UNIVERSITY OF GUELPH

Annual Financial Report

Summary of Financial Results and Audited Financial Statements for the fiscal year
May 1, 2010 to April 30, 2011

UNIVERSITY of GUELPH

CHANGING LIVES
IMPROVING LIFE

Table of Contents

University of Guelph
Annual Financial Report
For the fiscal year May 1, 2010 to April 30, 2011

A. INTRODUCTION

The following report summarizes University annual financial results for the year ended April 30, 2011 (referred to as “fiscal 2011”). This report consists of two major components. The first, is management’s summary of major financial results for the year; the second presents the audited financial statements for fiscal 2011 including the report from the University’s external auditor. The audited financial statements have been prepared under specific accounting principles that are set by the Canadian Institute of Chartered Accountants (CICA) for not-for-profit organizations.

The University of Guelph receives funds from a variety of sources. Many of these funds are restricted by the agency, organization or donor as to use and may not be used for general operating expenses. As a result, the University records its financial activities on a fund accounting basis where financial transactions are segregated according to major University activities, external restrictions on funding and the expendability of funds. (A fund is a self-balancing set of financial accounts including both balance sheet and income statements.) The University currently reports on five different funds: Operating, Capital, Ancillary Enterprises, Research and Trust and Endowment. A description of each of these funds can be found on Page 31.

B. FINANCIAL HIGHLIGHTS 2010/2011

This section summarizes significant financial results for fiscal 2011 including major changes, compared to fiscal 2010. For further analysis and details on these changes, refer to the additional sections indicated.

- **Endowments:** The total market value of University endowment investments grew to $218.0 million ($189.3 million in fiscal 2010). The total increase of $28.7 million ($45.1 million increase in 2010) or 15% reflects both positive investment returns of 11.5% (positive 19.2% in fiscal 2010) and capital additions of $10.3 million ($14.5 million in fiscal 2010). The recovery of the global financial markets across most major equity asset classes was the main contributor of investment returns. This recovery, while significant, did not fully offset the effect of market declines in 2008 and 2009 in many donor endowment accounts. Consequently, the University will continue to limit disbursements from certain accounts to ensure capital contributions and longer term spending capacity is protected. Capital additions consist of external donations and transfers directed for specific purposes. Refer to section F for more details on changes to endowment funds.

- **Revenues**: When compared to fiscal 2010, total University revenues increased by 7% or $44.4 million to $678.4 million. Most revenue categories showed increases ranging from 5% to 10%. Major changes contributing to the net increase in 2010/2011 were:

  - MTCU (Ministry of Training Colleges and Universities) grants increased by $8.5 million or 5.1%.
  - Tuition revenues increased by $12.9 million or 10.4% overall. 90% of this increase ($11.7 million) was earned in graduate and undergraduate degree credit programs as a result of both increased enrolment and tuition rates. 10% of the increase was realized in a variety of non-degree credit programs such as certificate and training programs.
  - Other Grants and Contracts increased by 9.9% or $10.1 million partly due to increased spending under the OMAFRA Agreement and increases in other externally restricted revenues in support of research projects.

  (Refer to Section D. for a more complete analysis of revenue changes)

- **Expenses:** Total University Expenses from all funds increased by 2.5% or $15.9 million to $652.5 million compared to fiscal 2010. Most categories of expense saw modest changes relative to fiscal 2010.

  In terms of total impact, $7.2 million or 45% of the total increase in expenses was concentrated in salaries. Given that 48% of the total University expense are for salaries this is not an unexpected increase. Total salary expenses (from all funds) increased by a net 3.3% or $9.9 million. The “salaries” category is impacted by several major factors including salary rate increases, changes to total staff numbers and one-time costs. With a relatively stable total staff complement during the year, the change in total salaries was mainly the result of negotiated compensation increases. (Refer to section E.1)

  Benefit expenses ($93.1 million or 14% of total University expense) decreased by $2.8 million or 2.9% relative to fiscal 2010. The major contributor to this was expenses for post-employment benefits[1], relative to 2010, which decreased by $3.4 million. Pension expenses decreased by $2.9 million ($38.5 million in fiscal 2010 to $35.6 million in fiscal 2011) and non-pension post-retirement expenses decreased by $0.5 million. The pension expense decrease reflects a number of events including the impact of global financial market conditions such as the effect of increased asset values interest rates relative to those factors used in fiscal 2010. The decrease in non-pension post employment expenses is associated with recent positive experience (relative to previous assumptions) with usage of plan benefits. (Refer to Section E.2)

  Of all of the other categories of expense the largest percentage increase was in Travel (15% increase) reflecting a general increase in activity in this category across all funds. Scholarships and Bursaries experienced a 9.3% increase or $2.46 million. All other categories had either minor increases or decreases.

- **Capital acquisitions** spending continued at significant levels ($105.9 million) under a number of major programs including the Knowledge Infrastructure Program (KIP), a joint Federal and Provincial capital program and a Board of Governor’s approved (2007-2011 Capital Renewal Financing Plan) for spending on critical building and campus utilities infrastructure. Spending under this plan is targeted for critical deferred maintenance including campus safety and utilities infrastructure projects. Other objectives include energy conservation projects and in the case of residence buildings, maintaining competitive position through facilities renewal. Borrowing for capital expenses is limited as much as possible by using a combination of any funding received from MTCU restricted for campus infrastructure renewal projects, annual allocations from operating budgets and funding from Student Housing specific for student residence related projects. This funding has helped contain borrowing requirements under this plan however with an estimated $300 million in deferred maintenances costs (buildings and utilities), the University, subject to Board of Governor’s approval, will continue to balance campus safety and program requirements with the need to assume further debt. (Refer to Section G.)

- **Unrestricted Deficit** of the University increased by $42.2 million to $253.1 million from $210.9 million compared to fiscal 2010. $34.5 million or 82% of this increase was due to the 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

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

the University's practice to fund accounting costs through annual allocations that are more constant, with the objective of fully funding these expenses over the longer term. In terms of cash contributions, non-pension post employment benefits are funded on a "pay-as–you" go basis. The University makes pension contributions based on the legislated requirements determined through periodic formal actuarial valuations (the last valuation was completed August 1, 2010). The University has met all of its cash obligations for post-employment benefits.

The other component of the increase in the deficit is a $6.6 million increase related to the University's multi-year plan to eliminate a structural deficit in the MTCU component of the Operating fund. The financial objective of the multi-year plan is to remove $46.2 million in annual (base) expenses over the four year period of the plan (fiscal 2009 to fiscal 2012). This deficit which increased to $47.1 million in fiscal 2011 consists of two components;

1. $20.0 million of incentive and restructuring program costs. A major element of the multi-year plan is the reduction in total faculty and staff complement with the priority being voluntary retirement or resignations through one-time incentive programs.

2. In addition, there are $27.1 million in unfunded annual program costs reflecting the time required to reduce expenses as part of major restructuring plans particularly associated with academic program changes.

The third year of the plan is complete and the total deficit is consistent with the University's 2010/2011 MTCU Operating Budget approved by the Board of Governors on April 14, 2010. This document is available: at http://www.fin.uoguelph.ca/reports/University-budgets.

As noted in the preceding sections, the 2011 University financial position has been impacted by a number of events such as negative global market conditions, post-employment benefit costs and the University's multi-year plan to reduce structural costs within its Operating budget. The balance of this report will discuss these impacts in more detail and in the context of prior year results.

C. Comparative Financial Indicators

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

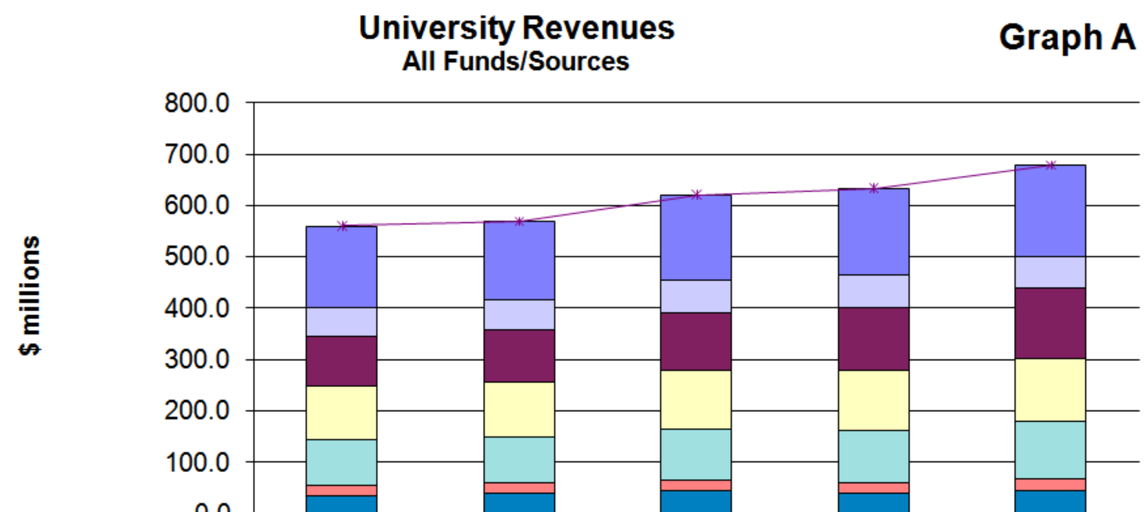
Comparative University Financial Results Fiscal 2007 - 2011 **Table A**

	2007	2008	2009	2010	2011
Enrolment - University Degree Programs (FTEs)	18,286	18,290	18,664	19,772	20,651
Faculty and Staff (Regular Budgeted Positions)	2,922	2,974	3,029	2,985	2,944
Revenues and Expenses:					
Total Revenues ($M)	$ 560.5	$ 569.3	$ 620.8	$ 634.0	$ 678.4
Total Expenditures ($M)	$ 563.3	$ 580.2	$ 627.1	$ 636.6	$ 652.5
Unrealized Gain(Loss) on Interest Rate Swaps		$ (1.2)	$ (4.3)	$ 3.9	$ (1.1)
Annual Surplus/(Deficit) ($M)	$ (2.9)	$ (12.2)	$ (10.7)	$ 1.3	$ 24.7
Revenue year-over-year change	11%	2%	9%	2%	7%
Revenue Mix (% of Total Revenues)					
Provincial MTCU Operating Grants	28%	26%	26%	26%	26%
Tuition	17%	18%	18%	20%	20%
Endowment & Donations	2%	2%	2%	2%	2%
Expenditure year-over-year change	9%	3%	8%	2%	2%
Expense Mix (% of Total Expenses)					
Salaries	46%	48%	48%	48%	48%
Benefits	14%	13%	14%	15%	14%
Capital and Capital Debt:					
Total Debt	$ 159.3	$ 167.7	$ 175.5	$ 179.1	$ 185.1
- Total Debt per FTE ($)	*$ 8,712*	*$ 9,166*	*$ 9,402*	*$ 9,057*	*$ 8,961*
% Debt Service to Revenue	3.0%	2.4%	2.1%	2.4%	2.3%
% Debt to Revenue	28.4%	29.4%	28.3%	28.2%	27.3%
Interest Coverage Ratio [1]	2.47	1.67	1.98	2.29	4.61
Capital Acquisitions ($M)	$ 68.7	$ 54.3	$ 69.1	$ 89.5	$ 105.9
Provincial Capital Grants ($M)	$ 2.3	$ 9.7	$ 13.6	$ 1.6	$ 1.5
Endowments:					
- Externally Restricted ($M)	$ 162.3	$ 151.9	$ 127.7	$ 169.9	$ 197.1
- Internally Restricted ($M)	$ 22.6	$ 20.0	$ 16.5	$ 19.4	$ 20.9
Total Endowment Assets - Market Values	$ 184.9	$ 171.9	$ 144.2	$ 189.3	$ 218.0
- Total Endowment per FTE ($)	*$ 10,111*	*$ 9,400*	*$ 7,724*	*$ 9,575*	*$ 10,557*
Post-Employment Benefits:					
Pension Plans - Funded Status Surplus/(Deficit)	$ (71.4)	$ (121.6)	$ (165.3)	$ (188.5)	$ (220.7)
Other Benefit Plans -Funded Status Surplus/(Deficit)	$ (237.0)	$ (250.0)	$ (207.4)	$ (221.5)	$ (263.5)
Latest Valuation Date - Registered Plans	Sep-06	Aug-07	Aug-07	Aug-07	Aug-10
Latest Valuation Date - Other plans	Jan-07	Jan-07	Jan-07	Aug-09	Aug-09

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

D. REVENUES

University revenue from all sources was $678.4 million, an increase of 7.0% or $44.4 million from fiscal 2010 $634.0 million). Refer to Graph A. All categories of revenue increased in fiscal 2011; the one exception being the OMAFRA Agreement that utilized slightly less funding when compared to fiscal 2010. Over the four years since fiscal 2007, total University revenues have grown by 21.0% or $117.9 million.



