



ANNUAL FINANCIAL STATEMENTS

*FOR FISCAL YEAR ENDED April 30, 2003*

INDEX

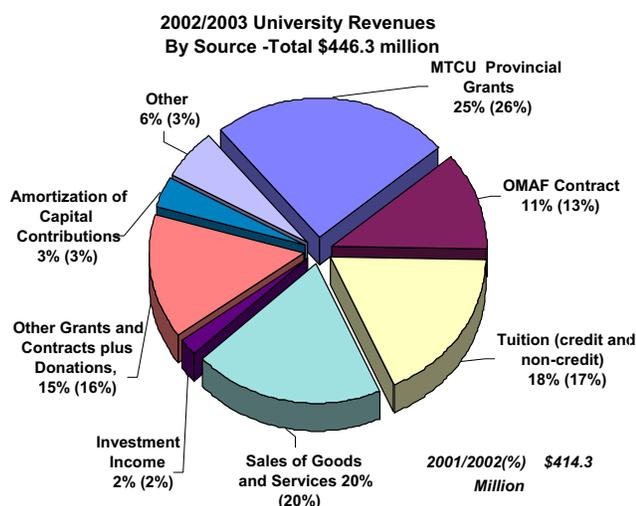
	<i>Page #</i>
Summary of Financial Results .....	1-10
Auditors' Report .....	11
Statement of Financial Position - Statement 1 .....	12
Statement of Operations and Changes in Fund Balances - Statement 2 .....	13
Statement of Changes in Appropriated Expendable Fund Balances - Statement 3 .....	14
Statement of Cash Flows - Statement 4 .....	15
Notes to The Financial Statements .....	16-32
Schedule 1 - Statement of Operations and Changes in Fund Balances (Unappropriated and Endowed) .....	 33
Schedule 2 - Statement of Operations and Changes in Fund Balances For Ancillary Enterprises .....	 34
Schedule 3 - Statement of OMAF Revenues and Expenses by Object .....	35

University of Guelph  
**SUMMARY OF FINANCIAL RESULTS**  
 For the fiscal year May 1, 2002 to April 30, 2003

The following report summarizes University financial results for the year ended April 30, 2003 (referred to as fiscal 2003) as presented in the audited financial statements.

The University of Guelph receives funds from a variety of different sources (see Graph A). Many of these funds are restricted by the donor, agency or organization as to use, and may not be used for general operating expenses. As a result, the University records its financial activities on a fund accounting basis where financial transactions are segregated according to major University activities, external restrictions on funding and the expendability of funds. (A fund is a self-balancing set of financial accounts including both balance sheet and income statement accounts.) The University currently reports on five different funds: Operating, Capital, Ancillary Enterprises, Research and Trust and Endowment. A description of each of these funds can be found on page 15.

**Graph A**



In fiscal 2003 several significant events took place which are reflected in the University's financial results for the year. (The specific financial impact of these events will be highlighted throughout this presentation.)

€ **Increased Growth in Enrolment** contributed significantly to an increase in both University revenues and expenses. New revenues were earned from a variety of sources including provincial government grants awarded as the University increased enrolments to help meet demands for university education in Ontario and enrolment revenues from new student admissions (refer to Graph B). (The University increased its semester 1 or first year enrolment to 3,500 in 2002/2003 from 3,250 in 2001/2002. The total strategic plan target for total on campus enrolment is 18,000). Related additional expenses

included the costs of new faculty and staff, enhanced facilities and general operating supplies.

€ **Market Returns:** General financial market conditions including historically low world equity market returns resulted in significantly reduced asset values in both the University's endowment funds and pension plans. University pension and endowment investment policies minimize long-term investment risk and both the pension plans and the endowment funds remain financially sound. Therefore despite these market conditions disbursements to meet all spending obligations were made. However given the size and timing of the market adjustments, negative accounting impact on 2003 annual financial results was unavoidable. (refer to following sections on benefits and endowments for specific impacts.)

€ **Capital Planning:** The University in recent years has undertaken a number of major capital projects to meet its strategic planning objectives to improve existing facilities including the reduction of deferred maintenance and to provide new space to meet the needs of additional planned enrolments. In conjunction with capital financing plans for new and renovated space, in fiscal 2003 the University recorded a major increase in its external debt as the result of its issuance of a \$100.0 million, 40 year debenture. The proceeds of this additional debt will be used to finance major capital projects such as a new science complex identified as a key component of the overall capital and strategic plan.

**Summary of Significant Changes in Fiscal 2003 - All Funds**

**REVENUES:**

Revenues from all sources were \$446.3 million, an increase of 7.7% or \$32.0 million from fiscal 2002 (\$414.3 million). In general, increases were recorded in most major categories of revenues reflecting growth in enrolments, research and fund raising activities. The following summarizes the major increases in revenues;

€ Provincial grants from the **Ministry of Training Colleges and Universities** (MTCU) (25% of total revenues) increased by net of \$4.0 million or 3.7%. Additional grants were received under the MTCU's Accessibility program earned mainly as a result of new undergraduate semester 1 enrolment.

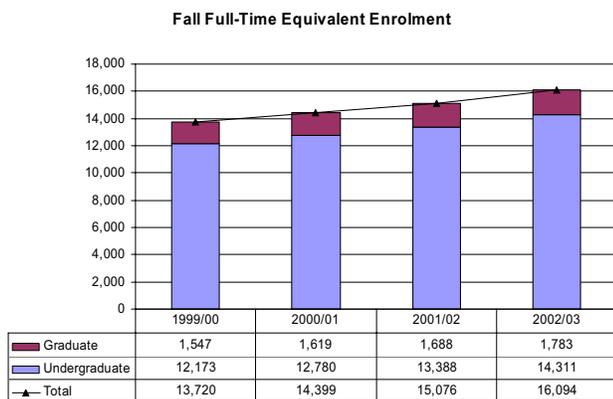
€ **Total Tuition Revenue** (18% of total revenues), increased by \$7.6 million or 10.5% to \$79.8 million. Tuition Revenue consists of revenues earned for both courses offered under MTCU funding guidelines for University-degree credit (referred to as MTCU credit enrolment) and non-credit courses which include a

University of Guelph  
**SUMMARY OF FINANCIAL RESULTS**  
 For the fiscal year May 1, 2002 to April 30, 2003

wide variety of courses ranging from general continuing education to OMAF diploma and professional certification programs. (Non-credit courses are not eligible for funding support from MTCU.)

Of the \$7.6 million total increase in tuition revenue, \$5.4 million was earned from an increase in MTCU credit course revenues and \$2.2 million was earned from new non-credit course revenues. Approximately \$4.0 million or 75% of the MTCU credit course revenues increase was due to the increased numbers of students. Refer to Graph B. (Note under provincial regulations, 30% of revenues derived from tuition fee increases must be allocated for additional student aid. See the note on Scholarships and Bursaries). The increase in non-credit tuition of \$2.2 million was mainly earned from increased activity in the Office of Open Learning for non-traditional university based degree and professional programs.

**Graph B**



€ **Sales of Goods and Services** (20% of total revenues) increased by \$6.4 million or 7.8% consisting of:

- a \$2.3 million increase in the sale of produce/livestock, royalties and laboratory services under the OMAF agreement (described in more detail below).
- a \$1.5 million increase in revenues from housing, food and parking services.
- a \$2.6 million net increase from a large variety of activities such as user fees charged for OVC (Ontario Veterinary College) teaching hospital services, laboratory, printing and the recovery of miscellaneous service costs.

€ Provincial funding recognized under the research, teaching and laboratory agreement with the **Ontario Ministry of Agriculture and Food (OMAF)** (11% of total revenues) decreased by \$0.7 million or 1%

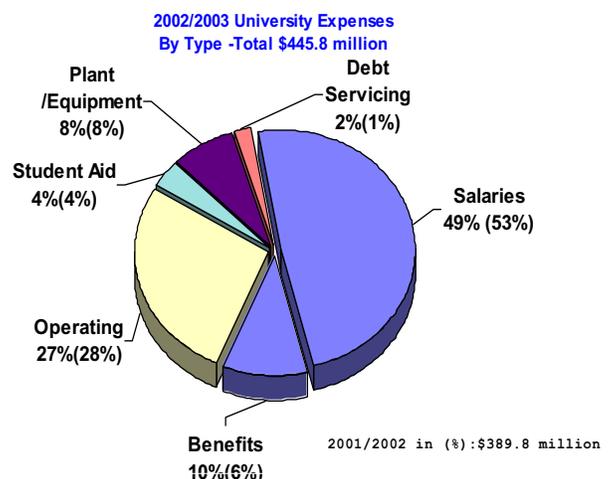
reflecting a decrease in provincial cash spent by operating units. OMAF agreement activities at the University have two sources of funding; funds from the province and general revenues earned from the sale of goods and services using provincial facilities. Under the contract with OMAF, recognition of revenue from provincial funds occurs only as funds are spent. The difference between provincial funds advanced and expenditures less general revenues in the period is recorded as a change in deferred revenue on the University's Balance Sheet. Despite this decrease in the use of provincial funding, actual expenditures under the contract increased by \$2.0 million. This overall increase in expenses was funded from new general revenues of \$2.7 million or 13% from non-government sources such as the sale of produce, diploma fees and laboratory fees (noted under the Sales of Goods and Services). (It should be emphasized that under the terms of the agreement with the Ministry, use of OMAF funds and related revenues earned using OMAF funded facilities is restricted for approved expenditures and is monitored closely by the Ministry.)

€ **Other (Revenue)** (6 % of total revenues) increased by \$12.5 million over fiscal 2002. The increase was mainly due to a \$11.7 million one-time provincial tax recovery of costs from prior years mainly related to capital equipment purchases. These funds are restricted for future capital purposes.

**EXPENSES**

University Expenses totaled \$445.8 million (see Graph C), an increase of 14.3% or \$55.9 million from fiscal 2002 (\$389.8 million).

**Graph C**



University of Guelph  
**SUMMARY OF FINANCIAL RESULTS**  
 For the fiscal year May 1, 2002 to April 30, 2003

Major components of this change over last year are:

- € **Salaries** (49% of total expenses) increased by \$12.6 million or 6.1% due to the equal impact of both negotiated salary agreements and staffing levels required for increased teaching and research activity.
- € **Benefits** (10% of total expenses) increased by a total of \$23.1 million or 103% over the fiscal year. About 85% of this increase was due to the impact of the method of accounting for post-employment costs (both pension and post-retirement benefits for dental and extended health programs) required under regulations of the C.I.C.A.-Canadian Institute of Chartered Accountants for audited statement purposes. This C.I.C.A. standard requires that all employer obligations for employee post-employment benefits be accounted for as they are earned (accrued) not as they are actually paid (cash). Application of this standard can create significant changes in accounting expense from year to year. For example, in the 2002 fiscal year pension expense (non-cash) was actually a credit of \$14.1 million (due to high asset values in earlier years). This year the expense was \$5.3 million reflecting accounting recognition of the major decline in pension asset values and interest rates due to general market conditions: a swing of \$19.4 million, the majority of the recorded benefit increase. In order to smooth the impact on the statements of these credits/charges, the University has in the past, followed the practice of appropriating any major accounting credits for the purpose of covering the expected increases in calculated pension expense (refer to Statement 3, page 13 in the audited financial statements.).

