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Representing Faculty, Librarians, Veterinarians & College Professors

ANALYSIS OF UNIVERSITY FINANCES

3/28/2019

Are the Administration's financial decisions best serving the University's mission?

The UGFA Financial Advisory Committee presents an analysis of the University's audited Financial Statements from 2018 contextualized in terms of prior years.

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ANALYSIS OF UNIVERSITY FINANCES

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BRIEF SUMMARY (FOR THE YEAR 2018)

STRONG FINANCIAL HEALTH: THE STRUCTURAL SURPLUS CONTINUES…

Another NET SURPLUS of $62M in 2018.	**The average yearly net surplus in the past four years is $67M.**

Generated from public money, this surplus is not spent on its intended use—the primary missions of teaching and research/scholarship for which UGFA members are the guardians—with the Administration instead embracing an incredible structural surplus that they regularly refer to as a "net income," presumably motivated by the corporate armada of financial managers that have established outposts at seemingly every level of the institution.

Total UGFA salaries remained a stable percentage of total revenues and total expenses, with the % share even decreasing a bit due to 9% growth hiring of Administrative staff.

ENORMOUS "RESERVES" IN INTERNALLY RESTRICTED FUNDS CONTINUE

Internally restricted funds shrank to a still-whopping $289M, accounting for 14% of the $2.1B in total assets of the University. $225M of this money (~78%) consists of

- $101M of unspent "carry-forward," reaching a new record level, despite the Provost's faded promise that she would reclaim this money;
- $76M of "reserves" with no real specified purpose; and
- $48M of money set aside for possible pension plan contributions.

These reserves were built on the backs of UGFA members, generated through amazing increases in tuition revenues by dramatically increases student numbers, all without any meaningful investment in corresponding UGFA member complement growth, leading to major workload, work-life balance, stress, and morale issues for our members. See inside for a detailed discussion.

RECORD LEVEL OF CAPITAL SPENDING

In 2018, the Administration prioritized a record $135M in capital spending (with no new borrowing), instead of the meaningful UGFA growth hiring suggested above.

INTRODUCTION

This document presents the UGFA Financial Advisory Committee's analysis of the University's audited financial statements, running from 2013 to 2018. As in past analyses, when suitable, we include additional information obtained from other sources.

Readers seeking information back to 2006 are referred to our earlier analyses.

Besides giving some clear insight into the financial health of the institution and the priorities of the Administration, the report also suggests an answer to the question of whether the financial decisions of the Administration are best serving the University's mission.

Are the financial decisions of the Administration best serving the University's mission?

Analyses in This Report

We look at four key parts of the past years' financial statements, one per section: the

1. Statement of Financial Position
2. Statement of Operations
3. Statement of Cash Flows
4. Statement of Changes in Net Assets

Colour Legend for all Tables

BROWN	Numbers that should attract your attention
GREEN	Numbers from previous reports that have changed
ORANGE	Interesting percentages

In each section, we present

i. a table of numbers from the statements, sometimes also with information from additional sources, with some metrics, ratios, or percentages to highlight trends, and
ii. a brief written analysis of the table and surrounding factors.

As always, the UGFA believes that it is important to connect this financial analysis to the University's primary missions, teaching and research/scholarship. UGFA members are the guardians of these twin missions.

Since before the 2017 round of negotiations, we have heard from UGFA members that workload is a most pressing issue. Since we do not have prescribed hours of work, it is perhaps not surprising that the issue of excessive workload also impacts work-life balance. The UGFA has expressed to the Administration that the solution to this problem is clear: hire more of us, meaningfully so. Appropriate hiring would allow for work to be spread around amongst more people, a decrease in class/section sizes, and so on. Indeed, student numbers have skyrocketed in the past decade: depending on how one counts (head count, full-time equivalents (FTEs), undergraduate and/or graduate), student numbers have increased by between 25% and 40% over this time. Figure 1 shows the explosion. On the other hand, up until the past two years, faculty numbers were relatively flat: again, depending on how one counts (all faculty, tenured/tenure-track only, pseudo-faculty like Associate Deans who will likely return to the UGFA), faculty numbers *decreased* by some small percentage (down 4% when all possible bodies are included). (Faculty numbers have been flat or down for a long while, so one should be careful when choosing a starting year from which to compare with student growth.) In the past two years, there has been some hiring, and, of course, on January 14, 2019, the Administration

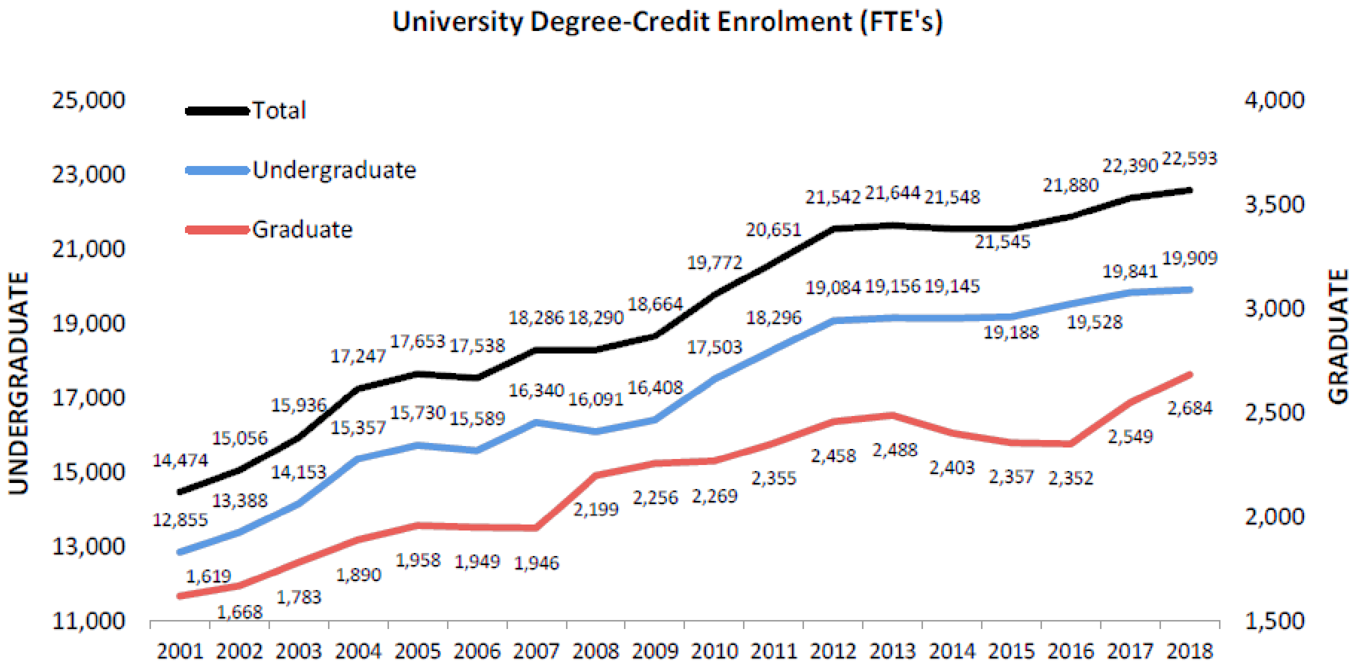

FIGURE 1. STUDENT ENROLMENTS (FTES) OVER THE YEARS (FROM PAGE 17 OF THE AUDITED FINANCIAL STATEMENTS)

committed in a Letter of Understanding to increase the permanent UGFA member complement by 40 people by July 1, 2023. To be clear, this means that they will hire 40 new permanent (tenure-track, continuing-track) members, plus hire to replace any retirements (not necessarily in the same position). While not wanting to be cynical, It is perhaps worth noting that a poor hiring model could well grow the UGFA member complement without addressing any workload issues at all: create and stock a whole new department, perhaps in a new "strategic" direction; or hire a significant number of faculty with DOEs different from 40-40-20, so that a major area of effort is poorly aided by the hiring; and so on. As part of the discussions that led to the Letter of Understanding, we heard repeatedly about financial worries, largely centred on fear over the provincial government. Indeed, such messaging has been standard fare over the years. As a result, we believe that it is crucial for members to understand the financial state of the University and to think about the decisions that the Administration chooses to make in this arena. For example, as this document is finishing production, we are aware that the Administration is cancelling faculty hires that were previously approved. We are aware that in the period between Fall 2015 and Fall 2017, based on the Administration's numbers for the UPP consent vote that UGFA membership grew by just under 3% (bringing it to almost even with the membership number of a decade earlier) while the Administrative staff grew by 9% in that same period.

