

2017/18

Annual Financial Report



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Lee Ahenakew

Chair, Board of Governors

The Board of Governors has worked diligently this year to provide oversight and support the leadership team so the university may meet the needs of our province and related global issues. The decisions we make are to ensure we are moving in the bold strategic direction now formalized in the University Plan endorsed by all three governing bodies including Senate and University Council. One of the most important roles we have each year is examining this annual financial report, which puts other university plans into perspective.

Through the budget challenges of recent years, we have continually demonstrated a strong record of fiscal responsibility. The U of S recently earned a AA2 credit rating by Moody's, which places it tied for the highest among Canadian universities. This is a key indicator of the university's excellent financial management and financial situation. The province has supported the university to access long-term financing to fulfill much-needed renewal of facilities on-campus, and has worked with our leadership to meet our financial priorities in times with limited resources.

Infrastructure and assets continue to grow to meet the ever-changing needs of our students, faculty and staff. We are in various stages of development on a centralized Prince Albert campus, the Livestock and Forage Centre of Excellence, the Collaborative Science Research Building, Health Sciences A-Wing, and Merlis Belsher Place. Built through funding partnerships and generous support, all of these projects help ensure a strong future for the University of Saskatchewan.

We're honoured to ensure the appropriate and efficient use of the resources entrusted to us by and for the people of Saskatchewan.



Peter Stoicheff

President and vice-chancellor

Our university can change the world and build Saskatchewan's global reputation. Scarcity of food, water and energy; pandemics and insufficient access to health care; and building inclusive communities, are all global challenges. But they are also challenges that the University of Saskatchewan can contribute to solving.

We are attracting researchers, students and staff from around the world. We are assembling collaborative teams to utilize our incredible facilities and tackle issues in food and water security, human and animal health, and building strong and safe communities. And we are providing these teams with the tools and resources they need to succeed.

These ambitions, of course, come with a financial cost. Over the last number of years, our funding model has had to change. We have, as the people of Saskatchewan always have, found paths towards financial sustainability. We have kept a keen eye on our balance sheet, ensuring appropriate reductions and new revenue enhancement plans to help us, and our government partners, meet the financial realities of the times.

It's an investment worth making as the U of S becomes the university the world needs.

Management Discussion and Analysis

2017/18

Fiscal 2017/18 Overview

Traditionally, the U of S, as with any Canadian university, has been funded through two main sources: government grants and individual user fees. Increased financial pressure on both of those sources has meant the U of S has had to evolve and enhance its financial model. Clear priorities, strong financial stewardship and comprehensive measures taken to address funding shortfalls, have permitted the U of S to continue to operate within its means while continuing to deliver a rich and rigorous educational experience as well as advance globally significant research.

Financial Risks and Strategy

Funding

The evolution of our financial model does not have an end date. The University of Saskatchewan is financially sound today, however, long-term financial sustainability is an ongoing risk that we take very seriously. Over the last number of years the amount of provincial funding to the university has been reduced. We continue to explore alternative strategies.

Infrastructure (Facilities and Systems)

U of S Bond

Our institution is more than 110 years old and, over the years, the need for critical infrastructure renewal has significantly outpaced our provincial funding. During the year, the university issued an \$85-million bond to support targeted infrastructure renewal. The overall cost of the bond is lower than with traditional borrowing. The \$85 million will support the critical renewal of five core campus buildings: Physics, Thorvaldson, W.P. Thompson (Biology), Murray Library and Arts.

Merlis Belsher Place

The official opening of Rutherford Rink took place on January 23, 1930 with an initial cost of \$47,000. After 88 years of usage, a new campus arena was desperately needed. With a new approach to funding, and instead of a campus arena, the U of S focused on building a community arena. With a price tag of over \$40 million we could not build it ourselves, but realizing the return on the investment, our donors, community and government partners quickly helped raise the funds. A new state-of-the-art arena, basketball practice facility and sports research facility—Merlis Belsher Place—will open on campus this fall. It will also be home to future convocation ceremonies.

Future Initiatives

Staying true to priorities and focusing resources, the U of S has recognized the need for renewal of our Applied Science/Engineering building, in alignment with expansion and growth possibilities in engineering programs. Planning activities will commence during the coming year for this future capital development.

Critical Success

After four years of transformative work, the U of S College of Medicine has been granted full accreditation from the Committee on Accreditation of Canadian Medical Schools (CACMS). Key components of the successful result include the college's recently completed four-year transition to a new undergraduate medical curriculum and that faculty engagement in teaching in the college has more than doubled in the past year. As well, in addition to the strong Indigenous admissions program, the college launched a new Diversity and Social Accountability Admissions Program in 2018. In medical research, recent successes include increased funding through the Canadian Institutes of Health Research, and recruitment of key research positions including the Cameco Chair in Indigenous Health and the Saskatchewan Chair in Multiple Sclerosis Clinical Research.

This positive outcome for the College of Medicine is vital to the province's health-care system. A strong medical school, housed within a leading research-intensive university like the U of S, benefits everyone in the province.

The New University Plan

An exciting project to become a reality in the past year is the new University Plan. It is a bold document that provides the U of S with focus and guides our aspiration for the next seven years. Built through consultation and collaboration, it evolves from our 2016 Mission, Vision and Values, and is informed by and takes us beyond our previous three integrated plans. The plan challenges us with three commitments:

- **Courageous curiosity:** Empower a daring culture of innovation with the courage to confront humanity's greatest challenges and opportunities.
- **Boundless collaboration:** Invigorate the impact of collaboration and partnership in everything we do.
- **Inspired communities:** Inspire the world by achieving meaningful change with and for our communities.

As the plan is implemented, prospective students around the globe will see the U of S as a place to develop the knowledge and skills they need to thrive in a future defined by constant change. Faculty will view the university as a place that creates unmatched possibilities for collaboration, discovery and impact. Staff will find inspiration in the opportunity to create solutions—systems, practices, physical spaces—that reflect the university's ambition. Our diverse communities will engage with, and find inspiration in, everything we do, and we will take our place among the world's top institutions of higher learning.

Looking Ahead

The University of Saskatchewan is a significant stakeholder in the growth and success of our province. With the 2018 Saskatchewan budget, the government demonstrated confidence in the advanced education sector, and a continuing commitment to post-secondary education and to the University of Saskatchewan. The university's world-ready graduates and research provide real value to the province, its people and its economy.

Ongoing monitoring of the comprehensive financial plan and budget has provided information that enables more informed decisions related to the financial health of the university and ensures financial sustainability. It also allows us to focus resources in key areas. Based on labour market demands, the U of S has identified prosperous opportunities for growth in computer science, biomedical science, engineering, and internships and co-op programs. The U of S is also building Indigenization efforts, expanding graduate programs and pursuing growth in international student enrolment.

The University of Saskatchewan is a university for the future.

Financial Results¹

Overall, revenues were down \$91.6 million or 9% over the prior year, expenses were up by \$24.4 million or 3%, and fund balances decreased by \$9.8 million. Operational activities reported a \$28.6 million reduction in operating fund balances for the year which was partially offset by favourable results in the Restricted fund activities.

Revenues

Decreases in grant and contract revenue along with a decrease in the investment earnings when compared to prior year which had better than expected investment returns, contributed to the overall decrease in the total revenues for the year.

Expenses

In the current year the voluntary exit plans for faculty and staff were implemented at a cost of \$21.8 million which contributed to the overall increases in expenses. Excluding the impact of this one-time cost in the current year, total costs for the university rose by 0.3% during 2017/18.

Fund Balances

Of the \$73.4 million general fund balance, \$70.8 million is restricted for specific purposes (\$45.7 million by donors) and \$2.6 million relates to financial reserves which is unrestricted (represents 0.3% of total expenditures).

Assets

Total assets increased by \$62.5 million, or 2% over the prior year as a result of the issuance of an \$85 million bond as well as strategic investments in capital assets.

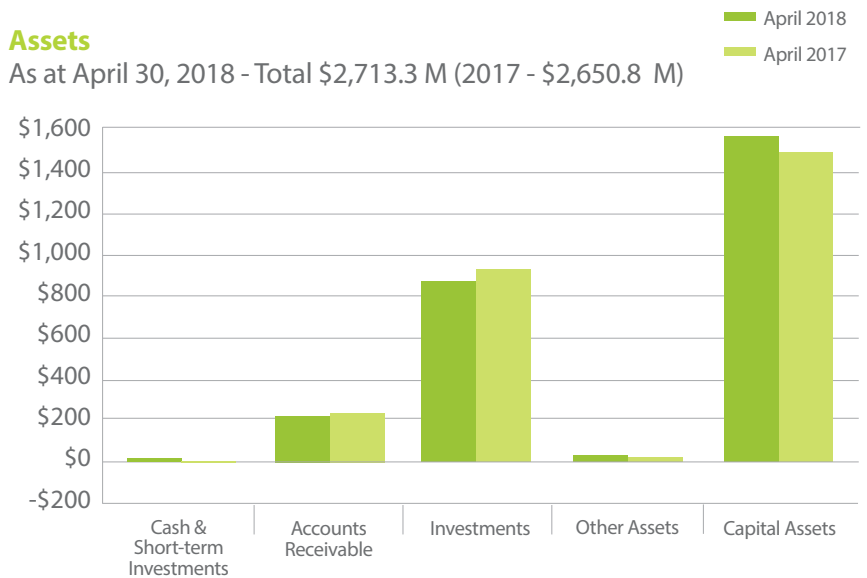
Cash and Short-term

Investments

At April 30, 2018 cash and short-term investments were \$21.8 million or 1% of total assets of the university. During the year this balance increased by \$24.6 million and is attributable to the decrease in non-cash working capital.

Accounts Receivable

At April 30, 2018 accounts receivable were \$212.8 million or 8% of total assets of the university. During the year this balance decreased by \$7.6 million or 3%. The decrease relates to grants and contracts related to research activities. The magnitude of the accounts receivable balance results from the fund accounting methodology followed by the university whereby revenues are recognized when confirmation of awards have been received, not when funds have been received.



¹ Management's Discussion and Analysis should be read in conjunction with the University of Saskatchewan annual audited financial statements and accompanying notes. This discussion document and the annual audited financial statements are approved by the university's Board of Governors upon recommendation of the Audit Committee of the Board. The university's financial statements are prepared in accordance with Canadian generally accepted accounting principles for not-for-profit organizations, following the restricted fund method of financial reporting.

Investments

At April 30, 2018 investment balances were \$881.6 million or 32% of total assets of the university. During the year this balance decreased by \$46.4 million or 5%. The decrease reflects the market situation of investments during the year and withdrawals necessary to cover cash requirements for operating expenditures. Overall investment returns for the year were 2.8%; fixed income returns of 0.4% and long-term pool returns of 3.2% and long-term diversified strategies pool of 2.7%, compared to expected returns of (0.8)%, 3.7% and 3.2% respectively. These results are within normal volatility ranges for the investment portfolio and are consistent with benchmark returns.

Other Assets Including Inventories and Prepaid Expenses

At April 30, 2018 other assets were \$29.0 million or 1% of total assets of the university. During the year this balance increased by \$1.6 million or 6%. The increase is due to the increase in inventory related to the Livestock and Forage Centre of Excellence.

Capital Assets

At April 30, 2018 capital assets were \$1,568.1 million or 58% of the total assets of the university. During the year, this balance increased by \$90.3 million or 6%. This increase reflects the cost of additions to the capital assets during the year of \$169.6 million which was partially offset by current year amortization of \$79.3 million; this activity is net of current year disposals. Significant construction and improvements during the year are:

- \$54.3 million Collaborative Science Research Building
- \$30.8 million in College Quarter Ice Facility
- \$16.6 million Livestock and Forage Centre of Excellence
- \$11.6 million in Health Science Wing A Renovation
- \$7.1 million building purchase in Prince Albert for the University of Saskatchewan Northern Gateway Hub

Liabilities

Total liabilities increased by \$72.4 million or 23% over the prior year, with current liabilities increasing by \$25.3 million and long-term liabilities increasing by \$47.1 million as a result of the issuance of an \$85.0 million bond, and offset by decreases in the liabilities recorded for employee future benefits and our risk management positions.

Accounts Payable and Accrued Liabilities, Deferred Revenue, Accrued Decommissioning Costs and Other Liabilities

At April 30, 2018 accounts payable, deferred revenue, accrued decommissioning costs and other liabilities were \$164.5 million or 42% of total liabilities of the university. During the year this balance increased by \$29.1 million or 21%. This increase relates to an increase in payables and accrued liabilities on significant construction projects, liability for the incentivized exit programs offered to staff and faculty, as well as the timing of our payroll remittances.

Debt

At April 30, 2018 debt was \$203.0 million or 52% of total liabilities of the university. During the year this balance increased by \$73.3 million or 57%. This increase relates to the issuance of an \$85.0 million bond that will be used for the renewal of five core campus buildings that are essential to the university's academic mission, less principal repayments of long-term debt. An internally held and administered sinking fund has been established for the purpose of retirement of the \$85 million bond. Sinking fund contributions and annual debt service costs for the bond are covered through annual contribution from the university operating budget. Other existing debt relates to capital construction projects and debt service costs are provided through revenues generated by the operations of the facilities (eg. parking fees, residence fees), or through capital grants.

