

ANNUAL FINANCIAL REPORT

March 31, 2014



Published June 2014

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Message from the
Vice-President,
Finance &
Administration,
Dalhousie University

The University's Annual Financial Report provides a measure of stewardship and accountability for Dalhousie's financial resources. The report provides an overview of major revenue and expense flows from all funds and activities for the year including developments affecting the University's finances, a comparison of the approved 2013-14 operating budget with actual results together with explanations of material variances, and concludes with the audited Financial Statements for the year ended March 31, 2014. The 2013-14 fiscal year was the first full year of operations following the merger with the Nova Scotia Agricultural College on September 1, 2012.

- Revenues in all funds (Operating, Ancillary, Endowment, Capital, Special Purpose and Research) totaled \$638.5 million, an increase of \$16.2 million or 2.6% over 2012-13. Operating Fund revenue increased by \$16.5 million and there were modest increases in Endowment, Ancillary and Special Purpose fund revenues. Research Fund revenue declined year-over-year by \$9.3 million as a number of significant projects were coming to completion in 2012-13 and newer projects were ramping-up during 2013-14.
- The 2013-14 operating budget result was balanced through the use of \$2.5 million in operating reserve funds carried forward from prior years. The approved budget plan was based on the need to use \$6.0 million in reserve funds. However, tuition and operating interest revenue exceeded budget amounts by \$2.8 million and \$0.5 million respectively thereby reducing the draw on reserve funds to balance.
- Total assets of the University increased by \$81 million to \$1.64 billion as at March 31, 2014.
 - The University's investment program includes the endowment and University short term investments and the total value experienced significant growth in 2013-14. Investments rose by \$73.8 million fueled by an endowment investment return of 17.9% and \$12.3 million in new gifts. The market value of the endowment was \$478 million at the end of fiscal 2014 (2013 - \$415 million). The 1300+ individual endowments which make up the funds contributed \$20 million in spending allocations for support of students (scholarships and bursaries), faculty and academic chairs, research, the libraries, and fund management expenses at the University in the past year.
 - The value of capital assets increased by \$37.7 million as work continued on the LeMarchant student services and residence building and construction commenced on the collaborative health education building on the Carleton campus. Planning is underway on a number of projects including the replacement of the University's heating plant, Engineering, Architecture and Planning facilities on the Sexton Campus, an expansion to the Arts Centre, a new fitness centre to be located on South Street and an arena.

- There is continued progress in renewing Dalhousie's campus facilities. The 2013-14 annual facilities renewal expenditures of \$17.3 million included a wide range of projects addressing building exterior, roofing, accessibility, electrical, heating and ventilation systems on the Sexton, Agricultural, Carleton and Studley campuses.

- A full actuarial valuation of the University's pension plan will be undertaken as at March 31, 2014, the results of which will be available to the University in the coming months. Recently, the actuarial profession in Canada has updated the mortality tables used in determining the contributions required to fund pension plan obligations. As a result of improved life expectancy these new mortality tables will increase the liabilities and contribution requirements of the Dalhousie pension plan on a go-forward basis. Strong investment performance this past year will offset some of the impact of the life expectancy changes but it is expected that there will still be an increase in employer contributions borne by the operating budget in 2014-15. Importantly, there is a joint committee of employee, management, and retiree representatives meeting to explore improvements to the plan structure. Potential improvements could minimize both significant variations in and the level of contributions charged to the operating budget.

Completion of President Florizone's 100 Days of Listening Report provides an exciting platform for innovation and renewal of institutional capacity in the years ahead. Continuing to build and develop our institutional infrastructure and support is integral to meeting the teaching and learning and research strategic priorities at Dalhousie.



Ian Nason,
Vice-President, Finance &
Administration (Acting)

CAPITAL PROJECTS tuition financial services
studley FACULTY **stewardship** EDUCATION

DALHOUSIE net assets 1918
UNIVERSITY RELIABILITY
enrolment revenue

HALIFAX **Financial Overview** FACILITIES RENEWAL

scholarships **graduates** community

EXPENDITURES RELIABILITY **sexton**

amortization TRURO undergraduates

RESEARCH GRANTS AND CONTRACTS

budget HALIFAX 1918 ancillaries
enrolment ENDOWMENT PRINCIPAL

EDUCATION revenue employees

net assets FACULTY **graduates**
tuition scholarships

financial services actual 1300 ENDOWMENTS

TOTAL ENROLMENT 18440 financial performance

TEACHING+RESEARCH+SERVICE

CAPITAL PROJECTS **stewardship**

RELIABILITY community amortization

studley FACILITIES RENEWAL TRURO

FINANCIAL OVERVIEW

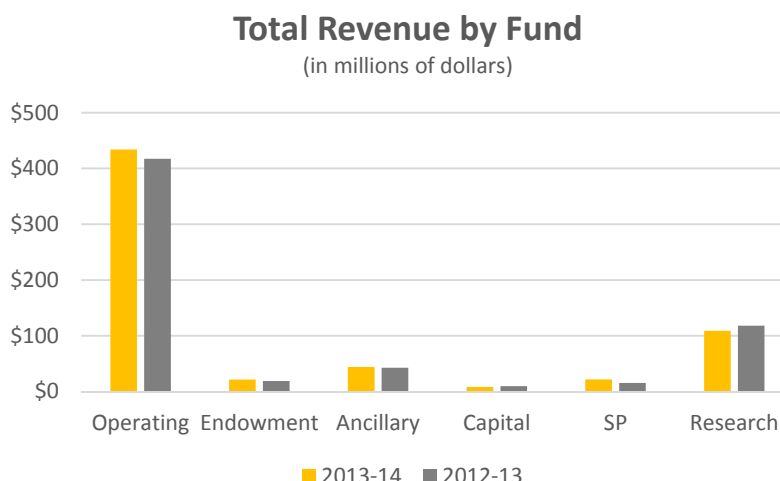
The University’s financial affairs are organized into funds. Revenues generated from the Operating and Endowment funds are used to fund the day-to-day operations of the University. Ancillary funds are supporting units that are expected to be self-sustaining as a group from the revenue streams generated. Capital, research and special purpose revenues are restricted for the purposes designated by contributors and sponsors and cannot be used to support operations. Fund accounting enhances budgetary controls and accountability throughout the University.

REVENUE

In 2013-14 Dalhousie University reported total revenue from all funds of \$638.5 million; an increase of 2.6% over 2012-13 and 21.7% since 2009-10.

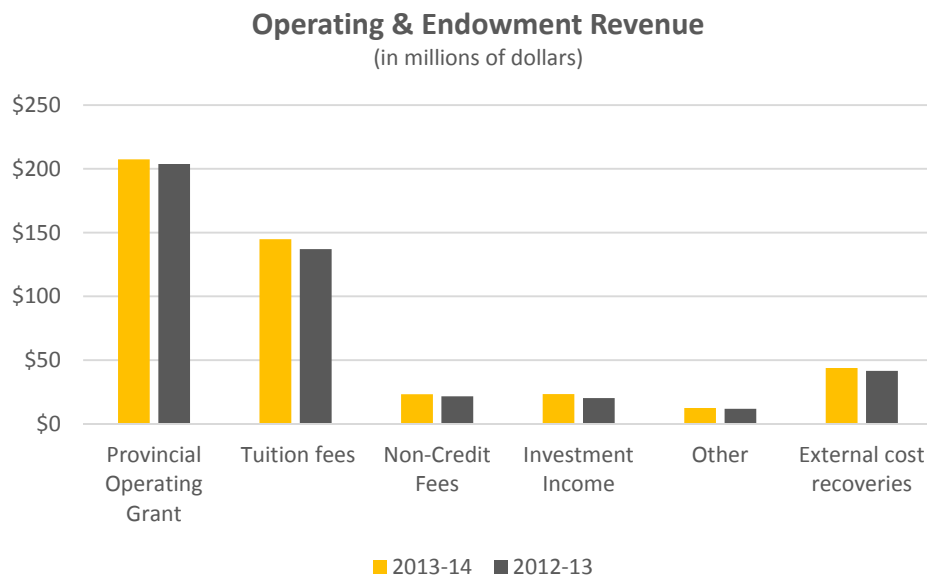
Total Revenue – All Sources (in millions)	09-10	10-11	11-12	12-13	13-14
Provincial Operating Grant	\$ 168.3	\$ 190.8	\$ 184.5	\$ 203.7	\$ 207.4
Other Government Grants & Contracts	68.9	75.2	81.3	88.0	76.0
Corporations & Foundations	25.5	29.7	31.7	27.3	33.8
Tuition Fees	103.1	112.2	123.2	137.0	144.8
Non-Credit Program & Other Fees	16.4	18.3	19.2	21.7	23.3
General	19.5	6.4	9.2	11.1	13.2
Gifts	18.0	10.0	7.7	6.4	6.4
Investment Income	19.4	20.2	19.5	22.4	26.1
Ancillary sales & service	38.5	39.2	41.4	42.7	44.2
External cost recoveries	36.8	38.7	41.5	45.2	48.4
Amortization of deferred capital contributions	10.2	12.1	14.4	16.8	14.9
Total	\$ 524.6	\$ 552.8	\$ 573.6	\$ 622.3	\$ 638.5

The following chart breaks down the total revenue by fund.



Operating & Endowment Revenue

The University's total operating and endowment revenue in fiscal 2013-14 was \$455.3 million; an increase of \$19.1 million (4.4%) from the previous year. The most significant influence on the year over year increase is the first full year of operations of the Agricultural Campus (only seven months of operation in 2012-13), contributing approximately \$10 million in increased revenue over 2012-13.



Provincial operating grants are the largest source of operating revenue for the University, representing 45.5% of gross revenue. Grant revenue declined by \$5.8 million in 2013-14 as a result of a 3% decrease in the operating grant from the Province of Nova Scotia. The 2013-14 fiscal year was the first full year of operations for the Agricultural Campus as part of Dalhousie. Additional grant funding of \$9.5 million was provided by the province to support the operation of the new campus for the 12 month period in 2013-14 versus funding for only seven months of operation in 2012-13. The net increase in Provincial Government Operating Grant revenue as a result of these two factors was \$3.7 million.

Tuition revenue of \$144.8 million contributes 31.8% of Dalhousie's gross operating and endowment revenue. Total tuition fee revenue increased by \$7.8 million; significant components of this increased revenue were a 3% tuition increase across all programs in 2013-14 and enrolment growth which generated \$2.8 million in additional tuition revenue.

The budget plan for 2013-14 integrated the use of reserve funds of \$6 million to achieve a balanced budget. The final results required the use of just \$2.5 million mainly due to the increased revenue generated from the additional students enrolled in 2013-14.

Investment income from endowment funds is another important revenue source which supports scholarships for students, academic chairs and other support within the Faculties. In 2013-14 Endowment revenue increased by \$2.6 million.

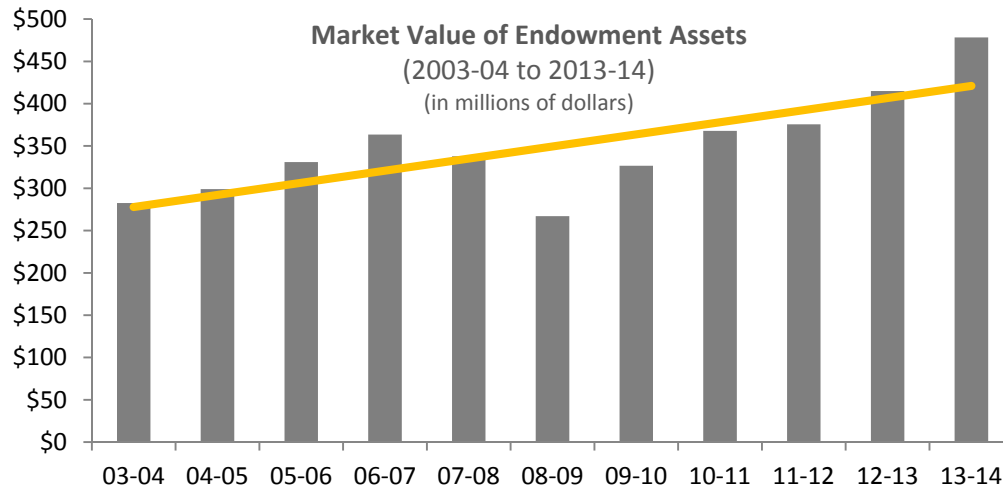
Dalhousie University

Financial Overview

As of March 31, 2014

Endowment funds are externally restricted donations received by the University. The gift principal is to be maintained to support donor specified activities at the University each year. There are now more than 1300 individual endowments at Dalhousie University.

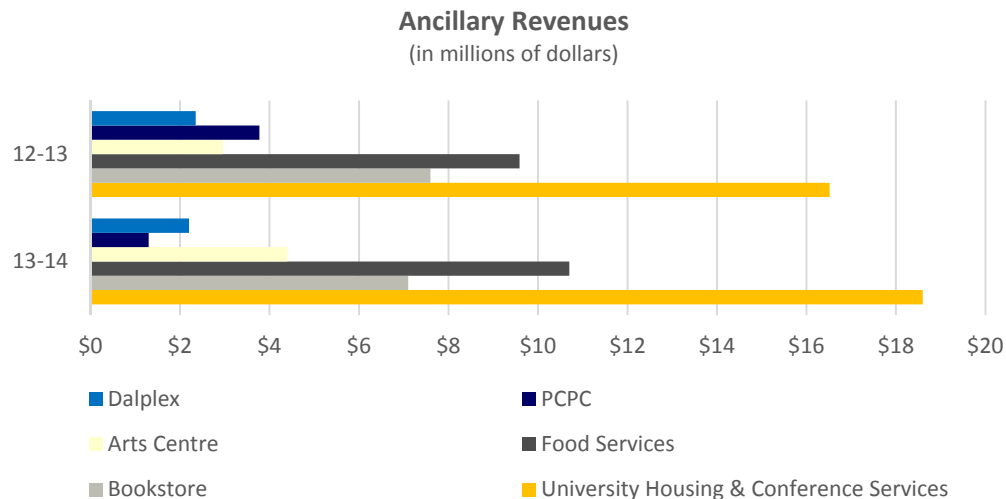
Dalhousie University's endowment assets have reached \$478 million as of March 31, 2014.



