Sheridan | 2024
Defining our Future

2022/23 Financial Results

June 15, 2023

Sheridan acknowledges that all of its campuses reside on land that for thousands of years before us was the traditional Territory of the Mississaugas of the Credit First Nation, Anishinaabe Nation, Huron-Wendat and the Haudenosaunee Confederacy. It is our collective responsibility to honour and respect those who have gone before us, those who are here, and those who have yet to come. We are grateful for the opportunity to be working on this land.

1.0 Introduction

The 2022/23 fiscal year demonstrated a remarkable recovery from the pandemic. International enrolment returned to near pre-pandemic levels and as a result, revenues improved by $52 million over the previous year. While Sheridan still ended with a $3 million deficit, this is $15.6 million better than the previous year. The strategies that Sheridan put into place during the pandemic have been successful and Sheridan is on the path to long term financial sustainability.

This report is intended to complement Sheridan's 2022/23 Financial Statements. First, an overview of Sheridan's core business, including the structure, regulatory framework, market, and environmental scan will be provided. Second, Sheridan's objectives and strategies will be presented to provide an overview of the strategic planning process, enterprise risk management approach and activities-based budget approach. The third section will focus on Sheridan's capability to deliver including an analysis of liquidity, capital, and key risks. Next, an analysis and discussion of the 2022/23 financial results will be presented along with the future outlook. Finally, the report will conclude with a discussion of key performance indicators.

2.0 Core Business

Structure, Core Business and Regulatory Environment

The Sheridan College Institute of Technology and Advanced Learning (Sheridan) is established and governed by the Ontario Colleges of Applied Arts and Technology Act, and its associated regulations and policy framework. The Ontario Ministry of Colleges and Universities establishes a policy framework that Sheridan must operate within – including tuition and fees, investments and entrepreneurial activities.

Sheridan is an agency of the Crown and provides postsecondary and vocationally oriented education and training. Sheridan is governed by a Board of Governors and operations are run by the President. The Provost oversees academic programming which is delivered through six academic units:

- Faculty of Animation, Arts & Design;
- Faculty of Applied Health & Community Studies;
- Faculty of Applied Science & Technology;
- Faculty of Humanities & Social Sciences;
- Pilon School of Business, and
- Continuing and Professional Studies.

Sheridan offers more than 140 full-time programs, including 28 degree programs in addition to certificate, diploma, advanced diploma and graduate certificate credentials. Sheridan educates learners both domestically (within Canada) and around the world. Sheridan currently educates 27,000 full-time students and 4,000 part-time students. Included in these enrolment figures are 9,500 international students from 116 countries. Sheridan also engages in applied research projects, attracting over $7 million in external funding each year.

Market

The postsecondary education market in Ontario consists of 24 publicly assisted colleges and 18 publicly assisted universities. There are also a significant number of private career colleges operating in the province. To a lesser extent, Sheridan also competes with global post-secondary institutions to recruit international students.

The Ontario public college market realized $5.8 billion (2020/21 - $5.1 billion) in revenues in 2021/22 across the 24 colleges. Sheridan, with $353.0 million in revenues (2020/21 - $350 million), has 6.1% market share (2020/21 – 6.9%). Colleges in general are financially healthy with $3.7 billion in net assets as of March 31, 2022 (2020/21 - $3.4 billion). Sheridan's net assets were $266.1 million (2020/21 - $284.2 million), representing 7.2% (2020/21 – 8.4%) of the sector.

The growth in the sector has been from private partnership revenues which have grown from $268.2 million in 2020/21 to $420.3 million in 2021/22. Additionally, international tuition revenues grew from $1.4 billion in 2020/21 to $1.6 billion in 2021/22.

Environmental Scan

Table 1 provides a summary of the key internal (strengths and weaknesses) and external (opportunities and threats) factors that directly impact Sheridan's long-term financial sustainability.

Table 1 – Strengths, Weaknesses, Opportunities, Threats

Strengths
• Reputation for quality programs where graduates are in demand globally. • Destination of choice for international students, particularly from India, as shown through strong application demand for 2022/23. • Healthy financial reserves provide a safety net to protect against downturns as well as funds to invest in one-time initiatives and capital. • Offering financial incentives to support recruitment efforts and improve competitiveness while also addressing student financial challenges. • Strong relationship with Sheridan Student Union provides mutual support for long term planning and fee setting.
Weaknesses
• Declining domestic enrolment continues to pose a challenge despite significant efforts to try and reverse the trend. • High price points for international programs compared to key provincial rivals could impact recruitment if students become more price sensitive. • Under investment in capital resulting in aging facilities at Davis and Trafalgar which can ultimately impact recruitment efforts. • Collaborative programs with high financial contribution are winding down resulting in significant revenue impacts.
Opportunities
• Partnership opportunities are emerging that could provide innovative academic programming initiatives and revenue generation. • International diversification to attract students from new markets to protect against both local and global competition. • The Campus Master Plan provides opportunities to address capital infrastructure concerns and pursue partnership and alternative revenue generating opportunities. • Investment opportunities – there is a market for investors seeking alternative income sources and significant interest is being expressed for debt financing solutions.
Threats
• Local International market increasingly competitive via private partnerships, and globally via competitive immigration policies and faster visa processing times. Political concerns in Brampton threaten ability to grow international enrolment at Davis. • Domestic market continues to be challenging with emerging threat from universities taking college market share. • High inflation levels pose a threat to increasing our costs but also impact affordability of higher education with unemployment and higher basic living costs. • Government policy continues to pose a threat with the tuition policy significantly impacting revenue and funding frameworks limiting opportunity for increased operating funding. No significant capital funding on the horizon either federally or provincially.