Liabilities

As at April 30, 2018 - Total \$389.8 M (2017 - \$317.4 M)



Risk Management Liabilities

At April 30, 2018 risk management liabilities were \$20.4 million or 5% of total liabilities of the university. During the year this balance decreased by \$11.2 million or 36%. This decrease relates to a \$9.6 million decrease in the liability of interest rate swaps, and a \$1.6 million decrease in the liability for foreign currency hedges.

The university enters into natural gas commodity swap agreements to manage the risk of fluctuating natural gas prices by fixing the purchase price into the future. No new swaps have been purchased in the current fiscal year.

Interest rate risk on long-term debt is managed through the use of interest rate swaps by converting the interest charged on variable rate loans to fixed interest rates. No new interest rate swaps have been purchased since 2012/13.

The university enters into a foreign currency hedge agreement in order to manage the foreign exchange rate exposure associated with global investments.

Employee Future Benefits

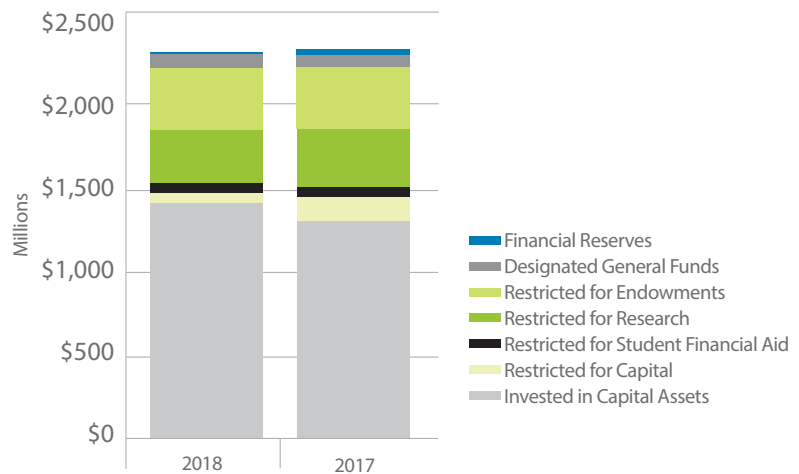
At April 30, 2018 employee future benefit liabilities were \$1.9 million or 1% of the total liabilities of the university. During the year this balance decreased by \$18.8 million or 91%. This decrease reflects the improved position of the university's defined benefit pension plans and other obligations due to employees upon retirement. The university provided special going-concern payments of \$6.2 million to the defined benefit pension plans in 2017/18.

Fund Balances

Fund Balances are a significant indicator of the financial health of an organization. They represent the net resources of the organization after all obligations have been met. At April 30, 2018 the fund balances of the university were \$2,323.5 million (including investments in capital assets of \$1,426.3 million). During the year this balance decreased by \$9.9 million or 1%. A key driver in this decrease is the impact of the voluntary exits plans offered to faculty and staff, pension liabilities, and investment returns.

Fund Balances

As at April 30, 2018 - Total \$2,323.5 M (2017 - \$2,333.4 M)

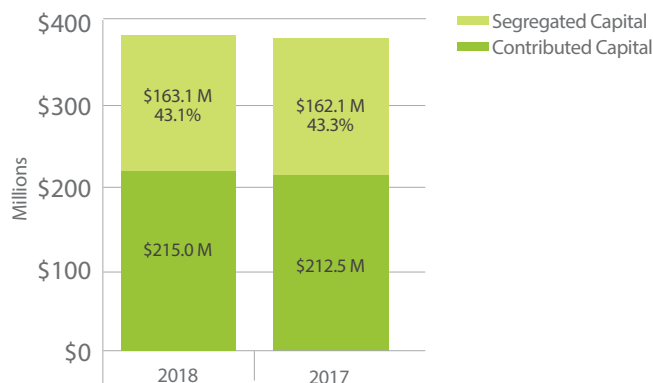


Endowment Fund Balance

At April 30, 2018 endowment fund balance was \$378.1 million or 16% of the total fund balance of the university. During the year this balance increased by \$3.5 million or 1%. This increase is due to donations of \$2.7 million, and a reallocation of university resources in the amount of \$4.4 million (including the recapitalization of spending allocations), which was partially offset by investment losses of \$3.4 million.

Endowment Fund Balance

As at April 30, 2018 - Total \$378.2 M (2017 - \$374.6 M)



Endowment Funds account for donations received where the donor's intent is that the principal will never be spent. A portion of the investment income earned on the endowment is directed to activities identified by the donor. In accordance with the university spending policy 4.0% of the endowment fund balance was made available to support current year activities.

A review of the spending policy was conducted in the prior year to ensure that stable annual funding is provided by endowments and that the purchasing power of the endowments are protected. Based on the current year analysis, the annual spending allocations have been reduced from 4.0% to 3.75% for 2018/19. The university will continue to monitor these funds and review the spending allocation to optimize the current and long term support to research and student financial aid.

Student Financial Fund Balance

At April 30, 2018 student financial aid fund balance was \$57.9 million or 3% of the total fund balance of the university. During the year this balance increased by \$0.1 million or 0.3%. This increase is due to current year contributions of \$28.3 million exceeding expenditures of \$28.2 million.

Student Financial Aid Funds account for activities related to providing scholarships and bursaries to students. Terms of reference established by donors may require that donations received, and accumulated interest, be spent over an extended period of time rather than in the year the donation is received, hence the accumulated fund balance. The university actively manages these funds to ensure appropriate aid is passed on to the students as prescribed by the donors' request.

Capital Fund Balance

At April 30, 2018 capital fund balance was \$1,492 million or 64% of the total fund balance of the university. During the year this balance increased by \$41.8 million or 3%. This increase is due to current year contributions of \$123.1 million exceeding non-capitalized expenditures of \$81.3 million.

Capital Funds account for activities related to the acquisition of capital assets, major renovations and improvements to capital assets. As a result of the current year review of financial reserve balances, \$8.3 million was transferred in the current year from the general fund for specific identified capital purposes.

Research Fund Balance

At April 30, 2018 research fund balance was \$322.1 million or 14% of the total fund balance of the university. During the year this balance decreased by \$27.4 million or 8%. This decrease is due to current year expenditures of \$149.3 million exceeding contributions of \$121.9 million.

Research Funds account for activities related to the support of research. Terms of reference established by funding agencies and donors may require that monies received be spent over an extended period of time rather than in the year the revenue is recognized. The university recognizes revenue for government contributions annually, after appropriations have been made, while grants not subject to appropriations are recognized in their entirety when the research agreement has been signed. This generally results in revenue being recognized in advance of the expenditures being incurred which results in accumulated fund balances.

General Fund Balance

At April 30, 2018 general fund balance was \$73.4 million or 3% of the total fund balance of the university. During the year this balance decreased by \$27.9 million or 28%. This decrease is due to planned spending initiatives, including the costs of voluntary exit plans, and poorer than expected investment returns.

General Funds account for unrestricted activities of the university. This includes operating activities associated with teaching and learning, administration, plant maintenance, clinical activities, future employee benefits, non-credit instruction, fee for service activities, and the consolidation of subsidiaries. Also included are ancillary activities that provide goods and services to the university community such as the bookstore, food services, residences, parking, real estate development, etc.

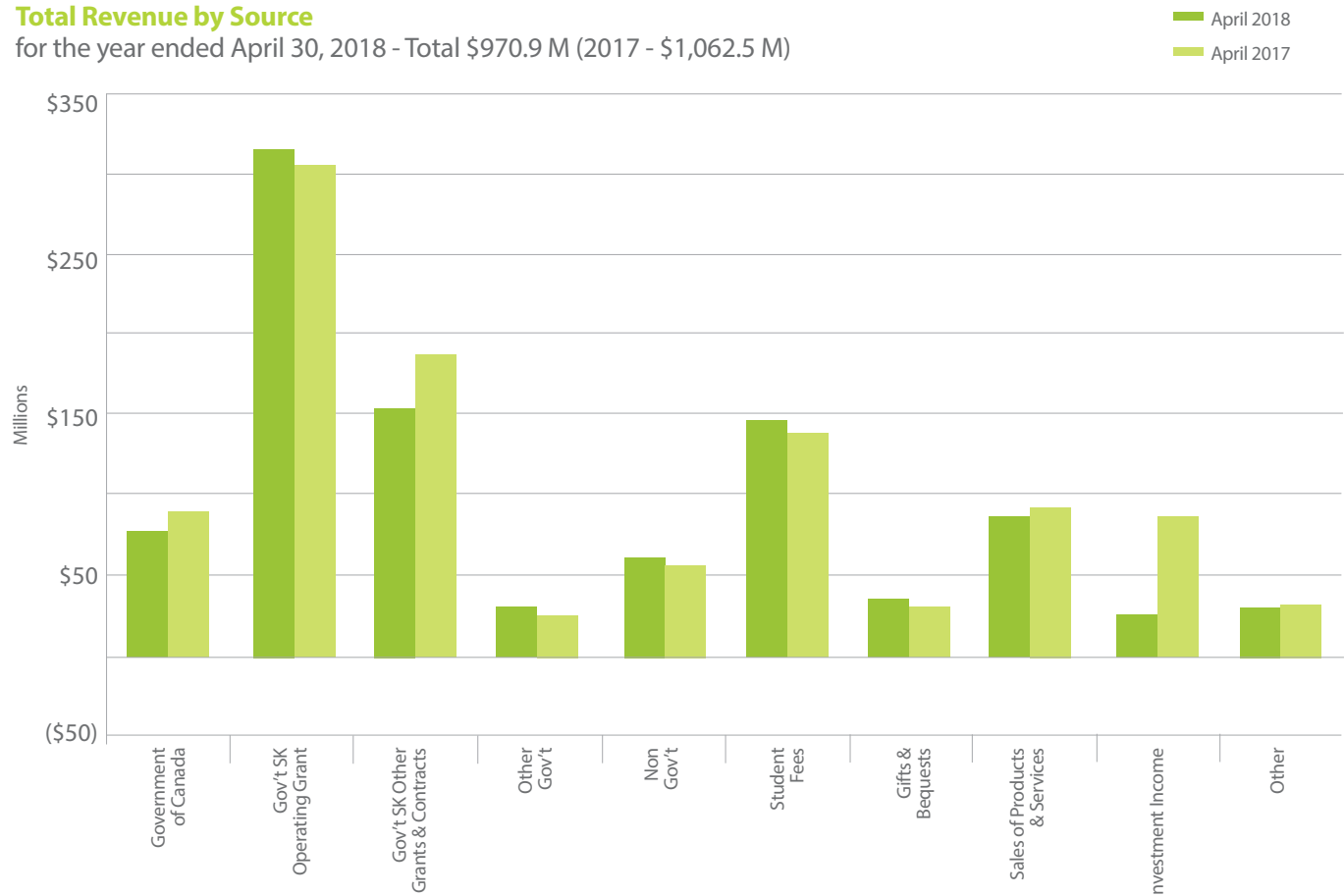
In accordance with the current Financial Reserves Policy which became effective May 1, 2015, the university continues to review all general fund balances and has classified funds for designated projects separately from financial reserves. As at April 30, 2018, of the \$73.4 million general fund balance, \$70.8 million relates to designated projects and \$2.6 million relates to financial reserves. Designated projects include funds received from donors, and restricted in use, in the amount of \$45.7 million.

Revenues

University revenues have decreased by \$91.6 million or 9% over the prior year to a total of \$970.9 million. This decrease is comprised of a \$30.2 million decrease in grants and contracts, an increase in student fees of \$6.4 million, a \$64.6 million decrease in investment returns, an increase in gifts, grants and bequests in the amount of \$2.5 million, a decrease in sales of services and products of \$3.6 million, and a decrease in real estate income, royalties and miscellaneous income in the amount of \$2.1 million.

Total Revenue by Source

for the year ended April 30, 2018 - Total \$970.9 M (2017 - \$1,062.5 M)



Grants and Contracts

Grants and contracts account for \$642.8 million or 66% of total university revenues. These revenues decreased by \$30.2 million over the previous year. Federal government grants decreased by \$10.9 million over the prior year and non-government grants increased by \$2.9 million as a result of CFI funding for operational and capital projects needs. Support from other governments increased by \$4.6 million while the funding from the Province of Saskatchewan decreased by \$26.8 million.

Decreases in funding from the Federal Government relate to an annual grant for the indirect costs involved in administering Tri-Agency awards. The funding letters are usually finalized and received prior to the year-end. The 2018-19 funding letter was finalized and received in May 2018 and, therefore, funding was recorded in the 2018/19 fiscal year.

