ANNUAL FINANCIAL REPORT

APRIL 30, 2025

UNIVERSITY OF WATERLOO

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STATEMENT OF MANAGEMENT RESPONSIBILITY

Management of the University of Waterloo (the "University") is responsible for the preparation of the financial statements, the notes thereto and all other financial information contained in this annual report.

The financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations as established by the Canadian Accounting Standards Board. Management believes the financial statements present fairly the University's financial position as at April 30, 2025 and the results of its operations and its cash flows for the year then ended.

In fulfilling its responsibilities and recognizing the limits inherent in all systems, management has developed and maintains a system of internal control designed to provide reasonable assurance that University assets are safeguarded from loss and that the accounting records are a reliable basis for the preparation of financial statements.

The Board of Governors (the "Board") is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial statements. The Board carries out this responsibility principally through its Audit & Risk Committee (the "Committee").

The Committee is appointed by the Board and its members are not officers or employees of the University. The Committee meets periodically with management, as well as the external auditors, to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues to satisfy itself that each party is properly discharging its responsibilities and to review the annual report, the financial statements and the external auditor's report. The Committee reports its findings to the Board for consideration when approving the financial statements for issuance. The Committee also considers, for approval by the Board, the engagement or reappointment of the external auditors.

Financial statements for the year ended April 30, 2025 have been audited by KPMG LLP. The independent auditor's report outlines the scope of their audit and their opinion on the presentation of the information included in the financial statements.

Commentary on University of Waterloo Financial Statements
Year Ended April 30, 2025

Overview & Context

This commentary has been prepared for readers of the University of Waterloo's audited financial statements for the year ended April 30, 2025. It provides additional information to enhance understanding of these financial statements and to increase transparency.

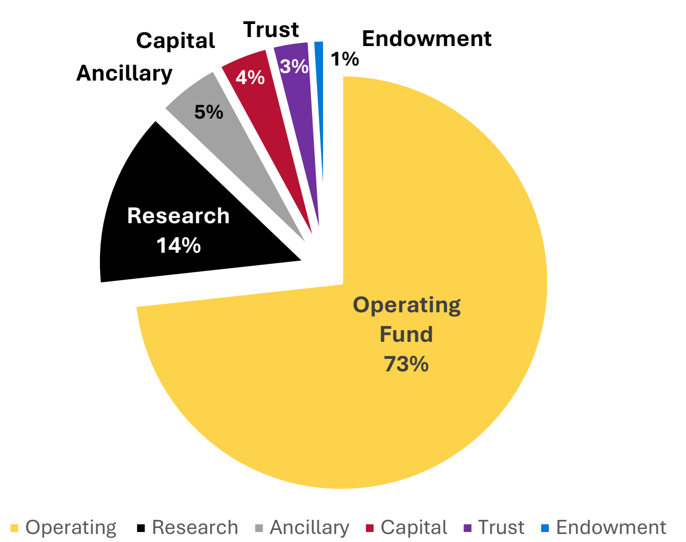
The financial statements of the University reflect the totals for assets, liabilities, net assets, revenue and expenses for all University operations and include the following activities:

- Academic and related supporting activities that are funded by academic fees, operating grants from the province of Ontario and other general revenues; the University annual operating budget relates to these activities.
- Activities that are funded by restricted purpose funds such as research grants, expendable donations, and endowment investment income made available for spending.
- Activities of the ancillary services, which include Campus Housing, Food Services, Print and Retail Solutions and Sustainable Transportation.

The University currently has a structural deficit in its operating budget. In April 2025, alongside the operating budget for the year ended April 30, 2026, the University introduced a 3-year plan to return to a balanced operating budget by the end of the year ending April 30, 2028.

Figure 1: University Expenses by Fund for the Year Ended April 30, 2025

University revenues and expenses are segregated and managed in specific funds based on their source and purpose. The following chart depicts the relative proportions of University expenses by fund for the year ended April 30, 2025.



Operating: Includes revenues and expenses for the core operations of the University

Research: Restricted fund to manage grant and contract revenue received for research activities (externally restricted)

Ancillary: Campus Housing, Food Services, Print and Retail Solutions, Sustainable Transportation (ancillary enterprises support campus customers and revenues cover their operating expenses and capital investments)

Capital: Funding and expenses for major construction renovation projects and other capital assets (externally restricted + internally designated)

Trust and Endowment: Restricted funds to support scholarships, Chairs, student activities or other activities (externally restricted)

Financial Results for Year Ended April 30, 2025

The Balance Sheet represents the financial position of the University as at the year end date, April 30, 2025. It demonstrates that the University has sufficient assets available to cover its financial obligations. It reflects that the University continues to have significant one-time resources available; however, the majority of these resources are committed to research and student support, or are designated for capital projects, risk mitigation and strategic initiatives, in alignment with any applicable external restrictions; see the section on Financial Resources on Hand for further details.

The Statement of Operations summarizes the University's revenue and expenses for all funds for the reporting period. The University reported an overall excess of revenues over expenses (i.e. an in-year surplus) of $22.4m in the year ended April 30, 2025. This surplus has declined compared to recent prior years, due to constraints on revenues and inflationary pressures on expenses which have impacted the operating fund results.

Overall academic fees declined by 2.6% as compared to the prior year, with the main contributing factor being reduced international student enrolment. Undergraduate student tuition accounts for 78.6% of the academic fees reported with graduate student tuition being 13.5%, and co-op fees, student services fees and other fees contributing the remaining 7.9% of academic fee revenue.

The University received $247.5m in grants and contracts revenue from the Ministry of Colleges, Universities, Research Excellence and Security (MCURES) to support operating activities. Another $226.3m in grants and contracts revenue has been contributed to the University and spent for specific purposes such as research projects and capital construction.

Sales and services include $89.2m of revenue collected for housing fees, food services and other ancillary services and $58.4m for various university operating activities such as lab analysis, application fee processing, non-credit courses, rental revenue, and math contests.

