UNIVERSITY OF GUELPH

Annual Financial Report

Summary of Financial Results and Audited Financial Statements
for the fiscal year May 1, 2013 to April 30, 2014

Message from the Chair of the Board

The University of Guelph continues to grow and change in many ways.

Although this report focuses mostly on the University's affairs for the year ended April 30, 2014, I feel compelled to comment on a number of milestones before and since.

After 11 years as president and vice-chancellor, Dr. Alastair Summerlee completed his term June 30. We thank him for all he has done for the University and wish him well in his new endeavours. I had the privilege of introducing Dr. Franco Vaccarino as president-elect on January 21, and as president and vice-chancellor on August 1. Franco has had a very good start in learning about the University, getting to know his team and understanding current issues. This year we also completed our BetterPlanet Project (exceeding our fundraising goal of $200 million), celebrated the 50th anniversary of Guelph as a university and marked the 140th year of the Ontario Agricultural College.

Among current issues, we need to manage rising costs while government funding is expected to at best remain fixed for a number of years. We must also continue to improve how we teach students, conduct research, interact with our stakeholders, and share with the world who we are and what we stand for. Under Franco's leadership, we will consider these challenges and issues as we examine the University's vision and strategy.

Among the keys to advancing U of G's contributions in an increasingly competitive environment is a fully engaged and effective Board of Governors. Along with the University Senate under U of G's bicameral governance structure, the Board of Governors provides oversight and direction to University management. The University's financial position demonstrates the continuing commitment to fiscal prudence and risk management exercised by the Board of Governors in partnership with all members of the University community.

I thank the knowledgeable and dedicated volunteers with whom I served on the Board of Governors in 2013-2014. They are listed in this publication along with key members of the University's administrative team who supported and informed their work. I appreciate their contributions to the University's achievements and their continued resolve to address tomorrow's challenges and opportunities in our shared pursuit of the University's mission.

In particular, I recognize the contributions of Board members who have completed their terms: vice-chairs Virginia McLaughlin and Kate Stevenson, as well as Gavin Armstrong, Anna Paula Beccara, Prof. John Kissick and Sarah O'Carroll. I welcome our new Board members for 2014-15: Nancy Brown-Andison, Paul Gibson, Anne Laarman, Prof. Byron Sheldrick and Daniel Troster. And congratulations to newly appointed Board vice-chairs Kevin Golding and Shauneen Bruder.

I also thank the U of G management team and employees for continuing to make the University a place where we all want to be.

As I will leave the Board June 30, 2015, this is my last opportunity for comment. It has been a singular honour for me to serve on the Board of Governors and, since July 2011, as chair. I have seen tremendous progress and continued success on many fronts, and I am proud of my association with the University of Guelph.

We can all take pride in the University's reputation as a socially and globally responsible institution able to achieve great things amid uncertain financial conditions and difficult choices. We can also take pride in the achievements and commitment of our students. Continuing to meet their needs and interests will be fundamental to Guelph's success.

More generally, our success in advancing the mission of the University of Guelph through times of constraint will continue to reflect the strengths of the University's leadership team as well as its governance, volunteers and practices.

Dick Freeborough

Chair, Board of Governors

Message from the President and Vice-Chancellor

I am pleased to comment on this financial report, one of many operational reports prepared annually by the University of Guelph to chronicle its use of public funds and revenue received from students and benefactors. While meeting government requirements for financial reporting, this document also provides 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.

Despite continued financial and economic uncertainties, the University remains focused on improving our financial strength while supporting our mission of teaching, research, student engagement, and social responsibility. As you will note from our financial report, our disciplined approach has resulted in a position of improved financial strength.

I am also delighted to report that we have seen an increased demand for a U of G education. Applications to the University of Guelph are up two per cent for fall 2014, compared to an average decline in the overall Ontario system of 2.9 per cent. Applications to the University of Guelph-Humber were up 19.3 per cent. Total enrolment for the University of Guelph is now 23,400, with an additional 4,300 at Guelph-Humber.

On the research front, support for our sponsored research reached $142 million in 2013-2014. This impressive level of funding places the University of Guelph among Canada's top research universities. It also reflects the University's ability to attract outstanding faculty and staff, who enhance the educational experience for both undergraduate and graduate students and who advance Guelph's reputation for both curiosity-driven and applied research.

The University of Guelph remains recognized among Canadian universities with its focus not only on teaching and research but also on community engagement and volunteerism – values that benefit society and help connect our teaching and research with our broader communities.

We are indebted to members of the University's Board of Governors for advancing a strategic mandate that encourages a campus culture where individuals thrive as innovators and innovators succeed through collaboration and teamwork. It is my privilege to thank members of the Board for their judicious oversight and advice. The University community is grateful for the considerable number of volunteer hours contributed by Board members to enhancing the reputation of the University.

We are equally indebted to members of the University community who oversee financial affairs along with the Board and to Guelph's volunteer senators, students, employees, clients and other stakeholders who contribute to our integrated planning process. I also thank U of G's management team and faculty and staff members for their dedication to furthering the University's mission in teaching, research and service.

As torch-bearers for the University of Guelph, they are all shaping the University and its vision in myriad ways – building what an innovative, forward-looking university can be. Let us continue to take the best of the University of Guelph and share it with the world.

Franco J. Vaccarino, PhD, FCAHS

President and Vice-Chancellor

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University of Guelph

Annual Financial Report

For the fiscal year May 1, 2013 to April 30, 2014

A. INTRODUCTION

The following report summarizes the University of Guelph ("University") annual financial results for the year ended April 30, 2014 (referred to as "fiscal 2014"). 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 2014 including the report from the University's external auditor. The audited financial statements have been prepared in accordance with Part III of the CPA Canada handbook-Accounting Standards for Not-for-Profit Organizations ("ASNPO").

Fund Accounting

Similar to all universities, the University of Guelph receives most of its funding from a variety of contributing sources including agencies, governments (provincial, federal and foreign), the private sector and donors. Most of these funds have external restrictions or designations that prescribe on what the funds may or may not be spent. To assist in managing the control and reporting of these restrictions, 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 2014.

Accounting Changes Employee Future Benefits for 2014

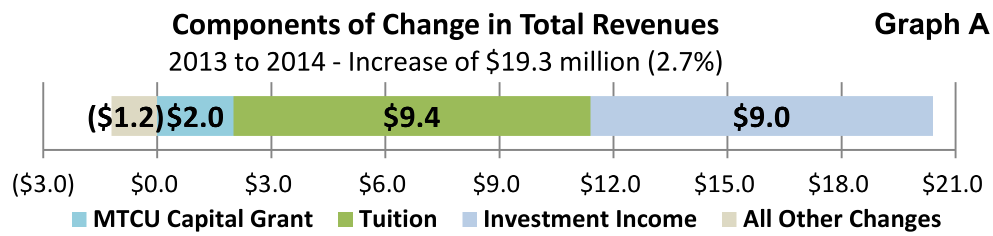
In accounting standards prior to 2014, there was an option to lessen the impact of major financial events on the employer costs of Employee Future Benefits (EFB) benefit obligations by amortizing or spreading them over future years. Typical events that could create significant changes in calculated expenses were asset gains or losses and changes in long term interest rates. Under new accounting standard changes, this "smoothing" option will no longer be available beginning next year.

This new standard (referred to as "immediate recognition"), means that the full impact of the fiscal events impacting EFB's will be recorded in the year in which they occur (i.e., "smoothing" will not be allowed). "Immediate recognition" simplifies reporting and more closely reflects current funding obligations especially for pension plans. However, 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. In 2013, the University elected to adopt these new accounting changes for the recognition of Employee Future Benefits in its financial statements.

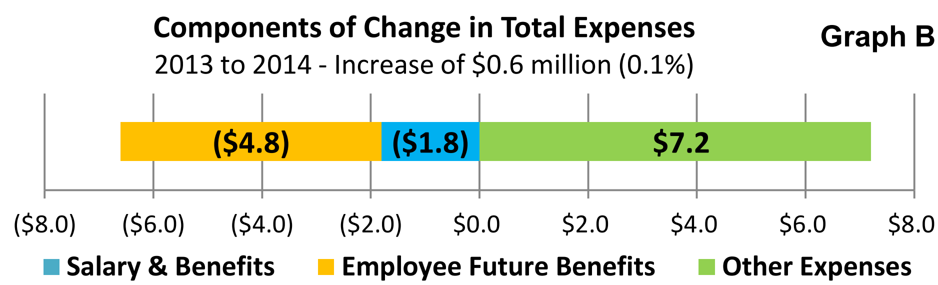
After this change, further refinement to the accounting standard was introduced. Under the approach in 2013 standard annual changes in EFB expenses effectively all flowed through the income statement (Statement of Operations). This created major swings in expenses especially when changes in defined benefit assumptions were made or pension assets gains and losses occurred. To help alleviate the effects of this volatility, these types of changes in EFB can now be recognized directly in Net Assets (the "equity" portion of Statement 1 – Statement of Financial Position) and will not impact the Statement of Operations. Another important component of the new standard is that the "discount rate" used to measure liabilities for all of the University's defined benefit plans is now based on a "going concern" or long term actuarial assumption and not the market based rates used previously. In 2014 the University chose to adopt this standard one year earlier than required. The impact of this adoption on Net Assets is disclosed in Note 3 of the audited financial statements.

B. EXECUTIVE SUMMARY – 2013/2014 FINANCIAL STATEMENTS

- REVENUES: Increase of 2.7% or $19.3 million to $737.2 million (Refer to Graph A). Major drivers for the increase were investment income from endowments given another strong year and tuition revenues derived mainly from undergraduate fee increases as allowed under provincial regulation. Combined these two components accounted for 95% of the total revenue increase. All other major components of revenue including provincial grants for operating purposes remained flat.



- EXPENSES: Total expenses, excluding the unrealized gain in interest rate swaps, remaining virtually flat with 0.1% or a $0.6 million increase overall (Refer to Graph B). The most significant increases occurred in operating up $3.0 million (2.4%), utilities up $2.3 million (9.4%), and scholarships & bursaries up $1.9 million (5.9%). Those increases were mostly offset by decreases in pension expenses and salaries and current benefit costs. Pension expenses declined due to major investment increases which more than offset annual costs. Salaries and other benefits remained relatively flat reflecting both the impact of operating budget constraints of the past several years. The decline of $1.8 million occurred mainly in the research fund reflecting a general slowdown research activity during the year.



- It was another good year for equity markets. This resulted in endowment investments earning a 15.6% (13.6% last year) net return contributing toward increasing endowment assets to $308.9 million in fiscal 2014. In addition, pension plan investments, while not part of the University's assets helped reduce pension plan expenses in 2014 on an accounting basis with returns of 17.0% (13.9% last year). Refer to section D.2.

- Net Assets, capture the difference between the University's Assets and Liabilities. Over time changes in Net Assets may serve as a useful indicator of whether the University's fiscal position is improving or weakening. Overall in 2014 Net Assets increased by $81.0 million reflecting the strong performance of endowment investments, another year of positive operating results offset to some extent by the increasing liabilities of Employee Future Benefits (EFB). Of the $81.0 million $69.0 million reflects positive operating results across all funds including the MTCU Operating Fund which contributed $37.3 million with the balance from ancillary and research and trust activity. Most MTCU net income was allotted to increasing Internally Restricted Net Assets to increase funds for restructuring costs under the University's "Multi-Year Plan". The following section presents more detail on changes in Net Assets with the distribution of the $81.0 million.

