

REVIEW OF THE 2016-2017 FINANCIAL RESULTS



Financial Resources

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REVIEW OF THE 2016-2017 FINANCIAL RESULTS (UNAUDITED)

This review of the 2016-2017 financial results (unaudited) is to be read in conjunction with the University's audited Consolidated Financial Statements and the accompanying notes to the Consolidated Financial Statements.

The University would like to highlight that some of the information presented in this review is based on estimates and assumptions.

The information in this review takes into account significant issues occurring up to the date of publication of this report.

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INTRODUCTION

The information contained in this document presents a financial overview of the past year in comparison with the previous year and in light of the budget for the 2016-2017 fiscal year.

The 2016-2017 fiscal year was quite active with many academic developments, most notably the addition of 67 new professor positions and the modernization of infrastructure to support them. However, these activities were accompanied by reduced enrollment numbers for Canadian students, which caused significant financial pressure for the University.

The challenge of balancing the budget remained a priority over the course of the fiscal year. Consequently, restraint measures were implemented to reduce expenditures. The University limited its operating deficit to \$5.1 million, as forecasted in the budget approved by the Board of Governors in May 2016. It must be acknowledged that this was achieved through a collaborative effort that required creativity and many adjustments.

The restraint measures implemented in the fall of 2016 reduced expenditures by \$6.8 million and dampened the negative effect of the \$11.9 million deficit incurred by faculties and services. Nevertheless, if this trend continues, it could jeopardize the financial health of the University.

Unrestricted net assets have decreased considerably over the past year, dropping from \$1.8 million as at April 30, 2016, to less than \$0.1 million as at April 30, 2017. The margin available to manage unforeseen events is becoming increasingly limited. Given the University's annual budget and the 2016-2017 financial results, this margin is now less than 0.1%.

The Consolidated Financial Statements reflect an excess of revenue over expenses of \$48.6 million for the year ended April 30, 2017. This represents a change of \$61.8 million compared to 2015-2016. The increase of \$61.8 million is mainly due to financial market volatility, which varied by \$68.4 million between 2015-2016 and 2016-2017. If this fluctuation in the market did not occur, the excess of revenue over expenses would have decreased \$6.6 million compared to the previous year.

Taking advantage of the favourable borrowing rates, the University issued a \$200.0 million long-term debenture to fund its infrastructure projects.

Over the past few years, the expenditures of the operating fund have grown faster than its revenue, and this trend continued during the 2016-2017 fiscal year. This will remain one of the greatest challenges for the University in the coming years.

Despite these challenges, the speed and number of major construction and renovation projects currently under way on campus is impressive. Many of these projects will be completed during the upcoming fiscal year, including the Learning Crossroads centre and STEM Hall.

In closing, the University is proud of the work accomplished in 2016-2017 and of its employees, who played an important role in all that was accomplished in 2016-2017.

2016-2017 BUDGET RESULTS (MODIFIED CASH ACCOUNTING BASIS)

2016-2017 BUDGET RESULTS (MODIFIED CASH ACCOUNTING BASIS)

The University's management financial reports are prepared by fund on a modified cash basis. Under this methodology, budgets are compiled by fund with their respective revenue and expenses to ensure conditions set out by financial donors are respected.

The Consolidated Financial Statements are on the other hand prepared under the accrual accounting method in accordance with Canadian accounting standards for not-for-profit organizations from Part III of the CPA Canada Handbook — Accounting. The financial statements use the deferral accounting method and funds are consolidated under a single category. The two methods are similar, with the following exceptions:

- The budget is presented by fund while the financial statement are consolidated.
- The budget takes into account cash receipts and disbursements with respect to the acquisitions of capital assets while the financial statements includes the capitalization and depreciation of these assets as well as any related deferred contributions.
- The budget includes contributions and premiums paid by the University relating to pension plans as required by law, while the financial statements report the actuarially-determined expense related to the pension plans and other employee benefits.
- The budget incorporates the increase and utilisation of the University's net assets to finance activities carried out or to come, while the financial statements present separately the statement of operations and the statement of changes in net assets with no consideration of funding sources and conditions.

Given these differences, discrepancies exists between the budget and the audited Consolidated Financial Statements. These differences result in an adjustment of \$53.6 million, as illustrated in Table 1.

TABLE 1. RECONCILIATION BETWEEN BUDGET DEFICIT AND THE EXCESS OF REVENUE OVER EXPENSES IN THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS
(in thousands of dollars)

	2016-2017
Budget deficit	(5,065)
Adjustments from modified cash accounting to accrual accounting:	
• Capitalization and depreciation (including the use and repayment of debt)	60,828
• Deferred contributions related to capital assets	(48,896)
• Adjustments for employee future benefits	8,554
• Commitment – Retirement incentives for academic staff members (as at April 30, 2017)	(5,381)
• Repayment of internal debt for self-financed activities	2,794
Increase (Use) of net assets	
• Stabilization reserves (investment income and employee future benefits)	21,360
• Funding of SIS and other	(8,796)
• Excess of revenue over expenses for research, trust and endowment funds, anciliaries enterprises and capital fund, transferred to net assets for future commitments	23,172
Excess of revenue over expenses	48,570

2016-2017 BUDGET RESULTS (MODIFIED CASH ACCOUNTING BASIS)

The 2016-2017 budget deficit was consistent with the initial budget, which projected a \$4.9 million deficit, and slightly better than the winter forecast, which projected a \$5.8 million deficit.

