

Algoma University
Consolidated Financial Statements
For the year ended April 30, 2017

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Independent Auditor's Report

To the Board of Governors of Algoma University

We have audited the accompanying consolidated financial statements of Algoma University, which comprise the statement of consolidated statement of financial position as at April 30, 2017, and the consolidated statements of operations and unrestricted net assets, 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 Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements present fairly, in all material respects, the consolidated financial position of Algoma University as at April 30, 2017 and the consolidated results of its operations and net assets, consolidated changes in its net assets and cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Other Matters Paragraph

We bring to your attention two schedules that are unaudited entitled "Schedule of Ancillary Operations" and "Schedule of Non-credit Operations." These are strictly supplemental schedules.

Chartered Professional Accountants, Licensed Public Accountants
Sault Ste. Marie, Ontario
November 2, 2017

Algoma University
Statement of Financial Position

April 30 2017 2016

Assets

Current

Cash	\$ 8,428,907	\$ 5,806,372
Accounts receivable - fees	503,314	534,837
Accounts receivable - other	495,173	506,873
Prepaid expenses and inventory	495,692	716,319

9,923,086 7,564,401

Investments (Note 2) 5,424,110 4,718,899

Tangible capital assets (Note 3) 42,973,306 44,811,941

\$ 58,320,502 **\$ 57,095,241**

Liabilities and Net Assets

Current

Accounts payable and accrued liabilities	\$ 1,498,386	\$ 1,677,936
Fees received in advance	633,951	605,451
Deferred government grants, program and campaign revenue	4,978,310	3,060,729
Current portion of long term debt (Note 6)	766,500	709,301

7,877,147 6,053,417

Long term debt (Note 6) 13,883,776 14,682,892

Accrued pension obligation (Note 10) 1,364,000 3,609,000

Deferred contributions related to capital assets (Note 9) 27,488,259 28,720,990

50,613,182 53,066,299

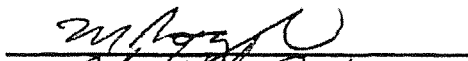
Net assets


Unrestricted	1,952,235	1,856,342
Internally restricted (Note 4)	664,568	(2,294,691)
Endowments	5,090,517	4,467,291

7,707,320 4,028,942

\$ 58,320,502 **\$ 57,095,241**

On behalf of the Board:

 _____ Chair

 _____ Vice-Chair

Algoma University
Consolidated Statement of Changes in Net Assets

For the year ended April 30	Unrestricted	Internally Restricted	Endowments	Total 2017	Total 2016
Balance, beginning of year	\$ 1,856,342	\$ (2,294,691)	\$ 4,467,291	\$ 4,028,942	\$ 5,998,907
Excess of revenue over expenses	920,648	-	-	920,648	1,290,221
Post-employment benefit recovery - remeasurement	(47,000)	2,245,000	-	2,198,000	(2,192,000)
Contribution to endowment fund	-	-	66,471	66,471	66,122
Investment income on externally restricted endowment funds less amounts made available for spending	(794,241)	730,745	556,755	493,259	(1,134,308)
Internal restrictions (Note 4)					
Transfer from internal restrictions	16,486	(16,486)	-	-	-
Balance, end of year	\$ 1,952,235	\$ 664,568	\$ 5,090,517	\$ 7,707,320	\$ 4,028,942

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

Algoma University
Consolidated Statement of Operations and Unrestricted Net Assets

