



REVIEW OF OPERATIONS (Unaudited) April 30, 2018



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, 2018, 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 \$6,000 unrestricted net deficit, an improvement of \$6,000, from the prior year's net deficit balance of \$12,000.

Tuition, other student fees and government grants continue to be the predominant source of revenue, both of which are under significant pressure due in part to competition from other universities to recruit students and the financial health of the province of New Brunswick with its ability to provide support to all New Brunswick universities.

Total revenues of the University decreased by 7.5 per cent in 2018, from \$78.8 million to \$73.3 million, the largest part of this decrease is due to a \$6.2 million decrease in recognized investment income. Revenue from investment income can fluctuate based on market returns.

Total expenses remained relatively unchanged from the prior year from \$69.8 million to \$70.9 million.

Operating Fund

The largest fund is the General Operating Fund that accounts for the academic, administrative and other operating activities associated with the primary teaching and research function of the University. In fiscal 2018, the General Operating Fund had revenues of \$43.8 million and had an \$835,000 deficiency that was funded by the University's contingency fund. This deficiency was due to actual tuition revenue being lower than budget.

Ancillary Fund

The second largest fund is the Ancillary Fund that 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 \$2.7 million to support residences; primarily Thornton House and Windsor Hall. 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, \$8.8 million of donations and bequests were received of which \$6.7 million has been endowed to provide support to current and future generations of students and faculty. The Endowment Fund's investments returned 7 per cent for the year ended March 31, 2018 and will provide over \$7.9 million of support in the upcoming year.

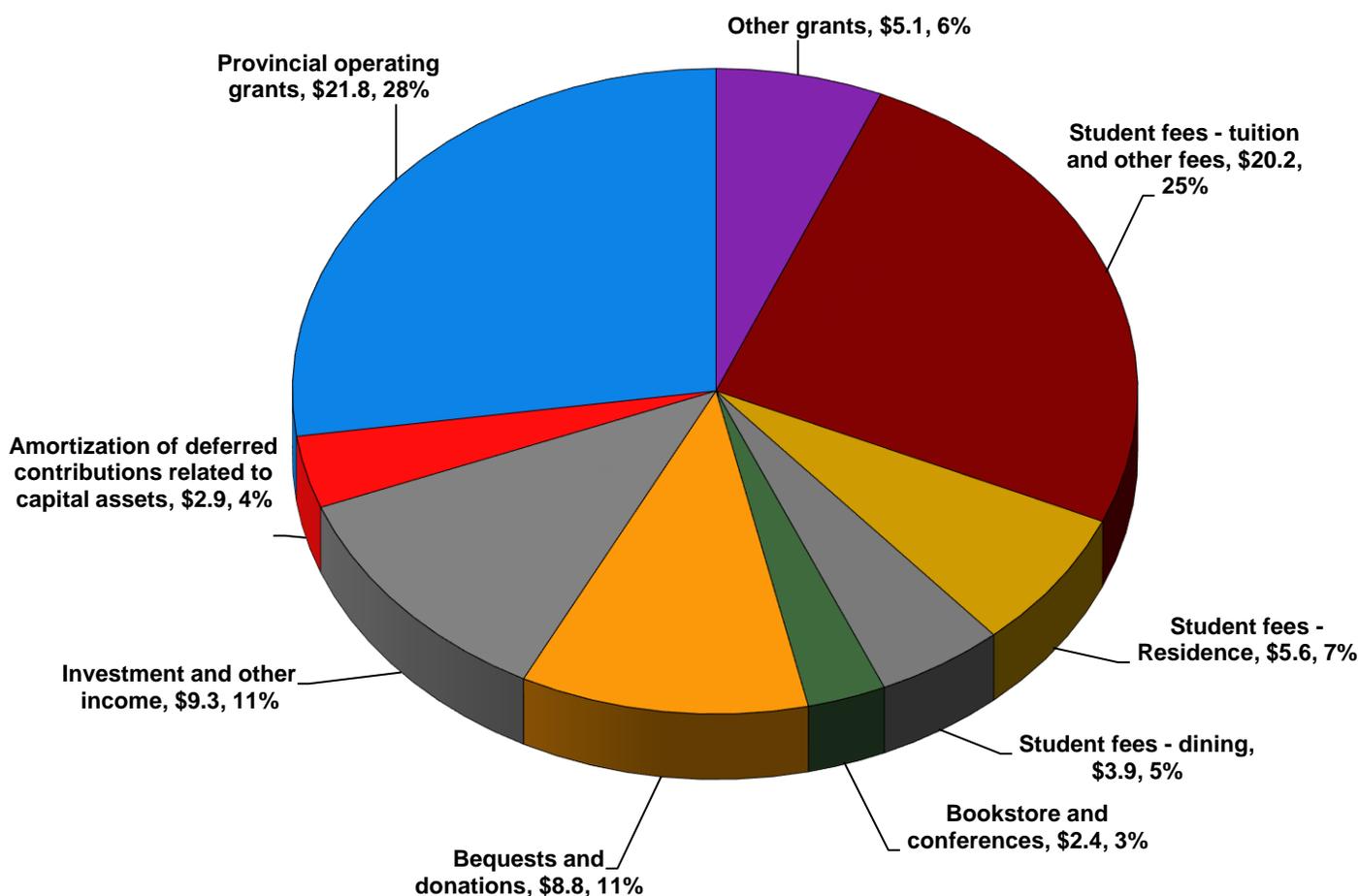
Based on December 31, 2017 data from the annual Canadian Association of University Business Officers "University Investment Survey", the University has the largest endowment per student in Canada of those universities not federated with another institution and the 23rd largest overall endowment of all Canadian Universities. Based on the same source, the fund achieved a top decile ten year investment return result amongst 72 universities.

