UNIVERSITY of GUELPH

IMPROVE LIFE.

ANNUAL FINANCIAL REPORT

Fiscal Year 2022

Contents

Financial Summary

University financial results for the fiscal year ended April 30th, 2022, show a revenue increase of 4% over 2021. The current year increase is driven by the gradual return of in-person services and activities on campus.

Inflationary costs and additional expenses related to maintaining Covid-19 measures drove an increase in total expenses of 6.2% resulting in a deficiency of revenues over expenses of $33.9 million in fiscal 2022.

Total University - Annual Results				
$ millions	**2022**	**2021**	**Change**	
Total Revenue	841.9	809.8	32.1	*4.0%*
Total Expenses	879.5	828.3	51.2	*6.2%*
Change in Unrealized Loss on Interest Rate Swaps	3.7	2.7	1.0	
Revenue Less Expenses	**(33.9)**	**(15.8)**	**(18.1)**	
Direct Changes to Net Assets				
Endowment Additions[1]	(7.0)	38.0	(45.0)	
EFB[2] Re-measurements	81.1	220.3	(139.2)	
Total Direct Changes	**74.1**	**258.3**	**(184.2)**	
Total Change in Net Assets	**40.2**	**242.5**	**(202.3)**	

The large positive net return on investments in the University's endowment fund seen last year in fiscal 2021 of 18.4% was somewhat eroded by negative market returns seen primarily in January to April of 2022 leading to a net return in fiscal 2022 of negative 2.1%. Investment income recognized in the Statement of Operations of $4.2 million in 2022 was $45.1 million less than the $49.3 million in 2021. And investment losses on endowments recorded directly in net assets were $13.3 million in 2022, as compared to income of $33.9 million in 2021.

Employee Future Benefits ("EFB") re-measurements provided an increase of $81.1 million in net assets (220.3 million in 2021), offsetting the negative impacts of the deficiency of revenues over expenses and endowment investment losses and generating an overall increase in total net assets of $40.2 million.

Revenue

The $32.1 million increase in total revenue compared to the prior year was driven by increased revenues from student contracts for housing and meals of $38.1 million and increased sales and services of $13.5 million attributed to staff and students returning to campus. Combined with smaller increases in all other types of revenue including provincial & other grants and contracts, were largely offset by the decrease in investment income.

Total University Revenue				
$ millions	**2022**	**2021**	**Change**	
Prov. Grants MCU	212.5	206.7	5.8	*2.8%*
Prov. Contract OMAFRA	73.3	67.0	6.3	*9.4%*
Student Tuition/Fees	292.9	253.4	39.5	*15.6%*
Other Grants & Contracts	124.4	118.6	5.8	*4.9%*
Sales of Goods & Services	84.5	71.0	13.5	*19.0%*
Investment Income	4.2	49.3	(45.1)	*-91.5%*
Other	50.1	43.8	6.3	*14.4%*
Total Revenue	**841.9**	**809.8**	**32.1**	***4.0%***

[1] Endowment Additions include endowment contributions net of investment income (losses) on endowments for the year.

[2] Employee Future Benefits ("EFB") – include both pension and non-pension defined benefit programs. Note that the University transferred the assets and liabilities of it's registered pension plans to the University Pension Plan Ontario ("UPP") on July 1, 2021 and UPP related re-measurements after July 1, 2021 are not included.

Expenses

Total expenses increased by $51.2 million or 6.2% to $879.5 million due to increased research, ancillary enterprises (housing and food services) and other activities associated with campus re-opening.

University Expenses				
$ millions	**2022**	**2021**	**Change**	
Salaries	430.4	413.7	16.7	*4.0%*
Benefits	116.2	126.5	(10.3)	*-8.1%*
Student Assistance	54.8	55.7	(0.9)	*-1.6%*
Capital Amortization	53.6	52.2	1.4	*2.7%*
Interest	9.5	10.0	(0.5)	*-5.0%*
Supplies and Services	95.3	76.6	18.7	*24.4%*
Utilities, Equipment, Repairs & Maintenance	79.1	65.0	14.1	*21.7%*
Other Expenses	40.6	28.6	12.0	*42.0%*
Total Expenses	**879.5**	**828.3**	**51.2**	***6.2%***

The 4% increase in salaries expense was spread out across the ancillary enterprises, operating and research funds by amounts of $6.0 million, $5.8 million, and $5.2 million, respectively. Similarly, increased non-personnel operating expenses were incurred across all University funds, including $11.1 million for operating fund supplies and services, $10.9 million for non-capital equipment, maintenance, repairs and minor renovations, $7.8 million for research activities, $6.2 million for food and retail costs of sales, and other smaller amounts.

Partially offsetting these increases was a decrease of $10.3 million (8.1%) in total benefits primarily due to a $9.0 million decrease in non-cash post-employment finance costs caused by improved deficit positions in EFB plans at the beginning of the year.

Excess (Deficiency) of Revenue over Expenses by Fund

This section provides a further attribution analysis of revenue less expenses across major funds that make up the University's overall financial position.

Revenue Less Expenses by Fund			
$ millions	**2022**	**2021**	**Change**
Operating	(49.3)	(42.9)	*(6.4)*
Capital	9.6	11.1	*(1.5)*
Ancillary Enterprises	8.5	(25.1)	*33.6*
Research	3.8	4.8	*(1.0)*
Trust	(7.0)	8.0	*(15.0)*
Endowment	0.5	28.3	*(27.8)*
Total	**(33.9)**	**(15.8)**	***(18.1)***

The deficiency in revenue over expenses in the Operating fund of $49.3 million is the primary driver of the overall deficiency of $33.9 million in fiscal 2022.

Operating fund is comprised of the operating budget results as well as charges for unfunded post-employment benefits. The results reflect small increases in student fees, sales of goods & services and other revenue and to a larger extent increased salaries, and non-personnel operating expenses. *(More details on pages 8, 9 and 10.*)

Capital fund excess revenue over expenses reflects the University's continuing investment in both major building projects and renovations. *(More details on page 5.)*

Ancillary Enterprises fund operations were significantly impacted by the campus closures in fiscal 2021 due to the COVID-19 pandemic. Fiscal 2022 saw a gradual return of students and staff to campus, increasing housing and food services volumes and associated revenues and expenses. For the year, total fund revenue increased by $49.5 million to $74.4 million and total fund expenses increased by $16.3 million to $67.8 million. Overall revenue less expenses for the fund returned to a net positive amount.

Trust and Endowment funds are primarily impacted by investment returns earned on expendable funds and internally restricted endowments, primarily comprised of the Heritage Fund.

Net Assets by Category

Net Asset Balances			
$ millions	**2022**	**2021**	**Change**
Capital Assets	715.4	690.6	24.8
Internally Restricted	172.3	222.9	(50.6)
Unrestricted (Deficit)	(295.8)	(368.3)	72.5
Endowment	411.6	418.1	(6.5)
Total University Net Assets	**1,003.5**	**963.3**	**40.2**

University net assets are classified into four major groups in accordance with accounting policy. The following table shows 2022 net asset balances compared to the prior year.

Capital Assets, typically the largest net asset category, shows the net undepreciated equity position the University holds in its land, buildings, and equipment. In 2022 the University continued to invest in its physical assets. Overall Capital Assets grew by a net $24.8 million in 2022.

Increases (Decreases) in Net Assets - Capital Assets			
$ millions	**2022**	**2021**	**Change**
Capital asset acquisitions	59.7	71.3	(11.6)
Capital contributions recognized	22.0	21.3	0.7
External debt repayment	12.8	12.4	0.4
Capital asset amortization	(53.6)	(52.2)	(1.4)
Capital contributions deferred	(16.1)	(15.5)	(0.6)
Total Change	**24.8**	**37.3**	**(12.5)**

Internally Restricted Net Asset Balances			
$ millions	**2022**	**2021**	**Change**
Capital Projects[3]	(103.1)	(87.8)	(15.3)
Operating Fund	156.4	189.1	(32.7)
Other Funds	119.0	121.6	(2.6)
Total Internally Restricted	**172.3**	**222.9**	**(50.6)**

Internally Restricted funds record the amount of accumulated excess revenue over expenses designated by the Board for specific purposes including completing capital projects, division unspent funds and reserves.

The change in Capital Projects category was a result of continued spending on approved projects that are being financed internally. The decrease in Operating Fund includes decreases in operating carry forwards (accumulated unspent budget allocations) due to the need to rely on carry forwards to address pandemic pressures and employee benefit reserves. The operating net assets are governed by internal policy for approval of any planned spend.

The **Unrestricted (Deficit)** decreased by $72.6 million mainly due to the accounting recognition of employee future benefit re-measurements. *(More details on page 7.)*

Endowment net assets decreased by $6.5 million due to a net investment loss of -2.1%, reflecting continued market volatility impacted by the pandemic and geo-political conflict in early 2022, offset by $6.3 million in new contributions from donors and $4.6 million in internal transfers.

Increases (Decreases) in Net Assets – Endowments			
$ millions	**2022**	**2021**	**Change**
Investment Income (Loss) not allocated for spending on:			
Externally restricted	(13.4)	33.9	(47.3)
Internally restricted	(4.0)	23.0	(27.0)
Total Investment Income (Loss)	**(17.4)**	**56.9**	**(74.3)**
Contributions to endowments			
From Donors	6.3	4.2	2.1
Internal transfers[4]	4.6	5.3	(0.7)
Total Contributions	**10.9**	**9.5**	**1.4**
Total Change	**(6.5)**	**66.4**	**(72.9)**

[3] Balances reflect the net financing position in the Capital fund; cash balances for projects in progress less internal financing used for capital projects.

[4] Internal transfers to endowments primarily consist of Real Estate Division earnings designated for the Heritage Fund.

Major Capital Activity

The University continued to invest in its buildings, facilities, and capital equipment with acquisitions totaling $59.9 million ($71.3 million in 2021). Referring to the table to the right, once again the most significant investments occurred in buildings.

Capital Expenditures			
$ millions	**2022**	**2021**	**Change**
Major Buildings	31.9	42.1	(10.2)
Equipment and Other	18.1	14.8	3.3
Main Campus Facilities Renewal	4.3	8.2	(3.9)
Student Housing Facilities Renewal	5.6	6.2	(0.6)
Total	**59.9**	**71.3**	**(11.4)**

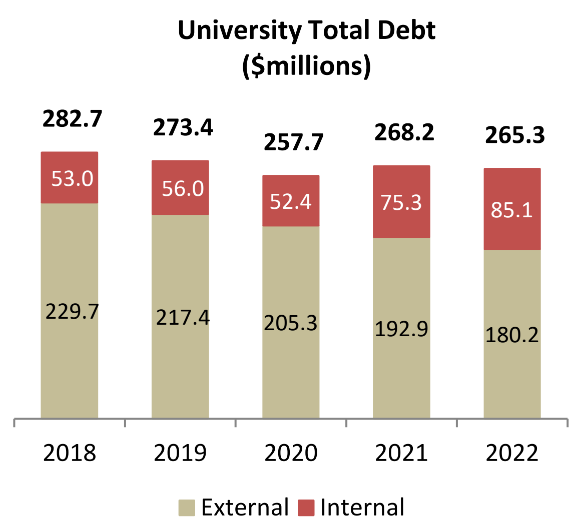
Capital Project Spending			
$ millions	**2022 Spending**	**Total Spending**	**Total Approved**
OVC Phases 1 & 2	1.5	38.3	38.5
Improv Theatre/North Wing MacKinnon Renovation	8.3	21.6	25.0
South Residence Renovations	4.7	9.7	15.2
Former VMI Building	1.6	13.2	13.3
OVC Small Animal Clinic	4.0	5.3	8.4
Alumni Stadium South End Addition	2.6	5.3	5.4

Construction activity included the continuation of several major building projects as well as the start of new projects that will be completed over the next several years. The table to the left shows the current year and total to date spending on significant capital projects.

Debt

The University uses financing from both internal[5] and external sources to fund high priority capital projects. Total capital financing decreased by $2.9 million reflecting principal repayments of $8.5 million on internal debt and $12.7 million on external debt, net of additions to internal debt of $18.3 million in the year.

