

# Review of the Financial Results 2019-2020





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This review of the 2019-2020 financial results should be read in conjunction with the University's audited consolidated financial statements and related notes.

The information contained in this document presents a financial overview of the 2019-2020 fiscal year, in comparison to the previous fiscal year.

# Message from the Vice-President, Finance and Administration



For universities around the world, including the University of Ottawa, the 2019-2020 financial year has been unprecedented. The University has had to overcome major challenges in very short time in order to ensure the continuity of research and academic activities during the global COVID-19 pandemic crisis.

In facing these challenges, the University responded rapidly and seized this opportunity to create, share and acquire knowledge, as well as to explore distance learning to meet the needs of our student community. These new approaches tested our agility and will undoubtedly be explored in greater depth in the coming years as we become more digitally connected.

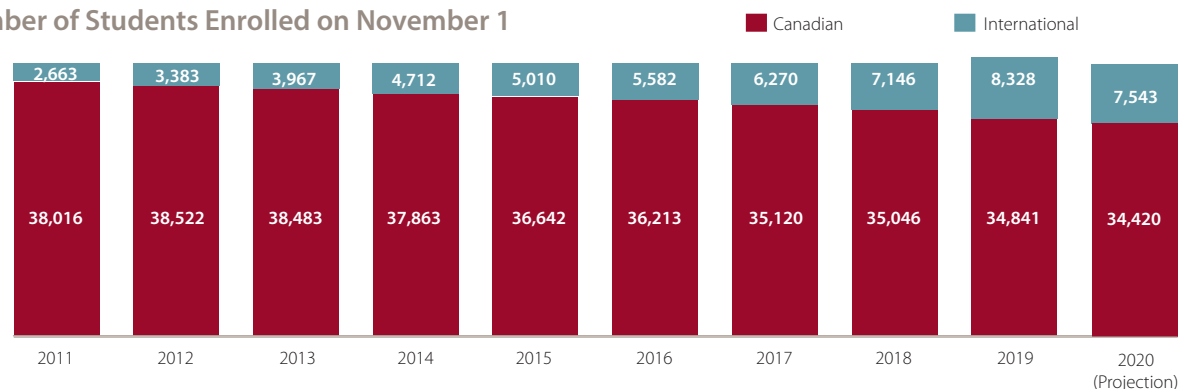
For some years now, the university sector, both in Ontario and across Canada, has been undergoing significant change. The University faces many challenges, including a level of uncertainty surrounding provincial grants, heightened competition for students, geopolitical uncertainty, coupled with increased costs of pension plans, deferred maintenance on buildings and technology. The pandemic is one more significant factor, given its financial impact on the University, namely due to a loss of revenue and an increase in expenditures. The University expects to shoulder these effects during the 2020-2021 fiscal year and beyond.

Financial viability remains a priority for the University. This year's financial results show a strong consolidated surplus of nearly \$36M, compared to \$92M in 2018-2019. This can be attributed to, among other factors, prudent financial management, rigorous monitoring of our results and the agility of our employees and members of the University community, who quickly adapted to limit the financial repercussions of the pandemic. Such prudent financial management will be required in the months to come, as we navigate the uncharted waters related to the global pandemic.

# 2019-2020 in Numbers

(in thousands of dollars)	2020 (\$)	2019 (\$)	Variance (%)
<b>Consolidated Statement of Operations</b>			
Revenue	1,149,679	1,126,063	2.1
Expenses	1,102,435	1,044,346	5.6
Excess of revenue over expenses before the undernoted	47,244	81,717	-4.2
Change in fair value of investments measured at fair value	(11,582)	10,113	-214.5
<b>Excess of revenue over expenses</b>	<b>35,662</b>	<b>91,830</b>	<b>-61.1</b>
<b>Consolidated Statement of Financial Position</b>			
Assets	3,441,879	3,220,854	6.9
Liabilities	1,608,463	1,199,914	34.0
Net assets	1,833,416	2,020,940	-9.3
<b>Composition of Net Assets</b>			
Unrestricted	0	24	-100
Internally restricted	1,537,979	1,726,919	-10.9
Endowments	295,437	293,997	0.5
<b>Total</b>	<b>1,833,416</b>	<b>2,020,940</b>	<b>-9.3</b>

## Number of Students Enrolled on November 1

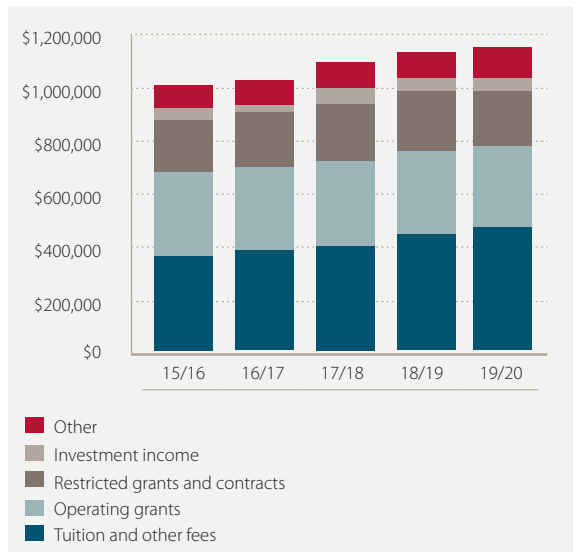


- Over the past ten years, the student population has increased by 13.6% and was 43,169 on November 1, 2019.
- The proportion of international students has risen from 5.1% in 2009 to 19.3% on November 1, 2019.
- The proportion of graduate students has remained stable over this period, ranging between 15% and 16%.



# Financial Overview

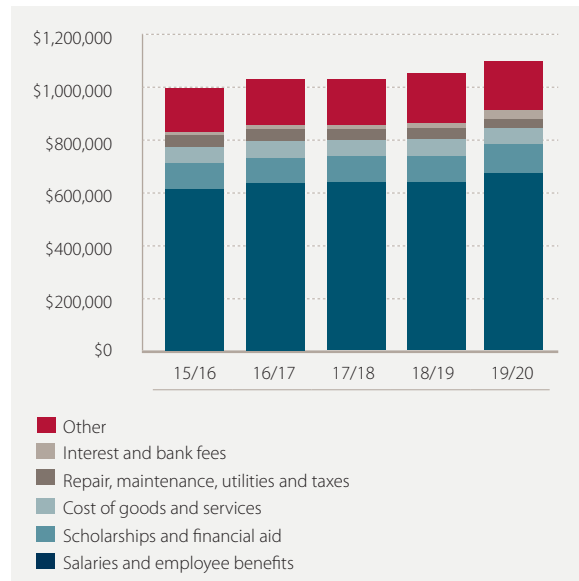
## Total Revenue: \$1,149.7M (in thousands of dollars)



- Total revenues increased by \$23.6M, from \$1,126.1M to \$1,149.7M, an increase of 2.1%.
- Revenue from tuition and other fees increased by \$10.8M (2.5%), notably due to an increase in the number of international students and the indexation of their fees.
- Revenue from operating grants increased by \$3.6M, from \$320.0M to \$323.6M, a difference of 1.1%
- Restricted grants and contracts decreased by \$9.0M from \$227.7M to \$218.7M. This 4.0% drop is due to a decrease in research intensity during the final quarter because of the COVID-19 pandemic and lab closures.
- Investment income increased by \$7.4M from \$46.7M to \$54.1M (15.6%).