All of the financial statements are presented as at April 30 of the ending year, the last day of the University's fiscal year. Those numbers become the input values for the subsequent year's financial statement. Sometimes something goes wrong (investment income not realized, government legislation, etc.) and these input numbers change by the time the next statement is produced. Any corrections to past numbers will be colored **green** in this report. The 2016 numbers were adjusted when the University has adopted a new accounting policy, merging into the audited statements the finances for University of Guelph – Humber, with the unfortunate abbreviation UGH.

Our regular reminder: in our analysis the label "Internally Restricted" refers to the money that the Administration identifies as such in its financial statements. This money is not in general (if at all) allocated with specified payment, contribution, or transfer plans. That is, at any moment, this money can be transferred back into the Operating Fund and used for any other purpose, including the primary missions of the University. One might argue that the size of these numbers should *increase* by including essentially all of the Ancillary Enterprises Fund or that that fund should receive separate intense scrutiny.

Following the sections on the four financial statements, we present a section with

- a Financial Scorecard that looks at factors and trends that could indicate severe financial issues, including the existence of a structural deficit; and
- a summary and conclusions.

ANALYSIS OF THE STATEMENT OF FINANCIAL POSITION

This statement presents assets and liabilities, reporting that

Assets – Liabilities = Net Assets

Assets are broken into two types:

- current, which are usually consumed in one year, and
- long-term, which are used in operations for many years.

Liabilities are similarly broken into two types:

- current, which are usually payable in one year, and
- long-term, which are obligations due beyond one year.

Large amounts of long-term liabilities increase the financial risk of the University, which is why the Administration expresses concerns about pensions and benefits, not just mortgages.

The numbers going back to 2013 are presented in Table 2. As a percentage of total assets, we see:

	In 2013-2017	*In 2018*
Cash (& short-term investments)	Between 13% and 16%	At 14%
Capital assets	Between 56% and 63%	At 57%
Short-term liabilities	Between 7% and 13%	At 13%
Long-term liabilities	Between 11% and 13%	At 10%
Internally Restricted money	Between 13% and 16%	At 14%

Last year, the big news was that total assets of the University crossed $2B, growing by a whopping $185M in 2017. Well, this year they grew again, by another $100M, pretty much 5% growth. Figure 2 reminds you that net assets have doubled in the past decade. Referring to Table 2, we see that Capital Assets grew by 8% in 2018, and they grew as a percentage of (the expanding) total assets. Indeed, the growth in Capital Assets was $89M, a solid 89% of the overall growth in total assets. As we travel through the set of financial statements, we will see more detail. A summary statement in the opening of the Audited Financial Statements reads, "Capital Assets, typically the largest net asset category, shows the net undepreciated equity position the University holds in its land, buildings and equipment. In 2018 the [Administration] continued to invest its physical assets [i.e. cash!]. Overall Capital Assets grew by a net $71.3M ($2.1M in 2017)." Subtracting the $2.1M in growth that was additionally allocated to 2017, the remaining $69M seems to grow to the $89M in the Statement by adding in $20M of "Capital contributions recognized."

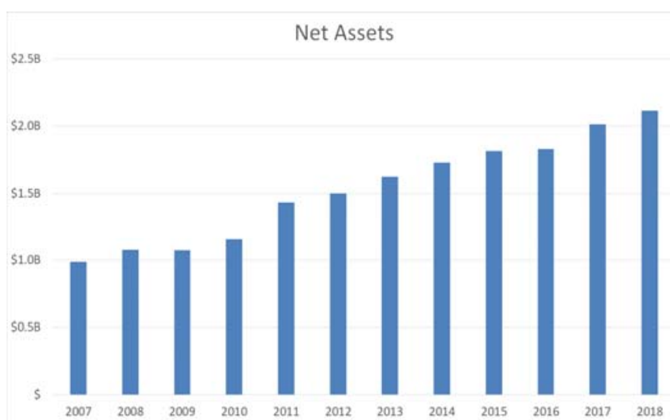

FIGURE 2. NET ASSETS OVER THE YEARS

Last year, the big news was that total assets of the University crossed $2B, growing by a whopping $185M in 2017. Well, this year they grew again, by another $100M.

Cash & Short-term Investments grew by $11M, from $255M to $266M. Over $180M sits in GICs and Government Bonds, an increase in those vehicles of $20M since last year. Long-Term Investments stayed well above the half-a-billion dollar mark, at $553M, with total investments reaching a new high-water mark of $774M. How many years will it be before we observe that total investments have hit $1-billion?

Short-term debt grew by 9% to $275M in 2018, and, as in 2017, the key contributor to the debt (at a value of $183M, up from $166M) being deferred contributions which "represent unspent externally restricted grants, donations and investment income for research and other specific purposes."

Long-term debt (due to borrowing) decreased by $12M, following a similar-sized decrease in 2017. Over the six-year period 2013-2018, long-term debt has on average *decreased* by 9% each year. Readers will recall that in Fall 2016 the Administration took out a $40M 25-year loan for the Mitchell Building construction.

Over the six-year period 2013-2018, long-term debt has on average decreased by 9% each year.

We remind you that the Internally Restricted money is declared restricted by the Administration, placed in a fund with a name that may suggest a possible eventual use for the money, unless the Administration spends the money or shifts it to another fund. The money is not in general (if at all) allocated with specified payment, contribution, or transfer plans. At any moment, the money can be transferred back into the (Unrestricted) Operating Fund and used for any other purpose, perhaps even a purpose related to the primary missions of the University.

