

**Dalhousie University**

# **Annual Financial Report**

**March 31, 2019**

**Published June 2019**



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### **Message from the Vice-President Finance and Administration**

Each year at Dalhousie is marked with milestones, ceremonies and celebrations. Some years, though, call for celebrations of a larger scale. Last year, Dalhousie marked 200 years of achievement with more than 80 events and 32,000 participants through the year, reflecting the engagement, planning, collaboration, creativity and commitment of hundreds of individuals and various groups across our campuses.

From the inspiring Belong Forum series to the completion of new spaces like the Sexton Campus IDEA Project, it was a year that did more than look back at 200 years of history — it helped set Dalhousie on a course towards even greater achievement in our third century to come. The 200th Anniversary wrap event served as a launch for another legacy project as well: a 200th time capsule which will be opened in 50 years. We ask, what will Dalhousie look like in 50 years?

The 2018-19 year was also notable for the achievements of our students and faculty. The Indigenous Blacks & Mi'kmaq initiative in the Schulich School of Law celebrated its 200<sup>th</sup> graduate and student athletes captured nine Atlantic University Sport championships. Faculty members swept the 2018 Discovery Awards, Nova Scotia's top awards for science, technology and innovation, and nine Royal Society of Canada honourees were celebrated. Nursing PhD student Martha Paynter and Earth Sciences faculty member Anne-Marie Ryan were recognized for their individual accomplishments as 3M National Student Fellow and 3M Teaching Fellow respectively.

Dalhousie's capacity for research and development provides opportunities for students, researchers, and industry to collaborate and innovate in key economic sectors. The Ocean Frontier Institute is continuing its important work in the field of ocean research and innovation and "Science Unleashed: Research Growing the Economy" (SURGE), commenced operations this year working with nine other sandboxes in Nova Scotia to foster talent development and economic growth in the region. With its state-of-the-art workshops and laboratories, the EMERA IdeaHub will also allow Dalhousie to play a leadership role in Halifax's innovation ecosystem.

In 2018-19 we celebrated the opening of the expanded Dalplex Fitness Centre which provides students with a new a world-class facility that houses upgraded equipment and fitness studios. This spring marked the commencement of the Arts Centre project which is supported by an exciting capital campaign. Community engagement has also begun on the Bicentennial Commons which aims to redesign the outdoor space in the heart of Studley Campus. It was not a year without loss, as a fire on June 20, 2018 caused significant damage to the Cox Institute building in Truro and had a devastating impact to students and researchers. The cleanup is now complete, and we now look forward to reconstruction of the facility beginning in 2019-20.

One way Dalhousie's third century will be much different from the first 200 years relates to digital infrastructure, which is now essential to the living, learning and research environment for all students and faculty. Technology continues to change rapidly and there is growing pressure on both our wired and Wi-Fi networks. Through investment there has been progress to expand capacity and appropriately support this important University asset. Also during 2018-19, upgrades continued to Dalhousie's main administrative systems (Banner) with a view to process improvement.

During 2018-19 the University launched "Talent Pathways" which supports diversity and inclusiveness through employment opportunities for underrepresented groups. The program provides candidates an opportunity to gain valuable working experience while developing skills that may assist in finding further employment.

This year has been one of significant leadership change for Dalhousie. This fall brought the arrival of our new Provost and VP Academic Teri Balser. Teri has jumped into her new role and has commenced a comprehensive planning process, including a listening phase that is now transitioning towards learning circles that will help inform the University strategic priorities and plan.

Richard Florizone, who left Dalhousie in January, provided the University with solid leadership and direction during his five-and-a-half-year tenure as President. The University was fortunate to be joined by Peter MacKinnon, a Dal alum and experienced university leader who has contributed significantly since his arrival in January. We also look forward to the arrival of our new president, Deep Saini, who will help chart our course towards even greater success in our third century ahead.

Dalhousie concluded the 2018-19 year in a strong financial position with a \$6 million surplus that will be invested to address priorities and pressures identified by the community. As we view the university landscape across the country, pressures on University operating budgets are widespread and continue. Growth in tuition and other revenues continue to be essential to sustain, grow and improve upon teaching and learning and research. Through ongoing dialogue with the Province of Nova Scotia and other levels of government we will continue to identify areas where interests align and Dalhousie can continue to develop its important role in the economy and culture of our city, province and our region.

The University is a community leader, a teaching, research and innovation leader, and a hub to bring people together and inspire great things. Our people are crucial achieving this with their talent and creativity. I want to thank our students, faculty, staff, volunteers and loyal supporters who continue to make Dalhousie such a great institution. All members of the Dalhousie community, together with our partners, can work for progress and change our world for the better.



Ian Nason  
Vice-President, Finance & Administration

# Financial Overview

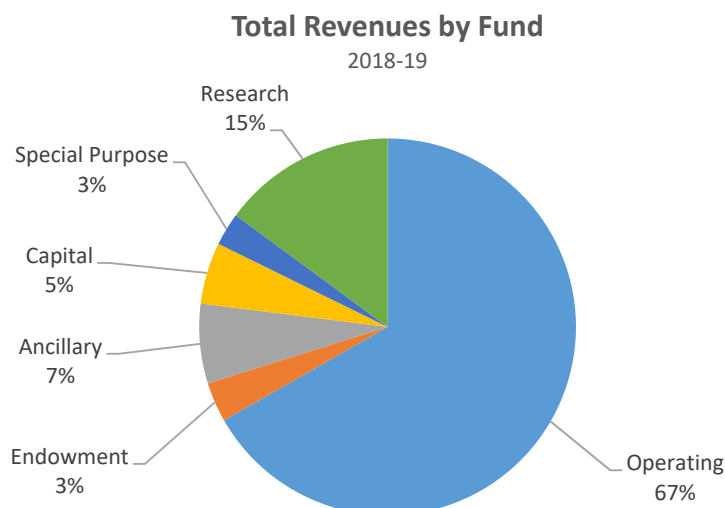
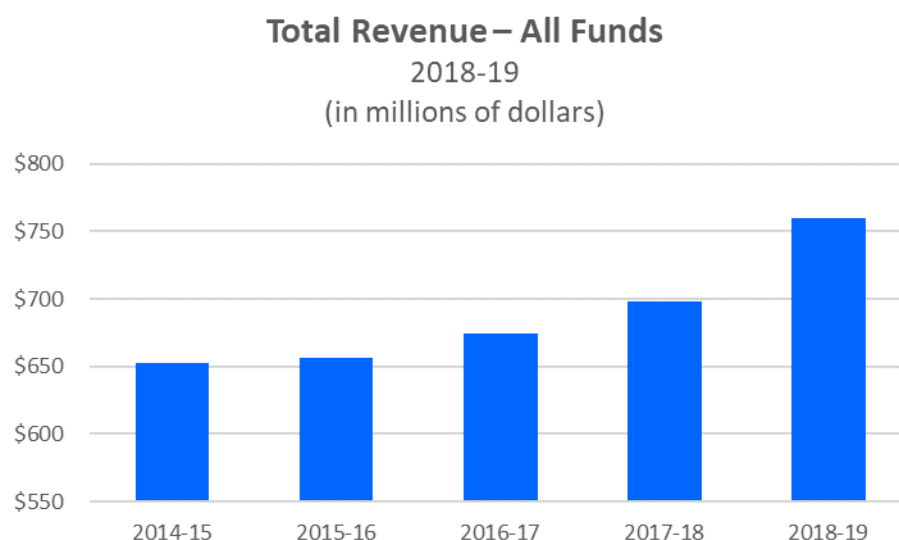


## INTRODUCTION

The University's financial structure is organized using separate Fund categories, which group activities that have similar characteristics to enhance budgetary controls and allow for appropriate accountability and reporting for internal and external stakeholders. This section reviews the revenue and expenditure by fund for the 2018-19 year. Additional information on the University's fund structure is included the **Management notes on the Audited Financial Statements** preceding the audited financial statements.

## REVENUES

Total revenue from all funds for 2018-19 is \$760.2 million; an increase of 8.9% over the prior year. A \$28.9 million recovery for the cost of remediation related to the Cox fire represents almost half of the year over year increase. The following two graphs shows the growth in total revenue across all funds since 2014-15 and a percentage of total revenue by fund:

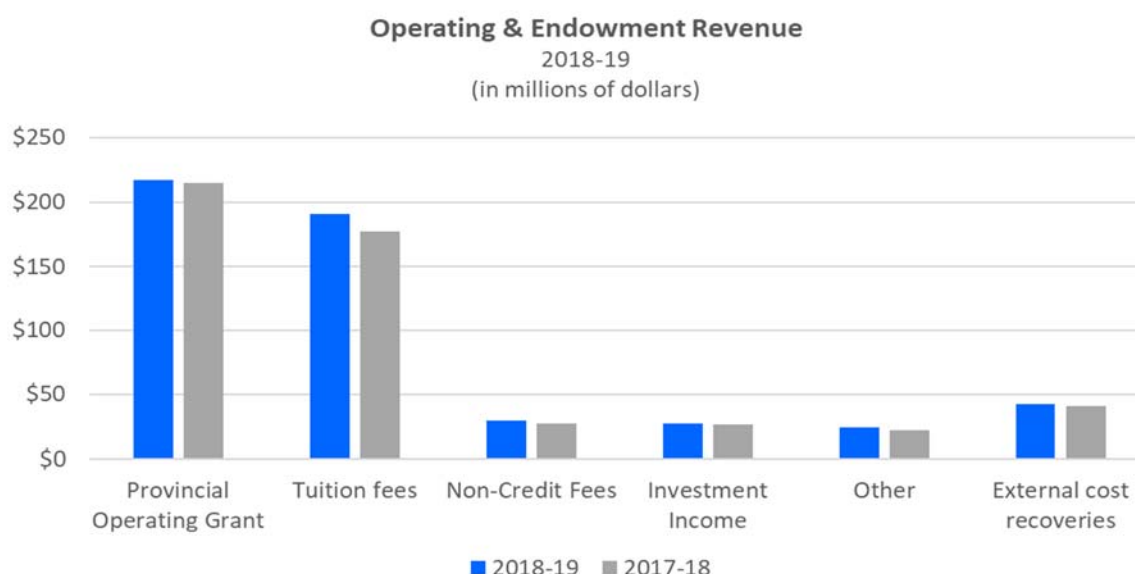


## Operating & Endowment Revenue

Operating and Endowment revenues are used to carry out the day-to-day operations of the University in support of the academic mission. Budgets, allocated to Faculties and major service and support units to carry out their work, are based on Budget Advisory Committee recommendations. The results for the 2018-19 year compared to budget are presented in the Operating Budget Report found on page 9 in this report.

The 2018-19 Operating Budget Report reflects revenues of \$433.3 million for the year. Government grants, tuition revenue, endowment investment income, and other general revenues support operating expenditures. In addition to these centrally managed revenue streams, certain revenues are managed directly through Faculty and service unit budgets providing a further \$100.0 million in support of their operations. These revenues include tuition from cost recovery and continuing education programs, auxiliary fees, farm revenues etc. The University's total operating and endowment revenue reported in fiscal 2018-19 was \$533.3 million; an increase of 4.7% from the previous year.

The graph below provides a breakdown of total Operating & Endowment Revenues for 2018-19 compared to 2017-18.

