

Consolidated Financial Statements of

# **UNIVERSITY OF OTTAWA**

Year ended April 30, 2021

# UNIVERSITY OF OTTAWA

Consolidated Financial Statements

Year ended April 30, 2021

## **Statement of Administrative Responsibility**

## **Independent Auditors' Report**

Consolidated Financial Statements

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# STATEMENT OF ADMINISTRATIVE RESPONSIBILITY

September 27, 2021

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

Management has prepared the consolidated financial statements in accordance with Canadian accounting standards for not-for-profit organizations. In order to achieve the objective of fair presentation in all material respects, reasonable estimates and professional judgements were used. Management believes the consolidated financial statements present fairly the University's financial position as at April 30, 2021, the consolidated statements of operations, changes in net assets and cash flows for the year then ended.

In fulfilling its responsibilities and recognizing the limits inherent in all systems, management has developed and maintains a system of internal control designed to provide reasonable assurance that University assets are safeguarded from loss and that the accounting records are a reliable basis for the preparation of the consolidated financial statements. The system of internal controls is monitored by the University's internal audit service.

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

The consolidated financial statements as at and for the year ended April 30, 2021 have been audited by KPMG LLP, Chartered Professional Accountants, Licensed Public Accountants, the auditors appointed by the Board of Governors. The independent auditors' report outlines the scope of their audit and their opinion on the preparation of the information included in the consolidated financial statements.

*[SIGNED]*

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

*[SIGNED]*

\_\_\_\_\_  
Jennifer Doyle  
Vice-President, Finance and Administration



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## INDEPENDENT AUDITORS' REPORT

To the Board of Governors of the University of Ottawa

### ***Opinion***

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

- the consolidated statement of financial position as at April 30, 2021
- the consolidated statement of operations for the year then ended
- the consolidated statement of changes in net assets for the year then ended
- the consolidated statement of cash flows for the year then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the University as at April 30, 2021, and its consolidated results of operations, its consolidated changes in net assets and its consolidated cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

### ***Basis for Opinion***

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

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

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

### ***Other Information***

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

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



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

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

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

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

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

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

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

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

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

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

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

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

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



We also:

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

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

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

*KPMG LLP*

Chartered Professional Accountants, Licensed Public Accountants

Ottawa, Canada

September 27, 2021

# UNIVERSITY OF OTTAWA

## Consolidated Statement of Financial Position

April 30, 2021, with comparative information for 2020  
(in thousands of dollars)

|  | 2021                | 2020                |
|--|---------------------|---------------------|
| <b>Assets</b>  |                     |                     |
| Current assets:  |                     |                     |
| Cash   | \$ 10,596           | \$ 13,723           |
| Short-term investments (note 3)                            | 294,020             | 280,780             |
| Accounts receivable (notes 4 and 19)                       | 94,165              | 104,987             |
| Prepaid expenses   | 15,290              | 15,223              |
|  | <u>414,071</u>      | <u>414,713</u>      |
| Long-term investments (notes 5)                            | 1,232,905           | 1,097,784           |
| Capital assets (note 7)                                    | 1,921,516           | 1,929,382           |
|  | <u>\$ 3,568,492</u> | <u>\$ 3,441,879</u> |
| <b>Liabilities and Net Assets</b>                          |                     |                     |
| Current liabilities:                                       |                     |                     |
| Accounts payable and accrued liabilities (note 8)          | \$ 90,805           | \$ 87,400           |
| Deferred revenue (note 9)                                  | 354,215             | 311,736             |
| Current portion of long-term debt (note 11)                | 1,865               | 1,739               |
|  | <u>446,885</u>      | <u>400,875</u>      |
| Deferred contributions related to capital assets (note 10) | 426,327             | 430,137             |
| Employee future benefits (note 6)                          | 66,896              | 115,577             |
| Long-term debt (note 11)                                   | 660,009             | 661,874             |
|  | <u>1,600,117</u>    | <u>1,608,463</u>    |
| Net assets:  |                     |                     |
| Unrestricted   | -                   | -                   |
| Internally restricted (note 12)                            | 1,629,606           | 1,537,979           |
| Endowments (note 13)                                       | 338,769             | 295,437             |
|  | <u>1,968,375</u>    | <u>1,833,416</u>    |
|  | <u>\$ 3,568,492</u> | <u>\$ 3,441,879</u> |

Commitments and contingent liabilities (note 17)

See accompanying notes to consolidated financial statements.

On behalf of the Board

[SIGNED] Governor

[SIGNED] Governor

# UNIVERSITY OF OTTAWA

## Consolidated Statement of Operations

Year ended April 30, 2021, with comparative information for 2020  
(in thousands of dollars)

|   | 2021             | 2020             |
|---|------------------|------------------|
| Revenue:  |                  |                  |
| Tuition and other fees                                      | \$ 467,773       | \$ 449,612       |
| Operating grants  | 321,886          | 323,577          |
| Restricted grants and contracts (notes 15 and 16)           | 241,811          | 218,676          |
| Sale of goods and services                                  | 13,229           | 25,579           |
| Student housing   | 5,756            | 22,529           |
| Donations (note 10)   | 17,490           | 19,451           |
| Investment income (note 5)                                  | 118,055          | 42,540           |
| Other   | 16,094           | 36,133           |
|   | <u>1,202,094</u> | <u>1,138,097</u> |
| Expenses:   |                  |                  |
| Salaries and employee benefits                              | 734,171          | 682,856          |
| Scholarships and financial aid                              | 111,818          | 100,448          |
| Cost of goods and services                                  | 68,042           | 67,326           |
| Repairs, maintenance, utilities and taxes                   | 35,840           | 39,829           |
| Contractual services and professional fees                  | 42,630           | 43,547           |
| Inter-institutional research and other agreements (note 16) | 48,519           | 30,375           |
| Travel  | 3,133            | 18,790           |
| Interest and bank fees                                      | 26,727           | 20,484           |
| Amortization of capital assets                              | 73,772           | 78,304           |
| Other   | 15,735           | 20,476           |
|   | <u>1,160,387</u> | <u>1,102,435</u> |
| Excess of revenue over expenses                             | \$ 41,707        | \$ 35,662        |

See accompanying notes to consolidated financial statements.