The University is reviewed annually by two credit rating agencies, Standard and Poor's and DBRS. In the credit rating process debt levels are considered in the context of overall fiscal health and peer institutions. For fiscal 2022, the University held ratings with these agencies at AA and A (high), respectively.



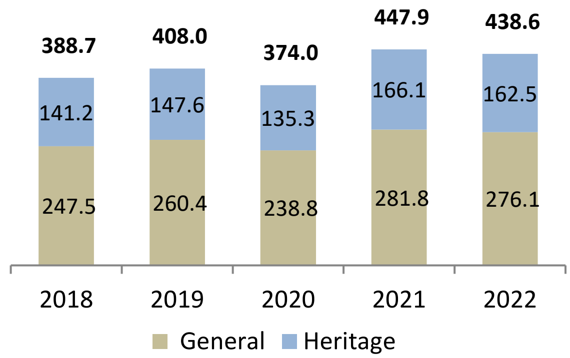
[5] When there is sufficient operating cash liquidity, funds may be temporarily advanced to finance capital expenditures. As with external debt, internal financing must be repaid, usually over a period not exceeding 10 years. Internal debt here does not include short term financing of project costs during construction.

Endowments

University endowments of $438.6 million consist of two major components, the Heritage Fund and the General Endowment Fund (“GEF”). While both funds are invested as a single pool, each has its own payout formula and source of capital growth. In 2022, the endowment portfolio decreased by $9.3 million on an overall net basis.

Market values fell in major markets across the globe in the first four months of 2022 driving significant unrealized losses which contributed to a net return of negative 2.1%.

Endowment Assets - Market Values ($millions)



Endowment Annual & Five-year Annualized Returns (%)						
Returns	**2018**	**2019**	**2020**	**2021**	**2022**	**Five-Year**
Gross	4.3	6.6	-7.6	19.8	-0.8	4.1
Net	3.2	5.3	-9.0	18.4	-2.1	2.8
Benchmark	5.4	8.2	0.4	17.5	-0.5	6.0

Note: Net return includes all investment management fees and internal University administrative fee in the GEF.

The five-year annualized net return was 2.8%. On a relative basis the portfolio underperformed its benchmark, with a value-based bias, the portfolio’s investment managers primarily underperformed their Canadian and US equity benchmarks in recent years.

Additions to endowment capital totaled $10.9 million in 2022 ($9.5 million in 2021).

Total spending[6] from endowments increased by $6.3 million to $13.4 million in 2022 largely due to the increase in the Heritage Fund spending distribution of $5.5 million as compared to 2021.

Annual Spending from Endowments				
$millions	**2019**	**2020**	**2021**	**2022**
General	6.7	7.0	6.5	7.3
Heritage Fund	6.8	5.3	0.6	6.1
Total	**13.5**	**12.3**	**7.1**	**13.4**

The Heritage Fund disbursement formula is based on an average of recent total annual returns and is more susceptible to single year market volatility whereas the General Endowment Fund portion of the portfolio uses a fixed long-term disbursement rate based on total endowment balance (currently 3.5%).

Employee Future Benefits (EFB)

The University is responsible for the funding of post-employment benefit plans that provide both pension and non-pension benefits to retirees. These plans impact University financial results in four major categories; cash contributions, expenses, net assets, and “obligations” or liabilities. Calculations for each of these use methods as prescribed under accounting policy.

After years of planning, the administrations, faculty associations, unions and non-represented staff of the University of Guelph, University of Toronto and Queen’s University developed a new jointly sponsored multi-employer pension plan, that is open to other Ontario universities, called the University

[6] University policy limits spending from endowments to protect donated capital and real spending over the long term.

Pension Plan Ontario ("UPP"). The UPP was formally established on January 1, 2020, to cover the employees, retirees, and other members under the currently existing registered pension plans ("RPPs") at the three universities. On the effective date, July 1, 2021, the assets and liabilities of the three universities' RPPs were transferred to the UPP and the accrual of benefits and contributions under the universities' RPPs ceased while commencing under the UPP commenced for all members.

The University remains responsible to fund any net pension obligations (determined based on UPP actuarial assumptions) related to service up to the effective date of July 1, 2021, with any deficits to be funded over 15 years. As at July 1, 2021, the University's RPPs reported a combined actuarial surplus of $145.5 million on a transfer basis so no special funding requirements exist at this point and provides a cushion to offset potential future requirements. The net pension obligation may fluctuate in the future based on changes to the UPP's actuarial assumptions and for changes in experience in future periods, which will continue to be the responsibility of the University to fund for the first 10 years, after which the responsibility for such changes becomes gradually shared over the next 10 years with the other participants of the UPP, after which the responsibility is totally shared with all participants.

The University does not recognize any share of the UPP's surplus or deficit in its financial statements, but accounts for contributions to the UPP on a defined contribution basis.

EFB Cash Contributions: University contributions to pension plans prior to July 1st, 2021, were based on RPP actuarial valuations required by legislation for funding purposes, and after July 1st 2021, were based on contribution requirements prescribed by the UPP. Non-pension contributions cover claims costs as they occur.

EFB Contributions				
$ millions	**2022**	**2021**	**Change**	
Cash Contributions				
Pension - UPP	27.3	-	27.3	*n/a*
Pension – non-UPP	10.2	38.7	(28.5)	*-73.6%*
Non-Pension	6.1	5.8	0.3	*5.2%*
Total Contributions	**43.6**	**44.5**	**(0.9)**	***-2.0%***

EFB Expenses: Combined EFB expenses decreased by 14.3% or $10.0 million (to $60.1 million) consisting of a large decrease in pension expenses slightly offset by a small increase in non-pension expenses due primarily to decreased non-cash actuarially determined finance costs based on the net liabilities of each benefit program at the beginning of the year.

EFB Expenses (in the Statement of Operations)				
$ millions	**2022**	**2021**	**Change**	
Expenses				
Pension Plans	31.8	42.3	(10.5)	*-24.8%*
Non-Pension Plans	28.3	27.8	0.5	*1.8%*
Total Expenses	**60.1**	**70.1**	**(10.0)**	***-14.3%***

Net Assets: Under accounting policy requirements, the financial impact of changes in actuarial assumptions and actual experience gains/losses on defined benefit plans are recorded directly to Net Assets on the Consolidated Statement of Financial Position. The sum of these adjustments resulted in a $81.1 million increase in net assets in 2022 compared to an increase of $220.3 million in 2021.

EFB Direct Changes to Net Assets			
$ millions	**2022**	**2021**	**Change**
Re-measurements – (Gains) or Losses			
Pension Plans			
Return on plan assets	(34.4)	(160.5)	126.1
Actuarial loss (gain)	12.1	(163.3)	175.4
Actuarial surplus to UPP	145.5	-	145.5
Valuation allowance & effect on finance cost	(117.7)	116.6	(234.3)
Non-Pension	(86.6)	(13.1)	(73.5)
Total Re-measurements	**(81.1)**	**(220.3)**	**139.2**

As demonstrated in recent years, EFB re-measurement adjustments can be volatile, which is primarily why they are recorded directly in net assets instead of being reported in the Consolidated Statement of Operations.

The University's "Unrestricted Deficit" consists mainly of unfunded accounting charges[7] for Employee Future Benefits. In 2022, this deficit decreased by $64.6 million mainly because of re-measurements noted above. The table to the right summarizes the effects of EFB charges on the University deficit, where Net Expense includes accrued charges for the year offset by cash contributions.

Overall EFB Impact on the Unrestricted Deficit			
$ millions	**2022**	**2021**	**Change**
Opening Deficit	**(365.8)**	**(560.5)**	
Re-measurements	81.1	220.3	(139.2)
Net Expense	(16.5)	(25.6)	9.1
Closing Deficit	**(301.2)**	**(365.8)**	

EFB Liabilities: The Consolidated Statement of Financial Position captures the net surplus (asset) or deficit (liability) positions of each of the pension and non-pension retirement benefits plans. In 2022 the total net EFB liability is $242.5 million, down from $307.1 million in 2021.

EFB Asset (Liability)				
$ millions	**2022**	**2021**	**Change**	
Pension Plans				
Invested Assets	11.2	1,771.6	(1,760.4)	
Less: Obligations	3.4	1,647.4	(1,644.0)	
Less: Val Allow	-	116.6	(116.6)	
Pension Plans	**7.8**	**7.6**	**0.2**	***2.6%***
Non-Pension Plans	**(250.3)**	**(314.7)**	**64.4**	***-20.5%***
EFB Net Obligations	**(242.5)**	**(307.1)**	**64.6**	***-21.0%***

The $11.2 million of pension invested assets remaining at April 30, 2022 represents excess surplus determined under an actuarial valuation prepared on a wind-up basis, which could not be transferred to the UPP as per provincial pension legislation. These assets are held in trust until all legal requirements have been met and the balance is ultimately distributed.

The Operating Fund

The Operating Fund, with over 60% of total University revenue, is the main source of funding for teaching programs and infrastructure support for all University research and services. The principal funding sources for this fund are provincial operating grants and student fees, both of which are based on student enrolments.

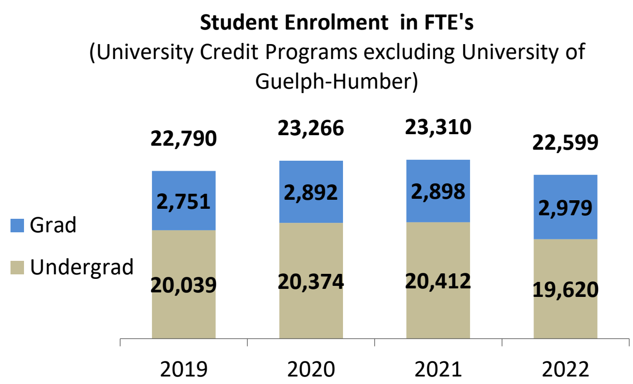
Operating Fund Revenues

Operating Fund revenue increased by 0.8% or $4.1 million in total largely due to increases of $1.1 million in sales of goods & services and $2.4 million in other revenues primarily associated with the easing of pandemic restrictions.

Operating Fund Revenue				
$ millions	**2022**	**2021**	**Change**	
Provincial MCU	203.2	203.5	(0.3)	-0.1%
Provincial OMAFRA	5.4	5.3	0.1	1.9%
Student Tuition/Fees	241.0	240.2	0.8	0.3%
Sales & Other Contracts	44.4	43.3	1.1	2.5%
Other	13.9	11.5	2.4	21.3%
Total	507.9	503.8	4.1	0.8%

$5.1 million in increased non-tuition student fee revenue was largely offset by a 1.9% or $4.3 million decrease in tuition revenue due to a 3.0% decrease in overall student enrolment.

[7] The University provides full funding for the cash requirements of its EFB plans.



In 2022, university degree enrolments changed from 2021 levels by a decrease of 3.9% at the undergraduate level and an increase of 2.8% at the graduate level. International[8] students have been a focus for growth in recent years and international graduate enrolment was up in fiscal 2022 from the drop in fiscal 2021.

Operating Fund Expenses

Overall, Operating Fund expenses increased by $10.5 million or 1.9% with increases in most expense categories compared to 2021.

Operating Fund Expenses				
$ millions	**2022**	**2021**	**Change**	
Salaries	319.6	313.8	5.8	1.8%
Benefits	97.3	107.3	(10.0)	-9.3%
Student Assistance	38.3	40.1	(1.8)	-4.5%
Supplies & Services	50.5	39.4	11.1	28.2%
Utilities	17.2	14.0	3.2	22.9%
Other Expenses	40.3	35.8	4.5	12.6%
Interfund Transfers	(6.0)	(3.7)	(2.3)	62.2%
Total	557.2	546.7	10.5	1.9%

Salaries increased 1.8% mainly due to negotiated increases in rates of compensation. While benefits are showing a $10.0 million decrease from 2021, 2021 included a larger non-cash actuarial charge for EFB relative to years prior to 2021. Supplies, services, and other expense items increased by a combined $14.7 million over 2021, including a $3.2 million, or 23%, increase in utilities expense where the impacts of the carbon tax are seen along with increased usage over 2021.