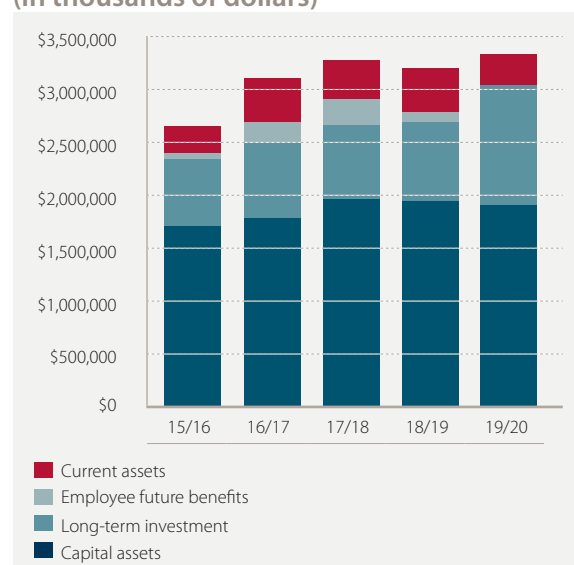
*Comparative information from previous fiscal years may have been reclassified to conform to the presentation of the current year.*

## Total Expenses: \$1,102.4M (in thousands of dollars)



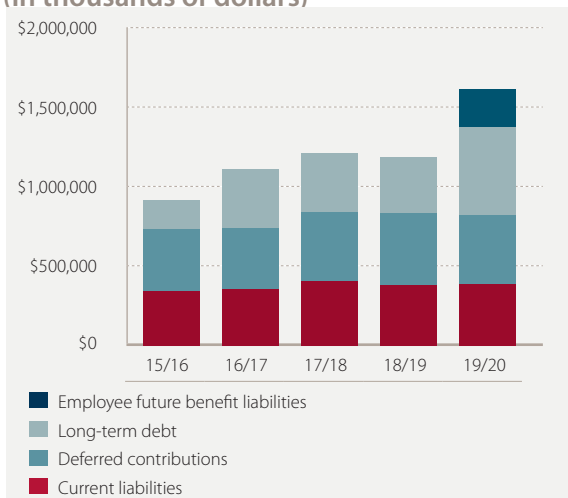
- Expenses increased by \$58.1M, from \$1,044.3M to \$1,102.4M, an increase of 5.6%.
- In total, expenses associated with salaries and employee benefits increased by \$47.7M, of which \$28.2M is due to salaries and \$19.5M is due to benefits .
- Salary expenses increased by \$28.2M, rising from \$553.8M to \$582.0M. This 5.1% increase is due to economic increases, progress-through-the-ranks, and a decrease in the number of unfilled positions.
- Benefit expenses increased by \$19.5M from \$81.3M to \$100.8M. This 24% increase reflects both a \$16.3M increase in expenses for employee future benefits and a \$3.2M increase for current benefits.
- Expenses for scholarships and financial aid increased by \$2.3M from \$98.1M to \$100.5M (2.4%).

**Total Assets: \$3,441.9M**  
(in thousands of dollars)



- Total assets increased by \$221.0M, from \$3,220.9M to \$3,441.9M, an increase of 6.9%.
- The value of short- and long-term investments increased by \$342.6M, mainly due to the reinvestment of the proceeds of the \$300M debenture that was issued during this financial year, as well as the reinvestment of investment income earned in 2018-2019 at a market rate of 4.6%.
- The value of tangible capital assets decreased by \$26.7M, mainly due to depreciation being greater than the capital additions over the financial year.
- Assets for employee future benefits decreased by \$215.9M, from assets worth \$100.3M to liabilities valued at \$115.6M.

**Total Liabilities: \$1,608.5M**  
(in thousands of dollars)

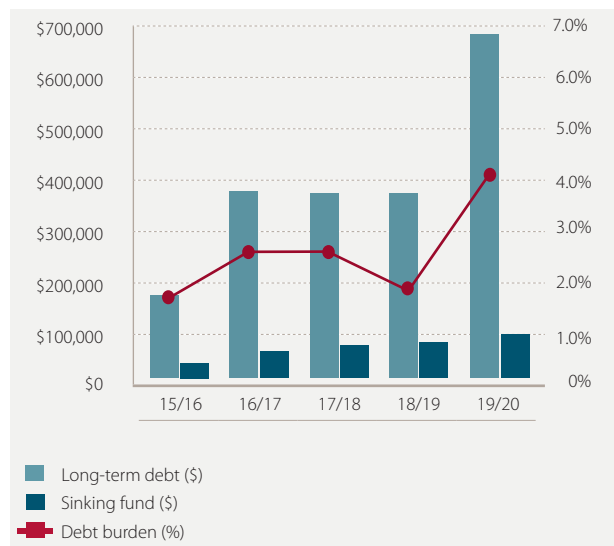


- Total liabilities increased by \$408.5M, from \$1,199.9M to 1,608.5M, a 34.0% increase.
- Accounts payable and expenses due and accrued decreased by \$4.9M (5.3%).
- Deferred revenue increased by \$10.6M (3.5%), mainly because of a reduction in research intensity during the final quarter due to the COVID-19 pandemic. This revenue will be recognized in the financial results for upcoming fiscal years when the expenditures are incurred.
- Liabilities for employee future benefits are valued at \$115.6M.
- The long-term debt increased by \$298.3M, most notably due to the \$300M debenture issued last February.



