



## **CONSOLIDATED FINANCIAL STATEMENTS**

**YEAR ENDED MARCH 31, 2026**

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## Statement of Management Responsibility

The University is responsible for the preparation of the consolidated financial statements as at March 31, 2026 and for the year then ended; in accordance with the financial reporting provisions of Section 23.1 of the *Budget Transparency and Accountability Act* of the Province of British Columbia.

In fulfilling its responsibilities and recognizing the limits inherent in all systems, the University has developed and maintains a system of internal controls 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 carries out its responsibility for review of the financial statements. The Board of Governors meets with management and the external auditor to discuss the results of audit examinations and financial reporting matters. The external auditor has full access to the Board of Governors with and without the presence of management.

The consolidated financial statements for the year ended March 31, 2026 have been reported on by KPMG LLP, Chartered Professional Accountants. The accompanying independent auditor's report outlines the scope of their examination and provides their opinion on the consolidated financial statements.

A handwritten signature in black ink, appearing to read "Philip Steenkamp", written over a horizontal line.

Philip Steenkamp  
President & Vice Chancellor

A handwritten signature in black ink, appearing to read "Alex Kortum", written over a horizontal line.

Alex Kortum  
Vice-President, Finance and Operations

June 25, 2026



**KPMG LLP**

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## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Governors of Royal Roads University and  
To the Minister of the Ministry of Post-Secondary Education and Future Skills

### ***Opinion***

We have audited the consolidated financial statements of Royal Roads University (the Entity), which comprise:

- the consolidated statement of financial position as at March 31, 2026
- the consolidated statement of operations and accumulated operating surplus for the year then ended
- the consolidated statement of remeasurement gains and losses for the year then ended
- the consolidated statement of changes in net debt for the year then ended
- the consolidated statement of cash flows for the year then ended
- and 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 as at and for the year ended March 31, 2026 of the Entity are prepared, in all material respects, in accordance with the financial reporting provisions of Section 23.1 of the Budget Transparency and Accountability Act of the Province of British Columbia.

### ***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.

### ***Emphasis of Matter – Financial Reporting Framework***

We draw attention to note 2(a) to the financial statements which describes the applicable financial reporting framework and the significant differences between that financial reporting framework and Canadian public sector accounting standards.

Our opinion is not modified in respect of this matter.

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

Management is responsible for the preparation of the financial statements in accordance with the financial reporting provisions of Section 23.1 of the Budget Transparency and Accountability Act of the Province of British Columbia 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.
- 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.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purposes of the group audit. We remain solely responsible for our audit opinion.

Chartered Professional Accountants

Victoria, Canada  
June 25, 2026

**Royal Roads University**  
**Consolidated Statement of Financial Position**  
**As at March 31, 2026 with comparative information for 2025**

|                                             | <b>March 31, 2026</b> | <b>March 31, 2025</b> |
|---------------------------------------------|-----------------------|-----------------------|
| <b>Financial Assets</b>                     |                       |                       |
| Cash and cash equivalents                   | \$ 7,661,229          | \$ 4,304,990          |
| Investments - portfolio (note 3)            | 31,805,413            | 26,664,696            |
| Accounts receivable                         | 4,751,913             | 4,967,895             |
| Inventories                                 | 125,122               | 241,845               |
|                                             | <u>44,343,677</u>     | <u>36,179,426</u>     |
| <b>Liabilities</b>                          |                       |                       |
| Accounts payable and accrued liabilities    | 9,478,796             | 11,822,122            |
| Employee future benefits (note 4)           | 775,213               | 849,423               |
| Deferred revenue (note 5)                   | 19,486,602            | 19,660,697            |
| Deferred contributions (note 6)             | 7,927,057             | 6,210,568             |
| Deferred capital contributions (note 7)     | 162,535,119           | 151,194,617           |
|                                             | <u>200,202,787</u>    | <u>189,737,427</u>    |
| <b>Net debt</b>                             | <b>(155,859,110)</b>  | <b>(153,558,001)</b>  |
| <b>Non-financial assets</b>                 |                       |                       |
| Tangible capital assets (note 8)            | 201,200,754           | 191,782,009           |
| Investments - endowments (note 3)           | 11,129,738            | 11,017,448            |
| Inventory of supplies                       | 12,583                | 15,549                |
| Prepaid expenses                            | 1,423,202             | 2,229,802             |
|                                             | <u>213,766,277</u>    | <u>205,044,808</u>    |
| <b>Accumulated surplus</b>                  | <b>\$ 57,907,167</b>  | <b>\$ 51,486,807</b>  |
| <b>Accumulated surplus is comprised of:</b> |                       |                       |
| Operating (note 12)                         | 45,304,149            | 43,638,875            |
| Remeasurement gains                         | 12,603,018            | 7,847,932             |
|                                             | <u>\$ 57,907,167</u>  | <u>\$ 51,486,807</u>  |

Commitments, contractual rights, and contingencies (notes 9, 10 & 11)  
See accompanying notes to consolidated financial statements



