



# Budget and Finance Committee Report

Unity Council Town Hall

June 15, 2023

Based on a presentation given at the QUFA Annual Meeting, April 27, 2023

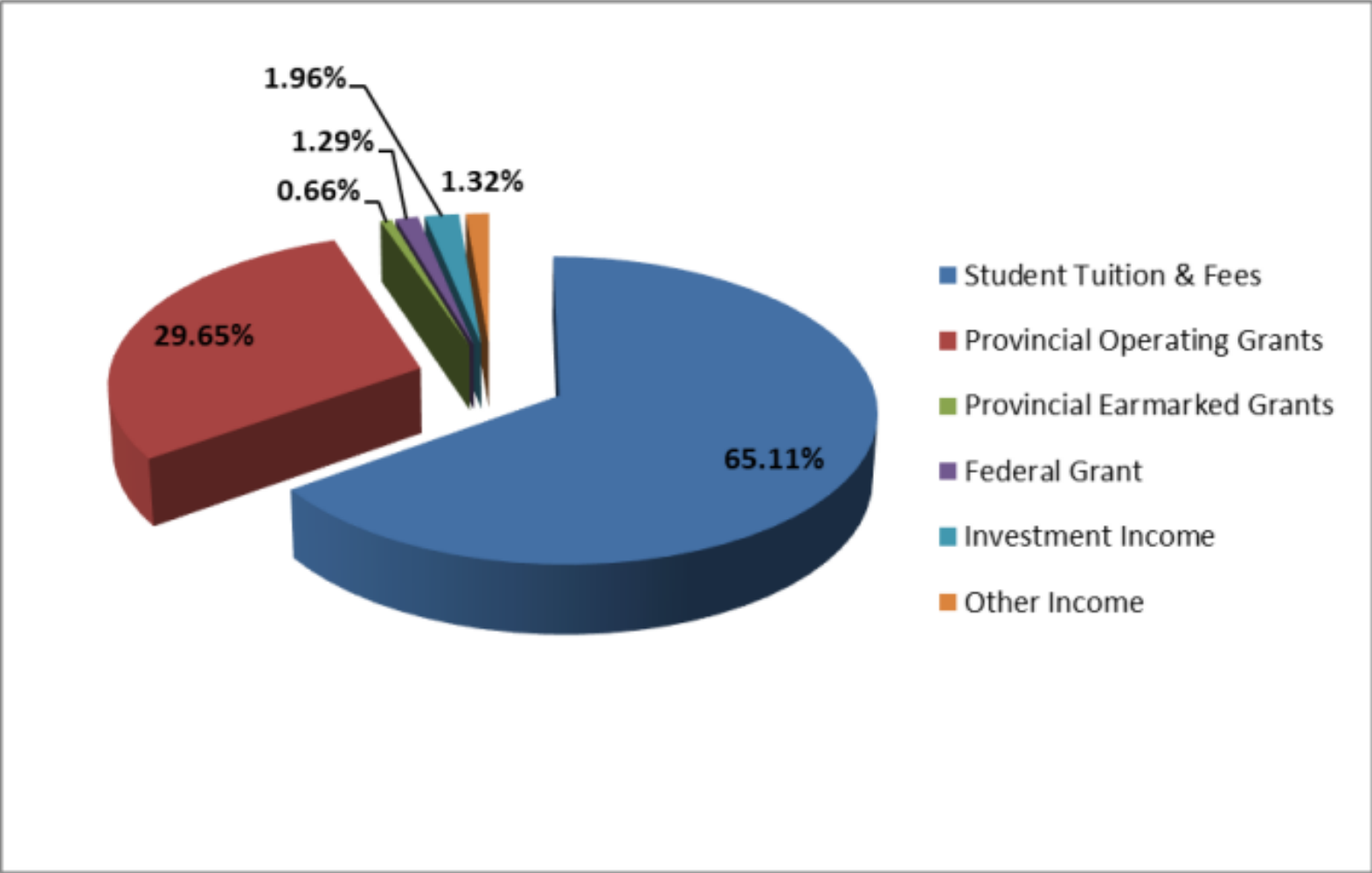
Committee members: Jordan Morelli, John Rose (QUFA staff), Michael White, Scott Yam

What are the principal causes of financial problems at universities?

# DEMOGRAPHICS

Image: Yinan Chen - [www.goodfreephotos.com](http://www.goodfreephotos.com) (gallery, image), Public Domain, <https://commons.wikimedia.org/w/index.php?curid=33633818a>

