



University of King's College

Management Discussion and Analysis (MD&A)

For the year ended March 31st, 2023

Part A - Comparison of the Financial Results for fiscal 2022/23 with fiscal 2021/22 (refer to the audited financial statements)

Statement of Operations

The deficiency of revenue over expenses for all funds for the year ended March 31st, 2023 increased by \$1.0 million from a deficiency of \$0.3 million for the prior year to a deficiency of \$1.3 million for the current year. The statement of operations includes a negative market value adjustment on the non-endowment investments of \$0.5 million for March 31st, 2023, as compared with a positive adjustment of \$0.3 million in the prior year. For a meaningful comparison between the two years, this adjustment should be excluded.

The deficiency of revenue over expenses before adjustments for all funds increased by \$0.2 million from a deficiency of \$0.6 million in the prior year to deficiency of \$0.8 million in the current year. This can be explained by the unrestricted operating fund which essentially broke even as compared with a surplus of \$0.2 million in the prior year.

It is important to note that \$0.4 million in expenditures in 2022/23 were financed from the internally restricted funds rather than the operating budget and are included in the audited financial statements as expenditures of the unrestricted operating fund. Refer to Part B at the end of this document for a full reconciliation between the Statement of Operations in the audited financial statements and King's internal financial statements.

Revenue

Total revenue has increased by \$1.8 million or 8.0% from \$22.6 million to \$24.3 million.

Provincial government grants - an increase of 1% over the prior year in accordance with the memorandum of understanding (MOU) with the Province of Nova Scotia.

Student academic fees - an increase of \$0.3 million or 3.9% over the prior year which is largely the result of tuition increases over the prior year (3% in arts and science, 1% in all journalism

programs and 2% in the MFA program). Overall headcount was up slightly over the prior year with three additional students. The same is true when comparing the number of full time equivalent (FTE) students. While overall enrolment remained relatively flat between 2022/23 and 2021/22, students took a larger course load in 2022/23 which is evidenced by the number of full course equivalents (FCEs) in each year – 4,058 in 2022/23 versus 3,863 in 2021/22 (a 5% increase). The Omicron variant negatively impacted student course loads in the winter of 2022.

International enrolment fell short of the prior year by nine students, largely due to visa issues impacting several students including some in our graduate programs. The international differential fee increased by 13% over the prior year (for students who entered King’s in the fall of 2019 or later – other students faced a 3% increase). This was the fourth year of a four-year Dalhousie Board-approved increase in international differential rates. The increase in the international differential fee for 2022/23 helped to offset the impact of lower enrolment.

Enrolment	(Using October 15 statistics)	2022/23	2021/22	Difference	% Change
Headcount	Full time	926	925	1	0.1%
	Part time	43	41	2	4.9%
	Total	969	966	3	0.3%
	International included above	46	55	-9	-16.4%
FTE by Program	FYP (Foundation Year Program)	219	220	-1	-0.5%
	BA (Bachelor of Arts)/BM (Bachelor of Music)	450	446	4	0.9%
	BSC (Bachelor of Science)	115	119	-4	-3.4%
	BJH (Bachelor of Journalism Honours)	62	62	0	0.0%
	BJ (Bachelor of Journalism 1-year)	10	14	-4	-28.6%
	MJ (Master of Journalism)	17	15	2	13.3%
	MFA (Master of Fine Arts)	68	62	6	9.7%
	Total FTEs	941	938	3	0.3%
		International included above	46	55	-9

Tuition by program is shown in the table below. Differences are explained by fluctuations in enrolment as reflected in the table above as well as increases in tuition fees and course loads.

Program	2022/23	2021/22	Difference	% Change
Arts & Science	\$6,297,000	\$5,928,000	\$369,000	6.2%
Journalism (4-year and 1-year BJ)	953,000	1,014,000	-\$61,000	-6.0%
Master of Journalism (MJ)	116,000	102,000	\$14,000	13.7%
Master of Fine Arts (MFA)	604,000	551,000	\$53,000	9.6%
International Differential Fee	680,000	691,000	-\$11,000	-1.6%
Continuing Education	-	37,000	-\$37,000	-100.0%
Total student academic fees	\$8,650,000	\$8,323,000	\$327,000	3.9%

Student residence fees – an increase of \$0.4 million or 26.8% over the prior year. This includes an increase in room revenue of \$0.3 million and an increase in meal plan commission of \$0.1 million.

