Sheridan | 2024
Defining our Future

2023/24 Financial Results

June 13, 2024

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 Sheridan College Institute of Technology and Advanced Learning (Sheridan) has experienced a strong financial result for the year ended March 31, 2024, generating an operating surplus of $45.2 million. This result was driven by additional international enrolment, favourable investment earnings, and effective expense controls. In addition, due to the Immigration, Refugees and Citizenship Canada (IRCC) announcement on January 22, 2024, temporary expense cost savings measures were implemented to assist in safeguarding the short-term financial health of the college which also contributed to the year-end surplus position. Overall, Sheridan has strengthened its financial position and health according to the Ministry of Colleges and Universities (MCU) financial health indicators, outlined in Section 5.0.

This report complements Sheridan's 2023/24 Financial Statements by providing additional detail and context to the fiscal year operating results including:

- An overview of Sheridan's core business including the structure, regulatory framework, market, and environmental scan.
- Sheridan's objectives and strategies, with an overview of the strategic planning process, enterprise risk management approach and activities-based budgeting approach.
- Sheridan's financial capability to deliver trailblazing education, including an analysis of liquidity, capital, and key risks.
- An analysis and discussion of the 2023/24 financial results.
- A discussion of key performance indicators.

2.0 Core Business

Structure, Core Business and Regulatory Environment

Sheridan is established and governed by the Ontario Colleges of Applied Arts and Technology Act, and its associated regulations and policy framework. The MCU establishes a policy framework within which Sheridan must operate 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 the responsibility of 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 31 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 over

29,000 full-time students and 3,000 part-time students. 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 $7.1 billion (2021/22 - $5.8 billion) in revenues in 2022/23 across the 24 colleges. Sheridan, with $405.3 million in revenues (2021/22 - $353.0 million), has a 5.7% market share (2021/22 - 6.1%). Colleges represented a combined $4.3 billion in net assets as of March 31, 2023 (2021/22 - $3.7 billion). Sheridan's net assets were $255.1 million (2021/22 - $266.1 million), representing 5.9% (2021/22 – 7.2%) of the sector.

The growth in the sector has been primarily due to private partnership revenues which have grown from $420.3 million in 2021/22 to $791.5 million in 2022/23. Additionally, international tuition revenues grew from $1.6 billion in 2021/22 to $2.3 billion in 2022/23.

3.0 Financial Capability to Deliver Trailblazing Education

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 key risks to delivering results.

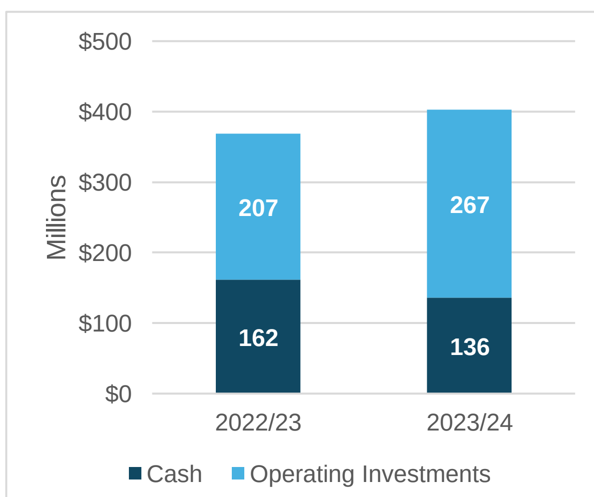
3.1 Liquidity

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 $369 million to $403 million (see Figure 1). Operating investments are for funds that are not required in the short term and are invested in Guaranteed Investment Certificates (GICs).

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

Figure 1 – Cash and Operating Investments



Debt and Debt Capacity

Sheridan's long-term debt decreased year-over-year from $72 million to $69 million (see Figure 2). This decrease was due to scheduled principal payments on five loans.

Provincial government approval is required before Sheridan assumes additional long-term debt. As part of the analysis, the government uses two key metrics: Debt to Assets ratio and Debt Servicing ratio (Table 1).