# UNIVERSITY OF OTTAWA

## Consolidated Statement of Changes in Net Assets

Year ended April 30, 2021, with comparative information for 2020  
(in thousands of dollars)

|  | Unrestricted | Internally<br>restricted<br>(note 12) | Endowments<br>(note 13) | 2021<br>Total | 2020<br>Total |
|--|--------------|---------------------------------------|-------------------------|---------------|---------------|
| Net assets balance,<br>beginning of year                                       | \$ -         | \$ 1,537,979                          | \$ 295,437              | \$ 1,833,416  | \$ 2,020,940  |
| Excess of revenue<br>over expenses   | 41,707       | -                                     | -                       | 41,707        | 35,662        |
| Net changes in internally<br>restricted  | (26,245)     | 26,245                                | -                       | -             | -             |
| Provision for adverse deviation,<br>re-measurement and other<br>items (note 6) | -            | 50,118                                | -                       | 50,118        | (224,228)     |
| Internal contributions and<br>matching funds (note 13)                         | (198)        | -                                     | 198                     | -             | -             |
| External contributions (note 13)   | -            | -                                     | 4,885                   | 4,885         | 1,935         |
| Net investment income earned   | (15,264)     | 15,264                                | 38,249                  | 38,249        | (893)         |
| Net assets balance,<br>end of year   | \$ -         | \$ 1,629,606                          | \$ 338,769              | \$ 1,968,375  | \$ 1,833,416  |

See accompanying notes to consolidated financial statements.

# UNIVERSITY OF OTTAWA

## Consolidated Statement of Cash Flows

Year ended April 30, 2021, with comparative information for 2020  
(in thousands of dollars)

|  | 2021             | 2020             |
|--|------------------|------------------|
| Cash provided by (used in):  |                  |                  |
| Operating activities:  |                  |                  |
| Excess of revenue over expenses  | \$ 41,707        | \$ 35,662        |
| Items which do not involve cash:   |                  |                  |
| Change in fair value of investments measured at fair value                 | (49,921)         | 11,582           |
| Amortization of capital assets   | 73,772           | 78,304           |
| Amortization of deferred contributions related to capital assets (note 10) | (30,194)         | (29,497)         |
| Employee future benefits expense   | 63,080           | 43,359           |
| Employee future benefits contributions                                     | (61,643)         | (51,703)         |
|  | 36,801           | 87,707           |
| <u>Change in non-cash operating working capital</u>                        | <u>56,639</u>    | <u>(6,825)</u>   |
|  | 93,440           | 80,882           |
| Investing activities:  |                  |                  |
| Purchases of capital assets (note 7)                                       | (65,906)         | (51,606)         |
| Net acquisitions and disposals of investments                              | (98,440)         | (353,363)        |
|  | (164,346)        | (404,969)        |
| Financing activities:  |                  |                  |
| Increase of deferred contributions related to capital assets (note 10)     | 26,384           | 18,340           |
| Proceeds from issuance of long-term debt                                   | -                | 300,000          |
| Repayment of long-term debt  | (1,739)          | (1,620)          |
| Contributions and investment income earned on endowments (note 13)         | 43,134           | 1,042            |
|  | 67,779           | 317,762          |
| <u>Decrease in cash</u>  | <u>(3,127)</u>   | <u>(6,325)</u>   |
| Cash, beginning of year  | 13,723           | 20,048           |
| <u>Cash, end of year</u>   | <u>\$ 10,596</u> | <u>\$ 13,723</u> |

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

See accompanying notes to consolidated financial statements.

# UNIVERSITY OF OTTAWA

## Notes to Consolidated Financial Statements

Year ended April 30, 2021

(in thousands of dollars)

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### 1. Objectives and purpose:

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

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

### 2. Significant accounting policies:

#### (a) Basis of presentation:

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

#### (b) Use of estimates:

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

#### (c) Revenue recognition:

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

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

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

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

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

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

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

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

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

# UNIVERSITY OF OTTAWA

Notes to Consolidated Financial Statements (continued)

Year ended April 30, 2021

(in thousands of dollars)

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## 2. Significant accounting policies (continued):

### (d) Investments:

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

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

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

### (e) Capital assets:

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

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

# UNIVERSITY OF OTTAWA

Notes to Consolidated Financial Statements (continued)

Year ended April 30, 2021  
(in thousands of dollars)

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## 2. Significant accounting policies (continued):

### (e) Capital assets (continued):

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

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

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

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

### (f) Foreign currency transactions:

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

### (g) Employee future benefits:

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

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

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

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

# UNIVERSITY OF OTTAWA

Notes to Consolidated Financial Statements (continued)

Year ended April 30, 2021

(in thousands of dollars)

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## 2. Significant accounting policies (continued):

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

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

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

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

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

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

### (i) Contributed services:

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

### (j) Income taxes:

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

# UNIVERSITY OF OTTAWA

Notes to Consolidated Financial Statements (continued)

Year ended April 30, 2021  
(in thousands of dollars)

### 3. Short-term investments:

Fair value:

| April 30, 2021   | Pooled<br>funds   | Segregated<br>funds | Total             |
|------------------|-------------------|---------------------|-------------------|
| Government bonds | \$ 126,986        | \$ 8,074            | \$ 135,060        |
| Corporate bonds  | 147,313           | 11,647              | 158,960           |
| <b>Total</b>     | <b>\$ 274,299</b> | <b>\$ 19,721</b>    | <b>\$ 294,020</b> |

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

Government bonds under the segregated funds have interest rates ranging from 0% to 1.65% (2020 - 0.3% to 1.2%) and maturity dates up to 2022 (2020 - maturity dates up to 2020). Corporate bonds have interest rates ranging from 1.68% to 12.0% (2020 - 1.9% to 2.1%) and maturity dates up to 2022 (2020 - maturity dates up to 2020).