	2006/2007	2007/2008	2008/2009	2009/2010	2010/2011
Provincial MTCU	159.4	152.5	166.1	168.4	176.9
OMAFRA Agreement	54.9	59.3	62.9	63.1	62.3
Tuition	96.5	101.5	111.1	124.2	137.1
Sales of Goods and Services	104.2	107.4	115.2	116.0	121.9
Other Grants and Contracts	89.1	87.1	99.2	101.5	111.5
Amort. of Deferred Capital	20.9	21.6	21.5	21.4	22.5
All Other Revenues	35.5	39.9	44.8	39.4	46.2
Total	560.5	569.3	620.8	634.0	678.4

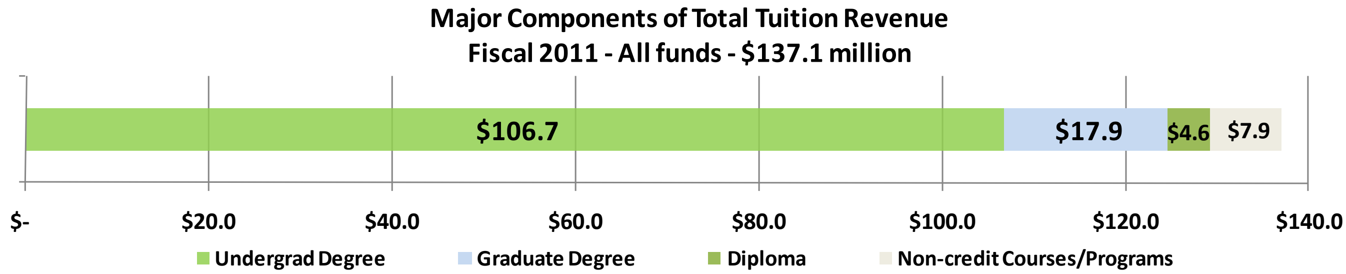
The following sub-sections provide details on revenue changes between fiscal 2010 and fiscal 2011.

D.1 Provincial MTCU

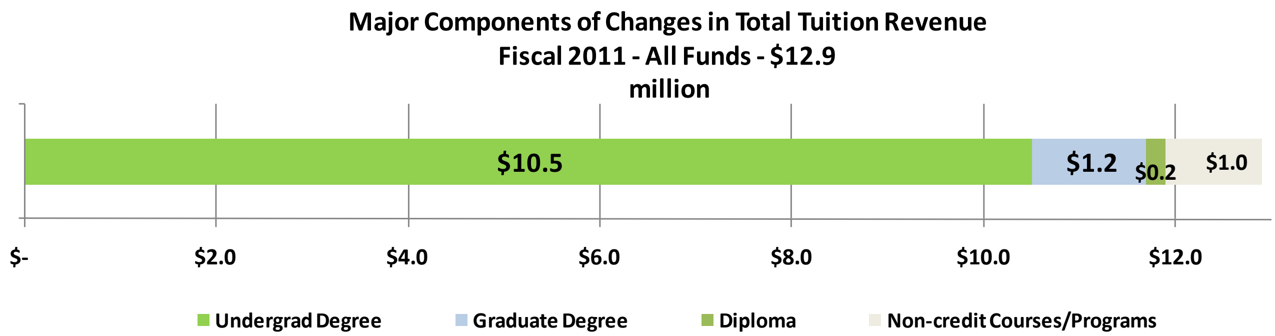
MTCU (Ministry of Training Colleges and Universities) provincial grants, increased by $8.5 million or 5.0%. These grants which comprise 26% of total University revenue consist of grants targeted for teaching and infrastructure support and capital projects. The $8.5 million increase in revenue in fiscal 2011 was an increase in total operating grant mainly as a result of graduate and undergraduate enrolment growth experienced over the past several years.

D.2 Tuition Revenue

Tuition Revenue (20% of total revenues) totaled $137.1 million in fiscal 2011 reflecting a $12.9 million or 10.4% total increase. Tuition Revenue consists of revenues earned for both undergraduate and graduate degree credit programs, diploma, and non-credit programs (refer to the chart below). Non-credit programs include a wide variety of courses such as general continuing education, training, and professional certification programs. The following chart displays the major sources of tuition revenue by major program.



The fiscal 2011 increase in total tuition revenue was the result of a number of factors including increases in both the student enrolment (numbers) and tuition rates charged for programs relative to fiscal 2010. Most degree credit (undergraduate and graduate) tuition levels are determined under strict MTCU guidelines which limit increases for new and continuing students. The chart below presents tuition revenue increases by major program.



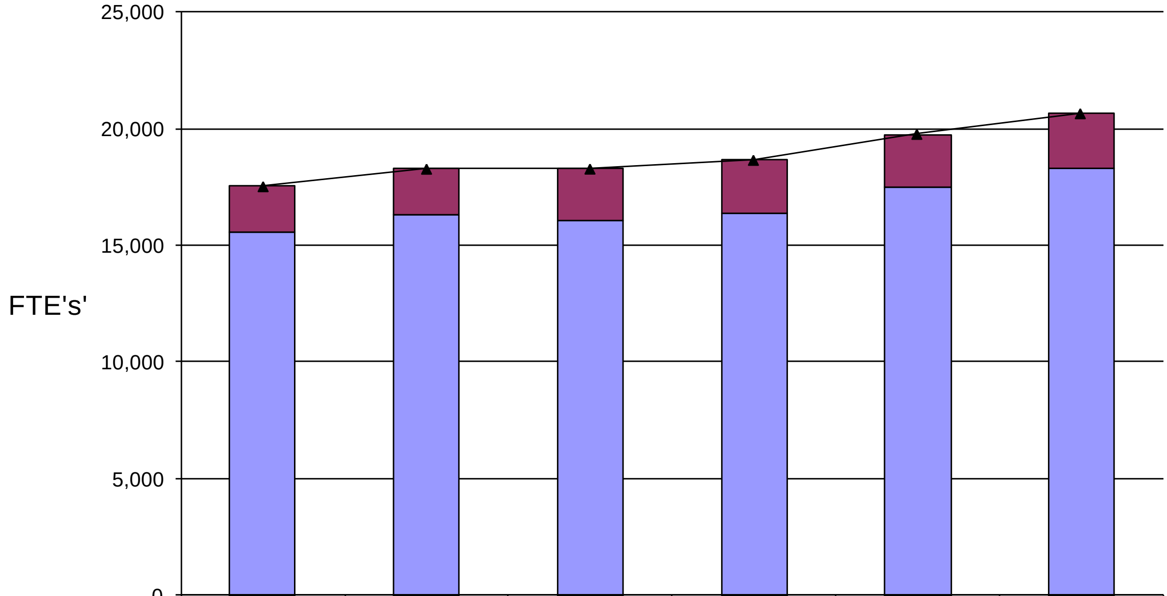
In fiscal 2011 these rate increases ranged from 0-8% which was consistent with MTCU guidelines and Board of Governors approval. Total degree credit enrolment increased by approximately 6% reflected in 20,651 FTEs (Full-Time Equivalents) as measured in the fall semester of 2010. Refer to Graph B.

Most of the increase in student numbers was from undergraduate enrolment reflecting a combination of continued strong demand and the University's plan to increase enrolment in targeted areas (e.g., engineering and graduate) under the University's Integrated Planning process. Whiles this growth attracted revenues form both provincial funding and tuition fees, accompanying these students, were additional costs associated with teaching, a variety of support services and student assistance.

In addition, tuition revenues from non-credit and diploma programs experienced a continued increase in demand (an increase of $1.2 million or 10.6% compared to the previous year). These programs are offered on both the main campus as part of the Open Learning division and the regional campuses of the Ontario Agricultural College (located in Ridgetown, Kemptville and Alfred).

Graph B

University of Guelph
Full-Time Equivalent (FTE) Enrolment
MTCU Credit Programs - Measured in Fall Semester



	05/06	06/07	07/08	08/09	09/10	10/11
Graduate	1,949	1,946	2,199	2,256	2,269	2,355
Undergraduate	15,589	16,340	16,091	16,408	17,503	18,296
Total	17,538	18,286	18,290	18,664	19,772	20,651

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

On April 1, 2008, a long standing relationship with OMAFRA to provide deliver major research and services programs was renewed for ten years. As part of the renewed agreement, annual approved funding was set at $59.1 million. In addition, an average of $11.2 million per year will be available over a five year period funded derived from a one-time payment of $56 million (received in April 2008 and referred to as “New Initiatives” funding). These funds will be disbursed, with interest, over the five year period ending in 2013. This new agreement including the New Initiatives Funding is a significant commitment to the University which will provide a major platform on which to further innovative research and education in agri-food, environmental sustainability, and animal and human health at the University and in the province of Ontario.

In addition to provincial funding, OMAFRA activities at the University generate revenues at facilities supported under the agreement derived from the sale of goods (agricultural commodities), services (research facilities) and laboratory testing. These non-provincial sources of revenue have grown significantly over the past number of years and provide 20% of total funding for OMAFRA-sponsored facilities and programs. General revenues earned under the agreement with OMAFRA are recorded in The University’s financial statements in the appropriate category such as Sales of Goods and Services or Other Revenue. Because of the restricted nature of provincial funding from OMAFRA, recognition of revenue from provincial funds occurs only as these funds are spent. Unused provincial funds are recorded as deferred revenue on the University’s balance sheet until required.

Under the terms of the Agreement, investment income from related cash flows is credited to the Agreement forming part of the overall funding available. All OMAFRA Agreement revenues and expenses including funding for indirect support costs and capital projects are treated as a separate restricted account within the Operating Fund and must be fiscally balanced. It therefore has no direct financial impact on the net income of the Operating Fund. A separate audited report is prepared for Agreement program revenues and expenses each year.

In fiscal 2011, provincial revenues under the new OMAFRA Agreement remained relatively flat at $62.3 million when compared to 2010 when $63.1 million was recorded. This change ($0.8 million decrease over 2010) in revenues, does not reflect the full capacity of new funding received as a restructuring of programs and allocations continues to incorporate new directions and priorities of the 2008 Agreement. It is expected recorded revenue will increase significantly in future years as the full impact of the new funding is realized. The increase in revenues recorded under the "OMAFRA Agreement" category on the financial statements excludes the 2011 New Initiatives revenues of $12.1 million ($5.8 million in 2010) recorded in the "Other Grants and Contract" category.

D.4 Other Grants and Contracts

This revenue category records funding received 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,[2] CFI (Canada Foundation for Innovation), and provincial infrastructure funding and contracts from industry for sponsored-research projects. In terms of research funds actually received in fiscal 2011, $152.9 million was received and allocated to departments ($145.2 million in 2010). Refer to Graph C.

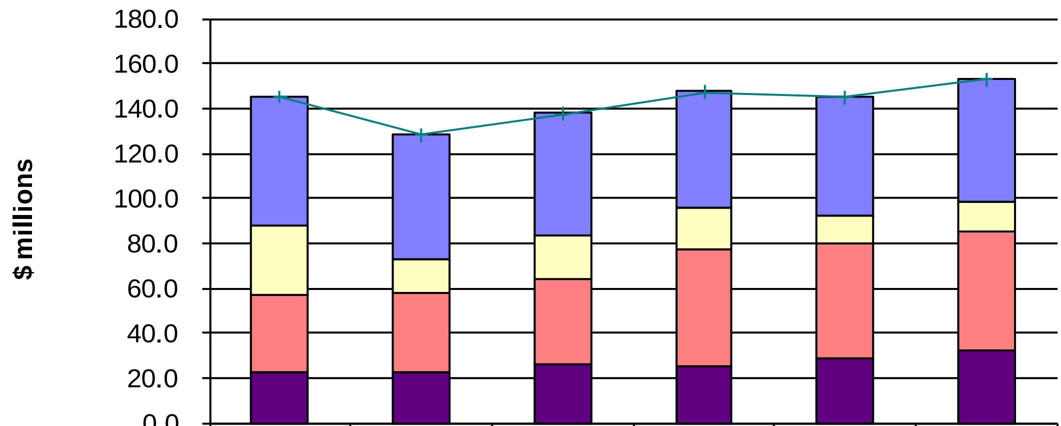
In fiscal 2011, revenue recognized[3] for financial statement purposes increased by $10.0 million, $6.3 million of which is increased funding recognized from OMAFRA under the New Initiative envelope (refer to section D.3). The balance of the increase or $3.7 million was primarily other research revenue restricted for fiscal 2011 spending which increased relative to fiscal 2010.

---

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

[3] *Research funding is restricted for specific purposes by external sponsors, and under C.I.C.A. accounting principles, cannot be recognized as revenue in the financial statements until the designated expenses are incurred. Therefore, while actual funding (cash) may be received in a fiscal year, it may not be recognized or recorded as revenue until future years. In the interim, the funding is recorded as a Deferred Contribution on the University's Statement of Financial Position (refer to page 33 for the accounting policy on revenue recognition).*

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



	2006	2007	2008	2009	2010	2011
Federal	57.8	55.4	54.9	52.0	53.1	54.7
Other Ontario	30.9	15.0	18.7	18.9	12.7	13.6
OMAFRA Agreement	34.4	35.7	38.4	51.4	50.6	52.3
Other	22.3	22.3	25.7	25.2	28.8	32.3
Total	145.4	128.4	137.7	147.5	145.2	152.9

D.5 Sales of Goods and Services

This category increased by $5.9 million or 5.1% in fiscal 2011 to $121.9 million. The largest change was a $3.8 million increase in Ancillary Enterprises revenues as a result of general price increases and increasing enrolment numbers in fiscal 2011. OMAFRA related goods and services (e.g., laboratory services, and sales of produce & animals) remained increased by $1.8 million or 11%. The balance of $0.3 million in net increases was the result of a large variety of activities such as user fees charged for OVC (Ontario Veterinary College) teaching hospital services particularly the small animal clinic, printing, and recovery of miscellaneous service costs.

