

FINANCIAL RESULTS



RETROSPECTIVE OF THE YEAR 2022-2023 ■

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MESSAGE FROM THE VICE-PRESIDENT, FINANCE AND ADMINISTRATION

Nestled in the heart of our nation's capital, the University of Ottawa plays a pivotal role in shaping the educational and research landscape of its diverse and dynamic community. This report offers an in-depth examination of the consolidated financial statements for the fiscal year ending in 2022-2023, providing valuable insights into the University's financial health and its ability to navigate the intricate economic challenges of recent years. Over the past five years, the University has witnessed a substantial 13% increase in its student body, a testament to its academic excellence and commitment to fostering diversity. This growth is further exemplified by a notable rise in international Francophone students, reinforcing the University's leadership in promoting bilingualism and Francophonie. However, this period of expansion has introduced financial complexities. Expenses have consistently outpaced revenue from tuition, grants, and other sources. These fiscal challenges are compounded by the cumulative impact of a 10% reduction in tuition fees for Ontario students, alongside a stagnant government operating grant. In addition to these financial hurdles, the University confronts mounting costs associated with the maintenance of its

aging infrastructure, commonly referred to as deferred maintenance. Notably, the University recorded a consolidated deficit of \$4.9 million for the 2022-2023 fiscal year, marking a second consecutive year of deficit. Throughout this period of financial challenge, the University has proactively explored revenue-generating strategies and consistently demonstrated prudent resource management to address these obstacles. Despite these financial trials, the University remains anchored in strong foundations, encompassing sufficient financial reserves, a dedicated community, and a thriving research profile. This report underscores the University's steadfast commitment to achieving efficiency gains outlined in the Transformation 2030 strategic plan, complemented by its ambitious infrastructure projects designed to foster growth and innovation. In the ensuing pages, we present a comprehensive review of the University of Ottawa's consolidated financial statements for 2022-2023. This review will provide insights into the University's financial strengths, areas of concern, and our perspective on the current state as we endeavor to ensure a sustainable and prosperous future.



2022-2023 IN NUMBERS

(IN THOUSANDS OF DOLLARS)

| | 2023 (\$) | 2022 (\$) | Variance (%) |
|------------------------------------------------------------|----------------|-----------------|--------------|
| Consolidated Statement of Operations | | | |
| Revenue | 1,336,446 | 1,246,088 | 7.3 |
| Expenses | 1,379,307 | 1,249,715 | 10.4 |
| Deficiency of revenue over expenses before the undernoted | (42,861) | (3,627) | (1081.7) |
| Change in fair value of investments measured at fair value | 37,976 | (72,553) | 152.3 |
| Deficiency of revenue over expenses | (4,885) | (76,180) | 93.6 |

(IN THOUSANDS OF DOLLARS)

| | 2023 (\$) | 2022 (\$) | Variance (%) |
|-----------------------------------------------------|------------------|------------------|--------------|
| Consolidated Statement of Financial Position | | | |
| Assets | 3,762,490 | 3,502,338 | 7.4 |
| Liabilities | 1,597,424 | 1,708,697 | (6.5) |
| Net assets | 2,165,066 | 1,793,641 | 20.7 |

(IN THOUSANDS OF DOLLARS)

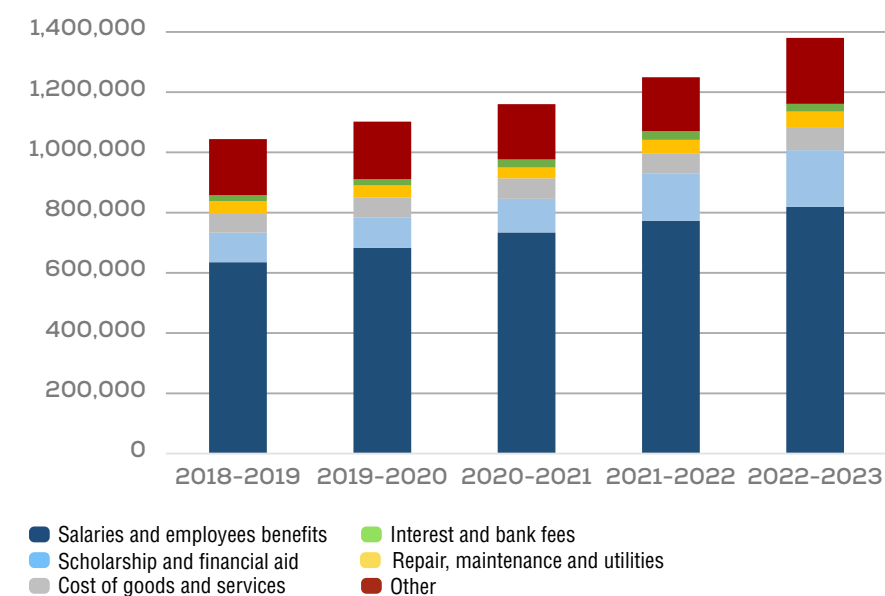
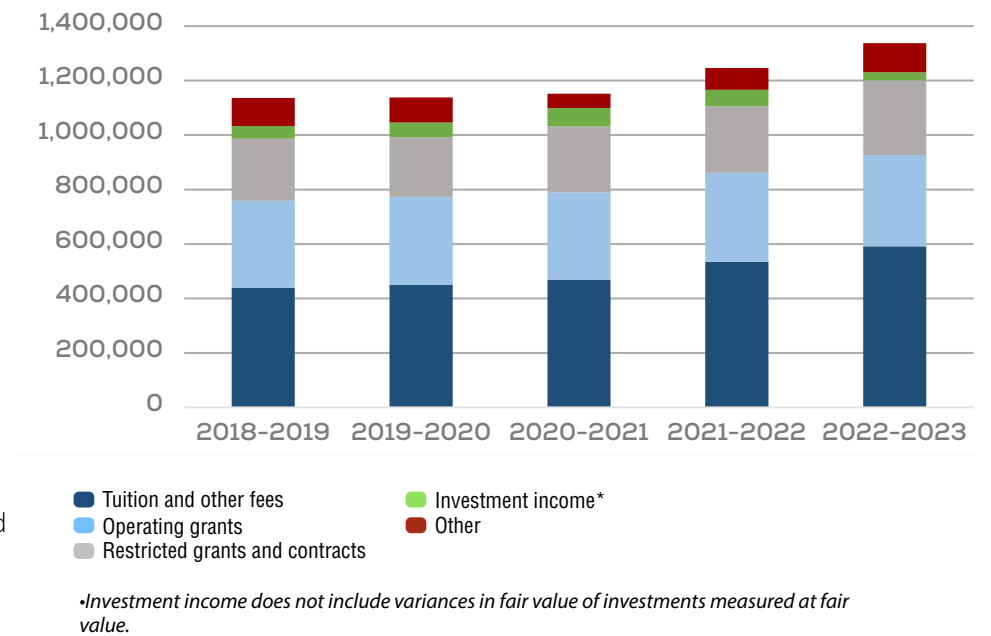
| Composition of Net Assets | | | |
|----------------------------------|------------------|------------------|-------------|
| Unrestricted | (50,033) | (72,553) | 31.0 |
| Internally restricted | 385,382 | 408,840 | (5.7) |
| Sinking fund | 110,576 | 98,391 | 12.4 |
| Employee future benefits | 180,751 | (158,528) | 214.0 |
| Capital asset investments | 1,204,510 | 1,196,190 | 0.7 |
| Endowments | 333,880 | 321,301 | 3.9 |
| Total | 2,165,066 | 1,793,641 | 20.7 |

| | | | |
|-------------------------------------------|---------------|---------------|------------|
| Student enrolment as of November 1 | 47,817 | 46,824 | 2.1 |
|-------------------------------------------|---------------|---------------|------------|

FINANCIAL OVERVIEW

Total revenue : \$1,336.4 (in thousands of dollars)

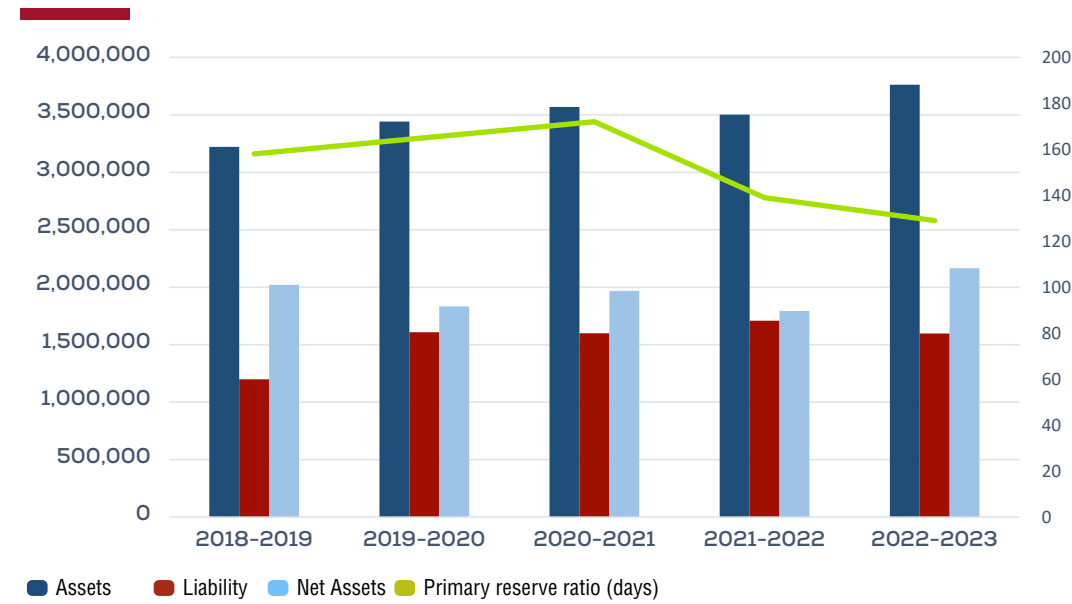
Total revenue rose by \$90.4M (7.3%), owing mainly to a \$56.7M (10.6%) increase in revenue from tuition fees, including tuition from international students studying in French following a 2021 change in fees applied to that cohort (\$49.2M). Following the return to campus, revenue from all other categories, including research, ticked upward, totalling \$64.4M (71.3%). On the other hand, realized investment income fell by \$30.7M (50.6%).



Total Expenses : \$1,379.3 (in thousands of dollars)

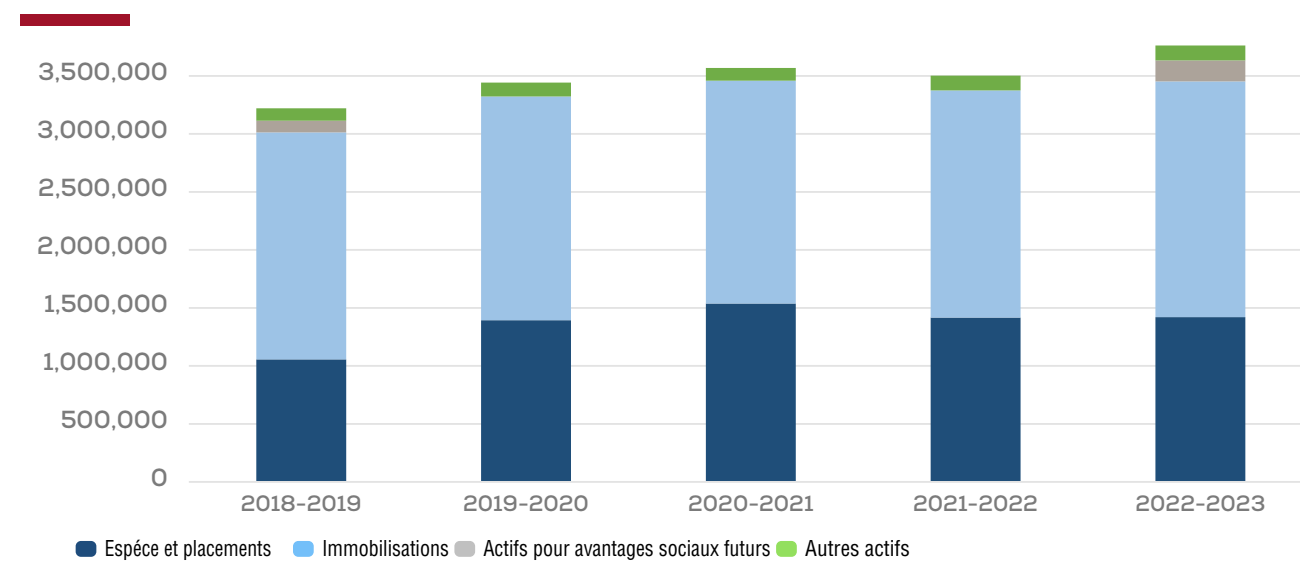
Total expenses increased by \$129.6M (10.4%), due primarily to a \$46.2M (6.0%) increase in salary and benefit costs and a \$32.3M (20.7%) increase in scholarships and financial aid. Due to the increase in activities on campus, all other expense categories, including research, posted an overall increase of \$51.1M (39.4%).