# Total Operating Revenue by Source



Source: Queen's University Budget Report, 2021-2022, p. 16



# Strategic Misadventures

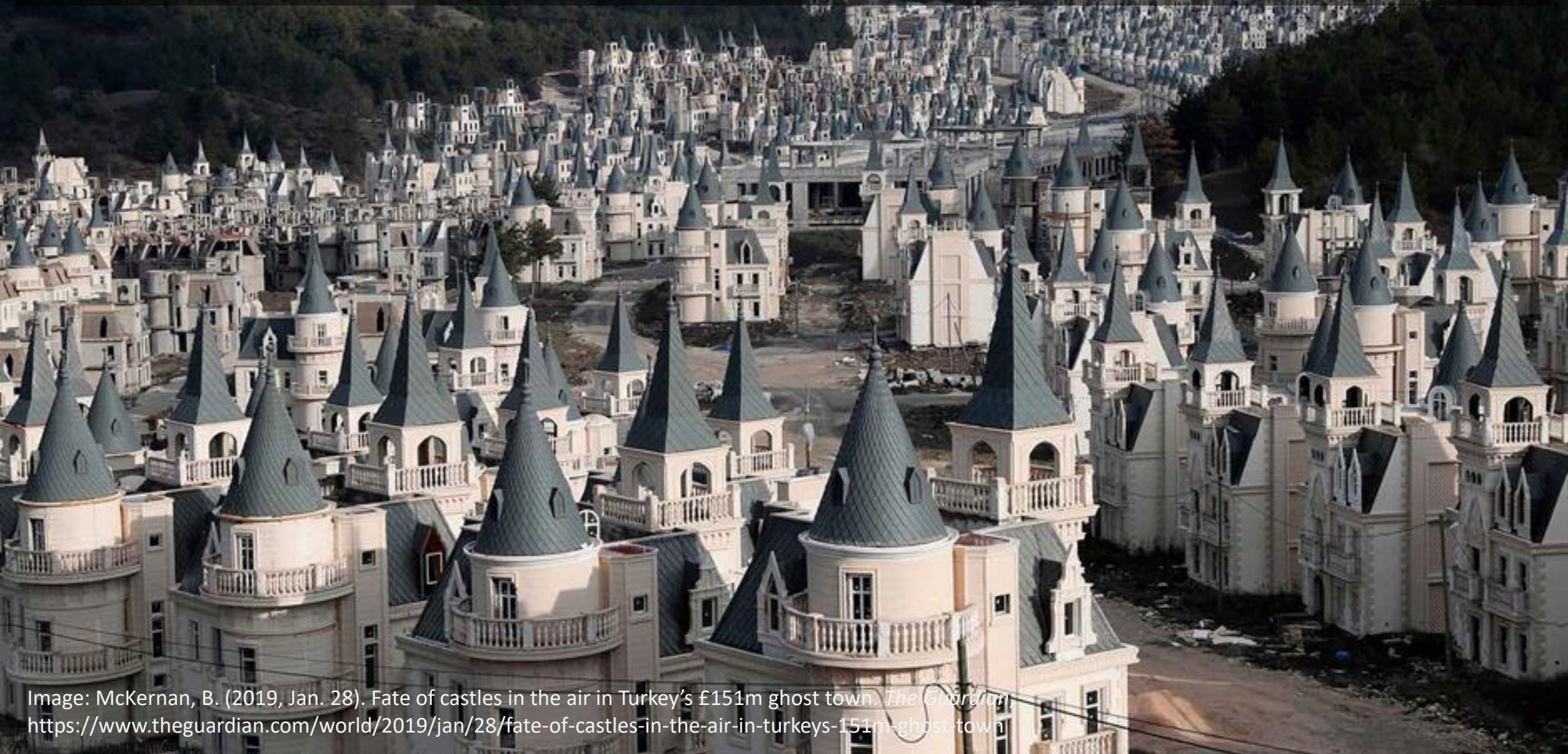


Image: McKernan, B. (2019, Jan. 28). Fate of castles in the air in Turkey's £151m ghost town. *The Guardian*, <https://www.theguardian.com/world/2019/jan/28/fate-of-castles-in-the-air-in-turkeys-151m-ghost-town>

# Sources

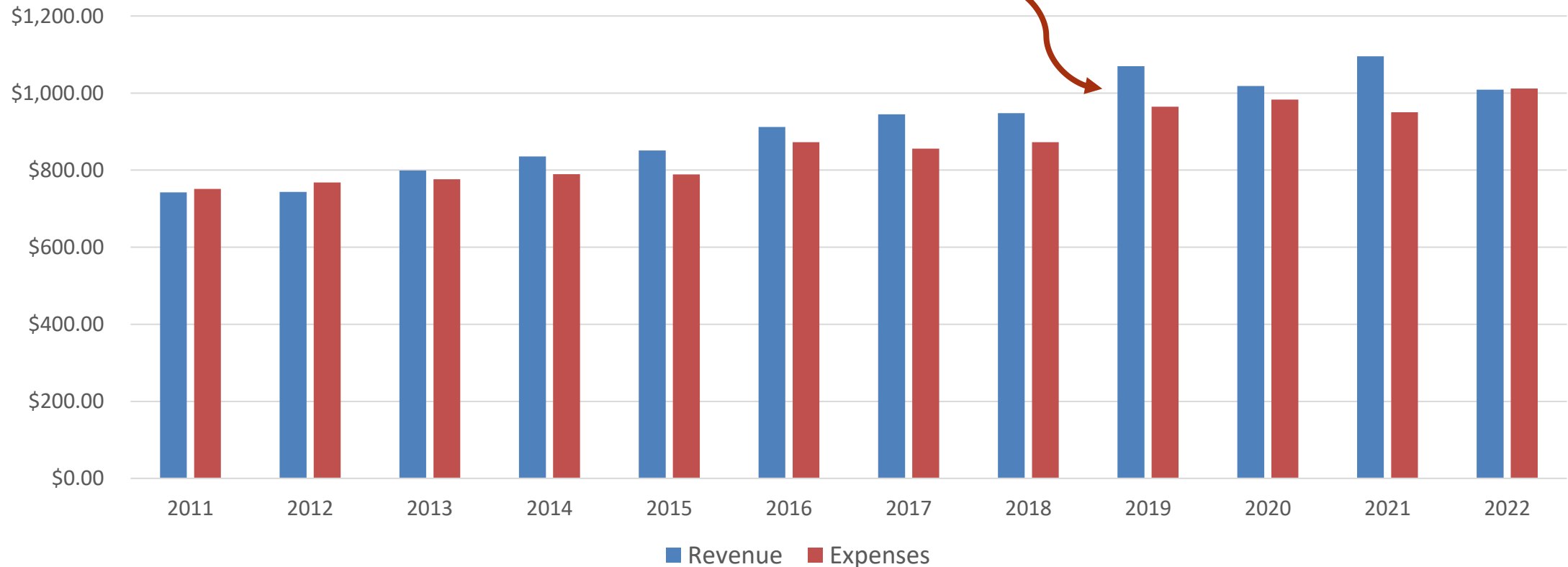
- Financial statements
- Budget reports
- Office of Planning and Budget
  - Student enrolments
  - Employee headcounts
- Common University Data Ontario (CUDO)
- Council of Ontario Financial Officers (COFO)
- OCUFA University Finance Committee
  - University finance dashboard



# Revenue and Expenses

(In millions)

2019: Queen's becomes a billion \$ organization



\$180,000,000 in foregone revenue due to 10% tuition cut and freeze since 2019/2020. In the same period, still managed a surplus of \$84,000,000.