D.6 All Other Revenues

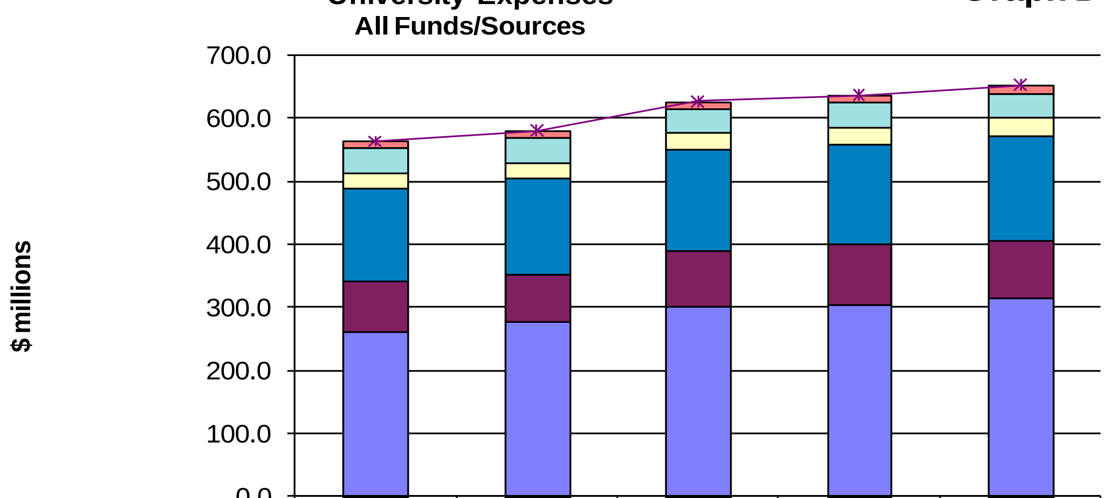
"All Other Revenues" (on Graph A) summarizes revenues from Donations ($8.9 million), Investment Income of ($6.3 million) and "Other" revenue ($31.0 million) shown on Statement 2 of the audited Financial Statements.

In fiscal 2011, combined revenues from these sources increased by $6.8 million or 17.3% compared to 2010. One major component of the increase was the rebound in short-term investment income earned on the operating portfolio (non-endowment) which increased by $2.4 million in 2011. As well there was an increase in donations ($0.5 million), and a $2.8 million increase from the University's 50% share in the operations of the University of Guelph-Humber joint venture. The balance of the net increase in this category was from a large variety of miscellaneous sources reflecting increased level of activities.

E. EXPENSES

University expenses, which totaled $652.5 million, increased 2.5% or $15.9 million from fiscal 2010 ($636.6 million). Refer to Graph D.

Graph D



	2006/2007	2007/2008	2008/2009	2009/2010	2010/2011
Interest	10.6	11.0	10.9	11.3	11.8
Capital Asset Amortization	39.4	39.9	38.4	38.5	39.3
Scholarships and Bursaries	22.9	24.3	26.7	26.5	28.9
Other Operating	147.8	152.1	159.6	160.1	165.2
Benefits	81.4	74.7	90.8	95.9	93.1
Salaries	261.2	278.2	300.7	304.3	314.2
Total	563.3	580.2	627.1	636.6	652.5

E.1 Salaries

(48% of total expenses): Total salary expenses (from all funds) increased by a net 3.3% or $9.9 million. The "salaries" category is impacted by several major factors including salary rate increases, changes to total staff complement and one-time costs. When compared with fiscal 2010, the one-time costs for retirement or resignation incentives decreased by $2.1 million to $5.5 million ($7.6 million in fiscal 2010) contributing a 0.7% decrease in total salaries relative to fiscal 2010. The incentives are part of a Board of Governors approved multi-year plan to reduce the total staff complement funded from the University's MTCU Operating budget. The increase in salaries was due almost entirely to negotiated salary increases for all major employee groups.

E.2 Benefits

(14% of total expenses) decreased by $2.8 million to $93.1 million or 2.9%. The employer cost of benefits consists of a wide variety of negotiated (e.g., extended health and dental care) and statutory benefits (e.g., Employment Insurance, Canada Pension Plan and Employer Health Tax). In addition, the University is the sponsor of three defined pension plans that provide eligible employees pension coverage. Further post-employment benefits include a portion of the extended health and dental coverage which is provided to retirees under a cost sharing arrangement.

Accounting Presentation of Employee Benefits:

Employer benefit costs (excluding post-employment benefits) are funded and expensed in the audited statements essentially on a cash basis each year. In fiscal 2011, non-post employment benefits (total of $32.3 million) showed a small net increase of $0.6 million. While statutory benefit costs showed expected increases, these were offset by a small reduction in negotiated benefit costs in fiscal 2011, relative to fiscal 2010 most of which can be attributed to reduced group insurance rates in 2011.

All employer post-employment benefit expenses are accounted for as they are earned (accrued), not as they are actually paid (cash). The method requires that the committed obligations for future payments be estimated and present valued to reflect the total future obligation that exists at the date of the financial statements. While application of this accounting standard can create significant changes in accounting expense from year to year (the expense calculation is dependent on financial market conditions at measurement date each fiscal year), the accounting expense can be an indicator of future cash requirements. Refer to Note 6 - Employee Future Benefits for more detail on the calculation of post-employment expenses.

Post-employment Benefits –Defined Benefit Pension Plans:

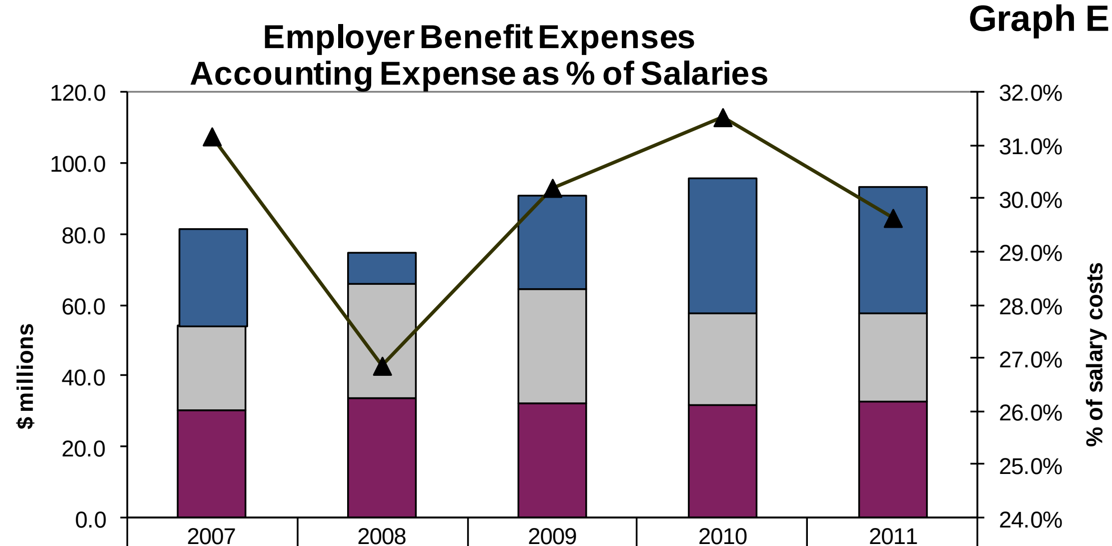
In Ontario, cash requirements, for defined benefit pension plans are governed by provincial legislation. This legislation, the Pension and Benefit Act (PBA), prescribes the reporting and methodologies for determining the funded status (and any cash requirements) for sponsors of defined benefit pension 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 funding requirements, referred to as an actuarial valuation, is required no less than every three years. As a result of required pension valuations over the past several years (2006, 2007, 2010), the University has made major cash contributions totaling $140 million over the past 5 years (refer to Graph F).

Post-employment Benefits –Non Pension:

Unlike defined benefit pension plans, future estimated costs (liabilities) for non-pension post employment benefits (dental and extended health coverage for retirees) are not required to be funded and are effectively recorded on a pay-as-you go basis whereby only current cash requirements are met. In fiscal 2011, non-pension post employment expenses decreased 1.9% from $25.7 million to $25.2 million however liabilities increased 12.3% from $171.9 million to $193.1 million relative to fiscal 2010. The expense reduction reflects a slight decline in usage experience (relative to previous assumptions) while the increase in liabilities is a result of declining long-term interest rates used to calculate total expected future costs. While not an immediate cash requirement, these liabilities indicate significant future requirements based on usage and cost estimates. In fiscal 2011, cash contribution for these plans decreased 4.8% to $4.0 million from fiscal 2010.

Overall the cost of employee benefit expenses is now 29.6% of salaries (31.5% in fiscal 2010). Refer to Graph E. The largest component of employer benefit costs are those for post-employment (pension, health and dental).

Graph E

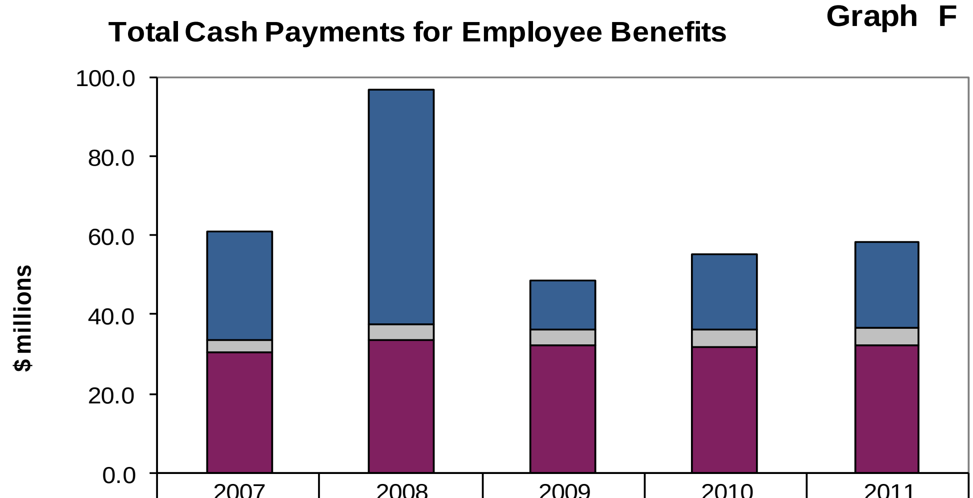


	2007	2008	2009	2010	2011
Pension	27.4	9.0	26.5	38.5	35.6
Non-Pension Post-Employment	23.7	32.2	32.4	25.7	25.2
Current Annual	30.3	33.5	31.9	31.7	32.3
Total	81.4	74.7	90.8	95.9	93.1
% of Salaries	31.2%	26.9%	30.2%	31.5%	29.6%

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 2011, the University paid $ 58.2 million in total for employee benefits (refer to Graph F). In terms of trends, cash payments are increasing in most categories and are expected to continue to increase reflecting increasing cash requirements especially for post-employment costs.

Graph F



	2007	2008	2009	2010	2011
Pension	27.4	59.3	12.5	19.1	21.9
Non-Pension Post-Employment	3.3	4.0	4.1	4.2	4.0
Current Annual	30.3	33.5	31.9	31.7	32.3
Total	61.0	96.8	48.5	55.0	58.2

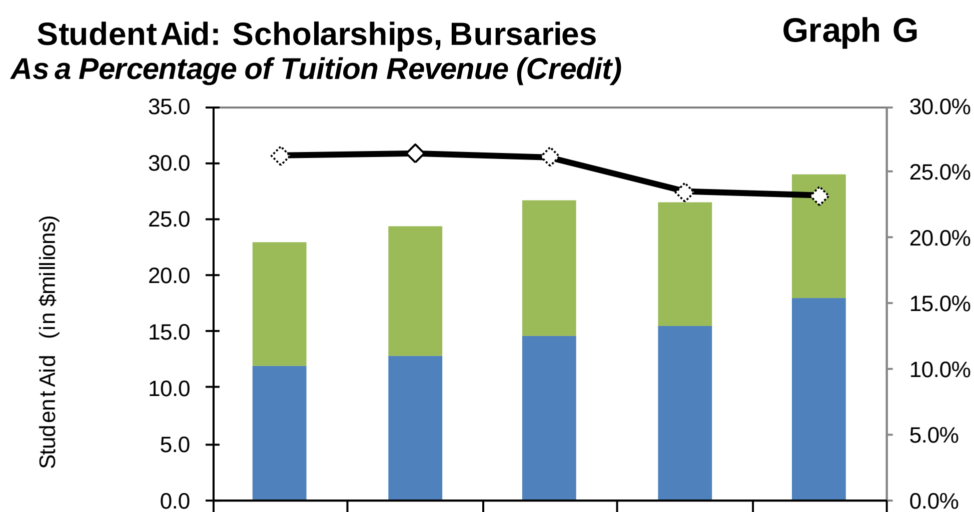
E.3 Other Operating Expenses

"Other Operating Expenses" (on Graph D) summarizes expenses of Travel ($15.2 million), Minor Renovations and Repairs ($4.8 million) and "Operating Expenses" ($145.2 million) shown on Statement 2 of the audited Financial Statements.

Other Operating Expenses (25% of total expenses) captures a wide variety of University expenses ranging from travel to campus utilities. This category increased by $5.1 million or 3.2% in fiscal 2011. One of the largest components of the increase in fiscal 2011 was research related expenditures that rose by $1.5 million reflecting an increase in research spending. Also of note is that travel increases by $2.0 million in fiscal 2011 reflecting both increase activity and rate increases for key travel components. Overall campus utility expenses increased by $0.8 million (total net costs of $20.4 million) reflecting the significant rate increases for electricity that were partially offset by a combination of favourable pricing on natural gas contracts and an investment in more efficient utility delivery and utilization systems. Most other operating categories experienced minor increases. The overall increase in Operating Expenses was offset by a $1.8 million reduction in minor (non-capital) renovations which is a result of a focus on capital-type investments (recorded a capital assets) versus smaller renovations and repairs (which are expensed as incurred).

E.4 Scholarships and Bursaries

Total University spending on Scholarships and Bursaries increased by $2.4 million or 9.1% to $28.9 million ($26.5 million in fiscal 2010). Refer to Graph G.



	2007	2008	2009	2010	2011
Trust and Endowments	11.0	11.5	12.1	11.0	11.0
Operating	11.9	12.8	14.6	15.5	17.9
Total Student Aid	22.9	24.3	26.7	26.5	28.9
% of Revenue	26.3%	26.5%	26.2%	23.5%	23.2%

Scholarships and Bursaries have two main sources of funding: the Operating Fund and externally restricted funds, e.g., grants, donations and endowments. In fiscal 2010, the University made a decision to reduce spending from all endowments as a result of previous fiscal year's negative return on endowment investments. This temporary restriction of spending will assist in the recovery of fund balances and the longer term spending capacity of endowments. In fiscal 2011, this action resulted in a no change in spending for student awards from endowments when compared to 2010. Due to this the entire increase of $2.4 million is within the Operating Fund as a result of the University's planned increased allocation for student assistance (for primarily needs-based awards) in the 2010/2011 Operating budget. Student aid funding is now approximately 23.2% (23.5% in 2010) of total credit tuition revenues. Of the $28.9 million, 62% was funded from the Operating Fund and 38% from trust (restricted) funds, including endowments.

