

Laurier's Financial Picture, Bargaining Unit Meetings Being Held

By Bill Salatka, Chief Negotiator

The recent budget prepared by the Administration is cited as the accurate financial condition of Laurier. Yet, a budget is not a forecast or a financial report. The budget is an internal document that contains directives by the Administration to instruct you how to use the resources of Laurier according to the Administration's wishes. The message is always "do more with less" because resources are not available.

The Audited Financial Statements is a group of reports on the actual financial condition of Laurier. In contrast with what the Administration tells us in the budget, the Audited Financial Statements contain what the Administration tells external parties about the financial condition of Laurier. These external parties include bondholders, bond rating agencies, the government, alumni, potential donors, mortgage companies, and other lenders. The message from the Audited Financial Statements is that the financial condition of Laurier is very healthy and getting better each year. How do I know this? Well, let's review some key items reported in the Audited Financial Statements.

Cash Flow From Operations (From Statement of Cash Flows):

<u>Year</u>	<u>Amount</u>	<u>Amount of Change</u>	<u>Percentage Change</u>
2012	\$19,507,000		
2013	\$22,978,000	\$ 3,471,000	15.11%
2014	\$34,850,000	\$11,872,000	34.07%

A positive Cash Flow From Operations is a critical measure of financial health for any university. A negative Cash Flow From Operations indicates that a university must borrow to exist. Laurier is nowhere near such a situation. Laurier's Cash Flow From Operations is positive and increased over 15 percent in 2013 and over 34 percent in 2014. The implication is that spendable cash has been generated each year since 2012 and the amounts of spendable cash have been increasing every year since 2012. This is a very important sign of excellent financial health for Laurier.

Cash and Short-Term Deposits (From Statement of Financial Position):

<u>Year</u>	<u>Amount</u>	<u>Amount of Change</u>	<u>Percentage Change</u>
2012	\$52,521,000		
2013	\$70,280,000	\$17,759,000	25.27%
2014	\$95,993,000	\$25,713,000	26.79%

Cash and Short-Term Deposits have been increasing every year since 2012; over 25 percent in 2013 and over 26 percent in 2014. This shows that there is clearly no cash shortage at Laurier. To be fair, spending some of this cash may be restricted by law. Yet, the large increases in balances of Cash and Short-Term Deposits, combined with the very positive increases in Cash Flow From Operations above, indicate that Laurier will have no problem paying expenses and paying down liabilities in the future.

Total Revenue (From Statement of Operations):

<u>Year</u>	<u>Amount</u>	<u>Amount of Change</u>	<u>Percentage Change</u>
2012	\$297,562,000		
2013	\$316,892,000	\$19,330,000	6.10%
2014	\$333,149,000	\$16,257,000	4.88%

Total Revenues have increased every year since 2012. Total Revenues increased 6.10 percent in 2013 and 4.88 percent in 2014. These increases are well above inflation. In addition, the growth in Total Revenue combined with the increases in Cash Flow From Operations discussed above, indicate that the Administration has been very successful in converting revenue into cash for discretionary spending. Two examples of discretion-

ary spending indicating financial health of Laurier are discussed below: Purchase of Capital Assets and Cash Transfers Out of the Unrestricted Fund.

Purchase of Capital Assets (From Statement of Cash Flows):

<u>Year</u>	<u>Amount</u>
2012	\$88,580,000
2013	\$25,888,000
2014	<u>\$34,312,000</u>
Total	\$148,780,000

The purchase of capital assets is discretionary. The amount of capital assets purchased is an indicator of the financial condition of a university and the outlook of the Administration for the future. An Administration that is able to purchase capital assets is financially healthy. Otherwise, the Administration would not purchase capital assets. By making a total of \$148,780,000 purchases of capital assets over the past three years, the Administration is signaling confidence in the future financial prospects of the university. Since these purchases are discretionary, they signal a strong belief by the Administration that Laurier will be financially healthy in the future and will be able to use the expanded asset base in the future.

Cash Transfers Out of the Unrestricted Fund (From Statements of Changes in Net Assets):

<u>Year</u>	<u>Amount</u>
2012	\$33,597,000
2013	\$18,218,000
2014	<u>\$ 9,757,000</u>
Total	\$61,572,000

The Unrestricted Fund is the primary operational fund of the University where most revenues (cash) flow in and where most expenses (cash) flow out. Cash transfers out of the Unrestricted Fund by the Administration totaled \$61,572,000 over the period 2012 to 2014. This was 6.5 percent of total revenues over the same period. By removing cash from the unrestricted fund, the Administration is providing a strong signal that there is not just ample cash for operations, but an excess amount of cash for operations. Since cash transfers out of the Unrestricted Fund are discretionary, the Administration is clearly indicating that Laurier is very healthy financially, Laurier has more than enough cash for operations and that cash can be removed from operations with at most minimal effects on operations. This shows that the Administration clearly believes that the financial future of Laurier is very healthy, otherwise the Administration would not remove cash from the unrestricted fund.

Summary:

The budgets presented to us by the Administration paint a doom and gloom financial picture. This is the financial picture used by the Administration at the bargaining table.

As reported in the Audited Financial Statements Laurier's financial picture is very favorable. Increasing Cash Flows from Operations, increasing Cash Balances, and increasing Total Revenues all point to a picture of financial health at Laurier. The use of discretionary cash by the Administration in purchasing capital assets and removal of cash from the unrestricted (operational) fund show that the Administration has an optimistic view of the future financial health of Laurier.

Laurier's very favorable financial picture from the Audited Financial Statements is presented to many external parties such as the government, bond holders, bond rating agencies, potential donors and lenders. This is accurate financial picture of Laurier and the financial picture WLUFAs is using at the bargaining table.

The bargaining team needs your support. Please attend the bargaining unit meetings for Full-Time Faculty and Professional Librarians next week.

**Waterloo
Bargaining Unit Meeting**

**Thursday, Feb. 12
5:30 pm.
Senate & Board Chambers**

**Brantford
Bargaining Unit Meeting**

**Monday, Feb. 9
12:00 pm.
OD 205**