

REVIEW OF OPERATIONS
(Unaudited)
April 30, 2008



Mount Allison
UNIVERSITY

Introduction

The 2007/2008 fiscal year budget planned spending \$35.6 million from the General Operating Fund, \$10 million from the Ancillary Operating Fund and \$4.38 million from the Endowment Fund. These amounts represent \$2 million and \$500,000 increases in budgeted General Operating and Endowment Funds spending respectively. There was no increase in budgeted Ancillary Operating Fund spending as compared to the prior year. These amounts do not include resources in the Research, Special Purpose and Special Programme Operating funds.

In order to support this spending, tuition was increased by 4.9%. The Provincial Operating Grant increased by 3.4% less adjustments for a lower enrollment. Residence fees increased 3% but were offset by a decline in budgeted occupancy as compared to the prior year.

The original budget was based on 1,968 students paying full time tuition totaling \$14.4 million, but we exceeded this target by \$196,000 or the equivalent of 30 students. The University's enrollment target is at least 2,275 students paying full time tuition fees with approximately half of those students living in University residences.

The University approved a balanced budget for fiscal 2008. The largest increase in expenditures concerned academic salaries followed by alterations, renovations and equipment budgets. These non-salary budget increases were supported by funds appropriated from the prior fiscal year.

As of year end \$504,381 was appropriated from the General Operating Fund to support the fiscal 2009 General Operating Fund alteration and renovation budget. At year end the General Operating Fund disclosed an annual internally restricted deficit for the year of \$264,031 related to future pension benefits.

The University ended the financial year with assets of \$190,888,645, liabilities and deferred contributions of \$68,254,497 and net assets of \$122,634,148. Net assets consist of \$95,846,220 related to endowment funds, \$24,274,842 to fund capital asset amortization, \$3,326,636 appropriated for special purpose and research funds, \$97,675 of unrestricted assets, less a deficit related to future pension benefits of \$911,225.

Construction on the University's new Student Centre was ongoing during the year while improvements to Brunton Auditorium were completed along with other smaller projects.

The General Endowment Fund and Bell Endowment Fund one year rates of return were lower than the prior year. The rates of return for the years ended March 31st in 2008 and 2007 were -3.26% and 10.7% for the General Endowment Fund and -7.9% and 9.5% for the Bell Endowment Fund. The one year rate of return after fees on the University's non-endowed funds was 4.52% as compared to the benchmark return of 4.63%.

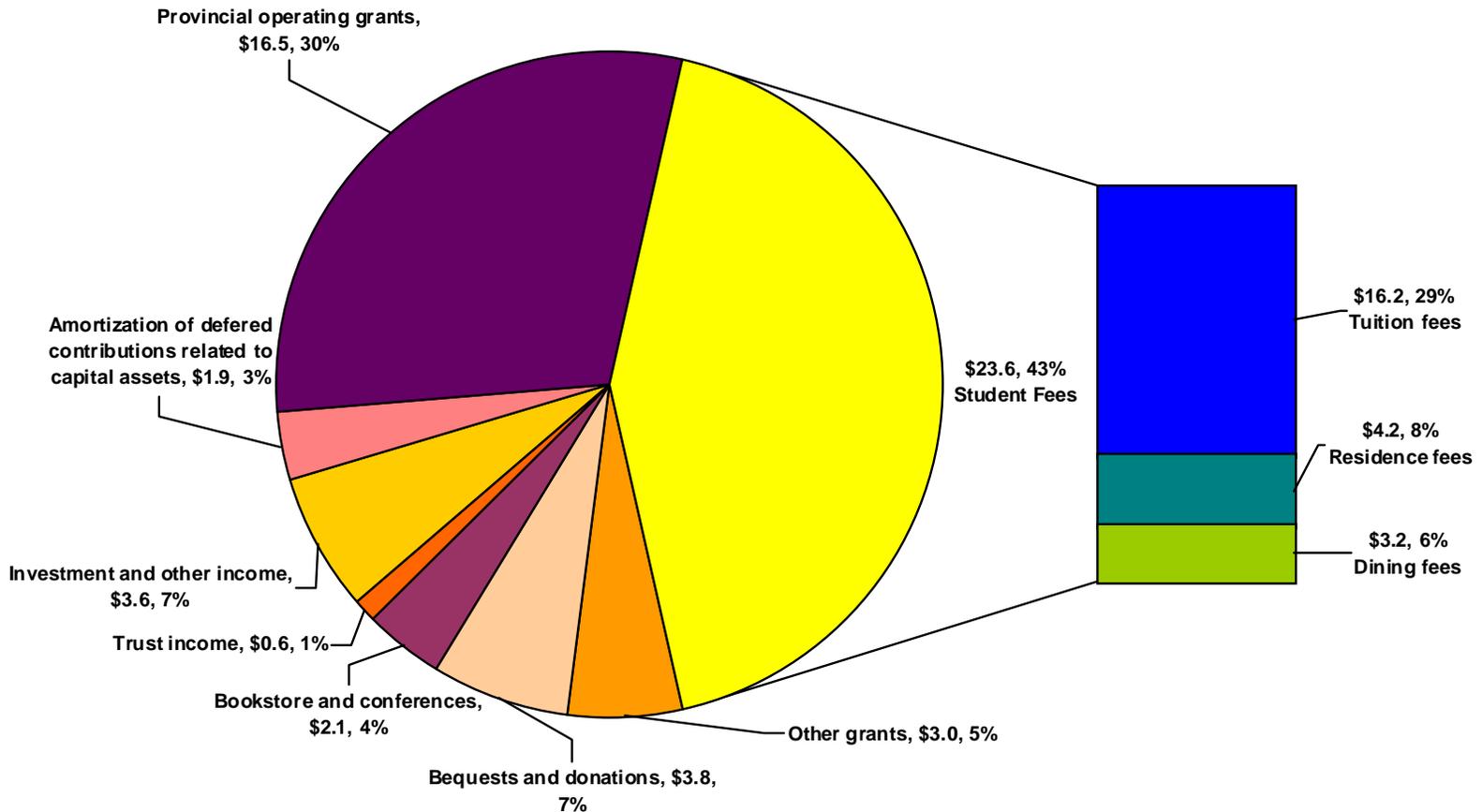
As of April 30, 2008 the total market value of the University's endowment investments was \$95,879,319.

