

REVIEW OF OPERATIONS  
(Unaudited)  
April 30, 2012



## Introduction

This Review of Operations is divided into two parts. Part A provides the University and the general public with an overview of the financial results of the University for the year ended April 30, 2012, while Part B provides multi-year statistics based on the University's Strategic Plan.

The 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.

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 2012 the General Operating Fund ended the year with \$1,527,000 which included \$1,158,000 of reserves with which it started the year. These reserves were appropriated to establish a contingency fund that will be accounted for in the Special Purpose Fund in fiscal 2013 and future years.

The remaining amount, \$369,000, was appropriated to cover costs of the University's new Centre for the Arts. This amount was due to additional tuition revenue, lower than expected natural gas consumption and savings in equipment expenditures, partially offset by higher than expected scholarship costs.

The second largest fund is the Ancillary Fund which accounts for the University's residence, dining, bar services, conference, bookstore, and retail operations. These operations are completely supported by their own revenue and do not receive any government grants. The residence, conference and dining operation had a successful year, appropriating \$2,295,000 to support a planned upgrade to Bennett House Residence. The bookstore, retail clothing and retail dining operations all had small year end appropriations consistent with their individual budgets.

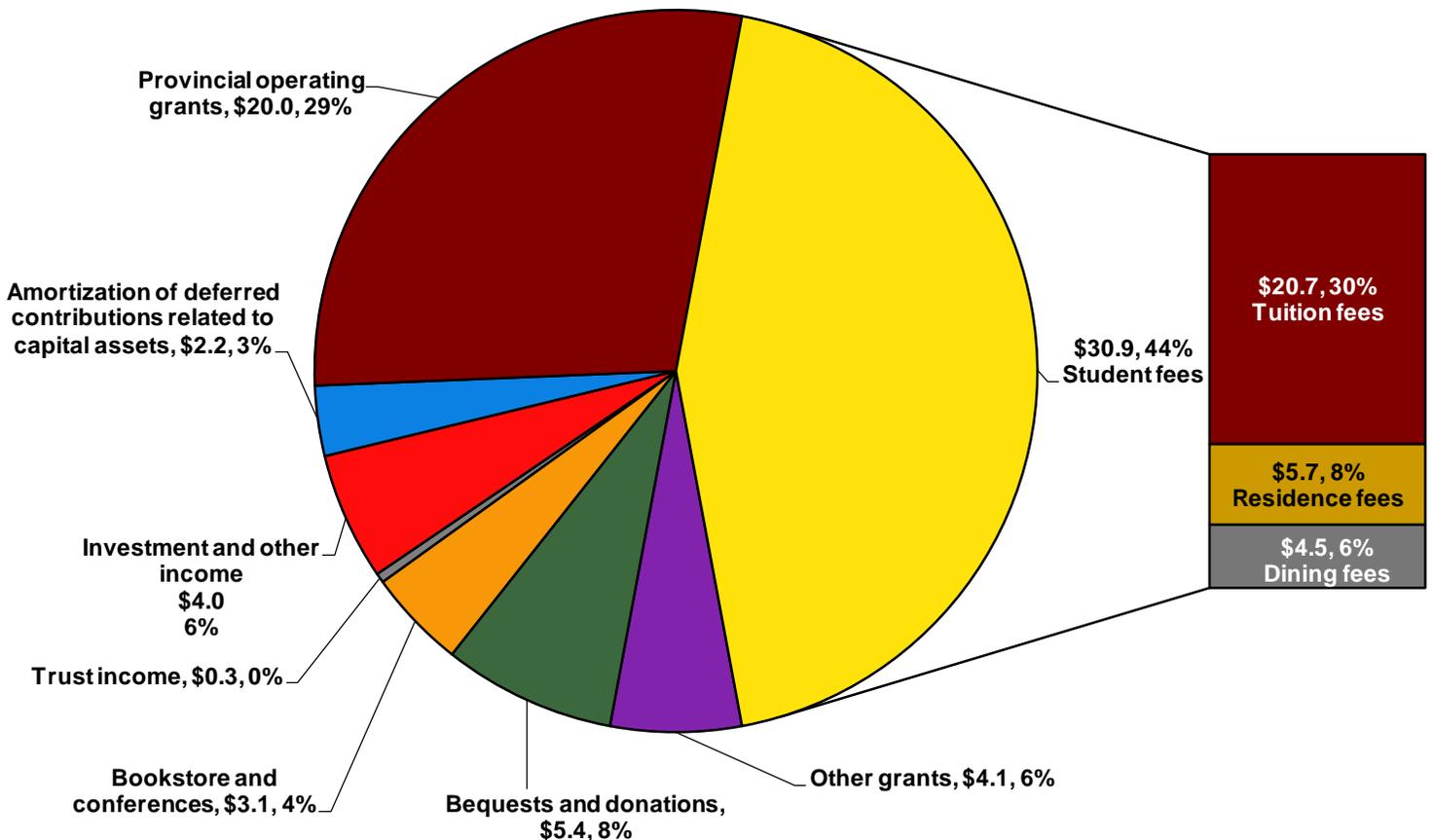
The University receives significant support from donors in the form of expendable and endowed donations. The University received \$5,561,000 of donations and bequests this fiscal year while the Endowment Fund's investments will provide \$4.8 million of support in the upcoming year. Of the donations received this year over \$2,177,000 has been endowed to provide support to current and future generations of students and faculty. The University's General Endowment returned 6.2% for the year ended March 31, 2012. The University has the 2<sup>nd</sup> largest endowment per student in Canada, the 23<sup>rd</sup> largest overall endowment and a top quartile investment return result in the most recent survey of Canadian university endowments.

