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REVIEW OF THE FINANCIAL RESULTS FOR

2020-2021

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The review of the 2020-2021 financial results should be read in conjunction with the University's audited consolidated financial statements and related notes.

The information contained in this document presents a financial overview of the 2020-2021 fiscal year, in comparison to the previous fiscal year.

Message from the Vice-President, Finance and Administration

The 2020-2021 fiscal year was an exceptional year for the University of Ottawa (“the University”) in many ways. In its first full financial year since the start of the global pandemic, with all the uncertainties and challenges that this entailed, the University was able to react quickly and remain agile while maintaining prudent financial management. For several years, the Ontarian and Canadian university sectors have experienced a period of significant change, including a level of uncertainty surrounding provincial grants, increased competition for students and any subsequent impacts on tuition revenue, and geopolitical uncertainty, which are all compounded by increased operating costs that include deferred maintenance on buildings and technology. The pandemic is another important factor that has been added to this list, given its major financial impact on the University, one that contributed to a significant decrease in ancillary income and higher one-time costs. The University will continue to be affected by the pandemic into the 2021-2022 fiscal year. That being said, financial



Jennifer Doyle
Vice-President, Finance and Administration

THE UNIVERSITY OF OTTAWA WAS ABLE TO REACT QUICKLY AND REMAIN AGILE WHILE MAINTAINING PRUDENT FINANCIAL MANAGEMENT.

sustainability remains a priority for the University. This year’s financial results show a consolidated surplus of nearly \$42M, compared to \$36M in 2019-2020. This surplus can be attributed to the exceptional performance of our long-term investment portfolio, which has reached record highs in the past ten years. This investment income had the effect of neutralizing the negative impact of the pandemic on our financial results. Also, as an example of our agility and in response to the pandemic, the University has taken the initiative to explore new approaches to distance learning to meet the needs of our student community. These initiatives have already borne fruit and enabled us to achieve an exceptional level of enrolment in the summer of 2021 as well as maintain enrolment as forecasted in the fall for both Canadian and international students. Prudent financial management, rigorous results monitoring, and the agility of University community members, who have been able to adapt to the situation and react quickly to limit the financial impacts of the pandemic, allow us to envision great possibilities on the horizon.

2020-2021 in numbers

(in thousands of dollars)	2021 (\$)	2020 (\$)	Variance (%)
Consolidated Statement of Operations			
Revenue	1,202,094	1,138,097	5.6
Expenses	1,160,387	1,102,435	5.3
Excess of revenue over expenses	41,707	35,662	17.0

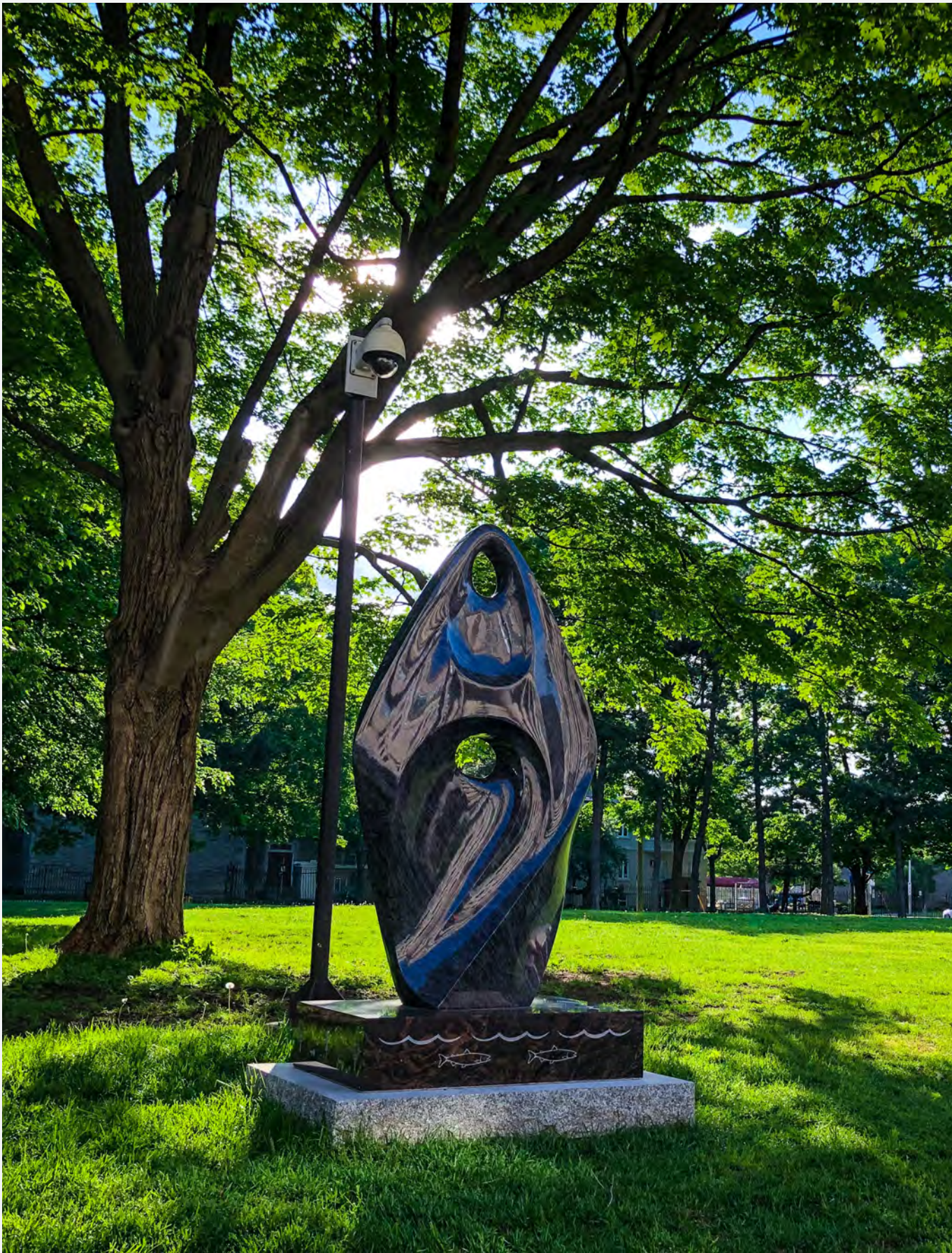
Consolidated Statement of Financial Position			
Assets	3,568,492	3,441,879	3.7
Liabilities	1,600,117	1,608,463	-0.5
Net assets	1,968,375	1,833,416	7.4

Composition of Net Assets			
Internally restricted	1,629,606	1,537,979	5.9
Endowments	338,769	295,437	14.7
Total	1,968,375	1,833,416	7.4

Number of Students Enrolled on November 1

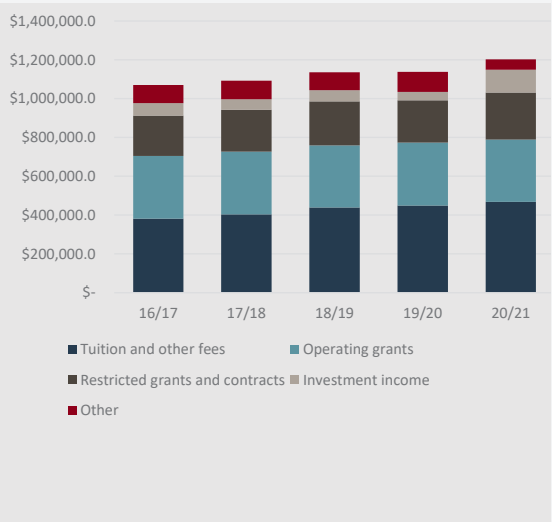


- Over the past ten years, the total student population has increased by 12.8% and was 44,627 on November 1, 2020. It is projected to be 46,120 for 2021, which is a 3.3% increase.
- The proportion of international students rose from 5.6% in 2010 to 18.7% on November 1, 2020. We expect a proportion of 19.2% international students to enrol in 2021.
- The proportion of graduate students has remained stable over this period, ranging between 15% and 16%.