3.0 Objectives and Strategy

This section of the report will provide an overview of Sheridan's Strategic Plan and planning process, the Enterprise Risk Management Framework and Activities Based Budget approach.

3.1 Strategic Plan, Goals & Targets

Sheridan's operations are guided by Sheridan 2024, the 5-year Strategic Plan. The Strategic Plan is shown in Figure 1 and consists of four priorities and five enablers.

Sheridan undertakes an annual planning exercise to identify specific activities or initiatives that will move Sheridan to achieving the goals in the Strategic Plan. These initiatives are monitored throughout the year.

Sheridan's budget and financial planning processes are integrated within the strategic planning process. Financial resource needs are identified as part of the planning process and then built into Sheridan's budget.

Figure 1 – Strategic Plan

Sheridan also reports on key metrics and targets with a dashboard that is discussed with management and the Board of Governors on an annual basis:

- Proportion of Graduates Participating in Experiential Learning
- Graduate Employment Rate in a related field
- Graduation Rate
- Student Satisfaction Rate
- Total Full Time Enrolment
- Number of Start-Up Companies Assisted
- Overall Institutional Reputation Score
- Employee Engagement Rate
- Financial Health Indicators Global Diversity, Equity & Inclusion Benchmark (GDEIB) Score
- Sustainability Tracking, Assessment and Rating System (STARS) Rating

3.2 Enterprise Risk Framework

Sheridan has implemented a formal Enterprise Risk Management Framework. This includes a management level committee that meets on a regular basis to monitor existing risks, discuss emerging risks and otherwise re-prioritize risks. Risks are evaluated and prioritized using a likelihood and impact matrix and then action plans are developed for the top risks. These top risks are then discussed with Sheridan's Board of Governors regularly throughout the year.

3.3 Activities Based Budgeting

In support of Sheridan's long-term strategies and financial sustainability, an Activities Based Budgeting (ABB) framework has been developed and implemented to guide Sheridan's budget activities. The 2022/23 budget was the first budget to be developed in accordance with this new framework. The main reasons for moving to ABB are:

- Driving individual departmental accountability for their own budgets, rather than centralized control over budgets,
- Establishing appropriate incentives for engaging in activities that lead to better academic and financial outcomes,
- Promoting the delivery of effective, competitive administrative services,
- Reducing silos between departments and increases transparency and openness, and
- Enabling better, more relevant information for unit leaders to make evidence-based decisions.

4.0 Capability to Deliver Results

This section of the report will provide an overview of the resources that Sheridan has available to execute its operations, including liquidity and capital assets. This section will also discuss the top risks for delivering results.

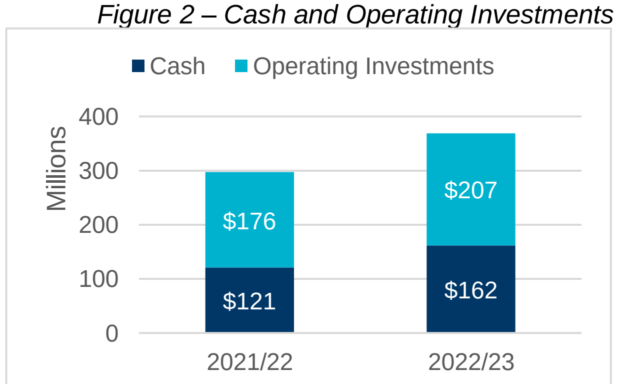
4.1 Liquidity

Cash and Operating Investments

Sheridan currently has sufficient cash and operating investments on hand to fund its operations. The combined value increased year-over-year from $296.7 million to $369.3 million (see Figure 2). Operating investments are for funds that are not required in the short term and are invested in guaranteed investment certificates.

Sheridan prepares a rolling cash flow forecast that is updated monthly and is used to support operating investment decisions.

Figure 2 – Cash and Operating Investments



Debt and debt capacity

Sheridan's long-term debt decreased year-over-year from $76.2 million to $72.1 million (see Figure 3). This decrease was due to scheduled principal payments on the five loans.

Sheridan needs the approval of the provincial government before taking on additional long-term debt. As part of the analysis, the government uses two key metrics: Debt to Assets ratio and Debt Servicing ratio (Table 2). Based on the provincial benchmarks, Sheridan can take on approximately $140 million in additional long-term debt.

Figure 3 – Long-term Debt

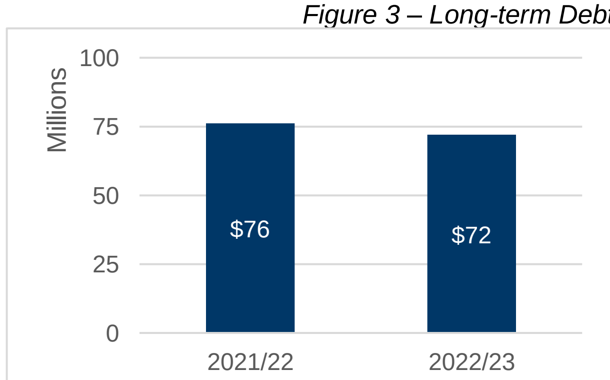


Table 2 – Debt Capacity Metrics

	2021/22	2022/23	Benchmark
Debt to Assets Ratio	25.45%	22.97%	35% or less
Debt Servicing Ratio	1.43%	1.75%	3% or less

