

# Consolidated Financial Statements

Mount Allison University

April 30, 2016

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# Independent auditor's report

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To the Chair and members of the Board of Regents of  
**Mount Allison University**

We have audited the accompanying consolidated financial statements of Mount Allison University which comprise the consolidated statement of financial position as at April 30, 2016, the consolidated statements of operations, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

## Management's responsibility 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.

## Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the University's preparation and fair presentation of the consolidated financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

### Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Mount Allison University as at April 30, 2016, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

### Other matters

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 analysis and is not a required part of the consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

Halifax, Canada  
October 14, 2016



Chartered professional accountants

# Mount Allison University

## Consolidated statement of financial position

April 30

2016

2015

### Assets

#### Current

Cash and cash equivalents (note 3)	\$ 12,653,577	\$ 9,324,348
Accounts receivable (note 4)	3,762,962	3,846,385
Prepaid expenses and inventory	<u>1,250,154</u>	<u>1,304,324</u>
	<b>17,666,693</b>	<b>14,475,057</b>

#### Long term

Investments (note 5)	162,310,188	171,642,384
Capital assets (note 6)	109,403,212	106,780,461
Employee future benefit asset (note 9)	<u>868,214</u>	<u>3,283,642</u>
	<b>272,581,614</b>	<b>281,706,487</b>
	<b><u>\$ 290,248,307</u></b>	<b><u>\$ 296,181,544</u></b>

### Liabilities

#### Current

Accounts payable and accrued liabilities (note 8)	\$ 8,611,431	\$ 5,894,370
Deferred income	<u>1,124,485</u>	<u>1,258,585</u>
	<b>9,735,916</b>	<b>7,152,955</b>

#### Long term

Employee future benefit obligation (note 9)	<u>1,659,828</u>	<u>1,732,043</u>
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#### Deferred contributions

Related to capital assets (note 10)	61,895,389	61,812,874
Related to restricted and endowed funds (note 11)	<u>12,448,722</u>	<u>12,126,633</u>
	<b>74,344,111</b>	<b>73,939,507</b>

**85,739,855**                      **82,824,505**

### Net assets (deficit)

Invested in capital assets	45,357,124	44,247,079
Restricted for endowment purposes (note 12)	152,424,675	161,240,911
Restricted for employee future benefit obligation	532,717	2,837,544
Internally restricted	6,197,957	4,992,419
Unrestricted	<u>(4,021)</u>	<u>39,086</u>
	<b>204,508,452</b>	<b>213,357,039</b>
	<b><u>\$ 290,248,307</u></b>	<b><u>\$ 296,181,544</u></b>

Commitments (note 14)

Contingent liabilities (note 15)

# Mount Allison University

## Consolidated statement of operations

Year ended April 30

2016

2015

Schedule 1

### Revenues

Government grants - provincial	\$ 22,441,893	\$ 21,447,087
Government grants - federal	2,887,196	2,964,996
Student fees	30,775,748	30,175,877
Bequests and donations	1,256,545	1,518,329
Non-government grants	529,824	393,921
Bookstore and conference income	2,309,663	2,414,677
Investment income	3,197,841	11,277,686
Trust income	338,205	231,123
Other income	1,629,457	1,488,830
Amortization of deferred capital contributions	2,728,379	2,671,282
	<u>68,094,751</u>	<u>74,583,808</u>

### Expenses

Academic departments	27,368,837	26,458,564
Library	2,641,254	2,820,580
Computing services	2,255,262	2,230,622
Administrative and general services	8,344,020	8,747,047
Physical plant	10,481,350	8,988,194
Student services	6,808,091	6,598,258
Ancillary services	6,302,870	6,038,996
Amortization of capital assets	4,589,684	4,566,456
	<u>68,791,368</u>	<u>66,448,717</u>

Revenues over expenses (expenses over revenue)

(696,617) 8,135,091

Invested in capital assets

1,110,045 5,643,831

Investment (loss) income on internally restricted endowments

(3,540,223) 5,487,447

Increase in net assets restricted for employee future benefit obligation

571,130 380,457

Increase (decrease) in internally restricted net assets

1,205,538 (3,389,534)