Ancillary Revenues

The University's ancillary operations provide essential support and business services to the Dalhousie community with a view to enhancing the student experience. Ancillary operations are intended to provide high quality and competitively priced services while covering all operating and capital costs associated with them. The ancillary operations include Student Community Services (includes Housing and Conference Services and Residence Life), Bookstore, Food Services, the Rebecca Cohn Arts Centre, Dalplex and the Personal Computer Purchase Centre (PCPC).

The following graph shows the 2013-14 changes in Ancillary Revenue over 2012-13.

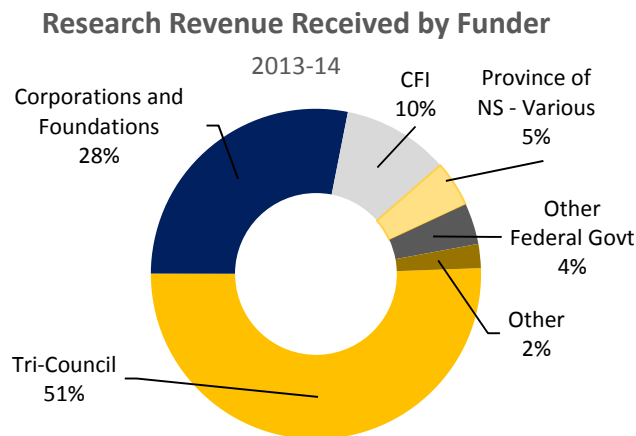


In 2013-14 ancillary revenue grew by 3.4%. The increase relates to better than anticipated residence occupancy and an increased number of performances in the Arts Centre. These increases were partially offset by decreased sales in PCPC which ceased operations in May 2014 after market developments made the operation unsustainable.

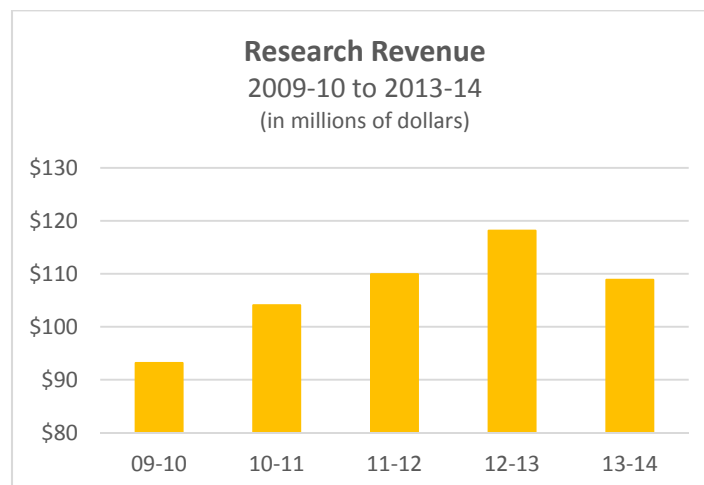
Capital, Research and Special Purpose Revenues

Revenues received in these funds must be used for the purposes specified by contributors and sponsors. Unspent revenue at the end of the year is deferred and is included in Deferred Revenue / Deferred Capital Contributions on the Consolidated Statement of Financial Position.

The largest of these, research funding, is provided from a variety of sources with the largest contributions coming from the federal government through the Canadian Foundation for Innovation (CFI) and the Tri Council granting agencies, as indicated by the chart below.



The following chart shows research revenue since 2009-10. Timing on large projects can create variability in research revenue and expense figures between fiscal years. Research revenues decreased in 2013-14 by \$9.3 million related to the completion of a number of large scale grants and contracts in 2012-13 and fewer large contracts and grants ramping up spending in 2013-14. There is a similar impact on research expenses for the year.

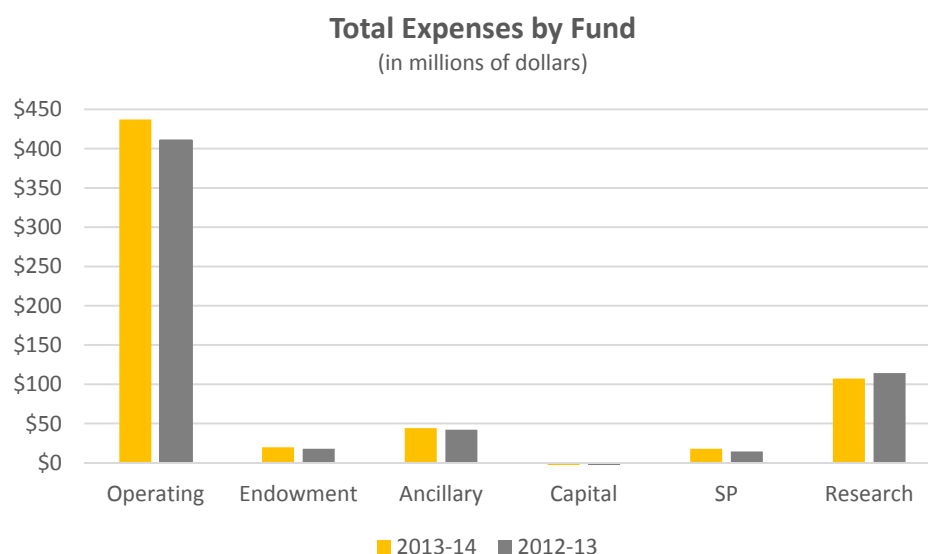


EXPENSES

The University's total expense from all funds in fiscal 2013-14 was \$620.5 million; an increase of 3.4% over the previous year and 23.5% since 2009-10.

Total Expenses - All Sources (in millions)	09-10	10-11	11-12	12-13	13-14
Expenses					
Salaries and employee benefits	\$ 290.8	\$ 310.6	\$ 318.5	\$ 342.3	\$ 362.2
Pension expense adjustment	15.6	5.4	1.0	12.6	5.9
Library, lab, & teaching supplies	16.3	15.8	16.3	18.1	18.3
Equipment and service and amortization	32.7	41.8	47.4	47.8	47.0
Utilities and taxes	15.3	14.8	13.4	16.7	20.2
Scholarships, bursaries and prizes	39.9	44.9	45.4	48.3	49.4
Ancillary cost of sales and service	10.7	10.2	10.2	11.1	9.6
General	81.3	92.0	90.2	103.2	107.9
Total expenses	\$ 502.6	\$ 535.5	\$ 542.4	\$ 600.1	\$ 620.5

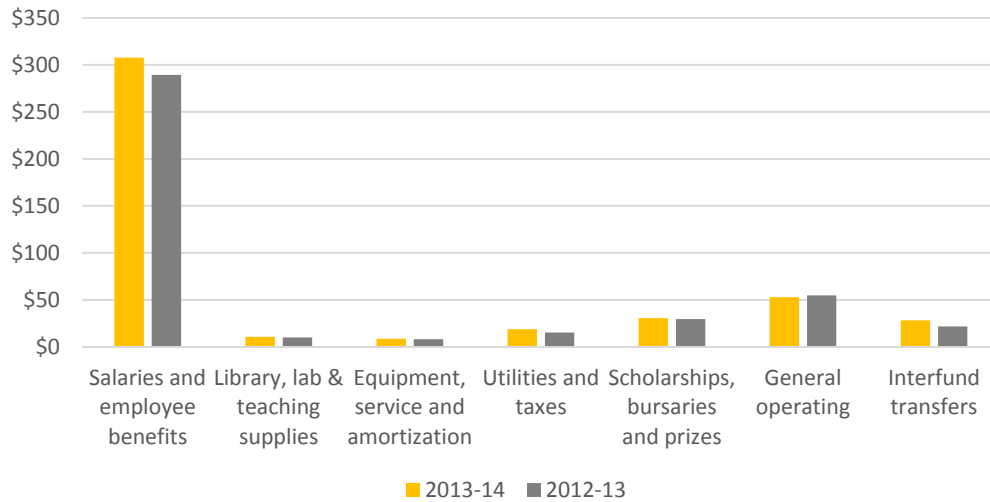
The following chart breaks down total University expenses by fund:



Operating & Endowment Expense

Operating and Endowment expenses increased to \$456.9 million from \$428.3 million in the previous fiscal year, an increase of \$28.7 (6.7%). Approximately half of this increase is attributable to a full year of activity related to the Agricultural Campus (only seven months of operation in 2012-13) as the universities merged on September 1, 2012.

Operating & Endowment Expenses
(in millions of dollars)

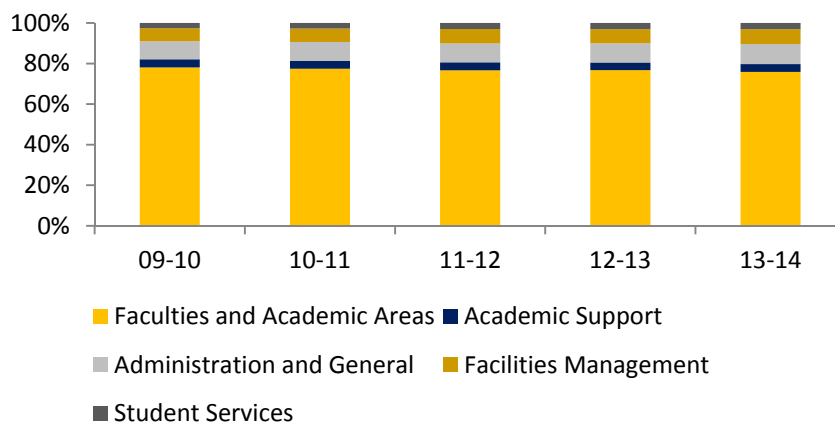


Compensation

Compensation is comprised of salaries, wages, benefits and pension contributions. Compensation costs have increased \$18.4 million year over year. Approximately half of the increase relates to the full year of operation of the Agricultural Campus. The balance of the increase relates to increased pension costs as required by the March 31, 2013 pension valuation and compensation adjustments made in accordance with employee agreements.

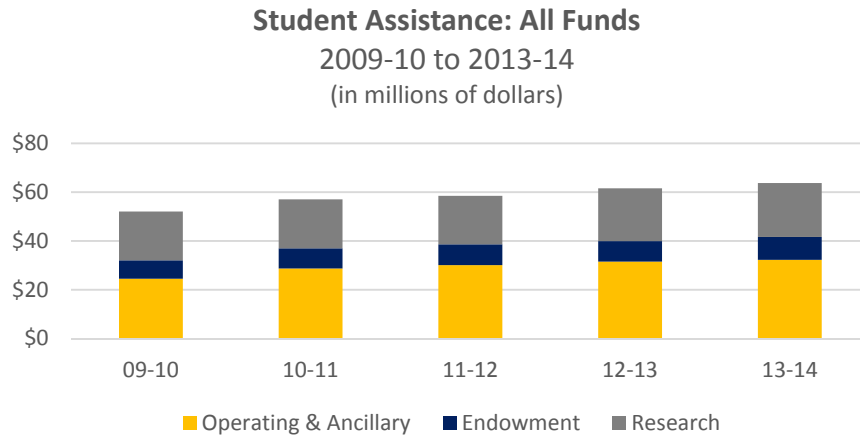
Salary and benefits of faculty and staff is the largest expense of the University. Compensation costs are distributed across both Faculty and support units. The following graph illustrates compensation costs by function over the last 5 years. Of the total compensation costs, approximately 80% has been supported by the budgets of Faculties and other academic units over the 5 year period.

Distribution of Compensation Costs by Function
2009-10 to 2013-14



Student Assistance

Student assistance includes student employment, undergraduate and graduate scholarships, fellowships, and undergraduate and graduate bursaries. In 2013-14 support for students from Operating and Endowment funds increased by \$1.7 million to \$41.6 million. Research grants also provide significant financial support particularly for Graduate students. In 2013-14 total student support from all funds was \$63.8 million.



Endowment Supported Expenses

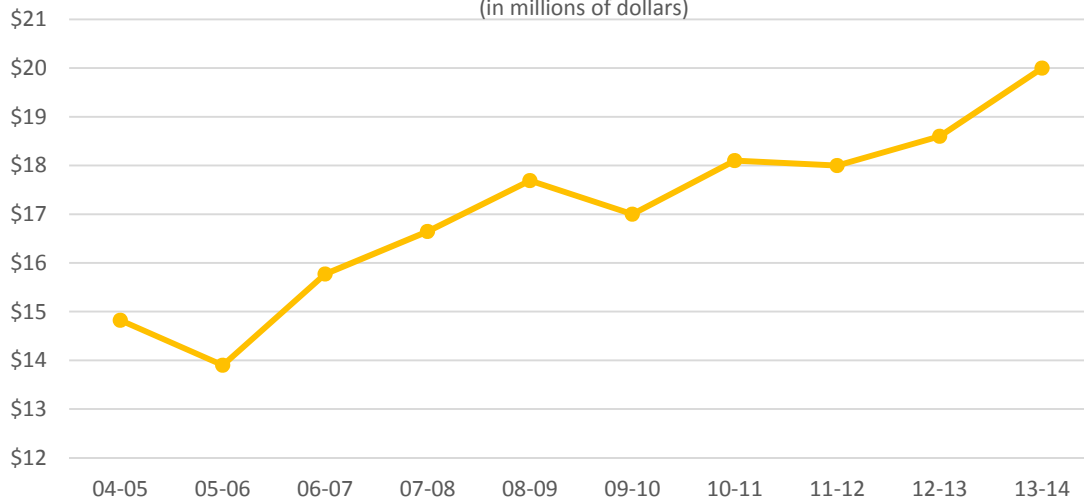
The University’s Endowment Management Policy includes three key objectives:

- To balance present spending needs with expected future requirements;
- To protect the purchasing power of the capital base while achieving stability in year-to-year spending; and
- To attain real increases in spending through capital appreciation from new gifts, capital investment gains, and the capitalization of income.