The commentary and graphs that follow present significant aspects of the University's operations and include summary graphs of the University's financial statements and trends over past years. The format of the Review of Operations has been changed this year to reflect the University's Strategic Plan. Part A covers overall financial results for the year while Part B provides statistics based on the University's Strategic Plan. In future years additional information will be provided based on the implementation of the Strategic Plan.

Part A

CHART 1

Total University Revenue by Type (millions)

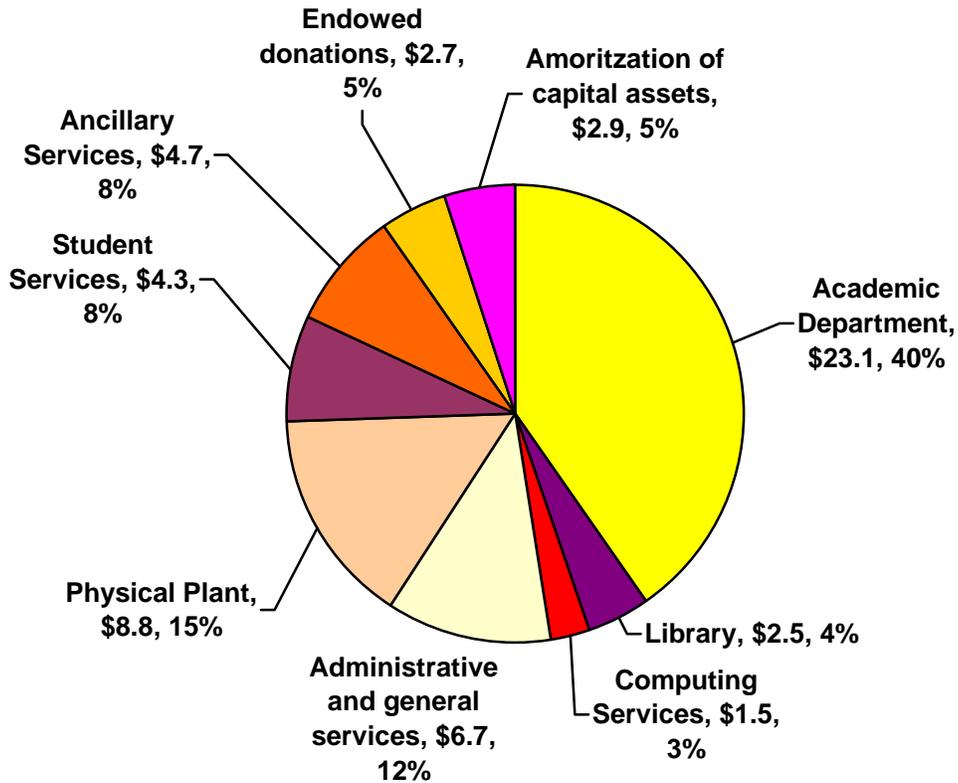


University revenue comes from four main sources. These sources include student payments in the form of tuition fees, residence, meal plan and bookstore revenues; grants from the Province, Federal government and other sources; gifts received as donations, bequests and trust income and investment income earned on operating cash balances and endowed donations.

Not included in the above pie chart is a one-time adjustment of \$19 million to opening net assets as result of the University implementing a new accounting standard. The University now records long term investments at market value as opposed to book value.

CHART 2

Total University Expenditures by Type (millions)