(653,510) 8,122,201

Change in unrestricted net assets

\$ (43,107) \$ 12,890

# Mount Allison University

## Consolidated statement of changes in net assets

Year ended April 30

	General, Ancillary and Special Program Operating Funds 2016	Research, Special Purpose and Endowment Expendable Funds 2016	Net Assets Invested in Capital Assets 2016	Net Assets Restricted for Endowment Purposes 2016	Total 2016	Total 2015
Net assets, beginning of year	\$ 2,876,630	\$ 4,992,419	\$ 44,247,079	\$ 161,240,911	\$ 213,357,039	\$ 187,117,290
Revenues over expenses (expenses over revenues)	1,395,069	(230,381)	(1,861,305)		(696,617)	8,135,091
Endowed donation				1,023,924	1,023,924	8,553,434
Investment income (loss) on externally restricted endowments				(6,299,937)	(6,299,937)	8,168,978
Employee future benefit remeasurements and other items	(2,875,957)				(2,875,957)	1,382,246
	<u>(1,480,888)</u>	<u>(230,381)</u>	<u>(1,861,305)</u>	<u>(5,276,013)</u>	<u>(8,848,587)</u>	<u>26,239,749</u>
Transfers (to) from other funds arising from policy or approved as part of the budget	1,555,043	(1,555,043)				
Investment loss on internally restricted endowments	1,261,387	2,331,233		(3,592,620)		
Contract research overhead support and research grants	(326,994)	326,994				
Donations and fundraising	(199,601)	169,274		30,327		
Capital construction projects	(3,163,223)	191,873	2,971,350			
Other	6,342	(28,412)		22,070		
Transfers (to) from other funds	<u>(867,046)</u>	<u>1,435,919</u>	<u>2,971,350</u>	<u>(3,540,223)</u>		
Change in net assets	<u>(2,347,934)</u>	<u>1,205,538</u>	<u>1,110,045</u>	<u>(8,816,236)</u>	<u>(8,848,587)</u>	<u>26,239,749</u>
Net assets, end of year	\$ 528,696	\$ 6,197,957	\$ 45,357,124	\$ 152,424,675	\$ 204,508,452	\$ 213,357,039
Components of net assets (deficit)						
Invested in capital assets	\$	\$	\$ 45,357,124	\$	\$ 45,357,124	\$ 44,247,079
Restricted for endowment purposes				152,424,675	152,424,675	161,240,911
Restricted for employee future benefit obligation	532,717				532,717	2,837,544
Internally restricted		6,197,957			6,197,957	4,992,419
Unrestricted	<u>(4,021)</u>				<u>(4,021)</u>	<u>39,086</u>
	<u>\$ 528,696</u>	<u>\$ 6,197,957</u>	<u>\$ 45,357,124</u>	<u>\$ 152,424,675</u>	<u>\$ 204,508,452</u>	<u>\$ 213,357,039</u>

# Mount Allison University

## Consolidated statement of cash flows

Year ended April 30

2016

2015

### Operating

Revenues over expenses (expenses over revenues)	\$ (696,617)	\$ 8,135,091
Amortization of deferred contributions	(2,728,379)	(2,671,282)
Unrealized loss (gain) on investments	12,267,713	(10,873,947)
Amortization of capital assets	4,589,684	4,566,456
Change in employee future benefit obligation	(532,744)	(715,311)
Change in non-cash operating working capital	<u>2,720,554</u>	<u>(4,354,073)</u>
	<u>15,620,211</u>	<u>(5,913,066)</u>
Contributions related to research and operations (earned) deferred during the year	<u>139,566</u>	<u>(88,935)</u>
<b>Net cash provided (used) by operating activities</b>	<u>15,759,777</u>	<u>(6,002,001)</u>

### Financing

Contributions related to special purpose fund and endowment expendable funds deferred (earned) during the year	182,523	(380,633)
Contributions related to capital assets deferred during the year	<u>2,810,894</u>	<u>6,869,137</u>
<b>Net cash provided by financing activities</b>	<u>2,993,417</u>	<u>6,488,504</u>

