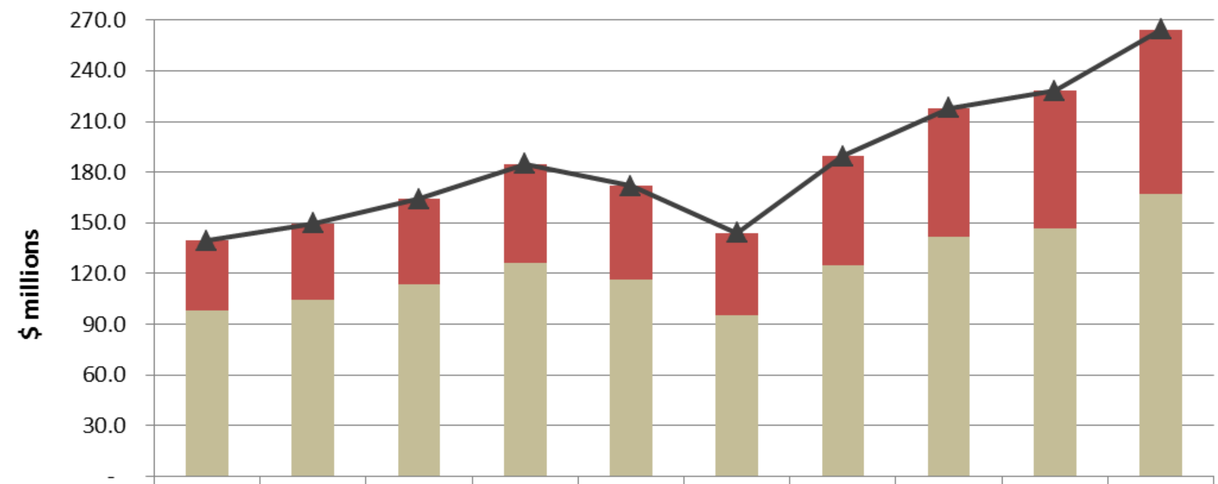
The Endowment Fund is comprised of restricted segregated funds provided by external benefactors or established by the Board of Governors. While all University endowments are pooled for investment purposes, there are two major endowment funds with different spending objectives; the Heritage Fund[5] (investments of $97.3 million) and the General Endowment Fund (investments of $167.0 million). Refer to Graph H. The primary objective of all endowment funds is to provide a permanent source of funding by investing the principal amount of a 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 most[6] University endowments, annual spending is limited to a percentage of each account's total endowment asset value averaged over the most recent moving four year period. For example, the annual spending rate of the General Endowment Fund was set at 3.5% of the average asset value over the past four years in fiscal 2013.

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

[5] *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. Management of the fund was delegated by the Board of Governors to the Board of Trustees.*

[6] *Spending under the Heritage Fund is governed by a different formula that limits disbursement to the average of a rolling five-year net investment return after having provided for inflation protection and growth of the Heritage portfolio.*

University Endowment Assets - Market Values at April 30th **Graph H**



	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Heritage	41.6	45.0	50.7	58.7	55.7	48.6	64.6	76.5	81.7	97.3
General	97.9	104.7	113.5	126.2	116.2	95.6	124.7	141.5	146.5	167.0
Total	139.5	149.7	164.2	184.9	171.9	144.2	189.3	218.0	228.2	264.3

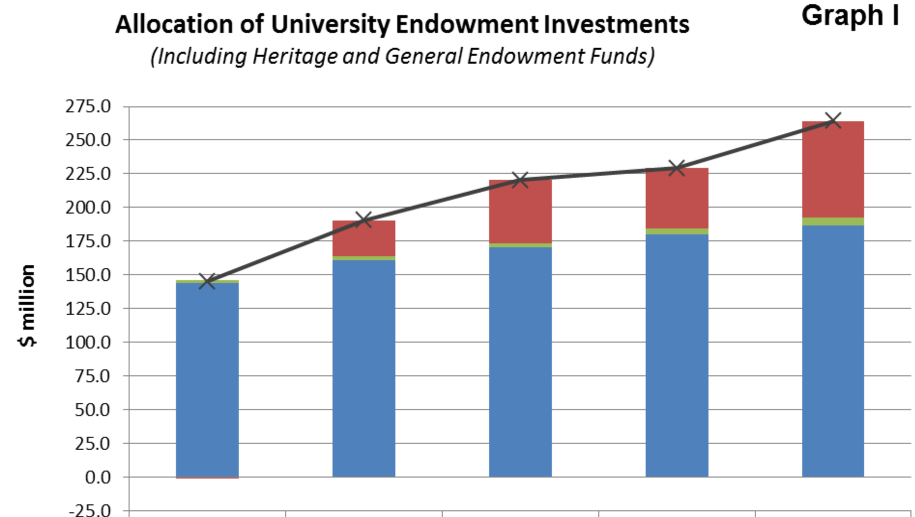
Within the General Endowment Fund there are just over 1000 individual accounts reflecting individual spending objectives established by both external donors and the Board of Governors. In total, the market value at April 30th of all endowment investments had increased by $36.1 million or 15.8% from $228.2 million in 2012 to $264.3 million in 2013. The increase in market value is the result of positive investment returns of 13.6% (0.6% in fiscal 2012) in addition to capital additions of $6.6 million, net of funds allocated for disbursements. Capital additions consist of external donations and transfers directed for specific purposes. A more complete presentation on Endowment Fund activities including performance and disbursements can be found at http://www.uoguelph.ca/finance/report/endowment-reports.

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 disbursements. As a result of 2008 and 2009 negative investment returns much of the accumulated capital protection of endowments was eroded (refer to Graph I on the following page). As a consequence, in fiscal 2011, 2012 and 2013, endowment spending from many of the individual General Endowment accounts was restricted in order to protect the long term spending capacity of endowments by allowing these accounts to fully recover market losses.

While the impact of restricting endowment spending over the past couple of years had some relatively minor impact on University operations, e.g., endowed faculty chairs, the major impact was on student assistance (56% of all University endowments are allocated to student assistance). Accordingly, the University took action to offset a major portion of the loss in endowment support for student assistance by allocating funding from the MTCU Operating Budget for certain University commitments for multi-year scholarships and to provide needs based assistance where possible.

With the market returns in fiscal 2011 and 2013 most endowment accounts have recovered well and increased spending is expected in the near future, however the University will continue to limit disbursements from certain accounts where needed to ensure capital contributions and longer term spending capacity are protected.

Graph I



	2009	2010	2011	2012	2013
Capital Appreciation	-0.6	26.7	46.8	45.1	71.5
Funds Available	2.1	2.8	3.2	4.1	6.4
Donated Principal	143.8	160.9	170.3	180.1	186.4
Total	145.3	190.4	220.3	229.3	264.3

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

F. CAPITAL

F.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(i) on Page 31 for the specific accounting policy). The charge to expenditures is called Capital Asset Amortization. In fiscal 2013 this charge increased by $1.4 million or 3.4% to $41.9 million from 2012 as a direct result of capital acquisitions.

F.2 Capital Contributions and Acquisitions

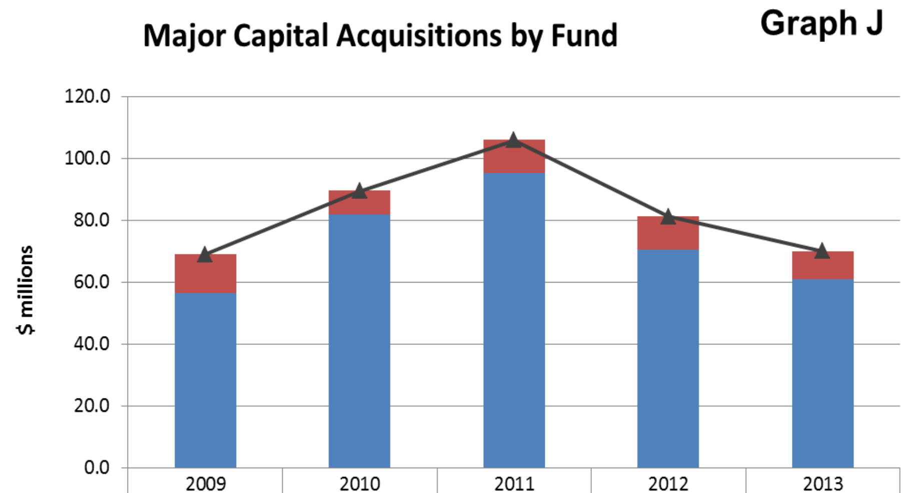
While capital acquisitions spending continued at significant levels ($70.0 million, refer to Graph J) it declined from the peak years of 2010 and 2011 when major projects (e.g., the Science Complex) were completed.

In 2013, spending continued mainly under the Board- approved Capital Renewal Financing Plan directed at both critical building and campus utilities infrastructure (including energy conservation projects) and certain academic and student support facilities.