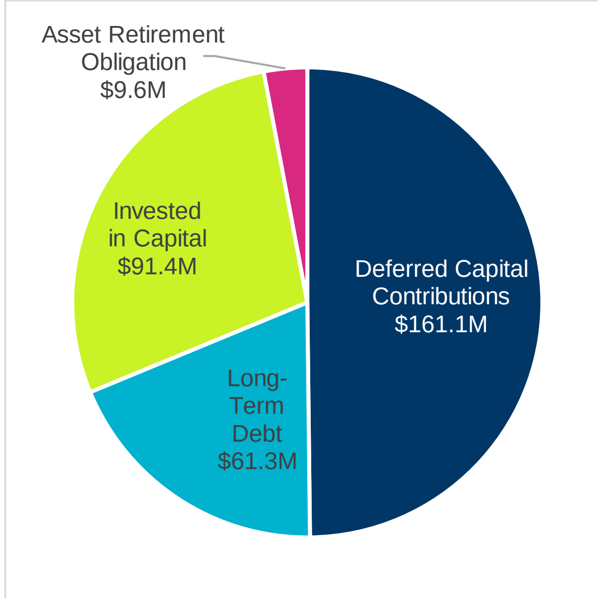
4.1 Property, Plant & Equipment

In 2021/22, Sheridan completed the Hazel McCallion Campus C-Wing project. It is comprised of an athletics facility with a gym, track and fitness area and Student Union space which includes a lounge, food services as well as office space and a flexible meeting space for general use. This project is jointly funded by Sheridan Student Union and Sheridan College.

Per Figure 4, the net book value of Sheridan's capital assets is $323.3 million. This is funded as follows:

- $161.1 million (50%) from capital contributions, including government capital grants, research capital grants and donations restricted for capital.
- $61.3 million (19%) which is calculated as $72.1 million in long-term debt less $10.8 million in receivables for future student fees intended to pay portions of the Davis gym and HMC C-wing debts.
- $91.4 million (28%) from Sheridan's accumulated surplus which represents operating funds invested in capital.
- $9.6 million (3%) from the new Asset Retirement Obligation.

Figure 4 – Capital Assets Funding



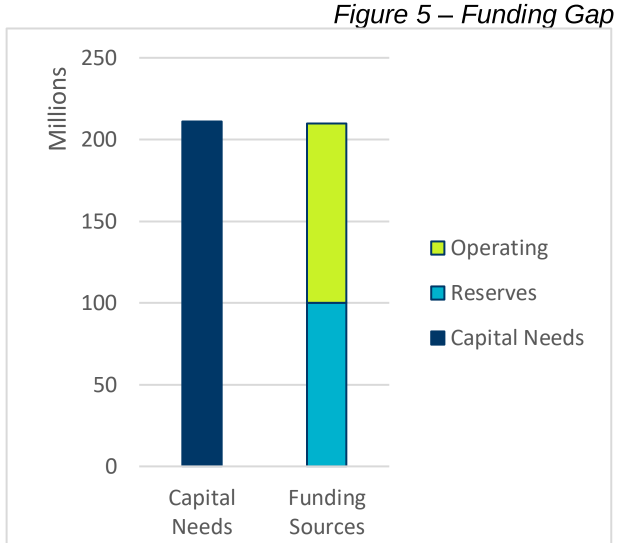
Future Outlook

Sheridan has also developed a Campus Master Plan to guide future capital development and ensure there is sufficient space and facilities to meet the college's long-term strategic goals. Sheridan's Campus Master Plan provides a road map to transform our built environment over the next 30 years. The capital budget identifies two building developments, the related site infrastructure and the funding required to support the construction of these projects.

Sheridan has significant capital requirements including $211 million for 5-year capital needs. On an ongoing basis, Sheridan conducts various assessments to refine and prioritize the funding needs. Recent analysis shows that as Sheridan's assets continue to age, funding needs are likely to increase over the next five to ten years.

Currently, Sheridan has $100 million in capital reserves which leaves $111 million to be funded from existing operating budget sources including government and research grants, program fees and setting aside future surplus for capital. A comparison between the funding needs and funding gap is shown in Figure 5.

Figure 5 – Funding Gap



4.4 Risks

The top risks that are included in Sheridan's Enterprise Risk Management Framework that are relevant to long-term financial sustainability include the following:

International Enrolment

Sheridan has action plans to mitigate the risk of not reaching enrolment targets for international students. There is increasing competition for international students amongst Ontario public colleges, more broadly across public and private institutions across Canada and globally. Mitigation strategies include geographical diversification, recruitment incentives, and analysis of growth opportunities.

Domestic Enrolment

Similarly, Sheridan has action plans to address the risk of losing market share for domestic students. Sheridan, like other Ontario colleges, has experienced a consistent but gradual decline in domestic enrolment over the past decade. Mitigation strategies include various tactics to improve the student experience and student success. Sheridan is also investing in additional budget for marketing.

Operating Funding

This is the risk that operating funding requirements for day-to-day operations are not met. This risk is closely linked with the enrolment-based risks discussed above. Additional mitigation strategies for this risk include the introduction of activities-based budgeting to support effective fiscal management practices across the college. Also, Sheridan is exploring innovative partnership opportunities to support revenue generation.

5.0 Results and Outlook

This section will provide an overview of the financial results for 2022/23, including actual results compared to pre-pandemic (2019/20 fiscal year) and actual results compared to the 2022/23 approved budget. This section will conclude with a summary of Sheridan's financial outlook.

5.1 Results

Enrolment

The pandemic had a significant impact on enrolment, especially for international students due to travel restrictions, visa processing delays and other changes to programming delivery formats. 2022/23 showed a significant recovery from the previous two years. Figure 6 shows the multi-year enrolment trend and Figure 7 shows the comparison from budgeted enrolments to actuals.