The total number of beds is now 263 rather than 260 in the prior year due to the conversion of the former Dean of Students’ suite into three additional beds during the Alexandra Hall accessibility renovation. In 2022/23, King’s accommodated 25 more students in residence over the prior year (263 versus 238). Due to a lack of affordable housing in the HRM, more residence applications were received than normal and King’s had a waitlist of first year and returning students as well as non-King’s students. In response to the increased demand for residence rooms, the Residence Team converted three large single rooms into double rooms creating three additional beds. In the prior year, 10 beds were set aside for self-isolation spaces which were not required in 2022/23. The withdrawal rate from residence in 2022/23 was only 3.0% compared to 7.4% in the prior year (which was impacted by the Omicron variant).

For King’s to earn commission revenue on meal plans, at least 220 meal plans must be sold. For 2022/23 King’s earned 14% commission in both semesters. In 2021/22, King’s earned 11% commission in the fall and 8% in the winter. The number of meal plans sold includes those provided to the deans, dons, and junior dons as part of their compensation.

Meal plan commission is earned on a sliding scale based on the number of meal plans sold:

- 220 – 239 = 8%
- 240 – 259 = 11%
- 260+ = 14%

Residence beds	2022/23	2021/22	Difference	% Change
Total # of beds	263	260	3	1%
Beds converted to junior don suites	-3	-12	9	-75%
Self-isolation spaces	0	-10	10	-100%
Temporary beds created	3	0	3	100%
Beds occupied on move-in day	263	238	25	11%
Withdrawals (full fall, half winter)	-8	-17.5	9.5	-54%
Total # of beds occupied	255	220.5	34.5	16%
Occupancy as % of available beds (excl withdrawals)	101%	100%	1%	1%
Occupancy as % of available beds (incl withdrawals)	98%	93%	5%	6%

Meal Plans	2022/23	2021/22	Difference	% Change
7-Day All Day Dining	138	123	15	12%
5-Day All Day Dining	3	6	-3	-50%
Meal Plan 14	109	100	9	9%
Meal Plan 10	18	24	-6	-25%
Total	268	253	15	6%

Student ancillary fees – an increase of \$0.03 million or 3.6% over the prior year. This increase is largely due to higher MFA mentor fee revenue which is the result of a 5% increase in the MFA mentor fee over the prior year and an increase in MFA enrolment. All other ancillary fees have been held flat since 2016/17.

Sale of goods and services – an increase of \$0.4 million or 308.8% over the prior year. The Conference Services season was cancelled in 2020/21 and in 2021/22 due to the pandemic. The 2022/23 Conference Services season was very successful and generated \$0.3 million in revenue despite the Alexandra Hall residence being unavailable due to the accessibility renovation. Gymnasium rentals and other revenue was also higher now that things have largely returned to normal.

Gifts - an increase of \$0.2 million or 34.0% over the prior year. This was due to a successful annual gifts campaign in 2022/23 that raised an additional 25% over the prior year and an increase in other gifts for the Chapel and King's Chorus as well as gifts for the experiential learning program and journalism initiatives.

Other government grants – an increase of \$0.1 million or 66.7% over the prior year. This is related to higher SSHRC (Social Sciences and Humanities Research Council) grants and provincial grants for sexual violence prevention and the Innovation Fund.

Expenses

Total expenses have increased by \$2.0 million or 8.6% from \$23.2 million to \$25.2 million.

Salaries and benefits – an increase of \$1.4 million or 12.8% over the prior year due to annual salary increases for faculty and staff, new positions, and increased student employment costs due to an increase in the minimum wage rate.

King's faculty are paid in accordance with the DFA (Dalhousie Faculty Association) salary scale. The recently negotiated DFA collective agreement included a cost-of-living increase of 3% effective July 1, 2022 as well as comparability adjustments. By comparison, the July 1, 2021 cost-of-living increase was only 1.25% with no comparability adjustments. Similarly, King's and the UKCTA (University of King's College Teachers' Association) representing the Faculty and Senior Fellows in the Humanities (i.e., tutors in the Foundation Year Program) recently negotiated a new collective agreement that also included a 3% cost-of-living increase effective July 1, 2022. By comparison, the July 1, 2021 cost-of-living increase was only 1.5%. For staff, an external Human Resources consultant was hired to complete three projects (an outcome of an HR survey conducted of staff), including a job evaluation program, a compensation review (including the creation of a compensation philosophy for King's and a new staff salary scale), and a performance guidance program. The job evaluation program resulted in several positions being reclassified to a higher salary level due to increased responsibilities added to various positions over time.