Figure 2 – Long Term Debt

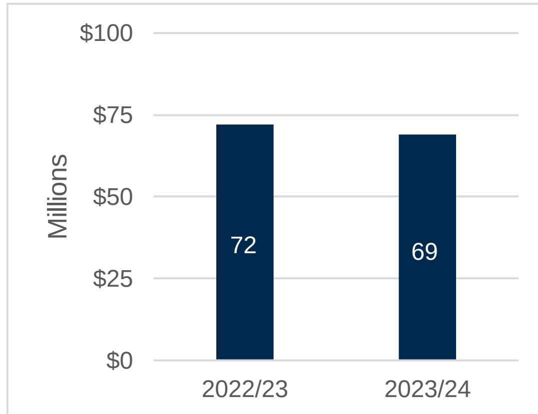


Table 1 – Debt Capacity Metrics

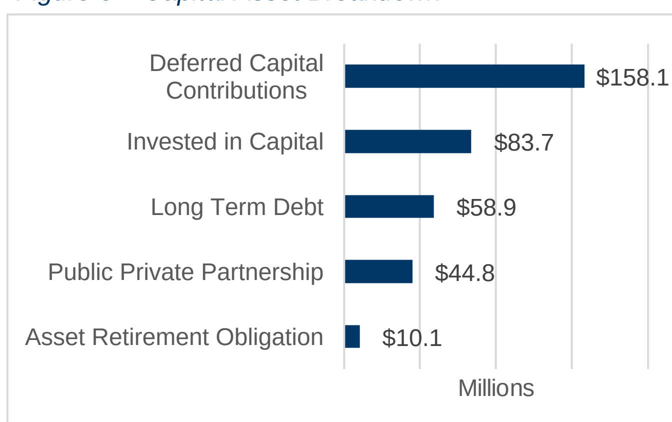
	2022/23	2023/24	Benchmark
Debt to Assets Ratio	28.10%	28.36%	35% or less
Debt Servicing Ratio	1.16%	1.75%	3% or less

3.2 Property, Plant & Equipment

The net book value of Sheridan's capital assets is $355.6 million (per Figure 3). The breakdown is as follows:

- $158.1 million (44%) from capital contributions, including government capital grants, research capital grants and donations restricted for capital.
- $58.9 million (17%) which is calculated as $68.8 million in long-term debt less $9.9 million in receivables for future student fees intended to pay portions of the Davis gym and HMC C-wing debts.
- $83.7 million (24%) from Sheridan's accumulated surplus which represents operating funds invested in capital.
- $44.8 (13%) from new Public Private Partnership accounting standard (residence).
- $10.1 million (3%) from Asset Retirement Obligation.

Figure 3 – Capital Asset Breakdown



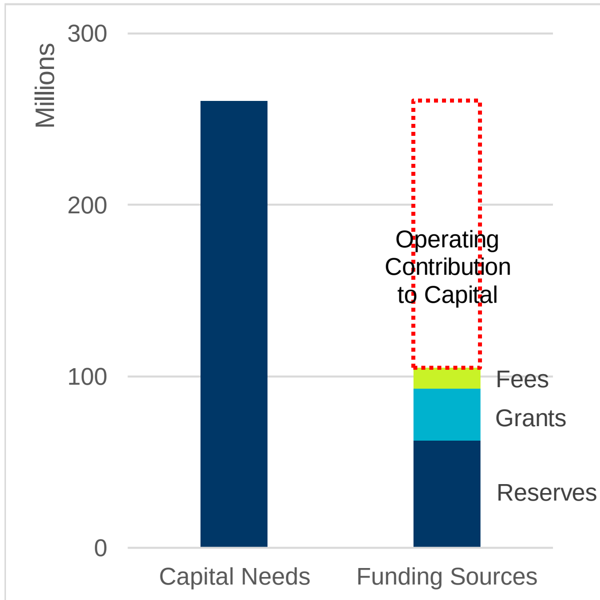
Capital Requirements

Sheridan has 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 the 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 $261 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.

This leaves a capital funding gap of $156 million over the next five years or an average operating contribution to capital of $31 million per year. Over a ten-year period, this funding gap increases to over $384 million or an average of $38 million per year.

Figure 4 – Funding Gap



3.3 Risks

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

International Enrolment

The policy changes implemented by the IRCC in January 2024 have had significant impacts on the recruitment of international students by colleges and universities across Canada. Sheridan is presently re-prioritizing strategic initiatives to position the college for future success and sustainability.

Domestic Enrolment

Like other Ontario colleges, Sheridan has experienced a consistent, gradual decline in domestic enrolment over the past decade owing largely to shifting age demographics in Canada and Ontario. Mitigation strategies include various tactics to improve the student experience and student success. Sheridan also has formal mechanisms in place for the ongoing evaluation of academic offerings and will suspend or close low enrolment/low margin programs while expanding high margin programs with potential for domestic enrolment growth.

Operating Funding

This risk focuses on Sheridan's ability to meet operating funding requirements for day-to-day operations. This risk is closely linked with the enrolment-based risks discussed above. Current mitigation includes assessing spending in the context of both short-term and long-term fiscal uncertainty. In addition, Sheridan has identified opportunities presented by the IRCC policy changes to drive new strategic and operational initiatives through the implementation of enhanced controls that contribute to savings and revenue generation.