Changes in Net Assets – 2014

Similar to other universities, the University of Guelph records its Net Assets in four major categories

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

In fiscal 2014, net income of $69.0 million was the result of revenues of $737.2 million less $672.8 million in expenses plus $4.6 million in unrealized gains on interest rate swaps. Net adjustments for endowment gains and of EFP losses added an additional $12.0 million resulting in a total increase in Net Assets of $81.0 million. Refer to section H for more detail on each of these components.

The following table summarizes total University changes in Net Assets for fiscal year 2014 showing the distribution of the total increase of $81.0 million.

2013/2014 UNIVERSITY RESULTS Summary of All Funds ($millions)		**Opening Net Assets**	**2013/2014 Annual Results**	**Closing Net Assets**
Total University Revenues			737.2	
Total University Expenses			672.8	
Unrealized Gain (Loss) on Interest Rate Swaps			4.6	
Revenue Less Expenses			69.0	
Direct Increases (Decreases) in Net Assets:				
Endowment Contributions & Earnings	Note 1		33.7	
EFB Re-measurements and other items	Note 2		(21.7)	
Total Increase in Net Assets			81.0	
UNIVERSITY NET ASSETS				
Invested in Capital Assets		420.8	2.8	423.6
Endowed Funds		251.8	38.2	290.0
Internally Restricted		207.3	58.0	265.3
Unrestricted Surplus (Deficit)				
Operating	Note 3	(362.7)	(20.1)	(382.8)
All Other Funds		(0.3)	2.1	1.8
Total Unrestricted Surplus (Deficit)		(363.0)	(18.0)	(381.0)
Total Net Assets		**516.9**	**81.0**	**597.9**

Note 1: Endowment contributions (e.g., investment income, donations or Real Estate proceeds to the Heritage fund) are not recorded as revenues but direct increase in Net Assets under "Endowment Funds".
Note 2: EFB (Employee Future Benefits) re-measurements, under the new accounting guidelines, record adjustments to past liabilities as direct changes to Net Assets. In 2014 this negative adjustment was the result of actuarial changes such as lower expected returns (discount rates) and decreasing mortality rates.
Note 3: The University's Net Assets reflect the accrued accounting costs of Employee Future Benefits (pensions and post-employment benefits) under "Unrestricted" Net Assets. The University does not fund these costs however makes all require cash contributions towards meeting its obligations for these benefits.

C. TABLE OF COMPARATIVE RESULTS FISCAL 2010 -2014

	2010	2011	2012	2013	2014
Enrolment FTEs (University Degree Programs)	19,772	20,651	21,542	21,644	21,548
Faculty and Staff (Budgeted Positions)	2,985	2,944	2,946	2,951	2,965
Faculty (Budgeted Positions)	865	855	836	830	829
Revenues and Expenses					
Total Revenues ($M)	$634.0	$678.4	$698.7	$717.9	$737.2
Total Expenditures ($M)	$636.6	$652.5	$753.9	$672.2	$672.8
Unrealized Gain (Loss) on Interest Rate Swaps	$3.9	$(1.1)	$(3.5)	$(4.4)	$4.6
Annual Surplus/(Deficit) ($M)	$1.3	$24.7	$(58.7)	$41.3	$69.0
Revenue year-over-year change	2%	7%	3%	3%	3%
MTCU Operating Grants per FTE ($)	$8,203	$8,275	$8,191	$8127	$8,174
Revenue Mix (% of Total Revenues)					
Provincial MTCU Operating Grants	26%	26%	26%	25%	25%
Tuition	20%	20%	22%	22%	23%
Endowment and Donations	2%	2%	2%	2%	3%
Expenditure year-over-year change	2%	2%	3%	0.4%	0.1%
Expense Mix (% of Total Expenses)					
Salaries	48%	48%	43%	49%	49%
Benefits (including EFB accounting policies)	15%	14%	24%	13%	12%
Components of Net Assets					
Invested in Capital Assets ($M)	$143.9	$163.0	$420.0	$420.8	$423.6
Endowed ($M)	$180.8	$210.4	$218.5	$251.8	$290.9
Internally Restricted ($M)	$112.0	$155.3	$171.8	$207.3	$265.3
Unrestricted Surplus (Deficit) ($M)	$(210.8)	$(253.1)	$(431.9)	$(363.0)	$(381.0)
Total Net Assets	$225.9	$275.6	$378.4	$516.9	597.9
Capital and Capital Debt					
Total Debt	$179.1	$185.1	$204.2	$225.2	$235.0
Total Debt per FTE ($)	$9,057	$8,961	$9,481	$10,403	$10,906
%Debt Service to Revenue	2.4%	2.5%	2.6%	3.0%	3.2%
%Debt to Revenue	28.2%	27.3%	29.2%	31.4%	31.9%
Capital Acquisitions ($M)	$89.5	$105.9	$81.2	$70.0	$49.4
Provincial Capital Grants ($M)	$1.6	$1.5	$0.7	$0.9	$2.7
Endowments					
Externally Restricted ($M)	$117.6	$134.1	$138.5	$158.0	$184.6
Internally Restricted ($M)	$71.7	$83.9	$89.7	$106.3	$124.3
Total Endowment Assets – Market Values	$189.3	$218.0	$228.2	$264.3	$308.9
Total Endowment per FTE ($)	$9,575	$10,557	$10,594	$12,212	$14,334
Employee Future Benefits (EFB)					
Pension Plans –Surplus/(Deficit)	$(188.5)	$(220.7)	$(92.1)	$(10.5)	$(22.4)
Other Benefit Plans – Surplus/(Deficit)	$(221.5)	$(263.5)	$(232.7)	$(251.6)	$(263.6)
Latest Valuation Date – Registered Plans	Aug-07	Aug-10	Aug-10	Aug-10	Aug-13
Latest Valuation Date – Other Plans	Aug-09	Aug-09	Aug-09	Aug-09	Aug-13

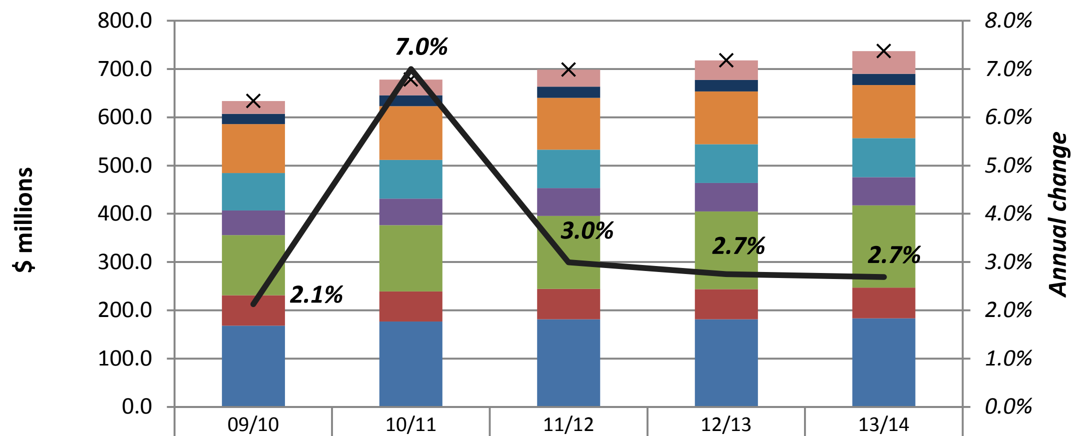
D. REVENUES (Details)

D.1 Total Revenues

University revenue from all sources was $737.2 million, an increase of 2.7% or $19.3 million from fiscal 2013. Refer to Graph C. Most categories of revenue were relatively flat in fiscal 2014 with the exception of tuition revenue and investment income (included in “All other Revenues” in Graph A). Over the four years since fiscal 2010, total University revenues have grown by 16% or $103.2 million.

Graph C

University Revenues
All Funds/Sources



	09/10	10/11	11/12	12/13	13/14
All Other Revenues	26.7	32.5	35.2	40.7	47.2
Amort. of Deferred Capital	21.4	22.5	23.3	23.5	23.3
Other Grants and Contracts	101.5	111.5	107.6	109.8	109.6
Sales of Goods and Services	77.2	80.6	79.0	79.9	81.1
Student Fees & Contracts	51.5	55.0	58.2	59.3	58.7
Tuition	124.2	137.1	150.7	160.6	170.0
OMAFRA Agreement	63.1	62.3	62.9	62.8	64.0
Provincial MTCU	168.4	176.9	181.8	181.3	183.3
× Total	634.0	678.4	698.7	717.9	737.2
Annual Change	2.1%	7.0%	3.0%	2.7%	2.7%

D.2 Provincial MTCU

MTCU (Ministry of Training, Colleges and Universities) provincial grants effectively remained flat with a small increase of $2.0 million or 1.1% due to the Graduate Expansion Grant restricted for capital spending. (Most of these grants are for operating purposes and are earned mainly in direct proportion to enrolments in provincially funded university-degree credit programs. There is no funding provided to support general cost increases.)

D.3 Tuition Revenue

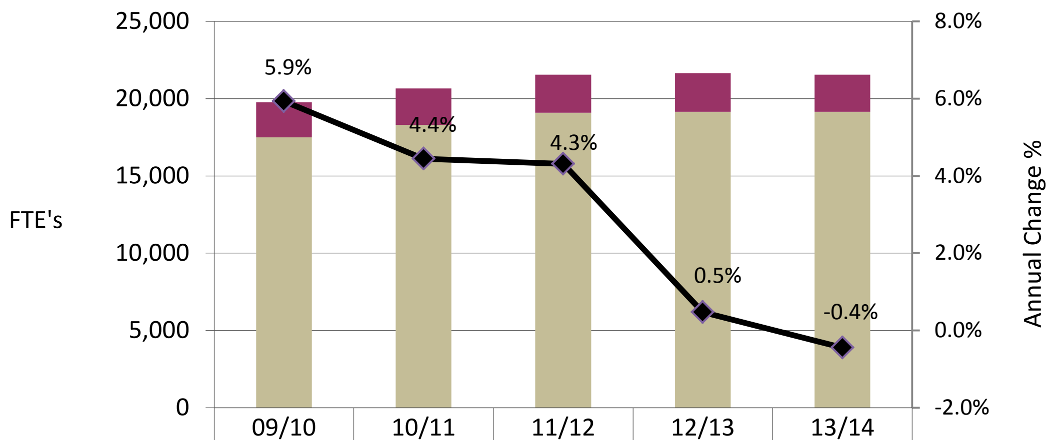
Tuition Revenue (23% of total revenues) totaled $170.0 million in fiscal 2014 reflecting a $9.4 million or 5.9% total increase. Tuition Revenue consists of revenues earned for both undergraduate and graduate MTCU degree credit programs, MTCU diploma programs, and non-credit programs. Non-credit programs include a wide variety of courses such as general continuing education, training, and professional certification programs.

In fiscal 2014 tuition rate increases for MTCU degree credit programs ranged from 0-5% and were consistent with MTCU guidelines and Board of Governors approval. Total MTCU degree credit enrolment slightly decreased, by 0.4%, reflected in 21,548 FTEs (Full-Time Equivalents) as measured in the fall semester of 2013. Refer to Graph D.

The fiscal 2014 increase in total tuition revenue was mainly the result of increases in tuition rates charged for programs relative to fiscal 2013. 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.

