WLUFA
Wilfrid Laurier University Faculty Association

WLUFA Finance Committee

Evaluation of The Financial State of Affairs of Wilfrid Laurier University: Fiscal year 2023

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Executive summary

This report provides an analysis of the financial situation of Wilfrid Laurier University (WLU). To perform this analysis, we examine the audited financial statements as well as additional information provided by the Vice President Finance's office. In addition, we benchmark WLU's performance by comparing it to four similar Ontario universities: Brock University, the University of Guelph, the University of Windsor, and Carleton University.

Overall, the University's liquidity position is becoming weaker, but it is still relatively healthy. Of more concern is the solvency position of the University. While the debt over total assets ratio is lower than the average ratio for the four comparison universities, as indicated in the WLUFA Finance Committee's report of 2022, the ratio can easily reach 80% if the University constructs new buildings on the Milton campus. Of more concern is the interest coverage ratio. The analysis clearly demonstrates that the University is not able to service its debt (i.e., cover the interest expenses) using the excess of revenues over expenses. This makes the University extremely risky from the point of view of lenders.

The increase in expenses from 2022 to 2023 for WLU is equal to 6.3%. This is in line with the increase in expenses for Brock University, Carleton University and University of Windsor. Only Guelph has lower increase in expenses at 3.7%. We argue that the lower increase in expenses for University of Guelph is likely because the University has paused admission in 16 undergraduate and graduate programs. Two increases in expenses of WLU caught our attention. First, there is the increase in salaries and benefits. Section 2 of the report provides evidence that the increase in salaries is driven by a disproportionate increase in the number of managers relative to the number of full-time students. In fact, the number of managers per 100 students increased by 6.5% from 2022 to 2023 versus only 1.1% for the number of faculty per 100 students. This follows increases of 9.4% and 6.6% for number of managers and faculty per 100 students, respectively between 2021 and 2022. Currently, Laurier employs approximately one manager for every two full-time faculty members. This increase in management numbers requires scrutiny especially considering the Ontario government's recent call for improved efficiency before tuition increases will be allowed. Second, we observe a significant increase in the (non-salary) operating costs (an increase of 14.933%). Unfortunately, the University does not provide any breakdown on these expenses in the annual report, and it is impossible, given the lack of information, to analyze which item(s) may have caused the increase.

Based on our analysis, we offer recommendations to address the University's significant financial problems. These recommendations seek to improve transparency of financial reporting, increase efficiency of operations, and prevent the University from the fate of Laurentian University. We also see these recommendations as a necessary response to the province's call for universities to seek efficiencies before tuition increases will be allowed.

The remainder of the report is divided into four sections: 1) Liquidity and Solvency analyses; 2) Review of WLU Salary Expenses; 3) Changes in Revenues and Expenses from the Fiscal Year 2022 to 2023; 4) Funds Analysis 5) Conclusions and 6) Recommendations.

1. *Liquidity and Solvency Analyses*

Please note that all the ratios for WLU and the four comparison universities are provided in the Appendix.

Liquidity Analysis

The liquidity analysis examines the ability of the University to meet its short-term obligations (current liabilities) using its current assets or part of them. The main liquidity ratios are the current ratio, cash ratio and cash flows from operations over current liabilities.

1. *Current ratio is defined as current assets divided by current liabilities.* This ratio tests whether the totality of current assets can cover the current liabilities. WLU's current ratio is 1.681 in 2023 compared to 1.467 in 2022. This ratio shows an improvement over the last fiscal year. However, the University converted a long-term asset into a current one with the sale of real estate (student residences) at the end of April 2023. If we exclude the proceeds from the sale ($30.467m), the current asset declines to $161.450 million and the current ratio drops to 1.414. After such a correction, we observe that the University's liquidity position, as measured by the current ratio, continues to weaken. Consistent with last year, the current ratio of WLU is lower than 1.73, the average current ratio of the four comparison universities.

2. The *Cash ratio is defined as cash plus short-term investments over current liabilities*. This ratio is a more conservative ratio than the current ratio since it examines the ability of the University to cover its current liabilities using only cash and near cash items (i.e., short-term investments). The cash ratio is 0.945 in 2023. We should not expect that the cash and near cash items would necessarily cover total current liabilities but instead, a significant part of them. In that sense, we view the cash ratio of WLU as healthy. However, it is worth nothing that the ratio was higher in 2022 at 1.017. Furthermore, the average of the four comparison universities is higher at 1.281.

3. *Cash flows from operation (CFO) over current liabilities*. Unlike the previous two ratios, this ratio links the cash flows from operations to the ability of the University to cover its current liabilities. In other words, this ratio examines the ability of the University to cover its short-term obligations using the cash generated from operations – excluding financing and investing cash flows. After correcting the mistake in the financial statements identified by the WLUFA Finance Committee, the cash flows from operations of the University In 2023 is $12.872 million. Given that corrected number, the ratio of CFO over current liabilities is 0.114 compared to a ratio of 0.295 in 2022. This is a significant decline. It indicates that Laurier's ability to pay its debts out of operating cash flows has declined by half. Another way of seeing the decline in this ratio is that it will now take us twice as long to pay off our current liabilities. The Milton expansion is particularly risky given the University's declining operating cash flows. The average ratio of the four comparison universities is 0.286, which is stronger than the ratio of WLU.

Overall, the liquidity analysis indicates that, while the cash ratio is heathy, the remaining two ratios indicate that the University's liquidity position continues to worsen, and Laurier is in a weaker liquidity position than that of the four comparison universities. It is important to keep an eye on the liquidity analysis since even profitable entities can go bankrupt if they cannot meet their current obligations.

Solvency Analysis

The solvency analysis examines the ability of the University to meet its long-term obligations. We examine two main ratios under this category: 1) the interest coverage ratio and 2) the debt over assets ratio.