Borrowing for capital expenses is limited as much as possible by using a combination of any funding received from MTCU restricted for campus infrastructure renewal projects, annual allocations from operating budgets and funding from Student Housing specific for student residence related projects. This funding has helped contain borrowing requirements under this plan however with an estimated $300 million in deferred maintenances costs (buildings and utilities), the University, subject to Board of Governor’s approval, will continue to balance campus safety and program requirements with the need to assume further debt. (Refer to Section G.)

In fiscal 2013 the University completed a number of major capital acquisitions (funds spent) funded from a variety of sources 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 funding received is funding received in the current fiscal year 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 construction-in-progress (projects not yet completed).

The annual net recorded value of capital assets increased by $28.1 million ($40.7 million in 2012), reflecting expenditures or "acquisitions" on capital and construction-in-progress in several building/renovation projects of $70.0 million less capital asset amortization of $41.9 million.



	2009	2010	2011	2012	2013
Ancillary	12.4	7.7	10.6	10.5	9.0
Capital	56.7	81.8	95.4	70.7	61.0
Total	69.1	89.5	105.9	81.2	70.0

- **Capital acquisitions ($70.0 million, refer to Graph J):**
  - $24.9 million in major buildings consisting of:
    - $12.3 million for Expansion to the School of Engineering,
    - $7.2 million for Athletics projects (Field House, Multiplex, Stadium and Arena Refrigeration),
    - $1.7 million for the Animal Cancer Centre, an OVC facility and a Hospitality Services project,
    - $1.0 million for the Wastewater Testing Facility,
    - $2.7 million for other major campus building renovation projects;
  - $23.5 million in major equipment purchases and building renovations funded by both departmental transfers from the Operating Fund and external research grant/contract funding transferred from the Research and Trust Fund;
  - $8.1 million on Board approved Five-Year Capital Renewal Financing Plan projects. Total actual costs to date under this plan are $64.3 million;
  - $6.8 million on the Student Housing Services' portion of the Five-Year Capital Renewal Financing Plan. Total spending to date under this plan is $44.7 million;
  - A balance of $6.7 million made up of several smaller projects.

These acquisitions are funded through a combination of new debt, external grant or contract funding, donations, student fees and designated funds in the University's Operating Budget.

- **Capital funding received (total $16.6 million):**
  - $1.0 million ($1.0 million in 2012) in MTCU facilities renewal grants were received. This 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, deferred maintenance costs for buildings and campus utilities infrastructure will continue to be an ongoing major priority[7]. All funding is allocated to deal first with the highest priority items such as safety and emergency repairs;
  - $5.5 million ($5.6 million in 2012) was allocated from CFI and Ontario research infrastructure funds to support a number of ongoing research related capital projects.
  - $3.7 million ($0.6 million in 2012) was received in donations designated for capital projects.
  - $2.5 million ($2.2 million in 2012) from MTCU-Graduate Education Expansion in support of the expansion to the School of Engineering project;
  - $0.5 million ($0.5 million in 2012) from Student Energy Retrofit Funds to support the cost of electrical retrofit projects throughout the University;
  - $1.8 million ($3.6 million in 2012) from the Student Building Fee Fund to support athletics projects.
  - $1.6 million was received from other Trust funds designated for major capital or renovation projects.

G. LONG TERM DEBT AND INTEREST

Since 2002, the University has initiated a number of major capital projects to meet its strategic planning objectives to maintain and, where possible, improve existing facilities. Action was taken to begin investing in the high priority 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.

Subsequently, in response to increasing demands for capital spending particularly for major capital renewal for both campus infrastructure (buildings and utilities delivery systems) and ensuring teaching and student support facilities remain functional and competitive, the University initiated an internal multi-year planning process of a contiguous five year plan ("Five-Year Capital Renewal Financing Plan"). This Plan annually identifies spending for high priority projects in both residences and main campus facilities.

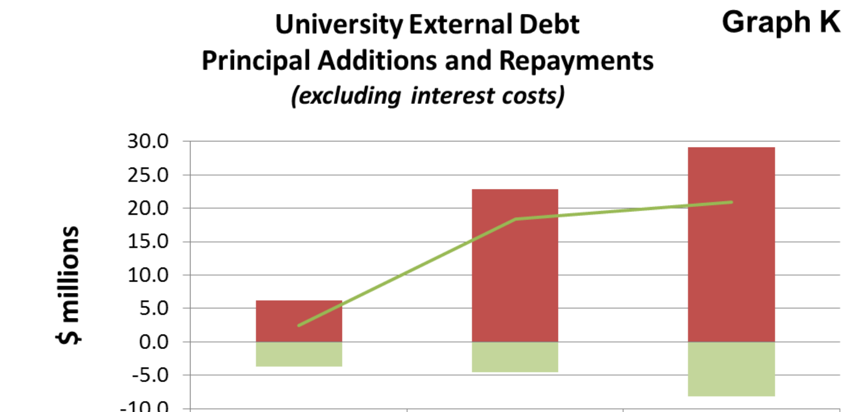
Each year the Board of Governors reviews and approves the Plan including the areas for highest priority during the year. While funding for these projects has included available provincial capital grants and revenues from operations, at this time, the majority of the expenditures have been financed with new external debt.

[7] *The University has a Board-approved five year financing plan (2012-2016) for investment in high priority deferred maintenance projects including residence buildings. The costs under this plan 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.*

Changes in External Capital Debt;

In fiscal 2013, $29.1 million in new capital debt was secured through bank loans using a 15 year interest rate swap to fix the University's interest cost. Refer to Graph K.

Of this, $13.4 million was for the Engineering Expansion project and $9.5 million was for the Five-Year Capital Renewal Financing Plan. $22.9 million of the new debt will be serviced from the Operating Fund and $6.2 million funded by the Ancillary Enterprise unit, Student Housing Services.

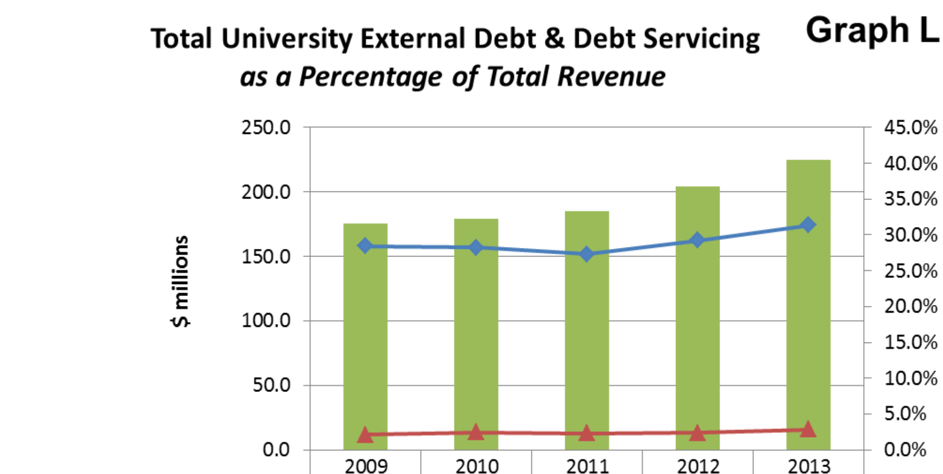


	Ancillary	Operating	Total
New Debt	$6.2	$22.9	$29.1
Repayments	$(3.7)	$(4.5)	$(8.2)
Net Change	$2.5	$18.4	$20.9

Capital Debt and Policy Limits

Total external[8] debt and debt servicing as a percentage of total University revenue are 31.4% (29.2% in 2012) and 2.8% (2.4% in 2012), respectively. Refer to Graph L. Both percentages are within University policy limits of 45% and 4.5%, respectively.

The increase in total debt in fiscal 2013 reflects the new debt ($29.1 million) partially offset by debt repayments totaling $8.2 million.[9]



	2009	2010	2011	2012	2013
Total Debt	175.5	179.1	185.1	204.2	225.2
% debt to revenues	28.4%	28.2%	27.3%	29.2%	31.4%
% debt servicing to revenues	2.1%	2.4%	2.3%	2.4%	2.8%

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

[8] *The University presents internal funds used for the temporary financing of capital projects in both the Capital Fund and Ancillary Enterprises Fund. They are reported in Note 14 on Page 41 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 ($9.8 million, market value in fiscal 2013) that have been set up to retire interest-only debt. Refer to Note 6 on Page 34 "Investments Held for Debt Repayment".*

H. CHANGES IN UNIVERSITY NET ASSETS

Fund Accounting: *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. 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. This report including the audited financial statements refers to these funds and their contribution to the combined financial results for the University over fiscal 2013.*

The following section summarizes changes to the net asset component of the University's balance sheet. Net assets contain four major elements;

1. **Invested in Capital Assets** indicates the University's "equity" (asset value less debt) in capital assets;
2. **Endowed** indicates the size of total endowment accounts (assets, commitments);
3. **Internally Restricted** indicates funds set aside for specific purposes by the University;
4. **Unrestricted Surplus (Deficit)** records the net operating position of the University.

