

Financial Report of Ontario Universities 2018-19 Highlights

Council of Ontario Finance Officers

April 2020

Table of Contents

Introduction	2
Revenue by Source (all funds)	3
Figure 1: Total Revenue by Source (all funds) – (\$ millions).....	3
Revenue by Funding	4
Figure 2: Total Revenue by Fund – (\$millions)	4
Operating Revenue	5
Figure 3: Operating Revenue by Source – (\$ millions).....	5
Functional Areas – Operating Fund	6
Figure 4: Operating Fund Expenses by Functional Area* - (\$ millions)	6
Operating Fund Expenses by Object of Expense	7
Figure 5: Operating Fund Expenses by Object of Expense* - (\$ millions)	7
Sponsored Research Revenue	8
Figure 6: Sponsored Research Revenue by Source – (\$ millions)	8
Enrolment	9
Figure 7: Undergraduate Enrolment (FTE)	9
Figure 8: Graduate Enrolment (FTE)	9
Enrolment by Region	10
Figure 9: Enrolment by Region (FTE) – (thousands).....	10

Introduction

The *COFO Financial Report of Ontario Universities* (the report) is prepared under the guidance of the Council of Ontario Finance Officers (COFO). The tables included in the report have been compiled from submissions prepared by each of the publicly assisted universities, and their federated and affiliated institutions. These submissions follow the COFO Reporting Guidelines (the guidelines) that outline standards to present financial information in a comparative and consistent manner. The financial information is prepared by major fund groups: operating, ancillary, sponsored research, trust, capital and endowment.

It is recommended that the report be reviewed in conjunction with the guidelines, including caveats and this COFO highlights document. The report and the guidelines can be downloaded from the Council of Ontario Universities (COU) website at <https://ontariosuniversities.ca/resources/data/cofo>.

The information presented here is at the system level (it covers all universities and their federated and affiliated institutions), and presents comparative high-level data in the following key areas: revenue sources, expenditure patterns, sponsored research revenue and enrolment. Comparative data cover the last two or five years, depending on the graph, and the commentary is intended to add context to the data.

Note 1: The term “fund” in this document does not mean a particular type of revenue. Instead, it refers to a grouping of activities, as referred to in Fund Accounting. For a list of funds, please see page 4.

Note 2: Due to rounding, some numbers presented throughout this report may not add up precisely to the totals provided and percentages may not precisely reflect the absolute figures.

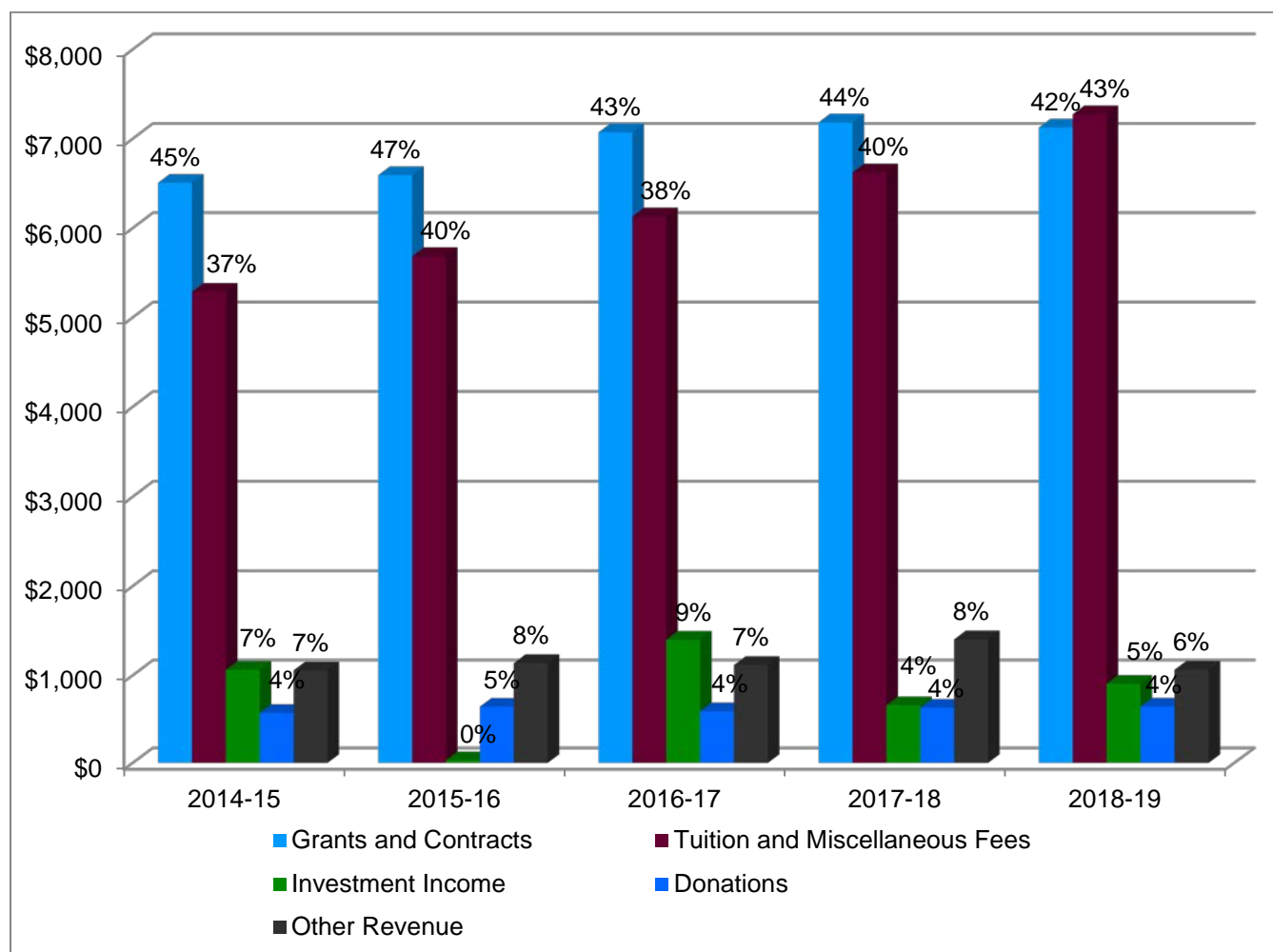
Revenue by Source (all funds)

