



**REVIEW OF OPERATIONS
(Unaudited)
April 30, 2015**



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, 2015, while Part B provides multi-year statistics based on the University's Strategic Plan.

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 \$39,000 in unrestricted net assets, an increase of \$13,000, from the prior year's balance of \$26,000.

This change consists of the following (in thousands):

<i>Opening unrestricted net assets balance</i>		<i>\$26</i>
Add: Revenues	74,584	
Less: Expenses including building funding and teaching, research, residence and other equipment purchases	72,093	
Less: Capitalized endowment income to protect against inflation	5,487	
Add: Decrease in internally restricted net assets	3,389	
Less: Increase in net assets restricted for employee future benefit obligation	<u>380</u>	
Change in unrestricted net assets	13	
<i>Ending unrestricted net assets</i>		<i>\$39</i>

The \$5.5 million of endowment investment income 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.

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, 2015, the University recorded \$380,000 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 2015 the General Operating Fund had revenue of \$43.1 million and had a \$712,000 loss which was funded by the University's contingency fund.

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 \$2.1 million to support improvements to Bigelow House

Residence and other residence capital projects. The bookstore, retail clothing and retail dining operations all had small year end balances.

Special Purpose and Endowment Funds

The University receives significant support from donors in the form of expendable and endowed donations. The University received \$10.1 million of donations and bequests this fiscal year of which \$8.6 million has been endowed to provide support to current and future generations of students and faculty. The Endowment Fund's investments will provide over \$6.0 million of support in the upcoming year. The University's Endowment Fund returned 18.1% for the year ended March 31, 2015. 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. The fund achieved the second highest one year rate of return and a top quartile five year investment result in the most recent survey of Canadian university endowments.

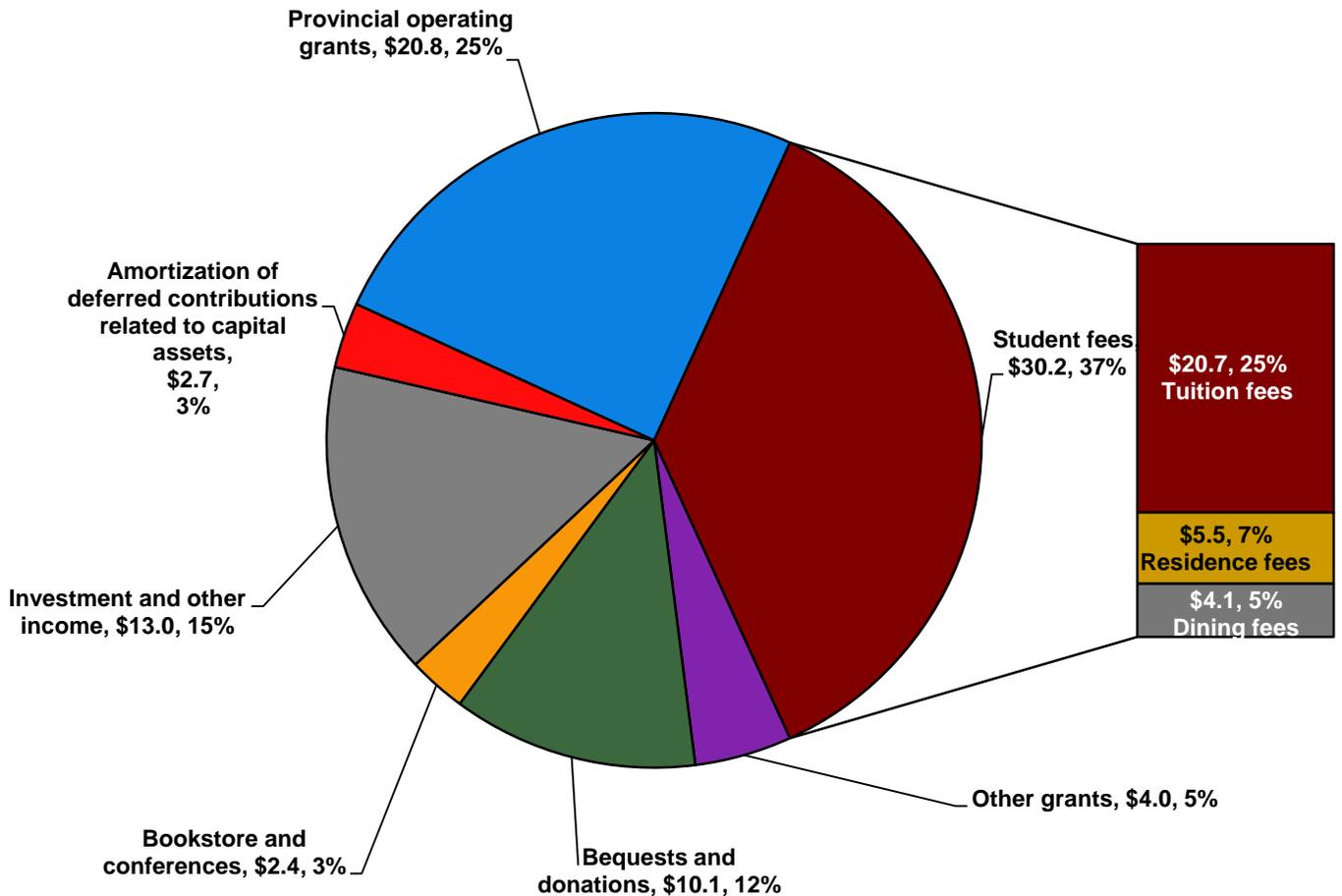
Assets, Deferred Contributions and Liabilities

The University ended the financial year with assets of \$296 million, liabilities and deferred contributions of \$83 million and net assets of \$213 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.