### Investing

Purchase of capital assets	(7,212,435)	(15,021,295)
Endowed restricted donations	1,023,924	8,553,434
Investment income (loss)	(6,299,937)	8,168,978
Net purchase of investments	<u>(2,935,517)</u>	<u>(7,604,562)</u>
<b>Net cash used in investing activities</b>	<u>(15,423,965)</u>	<u>(5,903,445)</u>
<b>Net increase (decrease) in cash</b>	<b>3,329,229</b>	<b>(5,416,942)</b>
Cash and cash equivalents, beginning of year	<u>9,324,348</u>	<u>14,741,290</u>
<b>Cash and cash equivalents, end of year</b>	<u>\$ 12,653,577</u>	<u>\$ 9,324,348</u>



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# Mount Allison University

## Notes to the consolidated financial statements

April 30, 2016

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### 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.

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### 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 CPA Canada Handbook.

#### Use of estimates

The preparation of consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities 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 accounts receivable allowance for doubtful accounts, and actuarial assumptions used to estimate employee future benefit obligation and the measurement of financial instruments.

#### 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 function 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.

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# Mount Allison University

## Notes to the consolidated financial statements

April 30, 2016

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### 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 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 or unrestricted endowments which is reported in the Special Program Operating Fund and then transferred to the Endowment Expendable Fund by way of interfund transfer. The unexpended portion of the prior year's spending allocation from externally restricted funds is deferred and available for spending in future years or is designated for year-end capitalization. The 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 by way of interfund transfer. Unspent externally restricted contributions are deferred on the consolidated statement of financial position. The fund balance represents unspent internally restricted funds.

The Special Purpose Fund accounts for the expenditure of externally restricted contributions which are not for research or endowment purposes. It also accounts for internally restricted funds appropriated from operating funds for special purposes. Unspent externally restricted funds are deferred. The 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 internal 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.

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# Mount Allison University

## Notes to the consolidated financial statements

April 30, 2016

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### 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 they are spent. Unspent balances are deferred 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.

Bequests and donations are recorded on a cash basis. Pledged contributions are recorded when 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. Assets stated at appraised values are pooled and amortized separately from assets 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.

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# Mount Allison University

## Notes to the consolidated financial statements

April 30, 2016

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### 2. Significant accounting policies (continued)

#### Endowment income and spending allocation

University policy limits the spending allocation on endowments to the lower of 5% 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 deferred and reported 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. Authorized spending of endowment principal is reported as a direct decrease in net assets.

#### 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
- Employee future benefit asset
- Accounts payable and accrued liabilities
- Employee future benefit obligation

The University initially measures its financial assets and liabilities at fair value, except for certain non-arm's length transactions. Financial assets or liabilities obtained in related party transactions are measured in accordance with the accounting policy for related party transactions.

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

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# Mount Allison University

## Notes to the consolidated financial statements

April 30, 2016

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### 2. Significant accounting policies (continued)

#### Financial instruments (continued)

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.

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.

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# Mount Allison University

## Notes to the consolidated financial statements

April 30, 2016

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### 2. Significant accounting policies (continued)

#### Employee benefit plans (continued)

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

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. Mount Allison University Foundation is a crown foundation established to assist with fundraising. The Friends of Mount Allison University, Inc. is a United States incorporated 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.

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3. Cash and cash equivalents	<u>2016</u>	<u>2015</u>
Cash	\$ 4,365,175	\$ 3,331,611
Short term investments	<u>8,288,402</u>	<u>5,992,737</u>
	<u>\$ 12,653,577</u>	<u>\$ 9,324,348</u>

The University has a \$3 million line of credit with interest at prime. As at April 30, the balance outstanding was nil (2015 – nil).

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4. Accounts receivable	<u>2016</u>	<u>2015</u>
Student fees	\$ 460,681	\$ 500,345
Accrued interest and dividends	79,101	95,613
Federal and provincial government	2,516,071	2,061,000
Suppliers and other customers	794,109	1,288,427
Allowance for doubtful accounts	<u>(87,000)</u>	<u>(99,000)</u>
	<u>\$ 3,762,962</u>	<u>\$ 3,846,385</u>