4.0 Results

This section provides an overview of the financial results for 2023/24, including comparison to the 2023/24 approved budget.

4.1 Overview of Financial Results

Sheridan's year-end operations provided for a surplus of $45.2 million, which is $34.5 million over original budget projections, as shown in Table 2 below. Several primary factors contributed to the surplus including:

- Significant international enrolment growth over original budget
- Increased earnings on investments
- Cost containment and savings measures in reaction to the January 22, 2024 IRCC announcement

Table 2 – Budget to Actual Operating Results

$ millions	2023/24 Budget	2023/24 Actuals	Variance to Budget
Revenues			
Tuition and fee revenue	314.1	359.7	45.6
Government grant revenue	90.3	88.9	(1.4)
Other revenues	57.5	71.2	13.7
Total Revenue	**461.9**	**519.8**	**57.9**
Expenses			
Salaries & benefits	273.0	297.2	24.2
Supplies & services	141.7	140.1	(1.6)
Depreciation	21.0	22.3	1.3
Expenses related to deferred contributions	10.5	12.6	2.1
Other expenses	5.0	2.4	(2.6)
Total Expense	**451.2**	**474.6**	**23.4**
Surplus	**10.7**	**45.2**	**34.5**

4.2 Enrolment

International enrolment in 2023/24 grew significantly over 2022/23. Figure 5 shows the multi-year enrolment trend and Figure 6 shows the comparison from budgeted enrolments to actuals.

Key highlights include:

- International enrolments increased by 67.3% year-over-year. International enrolments exceed the budget by 10.9%.
- Domestic enrolments increased by 6.3% year-over-year and were above budget by 2.2%.

Figure 5 – Multi-year Enrolment Trend

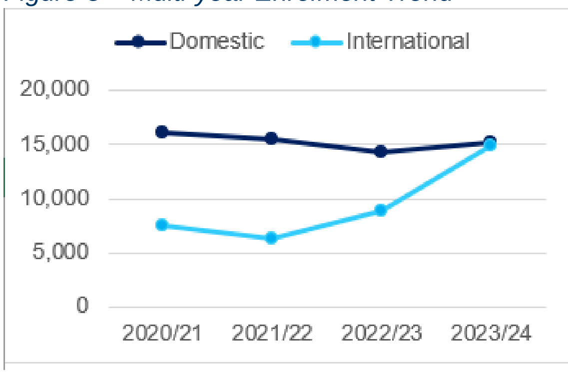
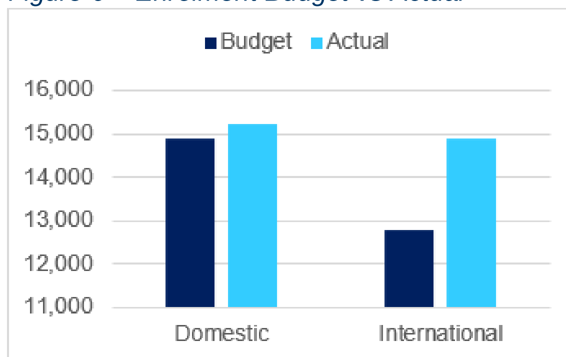


Figure 6 – Enrolment Budget vs Actual



4.3 Operating Income

Table 3 shows the revenues, expenses, and surplus/deficit for the past two years and comparison to budget. Figure 7 shows the revenue and expenses for the past five years. Revenues improved by $114.5 million year-over-year or 28.3%. Expenses increased by $65.3 million year-over-year or 15.9%. Figure 8 shows the comparison to budget. Revenues exceeded budget by $57.9 million or 12.5% while expenses exceeded budget by $23.4 million or 5.2%.

Table 3 – Operating Income

$ millions	2022/23 Actuals	2023/24 Actuals	Year-over-Year Change	2023/24 Budget	Variance to Budget
Revenues	405.3	519.8	114.5	461.9	57.9
Expenses	409.3	474.6	65.3	451.2	23.4
Surplus / (Deficit)	**(4.0)**	**45.2**	**49.2**	**10.7**	**34.5**

