

ACADIA UNIVERSITY



MARCH 31

2016

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, 2016, 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, 2016, 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.

Halifax, Canada
December 22, 2016



Chartered Professional Accountants

**ACADIA UNIVERSITY
ANNUAL FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2016**

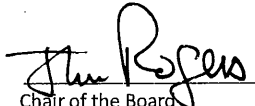
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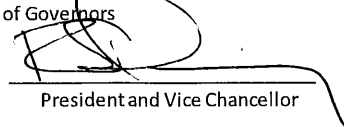
ACADIA UNIVERSITY
STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2016
WITH COMPARATIVE FIGURES FOR MARCH 31, 2015
(thousands of dollars)

ASSETS	2016	2015
Currents assets:		
Cash	\$6,251	\$11,896
Accounts receivable (Note 3)	6,846	4,135
Prepaid expenses	1,422	1,471
	<hr/> 14,519	<hr/> 17,502
Investments	74,509	78,056
Other assets (Note 4)	200	200
Capital assets (Note 5)	118,397	122,423
Intangible assets (Note 5)	144	61
	<hr/> Total assets	<hr/> \$218,242
	\$207,769	\$218,242
 LIABILITIES, DEFERRED CONTRIBUTIONS AND NET ASSETS		
Current liabilities:		
Demand loans payable (Note 7a)	\$679	\$704
Accounts payable and accrued liabilities	7,079	9,262
Amounts due to governments	111	346
Retirement incentives	343	420
Deferred revenue	6,309	5,683
Current portion of mortgages payable (Note 6)	92	110
Current portion of loans payable (Note 7b)	4,408	4,553
Current portion of obligations under capital lease (Note 8)	23	-
	<hr/> 19,044	<hr/> 21,078
Retirement incentives	718	857
Employee future benefits (Note 15)	3,306	27,736
Deferred capital and other contributions (Note 9)	64,334	65,812
Long term debt:		
Loans payable (Note 7b)	59,543	62,710
Mortgages payable (Note 6)	380	473
Obligations under capital lease (Note 8)	63	-
Mark-to-market liability (Note 7c)	8,623	8,448
	<hr/> 68,609	<hr/> 71,631
Net assets: (Note 10)		
Accumulated operating deficit	(40,117)	(63,439)
Internally restricted	5,331	4,570
Restricted for endowments	74,448	78,470
Equity in capital assets	12,096	11,527
	<hr/> 51,758	<hr/> 31,128
	<hr/> Total liabilities, deferred contributions and net assets	<hr/> \$218,242
	\$207,769	\$218,242

Commitments (Note 12)
Contingent liabilities (Note 13)
Subsequent event (Note 20)


Chair of the Board

Approved by the Board of Governors


President and Vice Chancellor

ACADIA UNIVERSITY
STATEMENT OF OPERATIONS
YEAR ENDED MARCH 31, 2016
WITH COMPARATIVE FIGURES FOR 2015
(thousands of dollars)

	2016	2015
Revenues:		
Student academic fees	\$36,434	\$37,355
Government grants	30,417	30,268
Other grants	6,358	6,061
Ancillary sales and services	11,370	12,009
Donations and gifts	2,257	1,706
Investment income	4,354	3,851
General	3,060	2,796
Amortization of deferred capital contributions	3,134	2,921
<hr/>		
Total revenues	97,384	96,967
<hr/>		
Expenses:		
Salaries and wages	45,335	44,181
Fringe benefits	7,686	7,579
Accrued pension benefit adjustment (Note 15)	-	1,257
Pension special payments	1,382	2,655
Supplies and materials	6,876	7,227
Externally contracted services	7,896	7,312
Amortization of capital and intangible assets	8,099	7,836
Ancillary cost of goods sold	778	918
Utilities	4,595	5,575
Long term debt interest	3,928	4,120
Travel	2,241	2,294
Scholarships and bursaries	4,742	4,665
Deferred maintenance and renovations	816	911
Library acquisitions	977	717
Professional fees	661	691
Other	933	988
Interest	41	177
<hr/>		
Total expenses	96,986	99,103
<hr/>		
Excess of revenues over expenses (expenses over revenues) before the undemoted	398	(2,136)
<hr/>		
Unrealized loss on swap transactions (Note 7c)	(175)	(2,099)
<hr/>		
Excess of revenues over expenses (expenses over revenues)	\$223	\$(4,235)
<hr/>		