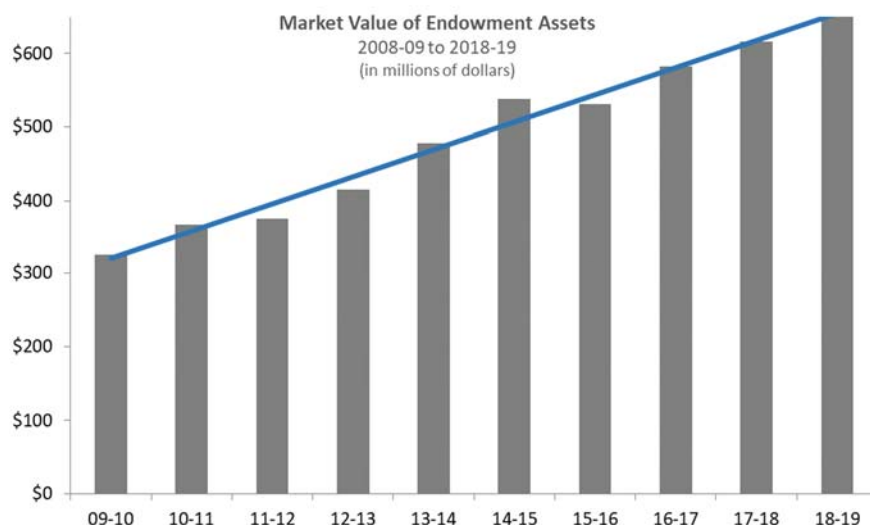


The provincial operating grants are the largest source of revenue for the University (40.7%) and increased by \$2.4 million in 2018-19 primarily from a 1% increase in the provincial operating grant. Tuition revenue is the second largest source of revenue supporting the operating budget at \$190.8 million and represents 35.8% of Dalhousie's operating and endowment revenue. This includes the central tuition revenues of \$175.9 million and revenue from full cost recovery programs received directly by Faculties. Tuition fee revenue increased by \$13.1 million over 2017-18, a result of a 3% tuition increases across all programs and enrolment growth.

Investment income from the 1400+ endowment funds further supplements operations through support for scholarships and bursaries for students, academic chairs and salaries, library materials and services, and other

Faculty program costs. The funds must be spent according to the terms of the individual endowments as established by donors.

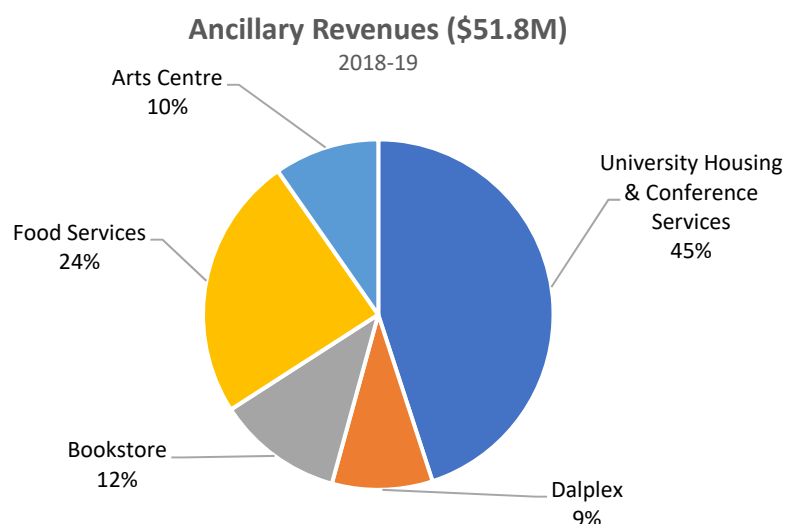
In 2018-19 endowment supported costs of \$25.2 million supplemented the operations of the University. Over time the earnings on endowment principal provide support for the donor specified activities at the University. The market value of the University's endowment assets reached \$649.7 million as of March 31, 2019.



### Ancillary Revenues

The University's ancillary operations include Housing and Conference Services, the Bookstore, Food Services, the Dalhousie Arts Centre and Dalplex. Ancillary operations provide high quality and competitively priced essential support and business services to the Dalhousie community with a view to enhancing the student experience and are segregated from the core functions of teaching and research.

Overall, ancillary unit revenues are expected to cover associated operating and capital costs. Ancillary revenues totaled \$51.8 million in 2018-19, an increase of 13.1% over 2017-18. The increase in Ancillary revenues in 2018-19 was a result of a new student fee to support operating and debt service costs on the new Fitness Centre, improved occupancy in University residences and an increase in conference activity.





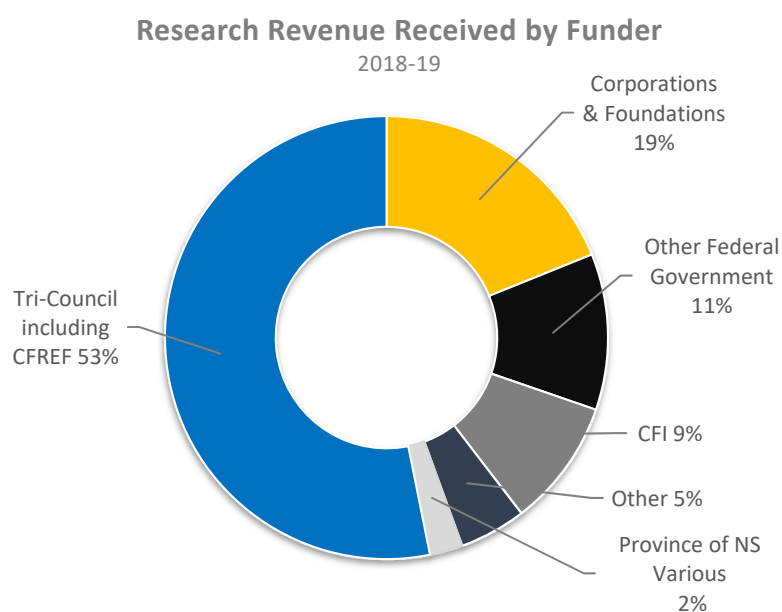
## Research and Special Purpose Revenues

In 2018-19 research and special purpose revenues grew by 1.4% to \$134.8 million. Research and Special Purpose revenue must be used for the purposes specified by the approximately 390 contributors and sponsors and are not used to support general operations of the University.

Researchers are accountable to manage and report to funders and sponsors on approximately 3,000 segregated research grant and contract accounts. The University also manages approximately 1,000 Special Purpose accounts which are established for variety of purposes including Annual Givings, conferences, service and lab activities, and joint initiatives between Dalhousie and contributors.

Research funding is received from a variety of sources with the largest contributions coming from the federal government through the Tri-Council granting agencies (CIHR, NSERC, and SSHRC) to support the work of Faculty researchers.

The chart below reflects the sources of research revenue received during the year.



## EXPENDITURES

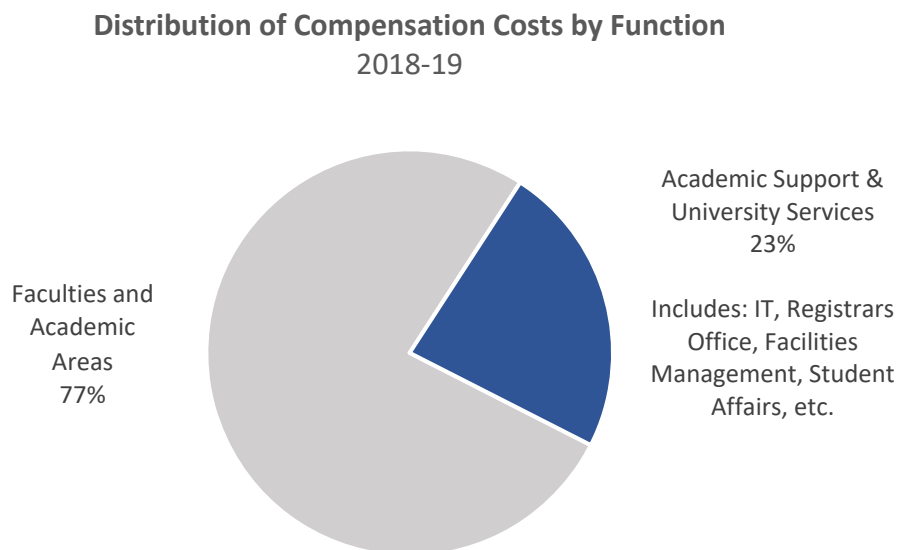
### Operating & Endowment Expenditures

Operating and endowment expenditures increased to \$525.6 million from \$498.0 million in the previous fiscal year, an increase of \$27.6 million (5.6%).

### Compensation

Salary and benefits costs (including pension) represent 66% of Operating & Endowment expenditures at \$345.3 million and increased by 1.4% over 2017-18. Compensation for faculty and staff increased while pension costs were reduced due to a decrease in employer contributions required as a result of the March 31, 2018 actuarial valuation.

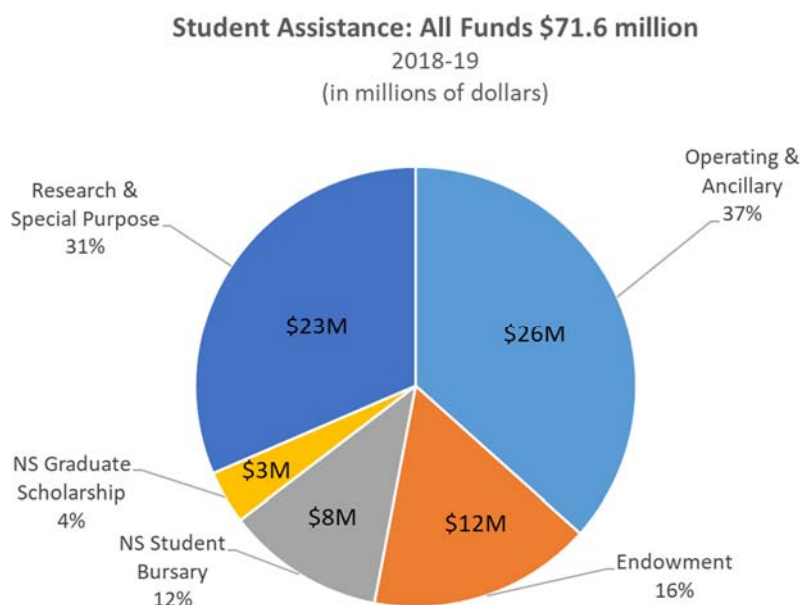
The following graph shows the distribution of compensation costs between Academic and Major Service and Support Units:



### Student Assistance

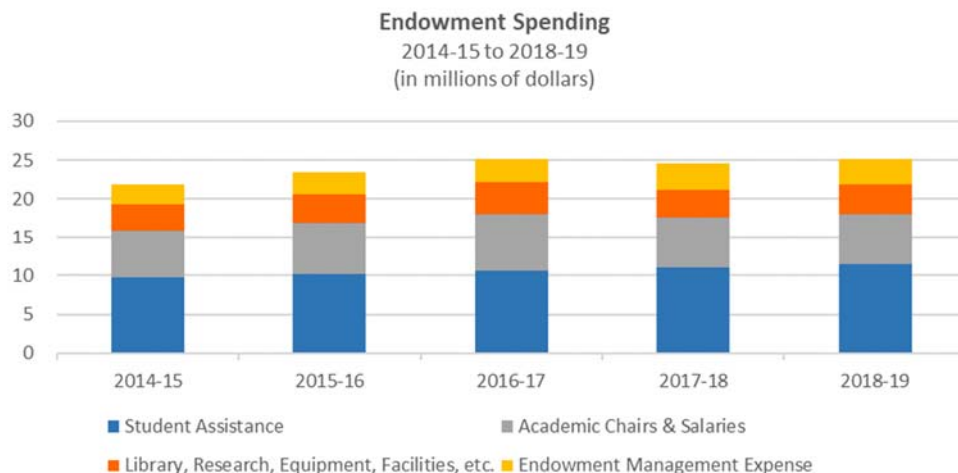
Student assistance includes undergraduate and graduate scholarships and bursaries, fellowships and employment in a range of Faculty and support units. In 2018-19 support for students from Operating and Endowment Funds totaled \$49.1 million. Research grants also provide significant financial support, particularly for graduate students.

Total student support from all funds was \$71.6 million (2017-18 \$67.8 million). The following graph shows the funding sources for student assistance.



### Endowment Supported Expenditures

Dalhousie's 1400+ endowments provide an important source of funding for student bursaries and scholarships, academic chairs and salaries, research, and library materials and services. The graph below shows Endowment Program Spending by spending category. Annually, significant support is provided to students from the endowment funds.