Assets, Liabilities and Net Assets
(in thousands of dollars)



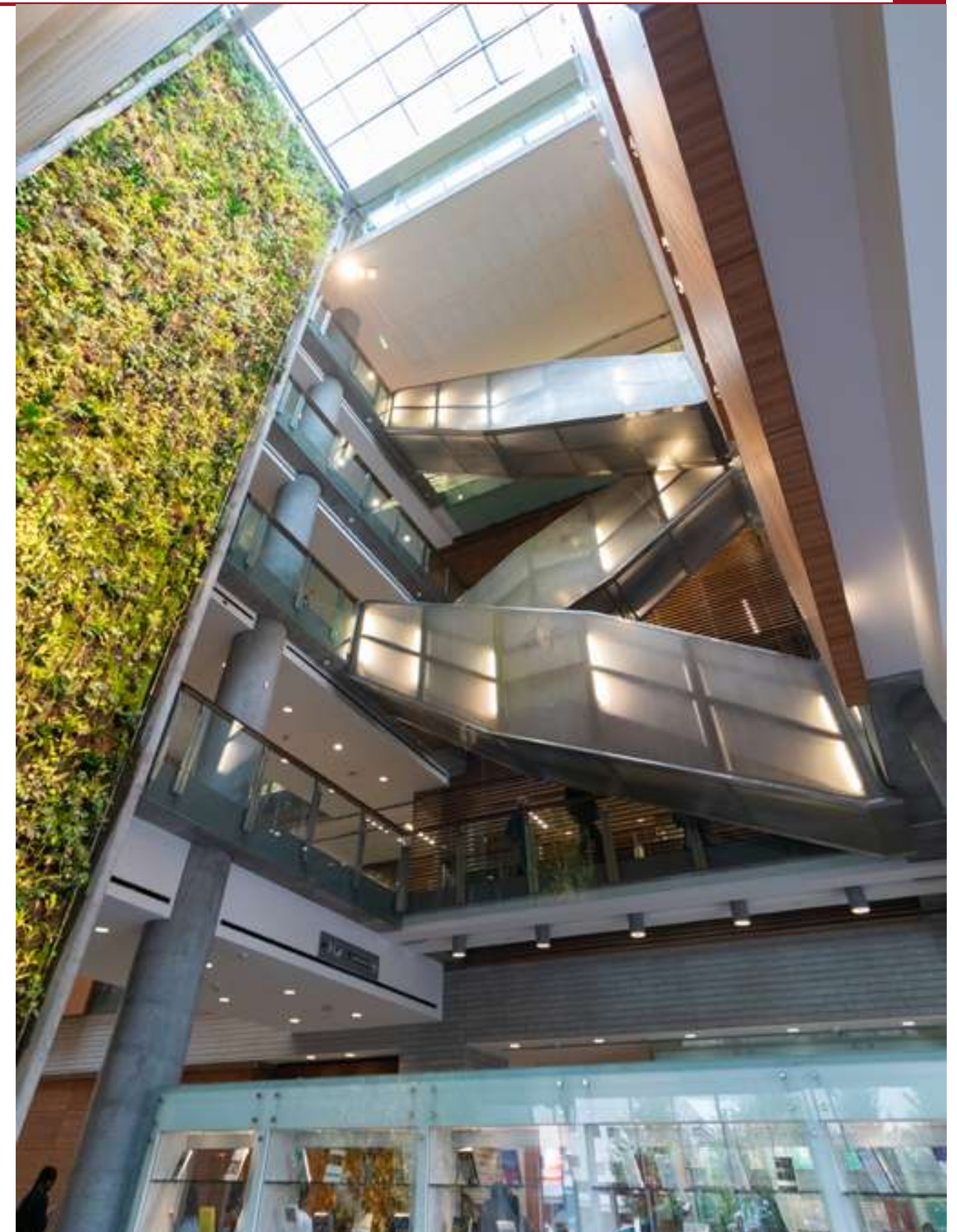
Total net assets rose from \$1,793.6M in 2022 to \$2,165M in 2023, an increase of \$371.4M (20.7%). This was due mostly to the increase in assets tied to employee future benefits.

Total assets: \$3,762.5
(in thousands of dollars)

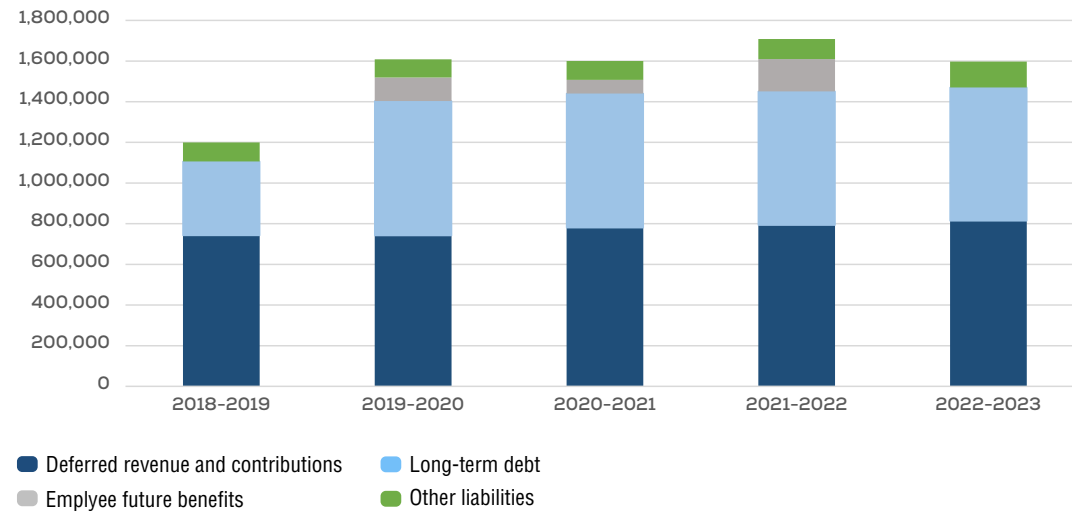


Total assets increased by \$260.2M (7.4%) owing mostly to employee future benefits, which totalled \$180.8M.

Capital assets increased by \$73.5M, reflecting the difference between acquisitions and depreciation costs over the year.

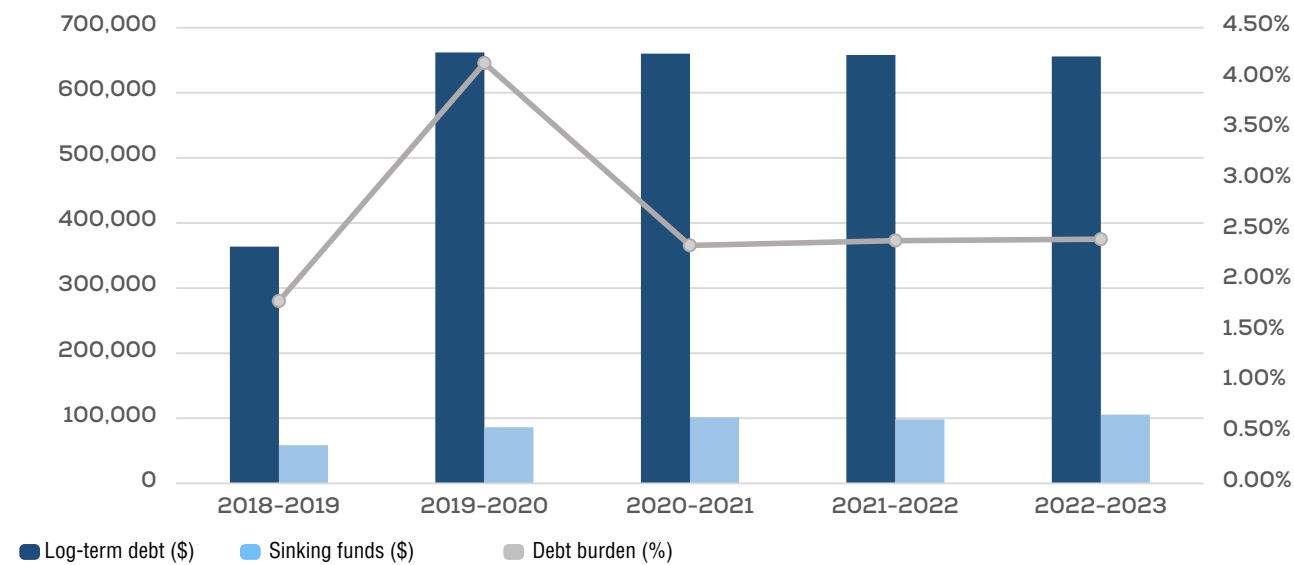


Total Liabilities : \$1,597.4
(in thousands of dollars)



Total liabilities decreased by \$111.3M (6.5%), owing mostly to the variance in liabilities for employee future benefits, which totalled \$158.5M. The difference stems from a \$21.2M increase in deferred revenue, chiefly on the research side.

Long-Term Debt : \$655.9
(in thousands of dollars)

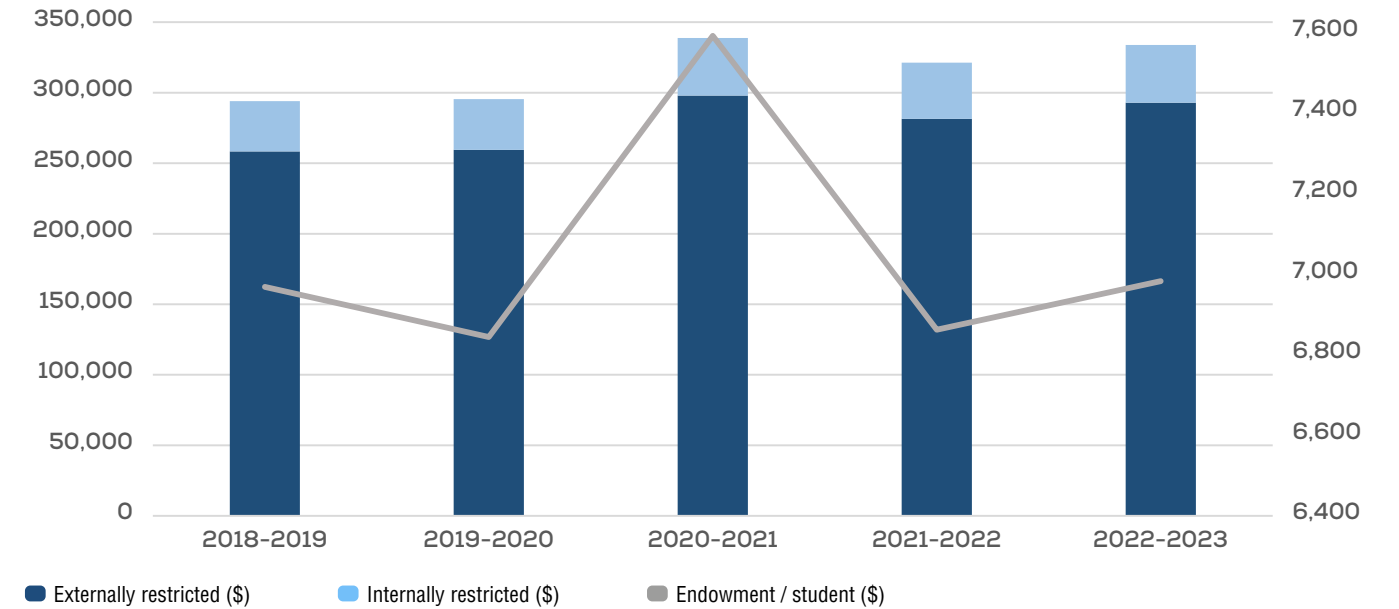


Long-term debt and the debt burden ratio remained stable during the year. The series A, B, and C unsecured debentures, totalling \$650M, will mature in 2043, 2046

and 2060, respectively. The University has a sinking fund to accrue the funds needed to retire the debentures when they mature. A total of \$4.9M was contributed

during the year. The accrued balance of the sinking fund stood at \$110.6M as of April 30, 2023.

