



Memorandum

Office of the VP (Administration and Finance)
845 Sherbrooke Street West, Room 531
Montreal, QC
Tel: 514-398-6037 | Fax: 514-398-5902

TO: Senate

FROM: Mr. Michael Di Grappa, Vice-Principal (Administration and Finance)

SUBJECT: Annual Report on the Financial State of the University

DATE: 5 December 2012

DOCUMENT #: D12-25

ACTION REQUIRED: INFORMATION APPROVAL/DECISION

ISSUE: This presentation will highlight relevant elements of the University's Financial Report 2011-2012.

BACKGROUND & RATIONALE: The Financial Report to the Board of Governors is circulated to Senate. This presentation will focus on items from the report that are germane to Senate's mandate, and will provide an overview on expectations for future developments relating to the University's financial state.

MOTION OR RESOLUTION FOR APPROVAL: N/A

PRIOR CONSULTATION: Audit Committee of the Board of Governors;
Board of Governors.

NEXT STEPS: N/A

APPENDICES: Appendix A: 2011-2012 Financial Report to the Board of Governors
Appendix B: Annual Report on the Financial State of the University:
PowerPoint Presentation



Report on the Financial State of the University

Year ended April 30, 2012

Presentation to Senate
(D12-25 Appendix B *REVISED*)

5 December 2012



McGill

Key Messages

- We are doing well with what we have, but there's more to be done, and our financial status is fragile.
- Our spending is aligned with our strategic academic and research priorities.
- We are recognized as being fiscally responsible and prudent.
- Compared to our peers of similar size, we're doing more with less and performing, academically, to a high standard.

Over the last three Years....

Fiscal 2010

- Conversion to GAAP (from MELS oriented financials)
- Introduction of new GAAP liabilities (approx. \$190 M); corresponding increase in accumulated deficit

Fiscal 2011

- Change in year end to April 30th (from May 31st)
- 11 month year – resulted in slight surplus

Fiscal 2012

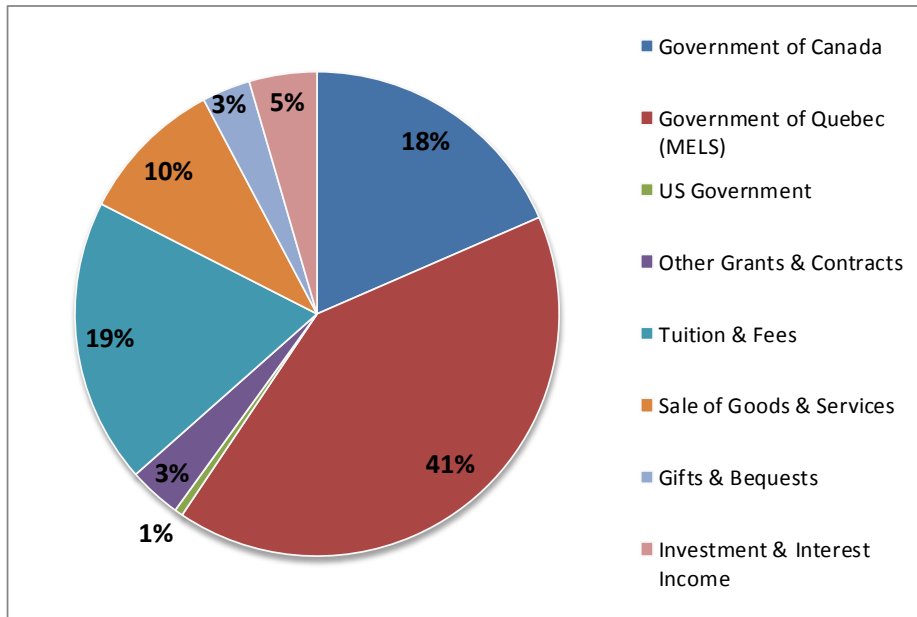
- Full fiscal (12 month) year; comparative amounts on 11 month basis
- Break even position