Figure 1 outlines total revenue by source in actual dollars, and as a percentage of total revenue. The largest sources of revenue over five years (2014-15 to 2018-19) were Grants and Contracts, and Tuition and Miscellaneous Fees, which together account for 85 per cent of the total revenue in 2018-19.

Grants and Contracts, which account for an average of 44 per cent of the total revenue from 2014-15 to 2018-19, consist primarily of operating and research grants from the provincial and federal governments, as well as other research contracts with external bodies. Tuition and Miscellaneous Fees surpassed Grants and Contracts as a percentage of total revenue for the first time in 2018-19.

Investment Income as a percentage of total revenue rose to 5 per cent for 2018-19. Donations from individuals, corporations and foundations remained relatively constant at 4 per cent to 5 per cent of the total revenue over the five years. Other Revenue, which includes primarily external sales of goods and services and application fees, declined to 6 per cent of total revenue in 2018-19, down from 8 per cent in the previous year.

Figure 1: Total Revenue by Source (all funds) – (\$ millions)

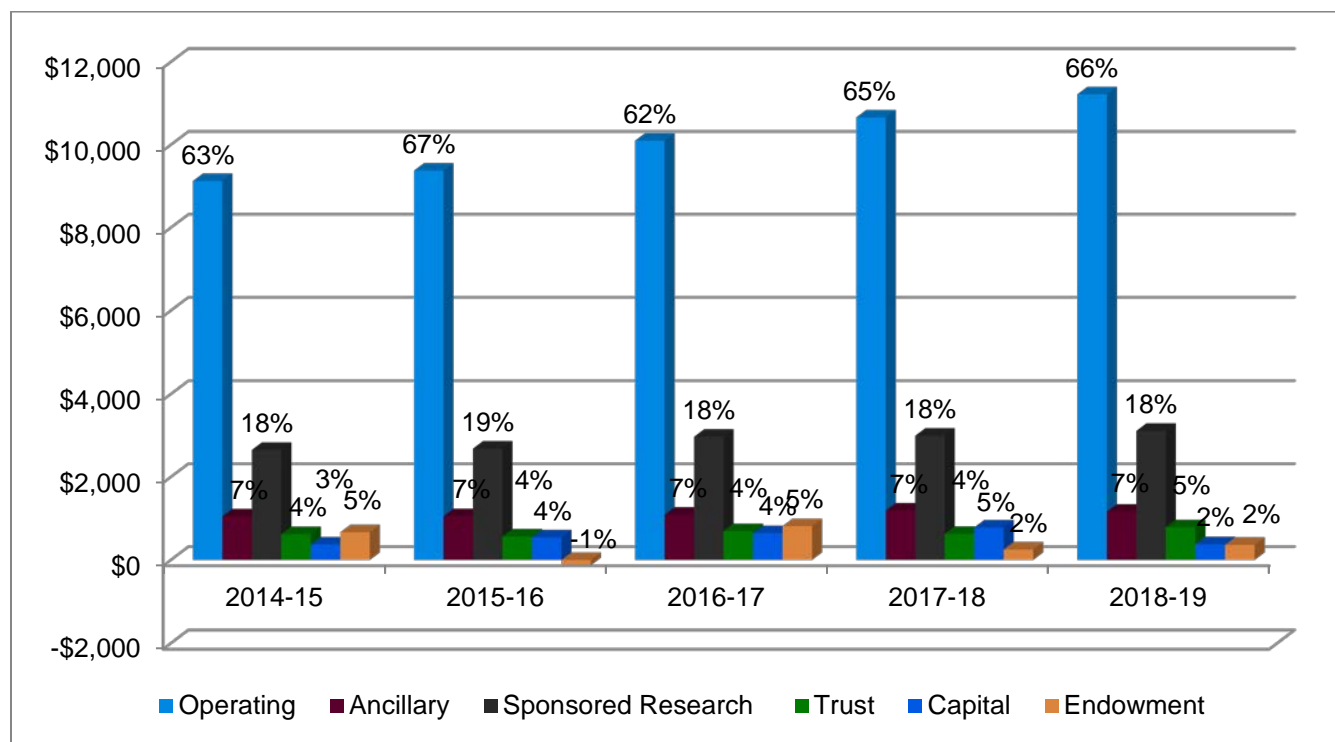


Revenue by Funding

Figure 2 shows both the revenue received by fund and its percentage of the total revenue over five years (2014-15 to 2018-19). The figure reflects different types of funds:

