



REVIEW OF OPERATIONS
(Unaudited)
April 30, 2017



Introduction

This Review of Operations is divided into two parts. Part A provides the University community and the general public with an overview of the financial results of the University for the year ended April 30, 2017, while Part B provides multi-year statistics based on the University's strategic focus.

Part A

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.

Revenue and Expenses – All Funds

The University ended the year with a \$12,000 unrestricted net deficit, an increase of \$8,000, from the prior year's net deficit balance of \$4,000.

This change consists of the following (in thousands):

<i>Opening unrestricted net deficit</i>		<i>(\$4)</i>
Revenues	78,809	
Expenses including building funding and teaching, residence and other equipment purchases	(72,173)	
Investment income on internally restricted endowments	(6,324)	
Decrease in internally restricted net assets	59	
Increase in net assets restricted for employee future benefit obligation	<u>(379)</u>	
Change in unrestricted net assets	(8)	
<i>Ending unrestricted net deficit</i>		<i>(\$12)</i>

The \$6.3 million of investment income on internally restricted endowments was added to the Endowment Fund's principal, after funding the upcoming year's spending allocation on certain endowments, so that future generations of students and faculty may receive the same benefit from the endowment funds as the current generation, thus maintaining the same five per cent spending allocation as in prior years. Over the long run investment income is expected to keep pace with inflation so that future generations of faculty and students will receive the same benefit from the endowment funds as received by the current generation.

As with other universities, the University budgets its pension cost based on contributions that need to be paid and not the pension expense recorded in the financial statements. For the year ended April 30, 2017, the University recorded \$379,400 as an increase to the internally restricted net asset since the pension contributions were more than the pension expense.

Operating Fund

The largest fund is the General Operating Fund which accounts for the academic, administrative and other operating activities associated with the primary teaching and research function of the University. In fiscal 2017 the General Operating Fund had revenues of \$43.9 million and had total revenues over expenditures of \$50,000 which has been appropriated to support future capital equipment purchases.

Ancillary Fund

The second largest fund is the Ancillary Fund which accounts for the University's residence, dining, conference, bookstore, and retail clothing operations. These operations are completely supported by their own revenue and do not receive any government grants. The residence, conference and dining operations used \$2.5 million to support improvements to Thornton House Residence and other capital projects. The bookstore operations had a small year end deficit which was offset by the retail clothing operation.

Special Purpose and Endowment Funds

The University receives significant support from donors in the form of expendable and endowed donations. This year, \$2.9 million of donations and bequests were received of which \$1.3 million has been endowed to provide support to current and future generations of students and faculty. The Endowment Fund's investments returned 12 per cent for the year ended March 31, 2017 and will provide over \$7.3 million of support in the upcoming year.

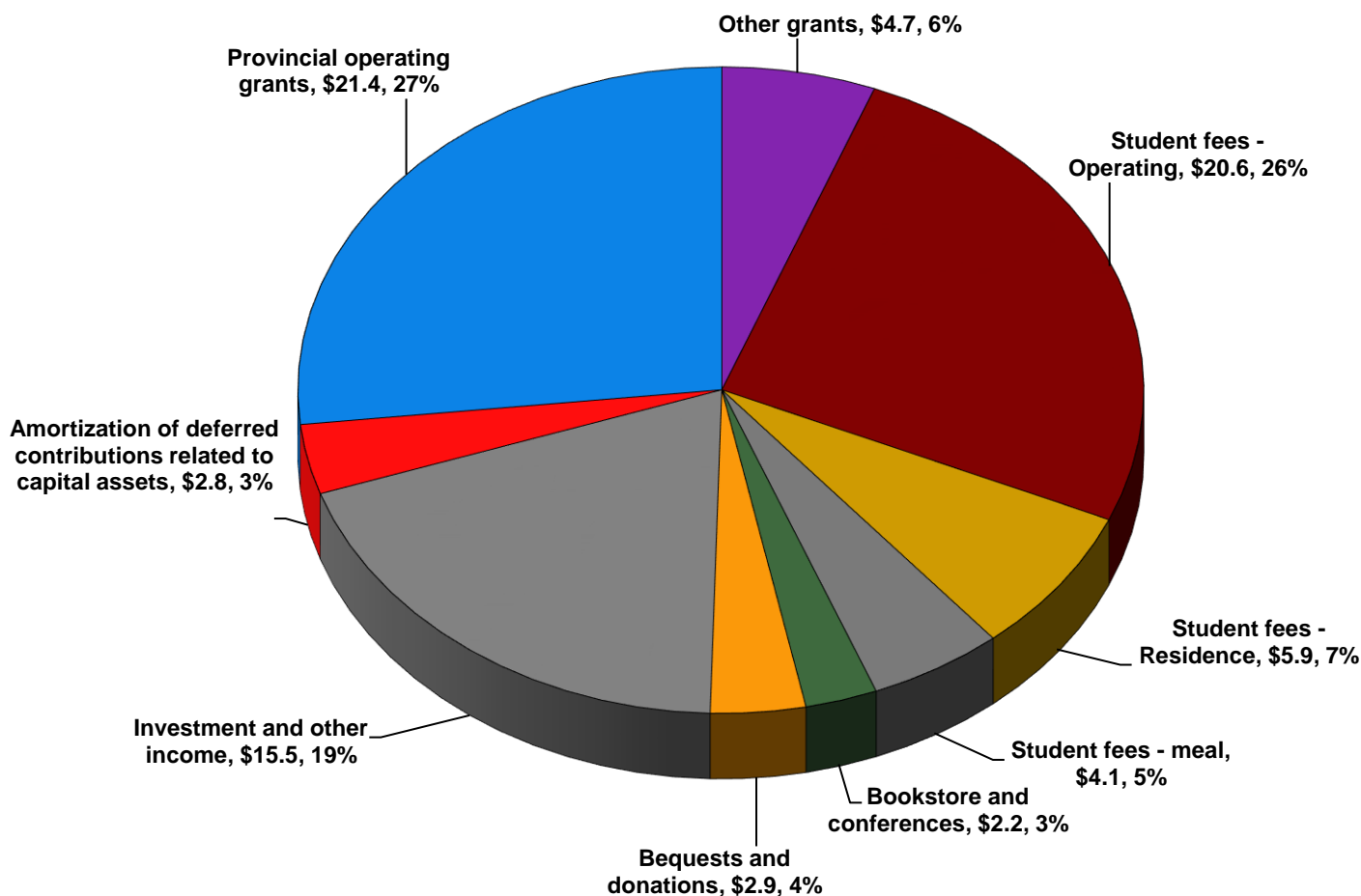
Based on December 31, 2016 data from the annual Canadian Association of University Business Officers "University Investment Survey", the University has the largest endowment per student in Canada of those universities not federated with another institution and the 22nd largest overall endowment of all Canadian Universities. Based on the same source, the fund achieved a top quartile five year investment return and a top decile ten year investment return result amongst 68 universities.