The University ended the financial year with assets of \$219,000,000, liabilities and deferred contributions of \$67,000,000 and net assets of \$152,000,000. Consistent with prior years the University has no 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.

## Part A

### CHART 1

#### Total University Revenue by Type (Millions)



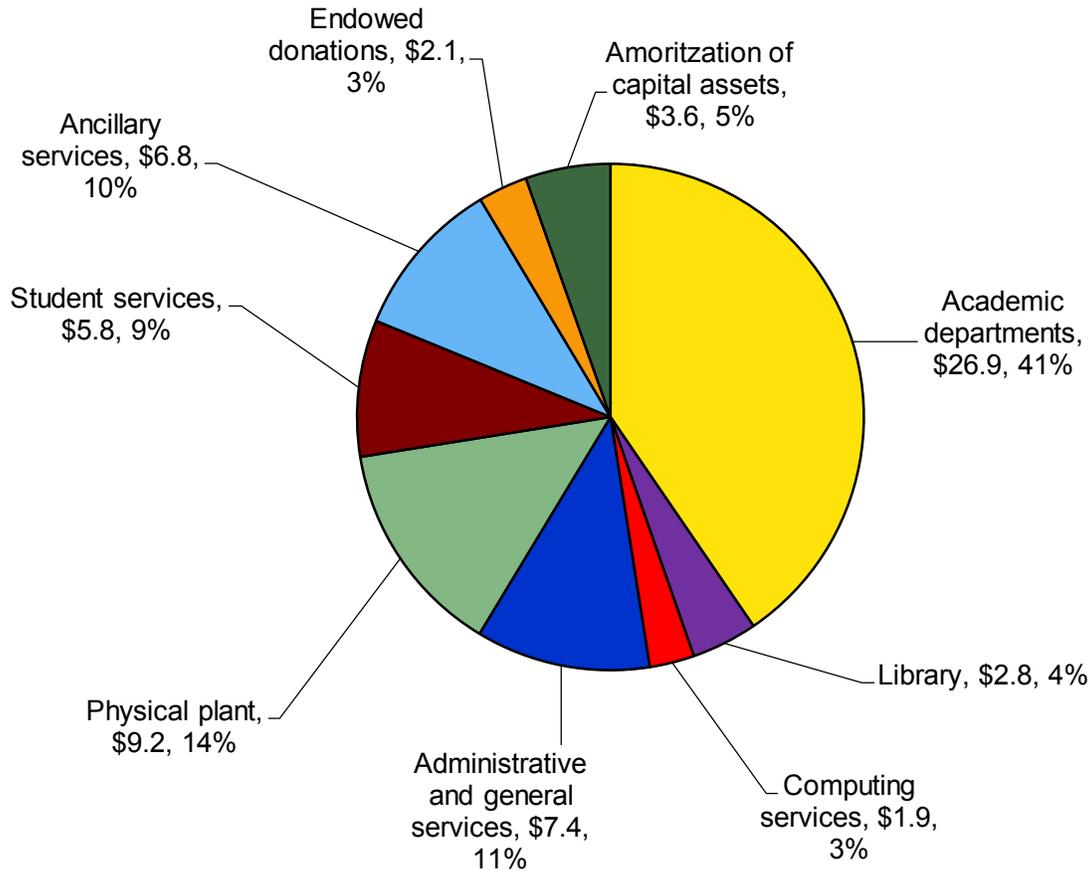
University revenue comes from four main sources. These sources include student payments for tuition, residence, meal plan and bookstore services; grants from the Provincial government, Federal government and other sources; gifts received as donations, bequests, and trust income; and investment income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

The proportion of revenue derived from these sources has remained consistent over the past five years.

The University's largest revenue budget, student tuition, exceeded its budget due to higher than budgeted enrollment of international students.

## CHART 2

### Total University Expenditures by Type (Millions)



University spending, including endowed donations added directly to endowment funds, totaled \$66.6 million in 2012 as compared to \$66.8 million in 2011.

The largest portion of expenditures was \$29.7 million for Academic Departments and the Library. Spending in this area increased \$1.3 million or 5% compared to the prior year, representing 45% of total University costs compared to 43% in the prior year.

