

Consolidated Financial Statements of

# **UNIVERSITY OF OTTAWA**

Year ended April 30, 2020

# UNIVERSITY OF OTTAWA

Consolidated Financial Statements

Year ended April 30, 2020

## **Statement of Administrative Responsibility**

## **Independent Auditors' Report**

Consolidated Financial Statements

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# STATEMENT OF ADMINISTRATIVE RESPONSIBILITY

September 28, 2020

Management of the University is responsible for the preparation of the consolidated financial statements, the notes and all other financial information contained in this financial report.

Management has prepared the consolidated financial statements in accordance with Canadian accounting standards for not-for-profit organizations. In order to achieve the objective of fair presentation in all material respects, reasonable estimates and professional judgements were used. Management believes the consolidated financial statements present fairly the University's financial position as at April 30, 2020, the consolidated statements of operations, changes in net assets and cash flows for the year then ended.

In fulfilling its responsibilities and recognizing the limits inherent in all systems, management has developed and maintains a system of internal control 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 the consolidated financial statements. The system of internal controls is monitored by the University's internal audit service.

The Board of Governors is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the consolidated financial statements. The Board of Governors carries out its responsibility for review of the consolidated financial statements principally through the Audit Committee. All members of the Audit Committee are not officers or employees of the University. The Audit Committee meets with management, the external auditors as well as the internal auditors, to discuss the results of audit examinations and financial reporting matters and to satisfy itself that each party is properly discharging its responsibilities. The external and internal auditors have full access to the Audit Committee with or without the presence of management.

The consolidated financial statements as at and for the year ended April 30, 2020 have been audited by KPMG LLP, Chartered Professional Accountants, Licensed Public Accountants, the auditors appointed by the Board of Governors. The independent auditors' report outlines the scope of their audit and their opinion on the preparation of the information included in the consolidated financial statements.

*[SIGNED]*

\_\_\_\_\_  
Jacques Frémont  
President

*[SIGNED]*

\_\_\_\_\_  
Robert Bourgeois  
Vice-President, Finance and Administration



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## INDEPENDENT AUDITORS' REPORT

To the Board of Governors of the University of Ottawa

### **Opinion**

We have audited the consolidated financial statements of the University of Ottawa (the "University"), which comprise:

- the consolidated statement of financial position as at April 30, 2020
- the consolidated statement of operations for the year then ended
- the consolidated statement of changes in net assets for the year then ended
- the consolidated statement of cash flows for the year then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the University as at April 30, 2020, and its consolidated results of operations and its consolidated cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

### **Basis for Opinion**

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "**Auditors' Responsibilities for the Audit of the Financial Statements**" section of our auditors' report.

We are independent of the University in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other responsibilities in accordance with these requirements.

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

### **Other Information**

Management is responsible for the other information. Other information comprises:

- the information, other than the financial statements and the auditors' report thereon, included in the Annual Report document.



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

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information, other than the financial statements and the auditors' report thereon, included in the Annual Report document as at the date of this auditors' report.

If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditors' report. We have nothing to report in this regard.

***Responsibilities of Management and Those Charged with Governance for the Financial Statements***

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

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

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

***Auditors' Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

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



We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the University's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the University to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

*KPMG LLP*

Chartered Professional Accountants, Licensed Public Accountants

Ottawa, Canada

September 28, 2020

# UNIVERSITY OF OTTAWA

## Consolidated Statement of Financial Position

April 30, 2020, with comparative information for 2019  
(in thousands of dollars)

	2020	2019
<b>Assets</b>		
Current assets:		
Cash	\$ 13,723	\$ 20,048
Short-term investments (note 3)	280,780	286,464
Accounts receivable (note 4)	104,987	94,235
Prepaid expenses	14,297	13,401
	<u>413,787</u>	<u>414,148</u>
Long-term investments (notes 5)	1,098,710	750,319
Employee future benefits (note 6)	-	100,307
Capital assets (note 7)	1,929,382	1,956,080
	<u>\$ 3,441,879</u>	<u>\$ 3,220,854</u>

## Liabilities and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities (note 8)	\$ 87,400	\$ 92,297
Deferred revenue (note 9)	311,736	301,090
Current portion of long-term debt (note 11)	1,739	1,620
	<u>400,875</u>	<u>395,007</u>
Deferred contributions related to capital assets (note 10)	430,137	441,294
Employee future liability (note 6)	115,577	-
Long-term debt (note 11)	661,874	363,613
	<u>1,608,463</u>	<u>1,199,914</u>
Net assets:		
Unrestricted	-	24
Internally restricted (note 12)	1,537,979	1,726,919
Endowments (note 13)	295,437	293,997
	<u>1,833,416</u>	<u>2,020,940</u>
	<u>\$ 3,441,879</u>	<u>\$ 3,220,854</u>

Commitments and contingent liabilities (note 17)

See accompanying notes to consolidated financial statements.

On behalf of the Board

[SIGNED] Governor

[SIGNED] Governor

# UNIVERSITY OF OTTAWA

## Consolidated Statement of Operations

Year ended April 30, 2020, with comparative information for 2019  
(in thousands of dollars)

	2020	2019
Revenue:		
Tuition and other fees	\$ 449,612	\$ 438,829
Operating grants	323,577	319,954
Restricted grants and contracts (notes 15 and 16)	218,676	227,671
Sale of goods and services	25,579	27,274
Student housing	22,529	24,961
Donations (note 10)	19,451	12,968
Investment income (note 5)	54,122	46,745
Other	36,133	27,661
	<u>1,149,679</u>	<u>1,126,063</u>
Expenses:		
Salaries and employee benefits	682,856	635,166
Scholarships and financial aid	100,448	98,145
Cost of goods and services	67,326	64,634
Repairs, maintenance, utilities and taxes	39,829	40,113
Contractual services and professional fees	43,547	35,356
Inter-institutional research and other agreements (note 16)	30,375	31,543
Travel	18,790	18,272
Interest and bank fees	20,484	20,116
Amortization of capital assets	78,304	74,796
Other	20,476	26,205
	<u>1,102,435</u>	<u>1,044,346</u>
Excess of revenue over expenses before the undernoted	47,244	81,717
Change in fair value of investments measured at fair value (note 5)	(11,582)	10,113
Excess of revenue over expenses	<u>\$ 35,662</u>	<u>\$ 91,830</u>

See accompanying notes to consolidated financial statements.