The University’s endowment spending policy allows for annual spending increases at the rate of CPI as long as the resulting spending rate remains within a band of 3.75% to 5.0% of the endowment’s market value. The objectives of this approach are to provide stable year-to-year spending allocations that maintain purchasing power over time.

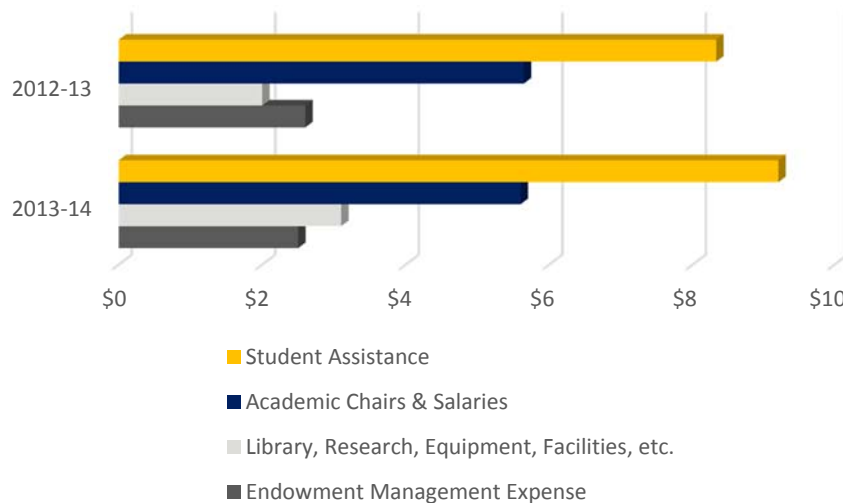
The following graph provides a history of total expenses supported by the University’s 1300 endowments. Annual endowment expenses have continued to trend higher year on year, providing an important source of funding for student bursaries and scholarships, research, library materials and services and academic chairs and salaries.

Endowment Expenses
 2004-05 to 2013-14
 (in millions of dollars)



Endowment income funded program spending allocations and expenses totalling \$20 million in 2013-14, an increase of \$1.4 million (7.5%). Approximately half of the increase relates to increased scholarships provided to students in 2013-14.

Endowment Spending
 (in millions of dollars)



Infrastructure

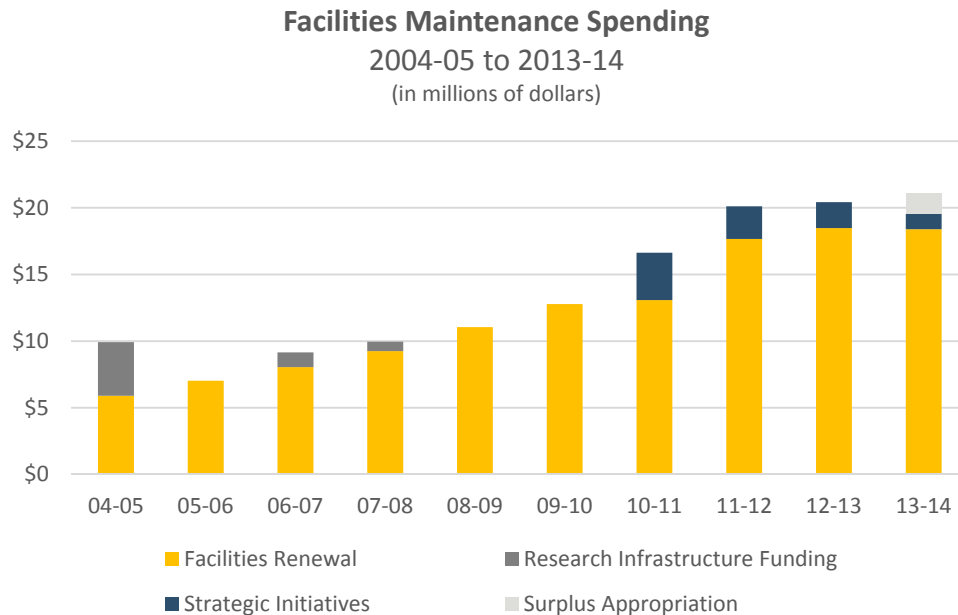
The University’s physical infrastructure, which supports its mission, requires the management of 146 buildings across three campuses in Halifax and one in Truro. The buildings, grounds and infrastructure of the University require a substantial annual investment to ensure these facilities are safe, and efficiently utilized to meet the current and future population of students, faculty and staff.

Dalhousie University

Financial Overview

As of March 31, 2014

The Facilities Condition Index (FCI) is a measure used to determine the condition of our facilities. The index measures the estimated deferred maintenance backlog as a percentage of total replacement value. According to the FCI (2012) 22% of the University's infrastructure is in poor condition. Maintenance spending is also influenced by age of facilities; 76% of the University's space is older than 25 years. The University has increased the commitment to infrastructure spending over the last decade so that \$17.3 million is now invested in facilities renewal projects annually.



In 2013-14 funding for facilities maintenance included the facilities renewal annual budget, strategic initiatives projects, and the 2012-13 operating surplus which was appropriated for priority facilities projects. Total spending in 2013-14 was \$21.1 million dollars, an increase of 3.5% over 2012-13.

This total includes spending on the Agricultural Campus facilities of \$2.6 million. This includes projects funded by a special grant from the Department of Agriculture for priority projects of \$0.5 million. An additional \$3.2 million will be spent in 2014-15 to complete these projects.

In 2013-14 a few of the more significant capital projects funded by Facilities Renewal included exterior work on Howe Hall and Dunn Buildings, and heating and ventilation projects in the Computer Science building and C building on Sexton Campus

CAPITAL PROJECTS tuition financial services
studley FACULTY stewardship EDUCATION

DALHOUSIE net assets 1918
UNIVERSITY RELIABILITY
enrolment revenue

2013-14 Operating Budget Results

HALIFAX FACILITIES RENEWAL
scholarships graduates community

EXPENDITURES RELIABILITY sexton
amortization TRURO undergraduates

RESEARCH GRANTS AND CONTRACTS
budget HALIFAX 1918 ancillaries
enrolment ENDOWMENT PRINCIPAL

EDUCATION revenue employees
net assets FACULTY graduates
tuition scholarships

financial services actual 1300 ENDOWMENTS
TOTAL ENROLMENT 18440 financial performance

TEACHING+RESEARCH+SERVICE

CAPITAL PROJECTS stewardship
RELIABILITY community amortization

studley FACILITIES RENEWAL TRURO

INTRODUCTION

In June 2013 the Board of Governors approved the 2013-14 Operating Budget for the University. The budget included operating revenues and expenditures of \$372 million. This report provides detailed financial information on the actual results for 2013-14 compared with the approved University operating budget. The University accounts for the revenues of the Agricultural Campus in support of the operations, programs and activities of the campus separately and therefore, in addition to a consolidated report on the operations of the overall University, this report includes reports for both the operations of the Halifax campuses and for the Agricultural Campus in Truro.

I – CONSOLIDATED OPERATING RESULTS

The schedule on page 11 presents a summary of the consolidated budget and actual results for 2013-14. The summary shows the Final Consolidated Budget for the 2013-14 fiscal year. The Final Budget reflects compensation adjustments and strategic initiatives allocations made to Faculties/units in the Responsibility Centre category. In 2013-14 the final revenue and expenditure budget has been restated to reflect a change in reporting for grant revenues and expenditures supporting Nursing and Medicine programs. During the expansion phase, revenues flowed directly to the Faculties of Medicine and Health Professions to support teaching costs in these Faculties. In order to consolidate the reporting of all major grants which support University operations, the provincial operating grant revenue budget has been restated to include these grant revenues and the expenditure budgets for the Faculties of Medicine and Health Professions have been increased accordingly. Total revenues and expenditures in the final budget are \$378 million.

The schedules and commentary in Section II and III on pages 12 through 23 provide separate reporting for the Halifax and Truro Campuses and further detail on the results of Faculties and other service units.

	Final Budget	Actual	Variance Fav (Unfav)
REVENUE			
Provincial Government Grants			
Operating - Department of Education	166,881	166,868	(13)
- Agriculture	19,171	19,162	(9)
Department of Agriculture Transition Grant	970	970	-
Nova Scotia Bursary Program Grant	10,170	10,083	(87)
Department of Agriculture Bursaries	184	155	(29)
Program Specific Grants	9,125	9,125	-
Facilities/Space/Targeted	1,050	1,050	-
	<u>207,551</u>	<u>207,413</u>	<u>(138)</u>
Federal Indirect Costs of Research Grant	6,398	6,433	35
Investment			
Endowment	21,480	19,729	(1,751)
Operating (net of bank & finance charges)	2,450	2,909	459
Tuition Fees	131,319	133,998	2,679
Facilities Renewal Fee	2,883	2,912	29
Use of Reserve Funds - Halifax	6,000	2,530	(3,470)
- Truro	-	268	268
	<u>378,081</u>	<u>376,192</u>	<u>(1,889)</u>
GENERAL OPERATING EXPENDITURES			
Non-Space Equipment	2,614	2,614	-
Scholarships, Bursaries and Student Assistance			
Operating	10,341	10,473	(132)
Nova Scotia Bursary Program	10,170	10,083	87
Endowment	5,879	5,912	(33)
Department of Agriculture	184	155	29
Campus Renewal- Annual Facilities Maintenance	17,299	17,336	(37)
- Long term	7,573	7,573	-
Strategic Initiatives - Projects	1,347	1,347	-
Energy, Water, Taxes and Insurance (net of recoveries)	19,532	20,122	(590)
Endowment Management Expenses	3,026	2,532	494
Contingency	1,900	1,871	29
	<u>79,865</u>	<u>80,018</u>	<u>(153)</u>
RESPONSIBILITY CENTRE EXPENDITURES			
Academic	225,067	223,324	1,743
Academic Support	13,155	13,081	74
Administration	30,120	29,902	218
General	1,735	1,629	106
Facilities Management	20,034	20,247	(213)
Student Services	7,188	7,113	75
Transition Expenditures	970	1,015	(45)
Provision for Compensation (including pension)	212	-	212
	<u>298,481</u>	<u>296,310</u>	<u>2,171</u>
TOTAL RESPONSIBILITY CENTRE EXPENDITURES	<u>298,481</u>	<u>296,310</u>	<u>2,171</u>
TOTAL OPERATING EXPENDITURES	<u>378,346</u>	<u>376,328</u>	<u>2,017</u>
NET ANCILLARY EXPENDITURES	<u>(265)</u>	<u>(136)</u>	<u>(129)</u>
TOTAL EXPENDITURES	<u>378,081</u>	<u>376,192</u>	<u>1,889</u>
TOTAL SURPLUS FOR THE YEAR	<u>-</u>	<u>-</u>	<u>-</u>

II – ACTUAL RESULTS COMPARED TO BUDGET: HALIFAX CAMPUS

The Halifax campuses achieved a balance of revenues and expenditures for the year through the use of reserve funds of \$2.5 million. The use of reserve funds was reduced from the original budget amount of \$6.0 million due to positive experience in a number of areas. Tuition and operating interest revenue were higher than the budgeted amounts by \$2.8 million and \$459,000 respectively and the amount required to supplement endowments was lower by \$415,000. Commentary on significant tuition and other revenue and expenditure variances is provided as follows:

1. Provincial Government Grant- Nova Scotia Bursary Program

In 2013-14 the provincial bursary program provided support of \$1,283 to each Nova Scotia student attending a Nova Scotia university (\$261 for other Canadian students). This program is fully supported by grant funding from the Province of Nova Scotia and therefore the grant amount shown in the revenue section exactly offsets bursary expenditures shown in the general operating expenditures section. There were fewer Nova Scotia students enrolled in 2013-14 and as a result there are offsetting variances of \$102,000 on these two lines.

2. Investment Income – Endowment and Related Expenditure Lines

Endowment income is recognized each year in an amount sufficient to meet expenditures from individual endowments and hence there is no impact on the bottom line. The annual revenue and expenditure for each of more than 1,300 individual endowments will vary from budget and unspent amounts are carried forward for use in a subsequent year or re-invested with the capital. The following table summarizes expenditures by Responsibility Centre and the offsetting variance in Endowment income.

The supplement required the operating budget to support endowment was reduced as market values have improved. The underspending in the academic area is related primarily to unfilled academic chairs including a number where searches were in progress. Prior year unspent endowment funds were used to support additional scholarships in 2013-14. Endowment Management Expense will vary from year to year and is driven by investment performance and other factors.

2013-14 Summary of Endowment Revenue and Expenditures				
('000's of dollars)				
	2013-14			2012-13
	Budget	Actual	Variance	Actual
Endowment Revenue	21,306	19,622	1,684	17,840
Operating Supplement to Endowment	700	285	415	614
	22,006	19,907	2,099	18,454
Endowment Expenditures:				
Student Assistance	5,731	5,835	(104)	5,173
Endowment Management Expense	3,000	2,502	498	2,619
Academic	12,894	11,218	1,676	10,283
Academic Support	19	27	(8)	-
Student Services	115	75	40	104
University Housing	247	250	(3)	275
	22,006	19,907	2,099	18,454

3. Investment Income - Operating

The University's short term investment program has benefitted from higher than projected cash balances throughout the year relating to cash flows on capital projects and improved returns on short term investments.

4. Tuition Fees

The \$2.78 million favourable variance in tuition revenue reflects enrolment increases. The increase was attributable to international student enrolment as there were 230 more international students compared with the previous year while fewer domestic students were enrolled.

5. Scholarships, Bursaries and Student Assistance- Operating Supported

Undergraduate student bursaries and scholarships exceeded the budget for the year. 2013-14 was the first year phase-in of implementation of changes to the Undergraduate Student Assistance program as a result of the review of the program in 2012. Program changes are intended to take a more strategic approach aligning with enrolment priorities and enabling the management of resources available within the budget.