Operating Fund Net Assets

Net Assets on the Statement of Financial Position accumulate annual net financial results each year. For the Operating Fund, results are classified into two components:

- **Internally Restricted** funds are created from accumulated annual excess revenue over expenses which is subsequently allocated for specific future purposes.
- **Unrestricted** fund balance in the Operating Fund currently consists of unfunded accounting charges for post-employment benefits.

The 2022 Operating Fund annual deficiency of revenue over expenses impacting Internally Restricted Net Assets was $22.7 million, compared to $13.5 million in 2021. This calculation is consistent with the approach used when developing the operating budget, making these two figures comparable.

An $81.1 million recovery in the accounting remeasurement charge for post-employment[9] further decreased the University's unrestricted deficit.

[8] International student enrolments are approximately 7% of total enrolments at the University.

[9] The University does not fund the full accounting costs of non-pension post-employment benefits choosing to instead meet annual cash requirements of the plans. The Unrestricted Deficit effectively records the accumulated difference between accounting charges and cash contributions.

The table below details the major changes to the University's Operating Fund balances year over year.

Operating Fund - Net Assets					
$millions	Opening Balances	2022 Annual Results	Transfers (From)To Reserves	EFB Re-measure	Closing Balances
Internally Restricted					
Divisional Reserves	95.3	(1.5)			93.8
Central Reserves	66.2	(21.2)			45.0
Employee Benefit Reserves	25.8		(10.1)		15.7
Self-insurance & GH	1.9				1.9
Total Internally Restricted	**189.2**	**(22.7)**	**(10.1)**		**156.4**
Unrestricted					
Post-Employment	(365.8)	(26.6)	10.1	81.1	(301.2)
Total Unrestricted	**(365.8)**	**(26.6)**	**10.1**	**81.1**	**(301.2)**
Total Operating Net Assets	**(176.6)**	**(49.3)**	**-**	**81.1**	**(144.8)**

Supplementary Information

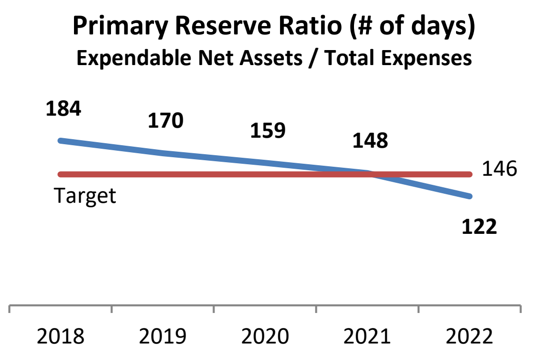
Financial Health Indicators

The following metrics use information from the audited statements to provide measures of both overall fiscal strength and more specific information related to university debt. Each metric has a "target" value intended to provide a long-term benchmark around which actual values should be expected to range. Collectively they are intended to provide an overall indication of fiscal "health" using measures of:

- Flexibility
- Capacity
- Operating performance
- Debt management

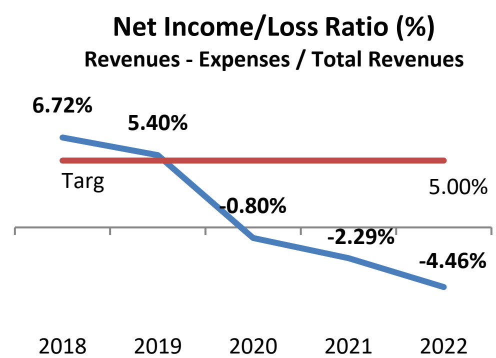
1. PRIMARY RESERVE RATIO: Summarizes financial health and flexibility by indicating how long the University could function only using its expendable reserves without relying on additional net assets generated by operations. Expendable net assets consist of internally restricted endowments and net assets and unrestricted surplus (deficit) adjusted to exclude employee future benefits net liability. A target ratio of 146 is the ability to cover 146 days of expenses.

$000's	2022	5 Year Change	
Expendable Net Assets	292,818	(94,345)	-24%
Total Expenses	**879,460**	**109,599**	**14%**



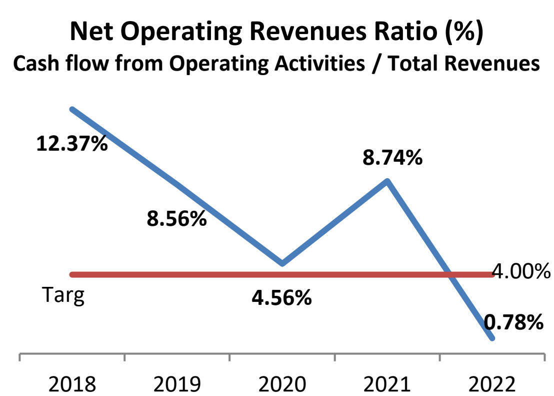
2. NET INCOME/LOSS RATIO: Measures whether the University is growing its resources over time. It compares the current year's excess of revenues over expenses over total revenues. On a combined basis, a growth rate of 5% is expected over time.

$000's	2022	5 Year Change	
Revenues – Expenses	(37,577)	(93,069)	-168%
Total Revenues	841,883	16,530	2%



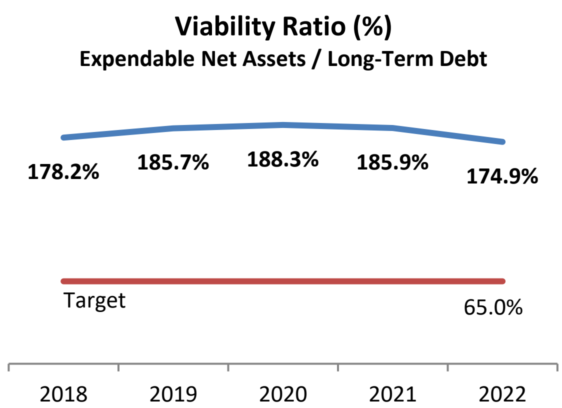
3. NET OPERATING REVENUES RATIO: Compares cash provided by operating activities over total revenues. Again, a long-term review of this ratio should be considered, as it can be volatile year over year. A 4% long term benchmark is the expected target.

$000's	2022	5 Year Change	
Cash Flow from Operating Activities	6,558	(95,539)	-94%
Total Revenues	841,883	16,530	2%



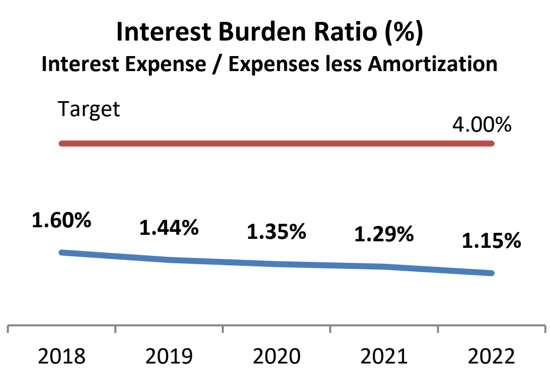
4. VIABILITY RATIO: Gauges the extent to which the University has available resources to cover its debt; essentially a "wind-up" ratio for external obligations. It calculates expendable net assets over external long-term debt. The ratio assists in assessing current debt capacity and the ability to issue new debt. A ratio of 0.65 has been set as a target.

$000's	2022	5 Year Change	
Expendable Net Assets	292,818	(94,345)	-24%
Long-Term Debt	167,404	(49,860)	-23%



5. INTEREST BURDEN RATIO: This ratio measures the extent to which interest is a portion of total expenses excluding capital asset amortization. The objective is to stay below the target.

$000's	2022	5 Year Change	
Interest Expense	9,473	(2,122)	-18%
Expenses – Amortization	825,891	101,868	14%



Debt Specific Metrics

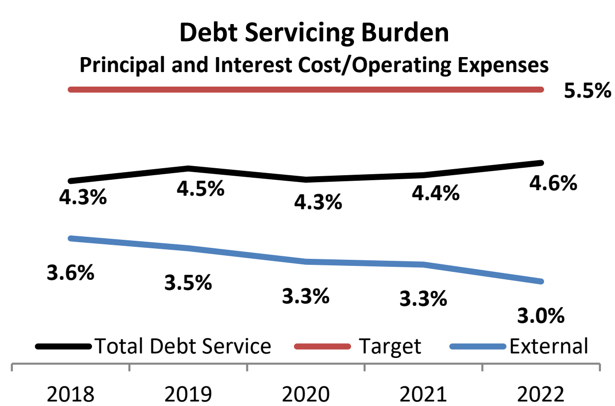
The University has established a group of specific metrics in addition to the viability and interest burden ratios to help manage debt. These are included in the Capital Debt Policy. They include:

- Debt Service Burden – portion of funding used for covering debt payment
- Debt Service Coverage – debt service costs as a portion of net income
- Debt to FTE – amount of debt per student

While many standard measures include only external debt e.g., borrowing from banks and financial markets, the University believes that the use of internal resources (liquidity) for capital is also a risk that needs to be tracked. This use of internal financing is therefore part of these metrics where applicable.

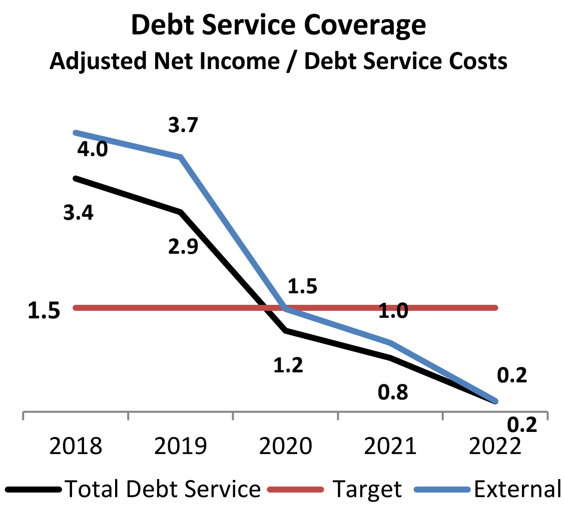
6.1 DEBT SERVICING BURDEN: This ratio measures the extent to which total debt servicing (incl. sinking fund payments) is a portion of total operating expenses excluding capital asset amortization. The objective is to stay below the target.

$000's	2022	5 Year Change	
Total Debt Servicing Costs	33,280	5,737	21%
External Debt Costs only	22,237	(647)	-3%
Operating Expenses	729,265	93,471	15%



6.2 DEBT SERVICE COVERAGE: Expressed as adjusted net income to debt service costs. This shows the cushion in annual operating results that the University has to cover its debt service requirements. The objective is to stay above the target.