Endowments : \$333.9
(in thousands of dollars)



Endowments increased by \$12.6M (3.9%) over the year, owing mainly to the higher market value of investments as of April 30. On average, 3.5% is distributed annually in accordance with the terms of the endowments. The higher investment income caused the endowment-per-student ratio to increase.





REVENUE

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STATEMENT OF OPERATIONS:

Impact of growth in student numbers on income and expenses

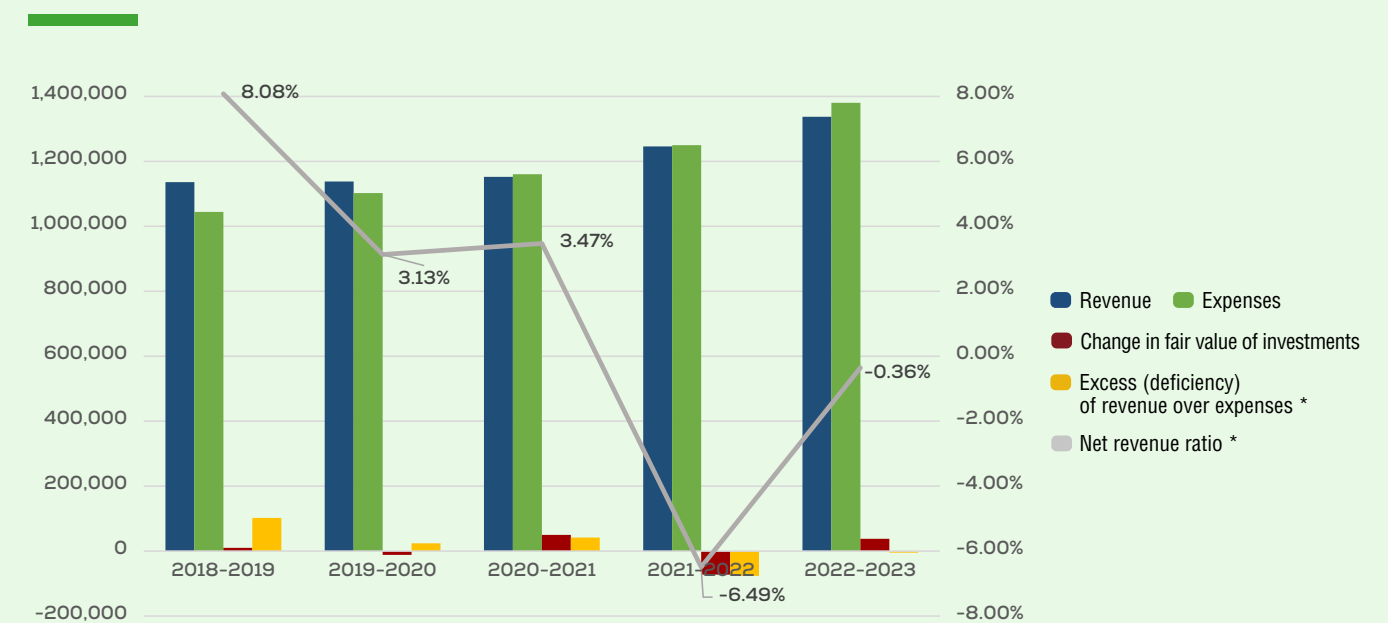
Enrolment has risen by 13.3% in the past five years.

This surge has led to higher revenue from tuition and other fees while putting upward pressure on salary and benefit expenses. The rise in enrolment has further compelled the University to offer students modern spaces to meet their teaching, learning and research needs, driving up other cost items such as construction and renovation, interest on long-term debt, and depreciation.

Over the same period, total revenue rose by 19.9%, while expenses were up by 32.1%. The excess of expenses (\$4.9M) over revenue is calculated as: total revenue of \$1,336.4M (67.5% attributed to grants and tuition fees), less \$1,379.3M in expenses (73.0% due to compensation and student scholarships/financial aid) and a \$38.0M positive variance in fair market value of investments.



Revenue, Expenses, and Change in Fair value of investments (in thousands of dollars)



* The variance in fair value of investments was included in total revenue in calculating the net revenue ratio, in accordance with the Ministry of Colleges and Universities guidelines.



REVENUE

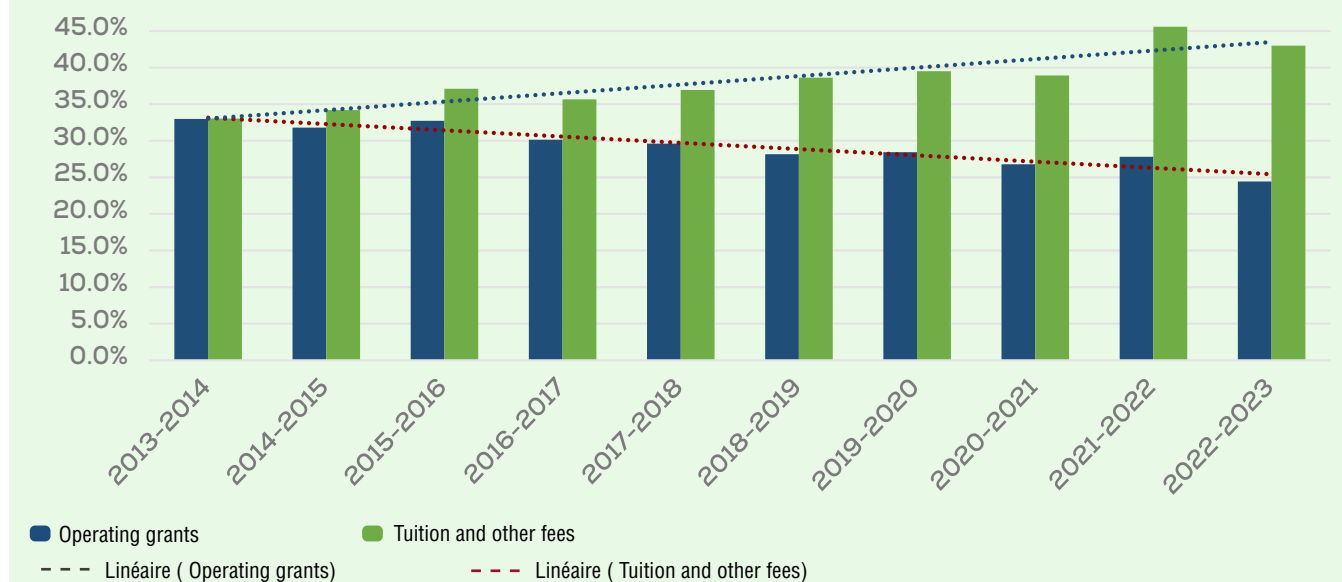
Revenue by category (in thousands of dollars)

| | 2022-2023 | 2021-2022 | (\$) | Variance | (%) |
|---------------------------------|------------------|------------------|---------------|------------|-----|
| Tuition and other fees | 591,580 | 534,928 | 56,652 | 10.6 | |
| Operating grants | 335,559 | 326,357 | 9,202 | 2.8 | |
| Restricted grants and contracts | 272,638 | 244,564 | 28,074 | 11.5 | |
| Sales of goods and services | 32,693 | 19,477 | 13,216 | 67.9 | |
| Student housing | 25,908 | 18,028 | 7,880 | 43.7 | |
| Donations | 15,639 | 15,303 | 336 | 2.2 | |
| Realized investment income | 29,930 | 60,625 | (30,695) | (50.6) | |
| Realized investment income | 32,499 | 26,806 | 5,693 | 21.2 | |
| Total revenue | 1,336,446 | 1,246,088 | 90,358 | 7.3 | |

Revenue increased by \$90.4M to \$1,336.4M in 2022–2023 (\$1,246.1M in 2021–2022). Three items are noteworthy: (1) the change in tuition fees applied to international students studying in French that took effect in 2021; (2) the continued resumption of

operations on campus, resulting in increases in restricted grants and contracts, sales of goods and services, and student housing; and (3) the reduction in realized investment income.

Change in operating grant revenue, tuition and other fees as a percentage of total revenue



Tuition and other fees, together with grant revenue, accounted for 67.4% of total revenue in fiscal year 2022–2023, versus 66.0% a decade ago (2013–2014). However, over the

past 10 years, the proportion of total revenue generated by operating grants has fallen considerably, plummeting from 33.0% to 24.4%.

Tuition and other fees

By category (in thousands of dollars)

| | 2022-2023 | 2021-2022 | (\$) | Variance | (%) |
|------------------------------------------------|----------------|----------------|---------------|-------------|-----|
| Tuition fees – Canadian students | 259,412 | 259,982 | (570) | 0.2 | |
| Tuition fees – international students | 179,886 | 174,373 | 5,513 | 3.2 | |
| Tuition fees – exempted international students | 95,336 | 46,155 | 49,181 | 106.6 | |
| Other fees | 56,946 | 54,418 | 2,528 | 4.6 | |
| Total tuition and other fees | 591 580 | 534 928 | 56,652 | 10.6 | |



TUITION AND OTHER FEES

Tuition fees are in line with the regulatory framework set by the Ontario government. For example, students who are Canadian citizens or permanent residents saw their tuition fees drop by 10% in 2019–2020 compared to the year before.

Tuition fees in 2020–2021 were unchanged from 2019–2020. The University of Ottawa decided that, for 2019–2020 and 2020–2021, it would extend the 10% domestic tuition fee reduction and freeze to exempted international students, i.e., those studying in French. The Ontario government announced that, for 2021–2022 and 2022–2023, tuition fees for Ontario

residents would remain frozen at 2020–2021 levels. However, it gave institutions the leeway to increase tuition fees for out-of-province students by up to 3% in 2021–2022 and 5% in 2022–2023.

The University of Ottawa did not avail itself of that option in 2021–2022, but decided to do so in 2022–2023. International tuition fees remain unregulated.