Assets, Deferred Contributions and Liabilities

The University ended the financial year with assets of \$316 million, liabilities and deferred contributions of \$87 million and net assets of \$229 million. Consistent with prior years, the University has no long term external debt. Mount Allison is one of the few universities in Canada which does not carry external debt. This allows the University to target tuition and operating grant revenue directly to academic, research and related activities and not to financing costs.

Total University Revenue by Type

(chart 1)
(Millions)



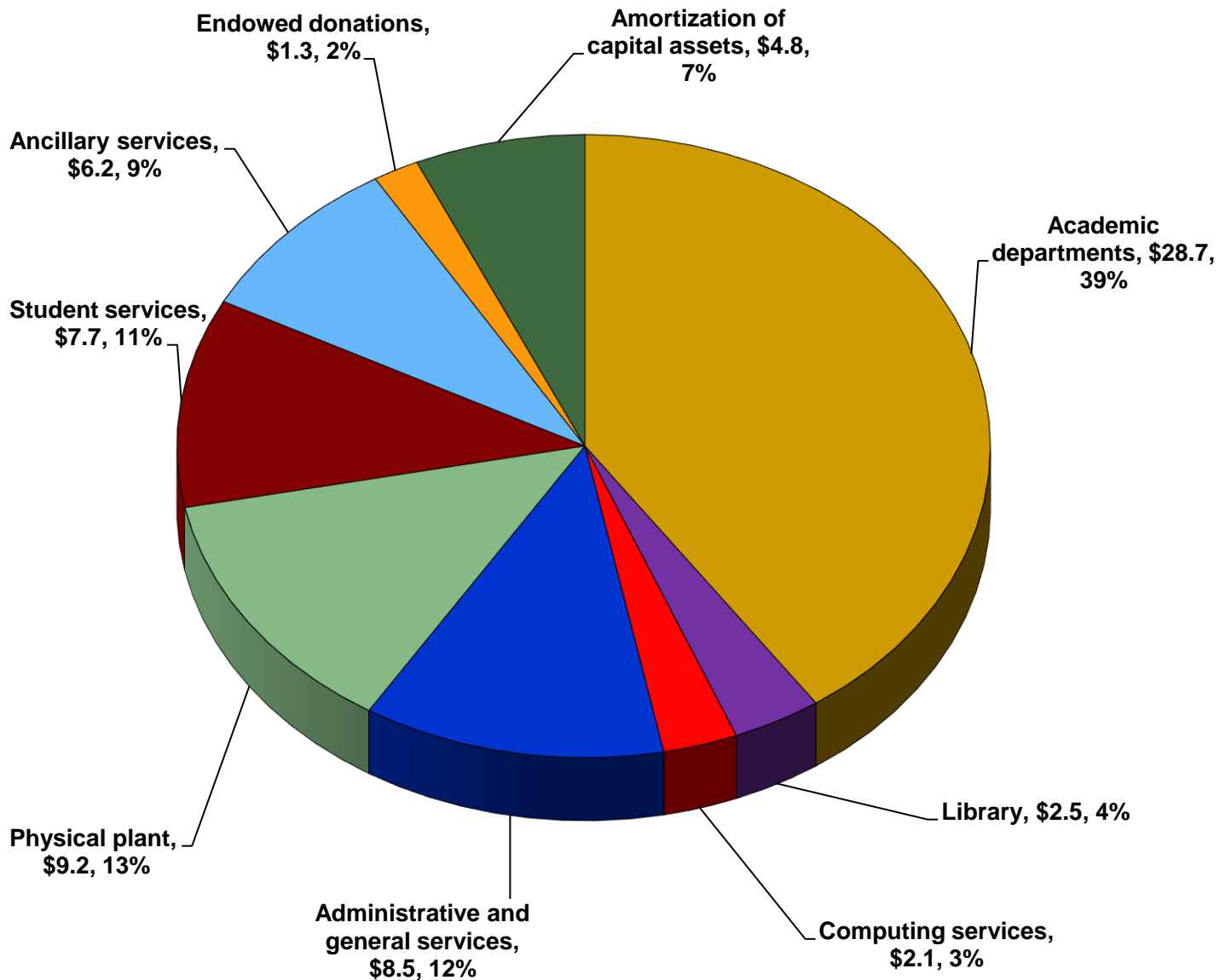
Revenue comes from four main sources: student payments for tuition, residence, meal plan and bookstore services; grants from the Provincial government, Federal government and other sources; gifts received as donations, bequests, and trust income; and investment income earned on operating cash balances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

In 2016-2017 new student enrolment was 641 compared to the three previous years of 709, 675 and 675. Tuition revenue was lower than budget due to less international students than budget.

Investment and other income was 19 per cent of total revenue compared to 7 per cent, 15 per cent and 16 per cent in prior years. The significant amount of investment income is due to a strong rate of return on the University's endowment funds. In 2015-2016, the income was lower due to a negative one year rate of return of 1.55 per cent on restricted and unrestricted endowments.

