

Algoma University
Financial Statements
For the year ended April 30, 2016

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Independent Auditor's Report

To the Board of Governors of Algoma University

We have audited the accompanying financial statements of Algoma University, which comprise the statement of financial position as at April 30, 2016, and the statements of operations and unrestricted net assets, change 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 audit 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 entity'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 entity'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 Algoma University as at April 30, 2016 and the results of its operations and net assets, change in its net assets and cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

BDO Canada CPA

Chartered Professional Accountants, Licensed Public Accountants

Sault Ste. Marie, Ontario
October 6, 2016

Algoma University
Statement of Financial Position

April 30

2016

2015

Assets

Current

Cash	\$ 5,806,372	\$ 1,641,864
Accounts receivable - fees	534,837	698,705
Accounts receivable - other	506,873	1,058,444
Prepaid expenses and inventory	716,319	608,692
Other short term asset (Note 4)	-	775,000

7,564,401 4,782,705

Investments (Note 2) 4,718,899 4,934,245

Tangible capital assets (Note 3) 44,811,941 46,635,306

\$ 57,095,241 \$ 56,352,256

Liabilities and Net Assets

Current

Accounts payable and accrued liabilities	\$ 1,677,936	\$ 2,581,400
Fees received in advance	605,451	632,788
Deferred government grants, program and campaign revenue	3,060,729	2,253,019
Current portion of long term debt (Note 7)	709,301	5,950,050

6,053,417 11,417,257

Long term debt (Note 7) 14,682,892 7,520,318

Accrued pension obligation (Note 11) 3,609,000 1,521,000

Deferred contributions related to capital assets (Note 10) 28,720,990 29,894,774

53,066,299 50,353,349

Net assets

Unrestricted	1,856,342	1,923,853
Internally restricted (Note 5)	(2,294,691)	(703,439)
Endowments	4,467,291	4,778,493

4,028,942 5,998,907

\$ 57,095,241 \$ 56,352,256

On behalf of the Board:


_____ Chair


_____ Vice-Chair
Past

Algoma University
Statement of Changes in Net Assets

For the year ended April 30	Unrestricted	Internally Restricted	Endowments	Total 2016	Total 2015
Balance, beginning of year	\$ 1,923,853	\$ (703,439)	\$ 4,778,493	\$ 5,998,907	\$ 9,369,211
Excess (deficiency) of revenue over expenses	1,290,221	-	-	1,290,221	(4,182,032)
Post-employment benefit recovery - remeasurement	(104,000)	(2,088,000)	-	(2,192,000)	619,833
Contribution to endowment fund	-	-	66,122	66,122	84,062
Investment income on externally restricted endowment funds less amounts made available for spending	-	(756,984)	(377,324)	(1,134,308)	107,833
Internal restrictions (Note 5)					
Transfer from internal restrictions	(1,253,732)	1,253,732	-	-	-
Balance, end of year	\$ 1,856,342	\$ (2,294,691)	\$ 4,467,291	\$ 4,028,942	\$ 5,998,907

The accompanying notes are an integral part of these financial statements.

Algoma University
Statement of Operations and Unrestricted Net Assets

For the year ended April 30	2016	2015
Revenue		
Student fees	\$ 11,395,612	\$ 11,654,430
Government grants	14,030,781	14,693,139
Library	22,024	21,740
Miscellaneous programs	821,788	805,243
Extension operations	908,860	1,064,297
Ancillary operations	2,274,730	2,406,787
Non-credit operations	2,164,261	2,233,051
Foundation revenues	1,105,230	958,811
Amortization of deferred capital contributions	1,233,701	1,225,964
	33,956,987	35,063,462
Expenses		
Salaries and benefits		
Academic	9,590,580	9,707,569
Non-academic	7,867,175	8,094,573
Library	445,179	826,340
Administration	2,500,099	2,533,088
Academic departments	178,026	348,757
Advertising and communications	1,018,899	928,486
Utilities	575,762	514,090
Repairs and maintenance	1,029,772	883,176
Student services	301,842	341,025
Municipal taxes	89,175	91,350
Insurance	66,864	77,219
Faculty recruitment	52,236	83,216
Extension operations	1,207,427	1,486,223
Ancillary operations	2,593,457	3,028,200
Non-credit operations	2,341,907	2,393,293
Foundation expenses	720,213	1,165,083
Amortization of tangible capital assets	2,106,637	2,246,713
	32,685,250	34,748,401
Excess of revenue over expenses from operations	1,271,737	315,061
Gain (loss) on disposal of Windsor Park Residence (Note 4)	18,484	(4,133,640)
Loss on sale of other tangible capital assets	-	(363,453)
Excess (deficiency) of revenue over expenses	1,290,221	(4,182,032)
Post-employment benefit recovery - remeasurement	(2,192,000)	619,833
Transfer to internally restricted net assets (Note 5)	834,268	1,465,225
Change in unrestricted net assets for the year	(67,511)	(2,096,974)
Unrestricted net assets, beginning of year	1,923,853	4,020,827
Unrestricted net assets, end of year	\$ 1,856,342	\$ 1,923,853