H.1 Summary of Changes in Net Assets - All Funds

New Accounting Standards

Fiscal 2013 records the impact of the transition to new accounting standards for not-for profit organizations (ASNPO). Under transition rules, the impact on the University's statements had to be retroactively determined to May 1, 2011. The major changes under these rules included the on-going accounting for post-employment benefits and a one-time only option to set certain capital assets to market values. In the University's financial statements, two components of net assets were significantly affected.

- Changes to how employee future benefits are recorded and the effective recognition of all previously deferred actuarial losses resulted in a negative adjustment to net assets, increasing the unrestricted deficit by $184.1 million from the previously reported of $253.1 million to $437.2 million at May 1, 2011.
- The second impact was an increase to exercise a one-time election permitted under transition rules to reset the recorded value of the University's land assets to fair value measured at May 1st, 2011. Using an externally provided land appraisal, reviewed by the University's auditors as part of the audit of this year's financial statements, an increase in Capital Assets of $245.4 million was recorded. This effectively bumped up the recorded value of the University's land to its market value as at May 1, 2011.

From May 1, 2011 the new accounting standards for post-employment expenses were applied. The major impact during the year ended April 30, 2012 was an increase in the unrestricted deficit to $528.2 million at April 30, 2012.

Changes in Net Assets - Fiscal 2013

In fiscal 2013, total University revenues from all funds were $717.9 million; total charges of $636.1 million in expenses plus $4.4 million in Unrealized losses on Interest Rate Swaps resulted in a net income of $77.4 million.

To determine total changes in Net Assets, the impact of direct increases to net assets must be included. In fiscal 2013, endowment increases to net assets totaled $29.5 million consisting of new contributions, endowed investment returns and a land donation of $1.5 million increased invested in capital assets. The resulting $108.4 million net increase in Net Assets, across all funds, 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 2013:

2012/2013 UNIVERSITY RESULTS
Summary of All Funds ($millions)

	Opening Net Assets (Deficit)	2012/2013 Results	Closing Net Assets (Deficit)
Total University Revenues		717.9	
Total University Expenses		636.1	
Unrealized Gain(Loss) on Interest Rate Swap		(4.4)	
Revenue Less Expenses		77.4	
Add: Direct Increases to Net Assets		31.0	
Increase (Decrease) in Net Assets		108.4	
UNIVERSITY NET ASSETS:			
Invested in Capital Assets	420.0	0.8	420.8
Endowed Funds	218.5	33.3	251.8
Internally Restricted	171.8	35.5	207.3
Unrestricted Operating	(526.0)	36.9	(489.1)
Unrestricted All Other Funds	(2.2)	1.9	(0.3)
Total Net Assets	**282.1**	**108.4**	**390.5**

H.2 Changes in Net Assets - By Fund

The following notes summarize the distribution of changes to Net Assets (Statement 1, Page 25) based on fiscal 2013 financial results:

1. **Invested in Capital Assets,** increased $0.8 million ($11.6 million in fiscal 2012). 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) offset by the increase in debt on the University's capital assets.

2. **Endowment Funds,** net assets records the impact of annual changes in endowment investment income and net funds flow due to donations and disbursements. Endowed net assets for fiscal 2013 increased by $33.3 million ($8.2 million in fiscal 2012) consisting of:

   - $3.8 million ($4.2 million in 2012) in transfers to endowments all of which was transferred to the Heritage Fund from real estate net proceeds;
   - $2.8 million ($5.8 million in 2012) in additional capital received, mainly from donations;

- $26.7 million ($1.8 million loss in 2012) endowed investment income, which is the net of $32.0 million earned less $5.3 million provided for spending.

(Note: Recorded Endowed Net Assets of $251.8 million is that portion of endowed investments of $264.3 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.)

3. **Internally Restricted,** (refer to Note 14 on Page 41) 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 funds increased by $35.5 million ($16.5 million increase in fiscal 2012), with increases across all Funds.

- ***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 $16.6 million to $174.7 million consists mainly of a large $20.1 million increase in the "University Pension Contributions" category, moving this fund to $65.1 million. The University will be allocating these funds over the next four years to supplement the base Operating Budget allocation (currently $28.2 million) for pension contributions under the provincial government's Stage 1 Temporary Solvency Relief legislation[11]. This increase was partially offset by a combined decrease of $4.1 million in the "Equipment, Supplies and Contingency" and "Employee Benefits" categories reflecting the use of previously set aside allocations for the purchase of equipment, supplies and services by operational units (colleges and departments).
- ***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 $11.4 million consists primarily of a reduction in internal financing of $12.0 million as external borrowing during the year covered prior years unfunded project expenditures. Also, $1.7 million was added to the sinking fund balance (designated to retire debt due in future years). These increases were offset by a decrease of $2.3 million in funds designated to complete projects in fiscal 2014.
- ***Ancillary Fund -*** This account records funds designated for specific operating and capital purposes funded from Ancillary Enterprise Operations. Currently, this fund is primarily comprised of internally financed capital project balances and almost all of the $1.2 million increase in fiscal 2013 consisted of internal loan repayments.

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[10] *A major example of Internally Restricted funds is operating budget funds that departments may "carry forward" into the following year for specific purposes. Carry-forward funds are calculated as net positive variances relative to budget allocations in any unit at year end.*

[11] *Under this legislation the University has until its next valuation date (August 1, 2013) to implement structural changes to its pension plans to reduce the future cost of the Plans to the University. This period is referred to a "Stage 1". If successful in achieving the legislation-prescribed "savings" target, the University would have the ability to amortize any solvency deficits over 10 years (instead of the normal 5 years as is provided for under normal provincial requirements) starting on August 1, 2014). This 10 year amortization period is referred to as "Stage 2".*

- ***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 $6.3 million reflects new funds that have been designated but not spent for these purposes.

4. **Unrestricted Surplus (Deficit),** reports the accumulated net income or deficit of University operations after adjustments for internal restrictions and investments in capital assets. In fiscal 2013, the University's Unrestricted Deficit decreased to $489.4 million from $528.2 million in 2012. Components of this $38.8 million decrease were:

   - ***Operating Fund -*** Recorded an decrease in the deficit of $36.9 million consisting of:

     - An decrease of $30.9 million in the accrued accounting charge for post-employment benefits. 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, 2010 and the next one will be as of August 1, 2013). The University has met all of its cash obligations for post-employment benefits.

     - A decrease of $6.0 million in repayment of restructuring charges under the University's multi-year plan to eliminate the structural deficit in the MTCU component of the Operating fund. The financial objective of the multi-year plan was to remove $46.2 million in annual (base) expenses over the four year period of the plan (fiscal 2009 to fiscal 2012). The remaining outstanding deficit is $35.1 million.

   - ***Ancillary Fund -*** Most Ancillary Enterprise units have as their primary objective to fund all expenses including capital debt costs from revenues. In fiscal 2013, unrestricted net assets for the Ancillary Fund increased by $5.3 million, bringing the balance to a surplus position of $4.7 million. The majority of this increase, $4.9 million, came from the Student Housing Services unit.

   - ***Capital Fund -*** An increase in the deficit of $3.4 million in the Capital Fund is a result of the accumulated market value adjustments for interest rate swaps.

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).

Overall the University met its budget targets; making a repayment of $6.0 million reducing the MYP1 restructuring deficit to $35.1 million (Unrestricted Surplus/Deficit) and meeting contingency account targets including both adding $20.1 million for pension solvency payments (a total of $65 million is available to meet solvency payments until 2015) and maintaining the MYP contingency at just under $40 million. All unspent funds were appropriated as "Internally Restricted Net Assets" for future purposes including future pension contributions, budgetary contingencies and outstanding departmental expenditure commitments.

2012/2013 MTCU Operating Fund Results **Table B**

(In thousand of dollars)

	2012/13 Budget	2012/13 Actual		Variance
Revenue				
MTCU Grants	179,915	180,395		480
Tuition (Credit & Non-Credit)	154,695	160,610		5,915
Sales of Goods and Services	27,079	27,312		233
Investment Income	1,391	1,467		76
Other Revenue	17,630	24,570		6,940
Total Revenue	380,710	394,354		13,644
Institutional Revenues and Recoveries				
OMAFRA Indirect - Research	20,245	20,245		-
Fed/Prov Research Support	6,431	6,236		(195)
Indirect Revenue on Grants and Contracts	4,168	5,114		946
Total Research Revenue & Recoveries	30,844	31,595		751
OMAFRA Indirect - Non-Research	2,570	2,570		-
Ancillary Services Recovery	10,841	10,841		-
Guelph Humber Revenue & Fees	10,404	17,673		7,269
Total Other Institutional Recoveries	23,815	31,084		7,269
Total Revenues and Recoveries	435,369	457,033		21,664
Expenses				
Salaries	231,327	235,883		(4,556)
Benefits	61,664	61,959		(295)
Operating	70,976	65,347		5,629
Utilities	22,924	20,292		2,632
Scholarships and Bursaries	18,443	18,639		(196)
Other Institutional Transfers	21,203	21,203		-
Unallocated Multi Year Plan Target (MYP1)	(2,803)	-		(2,803)
Total Expenses	423,734	423,323		411
University Contingency and Carryforwards				
General Contingency	10,475	(72)		10,547
Multi Year Plan (MYP) Contingency	41,955	2,472		39,483
Transfer for Pension (Net Solvency Payment)		8,733		(8,733)
Budget Carryforwards for Dept Operations	48,558	-		48,558
Total University Contingency and Carryforwards	100,988	11,133		89,855
Revenue Less Expenses	**(89,353)**	**22,577**		**111,930**
Add: Internally Restricted Net Assets - Beginning	95,353	158,105		62,752
Total Funds Available	6,000	180,682		174,682
Less: Internally Restricted Net Assets - Ending		174,682	**Note #1**	174,682
Net Increase (Decrease) in Net Assets	**6,000**	**6,000**	**Note #2**	-