Fiscal 2013

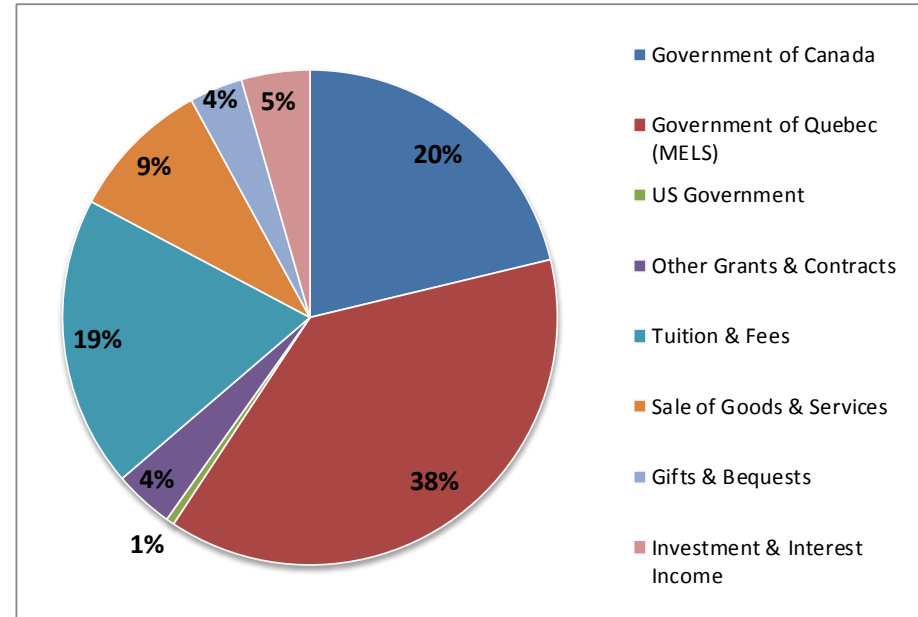
- Original budget target: \$7 M deficit
- Revised forecast: \$12.1 M deficit

Total Combined Sources of Funding FY 2012 (12 months) - \$1.14 billion FY 2011 (11 months) - \$1.03 billion

Fiscal Year 2012



Fiscal Year 2011



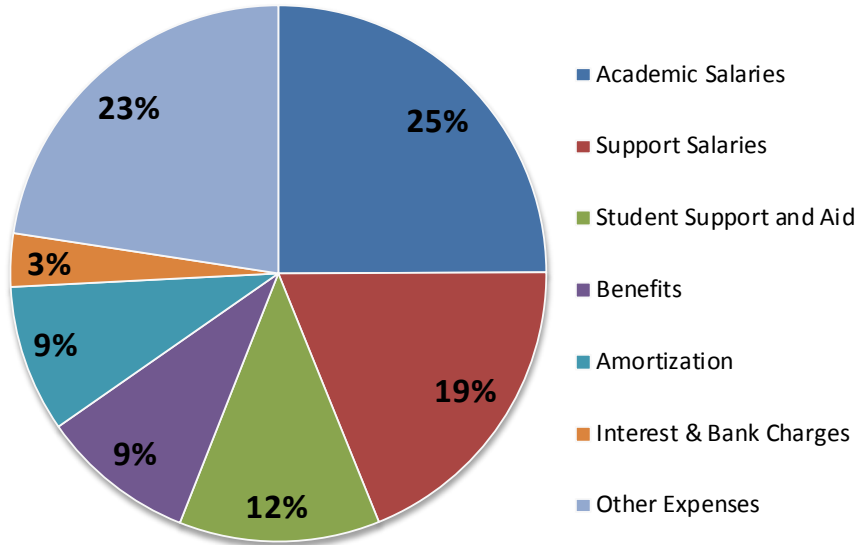
Total Combined Sources of Funding FY 2012 (12 months) - \$1.14 billion

Government of Canada	210,912	18%
Government of Quebec (MELS)	467,118	41%
US Government	6,312	1%
Other Grants & Contracts	40,059	4%
Tuition & Fees	217,133	19%
Sale of Goods & Services	111,326	10%
Gifts & Bequests	36,837	3%
Investment & Interest Income	51,611	5%
Total Funding	1,141,308	100.0%