6. Energy, Water, Taxes and Insurance

Moderately higher heating and electricity costs contributed to the shortfall of \$243,000 on this budget line.

7. Responsibility Centre and Ancillary Expenditures

The budgets for various units within the Responsibility Centre Expenditure section include endowment expenditures which vary from the amount available for spending in any given year as described in note 2 above.

- a) **Academic** – No variances are reported in any of the Faculties and major academic units as budget savings/overruns are carried forward in accordance with University policy. Aside from the endowment line there are two other variances in the Academic area. There is a \$102,000 favourable variance from Kings due to higher than budgeted transfers under the agreement providing teaching services to Kings. The unfavourable variance of \$35,000 on the Centres, Institutes and Special projects line relates to funds which have been carried forward for research infrastructure projects directly offsetting the increased federal indirect costs of research grant revenue in the revenue section.
- b) **Administration** – The major item resulting in the overall favourable variance in Administration is increased revenue from student applications. There are variances in Financial Services (favourable), and Environmental Health and Safety and the Office of the Registrar and Admissions (unfavourable) relating to staffing and other costs.
- c) **Facilities Management** – Facilities Management results include positive and negative variances in various areas resulting in an overall unfavourable variance of \$155,000.
- d) **Provision for Compensation** – During the year the balance in the Provision for Compensation is distributed to budgets as increased salary, benefit and pension costs are paid out through the budgets of Faculties and Units. A balance of \$212,000 remains on this line as a result of modest savings in the actual versus estimated pension and benefit costs.
- e) **Ancillaries** – The only significant variance in Ancillaries is a negative variance in the Personal Computer Purchase Centre (PCPC) which ceased retail operations in May after struggling with market developments that made the business model unsustainable.

Dalhousie University
Operating Budget Results - Halifax Campus

As at March 31, 2014

(thousands of dollars)

	Approved Budget	Final Budget (1)	Actual	Variance Fav (Unfav)
REVENUE				
Provincial Government Grants				
Operating	160,476	160,476	160,476	-
Nova Scotia Bursary Program Grant	9,540	9,540	9,438	(102)
Program Specific Grants	2,940	9,125 (2)	9,125	-
Facilities/Space/Targeted	1,050	1,050	1,050	-
	174,006	180,191	180,089	(102)
Federal Indirect Costs of Research Grant	6,275	6,275	6,310	35
Investment				
Endowment	21,306	21,306	19,622	(1,684) (3)
Operating (net of bank & finance charges)	2,450	2,450	2,909	459
Tuition Fees	125,951	125,950	128,733	2,783
Facilities Renewal Fee	2,740	2,740	2,773	33
Use of Reserve Funds	6,000	6,000	2,530	(3,470)
TOTAL REVENUE	338,728	344,912	342,966	(1,946)
GENERAL OPERATING EXPENDITURES				
Non-Space Equipment	2,458	2,458	2,458	-
Scholarships, Bursaries and Student Assistance				
Operating	10,054	10,054	10,186	(132)
Nova Scotia Bursary Program	9,540	9,540	9,438	102
Endowment	5,731	5,731	5,835	(104) (3)
Campus Renewal- Annual Facilities Maintenance	15,410	15,409	15,442	(33)
- Long term	7,573	7,573	7,573	-
Strategic Initiatives - Projects	2,038	1,347	1,347	-
Energy, Water, Taxes and Insurance (net of recoveries)	17,146	17,146	17,389	(243)
Endowment Management Expenses	3,000	3,000	2,502	498 (3)
Contingency	1,600	1,600	1,600	-
TOTAL GENERAL OPERATING EXPENDITURES	74,550	73,858	73,770	88
RESPONSIBILITY CENTRE EXPENDITURES				
Academic	192,213	207,598 (2)	205,855	1,743 (3)
Academic Support	10,756	11,367	11,372	(5) (3)
Administration	25,126	26,590	26,463	127
General	1,135	1,183	1,146	37
Facilities Management	16,828	17,954	18,109	(155)
Student Services	5,788	6,011	5,970	41 (3)
Provision for Compensation (including pension)	12,228	212	-	212
TOTAL RESPONSIBILITY CENTRE EXPENDITURES	264,074	270,915	268,914	2,001
TOTAL OPERATING EXPENDITURES	338,624	344,773	342,684	2,089
NET ANCILLARY EXPENDITURES	104	139	282	(143) (3)
TOTAL EXPENDITURES	338,728	344,912	342,966	1,946
TOTAL SURPLUS FOR THE YEAR	-	-	-	-

(1) The final budget includes the distribution of the Provision for Compensation Adjustments and Strategic Initiatives to Faculty and Unit budgets.

(2) The final budget has been restated to reflect grant revenues for program expansions in Nursing and Medicine. The expenditure budgets for the Faculties of Health Professions and Medicine have been increased accordingly.

(3) Actual endowment expenditures and revenue will vary from the amount available for spending in any given year due to various factors. See note 2 on page 12.

Dalhousie University
Operating Budget Results - Detail (Halifax)
As at March 31, 2014

(thousands of dollars)

	Approved Budget (1)	Final Budget	Actual (2)	Variance Fav (Unfav)	Transfer to (from) Appropriation
ACADEMIC					
Architecture and Planning	4,196	4,441	4,441	-	(55)
Arts and Social Sciences	19,045	20,167	20,167	-	(408)
Computer Science	6,121	6,377	6,377	-	270
Dentistry	9,042	9,520	9,520	-	358
Engineering	17,371	18,023	18,023	-	(39)
Graduate Studies	1,783	1,999	1,999	-	99
Health Professions	24,432	28,518	(1) 28,518	-	649
Law	10,252	10,627	10,627	-	506
Management	11,882	12,421	12,421	-	872
Medicine	39,747	44,381	(1) 44,381	-	767
Science	30,977	32,901	32,901	-	145
University Library	13,028	13,465	13,465	-	242
College of Continuing Education	933	1,107	1,107	-	207
College of Sustainability	1,236	1,281	1,281	-	(18)
Centres, Institutes & Special Projects	1,873	1,798	1,798	-	15
Engineering & Computer Science Career Services	600	647	647	-	27
Faculty Related Costs (eg.Travel, Leave Grants, PDA.)	2,345	2,496	2,531	(35)	474
Kings' Transfer	(3,327)	(3,327)	(3,429)	102	-
Academic Initiatives	677	756	756	-	(57)
Endowment Expenditures less than Budget (net)		-	(1,676)	1,676	(1,676)
TOTAL ACADEMIC	192,213	207,598	205,855	1,743	2,378
ACADEMIC SUPPORT					
Art Gallery	149	168	168	-	(9)
Centre for Learning and Teaching	1,166	1,235	1,235	-	116
Information Technology Services	9,596	10,119	10,119	-	30
Printing Centre	(155)	(155)	(158)	3	-
Endowment Expenditures in excess of Budget (net)		-	8	(8)	8
TOTAL ACADEMIC SUPPORT	10,756	11,367	11,372	(5)	145
ADMINISTRATION					
Application Fees and Services Recovery	(1,195)	(1,195)	(1,351)	156	-
Communications & Marketing	2,648	2,739	2,739	-	(220)
Environmental Health and Safety Office	662	684	745	(61)	-
External Relations	5,040	5,238	5,238	-	(322)
Financial Services	4,183	4,368	4,308	60	-
Human Resources	2,810	2,970	2,970	-	45
Institutional Analysis and Research	589	707	707	-	27
Inter-University Services	84	92	92	-	-
President's Office	3,519	3,829	3,829	-	1
Registrar & Admissions	4,646	4,836	4,864	(28)	-
Research Services	1,369	1,526	1,526	-	(38)
University Secretariat/ Internal Audit	771	796	796	-	(53)
TOTAL ADMINISTRATION	25,126	26,590	26,463	127	(560)

(1) The final budget has been restated to reflect grant revenues for program expansions in Nursing and Medicine. The expenditure budgets for the Faculties of Health Professions and Medicine have been increased accordingly.

(2) The actual column includes transfers of variances in accordance with University policy. (see detailed analysis on pages 18 and 19)

Dalhousie University
Operating Budget Results - Halifax Campus

As at March 31, 2014

(thousands of dollars)

	Approved Budget	Final Budget	Actual ⁽¹⁾	Variance Fav (Unfav)	Transfer to (from) Appropriation
GENERAL	1,135	1,183	1,146	37	-
FACILITIES MANAGEMENT	16,828	17,954	18,109	(155)	-
STUDENT SERVICES					
Awards Office & Student Services Centre -Sexton	421	421	421	-	-
Counselling	1,222	1,233	1,233	-	(9)
Student Support Services and Vice President's Office	3,610	3,811	3,811	-	(213)
Student Health	93	94	94	-	(7)
Varsity, Intramurals & Clubs	442	452	452	-	75
Endowment Expenditures less than Budget (net)		-	(45)	45	(45)
TOTAL STUDENT SERVICES	5,788	6,011	5,965	45	(199)
ANCILLARIES					
Dalhousie Arts Centre	324	324	310	14	-
Dalplex and Arena	181	181	181	-	151
Food Services, incl. DalCard	(35)	(35)	(35)	-	(558)
Personal Computer Purchase Centre	-	-	154	(154)	-
Residence Life	1,321	1,367	1,367	-	31
University Bookstore	(283)	(283)	(283)	-	75
University Housing	(1,404)	(1,415)	(1,415)	-	170
Endowment Expenditures in excess of Budget (net)		-	3	(3)	3
TOTAL ANCILLARIES	104	139	282	(143)	(128)

(1) The actual column includes transfers of variances in accordance with University policy. (see detailed analysis on pages 18 and 19)

Dalhousie University
Operating Budget Results - Detailed Analysis of Budget, Actual and Variance (Halifax)
As at March 31, 2014

(thousands of dollars)

	Operating					Endowment					Consolidated
	* Column 1	* Column 2	* Column 3	* Column 4	* Column 5	* Column 6	* Column 7	* Column 8	* Column 9	* Column 10	* Column 11
	Final Budget	Actual before Transfer of Variance	Transfer of Variance ⁽¹⁾	Actual	Year End Variance Fav/(Unfav)	Final Budget	Actual before Transfer of Variance	Transfer of Variance ⁽¹⁾	Actual	Year End Variance Fav/(Unfav)	Operating and Endowment Variance Fav/(Unfav)
ACADEMIC											
Architecture and Planning	4,392	4,427	(35)	4,392	-	49	69	(20)	49	-	-
Arts and Social Sciences	19,122	19,380	(258)	19,122	-	1,045	1,195	(150)	1,045	-	-
Computer Science	6,192	6,042	151	6,192	-	185	66	119	185	-	-
Dentistry	9,375	9,075	300	9,375	-	145	87	58	145	-	-
Engineering	17,311	17,362	(51)	17,311	-	712	700	12	712	-	-
Graduate Studies	1,579	1,641	(62)	1,579	-	420	259	161	420	-	-
Health Professions	27,976	27,376	600	27,976	-	542	493	49	542	-	-
Law	8,802	8,565	237	8,802	-	1,825	1,556	269	1,825	-	-
Management	11,851	11,256	595	11,851	-	570	293	277	570	-	-
Medicine	39,624	39,369	255	39,624	-	4,757	4,245	512	4,757	-	-
Science	30,548	30,701	(153)	30,548	-	2,353	2,055	298	2,353	-	-
University Library	13,263	13,063	200	13,263	-	202	160	42	202	-	-
College of Continuing Education	1,051	881	170	1,051	-	56	19	37	56	-	-
College of Sustainability	1,276	1,294	(18)	1,276	-	5	5	-	5	-	-
Centres, Institutes & Special Projects	1,770	1,767	3	1,770	-	28	16	12	28	-	-
Engineering & Computer Science Career Services	647	620	27	647	-	-	-	-	-	-	-
Faculty Related Costs	2,496	2,057	474	2,531	(35)	-	-	-	-	-	(35)
Kings' Transfer	(3,327)	(3,429)	-	(3,429)	102	-	-	-	-	-	102
Academic Initiatives	756	813	(57)	756	-	-	-	-	-	-	-
Endowment Expenditures less than Budget (net)						-	-	(1,676)	(1,676)	1,676	1,676
TOTAL ACADEMIC	194,704	192,259	2,378	194,637	67	12,894	11,218	-	11,218	1,676	1,743
ACADEMIC SUPPORT											
Art Gallery	150	150	-	150	-	18	27	(9)	18	-	-
Centre for Learning and Teaching	1,234	1,119	115	1,234	-	1	-	1	1	-	-
Information Technology Services	10,119	10,089	30	10,119	-	-	-	-	-	-	-
Printing Centre	(155)	(158)	-	(158)	3	-	-	-	-	-	3
Endowment Expenditures in excess of Budget (net)						-	-	8	8	(8)	(8)
TOTAL ACADEMIC SUPPORT	11,348	11,200	145	11,345	3	19	27	-	27	(8)	(5)
ADMINISTRATION											
Application Fees and Services Recovery	(1,195)	(1,351)	-	(1,351)	156	-	-	-	-	-	156
Communications and Marketing	2,739	2,959	(220)	2,739	-	-	-	-	-	-	-
Environmental Health and Safety Office	684	745	-	745	(61)	-	-	-	-	-	(61)
External Relations	5,238	5,560	(322)	5,238	-	-	-	-	-	-	-
Financial Services	4,368	4,308	-	4,308	60	-	-	-	-	-	60
Human Resources	2,970	2,925	45	2,970	-	-	-	-	-	-	-
Institutional Analysis and Research	707	680	27	707	-	-	-	-	-	-	-
Inter-University Services	92	92	-	92	-	-	-	-	-	-	-
President's Office	3,829	3,828	1	3,828	-	-	-	-	-	-	-
Registrar & Admissions	4,836	4,864	-	4,864	(28)	-	-	-	-	-	(28)
Research Services	1,526	1,564	(38)	1,526	-	-	-	-	-	-	-
University Secretariat/ Internal Audit	796	849	(53)	796	-	-	-	-	-	-	-
TOTAL ADMINISTRATION	26,590	27,023	(560)	26,463	127	-	-	-	-	-	127

(1) This column reflects the transfer of variances to (or from) appropriation or carry forward in accordance with university policy and accounting requirements.

