



# 2020-2021

## INTERIM FINANCIAL REPORT

### Consolidated Budget Update

November 2020

**BRIGHTER WORLD**



# Table of Contents

|          |   |           |
|----------|---|-----------|
| <b>1</b> | <b>EXECUTIVE SUMMARY .....</b>                            | <b>3</b>  |
| <b>2</b> | <b>OPERATING FUND CONTEXT .....</b>                       | <b>4</b>  |
| 2.1      | Revenue Generation Environment .....                      | 4         |
| 2.2      | Expenses .....  | 4         |
| <b>3</b> | <b>BUDGET UPDATE BY FUND.....</b>                         | <b>6</b>  |
| 3.1      | Operating Fund.....                                       | 6         |
| 3.1.1    | Revenue.....  | 8         |
| 3.1.2    | Expense .....   | 11        |
| 3.1.3    | Operating Fund Appropriations .....                       | 13        |
| 3.1.4    | One-Time Expenditures .....                               | 13        |
| 3.1.5    | Operating Fund Budget Update Conclusions.....             | 14        |
| 3.2      | Ancillary Fund .....                                      | 15        |
| 3.3      | Capital Fund.....   | 16        |
| <b>4</b> | <b>CONSOLIDATED RESULTS .....</b>                         | <b>17</b> |
| 4.1      | Statement of Operations.....                              | 17        |
| 4.1.1    | 2020/21 Projection .....                                  | 17        |
| 4.1.2    | Future Outlook .....                                      | 18        |
| 4.2      | Statement of Financial Position.....                      | 19        |
| 4.3      | Metrics.....  | 20        |
| 4.3.1    | Highlights .....  | 20        |
| 4.3.2    | Debt Management Ratios.....                               | 20        |
| <b>5</b> | <b>CONCLUSIONS ON THE 2020/21 INTERIM REPORT .....</b>    | <b>22</b> |
|          | <b>APPENDIX 1 – OPERATING FUND UNIT LEVEL TABLES.....</b> | <b>23</b> |
|          | <b>APPENDIX 2 – ANCILLARY FUND UNIT LEVEL TABLES.....</b> | <b>25</b> |

## List of Tables

|   |    |
|---|----|
| Table 1: Operating Fund Summary .....                               | 6  |
| Table 2: Ancillary Fund Summary .....                               | 15 |
| Table 3: Capital Spending by Project .....                          | 16 |
| Table 4: Consolidated Statement of Operations (Accrual Basis) ..... | 17 |
| Table 5: Consolidated Statement of Financial Position .....         | 19 |
| Table 6: Budget Financial Highlights .....                          | 20 |
| Table 7: Debt Management Ratios .....                               | 21 |
| Table 8: Operating Fund 2020/21 Projection by Unit .....            | 23 |
| Table 9: Operating Fund Annual Net Change by Unit .....             | 24 |

## List of Figures

|   |    |
|---|----|
| Figure 1: Enrolment Summary .....   | 4  |
| Figure 2: Operating Fund Outlook .....  | 7  |
| Figure 3: Operating Fund Appropriations .....   | 7  |
| Figure 4: Operating Fund Revenue Trend .....  | 8  |
| Figure 5: Operating Fund 2020/21 Original Budget and Projection Revenue by Type ..... | 8  |
| Figure 6: Operating Fund Revenue Trend by Type .....                                  | 9  |
| Figure 7: Operating Fund Research Overhead Income Trend .....                         | 10 |
| Figure 8: Operating Fund Expense Trend .....  | 11 |
| Figure 9: Operating Fund 2020/21 Original Budget and Projection Expense by Type ..... | 12 |
| Figure 10: Consolidated Outlook .....   | 18 |

# 1 EXECUTIVE SUMMARY

This document is an update to the approved consolidated budget for 2020/21. The consolidated budget included a significant enrolment decline for both domestic and international students and assumed the campus would reopen in January 2021. Given the high degree of uncertainty related to the pandemic, McMaster management agreed to develop an in-year budget update for the Board of Governors. This report provides the budget update, drawing on current enrolments and confirmation regarding campus closure for the winter term.

The updated consolidated budget demonstrates that enrolments both domestically and internationally are materially unaffected by the pandemic. The shift to virtual student engagement has come with additional technology and support costs factored into the Operating Fund budget. The Operating Fund is updated with a projected structurally balanced year-end position. The student support services of housing, hospitality, parking, campus store, and media production are within the Ancillary Fund, which is the hardest hit area by the pandemic. The physical closure of campus along with some ongoing support requirements has driven substantial deficits for ancillaries. The ancillary operations have undertaken steps to mitigate losses using closures, temporary and permanent layoffs, and other expense-cutting initiatives. Overall, the ancillaries are projected to have a \$36.9 million in-year deficit compared to \$19.4 million originally budgeted. The change in deficit reflects the University's decision to remain closed for the winter term. Strategies are in place to address this deficit when campus reopens over an approximate four-year repayment period.

The final key budget update is within the Capital Fund, with updated capital expenditures reflecting a delay in key projects. Some project starts have been put on hold and others delayed due to the pandemic and new COVID-19 social distancing requirements. The Capital Fund expenditures are \$56.4 million lower than original budget due to pandemic-driven adjustments. The other funds remain relatively the same as the approved original budget. Future capital planning will be addressed in the regular multi-year projection and debt strategy update in spring 2021.

## 2 OPERATING FUND CONTEXT

### 2.1 REVENUE GENERATION ENVIRONMENT

In terms of revenue generation changes from the original budget, the University responded to the potential negative revenue impacts of the pandemic by focusing on adjusting cut-offs for acceptance and issuing more offers than targets, assuming that due to the pandemic acceptance rates would be lower. Acceptance rates for 2020/21 remain at similar levels to recent years and that combined with grade inflation in the high school system resulted in more eligibility. The most recent enrolment projections indicate that domestic student levels are higher than original target levels and went above the domestic enrolment caps, while international enrolment surpassed the targets despite the limitations on international travel.

Figure 1: Enrolment Summary

|                    |               |         |         |            |                | Variance |                |       |  |
|--------------------|---------------|---------|---------|------------|----------------|----------|----------------|-------|--|
|                    |               | 2019/20 | 2020/21 | 2020/21    | Projection vs. |          | Projection vs. |       |  |
|                    |               | Actual  | Budget  | Projection | Actual PY      |          | Budget         |       |  |
| Undergraduate FTEs | Domestic      | 24,070  | 23,759  | 25,541     | 1,471          | 6.1%     | 1,782          | 7.5%  |  |
|                    | International | 3,533   | 3,296   | 4,326      | 793            | 22.4%    | 1,030          | 31.2% |  |
|                    | Total         | 27,603  | 27,055  | 29,867     | 2,264          | 8.2%     | 2,812          | 10.4% |  |
| Graduate FTEs      | Domestic      | 3,140   | 3,061   | 3,102      | (38)           | -1.2%    | 41             | 1.3%  |  |
|                    | International | 1,320   | 1,087   | 1,170      | (150)          | -11.4%   | 83             | 7.7%  |  |
|                    | Total         | 4,460   | 4,148   | 4,272      | (188)          | -4.2%    | 124            | 3.0%  |  |
| Total              | Domestic      | 27,210  | 26,820  | 28,643     | 1,433          | 5.3%     | 1,823          | 6.8%  |  |
|                    | International | 4,853   | 4,383   | 5,496      | 643            | 13.2%    | 1,113          | 25.4% |  |
|                    | Total         | 32,063  | 31,203  | 34,139     | 2,076          | 6.5%     | 2,936          | 9.4%  |  |

The Ministry's corridor funding model caps the operating grant at 2016/17 levels with adjustments for graduate expansion enrolment. The roll-in of 2019/20 graduate expansion resets the corridor midpoint for 2020/21 and resulted in a small increase to grant funding in the projection. There will not be a penalty in 2020/21 as a result of the enrolment moving ahead of domestic caps. To date, no additional funding for 2020/21 has been confirmed by the provincial government to contribute to COVID-19 expenses even though a small grant of \$400,000 was received in 2019/20.

The physical campus closure and limited opening has had a significant impact on other revenue generating activities in terms of cancelled events, study abroad programs, registration and services fees. In addition, there has been a significant negative impact on ancillary operations' sales which rely on student and staff activities on campus.

### 2.2 EXPENSES

COVID-19 impacts can be seen across a variety of expense categories within the updated projections.

The physical campus closure and minimal reopening for some research and lab work has resulted in support staff reductions in a number of areas, such as Athletics and Recreation and ancillaries. There have been some utilities cost savings along with lower travel and meeting expenses, contributing to an improved balanced position.

Increased expenses relate to social distancing protocols required for activities that do need to take place on campus, along with a large investment in training, equipment, and computer hardware and software required to ensure high quality in the online teaching and lab work that takes place. Significant investments have been made to provide the required virtual student support and engagement, as well as ensuring that staff working from home can continue to work efficiently and comfortably, and staff working on campus feel safe and protected.

### 3 BUDGET UPDATE BY FUND

The consolidated budget includes several funds used to organize the effective allocation or generation of resources to support the mission and vision of the University. Unfolding events since the onset of the COVID-19 pandemic and approval of the 2020/21 budget have brought greater clarity to the University's overall outlook as well as to the position of the individual funds. Significant changes have occurred in the projections for the Operating, Ancillary and Capital Funds as outlined below. Changes in the Research, Endowment, or Specifically Externally Funded Funds are less significant and are not presented in detail.

#### 3.1 OPERATING FUND

Table 1: Operating Fund Summary

| (\$ thousands)                         | Operating Fund  |                    | 2020/21 Variance           |               |
|--|-----------------|--------------------|----------------------------|---------------|
|  | 2020/21 Budget  | 2020/21 Projection | Favourable/ (Unfavourable) |               |
| <b>Sources of Funding:</b>             |                 |                    |                            |               |
| Provincial Grants                      | 235,540         | 236,119            | 579                        | 0.2%          |
| Tuition                                | 337,244         | 390,986            | 53,742                     | 15.9%         |
| Research Overhead Income               | 28,993          | 28,068             | (925)                      | -3.2%         |
| Investment Income                      | 9,467           | 10,467             | 1,000                      | 10.6%         |
| Other income                           | 109,508         | 99,276             | (10,233)                   | -9.3%         |
| <b>Total sources of funding</b>        | <b>720,753</b>  | <b>764,916</b>     | <b>44,163</b>              | <b>6.1%</b>   |
| <b>Expenditure:</b>                    |                 |                    |                            |               |
| Salaries, wages and benefits           | 522,608         | 513,305            | 9,303                      | 1.8%          |
| Utilities and maintenance              | 43,051          | 39,965             | 3,085                      | 7.2%          |
| Equipment and renovations              | 62,021          | 64,689             | (2,668)                    | -4.3%         |
| Scholarships, bursaries and work study | 34,737          | 35,079             | (342)                      | -1.0%         |
| Library acquisitions                   | 14,253          | 15,102             | (849)                      | -6.0%         |
| Debt and financing charges             | 18,448          | 18,410             | 37                         | 0.2%          |
| All other expenses                     | 79,495          | 78,277             | 1,218                      | 1.5%          |
| <b>Total expenditures</b>              | <b>774,612</b>  | <b>764,828</b>     | <b>9,784</b>               | <b>1.3%</b>   |
| <b>Total surplus (deficit)</b>         | <b>(53,859)</b> | <b>88</b>          | <b>53,947</b>              | <b>100.2%</b> |
| Fund balances, beginning of year       | 157,672         | 196,580            | 38,908                     | 24.7%         |
| <b>Fund balances, end of year</b>      | <b>103,812</b>  | <b>196,668</b>     | <b>92,855</b>              | <b>89.4%</b>  |

The Operating Fund is currently projecting a very small surplus compared to the large deficit initially estimated for the Budget 2020/21 as a result of achieving higher than original target levels of enrolment and tuition revenue. The revenue trend table that follows in the next section is not inflation adjusted, meaning where revenues remain flat or fixed over time the actual purchasing power of those funds is decreasing by approximately 2% per year (average of Ontario consumer price index inflation).