Assets, Deferred Contributions and Liabilities

The University ended the financial year with assets of \$331 million, liabilities and deferred contributions of \$94 million and net assets of \$237 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)



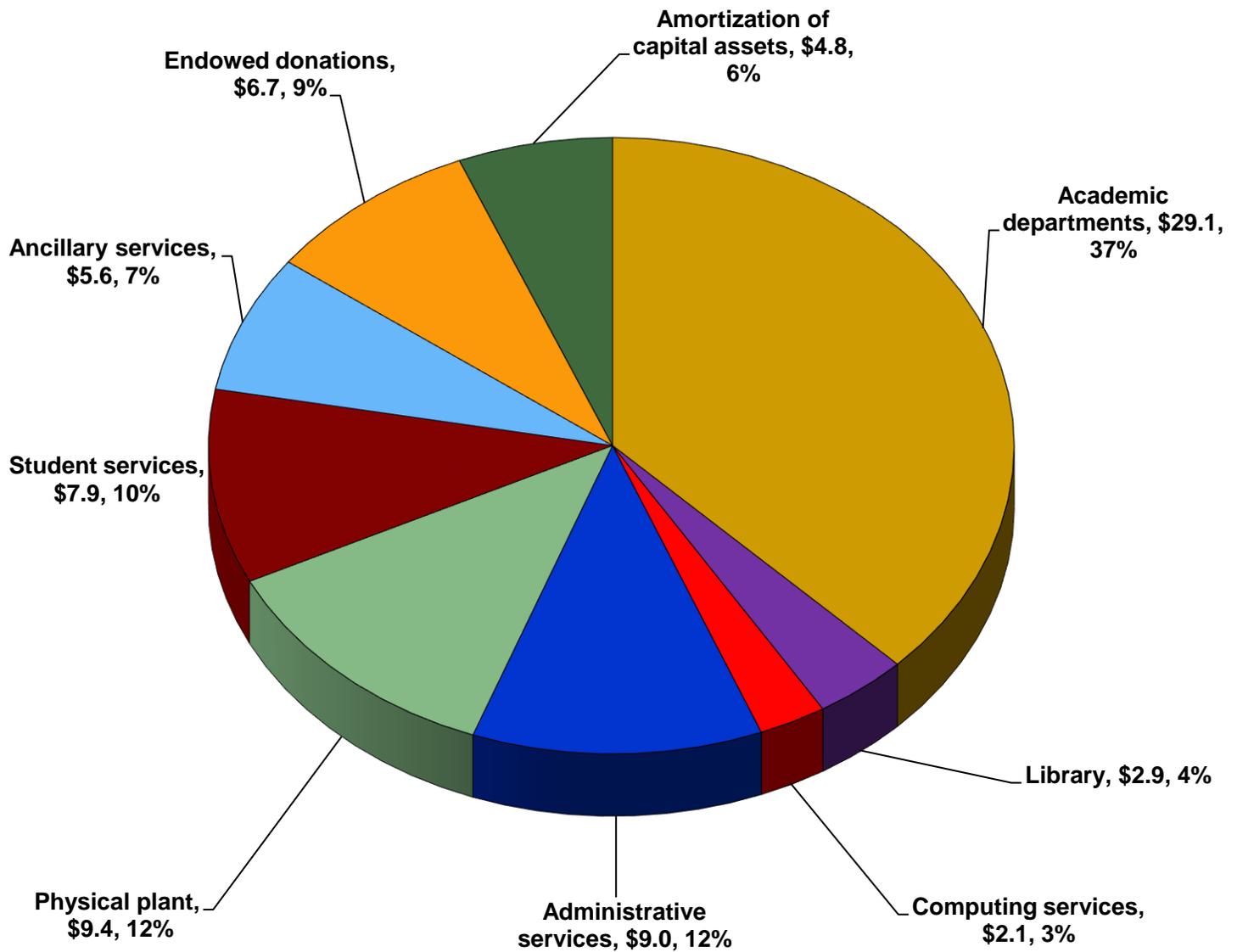
Revenue comes from four main sources: student payments for tuition, residence, meal plan and bookstore services; grants from the Provincial government, Federal government and other sources; gifts received as donations, bequests, and trust income; and investment income earned on operating cash balances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

In 2017-2018 actual new student enrolment was 600 compared to the three previous years of 641, 709 and 675. Tuition revenue was budgeted based on an entering class of 700 students. A deficit of \$835,000, funded by a drawdown from the University's contingency fund, resulted from this difference between budgeted and actual students.