On a cash basis, total University non-pension costs increased 3.8% to \$28.1 million reflecting both increased staffing levels and general cost increases in most benefits particularly in Canada Pension Plan and extended health plans. In addition, in fiscal 2003 the University contributed \$6.4 million (\$1.0 million in fiscal 2002) to the pension plans reflecting the end of the contribution savings realized in prior years.

(While post-employment expense is a non-cash charge it does reflect the general magnitude underlying possible future expenditure for these benefits. The University is aware of this and is currently engaged in an extensive review of the pension plans in order to adequately plan for any change in projected future year pension cash requirements reflecting past and possible future market conditions.)

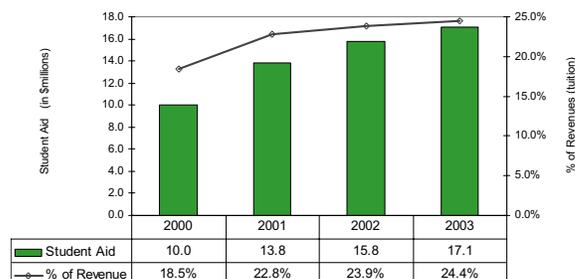
- € **Operating Expenses** (28% of total expenses) increased by \$9.7 million or 8.3%. Although this increase is not attributable to one single category or fund, \$1.9 million or 20% of the increase reflects the University's share of

start-up costs of the new University of Guelph-Humber initiative which are expected to be recovered from future years' net revenues. In addition, an 11% increase in utilities accounted for \$1.4 million. The balance reflects a general increase in the purchases of supplies, services and equipment due to increases in both enrolment and externally funded research activity.

- € **Scholarships and Bursaries:** Total University spending on 'Scholarships and Bursaries' increased by \$1.3 million or 8.0% to \$17.1 million (\$15.8 million in fiscal 2002 refer to Graph D). Scholarships and Bursaries have two main sources of funding - the Operating Fund and externally restricted funds e.g., grants, donations and endowments. The increase in 2003 was funded equally from both operating and externally restricted funds. Student aid funding now equals approximately 24.4% (18.5% in 2000) of total credit tuition revenues. Of the \$17.1 million, 47% is funded from the Operating Fund and 53% from trust (restricted) funds including endowments. Spending on Scholarships and Bursaries excludes employment related payments to students which totaled approximately \$28 million in fiscal 2003.

**Graph D**

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



€ **Capital Asset Amortization:** In the financial statements and in accordance with C.I.C.A. accounting requirements, the cash costs of major equipment and building acquisitions are not charged to income as they occur but over the expected useful life of the related asset. (refer to note 2 (e) on page 16 of the financial statements for the specific policy). The charge to income is called amortization (sometimes also referred to as depreciation). In fiscal 2003 this charge increased by \$3.9 million or 15% over 2002. This increase is the direct result of increases in capital acquisitions (equipment, buildings and major renovations) over the past several years funded in large part by external grants. (refer to the section on the Capital Fund below)

University of Guelph  
**SUMMARY OF FINANCIAL RESULTS**  
 For the fiscal year May 1, 2002 to April 30, 2003

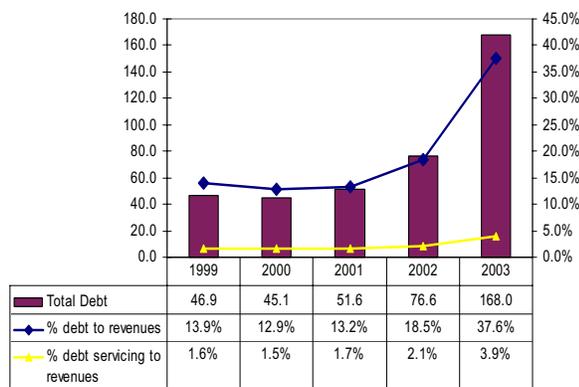
€ **LONG-TERM DEBT AND INTEREST**

In fiscal 2003 the University undertook its first major debenture issue when in October of 2002 a \$100 million unsecured debenture due in 2042 was issued as a private placement in the capital market. This debenture was issued at a coupon rate of 6.24% (effective rate of 6.249% reflecting a small discount of \$0.131 million). The debenture proceeds will provide sufficient long-term capital financing for the next five years for projects identified by the University as part of its strategic planning process. The major projects targeted to receive the majority of these funds are the new science complex, to be complete in fiscal 2006 and teaching facilities (Rozanski Hall) completed in the fall of 2003. The total combined cost of these two projects is estimated at \$160 million. Funds from the provincial SuperBuild Growth Fund program, targeted federal and provincial grants and donations will also provide for a significant portion of funding of these costs.

The debenture is reflected both as an increase in long-term capital debt from \$76.6 million in fiscal 2002 to \$168.0 million in fiscal 2003 and the increase in interest expense from \$3.3 million in fiscal 2002 to \$8.5 million in fiscal 2003. The University repaid \$7 million in total principal in fiscal 2003 approximately \$5 million of which was the payout of two high interest mortgages on its residences. Repayment and debt servicing of this new debt is planned from donations, contributions from endowments and an increase in general revenues from new University enrolments. Total external debt and debt servicing is at 37.6% and 3.9% respectively, of total University revenues (refer to Graph E.)

**Graph E**

**Comparison of Debt and Debt Servicing to Total Revenues**



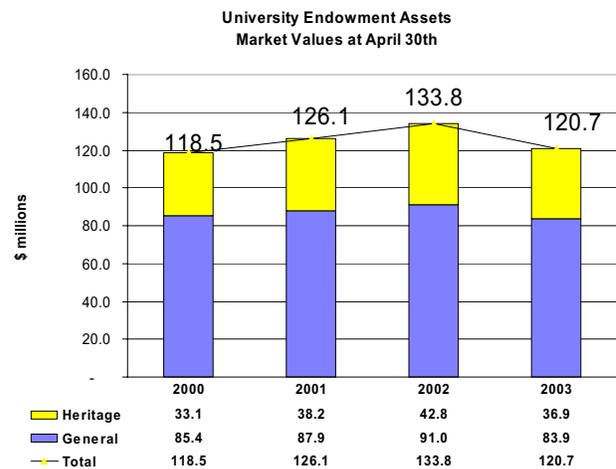
Note: policy limits for % debt to revenues and % debt servicing to revenues are 45% and 4.5% respectively.

Both percentages are well within both University policy limits of 45% and 4.5% respectively.

**ENDOWMENTS:**

The Endowment Fund (total investments of \$120.7 million, market values) is composed of restricted segregated funds provided by external benefactors or established by the Board of Governors. Under University policy only accumulated investment income earned on these funds, after having provided for inflation protection and in specific cases, growth, may be expended for the designated purpose. While all University endowments are pooled for investment purposes there are two major separate endowment funds each with different spending objectives: the Heritage Fund (investments of \$36.9 million) and the General Endowment Fund (investments of \$83.8 million). Refer to Graph F.

**Graph F**



The Heritage Fund was created in 1991 by a declaration of trust of the Board of Governors with the sole intention that the capital of the Fund will be held in perpetuity for University strategic purposes. The main sources of growth for the Fund are proceeds of University real estate sales and leases from designated properties and investment income earned on the capital of the Fund. Distributions from the Fund are made in accordance with a formula based on a five-year average of market returns after having provided for inflation protection and growth. Management of the Fund was delegated by the Board of Governors to the Board of Trustees. The Heritage Fund may also receive donations restricted for specific purposes such as student assistance.

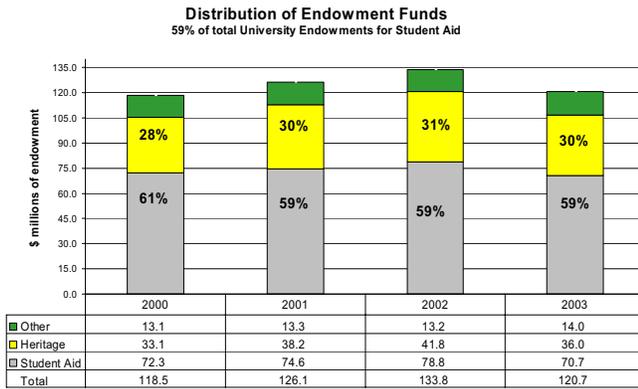
The General Endowment Fund contains all remaining University endowments recorded in 800 separate accounts consisting of external and Board designated donations

University of Guelph  
**SUMMARY OF FINANCIAL RESULTS**  
 For the fiscal year May 1, 2002 to April 30, 2003

mainly directed for student aid. Approximately 59% of all University endowments are allocated solely to student assistance (refer to Graph G.)

spending policies sufficient overall accumulated income remains and there is no expected major negative impact on endowment spending and all capital remains protected.

**Graph G**

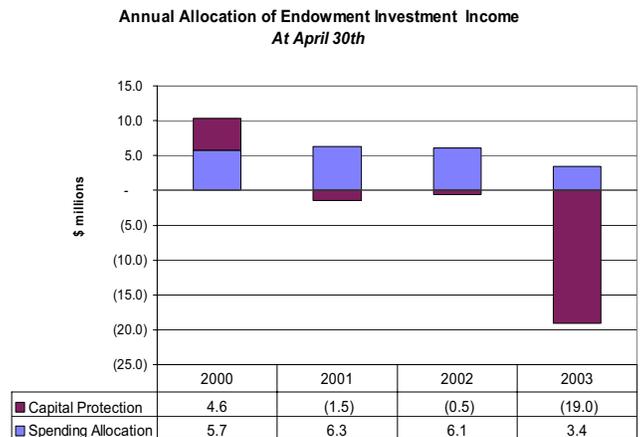


The University's General Endowment Fund management policy uses long-term investment assumptions in which investments are averaged over a moving four-year period in determining both investment performance and disbursement targets. The annual spending rate of the General Endowment Fund is restricted (4.5% in fiscal 2003). Each year the difference between actual returns and the disbursement rate is accumulated in the endowment fund to provide for capital protection and growth and if required to supplement annual returns to meet the annual disbursement targets.

€ In total, the market value at April 30th of all endowment investments had decreased by \$13.1 million from \$133.8 million in 2002 to \$120.7 million in 2003 or 10.8% (refer to Graph F). The decrease in market value is the result of negative investment returns of 11.4% and 11.9% for the Heritage and General Endowment funds respectively (7.7% and 3.2% respectively in fiscal 2002) partially offset by capital additions net of cash required for disbursements made in accordance with restrictions.

€ Total 2003 investment income from all endowments was a negative \$15.6 million reflecting a negative 11.4% annual investment return (compared to a \$5.6 million positive return in 2002) In fiscal 2003 in accordance with the University's spending policy approximately \$3.4 million of the total accumulated investment earnings were made available for disbursement. The total negative return and funds made available for spending total \$19.0 million which will be charged to the accumulated earning from prior years (see Graph H). While this is a substantial negative annual return, under the University's investment and

**Graph H**



€ **Endowment Contributions:** Endowment Contributions record the annual impact on the Endowment Fund of investment income, new donations and any equity accounting adjustments due to the University's ownership interest in the Cutten Club.