The information in this section focuses on the operating fund and Table 2 compares the results of the operating fund for the year against the winter forecast and the initial budget.

Operating fund revenue was \$831.7 million, compared to the winter forecast revenue of \$813.2 million and the initial budget revenue of \$808.0 million. The increase in revenue was a result of higher returns on investments. Operating fund expenditures was \$824.2 million, compared to a winter forecast of \$836.7 million and an initial budget of \$835.9 million. The favourable variance of \$12.5 million was due in part to lower support staff salaries as well as a reduction in contractual services, following the restraint measures that were established in the fall of 2016.

TABLE 2. 2016-2017 OPERATING FUND RESULTS ON A MODIFIED CASH BASIS, COMPARED TO THE WINTER FORECAST AND THE INITIAL BUDGET
(in thousands of dollars)

	2016-2017				
	Initial budget	Winter projection	Final	Final vs. initial budget	Final vs. winter projection
Revenue					
Grants	381,240	381,305	380,167	(1,073)	(1,138)
Tuition and other fees	380,197	382,048	380,779	582	(1,269)
Investment income	25,066	26,485	47,652	22,586	21,167
Other	21,517	23,401	23,099	1,582	(302)
	808,020	813,239	831,697	23,677	18,458
Expenses and transfers					
Salaries ¹	483,307	482,175	476,793	(6,514)	(5,382)
Employee benefits ²	93,060	90,250	90,642	(2,418)	392
Scholarships and financial aid ³	67,927	69,138	67,492	(435)	(1,646)
Other expenses and transfers	191,601	195,096	189,271	(2,330)	(5,825)
	835,895	836,659	824,198	(11,697)	(12,461)
Excess (deficiency) of revenue over expenses	(27,875)	(23,420)	7,499	35,374	30,919
Use (increase) in net assets	22,944	17,633	(12,564)	(35,508)	(30,197)
Budget surplus (deficit)	(4,931)	(5,787)	(5,065)	(134)	722

1- Salaries excludes \$5.4 million in commitment for the retirement incentives for academic staff members (as at April 30, 2017) as well as student salaries under the Work-Study Program, which are included under *Scholarships and financial aid* in Table 2.

2- Employee benefits excludes \$8.6 million in adjustments for *Employee future benefits*.

3- Scholarships and financial aid includes Work-Study Program salaries, which are included in *Salaries* in the University's Consolidated Financial Statements.

2016-2017 BUDGET RESULTS (MODIFIED CASH ACCOUNTING BASIS)

Grants

Grants revenue reached \$380.2 million in 2016-2017, compared to a winter forecast of \$381.3 million and an initial budget of \$381.2 million. An unexpected incremental decrease in the number of Canadian students caused the difference between the forecast and the final results.

Tuition and other fees

Tuition and other fees amounted to \$380.8 million, compared to \$382.0 million in the winter forecast and \$380.2 million in the initial budget. Revenues from Canadian students tuition fees were approximately \$4.0 million lower than projected, while international students tuition fees increased by approximately \$2.7 million, resulting in a net decrease of \$1.3 million.

Investment income

For the fiscal year ended April 30, 2017, operating fund investment income was \$47.7 million, compared to a forecast of \$26.5 million and an initial budget of \$25.1 million. The \$21.2 million increase compared to the winter forecast was due to the favourable performance in the financial market during the last quarter of the fiscal year. These results include unrealized gains of \$30.8 million (for a total of unrealized gains of \$36.4 million in the consolidated financial statements).

Given the financial market volatility, the availability of funds can only be assured when investments are sold. To mitigate against the potential negative impacts of financial market volatility, the University has created a stabilization reserve fund. During the year ended April 30, 2017, a portion of this reserve that was used during the 2015-2016 fiscal year was replenished.

Salaries and benefits

In fiscal year 2016-2017, salaries and benefits totaled \$567.4 million, compared to a winter forecast of \$572.4 million. The decrease of \$5.0 million in salaries and benefits was due in part to the lower number of contractual employees, which was one of the restraint measures undertaken in the fall of 2016 to reduce expenditures.

Scholarships and financial aid

Spending on scholarships and financial aid was \$1.6 million lower than the winter forecast and \$0.4 million lower than the initial budget, primarily as a result of a decrease in the number of Canadian students. The amount per student remained constant, at \$2,411 (\$2,459 in 2015-2016 and \$2,354 in 2014-2015).