Total University Expenditures by Type

(chart 2)
(Millions)



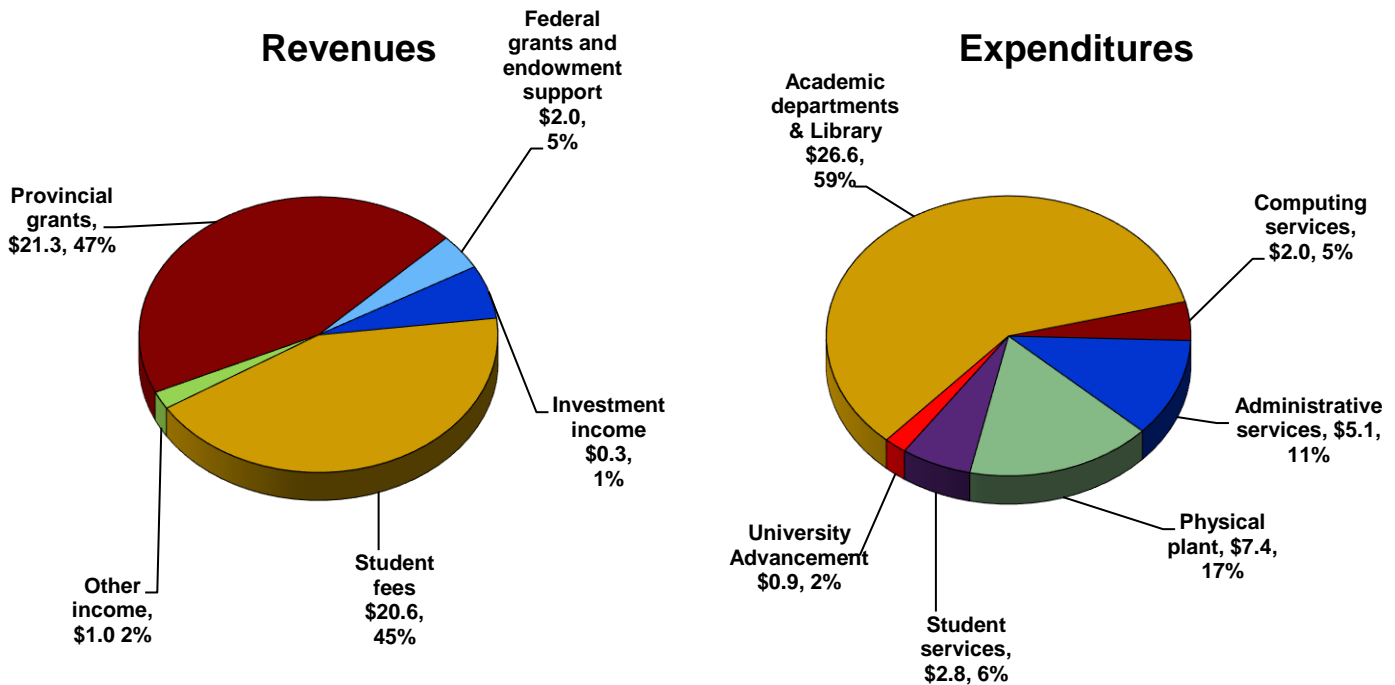
University spending, plus endowed donations added directly to endowment funds, was \$71 million in 2017 as compared to \$69.8 million in 2016.

The largest portion of expenditures was \$31.2 million (2016 - \$30 million) for academic departments and library which represent 43 per cent of University expenditures for the year ended 2017.

Salaries and other forms of compensation represent the largest type of expenditure, with utilities, dining plan costs, financial aid, facilities maintenance and improvements and information technology costs representing significant amounts.

General Operating Fund Revenue, Expenditures and Interfund Transfers

(chart 3)
(Millions)



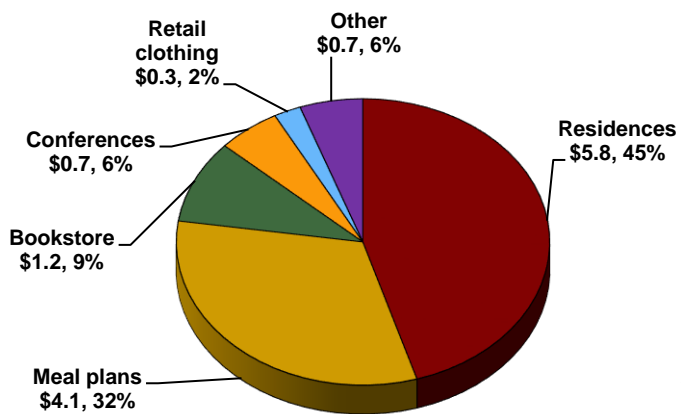
The largest portion of University financial resources, student tuition and Provincial Grants, make up 92 per cent of the revenue in the General Operating Fund. In fiscal 2017, Provincial funding for all universities in New Brunswick was frozen at the 2014-2015 level. The largest expenditure in this Fund is the direct cost of academic departments followed by physical plant and administrative costs.

Interfund transfers added to the General Operating Fund Revenue and Expenditures were \$1.4 million and included transfers arising from policy or the budget consisting of support for research activities, academic chairs, capital projects, University Advancement as well as an appropriation to support future capital equipment purchases

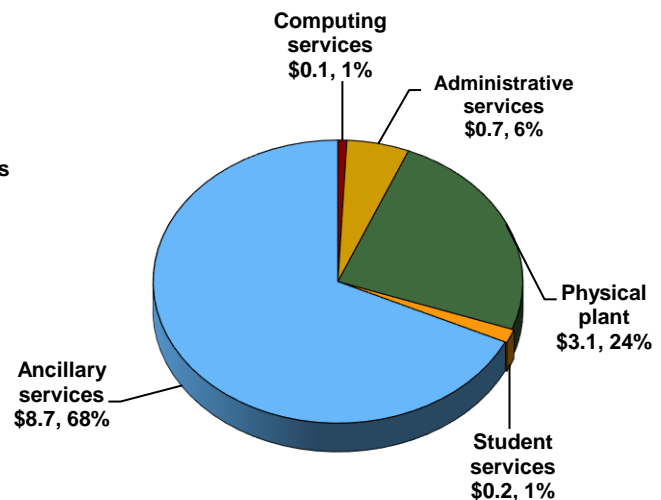
Ancillary Operating Fund Revenue, Expenditures and Interfund Transfers

(chart 4)
(Millions)

**Ancillary Revenue
(Millions)**



**Ancillary Expenses
(Millions)**



Ancillaries include the residence, dining, conference, bookstore and retail clothing operations. The residence and conference operation provided \$2.5 million to support residence and dining services upgrades, which was part of the University's long term residence and dining services capital budget.

