Consolidated Financial Statements of

ALGOMA UNIVERSITY

And Independent Auditor's Report thereon

Year ended April 30, 2024

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INDEPENDENT AUDITOR'S REPORT

To the Board of Governors of Algoma University

Opinion

We have audited the accompanying consolidated financial statements of Algoma University, which comprise:

- the consolidated statement of financial position as at April 30, 2024
- the consolidated statement of operations for the year then ended
- the consolidated statement of changes in net assets for the year then ended
- the consolidated statement of cash flows for the year then ended
- and the notes to the consolidated financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements")

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of Algoma University as at April 30, 2024, and its consolidated results of operations and its consolidated cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the **"*Auditor's Responsibilities for the Audit of the Financial statements*"** section of our report.

We are independent of Algoma University in accordance with the applicable independence standards, and we have fulfilled our other ethical responsibilities in accordance with these standards.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing Algoma University's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate Algoma University or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing Algoma University's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Algoma University's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Algoma University's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause Algoma University to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Obtain sufficient audit evidence regarding the financial information of the entities or business activities within the Group of Algoma University to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Sault Ste. Marie, Canada
November 28, 2024

ALGOMA UNIVERSITY

Consolidated Statement of Financial Position
Year ended April 30, 2024, with comparative information for 2023

(in thousands of Canadian dollars)	Notes	2024	2023
Assets			
Current assets:			
Cash	2	$ 227,175	$ 227,985
Short-term investments	2	55,143	8,550
Accounts receivable fees	3	11,037	4,574
Accounts receivable other		8,118	5,783
Prepaid expenses and inventory		2,632	7,978
Total current assets		304,105	254,870
Non-current assets:			
Investments	2	7,856	7,229
Capital assets	4	70,275	64,192
Total non-current assets		78,131	71,421
Total assets		$ 382,236	$ 326,291
Liabilities and Net Assets			
Current liabilities:			
Accounts payable and accrued liabilities	13	$ 36,661	$ 10,693
Fees received in advance		114,942	184,447
Deferred government grants, program and campaign revenue		10,940	9,327
Current portion of long-term debt	6	329	323
Total current liabilities		162,872	204,790
Non-current liabilities:			
Long-term debt	6	3,915	4,243
Employee future benefits	7	2,009	2,691
Deferred contributions - capital assets	8	39,052	35,725
Total non-current liabilities		44,976	42,659
Total liabilities		207,848	247,449
Net assets:			
Employee future benefits	7	(2,009)	(2,691)
Investment in capital assets	9	26,979	23,901
Internally restricted	10	145,509	53,754
Endowments	11	3,909	3,878
Total net assets		174,388	78,842
Contingent liabilities	12		
Commitments	14		
Total liabilities and net assets		$ 382,236	$ 326,291

The accompanying notes are an integral part of these consolidated financial statements

On behalf of the Board of Governors

Kelli-Ann Lemieux

Kelli-Ann Lemieux, Chair

Robert Battisti

Robert Battisti, Vice-Chair

ALGOMA UNIVERSITY
Consolidated Statement of Operations

Year ended April 30, 2024, with comparative information for 2023

(in thousands of Canadian dollars)	2024	2023
Revenue:		
Student tuition	$ 258,624	$ 106,971
Government grants for general operations	9,525	15,940
Sales and services	8,559	5,590
Research revenue	1,293	1,325
Donation and investment income	687	493
Other government grants	644	1,313
Interest income	13,196	6,215
Miscellaneous income	9,313	2,888
Amortization of deferred capital contributions	2,108	2,091
	303,949	142,826
Expenses:		
Salaries and benefits	60,235	39,785
Program delivery	43,634	9,113
Operating and research	26,505	17,086
Scholarships and bursaries	24,851	10,608
Amortization	5,044	4,179
Advertising and communication	40,071	14,700
Occupancy	9,308	4,298
Interest on long-term debt	74	79
	209,722	99,848
Excess of revenue over expenses from operations	94,227	42,978
Unrealized investment gain	370	38
Excess of revenue over expenses	$ 94,597	$ 43,016

