



Annual Financial Report 2018 – 2019



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Message from the Vice-President, Finance and Administration

Mount Allison University completed the 2018-2019 year with renewed vigor and recognition that during this challenging time there is a central role for small residential liberal arts universities to produce the next generation of leaders and citizens. During the year we welcomed the class of 2022 along with Dr. Jean-Paul Boudreau, the University's 15th President and Vice-Chancellor. Upon his arrival the President initiated a year-long listening tour, reaching out to students, faculty, staff, alumni, and the community at large.

A variety of curriculum development initiatives are underway, including several new partnership agreements with colleges such as NBCC, Holland College, and Bermuda College. The University also launched a dedicated Experiential Learning and Career Development Department that brings together students, faculty, business and community partners and alumni to support our students' aspirations and goals.

In addition, we completed a visioning process to transform the University's Ralph Pickard Bell Library into a modern learning hub. Our work towards Truth and Reconciliation continued with our second annual Powwow, construction of a sweat lodge on campus, and greater incorporation of Indigenous knowledge into our academic programs.

At University Convocation 2019 we had an opportunity to celebrate the achievements of all our graduating students, including Katherine Reiss, our 55th Rhodes Scholar and the 14th Mount Allison Rhodes scholar in the last 18 years.

Implementation of our strategic road map requires a dedicated team, appropriate use of resources, and strong governance and leadership. Through a continued commitment to our strategic focus, and innovation aligned with our strategic themes, Mount Allison University will continue to navigate this era of change and continue to be a leader in Canada's post-secondary environment.

The attached Annual Financial Report includes information on the use of our financial resources as well as our annual audited financial statements. We have built on our history of strong financial governance with increased financial reporting and transparency, as evidenced by our public reports of financial budgets, investments holdings, responsible investment, and student-prepared environmental audits. Please visit mta.ca/financial to view many of these reports.



Robert Inglis, CPA, CA

Vice-President, Finance and Administration

A Year in Review

The arrival of our new President and Vice-Chancellor, Dr. Jean-Paul Boudreau, also saw the retirement of Dr. Robert Campbell, who served as University President for 12 years.

After completion of a “Discovery and Listening Tour”, lead by the President, the University is now moving forward with a Strategic Roadmap of innovation and growth, focused on four priorities:

- Academic differentiation, program development, and educational partnerships;
- A distinctive, MtA student experience based on work-integrated learning and student supports;
- Learning environments and facilities designed for the 21st century; and
- Positioning Mount Allison’s role as a community-minded institution: locally, provincially, and nationally.

MOUNT ALLISON

180 Years since founded

35,000 alumni

\$186 million endowment

\$84,000 endowment per FTE student

2,200 students

\$6 million in scholarships and financial aid

750 student employees

26 exchange programs

Students from 47 countries

At the same time, Mount Allison is actively engaged in moving forward with a number of exciting initiatives aligned with the roadmap, including:

- An ongoing focus on Indigenous knowing and learning.
- The introduction of new certificate programs and new minors such as Museum and Curatorial Studies.
- New faculty appointments in various areas, including appointments with an Indigenous perspective.
- Signed pathway agreements with New Brunswick Community College, Collège Communautaire du Nouveau-Brunswick, Holland College, and Bermuda College, and discussions around educational partnerships with other institutions.
- The creation of an Experiential Learning and Career Development Department.
- Active participation in the Future Ready NB initiative.
- Involvement in the Canadian Pilot for the Carnegie Classification for Community Engagement – one of 16 Canadian universities selected to participate.
- Continued focus on environmental responsibility and sustainability.
- Creation of R-PEACE (Research Partnerships for Education and Community Engagement) — a centre for engaged learning.
- Revitalization of our largest residence, Windsor Hall.
- Recent major renovations and upgrades to two research and teaching buildings, Barclay and Gairdner.
- Revitalization of the Ralph Pickard Bell Library.

In the coming year, the strategic roadmap will be expanded to include a number of additional initiatives for each priority.

A Year in Review

This report presents an overview of the consolidated operations of all funds of the University on a traditional accrual accounting basis. The operating fund budget and monitoring of results is presented on a modified cash basis and to assist in understanding both reports.

The University's budget document is posted on our website, and can be found at https://www.mta.ca/Community/Administrative_departments/Financial_Services/Financial_reports/Budget/Budget/

Financial Analysis — All Funds

Mount Allison University's finances consist of annual consolidated revenues of over \$76 million across its general operating, ancillary, research, special purpose and endowment funds. The University's main expenditure is the salaries and benefits of staff and faculty who support its core mission - teaching, learning, and research.

Total consolidated revenues of the University increased by 3.9 per cent in 2019, from \$73.3 million to \$76.1 million, the largest part of this increase due to a \$3.3 million increase in recognized investment income. Much of this reverts back to the endowment fund for the preservation of endowment principal. Due to the uncertainty of financial markets, revenue from investment income (which includes both realized and unrealized gains) can fluctuate from year to year based on market returns.

Total consolidated expenses increased by 2.2 per cent in 2019, from \$70.9 million to \$72.4 million. Salaries and benefits are the primary expenditure, reflecting 58 per cent of the total expenditures or \$42 million, unchanged from the previous year. Utilities, dining plan costs, financial aid, facilities maintenance and improvements and information technology costs represent another 19 per cent of overall costs. Student services expenses increased nearly 10 per cent in 2019, in large part due to the creation of a new Experiential Learning office that was fully funded by special provincial funds in the first of a three-year pilot. The remainder was mostly due to increased spending in financial aid, necessary due to the very competitive recruitment climate and nearly fully funded by endowments and donations.

Of the net revenue over expenses of \$3.7 million, Mount Allison invested \$1.6 million in capital assets, \$2.1 million of investment income was added to the endowment principal to preserve future spending ability, \$0.2 million was committed to future pension benefits, and finally the year ended with a \$0.1 million unrestricted net deficit. Tuition, other student fees and government grants continue to be the predominant source of revenue, both of which are under significant pressure due to three main factors: a decline in the number of potential students from traditional markets, competition from other universities with respect to student recruitment, and the financial health of the Province of New Brunswick, which impacts the Province's ability to provide support to New Brunswick's public, post-secondary institutions.

In 2019, the university completed significant renovations to its labs in the Barclay building and a total transformation of the former Gairdner Fine Arts building into a research facility for environmental sciences. These upgrades were completed at a cost of \$18.9 million, funded \$9,750,000 (52 per cent) by the federal and provincial Strategic Investment Fund (SIF) and the difference from operating funds over time. In addition, our largest student residence, Windsor Hall, has undergone a total renovation and upgrading over the past year at a projected cost of \$15.5 million. It will re-open in August of 2019.

Financial Analysis — All Funds

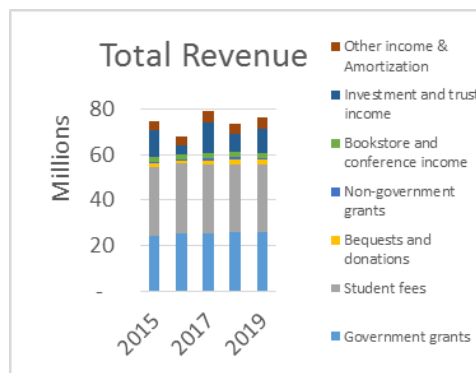
The next major capital project on the horizon is the revitalization of the R. P. Bell Library, which represents an opportunity to update both library and archive spaces and resources. A renewed space will respond to the changing nature of libraries in the digital age, and their renewed role as a catalyst for research, learning, creativity, and community engagement.

The Libraries 2025 Vision Committee has completed its initial planning, and work on the next phase of the project – ‘functional programming’ – will begin in summer 2019. That work will consider the spaces and requirements necessary to support and enhance the intended activities.

Financial Analysis — All Funds

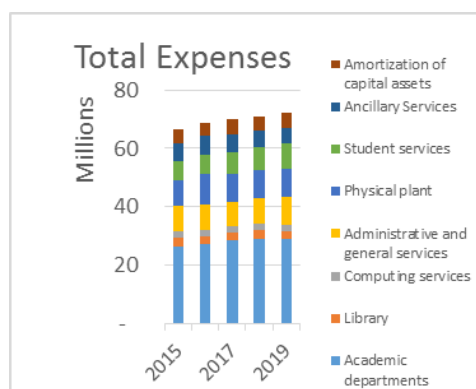
TOTAL REVENUE

- Revenue increased 3.9% to \$76.1 million from \$73.3 million
- Government grants increased slightly
- Investment income increased 44% to \$10.6 million from \$7.4 million



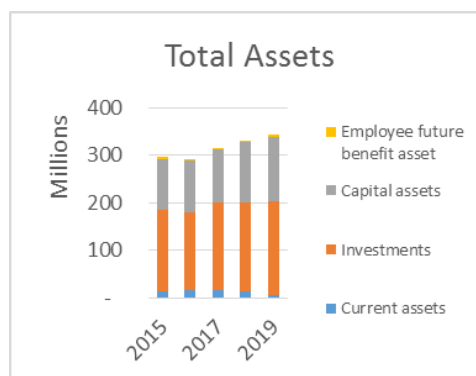
TOTAL EXPENSES

- Expenses increased 2.2% to \$72.4 million from \$70.9 million
- Administrative and general services increased by \$0.4 million from prior year due to costs related to the new capital campaign with costs funded by donations
- Increase in student services of \$0.8 million due to a new experiential learning office, funded by grants and donations, and increased spending in financial aid



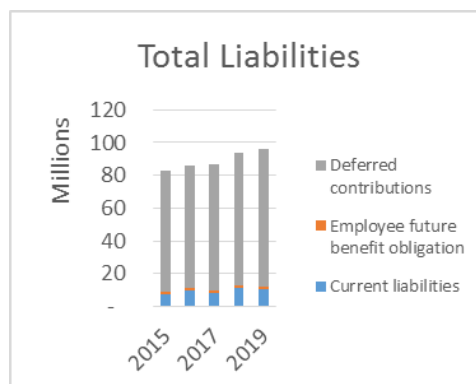
TOTAL ASSETS

- Assets grew by 4% primarily related to investments and capital assets
- Investments grew by \$8.9 million
- Capital assets grew by \$9.9 million
- Cash decreased by \$6.6 million due to large capital projects



TOTAL LIABILITIES

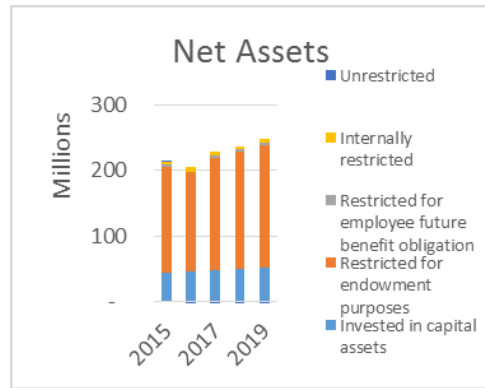
- Liabilities grew by 3.5% due primarily to an increase in deferred contributions
- Deferred Contributions grew by \$2.8 million due to large non-endowed donations



Financial Analysis — All Funds

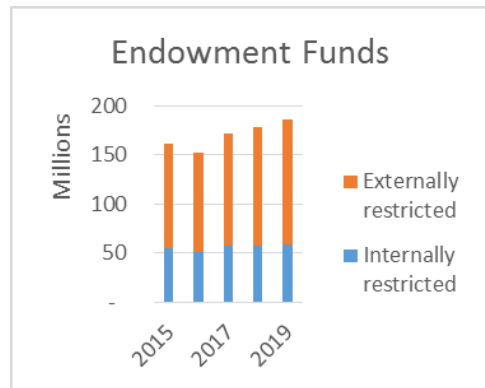
NET ASSETS

- Net assets increased 4.3% to \$247 million from \$237 million due primarily to restricted endowments and investments in capital assets
- Assets restricted for endowment purposes increased by \$8.4 million (4.7%) due to investment returns and new donations
- Assets invested in capital assets grew by \$1.6 million (3.2%) due to capital asset expenditures