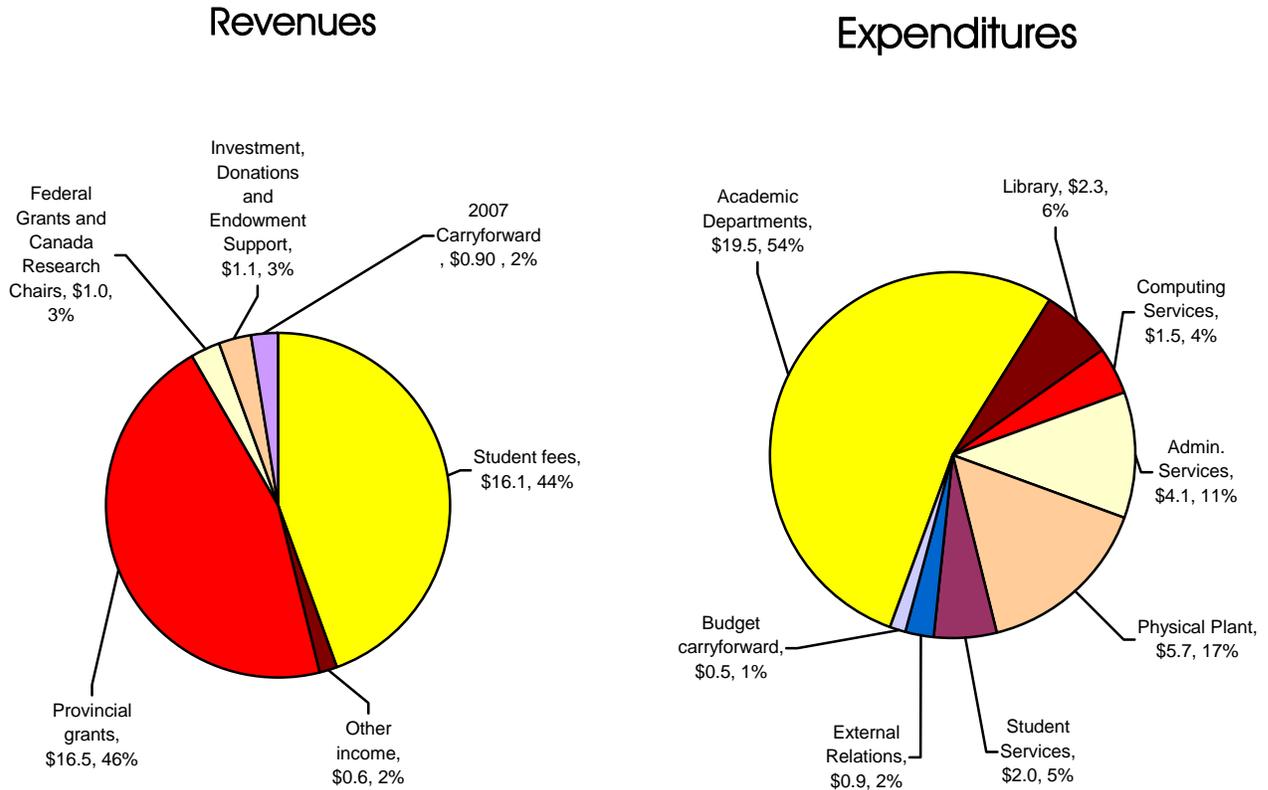


University spending plus endowed donations added directly to endowment funds totaled \$57 million in 2008.

The largest allocation of expenditures is \$23.1 million, or 40% of the total, directed towards Academic Departments. Salaries and other forms of compensation represent the largest type of expenditure with utilities, meal plan costs, and financial aid representing significant amounts.

CHART 3

General Operating Fund Revenue and Expenditures (millions)

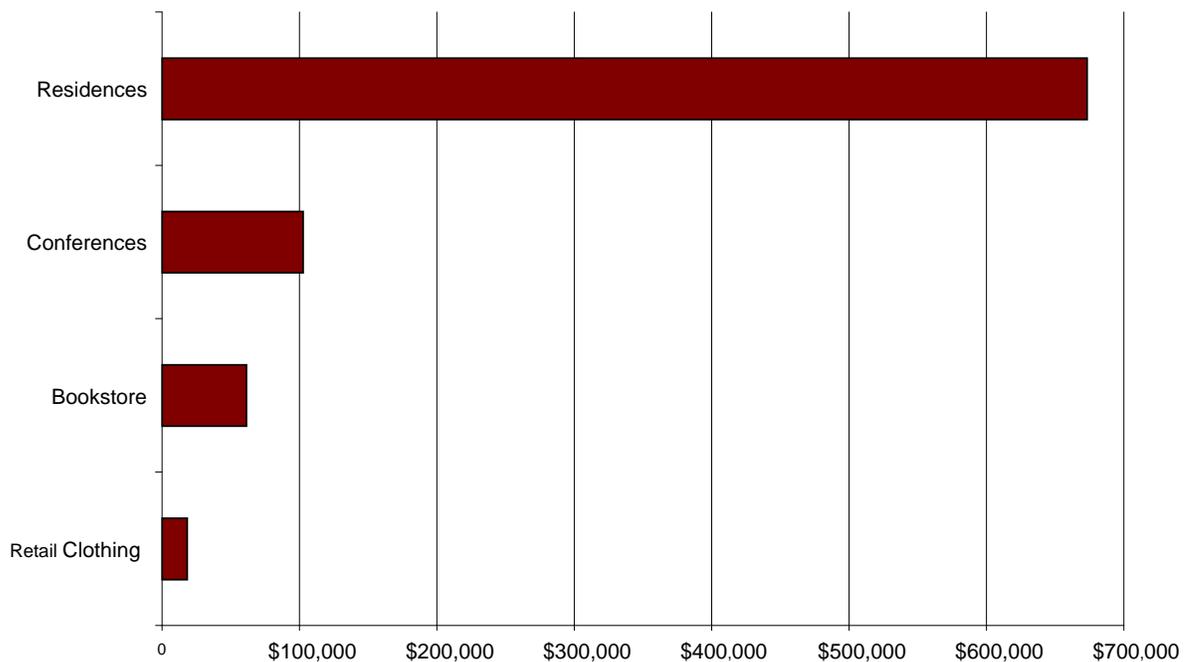


The largest portion of University financial resources is directed towards the General Operating Fund. Chart 3 shows General Operating Fund revenue and expenditures plus interfund transfers related to the General Operating Fund. Student tuition and Provincial Grants make up 90% of the revenue for this Fund. The largest expenditure is the direct cost of academic departments followed by administrative and physical plant costs.