Investment income continues to be a meaningful revenue source that supports the University's core missions of teaching and research. Investment income recognized includes both realized income and some unrealized gains; the unrealized gains related to externally restricted endowments are not yet recognized in revenues.

As a people centric organization, the University's largest area of expenditure is salaries and benefits, representing 65.5% of expenses across all funds and 77.1% of expenses within the operating fund. Total salaries and benefits of $870.0m includes compensation for active employees ($853.8m) and amounts for compensated absences ($16.2m). Compensated absences include salaries and benefits and lump-sum payments to terminated employees, including involuntary separations and participation of eligible employees in a voluntary retirement program.

The University continues to invest in students. Student support, in the form of scholarships and bursaries, is 11.4% of the total expenses, with approximately half of the scholarships and bursaries awarded funded with operating funds and half with externally restricted funds.

As the University implements its 3-year plan to return to a balanced operating budget, total expenses will decline. In particular, salary and benefits expenses, as the largest category of spending, will decline as the University pursues expense reductions. Ongoing work to reduce operating expenses includes a hiring freeze, a targeted voluntary retirement program for faculty members, functional reviews and innovation working groups.

Figure 2: University Revenue Source as a Percentage of Total Revenues

The following chart provides the proportional composition of the University's major categories of revenues for the year ended April 30, 2025.

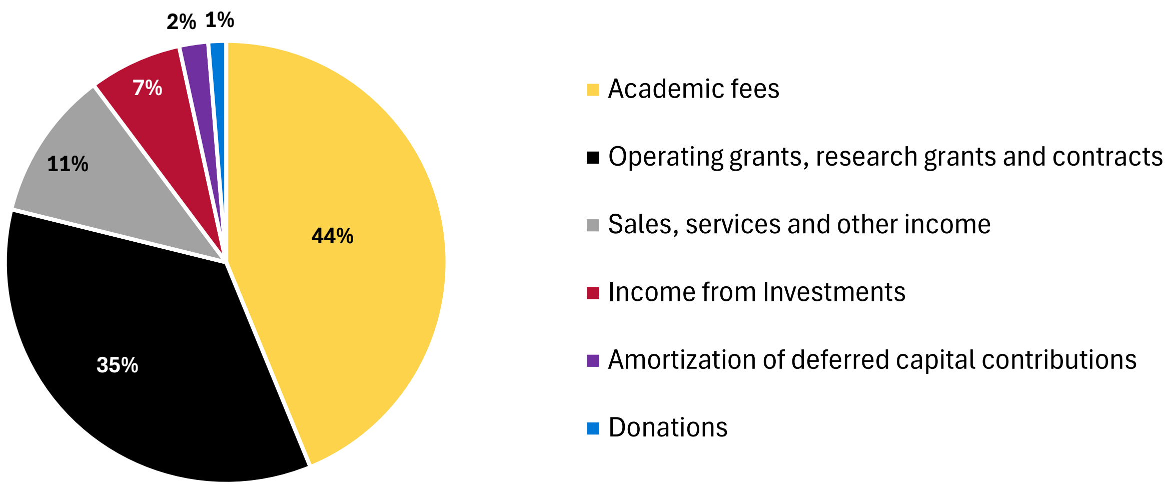
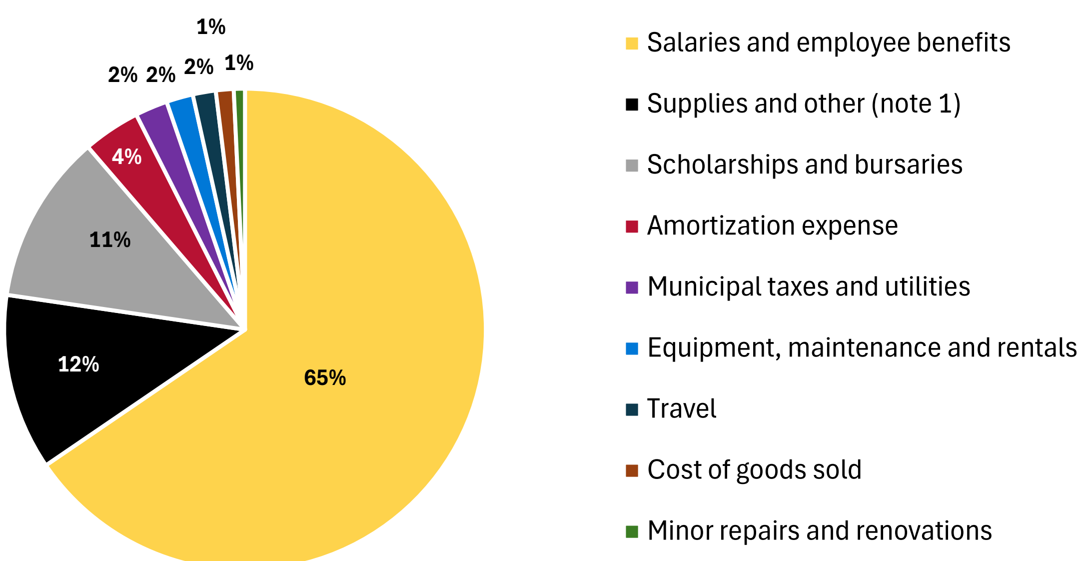


Figure 3: University Expense Category as a Percentage of Total Expenses

The following chart provides the proportional composition of the University's major categories of expenses for the year ended April 30, 2025.



Note 1: Supplies and Other includes enterprise software, consulting, contracted services, library acquisitions and other miscellaneous expenses.