Figure 7 – Multi-year Income Trend

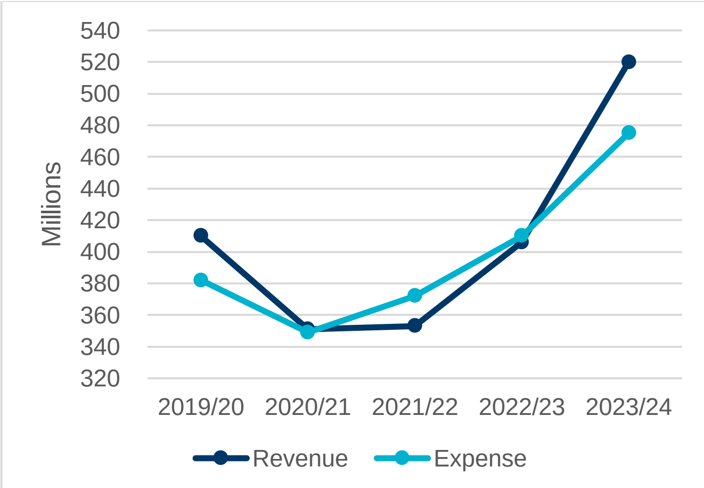
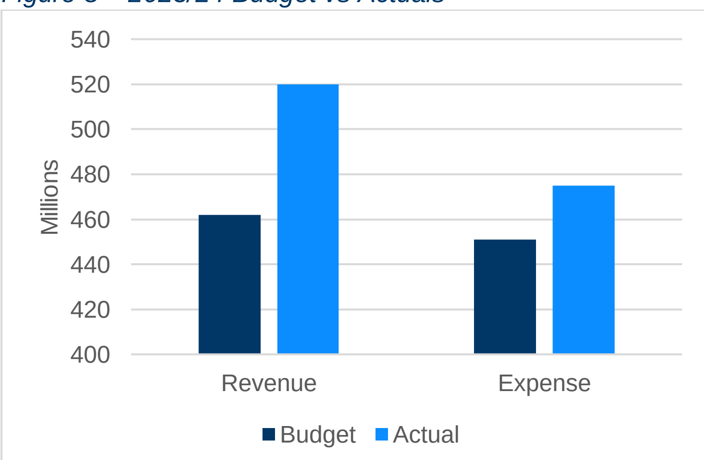


Figure 8 – 2023/24 Budget vs Actuals



4.4 Tuition and Fee Revenue

Table 4 shows the year-over-year change and comparison to budget for tuition and fee revenues. Figure 9 shows the four-year trend. Tuition and fee revenues have increased by $111.1 million (44.6%) from 2022/23 to 2023/24 and were $30.7 million (9.3%) more than the approved 2023/24 budget. Key drivers include:

- Increased international tuition of $94.9 million (66.5%) year-over-year due to increased enrolment. International tuition exceeded the approved budget by $34.0 million (16.7%).
- Domestic tuition increased by $1.0 million (1.7%) year-over-year and was $3.8 million (7.0%) above the approved budget target, also due to enrolment. Part of this change can be attributed to a decrease in the tuition set-aside spend of $2.6 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.

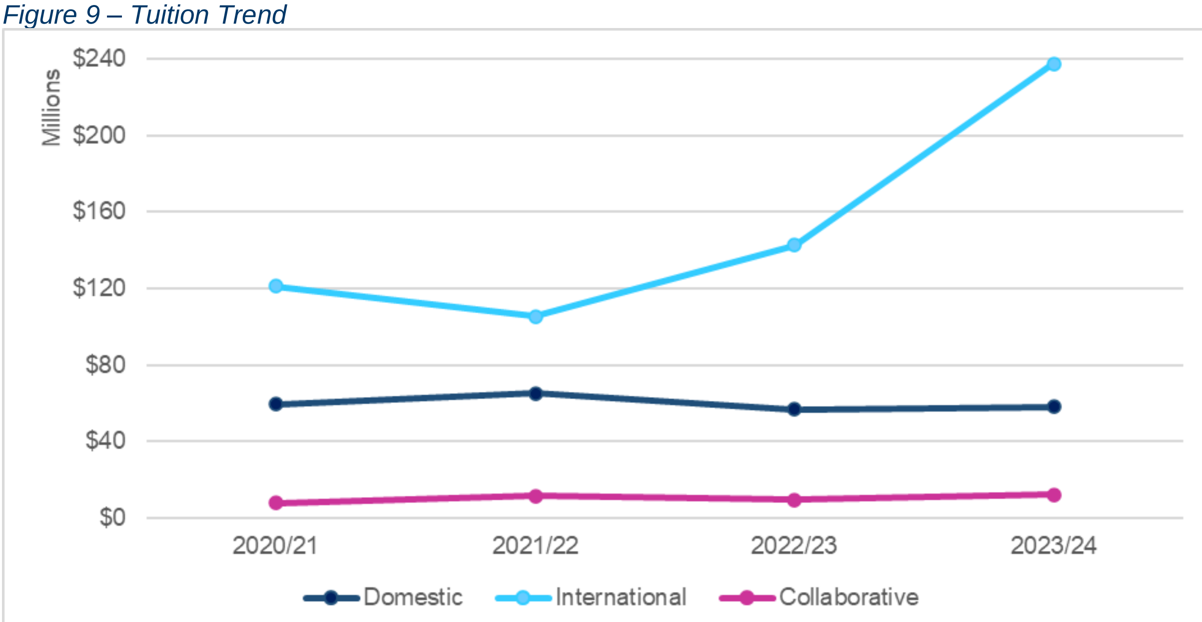
- Collaborative tuition revenue decreased by $3.4 million year-over-year due to the gradual phase out of the CCIT program in partnership with the University of Toronto Mississauga (UTM). This tuition revenue fell short of budget by $1.2 million.
- Sheridan at CCTT was launched in 2023/2024. Sheridan earned just over $2 million based on tuition charged to students.
- Student fee revenues increased by $12.7 million year-over-year and exceeded budget by $9.2 million due to increased enrolment.