Lori Wanamaker  
Chancellor & Chair of the Board



Philip Steenkamp  
President & Vice Chancellor

**Royal Roads University**  
**Consolidated Statement of Operations and Accumulated Operating Surplus**  
**Year ended March 31, 2026 with comparative information for 2025**

|                                                                        | <b>Annual Budget</b> | <b>March 31, 2026</b> | <b>March 31, 2025</b> |
|------------------------------------------------------------------------|----------------------|-----------------------|-----------------------|
|                                                                        | (note 2(i))          |                       |                       |
| <b>Revenue</b>                                                         |                      |                       |                       |
| Tuition and other student fees                                         | \$ 40,309,957        | \$ 41,008,410         | \$ 39,555,473         |
| Provincial grants                                                      | 40,220,187           | 40,244,088            | 35,607,091            |
| Research grants                                                        | 6,973,800            | 6,631,785             | 6,092,885             |
| Deferred capital contributions (note 7)                                | 5,660,647            | 6,422,433             | 3,837,310             |
| Ancillary revenue                                                      | 3,190,795            | 3,191,881             | 2,960,169             |
| Investment income                                                      | 422,000              | 1,239,372             | 923,218               |
| Donations and other revenue                                            | 2,118,473            | 2,653,150             | 1,594,185             |
|                                                                        | <b>98,895,859</b>    | <b>101,391,119</b>    | <b>90,570,331</b>     |
| <b>Expenses (note 13)</b>                                              |                      |                       |                       |
| Instructional and program delivery                                     | 31,367,926           | 32,474,173            | 32,090,626            |
| Academic and student support                                           | 25,908,425           | 24,837,939            | 22,938,905            |
| Campus services                                                        | 2,118,578            | 1,822,562             | 1,639,581             |
| Facilities operation and maintenance                                   | 16,358,790           | 16,889,154            | 13,049,856            |
| Corporate and operating support                                        | 15,711,411           | 15,442,731            | 15,396,000            |
| Research                                                               | 7,781,276            | 7,533,863             | 7,184,939             |
| Fundraising                                                            | 886,493              | 837,713               | 869,903               |
| Work-in-progress revaluations (note 8)                                 | -                    | -                     | 684,022               |
|                                                                        | <b>100,132,899</b>   | <b>99,838,135</b>     | <b>93,853,832</b>     |
| <b>Annual operating surplus (deficit) before endowed contributions</b> | <b>(1,237,040)</b>   | <b>1,552,984</b>      | <b>(3,283,501)</b>    |
| Endowed contributions, external                                        | 350,000              | 55,200                | 4,791,429             |
| Endowed contributions, internal                                        | -                    | 57,090                | -                     |
| <b>Endowed contributions</b>                                           | <b>350,000</b>       | <b>112,290</b>        | <b>4,791,429</b>      |
| <b>Annual operating surplus (deficit)</b>                              | <b>(887,040)</b>     | <b>1,665,274</b>      | <b>1,507,928</b>      |
| Accumulated operating surplus, beginning of year                       | 43,638,875           | 43,638,875            | 42,130,947            |
| <b>Accumulated operating surplus, end of year</b>                      | <b>\$ 42,751,835</b> | <b>\$ 45,304,149</b>  | <b>\$ 43,638,875</b>  |

See accompanying notes to consolidated financial statements

**Royal Roads University**  
**Consolidated Statement of Remeasurement Gains and Losses**  
**Year ended March 31, 2026 with comparative information for 2025**

|                                                                      | <u>March 31, 2026</u>           | <u>March 31, 2025</u>          |
|----------------------------------------------------------------------|---------------------------------|--------------------------------|
| <b>Accumulated remeasurement gain, beginning of year</b>             | \$ 7,847,932                    | \$ 5,931,179                   |
| Unrealized gains from portfolio investments<br>in equity investments | 5,745,614                       | 2,180,195                      |
| Amounts reclassified to the statement of operations                  | <u>(990,528)</u>                | <u>(263,442)</u>               |
| Net remeasurement gains for the year                                 | <u>4,755,086</u>                | <u>1,916,753</u>               |
| <br><b>Accumulated remeasurement gain, end of year</b>               | <br>\$ <u><b>12,603,018</b></u> | <br>\$ <u><b>7,847,932</b></u> |

**Royal Roads University**  
**Consolidated Statement of Changes in Net Debt**  
**Year ended March 31, 2026 with comparative information for 2025**

|                                             | <b>Annual Budget</b>    | <b>March 31, 2026</b>   | <b>March 31, 2025</b>   |
|---------------------------------------------|-------------------------|-------------------------|-------------------------|
|                                             | (note 2(i))             |                         |                         |
| Annual operating surplus (deficit)          | \$ (887,040)            | \$ 1,665,274            | \$ 1,507,928            |
| Net acquisition of tangible capital assets  | (20,296,448)            | (18,196,061)            | (40,368,144)            |
| Amortization of tangible capital assets     | 7,947,437               | 8,775,094               | 6,017,302               |
| Proceeds on sale of tangible capital assets | -                       | 1,333                   | -                       |
| Loss on disposal of tangible capital assets | -                       | 889                     | 875,266                 |
|                                             | (12,349,011)            | (9,418,745)             | (33,475,576)            |
| Endowment contributions received            | (350,000)               | (112,290)               | (4,791,429)             |
| Changes in supplies inventory               | (110,451)               | 2,966                   | 113,893                 |
| Changes in prepaid expense                  | 847,802                 | 806,600                 | (821,328)               |
|                                             | 387,351                 | 697,276                 | (5,498,864)             |
| Net remeasurement gains                     | 360,030                 | 4,755,086               | 1,916,753               |
| Increase in net debt                        | (12,488,670)            | (2,301,109)             | (35,549,759)            |
| Net debt, beginning of year                 | (153,558,001)           | (153,558,001)           | (118,008,242)           |
| <b>Net debt, end of year</b>                | <b>\$ (166,046,671)</b> | <b>\$ (155,859,110)</b> | <b>\$ (153,558,001)</b> |