E.5 Interest Expense

Interest expense increased by 4.9% as a result of the additional debt servicing associated with new capital borrowing. (Refer to section G)

E.6 Unrealized Gain(Loss) on Interest Rate Swaps

In fiscal 2008, the University implemented a new accounting policy related to "financial instruments"[4] consistent with requirements of the C.I.C.A. While these changes have no material impact on cash, the policy requires that financial instruments be valued annually at fair value (e.g., market value for investments and interest rate swaps) and that changes in the fair value are recorded in the Statement of Changes in Financial Position (income statement) each year. These are non-cash entries that reflect changes in the market values of interest rates swaps measured on April 30th each year. As market interest rates decline, the fair value of variable to fixed interest rates swaps decline. Conversely if interest rates increase, gains would be recognized under this new policy.

To the extent that the University holds these swaps to maturity, these reductions will not be realized. Interest rates swaps were entered into in order to fix debt service costs on long term debt (reducing short-term interest rate risk). It is the University's practice to hold all interest rate swaps until the maturity of that debt and related swap. These contracts are recorded at the mark-to-market value based on prevailing interest rates at year end. The Unrealized Gain (Loss) on Interest Rate Swaps in the current year was a loss of $1.1 million (gain of $3.9 million in 2010.

F. ENDOWMENTS

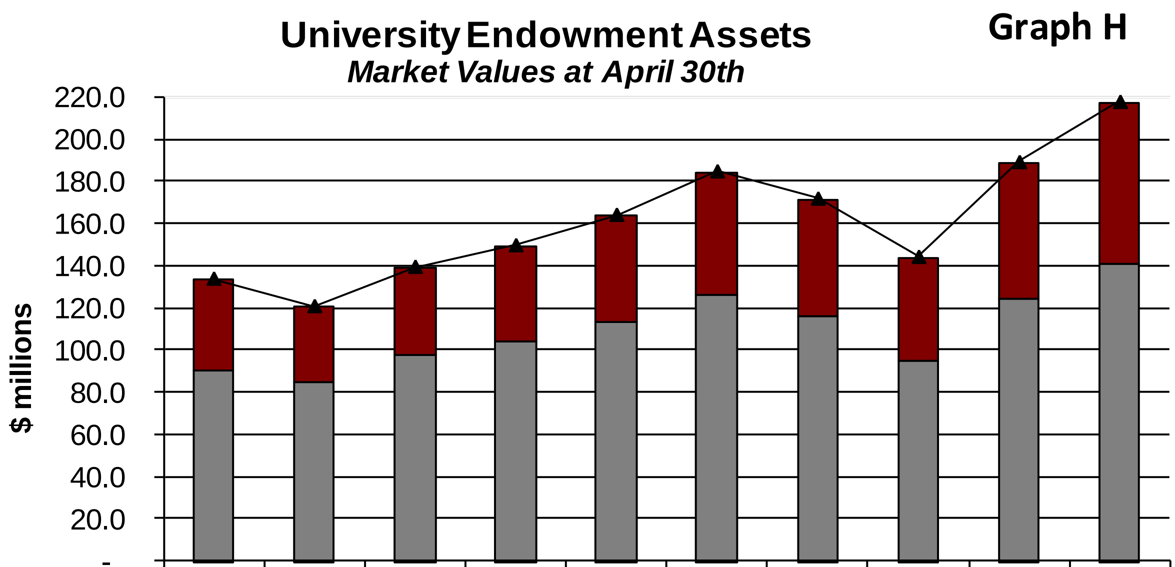
The Endowment Fund is composed of restricted segregated funds provided by external benefactors or established by the Board of Governors. While all University endowments are pooled for investment purposes, there are two major endowment funds with different spending objectives; the Heritage Fund[5] (investments of $76.5 million) and the General Endowment Fund (investments of $141.5 million). Refer to Graph H on the following page. 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

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

[5] *The **Heritage Fund** was created in 1991 by a declaration of trust of the Board of Governors with the intention that the capital of the fund be held in perpetuity for University strategic purposes. The main sources of growth for the fund are proceeds of University real estate sales, leases from Board-designated properties and investment income earned on the capital of the fund. Management of the fund was delegated by the Board of Governors to the Board of Trustees.*

investment returns to provide inflation protected spending. For most[6] University endowments, annual spending is limited to a percentage of each account's total endowment asset value averaged over the most recent moving four year period. For example, the annual spending rate of the General Endowment Fund was set at 3.5% of the average asset value in fiscal 2011.

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 $28.7 million or 15.2% from $189.3 million in 2010 to $218.0 million in 2011. The increase in market value is the result of positive investment returns of 11.5% (19.2% in fiscal 2010) in addition to capital additions of $10.3 million, net of funds allocated for disbursements. A more complete presentation on Endowment Fund activities including performance and disbursements can be found at http://www.fin.uoguelph.ca/endowment_reports.



	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Heritage	42.8	36.0	41.6	45.0	50.7	58.7	55.7	48.6	64.6	76.5
General	91.0	84.7	97.9	104.7	113.5	126.2	116.2	95.6	124.7	141.5
Total	133.8	120.7	139.5	149.7	164.2	184.9	171.9	144.2	189.3	218.0

Endowment Spending: The difference between actual total market returns and the spending rate (referred to as Capital Appreciation) is accumulated each year in the endowment fund to provide for capital protection, growth, and if required, to supplement annual returns in meeting annual disbursement. As a result of 2008 and 2009 negative investment returns much of the accumulated capital protection of endowments was eroded (refer to Graph I on the following page). Consequently, in fiscal 2010 and 2011, endowment spending from many of the individual General Endowment accounts was restricted. This difficult decision was taken to protect the long term capacity of endowments and to strengthen the ability of these accounts to fully recover market losses.

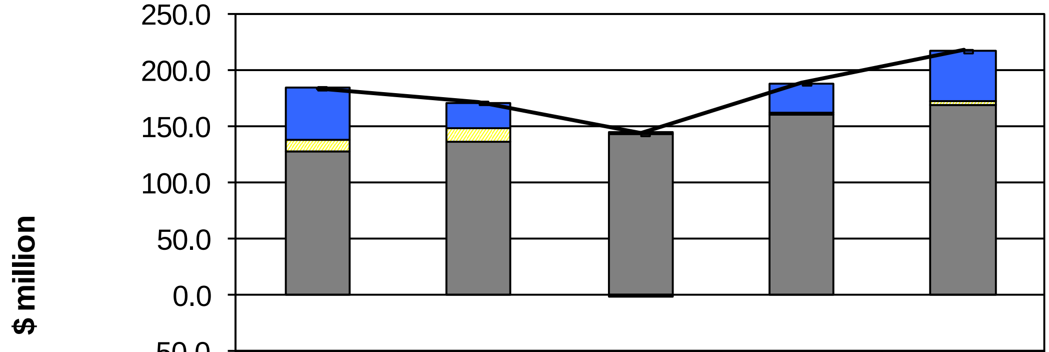
While the impact of restricting endowment spending in 2010 and 2011 had some relatively minor impact on University operations e.g., endowed faculty chairs, the major impact was on student assistance (59% of all University endowments are allocated to student assistance). Accordingly, the University took action to offset a

[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.*

major portion of the loss in endowment support for student assistance by allocating temporary funding from the MTCU Operating Budget for certain University commitments for multi-year scholarships and to provide needs based assistance where possible. While the fiscal 2010 and 2011 recoveries in endowments were significant, not all accounts are fully capable of resuming spending and it is anticipated that selected restrictions on spending will remain in place during fiscal 2012.

Allocation of University Endowment Investments **Graph I**

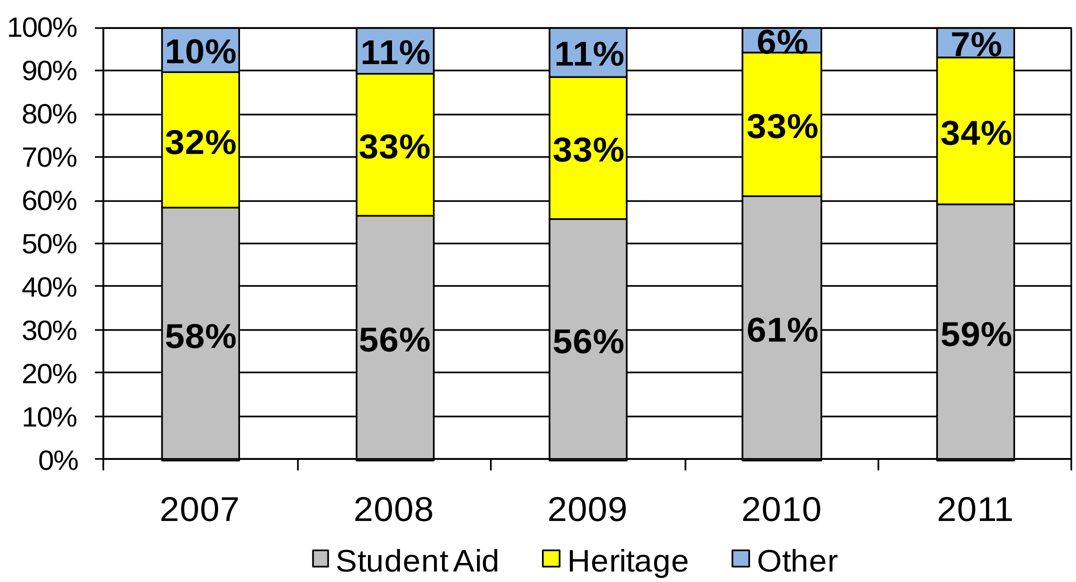
(Including Heritage and General Endowment Funds)



	2007	2008	2009	2010	2011
Capital Appreciation	45.7	23.3	-1.6	25.6	44.6
Funds Available	10.9	11.3	2.1	2.8	3.2
Donated Principal	128.3	137.3	143.7	160.9	170.2
Total	184.9	171.9	144.2	189.3	218.0

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

Allocation of University Endowments **Graph J**



G. CAPITAL AND LONG-TERM DEBT AND INTEREST

G.1 Capital Asset Amortization

In accordance with accounting principles, the cash expenditures for major acquisitions, such as equipment and buildings are not charged to expenses as they occur but over the expected useful life of the related asset. (Refer to note 2(h) on Page 32 for the specific accounting policy). The charge to expenditures is called Capital Asset Amortization. In fiscal 2011 this charge increased by $0.8 million or 2.0% to $39.3 million from 2010 as a direct result of capital acquisitions.

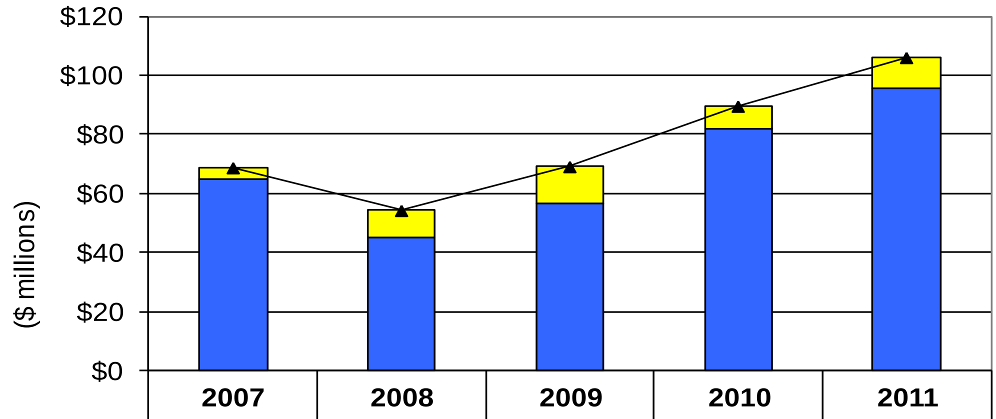
G.2 Capital Contributions and Acquisitions

Over the course of the fiscal year the University completed a number of major capital acquisitions (funds spent) funded from a variety of sources ("capital contributions" – funds received) or financed with new external debt. The following is a description of the major capital activity that occurred during the year. Although this activity is not apparent in the audited financial statements, it is reflected in the cash flow and the additions and deletions related to capital assets. Capital Contributions are funds designated by either external restriction or Board of Governor's approval for capital projects. Capital Acquisitions are major building/renovation projects and equipment purchases including construction-in-progress (projects not yet completed).

In fiscal 2011**,** the net recorded value of capital assets increased by $66.7 million ($50.9 million in 2010), reflecting expenditures or "acquisitions" on capital and construction-in-progress in several building/renovation projects of $105.9 million less capital asset amortization of $39.3 million. The following is a summary of major 2011 capital acquisitions.

- **Capital acquisitions ($105.9 million, refer to Graph K):**
    - $62.7 million in major buildings consisting of:
        - $20.3 million for Alexander Hall renovations,
        - $14.8 million for the OVC Pathobiology/Animal Health Labs Facility,
        - $13.4 million for Phase 1 of the expansion to the School of Engineering,
        - $5.0 million for Addition for Centre for Biodiversity Genomics,
        - $2.7 million for Lennox Hall Re-cladding and Window Replacement,
        - $2.6 million for Interior Improvements-Woodlands and Glacier,
        - $2.2 million for the OVC Primary Health Care Facility and
        - $1.7 million for Rugby Field Conversion;
    - $23.5 million in major equipment purchases and building renovations funded by both departmental transfers from the Operating Fund and external research grant/contract funding transferred from the Research and Trust Fund;
    - $9.5 million on the fifth year of the Board approved Five-Year Capital Renewal Financing Plan. Total actual costs to date under this plan are $46.6 million;
    - $7.4 million on the fifth year of Student Housing Services' portion of the Five-Year Capital Renewal Financing Plan. Total spending to date under this plan is $30.3 million;
    - A balance of $2.8 million made up of several smaller projects.