Note #1 **Internally Restricted Net Assets for Operating Fund -See Financial Statement Note #14**

Note #2 **Unrestricted Surplus (Deficit) for Operating Fund - See Financial Statement Note #15**

October 7, 2013

Independent Auditor's Report

To the Governors of University of Guelph

We have audited the accompanying financial statements of University of Guelph, which comprise the statements of financial position as at April 30, 2013, April 30, 2012 and May 1, 2011 and the statements of operations, changes in net assets and cash flows for the years ended April 30, 2013 and April 30, 2012, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

PricewaterhouseCoopers LLP
95 King Street South, Suite 201, Waterloo, Ontario, Canada N2J 5A2
T: +1 519 570 5700, F: +1 519 570 5730

Opinion
In our opinion, the financial statements present fairly, in all material respects, the financial position of University of Guelph as at April 30, 2013, April 30, 2012 and May 1, 2011 and the results of its operations and its cash flows for the years ended April 30, 2013 and April 30, 2012 in accordance with Canadian accounting standards for not-for-profit organizations.

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

Statement 1

UNIVERSITY OF GUELPH
STATEMENT OF FINANCIAL POSITION
(in thousands of dollars)

	April 30, 2013	April 30, 2012	May 1, 2011
ASSETS			
Current			
Cash and Cash Equivalents (Note 5)	199,589	165,585	125,324
Short-term Investments (Note 6)	56,010	49,028	74,488
Accounts Receivable	28,205	24,998	29,443
Inventories	3,134	3,155	3,553
Prepaid Expenses	2,247	1,581	2,839
	289,185	244,347	235,647
Real Estate Projects in Progress	2,990	2,630	1,810
Long-term Accounts Receivable	75	103	211
Investments (Note 6)	298,869	254,795	235,810
	301,934	257,528	237,831
Capital Assets (Note 7)	1,027,390	999,343	958,639
	1,618,509	**1,501,218**	**1,432,117**
LIABILITIES			
Current			
Accounts Payable and Accrued Liabilities (Note 8)	49,528	55,462	56,161
Unrealized Loss on Interest Rate Swaps (Note 9)	17,049	12,643	9,120
Current Portion of Long-term Debt (Note 9)	9,409	7,407	17,543
Current Portion of Deferred Revenue and Contributions (Note 10)	47,086	37,517	33,958
	123,072	113,029	116,782
Long-term Debt (Note 9)	215,747	196,837	167,517
Deferred Revenue and Contributions (Note 10)	118,913	113,290	116,216
Deferred Capital Contributions (Note 11)	381,433	375,097	365,901
Accrued Pension Liability (Note 12)	18,743	98,012	68,093
Employee Future Benefits (Note 12)	370,120	322,836	260,815
	1,228,028	**1,219,101**	**1,095,324**
NET ASSETS			
Invested in Capital Assets (Note 13)	420,801	420,002	408,326
Internally Restricted (Note 14)	207,284	171,783	155,293
Unrestricted Deficit	(489,439)	(528,220)	(437,201)
Endowed (Note 16)	251,835	218,552	210,375
	390,481	**282,117**	**336,793**
	1,618,509	**1,501,218**	**1,432,117**

Commitments and Contingencies (Notes 21 & 22)

(See accompanying notes)

Dick Freeborough — Chair

Alastair Summerlee — President

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Statement 2

UNIVERSITY OF GUELPH
STATEMENT OF OPERATIONS
FOR THE YEARS ENDED APRIL 30

(in thousands of dollars)

	2013	2012
REVENUE		
Ministry of Training, Colleges and Universities	181,301	181,753
Ministry of Agriculture, Food and Rural Affairs Agreement	62,821	62,888
Tuition (Credit and Non-Credit)	160,609	150,754
Student Fees & Contracts	59,285	58,166
Donations (Note 17)	11,834	10,673
Sales of Goods and Services	79,852	79,011
Investment Income (Note 18)	7,407	5,821
Other Grants and Contracts	109,773	107,624
Amortization of Deferred Capital Contributions (Note 11)	23,497	23,315
Other	21,520	18,760
	717,899	698,765
EXPENSES		
Salaries	331,568	322,285
Benefits	40,230	36,389
Employee Future Benefits (Note 12)	10,247	144,108
Travel	15,057	14,929
Operating	123,796	123,422
Utilities	24,477	24,962
Minor Renovations and Repairs	5,497	4,610
Interest (Note 9)	12,117	11,427
Scholarships and Bursaries	31,249	31,261
Capital Asset Amortization (Note 7)	41,903	40,510
	636,141	753,903
Unrealized Loss on Interest Rate Swaps (Note 9)	(4,406)	(3,523)
Excess (Deficiency) of Revenues over Expenses	77,352	(58,661)

(See accompanying notes)

Statement 3

UNIVERSITY OF GUELPH
STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEARS ENDED APRIL 30

(in thousands of dollars)

	Invested in Capital Assets	Internally Restricted	Unrestricted Surplus (Deficit)	Endowed	Total
			2013		
Net Assets, Beginning of Year	420,002	171,783	(528,220)	218,552	282,117
Excess (Deficiency) of Revenues over Expenses	(18,406)	-	95,758	-	77,352
Net Change in Net Assets Invested in Capital Assets	19,205	-	(17,655)	-	1,550
Net Change in Internally Restricted Net Assets	-	35,501	(35,501)	-	-
Increase in Accumulated Endowment Investment Earnings	-	-	-	26,724	26,724
Endowment Contributions	-	-	-	2,738	2,738
Transfer to Endowments	-	-	(3,821)	3,821	-
Net Assets, End of Year	420,801	207,284	(489,439)	251,835	390,481
			2012		
Net Assets, Beginning of Year	408,326	155,293	(437,201)	210,375	336,793
Deficiency of Revenues over Expenses	(17,195)	-	(41,466)	-	(58,661)
Net Change in Net Assets Invested in Capital Assets	28,871	-	(28,871)	-	-
Net Change in Internally Restricted Net Assets	-	16,490	(16,490)	-	-
Decrease in Accumulated Endowment Investment Earnings	-	-	-	(1,763)	(1,763)
Endowment Contributions	-	-	-	5,748	5,748
Transfer to Endowments	-	-	(4,192)	4,192	-
Net Assets, End of Year	420,002	171,783	(528,220)	218,552	282,117

(See accompanying notes)

Statement 4

UNIVERSITY OF GUELPH
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED APRIL 30

(in thousands of dollars)

	2013	2012
OPERATING ACTIVITIES		
Excess (Deficiency) of Revenues over Expenses (Statement 2)	77,352	(58,661)
Add (Deduct) Non-cash Items:		
Capital Asset Amortization	41,903	40,510
Amortization of Deferred Capital Contributions	(23,497)	(23,315)
(Increase) Decrease in Unrealized Investment Income	(2,401)	3,177
Increase in Unrealized Loss on Interest Rate Swaps	4,406	3,523
Decrease in Long-term Receivables	28	108
Increase (Decrease) in Accrued Pension Liability	(79,269)	29,919
Increase in Employee Future Benefits	47,284	62,021
(Increase) Decrease in Non-cash Working Capital	(10,146)	4,582
	55,660	61,864
FINANCING ACTIVITIES		
Proceeds from Long-term Debt	29,071	37,678
Repayment of Long-term Debt	(8,159)	(18,494)
Deferred Capital Contributions Received During the Year	29,134	32,355
Increase in Deferred Revenue and Contributions	15,192	633
	65,238	52,172
INVESTING ACTIVITIES		
Net Purchase of Investments	(35,861)	(1,397)
Net Realized Endowment Investment Earnings	13,930	2,932
Endowment Contributions	2,738	5,748
Purchase of Capital Assets	(67,701)	(81,058)
	(86,894)	(73,775)
Change in Cash & Cash Equivalents	34,004	40,261
Cash & Cash Equivalents, Beginning of Year	165,585	125,324
Cash & Cash Equivalents, End of Year	199,589	165,585

(See accompanying notes)

1. AUTHORITY AND PURPOSE

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Fund Accounting

The accounts of the University are maintained in accordance with the principles of fund accounting in order to observe the limitations and restrictions placed on the use of available resources. Under fund accounting, resources for various purposes are classified for accounting and reporting purposes into separate funds in accordance with specified activities or objectives. 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
Real Estate Division
Student Housing Services
Parking Services and Transportation Planning
University Centre

iv. The Research and Trust Fund includes those expendable funds provided by benefactors and external contracts, the expenditure of which is restricted to a specific purpose. Also included is that portion of endowments which is available for expenditures.

v. The Endowment Fund records donations provided by benefactors or funds designated by the Board, which are restricted as to purpose and expendability. For most endowments, only the accumulated investment income earned, after having provided for inflation protection and, in specific cases, growth may be expended for the designated purpose. Endowment earnings available for expenditure are recorded in the Research and Trust Fund as part of internally restricted net assets.