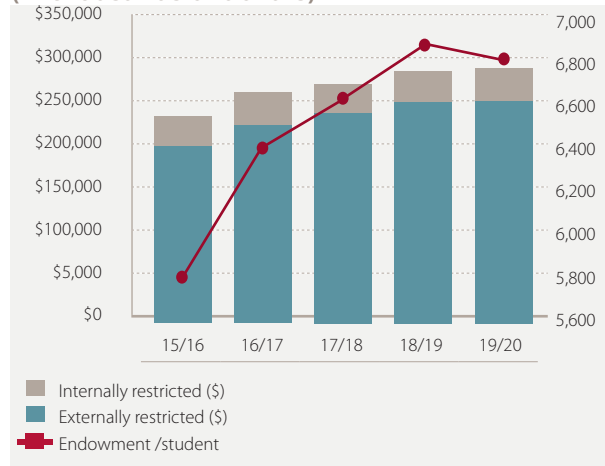


**Long-Term Debt: \$661.9M**  
(in thousands of dollars)



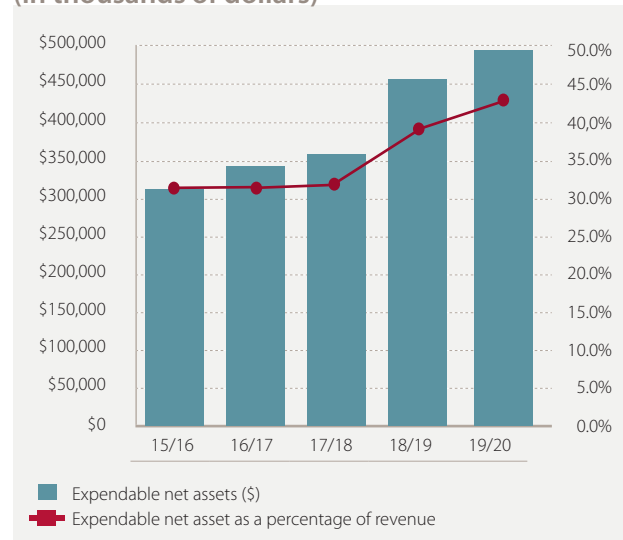
- The long-term debt increased by \$298.3 M due to the February 2020 issue of the \$300M series C debenture.
- Consequently, the debt burden ratio increased from 1.8% to 4.15%, due to the increase in interest on the new debenture and the initial \$25M contribution to the sinking fund.
- The series A, B, and C unsecured debentures, worth a total of \$650.0M, will mature in 2043, 2056, and 2059 respectively.
- The University has created a sinking fund to accumulate the funds needed to retire these debentures when they mature. As of April 30, 2020, the balance of the sinking fund was \$86.2M.

**Endowments: \$295.4M**  
(in thousands of dollars)



- Endowments increased by \$1.4M (0.5%) during the fiscal year, compared to a \$14.3M (5.1%) increase in 2018-2019, due to a 4.6% return on long-term investments (8.5% in 2018-2019). The COVID -19 pandemic has significantly affected the final quarter performance results.
- On average, 3.5% of this fund is distributed annually, as per the terms of the endowments.
- The reduction of investment revenues and the increased of students has affected the endowment-per-student rate, which decreased slightly from \$6,968 to \$6,844, which is a 1.8% reduction. Note that the number of students increased by 2.3% over the same period.

**Expendable Net Assets**  
(in thousands of dollars)



- Expendable net assets include amounts that are unaffected by external factors, such as unrestricted net assets, internally restricted endowments, the sinking fund, and internally restricted net assets.
- The \$44.0M increase is largely due to the \$35.7M surplus.



# Revenue

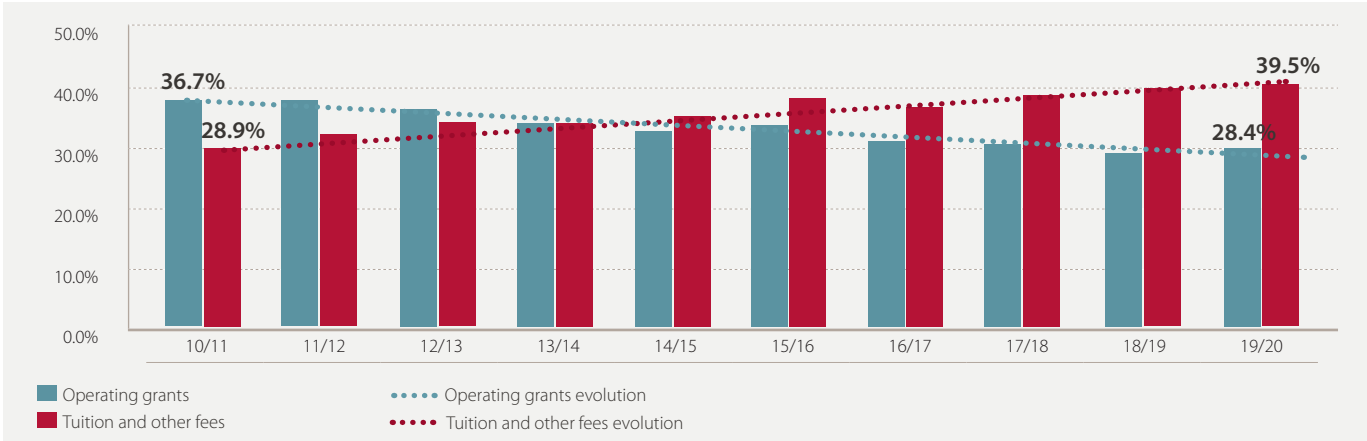
In 2019-2020, revenue increased by \$23.6M (2.1%) to reach \$1,150.0M, compared to \$1,126.1M in 2018-2019. This increase was mainly due to an increase in tuition fee revenues, which in turn is due to an increase in the number of international students.

## Revenue by Category (in thousands of dollars)

	2019-2020	2018-2019	Variance 2019-2020 vs 2018-2019	
			(\$)	(%)
Tuition and other fees — Canadian students	276,294	302,734	(26,440)	-8.7
Tuition and other fees — International students	173,318	136,095	37,224	27.4
Operating grants	323,577	319,954	3,623	1.1
Restricted grants and contracts	218,676	227,671	(8,995)	-4.0
Sales of goods and services	25,579	27,274	(1,695)	-6.2
Student housing	22,529	24,961	(2,432)	-9.7
Donations	19,451	12,968	6,483	50.0
Investment income	54,122	46,745	7,377	15.8
Other	36,133	27,661	8,472	30.6
<b>Total of revenue</b>	<b>1,149,679</b>	<b>1,126,063</b>	<b>23,616</b>	<b>2.1</b>



### Evolution in Operating Grant Revenue and Tuition and Other Fees as a Percentage of Total Revenue

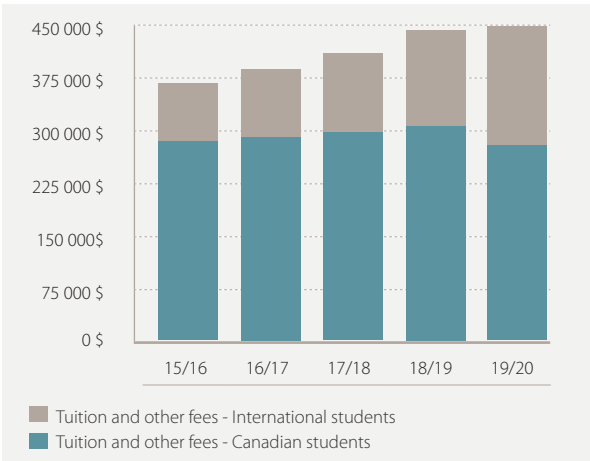


Comparative information from previous fiscal years may have been reclassified to conform to the presentation of the current year.

Tuition and other fees, along with grant revenues, accounted for approximately 67.9% of total revenues for the 2019-2020 fiscal year, compared to 66.8% in 2018-2019<sup>1</sup>. For accounting purposes, total income includes the fair value of investments at fair value measurement. This adverse change of 11.6M (which in 2018-2019 was a favourable variance of \$10.1 M) is reported separately in the consolidated statement of operations. For several years, we have noted a decline in the proportion of University revenue derived from provincial grants, and a corresponding increase in the proportion of revenue from tuition and other fees. In fact, for a third consecutive year, revenue from grants accounts for less than 30% of total revenue.