Source: Queen's University Consolidated Financial Statements, 2011-2022

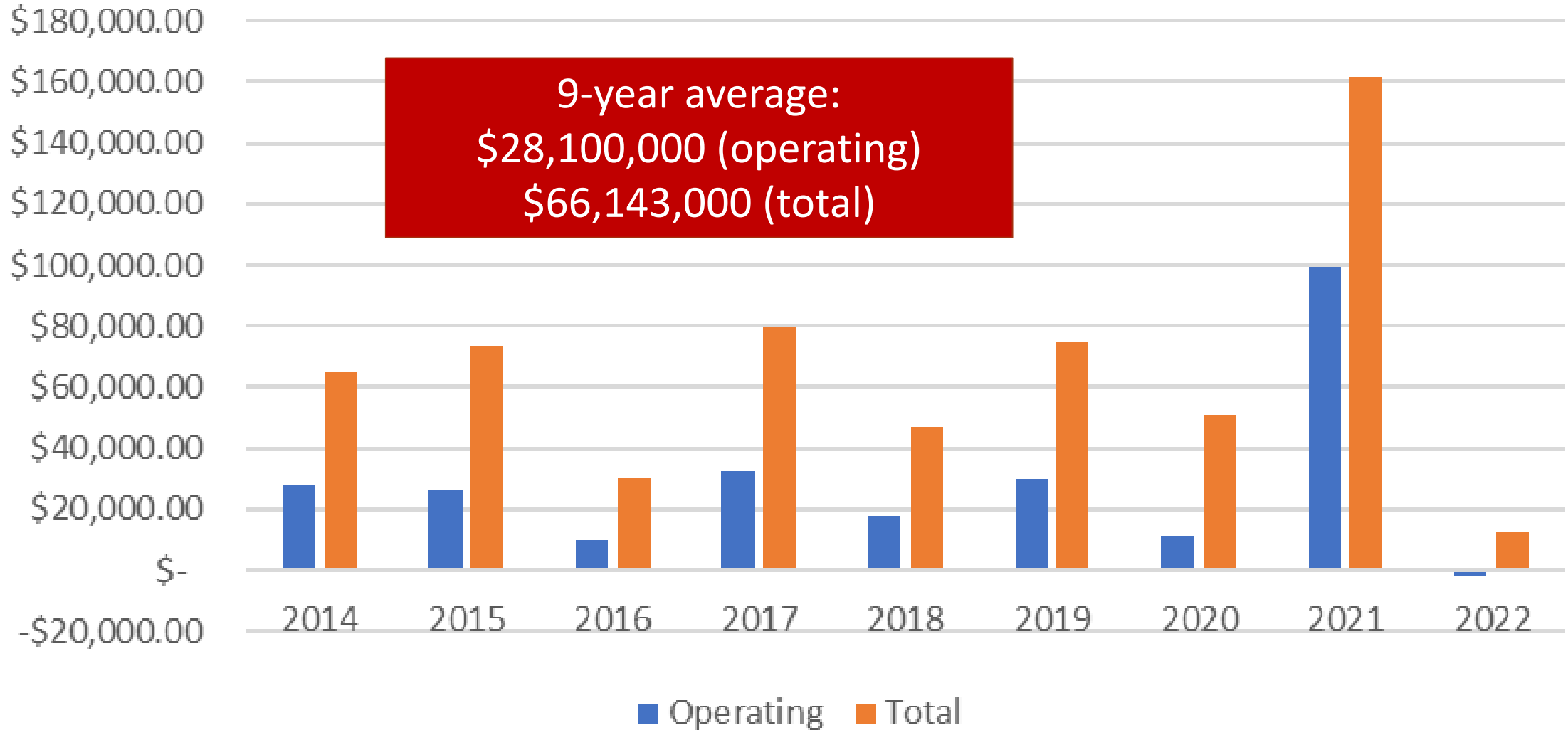
# Commentary

“The University ended the fiscal year with a **deficit of \$3.3 million**, driven largely by **weak investment returns in the wake of high inflation and rising interest rates**. The strong investment returns experienced in 2021 provided capacity to counter the weak returns of the current year, but the **\$148.9 million decrease in investment income** is an extreme example of the volatility in investment returns that are possible from one year to the next. The current year’s deficit was funded through the depletion of University reserves, flexibility that will continue to be eroded in coming years with government constraints on domestic enrolment, tuition frameworks, and grant funding.”

Donna Janiec, VP (Finance & Admin.)

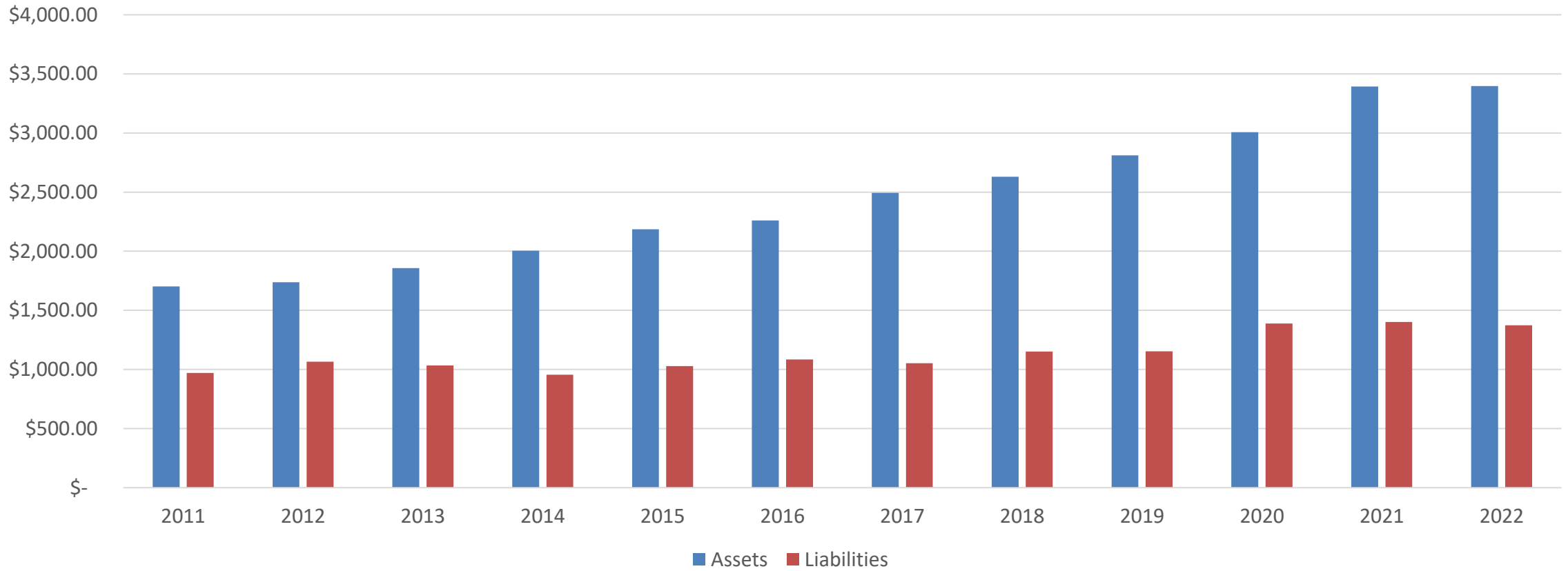


# Investment Income



# Assets and Liabilities

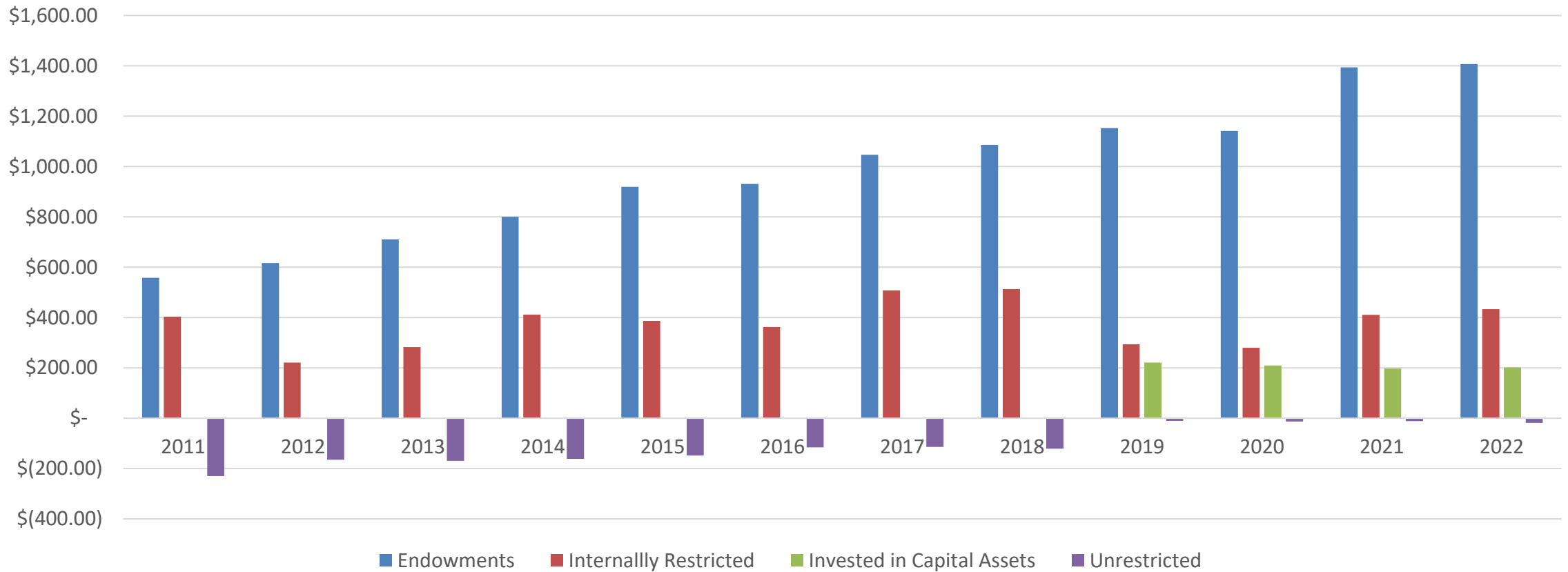
(In millions)