During 2017/18 the Province of Saskatchewan provided an operating grant totaling \$316.7 million which includes the following funding adjustments to the university:

- \$20.0 million mid-year reinstatement of targeted funding to the College of Medicine;
- \$15.7 million decrease due to a 5% operating grant funding base reduction for the 2017/18 fiscal year;
- \$1.2 million reduction as a result of their funding formula shift;
- \$1.1 million reduction in targeted funding for the International Centre for Northern Governance and Development which was closed during the year;

A spring 2016 provincial election delayed the annual budget announcement until June which resulted in \$28.8 million in annual grants to the University being recognized as revenue in 2016/17 rather than 2015/16.

The provinces of British Columbia, Alberta, and Manitoba participate in supporting the operational activities of the Western College of Veterinary Medicine through an interprovincial agreement with the Province of Saskatchewan. The current agreement includes a 2% fee escalation factor.

Student Fees

Student tuition and fees account for \$146.9 million or 15% of total university revenues. These revenues increased by \$6.4 million over the previous year. This increase is attributable to an average tuition rate increase of 2.5%. Enrolment figures remained relatively constant to the previous year with a total headcount of 24,924 students (up slightly from 24,677 students in 2016/2017). The University of Saskatchewan will continue to follow its established principle-based approach in determining appropriate tuition rates for our colleges and schools.

Income From Investments

Investment income accounts for \$25.0 million or 3% of total university revenues. These revenues decreased by \$64.6 million from the previous year when investment returns reflected an income of \$89.6 million. Overall investment returns for the current year were 2.8% compared to the 10.0% in the prior year.

Gifts, Grants and Bequests

Gifts, grants and bequests account for \$34.6 million or 4% of total university revenues. These revenues increased by \$2.5 million over the previous year. This increase is attributable to identified support for from donors being higher than what was experienced in the prior year.

Sales of Services and Products

Sales of services and products account for \$90.1 million or 9% of total university revenues. These revenues decreased by \$3.6 million over the previous year due to the reduction of fee-for-service medical services being conducted through the College of Medicine in accordance with its strategic plan. The university engages in a variety of activities that provide products and services to students, faculty, staff and external customers of the university, including bookstore, residences, food services, parking, non-credit instruction, veterinary services, dental services, medical services, farming operations, utilities, et al.

Real Estate Income, Royalties and Miscellaneous Income

Real estate income, royalties and miscellaneous income account for \$31.5 million or 3% of total university revenues. These revenues decreased by \$2.1 million over the previous year due to decreases in royalty revenues, foreign exchange gains, and other non-recurring miscellaneous revenues.

Expenses

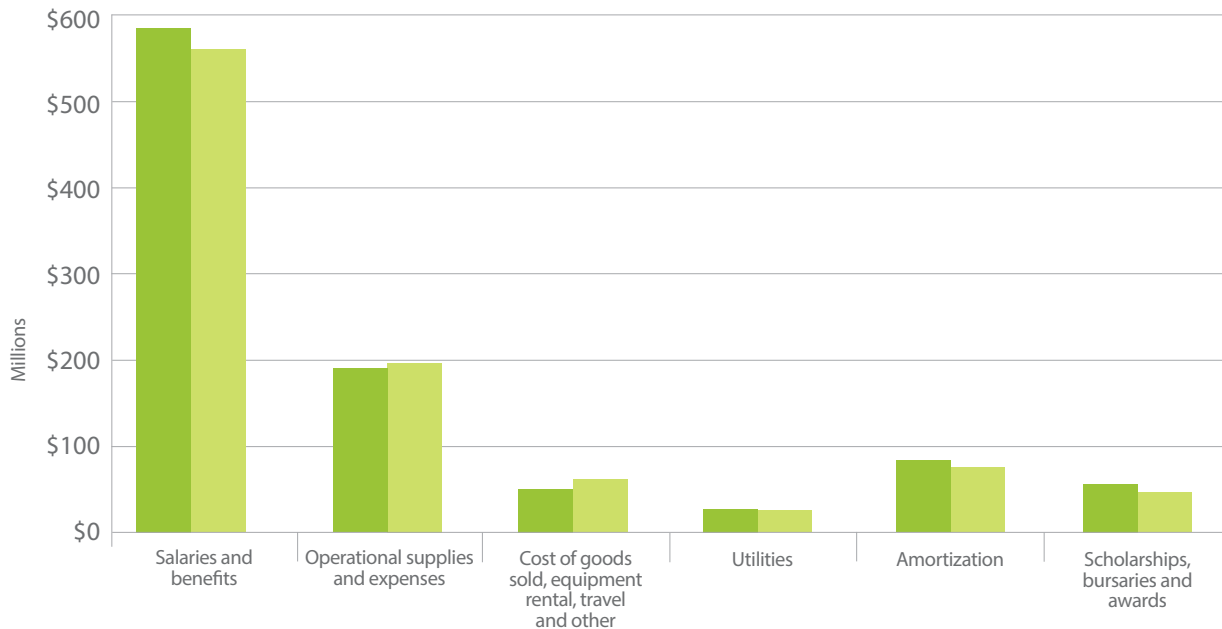
University expenses have increased by \$24.4 million or 3% over the prior year to a total of \$993.0 million. One time salary costs were recognized in the current year, in the amount of \$21.8 million, related to voluntary exit plans for faculty and staff. Excluding this extraordinary item expenses increased by \$2.6 million or 0.3% over the prior year.

Total Expenditures

For the year ended April 30, 2018 - Total \$993.0 M (2017 - \$968.6 M)

■ April 2018

■ April 2017



Salaries and Employee Benefits

Salaries and employee benefits account for \$586.7 million or 59% of total university expenses. These costs increased by \$25.8 million over the previous year. Of this amount, \$21.8 million relates to the voluntary exit plans which were exercised during the year across the University. Excluding this extraordinary item, salary and benefit costs increased by 0.7% over the prior year.

Operational Supplies and Expenses

Operational supplies and expenses account for \$191.9 million or 19.3% of total university expenses. These costs decreased by \$4.2 million or 2% compared to the previous year, primarily as a result of timing of major research project activity in the College of Medicine.

Travel, Cost of Goods Sold, Maintenance Rental and Renovations, Interest, Bad Debt and Decommissioning Cost Expenses

Travel, costs of goods sold, maintenance, rental, and renovations, interest, bad debt and other decommissioning cost expenses account for \$50.8 million or 5% of total university expenses. These costs decreased by \$9.9 million or 16% over the previous year. This decrease is attributable to the change in the value of interest rate swaps that were held throughout the year, where the value of swap agreements fluctuate as the market interest rate differs from the price negotiated in the swap agreement. During the year the market interest rate increased above the negotiated price in the swap agreement, which resulted in a cost recovery of \$4.3 million to the university, compared to the previous year expense of \$2.3 million. The remainder of the decrease is widely dispersed across expenditure categories and is not related to any specific activity.

Utilities

Utilities account for \$26.6 million or 3% of total university expenses. These costs increased by \$2.4 million or 10% over the previous year. The increase is attributable to the change in value of natural gas commodity swaps that were held throughout the year. The value of swap agreements fluctuate as the market price for natural gas differs from the price negotiated in the swap agreement. In the current year the market price for natural gas fell in relation to the negotiated price in the swap agreement, as compared to the previous year, which resulted in increased costs to the university as compared to the previous year.

Amortization

Amortization accounts for \$82.3 million or 8% of total university expenses. These costs increased by \$2.6 million or 3% over the previous year. Since the cost of an asset is allocated over its useful life, this increase is attributable to the impact of new assets that were brought into use during the year.

Scholarships, Bursaries and Awards

Scholarships bursaries and awards account for \$54.7 million or 6% of total university expenses. These costs increased by \$7.7 million or 16% over the previous year. The level of support provided to students through these awards has increased from 33% of total tuition revenue in the previous year to 37% in the current year.

Comprehensive Budget

In 2016, the university began the budget framework project designed to improve budget-related processes, and identify related training and change management requirements. This framework will also identify and mitigate related risks, and implement supporting technology to optimize the development and communication of university budgets and related activities.

Using interim processes designed under the budget framework project, the university developed its first comprehensive budget, approved by the Board of Governors, for the 2017-18 fiscal year. The development of a comprehensive budget is part of the university's continuous improvement process for strong financial stewardship. Overall, comprehensive 2017-18 financial results for the university were favourable as ending fund balances were \$6.7M higher than budgeted. A comparison of the 2017-18 comprehensive budget to actual results is as follows:

	Total for 2017-18		
	Budget	Actual	Variance
Revenues			
Grants and contracts	\$ 628,433	\$ 642,766	\$ 14,333
Student fees	144,711	146,854	2,143
Gifts, grants and bequests	25,728	34,610	8,882
Income from investments	46,221	24,968	(21,253)
All other income	112,618	121,700	9,082
	957,711	970,898	13,187
Expenses			
Salaries & Benefits	566,344	586,698	(20,354)
Scholarships, bursaries and awards	44,829	54,685	(9,856)
Interest	9,728	(4,326)	14,054
Amortization	92,257	82,318	9,939
All other non-salary	261,127	273,649	(12,522)
	974,285	993,024	(18,739)
Net increase (decrease) in fund balances for year	(16,574)	(22,126)	(5,552)
Fund balances, beginning of year	2,333,388	2,333,388	-
Employee future benefits remeasurements and other items	-	12,288	12,288
Fund balances, end of year	\$ 2,316,814	\$ 2,323,550	\$ 6,736

Comprehensive revenues had a favourable variance of \$13.2 million. A major contributing factor to the favourable variance was a mid-year adjustment from the Province of Saskatchewan providing \$20.0 million of targeted funding to the College of Medicine that was not included in the initial budget. Additionally, in 2017-18, the university realized higher than anticipated tuition and other income, and successful fundraising efforts led to additional gift, grant and bequest revenues. Lower than expected investment income returns partially offset these favourable variances.

Comprehensive expenses had an unfavourable variance of \$18.7 million. Cost containment strategies, such as the implementation of voluntary exit plans offered to faculty and staff, resulted in a one-time expense of \$21.8 million (\$11.2M higher than budget). Increases in student scholarships, bursaries and awards and other non-salary expenditures were also significant factors in the unfavourable variance. A favourable variance in interest expense (recovery) due to a later than originally planned bond issuance and increases in the valuation of interest rate swaps partially offset these variances.

Employee future benefits remeasurements of \$12.3 million were recognized directly in fund balances as a separately identified line item and resulted in a favourable variance.

Consolidated Financial Statements
2017/18

Statement of Administrative Responsibility for Financial Reporting

The administration of the university is responsible for the preparation of the consolidated financial statements and has prepared them in accordance with Canadian generally accepted accounting principles. The administration believes that the consolidated financial statements fairly present the financial position of the university as of April 30, 2018 and the results of its operations and the changes in its fund balances for the year then ended.

In fulfilling its responsibilities and recognizing the limits inherent in all systems, the administration has developed and maintains a system of internal controls designed to provide reasonable assurance that university assets are safeguarded from loss and that the accounting records are a reliable basis for the preparation of financial statements. The integrity of the internal controls is reviewed on an ongoing basis by internal audit.

The Board of Governors carries out its responsibility for review of the consolidated financial statements principally through its Audit Committee, which is a committee of the Board of Governors. The external and internal auditors have access to the Audit Committee, with or without the presence of the administration.

The consolidated financial statements for the year ended April 30, 2018 have been reported on by the Provincial Auditor of the Province of Saskatchewan, the external auditor appointed under The University of Saskatchewan Act, 1995. The Auditor's Report outlines the scope of her examination and provides her opinion on fairness of presentation of the information in the financial statements.

The University of Saskatchewan is audited on an annual basis by the Provincial Auditor of Saskatchewan with results reported to the Board of Governors and the Legislative Assembly of Saskatchewan. The objective of the audit is to provide an opinion on the rules and procedures used by the University to safeguard public resources, to provide an opinion on the University's compliance with authorities governing its activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing, and to provide an opinion on the reliability of the University's consolidated financial statements. The audit report on the consolidated financial statements appears on the following page.

The current year's audit by the Provincial Auditor did not identify any significant control or compliance with authorities deficiencies.