At year end, the bookstore and retail clothing operations had a small surplus of \$27,000 which was used to offset the prior year's deficit and the remaining amount transferred to Operating to pay down an internal loan. Textbook and fine arts supply prices are set to ensure the bookstore covers its costs but does not generate any profits. Actual results can vary from budget based on the proportion of sales between new and used textbooks as well as the number of students. The retail clothing operation provides Mount Allison crested clothing and other merchandise to the University community and general public.

Part B

The University's strategic focus is based on six components which are discussed on the following pages using University financial data and comparative data from other Canadian universities. The last page of this document provides the sources of data in the charts on the following pages. The six components are as follows:

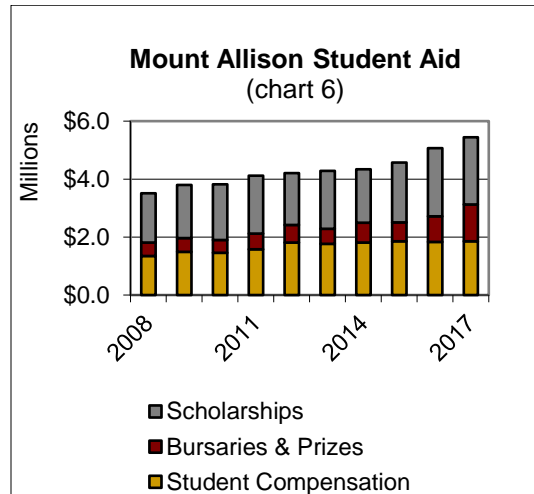
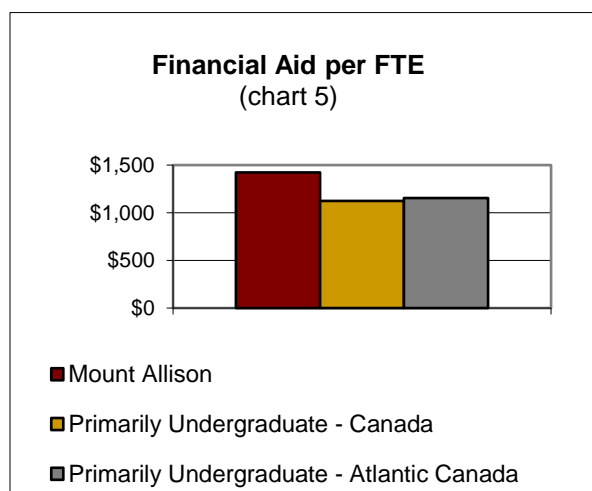
- **Student Recruitment and Retention:** the challenges and opportunities we face in attracting qualified students to Mount Allison;
- **The Academic Experience – Quality and Differentiation:** the challenges of maintaining an academic experience for Mount Allison students that is unique and of top quality;
- **The Extracurricular Experience – An Integrated Approach:** the opportunity to build on Mount Allison's legacy of extracurricular activity and link this dimension more closely to our core academic mission;
- **The Faculty Experience – Teaching and Research:** the challenges and opportunities involved in attracting and retaining high-quality faculty and assisting their professional success in a balanced teaching, research, and service environment;
- **People, Infrastructure, Budget, and Support:** the challenges in attracting and maintaining high-quality management and staff and ensuring a physical and technical environment that supports the Mount Allison experience; and
- **Accountability:** the challenge of establishing clear, transparent lines of accountability to demonstrate to ourselves and to our communities the extent to which we are attaining our mission and strategic objectives.

Student Recruitment and Retention

Recruiting and retaining exceptional students and meeting enrolment targets provides a foundation to create a sustainable operating environment.

The University is operating in a challenging student recruitment environment and is meeting those challenges by targeting new areas to recruit students, maintaining our presence in traditional markets and retaining a contingency fund to mitigate against unexpected enrolment declines. Maintaining a core number of students is important in achieving the University's goal of being the best primarily undergraduate university in Canada.

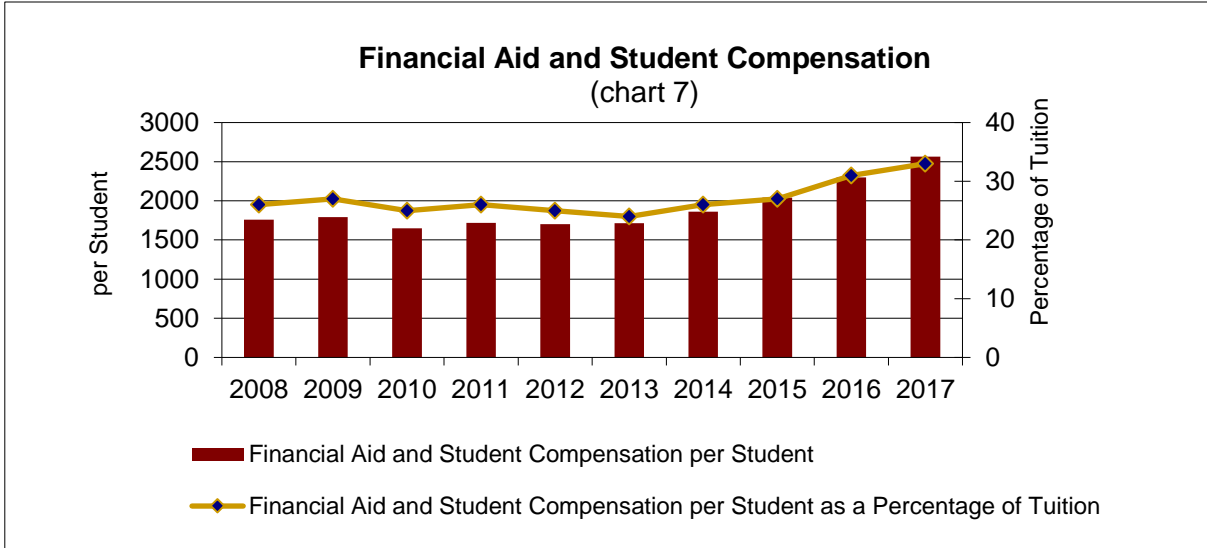
Recruiting and retaining qualified students requires significant financial aid and student employment resources. Mount Allison spends more on financial aid per full time student than the average primarily undergraduate university in Canada.