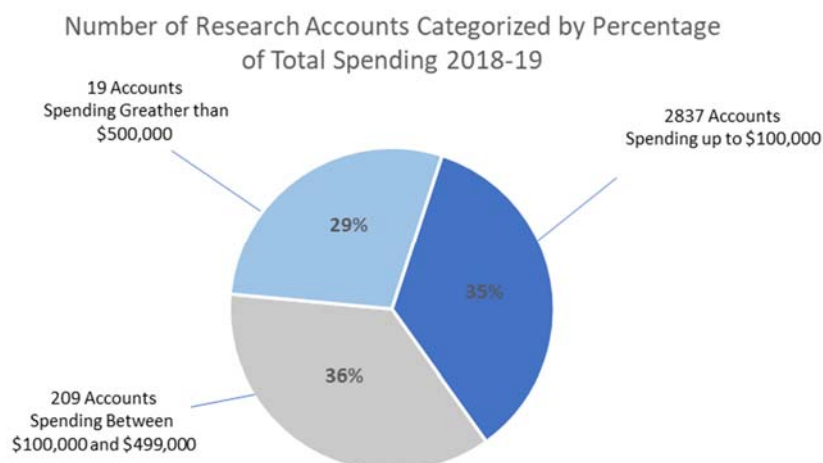


The objectives of the University's Endowment Management Policy are: to balance present spending needs with expected future requirements; to protect the purchasing power of the capital base while achieving stability in year-to-year spending; and to attain real increases in spending through capital appreciation from new gifts, capital investment gains, and the capitalization of income. The Policy allows for annual spending increases at the rate of CPI, as long as the resulting spending rate remains within 3.75% to 5.0% of the endowment's market value.

### Research and Special Purpose Expenditures

As the purpose of research and special purpose revenues are restricted by the funder, revenue is only recorded when the related expenditures occur. In 2018-19 research expenditures and special purpose expenditures totaled \$111.6 million and \$16.6 million respectively.

Expenditures on these accounts varies annually based on the type and level of activity. As reflected in the following chart, 29% of research expenditures are generated by 1% of the accounts (19 accounts).



## **Capital**

The Capital Fund tracks funds received and expended on property, plant and equipment. This includes construction of new buildings, building improvements (Facilities Renewal), and smaller items such as library books and research and lab equipment. The University also sets aside capital reserves to support future costs of large-scale capital upgrades or replacements in the Capital Fund. Notably for 2018-19 the Capital fund also reflects \$28.9 million in expenditures (and the insurance recovery) related to the remediation as a result of the Cox fire on the Truro campus.

\$67.1 million was invested in capital assets in 2018-19 from all funds. Four large capital projects (IDEA Buildings, Agricultural Campus Thermal Plant, Dental Clinic Renewal and the Fitness Centre) were completed in the first half of 2018-19. Other large projects completed in 2018-19 include Tupper Medical Building Retrofit and Steele Ocean Sciences Building Lab Space.

Large capital projects are undertaken based on funding plans as recommended by the Capital Projects and Facilities Committee of the Board. Projects are funded through a combination of donor and government contributions, new revenue streams, cost savings, and support from the Facilities Renewal budget for deferred maintenance items.

## **Facilities Renewal**

The Facilities Renewal allocations as part of the University's Operating budget is an important part of the University's capital program. As at March 31, the University maintains 5.8 million gross square feet of building space across 157 buildings with a replacement value of \$1.5 billion (2016-17). Substantial annual investment is required to maintain these facilities to meet the continued needs of students, faculty and staff.

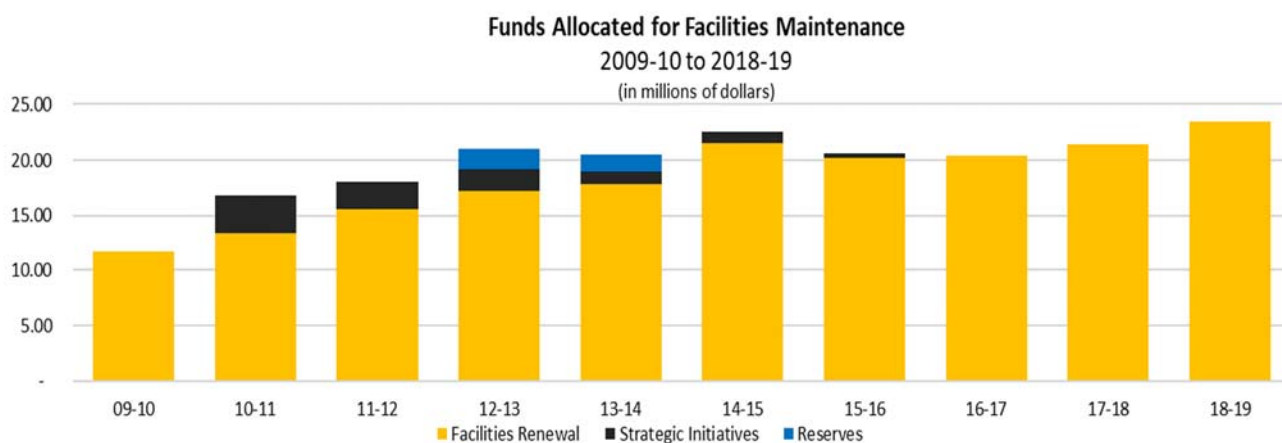
The Facilities Condition Index (FCI), which is a measure of the condition of buildings; indicates that 40% of Dalhousie's buildings are in poor or very poor condition, which is above average compared to other U15 universities. Industry standards suggests that 2% of asset replacement costs should be spent annually to renew facilities (\$30 million).

The annual Facilities Renewal budget of \$22.8 million supports projects on both the Halifax and Agricultural campuses and is reviewed by the Capital Projects and Facilities Committee. Funds are allocated to complete work on all components of building envelope across all campuses. The projects to be completed are prioritized based on life and health safety, academic priority, consider all campuses and there are specific annual allocations for classroom upgrades.

The larger maintenance projects undertaken in 2018-19 included Cox Building window upgrades, Sheriff Hall (Old Eddy) and Henry Hicks Administration Building exterior conservation, various H Building projects, renewal of elevators in Gerrard Hall, and replacement of heat pumps in the Dentistry building and replacement of fume hoods in various labs.

In 2017-18 and 2018-19 the significant contribution from the Federal Government's Strategic Infrastructure Fund supported the renewal of the Sexton campus which will help lower the backlog of deferred maintenance on that campus. The University will continue to seek alternative sources of funding for capital infrastructure.

The following graph shows the funds allocated for facilities maintenance over the last 10 years. Note that Facilities Renewal Funding includes one-time time transition funds from the Province for facilities projects on the Agricultural Campus in 2013-14 to 2015-16. Annual spending will vary somewhat in relation to timing of project completion.



### Sustainability

The University's Sustainability program is accomplished through the leadership of the Office of Sustainability and 100 students and volunteers who are directly engaged in creating or delivering on sustainability projects. The office leverages investment from partners to accomplish goals. It is estimated that \$97 million has been invested (by Dal and partners) in such projects since 2009. The office also engages as part of the project team for large capital projects such as heating plant projects in Truro and Halifax, Tupper energy performance and IDEA project to ensure sustainability policies and goals are incorporated in planning.

Goals, objectives, actions and targets under the University's Operational Sustainability Plan were set in 2010 for the ten-year period to 2020. Considerable progress has been made on a range of indicators including increased diversion of solid, liquid and hazardous waste, reducing utility consumption, reducing greenhouse gases and increasing renewable energy supply. Specific projects in the recent year include planting 178 trees as part of the biomass replacement policy; high efficiency pumps, motors and fan installations, building recommissioning, and steam pipe insulation.

In 2018, Dalhousie released its second three-year sustainability progress report and the University received a Gold rating from the Sustainability Tracking Assessment Rating System (STARS). A second edition of the University's Climate Change Plan will be released in 2019.

# **2018-19 Operating Budget Results**



## INTRODUCTION

The Board of Governors approved the University's 2018-19 balanced operating budget in June of 2018 with revenues and expenditures each of \$428.4 million. This report includes detailed financial information comparing the actual results for the year to the approved budget.

## THE FINAL BUDGET

The summary on page 10 shows the Approved Budget and the Final Budget for the University in 2018-19. The approved budget included a provision for undistributed operating expenditure adjustments. This budget line is distributed to Faculties and service units during the year as compensation increases are applied. These adjustments are reflected in the final budget. The March 31, 2018 Actuarial Valuation (completed in October 2018) determined a saving in the pension contributions funded by the operating budget. This amount has been transferred to the Pension Stabilization Reserve at March 31, 2019. The final budget also reflects base allocations from strategic initiatives made to Faculties/Units in the Responsibility Centre Expenditure category.

## ACTUAL RESULTS

Overall, the University results for 2018-19 produced a net surplus of \$6 million. Tuition revenue exceeded budget by \$6.3 million as a result of increased student enrolment. This is the major contributor to the overall operating surplus for the year. Other significant variances impacting the overall result for the year include a \$475,000 improvement in operating interest revenue, additional expenditures of \$499,000 in student support and utility costs which exceeded budget by \$288,000. These and other variances are discussed later in the report. The schedules that follow the summary provide further detail on results for the individual Faculties and support service units.

The surplus provided the University the opportunity to address some of the pressures identified by Deans, students and other University leaders throughout the year and allows the University to meet other pressing priorities. The surplus funds have been appropriated and will be used on a **one-time** basis to address priorities in the following areas:

	<u>\$M</u>
i) Academic Initiatives and Support – to be determined in consultation with the Provost and Deans	3.0
ii) Classroom upgrades – Priorities to be set by the Classroom Planning Committee	2.0
iii) Provincial Accessibility Act – University priority projects	1.0

Commentary on the significant variances for the year follows the summary and detailed schedules.

Dalhousie University  
**Operating Budget Results - Summary**  
Year ended March 31, 2019

(thousands of dollars)

	Approved Budget	Final Budget (1)	Actual	Variance Fav (Unfav) (2)
<b>REVENUE</b>				
Provincial Government Grants				
Operating	173,149	173,149	173,149	-
Scholarship and Bursary Program Grants	11,205	11,205	11,112	(93)
Program Specific Grants	31,877	31,877	31,877	-
Facilities/Space	1,000	1,000	1,000	-
	217,231	217,231	217,138	(93)
Federal Research Support Fund Grant	7,339	7,339	7,931	592
Investment		-		
Endowment	27,605	27,605	25,159	(2,446)
Operating (net of bank & finance charges)	3,150	3,150	3,625	475
Tuition Fees	169,650	169,650	175,935	6,285
Facilities Renewal Fee	3,433	3,433	3,493	60
<b>TOTAL REVENUE</b>	428,408	428,408	433,281	4,873
<b>GENERAL OPERATING EXPENDITURES</b>				
Scholarships, Bursaries and Student Assistance				
Operating	11,625	11,625	12,124	(499)
Scholarship and Bursary Program	11,205	11,205	11,112	93
Endowment	6,238	6,238	6,204	34
Campus Renewal				
Annual Facilities Maintenance	22,839	22,839	23,491	(652)
Long Term	6,662	6,662	6,662	-
Energy, Water, Taxes and Insurance (net of recoveries)	22,590	22,590	22,878	(288)
Endowment Management Expenses	3,400	3,400	3,510	(110)
Strategic Initiatives Allocation	3,062	1,884	1,884	-
Equipment and Furniture Allocation	2,418	2,418	2,418	-
Contingency	1,900	1,900	1,896	4
Repayment Agricultural Campus Prior Year Shortfall	151	151	151	-
<b>TOTAL GENERAL OPERATING EXPENDITURES</b>	92,090	90,912	92,330	(1,418)
<b>RESPONSIBILITY CENTRE EXPENDITURES</b>				
Academic	248,787	252,818	250,283	2,535
Academic Support	15,380	15,700	15,676	24
Administration	32,691	34,183	34,085	98
General	1,685	1,414	1,378	36
Facilities Management	21,509	21,763	21,814	(51)
Student Affairs	7,601	7,710	7,715	(5)
Undistributed Operating Expenditures Adjustments <sup>(3)</sup>	8,700	3,927	3,945	(18)
<b>TOTAL RESPONSIBILITY CENTRE EXPENDITURES</b>	336,353	337,515	334,896	2,619
<b>TOTAL OPERATING EXPENDITURES</b>	428,443	428,427	427,226	1,201
<b>NET ANCILLARY EXPENDITURES</b>	(35)	(19)	11	(30)
<b>TOTAL EXPENDITURES</b>	428,408	428,408	427,237	1,171
<b>TOTAL SURPLUS FOR THE YEAR <sup>(4)</sup></b>	-	-	6,044	6,044

(1) The final budget includes the distribution of the Undistributed Operating Expenditures and base allocations from Strategic Initiatives.