$000's	2022	5 Year Change	
Adjusted Net Income	5,010	(87,700)	-95%
Debt Servicing Costs	33,280	5,737	21%
Adjusted Net Income–External	3,496	(88,630)	-96%
External Debt Service	22,237	(647)	-3%



6.3 DEBT PER STUDENT FTE: Compares the debt of the University to the size of the student body.

$000's	2022	5 Year Change	
External Debt	180,157	(49,505)	-22%
Total Debt	265,243	(17,371)	-6%
Total Student FTE's	22,602	9	0%

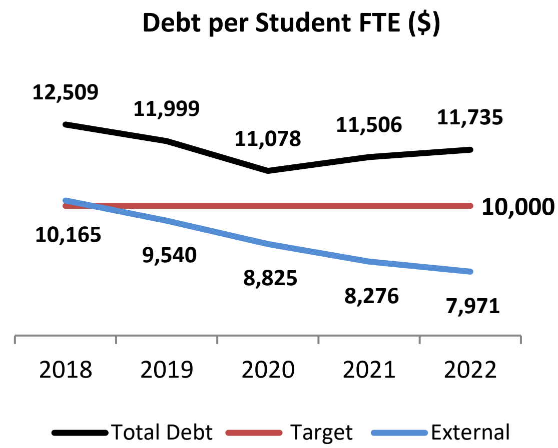


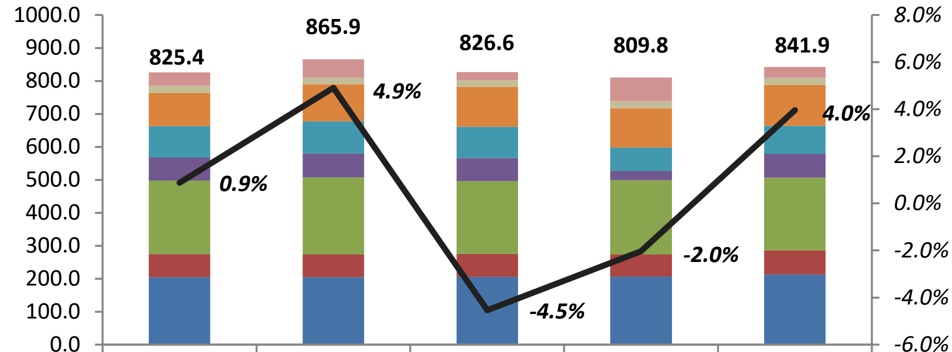
Table of Comparative Results[10]

	2018	2019	2020	2021	2022
Enrolment FTEs (excluding Guelph-Humber)	22,593	22,790	23,226	23,310	22,602
Faculty and Staff (Budgeted Positions)	3,032	3,122	3,175	3,203	3,225
Full-time Faculty (as of October 1st)	789	823	830	839	836
Revenues and Expenses					
Total Revenues ($M)	$825.4	$865.9	$826.6	$809.8	$841.9
Total Expenditures ($M)	$769.9	$819.1	$833.2	$828.3	$879.5
Unrealized Gain (Loss) on Interest Rate Swaps	$6.6	$(0.3)	$(1.3)	$2.6	$3.7
Annual Surplus/(Deficit) ($M)	$62.1	$46.5	-$7.9	-$15.9	-$33.9
Revenue year-over-year change	1%	5%	-5%	-2%	4%
MCU Operating Grants per FTE ($)	$8,822	$8,754	$8,632	$8,552	$8,801
Revenue Mix (% of Total Revenues)					
Provincial Operating Grants - MCU	25%	24%	25%	25%	24%
Tuition	27%	27%	27%	28%	26%
Endowment and Donations	3%	3%	3%	3%	3%
Expenditure year-over-year change	5.3%	6.4%	1.7%	-0.6%	6.2%
Expense Mix (% of Total Expenses)					
Salaries	49%	50%	51%	50%	49%
Benefits (including EFB accounting charges)	13%	13%	12%	15%	13%
Components of Net Assets					
Invested in Capital Assets ($M)	$587.9	$623.5	$653.3	$690.6	$715.4
Endowed ($M)	$360.8	$382.7	$351.7	$418.0	$411.6
Internally Restricted ($M)	$288.6	$276.9	$272.9	$222.9	$172.3
Unrestricted (Deficit) ($M)	$(311.2)	$(240.6)	$(557.1)	$(368.3)	$(295.8)
Total Net Assets ($M)	$926.1	$1,042.5	$720.8	$963.2	$1,003.5
Capital and Capital Debt					
Total External Debt ($M)	$229.7	$217.4	$205.3	$192.9	$180.1
Total Debt per FTE ($)	$10,167	$9,539	$8,839	$8,275	$7,968
%Debt Service to Revenue	2.9%	2.8%	2.8%	2.9%	2.8%
%Debt to Revenue	27.8%	25.1%	24.8%	23.8%	21.4%
Capital Acquisitions ($M)	$135.2	$89.1	$75.4	$71.3	$59.9
Provincial Capital Grants ($M)	$0.4	$0.4	$0.3	$3.2	$9.2
Endowments					
Externally Restricted ($M)	$230.6	$242.4	$219.5	$244.8	$237.8
Internally Restricted ($M)	$158.1	$165.6	$154.5	$173.2	$173.8
Total Endowment Assets – Market Values ($M)	$388.7	$408.0	$374.0	$418.0	$411.6
Total Endowment per FTE ($)	$17,204	$17,903	$16,103	$17,932	$18,211
Employee Future Benefits (EFB)					
Pension Plans – Asset (Obligation) ($M)	$26.9	$76.2	$(196.0)	$7.6	$7.8
Other Benefit Plans – Obligation ($M)	$(286.3)	$(264.6)	$(305.8)	$(314.7)	$(250.3)
Latest Valuation Date – Pension Plans	Aug-16	Aug-16	Oct-19	Oct-20	Apr-22
Latest Valuation Date – Other Benefit Plans	Jan-16	Jan-19	Jan-19	Jan-19	Jan-22

[10] Excludes the University of Guelph-Humber except for the 50% consolidation of revenue/expenses.

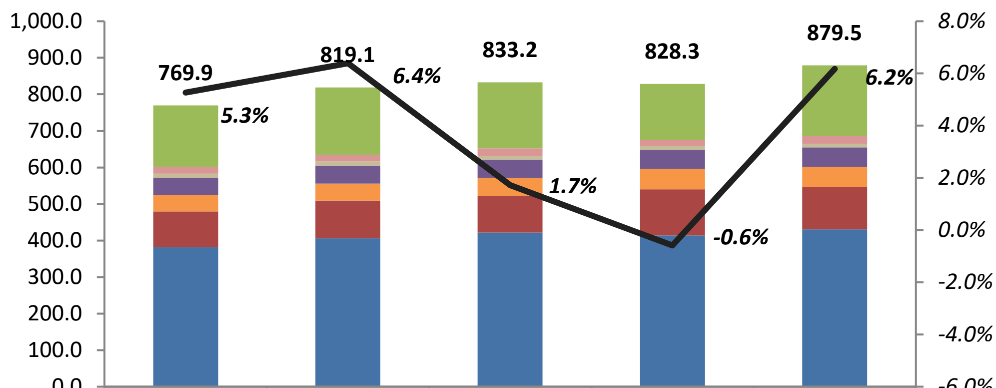
Total Revenues and Total Expenses - Five Year Trends

University Revenues
All Funds/ Sources
(in $millions)



	17/18	18/19	19/20	20/21	21/22
All Other Revenues	40.5	55.6	23.9	71.7	32.3
Amort. of Deferred Capital	20.8	20.9	21.0	21.4	22.0
Other Grants and Contracts	101.2	111.7	121.3	118.6	124.4
Sales of Goods and Services	94.9	97.9	94.4	71.0	84.5
Student Fees & Contracts	70.6	72.7	70.1	28.4	72.3
Tuition	222.7	233.3	220.9	225.0	220.6
OMAFRA Agreement	70.4	69.4	69.7	67.0	73.3
Provincial MCU	204.3	204.4	205.3	206.7	212.5
Total	825.4	865.9	826.6	809.8	841.9
Annual Change	0.9%	4.9%	-4.5%	-2.0%	4.0%

University Expenses
All Funds/ Sources
(in $millions)



	17/18	18/19	19/20	20/21	21/22
Other Operating	168.3	185.1	181.2	152.5	194.0
Utilities	18.8	18.0	19.6	17.8	21.0
Interest	11.6	11.1	10.5	10.0	9.5
Capital Asset Amortization	45.8	48.8	50.7	52.2	53.6
Scholarships and Bursaries	46.0	47.1	48.7	55.7	54.8
Benefits	98.4	103.0	100.8	126.4	116.2
Salaries	381.0	406.0	421.7	413.7	430.4
Total	769.9	819.1	833.2	828.3	879.5
Annual Change	5.3%	6.4%	1.7%	-0.6%	6.2%

OMAFRA Contract

Fiscal 2022 was the fourth fiscal year of the current five-year funding agreement with OMAFRA (April 1, 2018 – March 31, 2023) to provide major research and service programs focused in the sectors of agriculture, food, bio-products, and rural communities. OMAFRA Agreement revenues and expenses are recorded within the Research Fund, Trust Fund or Operating Fund depending on the purpose of the specific program.

All contract expenses are recorded in the University's financial statements as they are incurred, and provincial funding is recorded as to the extent it is required to support the expenses and balance the overall activities. This accounting treatment reflects the restricted nature of the funding which must be used for contract specific infrastructure and programs.

OMAFRA Agreement ($millions)	2022	2021	Change
REVENUE			
OMAFRA	70.4	67.0	5%
Sales of Goods & Services	22.3	21.3	5%
Other Revenue	0.8	1.1	-27%
Total Revenue	**93.5**	**89.4**	**5%**
EXPENSES			
Salaries	35.5	34.1	4%
Benefits	8.8	8.8	0%
Support for Faculty Costs	13.0	13.0	0%
Travel	0.3	0.3	0%
Operating	41.0	37.7	9%
Internal Recoveries	-5.1	-4.5	13%
Total Expenses	**93.5**	**89.4**	**5%**
REVENUE LESS EXPENSES	-	-	

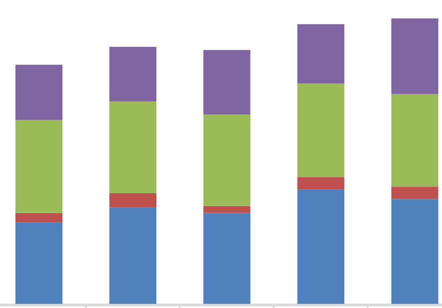
The OMAFRA agreement is a major component of University research providing funding for approximately 35% of total University research and supporting approximately 20% of University employees, both faculty and staff. In addition to direct provincial funding, the province designates provincially owned facilities (research stations and laboratories) under the contract. The province provides funding to operate, maintain and from time to time construct new contract-related facilities. These facilities not only provide important research infrastructure for the University but generate revenues from the sale of goods (agricultural commodities), and services (laboratory testing).

Research Funding

Major sources of research funding include federal research grants such as the federal government Tri-Councils, CFI (Canada Foundation for Innovation), the OMAFRA contract and contracts from industry for sponsored-research projects. Most research funding is restricted by external sponsors for specific purposes and under accounting policy is not recognized as revenue until spent, not as it is received.

In 2022, $175.6 million was received and allocated to departments ($172.0 million in 2021). The decrease in federal funding is due to $6.4 million in emergency funding related to COVID-19 received in 2021 only. This decrease was more than offset by increased other non-government grants and contracts.

Research Funding Allocated by Major Source



	2018	2019	2020	2021	2022
Other	33.9	33.4	39.4	36.4	46.4
OMAFRA Contract	56.8	56.2	56.0	57.1	56.9
Other Ontario	5.8	8.7	4.3	7.6	7.3
Federal	50.6	59.8	56.4	70.9	65.0
Total	147.1	158.1	156.1	172.0	175.6

University of Guelph-Humber

The University 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, an unincorporated joint venture.

The University reports its 50% interest in the operations of Guelph-Humber using the proportionate consolidation method. The table shows the 50% of operations that are consolidated in the University's financial statements.

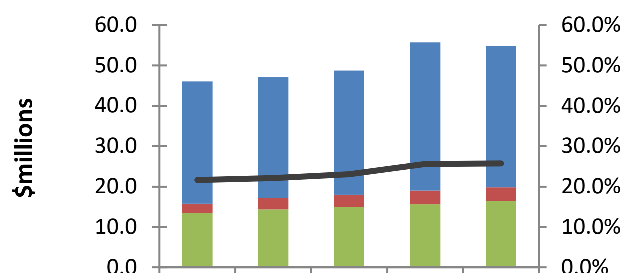
Guelph-Humber ($millions)	2022	2021	Change $	Change %
REVENUE				
MCU	17.2	17.2	0.0	0.0%
Tuition	16.1	16.9	-0.8	-4.7%
Student Fees	0.2	0.2	0.0	0.0%
Total Revenue	**33.5**	**34.3**	**-0.8**	**-2.3%**
EXPENSES				
Salaries	4.6	4.7	-0.1	-2.1%
Benefits	1.2	1.2	0.0	0.0%
Amortization	0.5	0.4	0.1	25.0%
Scholarships & Bursaries	3.3	3.4	-0.1	-2.9%
Supplies & Services	10.9	10.6	0.3	2.8%
Other Operating	3.9	3.9	0.0	0.0%
Total Expenses	**24.3**	**24.0**	**0.3**	**1.3%**
REVENUE LESS EXPENSES	**9.2**	**10.3**	**-1.1**	**-10.7%**
Guelph-Humber Undergraduate Enrolment (FTE's)	*4,667*	*4,957*	*290*	*-6.2%*

Student Aid

The University of Guelph, including 50% of the University of Guelph-Humber, spent $54.8 million on Scholarships and Bursaries in fiscal 2022 reflecting a decrease of 1.6% from the prior year. The main sources of funding for student assistance include the Operating Fund and University of Guelph-Humber operations as well as external funds which consist of a wide variety of restricted funds, e.g., grants, donations, and endowments.