Student tuition and interest income exceeded budget expectations and academic salary and utility costs were higher than budget. The University completed a new faculty collective agreement without disruptions to operations and, by not using certain budgeted reserves, ended the financial year with approximately \$504,000 which was appropriated to support alterations and renovations in fiscal 2009.

This appropriation is after recording a \$264,031 difference between certain pension contributions and the pension expense.

CHART 4
Ancillary Appropriation



Ancillaries include the residence, conference, bookstore and retail clothing operations.

The Residence operation budgeted for a year end appropriation to reduce the unfunded portion of the University's newest residence, Campbell Hall. As of April 30, 2008 only \$12,000 of Campbell Hall's costs remained unfunded.

The conference operation, which uses student residences during the summer months without charges, appropriated approximately \$100,000 to support residence costs.

The bookstore had a year end surplus of \$61,000 which was appropriated to support construction costs of bookstore facilities in the new Student Centre. Textbook prices are set to ensure the bookstore covers its costs but does not generate any excess profits.

The Retail Clothing operation year end surplus of \$18,000 was also appropriated to support retail space construction costs in the new Student Centre.

Part B

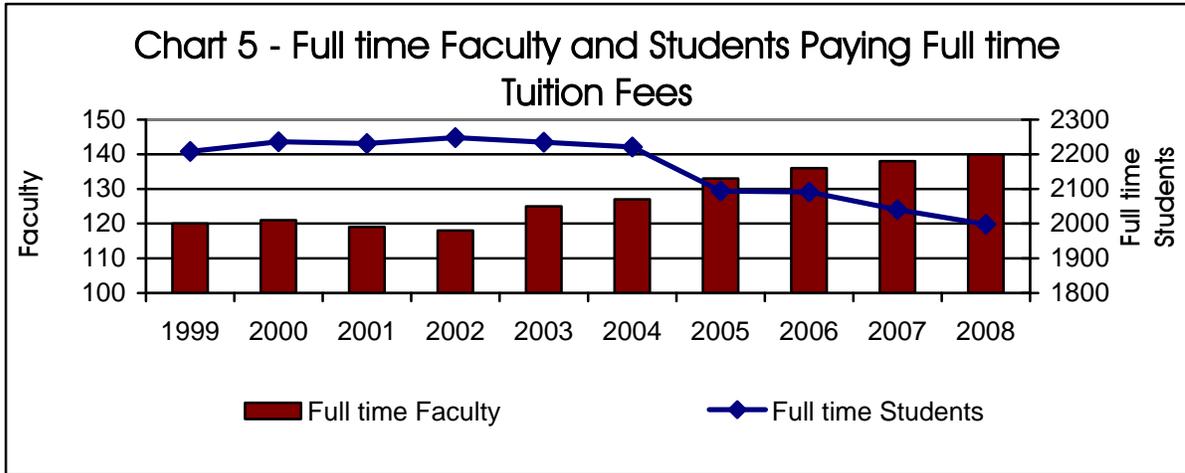
The University's Strategic plan is based on the following six components. These components are discussed on the following pages using University financial data and comparative data from other Canadian universities.

- 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 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: our challenges in attracting and maintaining high-quality management and staff and ensuring a physical and technical environment that supports the Mount Allison experience;
- 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.

Component 1 – Student Recruitment and Retention

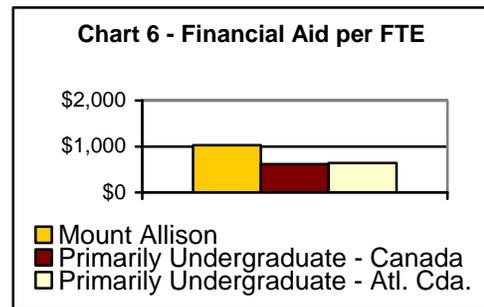
Recruiting and retaining exceptional students and meeting enrollment targets provides a foundation to create a sustainable operating environment.

The number of students paying full time tuition fees has declined in recent years while the number of full time faculty has increased. As a result, in fiscal 2008 the ratio of full-time students to full-time faculty members was 14 to 1. This is one of the, if not the, lowest full-time student to full-time faculty ratios among Canadian primarily undergraduate universities.

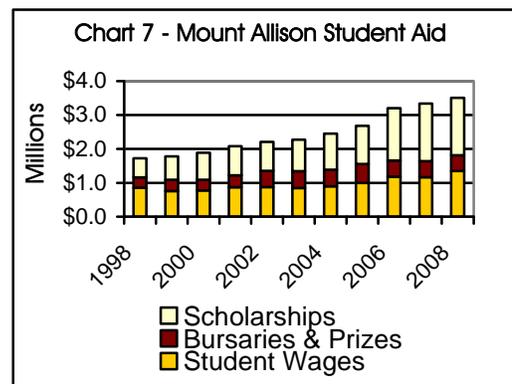


However, the size of the entering class in fiscal 2009 is expected to be higher than in recent years. As a result, and if we are able to recruit similar-sized classes in the future, this ratio may increase somewhat, although it will still be one of the lowest.