Figure 4: Revenues and Expenses by Fund for the Year Ended April 30, 2025

The following table provides revenues and expenses by fund for the year ended April 30, 2025 (in millions of dollars):

	Operating	Capital	Research	Ancillaries	Trust	Endowment	Total
Revenues	981.1	29.1	184.3	89.2	33.7	33.6	1,351.0
Expenses	978.3	51.5	181.7	71.2	33.6	12.3	1,328.6
Transfers for operational Activities [1]	5.5	-	(2.6)	(2.8)	(0.1)	-	-
Surplus (Deficit) before transfers for capital [2]	8.3	(22.4)	-	15.2	-	21.3	22.4
Transfers for funding of capital purchases and projects [1]	(78. 9)	115.9	-	(37.0)	-	-	-
Net Excess (Shortfall) after capital transfers	(70.6)	93.5	-	(21.8)	-	21.3	22.4

Note 1:

- There are limited scenarios in which transfers are completed between funds to align expenses with the source of funds. Transfers for operational activities include amounts received in the operating fund such as from the ancillaries for use of space or services provided and interest on an internal loan. Transfers for capital include amounts transferred for funding capital asset purchases from the operating and ancillary funds and for capital construction projects.
- The transfers to capital from operating include in-year capital asset purchases such as computer equipment, building equipment, other equipment, and furniture ($20.2m), and funding transfers for ongoing and completed capital construction projects ($58.7m).
- The 2025/26 Budget Report includes a Capital Projects Report that provides further information on major capital projects.

Note 2:

- Operating: There was a surplus in the operating fund prior to transfers to the capital fund and an overall shortfall when including transfers to the capital fund. The actual operating fund results differed from the operating budget due to three categories of differences – tuition revenue and interest income higher than budget, differences between the basis used for accounting standards versus operating budget (mostly unrealized gains on investments recognized for accounting but not for budget) and spending of one-time funds on hand not reflected in the annual operating budget. See section below titled Budget to Actual – Operating Fund for information on operating fund results compared to budget.
- Capital: The deficit before transfers relates to amortization of capital asset purchases with unrestricted funds (funded when the assets were purchased).
- Research: Research revenue is recognized when the corresponding expenses are incurred, which results in no financial impact to the overall excess (shortfall) of revenues over expenses.
- Ancillaries: There was a surplus across all ancillary enterprises resulting from in-year operational activities. Surpluses are retained by the ancillary enterprise to fund capital investments.
- Trust: Trust revenue is recognized when the corresponding expenses are incurred, which results in no financial impact to the overall excess (shortfall) of revenues over expenses.
- Endowment: The excess relates to unrealized and realized investment income recognized in excess of spending.

Budget to Actual – Operating Fund

The annual operating budget represents the estimated operating revenues and the budget for expenses that are supported by these revenues of the University for the fiscal year.

Revenues in the operating budget include operating grants from the province of Ontario, academic fees, student incidental fees and investment income on expendable funds; these revenues support core operations.

Expenses in the operating budget include the expense budget allocation by major category of expenses including salaries, benefits, student support, operating costs related to facilities, other non-salary costs and funds planned for strategic initiatives.

In addition to the operating fund resources provided in the annual operating budget, the University also has some operating fund resources available as one-time funds on hand; these one-time funds on hand have been accumulated over time from underspending of past operating budgets to provide funds for significant projects and for risk mitigation; please see the section below on Financial Resources on Hand for further details.

Figure 5: Comparison of Operating Budget Deficit to Actual Net Results of Operating Fund

The following table compares the structural operating budget deficit in the approved operating budget for the year ended April 30, 2025 to the actual results of the operating fund for the year ended April 30, 2025, (in millions of dollars):

Structural operating budget deficit	**($32.0)**
Operating fund actual revenue over budget	28.8
Other various differences	1.9
Subtotal – after impacts for budget to actual differences	**(1.3)**
Budget to accounting standard external reporting differences	8.6
Subtotal – before use of one-time funds	**7.3**
Use of one-time funds for operating and strategic purposes	(6.1)
Transfer of one-time funds for capital projects	(71.8)
Net Excess (Shortfall) after use of one-time funds (see Figure 4)	**($70.6)**

The main budget to actual differences relate to the following:

- Operating fund actual revenue over budget of $28.8m is comprised of the following categories of revenue: tuition fees $15.7m, interest income $8.8m and other revenues $4.3m.
- Accounting standard external reporting differences relate mainly to unrealized gains on investments, which are recorded in the financial statements, but are not available for budget allocation until realized.
- Use of one-time funds for capital projects represents transfers of funds from the operating fund to the capital fund for funding of ongoing and completed major capital expenditures.

Financial Resources on Hand

Operating Fund - Financial Resources on Hand

One-time resources on hand at April 30, 2025 include $527.5m of internally restricted net assets related to the operating fund. These resources are included in cash, investments and internally restricted net assets on the University's balance sheet. These operating fund resources have been accumulated over time from underspending of past budgets, and are designated for strategic projects, operational commitments and risk and transition funds.

Figure 6: *Operating Fund One-Time Resources as at April 30, 2025*

The following tables show the one-time operating resources available at April 30, 2025 and April 30, 2024, and the designations associated with these funds (in millions of dollars):

Plans for one-time funds are reviewed and confirmed by the Vice-President, Academic & Provost.

	April 30, 2025	April 30, 2024
Central	$312.4	$365.8
Faculties	185.2	211.8
Academic Support and University Research Centres	29.9	29.1
Total	**$527.5**	**$606.7**

Designations are updated, reviewed and confirmed annually.

	April 30, 2025	April 30, 2024
Capital projects and infrastructure	$121.2	$199.7
Funds to support research	71.3	72.9
Risk and transition and strategic initiatives	264.4	263.7
Systems infrastructure	40.0	40.0
Committed benefits	30.6	30.4
Total	**$527.5**	**$606.7**

One-time operating funds used in the year ended April 30, 2025 funded major capital projects and operating and strategic priorities.