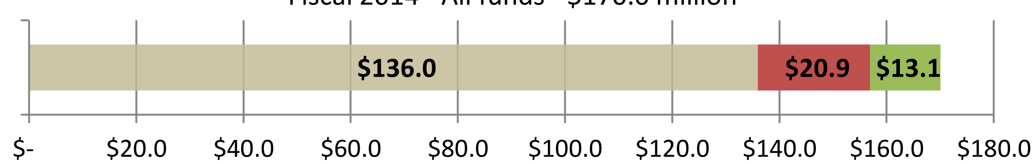
Graph D

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

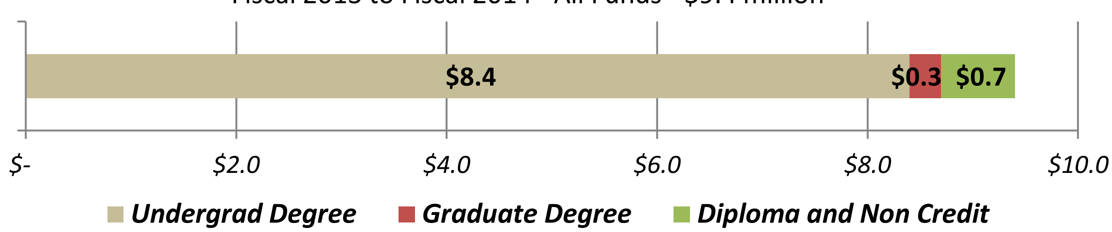


	09/10	10/11	11/12	12/13	13/14
Graduate	2,269	2,355	2,458	2,488	2,403
Undergraduate	17,503	18,296	19,084	19,156	19,145
Total	19,772	20,651	21,542	21,644	21,548
Annual Change	5.9%	4.4%	4.3%	0.5%	-0.4%

Total Components of Tuition Revenue
Fiscal 2014 - All funds - $170.0 million



Changes in Total Tuition Revenue
Fiscal 2013 to Fiscal 2014 - All Funds - $9.4 million



D.4 OMAFRA (Ontario Ministry of Agriculture, Food and Rural Affairs) Agreement

Fiscal 2014 was the first year of a five year funding agreement with OMAFRA (April 1, 2013 – March 31, 2018) to provide major research and service programs focused in the sectors of agriculture, food, bio-products, and rural communities. In addition to direct provincial funding, OMAFRA-supported facilities are used to generate revenues from the sale of goods (agricultural commodities), services (research facilities) and laboratory testing. These non-provincial sources of revenue provide approximately 20% of total funding for OMAFRA-sponsored facilities and programs.

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. Also this account 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.

OMAFRA Agreement ($Millions)	2013	2014	% Chg
Revenue			
OMAFRA Agreement	62.8	64.0	1.9%
Student Fees	0.1	0.1	-3.3%
Sales of Goods & Services	17.5	17.6	0.6%
Investment Income	0.4	0.3	-21.4%
Other Grants/ Contracts	11.9	5.4	-54.7%
Other Revenue	1.4	1.4	-2.7%
Total Revenue	94.1	88.8	-5.6%
Expenses			
Salaries	34.6	33.7	-2.6%
Benefits	8.4	8.3	-1.1%
Operating	23.5	21.5	-8.3%
Utilities	3.2	3.3	2.4%
Scholarships & Bursaries	1.6	0.7	-57.2%
Cost Transfers	22.8	21.3	-6.6%
Total Expenses	94.1	88.8	-5.6%
Revenue Less Expenses	-	-	

Due to the restricted nature of all OMAFRA funding, while all OMAFRA agreement expenses are recorded in the University's financial statements as they are incurred, provincial funding is recorded as revenue as required to support the expenses and balance the overall activities. For example, in 2014 $71.3 million in provincial funding was received but only $64.0 million was recognized as revenue (refer to the adjacent table). The balance of $7.3 million is 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.

In fiscal 2014, overall OMAFRA Agreement revenues and expenses declined by 5.6% reflecting the winding down of a major one-time grant received in 2008 (being replaced by research funding in the 2013-2018 renewal).

D.5 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.)

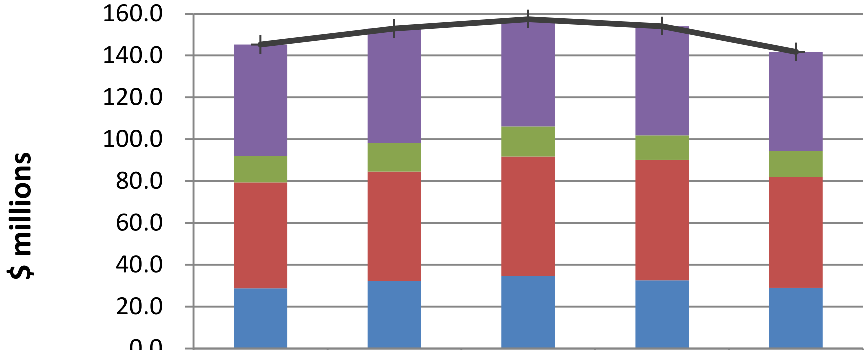
Major sources of research funding include federal research grants such as the Tri-Councils[1], CFI (Canada Foundation for Innovation), provincial infrastructure funding and contracts from industry for sponsored-research projects. As most of research funding received is restricted by external sponsors for specific purposes, it is

[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)*

recognized as revenue at the rate it is spent, not received[2]. In fiscal 2014 revenue minimally decreased by $0.2 million (0.2%), reflecting an increase of $6.8 million in research project expenses and transfers offset by a decrease of $7.0 million in operating fund grants and contracts relative to fiscal 2013.

While $109.5 million was recognized as revenue, research funds of $141.7 million were received and allocated to departments ($154.0 million in 2013). Refer to Graph E. The significant decline in 2014 is due to the completion of a number of large projects mainly from CFI and NSERC strategic grants. In addition OMAFRA spending declined, again reflecting the completion of projects from funding received in 2008.

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



	09/10	10/11	11/12	12/13	13/14
Federal	53.1	54.7	51.2	52.2	47.4
Other Ontario	12.7	13.6	14.5	11.5	12.4
OMAFRA Agreement	50.6	52.3	57.0	57.7	52.9
Other	28.8	32.3	34.7	32.6	29.0
Total	145.2	152.9	157.4	154.0	141.7

D.6 Sales of Goods and Services

This category remained relatively constant increasing by $1.2 million or 1.5% in fiscal 2014. 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.

D.7 Student Fees & Contracts

Overall student fees & contracts remained relatively flat at $58.7 million compared to $59.3 in 2013, a reflection of flat enrolment. Student contract revenues for residence and meal plans in the ancillary funds totaling $42.6 million ($43.1 million in 2013) comprise 73% of the revenue in this category. The balance of $16.1 million ($16.2 million in 2013) consists of compulsory fees including those for athletics, health and various student services.

[2] *Research funding is restricted for specific purposes by external sponsors, and under CPA 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 Note 2(l) on Page 29 for the accounting policy on revenue recognition).*

D.8 All Other Revenues

"All Other Revenues" (on Graph C) summarizes revenues from Donations ($9.8 million), Investment Income ($16.4 million) and Other ($21.0 million) revenue shown on Statement 2 of the Audited Financial Statements.

In fiscal 2014, combined revenues from these sources increased by $6.5 million or 16.0% compared to 2013. The increase consisted of $9.0 million in investment income offset by a $2.0 million decrease in donations, and the balance from a variety of miscellaneous revenue sources and cost recoveries.

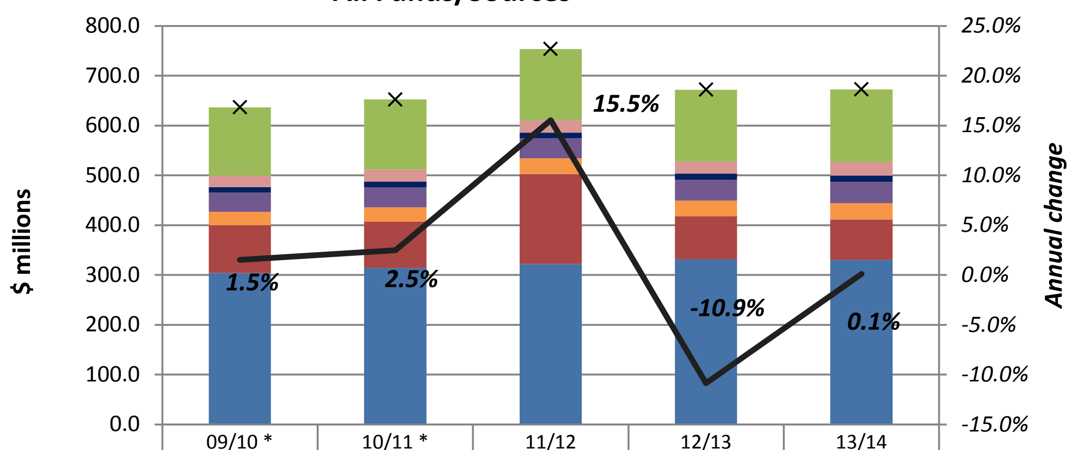
E. EXPENSES (Details)

E.1 Total Expenses

Total University Expenses increased by 0.1% or $0.6 million to $672.8 million compared to fiscal 2013. Most categories of expense saw modest changes relative to fiscal 2013. Graph F displays the changes by expense category over the past five years.

University Expenses
All Funds/Sources

Graph F



	09/10 *	10/11 *	11/12	12/13	13/14
Other Operating	136.7	140.9	142.9	144.3	146.2
Utilities	23.4	24.3	25.0	24.5	26.8
Interest	11.3	11.8	11.4	12.1	12.4
Capital Asset Amortization	38.5	39.3	40.5	41.9	42.8
Scholarships and Bursaries	26.5	28.9	31.3	31.2	33.1
Benefits	95.9	93.1	180.5	86.5	81.1
Salaries	304.3	314.2	322.3	331.6	330.4
× Total	636.6	652.5	753.9	672.1	672.8
Annual Change	1.5%	2.5%	15.5%	-10.9%	0.1%

** 09/10, and 10/11 have not been restated to reflect the adoption of accounting policies under ASNPO.*

The following sub-sections provide details on expense changes between fiscal 2013 and fiscal 2014.

E.2 Salaries

Salaries expense from all funds (49% of total expenses) decreased by 0.4% or $1.2 million. The salaries category is impacted by several major factors including salary rate increases, changes to total staff complement and one-time costs. The largest decrease in salaries was recorded in research accounts with a decline of $1.0 million relative to last year reflecting lower funding and spending.

E.3 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 2014, these benefit costs (total of $39.6 million) decreased 1.5% or $0.6 million relative to 2013 reflecting the decrease of salary expenses.

Post-employment benefit costs are charged to the financial statements as they are earned (accrued), not as they are actually paid (cash). Accounting standards require 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.

Post-employment Benefits

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

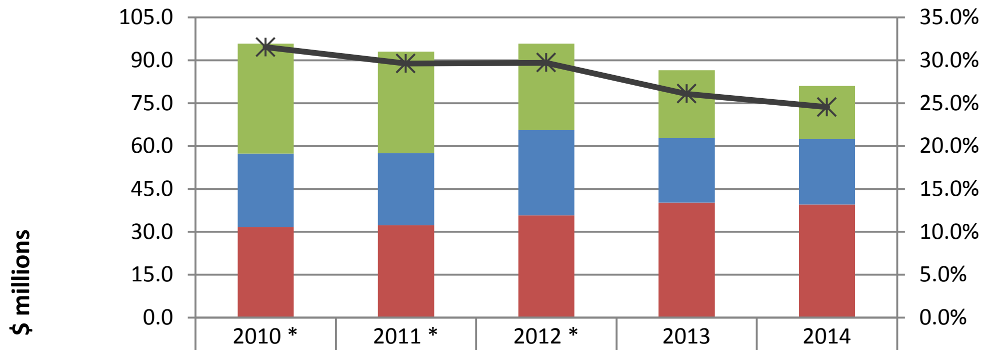
- ***Post-employment Benefits –Defined Benefit Pension Plans:*** The University is the legal sponsor of three pension plans. In Ontario, cash requirements for defined benefit pension plans are governed by provincial legislation. This legislation, the Pension and Benefit Act (PBA), prescribes the reporting 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 $158 million (refer to Graph H).
- ***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 2014, these liabilities increased 4.8% from $251.6 million in fiscal 2013 to $263.6 million. The associated annual expenses were $16.4 million ($22.6 million in fiscal 2013) including actuarial gain of $6.6 million. While not an immediate cash requirement, these liabilities indicate significant future requirements based on usage and cost estimates. In fiscal 2014, cash contributions for these plans remained at $4.3 million, the same as fiscal 2013 (Refer to Graph H).