The accompanying notes are an integral part of these consolidated financial statements

ALGOMA UNIVERSITY

Consolidated Statement of Changes in Net Assets

Year ended April 30, 2024, with comparative information for 2023

(in thousands of Canadian dollars)	Unrestricted	Employee Future Benefits	Invested in Capital Assets	Internally Restricted	Endowments	2024	2023
Balance, beginning of year	$ -	$ (2,691)	$ 23,901	$ 53,754	$ 3,878	$ 78,842	$ 37,128
Excess of revenues over expenses	97,218	-	(2,936)	-	315	94,597	43,016
Net change in investment in capital assets	(6,014)	-	6,014	-	-	-	-
Post employment benefit remeasurement	-	872	-	-	-	872	(1,437)
Net current service change in employee future benefits	190	(190)	-	-	-	-	-
Endowment fund contributions and other adjustments	-	-	-	361	(284)	77	135
Internal restrictions							
Transfer to internal restrictions	(91,394)	-	-	91,394	-	-	-
Balance, end of year	$ -	$ (2,009)	$ 26,979	$ 145,509	$ 3,909	$ 174,388	$ 78,842

The accompanying notes are an integral part of these consolidated financial statements

ALGOMA UNIVERSITY

Consolidated Statement of Cash Flows

Year ended April 30, 2024, with comparative information for 2023

(in thousands of Canadian dollars)	2024	2023
Cash flows from operating activities;		
Excess of revenue over expenses	$ 94,597	$ 43,016
Items not involving cash;		
Amortization of deferred contributions	(2,108)	(2,091)
Amortization of tangible capital assets	5,044	4,179
Net current service change in employee future benefits	190	(84)
Unrealized investment loss	(370)	(38)
	97,353	44,982
Changes in non-cash working capital balances;		
Accounts receivable - fees	(6,463)	(1,636)
Accounts receivable - other	(2,335)	(1,709)
Prepaid expenses and inventory	5,346	(7,186)
Accounts payable and accrued liabilities	25,968	4,867
Fees received in advance	(69,505)	107,985
Deferred government grants program and campaign revenue	1,613	(11,674)
	51,977	135,629
Cash flow from investing activities		
Purchase of tangible capital assets	(11,127)	(9,999)
Reinvested investment income	(257)	(265)
Net proceeds in endowment net assets	77	135
Sale (purchase) of investments and accrued interest	(46,593)	7,557
	(57,900)	(2,572)
Cash flow from financing activities		
Repayment of long term debt	(322)	(318)
Deferred capital contributions received	5,435	2,517
	5,113	2,199
Increase (decrease) in cash	(810)	135,256
Cash, beginning of year	227,985	92,729
Cash, end of year	$ 227,175	$ 227,985

The accompanying notes are an integral part of these consolidated financial statements

Nature of operations

Algoma University (the “University”) is a provincially funded university offering educational programs and upgrading to the accessing communities. The University is a registered charity and under the provisions of Section 149 of the Income Tax Act (Canada) is exempt from income taxes.

1. Summary of significant accounting policies

(a) Basis of accounting:

The consolidated financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations in Part III of the CPA Canada Handbook.

(b) Basis of consolidation:

These consolidated financial statements reflect the assets, liabilities and the results of the Northern Ontario Research, Development, Ideas and Knowledge Institute (Nordik Research Institute) as it is a controlled entity.

(c) Prepaid expenses

Prepaid expenses are expenses paid in advance for services to be rendered in future periods.

(d) Inventory:

Inventory is valued at the lower of cost or net realizable value, with cost being determined on a first-in, first-out basis.

(e) Investments

Investments are recorded at fair value.

(f) Revenue recognition:

The University follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Endowment contributions are allocated directly to net assets in the year received. Income generated from endowment funds are recognized in the statement of operations.

Tuition fees for courses which are offered substantially after the fiscal year end are deferred.

Sales and services revenue is recognized at point of sale or when services have been provided.