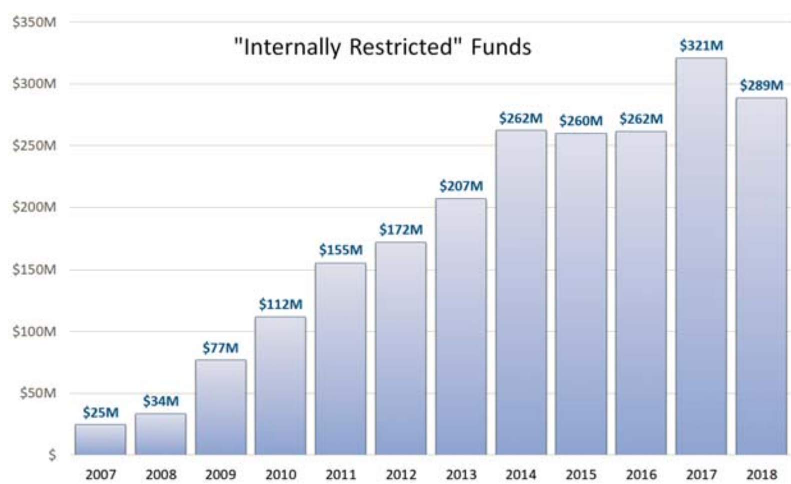

FIGURE 31 INTERNALLY RESTRICTED FUNDS OVER THE YEARS

The third-of-a-billion dollars (2017) that the Administration has labelled as Internally Restricted funds finally decreased for the first time in more than ten years! Yes, indeed, the Administration transferred a net $32M out of these funds in 2018, leaving a new balance of a still-astounding $289M. We saw $16M come out of the "Employee Benefits Reserve," which used to be the home of the money that the Administration said was necessary for solvency payments into the pension plan, and $32M came out of the Capital Reserves. We'll mention the latter again when we discuss the Statement of Cash Flows.

The third-of-a-billion dollars (2017) that the Administration has labelled as Internally Restricted funds finally decreased for the first time in more than ten years! Yes, indeed, the Administration transferred a net $32M out of these funds in 2018, leaving a new balance of a still-astounding $289M.

On the matter of Employee Benefits, remember that in 2013 the Administration changed its accounting principles, with perhaps the most dramatic change being the way that “Employee Future Benefits” (EFBs) were reported. EFBs are described in the Audited Statements: “The University has a number of funded and unfunded programs that provide defined benefit pension and other post-employment benefits to its employees. [...] The University’s other post-employment benefit plans provide extended health care and dental coverage to retirees and their eligible dependents on a cost-sharing basis. Retiree contributions to the health and dental programs cover 30% and 50% of the costs respectively.” Keep in mind that the calculation of the value of EFBs is an *actuarial* calculation, a suggestion or “best guess” about the future based on various parameters and inputs. As a result, unlike almost all other line items in the Audited Statements, the reported and speculative value of EFBs can fluctuate wildly, quite independent of the actions of the Administration. The switch in accounting principles seems to have stabilized the value. Lifting from our earlier reports, between 2008 and 2012, EFBs ranged from $118M to $190M, sitting at $144M in 2012, with double-digit percentage changes each year, one way or the other. After the accounting change, from 2013 to 2017, EFBs ranged from $41M to $46M, sitting at $49M in 2018. The values still swing around from year to year: -10%, +10%, -6%, +5%, and +9%. Although the breakdown is not in the Audited Statements, it seems reasonable to extract that in the period of consistent solvency relief, the pension contributions obligation of the Administration sat at a relatively stable figure, with the cost impact of extended health and dental benefits being a battle between retirees living longer, retiree obligations ending, and members delaying retirement.

Now, the EFBs value would skyrocket if the Administration had to make the yearly ~$90M solvency payments for the current pension plan. If and when the University Pension Plan (UPP) reaches the consent thresholds (result known on July 1, 2019) and obtains government approval for registration as a defined-benefit pension plan (result known, hopefully, by the end of 2019), these solvency payments disappear. At this point, the Administration’s pension contributions obligation due to plan shortfalls arises from the yearly payments due to future (going-concern) liability on past service, which likely equates no more than $10M per year for 15 years, with the exact value known when a new valuation is done prior to UPP entry. (Technical side note: the Administration has asked the government to hold off on the ~$90M solvency payments, which are required now, with the argument being that we are involved in the UPP and it looks like it will be successful.)

The point of this discussion is that the Internally Restricted “Employee Benefits Reserve” bucket has historically only grown in value, with the argument being that ~$90M payments *may* have to be made, but the likeliness of such payments decreases with each positive UPP event. In 2018, the Administration took $16M out of the Employee Benefits Reserve to form part of a $22M special (solvency) payment to the pension plan.

We have reached another amazing level of accomplishment: the Division Reserves have crossed $100M! We remember when it was shocking to see them cross $70M; see Table 1 to remember the comparative Utopia of 2015. In the Audited Statements, the Division Reserves (well, the “division carry forwards”) are described as “unspent budget allocations,” “designated mainly for future projects and programs including capital renovations, start-up funding for new faculty and temporary support staff.” The word “future” in descriptions

TABLE 1. INTERNALLY RESTRICTED FUNDS OVER THE YEARS

FUND NAME	2015	2016		2017		2018	
Division Reserves	$71M	$83M	+16%	$96M	+16%	$101M	+5%
Central Operating Reserves	$48M	$69M	+43%	$75M	+10%	$76M	+1%
Employee Benefits Reserves	$47M	$72M	-3%	$65M	-10%	$48M	-25%

of this money is always entertaining and frustrating. Later, we read, "Internally Restricted funds are created from accumulated annual net income which is subsequently allocation for specific future purposes." Remember, this "allocation" involves no payment, transfer, or contribution plans. We have no information on the yearly total amount of start-up funding for new hires and have rather reasonable doubt that it is a dominant percentage of the $101M, given the limited number of new hires! If we accept past breakdowns of the Division Reserves (from non-audited reports), little of this money lives at the Department/School level, and the great majority of this money is held by Deans, the CIO, and senior Staff/Admin (more later).

As always, it is a great challenge to avoid seeing the Internally Restricted funds as a sock drawer in which the Administration hides money, with no true allocation, maybe just some loose connection to a possible use, just maybe. It is particularly jarring to read that these funds are the place that "net income" goes, given that the University claims to run under not-for-profit accounting principles. Any excess of revenues over expenses is a surplus that could have, perhaps even should have, been spend on the teaching and scholarship missions of the University.

Obviously, a University the size of Guelph must have investments and reserved money, but we believe that any observer, especially a careful one, should be able to conclude that the institution is focused on its academic missions, first and foremost. It is hard to draw that conclusion: the Internally Restricted reserves have a value equal to 14% of total assets and over 60% of the operating budget figure the Provost uses. Student numbers grow dramatically; faculty numbers stay flat or, at best, enjoy marginal growth; and class sizes grow, average workload increases, and the student experience suffers. From trustworthy UPP membership numbers, in the two-year window from Fall 2015 to Fall 2017, Administrative staff grew by 9%, while UGFA grew by 3%, roughly back to its level a decade earlier. This Administrative staff does not include typical departmental secretaries (who are members of the Steelworkers) or typical Dean's Office secretaries (in OSSTF); these are members of the non-unionized, unrepresented employee group. Indeed, we increasingly see more and more "financial managers" appear in Administrative enclaves, corporatizing the University, apparently shifting the discussion from "investing in the academic missions" to "investing the net income" in bonds, equities, and so on. As another indicator, from 2017 and 2018 the Audited Statements report that faculty numbers grew by 20, while in the same period these staff numbers grew by 84. Keep in mind that the faculty number reported in the statements is for "budgeted positions," does not agree with reality (it exceeds the UGFA complement, which includes Vets and Librarians!), and perhaps includes administrators and others.

As always, it is a great challenge to avoid seeing the Internally Restricted funds as a sock drawer in which the Administration hides money, with no true allocation, maybe just some loose connection to a possible use, just maybe.

From trustworthy UPP membership numbers, in the two-year window from Fall 2015 to Fall 2017, Administrative staff grew by 9%, while UGFA grew by 3%, roughly back to its level eight years earlier.