* The information in this report is a consolidation of the Endowment and Operating Expenditure budgets. Columns 1 and 6 above report the Final Budget, Columns 4 and 9 show the Total Actual expenditure and Columns 5 and 10 total column 11 which is the consolidated Variance on this schedule.

Dalhousie University
Operating Budget Results - Detailed Analysis of Budget, Actual and Variance (Halifax)

As at March 31, 2014

(thousands of dollars)

	Operating					Endowment					Consolidated
	* Column 1	* Column 2	* Column 3	* Column 4	* Column 5	* Column 6	* Column 7	* Column 8	* Column 9	* Column 10	* Column 11
	Final Budget	Actual before Transfer of Variance	Transfer of Variance ⁽¹⁾	Actual	Year End Variance Fav/(Unfav)	Final Budget	Actual before Transfer of Variance	Transfer of Variance ⁽¹⁾	Actual	Year End Variance Fav/(Unfav)	Operating and Endowment Variance Fav/(Unfav)
GENERAL	1,183	1,146	-	1,146	37	-	-	-	-	-	37
FACILITIES MANAGEMENT	17,954	18,109	-	18,109	(155)	-	-	-	-	-	(155)
STUDENT SERVICES											
Awards Office	421	421	-	421	-	-	-	-	-	-	-
Counselling	1,233	1,242	(9)	1,233	-	-	-	-	-	-	-
Student Services	3,811	4,024	(213)	3,811	-	-	-	-	-	-	-
Student Health	94	101	(7)	94	-	-	-	-	-	-	-
Varsity, Intramurals & Clubs	337	307	30	337	-	115	70	45	115	-	-
Endowment Expenditures less than Budget (net)	-	-	-	-	-	-	-	(45)	(45)	45	45
TOTAL STUDENT SERVICES	5,896	6,095	(199)	5,896	-	115	70	-	70	45	45
ANCILLARIES											
Dalhousie Arts Centre	324	310	-	310	14	-	-	-	-	-	14
Dalplex and Arena	181	30	151	181	-	-	-	-	-	-	-
Food Services	(35)	523	(558)	(35)	-	-	-	-	-	-	-
Personal Computer Purchase Centre	-	154	-	154	(154)	-	-	-	-	-	(154)
Residence Life	1,367	1,336	31	1,367	-	-	-	-	-	-	-
University Bookstore	(283)	(358)	75	(283)	-	-	-	-	-	-	-
University Housing	(1,662)	(1,835)	173	(1,662)	-	247	250	(3)	247	-	-
Endowment Expenditures in excess of Budget (net)	-	-	-	-	-	-	-	3	3	(3)	(3)
TOTAL ANCILLARIES	(108)	160	(128)	32	(140)	247	250	-	250	(3)	(143)

(1) This column reflects the transfer of variances to (or from) appropriation or carry forward in accordance with university policy and accounting requirements.

* The information in this report is a consolidation of the Endowment and Operating Expenditure budgets. Columns 1 and 6 above report the Final Budget, Columns 4 and 9 show the Total Actual expenditure and Columns 5 and 10 total column 11 which is the consolidated Variance on this schedule.

III – ACTUAL RESULTS COMPARED TO BUDGET: TRURO CAMPUS

The operating budget for the Dalhousie Agricultural Campus (in Truro) is supported by operating grants from the Provincial Departments of Agriculture and Labour and Advanced Education and tuition revenue. The Agriculture grant is provided in accordance with a merger agreement with the Province of Nova Scotia for the three year period, 2012-13, 2013-14 and 2014-15.

The Truro Campus operations ended the year with a shortfall of \$268,000. The shortfall in campus operations has been offset by a reserve carried forward from 2012-13. The reason for the shortfall is the increased cost of furnace oil during the winter heating months when the biomass (woodchip) boiler was temporarily shut down for repairs. Explanations of significant variances in individual revenue and expenditure lines follow:

1. Tuition Revenue

Overall enrolment on the Truro campus increased in 2013-14 by 3.9%. (December 1 registration statistics). However, the increase is the net of increased part-time enrolment and reduced full-time enrolment. International student enrolment was also down marginally. The net impact of these enrolment changes resulted in a \$100,000 negative variance on this budget line.

2. Energy, Water, Taxes & Insurance

The biomass (woodchip) boiler was temporarily shut down for repairs during the heating season. As a result, the campus moved to backup boilers that use furnace oil. The unfavourable variance of \$347,000 is due to the cost of using furnace oil versus biomass.

3. Responsibility Centres

- a) **Academic** – The Faculty of Agriculture is comprised of five departments – Business and Social Sciences, Engineering, Environmental Sciences, Plant and Animal Sciences and the Deans Office/General Faculty. The majority of the \$841,000 favourable variance relates to a number of faculty and staff positions which remained vacant for the year.

Also reporting to the Campus Principal are academic support units closely integrated with the teaching and research functions of the Faculty of Agriculture. These include the Farm Operation, Aquaculture, Grounds, Continuing and Distance Education and International Services. As a group these support services generated a favourable variance of \$170,000 as a result of moderation in spending and improved revenue streams.

- b) **Academic Support, Administration, General, Facilities Management and Student Services** – Units in these responsibility centre categories recorded favourable variances for the year due to positions that remained vacant for a portion of fiscal 2013-14 as the University continues to realign services for the Agricultural Campus. Budget savings in these areas contribute to offset overspending in other areas of the campus. The surplus of \$136,000 in External

Relations has been carried forward to 2014-15 to support future fundraising initiatives for the campus.

- c) **Transition Expenses** – Under the merger agreement one-time funding is provided to Dalhousie to address transitional activities. During the year a number of projects continued in various units for the integration of processes, services and systems involving Information Technology Services, Human Resources and Registrar’s Office. In addition, high priority facilities renewal projects identified prior to the merger will be completed with transition funding in 2014-15. The Daycare operation on the Campus is supported through transition funding of \$70,000 for each of 2012-13, 2013-14 and 2014-15. As in 2012-13 grant and other revenue of the Daycare was insufficient to support operating costs resulting in an unfavourable variance of \$45,000 in 2013-14.
- d) **Ancillaries** – The Campus ancillary units include the Bookstore, Food Services and Student Residence Operations. This group experienced a favourable variance of \$14,000.

Dalhousie University
Operating Budget Results - Truro Campus

As at March 31, 2014

(thousands of dollars)

	Approved Budget	Final Budget	Actual	Variance Fav (Unfav)
REVENUE				
Government Grants				
Operating- Labour & Advanced Education	6,405	6,405	6,392	(13)
Department of Agriculture	19,171	19,171	19,162	(9)
Department of Agriculture Transition Grant	1,000	970	970	-
Nova Scotia Student Bursary Program	630	630	645	15
Department of Agriculture Bursaries	184	184	155	(29)
	<u>27,390</u>	<u>27,360</u>	<u>27,324</u>	<u>(36)</u>
Federal Indirect Costs of Research Grant	123	123	123	-
Investment				
Endowment	174	174	107	(67)
Tuition Fees	5,369	5,369	5,265	(104)
Facilities Renewal Fee	143	143	139	(4)
Use of Reserve Funds			268	268
	<u>33,199</u>	<u>33,169</u>	<u>33,226</u>	<u>57</u>
GENERAL OPERATING EXPENDITURES				
Non-Space Equipment	156	156	156	-
Scholarships, Bursaries and Student Assistance				
Operating	287	287	287	-
Nova Scotia Bursary Program	630	630	645	(15)
Endowment	148	148	77	71
Department of Agriculture	184	184	155	29
Campus Renewal (Annual)	1,890	1,890	1,894	(4)
Energy, Water, Taxes and Insurance (net of recoveries)	2,330	2,386	2,733	(347)
Endowment Management Expenses	26	26	30	(4)
Contingency	300	300	271	29
	<u>5,951</u>	<u>6,007</u>	<u>6,248</u>	<u>(241)</u>
RESPONSIBILITY CENTRE EXPENDITURES				
Academic	16,424	17,469	17,469	-
Academic Support	1,782	1,788	1,709	79
Administration	3,595	3,530	3,439	91
General/Undistributed	1,538	552	483	69
Facilities Management	2,059	2,080	2,138	(58)
Student Services	1,283	1,177	1,143	34
Transition Expenditures	1,000	970	1,015	(45)
	<u>27,681</u>	<u>27,566</u>	<u>27,396</u>	<u>170</u>
TOTAL RESPONSIBILITY CENTRE EXPENDITURES	<u>27,681</u>	<u>27,566</u>	<u>27,396</u>	<u>170</u>
TOTAL OPERATING EXPENDITURES	<u>33,632</u>	<u>33,573</u>	<u>33,644</u>	<u>(71)</u>
NET ANCILLARY EXPENDITURES	<u>(433)</u>	<u>(404)</u>	<u>(418)</u>	<u>14</u>
TOTAL EXPENDITURES	<u>33,199</u>	<u>33,169</u>	<u>33,226</u>	<u>(57)</u>
TOTAL SURPLUS FOR THE YEAR	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

Dalhousie University
Operating Budget Results - Truro Campus
As at March 31, 2014

(thousands of dollars)

	Approved Budget	Final Budget	Actual	Variance Fav (Unfav)	Transfer to (from) Appropriation
<u>ACADEMIC</u>					
Faculty of Agriculture	12,828	13,944	13,944	-	795
Other Academic Units Reporting to the Principal	2,698	2,610	2,610	-	170
Library Services	898	915	915	-	(38)
TOTAL ACADEMIC	16,424	17,469	17,469	-	927
<u>ACADEMIC SUPPORT</u>					
Information Technology Services	1,589	1,587	1,587	-	-
Print Centre	193	201	122	79	-
TOTAL ACADEMIC SUPPORT	1,782	1,788	1,709	79	-
<u>ADMINISTRATION</u>					
Application Fees	(40)	(40)	(43)	3	-
External Relations	730	751	751	-	136
Financial Services	494	549	518	31	-
Human Resources	451	454	454	-	-
Registrar's Office (including Recruitment)	1,009	982	982	-	-
Research Services	461	351	277	74	-
Safety & Security	490	483	500	(17)	-
TOTAL ADMINISTRATION	3,595	3,530	3,439	91	136
<u>GENERAL UNIVERSITY</u>	1,538	552	483	69	-
<u>FACILITIES MANAGEMENT</u>	2,059	2,080	2,138	(58)	-
<u>STUDENT SERVICES</u>					
Athletics	579	580	546	34	-
Student Services	704	597	597	-	(11)
TOTAL STUDENT SERVICES	1,283	1,177	1,143	34	(11)
<u>TRANSITION EXPENDITURES</u>	1,000	970	1,015	(45)	-
<u>ANCILLARIES</u>					
Bookstore	(27)	(24)	33	(57)	-
Food Services	163	176	105	71	-
Residence Operations	(569)	(556)	(556)	-	275
TOTAL ANCILLARIES	(433)	(404)	(418)	14	275

CAPITAL PROJECTS tuition financial services
studley FACULTY stewardship EDUCATION

DALHOUSIE net assets 1918
UNIVERSITY RELIABILITY
enrolment revenue

**2013-14 Audited Consolidated
Financial Statements**

HALIFAX FACILITIES RENEWAL
scholarships graduates community

EXPENDITURES RELIABILITY sexton
amortization TRURO undergraduates

RESEARCH GRANTS AND CONTRACTS
budget HALIFAX 1918 ancillaries
enrolment ENDOWMENT PRINCIPAL

EDUCATION revenue employees
net assets FACULTY graduates
tuition scholarships

financial services actual 1300 ENDOWMENTS
TOTAL ENROLMENT 18440 financial performance

TEACHING+RESEARCH+SERVICE
CAPITAL PROJECTS stewardship

RELIABILITY community amortization
studley FACILITIES RENEWAL TRURO

INDEPENDENT AUDITORS' REPORT

To the Board of Governors of
Dalhousie University

We have audited the accompanying consolidated financial statements of **Dalhousie University**, which comprise the consolidated statements of financial position as at March 31, 2014 and the consolidated statements of revenue, expenses and changes in operating surplus, changes in net assets and cash flows for the year ended March 31, 2014, 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.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits 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 auditors' 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 auditors consider 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 financial position of **Dalhousie University** as at March 31, 2014 and the results of its operations and its cash flows for the year ended March 31, 2014 and in accordance with Canadian accounting standards for not-for-profit organizations.

Ernst & Young LLP

Halifax, Canada,
June 24, 2014.

