# Algoma University
## Consolidated Financial Statements
**For the year ended April 30, 2019**

**Contents**

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# Independent Auditor's Report

To the Board of Governors of Algoma University

## Opinion

We have audited the consolidated financial statements of Algoma University and its controlled entities (the University), which comprise the consolidated statement of financial position as at April 30, 2019, and the consolidated statements of operations and unrestricted net assets, the consolidated changes in net assets and the consolidated cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the University as at April 30, 2019, and its consolidated results of operations and its consolidated cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

## Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the University in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Other Matters

We have not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the schedules on pages 15 and 16 of the University's consolidated financial statements.

## Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the consolidated financial statements, management is responsible for assessing the University's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the University or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the University's financial reporting process.

## Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the University's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the University to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the University to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants

Sault Ste. Marie, Ontario
November 28, 2019

## Algoma University
### Consolidated Statement of Financial Position

| April 30 | 2019 | 2018 |
|---|---|---|
| **Assets** | | |
| **Current** | | |
| Cash | **$ 14,293,956** | $ 6,100,466 |
| Accounts receivable - fees (Note 12) | **571,208** | 502,890 |
| Accounts receivable - other (Note 12) | **2,412,818** | 1,147,502 |
| Prepaid expenses and inventory | **763,641** | 624,662 |
| | **18,041,623** | 8,375,520 |
| **Accrued pension asset** (Note 11) | **906,000** | - |
| **Investments** (Note 2) | **6,072,753** | 5,606,204 |
| **Capital assets** (Note 3) | **45,364,469** | 43,741,778 |
| | **$ 70,384,845** | $ 57,723,502 |
| **Liabilities and Net Assets** | | |
| **Current** | | |
| Accounts payable and accrued liabilities | **$ 1,751,582** | $ 1,789,268 |
| Fees received in advance | **4,320,328** | 600,721 |
| Deferred government grants, program and campaign revenue | **11,032,400** | 4,514,933 |
| Current portion of long term debt (Note 7) | **789,320** | 755,035 |
| | **17,893,630** | 7,659,957 |
| **Long term debt** (Note 7) | **12,337,730** | 13,127,953 |
| **Accrued pension obligation** (Note 11) | **-** | 2,160,000 |
| **Deferred contributions related to capital assets** (Note 10) | **28,483,425** | 27,456,665 |
| | **58,714,785** | 50,404,575 |
| **Net assets** | | |
| Unrestricted | **71,160** | 461,464 |
| Internally restricted (Note 5) | **6,185,656** | 1,910,720 |
| Endowments | **5,413,244** | 4,946,743 |
| | **11,670,060** | 7,318,927 |
| | **$ 70,384,845** | $ 57,723,502 |

On behalf of the Board:

_______________ Chair

_______________ Vice-Chair

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

## Algoma University
### Consolidated Statement of Changes in Net Assets

| For the year ended April 30 | Unrestricted | Internally Restricted | Endowments | Total 2019 | Total 2018 |
|---|---|---|---|---|---|
| **Balance**, beginning of year | $ 461,464 | $ 1,910,720 | $ 4,946,743 | $ 7,318,927 | $ 7,707,320 |
| **Excess of revenue over expenses** | 1,478,581 | - | - | 1,478,581 | 508,945 |
| **Post-employment benefit recovery - remeasurement** | (278,400) | 3,066,000 | - | 2,787,600 | (1,005,000) |
| **Endowment fund contributions and other adjustments** | (381,549) | - | 466,501 | 84,952 | 107,662 |
| **Internal restrictions** (Note 5) | | | | | |
| Transfer to internal restrictions | (1,208,936) | 1,208,936 | - | - | - |
| **Balance**, end of year | $ 71,160 | $ 6,185,656 | $ 5,413,244 | $ 11,670,060 | $ 7,318,927 |