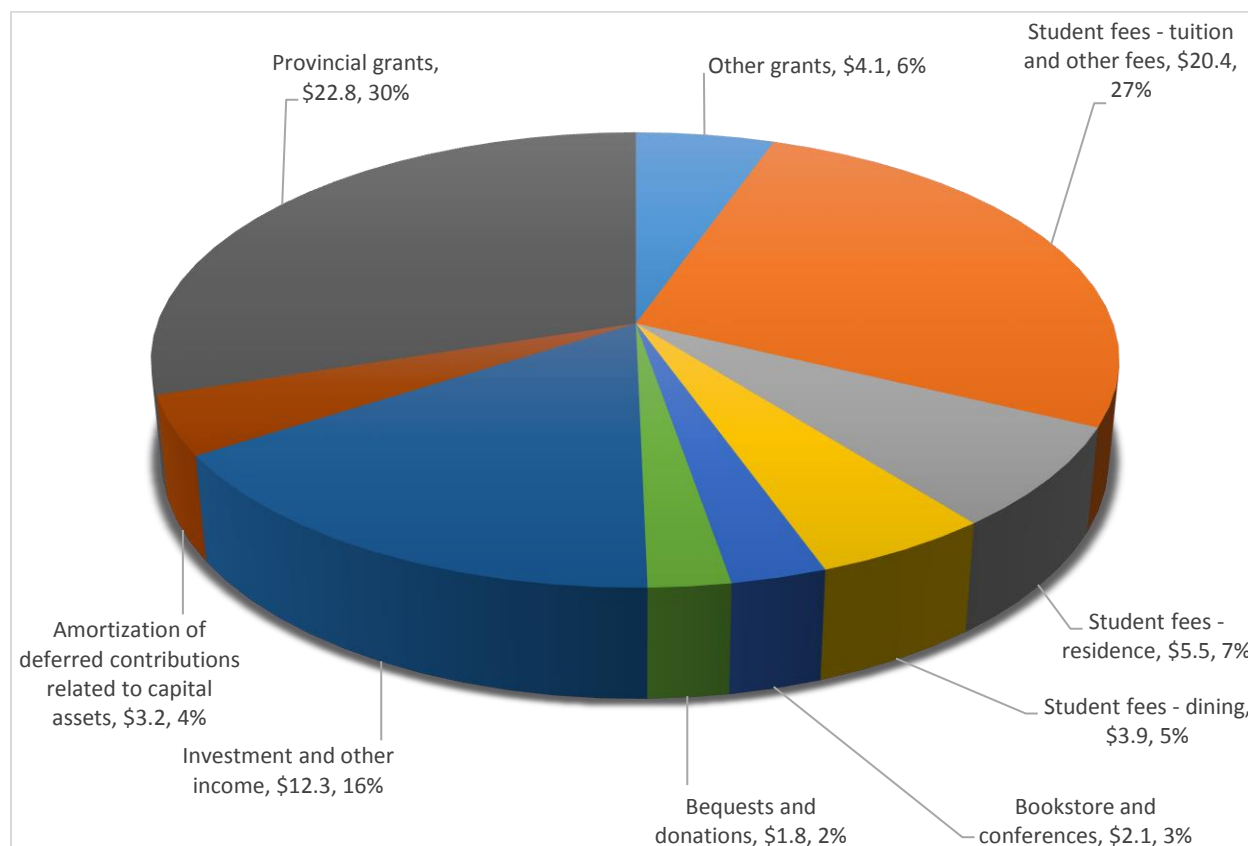
ENDOWMENT FUNDS

- Growth in endowment fund donations was mainly in externally restricted donations and overall returns



Consolidated Revenues

Consolidated Revenues
(Millions)



Revenue comes from four main sources: student payments for tuition, residence, dining and bookstore services; grants from the Provincial government, Federal government and other sources; gifts received as donations, bequests, and trust income; and investment income earned on operating cash balances and on internally restricted and unrestricted endowments.

In 2018-2019, total consolidated revenues increased by \$2.8 million to \$76.1 million (3.9%) reflecting an increase in investment income of \$3.3 million. To preserve endowment capital, as per University policy, a large portion of that income is added to the endowment principal. The remaining change reflects a decrease in bequests and donations of \$0.6 million (23.4%). Due to their nature, these donations can fluctuate widely from year to year.

Student Fees

Student fees includes tuition and other fees as well as residence and dining services. In 2018-2019 these fees overall remained flat. Tuition and other fee revenue increased by 1% mainly due to international students, while ancillary fee revenue (residence & dining services) decreased by nearly 2% due to the smaller number of students on campus. The smaller number of students also impacts bookstore sales, pub sales, etc. The University's strategic roadmap will focus on

Consolidated Revenues

academic programs and on the support for and the experience of students to increase the number of students and related revenue.

Operating Grants Revenue

The Provincial operating grant increased by 1% as per a MOU with the government of New Brunswick. The current MOU, negotiated with the previous liberal government, expires in 2021. Other provincial grants made up the remaining increase. The Federal operating grant is in support of research overhead and decreased slightly from the prior year.

The University President and senior administrators met regularly with officials at all levels of government concerning issues related to Mount Allison and post-secondary education.

Research Grants and Contracts

Research revenue is recognized as income in the year related expenditures occur. Unspent research funds and funds spent on capital equipment and infrastructure are reflected as deferred contributions. Research revenue recognized in fiscal 2019 remained consistent with the prior year.

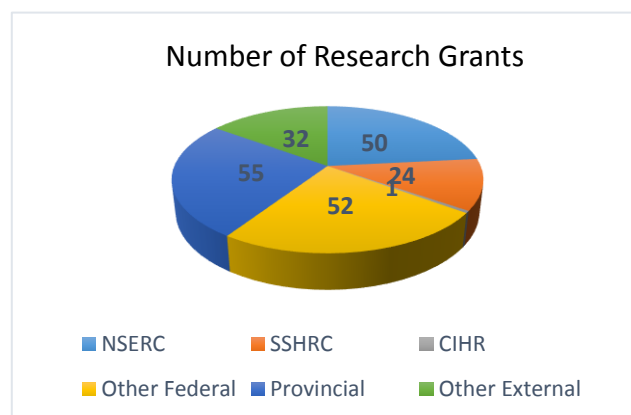
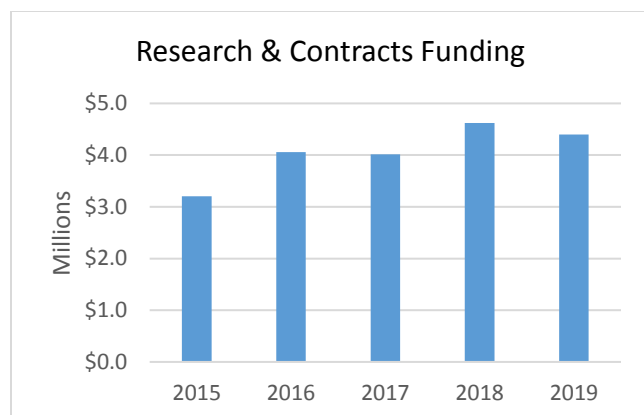
The University receives research grant and contract funding from a variety of sources and for many different projects and over the past three years has averaged \$4.4 million per year. This funding also provides students with opportunities to work with faculty on various research projects.

The University supports research activities by providing the necessary physical infrastructure, information technology systems and administrative processes. In 2019, a totally renovated research facility for environmental science was opened. It supports research for scientists whose work focuses on environmental and life sciences, as well as for their students and collaborators. The federal and provincial governments provided funding for this project through the Strategic Investment Fund (SIF) Program.

RESEARCH GRANTS

- Over 200 research grants
- NSERC provides largest source of funding by dollars for science-related research
- The University provided \$445,000 to support faculty members and instructors with professional development grants
- Research funding supported over \$700,000 in student fellowships

Consolidated Revenues



Ancillary Operations

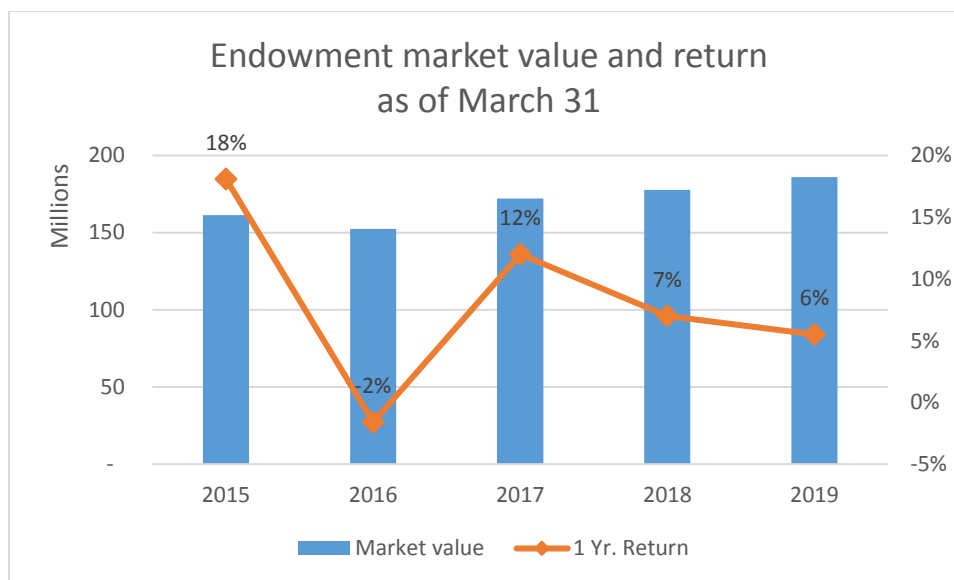
Ancillary operations provide essential student support including the residence, dining, conference and bookstore services. The operations are responsible for providing efficient and affordable services while covering all related operating and capital expenditures. The residence, dining and conference operations provided \$2.3 (2018 - \$2.7) million to support residence and dining services upgrades, which was part of the University's long term capital budget.

The bookstore operations had a loss of \$13,000 (2018 - surplus of \$61,000) due primarily to less students on campus. Textbook and fine arts supply prices are set to ensure the bookstore covers its costs but does not generate any profits. The related retail operation provides Mount Allison branded clothing and other merchandise to the University community and the general public.

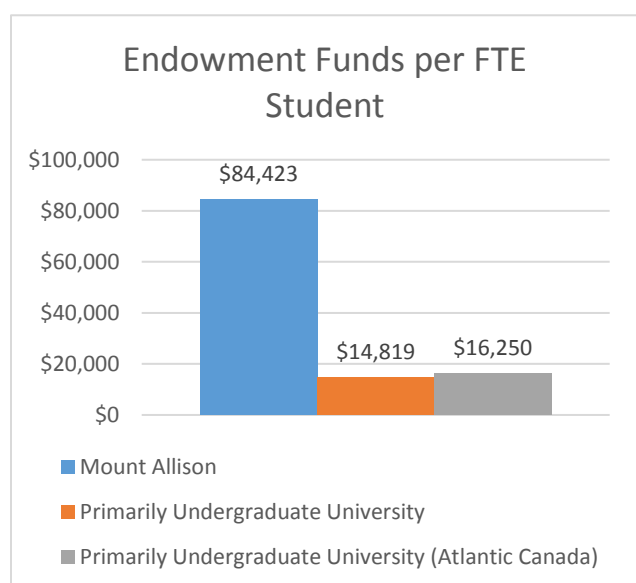
Investment Income

Investment income and donations are the third largest revenue source for the University and increased by \$3.3 million (44%). The University's Endowment Fund experienced a 5.5 (2018 - 7.0) per cent return for the year ended March 31, 2019 and had a top decile ten-year return compared to other Canadian university endowments for the 2018 calendar year. Investment and other income was 16.1 (2018 - 12.3) per cent of total revenue. The significant amount of investment income is due to a strong rate of return on the University's endowment funds. New endowment donations exceeded \$1.6 million in fiscal 2019. These donations support current and future generations of students and faculty.