ACADIA UNIVERSITY
STATEMENT OF CHANGES IN NET ASSETS
YEAR ENDED MARCH 31, 2016
(thousands of dollars)

	Accumulated Operating Deficit	Internally Restricted	Restricted for Endowments	Equity in Capital Assets	2016 Total	2015 Total
Balance, March 31, 2015	\$(63,439)	\$4,570	\$78,470	\$11,527	\$31,128	\$25,967
Excess of revenue over expenses (expenses over revenue)	5,005	183	-	(4,965)	223	(4,235)
Remeasurement and other adjustments (Note 15)	24,429	-	-	-	24,429	1,640
Gifts of endowment principal	-	-	2,814	-	2,814	3,587
Increase in value of investments	-	-	(3,130)	-	(3,130)	7,570
Transfer to operating fund and internally restricted fund	-	-	(3,706)	-	(3,706)	(3,401)
Interfund transfers in (out)	(6,112)	578	-	5,534	-	-
Balance, March 31, 2016	\$(40,117)	\$5,331	\$74,448	\$12,096	\$51,758	\$31,128

ACADIA UNIVERSITY
STATEMENT OF CASH FLOWS
YEAR ENDED MARCH 31, 2016
WITH COMPARATIVE FIGURES FOR 2015
(thousands of dollars)

	2016	2015
Cash provided by (used for):		
Operating activities:		
Excess of revenue over expenses (expenses over revenues)	\$223	\$(4,235)
Items not involving cash:		
Unrealized loss on swap transactions	175	2,099
Amortization of capital assets and intangibles	8,099	7,836
Amortization of deferred capital contributions	(3,134)	(2,921)
Retirement incentive	(139)	(355)
Employee future benefits	-	1,257
Gain on disposal of capital assets	(272)	(11)
Change in non-cash working capital	(4,555)	2,697
	397	6,367
Investing activities:		
Deferred capital and other contributions	1,656	2,677
Proceeds on disposals	271	66
Purchase of capital assets	(4,062)	(4,012)
Net purchase of investments	(3,290)	(3,587)
	(5,425)	(4,856)
Financing activities:		
Endowment contributions	2,814	5,328
Repayment of obligations under capital lease	(8)	-
Principal payments on long term debt	(3,423)	(3,300)
	(617)	2,028
Net change in cash	(5,645)	3,539
Cash, beginning of year	11,896	8,357
Cash, end of year	\$6,251	\$11,896
Supplemental cash flow information (Note 17)		

ACADIA UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2016
(thousands of dollars)

1. Authority and purpose and financial condition

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

ACADIA UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS (*continued*)
YEAR ENDED MARCH 31, 2016
(thousands of dollars)

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, capital lease obligations 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.

ACADIA UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS (*continued*)
YEAR ENDED MARCH 31, 2016
(thousands of dollars)

The University removes financial liabilities, or a portion thereof, when the obligation is discharged, cancelled or expires. A financial asset (or group of similar financial assets) measured at cost or amortized cost are tested for impairment when there are indicators of impairment. Impairment losses are recognized in the statement of operations. Previously recognized impairment losses are reversed to the extent of the improvement provided the asset is not carried at an amount, at the date of the reversal, greater than the amount that would have been the carrying amount had no impairment loss been recognized previously. The amounts of any write-downs or reversals are recognized in the statement of operations.

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).

ACADIA UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS *(continued)*
YEAR ENDED MARCH 31, 2016
(thousands of dollars)

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 \$68,435 (2015 - \$64,775). These funds are focused on specific asset types and at year-end the composition of the underlying assets was as follows: domestic equities 29.93% (2015 – 38.36%), international equities 38.46% (2015 – 30.68%), bonds / managed cash funds 31.61% (2015 – 30.43%), cash 0.00% (2015 – 0.53%). An asset mix guideline 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 2016, \$3,706 (2015 - \$3,401) 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.