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 | 2019 | 2018 |
|---|---|---|
| **Revenue** | | |
| Student fees | $ **8,873,323** | $ 9,219,057 |
| Government grants | **15,391,200** | 15,108,754 |
| Library | **21,268** | 21,560 |
| Miscellaneous programs | **1,307,433** | 917,280 |
| Extension operations | **3,136,051** | 918,401 |
| Ancillary operations | **2,160,299** | 2,220,643 |
| Non-credit operations | **2,316,840** | 2,166,406 |
| Foundation revenues | **407,497** | 47,687 |
| Amortization of deferred capital contributions | **1,136,267** | 1,190,540 |
| | **34,750,178** | 31,810,328 |
| **Expenses** | | |
| Salaries and benefits | | |
| Academic | **9,937,884** | 9,602,249 |
| Non-academic | **7,452,721** | 7,513,593 |
| Library | **356,897** | 354,270 |
| Administration | **2,789,309** | 2,199,594 |
| Academic departments | **275,623** | 129,849 |
| Advertising and communications | **1,524,203** | 1,204,484 |
| Utilities | **385,621** | 652,919 |
| Repairs and maintenance | **566,762** | 600,994 |
| Student services | **330,430** | 490,416 |
| Municipal taxes | **67,050** | 74,850 |
| Insurance | **83,791** | 78,003 |
| Faculty recruitment | **203,970** | 52,711 |
| Extension operations | **1,822,915** | 1,291,059 |
| Ancillary operations | **2,581,037** | 2,449,721 |
| Non-credit operations | **2,310,065** | 2,016,195 |
| Foundation expenses | **748,409** | 743,889 |
| Amortization of tangible capital assets | **2,115,920** | 1,846,587 |
| | **33,552,607** | 31,301,383 |
| **Excess of revenue over expenses from operations** | **1,197,571** | 508,945 |
| **Gain on sale of marketable securities related to endowment funds** | **281,010** | 1,718,651 |
| **Excess of revenue over expenses** | **1,478,581** | 2,227,596 |
| **Post-employment benefit recovery - remeasurement** | **2,787,600** | (1,005,000) |
| **Transfer to internally restricted net assets and endowment funds** | **(4,656,485)** | (2,713,367) |
| **Change in unrestricted net assets for the year** | **(390,304)** | (1,490,771) |
| **Unrestricted net assets**, beginning of year | **461,464** | 1,952,235 |
| **Unrestricted net assets**, end of year | $ **71,160** | $ 461,464 |

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

# Algoma University
## Consolidated Statement of Cash Flows

| For the year ended April 30 | 2019 | 2018 |
|---|---|---|
| **Cash flows from operating activities** | | |
| Excess of revenue over expenses | **$ 1,478,581** | $ 2,227,596 |
| Items not involving cash | | |
| Amortization of tangible capital assets | **2,115,920** | 1,846,587 |
| Gain on sale of marketable securities | **(281,010)** | (1,718,651) |
| Change in unrealized gains on investments | **(102,525)** | (1,999,511) |
| Amortization of deferred contributions | **(1,136,267)** | (1,190,540) |
| | **2,074,699** | (834,519) |
| Changes in non-cash working capital balances | | |
| Accounts receivable - fees | **(68,318)** | 424 |
| Accounts receivable - other | **(1,265,316)** | (652,329) |
| Prepaid expenses and inventory | **(138,979)** | (128,970) |
| Accrued pension obligation (net of change in measurement) | **(278,400)** | (209,000) |
| Accounts payable and accrued liabilities | **(37,686)** | 290,882 |
| Fees received in advance | **3,719,607** | (33,230) |
| Deferred government grants and program revenue | **6,517,467** | (463,377) |
| | **10,523,074** | (2,030,119) |
| **Cash flows from investing activities** | | |
| Purchase of tangible capital assets | **(3,738,629)** | (2,615,058) |
| Purchase (sale) of investments | **(178,288)** | 1,879,941 |
| Endowment contributions | **180,244** | 45,137 |
| | **(3,736,673)** | (689,980) |
| **Cash flows from financing activities** | | |
| Repayment of long term debt | **(755,938)** | (767,288) |
| Deferred capital contributions received | **2,163,027** | 1,158,946 |
| | **1,407,089** | 391,658 |
| **Increase (decrease) in cash and equivalents** | **8,193,490** | (2,328,441) |
| **Cash and cash equivalents**, beginning of year | **6,100,466** | 8,428,907 |
| **Cash and cash equivalents**, end of year | **$ 14,293,956** | $ 6,100,466 |

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

## 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 the results of the Northern Ontario Research, Development, Ideas and Knowledge Institute (Nordik Research Institute) as its a controlled entity.