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

## CHART 3

### General Operating Fund Revenue and Expenditures (Millions)

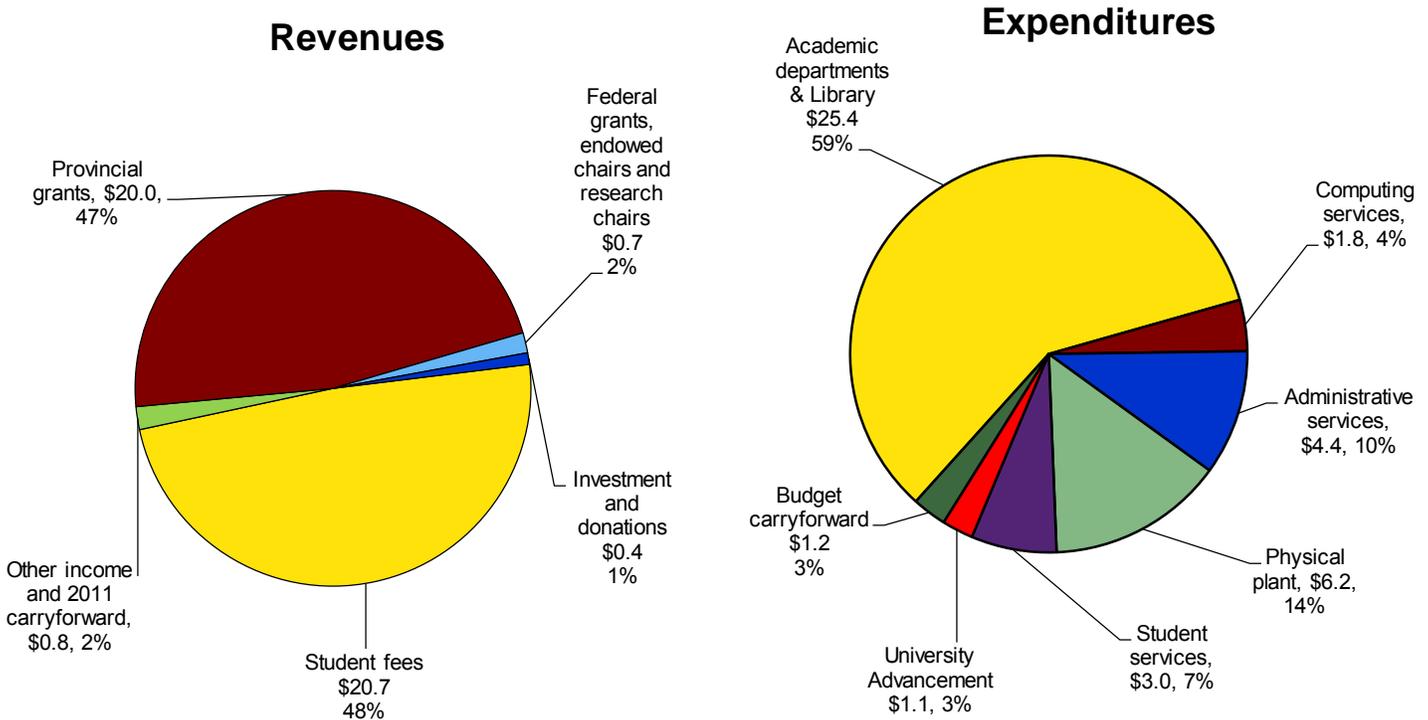


Chart 3 shows General Operating Fund revenue and expenditures plus interfund transfers related to the General Operating Fund. The largest portion of University financial resources, student tuition and Provincial Grants, make up 95% of the revenue in this Fund. In fiscal 2012 there was a 3% increase in student tuition over the prior year and the base government operating grant increased by 2%. The largest expenditure in this Fund is the direct cost of academic departments followed by physical plant and administrative costs. The proportion of the Operating Fund allocated to academic departments and library has increased over the past three years.

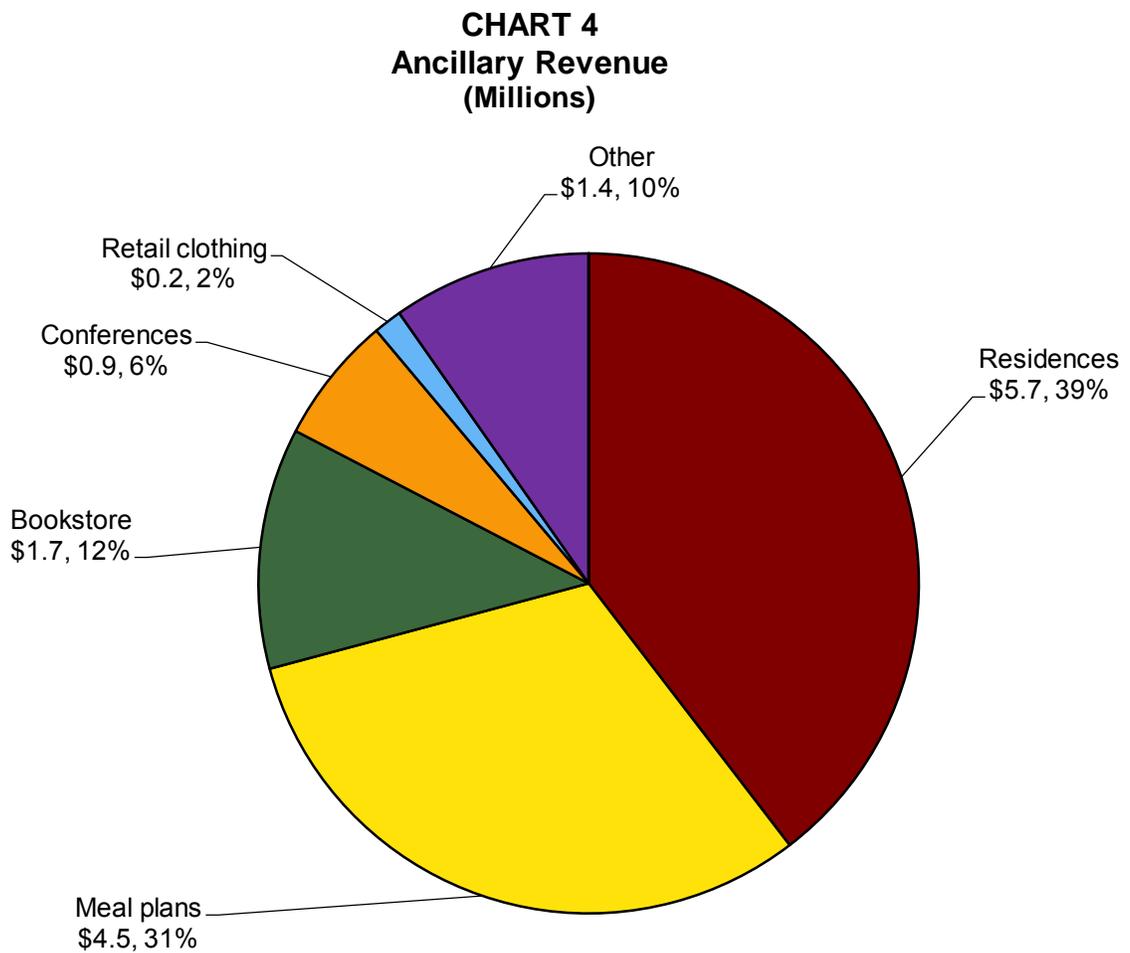
The University was able to appropriate \$1,158,000 at year end to support a contingency fund to offset the impact of any emergencies or unexpected enrollment declines which may occur in the future. This was possible because the University did not have to use its provision for revenue shortfall or its emergency reserve during the course of the year because, even though scholarship costs exceeded budget, this over expenditure was offset by positive variances due to tuition fee revenues exceeding budget and utility costs being lower than budget.