- **The Operating Fund** includes student tuition fees, operating grants and other general unrestricted revenue.
- **The Ancillary Fund** accounts for revenues generated by operations such as bookstores, food services, residences and parking.
- **The Trust Fund** accounts for expendable designated gifts, benefactions, grants and interest earned on non-expendable gifts, which must be spent in accordance with specific instructions by the donors or by internal restriction by the university's governing body.
- **The Capital Fund** includes grants, donations and other funds made available to the university by external funding sources (such as government and donors), specifically for capital purposes.
- **The Sponsored Research Fund** includes government, private industry and donor funding provided specifically for sponsored research.
- **The Endowment Fund** accounts for the capitalization of externally or internally restricted gifts which cannot be spent.

Figure 2: Total Revenue by Fund – (\$millions)

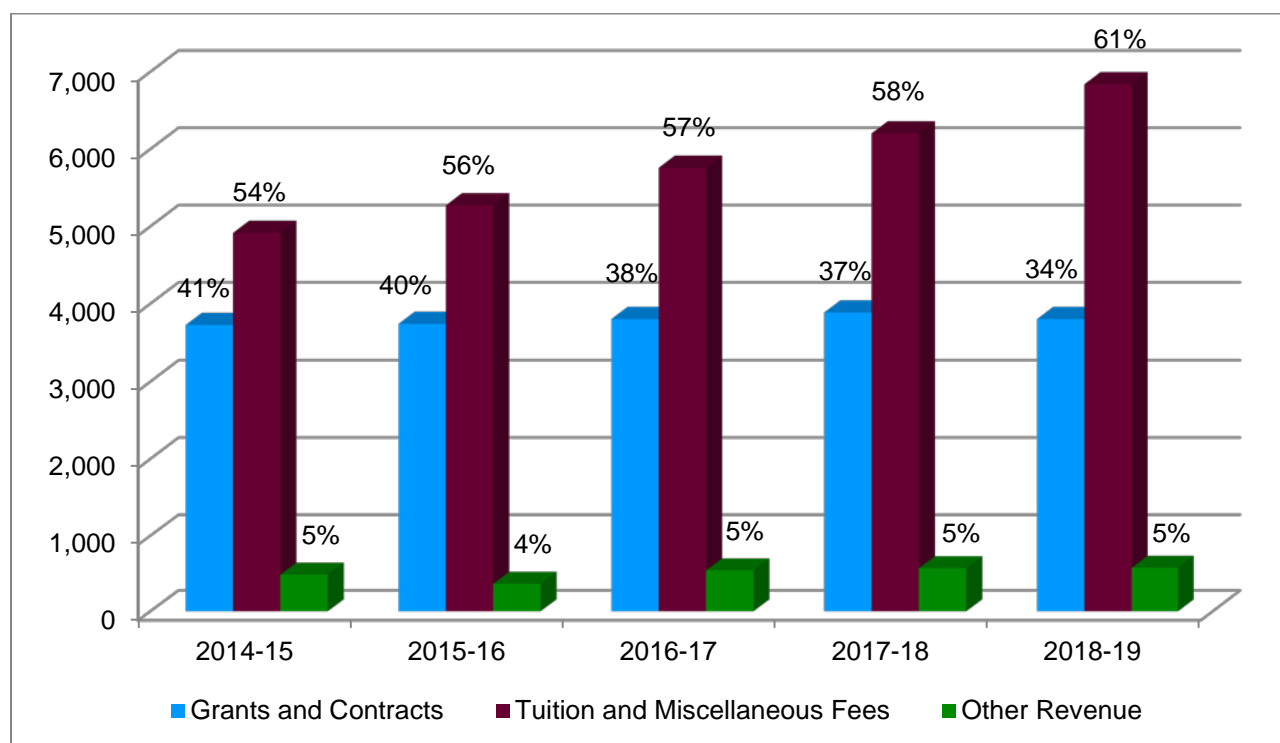


Operating Revenue

Figure 3 presents the major sources of revenue accounted for in the Operating Fund in actual dollars and as a percentage of the total revenue over five years (2014-15 to 2018-19). The two largest sources of revenue are operating grants from Ontario's Ministry of Colleges and Universities (MCU) and tuition fee revenue. While operating grants have increased in dollar terms over the five-year period, they have declined as a percentage of total operating revenue.