The accompanying notes are an integral part of these financial statements.

Algoma University Statement of Cash Flows

For the year ended April 30	2016	2015
Cash flows from operating activities		
Excess (deficiency) of revenues over expenses	\$ 1,290,221	\$ (4,182,032)
Items not involving cash		
Amortization of tangible capital assets	2,106,637	2,246,713
Loss on disposal/impairment of tangible capital assets	(18,484)	4,497,093
Change in unrealized gains on investments	(1,134,308)	107,833
Amortization of deferred contributions	(1,233,701)	(1,225,964)
	1,010,365	1,443,643
Changes in non-cash working capital balances		
Accounts receivable - fees	163,868	(90,330)
Accounts receivable - other	551,571	(454,923)
Prepaid expenses and inventory	(107,627)	(13,479)
Accrued pension obligation (net of change in measurement)	(104,000)	(46,834)
Accounts payable and accrued liabilities	(903,464)	(161,407)
Fees received in advance	(27,337)	164,895
Deferred government grants and program revenue	807,710	(786,589)
	1,391,086	54,976
Cash flows from investing activities		
Net proceeds on sale of tangible capital assets	-	143,351
Purchase of tangible capital assets	(283,273)	(5,043,637)
Proceeds on sale of other assets	793,485	-
Purchase (sale) of investments	215,346	(383,916)
	725,558	(5,284,202)
Cash flows from financing activities		
Inception of long term debt	2,451,624	-
Repayment of long term debt	(529,799)	(2,827,285)
Deferred capital contributions	59,917	2,568,871
Endowment contributions	66,122	84,062
	2,047,864	(174,352)
Increase (decrease) in cash and equivalents	4,164,508	(5,403,578)
Cash and cash equivalents, beginning of year	1,641,864	7,045,442
Cash and cash equivalents, end of year	\$ 5,806,372	\$ 1,641,864

The accompanying notes are an integral part of these financial statements.

Algoma University

Notes to Financial Statements

April 30, 2016

1. Summary of significant accounting policies

- Nature of Operations** Algoma University is a provincially funded university offering educational programs and upgrading to the accessing communities. The University is a registered charity and under the provisions of Section 149 of the Income Tax Act (Canada) is exempt from income taxes.
- Basis of Accounting** The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations.
- Basis of Consolidation** These financial statements reflect the assets, liabilities and results of the Northern Ontario Research, Development, Ideas and Knowledge Institute (Nordik Research Institute), the Coalition for Algoma Passenger Trains (CAPT), the Invasive Species Research Institute (ISRI), the Health Informatics Institute (HII) and Algoma University Foundation.
- Inventories** Inventories are valued at the lower of cost or net realizable value, with cost being determined substantially on a first-in, first-out basis.
- Revenue Recognition** The university follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.
- Tuition fees for courses which are offered substantially after the fiscal year end are deferred.
- Endowment Funds** Net assets restricted for endowment purposes are subject to externally imposed restrictions stipulating that the resources be maintained permanently. Net investment income earned is available for distribution according to the terms of the endowment.
- Use of Estimates** The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future. Specifically, estimates related to rate of return on assets used in valuing the future pension benefit obligation are affected by the uncertainty of predictions concerning future events. Should the underlying assumptions change, the estimated pension benefit obligation disclosed in notes to the financial statements may change by a material amount.