Consolidated Revenues



Consistent with almost all North American universities, Mount Allison invests endowed funds in a variety of asset classes to provide a long-term rate of return that will provide students and faculty of the future with the same benefits that current students and faculty receive. To preserve the capital in the endowment fund, the annual spending allocation is limited to the lesser of a) five per cent of the market value of endowment investments at the end of the prior year or b) five per cent of the average market value over the previous sixteen quarters. This amount, net of administration charges, investment management fees and custodial expenses, is allocated on a pro-rata basis to cover the spending of each endowment fund. The spending allocation support from endowed funds has increased every year and has allowed the University to spend more on its academic mission, including financial aid.

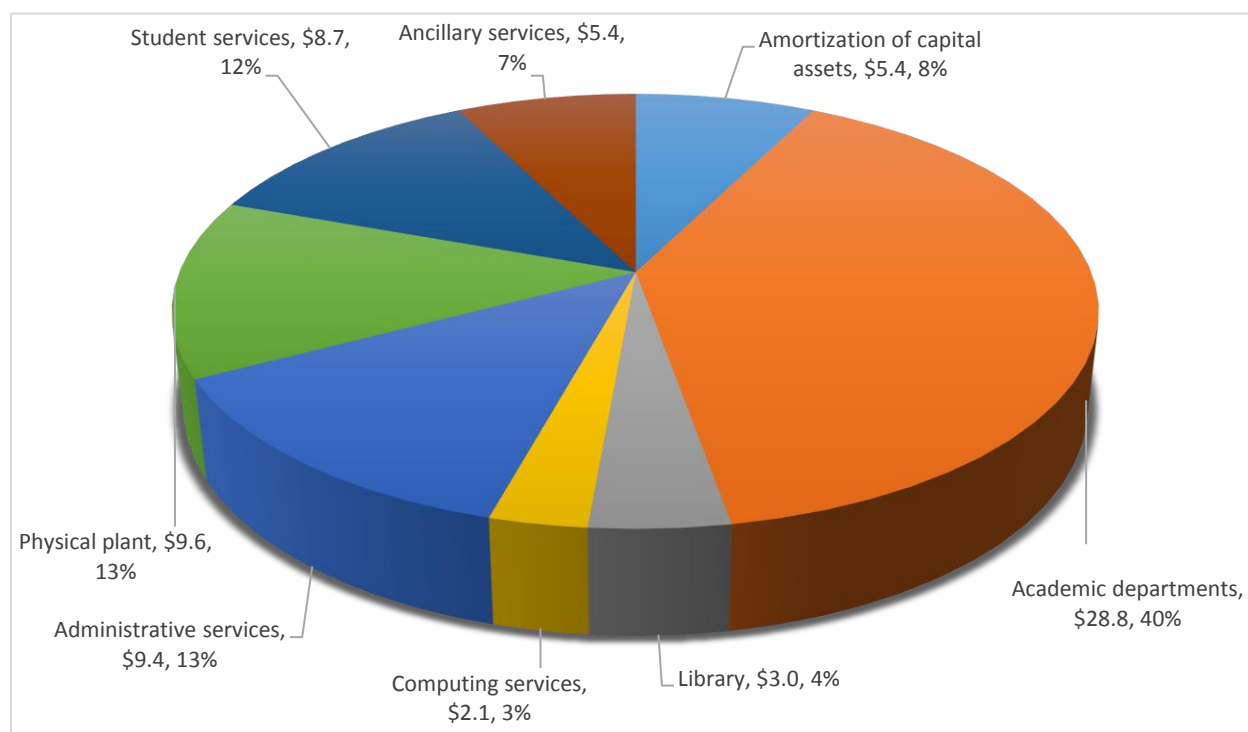


Mount Allison has the largest endowment per student of non-federated Canadian universities and the second largest endowment per student of all Canadian universities after Victoria University federated with the University of Toronto, reaching over \$84,000 as of December 31, 2018. Mount Allison has significantly larger endowments than the average Canadian and Atlantic Canadian primarily undergraduate university.

This large endowment provides support for student financial aid and faculty activities that otherwise would not be possible.

Consolidated Expenses

Consolidated Expenses (Millions)



Consolidated expenses are reported in the consolidated statement of operations by function as shown in the chart above. The largest portion of expenditures was \$31.8 million (2018 - \$32 million) for academic departments and library which represent 44% (2018 - 45.2%) of University expenditures. The largest increase in expenses was in student services, \$0.8 million (9.7%). This was mostly due to the opening of a dedicated experiential learning office to provide increased opportunities for students that was fully funded by special provincial funds in the first of a three-year pilot. The remainder was mostly due to increased spending in financial aid, necessary due to the very competitive recruitment climate and nearly fully funded by endowments and other donations.

Salaries and benefits are by far the largest type of expense. Utilities, dining plan costs, financial aid, facilities maintenance and improvements and information technology costs also represent significant expenses.

Salaries and Benefits

Salaries

Salaries and benefits made up 58 per cent of the total expenditures or \$42 million, unchanged from the previous year. This is a significant expense to the University and commitment to faculty and staff in four unions plus our non-unionized employees.

Employee future benefit obligations

Mount Allison University provides post-retirement benefits for its employees in various forms. The University has both a defined benefit pension plan and a defined contribution plan. The defined benefit plan is fully funded on a going concern basis and has received an exemption from making special payments for its solvency deficit. In addition, a retirement program provides a lump sum benefit to qualifying individuals at their date of termination or retirement. As compared to other universities, Mount Allison is exposed to few post retirement liability risks and has fully funded non-pension liabilities.

Capital Projects and Financing

The summer of 2018 saw the completion of major updates to our chemistry and biochemistry facilities as well as a transformative change converting an existing building into an environmental science facility. Renovation of the largest residence, Windsor Hall, will be completed for the fall of 2019 incoming students.

In order to sustain its facilities, a university must spend at least two per cent of facility replacement value each year on renewal and adaptive maintenance, even if there was no deferred maintenance. The amount necessary depends on the complexity of its facilities and other factors. Over the past 10 years, the University has spent nearly \$100 million on its Academic and Ancillary facilities. These funds have come from donations, government grants and operations.

For the portion of capital funding that comes from operations, the University integrates annual operating budgets with long-term capital and equipment budgets. It uses its own cash flows to fund major construction projects which has enabled the University to avoid using long term external debt for over 15 years. As of April 30, 2019 the University had no external debt, other than an operating line of credit. The internal loan payments budgeted for 2019 were made as planned.

Carbon Footprint and Sustainability Activities

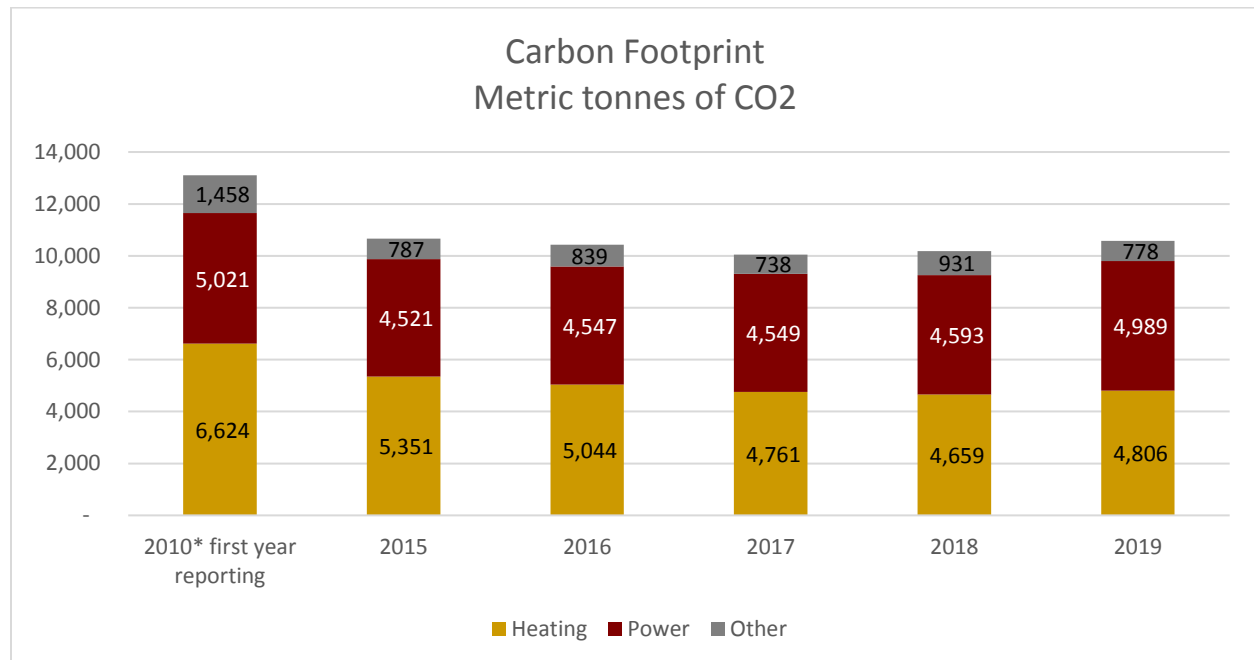
Climate change is widely acknowledged to be one of the world's most pressing problems and Mount Allison is committed to pursuing reductions in its use of fossil fuels in its operations. Carbon footprint reporting began in 2010 and there has been a 23 per cent decrease since that time.

The University's carbon footprint, not including commuting, totalled 10,572 metric tonnes for the one year period ended April 30, 2019. Student, faculty and staff commuting was estimated to result in an additional 1,282 tonnes. The chart below breaks out the major sources of the University's carbon emissions by fiscal year.