Tuition fee revenue increased in dollar terms and as a percentage of the total revenue over the five years. Under the framework for 2014-15 to 2018-19, tuition fees for all domestic students were permitted to increase by an overall average of 3 per cent per year, with variations in allowable increases for different types of programs and for students in different years of their programs.¹ However, the provincial government instituted a 10 per cent reduction in tuition fees for all domestic students in 2019-20, followed by a freeze; which will restrain tuition fee revenues for the upcoming academic years. Other operating revenue represents 5 per cent or less of the total revenue, and includes investment income and other miscellaneous items, such as application fees.

Figure 3: Operating Revenue by Source – (\$ millions)



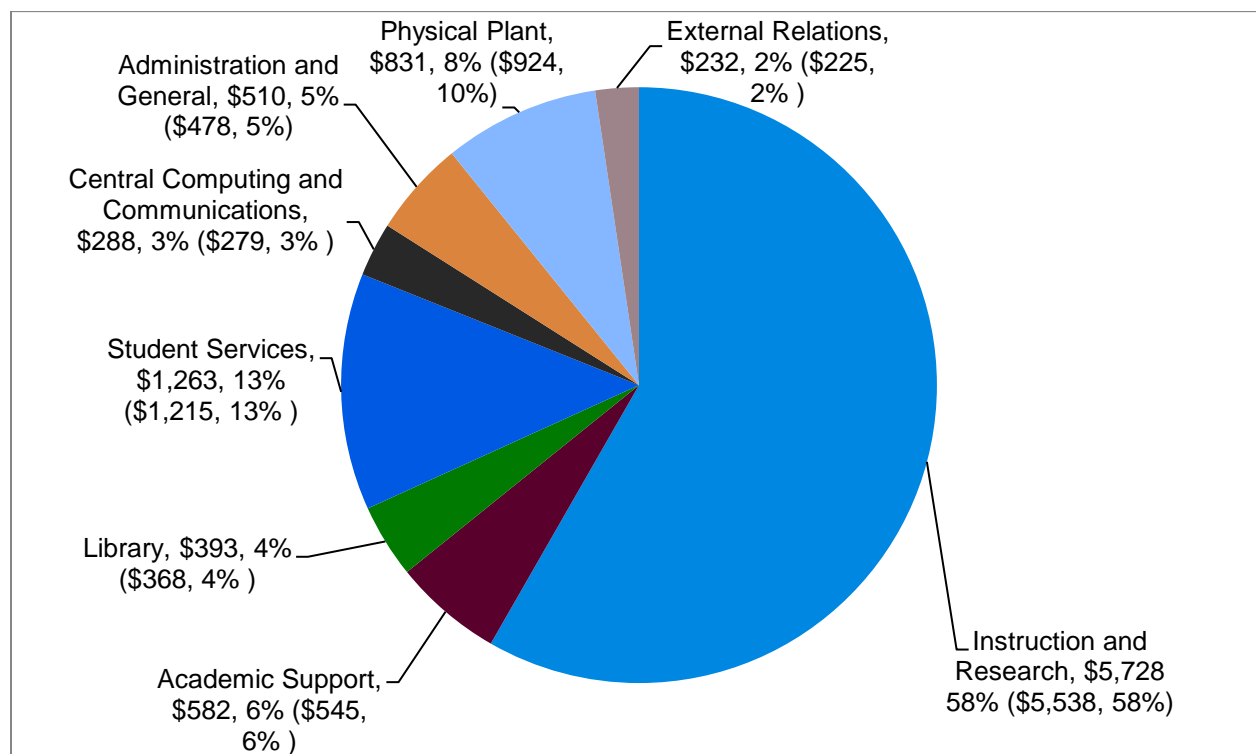
¹ Ontario's tuition framework from 2013-14 to 2018-19 allowed tuition rate increase of 3 per cent for students in most undergraduate programs, 5 per cent increase for entering students in professional and graduate programs, and 4 per cent increase for professional and graduate students who started their studies under the previous framework until their graduation. The average of these rate increases, weighted by enrolment in programs, could not exceed 3 per cent. In January 2019, the government announced a 10 per cent reduction in tuition fees, followed by a freeze.

Functional Areas – Operating Fund

Figure 4 outlines expenses by major functional areas reported in the Operating Fund. The information is presented in both dollars and percentages for both years. In 2018-19, 58 per cent of expenses in the Operating Fund were incurred in Instruction and Research. The majority of these funds were allocated directly to the academic units for the pursuit of teaching and research. All other functional areas supported the infrastructure necessary to advance the academic mission of Ontario universities. The amount of spending on Physical Plant demonstrates the significant investment requirements to support and maintain campus buildings, grounds and utilities. However, provincial funding did not meet generally recognized benchmarks for investments in capital maintenance. As outlined in the [Ontario Universities Facilities Condition Assessment Program June 2015](#), the generally accepted minimum industry standard of re-investment in building renewal is 1.5 per cent of the Current Replacement Value (CRV). By comparison, the funding level under the provincial government’s Facilities Renewal Program from 2010-11 to 2014-15 was \$17.3 million annually representing 0.10 per cent of CRV. In 2017-18, the funding level increased to \$40.0 million, which represents 0.17 per cent of CRV; in 2018-19, funding was \$53.3 million, which represents 0.22 per cent of CRV. The major components of expenditures incurred in Student Services were scholarships and bursaries. For a more detailed explanation of each functional area, please refer to the COFO Reporting Guidelines at <https://ontariosuniversities.ca/resources/data/cofo>.

