



BOARD OF GOVERNORS
Audit & Finance Committee (A&F)

Minutes of the Public Session of the Meeting of June 14, 2023
2:00 p.m. to 2:47 p.m. Videoconference

Attendees: Carla Carmichael (Chair), Laura Elliott, Kathy Hao, Thorsten Koseck, Dale MacMillan, Steven Murphy

Regrets: Mitch Frazer, Kim Slade, Roger Thompson

Governors: Matthew Mackenzie, Dwight Thompson

Staff: Jamie Bruno, Krista Hester, Lori Livingston, Brad Maclsaac, Kimberley McCartney, Pamela Onsiong, Lauren Turner

Guests: Reagen Travers (KPMG), Bobbi White (KPMG)

1. Call to Order

The Chair called the meeting to order at 2:00 p.m. and read aloud the land acknowledgement.

2. Agenda

Upon a motion duly made by T. Koseck and seconded by S. Murphy, the Agenda, including the contents of the consent agenda, was approved as presented.

3. Conflict of Interest Declaration

There was none.

Dale MacMillan joined the meeting.

4. Chair's Remarks

The Chair thanked everyone for joining the last Committee meeting of the academic year. She reflected on an interesting first year as Chair of the Committee, highlighting the evolution of risk reporting, moving to a 3-year budgeting cycle, overseeing remediation of the recommendations from the Auditor General and oversight of complex financial transactions.

5. President's Remarks

The President thanked the Chair for her leadership over the past year and remarked upon the ongoing challenges presented by the tuition and grant freeze.

He then thanked students, staff, faculty and governors for making Convocation a great success last week. He closed by noting that June is Pride and Indigenous History month and welcomed Ruth Nyaamine, the new Associate Vice-President of Inclusion, Diversity and Belonging to the University.

6. Finance

6.1 Draft Audited Financial Statements 2022-2023

P. Onsiong presented the Draft Audited Financial Statements 2022-2023 (Statements). She noted that the Statements reflect the acquisition of control of Regent Corp. and its property located at 55 Bond St which took place in February 2023 for a cash consideration of \$7.5 million. Turning to the statement of operations, P. Onsiong drew the Committee's attention to a surplus of \$2.6 million for the year with revenues increasing 4% over last year but expenses increasing by 9%. She noted that 6% of the 9% was driven by salaries and benefits which consume over 80% of increased revenues. She advised the Committee that the statement of financial position remains stable with a net asset increase of \$3.5 million over last year. Expendable net assets decreased slightly over last year, largely driven by the investment in Regent Corp. She reported that overall cash and short-term investments are healthy at \$80 million, 25% of which is restricted for research and donations. She advised the Committee that over \$11 million in debt obligations were repaid leaving \$193 million on the books at the end of the fiscal year.

P. Onsiong then discussed the appendices to the Statements. She advised that restricted reserves are reviewed in conjunction with the year-end management report, which is prepared on a modified cash basis. She noted that the University used over \$11 million from reserves in the current year to fund capital infrastructure and financial assistance to students. She recommended to the Committee that \$0.5 million be set to reserves to comply with contractual obligations for faculty startup, professional development, and unspent student funds. Turning to the University's financial ratios, she commented that the ratios remain those recommended by the Council of Ontario Universities (COU) in 2016. Out of five ratios, the University falls short on three: income loss, debt, and interest burden. She advised that if the \$13.5 million of grant funding received annually by the University from the Ministry for debenture debt is normalized, debt ratios fall well within minimal recommendations.

A discussion then ensued on the Statements. In response to a question, P. Onsiong confirmed that the threshold for capitalization is \$10,000 at the University; staff are exploring increasing this to \$25,000 to align with the sector and reduce manual work for the Finance team. In response to a different question, P. Onsiong advised that metrics are reported to the Ministry, including an explanation of the University's debt ratios. In response to a question, P. Onsiong clarified that deferred value represents a combination of operating and research values. The Chair expressed support for normalizing the debt metrics, commenting that they should be contextualized in the University's unique situation with respect to the

debenture. In response to a question, P. Onsiong confirmed that the normalized value reflects the 80% guaranteed by the Ministry. In response to a question about the net income/loss ratio, P. Onsiong confirmed that there will be deficits in 2024/2025 and 2025/2026. The Committee requested that this ratio be monitored and met if possible. In response, P. Onsiong advised that the ratio demonstrates the ongoing challenges presented by restricted grant and tuition funding.

Upon a motion duly made by T. Koseck and seconded by S. Murphy, the Audit and Finance Committee hereby recommends the 2022/23 audited financial statements and the 2022/23 internally reserved funds, as presented, for approval by the Board of Governors.

6.2 Fourth Quarter Financial Reports

P. Onsiong presented the Fourth Quarter Financial Reports (Reports). She provided an overview of performance against forecast, drawing the Committee's attention to a projected \$4.7 million forecast in Q3 that was \$2 million less by year end actuals. She summarized significant upsides and downsides including unspent grants deferred to next year, lower than projected tuition revenue due to a formula error, and donations. She commented on forecasting challenges stemming from underspending in some units, increased benefit costs not included the budget or Q3 forecast, and unexpected repairs and equipment purchases. She advised that conversations with relevant stakeholders are underway to tighten forecasting processes. She closed by noting that the shortfall in actual year-end surplus meant that \$6 million of the funds required to acquire Regent Corp. were funded through prior year reserves.

Carla Carmichael left the meeting.

7. Investment Oversight

7.1 Investment Portfolio Update

B. MacIsaac presented the Investment Portfolio Update, reporting a 5.5% rate of return which represents an increase since the December 2022 report. He advised that management and PH&N are seeing positive signs of recovery. He reported that as of January 2023 new disbursement quotas were required; working with the Advancement Office, Finance, and PH&N, he advised that the University is above the quota for compliance purposes.

Carla Carmichael rejoined the meeting.

8. Interim Risk Update

B. MacIsaac presented the Interim Risk Update, noting that twice a year there will be more in-depth presentations and in between reports will be interim with a focus on major changes since the last in-depth report. For this report, he advised that there were no major changes, but brought two updates to the Committee's attention: (i) consolidation of compliance requirements; and (ii) a site-visit by the University's insurer, Canadian Universities Reciprocal Insurance Exchange

(CURIE). With respect to compliance, he advised that staff are working to consolidate and centralize compliance data and exploring software to support these efforts. Regarding CURIE, he advised that the insurer is moving to a rewards program that incentivizes meeting or exceeding standards with premium reductions. In response to a question, he confirmed that there were significant issues arose in the last three months.

9. Consent Agenda

9.1 Minutes of Public Session of A&F Meeting of April 12, 2023

9.2 A&F Annual Board Report

9.3 Annual Policy Review

9.4 Privacy Report 2023

10. Adjournment

Upon a motion duly made by T. Koseck, the public session adjourned at 2:47 p.m.

Lauren Turner, University Secretary