Ancillaries include the residence, dining, bar services, conference, bookstore and retail clothing operations. The residence and conference operation appropriated \$2,295,000 to support an upgrade of Bennett House Residence in the summer of 2012, which was part of the University's long term residence capital budget.

The bookstore had a year end surplus of \$100,000 which was appropriated to support construction costs of bookstore facilities in the new Wallace McCain Student Centre. 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 and course packs.

The retail clothing and retail dining operations year end surpluses of \$56,000 and \$59,000 were also appropriated to reduce internal loans on retail space construction costs in the new Wallace McCain Student Centre. The retail clothing operation provides Mount Allison crested clothing and other merchandise to the University community and general public. The retail dining operation includes Gracie's café in the Wallace McCain Student Centre and the Flying Bean coffee bar in the Ralph Pickard Bell Library.

The following chart breaks out the Ancillary Operating Fund operations' \$14.4 million of revenues.



## Part B

The University's Strategic plan has six components which are discussed on the following pages using University financial data and comparative data from other Canadian universities. See page 18 for sources of data in the charts on the following pages. The six components are as follows:

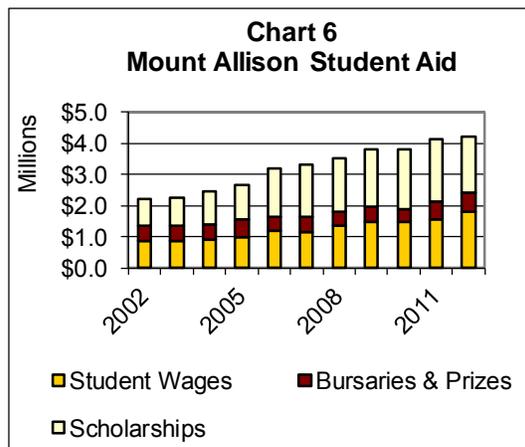
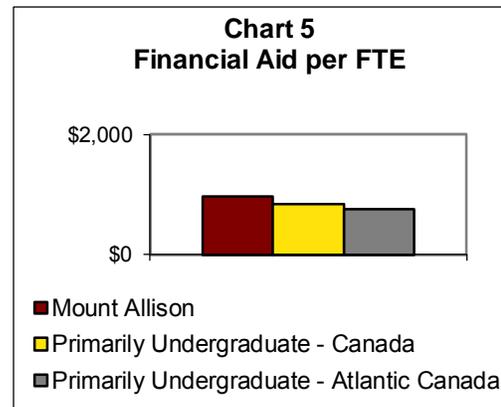
- Student Recruitment and Retention: the challenges and opportunities we face in attracting qualified students to Mount Allison;
- The Academic Experience – Quality and Differentiation: the challenges of maintaining an academic experience for Mount Allison students that is unique and of top quality;
- 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: our 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.