# UNIVERSITY OF OTTAWA

## Consolidated Statement of Changes in Net Assets

Year ended April 30, 2020, with comparative information for 2019  
(in thousands of dollars)

	Unrestricted	Internally restricted (note 12)	Endowments (note 13)	2020 Total	2019 Total
Net assets balance, beginning of year	\$ 24	\$ 1,726,919	\$ 293,997	\$ 2,020,940	\$ 2,085,467
Excess of revenue over expenses	35,662	-	-	35,662	91,830
Net changes in internally restricted	(7,731)	7,731	-	-	-
Provision for adverse deviation, re-measurement and other items (note 6)	-	(224,228)	-	(224,228)	(169,800)
Internal contributions and matching funds (note 13)	(398)	-	398	-	-
External contributions (note 13)	-	-	1,935	1,935	3,126
Net investment income earned	(27,557)	27,557	(893)	(893)	10,317
Net assets balance, end of year	\$ -	\$ 1,537,979	\$ 295,437	\$ 1,833,416	\$ 2,020,940

See accompanying notes to consolidated financial statements.

# UNIVERSITY OF OTTAWA

## Consolidated Statement of Cash Flows

Year ended April 30, 2020, with comparative information for 2019  
(in thousands of dollars)

	2020	2019
Cash provided by (used in):		
Operating activities:		
Excess of revenue over expenses	\$ 35,662	\$ 91,830
Items which do not involve cash:		
Change in fair value of investments measured at fair value	11,582	(10,113)
Amortization of capital assets	78,304	74,796
Amortization of deferred contributions related to capital assets (note 10)	(29,497)	(28,730)
Employee future benefits expense	43,359	27,059
Employee future benefits contributions	(51,703)	(50,678)
	87,707	104,164
Change in non-cash operating working capital	(5,899)	(7,214)
	81,808	96,950
Investing activities:		
Purchases of capital assets (note 7)	(51,606)	(60,051)
Net acquisitions and disposals of investments	(354,289)	(78,901)
	(405,895)	(138,952)
Financing activities:		
Increase of deferred contributions related to capital assets (note 10)	18,340	32,076
Proceeds from issuance of long-term debt	300,000	-
Repayment of long-term debt	(1,620)	(1,510)
Contributions and investment income earned on endowments (note 13)	1,042	13,443
	317,762	44,009
Increase (Decrease) in cash	(6,325)	2,007
Cash, beginning of year	20,048	18,041
Cash, end of year	\$ 13,723	\$ 20,048

Cash includes bank overdrafts that are repayable on demand and form an integral part of the University's cash management.

See accompanying notes to consolidated financial statements.

# UNIVERSITY OF OTTAWA

## Notes to Consolidated Financial Statements

Year ended April 30, 2020  
(in thousands of dollars)

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### 1. Objectives and purpose:

The University of Ottawa is a bilingual research intensive university offering undergraduate and graduate level education programs. The objectives of the University, as well as the powers of the Board of Governors and of the Senate, are defined in the *University of Ottawa Act, 1965*.

These consolidated financial statements include the following wholly owned subsidiaries: 45 Mann Limited Partnership, 7311842 Canada Inc., 866520 Ontario Ltd and the University of Ottawa Community Legal Clinic. See note 19 for further details about these entities.

### 2. Significant accounting policies:

#### (a) Basis of presentation:

These consolidated financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations in Part III of the Chartered Professional Accountants of Canada ("CPA Canada") Handbook - Accounting.

#### (b) Use of estimates:

The preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses in the consolidated financial statements. Significant estimates include the accrued liabilities and the actuarial assumptions used in measuring pension and other post-employment benefits. Actual results could differ from these estimates.

#### (c) Revenue recognition:

The University follows the deferral method of accounting for contributions for not-for-profit organizations.

Externally restricted contributions are deferred and recognized as revenue in the period in which the related expenses are incurred. Externally restricted amounts can only be used for the purposes designated by external parties.

Unrestricted contributions are recognized as revenue when received or receivable if amounts can be reasonably estimated and collection is reasonably assured.

Pledges are recorded as revenue in the period in which they are received due to the uncertainty involved in their collection.

# UNIVERSITY OF OTTAWA

Notes to Consolidated Financial Statements (continued)

Year ended April 30, 2020  
(in thousands of dollars)

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## 2. Significant accounting policies (continued):

### (c) Revenue recognition (continued):

Investment income, excluding restricted investment income earned on endowments, is comprised of interest, dividends, income distributions from pooled funds and realized and unrealized gains and losses, and is recorded as revenue in the consolidated statement of operations.

Endowment contributions and restricted investment income earned on endowments and not available for disbursements are recognized as direct increases in net assets in the period in which they are received or earned. Investment income earned on endowments and available for spending are deferred and recognized as revenue in the period in which the related expenses are incurred.

Externally restricted contributions received for the purchase of capital assets are initially deferred and then amortized to revenue on a straight-line basis, at a rate corresponding to the amortization rate for the related capital asset.

Tuition and other fees are recognized as revenue based on the academic period of the related courses or programs.

Other types of revenue are recognized in the period to which they relate.

### (d) Investments:

Investments are carried at fair value on initial recognition. Investments denominated in foreign currencies are translated using the exchange rate in effect at the consolidated statement of financial position date. The value of investments recorded in the consolidated financial statements is determined as follows:

- (i) Short-term investments include investments that can be withdrawn without prior notice or penalty. Short-term notes and treasury bills maturing within one year are stated at cost, which together with accrued interest income approximates fair value given the short-term nature of these investments.
- (ii) Equities, which are widely traded and have publicly quoted prices, are valued at the sale price last quoted during the year. The cost disclosed is determined on the average cost basis.
- (iii) Pooled funds for public market assets such as equities and bonds are valued at their year-end net asset value, representing the market value of the underlying financial instruments.
- (iv) Real estate and infrastructure investments are held in open or closed ended pooled funds or through securities of corporations or partnerships formed to invest in those assets. These private market investments are recorded at estimated fair values determined by external managers using appropriate industry valuation techniques or independent appraisers. Where applicable for real estate, a certified written appraisal from a qualified independent appraiser is required at least once every three years, as per investments policies. Development properties are carried at cost.
- (v) Hedging instruments are valued using pricing models that incorporate current market prices and the contractual prices of the underlying instruments, the time value of money and yield curves.

# UNIVERSITY OF OTTAWA

Notes to Consolidated Financial Statements (continued)

Year ended April 30, 2020  
(in thousands of dollars)

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## 2. Significant accounting policies (continued):

### (d) Investments:

(vi) Investment in wholly owned subsidiaries are accounted for using the equity method, whereby the investment is initially recorded at cost, transaction costs are capitalized, net of any impairment and adjusted thereafter for the University's share of the entity's net surplus or deficit and any further impairments. Any distributions received are accounted for as a reduction in the investment.

Transaction costs other than investments in wholly owned subsidiaries are recorded on a trade date basis and expensed as incurred.