Capital Acquisitions by Major Fund **Graph K**



	2007	2008	2009	2010	2011
Ancillary	4.0	9.1	12.4	7.7	10.6
Capital	64.7	45.2	56.7	81.8	95.4
Total	68.7	54.3	69.1	89.5	105.9

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

- **Capital Contributions received (total $27.4 million):**
  - $1.0 million ($1.6 million in 2010) in MTCU facilities renewal grants were received. The contribution is restricted for deferred maintenance repairs and renovations to the campus physical plant infrastructure. Given the age and usage of University buildings and past deficiencies in funding, at least $200 million in deferred maintenance costs for buildings alone have been estimated[7]. Facilities renewal funding is allocated to deal with the highest priority items such as safety and emergency repairs;
  - $20.2 million ($10.8 million in 2010) in Canada-Ontario Knowledge Infrastructure Program (KIP) funding was received from MTCU restricted for a major Axelrod Building repurposing. The maximum Federal and Provincial funds eligible under this program are $33.6 million and in order to receive these funds the project must be complete by October 31, 2011;
  - $3.9 million was allocated from CFI and Ontario research infrastructure funds to support a number of ongoing capital projects.
  - $2.0 million ($1.9 million in 2010) from MTCU-Graduate Education Expansion in support of the Axelrod Building repurposing project;
  - $0.1 million of interest was earned on invested funds received from the federal government and OMAFRA for Phase 1 of the Ontario Veterinary College (OVC) redevelopment project. Invested funds are restricted for the renovation and expansion of the veterinary hospital, laboratories and research buildings. This project includes the new Large Animal Isolation Hospital and the Pathobiology/Animal Health Labs Facility. By the end of fiscal 2011, $61.2 million had been spent for these projects ;
  - $0.1 million was received from Student Energy Retrofit Funds to support the cost of electrical retrofit projects throughout the University;
  - $0.1 million was received in donations designated for capital projects;

[7] *The University has a Board-approved five year financing plan (2012-2016) for investment in high priority deferred maintenance projects including residence buildings. The costs under this plan are to be funded from a combination of the designated provincial grants, residence fees and borrowing which in the absence of any provincial or federal capital funding, will be serviced from the Operating Fund.*

G.3 Long Term Debt and Interest

Starting in 2002/2003, the University initiated a number of major capital projects to meet its strategic planning objectives to improve existing facilities, including the reduction of deferred maintenance and to provide new space to meet the needs of additional planned enrolments. In support of these plans, the University recorded a major increase in its external debt in fiscal 2003 as a result of its issuance of a $100-million, 40-year debenture. The proceeds of this additional debt were designated to finance major capital projects in the context of long-term strategic teaching and research plans including a new science building, a major teaching facility (Rozanski Hall) and faculty offices.

In addition, in fiscal 2007 the University began a multi-year planning process to begin to address the backlog of major capital deferred maintenance for its campus infrastructure (buildings and utilities delivery systems). This process consists of a contiguous five year plan ("Five-Year Capital Renewal Financing Plan") which identifies spending for high priority projects in both residences and main campus facilities. Each year the Board of Governors reviews and approves the Plan including the areas for highest priority during the year. While funding for these projects will include annual provincial grants and housing revenues, at this time, the majority of the expenditures will be financed with new external debt.

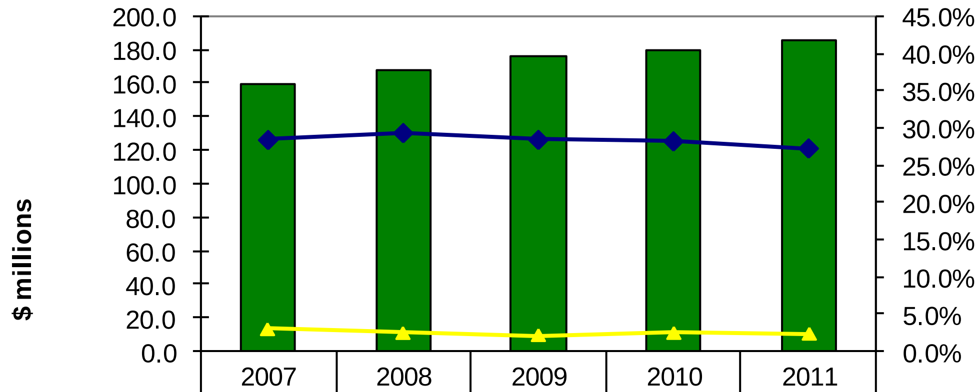
In fiscal 2011, of the major capital acquisitions totaling $105.9 million ($89.5 million in fiscal 2010) $16.9 million of this expenditure was under the Five-Year Capital Renewal Financing Plan. $10 million of this was financed with new external debt. This debt was secured through bank loans using 15 year interest rate SWAP's to fix the University's interest cost. $6.1 million of the debt will be serviced from the Operating Fund and $3.9 million funded by the Ancillary Enterprise unit, Student Housing Services. Other acquisitions reflect the combined impact of both increased research funding under federal and provincial government programs and a general increase in teaching equipment purchases and renovations funded from operating revenues.

Total external[8] debt and debt servicing as a percentage of total University revenue are 27.3% (28.2% in 2010) and 2.3% (2.4% in 2010) respectively. Refer to Graph L. Both percentages are within University policy limits of 45% and 4.5%, respectively. The increase in total debt in fiscal 2011 reflects the new debt ($10 million) partially offset by a total debt repayment of $4 million.[9]

[8] *The University presents internal funds used for the temporary financing of capital projects in both the Capital Fund and Ancillary Enterprise Fund. They are reported in Note 13 on Page 44 of this report under Internally Restricted Net Assets in the appropriate fund (Capital or Ancillary).*

[9] *Total external debt repayment excludes internal "sinking" fund investments ($14.1 million, market value, in fiscal 2011) that have been set up to retire interest-only debt. Refer to Note 5 on Page 35 "Investments Held for Debt Repayment".*

Total Debt and Debt Servicing as a Percentage of Total Revenue **Graph L**



	2007	2008	2009	2010	2011
Total Debt	159.3	167.7	175.5	179.1	185.1
% debt to revenues	28.4%	29.4%	28.4%	28.2%	27.3%
% debt servicing to revenues	3.0%	2.4%	2.1%	2.4%	2.3%

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

H. CHANGES IN UNIVERSITY NET ASSETS

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

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

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

Total University income received in fiscal 2011 from all funds was $678.4 million. Total expenses were $652.5 million, plus $1.1 million in Unrealized losses on Interest Rate Swaps. The net result was a surplus of $24.8 million ($1.3 million net surplus in 2010).

In order to complete the total calculation of changes in Net Assets the impact of the changes to "Endowment Contributions" must be considered. In 2011 Endowment Contributions totaled $24.9 million (a net result of positive investment returns, new contributions less funds allocated for spending). The resulting $49.7 million net increase in Net Assets, across all funds, was allocated in accordance with external restrictions, Board policy, and future budget and expenditure requirements.

The following table summarizes total University changes in Net Assets for fiscal year 2010/2011:

2010/2011 UNIVERSITY RESULTS
Summary of All Funds ($millions)

	Opening Net Assets (Deficit)	2010/2011 Results	Closing Net Assets (Deficit)
Total University Revenues		678.4	
Total University Expenses		652.5	
Unrealized Gain(Loss) on Interest Rate Swap		-1.1	
Revenue Less Expenses		24.8	
Add: Endowment Contributions		24.9	
Increase (Decrease) in Net Assets		49.7	
UNIVERSITY NET ASSETS:			
Invested in Capital Assets	143.9	19.1	163.0
Endowed Funds	180.8	29.6	210.4
Internally Restricted	112.1	43.2	155.3
Unrestricted Operating	(213.9)	(41.2)	(255.1)
Unrestricted All Other Funds	3.0	(1.0)	2.0
Total Net Assets	**225.9**	**49.7**	**275.6**

H.2 Changes in Net Assets - By Fund

The following notes and tables summarize the distribution of changes to Net Assets (Statement 1, Page 27) based on fiscal 2011 financial results:

1. **Invested in Capital Assets:** Increase of $19.1 million (2010, increase of $7.7 million). This account records the net change in the University's equity in its capital assets. This account increased as a result of an increase in net book value of capital assets (acquisitions greater than depreciation) partially offset by the increase in debt on the University's capital assets.

2. **Endowment Fund:** Endowment Net Assets records the impact of annual changes in endowment investment income and net funds flow due to donations and disbursements. Endowment Net Assets for fiscal 2011 increased by $29.6 million ($40.7 million increase in fiscal 2010). This net increase consisted of:

   -$4.7 million ($3.7 million in 2010) in transfers to endowments of which $3.9 million was transferred to the Heritage Fund from real estate net proceeds;

   -$5.6 million ($10.8 million in 2010) in additional capital, mainly from donations, received during the year;

   -$19.3 million ($26.2 million in 2010) endowed investment income, which is the net of $22.3 million earned less the amount provided for fiscal 2011 spending of $3.0 million.

   (Note: Recorded Endowed Assets of $210.4 million is that portion of endowed investments of $218.0 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 13 on Page 44) – Internally Restricted refers to funds that are designated for specific purposes by either the Board of Governors or University policy. Examples are funds committed or used for specific purposes such as temporarily financing capital projects, outstanding purchase commitments, departmental funds,[10] research, capital replacement expenses or contingencies.

In total, the University's Internally Restricted funds increased by $43.2 million (2010, increase of $35.2 million). Much if this significant increase was attributable to the MTCU portion of the Operating Fund.

- **Internally Restricted Assets - Operating Fund:** This account records funds designated for specific Operating Fund purposes under either University policy (e.g., carry forwards of unspent departmental funds) or Board designated funds. The net increase of $54.4 million to $151.7 million consists of:
  - "Equipment, Supplies and Contingency": received an additional $40.1 million increase in funds. Of this category ($88.740 million in total) approximately 50% is allocated for the purchase of equipment, supplies and services mainly by operational units (colleges and departments). The balance has been set aside as a general contingency to provide for Multi-Year Plan implementation and other contingencies. Contingency funds were realized largely from University operating revenues received over budget estimates (refer to Table B). The positive results were the consequence of higher enrolments, increasing tuition income and provincial grants, and the continuation of the provincial practice of allocating one-time year end grants to the post-secondary sector. The University does not budget for these one-time grants as they are not part of normal in-year funding estimates and are to a large extent based on the status of provincial finances at their fiscal year end (March 31). The decision to hold contingency funds, reflects the significant uncertainty of a range of risk including pension, deferred maintenance and provincial funding as the University moves into 2011/2012 fiscal year and beyond;
  - "University Pension Contributions" received a $5.8 million increase moving this fund to $45.8 million. The University will be allocating these funds out over the next four years to supplement the base Operating Budget allocation (currently $23 million) as pension contributions under the provincial government's Stage 1 Temporary Solvency Relief legislation[11].
  - "Employee Benefits" received $8.5 million in funds for (timing differences between payments and recoveries by departments for non pension employee benefit costs).
- **Internally Restricted Assets - Capital Fund:** This account records funds designated for specific capital purposes (<u>excluding</u> capital projects funded from Ancillary Operations) such as unspent (but committed) project funds, funds set aside for debt repayment (sinking funds) or funds used to internally finance capital projects. The net decrease of $7.4 million consists of $6.4 million in new internal financing and $2.1 million in funds designated to complete projects in fiscal 2011 offset by an increases of $1.1 million in additional sinking funds (designated to retire debt due in future years).

---

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

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

- **Internally Restricted Assets - Ancillary Fund:** This account records funds designated for specific operating and capital purposes funded from Ancillary Enterprise Operations. Major capital items include funding designated for debt repayment (sinking funds) and internally financed capital projects. The net increase in this fund of $1.9 million consists of $0.3 million increase in sinking funds for Student Housing Services and a net repayment of internal financing of $1.6 million.
- **Internally Restricted Assets - Research and Trust Fund:** This account records internal funding designated for specific research or special purpose accounts that has not been spent. The decrease of $5.7 million reflects funds that were utilized for these purposes in fiscal 2011.

4. **Unrestricted Surplus (Deficit)** – reports the accumulated net income or deficit of University operations after adjustments for internal restrictions and investments in capital assets. In total, the University's Unrestricted Deficit increased by $42.2 million to $253.1 million ($210.9 million in fiscal 2010). Components of this increase were:
   - **Operating Fund:** recorded an increase in the deficit of $41.2 million. $34.5 million of this deficit increase is the portion of the accounting accrual (non-cash expense) of post-employment benefits that is not funded through the University's annual budget process. In addition, $6.6 million in net costs were incurred in fiscal 2011 from one-time restructuring costs associated with the University's Multi-Year Plan to eliminate its structural deficit in the MTCU Operating Budget by 2011/2012. This deficit, now totaling $47.1 million will be repaid over a seven year period starting in fiscal 2012 from savings set aside as part of the Multi-Year Plan and is within maximum limits established by the Board of Governors. An additional small increase in the total Operating Fund deficit was realized by a $0.1 million decrease in the University's equity share of the capital assets of the Guelph-Humber joint venture.
   - **Ancillary Fund:** Most Ancillary Enterprise units have as their primary object to fund all expenses including capital debt costs from revenues. In fiscal 2011, unrestricted net assets for the Ancillary Fund decreased by $0.9 million in fiscal 2011. $0.7 million of this is the result of an unfavorable fair market value adjustment on long term debt contracts in Student Housing Services and Real Estate (the impact of accounting for financial instruments. Refer to section E.6). This was augmented by a net total surplus of $1.6 million from all other operations.
   - **Capital Fund:** a decrease of $0.4 million to the Capital Fund as a result of the accumulated market value adjustments for interest rate swaps.
   - **Research & Trust Funds:** the deficit decreased by $0.3 million to nil in fiscal 2011 as an unfunded research project was retired in the fiscal year from allocations from other unrestricted research operations.