2016-2017 CONSOLIDATED
FINANCIAL RESULTS
(ACCOUNTING BASIS)

2016-2017 CONSOLIDATED FINANCIAL RESULTS (ACCOUNTING BASIS)

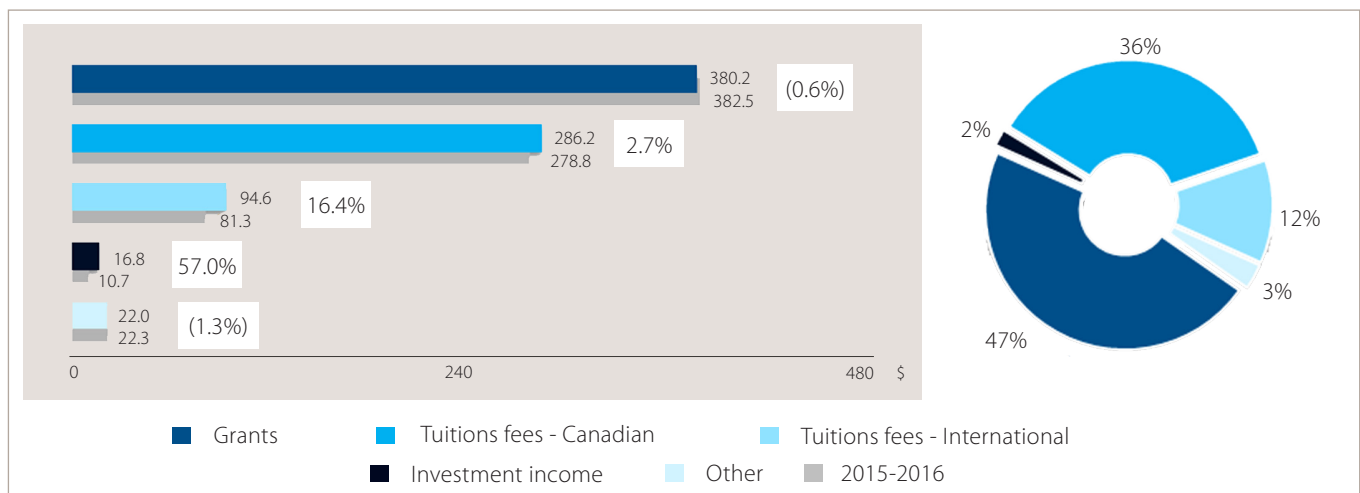
The Consolidated Financial Statements are prepared under the accrual accounting method in accordance with Canadian accounting standards for not-for-profit organizations, as per Part III of the CPA Canada Handbook — Accounting. These statements are based on the deferral accounting method and all funds are consolidated under a single category. During preparation of the Consolidated Financial Statements, an analysis of the funds was done using accrual accounting and has been included in Schedule 1 of the audited Consolidated Financial Statements.

The University’s Consolidated Financial Statements reflect an excess of revenue over expenses of \$48.6 million for the year ended April 30, 2017. The favourable variance of \$61.8 million compared to 2015-2016 was due to the volatility of the financial markets, which impacted the University’s unrealized gains and losses on investments by \$68.4 million. Had this fluctuation not occurred during the last quarter of the fiscal year, the excess of revenue over expenses would have decreased by \$6.6 million compared to the prior year.

This section presents the information in the Consolidated Financial Statements by fund and compares these results to those of the previous fiscal year. It should be read in conjunction with Schedule 1 of the University’s Consolidated Financial Statements for the fiscal year ended April 30, 2017. This section focuses on the statement of operations by fund and then provides an overview of the University’s main assets, liabilities and net assets categories.

OPERATING FUND — REVENUE

TABLE 3. PERCENT CHANGE (2015-2016 TO 2016-2017) AND BREAKDOWN OF REVENUE BY SOURCE (2016-2017) (in millions of dollars)



Grants

Grants revenue was \$380.2 million in 2016-2017, compared to \$382.5 million in 2015-2016, and represents 47% of the University’s operating fund revenue (49.3% in 2015-2016). The decrease in grants of \$2.3 million relates to the decline in the number of Canadian students in addition to the decrease in the funding per student by the Government of Ontario since 2013-2014.

2016-2017 CONSOLIDATED FINANCIAL RESULTS (ACCOUNTING BASIS)

Tuition and other fees

Tuition and other fees were \$380.8 million in 2016-2017, compared to \$360.1 million in 2015-2016. The increase in revenues of \$20.7 million includes an increase of \$7.4 million (2.7%) in tuition fees received from Canadian students, despite an average indexation of 3% , and \$13.3 million (16.4%) in tuition fees from international students. The increase in tuition fees from international students is due to the indexation of tuition fees as well as a substantial increase in the number of international students. The proportion of operating fund revenues from Canadian students remained relatively stable in 2016-2017, at around 35.7% (35.9% in 2015-2016), while tuition fees from international students generated 12.1% of the operating fund revenues (10.5% in 2015-2016).