Investment and other income was 11 per cent of total revenue compared to 19 per cent, 7 per cent and 15 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.

Total University Expenditures by Type

(chart 2)
(Millions)



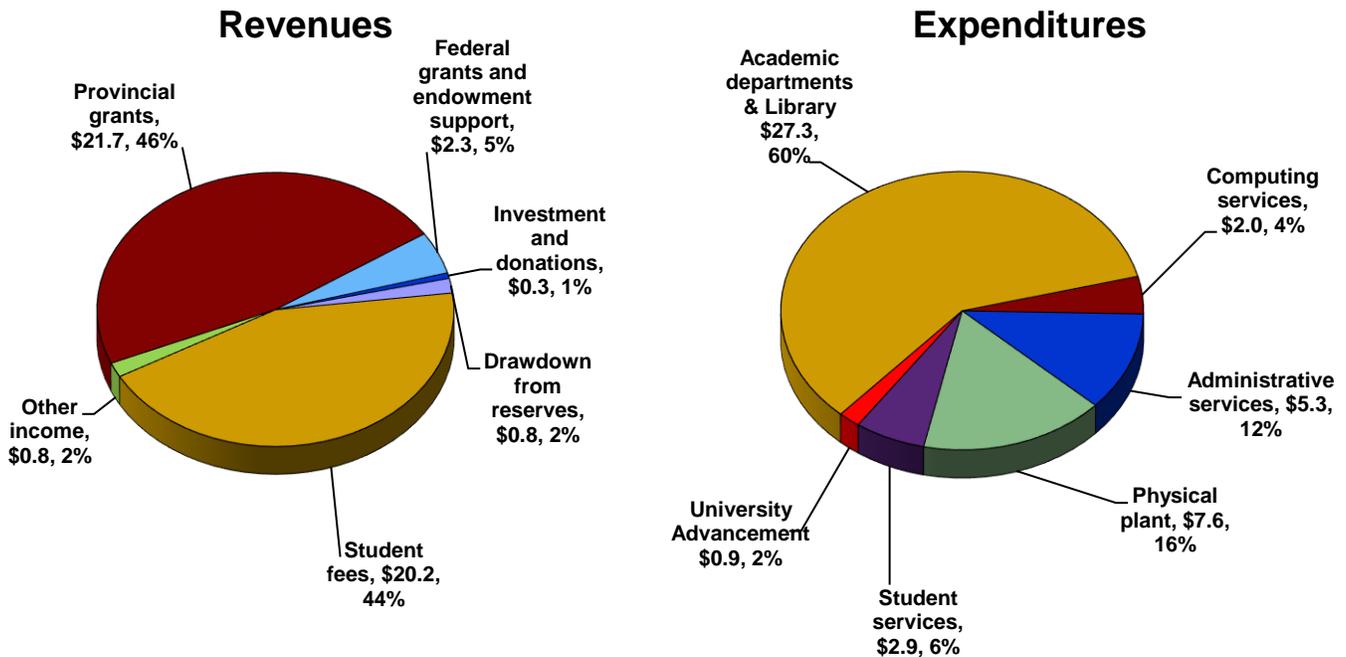
University spending, plus endowed donations added directly to endowment funds, was \$77.6 million in 2018 as compared to \$71 million in 2017.

The largest portion of expenditures was \$32 million (2017 - \$31.2 million) for academic departments and library which represent 41 per cent of University expenditures for the year ended 2018.

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 90 per cent of the revenue in the General Operating Fund. In fiscal 2018, the operating grant provided to universities by the New Brunswick government increased by one per cent. The largest expenditure in this Fund is the direct cost of academic departments followed by physical plant and administrative costs.

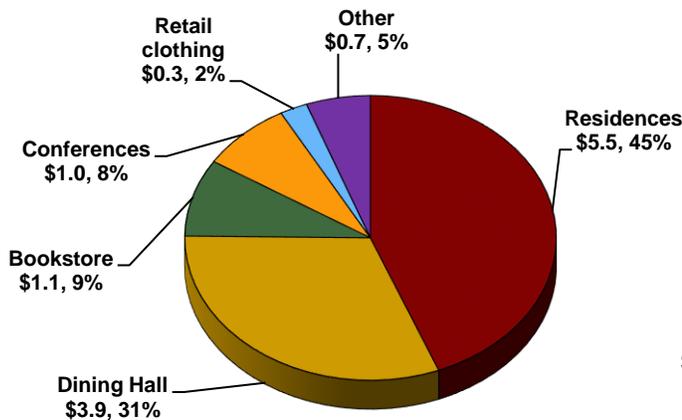
Interfund transfers added to the General Operating Fund Revenue and Expenditures were \$0.7 million and included transfers arising from policy or the budget consisting of support for research activities, academic chairs, capital projects and University Advancement.

The University used \$835,000 of its \$1.5 million contingency fund at year end to offset a shortfall in tuition revenue as compared to budget. The University's contingency fund mitigates the impact of emergencies and / or short term unexpected fluctuations in revenue.