Total endowment contributions for fiscal 2003 were negative \$12.6 million (positive \$7.5 million in fiscal 2002). The decrease of \$12.6 million recorded in fiscal 2003 consisted of;

- 4 \$1.2 million (\$2.2 million in 2002) transferred to the Heritage Fund from Real Estate net proceeds and in matching funds transferred to the general endowment
- 4 \$5.2 million (\$5.8 million in 2002) in additional donations to capital received during the year due to the impact of the University's major fund raising campaign, offset by
- 4 a use of \$19.0 million (\$0.5 million in 2002) allocated from prior years' investment income to cover the investment loss and to provide for spending commitments in 2003.

University of Guelph  
**SUMMARY OF FINANCIAL RESULTS**  
For the fiscal year May 1, 2002 to April 30, 2003

---

**Capital :**

**Financial Statement Presentation:** In the audited financial statements, the Capital Fund records all of the University's capital building, major equipment and library acquisition costs for all funds except for Ancillary Enterprises. For financial statement purposes only, external funding received for capital projects is not recorded as capital fund revenue until the related capital asset is amortized. (Until recognized as revenues, external capital contributions are recorded as deferred contributions in the liability section of the statements.) The major expense of the Capital Fund is the amortization (or depreciation) of capital asset costs. The cost of newly acquired capital assets in the fiscal year are recorded in major asset classes; land, land improvements, buildings, construction in progress, equipment, and library and arts collections. Expenses are charged (amortized) in the Capital Fund over the estimated useful life of each asset class (refer to Note 2(e) on page 16 for the amortization period of each asset class). In the equity section or Fund Balance of the Capital Fund the account 'Investment in Capital Assets' records the net book value less any debt or restricted contributions associated with capital assets. This represents the University's residual (net of amortization and any external debt) equity in its capital assets.

In the fiscal 2003 financial statements, the net book value of capital assets increased by \$16.9 million (\$53.3 million in 2002) to \$352.5 million reflecting expenditures on capital and work-in-progress in several building/renovation projects of \$47.1 million (\$79.5 million in 2002 refer to Graph I) less capital asset amortization of \$30.1 million. These acquisitions will be funded through a combination of external grant or contract funding e.g., the Ontario government's SuperBuild Growth Fund, endowments, donations and, in the case of student residences, user fees.

**Capital Contributions and Acquisitions:** The following describes the major capital acquisition and funding activity that occurred during the year. Although this activity is not apparent in the audited financial statements, it is reflected in the cash flow, additions and deletions related to capital assets.

€ **Major capital contributions received (total \$46.0 million);**

- 4 \$1.7 million (\$1.7 million in 2002) in a Facilities Renewal grant were received from MTCU. The contribution is restricted for deferred maintenance repairs and renovations for the campus physical plant infrastructure. Given the University buildings' age and usage and past deficiencies in funding, at least \$200 million in deferred maintenance costs have been estimated. Facilities renewal funding is normally allocated to deal

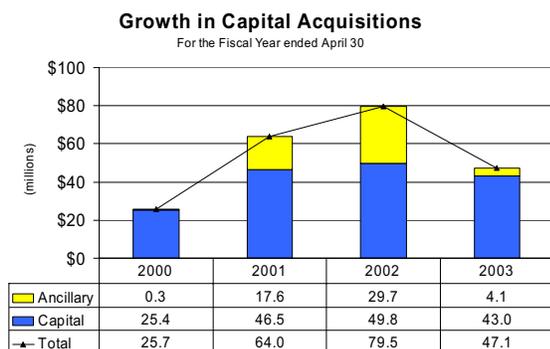
with the highest priority items such as safety and emergency repairs.

- 4 \$1.9 million was earned on the SuperBuild Growth Fund investment of \$45 million in fiscal 2003. (\$5.6 million was earned in prior fiscal years since receipt of these funds in fiscal 2000 bringing the total investment earned to \$7.5 million.) During 2003, \$18 million of the original grant of \$45 million was spent on new science building and Rozanski Hall classroom complex projects, leaving a balance of \$27 million. (Refer to note 13 on page 24).
  - 4 \$1.5 million transferred from the Heritage fund to assist in funding the University's new integrated data and voice communication system was approved and allocated in 2002/03,
  - 4 \$2.0 million was allocated from the research infrastructure grants to support a number of major upgrades to the University's central utilities plant,
  - 4 \$37.3 million was received from the Federal Government for the redevelopment of the OVC (Ontario Veterinary College). These funds are restricted for the renovation and expansion of the veterinary hospital, laboratories and research buildings.
  - 4 Remaining capital contributions of \$1.6 million are for capital purchases funded primarily from federal and provincial research grants and contracts such as (CFI-Canada Foundation for Innovation) and (OIT-Ontario Innovation Trust) and campaign donations.
- € **Major acquisitions (\$47.1 million)** recorded during the year include:
- 4 \$0.5 million in expenses for the integrated voice/data communications system, bringing the project to date costs to \$3.6 million (total project when completed in 2006 will be \$14.35 million) funded from the Heritage Fund, grants and user fees,
  - 4 \$5.5 million spent to date for major renovations including replacing central cooling equipment, diesel generator and installation of a heat recovery system,
  - 4 \$17.6 million for the science and teaching facilities funded from the Superbuild Growth fund,
  - 4 \$1.3 million for computer equipment and software acquired through a purchase agreement with Hewlett-Packard,
  - 4 \$15.7 million in major equipment purchases and renovations funded by both departmental transfers from the Operating Fund and external research grant/contract funding transferred from the Research and Trust Fund,
  - 4 \$4.1 million in equipment purchases and renovations funding by the ancillary organizations,

University of Guelph  
**SUMMARY OF FINANCIAL RESULTS**  
 For the fiscal year May 1, 2002 to April 30, 2003

4 The balance of \$4.2 million consisted of a combination of smaller capital projects and acquisitions including in-kind donations and Library acquisitions less a \$1.8 million accounting adjustment to the book value of some prior years' equipment purchases.

**Graph I**



receipts, excluding the OMAF contract and funds designated for capital, totaled \$66.2 million (refer to Graph J). This represents a 2% increase from the previous year when \$64.8 million in research grants and contract funding were received.

(Note because research receipts are mainly restricted by the contributor, they are not recognized as revenue until spent in accordance with C.I.C.A. rules for financial statement reporting.)

€ Expenditures in this fund increased in proportion to revenues reflecting the restricted nature of these revenues. Additional major expenditures in this fund included scholarships and bursaries of \$9.1 million funded from grants, annual donations and endowment investment income transferred to this fund from endowments for disbursement.

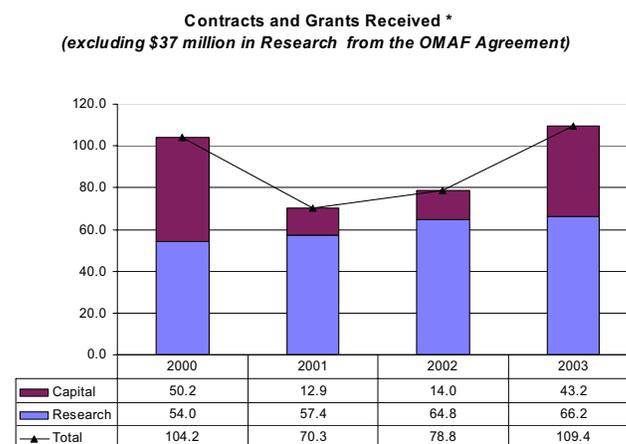
**The Research and Trust Fund:**

This fund reports contributions made primarily by outside organizations in the form of **restricted** research contracts and grants. Although reported as one fund on the financial statements (refer to Schedule 1), the Research and Trust Fund consists of about 5,000 individual accounts that record both revenues and expenses for each grant, contract or special purpose. Major sources of funding include federal research grants such as those from NSERC (Natural Sciences and Engineering Research Council), SSHRC (Social Sciences and Humanities Research Council) and CIHR (Canadian Institute of Health Research) and contracts from industry for sponsored research projects. In fiscal 2003, the University continued to receive significant funding of approximately \$9.6 million (\$10.5 million in 2002) under the CFI/OIT/ORDCF programs (CFI-Canada Foundation for Innovation, OIT- Ontario Innovation Trust and ORDCF-Ontario Research and Development Challenge Fund.

It is important to note that this fund records only a portion of the estimated total University research activity of \$106.8 million in fiscal 2003. Approximately \$37 million in research and related services are funded as part of the OMAF contract.

€ Revenues recognized in the financial statements in this fund decreased by \$1.4 million or 2% to \$68.0 million (\$69.4 million in 2002) reflecting the timing of the recognition of restricted revenues in accordance with the spending of actual cash received. On a purely cash flow basis, research

**Graph J**



Note: "research" in the above chart excludes \$2.5 million in major capital-related research receipts recorded under "capital" and approximately \$37 million in research funding received under the contract with OMAF. Total research related funding received in fiscal 2003 was \$106.8 million.

## **The Ancillary Enterprises Fund:**

**The Ancillary Enterprises Fund** with revenues of \$57.2 million or 13% of total University revenues (2002 revenues of \$55.7 million) reports financial results of the University activities not related to academic and direct support functions reported in the Operating Fund. Ancillary units are responsible for any net operating shortfalls, capital amortization costs, interest costs and all other support costs incurred in their operations. Individual annual budgets are prepared and approved for each of these operations. Results by unit are detailed in Schedule 2 of the annual audited financial statements.

In comparison to 2002, **total revenues** in the Ancillary Fund increased by 1.5% or \$1.5 million to \$57.2 million. Although there was no apparent major change in revenues, within the units, Real Estate Division sales were down by \$1.5 million reflecting a one-time revenue related to the Village By the Arboretum development in fiscal 2002. Student Housing revenues are higher by \$2.1 million reflecting the addition of the East Village Townhouse units. Other Ancillary Fund operations reported an increase of \$0.9 million. Net Income in all Ancillary Units was positive with the exception of the University Centre which had a loss of \$0.19 million and Student Housing which had a small loss of \$0.09 million. Under expenses, the most significant increases were the result of the new East Village residence where the total costs including debt servicing associated with this facility of \$33 million, will be repaid from new student housing rental income.

## **The Operating Fund:**

**The Operating Fund** records the revenues and expenses for most of the University's day-to-day academic and institutional infrastructure activities. It is the largest fund with approximately 65% of total University revenues.

**Operating Fund Revenues** (total 2003 revenues of \$290.6 million – refer to Graph K). Operating grants from MTCU, funds received under the agreement with OMAF (the Ontario Ministry of Agriculture and Food) and tuition, both credit and non-credit revenues provide the three largest components of revenue in this fund. Together they account for 38%, 18% and 28% respectively, of total Operating Fund revenues. Remaining revenues of 16% are from miscellaneous fees, sales of goods and services raised by a variety of academic and service units, investment income and general external cost-recoveries.