Accounting Expenses for Employee Benefits;

Overall, employer cost of benefits expense is now 24.5% of salaries compared to 26.1% in fiscal 2013. Refer to Graph G. The pension expenses were $18.6 million compared to $23.7 million in fiscal 2013 reflecting the continued strong increase in pension assets in 2014 (17.0% annual returns).

Refer to Note 12 of the audited financial statements for more detail on the calculation of employee future benefit expenses under current accounting standards.

Employee Benefit Expense - Accounting Expense as % of Salaries **Graph G**



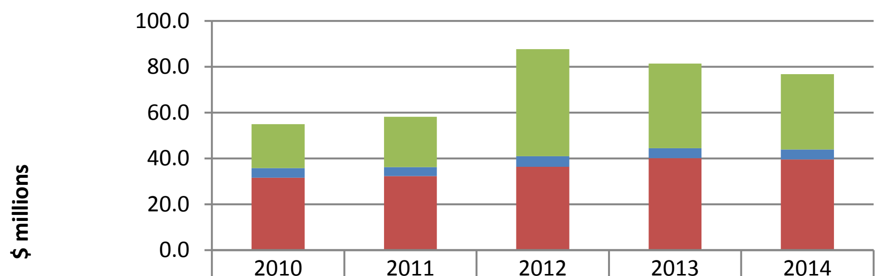
	2010 *	2011 *	2012 *	2013	2014
Pension	38.5	35.6	30.2	23.7	18.6
Non-Pension Post-Employ	25.7	25.2	29.8	22.6	22.9
Non Post-Employment	31.7	32.3	35.8	40.2	39.6
Total	95.9	93.1	95.8	86.5	81.1
% of Salaries	31.5%	29.6%	29.7%	26.1%	24.5%

* 2010, 2011 and 2012 reported here using the defer and amortize approach to record employee future benefits under pre-ASNPO GAAP. 2013 and 2014 are reported here using the immediate recognition approach and funding valuation assumptions for Non-Pension Post-Employment, 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 2014, the University paid $76.8 million in total for employee benefits (refer to Graph F).

Total Cash Payments for Employee Benefits **Graph H**



	2010	2011	2012	2013	2014
Pension	19.1	21.9	46.8	36.9	32.9
Non-Pension Post-Employ	4.2	4.0	4.6	4.3	4.3
Non Post-Employment	31.7	32.3	36.4	40.2	39.6
Total	55.0	58.2	87.8	81.4	76.8

Pension contributions reflect both normal annual costs and deficit payments on both going concern and solvency deficits in accordance with current provincial legislation. Effective for August 1, 2013, a new funding valuation was prepared in which new contribution requirements were determined. These new University contribution levels (approximately $44 million annually) took effect for the pay period starting on July 4, 2014.

E.4 Utilities

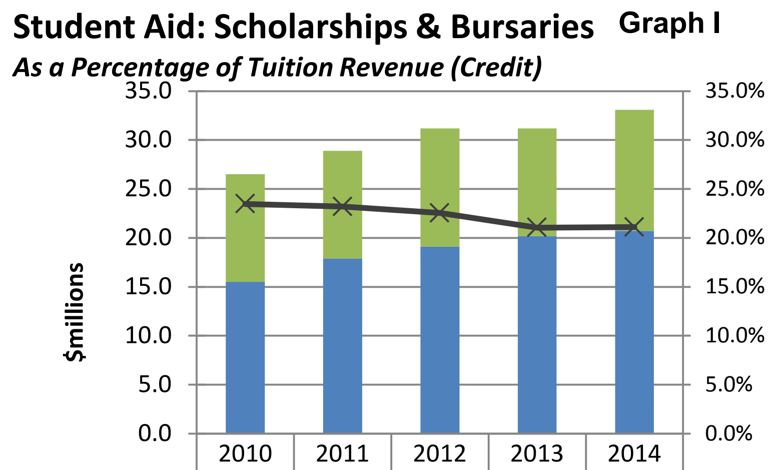
In 2014, campus utilities expense increased by $2.3 million or 9.4% reflecting higher heating costs due to a colder-than-normal winter.

E.5 Scholarships and Bursaries

Total University spending on Scholarships and Bursaries in fiscal 2014 was $33.1 million up from $31.2 million in fiscal 2013. Refer to Graph I.

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 increasing. Student aid funding is now approximately 21.1% (21.1% in 2013) of total credit tuition revenues. Of the $33.1 million, 63% was funded from the Operating Fund and 37% from trust funds, including endowments.



	2010	2011	2012	2013	2014
Trust and Endowments	11.0	11.0	12.1	11.0	12.4
Operating	15.5	17.9	19.1	20.2	20.7
Total Student Aid	26.5	28.9	31.2	31.2	33.1
% of Revenue	23.5%	23.2%	22.5%	21.1%	21.1%

E.6 Interest Expense

Interest expense increased by $0.3 million or 2.5% to 12.4 million reflecting additional debt servicing associated with increased capital borrowing in recent years. (Refer to section G)

E.7 Other Operating Expenses

Other Operating Expenses[3] (22% of total expenses) captures a wide variety of University expenses ranging from travel to minor repairs and maintenance. This category increased by $1.9 million or 1.3% in fiscal 2014. Travel expenditures were essentially unchanged from fiscal 2013, decreasing just $0.4 million. Spending on "Minor Renovations and Repairs" decreased by $0.9 million. Most other operating categories experienced minor increases.

E.8 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

[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.*

[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).*

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.

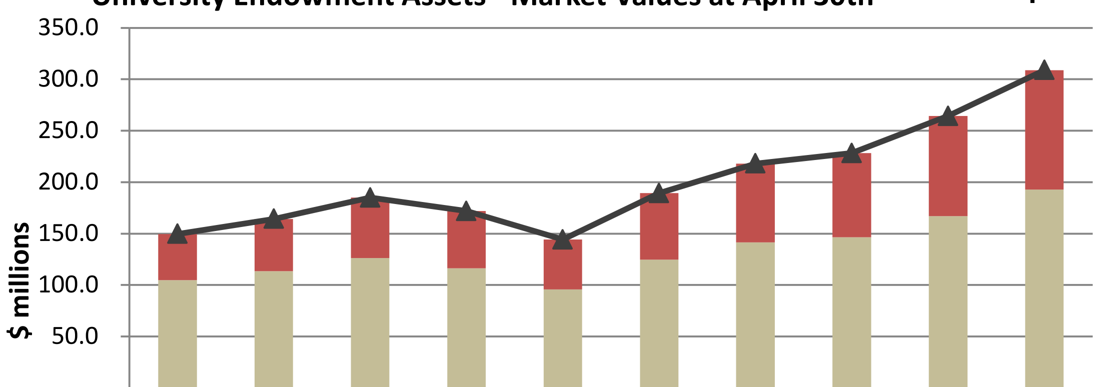
To the extent that the University holds these swaps to maturity, these reductions/gains will not be realized. It is the University's practice to hold all interest rate swaps until the maturity of that debt and related swap. The Unrealized Gain (Loss) on Interest Rate Swaps in the current year was a gain of $4.6 million ($4.4 million loss in 2013).

F. 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 $116.1 million) and the General Endowment Fund (investments of $192.8 million). Refer to Graph J.

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. In 2014 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 2014.

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



	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Heritage	45.0	50.7	58.7	55.7	48.6	64.6	76.5	81.7	97.3	116.1
General	104.7	113.5	126.2	116.2	95.6	124.7	141.5	146.5	167.0	192.8
Total	149.7	164.2	184.9	171.9	144.2	189.3	218.0	228.2	264.3	308.9

[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.*

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 $44.6 million or 16.9% from $264.3 million in 2013 to $308.9 million in 2014. The increase in market value is the result of positive investment returns of 15.6% (13.6% in fiscal 2013) in addition to capital additions of $8.9 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 2014 Endowment Annual Report.

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. 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.

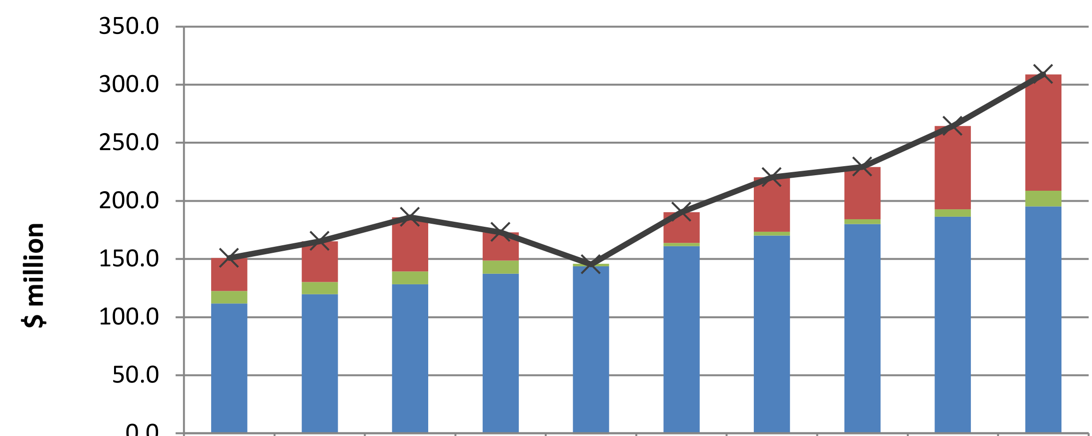
While spending from endowments has a relatively minor impact on overall University operations, they contribute 10% ($3.5 million) of total University spending on student assistance. 56% of all University endowments are allocated to student assistance.

Graph K on the following page shows the history of the growth in endowments and the portion of investment income that is accumulated to provide for spending protection. Of note is the major decline of “Capital Appreciation” in 2009 as the result of the major global downturn in equity markets. Recent returns have enabled most endowments to be restored to normal policy (3.5% of fund balance) spending levels.