**Inventories**

Inventories are valued at the lower of cost or net realizable value, with cost being determined 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.

**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 | - | 20 - 40 years |
| Furniture and equipment | - | 5 years |

1. **Summary of significant accounting policies** (continued)

**Tangible Capital Assets** (continued)

| | | |
|---|---|---|
| Library books | - | 5 years |
| Parking lot | - | 15 years |
| Computer software system | - | 5 years |
| Leasehold improvements | - | 10 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 recorded as revenue and expensed at fair market value at the date of contribution.

**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 defined contribution a group retirement savings plan.

**Cost Allocation**

Only costs which can be identified with departments are allocated. Unidentifiable costs are included with administration expenditures.

**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, are classified 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. Freestanding derivative instruments that are not in a qualifying hedging relationship that are quoted in an active market are subsequently measured at fair value.

## 2. Investments

| | 2019 | 2018 |
|---|---|---|
| Pooled fund at cost | $ 7,727,385 | $ 7,345,786 |
| Pooled fund at market | $ 6,072,753 | $ 5,606,204 |

## 3. Tangible capital assets

| | 2019 | | 2018 | |
|---|---|---|---|---|
| | Cost | Accumulated Amortization | Cost | Accumulated Amortization |
| Land | $ 371,816 | $ - | $ 371,816 | $ - |
| Leaseholds | 22,789 | 2,279 | - | - |
| Library books | 645,303 | 645,303 | 645,303 | 645,303 |
| Buildings | 63,568,662 | 19,646,953 | 60,169,601 | 17,941,527 |
| Furniture and equipment | 8,466,340 | 7,988,328 | 8,149,580 | 7,702,397 |
| Parking lot | 2,129,431 | 1,557,009 | 2,129,431 | 1,469,030 |
| Computer software system | 250,616 | 250,616 | 250,616 | 216,312 |
| | $ 75,454,957 | $ 30,090,488 | $ 71,716,347 | $ 27,974,569 |
| Net book value | | $ 45,364,469 | | $ 43,741,778 |

## 4. Endowments

Endowments consist of externally restricted donations received by the University. The endowment principal is required to be maintained intact. The investment income generated from endowments must be used in accordance with the various purposes established by donors. The University ensures, as part of its fiduciary responsibilities, that all funds received with a restricted purpose are expended for the purpose for which they were provided. The market value of the investment portfolio for endowed funds included in the total investments disclosed in Note 2 is equal to $5,413,244 (2018 - $4,946,473).

## 5. Net assets internally restricted

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

| | 2019 | 2018 |
|---|---|---|
| Operating | $ 1,461,417 | $ 722,128 |
| Future capital projects | 3,892,839 | 3,428,549 |
| Defined benefit pension plan | 906,000 | (2,160,000) |
| Foundation | (268,283) | (202,775) |
| Nordik Institute | 170,299 | 109,043 |
| HII | 862 | 862 |
| ISRI | 9,460 | (149) |
| CAPT | 13,062 | 13,062 |
| | $ 6,185,656 | $ 1,910,720 |