1. *Interest coverage ratio*. This ratio indicates how many times the surplus (i.e., excess of revenues over expenses), excluding interest expenses, can cover the interest expense. A higher interest coverage ratio signals that the University is a lower risk to lenders. To perform the analysis, we exclude the non-recurring gain on the disposal of assets included in the revenues under the statement of operation in 2023. While the University shows an excess of revenues over expenses of $16.193 million before eliminating the non-recurrent gain, once it is excluded, the expenses exceed the revenues by $6.809 million.

   In 2023, after correcting for the non-recurrent gain, the ratio is 0.239 (the ratio of 2.76 in the appendix for 2023 does not correct for the non-recurrent gain on disposal of assets) compared to an average ratio of 1.026 for the other universities. In comparison, the ratio for 2022 was 0.905. These ratios are extremely weak since the excess of revenues over expenses (excluding interest expense) does not cover the interest expense. Once again, this represents a declining trend in the University's financial position. While interest rates have increased, the University is currently insulated from this increase as most of its liabilities are locked in at fixed rates. However, any new borrowing will reflect the increased interest rates and will further weaken the University financially.

2. *Debt over assets ratio*. This ratio measures the proportion of the assets that is financed by debt. Debt is measured as total liabilities. A lower proportion of assets financed by debt is a good indicator for the University as it signals lower reliance on debt. The debt to assets ratio for WLU is 0.688 in 2023 compared to 0.702 in 2022 and an average ratio of 0.797. Please keep in mind that the decrease in ratio between 2021 (0.741) and 2022 (0.702) was due to the donation of the land by the City of Milton and it is not due to improved operating performance *per se*.

In conclusion, while the ratio of debt over asset ratio appears to be improving, the interest coverage is worsening, and it is extremely weak. Taken together, this suggests that the University has limited capacity to contract additional debt. That 70% of the assets are financed by debt exposes the University to significant risk especially when these loans come due for renegotiation of the interest. In a rising interest environment, this increases the chances of financial distress for the University.

Furthermore, as discussed in the WLUFA Finance Committee's report of 2022, by expanding to the City of Milton, the University will eventually add new buildings. In fact, in note 5 of the financial statements, the University indicates that it has $22,802 million Construction in Progress for its capital assets.[1] We argued in the 2022 Report that adding new buildings in Milton can potentially increase the debt over total assets ratio close to 80%, making the University a very risky institution from the point of view of lenders.

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[1] Due to a lack of information in the financial statement, it is unclear if this investment is related to new capital assets or the major renovation of existing assets since the ones we can observe are for the Faculty of Music.

2. Review of WLU Salary Expenses

We analyzed the university's spending on employee salaries over the fiscal years ending April 30, 2013, to April 30, 2023. To account for the impact of inflation, we converted the salary figures to constant 2023 dollars by using the mid-point of the beginning and end of fiscal year CPI index e.g. for fiscal year end April 30, 2023, we used the average of the CPI index for May 1, 2022 and May 1, 2023.[2] To account for the impact of changing enrolment, we standardized certain statistics by the number of full-time students enrolled in the corresponding fall term.[3]

Table 1 and Figure 1 shows the university spending on salaries per full-time student enrolled for the last 11 fiscal years. The figures are also adjusted for inflation as they are expressed in 2023 dollars. The table indicates that real dollar spending in each category increased nearly every year until 2018. In 2019 and 2020, the spending in each category flattened. However, in the period 2020 through 2023, there was divergence. Spending on faculty and staff declined by 7.0% and 7.3% respectively, while real dollar spending per student on management increased by 6.1%.

Table 1: Inflation-Adjusted Spending on Salaries Per Enrolled Full-time Student (Constant 2023 dollars)

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Faculty	$6,095	$6,329	$6,558	$6,703	$6,812	$6,737	$6,644	$6,676	$6,370	$6,270	$6,210
Staff	$3,367	$3,435	$3,588	$3,589	$3,662	$3,727	$3,692	$3,807	$3,573	$3,530	$3,527
Management	$1,608	$1,630	$1,690	$1,759	$1,843	$1,838	$1,832	$1,837	$1,856	$1,894	$1,950
Total	$11,070	$11,394	$11,836	$12,051	$12,317	$12,302	$12,169	$12,320	$11,799	$11,694	$11,687

[2] Consumer price index - Bank of Canada

[3] CUDO - A7: Full-Time Enrolment by Immigration Status (ouac.on.ca) for FT enrolment figures for Fall 2012 to Fall 2020 and Table 3 – Student Segmentation WLU Financial Statements for year end April 30, 2023, for FT enrolment figures for Fall 2021 and Fall 2022.