## Tuition and Other Fees

### Evolution in Canadian and International Student Tuition and Other Fees (in thousands of dollars)



Revenue from tuition and other fees was \$449.6M in 2019-2020, compared to \$438.8M in 2018-2019. The variance of \$10.8M is the result of a \$26.4M (8.7%) decrease in tuition fees from Canadian students and a \$37.2M (27.4%) increase in tuition fees from international students.

Tuition fees comply with the new regulatory framework set by the Ontario government. This means that for students who are Canadian citizens or permanent residents, tuition fees dropped by 10% in 2019-2020, compared to 2018-2019 levels.

The University of Ottawa decided that for 2019-2020, it would extend the 10% tuition fee reduction to international students who qualify for the partial tuition fee waiver (Francophones).

The increase in tuition fee revenues generated by international students is due to both an increase in tuition fees per student and an increased number of international students. Hence, the proportion of tuition revenues generated by international students increased from 31.0% to 38.5% during this fiscal year.

# Operating grants

The operating grants from the Ministry of Training, Colleges, and Universities remained relatively stable.

# Restricted grants and contracts

## Restricted Grants and Contracts (in thousands of dollars)

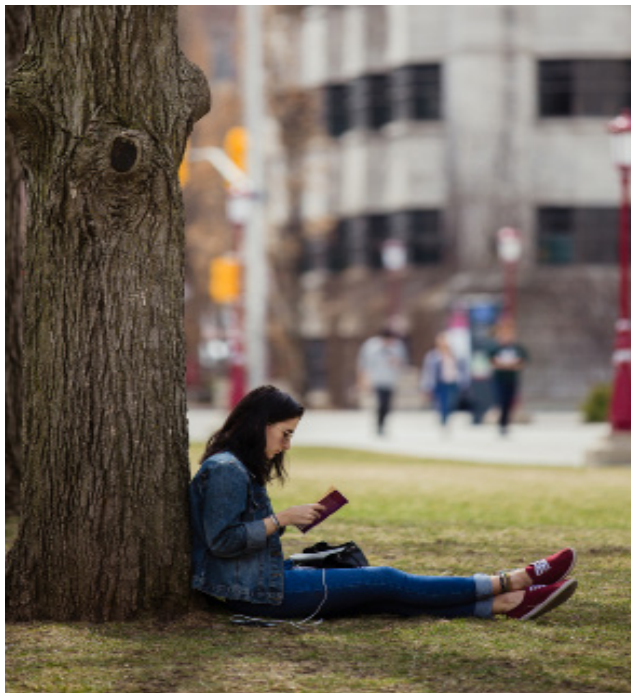
	2019-2020	2018-2019
Research	133,404	141,407
Trust	74,047	75,484
Capital	11,225	10,780
<b>Total</b>	<b>218,676</b>	<b>227,671</b>

*Note 15 of the consolidated financial statements*

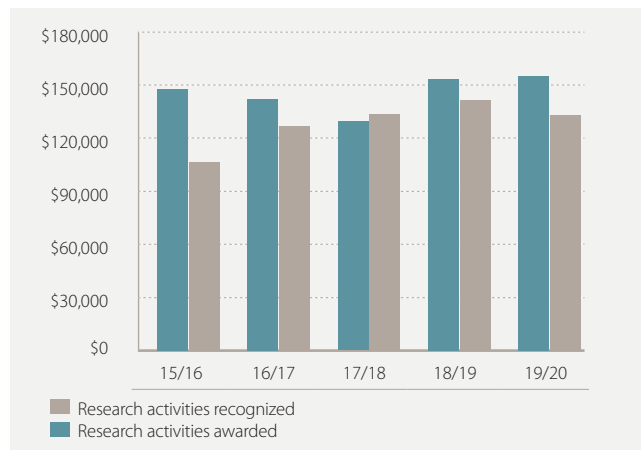
Revenue from restricted grants and contracts was \$218.7M in 2019-2020, compared to \$227.7M in 2018-2019. These amounts are earmarked for research activities, trusts, and capital assets.

The University uses the deferral method to account for these revenues. Accordingly, revenue received but not spent within the year is recorded as deferred revenue or deferred contributions under the liability section in the balance sheet. Therefore, the amount recognized as research revenue is directly tied to the research activities carried out during the fiscal year. This funding is contributed by several granting organizations, specifically Canada's three research councils (NSERC, SSHRC and CIHR), along with the Canada Foundation for Innovation (CFI), the Canada Research Chair program, the federal and Ontario governments, and industry.

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## Research Activities Awarded and Recognized (in thousands of dollars)



*Note 15 of the consolidated financial statements for the research activities recognized as revenue*

## Source of Research Fund Awarded (in thousands of dollars)

	2019-2020	2018-2019	Variance (\$)
CIHR, NSERC and SSHRC	58,215	56,258	1,957
CFI	14,978	13,164	1,814
Other federal grants	37,414	35,786	1,628
<b>Total federal grants</b>	<b>110,607</b>	<b>105,208</b>	<b>5,399</b>
Provincial grants	7,899	12,483	(4,584)
Third parties	33,641	33,607	34
<b>Total fund awarded</b>	<b>152,147</b>	<b>151,298</b>	<b>849</b>
Amortization of deferred revenue and contributions	(18,743)	(9,891)	(8,852)
<b>Restricted grants and contracts related to research activities</b>	<b>133,404</b>	<b>141,407</b>	<b>(8,003)</b>

During 2019-2020, the University signed two contributions agreements, totalling \$5.8M in total, with the National Research Council to help fund the acquisition of research infrastructure. This grant revenue remained relatively stable during this fiscal year.

Following a review of the mid-term report, the CFI confirmed the second half of funding from the Major Science Initiatives Fund for the André E. Lalonde AMS lab, and extended this funding for a year upto 2023, for a total of \$2,621M.

Moreover, in 2003, the Government of Canada introduced the Indirect Costs Program (ICP) to provide annual grants to Canadian colleges and universities to help absorb some of the indirect costs of research that are not directly tied to specific research projects. In 2019-2020, the University received a \$15.9M grant from this program, now known as the Research Support Fund (RSF), to reduce the indirect costs of its research (versus \$15.1M in 2018-2019). This total includes \$1.8M in Incremental Project Grants (IPG).

In accordance with pre-existing agreements, a portion of this RSF funding was distributed to affiliated institutes and can be found under the heading "Inter-institutional Research and Other Agreements". This portion is approximately \$4.9M for the 2019-2020 fiscal year. The remaining \$11M is recorded as University revenue and represents approximately 13% of actual indirect costs.



## Investment Income

Investment income, including variance in the fair value of investments measured at fair value, was \$42.5M in 2019-2020, compared to \$56.9M in 2018-2019.