### 4. Accounts receivable:

|                                 | 2021             | 2020              |
|---------------------------------|------------------|-------------------|
| Restricted grants and contracts | \$ 56,045        | \$ 63,739         |
| Tuition and housing fees        | 38,547           | 35,677            |
| Other                           | 25,682           | 29,337            |
|                                 | 120,274          | 128,753           |
| Allowance for doubtful accounts | (26,109)         | (23,766)          |
| <b>Total</b>                    | <b>\$ 94,165</b> | <b>\$ 104,987</b> |

# UNIVERSITY OF OTTAWA

Notes to Consolidated Financial Statements (continued)

Year ended April 30, 2021  
(in thousands of dollars)

## 5. Long-term investments:

Fair value:

| April 30, 2021                                     | Pooled<br>funds   | Segregated<br>funds | Total               |
|--|-------------------|---------------------|---------------------|
| Fixed income                                       | \$ 152,201        | \$ 348,186          | \$ 500,387          |
| Canadian equities                                  | -                 | 64,340              | 64,340              |
| Foreign equities                                   | 290,687           | 153,853             | 444,540             |
| Real estate and infrastructure                     | 113,897           | -                   | 113,897             |
| Hedge funds  | 51,107            | -                   | 51,107              |
| Private debt                                       | 13,506            | -                   | 13,506              |
| Investments in wholly owned subsidiaries (note 19) | 45,128            | -                   | 45,128              |
| <b>Total</b>                                       | <b>\$ 666,526</b> | <b>\$ 566,379</b>   | <b>\$ 1,232,905</b> |

| April 30, 2020                                     | Pooled<br>funds   | Segregated<br>funds | Total               |
|--|-------------------|---------------------|---------------------|
| Fixed income                                       | \$ 94,247         | \$ 346,089          | \$ 440,336          |
| Canadian equities                                  | 28,505            | 41,906              | 70,411              |
| Foreign equities                                   | 260,624           | 89,268              | 349,892             |
| Real estate and infrastructure                     | 130,087           | -                   | 130,087             |
| Hedge funds  | 55,961            | -                   | 55,961              |
| Private debt                                       | 1,817             | -                   | 1,817               |
| Investments in wholly owned subsidiaries (note 19) | 49,280            | -                   | 49,280              |
| <b>Total</b>                                       | <b>\$ 620,521</b> | <b>\$ 477,263</b>   | <b>\$ 1,097,784</b> |

Coupon interest rates on fixed income investments range from 0% to 11.75% (2020 - 0.8% to 6.5%) and the investments mature between 2022 and 2081 (2020 - matured between 2021 and 2067).

The book value of the long-term investments as at April 30, 2021 was \$1,071,549 (2020 - \$1,014,171).

### *Real estate, infrastructure and private debt commitments*

The University has funding commitments related to real estate, infrastructure and private debt investment vehicles, which may be funded over the next several years within the existing investment portfolio in accordance with the terms and conditions agreed to. As at April 30, 2021, these commitments totaled \$136,002 (2020 - \$60,253).

Investment income is comprised of:

|  | 2021              | 2020             |
|--|-------------------|------------------|
| Dividends, interest and other                              | \$ 12,578         | \$ 30,843        |
| Realized gains on investments                              | 45,022            | 13,269           |
| Endowment income made available for disbursements          | 10,534            | 10,010           |
|  | 68,134            | 54,122           |
| Change in fair value of investments measured at fair value | 49,921            | (11,582)         |
| <b>Total</b>   | <b>\$ 118,055</b> | <b>\$ 42,540</b> |



# UNIVERSITY OF OTTAWA

Notes to Consolidated Financial Statements (continued)

Year ended April 30, 2021

(in thousands of dollars)

## 6. Employee future benefits:

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

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

The latest actuarial valuations were completed by an independent actuary as at January 1, 2021 for the pension plans and as at December 31, 2018 for the post-employment and post-retirement benefit plans. For financial statement purposes, the results of these valuations were extrapolated to April 30, 2021 which is the measurement date used to determine the plans' assets and the accrued benefit obligations. The next required filing date for an actuarial valuation is as of January 1, 2023 for the pension plans and as at December 31, 2021 for the post-employment and post-retirement benefit plans.

In 2018, the Ontario government revised the rules for the funding of single-employer defined benefit pension plans. Under the new rules, the margin set at the discretion of the University of Ottawa has been replaced with a prescribed Provision for Adverse Deviation ("PfAD"), a risk-based load factor applied to the best-estimate liabilities. The PfAD at April 30, 2021 is \$408,980 (2020 - \$310,468) which represents 19.95% (2020 - 16.34%) of the pension plan's projected liability, excluding the value of future escalated adjustments. The PfAD at April 30, 2021 for the post-employment and post-retirement benefit plans is \$9,910 (2020 - \$8,845).