Chartered accountants



Dalhousie University
Consolidated Statement of Financial Position
As at March 31, 2014

(thousands of dollars)

	2014	2013
ASSETS		
Current assets		
Cash and cash equivalents	\$ 161,327	170,376
Accounts receivable	27,165	42,595
Due from related parties (note 3)	44	219
Inventories	2,105	2,406
Prepaid expense	5,166	4,870
	195,807	220,466
Deferred pension asset (note 4)	12,544	18,446
Due from related parties (note 3)	380	423
Investments (note 5)	608,834	535,067
Capital assets (note 6)	821,624	783,871
	\$ 1,639,189	1,558,273
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued liabilities	\$ 77,788	65,689
Deferred revenue (note 7)	251,296	202,075
Current portion of long-term debt (note 9)	6,534	6,156
	335,618	273,920
Deferred capital contributions (note 8)	218,988	224,272
Long-term debt (note 9)	134,667	140,415
	689,273	638,607
Net assets (note 10)		
Endowment principal	376,424	363,803
Restricted for future pension benefits	12,544	18,446
Restricted funds	97,314	93,731
Equity in capital assets	463,634	443,686
	949,916	919,666
	\$ 1,639,189	1,558,273
Commitments and contingent liabilities (note 11)		

(See accompanying notes to the financial statements)

	2014	2013
Revenue		
Provincial government operating grants	\$ 207,413	203,728
Other government grants and contracts	75,979	87,952
Corporations and foundations	33,806	27,283
Tuition fees	144,808	137,009
Non-credit and other fees	23,299	21,654
General	13,266	11,235
Gifts	6,359	6,364
Investment income	26,147	22,374
Ancillary sales and service	44,193	42,715
External cost recoveries	48,342	45,195
Amortization of deferred capital contributions	14,858	16,773
Total revenue	<u>638,470</u>	<u>622,282</u>
Expense		
Salaries and employee benefits	362,157	342,269
Pension expense adjustment	5,902	12,630
Library acquisitions	5,713	5,771
Laboratory and teaching supplies	12,552	12,282
Equipment and service	13,394	14,917
Finance costs	7,003	6,424
Utilities and taxes	20,244	16,682
Externally contracted services	58,354	54,807
Scholarships, bursaries and prizes	49,367	48,259
Ancillary cost of sales and service	9,561	11,133
Travel	13,935	13,094
Amortization of capital assets	33,613	32,924
General operating	28,738	28,944
Total expense	<u>620,533</u>	<u>600,136</u>
Excess of revenue over expense	17,937	22,146
Use of excess of revenue over expense		
Committed to equity in capital assets	(19,948)	(21,307)
Committed to future pension benefits (note 4)	5,902	12,630
Committed to restricted funds	<u>(3,891)</u>	<u>(13,469)</u>
Net change in operating surplus	-	-
Accumulated operating surplus, beginning of year	-	-
Accumulated operating surplus, end of year	<u>\$ -</u>	<u>-</u>

(See accompanying notes to the financial statements)

Dalhousie University
 Consolidated Statement of Changes in Net Assets
 As at March 31, 2014

(thousands of dollars)

	2014					2013
	Endowment Principal	Restricted For Future Pension Benefits	Restricted Funds	Equity in Capital Assets	Total	Total
Net Assets, Beginning of Year	\$ 363,803	18,446	93,731	443,686	919,666	877,542
Excess of Revenue over Expense (Expense over Revenue)	-	(5,902)	3,891	19,948	17,937	22,146
Gifts of Endowed Principal	12,336	-	-	-	12,336	18,253
Contributed Land	-	-	-	-	-	1,228
Transfers to (from) endowment principal	285	-	(308)	-	(23)	497
Net Change for the Year	<u>12,621</u>	<u>(5,902)</u>	<u>3,583</u>	<u>19,948</u>	<u>30,250</u>	<u>42,124</u>
Net Assets, End of Year (note 10)	<u>\$ 376,424</u>	<u>12,544</u>	<u>97,314</u>	<u>463,634</u>	<u>949,916</u>	<u>919,666</u>

(See accompanying notes to the financial statements)

Dalhousie University
Consolidated Statement of Cash Flows
As at March 31, 2014

(thousands of dollars)

	2014	2013
Cash flows from operating activities:		
Excess of revenue over expense	\$ 17,937	22,146
Items not involving cash:		
Amortization of capital assets	33,613	32,924
Increase in capital assets	-	(72,181)
Amortization of deferred capital contributions	(14,858)	(16,773)
Increase in deferred pension asset	5,902	12,630
Decrease in due from related parties	218	64
Change in current assets	15,435	(12,795)
Change in current liabilities	61,320	61,602
Cash provided by operating activities	<u>119,567</u>	<u>27,617</u>
Cash flows from investing activities		
Purchase of capital assets	(71,366)	(74,892)
Net increase in investments	<u>(73,767)</u>	<u>(64,083)</u>
Cash used in investing activities	<u>(145,133)</u>	<u>(138,975)</u>
Cash flows from financing activities		
Endowment gifts	12,336	18,253
Increase in endowment principal	(23)	497
Deferred capital contributions received	9,574	87,927
Issue of long-term debt	-	40,000
Principal payments on long-term debt	<u>(5,370)</u>	<u>(3,623)</u>
Cash provided by financing activities	<u>16,517</u>	<u>143,054</u>
Net increase (decrease) in cash and cash equivalents	(9,049)	31,696
Cash and cash equivalents, beginning of year	<u>170,376</u>	<u>138,680</u>
Cash and cash equivalents, end of year	<u>\$ 161,327</u>	<u>170,376</u>

(See accompanying notes to the financial statements)

1. Authority and Purpose

Dalhousie University (the “University”) operates under the authority of the Statutes of Nova Scotia 1863, Chapter 24 as amended. It is a Board-governed comprehensive research university offering a full range of undergraduate, graduate, professional, and continuing studies programs. The University is a registered charity and therefore, exempt from the payment of income tax under Section 149 of the Income Tax Act.

2. Significant Accounting Policies

These financial statements have been prepared in accordance with Canadian accounting standards in Part III of the CPA Handbook – Accounting Standards for Not-For-Profit Organizations, which sets out generally accepted accounting principles for not-for-profit enterprises in Canada (“GAAP”) and include the significant accounting policies described hereafter.

a) Use of Estimates:

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the year. Actual results could differ from those estimates. Estimates are reviewed periodically and, as adjustments become necessary, they are reported in earnings in the period which they become known.

b) Basis of Consolidation:

The accompanying financial statements consolidate the accounts of the University and its wholly-owned subsidiary Concepts in Chemistry Inc., which was incorporated on June 22, 2010. The Halifax Marine Research Institute, which was incorporated May 10, 2011 under the Canadian Corporation Act – Part III, is a controlled entity and operates as a tax exempt, not-for-profit organization under the Income Tax Act. The financial statements of the subsidiary and controlled entity are prepared using the same reporting period as the University, using consistent accounting policies. All intercompany balances and transactions have been eliminated on consolidation. The subsidiary and controlled entity together have a nominal effect on the consolidated financial statements.

c) Revenue Recognition:

Revenue that is restricted in its use by an external contributor is deferred and recognized in the period in which the related expenses are incurred.

Grants and donations for the purchase of capital assets are recorded as deferred capital contributions and amortized to revenue over the useful lives of the related assets.

Endowment contributions stipulating that the principal should be retained in perpetuity are recorded as a direct increase in endowment principal. Restricted income from these endowment investments is recognized when the related expense occurs.

Significant Accounting Policies (continued)

Revenue received without restriction includes the operating grant from the Province of Nova Scotia, tuition fees and sales of services and goods. These amounts are reported as revenue at the time the services are provided or the goods are sold provided collection of the related receivable is probable, persuasive evidence of an arrangement exists and the price is fixed or determinable.

d) Appropriations:

The University has approved a policy of permitting certain responsibility centres to carry forward unspent appropriations in one year for expenditure in the following years. For such responsibility centres, the policy provides that expenditures in excess of budget be met from the budget allocation of subsequent years.

e) Cash and Cash Equivalents:

Cash and cash equivalents include amounts on deposit with financial institutions and investments with maturities of less than three months and are considered highly liquid. Cash and cash equivalents are recorded at amortized cost.

f) Inventories:

Inventories are valued at the lower of cost on a weighted average basis and net realizable value.

g) Investments:

Investments reported at fair value consist of equity instruments that are quoted in an active market, as well as any investments in debt or equity securities that the University designated to be measured at fair value. Such designation must be made when the investment is initially recognized. This designation is irrevocable.

The University holds investments in pooled funds, equities, long term bonds and alternatives and records these at fair value. The change in fair value year over year is reflected in revenue and expense or deferred revenue.

Investments in interest-bearing securities with a term exceeding three months and relating to the investment of temporary cash surpluses are measured at amortized cost.

The values of private investments, which comprise private externally managed pooled funds with underlying investments in equities, debt, real estate assets and infrastructure assets, are determined based on the latest valuations provided by the external investment managers of the fund (typically December 31), adjusted for subsequent cash receipts and distributions from the fund, and cash disbursements to the fund through March 31. The University believes that the carrying amount of these financial instruments is a reasonable estimate of fair value. Because private investments are not readily traded, their estimated values are subject to uncertainty and therefore may differ from the value that would have been used had a ready market for such investments existed.

Significant Accounting Policies (continued)

h) Capital Assets:

All capital assets are recorded at cost as acquired, except donated assets that are recorded at fair value at the date of contribution. Betterments that extend the estimated useful life of an asset are capitalized. Amortization is recorded on a straight-line basis over the estimated useful lives of those assets.

The following assets are amortized on a straight-line basis over their estimated useful lives:

Buildings	40 years
Leasehold improvements	Term of lease
Equipment	3 to 10 years
Vehicles	5 years
Library books	10 years
Computing	3 years
Land improvements	20 years

i) Long-lived amortized assets:

Capital assets and intangible assets subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. Impairment is assessed by comparing the carrying value of an asset to be held and used with the total undiscounted cash flows expected from its use and disposition. If the asset is impaired, the impairment loss to be recognized is measured by the amount by which the carrying amount of the asset exceeds its fair value, generally determined on a discounted cash flow basis. Any impairment results in a write down of the asset and a charge to income during the year. An impairment loss is not reversed if the fair value of the related long-lived asset subsequently increases.

j) Pension Plan:

The University maintains a defined benefit pension plan (the "Pension Plan") providing pension benefits for certain employees. The University accounts for the Pension Plan using the deferral and amortization approach. Pension Plan assets are valued at fair market value for purposes of calculating expected return on plan assets. The cost is computed on an accrual basis using the projected unit credit method of estimating the cost of service and management's best estimates of investment performance, salary escalation, and other factors. The University amortizes actuarial gains or losses (such as changes in actuarial assumptions and experience gains and losses) over the expected average remaining service life of 12 years for active employees. Past service costs arising from plan amendments are deferred and amortized on a straight-line basis over the average remaining service life of employees active at the date of amendment. The most recent actuarial valuation of the pension plan for funding purposes was as of March 31, 2013.

Significant Accounting Policies (continued)

k) Contributed Services:

Volunteers contribute a significant amount of time each year. The cost that would otherwise be involved with these contributed services are not recognized in the consolidated financial statements.

l) Related Party Transactions:

The University has loans to related parties whose sole relationship with the University is in the capacity of management. These loans are measured at fair value.

The University measures monetary related party transactions in the normal course of business at the exchange amount, which is the amount of consideration agreed to by the related parties.

m) Derivative Financial Instruments:

Derivative financial instruments are utilized by the University in the management of its interest rates and foreign currency exposure.

Interest rate swaps

The University enters into interest rate swaps to reduce the impact of fluctuating interest rates on its long-term debt. The swap agreements require the periodic exchange of payments without the exchange of the notional principal amount on which the payments are based. The University designates its interest rate swap agreements as hedges of underlying debt.

When both at the inception of a hedging relationship and through the term, the University has reasonable assurance that the critical terms of the hedging item and the hedged item are the same, the University may choose to designate that hedge accounting will be applied. The University then formally documents the hedging relationship. Interest rate swaps in qualifying hedging relationships are not formally recognized until maturity. Interest expense on the debt is adjusted to include the payments made or received under the interest rate swaps. Long-term debt is initially measured at fair value. Subsequently long term debt is measured at amortized cost.

In the event that interest rate swaps are terminated or cease to be effective prior to maturity, any associated realized or unrealized gains or losses would be recognized in the period in which the underlying hedged transaction is recognized. In the event a designated hedged item is sold, extinguished, or matures prior to the termination of the related derivative instrument, any gain or loss on such derivative instrument is recognized in revenue or expenses.

Foreign exchange contracts

The University enters into a combination of forward foreign exchange contracts and option contracts to manage foreign exchange exposures. These contracts are carried at fair value and any resulting gain or loss on the derivative is recorded as revenue, expense or deferred revenue.

Significant Accounting Policies (continued)

n) Long-Term Debt:

Long-term debt is initially measured at fair value. Subsequently long-term debt is measured at amortized cost.

3. Related Party Transactions

The Dalhousie University Club (the "University Club") is incorporated under the Societies Act of Nova Scotia and operates as a not-for-profit organization under the Income Tax Act and is exempt from income tax. The University provides the University Club with financing and a rent-free lease. Included in general operating expense of the University is approximately \$327 (2013 - \$232) related to catering costs charged by the University Club. Included in accounts receivable of the University is \$286 (2013 - \$233) due from the University Club, with no set terms of repayment.

Interest free housing related loans have been advanced to senior employees of the University. The loans are secured and repayable over several years. The transactions are measured at fair value. The difference between exchange and fair value is nominal and therefore no adjustment has been recorded for years ended March 31, 2014 and 2013.

4. Pension Plan

For certain employees, the University has a contributory defined benefit pension plan. Benefits are provided based on the best three years average pensionable earnings. Participating employees normally contribute 4.65% on the first five thousand dollars of earnings and 6.15% on the balance and effective July 1, 2012, employees contribute a further 2% of pensionable earnings. The University makes matching contributions, additional overmatching contributions, and going concern deficit reduction payments to fund the plan. The most recent actuarial valuation of the plan for funding purposes was as of March 31, 2013 and reflected a going concern plan deficit of \$84,069. The next actuarial valuation will be prepared as of March 31, 2014.

For accounting purposes the funded status of the defined benefit plan as at March 31, 2014, in the financial statements is as follows:

Pension Benefit Plan – For Accounting Purposes	2014		2013	
Fair value of plan assets	\$	1,003,819	\$	873,277
Accrued benefit obligation		1,259,387		1,082,392
Funded status: Deficiency		(255,568)		(209,115)
Balance of unamortized amounts		268,112		227,561
Accrued benefit asset	\$	12,544	\$	18,446

The accrued benefit asset for accounting is created by the fact that experience losses are expensed over the average remaining service life of employees, notwithstanding the fact that the pension plan is in a

deficit position. In the normal course of operations, the deficit will be funded by additional contributions in subsequent years.