The graphs below have been updated to reflect the final actuals for 2019/20 and the revised projections for 2020/21. Operating Fund budget and plan year updates for 2021/22 and beyond will be completed in the spring and for part of the 2021/22 consolidated budget document.

Figure 2: Operating Fund Outlook

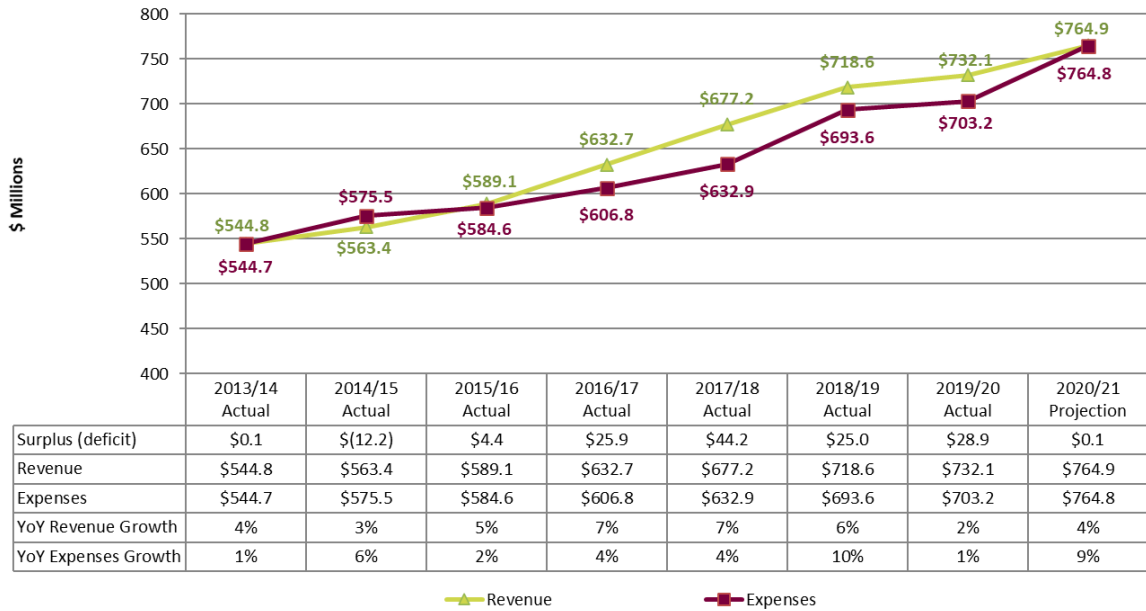
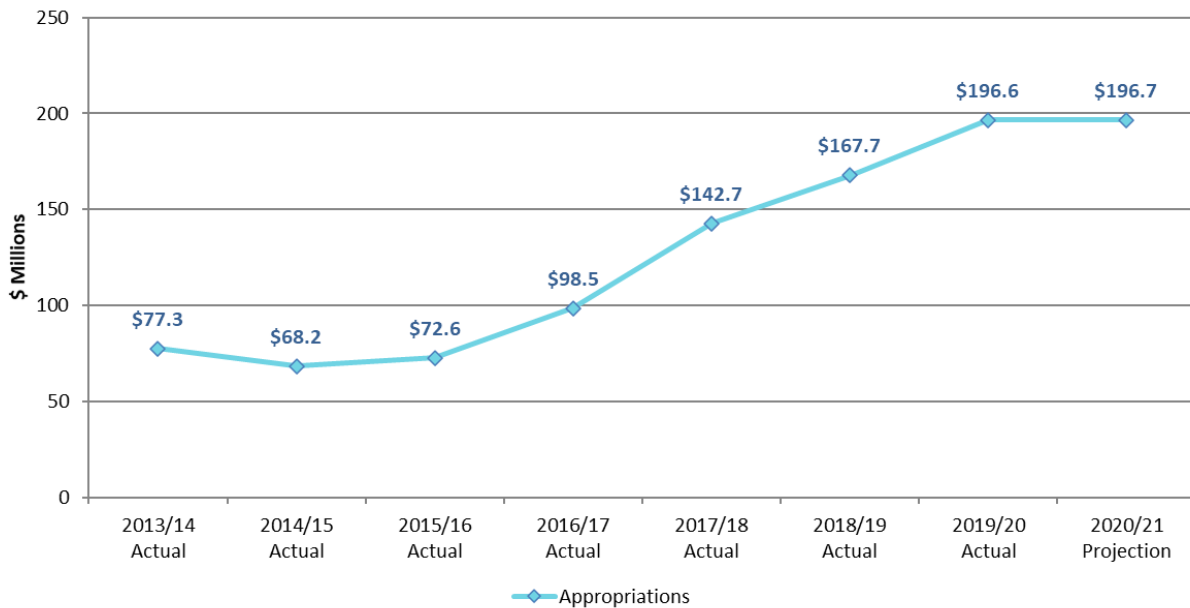


Figure 3: Operating Fund Appropriations





### 3.1.1 REVENUE

Figure 4: Operating Fund Revenue Trend

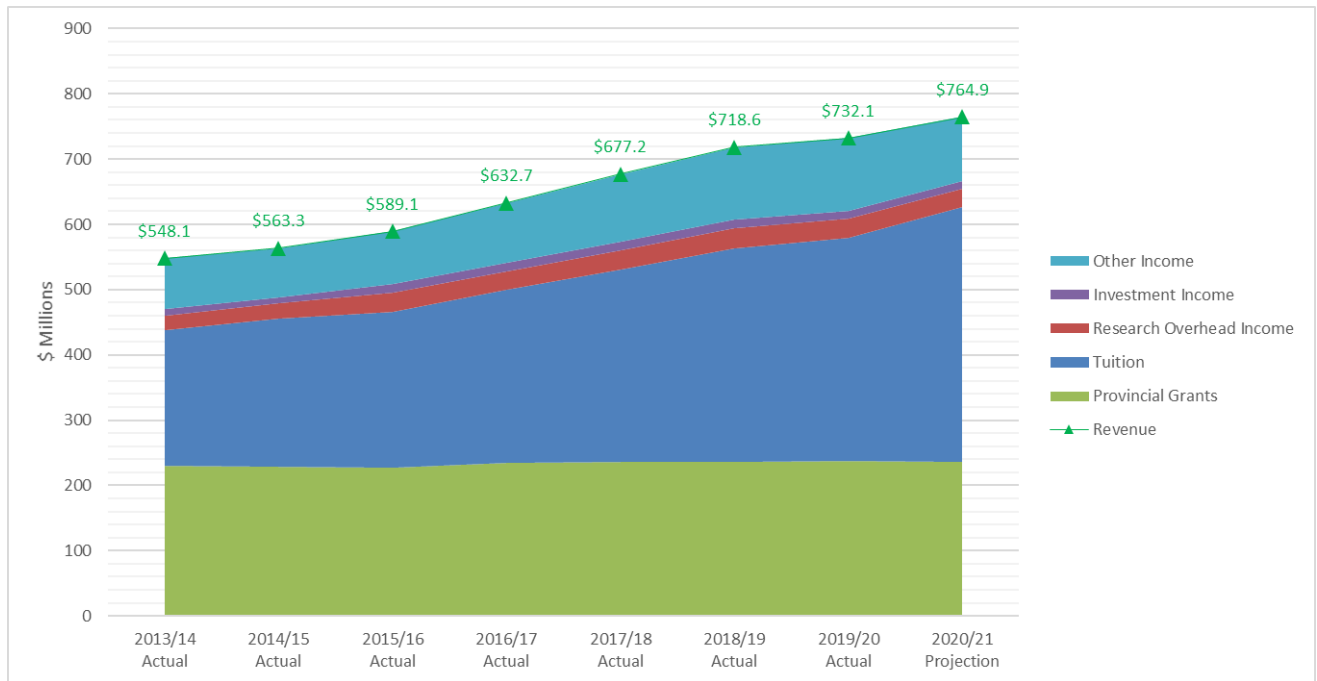


Figure 5: Operating Fund 2020/21 Original Budget and Projection Revenue by Type

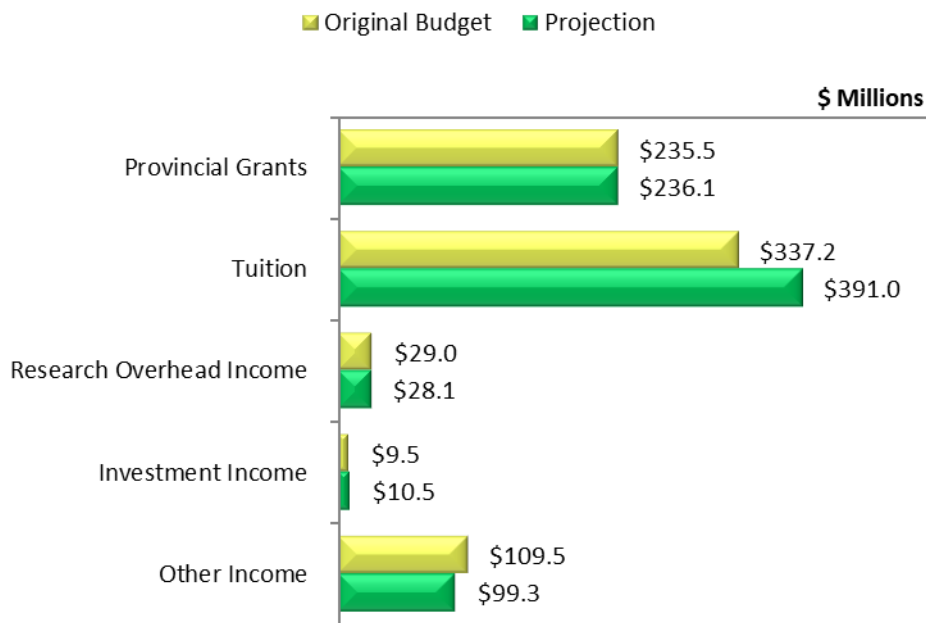
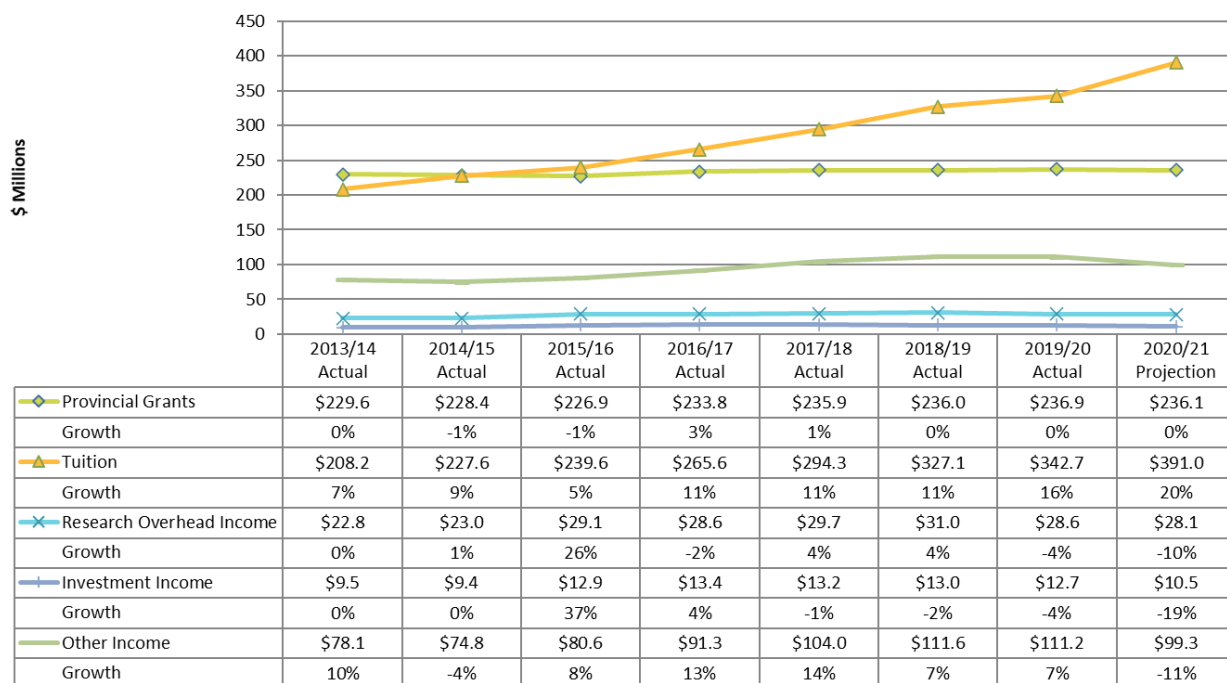


Figure 6: Operating Fund Revenue Trend by Type



### 3.1.1.1 PROVINCIAL GRANTS

Provincial grants are \$0.6 million (0.2%) higher than budget due to higher final Graduate Expansion grants for 2019/20, which have now been rolled into base funding.