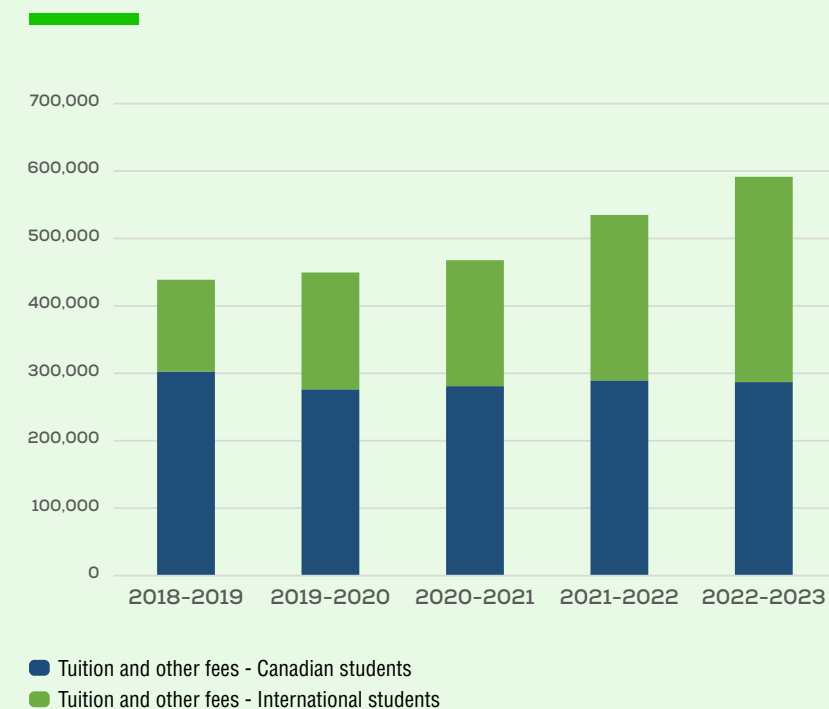
The estimated cumulative impact of the 10% reduction in, and the four-year freeze on, tuition fees for Canadian students and permanent residents is approximately \$203M for 2023 when compared to the previous regulatory framework.

Revenue from tuition and other fees increased by \$56.7M. Most of this variance (\$49.2M) stems from a change in tuition fees for international students studying in French that took effect in the fall of 2021. Those students now pay the same tuition fees as their counterparts studying in English, but receive a scholarship that reduces their tuition to nearly the amount paid by students who are Canadian citizens or permanent residents.

While tuition fees rose considerably from the year before, they are still below the amount forecasted in the initial budget for Canadian students (negative variance of \$4.8M) and international students (negative variance of \$12.2M). The variance for international students was due mostly to delays in securing visas.

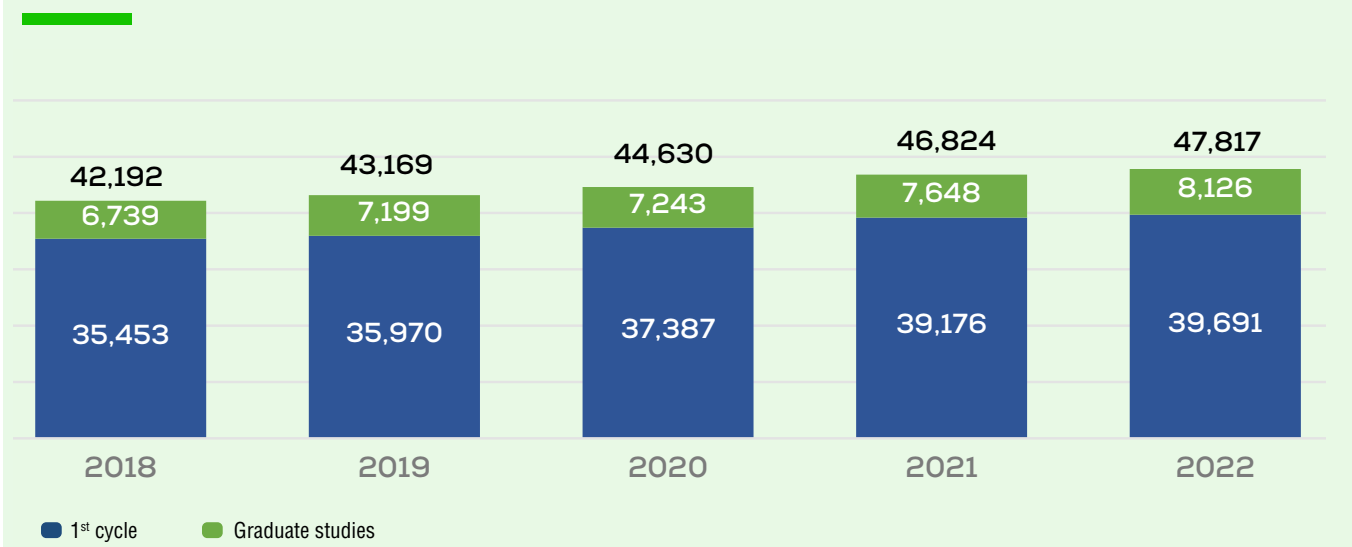
International students, whose enrolment stood at 10,711 as of November 1, 2022, now account for 22.4% of the student body.

Change in tuition and other fees for Canadian and international students (in thousands of dollars)

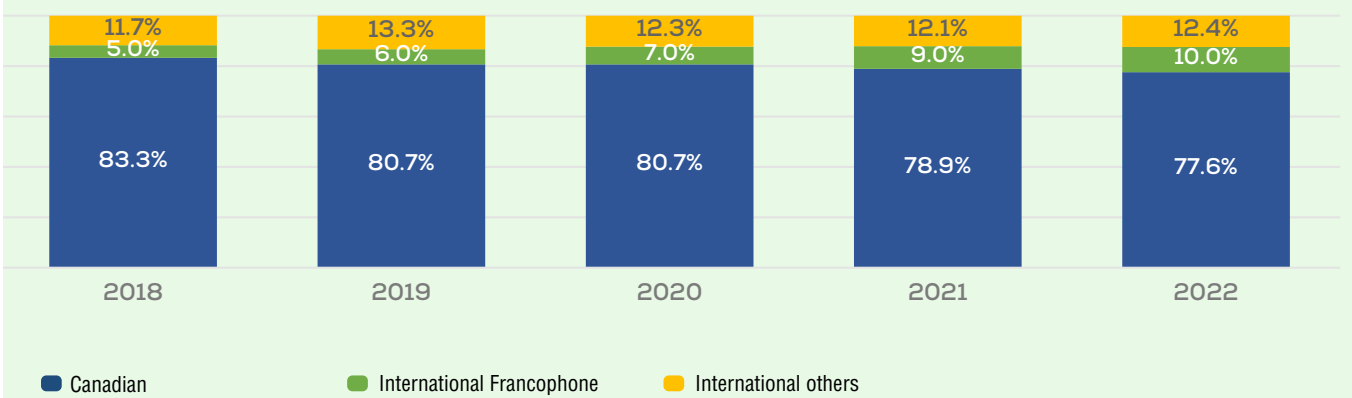




Enrolment as of November 1



Breakdown of enrolment as of November 1



OPERATING GRANTS

Operating grants from the Ministry of Colleges and Universities increased by 2.8% to \$335.6M, owing mostly to special purpose grants.

RESTRICTED GRANTS AND CONTRACTS

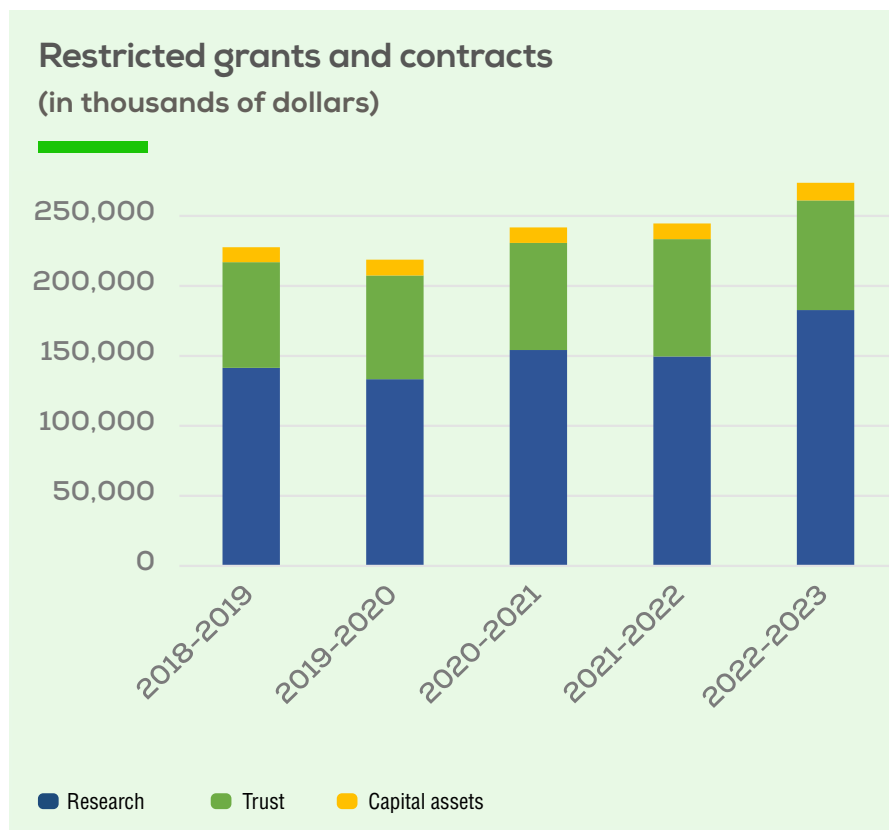
Revenue from restricted grants and contracts increased by 11.5% to \$272.6M.

This sum is earmarked for research activities (\$182.7M), trusts (\$78.4M) and capital assets (\$11.5M).

The University uses the deferral method to account for this revenue. Accordingly, revenue received but not spent during the year is recorded as deferred revenue or deferred contributions under liabilities. Revenue therefore depends directly on research activities carried out during the fiscal year.

This funding is contributed by several granting agencies, specifically the three Canada research councils or “Tri-Agencies” (NSERC, SSHRC and CIHR), the Canada Foundation for Innovation, the Canada Research Chairs program, the federal government and the Ontario government, and third parties.

The “Inter-institutional research and other agreements” expense rose by 43% over the fiscal year, in connection with the increased revenue from



restricted grants and contracts for research activities. Those monies are remitted to research institutions and other partners through contracts entered into by the University as the lead entity. An equivalent amount is recorded as revenue for restricted grants and contracts for research activities.