Source: Queen's University Consolidated Financial Statements, 2011-2022

# Assets (Endowments, Internally Restricted, Unrestricted, and Invested in Capital Assets)

(In millions)

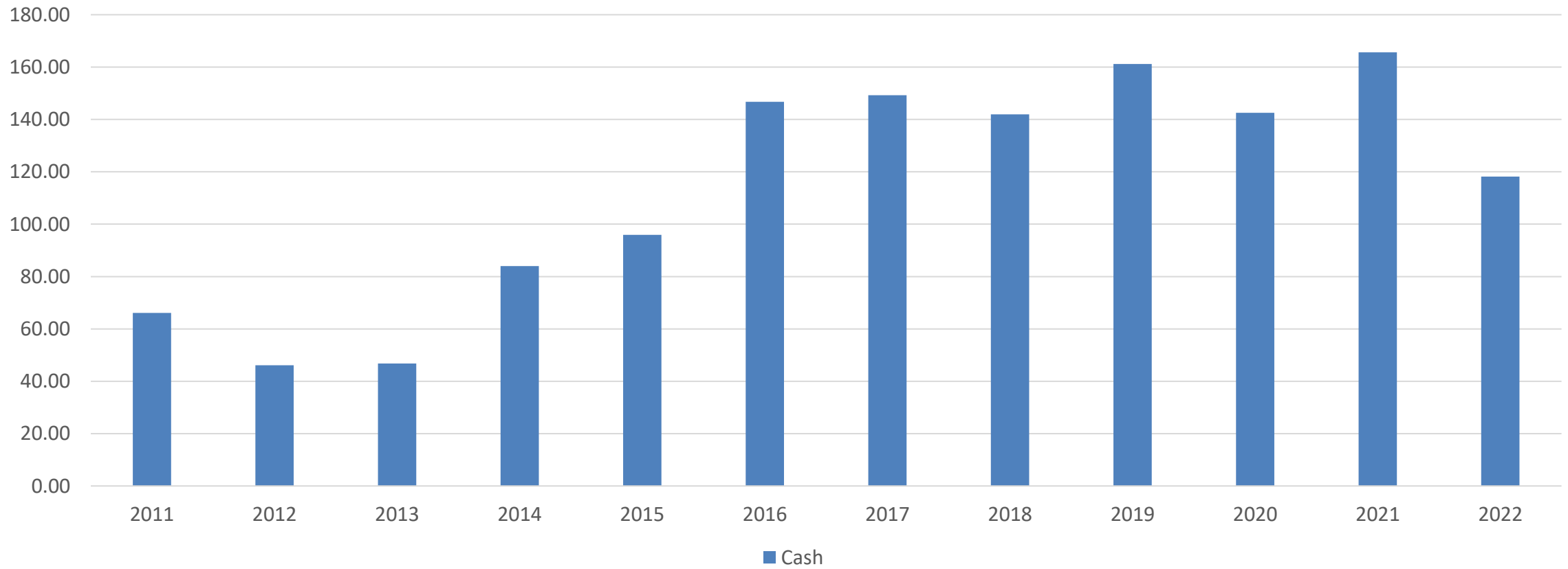


Source: Queen's University Consolidated Financial Statements, 2011-2021

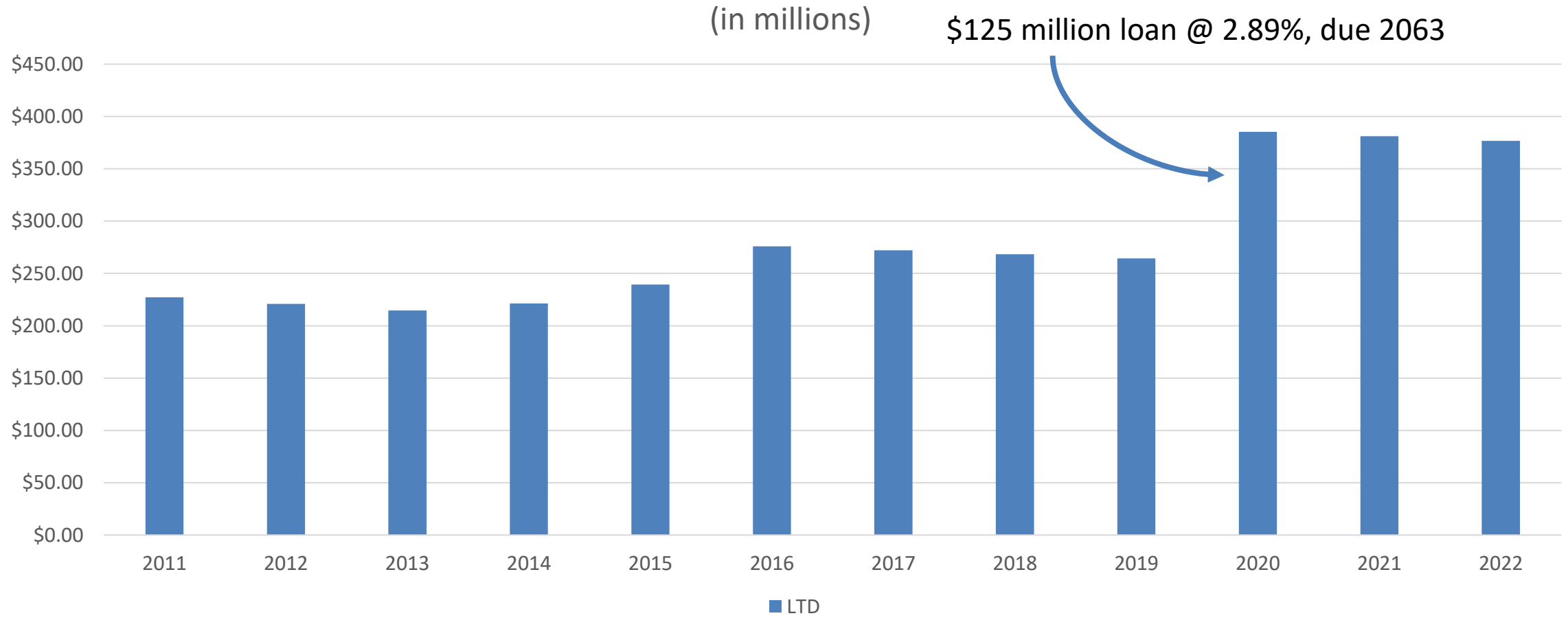


# Cash (Asset)

(in millions)