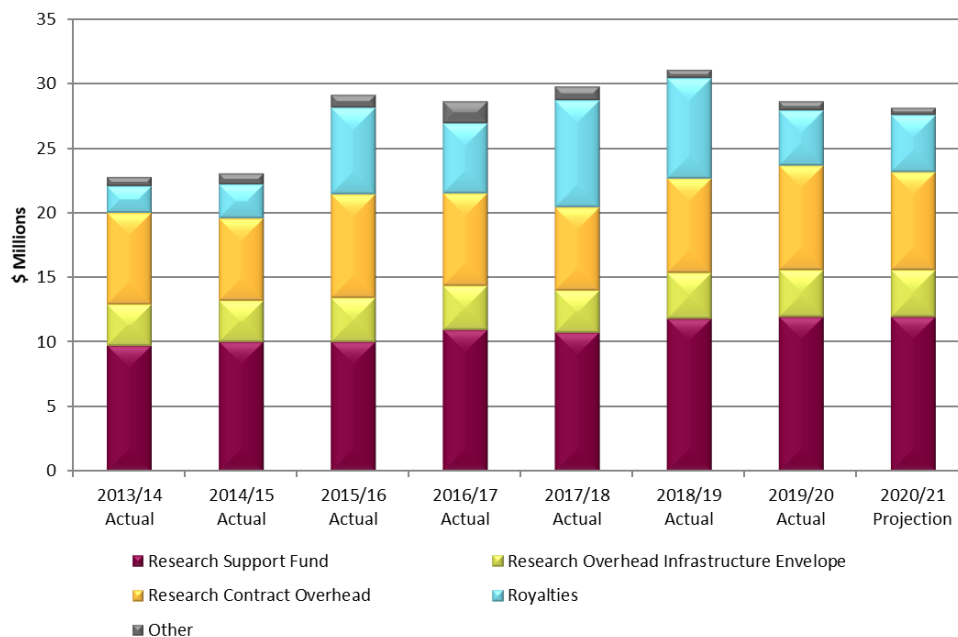
Both the Core Operating Grant and Performance/Student Success Grant are projected to remain flat, with the exception of rolling the Graduate Expansion Grant into the Core Operating Grant for a new corridor midpoint. Graduate enrolment growth resulted in an increase in the Graduate Expansion Grant for 2019/20 which therefore impacts the revised 2020/21 projection and the change from the budget. This is partially offset by the International Student Reduction (\$750 tax per international student enrolled) as international enrolment increases, which drives a small decrease in provincial grants from the prior year. The next phase of the Strategic Mandate Agreement that was due in 2020/21 is expected to reallocate the level of outcomes-based funding from under 10% up to 60% by 2024/25, however due to the pandemic funding has been de-coupled from the metrics for two years.

### 3.1.1.2 TUITION

Based on surpassing the original enrolment target within the current tuition framework due to additional offers with no drastic decline in acceptance rates, the reduction budgeted for international enrolment from the COVID-19 fallout did not materialize. In 2020/21, net overall tuition income is now projected to increase by \$48.2 million (14.1%) from the 2019/20 actual. This increase represents the largest change from the original budget. Tuition rates are similar to budget, including the zero percent domestic rate increase for 2020/21 as stipulated by the province.

### 3.1.1.3 RESEARCH OVERHEAD INCOME

Figure 7: Operating Fund Research Overhead Income Trend



Research overhead income has been conservatively projected. All research overhead income is intended to fund a portion of central and departmental administrative and infrastructure costs related to conducting research. There has been no significant change in assumptions for research overhead income with the exception of an updated lower estimate of royalties revenue.

Royalty income is payment for commercial use of intellectual property owned by McMaster as a result of research discoveries. Similar to research contract overhead, it will fluctuate depending on usage and has been projected at the average amount normally received. The projection is lower than budget as a result of the lower royalties received in 2019/20 due to the impacts of COVID-19, and royalty income from Inflammatory Bowel Disease Questionnaire (IBDQ) declined from the previous year due to fewer large-scale clinical trials with multiple sites. Royalty income is also credited directly to activity units, with a share going to inventors.

### 3.1.1.4 INVESTMENT INCOME

The annual Operating Fund investment income allocation is fixed at \$9.5 million regardless of actual positive or negative annual investment returns. This approach ensures a stable level of funds to support ongoing operating expenditures. The 2020/21 projection update now includes an additional \$1 million in one-time funding as an agreed initial contribution from the investment reserve to the newly established President’s Strategic Support Fund.

### 3.1.1.5 OTHER INCOME

Other income is primarily earned directly by budget envelopes, including:

- Ministry of Health and Long-Term Care grants

- Post-graduate medical training
- Tuition from non-Ministry funded programs
- Nuclear Reactor sales
- Ancillary sales contributions to the Operating Fund (reflecting 4.5% on sales)
- Contributions to the Athletics and Recreation facility expansion
- Registration and service fees
- Recovery of utility costs from partners

Other income is projected \$10.2 million (-9.3%) lower than budget related to a number of impacts and changes in activities due to the pandemic including reduced student services fees, suspension of summer study abroad programs, and cancellation of alumni events and other fee generating campus activities.

### 3.1.2 EXPENSE

Figure 8: Operating Fund Expense Trend

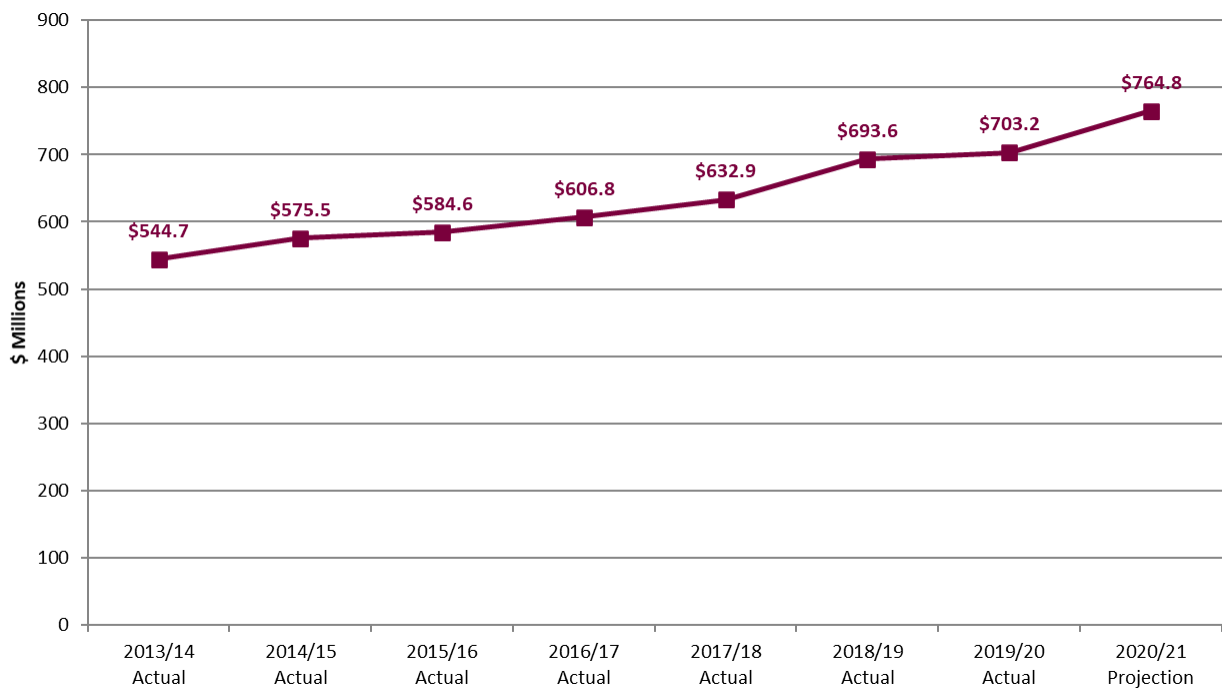
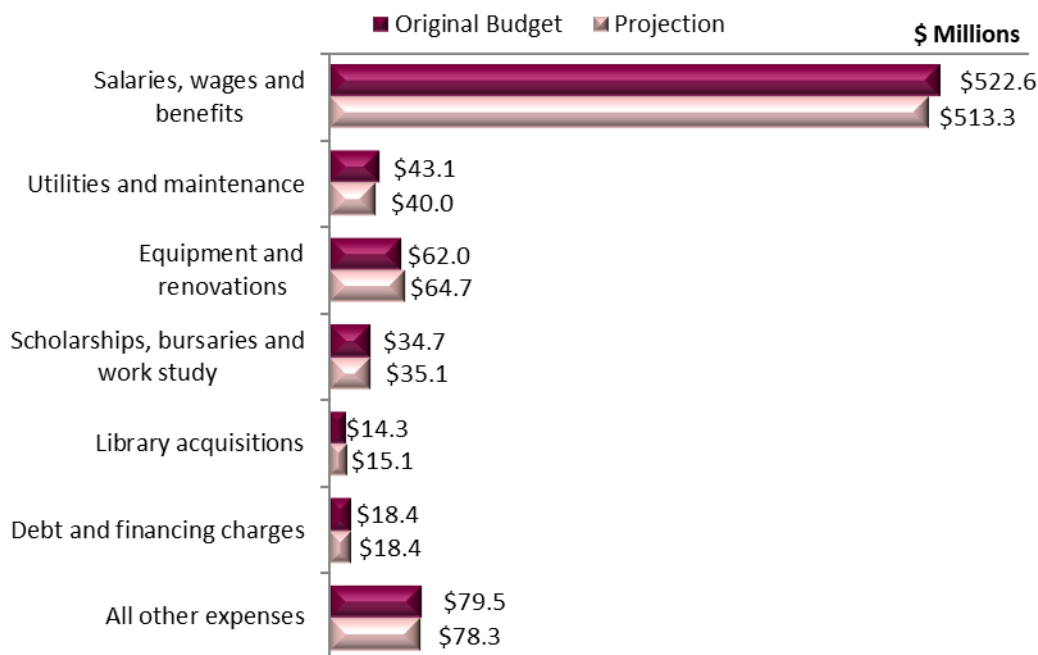


Figure 9: Operating Fund 2020/21 Original Budget and Projection Expense by Type



Salaries, wages and benefits are projected lower than budget by \$9.3 million (1.8%) predominantly due to staff reductions in full-time and part-time support staff and work study positions.