Percentage of the fair value of plan assets by category	2014	2013
Equities	46.8%	44.1%
Debt securities	33.2%	36.7%
Alternatives	18.7%	18.0%
Other	1.3%	1.2%
Total	100.0%	100.0%

Actuarial assumptions used for accounting purposes	2014	2013
Accrued Benefit Obligation		
Rate of compensation increase	3.59%	3.59%
Discount rate	4.40%	4.00%
Benefit Costs		
Expected long-term rate of return on plan assets	6.22%	5.75%
Rate of compensation increase	3.61%	4.20%
Discount rate	4.00%	4.30%

Pension benefit costs recognized in the year are \$30,605 (2013 - \$35,551). The cash amount of employer contributions to the defined pension benefit plan was \$24,703 (2013 - \$22,921).

5. Investments

	2014	2013
Cash	\$ 1,812	\$ 1,693
Treasury Bills, Notes & GICs	128,194	117,170
Bonds	103,901	109,907
Canadian Equities	84,445	66,124
US Equities	86,575	67,253
Non-North American Equities	89,014	77,318
Alternatives	114,893	95,602
Total	\$ 608,834	\$ 535,067

6. Capital Assets

	2014			2013		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Land	\$ 115,060	\$ --	\$ 115,060	\$ 115,060	\$ --	\$ 115,060
Buildings	633,747	50,840	582,907	575,373	34,918	540,455
Leasehold Improvements	2,154	1,980	174	2,154	1,549	605
Equipment	178,287	118,870	59,417	168,140	107,622	60,518
Vehicles	2,298	1,206	1,092	2,181	933	1,248
Library Books	29,040	22,011	7,029	27,522	20,465	7,057
Computing	11,835	11,384	451	11,319	11,159	160
Land Improvements	7,085	843	6,242	6,765	471	6,294
Construction in Progress	49,252	--	49,252	52,474	--	52,474
Total	\$ 1,028,758	\$ 207,134	\$ 821,624	\$ 960,988	\$ 177,117	\$ 783,871

7. Deferred Revenue

Deferred revenue includes grants, contributions and income received which are unspent at the end of the year and for which the contributor has specified a particular use. Investments for externally restricted endowments include a market value adjustment in deferred revenue. Deferred operating revenues include student fees, residence fees and grant income received in advance of year end for courses relating to the period after March 31.

	2014				2013	
	Operating	Endowed	Special Purpose	Sponsored Research	Total	Total
Balance, Beginning of Year	\$ 25,745	\$ 60,256	\$ 33,613	\$ 82,461	\$202,075	\$ 157,025
Income	29,287	74,755	39,215	71,380	214,637	183,497
Transfers to Principal	-	(2,249)	-	-	(2,249)	(446)
Recognized as Revenue in the						
Current Year	(25,745)	(21,348)	(33,613)	(82,461)	(163,167)	(138,001)
Balance, End of Year	\$ 29,287	\$111,414	\$39,215	\$71,380	\$251,296	\$ 202,075

8. Deferred Capital Contributions

Deferred capital contributions represent the unamortized amount of grants and donations received for the purchase of capital assets. The amortization of deferred capital contributions is recorded as revenue in the year.

	2014	2013
Balance, Beginning of Year	\$ 224,272	\$ 153,118
Contributions received	9,574	87,927
Amortization of contributions	(14,858)	(16,773)
Balance, End of Year	\$ 218,988	\$ 224,272

Tangible contributions in the amount of \$73,409 were recorded in 2013 relating to assets transferred to the University on merger with the Nova Scotia Agricultural College.

9. Long-Term Debt

	Payment Amount	Repayment Frequency	Maturity Date	Interest Rate	2014	2013
Risley Hall	\$ 385	Quarterly	Sep 2014	5.71%	\$ 15,550	\$ 16,140
Residence Renewal	58	Quarterly	Nov 2014	4.96%	1,192	1,365
Residence Renewal	47	Quarterly	Oct 2015	4.69%	1,737	1,846
Student Residences	6	Quarterly	Dec 2015	4.74%	649	865
Life Sciences Centre Renewal	-	At Maturity	Sep 2015	1.50%	10,206	10,206
Kenneth C. Rowe Management Building	236	Quarterly	Mar 2017	5.06%	2,738	3,562
Peter Green Hall	7	Monthly	Dec 2017	5.88%	279	344
Mona Campbell Building	75	Monthly	Nov 2020	4.23%	12,871	13,227
Life Sciences Research Institute	150	Monthly	May 2021	4.22%	21,995	22,850
Steele Ocean Sciences Building	473	Quarterly	Mar 2022	3.23%	30,260	31,156
LeMarchant Street Building	562	Quarterly	Sep 2022	3.30%	36,452	37,492
Central Services Parkade	22	Quarterly	Dec 2023	5.41%	424	467
Howe Hall	136	Quarterly	Jan 2018	5.89%	5,179	5,411
Capital Leases					1,669	1,640
					<u>141,201</u>	<u>146,571</u>
Less: Current Portion					6,534	6,156
					<u>\$ 134,667</u>	<u>\$ 140,415</u>

Principal payments due in each of the next five years on long-term debt are:

2015	\$ 6,534
2016	16,622
2017	6,309
2018	5,117
2019	5,258

The University uses interest rate swaps to manage interest rate risk (see note 12). The interest rates stated above are the fixed rates on the swap agreements related to the underlying property debt.

Long-Term Debt (continued)

Interest of \$128 (2013 – \$89) relating to capital lease obligations has been included in interest expense.

The total amount of assets under capital lease is \$3,910 (2013 – \$3,010), with related accumulated amortization of \$2,068 (2013 – \$1,195)

10. Net Assets

a) Endowment Principal:

Endowment principal consists of restricted donations to the University and funds that have been internally designated. The investment income generated from endowments must be used in accordance with the purposes established by the donor or by the University. However, benefactors, as well as University policy, stipulate that over time the economic value of endowment principal should be protected by limiting the amount of income that may be expended.

The University has established an Endowment Management policy with the following goals:

- To balance present spending needs with expected future requirements.
- To protect the purchasing power of the capital base of endowments while achieving stability in year-to-year spending.
- To attain real increases in spending through capital appreciation from new gifts, capital investment gains and the capitalization of income.

	Endowment Principal March 31, 2013	New Contributions	Transfer to/from Principal	Endowment Principal March 31, 2014
External Restrictions	\$ 353,591	\$ 12,336	\$ (23)	\$ 365,904
Internal Restrictions	10,212	--	308	10,520
Total	\$ 363,803	\$ 12,336	\$ 285	\$ 376,424

b) Restricted for Future Pension Benefits:

The University's operating budget includes the cost of contributions made to the pension plan each year. The total amount recorded for pension expense in the annual financial statements differs from the contributed amount. This difference, which may vary significantly from year to year, results from the requirement to use assumptions and methodologies for accounting that differ from those used for funding purposes. For accounting purposes, the expense was \$5,902 more than contributions made (2013 - \$12,630). The statutory contributions are determined by the actuary in accordance with the Pension Benefit Act of Nova Scotia to permit an appropriate level of funding over the long-term.

c) Restricted Funds:

Restricted funds represent amounts set aside by the University for specific uses such as unspent budget appropriations accumulated by academic and other budget units, operating surpluses from

Net Assets (continued)

prior years, departmental research overhead and development funds and certain fund raising activities.

d) Equity in Capital Assets:

Equity in capital assets represents the unamortized cost of capital assets acquired through the expenditure of unrestricted resources.

	2014	2013
Capital assets	\$ 821,624	\$ 783,871
Less amounts financed by:		
Deferred capital contribution	(218,988)	(224,272)
Long term debt	(141,201)	(146,571)
Financing drawn in advance		25,742
Cash flows, pending repayments by ancillaries or other identified sources	2,199	4,916
Total Equity in Capital Assets	\$ 463,634	\$ 443,686

11. Commitments and Contingent Liabilities

The University has capital projects valued in excess of \$87,000 for a new residence and academic, general purpose and research facilities. The portion of the projects that has been committed but unspent at March 31, 2014 is \$24,600.

Effective April 1, 1988, the University became a member of the "Canadian Universities Reciprocal Insurance Exchange" (CURIE) self-insurance program, and membership was renewed effective January 1, 2013. The University is subject to risk for insurance losses experienced by CURIE members and the University has met all of its obligations under the subscriber's agreement. Each CURIE member is required to participate for a minimum of five years. This long-term period creates an environment for CURIE where financial risk can be spread over time as well as among other subscribers. CURIE retains a surplus for adverse insurance claims experience. At December 31, 2013 the surplus was \$71,331.

As of March 31, 2014 there are a number of claims against the University the amount of which is undeterminable at this time. The University has filed a defense as appropriate to these claims. Management is of the opinion that it is not likely that the claims against the University will be successful and no provision has been made for them in the accounts.

The University has a number of operating lease agreements for office, storage space and equipment. Future minimum lease payments required to meet non-cancelable terms are as follows:

2015	\$ 2,335
2016	1,650
2017	855
2018	128

Certain of the alternative investments contain contractual commitments. At March 31, 2014, there were outstanding future commitments of \$584 CAD in Canadian real estate; \$ 4,650 CAD in private debt; \$19,882 USD and €930 EUR in private equity investments; and \$2,247 USD in infrastructure investments.

12. Financial Instruments

a) Fair Value of Financial Assets and Financial Liabilities:

The carrying values of cash and equivalents, accounts receivable, and accounts payable and accrued liabilities approximate their fair value due to their relatively short terms to maturity.

The carrying value of debt obligations approximate their fair value as the terms and conditions of the borrowing arrangements are comparable to current market terms and conditions for similar items.

The fair value of investments is determined by using published price quotations in an active market or third party valuation at year end and is disclosed in note 5.

b) Foreign Currency Risk:

The University undertakes revenue and purchase transactions in foreign currencies, and therefore is subject to gains and losses due to the fluctuations in foreign currency exchange rates. The University manages its exposure to fluctuations in exchange rates by a combination of forward foreign exchange contracts and option contracts. At year-end, the forward foreign exchange contracts and option contracts covered periods of up to 1 month.

c) Interest Rate Risk Management:

The University uses derivatives to alter interest rate exposures. Interest rate swaps allow the University to raise long-term borrowing at floating rates and effectively swap them into fixed rates that are lower than those available to the University if fixed rate borrowing were made directly. Under the interest rate swaps, the University agrees with the counterparty to exchange, at specific intervals, the difference between fixed-rate and floating-rate interest amounts calculated by reference to the notional amount.

Although the University has no intention of settling these instruments at March 31, 2014, the interest rate swap contracts described in note 9 have a fair value of \$6,587 (2013 - \$13,868) greater than the recorded value.

At March 31, 2014 interest rate swaps outstanding have a notional value of \$129,047 (2013 - \$136,686) and are designated as hedges for accounting purposes, which results in interest expense related to certain long-term debt to be recorded in the financial statements at the hedged rates rather than at the contractual interest rates. The interest rate swap contracts result in the University having a long-term interest rate in the range of 3.23% - 5.86% (2013 - 3.23% - 5.86%) on certain debt obligations.

The University has interest bearing loans on which general interest rate fluctuations apply.

Financial Instruments (continued)

d) Credit Risk:

The University is exposed to credit-related losses in the event of non-performance by counterparties to the financial instruments. The University does not have a significant exposure to any individual customer or counterparty.

13. Pledges

Pledges to the University at March 31, 2014 were \$45,165 (2013 - \$61,274). While these pledges are expected to be honored over the next several years, they have not been recorded as receivable.

14. Fine Artwork Collections

Fine artworks are recorded in the financial statements at nominal value.

15. Comparative Figures

Certain 2013 figures have been reclassified to conform to the 2014 financial statement presentation.

Dalhousie University
Consolidated Schedule of Revenue and Expense
Year Ended March 31, 2014 (With Comparatives Figures for 2013)
(unaudited)

(in Thousands of Dollars)

	Operating 2014	Endowment 2014	Ancillary 2014	Capital 2014	Special Purpose 2014	Research 2014	Total 2014	Total 2013
	(Schedule 2)	(Schedule 3)	(Schedule 4)		(Schedule 5)	(Schedule 5)		
	\$	\$	\$	\$	\$	\$	\$	\$
Revenue								
Provincial government operating grants	207,413	-	-	-	-	-	207,413	203,728
Other government grants and contracts	7,187	-	58	-	457	68,277	75,979	87,952
Corporations and foundations	309	-	-	-	3,035	30,462	33,806	27,283
Tuition fees	144,808	-	-	-	-	-	144,808	137,009
Non-credit and other fees	23,299	-	-	-	-	-	23,299	21,654
General	3,312	-	-	1,308	8,225	421	13,266	11,235
Gifts	52	1,585	-	-	4,392	330	6,359	6,364
Investment	3,655	19,763	-	1,271	1,458	-	26,147	22,374
Ancillary sales and service	-	-	44,193	-	-	-	44,193	42,715
External cost recoveries	43,871	-	-	321	3,342	808	48,342	45,195
Amortization of deferred capital contributions	-	-	-	5,371	906	8,581	14,858	16,773
Total revenue	433,906	21,348	44,251	8,271	21,815	108,879	638,470	622,282
Expense								
Salaries								
Academic	145,963	4,304	-	-	793	12,515	163,575	157,288
Library	3,413	2	-	-	-	-	3,415	3,495
Plant maintenance	13,450	-	224	-	-	-	13,674	12,454
Administrative and support	93,611	644	6,292	-	3,504	25,616	129,667	121,745
Benefits costs	45,690	641	981	-	945	3,569	51,826	47,287
Total salaries and benefits	302,127	5,591	7,497	-	5,242	41,700	362,157	342,269
Library acquisitions	5,469	189	-	-	32	23	5,713	5,771
Laboratory and teaching supplies	4,811	85	-	-	529	7,127	12,552	12,282
Equipment and service	8,432	35	877	-	476	3,574	13,394	14,917
Finance costs	1,014	-	1,786	4,181	21	1	7,003	6,424
Utilities and taxes	18,732	-	1,505	-	-	7	20,244	16,682
Externally contracted services	23,724	2,213	9,725	-	4,144	18,548	58,354	54,807
Scholarships, bursaries and prizes	21,297	9,201	180	-	2,110	16,579	49,367	48,259
Ancillary cost of sales and service	-	-	9,561	-	-	-	9,561	11,133
Travel	5,919	316	82	-	1,174	6,444	13,935	13,094
Amortization of capital assets	-	-	-	33,613	-	-	33,613	32,924
General operating	19,106	525	1,866	-	2,870	4,371	28,738	28,944
Internal / interfund transfers	26,577	1,573	11,028	(49,471)	1,348	8,945	-	-
Total expense	437,208	19,728	44,107	(11,677)	17,946	107,319	614,631	587,506
Change in year before appropriations	(3,302)	1,620	144	19,948	3,869	1,560	23,838	34,776
Change in net assets	3,302	(1,620)	(144)	(19,948)	(3,869)	(1,560)	(23,838)	(34,776)
Surplus before pension expense adjustment	-	-	-	-	-	-	-	-
Pension expense adjustment	(5,902)	-	-	-	-	-	(5,902)	(12,630)
Net assets after pension adjustment	(5,902)	-	-	-	-	-	(5,902)	(12,630)