(2) The variances include differences in actual endowment expenditures and related investment income for the year. See note 2 on page 14.

(3) Undistributed balance relates to savings in employer pension contributions based on the Actuarial Valuation as of March 31, 2018. The amount has been transferred to the Pension Stabilization Reserve resulting in no variance on this line. See note 7c on page 16.

(4) The overall budget surplus has been appropriated and will be used as described on page 9.



Dalhousie University  
**Operating Budget Results - Detail**  
Year ended March 31, 2019

(thousands of dollars)

	Approved Budget	Final Budget <sup>(1)</sup>	Actual <sup>(2)</sup>	Variance Fav (Unfav)
<b>ACADEMIC</b>				
Agriculture	17,287	17,881	17,881	-
Architecture and Planning	4,494	4,637	4,637	-
Arts and Social Sciences	19,625	20,011	20,011	-
Arts and Social Sciences - Special Response Funds	412	412	412	-
Computer Science	8,469	8,621	8,621	-
Dentistry	10,065	10,167	10,167	-
Engineering	21,470	21,603	21,603	-
Graduate Studies	2,374	2,343	2,343	-
Health	30,251	30,568	30,568	-
Law	11,855	11,941	11,941	-
Management	13,712	13,901	13,901	-
Medicine	48,252	49,135	49,135	-
Science	35,213	36,092	36,092	-
University Library	17,053	17,243	17,243	-
College of Continuing Education	1,253	1,247	1,247	-
College of Sustainability	1,133	1,143	1,143	-
Centres, Institutes & Special Projects	3,859	3,840	3,840	-
Cooperative Education Office	777	805	805	-
Faculty Related Costs (eg.Travel, Leave Grants, PDA.)	2,816	2,832	2,832	-
Kings' Transfer	(2,477)	(2,477)	(2,487)	10
Academic Initiatives	894	873	873	-
Transfer to Endowment Carryforward <sup>(4)</sup>	-	-	(2,525)	2,525
<b>TOTAL ACADEMIC</b>	<b>248,787</b>	<b>252,818</b>	<b>250,283</b>	<b>2,535</b>
<b>ACADEMIC SUPPORT</b>				
Art Gallery	227	226	226	-
Centre for Learning and Teaching	1,289	1,387	1,387	-
IT Infrastructure	2,424	2,424	2,424	-
Information Technology Services	11,414	11,642	11,642	-
Printing Centre	26	21	1	20
Transfer to Endowment Carryforward <sup>(4)</sup>	-	-	(4)	4
<b>TOTAL ACADEMIC SUPPORT</b>	<b>15,380</b>	<b>15,700</b>	<b>15,676</b>	<b>24</b>
<b>ADMINISTRATION</b>				
Application Fees and Services Recovery	(1,735)	(1,735)	(1,760)	25
Advancement	6,405	6,795	6,795	-
Communications and Marketing	3,084	3,120	3,120	-
Environmental Health and Safety	1,320	1,349	1,349	-
Financial Services	4,968	5,014	4,996	18
Human Resources	3,589	3,652	3,652	-
Dalhousie Analytics	904	891	887	4
President's Office / Provost Office <sup>(3)</sup>	2,431	2,587	2,586	1
Registrar & Admissions	6,257	6,345	6,345	-
Research Services	2,111	2,547	2,547	-
University Services <sup>(5)</sup>	3,357	3,618	3,568	50
<b>TOTAL ADMINISTRATION</b>	<b>32,691</b>	<b>34,183</b>	<b>34,085</b>	<b>98</b>

(1) The final budget includes the distribution of the Undistributed Operating Expenditures and base allocations from Strategic Initiatives.

(2) The actual column includes transfers of operating and endowment variances in accordance with University policy (see detail in Appendix A)

(3) The budget reflects the reallocation of budgeted portions from the former General University budget for Truro to the President's/Provost's office budget

(4) This line reflects the transfer from (to) Endowment Carryforward for the variances in spending on endowment allocations included in Faculty and Units actual results for the year. (See Appendix A for breakdown by Faculty / Unit). The total variance in endowment expenditures is directly offset by a variance in the amount of investment income recognized for the year compared to budget (see note 2 on page 14)

(5) The University Services budget line includes Human Rights and Equity Services (\$665), Legal Services (\$870), Government Relations Office (\$432), International Relations Office (\$398), University Secretariat (\$834), Interuniversity Services (\$103) and the Internal Audit Office (\$316).

Dalhousie University  
**Operating Budget Results - Detail**  
Year ended March 31, 2019

(thousands of dollars)

	Approved Budget	Final Budget <sup>(1)</sup>	Actual <sup>(2)</sup>	Variance Fav (Unfav)
<b>GENERAL</b>	1,685	1,414 <sup>(3)</sup>	1,378	36
<b>FACILITIES MANAGEMENT</b>	21,509	21,763	21,814	(51)
<b>STUDENT AFFAIRS</b>				
Awards Office & Student Services Centre -Sexton	431	291	291	-
Student Support Services (including Vice President's Office)	4,653	4,887	4,887	-
Student Wellness (including Counselling)	1,478	1,499	1,499	-
Recreation and Athletics	1,039	1,033	1,033	-
Transfer from Endowment Carryforward <sup>(4)</sup>	-	-	5	(5)
<b>TOTAL STUDENT AFFAIRS</b>	7,601	7,710	7,715	(5)
<b>ANCILLARIES</b>				
Dalhousie Arts Centre	380	380	380	-
Dalplex	181	181	181	-
Food Services	(43)	(43)	(43)	-
Residence Life	1,581	1,565	1,565	-
University Bookstore	(113)	(110)	(82)	(28)
University Housing	(2,021)	(1,992)	(1,992)	-
Transfer from Endowment Carryforward <sup>(4)</sup>	-	-	2	(2)
<b>TOTAL ANCILLARIES</b>	(35)	(19)	11	(30)

(1) The final budget includes the distribution of the Undistributed Operating Expenditures and base allocations from Strategic Initiatives.

(2) The actual column includes transfers of variances in accordance with University policy, (see detail in Appendix A)

(3) The budget reflects the reallocation of budgeted positions from the former General University budget for Truro to the President's/Provost's office budget.

(4) This line reflects the transfer from (to) Endowment Carry-forward for the variance in spending on endowment allocations included in Unit actual results for the year. (See Appendix A for breakdown by Faculty / Unit). The total variance in endowment expenditures is directly offset by a variance in the amount of investment income recognized for the year compared to budget (see note 2 on page 14).

## COMMENTARY ON MAJOR REVENUE & EXPENDITURE VARIANCES

### 1. Government Grants

#### a) Provincial Operating Grants:

The University budget is supported by Provincial Government grants from the Department of Labour and Advanced Education. Funding includes the main block operating grant which increased by 1% in 2018-19, a grant which supports space costs, and grants that support student assistance and specific academic programs.

All grants were received as budgeted other than the Bursary and Scholarship Program grants. There were small variances in these grants which provided direct support to students. Funding from the province directly offsets the spending for these programs resulting in no net impact on the University operating budget. The following table summarizes the budget and actual for the University's various grants for the year.

**Summary of Budget and Actual for Significant Grant Amounts**  
 (in 000's of dollars)

	<b>Budget</b>	<b>Actual</b>	<b>Variance</b>
<b>University Operating Grant</b>	173,149	173,149	-
<b>Provincially Supported Student Assistance Programs</b>			
Nova Scotia Bursary	8,190	8,327	137
Nova Scotia Graduate Scholarship	3,015	2,785	(230)
<b>Program Specific Grants</b>			
Agriculture	20,579	20,579	-
Health (Nursing, Occupational Therapy & Physiotherapy)	6,218	6,218	-
Medicine	5,000	5,000	-
Other	80	80	-
<b>Facilities/Space Grant</b>	1,000	1,000	-
	<b>217,231</b>	<b>217,138</b>	<b>(93)</b>

#### b) Federal Research Support Fund Grant:

Canadian Universities receive an annual grant from the Federal Research Support Fund (RSF) program based on the level of federally funded research (i.e. NSERC, SSHRC, and CIHR). This grant is provided to defray a portion of the indirect costs incurred that are included in the operating budget (e.g. research space costs such as utilities).

In 2018-19, the University received additional project-based funding via the Incremental Project Grant (IPG) through the RSF program. The grant was applied to facilities maintenance projects related to research facilities in the Tupper building. As a result, the favourable variance of \$592,000 shown on this budget line is offset by the variance in the Facilities Renewal expenditure line.

## 2. Investment Income

Endowment Income (and Related Expenditure Lines):

The University has over 1400 endowments which provide support for student assistance and Faculty and Unit budgets (supporting named chairs, salaries and research costs) through annual allocations. Donors have established terms for each endowment. Investment income earned must be spent according to the purposes specified. As a result, annual investment income must equal the actual expenditures from the endowments for the year and therefore there is no overall impact on the bottom line of the operating budget.

The following table summarizes expenditures by Responsibility Centre and the offsetting variance in Endowment income:

**Summary of Endowment Income and Expenditures compared with Budget**

(in 000's of dollars)

	<b>Budget</b>	<b>Actual</b>	<b>Variance</b>
<b>Endowment Investment Income</b>	27,605	25,159	(2,446)
<b>Endowment Expenditures</b>			
<b>Student Assistance</b>	6,238	6,204	34
<b>Endowment Management Expense</b>	3,400	3,510	(110)
<b>Included In Faculties and Units:</b>			
<b>Faculties and other academic units</b>	17,491	14,966	2,525
<b>Academic support units</b>	70	66	4
<b>Student Affairs</b>	159	164	(5)
<b>University Housing</b>	247	249	(2)
<b>Total Endowment Expenditures</b>	27,605	25,159	2,446

The major variance for the year related to vacancies in several Academic chairs primarily in the Faculty of Medicine. The Faculty has developed a plan to spend in 2019-20. A detailed breakdown of endowment expenditures for the year compared to Faculty and support unit budgets is included in Appendix A.

Investment Income – Operating:

The University invests cashflows according to the Expendable Funds Investment Policy which supports the operating budget. The University's short-term investment revenue is higher than budget by \$499,000 for the year due to projected cash balances and higher interest rates.

### **3. Tuition Fees**

Fall 2018 enrolment increased by 1.6% (302 students) compared with the previous year. This was driven by a 10.4% (244 student) increase in the entering class of new from high school students. The mix of domestic and international students continues to shift, with an increase of 349 international students (9.1%) and a decrease of 47 domestic students (0.3%). The reported increase in tuition revenue of \$6.3 million compared to budget is a result of the increased enrolment for the year and the higher tuition fees paid by international students.

### **4. Scholarships, Bursaries and Student Assistance**

During the year, additional support of \$499,000 was provided to students through the operating budget. The notable variance for 2018-19 is an increase in bursary support for students. Additional support was also allocated for graduate students at the Truro Campus who were affected by the fire.

The Nova Scotia government provides direct support for students through the Nova Scotia Bursary Program and the Nova Scotia Graduate Scholarship Program as shown in item 1 above. These amounts will vary from budget based on changes in the number of Nova Scotia students who receive support through the bursary program and the actual scholarships provided.

University endowment support is also an important source of support for students. In 2018-19, support of \$6.2 million was provided to students through the central student assistance budget. In addition, endowments managed by individual Faculties provided a further \$5.3 million in support for students.

### **5. Campus Renewal**

The Campus Renewal budget is comprised of the annual budget for Facilities Renewal projects and long-term campus renewal costs including debt service and rental requirements for University space. During the year \$592,000 in additional revenue was received from the federal government to support research infrastructure projects (see section 1b) above) and \$60,000 in additional facilities renewal student fee revenue resulted from increased enrolment. Both supported an increased level of Facilities Renewal expenditures resulting in an offsetting variance of \$652,000 on this line.

### **6. Energy, Water, Taxes and Insurance**

Overall, utility related costs exceeded budget by \$288,000 for 2018-19 year. The University benefited from minor savings in some utilities as a result of sustainability initiatives. Offsetting these savings were changes in natural gas pricing and consumption resulting in the natural gas budget exceeding plan. There were also increased net costs related to the transition to the new plant for heating and cooling on the Truro campus.