In the six-year period 2013-2018, the Division Reserves have enjoyed on average 18% growth per year. (In order to perform this calculation, we have to use a value in 2013 lying outside of audited statements, so please view this percentage as the minimum growth! Using the audited numbers only, the average yearly growth for 2014-2018 is 19%.) We have to recognize as well that the year-to-year increase in this fund is the new money coming into it minus the money spent from it. Deans and other Administrators spend this money, but their spending can't keep up with flow of incoming money! If this money were allocated in any meaningful way, then the pot of money would not enjoy huge percentage increases year after year, instead being used in service of the missions of the University.

The Provost promised at her March 2017 town hall budget presentation that the growth of the Division Reserves fund would be monitored and that unspent money would be clawed back to the central fund under the (Board of Governors approved) "carry-forward policy" mentioned on her slide. Reading of the policy on the University's website reveals that the policy does not apply to restricted funds, so, big surprise, the clawback didn't happen, but it sounded good at the town hall. A year later, in 2018, the

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pension solvency payments were held up as the boogeyman needing so much set-aside money (yes, ignoring that the money "allocated" to that issue lives in the EFBs fund). With the 2019 budget town hall looming, after a year of successful UPP activity, one wonders in advance about how these funds will be framed. Indeed, in her final budget documents of the past two years, the Provost has forecasted growth in the Division Reserves from \$83M to \$88M (actual=\$96M) and then \$94M (actual=\$101M).

In last year's Financial Analysis, we noted that the appendices of the final budget included a table showing the distribution of the carry-forward, albeit from an unaudited source and based on the Provost's forecasting. The table listed how much carry forward lived in each College (forecasted to be a total of \$49M, more than half of the forecasted \$88M), plus other non-academic units. Looking at the updated

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table one year later, with the same caveat that the numbers should be viewed as indicators and not the truth, we find $55M in the Colleges. OAC was budgeted for $9.9M last year, but landed at an actual of $11M, budgeted to grow to $12M. The majority of Colleges have budgeted growth in their carry-forward, with the exceptions being OVC and CEPS.

Reclaiming the Division Reserves money, as the Provost once promised, isn't necessarily a solution in any case: the solution is to spend the money in support of the University's teaching and scholarship missions. The Division Reserves money alone could pay for a large number of new faculty and other UGFA member positions, covering their salaries (and salary increases) for a good number of years. Increased faculty complement could help with workload and morale issues, and it would certainly help our teaching and scholarship missions.

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Also of interest is that the Central Operating Reserves continues to grow, albeit slightly this year, despite projected decreases in the Provost's final budget.

The Letter of Understanding from January 14, 2019, on growth hiring of permanent UGFA members by July 1, 2023, is a very hard-fought commitment that ensures at least some attention to this sad situation. In the context of this analysis, it seems shameful of that we had to fight at all to obtain this commitment.

TABLE 2. ANALYSIS OF THE STATEMENT OF FINANCIAL POSITION (DOLLAR VALUES IN THOUSANDS OF DOLLARS)

as at April 30	2013	2014	2015	2016	2017	2018
Total Assets	1,623,556	1,731,426	1,817,362	**1,831,274**	2,015,056	2,115,211
year-to-year % change	**8.15**	**6.64**	**4.96**	**0.77**	**10.04**	**4.97**
Cash (& short-term investments)	255,599	280,397	283,268	**216,168**	255,113	266,254
year-to-year % change	19.10	9.70	1.02	-23.69	1.02	4.37
cash/total assets	**15.74**	**16.19**	**15.59**	**11.80**	**12.66**	**12.59**
Capital Assets	1,027,390	1,036,900	1,052,451	**1,086,067**	1,123,477	1,212,862
year-to-year % change	2.81	0.93	1.50	3.19	3.44	7.96
(capital assets)/(total assets)	**63.28**	**59.89**	**57.91**	**59.31**	**55.75**	**57.34**
Short-Term Debt (Current Liabilities)	115,828	218,945	210,698	**235,138**	251,862	275,112
year-to-year % change	2.48	89.03	-3.77	11.60	7.11	9.23
(short-term debt) /(total assets)	**7.13**	**12.65**	**11.59**	**12.84**	**12.50**	**13.01**
Long-Term Debt (Long-Term Liabilities)	215.747	224,144	213,284	201,450	229,560	217,264
year-to-year % change	-58.48	3.89	-4.85	-5.55	13.95	-5.36
(long-term debt) /(total assets)	**13.29**	**12.95**	**11.74**	**11.00**	**11.39**	**10.27**
Internally Restricted	**207,284**	**262,305**	**260,101**	**261,622**	**320,792**	**288,620**
year-to-year % change	20.67	26.54	-0.84	0.58	22.62	-10.03
(internally restricted) /(total assets)	**12.77**	**15.15**	**14.31**	**14.29**	**15.92**	**13.64**

ANALYSIS OF THE STATEMENT OF OPERATIONS

The statement of operations reports all revenues, all expenses, and their difference (the surplus or deficit).

Key revenue items are government grants (MTCU, and Ministry of Agriculture, Food, and Rural Affairs) and student tuition. Key expense items are salaries, benefits, and interest (on debt).

Table 4 presents the numbers.

Ideally, we hope to see increases or at least stability for each of the revenue items. We find the following.

	In 2013-2017	*In 2018*
Tuition	Yearly increases, averaging 8.3% per year, 22-26% of revenue	Increased by 3.8%, 27% of revenue
Transfer Grants	Marginal yearly increases, averaging 2.3% per year, 33-35% of revenue (2016 outlier: 8.2% increase)	Increased by 2.2%, 34% of revenue
Total Revenue	Yearly increases, averaging 3.2% per year	Increased by 0.9%
Salaries	Yearly increases, averaging 2.3% per year, 49% of expenses	Increased by 5.8%, 46% of revenue and 49% of expenses
Benefits	Stable at 5-6% of revenue or expenses	Stable at 5-6% of revenue or expenses
Total Expenses	Accounting change affects 2013; average -0.45% decrease 2013-2017; average 2.1% increase 2014-2017	Increased by 5.3%

In 2018, thanks to some faculty hiring and to a more significant amount of administrative hiring, the cost of all University salaries increased by $21M. There is no need to be nervous, as total salaries barely increased as a percentage of total expenses, going from 49.24% to 49.49%. Total salaries as a percentage of total revenue increased by 2%. UGFA's salary mass as a percentage of either total revenue or total expenses decreased slightly.

The $21M increase in salary due to this mostly non-UGFA hiring explains a large part of the decrease in the surplus (or, as they say, net income) by $27M. Don't worry, though, the surplus was still huge, as documented in Table 3. To be clear, the structural surplus was built on the backs of UGFA members:

TABLE 3: THE STRUCTURAL SURPLUS CONTINUES...

STATEMENT YEAR	SURPLUS (= REVENUES - EXPENSES)
2018	$62M
2017	$90M
2016	$60M
2015	$66M
2014	$80M
2013	$41M

Year after after, the number of students increased, and tuition revenue increased accordingly, averaging 7.5% growth per year over the six year period, fiscal years 2013-2018, amounting to a $12M/year increase in revenue. Yes, that means that the dollar value of tuition revenue went up by $72M since 2012; compared to the base year of 2015 when tuition revenue was $151M, the Administration raked in an extra $10M in 2013, $20M in 2014, $27M in 2015, $49M in 2016, $65M in 2017, and $72M in 2018. Now, the 7.5% per year increase in tuition revenue far exceeds the cap on tuition increases, so, as we have experienced, the revenue increase was achieved by dramatically increasing the number of students. During this same period, there was no growth hiring of UGFA members, let alone the meaningful growth hiring that one might think should have occurred to safeguard the University's missions or maintain the quality of the student educational experience. In fact, the dramatic increase in the number of students and, hence, tuition revenue, goes back earlier, as Figure 1 suggests. We see this in the historical data, where, for example, the increase in tuition revenue from 2008 to 2012 is an additional $50M.