The Endowment Fund consists of two major groups of investments each with different spending objectives: the Heritage Fund and the General Endowment Fund.

The Heritage Fund was created in 1991 by a declaration of trust of the Board of Governors with the sole intention that the capital of the Heritage Fund will be held in perpetuity for University strategic purposes. The main sources of growth for the Heritage Fund are proceeds of University real estate sales and leases from designated properties and investment income earned on the Heritage Fund. 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.

(b) Cash and Cash Equivalents

Cash and Cash Equivalents are cash on hand and highly liquid low risk investments held for the purpose of meeting short-term cash commitments rather than for investing or other purposes, such as debt repayment. Cash equivalents that are subject to restrictions are classified as short term investments on the Statement of Financial Position.

(c) Short-term Investments

These are highly liquid short-term investments as well as cash equivalents subject to restrictions. 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.

(e) Inventory Valuation

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

(f) Real Estate Projects

The Real Estate Division is included in the Ancillary Enterprises Fund. The Real Estate Division was established to develop certain real estate properties owned by the University and designated as Heritage Fund properties. Real Estate projects in progress are carried at the lower of total cost and estimated net realizable value. Costs of projects not yet complete 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.

(g) Long-term Investments

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

(h) Joint Venture

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 Joint Venture's total net operating results in the Statement of Operations and Changes in Net Assets.

(i) 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 lives as follows:

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

(j) Leases Payable

The University has entered into 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.

(k) 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.

(l) 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.

(m) Employee Future Benefits

The University maintains three defined benefit registered pension plans for its employees: the Pension Plan for Professional Staff of the University of Guelph; the Pension Plan for Non-Professional Staff of the University of Guelph; and the Retirement Plan of the University of Guelph. Pension plan assets, liabilities and changes in net assets are reported in the respective financial statements of these plans.

(in thousands of dollars)

The assets of the plans are held by an independent custodian. In addition, the University provides extended health care and dental benefits to retirees and their eligible dependents on a cost-sharing basis.

The University accounts for its defined benefit plans using the immediate recognition approach. The University recognizes the accrued benefit obligation, net of the fair value of plan assets measured at year-end, adjusted for any valuation allowance, in the Statement of Financial Position. The University uses an actuarial valuation prepared for funding purposes (under going concern assumptions) to determine the accrued benefit obligation of the pension plans, and an actuarial valuation prepared for accounting purposes for other benefit plans. In years where an actuarial valuation is not prepared, the University uses a roll-forward technique to estimate the accrued liability using assumptions from the most recent actuarial valuation.

(n) Use of Estimates

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of financial statements and the reported amounts of revenue and expenses during the reporting period. Significant items subject to such estimates and assumptions include the carrying amount of capital assets, valuation allowances for receivables, accrued liabilities, valuation of derivative financial instruments, and obligations related to employee future benefits. Actual results could differ from those estimates.

3. TRANSITION TO ACCOUNTING STANDARDS FOR NOT-FOR-PROFIT ORGANIZATIONS

Effective May 1, 2012, the University adopted Canadian accounting standards for not-for-profit organizations (Part III of the CICA Handbook) ("ASNPO") as issued by the Canadian Accounting Standards Board. Subject to certain transition elections, the accounting policies selected under this framework set out in Note 2 have been applied consistently and retrospectively as if these policies had always been in effect. The following adjustments and elections were made by the organization on transition to ASNPO:

	Invested in Capital Assets	Internally Restricted	Unrestricted Surplus (Deficit)	Endowed	TOTAL
Net Assets at April 30, 2011, as previously reported	162,977	155,293	(253,073)	210,375	275,572
Revaluation of capital assets **(a)**	245,349	-	-	-	245,349
Remeasurement of employee future benefits **(b)**	-	-	(184,128)	-	(184,128)
Opening net assets as at May 1, 2011 under ASNPO	408,326	155,293	(437,201)	210,375	336,793

Excess of revenues over expenses for year ended April 30, 2012, as previously reported	26,015
Increase in net benefit cost on employee future benefits **(b)**	(84,676)
Deficiency of revenues over expenses for year ended April 30, 2012 under ASNPO	(58,661)

(a) In accordance with ASNPO transitional provisions, the University has elected to revalue land assets by $245,349 increasing the net book value of capital assets to $958,639 at May 1, 2011. This change increased opening net assets by $245,349. Since this election was applied only to land, there was no impact on amortization expense for the year ended April 30, 2012.

(b) Under ASNPO, the University recognizes gains and losses arising from the re-measurement of employee future benefit (including pension) obligations, in income as they arise. Prior to the transition, the University applied the corridor method of accounting for such gains and losses. Under this method, gains and losses were recognized only if they exceed specified thresholds. The University uses an actuarial valuation prepared for going concern funding purposes to calculate the accrued benefit obligation of the pension plans, and an actuarial valuation prepared for accounting purposes for other benefit plans. The carrying value of the liability for employee future benefit obligations has been increased by $184,128 to recognize the impact of the above changes as at May 1, 2011, resulting in a reduction in net assets at that date. An additional net cost of employee future benefits of $84,676 was recognized during the year ended April 30, 2012.

The transition from pre-changeover Canadian GAAP to ASNPO had no significant impact on cash flows generated by the University.

4. FINANCIAL INSTRUMENTS

(a) Fair value

Cash and cash equivalents, 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 quoted market prices. The fair value of derivatives have been estimated using quoted market rates and interest rates at April 30 of each year. Derivatives are recorded on the Statement of Financial Position as investments and unrealized loss on interest rate swaps and are measured at fair value. Changes in the fair value of derivative contracts are recorded in the Statement of Operations as investment income and unrealized loss on interest rate swaps.

(b) Interest rate risk

The University is exposed to interest rate risk on its variable rate debt. The University minimizes this risk by entering into interest rate exchange (swap) contracts with Canadian chartered banks 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. (Refer to Note 9)

(c) Credit risk

The University is exposed to credit risk in its cash and cash equivalents, short-term investments, accounts receivable and its derivative financial instruments. The University minimizes the credit risk of cash and cash equivalents and short-term investments by depositing with only reputable financial institutions and investing in securities that meet minimum credit ratings as stipulated by the University's investment policies and limiting exposure to any one investment. The University minimizes the credit risk of its accounts receivable by performing credit reviews where necessary.

(d) Foreign Currency 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. To manage foreign currency risk, the Endowment Investment policy at the University limits exposure to unhedged foreign currencies to 50% of the market value of foreign currency denominated assets of the Endowment Funds.

(in thousands of dollars)

5. CASH AND CASH EQUIVALENTS

	2013	2012	May 1, 2011
Cash	27,880	12,665	6,847
Money Market Funds	166,676	123,800	94,214
Government of Canada Treasury Bills	5,033	29,120	24,263
	199,589	165,585	125,324

6. INVESTMENTS

	2013	2012	May 1, 2011
Short-term Investments			
Money Market Funds	21,628	39,741	38,061
Government of Canada Bonds	24,351	-	20,157
Province of Ontario Bonds	-	-	6,675
Guelph-Humber Equity	10,031	9,287	9,595
	56,010	49,028	74,488
Long-term Investments			
Government of Canada Bonds	27,506	23,962	11,213
Province of Ontario Bonds	5,354	5,024	4,291
Canadian Equities	57,783	52,842	55,527
Canadian Fixed Income	74,284	63,172	57,430
Foreign Equities	133,942	109,795	107,349
	298,869	254,795	235,810

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:

	2013	2012	May 1, 2011
Investments Held for Debt Repayment			
Money Market Funds	3,179	3,148	3,119
Government of Canada Bonds	1,299	-	-
Provincial Bonds	5,354	5,024	10,966
	9,832	8,172	14,085
General and Heritage Endowment Funds			
Cash and Short-term Notes	9,741	12,919	8,485
Canadian Equities	46,407	42,337	44,739
Canadian Fixed Income	74,284	63,172	57,430
Foreign Equities	133,890	109,794	107,349
	264,322	228,222	218,003

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:

	2013	2012	May 1, 2011
General Endowment	167,026	146,550	141,544
Heritage Fund	97,296	81,672	76,459
	264,322	228,222	218,003

(in thousands of dollars)

Derivative Investments

The University has entered into foreign currency forward contracts to minimize exchange rate fluctuations and the resulting volatility on future financial results. All outstanding contracts have a remaining term to maturity of less than one year. The notional and fair values of these financial instruments are:

	2013		2012		May 1, 2011	
	Notional value	Fair value	Notional value	Fair value	Notional value	Fair value
United States Dollar	48,947	1,000	37,251	229	36,773	1,128
Euro	8,669	130	7,115	158	7,869	(321)
Japanese Yen	3,695	259	3,072	(20)	2,921	52
Other	10,532	50	9,311	27	7,546	(126)
		1,439		394		733

7. CAPITAL ASSETS

a) Details

	2013		
	Cost	Accumulated Amortization	Net Book Value
Land	255,660	-	255,660
Land improvements	31,317	13,421	17,896
Buildings	859,535	214,208	645,327
Furniture and equipment	258,550	172,753	85,797
Construction in progress	15,483	-	15,483
Computer equipment	36,082	33,604	2,478
Library and art collection	18,130	13,381	4,749
	1,474,757	447,367	1,027,390

	2012			May 1, 2011		
	Cost	Accumulated Amortization	Net Book Value	Net Book Value	Accumulated Amortization	Net Book Value
Land	254,110	-	254,110	254,110	-	254,110
Land improvements	30,266	12,689	17,577	28,888	11,967	16,921
Buildings	819,749	216,095	603,654	747,365	209,954	537,411
Furniture and equipment	244,688	162,228	82,460	235,660	149,853	85,807
Construction in progress	34,084	-	34,084	56,230	-	56,230
Computer equipment	34,543	31,605	2,938	32,717	29,298	3,419
Library and art collection	17,520	13,000	4,520	17,096	12,355	4,741
	1,434,960	435,617	999,343	1,372,066	413,427	958,639

b) Change in Net Book Value

	2013	2012
Balance, Beginning of Year	999,343	958,639
Purchase of capital assets	67,701	81,058
Donation of capital assets	2,249	156
Capital asset amortization	(41,903)	(40,510)
Balance, End of Year	1,027,390	999,343

(in thousands of dollars)

c) Insured Values

	2013		2012		May 1, 2011	
	Net Book Value	Insured Value	Net Book Value	Insured Value	Net Book Value	Insured Value
Buildings	645,327	1,835,834	603,654	1,719,338	537,411	1,535,628
Furniture, equipment and library books	93,024	725,403	89,918	872,161	93,967	681,959
Art and artifacts collection	1	39,873	1	36,991	1	36,869

8. GOVERNMENT REMITTANCES

Accounts Payables and Accrued Liabilities include $98 (2012 - $550; May 1, 2011 - $544) with respect to government remittances payable.

9. LONG-TERM DEBT

a) Details

	Interest Rate %	Issue Date	Due Date	2013	2012	May 1, 2011
Series A Unsecured Debenture	6.24	11-Oct-02	10-Oct-42	100,000	100,000	100,000
Banker's Acceptance						
Toronto Dominion Bank	4.91	20-Dec-07	20-Dec-22	5,216	5,749	6,283
Toronto Dominion Bank	4.54	10-Apr-08	10-Apr-23	1,998	2,197	2,397
Toronto Dominion Bank	4.89	13-Mar-09	13-Mar-24	7,320	7,985	8,650
Canadian Imperial Bank of Commerce	4.96	1-May-06	2-May-16	1,968	2,573	3,178
Bank of Montreal	7.63	16-Oct-00	15-Jun-25	28,300	29,100	29,600
Royal Bank of Canada	4.85	23-Mar-10	24-Mar-25	6,224	6,745	7,265
Royal Bank of Canada	5.02	1-May-10	1-May-25	8,214	8,888	9,558
Royal Bank of Canada	3.84	3-Oct-11	2-Oct-26	33,973	36,489	-
Royal Bank of Canada	2.96	5-Sep-12	5-Sep-27	27,988	-	-
				121,201	99,726	66,931
Leases payable						
Ontario Student Housing Corp.	6.13	1-Jan-69	1-Dec-18	372	422	469
Canada Mortgage and Housing Corp.	5.88	1-Jan-69	1-Dec-18	3,254	3,695	4,111
				3,626	4,117	4,580
Mortgages payable						
Canada Mortgage and Housing Corp.	5.38	1-Jan-67	1-Dec-16	329	401	469
Ontario Student Housing Corp. (interest only)	9.86	1-Dec-92	1-Jun-11	-	-	13,080
				329	401	13,549
				225,156	204,244	185,060
Current Portion				(9,409)	(7,407)	(17,543)
				215,747	196,837	167,517

(in thousands of dollars)

The interest rates disclosed above are the effective rates as a result of entering into interest rate swaps as discussed in part c) of this Note.

During the current fiscal year, the University made principal repayments in the amount of $8,159 (2012 - $18,494) and incurred $12,117 (2012 - $11,427) in interest expense from long-term debt.

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

	Principal	Interest	Total
2014	9,409	12,046	21,455
2015	9,278	11,617	20,895
2016	9,615	11,213	20,828
2017	9,205	10,758	19,963
2018	9,303	10,335	19,638
	46,810	55,969	102,779
Thereafter	178,346		
	225,156		

b) Series A Unsecured Debenture

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

c) Interest Rate Swaps

The University has entered into interest rate exchange (swap) contracts with the Toronto Dominion Bank, Bank of Montreal, Royal Bank of Canada and Canadian Imperial Bank of Commerce in order to convert variable-rate borrowings to fixed rates. Under the terms of these agreements, the University pays a fixed rate and receives a variable rate on each swap's notional principal amount. The swap transactions are completely independent and have no direct effect on the relationship between the University and its lenders. The notional amounts and the net unrealized gain (loss) of these contracts outstanding at April 30th are:

		2013		**2012**		**May 1, 2011**	
	Due Date	Notional Amount	Gain (Loss)	Notional Amount	Gain (Loss)	Notional Amount	Gain (Loss)
Toronto Dominion	20-Dec-22	5,207	(725)	5,739	730	6,271	(530)
Toronto Dominion	10-Apr-23	2,000	(245)	2,200	239	2,400	(151)
Toronto Dominion	13-Mar-24	7,333	(408)	8,000	273	8,667	166
Royal Bank of Canada	24-Mar-25	6,230	(693)	6,750	(613)	7,270	(255)
Royal Bank of Canada	1-May-25	8,163	(964)	8,831	(865)	9,499	(407)
Royal Bank of Canada	2-Oct-26	34,020	(2,986)	36,540	(2,274)	-	-
Royal Bank of Canada	5-Sep-27	27,968	(1,199)	29,100	(345)	-	-
Canadian Imperial Bank of Commerce	2-May-16	1,950	(115)	2,550	(172)	3,150	(210)
Bank of Montreal	15-Jun-25	28,238	(9,714)	29,038	(9,616)	29,538	(7,733)
			(17,049)		(12,643)		(9,120)

(in thousands of dollars)

10. DEFERRED REVENUE AND CONTRIBUTIONS

Deferred revenues and contributions are monies received in the current and prior years for services to be provided in a future year, and for restricted expenditures in a future year, respectively.

	2013	2012
Changes in Deferred Revenue and Contributions are as follows:		
Balance, Beginning of Year	150,807	150,174
Revenue and Contributions received during the year	211,882	195,073
Revenue and Contributions recognized in the year	(196,690)	(194,440)
Balance, End of Year	165,999	150,807
Less: Current Portion	47,086	37,517
	118,913	113,290

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.

	2013	2012
Changes in Deferred Capital Contributions are as follows:		
Balance, beginning of year	375,097	365,901
Cash Contributions received during the year	29,134	32,355
Contributions of depreciable assets received during the year	699	156
Amortization of deferred capital contributions	(23,497)	(23,315)
Balance, end of year	381,433	375,097

12. EMPLOYEE FUTURE BENEFITS

a) Description of Plans

The University has a number of funded and unfunded defined benefit programs that provide pension and other post-employment benefits to its employees. The pension programs provide benefits that are based on years of service and best average earnings. The benefit rates are adjusted annually to reflect any increase in the Consumer Price Index (limited to 8%) that is in excess of 2%. The University's other benefit plans provide extended health care and dental plan benefits to retirees and their eligible dependents on a cost-sharing basis. Retiree contributions to the health and dental programs cover 30% and 50% of the costs respectively. During the year, changes were made to certain key plan provisions. These changes include increases to the employee and University money purchase contribution rates and higher early retirement reductions.

The most recent actuarial valuations were prepared as of August 1, 2010 for the University's registered pension plans and August 1, 2009 for other benefit plans. The next required funding valuation for the University's registered pension plans will be August 1, 2013.