# Mount Allison University

## Notes to the consolidated financial statements

April 30, 2016

5. Investments	<u>2016</u>	<u>2015</u>
Investments (carried at amortized cost)		
Bonds and guaranteed investment certificates	<u>\$ 3,695,580</u>	<u>\$ 4,543,450</u>
Investments (carried at fair value)		
Bonds and notes	<b>33,362,432</b>	44,066,551
Canadian equities	<b>31,120,317</b>	32,149,834
US equities	<b>28,293,794</b>	32,256,087
Non-North American equities	<b>19,103,930</b>	20,679,754
Global small cap and low volatility equities	<b>27,032,927</b>	26,095,182
Emerging market equities	<b>10,150,978</b>	11,851,526
Hedge funds	<b>7,243,574</b>	
Private infrastructure funds	<b>2,306,656</b>	
	<u><b>158,614,608</b></u>	<u>167,098,934</u>
	<u><b>\$ 162,310,188</b></u>	<u>\$171,642,384</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 2.16% to 8.75% (2015 – 2.16% to 8.75%) with maturities up to July 2025 (2015 – 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 real estate and other income generating properties.

In 2016, the University's investment income of \$3,197,841 (2015 - \$11,277,686) recorded in the consolidated statement of operations consists of income related to investments held for endowments of \$2,949,847 (2015 - \$10,956,877) and income of \$247,994 (2015 - \$320,809) on investments other than those held for endowments.

# Mount Allison University

## Notes to the consolidated financial statements

April 30, 2016

6. Capital assets	Cost	Accumulated Amortization	Net Book	Net Book
			Value 2016	Value 2015
Buildings	\$ 199,610,470	\$ 105,566,322	\$ 94,044,148	95,331,417
Construction in progress	2,892,058		2,892,058	174,318
Land improvements	18,429,013	8,209,175	10,219,838	9,153,552
Equipment	19,449,759	17,202,593	2,247,166	2,121,172
Land	1		1	1
Collections	1		1	1
	<u>\$ 240,381,302</u>	<u>\$ 130,978,090</u>	<u>\$ 109,403,212</u>	<u>\$ 106,780,461</u>

The Capital Asset Fund has loans outstanding in the amount of \$2,150,699 (2015 - \$720,508) to the other funds for the construction and renovations of buildings. Repayment of these loans will be made through appropriations from various funds. Interest is charged at the rate earned on the University's expendable funds.

### 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 2016 on the MMAM and WPB collections were \$2,213 (2015 - \$2,634) and \$6,183 (2015 - \$7,536) respectively. The Government of Canada donates a large quantity of documents to the Government Documents Collection each year and, in addition, the University spent \$2,099 (2015 - \$1,743) for additions to this collection in 2016.

#### Owens Art Gallery permanent collection

The Owens Art Gallery 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, 2016, donated artwork valued at approximately \$29,100 (2015 - \$29,050) and purchased acquisitions of approximately \$49,950 (2015 - \$nil) were added to the permanent collection.

### 8. Accounts payable and accrued liabilities

Accounts payable and accrued liabilities include government remittances payable of \$541,788 (2015 - \$513,166).



# Mount Allison University

## Notes to the consolidated financial statements

April 30, 2016

### 9. 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% of the plan members' salaries to this plan.

Included in other benefit plans is 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 September 30, 2015. The next actuarial valuation for funding purposes must be as of a date no later than September 30, 2016. The Plan's actuary has extrapolated the results of the September 30, 2015 actuarial valuation of the Plan for funding purposes to April 30, 2016 as follows:

	<u>Pension Benefit Plans</u>		<u>Other Benefit Plans</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Fair value of Plan assets	\$ 35,799,577	\$ 36,670,854	\$	\$
Defined benefit obligation	<u>34,931,363</u>	<u>33,387,212</u>	<u>1,659,828</u>	<u>1,732,043</u>
Accrued benefit asset (liability)	<u>\$ 868,214</u>	<u>\$ 3,283,642</u>	<u>\$ (1,659,828)</u>	<u>\$ (1,732,043)</u>

The University recorded a remeasurement loss of \$2,990,698 (2015 – gain of \$1,436,913) in the pension benefit plans and a remeasurement gain of \$114,741 (2015 – loss of \$81,835) in the other benefit plans. Remeasurements and other items were recorded directly in the consolidated statement of changes in net assets.