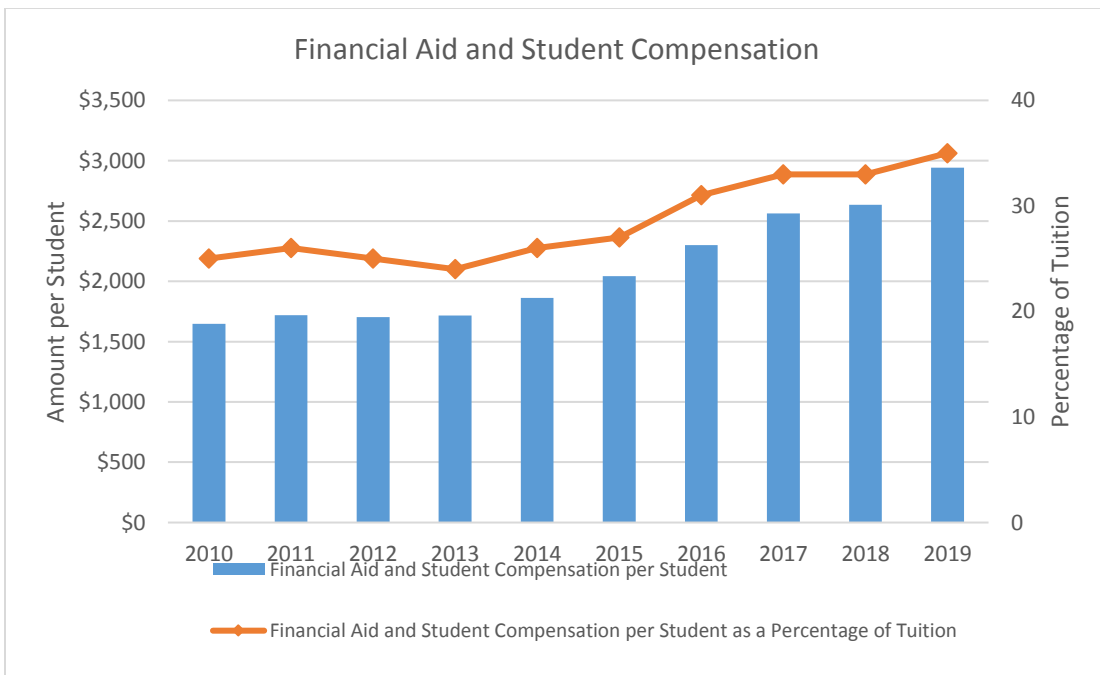
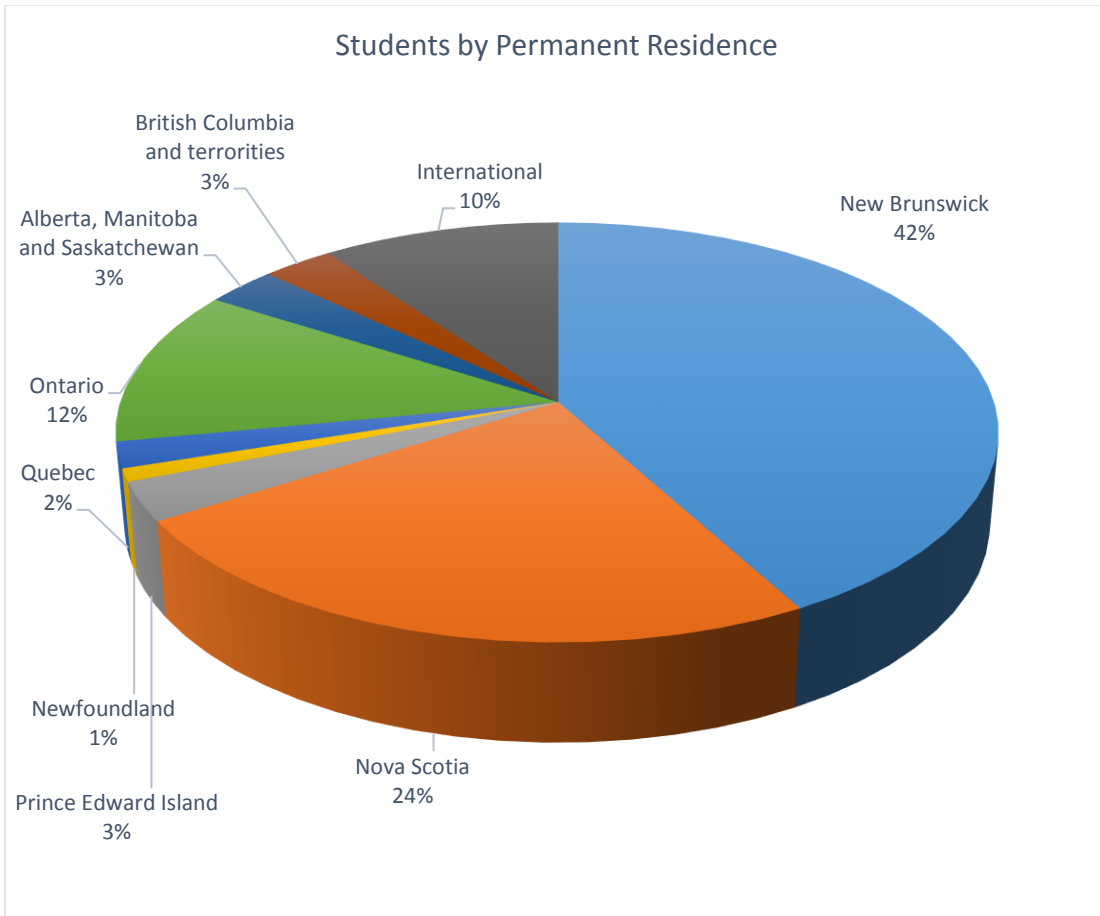
More information can be found at

https://www.mta.ca/Community/Governance_and_admin/VP_Finance_and_Administration/Climate_change_and_responsible_investing/Climate_change_and_responsible_investing/

Other activities include initiatives in the areas of academic programming, extra-curricular activities and research, policies on environmental matters and responsible investing, and reporting of such. In addition, a subcommittee of the Board of Regents was formed in 2018 to report on University actions, policies and initiatives related to improving the University's environmental performance, including greenhouse gas reduction, in the short and long term.



Student Experience



Student Experience

Financial Aid

Recruiting and retaining qualified students requires significant financial aid and student employment resources. Financial Aid and student compensation per student has been steadily increasing over the years with the University funding approximately 60 summer independent student research grants each year. In addition, many departments employ students as lab assistants, tutors and supporting staff across campus departments providing additional learning opportunities and internships.

Financial aid spending represents the largest budget item in the endowment fund budget. The University spent over \$5.9 million in fiscal 2019 in financial aid and student compensation, up slightly from the prior year due to more first year students.

Financial aid and student compensation as a percentage of tuition was 35% in 2019 and averaged 28% over the past ten years. In that ten years, the amount has risen from \$1,600 per student to \$2,900 per student. Funding support for financial aid comes from endowments, non-endowed donations, external research grants and government funding such as the Future Ready NB program. MacLean's magazine ranked Mount Allison third for spending on scholarships and bursaries.

FINANCIAL AID

- Spent over \$5.9 million
- Average of 35% of tuition per student
- Spends more per FTE student than the average primarily undergraduate university

Awards

Mount Allison students, in addition to receiving financial aid from University funds, successfully compete for national and international entrance and graduate scholarships such as Rhodes, Graduate NSERC, National Merit and Loran awards. At a total of 55 Rhodes Scholars (eight in the past ten years), Mount Allison holds one of the best records amongst Canadian Universities, it ranks 3rd amongst primarily undergraduate universities for the number of students who have won national awards and 4th for the proportion of entering students with grades of 90 per cent or higher as per Maclean's magazine. For more information on rankings visit mta.ca/rankings.

Academic Experience

Mount Allison recruits students from across Canada and the world. This contributes to the economy of New Brunswick by bringing in funds from outside the province to be spent in New Brunswick and also provides New Brunswick students the opportunity to interact with individuals from every region of Canada and from over 47 other countries. This geographic mix has been stable for a number of years and helps enliven the Mount Allison student experience.

Student Experience

The University is able to provide a high quality educational experience due to the low student faculty ratio 17 to 1 and the high proportion of full-time faculty. The University's overall student faculty ratio is lower than the average for all Canadian universities and for primarily undergraduate universities. MacLean's magazine also ranks our faculty first in national awards won and in the percentage of full-time instructional faculty with a PhD, or highest degree in their field for primarily undergraduate universities.

In addition to providing a low student faculty ratio, financial resources are allocated to promote a unique and high quality academic experience

Other ways the University provides a unique and high quality academic experience are as follows:

- Academic and experiential learning opportunities through summer research and other fellowships, courses delivered in foreign countries, exchange programs with other universities and field trips to various locations.
- Funds approximately 60 summer independent student research grants each year.
- Many departments employ students as lab assistants and tutors.
- Approximately 22 per cent of graduates completed honours programs mentored by faculty members.
- University spending on library acquisitions is significant with the amount spent on library services per full-time equivalent student exceeding the average spending by primarily undergraduate universities in Canada.

Extracurricular Experience

Mount Allison provides a variety of opportunities to foster student development outside of the classroom. Many extracurricular and leadership activities are closely linked to the academic mission and cover intellectual, social and physical activities. They provide opportunities for students to become engaged locally and globally. Students work with local children of all ages with different physical and mental abilities through the SMILE program, while other students provide sustainable health care solutions in Honduras through Global Brigades.

Many student music and theatre productions take place on campus each year where students perform both on stage and behind the scenes, including lighting, set development, costumes, and much more.

The University's annual President's Speaker Series provides an opportunity for students to explore particular ideas through lectures and discussions with internationally renowned figures. The most recent series, Year of Public Service, included Farah Mohamed, Social entrepreneur, CEO of the Malala Fund, and founder and advisor to G(irls)20; Jesse Wentz, Broadcaster, advocate, and pop culture philosopher; Robyn Maynard, Writer and author of *Policing Black Lives: State violence in Canada from slavery to the present* (2017); Luke Anderson, Founder of StopGap Foundation, engineer, and social innovator; and Stephen Lewis, Professor

Student Experience

of Distinction at Ryerson University, board chair of the Stephen Lewis Foundation, and co-founder and co-director of AIDS-Free World.

Other activities focused on the extracurricular experience include:

- *Residence Life Programming*
 - o Grants allocated to residences to support unique, inclusive, community building activities
 - o Academic advising specifically tailored to residence life
- *Student Societies*
 - o Over 115 active student societies in 2019
 - o Societies range from musical (Garnet and Gold) to academic (History Society) to community focused (Habitat for Humanity)
- *Athletics*
 - o Opportunities to compete at all skill levels in a variety of sports
 - o 77 intramural sports teams in 8 sports involving close to 1,000 students, including individual sports such as golf and team sports such as soccer, basketball, hockey, softball and volleyball
 - o Seven club sports including rugby, cross country, lacrosse, curling, varsity dance and ultimate frisbee
 - o Five Canadian Collegiate Athletic Association teams (men's & women's badminton / men's & women's basketball / women's volleyball)
 - o Six Canadian U SPORTS teams (football / women's hockey / men's & women's soccer / men's & women's swimming)
 - o 41 students obtaining academic all-Canadians awards
- *Employment, Internship and Related Opportunities*
 - o Close to 100,000 hours of direct student employment
 - o Leadership opportunities as Assistant Dons, Residence Assistants, athletic trainers

Supplemental Information — Operating Fund

Operating Fund Budget

Mount Allison's audited financial statements are prepared in accordance with generally accepted accounting principles as prescribed by the Chartered Professional Accountants of Canada using the deferral method of accounting.

Similar to many not-for-profit organizations in Canada, including universities, Mount Allison University accounts for its activities using the principles of fund accounting. This method ensures observance of restrictions, if any, on the use of University resources and allows for separate planning, budgeting and management of each significant University activity. For external reporting under the deferral method, all funds are consolidated on the statements of financial position and operations in the audited financial statements. Supplementary schedules provide information on the various funds' operations.

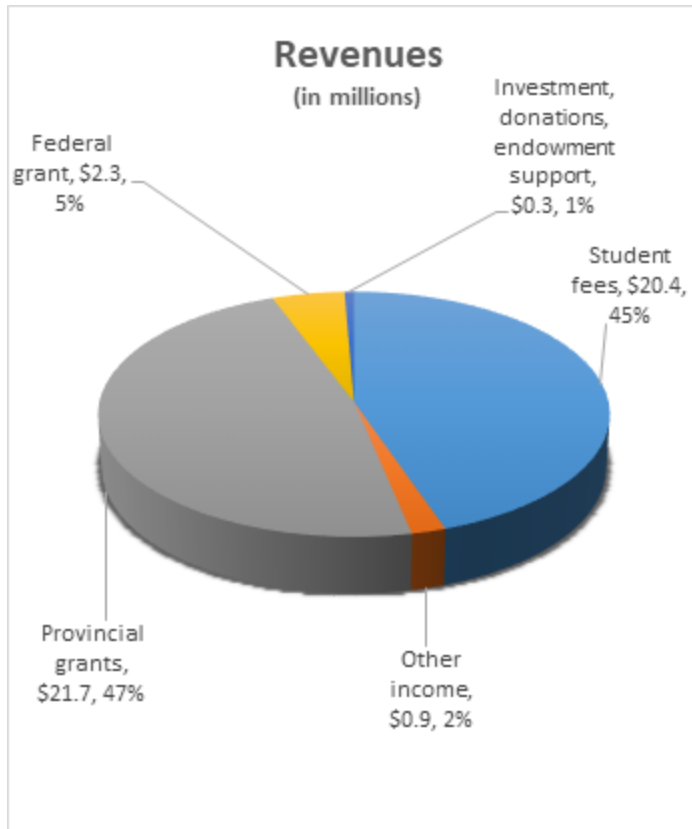
The largest fund is the General Operating Fund and it accounts for the core mission of the University: its academic, administrative and other operating activities associated with the primary teaching and research function.

The two main differences between budgets and audited financial statements are in the operating fund's accounting for capital assets and pension contributions for the defined benefit pension plan provided for non-academic staff as follows:

Revenues over expenses per audited financial statements, Schedule 2 – Operating fund	\$792,000
Alterations, renovations and equipment capitalized	(1,466,000)
Difference between pension contributions and pension expense as per required accounting principles	(186,000)
Net interfund transfers	482,000
Deficit against budget	(\$378,000)

The University budgets its general operating fund on a modified cash basis and ended the year with a small deficit for 2018-2019 of \$0.4 million (2017-2018 - \$0.8 million) funded partially by a drawdown from the University's contingency fund, a fund which mitigates the impact of emergencies and / or short term unexpected fluctuations in revenue. The main contributor to the deficit was a shortfall in tuition revenue combined with increased utility costs.