See accompanying notes to consolidated financial statements

**Royal Roads University**  
**Consolidated Statement of Cash Flows**  
**Year ended March 31, 2026 with comparative information for 2025**

|                                                        | <u>March 31, 2026</u> | <u>March 31, 2025</u> |
|--------------------------------------------------------|-----------------------|-----------------------|
| <b>Cash provided by (used in):</b>                     |                       |                       |
| <b>Operating activities</b>                            |                       |                       |
| Annual operating surplus (deficit)                     | \$ 1,665,274          | \$ 1,507,928          |
| Items not affecting cash:                              |                       |                       |
| Revenue recognized from deferred capital contributions | (6,422,433)           | (3,837,310)           |
| Amortization of tangible capital assets                | 8,775,094             | 6,017,302             |
| Loss on disposal of tangible capital assets            | 889                   | 875,266               |
| Change in employee future benefits                     | (74,210)              | (12,532)              |
| Recognition of deferred contributions                  | (8,104,097)           | (7,678,521)           |
| Changes in non-cash working capital (note 14)          | (1,375,150)           | 883,098               |
| <b>Net change in cash from operating activities</b>    | <u>(5,534,633)</u>    | <u>(2,244,769)</u>    |
| <b>Capital activities</b>                              |                       |                       |
| Tangible capital asset acquisitions                    | (18,196,061)          | (40,368,144)          |
| Proceeds on sale of tangible capital assets            | 1,333                 | -                     |
| <b>Net change in cash from capital activities</b>      | <u>(18,194,728)</u>   | <u>(40,368,144)</u>   |
| <b>Investing activities</b>                            |                       |                       |
| Net (increase) decrease in portfolio investments       | (385,631)             | 2,084                 |
| Endowment contributions received                       | (112,290)             | (4,791,429)           |
| <b>Net change in cash from investing activities</b>    | <u>(497,921)</u>      | <u>(4,789,345)</u>    |
| <b>Financing activities</b>                            |                       |                       |
| Deferred contributions received                        | 9,820,586             | 7,324,087             |
| Deferred capital contributions received                | 17,762,935            | 40,705,517            |
| <b>Net change in cash from financing activities</b>    | <u>27,583,521</u>     | <u>48,029,604</u>     |
| <b>Increase in cash and cash equivalents</b>           | 3,356,239             | 627,346               |
| <b>Cash and cash equivalents, beginning of year</b>    | <u>4,304,990</u>      | <u>3,677,644</u>      |
| <b>Cash and cash equivalents, end of year</b>          | <u>\$ 7,661,229</u>   | <u>\$ 4,304,990</u>   |

See accompanying notes to consolidated financial statements

# Royal Roads University

## Notes to the Consolidated Financial Statements

### Year ended March 31, 2026

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#### 1. Authority and Purpose

Royal Roads University (the "University") operates under the authority of the *Royal Roads University Act*, Province of British Columbia. The University is a Board-governed undergraduate and graduate degree granting institution dedicated solely to studies and research activities that support the applied and professional fields. The University is a registered charity and exempt from income taxes under section 149 of the *Income Tax Act*.

#### 2. Summary of Significant Accounting Policies

##### a) Basis of accounting

###### Budget Transparency and Accountability Act

These Consolidated Financial Statements have been prepared in accordance with Section 23.1 of the *Budget Transparency and Accountability Act* of the Province of British Columbia supplemented by certain regulations (257/2010 and 198/2011) issued by the Province of British Columbia Treasury Board.

The *Budget Transparency and Accountability Act* requires that the consolidated financial statements be prepared in accordance with the set of standards and guidelines that comprise generally accepted accounting principles for senior governments in Canada, or if the Treasury Board makes a regulation, the set of standards and guidelines that comprise generally accepted accounting principles for senior governments in Canada as modified by the alternate standard or guideline or part thereof adopted in the regulation.

The issued regulations require all taxpayer supported organizations in the school, university, college and hospital sectors to adopt Canadian public sector accounting standards without any PS4200 elections.

The regulations require that restricted contributions received, or receivable are to be reported as revenue depending on the nature of the restrictions on the use of the funds by the contributors as follows:

- (i) Contributions for the purpose of acquiring or developing a depreciable tangible capital asset or contributions in the form of a depreciable tangible capital asset are recorded and, referred to as deferred capital contributions, recognized in revenue at the same rate that amortization of the related tangible capital asset is recorded. The reduction of the deferred capital contributions and the recognition of the revenue are accounted for in the fiscal period during which the tangible capital asset is used to provide services.
- (ii) Contributions restricted for specific purposes other than those for the acquisition or development of a depreciable tangible capital asset are recorded as deferred contributions and recognized in revenue in the year in which the stipulation or restriction on the contributions have been met.

For British Columbia taxpayer-supported organizations, these contributions include government transfers and externally restricted contributions.

###### Public sector accounting standards

The accounting policy requirements under the Regulations are significantly different from the requirements of Canadian public sector accounting standards which require that:

- (i) Government transfers, which do not contain a stipulation that creates a liability, be recognized as revenue by the recipient when approved by the transferor and certain eligibility criteria have been met, and
- (ii) Externally restricted contributions be recognized as revenue in the period in which the resources are used for the purpose or purposes specified.

As a result, revenue recognized in the Consolidated Statement of Operations and certain related deferred capital contributions, would be recorded differently under Canadian public sector accounting standards.