Part A

CHART 1

Total University Revenue by Type (Millions)



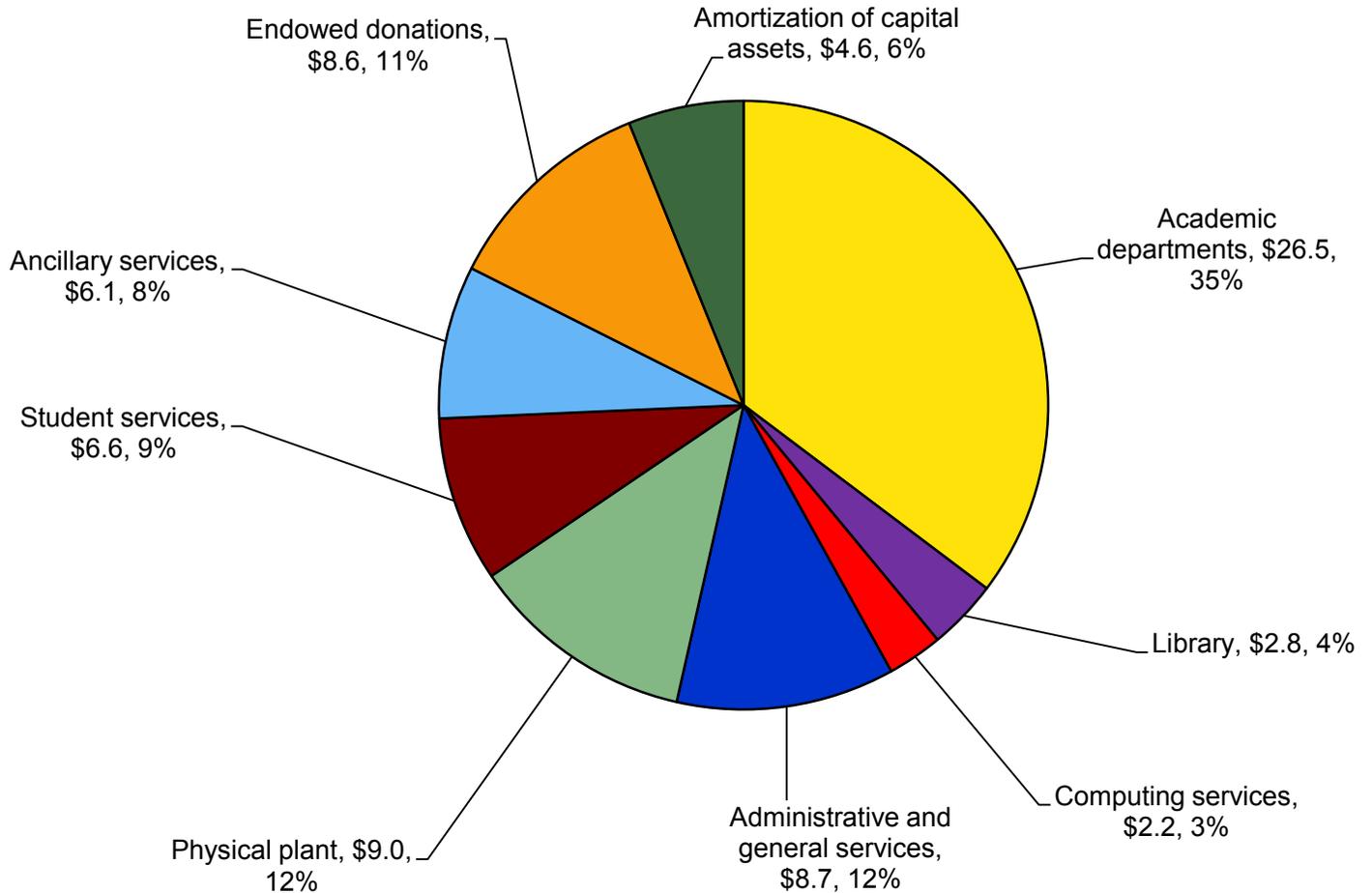
University revenue comes from four main sources. These sources are student payments for tuition, residence, meal plan and bookstore services; grants from the Provincial government, Federal government and other sources; gifts received as donations, bequests, and trust income; and investment income earned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

Revenue from student tuition was lower than the prior year and lower than budget. In 2014-2015 new student enrolment was 675 compared to the three previous year's new student enrolment of 675, 765 and 750.

The significant amount of investment income is due to a strong rate of return on the University's endowment funds.

CHART 2

Total University Expenditures by Type (Millions)



University spending, plus endowed donations added directly to endowment funds, totalled \$75.1 million in 2015 as compared to \$66.3 million in 2014. The endowed donations were \$8.6 million in 2015 as compared to \$1.5 million in 2014.

The largest portion of expenditures was \$29.3 million (2014- \$29.8 million) for academic departments and libraries. Spending in this area represented 39% of University expenditures for the year ended 2015.