April 30, 2016

1. Summary of significant accounting policies (continued)

Tangible Capital Assets Tangible capital assets are recorded at cost. Amortization, based on the estimated useful life of the asset, is provided by the straight line basis over the following periods:

Buildings	-	40 years
Furniture and equipment	-	5 years
Library books	-	5 years
Parking lot	-	15 years
Computer software system	-	5 years

Construction in progress is capitalized as work is completed. Upon completion of the projects, capitalized construction in progress costs are transferred to the various categories of tangible capital assets and will be amortized on a basis consistent with similar assets. Contributed rare books and other collections are expensed in the year received.

Intangible Assets Intangible assets are recorded at cost. Amortization, based on the estimated useful life of the asset, is provided by the straight line basis over 5 years.

Pension Expense The University maintains a defined benefit plan covering the faculty and management staff employed by the University up to 2006. Contributions to the pension plan are made in accordance with the Pension Commission of Ontario actuarial requirements.

The University accounts for its employee benefit plans using the immediate recognition approach. The University recognizes the amount of the accrued benefit obligations, net of the fair value of plan assets at year end, adjusted for any valuation allowances. Current service and finance costs are expensed during the year. Remeasurements and other items related to actuarial gains and losses and differences between actual and expected returns on plan assets and past service costs are recognized as direct increase or decrease in net asset. The accrued benefit obligations for employee benefit plans are determined based on actuarial valuation reports prepared for funding purposes. These reports are required to be prepared at least on a triennial basis. In years where actuarial valuations are not prepared, the University uses a roll-forward technique to estimate the accrued liability using assumptions from the most recent actuarial valuation reports.

Subsequent to 2006, faculty, management and staff are eligible to participate in a group retirement savings plan.

Cost Allocation Only costs which can be identified with departments are allocated. Unidentifiable costs are included with general and administrative expenditures.

Algoma University
Notes to Financial Statements

April 30, 2016

1. Summary of significant accounting policies (continued)

Financial Instruments Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, equities traded in an active market are reported at fair value, with any unrealized gains and losses reported in operations. In addition, all balanced funds, and guaranteed investment certificates have been designated to be in the fair value category, with gains and losses reported in operations. All other financial instruments are reported at cost or amortized cost less impairment, if applicable. Financial assets are tested for impairment when changes in circumstances indicate the asset could be impaired. Transaction costs on the acquisition, sale or issue of financial instruments are expensed for those items remeasured at fair value at each statement of financial position date and charged to the financial instrument for those measured at amortized cost.

2. Investments

	2016	2015
Marketable securities at cost	\$ 5,379,827	\$ 4,516,895
Marketable securities at market	\$ 4,718,899	\$ 4,934,245

3. Tangible capital assets

	2016		2015	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Land	\$ 371,816	\$ -	\$ 371,816	\$ -
Library books	645,303	645,303	645,303	645,303
Buildings	57,764,474	15,111,100	57,728,181	13,695,886
Furniture and equipment	7,816,503	7,010,191	7,569,523	6,464,223
Parking lot	2,129,431	1,251,904	2,129,431	1,140,753
Computer software system	250,616	147,704	250,616	113,399
	\$ 68,978,143	\$ 24,166,202	\$ 68,694,870	\$ 22,059,564
Net book value		\$ 44,811,941		\$ 46,635,306

Algoma University
Notes to Financial Statements

April 30, 2016

4. Disposal of Windsor Park Residence

In September 2015 the University sold the former Windsor Park student residence for net proceeds of \$793,484.

5. Net assets internally restricted

The following balances represent net assets set aside by the Board of Governors for the specific purpose of:

	<u>2016</u>	<u>2015</u>
Operating	\$ 261,804	\$ 261,804
Future capital projects	2,461,280	1,171,059
Defined benefit pension plan	(3,609,000)	(1,521,000)
Foundation	(1,423,878)	(666,894)
Nordik Institute	(196)	13,561
HII	10,187	16,629
ISRI	(226)	16,820
CAPT	5,338	4,582
	<u>\$ (2,294,691)</u>	<u>\$ (703,439)</u>

6. Line of credit

The University has an operating line of credit due on demand in the amount of \$2,000,000. The facility bears interest at the bank's prime lending rate minus 0.5% with advances made in multiples of \$25,000. As at April 30, 2016, the entire facility was available to the University.