## Component 1 – Student Recruitment and Retention

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

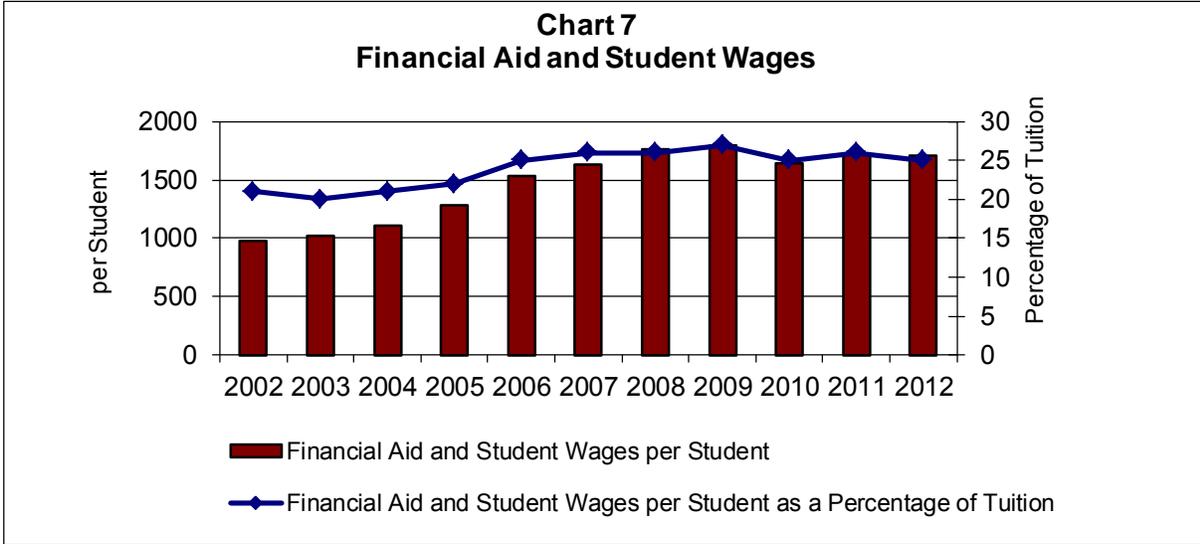
The University has successfully achieved its tuition revenue target over the past number of years without compromising the quality of incoming students. This is important in achieving the University's goal of being the best primarily undergraduate school in Canada.

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

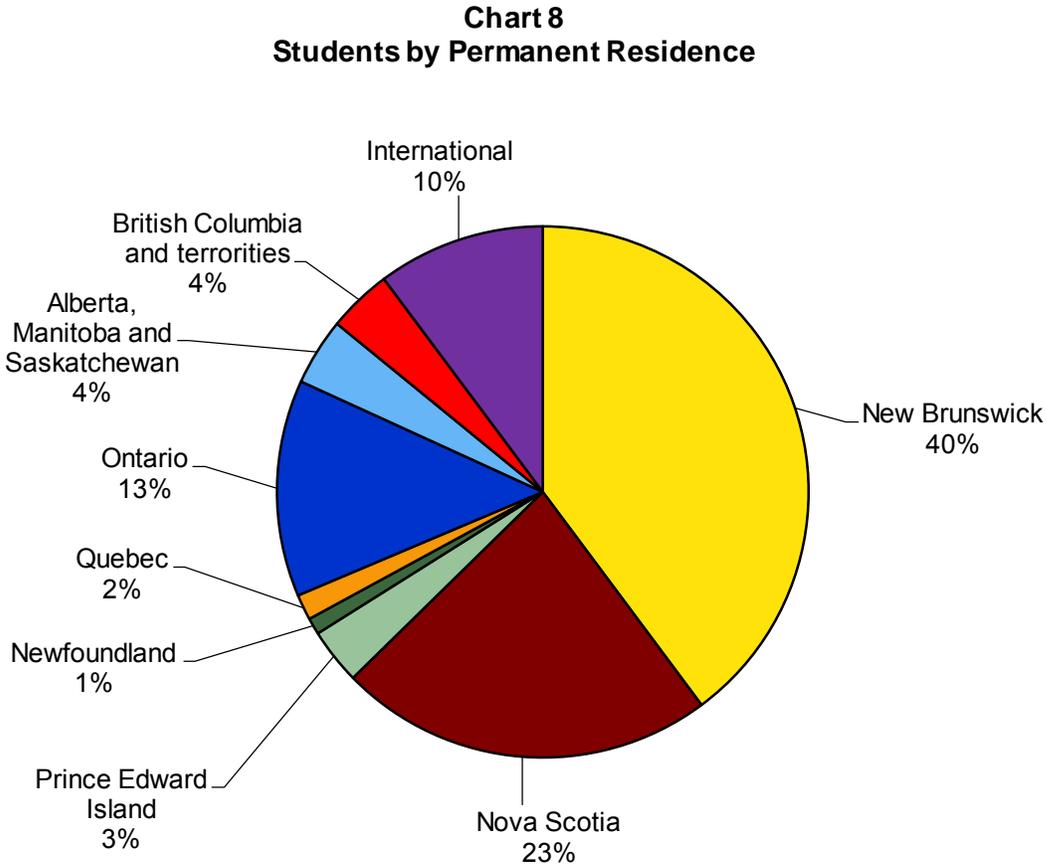


Expenditures on scholarships, bursaries, prizes and student wages have consistently increased over the past ten years. Financial aid spending represents the largest budget item in the endowment fund budget and is the third largest University general operating expense after salaries and utilities. The University spent over \$4.2 million in fiscal 2012 in financial aid and student wages.

Financial aid as a percentage of tuition has remained consistently around 25% over the past three years. 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. Mount Allison ranks 1<sup>st</sup> amongst primarily undergraduate universities for the number of students who have won national awards, the average final grades of entering students, and the proportion of entering students with grades of 90% or higher.



Mount Allison contributes to the development of New Brunswick by giving New Brunswick students an opportunity to interact with individuals from every region of Canada and from over 47 other countries. This geographic mix has been stable for a number of years and helps enliven the Mount Allison student experience.



