ACADIA UNIVERSITY

MARCH 31

2015

Annual Financial Statements

Independent auditor's report

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To the Board of Governors of
Acadia University

We have audited the accompanying financial statements of Acadia University which comprise the statement of financial position as at March 31, 2015, the statements of operations, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the University's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Acadia University as at March 31, 2015, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Other matters

Our audit was conducted for the purpose of forming an opinion on the financial statements of Acadia University taken as a whole. The supplementary information included in the Schedule A and B is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

Grant Thornton LLP

Halifax, Canada
June 18, 2015

Chartered Accountants

ACADIA UNIVERSITY
ANNUAL FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2015

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ACADIA UNIVERSITY
STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2015
WITH COMPARATIVE FIGURES FOR MARCH 31, 2014
(thousands of dollars)

ASSETS	2015	2014 (Restated)
Currents assets:		
Cash	$11,896	$8,357
Accounts receivable (Note 4)	4,135	4,122
Prepaid expenses	1,471	1,491
	17,502	13,970
Investments	78,056	72,041
Other assets (Note 5)	200	200
Capital assets (Note 6)	122,423	126,284
Intangible assets (Note 6)	61	79
Total assets	$218,242	$212,574

LIABILITIES, DEFERRED CONTRIBUTIONS AND NET ASSETS	2015	2014 (Restated)
Current liabilities:		
Demand loans payable (Note 8a)	$704	$727
Accounts payable and accrued liabilities	9,262	6,920
Amounts due to governments	346	352
Retirement incentives	420	334
Deferred revenue	5,683	5,391
Current portion of mortgages payable (Note 7)	110	150
Current portion of loans payable (Note 8b)	4,553	3,146
	21,078	17,020
Retirement incentives	857	1,212
Employee future benefits (Note 15)	27,736	30,591
Deferred capital and other contributions (Note 9)	65,812	63,583
Long term debt:		
Loans payable (Note 8b)	62,710	67,268
Mortgages payable (Note 7)	473	584
Mark-to-market liability (Note 8c)	8,448	6,349
	71,631	74,201
Net assets: (Note 10)		
Accumulated operating deficit	(63,439)	(57,480)
Internally restricted	4,570	4,162
Restricted for endowments	78,470	70,714
Equity in capital assets	11,527	8,571
	31,128	25,967
Total liabilities, deferred contributions and net assets	$218,242	$212,574

Commitments (Note 12)
Contingent liabilities (Note 13)

Approved by the Board of Governors

Chair of the Board

President and Vice Chancellor

See accompanying notes to the financial statements

ACADIA UNIVERSITY
STATEMENT OF OPERATIONS
YEAR ENDED MARCH 31, 2015
WITH COMPARATIVE FIGURES FOR 2014
(thousands of dollars)

	2015	2014 (Restated)
Revenues:		
Student academic fees	$37,355	$36,020
Government grants	30,268	31,479
Other grants	6,061	6,363
Ancillary sales and services	12,009	12,580
Donations and gifts	1,706	24
Investment income	3,851	3,488
General	2,796	2,544
Amortization of deferred capital contributions	2,921	2,848
Total revenues	96,967	95,346
Expenses:		
Salaries and wages	44,181	44,546
Fringe benefits	7,579	6,505
Accrued pension benefit adjustment (Note 15)	1,257	1,618
Pension special payments	2,655	1,539
Supplies and materials	7,227	6,272
Externally contracted services	7,312	7,517
Amortization of capital and intangible assets	7,836	7,764
Ancillary cost of goods sold	918	808
Utilities	5,575	5,172
Long term debt interest	4,120	4,306
Travel	2,294	2,332
Scholarships and bursaries	4,665	4,245
Deferred maintenance and renovations	911	2,128
Library acquisitions	717	858
Professional fees	691	635
Other	988	794
Interest	177	6
Total expenses	99,103	97,045
Excess of expenses over revenues before the undernoted	(2,136)	(1,699)
Unrealized (loss) gain on swap transactions (Note 8c)	(2,099)	1,833
Excess of (expenses over revenues) revenues over expenses	$(4,235)	$134

See accompanying notes to the financial statements

ACADIA UNIVERSITY
STATEMENT OF CHANGES IN NET ASSETS
YEAR ENDED MARCH 31, 2015
(thousands of dollars)

	Accumulated Operating Deficit	Internally Restricted	Restricted for Endowments	Equity in Capital Assets	2015 Total	2014 Total (Restated)
Balance, March 31, 2014	$(57,480)	$4,162	$70,714	$8,571	$25,967	$4,586
Excess of revenue over expenses (expenses over revenue)	867	(187)	-	(4,915)	(4,235)	134
Remeasurement and other adjustments	1,640	-	-	-	1,640	11,984
Gifts of endowment principal	-	-	3,587	-	3,587	1,683
Increase in value of investments	-	-	7,570	-	7,570	10,361
Transfer to operating fund and internally restricted fund	-	-	(3,401)	-	(3,401)	(2,781)
Interfund transfers in (out) (Note 11)	(8,466)	595	-	7,871	-	-
Balance, March 31, 2015	$(63,439)	$4,570	$78,470	$11,527	$31,128	$25,967

See accompanying notes to the financial statements

ACADIA UNIVERSITY
STATEMENT OF CASH FLOWS
YEAR ENDED MARCH 31, 2015
WITH COMPARATIVE FIGURES FOR 2014
(thousands of dollars)