Year after after, the number of students increased, and tuition revenue increased accordingly, averaging 7.5% per year over the six year period, fiscal years 2013-2018, amounting to a $12M/year increase in revenue.

We picked 2008 in the preceding sentence because that year marks the beginning of what the Provost referred to in various presentations as the "eight years in the making" strong financial position of the University. Well, after the change in accounting principles in 2013 that introduced an artificial deficit in the Audited Statements, lo and behold, we had a $41M surplus that grew from a $25M surplus two years earlier. The surplus was generated in large part by the increased tuition revenue not being spent. The consistent tuition revenue increases do not give corresponding increases in the surplus because money is being spent, but the surplus is consistently huge because the Administration avoids spending money on people, well, at least those who have a chance of becoming "permanent" employees. Money is spent on lots of capital projects and money is stockpiled in the Internally Restricted funds. But UGFA members got the short stick: we quite arguably faced the greatest challenge of coping with the increased number of

During this same period, there was no growth hiring of UGFA members, let alone the meaningful growth hiring that one might think should have occurred to safeguard the University's missions or maintain the quality of the student educational experience.

students, larger class and section sizes, more marking, more work for other "secondary" teaching tasks (office hours, emails, managing TAs, deferred exams, SAS and varsity athlete exams, and so on), and the Administration relied on our professionalism to deliver a high quality education in lousy circumstances, with workload and related stress becoming the key priority of UGFA members.

Now that we see a bump in the cost of total salaries, even while salary remains a stable percentage of revenues or expenses, we should be expecting more from the Administration: hire more UGFA members and freeze the hiring of administrative staff, perhaps even do some trimming there.

It is upsetting that so much public money, from tuition and from MTCU, comes into the University, intended to be used to fulfill the missions of the University, only to end up stockpiled in the Internally Restricted pots. Instead of being spent, the majority of this money is placed in long-term investments (reflecting the lack of intention to spend it), and the interest from those investments contributes towards more jaw-dropping surpluses. The bulk of the yearly surplus maintains the Internally Restricted designation, and those pots continue to grow, ready to contribute towards next year's surplus, all while the University's academic missions starve and UGFA members struggle with the many impacts of high workload.

But UGFA members got the short stick: we quite arguably faced the greatest challenge of coping with the increased number of students, larger class and section sizes, more marking, more work for other "secondary" teaching tasks (office hours, emails, managing TAs, deferred exams, SAS and varsity athlete exams, and so on), and the Administration relied on our professionalism to deliver a high quality education in lousy circumstances, with workload and related stress becoming the key priority of UGFA members.

Over the six year period, the surplus has on average been 8.6% of total revenues. If that percentage seems okay to you, please realize that total revenues in that period have on average been $772M, and 8.6% of such a huge a number is a very large number, on average $67M per year. This is a fine moment to quote from "The [Provost's] General Operating Budget" section of the *Highlights of the 2018-2019 Operating Plan*: "for 2018-2019 [… t]he University is projecting an in-year $5.9-million deficit. […] For 2017-2018, a $5.6-million forecast deficit is included in the General Operating Budget. […] Prior year's results have been surpluses but they have been shrinking over the past fiscal years." These words seem based on the idea that the Board of Governors mandates the Internally Restricted funds be as they are and requires them to stay untouched, well, unless they are touched. It seems that this is the story we are pitched: our "management colleagues," the Senior Administration, tries in vain to fight the BoG, the real Big Boss in the Nintendo story of the University. But we can't fall for the video-game narrative, as to us these groups altogether form the Administration that we must question and try to hold to account.

It seems that this is the story we are pitched: our "management colleagues," the Senior Administration, tries in vain to fight the BoG, the real Big Boss in the Nintendo story of the University. But we can't fall for the video-game narrative, as to us these groups altogether form the Administration that we must question and try to hold to account.

For the second year in a row, tuition revenue sat well above $200M. While we might wonder what the impact of the provincial government's tuition cut may be, one should not naively suggest that tuition revenue will decrease from $223M by $22.3M (i.e. 10%). The Administration has already signaled that they will respond to the tuition cut by increasing the number of students, a strategy shared by many administrations in the province. Certainly, in the next year, we will hear how difficult it is to predict acceptance rates, how we have to be worried about the outcome, etc. In the end, the number of students will go up and "lost revenue" will be replaced. In the worst case that they only get it half right and still need $10M, well, gosh, the Central Operating Reserves grew by that amount over the past two years.

The audited statements say that total expenses grew 5.3% "primarily due to increases in salaries, benefits [combined with Future Benefits] and student assistance in operating and research funds." We should keep in mind, though, that the salary increase is largely due to the Administration's desire to hire more administrators, not UGFA members.

TABLE 4. ANALYSIS OF STATEMENT OF OPERATIONS (DOLLAR VALUES IN THOUSANDS OF DOLLARS)

as at April 30	2013	2014	2015	2016	2017	2018
Revenues						
Total Revenues	717,899	745,233	759,374	767,352	818,314	825,353
year-to-year % change	2.74	3.81	1.90	2.97	6.64	0.86
Government Grants						
MTCU/MAESD	181,301	183,331	178,990	197,400	201,420	204,251
Min Agriculture, Food, Rural Affairs	62,821	64,038	69,602	70,295	71,104	74,182
Total	244,122	247,369	248,592	267,695	272,524	278,433
year-to-year % change	-0.21	1.33	0.49	8.22	1.80	2.17
(govt grants)/(total revenues)	34.01	33.19	32.74	34.89	33.30	33.74
Student Tuition	160,609	170,037	177,127	198,632	214,523	222,658
year-to-year % change	6.54	5.87	4.17	16.82	8.00	3.79
(student tuition)/(total revenues)	22.37	22.82	23.33	25.89	26.22	26.98
Expenses						
Total Expenses	672,150	669,881	689,048	707,763	731,424	769,861
year-to-year % change	-10.84	-0.34	2,86	2.72	3.34	5.26
Salaries	331,568	330,391	334,009	345,341	360,127	381,018
year-to-year % change	2.88	-0.35	1.10	3.39	4.28	5.80
salaries/(total revenues)	46.19	44.33	43.98	45.00	44.01	46.16
salaries/(total expenses)	49.33	49.32	48.47	48.79	49.24	49.49
Benefits	40,230	39,608	40,788	44,077	45,915	49,119
year-to-year % change	10.58	-1.55	2.98	8.06	4.17	6.98
benefits/(total revenue)	5.60	5.31	5.37	5.74	5.61	5.95
benefits/(total expenses)	5.99	5.91	5.92	6.23	6.28	6.38
Interest Cost	12,117	12,431	12,206	11,618	11,707	11,595
year-to-year % change	6.04	2.59	-1.81	-4.82	0.77	-0.96
(interest cost)/(total revenues)	1.69	1.67	1.61	1.51	1.43	1.40
(interest cost)/(total expenses)	1.80	1.86	1.77	1.64	1.60	1.51
Adjustments						
Unrealized Gain/Loss or Interest Rate Swap	-4,406	4,584	-3,431	595	2,892	6,557
Surplus or Deficit						
All Funds Combined	41,343	79,936	66,535	60,184	89,782	62,049
year-to-year % change	170.48	93.35	-16.76	-9.55	49.18	-30.89
(surplus or deficit)/(total revenues)	5.76	10.73	8.76	8.09	10.97	7.52

ANALYSIS OF THE STATEMENT OF CASH FLOWS

This statement shows that

(starting cash) – (ending cash) = sum of cash provided or used by operations, financing, and investing.