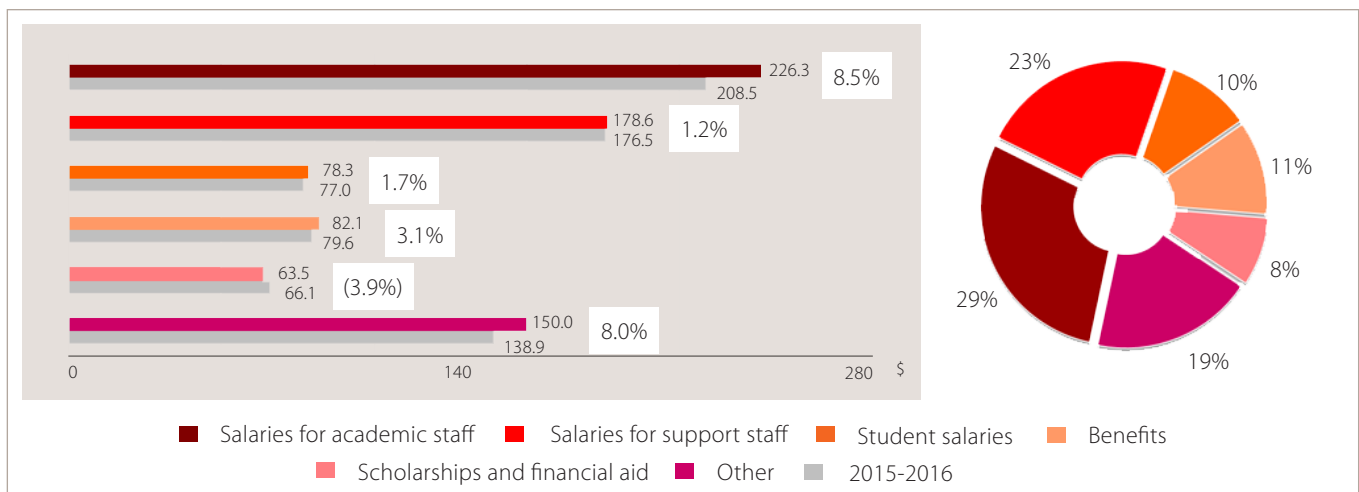
Investment income

Operating fund investment income before unrealized gains and losses was \$16.8 million in 2016-2017, compared to \$10.7 million in 2015-2016. This increase was due to the combined effect of interest rates and cash surpluses invested following the issuance of the debentures in the fall of 2016.

Over the last twelve months, investment returns (including unrealized gains and losses) were 12.9% compared to 0.36% in 2015-2016. As discussed earlier, the volatility of financial markets had a significant impact on the University’s financial situation. To mitigate the impact of the volatility in the financial markets on the University’s activities, a stabilization reserve was created. This year, a portion of the reserved used in the previous year was replenished.

OPERATING FUND — EXPENSES

TABLE 4. PERCENT CHANGE (2015-2016 TO 2016-2017) AND BREAKDOWN OF EXPENSES BY TYPE (2016-2017)⁴
(in millions of dollars)



4 - Expenses in the Consolidated Financial Statements were adjusted for the following elements, in comparison to the budget figures shown in Table 2:
 a) Salaries include \$5.4 million in commitment — Retirement incentives for academic staff members (as at April 30, 2017) as well as student salaries under the Work-Study Program (included in *Scholarships and financial aid* in Table 2).
 b) Benefits include adjustments of \$8.6 million for employee future benefits, which reduced expenditures in the Consolidated Financial Statements.
 c) Scholarships and financial aid excludes Work-Study Program salaries (included in *Salaries* in the University’s consolidated figures in Table 4).

2016-2017 CONSOLIDATED FINANCIAL RESULTS (ACCOUNTING BASIS)

Salaries and benefits

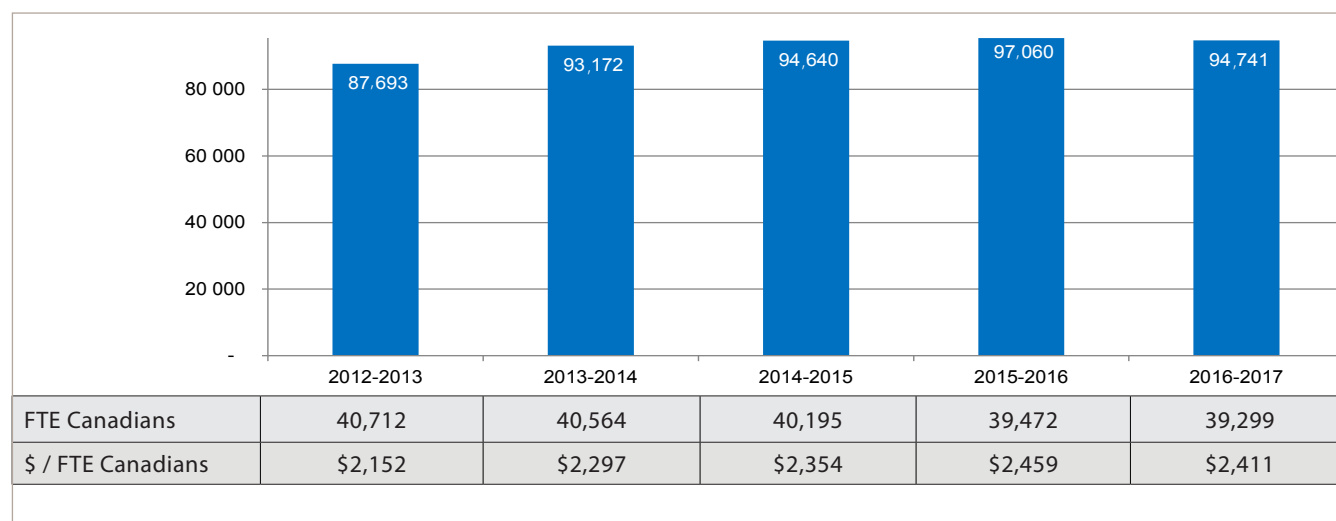
Salaries and benefits amounted to \$565.3 million in 2016-2017, compared to \$541.5 million in 2015-2016, and represented 72.6% of the expenses of the operating fund (72.5% in 2015-2016). Salaries for academic staff increased by \$17.8 million or 8.5%, compared to 2015-2016 and included \$5.4 million in retirement incentives, increases for economic indexation, and a higher number of filled regular and contract academic positions.