Figure 4: Operating Fund Expenses by Functional Area* - (\$ millions)

Total Operating expenses for 2018-19 were \$9,828 (Total for 2017-18: \$9,572)



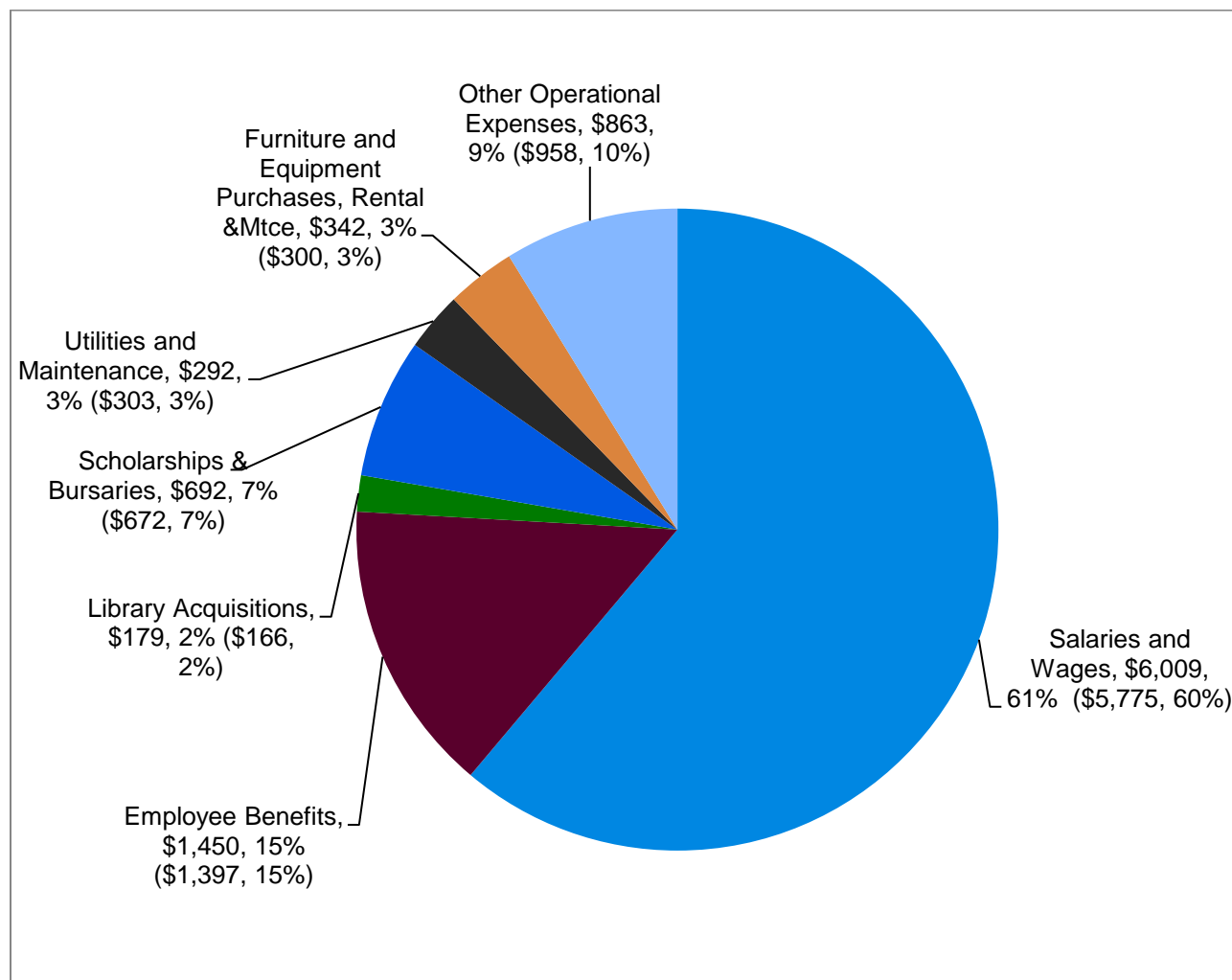
(*figures in brackets are from 2017-18)

Operating Fund Expenses by Object of Expense

Figure 5 outlines expenses by object of expense reported in the Operating Fund. The data is presented in both dollars and percentages for a two-year period (2017-18 and 2018-19). In 2018-19, 76 per cent of total operating fund expenses covered faculty and staff salaries (Salaries and Wages) and benefits (Employee Benefits). This proportion of expenses on salaries and wages, and benefits, reflects the knowledge-based nature of universities. The percentage of operating dollars expended in each category remained relatively constant from year to year, with slight increases in Salaries and Wages, and Other Operational Expenses. For details on specific expenses included in each object area presented here, please refer to the COFO Reporting Guidelines <https://ontariosuniversities.ca/resources/data/cofo>.