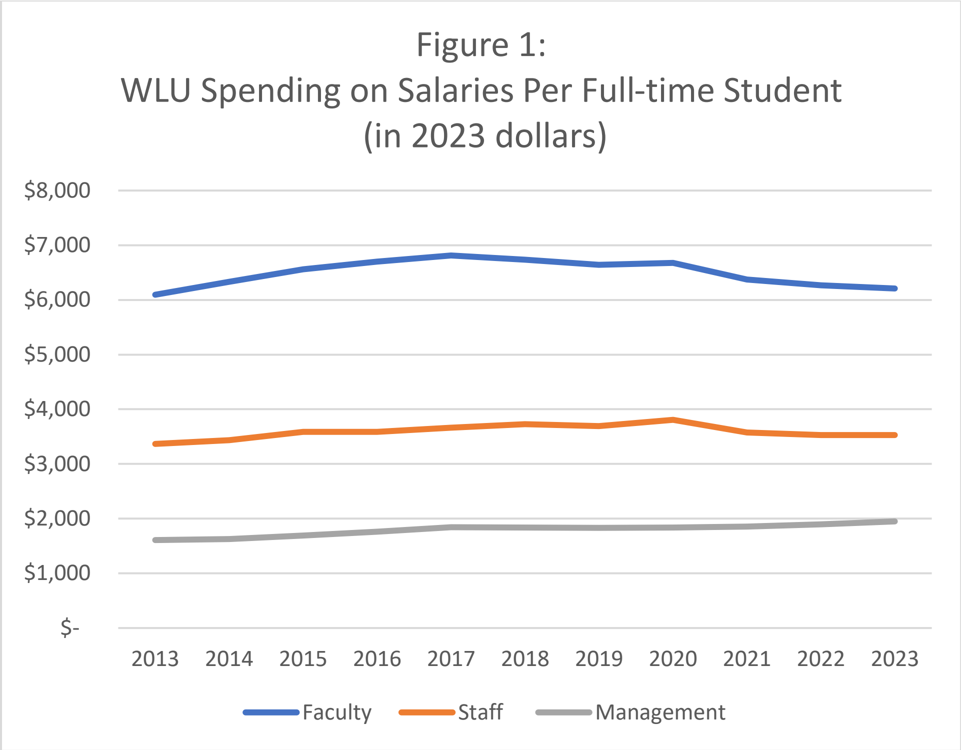

Table 2 highlights the recent decline in the proportion of salary expenditures on faculty with the concurrent increase on management salaries. From 2018 to 2023, the faculty portion declined from 54.8% to 53.1% while management's portion increased from 14.9% to 16.7%.

Table 2: Proportion of Inflation-Adjusted Spending on Salaries Per Enrolled Full-time Student (Constant 2023 dollars)

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Faculty	55.1%	55.5%	55.4%	55.6%	55.3%	54.8%	54.6%	54.2%	54.0%	53.6%	53.1%
Staff	30.4%	30.1%	30.3%	29.8%	29.7%	30.3%	30.3%	30.9%	30.3%	30.2%	30.2%
Management	14.5%	14.3%	14.3%	14.6%	15.0%	14.9%	15.1%	14.9%	15.7%	16.2%	16.7%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Table 3 breaks down the spending on Full-time (FT) faculty and Contract Teaching Faculty (CTF). Spending on both increased from 2013 to 2019 but afterward there was a significant decline in FT salary spending and significant increase in CTF spending. Given that CTF employees have lower salaries than FT employees, this suggests that the university is shifting to CTF employees to lower its expenditures.

Table 3: Inflation-Adjusted Spending on Faculty Per Enrolled FT Student (2023 dollars)

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
FT	$5,283	$5,484	$5,733	$5,870	$5,918	$5,862	$5,766	$5,758	$5,486	$5,265	$5,238
CTF	$812	$845	$826	$833	$895	$876	$878	$918	$884	$1,005	$972
All	$6,095	$6,329	$6,558	$6,703	$6,812	$6,737	$6,644	$6,676	$6,370	$6,270	$6,210

In the next series of tables, we explore whether the shifts in salary spending toward management and away from FT faculty were driven by shifts in the numbers of different employees or whether it was driven by changes in real average salaries.

Table 4 shows the number of university employees per 100 enrolled full-time students. FT faculty figures increased until 2017 and then declined. This was offset by an approximate 30% increase in CTF per 100 enrolled FT students. The number of staff increased until 2017, whereafter it stayed steady until 2020. Perhaps because of the pandemic, the number of staff declined in 2021 and then rose again in 2022 and 2023.

Most notably, the number of managers per 100 students declined in 2015 and thereafter remained steady until 2021. However, from 2021 to 2023, the number of managers per 100 students jumped from 1.27 to 1.48—a 17% increase! The absolute number of managers at Laurier increased from 222 in 2021 to 254 in 2023. These figures are particularly surprising because during this period FT enrolment slightly declined.

The rationale for hiring an additional 32 managers at a time of declining enrolments and fiscal austerity is not apparent. Furthermore, the Provincial Government has stated that if universities want tuition increases, they must first demonstrate increased efficiency.

Table 4: WLU Employees Per 100 FT Students

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
FT Faculty	3.35	3.38	3.50	3.62	3.53	3.51	3.49	3.36	3.19	3.23	3.30
CTF (FTE)	1.11	1.10	1.03	1.07	1.16	1.24	1.21	1.28	1.19	1.43	1.41
All Faculty (FTE)	4.46	4.48	4.53	4.68	4.69	4.75	4.70	4.63	4.37	4.66	4.71
Staff	5.50	5.36	5.49	5.68	5.80	5.81	5.95	5.86	5.40	5.63	5.82
Management	1.26	1.25	1.14	1.21	1.23	1.22	1.27	1.26	1.27	1.39	1.48

Table 5 highlights the shift toward more management, less FT faculty and more CTF faculty. FT Faculty declined from 29.8% to 27.5% while management increased from 11.3% to 12.3% from 2013 to 2023. Over that period, there was a marked increase in CTF faculty who rose from 9.9% to 11.8% of FTE employees. This is concerning as the University appears to be addressing its financial problems by lowering faculty costs by shifting towards more teaching by CTF. This shift threatens the research capacity of the University and so its primary distinction from community colleges.

Table 5: Proportion of WLU Employees

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
FT Faculty	29.8%	30.5%	31.3%	31.2%	30.1%	29.8%	29.3%	28.5%	28.9%	27.6%	27.5%
CTF (FTE)	9.9%	10.0%	9.2%	9.2%	9.9%	10.5%	10.1%	10.9%	10.7%	12.2%	11.8%
All Faculty	39.7%	40.4%	40.6%	40.5%	40.0%	40.3%	39.5%	39.4%	39.6%	39.9%	39.2%
Staff	49.0%	48.3%	49.2%	49.1%	49.5%	49.3%	49.9%	49.9%	48.9%	48.2%	48.4%
Management	11.3%	11.3%	10.2%	10.4%	10.5%	10.3%	10.6%	10.7%	11.5%	11.9%	12.3%

To ensure that the changes in salary expenditures are not a product of changes in average salaries, we analyze the inflation-adjusted average salaries across the different employee groups. Table 6 shows that all employees enjoyed real increases in average salary from 2013 to 2021. However, these gains in real income reversed themselves sharply when inflation rose in 2022 and 2023. FT faculty and staff members had real incomes in 2023 that were on average the same as in 2013. CTF members fared worse with a cumulative loss in average real income of 5.6%. This reduction in real income coupled with the increased proportion of teaching being performed by CTF, meant that the average real dollar cost of salaries across all faculty declined by 3.6%. In contrast, the average inflation-adjusted management salary increased by 3.6%.