I. MTCU Budget to Actual Variances

Table B (following page) presents the University's net financial results, compared to the approved budget, for the MTCU component of the Operating Fund (referred to as the MTCU Operating Budget). The MTCU Operating Budget records the University's teaching and related infrastructure costs including most faculty and support staff positions.

Overall results were positive relative to budget, reflecting unexpected year-end MTCU grants, higher than expected enrolments and other program revenues greater than budget estimates. Table B presents results and the disposition of net funds for fiscal 2011 by major category of revenue and expense.

2010/2011 MTCU Operating Fund Results — TABLE B
(in thousands of dollars)

	2010/11 Budget	2010/11 Actual		Variance
Revenue				
MTCU Grants	168,415	175,384		6,969
Tuition (Credit & Non-Credit)	132,186	137,102		4,916
Sales of Goods and Services	23,999	27,096		3,097
Investment Income	391	509		118
Other Revenue	15,318	20,401		5,083
Research Overhead Revenues and Recoveries	30,273	31,357		1,084
Institutional Recoveries	19,366	20,615		1,249
Uof G Share of Guelph Humber Surplus	1,785	8,498		6,713
Total Revenue	391,733	420,962		29,229
Expenses				
Salaries	219,138	221,092		(1,954)
Benefits	55,116	48,996		6,120
Operating	63,835	59,163		4,672
Utilities	22,452	20,380		2,072
Scholarships and Bursaries	16,087	16,884		(797)
Other Institutional Transfers	12,800	12,798		2
Unallocated Multi-Year Target	(8,297)			(8,297)
Total Expenses	381,131	379,313		1,818
University Contingency and Carryforwards				
University Contingency - General	11,366			11,366
University Contingency - Multi Year Plan	20,301	4,618		15,683
Budgeted Carryforwards for Dept Operations	33,260			33,260
Total University Contingency and Carryforwards	64,927	4,618		60,309
Revenue Less Expenses	**(54,325)**	**37,031**		**91,356**
Add: Internally Restricted Net Assets - Beginning	48,325	97,243		48,918
Add: Transfer from R&T for Post Retirement Benefits		10,770		10,770
Total Funds Available	(6,000)	145,044		151,044
Less: Internally Restricted Net Assets - Ending	-	151,662	**Note #1**	151,662
Net Change in Fund Balance	(6,000)	(6,618)		(618)

Note #1 - See Financial Statement Note #13

Unrestricted Surplus (Deficit) - See Financial Statement Note #14	
Opening - Unrestricted Surplus (Deficit)	(213,941)
Restructuring Costs	(6,618)
Accrual for Employee Future Benefits	(34,475)
University of Guelph Humber	(100)
Closing - Unrestricted Surplus (Deficit)	(255,134)

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

October 4, 2011

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, 2011 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 generally accepted accounting principles, 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.

PRICEWATERHOUSECOOPERS

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

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, 2011 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

Chartered Accountants, Licensed Public Accountants

(2)

Statement 1

UNIVERSITY OF GUELPH
STATEMENT OF FINANCIAL POSITION
AS AT APRIL 30, 2011

(in thousands of dollars)

	2011	2010
ASSETS		
Current		
Cash and Cash Equivalents (Note 4)	125,324	152,541
Short-term Investments (Note 5)	74,488	69,539
Accounts Receivable	29,443	18,490
Inventories	3,553	3,551
Prepaid Expenses	2,839	1,799
	235,647	245,920
Deferred Pension Costs (Note 6)	45,031	58,403
Real Estate Projects in Progress	1,810	708
Long-term Accounts Receivable	211	279
Investments (Note 5)	235,810	202,753
	282,862	262,143
Capital Assets (Note 7)	713,290	646,637
	1,231,799	**1,154,700**
LIABILITIES		
Current		
Accounts Payable and Accrued Charges	56,161	65,302
Unrealized Loss on Interest Rate Swaps (Note 8)	9,120	7,994
Current Portion of Long-term Debt (Note 8)	17,543	3,658
Current Portion of Deferred Revenue and Contributions (Note 10)	33,958	30,522
	116,782	107,476
Employee Future Benefits (Note 6)	189,811	168,863
Long-term Debt (Note 8)	167,517	175,424
Deferred Revenue and Contributions (Note 10)	116,216	153,222
Deferred Capital Contributions (Note 11)	365,901	323,792
	956,227	**928,777**
NET ASSETS		
Invested in Capital Assets (Note 12)	162,977	143,877
Internally Restricted (Note 13)	155,293	112,071
Unrestricted Surplus (Deficit) (Note 14)	(253,073)	(210,816)
Endowed (Note 15)	210,375	180,791
	275,572	**225,923**
	1,231,799	**1,154,700**

Commitments and Contingencies (Notes 20 & 21)

(See accompanying notes)

Signed		**Signed**	
Dick Freeborough	Chair	Alastair Summerlee	President

Statement 2

UNIVERSITY OF GUELPH
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED APRIL 30, 2011

(in thousands of dollars)

	2011	2010
REVENUE		
Ministry of Training, Colleges and Universities	176,936	168,427
Ministry of Agriculture, Food and Rural Affairs Agreement	62,293	63,108
Tuition (Credit and Non-Credit)	137,102	124,199
Donations (Note 16)	8,849	8,350
Sales of Goods and Services	121,901	116,007
Investment Income (Note 17)	6,323	3,956
Other Grants and Contracts	111,539	101,484
Amortization of Deferred Capital Contributions (Note 11)	22,442	21,372
Other	31,019	27,131
	678,404	634,034
EXPENSES		
Salaries	314,203	304,285
Benefits	93,124	95,864
Travel	15,196	13,204
Operating	145,264	140,380
Minor Renovations and Repairs	4,752	6,611
Interest (Note 8)	11,836	11,278
Scholarships and Bursaries	28,921	26,461
Capital Asset Amortization	39,257	38,541
	652,553	636,624
Unrealized Gain (Loss) on Interest Rate Swaps	(1,126)	3,926
Revenue Less Expenses	24,725	1,336

(See accompanying notes)

Statement 3

UNIVERSITY OF GUELPH
STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED APRIL 30, 2011
(in thousands of dollars)

	Invested in Capital Assets	Internally Restricted	Unrestricted Surplus (Deficit)	Endowed	2011 Total	2010 Total
Net Assets, Beginning of Year	143,877	112,071	(210,816)	180,791	225,923	187,600
Revenue Less Expense (Excess of Expenses over Revenue)	(16,815)	-	41,540	-	24,725	1,336
Net Change in Net Assets Invested in Capital Assets (Note 12)	35,915	-	(35,915)	-	-	-
Net Change in Internally Restricted Net Assets (Note 13)	-	43,222	(43,222)	-	-	-
Endowment Investment Earnings				19,328	19,328	26,243
Endowment Contributions				5,596	5,596	10,744
Transfer to Endowments	-	-	(4,660)	4,660	-	-
Net Assets, End of Year	162,977	155,293	(253,073)	210,375	275,572	225,923

(See accompanying notes)

Statement 4

UNIVERSITY OF GUELPH
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED APRIL 30, 2011

(in thousands of dollars)

	2011	2010
OPERATING ACTIVITIES		
Revenue Less Expenses (Statement 2)	24,725	1,336
Add (Deduct) Non-cash Items:		
Capital Asset Amortization	39,257	38,541
Amortization of Deferred Capital Contributions	(22,442)	(21,372)
Increase (Decrease) in Unrealized Investment Income	(11,889)	48,358
Increase (Decrease) in Unrealized Loss on Interest Rate Swaps	1,126	(3,926)
(Increase) Decrease in Long-term Receivables	68	(93)
Decrease in Deferred Pension Costs	13,372	19,128
Increase in Employee Future Benefits	20,948	22,475
(Increase) Decrease in Non-cash Working Capital	(22,238)	15,387
	42,927	119,834
FINANCING ACTIVITIES		
Increase in Long-term Debt	9,983	7,800
Repayment of Long-term Debt	(4,005)	(4,191)
Deferred Capital Contributions Received During the Year	64,551	61,012
Decrease in Deferred Revenue and Contributions	(33,570)	(33,222)
	36,959	31,399
INVESTING ACTIVITIES		
Net Sales (Purchases) of Investments	(26,117)	(92,355)
Endowment Investment Earnings	19,328	26,243
Endowment Contributions	5,596	10,744
Acquisition of Capital Assets	(105,910)	(89,453)
	(107,103)	(144,821)
Change in Cash & Cash Equivalents	(27,217)	6,412
CASH & CASH EQUIVALENTS, BEGINNING OF THE YEAR	152,541	146,129
CASH & CASH EQUIVALENTS, END OF THE YEAR	125,324	152,541

(See accompanying notes)

1. AUTHORITY AND PURPOSE

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES

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

(a) 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.

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

(d) Accounts Receivable

Accounts Receivable consists primarily of trade receivables that are recorded at amortized cost.

(e) Long-term Investments

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

(f) 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.

(g) Inventory Valuation

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

(h) Capital Assets

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

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

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

(i) Leases Payable

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

(j) Internally Restricted Net Assets

These are restrictions of net assets designated for future purchase order commitments; capital and renovation projects committed but not completed; capital assets funded through internal borrowings; unspent organizational unit funds permitted to be carried forward at the end of each year for expenditure in the following year; and contingencies in such amounts as are deemed necessary by the Board.

(k) Recognition of Revenue

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

Externally restricted contributions received for:

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

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

Unrestricted contributions are recognized as revenue when received.

Revenues received for the provision of goods and services are recognized in the period in which the goods or services are provided by the University. Revenues received for a future period are deferred until the goods or services are provided.

(l) Employee Future Benefits

The University maintains three defined benefit pension plans for its employees: Professional Plan, Retirement Plan and Non-Professional Plan. Pension plan assets, liabilities and changes in net assets are reported in the respective financial statements of these plans. The assets of the plans are held by an independent custodian.

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

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

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

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

(m) Real Estate Projects

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

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

Costs of projects not yet completed are deferred and recorded as "Real Estate Projects in Progress" on the Statement of Financial Position. It is anticipated that these project costs will be recovered from future Real Estate Division revenues.

(n) Recently Issued Accounting Pronouncements

In December 2010, the Canadian Accounting Standards Board issued a comprehensive set of accounting standards applicable to not-for-profit organizations. The standards are effective for fiscal years beginning on or after January 1, 2012 and require retrospective applications, except for certain exemptions and exceptions contained within the standards. Early adoption of the standards is permitted. The University of Guelph is currently reviewing the impact of the adoption of these standards.

3. FINANCIAL INSTRUMENTS

(a) Fair value

Cash and cash equivalents, short-term investments, accounts receivable, accounts payable and accrued liabilities are short term financial instruments whose fair value approximates the carrying amount given that they will mature shortly. The fair value of long-term investments is based on publicly traded securities which are valued on the latest bid prices. The fair value of derivatives has been estimated using market quoted rates and interest rates at April 30. Derivatives are recorded on the Statement of Financial Position as assets and liabilities and are measured at fair value. Changes in the fair value of interest rate swap contracts are recorded in the Statement of Operations as an Unrealized Gain (Loss) on Interest Rate Swaps.

(b) Interest rate risk

The University 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, 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 8)

(c) Credit risk

The University is exposed to credit risk in its cash and cash equivalents, short-term investments, accounts receivable, and to the credit risk of its derivative financial instrument counterparties that do not meet their obligations. The University minimizes the credit risk of cash and cash equivalents and short-term investments by depositing with only reputable financial institutions and investing in securities that meet minimum credit ratings as stipulated by the University's investment policies and limiting exposure to any one investment. The University minimizes its credit risk of its accounts receivable by performing credit reviews where necessary. The University minimizes the credit risk of its derivative financial instruments by dealing only with reputable financial institutions and monitoring the credit risk of these financial institutions.

(d) Foreign Exchange Risk

Foreign exchange risk is the risk that the value of the foreign denominated financial instrument portfolio will fluctuate as a result of changes in foreign exchange rates. The University has an exposure to foreign currency exchange rates primarily because the net assets and earnings of certain investments are denominated in foreign currencies.