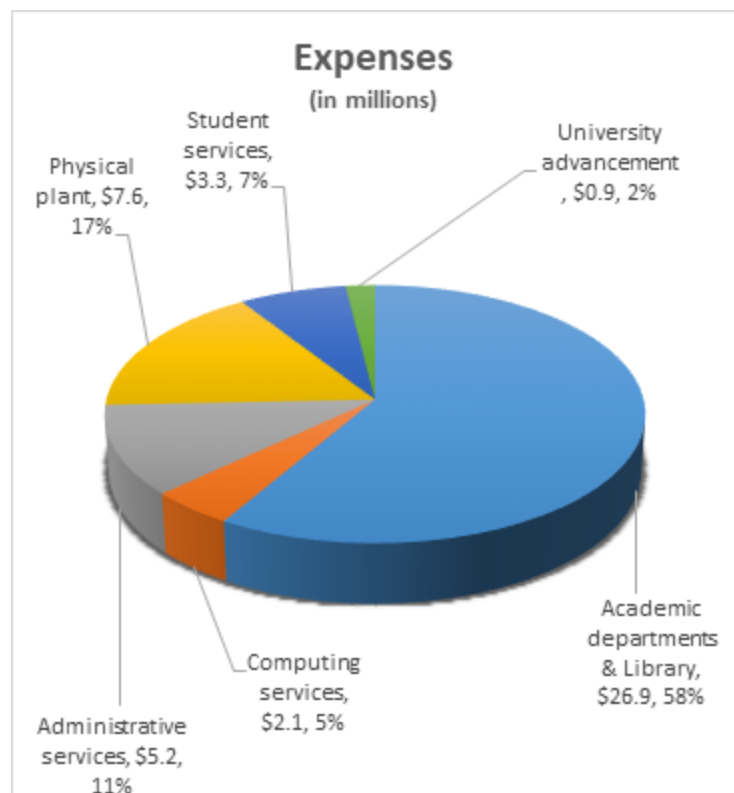
Supplemental Information — Operating Fund



In fiscal 2019, the General Operating Fund had revenues and transfers in of \$45.6 (2018 - \$44.8) million, compared to a budget of \$45.9 million. The largest portion of University financial resources, student tuition and Provincial Grants, make up 93 per cent of the revenue in the General Operating Fund. In fiscal 2019, the operating grant provided to universities by the New Brunswick government increased by a flat one per cent with no consideration of enrolment in proportion to the other New Brunswick universities. The actual student tuition and other fees was \$20.4 million compared to a budget of \$20.9 million.

The largest expenditure in the General Operating Fund is the direct cost of academic departments and the library followed by student services (when financial aid support from the endowment fund is considered) and physical plant costs. Total expenditures and transfers out in the general operating fund were \$46.0 (2018 - \$45.7) million, compared to a budget of \$45.9 million.

A net transfer in from other funds of \$.5 (2018 - \$.6) million supplemented the operations.





Consolidated Financial Statements

Mount Allison University

April 30, 2019



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Schedule of research, special purpose and endowment expendable funds	46



STATEMENT OF MANAGEMENT RESPONSIBILITY

The administration of the University is responsible for the preparation of the consolidated financial statements and the notes to the consolidated financial statements.

The administration has prepared the consolidated financial statements in accordance with Canadian accounting standards for not-for-profit organizations as issued by the Chartered Professional Accountants of Canada. In order to achieve the objective of fair presentation in all material respects, the use of reasonable estimates and judgements were employed. The administration believes that the consolidated financial statements present fairly the University's financial position as at April 30, 2019 and the results of its operations for the year then ended.

In fulfilling its responsibilities and recognizing the limits inherent in all systems, the administration 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 the consolidated financial statements.

The Board of Regents is responsible for ensuring that administration fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the consolidated financial statements. The Board carries out its responsibility for review of the consolidated financial statements principally through the Audit Committee. All of the members of the Audit Committee are independent, i.e., not officers or employees of the University. The Audit Committee meets regularly with administration and with the external auditors to discuss the planning and results of audit examinations and financial reporting matters. The external auditors have full access to the Audit Committee with and without the presence of administration.

The consolidated financial statements for the year ended April 30, 2019 have been reported on by Grant Thornton, LLP, Chartered Professional Accountants, the independent auditors appointed by the Board of Regents. The independent auditors' report outlines the scope of their audit and their opinion on the consolidated financial statements.

Dr. Jean-Paul Boudreau, PhD, FCPA
President and Vice-Chancellor
October 25, 2019

Robert Inglis, CPA, CA
Vice-President, Finance and Administration
October 25, 2019

Independent auditor's report

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To the Board of Regents of
Mount Allison University

Opinion

We have audited the consolidated financial statements of Mount Allison University (the "University") which comprise the consolidated statement of financial position as at April 30, 2019, and the consolidated statements of operations, changes in net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly in all material respects, the financial position of Mount Allison University as at April 30, 2019, 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 report. We are independent of the University in accordance with the ethical requirements that are relevant to our audit of the consolidated 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 matter – supplementary information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements of Mount Allison University taken as a whole. The supplementary information included in the schedules is presented for purposes of additional detail and is not a required part of the consolidated financial statements. Such information has been subjected to the auditing procedures applied, only to the extent necessary to express an opinion, in the audit of the financial statements taken as a whole

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated 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 consolidated 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 University's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the University's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated 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 University to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Halifax, Canada
October 25, 2019

The logo for Grant Thornton LLP, featuring the company name in a stylized, cursive script font.

Chartered Professional Accountants
Licensed Public Accountants

Mount Allison University

Consolidated statement of financial position

As at April 30

2019

2018

Assets

Current

Cash and cash equivalents (note 3)	\$ 1,337,123	\$ 7,970,791
Accounts receivable (note 4)	4,634,845	3,991,785
Prepaid expenses and inventory	<u>1,432,661</u>	<u>1,227,927</u>
	<u>7,404,629</u>	<u>13,190,503</u>

Long term

Investments (note 5)	196,807,358	187,926,135
Capital assets (note 6)	135,943,410	126,071,215
Employee future benefit asset (note 10)	<u>4,181,372</u>	<u>3,648,278</u>
	<u>336,932,140</u>	<u>317,645,628</u>
	<u>\$ 344,336,769</u>	<u>\$ 330,836,131</u>

Liabilities

Current

Bank indebtedness (note 8)	\$ 980,000	\$ 9,961,691
Accounts payable and accrued liabilities (note 9)	9,418,848	9,961,691
Deferred income	<u>1,236,937</u>	<u>1,294,799</u>
	<u>11,635,785</u>	<u>11,256,490</u>

Long term

Employee future benefit obligation (note 10)	<u>1,650,970</u>	<u>1,636,858</u>
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Deferred contributions

Related to capital assets (note 11)	67,869,772	67,848,019
Related to restricted and endowed funds (note 12)	<u>15,686,157</u>	<u>12,870,468</u>
	<u>83,555,929</u>	<u>80,718,487</u>

Net assets (deficit)

Invested in capital assets	51,993,328	50,381,083
Restricted for endowment purposes (note 13)	186,068,187	177,690,367
Restricted for employee future benefit obligation	3,927,552	3,404,514
Internally restricted (note 14)	5,644,643	5,754,532
Unrestricted	<u>(139,625)</u>	<u>(6,200)</u>
	<u>247,494,085</u>	<u>237,224,296</u>
	<u>\$ 344,336,769</u>	<u>\$ 330,836,131</u>

Commitments (note 16)

Contingent liabilities (note 17)

Mount Allison University

Consolidated statement of operations

Year ended April 30

2019

2018

Schedule 1

Revenues

Government grants - provincial	\$ 22,824,135	\$ 22,558,243
Government grants - federal	3,202,531	3,339,042
Student fees	29,747,252	29,720,953
Bequests and donations	1,811,040	2,363,503
Non-government grants and contracts	923,540	979,134
Bookstore and conference income	2,087,609	2,409,009
Investment income (note 5)	10,609,003	7,351,655
Other income	1,681,094	1,641,226
Amortization of deferred capital contributions (note 11)	<u>3,225,957</u>	<u>2,920,630</u>
	<u>76,112,161</u>	<u>73,283,395</u>

Expenses

Academic departments	28,835,393	29,104,776
Library	3,001,743	2,943,622
Computing services	2,137,711	2,134,605
Administrative and general services	9,377,015	8,951,190
Physical plant	9,642,304	9,362,133
Student services	8,720,681	7,948,305
Ancillary services	5,354,632	5,590,219
Amortization of capital assets	<u>5,359,377</u>	<u>4,815,538</u>
	<u>72,428,856</u>	<u>70,850,388</u>

Revenues over expenses	<u>3,683,305</u>	<u>2,433,007</u>
------------------------	------------------	------------------

Invested in capital assets	(1,612,245)	(2,699,621)
Committed (to) from internally restricted endowments	(2,128,660)	61,710
Committed to future pension benefits	(185,714)	(173,399)
Committed from internally restricted net assets	<u>109,889</u>	<u>384,118</u>
	<u>(3,816,730)</u>	<u>(2,427,192)</u>

Change in unrestricted net (deficit) assets	<u>\$ (133,425)</u>	<u>\$ 5,815</u>
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Mount Allison University

Consolidated statement of changes in net assets

Year ended April 30

	General, Ancillary and Special Program Operating Funds <u>2019</u>	Research, Special Purpose and Endowment Expendable Funds <u>2019</u>	Net Assets Invested in Capital Assets <u>2019</u>	Net Assets Restricted for Endowment Purposes <u>2019</u>	Total <u>2019</u>	Total <u>2018</u>
Net assets, beginning of year	\$ 3,398,314	\$ 5,754,532	\$ 50,381,083	\$ 177,690,367	\$ 237,224,296	\$ 229,334,688
Revenues over expenses (expenses over revenues)	5,603,146	213,579	(2,133,420)		3,683,305	2,433,007
Endowed donations				1,634,580	1,634,580	6,743,082
(Deficiency)/excess of investment earnings over endowment spending on externally restricted endowments				4,614,580	4,614,580	(1,021,396)
Employee future benefit remeasurements and other items	<u>337,324</u>				337,324	(265,085)
	<u>5,940,470</u>	<u>213,579</u>	<u>(2,133,420)</u>	<u>6,249,160</u>	<u>10,269,789</u>	<u>7,889,608</u>
Transfers (to) from other funds arising from policy or approved as part of the budget	3,280,191	(3,280,191)				
(Deficiency)/excess of investment earnings over endowment spending on internally restricted endowments	(4,712,452)	2,600,767		2,111,685		
Contract research overhead support and research grants	(143,012)	143,012				
Donations and fundraising	(172,737)	155,762		16,975		
Capitalized buildings and equipment - General Operating Fund	(1,465,990)		1,465,990			
Capitalized buildings and equipment - other funds	<u>(2,336,857)</u>	<u>57,182</u>	<u>2,279,675</u>			
Transfers (to) from other funds	<u>(5,550,857)</u>	<u>(323,468)</u>	<u>3,745,665</u>	<u>2,128,660</u>		
Change in net assets	<u>389,613</u>	<u>(109,889)</u>	<u>1,612,245</u>	<u>8,377,820</u>	<u>10,269,789</u>	<u>7,889,608</u>
Net assets, end of year	<u>\$ 3,787,927</u>	<u>\$ 5,644,643</u>	<u>\$ 51,993,328</u>	<u>\$ 186,068,187</u>	<u>\$ 247,494,085</u>	<u>\$ 237,224,296</u>
Components of net assets (deficit)						
Invested in capital assets	\$	\$	\$ 51,993,328	\$	\$ 51,993,328	\$ 50,381,083
Restricted for endowment purposes				186,068,187	186,068,187	177,690,367
Restricted for employee future benefit obligation	3,927,552				3,927,552	3,404,514
Internally restricted		5,644,643			5,644,643	5,754,532
Unrestricted	<u>(139,625)</u>				<u>(139,625)</u>	<u>(6,200)</u>
	<u>\$ 3,787,927</u>	<u>\$ 5,644,643</u>	<u>\$ 51,993,328</u>	<u>\$ 186,068,187</u>	<u>\$ 247,494,085</u>	<u>\$ 237,224,296</u>

See accompanying notes to the consolidated financial statements.