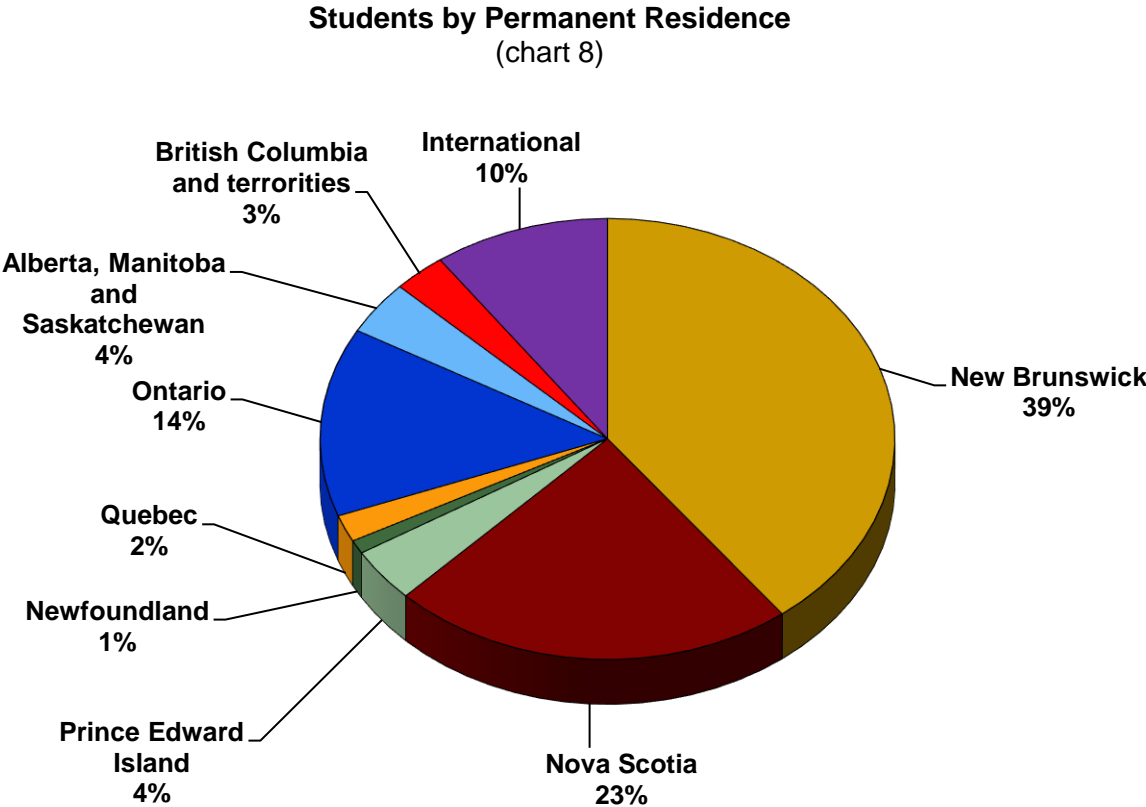
Expenditures on scholarships, bursaries, prizes and student compensation have consistently increased over the past ten years. Financial aid spending represents the largest budget item in the endowment fund budget. The University spent over \$5.4 million in fiscal 2017 in financial aid and student compensation.

Financial aid and student compensation as a percentage of tuition has remained consistently around 25% over the past ten years and was, on average, over \$2,500 (33 per cent) per student for the 2017 fiscal year. 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 53 Rhodes Scholars, Mount Allison holds one of the best records amongst Canadian Universities.

Mount Allison ranks 3rd amongst primarily undergraduate universities for the number of students who have won national awards and 5th for the proportion of entering students with grades of 90 per cent or higher as per Maclean's.



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 44 other countries. This geographic mix has been stable for a number of years and helps enliven the Mount Allison student experience.



The Academic Experience

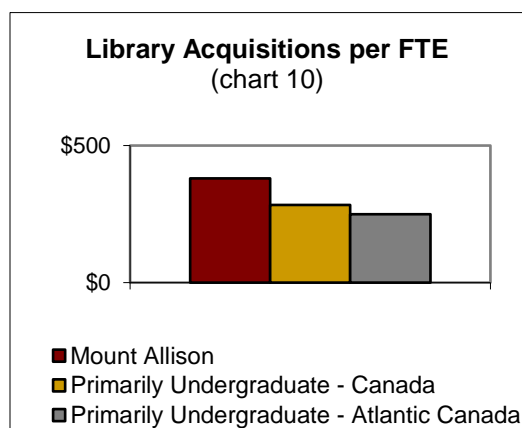
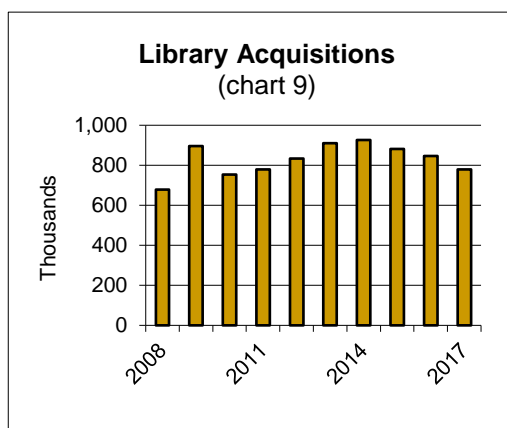
In addition to providing a low student faculty ratio, financial resources are allocated to promote a unique and high quality academic experience.

The University is able to provide a high quality educational experience due to the low student faculty ratio and the high proportion of full time faculty. Mount Allison has the seventh lowest student faculty ratio of any Canadian university for third and fourth year classes, as reported by Maclean's magazine in its 2016 University rankings, at 17.7. This is an important time when students begin specializing in their chosen fields. The University's overall student faculty ratio is lower than the average for both all Canadian universities and for primarily undergraduate universities.