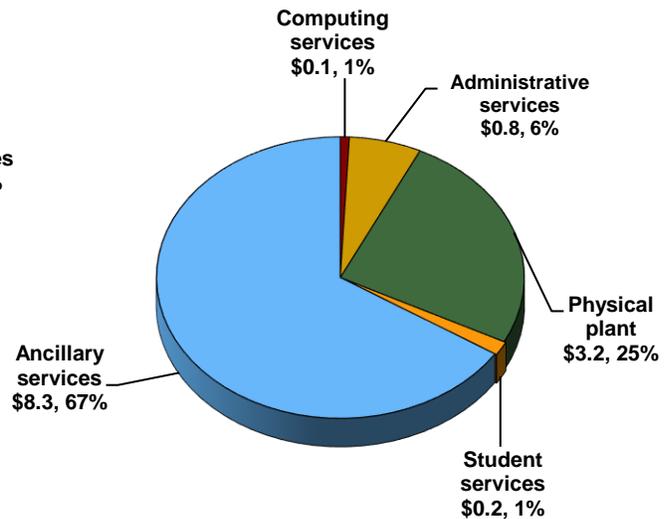
Ancillary Operating Fund Revenue, Expenditures and Interfund Transfers

(chart 4)
(Millions)

**Ancillary Revenue
(Millions)**



**Ancillary Expenses
(Millions)**



Ancillary operations include the residence, dining, conference, bookstore and retail clothing operations. The residence and conference operation provided \$2.7 million to support residence and dining services upgrades, which was part of the University's long term capital budget.

At year end, the bookstore and retail clothing operations had a surplus of \$61,000 which was 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 focuses on the six key areas listed below and compares its results to goals set, prior years and comparative data from other Canadian universities.

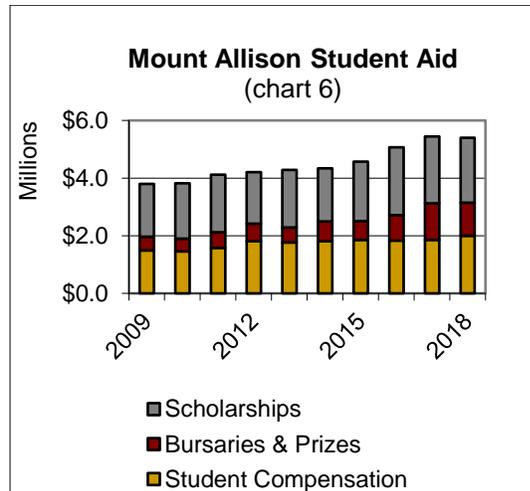
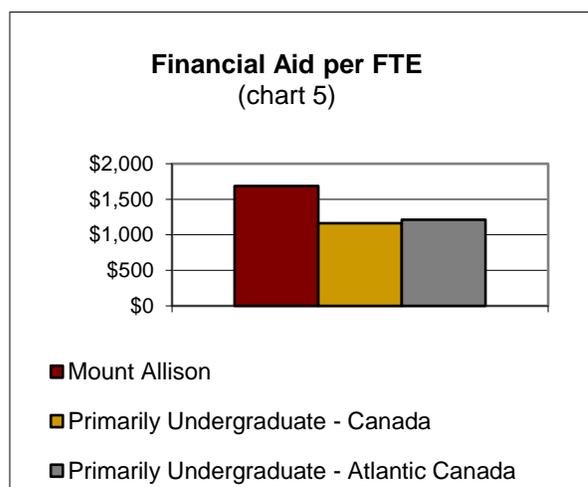
- **Student Recruitment and Retention:** the challenges and opportunities we face in attracting qualified students to Mount Allison;
- **The Academic Experience – Quality and Differentiation:** the challenges of maintaining an academic experience for Mount Allison students that is unique and of top quality;
- **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 tackling those challenges by targeting new areas to recruit students, maintaining our presence in traditional markets, supporting access to Mount Allison for under-represented groups 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.