The utility budget benefits from energy savings resulting from sustainable energy projects over the last decade of approximately \$3.1 million per year. These savings are used first to retire the costs of these projects but ultimately will benefit the operating budget in future years.

## **7. Responsibility Centre and Ancillary Expenditures**

About 80% of the University budget is allocated to Faculties and service units to carry out day-to-day operations. All Faculties and several support units are also supported through endowment allocations and spending varies from the amount available in any given year as described in note 2 above (a detailed breakdown by Faculty is included in Appendix A). Other variances are described as follows:

### **a) Academic –**

The University Carry-Forward Policy allows Faculties and major academic units to carry forward any budget savings/overruns and as a result there is only one small variance reported in the Academic area related to revenue the University receives from the University of King's College under the agreement to provide teaching services to King's students.

Overall, Faculties added \$1.4 million to carry-forwards for the year (see Appendix A for breakdown by Faculty). Savings can be used to fund onetime projects and initiatives while overruns must be repaid according to plan. The Faculties of Arts, Science and Management reported shortfalls for the year related to enrolment challenges in recent years. The Provost and Vice President Finance and Administration continue to work with these Faculties specifically, so that shortfalls are managed according to plan and the Faculties are sustainable in future years.

### **b) Support Units –**

- i) Academic Support Units: Overall, academic support units drew on carry-forward as planned for the year with the major item relating to the multi-year plan for improvements to the University's IT Infrastructure. The print centre operates on a cost recovery basis and improved external revenues allowed for a refresh of equipment and a small contribution to the University's bottom line.
- ii) Administrative, General, Facilities Management and Student Affairs: There are various small variances in these areas netting an overall contribution of \$83,000 to the University operating surplus. Favourable variances reported relate to increased application fee revenue, staff turnover savings and lower professional fees while there was a small overrun in operating costs for Facilities Management.

Support Units may carry forward savings where approved for specific projects. (Appendix A provides a breakdown of these units drawing on or carrying forward savings). The Environmental Health and Safety office drew on carry-forward for the year for planned projects while staff savings in the Registrar's Office and Student Services have been carried forward to support student system improvements and to further support student wellness and other student support initiatives.

### **c) Undistributed Operating Expenditures –**

The approved budget included an estimate of scale and progression increases for the year according to established collective agreements. These have been distributed to Faculties and Unit budgets where salary increases are paid to faculty and staff. The budget also included estimates for contracts that were not settled and or paid at March 31, 2019. Adjustments for such increases have been accrued and are reflected in the budget for Faculties and Units in this report. Related pension and benefit changes have also been reflected in Faculty and Unit budgets.

The University's contribution to the pension plan is determined on the basis of a valuation of the financial position of the plan by an actuarial consultant as required by the Nova Scotia Pension Benefits Act. The valuation as at March 31, 2018 allowed the University to achieve operating savings of \$3.9 million in 2018-19.

Prior to March 31, 2017, triennial valuations resulted in stable contributions from the University Budget over a three-year period. A change in the status of the plan now requires annual valuations which result in more volatility in contribution levels from year to year. The pension savings in 2018-19 are therefore treated as one-time savings and have been transferred to the Pension Stabilization Fund.

d) **Ancillaries –**

The University Residences produced a surplus for the year due to improved occupancy and conference business. Savings are carried forward for projects to improve facilities (e.g. a continuation of the upgrade of residence rooms in Chapman House and washroom upgrades in Sherriff Hall in summer 2019). The Halifax Bookstore drew on carry-forward due to a renovation project, while a shortfall of \$28,000 related to the fixed costs and tight margins in the operation of the Truro Bookstore. The Arts Centre added to carry-forward due to a delay in a project which is now underway.

Dalhousie University

**Operating Budget Results - Detailed Analysis of Budget, Actual and Variance**

Year ended March 31, 2019

(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 to Appropriation <sup>(1)</sup>	Actual	Year End Variance Fav/(Unfav)	Final Budget	Actual before Transfer of Variance	Transfer of Variance to Carry Forward <sup>(1)</sup>	Actual	Year End Variance Fav/(Unfav)	Operating and Endowment Variance Fav/(Unfav)
<b>ACADEMIC</b>											
Agriculture	17,665	17,681	(16)	17,665	-	216	202	14	216	-	-
Architecture and Planning	4,558	4,638	(80)	4,558	-	79	47	32	79	-	-
Arts and Social Sciences	18,289	18,856	(567)	18,289	-	1,722	1,620	102	1,722	-	-
Arts and Social Sciences - Special Response	412	500	(88)	412	-	-	-	-	-	-	-
Computer Science	8,398	7,416	982	8,398	-	223	67	156	223	-	-
Dentistry	9,950	9,323	627	9,950	-	217	190	27	217	-	-
Engineering	20,718	20,642	76	20,718	-	885	820	65	885	-	-
Graduate Studies	1,638	1,540	98	1,638	-	705	462	243	705	-	-
Health	29,974	29,332	642	29,974	-	594	483	111	594	-	-
Law	9,115	9,199	(84)	9,115	-	2,826	2,736	90	2,826	-	-
Management	13,162	13,299	(137)	13,162	-	739	815	(76)	739	-	-
Medicine	42,876	41,510	1,366	42,876	-	6,259	4,823	1,436	6,259	-	-
Science	33,387	34,706	(1,319)	33,387	-	2,705	2,465	240	2,705	-	-
University Library	17,027	16,955	72	17,027	-	216	197	19	216	-	-
College of Continuing Education	1,182	1,043	139	1,182	-	65	18	47	65	-	-
College of Sustainability	1,137	1,222	(85)	1,137	-	6	6	-	6	-	-
Centres, Institutes & Special Projects	3,806	4,045	(239)	3,806	-	34	15	19	34	-	-
Cooperative Education Office	805	751	54	805	-	-	-	-	-	-	-
Faculty Related Costs (eg. Travel, Leave Grants, PDA)	2,832	2,919	(87)	2,832	-	-	-	-	-	-	-
Kings' Transfer	(2,477)	(2,487)	-	(2,487)	10	-	-	-	-	-	10
Academic Initiatives	873	780	93	873	-	-	-	-	-	-	-
Transfer to Endowment Carryforward						-	-	(2,525)	(2,525)	2,525	2,525
<b>TOTAL ACADEMIC</b>	<b>235,327</b>	<b>233,870</b>	<b>1,447</b>	<b>235,317</b>	<b>10</b>	<b>17,491</b>	<b>14,966</b>	<b>-</b>	<b>14,966</b>	<b>2,525</b>	<b>2,535</b>
<b>ACADEMIC SUPPORT</b>											
Art Gallery	157	157	-	157	-	69	65	4	69	-	-
Centre for Learning and Teaching	1,386	1,357	29	1,386	-	1	1	-	1	-	-
IT Infrastructure	2,424	3,081	(657)	2,424	-	-	-	-	-	-	-
Information Technology Services	11,642	11,506	136	11,642	-	-	-	-	-	-	-
Printing Centre	21	1	-	1	20	-	-	-	-	-	20
Transfer from Endowment Carryforward						-	-	(4)	(4)	4	4
<b>TOTAL ACADEMIC SUPPORT</b>	<b>15,630</b>	<b>16,102</b>	<b>(492)</b>	<b>15,610</b>	<b>20</b>	<b>70</b>	<b>66</b>	<b>-</b>	<b>66</b>	<b>4</b>	<b>24</b>
<b>ADMINISTRATION</b>											
Application Fees and Services Recovery	(1,735)	(1,760)	-	(1,760)	25	-	-	-	-	-	25
Advancement	6,795	6,809	(14)	6,795	-	-	-	-	-	-	-
Communications and Marketing	3,120	3,113	7	3,120	-	-	-	-	-	-	-
Environmental Health and Safety	1,349	1,449	(100)	1,349	-	-	-	-	-	-	-
Financial Services	5,014	4,996	-	4,996	18	-	-	-	-	-	18
Human Resources	3,652	3,579	73	3,652	-	-	-	-	-	-	-
Dalhousie Analytics	891	887	-	887	4	-	-	-	-	-	4
President's Office / Provost's Office	2,587	2,586	-	2,586	1	-	-	-	-	-	1
Registrar & Admissions	6,345	6,066	279	6,345	-	-	-	-	-	-	-
Research Services	2,547	2,416	131	2,547	-	-	-	-	-	-	-
University Services	3,618	3,576	(8)	3,568	50	-	-	-	-	-	50
<b>TOTAL ADMINISTRATION</b>	<b>34,183</b>	<b>33,717</b>	<b>368</b>	<b>34,085</b>	<b>98</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>98</b>

(1) This column reflects the transfer of variances to (or from) appropriation or Endowment 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 the consolidated Variance in column 11.



Dalhousie University

**Operating Budget Results - Detailed Analysis of Budget, Actual and Variance**

Year ended March 31, 2019

(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 for Appropriation <sup>(1)</sup>	Actual	Year End Variance Fav/(Unfav)	Final Budget	Actual before Transfer of Variance	Transfer of Variance to Carryforward <sup>(1)</sup>	Actual	Year End Variance Fav/(Unfav)	Operating and Endowment Variance Fav/(Unfav)
<b>GENERAL</b>	1,414	1,378	-	1,378	36	-	-	-	-	-	36
<b>FACILITIES MANAGEMENT</b>	21,763	21,814	-	21,814	(51)	-	-	-	-	-	(51)
<b>STUDENT AFFAIRS</b>											
Awards Office & Student Services Centre - Sexton	291	291	-	291	-						-
Student Support Services (including Vice-Provost's Office)	4,887	4,914	(27)	4,887	-						-
Student Wellness (including Counselling)	1,499	873	626	1,499	-						-
Recreation and Athletics	874	822	52	874	-	159	164	(5)	159	-	-
Transfer from Endowment Carryforward	-	-	-	-	-	-	-	5	5	(5)	(5)
<b>TOTAL STUDENT AFFAIRS</b>	7,551	6,900	651	7,551	-	159	164	-	164	(5)	(5)
<b>ANCILLARIES</b>											
Dalhousie Arts Centre	380	267	113	380	-	-	-				-
Dalplex	181	228	(47)	181	-	-	-				-
Food Services	(43)	42	(85)	(43)	-	-	-				-
Residence Life	1,565	1,501	64	1,565	-	-	-				-
University Bookstore	(110)	117	(199)	(82)	(28)	-	-				(28)
University Housing	(2,239)	(4,563)	2,324	(2,239)	-	247	249	(2)	247	-	-
Transfer from Endowment Carryforward	-	-	-	-	-	-	-	2	2	(2)	(2)
<b>TOTAL ANCILLARIES</b>	(266)	(2,408)	2,170	(238)	(28)	247	249	-	249	(2)	(30)

(1) This column reflects the transfer of variances to (or from) appropriation or Endowment 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 the consolidated Variance in column 11.

# **2018-19 Audited Financial Statements**



The Dalhousie University Financial Statements for the year ended March 31, 2019 have been audited by the firm KPMG and are presented in this section of the Annual Financial Report. The financial statements should be read together with the Management Notes and the Operating Budget Report which contains the results for each Faculty and Service Unit for the year compared with Budget.

The Management Notes for 2018-19 provide:

- information on the fund accounting approach used by Dalhousie to measure and manage financial activity,
- difference between the funding and accounting requirements with respect to the employer contributions to the Pension Plan and
- the financial statement impact of the fire on June 20, 2018 at Cox Institute.

## **FUND ACCOUNTING**

The University uses a fund accounting approach and reports on like activities in separate funds. Each fund comprised of its own revenues and expenses. Fund accounting enhances budgetary controls, accountability and reporting throughout the University. The University maintains six Fund categories: Operating, Ancillary, Endowment, Capital, Research and Special Purpose.

### **Operating Fund**

The Operating Fund encompasses the day-to-day revenue and expenditures required to operate the University, and to carry out the Academic mission. Government grants, tuition revenue and other general revenues support operating expenditures. Budget allocations to Faculties and Major Service and Support Units are based on Budget Advisory Committee recommendations. The Operating Budget Report compares results to budget for Operating, Ancillary and Endowment fund activities.

### **Ancillary Fund**

Ancillary units provide important services to the University community and are segregated from the core functions of teaching and research. The ancillary operations include Housing and Conference Services, Food Services, the Bookstore, the Dalhousie Arts Centre and Dalplex. These operations are expected to cover their full costs.