### Investment Income (in thousands of dollars)

	2019-2020	2018-2019
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
	<b>54,122</b>	<b>46,745</b>
Change in fair value of investments measured at fair value	(11,582)	10,113
	<b>42,540</b>	<b>56,858</b>

### Note 5 of the consolidated financial statements

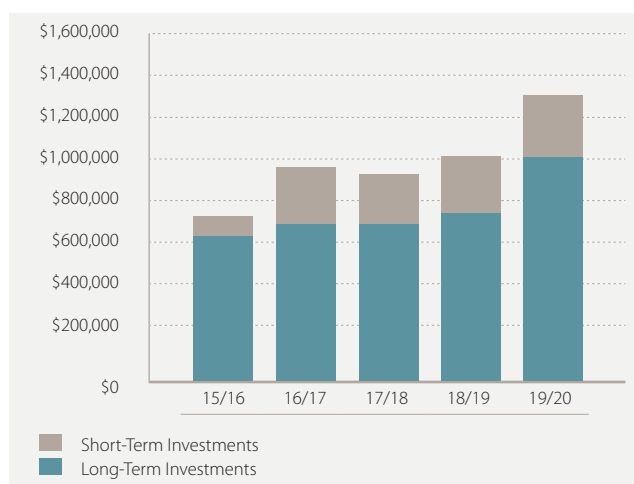
On April 30, 2020, the value of the University's short- and long-term investments was \$1,378.0M, compared to \$1,035.4M on April 30, 2019. This increase of \$342.8M is largely attributed to the investment of income from the \$300M debenture issued in the winter 2020 quarter, along with the reinvestment of investment revenues earned during the 2018-2019 fiscal year.

There was also a negative variation in the fair value of investments of \$21.3M, of which \$11.6M was reported as such in the consolidated statement of operations and \$9.7M was reported against endowment fund net assets.

The University keeps sufficient working capital and funds for anticipated capital projects in its short term investments while the remainder is invested in long term investments, to optimize its investment revenues. The annualized rate of return of its long-term investments is 4.6% over 1 year, 8.72% over 4 years, and 8.49% over 10 years.

Certain funds are restricted in their use, including the sinking fund, endowments, reserves for unfunded employee future benefits, and the investment stabilization reserve. Moreover, short- and long-term investments also include funds granted by third parties that have not yet been spent. These amounts, shown as deferred revenues in the statement of financial position, must be set aside for the purposes specified by the donors.

### Evolution in Short-Term and Long-Term Investment (in thousands of dollars)



# Expenses

In 2019-2020, expenses increased by \$58.1M (5.6%) to reach \$1,102.4M, compared to \$1,044.3M in 2018-2019. This increase is largely due to higher expenses for salaries and benefits, of which \$28.2M is due to salaries and \$19.5M is due to benefits .

## Expenses by Category (in thousands of dollars)

	2019-2020	2018-2019	Variance 2019-2020 vs 2018-2019	
			(\$)	(%)
Salaries and employee benefits	682,856	635,166	47,690	7.5
Scholarships and financial aid	100,448	98,145	2,303	2.3
Cost of goods and services	67,326	64,634	2,692	4.2
Repairs, maintenance, utilities and taxes	39,829	40,113	(284)	-0.7
Contractual services and professional fees	43,547	35,356	8,191	23.2
Inter-institutional research and other agreements	30,375	31,543	(1,168)	-3.7
Travel	18,790	18,272	518	2.8
Interest and bank fees	20,484	20,116	368	1.8
Amortization of fixed assets	78,304	74,796	3,508	4.7
Others	20,476	26,205	(5,729)	21.9
<b>Total expenses</b>	<b>1,102,435</b>	<b>1,044,346</b>	<b>58,089</b>	<b>5.6</b>

## Salaries and Benefits

The University offers salaries and various benefit plans to its academic and support staff at different stages in their careers and upon retirement. The University manages the current and future costs of these benefit plans which are recorded in the financial statements in accordance with Generally Accepted Accounting Principles

Current costs include the employer's portion of salary deductions, such as unemployment insurance, Canada Pension Plan, disability insurance, and other types of leave. Future benefits include the employer portion of the pension plan, plus costs associated with life, health, and dental insurance, along with severance pay costs.

### Expenses for Salaries and Benefits

Salaries and benefits represent 61.9% of the total expenses on the consolidated financial statements (vs. 60.8% in 2018-2019). Salaries for academic and support staff are funded primarily from the operating fund, which covers approximately 79.3% of all University salaries (vs. 78.3% in 2018-2019).



Salary expenses increased by \$28.2M, rising from \$553.8M to \$582.0M, a 5.1% increase due to economic increases, progress-through-the-ranks, and a decrease in the number of unfilled positions.

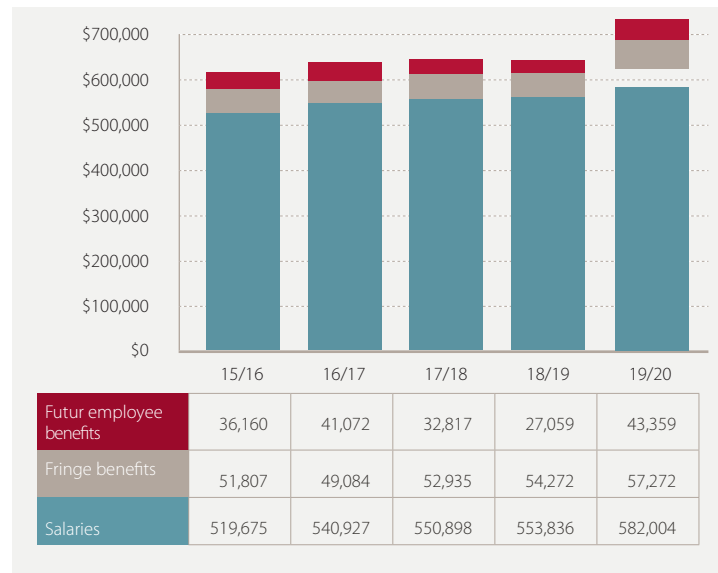
Benefit expenses increased by \$19.5M going from \$81.3M to \$100.8M (24%). This change reflects both a \$16.3M increase in employee future benefits and a \$3.2M increase in current employee benefits. In addition to providing scholarships and financial aid, the University continues to invest in its students by funding research and teaching assistant positions, and the Work-Study programs. These student salaries amounted to \$92.6M, an increase of 4.5% over the previous year.

## Employee Future Benefits (Pension Plans and Other Benefits)

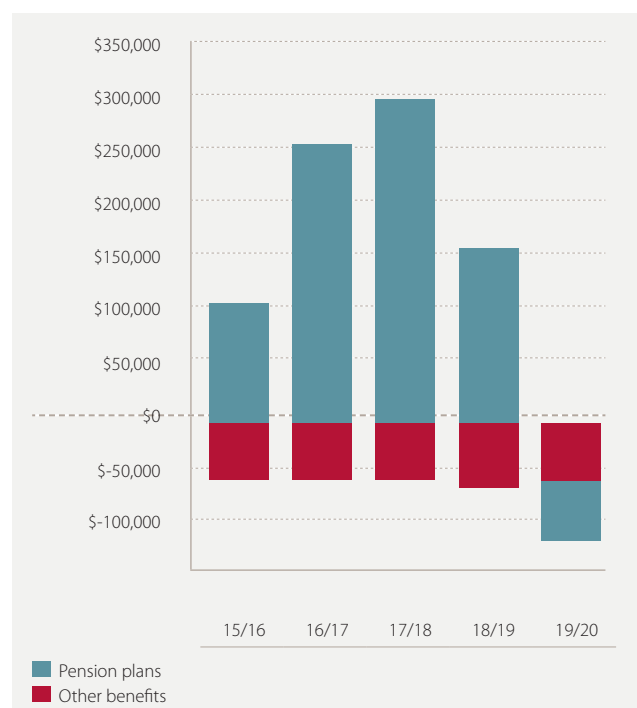
Employee future benefits represented a \$115.6M liability in 2020, compared to a \$100.3M asset in employee future benefits in 2019. This includes the future costs of defined benefit pension plans as well as post-employment and post-retirement benefits, such as retirement allowances, life insurance, and health and dental benefits. Not all these post-retirement benefits are funded and approximately \$91.7M has been provided for in the University's statement of financial position. Every year, the University appropriates an amount from its surplus to ensure the future funding of these obligations. On April 30, 2020, the total amount earmarked for these expenses was \$90.9M (\$94.0M on April 30, 2019), which includes a \$33.6M reserved for financial market stabilization.