### (e) Capital assets:

Purchased capital assets are recorded at cost, except for land acquired prior to May 1, 2011 which is recorded at deemed cost, being fair value at May 1, 2011. Contributed capital assets are recorded at fair value at the date of contribution. Assets acquired under capital leases are amortized over the estimated life of the assets or over the lease term, as appropriate. Repairs and maintenance costs are expensed. Betterments, which extend the estimated life of an asset, are capitalized. When capital assets no longer contribute to the University's ability to provide services, their carrying amount is written down to their residual value. Construction-in-progress are carried at cost and not amortized during construction. Once completed, the assets are transferred into their related asset class and amortized based on their respective rates as per below.

Capital assets are reviewed for impairment whenever events or changes in circumstances indicate that the asset no longer has any long-term service potential to the University. In this event, recoverability of assets held and used is measured by reviewing the estimated residual value of the asset. If the carrying amount of an asset exceeds its estimated residual value, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the residual value of the asset. When a capital asset is written down, the corresponding amount of any unamortized deferred contributions related to the capital asset would be recognized as revenue, provided that all restrictions have been complied with.

Amortization is recorded on a straight-line basis over the estimated useful lives of the assets at the rates indicated below:

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Buildings	20 to 40 years
Books	5 years
Equipment and furniture	10 years
Computer software and equipment	3 and 10 years

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Leasehold improvements are amortized on a straight-line basis over the shorter of the lease term or the estimated useful lives.

The value of library, art and other special collections has been excluded from the consolidated balance sheet except for a nominal value of \$1.

# UNIVERSITY OF OTTAWA

Notes to Consolidated Financial Statements (continued)

Year ended April 30, 2020  
(in thousands of dollars)

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## 2. Significant accounting policies (continued):

### (f) Foreign currency transactions:

Foreign currency transactions of the University are translated using the temporal method. Under this method transactions are initially recorded at the rate of exchange prevailing at the date of the transaction. Thereafter, monetary assets and liabilities are adjusted to reflect the exchange rates in effect at the consolidated statement of financial position date. Gains and losses resulting from the adjustment are included in the consolidated statement of operations.

### (g) Employee future benefits:

The University maintains defined benefit plans providing pension and other retirement and post-employment benefits for eligible employees and accounts for these using the immediate recognition approach. Under this approach, the University recognizes the amount of the accrued obligation net of the fair value of plan assets in the consolidated statement of financial position.

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

The accrued liability for funded employee future benefit plans is determined using a roll-forward technique to estimate the accrued liability using funding assumptions from the most recent actuarial valuation report prepared at least every three years. The accrued liability for unfunded plans is prepared on a basis consistent with funded plans. Employee future benefit plans' assets are measured at fair value as at the date of the consolidated statement of financial position.

The University also has a defined contribution plan providing pension benefits to some of its employees. The cost of the defined contribution plan is recognized based on the contributions required to be made during each period.

### (h) Derivative and other financial instruments:

Derivative financial instruments are used to manage particular market and currency exposures for risk management purposes primarily with respect to the University's investments and as a substitute for more traditional investments. Derivative financial instruments are carried at fair value, with changes in fair value during the year recorded in the consolidated statement of operations.

Transaction costs incurred on the acquisition of financial instruments are expensed as incurred.

The University follows hedge accounting for its interest rate swap which results in the interest expense related to certain long-term debt being recorded in the consolidated financial statements at the hedged rate rather than at the original contractual interest rate. At the inception of the hedging relationship, the University designates that hedge accounting will be applied. At the inception of the hedge and throughout its term, the terms of the hedging item and hedged item are the same. The fair value of the swap is not recorded on the consolidated statement of financial position but is disclosed in note 11.

Other financial instruments, including cash, accounts receivable, accounts payable and accrued liabilities, and long-term debt are recorded at fair value upon initial recognition and are subsequently recorded at cost or amortized cost, net of any provisions for impairment, unless management has elected to carry the instruments at fair value.

# UNIVERSITY OF OTTAWA

Notes to Consolidated Financial Statements (continued)

Year ended April 30, 2020  
(in thousands of dollars)

## 2. Significant accounting policies (continued):

### (h) Derivative and other financial instruments (continued):

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the University determines whether there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the University expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

### (i) Contributed services:

Contributed goods and services provided to the University are not recognized in these consolidated financial statements because of the difficulty in determining their fair value.

### (j) Income taxes:

The University is a registered charity and is therefore exempt from income taxes under section 149 (1) (f) of the Income Tax Act (Canada).

### (k) Change in accounting policy:

During the year, the University prospectively adopted the new accounting standard Section 4433, *Tangible capital assets held by not-for-profit organizations* of CPA Canada Handbook – Accounting as of May 1, 2019, that requires the University to follow the componentization guidelines of Section 3061, *Property, plant and equipment* and the guidelines for the impairment of long-lived assets of Section 3063, *Impairment of long-lived assets*. The guidelines require capital assets to be separated into significant component parts and each component to be amortized in accordance with their useful lives. Partial impairments on tangible capital assets will now need to be considered. Section 4441, *Collections held by not-for-profit organizations* of the CPA Canada Handbook was also adopted retrospectively during the year. Collections will continue to be recorded at a nominal value. The adoption of these accounting standards did not have a material impact on these financial statements.

## 3. Short-term investments:

Fair value:

April 30, 2020	Pooled funds	Segregated funds	Total
Government bonds	\$ 113,361	\$ 17,832	\$ 131,193
Corporate bonds	124,280	25,307	149,587
<b>Total</b>	<b>\$ 237,641</b>	<b>\$ 43,139</b>	<b>\$ 280,780</b>

# UNIVERSITY OF OTTAWA

Notes to Consolidated Financial Statements (continued)

Year ended April 30, 2020  
(in thousands of dollars)

### 3. Short-term investments (continued):

April 30, 2019	Pooled funds	Segregated funds	Total
Government bonds	\$ 84,629	\$ 1,990	\$ 86,619
Corporate bonds	105,813	94,032	199,845
<b>Total</b>	<b>\$ 190,442</b>	<b>\$ 96,022</b>	<b>\$ 286,464</b>

Government bonds under the segregated funds have interest rates ranging from 0.3% to 1.2% (2019 - 1.6% to 1.8%) and maturity dates up to 2020 (2019 - maturity dates up to 2019). Corporate bonds have interest rates ranging from 1.9% to 2.1% (2019 - 1.6% to 6.7%) and maturity dates up to 2020 (2019 - maturity dates up to 2019).