Key highlights include:

- International enrolments increased by 41% year-over-year and are only 3.5% off the peak international enrolment from 2019/20. International enrolments exceed the budget by 1.0%.
- Domestic enrolments declined by 7% year-over-year and were below budget by 4.9%. The average domestic annual decline has been 4.5% since 2019/20.

Figure 6 – Multi-year Enrolment Trend

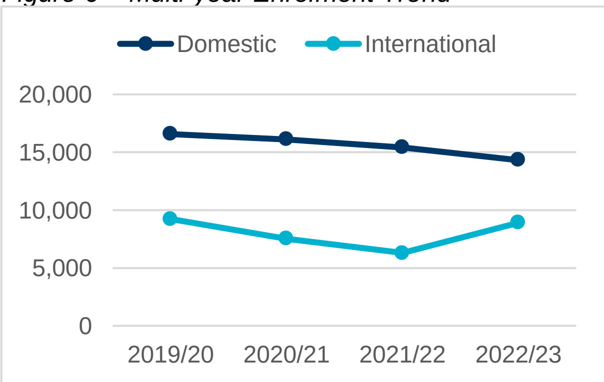
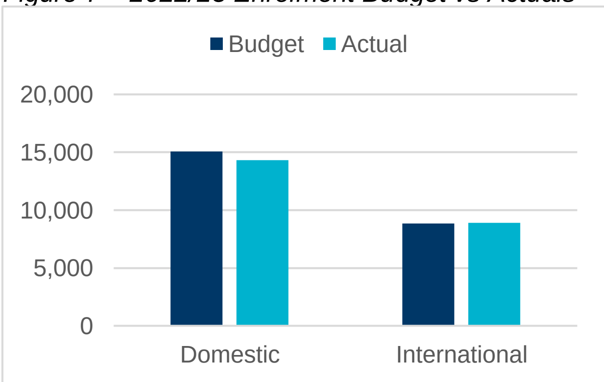


Figure 7 – 2022/23 Enrolment Budget vs Actuals



Operating Income

Table 3 shows the revenues, expenses, and surplus/deficit for the past two years and comparison to budget. Figure 8 shows the revenue and expenses for the past four years. Revenues improved by $52.2 million year-over-year or 14.8%. Revenues are only 1.2% off Sheridan's peak revenues back in 2019/20. Expenses increased by $36.6 million year-over-year or 9.9%. This represents record spending for Sheridan, exceeding 2019/20 by $26.7 million or 7.0%. Figure 9 shows the comparison to budget. Revenues exceeded budget by $17.9 million or 4.6% while expenses exceeded budget by $20.8 million or 5.4%.

Table 3 – Operating Income

$ millions	2021/22 Actuals	2022/23 Actuals	Year-over-Year Change	2022/23 Budget	Variance to Budget
Revenues	353.0	405.3	52.2	387.4	17.9
Expenses	371.6	408.2	36.6	387.4	20.8
Surplus / Deficit	**(18.6)**	**(3.0)**	**15.6**	**-**	**(3.0)**

Figure 8 - Multi-year Income Trend

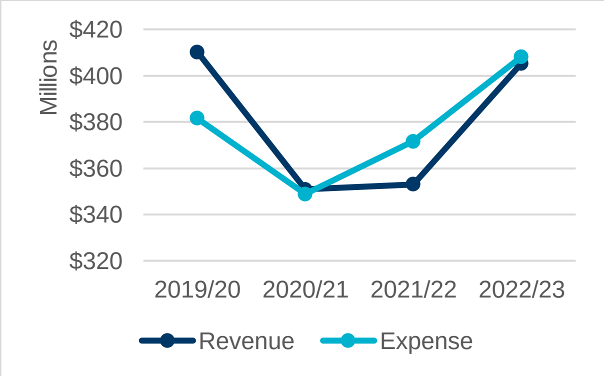
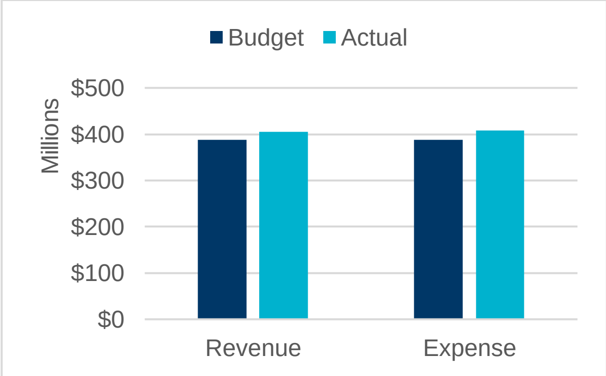