Financial Overview

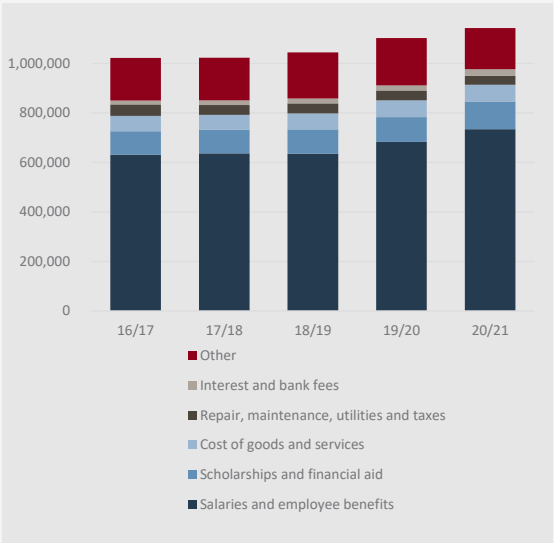
Total Revenue : \$1,202.1M
(in thousands of dollars)



- Total revenues increased by \$64.0M, from \$1,138.1M to \$1,202.1M, which represents an increase of 5.6%.
- Revenue from tuition and other fees increased by \$18.2M (4.0%), mainly due to an increase in undergraduate student enrolment during the summer of 2020.
- Revenue from operating grants decreased by \$1.7M, from \$323.6M to \$321.9M, a difference of 0.5%.
- Restricted grants and contracts increased by \$23.1M, from \$218.7M to \$241.8M. This 10.6% growth is due to an increase in research intensity during the year.
- Investment income increased by \$75.5M from \$42.5M to \$118.0M (177.5%), mostly because of the exceptional rate of return on long-term investments.
- Other revenues decreased by \$51.1M from \$103.7M to \$52.6M, a decrease of 49.3%, mainly due to the impact of the pandemic on ancillary service activities, such as student residences, food services, and parking.

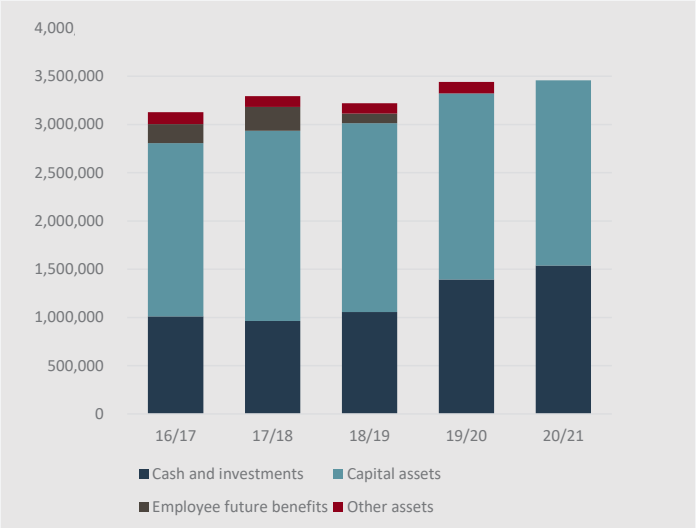
Comparative information from previous fiscal years may have been reclassified to conform to the presentation of the current year.

Total Expenses : \$1,160.4M
(in thousands of dollars)



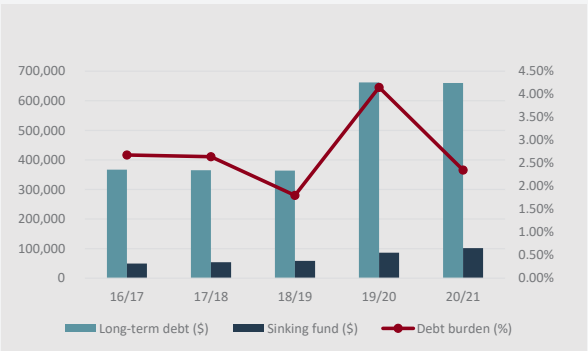
- Expenses increased by \$58.0M, from \$1,102.4M to \$1,160.4M, representing an increase of 5.3%.
- Expenses associated with salaries and employee benefits increased by \$51.3M (or 7.5%), of which \$27.2M is due to salaries and \$24.1M is due to benefits.
- Expenses for scholarships and financial aid increased by \$11.4M, from \$100.4M to \$111.8M (11.3%), due to a higher number of students qualifying for the merit scholarship.
- The cost of goods and services remained relatively stable: it rose from \$67.3M to \$68.0M.
- Expenses for repair, maintenance, utilities, and taxes decreased by \$4.0M; they dropped from \$39.8M to \$35.8, mainly due to the pandemic.
- Interest and bank fees increased by \$6.2M, from \$20.5M to \$26.7M (an increase of 30.5%), due to a first full year of interest charges on the \$300M debenture issued in February 2020.
- Other expenses decreased by \$7.7M; they dropped from \$191.5M to \$183.7M, mainly due to a decrease in amortization.

Total Assets: \$3,568.5M
(in thousands of dollars)



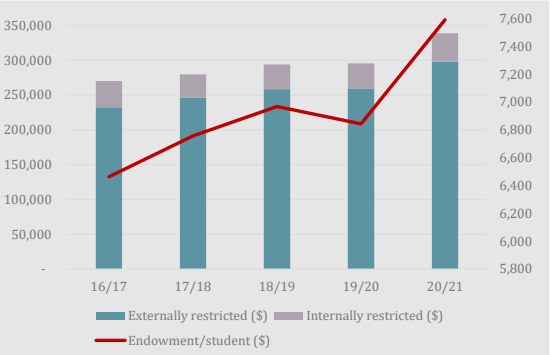
- Total assets increased by \$126.6M, from \$3,441.9M to \$3,568.5M, which represents an increase of 3.7%.
- Cash and investments increased by \$144.2M, an increase of 10.4%, mainly due to the high rate of return on long-term investments (17.7%).
- The value of tangible capital assets decreased by \$7.9M (-0.4%), mainly due to depreciation being greater than additions to capital assets over the financial year.

Long-Term Debt: \$660.0M
(in thousands of dollars)



- The long-term debt remained stable during the year.
- The debt burden ratio decreased from 4.15% to 2.35% due to last year's initial contribution of \$25.0M to the sinking fund.
- The series A, B, and C unsecured debentures, worth a total of \$650M, will mature in 2043, 2056, and 2060 respectively.
- The University has created a sinking fund to accumulate the funding needed to retire these debentures when they mature. As of April 30, 2021, the balance of the sinking fund was \$101.5M.