### 4. Accounts receivable:

	2020	2019
Restricted grants and contracts	\$ 63,739	\$ 57,519
Tuition and housing fees	35,677	32,445
Other	29,337	26,116
	128,753	116,080
Allowance for doubtful accounts	(23,766)	(21,845)
<b>Total</b>	<b>\$ 104,987</b>	<b>\$ 94,235</b>

### 5. Long-term investments:

Fair value:

April 30, 2020	Pooled funds	Segregated funds	Total
Fixed income	\$ 94,247	\$ 346,089	\$ 440,336
Canadian equities	28,505	41,906	70,411
Foreign equities	260,624	89,268	349,892
Real estate and infrastructure	130,087	-	130,087
Hedge funds	55,961	-	55,961
Private debt	1,817	-	1,817
Investments in wholly owned subsidiaries (note 19)	50,206	-	50,206
<b>Total</b>	<b>\$ 621,447</b>	<b>\$ 477,263</b>	<b>\$ 1,098,710</b>



# UNIVERSITY OF OTTAWA

Notes to Consolidated Financial Statements (continued)

Year ended April 30, 2020  
(in thousands of dollars)

## 5. Long-term investments (continued):

April 30, 2019	Pooled funds	Segregated funds	Total
Fixed income	\$ 83,342	\$ 67,698	\$ 151,040
Canadian equities	47,316	10,303	57,619
Foreign equities	262,470	81,634	344,104
Real estate and infrastructure	123,680	-	123,680
Hedge funds	60,800	-	60,800
Investments in wholly owned subsidiaries (note 19)	13,076	-	13,076
<b>Total</b>	<b>\$ 590,684</b>	<b>\$ 159,635</b>	<b>\$ 750,319</b>

Coupon interest rates on fixed income investments range from 0.8% to 6.5% (2019 - 1.8% to 5.6%) and the investments mature between 2021 and 2067 (2019 - matured between 2021 and 2049).

The book value of the long-term investments as at April 30, 2020 was \$1,011,266 (2019 - \$623,388).

### *Real estate and infrastructure commitments*

The University has funding commitments related to real estate and infrastructure investment vehicles, which may be funded over the next several years within the existing investment portfolio in accordance with the terms and conditions agreed to. As at April 30, 2020, these potential commitments totaled \$60,253 (2019 - \$33,225).

Investment income is comprised of:

	2020	2019
Dividends, interest and other	\$ 30,843	\$ 38,980
Realized gains (losses) on investments	13,269	(1,860)
Endowment income made available for disbursements	10,010	9,625
	54,122	46,745
Change in fair value of investments measured at fair value	(11,582)	10,113
<b>Total</b>	<b>\$ 42,540</b>	<b>\$ 56,858</b>

# UNIVERSITY OF OTTAWA

Notes to Consolidated Financial Statements (continued)

Year ended April 30, 2020  
(in thousands of dollars)

## 6. Employee future benefits:

The University maintains defined benefit retirement plans for its eligible employees which provide a pension to employees based on their length of service and average earnings.

In addition to the University's pension plans, the University provides certain post-employment and post-retirement benefits ("other benefits") to eligible employees, and to their dependents under certain conditions, such as retirement allowances, life insurance, and health and dental benefits. A significant portion of the University's employees may become eligible for these benefits upon retirement. These other benefits are not funded. The calculation of pension and other benefits expense in accordance with the accounting policy is based on the current service cost of employee benefits and the finance cost on assets and liabilities.

The latest actuarial valuations were completed by an independent actuary as at January 1, 2020 for the pension plans and as at December 31, 2018 for the post-employment and post-retirement benefit plans. For financial statement purposes, the results of these valuations were extrapolated to April 30, 2020 which is the measurement date used to determine the plans' assets and the accrued benefit obligations. The next required filing date for an actuarial valuation is as of January 1, 2021 at the latest for the pension plans and as at December 31, 2021 at the latest for the post-employment and post-retirement benefit plans.

In 2018, the Ontario government revised the rules for the funding of single-employer defined benefit pension plans. Under the new rules, the margin set at the discretion of the University of Ottawa has been replaced with an explicit prescribed Provision for Adverse Deviation ("PfAD"), a risk-based load factor applied to the best-estimate liabilities. The PfAD at April 30, 2020 is \$310,468 (2019 - \$180,501) which represents 16.34% (2019 - 9.89%) of the pension plan's projected liability, excluding the value of future escalated adjustments. The PfAD at April 30, 2020 for the post-employment and post-retirement benefit plans is \$8,845 (2019 - \$5,823).

Information about the University's employee future benefits is as follows:

	2020			2019		
	Pension benefit plans	Other benefit plans	Total	Pension benefit plans	Other benefit plans	Total
Accrued benefit asset						
(liability)						
Accrued benefit obligation	\$ (2,555,204)	\$ (64,662)	\$ (2,619,866)	\$ (2,326,539)	\$ (62,925)	\$ (2,389,464)
Fair value of plan's assets	2,504,289	-	2,504,289	2,489,771	-	2,489,771
Accrued benefit asset						
(liability)	\$ (50,915)	\$ (64,662)	\$ (115,577)	\$ 163,232	\$ (62,925)	\$ 100,307

# UNIVERSITY OF OTTAWA

Notes to Consolidated Financial Statements (continued)

Year ended April 30, 2020  
(in thousands of dollars)

## 6. Employee future benefits (continued):

The employee future benefit asset (liability) is as follows:

	2020			2019		
	Pension benefit plans	Other benefit plans	Total	Pension benefit plans	Other benefit plans	Total
Balance, beginning of year	\$ 163,232	\$ (62,925)	\$ 100,307	\$ 299,045	\$ (52,557)	\$ 246,488
Expenses	(36,849)	(6,510)	(43,359)	(21,314)	(5,745)	(27,059)
Contributions	45,223	6,480	51,703	45,160	5,518	50,678
Re-measurement and other items						
Provision for adverse deviation	(111,064)	(3,022)	(114,086)	(180,501)	(5,823)	(186,324)
Re-measurement and other items	(111,457)	1,315	(110,142)	20,842	(4,318)	16,524
Re-measurement and other items, total	(222,521)	(1,707)	(224,228)	(159,659)	(10,141)	(169,800)
<b>Total</b>	<b>\$ (50,915)</b>	<b>\$ (64,662)</b>	<b>\$ (115,577)</b>	<b>\$ 163,232</b>	<b>\$ (62,925)</b>	<b>\$ 100,307</b>

The fair value of the plan's assets at April 30, 2020, were composed of 40.7% in equities, 27.5% in fixed income investments, and 31.8% in real return assets (2019 - 47.8% in equities, 21.3% in fixed income investments, and 30.9% in real return assets).

In addition to the plan assets, as at April 30, 2020, the University has internally restricted investments totaling \$90,892 (2019 - \$93,984) of which \$56,812 (2019 - \$58,826) is restricted for its pension obligations and \$34,080 (2019 - \$35,158) is restricted for its other benefit plans (note 12 - Internally restricted net assets - Employee benefits).