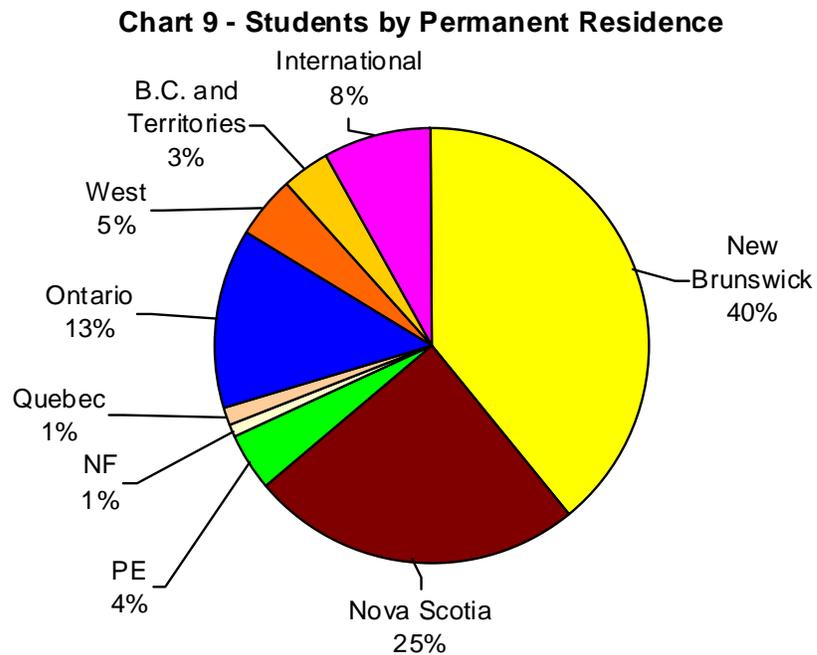
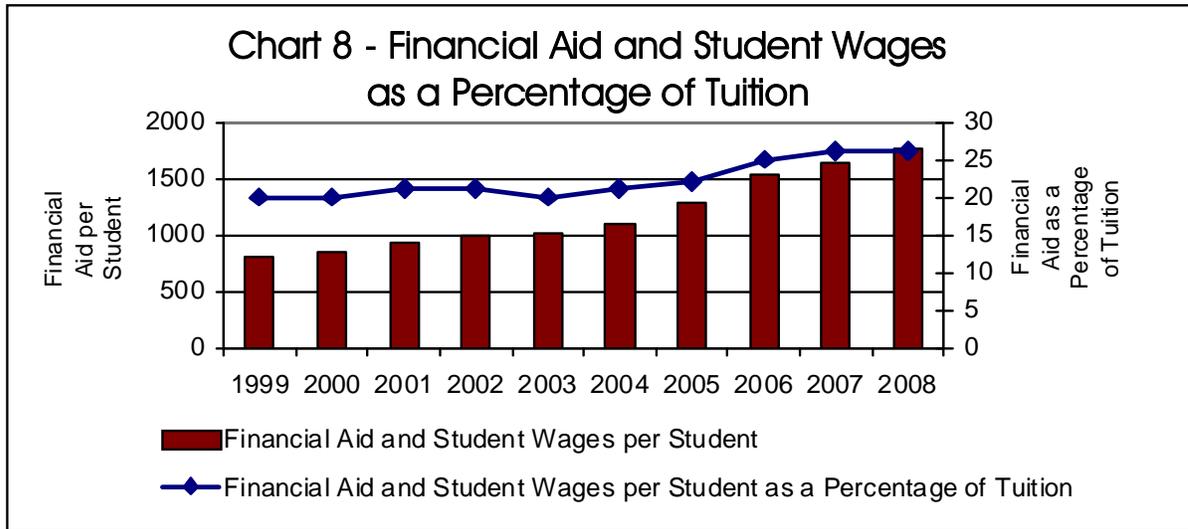
Recruiting and retaining qualified students requires significant financial aid and student employment resources. Mount Allison spends more funds on financial aid per full-time student than any primarily undergraduate university in Atlantic Canada and significantly more per full time student than the average spent by undergraduate universities in Canada.



Expenditures on scholarships, bursaries, prizes and student wages have consistently increased over the past ten years. Financial aid spending represents the largest budget item in the endowment fund budget and is the third largest University expenditure after salaries and utilities.



Financial aid has increased faster than the increase in tuition. The amount of financial aid and student wages per student and as a percentage of tuition has increased over the past ten years.



Mount Allison contributes to the development of New Brunswick by recruiting 40% of students from New Brunswick and providing them an opportunity to interact with individuals from every region of Canada and over 30 other countries.

Component 2 – 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 provides opportunities both on campus through summer research fellowships, where students undertake research projects, and off campus through exchange programs with other universities, courses delivered in foreign countries and field trips to various locations.