ACADIA UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS *(continued)*
YEAR ENDED MARCH 31, 2016
(thousands of dollars)

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:

Employees of the University participate in the Public Service Superannuation Plan ("PSSP"), a contributory pension plan administered by the Pension Services Superannuation Plan Trustee Incorporated, which provides pension benefits based on length of service and earnings. The University is not obligated for any unfunded liability, nor is the University entitled to any surplus that may arise in the PSSP. Employer contributions are recognized as an expense in the period.

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.

ACADIA UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS *(continued)*
YEAR ENDED MARCH 31, 2016
(thousands of dollars)

3. Accounts receivable	<u>2016</u>	<u>2015</u>
Student accounts	\$1,075	\$1,383
Less: allowance for doubtful accounts	(248)	(317)
	<hr/> 827	<hr/> 1,066
Special accounts	705	773
Special grants	5,124	1,746
Other	190	550
Total	<hr/> \$6,846	<hr/> \$4,135
	<hr/>	

4. Other assets	<u>2016</u>	<u>2015</u>
Investment in Valley Community Fibre Network, at cost	\$200	\$200
Total	<hr/> \$200	<hr/> \$200
	<hr/>	

ACADIA UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS *(continued)*
YEAR ENDED MARCH 31, 2016
(thousands of dollars)

5. Capital assets and Intangible assets

Capital assets	2016			2015		
	Cost	Accumulated amortization	Net book value	Cost	Accumulated amortization	Net book value
Buildings	\$ 191,736	\$ 100,042	\$ 91,694	\$ 191,736	\$ 95,531	\$ 96,205
Equipment	26,738	25,193	1,545	26,097	24,568	1,529
Library holdings	5,432	5,223	209	5,432	5,101	331
Land	952	-	952	952	-	952
Land improvements	19,473	12,706	6,767	19,472	11,732	7,740
Facility improvements	23,105	6,661	16,444	18,946	5,260	13,686
Roadways	259	246	13	254	239	15
Computer equipment	4,896	4,289	607	4,491	3,884	607
Vehicles	539	515	24	517	506	11
Equipment – capital lease	1,408	1,330	78	1,314	1,314	-
Construction in progress	64	-	64	1,347	-	1,347
Total	\$ 274,602	\$ 156,205	\$ 118,397	\$ 270,558	\$ 148,135	\$ 122,423

Intangible assets	2016			2015		
	Cost	Accumulated amortization	Net book value	Cost	Accumulated amortization	Net book value
Software	\$ 1,324	\$ 1,180	\$ 144	\$ 1,212	\$ 1,151	\$ 61

ACADIA UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS *(continued)*
YEAR ENDED MARCH 31, 2016
(thousands of dollars)

6. Mortgages payable	<u>2016</u>	<u>2015</u>
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	\$472	\$560
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
Current portion	472 92	583 110
Total	\$380	\$473

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:

2017	\$92
2018	99
2019	106
2020	113
2021	62

ACADIA UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS *(continued)*
YEAR ENDED MARCH 31, 2016
(thousands of dollars)

7. 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:

	<u>2016</u>	<u>2015</u>
Residence Advantage – Whitman/Eaton/Christofor (i)	\$7,359	\$7,823
Residence Advantage – Chase Court (ii)	7,635	8,015
Residence Advantage – Dennis/Chipman (iii)	6,645	7,002
Residence Advantage – Jodrey Hall (iv)	5,089	5,355
Wheelock Renovation (v)	1,240	1,552
Cutten Renovation (vi)	1,641	1,705
Sustainability Initiative (vii)	6,033	6,352
Biology Building (viii)	20,711	21,324
Cutten Renovation 2012 (ix)	598	1,135
Operating Loan (x)	7,000	7,000
	63,951	67,263
Current portion	4,408	4,553
Total	\$59,543	\$62,710

- 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.