Restricted Funds - Financial Resources on Hand

There are additional resources available for future spending which have external restrictions on their use. These resources are included in cash, investments and deferred contributions on the University's balance sheet. At April 30, 2025, the University had $160m on hand that will be spent on future research activities in line with the terms of agreements with external grant funders. At April 30, 2025, there was $215m in trust that has been contributed for specific purposes, including a significant amount to support the operations of the Institute of Quantum Computing, and a meaningful amount to support students through scholarships and bursaries. There is a further $25m available for spending related to specific endowments that has been earned on the endowment investments; this is also largely committed to student support based on the specific agreements with endowment donors.

MCURES Financial Accountability Framework Preliminary Results

Effective for the year ended April 30, 2023, the Ontario Ministry of Colleges, Universities, Research Excellence and Security (MCURES) launched the University Financial Accountability Framework to monitor and assess the financial health of Ontario universities. Under this framework, each university reports annually on financial health metrics based on its annual audited financial statements; see section titled Overview and Context for information on University funds included in the audited financial statements. The Financial Accountability Framework metrics are grouped into three categories: Liquidity, Sustainability, and Performance. The metrics from each category are assessed to determine one of four possible action outcomes for the institution. A medium action outcome or a high action outcome would result in MCURES requiring the University to develop and report on a recovery plan with monitoring by MCURES.

It is anticipated that the University will have a Low Action outcome under this framework for the year ended April 30, 2025. The University had a No Action outcome in the previous two years for which this framework has been in place. With a Low Action outcome, the University will be expected to provide an explanation and analysis of the cause of the metric results and of the steps to be taken to restore financial metrics and improve financial health and prevent further decline.

If the University audited financial statements were to have an excess of expenses over revenues in any particular year, the University would be more likely to have a medium or high action outcome under this framework, triggering the requirement for a recovery plan. As the University works on its 3-year plan to return to a balanced operating budget by the end of the year ending April 30, 2028, the focus will remain on returning to a balanced budget in year 3 of the 3-year planning period.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Governors of University of Waterloo

Opinion

We have audited the financial statements of University of Waterloo (the Entity), which comprise:

- the balance sheet as at April 30, 2025;
- the statement of operations for the year then ended;
- the statement of changes in net assets for the year then ended;
- the statement of cash flows for the year then ended;
- and notes to the 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 financial position of the Entity as at April 30, 2025, and its results of operations and its 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 auditor's report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Other Information

Management is responsible for the other information. Other information comprises:

- the information, other than the financial statements and the auditor's report thereon, included in the document entitled "Annual Financial Report".

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information, other than the financial statements and the auditor's report thereon, included in the Annual Financial Report as at the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditor's report.

We have nothing to report in this regard.

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 the Entity'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 the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity'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 the 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 Entity'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 the Entity'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 the Entity 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.

- 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.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Kitchener, Canada

October 28, 2025

UNIVERSITY OF WATERLOO
BALANCE SHEET
as at April 30, 2025
(with comparative figures as at April 30, 2024)
(thousands of dollars)

	2025	2024
ASSETS		
Current		
Cash and cash equivalents	$ 571,868	$ 617,008
Short-term investments at fair value (note 3)	165,440	146,752
Accounts receivable	46,416	50,673
Inventories	1,519	1,665
Prepaid expenses	37,724	27,836
Total current assets	822,967	843,934
Investments at fair value (note 3)	979,370	945,934
Capital assets, net (note 5)	989,346	907,173
	2,791,683	2,697,041
LIABILITIES AND NET ASSETS		
Current		
Accounts payable and accrued liabilities (note 6)	109,366	101,584
Unearned revenue	107,916	113,592
Deferred contributions (note 7)	392,599	386,829
Total current liabilities	609,881	602,005
Employee future benefits (note 8)	243,864	268,154
Deferred capital contributions (note 9)	477,702	436,918
Total liabilities	1,331,447	1,307,077
NET ASSETS		
Unrestricted surplus (note 10)	18,569	9,779
Internally restricted (note 11)	876,205	855,358
Endowments (note 12)	565,462	524,827
	1,460,236	1,389,964
	$ 2,791,683	$ 2,697,041

Commitments and contingencies (note 13)

(See accompanying notes to the financial statements)

On behalf of the Board of Governors:

Murray Gamble
Chair

Vivek Goel
President

UNIVERSITY OF WATERLOO
STATEMENT OF OPERATIONS
for the year ended April 30, 2025
(with comparative figures for the year ended April 30, 2024)
(thousands of dollars)

	2025	2024
REVENUES		
Academic fees	$ 591,512	$ 607,364
Donations	17,579	16,816
Grants and contracts	473,759	482,253
Sales, services and other revenues	147,554	143,177
Investment income (note 3)	91,965	88,730
Amortization of deferred capital contributions (note 9)	28,607	27,139
	1,350,976	1,365,479
EXPENSES		
Salaries and employee benefits (note 8)	870,008	824,680
Cost of goods sold	15,854	16,939
Supplies and other	157,141	168,282
Travel	20,500	20,654
Minor repairs and renovations	9,927	10,704
Equipment, maintenance and rentals	23,792	30,991
Scholarships and bursaries	151,284	147,206
Municipal taxes and utilities	28,956	28,684
Amortization of capital assets	51,141	49,994
	1,328,603	1,298,134
Excess of revenues over expenses	$ 22,373	$ 67,345

(See accompanying notes to the financial statements)

UNIVERSITY OF WATERLOO
STATEMENT OF CHANGES IN NET ASSETS
for the year ended April 30, 2025
(with comparative figures for the year ended April 30, 2024)
(thousands of dollars)