Total cash payment for employee future benefits for 2016, consisting of cash contributed by the University to its defined benefit, defined contribution and other benefit plans was \$2,948,856 (2015 - \$2,748,666).

# Mount Allison University

## Notes to the consolidated financial statements

April 30, 2016

### 10. 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 spent. Changes in the deferred contributions related to capital assets balance is detailed in the following table:

	<u>2016</u>	<u>2015</u>
Beginning balance	\$ 61,812,874	\$ 57,615,019
Add		
Contributions for capital assets deferred during the year	2,810,894	6,869,137
Less		
Deferred contributions amortized during the year	<u>(2,728,379)</u>	<u>(2,671,282)</u>
Ending balance	<u>\$ 61,895,389</u>	<u>\$ 61,812,874</u>

### 11. 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. 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>2016</u>
Beginning balance	\$ 3,027,759	\$ 84,963	\$ 9,013,911	\$ 12,126,633
Add				
Expendable restricted contributions received	3,499,164	(699)	9,054,181	12,552,646
Less				
Recognized as revenue and interfund transfers	(2,848,389)	(69,771)	(6,501,503)	(9,419,663)
Deferred to capital assets	<u>(440,739)</u>	<u>                    </u>	<u>(2,370,155)</u>	<u>(2,810,894)</u>
Ending balance	<u>\$ 3,237,795</u>	<u>\$ 14,493</u>	<u>\$ 9,196,434</u>	<u>\$ 12,448,722</u>

# Mount Allison University

## Notes to the consolidated financial statements

April 30, 2016

### 11. Deferred contributions related to restricted and endowed funds (continued)

	<u>Research</u>	<u>Special Program Fund</u>	<u>Special Purpose and Endowment Expendable</u>	<u>2015</u>
Beginning balance	\$ 3,166,440	\$ 35,218	\$ 9,394,543	\$ 12,596,201
Add				
Expendable restricted contributions received	3,187,069	45,731	11,805,584	15,038,384
Less				
Recognized as revenue and interfund transfers	(2,711,545)	4,014	(5,931,284)	(8,638,815)
Deferred to capital assets	<u>(614,205)</u>	<u>                    </u>	<u>(6,254,932)</u>	<u>(6,869,137)</u>
Ending balance	<u>\$ 3,027,759</u>	<u>\$ 84,963</u>	<u>\$ 9,013,911</u>	<u>\$ 12,126,633</u>

### 12. Endowments

The following table details the changes in the endowment funds

	<u>2016</u>	<u>2015</u>
Beginning balance	\$ 161,240,911	\$ 139,031,052
Donations	1,023,924	8,625,979
Investment income (loss)	(9,862,230)	13,464,249
Interfund transfers not related to donations or Investment income	<u>22,070</u>	<u>119,631</u>
Total	<u>\$ 152,424,675</u>	<u>\$ 161,240,911</u>

The market value of the endowment funds is disclosed in note 5. Net assets restricted for endowment purposes consists of \$101,270,199 (2015 - \$106,626,684) externally restricted endowments and \$51,154,476 (2015 - \$54,614,227) internally restricted endowments.

In 2016, there was an investment loss, net of fees, of \$3,627,559. To fund this investment loss and the balance for the next year's spending allocation of \$6,683,002, \$3,597,276 was deducted from internally restricted endowments, and the balance of \$6,713,285 was deducted from externally restricted endowments, recorded as a direct decrease in endowments.

In 2015, investment earnings, net of fees, of \$20,682,152 were earned on endowments, of which \$6,089,945 was made available for spending, \$5,285,729 was for the preservation of capital on internally restricted endowments, and the balance of \$9,306,478 was for the preservation of capital on externally restricted endowments, which was recorded as a direct increase in endowments.

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# Mount Allison University

## Notes to the consolidated financial statements

April 30, 2016

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### 13. 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 debt and equity markets. The primary risk exposures relates 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

#### 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.

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### 14. Commitments

As at April 30, 2016, the University had commitments for outstanding contractual arrangements related primarily to construction activities of approximately \$4,152,000 (2015 - \$3,106,000).

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, 2016, the University's uncalled commitment was approximately \$14.9 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.

