



# APUO

ASSOCIATION DES PROFESSEUR(E)S DE L'UNIVERSITÉ D'OTTAWA  
ASSOCIATION OF PROFESSORS OF THE UNIVERSITY OF OTTAWA

## Update on the Real Financial Situation of the University of Ottawa

September 2017

APUO Executive

# Executive Summary

- o The University of Ottawa (uOttawa) is still in a strong financial shape.
- o Assets have grown substantially.
- o In order to analyze the financial position of any organization, one must study the audited Financial Statements, not the Budget.

# Primer on University Finances

- o Formal reports on University Finances come in two forms:
  - o Budgets
  - o Audited Financial Statements
- o Both prepared by the Administration, but differ in many ways, including those captured in the table on the next page:

# Audited Financial Statements vs. Budgets

	Audited Financial Statement	Budget
Third-party (auditor) oversight?	Yes	No
Who decides the assumptions and definitions?	Canadian Accounting standards	The Administration
Past or future oriented?	Past (fact)	Future (projection)

# Which provides the most accurate picture?

- o The key distinction reflected by these differences is that an **audited financial statement provides an accurate report of the financial situation of the University** while a budget provides insight into the goals and priorities of the Administration.
- o That is, a budget is a choice as opposed to a financial statement which reflects the real financial results.

# Accounting standards in the uOttawa budget

- o uOttawa has chosen to create two versions of their budget. They use both the “Canadian accounting standards for non-profit organizations” and the “cash basis accounting”.
- o As you can see in the following slide, Canadian accounting standards and cash basis accounting produce very different pictures of the university budgets.

# Accounting standards in the uOttawa budgets (continued)

Budget year	Accounting standard used	Surplus/Deficit
2017-2018	cash basis accounting	\$4.6 million deficit
	CA accounting standards	<b>\$15 million surplus</b>
2016-2017	cash basis accounting	\$4.9 million deficit
	CA accounting standards	<b>\$16 million surplus</b>
2015-2016	cash basis accounting	\$1.9 million deficit
	CA accounting standards	<b>\$13 million surplus</b>

Surpluses (Deficits) are listed in the uOttawa [Consolidated Budget](#) documents.

# Accounting standards in the uOttawa budget (continued)

- o The Administration is using the budget deficit generated using the “cash basis accounting” to manufacture a crisis.
- o According to Canadian standard accounting principles, there were no budget deficit for either 2015-2016, 2016-2017 or 2017-2018.

# uOttawa Financial Statements

- o The Audited Financial Statements are available here:

<http://www.uottawa.ca/financial-resources/financial-planning/financial-statements>

- o The Budgets are available here:

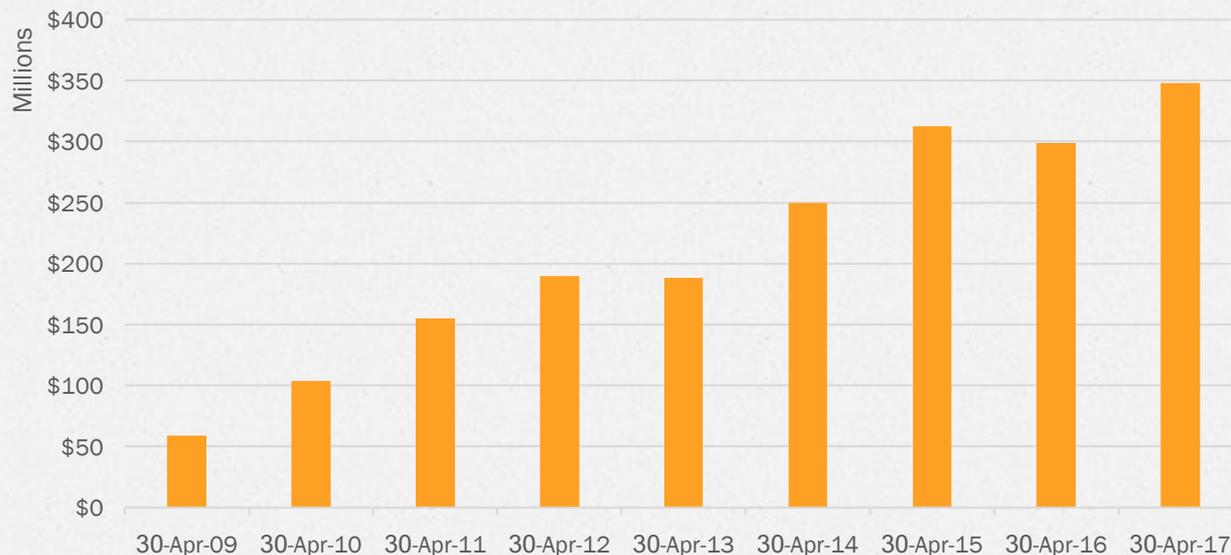
<http://www.uottawa.ca/financial-resources/financial-planning/budget>