ACADIA UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS (*continued*)
YEAR ENDED MARCH 31, 2016
(thousands of dollars)

- v) Wheelock Renovation - Royal Bank, 1.85% term loan maturing January 10, 2017 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 23, 2016. Interest is fixed at 3.25% payable annually with principal due at maturity. This loan was extended to April 1, 2017 and the loan has been reclassified as long term. The Province of Nova Scotia and Acadia University are currently in the process of renegotiating the terms and conditions of this loan.

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 \$32,761, at March 31, 2016 (2015 - \$34,546). Although the University has no intention of settling these instruments at March 31, 2016, if the University had settled the interest rate swaps described, it would have been required to pay \$10,133 (2015 - \$10,552).
 - 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 \$20,711 at March 31, 2016 (2015 - \$21,325). The fair value of the swap is \$8,623 at March 31, 2016 (2015 - \$8,448).

ACADIA UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS *(continued)*
YEAR ENDED MARCH 31, 2016
(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. 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:

2017	\$4,408
2018	9,823
2019	2,946
2020	3,127
2021	3,318

8. Obligations under capital lease

a) Leases:

	<u>2016</u>	<u>2015</u>
Vehicle (i)	\$49	\$-
Equipment (ii)	37	-
	<hr/> 86	<hr/> -
Current portion	23	-
<u>Total</u>	<hr/> <u>\$63</u>	<hr/> <u>\$-</u>

- i) Vehicle – lease agreement ending August 22, 2020 at an interest rate of 4.99%.
- ii) Equipment – lease agreement ending December 1, 2018 with an imputed interest rate of 7.74%.

- b) The payments due within each of the next five years to meet repayment is approximately as follows:

2017	\$23
2018	24
2019	22
2020	12
2021	5

ACADIA UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS *(continued)*
YEAR ENDED MARCH 31, 2016
(thousands of dollars)

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.

	<u>Capital</u>	<u>Research</u>	<u>Special Reserves</u>	<u>2016 Total</u>	<u>2015 Total</u>
Balance, beginning of year	\$ 48,382	\$ 2,987	\$ 14,443	\$ 65,812	\$ 63,583
Contributions and grants received during the year	3,280	6,597	273	10,150	12,879
Amounts utilized during the year	-	(6,305)	(2,189)	(8,494)	(7,729)
Amounts amortized to revenue	(3,134)	-		(3,134)	(2,921)
Balance, end of year	\$ 48,528	\$ 3,279	\$ 12,527	\$ 64,334	\$ 65,812

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.

ACADIA UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS *(continued)*
YEAR ENDED MARCH 31, 2016
(thousands of dollars)

11. Interfund transfers

	2016				2015			
	General	Restricted	Endowment	Capital	General	Restricted	Endowment	Capital
Interfund transfers in (out)								
Research	\$244	\$(244)	\$ -	\$ -	\$141	\$(141)	\$ -	\$ -
Program support	2,666	805	(3,471)	-	3,845	(915)	(2,930)	-
Purchase capital	(1,715)	(468)	-	2,183	(4,088)	(447)	-	4,535
Debt reduction	(3,089)	(249)	(13)	3,351	(3,323)	-	(13)	3,336
Total	\$(1,894)	\$(156)	\$(3,484)	\$5,534	\$(3,425)	\$(1,503)	\$(2,943)	\$7,871

12. Commitments

As at March 31, 2016, the University had outstanding commitments to a third party's for physical plant services for approximately \$6,781 (2015 - \$6,660). The University also had commitments of approximately \$1,838 (2015 – \$825) 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, 2015, CURIE had a surplus of \$69.7 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.

ACADIA UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS (*continued*)
YEAR ENDED MARCH 31, 2016
(thousands of dollars)

14. Pledges

As at March 31, 2016, the University had outstanding campaign pledges of approximately \$6,139 (2015 - \$6,030) which have not been recorded in the accounts.

15. Employee future benefits

On April 17, 2015, the Board of Governors approved the University transition its pension plan to the Public Service Superannuation Plan (“PSSP”).

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.