Utilities and maintenance are favourable by \$3.1 million (7.2%) due to rates adjustments based on the market via industry consultation and expected decreased consumption due to reduced campus activity and physical closures.

Equipment and renovations are unfavourable to budget by \$2.7 million (-4.3%) as a result of increased investments in equipment and software to facilitate online teaching, lab delivery, and student advising and engagement, and staff working from home. Additional equipment purchases have also been made to enable social distancing protocols for lab delivery, and for classroom audio-visual equipment. The Faculty of Science has also invested in a new project to create more lab space for the School of Interdisciplinary Science.

Scholarships, bursaries and work-study expenditures are unfavourable by \$0.3 million (-1.0%) as a result of slightly higher undergraduate and graduate scholarships.

Library acquisitions are unfavourable by \$0.8 million (-6.0%) due to higher acquisitions cost than budget.

All other expenses are favourable by \$1.2 million (1.5%) primarily due to lower than budget expenses for travel, meeting expenses, and externally contracted services. This was partially offset by lower internal recoveries and increased investments in research from the Faculty of Science, and from the newly established President’s Strategic Support Fund which has initially provided directed funding to the McMaster COVID-19 Research Fund, designed to support a broad range of research which will benefit society in dealing with pandemics in the immediate and longer term.

### 3.1.3 OPERATING FUND APPROPRIATIONS

The resulting \$53.9 million favourable in-year surplus variance plus the \$38.9 million favourable opening appropriations variance result in a projected closing balance in the Operating Fund of \$92.9 million (89.4%) greater than the original budget. The 2019/20 favourable balance is explained in the Annual Financial Report presented to the Planning and Resources Committee in September 2020<sup>1</sup>, and was driven by favourable grant funding, other income, salaries, and other expenses.

Operating Fund appropriations are therefore expected to remain stable at \$196.7 million, or 25.7% of operating revenue, by the end of 2020/21. According to the budget policy, envelope managers may carry forward unspent balances to future years (see Appendix 1 Operating Fund Unit Level Tables). This policy allows envelope managers to absorb shocks such as the current pandemic as well as fund strategic initiatives and one-time projects, and these balances assume an increasing importance as costs increase faster than allocations.

### 3.1.4 ONE-TIME EXPENDITURES

Table 2: Operating Fund Ongoing and One-time Summary

| (\$ thousands)                          |                   |                       |                     |                |
|---|-------------------|-----------------------|---------------------|----------------|
|   | 2020/21<br>Budget | 2020/21<br>Projection | 2020/21<br>Variance |                |
| <b>Ongoing:</b>                         |                   |                       |                     |                |
| Allocated income                        | 604,266           | 659,063               | 54,797              | 9.1%           |
| Other income                            | 115,957           | 103,975               | (11,983)            | -10.3%         |
| Total revenues                          | 720,223           | 763,038               | 42,814              | 5.9%           |
| Expenses                                | 742,884           | 720,943               | 21,941              | 3.0%           |
| Excess of revenues over expenses        | (22,661)          | 42,095                | 64,755              | -285.8%        |
| % of revenue                            | -3.1%             | 5.5%                  |                     |                |
| <b>One-time:</b>                        |                   |                       |                     |                |
| Allocated income                        | -                 | 1,000                 | 1,000               | n/a            |
| Other income                            | 530               | 878                   | 348                 | 65.8%          |
| Total revenues                          | 530               | 1,878                 | 1,348               | 254.7%         |
| Expenses                                | 31,728            | 43,885                | (12,157)            | -38.3%         |
| Excess of revenues over expenses        | (31,198)          | (42,007)              | (10,808)            | 34.6%          |
| <b>Excess of revenues over expenses</b> | <b>(53,859)</b>   | <b>88</b>             | <b>53,947</b>       | <b>-100.2%</b> |
| Fund balance, beginning of year         | 157,672           | 196,580               | 38,908              | 24.7%          |
| <b>Fund balance, end of year</b>        | <b>103,812</b>    | <b>196,668</b>        | <b>92,855</b>       | <b>89.4%</b>   |

<sup>1</sup> The Financial Statements and Operating Fund Variances are explained in the Annual Financial Report posted online via the Financial Affairs website: <https://financial-affairs.mcmaster.ca/app/uploads/2020/10/2019-20-Annual-Financial-Report.pdf>

The projection shows a structural surplus compared to the 2020/21 budget where the impacts of a lower budgeted international tuition revenue due to the potential impacts of COVID-19 were reflected. Decreases in ongoing expenses reflect a reduction in support staffing levels as well as savings in expenses from campus closure and the COVID-19 pandemic in terms of utilities, travel, meeting expenses and externally contracted services, as well as the deferral of some expenses.

The original budgeted one-time costs included:

- \$23.7 million renovation and expansion of facilities and equipment costs
- \$10.0 million for non-finalised strategic investments from the University Fund likely to include:
  - COVID-19 related expenses
  - IT commitments
  - Investment in rejuvenating core research platforms and commercialization
  - Incentives and impact minimization of internal and external policy changes
  - New opportunities for capital renewal and expansion
- \$3.6 million investment in research
- \$2.2 million towards branding and marketing activities
- \$2.1 million wireless network expansion

Increased net one-time costs of \$10.8 million reflect further investments in equipment, student support, information technology, and supplies as a result of COVID-19 and the move to social distancing practices, online teaching and staff working from home, as well as investment in advertising expenses within the Branding and Marketing area.

### 3.1.5 OPERATING FUND BUDGET UPDATE CONCLUSIONS

The 2020/21 Operating Fund is in an overall surplus position of \$0.1 million, with a structural surplus of \$42.1 million after net one-time expenditures of \$42.0 million. The return to a structural surplus when compared to the budget is predominantly driven by the enrolment levels and related tuition, as well as expense savings related to the campus closure. The composition of the types of expenses has changed as plans and operations have adapted to the pandemic.

## 3.2 ANCILLARY FUND

Table 2: Ancillary Fund Summary

| (\$ thousands)                          |                   |                       |                     |
|---|-------------------|-----------------------|---------------------|
|   | 2020/21<br>Budget | 2020/21<br>Projection | 2020/21<br>Variance |
| <b>Revenues</b>                         |                   |                       |                     |
| Ancillary sales and services            | 55,172            | 18,887                | (36,285)            |
| <b>Total revenues</b>                   | <b>55,172</b>     | <b>18,887</b>         | <b>(36,285)</b>     |
| <b>Expenses</b>                         |                   |                       |                     |
| Salaries, wages and benefits            | 23,009            | 24,189                | (1,180)             |
| All other expenses                      | 27,237            | 15,630                | 11,607              |
| Transfers to (from) other funds*        | 16,199            | 10,725                | 5,474               |
| Debt and financing charges              | 8,093             | 5,248                 | 2,845               |
| <b>Total expenses</b>                   | <b>74,538</b>     | <b>55,792</b>         | <b>18,746</b>       |
| <b>Excess of revenues over expenses</b> | <b>(19,367)</b>   | <b>(36,905)</b>       | <b>(17,539)</b>     |
| <b>Fund balance, beginning of year</b>  | <b>(2,357)</b>    | <b>10,300</b>         | <b>12,657</b>       |
| <b>Fund balance, end of year</b>        | <b>(21,723)</b>   | <b>(26,605)</b>       | <b>(4,882)</b>      |

\*Including transfers to capital

Ancillary operations provide essential academic and student support services across the University. Ancillary units enhance the student experience and contribute funding to both direct student support and the operating budget to support the core University mission.

The decision to close the campus due to the pandemic has had significant financial implications on the non-academic ancillaries, while the Centre for Continuing Education (CCE) has had to rapidly pivot to a full offering of online courses. The table in Appendix 2 shows detail of the revised projections versus original budget for individual ancillary units.

The 2020/21 original budget included a contingency reduction in revenues and related salaries, benefits, and cost of sales, assuming the full campus physical closure would end in September 2020 to account for the potential impact of COVID-19 of lower student numbers and events on campus. The revised projection for ancillaries reflects the extended campus closure for the fall and winter terms in 2020/21.

Ancillaries have taken extraordinary steps to provide core services while shutting down units and, in some cases, laying off casual, full-time, and part-time staff. Despite best efforts to mitigate losses, each non-academic ancillary (Campus Store, Hospitality Services, Housing and Conference Services, Media Production Services (MPS), and Parking Services) has a projected loss, which when combined totals \$36.9 million. The analysis and planning to return each unit to break-even is ongoing and will be solidified when campus reopening plans are further defined.



### 3.3 CAPITAL FUND

Overall, capital spending is expected to be lower than originally budgeted due to the impact of the COVID-19 pandemic. Shut down of construction late in 2019/20 caused delays in some projects which were then in progress, shifting expenditures to 2020/21. In addition, some projects were re-prioritized as a result of the campus closure in 2020/21, as well as uncertainty around the timing of future capital requirements and capital requirements. Current planning includes strategic investments in future years along with issuance of additional debt in 2021/22 to provide a continuing source of funds.

Table 3: Capital Spending by Project

(\$ thousands)

|   | 2020/21<br>Budget | 2020/21<br>Projection | 2020/21<br>Variance |
|---|-------------------|-----------------------|---------------------|
| <b>Approved projects</b>                                      |                   |                       |                     |
| Advanced Manufacturing Centre                                 | -                 | 340                   | 340                 |
| Athletic and Recreation - Pulse and Student Space Expansion   | 30,110            | 16,600                | (13,510)            |
| CCEM CALM Lab Renovation                                      | 3,400             | 2,300                 | (1,100)             |
| CFI 2017  | -                 | 4,378                 | 4,378               |
| Classroom Reconfiguration Plan                                | 2,000             | 2,000                 | -                   |
| Deferred Maintenance Projects                                 | 5,020             | 5,020                 | -                   |
| DSB Expansion   | 29,726            | -                     | (29,726)            |
| Existing Building Infrastructure Asset Management and Renewal | 8,000             | 8,000                 | -                   |
| Graduate Student Residence Partnership                        | 13,642            | 13,642                | -                   |
| Greenhouse and LSB Phase one                                  | 10,000            | 200                   | (9,800)             |
| Innovation Hub - The Clinic                                   | 1,492             | 972                   | (520)               |
| Lot K Parking Structure                                       | 7,000             | 7,000                 | -                   |
| McLean Centre for Collaborative Discovery                     | -                 | 3,515                 | 3,515               |
| McMaster Main Street Residence                                | (2,950)           | -                     | 2,950               |
| One-Stop Shop   | 6,000             | 400                   | (5,600)             |
| Parking and Security Relocation                               | 2,300             | 1,020                 | (1,280)             |
| Peter George Center for Living and Learning                   | 8,104             | 6,274                 | (1,830)             |
| Research Commercialization & Spin-Off Space                   | 9,980             | 6,900                 | (3,080)             |
| Residence Renewal Program                                     | 2,000             | -                     | (2,000)             |
| Strategic Property Acquisitions                               | 11,100            | 11,100                | -                   |
| Other   | 3,052             | 3,931                 | 879                 |
| <b>Total approved projects</b>                                | <b>149,975</b>    | <b>93,591</b>         | <b>(56,384)</b>     |

## 4 CONSOLIDATED RESULTS

The revenue and expense budgets for the Operating, Ancillary, Capital and other funds are prepared on a cash basis. McMaster's audited financial statements are prepared on a full accrual basis using the deferral method of accounting for revenue. Several adjustments are made to reconcile the Operating Fund's net income to consolidated results, including:

- Capital expenditures treated as immediate cash basis expenses are added back and only the net amortization expense is deducted, reflecting the useful life of the capital asset over time.
- Investment income earned or (lost) on internal endowments, net of funds not already transferred to the Operating Fund, are added back or (subtracted).
- Actuarial adjustments (excluding re-measurements) for pension and non-pension costs are recorded.
- Reclassifications to offset internal transactions between departments affecting revenues and expenditures are recorded.