# uOttawa Finances according to Audited Financial Statements

- o Let's look at three parts:
  - o Surpluses
  - o Capital assets and acquisitions
  - o Unrestricted and Internally restricted funds

# Cumulative Surplus of \$347 million over 9 years!

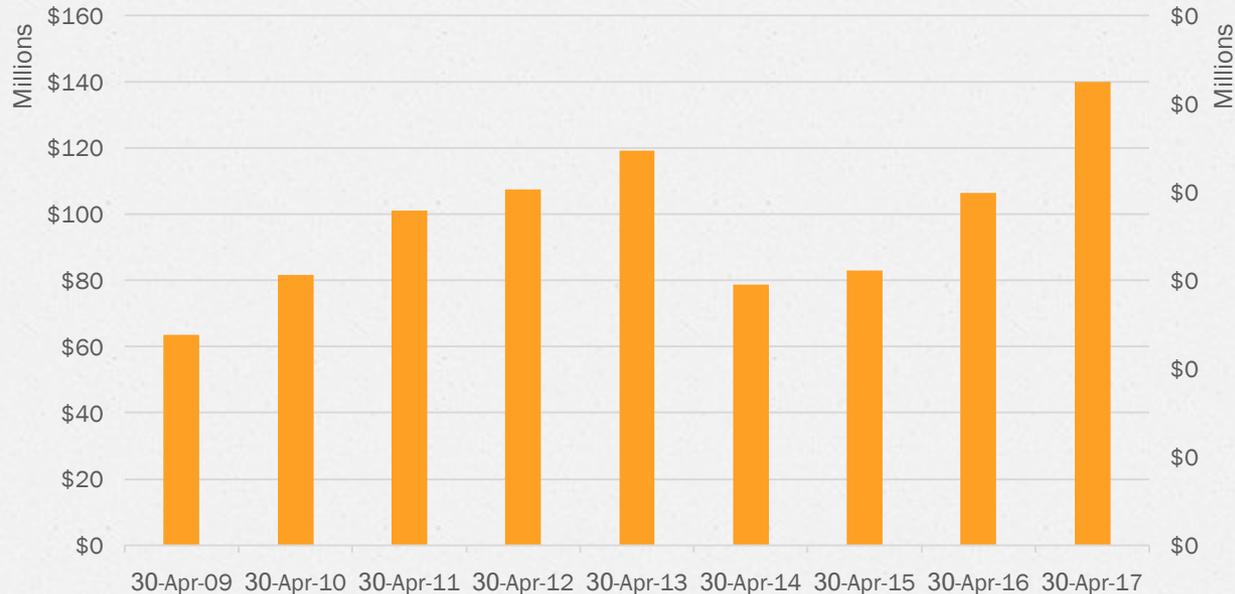
Cumulative Surplus  
University of Ottawa, Audited Financial Statements  
2009-2017



Surpluses (Deficits) are listed in the Audited Financial Statements [https://www.uottawa.ca/financial-resources/financial-planning/sites/www.uottawa.ca.financial-resources.financial-planning/files/financial\\_statements\\_2016-2017.pdf](https://www.uottawa.ca/financial-resources/financial-planning/sites/www.uottawa.ca.financial-resources.financial-planning/files/financial_statements_2016-2017.pdf) (Page 2)

# uOttawa invested over \$940 million in Capital Assets over 9 years

Cumulative Capital Acquisitions  
uOttawa, Audited Financial Statements 2009-2017