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, Expenditures and Interfund Transfers (Millions)

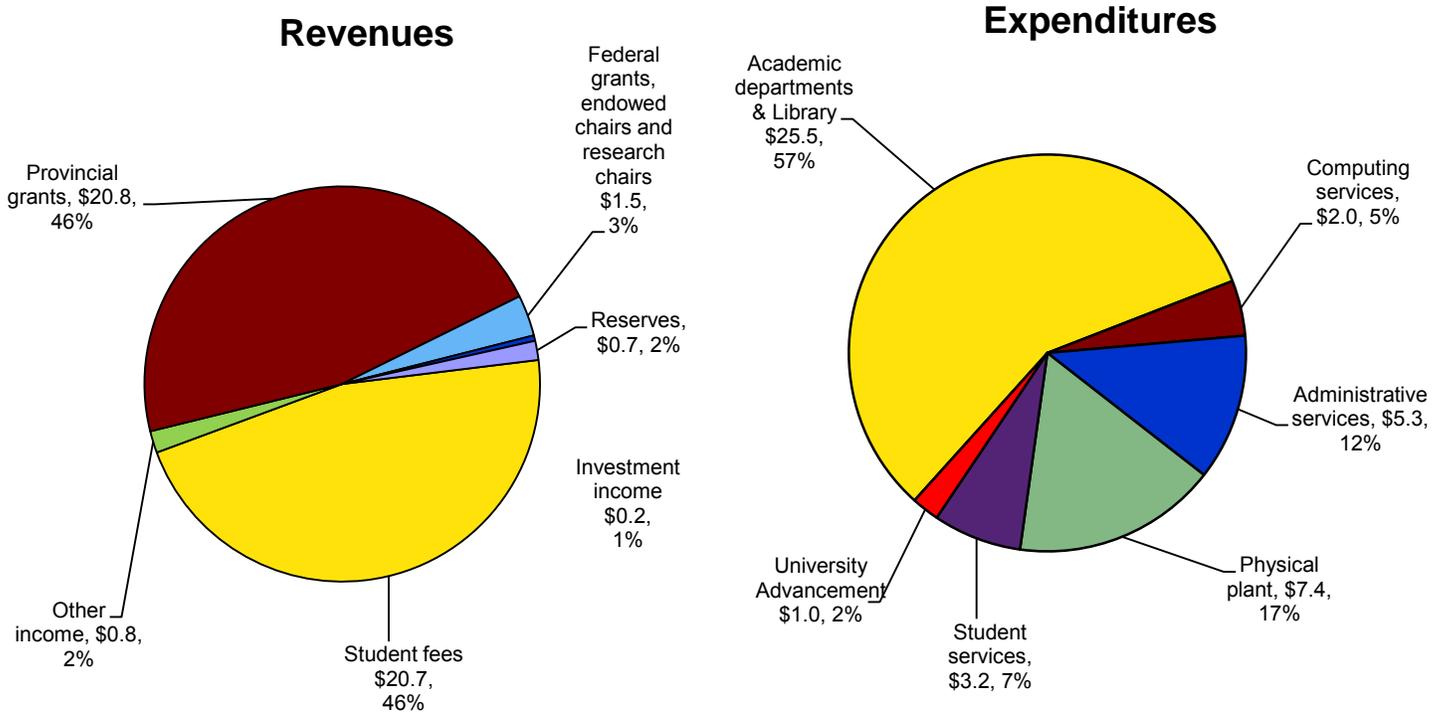
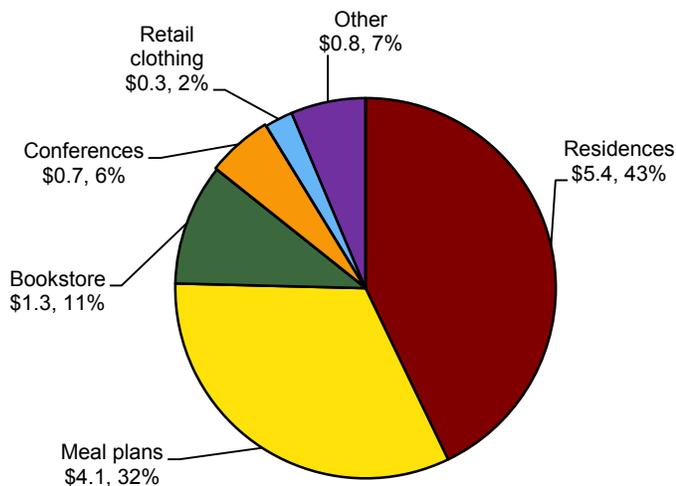


Chart 3 shows general operating fund revenue and expenditures plus interfund transfers related to the General Operating Fund. The largest portion of University financial resources, student tuition and Provincial Grants, make up 92% of the revenue in this Fund. In fiscal 2015 there was a 3.4% increase in student tuition over the prior year. Provincial funding for all universities increased 2% from the prior year and Mount Allison had an increase of \$700,000 due to changes to enrolment. The largest expenditure in this Fund is the direct cost of academic departments followed by physical plant and administrative costs.

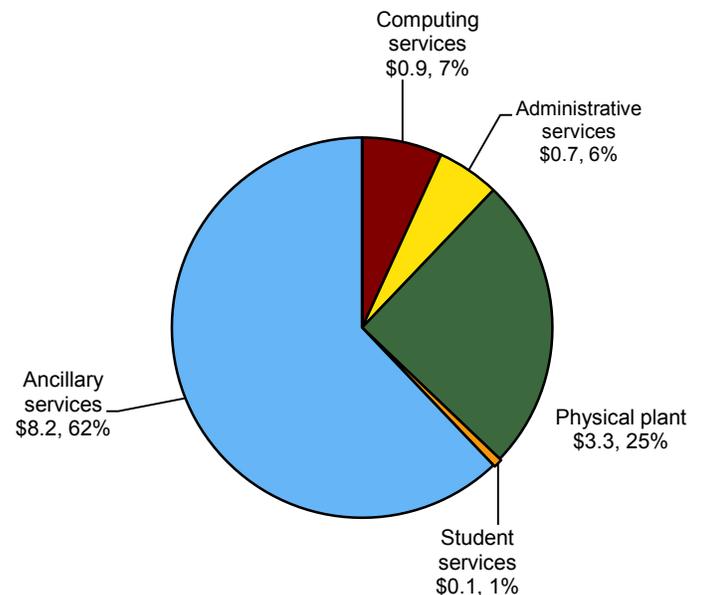
The University used \$712,000 of its \$1,508,000 contingency fund at year end to offset a shortfall in tuition revenue as compared to budget. The University's contingency fund can be used to mitigate the impact of emergencies or short term fluctuations in revenue.