For the year ended April 30	2017	2016
Revenue		
Student fees	\$ 10,204,935	\$ 11,395,612
Government grants	14,272,232	14,030,781
Library	30,120	22,024
Miscellaneous programs	915,493	821,788
Extension operations	889,578	908,860
Ancillary operations	2,164,910	2,274,730
Non-credit operations	2,034,294	2,164,261
Foundation revenues	425,260	1,105,230
Amortization of deferred capital contributions	1,233,944	1,233,701
	<u>32,170,766</u>	<u>33,956,987</u>
Expenses		
Salaries and benefits		
Academic	9,540,900	9,590,580
Non-academic	7,214,493	7,867,175
Library	717,202	445,179
Administration	2,027,270	2,500,099
Academic departments	267,842	178,026
Advertising and communications	883,000	1,018,899
Utilities	664,011	575,762
Repairs and maintenance	1,053,410	1,029,772
Student services	323,626	301,842
Municipal taxes	81,075	89,175
Insurance	72,855	66,864
Faculty recruitment	58,074	52,236
Extension operations	1,181,194	1,207,427
Ancillary operations	2,282,238	2,593,457
Non-credit operations	2,158,441	2,341,907
Foundation expenses	762,707	720,213
Amortization of tangible capital assets	1,961,780	2,106,637
	<u>31,250,118</u>	<u>32,685,250</u>
Excess of revenue over expenses from operations	920,648	1,271,737
Gain on disposal of Windsor Park Residence	-	18,484
Excess of revenue over expenses	920,648	1,290,221
Post-employment benefit recovery - remeasurement	2,198,000	(2,192,000)
Transfer to internally restricted net assets (Note 4)	(3,022,755)	834,268
Change in unrestricted net assets for the year	95,893	(67,511)
Unrestricted net assets, beginning of year	1,856,342	1,923,853
Unrestricted net assets, end of year	\$ 1,952,235	\$ 1,856,342

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

Algoma University
Consolidated Statement of Cash Flows

For the year ended April 30	2017	2016
Cash flows from operating activities		
Excess of revenues over expenses	\$ 920,648	\$ 1,290,221
Items not involving cash		
Amortization of tangible capital assets	1,961,780	2,106,637
Loss on disposal/impairment of tangible capital assets	-	(18,484)
Change in unrealized gains on investments	493,259	(1,134,308)
Amortization of deferred contributions	<u>(1,233,944)</u>	<u>(1,233,701)</u>
	2,141,743	1,010,365
Changes in non-cash working capital balances		
Accounts receivable - fees	31,523	163,868
Accounts receivable - other	11,700	551,571
Prepaid expenses and inventory	220,627	(107,627)
Accrued pension obligation (net of change in measurement)	(47,000)	(104,000)
Accounts payable and accrued liabilities	(179,550)	(903,464)
Fees received in advance	28,500	(27,337)
Deferred government grants and program revenue	<u>1,917,581</u>	<u>807,710</u>
	<u>4,125,124</u>	<u>1,391,086</u>
Cash flows from investing activities		
Purchase of tangible capital assets	(123,145)	(283,273)
Proceeds on sale of other assets	-	793,485
Purchase (sale) of investments	(705,211)	215,346
Endowment contributions	<u>66,471</u>	<u>66,122</u>
	<u>(761,885)</u>	<u>791,680</u>
Cash flows from financing activities		
Inception of long term debt	-	2,451,624
Repayment of long term debt	(741,917)	(529,799)
Deferred capital contributions	<u>1,213</u>	<u>59,917</u>
	<u>(740,704)</u>	<u>1,981,742</u>
Increase in cash and equivalents	2,622,535	4,164,508
Cash and cash equivalents, beginning of year	<u>5,806,372</u>	<u>1,641,864</u>
Cash and cash equivalents, end of year	<u>\$ 8,428,907</u>	<u>\$ 5,806,372</u>

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

Algoma University

Notes to Consolidated Financial Statements

April 30, 2017

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 consolidated financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations.

Basis of Consolidation These consolidated financial statements reflect the assets, liabilities and results of the Northern Ontario Research, Development, Ideas and Knowledge Institute (Nordik Research Institute).

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.

Endowment contributions are allocated directly to net assets in the year received. Income generated from endowment funds are recognized in the statement of operations.

Tuition fees for courses which are offered substantially after the fiscal year end are deferred. Sales and services revenue is recognized at point of sale or when services have been provided.

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 consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated 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 consolidated financial statements may change by a material amount.

Algoma University

Notes to Consolidated Financial Statements

April 30, 2017

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 at fair value.

Employee Future Benefits

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 Consolidated Financial Statements

April 30, 2017

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 consolidated statement of financial position date and charged to the financial instrument for those measured at amortized cost.