1. Summary of significant accounting policies (continued):

(g) Endowment funds:

Net assets restricted for endowment purposes are subject to externally imposed restrictions stipulating that the endowment principal must be maintained permanently. Net investment income earned is available for distribution according to the terms of the endowment.

The University ensures, as part of its fiduciary responsibilities, that all funds with a restricted purpose are expended for the purpose for which they were provided.

(g) Internally restricted net assets:

The University internally restricts the use of portions of its unrestricted net assets for specific future use. Transfers to internally restricted net assets only occur once authorized by the Board of Governors. When expenses are incurred, expenses are charged to the Consolidated Statement of Operations and the balance of internally restricted net assets is reduced accordingly.

(g) Student unions:

These financial statements do not reflect the assets, liabilities and results of operations of the student unions as they are not controlled by the University.

(h) Use of estimates:

The preparation of consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future. Specifically, estimates related to rate of return on assets used in valuing the future pension benefit obligation are affected by the uncertainty of predictions concerning future events. Should the underlying assumptions change, the estimated pension benefit obligation disclosed in notes to the consolidated financial statements may change by a material amount. Other items subject to such estimates and assumptions include the carrying amount of capital assets; valuation allowances for accounts receivable; and accrued liabilities. These estimates are reviewed periodically, and, as adjustments become necessary, they are recognized in the financial statements in the year in which they become known.

1. **Summary of significant accounting policies (continued):**

(i) Tangible capital assets:

Tangible capital assets are recorded at cost. Amortization, based on the estimated useful life of the asset, is provided by the straight-line basis over the following periods:

Asset	Useful Life
Land	No amortization
Buildings	20-40 years
Furniture and equipment	5 years
Library books	5 years
Parking lot	15 years
Computer software system	15-10 years
Leasehold improvements	Per the term of the lease

Construction in progress is capitalized as work is completed. Upon completion of the projects, capitalized construction in progress costs are transferred to the various categories of tangible capital assets and will be amortized on a basis consistent with similar assets. Contributed rare books and other collections are recorded as revenue and expensed at fair market value at the date of contribution.

The carrying amount of capital assets is tested for recoverability whenever events or changes in circumstances indicate that the carrying amount would not be recoverable. An impairment loss is recognized in the consolidated statement of operations when the asset's carrying amount exceeds its fair value.

(j) Employee future benefits:

The University maintains a defined benefit plan covering the faculty and management staff employed by the University up to 2006. Contributions to the pension plan are made in accordance with the Pension Commission of Ontario actuarial requirements. The University accounts for its employee benefit plans using the immediate recognition approach. The University recognizes the amount of the accrued benefit obligations, net of the fair value of plan assets at year end, adjusted for any valuation allowances. Current service and finance costs are expensed during the year. Remeasurements and other items related to actuarial gains and losses and differences between actual and expected returns on plan assets and past service costs are recognized as direct increase or decrease in net asset. The accrued benefit obligations for employee benefit plans are determined based on actuarial valuation reports prepared for funding purposes. These reports are required to be prepared at least on a triennial basis. In years where actuarial valuations are not prepared, the University uses a roll-forward technique to estimate the accrued liability using assumptions from the most recent actuarial valuation reports. Subsequent to 2006, faculty, management and staff are eligible to participate in a defined contribution group retirement savings plan.

(in thousands of Canadian dollars)

1. Summary of significant accounting policies (continued):

(k) Financial instruments:

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, equities traded in an active market are reported at fair value with any unrealized gains and losses reported in operations. In addition, all balanced funds are classified in the fair value category, with gains and losses reported in operations. All other financial instruments are reported at cost or amortized cost less impairment, if applicable. Financial assets are tested for impairment when changes in circumstances indicate the asset could be impaired. Transaction costs on the acquisition, sale or issue of financial instruments are expensed for those items remeasured at fair value at each consolidated statement of financial position date and charged to the financial instrument for those measured at amortized cost. Freestanding derivative instruments that are not in a qualifying hedging relationship that are quoted in an active market are subsequently measured at fair value.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the University determines if there is significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amounts that could be realized from selling the financial asset or the amount the University expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

2. Cash and investments:

The University's cash and investments include amounts restricted for specific purposes that are not available to be spent at the University's discretion. Cash and investments consist of operating accounts, guaranteed investment certificates (GICs) maturing November 2024, and pooled investment funds. The cost balance of the pooled investment fund at April 30, 2024 was $7,797 (2023 - $7,540).