	2015	**2014**
Cash provided by (used for):		(Restated)
Operating activities:		
Excess of expenses over revenues	$(4,235)	$134
Items not involving cash:		
Unrealized loss (gain) on swap transactions	2,099	(1,833)
Amortization of capital assets and intangibles	7,836	7,764
Amortization of deferred capital contributions	(2,921)	(2,848)
Retirement incentive	(355)	581
Employee future benefits	1,257	1,618
Gain on disposal of capital assets	(11)	(57)
Change in non-cash working capital	2,697	(28,073)
	6,367	(22,714)
Investing activities:		
Deferred capital and other contributions	2,677	3,815
Proceeds on disposals	66	230
Purchase of capital assets	(4,012)	(4,251)
Investment in other assets	-	7
Increase in investments	(3,587)	(1,683)
	(4,856)	(1,882)
Financing activities:		
Endowment contributions	5,328	357
Principal payments on long term debt	(3,300)	(3,147)
	2,028	(2,790)
Net change in cash	3,539	(27,386)
Cash, beginning of year	8,357	35,743
Cash, end of year	$11,896	$8,357

Supplemental cash flow information (Note 17)

See accompanying notes to the financial statements

1. Authority and purpose

Acadia University operates under the authority of *An Act Respecting Acadia University*, passed May 19, 1891. It is primarily an undergraduate, liberal arts institution providing a range of undergraduate, graduate and continuing education programs. The academic governance of the University is vested in the Senate. The University is a not-for-profit entity, governed by a Board of Governors, whose members are appointed from a variety of backgrounds, including business, alumni, government and the Convention of Atlantic Baptist Churches. The University is a registered charity under the Income Tax Act and accordingly is exempt from income taxes, provided certain requirements of the Income Tax Act are met.

2. Significant accounting policies

a) Basis of accounting:
These financial statements have been prepared in accordance with Canadian generally accepted accounting principles using Canadian accounting standards for not-for-profit organizations in Part III of the CPA Handbook.

b) Funding accounting:
The University maintains its accounting records using fund accounting. Under this method, resources are classified for accounting and reporting purposes into funds in accordance with specific activities or objectives. Restricted funds carry restrictions on the use of the resources for particular defined purposes.

The University has classified accounts with similar characteristics into major funds as follows:

The Operating/Ancillary Operations Fund, an unrestricted fund, accounts for the University's primary function of instruction, including academic, support services, administrative services, facilities management and other operating activities. It also accounts for ancillary operations that provide goods and services to the University community, which are supplementary to the functions of instruction, research and services.

The University's restricted funds, consisting of the Capital Fund, Research Fund, Endowment Fund and Special Reserve Fund, account for resources made available to the University by third parties, by way of grants, service contracts or gifts. These resources are restricted as to their use by third parties or the Board of Governors.

The Capital Fund, a restricted fund, accounts for the acquisition of capital assets, the amortization of capital assets and the amortization of any externally restricted contributions received to fund these assets.

The Research Fund, a restricted fund, accounts for the activities that support research.

The Endowment Fund accounts for investment income earned on the endowment principal and related expenditures (such as investment management fees).

The Special Reserves Fund accounts for the expenditure of externally restricted contributions which are not research, endowment, capital or operating in nature. Expenditures within this fund are typically project related.

c) Revenue recognition:
The University follows the deferral method of accounting for contributions. The University receives grants and donations from a number of different sources to cover operating, research, capital and other special purpose expenditures. The University follows the deferral method of accounting for contributions, which includes donations and government grants, to ensure that revenue is recognized in the appropriate periods. Using this method, restricted contributions are deferred to future periods with the related expenses regardless of when the funds are received. Restricted contributions are recognized as revenue in the same accounting period as the related expense. Restricted contributions for which the related expenses have not been incurred are reported in deferred capital and other contributions.

Revenue from tuition fees, residence fees, other academic fees, and sales are recognized in the operating fund when services are provided and goods are sold. Operating grants are recorded as revenue in the operating fund in the period to which they relate. Revenues from the sources above, including operating grants, received during the period related to future periods is included in deferred revenues. Unrestricted contributions are recognized as revenue in the operating fund when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

The capital portion of grants are recorded as deferred contributions and amortized into revenue at a rate corresponding with the amortization rate of the related assets in the capital fund. These are restricted contributions as they relate directly to the acquisition of capital assets.

Externally restricted contributions, related to research and special projects, are recorded as deferred contributions and are recognized as revenue in the applicable fund in the year in which the related expenses are recognized.

Endowment contributions are recognized as a direct increase in endowment net assets in the year the contribution is received. Investment income earned on restricted funds is recorded as revenue within the appropriate restricted fund and must be spent on the restricted activities. Other investment income is recognized as revenue in the operating fund when earned.

d) Contributed services:
A substantial number of volunteers contribute a significant amount of their time each year. Due to the difficulty in determining its fair value, contributed services are not recognized in these financial statements.

e) Cash:
Cash includes petty cash, cash on deposit and bank indebtedness with financial institutions.

f) Financial instruments:
The University considers any contract creating a financial asset or liability as a financial instrument. Financial instruments consist of cash, investments, accounts receivables, accounts payable and accrued liabilities, amounts due to governments, short and long-term debt, and mark to market liabilities.