Table 6: Inflation-Adjusted Average Salary
(2023 Dollars)

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
FT Faculty	$157.8	$162.2	$163.9	$162.4	$167.6	$166.9	$165.1	$171.6	$172.1	$162.9	$158.7
CTF (FTE)	$72.9	$76.6	$80.2	$77.9	$77.4	$70.8	$72.6	$71.8	$74.5	$70.3	$68.7
All Faculty	$136.6	$141.1	$144.9	$143.1	$145.4	$141.9	$141.3	$144.1	$145.6	$134.5	$131.7
Staff	$61.2	$64.1	$65.3	$63.1	$63.1	$64.1	$62.1	$64.9	$66.2	$62.7	$60.6
Management	$127.3	$130.2	$147.9	$146.0	$150.3	$150.9	$144.4	$145.7	$146.6	$135.8	$131.9

In summary, we draw the following conclusions from our analysis of the university salary information from fiscal years 2013 to 2023:

- Faculty salaries are not a source of the university's financial woes. Adjusting for inflation, faculty salaries per student was only 2% higher in 2023 than 2013. From 2022 to 2023, real dollar spending on faculty per student declined.
- Spending on staff salaries also does not appear to be a major source of the university's financial problems. Adjusting for inflation, staff salaries were 5% higher in 2023 than 2013. From 2022 to 2023, real dollar spending on staff per student was unchanged.
- Spending on management salaries is a concern. Adjusting for inflation, management salaries per student was 18% higher in 2023 than in 2013. From 2022 to 2023, real dollar spending on management per student increased from $1,895 to $1,950.
- The proportion of total salaries spent on managers increased from 14.5% to 16.7% from 2013 to 2023. In contrast, the share spent on faculty slipped from 55.1% to 53.1%.
- The University appears to have moderated its spending on faculty by shifting spending towards employing more CTF who on average have lower compensation than FT faculty. From 2013 to 2023, the number of CTF per 100 students increased 27% from 1.11 to 1.41 while the number of full-time faculty per 100 students decreased slightly from 3.35 to 3.30. In 2023, the average salary of an FTE CTF was $68,700 versus $158,700 for a full-time faculty. Furthermore, the inflation-adjusted spending per full-time faculty was unchanged in 2023 versus 2013 whereas the FTE CTF average inflation-adjusted salary has fallen about 6% since 2013. The shift to teaching only faculty is a significant threat to the research capacity of Laurier at a time when the University is striving to be a well-respected comprehensive university.

- Increased spending on management salaries appears to be a result of increased numbers of managers (from 1.26 per 100 students in 2013 to 1.48 in 2023). Nearly all this increase happened since 2021. 32 managers were hired in the last two years. To a much lesser extent, the long-term increase in university spending on management is associated with an increase in compensation per manager (a 3.6% increase in real average salary from 2013 to 2023).
- Overall, the analysis indicates that the University's recent fiscal challenges are related to its worsening managerial inefficiency. Why did Laurier hire an additional 32 managers in the last two years when there was declining enrolment? Why is there now one manager for every two full-time faculty? Why do faculty and front-line staff need so much more oversight now than two years ago? It is imperative that the Senate, the University's senior administration and the Board of Governors address this issue. In fact, in its response to the Blue-Ribbon Panel on University and Colleges, the Ontario Government called upon universities to address inefficiency before they will agree to any tuition increase.

"Our government is carefully reviewing the panel's recommendations to create a path forward that will continue to strengthen the postsecondary sector. It's my expectation that we will work with postsecondary institutions to create greater efficiencies in operations, program offerings and sustainability of the sector. *Before agreeing to any tuition increases however, we need to ensure that colleges and universities are taking the necessary steps to ensure that they are operating as efficiently as possible*. I look forward to working with postsecondary institutions in the weeks ahead to determine how best to achieve these shared objectives."

Jill Dunlop, Minister of Colleges and Universities, November 15, 2023[4]

- Our analysis indicates that the necessary step for Laurier is to downsize its management cadre. In doing so, it will avoid financial distress directly by cutting unnecessary expenditures and indirectly by increasing the chances the province will authorize tuition increases. Now is the time for the Senate, Board of Governors, and Senior Management to tackle this challenge. One way this could be implemented is for the Board of Governors to require that real dollar spending on management per 100 students be reduced to at least 2021 levels.

[4] Ontario Receives Report to Support Financial Sustainability of Postsecondary Education System | Ontario Newsroom

3. Changes in Revenues and Expenses from the Fiscal Year 2022 to 2023

In this section, we focus on the changes in the operations of the University from 2022 to 2023. For WLU, the gain on disposal of assets in 2023 is eliminated from the analysis since it is non-recurrent in nature. The expenses related to the Voluntary Retirement Incentive Program are included in salary expenses in the statement of operations. While the costs of the Program affect the fiscal years 2016 to 2023, the amount of expense in 2022 is significantly higher than the amounts in other fiscal years. That is, the Program exhibits a cost of four million in 2022, while the average cost in other fiscal years is $1.4 million and it can be as low as $0.1 million. Consequently, we decided to eliminate the four million dollars of the Voluntary Retirement Incentive Program in 2022 since it is considered to be non-recurring. The result of this correction is to convert the deficiency of revenues over expenses of $867,000 into a surplus (excess of revenues over expenses) of $3,121,000.