Interest income earned on cash and guaranteed investment certificates for the year ended April 30, 2024 was $13,121 (2023 - $6,175) and is included in interest and miscellaneous income on the statement of operations.

3. Accounts receivable fees:

	2024	2023
Student accounts receivable	$ 12,581	$ 5,434
Allowance for doubtful accounts	(1,544)	(860)
	$ 11,037	$ 4,574

(in thousands of Canadian dollars)

4. Tangible capital assets:

2024	Cost	Accumulated Amortization	Net Book Value
Land	$ 371	$ –	$ 371
Buildings	74,204	29,194	45,010
Leasehold improvements	12,712	3,314	9,398
Furniture and equipment	11,372	9,598	1,774
Computer software system	8,907	2,967	5,940
Parking lot	2,129	2,099	30
Library books	645	645	–
Construction-in-progress	7,752	–	7,752
	$ 118,092	$ 47,817	$ 70,275

2023	Cost	Accumulated Amortization	Net Book Value
Land	$ 371	$ –	$ 371
Buildings	68,609	26,956	41,653
Leasehold improvements	9,074	2,044	7,030
Furniture and equipment	10,116	9,012	1,104
Computer software system	8,374	2,125	6,249
Parking lot	2,129	1,991	138
Library books	645	645	–
Construction-in-progress	7,647	–	7,647
	$ 106,965	$ 42,773	$ 64,192

5. Line of credit:

The University has an operating line of credit due on demand in the amount of $2,000 (2023 - $2,000). The facility bears interest at the bank's prime lending rate minus 0.5% with advances made in multiples of $25. As at April 30, 2024, $2,000 (2023 - $2,000) was available to the University.

(in thousands of Canadian dollars)

6. Long-term debt:

	2024	2023
TD bank George Leach Centre loan, repayable $12,089 monthly including interest at 1.40%, secured by a general security agreement, maturing November 2025	$ 1,551	$ 1,673
TD bank Bioscience and Technology Convergence Centre loan, repayable $20,964 monthly including interest at 1.82%, secured by a general security agreement, maturing March 2026	2,693	2,893
	4,244	4,566
Less: current portion	(329)	(323)
	$ 3,915	$ 4,243

Interest on long-term debt during the year amounted to $74 (2023 - $79). Principal payments required on long-term debt for the next five years and thereafter, assuming refinancing under similar terms are as follows:

Year	Amount
2025	$ 329
2026	330
2027	331
2028	339
2029	346
Thereafter	2,569

(in thousands of Canadian dollars)

7. Employee future benefits:

Defined benefit pension plan

The University maintains a defined benefit plan covering faculty hired prior to 2006. Actuarial reports, which were based on projections of employee's compensation levels to the time of retirement, indicate the net assets available to provide for benefits, and the present value of accrued pension benefits at April 30, are as follows:

	2024	2023
Fair value of plan assets	$ 30,890	$ 30,128
Accrued benefit obligation	(32,899)	(32,819)
Accrued benefit liability	$ (2,009)	$ (2,691)

The most recent actuarial valuation for post-employment benefits was performed as at July 1, 2021. The next valuation is set for July 1, 2024 period.

The pension expense amounts totaled $752 (2023 - $418) and is included in salaries and benefits on the consolidated statement of operations. Employer contributions paid and payable during the year were $562 (2023 - $502).

The discount rate used is 4.40% (2023 - 4.40%), the estimated rate of salary increases used is 2.50% (2023 - 2.50%) and the estimated rate of return on assets used is 4.40% (2023 - 4.40%).