	Unrestricted Surplus	Internally Restricted	Endowments	2025 Total	2024 Total
Net assets, beginning of year	$ 9,779	$ 855,358	$ 524,827	$ 1,389,964	$ 1,342,764
Excess of revenues over expenses	22,373	—	—	22,373	67,345
Change in net assets internally restricted (note 11)	(20,847)	20,847	—	—	—
Change in unrealized gain on investments held for donor endowments (note 12)	—	—	18,219	18,219	11,020
Employee future benefit remeasurements (note 8)	18,298	—	—	18,298	(37,699)
Internally endowed contributions (note 12)	(11,034)	—	11,034	—	—
Endowment contributions (note 12)	—	—	11,382	11,382	6,534
Net assets, end of year	$ 18,569	$ 876,205	$ 565,462	$ 1,460,236	$ 1,389,964

(See accompanying notes to the financial statements)

UNIVERSITY OF WATERLOO
STATEMENT OF CASH FLOWS
for the year ended April 30, 2025
(with comparative figures for the year ended April 30, 2024)
(thousands of dollars)

	2025	2024
OPERATING ACTIVITIES		
Excess of revenues over expenses	$ 22,373	$ 67,345
Add (deduct) non-cash items:		
Change in unrealized gain on internally endowed investments (note 11)	(10,619)	(8,448)
Change in unrealized gain on unrestricted investments	(10,424)	(3,427)
Amortization of capital assets	51,141	49,994
Amortization of deferred capital contributions (note 9)	(28,607)	(27,139)
Loss on disposal of capital assets	120	4,861
Employee future benefits expense (note 8)	75,994	70,826
Employee future benefits contributions	(81,986)	(78,899)
Net change in non-cash balances (note 15)	(24,011)	(17,012)
Cash (used) provided by operating activities	(6,019)	58,101
FINANCING ACTIVITIES		
Contributions for capital asset purchases (note 9)	69,347	32,804
Endowment contributions (note 12)	11,382	6,534
Cash provided by financing activities	80,729	39,338
INVESTING ACTIVITIES		
Purchases of capital assets (notes 5 and 15)	(114,288)	(65,491)
Purchases of investments	(157,930)	(118,718)
Proceeds from sales of investments	152,368	62,639
Cash used in investing activities	(119,850)	(121,570)
Net change in cash and cash equivalents during the year	(45,140)	(24,131)
Cash and cash equivalents, beginning of year	617,008	641,139
Cash and cash equivalents, end of year	$ 571,868	$ 617,008

(See accompanying notes to the financial statements)

1. Description

University of Waterloo (the “University”) was incorporated in 1959 under the terms and provisions of the *University of Waterloo Act*. A new *University of Waterloo Act* was passed in 1972, which provided that the University continue as the corporation that was established in 1959.

The objectives of the University are the pursuit of learning through scholarship, teaching and research. The University is a degree-granting and research organization offering undergraduate and graduate programs. The University is also a registered charity under Section 149 of the *Income Tax Act* and, as such, is exempt from income taxes.

These financial statements reflect the assets, liabilities, net assets, revenue and expenses of all of the operations of the University. Included are the academic, administrative and other operating expenses funded by academic fees, grants and other general revenue; restricted purpose funds including endowment funds; and the ancillary enterprises, including Campus Housing, Food Services, Sustainable Transportation, Print and Retail Solutions and WatCard.

2. Summary of Significant Accounting Policies

These financial statements have been prepared in accordance with Part III of the *CPA Canada Handbook – Accounting*, which sets out generally accepted accounting principles for not-for-profit organizations in Canada and includes the following significant accounting policies:

(a) Cash and cash equivalents

Cash and cash equivalents consist of balances with banks and highly liquid investments, with a maturity of approximately three months or less at the date of purchase, that are readily convertible to known amounts of cash and that are subject to an insignificant risk of change in value, unless they are held for investment rather than liquidity purposes, in which case they are classified as investments. These instruments are carried at cost plus accrued interest.

(b) Investments and investment income

All investments are recorded at fair value. Fair value is the amount of consideration that would be agreed upon in an arm’s length transaction between knowledgeable, willing parties who are under no compulsion to act. Publicly traded securities are valued based on the latest closing prices, and pooled funds are valued based on reported unit values. Transactions are recorded on a trade date basis, and transaction costs are expensed as incurred. Investment income (loss), which consists of interest, dividends and realized and unrealized gains (losses), is recorded as income (loss) from investments in the statement of operations, except for investment income (loss) deferred or recorded directly in net assets.

(c) Other financial instruments

Other financial instruments, including accounts receivable and accounts payable and accrued liabilities, are initially recorded at their fair value and continue to be carried at this value, which represents cost, net of any provisions for impairment.

(d) Inventories

Inventories are valued at the lower of cost and net realizable value. Cost of inventory is the weighted-average purchase cost and net realizable value is the estimated selling price in the ordinary course of business. Items that are written down to net realizable value are adjusted back up to cost if there is a subsequent increase in the net realizable value. There have been no write-downs of inventory or reversals of previous write-downs during the year.

(e) Capital assets

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value on the date of contribution. Capital assets are amortized on a straight-line basis over their estimated useful lives as follows:

Buildings	40 years
Building equipment	20 years
Parking lots/roadways	15 years
Furniture and equipment	3 - 10 years

Capital assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not contribute to the University's ability to provide goods and services. Any impairment results in a write-down of the capital asset and an expense in the statement of operations. An impairment loss is not reversed if the fair value of the related capital asset subsequently increases.

Contributions received for capital assets are deferred and amortized over the same term and on the same basis as the related capital assets.

(f) Revenue recognition

The University follows the deferral method of accounting for contributions, which include donations and grants. 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. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Endowment contributions and restricted contributions used to purchase land are recognized as direct increases in net assets in the period in which the contributions are received or when the land is purchased.

Tuition and other academic fees are recorded as revenue on the accrual basis of accounting. All fees that relate to an academic term occurring within the fiscal year are included as revenue. Fees billed and collected that relate to academic terms commencing after the end of the fiscal year are included in unearned revenue on the balance sheet.

Sales, services and other revenue are recognized at point of sale or when these services have been provided.