**Royal Roads University**  
**Notes to the Consolidated Financial Statements**  
**Year ended March 31, 2026**

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**2. Summary of Significant Accounting Policies (continued)**

b) Basis of consolidation

The Consolidated Financial Statements reflect the assets, liabilities, revenues and expenses of organizations which are controlled by the University. Inter-organizational transactions, balances and activities have been eliminated on consolidation.

The Royals Roads University Foundation, and Cascade Institute Research Society are controlled by the University and fully consolidated in these financial statements.

The Royal Roads University Foundation raises funds to support Royal Roads University programs and initiatives. Cascade Institute is a Canadian research center that addresses the full range of humanity's converging environmental, economic, political, technological, and health crises.

c) Financial instruments

(i) Cash and cash equivalents

Cash and cash equivalents include cash on-hand, demand deposits and short-term, highly liquid investments that are readily convertible to known amounts of cash, and that are subject to an insignificant risk of change in value. These short-term investments generally have a maturity of three months or less at acquisition.

(ii) Investments

The University invests in short and long duration, fixed-term investments, publicly traded equities on a segregated basis (held directly), and pooled-fund products. Equity and bond instruments that are quoted in an active market are reflected at fair value as at the reporting date. All other financial instruments are measured at cost or amortized cost.

Sale and purchases of investments are recorded at trade date. Unrealized gains and losses from changes in the fair value of equity and bond instruments are recognized in the Consolidated Statement of Remeasurement Gains and Losses until such time that the financial asset is derecognized due to disposal or impairment. At the time of derecognition, the related realized gains and losses are recognized in the Consolidated Statement of Operations and related balances reversed from the Consolidated Statement of Remeasurement Gains and Losses. Unrealized gains and losses from the endowment investments, where earnings are restricted as to use, are recorded as deferred contributions, and recognized in revenue when disposed and when related expenses are incurred.

Interest and dividends attributable to financial instruments are reported in the Consolidated Statement of Operations, except where amounts are required to be reflected in restricted contributions. Transaction costs are a component of cost for financial instruments measured using cost and are expensed for financial instruments measured at fair value. For financial instruments measured using amortized cost, the effective interest rate method is used to determine interest revenue or expense.

Investments include operating and endowment investments. Operating investments consist of research, capital and other funds received and held in advance for future expenditures. Endowment investments consist of donations held in perpetuity to benefit current and future generations.

The Standards require an organization to classify fair value measurements using a fair value hierarchy, which includes three levels of information that may be used to measure fair value:

- Level 1 - Unadjusted quoted market prices in an active market for identical assets or liabilities.
- Level 2 - Observable or corroborated inputs, other than Level 1, such as quoted prices for similar assets or liabilities in inactive markets; and
- Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

**Royal Roads University**  
**Notes to the Consolidated Financial Statements**  
**Year ended March 31, 2026**

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**2. Summary of Significant Accounting Policies (continued)**

d) Inventories held for sale

Inventories of merchandise held for sale are recorded at the lower of cost and net realizable value.

e) Non-financial assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations.

(i) Tangible capital assets

Tangible capital assets received as contributions are recorded at fair value at the date of receipt if the fair value of the asset can be reasonably estimated. Contributions of tangible capital assets where fair value cannot be reasonably estimated are recorded at a nominal value of \$1. Works of art and cultural historical assets are not recorded as assets in these consolidated financial statements.

Tangible capital assets are recorded at cost, which includes amounts that are directly attributable to acquisition, construction, development, retirement or betterment of the asset. The cost (less residual value) of the tangible capital assets, excluding land and assets under construction, is amortized on a straight line or declining balance basis over their estimated useful life as shown below. Assets under construction are not amortized until the asset is available for productive use.

| <b>Asset</b>              | <b>Basis</b>      | <b>Rate</b>    |
|---------------------------|-------------------|----------------|
| Leasehold improvements    | Straight Line     | 10 to 40 years |
|                           | Declining Balance | 3.3% to 20.0%  |
| Site improvements         | Straight Line     | 30 to 50 years |
| Furnishings and equipment | Straight Line     | 10 to 15 years |
|                           | Declining Balance | 10% to 20%     |
| Vehicles                  | Straight Line     | 5 to 7 years   |
| Technology assets         | Straight Line     | 4 to 7 years   |
|                           | Declining Balance | 20.0% to 33.3% |
| Buildings                 | Straight Line     | 10 to 40 years |

Tangible capital assets are written down when conditions indicate that they no longer contribute to the University's ability to provide goods and services, or when the value of future economic benefits associated with the tangible capital assets are less than their net book value.

f) Employee future benefits

The University and its employees make contributions to the College Pension Plan and Municipal Pension Plan which are multi-employer joint trustee plans. These plans are defined benefit plans, providing a pension on retirement, based on the member's age at retirement, length of service, and highest earnings averaged over five years. Inflation adjustments are contingent upon available funding. As the assets and liabilities of the plans are not segregated by institution, the plans are accounted for as a defined contribution plan and any contributions by the University to the plan are expensed as incurred.

Sick leave benefits are also available to the University's employees. The costs of these benefits are determined based on usage. The accrued future obligation is estimated, based on the historical average of sick time used, to record a liability consistent with the projected benefit method pro-rated on service.