(in thousands of dollars)

4. CASH AND CASH EQUIVALENTS

	2011	2010
Cash	6,847	11,849
Money Market Funds	94,214	125,773
Government of Canada Treasury Bills	24,263	14,919
	125,324	152,541

5. INVESTMENTS

	2011	2010
Short-term Investments		
Money Market Funds	38,061	60,257
Government of Canada Treasury Bills	-	1,443
Government of Canada Bonds	20,157	-
Province of Ontario Bonds	6,675	1,082
Guelph-Humber Equity	9,595	6,757
	74,488	69,539
Long-term Investments		
Government of Canada Bonds	11,213	11,027
Province of Ontario Bonds	4,291	6,628
Canadian Equities	55,527	45,647
Canadian Fixed Income	57,430	43,615
Foreign Equities	107,349	95,836
	235,810	202,753

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

	2011	2010
Investments Held for Debt Repayment		
Money Market Funds	3,119	6,868
Canadian Treasury Bills	-	1,443
Government of Canada Bonds	-	2,011
Provincial Bonds	10,966	7,709
	14,085	18,031
General and Heritage Endowment Funds		
Cash and Short-term Notes	8,485	14,058
Canadian Equities	44,739	35,802
Canadian Fixed Income	57,430	43,615
Foreign Equities	107,349	95,836
	218,003	189,311

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:

General Endowment	141,544	124,741
Heritage Fund	76,459	64,570
	218,003	189,311

(in thousands of dollars)

6. EMPLOYEE FUTURE BENEFITS

a) Description of Plans

The University has a number of funded and unfunded defined benefit programs that provide pension and other post-employment benefits to its employees. The pension programs provide benefits that are based on years of service and best average earnings. The benefit rates are adjusted annually to reflect any increase in the Consumer Price Index (limited to 8%) that is in excess of 2%. The University's other benefit plans provide extended health care and dental plan benefits to retirees and their eligible dependents on a cost-sharing basis. Retiree contributions to the health and dental programs cover 30% and 50% of the costs respectively.

b) Accrued Benefit Obligations (ABOs) and Plan Assets

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

	Pension Plans*		Other Benefit Plans		Total	
	2011	2010	2011	2010	2011	2010
Change in Benefit Obligation						
Benefit obligation - beginning of measurement period	1,024,540	884,532	221,523	207,435	1,246,063	1,091,967
Current service cost (employer)	26,591	20,573	7,633	6,953	34,224	27,526
Interest cost	57,540	56,583	12,929	13,737	70,469	70,320
Employee contributions	12,868	12,494	-	-	12,868	12,494
Employee transfers	314	703	-	-	314	703
Plan amendments	92	-	-	-	92	-
Actuarial loss (gain)	68,150	98,209	25,599	(2,600)	93,749	95,609
Benefits paid	(52,163)	(48,554)	(4,175)	(4,002)	(56,338)	(52,556)
Benefit obligation - end of measurement period	1,137,932	1,024,540	263,509	221,523	1,401,441	1,246,063
Change in Plan Assets						
Market value of plan assets - beginning of measurement period	836,087	719,233	-	-	836,087	719,233
Actual return on plan assets, net of expenses	98,744	135,336	-	-	98,744	135,336
Employer contribution	21,345	16,875	4,175	4,002	25,520	20,877
Employee contribution	12,868	12,494		-	12,868	12,494
Employee transfers	314	703		-	314	703
Benefits paid	(52,163)	(48,554)	(4,175)	(4,002)	(56,338)	(52,556)
Market value of plan assets - end of measurement period	917,195	836,087	-	-	917,195	836,087
Reconciliation of funded status						
Funded status - surplus (deficit)	(220,737)	(188,453)	(263,509)	(221,523)	(484,246)	(409,976)
Employer contributions after measurement date	5,344	5,117	1,207	1,385	6,551	6,502
Unamortized transitional obligation (asset)	(27,049)	(39,229)	17,105	21,383	(9,944)	(17,846)
Unamortized past service costs	16,767	19,750	-	-	16,767	19,750
Unamortized net actuarial loss (gain)	273,876	263,349	52,113	26,881	325,989	290,230
Accrued benefit asset (liability), before Valuation Allowance	48,201	60,534	(193,084)	(171,874)	(144,883)	(111,340)
Total Valuation Allowance (VA)	(5,308)	(3,971)	-	-	(5,308)	(3,971)
Accrued benefit asset (liability), net of VA	42,893	56,563	(193,084)	(171,874)	(150,191)	(115,311)

*Pension plans include ABOs and plan assets in respect of plans that are not fully funded of $1,129,190 and $903,100 respectively ($1,015,495 and $822,953 respectively for 2010).

(in thousands of dollars)

	Pension Plans		Other Benefit Plans		Total	
	2011	2010	2011	2010	2011	2010
Statement of Financial Position						
Deferred pension costs	45,031	58,403	-	-	45,031	58,403
Accounts payable (employee future benefits - current liability)	(22)	(22)	(5,389)	(4,829)	(5,411)	(4,851)
Employee future benefits (long-term liability)	(2,116)	(1,818)	(187,695)	(167,045)	(189,811)	(168,863)
Accrued benefit asset (liability), net of VA	42,893	56,563	(193,084)	(171,874)	(150,191)	(115,311)

c) Net Benefit Plan Costs

	Pension Plans		Other Benefit Plans		Total	
	2011	2010	2011	2010	2011	2010
Components of cost						
Current service cost (employer)	26,591	20,573	7,633	6,953	34,224	27,526
Interest cost	57,540	56,583	12,929	13,737	70,469	70,320
Actual return on assets	(98,744)	(135,336)	-	-	(98,744)	(135,336)
Actuarial (gains) losses	68,150	98,209	25,599	(2,600)	93,749	95,609
Past service costs	92	-	-	-	92	-
Difference between actual and expected return	42,894	87,402	-	-	42,894	87,402
Difference between actual and recognized actuarial gains (losses)	(53,421)	(81,207)	(25,232)	3,299	(78,653)	(77,908)
Difference between actual and recognized past service costs in year	2,983	3,084	-	-	2,983	3,084
Amortization of transitional obligation (asset)	(12,180)	(12,180)	4,278	4,278	(7,902)	(7,902)
Amortization of transitional increase in VA	-	-	-	-	-	-
Current increase (decrease) in VA	1,337	977	-	-	1,337	977
Net benefit cost	35,242	38,105	25,207	25,667	60,449	63,772

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

d) Cash Payments

Total cash payments for employee future benefits for the 12-months ended January 31, 2011, consisting of cash contributions by the University to the funded pension plans and cash payments directly to beneficiaries for the unfunded other benefit plans, were $25,520 (2010 $20,877).

e) Asset Allocation

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

	2011	2010
Percentage plan assets at January 31		
Equity securites	69.0%	66.0%
Debt securites	28.0%	32.0%
Cash and short term investments	3.0%	2.0%
	100.0%	100.0%

f) Actuarial Valuations

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

Registered Pension Plans	August 1, 2010
Other Plans	August 1, 2009

(in thousands of dollars)

For the University's registered pension plans, the next funding valuation is required to be prepared with an effective date no later than August 1, 2013.

g) Significant Assumptions

The significant actuarial assumptions adopted are as follows:

	Pension Plans		Other Benefit Plans	
	2011	2010	2011	2010
For determining accrued benefit obligation at end of fiscal period:				
Discount rate	5.30%	5.65%	5.40%	5.80%
Rate of increase in future compensation	3.50-4.00%	3.50-4.00%	n/a	n/a
Rate of increase in national average wage	3.25%	3.25%	n/a	n/a
Rate of increase in Consumer Price Index (CPI)	2.25%	2.25%	n/a	n/a
Rate of post-retirement pension increases	0.50%	0.50%	n/a	n/a
Expected long-term rate of return on plan assets	6.75%	6.75%	n/a	n/a
For determining benefit cost during fiscal period:				
Discount rate	5.65%	6.45%	5.80%	6.60%
Rate of increase in future compensation	3.50-4.00%	3.50-4.00%	n/a	n/a
Rate of increase in national average wage	3.25%	3.25%	n/a	n/a
Rate of increase in Consumer Price Index (CPI)	2.25%	2.25%	n/a	n/a
Rate of post-retirement pension increases	0.50%	0.50%	n/a	n/a
Expected long-term rate of return on plan assets	6.75%	6.75%	n/a	n/a
Assumed health care cost trend rate at end of fiscal period:				
Dental Inflation	n/a	n/a	4.50%	4.50%
Initial health care cost trend rate	n/a	n/a	9.00%	10.00%
Annual rate of decline in health care cost trend rate	n/a	n/a	0.50%	0.50%
Year of initial decline in health care cost trend rate	n/a	n/a	2012	2011
Ultimate health care cost trend rate	n/a	n/a	5.00%	5.00%

h) Sensitivity Analysis

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

	Pension Plans		Other Benefit Plans	
	Benefit Obligation 2011	Net Benefit Cost 2012	Benefit Obligation 2011	Net Benefit Cost 2012
	Increase (Decrease)		Increase (Decrease)	
Impact of discount rate change:				
1% increase	(147,188)	(18,165)	(38,736)	(3,974)
1% decrease	169,134	20,558	49,540	5,896
Impact of health care cost trend rate change:				
1% increase	n/a	n/a	47,959	8,807
1% decrease	n/a	n/a	(38,209)	(6,202)

(in thousands of dollars)

7. CAPITAL ASSETS

a) Details

	2011			2010
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	8,761	-	8,761	8,761
Land improvements	28,888	11,967	16,921	17,139
Buildings	747,365	209,954	537,411	454,308
Furniture and equipment	235,660	149,853	85,807	84,798
Construction in progress	56,230	-	56,230	73,214
Computer equipment	32,717	29,298	3,419	4,045
Library and art collection	17,096	12,355	4,741	4,372
	1,126,717	413,427	713,290	646,637

b) Change in Net Book Value

	2011	2010
Balance, beginning	646,637	595,725
Purchase of capital assets	105,910	89,453
Less: Amortization of capital assets	(39,257)	(38,541)
Balance, ending	713,290	646,637

c) Insured Values

	2011 Net Book Value	2011 Insured Value	2010 Net Book Value	2010 Insured Value
Buildings	537,411	1,535,628	454,308	1,544,000
Furniture, equipment and library books	93,967	681,959	93,214	706,000
Art and artifacts collection	1	36,869	1	36,976

(in thousands of dollars)

8. LONG-TERM DEBT

a) Details

	Interest Rate %	Issue Date	Due Date	2011 Total	2010 Total
Series A Unsecured Debenture	6.24	11-Oct-02	10-Oct-42	100,000	100,000
Banker's Acceptance					
Toronto Dominion Bank	4.91	20-Dec-07	20-Dec-22	6,283	6,827
Toronto Dominion Bank	4.54	10-Apr-08	10-Apr-23	2,397	2,601
Toronto Dominion Bank	4.89	13-Mar-09	13-Mar-24	8,650	9,333
Canadian Imperial Bank of Commerce	4.96	1-May-06	2-May-16	3,178	3,791
Bank of Montreal	7.63	16-Oct-00	15-Jun-25	29,600	30,100
Royal Bank of Canada	4.85	23-Mar-10	24-Mar-25	7,265	7,800
Royal Bank of Canada	5.02	01-May-10	01-May-25	9,558	-
				66,931	60,452
Leases payable					
Ontario Student Housing Corp.	6.13	1-Jan-69	1-Dec-18	469	513
Canada Mortgage and Housing Corp.	5.88	1-Jan-69	1-Dec-18	4,111	4,503
				4,580	5,016
Mortgages payable					
Canada Mortgage and Housing Corp.	5.38	1-Jan-67	1-Dec-16	469	534
Ontario Housing Corp.(interest only)	9.86	1-Dec-92	1-Jun-11	13,080	13,080
				13,549	13,614
				185,060	179,082
Current Portion				(17,543)	(3,658)
				167,517	175,424

During the current fiscal year, the University of Guelph made principal repayments in the amount of $4,005 (2010 $4,191) and incurred $11,836 (2010 $11,278) 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
2012	17,543	11,368	28,911
2013	3,881	9,874	13,755
2014	3,915	9,668	13,583
2015	4,150	9,426	13,576
2016	4,487	9,191	13,678
	33,976	49,527	83,503
Thereafter	151,084		
	185,060		

(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 Swap

The University 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, thereby reducing interest rate risk associated with its outstanding debt.

The interest rate swap contract involves an exchange of floating rate to fixed rate interest payments between the University and the financial institutions. Under the terms of these agreements, the University pays a fixed rate and receives a variable rate on each swap's notional principal amount. The swap transactions are completely independent and have no direct effect on the relationship between the University and its lenders.

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

		2011		2010	
	Due Date	Notional Amount	Gain/(Loss)	Notional Amount	Gain/(Loss)
Toronto Dominion	20-Dec-22	6,271	(530)	6,803	(452)
Toronto Dominion	10-Apr-23	2,400	(151)	2,601	(112)
Toronto Dominion	13-Mar-24	8,667	166	9,333	402
Royal Bank of Canada	24-Mar-25	7,270	(255)	7,790	(89)
Royal Bank of Canada	1-May-25	9,499	(407)	10,000	(120)
Canadian Imperial Bank of Commerce	2-May-16	3,150	(210)	3,750	(240)
Bank of Montreal	15-Jun-25	29,538	(7,733)	30,038	(7,383)
			(9,120)		(7,994)

(in thousands of dollars)

9. CAPITAL MANAGEMENT

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

Investment performance and asset allocation for the endowment funds is reviewed by the Investment Management Committee of the Board of Trustees and is reported to the Finance Committee of the Board of Governors. Investment performance and asset allocation for expendable investments are reviewed by the Finance Committee of the Board of Governors. Both investment portfolios are managed under Board approved policies.