Peter Stoicheff
President



Greg Fowler
Vice-President Finance and Resources



INDEPENDENT AUDITOR'S REPORT

To: The Members of the Legislative Assembly of Saskatchewan

I have audited the accompanying consolidated financial statements of the University of Saskatchewan, which comprise the consolidated statement of financial position as at April 30, 2018, and the consolidated statements of operations and changes in fund balances, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express an opinion on these consolidated financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the University of Saskatchewan as at April 30, 2018, and the consolidated results of its operations and changes in fund balances and consolidated cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Regina, Saskatchewan
July 27, 2018

Judy Ferguson, FCPA, FCA
Provincial Auditor

UNIVERSITY OF SASKATCHEWAN
Consolidated Statement of Financial Position
As at April 30 (\$ thousands)

Statement 1

	General	Restricted	Endowment	Total 2018	Total 2017
Current Assets					
Cash and short-term investments (Note 4)	\$ (200,279)	\$ 219,511	\$ 2,589	\$ 21,821	\$ (2,824)
Accounts receivable (Note 5)	31,990	159,133	20	191,143	190,490
Inventories (Note 6)	14,006	-	-	14,006	13,092
Prepaid expenses	11,362	142	-	11,504	11,514
Risk Management Assets (Note 13)	269	53	267	589	-
	(142,652)	378,839	2,876	239,063	212,272
Long-Term Assets					
Long-term accounts receivable (Note 7)	10	21,670	-	21,680	29,942
Long-term investments (Note 8)	351,710	155,327	374,595	881,632	928,025
Other assets	943	1,286	682	2,911	2,789
Capital assets (Note 9)	-	1,568,032	-	1,568,032	1,477,774
	352,663	1,746,315	375,277	2,474,255	2,438,530
	\$ 210,011	\$ 2,125,154	\$ 378,153	\$ 2,713,318	\$ 2,650,802
Current Liabilities					
Accounts payable and accrued liabilities (Note 10)	\$ 84,904	\$ 26,533	\$ -	\$ 111,437	\$ 78,417
Deferred revenue (Note 11)	35,672	-	-	35,672	32,255
Loans (Note 12)	114	-	-	114	128
Risk management liabilities (Note 13)	5,876	14,495	-	20,371	31,596
Current portion - long-term debt (Note 14)	-	11,316	-	11,316	11,071
Current portion - employee future benefits (Note 15)	1,344	-	-	1,344	1,548
Current portion - capital lease obligation	-	-	-	-	23
	127,910	52,344	-	180,254	155,038
Long-Term Liabilities					
Long-term debt (Note 14)	-	191,695	-	191,695	118,648
Long-term accrued liabilities	7,389	-	-	7,389	15,137
Employee future benefits (Note 15)	563	-	-	563	19,163
Accrued decommissioning costs (Note 16)	-	9,153	-	9,153	8,892
Other long-term liabilities	714	-	-	714	536
	8,666	200,848	-	209,514	162,376
Fund Balances					
Externally restricted funds (Note 19)	-	373,856	185,033	558,889	603,430
Externally restricted permanent endowments (Note 19)	-	-	144,305	144,305	143,385
Internally restricted funds (Note 20)	116,327	71,733	48,815	236,875	276,039
Invested in capital assets	-	1,426,373	-	1,426,373	1,315,087
Unrestricted funds (deficiency)	(42,892)	-	-	(42,892)	(4,553)
	73,435	1,871,962	378,153	2,323,550	2,333,388
Commitments and Contingencies (Note 21)	\$ 210,011	\$ 2,125,154	\$ 378,153	\$ 2,713,318	\$ 2,650,802

See accompanying notes and schedules to consolidated financial statements

UNIVERSITY OF SASKATCHEWAN

Statement 2

 Consolidated Statement of Operations and Changes in Fund Balances
 For the Year Ended April 30 (\$ thousands)

	General	Restricted	Endowment	Total 2018	Total 2017
Revenues					
Grants and contracts					
Government of Canada	\$ 3,256	\$ 76,461	\$ -	\$ 79,717	\$ 90,647
Government of Saskatchewan	401,732	68,856	-	470,588	497,388
Other governments	21,965	9,524	-	31,489	26,857
Non-government	6,380	54,592	-	60,972	58,116
Student fees	146,854	-	-	146,854	140,457
Gifts, grants and bequests	13,558	18,383	2,669	34,610	32,061
Sales of services and products	90,051	75	-	90,126	93,686
Income (loss) from investments	15,109	13,406	(3,547)	24,968	89,633
Real estate income	6,078	229	2	6,309	6,173
Royalties	18,593	102	1	18,696	19,370
Miscellaneous income	5,923	646	-	6,569	8,049
	729,499	242,274	(875)	970,898	1,062,437
Expenses					
Salaries (Note 22)	445,362	74,889	-	520,251	492,660
Employee benefits (Note 23)	59,047	7,400	-	66,447	68,182
Operational supplies and expenses	156,381	35,512	12	191,905	196,037
Travel	12,971	7,374	-	20,345	19,736
Cost of goods sold	15,016	1	-	15,017	15,808
Maintenance, rental and renovations	14,178	3,670	-	17,848	17,318
Utilities	24,860	1,742	-	26,602	24,232
Amortization	-	82,318	-	82,318	79,668
Scholarships, bursaries and awards	5,012	49,673	-	54,685	47,028
Interest (Note 24)	5	(4,331)	-	(4,326)	2,332
Bad debt expense	1,387	11	-	1,398	4,980
Decommissioning costs (Note 16)	-	534	-	534	606
	734,219	258,793	12	993,024	968,587
Excess (deficiency) of revenues over expenses	(4,720)	(16,519)	(887)	(22,126)	93,850
Interfund transfers (Note 27)	(35,516)	31,070	4,446	-	-
Net increase (decrease) in fund balances for year	(40,236)	14,551	3,559	(22,126)	93,850
Fund balances, beginning of year	101,383	1,857,411	374,594	2,333,388	2,237,508
Employee future benefits remeasurements and other items	12,288	-	-	12,288	2,030
Fund balances, end of year	\$ 73,435	\$ 1,871,962	\$ 378,153	\$ 2,323,550	\$ 2,333,388

See accompanying notes and schedules to consolidated financial statements

UNIVERSITY OF SASKATCHEWAN

 Consolidated Statement of Cash Flows
 For the Year Ended April 30 (\$ thousands)

Statement 3

	General	Restricted	Endowment	Total 2018	Total 2017
Operating Activities					
Excess (Deficiency) of revenues over expenses	\$ (4,720)	\$ (16,519)	\$ (887)	\$ (22,126)	\$ 93,850
Add (deduct) non-cash items:					
Amortization of capital assets	-	82,318	-	82,318	79,668
Amortization of decommissioning costs	-	438	-	438	531
Change in unrealized fair value of investments	28,012	26,892	(7,233)	47,671	(45,669)
Change in fair value of risk management asset/liability	(1,095)	(9,745)	(974)	(11,814)	(3,924)
Loss on disposal of capital assets	-	(80)	-	(80)	12
Employee future benefits expense	572	-	-	572	343
Contributions for endowments and other asset purchases	(1,252)	(2,582)	(98)	(3,932)	(3,289)
Decrease (increase) in non-cash working capital (Note 17)	15,762	19,107	11	34,880	(72,313)
Decrease (increase) in grants and contracts related to research and other project receivables	25	8,237	-	8,262	11,624
Employee future benefits contributions	(6,178)	-	-	(6,178)	(5,536)
	31,126	108,066	(9,181)	130,011	55,297
Investing Activities					
Sale (Purchase) of investments	112,805	(115,804)	769	(2,230)	5,569
(Increase) decrease in other assets	(95)	(27)	-	(122)	(85)
Purchase of capital assets	-	(171,074)	-	(171,074)	(99,281)
Change in other long-term liabilities	(7,570)	-	-	(7,570)	7,092
	105,140	(286,905)	769	(180,996)	(86,705)
Financing Activities					
Contributions of cash for endowments	-	-	2,377	2,377	11,145
Proceeds from issuance of long-term debt	-	84,363	-	84,363	-
Repayment of loans	(14)	-	-	(14)	(12)
Repayment of long-term debt	(27)	(11,069)	-	(11,096)	(10,872)
	(41)	73,294	2,377	75,630	261
Net increase (decrease) in cash	136,225	(105,545)	(6,035)	24,645	(31,147)
Interfund transfers	(35,516)	31,070	4,446	-	-
Cash (bank indebtedness), beginning of year	(300,988)	293,986	4,178	(2,824)	28,323
Cash (bank indebtedness), end of year	\$ (200,279)	\$ 219,511	\$ 2,589	\$ 21,821	\$ (2,824)

See accompanying notes and schedules to consolidated financial statements

THE UNIVERSITY OF SASKATCHEWAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended April 30, 2018
(\$ Thousands)

1. Authority and Purpose

"The University of Saskatchewan" (university) is a corporation operating under the authority of *The University of Saskatchewan Act, 1995*, Chapter U-6.1 of the statutes of Saskatchewan. The primary role of the university is to provide post-secondary instruction and research in the humanities, sciences, social sciences, and other areas of human, intellectual, cultural, social and physical development. The university is a registered charity and is therefore exempt from the payment of income tax, pursuant in section 149 of the *Income Tax Act (Canada)*.

2. Summary of Significant Accounting Policies and Reporting Practices

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations. The following accounting policies and reporting practices are considered significant:

a) Basis of consolidation

The consolidated financial statements include the accounts of the following entities:

- Agrivita Canada Inc., a not-for-profit corporation incorporated under the *Canada Corporations Act* and continued under the *Canada Not-for-profit Corporations Act* whose sole member is the University of Saskatchewan. The company promotes, targets, and funds research, training, and service initiatives in various disciplines for purposes related to agricultural health and safety for industry and farm workers, rural residents and families, and the impact of agricultural activities on the general public. This entity's year end for consolidation purposes is April 30, 2017.
- Canadian Light Source Inc. (CLSI), a not-for-profit corporation incorporated under *The Non-profit Corporations Act, 1995* whose sole member is the University of Saskatchewan. The company's mandate is to advance Canadian scientific and industrial capabilities in synchrotron science and technical applications. The company is responsible for the operation and conduct of all activities related to the university's synchrotron light facility, its operation and performance. This entity's year end for consolidation purposes is March 31, 2018.
- Prairie Swine Centre Inc. (PSCI), a not-for-profit corporation incorporated under *The Non-profit Corporations Act, 1995* whose membership is restricted to the members of the Board of Governors of the University of Saskatchewan. The company is engaged in research, education and technology transfer related to pork production in Canada. This entity's year end for consolidation purposes is June 30, 2017.
- 621602 Saskatchewan Ltd., a wholly owned subsidiary of the university incorporated under *The Business Corporations Act*, participates in real estate investment activities. This entity's year end for consolidation purposes is April 30, 2017.
- The Sylvia Fedoruk Canadian Centre for Nuclear Innovation (the Fedoruk Centre), a not-for-profit corporation incorporated under the *Canada Not-for-profit Corporations Act* whose sole member is the University of Saskatchewan. The mandate of the company is to place Saskatchewan among global leaders in nuclear research, development and training through investment in partnerships with academia and industry, for maximum societal and economic benefit. This entity's year end for consolidation purposes is March 31, 2018.

b) Fund accounting

The university follows the restricted fund method of accounting for contributions. Under fund accounting, resources are classified for accounting and reporting purposes into funds in accordance with specified activities or objectives.

The university has classified accounts with similar characteristics into major funds as follows:

- i) The General Fund is unrestricted and accounts for the university's program delivery, service and administrative activities. This fund is further classified as Operating and Ancillary.

The Operating Fund accounts for the university's functions of instruction (including academic support services), administrative services, plant maintenance and other operating activities.

2. Summary of Significant Accounting Policies and Reporting Practices (continued)

The Ancillary Fund provides goods and services to the university community which is supplementary to the functions of instruction, research and service and is expected to operate on at least a break-even basis.

- ii) The Restricted Fund carries restrictions on the use of resources for particular defined purposes. This fund is further classified as Capital, Research and Student Financial Aid.

The Capital Fund accounts for the acquisition of capital assets, major renovations and improvements to capital assets.

The Research Fund accounts for activities in support of research.

The Student Financial Aid Fund accounts for activities in support of students.

- iii) The Endowment Fund accounts for resources received with the stipulation that the original contribution not be spent. The fund also consists of a portion of the investment income earned on these funds that is required by donors and the Board of Governors to be added to the fund to offset the eroding effect of inflation. The amount recapitalized each year will vary from year to year with variability in annual investment returns, but over time it is intended that the recapitalized amount will offset the cumulative effect of inflation.

c) Revenue recognition

Restricted contributions related to general operations are recognized as revenue of the General Fund in the year in which the related expenses are incurred. All other restricted contributions are recognized as revenue of the appropriate restricted fund when received or receivable, if the amount to be received can be reasonably estimated and collection is reasonably assured. Restricted grants subject to an external annual appropriation process will be recognized in accordance with the funder's appropriation period.

Contracts are recorded as revenue as the service or contract activity is performed, provided that at the time of performance ultimate collection is reasonably assured. If payment is not received at the time the service or contract activity is performed, accounts receivable will be recorded.

Student fees are recognized as revenue in the year courses and seminars are held. Sales of services and products are recognized at time of sale or when the service has been provided.

Unrestricted contributions are recorded as revenue in the period received or receivable, if collection is reasonably assured. Gifts-in-kind are recorded at their fair value on the date of receipt or at nominal value when fair value cannot be reasonably determined. Pledges from fund raising and other donations are not recorded until the year of receipt of cash or other assets due to the uncertainty surrounding collection.

Contributions for endowment purposes are recognized as revenue in the Endowment Fund.

Investment returns are recorded as revenue when reasonable assurance exists regarding measurement and collectability. Unrestricted investment income is recognized as revenue of the General Fund. Investment income earned on Endowment Fund resources is recorded in the appropriate Fund according to the restrictions mandated.