The University initially measures its financial assets and liabilities at fair value. Cash is measured and reported at fair value. The University has chosen to measure and report investments at fair value using quoted market values based on actively traded markets. The University records the change in fair value as income from investments. All other financial assets are recorded at amortized cost. Financial transaction costs are expensed as incurred. Financial liabilities are recorded at amortized cost. Management reviews financial instruments for indications of impairment and records an impairment charge as circumstances require.

g) Interest rate swap agreements and hedge accounting:

The University enters into interest rate swaps in order to reduce the impact of fluctuating interest rates on portions of its long-term debt. It is not the University's policy to utilize derivative financial instruments for trading or speculative purposes. These swap agreements require the periodic exchange of payments without the exchange of the notional principal amount on which the payments are based. Interest expense on the debt is adjusted to include the payments made or received under the interest rate swaps.

The University documents all relationships between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. This process includes linking all derivatives to specific portions of long term debt on the statement of financial position. The University also formally assesses, both at the hedge's inception and on an ongoing basis, whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in cash flows of hedged items.

The University designates each interest rate swap agreement as a cash flow hedge of a specifically identified debt instrument. Swap agreements that are effective hedges, both at maturity and over the term of the agreement, since the term to maturity, the notional principal amount, and the interest rate of the swap agreements all match the terms of the debt instruments being hedged. The swap agreements involve periodic exchange of payments and are recorded as an adjustment of the interest expense on the hedged debt instrument. The fair value of derivative instruments eligible and qualifying for hedge accounting is not recognized in the Statement of Financial Position.

Realized and unrealized gains or losses associated with derivative instruments, which have been terminated or cease to be effective prior to maturity are recognized in income in the period in which the underlying hedged transaction is terminated. In the event a designated hedged item is sold, extinguished or matures prior to the termination of the related derivative instrument, any realized or unrealized gain or loss on such derivative instrument is recognized in income.

The University does have one component of long term debt that is not hedged from an accounting perspective. The interest rate swap associated with the Biology Building long-term debt was entered into on February 19, 2009 with principal payments commencing February 19, 2010. Due to the timing difference of the interest rate swap and principal repayments, the hedge of the underlying debt is deemed ineffective and differences between the fixed and floating rate of interest will be assessed annually and recognized as an unrealized gain (loss). The fair value of derivative instruments not eligible for hedge accounting are recognized in the Statement of Financial Position as Mark-to-market assets (liabilities).

h) Investments and other assets:

Investments are composed of units in specific pooled funds and accordingly they are stated at fair value. The cost of the investments held at year end is $ 64,775 (2014 - $58,921). These funds are focused on specific asset types and at year-end the composition of the underlying assets was as follows: domestic equities 38.36% (2014- 38.10%), international equities 30.68% (2014 – 34.89%), bonds / managed cash funds 30.43% (2014 – 27.01%), cash 0.53% (2014 – 0.00%). An asset mix guideline was developed and is monitored by the Investment Committee of the Board of Governors. Fair value is defined as the unit values supplied by the fund administrators, which represents the University's proportionate share of underlying net assets at fair values.

Interest and dividends earned on investments is reported as investment income. Investment income on endowments, which is comprised of gains (net of any losses) realized on the disposition of units in the invested funds and unrealized appreciation (depreciation) in the market value of the units is recorded in the statement of operations and accumulated operating deficit when this income is available for spending. In any particular year, net investment income (loss) may be insufficient to fund the amount made available for spending. In this circumstance, current spending is funded by income accumulated from prior years where earnings exceeded the amount required for spending in those years. In 2015, $3,401 (2014 - $2,781) was transferred from endowment principal to meet spending requirements.

The University has an investment in the Valley Community Fibre Network and this investment has been recorded at cost within other assets.

i) Capital assets:

Purchased capital assets are recorded at cost. Interest on financing during construction is added to the capitalized costs. Donated capital assets, other than donated works of art which are not capitalized, are recorded at fair value at the date of acquisition. Repairs and maintenance costs are charged to expense. Betterments which extend the estimated life of an asset are capitalized. Management reviews estimates of useful lives of capital assets and adjusts the estimates as required. Management regularly reviews assets for impairment and adjusts as required.

Capital assets are amortized on a straight-line basis over the following useful lives of the respective assets. One half year's amortization is taken in the year of acquisition. The range of estimated useful lives for each of the capital asset categories is shown below and expressed in number of years.

Buildings	40
Land improvements	20
Facility improvements	15
Equipment and equipment under capital lease	5
Library holdings	10
Roadways	15
Computer equipment	3
Vehicles	3

Amortization of construction in progress, which consists of buildings, will commence upon occupancy.

j) Intangible assets:

Intangible assets are an identifiable non-monetary asset without physical substance. The University has a number of computer software programs that meet the definition of an intangible asset.

Intangible assets are recorded at cost. Intangible assets are amortized on a straight-line basis over the useful life of 5 years. One half year's amortization is taken in the year of acquisition. Management reviews estimates of useful lives of intangible assets and adjusts the estimates as required. Management regularly reviews assets for impairment and adjusts as required.

k) Impairment of long-lived assets

Long-lived assets are tested for recoverability whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. The amount of impairment loss is determined as the excess of the carrying value of the asset over its fair value, determined as the undiscounted cash flow expected from use or eventual disposition.

l) Employee benefit plans:

The University maintains a defined benefit plan providing pension benefits which covers substantially all of its employees. Pension plan assets are valued at fair market value for purposes of calculating expected return on plan assets. The actuarial determination of the accrued benefit obligations for pension and other retirement benefits uses the going-concern funding valuation (which incorporates estimates of investment performance, future salary levels, other cost escalation, retirement ages of employees and other actuarial factors). Under this method an equal portion of the total estimated future benefit is attributed to each year of service by the employee groups. A defined benefit liability (asset) is the amount of the defined benefit obligation less the fair value of plan assets, adjusted for any valuation allowances. The measurement date of the plan assets and accrued benefit obligation coincides with the University's fiscal year and are determined by an independent actuary.