Ancillary Operating Fund Revenue, Expenditures and Interfund Transfers (Millions)

**CHART 4
Ancillary Revenue
(Millions)**



**CHART 4
Ancillary Expenses
(Millions)**



Ancillaries include the residence, dining, conference, bookstore and retail clothing operations. The residence and conference operation used \$2.1 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 a surplus of \$2,100 from the bookstore was used to reduce 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 and course packs.

The retail clothing operation generated \$45,000 which was used to reduce internal loans on retail space construction costs in the Wallace McCain Student Centre. 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 plan has six components which are discussed on the following pages using University financial data and comparative data from other Canadian universities. See the last page of this document for sources of data in the charts on the following pages. The six components are as follows:

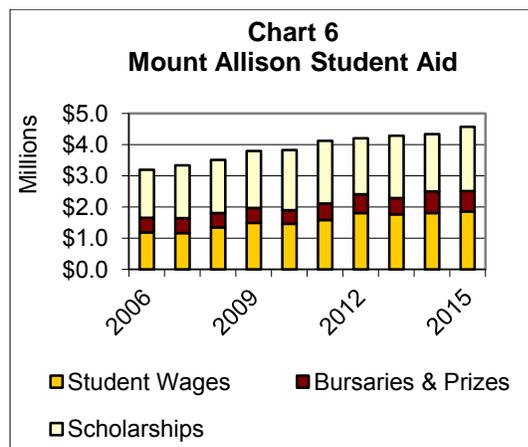
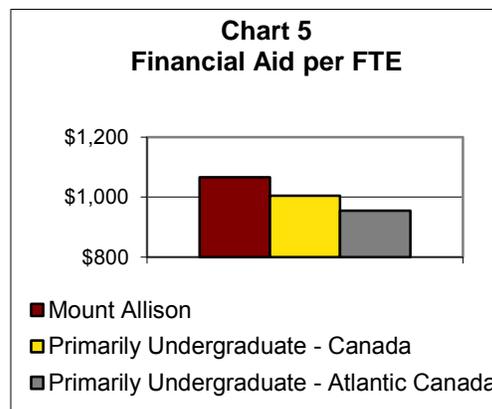
- Student Recruitment and Retention: the challenges and opportunities we face in attracting qualified students to Mount Allison;
- The Academic Experience – Quality and Differentiation: the challenges of maintaining an academic experience for Mount Allison students that is unique and of top quality;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

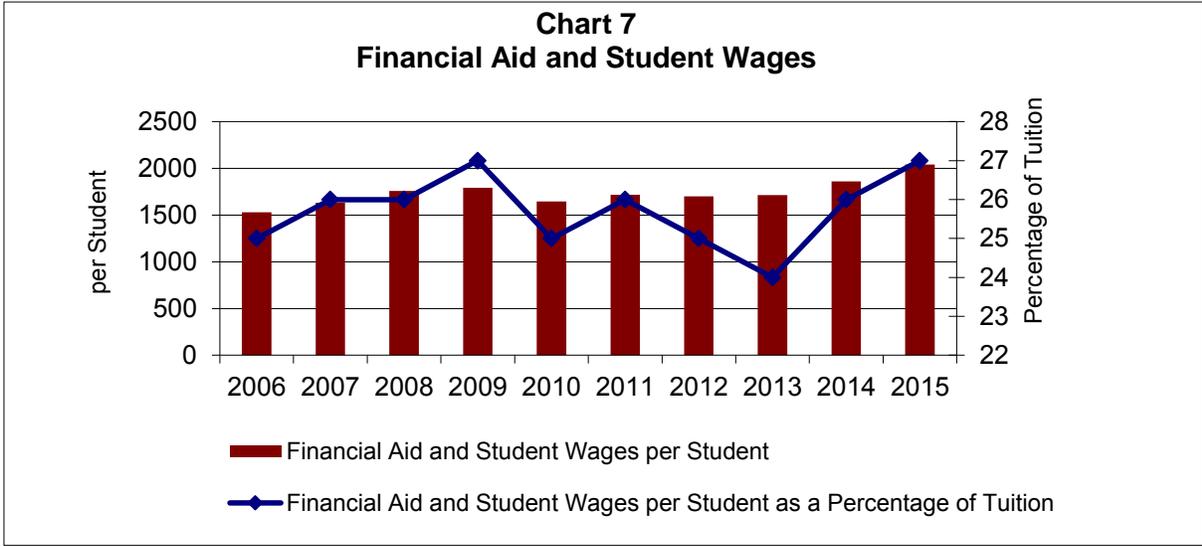
Recruiting and retaining qualified students requires significant financial aid and student employment resources. Mount Allison spends more on financial aid per full time student than the average primarily undergraduate university in Canada.