Student aid funding is now approximately 25.7% (25.6% in 2021) of total credit tuition revenues. Of the $54.8 million, 64% was funded from the Operating Fund, 6% was from Guelph-Humber, and 30% was funded from trust funds including endowments.

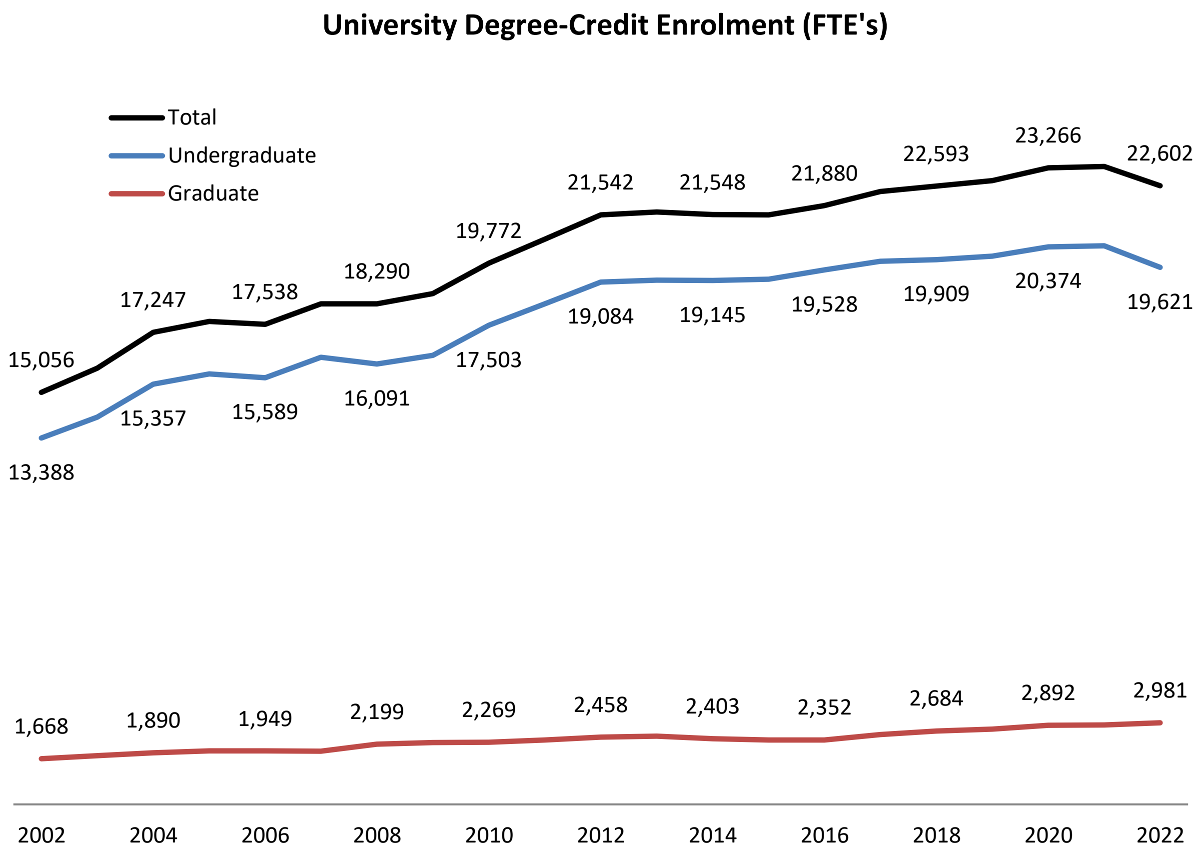
Student Aid: Scholarships & Bursaries
as a Percentage of Tuition Revenue (Credit)



	2018	2019	2020	2021	2022
Operating	30.2	29.9	30.7	36.7	35.0
Guelph-Humber	2.4	2.9	3.0	3.4	3.3
Trust and Endowments	13.4	14.3	15.0	15.6	16.5
Total Student Aid	46.0	47.1	48.7	55.7	54.8
% of Revenue	21.6%	22.1%	23.1%	25.6%	25.7%

Enrolment (excluding University of Guelph-Humber)

In 2022 University enrolment as measured in full-time equivalents ("FTE's") decreased compared to 2021. Graduate enrolment increased by 3.0%, and undergraduate enrolment decreased by 3.9%. The chart below shows 20 years of enrolment figures, reflecting the management of enrolment growth in recent years compared to the significant growth seen in the previous decade.



Statement of Operations – By Fund for Fiscal 2022 (May 1, 2021 to April 30, 2022)

(in thousands of dollars)	Operating Fund	Capital Fund	Ancillary Enterprises	Research Fund	Trust Fund	Endowment Fund	Total 2022	Total 2021
REVENUE								
Provincial Grants – MCU	203,215	9,291	-	-	-	-	212,506	206,708
Provincial Contract – OMAFRA Agreement	5,352	-	-	51,223	16,759	-	73,334	67,015
Other Grants and Contracts	6,113	-	-	99,007	19,065	226	124,411	118,579
Tuition (Credit and Non-credit)	220,590	-	-	-	-	-	220,590	224,956
Student Fees and Contracts	20,468	-	50,455	-	1,370	-	72,293	28,483
Sales of Goods and Services	38,306	-	23,881	4,933	17,397	-	84,517	70,991
Investment Income	4,293	(406)	-	-	4,384	(4,044)	4,227	49,279
Amortization of Deferred Capital Contributions	-	21,929	40	-	-	-	21,969	21,368
Donations	159	-	-	6,807	10,739	-	17,705	14,164
Other	9,430	91	-	732	78	-	10,331	8,226
	507,926	30,905	74,376	162,702	69,792	(3,818)	841,883	809,769
EXPENSES								
Salaries	319,640	-	17,239	76,947	16,535	-	430,361	413,701
Employee Future Benefits (EFB)	60,108	-	-	-	-	-	60,108	70,063
Other Employee Benefits	37,151	-	3,617	10,731	4,627	-	56,126	56,441
Scholarships and Bursaries	38,300	-	4	5,785	10,728	-	54,817	55,661
Capital Asset Amortization	-	45,875	7,694	-	-	-	53,569	52,199
Equipment, Repairs and Maintenance	20,591	28,618	2,060	4,574	2,246	-	58,089	47,186
Professional and Externally Contracted Services	33,451	25	1,142	17,741	1,209	-	53,568	43,158
Supplies	17,058	-	1,455	16,553	6,626	-	41,692	33,454
Utilities	17,200	-	979	2,821	3	-	21,003	17,783
Interest	-	8,062	1,411	-	-	-	9,473	9,997
Travel	2,912	-	53	1,603	41	-	4,609	2,511
Other Operating	16,824	-	14,010	5,864	(653)	-	36,045	26,165
Decrease in Unrealized Loss on Interest Rate Swaps	-	(1,875)	(1,847)	-	-	-	(3,722)	(2,692)
Interfund Transactions	(6,047)	(59,411)	18,093	16,318	35,409	(4,362)	-	-
	557,188	21,294	65,910	158,937	76,771	(4,362)	875,738	825,627
Excess of Revenues over Expenses	**(49,262)**	**9,611**	**8,466**	**3,765**	**(6,979)**	**544**	**(33,855)**	**(15,858)**
Endowment Income & Contributions	-	-	-	-	-	(6,989)	(6,989)	38,067
EFB Remeasurements and Other Items	81,075	-	-	-	-	-	81,075	220,282
Transfers (To) From Invested in Capital and Endowed Net	-	(18,787)	(5,910)	-	-	6,445	(18,252)	(103,694)
Transfers (To) From Internally Restricted Net Assets	32,745	11,050	3,569	(3,765)	6,979	-	50,578	50,006
Net Increase (Decrease) in Unrestricted Net Assets	64,558	1,874	6,125	-	-	-	72,557	188,803
Unrestricted Net Assets, Beginning of Year	(365,752)	(1,967)	(646)	-	-	-	(368,365)	(557,168)
Unrestricted Net Assets, End of Year	(301,194)	(93)	5,479	-	-	-	(295,808)	(368,365)

Independent auditor's report

To the Board of Governors of the
University of Guelph

Opinion

We have audited the accompanying consolidated financial statements of the **University of Guelph** [the "University"], which comprise the consolidated statement of financial position as at April 30, 2022, and the consolidated statement of operations, consolidated statement of changes in net assets and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the University as at April 30, 2022 and the consolidated results of its operations and its consolidated cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the University in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

Management is responsible for the other information. The other information comprises the information included in the Annual Financial Report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information, and in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained the Annual Financial Report prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

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

In preparing the consolidated financial statements, management is responsible for assessing the University's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the University or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the University's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 University's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the University's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the University to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the University to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Ernst & Young LLP

Chartered Professional Accountants
Licensed Public Accountants

Waterloo, Canada
October 19, 2022

Statement 1

UNIVERSITY OF GUELPH
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT APRIL 30

(in thousands of dollars)

	2022	2021
ASSETS		
Current		
Cash and Cash Equivalents (Note 3)	80,569	110,254
Short-term Investments at Fair Value (Note 4)	85,595	78,398
Accounts Receivable	62,734	40,616
Inventories and Prepaid Expenses	12,715	13,288
	241,613	242,556
Long-term Investments at Fair Value (Note 4)	602,042	658,939
Defined Benefit Asset (Note 10)	11,202	10,921
Capital Assets (Note 5)	1,303,372	1,297,026
	2,158,229	**2,209,442**
LIABILITIES		
Current		
Accounts Payable and Accrued Liabilities (Note 6)	57,348	59,257
Unrealized Loss on Interest Rate Swaps (Note 7)	968	4,690
Current Portion of Long-term Debt (Note 7)	12,753	12,779
Current Portion of Deferred Revenue	17,663	12,670
Deferred Contributions (Note 8)	228,450	236,378
	317,182	325,774
Long-term Debt (Note 7)	167,404	180,142
Deferred Revenue	8,558	8,810
Deferred Capital Contributions (Note 9)	407,882	413,469
Defined Benefit Liability (Note 10)	253,709	317,984
	1,154,735	**1,246,179**
NET ASSETS		
Invested in Capital Assets (Note 11)	715,333	690,636
Internally Restricted (Note 12)	172,341	222,919
Unrestricted Deficit	(295,808)	(368,365)
Endowed (Note 13)	411,628	418,073
	1,003,494	**963,263**
	2,158,229	**2,209,442**

Commitments, Collections and Contingencies (Notes 4(d), 5, 17 & 18)

(See accompanying notes)

On behalf of the Board of Governors:

Signed	**Signed**
Nancy Brown Andison Chair	Charlotte Yates President

Statement 2

UNIVERSITY OF GUELPH
CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED APRIL 30

(in thousands of dollars)

	2022	2021
REVENUE		
Ministry of Colleges and Universities	212,506	206,708
Ministry of Agriculture, Food and Rural Affairs Agreement	73,334	67,015
Other Grants and Contracts	124,411	118,579
Tuition	220,590	224,956
Student Fees and Contracts	72,293	28,483
Sales of Goods and Services	84,517	70,991
Investment Income (Note 4)	4,227	49,279
Amortization of Deferred Capital Contributions (Note 9)	21,969	21,368
Donations (Note 14)	17,705	14,164
Other	10,331	8,226
	841,883	809,769
EXPENSES		
Salaries	430,361	413,701
Employee Future Benefits (Note 10)	60,108	70,063
Other Employee Benefits	56,126	56,441
Scholarships and Bursaries	54,817	55,661
Capital Asset Amortization	53,569	52,199
Equipment, Repairs and Maintenance	58,089	47,186
Professional and Externally Contracted Services	53,568	43,158
Supplies	41,692	33,454
Utilities	21,003	17,783
Interest (Note 7)	9,473	9,997
Travel	4,609	2,511
Other Operating	36,045	26,165
	879,460	828,319
Decrease in Unrealized Loss on Interest Rate Swaps (Note 7)	3,722	2,692
Deficiency of Revenues over Expenses	(33,855)	(15,858)

(See accompanying notes)