Mount Allison University

Consolidated statement of cash flows

Year ended April 30

2019

2018

Operating

Revenues over expenses	\$ 3,683,305	\$ 2,433,007
Amortization of deferred contributions	(3,225,957)	(2,920,630)
Unrealized loss (gain) on investments	3,605,842	(1,292,777)
Amortization of capital assets	5,359,377	4,815,538
Change in employee future benefit obligation	(181,658)	(123,693)
Change in non-cash operating working capital	<u>(1,448,499)</u>	<u>3,206,738</u>
	7,792,410	6,118,183

Contributions related to research and operations Deferred during the year	<u>32,820</u>	<u>333,281</u>
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Net cash provided by operating activities 7,825,230 6,451,464

Financing

Change in bank indebtedness	980,000	
Contributions related to special purpose fund and endowment expendable funds deferred during the year	2,782,869	(1,946,376)
Contributions related to capital assets deferred during the year	3,247,710	7,819,584
Endowed restricted donations	<u>1,634,580</u>	<u>6,743,082</u>

Net cash provided by financing activities 8,645,159 12,616,290

Investing

Purchase of capital assets net of proceeds on disposals	(15,231,572)	(18,255,144)
Excess (deficiency) of investment earnings over endowment spending on externally restricted endowments	4,614,580	(1,021,396)
Purchase of investments net of proceeds on disposals	<u>(12,487,065)</u>	<u>(4,423,888)</u>

Net cash used in investing activities (23,104,057) (23,700,428)

Net decrease in cash (6,633,668) (4,632,674)

Cash and cash equivalents, beginning of year 7,970,791 12,603,465

Cash and cash equivalents, end of year \$ 1,337,123 \$ 7,970,791

Mount Allison University

Notes to the consolidated financial statements

April 30, 2019

1. Purpose of the organization

Mount Allison University (the “University”) operates under the authority of the *Mount Allison University Act*, 1993, a special act of the Legislative Assembly of the Province of New Brunswick. The University is dedicated to providing a rigorous liberal education of high quality primarily to undergraduate students in a co-educational, intimate, residential environment. The University is a charitable organization and, under the provisions of section 149 of the Income Tax Act, is exempt from paying income taxes.

2. Significant accounting policies

Basis of accounting

These consolidated financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations in Part III of the Chartered Professional Accountants Canada Handbook.

Use of estimates and judgments

The preparation of consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the consolidated financial statements and the reported amounts of revenues and expenses during the period. Actual amounts could differ from those estimates. The areas that are most subject to estimation and judgment include the amortization periods for capital assets, the actuarial assumptions used to estimate employee future benefit obligation and the fair value measurement of investments.

Fund accounting

University accounts are maintained in accordance with the principles of fund accounting. This method ensures observance of restrictions, if any, on the use of University resources by maintaining separate accounts for each fund. Contributions that have limitations placed on their use by parties external to the University are classified as restricted funds.

The following provides a brief description of each fund group:

The General Operating Fund includes academic, administrative, and other operating activities within the primary teaching and research functions of the University which are funded by student fees, government grants and other revenue.

The Ancillary Operating Fund accounts for the provision of services of a revenue producing nature which are outside the primary University function of teaching and research. These include bookstore, residence, dining, University merchandise sales, and conference services. Expenses reported in ancillary operations include direct costs as well as an apportionment of administrative and overhead costs of the University.

Mount Allison University

Notes to the consolidated financial statements

April 30, 2019

2. Significant accounting policies (continued)

Fund accounting (continued)

The Special Program Operating Fund includes the Meighen Centre, the Purdy Crawford Teaching Centre and the University Advancement department. Unrestricted donations and the income on internally restricted and unrestricted endowments are also recorded here as revenue and then appropriated for special purposes.

The Endowment Principal Fund reflects the total resources which have been endowed, either by terms imposed by the benefactor or by the University.

The Endowment Expendable Fund accounts for investment income earned on the endowment principal that has been spent on restricted purposes. It also accounts for income on internally restricted and unrestricted endowments which is reported in the Special Program Operating Fund and then transferred to the Endowment Expendable Fund. The unexpended portion of the prior year's spending allocation from externally restricted funds is recorded as either a deferred contribution and available for spending in future years or is added to the endowment principal. The Endowment Expendable Fund balance is comprised of the unexpended portion of internally restricted funds.

The Research Fund accounts for the expenditure of externally restricted contributions which have been received by the University from organizations or granting agencies and spent on research projects. It also accounts for funds appropriated from operating funds for research purposes. Unspent externally restricted contributions are recorded as deferred contributions on the consolidated statement of financial position. The Research Fund balance represents unspent internally restricted funds.

The Special Purpose Fund accounts for the expenditure of externally restricted contributions not related to research or endowment purposes. It also accounts for internally restricted funds appropriated from operating funds for special purposes. Unspent externally restricted funds are recorded as deferred contributions. The Special Purpose Fund balance represents unspent internally restricted funds.

The Capital Asset Fund accounts for the amortization of capital assets and the amortization of any externally restricted contributions received to fund those assets. The fund balance consists of unamortized capital assets which were financed with general operating or ancillary operating funds.

Revenue recognition

The University follows the deferral method of accounting for contributions, which include donations and government grants.

Unrestricted contributions are recognized as revenue of the Operating Fund when received or receivable if the receivable amount can be reasonably estimated and collection is reasonably assured.

Externally restricted endowment contributions and the portion of income earned on externally restricted endowments are recognized as direct increases in net assets in the Endowment Principal Fund.

Mount Allison University

Notes to the consolidated financial statements

April 30, 2019

2. Significant accounting policies (continued)

Revenue recognition (continued)

Contributions which are externally restricted but are not endowed are recognized as revenue of the appropriate restricted fund as it is earned. Unspent balances are recorded as deferred contributions on the consolidated statement of financial position and recognized as revenue in the year in which the related expenses are recognized.

Contributions of materials and services are not recorded.

Contributions of cash or cash equivalents restricted for capital assets are deferred and amortized on the same basis as the related capital asset costs.

Student fees are recognized as revenue as courses are held. Sales and service revenue are recognized at point of sale or when the service has been provided. Amounts received in advance are recorded as deferred income.

Pledges are recorded as revenue in the period in which they are received.

Inventory

Inventories are valued at the lower of cost and net realizable value.

Capital assets

Land is stated at the nominal value of one dollar.

Collections are defined as works of art and historical treasures which are held for public exhibition, education, or research. The University maintains five major library collections as well as the Owens Art Gallery Permanent Collection. These collections are stated at the nominal value of one dollar. Further detail on these collections is provided in note 7.

Buildings, land improvements, and equipment are stated at their appraised values as at April 30, 1992, with all subsequent additions and betterments recorded at cost.

Amortization is provided on a straight-line basis. Useful lives are estimated at 5 years for equipment, 40 years for buildings, and 20-40 years for land improvements. Amortization of the capitalized costs of constructed assets begins when the asset is available for use.

Library books, which are held for circulation, are not capitalized but are recorded as an expense in the year in which they are purchased.

Management reviews estimates of the useful lives of capital assets and adjusts the estimates as required. Management regularly reviews assets for indicators of impairment and records any impairment charges when the carrying amount exceeds the recoverable amount.

Appropriations from ancillary fund operation to capital projects

Any excess of revenues over expenditures in the residence and conference operations is appropriated for capital projects related to the residence operation.

Mount Allison University

Notes to the consolidated financial statements

April 30, 2019

2. Significant accounting policies (continued)

Endowment income and spending allocation

University policy limits the spending allocation and fees on endowments to the lower of 5.0% of the market value at the end of the previous fiscal year and the average market value of the sixteen quarters in the previous four fiscal years. At the end of each year, the portion allocated for spending is recorded as deferred contributions and recognized as revenue in the Endowment Expendable Fund as it is spent. The remaining investment income is recognized as a direct increase in net assets in the Endowment Principal Fund. In years when the investment income is less than the spending allocation and fees, or when there is a realized loss, the difference is recorded as a decrease in net assets in the Endowment Principal Fund.

Income (loss) earned on internally restricted or unrestricted endowments is reported as revenue (loss) in the Special Program Operating Fund and transferred to the Endowment Expendable Fund or the Endowment Principal Fund.

Financial instruments

The University considers any contract creating a financial asset, liability or equity instrument a financial instrument, except in limited circumstances. The University's financial instruments consist of the following:

- Cash and cash equivalents
- Accounts receivable
- Investments
- Accounts payable

The University initially measures its financial assets and liabilities at fair value, except for certain non-arm's length transactions.

The University subsequently measures all of its financial assets and financial liabilities at amortized cost except investments in equity instruments which are described below.

The University removes financial liabilities, or any portion thereof, when the obligation is discharged, cancelled or expires. Financial assets measured at cost are tested for impairment when there are indicators of impairment. Previously recognized impairment losses are reversed to the extent of the improvement providing the asset is not carried at an amount, at the date of reversal, greater than the amount that would have been the carrying amount had no impairment loss been recognized previously. The amounts of any write-downs or reversals are recognized in the consolidated statement of operations.

The carrying values of cash and cash equivalents, accounts receivable and accounts payable approximate their fair market values due to the relatively short periods to maturity of the instruments.

Mount Allison University

Notes to the consolidated financial statements

April 30, 2019

2. Significant accounting policies (continued)

Financial instruments (continued)

Investments are accounted for at fair value except for certain non-endowed long term bonds and guaranteed investment certificates which are held to maturity and recorded on a cost basis with any premium or discount amortized on the effective interest basis.

Fair value is defined as estimates of the consideration that would be agreed upon between knowledgeable, willing parties who are under no obligation to act. Publicly traded securities are valued at quoted market values in an actively traded market. Private infrastructure investments, which comprise of shares or units in an externally managed pooled investment vehicle (such as a limited partnership) with underlying investments in private infrastructure assets are valued based on the latest valuation provided by the external investment manager of the fund, adjusted for subsequent cash receipts and distributions from the fund, and cash disbursements to the fund through April 30. The University believes that the carrying amount of these financial instruments is a reasonable estimate of fair value. Because private infrastructure investments are not readily traded, their estimated values are subject to uncertainty and therefore may differ from the value that would have been used had a ready market for such investments existed.

Transactions are recorded on a trade date basis and transaction costs are expensed as incurred.

Investment income, which consists of interest, dividends, income distributions from pooled funds, and realized and unrealized gains and losses, is recorded as investment income or endowment contributions in the consolidated statements of operations and changes in net assets.

Foreign currency

Long term investments denominated in foreign currency are translated at exchange rates as of the date of the consolidated statement of financial position. Transactions denominated in foreign currencies are translated at the exchange rate in effect on the transaction date. Exchange gains and losses are accounted for in investment gains and losses.

Employee benefit plans

The Plans' benefit obligation and service cost are determined based on the Plans' going concern obligation and current service cost as determined based on the last funding valuations and extrapolated to the fiscal year end date.

A valuation allowance will be charged against the defined benefit asset for any excess of the defined benefit asset over the expected future benefit the University expects to realize from a plan surplus. The University determines the expected future benefit as the present value of expected future employer current service costs for the current number of active employees.

Remeasurements and other items are recognized directly in net assets in the consolidated statement of changes in net assets.

Mount Allison University

Notes to the consolidated financial statements

April 30, 2019

2. Significant accounting policies (continued)

Employee benefit plans (continued)

The University records pension expenses in its consolidated financial statements, but it does not budget for those expenses. Rather, it budgets for pension contributions as determined by the University's actuaries in accordance with the New Brunswick Pension Benefits Act and the University's funding policy. Since pension contributions and pension cost or expenses are not the same in the case of the University's defined benefit pension plan, the difference is recorded as an internally restricted net asset (deficit).