## 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.***

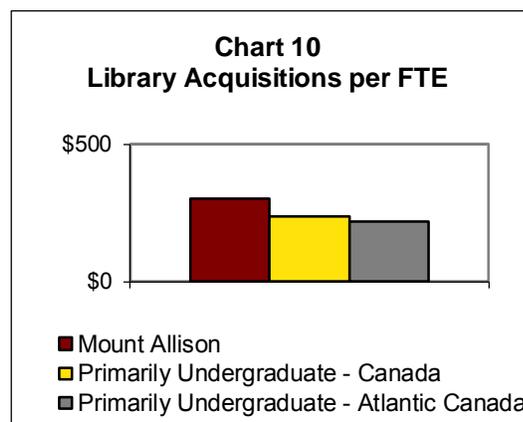
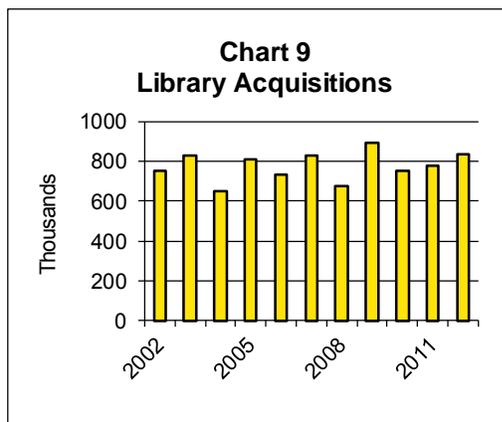
The University is able to provide a high quality educational experience due to the low student faculty ratio and the high proportion of full time faculty. Mount Allison has the second lowest student faculty ratio of any Canadian university for third and fourth year classes, as reported by MacLean's magazine in its 2011 University rankings, at 14.2. 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.

The University is looking to improve the academic experience through its Academic Renewal Plan. The Plan, developed in a collegial fashion, provides a road map to establish Mount Allison as the best undergraduate university in Canada and one of the best in North America.

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 40 summer research fellowships each year.
- Many departments employ students as lab assistants and tutors.
- Many students complete honours programs supervised by faculty members. Over the past number of years approximately 25% of graduates completed honours programs.

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



The 2011 National Survey of Student Engagement (NSSE) of student engagement at North America universities indicates Mount Allison ranks at the top, or near the top, of Canadian universities in the categories of academic challenge, student faculty interaction, active and collaborative learning, enriching education experience and supportive campus environment.

## 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.

Extra curricular 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 S.M.I.L.E. program, while other students provided sustainable health care solutions in Honduras through Global Medical 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 Science & Discovery, included Baroness Susan Greenfield, David Schindler, Jocelyn Bell Burnell, John Mighton, and Vanessa Woods.

Other activities focused on the extracurricular experience are:

- Residence Life Programming
  - o Grants allocated to residences to support unique, inclusive, community building activities
  - o Academic advising specifically tailored to residence life
- Leadership Mount Allison
  - o Over 500 separate projects funded since its inception in 2000
  - o Funding provided in 2012 for 2 curricular and 23 co-curricular projects
- Student Societies
  - o Almost 100 active separate student societies in 2012
  - 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 138 intramural sports teams in 12 sports involving over 1,300 students. Sports included team sports such as soccer, softball and curling and individual sports such as tennis and golf.
  - o 9 club sports including rugby, cross country, lacrosse, golf and ultimate frisbee
  - o 6 Canadian Interuniversity Sports teams with 30 students obtaining CIS academic all-Canadians awards. Swim team members qualified for the CIS national meet and an Olympic qualifier event and the women’s hockey team reached the AUS championship game and
  - o 4 Canadian College Athletic Association teams with 12 students achieving CCAA national scholar awards
- Employment Opportunities
  - o Over 120,000 hours of direct student employment
  - o Leadership opportunities as Assistant Dons and Residence Assistant

## Component 4 – The Faculty Experience

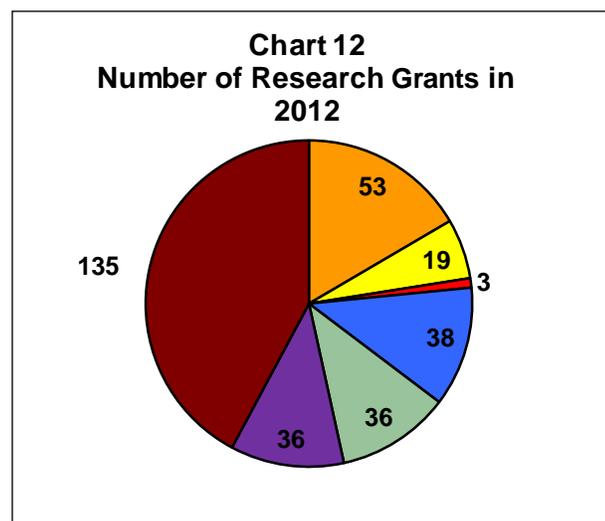
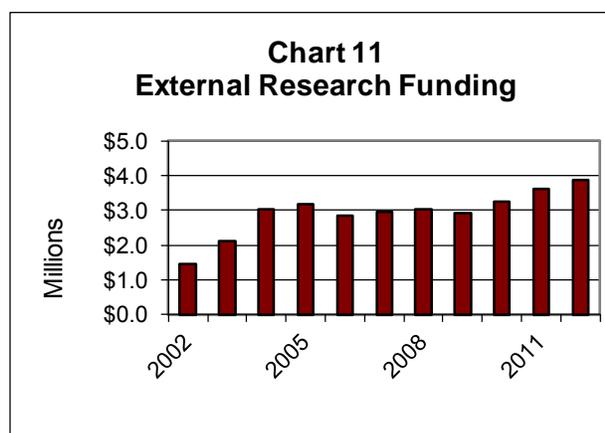
### ***Attract and retain high quality faculty and assist in their professional success in a balanced teaching, research and service environment.***

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. In a multi- million dollar project the University recently updated and renovated its chemistry laboratory facilities and is now embarking on a new \$30 million Centre for the Arts to house the Fine Arts Department, Drama Program and related activities.