# Long-term Debt (Liability)

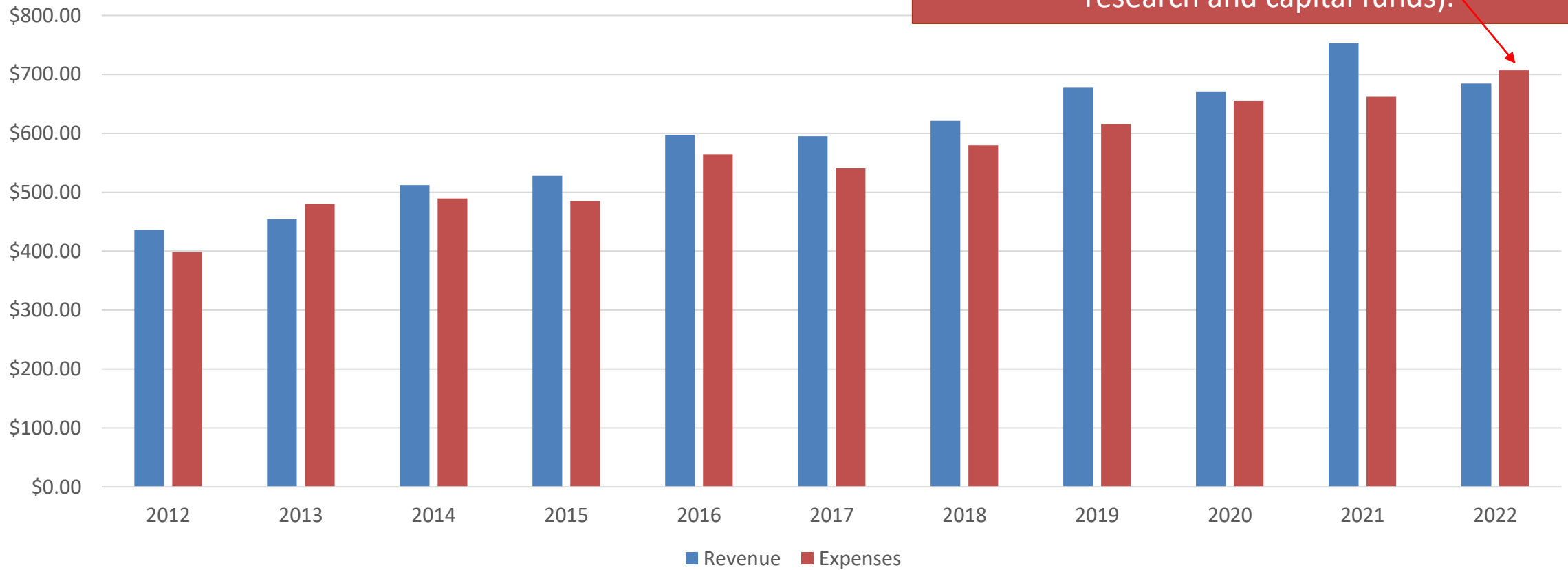


Source: Queen's University Consolidated Financial Statements, 2011-2021

# Operating Fund (Accounting basis)

(in millions)

Includes: \$41,096,000 for 'student assistance', and \$39,299,000 for 'interfund transfers out' (goes to research and capital funds).

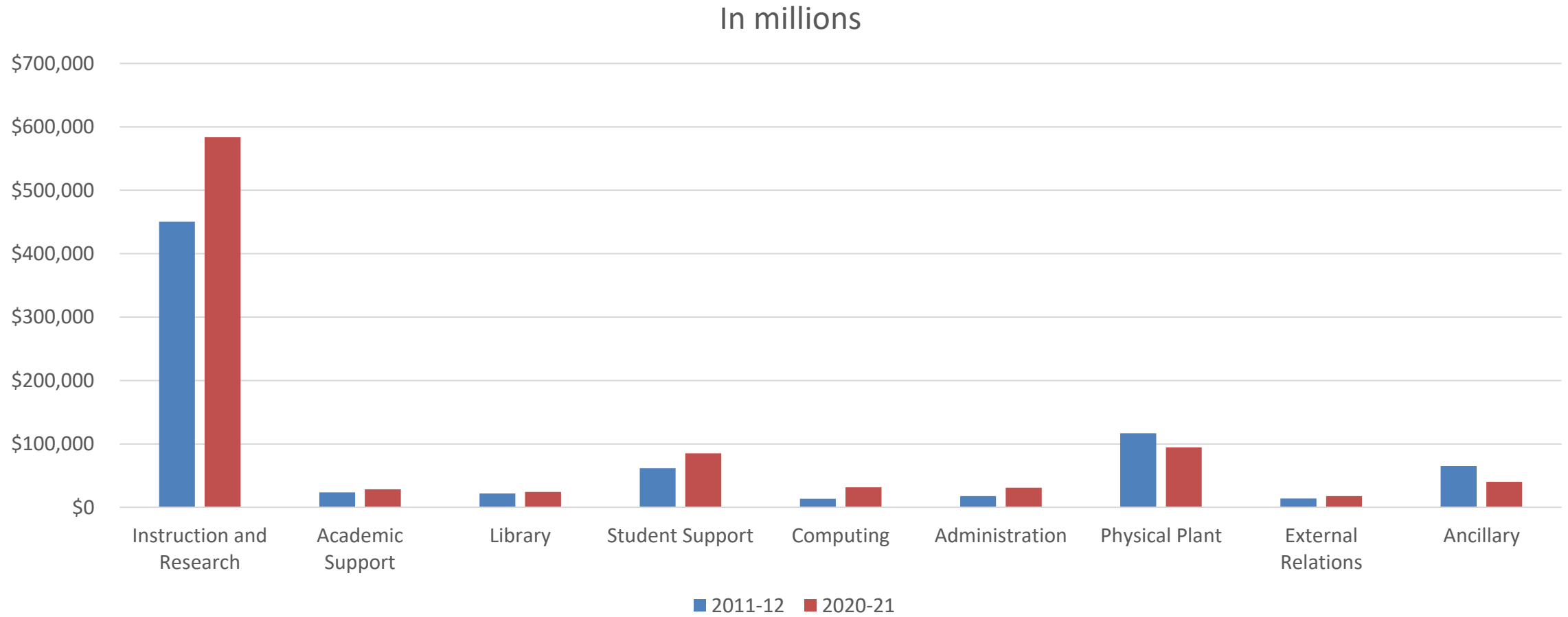


Source: Queen's University Consolidated Financial Statements, 2011-2021

9-year (2014-2022): Revenue – Expenses = +\$340,314,000  
average: \$37,812,000 surplus per year