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

- The University provides students with academic opportunities through summer research fellowships, courses delivered in foreign countries, exchange programs with other universities and field trips to various locations.
- The University funds approximately 50 summer independent student research grants each year.
- Many departments employ students as lab assistants and tutors.
- Many students complete honours programs mentored by faculty members. Over the past number of years approximately 25 per cent of graduates completed honours programs.
- There are many student music and theatre productions on campus each year, where students perform both on stage and behind the scenes, including lighting, set development, costumes, and much more.

University spending on library acquisitions is significant with the amount spent per full-time equivalent student exceeding the average spending by primarily undergraduate universities in Canada.



The Extracurricular Experience

Build on Mount Allison's extracurricular legacy and link this dimension more closely to the core academic mission.

The University 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.

Extracurricular activities 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. The students also have opportunities such as participating in the Mansbridge Summit which is led by the University's Chancellor Peter Mansbridge. This event creates a unique environment for collaborative work and inspired thinking – providing an enriching academic experience.

The University's annual President's Speaker Series provides an opportunity for students to explore a particular theme through lectures and discussions with internationally renowned figures. The most recent series, Year of Indigenous Knowing, included Joseph Boyden; Anishnaabe author of award-winning novels; Dr. Marie Battiste, Indigenous academic, Department of Educational Foundations, University of Saskatchewan; Francyne Joe, Interim President of the Native Women's Association of Canada and Lee Maracle, poet, novelist, essayist and instructor at the University of Toronto Centre for Indigenous Studies. The series for 2017-2018 will be the Year of Indigenous Action.

Other activities focused on the extracurricular experience are, as follows:

- 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 Almost 100 active student societies in 2017
 - 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 130 intramural sports teams in 12 sports involving close to 1,200 students. Sports included individual sports such as tennis and golf and team sports such as soccer, volleyball, basketball, hockey, curling, softball and dodgeball.
 - o Seven club sports including rugby, cross country, lacrosse, curling, varsity dance and ultimate frisbee.
 - o Six Canadian Interuniversity Sports teams with 54 students obtaining CIS academic all-Canadians awards, an increase of 13 students from the prior year.
- Employment, Internship and Related Opportunities
 - o Close to 100,000 hours of direct student employment
 - o Leadership opportunities as Assistant Dons and Residence Assistants
 - o Introduction of six new internships in September 2016

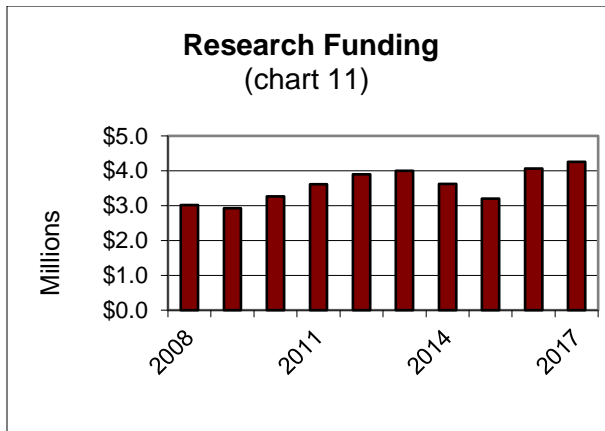
The Faculty Experience

Attract and retain high quality faculty and assist in their professional success in a balanced teaching, research and service environment.

Teaching excellence is supported by the University's Purdy Crawford Teaching Centre and recognized through a number of faculty awards and prizes locally, regionally and nationally.

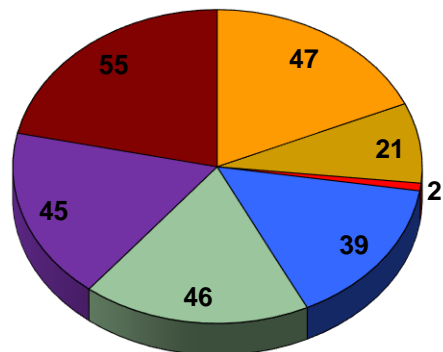
The University supports research activities by providing the necessary physical infrastructure, information technology systems and administrative processes. In 2018, Mount Allison University will be home to a world-class research facility for environmental science. The facility will consolidate research for 15 scientists whose work focuses on environmental and life sciences, as well as their students and collaborators. The funding was announced in fiscal 2017 by the federal and provincial governments through the Strategic Investment Fund (SIF) Program.

Over the past three years the University has averaged over \$3.8 million of research funding. This funding also provides students with opportunities to work with faculty on various research projects.



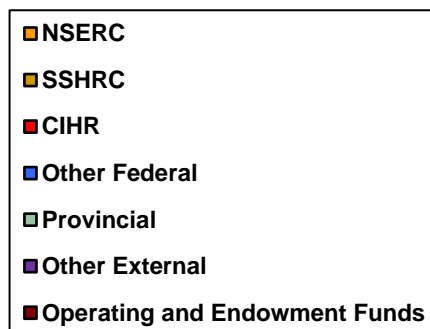
- The University provided \$399,000 to support individual professional development grants for each full time faculty member.
- Research funding was used to support over \$495,000 in student research summer fellowships and wages.

Number of Grants (chart 12)



The University receives research grant and contract funding from a variety of sources and for many different projects.

- The University administered 255 research grants in fiscal 2017.
- The largest source of funding by dollars is NSERC which provides science-related research grants.



People, Infrastructure, Budget, and Support

Attract and maintain high quality administrative staff and ensure a physical and technical environment that supports the Mount Allison experience.

The University is working towards an operating environment that is sustainable and provides for intergenerational equity. This means that the University must provide processes and facilities that consider social, ecological and economic priorities and balance the needs of current and future students and faculty.

This will be accomplished, in part, by the University's ongoing financial sustainability project that will aid resource allocation and identify financial opportunities.

People

Salaries and benefits are the most significant University cost. The University encourages and supports opportunities for personal, professional, leadership, and performance development and improvement.

As compared to other universities Mount Allison is exposed to few post retirement liability risks and has fully funded non pension liabilities.