Selected University Exchange Programs

- University of Otago - New Zealand
- Université Marc Bloch - France
- Kwansai Gakuin University – Japan
- Washington Center for Academic Internships – United States of America
- Zhejiang University - China

Selected University Courses operated off campus

- Modern Languages – Cuba
- History – China
- Marine Biology – various Caribbean countries
- Classics – Italy
- Anthropology – Belize

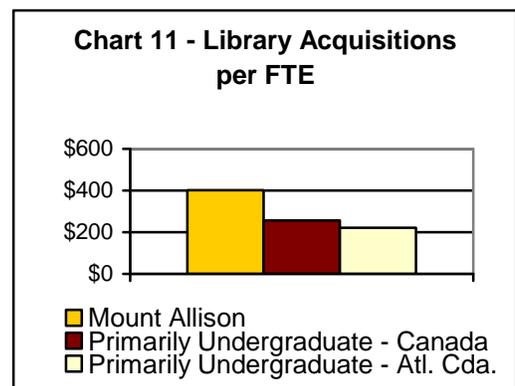
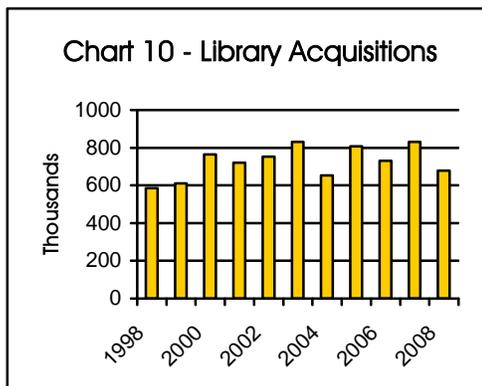
Selected University Field Trips

- Fine Arts – New York
- Music – New York
- Commerce – Toronto and Montreal

The University funded 45 summer research fellowships in fiscal 2008. Many departments employ senior students as lab assistants and tutors.

Many senior students complete honours programs supervised by experienced faculty members. Over the past three years approximately 22% of graduates completed honours programs.

The University spends significant resources on library acquisitions and has one of the highest levels of library acquisitions spending per full-time equivalent student of any primarily undergraduate university in Canada.



Component 3 – 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.

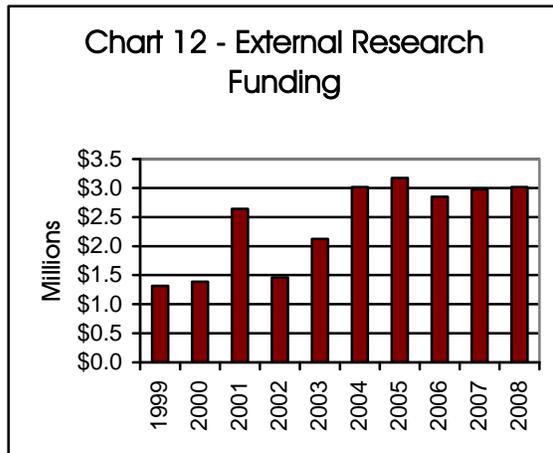
- Leadership Mount Allison
 - 397 separate projects funded since its inception in 2000
 - \$78,000 of funding provided in 2008 for 10 curricular and 49 co-curricular projects
- Student Societies
 - 90 separate student societies active in 2008
 - Societies range from musical (Garnet and Gold) to academic (History Society) to community focused (Habitat for Humanity)
- Athletics
 - Opportunities to compete at all skill levels in a variety of sports
 - 110 intramural sports teams involving 1,126 students
 - 11 club sports involving 194 students
 - 6 Canadian Interuniversity Sports teams involving 170 students
 - 4 Canadian College Athletic Association teams involving 55 students
- Employment Opportunities
 - Over 100,000 hours of direct student employment
 - Leadership opportunities as Assistant Dons and Residence Assistants

Component 4 – The Faculty Experience

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

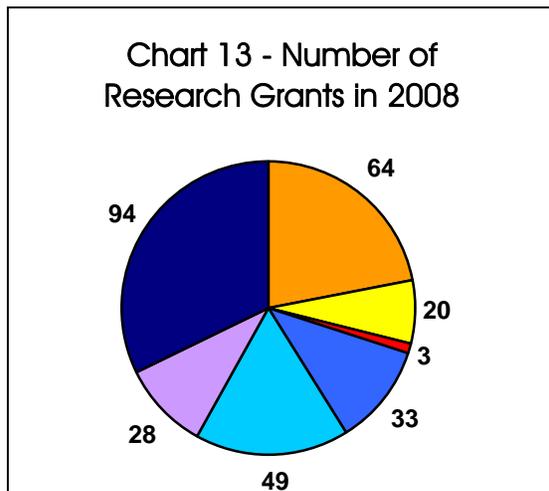
Teaching excellence is supported by the University's Purdy Crawford Teaching Centre and recognized through a number of faculty awards and prizes locally, regionally and nationally.

The University supports research activities by providing the necessary physical infrastructure, information technology systems and administrative processes. For example, a new liquid nitrogen plant was installed to support teaching and research in the Faculty of Science in fiscal 2007.



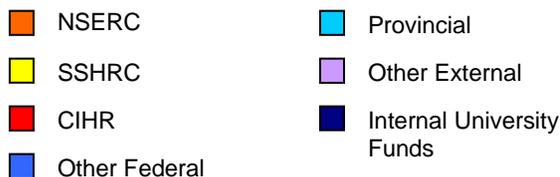
Over the past five years the University has averaged over \$3 million, or over \$20,000 per full time faculty member, of research funding.

Research funding provides students with employment opportunities to work with faculty on various research projects.



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

- The University administered 291 research grants in fiscal 2008.
- The largest source of funding by dollars is NSERC which provides science related research grants.
- Funds from the University's Operating and Endowment funds are used to support the largest number of grants.
- The University currently has 5 Canada Research Chairs funded by Federal grants and internal operating funds.