## 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, 2019, the entire facility was available to the University.

## 7. Long term debt

| | **2019** | 2018 |
|---|---|---|
| TD George Leach Centre loan, repayable $12,641 monthly including interest at 2.02%, secured by property with a carrying amount of $4,270,650, maturing November 2020 | **$ 2,136,165** | $ 2,243,285 |
| Bank of Montreal parking lot loan, repayable $8,600 monthly plus interest at 2.75%, maturing January 2021 | **451,200** | 554,400 |
| Scotiabank interest rate swap loan[1], repayable $30,267 monthly including interest at 1.90%, secured by property with a carrying amount of $14,699,770 and general security agreement, maturing March 2021 | **3,825,426** | 4,109,041 |
| Windsor Park Retirement Home Inc. loan, repayable $7,749 monthly including interest at 2.23%, secured by general security agreement, maturing March 2022 | **972,264** | 1,042,772 |
| Scotiabank Students' Residence interest rate swap loan[2], repayable $32,816 monthly including interest at 3.55%, secured by property with a carrying amount of $6,080,780 and general security agreement, maturing April 2023 | **5,741,995** | 5,933,490 |
| | **13,127,050** | 13,882,988 |
| Less current portion | **789,320** | 755,035 |
| | **$ 12,337,730** | $ 13,127,953 |

Interest on long term debt during the year amounted to $387,947 (2018 - $350,151).

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

| **Year** | **Amount** |
|---|---|
| 2020 | $ 789,320 |
| 2021 | 805,234 |
| 2022 | 824,321 |
| 2023 | 823,740 |
| 2024 | 812,499 |
| Thereafter | 9,071,936 |
| | $ 13,127,050 |

[1] The University has entered into interest rate derivative agreement to manage the volatility of the interest rate on the loan. The University converted floating rate of debt for fixed rate of debt of 1.15%. The change in the fair value of the interest rate swap of negative $48,134 (2018 – negative $121,295) is not recorded by the entity. The interest rate swap agreement will expire on March 28, 2021.

[2] The University has entered into interest rate derivative agreement to manage the volatility of the interest rate on the loan. The University converted floating rate of debt for fixed rate of debt of 2.8%. The change in the fair value of the interest rate swap of $193,841 (2018 – none) is not recorded by the entity. The interest rate swap agreement will expire on April 30, 2023.

## 8. Contingent liabilities

The University is a member of the Canadian Universities Reciprocal Insurance Exchange ("CURIE"). CURIE insures general liability, university property and errors and omissions. Annual premiums paid by the university are determined by the CURIE Board, on the advice of the actuary. There is a provision under the agreement for assessments to all member universities if these premiums are not sufficient to cover losses. As of December 31, 2017, the date of the latest financial statements available, CURIE had a surplus of $81,200,000 (2016- $84,908,000). Additional insurance for automovies, artwork, miscellaneous property, and major construction projects is purchased through commercial insurers to provide coverage for losses not insured by CURIE.

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.

## 9. Government remittances

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

| | 2019 | 2018 |
|---|---|---|
| EHT payable | $ 2,322 | $ 1,576 |

## 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:

| | 2019 | 2018 |
|---|---|---|
| **Balance**, beginning of year | $ 27,456,665 | $ 27,488,259 |
| Contributions | 2,163,027 | 1,158,946 |
| Transfers to revenue | (1,136,267) | (1,190,540) |
| **Balance**, end of year | $ 28,483,425 | $ 27,456,665 |

## 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:

| | 2019 | 2018 |
|---|---|---|
| Asset, at market value | $ 27,245,000 | $ 25,705,000 |
| Pension benefit obligation | (26,339,000) | (27,865,000) |
| Plan surplus (deficit) | $ 906,000 | $ (2,160,000) |

## 11. Pension plans (continued)

The most recent acturial valuation for post-employment benefits was performed as at April 30, 2018.

The plan assets consist of the following asset categories:

| | 2019 | 2018 |
|---|---|---|
| Canadian equities | **36 %** | 36 % |
| Foreign equities | **22 %** | 20 % |
| Fixed income | **41 %** | 43 % |
| Cash and short term deposits | **1 %** | 1 % |
| | **100 %** | 100 % |

The pension expense amounts totaled $516,600 (2018 - $501,000) and is included in salaries and benefits on the statement of operations. Employer contributions paid and payable during the year were $795,000 (2018 - $710,000).

The discount rate used is 4.90% (2018 - 4.50%), the estimated rate of salary increases used is 2.50% (2018 - 2.50%) and the estimated rate of return on assets used is 4.90% (2018 - 4.50%).