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

|                             | 2021                  |                     |                | 2020                  |                     |                |
|-----------------------------|-----------------------|---------------------|----------------|-----------------------|---------------------|----------------|
|                             | Pension benefit plans | Other benefit plans | Total          | Pension benefit plans | Other benefit plans | Total          |
| Accrued benefit liability   |                       |                     |                |                       |                     |                |
| Accrued benefit obligation  | \$ (2,834,536)        | \$ (66,603)         | \$ (2,901,139) | \$ (2,555,204)        | \$ (64,662)         | \$ (2,619,866) |
| Fair value of plan's assets | 2,834,243             | -                   | 2,834,243      | 2,504,289             | -                   | 2,504,289      |
| Accrued benefit liability   | \$ (293)              | \$ (66,603)         | \$ (66,896)    | \$ (50,915)           | \$ (64,662)         | \$ (115,577)   |

# UNIVERSITY OF OTTAWA

Notes to Consolidated Financial Statements (continued)

Year ended April 30, 2021

(in thousands of dollars)

## 6. Employee future benefits (continued):

The employee future benefit liability is as follows:

|   | 2021                     |                        |                    | 2020                        |                        |                     |
|---|--------------------------|------------------------|--------------------|-----------------------------|------------------------|---------------------|
|   | Pension<br>benefit plans | Other benefit<br>plans | Total              | Pension<br>benefit<br>plans | Other benefit<br>plans | Total               |
| Balance,<br>beginning of year               | \$ (50,915)              | \$ (64,662)            | \$ (115,577)       | \$ 163,232                  | \$ (62,925)            | \$ 100,307          |
| Expenses                                    | (56,466)                 | (6,614)                | (63,080)           | (36,849)                    | (6,510)                | (43,359)            |
| Contributions                               | 55,701                   | 5,942                  | 61,643             | 45,223                      | 6,480                  | 51,703              |
| Re-measurement<br>and other items           |                          |                        |                    |                             |                        |                     |
| Provision for<br>adverse<br>deviation       | (67,397)                 | (1,065)                | (68,462)           | (111,064)                   | (3,022)                | (114,086)           |
| Re-measurement<br>and other<br>items        | 118,784                  | (204)                  | 118,580            | (111,457)                   | 1,315                  | (110,142)           |
| Re-measurement<br>and other<br>items, total | 51,387                   | (1,269)                | 50,118             | (222,521)                   | (1,707)                | (224,228)           |
| <b>Total</b>                                | <b>\$ (293)</b>          | <b>\$ (66,603)</b>     | <b>\$ (66,896)</b> | <b>\$ (50,915)</b>          | <b>\$ (64,662)</b>     | <b>\$ (115,577)</b> |

The fair value of the plan's assets at April 30, 2021, were composed of 44.0% in equities, 22.5% in fixed income investments, and 33.5% in real return assets (2020 - 40.7% in equities, 21.5% in fixed income investments, and 37.8% in real return assets).

In addition to the plan assets, as at April 30, 2021, the University has internally restricted investments totaling \$94,039 (2020 - \$90,892) of which \$56,021 (2020 - \$56,812) is restricted for its pension obligations and \$38,727 (2020 - \$34,080) is restricted for its other benefit plans (note 12 - Internally restricted net assets - Employee benefits).

# UNIVERSITY OF OTTAWA

Notes to Consolidated Financial Statements (continued)

Year ended April 30, 2021  
(in thousands of dollars)

## 6. Employee future benefits (continued):

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

|   | 2021                   |                       | 2020                  |                       |
|---|------------------------|-----------------------|-----------------------|-----------------------|
|   | Pension benefit plans  | Other benefit plans   | Pension benefit plans | Other benefit plans   |
| Discount rate obligations   | 6.00%                  | 6.00%                 | 6.25%                 | 6.25%                 |
| Rate of compensation increase including inflation (PTR = Progress through rank) | 1 to 3 %<br>+PTR scale | 1 to 3%<br>+PTR scale | 1 to 3%<br>+PTR scale | 1 to 3%<br>+PTR scale |
| Inflation rate  | 2.00%                  | -                     | 2.00%                 | -                     |

The University used mortality rates equal to 95% of the rates of the 2014 Public Sector Canadian Pensioners Mortality Table for actuarial assumptions, for fiscal years ending April 30, 2020 and 2021.

Details of annual contributions and benefits paid are as follows:

|   | 2021                  |                     |                   | 2020                  |                     |                   |
|---|-----------------------|---------------------|-------------------|-----------------------|---------------------|-------------------|
|   | Pension benefit plans | Other benefit plans | Total             | Pension benefit plans | Other benefit plans | Total             |
| Contributions                                   |                       |                     |                   |                       |                     |                   |
| Employer's contributions - current service cost | \$ 55,701             | \$ 5,942            | \$ 61,643         | \$ 45,223             | \$ 6,480            | \$ 51,703         |
| Employees' contributions                        | 39,859                | -                   | 39,859            | 36,829                | -                   | 36,829            |
| <b>Total</b>                                    | <b>\$ 95,560</b>      | <b>\$ 5,942</b>     | <b>\$ 101,502</b> | <b>\$ 82,052</b>      | <b>\$ 6,480</b>     | <b>\$ 88,532</b>  |
| <b>Benefits paid</b>                            | <b>\$ 116,493</b>     | <b>\$ 5,906</b>     | <b>\$ 122,399</b> | <b>\$ 112,651</b>     | <b>\$ 6,467</b>     | <b>\$ 119,118</b> |

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

The assumed health care trend rate used in measuring the accumulated post-employment benefits obligation in 2021 and for the next year is on average 5.0% and 4.0% thereafter (based on 5.0% per annum in 2019 grading down to 3.9% per annum in and after 2040 for drugs, 4.0% for dental fees and 4.0% for other medical fees).