Facilities

The University completed a number of facilities projects including the extensive renovation of Thornton House residence, Alumni Field infrastructure improvements, Athletic Centre exterior, Conservatory window replacement as well as campus utility tunnel upgrades. The Centre for Environmental Innovation will see the renovation of two existing facilities on campus to establish a world-class facility with a focus on environmental science. The Centre will be housed in the existing Gairdner Building, located at the heart of Mount Allison's campus. The renovated facility will allow for increased research collaboration and facilitate the study of the effects of changing climate and pollutants on marine and freshwater eco-systems. Student labs are also being upgraded in the Barclay Chemistry building.

In order to sustain its facilities, a university must spend at least two per cent of their 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. Mount Allison University is one of the few universities with a budget policy that sets out minimum spending on facility upkeep.

Budget

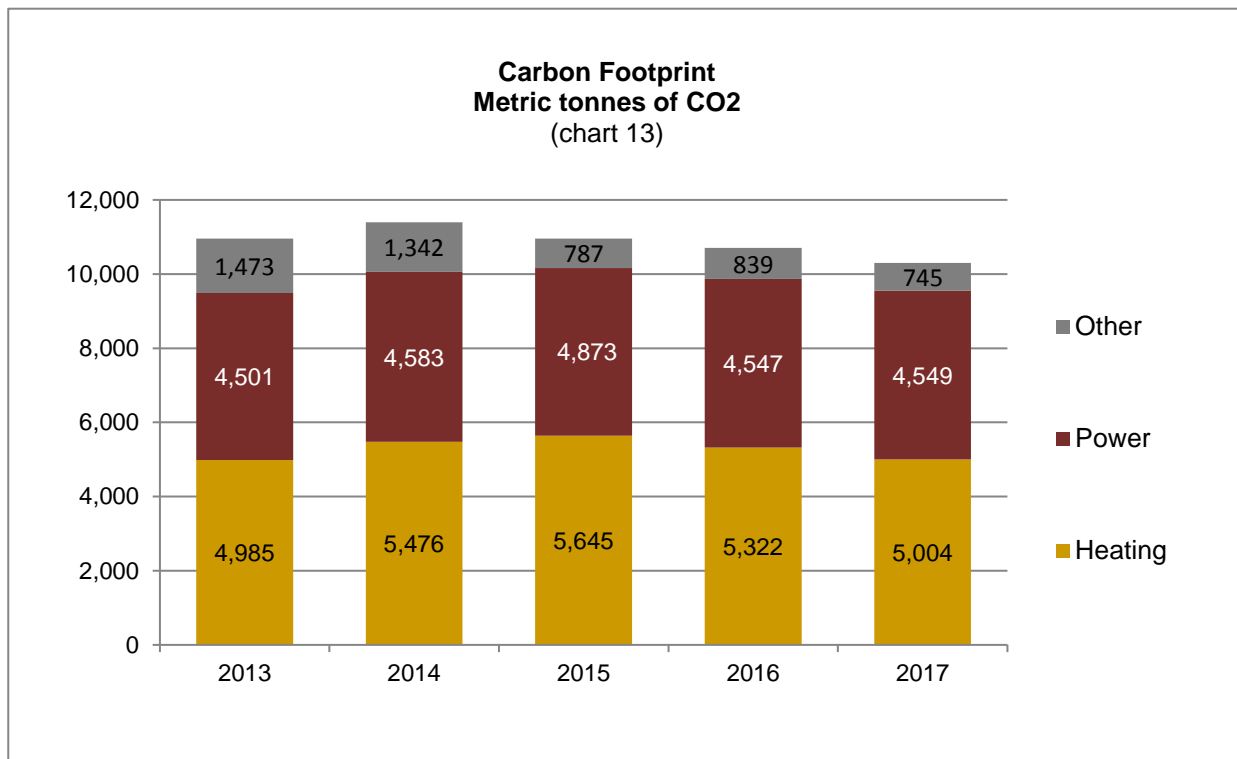
The University has maintained balanced budgets over at least the last 15 years and integrates annual operating budgets with long term capital and equipment budgets. The University uses its own cashflows to fund major construction projects and has been able to avoid using external debt for over 15 years. As of April 30, 2017 the University had no external debt.

Infrastructural Support

Mount Allison is consistently looking for opportunities to improve the quality of services provided, and the management of human and physical resources.

Carbon Footprint

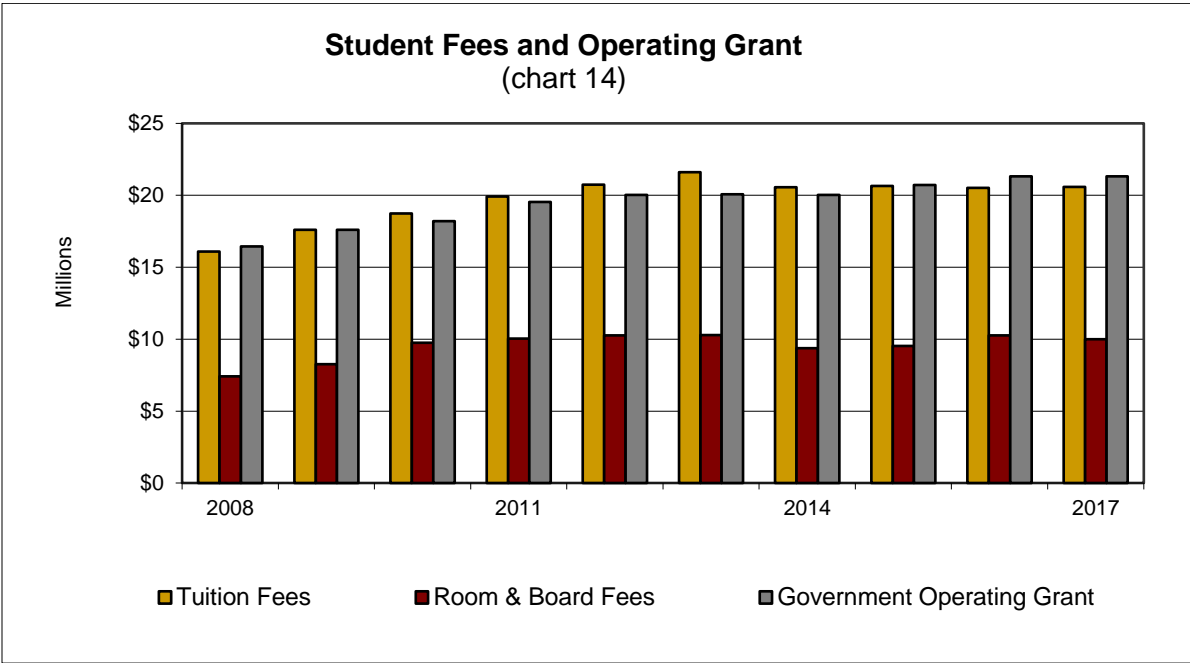
The University's carbon footprint is estimated at a total of 10,300 metric tons for the one year period ended April 30, 2017. The chart below breaks out the major sources of the University's carbon emissions by fiscal year.