Allocation of University Endowment Investments

(Including Heritage and General Endowment Funds)

Graph K



	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Capital Appreciation	28.3	35.0	46.7	24.3	-0.6	26.7	46.8	45.1	71.5	100.2
Funds Available	10.8	10.6	10.9	11.3	2.1	2.8	3.2	4.1	6.4	13.5
Donated Principal	111.7	119.7	128.3	137.4	143.8	160.9	170.3	180.1	186.4	195.2
Total	150.8	165.3	186.0	173.0	145.3	190.4	220.3	229.3	264.3	308.9

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

G. CAPITAL

G.1 Capital Assets and Amortization

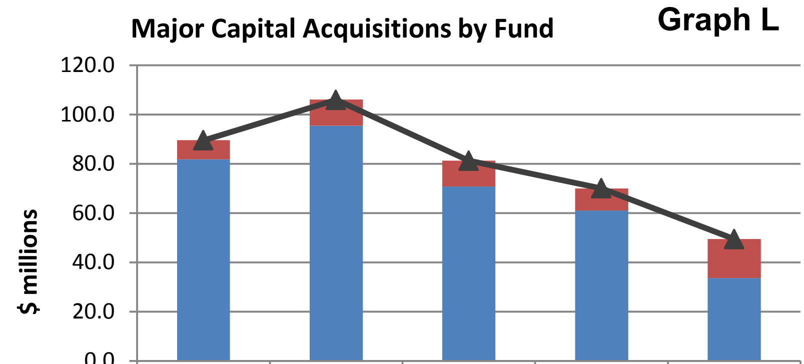
In accordance with accounting principles, the cash expenditures for major acquisitions, such as equipment and buildings are not charged to expenses as they occur but over the expected useful life of the related asset. (Refer to Note 2(i) on Page 29 for the specific accounting policy). The charge to expenditures is called Capital Asset Amortization. In fiscal 2014 this charge increased by $1.0 million or 2.2% to $42.8 million from 2013 as a direct result of capital acquisitions. The annual net recorded value of capital assets increased by $6.6 million ($28.1 million in 2013), reflecting expenditures or "acquisitions" on capital and construction-in-progress in several building/renovation projects of $49.4 million less capital asset amortization of $42.8 million.

G.2 Capital Contributions and Acquisitions

While capital acquisitions spending continued at significant levels ($49.4 million, refer to Graph L) it declined from the peak years of 2010 and 2011 when major projects (e.g., the Summerlee Science Complex) were completed.

In 2014, 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 maintenance 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.

Graph L



	2010	2011	2012	2013	2014
Ancillary	7.7	10.6	10.5	9.0	15.8
Capital	81.8	95.4	70.7	61.0	33.6
Total	89.5	105.9	81.2	70.0	49.4

In fiscal 2014 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 Acquisitions are major building/renovation projects and equipment purchases including construction-in-progress (projects not yet completed). Capital acquisitions in 2014 ($49.4 million) consisted of;

- $8.0 million in major buildings consisting of:
  - $3.7 million for Expansion to the School of Engineering,
  - $1.3 million for Bio-products Discovery and Development,
  - $1.0 million for the Wastewater Testing Facility,
  - $0.8 million for Athletics projects (mainly Mitchell Center Renewal),
  - $1.2 million for other major campus building renovation projects;

- $21.1 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;
- $7.1 million on Board approved Five-Year Capital Renewal Financing Plan projects. Total actual costs to date under this plan are $71.4 million;
- $12.2 million on the Student Housing Services' portion of the Five-Year Capital Renewal Financing Plan. Total spending to date under this plan is $56.9 million;
- A balance of $1.0 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 are dollars received in the current fiscal year designated by either external restriction or Board of Governor's approval for capital projects. Capital Funding received in 2014 (total $13.5 million) consisted of:

- $1.0 million ($1.0 million in 2013) 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. All funding is allocated to deal first with the highest priority items such as safety and emergency repairs;
- $1.4 million ($3.7 million in 2013) was received in donations designated for capital projects.
- $2.6 million ($2.5 million in 2013) from MTCU-Graduate Education Expansion in support of the expansion to the School of Engineering project;
- $2.0 million ($1.8 million in 2013) from the Student Building Fee Fund to support athletics projects.
- $0.5 million ($5.5 million in 2013) was allocated from CFI and Ontario research infrastructure funds to support a number of ongoing research related capital projects.
- $0.1 million ($0.5 million in 2013) from Student Energy Retrofit Funds to support the cost of electrical retrofit projects throughout the University;
- $5.9 million was received from other Trust funds designated for major capital or renovation projects.

H. 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.

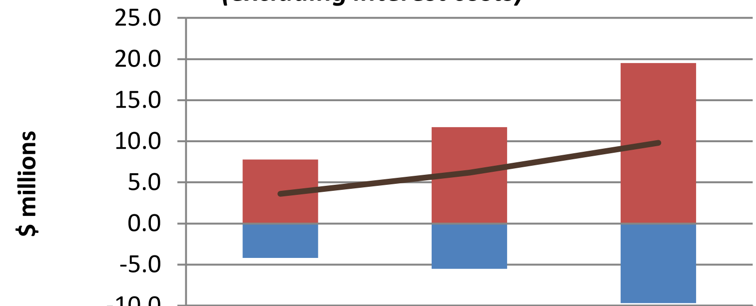
Subsequently in 2006, in response to increasing demands for capital spending particularly for major capital renewal for both campus infrastructure (buildings and utilities delivery systems) and ensuring teaching and student support facilities remain functional and competitive, the University initiated an internal multi-year planning process of a contiguous five year plans ("Five-Year Capital Renewal Financing Plan"). The Plan annually identifies spending for high priority projects in residences, main campus infrastructure and buildings.

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.

Changes in External Capital Debt;

In fiscal 2014, $19.5 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 M. Of this, $11.7 million was for the Five-Year Capital Renewal Financing Plan, and will be serviced from the Operating Fund; the balance of $7.8 million funded by the Ancillary Enterprise unit, Student Housing Services.

University External Debt
Principal Additions and Repayments
(excluding interest costs)
Graph M

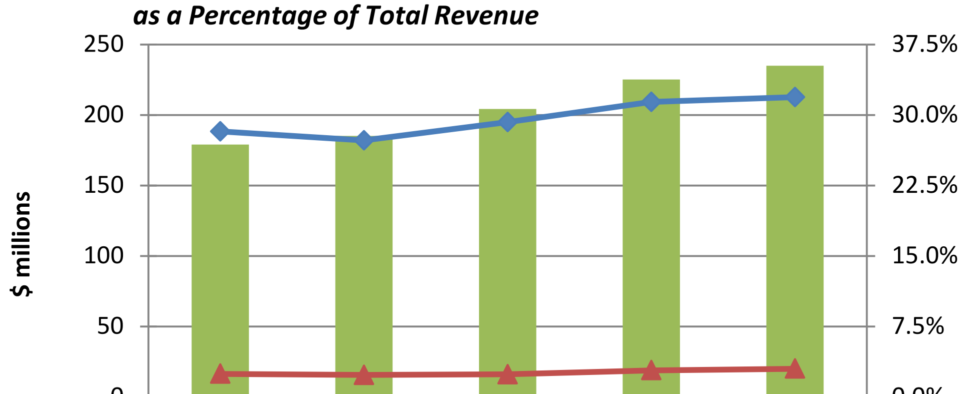


	Ancillary	Operating	Total
New Debt	$7.8	$11.7	$19.5
Repayments	$(4.2)	$(5.5)	$(9.7)
Net Change	$3.6	$6.2	$9.8

Capital Debt and Policy Limits

Total external[7] debt and debt servicing as a percentage of total University revenue are 31.9% (31.4% in 2013) and 3.0% (2.8% in 2013), respectively. Refer to Graph N. Both percentages are within University policy limits of 45% and 4.5%, respectively. The increase in total debt in fiscal 2014 reflects the new debt ($19.5 million) partially offset by debt repayments totaling $9.7 million.[8]

Total University External Debt & Debt Servicing
as a Percentage of Total Revenue
Graph N



	2010	2011	2012	2013	2014
Total Debt	179.1	185.1	204.2	225.2	235.0
% debt to revenues	28.2%	27.3%	29.2%	31.4%	31.9%
% debt servicing to revenues	2.4%	2.3%	2.4%	2.8%	3.0%

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

[7] *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 38 under Internally Restricted Net Assets in the appropriate fund (Capital or Ancillary).*
[8] *Total external debt repayment excludes internal "sinking" fund investments ($11.2 million, market value in fiscal 2014) that have been set up to retire interest-only debt. Refer to Note 6 on Page 32 "Investments Held for Debt Repayment".*

I. CHANGES IN UNIVERSITY NET ASSETS – by Fund

The following notes summarize the distribution of changes to Net Assets (Statement 3) based on fiscal 2014 financial results:

1. **Invested in Capital Assets,** increased $2.8 million ($0.8 million in fiscal 2013). This account records the net change in the University's equity in its capital assets. In 2014 the increase was the net 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 2014 increased by $38.2 million ($33.3 million in fiscal 2013) consisting of:
   - $4.6 million ($3.8 million in 2013) in transfers to endowments all of which was transferred to the Heritage Fund from real estate net proceeds;
   - $4.3 million ($2.8 million in 2013) in additional capital received, mainly from donations;
   - $29.3 million ($26.7 million loss in 2013) endowed investment income, which is the net of $41.5 million earned less $12.2 million provided for spending.

   (Note: Recorded Endowed Net Assets of $290.0 million is that portion of endowed investments of $308.9 million designated for initial donated capital, plus accumulated investment earnings allocated for inflation protection and growth. The balance of investments has been either designated for spending in accordance with Board policies or has been advanced to the endowment fund for investment purposes only.)

3. **Internally Restricted,** (refer to Note 14) 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[9], research, capital replacement expenses or contingencies.

   In total, the University's Internally Restricted funds increased by $58.0 million ($35.5 million increase in fiscal 2013), 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 $31.3 million to $206.0 million consists mainly of $32.2 million increase in the "Equipment, Supplies and Contingency" category, moving this fund to $124.2 million. It's offset by small decreases of $0.5 million in the "University Pension Contributions" category and $0.4 million "Employee Benefits" category.
   - ***Capital Fund -*** This account records funds designated for specific capital purposes (excluding 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 $12.6 million consists primarily of a reduction in internal financing of $7.3 million as external borrowing during the year covered prior years unfunded project expenditures. Also, $1.3 million was added to the sinking fund balance (designated to retire debt due in future years); plus an increase of $4.0 million in funds designated to complete future capital projects.
   - ***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. The $3.5 million increase in fiscal 2014 mainly consisted of internal

[9] 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.

loan repayments of $6.3 million offset by $2.8 million for internally financed capital projects set up this year.

- ***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 $10.6 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 2014, the University early adopted Section 3463, Reporting Employee Future Benefits by Not-for-Profit Organizations, of the CPA Canada Handbook- Accounting, on a retrospective basis. The University's fiscal 2014 opening Unrestricted Deficit balance decreased $126.4 million from $489.4 million to $363.0 million due to the adoption. The University's closing Unrestricted Deficit increased $18.0 million to $381.0 million at April 30, 2014. Components of this $18.0 million increase were:
   - ***Operating Fund -*** Recorded an increase in the deficit of $20.1 million consisting primarily of:
     - An increase of $26.1 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, 2013 and the next one will be as of August 1, 2016). The University has met all of its cash obligations for post-employment benefits.
     - A decrease in the deficit 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 $29.1 million.
   - ***Ancillary Fund -*** Most Ancillary Enterprise units have as their primary objective to fund all expenses including capital debt costs from revenues. In fiscal 2014, the unrestricted net assets for the Ancillary Fund slightly increased by $0.3 million.
   - ***Capital Fund -*** A decrease in the deficit of $1.8 million in the Capital Fund is a result of the accumulated market value adjustments for interest rate swaps.

J. 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 $29.1 million (Unrestricted Surplus/Deficit) and meeting contingency account targets maintaining both a balance to meet future pension solvency payments of $64.6 million and the MYP contingency at $63.5 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.