# UNIVERSITY OF OTTAWA

Notes to Consolidated Financial Statements (continued)

Year ended April 30, 2021

(in thousands of dollars)

## 7. Capital assets:

|                                    | April 30, 2021      |                             |                     | April 30, 2020      |                             |                     |
|------------------------------------|---------------------|-----------------------------|---------------------|---------------------|-----------------------------|---------------------|
|                                    | Cost                | Accumulated<br>amortization | Net book<br>value   | Cost                | Accumulated<br>amortization | Net book<br>value   |
| Land                               | \$ 770,210          | \$ -                        | \$ 770,210          | \$ 769,690          | \$ -                        | \$ 769,690          |
| Buildings                          | 1,494,570           | 487,809                     | 1,006,761           | 1,462,271           | 447,901                     | 1,014,370           |
| Leasehold improvements             | 1,033               | 318                         | 715                 | 1,033               | 223                         | 810                 |
| Construction-in-progress           | 7,888               | -                           | 7,888               | 1,180               | -                           | 1,180               |
| Books                              | 113,599             | 103,099                     | 10,500              | 110,370             | 97,736                      | 12,634              |
| Equipment and furniture            | 221,253             | 120,796                     | 100,457             | 217,234             | 116,577                     | 100,657             |
| Computer software and<br>equipment | 50,771              | 25,786                      | 24,985              | 50,220              | 20,179                      | 30,041              |
| <b>Total</b>                       | <b>\$ 2,659,324</b> | <b>\$ 737,808</b>           | <b>\$ 1,921,516</b> | <b>\$ 2,611,998</b> | <b>\$ 682,616</b>           | <b>\$ 1,929,382</b> |

Additions at April 30, 2021 were \$65,906 (2020 - \$51,606) and disposals, write-offs and transfers were \$18,580 (2020 - \$35,041).

Amortization expense, and disposals and write-offs at April 30, 2021 were \$73,772 (2020 - \$72,675) and \$18,580 (2020 - \$29,412), respectively.

|   | 2021             | 2020             |
|---|------------------|------------------|
| Acquisitions of capital assets funded as follows: |                  |                  |
| Funded by grants                                  | \$ 23,080        | \$ 16,524        |
| Funded by internal resources                      | 39,522           | 30,397           |
| Funded by debentures                              | -                | 2,869            |
| Donations of capital assets                       | 3,304            | 1,816            |
| <b>Total</b>                                      | <b>\$ 65,906</b> | <b>\$ 51,606</b> |

## 8. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances payable of \$ 8,426 (2020 - \$7,690) which includes amounts payable for payroll-related taxes.

# UNIVERSITY OF OTTAWA

Notes to Consolidated Financial Statements (continued)

Year ended April 30, 2021

(in thousands of dollars)

## 9. Deferred revenue:

|  | 2021              | 2020              |
|--|-------------------|-------------------|
| Balance, beginning of year                                   | \$ 311,736        | \$ 301,090        |
| Contributions received during the year                       | 597,897           | 543,439           |
| Recognized as revenue  | (551,380)         | (532,593)         |
| Transfer to deferred contributions related to capital assets | (4,038)           | (200)             |
| <b>Balance, end of year</b>                                  | <b>\$ 354,215</b> | <b>\$ 311,736</b> |

The balance consists of the following:

|                              | 2021              | 2020              |
|------------------------------|-------------------|-------------------|
| Operating                    | \$ 51,783         | \$ 45,805         |
| Sponsored research and trust | 286,276           | 245,737           |
| Capital                      | 16,156            | 20,194            |
| <b>Total</b>                 | <b>\$ 354,215</b> | <b>\$ 311,736</b> |

## 10. Deferred contributions related to capital assets:

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

|   | 2021              | 2020              |
|---|-------------------|-------------------|
| Balance, beginning of year  | \$ 430,137        | \$ 441,294        |
| Transfer from deferred revenue                                    | 4,038             | 200               |
| Contributions received during the year                            | 19,042            | 16,168            |
| Contributions in-kind received during the year                    | 3,304             | 1,972             |
|   | 26,384            | 18,340            |
| Amortization of deferred contributions related to capital assets: |                   |                   |
| Research grants   | (15,147)          | (14,415)          |
| Capital grants  | (11,108)          | (11,225)          |
| Donations   | (3,939)           | (3,857)           |
|   | (30,194)          | (29,497)          |
| <b>Balance, end of year</b>                                       | <b>\$ 426,327</b> | <b>\$ 430,137</b> |

# UNIVERSITY OF OTTAWA

Notes to Consolidated Financial Statements (continued)

Year ended April 30, 2021

(in thousands of dollars)

## 11. Long-term debt:

|  | 2021              | 2020              |
|--|-------------------|-------------------|
| Student residence loan at variable rate converted to a fixed rate loan at 7.464% through an interest rate swap, maturing in August 2026 with monthly payments including principal and interest | \$ 11,874         | \$ 13,613         |
| Unsecured debentures, Series A, due April 15, 2043, bearing interest at a rate of 6.28%, interest payable in equal semi-annual payments  | 150,000           | 150,000           |
| Unsecured debentures, Series B, due October 12, 2056, bearing interest at a rate of 3.256%, interest payable in equal semi-annual payments   | 200,000           | 200,000           |
| Unsecured debentures, Series C, due February 13, 2060, bearing interest at a rate of 2.635%, interest payable in equal semi-annual payments  | 300,000           | 300,000           |
|  | 661,874           | 663,613           |
| Current portion  | (1,865)           | (1,739)           |
| <b>Total</b>   | <b>\$ 660,009</b> | <b>\$ 661,874</b> |

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

|            |    |         |
|------------|----|---------|
| 2022       | \$ | 1,865   |
| 2023       |    | 2,002   |
| 2024       |    | 2,148   |
| 2025       |    | 2,304   |
| 2026       |    | 2,473   |
| Thereafter |    | 651,082 |
|            | \$ | 661,874 |

### *Interest rate swaps*

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

The fair value of the interest rate swap at April 30, 2021 is estimated to be \$2,047 (2020 - \$2,966) which represents the amount the University would have to pay if the interest rate swap agreement was terminated on that date. The University is current with respect to the required payments under the loan and interest rate swap agreement.