Obligations related to pension plans and other benefits continue to account for a significant portion of the University's resources. Over the past few years, several cost balancing measures have been adopted, including certain changes to the design and financing of these benefit plans.

**Salaries and Benefits for Fiscal Year Ending April 30 (in thousands of dollars)**



**Composition of Employee Future Benefits for the Year Ending April 30 (in thousands of dollars)**



Note 6 of the consolidated financial statements

Management continues to closely monitor the University's pension plans and other benefits, which are the subject of strategic long-term financial planning.

## Pensions Plans

New regulations now apply to Ontario pension plans for valuations filed in 2018 or later. An actuarial valuation report must be filed with regulators at least once every three years. The most recent actuarial valuation, filed with the Canada Revenue Agency and the Financial Services Commission of Ontario and dated January 1, 2018, reflects changes to the Ontario Pension Benefits Act (PBA) and related regulations that affect the funding of pension plans.

The new funding framework changed minimum funding requirements from both going-concern and solvency perspectives by emphasizing the going-concern position of the pension plan and introducing the concept of provisions for adverse deviation (PfAD). Under these new regulations, additional payments are required when the funding ratio for a pension plan drops to 85% or below (equivalent to "going concern"). The PfAD is a risk-based factor applied to best estimates of future benefit payments. As of April 30, 2020, the PfAD was estimated at \$310.5M (\$180.5M in 2018-2019), which represents 16.34% of estimated pension plan obligations (9.89% in 2018-2019).

The University's pension plan funding ratio is 116% (113% in 2019). The solvency deficit is 96% (vs. 94% in 2019). Consequently, in light of January 1, 2018, actuarial valuation, the University is not required to contribute any annual special payments.

According to accounting standards for not-for-profit organizations in Canada, annual re-measurement, gains and losses on investments, provisions for adverse deviations, and other items specifically linked to future benefits, are recognized in the statement of changes in net assets.

The table on page 19 summarizes changes in funding for the University's pension plans. Pension plan costs have increased by 72.9%, rising from \$21.3M to \$36.8M, due to an increase in the net cost of financing fees and a 9.89% provision for adverse deviation (PfAD), a \$6.6M cost that was borne entirely by the University. The employer's contribution remained essentially the same as last year.

Changes in re-measurements and other items recorded in the consolidated statement of changes in net assets are largely due to the end-of-fiscal-year market volatility caused by the COVID-19 pandemic.



**Evolution in Pension Plan Funding as at April 30 (in thousands of dollars)**

	2015-2016	2016-2017	2017-2018	2018-2019	2019-2020
<b>Long-term investments, restricted for employee future benefits</b>	<b>57,310</b>	<b>58,943</b>	<b>60,659</b>	<b>58,826</b>	<b>56,812</b>
Balance, beginning of year, employee future benefits assets	203,605	111,329	252,361	299,045	163,232
Expenses	(30,367)	(35,590)	(27,252)	(21,314)	(36,849)
Employer contributions	48,105	44,332	48,171	45,160	45,223
Provision for adverse deviations				(180,501)	(111,064)
Remeasurement and other items	(110,014)	132,290	25,765	20,842	(111,457)
<b>Balance at end of year, employee future benefits assets (accrued benefit obligation)</b>	<b>111,329</b>	<b>252,361</b>	<b>299,045</b>	<b>163,232</b>	<b>(50,915)</b>
<b>Internally restricted net assets for employee future benefits</b>	<b>168,639</b>	<b>311,304</b>	<b>359,704</b>	<b>222,058</b>	<b>5,897</b>

*Note 6 of the consolidated financial statements*

**Other benefits**

As of April 30, 2020, the cost of funding other benefits increased the deficit of the previous fiscal year by \$1.7M relative to April 30, 2019. Note that these plans are not funded; the long-term financing strategy for these obligations includes annual contributions to a restricted reserve for which the University holds equivalent long-term investments and which, as of April 30, 2020, amounted to \$34.1M (versus \$35.2M in 2018-2019). In 2019-2020, the total cost of other benefits was \$6.5M, compared to \$5.7M as of April 30, 2019.

**Changes in capitalization of other benefits as at April 30 (in thousands of dollars)**

	2015-2016	2016-2017	2017-2018	2018-2019	2019-2020
<b>Long-term investments, restricted for employee future benefits</b>	<b>30,885</b>	<b>34,116</b>	<b>33,567</b>	<b>35,158</b>	<b>34,080</b>
Balance, beginning of year, accrued benefit obligation	(57,137)	(53,934)	(54,548)	(52,557)	(62,925)
Expenses	(5,793)	(5,482)	(5,565)	(5,745)	(6,510)
Employer contributions	5,300	5,294	7,167	5,518	6,480
Provision for adverse deviations				(5,823)	(3,022)
Remeasurement and other items	3,696	(426)	389	(4,318)	1,315
<b>Balance at end of year, accrued benefit obligation</b>	<b>(53,934)</b>	<b>(54,548)</b>	<b>(52,557)</b>	<b>(62,925)</b>	<b>(64,662)</b>
<b>Internally restricted net assets for employee future benefits</b>	<b>(23,049)</b>	<b>(20,432)</b>	<b>(18,990)</b>	<b>(27,767)</b>	<b>(30,582)</b>

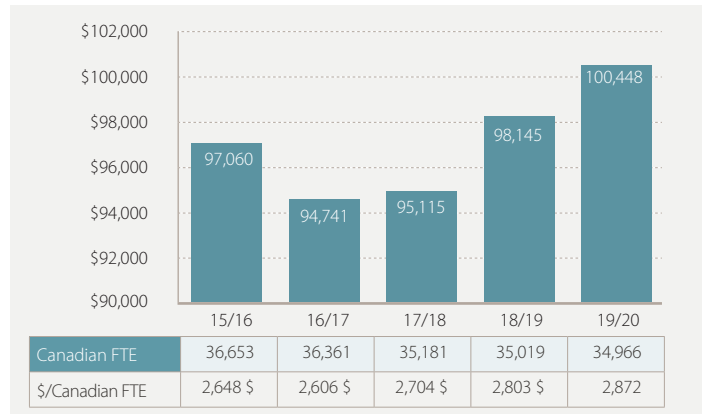
*Note 6 of the consolidated financial statements*

# Scholarships and Financial Aid

During the 2019-2020 fiscal year, the University awarded \$100.5M in scholarships and financial aid, versus \$98.1M in 2018-2019, a 2.3% increase over the previous year.