Figure 5: Operating Fund Expenses by Object of Expense* - (\$ millions)

Total Operating expenses for 2018-19 were \$9,828 (Total for 2017-18: \$9,572)



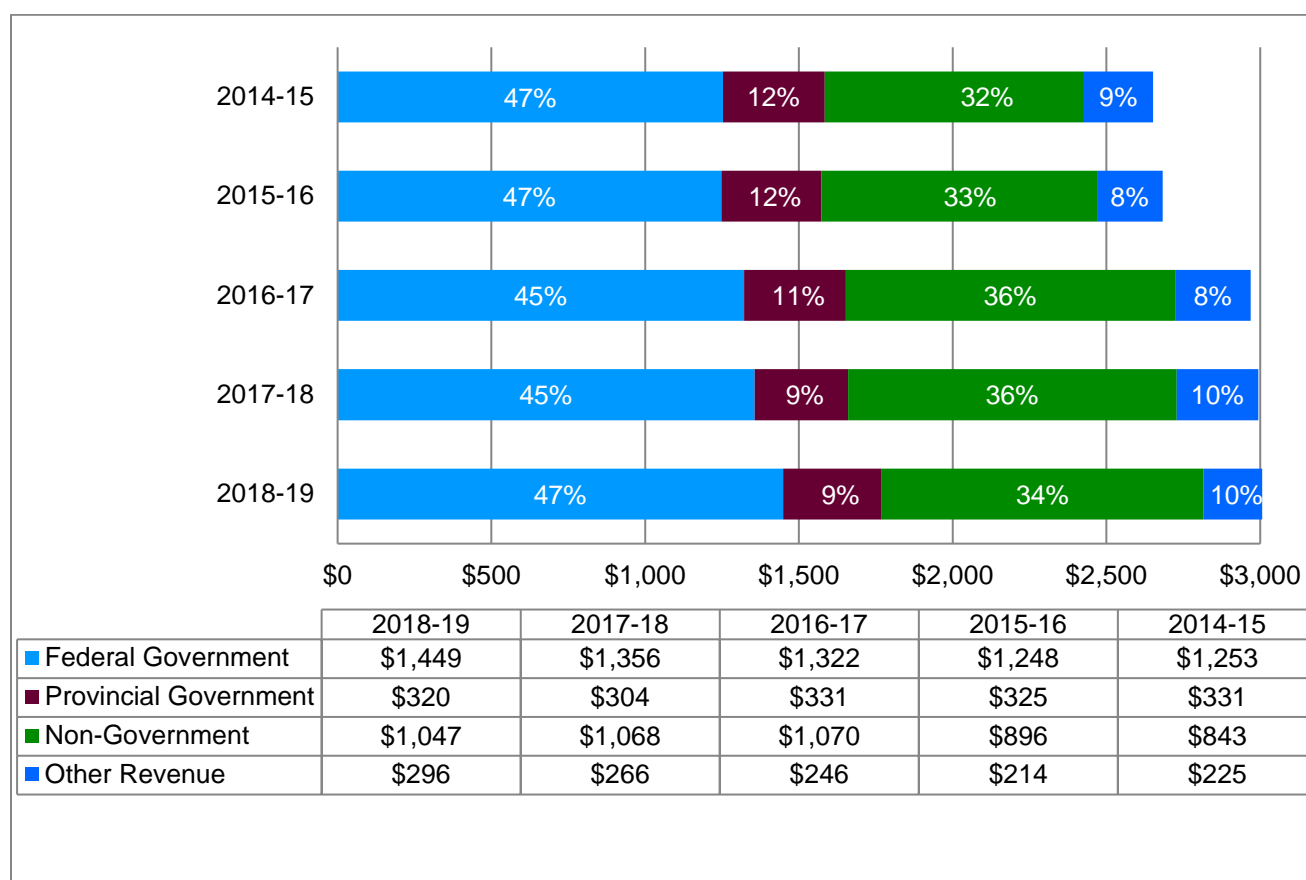
(*figures in brackets are from 2017-18)

Sponsored Research Revenue

Figure 6 presents the major sources of revenue accounted for in the Sponsored Research Fund in actual dollars, and as a percentage of the total over five years (2014-15 to 2018-19). For all years, almost half of the sponsored research is funded by the federal government, with a majority of the funding coming from Natural Sciences and Engineering Research Council (NSERC), Canada Foundation for Innovation (CFI) and Canadian Institutes for Health Research (CIHR). In the past five years provincial funding has decreased by 3 per cent, while federal funding, by far the largest source of Sponsored Research revenue, grew by 16 per cent over the same period.