Starting with the expenses, Table 7 indicates that they increase by 6.284% from 2022 to 2023. This increase in expenses is in line with the increase in expenses of the comparison universities with the exception of University of Guelph. It is worth noting that the University of Guelph rationalized its operations in 2023 and paused enrollment in 16 undergraduate and graduate programs, which explains the lower increase in expenses relative to the other universities.[5]

Table 7: Changes in revenues and expenses for WLU compared to the four other universities.

	WLU % Change	**Brock** % Change	**Carleton** % Change	**Guelph** % Change	**Windsor** % Change	**Average of 4 Comparison Universities**
Total Revenue	3.748%	4.898%	8.937%	10.376%	11.053%	8.816%
Total expenses	6.284%	7.292%	8.117%	3.658%	8.328%	6.849%
Revenue – Expenses	-318.167%	-306.742%	-22.626%	-155.454%	33.087%	-112.934%

Table 8 provides the breakdown of the expenses between 2022 and 2023 for WLU. As indicated in Table 8, we observe an increase in salaries of 7.060% and an increase in benefits of 3.539%. In the annual report under Commentary to the Audited Financial Statements, on page 41, the University indicates that the increase in salaries is explained by an increase of $4.7 million in WLUFA full-time salaries and an increase in $3.9 million in management salaries. The increase in management salaries is disproportionate relative to the increase in faculty salaries given that there are approximately two times as many faculty as managers. Furthermore, in Section 2, Table 1, the inflation-adjusted salaries per enrolled full-time student had decreased from $6,270 to $6,210 for faculty (both full-time faculty and CTF) while it has increased from $1,894 to $1,950 for management. In Table 2, the percentage of spending on salaries per full-time student went from 53.6% to 53.1% for faculty while it went from

[5] See https://www.cbc.ca/news/canada/kitchener-waterloo/university-of-guelph-enrolment-science-physics-1.6815673.

16.2% to 16.7% for management. As explained in Section 2, we find that the increase in management salaries is primarily attributable to the 17% increase in the number of managers relative to the number of students in the last two years.

It is worth noting that the Special Report on Laurentian University prepared by the Office of the Auditor General of Ontario claims that "[h]igh senior administrator salaries and expenses and inappropriate human resources practices negatively impacted Laurentian's financial picture." WLU seems to be undertaking a similar strategy. The WLUFA Finance Committee concludes that Laurier must reverse its disproportionate increase in managers to ensure that the University does not follow the path to financial distress of Laurentian University.

The second expense that has increased significantly is the operating costs (an increase of 14.933%). This expense represents all the costs related to managing the university. Unfortunately, the University does not provide any breakdown on these expenses in the annual report, and it is impossible, given the lack of information, to analyze which item(s) may have caused the increase. The WLUFA Finance Committee encourages the University to provide more details about operating expenses in the future.

Table 8: Changes in expenses from 2022 to 2023

	2023	2022	Difference	% Change
Salaries	$ 210,751.00	$ 196,854.00	$ 13,897.00	7.060%
Benefits	$ 27,354.00	$ 26,419.00	$ 935.00	3.539%
Employee future benefits	$ 31,675.00	$ 29,166.00	$ 2,509.00	8.602%
Operating costs	$ 57,540.00	$ 50,064.00	$ 7,476.00	14.933%
Cost of goods sold	$ 7,042.00	$ 8,894.00	$ (1,852.00)	-20.823%
Taxes, utilities, and rent	$ 21,182.00	$ 18,665.00	$ 2,517.00	13.485%
Scholarship and bursaries	$ 30,968.00	$ 32,237.00	$ (1,269.00)	-3.936%
Amortization of capital assets	$ 25,312.00	$ 24,533.00	$ 779.00	3.175%
Interest	$ 9,196.00	$ 9,296.00	$ (100.00)	-1.076%
Total expenses	$ 421,020.00	$ 396,128.00	$ 24,892.00	6.284%

Table 9 provides the details of the changes in revenues. The increase in revenues for WLU is much lower than the increase in revenues that we observe for the four comparison universities (Table 7). That is, WLU experienced an increase of 3.748% in its revenues versus 4.898% for Brock University, 8.937% for Carleton University, 10.376% for University of Guelph and 11.053% for University of Windsor. An examination of the details in change in revenues in Table 9 provides limited insight in explaining the lower increase in revenues for WLU. Unfortunately, the comparison universities do not always use the same classification of revenues in their statement of operations and prevents the WLUFA Finance Committee to point out where WLU has failed to increase its revenues relative to the other four universities.

Table 9: Changes in revenues from 2022 to 2023

	2023	2022	Difference	% Change
Revenue				

Government grants	$ 127,180.00	$ 125,363.00	$ 1,817.00	1.449%
Tuition fees	$ 223,197.00	$ 221,405.00	$ 1,792.00	0.809%
Donations	$ 6,382.00	$ 4,351.00	$ 2,031.00	46.679%
Other fees and income	$ 15,093.00	$ 12,227.00	$ 2,866.00	23.440%
Sales and services	$ 21,009.00	$ 19,850.00	$ 1,159.00	5.839%
Amortization of deferred capital contributions	$ 8,437.00	$ 8,435.00	$ 2.00	0.024%
Investment income	$ 12,913.00	$ 7,618.00	$ 5,295.00	69.506%
Total Revenue	$ 414,211.00	$ 399,249.00	$ 14,962.00	3.748%

The University provides more detailed disclosure of its revenues and expenses in its "2022/23 Internal Management Report Budget vs. Actual results." Table 5 of this document shows budgeted and actual revenues and expenses for the various ancillary operations of the university. Three items are of note:

- The bookstore grossly overestimated their revenues. They forecast revenues of $11.5 million for 2023 versus actual revenues of $8.3 million. The bookstore generated a deficit of $805 thousand in 2023. The report notes that this reduction in revenues was caused by a shift to digital and inclusive access products. As we expect these changes to be permanent, the university needs to be more fiscally prudent in its budgeting and management of the bookstore.
- Printing Services also vastly overestimated their revenues. They forecast revenues of $1.2 million versus actual revenues of $0.7 million. Printing Services generated a deficit of $270 thousand. The report attributes the recovery of sales of Printing Services to be slower than expected. As with the bookstore, we expect the switch to more digital products to be permanent. Here again, the university needs to be more fiscally prudent in its budgeting and management.
- Residence Operations-Waterloo generated a surplus of $2.7 million in 2023. However, the university sold residences on April 28, 2023. As such, the university will not be generating this much surplus thereafter. This will lessen that ability of the university to service its debts.