Table 4 – Tuition and Fee Revenue

$ millions	2022/23 Actuals	2023/24 Actuals	Year-over-Year Change	2023/24 Budget	Variance to Budget
Domestic Tuition	57.0	58.0	1.0	54.2	3.8
International Tuition	142.7	237.6	94.9	203.6	34.0
Collaborative Tuition	9.5	6.1	(3.4)	5.2	0.9
Sheridan at CCTT	0.0	5.9	5.9	*23.1	(17.2)
Student Fees	39.4	52.1	12.7	42.9	9.2
Total	**248.6**	**359.7**	**111.1**	**329.0**	**30.7**

Originally budgeted $8.1M net revenue for Sheridan at CCTT. Figure in Table 3 presents gross revenue for comparative purposes.

Figure 9 – Tuition Trend



4.5 Government Grant Revenue

Table 5 shows the government grant revenue including year-over-year change and comparison to budget. Government grant revenue in total is $5.3 million less year-over-year and is $1.4 million less than budget. Key drivers include:

- MCU operating grants are down by $5.0 million year-over year. This is due to an increase in the international student recovery fee of $4.8 million whereby the government reduces the operating grant by $375 per international student per term. Since international enrolment has increased, Sheridan's operating grant has decreased.
- The joint program with UTM is winding down, resulting in a $0.2 million reduction in related government grants.
- Special purpose grants decreased by $0.9 million year-over-year but remain $0.7 million above budget. This is mainly due to a reduction in access funding for students with disabilities which provided $0.6 million less grants and the Nursing expansion grant which provided $0.3 million less year-over-year.
- Ministry of Labour, Training and Skills Development (MLTSD) grants are similar to last year and $1.3 million less than budget. These grants provide funding for apprenticeship programs, Second Career programs, Canada Ontario Jobs Grant, Employment Services and Literacy and Basic Skills.
- Other grants are $0.6 million more year-over-year and $0.9 million more than budget. This is mostly due to an increase in the Child Care grant of $0.2 million and increase in School College Work Initiative (SCWI) of $0.4 million year-over-year.
- Capital grants are typically treated as deferred capital contributions. However, there has been a small expense that is not eligible to be capitalized hence there is no budget for this line.

Table 5 – Government Grant Revenue

$ millions	2022/23 Actuals	2023/24 Actuals	Year-over-Year Change	2023/24 Budget	Variance to Budget
MCU Operating Grants	79.6	74.6	(5.0)	76.5	(1.9)
Special Purpose	5.8	4.9	(0.9)	4.2	0.7
MLTSD Grants	6.3	6.5	0.2	7.8	(1.3)
Other Grants	2.1	2.7	0.6	1.8	0.9
Capital Grants	0.4	0.2	(0.2)	-	0.2
Total	**94.2**	**88.9**	**(5.3)**	**90.3**	**(1.4)**

4.6 Other Revenue

Table 6 shows other revenue sources which have increased by $8.9 million year-over-year and $13.7 million over budget. The main drivers include:

- Ancillary revenues have increased by $2.4 million year-over-year and are $0.9 million better than budget. This includes an increase of $0.2 million for cafeteria and other revenue, $0.6 million for parking, $0.3 million for rent revenue and $1.2 million for residence revenue.

- Other revenues have increased by $9.6 million year-over-year and are $10.5 million better than budget. This includes $7.3 million more for investment income due to increased interest rates, general special project revenue of $1.0 million more and $0.7 million more for research revenues. The budget variance is largely due to investment interest of $7.9 million and project and miscellaneous revenue of $3.2 million.

- The decrease in amortization of deferred contributions of $3.1 million is largely due to a recategorization of athletic and student union funds from restricted funds usually shown in Schedule 1 of the Financial Statements.