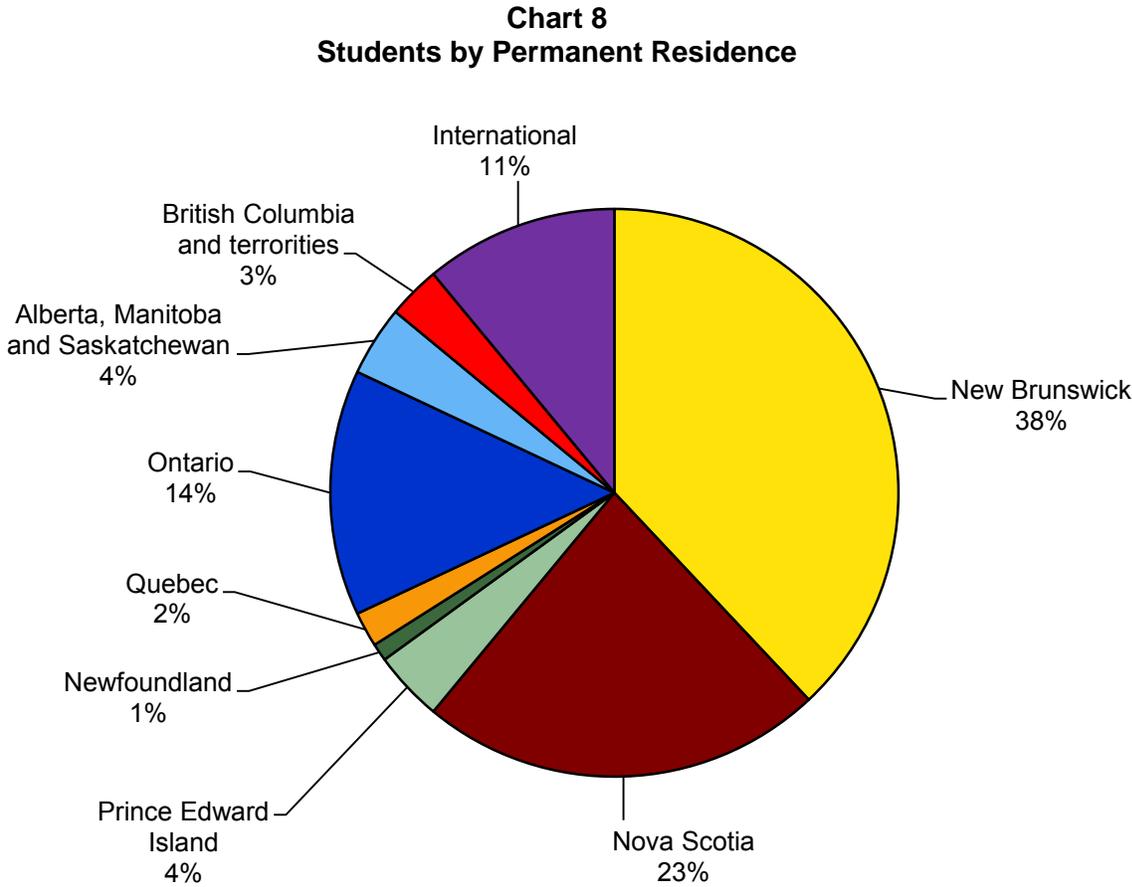
Expenditures on scholarships, bursaries, prizes and student wages have consistently increased over the past ten years. Financial aid spending represents the largest budget item in the endowment fund budget and is the third largest University expense after salaries and utilities. The University spent over \$4.6 million in fiscal 2015 in financial aid and student wages.

Financial aid as a percentage of tuition has remained consistently around 25% over the past ten years and was, on average, over \$2,000 per student for the 2015 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. In fiscal 2015, Mount Allison's newest Rhodes Scholar was selected making him the 12th student in the past 14 years and the sixth in a row to receive this prestigious award. At a total of 53 Rhodes Scholars, Mount Allison holds one of the best records amongst Canadian Universities.

Mount Allison ranks 2nd amongst primarily undergraduate universities for the number of students who have won national awards and the proportion of entering students with grades of 90% or higher as per Maclean's.



Mount Allison recruits students across Canada and the world. This contributes to the development of New Brunswick by providing New Brunswick students an opportunity to interact with individuals from every region of Canada and from over 36 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

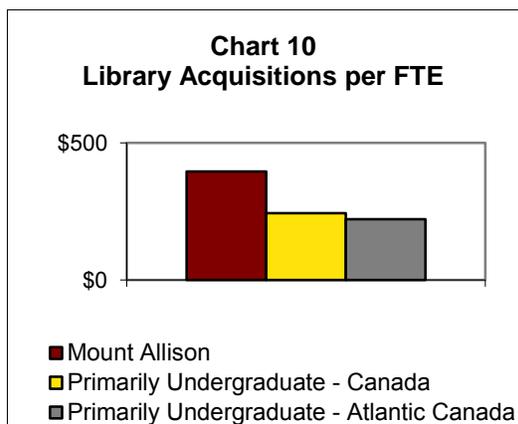
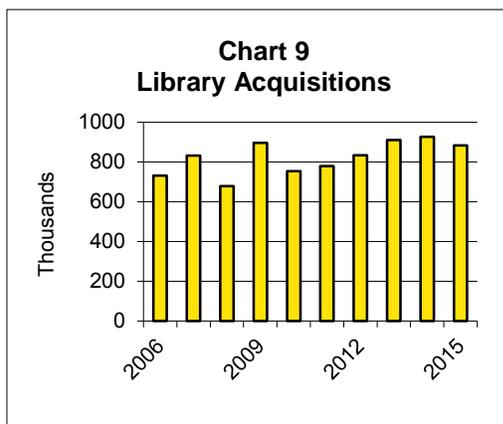
In addition to providing a low student faculty ratio, financial resources are allocated to promote a unique and high quality academic experience.