**OMAF Agreement:** Included in the Operating Fund is OMAF agreement activity (2003 total expenses of \$73.7 million). The OMAF agreement under which the University delivers research, education and laboratory testing programs, is unique in the Ontario university system. The University of Guelph and OMAF renewed the agreement for five years on April 1, 2002. Fiscal 2003 OMAF agreement related expenses were funded from provincial transfers of \$50.5 million and related non-provincial revenues from the sale of goods and services and diploma and training enrolments of \$23.2 million. In total the OMAF contract activity generates 26% (18% from provincial funds and 8% earned from sales and fees from teaching, research and laboratory test operations) of total Operating Fund revenues. Under the terms of the agreement, OMAF revenues and expenses are treated as a separate restricted account within the Operating Fund and must be fiscally balanced. It therefore has no financial impact on the net income of the Operating Fund. Detailed results of OMAF agreement are shown on schedule 3, page 34.

**Operating Fund Expenses** (total of \$290.9 million – refer to Graph L): Salaries and benefits compose 74.7% of total Operating Fund expenses (73.5% in fiscal 2002). Salaries increased by 6.6% or \$11.0 million due to negotiated settlements with employee groups and an increase in the number of employees. Benefits increased by a net 130.1% or \$22.5 million. This significant increase in expense was due to a post-employment benefits expense (refer to the earlier note on overall University benefits increases).

The next largest increase was for general operating expenses which increased 11.2% or \$6.6 million. A significant component of this increase was a \$1.9 million expense related to the start-up and curriculum development for the new University of Guelph-Humber program. In addition, utility costs increased \$1.4 million due in large part to rate increases particularly for energy such as hydro and increases in new building space.

In fiscal 2003 the University set two key budgetary objectives for the Operating Fund:

1. Continue planning for growth and investing in the maintenance of quality and accessibility particularly in faculty and staff, teaching support services, student services including student financial assistance and maintaining quality in University teaching and research facilities.
2. To balance and stabilize the budget including completing the deficit repayment requirement and manage the University's structural or base deficit.

University of Guelph  
**SUMMARY OF FINANCIAL RESULTS**  
 For the fiscal year May 1, 2002 to April 30, 2003

In addition, as part of the Preliminary 2003/2004 MTCU Budget approved by the Board of Governors in March 2003, net saving/revenues were to be found from either fiscal 2003 year end savings or subsequent adjustments in fiscal 2004.

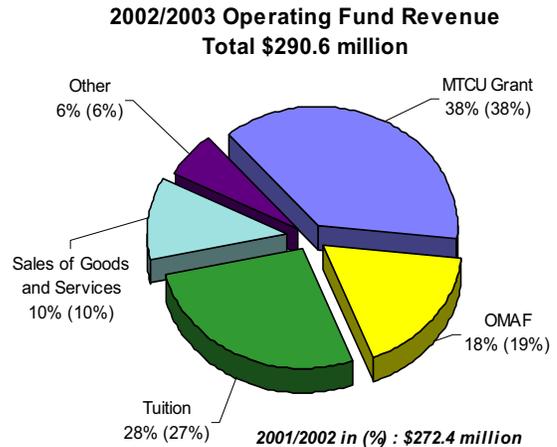
While total fiscal results in the Operating Fund show a \$15.0 million net decrease in fund balance (\$11.7 million increase in fiscal 2002) the largest component (\$10 million) of the decrease was due to accounting for post-employment benefits. In addition, transfers of \$14.7 million, (\$10.7 million in fiscal 2002) were made primarily to the Capital and Research and Trust funds for expenses such as new faculty start-up funds, teaching equipment and deferred maintenance reflecting the implementation of planning for new enrolments. Offsetting this annual decrease was \$17.2 million drawn from appropriations (previous year's accumulated funds) as follows:

- € \$10.4 million of appropriations were used to fund the employee future benefits expense. This appropriation stands at \$24.6 million at the end of fiscal 2003.
- € \$6.8 million use of "Equipment and Supplies" funds, \$4.9 million of which is a use of one-time funds appropriated in fiscal 2002 funds for 2003 commitments. In addition, \$1.9 million was temporarily charged to appropriations for start-up costs of the new University of Guelph-Humber program. It is planned to recover these costs from future years Guelph-Humber program net revenues.
- € Remaining funds in this category are \$4.2 million of which \$2.2 million is allocated from institutional net revenues or cost savings. (These funds will be carried into fiscal 2004 to assist in meeting the overall target approved in the University's 2003/2004 Budget.)

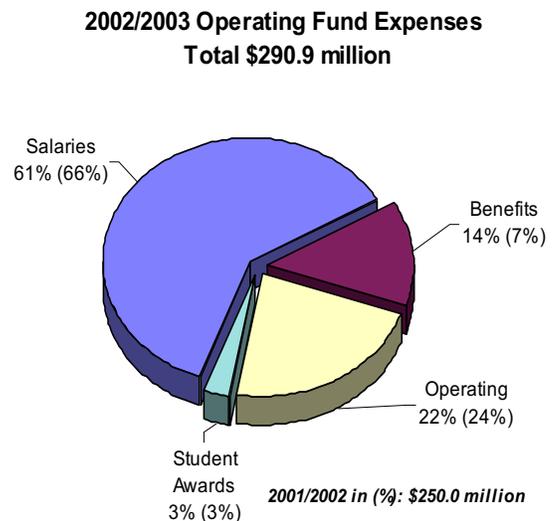
Total Operating Fund appropriations at the end of fiscal 2003, after the use of the \$17.2 million, hold a balance of \$35.6 million. (refer to Statement 3 on page 13.)

After adjustments to Appropriations, \$2.2 million was applied to reduce the deficit incurred from prior years restructuring costs, to \$1.7 million (\$3.9 million in 2002) in accordance with the Board-mandated deficit repayment schedule (Budget objective 2).

**Graph K**



**Graph L**



University of Guelph  
**SUMMARY OF FINANCIAL RESULTS**  
 For the fiscal year May 1, 2002 to April 30, 2003

**University Summary—All Funds - Fund Balances:**

Total University income received in fiscal 2003 from all funds was \$446.3 million. Total Expenses were \$445.8 million. The net of Revenues less Expenses was therefore \$0.5 million (\$24.4 million in 2002). In order to complete the total calculation of changes in fund balances, a \$13.9 million reduction in contributions to endowments is subtracted from the \$0.5 million generated from operations. The resulting \$13.4 million reduction in funds was allocated in accordance with external restrictions, Board policy and future budget and expenditure requirements.

The following notes and table summarize the distribution of changes to fund balances based on fiscal 2003 financial results:

- € Invested in Capital Assets - increase of \$7.3 million (2002; \$5.2 million) records the net change in the University's equity in its capital assets. This account increased as a result of an increase in net book value of capital assets (acquisitions greater than amortization) and the reduction in debt on the University's capital assets (which increases our equity).
- € Endowed Funds - decrease of \$12.6 million (2002; \$7.5 million increase) records the net change in endowments due to \$5.2 million in new donations/contributions plus \$1.2 million in net proceeds from the Real Estate proceeds and matching funds less a use of \$19.0 million of the prior year's investment income. (Note: The Endowed Fund Balance of \$104.8 million is that portion of endowed investments of \$120.7 million designated for initial donated capital plus accumulated investment earnings allocated for inflation protection and growth. The balance of investments are designated for spending in accordance with Board approved policies or have been advanced to the endowment fund for investment purposes only.)
- € Appropriations (refer to Statement 3 on page 13) decrease of \$9.8 million (\$14.1 million increase in 2002) records net funds committed or used for specific purposes such as outstanding purchase commitments, departmental funds, research, capital replacement, employee future benefit expenses and stabilization funds.
- € Unappropriated Funds – reports the accumulated net income of University operations after appropriations under University policy and restrictions. In total, the University's unappropriated funds increased by \$1.7 million consisting of a \$2.2 million reduction in the restructuring deficit in the Operating Fund (reduced to \$1.7 million in accordance with the Board approved

repayment plan) plus a net decrease in funds of \$0.5 million from combined ancillary unit operations.

The following table summarizes total University financial results for the fiscal year ended April 30, 2003;

**2002/2003 UNIVERSITY RESULTS**  
**Summary of All Funds**  
 (\$millions)

	<u>Opening</u> <u>Fund</u> <u>Balances</u>	<u>2002/</u> <u>2003</u> <u>Results</u>	<u>Closing</u> <u>Fund</u> <u>Balances</u>
Total University Revenues	446.3		
Total University Expenses		445.8	
Revenues Less Expenses		<u>0.5</u>	
Add: Endowment Contributions: <i>recorded as a direct increase(decrease) in Fund Balance.</i>		(13.9)	
Equals: Decrease in Fund Balances		<u>(13.4)</u>	
 <b>UNIVERSITY FUND BALANCES:</b>			
Invested In Capital Assets	57.5	7.3	64.8
Endowed Funds	117.4	(12.6)	104.8
Appropriated (all funds)	83.9	(9.8)	74.1
Unappropriated- Ancillaries	2.9	(0.5)	2.4
Unappropriated- Operating Fund	(3.9)	2.2	(1.7)
 Total Fund Balances	 <u>257.8</u>	 <u>(13.4)</u>	 <u>244.4</u>

## Auditors' Report

### To the Shareholders of the University of Guelph

We have audited the statement of financial position of the **University of Guelph** as at April 30, 2003 and the statements of operations and changes in fund balances (unappropriated, endowed, and invested in capital assets), changes in appropriated expendable fund balances and cash flows for the year then ended. These financial statements are the responsibility of the management of the University of Guelph. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, these financial statements present fairly, in all material respects, the financial position of the University of Guelph as at April 30, 2003 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

*PricewaterhouseCoopers LLP*

Chartered Accountants  
July 4, 2003

**UNIVERSITY OF GUELPH**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT APRIL 30, 2003**

(in thousands of dollars)

	<u>2003</u>	<u>2002</u>
<b><u>ASSETS</u></b>		
<b>Current</b>		
Cash and Short Term Investments	65,241	57,529
Accounts Receivable	20,021	17,530
Inventories	3,189	2,941
Prepaid Expenses	742	552
	<u>89,193</u>	<u>78,552</u>
<b>Long-term</b>		
Accrued Benefit Asset (Note 14)	29,524	39,017
Real Estate Projects in Progress	4,660	3,854
Mortgage Receivable	2,000	2,000
Deferred Charge (Note 16)	910	
Investments (Note 3)	294,398	184,218
	<u>331,492</u>	<u>229,089</u>
Capital Assets (Note 6)	<u>352,529</u>	<u>335,582</u>
	<u><b>773,214</b></u>	<u><b>643,223</b></u>
<b><u>LIABILITIES</u></b>		
<b>Current</b>		
Accounts Payable and Accrued Charges	32,905	30,364
Current Portion of Long-term Debt (Note 7)	3,302	3,563
Current Portion of Deferred Revenue and Contributions (Note 8)	16,964	5,420
	<u>53,171</u>	<u>39,347</u>
Long-term Debt (Note 7)	164,663	73,037
Deferred Revenue and Contributions (Note 8)	310,964	273,018
	<u><b>528,798</b></u>	<u><b>385,402</b></u>
<b><u>FUND BALANCES</u></b>		
Invested in Capital Assets	64,876	57,584
Endowed (Note 10)	104,793	117,445
Appropriated (Statement 3)	74,055	83,884
Unappropriated	692	(1,092)
	<u><b>244,416</b></u>	<u><b>257,821</b></u>
	<u><b>773,214</b></u>	<u><b>643,223</b></u>