### *Sinking fund*

A voluntary sinking fund has been established to provide funds to repay the debentures principal upon maturity. As of April 30, 2021, the balance of the sinking fund including the accrued investment income is \$101,466 (2020 - \$86,202). This amount is included in long-term investments and in internally restricted net assets (note 12).

# UNIVERSITY OF OTTAWA

Notes to Consolidated Financial Statements (continued)

Year ended April 30, 2021  
(in thousands of dollars)

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

### *Line of credit*

The University has lines of credit allowing it to borrow up to \$29,600 at an interest rate of prime. These lines of credit are subject to annual renewal. At April 30, 2021, no amount had been borrowed under these lines of credit.

### *Interest*

|  | 2021      | 2020      |
|--|-----------|-----------|
| Interest paid and incurred related to the long-term debt | \$ 24,785 | \$ 18,431 |

## 12. Internally restricted net assets:

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

|   | 2021                | 2020                |
|---|---------------------|---------------------|
| Investment in capital assets and related reserves | \$ 1,287,367        | \$ 1,281,640        |
| Employee future benefits                          | 27,853              | (24,685)            |
| Sinking fund (note 11)                            | 101,466             | 86,202              |
| Stabilization reserves                            | 53,222              | 52,561              |
| Restricted research and other                     | 64,779              | 60,868              |
| Operating contingencies                           | 114,741             | 87,525              |
| Ancillary services                                | 23,178              | 41,182              |
| Internally financed capital projects              | (43,000)            | (47,314)            |
| <b>Balance, end of year</b>                       | <b>\$ 1,629,606</b> | <b>\$ 1,537,979</b> |

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

|  | 2021                | 2020                |
|--|---------------------|---------------------|
| Investment in capital assets (note 14) | \$ 1,189,786        | \$ 1,192,103        |
| Capital projects and related reserves  | 97,581              | 89,537              |
| <b>Balance, end of year</b>            | <b>\$ 1,287,367</b> | <b>\$ 1,281,640</b> |

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

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

- Unspent funds as of April 30, 2021 with respect to capital projects and renovations in progress;
- Funds set aside for specific major capital projects in planning stage and planned deferred maintenance;
- Funds held by faculties and services restricted for future capital projects and renovations.

# UNIVERSITY OF OTTAWA

Notes to Consolidated Financial Statements (continued)

Year ended April 30, 2021

(in thousands of dollars)

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

(b) Employee future benefits:

|   | 2021             | 2020               |
|---|------------------|--------------------|
| Pension benefit plans                             | \$ (293)         | \$ (50,915)        |
| Other benefit plans                               | (66,603)         | (64,662)           |
| Pension and other benefit plans reserves (note 6) | 94,749           | 90,892             |
| <b>Balance, end of year</b>                       | <b>\$ 27,853</b> | <b>\$ (24,685)</b> |

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

(c) Stabilization reserves:

|  | 2021             | 2020             |
|--|------------------|------------------|
| Investment returns                             | \$ 42,669        | \$ 42,669        |
| Utilities, insurance and foreign exchange rate | 10,553           | 9,892            |
| <b>Balance, end of year</b>                    | <b>\$ 53,222</b> | <b>\$ 52,561</b> |

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

(d) Restricted research and other:

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

(e) Operating contingencies:

These funds represent:

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

(f) Ancillary services:

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

(g) Internally financed capital projects:

|   | 2021               | 2020               |
|---|--------------------|--------------------|
| Ancillary and self funded services (parking, housing, food, sports) | \$ (25,240)        | \$ (28,833)        |
| Faculties   | (17,760)           | (18,481)           |
| <b>Balance, end of year</b>   | <b>\$ (43,000)</b> | <b>\$ (47,314)</b> |

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



# UNIVERSITY OF OTTAWA

Notes to Consolidated Financial Statements (continued)

Year ended April 30, 2021

(in thousands of dollars)

## 13. Endowments:

Endowments funds are composed of restricted donations received by the University and the accumulated investment income not yet distributed. The University may have the right, with donor's consent, to subsequently remove the designation as endowment. Donations that have been internally designated as endowments are accounted for as transfers. Investment returns generated from endowments are used in accordance with the various purposes established by the donors or by the University in the exercise of its discretion. The University protects the future purchasing power of its endowments by designating a portion of the annual investment income earned to endowments, known as capital protection. Accordingly, the University has established a policy of setting the amount of income available for spending to 3.5% (2020 - 3.5%) of the last 12 quarters market value moving average. The purpose of this policy is to allow the University to distribute a consistent amount of income from endowments on an annual basis regardless of the investment income earned in the fiscal year.