Controlled entities

The University controls the activities of Conferences Mount Allison Inc., Mount Allison University Foundation, and The Friends of Mount Allison University, Inc. through representation on their respective boards. The University owns 100% of the shares of Conferences Mount Allison Inc., a corporation established to attract additional conference contract revenue. The Friends of Mount Allison University, Inc. is a United States incorporated, income tax exempt organization used to facilitate fundraising from United States residents. The results of operations and net assets of these entities have been consolidated in these financial statements.

3. Cash and cash equivalents

	<u>2019</u>	<u>2018</u>
Cash	\$ 367,922	\$ 6,176,710
Short term investments	<u>969,201</u>	<u>1,794,081</u>
	<u>\$ 1,337,123</u>	<u>\$ 7,970,791</u>

4. Accounts receivable

	<u>2019</u>	<u>2018</u>
Student fees	\$ 343,878	\$ 395,088
Federal and provincial governments	3,648,365	2,890,665
Other	729,602	793,032
Allowance for doubtful accounts	<u>(87,000)</u>	<u>(87,000)</u>
	<u>\$ 4,634,845</u>	<u>\$ 3,991,785</u>

Mount Allison University

Notes to the consolidated financial statements

April 30, 2019

5. Investments	<u>2019</u>	<u>2018</u>
Investments (carried at amortized cost)		
Bonds and guaranteed investment certificates	<u>\$ 1,965,917</u>	<u>\$ 2,952,051</u>
Investments (carried at fair value)		
Bonds and notes	28,734,959	30,660,964
Canadian equities	38,875,396	36,963,681
US equities	30,921,070	31,853,462
Non-North American equities	23,658,711	23,721,406
Global small cap and low volatility equities	28,149,121	29,306,024
Emerging market equities	14,782,425	13,037,396
Hedge funds	16,962,496	8,257,752
Private infrastructure funds	<u>12,757,263</u>	<u>11,173,399</u>
	<u>194,841,441</u>	<u>184,974,084</u>
	<u>\$ 196,807,358</u>	<u>\$ 187,926,135</u>

Bonds and notes include guaranteed investment certificates, investments in a Canadian passive bond fund, notes issued by Federal, Provincial and Municipal Governments and related Crown Corporations, and Canadian corporate bonds with interest rates ranging from 1.80% to 8.75% (2018 – 1.41% to 8.75%) with maturities up to July 2025 (2018 – July 2025).

Equity investments consist of investments in units of active and passive, single and multi-manager pooled funds.

Hedge fund investments consist of units of pooled investments funds that invest primarily in cash or short term investments denominated in various currencies and which may purchase or sell exchange traded funds or options thereon, or may enter into various futures and forward contracts to gain the desired exposures to various asset classes including equities, government bonds, commodities and currencies.

Private infrastructure investments consist of units of pooled investment funds that invest primarily in private infrastructure assets and other income generating properties.

In 2019, the University's investment income of \$10,609,003 (2018 – \$7,351,655) recorded in the consolidated statement of operations consists of income related to investments held for endowments of \$10,274,335 (2018 – \$7,081,954) and income of \$334,668 (2018 – \$269,701) on investments other than those held for endowments.

Mount Allison University

Notes to the consolidated financial statements

April 30, 2019

6. Capital assets	Cost	Accumulated Amortization	Net Book	Net Book
			Value 2019	Value 2018
Buildings	\$ 227,078,861	\$ 115,965,589	\$ 111,113,272	\$ 95,498,404
Construction in progress	13,179,217		13,179,217	18,338,940
Land improvements	19,345,235	9,703,861	9,641,374	10,140,417
Equipment	21,886,381	19,876,836	2,009,545	2,093,452
Land	1		1	1
Collections	1		1	1
	<u>\$ 281,489,696</u>	<u>\$ 145,546,286</u>	<u>\$ 135,943,410</u>	<u>\$ 126,071,215</u>

Details of the internally financed capital projects which have various recovery terms and periods are as follows:

Project	Funding source	Balance 2019	Balance 2018
Research building	future operations	\$ 5,727,460	\$ 6,236,700
Research and teaching building	future operations	32,928	892,955
Equipment and other	future operations	286,193	558,028
Residence building	future ancillary operations	10,033,729	154,430
		<u>\$ 16,080,310</u>	<u>\$ 7,842,113</u>

Interfund loans between the General Operating Fund and the Ancillary Operating Fund are charged interest at the rate earned on the University's expendable funds or the rate paid on external indebtedness, if applicable.

7. Collections

The University maintains five permanent library collections as well as the Owens Art Gallery Permanent Collection.

Library permanent collections

The five library permanent collections are the Mary Mellish Archibald Memorial (MMAM) Collection, the Winthrop Pickard Bell (WPB) Collection of Acadiana, the Edgar and Dorothy Davidson Collection of Canadiana, the Government Documents Collection, and the Mount Allison Rare Book Collection. Additions are made to the first two collections each year from the income earned on endowments established for that purpose. The additions in 2019 on the MMAM and WPB collections were \$3,606 (2018 – \$2,508) and \$7,168 (2018 – \$6,702) respectively. The Government of Canada donates a large quantity of documents to the Government Documents Collection each year and, in addition, the University spent \$4,726 (2018 – \$4,096) for additions to this collection in 2019.

Mount Allison University

Notes to the consolidated financial statements

April 30, 2019

7. Collections (continued)

Owens Art Gallery permanent collection

The University art gallery ("Owens Art Gallery") has a permanent collection consists of approximately 3,500 works, including historical and contemporary paintings, works on paper and sculptures of Canadian, European and American origin. The historical component of the Collection consists of approximately 300 18th and 19th century paintings and watercolours and a large collection of works by John Hammond. The contemporary collection consists of American and Canadian prints as well as paintings, sculpture, photography, and drawings. For the year ended April 30, 2019, donated artwork valued at approximately \$25,800 (2018 – \$14,908) and purchased acquisitions of approximately \$18,625 (2018 – \$27,417) were added to the permanent collection.

8. Bank indebtedness

The University has an \$11,000,000 line of credit with interest at prime less 0.7% per annum. As at April 30, 2019, the balance outstanding was \$980,000 (2018 - \$nil).

9. Accounts payable and accrued liabilities

Accounts payable and accrued liabilities include government remittances payable of \$539,510 (2018 – \$547,357).

10. Employee future benefit obligation

The University has a defined benefit pension plan, a defined contribution pension plan and other post-retirement obligations.

The defined benefit plan covers most persons employed in a non-academic capacity. The plan is based on the final average earnings of members, allows for early retirement after age 55 and postponed retirement up to age 69. The pension payments are not indexed. The defined contribution plan covers primarily persons employed in an academic capacity. The University makes contributions of 8.4% (8.25% from March 1, 2017 to February 28, 2018 and 8.0% prior to March 1, 2017) of the plan members' salaries to this plan.

The University provides a retiring allowance program that provides a lump sum benefit to qualifying individuals at their date of termination or retirement. The program is available to employees in the CUPE 2338 and CUPE 3433 bargaining units and certain grandfathered non-bargaining unit and non-academic employees. The lump sum benefit paid at termination or retirement is equal to five days of pay for each year of service and is payable only if the participant has completed a minimum of ten years of employment at the date of termination of employment.

The most recent actuarial valuation for funding purposes of the defined benefit pension plan was as of December 31, 2017. The next actuarial valuation for funding purposes must be as of a date no later than December 31, 2018 which was not completed at the time of preparation of these financial statements, therefore, the Plan's actuary has extrapolated the results of the December 31, 2017 actuarial valuation of the Plan for funding purposes to April 30, 2019 as follows:

Mount Allison University

Notes to the consolidated financial statements

April 30, 2019

10. Employee future benefit obligation (continued)

	<u>Pension Benefit Plans</u>		<u>Retirement Allowance Plan</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Fair value of Plan assets	\$ 46,052,318	\$ 42,682,588	\$	\$
Defined benefit obligation	<u>41,870,946</u>	<u>39,034,310</u>	<u>1,650,970</u>	<u>1,636,858</u>
Accrued benefit asset (liability)	<u>\$ 4,181,372</u>	<u>\$ 3,648,278</u>	<u>\$ (1,650,970)</u>	<u>\$ (1,636,858)</u>

The University recorded a remeasurement gain of \$348,620 (2018 – loss of \$267,860) in the pension benefit plans and a remeasurement loss of \$11,296 (2018 – gain of \$2,775) in the retirement allowance plan. Remeasurements and other items were recorded directly in the consolidated statement of changes in net assets.

Total cash payment for employee future benefits for 2019, consisting of cash contributed by the University to its defined benefit, defined contribution and retirement allowance plan was \$2,671,908 (2018 – \$2,670,898).

11. Deferred contributions related to capital assets

Deferred contributions related to capital assets are externally restricted expendable funds received in the current period or in a prior period to support capital assets which have not yet been amortized. The amortization of deferred capital contributions is recorded as revenue in the consolidated statement of operations. Changes in the deferred contributions related to capital assets balance is detailed in the following table:

	<u>2019</u>	<u>2018</u>
Beginning balance	\$ 67,848,019	\$ 62,949,065
Add		
Contributions for capital assets deferred during the year	3,247,710	7,819,584
Less		
Deferred contributions amortized during the year	<u>(3,225,957)</u>	<u>(2,920,630)</u>
Ending balance	<u>\$ 67,869,772</u>	<u>\$ 67,848,019</u>

Mount Allison University

Notes to the consolidated financial statements

April 30, 2019

12. Deferred contributions related to restricted and endowed funds

Deferred contributions are externally restricted expendable funds received in the current period or in a prior period which have not yet been spent and the spending allocation from externally restricted endowments set aside for the following year. Changes in the deferred contributions balance are detailed in the following tables:

	<u>Research</u>	<u>Special Program Fund</u>	<u>Special Purpose and Endowment Expendable</u>	<u>2019</u>
Beginning balance	\$ 3,474,733	\$	\$ 9,395,735	\$ 12,870,468
Add				
Expendable restricted contributions	3,941,416		13,617,984	17,559,400
Less				
Recognized as revenue and interfund transfers	(3,413,429)		(8,082,572)	(11,496,001)
Deferred to capital assets	<u>(495,167)</u>	<u> </u>	<u>(2,752,543)</u>	<u>(3,247,710)</u>
Ending balance	<u>\$ 3,507,553</u>	<u>\$</u>	<u>\$ 12,178,604</u>	<u>\$ 15,686,157</u>
	<u>Research</u>	<u>Special Program Fund</u>	<u>Special Purpose and Endowment Expendable</u>	<u>2018</u>
Beginning balance	\$ 3,141,452	\$	\$ 11,342,111	\$ 14,483,563
Add				
Expendable restricted contributions	4,015,850	41,149	13,168,584	17,225,583
Less				
Recognized as revenue and interfund transfers	(3,399,911)	(41,149)	(7,578,034)	(11,019,094)
Deferred to capital assets	<u>(282,658)</u>	<u> </u>	<u>(7,536,926)</u>	<u>(7,819,584)</u>
Ending balance	<u>\$ 3,474,733</u>	<u>\$</u>	<u>\$ 9,395,735</u>	<u>\$ 12,870,468</u>

Mount Allison University

Notes to the consolidated financial statements

April 30, 2019

13. Endowments

The following table details the changes in the endowment funds

	<u>2019</u>	<u>2018</u>
Beginning balance	\$ 177,690,367	\$ 172,030,391
Donations	1,634,580	6,743,082
Investment income (loss)	6,743,240	(1,108,559)
Interfund transfers not related to donations or investment income		<u>25,453</u>
Total	<u>\$ 186,068,187</u>	<u>\$ 177,690,367</u>

The market value of the endowment funds is disclosed in note 5. Net assets restricted for endowment purposes consists of \$126,785,680 (2018 – \$120,470,597) externally restricted endowments and \$59,282,507 (2018 – \$57,219,770) internally restricted endowments.