The key items are cash flows from operations, increase/decrease in investments, and purchase/sale of capital assets.

The University should have a positive cash flow from operations to avoid risk. Otherwise, the University must be borrowing money to operate, which is risky behavior, particularly if it is a multi-year pattern.

Table 5 presents the data.

Cash flows from operations in 2018 was $102M, the third year in a row to stay above $100M, a level attained only once outside of those three years (in 2010).

In 2018, the level of new investments was down, "just" $22M, compared to the amazing levels of the past couple of years, $170M and $127M.

Instead of massive investments, the Administration spent massive money on capital assets, a whopping $135M in 2018, the largest amount we've seen since we began these analyses by looking at 2006. Last year's level of capital asset expenditures, at $82M, was a six-year record, but it has been eclipsed by spending 65% more this year. They spent 16% of total revenues on capital assets. Over the six-year period 2013-2018, the Administration has spent $468M on capital assets, on average of roughly $78M per year.

[T]he Administration spent massive money on capital assets, a whopping $135M in 2018, the largest amount we've seen since we began these analyses by looking at 2006.

The big ticket capital spending was on the six projects covered by the $26.2M in Strategic Investment Fund money awarded to the University:

- A bio-carbon innovation and commercialization centre;
- A biosafety level 2 production animal research isolation unit;
- A food innovation centre;
- Expansions and renovations of the library;
- Renewal and renovations of the MacNaughton Building; and
- Renovations to the Reynolds Building.

The estimated total spending on these projects remains $66.6M, so $40.4M is needed on top of the government funding. The bulk of this spending occurred in the past year: $47.7M (of combined money). That still leaves $87.5M of capital spending in 2018, to account for. Some other big capital projects are

- the Football Pavilion, costing $4.0M in 2018 (plus $5.5M in 2017 and $0.7M in 2016 for a total so far of $10.2M), and having a total cost of $10.5M (up from last year's projected $8.2M);
- the OVC Master Plan, spending $9M in 2018 (plus $4M to start in 2017) on a project now slated to cost $34.2M (down $1M from last year's projected cost);

Over the six-year period 2013-2018, the Administration has spent $468M on capital assets, on average of roughly $78M per year.

- the relocation of the Turfgrass Institute, costing $1.8M in 2018 (plus $1.5M to start in 2017 on a project with $15M price tag;
- the energy retrofit project, costing $3.5M in 2018, $3.9M in 2017, $11.9M in 2016, $6.7M prior for a total of $26M, and having a total cost of $26.2M; and
- Library (Storage & Space), UC Washroom and Study Space, and Campus WiFi, costing $7.9M in 2018 for a total of $9.1M, and having a projected cost of $11.8M; and
- Student Housing South Residence Exterior Rehabilitation, costing $4.7M in 2018.

No mention of the Mitchell Athletics Building, which last year had spending-to-date of $45.7M on a project proposed to cost $45.4M! Yes, this list doesn't total anywhere near $87.5M. It doesn't add any greater clarity, but the Audited Statements report that $90.9M was spent on buildings, $23.1M was spent on "equipment and other," $13.3M was spend on Main Campus Facilities Renewal, and $7.9M was spend on Student Housing Facilities Renewal.

Keep in mind that the Administration took out a $40M loan in 2016 for the Mitchell Athletics Building, but have not taken out any loans since. That is, the spending listed above all comes out of Operating, the SIF funding, and the transfer of money out of the Internally Restricted pots. More in the next section!

It may be important to note that "Cash Supplied by Borrowing" includes "Deferred Capital Contributions," often comprising the majority or all of the values for this row in Table 5. In 2017, the Administration did take out the $40M loan mentioned earlier, but in 2018 there was no new borrowing in that sense. The Audited Statements explain, "The acquisitions of capital assets having limited life are initially recorded as deferred capital contributions in the period in which they are received and recognized as revenue over the useful life of the related capital assets."

TABLE 5. ANALYSIS OF STATEMENT OF CASH FLOWS (DOLLAR VALUES IN THOUSANDS OF DOLLARS)

as at April 30	2013	2014	2015	2016	2017	2018
Total Revenues	717,899	745,233	759,374	767,352	818,314	825,353
Cash Flows From Operations	55,660	83,975	66,659	**106,685**	**114,891**	**102,097**
year-to-year % change	-10.03	50.87	-20.62	60.05	7.69	-11.14
(cash from operations)/(total revenues)	**7.75**	**11.27**	**8.78**	**13.90**	**14.04**	**12.37**
Increase or Decrease of Investments	35,861	21,391	40,893	**127,135**	**169,769**	22,056
year-to-year % change	2643.76	-40.35	91.17	210.90	33.53	-87.01
increase/(total revenues)	**5.00**	**2.87**	**5.39**	**16.57**	**20.75**	**2.67**
Purchase or Sale of Capital Assets	**67,701**	**49,082**	**58,077**	**75,563**	**82,123**	**135,210**
year-to-year % change	**-16.48**	**-27.50**	**18.33**	**30.11**	**8.68**	**64.64**
purchase/(total revenues)	**9.43**	**6.59**	**7.65**	**9.85**	**10.04**	**10.04**
Cash Supplied By Borrowing	**65,238**	**30,697**	**10,282**	**4,655**	**59,595**	**43,791**
year-to-year % change	**25.04**	**-52.95**	**-66.50**	**-54.73**	**1180.24**	**-26.52**
borrowing/(total revenues)	**9.09**	**4.12**	**1.35**	**0.61**	**7.28**	**5.31**

ANALYSIS OF THE STATEMENT OF CHANGES IN NET ASSETS

This statement shows the changes in the net asset balances of each Fund and the transfers between the Funds. For each Fund,

Net Assets at beginning of year + (surplus or deficit) + (interfund transfer)	=	Net Assets at end of year

If we sum up all of the interfund transfers, we get $0, since this is just moving money around a fixed number of Funds, not adding or removing money from the system.

Over time, we have become particularly interested in transfers into and the size of the Internally Restricted funds, and we must repeat the following statement from past updates.

> *It is worth reminding readers that the distinction between the (Unrestricted) Operating Fund and the five Internally Restricted Funds is artificial from our perspective. All of these funds contain money that could be directed towards the teaching and scholarship missions of the University. Money set aside for other purposes should have clear payment or contribution plans attached in order to justify the amounts. Instead, we have now seen these set aside amounts grow from year to year for at least the past handful of years, while UGFA members work their hardest to deliver on the University's teaching and research missions, sub-optimally supported, amidst morale, workload, and health issues. The Senior Administration may say that the Board of Governors has mandated the creation of these Internally Restricted Funds, but we can't distinguish between the Senior Administration and the BoG in this regard: we can only monitor their combined actions. Remember that in the tale of the University Guelph, involving UGFA members, the Senior Administration, and the BoG, by and large UGFA members form the only set of actors committed to the University of Guelph for a career-long period. We are the guardians of the University's twin missions and also of the University itself.*

Table 6 presents the data.