# UNIVERSITY OF OTTAWA

Notes to Consolidated Financial Statements (continued)

Year ended April 30, 2020  
(in thousands of dollars)

## 6. Employee future benefits (continued):

Significant actuarial assumptions adopted in measuring the University's accrued benefit obligations are as follows:

	2020		2019	
	Pension benefit plans	Other benefit plans	Pension benefit plans	Other benefit plans
Discount rate obligations	6.25%	6.25%	6.25%	6.25%
Rate of compensation increase including inflation (PTR = Progress through rank)	1 to 3 % +PTR scale	1 to 3% +PTR scale	3.80%/2.05% +PTR scale	3.80%/2.05% +PTR scale
Inflation rate	2.00%	-	2.00%	-

The University used mortality rates equal to 95% of the rates of the 2014 Public Sector Canadian Pensioners Mortality Table for actuarial assumptions, for fiscal years ending April 30, 2019 and 2020.

Details of annual contributions and benefits paid are as follows:

	2020			2019		
	Pension benefit plans	Other benefit plans	Total	Pension benefit plans	Other benefit plans	Total
<b>Contributions</b>						
Employer's contributions - current service cost	\$ 45,223	\$ 6,480	\$ 51,703	\$ 45,160	\$ 5,518	\$ 50,678
Employees' contributions	36,829	-	36,829	34,188	-	34,188
<b>Total</b>	<b>\$ 82,052</b>	<b>\$ 6,480</b>	<b>\$ 88,532</b>	<b>\$ 79,348</b>	<b>\$ 5,518</b>	<b>\$ 84,866</b>
<b>Benefits paid</b>	<b>\$ 112,651</b>	<b>\$ 6,467</b>	<b>\$ 119,118</b>	<b>\$ 106,401</b>	<b>\$ 5,518</b>	<b>\$ 111,919</b>

# UNIVERSITY OF OTTAWA

Notes to Consolidated Financial Statements (continued)

Year ended April 30, 2020  
(in thousands of dollars)

## 6. Employee future benefits (continued):

The assumed discount rates and the rates of increase in future compensation used in determining the actuarial present value of the projected benefit obligations may vary according to the economic conditions.

The assumed health care trend rate used in measuring the accumulated post-employment benefits obligation in 2020 and for the next two years is on average 5.0% and 4.0% thereafter (based on 5.0% per annum in 2019 grading down to 3.9% per annum in and after 2040 for drugs, 4.0% for dental fees and 4.0% for other medical fees).

## 7. Capital assets:

	April 30, 2020			April 30, 2019		
	Cost	Accumulated amortization	Net book value	Cost	Accumulated amortization	Net book value
Land	\$ 769,690	\$ -	\$ 769,690	\$ 769,690	\$ -	\$ 769,690
Buildings	1,462,271	447,901	1,014,370	1,445,461	410,980	1,034,481
Leasehold improvements	1,033	223	810	1,013	130	883
Construction-in-progress	1,180	-	1,180	-	-	-
Books	110,370	97,736	12,634	106,792	91,646	15,146
Equipment and furniture	217,234	116,577	100,657	223,115	119,030	104,085
Computer software and equipment	50,220	20,179	30,041	49,362	17,567	31,795
<b>Total</b>	<b>\$ 2,611,998</b>	<b>\$ 682,616</b>	<b>\$ 1,929,382</b>	<b>\$ 2,595,433</b>	<b>\$ 639,353</b>	<b>\$ 1,956,080</b>

Additions at April 30, 2020 were \$51,606 (2019 - \$60,051) and disposals, write-offs and transfers were \$35,041 (2019 - \$51,143). Included in disposals, write-offs and transfers is an impairment loss of \$5,629 (2019 - \$7,099) resulting from a decision to demolish three of the University's buildings in planification of a new construction. The impairment loss for 2019 results from the partial discontinued use of one of the University's residence. The impairment loss is included in the amortization of capital assets on the consolidated statement of operations.

Amortization expense, and disposals and write-offs at April 30, 2020 were \$72,675 (2019 - \$67,697) and \$29,412 (2019 - \$44,044), respectively.

	2020	2019
Acquisitions of capital assets funded as follows:		
Funded by grants	\$ 16,524	\$ 28,743
Funded by internal resources	30,397	19,009
Funded by debentures	2,869	8,681
Donations of capital assets	1,816	3,618
<b>Total</b>	<b>\$ 51,606</b>	<b>\$ 60,051</b>

# UNIVERSITY OF OTTAWA

Notes to Consolidated Financial Statements (continued)

Year ended April 30, 2020  
(in thousands of dollars)

## 8. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances payable of \$7,690 (2019 - \$7,313) which includes amounts payable for payroll-related taxes.

## 9. Deferred revenue:

	2020	2019
Balance, beginning of year	\$ 301,090	\$ 274,729
Contributions received during the year	543,439	563,038
Recognized as revenue	(532,593)	(532,247)
Transfer to deferred contributions related to capital assets	(200)	(4,430)
Balance, end of year	\$ 311,736	\$ 301,090

The balance consists of the following:

	2020	2019
Operating	\$ 45,805	\$ 58,864
Sponsored research and trust	245,737	214,420
Capital	20,194	27,806
Total	\$ 311,736	\$ 301,090

# UNIVERSITY OF OTTAWA

Notes to Consolidated Financial Statements (continued)

Year ended April 30, 2020  
(in thousands of dollars)

## 10. Deferred contributions related to capital assets:

Deferred contributions related to capital assets represent the unamortized amount of restricted donations and grants used for the purchase of capital assets. The changes in the deferred contributions balance for the period are as follows:

	2020	2019
Balance, beginning of year	\$ 441,294	\$ 437,948
Transfer from deferred revenue	200	4,430
Contributions received during the year	16,168	24,028
Contributions in-kind received during the year	1,972	3,618
	18,340	32,076
Amortization of deferred contributions related to capital assets:		
Research grants	(14,415)	(14,242)
Capital grants	(11,225)	(10,780)
Donations	(3,857)	(3,708)
	(29,497)	(28,730)
Balance, end of year	\$ 430,137	\$ 441,294

## 11. Long-term debt:

	2020	2019
Student residence loan at variable rate converted to a fixed rate loan at 7.464% through an interest rate swap, maturing in August 2026 with monthly payments including principal and interest	\$ 13,613	\$ 15,233
Unsecured debentures, Series A, due April 15, 2043, bearing interest at a rate of 6.28%, interest payable in equal semi-annual payments	150,000	150,000
Unsecured debentures, Series B, due October 12, 2056, bearing interest at a rate of 3.256%, interest payable in equal semi-annual payments	200,000	200,000
Unsecured debentures, Series C, due February 13, 2060, bearing interest at a rate of 2.635%, interest payable in equal semi-annual payments	300,000	-
	663,613	365,233
Current portion	(1,739)	(1,620)
Total	\$ 661,874	\$ 363,613

# UNIVERSITY OF OTTAWA

Notes to Consolidated Financial Statements (continued)

Year ended April 30, 2020  
(in thousands of dollars)

## 11. Long-term debt (continued):

The principal annual installments required to be paid are as follows:

2021	\$	1,739
2022		1,865
2023		2,002
2024		2,148
2025		2,304
Thereafter		653,555
	\$	663,613

### *Interest rate swaps*

The University has entered into an interest rate swap agreement related to the variable rate loan on a student residence to minimize the impact on future cash flows of changes in interest rates. The University has designated the interest rate swap as a cash flow hedge, and has assessed it as highly effective.