University of Guelph
Annual Financial Report
For the fiscal year May 1, 2013 to April 30, 2014

2013/2014 MTCU Operating Fund Results
(In thousands of dollars)

Table B

	2013/14 Budget	2013/14 Actual	Notes	Variance
Revenue				
MTCU Grants	178,805	180,633		1,828
Tuition (Credit & Non-Credit)	164,160	170,037		5,877
Student Fees	13,681	15,049		1,368
Sales of Goods and Services	28,109	29,471		1,362
Investment Income	1,473	1,466		(7)
Other Revenue	6,029	9,878		3,849
Total Revenue	392,257	406,534		14,277
Institutional Revenues and Recoveries				
OMAFRA Indirect – Research	18,730	18,730		-
Fed/Prov Research Support	6,094	6,094		-
Indirect Revenue on Grants and Contracts	4,485	4,529		44
Total Research Revenue & Recoveries	29,309	29,353		44
OMAFRA Indirect - Non-Research	2,570	2,570		-
Ancillary Services Recovery	10,996	10,996		-
Guelph Humber Revenue & Fees	11,437	18,776		7,339
Total Other Institutional Recoveries	25,003	32,342		7,339
Total Revenues and Recoveries	446,569	468,229		21,660
Expenses				
Salaries	235,771	239,680		(3,909)
Benefits	65,779	64,545		1,234
Operating	73,694	63,995		9,699
Utilities	22,923	21,557		1,366
Scholarships and Bursaries	20,473	20,055		418
Other Institutional Transfers	18,088	18,086		2
Total Expenses	436,728	427,918		8,810
University Contingency and Carryforwards				
Unallocated Multi Year Plan Target (MYP1)	(2,783)	-		(2,783)
General Contingency	7,909	545		7,364
Multi Year Plan (MYP) Contingency	38,198	753		37,445
Transfer for Pension (Net Special Payments)	-	1,703		(1,703)
Budget Carryforwards for Dept Operations	51,598	-		51,598
Total University Contingency and Carryforwards	94,922	3,001		91,921
Revenue Less Expenses	**(85,081)**	**37,310**		**122,391**
Add: Internally Restricted Net Assets - Beginning	91,081	174,682		83,601
Total Funds Available	6,000	211,992		205,992
Less: Internally Restricted Net Assets - Ending	-	205,992	#1	205,992
Net Increase (Decrease) in Net Assets	**6,000**	**6,000**	#2	-

#1 Internally Restricted Net Assets for Operating Fund - See Financial Statement Note #14
#2 Change in Unrestricted Surplus (Deficit) for Operating Fund (Excluding Guelph Humber)

October 23, 2014

Independent Auditor's Report

To the Governors of the University of Guelph

We have audited the accompanying financial statements of the University of Guelph, which comprise the statement of financial position as at April 30, 2014 and the statements of operations, changes in net assets and cash flows for the year then ended, 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 audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the 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 the University of Guelph as at April 30, 2014 and the results of its operations and its cash flows for the year then ended 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
AS AT APRIL 30

(in thousands of dollars)

	2014	2013
ASSETS		
Current		
Cash and Cash Equivalents (Note 5)	243,788	199,589
Short-term Investments (Note 6)	36,609	56,010
Accounts Receivable	26,337	28,280
Inventories	3,517	3,134
Prepaid Expenses	7,179	2,247
	317,430	289,260
Real Estate Projects in Progress	3,072	2,990
Investments (Note 6)	367,217	298,869
Defined Benefit Asset (Note 12)	9,768	5,047
Capital Assets (Note 7)	1,033,939	1,027,390
	1,731,426	**1,623,556**
LIABILITIES		
Current		
Accounts Payable and Accrued Liabilities (Note 8)	40,809	42,284
Unrealized Loss on Interest Rate Swaps (Note 9)	12,465	17,049
Current Portion of Long-term Debt (Note 9)	10,856	9,409
Current Portion of Deferred Revenue and Contributions (Note 10)	39,802	47,086
	103,932	115,828
Long-term Debt (Note 9)	224,144	215,747
Deferred Revenue and Contributions (Note 10)	124,703	118,913
Deferred Capital Contributions (Note 11)	375,359	381,433
Defined Benefit Liability (Note 12)	305,385	274,716
	1,133,523	**1,106,637**
NET ASSETS		
Invested in Capital Assets (Note 13)	423,580	420,801
Internally Restricted (Note 14)	265,266	207,284
Unrestricted Deficit	(380,978)	(363,001)
Endowed (Note 15)	290,035	251,835
	597,903	**516,919**
	1,731,426	**1,623,556**

Commitments and Contingencies (Notes 20 & 21)

(See accompanying notes)

Dick Freeborough — Chair

Franco Vaccarino — President

Statement 2

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

(in thousands of dollars)

	2014	2013
REVENUE		
Ministry of Training, Colleges and Universities	183,331	181,301
Ministry of Agriculture, Food and Rural Affairs Agreement	64,038	62,821
Tuition (Credit and Non-Credit)	170,037	160,609
Student Fees & Contracts	58,661	59,285
Donations (Note 16)	9,755	11,834
Sales of Goods and Services	81,082	79,852
Investment Income (Note 17)	16,411	7,407
Other Grants and Contracts	109,547	109,773
Amortization of Deferred Capital Contributions (Note 11)	23,316	23,497
Other	21,032	21,520
	737,210	717,899
EXPENSES		
Salaries	330,391	331,568
Benefits	39,608	40,230
Employee Future Benefits (Note 12)	41,496	46,256
Travel	14,734	15,057
Operating	126,810	123,796
Utilities	26,775	24,477
Minor Renovations and Repairs	4,627	5,497
Interest (Note 9)	12,431	12,117
Scholarships and Bursaries	33,103	31,249
Capital Asset Amortization (Note 7)	42,816	41,903
	672,791	672,150
Unrealized Gain (Loss) on Interest Rate Swaps (Note 9)	4,584	(4,406)
Excess (Deficiency) of Revenues over Expenses	69,003	41,343

(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
			2014		
Net Assets, Beginning of Year	420,801	207,284	(363,001)	251,835	516,919
Excess (Deficiency) of Revenues over Expenses	(19,500)	-	88,503	-	69,003
Net Change in Net Assets Invested in Capital Assets	22,279	-	(22,279)	-	-
Net Change in Internally Restricted Net Assets	-	57,982	(57,982)	-	-
Employee Future Benefits Remeasurements and Other Items	-	-	(21,673)	-	(21,673)
Increase in Accumulated Endowment Investment Earnings	-	-	-	29,339	29,339
Endowment Contributions	-	-	-	4,315	4,315
Transfer to Endowments	-	-	(4,546)	4,546	-
Net Assets, End of Year	423,580	265,266	(380,978)	290,035	597,903
			2013		
Net Assets, Beginning of Year	420,002	171,783	(431,954)	218,552	378,383
Deficiency of Revenues over Expenses	(18,406)	-	59,749	-	41,343
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)	-	-
Employee Future Benefits Remeasurements and Other Items	-	-	66,181	-	66,181
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	(363,001)	251,835	516,919

(See accompanying notes)

Statement 4

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

(in thousands of dollars)

	2014	2013
OPERATING ACTIVITIES		
Excess (Deficiency) of Revenues over Expenses (Statement 2)	69,003	41,343
Add (Deduct) Non-cash Items:		
Capital Asset Amortization	42,816	41,903
Amortization of Deferred Capital Contributions	(23,316)	(23,497)
(Increase) Decrease in Unrealized Investment Income	(427)	(2,401)
Increase (Decrease) in Unrealized Loss on Interest Rate Swaps	(4,584)	4,406
Change in Defined Benefit Asset/Liability, net of Employee Future Benefits Remeasurements and Other Items	4,275	5,078
(Increase) Decrease in Non-cash Working Capital	(4,929)	(11,172)
	82,838	55,660
FINANCING ACTIVITIES		
Proceeds from Long-term Debt	19,528	29,071
Repayment of Long-term Debt	(9,684)	(8,159)
Deferred Capital Contributions Received During the Year	16,884	29,134
Increase (Decrease) in Deferred Revenue and Contributions	(1,494)	15,192
	25,234	65,238
INVESTING ACTIVITIES		
Net Purchase of Investments	(28,291)	(35,861)
Net Realized Endowment Investment Earnings	9,110	13,930
Endowment Contributions	4,315	2,738
Purchase of Capital Assets	(49,007)	(67,701)
	(63,873)	(86,894)
Increase (Decrease) in Cash & Cash Equivalents	44,199	34,004
Cash & Cash Equivalents, Beginning of Year	199,589	165,585
Cash & Cash Equivalents, End of Year	243,788	199,589

(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 AND CHANGE IN 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) Other Financial Instruments

Other financial instruments, including accounts receivable consisting primarily of trade receivables, accounts payable, and long-term debt are recorded at amortized cost, which approximates fair value.

(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 other collections are recorded at a nominal value of $1 and are not amortized. The cost of capital assets is amortized on a straight-line basis over the estimated useful lives as follows:

Land Improvements	10 to 60 Years
Buildings	40 Years
Furniture and Equipment	10 Years
Computer Equipment	3 Years
Library Books	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 defined benefit plans providing pension, other retirement and post-employment benefits for its employees and accounts for these using the immediate recognition approach. Under this approach, the University recognizes the amount of the defined benefit obligation net of the fair value of plan assets measured at the date of the statement of financial position in the statement of financial position. Current service and finance costs are expensed during the year, while remeasurements and other items, representing the total of the difference between actual and expected return on plan assets, actuarial gains and losses, net change in valuation allowance, past service costs, and curtailment and settlement gains and losses are recognized as a direct increase or decrease in net assets. The liability for funded defined benefit plans is determined using a roll-forward technique to estimate the defined benefit liability using funding assumptions from the most recent actuarial valuation report prepared at least every three years. The defined benefit liability for unfunded plans is prepared on a basis consistent with funded plans.

(in thousands of dollars)

(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 the 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. EARLY ADOPTION OF SECTION 3463, EMPLOYEE FUTURE BENEFITS

Effective May 1, 2013, the University early adopted Section 3463, Reporting Employee Future Benefits by Not-for-Profit Organizations, of the CPA Canada Handbook - Accounting, on a retrospective basis. Section 3463 provides that a not-for-profit organization applies Section 3462 except as otherwise provided for in Section 3463.

The following table provides a reconciliation of the net assets as at May 1, 2012 and the excess of revenues over expenses for the year ended April 30, 2013 as previously reported with those computed after adopting Section 3463:

	Excess of revenues over expenses for the year ended April 30, 2013	**Net assets as at May 1, 2012**
Excess of revenues over expenses and net assets, as previously reported	77,352	282,117
Employee future benefits:		
Remeasurements and other items **(a)**	(66,181)	-
Use of funding valuation assumptions **(b)**	30,172	96,266
Excess of revenues over expenses and net assets, as restated	41,343	378,383

(a) In accordance with Section 3463, remeasurements and other items includes the difference between the actual return on plan assets and the return calculated using the applicable discount rate, actuarial gains and losses, the effect of any valuation allowance, and past service costs. Prior to adopting Section 3463, this amount was recognized in the statement of operations, along with current service and finance costs. Section 3463 requires that remeasurements and other items be recognized directly in net assets on the statement of financial position and presented as a separately identified item in the statement of changes in net assets. The University's excess of revenues over expenses for the year ended April 30, 2013 decreased by $66,181 due to remeasurements and other items pertaining to defined pension benefits, but total net assets were not affected.

(b) The University, as provided for in Section 3462, now measures its defined benefit employee future benefit obligations using actuarial valuations prepared using funding discount rate assumptions, rather than using accounting discount rate assumptions. This change only impacts employee future benefits other than pensions since the University was already using funding discount rate assumptions to measure its pension obligations. At May 1, 2012, the employee future benefit obligation other than pension decreased by $96,266 and unrestricted net assets increased by $96,266 as a result of this change. Also, the University's excess of revenues over expenses for the year ended April 30, 2013 increased by $30,172 as a result of a decrease in employee future benefits expense caused by the change in the discount rate assumptions.