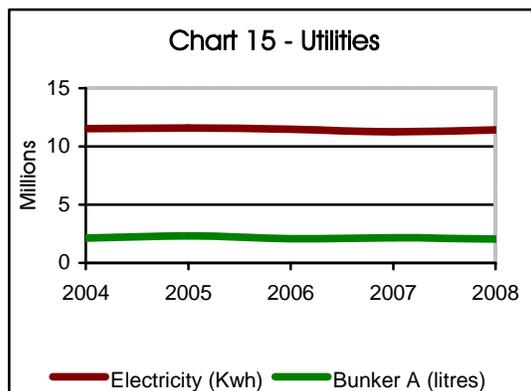
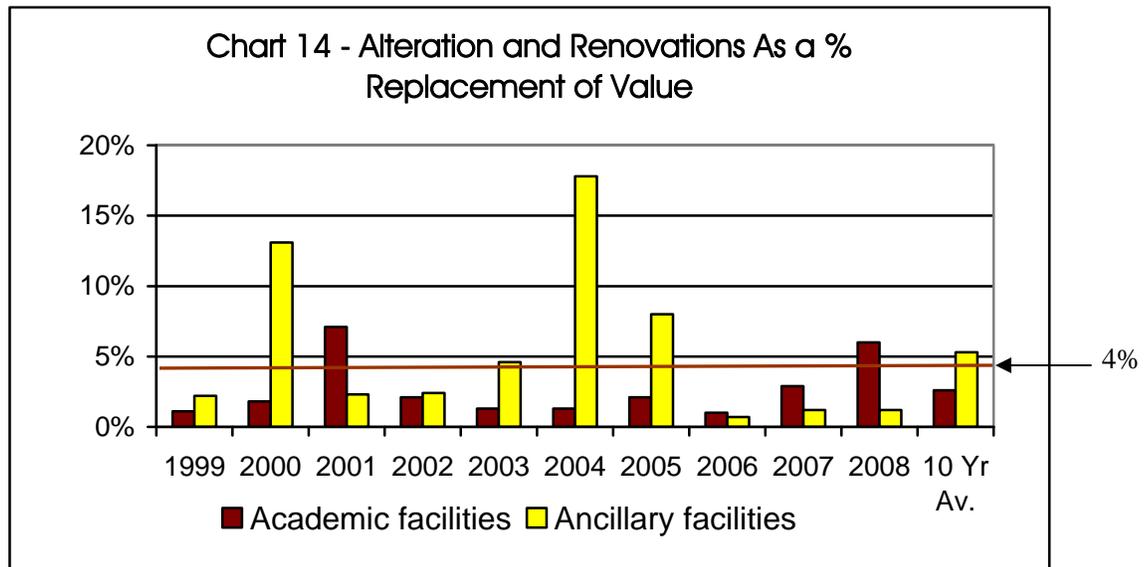


Component 5 – People, Infrastructure, Budget, and Support

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

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

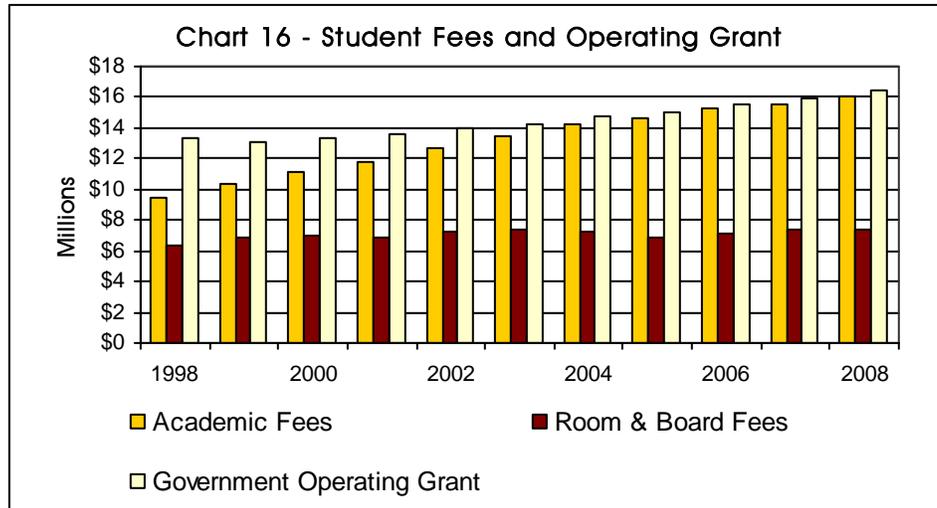
In order sustain its facilities, a university must spend, depending on their complexity and other factors, and even if there were no deferred maintenance, from 2% to 4% of replacement value each year on renewal and adaptive maintenance. Given the complexity of Mount Allison's facilities, and the related maintenance requirements, it has been estimated that Mount Allison should be spending at least 4% each year. On average the University has not been spending at that level on its academic facilities.