Salaries for support staff increased by \$2.1 million or 1.2%, compared to 2015-2016, partly as a result of economic increases, which were offset by a lower number of filled regular and contractual positions.

Student salaries increased by \$1.3 million or 1.7%, compared to 2015-2016, as a result of economic increases.

Scholarships and financial aid

TABLE 5. CHANGES IN SCHOLARSHIPS AND FINANCIAL AID FOR ALL FUNDS OF THE UNIVERSITY
(in thousands of dollars)



During the 2016-2017 fiscal year, the University awarded \$94.7 million (\$97.1 million in 2015-2016) in scholarships and financial aid. Of this amount, \$63.5 million (\$66.1 million in 2015-2016) was drawn from the operating fund. Contributions from the operating fund represented 67.1% (68.1% in 2015-2016) of the scholarships and financial aid awarded by the University. In the past few years, the University made an effort to increase the proportion of scholarships and financial aid from research funds, which explains the reduction in the proportion funded by the operating fund in 2016-2017.

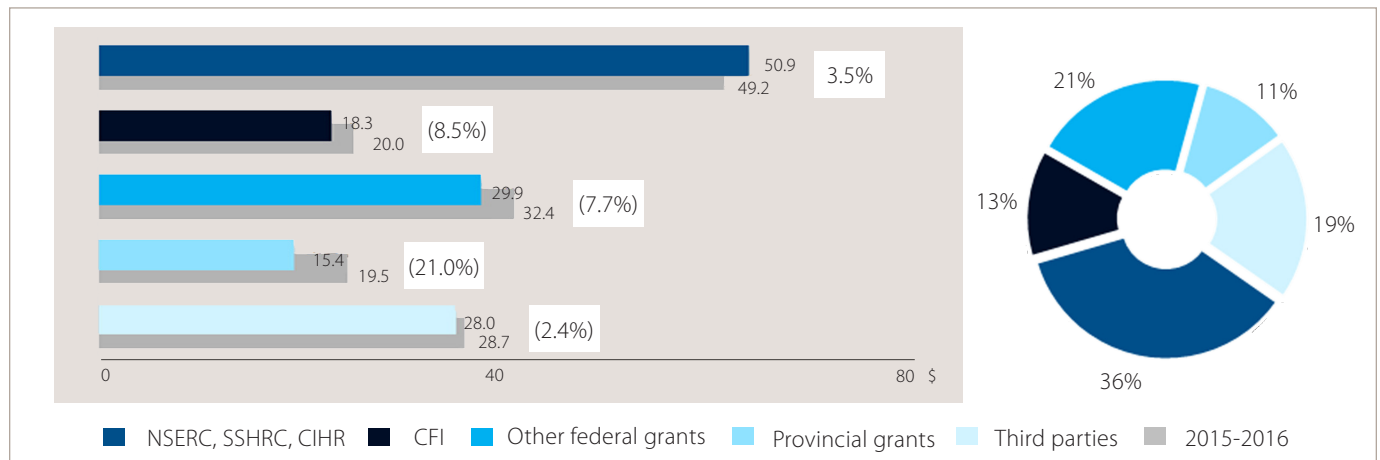
During the 2016-2017 fiscal year, approximately \$94.7 million was awarded from the University consolidated budget (operating, research and trust funds) compared to \$97.1 million in 2015-2016, or roughly \$2,411 per full-time equivalent (FTE) student. The amount of scholarship funding per FTE student has remained quite constant over the last five years (see table 5).

2016-2017 CONSOLIDATED FINANCIAL RESULTS (ACCOUNTING BASIS)

RESEARCH FUND

During the fiscal year, the University received \$142.5 million for its research activities (\$149.8 million in 2015-2016). Table 6 provides a breakdown by source for these funds.