The fair value of the interest rate swap at April 30, 2020 is estimated to be \$2,966 (2019 - \$3,048) which represents the amount the University would have to pay if the interest rate swap agreement was terminated on that date. The University is current with respect to the required payments under the loan and interest rate swap agreement.

### *Sinking fund*

A voluntary sinking fund has been established to provide funds to repay the debentures principal upon maturity. As of April 30, 2020, the balance of the sinking fund including the accrued investment income is \$86,202 (2019 - \$58,645). This amount is included in long-term investments and in internally restricted net assets (note 12).

### *Line of credit*

The University has lines of credit allowing it to borrow up to \$29,600 at an interest rate of prime. These lines of credit are subject to annual renewal. At April 30, 2020, no amount had been borrowed under these lines of credit.

### *Interest*

	2019	2018
Interest paid and incurred related to the long-term debt	\$ 18,431	\$ 17,608



# UNIVERSITY OF OTTAWA

Notes to Consolidated Financial Statements (continued)

Year ended April 30, 2020  
(in thousands of dollars)

## 12. Internally restricted net assets:

Internally restricted net assets are funds set aside for specific purposes and are as follows:

	2020	2019
Investment in capital assets and related reserves	\$ 1,281,084	\$ 1,347,176
Employee benefits	(24,685)	194,291
Sinking fund (note 11)	86,202	58,645
Stabilization reserves	52,561	52,146
Restricted research and other	60,868	58,024
Operating contingencies	88,081	68,702
Ancillary services	41,182	5,385
Internally financed capital projects	(47,314)	(57,450)
<b>Balance, end of year</b>	<b>\$ 1,537,979</b>	<b>\$ 1,726,919</b>

### (a) Investment in capital assets and related reserves:

	2020	2019
Investment in capital assets (note 14)	\$ 1,192,103	\$ 1,208,894
Capital projects and related reserves	88,981	138,282
<b>Balance, end of year</b>	<b>\$ 1,281,084</b>	<b>\$ 1,347,176</b>

Investment in capital assets represents the amount of net assets that is not available for other purposes because it has been used to fund the purchase of capital assets, net of outstanding debt. It consists of unamortized capital assets purchased with unrestricted resources plus the carrying amount of capital assets purchased with unrestricted resources that will not be amortized. It excludes those assets funded through capital contributions.

The capital projects and infrastructure reserves relates to capital projects at various stages of planning, design and construction. It includes:

- Unspent funds as of April 30, 2020 with respect to capital projects and renovations in progress;
- Funds set aside for specific major capital projects in planning stage and planned deferred maintenance;
- Funds held by faculties and services restricted for future capital projects and renovations.

# UNIVERSITY OF OTTAWA

Notes to Consolidated Financial Statements (continued)

Year ended April 30, 2020  
(in thousands of dollars)

## 12. Internally restricted net assets (continued):

### (b) Employee benefits:

	2020	2019
Pension benefit plans	\$ (50,915)	\$ 163,232
Other benefit plans	(64,662)	(62,925)
Pension and other benefit plans reserves (note 6)	90,892	93,984
<b>Balance, end of year</b>	<b>\$ (24,685)</b>	<b>\$ 194,291</b>

Internally restricted net assets have been reduced by the portion of employee future benefits obligations to be funded by future operating budgets.

### (c) Stabilization reserves:

	2020	2019
Investment returns	\$ 42,669	\$ 42,669
Utilities, insurance and foreign exchange rate	9,892	9,477
<b>Balance, end of year</b>	<b>\$ 52,561</b>	<b>\$ 52,146</b>

These reserves have been established to protect the University against unfavorable volatility.

### (d) Restricted research and other:

These funds represent unrestricted research and other funds that have been set aside for specific purposes such as start-up research funds, contributions for Canada Research Chairs holders and internal research programs.

### (e) Operating contingencies:

These funds represent:

- Departmental operating carry forward surpluses that are permitted to be carried forward;
- Specific envelope set aside for strategic priorities of the University;
- Funds loaned for the realization of institutional projects that are being recovered from future operating budgets.

### (f) Ancillary services:

These funds represent departmental operating carry forward surpluses and the investment in the wholly owned subsidiary 45 Mann LP.

# UNIVERSITY OF OTTAWA

Notes to Consolidated Financial Statements (continued)

Year ended April 30, 2020  
(in thousands of dollars)

## 12. Internally restricted net assets (continued):

(g) Internally financed capital projects:

	2020	2019
Ancillary and self funded services (parking, housing, food, sports)	\$ (28,833)	\$ (38,223)
Faculties	(18,481)	(19,227)
<b>Balance, end of year</b>	<b>\$ (47,314)</b>	<b>\$ (57,450)</b>

These represent operating funds loaned for the realization of major capital projects that are being recovered over time. These internal loans are being repaid from operating budget and activities of the related faculty or service.

## 13. Endowments:

Endowments funds are composed of restricted donations received by the University and the accumulated investment income not yet distributed. The University may have the right, with donor's consent, to subsequently remove the designation as endowment. Donations that have been internally designated as endowments are accounted for as transfers. Investment returns generated from endowments are used in accordance with the various purposes established by the donors or by the University in the exercise of its discretion. The University protects the future purchasing power of its endowments by designating a portion of the annual investment income earned to endowments, known as capital protection. Accordingly, the University has established a policy of setting the amount of income available for spending to 3.5% (2019 - 3.5%) of the last 12 quarters market value moving average. The purpose of this policy is to allow the University to distribute a consistent amount of income from endowments on an annual basis regardless of the investment income earned in the fiscal year.

Activities in the endowments were as follows:

	2020	2019
Balance, beginning of year	\$ 293,997	\$ 279,657
External contributions	1,935	3,126
Investment income, net of fees	9,110	19,942
Investment income made available for spending	(10,003)	(9,625)
	1,042	13,443
Transfers from internal contributions and matching funds	398	897
<b>Balance, end of year</b>	<b>\$ 295,437</b>	<b>\$ 293,997</b>

# UNIVERSITY OF OTTAWA

Notes to Consolidated Financial Statements (continued)

Year ended April 30, 2020  
(in thousands of dollars)

## 13. Endowments (continued):

The balance is composed of the following funds:

	2020	2019
Internally restricted	\$ 35,945	\$ 35,655
Externally restricted	259,492	258,342
<b>Total</b>	<b>\$ 295,437</b>	<b>\$ 293,997</b>

The endowment funds consists of:

	2020	2019
Permanently endowed contributions	\$ 202,310	\$ 199,977
Cumulative amount for capital protection	93,127	94,020
<b>Total</b>	<b>\$ 295,437</b>	<b>\$ 293,997</b>

The cumulative amount for capital protection is based on market value of investments.