Algoma University
Notes to Financial Statements

April 30, 2016

7. Long term debt

	2016	2015
TD George Leach Centre loan, repayable \$12,641 monthly including interest at 2.02%, secured by property and general security agreement, maturing November 2020	\$ 2,451,624	\$ -
Bank of Montreal parking lot loan, repayable \$5,600 monthly plus interest at 2.75%, maturing January 2021	760,800	828,000
Scotiabank interest rate swap loan, repayable \$30,267 monthly including interest at 1.5% fix plus floating rate, secured by property and general security agreement, maturing March 2021	4,659,450	4,862,466
Scotiabank Essar Convergence Centre and WPRR Inc. loan, repayable \$8,280 monthly including interest at 3.31%, secured by property and general security agreement, maturing March 2018	1,168,507	1,228,120
Scotiabank Students' Residence loan, repayable \$32,816 monthly including interest at 3.0%, secured by property and general security agreement, maturing April 2018	6,351,812	6,551,782
	15,392,193	13,470,368
Less current portion	709,301	5,950,050
	\$ 14,682,892	\$ 7,520,318

Interest on long term debt during the year amounted to \$483,219 (2015 - \$545,629).

Principal payments required on long term debt for the next five years and thereafter, assuming refinancing under similar terms, are as follows:

Year	Amount
2017	\$ 709,301
2018	725,290
2019	741,695
2020	758,528
2021	775,800
Thereafter	<u>11,681,579</u>
	<u>\$ 15,392,193</u>

Algoma University

Notes to Financial Statements

April 30, 2016

8. Contingent liabilities

The University is a member of the Canadian Universities Reciprocal Insurance Exchange ("CURIE"). CURIE is a pooling of property damage and public liability insurance risks of its members. All members pay annual deposit premiums, which are actuarially determined and are subject to further assessment in the event members' premiums are insufficient to cover losses and expenses. No assessment has been made for the year ended April 30, 2016.

The University is involved with pending litigation and claims which arise in the normal course of operations. In the opinion of the administration, a liability that may arise from such contingencies would not have a significant adverse effect on the financial statements of the university. Losses, if any, arising from these matters will be accounted for in the year in which they are resolved.

9. Government remittances

Included in accounts payable and accrued liabilities are the following government remittances:

	2016	2015
EHT payable	\$ 533	\$ 2,197
WSIB payable	78	507
	\$ 611	\$ 2,704

10. Deferred contributions related to tangible capital assets

Deferred contributions related to tangible capital assets relate to grants received for purchase or construction of tangible capital assets and are amortized over the life of the tangible capital assets. The changes in deferred contributions are as follows:

	2016	2015
Balance , beginning of year	\$ 29,894,774	\$ 28,551,867
Contributions	59,917	2,568,871
Transfers to revenue	(1,233,701)	(1,225,964)
Balance , end of year	\$ 28,720,990	\$ 29,894,774

Algoma University
Notes to Financial Statements

April 30, 2016

11. Pension plans

Defined benefit pension plan

The University maintains a defined benefit plan covering faculty hired prior to 2006. Actuarial reports, which were based on projections of employee's compensation levels to the time of retirement, indicate the net assets available to provide for benefits, and the present value of accrued pension benefits at April 30, are as follows:

	2016	2015
Asset, at market value	\$ 22,552,000	\$ 24,094,000
Pension benefit obligation	26,161,000	25,615,000
Plan surplus (deficit)	<u>\$ (3,609,000)</u>	<u>\$ (1,521,000)</u>

The most recent actuarial valuation for post-employment benefits was performed as at April 30, 2016.

The plan assets consist of the following asset categories:

	2016	June 30, 2015
Canadian equities	38 %	40 %
Foreign equities	28 %	29 %
Fixed income	31 %	26 %
Cash and short term deposits	3 %	5 %
	<u>100 %</u>	<u>100 %</u>

The pension expense amounts totaled \$665,000 (2015 - \$548,500) and is included in salaries and benefits on the statement of operations. Employer contributions paid and payable during the year were \$769,000 (2015 - \$635,000).