In 2019-2020, the total amount awarded from all funds corresponds to approximately \$2,872 per Canadian student, compared to \$2,803 in 2018-2019. The amount of scholarship funding per Canadian student has remained relatively constant for several years.

**History of Scholarships and Financial Aid Awarded During Fiscal Year Ending on April 30 (in thousands of dollars)**



# Financial Impact of COVID-19

The COVID-19 pandemic began during the last quarter of the University of Ottawa’s fiscal year. During this period, many of the University’s student programs were provided through distant learning and administrative services quickly shifted to distance delivery. In particular, the final few classes of the winter term were delivered remotely, and professors, management and staff members were required to work from home. To comply with new guidelines from provincial and federal public health authorities, students moved out of the residences and distant learning formats were developed to allow students to complete their academic year. To date, in 2019-2020, uOttawa was impacted by a total of \$9.1M which comprises a loss of \$6.1M in various revenues and an additional expenditures of \$3.0M. We expect additional revenue losses and costs to occur in 2020-2021.

To date, the Ontario government has awarded \$391,200 to the University to help offset these losses. The table on page 21 describes the lost revenues and additional costs directly related to COVID-19.





**Financial impact of COVID-19 (in thousands of dollars)**

	<b>2019-2020</b>
<b>Revenue</b>	
Student housing	(4,093)
Sales of goods and services	(1,348)
Other	(484)
Investment income	(191)
Tuition and other fees	6
<b>Total revenue</b>	<b>(6,110)</b>
<b>Expenses</b>	
Cost of goods and services	1,626
Contractual services and professional fees	715
Salaries and employee benefits	539
Scholarships and Financial aid	493
Travel	50
Library acquisitions	31
Other	5
Repairs, maintenance, utilities and taxes	(429)
<b>Total expenses</b>	<b>3,030</b>
<b>Financial impact of COVID-19 on results</b>	<b>(9,140)</b>

The most significant revenue loss were due to the reimbursement of rent for student housing, the reimbursement of parking and lost parking revenues, and lost revenues from restaurant and corporate events.

The most significant costs incurred were the result of added IT costs and the costs of additional scholarships and financial aid granted to students. In terms of IT costs, purchases consisted mainly of laptops, software, increased bandwidth, and firewalls to support distant learning and the shift of administrative staff towards working at home.

The market value of the University's long-term investments, pension fund, and endowments were negatively affected by the impact of COVID-19 on the financial markets. These unrealized losses directly impacted the University's current financial results by reducing the investment account on the balance sheet and the recording of an unrealized loss on the profit and loss statement.

# Investments in Capital Projects

The University continues to invest in its campus to provide its students, professors, and researchers with modern facilities that meet their teaching, learning, and research needs.

Total capital asset additions totalled \$51.6M in 2019-2020, compared to \$60.0M in 2018-2019. These additions were to meet the immediate requirements of the University's infrastructure, namely the replacement of certain critical systems, such as emergency generators, mechanical and electrical systems, fire alarms, updating the permanent furniture in certain classrooms, and relocating some sections following the closure of 1 Nicolas.

Although the University has embarked on the construction of modern new facilities over the past few years, the campus still houses several ageing buildings that require major renovations or redevelopment. The University faces ongoing challenges in the area of deferred maintenance, this is a persistent IT and infrastructure problem that exists across the higher education industry.

With the completion and launch of major capital projects over the past few years, there has been a related increase in depreciation costs. These depreciation costs include a \$5.6M impairment loss due to the demolition of three buildings in preparation for new construction.



## Capital Assets Acquisitions (in thousands of dollars)

	2019-2020	2018-2019
Land	-	-
Buildings	24,381	27,264
Leasehold improvements	20	10
Construction in progress	1,180	(863)
Books	3,578	5,062
Equipment and furniture	16,663	22,270
Computer hardware and software	5,784	6,308
<b>Total</b>	<b>51,606</b>	<b>60,051</b>

### Note 7 of the consolidated financial statements

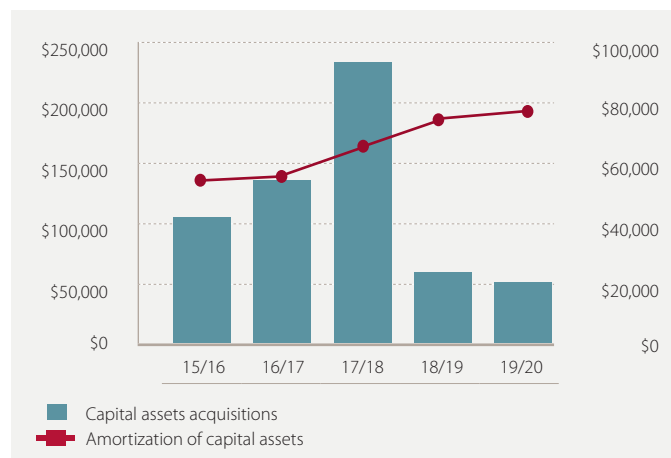
The acquisition of these capital assets was funded in the following ways:

## Capital Asset Funding (in thousands of dollars) (en milliers de dollars)

	2019-2020	2018-2019
Government grants	28,743	28,743
Internal resources	19,009	19,009
Debentures	8,681	8,681
Donations of capital assets	3,618	3,618
<b>Total</b>	<b>51,606</b>	<b>60,051</b>

### Note 7 of the consolidated financial statements

### Change in Capital Assets Acquisitions and Amortization Expenses (in thousands of dollars)



## Internally Restricted Net Assets

The composition and nature of the University's internally restricted net assets are described in detail in Note 12 of the consolidated financial statements and summarized below:

### Internally Restricted Net Assets (in thousands of dollars)

	2019-2020	2018-2019
Investment in capital assets and related reserves	1,281,084	1,347,716
Employee benefits	(24,685)	194,291
Sinking fund	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	(57,450)
Internally financed capital projects	(47,314)	(57,450)
<b>Total</b>	<b>1,537,979</b>	<b>1,726,919</b>

### Capital assets and related reserves

Funds invested in capital assets represent a portion of net assets that cannot be used for other purposes, since this amount was used to purchase net assets, minus debt. This amount comprises unamortized capital assets acquired through the use of unrestricted funds, along with the book value of capital assets acquired through the use of unrestricted resources, which will not be depreciated. It excludes assets financed by capital contributions.

Related reserves include funding for projects that are currently in various stages of planning, design, and construction, as well as funding for capital projects and renovations currently underway, funds reserved for major capital projects currently in the planning stages, as well as funds reserved to pay for some planned deferred maintenance.

## Sinking fund

The sinking fund was created to accrue the capital needed to retire the University's long-term debt, specifically the \$150M debenture due in 2043, the \$200M debenture due in 2056, and the \$300M debenture due in 2059. The annual change in the sinking fund corresponds to the accrual of returns on long-term investments earmarked for this purpose plus restricted contributions.