### 4.1 STATEMENT OF OPERATIONS

Table 4: Consolidated Statement of Operations (Accrual Basis)

| (\$ thousands)                                  | 2020/21          | 2020/21          | 2020/21         | 2021/22          | 2022/23          | 2023/24          |
|---|------------------|------------------|-----------------|------------------|------------------|------------------|
|   | Budget           | Projection       | Variance        | Projection       | Projection       | Projection       |
| <b>Revenues</b>                                 |                  |                  |                 |                  |                  |                  |
| Operating grants                                | 273,794          | 275,392          | 1,598           | 274,973          | 274,687          | 274,463          |
| Research grants and contracts                   | 183,403          | 176,326          | (7,077)         | 178,971          | 183,445          | 188,031          |
| Tuition fees                                    | 349,130          | 406,427          | 57,297          | 434,405          | 473,981          | 510,467          |
| Ancillary sales and services                    | 55,172           | 18,887           | (36,285)        | 89,902           | 92,905           | 101,731          |
| Other revenues                                  | 211,017          | 182,362          | (28,655)        | 195,746          | 199,660          | 211,640          |
| Investment income (net)                         | 48,131           | 50,975           | 2,845           | 54,625           | 66,176           | 68,982           |
| Amortization of deferred capital contributions  | 45,033           | 39,650           | (5,384)         | 40,778           | 43,749           | 53,352           |
| Revenues from new capital projects              | -                | -                | -               | 300              | 300              | 300              |
| Additional revenue from internal loan repayment | 17,382           | 14,869           | (2,512)         | 18,792           | 19,988           | 24,882           |
| <b>Total revenues</b>                           | <b>1,183,061</b> | <b>1,164,888</b> | <b>(18,173)</b> | <b>1,288,491</b> | <b>1,354,891</b> | <b>1,433,847</b> |
| <b>Expenses</b>                                 |                  |                  |                 |                  |                  |                  |
| Salaries and wages                              | 558,181          | 561,814          | (3,633)         | 590,471          | 611,846          | 648,557          |
| Employee benefits                               | 129,187          | 136,935          | (7,748)         | 154,737          | 156,284          | 157,847          |
| Supplies and services                           | 402,084          | 365,182          | 36,903          | 369,658          | 387,424          | 416,234          |
| Interest on long-term debt                      | 13,155           | 13,151           | 3               | 15,674           | 18,195           | 18,149           |
| Amortization of capital assets                  | 93,441           | 80,652           | 12,789          | 83,955           | 88,803           | 94,571           |
| <b>Total expenses</b>                           | <b>1,196,049</b> | <b>1,157,734</b> | <b>38,314</b>   | <b>1,214,494</b> | <b>1,262,551</b> | <b>1,335,357</b> |
| <b>Excess of revenues over expenses</b>         | <b>(12,988)</b>  | <b>7,154</b>     | <b>20,142</b>   | <b>73,998</b>    | <b>92,339</b>    | <b>98,489</b>    |

#### 4.1.1 2020/21 PROJECTION

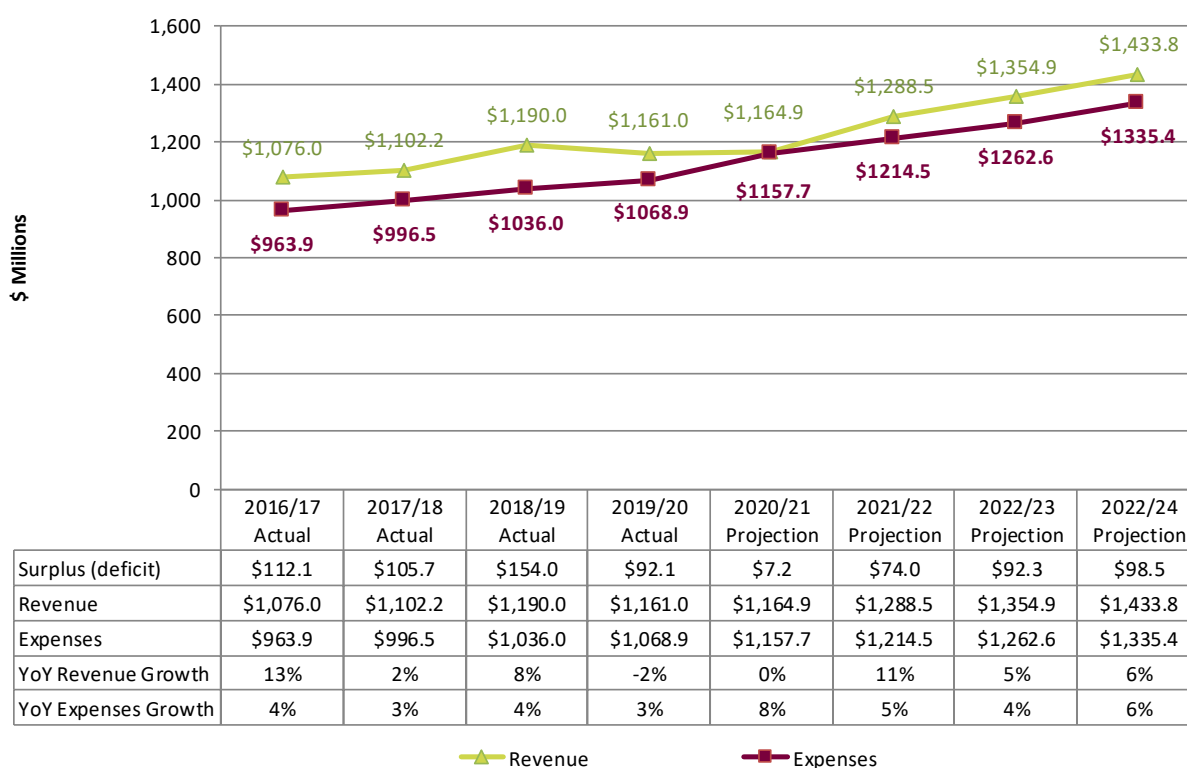
The significant uncertainty that existed at the time the 2020/21 budget was approved is evident from the variances when compared to the current projection. A surplus of \$7.2 million is now projected compared to the original budget deficit of \$13.0 million despite the extended campus closure, and assuming that the budgeted investment return rate is realized.

Despite increased tuition revenue of \$57.3 million, total projected revenues have declined by \$18.2 million as the campus remains closed for the full fiscal year rather than reopening in September 2020 as originally assumed, reducing ancillary sales and other revenues as outlined above. In addition, the campus closure has limited the ability to conduct research, which is projected to reduce income on research grants and contracts by \$7.1 million continuing the reduction experienced in 2019/20. Finally, the combination of the COVID-19 pandemic and the outcome of the US presidential election makes it difficult to project investment income. The current assumption is that working capital will continue to earn a minimal return, while longer-term investments will earn 4%. A 1% variance in actual results would impact investment income by \$6.2 million, and a return to the historical average rate of 5.6% would increase income by \$9.9 million to produce a surplus of \$17.1 million in 2020/21.

Expenses are projected to be \$38.3 million less than originally budgeted, mainly due to lower supplies and services expense. Although this expense will increase by over 20% over 2019/20 due to costs related to the pandemic, the current projection is \$36.9 million less than the original budget, primarily due to lower costs for ancillaries that are not operating, including cost of sales that will not be realized, as well as budgeted expenses for new capital projects that have been delayed.

### 4.1.2 FUTURE OUTLOOK

Figure 10: Consolidated Outlook



Looking ahead to 2021/22 and beyond, the projected surplus returns to the pre-COVID-19 level by 2022/23. This projection assumes a full return to campus in May 2021.

- Tuition continues to increase as domestic enrolment remains high with the 2020/21 cohort advancing to upper levels, and international enrolment continues to increase.

- Ancillary sales and other revenues impacted by the closure begin again at previous levels.
- Income from long-term investments is conservatively estimated at 4.0% in 2020/21 and 2021/22, rising to the historical average rate of 5.6% by 2023/24.
- Salaries increase in 2021/22 as laid-off employees return to work. Salary rates are assumed to increase at a greater rate in 2023/24 as the provincially mandated 1% cap comes to an end.
- Employee benefits are higher in 2021/22 due to increased current service costs for pensions, driven by lower rates of return on investments.
- Supplies and services are projected to increase by less than usual in 2021/22 as additional pandemic costs are not incurred, with annual expense increases at normal levels thereafter.
- Interest expense increases in 2021/22 assuming an additional \$125 million in new debt is issued to fund capital projects.

## 4.2 STATEMENT OF FINANCIAL POSITION

Table 5: Consolidated Statement of Financial Position

| (\$ thousands)                                      | 2020/21<br>Budget | 2020/21<br>Projection | 2020/21<br>Variance | 2021/22<br>Projection | 2022/23<br>Projection | 2023/24<br>Projection |
|---|-------------------|-----------------------|---------------------|-----------------------|-----------------------|-----------------------|
| <b>Assets</b>                                       |                   |                       |                     |                       |                       |                       |
| Cash  | 33,224            | 17,541                | (15,682)            | 18,412                | 19,116                | 20,208                |
| Short-term investments                              | 166,118           | 198,449               | 32,331              | 208,178               | 216,416               | 228,896               |
| Medium-term investments                             | 164,149           | 116,969               | (47,180)            | 136,108               | 109,788               | 123,227               |
| Long-term investments                               | 826,699           | 1,116,406             | 289,707             | 1,146,881             | 1,181,291             | 1,221,345             |
| Capital assets                                      | 1,354,513         | 1,304,394             | (50,119)            | 1,479,691             | 1,699,323             | 1,891,391             |
| Other assets  | 164,689           | 218,485               | 53,796              | 222,855               | 227,312               | 231,858               |
| <b>Total assets</b>                                 | <b>2,709,391</b>  | <b>2,972,244</b>      | <b>262,853</b>      | <b>3,212,126</b>      | <b>3,453,246</b>      | <b>3,716,925</b>      |
| <b>Liabilities and deferred contributions</b>       |                   |                       |                     |                       |                       |                       |
| Current portion of long-term debt                   | 678               | 678                   | -                   | 703                   | 728                   | 755                   |
| Deferred contributions for future expenses          | 371,362           | 379,191               | 7,828               | 387,443               | 395,861               | 404,446               |
| Deferred capital contributions                      | 482,974           | 505,652               | 22,678              | 542,495               | 661,566               | 793,909               |
| Long-term debt                                      | 251,742           | 251,710               | (32)                | 376,008               | 375,279               | 374,524               |
| Decommissioning obligation                          | 15,912            | 15,490                | (421)               | 16,683                | 17,968                | 19,351                |
| Employee future benefits and pension                | 346,214           | 457,415               | 111,201             | 466,563               | 475,894               | 485,412               |
| Other liabilities                                   | 196,530           | 175,695               | (20,835)            | 179,209               | 182,793               | 186,449               |
| <b>Total liabilities and deferred contributions</b> | <b>1,665,412</b>  | <b>1,785,831</b>      | <b>120,419</b>      | <b>1,969,104</b>      | <b>2,110,089</b>      | <b>2,264,847</b>      |
| <b>Net assets</b>                                   |                   |                       |                     |                       |                       |                       |
| Unrestricted  | 10,755            | -                     | (10,755)            | -                     | -                     | -                     |
| Internally restricted reserves                      | (91,900)          | 24,907                | 116,807             | 70,532                | 64,208                | 104,420               |
| Internally restricted endowments                    | 115,505           | 140,709               | 25,204              | 139,961               | 141,173               | 142,764               |
| Externally restricted endowments                    | 390,501           | 474,443               | 83,943              | 472,043               | 476,026               | 482,690               |
| Net investment in plant, adjusted                   | 619,119           | 546,354               | (72,765)            | 560,485               | 661,750               | 722,203               |
| <b>Total net assets</b>                             | <b>1,043,979</b>  | <b>1,186,413</b>      | <b>142,434</b>      | <b>1,243,022</b>      | <b>1,343,157</b>      | <b>1,452,078</b>      |
| <b>Total liabilities and net assets</b>             | <b>2,709,391</b>  | <b>2,972,244</b>      | <b>262,853</b>      | <b>3,212,126</b>      | <b>3,453,246</b>      | <b>3,716,925</b>      |

The Statement of Financial Position is the University's consolidated balance sheet. The largest changes compared to the original budget are driven by variances to starting position from in 2019/20 results, as well as the improved surplus in the Operating Fund.