Figure 9 – 2022/23 Budget vs Actuals



Tuition and Fee Revenue

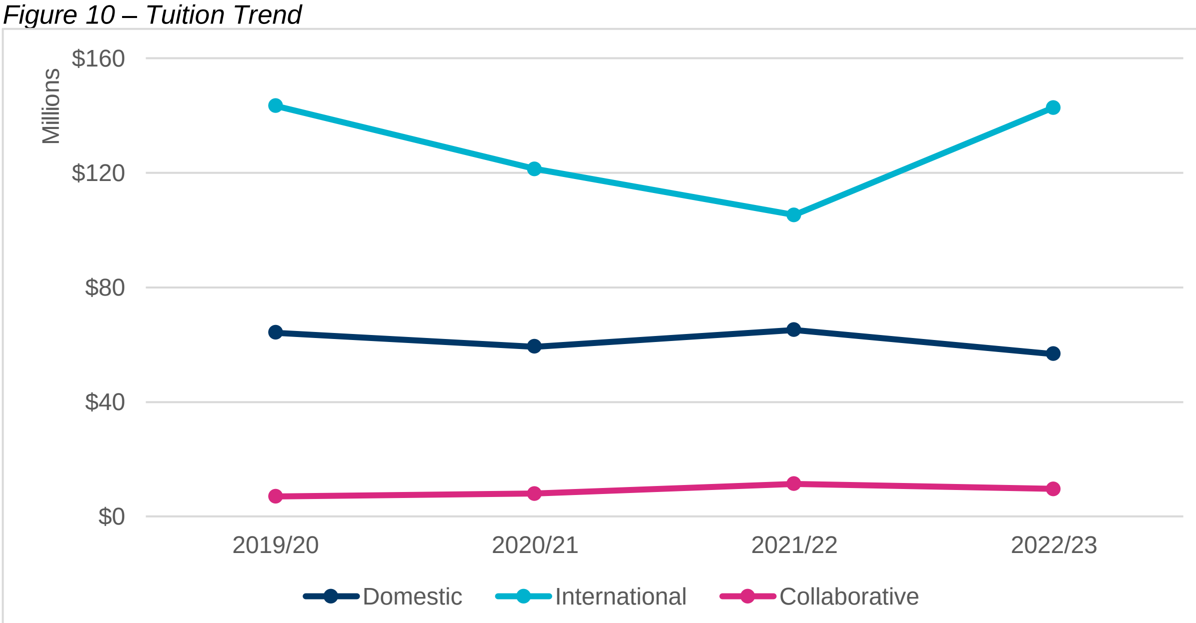
Table 4 shows the year-over year change and comparison to budget for tuition and fee revenues. Figure 10 shows the four-year trend. Tuition and fee revenues have increased by $36.4 million (17%) from 2021/22 to 2022/23 and were $0.8 million (0.3%) less than the approved 2022/23 budget. Key drivers include:

- Increased international tuition of $37.4 million (35.5%) year-over-year due to increased enrolment. International tuition fell short of the approved budget by $5.4 million (3.6%).
- Domestic tuition declined by $8.2 million (12.6%) year-over-year and was $1.2 million (2.0%) below the approved budget target, also due to enrolment. Part of this change can be attributed to an increase in the tuition set-aside spend of $1.9 million year-over-year. Tuition set-aside is a government policy that requires colleges to set-aside approximately 10% of domestic tuition for student financial aid. Sheridan underspent in the prior three years and thus had to set-aside more this year to cover the cumulative underspend.
- Collaborative tuition revenue declined by $1.8 million year-over-year due to the gradual phase out of the CCIT program in partnership with the University of Toronto Mississauga. This tuition revenue still exceeded budget by $4.2 million due to an overly conservative forecast.
- Student fee revenues increased by $9.0 million year-over-year and exceeded budget by $1.6 million due to increased enrolment.

Table 4 – Tuition and Fee Revenue

$ millions	2021/22 Actuals	2022/23 Actuals	Year-over-Year Change	2022/23 Budget	Variance to Budget
Domestic Tuition	65.2	57.0	(8.2)	58.2	(1.2)
International Tuition	105.3	142.7	37.4	148.1	(5.4)
Collaborative Tuition	11.3	9.5	(1.8)	5.3	4.2
Student Fees	30.4	39.4	9.0	37.8	1.6
Total	**212.2**	**248.6**	**36.4**	**249.4**	**(0.8)**

Figure 10 – Tuition Trend



Government Grant Revenue

Table 3 shows the government grant revenue including year-over-year change and comparison to budget. Government grant revenue in total is largely unchanged year-over-year and is $2.0 million better than budget. Key drivers include:

- Ministry of Colleges and Universities (MCU) operating grants are down by $1.0 million year-over year. This is due to an increase in the international student recovery of $2.0 million whereby the government reduces the operating grant by $375 per international student per term. Since international enrolment has increased, our operating grant has decreased. The other change in operating grants is that we no longer share a portion of the grant with York university due to the end of that partnership last year. This represents a savings of $1.2 million.
- Special purpose grants have increased by $1.4 million year-over-year and are $2.3 million better than budget. This is mainly due to the province's nursing expansion initiative which has provided $1.6 million more grants year-over-year and $2.1 million better than budget.

- Ministry of Labour, Training and Skills Development (MLTSD) grants are similar to last-year and consistent with budget. These grants provide funding for apprenticeship programs, Second Career programs, Canada Ontario Jobs Grant, Employment Services and Literacy and Basic Skills.
- Other grants included $0.8 million for the Challenge fund which was not in the approved budget. This is a program that supported development of micro-credentials.
- Capital grants are typically treated as deferred capital contributions, however, there has been a small expense that is not eligible to be capitalized. That is why there is no budget for this line.

Table 5 – Government Grant Revenue

$ millions	2021/22 Actuals	2022/23 Actuals	Year-over-Year Change	2022/23 Budget	Variance to Budget
MCU Operating Grants	80.7	79.6	(1.0)	81.0	(1.3)
Special Purpose	4.4	5.8	1.4	3.5	2.3
MLTSD Grants	6.9	6.3	(0.6)	6.6	(0.3)
Other Grants	2.2	2.1	(0.1)	1.2	0.9
Capital Grants	0.8	0.4	(0.3)	-	0.4
Total	**95.0**	**94.3**	**(0.7)**	**92.2**	**2.0**

Other Revenue

Table 6 shows other revenue sources which have increased by $16.5 million year-over-year and $22.1 million better than budget. Main drivers include:

- Ancillary revenues have increased by $5.7 million year-over-year and are $2.3 million better than budget. This includes an increase of $4.0 million for residences, $1.2 million for parking and $0.4 million for conference services.
- Other revenues have increased by $6.5 million year-over-year and are $8.3 million better than budget. This includes $5.3 million more for investment income due to increased interest rates and $1.3 million more for research revenues. The remaining budget variance is largely due to a return to normal operations with revenues from athletics memberships, day care fees, theatre tickets, and other general revenue sources.
- The increase in amortization of deferred contributions is largely due to an increase of $3.7 million related to expenses of future periods. This is mainly related to the use of student centre and athletics capital restricted funds to pay for the long-term debt and operating costs of HMC C-Wing, where 2022/23 was the first full year of operations.