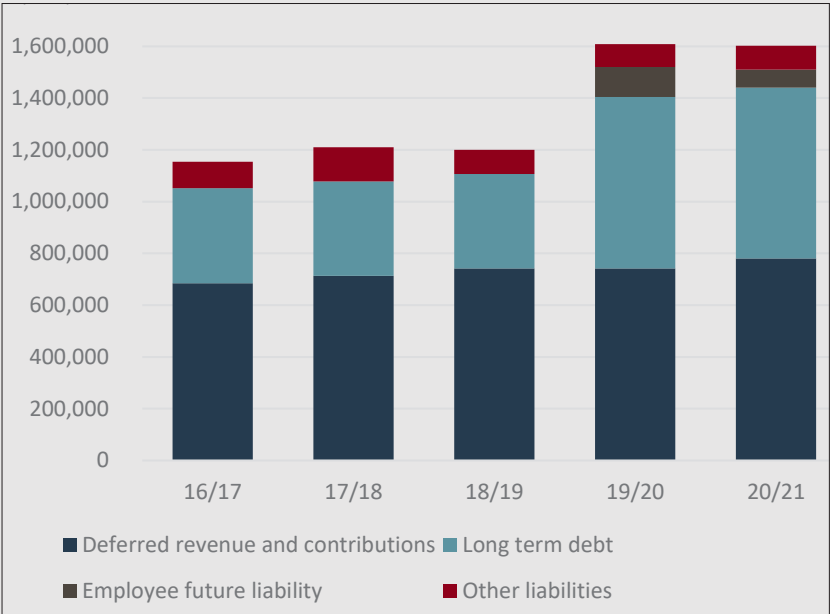
Endowments : \$338.8M
(in thousands of dollars)



- Endowments increased by \$43.3M (14.7%) during the fiscal year, due to a 17.7% return on long-term investments (4.6% in 2019-2020).
- On average, 3.5% of this fund is distributed annually in accordance with the terms of the endowments.
- The increase in investment revenues has affected endowment-per-student calculations, which increased from \$6,844 to \$7,591, a 10.9% increase. Note that the number of students increased by 3.3% over the same period.

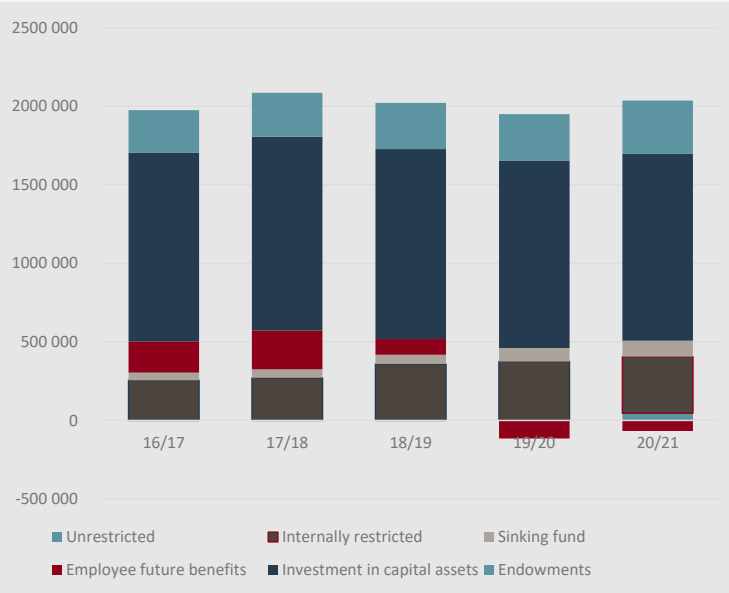
Total Liabilities: \$1,600.1M
(in thousands of dollars)

- Total liabilities decreased by \$8.4M, from \$1,608.5M to 1,600.1M, representing a 0.5% decrease.
- Deferred revenue and contributions increased by \$38.7M (5.2%), mainly due to research-related activities. This revenue will be recognized in the financial results in upcoming fiscal years when the expenditures are incurred.
- Long-term debt remained stable during the year.
- Liabilities for employee future benefits decreased by \$46.7M, from \$115.6M to \$68.9M (or a decrease of 40.4%), mainly due to the increase in the fair value of the assets of the plan.



Net Assets: \$1,968.4M
(in thousands of dollars)

- Net assets increased by \$135.0M, from \$1,833.4M to \$1,968.4M, representing an increase of 7.4%.
- The increase can be broken down into a \$41.7M year end surplus, with the remainder related to returns on long-term investments, which drove the increases in endowments, employee future benefits, and the sinking fund.





Revenue

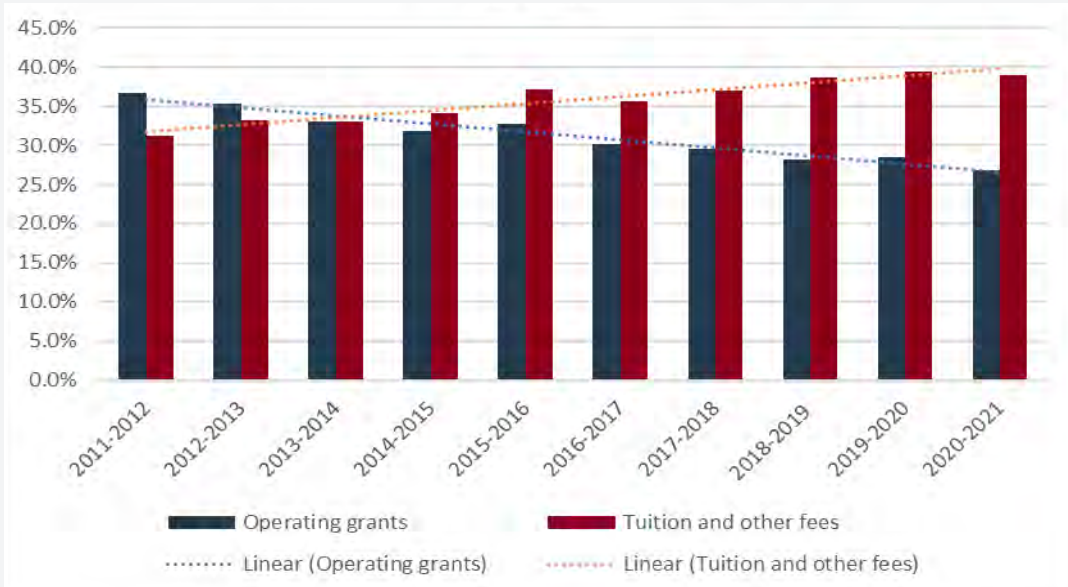
In 2020-2021, revenue increased by \$64.0M to reach \$1,202.1M, compared to \$1,138.1M in 2019-2020. Two items are noteworthy: (1) the exceptional return on investment income for the year, which mitigated (2) the loss of income due to the pandemic.

Revenue by Category (in thousands of dollars)

			Variance	
			2020-2021	vs 2019-2020
			(\$)	(%)
	2020-2021	2019-2020		
Tuition and other fees – Canadian students	281,015	276,294	4,721	1.7
Tuition and other fees – International students	186,758	173,318	13,440	7.8
Operating grants	321,886	323,577	(1,691)	-0.5
Restricted grants and contracts	241,811	218,676	23,135	10.6
Sale of goods and services	13,229	25,579	(12,350)	-48.3
Student housing	5,756	22,529	(16,773)	-74.5
Donations	17,490	19,451	(1,961)	-10.1
Investment income	118,055	42,540	75,515	177.5
Other	16,094	36,133	(20,039)	-55.5
Total of revenue	1,202,094	1,138,097	63,997	5.6



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



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

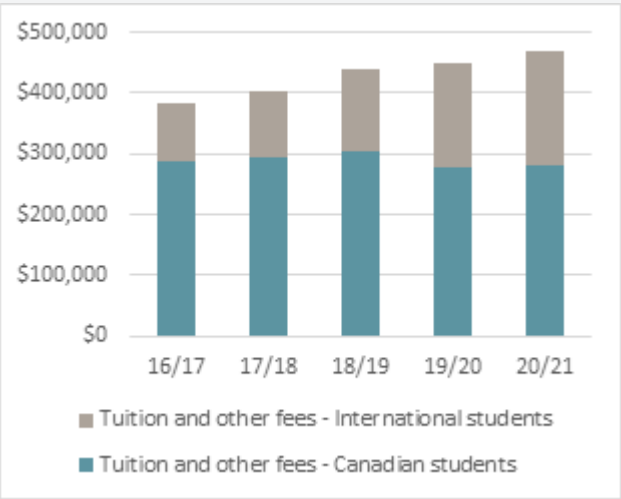
Tuition and other fees, along with grant revenues, accounted for approximately 65.7% of total revenues for the 2020-2021 fiscal year, compared to 67.9% in 2019-2020. For several years, we have noted a decline in the proportion

of University revenue derived from provincial grants and a corresponding increase in the proportion of revenue from tuition and other fees. Grant revenues are below 30.0% of total revenues for a fourth consecutive year.