**UNIVERSITY OF GUELPH**  
**STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCES**  
**(UNAPPROPRIATED, ENDOWED AND INVESTED IN CAPITAL ASSETS)**  
**FOR THE YEAR ENDED APRIL 30, 2003**

(in thousands of dollars)

	<u>2003</u>	<u>2002</u>
<b>REVENUE</b>		
Ministry of Training, Colleges and Universities	111,776	107,777
Ministry of Agriculture and Food (Schedule 3)	50,908	51,572
Tuition (Credit and Non-Credit)	79,799	72,250
Donations (Note 15)	4,216	5,137
Sales of Goods and Services	88,114	81,744
Investment Income (Note 4)	8,742	7,845
Other Grants and Contracts	60,711	60,553
Amortization of Deferred Capital Contributions (Note 8)	15,578	13,466
Other (Note 11)	26,427	13,920
	<u>446,271</u>	<u>414,264</u>
<b>EXPENSES</b>		
Salaries	217,725	205,089
Benefits	45,530	22,350
Travel	11,168	10,062
Operating	111,404	100,213
Minor Renovations and Repairs	4,244	6,805
Interest	8,509	3,312
Scholarships and Bursaries	17,076	15,810
Capital Asset Amortization	30,135	26,207
	<u>445,791</u>	<u>389,848</u>
Revenue Less Expenses	480	24,416
Endowment Contributions (Note 10)	<u>(13,885)</u>	<u>5,298</u>
Increase (Decrease) in Fund Balance	(13,405)	29,714
Transfer (to) from Appropriations (Statement 3)	<u>9,829</u>	<u>(14,095)</u>
Net Increase (Decrease) in Fund Balances	(3,576)	15,619
Fund Balances, Beginning of Year		
Unappropriated, Endowed and Invested in Capital Assets	<u>173,937</u>	<u>158,318</u>
Fund Balances, End of Year		
Unappropriated, Endowed and Invested in Capital Assets (Schedule 1)	<u>170,361</u>	<u>173,937</u>

**UNIVERSITY OF GUELPH**  
**STATEMENT OF CHANGES IN APPROPRIATED**  
**EXPENDABLE FUND BALANCES**  
**FOR THE YEAR ENDED APRIL 30, 2003**

(in thousands of dollars)

<b>OPERATING FUND</b>	Balance, Beginning of Year	Transfer To (From) Appropriations	Balance, End of Year
Equipment and Supplies	11,223	(6,802)	4,421
Self Insured Losses	500	50	550
Pension and Benefits	35,062	(10,468)	24,594
Stabilization Fund	6,000		6,000
	<u>52,785</u>	<u>(17,220)</u>	<u>35,565</u>
<b>CAPITAL FUND</b>			
Capital Projects and Renovations	523	8,746	9,269
Minor Renovations	1,215	773	1,988
Athletic Facility	225		225
	<u>1,963</u>	<u>9,519</u>	<u>11,482</u>
<b>ANCILLARY ENTERPRISES</b>			
Real Estate Division	6,549	(4,329)	2,220
Student Housing Services	500		500
University Centre	219	(20)	199
	<u>7,268</u>	<u>(4,349)</u>	<u>2,919</u>
<b>RESEARCH AND TRUST FUND</b>			
Research and Trust	<u>21,868</u>	<u>2,221</u>	<u>24,089</u>
<b>TOTAL</b>	<u>83,884</u>	<u>(9,829)</u>	<u>74,055</u>

**UNIVERSITY OF GUELPH  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED APRIL 30, 2003**

(in thousands of dollars)

	<u>2003</u>	<u>2002</u>
<b>OPERATING ACTIVITIES</b>		
Increase (Decrease) in Fund Balance (Statement 2)	(13,405)	29,714
Add (Deduct) Non-Cash Items:		
Capital Asset Amortization (Statement 2)	30,135	26,207
Amortization of Deferred Capital Contributions (Statement 2)	(15,578)	(13,466)
Unrealized Loss on Investments	19,026	3,735
Decrease in Long Term Receivables		1,000
(Increase) Decrease in Accrued Benefit Asset	9,493	(5,470)
(Increase) Decrease in Non-cash Working Capital	(1,194)	1,362
	<u>28,477</u>	<u>43,082</u>
<b>FINANCING ACTIVITIES</b>		
Increase in Long-term Debt	100,000	30,300
(Increase) in Deferred Charges	(910)	
Repayment of Long-term Debt	(8,635)	(5,248)
Deferred Capital Contributions Received During the Year	55,399	29,456
Increase (Decrease) in Deferred Contributions	9,669	(14,919)
	<u>155,523</u>	<u>39,589</u>
<b>INVESTING ACTIVITIES</b>		
Acquisition of Investments	(129,206)	(6,447)
Acquisition of Capital Assets	(47,082)	(79,577)
	<u>(176,288)</u>	<u>(86,024)</u>
Change in Cash and Short Term Investments	7,712	(3,353)
<b>CASH AND SHORT TERM INVESTMENTS, BEGINNING OF THE YEAR</b>	<u>57,529</u>	<u>60,882</u>
<b>CASH AND SHORT TERM INVESTMENTS, END OF THE YEAR (Statement 1)</b>	<u>65,241</u>	<u>57,529</u>

**UNIVERSITY OF GUELPH**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended April 30, 2003**

---

**1. AUTHORITY AND PURPOSE**

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES**

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

**(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
  - Parking Administration
  - Real Estate Division
  - Student Housing Services
  - University Centre
- iv. The Research and Trust Fund includes those funds provided by benefactors and external contracts, the expenditure of which is restricted to a specific purpose. Also included are investment income on endowments. This investment income is available for expenditure.
- v. The Endowment Fund records donations provided by benefactors or funds designated by the Board, which are restricted as to purpose and expendability. Only the accumulated investment income earned on these funds, after having provided for inflation protection and, in specific cases, growth may be expended for the designated purpose. The endowment capital remains intact. Endowment earnings available for expenditure are recorded in the Research and Trust Fund.

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

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

**UNIVERSITY OF GUELPH**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended April 30, 2003**

---

Distributions from the Fund are made in accordance with a formula based on a five-year average of market returns after having provided for inflation protection and, in certain cases, growth. Management of the Fund is delegated by the Board of Governors to a separate Board of Trustees.

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

Schedule 1 contains the Statement of Changes in Fund Balances for the funds described above.

**(b) Investments**

The University reports its investments at market value, with the exception of its investment in the Guelph Golf & Recreation Club Limited (Cutten Club) which is recorded on an equity basis and capital fund and ancillary enterprises investments which are recorded at cost.

**(c) Financial Instruments**

Accounts receivables are recorded at estimated net realizable value, which approximates fair value. Accounts payable and long-term debt are recorded at their cost amounts, which approximates fair value.

**(d) Inventory Valuation**

Inventories are recorded at the lower of cost and market.

**(e) Capital Assets**

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

Computing Equipment acquired prior to the year ended April 30, 2002 is recorded as Furniture & Equipment.

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

Land Improvements	38 to 60 Years
Buildings	40 Years
Furniture and Equipment	10 Years
Library Books	5 Years
Computer Equipment	3 Years

**(f) Leases Payable**

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

**(g) Appropriations of Fund Balances**

Appropriations are restrictions of fund balances designated for: future purchase order commitments; capital and renovation projects committed but not completed; unspent organizational unit funds

**UNIVERSITY OF GUELPH**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended April 30, 2003**

---

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.

**(h) 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.

**(i) Employee Future Benefits**

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

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

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

**(j) Real Estate Projects**

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

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

Costs, including capitalized interest (2003 \$237,000; 2002 \$216,000) of projects not yet completed are deferred and recorded as "Real Estate Projects in Progress" on the Statement of Financial Position. It is anticipated that these project costs will be recovered from future Real Estate Division revenues.

**UNIVERSITY OF GUELPH**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended April 30, 2003**

**3. INVESTMENTS**

[in thousands of dollars]	Book Value		Market Value	
	2003	2002	2003	2002
Capital Fund				
Short Term Notes and Bonds	161,428	38,184	161,445	38,484
Ancillary Enterprises				
Bonds	5,064	4,384	5,765	4,782
Research & Trust Fund				
OMAF Post Retirement	2,460	2,503	3,247	3,578
OMAF Early Retirement	2,980	2,985	3,941	4,283
Total Research & Trust Fund	5,440	5,488	7,188	7,861
General and Heritage Endowment Funds				
Cash and Short Term Notes	14,656	11,231	14,633	11,229
Canadian Equities	22,721	24,909	23,775	28,638
Canadian Pooled Equity	1,827	2,268	1,723	2,485
Canadian Fixed Income	26,784	24,065	27,680	24,035
Foreign Equities	43,727	42,539	33,866	43,421
Foreign Pooled Equity	20,462	19,937	15,541	20,583
Cuttan Club	3,500	3,398	3,500	3,398
	133,677	128,347	120,718	133,789
Total Investments	305,609	176,403	295,116	184,916

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

In April 1997, as part of the enhanced partnership agreement with OMAF, the University received funds which may only be used to cover the post retirement and early retirement benefit costs related to past service for former Ministry employees, now employed by the University. The OMAF Post Retirement and the OMAF Early Retirement Funds are invested in a diversified pooled fund of Canadian equities, bonds, foreign equities and cash investments.

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

[in thousands of dollars]	Book Value		Market Value	
	2003	2002	2003	2002
General Endowment	93,527	88,340	83,854	91,012
Heritage Fund	40,150	40,007	36,864	42,777
	133,677	128,347	120,718	133,789

**UNIVERSITY OF GUELPH**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended April 30, 2003**

**4. INVESTMENT INCOME**

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

<b>Investment Income</b> [in thousands of dollars]	<b>Operations</b>	<b>Endowment</b>	<b>Total 2003</b>	<b>Total 2002</b>
Net Realized Investment Income	6,361	2,794	9,155	15,514
Increase (Decrease) in Unrealized Investment Income	(787)	(18,400)	(19,187)	(4,430)
Total Investment Income (Loss)	5,574	(15,606)	(10,032)	11,084
Decrease in Accumulated Endowed Investment Income		19,007	19,007	544
Investment Income Available for Expenditure	3,401	(3,401)	-	
Net Increase in Deferred Contributions	(233)		(233)	(3,783)
Total	8,742	-	8,742	7,845

**5. GUELPH GOLF & RECREATION CLUB LIMITED (CUTTEN CLUB)**

The Guelph Golf & Recreation Club Limited (Cutten Club) is wholly owned by the University. The Cutten Club has not been consolidated in these financial statements. The market value of the Cutten Club investment is estimated to be equal or greater than its book value. The book value has been determined using the equity method, which recognizes the change in the Cutten Club's retained earnings.