Given the projections of future returns on long-term investments earmarked to reimburse the debt, the current balance of the sinking fund should be sufficient to retire the \$150M debenture. A similar analysis was conducted when the \$200M debenture was issued. An initial \$10M was transferred to the sinking fund in 2016 when this debt was issued and additional contributions are planned to begin during the fiscal year ending on April 30, 2022.

During this fiscal year, a \$25.0M contribution was made to the sinking fund when the \$300.0M series C debenture was issued, and additional contributions are planned to begin during the fiscal year ending April 30, 2037.

As of April 30, 2020, the balance of the sinking fund was \$86.2M and the University holds long-term investments equivalent to this amount.

## Stabilization reserves

The University has established stabilization reserves to reduce risks associated with volatility in certain sectors, specifically fluctuations in financial market performance, increases in public utility rates, and rising insurance costs. As of April 30, 2020, this reserve was assessed at \$52.6M (\$52.1M in 2019), and approximately \$42.7M of this reserve is earmarked for stabilizing investment revenues.

## Internally funded capital projects

These amounts are internal loans made to complete major capital projects, which will be repaid over time. These internal loans will be recovered from the operating budget and the activities of the faculties or services concerned.

## Operational contingencies

### Operational Contingencies (in thousands of dollars)

	2019-2020	2018-2019
Faculties and services	30,299	29,302
Strategic fund	46,397	33,914
Commitments	9,213	8,314
Replacement of SIS	-	(5,000)
Information Technology	2,172	2,172
<b>Operational contingencies</b>	<b>88,081</b>	<b>68,702</b>

The University allows faculties and services to keep some operational surpluses to invest in future strategic initiatives. The University also earmarks certain surplus amounts for strategic purposes and operational contingencies. As of April 30, 2020, these reserves were:

As of April 30, 2020, all unrestricted net assets generated at April 30, 2020, totalling \$12.5M, were assigned to a strategic fund for operational contingencies.



## Capital management

In terms of capital management, the University aims to preserve capital and optimize the investment revenues drawn from it. The University defines its capital as its unrestricted net assets, internally restricted net assets, endowment funds and its long-term debt.

The regulation on debt management, approved by the Board of Governors, stipulates that the University must meet two ratios, namely:

	Threshold	Ratio	
		2020	2019
Unrestricted liquidity-to-debt	>0,5x	0.7	1.3
Debt burden	<5.0%	4.2%	1.8%

As of April 30, 2020, the University was compliant with this regulation.

The University continues to work to improve its financial results to meet these debt management ratios and maintain a healthy financial position.





## Statement of Operations by Fund

The University's consolidated statements present the assets, liabilities, net assets, as well as revenues and expenses in a single column. The goal of this supplement is to present the statement of operations by fund, a format that corresponds to the way the University manages its finances, namely by fund accounting. The fund accounting method improves accountability for resources while ensuring that restricted grants and contributions are only allocated to their intended purposes.

The University of Ottawa uses the following funds:

- the Operating Fund
- the Ancillary Services Fund
- the Restricted Fund – Research
- the Restricted Fund – Other, including endowments
- the Capital Fund



**Statement of Operations by fund**  
**Year ended April 30,2020, with comparative information for 2019**  
**(in thousands of dollars)**

	Operating Fund (\$)		Ancillary Funds (\$)		Research Fund (\$)		Trust Fund (\$)		Capital & Sinking Fund (\$)		Total (\$)	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
<b>REVENUE</b>												
Tuition and other fees	448,468	437,737	1,144	1,092	-	-	-	-	-	-	449,612	438,829
Operating grants	323,195	319,764	382	190	-	-	-	-	-	-	323,577	319,955
Restricted grants and contracts	-	-	-	-	133,404	141,407	74,047	75,484	11,225	10,780	218,676	227,671
Student housing	-	-	22,529	24,961	-	-	-	-	-	-	22,529	24,961
Sale of goods and services	8,991	9,110	10,815	11,987	2,625	2,754	3,148	3,423	-	-	25,579	27,273
Donations	1,451	1,826	9	0	5,450	4,502	12,153	6,259	388	381	19,449	12,968
Investment income	35,024	29,374	1	4	1,908	903	10,344	10,109	6,845	6,355	54,121	46,745
Other	15,256	13,098	4,811	5,300	492	1,336	7,373	6,800	8,203	1,127	36,135	27,661
	<b>832,385</b>	<b>810,910</b>	<b>39,691</b>	<b>43,533</b>	<b>143,879</b>	<b>150,902</b>	<b>107,064</b>	<b>102,074</b>	<b>26,660</b>	<b>18,644</b>	<b>1,149,679</b>	<b>1,126,064</b>
<b>EXPENSES</b>												
Salaries and employee benefits	541,849	497,316	8,679	8,514	49,998	49,205	82,330	80,131	-	-	682,856	635,166
Scholarships and financial aid	64,536	63,819	1	11	27,084	24,891	8,827	9,424	-	-	100,448	98,146
Costs of goods and services	40,928	38,953	7,724	7,349	16,609	16,224	2,065	2,104	-	-	67,327	64,631
Repairs, maintenance, utilities and taxes	26,051	27,676	9,238	8,532	61	50	141	131	4,338	3,726	39,830	40,115
Contractual services and professional fees	30,046	26,274	1,112	569	4,799	5,330	7,590	3,183	-	-	43,547	35,356
Inter-institutional research and other agreements	1,574	1,306	-	-	26,557	28,764	2,244	1,473	-	-	30,374	31,543
Travel	7,727	7,171	178	195	8,898	9,003	1,987	1,903	-	-	18,789	18,273
Interest and bank fees	18,970	15,723	1,456	4,374	8	7	50	12	-	-	20,484	20,117
Amortization of capital assets	-	21,591	-	3,422	-	16,541	-	712	78,304	32,530	78,304	74,796
Other	15,755	21,156	2,035	1,049	1,262	1,805	1,423	2,195	-	-	20,476	26,204
	<b>747,436</b>	<b>720,985</b>	<b>30,422</b>	<b>34,016</b>	<b>135,278</b>	<b>151,821</b>	<b>106,657</b>	<b>101,269</b>	<b>82,642</b>	<b>36,256</b>	<b>1,102,435</b>	<b>1,044,348</b>
<b>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES, BEFORE THE UNDERNOTED</b>	<b>84,949</b>	<b>89,925</b>	<b>9,268</b>	<b>9,517</b>	<b>8,601</b>	<b>(919)</b>	<b>406</b>	<b>805</b>	<b>(55,982)</b>	<b>(17,612)</b>	<b>47,243</b>	<b>81,716</b>
Change in fair value of investments measured at fair value	(9,267)	8,109	-	1	(505)	249	-	-	(1,810)	1,754	(11,582)	10,113
<b>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES</b>	<b>75,682</b>	<b>98,034</b>	<b>9,268</b>	<b>9,518</b>	<b>8,097</b>	<b>(670)</b>	<b>406</b>	<b>805</b>	<b>(57,792)</b>	<b>(15,858)</b>	<b>35,662</b>	<b>91,829</b>

Unaudited