TABLE 6. PERCENT CHANGE IN RESEARCH GRANTS AND CONTRACTS (2015-2016 TO 2016-2017) AND BREAKDOWN BY SOURCE (2016-2017)
(in millions of dollars)



The University uses the deferral accounting method for research grants and contracts revenues, meaning that revenue is recognized only when expenses are incurred. Table 7 presents an extract of the research fund results.

TABLE 7. EXTRACT FROM THE RESULTS OF THE RESEARCH FUND
(in thousands of dollars)

	2016-2017	2015-2016	Variance
Revenue			
Research grants and contracts	113,890	102,015	11,875
Amortization of deferred contributions related to capital assets	12,169	11,772	397
Total revenue from research grants and contracts	126,059	113,787	12,272
Expenses			
Inter-institutional research and other agreements	30,980	19,865	11,115

The increase in research grants and contracts revenues was in line with the increase in expenses related to inter-institutional agreements.

The increase in revenues and expenses was primarily due to two specific projects, the Research Program for Rare Pediatric Diseases, or RaPiD, (\$5.5 million) and the Stem Cell Epigenetics and Therapeutics project (\$2.1 million).

2016-2017 CONSOLIDATED FINANCIAL RESULTS (ACCOUNTING BASIS)

ANCILLARY ENTERPRISES FUND

Total revenues from ancillary enterprises were \$44.1 million in 2016-2017 compared to \$41.5 million in 2015-2016. The increase of \$2.6 million was mainly due to an increase in services offered, particularly student residences and food services.

Ancillary enterprises expenses were \$34.4 million in 2016-2017 compared to \$36.4 million in 2015-2016. The decrease of \$2.0 million includes a change in financial presentation of \$3.0 million. This change reduced ancillary enterprises expenses by \$3.0 million as a result of reporting specific surpluses as net assets rather than as deferred revenue in the liabilities section on the University's Consolidated Statement of Financial Position.

The excess of revenue over expenses for ancillary enterprises was \$9.7 million in 2016-2017, compared to \$5.0 million in 2015-2016. The favourable variance of \$4.7 million included the change in financial reporting of \$3.0 million as previously disclosed. The remaining surplus will be used to create capital asset reserves necessary to maintain and replace infrastructure and systems.



2016-2017 FINANCIAL POSITION (CONSOLIDATED STATEMENT OF FINANCIAL POSITION)

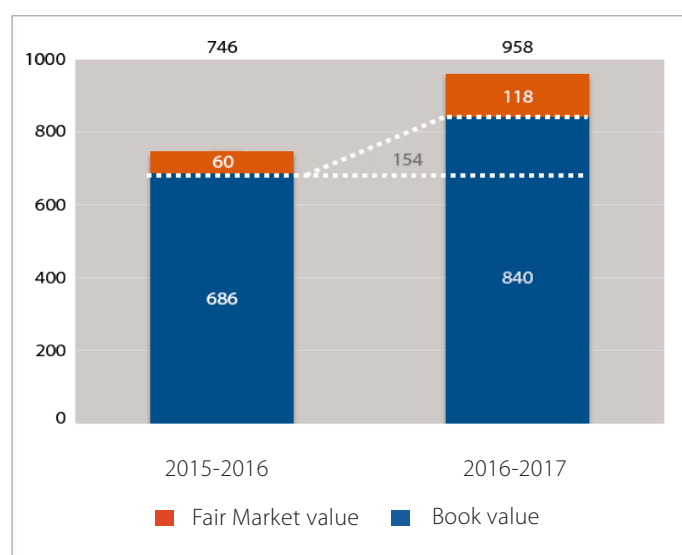
2016-2017 FINANCIAL POSITION (CONSOLIDATED STATEMENT OF FINANCIAL POSITION)

Assets

The variance in the University's assets was primarily the result of the proceeds from the \$200.0 million debenture issued in the fall of 2016, favourable returns on short-term and long-term investments as well as a re-evaluation of the assets for employee future benefits.

Short-term and long-term investments

TABLE 8. CHANGE IN SHORT-TERM AND LONG-TERM INVESTMENTS
(in millions of dollars)



Short-term and long-term investments amounted to \$958.3 million as at April 30, 2017, compared to \$745.6 million on April 30, 2016. The increase in the value of investments of \$212.7 million included unrealized gains on investments of \$58.0 million as a result of positive returns in the financial markets. Of this amount, approximately \$36.4 million was reported directly in the Consolidated Statement of Operations and \$21.6 million as net assets restricted for endowments.

The remaining variance of \$154.0 million can be attributed in part to an excess of cash following the issuance of the \$200.0 million debenture. During the fiscal year 2016-2017, approximately \$50.0 million in expenses was funded by the debenture as follows: \$11.0 million for the construction of the Learning

Crossroads centre, \$11.0 million for the STEM Hall, \$18.0 million for the Henderson residence, and \$10.0 million was transferred to a sinking fund for the future repayment of the debenture.