Schedule 1

Dalhousie University
Consolidated Schedule of Revenue and Expense - Operating
Year Ended March 31, 2014 (With Comparatives Figures for 2013)
(unaudited)

(in Thousands of Dollars)

	Academic		Academic Support		Administration and General		Facilities and Construction Management		Student Services		Institution		Total	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
Revenue	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Provincial government operating grants	-	-	-	-	-	-	-	-	-	-	207,413	203,728	207,413	203,728
Other government grants and contracts	467	526	-	-	-	-	12	22	275	197	6,433	6,263	7,187	7,008
Corporations and foundations	191	126	-	-	-	-	118	28	-	-	-	-	309	154
Tuition fees	10,810	9,755	-	-	-	-	-	-	-	-	133,998	127,254	144,808	137,009
Non-credit and other fees	11,188	10,197	-	-	2,964	2,867	-	-	6,235	5,929	2,912	2,661	23,299	21,654
General	-	-	10	53	870	565	1,378	1,198	1,054	1,202	-	-	3,312	3,018
Gifts	1	8	51	53	-	-	-	-	-	-	-	-	52	61
Investment	-	-	-	-	-	-	-	-	-	-	3,655	3,115	3,655	3,115
Ancillary sales and service	-	-	-	-	-	-	-	-	-	-	-	-	-	-
External cost recoveries	39,237	38,219	1,502	772	1,404	1,216	1,590	1,313	138	107	-	-	43,871	41,627
Amortization of deferred capital contributions	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total revenue	61,894	58,831	1,563	878	5,238	4,648	3,098	2,561	7,702	7,435	354,411	343,021	433,906	417,374
Expense														
Salaries														
Academic	144,403	138,609	-	-	19	16	-	-	1,541	1,491	-	-	145,963	140,116
Library	3,413	3,494	-	-	-	-	-	-	-	-	-	-	3,413	3,494
Plant maintenance	63	49	-	-	-	-	13,387	12,144	-	-	-	-	13,450	12,193
Administrative and support	47,484	44,156	9,792	9,378	25,213	22,669	4,563	4,081	6,559	6,073	-	-	93,611	86,357
Benefits costs	32,675	30,004	1,927	1,752	5,189	4,479	4,549	4,024	1,350	1,244	-	-	45,690	41,503
Total salaries and benefits	228,038	216,312	11,719	11,130	30,421	27,164	22,499	20,249	9,450	8,808	-	-	302,127	283,663
Library acquisitions	5,435	5,397	1	1	29	31	-	-	4	5	-	-	5,469	5,434
Laboratory and teaching supplies	4,809	4,235	-	-	-	-	2	1	-	-	-	-	4,811	4,236
Equipment and service	2,564	2,925	3,425	3,038	480	562	1,580	1,048	383	436	-	-	8,432	8,009
Finance costs	109	96	3	3	86	105	70	72	-	-	746	624	1,014	900
Utilities and taxes	-	-	7	-	-	-	18,725	15,256	-	-	-	-	18,732	15,256
Externally contracted services	8,618	7,621	784	553	2,478	2,371	11,428	13,560	416	479	-	-	23,724	24,584
Scholarships, bursaries and prizes	2,444	2,575	2	1	-	-	-	-	8,768	8,281	10,083	10,345	21,297	21,202
Ancillary cost of sales and service	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Travel	3,615	3,485	150	98	1,277	1,157	54	42	823	791	-	-	5,919	5,573
Amortization of capital assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
General operating	6,045	7,664	442	37	4,940	4,825	3,879	4,228	3,543	3,576	257	310	19,106	20,640
Internal / interfund transfers	11,378	8,556	(1,113)	(392)	(544)	(15)	16,142	10,863	709	723	5	1,120	26,577	20,855
Total expense	273,055	258,866	15,420	14,469	39,167	36,200	74,379	65,319	24,096	23,099	11,091	12,399	437,208	410,352
Change in year before appropriations	(211,161)	(200,035)	(13,857)	(13,591)	(33,929)	(31,552)	(71,281)	(62,758)	(16,394)	(15,664)	343,320	330,622	(3,302)	7,022
(Increase) decrease in appropriations	(3,650)	(3,742)	50	331	384	(222)	3,329	(860)	391	(301)	2,798	(2,228)	3,302	(7,022)
Surplus before pension expense adjustment	(214,811)	(203,777)	(13,807)	(13,260)	(33,545)	(31,774)	(67,952)	(63,618)	(16,003)	(15,965)	346,118	328,394	-	-
Pension expense adjustment	-	-	-	-	-	-	-	-	-	-	5,902	12,630	5,902	12,630
Change in net assets after pension adjustment	(214,811)	(203,777)	(13,807)	(13,260)	(33,545)	(31,774)	(67,952)	(63,618)	(16,003)	(15,965)	340,216	315,764	(5,902)	(12,630)

Schedule 2

Dalhousie University
Consolidated Schedule of Revenue and Expense - Operating and Endowment
Year Ended March 31, 2014 (With Comparative Figures for 2013)
(unaudited)

(in Thousands of Dollars)

	2014			2013		
	Operating	Endowment	Total	Operating	Endowment	Total
Revenue	\$	\$	\$			\$
Provincial government operating grants	207,413	-	207,413	203,728	-	203,728
Other government grants and contracts	7,187	-	7,187	7,008	-	7,008
Corporations and foundations	309	-	309	154	-	154
Tuition fees	144,808	-	144,808	137,009	-	137,009
Non-credit and other fees	23,299	-	23,299	21,654	-	21,654
General	3,312	-	3,312	3,018	-	3,018
Gifts	52	1,585	1,637	61	1,620	1,681
Investment	3,655	19,763	23,418	3,115	17,156	20,271
Ancillary sales and service	-	-	-	-	-	-
External cost recoveries	43,871	-	43,871	41,627	-	41,627
Amortization of deferred capital contributions	-	-	-	-	-	-
Total revenue	433,906	21,348	455,254	417,374	18,776	436,150
Expense						
Salaries						
Academic	145,963	4,304	150,267	140,116	4,450	144,566
Library	3,413	2	3,415	3,494	1	3,495
Plant maintenance	13,450	-	13,450	12,193	-	12,193
Administrative and support	93,611	644	94,255	86,357	556	86,913
Benefits costs	45,690	641	46,331	41,503	638	42,141
Total salaries and benefits	302,127	5,591	307,718	283,663	5,645	289,308
Library acquisitions	5,469	189	5,658	5,434	205	5,639
Laboratory and teaching supplies	4,811	85	4,896	4,236	24	4,260
Equipment and service	8,432	35	8,467	8,009	37	8,046
Finance costs	1,014	-	1,014	900	-	900
Utilities and taxes	18,732	-	18,732	15,256	-	15,256
Externally contracted services	23,724	2,213	25,937	24,584	2,327	26,911
Scholarships, bursaries and prizes	21,297	9,201	30,498	21,202	8,226	29,428
Ancillary cost of sales and service	-	-	-	-	-	-
Travel	5,919	316	6,235	5,573	277	5,850
Amortization of capital assets	-	-	-	-	-	-
General operating	19,106	525	19,631	20,640	339	20,979
Internal / interfund transfers	26,577	1,573	28,150	20,855	829	21,684
Total expense	437,208	19,728	456,936	410,352	17,909	428,261
Change in year before appropriations	(3,302)	1,620	(1,682)	7,022	867	7,889
Change in net assets	3,302	(1,620)	1,682	(7,022)	(867)	(7,889)
Surplus for the year	-	-	-	-	-	-

The combined results of operating and endowment funds are intended to provide a more complete reporting of the sources and uses of resources required for the operation of the University.

Schedule 3

Dalhousie University
Consolidated Schedule of Revenue and Expense - Ancillary
Year Ended March 31, 2014 (With Comparatives Figures for 2013)
(unaudited)

(in Thousands of Dollars)

	Arts Centre		Student * Community Services		Bookstore		Dalplex		Personal Computing Purchase Centre		Food Service		Transfer to Operating		Total	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revenue																
Provincial government operating grants	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other government grants and contracts	58	68	-	-	-	-	-	-	-	-	-	-	-	-	58	68
Corporations and foundations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Tuition fees	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Non-credit and other fees	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
General	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Gifts	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Investment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ancillary sales and service	4,299	2,889	18,556	16,518	7,147	7,597	2,235	2,349	1,248	3,774	10,708	9,588	-	-	44,193	42,715
External cost recoveries	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Amortization of deferred capital contributions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total revenue	4,357	2,957	18,556	16,518	7,147	7,597	2,235	2,349	1,248	3,774	10,708	9,588	-	-	44,251	42,783
Expense																
Salaries																
Academic	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Library	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Plant maintenance	-	-	224	261	-	-	-	-	-	-	-	-	-	-	224	261
Administrative and support	638	607	3,345	2,917	734	688	1,229	1,323	288	326	58	74	-	-	6,292	5,935
Benefits costs	93	85	533	457	146	131	137	154	58	58	14	17	-	-	981	902
Total salaries and benefits	731	692	4,102	3,635	880	819	1,366	1,477	346	384	72	91	-	-	7,497	7,098
Library acquisitions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Laboratory and teaching supplies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Equipment and service	17	8	477	779	52	62	80	144	-	-	251	243	-	-	877	1,236
Finance costs	136	95	1,385	1,460	136	138	39	36	10	19	80	76	-	-	1,786	1,824
Utilities and taxes	80	74	1,216	1,137	13	12	129	120	-	-	67	55	-	-	1,505	1,398
Externally contracted services	22	25	1,043	828	113	79	7	8	-	-	8,540	8,014	-	-	9,725	8,954
Scholarships, bursaries and prizes	-	-	180	118	-	-	-	-	-	-	-	-	-	-	180	118
Ancillary cost of sales and service	3,222	2,068	-	-	5,267	5,416	132	332	940	3,317	-	-	-	-	9,561	11,133
Travel	2	3	51	47	6	6	23	7	-	-	-	-	-	-	82	63
General operating	45	34	1,356	1,415	186	170	199	206	34	31	46	74	-	-	1,866	1,930
Internal / interfund transfers	88	20	8,315	7,232	476	736	109	162	72	72	2,139	458	(171)	(205)	11,028	8,475
Total expense	4,343	3,019	18,125	16,651	7,129	7,438	2,084	2,492	1,402	3,823	11,195	9,011	(171)	(205)	44,107	42,229
Change in year before appropriations	14	(62)	431	(133)	18	159	151	(143)	(154)	(49)	(487)	577	171	205	144	554
Net (increase) decrease in appropriations	-	-	(476)	91	(75)	(114)	(151)	143	-	-	558	(674)	-	-	(144)	(554)
Surplus for the year (shortfall)	14	(62)	(45)	(42)	(57)	45	-	-	(154)	(49)	71	(97)	171	205	-	-

* Student Community Services include Residence Life operations with expenditures of \$1.4 million (\$1.3 million in 2013)

Schedule 4

Dalhousie University
Consolidated Schedule of Revenue and Expense for Restricted Funds
Year Ended March 31, 2014 (With Comparatives Figures for 2013)
(unaudited)

(in Thousands of Dollars)

	Special Purpose		Research	
	2014	2013	2014	2013
Revenue	\$	\$	\$	\$
Provincial government operating grants	-	-	-	-
Other government grants and contracts	457	232	68,277	80,644
Corporations and foundations	3,035	47	30,462	27,082
Tuition fees	-	-	-	-
Non-credit and other fees	-	-	-	-
General	8,225	6,052	421	641
Gifts	4,392	4,377	330	306
Investment	1,458	959	-	-
Ancillary sales and service	-	-	-	-
External cost recoveries	3,342	2,808	808	699
Amortization of deferred capital contributions	906	924	8,581	8,796
Total revenue	21,815	15,399	108,879	118,168
Expense				
Salaries				
Academic	793	573	12,515	12,149
Library	-	-	-	-
Plant maintenance	-	-	-	-
Administrative and support	3,504	3,418	25,616	25,479
Benefits costs	945	750	3,569	3,494
Total salaries and benefits	5,242	4,741	41,700	41,122
Library acquisitions	32	98	23	34
Laboratory and teaching supplies	529	509	7,127	7,513
Equipment and service	476	574	3,574	5,061
Finance costs	21	17	1	1
Utilities and taxes	-	-	7	28
Externally contracted services	4,144	3,224	18,548	15,718
Scholarships, bursaries and prizes	2,110	1,793	16,579	16,920
Ancillary cost of sales and service	-	-	-	-
Travel	1,174	730	6,444	6,451
Amortization of capital assets	-	-	-	-
General operating	2,870	1,317	4,371	4,718
Internal / interfund transfers	1,348	1,389	8,945	16,583
Total expense	17,946	14,392	107,319	114,149
Change in year before appropriations	3,869	1,007	1,560	4,019
Change in net assets	(3,869)	(1,007)	(1,560)	(4,019)
Surplus for the year	-	-	-	-

Schedule 5