Accountability

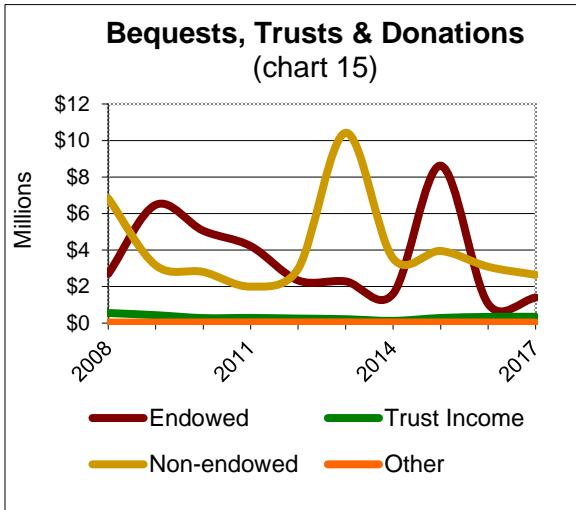
Establish clear, transparent lines of accountability to demonstrate the extent to which the University attains its mission and strategic objective.

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. Throughout the year, the President and senior administrators visited numerous cities across Canada and the United States to meet with alumni and other stakeholders. Many staff and faculty are also involved in various groups such as Universities Canada, Canadian Association of University Business Officers and the Association of Atlantic Universities.



The University receives expendable and endowed funds from a variety of stakeholders. The primary sources of University revenue are fees from students for tuition and residence and Provincial grants. Tuition fees, residence and board fees have increased modestly over the past few years and the base Provincial operating grants for all New Brunswick universities has remained the same over the previous two fiscal years.

The spending allocation supported from endowed funds has increased every year and has allowed the University to spend more on its academic mission, including financial aid.

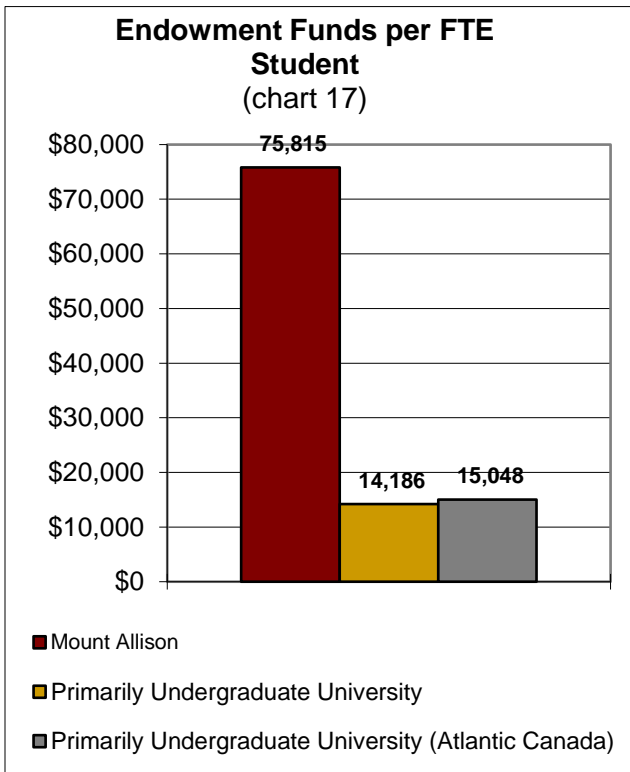
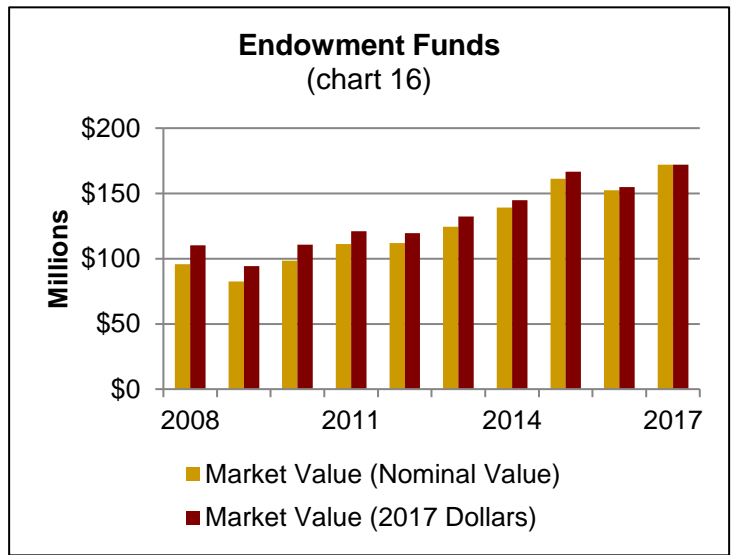


The third and fourth largest sources of revenue are donations and investment income.

Endowment donations exceeded \$1.3 million in fiscal 2017. These donations support current and future generations of students and faculty.

The University's Endowment Fund experienced a 12 per cent return for the year ended March 31, 2017 and had a top quartile five year return compared to Canadian university endowments for the 2016 calendar year.

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 with the same benefits in the future as they currently receive.



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. 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.

Charts – Sources of Data

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