Real estate, royalty and miscellaneous income, as follows, are recorded when received or receivable, if the amount to be received can be reasonably estimated and collection is reasonably assured:

- Unrestricted income is recorded in the General Fund.
- Restricted income is recognized as revenue of the appropriate restricted fund.

d) Contributed services and materials

These financial statements do not report the value of contributed volunteer hours as the fair value of such is not practically determinable. Gifts-in-kind are recorded where a formal valuation is available.

e) Use of estimates

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. Summary of Significant Accounting Policies and Reporting Practices (continued)

Examples of significant estimates include: the allowance for doubtful accounts, the estimated useful lives of assets, the accruals for salaries and benefits, and certain actuarial and economic assumptions used in determining defined benefit pension costs, accrued pension benefits obligations, plan assets, real estate values, decommissioning costs and provision for claims payable.

f) Capital assets

Purchased and constructed capital assets are recorded at cost. Capital assets which are constructed by the university are recorded as Construction in progress until the capital asset is put into use. The university reports donated capital assets at fair market value upon receipt. With the exception of library collections, collections are not capitalized or amortized. All additions to collections are expensed in the year acquired. Repairs and maintenance costs are charged to expense. Betterments which extend the estimated life of an asset are capitalized.

Amortization expense is reported in the Capital Fund. Capital assets, other than land, are amortized using the straight-line method over their estimated useful lives as shown below. Amortization is not provided on construction in progress until the assets are in use. Asset retirement obligations and associated asset retirement costs are discussed in i) Decommissioning obligation, below.

Buildings	40 years
CLSI facility retirement costs	25 years
Fedoruk Centre facility retirement costs	40 years
Site improvements	20 years
Computers	3 years
Equipment and furnishings	3 to 10 years
Library materials	10 years

g) Inventories

Inventories are valued at the lower of cost and net realizable value, which is determined by the average cost method, with the exception of livestock, poultry and other farm products which are stated at the market value. Market is defined as market quotations for livestock and replacement cost for other farm products.

h) Employee future benefits

When future salary levels or cost escalation affect the amount of the benefit, the cost of defined benefit pensions earned by employees is actuarially determined using the projected benefit method prorated on services and management's best estimate of expected investment performance, salary escalation and retirement ages of employees. The accumulated benefit method is used when future salary levels and cost escalation do not affect the amount of the employee future benefits. The university accrues this obligation using the immediate recognition approach, based on an actuarial valuation report prepared for funding purposes. The net amount of the accrued benefit obligation and the fair value of plan assets is recognized in the statement of financial position, with actuarial gains and losses recognized directly in fund balances as a separately identified line item. Current service and finance costs are expensed during the year.

The university accrues its obligations for non-pension employee future benefits for eligible employees using the immediate recognition method – see Note 15. These benefits include post-retirement life insurance or spending accounts, retirement recognition benefit and benefit continuation for disabled employees.

The cost of non-pension post-retirement and post-employment benefits relating to other employee future benefits is actuarially determined using the projected benefit method prorated on service and management's best estimates for the discount rate for liabilities, the expected rate of return on assets, retirement ages and expected future cost trends. The net amount of the accrued benefit obligation and the fair value of plan assets is recognized in the balance sheet, with actuarial gains and losses recognized directly in fund balances as a separately identified line item. Current service and finance costs are expensed during the year.

2. Summary of Significant Accounting Policies and Reporting Practices (continued)

i) Decommissioning obligation

CLSI and the Fedoruk Centre recognize obligations for future decommissioning site restoration costs in the period during which they occur. The associated facility retirement costs are capitalized as a part of the carrying amount of the asset and amortized over its useful life. The liability and related asset are adjusted at the end of each period to reflect the passage of time and changes in the estimated future cash flows underlying the obligation.

j) Financial instruments

The university's financial instruments are measured as follows:

Assets/Liabilities	Measurement
Cash	Fair value
Accounts receivable	Amortized Cost
Investments, short-term and long-term	Fair value
Accounts payable and accrued liabilities	Amortized Cost
Employee benefit liabilities	Amortized Cost
Loans	Amortized Cost
Risk management assets and liabilities (natural gas swaps, interest rate swaps and foreign exchange hedges)	Fair value
Long-term debt, including current portion	Amortized Cost

Fair value amounts represent the amount of consideration that would be agreed on between knowledgeable, willing parties who are under no compulsion to act. Published market quotations if they exist are the best evidence of fair value. Estimated fair value is calculated based on market conditions at a specific point in time and may not be reflective of future fair values.

Amortized cost represents the initial value at which a financial asset or financial liability is recognized minus principal repayments, plus or minus the cumulative amortization of any difference between the initial amount and the maturity amount, and minus any reduction (directly or through an allowance account) for impairment.

k) Derivative financial instruments

The university uses derivative financial instruments, principally interest rate swap agreements on specific loans, natural gas commodity swap agreements, and foreign currency hedging agreements on specific foreign investments, in its management of exposure to fluctuations in interest rates, natural gas rates, and foreign exchange rates. Derivative financial instruments are adjusted to fair value on a monthly basis with the change in fair value recorded in the statement of operations. See Note 13 below.

3. Disclosure of Other Significant Relationships

Prairie Diagnostic Services is a not-for-profit corporation incorporated under *The Non-profit Corporations Act, 1995* owned by the Government of Saskatchewan and the University of Saskatchewan. The laboratory operating in Saskatoon provides veterinary diagnostic services and animal health care and supports the training of undergraduate and graduate veterinarians at the Western College of Veterinary Medicine.

The Saskatchewan Food Industry Development Centre Inc. is a not-for-profit organization incorporated under *The Non-profit Corporations Act, 1995* owned by the Government of Saskatchewan, the Saskatchewan Food Processors Association and the University of Saskatchewan. It is a federally inspected food manufacturing facility that aids in the development of value-added processing in Saskatchewan.

3. Disclosure of Other Significant Relationships (continued)

The University of Saskatchewan is the host institution for PREVENT (Pan-Provincial Vaccine Enterprise Inc.), a not-for-profit organization incorporated under *The Non-profit Corporations Act, 1995* formed to promote the commercialization of Canada's vaccine industry. PREVENT's founding institutions are the University of Saskatchewan, the B.C. Centre for Disease Control (BCCDC) and the Canadian Centre for Vaccinology. Current members are the University of Saskatchewan, and Dalhousie University. The University of British Columbia resigned as a member effective June 9, 2017. As at March 31, 2017, PREVENT has ceased operations.

All transactions with the above organizations are accounted for at cost in the university's financial statements.

4. Cash and Short-term Investments

	April 30	
	2018	2017
Cash	\$ 20,961	\$ (3,739)
Short-term investments	860	915
	\$ 21,821	\$ (2,824)

Short-term notes, treasury bills and term deposits maturing within one year are stated at cost, which together with accrued interest income approximate fair value.

5. Accounts Receivable

	April 30	
	2018	2017
General	\$ 19,071	\$ 16,615
Investment income	1,026	952
Grants and contracts related to general funds	5,587	4,091
Grants and contracts related to student financial aid	1,262	1,318
Grants and contracts related to research	106,130	126,504
Grants and contracts related to capital	34,042	30,649
Other restricted	17,504	5,445
Other unrestricted	4,891	4,353
Student fees	4,181	3,043
Student loans	244	204
Allowance for doubtful accounts	(2,795)	(2,684)
	\$ 191,143	\$ 190,490

6. Inventories

	April 30			
	2018			2017
	Beginning of Year	Net Change	End of Year	End of Year
College of Agriculture and Bioresources	\$ 1,637	\$ (385)	\$ 1,252	\$ 1,637
College of Dentistry	267	(4)	263	267
Western College of Veterinary Medicine	1,219	(72)	1,147	1,219
Consumer Services	3,020	(31)	2,989	3,020
Facilities Management Division	2,449	(234)	2,215	2,449
Vaccine and Infectious Disease Organization (VIDO)	229	(7)	222	229
Livestock and Forage Centre of Excellence (LFCE)	-	1,749	1,749	-
Other	408	17	425	408
Subsidiaries				
Canadian Light Source Inc.	3,447	(137)	3,310	3,447
Prairie Swine Centre Inc.	416	18	434	416
	\$ 13,092	\$ 914	\$ 14,006	\$ 13,092

7. Long-Term Accounts Receivable

Long-term accounts receivable reflect the fair value of non-government grants receivable in subsequent years, as follows:

	April 30	
	2018	2017
2019	\$ -	\$ 14,722
2020	13,444	10,821
2021	5,277	3,483
2022	1,491	552
2023	968	364
2024	500	-
	\$ 21,680	\$ 29,942

8. Long-Term Investments

The long-term investment portfolio includes endowment assets as well as the portion of non-endowment assets that will not be required for spending in the next fiscal year. The objective of the university's long-term investment policy is two-fold: 1) to ensure the safety and availability of assets for near term operating purposes; 2) to maximize earnings for endowment and non-endowment assets not required for near term operating purposes, at an acceptable risk level.

The majority of these assets are held within two investment funds (fixed income (FI) or long-term (LT)). However, certain specific donor agreements require the university to invest their assets outside of these funds. Some of these investments need to meet a certain investment mix and follow a long-term diversified strategy (LTDS), while others have varying conditions. Asset allocations are as follows:

April 30, 2018					
	FI	LT	LTDS	Other	Total
Government and corporate bonds	\$ 136,441	\$ -	\$ -	\$ 3,402	\$ 139,843
Government and corporate bonds pooled funds	-	175,214	259	-	175,473
Canadian equities	-	88,828	-	770	89,598
Canadian equities pooled funds	-	29,407	655	-	30,062
Foreign equities	-	135,007	-	997	136,004
Foreign equities pooled funds	-	206,788	252	1,205	208,245
Real estate pooled funds	-	93,692	-	-	93,692
Cash, short-term investments and other assets	4,574	3,890	136	115	8,715
	\$ 141,015	\$ 732,826	\$ 1,302	\$ 6,489	\$ 881,632

April 30, 2017					
	FI	LT	LTDS	Other	Total
Government and corporate bonds	\$ 72,958	\$ -	\$ -	\$ 4,188	\$ 77,146
Government and corporate bonds pooled funds	-	204,393	156	-	204,549
Canadian equities	-	101,171	-	682	101,853
Canadian equities pooled funds	-	107,973	157	-	108,130
Foreign equities	-	177,827	-	856	178,683
Foreign equities pooled funds	-	168,741	399	975	170,115
Real estate pooled funds	-	81,797	-	-	81,797
Cash, short-term investments and other assets	1,311	4,256	76	109	5,752
	\$ 74,269	\$ 846,158	\$ 788	\$ 6,810	\$ 928,025

The university's FI, LT and LTDS funds are managed by third party investment managers through the use of segregated or unitized pooled-fund investments. Other income includes interest from student and general accounts receivables, short-term investments and income earned on segregated investments. Segregated investments include investments in individual bonds and equities that are not pooled with the remaining investment assets due to the terms of reference of the individual funds. Segregated investments also include the Student Managed Portfolio Trust managed by Edwards School of Business students and faculty.

8. Long-Term Investments (continued)

The fair value of investments recorded in the consolidated financial statements is determined as follows:

- i) Bonds and equities are valued at closing market price as a practical expedient for fair value measurement.
- ii) Pooled fund investments with underlying investments in asset classes such as equities, bonds and cash, are valued using the April 30 net value per unit as supplied by the university's fund managers; this represents the university's proportionate share of underlying net assets of the pooled funds, determined using closing market prices.
- iii) If a market for a financial instrument is not active or if a closing market price is not available as at April 30, estimated fair values are calculated using a valuations technique such as recent arm's length transactions between knowledgeable, willing parties (if available), reference to the current fair value of other instruments that are substantially the same, discounted cash flow analyses and option pricing models.
- iv) Real estate is managed through pooled funds and fair value is determined based on latest valuations provided by external managers (usually March 31) and adjusted for subsequent cash receipts and distributions from the fund through to April 30.

Uncalled commitments

The University invests in real estate funds with LaSalle Investment Management, Bentall Kennedy and CBRE Global Investors. The legal terms and conditions of these funds 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. At April 30, 2018, the University had \$NIL (2017 - \$7.7 million) uncalled commitments with LaSalle Investment Management. The capital committed is called by the manager over a pre-defined investment period which varies by fund.

9. Capital Assets

	April 30			
	2018		2017	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Buildings	\$ 1,721,494	\$ 557,834	\$ 1,163,660	\$ 1,169,397
CLSI facility retirement costs	6,023	2,539	3,484	3,809
Fedoruk Centre facility retirement costs	639	30	609	479
Site improvements	180,494	76,306	104,188	93,835
Computers	143,615	129,783	13,832	13,425
Equipment and furnishings	443,495	347,200	96,295	96,339
Land	10,249	-	10,249	6,794
Construction in progress	162,406	-	162,406	81,103
Library materials	157,295	143,999	13,296	12,564
	2,825,710	1,257,691	1,568,019	1,477,745
Assets acquired under capital lease obligation				
Computers	47	47	-	-
Equipment and furnishings	744	731	13	29
	\$ 2,826,501	\$ 1,258,469	\$ 1,568,032	\$ 1,477,774

10. Accounts Payable and Accrued Liabilities

	April 30	
	2018	2017
Non-governmental accounts payable and accrued liabilities	\$ 88,667	\$ 69,696
Incentivized exit programs for faculty and staff	9,430	-
College of Medicine voluntary severance package	6,260	8,230
Government remittances		
Sales taxes	345	455
Payroll related taxes	6,735	36
	\$ 111,437	\$ 78,417

11. Deferred Revenue

	April 30	
	2018	2017
Student fees	\$ 5,862	\$ 4,670
Unearned revenue-ancillary operations	6,602	6,875
Deferred contributions	23,208	20,710
	\$ 35,672	\$ 32,255

Student fees relate to fees received prior to April 30th for courses and programs offered after that date.