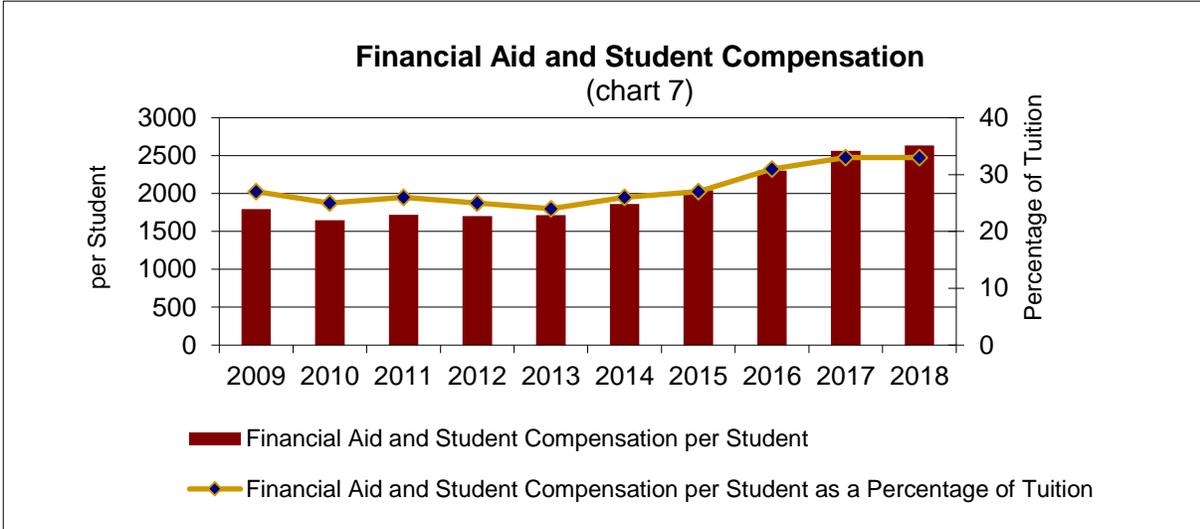
Recruiting and retaining qualified students requires significant financial aid and student employment resources. Mount Allison spends more on financial aid per full time student than the average primarily undergraduate university in Canada.



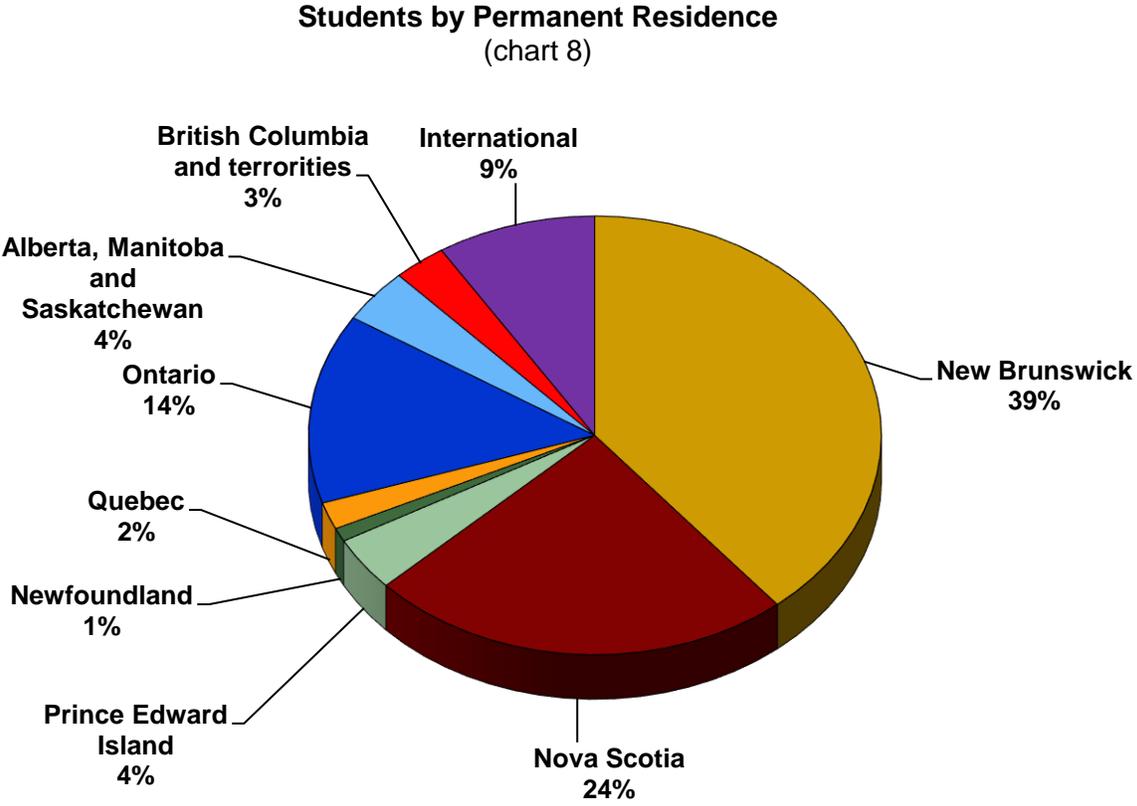
Financial aid spending represents the largest budget item in the endowment fund budget. The University spent over \$5.4 million in fiscal 2018 in financial aid and student compensation, down slightly from the prior year due to less students.

Financial aid and student compensation as a percentage of tuition was 33% in 2018 and averaged 28% over the past ten years. In that ten years, the amount has risen from \$1,800 per student to \$2,600 per student. 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 3rd for the proportion of entering students with grades of 95 per cent or higher as per Maclean's magazine.