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 6th lowest student faculty ratio of any Canadian university for third and fourth year classes, as reported by Maclean's magazine in its 2014 University rankings, at 16.7. 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 research fellowships 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 35% 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 acquisition is significant and the amount spent per full-time equivalent student exceeds the average spending by primarily undergraduate universities in Canada.



Mount Allison consistently ranks well on the National Survey of Student Engagement (NSSE) for 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.

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 S.M.I.L.E. program, while other students provide 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 Culture and Creativity, included Atom Egoyan and Jane and Tony Urquhart.

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
- Leadership Mount Allison
 - o Over 500 separate projects funded since its inception in 2000
 - o Funding provided in 2015 for both curricular and co-curricular projects
- Student Societies
 - o Almost 150 active separate student societies in 2015
 - 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 140 intramural sports teams in 11 sports involving over 1,300 students. Sports included individual sports such as tennis and golf and team sports such as soccer, curling, volleyball, basketball and the newly added sport of flag football
 - o 8 club sports including rugby, cross country, lacrosse, golf and ultimate frisbee
 - o 6 Canadian Interuniversity Sports teams with 42 students obtaining CIS academic all-Canadians awards. The football Mounties captured the AUS Conference Championship for the second year in a row and advanced to the Mitchell Bowl, national semi-final. In women’s rugby, the team won in overtime in a championship final to win the conference banner.
- Employment Opportunities
 - o Over 109,000 hours of direct student employment
 - o Leadership opportunities as Assistant Dons and Residence Assistants

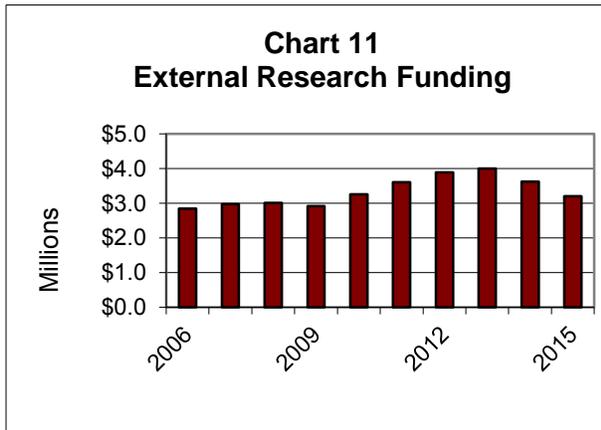
Component 4 – The Faculty Experience

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.

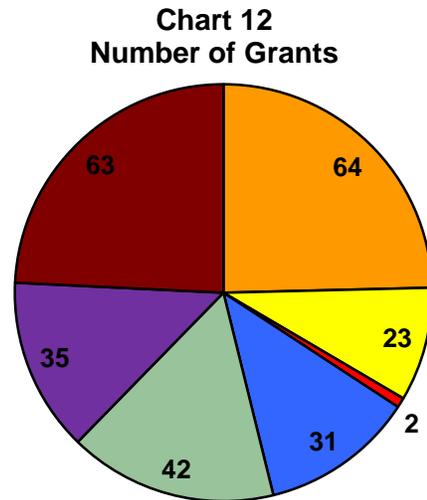
The University supports research activities by providing the necessary physical infrastructure, information technology systems and administrative processes. On October 3, Mount Allison celebrated a milestone moment – the official opening of the Purdy Crawford Centre for the Arts. The Centre is one of the top arts education facilities in the country, providing specialized facilities for teaching, performance, and creative pursuits in Fine Arts and Drama, drawing on Mount Allison’s long and talented history in these areas. The Centre will help Mount Allison define the Canadian cultural experience for future generations of talented students.

Over the past three years the University has averaged over \$3.6 million of research funding. This funding also provides students with employment opportunities to work with faculty on various research projects.



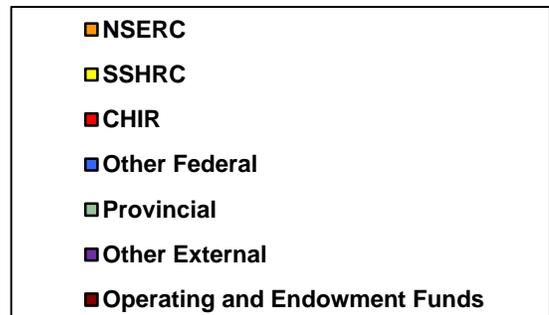
\$494,000 to support individual professional development grants for each full time faculty member.

- 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 260 research grants in fiscal 2015.
- 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



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. 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 Purdy Crawford Centre for the Arts officially opened on October 3, 2014. More than two-third's of the cost was funded by donations and the balance was funded from regular building alteration budgets.

The University is proceeding with a number of facilities projects and also improving and updating Athletics and recreation infrastructure, including the installation of a turf field and renovation of the weight room.