On July 1, 2015, the University transitioned its pension plan to the PSSP. Prior to this, the Acadia University Pension Plan was a defined benefit pension plan covering substantially all of its employees. Acadia University employees now participate in the PSSP, a contributory multi-employer defined benefit pension plan administered by the Pension Services Superannuation Plan Trustee Incorporated, which provides pension benefits based on length of service and earnings.

The transition was accounted for as a settlement as the University transferred the assets and any remaining obligation of its pension plan to the PSSP. In accordance with the Act and transfer agreement, the University will have no further obligations or liabilities in respect of its former pension plan and is only responsible to make payments to the PSSP as an employer. The resulting gain on the settlement has been recorded directly on the statement of changes in net assets in the operating fund as remeasurements and other adjustments in the amount of \$24,429.

At the date of transition, based on the actuarial methodology and assumptions of the PSSP, the University’s plan had assets available to transfer of \$127,836, actuarial liabilities of \$130,410, and residual deficiency of \$2,574. The deficiency is required to be paid in monthly instalments of principal and interest from the date of transition and is amortized over a 10-year period.

The PSSP is accounted for as a defined contribution plan as the obligation to pay retirement obligations does not reside with the University. The accrued surplus of the PSSP as at March 31, 2016 is \$5,515. Contributions to the Plan are required by both the employer, Acadia University, and its employees. Total employer contributions for 2016 were \$3,339 and are recognized as an expense in the period.

ACADIA UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS *(continued)*
YEAR ENDED MARCH 31, 2016
(thousands of dollars)

The reconciliation of the funded status of the defined benefit plan to the amounts recorded in the financial statements as at March 31, 2015 and relating to the Acadia University Pension Plan only are as follows:

	Pension and retirement enhancement plans 2015	Other benefit programs 2015	All plans 2015
Accrued benefit obligation	\$158,592	\$863	\$159,455
Market value of plan assets	131,719	-	131,719
Funded status, Surplus	<u>26,873</u>	<u>863</u>	<u>\$27,736</u>

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

	All plans 2015
Defined benefit cost:	
Current service costs	\$6,113
Finance costs	1,759
Total costs*	<u>\$7,872</u>
Remeasurements and other items:	
Change to net assets	<u>\$(4,113)</u>

*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.

ACADIA UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS *(continued)*
YEAR ENDED MARCH 31, 2016
(thousands of dollars)

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.

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

	<u>2016</u>	<u>2015</u>
Cash paid during the year for:		
Interest on long-term debt	\$3,947	\$4,134

ACADIA UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS (*continued*)
YEAR ENDED MARCH 31, 2016
(thousands of dollars)

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, 2016, the ACSBE owed the University \$17 (2015 –ACSBE owed University \$108).

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, 2016, the Acadia Divinity College owed the university \$158 (2015 –, the Acadia Divinity College owed the university \$247).

20. Subsequent event

On September 14, 2016, the Government of Canada and the Province of Nova Scotia announced a \$15.98 million investment in the Science Complex at Acadia University. This investment with an additional \$6.27 million from private donors will renovate and upgrade Elliott Hall and Huggins Hall as well as create an Innovation Pavilion between the two buildings. The project will be completed in 2018.