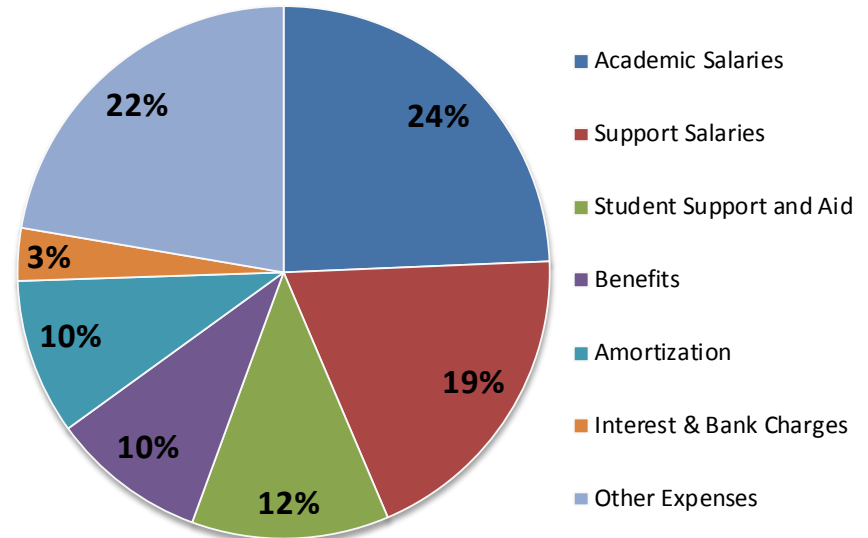
Total Combined Expenditures

FY 2012 (12 months) - \$1.1 billion
FY 2011 (11 months) - \$988 million

Fiscal Year 2012



Fiscal Year 2011



Total Combined Expenditures FY 2012 (12 months) - \$1.1 billion

Academic Salaries	269,866	24.3%
Administrative & Support	213,509	19.3%
Student Support and Aid	132,902	12.0%
Benefits	104,658	9.4%
Amortization	104,852	9.5%
Interest & Bank Charges	35,457	3.2%
Other Expenses	247,435	22.3%
Total Combined Expenses	1,108,679	100.0%

Total Grant revenue – all sources

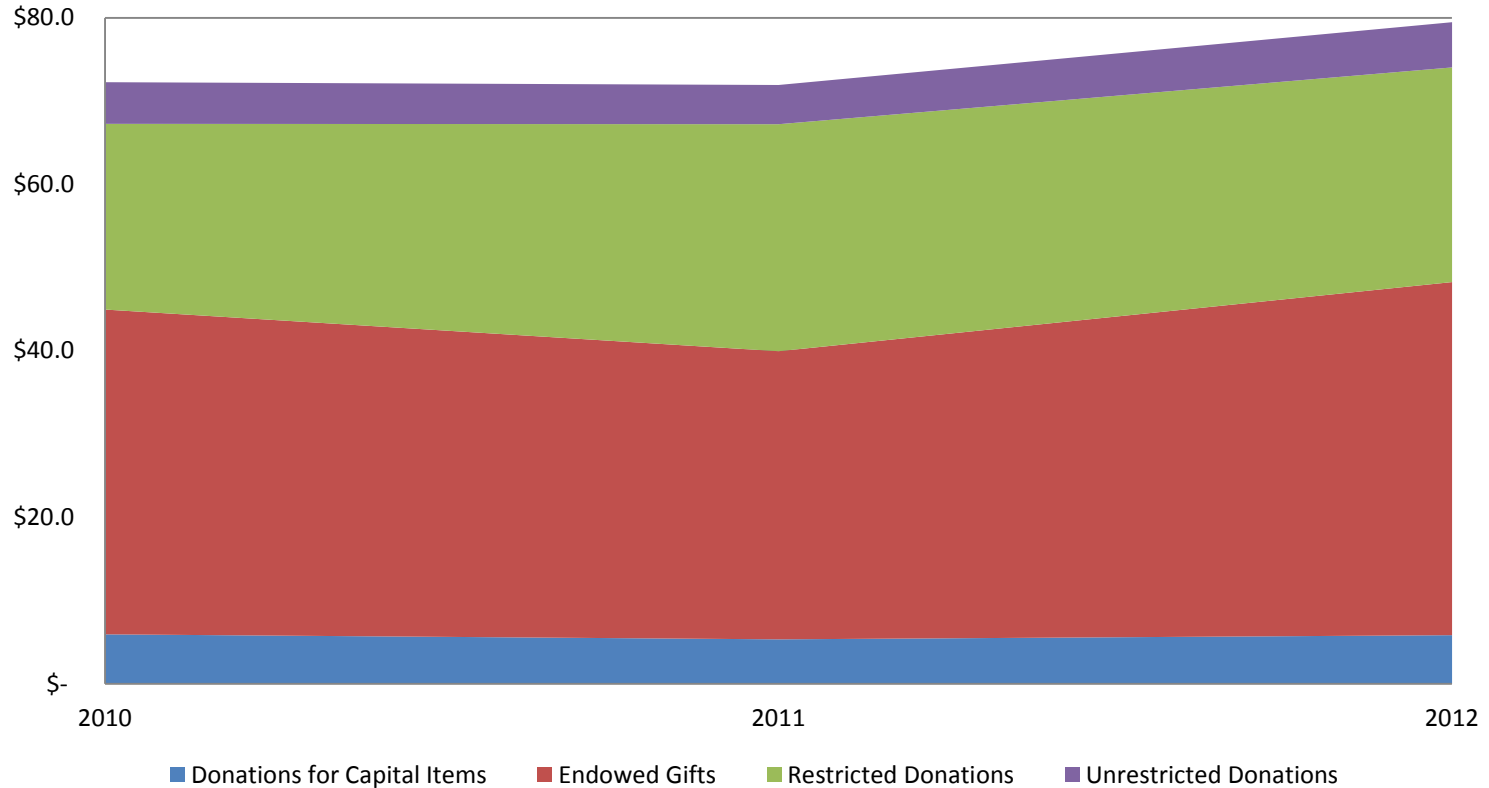
GRANTS (\$ millions)