In 2019, investment earnings, net of fees, of \$14,222,202 were earned on endowments, of which \$7,854,522 was made available for spending, \$2,092,951 was for the preservation of capital on internally restricted endowments, and the balance of \$4,274,729 was for the preservation of capital on externally restricted endowments, which was recorded as a direct increase in endowments.

In 2018, investment earnings, net of fees, of \$5,666,571 were earned on endowments. To fund the balance for the next year's spending allocation of \$7,641,925, \$682,853 was deducted from internally restricted endowments, and the balance of \$1,292,501 was deducted from externally restricted endowments, recorded as a direct decrease in endowments.

14. Internally restricted net assets

	Balance <u>2019</u>	Balance <u>2018</u>
Contingency Fund to support revenue shortfalls and emergencies	\$ 656,174	\$ 697,082
Infrastructure and other projects support	1,356,018	1,291,936
Research support	397,135	471,050
Internally restricted endowment spending	<u>3,235,316</u>	<u>3,294,464</u>
	<u>\$ 5,644,643</u>	<u>\$ 5,754,532</u>

Mount Allison University

Notes to the consolidated financial statements

April 30, 2019

15. Financial instruments

The University is exposed to various risks in relation to its financial instruments. The main types of risks are market risk and credit risk:

Market risk

Market risk refers to the impact on the University's cash flows due to fluctuations in interest rates and the fair value of assets held in debt and equity markets. The primary risk exposures relate to investments held in foreign currencies, interest rate volatility, and other market risk. The University has formal policies and procedures in place governing asset mix and setting limits on the proportion of each asset class within the endowment or non-endowed bond and guaranteed investment certificate portfolios. Investments held in the University's endowment fund and non-endowed bond and guaranteed investment certificate portfolios are managed by professional investment managers who are monitored by University officials and committees of the University's Board of Regents. The University's policy governing its spending from investment returns earned on its endowment funds means that there is little risk to annual cash flows as the spending allocation is based on an average of the market value over the prior sixteen quarters.

Credit risk

Credit risk refers to the impact on the University's cash flows of the credit quality of the University's receivables. Credit risk mainly relates to the quality of student receivables. To reduce credit risk with student accounts, the University places restrictions on the issuance of grades and degrees until payment on account is made. The University also uses third party agencies to collect outstanding receivables. The University does not have a significant exposure to any individual customer or counterparty.

16. Commitments

The private infrastructure investment is a private fund and contains a contractual commitment to remit funds over time in response to a series of capital calls to the investors by the fund manager. As of April 30, 2019, the University's uncalled commitment was approximately \$10.4 million (2018 – \$10.6 million). The capital committed is called by the manager over a pre-defined investment period, expected to be between three to five years from the date the private fund closed and will be funded by transfers from other investment asset allocations.

The University has outstanding capital construction commitments as of April 30, 2019, estimated at \$3.9 million (2018 – \$18.9 million).

17. Contingent liabilities

The University is a member of the Canadian Universities Reciprocal Insurance Exchange ("CURIE") self-insurance program. This self-insurance reciprocal involves a contractual agreement to share the insurance of property and liability risks of member universities for a term of not less than five years. This long term period creates an environment for CURIE where financial risk can be spread over time as well as among subscribers. In addition, the reciprocal has obtained re-insurance with commercial insurers to cover catastrophic loss. In the event premiums are not sufficient to cover claim settlements, the member universities would be subject to an assessment in proportion to their participation.

Mount Allison University

Notes to the consolidated financial statements

April 30, 2019

17. Contingent liabilities (continued)

From time to time, the University is involved in litigation or proceedings relating to claims arising out of its operations in the ordinary course of business. It is the opinion of management that the aggregate amount of any potential liability is not expected to have a material adverse effect on the University's financial position or results and any claims arising out of the ordinary course of business are adequately provided for.

18. Comparative figures

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

19. Allocated expenses

Certain costs are recorded in the General Operating Fund and then allocated to other funds. The allocations are based on staff time and supply consumption used by each fund. The following table indicates the allocations made by type of expense.

	Ancillary Operating Fund	Endowment Expendable Fund	Total 2019	Total 2018
Computing services	\$ 102,222	\$	\$ 102,222	\$ 103,501
Administrative and general expenses	738,919	143,923	882,842	923,385
Physical plant	1,765,595		1,765,595	1,769,426
Student services	<u>188,909</u>	<u></u>	<u>188,909</u>	<u>153,715</u>
	<u>\$ 2,795,645</u>	<u>\$ 143,923</u>	<u>\$ 2,939,568</u>	<u>\$ 2,950,027</u>

Mount Allison University

Schedule of operating funds, restricted funds and net assets invested in capital assets

April 30, 2019

Schedule 1

	From schedule 2 General, Ancillary and Special Program Operating Funds		From schedule 3 Research, Special Purpose and Endowment Expendable Funds		Net Assets Invested in Capital Assets		Total 2019	Total 2018
	2019	2018	2019	2018	2019	2018		
Revenues								
Government grants - provincial	\$ 21,845,693	\$ 21,781,051	\$ 978,442	\$ 777,192	\$	\$	\$ 22,824,135	\$ 22,558,243
Government grants – federal	716,254	737,085	2,486,277	2,601,957			3,202,531	3,339,042
Student fees	29,747,252	29,720,953					29,747,252	29,720,953
Bequests and donations	219,328	844,051	1,591,712	1,519,452			1,811,040	2,363,503
Non-government grants and contracts			923,540	979,134			923,540	979,134
Bookstore and conference income	2,087,609	2,409,009					2,087,609	2,409,009
Investment income	5,047,120	2,189,464	5,561,883	5,162,191			10,609,003	7,351,655
Other income	1,656,525	1,629,212	24,569	12,014			1,681,094	1,641,226
Amortization of deferred capital contributions					3,225,957	2,920,630	3,225,957	2,920,630
	<u>61,319,781</u>	<u>59,310,825</u>	<u>11,566,423</u>	<u>11,051,940</u>	<u>3,225,957</u>	<u>2,920,630</u>	<u>76,112,161</u>	<u>73,283,395</u>
Expenses								
Academic departments	24,518,727	24,746,184	4,316,666	4,358,592			28,835,393	29,104,776
Library	2,494,644	2,410,542	507,099	533,080			3,001,743	2,943,622
Computing services	2,137,711	2,134,605					2,137,711	2,134,605
Administrative and general services	7,853,200	7,711,680	1,523,815	1,239,510			9,377,015	8,951,190
Physical plant	9,398,822	9,045,196	243,482	316,937			9,642,304	9,362,133
Student services	3,968,791	3,394,116	4,751,890	4,554,189			8,720,681	7,948,305
Ancillary services	5,344,740	5,590,219	9,892				5,354,632	5,590,219
Amortization of capital assets					5,359,377	4,815,538	5,359,377	4,815,538
	<u>55,716,635</u>	<u>55,032,542</u>	<u>11,352,844</u>	<u>11,002,308</u>	<u>5,359,377</u>	<u>4,815,538</u>	<u>72,428,856</u>	<u>70,850,388</u>
Revenues over expenses (expenses over revenues)	\$ <u>5,603,146</u>	\$ <u>4,278,283</u>	\$ <u>213,579</u>	\$ <u>49,632</u>	\$ <u>(2,133,420)</u>	\$ <u>(1,894,908)</u>	\$ <u>3,683,305</u>	\$ <u>2,433,007</u>

Mount Allison University

Schedule of general, ancillary and special program operating funds

April 30, 2019

Schedule 2

	General Operating Fund		Ancillary Operating Fund		Special Program Operating Fund		Total 2019	Total 2018
	2019	2018	2019	2018	2019	2018		
Revenues								
Government grants - provincial	\$ 21,737,017	\$ 21,737,399	\$	\$	\$ 108,676	\$ 43,652	\$ 21,845,693	\$ 21,781,051
Government grants - federal	716,254	737,085					716,254	737,085
Student fees	20,391,915	20,203,981	9,355,337	9,516,972			29,747,252	29,720,953
Bequests and donations					219,328	844,051	219,328	844,051
Bookstore and Conference income			2,087,609	2,409,009			2,087,609	2,409,009
Investment income	334,668	269,701			4,712,452	1,919,763	5,047,120	2,189,464
Other income	908,433	849,414	532,452	567,732	215,640	212,066	1,656,525	1,629,212
	<u>44,088,287</u>	<u>43,797,580</u>	<u>11,975,398</u>	<u>12,493,713</u>	<u>5,256,096</u>	<u>3,019,532</u>	<u>61,319,781</u>	<u>59,310,825</u>
Expenses								
Academic departments	24,287,188	24,529,443			231,539	216,741	24,518,727	24,746,184
Library	2,494,644	2,410,542					2,494,644	2,410,542
Computing services	2,035,489	2,031,104	102,222	103,501			2,137,711	2,134,605
Administrative and general services	5,152,923	5,130,064	738,919	781,292	1,961,358	1,800,324	7,853,200	7,711,680
Physical plant	6,108,082	5,926,262	3,285,430	3,118,934	5,310		9,398,822	9,045,196
Student services	3,217,676	2,898,998	188,909	153,715	562,206	341,403	3,968,791	3,394,116
Ancillary services			5,344,740	5,590,219			5,344,740	5,590,219
	<u>43,296,002</u>	<u>42,926,413</u>	<u>9,660,220</u>	<u>9,747,661</u>	<u>2,760,413</u>	<u>2,358,468</u>	<u>55,716,635</u>	<u>55,032,542</u>
Revenues over expenses (expenses over revenues)	\$ <u>792,285</u>	\$ <u>871,167</u>	\$ <u>2,315,178</u>	\$ <u>2,746,052</u>	\$ <u>2,495,683</u>	\$ <u>661,064</u>	\$ <u>5,603,146</u>	\$ <u>4,278,283</u>

Mount Allison University

Schedule of research, special purpose and endowment expendable funds

April 30, 2019

Schedule 3

	Research Fund		Special Purpose Fund		Endowment Expendable Fund		Total	Total
	2019	2018	2019	2018	2019	2018	2019	2018
Revenues								
Government grants - provincial	\$ 391,695	\$ 333,497	\$ 586,747	\$ 443,695	\$	\$	\$ 978,442	\$ 777,192
Government grants - federal	2,196,567	2,231,254	289,710	370,703			2,486,277	2,601,957
Bequests and donations			1,387,777	1,329,413	203,935	190,039	1,591,712	1,519,452
Non-government grants and income	873,626	903,364	49,914	75,770			923,540	979,134
Investment income					5,561,883	5,162,191	5,561,883	5,162,191
Other income			2,605	6,223	21,964	5,791	24,569	12,014
	<u>3,461,888</u>	<u>3,468,115</u>	<u>2,316,753</u>	<u>2,225,804</u>	<u>5,787,782</u>	<u>5,358,021</u>	<u>11,566,423</u>	<u>11,051,940</u>
Expenses								
Academic departments	3,031,512	3,111,776	386,796	406,714	898,358	840,102	4,316,666	4,358,592
Library			59,762	59,424	447,337	473,656	507,099	533,080
Computing services								
Administrative and general services	27,761	27,590	347,888	186,714	1,148,166	1,025,206	1,523,815	1,239,510
Physical plant			70,199	166,008	173,283	150,929	243,482	316,937
Student services	56,106	18,758	1,433,756	1,468,619	3,262,028	3,066,812	4,751,890	4,554,189
Ancillary services	9,892						9,892	
	<u>3,125,271</u>	<u>3,158,124</u>	<u>2,298,401</u>	<u>2,287,479</u>	<u>5,929,172</u>	<u>5,556,705</u>	<u>11,352,844</u>	<u>11,002,308</u>
Revenues over expenses (expenses over revenues)	\$ <u>336,617</u>	\$ <u>309,991</u>	\$ <u>18,352</u>	\$ <u>(61,675)</u>	\$ <u>(141,390)</u>	\$ <u>(198,684)</u>	\$ <u>213,579</u>	\$ <u>49,632</u>