Over the past decade, to optimize investment revenue, the University has increased its long-term investment ratio from 40% to 75%, in line with the University's investment policy. The one-year annualized rate of return of 12.9% contributes to achieving the objectives of the policy with a four-year annualized rate of return of 9.4%. The 10-year rate of return is 5.7%.

TABLE 9. BREAKDOWN OF SHORT-TERM AND LONG-TERM INVESTMENTS AS AT APRIL 30, 2017 (%)

Foreign equities	32
Corporate bonds	21
Fixed income	15
Real estate and infrastructure	12
Hedge funds	11
Canadian equities	5
Government bonds	4

2016-2017 FINANCIAL POSITION (CONSOLIDATED STATEMENT OF FINANCIAL POSITION)

Employee future benefits

The University's obligation for employee future benefits went from \$57.4 million as at April 30, 2016, to \$197.8 million as at April 30, 2017. The increase of \$140.4 million was primarily due to the impact of the financial markets (\$131.9 million) on April 30, 2017. This amount is restricted in the University's net assets.

Note: These assets are not available to fund the University's activities since they represent actuarial valuations of the future obligations of the University's funded benefit plans. Consequently, these surpluses are unrealized and may vary significantly year over year. Moreover, these assets must be restricted to fund future benefits to employees.

Capital assets

TABLE 10. ACQUISITIONS OF CAPITAL ASSETS
(in thousands of dollars)

	2016-2017	2015-2016
Buildings	18,215	40,213
Construction in progress	80,449	15,772
Information technology project in progress	9,095	13,184
Books	6,968	6,799
Equipment and furniture	24,178	27,076
Computer hardware and software	897	3,365
Total	139,802	106,409

During the fiscal year, the net value of capital assets increased by \$81.2 million with acquisitions totaling \$139.8 million. Several construction projects are currently under way on campus, including the Learning Crossroads project, STEM Hall, Advanced Research Complex, Roger Guindon, the Arts Court theatre and Peter Morand, which account for \$80.4 million of the total acquisitions in 2016-2017. Approximately \$9.1 million was spent during the fiscal year on the Student Information System (SIS) project, which was launched in November 2016, for a total cost of \$43 million.

To support the cost of certain ongoing projects, government funding of approximately \$86.0 million was awarded, of which approximately \$30.5 million was received as at April 30, 2017.

Liabilities

The increase in liabilities was linked to the issuance of a \$200.0 million debenture in the fall of 2016. As at April 30, 2017, the University's long-term debt was \$368.2 million and included the additional debt.

In accordance with Policy 114, the University must meet certain financial ratios, including the unrestricted liquidity-to-debt ratio and the debt burden ratio. As at April 30, 2017, these ratios have been met and are 0.97x and 2.68%, respectively.

2016-2017 FINANCIAL POSITION (CONSOLIDATED STATEMENT OF FINANCIAL POSITION)

Net assets

TABLE 11. CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS (APRIL 30, 2017)
(in millions of dollars)

	Net assets 2017	Net assets 2016	Increase / (decrease)
Invested in capital assets	1,201.4	1,189.5	11.9
Endowments	270.1	242.0	28.1
Internally restricted –employee future benefits	197.8	57.4	140.4
Sinking fund	49.6	34.4	15.2
Internally restricted – Other	255.4	241.5	13.9
Unrestricted	0.1	1.8	(1.7)
Total	1,974.4	1,766.6	207.8

During the 2016-2017 fiscal year, net assets increased by \$207.8 million, bringing total net assets to approximately \$2 billion as at April 30, 2017. The increase is mainly due to the favourable returns in the financial markets on April 30, 2017, which resulted in an increase of net assets internally restricted for employee future benefits.

Of this amount, very little is available for the University's ongoing operations. As shown in Table 11 and on Schedule 1 of the Consolidated Financial Statements, some funds are externally restricted to specific uses by donors such as endowments. Other funds restricted by the University include investments in capital assets, research, employee future benefits and the sinking fund.

Net assets invested in capital assets increased by \$11.9 million as a result of several projects currently underway. This fund represents the net value of the University's capital assets, i.e., the total of its capital assets less debts and deferred contributions related to capital assets. These net assets cannot be used to fund the University's activities.

Endowments increased by \$28.1 million, of which \$21.6 million was due to by fluctuations in the fair market value of investments. Endowment principal must be maintained in perpetuity by the University and is not available for use for ongoing operations. Investment income earned on endowment funds can only be used for the purposes specified by the donors of the endowment.

As discussed in the Assets section, the increase of \$140.4 million in the net assets restricted for employee future benefits was due to the results of the financial markets and is restricted to the funded benefit plans.

During the fiscal year, \$10.0 million was allocated to the sinking fund following the issuance of the \$200.0 million for the series B debenture. The purpose of this sinking fund is to accumulate the necessary capital to repay the \$150.0 million and \$200.0 million debt obligations due April 15, 2043, and April 12, 2056, respectively.

2016-2017 FINANCIAL POSITION (CONSOLIDATED STATEMENT OF FINANCIAL POSITION)

Table 12 shows internally restricted net assets - other.