<u>Purpose</u>	2012 (12 months)				<u>2012</u>
	<u>Quebec</u>	<u>Canada</u>	<u>US</u>	<u>Other Sources</u>	
Operating	357				357
Capital	80	17			97
Indirect Costs (Operating)		25			25
Research Grants	18	152	6	14	190
Other Restricted Grants	12	17		6	35
Total:	467	211	6	20	704

<u>Purpose</u>	2011 (11 months)				<u>2011</u>
	<u>Quebec</u>	<u>Canada</u>	<u>US</u>	<u>Other Sources</u>	
Operating	295				295
Capital	69	14			83
Indirect Costs (Operating)		24			24
Research Grants	12	153	6	23	194
Other Restricted Grants	12	15		8	35
Total:	388	206	6	31	631

Fund Raising

\$80 million (FY11: \$72 million)



Analysis of Endowment Fund Growth (\$ in millions)

	<u>2012</u>		<u>2011</u>	
	(12 mths)		(11 mths)	
Opening Book Value	857.6		831.0	
Unrealized Market Value	96.3		9.2	
Opening Net Assets: Market Value	953.9		840.2	
Total Increase in Fund Value	16.9	1.8%	113.7	13.5%
Closing Book Value	903.8	93.1%	857.6	89.9%
Unrealized Market Value	67	6.9%	96.3	10.1%
Closing Net Assets: Market Value	970.8		953.9	

Deferred Maintenance (DM)

- 2007 CREPUQ study estimated issue at \$835M
- MESRST (formerly MELS) will continue to fund \$27.2M over next 10 years
- Annual amortization (on 25 year life) is approximately \$31M (excluding catch-up)
- Annual capital grant (\$19.7M) insufficient to deter DM from increasing
- New Capital grant for Wilson Hall (\$35M); additional \$16M required from DM funds

Issues and Challenges

- Faculty compensation
- Deferred maintenance
- Lack of endowment growth
- Pension Plan liability an issue, and expected to increase (Dec 2012 valuation)
- Pay equity costs imminent; MESRST (formerly MELS) compensation unlikely
- Total enrolment close to predictions but lower doctoral student admissions
- MESRST funding for “GAAP” liabilities still unknown
- Tuition fee increases repealed; potential compensation from MESRST unlikely
- Capital requirements not fully funded by MESRST; we are drawing down on operating funds until they are funded

Future Developments / Outlook

- Funding for new buildings or major renovations limited
- Regulations, reporting requirements, authorizations at highest level ever & growing, generating high administrative costs (personnel demands); additional burden not letting up from MESRST & other government departments
- New Quebec government

Questions and comments