Statement 3

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

(in thousands of dollars)

	Invested in Capital Assets	Internally Restricted	Unrestricted Surplus (Deficit)	Endowed	Total
			2022		
Net Assets, Beginning of Year	690,636	222,919	(368,365)	418,073	963,263
Deficiency of Revenues over Expenses	(31,600)	-	(2,255)	-	(33,855)
Net Change in Net Assets Invested in Capital Assets (Note 11)	56,297	-	(56,297)	-	-
Net Change in Internally Restricted Net Assets (Note 12)	-	(50,578)	50,578	-	-
Employee Future Benefits Remeasurements and Other Items (Note 10)	-	-	81,075	-	81,075
Endowment Contributions (Note 13)	-	-	-	6,350	6,350
Decrease in Accumulated Investment Income on					
Externally Restricted Endowments (Note 13)	-	-	-	(13,339)	(13,339)
Internally Restricted Endowments (Note 13)	-	-	4,044	(4,044)	-
Other Transfers to Endowments (Note 13)	-	-	(4,588)	4,588	-
Net Assets, End of Year	715,333	172,341	(295,808)	411,628	1,003,494
			2021		
Net Assets, Beginning of Year	653,343	272,925	(557,168)	351,672	720,772
Excess (Deficiency) of Revenues over Expenses	(30,831)	-	14,973	-	(15,858)
Net Change in Net Assets Invested in Capital Assets (Note 11)	68,124	-	(68,124)	-	-
Net Change in Internally Restricted Net Assets (Note 12)	-	(50,006)	50,006	-	-
Employee Future Benefits Remeasurements and Other Items (Note 10)	-	-	220,282	-	220,282
Endowment Contributions (Note 13)	-	-	-	4,144	4,144
Increase in Accumulated Investment Income on					
Externally Restricted Endowments (Note 13)	-	-	-	33,923	33,923
Internally Restricted Endowments (Note 13)	-	-	(23,010)	23,010	-
Other Transfers to Endowments (Note 13)	-	-	(5,324)	5,324	-
Net Assets, End of Year	690,636	222,919	(368,365)	418,073	963,263

(See accompanying notes)

Statement 4

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

(in thousands of dollars)

	2022	2021
OPERATING ACTIVITIES		
Deficiency of Revenues over Expenses	(33,855)	(15,858)
Add (Deduct) Non-cash Items:		
Capital Asset Amortization	53,569	52,199
Amortization of Deferred Capital Contributions	(21,969)	(21,368)
Decrease (Increase) in Unrealized Investment Income	22,657	(22,529)
Decrease in Unrealized Loss on Interest Rate Swaps	(3,722)	(2,692)
Employee Future Benefits Expense	32,832	70,063
Employee Future Benefits Contributions	(16,312)	(44,515)
Net Change in Other Non-cash Items (Note 16)	(26,641)	55,459
	6,559	70,759
FINANCING ACTIVITIES		
Repayment of Long-term Debt	(12,764)	(12,395)
Capital Contributions Received	16,054	15,487
Endowment Contributions	6,350	4,144
	9,640	7,236
INVESTING ACTIVITIES		
Net Sale of Investments	13,703	43,568
Purchase of Capital Assets	(59,587)	(71,216)
	(45,884)	(27,648)
Increase (Decrease) in Cash and Cash Equivalents	(29,685)	50,347
Cash and Cash Equivalents, Beginning of Year	110,254	59,907
Cash and Cash Equivalents, End of Year	80,569	110,254

(See accompanying notes)

1. AUTHORITY AND PURPOSE

The University of Guelph (the "University") operates as a not-for-profit entity under the authority of the *University of Guelph Act* (1964). The University is a comprehensive, research intensive university offering a range of undergraduate and graduate programs. With the exception of academic governance, which is vested in the University's Senate, the University is governed by the Board of Governors. The University is a registered charity (#10816 1829 RR0001) and is therefore exempt from income taxes under section 149 of the *Income Tax Act*.

These Consolidated Financial Statements include the assets, liabilities, revenues, expenses and other transactions of all the operations of the University, including its 50% share in the University of Guelph-Humber Joint Venture (Note 15).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These Consolidated Financial Statements have been prepared by management in accordance with Part III of the *CPA Canada Handbook – Accounting* which sets out generally accepted accounting principles for not-for-profit organizations in Canada ("GAAP") and includes the following significant accounting policies:

(a) Cash and Cash Equivalents

Cash and cash equivalents consist of balances with banks and highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. These investments are held for the purpose of meeting short-term cash commitments rather than for investing. Cash and cash equivalents held for investing for endowment and debt repayment purposes are classified as Short-term investments on the Consolidated Statement of Financial Position.

(b) Investments and Investment Income

All investments are recorded at fair value. Fair value is the amount of consideration that would be agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act. Short-term investments are readily convertible to cash and are recorded at cost plus accrued income, which approximates fair value. Publicly traded securities are valued on the latest quoted market prices and limited partnership units are valued based on reported unit values.

The values of private investments are determined based on the latest valuations provided by the external investment managers of the fund, adjusted for subsequent cash receipts and distributions from the fund, and cash disbursements to the fund through April 30. The University believes that the carrying amount of these financial instruments is a reasonable estimate of fair value. Because private investments are not readily traded, their estimated values are subject to uncertainty and therefore may differ from the value that would have been used had a ready market for such investments existed.

Transactions are recorded on a trade date basis and transaction costs are expensed as incurred.

Investment income is recorded on an accrual basis and is comprised of interest, dividends and realized and unrealized gains (losses) is recorded as revenue in the Consolidated Statement of Operations, except for investment income earned on externally restricted endowments, for which only the amount made available for spending is recorded as revenue. Investment income earned in excess of the amount made available for spending is recorded as a direct increase in endowments. In years where the investment income earned is below the amount made available for spending, the shortfall is recorded as a direct decrease in endowments.

(c) Derivative Financial Instruments

The University uses currency forward contracts to manage the impacts of foreign currency changes for investments denominated in foreign currencies and interest rate swaps to mitigate the effect of changes in interest rates on variable-rate debt. The University does not enter into derivative financial instruments for trading or speculative purposes.

Investment manager valuations are used to determine the fair value of currency forward contracts.

Prior to fiscal 2017 all interest rate swaps were recorded at fair value where bank valuations are used to determine the fair value of interest rate swaps. Changes in fair value of interest rate swaps during the year are recorded in the Consolidated Statement of Operations.

Starting in fiscal 2017 the University follows hedge accounting for its new interest rate swaps to manage the cash flow risk associated with its long-term debt obligation. In order for a derivative to qualify for hedge accounting, the hedge relationship must be identified, designated and formally documented at its inception. Change in the cash flows on the interest rate swaps must be highly effective in offsetting changes in the amount of cash flows on the hedged long-term debt. Interest rate swaps in qualifying hedging relationships are not recognized until their maturity.

(d) Interest in Joint Venture

With the approval of the Ontario Ministry of 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"). The University's 50% interest in the Joint Venture is accounted for using the proportionate consolidation method.

The University is a member, with 13 other universities, of TRIUMF, Canada's national laboratory for particle and nuclear physics located on the University of British Columbia ("UBC") campus. TRIUMF is a joint venture and was an unincorporated registered charity prior to June 1, 2021. On June 1, 2021, TRIUMF transferred all of its assets and liabilities to TRIUMF inc., a not-for-profit corporation. From that day onward, the University became a member of the corporation with the 13 other universities. Each university has an undivided 1/14 interest in its assets, liabilities and obligations. The land and buildings it occupies are owned by UBC. The facilities and its operations are funded by federal governments grants, and the University has made no direct financial contributions to date. TRIUMF's net assets are not contemplated to be and are not readily realizable by the University. The University's interest in the assets, liabilities and results of operations are not included in these Consolidated Financial Statements (Note 15(b)).

(e) Other Financial Instruments

Other financial instruments, including cash and cash equivalents, accounts receivable consisting primarily of trade receivables, accounts payable and accrued liabilities and long-term debt are recorded at amortized cost.

(f) Inventory Valuation

Inventories are recorded at the lower of cost, determined using the weighted average method, and net realizable value.

(g) Capital Assets and Collections

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

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

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

Capital assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not contribute to the University's ability to provide goods and services. Any impairment results in a write-down of the capital asset and an expense in the Consolidated Statement of Operations. An impairment loss is not reversed if the fair value of the related capital asset subsequently increases.

Donated collections are recorded as revenue at values based on appraisals by independent appraisers and are expensed in the year received. Purchased collections are expensed in the year they are acquired. When collections are deaccessioned and then sold, proceeds from the sale are included in deferred contributions and recognized as revenue when the cost of insurance, cleaning, restoration and conservation of works in the collection are expensed.

(h) Recognition of Revenue

The University accounts for contributions, which includes government grants and donations, in accordance with the deferral method.

Unrestricted contributions are recognized as revenue when received.

Externally restricted contributions received for:

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

Endowment contributions are recorded as direct increases or decreases in net assets in the period in which they are received or earned.

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.

Tuition and other academic fees are recorded as revenue on the accrual basis of accounting. All fees that relate to an academic term occurring within the fiscal year are included as revenue. Fees collected that relate to academic terms commencing after the end of the fiscal year are included in Current Portion of Deferred Revenue.

(i) Employee Future Benefits

The University became a member of the University Pension Plan Ontario ("UPP"), which is a multi-employer jointly sponsored, defined benefit plan effective July 1, 2021. The University does not recognize any share of the UPP's pension surplus or deficit as insufficient information is available to identify the University's share of the underlying pension assets and liabilities. It therefore, also accounts for its contributions to the UPP on a defined contribution basis. The University's contributions are expensed in the period they come due.

The University maintains defined benefit plans providing pension (Pre-UPP), other retirement and post-employment benefits for its employees and accounts for these using the immediate recognition approach. Under this approach, the University recognizes the amount of the defined benefit obligation net of the fair value of plan assets measured at the date of the Consolidated Statement of Financial Position.

Current service and finance costs are expensed during the year, while remeasurements and other items, representing the total of the difference between actual and expected return on plan assets, actuarial gains and losses, net change in valuation allowance, and past service costs are recognized as a direct increase or decrease in net assets.

The liability for unfunded plans is determined using funding assumptions.

(j) Foreign Currency Translation

Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate in effect at year end. Revenues and expenses are translated at exchange rates in effect on the date of the transaction. Gains or losses arising from these translations are included in revenue except to the extent that they relate to investments, in which case they are recognized in the same manner as investment income.

(k) Use of Estimates

The preparation of Consolidated Financial Statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the Consolidated Financial Statements and the reported amounts of revenue and expenses during the reporting period. Significant items subject to such estimates and assumptions include the carrying amount of capital assets, valuation allowances for receivables, accrued liabilities, valuation of derivative financial instruments, obligations related to employee future benefits and the recording of contingencies. Actual results could differ from those estimates.

(l) Contributed Services and Materials

Volunteers contribute an indeterminable number of hours per year. Because of the difficulty of determining their fair value, contributed services and materials are not recognized in the Consolidated Financial Statements.