Total assets are projected to increase by \$262.9 million compared to budget, primarily due to the increase in cash and investments by \$259.2 million as the 2019/20 investment loss at -1.9% net of investment management fees was significantly better than the original estimate of -18.0%. Changes in the balances of capital and other assets are offsetting. Since the beginning of the pandemic in fiscal 2019/20 capital projects have been deferred or delayed, with lower expenditures of \$72.2 million to the end of 2020/21. As a result, capital assets net of depreciation are projected to be \$50.1 million less than originally budgeted. Other assets are higher due to additional prepayments for research equipment, as well as loans to the McMaster Innovation Park.

Total liabilities are projected to increase by \$120.4 million compared to budget. Deferred contributions increased in connection with delays in both capital and research projects. Remeasurement of liabilities for employee future benefits and pension in 2019/20 increased the liability by \$84.0 million over the expected level, with an additional increase projected in 2020/21 due to lower assumed interest rates.

Total net assets are projected to increase by \$142.4 million compared to budget. The beginning balance of internally restricted reserves was higher than budget by \$56.3 million because of the improved Operating Fund surplus and lower investment loss in 2019/20. The remainder of the \$116.8 increase is due to the higher Operating Fund surplus in 2020/21. These internal reserves are a critical component of the University's financial health strategy to ensure funding is appropriately set aside today for future obligations arising from current faculty, staff and activities. Internally and externally restricted endowments are also higher because of lower investment loss, while the reduced net investment in plan is due to deferred or delayed capital expenditures.

## 4.3 METRICS

### 4.3.1 HIGHLIGHTS

Table 6: Budget Financial Highlights

| (\$ millions)  | 2020/21 | 2020/21    | 2020/21  | 2021/22    | 2022/23    | 2023/24    |
|--|---------|------------|----------|------------|------------|------------|
|  | Budget  | Projection | Variance | Projection | Projection | Projection |
| Total net assets   | 1,044.0 | 1,186.4    | 142.4    | 1,243.0    | 1,343.2    | 1,452.1    |
| Available expendable resources                                 | 293.5   | 513.2      | 219.7    | 544.4      | 524.5      | 551.1      |
| Capital spending   | 191.6   | 176.6      | (15.0)   | 259.3      | 308.4      | 286.6      |
| Total revenues   | 1,183.1 | 1,164.9    | (18.2)   | 1,288.5    | 1,354.9    | 1,433.8    |
| Total expenses   | 1,196.0 | 1,157.7    | (38.3)   | 1,214.5    | 1,262.6    | 1,335.4    |
| Excess of revenues over expenses - consolidated                | (13.0)  | 7.2        | 20.1     | 74.0       | 92.3       | 98.5       |
| Excess/(deficiency) of revenues over expenses - Operating Fund | (53.9)  | 0.1        | 53.9     | (7.4)      | 7.6        | (1.1)      |

### 4.3.2 DEBT MANAGEMENT RATIOS

MCU requires the above ratios to be reported each year, and in the annual SMA report. No targets have been set by MCU, however McMaster is satisfied that the resulting ratios are consistent with the University's own credit management ratios, shown in the table below. These ratios have improved as compared to the original budget and conform to the University's Debt Management Policy with the temporary exception of the net income/(loss) ratio. These ratios are consistent with those monitored by the University's credit rating agencies.

Table 7: Debt Management Ratios

|  | <u>2020/21</u><br><u>Budget</u> | <u>2020/21</u><br><u>Projection</u> | <u>2020/21</u><br><u>Variance</u> | <u>2021/22</u><br><u>Projection</u> | <u>2022/23</u><br><u>Projection</u> | <u>2023/24</u><br><u>Projection</u> |
|--|---------------------------------|-------------------------------------|-----------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|
| <b>Debt Management Policy Ratios</b>                           |                                 |                                     |                                   |                                     |                                     |                                     |
| Expendable Net Assets to Debt (Target > 1.0x)                  | 1.1                             | 1.9                                 | 0.8                               | 1.4                                 | 1.3                                 | 1.4                                 |
| Interest Burden (Target < 4.0%)                                | 1.2%                            | 1.2%                                | 0.0%                              | 1.4%                                | 1.6%                                | 1.5%                                |
| Debt per FTE (Target < \$12,000)                               | 8,731                           | 7,965                               | (766)                             | 11,512                              | 11,300                              | 11,201                              |
| <b>Debt Management Monitoring Ratios</b>                       |                                 |                                     |                                   |                                     |                                     |                                     |
| Net Income/(Loss) Ratio (McMaster Target > 1.0%)               | -1.1%                           | 0.6%                                | 1.7%                              | 5.7%                                | 6.8%                                | 6.9%                                |
| Net Operating Revenues (McMaster Target > 2.0%) <sup>1</sup>   | 2.0%                            | 6.0%                                | 4.0%                              | 10.0%                               | 11.0%                               | 11.0%                               |
| Primary Reserve Ratio (McMaster Target > 91 days) <sup>2</sup> | 91                              | 161                                 | 69                                | 164                                 | 153                                 | 150                                 |
| Viability Ratio (McMaster Target > 1.0) <sup>3</sup>           | 1.1                             | 1.9                                 | 0.8                               | 1.4                                 | 1.3                                 | 1.4                                 |

<sup>1</sup>Measures cash flow from operating activities as a proportion of revenues

<sup>2</sup>Measures the number of days University reserves can cover operating expenses

<sup>3</sup>Measures the proportion of long-term debt that could be settled using unrestricted assets

## 5 CONCLUSIONS ON THE 2020/21 INTERIM REPORT

Despite the improved enrolment position and confirmed campus closure for the entire fiscal year, the risk posed by the COVID-19 pandemic continues to create the greatest uncertainty around the 2020/21 projection and future years. Annual surpluses and availability of funding for strategic projects are heavily dependent on continuing international enrolment growth and positive investment returns, which will be more challenging the longer the restrictions continue. While it has proved possible to operate both academic and administrative functions remotely, planning is continuing for a return to campus. What that will look like and when it will happen are still unclear.

# APPENDIX 1 – OPERATING FUND UNIT LEVEL TABLES

Note: Balances below do not reflect any additional allocation decisions that may be recommended by the Budget Committee pursuant to receiving the support unit budgets in November 2020.