The closing sentence of the section on the Statement of Cash Flows remarked that the $135M of capital spending involved no new borrowing. The final column of Table 6 reflects this: for the first time in a decade, we see a sizeable transfer of money, $32M, out of the Internally Restricted pots into the (Unrestricted) Operating Fund and we see $96M transferred from the Operating Fund into the Capital Fund. The $32M is essentially equal to the amount by which the Internally Restricted money decreased this year (from $321M to $289M).

At a recent retirement party, some retirees were quite upset about the indexation formula for the Professional Plan pension (through which they've had no increases to their pensions). They complained quite validly that during their academic careers the Administration took "pension holidays" (i.e. made no contributions to the fund because the funding level was high) and instead spent that money "on buildings." In our recent years, we similarly see a different Administration forego spending on growth hiring as a logical consequence from its student enrolments strategy to instead spend money on buildings. One might view this in a number of ways. Perhaps the most cynical (which may mean "most realistic") way is to note that Senior Administrators who make these decisions typically intend to spend a small number of years at our University, after which they hope to jump to a higher-level Administrative position elsewhere, and their résumé is best enhanced by big, shining projects, not mundane investment in and caring for people. A more charitable view is that UGFA members also enjoy having new facilities, new buildings, but one must still address the question of balance in light of the staggering growth in student numbers.

The Operating Fund has generated a surplus every year in the current six-year window, and, indeed, has done so every year since 2006, except for 2012 due to the accounting changes.

The Capital Fund continued the historic trend of a ~$20M deficit. Money never sits for long in the Capital Fund!

The cumulative transfer out of the Operating Fund since 2006 reached $745M in 2018. In 2018, 63% of the money generated through operations was shifted out of the (Unrestricted) Operating Fund into other funds; this calculation ignores the $32M of once Internally Restricted money that passed through Operating on its way to capital spending.

In light of Table 1 on three of the "Reserves," it is perhaps important to mention that the $32M in the current discussion is money that came out of the Internally Restricted Capital Reserve fund.

TABLE 6. ANALYSIS OF STATEMENT OF CHANGES IN NET ASSETS (DOLLAR VALUES IN THOUSANDS OF DOLLARS)

as at April 30	2013	2014	2015	2016	2017	2018
Surplus or Deficit Operations						
Cash Flows From Operations	55,660	83,975	66,659	**106,685**	114,891	102,097
Unrestricted Fund	59,749	99,436	86,777	**81,043**	112,105	87,088
Internally Restricted Fund						
Capital Assets	-18,406	-19,500	-20,242	**-20,859**	-22,323	-25,039
Total	41,343	79,936	66,535	60,184	89,782	62,049
Interfund Transfers						
unrestricted to internally restricted	35,501	57,907	0	**2,083**	59,170	0
internally restricted to unrestricted	0	0	2,204	0	0	**32,172**
unrestricted to capital fund	19,205	22,354	52,506	**76,007**	24,427	**96,365**
total transfers out of unrestricted per year	**54,706**	**80,261**	**50,302**	**78,090**	**83,597**	**64,197**
cumulative transfers out of unrestricted	**488,899**	**469,093**	**519,395**	**597,485**	**681,082**	**745,275**
(total transfers out of unrestricted per year) /(cash from operating activities)	**98.29**	**95.58**	**75.46**	**73.20**	**72.76**	**62,87**
(total transfers out of unrestricted per year) /(surplus or deficit in unrestricted fund)	**132.32**	**100.41**	**75.60**	**129.75**	**93.11**	**103.46**

FINANCIAL SCORECARD

In this section, we list a set of financial factors and associated trends that would indicate financial difficulty for the institution. In a situation where many of the trends are exhibited, we might be able to identify the existence of a structural deficit; when the great majority of the trends are not exhibited, we may reasonably conclude that no structural deficit exists. We present the list of factors, the associated undesirable trends, and the actual trends of the University, in the form of a scorecard. In the rightmost column of the scorecard, we indicated with ✓ the good trends, with × the potential worrisome trends, and with ? any unclear items.

	Undesirable trend…	*Trend at UoG since 2013*	
Revenues	Decreasing	Increasing average increase per year = 3.2% increase every year, 6.6% increase in 2017	✓
Expenses	Increasing	Stable / Increasing average increase per year = 0.5%, ignoring anomalous 2013, average increase per year = 2.8%	?
Surplus/Deficit	Consistent deficits	Structural surplus! Average yearly surplus = $67M	✓
Cash Balance	Decreasing	Increasing average increase per year = 6.1% substantial decrease in 2016, but still > $200M record high in 2018 = $266M	✓
Total Assets	Decreasing	Increasing average increase per year = 5.9% now exceeding $2B	✓
Capital Assets	Decreasing	Increasing average increase per year = 3.3%, $31M	✓
Short-Term Debt	Increasing	Increasing accounting change in 2014, increasing since 2014	×
Long-Term Debt	Increasing	Decreasing? accounting change in 2014, decreased 2015-16 increased in 2017, but decreased in 2018	✓
Internally Restricted Fund	Decreasing	Increasing massively average increase per year = 10% substantial decrease in 2018, first in a decade	✓
Cash Flow From Operations	Negative amount	Stable huge amount Three years in a row > $100M	✓
Cash Supplied From Borrowing	Increasing amount	Decreasing Big increase of $40M in 2017	✓
Cash used to Buy Capital Assets	Minimal amount	Increasing since 2014	✓
Surplus/Deficit in			
Unrestricted Fund	Consistent deficit	Consistent large surplus New record surplus of $112M in 2017	✓
Internally Restricted	Consistent deficit	No deficit	✓
Capital Fund	Consistent deficit	Consistent deficit	×
Endowment Fund	Consistent deficit	No deficit	✓
Transfer of Cash Between Funds	Consistent transfers to same funds	Consistent transfers from Unrestricted to Internally Restricted (except for 2015) and to Capital Fund	×

Reviewing the results of the scorecard, we conclude that there is no structural deficit at the University of Guelph. After six years of tremendous surpluses, incredible levels of set-aside Internally Restricted money generating record levels of investments, and the consistency of such results and activity, we conclude that there is a large ***structural surplus***.

Since 2017, the Audited Statements include a section presenting some metrics to measure "fiscal strength" and debt of the University. The information is presented in Table 7.

TABLE 7. FINANCIAL INDICATORS PRESENTED IN THE AUDITED FINANCIAL STATEMENTS

	Target or Objective	*2013*	*2014*	*2015*	*2016*	*2017*	*2018*
Primary Reserve Ratio How long can the University run on reserves?	Target=0.4 (=4.8 months)	0.28	0.41	0.45	0.44	0.55	0.52
Return on Net Assets Change in net assets over net assets	Expected=5%	36.6%	15.7%	22.5%	0.2%	20.4%	5.0%
Net Operating Revenues Ratio Surplus over expenses (excluding restricted funds)	Expected=4%	9.6%	11.9%	10.7%	12.2%	11.4%	10.0%
Viability Ratio Expendable net assets over external debt	Target=0.65	0.84	1.16	1.38	1.47	1.67	1.73
Debt Servicing Burden Debt payments over expenses (excluding capital asset amortization)	Objective<5.5%	4.9%	5.2%	4.9%	4.6%	4.2%	4.3%
Interest Burden Interest payments over expenses	Objective<4%	2.6%	2.7%	2.4%	2.2%	2.0%	1.9%
Debt Service Coverage Net income over debt service costs	Objective>1.5%	3.0%	4.0%	3.8%	3.4%	4.8%	3.4%
Debt Per Student FTE Debt over #Student FTE	Objective<$10K (Not stated; implied)	$12.3K	$12.4K	$11.9K	$10.2K	$11.8K	$12.5K

It is interesting that the first four items have equal signs and targets, three of which are exceeded in 2018 and all of which are generally exceeded. In each case the target gives some measure of goodness (stability, viability, etc.) in terms of money and assets. The fact that all four of the targets are typically exceeded could be seen as an indication that the Administration is stockpiling money, even based on their own metrics and ratios (as opposed to the ratios in our analysis).