The components of the total cost of the University's employee benefits plans includes the current service cost (or actuarial present value of benefits attributed to employee services rendered during the period, less employee contributions), finance cost (or net interest on the defined benefit liability), and remeasurements and other items. Remeasurements and other items are recognized directly into net assets in the Statement of Changes in Net Assets, and include the following: actuarial gains and losses, valuation allowances, past service costs, gains and losses on settlements and curtailments, and returns on plan assets.

m) Retirement incentive:

The University accrues the full cost of the early retirement obligations in the year in which the event that creates the obligation occurs. The University has determined the outstanding retirement incentive based on each retiree. As the incentive is paid to retirees over a number of years, the obligation is amortized into income based on the payment schedule. The outstanding obligation has been recorded at its present value.

n) Use of estimates:

The preparation of the financial statements in accordance with Canadian generally accepted accounting principles requires management to make a number of estimates and assumptions relating to the reported amounts of assets and liabilities and the disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Estimates are involved in the calculation of the collectible amount of accounts receivable, deferred revenue, the useful lives of capital and intangible assets and their amortization, accrued liabilities for payroll and employee future benefits, investments and the fair value of financial instruments. Actual results could differ from those estimates. Estimates are regularly reviewed by management and adjusted as required.

(thousands of dollars)

3. Change in accounting policy

During the year, the University adopted CPA Handbook Section 3463 "Reporting Employee Future Benefits by Not-for-profit organizations," effective for fiscal years beginning on or after January 1, 2014. The standard was adopted by the University on a retrospective basis and therefore the comparative period balances for 2014 have been restated to reflect adoption of the standard.

As a consequence of adopting the standard, the previously available deferral and amortization of actuarial gains and losses and past service costs over the average remaining service life of the employee benefit plan is no longer acceptable. The cost for employee benefits plans, including current service costs and finance costs are recorded into income during the period, while remeasurements and other items are recorded in the Statement of Changes in Net Assets.

For defined benefit plans, an accounting policy choice exists between using the funding valuation or accounting valuation. The University has adopted the funding valuation method.

The impact at adopting the standard was as follows:

	As previously stated	As restated
April 1, 2013		
-Defined benefit liability	$5,991	$40,956
-Net assets	$39,552	$4,586
March 31, 2014		
-Defined benefit liability	$11,584	$30,591
-Net assets	$44,974	$25,967
-Defined benefit cost	$5,593	$1,619
-Net (loss) earnings	$(3,841)	$134

4. Accounts receivable

	2015	2014
Student accounts	$1,383	$1,345
Less: allowance for doubtful accounts	(317)	(332)
	1,066	1,013
Special accounts	773	359
Special grants	1,746	2,656
Other	550	94
Total	$4,135	$4,122

5. Other assets

	2015	2014
Investment in Valley Community Fibre Network, at cost	$200	$200
Total	$200	$200

(thousands of dollars)

6. Capital assets and Intangible assets

Capital assets	2015			2014		
	Cost	Accumulated amortization	Net book value	Cost	Accumulated amortization	Net book value
Buildings	$ 191,736	$ 95,531	$ 96,205	$ 191,821	$ 91,048	$ 100,773
Equipment	26,097	24,568	1,529	25,315	23,886	1,429
Library holdings	5,432	5,101	331	5,430	4,957	473
Land	952	-	952	952	-	952
Land improvements	19,472	11,732	7,740	19,472	10,760	8,712
Facility improvements	18,946	5,260	13,686	14,709	4,138	10,571
Roadways	254	239	15	254	232	22
Computer equipment	4,491	3,884	607	4,114	3,526	588
Vehicles	517	506	11	508	486	22
Equipment – capital lease	1,314	1,314	-	1,314	1,314	-
Construction in progress	1,347	-	1,347	2,742	-	2,742
Total	$ 270,558	$ 148,135	$ 122,423	$ 266,631	$ 140,347	$ 126,284

Intangible assets	2015			2014		
	Cost	Accumulated amortization	Net book value	Cost	Accumulated amortization	Net book value
Software	$ 1,212	$ 1,151	$ 61	$ 1,212	$ 1,133	$ 79

(thousands of dollars)

7. Mortgages payable

	2015	2014
Crowell Tower residence C.M.H.C. 6.875% mortgage, maturing August 1, 2020. Repayable in semi-annual payments of $62, including principal and interest	$560	$641
Eaton House residence and Wheelock Dining Hall C.M.H.C. 5.375% mortgage, maturing September 1, 2015. Repayable in semi-annual payments of $37, including principal and interest	23	93
	583	734
Current portion	110	150
Total	$473	$584

The mortgages are secured by the residence buildings listed above. The principal due within each of the next five years on mortgages payable is approximately as follows:

2016	$110
2017	92
2018	99
2019	106
2020	113

(thousands of dollars)

8. Loans payable

a) Demand loans:
Bank of Montreal – non-revolving and unsecured demand loans bearing interest at bank prime plus 0.75%.

b) Loans payable:

	2015	2014
Residence Advantage – Whitman/Eaton/Christofor (i)	$7,823	$8,259
Residence Advantage – Chase Court (ii)	8,015	8,373
Residence Advantage – Dennis/Chipman (iii)	7,002	7,338
Residence Advantage – Jodrey Hall (iv)	5,355	5,605
Wheelock Renovation (v)	1,552	1,858
Cutten Renovation (vi)	1,705	1,764
Sustainability Initiative (vii)	6,352	6,652
Biology Building (viii)	21,324	21,905
Cutten Renovation 2012 (ix)	1,135	1,660
Operating Loan (x)	7,000	7,000
	67,263	70,414
Current portion	4,553	3,146
Total	$62,710	$67,268

i) Residence Advantage - Whitman/Eaton/Christofor - Bank of Montreal term facility at a fixed rate of 6.15% plus a 50 basis point credit spread payment. The interest rate of 6.15% is fixed for a period of 25 years to January 15, 2027. The credit spread payment of 50 basis points is effective for the life of the loan. The facility is being amortized over a period of 25 years with blended monthly payments of principal and interest of approximately $83.

ii) Residence Advantage - Chase Court - Bank of Montreal term facility at a fixed rate of 6.01% plus a 50 basis point credit spread payment. The interest rate of 6.01% is fixed for a period of 25 years to February 1, 2029. The credit spread payment of 50 basis points is effective for the life of the loan. The facility is being amortized over a period of 25 years with blended monthly payments of principal and interest of approximately $77.

iii) Residence Advantage - Dennis/Chipman - Bank of Montreal term facility at a fixed rate of 6.25% plus a 50 basis point credit spread payment. The interest rate of 6.25% is fixed for a period of 25 years to April 1, 2028. The credit spread payment of 50 basis points is effective for the life of the loan. The facility is being amortized over a period of 25 years with blended monthly payments of principal and interest of approximately $70.

iv) Residence Advantage - Jodrey Hall - Bank of Montreal term facility at a fixed rate of 5.99% plus a 50 basis point credit spread payment. The interest rate of 5.99% is fixed for a period of 25 years to September 1, 2028. The credit spread payment of 50 basis points is effective for the life of the loan. The facility is being amortized over a period of 25 years with blended monthly payments of principal and interest of approximately $52.

v) Wheelock Renovation - Royal Bank, 2.06% term loan maturing January 10, 2016 at which time the University will renegotiate for another term. The loan is being amortized over 7 years and is repayable in blended monthly payments of principal and interest of approximately $28.

vi) Cutten Renovation - Bank of Montreal, prime plus 0.75% term loan, amortized over 25 years, maturing March 31, 2029. The loan is repayable in blended monthly payments of principal and interest of $10.

vii) Sustainability Initiative - Bank of Montreal, term financing bearing interest at 5.62% plus a 50 basis point credit spread payment. The interest rate of 5.62% is fixed for a period of 20 years to September 1, 2028. The credit spread payment of 50 basis points is effective for the life of the loan. The sustainability project is being amortized over a period of 20 years, maturing January 2028 with a maximum term of 10 years. Repayable in blended monthly payments of principal and interest of $60.

viii) Biology Building - Bank of Montreal term financing bearing interest at 6.02% plus a 50 basis point credit spread payment. The interest rate of 6.02% is fixed for a period of 25 years to February 1, 2034. The credit spread payment of 75 basis points is effective for the life of the loan. The loan is being amortized over a period of 25 years with blended monthly payments of principal and interest of approximately $169.

ix) Cutten Renovation 2012 – Province of Nova Scotia, 2.61% loan amortized over 5 years, maturing April 1, 2017. Repayable in blended monthly payments of principal and interest of approximately $47.

x) Long Term Operating Loan – Nova Scotia Opportunity Fund Incorporated, 5 year loan, maturing December 31, 2016. Interest is fixed at 3.25% payable annually with principal due at maturity.

The Bank of Montreal loans payable are unsecured, however, there is a restrictive covenant placed upon the ability of the University to pledge the assets as security for future indebtedness.

c) The University has entered into interest rate swap agreements with the Bank of Montreal in order to reduce the impact of fluctuating interest rates on certain of its long-term debt obligations. These swap agreements require the periodic exchange of payments without the exchange of the notional principal amount on which the payments are based.

i. The University designates certain of its interest rate hedge agreements as hedges of the underlying debt. In the hedges, swap payments are reflected as interest expense and accounted for on an accrual basis. The principal underlying the swap agreements, which have been designated as hedges, amounts to $34,546 at March 31, 2015 (2014 - $36,227). Although the University has no intention of settling these instruments at March 31, 2015, if the University had settled the interest rate swaps described, it would have been required to pay $10,552 (2014 - $8,748).

ii) The interest rate swap associated with the Biology Building long-term debt was entered into on February 19, 2009 with principal payments commencing February 19, 2010. Due to the timing difference of the interest rate swap and principal repayments, the hedge of the underlying debt is deemed ineffective and differences between the fixed and floating rate of interest will be assessed annually and recognized as an unrealized gain (loss). The principal underlying the Biology Building swap agreement amounts to $21,324 at March 31, 2015 (2014 - $21,905). The fair value of the swap is $8,448 at March 31, 2015 (2014 - $6,349).

(thousands of dollars)

d) The Bank of Montreal banking agreement contains restrictive covenants related to earnings levels and debt coverage. The covenant, if in default, gives the bank the right to demand payment and as a result the Bank of Montreal loans payable would be shown as a current liability in its entirety. Subsequent to the University's yearend, credit facility terms with the Bank of Montreal were renegotiated, including restrictive debt covenants. The University was compliant with debt requirements at yearend.

e) The principal due within each of the next five years on loans payable is approximately as follows:

2016	$4,553
2017	10,166
2018	2,813
2019	2,944
2020	3,124

9. Deferred capital and other contributions

Deferred capital contributions related to capital assets represent the unamortized amount of grants and donations received for the purchase of capital assets. The amortization of capital contributions is recorded as revenue in the statement of operations.