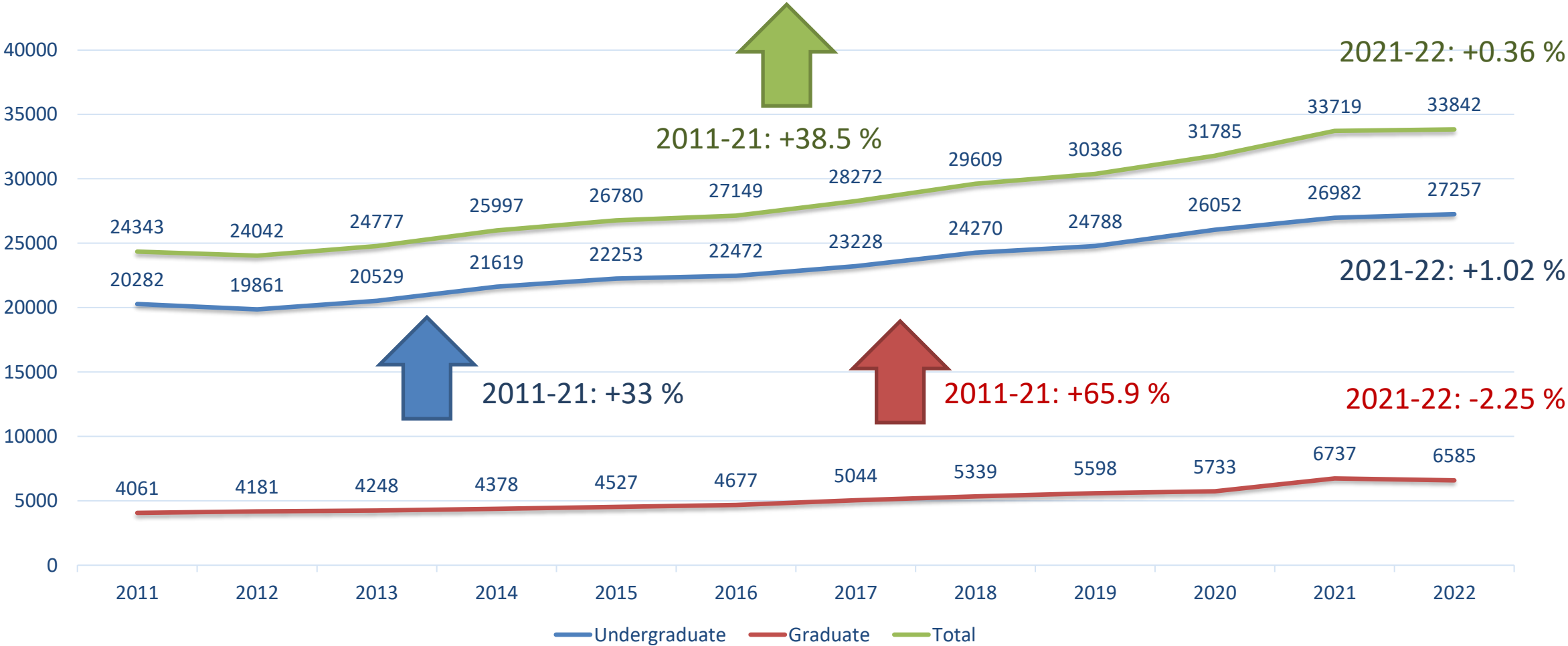


# Queen's Expenses by Functional Area (COFO)



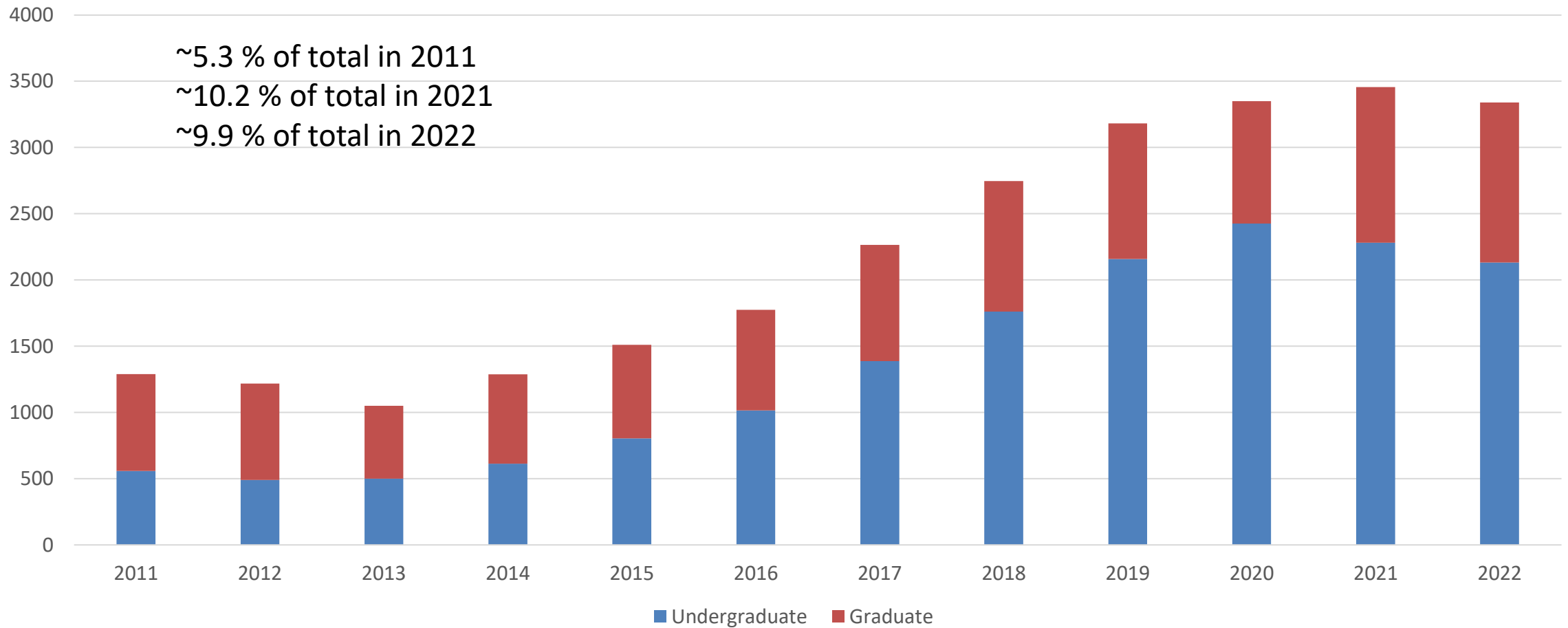
Source: [Council of Ontario Finance Officers, Council of Ontario Universities](#)

# Enrolments (FTE and part-time)



Source: [Queen's Office of Planning and Budget](#)

# International Students



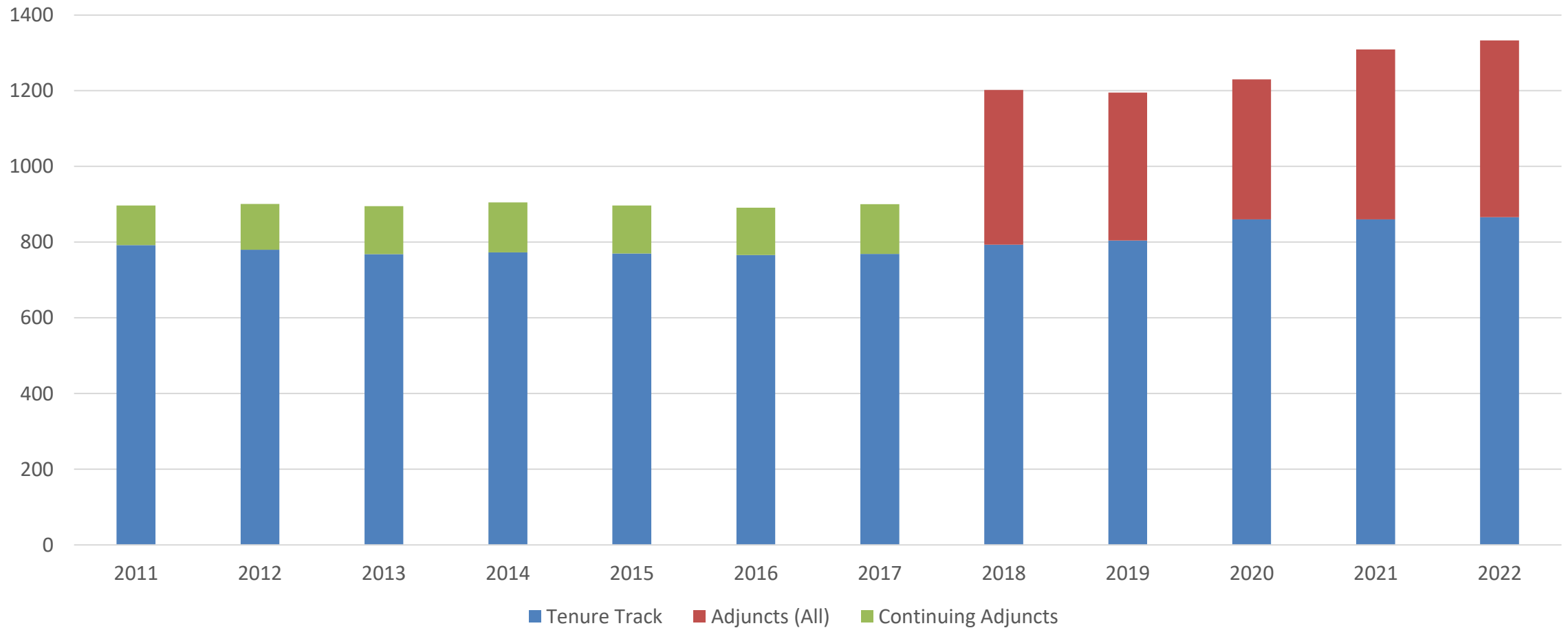
Source: [Institutional Research and Planning](#)