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### 15. 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 the event premiums are not sufficient to cover claim settlements, the member universities would be subject to an assessment in proportion to their participation.

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.

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# Mount Allison University

## Notes to the consolidated financial statements

April 30, 2016

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### 16. 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	<b>Total 2016</b>	Total 2015
Computing services	\$ 94,485	\$	\$ 94,485	86,819
Administrative and general expenses	729,381	112,948	<b>842,329</b>	840,738
Physical plant	1,769,358		<b>1,769,358</b>	1,805,415
Student services	<u>123,085</u>	<u>                    </u>	<b><u>123,085</u></b>	<u>121,343</u>
	<b><u>\$ 2,716,309</u></b>	<b><u>\$ 112,948</u></b>	<b><u>\$ 2,829,257</u></b>	<b><u>\$ 2,854,315</u></b>

# Mount Allison University

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

April 30, 2016

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 2016	Total 2015
	2016	2015	2016	2015	2016	2015		
<b>Revenues</b>								
Government grants - provincial	\$ 21,376,264	\$ 20,783,052	\$ 1,065,629	\$ 664,035	\$	\$	\$ 22,441,893	\$ 21,447,087
Government grants - federal	715,214	656,335	2,171,982	2,308,661			2,887,196	2,964,996
Student fees	30,775,748	30,175,877					30,775,748	30,175,877
Bequests and donations	179,915	249,206	1,076,630	1,269,123			1,256,545	1,518,329
Non-government grants			529,824	393,921			529,824	393,921
Bookstore and conference income	2,309,663	2,414,677					2,309,663	2,414,677
Investment income (loss)	(1,013,393)	7,738,843	4,211,234	3,538,843			3,197,841	11,277,686
Trust income	72,083	76,677	266,122	154,446			338,205	231,123
Other income	1,600,304	1,461,766	29,153	27,064			1,629,457	1,488,830
Amortization of deferred capital contributions					2,728,379	2,671,282	2,728,379	2,671,282
	<u>56,015,798</u>	<u>63,556,433</u>	<u>9,350,574</u>	<u>8,356,093</u>	<u>2,728,379</u>	<u>2,671,282</u>	<u>68,094,751</u>	<u>74,583,808</u>
<b>Expenses</b>								
Academic departments	23,671,083	23,151,035	3,697,754	3,307,529			27,368,837	26,458,564
Library	2,246,865	2,397,347	394,389	423,233			2,641,254	2,820,580
Computing services	2,068,262	2,064,705	187,000	165,917			2,255,262	2,230,622
Administrative and general services	7,307,817	7,770,555	1,036,203	976,492			8,344,020	8,747,047
Physical plant	10,113,318	8,962,127	368,032	26,067			10,481,350	8,988,194
Student services	2,910,514	3,277,986	3,897,577	3,320,272			6,808,091	6,598,258
Ancillary services	6,302,870	6,038,996					6,302,870	6,038,996
Amortization of capital assets					4,589,684	4,566,456	4,589,684	4,566,456
	<u>54,620,729</u>	<u>53,662,751</u>	<u>9,580,955</u>	<u>8,219,510</u>	<u>4,589,684</u>	<u>4,566,456</u>	<u>68,791,368</u>	<u>66,448,717</u>
Revenues over expenses (expenses over revenues)	\$ <u>1,395,069</u>	\$ <u>9,893,682</u>	\$ <u>(230,381)</u>	\$ <u>136,583</u>	\$ <u>(1,861,305)</u>	\$ <u>(1,895,174)</u>	\$ <u>(696,617)</u>	\$ <u>8,135,091</u>