Deferred other contributions related to research and special reserves represent externally restricted grants, restricted research donations, and other restricted gifts or donations that have been received in the current period or a prior period which have not been spent.

	Capital	Research	Special Reserves	2015 Total	2014 Total
Balance, beginning of year	$ 50,400	$ 3,493	$ 9,690	$ 63,583	$ 62,616
Contributions and grants received during the year	903	5,525	6,451	12,879	10,191
Amounts utilized during the year	-	(6,031)	(1,698)	(7,729)	(6,376)
Amounts amortized to revenue	(2,921)	-		(2,921)	(2,848)
Balance, end of year	$ 48,382	$ 2,987	$ 14,443	$ 65,812	$ 63,583

(thousands of dollars)

10. Net assets

In order to ensure observance of limitations and restrictions placed on the use of the resources available to the University, such resources are classified for accounting purposes into funds according to the activities or objectives specified.

Accumulated operating deficit
The accumulated operating deficit accounts for the academic, administrative, and other operational costs, which are financed by fees, grants, and other general income. For expenditures other than regular salaries, the University follows a policy of appropriating unexpended budget balances in departments.

Internally restricted
Internally restricted funds relate to research and special projects for amounts set aside by the University for specific, as well as unspent, budget appropriations accumulated by academic and other budget units.

Restricted for endowments
Endowment principal consists of restricted donations to the University, the original investment of which is required to be maintained in perpetuity. The investment income generated from endowments must be used in accordance with the various purposes established by the donor.

To meet the foregoing requirements, the University has established an Investment Policy with the following goals:

- to protect the original donation to the university and its earning potential;
- to balance the current operational expenditure requirement with the expected future requirements; and
- to establish a framework that provides transparency related to the management and activities related to endowed funds.

Equity in capital assets
Equity in Capital Assets represents the unamortized cost of capital assets acquired through the expenditure of unrestricted and operating resources.

11. Interfund transfers

	2015				2014			
	General	Restricted	Endowment	Capital	General	Restricted	Endowment	Capital
Interfund transfers in (out)								
Research	$141	$(141)	$ -	$ -	$(214)	$214	$ -	$ -
Program support	3,845	(915)	(2,930)	-	2,407	195	(2,602)	-
Purchase capital	(4,088)	(447)	-	4,535	(855)	1,038	-	(183)
Debt reduction	(3,323)	-	(13)	3,336	(3,162)	-	(11)	3,173
Total	$(3,425)	$(1,503)	$(2,943)	$7,871	$(1,824)	$1,447	$(2,613)	$2,990

12. Commitments

As at March 31, 2015, the University had outstanding commitments to a third party's for physical plant services for approximately $6,660 (2014 - $6,396). The University also had commitments of approximately $825k in construction related costs.

13. Contingent liabilities

a) The University participates in a reciprocal exchange of insurance risks in association with over fifty Canadian universities. This self-insurance cooperative (CURIE) involves a contractual agreement to share the insurance property and liability risks of member universities for a term of not less than five years.

   The projected cost of claims will be funded through members' premiums based on actuarial projections. As of December 31, 2014, CURIE had a surplus of $74.2 million of which the University's prorata share is approximately 1.117% on an ongoing basis. In addition, CURIE has obtained $995 million re-insurance with commercial insurers to cover major property claims in excess of $5 million per occurrence.

   In respect of General Liability, the limit is $5 million per occurrence and on behalf of subscribers, an excess policy for $25 million above CURIE's $5 million limit is in place.

   In respect of Errors and Omissions, the limit is $5 million per occurrence and on behalf of subscribers, an excess policy combined with General Liability for $25 million above CURIE's $5 million limit is in place.

   In the event premiums are not sufficient to cover claim settlements, the member universities would be subject to an assessment in proportion to their participation.

b) From time to time, the University is involved in litigation or proceedings relating to claims arising out of its operations in the ordinary course of business. It is the opinion of management that the aggregate amount of any potential liability is not expected to have a material adverse effect on the University's financial position or results and any claims arising out of the ordinary course of business are adequately provided for.

14. Pledges

As at March 31, 2015, the University had outstanding campaign pledges of approximately $6,030 (2014 - $8,241) which have not been recorded in the accounts.

(thousands of dollars)

15. Employee future benefits

The University has a defined benefit pension plan covering substantially all of its employees. The University also has other benefit programs which include retirement enhancement benefits, sick time benefits and supplemental pension benefits paid to some former employees of the University. The defined pension benefits are based on length of service and final average earnings, and are indexed for inflation after retirement. The other benefits are not funded.