Table 6 – Other Revenue

$ millions	2022/23 Actuals	2023/24 Actuals	Year-over-Year Change	2023/24 Budget	Variance to Budget
Ancillary Operations	14.4	16.8	2.4	15.9	0.9
Other	23.0	32.6	9.6	22.1	10.5
Amortization of deferred contributions	24.9	21.8	(3.1)	19.5	2.3
Total	**62.3**	**71.2**	**8.9**	**57.5**	**13.7**

4.7 Expenses

Table 7 provides a summary of expenses, including the year-over-year change and comparison to budget. Figure 10 provides a 5-year trend of salary & benefits and supplies & services expenses. Figure 11 shows total supplies & services by category. Overall, expenses are up $65.3 million year-over-year and are $23.5 million higher than budget. Key drivers include:

- Salary and benefit expenses are $42.1 million higher than last year and $24.2 million greater than budget. The increased expense is largely due to Bill 124 mediation settlements which resulted in retroactive amounts owing back to 2021, in-year increases and voluntary retirement incentives. More faculty and staff due to increased international enrolment and activity also contribute to the variance.
- Supplies and services spending has increased by $24.8 million year-over-year and $1.6 million less than budget. The increased spend is broken down as follows:
  - $8.1 million more for international agent commissions to support international enrolment growth.
  - $4.3 million more for student awards, including entrance scholarships intended to support enrolment growth.
  - $3.8 million more for Public College Private Partnership Agreement with Canadian College of Technology and Trades (CCTT); gross revenue of $5.9 million is recognized.
  - $2.4 million more for insurance, mainly for international student insurance that is related to mandatory health insurance for students recouped through fees.
  - $1.8 million more for interdepartmental costs due to change in treatment of athletic loan payments and other transfers in prior year was transfer from restricted fund which is reflected as a credit in operating fund.
  - $1.7 million for bad debt. This is due to an increase in the account balance that is to be sent to the collection agency and an increase in the uncollectible estimate.
  - $1.2 million more for computer software and equipment.
  - $0.9 million more for maintenance & repair costs.
  - $0.5 million more for professional fees.

- Depreciation expense is $1.1 million more than last year and $1.3 million higher than budget.
- Expenses related to deferred contributions are directly offset by the revenues discussed above, specifically the reclassification of student centre and athletics expenses.
- Other expenses are $0.5 million higher than last year and $2.5 million less than budget.

Table 7 – Expenses

$ millions	2022/23 Actuals*	2023/24 Actuals	Year-over-Year Change	2023/24 Budget	Variance to Budget
Salary & Benefits	255.1	297.2	42.1	273.0	24.2
Supplies & Services	115.3	140.1	24.8	141.7	(1.6)
Depreciation	21.2	22.3	1.1	21.0	1.3
Expenses related to deferred contributions	15.8	12.6	(3.2)	10.5	2.1
Other	1.9	2.4	0.5	5.0	(2.6)
Total	**409.3**	**474.6**	**65.3**	**451.2**	**23.4**