In order to sustain its facilities, a university must spend at least 2% 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 15 years, the University has spent in excess of \$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

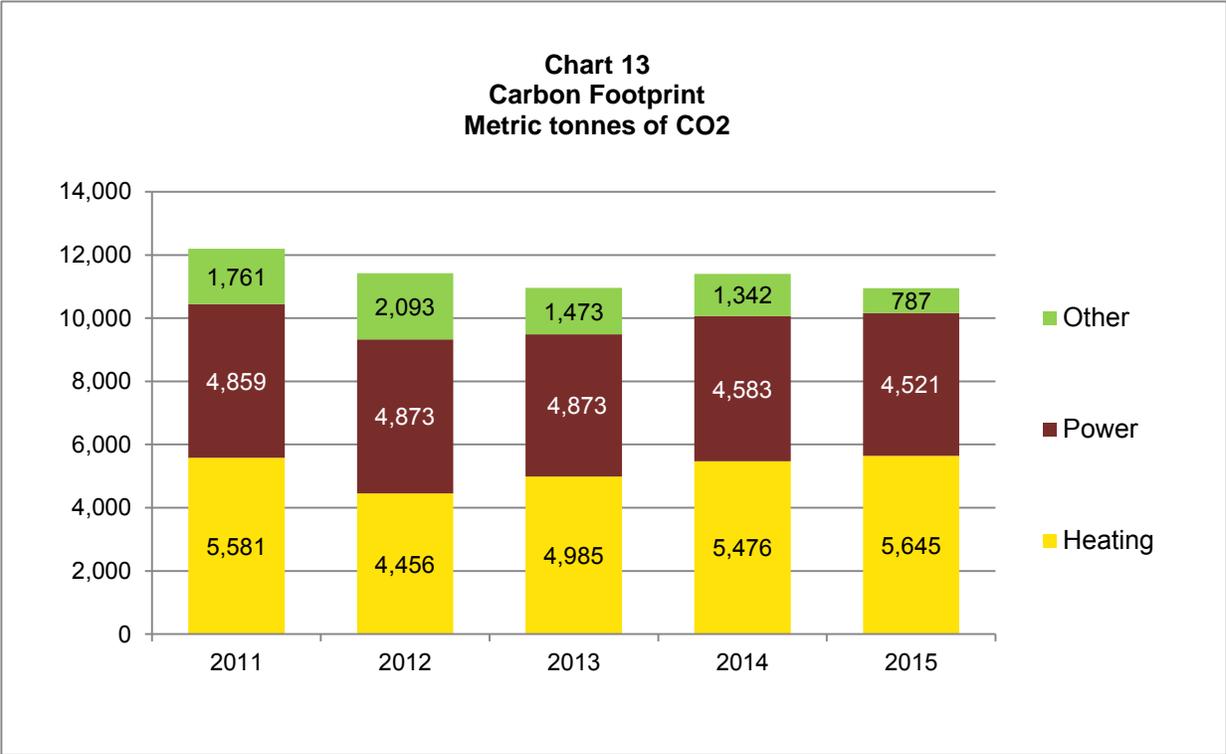
The University has maintained balanced budgets over at least the last 15 years, integrates annual operating budgets with long term capital and equipment budgets, and targets savings from energy efficiency and carbon reduction projects to fund similar projects. The University uses its own cashflows to fund major construction projects and has been able to avoid using external debt for over 15 years. As of April 30, 2015 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. The University and the Town of Sackville entered into an agreement benefitting both organizations that sees the University providing IT services to the Town. The pair was recently honoured with a Canadian Association of University Business Officers 2015 Quality and Productivity Award.

Carbon Footprint

The University’s carbon footprint, not including commuting, totalled 10,953 metric tons for the one year period ended April 30, 2015. Student, faculty and staff commuting was estimated to result in an additional 2,623 tons. The heating category has increased due to the colder winter months this past year. Chart 13 breaks out the major sources of the University’s carbon emissions by fiscal year.

