

University of Waterloo

GENERAL INFORMATION ON UNIVERSITY FUNDS

Background

University revenues and expenses are accounted for in several different funds – operating, research, ancillaries, trust, endowment and capital. The funds are in place to segregate revenues and expenses based on their source and purpose and apply to how the funds are managed and accounted for. Transfers between funds only occur in pre-defined scenarios which are limited.

Operating Fund

The operating fund is the University's largest fund and includes about 80% of the University's total annual revenues and expenses (2022).

A major source of operating income is the operating grant from the Ontario Ministry of Colleges and Universities (MCU). The University receives several special purpose grants from MCU (e.g., Accessibility Fund for Students with Disabilities, Grant in lieu of Municipal Taxation) which must be used for specific expenses. Tuition fees are the other major source of operating income and exceed operating grant income. A portion of the tuition funds must be allocated to needs-based student assistance (shown under the heading 'Tuition Set Aside' in the expense budget). A portion of the grant and tuition income is transferred to the Affiliated and Federated Institutions of Waterloo (AFIW), with a percentage retained for services the University provides to AFIW. Other sources of income include co-op and student services fees, overhead on research contracts, and interest on operating funds held temporarily in University bank accounts. Miscellaneous income includes application processing fees, rental income, and other general revenues.

The largest expenditures in the Operating Budget are salaries and employee benefits for faculty and staff. Other major expenses include student financial support, utilities, library acquisitions, and supplies. The expense budget shows the base level of ongoing expenditures as well as temporary budget adjustments, if any, to recognize unusual expenses or savings in the current fiscal year. An operating surplus (deficit) occurs if operating income is greater than (less than) operating expenditures in a particular year.

Research Funds

The largest area of expenditure, after the Operating Fund, is research and includes about 13% of the University's total annual revenues and expenses (2022). The University must ensure that research funds are spent for the purposes intended. The federal granting agencies (NSERC, CIHR, and SSHRC) provide for direct costs of research (e.g., salaries, supplies, equipment) and, through a multi-year commitment, provide funding to help offset the indirect costs arising from federally funded research.

Ancillary Enterprises

Ancillary enterprises include Campus Housing, Print and Retail Solutions, Food Services, Parking and Watcard. They pay the University operating fund for space, utilities, administrative services, maintenance, etc., and work to set aside funds for significant costs such as capital projects.

Trust & Endowment Funds

The University has many trust and endowment accounts, most of which support scholarships, Chairs, and student activities. Trust funds are generally comprised of donated funds to be fully spent on the purpose designated by the donor. Endowment contributions (principal) must be permanently maintained. A designated percentage of the investment income earned by the endowments is available for spending each year for purposes designated by the donor and an additional portion of the investment income is used to grow the principal balance of the endowment to preserve the 'purchasing power' of the fund in light of inflation. In 2022, 3% of endowment principal has been made available for spending.

Capital Funds

For many years, MCU has provided some funding to support building repairs and related maintenance and alterations. This funding is intended to supplement each University's in-house maintenance program. Recently, this funding has been allocated to universities based on a per institution floor, their respective "space entitlements" and domestic headcount thresholds. Strict guidelines apply, and projects must be submitted to MCU for approval. From time to time, special government programs (e.g., CFI, ORF, Strategic Investment Fund) may provide capital funding for construction or renovation costs, generally with a portion of the costs to be provided by the University.