Table 8: Operating Fund 2020/21 Projection by Unit

| (\$ thousands)                               | Sources of Funding   |                            |                          |               |                | Salaries & Benefits |                |                | Non-salary Expenses |                      |                    |                | Total Expenses | Annual Surplus (Deficit) |  |
|--|----------------------|----------------------------|--------------------------|---------------|----------------|---------------------|----------------|----------------|---------------------|----------------------|--------------------|----------------|----------------|--------------------------|--|
|  | Framework Allocation | University Fund Allocation | Research Overhead Income | Other Income  | Total Income   | Salaries & Wages    | Benefits & PDA | Total          | Scholarships        | Library Acquisitions | All Other Expenses | Total          |                |                          |  |
| <b>1. Faculties</b>                          |                      |                            |                          |               |                |                     |                |                |                     |                      |                    |                |                |                          |  |
| Business                                     | 58,839               | -                          | -                        | 4,550         | 63,389         | 31,409              | 7,639          | 39,048         | 1,338               | -                    | 16,594             | 17,932         | 56,980         | 6,410                    |  |
| Engineering                                  | 84,134               | 1,173                      | 1,496                    | 2,562         | 89,365         | 53,647              | 13,599         | 67,246         | 2,010               | -                    | 18,355             | 20,365         | 87,611         | 1,754                    |  |
| Health Sciences                              | 69,970               | 1,289                      | 7,185                    | 35,360        | 113,804        | 87,665              | 23,401         | 111,065        | 2,113               | -                    | 2,420              | 4,533          | 115,599        | (1,795)                  |  |
| Humanities                                   | 25,428               | 1,826                      | 340                      | 12,508        | 40,102         | 28,391              | 7,506          | 35,897         | 336                 | (0)                  | 2,686              | 3,022          | 38,918         | 1,184                    |  |
| Science                                      | 80,492               | 573                        | 448                      | 1,550         | 83,063         | 53,975              | 15,203         | 69,178         | 513                 | -                    | 20,424             | 20,937         | 90,115         | (7,052)                  |  |
| Medical Radiation - Mohawk share             | 4,287                | -                          | -                        | -             | 4,287          | -                   | -              | -              | -                   | -                    | 4,288              | 4,288          | 4,288          | (1)                      |  |
| Social Sciences                              | 42,558               | 1,042                      | 50                       | 737           | 44,386         | 29,755              | 7,976          | 37,732         | 305                 | -                    | 2,836              | 3,141          | 40,872         | 3,514                    |  |
| Arts & Science                               | 1,506                | 57                         | -                        | 4             | 1,567          | 1,901               | 160            | 2,061          | 7                   | -                    | (214)              | (206)          | 1,854          | (288)                    |  |
| Sub-total                                    | <b>367,214</b>       | <b>5,960</b>               | <b>9,519</b>             | <b>57,271</b> | <b>439,963</b> | <b>286,743</b>      | <b>75,484</b>  | <b>362,227</b> | <b>6,621</b>        | <b>(0)</b>           | <b>67,390</b>      | <b>74,011</b>  | <b>436,238</b> | <b>3,726</b>             |  |
| <b>2. Academic Priorities</b>                |                      |                            |                          |               |                |                     |                |                |                     |                      |                    |                |                |                          |  |
| University Fund                              | 41,334               | (6,330)                    | -                        | -             | 35,004         | 550                 | -              | 550            | -                   | -                    | 39,299             | 39,299         | 39,849         | (4,845)                  |  |
| Revenue Projection Contingency               | (3,450)              | -                          | -                        | -             | (3,450)        | -                   | -              | -              | -                   | -                    | -                  | -              | -              | (3,450)                  |  |
| Ongoing Priorities Contingency               | 5,475                | -                          | -                        | -             | 5,475          | (1,679)             | -              | (1,679)        | -                   | -                    | (5,823)            | (5,823)        | (7,502)        | 12,977                   |  |
| One-time Priorities Contingency              | (654)                | -                          | -                        | -             | (654)          | -                   | -              | -              | -                   | -                    | -                  | -              | -              | (654)                    |  |
| Sub-total                                    | <b>42,705</b>        | <b>(6,330)</b>             | <b>-</b>                 | <b>-</b>      | <b>36,375</b>  | <b>(1,129)</b>      | <b>-</b>       | <b>(1,129)</b> | <b>-</b>            | <b>-</b>             | <b>33,476</b>      | <b>33,476</b>  | <b>32,347</b>  | <b>4,028</b>             |  |
| <b>TOTAL ACADEMIC</b>                        | <b>409,919</b>       | <b>(370)</b>               | <b>9,519</b>             | <b>57,271</b> | <b>476,338</b> | <b>285,614</b>      | <b>75,484</b>  | <b>361,098</b> | <b>6,621</b>        | <b>(0)</b>           | <b>100,866</b>     | <b>107,487</b> | <b>468,585</b> | <b>7,753</b>             |  |
| <b>3. Academic Support</b>                   |                      |                            |                          |               |                |                     |                |                |                     |                      |                    |                |                |                          |  |
| Provost's Office                             | 7,771                | -                          | -                        | (45)          | 7,726          | 6,443               | 1,350          | 7,792          | 33                  | -                    | 1,928              | 1,961          | 9,754          | (2,027)                  |  |
| Museum of Art                                | 623                  | -                          | -                        | 236           | 859            | 779                 | 242            | 1,021          | -                   | -                    | (191)              | (191)          | 830            | 29                       |  |
| MacPherson Institute                         | 3,517                | -                          | -                        | 150           | 3,667          | 3,418               | 840            | 4,258          | -                   | -                    | (365)              | (365)          | 3,893          | (226)                    |  |
| University Library                           | 21,788               | -                          | -                        | 254           | 22,042         | 6,870               | 2,058          | 8,928          | 3                   | 11,676               | 1,562              | 13,241         | 22,168         | (127)                    |  |
| Health Sciences Library                      | 4,507                | 120                        | 30                       | 33            | 4,690          | 1,680               | 455            | 2,135          | -                   | 3,426                | (922)              | 2,504          | 4,639          | 51                       |  |
| Registrar                                    | 5,572                | -                          | -                        | 2,434         | 8,006          | 6,129               | 1,916          | 8,045          | -                   | -                    | 104                | 104            | 8,148          | (142)                    |  |
| Sub-total                                    | <b>43,778</b>        | <b>120</b>                 | <b>30</b>                | <b>3,061</b>  | <b>46,989</b>  | <b>25,319</b>       | <b>6,860</b>   | <b>32,180</b>  | <b>36</b>           | <b>15,101</b>        | <b>2,116</b>       | <b>17,253</b>  | <b>49,432</b>  | <b>(2,443)</b>           |  |
| <b>4. Research Support</b>                   |                      |                            |                          |               |                |                     |                |                |                     |                      |                    |                |                |                          |  |
| Research                                     | 10,830               | 250                        | 2,957                    | 10,653        | 24,690         | 12,998              | 3,855          | 16,853         | 95                  | 1                    | 7,674              | 7,770          | 24,623         | 67                       |  |
| VP Research Discretionary Fund               | 2,463                | -                          | -                        | (0)           | 2,463          | -                   | -              | -              | -                   | -                    | 597                | 597            | 597            | 1,866                    |  |
| Research Loans                               | -                    | -                          | -                        | -             | -              | -                   | -              | -              | -                   | -                    | (89)               | (89)           | (89)           | 89                       |  |
| Sub-total                                    | <b>13,293</b>        | <b>250</b>                 | <b>2,957</b>             | <b>10,653</b> | <b>27,153</b>  | <b>12,998</b>       | <b>3,855</b>   | <b>16,853</b>  | <b>95</b>           | <b>1</b>             | <b>8,183</b>       | <b>8,278</b>   | <b>25,131</b>  | <b>2,022</b>             |  |
| <b>5. Student Support</b>                    |                      |                            |                          |               |                |                     |                |                |                     |                      |                    |                |                |                          |  |
| Graduate Scholarships                        | 13,243               | -                          | -                        | -             | 13,243         | 600                 | -              | 600            | 12,613              | -                    | (0)                | 12,613         | 13,213         | 30                       |  |
| School of Graduate Studies                   | 2,810                | -                          | -                        | 58            | 2,868          | 1,917               | 533            | 2,450          | 55                  | -                    | 468                | 523            | 2,973          | (105)                    |  |
| Student Affairs                              | 5,846                | -                          | -                        | 16,961        | 22,807         | 10,986              | 3,142          | 14,127         | 477                 | -                    | 11,311             | 11,788         | 25,915         | (3,109)                  |  |
| DBAC Building Financing                      | -                    | -                          | -                        | -             | -              | -                   | -              | -              | -                   | -                    | -                  | -              | -              | -                        |  |
| DBAC Deferred Maintenance                    | -                    | -                          | -                        | -             | -              | -                   | -              | -              | -                   | -                    | (160)              | (160)          | (160)          | 160                      |  |
| Undergraduate Scholarships                   | 14,979               | -                          | -                        | 310           | 15,289         | 1,877               | -              | 1,877          | 15,183              | -                    | 390                | 15,573         | 17,451         | (2,161)                  |  |
| Sub-total                                    | <b>36,878</b>        | <b>-</b>                   | <b>-</b>                 | <b>17,329</b> | <b>54,207</b>  | <b>15,381</b>       | <b>3,674</b>   | <b>19,055</b>  | <b>28,328</b>       | <b>-</b>             | <b>12,009</b>      | <b>40,337</b>  | <b>59,392</b>  | <b>(5,185)</b>           |  |
| <b>6. Facilities Support</b>                 |                      |                            |                          |               |                |                     |                |                |                     |                      |                    |                |                |                          |  |
| Facilities Services                          | 16,455               | -                          | -                        | 1,109         | 17,564         | 12,296              | 3,580          | 15,876         | -                   | -                    | 1,888              | 1,888          | 17,764         | (200)                    |  |
| HSC Maintenance                              | 4,002                | -                          | -                        | 40            | 4,042          | -                   | -              | -              | -                   | -                    | 4,127              | 4,127          | 4,127          | (85)                     |  |
| Utilities                                    | 23,911               | -                          | -                        | 1,824         | 25,735         | 1,576               | 563            | 2,139          | -                   | -                    | 22,394             | 22,394         | 24,533         | 1,202                    |  |
| Security                                     | 2,049                | -                          | -                        | 25            | 2,074          | 2,102               | 450            | 2,552          | -                   | -                    | (292)              | (292)          | 2,259          | (185)                    |  |
| Deferred Maintenance                         | 11,930               | -                          | -                        | -             | 11,930         | -                   | -              | -              | -                   | -                    | 11,930             | 11,930         | 11,930         | 0                        |  |
| Bond Interest                                | 10,089               | -                          | -                        | -             | 10,089         | -                   | -              | -              | -                   | -                    | 10,088             | 10,088         | 10,088         | 1                        |  |
| Renovation contingency                       | 974                  | -                          | -                        | -             | 974            | -                   | -              | -              | -                   | -                    | 974                | 974            | 974            | 0                        |  |
| Sub-total                                    | <b>69,410</b>        | <b>-</b>                   | <b>-</b>                 | <b>2,999</b>  | <b>72,409</b>  | <b>15,974</b>       | <b>4,592</b>   | <b>20,566</b>  | <b>-</b>            | <b>-</b>             | <b>51,109</b>      | <b>51,109</b>  | <b>71,676</b>  | <b>733</b>               |  |
| <b>7. Institutional Support</b>              |                      |                            |                          |               |                |                     |                |                |                     |                      |                    |                |                |                          |  |
| Administration                               | 16,122               | -                          | -                        | 1,784         | 17,906         | 12,440              | 3,659          | 16,099         | -                   | -                    | 3,759              | 3,759          | 19,858         | (1,952)                  |  |
| UTS Asset Management                         | 1,500                | -                          | -                        | -             | 1,500          | -                   | -              | -              | -                   | -                    | 1,433              | 1,433          | 1,433          | 67                       |  |
| UTS/Technology Fund                          | 19,386               | -                          | -                        | 97            | 19,483         | 9,593               | 2,797          | 12,389         | -                   | -                    | 9,962              | 9,962          | 22,352         | (2,868)                  |  |
| University Secretariat                       | 977                  | -                          | -                        | 56            | 1,033          | 795                 | 234            | 1,029          | -                   | -                    | 47                 | 47             | 1,076          | (44)                     |  |
| President's Office                           | 1,169                | -                          | -                        | -             | 1,169          | 423                 | 122            | 545            | -                   | -                    | 2,621              | 2,621          | 3,166          | (1,997)                  |  |
| University Advancement                       | 5,760                | -                          | -                        | 24            | 5,784          | 6,958               | 1,904          | 8,863          | -                   | -                    | (3,698)            | (3,698)        | 5,164          | 620                      |  |
| General University                           | 10,485               | -                          | -                        | 2,135         | 12,620         | 1,267               | 203            | 1,469          | -                   | -                    | 12,199             | 12,199         | 13,668         | (1,048)                  |  |
| Sub-total                                    | <b>55,399</b>        | <b>-</b>                   | <b>-</b>                 | <b>4,096</b>  | <b>59,495</b>  | <b>31,475</b>       | <b>8,919</b>   | <b>40,394</b>  | <b>-</b>            | <b>-</b>             | <b>26,324</b>      | <b>26,324</b>  | <b>66,718</b>  | <b>(7,222)</b>           |  |
| <b>8. Institutional Priority allocations</b> |                      |                            |                          |               |                |                     |                |                |                     |                      |                    |                |                |                          |  |
| Technology Renewal                           | 4,517                | -                          | -                        | -             | 4,517          | -                   | -              | -              | -                   | -                    | -                  | -              | -              | 4,517                    |  |
| Marketing & Branding                         | 3,294                | -                          | -                        | -             | 3,294          | 793                 | 190            | 984            | -                   | -                    | 3,875              | 3,875          | 4,859          | (1,565)                  |  |
| Pension                                      | 22,175               | -                          | -                        | -             | 22,175         | -                   | 22,175         | 22,175         | -                   | -                    | -                  | -              | 22,175         | -                        |  |
| President's Strategic Support Fund           | 1,400                | -                          | -                        | -             | 1,400          | -                   | -              | -              | -                   | -                    | (79)               | (79)           | (79)           | 1,479                    |  |
| Sub-total                                    | <b>31,386</b>        | <b>-</b>                   | <b>-</b>                 | <b>-</b>      | <b>31,386</b>  | <b>793</b>          | <b>22,365</b>  | <b>23,159</b>  | <b>-</b>            | <b>-</b>             | <b>3,797</b>       | <b>3,797</b>   | <b>26,955</b>  | <b>4,431</b>             |  |
| <b>Surplus/(Deficit)</b>                     | <b>660,063</b>       | <b>0</b>                   | <b>12,505</b>            | <b>95,409</b> | <b>767,977</b> | <b>387,555</b>      | <b>125,750</b> | <b>513,305</b> | <b>35,079</b>       | <b>15,102</b>        | <b>204,403</b>     | <b>254,584</b> | <b>767,889</b> | <b>88</b>                |  |
| <i>Under/(over)allocated</i>                 | -                    | -                          | -                        | (3,061)       | (3,061)        | -                   | -              | -              | -                   | -                    | (3,061)            | (3,061)        | (3,061)        | -                        |  |
| <b>Total Surplus/(Deficit)</b>               | <b>660,063</b>       | <b>0</b>                   | <b>12,505</b>            | <b>92,348</b> | <b>764,916</b> | <b>387,555</b>      | <b>125,750</b> | <b>513,305</b> | <b>35,079</b>       | <b>15,102</b>        | <b>201,341</b>     | <b>251,522</b> | <b>764,828</b> | <b>88</b>                |  |

Note: Projection is prior to allocation of any additional 2020/21 funding that may be recommended by the Budget Committee