Table 6 – Other Revenues

$ millions	2021/22 Actuals	2022/23 Actuals	Year-over-Year Change	2022/23 Budget	Variance to Budget
Ancillary Operations	8.7	14.4	5.7	12.1	2.3
Other	16.5	23.0	6.5	14.7	8.3
Amortization of deferred contributions	20.6	24.9	4.3	19.0	5.9
Total	**45.8**	**62.3**	**16.5**	**45.8**	**16.5**

Expenses

Table 7 provides a summary of expenses, including the year-over-year change and comparison to budget. Figure 11 provides a 4-year trend of salary & benefit and supplies & services expenses. Overall, expenses are up $36.6 million year-over-year and are $20.8 million higher than budget. Key drivers include:

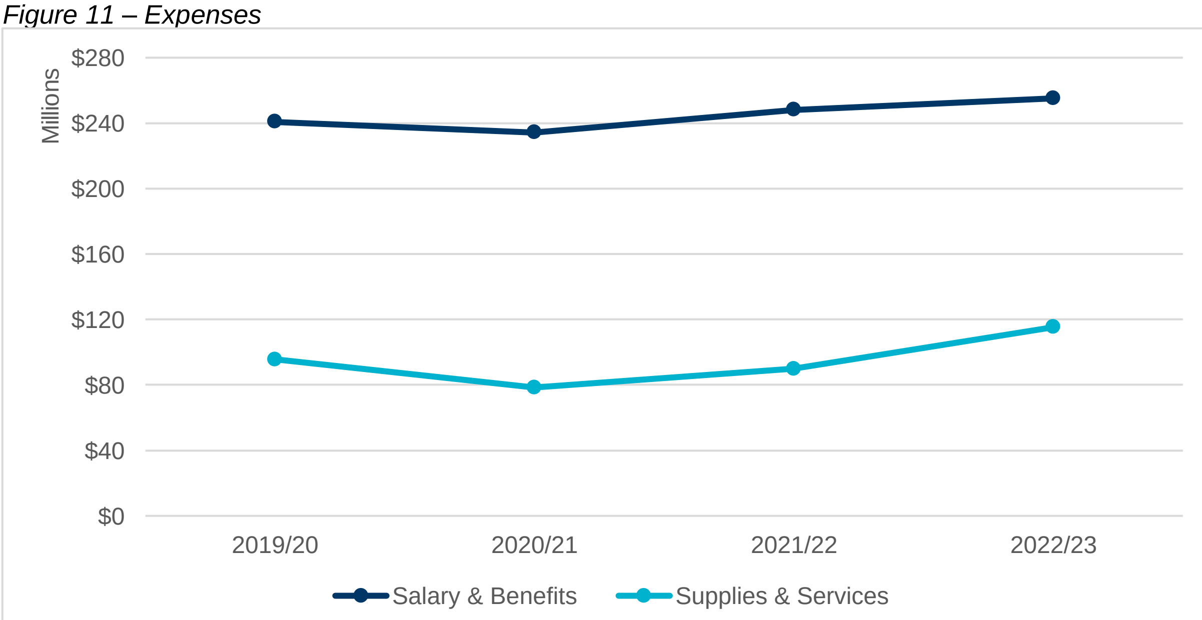
- Salary and benefit expenses are $7.0 million higher than last year but only $1.0 million greater than budget. The increased expense is largely due to annual salary rate increases as well as additional staffing to support enrolment growth.
- Supplies and services spending has increased by $25.5 million year-over-year and $15.5 million more than budget. The increased spend is broken down as follows:
  - $5.0 million more for international agent commissions to support international enrolment growth.
  - $3.5 million more for student awards, including entrance scholarships intended to support enrolment growth.
  - $3.3 million more for the purchase of furniture and equipment, including computer equipment, largely due to a greater return to campus and purchasing computer equipment instead of leasing.
  - $2.6 million more for bad debt. This is due to Sheridan recognizing a recovery of $1.9 million in 2020/21 to adjust for a new collections policy.
  - $2.5 million more for software expenses due to planned efforts to modernize and automate our systems and processes.
  - $2.2 million more for insurance, mainly related to mandatory health insurance for international students which is recouped through fees.
  - $1.6 million more for professional fees.
  - $1.6 million more for special events which is mainly for convocation ceremonies at the new venue and additional ceremonies to make up for the pandemic years.
  - $1.1 million more for travel, including mileage, meals, and accommodation expenses.
  - $1.1 million more for long-term debt interest expense for the new HMC C-Wing loan.

- Depreciation expense is $1.3 million less than last year and $2.2 million lower than budget due to aging assets that have reached the end of their accounting estimated useful life.
- Expenses related to deferred contributions are directly offset by the revenues discussed above, specifically the student centre and athletics expenses related to the new HMC C-wing.
- Other expenses are $1.5 million higher than last year and higher than budget. This includes a $0.7 million impairment loss for the write down of the *Come From Away* investment as well as increased future employment benefit expenses and vacation pay.