The most recent actuarial valuation of the plan for funding purposes reflected a going concern unfunded liability of $13,481 as of April 30, 2013. The next actuarial valuation of the plan for funding purposes will be conducted as at April 30, 2014. The Plan's actuary has extrapolated the results of the April 30, 2013 actuarial valuation of the plan for funding purposes to March 31, 2014 yielding the following information:

The reconciliation of the funded status of the defined benefit plan to the amounts recorded in the financial statements is as follows:

	Pension and retirement enhancement plans 2015	Other benefit programs 2015	All plans 2015	All plans 2014 (Restated)
Defined benefit obligation:				
Accrued benefit obligation, end of prior year	$149,847	$804	$150,651	$145,122
Current service cost (employer portion)	6,057	57	6,114	4,378
Interest cost	8,616	46	8,662	8,345
Employees' contributions	3,123	-	3,123	2,219
Benefits paid	(8,903)	(47)	(8,950)	(8,472)
Actuarial (gain)/loss	(148)	3	(145)	(941)
Accrued benefit obligation, end of year	$158,592	$863	$159,455	$150,651
Market value of plan:				
Market value of plan assets, end of prior year	$120,060	$-	$120,060	$104,166
Interest income	6,904	-	6,904	5,990
Employer contributions	6,568	47	6,615	5,114
Employee contributions	3,123	-	3,123	2,219
Benefit payments	(8,903)	(47)	(8,950)	(8,472)
Remeasurements (return on plan assets)	3,967	-	3,967	11,043
Market value of plan assets, end of year	$131,719	$-	$131,719	$120,060
Funded status, deficit (surplus)	$26,873	$863	$27,736	$30,591

(thousands of dollars)

The percentage of the fair value of the plan assets by major category is as follows:

	2015	2014
Equity securities	63.3%	72.5%
Debt securities	35.5%	26.8%
Cash and equivalents	1.2%	0.7%

The components of the defined benefit costs, and remeasurements and other items are as follows:

	All plans 2015	All plans 2014 (Restated)
Defined benefit cost:		
Current service costs	$6,113	$4,378
Finance costs	1,759	2,355
Total costs*	$7,872	$6,733
Remeasurements and other items:		
Change to net assets	$(4,113)	$(11,984)

*The amount recorded for pension expenses differs from the contributed amount due to the use of actuarial assumptions and methodologies for accounting purposes that differ from those for funding purposes.

The significant assumptions used are as follows (weighted average):

	Pension plan, retirement enhancements, and other plans	
	2015	2014 (Restated)
Accrued benefit obligation as of March 31:		
Discount rate for defined benefits	5.75%	5.75%
Rate of compensation increase	3.00%	3.00%
Benefit costs for years ended March 31:		
Discount rate for defined benefits	5.75%	5.75%
Rate of compensation increase	3.00%	3.00%

On May 11, 2015, the Government of Nova Scotia passed the University Pension Transfer Act ("the Act"). Under the Act, Universities in the Province of Nova Scotia are able to facilitate the transfer of pension plans to the Public Service Superannuation Plan ("PSSP"), subject to entering into a transfer agreement and any applicable employee group agreement. Upon entering into such agreements, assets and liabilities of a university pension plan are in whole, or in part, transferred to the PSSP. On or after the transfer date members of the former university pension plan are deemed to be retirees within the PSSP. A transferring university will generally have no further obligations or liabilities in respect of its former pension plan and is only responsible to make payments to the Superannuation Fund under the PSSP as an employer.

On April 17, 2015, the Board of Governors approved the University transition its pension plan to the PSSP. Subject to successfully entering into a transfer agreement, the Acadia University Pension Plan will cease to exist following the full transition of plan assets and liabilities.

The impact of the transfer will have a material impact to the fiscal 2016 pension expense, Statement of Financial Position and Net Assets.

16. Financial instruments

a) Fair values

The fair value of investments is calculated as described in Note 2 (f). The fair value of the long-term debt approximates their carrying value because the calculated contractual rates of interest approximate the current market rate available to the University. The fair values of the other financial assets and liabilities, being cash, short-term investments, accounts receivable, demand loans payable and accounts payable and accrued liabilities approximate their carrying values due to the short term nature of these instruments.

b) Credit risk

Financial instruments which potentially subject the University to credit risk consist primarily of cash, short term investments and accounts receivable. The University limits the amount of credit exposure with its cash and short term investment balances by only maintaining deposits with major financial institutions. Accounts receivable consist mainly of student accounts and amounts owing from agencies of the Federal Government of Canada and the Provincial Government of Nova Scotia. To reduce credit risk with student accounts, the University places restrictions on the issuance of certain university privileges and the issuance of grades and degrees until payment on account is made, but does not generally require collateral. All student accounts are reviewed throughout the year. At the end of each year, all delinquent accounts are written off.

The University is exposed to credit-related losses in the event of non-performance by counterparties to financial instruments. Credit exposure is minimized by dealing mostly with creditworthy counterparties such as highly rated financial institutions.

c) Interest rate risk

Interest rate risk is minimized as the majority of the University's long term debt is fixed by the use of interest rate swaps. The only fluctuating debt is related to the demand loans payable.

(thousands of dollars)

d) Liquidity risk
Liquidity risk management serves to ensure that the University maintains sufficient cash flow and utilizes bank loans to meet the operating requirements of the University. The University maintains detailed budgets and cash flow forecasts. The University maintains a short-term line of credit that is designed to ensure that funds are available to meet current and forecasted financial requirements in the most cost effective manner.

17. Supplemental cash flow information	**2015**	**2014**
Cash paid during the year for:		
Interest on long-term debt	$4,134	$4,337

18. Collections

The Art Gallery of Acadia University has a collection of donated paintings and other art works, which are not recorded in the financial statements, having an insured value of $1,730. The insured value is based on an entire collection valuation carried out in 1993, adjusted for new acquisitions and subsequent piece valuation.