# Mount Allison University

## Schedule of general, ancillary and special program operating funds

April 30, 2016

Schedule 2

	General Operating Fund		Ancillary Operating Fund		Special Program Operating Fund		Total	Total
	2016	2015	2016	2015	2016	2015	2016	2015
<b>Revenues</b>								
Government grants - provincial	\$ 21,309,149	\$ 20,713,749	\$	\$	\$ 67,115	\$ 69,303	\$ 21,376,264	\$ 20,783,052
Government grants - federal	715,214	656,335					715,214	656,335
Student fees	20,516,092	20,652,117	10,259,656	9,523,760			30,775,748	30,175,877
Bequests and donations					179,915	249,206	179,915	249,206
Bookstore and conference			2,309,663	2,414,677			2,309,663	2,414,677
Investment income (loss)	247,994	233,515			(1,261,387)	7,505,328	(1,013,393)	7,738,843
Trust income					72,083	76,677	72,083	76,677
Other income	840,699	832,824	565,528	526,718	194,077	102,224	1,600,304	1,461,766
	<u>43,629,148</u>	<u>43,088,540</u>	<u>13,134,847</u>	<u>12,465,155</u>	<u>(748,197)</u>	<u>8,002,738</u>	<u>56,015,798</u>	<u>63,556,433</u>
<b>Expenses</b>								
Academic departments	23,184,317	22,699,780			486,766	451,255	23,671,083	23,151,035
Library	2,246,865	2,397,347					2,246,865	2,397,347
Computing services	1,973,777	1,977,886	94,485	86,819			2,068,262	2,064,705
Administrative and general services	4,840,206	5,278,585	729,381	728,484	1,738,230	1,763,486	7,307,817	7,770,555
Physical plant	6,902,712	5,617,753	3,210,606	3,344,374			10,113,318	8,962,127
Student services	2,781,087	3,152,202	123,085	121,343	6,342	4,441	2,910,514	3,277,986
Ancillary services			6,302,870	6,038,996			6,302,870	6,038,996
	<u>41,928,964</u>	<u>41,123,553</u>	<u>10,460,427</u>	<u>10,320,016</u>	<u>2,231,338</u>	<u>2,219,182</u>	<u>54,620,729</u>	<u>53,662,751</u>
Revenues over expenses (expenses over revenues)	\$ <u>1,700,184</u>	\$ <u>1,964,987</u>	\$ <u>2,674,420</u>	\$ <u>2,145,139</u>	\$ <u>(2,979,535)</u>	\$ <u>5,783,556</u>	\$ <u>1,395,069</u>	\$ <u>9,893,682</u>

# Mount Allison University

## Schedule of research, special purpose and endowment expendable funds

April 30, 2016

Schedule 3

	Research Fund		Special Purpose Fund		Endowment Expendable Fund		Total	Total
	2016	2015	2016	2015	2016	2015	2016	2015
<b>Revenues</b>								
Government grants - provincial	\$ 395,178	\$ 199,205	\$ 670,451	\$ 464,830	\$	\$	\$ 1,065,629	\$ 664,035
Government grants - federal	2,007,474	2,165,027	164,508	143,634			2,171,982	2,308,661
Bequests and donations			1,076,630	1,269,123			1,076,630	1,269,123
Non-government grants	445,864	347,313	83,960	46,608			529,824	393,921
Investment income					4,211,234	3,538,843	4,211,234	3,538,843
Trust income					266,122	154,446	266,122	154,446
Other income		75	28,597	25,161	556	1,828	29,153	27,064
	<u>2,848,516</u>	<u>2,711,620</u>	<u>2,024,146</u>	<u>1,949,356</u>	<u>4,477,912</u>	<u>3,695,117</u>	<u>9,350,574</u>	<u>8,356,093</u>
<b>Expenses</b>								
Academic departments	2,567,921	2,421,121	517,109	369,251	612,724	517,157	3,697,754	3,307,529
Library		2,539	21,926	54,837	372,463	365,857	394,389	423,233
Computing services			187,000	165,917			187,000	165,917
Administrative and general services	31,056	27,807	186,893	145,362	818,254	803,323	1,036,203	976,492
Physical plant			220,866	26,067	147,166		368,032	26,067
Student services	17,500	44,167	1,252,919	1,216,361	2,627,158	2,059,744	3,897,577	3,320,272
Ancillary services								
	<u>2,616,477</u>	<u>2,495,634</u>	<u>2,386,713</u>	<u>1,977,795</u>	<u>4,577,765</u>	<u>3,746,081</u>	<u>9,580,955</u>	<u>8,219,510</u>
Revenues over expenses (expenses over revenues)	\$ 232,039	\$ 215,986	\$ (362,567)	\$ (28,439)	\$ (99,853)	\$ (50,964)	\$ (230,381)	\$ 136,583