(in thousands of dollars)

b) Accrued Benefit Obligations (ABOs) and Plan Assets

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

	Pension Plans			Other Benefit Plans		
	2013	**2012**	**May 1, 2011**	**2013**	**2012**	**May 1, 2011**
Accrued benefit obligation	1,064,312	1,030,283	993,952	377,342	329,006	266,204
Fair value of plan assets	1,053,043	938,202	932,230	-	-	-
Funded status - deficit	(11,269)	(92,081)	(61,722)	(377,342)	(329,006)	(266,204)
Valuation allowance (VA)	(7,496)	(5,951)	(6,393)	-	-	-
Accrued benefit liability, net of VA	(18,765)	(98,032)	(68,115)	(377,342)	(329,006)	(266,204)
Statement of Financial Position						
Accrued liabilities	(22)	(20)	(22)	(7,222)	(6,170)	(5,389)
Employee future benefits	-	-	-	(370,120)	(322,836)	(260,815)
Accrued pension liability	(18,743)	(98,012)	(68,093)	-	-	-
Accrued benefit liability, net of VA	(18,765)	(98,032)	(68,115)	(377,342)	(329,006)	(266,204)

c) Net Benefit Plan Costs

	Pension Plans		Other Benefit Plans		Total	
	2013	**2012**	**2013**	**2012**	**2013**	**2012**
Components of cost						
Current service cost (employer)	18,005	21,149	12,503	9,472	30,508	30,621
Interest cost	65,896	63,766	14,988	14,345	80,884	78,111
Actual return on assets	(127,476)	(5,425)	-	-	(127,476)	(5,425)
Other Changes in ABO	(340)	(2,174)	25,126	43,417	24,786	41,243
Current increase (decrease) in VA	1,545	(442)	-	-	1,545	(442)
Net benefit cost	(42,370)	76,874	52,617	67,234	10,247	144,108

The net benefit plan costs are recorded in the Statement of Operations as employee future benefits expense.

d) Cash Payments

Total cash payments for employee future benefits for the year, 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 $41,178 (2012 - $51,389).

e) Asset Allocation

The asset allocation of the pension plans pooled funds at April 30th, is as follows:

	2013	**2012**	**May 1, 2011**
Equity securites	67.8%	68.0%	69.0%
Debt securites	27.4%	29.0%	28.0%
Cash and short term investments	2.9%	3.0%	3.0%
Other	1.9%	0.0%	0.0%
	100.0%	100.0%	100.0%

(in thousands of dollars)

f) Significant Assumptions

The significant actuarial assumptions adopted are as follows:

	Pension Plans		Other Benefit Plans	
	2013	**2012**	**2013**	**2012**
For determining accrued benefit obligation:				
Discount rate	6.50%	4.40%	4.10%	4.50%
Rate of increase in future compensation	3.50-4.00%	3.50-4.00%	n/a	n/a
For determining benefit cost:				
Discount rate	6.50%	5.25%	4.50%	5.35%
Rate of increase in future compensation	3.50-4.00%	3.50-4.00%	n/a	n/a
Assumed health care cost trend rate:				
Dental Inflation	n/a	n/a	4.50%	4.50%
Initial health care cost trend rate	n/a	n/a	8.00%	8.50%
Annual rate of decline in health care cost trend rate	n/a	n/a	0.50%	0.50%
Ultimate health care cost trend rate	n/a	n/a	5.00%	5.00%

g) 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.

The impact on the benefit obligation of the pension plans at April 30, 2013 of a 1% increase and a 1% decrease in discount rate is a decrease of $137,784 and an increase of $158,350, respectively.

The impact on the benefit obligation of the other benefit plans at April 30, 2013 of a 1% increase and a 1% decrease in discount rate is a decrease of $59,714 and an increase of $70,940, respectively.

The impact on the benefit obligation of the other benefit plans at April 30, 2013 of a 1% increase and a 1% decrease in health care cost trend rate is an increase of $76,600 and a decrease of $63,771, respectively.

13. INVESTED IN CAPITAL ASSETS

	2013	**2012**	**May 1, 2011**
Capital assets (net book value) (Note 7)	1,027,390	999,343	958,639
Less: Long-term debt (Note 9)	(225,156)	(204,244)	(185,060)
Deferred capital contributions (Note 11)	(381,433)	(375,097)	(365,901)
Add: Unused ancillary debt	-	-	648
Invested in capital assets	420,801	420,002	408,326

(in thousands of dollars)

Change in Invested in Capital Assets

	2013	2012
Capital asset amortization	(41,903)	(40,510)
Amortization of deferred capital contributions	23,497	23,315
	(18,406)	(17,195)
Acquisition of capital assets	69,950	81,214
Repayment of long-term debt	8,159	18,494
Increase (decrease) in unused ancillary debt		(648)
Increase in long-term debt	(29,071)	(37,678)
Deferred capital contributions received during the year	(29,833)	(32,511)
	19,205	28,871
	799	11,676

14. INTERNALLY RESTRICTED NET ASSETS

	Balance, May 1, 2011	Transfer To (From) in 2012	Balance, April 30, 2012	Transfer To (From) in 2013	Balance, April 30, 2013
Operating Fund					
Equipment, Supplies and Contingency	88,490	6,613	95,103	(4,022)	91,081
Guelph-Humber Internally Restricted	250	-	250	650	900
Self Insured Losses	1,000	-	1,000	-	1,000
Employee Benefits	16,133	624	16,757	(118)	16,639
University Pension Contributions	45,789	(794)	44,995	20,067	65,062
	151,662	6,443	158,105	16,577	174,682
Capital Fund					
Capital Projects and Renovations	4,576	415	4,991	(2,649)	2,342
Minor Renovations	1,308	1,091	2,399	357	2,756
Funds Held for Debt Repayment	6,353	1,819	8,172	1,660	9,832
Internally Financed Projects	(53,710)	12,733	(40,977)	12,002	(28,975)
	(41,473)	16,058	(25,415)	11,370	(14,045)
Ancillary Enterprises Fund					
Student Housing Services	500	-	500	-	500
Student Housing Funds Held for Debt Repayment	13,054	(13,054)	-	-	-
Student Housing Internally Financed Projects	(10,204)	2,193	(8,011)	342	(7,669)
Parking Services Internally Financed Projects	(1,257)		(665)	484	(181)
Hospitality Services Internally Financed Projects	(3,547)	(627)	(4,174)	367	(3,807)
University Centre	264	14	278	13	291
	(1,190)	(10,882)	(12,072)	1,206	(10,866)
Research and Trust Fund					
Research and Trust	46,294	4,871	51,165	6,348	57,513
TOTAL	155,293	16,490	171,783	35,501	207,284

(in thousands of dollars)

15. UNRESTRICTED SURPLUS (DEFICIT) (UNAUDITED)

	2013	2012	May 1, 2011
Operating Fund			
Unfunded Deficit & Restructuring Costs	(35,100)	(41,100)	(47,100)
Accrual for Employee Future Benefits	(454,797)	(485,729)	(393,009)
University of Guelph-Humber	771	856	847
	(489,126)	(525,973)	(439,262)
Capital Fund	(5,057)	(1,637)	(275)
Ancillary Enterprises	4,744	(610)	2,336
Balance, End of Year	(489,439)	(528,220)	(437,201)

The University's total Unrestricted Deficit of the Operating Fund consists of:

- **Unfunded Deficit & Restructuring Costs**: By the end of fiscal 2011, the University had incurred an unfunded accumulated operating budget deficit of $27,100 and restructuring costs (employee buy-out programs) of $20,000. Approval by the Board of Governors was obtained for the balance as part of a multi-year plan to eliminate the University's annual budget deficit by 2012. This accumulated deficit is being repaid at a rate of not less than $6,000 per year.
- **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.
- **University of Guelph-Humber**: This balance represents the University's share of the invested in capital assets portion of the net assets of the joint venture with The Humber College Institute of Technology and Advanced Learning.

16. 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.

	2013			2012		
	Externally Restricted	Board Restricted	Total	Externally Restricted	Board Restricted	Total
Investment income on endowments	29,201	2,798	31,999	1,809	117	1,926
Less: available for expenditure	(4,635)	(640)	(5,275)	(3,057)	(632)	(3,689)
Increase (decrease) in accumulated endowed investment income	24,566	2,158	26,724	(1,248)	(515)	(1,763)
Contributions received during year	2,496	242	2,738	5,480	268	5,748
	27,062	2,400	29,462	4,232	(247)	3,985
Transfers in	3,821	-	3,821	4,192	-	4,192
Net increase in net assets	30,883	2,400	33,283	8,424	(247)	8,177
Net assets, Beginning of Year	198,666	19,886	218,552	190,242	20,133	210,375
Net assets, End of Year	229,549	22,286	251,835	198,666	19,886	218,552

(in thousands of dollars)

17. DONATIONS

	2013	2012
Donations received during the year	20,492	15,634
Donations recorded as a direct addition to endowed net assets	(2,513)	(4,250)
Donations recorded as a direct addition to invested in capital assets	(1,550)	-
Donations decrease in deferred contributions	477	4,079
Donations recorded as deferred capital contributions	(5,072)	(4,790)
Donations recognized as revenue	11,834	10,673

18. INVESTMENT INCOME

Investment income is earned from operations and endowments, where the term "operations" represents all investment activities other than endowments including those that are for both unrestricted and internally restricted purposes.

The investment income from endowments is recorded in operations as the income becomes available for expenditure.