2. Investments

	2017	2016
Marketable securities at cost	<u>\$ 5,525,306</u>	<u>\$ 5,379,827</u>
Marketable securities at market	<u>\$ 5,424,110</u>	<u>\$ 4,718,899</u>

3. Tangible capital assets

	2017		2016	
	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	16,526,313	57,764,474	15,111,100
Furniture and equipment	7,939,648	7,413,891	7,816,503	7,010,191
Parking lot	2,129,431	1,360,467	2,129,431	1,251,904
Computer software system	250,616	182,008	250,616	147,704
	<u>\$ 69,101,288</u>	<u>\$ 26,127,982</u>	<u>\$ 68,978,143</u>	<u>\$ 24,166,202</u>
Net book value		<u>\$ 42,973,306</u>		<u>\$ 44,811,941</u>

Algoma University
Notes to Consolidated Financial Statements

April 30, 2017

4. Net assets internally restricted

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

	2017	2016
Operating	\$ 261,804	\$ 261,804
Future capital projects	2,459,280	2,461,280
Defined benefit pension plan	(1,364,000)	(3,609,000)
Foundation	(691,133)	(1,423,878)
Nordik Institute	(7,434)	(196)
HII	862	10,187
ISRI	(149)	(226)
CAPT	5,338	5,338
	\$ 664,568	\$ (2,294,691)

5. 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, 2017, the entire facility was available to the University.

6. Long term debt

	2017	2016
TD George Leach Centre loan, repayable \$12,641 monthly including interest at 2.02%, secured by property and general security agreement, maturing November 2020	\$ 2,348,506	\$ 2,451,624
Bank of Montreal parking lot loan, repayable \$8,600 monthly plus interest at 2.75%, maturing January 2021	657,600	760,800
Scotiabank interest rate swap loan, repayable \$30,267 monthly including interest at 2.026% fix plus floating rate, secured by property and general security agreement, maturing March 2021	4,386,624	4,659,450
Scotiabank Essar Convergence Centre and WPRR Inc. loan, repayable \$7,749 monthly including interest at 2.23%, secured by property and general security agreement, maturing March 2022	1,111,737	1,168,507
Scotiabank Students' Residence loan, repayable \$32,816 monthly including interest at 3.0%, secured by property and general security agreement, maturing April 2020	6,145,809	6,351,812
	14,650,276	15,392,193
Less current portion	766,500	709,301
	\$ 13,883,776	\$ 14,682,892

Algoma University
Notes to Consolidated Financial Statements

April 30, 2017

6. Long term debt (continued)

Interest on long term debt during the year amounted to \$377,564 (2016 - \$483,219).

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

Year	Amount
2018	\$ 766,500
2019	782,317
2020	798,525
2021	815,134
2022	832,154
Thereafter	<u>10,655,646</u>
	<u>\$ 14,650,276</u>

7. 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, 2017.

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. The University has recorded a provision of \$141,553 for an employee related matter.

8. Government remittances

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

	<u>2017</u>	<u>2016</u>
EHT payable	\$ 357	\$ 533
WSIB payable	<u>53</u>	<u>78</u>
	<u>\$ 410</u>	<u>\$ 611</u>

9. 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:

Algoma University
Notes to Consolidated Financial Statements

April 30, 2017

9. Deferred contributions related to tangible capital assets (continued)

	2017	2016
Balance , beginning of year	\$ 28,720,990	\$ 29,894,774
Contributions	1,213	59,917
Transfers to revenue	(1,233,944)	(1,233,701)
Balance , end of year	\$ 27,488,259	\$ 28,720,990

10. 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:

	2017	2016
Asset, at market value	\$ 25,337,000	\$ 22,552,000
Pension benefit obligation	26,701,000	26,161,000
Plan surplus (deficit)	\$ (1,364,000)	\$ (3,609,000)

The most recent actuarial valuation for post-employment benefits was performed as at April 30, 2017.

The plan assets consist of the following asset categories:

	2017	2016
Canadian equities	38 %	38 %
Foreign equities	27 %	28 %
Fixed income	32 %	31 %
Cash and short term deposits	3 %	3 %
	100 %	100 %

The pension expense amounts totaled \$694,000 (2016 - \$665,000) and is included in salaries and benefits on the statement of operations. Employer contributions paid and payable during the year were \$741,000 (2016 - \$769,000).