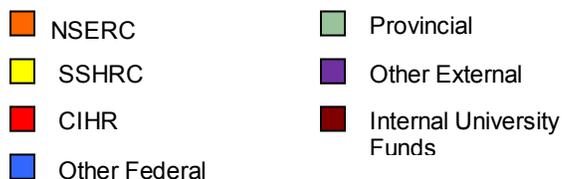
Over the past five years the University has averaged over \$3.9 million of research funding, over \$27,000 per full time faculty member. This funding also provides students with employment opportunities to work with faculty on various research projects.

- Research funding was used to support over \$500,000 in student research summer fellowships and wages.



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

- The University administered 320 research grants in fiscal 2012.
- 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. In addition, the University provided \$492,000 to support individual professional development grants for each full time faculty member.



## 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 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 expense. To ensure this key expenditure is used in the best manner possible, the University has embarked on a campus wide leadership development and training initiative aligned to the strategic plan.

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

### *Facilities*

In order to sustain its facilities, a university must spend anywhere from 2% to 4% 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. On average, each year over the past 15 years, the University has spent 2.4% of replacement value on its academic facilities and 3.1% on ancillary facilities, for a total in excess of \$100 million. Mount Allison University is one of the few universities with a budget policy that sets out minimum spending on facility upkeep.

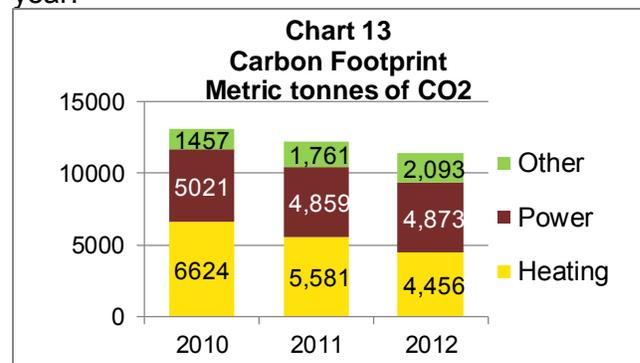
### *Budget*

The University has maintained balanced budgets over at least the last 15 years, integrates annual operating budgets with long term capital and equipment budgets, and targets savings from energy efficiency and carbon reduction projects to fund similar projects. 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, 2012 the University had no external debt and only \$128,000 of internal debt.

### *Carbon Footprint*

The University's carbon footprint, not including commuting, totaled 11,422 metric tons for the one year period ended April 30, 2012. Student, faculty and staff commuting was estimated to result in an additional 2,447 tons. The heating footprint has declined 33% in the past two years due to the conversion of boilers from bunker oil to natural gas. The "Other" category has increased due to increased travel activities. Chart 13 breaks out the major sources of the

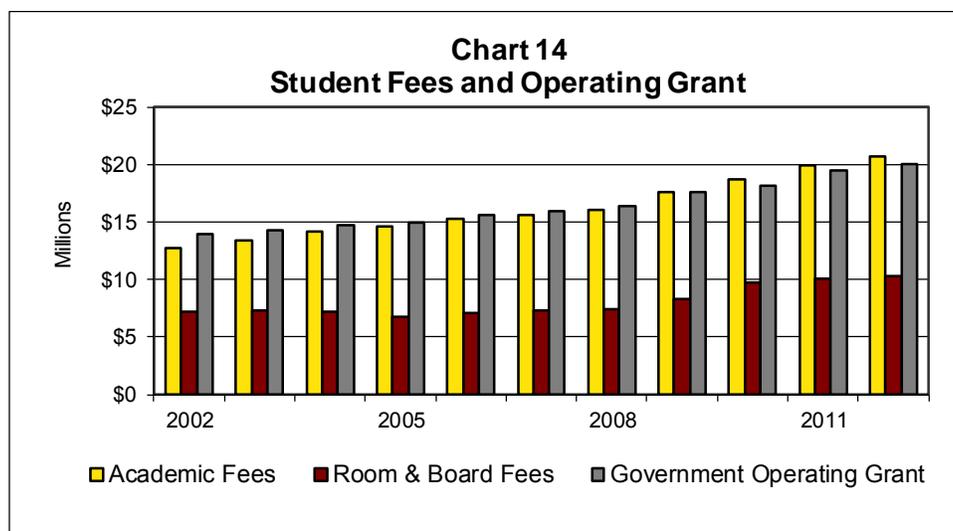
University's carbon emissions by fiscal year.