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



The Academic Experience

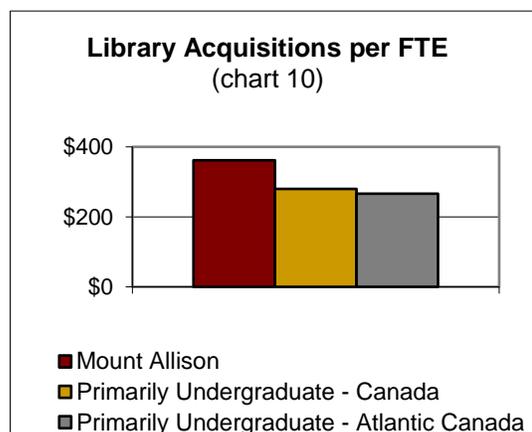
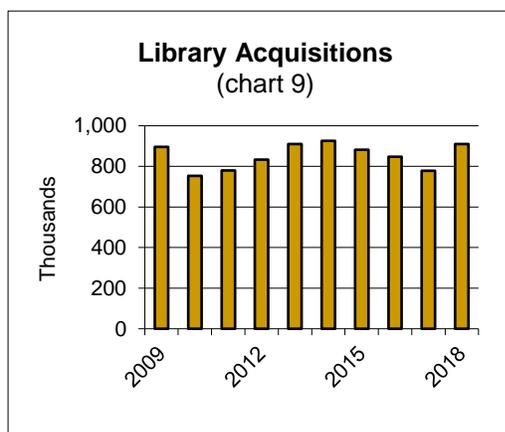
In addition to providing a low student faculty ratio, financial resources are allocated to promote a unique and high quality academic experience.

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 2018 University rankings, at 17.1. 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 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 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.
- The University funds approximately 60 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 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 Action, included Dr. Niigaanwewidam James Sinclair, faculty member in the Native Studies Department at University of Manitoba and commentator on Indigenous issues; Ian Campeau, founding member of A Tribe Called Red; National Chief Perry Bellegarde, Assembly of First Nations; Albert Marshall, Elder of the Mi'kmaw Nation; Roberta Jamieson, President and CEO, Indspire and Naomi Metallic, Chancellor's Chair in Aboriginal Law and Policy, Schulich School of Law, Dalhousie University. The series for 2018-2019 will be the Year of Public Engagement and Innovation.

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 Over 100 active student societies in 2018
 - 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 66 intramural sports teams in 8 sports involving close to 800 students. Sports include individual sports such as golf and team sports such as soccer, basketball, hockey, softball and dodgeball.
 - o Seven club sports including rugby, cross country, lacrosse, curling, varsity dance and ultimate frisbee.
 - o Six Canadian U SPORTS teams (football/ women's soccer/ men's soccer/ women's hockey/ men's & women's swimming) with 53 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 and Residence Assistants

The Faculty Experience

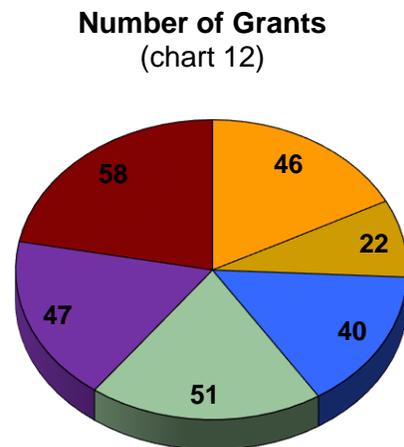
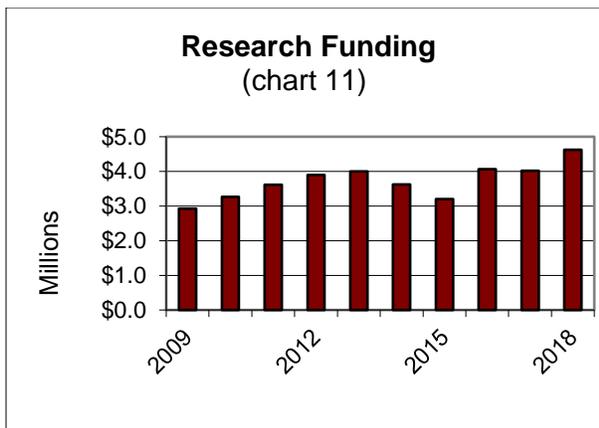
Attract and retain high quality faculty and assist in their professional success in a balanced teaching, research and service environment.

Teaching excellence is supported by the University’s Purdy Crawford Teaching and Learning Centre and recognized through a number of faculty awards 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 commissioned a totally renovated research facility for environmental science. The facility will support research for scientists whose work focuses on environmental and life sciences, as well as their students and collaborators. Funding for this project was announced in fiscal 2017 by the federal and provincial governments through the Strategic Investment Fund (SIF) Program.

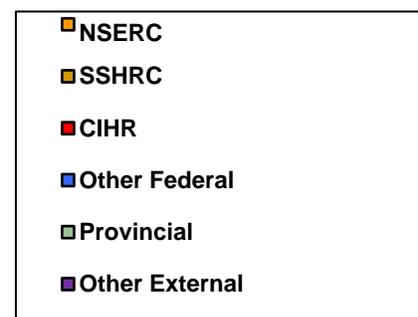
Over the past three years the University has averaged over \$4.2 million of research funding per year. This funding provides students with opportunities to work with faculty on various research projects.

- The University provided \$455,000 to support faculty members and instructors with professional development grants.
- Research funding was used to support over \$583,000 in student fellowships .