Unearned revenue-Ancillary operations relates to fees received prior to April 30th for student residences, parking, food services, hospitality services and the bookstore for services after that date. It also includes unearned revenue associated with College Quarter Hotel.

Deferred contributions represent unspent externally restricted funding for programs and projects, relating to the university's primary role of post-secondary instruction, that do not directly pertain to one of the defined restricted funds.

12. Loans

The university maintains a \$15 million revolving demand facility with the Royal Bank of Canada to manage general operating requirements. Borrowings are at RBC Prime minus 0.5%. As of April 30, 2018, there was no borrowing outstanding under the facility (2017 – \$NIL).

Additionally, in 2016 PSCI entered into a term loan agreement with the Leroy Credit Union. The loan bears interest at prime plus 1.50%, payable in blended monthly principle payments; due September 2024. At April 30, 2018 \$114 (2017 - \$128) was drawn and outstanding on the term loan.

13. Risk Management Assets and Liabilities

	Assets April 30		Liabilities April 30	
	2018	2017	2018	2017
Natural gas commodity swap agreements (a)	\$ -	\$ -	\$ 5,876	\$ 5,904
Interest rate swap agreements (b)	-	-	14,495	24,078
Foreign currency hedge agreements (c)	589	-	-	1,614
	\$ 589	\$ -	\$ 20,371	\$ 31,596

13. Risk Management Assets and Liabilities (continued)

a) Natural gas commodity swap agreements

To manage the risk of fluctuating natural gas prices the university has entered into the following natural gas commodity swap agreements:

		April 30	
		2018	2017
Royal Bank of Canada - November 15, 2010 agreement	(i)	\$ 2,851	\$ 2,923
Royal Bank of Canada - December 16, 2010 agreement	(ii)	1,690	1,961
Bank of Montreal - July 29, 2014 agreement	(iii)	385	433
Royal Bank of Canada - November 3, 2014 agreement	(iv)	-	113
Bank of Montreal - April 23, 2015 agreement	(v)	236	116
Royal Bank of Canada - April 23, 2015 agreement	(v)	237	117
Canadian Imperial Bank of Canada - August 10, 2015 agreement	(vi)	477	241
		\$ 5,876	\$ 5,904

- i) A natural gas commodity swap agreement entered into November 15, 2010 which fixes the natural gas rates on a notional quantity of 650 GJ of natural gas per day between November 1, 2017 and October 31, 2020 at rates from \$5.91/GJ to \$6.54/GJ.
- ii) A natural gas commodity swap agreement entered into December 16, 2010 which fixes the natural gas rates on a notional quantity of 650 GJ of natural gas per day between November 1, 2017 and October 31, 2019 at rates from \$5.87/GJ to \$6.27/GJ.
- iii) A natural gas commodity agreement entered into July 29, 2014 which fixes the natural gas rates on a notional quantity of 725 GJ of natural gas per day between November 1, 2017 and October 31, 2018 at a rate of \$3.92/GJ.
- iv) A natural gas commodity agreement entered into November 3, 2014 which fixes the natural gas rates on a notional quantity of 675 GJ of natural gas per day between November 1, 2016 and October 31, 2017 at a rate of \$3.72/GJ.
- v) A natural gas commodity agreement entered into April 23, 2015 which fixes the natural gas on a notional quantity of 350 GJ with Bank of Montreal and 350 GJ with Royal Bank of Canada for a total of 700 GJ of natural gas per day between November 1, 2018 and October 31, 2019 at a rate of \$3.39/GJ.
- vi) A natural gas commodity agreement entered into August 10, 2015 which fixes the natural gas on a notional quantity of 700 GJ of natural gas per day between November 1, 2019 and October 31, 2020 at a rate of \$3.45/GJ.

The total expense (recovery) for the university's natural gas commodity swap agreements included in utilities is \$(28) (2017 - \$(2,288)).

13. Risk Management Assets and Liabilities (continued)

b) Interest Rate Swap Agreements

To manage the interest rate exposure associated with long-term loans (see Note 14) the university has entered into the following interest rate swap agreements with the Royal Bank of Canada (RBC) and Bank of Montreal (BMO):

		April 30	
		2018	2017
Stadium Parkade	(vii)	\$ 1,630	\$ 2,525
Annual sustaining capital borrowing	(viii)	588	1,502
College Quarter undergraduate residence	(ix)	6,921	10,800
College Quarter graduate residence	(x)	5,593	8,565
Academic Health Sciences	(xi)	(237)	686
		\$ 14,495	\$ 24,078

The fair value for the interest rate swaps are determined by mark-to-market valuations provided by RBC and BMO:

- vii) Interest rate of 5.79%; agreement terminates September 2029.
- viii) Interest rates vary from 2.77% to 5.30%; agreements terminate between January 2020 and November 2026.
- ix) Interest rate of 4.63% and 4.57%; agreements terminate in October 2036 and September 2037.
- x) Interest rate of 4.37%; agreement terminates in January 2043.
- xi) Interest rate of 1.93%; agreement terminates in December 2022.

The total expense (recovery) in fair value for the university's interest rate swap agreements (included in Note 24 Interest Expense (Recovery)) is \$(9,583) (2017 - \$(3,250)).

c) Foreign currency hedge agreements

To manage the foreign exchange rate exposure associated with investments in the CBRE Global Investors – Pan European Core Fund (see Note 8) the university actively enters into 3-month rolling foreign currency hedge agreements with RBC Investor Services Trust (RBC). The following foreign currency hedge agreement was in place with RBC at April 30:

	April 30 2018		April 30 2017	
	Notional value	Fair value	Notional value	Fair Value
RBC Foreign Currency Hedge Agreement	\$ 43,718	\$ 589	\$ 39,539	\$ (1,614)

The fair value for the foreign currency hedge agreement is determined by mark-to-market valuations provided by RBC. At April 30, 2018, 28,112 euro were hedged per the agreement (2017 – 26,483 Euro) with a base foreign currency rate of 1.576 (2017 – 1.432). At April 30, 2018 this agreement had a notional value of \$43,718 (2017 – \$39,539), and its fair value approximated an unrealized gain of \$589 (2017 – \$(1,614)). The unrealized gain at April 30, 2018 has been reflected in investment income in the Statement of Operations and Changes in Fund Balances, as well as in Risk Management Assets presented on the Statement of Financial Position.

14. Long-term Debt

	April 30	
	2018	2017
Farm Credit Canada (a)	\$ -	\$ 2
Academic Health Sciences (b)	28,000	34,000
Stadium Parkade (c)	8,725	9,243
Annual Sustaining Capital Borrowing (d)	14,640	17,393
College Quarter Undergraduate Residence (e)	38,616	39,819
College Quarter Graduate Residence (f)	28,667	29,262
Senior notes issued 2018 (g)	85,000	-
	203,648	129,719
Less: net unamortized debt issue costs	(637)	-
	203,011	129,719
Less: Current Portion	(11,316)	(11,071)
	\$ 191,695	\$ 118,648

- a) Loan payable to Farm Credit Canada with interest at FCC personal property variable rate less 0.75%, payable in blended monthly principal repayments of \$2, secured by a general security agreement; the loan was due July 2016.
- b) BMO Banker's Acceptance Loan (re: Academic Health Sciences) - Canadian Banker's Acceptance Canadian Deposit Offering Rate (CDOR) + spread of 0.35%, revolving monthly at progressively smaller amounts based on a 10-year amortization until December 2022; repayable in full December 2022.
- c) Royal Bank Banker's Acceptance Loan – CDOR + spread of 0.29%, revolves monthly at progressively smaller amounts based on 25 year amortization until September 2029; repayable in full October 2019.
- d) Royal Bank Banker's Acceptance Loan – CDOR + spread of 0.29%, revolving monthly at progressively smaller amounts based on 15 year amortization, with end dates between January 2020 to November 2026; repayable in full between September and October 2019. Debt outstanding reflects the obligation incurred as a result of annual borrowing (since 2004/05) to fund on-going capital requirements, net of principal payments to date.
- e) Royal Bank Banker's Acceptance Loan – CDOR + spread of 0.29%, revolving monthly at progressively smaller amounts based on 25 year amortization until October 2036 and September 2037; repayable in full September 2019.
- f) Royal Bank Banker's Acceptance Loan – CDOR + spread of 0.29%, revolving monthly at progressively smaller amounts based on 30 year amortization until January 2043; repayable in full October 2019.
- g) Unsecured debentures issued April 4, 2018, bearing interest at a rate of 3.472% payable in equal semi-annual payments, maturing in April 4, 2058; debt incurred to finance various capital projects. In accordance with Order-in-Council 37/2018, the university established an internally held and administered sinking fund within the Capital Fund that will be used exclusively for the purpose of the retirement of the securities upon maturity. The value of the fund at April 30, 2018 is \$579 (2017 - \$NIL). Included in interest expense is \$16 (2017 - \$NIL) for amortized debt issuance costs.

Principal and voluntary sinking fund payments due over the next five years are as follows:

2019	\$ 11,923
2020	12,147
2021	11,814
2022	11,536
2023	8,851
	\$ 56,271

15. Employee Future Benefits

The university sponsors both defined benefit and defined contribution pension plans. The university and employees contribute in equal amounts to the defined contribution plans. The defined benefit plans are funded by employee contributions as a percentage of salary and by the university to support the actuarial based pension benefits. The defined pension benefits are based on years of pensionable service and an average of the highest 4 years of employees' pensionable earnings. The most recently filed actuarial valuation for each pension plan for funding purposes was as of December 31, 2016 for all three of the plans (the next required actuarial valuation filing for all three plans is December 31, 2019).

The total expense for the university's defined contribution plans for the year is \$23,440 (2017 -\$22,500).

Other post-retirement benefits include post-retirement life insurance or spending accounts, retirement recognition benefit and benefit continuation for disabled employees.

The post-retirement life insurance or spending account liability accrues the university's obligation to pay life insurance premiums between the date of early retirement and the normal retirement date or provide a health spending account for the first two years after retirement for eligible early retirees.

The retirement recognition benefit recognizes the actuarially determined valuation for vacation pay or pay-in-lieu earned by eligible long-service employees.

The benefit continuation for disabled employees' liability accrues the university's obligation to provide health care and dental coverage to eligible long-term disability claimants.

The pension contribution for disabled employees' liability accrues the university's obligation for pension contributions on behalf of eligible long-term claimants.

The measurement date of plan assets and the actuarial valuation of the accrued benefit obligations for the defined benefit pension plans is December 31, 2017 (extrapolated to April 30, 2018). The measurement date of the actuarial valuations for the accrued benefit obligations for the other postretirement benefits is April 30, 2018.