### **Endowment Fund**

University operations are supplemented by the University's over 1,400 endowment funds. Endowments support student bursaries and scholarships, research, library materials and services and academic chairs and salaries. The funds must be spent according to the terms of the individual endowments as established by the donors.

### **Capital Fund**

The Capital Fund accounts for funds received and expended on property, plant and equipment. Capital reserves are funds set aside by the University to support future costs of large-scale capital upgrades or replacements and are also included in the Capital Fund.

### **Research Funds**

Research Fund expenditures are supported by revenues which are restricted for the purposes designated by the funders and sponsors. These funds cannot be used to support operations. Researchers managed approximately 3,000 segregated research grant and contract accounts in 2018-19.

### **Special Purpose Funds**

Special Purpose Fund expenditures are supported by revenues which are restricted for the purposes established by contributors. In 2018-19 there were approximately 1,000 special purpose accounts utilized for a variety of purposes including annual giving, conferences, service and lab accounts, and joint projects with contributions from external parties.

### **Transfers between the Funds**

The maintenance of separate funds requires that there are transfers between the funds and these transfers are shown on Supplementary Schedules 1 through 5. There are three main categories of interfund transfers as follows:

#### **Transfers for Provision of Service**

The following are charged to other funds from the operating budget:

- i) Cleaning, repairs and maintenance, small facilities projects, and security are charged primarily to the Ancillary Fund (mainly the student residence operations) (\$5.6 million).
- ii) Ancillaries are charged for steam heat costs (\$1.3 million).
- iii) Printing, audio visual and IT support costs charged across all funds (\$2.1 million).

#### **Transfers of Capital Related to Assets**

##### **A. Operating Fund**

- i) Facilities Renewal and Faculty / Unit sponsored projects (\$27.3 million).
- ii) Purchase of assets (e.g. equipment, library acquisitions) (\$1.8 million).
- iii) Debt principal payments (\$5.2 million).
- iv) Capital replacement (e.g. heating plant, farm equipment) (\$0.3 million).
- v) Utility savings funding for sustainability projects (\$2.9 million).

##### **B. Ancillary Fund**

- i) Facilities Projects (e.g. Student Residence improvements) (\$2.0 million).
- ii) Debt principal payments (\$3.2 million).
- iii) Capital replacement (e.g. athletic facilities) (\$0.4 million).

##### **C. Research and Special Purpose Funds**

- i) Purchase of assets (e.g. lab equipment) (\$4.5 million).
- ii) Renovation projects (e.g. research labs) (\$6.2 million).
- iii) Capital contributions received (net amortized contributions) (- \$1.2 million).

#### **Transfers to Research**

Transfers to the Research Fund for faculty startups and research support funded from Faculty accounts (\$2.9 million).

### **PENSION PLAN**

The University must fund the pension plan based on the requirements of the Nova Scotia Pension Benefits Act which allows for repayment of deficit over a multiyear period. 2018-19 funding for the plan is determined based on a March 31, 2018 actuarial valuation.

The annual audited financial statements for the University must comply with Accounting Standards for Not-For-Profit Organizations which require the University to expense the full benefit obligation based on the March 31, 2018 actuarial valuation extrapolated to March 31, 2019 as explained in note 2h to the financial statements.

This results in an annual difference for financial statement purposes from the actual funding to the pension plan. The difference, the Pension Expense Adjustment, is identified as a separate line on the statement of Revenue, Expense and changes in Operating Surplus. For 2018-19 the University was required to contribute \$1.6 million more than the amount that is expensed through the accounting requirement.

#### **FIRE AT COX INSTITUTE – June 20, 2018**

On June 20, 2018 there was a serious fire at Cox Institute on the Truro Campus. The building was seriously damaged and the impact to students, faculty and staff was extensive. This loss is covered by University insurance.

Work to date has included remediation of the building and relocation to rented space so that faculty and students could continue their research, teaching and learning. Replacement of equipment is in process and the design of rebuilt space is underway. It is expected that researchers will be back in the Cox once construction is completed around June 2020.

The University financial results include expenditures in the capital fund (see supplementary Schedule 5) relating to the activities to date totaling \$28.9 million along with the related recovery from the insurer. As a result, expenditures (notably externally contracted services) and revenues reflect a significant year-over-year increase.

## INDEPENDENT AUDITORS' REPORT

To the Board of Governors of Dalhousie University

### ***Opinion***

We have audited the financial statements of Dalhousie University (the Entity), which comprise:

- the statement of financial position as at March 31, 2019
- the statement of revenue, expense and changes in operating surplus for the year then ended
- the statement of changes net assets for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the “financial statements”).

In our opinion, the accompanying financial statements, present fairly, in all material respects, the financial position of the Entity as at March 31, 2019, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

### ***Basis for Opinion***

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the “***Auditors’ Responsibilities for the Audit of the Financial Statements***” section of our auditors’ report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### ***Other Information***

Management is responsible for the other information. Other information comprises the information, other than the financial statements and the auditors’ report thereon, included in the “Annual Financial Report”.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information, other than the financial statements and the auditors' report thereon, included in the "Annual Financial Report" as at the date of this auditors' report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditors' report.

We have nothing to report in this regard.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

### ***Auditors' Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

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

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

A handwritten signature in black ink that reads "KPMG LLP". The signature is written in a cursive, stylized font. Below the signature is a horizontal line that starts under the "K" and ends under the "P", with a small upward tick at the right end.

Chartered Professional Accountants, Licensed Public Accountants  
Halifax, Canada  
June 25, 2019



	2019	2018
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 124,998	\$ 84,319
Accounts receivable	35,072	36,047
Inventories	2,334	2,448
Prepaid expenses	6,602	5,953
	<u>169,006</u>	<u>128,767</u>
Investments (note 4)	809,409	742,084
Capital assets (note 5)	<u>1,045,333</u>	<u>1,018,256</u>
	<u>\$ 2,023,748</u>	<u>\$ 1,889,107</u>
<b>Liabilities and Net Assets</b>		
Current liabilities:		
Accounts payable and accrued liabilities (note 6)	\$ 82,415	\$ 94,346
Deferred revenue (note 7)	306,400	292,419
Current portion of long-term debt (note 8)	<u>10,243</u>	<u>7,085</u>
	<u>399,058</u>	<u>393,850</u>
Employee future benefits (note 9)	5,404	22,102
Deferred capital contributions (note 10)	253,124	246,133
Long-term debt (note 8)	<u>169,327</u>	<u>116,925</u>
	<u>826,913</u>	<u>779,010</u>
Net assets: (note 11)		
Endowment	512,887	481,372
Excess of pension liabilities over pension assets	(1,957)	(18,431)
Restricted funds	98,516	82,745
Capital fund	<u>587,389</u>	<u>564,411</u>
	<u>1,196,835</u>	<u>1,110,097</u>
Commitments and contingent liabilities (note 12)		
	<u>\$ 2,023,748</u>	<u>\$ 1,889,107</u>

See accompanying notes to financial statements.

**Statement of Revenue, Expense and Changes in Operating Surplus**

Year ended March 31, 2019

(in thousands of dollars)

	2019	2018
Revenue:		
Provincial government operating grants	\$ 217,138	\$ 214,740
Other government grants and contracts	100,414	96,056
Corporations and foundations	28,941	29,881
Tuition fees	190,829	177,685
Non-credit and other fees	33,090	27,343
General	9,868	9,007
Gifts	10,265	10,204
Investment income	31,320	29,392
Ancillary sales and service	48,286	45,270
External cost recoveries	73,479	42,106
Amortization of deferred capital contributions (note 10)	16,587	16,507
	<u>760,217</u>	<u>698,191</u>
Expenses:		
Salaries and employee benefits	401,097	392,576
Pension expense adjustment (note 9)	(1,556)	(3,130)
Library acquisitions	8,451	8,400
Laboratory and teaching supplies	14,961	13,487
Equipment and service	22,672	18,156
Finance costs	6,705	5,701
Utilities and taxes	20,384	19,158
Externally contracted services	94,439	67,667
Scholarships, bursaries and prizes	56,173	53,200
Ancillary cost of sales and service	8,373	8,691
Travel	15,711	15,041
Amortization of capital assets	40,016	37,362
General operating	31,779	28,802
	<u>719,205</u>	<u>665,111</u>
Excess of revenue over expenses (consolidated all funds)	<u>41,012</u>	<u>33,080</u>
Less amounts:		
Committed to equity in capital assets	(22,978)	(18,614)
Committed to future pension benefits	(1,556)	(3,130)
Committed from (to) restricted funds	(16,478)	(11,336)
	<u>-</u>	<u>-</u>
Net change in operating surplus	<u>-</u>	<u>-</u>
Accumulated operating surplus, beginning of year	<u>-</u>	<u>-</u>
Accumulated operating surplus, end of year	<u>\$ -</u>	<u>\$ -</u>

See accompanying notes to financial statements.

Dalhousie University  
**Statement of Changes in Net Assets**  
Year ended March 31, 2019

(in thousands of dollars)

	<b>2019</b>					<b>2018</b>	
	<b>Endowment</b>	<b>Excess of pension liabilities over assets</b>	<b>Unrestricted operating Funds</b>	<b>Restricted funds</b>	<b>Capital fund</b>	<b>Total</b>	<b>Total</b>
Net assets, beginning of year	\$ 481,372	(18,431)	-	82,745	564,411	1,110,097	\$1,060,086
Excess of revenue over expenses	-	1,556	6,044	10,434	22,978	41,012	33,080
Endowed principal contribution	10,770	-	-	-	-	10,770	9,072
Employee future benefits, remeasurements, and other items	-	14,918	-	-	-	14,918	(7,324)
Realized Investment returns	44,293	-	-	-	-	44,293	37,671
Transfer to Restricted Fund	-	-	(6,044)	6,044	-	-	-
Transfers from endowment	(23,548)	-	-	(707)	-	(24,255)	(22,488)
Net change for the year	31,515	16,474	-	15,771	22,978	86,738	50,011
Net assets, end of year	512,887	(1,957)	-	98,516	587,389	1,196,835	\$1,110,097

See accompanying notes to financial statements.

Dalhousie University  
**Statement of Cash Flows**  
Year ended March 31, 2019

(in thousands of dollars)

	2019	2018
Cash flows from operating activities:		
Excess of revenue over expenses	\$ 41,012	\$ 33,080
Items not involving cash:		
Amortization of capital assets	40,016	37,362
Amortization of deferred capital contributions	(16,587)	(16,507)
Change in employee future benefits	(1,780)	(3,211)
Change in current assets	440	(1,906)
Change in current liabilities	2,050	35,596
Cash provided by operating activities	65,151	84,414
Cash flows from investing activities:		
Purchase of capital assets	(67,093)	(120,226)
Net increase in investments	(67,325)	(45,486)
Cash used in investing activities	(134,418)	(165,712)
Cash flows from financing activities:		
Endowment contributions	10,770	9,072
Endowment realized gains	44,293	37,671
Endowment transfers	(24,255)	(22,488)
Deferred capital contributions received	23,578	36,059
Proceeds from long-term debt	65,200	-
Principal payments on long-term debt	(9,640)	(5,952)
Cash provided by financing activities	109,946	54,362
Net increase (decrease) in cash and cash equivalents	40,679	(26,936)
Cash and cash equivalents, beginning of year	84,319	111,255
Cash and cash equivalents, end of year	\$ 124,998	\$ 84,319

See accompanying notes to 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. The University is a Board-governed comprehensive research university offering a full range of undergraduate, graduate, professional, and continuing studies programs. The University is a registered charitable organization and as such, is exempt from income taxes under Section 149 of the Income Tax Act of Canada.

**2. Significant accounting policies:**

These financial statements have been prepared in accordance with Part III of the Chartered Professional Accountants Canada ("CPA Canada") Handbook – Accounting which sets out generally accepted accounting principles for not-for-profit organizations in Canada ("GAAP") and includes the significant accounting policies summarized below:

(a) Use of estimates:

The preparation of 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 financial statements and the related amounts of revenue and expenses during the year. Actual results could differ from those estimates. Estimates are reviewed annually and, as adjustments become necessary, they are recorded in the financial statements in the period in which they become known.