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

- The University administered 264 research grants in fiscal 2018.
- 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.

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 updating our chemistry and bio-chemistry facilities as well as converting an existing building into an environmental science facility. Renovation of the largest residence, Windsor Hall, is underway.

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.

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, 2018 the University had no external debt.

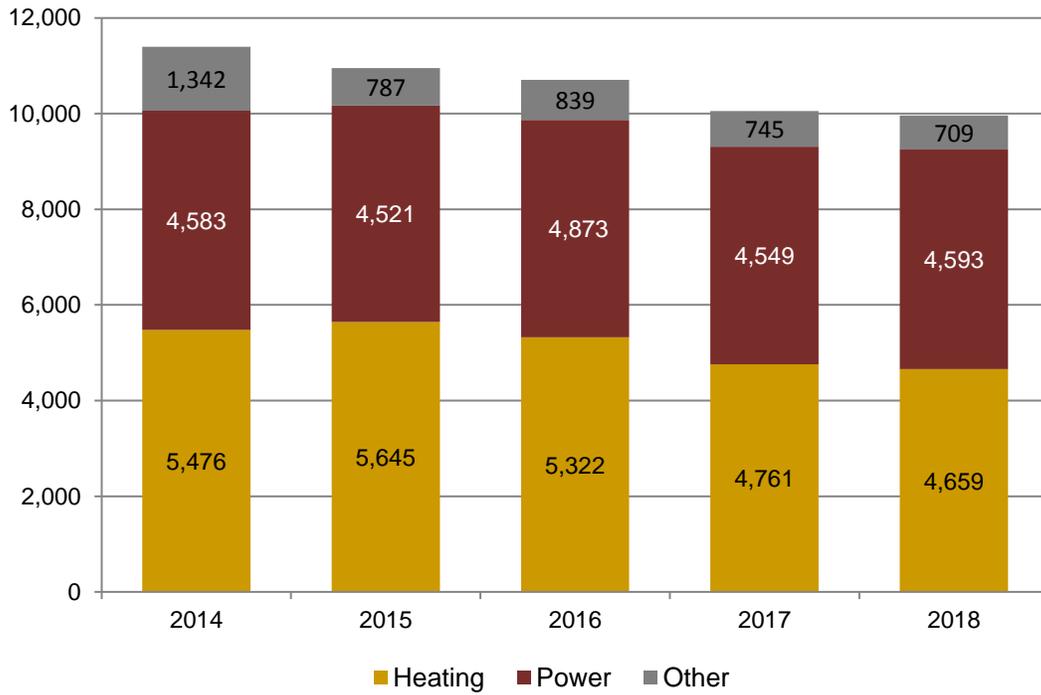
Infrastructural Support

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 9,961 metric tons for the year ended April 30, 2018, decreasing each year since 2014. The chart below breaks out the major sources of the University's carbon emissions by fiscal year.

Carbon Footprint
Metric tonnes of CO2
(chart 13)