Activities in the endowments were as follows:

|  | 2021       | 2020       |
|--|------------|------------|
| Balance, beginning of year                               | \$ 295,437 | \$ 293,997 |
| External contributions                                   | 4,885      | 1,935      |
| Investment income, net of fees                           | 48,783     | 9,110      |
| Investment income made available for spending            | (10,534)   | (10,003)   |
|  | 43,134     | 1,042      |
| Transfers from internal contributions and matching funds | 198        | 398        |
| Balance, end of year                                     | \$ 338,769 | \$ 295,437 |

The balance is composed of the following funds:

|                       | 2021       | 2020       |
|-----------------------|------------|------------|
| Internally restricted | \$ 40,743  | \$ 35,945  |
| Externally restricted | 298,026    | 259,492    |
| Total                 | \$ 338,769 | \$ 295,437 |

The endowment funds consists of:

|  | 2021       | 2020       |
|--|------------|------------|
| Permanently endowed contributions        | \$ 207,393 | \$ 202,310 |
| Cumulative amount for capital protection | 131,376    | 93,127     |
| Total                                    | \$ 338,769 | \$ 295,437 |

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

# UNIVERSITY OF OTTAWA

Notes to Consolidated Financial Statements (continued)

Year ended April 30, 2021

(in thousands of dollars)

## 14. Net assets invested in capital assets:

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

|  | 2021                | 2020                |
|--|---------------------|---------------------|
| Capital assets (note 7)                                    | \$ 1,921,516        | \$ 1,929,382        |
| Less amounts financed by:                                  |                     |                     |
| Debt   | (305,403)           | (307,142)           |
| Deferred contributions related to capital assets (note 10) | (426,327)           | (430,137)           |
| <b>Balance, end of year</b>                                | <b>\$ 1,189,786</b> | <b>\$ 1,192,103</b> |

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

|   | 2021              | 2020               |
|---|-------------------|--------------------|
| Repayment of long-term debt   | \$ 1,739          | \$ 1,620           |
| Acquisitions of capital assets  | 65,906            | 51,606             |
| Deferred contributions related to capital assets<br>recognized as revenue (note 10) | 30,194            | 29,497             |
| <b>Increase in net assets invested in capital assets</b>                            | <b>97,839</b>     | <b>82,723</b>      |
| Amortization of capital assets  | (73,772)          | (78,304)           |
| Transfer from deferred revenue (note 9)   | (4,038)           | (200)              |
| Capital asset contributions received (note 10)                                      | (22,346)          | (18,140)           |
| Use of debt   | -                 | (2,870)            |
| <b>Decrease in net assets invested in capital assets</b>                            | <b>(100,156)</b>  | <b>(99,514)</b>    |
| <b>Change in net assets invested in capital assets</b>                              | <b>\$ (2,317)</b> | <b>\$ (16,791)</b> |

## 15. Restricted grants and contracts:

Restricted grants and contracts revenues are composed of:

|                   | 2021              | 2020              |
|-------------------|-------------------|-------------------|
| Research          | \$ 154,196        | \$ 133,404        |
| Trust             | 76,507            | 74,047            |
| Capital (note 10) | 11,108            | 11,225            |
| <b>Total</b>      | <b>\$ 241,811</b> | <b>\$ 218,676</b> |

### *Trust*

Trust revenues includes the funding from the Ministry of Health (MOH) of \$72,848 (2020 - \$71,443) to ensure the delivery of clinical medical education in Ontario. The University provides an orderly employment relationship between Ontario teaching hospitals as represented by the Council of Academic Hospitals of Ontario and the residents in these teaching hospitals represented by the Professional Association of Residents of Ontario.

# UNIVERSITY OF OTTAWA

Notes to Consolidated Financial Statements (continued)

Year ended April 30, 2021

(in thousands of dollars)

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

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

## 17. Commitments and contingent liabilities:

### *Self-insurance*

The nature of the University's activities is such that there are usually claims or potential claims in prospect at any one time. As at April 30, 2021, the University believes that it has valid defences and appropriate insurance coverage in place on certain claims that are not expected to have a material impact on the University's financial position. There also exist other claims or potential claims where the ultimate outcome cannot be determined at this time. Any additional losses related to claims would be recorded in the year during which the amount of the liability can be estimated or adjustments to the amount recorded are required.

### *Litigation*

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

### *Contractual commitments*

The University has undertaken the construction and renovation projects on some of its facilities. As at April 30, 2021, the University has outstanding commitments for such projects for approximately \$16,287 (2020 - \$2,453).

### *Obligation under operating lease*

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

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

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|      |    |       |
|------|----|-------|
| 2022 | \$ | 6,679 |
| 2023 |    | 6,851 |
| 2024 |    | 7,004 |
| 2025 |    | 7,132 |
| 2026 |    | 7,262 |

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# UNIVERSITY OF OTTAWA

Notes to Consolidated Financial Statements (continued)

Year ended April 30, 2021

(in thousands of dollars)

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## 18. Financial instruments:

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

### (a) Market risk:

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

#### (i) Foreign currency risk:

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

#### (ii) Interest rate risk:

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

#### (iii) Price risk:

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

### (b) Credit risk:

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

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

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

### (c) Liquidity risk

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

# UNIVERSITY OF OTTAWA

Notes to Consolidated Financial Statements (continued)

Year ended April 30, 2021  
(in thousands of dollars)

## 19. Consolidated entities

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

45 Mann Limited Partnership is a wholly-owned subsidiary formed under the Limited Partnerships Act (Ontario) to operate a student housing residence in Ottawa, Ontario. The investment has a value of \$36,743 at April 30, 2021 (2020 - \$38,293). The most up to date audited financial information included in the table below is at December 31, 2020.

On January 25 2021, the University of Ottawa approved a loan of \$1,000 to be issued to 45 Mann Limited Partnership. This temporary loan was necessary to alleviate the impacts of the COVID-19 pandemic on the residence revenues. The loan bears interest at a prime rate and is repayable within two calendar years following the date occupancy is above 80%. The loan is presented on the Statement of Financial Position as an account receivable.

7311842 Canada Inc. is a wholly-owned subsidiary incorporated under the Canadian Business Corporations Act. The purpose of this subsidiary is to hold, on behalf of the University, certain investments outside of Canada. As of April 30, 2021, the investment has a value of \$7,787 (2020 - \$10,383). The most up to date financial information included in the table below is at December 31, 2020.