Tuition and other fees

Revenue from tuition and other fees was \$467.8M in 2020-2021, compared to \$449.6M in 2019-2020. The variance of \$18.2M is due in large part to an increase in undergraduate student enrolment during the summer of 2020. When compared to the previous summer, this additional summer enrolment increased tuition revenue by approximately \$4.0M for Canadian students and \$9.0M for international students. Strong fall enrolment also helped maintain our forecasted fall and winter term income. Tuition fees comply with the new regulatory framework set by the Ontario government. This means that, for students who are Canadian citizens or permanent residents, tuition fees dropped by 10% in 2019-2020 and 2020-2021 when compared to 2018-2019 levels. The increase in tuition fee revenues generated by international students is due to both an increase in tuition fees per student and an increased number of international students. Hence, the proportion of tuition revenues generated by international students increased from 38.5% to 39.9% during this fiscal year.

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



Operating grants

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

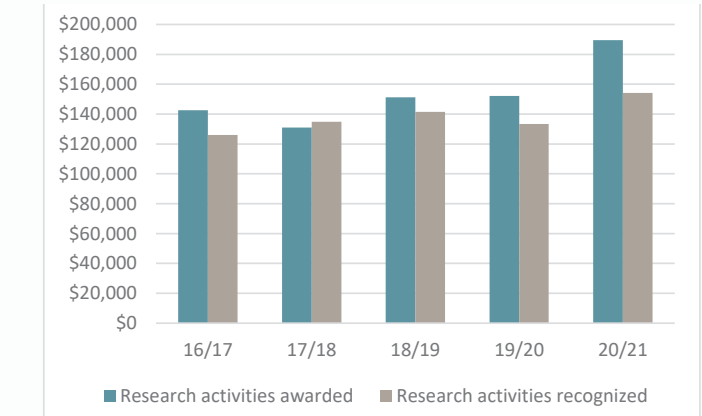
Restricted Grants and Contracts

Restricted Grants and Contracts (in thousands of dollars)

	2020-2021	2019-2020
Research	154,196	133,404
Trust	76,507	74,047
Capital	11,108	11,225
	241,811	218,676

Revenue from restricted grants and contracts was \$241.8M in 2020-2021, compared to \$218.7M in 2019-2020. These amounts are earmarked for research activities, trusts, and capital assets. The University uses the deferral method to account for these revenues. Accordingly, revenue received but not spent within the year is recorded as deferred revenue or deferred contributions under the liability section in the balance sheet. Therefore, the amount recognized as research revenue is directly tied to the research activities carried out during the fiscal year.

Research Activities Awarded and Recognized (in thousands of dollars)



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

Several granting organizations contribute to this funding, namely Canada’s three research councils (NSERC, SSHRC, and CIHR), known as the Tri-Agency, along with the Canada Foundation for Innovation (CFI), the Canada Research Chair program, the federal and Ontario governments, and industry.



Source of Research Fund Awarded
(in thousands of dollars)

	2020-2021	2019-2020	Variance (\$)
CIHR, NSERC and SSHRC (Tri-Agency)	80,088	58,215	21,873
CFI	8,118	14,978	(6,860)
Other federal grants	57,601	37,414	20,187
Total federal grants	145,807	110,607	35,200
Provincial grants	4,999	7,899	(2,900)
Third parties	38,766	33,641	5,125
Total fund awarded	189,572	152,147	37,425
Amortization of deferred revenue and contributions	(35,376)	(18,743)	(16,633)
Restricted grants and contracts related to research activities	154,196	133,404	20,792

The funding awarded increased by \$37.4M, which represents an increase of 24.6%. The 2020-2021 year was marked by the pandemic. In this regard, the University received \$5.4M in COVID-19 supplements to cover part of its research salaries from the Tri-Agency (NSERC, SSHRC, and CIHR). In addition, the University received \$18.0M from the federal government’s Canada Research Continuity Emergency Fund, of which \$10.0M was transferred to affiliated institutes. Our researchers secured a significant number of COVID-19-related research projects that received Tri-Agency funding. In particular, Dr. Marc-André Langlois of the Faculty of Medicine received \$9.0M from the Canadian Health Research Institute (CIHR) to lead the Coronavirus Variants Rapid Response Network (CoVaRR-Net). Moreover, in 2003, the Government of Canada

introduced the Indirect Costs Program (ICP) to provide annual grants to Canadian colleges and universities to help absorb some of the indirect costs of research that are not directly tied to specific research projects. In 2020-2021, the University received a \$16.3M grant from this program, now known as the Research Support Fund (RSF), to reduce the indirect costs of its research (versus \$15.9M received in 2019-2020). This total includes \$2.2M in Incremental Project Grants (IPG). Under pre-existing agreements, a portion of this RSF funding was distributed to affiliated institutes and can be found under the heading “Inter-institutional Research and Other Agreements”. This portion is approximately \$5.0M for the 2020-2021 fiscal year. The remaining \$11.3M is recorded as University revenue and represents approximately 13% of actual indirect costs.

Investment Income

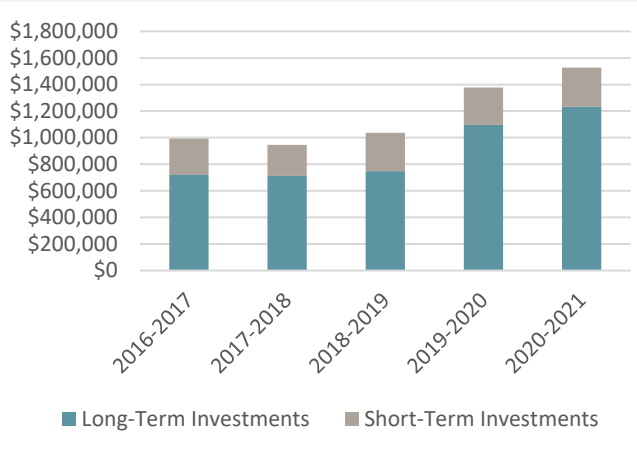
Investment income, including variance in the fair value of investments measured at fair value, was \$118.0M in 2020-2021, compared to \$42.5M in 2019-2020.