	2013			2012		
	Operations	Endowment	Total	Operations	Endowment	Total
Net realized investment income	2,178	19,205	21,383	6,218	6,621	12,839
Increase (decrease) in unrealized investment income	2,249	12,794	15,043	(3,150)	(4,695)	(7,845)
Total investment income	4,427	31,999	36,426	3,068	1,926	4,994
(Increase) decrease in accumulated endowed investment income (Note 16)	-	(26,724)	(26,724)	-	1,763	1,763
Investment income available for expenditure (Note 16)	5,275	(5,275)	-	3,689	(3,689)	-
Net increase in deferred contributions	(2,295)	-	(2,295)	(936)	-	(936)
Total	7,407	-	7,407	5,821	-	5,821

19. 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, 2013, there is a net advance of $4,259 (2012 - $3,583, May 1, 2011 - $3,910) 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, 2013). The total net return for the University is $10,031 (2012 - $9,287).

(in thousands of dollars)

A financial summary of the joint venture for the fiscal years ended March 31, 2013 and 2012 is as follows:

	2013	**2012**
Financial Position:		
Total Assets	27,322	24,634
Total Liabilities	7,260	6,059
Total Net Assets	20,062	18,575
Results of Operations:		
Total Revenue	50,568	46,613
Total Expenses	32,716	30,231
Excess of Revenue over Expenses	17,852	16,382
Net Assets:		
Unrestricted	16,720	16,364
Internally Restricted	1,800	500
Invested in capital Assets	1,542	1,711
	20,062	18,575
University Share (50%)	10,031	9,287

20. 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, 2012 is $3,600 (2011 – $3,110). These funds are restricted for the 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 operations 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.

21. COMMITMENTS

Costs to complete major capital projects in progress as at April 30, 2013 are estimated to be $14,741 (2012 - $29,990; 2011 - $29,482) and will be funded by government grants, gifts and University resources.

22. CONTINGENCIES

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 management 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, 2018.

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 entered into a 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, 2013 the Guelph Cutten Club borrowed $1,283 under this guarantee.

Schedule 1

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

	OPERATING FUND	CAPITAL FUND	ANCILLARY ENTERPRISES (Schedule 2)	RESEARCH & TRUST FUND	ENDOWMENT FUND	TOTAL 2013	TOTAL 2012
REVENUE							
Ministry of Training, Colleges and Universities	180,395	852	54			181,301	181,753
Ministry of Agriculture, Food and Rural Affairs Agreement	62,821					62,821	62,888
Tuition (Credit and Non-credit)	160,609					160,609	150,754
Student Fees and Contracts	16,178		43,107			59,285	58,166
Donations	23			11,811		11,834	10,673
Sales of Goods and Services	43,809		36,043			79,852	79,011
Investment Income	1,897	363		5,147		7,407	5,821
Other Grants and Contracts	17,589			92,184		109,773	107,624
Amortization of Deferred Capital Contributions		23,465	32			23,497	23,315
Other	21,289	231				21,520	18,760
	504,610	24,911	79,236	109,142		717,899	698,765
EXPENSES							
Salaries	269,419		17,303	44,846		331,568	322,285
Benefits	30,194		3,679	6,357		40,230	36,389
Employee Future Benefits	10,247					10,247	144,108
Travel	8,790		168	6,099		15,057	14,929
Operating	69,017	35	22,093	32,651		123,796	123,422
Utilities	23,496		981			24,477	24,962
Minor Renovations and Repairs		4,303	1,194			5,497	4,610
Interest		8,656	3,461			12,117	11,427
Scholarships and Bursaries	20,246			11,003		31,249	31,261
Institutional (Recovery) Charges	(10,424)		10,424				
Capital Asset Amortization		37,292	4,611			41,903	40,510
	420,985	50,286	63,914	100,956		636,141	753,903
Unrealized Gain (Loss) on Interest Rate Swaps		(3,420)	(986)			(4,406)	(3,523)
Excess (Deficiency) of Revenues over Expenses	83,625	(28,795)	14,336	8,186		77,352	(58,661)
Endowment Investment Income (Loss)					26,724	26,724	(1,763)
Contributions recorded as Direct Increases to Net Assets		1,550			2,738	4,288	5,748
Interfund Transactions	(30,201)	34,147	(5,929)	(1,838)	3,821		
Net Increase (Decrease) in Net Assets	53,424	6,902	8,407	6,348	33,283	108,364	(54,676)
Composed Of:							
Net Increase (Decrease) in Invested in Capital Assets		(1,048)	1,847			799	11,676
Net Increase (Decrease) in Endowments					33,283	33,283	8,177
Net Increase (Decrease) in Internally Restricted	16,577	11,370	1,206	6,348		35,501	16,490
Net Increase (Decrease) in Unrestricted	36,847	(3,420)	5,354			38,781	(91,019)
Net Increase (Decrease) in Net Assets	53,424	6,902	8,407	6,348	33,283	108,364	(54,676)

Schedule 1

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

	OPERATING FUND	CAPITAL FUND	ANCILLARY ENTERPRISES (Schedule 2)	RESEARCH & TRUST FUND	ENDOWMENT FUND	TOTAL 2013	TOTAL 2012
Net Assets, Beginning of Year	(367,868)	336,671	43,597	51,165	218,552	282,117	336,793
Net Increase (Decrease) in Net Assets	53,424	6,902	8,407	6,348	33,283	108,364	(54,676)
Net Assets, End of Year	(314,444)	343,573	52,004	57,513	251,835	390,481	282,117
Net Assets Components:							
Invested in Capital Assets		362,675	58,126			420,801	420,002
Endowed					251,835	251,835	218,552
Internally Restricted	174,682	(14,045)	(10,866)	57,513		207,284	171,783
Unrestricted Surplus (Deficit)	(489,126)	(5,057)	4,744			(489,439)	(528,220)
Net Assets, End of Year, Surplus (Deficit)	(314,444)	343,573	52,004	57,513	251,835	390,481	282,117

UNIVERSITY OF GUELPH
STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS
FOR ANCILLARY ENTERPRISES (UNAUDITED)
FOR THE YEARS ENDED APRIL 30
(in thousands of dollars)

	HOSPITALITY SERVICES	REAL ESTATE	STUDENT HOUSING SERVICES	PARKING	UNIVERSITY CENTRE	TOTAL 2013	TOTAL 2012
REVENUE	34,559	5,966	32,676	3,516	2,519	79,236	78,732
EXPENSES							
Cost of Materials	12,991	-	-	-	526	13,517	14,152
Salaries	11,185	216	4,557	341	1,004	17,303	16,499
Benefits	2,401	60	927	101	190	3,679	3,465
Institutional Charges	2,040		7,627	238	519	10,424	10,220
Operating	4,041	621	3,238	283	393	8,576	10,031
Utilities	-	30	951	-	-	981	1,020
Travel	44	8	97	10	9	168	179
Minor Renovations and Repairs	2	-	904	258	30	1,194	1,105
Interest	-	60	3,401	-	-	3,461	3,644
Capital Asset Amortization	618	512	3,166	276	39	4,611	4,599
Total Operating Expenses	33,322	1,507	24,868	1,507	2,710	63,914	64,914
Unrealized Gain (Loss) on Interest Rate Swaps	-	57	(1,043)		-	(986)	(2,161)
Excess (Deficiency) of Revenues over Expenses	1,237	4,516	6,765	2,009	(191)	14,336	11,657
Interfund Transactions	(428)	(3,669)	(953)	(1,001)	122	(5,929)	(6,152)
Net Increase (Decrease) in Net Assets	809	847	5,812	1,008	(69)	8,407	5,505
Composed Of:							
Net Increase (Decrease) in Invested in Capital Assets	425	183	557	709	(27)	1,847	19,333
Net Increase (Decrease) in Internally Restricted	367	-	342	484	13	1,206	(10,882)
Net Increase (Decease) in Unrestricted	17	664	4,913	(185)	(55)	5,354	(2,946)
Net Increase (Decrease) in Net Assets	809	847	5,812	1,008	(69)	8,407	5,505

Schedule 2

UNIVERSITY OF GUELPH
STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS
FOR ANCILLARY ENTERPRISES (UNAUDITED)
FOR THE YEARS ENDED APRIL 30

(in thousands of dollars)

	HOSPITALITY SERVICES	REAL ESTATE	STUDENT HOUSING SERVICES	PARKING	UNIVERSITY CENTRE	TOTAL 2013	TOTAL 2012
Net Assets, Beginning of Year	7,616	13,387	14,963	6,608	1,023	43,597	38,092
Net Increase (Decrease) in Net Assets	809	847	5,812	1,008	(69)	8,407	5,505
Net Assets, End of Year	8,425	14,234	20,775	7,616	954	52,004	43,597
Net Assets Components:							
Invested in Capital Assets	12,082	9,853	28,786	6,995	410	58,126	56,279
Internally Restricted	(3,807)	-	(7,169)	(181)	291	(10,866)	(12,072)
Unrestricted Surplus (Deficit)	150	4,381	(842)	802	253	4,744	(610)
Net Assets, End of Year, Surplus (Deficit)	8,425	14,234	20,775	7,616	954	52,004	43,597

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