3. CASH AND CASH EQUIVALENTS

	2022	2021
Cash	75,739	98,178
Pooled Fund Cash & Cash Equivalents	4,830	12,076
	80,569	110,254

(in thousands of dollars)

4. INVESTMENTS

(a) Details

	2022	2021
Short-term Investments	85,595	78,398
Long-term Investments:		
Fixed Income	243,690	300,052
Canadian Equities	49,213	53,226
Pooled Funds - Canadian Equities	31,128	32,200
United States Equities	53,545	69,780
Pooled Funds - United States Equities	67,165	44,712
Non-North American Equities	103,995	105,541
Pooled Funds - Emerging Markets Equities	25,833	26,356
Pooled Funds - Real Estate	5,258	-
Infrastructure Limited Partnership	22,215	27,072
	602,042	658,939
Total Investments	687,637	737,337

(b) Investment Income

	2022		
	Non-Endowed	Endowed	Total
Net Realized Investment Income	9,500	27,682	37,182
Net Decrease in Unrealized Investment Income	(7,974)	(35,376)	(43,350)
	1,526	(7,694)	(6,168)
Decrease in Accumulated Investment Income on Externally Restricted Endowments (Note 13)	-	13,339	13,339
Decrease in Accumulated Investment Income on Internally Restricted Endowments (Note 13)	(4,044)	4,044	-
Investment Income Made Available for Spending (Note 13)	9,689	(9,689)	-
Net Investment Income Deferred	(2,944)	-	(2,944)
	4,227	-	4,227

	2021		
	Non-Endowed	Endowed	Total
Net Realized Investment Income	13,089	19,724	32,813
Net Increase in Unrealized Investment Income	1,649	51,347	52,996
	14,738	71,071	85,809
Increase in Accumulated Investment Income on Externally Restricted Endowments (Note 13)	-	(33,923)	(33,923)
Increase in Accumulated Investment Income on Internally Restricted Endowments (Note 13)	23,010	(23,010)	-
Investment Income Made Available for Spending (Note 13)	14,138	(14,138)	-
Net Investment Income Deferred	(2,607)	-	(2,607)
	49,279	-	49,279

(in thousands of dollars)

(c) Derivative Investments

Foreign currency forward contracts used to minimize exchange rate fluctuations and the resulting volatility on future financial results are recorded at fair value as Short-term Investments on the Consolidated Statement of Financial Position.

The notional and fair values of these contracts are as follows:

	2022		2021	
	Notional Value	Fair Value	Notional Value	Fair Value
United States Dollar	23,679	(484)	13,320	240
Other	(249)	1	14	-
		(483)		240

(d) Uncalled Commitments

As at April 30, 2022, approximately 3.7% (2021 – 4.1%) of the University's long-term investment portfolio is invested in Brookfield Infrastructure Fund. The legal terms and conditions of these investments require that investors initially make an unfunded commitment and then remit funds over time (cumulatively up to a maximum of the total committed amount) in response to a series of capital calls issued to the investors by the manager. As at April 30, 2022, the University had uncalled commitments of $1,508 (2021 - $1,918).

5. CAPITAL ASSETS

	2022		
	Cost	Accumulated Amortization	Net Book Value
Land	256,559	-	256,559
Land Improvements	44,173	14,888	29,285
Buildings	1,300,174	411,429	888,745
Furniture and Equipment	214,467	142,360	72,107
Construction in Progress	50,576	-	50,576
Computer Equipment	17,466	14,436	3,030
Library Books	13,521	10,452	3,069
Art, Rare Books and Other Collections	1	-	1
	1,896,937	593,565	1,303,372

	2021		
	Cost	Accumulated Amortization	Net Book Value
Land	256,559	-	256,559
Land Improvements	44,002	13,870	30,132
Buildings	1,255,938	378,398	877,540
Furniture and Equipment	219,265	146,987	72,278
Construction in Progress	52,430	-	52,430
Computer Equipment	16,726	13,001	3,725
Library Books	15,343	10,982	4,361
Art, Rare Books and Other Collections	1	-	1
	1,860,264	563,238	1,297,026

(in thousands of dollars)

6. GOVERNMENT REMITTANCES

Accounts Payable and Accrued Liabilities include $706 (2021 - $1,023) with respect to government remittances payable.

7. LONG-TERM DEBT

(a) Details

	Interest Rate	Issue Date	Due Date	2022	2021
Series A Unsecured Debenture	6.24%	11-Oct-02	10-Oct-42	100,000	100,000
Banker's Acceptances					
Toronto Dominion Bank	4.91%	20-Dec-07	20-Sep-22	420	954
Toronto Dominion Bank	4.54%	10-Apr-08	10-Jan-23	200	400
Toronto Dominion Bank	3.47%	13-Mar-09	13-Dec-23	1,334	2,004
Royal Bank of Canada	4.50%	23-Mar-10	24-Mar-25	1,550	2,073
Royal Bank of Canada	4.57%	1-May-10	1-May-25	2,167	2,842
Bank of Montreal	7.52%	16-Oct-00	15-Jun-25	11,300	14,300
Royal Bank of Canada	3.84%	3-Oct-11	2-Oct-26	11,321	13,867
Royal Bank of Canada	2.96%	5-Sep-12	5-Sep-27	10,518	12,466
Canadian Imperial Bank of Commerce	3.73%	1-Oct-13	1-Oct-28	8,464	9,771
Royal Bank of Canada	2.19%	15-Sep-16	15-Sep-41	32,883	34,244
				80,157	92,921
				180,157	192,921
Current Portion				(12,753)	(12,779)
				167,404	180,142

The interest rates disclosed above are the effective rates as a result of entering into interest rate swaps as discussed in part (c) of this note. During the current fiscal year, the University made principal repayments in the amount of $12,764 (2021 - $12,395) and incurred $9,473 (2021 - $9,997) 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:

2023	12,753
2024	12,013
2025	11,778
2026	9,123
2027	5,996
2028 and beyond	128,494
	180,157

(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.

The University has a voluntary sinking fund established to repay the debenture principal at maturity. This is reflected in the balance of Funds Held for Debt Repayment within Internally Restricted Net Assets (Note 12).

(in thousands of dollars)

(c) Interest Rate Swaps

The University has entered into interest rate exchange (swap) contracts with the Toronto Dominion Bank, Bank of Montreal, Royal Bank of Canada, and Canadian Imperial Bank of Commerce in order to convert variable-rate borrowings to fixed rates. Under the terms of these agreements, the University pays a fixed rate and receives a variable rate on each swap's notional principal amount.

The notional amounts and the net unrealized loss of the contracts entered into prior to fiscal 2017 and outstanding at April 30th are:

		2022		2021	
	Due Date	Notional Amount	Loss	Notional Amount	Loss
Toronto Dominion	20-Sep-22	419	(6)	951	(40)
Toronto Dominion	10-Jan-23	200	(3)	400	(17)
Toronto Dominion	13-Dec-23	1,333	(5)	2,000	(72)
Royal Bank of Canada	24-Mar-25	1,550	(25)	2,070	(132)
Royal Bank of Canada	1-May-25	2,151	(45)	2,819	(194)
Bank of Montreal	15-Jun-25	11,300	(828)	14,300	(2,036)
Royal Bank of Canada	2-Oct-26	11,340	(102)	13,860	(910)
Royal Bank of Canada	5-Sep-27	10,508	101	12,448	(585)
Canadian Imperial Bank of Commerce	1-Oct-28	8,450	(55)	9,750	(704)
			(968)		(4,690)

The decrease in unrealized loss of $3,722 (2021 – decrease of $2,692) is recorded in the Consolidated Statement of Operations.

The University applied hedge accounting for the interest rate swap entered into with Royal Bank of Canada in fiscal 2017. The swap contract has the effect of converting the floating rate of interest to a fixed rate of 2.19% on the original $40 million debt obligation. The swap matures on the maturity date of the debt and therefore the net change in the unrealized gain of $4,714 (2021 – $1,642) is not recorded in the Consolidated Financial Statements as at April 30th.

8. DEFERRED CONTRIBUTIONS

Deferred contributions represent unspent externally restricted grants, donations and investment income for research and other specific purposes. Changes in the deferred contributions are as follows:

	2022	2021
Balance, Beginning of Year	236,378	193,967
Contributions Received During the Year	230,622	257,890
Contributions Recognized to Revenue During the Year	(238,550)	(215,479)
Balance, End of Year	228,450	236,378

9. 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 Consolidated Statement of Operations.

(in thousands of dollars)

Changes in the deferred capital contributions are as follows:

	2022	**2021**
Balance, Beginning of Year	413,469	419,238
Contributions Received During the Year	16,382	15,599
Amortization of Deferred Capital Contributions	(21,969)	(21,368)
Balance, End of Year	407,882	413,469

10. EMPLOYEE FUTURE BENEFITS

The University has a number of unfunded programs that provide defined benefit pension and other post-employment benefits to its employees.

After years of planning and discussion together with other Ontario universities, the administrations, faculty associations, unions and non-represented staff of the University, University of Toronto and Queen's University developed a new jointly sponsored multi-employer pension plan, UPP, which is also open to other Ontario universities. The UPP was formally established on January 1, 2020, to cover employees, retired employees and other members under the currently existing plans at all three universities. The assets and liabilities, including the pension obligations, of the University's registered pension plans ("RPPs") were transferred to the UPP as at July 1, 2021 (the "Effective Date"). As of the Effective Date, the accrual of benefits and contributions under the UPP commenced for members of the RPPs, all of whom have been transferred to the UPP, and benefits and contributions under the RPPs ceased. During the prior year, the University amended the RPPs to allow for the July 1, 2021, transfer of assets and liabilities into the UPP and the subsequent termination of the RPP. Two of the RPPs were terminated and the other is still open due to a windup surplus of $11,202 to be transferred to the University pending legislative process requirements. This balance is held in a separate trust, until all relevant legislative and legal requirements are determined and settled.

As at July 1, 2021, the University transferred $145.5 million in excess of its defined benefit obligations to the UPP. Due to the uncertainty around the ability of the University to fully realize the RPP's accrued benefit surplus in the future under the UPP, the funding excess is not reflected in the University's Consolidated Financial Statements, in accordance with Canadian generally accepted accounting principles.

Any pension surplus or deficit of the UPP is a joint responsibility of the members and employers for service after the transition date of July 1, 2021 and may affect future contribution rates for members and employers. The University remains responsible to fund any net pension obligations (determined based on the UPP actuarial assumptions) related to service up to the transition date of July 1, 2021, over 15 years. The net pension obligations may fluctuate in the future based on changes to the UPP's actuarial assumptions and for changes in experience in future periods, which will continue to be the responsibility of the University to fund for the first 10 years, after which the responsibility for such changes becomes gradually shared over the next 10 years with the other members of the UPP, after which the responsibility is totally shared with all members.

Contribution rates are determined by the UPP Sponsors (representing employees and employers). The most recent actuarial valuation filed with pension regulators by the UPP as at July 1, 2021 indicated an actuarial surplus on a going concern basis of $1.08 billion. Contributions made by the University to the UPP during the year are included in employee future benefits expense in the consolidated statement of operations and amounted to $27,276.

The University's other post-employment benefit plans provide extended health care and dental coverage to retirees and their eligible dependents on a cost-sharing basis. Retiree contributions to the health and dental programs cover 30% and 50% of the costs respectively.

(in thousands of dollars)

The most recent actuarial valuations prepared for the unfunded plans were as at April 30, 2022 for the other unfunded pension arrangements and January 1, 2022 for the other benefits plan. For financial statement purposes, the results of these valuations, based on UPP assumptions, were extrapolated to April 30, 2022, which is the measurement date used to determine the plans' assets and the accrued benefit obligations.

Information about the University's benefit plans is as follows:

	Pension Plans		Other Benefits Plan		Total	
	2022	2021	2022	2021	2022	2021
Defined Benefit Obligation	3,396	1,647,405	250,313	314,670	253,709	1,962,075
Fair Value of Plan Assets	11,202	1,771,649	-	-	11,202	1,771,649
Funded Status - Surplus(Deficit)	7,806	124,244	(250,313)	(314,670)	(242,507)	(190,426)
Valuation Allowance ("VA")	-	(116,637)	-	-	-	(116,637)
Net Defined Benefit Asset (Liability)	7,806	7,607	(250,313)	(314,670)	(242,507)	(307,063)
Statement of Financial Position						
Defined Benefit Asset	11,202	10,921	-	-	11,202	10,921
Defined Benefit Liability	(3,396)	(3,314)	(250,313)	(314,670)	(253,709)	(317,984)
Net Defined Benefit Asset (Liability)	7,806	7,607	(250,313)	(314,670)	(242,507)	(307,063)

	Pension Plans		Other Benefits Plan		Total	
	2022	2021	2022	2021	2022	2021
Total Service Cost	8,528	57,656	10,646	9,392	19,174	67,048
Less: Employee Contributions	(4,095)	(26,910)	-	-	(4,095)	(26,910)
Current Service Cost	4,433	30,746	10,646	9,392	15,079	40,138
Finance Cost	54	11,524	17,699	18,401	17,753	29,925
Employee Future Benefits Expense	4,487	42,270	28,345	27,793	32,832	70,063
Return on Plan Assets Greater than Discount Rate	(34,393)	(160,514)	-	-	(34,393)	(160,514)
Actuarial (Gain) Loss	12,139	(163,262)	(86,600)	(13,143)	(74,461)	(176,405)
Transfer to UPP	145,479	-	-	-	145,479	-
Valuation Allowance	(116,637)	116,637	-	-	(116,637)	116,637
Effect of VA on Finance Cost	(1,063)	-	-	-	(1,063)	-
Remeasurements and Other Items	5,525	(207,139)	(86,600)	(13,143)	(81,075)	(220,282)
Net Benefit Cost (Recovery)	10,012	(164,869)	(58,255)	14,650	(48,243)	(150,219)

The discount rate used for determining the defined benefit obligation at April 30th is 5.60% (2021 – 5.60%). The assumed rate for dental inflation is 4.0% (2021 – 4.5%) and the health care costs trend rate is 5.0% from 2022 to 2030, decreasing linearly to 4.0% in 2040 (2021 – 5.0%).