INVESTMENT INCOME

Investment income (in thousands of dollars)

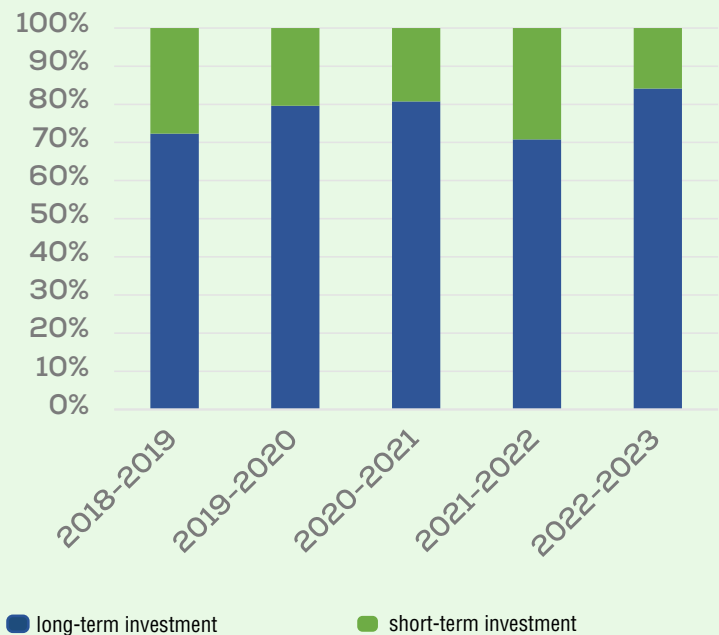
| | 2022-2023 | 2021-2022 | (\$) | Variance | (%) |
|--------------------------------------------------------------|---------------|-----------------|---------------|----------|--------------|
| Dividends, interest and other | 41,217 | 17,994 | 23,223 | | 129.1 |
| Realized gains (losses) on investments | (22,520) | 31,255 | (53,775) | | (172.1) |
| Endowment investment income made available for disbursements | 11,233 | 11,376 | (143) | | 1.3 |
| | 29,930 | 60,625 | (30,695) | | (50.6) |
| Variance in fair value of investments measured at fair value | 37,976 | (72,553) | 110,529 | | 152.3 |
| | 67,906 | (11,928) | 79,834 | | 669.3 |

Note 5 of the consolidated financial statements

Investment income for the year totalled \$86.9M. Of that amount, \$67.9M was reported in the consolidated financial statements and \$19.0M against endowment fund net assets, as required by Canadian accounting standards for non-profit organizations. These results include the variance (\$55.8M) in fair market value of investments. Of that amount, \$38.0M was reported in the consolidated financial statements and \$17.8M against endowment fund net assets. Given financial market volatility, these amounts cannot be considered

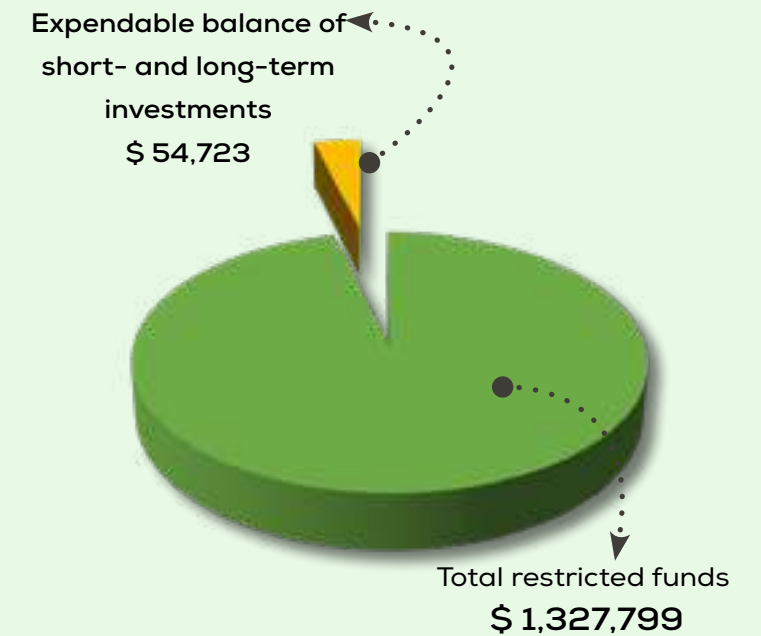
expendable until the investments are sold, hence the University’s decision to present the variance in fair market value of investments separately in the consolidated financial statements. The University has created a stabilization reserve as a hedge against financial market volatility. Over the year, the University took out a total of \$22.5M, equal to the realized loss on investments. As of April 30, 2023, the balance of the investment stabilization reserve was \$20.1M (\$42.7M in 2022).

Percentage change in short- and long-term investments out of total investments (in thousands of dollars)

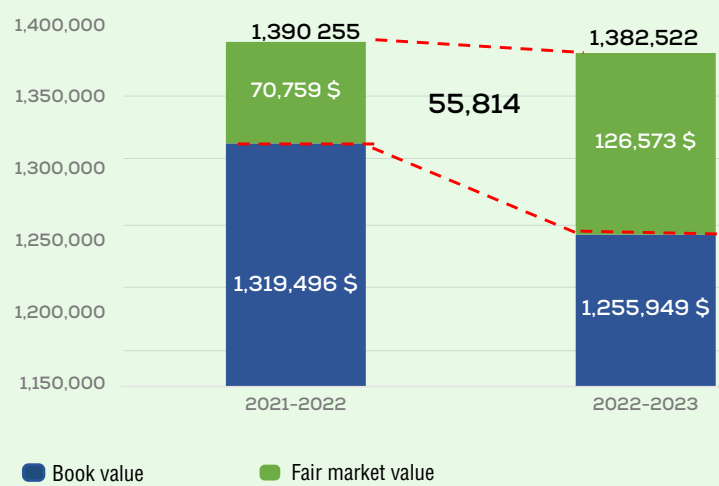


A significant proportion of the University's investment portfolio is in long-term investments. The Finance and Treasury Committee submits a statement of investment principles and objectives to the Board of Governors for its approval. The statement includes performance targets, asset distribution policy and other investment principles (e.g., expense rate) concerning the long-term portfolio, endowment funds, cash investments and the sinking fund. The cash portfolio is invested with a view to meeting operating cash requirements, preserving capital and maximizing investment income for the University.

Short- and long-term investments totalled \$1,382.5M as of April 30. These investments include amounts that are restricted for specific purposes, e.g., deferred revenue, sinking funds, endowments, the unused balance of debentures earmarked for future capital projects, and net assets restricted for internal – other purposes, as detailed in note 12 to the consolidated financial statements. Included are reserves for capital and infrastructure projects, reserves for non-capitalized pension plans and other benefits, stabilization reserves, reserves accumulated by the faculties and services, surpluses from self-funded services, and restricted funds – research and other.

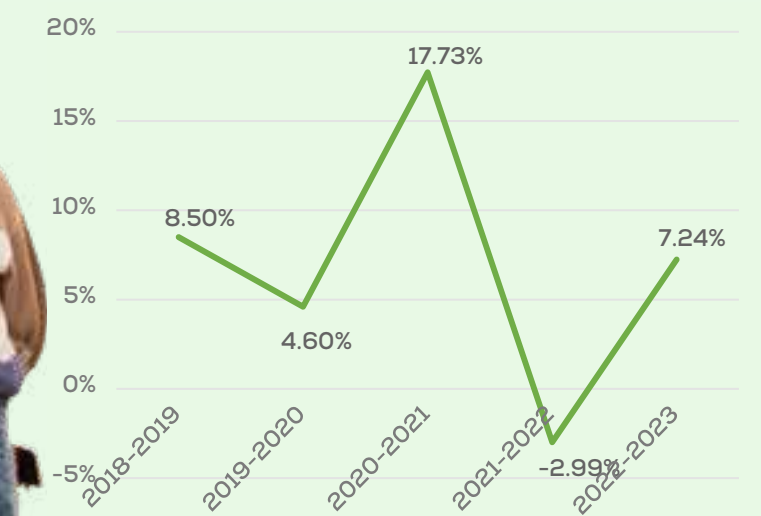


Variance in short- and long-term investments (in thousands of dollars)



The annualized rate of return on the University's long-term investments as of April 30, 2023, was 7.24% for one year, 6.39% for four years and 8.08% for 10 years.

Historical returns on long-term investments (in thousands of dollars)





EXPENSES AND CAPITAL INVESTMENT

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EXPENSES

In 2022–2023, expenses rose by \$129.6M (10.4%) to \$1,379.3M (\$1,249.7M in 2021–2022). The increase is due mainly to higher expenses for salaries and benefits (\$46.2M), scholarships and financial aid (\$32.3M), inter-institutional research and other agreements (\$16.2M) and travel costs (\$13.7M).

EXPENSES BY CATEGORY
(In thousands of dollars)

| | 2022-2023 | 2021-2022 | (\$) | Variance | (%) |
|---------------------------------------------------|------------------|------------------|----------------|----------|-------------|
| Salaries and benefits | 819,222 | 772,997 | 46,225 | | 6.0 |
| Scholarships and financial aid | 188,188 | 155,853 | 32,335 | | 20.7 |
| Cost of goods and services | 76,742 | 67,651 | 9,091 | | 13.4 |
| Maintenance, repairs, utilities and taxes | 50,255 | 45,020 | 5,235 | | 11.6 |
| Professional fees and contractual services | 52,486 | 45,872 | 6,614 | | 14.4 |
| Inter-institutional research and other agreements | 53,815 | 37,622 | 16,193 | | 43.0 |
| Travel | 18,547 | 4,831 | 13,716 | | 283.9 |
| Interest and bank fees | 25,878 | 26,063 | (186) | | (0.7) |
| Depreciation of capital assets | 71,038 | 73,923 | (2,885) | | (3.9) |
| Other | 23,136 | 19,883 | 3,253 | | 16.4 |
| Total expenses | 1,379,307 | 1,249,715 | 129,592 | | 10.4 |

SALARIES AND BENEFITS

In addition to salaries, the University provides a range of benefit plans to faculty members and support staff at different stages in their careers and in retirement. The University manages the current and future costs of the plans, which are recorded in the financial statements. Current costs include the employer's

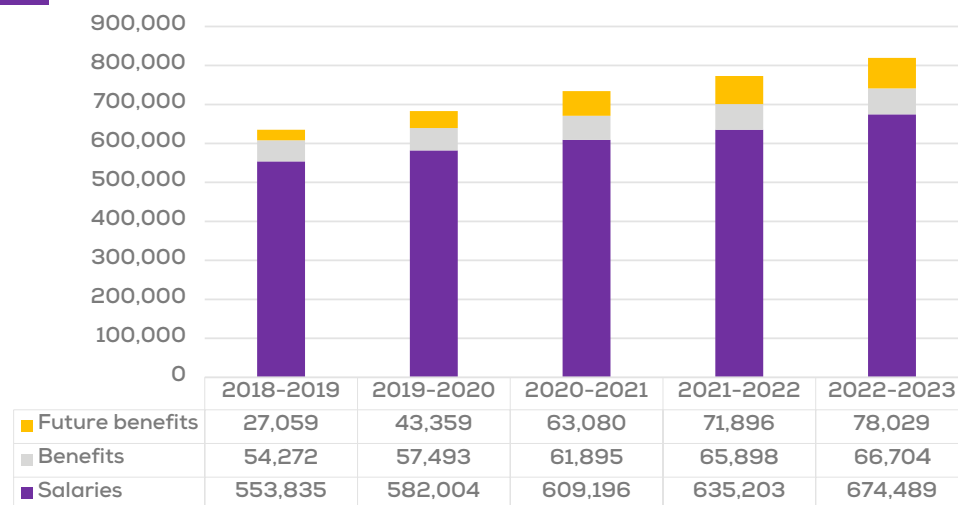
share of payroll deductions, such as Employment Insurance and Canada Pension Plan contributions, disability insurance and several types of leave. Future costs include the employer's share of pension plan contributions; life, health and dental insurance coverage; and severance allowances.

SALARY AND BENEFIT EXPENSES

Salaries and benefits account for 59.4% of total expenses in the consolidated financial statements (61.9% in 2021–2022).

Salary costs for faculty and support staff are funded primarily from the operating fund, which covers approximately 81.3% of the University's total salaries (79.0% in 2021–2022).