**Royal Roads University**  
**Notes to the Consolidated Financial Statements**  
**Year ended March 31, 2026**

**2. Summary of Significant Accounting Policies (continued)**

g) Recognition of revenue

Externally restricted non-capital contributions are deferred and recognized as revenue in the period in which the related expenses are incurred. Externally restricted amounts are to be used for the purposes designated by the contributors.

Externally restricted capital contributions for the improvement and acquisition of tangible capital assets are recorded as deferred capital contributions and recognized as earned revenue over the remaining useful life of the related tangible capital assets on the same basis as the related cost.

Government operating grants that are not restricted as to their use are recognized as revenue when receivable. Such grants, if contributed for future periods, are reported as deferred contributions until that future period. Other unrestricted revenues include tuition fees and sales of products and services. Tuition revenues are recognized on a pro-rata basis, aligned with course credits completed by the year-end. Revenues received for the provision of goods and services are recognized in the period in which the goods are provided, or the services are rendered.

Contributions restricted to be retained in perpetuity, allowing only the income earned thereon to be spent, are recorded as endowed contributions on the Consolidated Statement of Operations for the portion to be held in perpetuity when received and as deferred contributions for the investment income earned thereon.

Donations of materials and services that would have otherwise been purchased are recorded at their fair market value. Other gifts-in-kind are not recorded in these financial statements.

h) Use of estimates

The preparation of these consolidated financial statements requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets, liabilities, and related disclosures. Key areas where management has made estimates and assumptions include those related to the determination of fair value of financial instruments, the carrying value of tangible capital assets, provisions for employee future benefits and valuation of receivables. Where actual results differ from these estimates and assumptions, the impact will be recorded in future periods when the difference becomes known.

i) Budget figures

Budget figures as approved by the University's Board of Governors on March 13, 2025 have been provided for comparative purposes. The budget is reflected in the Consolidated Statement of Operations as well as the Consolidated Statement of Change in Net Debt.

**3. Investments**

|                           | Fair Value Hierarchy | 2026                 | 2025                 |
|---------------------------|----------------------|----------------------|----------------------|
| Cash and cash equivalents | Level 1              | \$ 1,965,197         | \$ 1,715,335         |
| Short-term cash deposits  | Level 1              | 193,134              | 184,297              |
| Bonds – Canadian          | Level 2              | 10,783,000           | 10,761,680           |
| Bonds – Foreign           | Level 2              | 2,186,635            | 2,177,296            |
| Equities – Canadian       | Level 1              | 8,311,819            | 6,636,347            |
| Equities – Foreign        | Level 1              | 19,495,366           | 16,207,189           |
|                           |                      | <b>\$ 42,935,151</b> | <b>\$ 37,682,144</b> |
| Classified as:            |                      |                      |                      |
| Investments – portfolio   |                      | \$ 31,805,413        | \$ 26,664,696        |
| Investments – endowments  |                      | 11,129,738           | 11,017,448           |
|                           |                      | <b>\$ 42,935,151</b> | <b>\$ 37,682,144</b> |

**Royal Roads University**  
**Notes to the Consolidated Financial Statements**  
**Year ended March 31, 2026**

**3. Investments (continued)**

Long-term bonds have an average maturity of 13 years, with yields of 2.83% to 5.71% (2025: 56 years, 4.07% to 5.71%). Equities and bond investments are recorded at fair value based on unadjusted market prices in an active market for the specific investments.

The University has compared the carrying value of each of their financial assets to its fair value as at March 31, 2026. No provision for impairment was recorded in the current year, as the fair value of all financial assets exceeded or did not differ significantly from their carrying value.

**4. Employee Future Benefits**

a) Pension benefits

The University and its employees contribute to the College Pension Plan and Municipal Pension Plan (jointly trustee pension plans). The boards of trustees for these plans, representing plan members and employers, are responsible for administering the plans, including investment of assets and administration of benefits. The plans are multi-employer defined benefit pension plans. Basic pension benefits are based on a formula. As at August 31, 2025, the College Pension Plan has about 17,500 active members, and approximately 11,800 retired members. As at December 31, 2024, the Municipal Pension Plan has about 273,000 active members, including approximately 7,000 from colleges.

Every three years, an actuarial valuation is performed to assess the financial position of the plans and adequacy of plan funding. The actuary determines an appropriate combined employer and member contribution rate to fund the plans. The actuary's calculated contribution rate is based on the entry age normal cost method, which produces the long-term rate of member and employer contributions sufficient to provide benefits for average future entrants to the plans. This rate may be adjusted for the amortization of any actuarial funding surplus and will be adjusted for the amortization of any unfunded actuarial liability.

The most recent actuarial valuation for the College Pension Plan as at August 31, 2024, indicated a \$3.8 million unfunded liability for basic pension benefits. This was covered by a transfer from the rate stabilization account leaving the basic pension account balanced at the valuation date on a going concern basis. The most recent valuation for the Municipal Pension Plan as at December 31, 2024, indicated a \$2,675 million funding surplus for basic pension benefits on a going concern basis. The next valuation for the College Pension Plan will be as at August 31, 2027. The next valuation for the Municipal Pension Plan will be as at December 31, 2027.

The University paid \$4,174,765 for employer contributions to the plans in fiscal 2026 (2025: \$3,948,124).