19. Related entities

The Acadia Centre for Social and Business Entrepreneurship (ACSBE) is a society incorporated under the laws of the Province of Nova Scotia. ACSBE has been organized to study, promote, and assist the activities of small businesses and entrepreneurs through research, analysis, counselling, and distribution of educational information. The University appoints three members to the Board of Directors and acts as the banker for the transactions of ACSBE. At March 31, 2015, the ACSBE owed the University $108 (2014 –ACSBE owed University $74).

The Acadia Divinity College is a Christian theological seminary located on the campus of Acadia University. Academically, the Acadia Divinity College is considered a Faculty of the University. Financially, it is incorporated as a separate legal entity under the laws of the Province of Nova Scotia. Many administrative services are provided by the University to the college under a service contract with terms similar to those that would be offered to the general public. At March 31, 2015, the Acadia Divinity College owed the university $247 (2014 – University owed Acadia Divinity College $32).

SCHEDULE A

ACADIA UNIVERSITY
SCHEDULE OF OPERATIONS BY FUND
YEAR ENDED MARCH 31, 2015
(thousands of dollars)

	Operating/ Ancillary Operations	Special Reserves	Research	Endowment	Capital	2015 Total	2014 Total (Restated)
Revenues:							
Student academic fees	$37,355	$ -	$ -	$ -	$ -	$37,355	$36,020
Government grants	30,268	-	-	-	-	30,268	31,479
Other grants	-	-	6,061	-	-	6,061	6,363
Ancillary sales and services	12,009	-	-	-	-	12,009	12,580
Donations and gifts	8	1,698	-	-	-	1,706	24
Investment income	291	255	-	3,305	-	3,851	3,488
General	2,265	439	92	-	-	2,796	2,544
Amortization of deferred capital contribution	-	-	-	-	2,921	2,921	2,848
Total Revenue	82,196	2,392	6,153	3,305	2,921	96,967	95,346
Expenses:							
Wages - academic	23,455	69	390	-	-	23,914	24,554
Wages - academic other	2,777	191	2,770	-	-	5,738	5,913
Wages - other	14,169	321	39	-	-	14,529	14,079
Total wages	40,401	581	3,199	-	-	44,181	44,546
Fringe benefits	7,205	81	293	-	-	7,579	6,505
Accrued pension benefit adjustment (Note 15)	1,257	-	-	-	-	1,257	1,618
Pension special payments	2,655	-	-	-	-	2,655	1,539
Supplies and materials	5,266	1,071	890	-	-	7,227	6,272
Externally contracted services	6,551	21	740	-	-	7,312	7,517
Amortization of capital assets	-	-	-	-	7,836	7,836	7,764
Ancillary cost of goods sold	918	-	-	-	-	918	808
Utilities	5,572	3	-	-	-	5,575	5,172
Long term debt interest	4,120	-	-	-	-	4,120	4,306
Travel	1,548	171	575	-	-	2,294	2,332
Scholarships and bursaries	4,436	229	-	-	-	4,665	4,245
Deferred maintenance and renovations	859	52	-	-	-	911	2,128
Library acquisitions	671	46	-	-	-	717	858
Professional fees	328	-	2	361	-	691	635
Other	820	-	168	-	-	988	794
Interest	177	-	-	-	-	177	6
Total expenses	82,784	2,255	5,867	361	7,836	99,103	97,045
Excess of revenues over expenses (expenses over revenues) before appropriations and unusual item	$(588)	$137	$286	$2,944	$(4,915)	$(2,136)	$(1,699)

SCHEDULE B

ACADIA UNIVERSITY
STATEMENT OF EXPENSES BY FUNCTION - OPERATING AND ANCILLARIES
YEAR ENDED MARCH 31, 2015
(thousands of dollars)

	Academic	Plant Maintenance	Administration	Library	Student Services	Other	Ancillary Operations	2015 Total	2014 Total (Restated)
Wages - academic	$23,389	$-	$-	$-	$66	$-	$-	$23,455	$24,070
Wages - academic other	2,533	-	106	-	138	-	-	2,777	2,742
Wages - other	4,122	523	4,001	1,470	2,574	-	1,479	14,169	13,733
Total wages	30,044	523	4,107	1,470	2,778	-	1,479	40,401	40,545
Fringe benefits	5,425	117	750	259	461	-	193	7,205	6,174
Accrued pension benefit adjustment (Note 15)	935	16	128	46	86	-	46	1,257	1,618
Pension special payments	1,975	34	270	96	183	-	97	2,655	1,539
Supplies and materials	1,826	265	880	4	1,284	-	1,007	5,266	4,298
Externally contracted services	77	6,164	90	90	1	-	129	6,551	6,319
Ancillary cost of goods sold	-	-	42	-	-	-	876	918	808
Utilities	-	5,572	-	-	-	-	-	5,572	5,169
Long term debt interest	-	-	-	-	-	2,026	2,094	4,120	4,306
Travel	686	13	384	20	445	-	-	1,548	1,490
Scholarships and bursaries	-	-	-	-	-	4,436	-	4,436	4,134
Deferred maintenance and renovations	-	-	-	-	-	856	3	859	2,116
Library acquisitions	29	-	-	642	-	-	-	671	788
Professional fees	58	-	262	-	8	-	-	328	269
Other	42	486	150	78	62	-	2	820	692
Interest	-	-	-	-	-	177	-	177	6
Total gross expenditures	41,097	13,190	7,063	2,705	5,308	7,495	5,926	82,784	80,271
Transfer of physical plant expenditures Ancillary Operations	-	(3,953)	-	-	-	-	3,953	-	-
Total expenditures	$41,097	$9,237	$7,063	$2,705	$5,308	$7,495	$9,879	$82,784	$80,271