A financial summary for the fiscal years ended March 31, 2003 and 2002 is as follows:

<b>Guelph Golf &amp; Recreation Club Limited (Cutten Club)</b> [in thousands of dollars]	<b>2003</b>	<b>2002</b>
<b>Financial Position:</b>		
Total Assets	3,455	3,439
Total Liabilities	1,961	2,047
Total Net Assets	1,494	1,392
<b>Results of Operations:</b>		
Total Revenue	3,617	3,377
Total Expenses	3,515	3,318
Excess of Revenue over Expenses	102	59
<b>Cash Flows:</b>		
Cash from Operations	320	285
Cash from Financing Activities	(44)	145
Cash used in Investing Activities	(306)	(661)
Increase (Decrease) in Cash	(30)	(231)

**UNIVERSITY OF GUELPH**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended April 30, 2003**

**6. CAPITAL ASSETS**

a) Details	2003		2002	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
[in thousands of dollars]				
Land	6,473		6,473	6,473
Land improvements	16,014	6,842	9,172	8,979
Buildings	376,706	160,363	216,343	213,897
Furniture and equipment	232,850	158,546	74,304	71,837
Construction in progress	30,688		30,688	15,018
Computer equipment	19,164	8,439	10,725	13,114
Library and art collection	72,915	68,091	4,824	6,264
	<u>754,810</u>	<u>402,281</u>	<u>352,529</u>	<u>335,582</u>

**b) Change in Net Book Value**

[in thousands of dollars]	2003	2002
Balance, beginning	335,582	282,212
Purchase of capital assets	47,082	79,577
Less: Amortization of capital assets	(30,135)	(26,207)
Balance, ending	<u>352,529</u>	<u>335,582</u>

**c) Insured Values**

[in thousands of dollars]	2003 Net Book Value	2003 Insured Value
Buildings	216,343	915,993
Furniture, equipment and library books	91,127	776,534
Art and artifacts collection	1	7,413

**UNIVERSITY OF GUELPH**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended April 30, 2003**

**7. a) LONG-TERM DEBT**

[in thousands of dollars]

	Interest Rate %	Issue Date	Due Date	2003	2002
				Total	Total
<b>Series A Unsecured Debenture</b>	6.24	11-Oct-02	10-Oct-42	100,000	
<b>Banker's Acceptance</b>					
Canadian Imperial Bank of Commerce	7.88	1-May-96	1-May-06	5,560	6,249
Canadian Imperial Bank of Commerce	5.89	6-Jul-98	6-Jul-07	4,295	5,167
Bank of Montreal	7.01	16-Oct-00	16-Jun-25	33,400	33,800
				<u>43,255</u>	<u>45,216</u>
<b>Leases payable</b>					
Ontario Student Housing Corp.	6.13	1-Jan-69	1-Dec-18	758	785
Ontario Student Housing Corp.	7.13	1-Jan-71	1-Dec-20		216
Canada Mortgage and Housing Corp.	5.88	1-Jan-69	1-Dec-18	6,698	6,945
Canada Mortgage and Housing Corp.	6.88	1-Jan-71	1-Dec-20		1,918
Bruce Edmeades Sales Ltd.	4.13	1-Jan-98	31-Dec-02		58
Hewlett-Packard	6.3	1-Sep-00	31-Aug-04	2,047	3,256
				<u>9,503</u>	<u>13,178</u>
<b>Mortgages payable</b>					
Canada Mortgage and Housing Corp.	7.25	1-Jan-73	1-Jan-23		2,956
Canada Mortgage and Housing Corp.	5.38	1-Jan-67	1-Dec-16	902	945
Ontario Housing Corp.(interest only)	10.36	1-Oct-90	1-Apr-10	1,225	1,225
Ontario Housing Corp.(interest only)	9.86	1-Dec-92	1-Jun-11	13,080	13,080
				<u>15,207</u>	<u>18,206</u>
				167,965	76,600
Current Portion				<u>(3,302)</u>	<u>(3,563)</u>
				<u>164,663</u>	<u>73,037</u>

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

[in thousands of dollars]	Principal	Interest	Total
2004	3,302	11,187	14,489
2005	3,458	10,934	14,392
2006	2,572	10,769	13,341
2007	5,549	10,428	15,977
2008	1,214	10,275	11,489
	<u>16,095</u>	<u>53,593</u>	<u>69,688</u>
Thereafter	<u>151,870</u>		
	<u>167,965</u>		

**UNIVERSITY OF GUELPH**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended April 30, 2003**

**7. b) SERIES A UNSECURED DEBENTURE**

On October 11, 2002 the University issued a Series A senior unsecured debenture in the aggregate principal amount of \$100.0 million at a price of \$998.69 for proceeds of \$99,869,000. The debenture bears interest at 6.24%, which is payable semi-annually on April 10 and October 10 with the principal amount to be repaid on October 10, 2042. The proceeds of the issue are primarily being used to finance capital projects including the construction of new classrooms and a science complex.

**7. c) INTEREST RATE RISK**

**[in thousands of dollars]**

The University entered into interest rate exchange (swap) contracts with the Bank of Montreal and Canadian Imperial Bank of Commerce in order to convert variable-rate borrowings to fixed rates, thereby reducing interest rate risk associated with its outstanding debt. The interest rate swap contract involves an exchange of floating rate to fixed rate interest payments between the University and the financial institutions. Under the terms of these agreements, the University pays a fixed rate and receives a variable rate on each swap's notional principal amount. The swap transactions are completely independent from and have no direct effect on the relationship between the University and its lenders. The notional amount of the interest rate swap and the net unrealized gain (loss) on these contracts outstanding at April 30, 2003 are:

	<u>Due Date</u>	<u>Notional Amount</u>	<u>Gain/(Loss)</u>
Canadian Imperial Bank of Commerce	1-May-06	5,500	(528)
Canadian Imperial Bank of Commerce	6-Jul-07	4,290	(153)
Bank of Montreal	16-Jun-25	33,353	(5,039)

**8. DEFERRED REVENUE, CONTRIBUTIONS AND CAPITAL CONTRIBUTIONS**

<b>[in thousands of dollars]</b>	<u><b>Total 2003</b></u>	<u><b>Total 2002</b></u>
<b>a) Deferred Revenue</b>		
Prepaid Leases, Fees and Grants	15,067	9,604
OMAF Advance	8,953	990
Other	801	814
	<u>24,821</u>	<u>11,408</u>
Less: Current Deferred Revenue	<u>(16,964)</u>	<u>(5,420)</u>
	<u>7,857</u>	<u>5,988</u>
<b>b) Deferred Contributions</b>		
Changes in Deferred Contributions are as follows:		
Balance, beginning of year	52,390	58,486
Contributions received during the year	77,472	85,995
Contributions recognized in the year	<u>(81,216)</u>	<u>(92,091)</u>
Balance, end of year	<u>48,646</u>	<u>52,390</u>
<b>c) Deferred Capital Contributions</b>		
Changes in Deferred Capital Contributions are as follows:		
Balance, beginning of year	214,640	198,650
Contributions received during the year	55,399	29,456
Amortization of deferred capital contributions	<u>(15,578)</u>	<u>(13,466)</u>
Balance, end of year	<u>254,461</u>	<u>214,640</u>
Total Deferred Revenue, Contributions and Capital Contributions	<u>310,964</u>	<u>273,018</u>

**UNIVERSITY OF GUELPH**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended April 30, 2003**

---

**9. OPERATING DEFICIT** (Schedule 1)

The Deficit related to Special Early Retirement Program is \$1,745,000 (2002 \$3,945,000). On March 23, 1994, the Board of Governors approved a voluntary special early retirement program that was offered to qualifying employees on April 1, 1994. The deficit related to the Special Early Retirement Program will be recovered by April 2004.

**10. CHANGES IN FUND BALANCE – ENDOWMENTS**

Endowment Fund Balances 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 fund balance.

<b>[in thousands of dollars]</b>	<b>Externally Restricted</b>	<b>Board Restricted</b>	<b>Total 2003</b>	<b>Total 2002</b>
Investment income (loss) on endowments	(13,449)	(2,157)	(15,606)	5,547
Less: available for expenditure	(2,583)	(818)	(3,401)	(6,091)
Decrease in accumulated endowed investment income	(16,032)	(2,975)	(19,007)	(544)
Contributions received during year	4,616	404	5,020	5,783
Equity adjustment - Cutten Club (Note 5)		102	102	59
Endowment Contributions	(11,416)	(2,469)	(13,885)	5,298
Transfers	733	500	1,233	2,207
Net Increase (Decrease) in Fund Balance	(10,683)	(1,969)	(12,652)	7,505
Balance, beginning of year	97,075	20,370	117,445	109,940
Balance, end of year	86,392	18,401	104,793	117,445

**11. OTHER REVENUE**

Included in other revenue is \$11,668,000 related to a one-time recovery of provincial sales taxes paid on certain prior years capital purchases and interest earned on this recovery. These funds, net of related costs of recovery and current year commitments to capital, are appropriated for future capital purposes.

**UNIVERSITY OF GUELPH**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended April 30, 2003**

**12. ONTARIO STUDENT OPPORTUNITY TRUST FUND**

The Ontario Student Opportunity Trust Fund program was established by the Government of Ontario to encourage companies and individuals to contribute to funds for Ontario's college and university students. Under this program, donations received from companies and individuals were matched by the province on a dollar for dollar basis. In response to this provincial initiative, the University established the ACCESS Fund within the endowed portfolio. Investment income from the funds will be used for student financial assistance.

The following are the transactions related to the Ontario Student Opportunity Trust Fund for the year ended April 30, 2003:

<b>[in thousands of dollars]</b>	<b>2003</b>	<b>2002</b>
Access Endowment Fund		
Opening balance - May 1	21,617	22,045
Net Investment income endowed - realized	(571)	947
Net Investment income endowed - unrealized	(3,236)	(1,375)
Closing balance - April 30 *	<u>17,810</u>	<u>21,617</u>
Access Expendable Fund		
Opening balance - May 1	2,123	1,687
Investment income available for expenditure	1,023	1,179
Bursaries awarded **	(841)	(743)
Closing balance - April 30	<u>2,305</u>	<u>2,123</u>

\* Includes original donated capital of \$20,529 (2002 \$20,529) and accumulated realized net preservation of capital of \$1,969 (2002 \$2,540) and accumulated unrealized gains/(losses) of (\$4,688) (2002 (\$1,452)).

\*\* The total number of bursaries awarded for the year ended April 30, 2003 was 686 (653 in 2002).

**13. SUPERBUILD GROWTH FUND**

Included within the capital fund, the SuperBuild Growth Fund for Post-secondary Education is a Province of Ontario initiative designed to address enrollment growth and improve the condition and efficiency of existing academic teaching and research facilities. In March 2000, the University received \$45 million under this program for the construction of the Science and Classroom Complexes.