Group retirement savings plan

Employees hired subsequent to 2006 are eligible to participate in a defined contribution group retirement savings plan. Employer contributions totaled $1,606 for 2024 (2023 - $1,150) and were fully expensed and are included in salaries and benefits on the consolidated statement of operations.

(in thousands of Canadian dollars)

8. Deferred contributions related to tangible capital assets:

Deferred contributions related to tangible capital assets relate to grants received for purchase or construction of tangible capital assets and are amortized over the life of the tangible capital assets. The changes in deferred contributions are as follows:

	2024	2023
Balance, beginning of year	$ 35,725	$ 35,299
Contributions	5,435	2,517
Amounts recorded as revenue during the year	(2,108)	(2,091)
Balance, end of year	$ 39,052	$ 35,725

9. Investment in capital assets:

	2024	2023
Capital assets	$ 70,275	$ 64,192
Long-term debt	(4,244)	(4,566)
Deferred capital contributions	(39,052)	(35,725)
	$ 26,979	$ 23,901

10. Net assets internally restricted:

The following balances represent net assets set aside by the Board of Governors for the specific purpose of:

	2024	2023
Operating	$ 456	$ 11,483
Academic strategic initiatives fund	10,369	5,140
Calls to action (reconciliation)	4,000	2,000
Future research initiatives	5,000	2,000
Future capital projects	123,049	31,041
Tuition set aside	500	229
Advancement	1,647	1,211
Nordik Institute	182	344
Anishinaabe Peoples' Council operating	133	133
Anishinaabe Peoples' Council capital	173	173
	$ 145,509	$ 53,754

(in thousands of Canadian dollars)

11. Endowments:

Endowments consist of externally restricted donations received by the University. The endowment principal is required to be maintained intact. The investment income generated from endowments must be used in accordance with the various purposes established by donors. The University ensures, as part of its fiduciary responsibilities, that all funds received with a restricted purpose are expended for the purpose for which they were provided. The market value of the investment portfolio for endowed funds included in the total investments disclosed in Note 2 is equal to $3,909 (2023 - $3,878).

Ontario Student Opportunity Trust Fund and Ontario Trust for Student Support:

The Government of Ontario established the Ontario Student Opportunity Trust Fund ("OSOTF") and the Ontario Trust of Student Support ("OTSS") programs to encourage individuals and companies to contribute funds to support post-secondary students. The University established three funds – OSOTF - Phase 1 in fiscal 1997; OSOTF - Phase 2 in fiscal 2004; and OTSS in fiscal 2005. Eligible donations were equally matched by the Province. Investment income earned on these funds is used to finance awards to qualified students in need of financial aid.

OSOTF – Phase 1	2024	2023
Endowment Balance	$ 444	$ 444
Expendable balance, beginning of year	$ 173	$ 166
Investment income	52	26
Bursaries awarded (2024 - 25 bursaries; 2023 - 22 bursaries)	(23)	(19)
Expendable balance, end of year	$ 202	$ 173

OSOTF – Phase 2	2024	2023
Endowment Balance	$ 492	$ 492
Expendable balance, beginning of year	$ 187	$ 181
Investment income	57	27
Bursaries awarded (2024 - 27 bursaries; 2023 - 23 bursaries)	(21)	(21)
Expendable balance, end of year	$ 223	$ 187

OTSS	2024	2023
Endowment Balance	$ 1,737	$ 1,737
Expendable balance, beginning of year	$ 627	$ 582
Investment income	203	103
Bursaries awarded (2024 - 97 bursaries; 2023 - 80 bursaries)	(65)	(58)
Expendable balance, end of year	$ 765	$ 627

(in thousands of Canadian dollars)

12. Contingent liabilities:

The University is a member of the Canadian Universities Reciprocal Insurance Exchange ("CURIE"). CURIE insures general liability, university property and errors and omissions. Annual premiums paid by the university are determined by the CURIE Board, on the advice of the actuary. There is a provision under the agreement for assessments to all member universities if these premiums are not sufficient to cover losses. As of December 31, 2023, the date of the latest financial statements available, CURIE had a surplus of $10,899 (2022- $97,400). Additional insurance for automotives, artwork, miscellaneous property, cyber attacks and major construction projects is purchased through commercial insurers to provide coverage for losses not insured by CURIE.