In terms of recruitment, a number of new positions were added in 2022/23. They included an Accessibility Officer, a Human Resources Manager, a Residence Housing Coordinator and a Residence Housing Administrator (as part of the Revitalizing Student Support, Residence, and Ancillary Services at the University of King's College proposal that was approved in the 2022/23 budget), a half-time administrative support position in the MFA program along with a full-time director of the School of Writing and Publishing (with the new MFA in fiction stream beginning in 2023/24), an Academic Services and Events Officer (contract position), a Waves of Change Coordinator (contract position funded by a government grant), a four-year Limited Term Appointment in the Contemporary Studies Program to cover the remaining term of the Vice-President, and two one-year Limited Term Appointments in Journalism (to cover a retirement, a sabbatical, and a faculty member who participated in the Enhanced Voluntary Retirement Program (EVRP)). On June 30, 2022 one Journalism professor retired and another began a 50% post-retirement contract. The prior year included a number of new positions that were reflected for a portion of the year that were included for the full year in 2022/23. They included the Equity Officer, an administrative support position in Journalism, and a new Head Librarian.

Allotment to Dalhousie – an increase of \$0.1 million or 2.6% over the prior year due to a higher net number of King's students taking classes at Dalhousie (416 FTEs versus 397). Dalhousie invoices King's for teaching King's students minus a credit for King's teaching Dalhousie students.

Facility operations including conference services – an increase of \$0.2 million or 8.9% over the prior year. This line includes conference services. As noted under sale of goods and services above, Conference Services was not operational in 2021/22. Costs incurred in 2022/23 exceeded 2021/22 by \$0.2 million.

Residence and other student services – an increase of \$0.2 million or 33.9% over the prior year due to the restructuring noted above under salaries and benefits.

Scholarships, awards, and bursaries – a decrease of \$0.2 million or 12.0% from the prior year. In 2021/22, international bursaries were given to all 55 international students in an amount equivalent to the increase in the international differential fee for that year. For 2022/23, these bursaries were needs-based and only seven students requested assistance. Also, fewer applications for bursaries in general were received during the year. Of the actual amount of scholarships noted in the financial statements, \$0.1 million was covered by the internally restricted funds in 2022/23 as compared with \$0.2 million in the prior year.

Utilities, taxes, and insurance – an increase of \$0.1 million or 15.4% over the prior year due to an increase in the cost of steam heat (19.1%) as a result of volatile natural gas prices during the year, increased water consumption (and rates) due to full residences and an active conference services season (12.8%), increased electricity rates (4.7%), and a new insurance policy.

Athletics - an increase \$0.1 million or 16.9% over the prior year. King's athletics teams had a very successful year in 2022/23. The men's and women's rugby teams, men's soccer team, and men's basketball team all had successful seasons and the badminton team went to Nationals. Their

success meant that the teams were required to travel more in 2022/23 throughout the Atlantic region. With the gymnasium being fully operational in 2022/23, student employment increased as a staff member needs to be on-site for health and safety reason when the gym is open. There was also a significant increase in athletic revenue, including gymnasium rentals, to offset these expenditures.

Human resources office – an increase of \$0.2 million or 100% over the prior year. King’s hired its first Human Resources Manager in early 2022/23. This line includes modest operating expenses along with the salaries of the Human Resources Manager and the Human Resources and Compensation Officer.

Registrar’s office and recruitment - an increase of \$0.2 million or 22.2% over the prior year. In 2021/22, in-person recruitment was minimal due to the pandemic. These activities picked up in 2022/23 but were impacted by the departure of a recruitment employee. Included in the actual costs for 2022/23 is \$0.1 million covered by the internally restricted funds for a joint Dalhousie & King’s Awareness Campaign.

Spending from internally restricted funds – stayed relatively the same at \$0.4 million in both 2022/23 and 2021/22. While these expenditures are funded outside the operating budget, they are reflected in the actual expenditures of the unrestricted operating fund.

Statements of Financial Position and Cash Flows

Cash flow – an increase of \$0.7 million or 71.4% from \$0.9 million to \$1.6 million. King’s still has \$0.2 million remaining from the \$4.9 million Alexandra Hall loan that will be used to replace the flooring in Cochran Bay and the fourth floor of Alexandra Hall as well as continue with dormer replacements on Alexandra Hall in the spring/summer of 2023. There is still \$0.1 million remaining from the \$0.4 million capital contribution for Prince Hall that will be expended in 2023/24. King’s also has a number of unexpended gifts and grants included in the bank balance at year-end.

Working capital deficit – a decrease of \$0.1 million or 2.7% from \$3.6 million to \$3.5 million. While cash increased by \$0.7 million and was assisted by a reduction in the current portion of long-term debt of \$0.3 million and an increase in prepaids of \$0.1 million, it was offset by a decrease in accounts receivable of \$0.6 million and higher accounts payable of \$0.4 million.