The second set of four items give inequality objectives, with the first three met and the final one just slightly exceeded. A terrible joke: when they increase student numbers beyond bursting in response to the tuition cut, perhaps that final objective will come in line!

As we wrote last year, readers should keep in mind that some of these metrics are in conflict with the FAC's view of university finances. For example, the idea of having "expendable reserves" (as the audited statements write) to run the University for half a year with no other revenue seems like a very odd metric to us. In what galaxy do we envision such a scenario? It does seem to make some sense for a corporation that has to worry about stability of sales, demand, and other market forces, in a risky marketplace. We have a similar view of the expectation that the surplus (the statements say net income) will be 4% of expenses: given that total expenses are $731M, this metric gives a negative result unless the University generates a $30M surplus. The appearance of these metrics in the 2017 Audited Statements perhaps coincides with a critical mass of financial advisors all around campus chirping corporate philosophies that don't necessarily apply (or should not be applied!) to the University.

Our view is that the University runs under not-for-profit accounting principles, should be focused on serving the public through its teaching and scholarship missions, and is misguided in embracing a corporate, net-income focused philosophy to its operations.

With this view, it is actually significantly more alarming that the University has a rather rosy assessment in terms of these corporate-minded metrics.

SUMMARY & CONCLUSIONS

During 2018, we see significant stability in key revenue and expense items.

Key Revenue Items

Total Revenues	Stable or increasing
Government Grants (MTCU,OMAFRA)	Stable or increasing
Tuition	Increasing

Key Expense Items

Total Expenses	Stable or increasing
Salaries	Stable as a percentage of total expenses or total revenues
Benefits	Stable or increasing a little
Interest Costs	Stable

The University appears to be in strong financial health.

We continue to find that:

1. The UGFA salary mass remains a stable percentage of total revenues or total expenses.

   With that said, it is long beyond time that meaningful growth hiring of UGFA members is undertaken in order to address the human cost of the structural surplus generated in large part by dramatically increasing the number of students and stockpiling the money.

2. The Administration continues to place an exceptionally high priority on capital asset expenditures, with a record level of spending in 2018, without any new borrowing.

   As always, the reader may think about the individual merit of these capital purchases, perhaps in terms of their connection to the primary missions of the University, the level of consultation and collegial governance that leads to these spending decisions, and the impact of such decisions on possible other avenues of expenditure.

3. The Administration has designated $289M as Internally Restricted.

   This year, for the first time in more than a decade, the Administration transferred a significant amount of money ($32M) out of the Internally Restricted Capital Reserves to pay for part of an assortment of capital projects.

   The Capital Reserves are a more opaque subset of the various Reserves funds. Our analysis tend to focus on three other funds: the Division Reserves, the Central Operating Reserves, and the Employee Benefits Reserves. Indeed, roughly $225M (or 78%) of the $289M in the Internally Restricted portion of the Operating Fund sits in these three funds. This money consists of

   - carry-forward money from the previous year, which grew by 5% in 2018 to break the $100M threshold;

- money previously identified as being set aside for buyouts due to possible restructuring, now mischievously labelled the Central Operating Reserves, as if there is a difference from the Central Operating Fund, and
- money identified as being set aside for possible/eventual pension contributions, with $16M of this money being used this year as part of a $22M solvency payment..

UGFA Members understand that all of the money in the first two bullets and, arguably, at least some of the money in the third bullet could be *used now* in support of the University's teaching and scholarship/research missions. Readers will recall that the budget process run by the Provost routinely ignores all of this money.

APPENDIX A

In this appendix, we provide the University's mission statement and give a brief primer on University finances.

The University of Guelph's Mission

The University's Mission Statement, approved by Senate on November 21, 1995, focuses essentially upon teaching/learning and scholarship/research:

The University of Guelph is a research-intensive, learner-centred university. Its core value is the pursuit of truth. Its aim is to serve society and to enhance the quality of life through scholarship. Both in its research and in its teaching programs, the University is committed to a global perspective.

The University offers a wide range of excellent programs, both theoretical and applied, disciplinary and interdisciplinary, undergraduate and graduate, in the arts, humanities, social sciences, natural sciences, as well as professional fields. Among these, it recognizes agriculture and veterinary medicine as areas of special responsibility.

The University attracts students, faculty, and staff of the highest quality. It is animated by a spirit of free and open inquiry, collaboration, and mutual respect. It asserts the fundamental equality of all human beings and is committed to creating for all members of its community, an environment that is hospitable, safe, supportive, equitable, pleasurable, and above all, intellectually challenging.

The University of Guelph is determined to put the learner at the centre of all it does, recognizing that research and teaching are intimately linked and that learning is a life-long commitment. The University eagerly promotes collaboration among undergraduates, graduate students, faculty, staff, and alumni, as well as with our local and international community, other educational institutions, government and business.

The University of Guelph is committed to the highest standards of pedagogy, to the education and well-being of the whole person, to meeting the needs of all learners in a purposefully diverse community, to the pursuit of its articulated learning objectives, to rigorous self-assessment, and to a curriculum that fosters creativity, skill development, critical inquiry, and active learning. The University of Guelph educates students for life and work in a rapidly changing world.

The University of Guelph invites public scrutiny of the fulfillment of its mission, especially by the people of Ontario, to whom it is accountable.

Primer on University Finances

For the completeness of this document, we present with slight modifications the primer that first appeared in our January 2013 communication.

Formal reports on University finances come in two forms: audited financial statements and budgets. Both reports are prepared by the Administration, but they differ in many ways, including those captured in this table:

	Audited Financial Statement	Budget
Third-party (auditor) oversight?	Yes	No
Who decides the assumptions and definitions?	Accounting standards	The Administration
Detail?	Limited	Substantial

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*. It is the FAC's opinion that framing things like the Program Prioritization Process (PPP) or the "structural deficit" in terms of a budget deficit obscures this distinction, for example.

Accounting measurements at Universities are made by collecting financial activity into separate areas of responsibility called "funds." Each fund tracks the assets, liabilities, revenues, and expenses in a particular area, and separate budgets are prepared for each fund. The University of Guelph currently reports on five different funds: Operating, Ancillary Enterprises, Capital, Research, and Trust and Endowment. Focusing on the first two,

- The Operating Fund is used to account for the main activities of the University, and the majority of the revenues and expenses of the University flow through this fund.
- The Ancillary Enterprises Fund is used to account for activities that support the main activities of the University. Examples are the bookstore, residence, and parking.

Money in these funds may be identified as *Unrestricted, Internally Restricted,* or *Externally Restricted.*

Unrestricted funds can be spent as the Administration desires. On the other hand, Externally Restricted funds do not have this freedom; for example, government or donors may put restrictions on the use of such money. Internally Restricted funds include money that is declared as restricted by the Administration. The name should not fool you: there is *no restriction of any kind* in the use of internally restricted funds. Money with this designation can be used in any way the Administration desires or they can just store or set aside cash in this way. In the past, the Administration has responded to this description of Internally Restricted funds by noting that some external restrictions apply to ancillary operations. For example, there is a requirement to segregate funds for self-funded operations, such as Hospitality and Housing.