4. Funds Analysis

In the Statement of Financial Position, we can see that the Net Assets of the University are composed of four funds: 1) Unrestricted Fund; 2) Internally Restricted Fund; 3) Capital Assets Fund; and 4) Endowments Funds. The Unrestricted Fund is typically the fund used for the daily operations of the University. The Internally Restricted Fund is created to redirect funds from the Unrestricted Fund for some specific internal purposes that the University plans to undertake. It is important to realize that the Internally Restricted Fund is not created due to external obligations. It is completely under the control of the University and the funds can be moved back into the Unrestricted Fund. The Capital Assets Fund is designed to be used to acquire new capital assets. In general, when the funds are transferred to the Capital Assets Fund, it cannot be moved back to the Unrestricted Fund. Finally, the Endowments Fund captured the donation made to WLU for some specific purposes. The funds cannot be spent but any income from the funds can only be used for the purposes specified by the donor.

Table 10: Net assets of WLU

Net assets:	2023	2022
Unrestricted	$(96,464)	$(86,675)
Internally restricted	91,043	62,317
Invested in capital assets	200,314	200,272
Endowments	113,943	107,752
	$306,836	$283,666

Using the important negative value of the Unrestricted Fund, it can be argued that the University has a structural deficit in its operations since the negative value of the Fund typically increases every year. The WLUFA Finance Committee disagrees with that position since it argues that the negative value of the Unrestricted Fund is made through actions undertaken by the University that are not legally needed.

Specifically, since there is no outside constraint for the University to transfer fund into the Internally Restricted Fund, we first add back this fund to the Unrestricted Fund to outline the fact that the funds are under the University's control. Second, since the University regularly transfers funds from the Unrestricted Fund to the Capital Assets Fund without any legal obligation, we eliminate these transfers to add the funds back to the Unrestricted Fund. The calculations are provided in Table 11. As can be observed, when these two types of adjustments are made, the Unrestricted Fund has a value of $98,701 million. It does not make sense to argue that the University has a structural deficit.

Table 11: Combining unrestricted and internally restricted funds and adjusting for transfers to (from) the Capital Assets Funds

Unrestricted Fund Balance, April 30, 2023	$(96,464)
Internally Restricted Fund Balance, April 30, 2023	91,043
	(7,421)
Less: 2023 Transfer from Capital Assets Fund	(6,085)
Add: 2022 Transfer to Capital Assets Fund	12,814
Add: 2021 Transfer to Capital Assets Fund	19,240
Add: 2020 Transfer to Capital Assets Fund	32,417
Add: 2019 Transfer to Capital Assets Fund	24,123
Add: 2018 Transfer to Capital Assets Fund	8,243
Add: 2017 Transfer to Capital Assets Fund	10,516
Add: 2016 Transfer to Capital Assets Fund	127
Less: 2015 Transfer from Capital Assets Fund	(7,375)
Add: 2014 Transfer to Capital Assets Fund	12,102
Adjusted Sum of Unrestricted and Internally Restricted Fund Balances	**$98,701**

5. Conclusion

From the analyses of the financial position of the University, we can conclude the following:

- The liquidity and solvency analysis reveals a deterioration in the University's financial position. That is, while the cash ratio of WLU is still strong, the current ratio and the ratio of the cash flows from operations over total current liabilities are weaker relative to last fiscal year. The solvency analysis of WLU remains a concern for the WLU Finance Committee. That is, while the debt over assets ratio is lower than the ratio of the four comparing universities, it can easily increase up to 80% if WLU expands its operations to the City of Milton through the construction of new buildings (see the 2022 report of the WLUFA Finance Committee). Of more concern is the interest coverage ratio. Currently, the University cannot cover its interest expenses using the excess of revenues over expenses (excluding interest expense), which is viewed as very risky from the point of view of lenders.

- An analysis of the increase in expenses from the fiscal year 2022 to 2023 indicates that it is in line with the increase in expenses of the four comparing universities. Two increases in expenses are worth a closer look. First, we observe an increase in salaries and benefits. This is further summarized below. Second, other operating costs have also increased significantly. Unfortunately, since the University does not breakdown this expense into its components, we cannot comment in detail on the increase.
- Our analysis of ancillary operations indicates that the University grossly underestimated revenues from the Bookstore and Printing. We expect that the shift to digital will be considered in this year budgeting to ensure that losses from these operations do not further impair the university's financial position. Furthermore, we are concerned about the how the loss of surplus income from residence buildings sold by the University in April 2023 will affect the University's debt service capacity.
- Spending on management salaries is a concern. Adjusting for inflation, management salaries per student was 18% higher in 2023 than in 2013. In contrast, faculty salaries per student was only 2% higher in 2023 than in 2013. From 2022 to 2023, real dollar spending on management per student increased from $1,895 to $1,950 whereas spending on faculty per student declined.
- The University appears to have moderated its spending on faculty by shifting spending towards employing more CTF who on average have lower compensation. From 2013 to 2023, the number of CTF per 100 students increased 27% from 1.11 to 1.41 while the number of full-time faculty per 100 students decreased slightly from 3.35 to 3.30. In 2023, the average salary of an FTE CTF was $68,700 versus $158,700 for a full-time faculty. Furthermore, the inflation-adjusted spending per full-time faculty was essentially unchanged in 2023 versus 2013 whereas the FTE CTF average inflation-adjusted salary has fallen about 6% since 2013. We caution the University against further increasing the portion of CTF vs full-time faculty hires as this will threaten the research capacity of the institution.
- Increased spending on management salaries appears to be a result of increased numbers of managers (from 1.26 per 100 students in 2013 to 1.48 in 2023). Most of this increase happened since 2021. 32 managers were hired in the last two years. To a much lesser extent, the long-term increase in university spending on management is associated with an increase in compensation per manager (a 3.6% increase in real average salary from 2013 to 2023).
- Overall, the analysis indicates that the University's recent fiscal challenges are related to its worsening managerial inefficiency. Why did Laurier hire an additional 32 managers in the last two years when there was declining enrolment? Why is there now one manager for every two full-time faculty? Why do faculty and front-line staff need so much more oversight now than two years ago? It is imperative that the Senate, the University's senior administration and the Board of Governors address this issue. In fact, in its response to the Blue-Ribbon Panel on