Table 7 - Expenses

$ millions	2021/22 Actuals	2022/23 Actuals	Year-over-Year Change	2022/23 Budget	Variance to Budget
Salary & Benefits	248.1	255.1	7.0	254.1	1.0
Supplies & Services	89.8	115.3	25.5	99.8	15.5
Depreciation	22.1	20.8	(1.3)	23.0	(2.2)
Expenses related to deferred contributions	11.9	15.8	3.9	10.5	5.3
Other	(0.3)	1.2	1.5	-	1.2
Total	**371.6**	**408.2**	**36.6**	**387.4**	**20.8**

Figure 11 – Expenses



Surplus / Deficit

Figure 12 shows the year-over-year change in the deficit. Overall, the deficit improved by $15.6 million. This is due to improvements in tuition & fee and other revenue sources, offset by increased spending. Figure 13 shows the comparison to the approved budget. The deficit is $3.0 million worse than the approved balanced budget. This is due to a $20.8 million increase in supplies & services, other and salary & benefit spending, offset by revenue growth of $17.9 million.

Figure 12 – Surplus / Deficit – Comparison to Prior Year

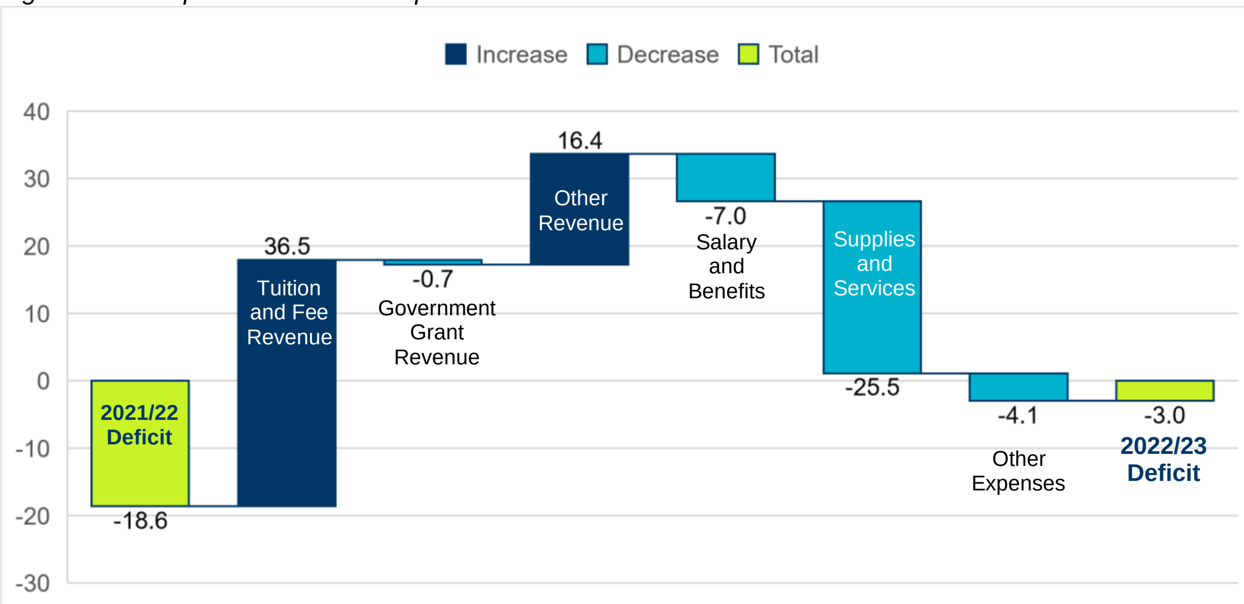
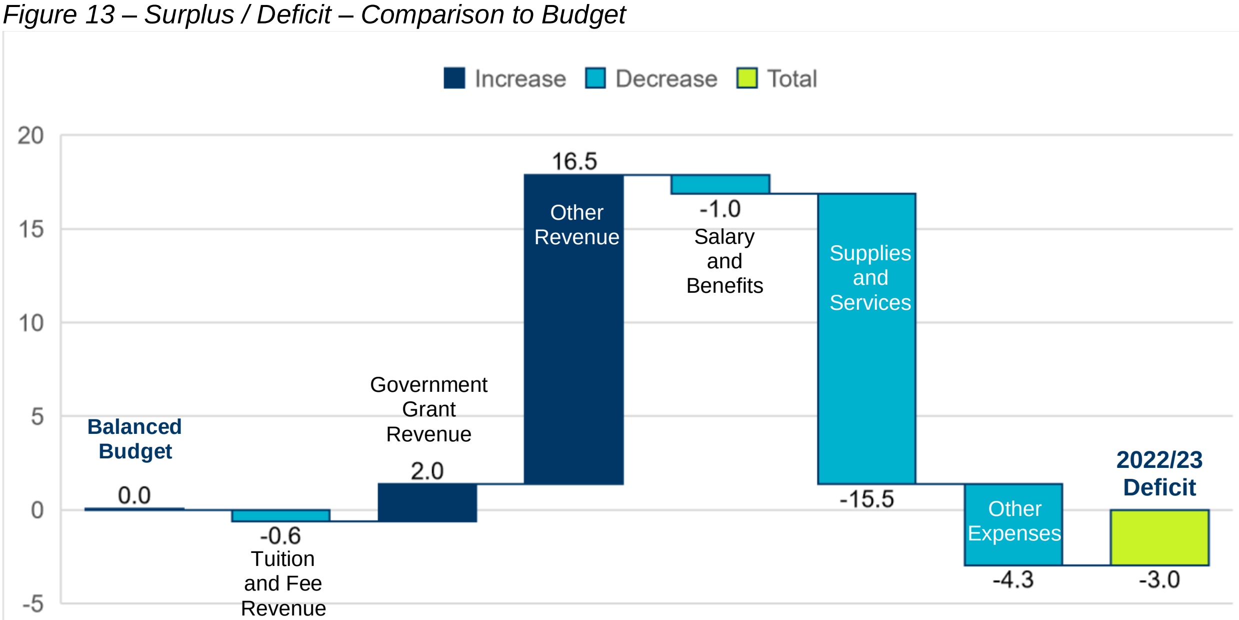