SCHEDULE A

**ACADIA UNIVERSITY
SCHEDULE OF OPERATIONS BY FUND
YEAR ENDED MARCH 31, 2016
(thousands of dollars)**

	<u>Operating/ Ancillary Operations</u>	<u>Special Reserves</u>	<u>Research</u>	<u>Endowment</u>	<u>Capital</u>	<u>2016 Total</u>	<u>2015 Total</u>
Revenues:							
Student academic fees	\$36,434	\$ -	\$ -	\$ -	\$ -	\$36,434	\$37,355
Government grants	30,417	-	-	-	-	30,417	30,268
Other grants	-	-	6,358	-	-	6,358	6,061
Ancillary sales and services	11,370	-	-	-	-	11,370	12,009
Donations and gifts	60	2,189	8	-	-	2,257	1,706
Investment income	232	268	-	3,854	-	4,354	3,851
General	2,436	577	47	-	-	3,060	2,796
Amortization of deferred capital contribution	-	-	-	-	3,134	3,134	2,921
Total Revenue	80,949	3,034	6,413	3,854	3,134	97,384	96,967
Expenses:							
Wages - academic	24,062	157	390	-	-	24,609	23,914
Wages - academic other	2,923	266	2,716	-	-	5,905	5,738
Wages - other	14,450	324	47	-	-	14,821	14,529
Total wages	41,435	747	3,153	-	-	45,335	44,181
Fringe benefits	7,319	101	266	-	-	7,686	7,579
Accrued pension benefit adjustment (Note 15)	-	-	-	-	-	-	1,257
Pension special payments	1,382	-	-	-	-	1,382	2,655
Supplies and materials	5,313	604	959	-	-	6,876	7,227
Externally contracted services	6,854	28	1,014	-	-	7,896	7,312
Amortization of capital assets	-	-	-	-	8,099	8,099	7,836
Ancillary cost of goods sold	778	-	-	-	-	778	918
Utilities	4,590	5	-	-	-	4,595	5,575
Long term debt interest	3,928	-	-	-	-	3,928	4,120
Travel	1,435	219	587	-	-	2,241	2,294
Scholarships and bursaries	3,803	939	-	-	-	4,742	4,665
Deferred maintenance and renovations	816	-	-	-	-	816	911
Library acquisitions	893	84	-	-	-	977	717
Professional fees	289	-	2	370	-	661	691
Other	764	-	169	-	-	933	988
Interest	41	-	-	-	-	41	177
Total expenses	79,640	2,727	6,150	370	8,099	96,986	99,103
Excess of revenues over expenses (expenses over revenues) before appropriations and unusual item	\$1,309	\$307	\$263	\$3,484	\$(4,965)	\$398	\$(2,136)

SCHEDULE B

**ACADIA UNIVERSITY
STATEMENT OF EXPENSES BY FUNCTION - OPERATING AND ANCILLARIES
YEAR ENDED MARCH 31, 2016
(thousands of dollars)**

	<u>Academic</u>	<u>Plant Maintenance</u>	<u>Admini- stration</u>	<u>Library</u>	<u>Student Services</u>	<u>Other</u>	<u>Ancillary Operations</u>	<u>2016 Total</u>	<u>2015 Total</u>
Wages - academic	\$23,994	\$-	\$-	\$-	\$68	\$-	\$-	\$24,062	\$23,455
Wages - academic other	2,637	-	156	-	130	-	-	2,923	2,777
Wages - other	4,270	590	4,078	1,609	2,496	-	1,407	14,450	14,169
Total wages	30,901	590	4,234	1,609	2,694	-	1,407	41,435	40,401
Fringe benefits	5,290	109	990	287	453	-	190	7,319	7,205
Accrued pension benefit adjustment (Note 15)	-	-	-	-	-	-	-	-	1,257
Pension special payments	1,034	20	137	54	90	-	47	1,382	2,655
Supplies and materials	1,918	300	969	10	1,220	-	896	5,313	5,266
Externally contracted services	215	6,358	94	79	5	-	103	6,854	6,551
Ancillary cost of goods sold	-	-	33	-	-	-	745	778	918
Utilities	-	4,590	-	-	-	-	-	4,590	5,572
Long term debt interest	-	-	-	-	-	1,961	1,967	3,928	4,120
Travel	539	6	392	18	480	-	-	1,435	1,548
Scholarships and bursaries	-	-	-	-	-	3,803	-	3,803	4,436
Deferred maintenance and renovations	-	-	-	-	-	765	51	816	859
Library acquisitions	33	-	-	860	-	-	-	893	671
Professional fees	57	-	229	-	3	-	-	289	328
Other	59	486	144	1	72	-	2	764	820
Interest	-	-	-	-	-	41	-	41	177
Total gross expenditures	40,046	12,459	7,222	2,918	5,017	6,570	5,408	79,640	82,784
Transfer of physical plant expenditures									
Ancillary Operations	-	(3,953)	-	-	-	-	3,953	-	-
Total expenditures	\$40,046	\$8,506	\$7,222	\$2,918	\$5,017	\$6,570	\$9,361	\$79,640	\$82,784