Of the \$0.6 million reduction in accounts receivable relates to the net amount owing to King’s from Dalhousie. While King’s owes Dalhousie for the cost of academic services provided to King’s students, this amount is reduced by King’s students’ tuition and fees payments accepted by Dalhousie on behalf of King’s in 2022/23. King’s students can pay their tuition and fees at either institution.

Investment assets – a decrease of \$2.8 million or 5.8% from \$48.1 million to \$45.3 million. This was due to \$4.0 million in draws (including \$1.9 million to repay the deficit financing loan, \$1.7 million for the annual draw, and \$0.4 million from the internally restricted funds), lower unrealized investment gains (i.e., market value) of \$2.2 million (\$2.8 million compared with \$5.0 million in the prior year), offset by investment income of \$3.4 million earned in 2022/23.

Capital assets – an increase of \$3.7 million or 14.2% from \$22.3 million to \$26.0 million. This relates to capital asset additions of \$4.9 million offset by amortization of \$1.2 million. The bulk of this amount relates to the Alexandra Hall accessibility project that was completed in 2022/23 at a cost of \$4.3 million.

Long-term debt (including current portion) – an increase of \$1.9 million or 18.4% from \$10.3 million to \$12.2 million. The increase relates to the new debt issue of \$4.9 million for the Alexandra Hall accessibility project minus principal repayments of \$3.0 million which included \$1.9 million to repay the deficit financing loan (borrowed from the internally restricted funds) and \$0.4 million to repay the Tri-Bay bridge financing loan (taken from the unused proceeds of the \$4.9 million debt issue for Alexandra Hall).

Deferred capital contributions – remained at \$9.4 million in 2022/23. The deferred capital contributions remained the same because the amortization of deferred capital contributions of \$0.4 million was offset by contributions received during the year of \$0.4 million. The \$0.4 million capital donation was for cosmetic upgrades to Prince Hall which included new paint, new drapes, reupholstered chairs, and sound panels to improve the acoustics of the space. The project was completed in the summer of 2022.

Investing activities in the Statement of Cash Flows reflect the purchase and disposal of investments as well as the purchase of capital assets. In 2022/23, \$4.0 million was drawn from the investments to repay the deficit financing loan (\$1.9 million), for strategic investments under the Framework for Expenditure of Internally Restricted Funds (\$0.3 million), for the Enhanced Voluntary Retirement Program (EVRP) (\$0.1 million), and the annual endowment draw (\$1.7 million). In 2022/23 King's expended \$4.8 million on capital assets compared to \$1.0 million in 2021/22 and investment additions were \$1.8 million in 2022/23 compared with \$3.3 million in 2021/22.

Financing activities in the Statement of Cash Flows reflect donations received for the endowment fund, contributions related to capital assets, income earned on the investment portfolio (net of the 4.75% draw and management fees), and proceeds from new borrowings, offset by principal repayments on long-term debt. In the current year King's received a capital contribution of \$0.4 million for Prince Hall as noted above. King's obtained a \$4.9 million debt issue for Alexandra Hall and made \$3.0 million in debt repayments also noted above. King's received \$0.1 million more in endowment donations in 2022/23 than in the prior year and investment income was \$0.6 million lower in 2022/23 than in 2021/22.

Part B - Comparison of Financial Results for Fiscal 2022/23 With Budget 2022/23

2022/23

Approved budget operating cash surplus	\$82,000
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Revenue variances:

Student tuition & fees (969 headcount versus 997, 48 international students versus 55)	(567,000)
Residence fees (263 beds occupied versus 260 beds, 14% meal plan commission versus 14% and 11%)	58,000
Sale of goods and services (athletic income and interest income)	102,000

Expense variances:

Higher salaries and benefits (DFA and UKCTA collective agreements, staff compensation review)	(164,000)
Higher Conference Services profit	67,000
Lower spending on scholarships and bursaries (low uptake on international bursaries, tuition waivers)	150,000

Net all other variances (revenue and expense) (all < \$100,000)	110,000
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Actual operating cash deficit	\$ (162,000)
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Add/deduct:

Principal repayments on long-term debt	690,000
Capital assets purchased through operations	243,000
Use of internally restricted funds	(362,000)
Use of prior year surplus	(437,000)

Unrestricted operating fund excess of revenue over expenses per statement of operations	<u>(28,000)</u>
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Restricted funds:

Capital fund	(749,000)
Internally restricted operating fund	(521,000)
Externally restricted fund	(24,000)

(Deficiency) of revenue over expenses per statement of operations	\$ (1,322,000)
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