The University is involved with pending litigation and claims which arise in the normal course of operations. In the opinion of the administration, a liability that may arise from such contingencies would not have a significant adverse effect on the financial statements of the University.

13. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are the following government remittances of $18 (2023 - $18) which include amounts payable for payroll related liabilities.

14. Commitments:

The following are the future minimum annual lease payments for campus buildings, vehicles and capital commitments for online learning platform due over the next five years:

Year	Amount
2025	$ 5,775
2026	6,759
2027	6,767
2028	6,430
2029	4,495
Total	$ 30,226

The University has signed a 35 year lease for a residence building to be built in Brampton Ontario. The lease will commence upon delivery of the property which is expected to be on or before September 1, 2029. Annual gross rent is estimated to be between $7,160 and $8,752 and will depend on the final design of the residence building. Gross rent will be adjusted to the fair market gross rent upon the expiry of the first five years of the lease term and each successive five year period thereafter.

15. Financial risks:

The University's management monitors, evaluates and manages the principal risks assumed with financial instruments on a daily basis. The risks that arise from transacting financial instruments include liquidity risk, credit and concentration of credit risk.

(a) Liquidity risk

Liquidity risk arises from the University's management of accounts payable, long-term debt and other current liabilities. It is the risk that the University will encounter difficulty in meeting its financial obligations as they fall due. The University's policy to minimize this risk is to ensure a restricted operating reserve is maintained and an adequate line of credit exists for the University. The University manages its liquidity risk by monitoring its operating requirements. The University prepares a budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations.

There have been no significant changes to the liquidity risk exposure from 2023.

(b) Credit and concentration of credit risk:

Credit risk is the risk of financial loss to the University if a member or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the University’s accounts receivable and investments. The University mitigates its potential credit risk from accounts receivable through credit evaluation, approval and monitoring processes. Furthermore, it evaluates the collectability of accounts receivable and records an allowance for doubtful accounts, which reduces the receivables to the amount the University reasonably believes will be collected. Credit risk with respect to investments is managed through the University’s investment policies.

There have been no significant changes to the credit risk exposure from 2023.

(c) Interest rate risk:

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The University is exposed to this risk on its fixed interest rate long term debt.

The University has exposure to this risk on renewal of its credit facilities with fixed interest rates.

There have been no significant changes to the interest rate risk exposure from 2023.

(d) Market volatility risk:

Market volatility risk arises from the University's investment portfolio, which contains various pooled funds. It is the risk that the fair value or future cash flows from a financial instrument will fluctuate because of general economic and other market factors affecting equity prices.

The University manages this risk through investment policies.

There have been no significant changes to the market volatility risk exposure from 2023.

16. Related party transactions:

The University has economic interest in its student unions as it collects student fees on their behalf. Transactions with these related parties, unless disclosed otherwise, are considered to be in the normal course of operations and are recorded at their exchange amounts, which is the amount of consideration established and agreed to between the University and the related parties. On April 30, 2024, the University held $4,000 (2023 - $1,637) in student fees related to the student unions' operations and $4,946 (2023 - $2,494) in student fees related to capital investment as directed by the student unions.

17. Government of Canada Announcement:

In January 2024, the Government of Canada (the "Government") announced an intake cap on international student permit applications for a period of two years, resulting in a reduction of approved study permits from 2023. In September the Government announced a further reduction and further restrictions on the intake of international students.

In addition, as a result of these policy changes, students in certain programs in Ontario will no longer be eligible for post-graduate work permits, which has an impact on future enrolment at the University.

A significant portion of the University's tuition revenues is derived from international students and the University has assessed the impact of these announcements on its ability to earn revenue from international students and its approved capital and operating budget for the year ending April 30, 2025.

18. Comparative Information:

Certain comparative information has been reclassified from those previously presented to conform to the presentation of the 2024 financial statements.