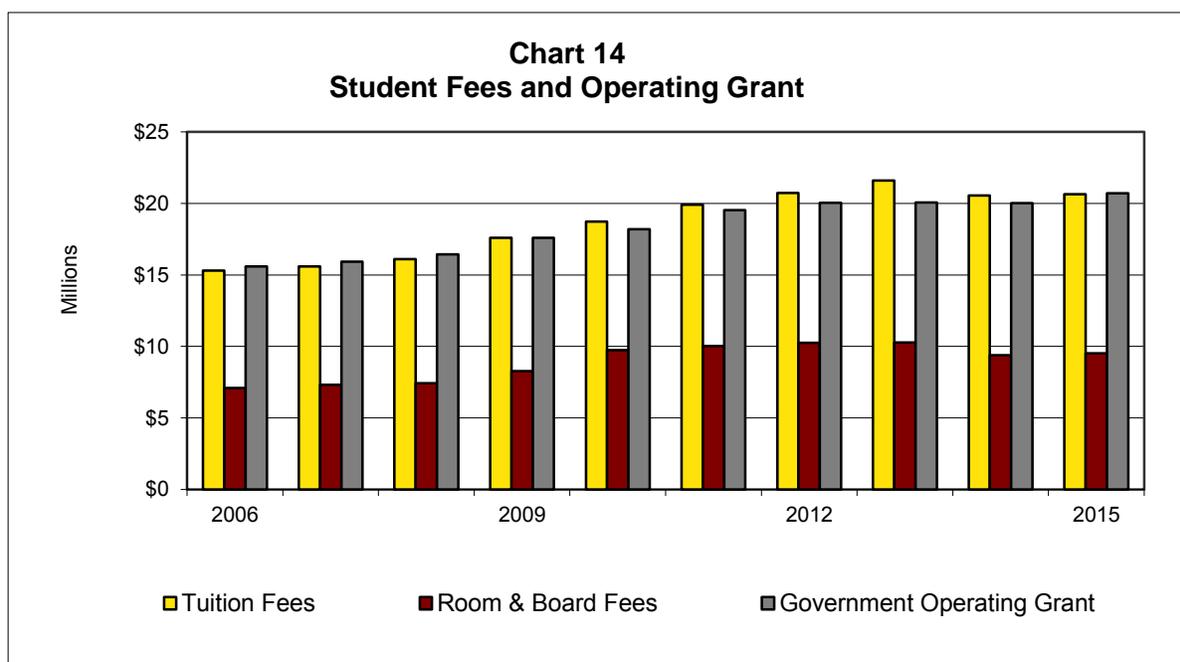


Component 6 – Accountability

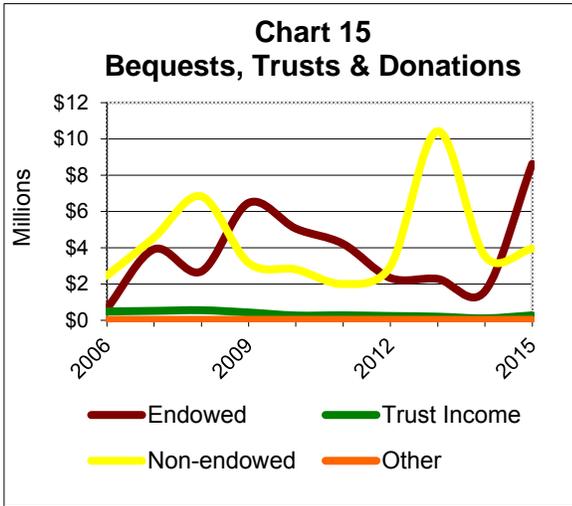
Establish clear, transparent lines of accountability to demonstrate the extent to which the University attains its mission and strategic objective.

During the past year, in an effort to make a more open process for developing the University's operating budget, a collegial Budget Advisory Committee was formed. The committee became familiar with the operating budget and the financial outlook, as well as the variables that impact it and its role was to provide budget advice and recommendations to the President.

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. Numerous 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 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 has increased by 2% over the previous fiscal year. Since 2010, the percentage of revenue from academic fees has exceeded the percentage from government grants.

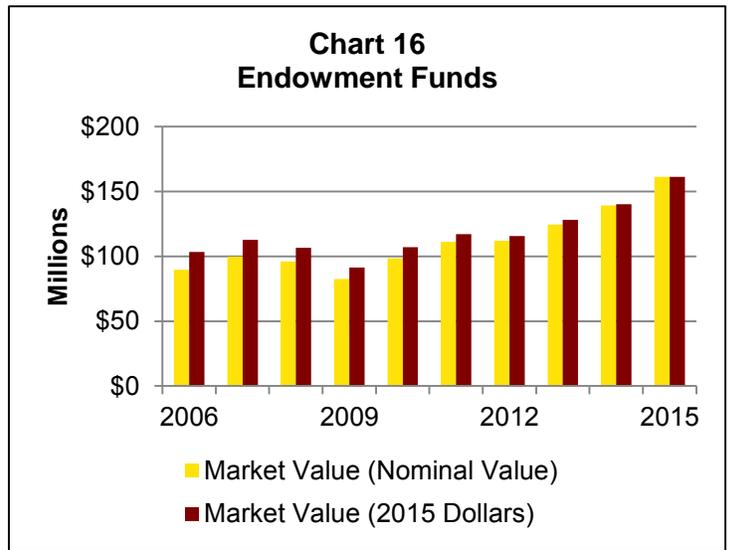


The third and fourth largest sources of revenue are donations and investment income.

Endowment donations exceeded \$8.5 million in fiscal 2015. These donations support current and future generations of students and faculty.

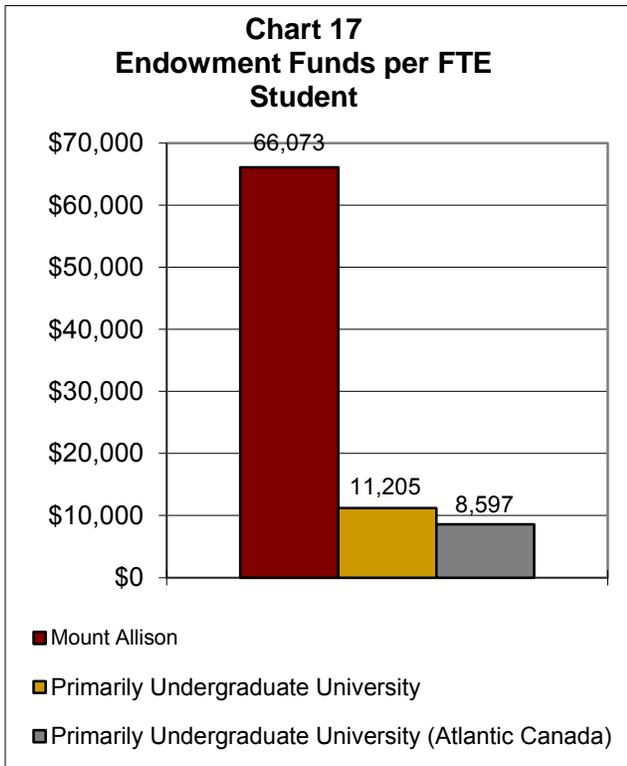
The University's Endowment Fund returned 18.1% for the year ended March 31, 2015 and had a top quartile five year return compared to Canadian university endowments for the 2014 calendar year.

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

Chart 1	-	Mount Allison University Financial Statements
Chart 2	-	Mount Allison University Financial Statements
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Chart 5	-	Statistics Canada CAUBO Report and Association of Universities and Colleges of Canada
Chart 6	-	Mount Allison University, Financial Services
Chart 7	-	Mount Allison University, Financial Services
Chart 8	-	Mount Allison University, Student Services
Chart 9	-	Mount Allison University, Financial Services
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Chart 11	-	Mount Allison University, Financial Services
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Chart 17	-	Canadian Association of University Business Officers