University and Colleges, the Ontario Government recently called upon universities to address inefficiency before they will agree to any tuition increase.

- Our analysis indicates that the necessary step for Laurier is to downsize its management cadre. In doing so, it will avoid financial distress by cutting unnecessary expenditures and indirectly by increasing the chances the province will authorize tuition increases. Now is the time for the Senate, Board of Governors, and Senior Management to tackle this challenge. One way this could be implemented is for the Board of Governors to require that real dollar spending on management per 100 students be reduced to at least 2021 levels.

Appendix

1. Twelve years of ratios for WLU
2. Twelve years of ratios for Brock University
3. Twelve years of ratios for Carleton University
4. Twelve years of ratios for University of Guelph
5. Twelve years of ratios for University of Windsor

Financial Ratio Analysis Summary – Wilfrid Laurier University, 2012-2023

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012	Comp Average
Current ratio	1.681	1.467	1.595	1.628	1.926	1.794	1.799	2.087	1.576	2.040	1.692	1.478	**1.730**
CFO over current liabilities	0.114	0.295	0.195	0.162	0.289	0.144	0.228	0.426	0.226	0.558	0.401	0.389	**0.286**
(Cash + short-term investments) over current liabilities	0.945	1.017	1.097	1.110	1.369	1.274	1.437	1.800	1.247	1.658	1.305	1.108	**1.281**
(Current assets - current liabilities) over total assets	0.079	0.053	0.073	0.077	0.102	0.097	0.101	0.130	0.067	0.096	0.064	0.043	**0.082**
Total liability to total assets	0.688	0.702	0.741	0.792	0.770	0.810	0.813	0.860	0.826	0.830	0.889	0.849	**0.797**
Profit over revenues	0.037	(0.002)	(0.019)	(0.028)	0.025	0.033	0.025	0.006	(0.037)	0.023	0.009	(0.064)	**0.001**
(Salaries + benefits) over revenues	0.545	0.569	0.590	0.577	0.531	0.528	0.529	0.541	0.587	0.529	0.530	0.596	**0.554**
(Profit less interest expense) over interest expense	2.761	0.905	0.271	(0.171)	2.054	2.326	1.959	1.201	(0.353)	1.930	1.403	(1.968)	**1.026**
Profit over total assets	0.016	(0.001)	(0.008)	(0.013)	0.011	0.015	0.011	0.002	(0.017)	0.011	0.005	(0.034)	**0.000**
Profit over net assets	0.053	(0.003)	(0.030)	(0.061)	0.050	0.078	0.059	0.017	(0.096)	0.066	0.042	(0.225)	**(0.004)**
Capital expenditures over CFO	4.363	0.519	1.069	2.020	1.359	3.105	1.527	0.954	3.352	0.985	1.127	4.541	**2.077**

Brock University, 2012-2023

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012	Comp Average
Current ratio	1.323	1.187	1.513	1.012	0.927	1.093	1.124	1.113	1.119	0.996	1.020	1.457	**1.157**
CFO over current liabilities	0.026	0.074	0.271	0.377	0.361	0.409	0.259	0.365	0.459	0.218	0.190	0.013	**0.252**
(Cash + short-term investments) over current liabilities	0.832	0.835	1.156	0.660	0.597	0.684	0.711	0.763	0.706	0.625	0.670	1.090	**0.777**
(Current assets - current liabilities) over total assets	0.032	0.026	0.063	0.002	(0.010)	0.011	0.013	0.013	0.013	(0.000)	0.002	0.046	**0.017**
Total liability to total assets	0.686	0.706	0.696	0.662	0.664	0.701	0.682	0.714	0.712	0.784	0.809	0.839	**0.721**
Profit over revenues	(0.015)	0.008	0.021	0.033	0.045	0.036	0.027	0.020	0.054	0.003	0.028	(0.030)	**0.019**
(Salaries + benefits) over revenues	0.640	0.634	0.646	0.634	0.624	0.629	0.632	0.625	0.617	0.645	0.655	0.661	**0.637**
(Profit less interest expense) over interest expense	0.446	1.262	1.672	2.707	3.241	2.667	2.203	1.862	3.254	1.136	2.180	(0.338)	**1.858**
Profit over total assets	(0.007)	0.003	0.008	0.017	0.024	0.019	0.014	0.011	0.029	0.002	0.016	(0.017)	**0.010**
Profit over net assets	(0.022)	0.011	0.027	0.051	0.070	0.063	0.045	0.039	0.100	0.009	0.084	(0.105)	**0.031**
Capital expenditures over CFO	14.601	6.755	2.185	1.235	1.107	1.352	1.000	0.904	0.724	2.385	2.336	63.287	**8.156**