More than one third of sponsored research was funded by non-government agencies, such as charitable foundations and industry, making this the second largest source of research funding. In many instances, non-government agencies and governments partner to fund strategic research programs. For a detailed list of federal grants, refer to [Table 10 of the COFO Financial Report of Ontario Universities](#). For a detailed list of provincial grants, refer to [Table 12 and 12a of the COFO Financial Report of Ontario Universities](#).

Figure 6: Sponsored Research Revenue by Source – (\$ millions)



Enrolment

Figure 7 and 8 present the undergraduate and graduate full-time equivalent (FTE) enrolment data over the five-year period (2014-15 to 2018-19). During this period, undergraduate and graduate FTE enrolment growth was 5 per cent and 16 per cent respectively. Growth in undergraduate enrolments is projected to slow down over the next few years as a result of demographic changes affecting the numbers of young adults in Ontario. Graduate growth over the last five years reflects the priority of Ontario universities to increase graduate enrolment. Graduate enrolment growth contributes highly skilled personnel to Ontario's labour market; and helps advance research and, in both these ways, improves the province's competitiveness in a global economy.

Figure 7: Undergraduate Enrolment (FTE)

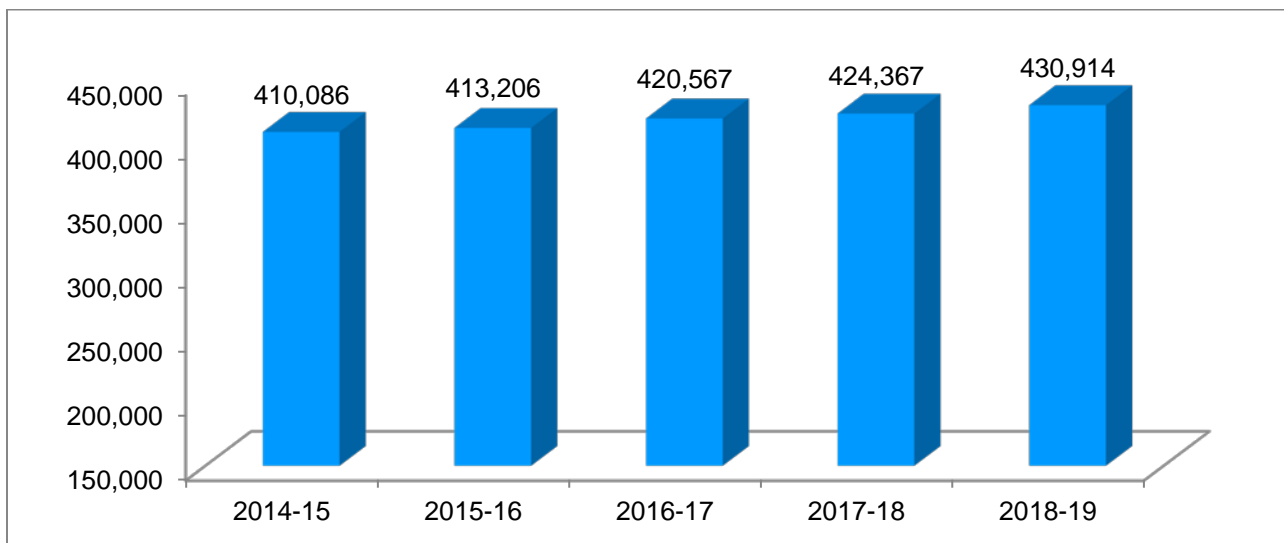
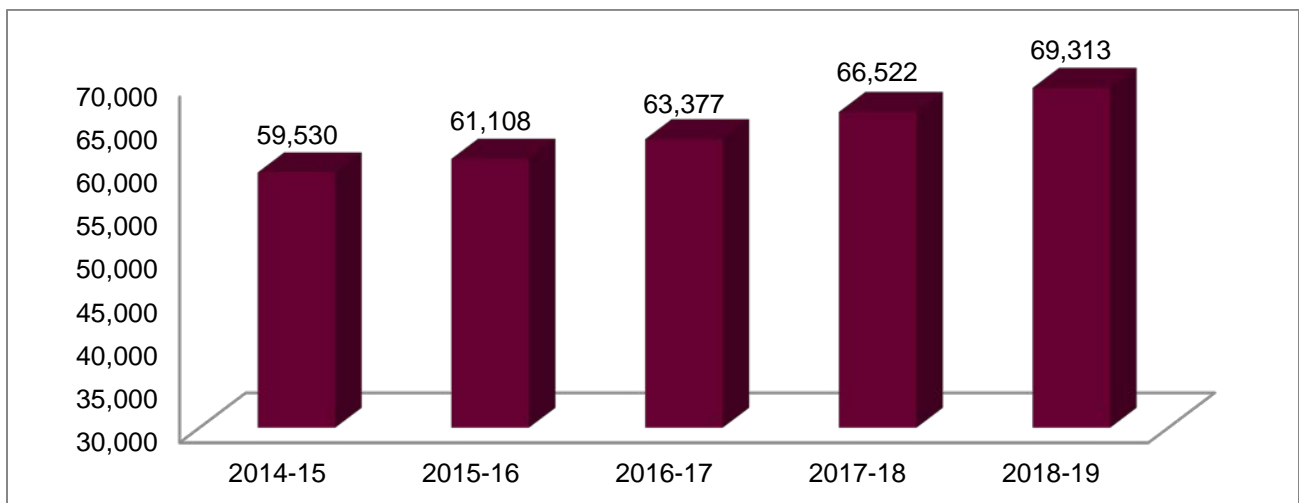