The discount rate used is 4.75% (2016 - 4.75%), the estimated rate of salary increases used is 1.25% (2016 - 1.25%) and the estimated rate of return on assets used is 4.75% (2016 - 4.75%).

Group retirement savings plan

Employees hired subsequent to 2006 are eligible to participate in a group retirement savings plan. Employer contributions totaled \$727,914 for 2017 (2016 - \$777,902) and were fully expensed.

Algoma University
Notes to Consolidated Financial Statements

April 30, 2017

11. Accounts receivable

Included in accounts receivable:

	<u>2017</u>	<u>2016</u>
Accounts receivable - fees	\$ 1,552,089	\$ 1,512,835
Accounts receivable - other	495,173	506,873
Allowance for doubtful accounts	<u>(1,048,775)</u>	<u>(977,998)</u>
	<u>\$ 998,487</u>	<u>\$ 1,041,710</u>

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 uses derivative financial instruments to alter the effect of this risk through an interest rate swap.

Market Volatility risk

Market volatility risk arises from the University's investment portfolio, which contains various pooled funds and, fixed income and equity instrument. It is the risk that the fair value or future cash flows from a financial instrument will fluctuate because of general economic and other market factors affecting equity prices.

Algoma University
Unaudited (see Other Matters Paragraph)
Schedule of Ancillary Operations

For the year ended April 30, 2017	Downtown Residence	George Leach Centre	Varsity	Other Ancillary Services	Campus Residence	Parking Lot	Student Bar	Total
Revenue	\$ -	\$ 617,656	\$ 124,032	\$ 40,221	\$ 1,171,685	\$ 181,059	\$ 30,257	\$ 2,164,910
Expenses								
Cost of sales	-	-	-	-	-	-	13,921	13,921
Salaries and benefits	-	351,389	273,947	-	114,607	-	14,974	754,917
Utilities	-	45,246	-	-	225,562	-	-	270,808
Maintenance	-	40,080	-	-	131,522	6,711	-	178,313
Interest	-	48,572	-	-	224,651	18,948	-	292,171
Other operating expenses	-	100,360	500,164	-	51,389	114,647	5,548	772,108
	-	585,647	774,111	-	747,731	140,306	34,443	2,282,238
Excess (deficiency) of revenue over expenses	\$ -	\$ 32,009	\$ (650,079)	\$ 40,221	\$ 423,954	\$ 40,753	\$ (4,186)	\$ (117,328)
For the year ended April 30, 2016								
Excess (deficiency) of revenue over expenses	\$ (77,459)	\$ (167,693)	\$ (560,589)	\$ 43,489	\$ 473,365	\$ (8,897)	\$ (20,943)	\$ (318,727)

Algoma University
Unaudited (see Other Matters Paragraph)
Schedule of Non-credit Operations

For the year ended April 30, 2017	ISRI	NORDIK	CAPT	Health Informatics Institute	First Generation Project	Research	ESL	Shingwauk Residential School Project	Total
Revenue	\$ 77	\$ 535,690	\$ -	\$ 42	\$ 160,328	\$ 531,980	\$ 716,876	\$ 89,301	\$ 2,034,294
Expenses									
Salaries and benefits	-	96,374	-	-	27,003	-	439,225	90,875	653,477
Other operating expenses	-	446,554	-	9,367	53,795	634,702	253,775	106,771	1,504,964
	-	542,928	-	9,367	80,798	634,702	693,000	197,646	2,158,441
Excess (deficiency) of revenue over expenses	\$ 77	\$ (7,238)	\$ -	\$ (9,325)	\$ 79,530	\$ (102,722)	\$ 23,876	\$ (108,345)	\$ (124,147)
For the year ended April 30, 2016									
Excess (deficiency) of revenue over expenses	\$ (17,046)	\$ (13,757)	\$ 756	\$ (6,442)	\$ 73,183	\$ (93,624)	\$ 79,246	\$ (199,962)	\$ (177,646)