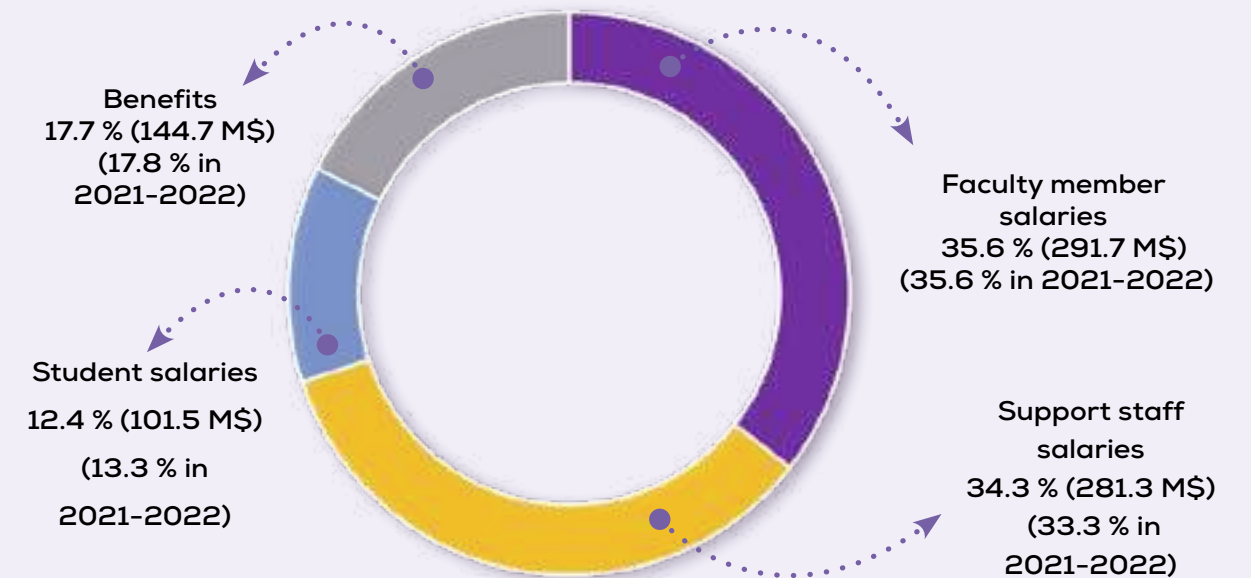
Salaries and benefits for fiscal years ending April 30 (in thousands of dollars)



Salary expenses rose by \$39.3M (6.2%), due mainly to economic and progress-through-the-rank increases, and a decrease in the number of vacant positions.

Benefit expenses totalled \$144.7M, broken down as follows: employee future benefits (\$78.0M) and current employee benefits (\$67.1M).

Breakdown of salary and benefit expenses (in thousands of dollars)





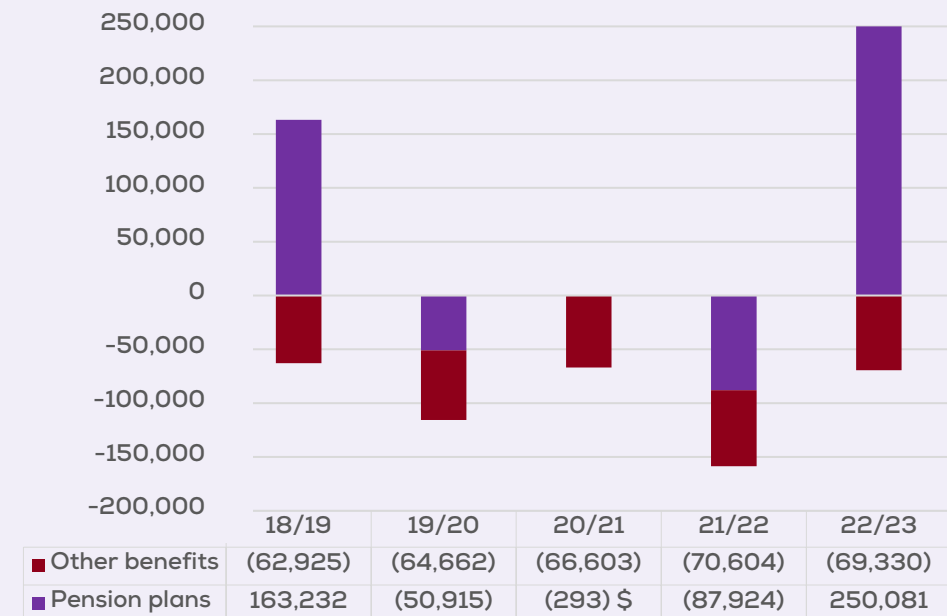
EMPLOYEE FUTURE BENEFITS (PENSION PLANS AND OTHER BENEFITS)

Employee future benefit assets totalled \$180.8M in 2023, compared to a liability of \$158.5M in 2022. This includes defined benefit pension plans along with some post-employment and post-retirement benefits, such as severance allowances, life insurance and health and dental benefits. Total assets increased, due mainly to re-evaluations following the most recent actuarial valuations to determine plan assets and retirement benefit obligations. Every year, the University appropriates a portion of its surplus to fund those future obligations. The total

earmarked for those expenses was \$98.3M as of April 30, 2023 (\$92.2M as of April 30, 2022).

Obligations for pension plans and other benefits continue to take up a significant share of the University's resources. A number of cost-leveling measures, including changes to plan design and funding, have been implemented in recent years. Management continues to closely monitor the University's pension plans and other benefits, with a focus on strategic long-term planning.

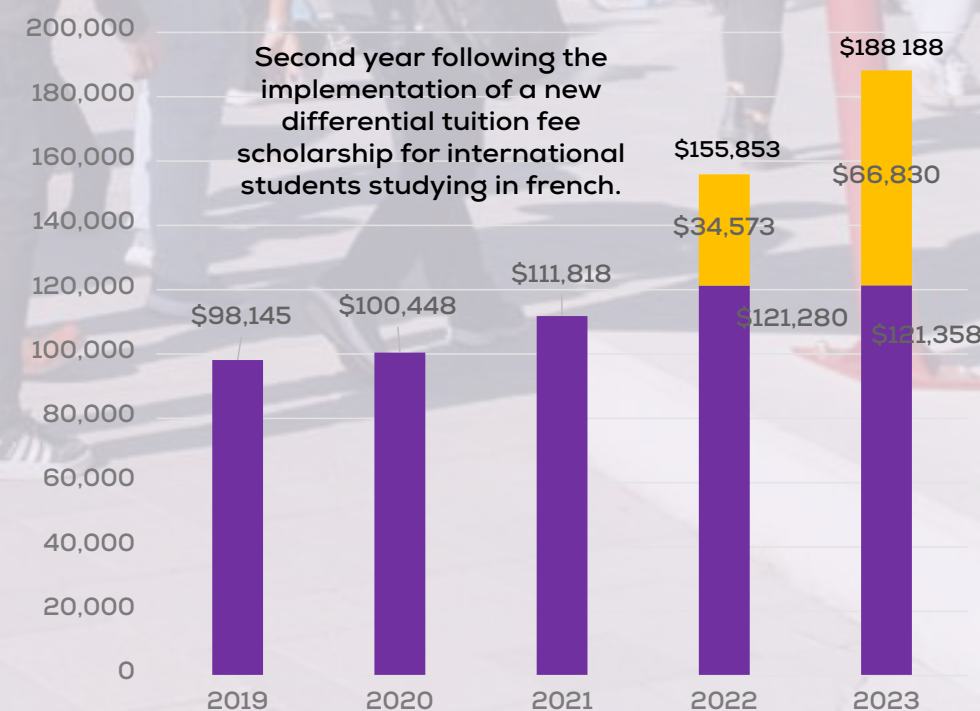
Composition of assets (liabilities) for employee future benefits (accrued benefit obligation) for fiscal years ending April 30 (in thousands of dollars)



SCHOLARSHIPS AND FINANCIAL AID

During fiscal year 2022–2023, the University awarded \$188.2M (\$155.9M in 2021–2022) in scholarships and financial aid, an increase of \$32.3M (20.7%) over the previous year. The new differential tuition fee exemption scholarship for international Francophone students, introduced last year to replace the partial tuition fee exemption, resulted in an approximate increase of \$66.8M in the total amount of scholarship funding awarded in 2022–2023 (\$34.6M in 2021–2022).

In addition, although scholarship amounts awarded to international students studying in French have increased over the past two years, and will increase again until 2024–2025 when the new regime fully matures, net revenue from the new system is already higher than revenue from its former counterpart, which aligned tuition fees for international students studying in French with tuition fees paid by Canadian and permanent-resident students.



CAPITAL INVESTMENT

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

In 2022–2023, major investments were made in connection with 200 Lees, the Advanced Medical Research Centre, Roger Guindon Hall and the Administrative Services Modernization Program.

Capital funding totalled \$144.6M (\$110.9M in 2021–2022). Expenses for major projects at 200 Lees this year totalled \$72.6M, and for the Administrative Services Modernization Program, \$16.3M. These projects are grouped together under the heading “Construction in progress” in Note 7 to the consolidated financial statements.

| Purchased capital assets (in thousands of dollars) | | |
|-------------------------------------------------------|----------------|----------------|
| | 2022-2023 | 2021-2022 |
| Buildings | 27,009 | 23,988 |
| Construction in progress | 93,178 | 58,026 |
| Library materials | 2,073 | 3,049 |
| Equipment and furnishings | 18,829 | 22,406 |
| Computer hardware and software | 3,484 | 3,479 |
| Total | 144,573 | 110,948 |

Here is how these purchased capital assets were funded

| Funding for purchased capital assets (in thousands of dollars) | | |
|-------------------------------------------------------------------|----------------|----------------|
| Source of funding | 2022-2023 | 2021-2022 |
| Government grants | 27,280 | 23,858 |
| Internal resources | 48,574 | 48,548 |
| Debentures | 67,160 | 36,838 |
| Capital asset donations | 1,559 | 1,704 |
| Total | 144,573 | 110,948 |

Note 7 to the consolidated financial statements

FACILITY CONDITION AND DEFERRED MAINTENANCE

Although the University has embarked on the construction of modern new facilities in recent years, the campus still houses several aging buildings that require major renovation or redevelopment. The University also faces ongoing challenges stemming from deferred IT maintenance, an issue common to many institutions of higher learning. Deferred maintenance of University facilities is supported by annual funding (\$25.0M) from the Operating Fund via the Facilities Renewal Improvement Program (FRIP), a grant (\$6.9M) from the Ministry of Colleges and Universities for facility renewal, and a contribution (\$6.8M) from Ancillary Enterprises as their financial situation allows.

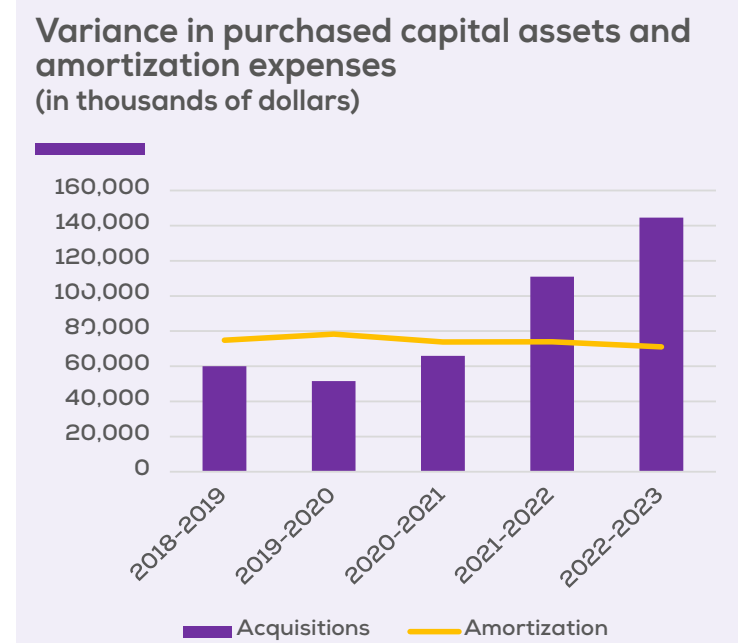
The University anticipates that, over the next few years, the deferred maintenance balance will increase as the systems and buildings in the University’s portfolio reach the end of their useful life. Consequently, addressing deferred maintenance is critical for the University. The Facilities Condition Index (FCI) is a measure that reflects the overall condition of campus assets. The FCI is widely used in asset management, including in triennial reports published by the Council of Ontario Universities. Since the late 1990s, all Ontario universities have been required to assess the condition of their facilities using software that generates FCI reports. The FCI is a numeric value between 0.0 and 1.0. In simple terms, a value between 0.00 and 0.05 means that assets are in excellent condition, while a value greater than 0.31 suggests a critical level of deterioration. The University’s FCI is 0.34. The index is calculated by dividing the total cost of deferred maintenance (DM) by the current

replacement value of the assets. External teams of experts inspect the assets to assess DM. Approximately 20% of assets are inspected each year, ensuring that the complete data set is renewed every five years.