TABLE 12. CHANGE IN INTERNALLY RESTRICTED NET ASSETS – OTHER
(in millions of dollars)

	Net assets 2017	Net assets 2016	Change
Ancillary enterprises – Operations	2.2	4.4	(2.2)
Trust fund	13.9	14.7	(0.8)
Research fund	35.0	26.2	8.8
Capital fund	96.2	91.3	4.9
Operating fund	108.1	104.9	3.2
Total	255.4	241.5	13.9



2016-2017 FINANCIAL POSITION (CONSOLIDATED STATEMENT OF FINANCIAL POSITION)

Internally restricted net assets - other includes amounts for ancillary enterprises operating expenses, research and trust funds as well as the capital fund, as shown in Table 12.

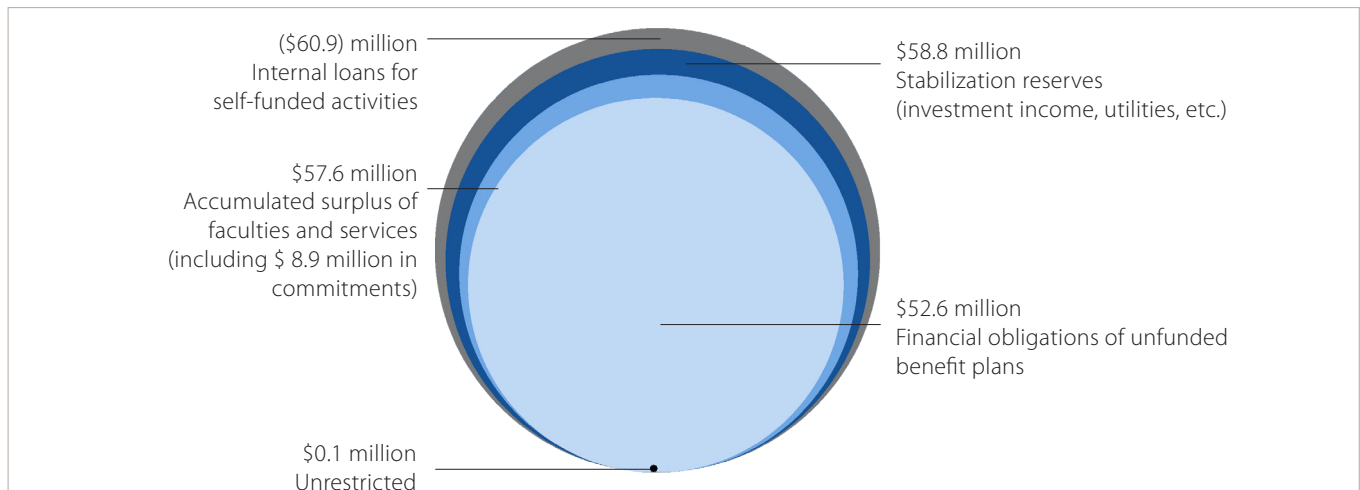
The restricted net assets for ancillary enterprises represents accumulated surpluses that will be used for improvements to infrastructure and service activities that have a direct impact on the student experience.

The restricted net assets for the research and trust funds are, for the most part, donations restricted by donors to be used for specific purposes. These amounts are generally attached to ongoing research projects or for academic use.

Internally restricted net assets for the capital fund includes various types of funds, such as government grants matched to University funds for infrastructure projects and University funds committed to some of the projects currently under way. Since these projects have already started, funds must be restricted to ensure funding for these projects is secured.

Internally restricted net assets for the operating fund have been restricted by faculties and services during previous fiscal periods for specific purposes.

TABLE 13. INTERNALLY RESTRICTED NET ASSETS - OTHER AND UNRESTRICTED NET ASSETS (in millions of dollars)



This image is for illustration purposes only and is not proportional to size.

Internally restricted net assets – other includes \$108.1 million restricted for the operating fund. Of this amount, \$52.6 million was set aside to meet the University’s unfunded financial obligation related to employee future benefits. A total of \$57.6 million represented the accumulated surplus of facilities and services while \$58.8 million was allocated to stabilization reserves to protect against volatility in financial markets, utilities, and other. It should be noted that the \$108.1 million is net of internal loans for self-funded activities, totaling \$60.9 million as at April 30, 2017. This resulted in a discretionary amount of \$0.1 million (unrestricted net assets), which limits the flexibility of the University.

CONCLUSION

The 2016-2017 results are consistent with the initial budget, which projected a \$4.9 million deficit and are slightly better than the winter forecast, which projected a \$5.8 million deficit. Although the University did not deliver a balanced budget, measures put in place reduced significantly the deficit from the Fall 2016 projections and brought results back in line with the initial budget. As indicated during the 2017-2018 budget exercise, the University continues to concentrate its efforts on limiting expenditures and generating new revenues to return to a balanced budget.

Signature of Vice-President, Resources

(signed)

P. Marc Joyal, CPA, CA