Investment Income (in thousands of dollars)

	2020-2021	2019-2020
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)
	118,055	42,540

Note 5 of the consolidated financial statements

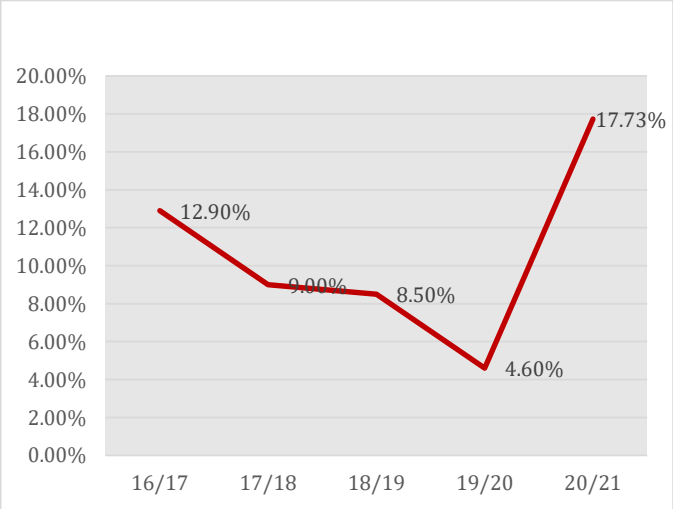
Evolution in Short-Term and Long-Term Investment
(in thousands of dollars)



On April 30, 2021, the value of the University’s short- and long-term investments was \$1,526.9M, compared to \$1,378.6M on April 30, 2020.

This increase of \$148.3M includes a change in fair value of investments of \$75.5M, of which \$49.9M was reported in the consolidated statement of operations and \$25.6M was reported against endowment fund net assets (as required by Canadian accounting standards for non-profit organizations). The remaining variation of \$72.8M is largely attributable to the reinvestment of realized investment income. Long-term investments still include the proceeds of the \$300.0M debenture issued in February 2020. We will begin using these funds in the next fiscal year to finance major capital projects starting with 200 lees.

Historical long-term investment returns



The University keeps sufficient working capital and funds in its short-term investments for anticipated capital projects, while the remainder is invested in long-term investments to optimize investment revenues. The annualized rate of return of its long-term investments is 17.73% over 1 year, 9.87% over 4 years, and 9.22% over 10 years. Certain funds are restricted in their use, including the sinking fund, endowments, reserves for unfunded employee future benefits, and the investment stabilization reserve. Moreover, short- and long-term investments also include funds granted by third parties that have not yet been spent. These amounts, shown as deferred revenues in the statement of financial position, must be set aside



Expenses

In 2020-2021, expenses increased by \$58.0M (5.3%) to reach \$1,160.4M, compared to \$1,102.4M in 2019-2020. This increase is largely due to higher expenses for salaries and benefits, which represents \$51.3M.

Expenses by category (in thousands of dollars)			Variance	
	2020-2021	2019-2020	2020-2021 (\$)	vs 2019-2020 (%)
Salaries and employee benefits	734,171	682,856	51,315	7.5
Scholarships and financial aid	111,818	100,448	11,370	11.3
Cost of goods and services	68,042	67,326	715	1.1
Repairs, maintenance, utilities and taxes	35,840	39,829	(3,990)	-10.0
Contractual services and professional fees	42,630	43,547	(917)	-2.1
Inter-institutional research and other agreements	48,519	30,375	18,145	59.7
Travel	3,133	18,790	(15,656)	-83.3
Interest and bank fees	26,727	20,484	6,243	30.5
Amortization of capital assets	73,772	78,304	(4,532)	-5.8
Other	15,735	20,476	(4,741)	-23.2
Total expenses	1,160,387	1,102,435	57,952	5.3

Salaries and benefits

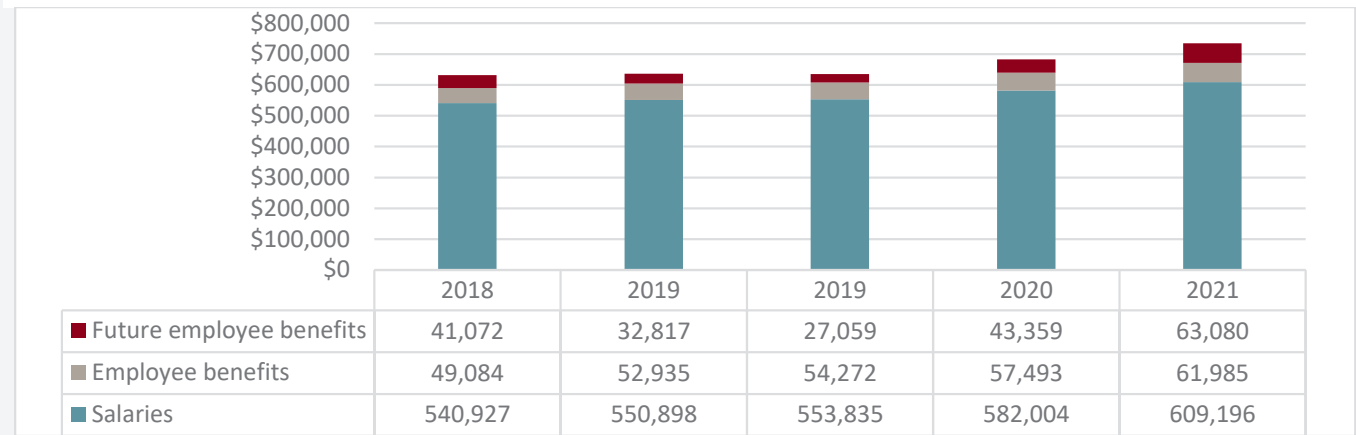
The University offers salaries and benefit plans to its academic and support staff at different stages of their careers and upon retirement. The University manages the current and future costs of these benefit plans, which are recorded in the financial statements. Current costs include the employer's portion of salary deductions, such as unemployment insurance, Canada Pension Plan, disability insurance, and other types of leave. Future benefits include the employer portion of the pension plan plus costs associated with life, health, and dental insurance, along with severance pay costs.



Expenses for Salaries and Benefits

Salaries and benefits represent 63.3% of total expenses on the consolidated financial statements (vs. 61.9% in 2019-2020).

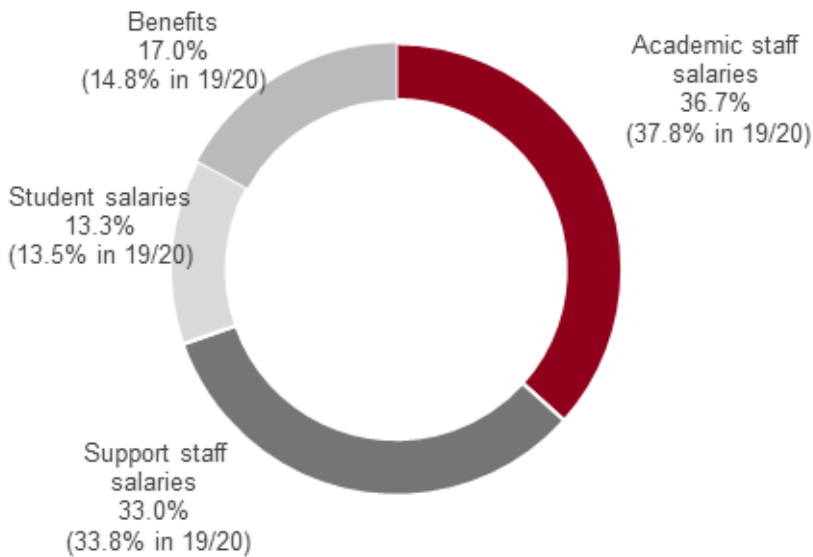
Salaries and Benefits for Fiscal Years Ending April 30
(in thousands of dollars)