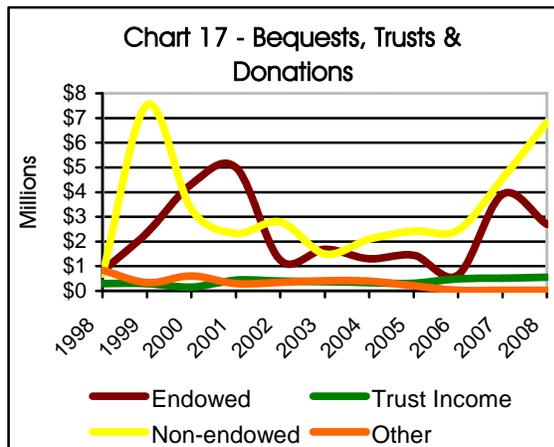
The amount of electricity and bunker oil consumed has remained constant over the past 5 years. The University completed an energy audit in 2007 to determine cost effective projects to reduce energy consumption. Planning is currently underway to implement these projects. The University is also endeavouring to reduce its physical footprint by the sale or removal of non-essential space. In the summer of 2007 MacGregor House was sold and removed from campus and the University is currently selling Baxter and Sprague houses.

Component 6 – Accountability

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



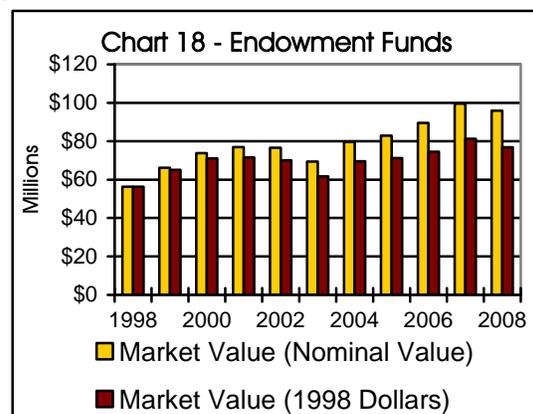
As a publicly supported institution the University receives expendable and endowed funds from variety of stakeholders. The primary source of University revenue is fees from students for tuition and residence followed by Provincial grants. Tuition fees have increased 4.9% to 5% per year over the past 3 years, while residence and board fees have increased between 2.8% to 3.5% per year for the same period. Provincial operating grants to the system have increased between 3.0% to 4.6% per year for the last three years but ours has been lower in recent years.

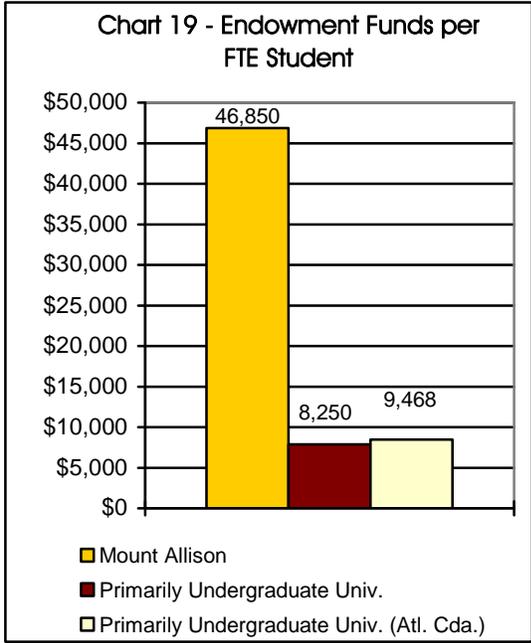


The market value of the University's endowed funds declined in fiscal 2008 due to market conditions. Consistent with almost all North American universities Mount Allison invests endowed funds in a variety of asset classes to provide a long term rate of return that will provide students and faculty with the same benefits in the future as they currently receive.

The third and fourth largest sources of revenue are donations and investment income. Unlike almost all other Canadian universities Mount Allison has no external debt and, consequently, no debt service costs.

Non-endowed donations increased significantly in fiscal 2008 as funds were raised for the new Student Centre and other JUMP Campaign fundraising priorities.





Mount Allison has the second highest endowment per student of all Canadian universities and significantly more 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.

All new endowed donations are included in the University's General Endowment Fund. An annual report for Canadian university endowment funds in excess of \$100 million indicates that, as of December 31, 2007, the General Endowment Fund returned a 2nd quartile one-year rate.

	CHART 20					
	One year rate of return (net of fees) as of March 31					
	2008		2007		2006	
	Actual	Benchmark	Actual	Benchmark	Actual	Benchmark
General Endowment Fund	-3.26%	-4.70%	10.7%	12.9%	16.3%	14.7%
Marjorie and Ralph Pickard Bell Endowment Fund	-7.90%	No benchmark	9.5%	No benchmark	11.2%	No benchmark

Charts – Sources of Data

Chart 1	Mount Allison University financial statements
Chart 2	Mount Allison University financial statements
Chart 3	Mount Allison University financial statements
Chart 4	Mount Allison University, Financial Services
Chart 5	Statistics Canada and Mount Allison University, Financial Services
Chart 6	Statistics Canada CAUBO Report and Association of Universities and Colleges of Canada
Chart 7	Mount Allison University, Financial Services
Chart 8	Mount Allison University, Financial Services
Chart 9	Mount Allison University, Student Services
Chart 10	Mount Allison University, Financial Services
Chart 11	Mount Allison University, Financial Services
Chart 12	Mount Allison University, Financial Services
Chart 13	Mount Allison University, Financial Services
Chart 14	Mount Allison University, Financial Services
Chart 15	Mount Allison University, Financial Services
Chart 16	Mount Allison University, Financial Services
Chart 17	Mount Allison University, Financial Services
Chart 18	Mount Allison University, Financial Services
Chart 19	Canadian Association of University Business Officers
Chart 20	Mount Allison University, Financial Services