Table 9: Operating Fund Annual Net Change by Unit

| (\$ thousands)                               | 2020/21         |                | 2020/21        |
|--|-----------------|----------------|----------------|
|  | Budget          | Projection     | Variance       |
| <b>1. Faculties</b>                          |                 |                |                |
| Business                                     | 0               | 6,410          | 6,410          |
| Engineering                                  | (5,080)         | 1,754          | 6,834          |
| Health Sciences                              | (6,115)         | (1,795)        | 4,320          |
| Humanities                                   | 1,241           | 1,184          | (57)           |
| Science                                      | (2,232)         | (7,052)        | (4,820)        |
| Medical Radiation - Mohawk share             | -               | (1)            | (1)            |
| Social Sciences                              | 518             | 3,514          | 2,996          |
| Arts & Science                               | (532)           | (288)          | 244            |
| Sub-total                                    | <b>(12,200)</b> | <b>3,726</b>   | <b>15,926</b>  |
| <b>2. Academic Priorities</b>                |                 |                |                |
| University Fund                              | (7,079)         | (4,845)        | 2,235          |
| Revenue Projection Contingency               | (31,492)        | (3,450)        | 28,042         |
| Ongoing Priorities Contingency               | 35              | 12,977         | 12,942         |
| One-time Priorities Contingency              | (654)           | (654)          | (0)            |
| Sub-total                                    | <b>(39,191)</b> | <b>4,028</b>   | <b>43,219</b>  |
| <b>TOTAL ACADEMIC</b>                        | <b>(51,391)</b> | <b>7,753</b>   | <b>59,144</b>  |
| <b>3. Academic Support</b>                   |                 |                |                |
| Office of the Provost                        | (1,706)         | (2,027)        | (322)          |
| Museum of Art                                | (0)             | 29             | 29             |
| MacPherson Institute                         | (596)           | (226)          | 370            |
| University Library                           | 386             | (127)          | (512)          |
| Health Sciences Library                      | (187)           | 51             | 237            |
| Registrar                                    | (381)           | (142)          | 239            |
| Sub-total                                    | <b>(2,484)</b>  | <b>(2,443)</b> | <b>41</b>      |
| <b>4. Research Support</b>                   |                 |                |                |
| Research                                     | (423)           | 67             | 489            |
| VP Research Discretionary Fund               | 0               | 1,866          | 1,866          |
| Research Loans                               | 89              | 89             | -              |
| Sub-total                                    | <b>(334)</b>    | <b>2,022</b>   | <b>2,355</b>   |
| <b>5. Student Support</b>                    |                 |                |                |
| Graduate Scholarships                        | (0)             | 30             | 30             |
| School of Graduate Studies                   | (260)           | (105)          | 155            |
| Student Affairs                              | (548)           | (3,109)        | (2,561)        |
| DBAC Building Financing                      | -               | -              | -              |
| DBAC Deferred Maintenance                    | 160             | 160            | (0)            |
| Undergraduate Scholarships                   | (0)             | (2,161)        | (2,161)        |
| Sub-total                                    | <b>(649)</b>    | <b>(5,185)</b> | <b>(4,536)</b> |
| <b>6. Facilities Support</b>                 |                 |                |                |
| Facilities Services                          | (56)            | (200)          | (144)          |
| HSC Maintenance                              | 0               | (85)           | (85)           |
| Utilities                                    | (93)            | 1,202          | 1,295          |
| Security                                     | (276)           | (185)          | 91             |
| Deferred Maintenance                         | (0)             | 0              | 0              |
| Bond Interest                                | -               | 1              | 1              |
| Renovation contingency                       | 0               | 0              | (0)            |
| Sub-total                                    | <b>(425)</b>    | <b>733</b>     | <b>1,158</b>   |
| <b>7. Institutional Support</b>              |                 |                |                |
| Administration                               | (1,398)         | (1,952)        | (554)          |
| UTS/Technology Fund                          | (2,031)         | (2,868)        | (838)          |
| UTS Asset Management                         | (193)           | 67             | 260            |
| University Secretariat                       | 3               | (44)           | (47)           |
| Presidential Budget                          | 63              | (1,997)        | (2,060)        |
| University Advancement                       | (911)           | 620            | 1,530          |
| General University                           | 85              | (1,048)        | (1,133)        |
| Sub-total                                    | <b>(4,381)</b>  | <b>(7,222)</b> | <b>(2,841)</b> |
| <b>8. Institutional Priority allocations</b> |                 |                |                |
| Technology Renewal                           | 4,517           | 4,517          | 0              |
| Marketing & Branding                         | 1,288           | (1,565)        | (2,853)        |
| Pension                                      | (0)             | (0)            | (0)            |
| Strategic Priorities                         | -               | 1,479          | 1,479          |
| Sub-total                                    | <b>5,805</b>    | <b>4,431</b>   | <b>(1,374)</b> |
| <b>Surplus/(Deficit)</b>                     | <b>(53,859)</b> | <b>88</b>      | <b>53,947</b>  |
| <i>Under/(over)allocated</i>                 | (0)             | (0)            | (0)            |
| <b>Total Surplus/(Deficit)</b>               | <b>(53,859)</b> | <b>88</b>      | <b>53,947</b>  |

## APPENDIX 2 – ANCILLARY FUND UNIT LEVEL TABLES

| (\$ thousands)                           | CCE            |                    | Campus Store   |                    | MPS            |                    | Parking        |                    | Hospitality    |                    | Housing & Conference |                    | Ancillary Contingency |                    | Total              |                 |
|--|----------------|--------------------|----------------|--------------------|----------------|--------------------|----------------|--------------------|----------------|--------------------|----------------------|--------------------|-----------------------|--------------------|--------------------|-----------------|
|  | 2020/21 Budget | 2020/21 Projection | 2020/21 Budget | 2020/21 Projection | 2020/21 Budget | 2020/21 Projection | 2020/21 Budget | 2020/21 Projection | 2020/21 Budget | 2020/21 Projection | 2020/21 Budget       | 2020/21 Projection | 2020/21 Budget        | 2020/21 Projection | 2018/19 Projection | 2019/20 Budget  |
| <b>Sources of funding</b>                |                |                    |                |                    |                |                    |                |                    |                |                    |                      |                    |                       |                    |                    |                 |
| Sales                                    | 7,533          | 7,811              | 14,519         | 9,645              | 400            | 56                 | 6,383          | 153                | 29,120         | 566                | 33,340               | 655                | (36,123)              | -                  | 55,172             | 18,887          |
| Internal revenue                         | 765            | 745                | 415            | 610                | 4,420          | 1,395              | 15             | (48)               | 1,698          | (25)               | (17)                 | (67)               | -                     | -                  | 7,295              | 2,609           |
| <b>Total sources of funding</b>          | <b>8,298</b>   | <b>8,556</b>       | <b>14,934</b>  | <b>10,255</b>      | <b>4,820</b>   | <b>1,451</b>       | <b>6,397</b>   | <b>105</b>         | <b>30,818</b>  | <b>541</b>         | <b>33,323</b>        | <b>587</b>         | <b>(36,123)</b>       | <b>-</b>           | <b>62,467</b>      | <b>21,496</b>   |
| <b>Expenditure</b>                       |                |                    |                |                    |                |                    |                |                    |                |                    |                      |                    |                       |                    |                    |                 |
| Salaries, wages and benefits             | 5,699          | 5,547              | 2,863          | 2,451              | 1,913          | 1,745              | 1,300          | 836                | 13,194         | 5,924              | 8,839                | 7,687              | (10,798)              | -                  | 23,009             | 24,189          |
| Cost of sales                            | -              | -                  | 10,557         | 7,808              | 1,581          | 376                | -              | -                  | 10,488         | 211                | -                    | -                  | (7,263)               | -                  | 15,364             | 8,396           |
| Internal rent                            | 479            | 479                | 458            | 458                | 115            | 118                | 30             | 30                 | 1,082          | 1,224              | 3,884                | 3,884              | -                     | -                  | 6,048              | 6,193           |
| Utilities and maintenance                | 14             | 14                 | 17             | 12                 | 44             | 13                 | 184            | 125                | 794            | 630                | 4,233                | 3,184              | -                     | -                  | 5,285              | 3,978           |
| Debt and financing charges               | -              | -                  | 28             | 28                 | -              | -                  | 1,777          | 282                | 135            | 135                | 6,153                | 4,803              | -                     | -                  | 8,093              | 5,248           |
| Equipment and renovations                | 487            | 297                | 255            | 202                | 806            | 256                | 688            | 126                | 2,264          | 159                | 4,957                | 1,315              | -                     | -                  | 9,457              | 2,355           |
| All other expenses                       | 1,804          | 1,751              | 333            | 359                | 181            | 130                | 1,850          | 916                | 2,905          | 211                | 4,003                | 1,175              | -                     | -                  | 11,077             | 4,542           |
| <b>Total expenditures</b>                | <b>8,483</b>   | <b>8,088</b>       | <b>14,511</b>  | <b>11,318</b>      | <b>4,640</b>   | <b>2,637</b>       | <b>5,829</b>   | <b>2,315</b>       | <b>30,864</b>  | <b>8,494</b>       | <b>32,069</b>        | <b>22,049</b>      | <b>(18,061)</b>       | <b>-</b>           | <b>78,333</b>      | <b>54,901</b>   |
| <b>Surplus (deficit) from operations</b> | <b>(185)</b>   | <b>469</b>         | <b>423</b>     | <b>(1,063)</b>     | <b>180</b>     | <b>(1,186)</b>     | <b>568</b>     | <b>(2,210)</b>     | <b>(45)</b>    | <b>(7,953)</b>     | <b>1,254</b>         | <b>(21,461)</b>    | <b>(18,062)</b>       | <b>-</b>           | <b>(15,866)</b>    | <b>(33,405)</b> |
| <b>Contribution to Operating Fund</b>    | <b>(349)</b>   | <b>(349)</b>       | <b>(218)</b>   | <b>(218)</b>       | <b>(177)</b>   | <b>(177)</b>       | <b>(280)</b>   | <b>(280)</b>       | <b>(1,226)</b> | <b>(1,226)</b>     | <b>(1,251)</b>       | <b>(1,251)</b>     | <b>-</b>              | <b>-</b>           | <b>(3,501)</b>     | <b>(3,501)</b>  |
| <b>Surplus (deficit)</b>                 | <b>(534)</b>   | <b>120</b>         | <b>205</b>     | <b>(1,281)</b>     | <b>3</b>       | <b>(1,363)</b>     | <b>288</b>     | <b>(2,490)</b>     | <b>(1,271)</b> | <b>(9,179)</b>     | <b>4</b>             | <b>(22,712)</b>    | <b>(18,062)</b>       | <b>-</b>           | <b>(19,367)</b>    | <b>(36,905)</b> |
| <b>Reserve</b>                           |                |                    |                |                    |                |                    |                |                    |                |                    |                      |                    |                       |                    |                    |                 |
| Beginning Balance                        | 2,772          | 3,373              | 117            | (162)              | 353            | 354                | 516            | 553                | 5,064          | 5,435              | 686                  | 747                | (11,864)              | -                  | (2,357)            | 10,300          |
| Reserve Adjustment                       | -              | -                  | -              | -                  | -              | -                  | -              | -                  | -              | -                  | -                    | -                  | -                     | -                  | -                  | -               |
| Surplus (deficit)                        | (534)          | 120                | 205            | (1,281)            | 3              | (1,363)            | 288            | (2,490)            | (1,271)        | (9,179)            | 4                    | (22,712)           | (18,062)              | -                  | (19,367)           | (36,905)        |
| <b>Closing Balance</b>                   | <b>2,238</b>   | <b>3,493</b>       | <b>322</b>     | <b>(1,444)</b>     | <b>356</b>     | <b>(1,009)</b>     | <b>804</b>     | <b>(1,937)</b>     | <b>3,793</b>   | <b>(3,743)</b>     | <b>690</b>           | <b>(21,965)</b>    | <b>(29,925)</b>       | <b>-</b>           | <b>(21,723)</b>    | <b>(26,605)</b> |