# Student Enrolment

“Shortfalls against the budget were observed in international enrolment (\$31.5M) primarily for the Faculty of Arts & Science, Faculty of Engineering and Applied Science, and Faculty of Health Sciences. The majority of the decline in expected international enrolment is the result of lower than budgeted intake, as well as lower than planned retention across various programs, predominantly in the Faculty of Arts and Science.”

# Tenure-track and Adjunct Faculty

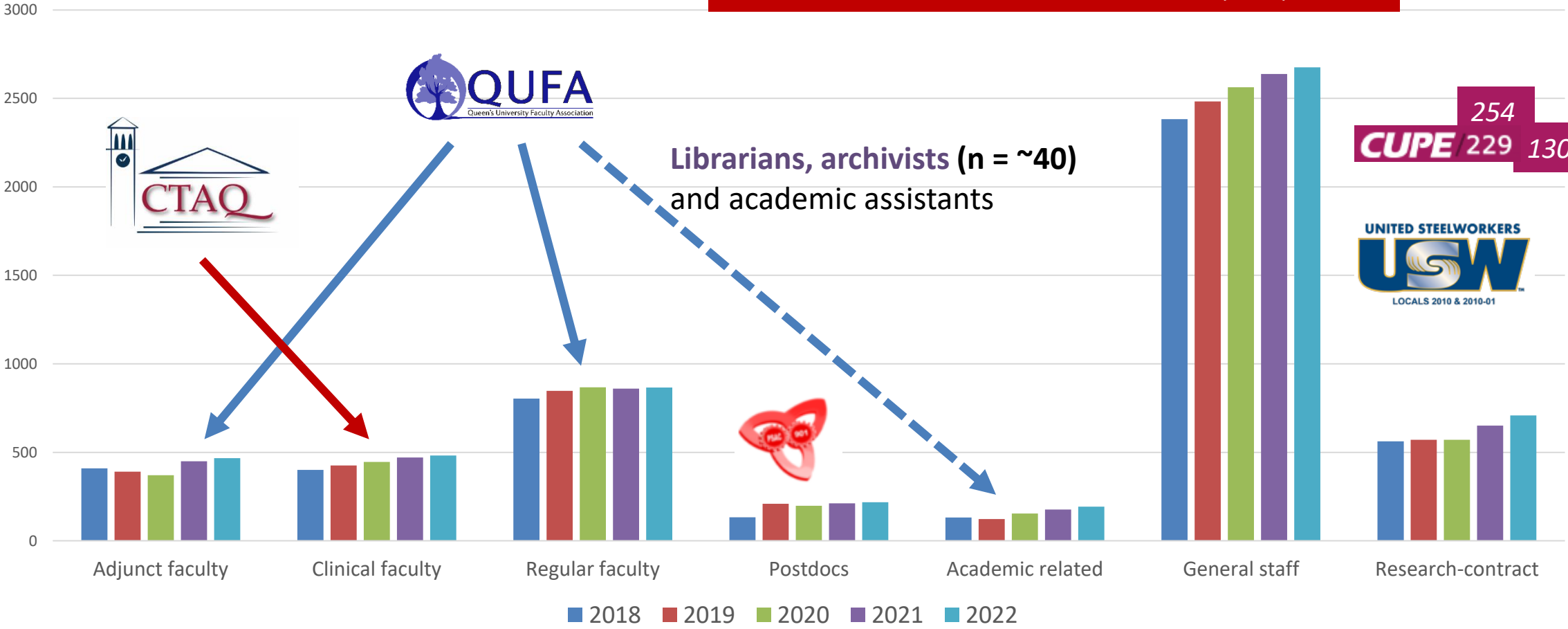


Source: [Queen's Office of Planning and Budget](#), QUFA Office

Note: Term adjunct data not available, 2011-2017

# Employees\* by Appointment Type

2022: 'Salaries and Benefits: \$468,583,000

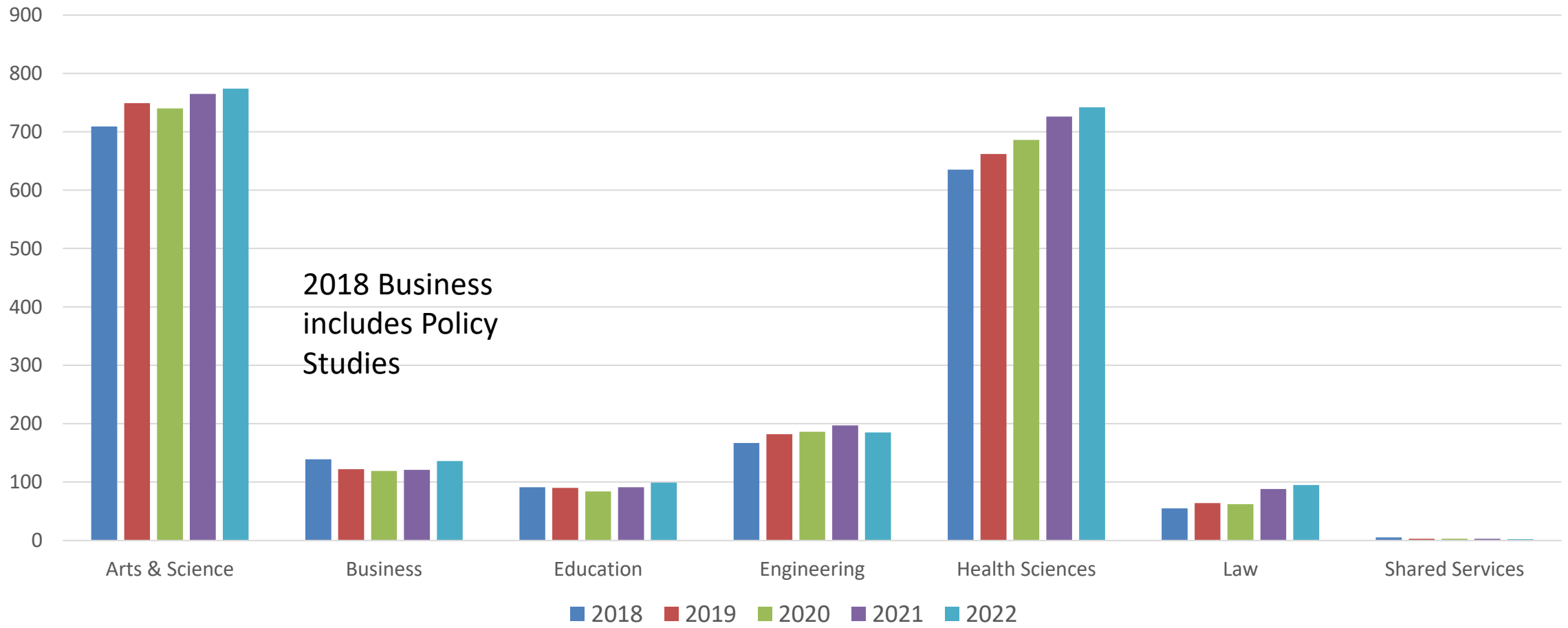


Source: [Institutional Research and Planning](#), Office of Planning and Budgeting