Employers participating in the plans record their pension expense as the amount of employer contributions made during the fiscal year (defined contribution pension plan accounting). This is because the plans record accrued liabilities and accrued assets for each plan in aggregate, resulting in no consistent and reliable basis for allocating the obligation, assets and cost to individual employers participating in the plans.

b) Accumulated sick leave benefit

Employees of the University are entitled to sick leave in accordance with the terms and conditions of their employment contracts. The University recognizes a liability and an expense for sick leave in the period in which employees provide services. Notwithstanding collective agreements that state otherwise, accumulated sick leave benefits are not paid out for staff upon departure. The valuation of accumulated sick leave benefits includes consideration of the current staff accumulated benefit entitlements adjusted for the expected utilization which is based on an average of the historic utilization rates. The accumulated sick leave benefit liability is shown in the following table:

|                                                     | <u>2026</u>       | <u>2025</u>       |
|-----------------------------------------------------|-------------------|-------------------|
| Accrued employee future benefits, beginning of year | \$ 849,423        | \$ 861,955        |
| Net change in current service costs                 | (74,210)          | (12,532)          |
| Accrued employee future benefits, end of year       | <u>\$ 775,213</u> | <u>\$ 849,423</u> |

**Royal Roads University**  
**Notes to the Consolidated Financial Statements**  
**Year ended March 31, 2026**

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**5. Deferred Revenue**

Deferred tuition relates to tuition fees for future periods. Deferred donations are for future, directed disbursements such as scholarships, bursaries, research and other specific projects. Other deferred revenue relates to non-credit tuition, other student fees, event and contract revenues not yet delivered at fiscal year end.

|                        | <u>2026</u>          | <u>2025</u>          |
|------------------------|----------------------|----------------------|
| Deferred tuition       | \$ 13,116,081        | \$ 14,350,965        |
| Deferred donations     | 5,429,551            | 4,467,423            |
| Other deferred revenue | 940,970              | 842,309              |
|                        | <u>\$ 19,486,602</u> | <u>\$ 19,660,697</u> |

**6. Deferred Contributions**

Deferred contributions represent externally restricted contributions that will be used in current and future years for minor capital improvements, maintenance, academic program development, research and student aid.

|                                           | <u>2026</u>         | <u>2025</u>         |
|-------------------------------------------|---------------------|---------------------|
| Balance, beginning of year                | \$ 6,210,568        | \$ 6,620,534        |
| Grants received during the year           | 9,820,586           | 7,324,087           |
| Funds used for eligible expenses          | (8,104,097)         | (7,678,521)         |
| Funds used for eligible capital purchases | -                   | (55,532)            |
| Balance, end of year                      | <u>\$ 7,927,057</u> | <u>\$ 6,210,568</u> |

**7. Deferred Capital Contributions**

Contributions expended on tangible capital assets are referred to as deferred capital contributions. Amounts are recognized into revenue over the useful life of the asset. Note 2 outlines the Treasury Board direction on this accounting treatment. Changes in the balance of deferred capital contributions are shown in the following table.

|                                                   | <u>2026</u>           | <u>2025</u>           |
|---------------------------------------------------|-----------------------|-----------------------|
| Balance, beginning of year                        | \$ 151,194,617        | \$ 114,270,878        |
| Contributions received during the year            | 17,762,935            | 40,705,517            |
| Deferred contributions used for capital purchases | -                     | 55,532                |
| Amortization of deferred capital contributions    | (6,422,433)           | (3,837,310)           |
| Balance, end of year                              | <u>\$ 162,535,119</u> | <u>\$ 151,194,617</u> |

**Royal Roads University**  
**Notes to the Consolidated Financial Statements**  
**Year ended March 31, 2026**

**8. Tangible Capital Assets**

|                           |    | <b>Cost</b>        | <b>Accumulated<br/>Amortization</b> | <b>Net Book<br/>Value at<br/>March 31, 2026</b> |    | <b>Net Book<br/>Value at<br/>March 31, 2025</b> |
|---------------------------|----|--------------------|-------------------------------------|-------------------------------------------------|----|-------------------------------------------------|
| Leasehold improvements    | \$ | 120,294,847        | 48,066,923                          | 72,227,924                                      | \$ | 71,776,998                                      |
| Site improvements         |    | 20,566,150         | 2,652,657                           | 17,913,493                                      |    | 12,265,317                                      |
| Furnishings and equipment |    | 19,257,457         | 13,509,034                          | 5,748,423                                       |    | 4,286,469                                       |
| Vehicles                  |    | 1,454,575          | 923,574                             | 531,001                                         |    | 464,086                                         |
| Technology assets         |    | 19,978,133         | 5,873,727                           | 14,104,406                                      |    | 10,787,663                                      |
| Land                      |    | 18,440,309         | -                                   | 18,440,309                                      |    | 18,440,309                                      |
| Building                  |    | 72,869,720         | 1,436,612                           | 71,433,108                                      |    | -                                               |
| Assets under construction |    | 802,090            | -                                   | 802,090                                         |    | 73,761,167                                      |
|                           | \$ | <b>273,663,281</b> | <b>72,462,527</b>                   | <b>201,200,754</b>                              | \$ | <b>191,782,009</b>                              |