Salaries for academic and support staff are funded primarily from the operating fund, which covers approximately 80.1% of all University salaries (vs. 79.3% in 2019-2020). Salary expenses increased by \$27.2M, rising from \$582.0M to \$609.2M, which is a 4.5% increase due to economic increases, progress-through-the-ranks, increased staffing to support distance learning, and a decrease in the number of unfilled positions. Benefit expenses increased by \$24.1M, from \$100.9M

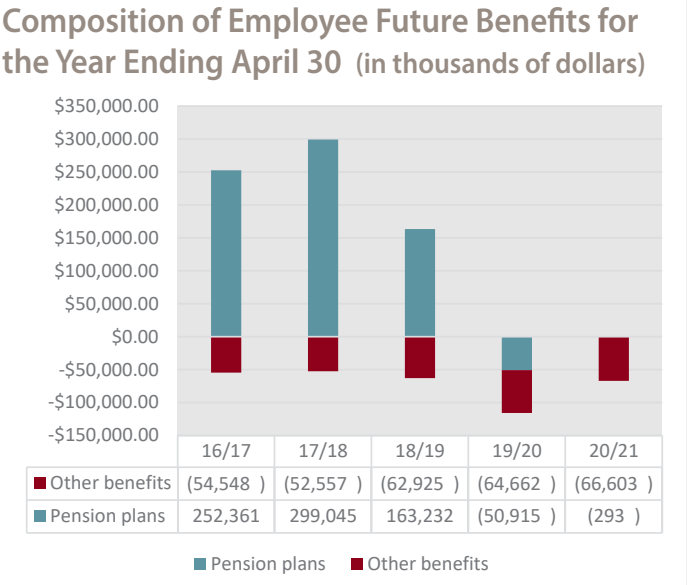
to \$125.0M (24.0%). This change reflects both a \$19.7M increase in employee future benefits and a \$4.4M increase in current employee benefits. In addition to providing scholarships and financial aid, the University continues to invest in its students by funding research assistant and teaching assistant positions as well as the Work-Study program. These student salaries amounted to \$97.9M, an increase of 5.7% over the previous year.

Breakdown of salaries and benefits expense (%)



Employee future benefits (pension plans and other benefits)

Employee future benefits represented a \$67.0M liability in 2021, compared to \$115.6M in 2019. This includes the future costs of defined benefit pension plans as well as post-employment and post-retirement benefits, such as retirement allowances, life insurance, and health and dental benefits. Every year, the University appropriates an amount from its surplus to ensure the future funding of these obligations. On April 30, 2021, the total amount earmarked for these expenses was \$94.0M (\$90.9M on April 30, 2020), which includes a \$33.6M reserve for financial market stabilization. Obligations related to pension plans and other benefits continue to account for a significant portion of the University's resources. Over the past few years, several cost balancing measures have been adopted, including certain changes to the design and financing of these benefit plans. Management continues to closely monitor the University's pension plans and other benefits, which are the subject of strategic long-term financial planning.





Pension plans

New regulations now apply to Ontario pension plans for valuations filed in 2018 or later. An actuarial valuation report must be filed with regulators at least once every three years. The University’s most recent actuarial valuation was filed with the Canada Revenue Agency and the Financial Services Commission of Ontario on January 1, 2020.

The new funding framework changed minimum funding requirements from both going-concern and solvency perspectives by emphasizing the going-concern position of the pension plan and introducing the concept of provisions for adverse deviation (PfAD). Under these new regulations, additional payments are required when the funding ratio for a pension plan drops to 85% or below (equivalent to “going-concern”). The PfAD is a risk-based factor applied to best estimates of future benefit payments. As of April 30, 2021, the PfAD was estimated at \$408.9M (\$310.5M in 2019-2020), which represents 19.95% of estimated pension plan obligations

(16.34% in 2019-2020). According to accounting standards for not-for-profit organizations in Canada, annual re-measurement, gains and losses on investments, provisions for adverse deviations, and other items specifically linked to future benefits are recognized in the statement of changes in net assets. The following table summarizes changes in funding for the University’s pension plans. Pension plan costs have increased by 53.2%, rising from \$36.8M to \$56.5M, due to an increase in the net cost of financing fees and a 16.34% (9.89% in 2019-2020) provision for adverse deviation (PfAD), a \$11.1M (\$6.6M in 2019-2020) cost that was borne entirely by the University and which can also be found under the employer contributions. Changes in re-measurements and other items recorded in the consolidated statement of changes in net assets are largely due to end-of-fiscal-year market volatility caused by the COVID-19 pandemic.

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

	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021
Long-term investments, restricted for employee future benefits	58,943	60,659	58,826	56,812	56,021
Balance, beginning of year, employee future benefits assets	111,329	252,361	299,045	163,232	(50,915)
Expenses	(35,590)	(27,252)	(21,314)	(36,849)	(56,466)
Employer contributions	44,332	48,171	45,160	45,223	55,701
Provision for adverse deviations			(180,501)	(111,064)	(67,397)
Remeasurement and other items	132,290	25,765	20,842	(111,457)	118,784
Balance at end of year, employee future benefits assets (accrued benefit obligation)	252,361	299,045	163,232	(50,915)	(293)
Internally restricted net assets for employee future benefits	311,304	359,704	222,058	5,897	55,728

Note 6 of the consolidated financial statements

Other benefits

As of April 30, 2021, the cost of funding other benefits increased the deficit of the previous fiscal year by \$1.9M relative to April 30, 2020. Note that these plans are not funded; the long-term financing strategy for these obligations includes annual contributions to

a restricted reserve for which the University holds equivalent long-term investments and which, as of April 30, 2021, amounted to \$38.0M (versus \$34.1M in 2019-2020).

In 2020-2021, the total cost of other benefits was \$6.6M, compared to \$6.5M as of April 30, 2020.

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

	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021
Long-term investments, restricted for employee future benefits	34,116	33,567	35,158	34,080	38,017
Balance, beginning of year, accrued benefit obligation	(53,934)	(54,548)	(52,557)	(62,925)	(64,662)
Expenses	(5,482)	(5,565)	(5,745)	(6,510)	(6,614)
Employer contributions	5,294	7,167	5,518	6,480	5,942
Provision for adverse deviations			(5,823)	(3,022)	(1,065)
Remeasurement and other items	(426)	389	(4,318)	1,315	(204)
Balance at end of year, accrued benefit obligation	(54,548)	(52,557)	(62,925)	(64,662)	(66,603)
Internally restricted net assets for employee future benefits	(20,432)	(18,990)	(27,767)	(30,582)	(28,586)

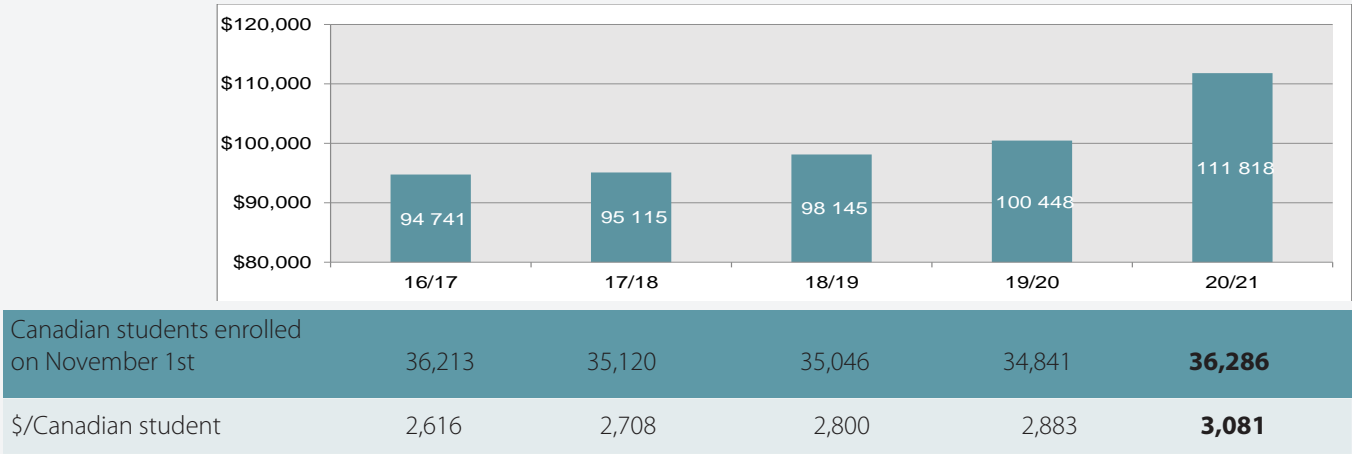
Note 6 of the consolidated financial statements