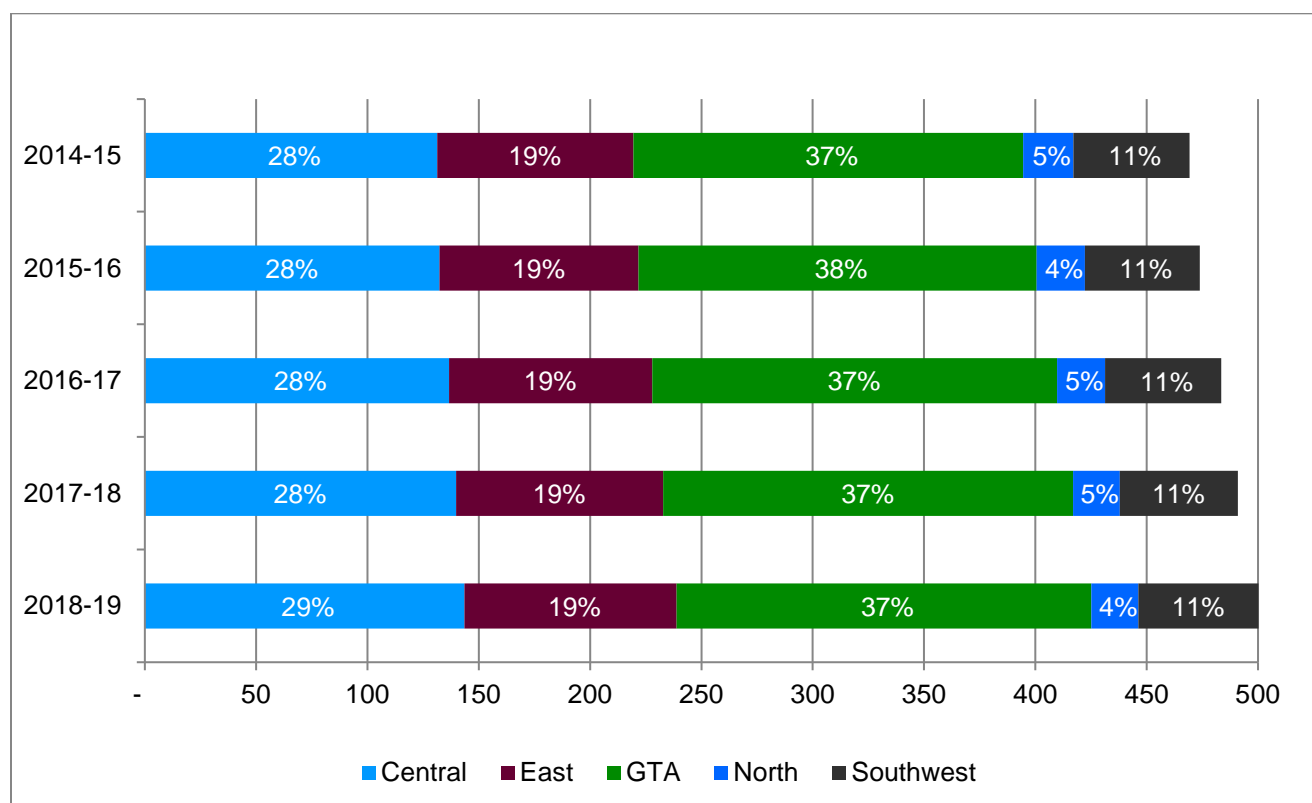
Figure 8: Graduate Enrolment (FTE)



Enrolment by Region

Figure 9 gives a breakdown of full-time equivalent (FTE) enrolment data by region, and as a percentage of total Ontario FTEs over the five-year period (2014-15 to 2018-19). While enrolment in absolute numbers has increased, the composition of enrolment by region has fluctuated in some regions, with a 1 per cent decrease in the North and a 1 per cent increase in the Central region. The two largest regions are Central Ontario and GTA, accounting for 66 per cent of the total enrolment in Ontario.

Figure 9: Enrolment by Region (FTE) – (thousands)



Institutions by Region

Central	Waterloo, McMaster, Guelph, Brock, Laurier, Trent
East	Ottawa, Carleton, Queen's
GTA	Toronto, York, Ryerson, Ontario Tech, OCADU
North	Lakehead, Laurentian, Nipissing, Algoma
Southwest	Western, Windsor



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