(b) 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 investment returns from these endowment investments are deferred and recognized when the related expense occurs.

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.

**2. Significant accounting policies (continued):**

(c) 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.

(d) Cash and cash equivalents:

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

(e) Inventories:

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

(f) 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. Transactions are recorded on a trade date basis and transaction costs are expensed as incurred.

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 ("alternatives"), which comprise private externally managed co-mingled funds with underlying investments in equities, debt, real estate assets and infrastructure assets, are determined based on the valuations provided by the external investment managers of the fund. 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.

Investments denominated in foreign currencies are translated using rates of exchange in effect at the statement of financial position date.

(g) Capital assets:

All capital assets are recorded at cost when 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.

## 2. Significant accounting policies (continued):

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

Asset	Rate
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

Construction in progress is amortized once the asset is available for use.

### (h) Employee future benefits:

The University maintains a defined benefit pension plan (the "Pension Plan") providing pension benefits for certain employees. Effective April 1, 2014 the University adopted CPA Canada Handbook Accounting Part III, Section 3463: Reporting Employee Future Benefits by Not-For-Profit organizations. The University recognizes the accrued benefit obligation, net of the fair value of plan assets on the statement of financial position. Current service and finance costs are expensed during the year. Remeasurements such as actuarial gains and losses and past service costs are recognized as a direct change in the Statement of Changes in Net Assets.

The University uses an actuarial valuation prepared for funding purposes to measure the defined benefit obligation related to the pension plan. The accrued benefit obligation related to employee future benefits is determined from the most recently prepared actuarial valuation as at March 31, 2018, extrapolated to March 31, 2019.

### (i) Contributed services:

Volunteers contribute an indeterminable number of hours per year. Due to the difficulty of determining fair value, contributed services are not recognized in the financial statements.

### (j) Long-term debt:

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

### (k) Derivative financial instruments:

Derivative financial instruments are utilized by the University to manage interest rate 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.

**2. Significant accounting policies (continued):**

When the University has reasonable assurance that the critical terms of the hedging item and the hedged item are the same, both at the inception of a hedging relationship and through the term, 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.

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 forward foreign exchange 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.

**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. General operating expense of the University includes \$247 (2018 - \$395) related to catering costs charged by the University Club. Included in accounts receivable of the University is \$395 (2018 - \$335) due from the University Club, with no set terms of repayment.

**4. Investments:**

	2019	2018
Cash	\$ 2,483	\$ 2,212
Treasury bills, notes and GICs	109,754	85,609
Bonds	151,952	120,486
Canadian equities	103,455	100,535
US equities	124,333	137,962
Other international equities	108,651	107,775
Alternatives	208,781	187,505
	<b>\$ 809,409</b>	<b>\$ 742,084</b>



**5. Capital assets:**

			2019	2018
	Cost	Accumulated amortization	Net book value	Net book value
Land	\$ 125,769	\$ --	\$ 125,769	\$125,769
Building	1,010,790	154,193	856,597	743,881
Leasehold improvements	1,102	923	179	400
Equipment	213,319	170,249	43,070	47,021
Vehicles	3,278	2,753	525	610
Library books	32,878	28,874	4,004	4,620
Computing	14,853	12,541	2,312	899
Land improvements	9,171	2,953	6,218	5,832
Construction in progress	6,659	--	6,659	89,224
	\$ 1,417,819	\$ 372,486	\$ 1,045,333	\$ 1,018,256

The total amount of assets under capital lease is \$5,014 (2018 - \$4,144), with related accumulated amortization of \$1,505 (2018 - \$2,174).

**6. Accounts payable and accrued liabilities**

Included in accounts payable and accrued liabilities are government remittances for payroll taxes payable of \$11,680 (2018 - \$10,957).

**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 includes net unrealized gains which are reflected in deferred revenue. Deferred operating revenues include student fees, residence fees and grant income received in advance of year end relating to the period after March 31.

	2019	2018
Operating	\$ 31,942	\$ 29,473
Endowment	141,439	137,879
Research	86,429	76,349
Special purpose	46,590	48,718
	\$ 306,400	\$ 292,419

**8. Long-term debt:**

	Payment amount	Repayment frequency	Maturity date	Interest rate	2019	2018
Residence renewal	58	Quarterly	Nov 2019	5.21	176	401
Central Services Parkade	22	Quarterly	Dec 2023	5.66	207	250
Residence renewal	47	Quarterly	Oct 2025	4.69	1,111	1,248
Howe Hall	136	Quarterly	Jan 2028	5.94	3,789	4,099
Collaborative Health Education Building I	171	Quarterly	Sept 2028	2.22	5,838	6,385
Risley Hall	385	Quarterly	Sept 2029	5.96	11,980	12,780
Life Sciences Research Institute	150	Monthly	May 2031	4.65	17,133	18,189
Collaborative Health Education Building II	163	Quarterly	Sept 2035	2.65	8,691	9,107
Mona Campbell Building	75	Monthly	Nov 2035	4.66	10,849	11,288
IDEA building and Dentistry Clinic renewal	350	Quarterly	Sept 2036	3.40	18,516	-
Steele Ocean Sciences Building	473	Quarterly	Mar 2037	3.23	25,350	26,392
LeMarchant Place	562	Quarterly	Sept 2037	3.30	30,741	31,954
Fitness Centre and Truro Thermal Plant	715	Quarterly	Apr 2038	2.73	41,807	-
Capital leases					3,382	1,917
					179,570	124,010
Less: current portion					(10,243)	(7,085)
					\$ 169,327	\$116,925

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

2020	\$ 10,243
2021	10,120
2022	10,122
2023	10,003
2024	10,099

The University uses interest rate swaps to manage interest rate risk (see note 13). The interest rates stated above are the effective rates on the swap agreements related to the underlying property debt. Interest of \$5,754 (2018 – \$4,952) relating to long-term debt has been included in interest expense. Interest of \$167 (2018 – \$106) relating to capital lease obligations has been included in interest expense.

Capital lease obligations are secured by leased assets as outlined in note 5.

## 9. Employee future benefits:

### Pension

For certain employees, the University maintains 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 that are matched by the University. Effective July 1, 2012, employees contribute a further 2% of pensionable earnings.

The University also makes 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, 2018 and reflected a going concern plan deficit of \$19,550. The next actuarial valuation will be prepared as of March 31, 2019.

An extrapolation of the March 31, 2018 actuarial valuation to March 31, 2019 indicated a going concern plan deficit of \$1,957. Remeasurements of \$14,918 have been recognized directly in the Statement of Changes in Net Assets.

The total cost of the defined benefit plan for the year of \$24,097 (2018 - \$22,587) less the amount of employer contributions in the year of \$25,653 (2018 - \$25,717) represents the pension expense adjustment of \$1,556 (2018 - \$3,130), which is recorded in the statement of revenue, expense and changes in operating surplus.

### Retirement Service Award

The University provides a Retirement Service Award to eligible employees of the former Nova Scotia Agricultural College and the Technical University of Nova Scotia. The estimated present value of the retirement service award obligation is expensed on an annual basis.

The costs of the retirement service awards recognized during the year are \$602 (2018 - \$432).

Information about the University's employee future benefits is as follows:

	2019	2018
<b>Pension benefit obligation</b>		
Fair value of plan assets	\$ 1,387,666	\$ 1,308,488
Accrued benefit obligation	(1,389,623)	(1,326,919)
Pension benefit obligation	(1,957)	(18,431)
<b>Retirement service award obligation</b>	(3,447)	(3,671)
Employee future benefit obligation	\$ (5,404)	\$ (22,102)

**9. Employee future benefits (continued):**

The significant actuarial assumptions adopted in measuring the Employee future benefits are as follows:

Actuarial Assumptions	2019	2018
Pension Plan		
Rate of compensation increase	3.56%	3.54%
Discount rate	5.35%	5.38%
Retirement Service Award		
Rate of compensation increase	3.10%	3.10%
Discount rate	6.00%	6.00%

**10. Deferred capital contributions:**

Grants and gifts for the purchase of capital assets are recorded as deferred capital contributions and amortized to revenue over the useful life of the related assets. Deferred capital contributions represent the unamortized amount of grants and gifts received for the purchase of capital assets or capital construction. The amortization of deferred capital contributions is recorded as revenue in the year.

**10. Deferred capital contributions (continued):**

The changes in deferred capital contributions balance for the year are as follows:

	2019	2018
Balance, beginning of year	\$ 246,133	\$ 226,581
Contributions received during the year:		
Government grants and contracts	15,245	34,856
Corporations and foundations	149	227
General	1,759	30
Gifts	6,425	946
Total contributions received during the year	23,578	36,059
Recognized as revenue:		
Government grants and contracts	(14,064)	(14,184)
Corporations and foundations	(115)	(100)
General	(883)	(1,024)
Gifts	(1,525)	(1,199)
Total recognized as revenue	\$ (16,587)	\$ (16,507)
Balance, end of year	\$ 253,124	\$ 246,133
Balance by fund:		
Capital	\$ 217,753	\$ 211,830
Research	33,964	33,659
Special Purpose	1,407	644
Balance, end of year	\$ 253,124	\$ 246,133

## 11. Net assets:

### (a) Endowment

Endowment principal consists of externally restricted donations received by the University and funds that have been internally designated. The investment returns generated from endowments must be used in accordance with the purposes established by the donor or by the University in the exercise of its discretion. University policy stipulates that over time the economic value of endowment principal should be protected by limiting the amount of returns 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 March 31, 2018	Contributions	Realized Investment Returns	Transfer from Endowment	Endowment March 31, 2019
External restrictions	\$ 467,941	\$ 10,770	\$ 43,183	\$ (23,262)	\$ 498,632
Internal restrictions	13,431	-	1,110	(286)	14,255
	<b>\$ 481,372</b>	<b>\$ 10,770</b>	<b>\$ 44,293</b>	<b>\$ (23,548)</b>	<b>\$ 512,887</b>

### (b) Excess of pension liabilities over pension assets:

The excess of pension liabilities over pension assets is determined by an actuarial valuation for funding purposes, as disclosed in note 9.

### (c) Unrestricted Operating Funds

The excess of operating funds is transferred to Restricted Funds in line with the Spending Plan developed based on emerging priorities from the University Community.

### (d) Restricted funds:

Restricted funds represent amounts set aside by the University for specific uses including unspent budget appropriations accumulated by academic and other budget units, operating surpluses from prior years, departmental research overhead and development funds and certain fundraising activities.

**11. Net assets (continued) :**

**(e) Capital Fund:**

The net assets invested in capital assets consists of the following:

	2019	2018
Capital assets	\$ 1,045,333	\$ 1,018,256
Less amounts financed by:		
Deferred capital contributions	(253,124)	(246,133)
Long-term debt	(179,570)	(124,010)
Working capital, pending project completion	(39,576)	(96,611)
Equity in capital assets	\$ 573,063	\$ 551,502
Capital reserve	14,326	12,909
Total Capital Fund	\$ 587,389	\$ 564,411

Capital reserves are funds set aside by the University for the costs of large-scale capital upgrades or replacements planned for the future.

**12. Commitments and contingent liabilities:**

Effective April 1, 1988, the University became a member of the "Canadian Universities Reciprocal Insurance Exchange" (CURIE) self-insurance program. Membership was renewed effective January 1, 2018. 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. 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. CURIE retains a surplus for adverse insurance claims experience. At December 31, 2018, the surplus was \$79,338.

As of March 31, 2019, 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. No provision has been made for such claims in the financial statements.

The University has outstanding capital commitments as of March 31, 2019, estimated at \$8,390.

In June 2018 there was a fire on the University's Agricultural Campus in Truro. Costs of \$28,882 related to the fire and related remediation are recognized in the March 31, 2019 financial statements. Revenues of \$28,882, representing insurance proceeds, are included in external cost recoveries. No asset impairments charges are expected to be incurred as a result of the fire.

## 12. Commitments and contingent liabilities (continued):

The University has operating lease agreements. Future minimum lease payments required to meet non-cancelable terms are as follows:

2020	\$ 733
2021	5
2022	5
2023	-
2024	-

Certain of the alternative investments contain contractual commitments. At March 31, 2019, there were outstanding future commitments of \$634 CAD in Canadian real estate; \$11,182 CAD in Canadian private debt; \$15,773 USD and €5,037 EUR in private equity investments.