Figure 13 – Surplus / Deficit – Comparison to Budget

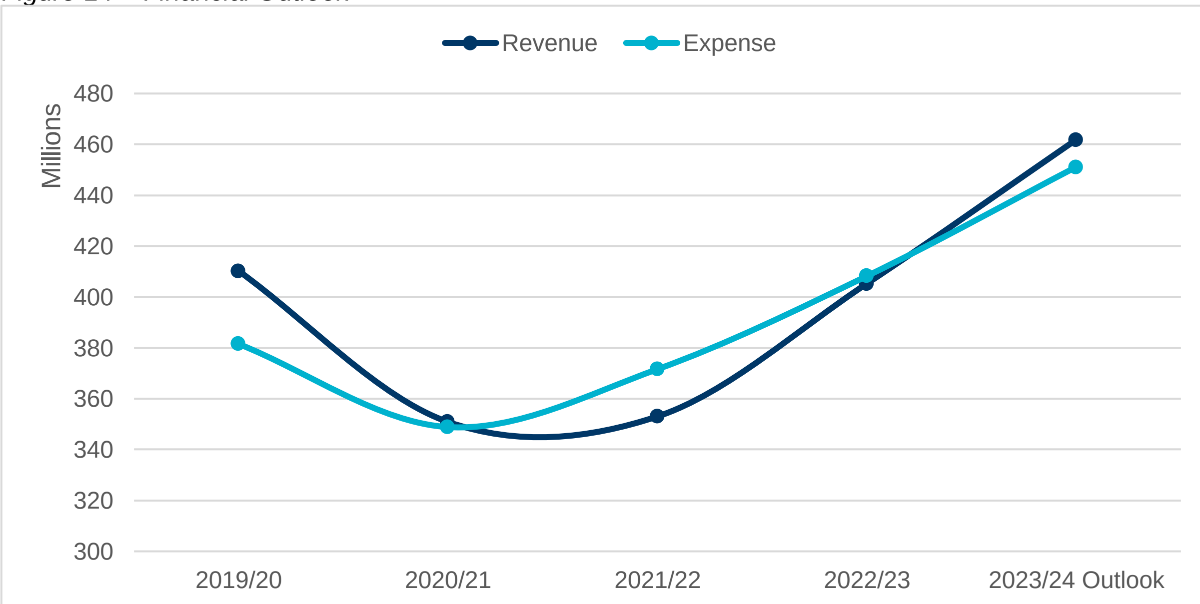


5.2 Outlook

Sheridan's approved 2023/24 Budget report provides a detailed outlook for Sheridan's expected financial performance next year and into the future. Figure 14 provides a visual summary of this outlook. International enrolment is expected to continue to grow which leads to expected revenues of over $460 million. Expenses to support this growth are also expected to grow to

$450 million, resulting in an $11 million expected surplus that will be used to support future capital needs.

Figure 14 – Financial Outlook



6.0 Key Performance Measures and Indicators

Table 4 shows the draft financial health indicators for 2022/23 compared to the previous year. These measures are discussed below. These indicators are used by the provincial government to assess the financial health of each college.

Table 4 – Financial Health Metrics

Ratio	Benchmark	2022/23	2021/22 (restated)
Quick ratio	1.0 or higher	2.63	2.14
Total Debt to Assets	35% or less	22.97%	25.45%
Debt Servicing ratio	3% or less	1.75%	1.43%
Net Assets to Expense	60% or higher	93.79%	104.58%
Surplus to Revenue	1.5% or higher	(0.73%)	(5.26%)
Annual Surplus	Positive	(2,956,007)	(18,581,389)
Accumulated Surplus	Positive	221,799,024	224,755,031

6.1 Quick Ratio

This ratio is a measure of our ability to meet our short-term financial obligations by comparing current assets to current liabilities. Current assets include cash, accounts receivables and short-term investments (<1 year). Current liabilities include bank indebtedness, accounts payable and accrued liabilities.

Sheridan exceeds the Ministry benchmark, and we continue to have sufficient cash on hand to meet our short-term obligations. Sheridan's ratio has improved over 2021/22 due to increased cash of $41.1 million, accounts receivables of $2.4 million and other current assets of $6.2 million while accounts payables have only increased by $3.0 million.

6.2 Debt to Assets Ratio & Debt Servicing Ratio

These ratios measure the amount of debt that we are carrying and the ability to make payments as well as the ability to borrow new funds. Sheridan exceeds the MCU benchmarks for both ratios. The improvement in the debt to assets ratio is due to the increase in the value of our assets by $75.6 million. The debt servicing ratio has worsened compared to last year due to the $2.0 million increase in interest expense and principal payments for the HMC C-wing loan.

6.3 Net Assets to Expense Ratio

This metric measures the ability for us to continue operations if there is a delay in revenue streams (e.g., ability to use reserves to sustain operations). Sheridan is well above the MCU benchmark for this metric. The decrease from 2021/22 is due to a $5.3 million decrease in net assets while total expenses have increased by $36.6 million.

6.4 Surplus and Accumulated Surplus Ratios

These metrics measure the size of our surplus/deficit compared to in-year revenue and gauge our ability to operate within a balanced budget and sustain operations for the future. Sheridan was below the Surplus to Revenue ratio benchmark of 1.50% due to the pandemic and the deficit of $3.0 million is also below the benchmark of a surplus.