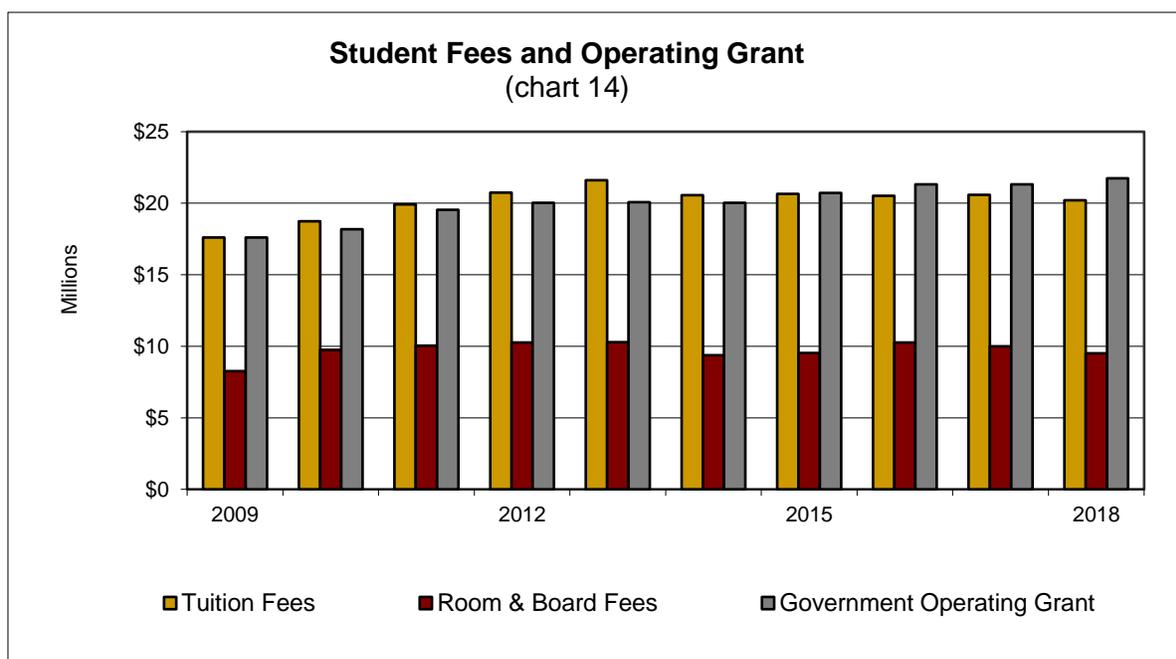


Accountability

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

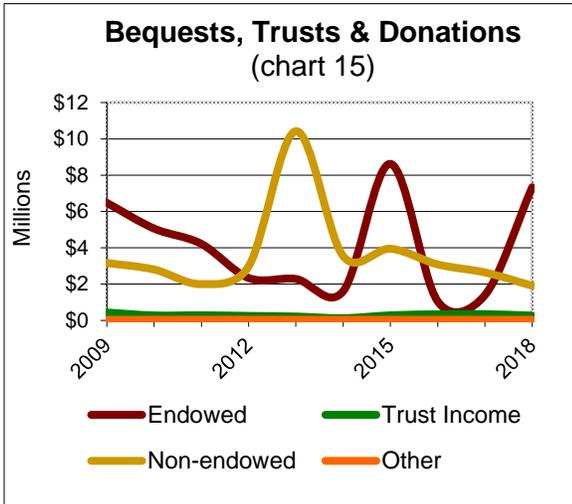
The University President and senior administrators met regularly with officials at all levels of government concerning issues related to Mount Allison and post-secondary education. During the year the University signed a memorandum of understanding with the New Brunswick government which documents parameters around tuition increases and government funding. University officials also appeared before a committee of the provincial legislature to discuss matters of mutual interest.

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 increased by one per cent.

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.

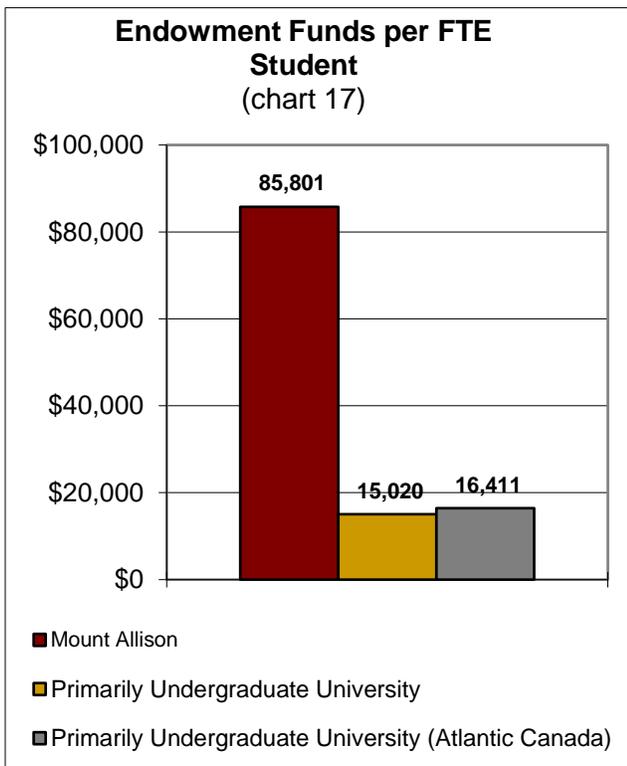
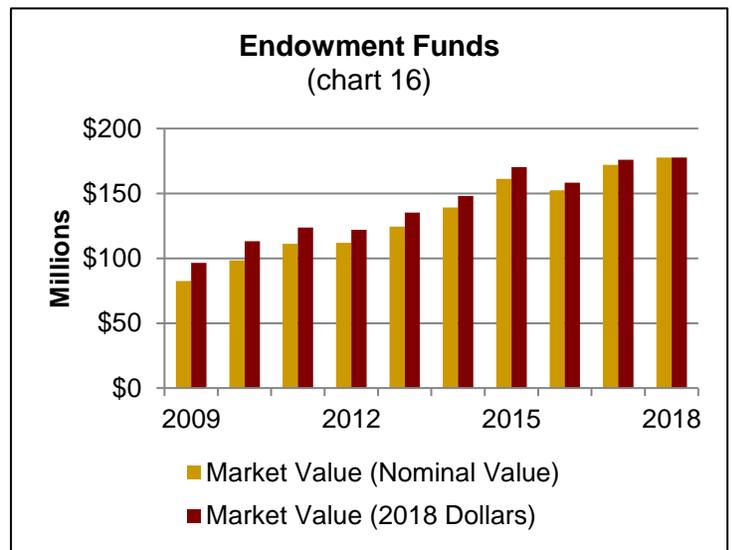


The third and fourth largest sources of revenue are investment income and donations.

Endowment donations exceeded \$6.7 million in fiscal 2018. These donations support current and future generations of students and faculty.

The University's Endowment Fund experienced a 7 per cent return for the year ended March 31, 2018 and had a top decile ten-year return compared to other Canadian university endowments for the 2017 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 in the future with the same benefits that current students and faculty 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, reaching over \$85,000 for the first time as of December 31, 2017. 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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