Scholarships and Financial Aid

During the 2020-2021 fiscal year, the University awarded \$111.8M in scholarships and financial aid, versus \$100.5M in 2019-2020, an 11.3% increase over the previous year which is explained by a higher number of students qualifying for the merit scholarship. In 2020-2021, the total amount awarded from all funds

corresponds to approximately \$3,081 per Canadian student, compared to \$2,883 in 2019-2020. The amount of scholarship funding per Canadian student has remained relatively constant for several years. History of scholarships and financial aid awarded during fiscal years ending on April 30 (in thousands of dollars)

History of scholarships and financial aid awarded during fiscal years ending on April 30 (in thousands of dollars)



Ancillary Services

Revenue from ancillary services, more specifically those generated by housing and parking lots, has been the most affect by the pandemic. The decrease in revenues compared to 2019-2020, which amounts to \$26.6M, a

decrease of 67.1%, is broken down into the categories below. If we compare to 2018-2019, the last fiscal year without the effects of the pandemic, the loss of income is even greater: \$30.4M for a loss of 70%.

Ancillary Services Revenue by Category (in thousands of dollars)

	2020-2021	2019-2020	Variance	
			2020-2021 (\$)	2019-2020 (%)
Tuition and other fees – Canadian students	639	704	(65)	-9.2
Tuition and other fees – International students	426	440	(14)	-3.3
Operating grants	491	382	109	28.5
Sale of goods and services	4,918	10,815	(5,897)	-54.5
Student housing	5,753	22,529	(16,776)	-74.5
Donations	-	9	(9)	-100.0
Investment income	-	1	(1)	-100.0
Other	821	4,811	(3,990)	-82.9
Total revenue	13,048	39,691	(26,643)	-67.1



Financial Impact of COVID-19

The pandemic has severely affected the higher education sector and its major impact is reflected across many aspects of the 2020-2021 financial results. The University of Ottawa increased spending substantially on general supplies, such as masks, acrylic plexiglass, and hand sanitizer. It also allocated more resources to cleaning services, transportation, water testing, environmental assessments, signage, etc. On the academic side, a significant investment was made (e.g., training, IT equipment, teaching assistants) to transform the mode of delivery from in-class to distance learning. Our IT services were reinforced to support the increased demand for IT services from staff working from home and students enrolled in distance learning programs. The University did benefit from some savings, mainly from less travel and lower utility costs.

The University of Ottawa reported a negative impact of \$43M for the 2020-2021 fiscal year. The net impact reported in the previous fiscal year (2019-2020) was \$9.1M, bringing the total financial impact of the pandemic since March 2020 to \$52.1M To date, the Ontario government



has contributed \$391,200 to the University to help offset these losses, and this funding was granted in the previous fiscal year. The table below describes the lost revenues and additional costs directly related to COVID-19.

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

	2020-2021	2019-2020	Cumulative
Revenue			
Tuition and other fees	(47)	6	(41)
Sales of goods and services	(9,026)	(1,348)	(10,374)
Student housing	(20,554)	(4,093)	(24,647)
Investment income	-	(191)	(191)
Other	(4,502)	(484)	(4,986)
Total revenue	(34,129)	(6,110)	(40,239)
Expenses			
Salaries and employee benefits	3,176	539	3,715
Scholarships and financial aid	8	493	501
Cost of goods and services	5,460	1,626	7,086
Repairs, maintenance, utilities and taxes	(2,687)	(429)	(3,116)
Contractual services and professional fees	2,366	715	3,081
Travel	401	50	451
Library acquisitions	-	31	31
Other	99	5	104
Total expenses	8,823	3,030	11,853
Financial impact of COVID-19 on results	(42,952)	(9,140)	(52,092)

Investments in Capital Projects

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 2020-2021, total capital asset funding totaled \$65.9M, compared to \$51.6M in 2019-2020. This funding was allocated to meet immediate University infrastructure needs, namely to fund certain critical systems such as emergency generators and mechanical and electrical systems, to modernize some of the residences, and to renovate food service facilities at Roger Guindon Hall. On the academic side, the University created a state-of-the-art lab and a new food preparation lab for the School of Nutrition Sciences. Also in 2020-2021, the University began renovating classrooms by installing

audio-visual equipment that allows for hybrid teaching, namely face-to-face and distance learning, all of which should be finalized in 2021-2022. Large-scale projects, funded to the tune of nearly \$230.0M, are projected to take place over the next few years, particularly at 200 Lees and Roger Guindon Hall. To date, the work carried out at 200 Lees has cost \$3.8M and appears under “Construction in progress” in Note 7 of the consolidated financial statements. Although the University has embarked on the construction of modern new facilities over the past few years, the campus still houses several aging buildings that require major renovations or redevelopment. The University faces ongoing challenges in deferred maintenance on IT, a persistent infrastructure problem that is common to many institutions of higher learning.

Capital Asset Acquisitions (in thousands of dollars)

	2020-2021	2019-2020
Land	520	
Buildings	32,299	24,381
Leasehold improvements	-	20
Construction-in-progress	6,708	1,180
Books	3,229	3,578
Equipment and furniture	19,979	16,663
Computer hardware and software	3,171	5,784
Total	65,906	51,606

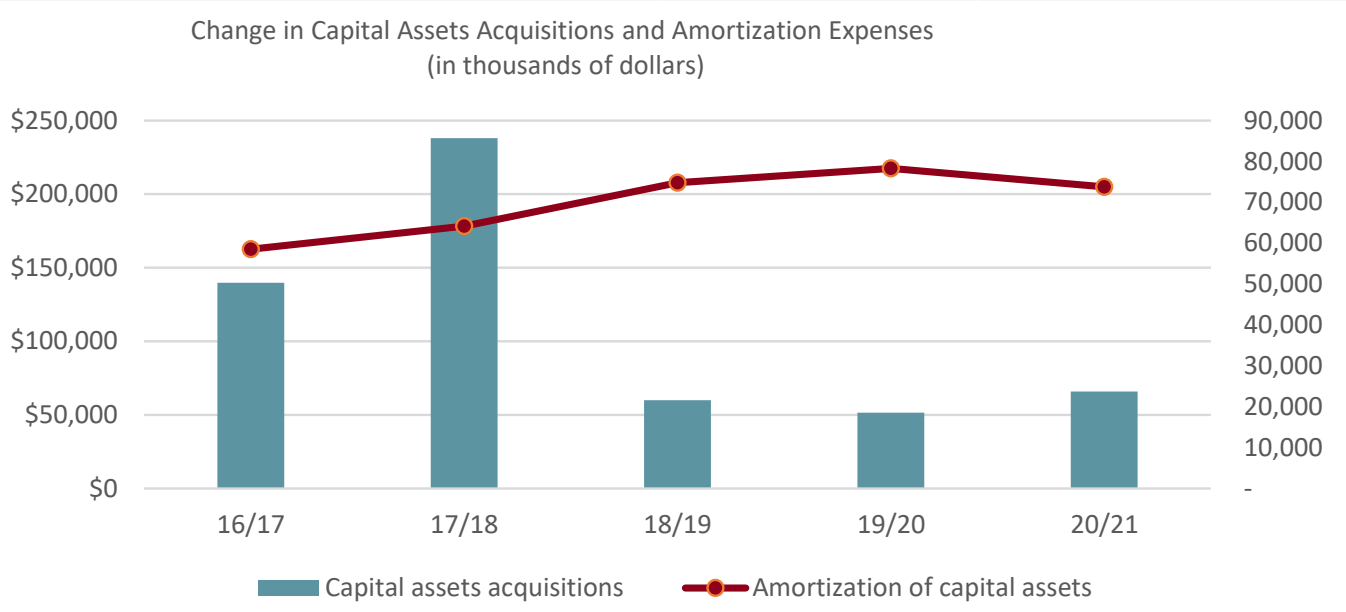
The acquisition of these capital assets was funded in the following ways:

Capital Asset Funding (in thousands of dollars)

Source of funding	2020-2021	2019-2020
Government grants	23,080	16,524
Internal resources	39,522	30,397
Debentures	-	2,869
Donations of capital assets	3,304	1,816
Total	65,906	51,606

Note 7 of the consolidated financial statements

With the completion and launch of major capital projects over the past few years, a related increase in depreciation costs has followed.



Internally Restricted Net Assets

In 2020-2021, internally restricted net assets increased by \$91.6M, from \$1,538.0M to \$1,629.6M, representing an increase of 5.9%. Changes in the net assets from the previous year are mainly due to the allocation of the year-end surplus to various net asset fund accounts.

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

Internally restricted net assets (in thousands of dollars)

	2020-2021	2019-2020
Investment in capital assets and related reserves	1,287,367	1,281,640
Employee benefits	27,853	(24,685)
Sinking fund	101,466	87,525
Stabilization reserves	53,222	52,561
Restricted research and other	64,779	60,868
Operating contingencies	114,741	88,081
Ancillary services	23,178	41,182
Internally financed capital projects	(43,000)	(47,314)
Total	1,629,606	1,537,179



Capital assets and related reserves

Funds invested in capital assets represent a portion of net assets that cannot be used for other purposes since this amount was used to purchase net assets minus debt. This amount comprises unamortized capital assets acquired through the use of unrestricted funds, along with the book value of capital assets acquired through the use of unrestricted resources that will not be depreciated. It excludes assets financed by capital contributions. Related reserves include funding for projects that are currently in various stages of planning, design, and construction, as well as funding for capital projects and renovations currently underway, funds reserved for major capital projects currently in the planning stages, and funds reserved to pay for some planned deferred maintenance.

Sinking fund

The sinking fund was created to accrue the capital needed to retire the University's long-term debt, specifically the \$150M debenture due in 2043, the \$200M debenture due in 2056, and the \$300M debenture due in 2060. The annual change in the sinking fund corresponds to the accrual of returns on long-term investments earmarked for this purpose plus restricted contributions.

Given the projections of future returns on long-term investments earmarked to reimburse the debt,

the current balance of the sinking fund should be sufficient to retire the \$150M debenture. Similar analyses were conducted when the bonds were issued in 2016 and 2019. Additional contributions are planned to begin during the fiscal year ending on April 30, 2022 and 2037.

As of April 30, 2021, the balance of the sinking fund was \$101.5M and the University holds long-term investments equivalent to this amount.

Stabilization reserves

The University has established stabilization reserves to reduce risks associated with volatility in certain sectors, specifically fluctuations in financial market performance, increases in public utility rates, and rising insurance costs. As of April 30, 2021, this reserve was assessed at \$53.2M (versus \$52.5M in 2020), and approximately \$42.7M of this reserve is earmarked for stabilizing investment revenues.



Internally funded capital projects

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

Operational contingencies

The University allows faculties and services to keep some operational surpluses to invest in future strategic initiatives. The University also earmarks

certain surplus amounts for strategic purposes and operational contingencies.

Capital management

In terms of capital management, the University aims to preserve capital and optimize the investment revenues drawn from it. The University defines its capital as its unrestricted net assets, internally

restricted net assets, endowment funds, and its long-term debt. The policy on debt management, approved by the Board of Governors, stipulates that the University must meet two ratios:

	Threshold	Ratio 2021	2020
Unrestricted liquidity-to-debt	> 0.5 x	0.81	0.70
Debt burden	< 5 %	2.35%	4.15%

As of April 30, 2021, the University was compliant with this policy. The University continues to work to improve its financial results to meet these debt

management ratios and maintain a healthy financial position

Statement of Operations by Fund

The University's consolidated financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations in Part III of the Handbook of Chartered Accountants of Canada ("CPA Canada") Accounting. Under these accounting standards, the financial results of the University are presented on a consolidated basis, in a single column, and present an overall accounting of the financial management of the institution as a whole. University budgets are prepared using the fund accounting method. Each fund has a main function that allows the allocation of income and expenditure for specific purposes to meet donor funding conditions. Fund presentation improves accountability for resources by ensuring that grants and restricted contributions are spent only for their intended purposes.

The purpose of this section is to present the statement of operations by fund, in a format that is consistent with how the University manages its finances.

The University of Ottawa uses the following funds:

- **The Operating Fund** is composed of financial resources that can be used without external restrictions to achieve the University's objective of teaching, research, and community service.
- **The Ancillary Services** consists of financial resources which use is intended for activities that complement the

main research and teaching activities. It includes self-funded services such as food services, residences, the University of Ottawa Press, and parking.

● **The Restricted Funds** consist of financial resources that must be used according to restrictions imposed by external fund providers for non-reciprocal agreements, such as research projects and research chairs. Projects are subject to the various rules and policies of each granting agency and the University, particularly with respect to the procedures for managing eligible research expenditures. Restricted funds also comprise funds upon which other restrictions are imposed, such as those imposed on scholarships awarded by donors. The University of Ottawa has two restricted funds:

- ❑ Restricted Fund – Research; and
- ❑ Restricted Fund – Other.

● **The Endowment Fund** is used to capitalize donations received by the University and the distribution of the earned revenues from this capitalization. The capital must be maintained and, in general, the proceeds from it can only be used for the purposes specified by the donor.

● **The Capital Fund** comprises financial resources used for capital expenditures (such as land and building acquisitions, facility construction, and major renovations). The Capital Fund is financed through grants, donations, loans, and transfers from other funds.

(in thousands of dollars)	Operating Fund	Ancillary Services	Restricted Fund - Research	Restricted Fund - Other	Capital Fund (incl. Sinking Fund)	Endowment Fund	Total
Revenue	892,516	13,048	16,059	105,430	28,042		1,202,094
Expenses	798,080	26,373	153,737	104,982	77,216		1,160,338
Excess of Revenue over Expenses							
before interfund transfers	94,436	(13,325)	9,322	448	(49,174)		41,707
Interfund Transfers	(48,418)	(4,679)	(6,356)	497	58,758	198	
Excess of Revenue over Expenses	46,018	(18,004)	2,966	945	9,584	198	41,707

The allocation of year-end results by fund type has not been audited.





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