Information about the university's benefit plans are as follows:

	2018			2017		
	Defined Pension Plans	Other Post Retirement Benefits	Total	Defined Pension Plans	Other Post Retirement Benefits	Total
Plan assets						
Fair value at beginning of year	\$ 558,629	\$ -	\$ 558,629	\$ 535,845	\$ -	\$ 535,845
Actual return on plan assets	48,209	-	48,209	37,333	-	37,333
Employer contributions	12,893	1,344	14,237	12,499	1,548	14,047
Employee contributions	6,438	-	6,438	6,395	-	6,395
Benefits paid	(31,681)	(1,344)	(33,025)	(33,443)	(1,548)	(34,991)
Fair value at end of year	\$ 594,488	\$ -	\$ 594,488	\$ 558,629	\$ -	\$ 558,629
Accrued benefit obligations						
Accrued benefit obligation at beginning of year	\$ 548,033	\$ 13,069	\$ 561,102	\$ 532,531	\$ 14,419	\$ 546,950
Current service cost	13,354	1,342	14,696	13,443	1,313	14,756
Interest cost	31,309	379	31,688	30,800	462	31,262
Benefits paid	(31,681)	(1,344)	(33,025)	(33,443)	(1,548)	(34,991)
Actuarial (gains) losses	7,412	(1,323)	6,089	4,702	(1,577)	3,125
Gain on plan curtailments	-	(52)	(52)	-	-	-
Accrued benefit obligation at end of year	\$ 568,427	\$ 12,071	\$ 580,498	\$ 548,033	\$ 13,069	\$ 561,102

15. Employee Future Benefits (continued)

	2018			2017		
	Defined Pension Plans	Other Post Retirement Benefits	Total	Defined Pension Plans	Other Post Retirement Benefits	Total
Accrued benefit asset (liability)						
Fair value - plan assets at end of year	\$ 594,488	\$ -	\$ 594,488	\$ 558,629	\$ -	\$ 558,629
Accrued benefit obligation, end of year	568,427	12,071	580,498	548,033	13,069	561,102
Valuation allowance	(15,897)	-	(15,897)	(18,238)	-	(18,238)
Accrued benefit asset (liability), net of valuation allowance	\$ 10,164	\$ (12,071)	\$ (1,907)	\$ (7,642)	\$ (13,069)	\$ (20,711)
Current portion	\$ -	\$ (1,344)	\$ (1,344)	\$ -	\$ (1,548)	\$ (1,548)
Long-term portion	10,164	(10,727)	(563)	(7,642)	(11,521)	(19,163)
	\$ 10,164	\$ (12,071)	\$ (1,907)	\$ (7,642)	\$ (13,069)	\$ (20,711)
Benefit plan (income) expense:						
Current service cost, net of employee contributions	\$ 6,916	\$ 1,342	\$ 8,258	\$ 7,048	\$ 1,313	\$ 8,361
Interest on benefit obligation	31,309	379	31,688	30,800	462	31,262
Interest on asset (liability) obligation	(32,037)	-	(32,037)	(31,077)	-	(31,077)
	\$ 6,188	\$ 1,721	\$ 7,909	\$ 6,771	\$ 1,775	\$ 8,546
Remeasurements and other items:						
Actual return on plan assets	\$ (48,209)	\$ -	\$ (48,209)	\$ (37,333)	\$ -	\$ (37,333)
Actuarial (gain) loss on accrued benefit obligation	7,412	(1,323)	6,089	4,702	(1,577)	3,125
Interest on asset (liability) obligation	32,037	-	32,037	31,077	-	31,077
Gain on plan curtailments	-	(52)	(52)	-	-	-
Increase (decrease) in valuation allowance	(2,341)	-	(2,341)	1,066	-	1,066
	\$ (11,101)	\$ (1,375)	\$ (12,476)	\$ (488)	\$ (1,577)	\$ (2,065)

15. Employee Future Benefits (continued)

Actuarial assumptions (weighted average as of April 30)

	2018		2017	
	Defined Pension Plans	Other Post Retirement Benefits	Defined Pension Plans	Other Post Retirement Benefits
Discount rate	5.6%	3.5%	5.8%	2.9%
Compensation increase	2.7%	-	2.7%	-
Health care cost trend rate	-	5.0%	-	5.0%
Inflation	2.2%	2.2%	2.2%	2.2%

Percentage of fair value of total plan assets held at measurement date by category

	2018		2017	
	Defined Pension Plans	Other Post Retirement Benefits	Defined Pension Plans	Other Post Retirement Benefits
Fixed income	38.5%	-	36.6%	-
Equities	60.5%	-	62.8%	-
Other	1.0%	-	0.6%	-
Total	100.0%	-	100.0%	-

16. Decommissioning Costs

a) CLSI

The university is required to decommission the CLSI facility when operations cease in accordance with a Particle Accelerator Operating License issued by the Canadian Nuclear Safety Commission (CNSC). The licensing agreement requires a letter of guarantee, in favour of CNSC, equivalent to estimated decommissioning costs. As at April 30, 2018 the university provided a guarantee of \$10,242 through a non-revolving demand facility with the Royal Bank of Canada. This amount is amended every 5 years with the last amendment occurring on May 1, 2017.

The university, through CLSI, accrues the liability for future decommissioning site restoration costs. The university expects the facility to operate for a 25 year period from commencement of operations and anticipates the future cash flows required to decommission the facility to be \$10,834.

The present value of the liability for decommissioning costs has been calculated using a credit-adjusted risk free interest rate of 2.3% (2017 – 2.3%) and an inflation rate estimate of 1.3% (2017 – 1.6%). The change in cost estimate resulted in a \$100 decrease to both the accrued decommissioning costs and the deferred decommissioning costs. The current year decommissioning costs of \$493 (2017 - \$585) include amortization of deferred decommissioning costs of \$224 (2017 - \$315) and costs associated with a financial guarantee to the CNSC of \$77 (2017 - \$75). A reconciliation of the accrued decommissioning costs is as follows:

	April 30	
	2018	2017
Accrued decommissioning costs, beginning of year	\$ 8,392	\$ 9,737
Accretion expense	190	195
Adjustment due to change in discount rate	(100)	(1,540)
Accrued decommissioning costs, end of year	\$ 8,482	\$ 8,392

b) The Fedoruk Centre

As a component of its Class II Nuclear Facilities and Prescribed Equipment License from the CNSC, the Fedoruk Centre completed its acknowledgement of liability with respect to the safe termination of licensed activities under the Class II license in the current year. The Fedoruk Centre expects the facility to operate for a 40 year period, which commenced during the previous fiscal year, and the future cash flows required to decommission the facility are expected to be \$1,132.

The present value of the liability for decommissioning costs has been calculated using a credit-adjusted risk free interest rate of 2.7% (2017 – 2.65%) and an inflation rate estimate of 1.3% (2017 - 1.6%). The change in cost estimate resulted in a \$155 increase to both the accrued decommissioning costs and the deferred decommissioning costs. The current year decommissioning costs of \$41 (2017 - \$21) include amortization of deferred decommissioning costs of \$15 (2017 - \$8). A reconciliation of the accrued decommissioning costs is as follows:

	April 30	
	2018	2017
Accrued decommissioning costs, beginning of year	\$ 500	\$ 487
Adjustment due to prior year change in estimate of decommissioning costs	113	-
Accretion expense	16	13
Adjustment due to change in discount rate	42	-
Accrued decommissioning costs, end of year	\$ 671	\$ 500

17. Decrease (Increase) in Non-cash Working Capital

	April 30			Total 2018	Total 2017
	General	Restricted	Endowment		
Accounts receivable	\$ (5,610)	\$ 4,946	\$ 11	\$ (653)	\$ (45,480)
Inventories	(914)	-	-	(914)	672
Prepaid Expenses	68	(58)	-	10	(2,405)
Accounts payable and accrued liabilities	18,044	14,976	-	33,020	(26,015)
Deferred revenue	4,174	(757)	-	3,417	915
	\$ 15,762	\$ 19,107	\$ 11	\$ 34,880	\$ (72,313)

18. Capital Disclosures

The university's objectives when managing its capital are to strengthen its financial position and promote responsible stewardship through the effective management of liquidity and capital structure. To effectively achieve our objectives, the university continues to expand and improve its rigorous planning and budgeting processes and internal control procedures. These strategies ensure the university has appropriate liquidity to meet its operational activities and its strategic priorities.

The university funds its resource requirements through external funding, internally generated funds, loans and debt. All sources of financing are analyzed by management and approved by the university's Board of Governors. The university receives a significant portion of its revenue from the Government of Saskatchewan and is required by *The University of Saskatchewan Act, 1995* to receive prior approval from the Minister of Advanced Education or the Lieutenant Governor in Council for any borrowing, purchase or sale of land or buildings or any liability or expenditure that may impair the financial status of the university.

19. Externally Restricted Fund Balances

Externally restricted net assets represent unexpended fund balances carried forward for subsequent year's expenditures where stipulations have been imposed by an agreement with an external party specifying the purpose for which resources are to be used.

	April 30	
	2018	2017
Restricted Fund		
Capital Fund	\$ 37,383	\$ 75,827
Student Financial Aid Fund	46,828	45,292
Research Fund	289,645	300,336
	373,856	421,455
Endowment Fund		
Endowed contributions - term	43,317	41,739
Capitalized endowment earnings	141,716	140,236
	185,033	181,975
	558,889	603,430
Endowment Fund		
Endowed contributions - permanent	144,305	143,385
Total externally restricted fund balances	\$ 703,194	\$ 746,815

20. Internally Restricted Fund Balances

Internally restricted net assets represent amounts set aside by the university's Board of Governors for specific purposes. These amounts are not available for other purposes without the approval of the Board. At April 30, net assets have been set aside for the following purposes:

	April 30	
	2018	2017
General Fund *	\$ 116,327	\$ 105,936
Restricted Fund		
Capital Fund - Other	27,629	59,217
Capital Fund - Sinking Fund	579	-
Capital Fund	28,208	59,217
Student Financial Aid Fund	11,080	12,473
Research Fund	32,445	49,179
	71,733	120,869
Endowment Fund		
Endowed contributions	27,433	27,407
Capitalized endowment earnings	21,382	21,827
	48,815	49,234
Total internal restricted fund balances	\$ 236,875	\$ 276,039

* Includes faculty and department carry-forwards and specific purpose reserves

21. Commitments and Contingencies

a) Capital projects

With significant commitments relating to the Health Sciences A-wing renovation, the Collaborative Science Research Building, and the Merlis Belsher Place projects, the estimated cost of contractual commitments to complete capital projects as at April 30, 2018 is approximately \$35,654 (2017 - \$109,922).

b) Lease commitments

The university has operating lease commitments for equipment, buildings and capital assets. The minimum future commitments under these contractual arrangements for the next five years are as follows:

2019	\$	4,462
2020		3,420
2021		2,428
2022		2,077
2023		1,077

c) Loan guarantee

The university has provided a loan guarantee of up to \$22,000 related to the external financing obtained by the University of Saskatchewan Students' Union (USSU) for expansion and renovation of the Place Riel Student Centre. In accordance with Section 93 of *The University of Saskatchewan Act, 1995* the university received approval from the Minister of Advanced Education to provide the loan guarantee. This completed capital project was approved by the university's Board of Governors.

The USSU holds credit facilities with TD Canada Trust and the First Nations Bank of Canada utilizing floating rate financing that, at April 30, 2018 totaled \$16,306 (2017 - \$16,629) and expires May 2018. Subsequently, the USSU renegotiated another one-year term on the credit facilities. The floating interest rate is managed through interest rate swap agreements with notional amounts of \$10,697 terminating in June 2040 and \$5,609 terminating in January 2041. The fair value of the interest rate swaps as determined by TD Canada Trust at April 30, 2018 was \$3,818 (2017 - \$5,653).

The USSU's loan repayments are being funded by a student infrastructure fee. In the event of default by the USSU, the university can directly collect this fee from students.

d) Utility purchases

To manage the price of natural gas, the university has entered into long-term contracts that expire at varying dates until October 2020, in accordance with the university's Derivatives Policy Guidelines, as follows:

Year	Gas Year	Target Range % Booked per Derivatives Policy	Approximate Consumption Needs Booked * %	Weighted Average Price/GJ
0	Nov 17 / Oct 18	50 - 75	75	5.18
1	Nov 18 / Oct 19	50 - 75	74	5.27
2	Nov 19 / Oct 20	25 - 50	50	4.94

* Note - percentage booked is approximate - consumption needs require confirmation, particularly in years further out.

In total, the commitment for natural gas purchases at April 30, 2018 is \$8,208 (2017 - \$12,416).

21. Commitments and Contingencies (continued)

e) Outstanding legal claims

The nature of the university's activities are such that there may be litigation ending or in progress at any time. With respect to claims at April 30, 2018, the university believes it has valid defenses and appropriate insurance coverage in place. In the event any claims are successful, the settlements of such claims are not expected to have a significant effect on the university's financial position, with the exception of the items noted below.

On June 26, 2007 a statement of claim was issued against the university alleging responsibility for environmental contamination of adjoining land. The university has filed a statement of defense on December 4, 2007 denying all claims. The plaintiff has not further advanced the claim since that time. The outcome is not determinable at this time. No provision for this claim has been made in the accounts.

Should ultimate resolutions differ from management's assessments and assumptions, a significant adjustment to the university's financial position or results of operations could occur.

f) Canadian Universities Reciprocal Insurance Exchange

The university is a member (of a group of 63 members) of the Canadian Universities Reciprocal Insurance Exchange (CURIE), a self-insurance reciprocal established to share the insurable property, liability and errors and omissions risk of member universities. The projected cost of claims against the exchange is based on actuarial projections and is funded through the members' premiums. As at December 31, 2017 CURIE had an accumulated surplus of \$81,232 (2016 - \$84,908) of which the university's pro-rata share is approximately 4.11% (2016 - 4.03%).

g) Other

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 fair value of the obligation.

22. Salaries

Salaries expense includes one-time termination expenses totaling \$21,840 (2017 - \$NIL) as a result of the university's incentivized voluntary exit plans offered to faculty and staff. The purpose of the plans are to reduce salary costs in future periods.

23. Employee Benefits

	April 30	
	2018	2017
Pension expense - defined benefit (Note 15)	\$ 6,188	\$ 6,771
Pension expense - defined contribution (Note 15)	23,440	22,500
Employee future benefits (Note 15)	1,721	1,775
All other employee benefits	35,098	37,136
	\$ 66,447	\$ 68,182

24. Interest Expense (Recovery)

	April 30	
	2018	2017
Interest expense	\$ 5,257	\$ 5,582
Increase (decrease) in fair value of interest rate swap agreements (Note 13 b)	(9,583)	(3,250)
	\$ (4,326)	\$ 2,332

25. Gifts-in-kind and Donation Pledges

Gifts-in-kind consist of the following:

	April 30	
	2018	2017
Works of art	\$ 55	\$ 275
Equipment and furnishings	3	58
Investments	3,981	3,301
Library holdings	2	1
Research project contributions	4,001	2,878
Other	989	326
	\$ 9,031	\$ 6,839

Donations pledged but not received as at April 30, 2018 totaled \$42,063 (2017 - \$33,768). These pledges are expected to be honoured during the subsequent five-year period and will be recorded as revenue when received.