The table below presents the University’s FCI:

| University of Ottawa FCI | |
|-------------------------------------|--------------|
| Current replacement value of assets | 2,172,483\$ |
| Deferred maintenance (DM) | 730,166\$ |
| Facility Condition Index | 0.336 |

The University’s total deferred maintenance was estimated at \$730.2M as of April 2023. Of that amount, \$525M is related to facilities used for teaching and research; \$134.3M, to student residences; and \$70.9M, to ancillary enterprise facilities.



NET ASSETS AND FINANCIAL RATIOS

A

INTERNALLY RESTRICTED
NET ASSETS

page 42

B

FINANCIAL
RATIOS

page 46



INTERNALLY RESTRICTED NET ASSETS

Internally restricted net assets decreased by \$23.5M (5.7%) in 2022–2023, falling from \$408.8M to \$385.4M. The variance from the previous year is due mainly to the allocation of year-end unrestricted net assets to net asset accounts.

The composition and nature of the University's internally restricted net assets are detailed

in Note 12 to the consolidated financial statements and are summarized below:

Internally restricted net assets (in thousands of dollars)

| | 2022-2023 | 2021-2022 |
|---------------------------------------------------------------|----------------|----------------|
| Capital projects and infrastructure reserves | 153,207 | 142,961 |
| Reserves for pension plans and other non-capitalized benefits | 98,313 | 92,179 |
| Stabilization reserves | 30,702 | 53,222 |
| Restricted funds, research and other | 75,294 | 69,877 |
| Operating contingencies | 77,847 | 107,677 |
| Ancillary services | (16,162) | (18,571) |
| Internally funded capital projects | (33,819) | (38,505) |
| Total | 385,382 | 408,840 |

SINKING FUND

The sinking fund is considered to be an internally restricted net asset. However, it is presented separately in the consolidated financial statement, as it is related to net assets invested in capital projects.

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 2060. Annual variances in the sinking fund refer to accrued income on long-term investments made for that purpose, plus restricted contributions.

According to the projected future returns on long-term investments earmarked to repay the debt, the current balance of the sinking fund should be sufficient to retire the \$150M debenture. An annual review is conducted and submitted to the Finance and Treasury Committee to determine the contribution required annually. A total of \$4.9M was contributed during the year. The sinking fund balance stood at \$110.6M as of April 30, 2023, and the University holds long-term investments equal to that amount.



1

CAPITAL PROJECTS AND INFRASTRUCTURE RESERVES

Capital projects and infrastructure reserves include projects that are currently in various stages of planning, design and construction, as well as capital projects and renovations currently under way, funds reserved for major capital projects currently in the planning stage, and funds reserved for planned deferred maintenance.

2

STABILIZATION RESERVES

The University has stabilization reserves to reduce the risk of volatility in certain sectors, including fluctuating market yields, higher public utility rates, and increased insurance costs. This reserve was assessed at \$30.7M as of April 30, 2023 (\$53.2M as of April 30, 2022). A total of \$22.5M, equal to the realized loss on investments, was used during the year.

3

OPERATING CONTINGENCIES

The University allows faculties and services to keep operating surpluses for investment in future strategic initiatives. The University also allocates surpluses for strategic purposes and operating contingencies.

4

INTERNALLY FUNDED CAPITAL PROJECTS

These amounts are internal loans for major capital projects, whose costs will be recovered over time from the operating budget and the activities of the faculties or services concerned.

Capital management

The University aims to manage its capital in ways that preserve it and maximize the resulting investment income. The University defines its capital as unrestricted net assets, internally restricted net assets, endowment funds and long-term debt.

The Board of Governors has approved Policy 114 – Liability Management. It sets out two ratios that the University must meet:



| | Seuil | Ratios | |
|------------------------------------|---------|--------|-------|
| | | 2023 | 2022 |
| Net assets relative to liabilities | > 0.5 x | 0.81 | 0.76 |
| Debt burden | < 5 % | 2.41% | 2.41% |

The University was in compliance with Policy 114 as of April 30, 2023. The University is continuing its efforts to improve its financial results in order to meet its debt management ratios and maintain a healthy financial position.

FINANCIAL RATIOS

The Ministry of Colleges and Universities implemented a new framework for financial accountability for universities on April 1, 2023.

The Ministry of Colleges and Universities implemented a new framework for financial accountability for universities on April 1, 2023. The framework, developed in consultation with stakeholders, was based on documents including the Council of Ontario Universities' Financial Health and Transparency Framework Plan. It is closely tied to the sector's ongoing commitment to financial transparency and further commitments to proactively monitor the financial health of these institutions.

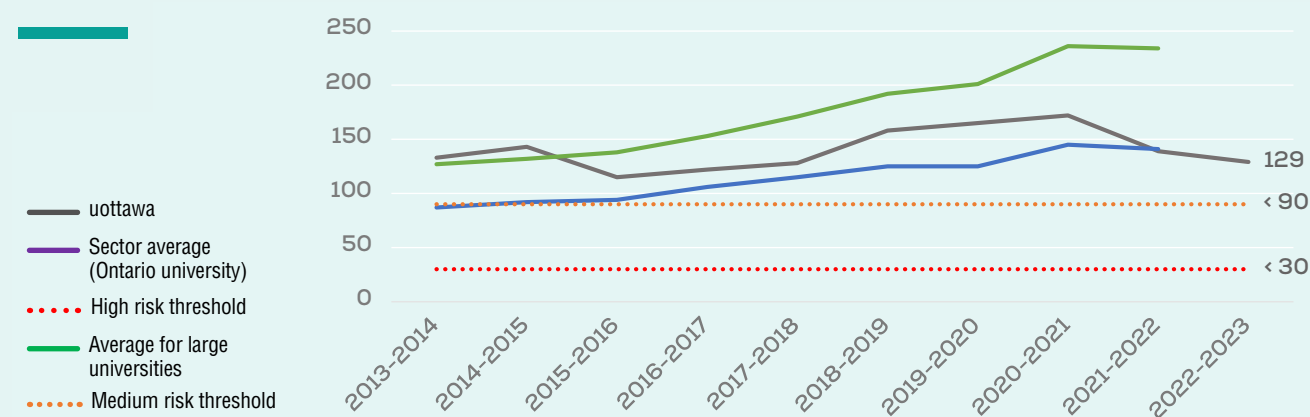
The framework uses eight core indicators/financial ratios and individual credit ratings to measure risks to universities' financial health and to determine the appropriate actions that the Ministry and the universities can take. Each year, the Ministry will

contact the universities individually to discuss the results of the indicators/financial ratios and subsequent measures that may be required. The risk thresholds below are currently being discussed and are provisional for the time being.

For ease of comparison, publicly funded Ontario universities (but not including their affiliated establishments) have been broken down into three groups: those with fewer than 12,000 full-time equivalents (small), those with between 12,000 and 27,000 full-time equivalents (medium), and those with more than 27,000 full-time equivalents (large). The University of Ottawa fits into the last group.

LIQUIDITY RATIOS

Primary Reserve (days)



FINANCIAL ACCOUNTABILITY FRAMEWORK RATIOS AND THRESHOLDS

THRESHOLDS

LIQUIDITY RATIOS

| | | MODERATE RISK THRESHOLD | HIGH RISK THRESHOLD | UNIVERSITY OF OTTAWA, APRIL 2023 | UNIVERSITY OF OTTAWA, APRIL 2022 |
|------------------------|--------------------------------------------------|-------------------------|---------------------|----------------------------------|----------------------------------|
| Primary Reserve (days) | Expendable net assets/total expenses) x 365 days | < 90 | < 30 | 129 | 139 |
| Working capital | Current assets/current liabilities | < 1.25 | < 1 | 0.74 | 1.19 |

SUSTAINABILITY RATIOS

| | | MODERATE RISK THRESHOLD | HIGH RISK THRESHOLD | UNIVERSITY OF OTTAWA, APRIL 2023 | UNIVERSITY OF OTTAWA, APRIL 2022 |
|-----------------------|----------------------------------------------------|-------------------------|---------------------|----------------------------------|----------------------------------|
| Viability Ratio | Expendable net assets/ long-term debt | < 60 % | < 30 % | 74.24 % | 72.12 % |
| Debt Ratio | Total debt/total assets | > 35 % | > 70 % | 17.49 % | 18.84 % |
| Debt-to-Revenue Ratio | Long-term debt/ total revenues | > 35 % | > 50 % | 47.72 % | 56.07 % |
| Interest Burden Ratio | Interest expense/ total expenses less depreciation | > 2 % | > 4 % | 1.87 % | 2.10 % |

PERFORMANCE

| | | MODERATE RISK THRESHOLD | HIGH RISK THRESHOLD | UNIVERSITY OF OTTAWA, APRIL 2023 | UNIVERSITY OF OTTAWA, APRIL 2022 |
|------------------------------|-----------------------------------------------------|-------------------------|---------------------|----------------------------------|----------------------------------|
| Net Profit (Loss) Ratio | Net profit (loss)/ total revenues | < 1.5 % | < 0 % | -0.36 % | -6.49 % |
| Net Operating Revenues Ratio | Cash flow from operating activities/ total revenues | < 7 % | < 2 % | 5.18 % | 5.05 % |

CREDIT RATING

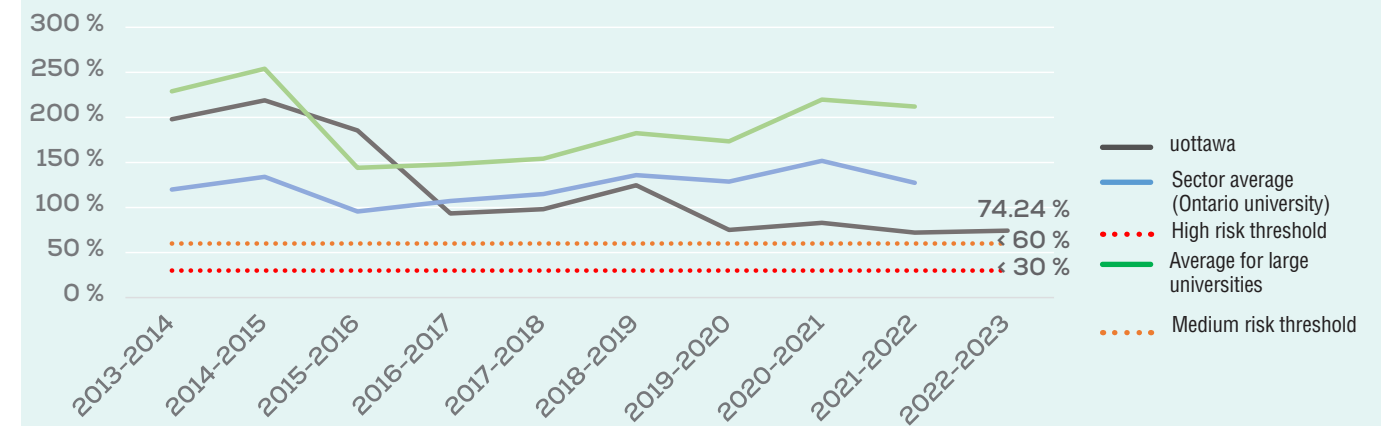
| | | DBRS / Moody's / S&P | UNIVERSITY OF OTTAWA, APRIL 2023 | UNIVERSITY OF OTTAWA, APRIL 2022 |
|---------------|---------------------------|----------------------|----------------------------------|----------------------------------|
| Credit rating | Third-party credit rating | DBRS / Moody's / S&P | AA2 | AA2 |

The Primary Reserve Ratio is a measure of financial viability that compares expendable net assets to total expenses, and provides an indication of an institution's financial strength and flexibility by determining how many days an institution could function using only financial resources that can be expended without restrictions. Expendable net assets include unrestricted net assets, internally restricted net assets and internal endowments.