Total investment income and expenditures to date for the Superbuild Growth Fund projects are as follows:

<b>[in thousands of dollars]</b>	<b>2003</b>	<b>2002</b>
Grant	45,000	45,000
Investment Income	7,544	5,659
	<u>52,544</u>	<u>50,659</u>
Expenditures	25,216	6,383
Fund Balance	<u>27,328</u>	<u>44,276</u>

**UNIVERSITY OF GUELPH**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended April 30, 2003**

**14. EMPLOYEE FUTURE BENEFITS**

The University has a number of defined benefit programs that provide pension and other post-employment benefits to its employees, including three separate pension plans and a group insurance benefits program that provides health and dental benefits. As allowed under generally accepted accounting principles, the University has exercised a three-month accelerated measurement date for financial reporting purposes. Information about the University's defined benefit plans, in aggregate, is as follows:

[ in thousands of dollars]	Pension Benefit * Plans	Other Benefit Plans	Total 2003	Total 2002
<b>Change in Benefit Obligation</b>				
Benefit obligation - beginning of measurement period	598,987	84,655	683,642	594,671
Current service cost (employer)	18,406	2,621	21,027	17,805
Interest cost	40,184	5,711	45,895	42,487
Estimated employee contributions (reflects 6 month waiver)	4,112	-	4,112	2,555
Plan Amendments	13,077	-	13,077	-
Actuarial loss (gain)	11,505	1,693	13,198	55,776
Benefits paid	(31,954)	(2,253)	(34,207)	(29,652)
Benefit obligation - end of measurement period	<u>654,317</u>	<u>92,427</u>	<u>746,744</u>	<u>683,642</u>
<b>Change in Plan Assets</b>				
Market value of plan assets - beginning of measurement period	640,977	-	640,977	713,829
Actual return on plan assets, net of expenses	(46,589)	-	(46,589)	(48,607)
Employer contribution	4,245	2,253	6,498	2,852
Estimated employee contributions (reflects 6 month waiver)	4,112	-	4,112	2,555
Benefits paid	(31,954)	(2,253)	(34,207)	(29,652)
Market value of plan assets - end of measurement period	<u>570,791</u>	<u>-</u>	<u>570,791</u>	<u>640,977</u>
<b>Reconciliation of funded status</b>				
Funded status - surplus (deficit)	(83,526)	(92,427)	(175,953)	(42,665)
Employer contributions after measurement date	2,204	563	2,767	713
Unamortized transitional obligation (asset)	(127,164)	51,329	(75,835)	(84,119)
Unamortized past service costs	17,679	-	17,679	5,292
Unamortized net actuarial loss (gain)	250,858	11,597	262,455	163,386
Accrued benefit asset (liability), before Valuation Allowance	60,051	(28,938)	31,113	42,607
Total Valuation Allowance (VA)	(1,589)	-	(1,589)	(3,590)
Accrued benefit asset (liability), net of VA	<u>58,462</u>	<u>(28,938)</u>	<u>29,524</u>	<u>39,017</u>
<b>Components of expense</b>				
Current service cost (employer)	18,406	2,621	21,027	17,805
Interest cost	40,184	5,711	45,895	42,487
Expected return on assets	(47,282)	-	(47,282)	(56,155)
Amortization of past service costs	690	-	690	447
Amortization of net actuarial loss (gain)	7,909	91	8,000	-
Amortization of transitional obligation (asset)	(12,562)	4,278	(8,284)	(8,284)
Amortization of transitional increase (decrease) in VA	5	-	5	5
Current increase (decrease) in VA	(2,006)	-	(2,006)	1,100
Net expense (income)	<u>5,344</u>	<u>12,701</u>	<u>18,045</u>	<u>(2,595)</u>
<b>Significant Actuarial Assumptions</b>				
Discount rate	6.60%	6.60%		
Expected long-term rate of return on plan assets	7.50%	n/a		
Rate of increase in future compensation	4.00%	n/a		
Rate of increase in national average wage	4.00%	n/a		

The health care cost trend rate for medical benefits was 11.0% for 2000 graded down 0.5% per year until 2011 and 5.0% thereafter.

\* Includes accrued benefit obligations and plan assets in respect of plans that are not fully funded of \$2,258 and \$0 respectively (\$2,558 and \$0 respectively for 2002).

**UNIVERSITY OF GUELPH**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended April 30, 2003**

**15. DONATIONS**

<b>[in thousands of dollars]</b>	<b>2003</b>	<b>2002</b>
Donations received during the year	9,630	18,384
Donations recorded as a direct addition to endowments	(4,676)	(5,843)
Donations recorded as deferred capital contributions	<u>(738)</u>	<u>(7,404)</u>
Donations recognized as revenue	<u>4,216</u>	<u>5,137</u>

**16. DEFERRED CHARGE**

Transaction costs and discount totaling \$934,000 incurred in connection with the \$100 million, 6.24% Series A unsecured debenture issue are being amortized over the term of the debt (40 years). Amortization costs recognized in fiscal 2003 are \$24,000.

**17. COMMITMENTS**

Costs to complete major capital projects in progress as at April 30, 2003 are estimated to be \$153,429,000 (2002 \$168,760,000) and will be funded by government grants, gifts and university resources.

**18. CONTINGENCY**

- a) The University is a defendant in a number of legal proceedings. Claims against the University in these proceedings have not been reflected in these financial statements. It is the opinion of the management and the University's legal counsel that the resolution of these claims will not have a material effect on the financial position of the University.
- b) The University is a member in a self-insurance co-operative in association with other Canadian universities to provide property and general liability insurance coverage. Under this arrangement referred to as the Canadian University Reciprocal Insurance Exchange (C.U.R.I.E.), the University is required to share in any net losses experienced by C.U.R.I.E. The commitment was recently renewed to January 1, 2008.

**19. COMPARATIVE NUMBERS**

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

**20. SALARY DISCLOSURE**

In accordance with the Public Sector Salary Disclosure Act, 1995, all salaries and benefits paid in respect of employment to employees who are paid a salary of \$100,000 or more in a calendar year are listed below:

**UNIVERSITY OF GUELPH**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended April 30, 2003**

<b>Employee Name</b>	<b>Title</b>	<b>Salary</b>	<b>Taxable Benefits</b>
Adams, Gerald	Professor	101,482	632
Allen, Brian**	Professor & Chair	104,158	705
Allen, Dana***	Professor	101,035	407
Armstrong, John	Director - Real Estate	124,641	768
Balahura, Robert	Professor & Chair	103,854	735
Barclay, Jack**	Professor & Chair	106,667	1,050
Barker, Ian***	Professor	103,744	422
Barrett, Stanley	Professor	102,176	424
Barron, Roderick	Professor	106,644	626
Bayley, Henry	Professor	106,498	1,050
Beveridge, Terrance	Professor	136,212	664
Bewley, J Derek	Professor	125,950	783
Binnington, Allen***	Professor	178,244	257
Bloomfield, Gerald***	Professor	102,176	424
Boure, Ludovic***	Assistant Professor	107,298	491
Brisson, Brigitte***	Assistant Professor	109,448	348
Brooks, Ronald	Professor	101,732	1,178
Brophy, Kathy	Professor	101,206	586
Bunce, Nigel	Professor	108,868	678
Butler, Daniel	Professor	114,055	709
Campbell, John	Professor	113,191	1,116
Carter, Edward	Professor	101,924	618
Christian, William	Professor	100,629	626
Clarke, Anthony**	Assistant VP, Academic	113,372	598
Collins, Patricia	General Manager	123,680	639
Conlon, Peter**	Assistant Dean - OVC	103,885	597
Cote, Nathalie***	Assistant Professor	115,624	491
Crowley, Terence	Professor	101,482	421
Cunsolo, Joseph**	Associate Professor & Associate Chair	103,968	633
Cyr, Mary**	Professor & Director	102,153	424
Davidson-Arnott, Robin	Professor	101,065	629
Davis, Hank	Professor	102,176	636
Davis, James**	Professor & Chair	106,108	618
Dobosiewicz, Wlodzimier**	Professor & Chair	107,966	613
Dorter, Ken	Professor	104,176	636
Douglas, David	Professor	120,331	748
Duncan, Ian**	Professor & Chair	107,102	616
Elmslie, Ron	Director - Computing/Communication Services	113,854	702
Fischer, Pal	Professor	102,816	1,014
Fitzgibbon, John**	Professor & Exec Director	100,373	624

**UNIVERSITY OF GUELPH**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended April 30, 2003**

Forsberg, Cecil	Professor	101,717	634
Funk, Thomas	Professor	103,472	644
Gentry, Patricia	Professor	104,769	435
Gentry, Rodney	Professor	100,644	418
Gibbins, Ann**	Professor & Chair	109,169	623
Gillespie, Terry	Professor	107,139	1,056
Goldman, Saul	Professor	100,632	726
Goss, Michael**	Professor & Program Leader	108,198	640
Gottlieb, Benjamin	Professor	100,064	636
Graham, Terence	Professor & Chair	106,225	971
Grand, Michael	Professor	100,644	626
Grant, E Kenneth	Assoc Prof/Assist to President-Planning	108,757	630
Gray, Chris	Professor	105,843	658
Gyles, Carlton***	Professor	112,396	700
Hacker, Roger**	Professor & Program Leader	111,145	1,042
Hall, Chris	Professor	110,043	590
Hall, Robert	Professor	104,546	1,031
Hayes, Anthony***	Professor	102,629	626
Haywood, Michael	Professor	101,717	634
Heathcote, Isobel**	Dean - Graduate Studies	110,397	695
Hebert, Paul	Professor	133,327	737
Henry, Bryan	Professor	116,216	722
Herold, Edward	Professor	100,644	418
Hilts, Stewart**	Professor & Chair	105,059	710
Holbrook, John	Professor	105,634	1,041
Holland, Patrick	Associate Professor & Acting Assoc Dean	101,877	396
Holmberg, David***	Professor	106,550	410
Holt, John	Associate Professor	100,482	971
Holub, Bruce	Professor	113,703	707
Hoy, Michael**	Professor & Acting Chair	101,597	605
Hubert, John	Professor	110,281	643
Hume, David**	Prof & Interim VP(Res) Agri-Food & Partnerships	120,186	673
Hunt, Leslie	Professor	103,681	1,022
Jacobs, Robert***	Professor	101,061	629
Jeffrey, Kenneth**	Professor & Chair	102,796	639
Joseph, Alun**	Dean - CSAHS	122,987	749
Kay, Beverley	Professor	105,410	1,040
Kehm, Walter	Professor	101,076	419
Kerr, Carolyn***	Assistant Professor	135,065	336
Knight, David	Professor	101,908	651
Knowles, Richard	Professor	100,185	624
Konstantareas, Mary	Professor	106,681	683