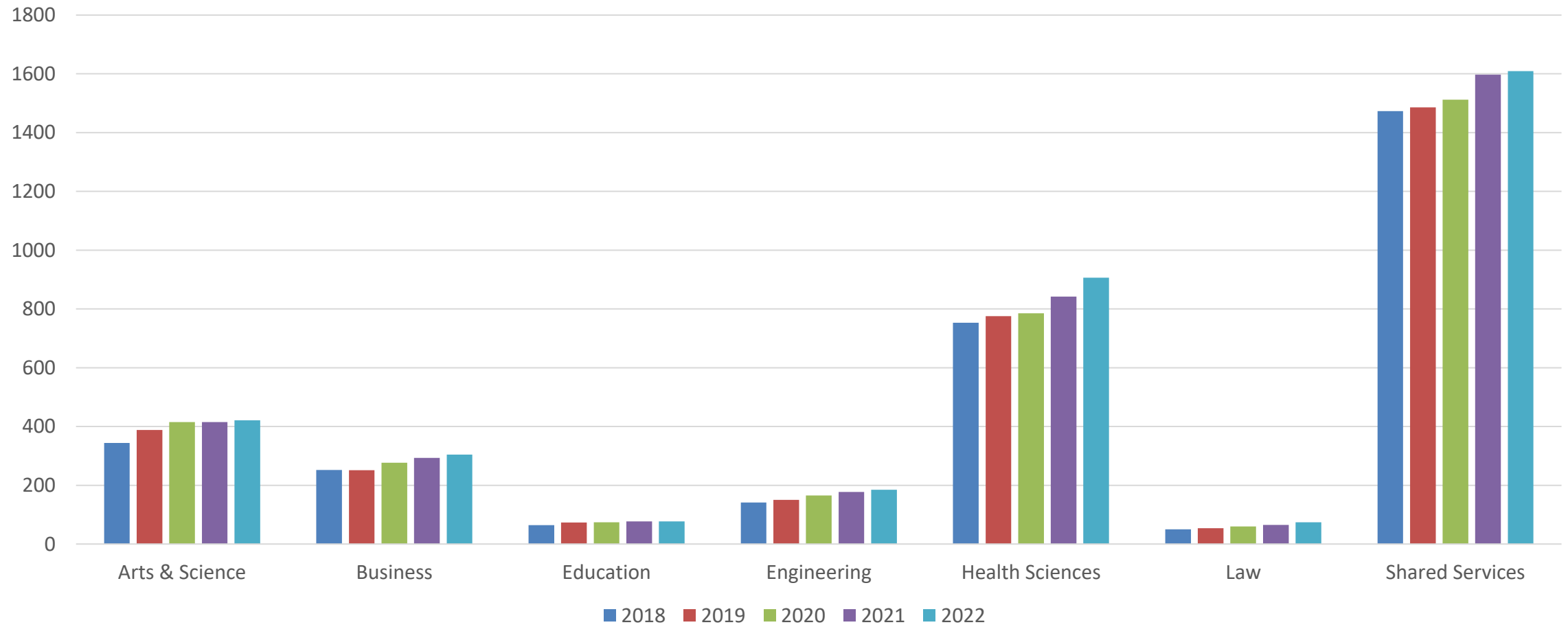
\*Does not include student employees



# Faculty Appointments by Faculty



# Staff Appointments by Faculty



Source: [Institutional Research and Planning](#), Office of Planning and Budgeting

# QU Financial Statement Summary

	2011	2021	← Change	2022	← Change
Revenue	\$742.5 million	\$1,095.3 million	47.5 %	\$1,008.8 million	-0.33 %
Expenses	\$751.2 million	\$950.5 million	26.5 %	\$1,012.1 million	6.5 %
Op fund revenue (2014)	\$435.9 million	\$752.9 million	72.7 %	\$684.63 million	-9.1 %
Op fund expenses (2014)	\$398.5 million	\$662.1 million	66.1 %	\$706.89 million	6.8 %
Assets	\$1,701.6 million	\$3,393 million	99.4 %	\$3,397 million	0.1 %
- Endowments	\$557.7 million	\$1,393.7 million	149.9 %	\$1,407 million	1 %
- Cash	\$66.1 million	\$165.6 million	150.5 %	\$118.9 million	-28.2 %
Liabilities	\$970.5 million	\$1,402.6 million	44.5 %	\$1,374.3 million	-2 %
- Long-term debt	\$227.17 million	\$381.15 million	67.8 %	\$376.81 million	-1.1 %
Enrolment (ft+pt)	24,343	33,719	38.5 %	33,842	0.36 %
Faculty (TT/CA)	792/105	860/134	8.6%/27.6%	866/?	0.69 % / ?
Staff (FT/contract)	NA	2,726/752	NA	2,824/755	3.4 % / 0.39 %

# Summary

- Annual financial reports provide only a snapshot of the financial health of an institution. Long-term trends are much better indicators of financial health.
- Universities do not go bankrupt overnight. The warning signs are often present years or even decades before a crisis hits.
- Financial problems often arise due to demographic challenges (declining enrolment) or strategic misadventures (costly buildings or new campuses).

# Financial Projection, May 12, 2023

“Shortfalls against the budget were observed in international enrolment (\$30.6M) primarily for the Faculty of Arts & Science, Faculty of Engineering and Applied Science, and Faculty of Health Sciences. The majority of the decline in expected international enrolment is the result of lower than budgeted intake, as well as lower than planned retention across various programs, predominantly in the Faculty of Arts and Science.”

“Graduate tuition is projecting a \$17.6 million negative variance primarily due to lower enrolment across many of the Smith School of Business programs (\$13.7 million). A decline in graduate program applications overall is also contributing to lower in-year enrolment across most of the remaining faculties’ research-based and professional master’s programs, as well as PhD programs.’

Operating budget deficit for FY2023-24 of \$62.3 million. However, \$25 million is one-time expense related to back-pay negotiated in collective agreements.

# Financial Projection, May 12, 2023

“Investment income on short-term cash balances is showing a positive variance of \$6.5 million because of higher than budgeted interest income further to the substantial increase in interest rates. The Pooled Investment Fund (PIF) has experienced gains to date of \$18.5 million as of March 31, 2023, however given the volatility of financial markets, only budgeted revenue of \$5.2 million for the Pooled Investment Fund (PIF) has been included in the projected revenue.”