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

	2011	2010
Investments		
Endowments	218,003	189,311
Expendable	215,351	219,593
Externally Restricted	2,267	15,929
Debt		
Interest Bearing Debt	185,060	179,082
	620,681	603,915

10. DEFERRED REVENUE AND CONTRIBUTIONS

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

a) Deferred Revenue	2011	2010
Prepaid Leases, Fees and Grants	16,371	15,965
OMAFRA Advance	19,460	16,478
OMAFRA Five Year Grant	34,341	46,407
Other	3,336	2,877
	73,508	81,727
Less: Current Deferred Revenue	(33,958)	(30,522)
	39,550	51,205
b) Deferred Contributions		
Changes in Deferred Contributions are as follows:		
Balance, beginning of year	102,017	130,415
Contributions received during the year	153,670	109,119
Contributions recognized in the year	(179,021)	(137,517)
Balance, end of year	76,666	102,017
Total Deferred Revenue and Contributions	116,216	153,222

(in thousands of dollars)

11. DEFERRED CAPITAL CONTRIBUTIONS

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

	2011	2010
Changes in Deferred Capital Contributions are as follows:		
Balance, beginning of year	323,792	284,152
Contributions received during the year	64,551	61,012
Amortization of deferred capital contributions	(22,442)	(21,372)
Balance, end of year	365,901	323,792

12. INVESTED IN CAPITAL ASSETS

	2011	2010
Capital Assets (Net Book Value)	713,290	646,637
Less:		
Long-term Debt	(185,060)	(179,082)
Deferred Capital Contributions	(365,901)	(323,792)
Add: Unused Ancillary Debt	648	114
Invested in Capital Assets	162,977	143,877

Change in Invested in Capital Assets

	2011	2010
Capital Asset Amortization	(39,257)	(38,541)
Amortization of Deferred Capital Contributions	22,442	21,372
	(16,815)	(17,169)
Acquisition of Capital Assets	105,910	89,453
Repayment of Long-term Debt	4,005	4,191
Increase in Unused Ancillary Debt	534	-
Increase in Long-term Debt	(9,983)	(7,800)
Deferred Capital Contributions Received During the Year	(64,551)	(61,012)
	35,915	24,832
	19,100	7,663

(in thousands of dollars)

13. INTERNALLY RESTRICTED NET ASSETS

	Balance, Beginning of Year	Transfer To (From) Internally Restricted	Balance, End of Year
Operating Fund			
Equipment, Supplies and Contingency	48,576	40,164	88,740
Self Insured Losses	1,000	-	1,000
Employee Benefits	7,667	8,466	16,133
University Pension Contributions	40,000	5,789	45,789
	97,243	54,419	151,662
Capital Fund			
Capital Projects and Renovations	5,765	(1,189)	4,576
Minor Renovations	2,188	(880)	1,308
Funds Held for Debt Repayment	5,271	1,082	6,353
Internally Financed Projects	(47,316)	(6,394)	(53,710)
	(34,092)	(7,381)	(41,473)
Ancillary Enterprises Fund			
Student Housing Services	500	-	500
Student Housing Funds Held for Debt Repayment	12,760	294	13,054
Student Housing Internally Financed Projects	(11,546)	1,342	(10,204)
Parking Services Internally Financed Projects	(1,731)	474	(1,257)
Hospitality Services Internally Financed Projects	(3,275)	(272)	(3,547)
University Centre	246	18	264
	(3,046)	1,856	(1,190)
Research and Trust Fund			
Research and Trust	51,966	(5,672)	46,294
TOTAL	112,071	43,222	155,293

(in thousands of dollars)

14. UNRESTRICTED SURPLUS (DEFICIT)

	2011	2010
Operating Fund		
Unfunded Deficit & Restructuring Costs	(47,100)	(40,482)
Accrual for Employee Future Benefits	(208,881)	(174,406)
University of Guelph-Humber	847	947
	(255,134)	(213,941)
Capital Fund	(275)	176
Ancillary Enterprises	2,336	3,225
Research & Trust Fund	-	(276)
Balance, end of year	(253,073)	(210,816)

The University's total Unrestricted Surplus (Deficit) for the Operating Fund at the end of fiscal 2011 shows a net deficit of $255,134 consisting of:

- **Unfunded Deficit & Restructuring Costs**: The University has an unfunded accumulated operating budget deficit of $27,100 and restructuring costs (employee buy-out programs) of $20,000. This deficit has been approved by the Board of Governors as part of a multi-year plan to eliminate the University's structural deficit over a four year period.
- **Accrual for Employee Future Benefits**: The University has costs associated with its sponsorship of three pension plans and other post-retirement benefits. These costs are actuarially determined and charged to the University's Statement of Operations and Changes in Net Assets.
- **University of Guelph-Humber**: This joint venture surplus represents a portion of the University's unrestricted net assets with The Humber College Institute of Technology and Advanced Learning.

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.

	Externally Restricted	Board Restricted	Total 2011	Total 2010
Investment income on endowments	20,163	2,124	22,287	28,102
Less: available for expenditure	(2,330)	(629)	(2,959)	(1,859)
Increase in accumulated endowed investment income	17,833	1,495	19,328	26,243
Contributions received during year	5,519	77	5,596	10,744
Endowment Investment Income Net of Contributions	23,352	1,572	24,924	36,987
Transfers in	4,660	-	4,660	3,687
Net Increase in Net Assets	28,012	1,572	29,584	40,674
Net assets, beginning of year	162,230	18,561	180,791	140,117
Net assets, end of year	190,242	20,133	210,375	180,791

(in thousands of dollars)

16. DONATIONS

	2011	2010
Donations received during the year	13,598	15,586
Donations recorded as a direct addition to endowments	(3,891)	(10,358)
Donations decrease in deferred contributions	60	3,739
Donations recorded as deferred capital contributions	(918)	(617)
Donations recognized as revenue	8,849	8,350

17. INVESTMENT INCOME

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

	Operations	Endowment	Total 2011	Total 2010
Net Realized Investment Income	2,132	8,092	10,224	3,426
Increase in Unrealized Investment Income	1,628	14,195	15,823	27,712
Total Investment Income	3,760	22,287	26,047	31,138
Increase in Accumulated Endowed Investment Income	-	(19,328)	(19,328)	(26,243)
Investment Income Available for Expenditure	2,959	(2,959)	-	-
Net (Increase) Decrease in Deferred Contributions	(396)	-	(396)	(939)
Total	6,323	-	6,323	3,956

(in thousands of dollars)

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, 2011, there is a net advance of $3,910 (2010 $191) 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, 2011). The total net return for the University is $9,595 (2010 $6,757).

A financial summary of the joint venture for the fiscal years ended March 31, 2011 and 2010 is as follows:

	2011	**2010**
Financial Position:		
Total Assets	25,135	19,904
Total Liabilities	5,946	6,390
Total Net Assets	19,189	13,514
Results of Operations:		
Total Revenue	42,985	36,995
Total Expenses	26,189	25,775
Excess of Revenue over Expenses	16,796	11,220
Net Assets:		
Unrestricted	16,996	11,120
Internally Restricted	500	500
Invested in capital Assets	1,693	1,894
	19,189	13,514
University Share (50%)	9,595	6,757

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, 2010 is $2,770 (2009 $2,992).

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

The University makes no financial contribution to these funds and the assets are not readily realizable by the University. Consequently, the University's interest in the assets, liabilities and results of 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, 2011 are estimated to be $29,482 (2010 $57,554) and will be funded by government grants, gifts and University resources.

21. CONTINGENCY

The University is a defendant in a number of legal proceedings. Claims against the University in these proceedings have not been reflected in these financial statements. It is the opinion of 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, 2013.

The University allows a licensee to extract aggregate from its Puslinch property. Under the terms of the license agreement, the licensee is responsible for site restoration after extraction is complete, according to an agreed upon plan of restoration. Site restoration is regularly carried out by the licensee as extraction from portions of property is complete. While management is of the view that the licensee will meet its obligations under the agreement with respect to site restoration, should the licensee be unable to do so, the University as property owner would be responsible.

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

The University has guaranteed a loan of up to $2,500 for the Guelph Cutten Club. As of April 30, 2011 the Guelph Cutten Club borrowed $1,550 under this guarantee.

The University has signed a letter of credit with the City of Guelph related to the landscaping at the Pathobiology/Animal Health lab facility. The letter of credit is for $32.

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 YEAR ENDED APRIL 30, 2011
(in thousands of dollars)

	OPERATING FUND	CAPITAL FUND	ANCILLARY ENTERPRISES (Schedule 2)	RESEARCH & TRUST FUND	ENDOWMENT FUND	TOTAL 2011	TOTAL 2010
REVENUE							
Ministry of Training, Colleges and Universities	175,384	1,460	92			176,936	168,427
Ministry of Agriculture, Food and Rural Affairs Agreement	62,293					62,293	63,108
Tuition (Credit and Non-credit)	137,102					137,102	124,199
Donations	40			8,809		8,849	8,350
Sales of Goods and Services	46,430		75,471			121,901	116,007
Investment Income	1,176	213	169	4,765		6,323	3,956
Other Grants and Contracts	17,548			93,991		111,539	101,484
Amortization of Deferred Capital Contributions		22,375	67			22,442	21,372
Other	30,392	103	524			31,019	27,131
	470,365	24,151	76,323	107,565		678,404	634,034
EXPENSES							
Salaries	255,038		15,918	43,247		314,203	304,285
Benefits	84,523		3,345	5,256		93,124	95,864
Travel	8,214		186	6,796		15,196	13,204
Operating	89,381	61	23,768	32,054		145,264	140,380
Minor Renovations and Repairs		3,770	982			4,752	6,611
Interest		7,065	4,771			11,836	11,278
Scholarships and Bursaries	17,856			11,065		28,921	26,461
Institutional (Recovery) Charges	(10,020)		10,020				
Capital Asset Amortization		34,646	4,611			39,257	38,541
	444,992	45,542	63,601	98,418		652,553	636,624
Unrealized Gain (Loss) on Interest Rate Swaps		(451)	(675)			(1,126)	3,926
Revenue Less Expenses	25,373	(21,842)	12,047	9,147		24,725	1,336
Endowment Investment Income (Loss) Net of Contributions					24,924	24,924	36,987
Interfund Transactions	(12,147)	28,019	(5,989)	(14,543)	4,660		
Net Increase (Decrease) in Net Assets	13,226	6,177	6,058	(5,396)	29,584	49,649	38,323
Composed Of:							
Net Increase (Decrease) in Invested in Capital Assets		14,009	5,091			19,100	7,663
Net Increase (Decrease) in Endowments					29,584	29,584	40,674
Net Increase (Decrease) in Internally Restricted	54,419	(7,381)	1,856	(5,672)		43,222	35,294
Net Increase (Decrease) in Unrestricted	(41,193)	(451)	(889)	276		(42,257)	(45,308)
Net Increase (Decrease) in Net Assets	13,226	6,177	6,058	(5,396)	29,584	49,649	38,323

Schedule 1

UNIVERSITY OF GUELPH
STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS (UNAUDITED)
FOR THE YEAR ENDED APRIL 30, 2011
(in thousands of dollars)

	OPERATING FUND	CAPITAL FUND	ANCILLARY ENTERPRISES (Schedule 2)	RESEARCH & TRUST FUND	ENDOWMENT FUND	TOTAL 2011	TOTAL 2010
Net Assets, Beginning of Year	(116,698)	78,106	32,034	51,690	180,791	225,923	187,600
Net Increase (Decrease) in Net Assets	13,226	6,177	6,058	(5,396)	29,584	49,649	38,323
Net Assets, End of Year	(103,472)	84,283	38,092	46,294	210,375	275,572	225,923
Net Assets Components:							
Invested in Capital Assets		126,031	36,946			162,977	143,877
Endowed					210,375	210,375	180,791
Internally Restricted	151,662	(41,473)	(1,190)	46,294		155,293	112,071
Unrestricted Surplus (Deficit)	(255,134)	(275)	2,336			(253,073)	(210,816)
Net Assets, End of Year, Surplus (Deficit)	(103,472)	84,283	38,092	46,294	210,375	275,572	225,923

(See accompanying notes)

UNIVERSITY OF GUELPH
STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS
FOR ANCILLARY ENTERPRISES (UNAUDITED)
FOR THE YEAR ENDED APRIL 30, 2011

(in thousands of dollars)

	HOSPITALITY SERVICES	REAL ESTATE	STUDENT HOUSING SERVICES	PARKING	UNIVERSITY CENTRE	TOTAL 2011	TOTAL 2010
REVENUE	33,625	6,262	30,948	3,118	2,370	76,323	72,557
EXPENSES							
Cost of Materials	13,556				500	14,056	13,432
Salaries	10,238	208	4,199	311	962	15,918	15,037
Benefits	2,141	58	866	92	188	3,345	3,140
Institutional Charges	1,961		7,330	230	499	10,020	9,728
Operating	4,000	811	4,278	268	355	9,712	10,144
Travel	57	7	100	12	10	186	153
Minor Renovations and Repairs	43		620	319		982	1,718
Interest		129	4,642			4,771	4,596
Capital Asset Amortization	607	518	3,227	228	31	4,611	4,556
Total Operating Expenses	32,603	1,731	25,262	1,460	2,545	63,601	62,504
Unrealized Gain (Loss) on Interest Rate Swaps		30	(705)			(675)	3,260
Revenue Less Expenses	1,022	4,561	4,981	1,658	(175)	12,047	13,313
Interfund Transactions	(381)	(3,763)	(1,018)	(1,051)	224	(5,989)	(5,713)
Net Increase (Decrease) in Net Assets	641	798	3,963	607	49	6,058	7,600
Composed Of:							
Net Increase (Decrease) in Invested in Capital Assets	857	513	3,487	228	6	5,091	1,780
Net Increase (Decrease) in Internally Restricted	(272)		1,636	474	18	1,856	501
Net Increase (Decease) in Unrestricted	56	285	(1,160)	(95)	25	(889)	5,319
Net Increase (Decrease) in Net Assets	641	798	3,963	607	49	6,058	7,600

UNIVERSITY OF GUELPH
STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS
FOR ANCILLARY ENTERPRISES (UNAUDITED)
FOR THE YEAR ENDED APRIL 30, 2011

(in thousands of dollars)

	HOSPITALITY SERVICES	REAL ESTATE	STUDENT HOUSING SERVICES	PARKING	UNIVERSITY CENTRE	TOTAL 2011	TOTAL 2010
Net Assets, Beginning of Year	6,290	12,974	6,877	5,017	876	32,034	24,434
Net Increase (Decrease) in Net Assets	641	798	3,963	607	49	6,058	7,600
Net Assets, End of Year	6,931	13,772	10,840	5,624	925	38,092	32,034
Net Assets Components:							
Invested in Capital Assets	10,364	9,685	10,401	6,097	399	36,946	31,855
Internally Restricted	(3,547)		3,350	(1,257)	264	(1,190)	(3,046)
Unrestricted Surplus (Deficit)	114	4,087	(2,911)	784	262	2,336	3,225
Net Assets, End of Year, Surplus (Deficit)	6,931	13,772	10,840	5,624	925	38,092	32,034