| <b>Cost</b>               |    | <b>Balance at<br/>March 31,<br/>2025</b> | <b>Additions</b>  | <b>Disposals &amp;<br/>Write-offs</b> | <b>Transfers<br/>from Work in<br/>Progress</b> | <b>Balance at<br/>March 31,<br/>2026</b> |
|---------------------------|----|------------------------------------------|-------------------|---------------------------------------|------------------------------------------------|------------------------------------------|
| Leasehold improvements    | \$ | 116,408,101                              | 1,009             | -                                     | 3,885,737                                      | 120,294,847                              |
| Site improvements         |    | 14,004,694                               | -                 | -                                     | 6,561,456                                      | 20,566,150                               |
| Furnishings and equipment |    | 16,942,811                               | 78,656            | -                                     | 2,235,990                                      | 19,257,457                               |
| Vehicles                  |    | 1,367,498                                | 157,478           | (70,401)                              | -                                              | 1,454,575                                |
| Technology assets         |    | 14,613,041                               | 245,064           | -                                     | 5,120,028                                      | 19,978,133                               |
| Land                      |    | 18,440,309                               | -                 | -                                     | -                                              | 18,440,309                               |
| Building                  |    | -                                        | 6,517             | -                                     | 72,863,203                                     | 72,869,720                               |
| Assets under construction |    | 73,761,167                               | 17,707,337        | -                                     | (90,666,414)                                   | 802,090                                  |
|                           | \$ | <b>255,537,621</b>                       | <b>18,196,061</b> | <b>(70,401)</b>                       | <b>-</b>                                       | <b>273,663,281</b>                       |

| <b>Accumulated<br/>Amortization</b> |    | <b>Balance at March<br/>31, 2025</b> | <b>Amortization</b> | <b>Disposals &amp;<br/>Write-offs</b> | <b>Balance at<br/>March 31, 2026</b> |
|-------------------------------------|----|--------------------------------------|---------------------|---------------------------------------|--------------------------------------|
| Leasehold improvements              | \$ | 44,631,103                           | 3,435,820           | -                                     | 48,066,923                           |
| Site improvements                   |    | 1,739,377                            | 913,280             | -                                     | 2,652,657                            |
| Furnishings and equipment           |    | 12,656,342                           | 852,692             | -                                     | 13,509,034                           |
| Vehicles                            |    | 903,412                              | 88,341              | (68,179)                              | 923,574                              |
| Technology assets                   |    | 3,825,378                            | 2,048,349           | -                                     | 5,873,727                            |
| Building                            |    | -                                    | 1,436,612           | -                                     | 1,436,612                            |
|                                     | \$ | <b>63,755,612</b>                    | <b>8,775,094</b>    | <b>(68,179)</b>                       | <b>72,462,527</b>                    |

During the year, disposals and write-offs of capital assets included the following:

|                                               |    | <b>2026</b> |    | <b>2025</b>    |
|-----------------------------------------------|----|-------------|----|----------------|
| Work-in-progress revaluations                 | \$ | -           | \$ | 684,022        |
| Loss from disposal of tangible capital assets |    | 889         |    | 191,244        |
| Total loss from disposals and revaluations    | \$ | <b>889</b>  | \$ | <b>875,266</b> |

In April 2024, the University received a contribution of land and buildings on Salt Spring Island. The terms of the contribution do not allow for resale of the property. The fair value of the property cannot be reasonably estimated, therefore the asset has been recorded at a nominal value of \$1. The grounds include a dwelling, gardens and orchards.

**Royal Roads University**  
**Notes to the Consolidated Financial Statements**  
**Year ended March 31, 2026**

**9. Commitments**

a) Capital Asset Lease

The University leases the Royal Roads property and related assets and infrastructure from the Government of Canada for \$1 per annum. This lease covers approximately 59.5 hectares and is for a term of 50 years, commencing December 1, 2000 and terminating November 30, 2050, plus two renewal options of 25 years and 24 years respectively, for a total of 99 years. The University also manages the adjacent lands. The related memorandum of understanding covers approximately 169.34 hectares. The initial term of five years commenced December 1, 2005. The University subsequently re-negotiated the term for 25 years and has the option to renew for terms of five years each thereafter. The fair value of the property and related assets could not be reasonably estimated at the inception of the lease and accordingly has been recorded in tangible capital assets at a nominal value of \$1.

b) Contractual Obligations

As at March 31, 2026 the University has the following commitments which represent normal operating expenses. As at March 31, 2025 the University had capital commitments of \$5.8M related to the Langford Campus construction and fit-up contracts that are now complete.

|                      |    | <b>2027</b>    | <b>2028</b>    | <b>2029</b>    | <b>2030</b>    | <b>2031 and beyond</b> |
|----------------------|----|----------------|----------------|----------------|----------------|------------------------|
| Capital projects     | \$ | 8,250          | -              | -              | -              | -                      |
| Non-academic service |    | 320,000        | 320,000        | 320,000        | 283,628        | -                      |
| Software & licenses  |    | 311,055        | 331,777        | 332,603        | 335,084        | 586,397                |
|                      | \$ | <b>639,305</b> | <b>651,777</b> | <b>652,603</b> | <b>618,712</b> | <b>586,397</b>         |

**10. Contractual Rights**

Contractual rights as summarized below are rights to economic resources arising from contracts, licenses or agreements that will result in revenues and assets in the future. The University's contractual rights arise because of contracts entered into for the leasing of University property.

|                      |    | <b>2027</b> | <b>2028</b> | <b>2029</b> | <b>2030</b> | <b>2031 and beyond</b> |
|----------------------|----|-------------|-------------|-------------|-------------|------------------------|
| Future lease revenue | \$ | 300,333     | 200,651     | 137,088     | 137,088     | 742,560                |

**11. Contingent Assets and Liabilities**

The University may, from time to time, be involved in legal proceedings, claims and litigation that arise in the normal course of business. It is management's opinion that the aggregate amount of any potential asset or liability is not expected to have a material adverse effect on the University's financial position or results.