Acquisitions of Capital Assets are listed in the Notes to Consolidated Financial Statements – 7. Capital Assets. [https://www.uottawa.ca/financial-resources/financial-planning/sites/www.uottawa.ca/financial-resources/financial-planning/files/financial\\_statements\\_2016-2017.pdf](https://www.uottawa.ca/financial-resources/financial-planning/sites/www.uottawa.ca/financial-resources/financial-planning/files/financial_statements_2016-2017.pdf) (Page 13)

# Capital Acquisitions

- o The Administration has told University community that we need to cut because of new buildings.
- o In the past two years, uOttawa spent over **\$73** million on new buildings with an additional **\$23** million on in-progress construction. That's almost **\$100** million in new buildings and construction in just **2** years!
- o **If uOttawa had limited its capital spending to \$85 million, there would be no deficit according to “cash basis accounting.”**

Acquisitions of Capital Assets are listed in the Notes to Consolidated Financial Statements – 7. Capital Assets. [https://www.uottawa.ca/financial-resources/financial-planning/sites/www.uottawa.ca.financial-resources.financial-planning/files/financial\\_statements\\_2016-2017.pdf](https://www.uottawa.ca/financial-resources/financial-planning/sites/www.uottawa.ca.financial-resources.financial-planning/files/financial_statements_2016-2017.pdf) (Page 13)

# Unrestricted Funds

- o **Unrestricted funds** can be spent as the Administration desires. As of April 30, 2017, uOttawa had \$0.1 million in unrestricted funds.
- o As of April 30, 2016, uOttawa had \$1.8 million in unrestricted funds.

Unrestricted funds are listed in the Audited Financial Statements in Note 12 of the Consolidated Financial Statements – 12. Internally restricted net assets. [https://www.uottawa.ca/financial-resources/financial-planning/sites/www.uottawa.ca.financial-resources.financial-planning/files/financial\\_statements\\_2016-2017.pdf](https://www.uottawa.ca/financial-resources/financial-planning/sites/www.uottawa.ca.financial-resources.financial-planning/files/financial_statements_2016-2017.pdf) (page 17)

# Internally restricted Funds

- o There are three categories of Internally restricted funds: sinking fund, employee future benefits, and “other”. The “other” category consists of the following:
  - o Operating fund
  - o Ancillary enterprises funds – operations
  - o Research fund
  - o Trust fund
  - o Capital fund

Unrestricted funds are listed in the Audited Financial Statements in Note 12 of the Consolidated Financial Statements – 12. Internally restricted net assets. [https://www.uottawa.ca/financial-resources/financial-planning/sites/www.uottawa.ca.financial-resources.financial-planning/files/financial\\_statements\\_2016-2017.pdf](https://www.uottawa.ca/financial-resources/financial-planning/sites/www.uottawa.ca.financial-resources.financial-planning/files/financial_statements_2016-2017.pdf) (page 17)

# Internally restricted Funds

## (continued)

- o The “**other**” category are declared restricted by the Administration. **These restrictions are a choice of the administration**. They are not defined by law or convention.
- o As of April 30, 2017, uOttawa has \$255.4 million in “other” unrestricted funds (\$241.5 million as of April 30, 2016).
- o These funds could be diverted by the administration to cover any unexpected deficit.

Unrestricted funds are listed in the Audited Financial Statements in Note 12 of the Consolidated Financial Statements – 12. Internally restricted net assets. [https://www.uottawa.ca/financial-resources/financial-planning/sites/www.uottawa.ca.financial-resources.financial-planning/files/financial\\_statements\\_2016-2017.pdf](https://www.uottawa.ca/financial-resources/financial-planning/sites/www.uottawa.ca.financial-resources.financial-planning/files/financial_statements_2016-2017.pdf) (page 17)

# Summary

- o uOttawa is still in very a strong financial shape.
- o uOttawa's 2016-2017 audited financial statements show a significant **\$48.6 million surplus**, which includes a \$12.1 million operating surplus.
- o uOttawa's 2017-2018 budget expects a \$15 million surplus (per the CA accounting standards).

# Alternatives to austerity...

- o If uOttawa chooses to assume that there are hard financial times ahead, it does not have to choose austerity. It could:
  - o Temporarily reduce Capital Acquisition expenses by slowing down rate of construction.
  - o Temporarily cover operating deficits (if there are any) using Internally Restricted Funds.