(g) Employee future benefits

The University has a defined benefit pension plan for its employees and provides other retirement and post-employment benefits such as extended health care and life insurance coverage. The University accounts for these plans using the immediate recognition approach. Under this approach, the University recognizes the accrued benefit obligation, net of the fair value of plan assets, on the balance sheet. Current service and finance costs are expensed during the year, while remeasurements and other items, representing the total of the difference between actual and expected return on plan assets, actuarial gains and losses, plan amendments and past service costs, are recognized as a direct increase or decrease in net assets. The University uses an actuarial valuation prepared for funding purposes to measure the defined benefit obligation in respect of its pension plan. The accrued benefit obligation for funded employee future benefits is determined using a roll-forward technique to estimate the accrued obligation using funding assumptions from the most recent actuarial valuation. The accrued obligation for unfunded plans is prepared using an actuarial valuation for accounting purposes. Employee future benefit plans' assets are measured at fair value as at the date of the balance sheet.

(h) Accounting estimates

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. These amounts are based on management's knowledge of current events and actions that the University may undertake in the future. Significant areas requiring the use of management estimates relate to the assumptions used in the valuation of pension and other post-employment retirement benefit obligations, and the recording of contingencies. Actual results could differ from those estimates.

(i) Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate in effect at year-end. Revenues and expenses are translated at exchange rates in effect on the date of the transaction. Gains or losses arising from these foreign currency transactions are included in operating results, except to the extent that they relate to investments, in which case they are recognized in the same manner as investment income.

3. Investments

The University is subject to various risks with respect to its investments. To manage these risks, the University has established a target mix of investment types for specific investment mandates designed to achieve the return objectives within reasonable risk tolerances.

Total investments at fair value consist of the following components:

	2025	2024
Short-term bonds and guaranteed investment certificates	$ 165,440	$ 146,752
Long-term investments:		
Bonds		
Corporate	219,792	234,895
Pooled funds	193,012	183,640
Limited partnership – private debt	9,033	—
	421,837	418,535
Equity investments (including pooled equity funds)		
Canadian	119,573	109,286
US	64,315	59,347
Other international	373,300	358,766
Limited partnership – venture capital	345	—
	557,533	527,399
Total long-term investments	979,370	945,934
Total investments	$ 1,144,810	$ 1,092,686

Investment income, net of fees, of $91,965 (2024 - $88,730) recorded in the statement of operations consists of income related to investments held for endowments of $33,633 (2024 - $36,154) and income related to investments other than those held for endowments of $58,332 (2024 - $52,576).

Long-term investments include $219,950 (2024 - $247,871) of liquid assets that could be made available for working capital for operations, if necessary.

4. Long-term Debt

The University has an unsecured operating line of credit available up to a maximum of $1,500 pursuant to an agreement with its lender. The agreement also includes a construction facility, for up to $100,000, related to the construction of a new residence building. The construction facility is unsecured and has several variable interest rate options for each draw based on the banking prime rate or the Canadian Overnight Repo Rate Average (CORRA). As at April 30, 2025, the University has $nil drawn on both the operating line and the construction facility. The University is compliant under the financial and non-financial covenants as set out by the agreement as at the year-end date.

5. Capital Assets

Capital assets consist of the following:

	2025		2024	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Land	$ 16,745	$ —	$ 16,745	$ —
Buildings	1,254,861	493,089	1,202,831	465,932
Building equipment	89,335	10,428	66,275	7,288
Parking lots/roadways	14,709	6,507	10,804	5,911
Furniture and equipment	386,125	262,405	332,079	242,430
	1,761,775	772,429	1,628,734	721,561
Less accumulated amortization	(772,429)		(721,561)	
Net book value	$ 989,346		$ 907,173	

Included in the cost is $118,758 (2024 - $67,063) of construction in progress that is not currently being amortized.

6. Government Remittances Payable

Included in accounts payable and accrued liabilities as at April 30, 2025, are government remittances payable of $20,385 (2024 - $20,164).

7. Deferred Contributions

Deferred contributions represent unspent externally restricted grants, donations and investment income for research and other specific purposes. Changes in the deferred contributions balance are as follows:

	2025	2024
Balance, beginning of year	$386,829	$393,378
Contributions received or receivable during the year	327,222	283,041
Contributions transferred for capital purchases	(69,393)	(32,803)
Contributions recognized as revenue during the year	(252,059)	(256,787)
Balance, end of year	$392,599	$386,829

8. Employee Future Benefits

The University has a defined benefit pension plan that provides pension benefits to eligible employees. This registered pension plan is based on years of credited service, highest average earnings in 60 consecutive months in the 10 years immediately preceding retirement, and the Canada Pension Plan's yearly maximum pensionable earnings average for the last 5 years preceding retirement. Any pension benefits earned as at December 31, 2013 will be indexed at 100% of the Consumer Price Index ["CPI"] subject to the condition that if CPI exceeds 5%, the indexation adjustment may be limited to an amount not lower than 5%. Any pension benefit earned as of an employee's date of retirement less the pension benefit earned as at December 31, 2013 will be indexed at 75% of CPI, subject to the condition that if CPI exceeds 5%, the indexation adjustment may be limited to an amount not lower than 3.75%.

An actuarial valuation is performed for the registered pension plan annually. The latest actuarial valuation for the registered pension plan was performed as at January 1, 2025. The University measures its accrued benefit obligation and the fair value of plan assets for accounting purposes as at April 30 of each year.

The University also has a benefit plan that provides other retirement benefits, including extended health care and life insurance and one that provides certain benefits for employees on long-term disability benefits after employment, but before retirement.

The expense for the registered pension plan for the year is $55,910 (2024 - $48,691) and the expense for other employee future benefit plans is $20,084 (2024 - $22,135). Salaries and employee benefits expense in 2025 includes $16,193 for compensated absences, such as voluntary retirement programs and redundancies, of which $6,180 is in accounts payable and accrued liabilities at April 30.