In addition to the plan assets, as at April 30, 2022, the University has internally restricted net assets of $15,763 (2021 - $25,790) for its UPP obligations and its other benefit plans (Note 12).

(in thousands of dollars)

11. INVESTED IN CAPITAL ASSETS

	2022	2021
Capital Assets (Net Book Value) (Note 5)	1,303,372	1,297,026
Less: Long-term Debt (Note 7)	(180,157)	(192,921)
Deferred Capital Contributions (Note 9)	(407,882)	(413,469)
Invested in Capital Assets	715,333	690,636

Changes in Invested in Capital Assets are as follows:

	2022	2021
Capital Asset Amortization	(53,569)	(52,199)
Amortization of Deferred Capital Contributions	21,969	21,368
	(31,600)	(30,831)
Acquisition of Capital Assets	59,915	71,328
Repayment of Long-term Debt	12,764	12,395
Cash Contributions Received During the Year	(16,054)	(15,487)
Contributions of Depreciable Assets Received During the Year	(328)	(112)
	56,297	68,124
	24,697	37,293

12. INTERNALLY RESTRICTED NET ASSETS

These are restrictions on net assets designated for future purchase 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 amounts deemed necessary by the Board.

	Balance, April 30, 2021	Transfer to (from) in 2021	Balance, April 30, 2022
Operating Fund Reserves			
Division Reserves	95,342	(1,563)	93,779
Central Operating Reserves	66,121	(21,152)	44,969
Guelph-Humber Internally Restricted	900	-	900
Self Insured Losses	1,000	-	1,000
Employee Benefit Reserves (Note 10)	25,790	(10,027)	15,763
	189,153	(32,742)	156,411
Capital Projects Reserves			
Capital Projects and Renovations	25,261	(560)	24,701
Internally Financed Projects	(113,049)	(14,755)	(127,804)
Funds Held for Debt Repayment (Note 7)	25,349	694	26,043
Trust	45,000	(6,980)	38,020
Research	50,705	3,765	54,470
Other	500	-	500
	222,919	(50,578)	172,341

(in thousands of dollars)

13. CHANGES IN NET ASSETS – ENDOWED

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. 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.

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 Heritage Fund limits spending through a specific distribution formula based on a five-year average of market returns after having provided for inflation protection and growth. The General Endowment Fund utilizes a spending or pay-out policy that limits disbursements to an estimated long-term real rate of investment return. Any difference between actual investment return (net of expenses) and the allocation of amount made available for spending will be accumulated in the endowment fund. In fiscal 2022, the allocation made available for spending was calculated as 3.5% (2021 - 3.5%) of the average endowment account fund balance over the most recent four-year period.

Details of changes in endowed net assets are as follows:

	2022		
	Externally Restricted	Internally Restricted	Total
Investment Loss on Endowments	(5,057)	(2,637)	(7,694)
Less: Available for Spending (Note 4(b))	(8,282)	(1,407)	(9,689)
Decrease in Accumulated Investment Income on Endowments (Note 4(b))	(13,339)	(4,044)	(17,383)
Endowment Contributions (Note 14)	6,350	-	6,350
	(6,989)	(4,044)	(11,033)
Transfers to Endowments	-	4,588	4,588
Net Increase (Decrease) in Net Assets	(6,989)	544	(6,445)
Net Assets, Beginning of Year	244,839	173,234	418,073
Net Assets, End of Year	237,850	173,778	411,628

	2021		
	Externally Restricted	Internally Restricted	Total
Investment Income on Endowments	41,527	29,544	71,071
Less: Available for Spending (Note 4(b))	(7,604)	(6,534)	(14,138)
Increase in Accumulated Investment Income on Endowments (Note 4(b))	33,923	23,010	56,933
Endowment Contributions (Note 14)	4,144	-	4,144
	38,067	23,010	61,077
Transfers to Endowments	349	4,975	5,324
Net Increase in Net Assets	38,416	27,985	66,401
Net Assets, Beginning of Year	206,423	145,249	351,672
Net Assets, End of Year	244,839	173,234	418,073

(in thousands of dollars)

14. DONATIONS

	2022	2021
Donations Received During the Year	38,916	30,126
Less: Donations Recorded as Endowment Contributions (Note 13)	(6,350)	(4,144)
Donations Recorded as Deferred Capital Contributions	(8,383)	(4,733)
Net Increase in Deferred Contributions from Donations	(6,478)	(7,085)
Donations Recognized as Revenue	17,705	14,164

15. JOINT VENTURES

(a) University of Guelph-Humber

As part of its participation in the Joint Venture, the University provides certain services including academic administration, student recruitment and admissions, curriculum development, course delivery, and IT services. 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. All amounts are shared 50% by each venturer. The total amount advanced by the University for such services during the year was $11,922 (2021 - $12,566), which represents the exchange amount as agreed to by the parties. A financial summary of the University's share of the Joint Venture consolidated at April 30 is as follows:

	2022	2021
Financial Position:		
Total Assets	17,515	14,137
Total Liabilities	4,825	867
Total Net Assets	12,690	13,270
Results of Operations:		
Total Revenue	33,427	34,286
Total Expenses	24,215	24,014
Excess of Revenue over Expenses	9,212	10,272

(b) TRIUMF

The following financial information for TRIUMF was prepared in accordance with Canadian Public Sector Accounting Standards, including accounting standards that apply to government not-for-profit organizations, except that all capital assets and related provisions for decommissioning costs, if any, are expensed in the year in which the costs are incurred. Any differences in the reporting framework are not material to the University's Consolidated Financial Statements.

	March 31, 2022 (Unaudited)	March 31, 2021
Financial Position:		
Total Assets	51,029	54,446
Total Liabilities	10,338	8,956
Total Net Assets	40,691	45,490
Results of Operations:		
Total Revenue	98,605	89,092
Total Expenses	103,404	88,856
Excess (Deficiency) of Revenue over Expenses	(4,799)	236

(in thousands of dollars)

16. NET CHANGE IN OTHER NON-CASH ITEMS

	2022	2021
Accounts Receivable	(22,118)	4,126
Inventories and Prepaid Expenses	573	(1,681)
Accounts Payable and Accrued Liabilities	(1,909)	11,185
Deferred Revenue	4,741	(582)
Deferred Contributions	(7,928)	42,411
	(26,641)	55,459

17. COMMITMENTS

Costs to complete major capital projects in progress as at April 30, 2022 are estimated to be $26,803 (2021 - $37,953) and will be funded by government grants, gifts and University resources.

18. CONTINGENCIES

a) The nature of the University's activities is such that there are usually claims or potential claims in prospect at any one time. At April 30, 2022, the University believes it has valid defenses and appropriate insurance coverage in place on certain claims which are not expected to have material impact on the University's financial position. There also exist other claims or potential claims where the ultimate outcome cannot be determined at this time. Any additional losses related to claims would be recorded in the year during which the amount of the liability is able to be estimated or adjustments to the amount recorded are determined to be required.

b) The University is a member in a self-insurance co-operative in association with other Canadian universities to provide property and general liability insurance coverage. Under this arrangement referred to as the Canadian Universities Reciprocal Insurance Exchange ("CURIE"), a contractual agreement exists to share the property and liability insurance risks of member universities. The projected cost of claims is funded through members' premiums based on actuarial projections. As at December 31, 2021, CURIE had an accumulated surplus of $105,790 (2021 - $99,449) of which the University's pro rata share is $3,607 (2021 – $3,319).

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

d) The University has a lease arrangement with the Guelph Cutten Fields, whereby the University leases the assets to the Guelph Cutten Fields, which is owned by the members. The University has guaranteed a loan of up to $2,500 for the Guelph Cutten Fields. As at April 30, 2022 the Guelph Cutten Fields borrowed $94 (2021 – $247) under this guarantee.

e) The University issued and had outstanding four letters of credit for capital construction projects; all the remaining guarantees payments if it failed to perform certain restorative work at the completion of its capital construction projects. At April 30, 2022, the amount of outstanding letters of credit issued for construction purpose was $896 (2021 - $903). All such letters expire in the next fiscal year.

f) The members of the TRIUMF joint venture and the Canadian Nuclear Safety Commission ("CNSC") approved a decommissioning plan that requires all members to be severally responsible for their share of the decommissioning costs as well as provide financial covenants to the CNSC for the amount of these costs. While there are no current intentions of decommissioning the facilities, TRIUMF has put in place a plan for funding the cost of decommissioning that does not require any payments from the joint venture partners.

g) The University has identified potential asset retirement obligations related to the existence of asbestos in a number of its facilities. Although not a current health hazard, upon renovation or demolition of these facilities, the University may be required to take appropriate remediation procedure to remove the asbestos. As the University has no legal obligation to remove the asbestos in these facilities as long as the asbestos is contained and does not pose a public health risk, the fair value of the obligation cannot be reasonably estimated due to the indeterminate timing and scope of the removal.

The asset retirement obligation for these assets will be recorded in the period in which there is certainty that the capital project will proceed and there is sufficient information to estimate the fair value of the obligation.

19. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The University is exposed to various financial risks through transactions in financial instruments.

(a) Currency Risk

The University is exposed to foreign currency risk with respect to its direct and indirect (e.g., pooled funds) investments denominated in foreign currencies because the fair value and future cash flows will fluctuate due to the changes in the relative value of foreign currencies against the Canadian dollar. The University manages foreign currency risk through monitoring activities. In the University’s endowment fund investments, foreign currency exposure in the fixed income portfolio is fully hedged. The University also generally holds enough USD dollars to hedge against approximately one year of expenses that are payable in USD and will occasionally buy forward contracts to hedge this position.

(b) Credit Risk

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

The University is also exposed to counterparty credit risk inherent in its interest rate swap agreements and foreign currency derivatives. The counterparty is either a Canadian chartered bank or major foreign/multinational bank, and the University has assessed these risks as minimal.

(c) Interest Rate Risk

The University is exposed to interest rate risk on its fixed and floating interest rate financial instruments. Fixed-interest instruments subject the University to a fair value risk while the floating-rate instruments subject it to a cash flow risk. The University mitigates interest rate risk on its term debt through derivative financial instruments (interest rate swaps) that exchange the variable rate inherent in the term debt for a fixed rate (see note 7). Therefore, fluctuations in market interest rates would not impact future cash flows and operations relating to the term debt. There have been no changes in interest rate risk exposure as compared to the prior year.

The University is also exposed to interest rate risk with respect to its investments in fixed income securities because the fair value will fluctuate with changes in market interest rates. This risk is managed by having diversified investments and by ensuring the asset mix of each investment mandate is maintained within investment policy approved ranges for each investment asset category.

(d) Liquidity Risk

The University is exposed to liquidity risk to the extent it will encounter difficulty in meeting obligations associated with financial liabilities. The University manages its liquidity risk by monitoring its operating and capital requirements. The University prepares capital and operating budgets to fulfill its obligations. Accounts payable and accrued liabilities are generally paid shortly after year end. For long-term debt, the University has established sinking fund investments to provide for cash flow requirements.

(e) Other Price Risk

The University is exposed to other price risk through changes in market prices (other than changes arising from interest rate or currency risks) in connection with its investments in equity securities and pooled funds. The University's investment policies detail the objectives, management and guidelines of investment, as well as providing for an appropriate risk tolerance strategy.

20. COMPARATIVE NUMBERS

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