**Group retirement savings plan**
Employees hired subsequent to 2006 are eligible to participate in a defined contribution group retirement savings plan. Employer contributions totaled $1,030,759 for 2019 (2018 - $733,280) and were fully expensed.

## 12. Accounts receivable

Included in accounts receivable:

| | 2019 | 2018 |
|---|---|---|
| Accounts receivable - fees | **$ 1,458,907** | $ 1,297,878 |
| Allowance for doubtful accounts | **(887,699)** | (794,988) |
| | **$ 571,208** | $ 502,890 |
| Accounts receivable - other | **$ 2,412,818** | $ 1,147,502 |

## 13. Commitments

The following are the future minimum annual lease payments for a campus building, due over the next five years:

| Year | Amount |
|---|---|
| 2020 | $ 393,089 |
| 2021 | 393,089 |
| 2022 | 393,089 |
| 2023 | 393,089 |
| 2024 | 393,089 |
| | $ 11,037,381 |

## 14. 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. 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
## Schedule of Ancillary Operations

| For the year ended April 30, 2019 | | George Leach Centre | | Varsity | | Other Ancillary Services | | Campus Residence | | Parking Lot | | Student Bar | | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Revenue** | $ | 605,556 | $ | 178,785 | $ | 16,150 | $ | 1,200,093 | $ | 142,776 | $ | 16,939 | $ | 2,160,299 |
| **Expenses** | | | | | | | | | | | | | | |
| Cost of sales | | - | | - | | - | | - | | - | | 8,681 | | 8,681 |
| Salaries and benefits | | 377,114 | | 417,605 | | - | | 111,339 | | - | | 120,636 | | 1,026,694 |
| Utilities | | 52,215 | | - | | - | | 139,188 | | - | | - | | 191,403 |
| Maintenance | | 63,323 | | - | | - | | 96,910 | | 2,287 | | - | | 162,520 |
| Interest | | 44,570 | | - | | - | | 255,496 | | 11,896 | | - | | 311,962 |
| Other operating expenses | | 133,547 | | 588,355 | | - | | 42,908 | | 107,270 | | 7,697 | | 879,777 |
| | | 670,769 | | 1,005,960 | | - | | 645,841 | | 121,453 | | 137,014 | | 2,581,037 |
| **Excess (deficiency) of revenue over expenses** | $ | (65,213) | $ | (827,175) | $ | 16,150 | $ | 554,252 | $ | 21,323 | $ | (120,075) | $ | (420,738) |
| *For the year ended April 30, 2018* | | | | | | | | | | | | | | |
| Excess (deficiency) of revenue over expenses | $ | (27,104) | $ | (778,392) | $ | 35,552 | $ | 499,671 | $ | 43,960 | $ | (2,765) | $ | (229,078) |

# Algoma University
# Unaudited
# Schedule of Non-credit Operations

| For the year ended April 30, 2019 | | ISRI | NORDIK | CAPT | Health Informatics Institute | First Generation Project | Research | ESL | Shingwauk Residential School Project | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| **Revenue** | $ | 9,635 $ | 872,930 $ | - $ | - $ | - $ | 612,375 $ | 716,113 $ | 105,787 $ | 2,316,840 |
| **Expenses** | | | | | | | | | | |
| Salaries and benefits | | - | 131,845 | - | - | 337 | - | 478,445 | 132,139 | 742,766 |
| Other operating expenses | | 26 | 715,318 | - | - | 31,855 | 586,747 | 171,045 | 62,308 | 1,567,299 |
| | | 26 | 847,163 | - | - | 32,192 | 586,747 | 649,490 | 194,447 | 2,310,065 |
| **Excess (deficiency) of revenue over expenses** | $ | 9,609 $ | 25,767 $ | - $ | - $ | (32,192) $ | 25,628 $ | 66,623 $ | (88,660)$ | 6,775 |
| For the year ended April 30, 2018 | | | | | | | | | | |
| Excess (deficiency) of revenue over expenses | $ | - $ | *89,082* $ | - $ | - $ | *131,007* $ | - $ | *(8,852)* $ | *(61,026)*$ | *150,211* |