Remeasurements, which are recorded in the statement of changes in net assets, are as follows:

	2025			2024		
	Registered Pension Plan	Other Benefit Plans	Total Benefit Plans	Registered Pension Plan	Other Benefit Plans	Total Benefit Plans
Difference between actual and expected return on plan assets	$ 61,105	$ —	$ 61,105	$ 31,240	$ —	$ 31,240
Actuarial gains (losses) on accrued benefit obligation	(5,285)	(14,157)	(19,442)	(110,135)	33,354	(76,781)
Valuation allowance	(23,365)	—	(23,365)	7,842	—	7,842
Total employee future benefit remeasurement costs	$ 32,455	$ (14,157)	$ 18,298	$ (71,053)	$ 33,354	$ (37,699)

Information about the University's employee future benefit plans is in the following chart:

	2025			2024		
	Registered Pension Plan	Other Benefit Plans	Total Benefit Plans	Registered Pension Plan	Other Benefit Plans	Total Benefit Plans
Fair value of plan assets	$ 2,725,430	$ —	$2,725,430	$ 2,500,469	$ —	$ 2,500,469
Accrued benefit obligation	(2,702,065)	(243,864)	(2,945,929)	(2,549,920)	(218,703)	(2,768,623)
Plan surplus (deficit)	23,365	(243,864)	(220,499)	(49,451)	(218,703)	(268,154)
Valuation allowance	(23,365)	—	(23,365)	—	—	—
Employee future benefit liability	$ —	$ (243,864)	$ (243,864)	$ (49,451)	$ (218,703)	$ (268,154)

The accrued benefit obligation for the registered pension plan as at April 30, 2025 includes an actuarial reserve required by Ontario regulation (a Provision for Adverse Deviation (PfAD)) of $214,474 (2024 - $191,062).

9. Deferred Capital Contributions

Deferred capital contributions represent the unamortized amount of grants, donations and investment income received and used for the purchase of capital assets. The amortization of deferred capital contributions is recorded as revenue in the statement of operations. Changes in the deferred capital contributions balance are as follows:

	2025	2024
Balance, beginning of year	$436,918	$431,222
Contributions for capital asset additions	69,391	32,835
Amortization of deferred capital contributions	(28,607)	(27,139)
Balance, end of year	$477,702	$436,918

10. Unrestricted Surplus

The unrestricted surplus consists of the following:

	2025	2024
Operational surplus	$ 26,555	$ 26,558
Unrealized gains (losses) on unrestricted investments	12,119	1,695
Land purchased with restricted funds	726	726
Provision for vacation pay	(20,831)	(19,200)
	$ 18,569	$ 9,779

11. Internally Restricted Net Assets

Internally restricted net assets consist of the following:

	2025	2024
Carryforwards and operational commitments		
Capital projects and infrastructure (a)	$121,195	$199,700
Funds to support research (b)	71,322	72,880
Risk and transition and strategic initiatives (c)	264,340	263,684
Systems infrastructure (d)	40,000	40,000
Committed benefits (e)	30,594	30,437
	527,451	606,701
Employee future benefits (note 8)	(250,044)	(268,154)
Ancillary enterprises (f)	4,347	26,104
Unspent realized income on internally endowed investments (g)	10,065	10,381
Unrealized gain on internally endowed investments (g)	42,045	31,426
Funds on-hand for housing and other construction projects (h)	83,304	73,193
Internal financing for housing and other construction projects (h)	(51,882)	(93,822)
Investment in capital assets (i)	510,919	469,529
	$876,205	$855,358

(a) Capital projects and infrastructure includes operating funds committed or planned for capital construction projects, deferred maintenance or other facilities.

(b) Funds to support research are for commitments to support research activities.

(c) Risk and transition funds are designated to fund risks and contingencies as they arise. These will be used to cover the structural operating deficits while the University implements a 3-year plan to return to a balanced operating budget. Strategic initiative funds are designated for priority projects and initiatives that align with the University's Waterloo at 100 vision.

(d) Systems infrastructure funds are planned for use on future investments in enterprise-wide systems infrastructure requirements.

(e) Committed benefits relate to actuarially determined supplemental retirement pensions committed.

(f) Ancillary enterprises include accumulated surpluses for capital or systems infrastructure to advance ancillary operations and accumulated deficits to be recovered by the ancillary enterprises.

(g) These amounts represent unspent endowment investment returns made available for spending and unrealized gains on internally endowed investments.

(h) Funds for housing and other construction projects includes funding that is committed for approved, in-progress construction projects until costs are incurred, net of internal loans for completed construction costs until they are funded from other sources, such as student fees.

(i) Investment in capital assets represents the unamortized value of capital assets funded by the University with unrestricted funds.

12. Endowments

Contributions restricted for endowment consist of restricted donations received by the University and endowment income internally designated to endowment principal, generally for inflation protection purposes. The investment income generated from external and internal endowments must be used for the designated purposes. The University ensures that all funds received for restricted purposes are expended for those purposes for which they were provided.

The University's overall objective with respect to endowments is to achieve an annual realized investment income that provides for both spending and inflation protection. Each year, the portion of the realized investment income that is made available for spending is allocated to individual endowments at a rate that is established annually. Another portion of the realized investment income is used to provide inflation protection based on the CPI. The residual amount of realized investment income, if any, is used to create a reserve to cover spending and inflation protection in years with low investment returns. The allocation to each endowment is based on the weighted-average principal of the endowment for the fiscal year. Unspent expendable amounts may be carried forward for future expenditures or added to the endowment's principal.

Investment income on endowments is recorded in the statement of operations if it is available for spending at the discretion of the University or if the conditions of any restrictions have been met (notes 3 and 7). The amount of realized investment income that was reinvested for preservation of capital for the year ended April 30, 2025 was $8,982 (2024 - $14,749).