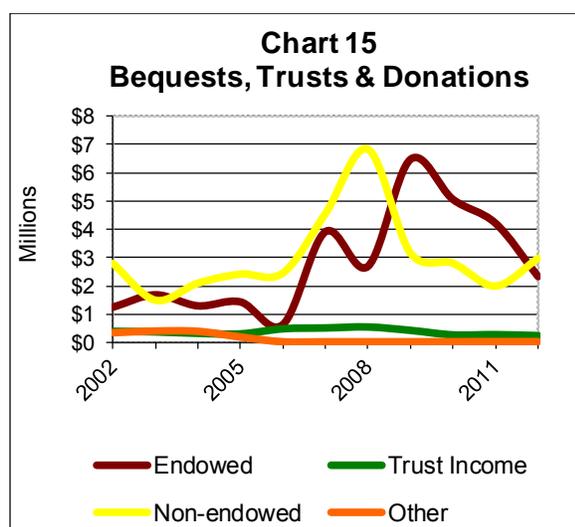
## Component 6 – Accountability

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

During the past year the President and senior administrators visited numerous cities across Canada and the United States to meet with alumni and other stakeholders. University officials also met regularly with Federal and Provincial government officials concerning issues related to Mount Allison and post-secondary education.



The University receives expendable and endowed funds from a variety of stakeholders. The primary source of University revenue is fees from students for tuition and residence followed by 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 increased 2% in fiscal 2012 compared to 2011. Since 2010, the percentage of revenue from academic fees has exceeded the percentage from government grants.

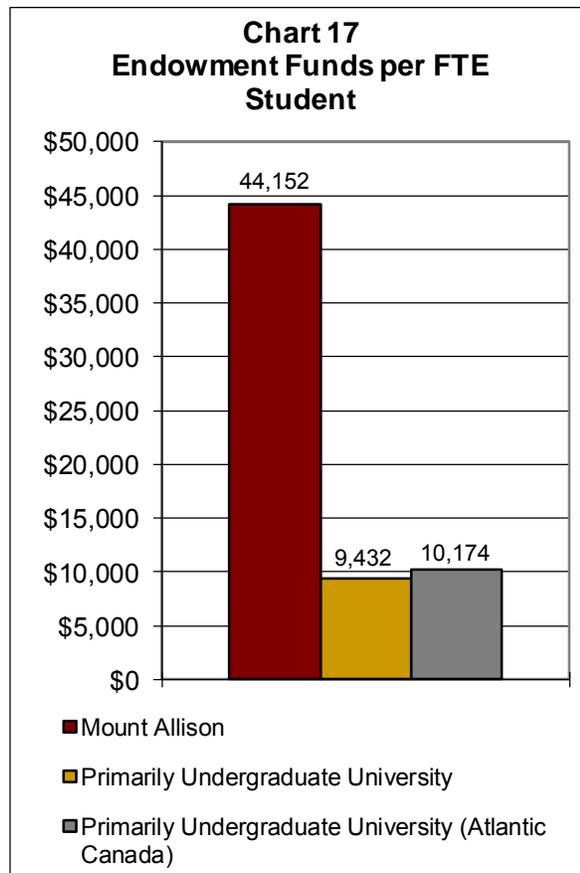
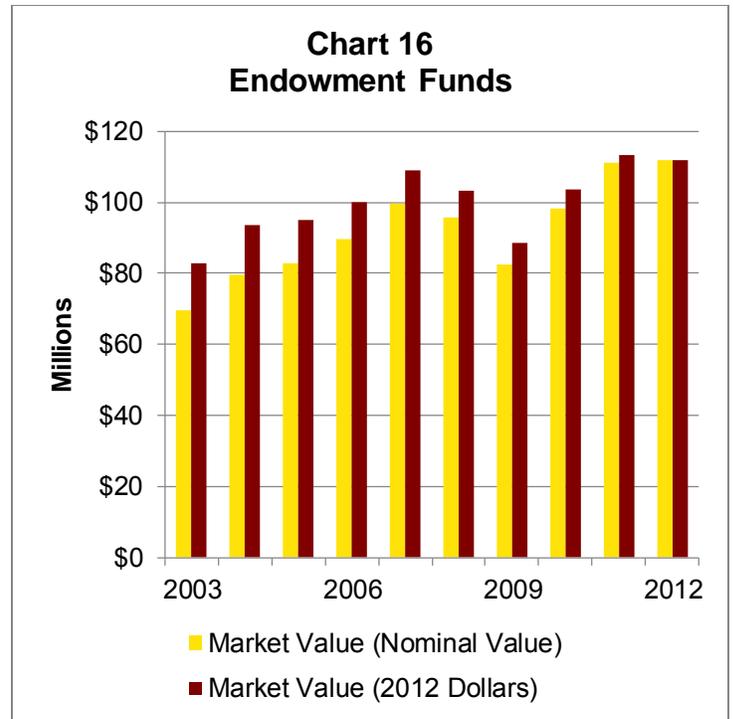


The University's General Endowment Fund returned 6.2% for the year ended March 31, 2012 and achieved top quartile results compared to Canadian university endowments for the 2011 calendar year. In fact, the University's endowment funds obtained the 3<sup>rd</sup> highest 1 year return as of December 31, 2011 compared to 64 Canadian university endowment funds.

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.

Endowment donations exceeded \$2,177,000 in fiscal 2012. These donations support current and future generations of students and faculty.



Mount Allison has the second highest endowment per student of all Canadian universities after Victoria University at the University of Toronto, 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.

## **Charts – Sources of Data**

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Chart 6	-	Mount Allison University, Financial Services
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