26. Collections

a) Collections of artifacts, archival material and rare books

The university has acquired collections of artifacts, archival materials and rare books. These items have been accumulated largely as adjuncts to the university's research and teaching missions. Acquisitions are donated as well as purchased. The university rarely disposes of items from these collections.

The significant collections include the personal artifacts, papers, and library of the late John G. Diefenbaker, the official records of the university, papers of faculty and alumnae, originals and replicas of ancient and medieval artifacts, as well as old and rare material with a focus on western Canada.

b) Art collection

The Kenderdine Art Gallery administers the permanent art collection of the university. The collection includes works of art that provide an historic or artistic context for objects that are already in the collection as well as works that are of historic interest to the university or the Province of Saskatchewan. In the very rare event that an object from the collection is deaccessioned and sold, proceeds from the sale will be used solely for the purchase of new acquisitions.

27. Interfund Transfers

Fund accounting is a common practice in not-for-profit organizations whereby resources are classified for accounting and reporting purposes into funds in accordance with specified activities or objectives. Interfund transfers are used when resources residing within one fund are utilized to fund activities or assets that should, by their nature, be recorded in another fund.

	Operating	Ancillary	Student Financial Aid	Research	Capital	Endowment
Salary and benefits	\$ (1,193)	\$ (263)	\$ (97)	\$ 1,552	\$ 1	\$ -
Loan and interest payments	1,250	(7,022)	-	-	5,772	-
Capital acquisition and related funding	(18,355)	(6,458)	(999)	(40,325)	66,137	-
Scholarships, bursaries and awards	(15,205)	-	15,205	-	-	-
Fund transfers for Endowment	(169)	-	4	-	-	165
Funding for Research	(8,178)	-	(385)	8,563	-	-
Administrative support for research	21,311	-	-	(21,311)	-	-
Funding for General operating expenses	2,974	(3,084)	10	-	100	-
Contingency transfers	(107)	(3)	-	-	110	-
Recapitalized spending to Endowment Funds	(1,014)	-	(459)	(2,657)	(151)	4,281
April 30, 2018	\$ (18,686)	\$ (16,830)	\$ 13,279	\$ (54,178)	\$ 71,969	\$ 4,446
April 30, 2017	\$ (89,549)	\$ (19,446)	\$ 17,456	\$ (34,004)	\$ 123,456	\$ 2,087

28. Related Party Transactions

The university receives a significant portion of its revenue from the Government of Saskatchewan and has a number of its members to the Board of Governors appointed by the Government. Revenue received from the Government of Saskatchewan is disclosed separately in the Statement of Operations. A portion of the revenue from the Government of Saskatchewan includes supplemental funding for facilities, including funding allocated to principal and interest repayments for sustaining capital.

To the extent that the Government of Saskatchewan exercises significant influence over the operations of the university, all Saskatchewan Crown agencies such as corporations, boards and commissions are considered related parties to the university. Routine expenses with these related parties are recorded at the standard or agreed rates charged by these organizations.

Transactions during the year and the amounts outstanding at year-end are as follows:

	April 30	
	2018	2017
Sales of services and products - physicians' billings	\$ 4,280	\$ 6,583
Expenses		
Utilities	18,024	17,234
Various	45,729	52,071
Accounts receivable	40,150	44,011
Accounts payable and accrued liabilities	4,222	3,902
Deferred revenue	7,822	3,370

28. Related Party Transactions (continued)

Canadian Light Source Incorporated (CLSI), a subsidiary of the university, is related to Canadian Isotope Innovations Corporation (CIIC), a medical isotope production company, through representation on its governing body. During the year, CLSI loaned funds to CIIC totaling \$700 (2017 - \$3,200) payable on demand and provided services of \$78 (2017 - \$300) to CIIC. Also during the year, CLSI determined all amounts owed from CIIC were not collectable and expensed bad debts of \$700 (2017 - \$4,400).

29. Financial Instruments

The university's financial instruments recorded in the consolidated financial statements consist of cash, investments, accounts receivable, accounts payable and accrued liabilities, loans, capital lease obligations, other contractual liabilities and long-term debt.

a) Risk Management and Financial Instruments

i) Market risk

The university is exposed to market risk – the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual security, its issuer or general market factors affecting all securities. Investments are placed in accordance with the university investment policy specifying the quality of investments so that diversification limits risk of exposure in any one type of investment instrument. The university also manages market price risk associated with natural gas commodity purchases through the use of natural gas swap agreements – see Note 13, above.

ii) Foreign currency risk

The university has foreign currency risk from its foreign currency denominated cash and investment accounts and exposure to foreign currency denominated revenues or expenses. Investments are placed in accordance with policies addressing investment in foreign currency to reduce the level of risk by diversifying the portfolio of investment classes. The university also manages foreign currency risk associated with the university through the use of foreign currency hedge agreements – See Note 13 above.

iii) Interest rate risk

Interest rate swap agreements are utilized on the Royal Bank Banker's Acceptance Loans to reduce interest rate risk arising from fluctuations in interest rates and to manage the floating interest rates of these loans – see Note 13, above. The university is subject to interest rate risk as a result of market fluctuations in interest rates and the degrees of volatility of these rates.

iv) Credit risk

The university has normal credit risk from counterparties. Since government agencies compose a significant portion of the receivable arising from the university's diverse client base, possibility of default is believed to be low. Credit risk from tuition is managed through restricted enrolment activities for students with uncollected balances and maintaining standard collection procedures.

Credit risk within investments is primarily related to bonds and money market instruments. It is managed through the investment policy that limits debt instruments to those of high credit quality (minimum rating for bonds is BBB, and for money market instruments is R-1 Low) along with limits to the maximum notional amount of exposure with respect to any one issuer.

Within bond investments, there are no holdings from one issuer, other than the Government of Canada or government guaranteed agencies, over 10% of an investment manager's bond portfolio. No holding of one corporate issuer rated less than A exceeds 5% of the market value of the bond portfolio.

v) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents. The university minimizes its liquidity risk through careful management of Investment Pools to maintain sufficient liquidity for operating purposes.

b) Fair Value of Financial Instruments

The carrying values of all financial instruments approximate fair value as at April 30, 2018.

30. Comparative Figures

Certain comparative figures have been reclassified in order to conform to the financial statement presentation adopted for the current year.

UNIVERSITY OF SASKATCHEWAN

Schedule 1 - Consolidated Statement of Operations and Changes in Fund Balances - General Funds
For the Year Ended April 30, 2018 (\$ thousands)

	Operating	Ancillary	Total
Revenues			
Grants and contracts			
Government of Canada	\$ 3,256	\$ -	\$ 3,256
Government of Saskatchewan	401,632	100	401,732
Other governments	21,965	-	21,965
Non-government	6,380	-	6,380
Student fees	146,854	-	146,854
Gifts, grants and bequests	13,557	1	13,558
Sales of services and products	36,744	53,307	90,051
Income from investments	15,104	5	15,109
Real estate income	1,294	4,784	6,078
Royalties	18,593	-	18,593
Miscellaneous income	5,775	148	5,923
	671,154	58,345	729,499
Expenses			
Salaries (Note 22)	434,784	10,578	445,362
Employee benefits (Note 23)	57,367	1,680	59,047
Operational supplies and expenses	151,441	4,940	156,381
Travel	12,933	38	12,971
Cost of goods sold	4,709	10,307	15,016
Maintenance, rental and renovations	11,559	2,619	14,178
Utilities	14,292	10,568	24,860
Scholarships, bursaries and awards	5,012	-	5,012
Interest (Note 24)	5	-	5
Bad debt expense	1,280	107	1,387
	693,382	40,837	734,219
Excess (deficiency) of revenues over expenses	(22,228)	17,508	(4,720)
Interfund transfers (Note 27)	(18,686)	(16,830)	(35,516)
Net increase (decrease) in fund balances for year	(40,914)	678	(40,236)
Fund balances, beginning of year	126,673	(25,290)	101,383
Employee future benefits remeasurements and other items	12,288	-	12,288
Fund balances, end of year	\$ 98,047	\$ (24,612)	\$ 73,435

See accompanying notes to consolidated financial statements

UNIVERSITY OF SASKATCHEWAN

Schedule 2 - Consolidated Statement of Operations and Changes in Fund Balances - Restricted Funds
For the Year Ended April 30, 2018 (\$ thousands)

	Student Financial Aid	Research	Capital	Total
Revenues				
Grants and contracts				
Government of Canada	\$ 2	\$ 76,459	\$ -	\$ 76,461
Government of Saskatchewan	1,565	25,305	41,986	68,856
Other governments	-	6,524	3,000	9,524
Non-government	88	54,208	296	54,592
Gifts, grants and bequests	5,774	7,033	5,576	18,383
Sales of services and products	-	50	25	75
Income from investments	6,934	6,234	238	13,406
Real estate income	102	127	-	229
Royalties	64	38	-	102
Miscellaneous income	565	27	54	646
	15,094	176,005	51,175	242,274
Expenses				
Salaries (Note 22)	1,209	73,660	20	74,889
Employee benefits (Note 23)	62	7,337	1	7,400
Operational supplies and expenses	267	32,523	2,722	35,512
Travel	99	7,274	1	7,374
Cost of goods sold	-	1	-	1
Maintenance, rental and renovations	-	3,624	46	3,670
Utilities	-	1,742	-	1,742
Amortization	-	-	82,318	82,318
Scholarships, bursaries and awards	26,582	23,091	-	49,673
Interest (Note 24)	-	-	(4,331)	(4,331)
Bad debt expense	11	-	-	11
Decommissioning costs (Note 16)	-	-	534	534
	28,230	149,252	81,311	258,793
Excess (deficiency) of revenues over expenses	(13,136)	26,753	(30,136)	(16,519)
Interfund transfers (Note 27)	13,279	(54,178)	71,969	31,070
Net increase (decrease) in fund balances for year	143	(27,425)	41,833	14,551
Fund balances, beginning of year	57,765	349,515	1,450,131	1,857,411
Fund balances, end of year	\$ 57,908	\$ 322,090	\$ 1,491,964	\$ 1,871,962

See accompanying notes to consolidated financial statements

Officers of the University
2017/18

Officers of the University

The Board of Governors

Members Ex Officio

Peter Stoicheff (President)

Roy Romanow (Chancellor)

Members Appointed by Government

Lee Ahenakew (Chair)

Shelley Brown

Grant Devine

Grant Isaac

Ritu Malhotra

Members Elected By Senate

Allan Adam

Joy Crawford

Faculty Member

Jay Kalra

Student Member

Coden Nikbakht

Senior Administrative Group

President and Vice-Chancellor

Peter Stoicheff

Provost and Vice-President (Academic)

Tony Vannelli

Vice-President (Finance and Resources)

Greg Fowler

Vice-President (Research)

Karen Chad

Vice-President (University Relations)

Debra Pozega Osburn

University Secretary

Beth Bilson

Vice-Provost, Faculty Relations

Jim Germida

Vice-Provost, Health

Preston Smith

Vice-Provost, Teaching, Learning
and Student Experience

Patti McDougall

Assistant Vice-Provost, Health -
Health Sciences Council (Interim)

Lois Berry

Associate Provost, Institutional Planning
and Assessment

John Rigby

Associate Vice-President (Development)
and Chief Development Officer

Danielle Dunbar

Associate Vice-President
(People and Resources)

Cheryl Carver

Associate Vice-President (Research)

Kevin Schneider (Interim)

Associate Vice-President (Research - Health)

Darcy Marciniuk (Interim)

Associate Vice-President
(Strategic Communications) and
Chief Communications Officer

Gord Hunchak

Associate Vice-President (Services)

Wade Epp

Associate Vice-President (Technology)

Shari Baraniuk

Associate Vice-President (Alumni)

Guy Larocque

Deans and Executive Directors of Colleges and Academic Units

Agriculture and Bioresources

Mary Buhr

Arts and Science

Peta Bonham-Smith

Dentistry

Doug Brothwell

Education

Michelle Prytula

Edwards School of Business

Keith Willoughby

Engineering

Suzanne Kresta

Graduate and Postdoctoral Studies

Trever Crowe (interim)

Kinesiology

Chad London

Law

Martin Phillipson

Medicine

Preston Smith

Nursing

Huey-Ming Tzeng

Pharmacy and Nutrition

Kishor Wasan

School of Environment and Sustainability

Irena Creed

School of Public Health

Steven Jones

Johnson-Shoyama Graduate School
of Public Policy

Doug Moen (interim)

University Library

Melissa Just

Western College of Veterinary Medicine

Douglas Freeman

List current as of July, 2018



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