Carleton University, 2012-2023

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012	Comp Average
Current ratio	3.714	3.936	3.219	3.545	4.078	3.585	4.048	3.710	3.802	3.332	2.945	2.506	**3.535**
CFO over current liabilities	0.105	0.275	0.403	0.116	0.686	0.745	0.945	0.697	0.908	0.852	0.972	0.406	**0.593**
(Cash + short-term investments) over current liabilities	3.501	3.741	3.000	3.291	3.790	3.273	3.800	3.463	3.491	3.020	2.690	2.178	**3.270**
(Current assets - current liabilities) over total assets	0.314	0.329	0.258	0.263	0.298	0.286	0.276	0.253	0.240	0.200	0.174	0.126	**0.251**
Total liability to total assets	0.394	0.406	0.304	0.408	0.326	0.353	0.369	0.366	0.405	0.414	0.519	0.481	**0.395**
Profit over revenues	(0.019)	(0.027)	0.058	0.060	0.146	0.136	0.160	0.133	0.130	0.128	0.108	0.096	**0.093**
(Salaries + benefits) over revenues	0.576	0.611	0.571	0.552	0.498	0.497	0.493	0.510	0.511	0.514	0.522	0.573	**0.536**
(Profit less interest expense) over interest expense	(4.778)	(5.870)	14.630	13.853	31.688	25.842	27.997	20.816	19.269	14.867	12.179	11.757	**15.187**
Profit over total assets	(0.007)	(0.009)	0.023	0.025	0.063	0.058	0.072	0.061	0.060	0.062	0.053	0.046	**0.042**
Profit over net assets	(0.012)	(0.015)	0.032	0.042	0.093	0.090	0.114	0.096	0.100	0.105	0.109	0.089	**0.070**
Capital expenditures over CFO	1.674	0.735	0.736	2.945	0.687	0.487	0.429	0.375	0.364	0.641	0.394	1.661	**0.927**

University of Guelph, 2012-2023

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012	Comp Average
Current ratio	0.778	0.762	0.745	0.991	1.000	1.166	1.221	1.176	1.506	1.450	2.497	2.162	**1.288**
CFO over current liabilities	0.252	0.021	0.217	0.137	0.246	0.371	0.456	0.454	0.316	0.384	0.481	0.547	**0.324**
(Cash + short-term investments) over current liabilities	0.575	0.524	0.579	0.786	0.807	0.968	1.013	0.962	1.344	1.281	2.207	1.899	**1.079**
(Current assets - current liabilities) over total assets	(0.033)	(0.035)	(0.038)	(0.001)	0.000	0.022	0.028	0.023	0.059	0.057	0.107	0.087	**0.023**
Total liability to total assets	0.555	0.535	0.564	0.662	0.534	0.562	0.561	0.599	0.597	0.655	0.682	0.812	**0.610**
Profit over revenues	0.020	(0.040)	(0.020)	(0.010)	0.054	0.075	0.110	0.078	0.088	0.107	0.058	(0.084)	**0.036**
(Salaries + benefits) over revenues	0.549	0.578	0.581	0.572	0.530	0.521	0.496	0.507	0.494	0.496	0.518	0.513	**0.530**
(Profit less interest expense) over interest expense	3.111	(2.574)	(0.586)	0.253	5.194	6.351	8.669	6.180	6.451	7.430	4.412	(4.134)	**3.397**
Profit over total assets	0.008	(0.016)	(0.007)	(0.004)	0.021	0.029	0.045	0.033	0.037	0.046	0.025	(0.039)	**0.015**
Profit over net assets	0.019	(0.034)	(0.016)	(0.011)	0.045	0.067	0.102	0.082	0.091	0.134	0.080	(0.208)	**0.029**
Capital expenditures over CFO	0.530	9.085	1.006	1.989	1.194	1.324	0.715	0.708	0.871	0.584	1.216	1.310	**1.711**

University of Windsor, 2012-2023

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012	Comp Average
Current ratio	1.340	0.885	0.850	0.580	0.668	0.773	0.639	0.935	1.145	1.193	0.584	0.866	**0.871**
CFO over current liabilities	0.333	0.349	0.510	0.093	0.082	0.313	0.176	0.190	0.286	0.242	0.229	0.180	**0.249**
(Cash + short-term investments) over current liabilities	1.122	0.649	0.632	0.295	0.415	0.524	0.368	0.734	0.915	0.938	0.345	0.586	**0.627**
(Current assets - current liabilities) over total assets	0.062	(0.021)	(0.025)	(0.070)	(0.049)	(0.035)	(0.054)	(0.009)	0.020	0.028	(0.070)	(0.025)	**(0.021)**
Total liability to total assets	0.785	0.790	0.754	0.849	0.805	0.823	0.774	0.834	0.813	0.878	0.919	0.933	**0.830**
Profit over revenues	0.044	0.036	0.074	(0.035)	(0.002)	0.033	0.010	(0.008)	0.011	0.027	0.015	(0.086)	**0.010**
(Salaries + benefits) over revenues	0.634	0.662	0.663	0.675	0.660	0.657	0.665	0.654	0.639	0.646	0.639	0.657	**0.654**
(Profit less interest expense) over interest expense	2.790	2.333	3.687	(0.376)	0.910	2.262	1.410	0.676	1.451	2.282	1.759	(3.328)	**1.321**
Profit over total assets	0.022	0.017	0.036	(0.019)	(0.001)	0.017	0.005	(0.004)	0.006	0.016	0.009	(0.056)	**0.004**
Profit over net assets	0.103	0.082	0.146	(0.125)	(0.006)	0.097	0.024	(0.026)	0.032	0.130	0.116	(0.832)	**(0.022)**
Capital expenditures over CFO	0.645	0.715	0.222	1.127	4.050	2.037	2.219	1.625	1.935	1.503	2.574	3.095	**1.812**