**UNIVERSITY OF GUELPH**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended April 30, 2003**

Kreutzwiser, Reid	Professor	101,914	635
Kruth, Stephen	Professor & Chair	108,448	613
Lam, Joseph	Professor	121,244	600
Langford, William	Professor	101,952	635
Larson, Douglas	Professor	101,494	632
Law, Jimmy	Professor	101,076	629
Le Maguer, Marc	Professor	110,388	895
Leatherland, John**	Professor & Chair	116,896	1,053
Leslie, Kenneth***	Professor	100,632	418
Liefeld, John	Professor	108,227	1,068
Lipkowski, Jacek	Professor	115,767	1,080
Loptson, Peter**	Professor & Chair	108,210	422
Lynn, Denis	Professor	100,632	626
Mackinnon, Neil	Professor	101,497	1,001
Mancuso, Maureen**	Associate VP, Academic	112,835	468
Manning, Gerald	Assistant Dean, Guelph/Humber	102,913	626
Marangoni, Alejandro	Professor	101,363	538
Marmurek, Harvey**	Professor & Chair	105,327	831
Martin, Wayne	Professor	113,847	708
Matthews, Vic	Professor	101,732	633
Mccalla, Douglas	Professor	117,467	630
Mccutcheon, Jill**	Acting Dean - OVC	105,351	634
Mcdonell, Wayne**	Acting Asst Dean - OVC	114,455	663
Mckenna, Christopher**	Associate VP, Research	107,368	673
Mclaughlin, Robert**	VP, Alumni Affairs & Development	150,744	1,091
Mcmurtry, John	Professor	101,050	420
Meek, Alan**	Dean - OVC	113,096	701
Meilke, Karl	Professor	101,952	635
Menzies, Paula***	Associate Professor	100,635	580
Michaels, Thomas	Associate Dean - OAC	103,919	607
Miles, John	Assistant VP, Finance	118,615	487
Milligan, Larry**	Professor & Innovation Projects Facilitator	137,603	855
Mosely, Craig***	Staff Vet	108,996	52
Moss, Michael**	Associate Dean	102,384	637
Murray, David	Professor	111,685	695
Murray, Jacqueline**	Dean - Arts	112,980	703
Nazar, Ross	Professor	102,176	424
Nef, Jorge	Professor	103,040	641
Newman, Jay	Professor	103,905	431
Nickling, William	Professor	102,137	636
Nightingale, Michael	Vice-Provost, Academic	112,664	0
Noakes, David**	Professor & Director	100,644	992

**UNIVERSITY OF GUELPH**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended April 30, 2003**

Otten, Lambert**	Professor & Director	113,550	649
Pare, Francois	Professor	101,050	629
Parent, Joane	Professor	100,729	626
Pearson, Craig**	Dean - OAC	135,531	6,626
Peters, Michael	Professor	103,246	650
Phillips, John	Professor	101,061	420
Pletsch, Douglas	Professor	101,076	997
Pratschke, John	Professor	101,509	632
Proctor, John	Professor	105,634	657
Ramprashad, Fred**	Associate Dean	108,605	626
Rapport, David	Professor	107,795	671
Reader, Richard**	Professor & Chair	107,216	620
Ribble, Carl**	Professor & Chair	106,731	2,950
Ridley, Michael	Chief Librarian	104,925	652
Ritter, Leonard**	Prof & Exec Dir-Cdn Network Toxicology Ctr	111,273	655
Round, Garry	Executive Director	115,317	710
Rozanski, Mordechai*	President	268,261	19,353
Ryan, Bruce	Professor	102,137	636
Schryer, Frans	Professor	100,212	416
Sharom, Frances	Professor	103,050	629
Shewen, Patricia	Professor	106,273	618
Smit, Barry	Professor	102,816	640
Smith, William	Professor	107,689	670
Snell, James**	Professor & Chair	106,528	641
Solomon, Keith**	Professor & Director	106,014	626
Sullivan, Donald**	Professor & Director	101,708	412
Sullivan, Nancy	VP, Finance & Administration	156,723	964
Summerlee, Alastair**	Provost/VP, Academic	162,181	3,768
Surgeoner, Gordon	Professor	101,509	421
Sutton, John	Professor	103,472	1,020
Swanton, Clarence**	Professor & Chair	114,161	616
Swatland, Howard	Professor	101,494	421
Swayne, David**	Professor & Acting Assoc Dean	115,997	616
Tindale, Joseph**	Professor & Chair	100,349	383
Tremaine, Peter**	Dean - CPES	116,469	724
Trick, David	Vice-Provost, Administration	113,384	481
Trout, Donald***	Associate Professor	114,408	586
Van Der Kraak, Glen**	Professor & Chair	105,136	400
Wall, Marjorie**	Professor & Chair	102,908	613
Walsh, John**	Associate Dean	118,018	7,863
Weese, Jeffrey***	Assistant Professor	102,184	303
Westwood, Nicholas	Professor	100,629	626

**UNIVERSITY OF GUELPH**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended April 30, 2003**

Whiteside, Brenda	Associate VP, Student Affairs	113,822	461
Whitfield, Christopher	Professor & Chair	128,822	620
Wildeman, Alan**	VP, Research	144,274	897
Wilkie, Bruce	Professor	103,040	641
Wilson, Thomas**	Professor & Associate Chair	103,999	420
Wilton, James	Professor	103,472	644
Woo, Patrick	Professor	101,744	422
Yamashiro, Shigeto	Associate Professor	100,644	626
Yarmey, Daniel	Professor	105,843	1,043

\* Benefits include insurance, housing-related costs (e.g. residence in President's House on campus) and employer owned automobile.

\*\* Academic administrators who hold tenured faculty status.

\*\*\* Salary includes payments for performing emergency surgical procedures.

**UNIVERSITY OF GUELPH**  
**STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCES**  
**(UNAPPROPRIATED, ENDOWED AND INVESTED IN CAPITAL ASSETS)**  
**FOR THE YEAR ENDED APRIL 30, 2003**

(in thousands of dollars)

	<u>OPERATING FUND</u>	<u>CAPITAL FUND</u>	<u>ANCILLARY ENTERPRISES</u> (Schedule 2)	<u>RESEARCH &amp; TRUST FUND</u>	<u>ENDOWMENT FUND</u>	<u>TOTAL 2003</u>	<u>TOTAL 2002</u>
<b>REVENUE</b>							
Ministry of Training, Colleges and Universities	110,037	1,478	261			111,776	107,777
Ministry of Agriculture and Food	50,908					50,908	51,572
Tuition (Credit and Non-Credit)	79,799					79,799	72,250
Donations (Note 15)	86			4,130		4,216	5,137
Sales of Goods and Services	32,073		56,041			88,114	81,744
Investment Income (Note 4)	1,860	1,604	321	4,957		8,742	7,845
Other Grants and Contracts	1,754			58,957		60,711	60,553
Amortization of Deferred Capital Contributions (Note 8)		15,349	229			15,578	13,466
Other (Note 11)	14,049	12,043	335			26,427	13,920
	<u>290,566</u>	<u>30,474</u>	<u>57,187</u>	<u>68,044</u>	-	<u>446,271</u>	<u>414,264</u>
<b>EXPENSES</b>							
Salaries	177,374		11,947	28,404		217,725	205,089
Benefits	39,793		2,222	3,515		45,530	22,350
Travel	5,991		152	5,025		11,168	10,062
Operating	67,560	55	21,588	22,201		111,404	100,213
Minor Renovations and Repairs		2,849	1,395			4,244	6,805
Interest		3,774	4,735			8,509	3,312
Scholarships and Bursaries	7,988			9,088		17,076	15,810
Institutional (Recovery) Charges	(7,793)		7,793			-	-
Capital Asset Amortization		26,369	3,766			30,135	26,207
	<u>290,913</u>	<u>33,047</u>	<u>53,598</u>	<u>68,233</u>	-	<u>445,791</u>	<u>389,848</u>
Revenue Less Expenses	(347)	(2,573)	3,589	(189)	-	480	24,416
Endowment Contributions (Note 10)					(13,885)	(13,885)	5,298
Interfund Transactions	(14,673)	12,709	(1,679)	2,410	1,233	-	-
Change in Fund Balance	(15,020)	10,136	1,910	2,221	(12,652)	(13,405)	29,714
Transfer (to) from Appropriations (Statement 3)	17,220	(9,519)	4,349	(2,221)		9,829	(14,095)
Net Increase in Fund Balances	2,200	617	6,259	-	(12,652)	(3,576)	15,619
Fund Balances, Beginning of Year							
Unappropriated, Endowed and Invested in Capital Assets	(3,945)	56,625	3,812	-	117,445	173,937	158,318
Fund Balances, End of Year							
Unappropriated, Endowed and Invested in Capital Assets	<u>(1,745)</u>	<u>57,242</u>	<u>10,071</u>	<u>-</u>	<u>104,793</u>	<u>170,361</u>	<u>173,937</u>

**UNIVERSITY OF GUELPH  
STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCES  
FOR ANCILLARY ENTERPRISES  
FOR THE YEAR ENDED APRIL 30, 2003**

(in thousands of dollars)

	<u>HOSPITALITY SERVICES</u>	<u>REAL ESTATE</u>	<u>STUDENT HOUSING SERVICES</u>	<u>PARKING</u>	<u>UNIVERSITY CENTRE</u>	<u>TOTAL 2003</u>	<u>TOTAL 2002</u>
<b>REVENUE</b>	28,019	3,564	22,050	1,807	1,747	57,187	55,735
<b>EXPENSES</b>							
Cost of Materials	12,213				305	12,518	12,324
Salaries	7,610	241	3,198	183	715	11,947	11,669
Benefits	1,394	53	598	42	135	2,222	2,062
Institutional Charges	1,457		5,760	178	398	7,793	7,650
Operating	3,873	585	4,024	227	361	9,070	8,096
Travel	58	13	71	3	7	152	175
Minor Renovations and Repairs	24		1,114	257		1,395	1,802
Interest	1	121	4,613			4,735	2,618
Capital Asset Amortization	569	308	2,762	109	18	3,766	3,137
Total Operating Expenses	<u>27,199</u>	<u>1,321</u>	<u>22,140</u>	<u>999</u>	<u>1,939</u>	<u>53,598</u>	<u>49,533</u>
Revenue Less Expenses	820	2,243	(90)	808	(192)	3,589	6,202
Interfund Transactions	<u>(312)</u>	<u>(585)</u>	<u>(292)</u>	<u>(639)</u>	<u>149</u>	<u>(1,679)</u>	<u>(4,371)</u>
Change in Fund Balance	508	1,658	(382)	169	(43)	1,910	1,831
Transfers (To) From Appropriations		<u>4,329</u>			<u>20</u>	<u>4,349</u>	<u>(1,568)</u>
Net Increase (Decrease) in Fund Balances	508	5,987	(382)	169	(23)	6,259	263
Fund Balance, Beginning of Year	4,136	2,053	(5,623)	2,921	325	3,812	3,549
Fund Balance, End of Year	<u><u>4,644</u></u>	<u><u>8,040</u></u>	<u><u>(6,005)</u></u>	<u><u>3,090</u></u>	<u><u>302</u></u>	<u><u>10,071</u></u>	<u><u>3,812</u></u>
Fund Balance Components:							
Invested in Capital Assets *	4,796	7,456	(6,696)	2,025	53	7,634	959
Unappropriated **	<u>(152)</u>	<u>584</u>	<u>691</u>	<u>1,065</u>	<u>249</u>	<u>2,437</u>	<u>2,853</u>
Fund Balance, End of Year	<u><u>4,644</u></u>	<u><u>8,040</u></u>	<u><u>(6,005)</u></u>	<u><u>3,090</u></u>	<u><u>302</u></u>	<u><u>10,071</u></u>	<u><u>3,812</u></u>

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

\*\* Accumulated net results for operations are presented in the Unappropriated Fund Balance.