**2022/23 actuals restated*

Figure 10 – Salary and Supplies

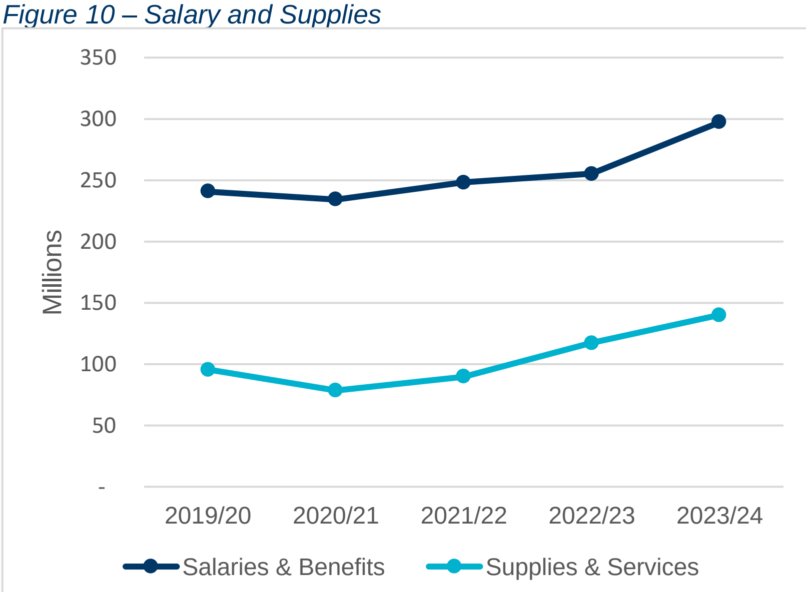
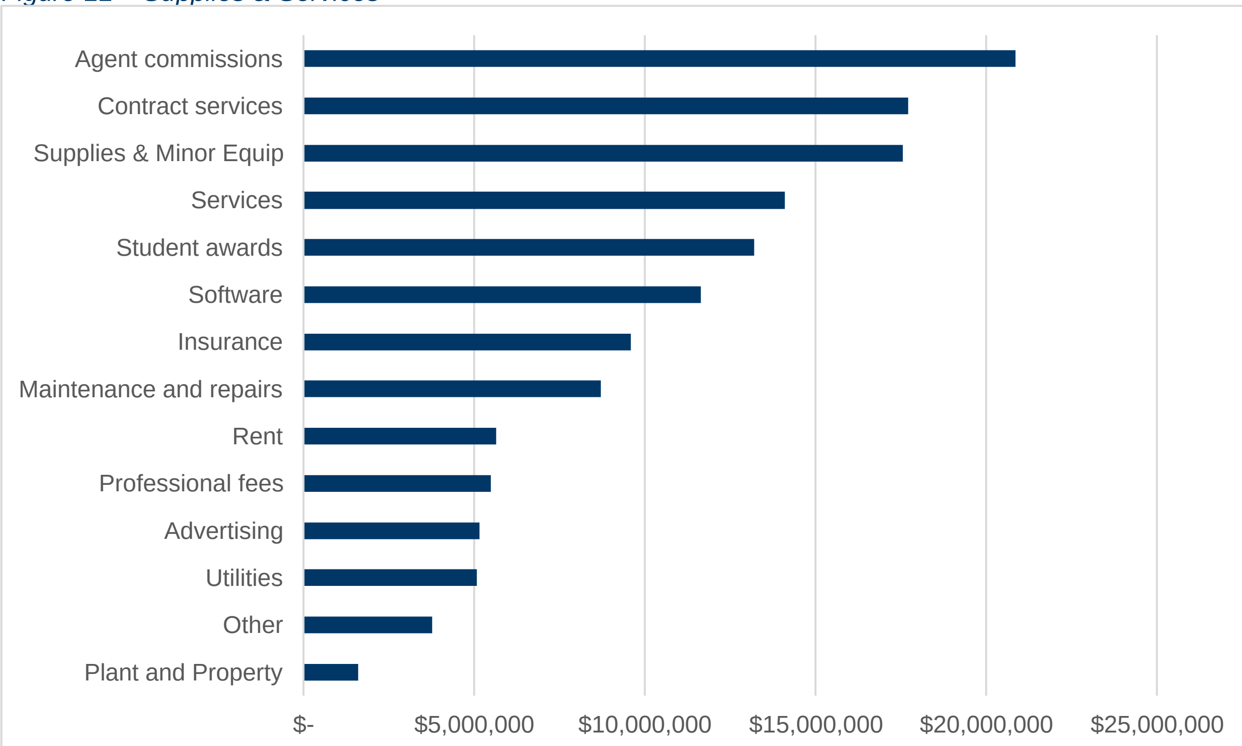


Figure 11 – Supplies & Services

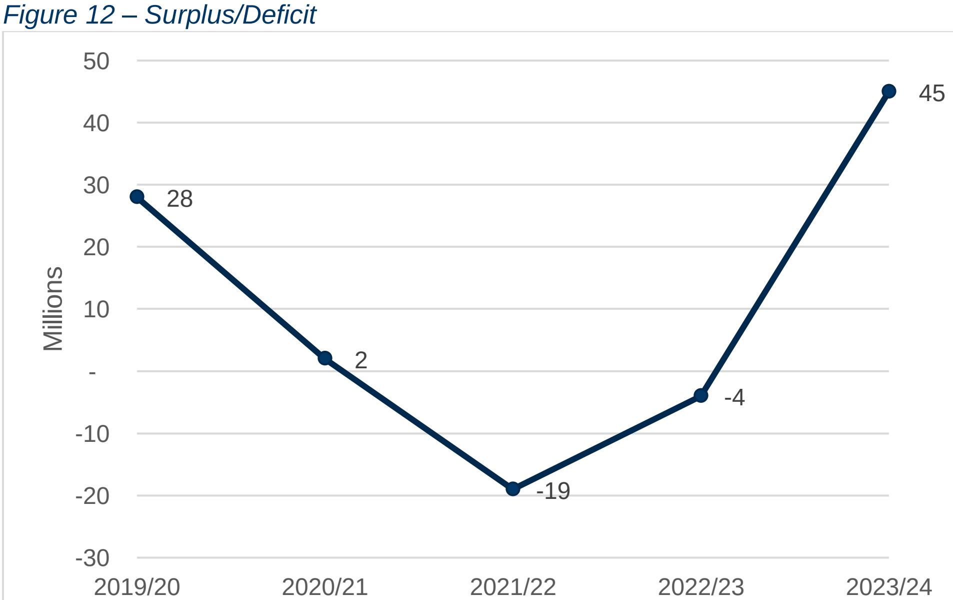


4.8 Surplus/Deficit

2023/24 resulted in a surplus of revenue over expenditures of $45.2 million as compared to a deficit of $(4.1) million in the previous year.