Net assets restricted for endowment consist of the following:

	2025	2024
Donor endowed (original cost)	$313,339	$301,957
Internally endowed (original cost plus inflation protection)	178,181	167,147
Unrealized gain on investments held for donor endowments	73,942	55,723
	$565,462	$524,827

13. Commitments and Contingencies

(a) The University is a member of a self-insurance co-operative, named CURIE, in association with other Canadian universities. Under this arrangement, a contractual agreement exists to share the property and liability insurance risks of member universities. The projected cost of claims is funded through members' premiums based on actuarial projections. As at December 31, 2024, CURIE had an accumulated surplus of $130,336 (2024 - $107,548), of which the University's pro rata share is approximately 3.8% (2024 - 3.8%) on an ongoing basis. The University does not have access to its pro rata share of the accumulated surplus and, accordingly, no amount is recorded in these financial statements.

(b) The contractually committed estimated cost to complete construction projects in progress as at April 30, 2025, which will be funded by operations, donations and government grants, is approximately $231,492 (2024 - $43,676).

(c) The University has entered into a long-term land lease and operating agreement related to student housing. The University has a commitment to rent units in the townhouse complex with an option to terminate. The University is committed until at least September 1, 2027. Based on the number of units available for rent as at April 30, 2025, the following are the annual lease payments committed for the fiscal years ending:

2026 - $3,621   2027 - $3,728   2028 - $1,251

d) The nature of the University's activities is such that there are usually claims or potential claims in prospect at any one time. As at April 30, 2025, the University believes that it has valid defences and appropriate insurance coverage in place on claims that are not expected to have a material impact on the University's financial position. There also exist other claims or potential claims where the ultimate outcome cannot be determined at this time. Any additional losses related to claims would be recorded in the year during which the amount of the liability can be estimated or adjustments to the amount recorded are determined to be required.

e) In July 2024, following a selection process, the Waterloo Regional Health Network (WRHN) announced that the University of Waterloo campus had been selected as the future site of a new Waterloo Region hospital. As at April 30, 2025, the University had a commitment to sell a parcel of land to WRHN based on an option agreement in place. Based on an approval from the Board of Governors, the sale of land is expected to be completed in the year ending April 30, 2026, and funds received from the sale of the land will be held by the University with returns from the held funds to be designated for purposes of capital projects and strategic initiatives related to health partnerships, research opportunities and related investments.

14. Financial Instruments

The University is exposed to various financial risks through transactions in financial instruments. The majority of these risks are related to investments of the endowment funds and of a special purpose trust. To manage the risks of these investments, the University manages these investment mandates within the terms of the relevant Statements of Investment Policies and Procedures, which are reviewed annually by the Finance & Investment Committee and approved by the University's Board of Governors. The asset mix of each investment mandate is maintained within the approved ranges for each investment asset category and are considered against a benchmark portfolio; the asset mix ranges reflect the University's long-term return objectives and risk tolerance.

(a) Foreign currency risk

The University is exposed to some foreign currency risk due to the international nature of its operations and its student population on small proportions of its non-tuition revenues and purchases where incoming funds may be received and outgoing payments may be processed in several foreign currencies. The United States dollar (USD) is the most common foreign currency transacted in, and the University maintains a USD bank account to reduce the frequency of USD to Canadian dollar (CAD) exchanges.

The University is also exposed to foreign currency risk from direct and indirect (e.g., pooled funds) investments that are denominated in currencies other than CAD. Fluctuations caused by changes in the currency rates applied to these investments can result in a positive or negative effect on the fair value of the investments and on the cash flows from these investments.

(b) Credit risk

The University is exposed to credit risk in connection with its accounts receivable and its fixed income investments because of the risk of a financial loss caused by a counterparty's potential inability or unwillingness to fulfill its contractual obligations. To manage the credit risk exposed from fixed income investments, the University invests in bonds with investment grade ratings by recognized bond rating agencies.

(c) Interest rate risk

The University is exposed to interest rate risk with respect to its fixed income investments because the fair value will fluctuate with changes in market interest rates. This risk is managed by having diversified investments and by ensuring the asset mix of each investment mandate is maintained within the approved ranges for each investment asset category; the approved ranges reflect the University's risk tolerance.

The University can also be exposed to interest rate risk through debt as its approved debt facilities are subject to variable interest rates. As at April 30, 2025, the University has not drawn on its available debt facilities (note 4).

(d) Liquidity risk

The University is exposed to liquidity risk if it does not maintain sufficient liquidity to meet obligations associated with its financial liabilities. The University mitigates this risk through ongoing monitoring of cash levels, spending requirements and commitments, and by ensuring its expendable funds are maintained as cash and high quality investments that preserve capital and maintain liquidity.

(e) Other price risk

The University is exposed to other price risk through changes in market prices (other than changes arising from foreign currency or interest rate risks) in connection with its investments in equity securities and equity pooled fund investments. The factors that cause the changes in market prices may affect a specific investment, its issuer, or they may affect similar securities traded in the market. This risk is managed by having diversified investments and by ensuring the asset mix of each investment mandate is maintained within the approved ranges for each investment asset category; the approved ranges reflect the University's risk tolerance.

15. Net Change in Non-cash Balances

	2025	2024
Accounts receivable	$ 4,257	$ 5,612
Inventories	146	391
Prepaid expenses	(9,888)	(3,434)
Accounts payable and accrued liabilities	7,782	8,167
Less capital asset purchases in accounts payable	(19,103)	(16,588)
Unearned revenue	(5,676)	(3,308)
Deferred cash contributions	(1,529)	(7,852)
	$(24,011)	$(17,012)

16. Comparative Financial Statements

The comparative financial statements have been reclassified from statements previously presented to conform to the presentation of the 2025 statements.

UNIVERSITY OF
WATERLOO