**12. Accumulated Operating Surplus (Deficit)**

Accumulated operating surplus (deficit) consists of the following:

|                                     |    | <b>2026</b>       | <b>2025</b>          |
|-------------------------------------|----|-------------------|----------------------|
| Invested in tangible capital assets | \$ | 38,665,635        | \$ 40,587,392        |
| Unrestricted                        |    | (4,491,224)       | (7,965,965)          |
| Endowments                          |    | 11,129,738        | 11,017,448           |
|                                     | \$ | <b>45,304,149</b> | <b>\$ 43,638,875</b> |

**Royal Roads University**  
**Notes to the Consolidated Financial Statements**  
**Year ended March 31, 2026**

**13. Expense by Object**

The following is a summary of expenses by object:

|                                      | <u>2026</u>          | <u>2025</u>          |
|--------------------------------------|----------------------|----------------------|
| Salaries and benefits                | \$ 58,580,040        | \$ 55,333,313        |
| Professional and contracted services | 14,493,963           | 13,057,513           |
| Instruction and program delivery     | 1,891,112            | 1,956,111            |
| IT and telecommunication             | 2,947,576            | 2,451,138            |
| Marketing and business development   | 4,469,930            | 3,866,027            |
| Awards and scholarships              | 2,432,904            | 2,883,373            |
| Supplies and services                | 4,669,061            | 5,737,532            |
| Grounds, facilities, and equipment   | 699,980              | 815,732              |
| Utilities                            | 781,980              | 784,056              |
| Amortization                         | 8,775,094            | 6,017,302            |
| Loss on disposal (note 8)            | 889                  | 875,266              |
| Fundraising                          | 95,606               | 76,469               |
|                                      | <u>\$ 99,838,135</u> | <u>\$ 93,853,832</u> |

**14. Supplemental Cash Flow Information**

Changes in non-cash working capital:

|                                          | <u>2026</u>           | <u>2025</u>       |
|------------------------------------------|-----------------------|-------------------|
| Accounts receivable                      | \$ 215,982            | \$ (1,358,555)    |
| Inventories                              | 119,689               | 174,175           |
| Prepaid expenses                         | 806,600               | (821,328)         |
| Accounts payable and accrued liabilities | (2,343,326)           | 2,980,187         |
| Deferred revenue                         | (174,095)             | (91,381)          |
|                                          | <u>\$ (1,375,150)</u> | <u>\$ 883,098</u> |

**15. Financial Risk Management**

The University has exposure to the following risks from its use of financial instruments: credit risk, market risk and liquidity risk.

a) Credit risk

Credit risk is the risk of financial loss to the University if a customer or counterparty to a financial instrument fails to meet contractual obligations. Such risks arise principally from the amounts held by the University consisting of cash, accounts receivable and investments. The University closely monitors the collection of customer accounts and limits the extent of credit granted to mitigate credit risk exposure. The University limits the risk in the event of non-performance related to fixed income holdings by dealing exclusively with counter-parties that have a credit rating of BBB or higher.

b) Market risk

Market risk is the risk that changes in market prices, such as currency rates, will affect the University's income. Canadian market risk is managed by controlling risk exposures within acceptable parameters while optimizing investment returns (note 3).

As at March 31, 2026, had the market price of the investments increased or decreased by 1%, with all other variables held constant, investments would have increased or decreased, respectively by approximately \$427,420 (2025 - \$374,978). As at March 31, 2026, if the Canadian dollar had strengthened/weakened by 1% in relation to all other currencies, holding all other variable constant, investments would have decreased/increased, by \$215,863 (2025 - \$189,258). This sensitivity analysis is based on the actual holdings as at March 31, 2026 and 2025. In practice, actual trading results may differ from this sensitivity analysis and the difference could be material.

**Royal Roads University**  
**Notes to the Consolidated Financial Statements**  
**Year ended March 31, 2026**

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**15. Financial Risk Management (continued)**

c) Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in the market interest rates. It is management's opinion that the University is not exposed to exceeding levels of interest rate risk arising from its financial instruments.

d) Liquidity risk

Liquidity risk is the risk that the University will not be able to meet its financial obligations as they become due. The University manages liquidity risk by continually monitoring actual and forecasted cash flows from operations, anticipated investing, and financial activities to ensure that its financial obligations are met under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the University's reputation.

The University establishes budgets and cash flow projections to ensure it has the necessary funds and relies on the Ministry of Post-Secondary Education and Future Skills for continued operating and capital grant funding. Liquidity risk as at March 31, 2026 was impacted by its overall operating surplus for the year and its unrestricted operating deficit (note 12).

e) Changes in financial risk

The imposition of U.S. tariffs on cross-border trade will result in increased costs for goods and services procured from U.S. suppliers, impacting operations and infrastructure projects. While the long-term impact remains uncertain, the University is actively working to monitor and mitigate the risks and impacts of tariffs.

**16. Transactions with other Government Reporting Entities ("GRE")**

For accounting purposes, the University is part of the GRE, along with all Province of British Columbia ministries, school districts, health authorities, universities, and crown corporations. Transactions with these entities, unless disclosed separately, are in the normal course of operations and are recorded at the amount of consideration established and agreed to by the parties.

**17. Related Parties**

There were no material transactions between the University and its key management personnel, Board of Governors, or their close family members.

**18. Comparative Figures**

Certain comparative figures have been reclassified to conform with the financial statement presentation adopted for the current year.