Figure 12 shows the surplus/deficit trend over the past 5 years.

Figure 12 – Surplus/Deficit



5.0 Key Performance Measures and Indicators

Table 8 shows the draft financial health indicators for 2023/24 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 8 – Financial Health Metrics

Ratio	Benchmark	2023/24	2022/23 (restated)
Quick ratio	1.0 or higher	4.05	2.42
Total Debt to Assets	35% or less	28.10%	28.36%
Debt Servicing ratio	3% or less	1.16%	1.75%
Net Assets to Expense	60% or higher	89.14%	93.02%
Surplus to Revenue	1.5% or higher	8.70%	(1.00%)
Annual Surplus	Positive	$45,231,411	$(4,050,405)
Accumulated Surplus	Positive	$264,912,717	$219,681,306

5.1 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 2022/23 due to a reduction of cash and cash equivalents of $25.9 million (note that more cash has been invested in short term GICs), increased other current assets (short term investments) of $221.8 million and accounts receivables of $3.7 million while accounts payables have also increased by $10.5 million.

5.2 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 ratio has improved over the prior year (decrease in percentage) due to the net increase of assets over debt. Debt increased by $6.8 million while assets (less adjustments) increased by $31.5 million. The debt servicing ratio has improved compared to last year due to the slight reduction in interest expense, reduction of debt paid during the year and an increase in revenue.

5.3 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 2022/23 is due to a $42.3 million increase in net assets while total expenses have increased by $65.3 million.

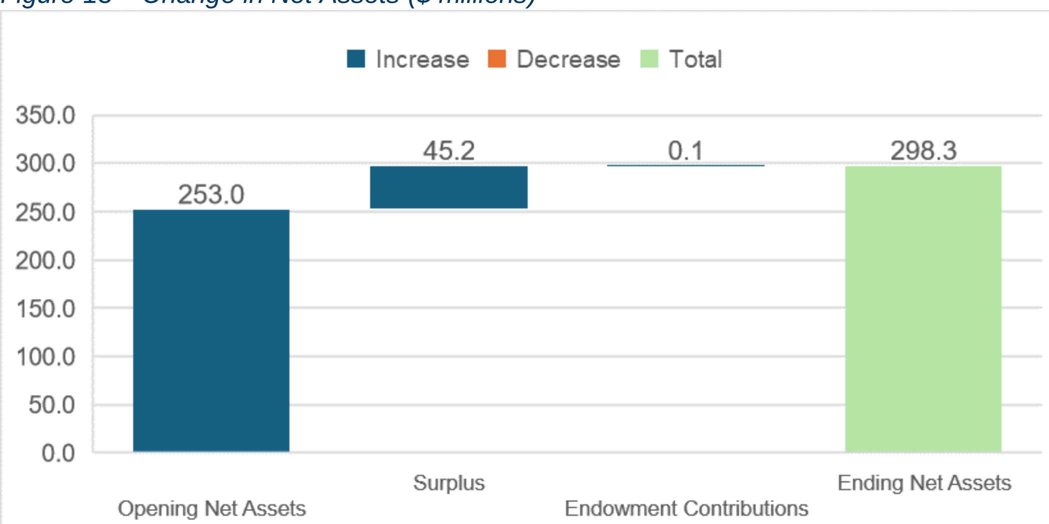
5.4 Surplus and Accumulated Surplus Ratios

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 surpassed the Surplus to Revenue ratio benchmark of 1.50% due to a surplus of $45.2 million.

6.0 Current Financial State

Figure 13 shows the change in net assets from 2022/23 to 2023/24.

Figure 13 – Change in Net Assets ($ millions)



Following in Table 9 are total net assets less endowments.

Table 9 – Net Assets

$ millions	2023/24 Opening Balance	2023/24 Net Changes	Proposed Internal Restrictions	2023/24 Closing Balance
Invested in Capital	84.4	(0.7)	-	83.7
Unrestricted	10.7	57.1	(45.2)	22.6
Internally Restricted	124.6	(11.2)	45.2	158.6
Total	**219.7**	**45.2**	**-**	**264.9**