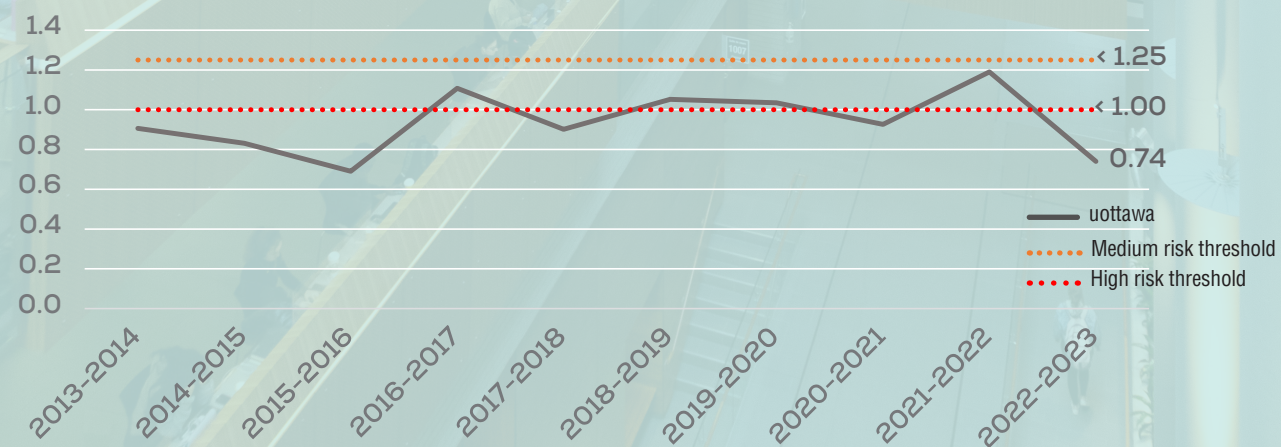
SUSTAINABILITY RATIOS

Viability Ratio



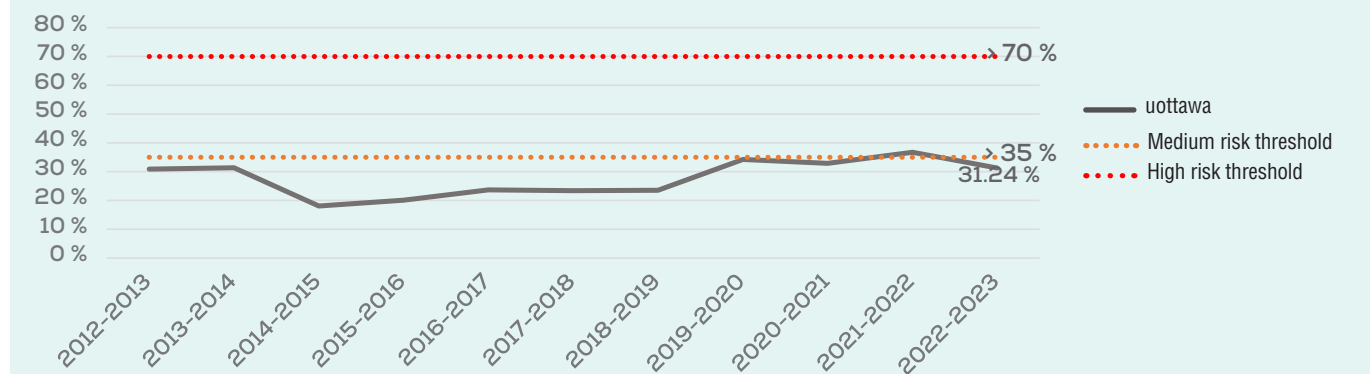
The Viability Ratio is an indicator of an institution's financial health: it provides an indication of the funds on hand that can be used should the institution need to settle its long-term obligations. It is calculated as expendable net assets over long-term debt.

Working capital



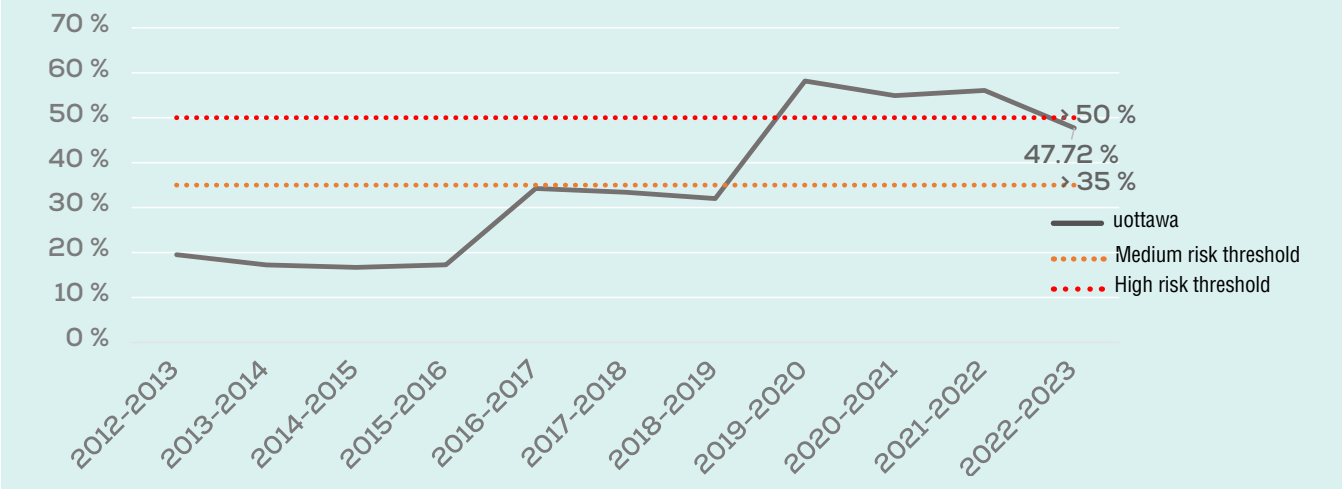
The Working Capital Ratio measures an institution's ability to meet its payment obligations as they fall due, without affecting the normal course of its operations.

Debt Ratio



The Debt Ratio indicates how much of an institution's debt is owned by its creditors compared to the proportion of assets held by the institution. This is calculated on the basis of total liabilities minus contributions related to fixed assets, divided by the total assets.

Debt-to-Revenue Ratio



The Debt-to-Revenue Ratio measures the amount of revenue generated by an institution in order to repay its debts.

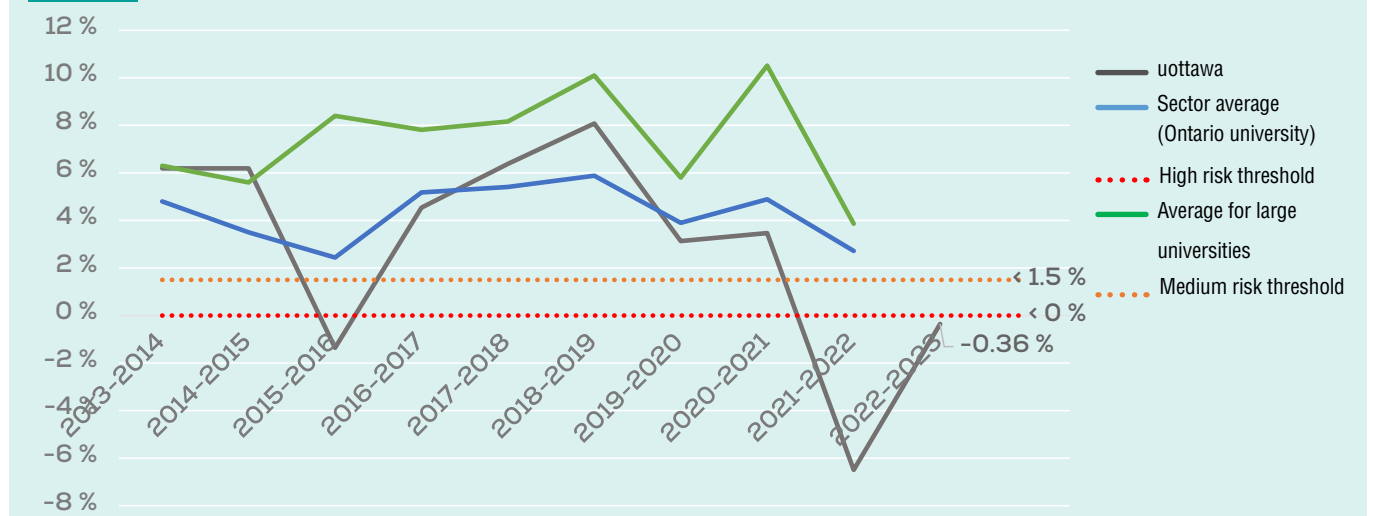
Interest Burden Ratio



The Interest Burden Ratio is a measure that compares the level of current debt service with the institution's total expenses. It takes into account the percentage of total expenses used to cover the cost of servicing the institution's debt.

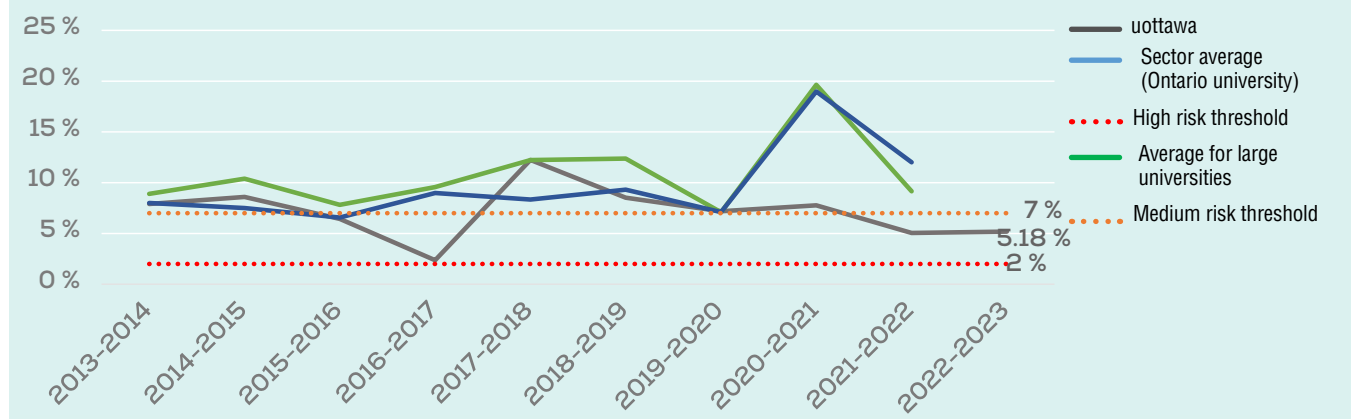
PERFORMANCE

Net Profit (Loss) Ratio



The Net Profit/Loss Ratio is a metric that measures the percentage of an institution's revenues that actually contribute to its net assets. The objective of this ratio is to track trends in an institution's net earnings. It provides insight into how well an institution is able to manage its expenses relative to its revenue base.

Net Operating Revenues Ratio



The Net Operating Revenues Ratio provides an indication of the extent to which an institution is generating positive cash flows.

As of April 2023, three of the University's ratios were at the moderate risk level, and one was at the high risk level. In 2022, three were at the moderate risk level, and two were at the high risk level. There was a slight improvement over the year. The University is maintaining its efforts to improve its financial results and closely monitors changes in its financial ratios throughout the year.



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