The University of Ottawa Community Legal Clinic (the "Clinic") is constituted as a Student Legal Aid Society under paragraph 21 of the Legal Aid Act (1998). The purpose of the Clinic is to provide a service to the community consisting of legal education, advocacy and law reform for, and on behalf of, people of low income, members of historically disadvantaged groups and students. As of April 30, 2021, the investment has a value of \$598 (2020 - \$604). The most up to date audited financial information included in the table below is at March 31, 2020.

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

|  |                             |                           |   | 2021      | 2020      |
|--|-----------------------------|---------------------------|---|-----------|-----------|
|  | 45 Mann Limited Partnership | 7311842 Canada Inc.       | University of Ottawa Community Legal Clinic | Total     | Total     |
| <b>Statement of financial position</b> |                             |                           |   |           |           |
| Total assets                           | \$ 36,484                   | \$ 8,644                  | \$ 632                                      | \$ 45,760 | \$ 51,201 |
| Total liabilities                      | 32,729                      | 1,466                     | 34  | 34,229    | 34,899    |
| Surplus                                | 3,755                       | 7,178                     | 598   | 11,531    | 16,302    |
| <b>Statement of operations</b>         |                             |                           |   |           |           |
| Revenues (losses)                      | 2,544                       | (1,011)                   | 1,178                                       | 2,711     | 6,013     |
| Expenses                               | 4,211                       | 132                       | 1,185                                       | 5,528     | 6,446     |
| Deficiency of revenues over expenses   | (1,667)                     | (1,143)                   | (7)   | (2,817)   | (433)     |
| <b>Statement of cash flow</b>          |                             |                           |   |           |           |
| Operating activities                   | 47                          | Information not available | (99)  | (52)      | 1,981     |
| Investing activities                   | (509)                       |                           | (6)   | (515)     | (244)     |
| Financing activities                   | (76)                        |                           | -   | (76)      | (1,991)   |

# UNIVERSITY OF OTTAWA

Notes to Consolidated Financial Statements (continued)

Year ended April 30, 2021

(in thousands of dollars)

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## 20. Impacts of COVID-19

In March 2020, the World Health Organization declared the spread of coronavirus (“COVID-19”) to constitute a global pandemic. This has resulted in governments worldwide enacting emergency measures to combat the spread of the virus including travel restrictions in and out of and within Canada, barring gathering of people and requirements to stay at home. These restrictions impacted the operations of the University and resulted in the closure of physical premises of all post-secondary institutions.

During 2021, the levels of on-campus activity were significantly reduced and ancillary services were particularly affected, reflecting a significant decrease in their operating revenues. The pandemic has also impacted global commercial and financial activities. This led to incremental operating costs and significant volatility and declines in the global public equity markets towards the end of fiscal 2020. These markets subsequently recovered their losses and continued to generate strong returns through the remainder of fiscal 2021, resulting in strong returns for the University’s investments. It is uncertain whether market volatility relating to COVID-19 will occur again in the near future.

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

The University’s budgets and forecasts have taken the expected impacts of the pandemic into account and management continues to manage the University’s liquidity to ensure that obligations are met as they become due. The University has access to sufficient liquid resources to support operations in the coming year. Given the outcome and timeframe to a recovery from the current pandemic is highly unpredictable, it is not practicable to estimate and disclose its financial effect on future operations at this time.

## 21. Comparative consolidated financial statements:

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

# UNIVERSITY OF OTTAWA

Notes to Consolidated Financial Statements (continued)

Year ended April 30, 2021  
(in thousands of dollars)

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

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

As per Ministry of Training, Colleges and Universities policies, the transactions related to the Ontario Student Opportunity Trust Fund and to the Ontario Trust for Student Support must be presented in these financial statements, for the year ended March 31, 2021.

| Endowment fund                     | Ontario Student<br>Opportunity Trust Funds |          | Ontario<br>Trust for<br>Student<br>Support | Total<br>2021 | Total<br>2020 |
|------------------------------------|--|----------|--|---------------|---------------|
|                                    | Phase I                                    | Phase II |  |               |               |
| Fund balance,<br>beginning of year | \$ 20,330                                  | \$ 5,629 | \$ 28,666                                  | \$ 54,625     | \$ 54,329     |
| Increases of capital               | 838  | 13       | 139  | 990           | 296           |
| Fund balance,<br>end of year       | \$ 21,168                                  | \$ 5,642 | \$ 28,805                                  | \$ 55,615     | \$ 54,625     |

| Schedule of changes in<br>expendable funds<br>available for awards   | Ontario Student<br>Opportunity Trust Funds |          | Ontario<br>Trust for<br>Student<br>Support | Total<br>2021 | Total<br>2020 |
|--|--|----------|--|---------------|---------------|
|  | Phase I                                    | Phase II |  |               |               |
| Balance,<br>beginning of year  | \$ 10,699                                  | \$ 1,873 | \$ 5,676                                   | \$ 18,248     | \$ 19,829     |
| Realized investment income,<br>net of direct investment-<br>related expenses and<br>preservation of<br>capital contributions | 7,350                                      | 1,501    | 4,047                                      | 12,898        | 599           |
| Bursaries awarded  | (1,383)                                    | (278)    | (652)                                      | (2,313)       | (2,180)       |
| Balance, end of year   | \$ 16,666                                  | \$ 3,096 | \$ 9,071                                   | \$ 28,833     | \$ 18,248     |
| Number of recipients   | 969  | 104      | 298  | 1,371         | 1,356         |
| Endowment total based on<br>book value   | \$ 37,834                                  | \$ 8,738 | \$ 37,876                                  | \$ 84,448     | \$ 72,873     |