The discount rate used is 4.75% (2015 - 4.75%), the estimated rate of salary increases used is 1.25% (2015 - 1.25%) and the estimated rate of return on assets used is 4.75% (2015 - 4.75%).

Group Retirement Savings Plan

Employees hired subsequent to 2006 are eligible to participate in a group retirement savings plan. Employer contributions totaled \$777,902 for 2016 (2015 - \$731,240) and were fully expensed.

April 30, 2016

12. Financial instruments

The University's management monitors, evaluates and manages the principal risks assumed with financial instruments on a daily basis. The risks that arise from transacting financial instruments include liquidity risk, credit and concentration of credit risk.

Liquidity risk

Liquidity risk arises from the University's management of accounts payable, long term debt and other current liabilities. It is the risk that the University will encounter difficulty in meeting its financial obligations as they fall due. The University's policy to minimize this risk is to ensure an adequate line of credit exists for the University.

Credit and concentration of credit risk

Credit risk arises principally from the University's cash and accounts receivable. The cash is held at a reputable institution. The University is also exposed to normal credit risk resulting from the possibility that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The majority of the University's receivables are from student fees and the University sends any overdue accounts more than two years old to the credit bureau for collection. In addition, students are not allowed to register for a future semester if their fees from previous semesters are not paid in full.

Interest rate risk

Interest rate risk arises principally from the University's credit facilities. It is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The credit facilities have variable interest rates. Changes in the bank's prime lending rate can cause fluctuations in interest payments and cash flows. The University does not use derivative financial instruments to alter the effect of this risk.

**Algoma University
Schedule of Ancillary Operations**

For the year ended April 30, 2016	Downtown Residence	George Leach Centre	Varsity	Other Ancillary Services	Campus Residence	Parking Lot	Student Bar	Total
Revenue	\$ 69,362	\$ 599,029	\$ 168,410	\$ 43,489	\$ 1,164,059	\$ 199,762	\$ 30,619	\$ 2,274,730
Expenses								
Cost of sales	-	-	-	-	-	-	14,588	14,588
Salaries and benefits	2,907	490,763	299,195	-	121,461	-	29,091	943,417
Utilities	71,261	55,801	-	-	204,835	-	-	331,897
Maintenance	26,965	55,990	-	-	115,165	74,359	-	272,479
Interest	39,752	21,187	-	-	221,512	21,846	-	304,297
Other operating expenses	5,936	142,981	429,804	-	27,721	112,454	7,883	726,779
	146,821	766,722	728,999	-	690,694	208,659	51,562	2,593,457
Excess (deficiency) of revenue over expenses	\$ (77,459)	\$ (167,693)	\$ (560,589)	\$ 43,489	\$ 473,365	\$ (8,897)	\$ (20,943)	\$ (318,727)
For the year ended April 30, 2015								
Excess (deficiency) of revenue over expenses	\$ (236,816)	\$ (61,154)	\$ (674,570)	\$ 71,577	\$ 438,255	\$ (146,773)	\$ (11,932)	\$ (621,413)

Algoma University
Schedule of Non-credit Operations

For the year ended April 30, 2016	ISRI	NORDIK	CAPT	Health Informatics Institute	First Generation Project	Research	Shingwauk Residential ESLSchool Project	Total	
Revenue	\$ 549	\$ 556,477	\$ 4,305	\$ 32,805	\$ 162,423	\$ 431,639	\$ 923,763	\$ 52,300	\$ 2,164,261
Expenses									
Salaries and benefits	-	148,165	-	37,036	6,372	-	469,301	202,260	863,134
Other operating expenses	17,595	422,069	3,549	2,211	82,868	525,263	375,216	50,002	1,478,773
	17,595	570,234	3,549	39,247	89,240	525,263	844,517	252,262	2,341,907
Excess (deficiency) of revenue over expenses	\$ (17,046)	\$ (13,757)	\$ 756	\$ (6,442)	\$ 73,183	\$ (93,624)	\$ 79,246	\$ (199,962)	\$ (177,646)
For the year ended April 30, 2015									
Excess (deficiency) of revenue over expenses	\$ 1,100	\$ (13,942)	\$ 2,592	\$ (13,441)	\$ 70,381	\$ (63,534)	\$ 46,979	\$ (190,377)	\$ (160,242)