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 are short term in nature. 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 on 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, 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

	2014	2013
Cash	62,337	27,880
Money Market Funds	155,635	166,676
Canadian Bank Term Deposits	15,519	-
Government of Canada Treasury Bills	10,297	5,033
	243,788	199,589

6. INVESTMENTS

	2014	2013
Short-term Investments		
Money Market Funds	20,857	21,628
Government of Canada Bonds	-	24,351
Canadian Short-term Bond Fund	5,017	-
Guelph-Humber Equity	10,735	10,031
	36,609	56,010
Long-term Investments		
Government of Canada Bonds	17,537	27,506
Province of Ontario Bonds	41,823	5,354
Canadian Equities	69,799	57,783
Canadian Fixed Income	79,517	74,284
Foreign Equities	158,541	133,942
	367,217	298,869

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

	Investments Held for Debt Repayment		Endowment Fund Investments	
	2014	2013	2014	2013
Money Market Funds	3,275	3,179	15,217	9,741
Government of Canada Bonds	1,307	1,299	-	-
Province of Ontario Bonds	5,329	5,354	-	-
Canadian Equities	243	-	56,603	46,407
Canadian Fixed Income	340	-	79,177	74,284
Foreign Equities	676	-	157,864	133,890
	11,170	9,832	308,861	264,322

Derivative Investments

The University has entered into foreign currency forward contracts to minimize exchange rate fluctuations and the resulting volatility on future financial results. These contracts are recorded at fair value as short term investments on the statement of financial position. All outstanding contracts have a remaining term to maturity of less than one year.

(in thousands of dollars)

The notional and fair values of foreign currency forward contracts are as follows:

	2014		2013	
	Notional value	Fair value	Notional value	Fair value
United States Dollar	56,425	926	48,947	1,000
Euro	10,630	2	8,669	130
Japanese Yen	3,359	56	3,695	259
Other	12,169	28	10,532	50
		1,012		1,439

7. CAPITAL ASSETS

a) Details

	2014			2013		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Land	255,660	-	255,660	255,660	-	255,660
Land improvements	31,040	13,535	17,505	31,317	13,421	17,896
Buildings	882,331	231,287	651,044	859,535	214,208	645,327
Furniture and equipment	255,119	169,998	85,121	258,550	172,753	85,797
Construction in progress	17,529	-	17,529	15,483	-	15,483
Computer equipment	13,702	11,264	2,438	36,082	33,604	2,478
Library and art collection	16,474	11,832	4,642	18,130	13,381	4,749
	1,471,855	437,916	1,033,939	1,474,757	447,367	1,027,390

b) Change in Net Book Value

	2014	2013
Balance, Beginning of Year	1,027,390	999,343
Purchase of capital assets	49,007	67,701
Donation of capital assets	358	2,249
Capital asset amortization	(42,816)	(41,903)
Balance, End of Year	1,033,939	1,027,390

c) Insured Values

	2014		2013	
	Net Book Value	Insured Value	Net Book Value	Insured Value
Buildings	651,044	1,880,346	645,327	1,835,834
Furniture, equipment and library books	92,201	741,380	93,024	725,403
Art and artifacts collection	1	37,647	1	39,873

8. GOVERNMENT REMITTANCES

Accounts Payables and Accrued Liabilities include $75 (2013 - $98) with respect to government remittances payable.

(in thousands of dollars)

9. LONG-TERM DEBT

a) Details

	Interest Rate	Issue Date	Due Date	2014	2013
	%				
Series A Unsecured Debenture	6.24	11-Oct-02	10-Oct-42	100,000	100,000
Banker's Acceptances					
Canadian Imperial Bank of Commerce	4.96	1-May-06	2-May-16	1,363	1,968
Toronto Dominion Bank	4.91	20-Dec-07	20-Dec-22	4,683	5,216
Toronto Dominion Bank	4.54	10-Apr-08	10-Apr-23	1,798	1,998
Toronto Dominion Bank	3.47	13-Mar-09	13-Mar-24	6,667	7,320
Royal Bank of Canada	4.85	23-Mar-10	24-Mar-25	5,706	6,224
Royal Bank of Canada	5.02	1-May-10	1-May-25	7,541	8,214
Bank of Montreal	7.63	16-Oct-00	15-Jun-25	27,500	28,300
Royal Bank of Canada	3.84	3-Oct-11	2-Oct-26	31,458	33,973
Royal Bank of Canada	2.96	5-Sep-12	5-Sep-27	26,046	27,988
Canadian Imperial Bank of Commerce	3.73	1-Oct-13	1-Sep-28	18,879	-
				131,641	121,201
Leases payable					
Ontario Student Housing Corp.	6.13	1-Jan-69	1-Dec-18	319	372
Canada Mortgage and Housing Corp.	5.88	1-Jan-69	1-Dec-18	2,787	3,254
				3,106	3,626
Mortgages payable					
Canada Mortgage and Housing Corp.	5.38	1-Jan-67	1-Dec-16	253	329
				253	329
				235,000	225,156
Current Portion				(10,856)	(9,409)
				224,144	215,747

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 $9,684 (2013 - $8,159) and incurred $12,431 (2013 - $12,117) 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
2015	10,856	12,249	23,105
2016	10,915	11,791	22,706
2017	10,505	11,290	21,795
2018	10,603	10,818	21,421
2019	11,642	10,310	21,952
	54,521	56,458	110,979
Thereafter	180,479		
	235,000		

(in thousands of dollars)

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:

		2014		**2013**	
	Due Date	Notional Amount	Gain (Loss)	Notional Amount	Gain (Loss)
Canadian Imperial Bank of Commerce	2-May-16	1,350	(57)	1,950	(115)
Toronto Dominion	20-Dec-22	4,675	(513)	5,207	(725)
Toronto Dominion	10-Apr-23	1,800	(169)	2,000	(245)
Toronto Dominion	13-Mar-24	6,667	(210)	7,333	(408)
Royal Bank of Canada	24-Mar-25	5,710	(452)	6,230	(693)
Royal Bank of Canada	1-May-25	7,495	(641)	8,163	(964)
Bank of Montreal	15-Jun-25	27,438	(7,620)	28,238	(9,714)
Royal Bank of Canada	2-Oct-26	31,500	(1,693)	34,020	(2,986)
Royal Bank of Canada	5-Sep-27	26,028	(269)	27,968	(1,199)
Canadian Imperial Bank of Commerce	1-Sep-28	18,850	(841)	-	-
			(12,465)		(17,049)

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.

	2014	**2013**
Changes in Deferred Revenue and Contributions are as follows:		
Balance, Beginning of Year	165,999	150,807
Revenue and Contributions received during the year	193,337	211,882
Revenue and Contributions recognized in the year	(194,831)	(196,690)
Balance, End of Year	164,505	165,999
Less: Current Portion	39,802	47,086
	124,703	118,913

(in thousands of dollars)

11. DEFERRED CAPITAL CONTRIBUTIONS

Deferred capital contributions represent the unamortized amount of donations and grants received over a number of years restricted to the purchase of capital assets. The amortization of deferred capital contributions is recorded as revenue in the statement of operations.

	2014	2013
Changes in Deferred Capital Contributions are as follows:		
Balance, beginning of year	381,433	375,097
Cash Contributions received during the year	16,884	29,134
Contributions of depreciable assets received during the year	358	699
Amortization of deferred capital contributions	(23,316)	(23,497)
Balance, end of year	375,359	381,433

12. EMPLOYEE FUTURE BENEFITS

a) Description of Plans

The University has a number of funded and unfunded programs that provide defined benefit pension and other post-employment benefits to its employees. The pension plans 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 post-employment benefit plans provide extended health care and dental coverage to retirees and their eligible dependents on a cost-sharing basis. Retiree contributions to the health and dental programs cover 30% and 50% of the costs respectively. During the year, changes were made to certain key pension plan provisions. These changes include increases to the employee contribution rates and greater early retirement penalties.

The most recent actuarial valuations were prepared as of August 1, 2013 for the University's registered pension plans and for other benefit plans. The next required funding valuation for the University's registered pension plans will be August 1, 2016.

b) Defined Benefit Obligations and Plan Assets

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

	Pension Plans		Other Benefit Plans		Total	
	2014	2013	2014	2013	2014	2013
Defined benefit obligation	1,239,813	1,063,584	263,631	251,632	1,503,444	1,315,216
Market value of plan assets	1,217,426	1,053,043	-	-	1,217,426	1,053,043
Funded status - deficit	(22,387)	(10,541)	(263,631)	(251,632)	(286,018)	(262,173)
Valuation allowance (VA)	(9,599)	(7,496)	-	-	(9,599)	(7,496)
Net defined benefit asset/liability	(31,986)	(18,037)	(263,631)	(251,632)	(295,617)	(269,669)
Statement of Financial Position						
Defined Benefit Asset	9,768	5,047	-	-	9,768	5,047
Defined Benefit Liability	(41,754)	(23,084)	(263,631)	(251,632)	(305,385)	(274,716)
Net defined benefit asset/liability	(31,986)	(18,037)	(263,631)	(251,632)	(295,617)	(269,669)

(in thousands of dollars)

c) Net Benefit Plan Costs

	Pension Plans		Other Benefit Plans		Total	
	2014	**2013**	**2014**	**2013**	**2014**	**2013**
Total service cost	35,811	32,974	7,735	7,297	43,546	40,271
Less: employee contributions	(17,991)	(14,995)	-	-	(17,991)	(14,995)
Current service cost	17,820	17,979	7,735	7,297	25,555	25,276
Finance cost	743	5,716	15,198	15,264	15,941	20,980
Employee future benefits expense	**18,563**	**23,695**	**22,933**	**22,561**	**41,496**	**46,256**
Return on plan assets greater than discount rate	(108,947)	(68,246)	-	-	(108,947)	(68,246)
Actuarial (gain)/loss	135,583	1,225	(6,579)	-	129,004	1,225
Current increase in VA	2,103	1,545	-	-	2,103	1,545
Effect of VA on finance cost	(487)	(386)	-	-	(487)	(386)
Past service costs	-	(319)	-	-	-	(319)
Remeasurements and other items	**28,252**	**(66,181)**	**(6,579)**	**-**	**21,673**	**(66,181)**
Net benefit cost (income)	46,815	(42,486)	16,354	22,561	63,169	(19,925)

d) Significant Assumptions

The discount rate used for determining defined benefit obligation at April 30th is 6.0% (2013 - 6.5%) and for determining benefit cost for the fiscal year is 6.5% (2013 - 6.5%).

The rate of increase in future compensation used for determining defined benefit obligation at April 30th is 4.0% (2013 – 3.5%-4.0%) and for determining benefit cost for the fiscal year included rates within the range of 3.5%-4.0% (2013 – 3.5%-4.0%).

The assumed rate for dental inflation is 4.5% (2013 – 4.5%). The assumed health care cost trend rate is initially 7.5% (2013 – 8.0%) declining annually by 0.5% (2013 – 0.5%) until reaching the ultimate rate of 5.0% (2013 – 5.0%).