## 14. Net assets invested in capital assets:

The net asset invested in capital assets consists of the following:

	2020	2019
Capital assets (note 7)	\$ 1,929,382	\$ 1,956,080
Less amounts financed by:		
Debt	(307,142)	(305,862)
Deferred contributions related to capital assets (note 10)	(430,137)	(441,294)
<b>Balance, end of year</b>	<b>\$ 1,192,103</b>	<b>\$ 1,208,924</b>

# UNIVERSITY OF OTTAWA

Notes to Consolidated Financial Statements (continued)

Year ended April 30, 2020  
(in thousands of dollars)

## 14. Net assets invested in capital assets (continued):

The change in net assets invested in capital assets is calculated as follows:

	2020	2019
Repayment of long-term debt	\$ 1,620	\$ 1,510
Acquisitions of capital assets	51,606	60,051
Deferred contributions related to capital assets recognized as revenue (note 10)	29,497	28,730
<b>Increase in net assets invested in capital assets</b>	<b>82,723</b>	<b>90,291</b>
Amortization of capital assets	(78,304)	(74,796)
Transfer from deferred revenue (note 9)	(200)	(4,430)
Capital asset contributions received (note 10)	(18,140)	(27,646)
Use of debt	(2,870)	(8,681)
<b>Decrease in net assets invested in capital assets</b>	<b>(99,514)</b>	<b>(115,553)</b>
<b>Change in net assets invested in capital assets</b>	<b>\$ (16,791)</b>	<b>\$ (25,262)</b>

## 15. Restricted grants and contracts:

Restricted grants and contracts revenues are composed of:

	2019	2018
Research	\$ 133,404	\$ 141,407
Trust	74,047	75,484
Capital (note 10)	11,225	10,780
<b>Total</b>	<b>\$ 218,676</b>	<b>\$ 227,671</b>

### *Trust*

Trust revenues includes the funding from the Ministry of Health (MOH) of \$71,443 (2019 - \$69,635) to ensure the delivery of clinical medical education in Ontario. The University provides an orderly employment relationship between Ontario teaching hospitals as represented by the Council of Academic Hospitals of Ontario and the residents in these teaching hospitals represented by the Professional Association of Residents of Ontario.

# UNIVERSITY OF OTTAWA

Notes to Consolidated Financial Statements (continued)

Year ended April 30, 2020  
(in thousands of dollars)

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## 16. Inter-institutional research and other agreements:

These expenses consist of amounts delivered to related research institutions and other partners in relation to agreements settled between the University and the partners and in respect of which the University is the main contractor. An equivalent revenue is recorded in restricted grants and contracts revenue as research related activities.

## 17. Commitments and contingent liabilities:

### *Self-insurance*

The nature of the University's activities is such that there are usually claims or potential claims in prospect at any one time. As at April 30, 2020, the University believes that it has valid defences and appropriate insurance coverage in place on certain claims that are not expected to have a material impact on the University's financial position. There also exist other claims or potential claims where the ultimate outcome cannot be determined at this time. Any additional losses related to claims would be recorded in the year during which the amount of the liability can be estimated or adjustments to the amount recorded are required.

### *Litigation*

The University is involved with pending litigation and claims which arise in the normal course of operations. In management's opinion, the University has valid defenses and appropriate insurance coverage in places that are not expected to have a material impact on the University's financial position. There also exists other claims or potential claims where the ultimate outcome cannot be determined at this time. Any additional losses related to claims would be recorded in the year during which the amount of the liability can be estimated or adjustments to the amount recorded are determined to be required.

### *Contractual commitments*

The University has undertaken the construction and renovation projects on some of its facilities. As at April 30, 2020, the University has outstanding commitments for such projects for approximately \$2,453 (2019 - \$1,343).

### *Obligation under operating lease*

The University of Ottawa has entered into various long-term operating leases.

Future minimum lease payments over the next five years, by year are as follows:

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2021	\$	6,223
2022		6,272
2023		6,270
2024		6,331
2025		6,428

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# UNIVERSITY OF OTTAWA

Notes to Consolidated Financial Statements (continued)

Year ended April 30, 2020  
(in thousands of dollars)

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## 18. Financial instruments:

There has been no significant change to the risk exposures during the year, other than the impacts of COVID-19 as described in note 20.

### (a) Market risk:

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate. Market risk comprises three types of risk: currency risk, interest rate risk and price risk.

#### (i) *Foreign currency risk:*

Foreign currency exposure arises from the University's holdings of foreign equities and bonds. Currency hedging may be used to reduce the risk from fluctuations of foreign currency exchange rates, as defined in the University's Statement of Investment Policies and Goals (SIPG).

#### (ii) *Interest rate risk:*

The University is exposed to interest rate risk on its fixed interest rate financial instruments. Further details about the fixed rate investments are included in notes 3 and 5 and for long-term debt in note 11.

#### (iii) *Price risk:*

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk). The University is exposed to these risks in connection with its holdings of domestic and foreign equities (including pooled funds), as well as through its investments in real estate and infrastructure.

### (b) Credit risk:

Credit risk relates to the potential that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The University's SIPG, which is reviewed annually, defines permitted investments and provides guidelines and restrictions on acceptable investment categories which minimize credit risk.

The maximum credit exposure of the University is represented by the fair value of the investments and accounts receivable as presented in the consolidated statement of financial position.

Credit risk concentration exists where a significant portion of the portfolio is invested in securities which have similar characteristics or similar variations relating to economic, political or other conditions. The University has a well diversified investment portfolio which prevent credit risk concentration. The financial health of its investments is monitored on an on-going basis with the assistance of its Finance and Treasury Committee of the Board of Governors and its investment advisors.

### (c) Liquidity risk

Liquidity risk is the risk that the University will be unable to fulfill its obligations on a timely manner or at a reasonable cost. The University manages its liquidity risk by monitoring its operating requirements. The University prepares budgets and cash forecasts to ensure it has sufficient funds to fulfill its obligations.

# UNIVERSITY OF OTTAWA

Notes to Consolidated Financial Statements (continued)

Year ended April 30, 2020  
(in thousands of dollars)

## 19. Consolidated entities

The University is consolidating results of the following wholly-owned subsidiaries. The value of the investment in these entities is reflected in long-term investments in note 5.

During the year, the University has acquired 45 Mann LP, a new wholly-owned subsidiary. The entity was formed under the Limited Partnerships Act (Ontario) to operate a student housing residence in Ottawa, Ontario. The investment has a value of \$38,293 at April 30, 2020. The most up to date validated financial information included in the table below is at December 31, 2019.

7311842 Canada Inc. is a wholly-owned subsidiary incorporated under the Canadian Business Corporations Act. The purpose of this subsidiary is to hold, on behalf of the University, certain investments outside of Canada. As of April 30, 2020, the investment has a value of \$10,383 (2019 - \$11,658). The most up to date validated financial information included in the table below is at December 31, 2019.

866520 Ontario Limited is operating as University of Ottawa Health Services. The purpose of this subsidiary is to manage health services for the students of the University. As of April 30, 2020, the investment has a value of \$926 (2019 - \$827). The most up to date validated financial information included in the table below is at April 30, 2019.

The University of Ottawa Community Legal Clinic (the "Clinic") is constituted as a Student Legal Aid Society under paragraph 21 of the Legal Aid Act (1998). The purpose of the Clinic is to provide a service to the community consisting of legal education, advocacy and law reform for, and on behalf of, people of low income, members of historically disadvantaged groups and students. As of April 30, 2020, the investment has a value of \$604 (2019 - \$591). The most up to date validated financial information included in the table below is at March 31, 2019.

The following table presents condensed financial information of these consolidated entities:

				2020	2019
	45 Mann Limited Partnership	7311842 Canada Inc.	Other controlled entities	Total	Total
<b>Statement of financial position</b>					
Total assets	\$ 38,114	\$ 12,461	\$ 1,769	\$ 52,344	\$ 15,255
Total liabilities	33,380	1,497	1,164	36,041	3,044
<b>Surplus</b>	<b>4,734</b>	<b>10,964</b>	<b>605</b>	<b>16,303</b>	<b>12,211</b>
<b>Statement of operations</b>					
Revenues	4,634	57	9,771	14,462	9,244
Expenses	4,424	712	9,659	14,795	9,480
<b>Surplus (deficiency) of revenues over expenses</b>	<b>210</b>	<b>(655)</b>	<b>112</b>	<b>(333)</b>	<b>(236)</b>
<b>Statement of cash flow</b>					
Operating activities	1,887	Information	Information	1,887	Information
Investing activities	(33)	not	not	(33)	not
Financing activities	(1,991)	available	available	(1,991)	available



# UNIVERSITY OF OTTAWA

Notes to Consolidated Financial Statements (continued)

Year ended April 30, 2020  
(in thousands of dollars)

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## 20. Impacts of COVID-19

In March 2020, the World Health Organization declared the spread of coronavirus ("COVID- 19") to constitute a global pandemic. This has resulted in governments worldwide enacting emergency measures to combat the spread of the virus including travel restrictions in and out of and within Canada, barring gathering of people and requiring citizens to stay at home other than for essential activities. These restrictions impacted the operations of the University and resulted in the closure of physical premises of all post-secondary institutions. The impact of COVID-19 also adversely impacted global commercial activity and contributed to the significant volatility in certain equity and debt markets. This led to significant volatility and declines in the global public equity markets. The impact of this volatility on the markets remains unknown at this time.

As of the date of approval of the financial statements, the extent of such adverse effects on the University's business, financial and operational performance are uncertain and difficult to assess. The financial impacts will depend on future developments, including the duration, spread and severity of the outbreak, physical distancing requirements, the duration and geographic scope of related travel advisories and restrictions, and the extent of disruptions to businesses globally and its related impact on the economy.

As at April 30, 2020, the University did not have significant adjustments to reflect the possible future impact of COVID-19. Investments are recorded at fair value which included the impact on financial markets as at year-end and emphasis was put on the collectability of receivables and other estimates within the financial statements as at April 30, 2020. The investments recognized within the University's defined benefit pension plans are subject to the same increased risk market volatility than the University's investments.

Due to COVID-19, Strategic Mandate Agreement 3 ("SMA3") signing has been delayed by the Ministry of Colleges and Universities of Ontario. SMA3 covers the 5 year period from 2020-21 to 2024-25. SMA3 establishes targets for the 10 metrics upon which the institutional performance funding will be assessed.

Management has assessed its liquidity risks and believes there are no significant issues, given the University has a strong working capital base and access to liquid resources to support operations in the coming year. Given the outcome and timeframe to a recovery from the current pandemic is highly unpredictable, it is not practicable to estimate and disclose its financial effect on future operations at this time.

## 21. Comparative consolidated financial statements:

The comparative consolidated financial statements have been reclassified from statements previously presented to conform to the presentation of the current year.

# UNIVERSITY OF OTTAWA

Notes to Consolidated Financial Statements (continued)

Year ended April 30, 2020  
(in thousands of dollars)

## 22. Ontario Student Opportunity Trust Fund and Ontario Trust for Student Support:

The restricted endowment fund includes funds granted by the Government of Ontario for Phase I and Phase II of the Ontario Student Opportunity Trust Fund (OSOTF) and the Ontario Trust for Student Support (OTSS), as these programs provide for the matching by the Province of Ontario of the endowment contributions received by the University. The investment revenue earned on those funds must be used to provide financial aid to Ontario Students.

As per Ministry of Training, Colleges and Universities policies, the transactions related to the Ontario Student Opportunity Trust Fund and to the Ontario Trust for Student Support must be presented in these financial statements, for the year ended March 31, 2020.

Endowment fund	Ontario Student Opportunity Trust Funds		Ontario Trust for Student Support	Total 2020	Total 2019
	Phase I	Phase II			
Fund balance, beginning of year	\$ 20,132	\$ 5,613	\$ 28,584	\$ 54,329	\$ 53,945
Increases of capital	198	16	82	296	384
Fund balance, end of year	\$ 20,330	\$ 5,629	\$ 28,666	\$ 54,625	\$ 54,329

  

Schedule of changes in expendable funds available for awards	Ontario Student Opportunity Trust Funds		Ontario Trust for Student Support	Total 2020	Total 2019
	Phase I	Phase II			
Balance, beginning of year	\$ 11,645	\$ 2,076	\$ 6,108	\$ 19,829	\$ 18,847
Realized investment income, net of direct investment- related expenses and preservation of capital contributions	344	71	184	599	3,336
Bursaries awarded	(1,290)	(274)	(616)	(2,180)	(2,354)
Balance, end of year	\$ 10,699	\$ 1,873	\$ 5,676	\$ 18,248	\$ 19,829
Number of recipients	973	80	303	1,356	1,360
Endowment total based on book value	\$ 31,029	\$ 7,502	\$ 34,342	\$ 72,873	\$ 74,158