13. INVESTED IN CAPITAL ASSETS

	2014	**2013**
Capital assets (net book value) (Note 7)	1,033,939	1,027,390
Less: Long-term debt (Note 9)	(235,000)	(225,156)
Deferred capital contributions (Note 11)	(375,359)	(381,433)
Invested in capital assets	423,580	420,801

Changes in Invested in Capital Assets are as follows:

Capital asset amortization	(42,816)	(41,903)
Amortization of deferred capital contributions	23,316	23,497
	(19,500)	(18,406)
Acquisition of capital assets	49,365	69,950
Repayment of long-term debt	9,684	8,159
Increase in long-term debt	(19,528)	(29,071)
Deferred capital contributions received during the year	(17,242)	(29,833)
	22,279	19,205
	2,779	799

(in thousands of dollars)

14. INTERNALLY RESTRICTED NET ASSETS

	Balance, April 30, 2013	Transfer To (From) in 2014	Balance, April 30, 2014
Operating Fund			
Equipment, Supplies and Contingency	91,081	32,242	123,323
Guelph-Humber Internally Restricted	900	-	900
Self Insured Losses	1,000	-	1,000
Employee Benefits	16,639	(429)	16,210
University Pension Contributions	65,062	(503)	64,559
	174,682	31,310	205,992
Capital Fund			
Capital Projects and Renovations	2,342	4,314	6,656
Minor Renovations	2,756	(407)	2,349
Funds Held for Debt Repayment	9,832	1,339	11,171
Internally Financed Projects	(28,975)	7,327	(21,648)
	(14,045)	12,573	(1,472)
Ancillary Enterprises Fund			
Student Housing Services	500	-	500
Student Housing Internally Financed Projects	(7,669)	5,031	(2,638)
Parking Services Internally Financed Projects	(181)	181	-
Hospitality Services Internally Financed Projects	(3,807)	(1,714)	(5,521)
University Centre	291	6	297
	(10,866)	3,504	(7,362)
Research and Trust Fund			
Research and Trust	57,513	10,595	68,108
TOTAL	207,284	57,982	265,266

15. 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.

	2014			**2013**		
	Externally Restricted	Board Restricted	Total	Externally Restricted	Board Restricted	Total
Investment income on endowments	22,733	18,791	41,524	29,201	2,798	31,999
Less: available for expenditure	(3,981)	(8,204)	(12,185)	(4,635)	(640)	(5,275)
Increase in accumulated endowed investment income	18,752	10,587	29,339	24,566	2,158	26,724
Contributions received during year	3,968	347	4,315	2,496	242	2,738
	22,720	10,934	33,654	27,062	2,400	29,462
Transfers	(78,921)	83,467	4,546	3,821	-	3,821
Net increase in net assets	(56,201)	94,401	38,200	30,883	2,400	33,283
Net assets, Beginning of Year	229,549	22,286	251,835	198,666	19,886	218,552
Net assets, End of Year	173,348	116,687	290,035	229,549	22,286	251,835

(in thousands of dollars)

16. DONATIONS

	2014	2013
Donations received during the year	20,876	20,492
Donations recorded as a direct addition to endowed net assets	(3,982)	(2,513)
Donations recorded as a direct addition to invested in capital assets	-	(1,550)
Donations recorded as deferred capital contributions	(1,814)	(5,072)
Net (increase) decrease in deferred contributions from donations	(5,325)	477
Donations recognized as revenue	9,755	11,834

17. 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.

	2014			2013		
	Operations	Endowment	Total	Operations	Endowment	Total
Net realized investment income	4,850	21,295	26,145	2,178	19,205	21,383
Increase (decrease) in unrealized investment income	394	20,229	20,623	2,249	12,794	15,043
Total investment income	5,244	41,524	46,768	4,427	31,999	36,426
Increase in accumulated endowed investment income (Note 15)	-	(29,339)	(29,339)	-	(26,724)	(26,724)
Investment income available for expenditure (Note 15)	12,185	(12,185)	-	5,275	(5,275)	-
Net increase in deferred contributions	(1,018)	-	(1,018)	(2,295)	-	(2,295)
Total	16,411	-	16,411	7,407	-	7,407

18. 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, 2014, there is a net advance of $1,974 (2013 - $4,259) 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, 2014). The total net return for the University is $10,735 (2013 - $10,031).

(in thousands of dollars)

A financial summary of the joint venture for the fiscal years ended March 31st is as follows:

	2014	**2013**
Financial Position:		
Total Assets	26,753	27,322
Total Liabilities	5,282	7,260
Total Net Assets	21,471	20,062
Results of Operations:		
Total Revenue	53,283	50,568
Total Expenses	35,155	32,716
Excess of Revenue over Expenses	18,128	17,852
Net Assets:		
Unrestricted	18,332	16,720
Internally Restricted	1,800	1,800
Invested in capital Assets	1,339	1,542
	21,471	20,062
University Share (50%)	10,735	10,031

19. 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, 2013 is $4,017 (2012 – $3,600). 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.

20. COMMITMENTS

Costs to complete major capital projects in progress as at April 30, 2014 are estimated to be $35,092 (2013 - $14,741) and will be funded by government grants, gifts and University resources.

21. 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 the property is complete. While management is of the view that the licensee will meet its obligations under the agreement with respect to site restoration, should the licensee be unable to do so, the University as property owner would be responsible.

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, 2014 the Guelph Cutten Club borrowed $1,150 under this guarantee.

The University has a standby letter of credit for $28 with the City of Guelph.

22. COMPARATIVE NUMBERS

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

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 2014	TOTAL 2013
REVENUE							
Ministry of Training, Colleges and Universities	180,633	2,663	35	-	-	183,331	181,301
Ministry of Agriculture, Food and Rural Affairs Agreement	64,038	-	-	-	-	64,038	62,821
Tuition (Credit and Non-credit)	170,037	-	-	-	-	170,037	160,609
Student Fees and Contracts	16,062	-	42,599	-	-	58,661	59,285
Donations	52	-	-	9,703	-	9,755	11,834
Sales of Goods and Services	46,163	-	34,919	-	-	81,082	79,852
Investment Income	1,804	41	-	14,566	-	16,411	7,407
Other Grants and Contracts	10,596	-	-	98,951	-	109,547	109,773
Amortization of Deferred Capital Contributions	-	23,284	32	-	-	23,316	23,497
Other	20,867	165	-	-	-	21,032	21,520
	510,252	26,153	77,585	123,220	-	737,210	717,899
EXPENSES							
Salaries	269,471	-	17,151	43,769	-	330,391	331,568
Benefits	30,629	-	3,574	5,405	-	39,608	40,230
Employee Future Benefits (EFB)	41,496	-	-	-	-	41,496	46,256
Travel	8,615	-	188	5,931	-	14,734	15,057
Operating	63,434	31	21,563	41,782	-	126,810	123,796
Utilities	25,548	-	1,106	121	-	26,775	24,477
Minor Renovations and Repairs	-	4,062	565	-	-	4,627	5,497
Interest	-	8,945	3,486	-	-	12,431	12,117
Scholarships and Bursaries	20,747	-	-	12,356	-	33,103	31,249
Institutional (Recovery) Charges	(10,577)	-	10,577	-	-	-	-
Capital Asset Amortization	-	38,147	4,669	-	-	42,816	41,903
	449,363	51,185	62,879	109,364	-	672,791	672,150
Unrealized Gain (Loss) on Interest Rate Swaps	-	1,825	2,759	-	-	4,584	(4,406)
Excess (Deficiency) of Revenues over Expenses	60,889	(23,207)	17,465	13,856		69,003	41,343
Endowment Investment Income (Loss)	-	-	-	-	29,339	29,339	26,724
Contributions recorded as Direct Increases to Net Assets	-	-	-	-	4,315	4,315	4,288
EFB Remeasurements and Other Items	(21,673)	-	-	-	-	(21,673)	66,181
Interfund Transactions	(27,956)	32,888	(6,217)	(3,261)	4,546	-	-
Net Increase (Decrease) in Net Assets	11,260	9,681	11,248	10,595	38,200	80,984	138,536
Composed Of:							
Net Increase (Decrease) in Invested in Capital Assets	-	(4,717)	7,496	-	-	2,779	799
Net Increase (Decrease) in Endowments	-	-	-	-	38,200	38,200	33,283
Net Increase (Decrease) in Internally Restricted	31,310	12,573	3,504	10,595	-	57,982	35,501
Net Increase (Decrease) in Unrestricted EFB	(25,949)	-	-	-	-	(25,949)	61,104
Net Increase (Decrease) in non-EFB Unrestricted	5,899	1,825	248	-	-	7,972	7,849
Net Increase (Decrease) in Net Assets	11,260	9,681	11,248	10,595	38,200	80,984	138,536

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 2014	TOTAL 2013
Net Assets, Beginning of Year	(188,006)	343,573	52,004	57,513	251,835	516,919	378,383
Net Increase (Decrease) in Net Assets	11,260	9,681	11,248	10,595	38,200	80,984	138,536
Net Assets, End of Year	(176,746)	353,254	63,252	68,108	290,035	597,903	516,919
Net Assets Components:							
Invested in Capital Assets	-	357,958	65,622	-	-	423,580	420,801
Endowed	-	-	-	-	290,035	290,035	251,835
Internally Restricted	205,992	(1,472)	(7,362)	68,108	-	265,266	207,284
Unrestricted EFB Deficit	(354,308)	-	-	-	-	(354,308)	(328,359)
Unrestricted Surplus (Deficit)	(28,430)	(3,232)	4,992	-	-	(26,670)	(34,642)
Net Assets, End of Year, Surplus (Deficit)	(176,746)	353,254	63,252	68,108	290,035	597,903	516,919

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 2014	TOTAL 2013
REVENUE	33,062	5,829	32,402	3,648	2,644	77,585	79,236
EXPENSES							
Cost of Materials	12,317	-	-	-	581	12,898	13,517
Salaries	11,009	215	4,562	351	1,014	17,151	17,303
Benefits	2,245	60	967	106	196	3,574	3,679
Institutional Charges	2,081	-	7,723	243	530	10,577	10,424
Operating	4,115	27	3,786	297	440	8,665	8,576
Utilities	-	32	1,074	-	-	1,106	981
Travel	52	8	108	9	11	188	168
Minor Renovations and Repairs	25	-	463	67	10	565	1,194
Interest	-	40	3,446	-	-	3,486	3,461
Capital Asset Amortization	654	513	3,183	278	41	4,669	4,611
Total Operating Expenses	32,498	895	25,312	1,351	2,823	62,879	63,914
Unrealized Gain (Loss) on Interest Rate Swaps	-	58	2,701	-	-	2,759	(986)
Excess (Deficiency) of Revenues over Expenses	564	4,992	9,791	2,297	(179)	17,465	14,336
Interfund Transactions	(355)	(4,307)	(861)	(992)	298	(6,217)	(5,929)
Net Increase (Decrease) in Net Assets	209	685	8,930	1,305	119	11,248	8,407
Composed Of:							
Net Increase (Decrease) in Invested in Capital Assets	1,914	92	4,887	550	53	7,496	1,847
Net Increase (Decrease) in Internally Restricted	(1,714)	-	5,031	181	6	3,504	1,206
Net Increase (Decease) in Unrestricted	9	593	(988)	574	60	248	5,354
Net Increase (Decrease) in Net Assets	209	685	8,930	1,305	119	11,248	8,407

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 2014	TOTAL 2013
Net Assets, Beginning of Year	8,425	14,234	20,775	7,616	954	52,004	43,597
Net Increase (Decrease) in Net Assets	209	685	8,930	1,305	119	11,248	8,407
Net Assets, End of Year	8,634	14,919	29,705	8,921	1,073	63,252	52,004
Net Assets Components:							
Invested in Capital Assets	13,996	9,945	33,673	7,545	463	65,622	58,126
Internally Restricted	(5,521)	-	(2,138)	-	297	(7,362)	(10,866)
Unrestricted Surplus (Deficit)	159	4,974	(1,830)	1,376	313	4,992	4,744
Net Assets, End of Year, Surplus (Deficit)	8,634	14,919	29,705	8,921	1,073	63,252	52,004

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