The University has provided a loan guarantee of \$6,568 related to the external financing obtained by the Dalhousie Student Union ("DSU") for expansion and renovation of the Student Union Building.

## 13. Financial instruments:

### Foreign currency risk:

The University is subject to gains and losses on certain investments due to the fluctuations in foreign currency exchange rates. The University manages this exposure using forward foreign exchange contracts. At March 31, the forward foreign exchange contracts covered periods up to 1 month.

### Interest rate risk:

The University uses derivatives to hedge interest rate exposures on certain long-term debt. Interest rate swaps allow the University to raise long-term borrowing at floating rates and effectively swap them into fixed rates. 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.

At March 31, 2019 interest rate swaps outstanding have a notional value of \$158,299 (2018 - \$122,093) and are designated as hedges for accounting purposes. The interest rate swap contracts result in the University securing long-term fixed interest rates in the range of 2.22% - 5.96% (2018 - 2.22% - 5.96%).

Although the University has no intention of settling these instruments at March 31, 2019, the interest rate swap contracts described in Note 8 have a fair value of (\$11,188) (2018 - (\$8,149)).

### 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. Financial instruments**

**Liquidity risk:**

Liquidity risk is the risk that the University will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The University manages its liquidity risk by monitoring its operating requirements. The University prepares budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations.

**14. Pledges**

Pledges to the University at March 31, 2019 were \$90,957 (2018 - \$88,775). While these pledges are expected to be honored over the next several years, they have not been recorded as receivable on the statement of financial position.

**15. Fine artwork collections**

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

**16. Comparative Figures**

Certain comparative information has been reclassified to conform to the current year's presentation.

**Dalhousie University**  
**Schedule of Revenue and Expense**  
**Year Ended March 31, 2019 (With Comparatives Figures for 2018)**  
**(unaudited)**

(in Thousands of Dollars)

	Operating 2019 (Schedule 2)	Endowment 2019 (Schedule 3)	Ancillary 2019 (Schedule 4)	Capital 2019	Special Purpose 2019 (Schedule 5)	Research 2019 (Schedule 5)	Total 2019	2018
	\$	\$	\$	\$	\$	\$	\$	\$
<b>Revenue</b>								
Provincial government operating grants	217,138	-	-	-	-	-	217,138	214,740
Other government grants and contracts	17,229	-	660	700	3,924	77,901	100,414	96,056
Corporations and foundations	521	-	-	-	2,891	25,529	28,941	29,881
Tuition fees	190,829	-	-	-	-	-	190,829	177,685
Non-credit and other fees	29,889	-	2,896	225	80	-	33,090	27,343
General	3,871	-	-	1,943	3,856	198	9,868	9,007
Gifts	1,109	2,033	-	-	6,995	128	10,265	10,204
Investment	3,826	23,933	-	242	2,677	642	31,320	29,392
Ancillary sales and service	-	-	48,286	-	-	-	48,286	45,270
External cost recoveries	42,907	-	-	29,153	820	599	73,479	42,106
Amortization of deferred capital contributions	-	-	-	8,011	260	8,316	16,587	16,507
<b>Total revenue</b>	<b>507,319</b>	<b>25,966</b>	<b>51,842</b>	<b>40,274</b>	<b>21,503</b>	<b>113,313</b>	<b>760,217</b>	<b>698,191</b>
<b>Expense</b>								
Salaries								
Academic	169,110	5,067	65	8	841	11,503	186,594	182,927
Library	3,465	-	-	-	3	-	3,468	3,476
Plant maintenance	13,798	-	214	75	-	-	14,087	14,432
Administrative and support	105,336	780	6,803	58	4,392	26,308	143,677	138,527
Benefits costs	47,086	614	923	4	831	3,813	53,271	53,214
<b>Total salaries and benefits</b>	<b>338,795</b>	<b>6,461</b>	<b>8,005</b>	<b>145</b>	<b>6,067</b>	<b>41,624</b>	<b>401,097</b>	<b>392,576</b>
Library acquisitions	8,117	226	-	2	35	71	8,451	8,400
Laboratory and teaching supplies	5,777	130	-	371	1,135	7,548	14,961	13,487
Equipment and service	13,950	211	1,656	798	600	5,457	22,672	18,156
Finance costs	3,572	-	2,426	693	14	-	6,705	5,701
Utilities and taxes	18,775	-	1,547	59	1	2	20,384	19,158
Externally contracted services	27,122	3,350	12,533	26,924	4,410	20,100	94,439	67,667
Scholarships, bursaries and prizes	24,880	11,500	356	-	2,294	17,143	56,173	53,200
Ancillary cost of sales and service	-	-	8,373	-	-	-	8,373	8,691
Travel	6,749	595	84	(9)	1,569	6,723	15,711	15,041
Amortization of capital assets	-	-	-	40,016	-	-	40,016	37,362
General operating	19,891	756	1,246	135	4,013	5,738	31,779	28,802
Internal / interfund transfers	32,863	1,929	13,446	(51,838)	(3,563)	7,163	-	-
<b>Total expense</b>	<b>500,491</b>	<b>25,158</b>	<b>49,672</b>	<b>17,296</b>	<b>16,575</b>	<b>111,569</b>	<b>720,761</b>	<b>668,241</b>
Change in year before appropriations	6,828	808	2,170	22,978	4,928	1,744	39,456	29,950
Change in net assets	(6,828)	(808)	(2,170)	(22,978)	(4,928)	(1,744)	(39,456)	(29,950)
Surplus before pension expense adjustment	-	-	-	-	-	-	-	-
Pension expense adjustment	1,556	-	-	-	-	-	1,556	3,130
<b>Net assets after pension adjustment</b>	<b>1,556</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,556</b>	<b>3,130</b>

Schedule 1

**Dalhousie University**  
**Schedule of Revenue and Expense - Operating**  
**Year Ended March 31, 2019 (With Comparatives Figures for 2018)**  
**(unaudited)**

(in Thousands of Dollars)

	Academic		Academic Support		Administration and General		Facilities and Construction Management		Student Services		Institution		Total	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revenue														
Provincial government operating grants	-	-									217,138	214,740	217,138	214,740
Other government grants and contracts	8,855	7,401	-	-	-	-	7	-	436	275	7,931	7,668	17,229	15,344
Corporations and foundations	479	373	-	-	-	-	12	32	30	-	-	-	521	405
Tuition fees	14,894	13,977	-	-	-	-	-	-	-	-	175,935	163,708	190,829	177,685
Non-credit and other fees	14,313	12,648	-	-	3,537	3,384	-	-	8,244	7,910	3,795	3,334	29,889	27,276
General	-	-	79	12	1,216	1,142	1,590	1,582	986	973	-	-	3,871	3,709
Gifts	321	285	-	-	170	-	-	-	618	314	-	-	1,109	599
Investment	-	-	-	-	-	-	-	-	-	-	3,826	3,365	3,826	3,365
Ancillary sales and service	-	-	-	-	-	-	-	-	-	-	-	-	-	-
External cost recoveries	36,738	35,485	2,331	2,353	1,451	1,138	1,558	1,229	829	676	-	-	42,907	40,881
Amortization of deferred capital contributions	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total revenue	75,600	70,169	2,410	2,365	6,374	5,664	3,167	2,843	11,143	10,148	408,625	392,815	507,319	484,004
Expense														
Salaries													-	-
Academic	167,867	164,501	61	-	218	235	-	-	964	1,497	-	-	169,110	166,233
Library	3,465	3,474	-	-	-	-	-	-	-	-	-	-	3,465	3,474
Plant maintenance	69	67	-	-	-	-	13,729	14,189	-	-	-	-	13,798	14,256
Administrative and support	52,797	51,322	9,406	9,447	29,331	28,542	5,575	5,116	8,227	8,046	-	-	105,336	102,473
Benefits costs	33,968	34,174	1,730	1,742	5,500	5,509	4,394	4,371	1,494	1,503	-	-	47,086	47,299
Total salaries and benefits	258,166	253,538	11,197	11,189	35,049	34,286	23,698	23,676	10,685	11,046	-	-	338,795	333,735
Library acquisitions	8,063	8,008	-	-	49	33	-	-	5	3	-	-	8,117	8,044
Laboratory and teaching supplies	5,550	5,374	-	-	-	-	5	1	222	206	-	-	5,777	5,581
Equipment and service	5,256	5,372	5,620	4,203	707	622	1,819	1,705	548	411	-	-	13,950	12,313
Finance costs	204	166	99	57	79	71	57	61	19	18	3,114	2,571	3,572	2,944
Utilities and taxes	8	-	7	7	-	-	18,731	17,726	29	-	-	-	18,775	17,733
Externally contracted services	11,525	10,804	548	792	3,020	2,796	11,220	8,108	809	629	-	-	27,122	23,129
Scholarships, bursaries and prizes	3,397	3,048	2	1	-	-	-	-	10,368	9,622	11,113	11,229	24,880	23,900
Ancillary cost of sales and service	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Travel	4,315	4,339	147	79	1,255	1,262	59	63	973	839	-	-	6,749	6,582
Amortization of capital assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
General operating	6,717	5,869	1,032	832	4,142	3,845	3,452	2,534	3,932	3,815	616	511	19,891	17,406
Internal / interfund transfers	9,748	9,830	389	(1,115)	(1,250)	(1,360)	16,551	11,781	838	603	6,587	2,391	32,863	22,130
Total expense	312,949	306,348	19,041	16,045	43,051	41,555	75,592	65,655	28,428	27,192	21,430	16,702	500,491	473,497
Surplus for the year (shortfall)														
Change in year before appropriations	(237,349)	(236,179)	(16,631)	(13,680)	(36,677)	(35,891)	(72,425)	(62,812)	(17,285)	(17,044)	387,195	376,113	6,828	10,507
(Increase) decrease in appropriations	(1,512)	2,460	506	(813)	(282)	(12)	1,168	(4,600)	(664)	(170)	(6,044)	(7,372)	(6,828)	(10,507)
Surplus before pension expense adjustment	(238,861)	(233,719)	(16,125)	(14,493)	(36,959)	(35,903)	(71,257)	(67,412)	(17,949)	(17,214)	381,151	368,741	-	-
Pension expense adjustment											(1,556)	(3,130)	(1,556)	(3,130)
Change in net assets after pension adjustment	(238,861)	(233,719)	(16,125)	(14,493)	(36,959)	(35,903)	(71,257)	(67,412)	(17,949)	(17,214)	382,707	371,871	1,556	3,130

Note 1: The decrease in Appropriations for Facilities and Construction Management relates to timing on Facilities Renewal Projects.

Note 2: The appropriation in Institution relates to the 2018-19 Operating Surplus to be used to address a variety of pressures on a one-time basis.

**Schedule 2**

**Dalhousie University**  
**Schedule of Revenue and Expense for Operating and Endowment**  
**Year Ended March 31, 2019 (With Comparatives Figures for 2018)**  
**(unaudited)**

(in Thousands of Dollars)

	2019			2018		
	Operating	Endowment	Total	Operating	Endowment	Total
	\$	\$	\$	\$	\$	\$
Revenue						
Provincial government operating grants	217,138	-	217,138	214,740	-	214,740
Other government grants and contracts	17,229	-	17,229	15,344	-	15,344
Corporations and foundations	521	-	521	405	-	405
Tuition fees	190,829	-	190,829	177,685	-	177,685
Non-credit and other fees	29,889	-	29,889	27,276	-	27,276
General	3,871	-	3,871	3,709	-	3,709
Gifts	1,109	2,033	3,142	599	1,936	2,535
Investment	3,826	23,933	27,759	3,365	23,389	26,754
Ancillary sales and service	-	-	-	-	-	-
External cost recoveries	42,907	-	42,907	40,881	-	40,881
Amortization of deferred capital contributions	-	-	-	-	-	-
Total revenue	507,319	25,966	533,285	484,004	25,325	509,329
Expense						
Salaries						
Academic	169,110	5,067	174,177	166,233	5,081	171,314
Library	3,465	-	3,465	3,474	-	3,474
Plant maintenance	13,798	-	13,798	14,256	-	14,256
Administrative and support	105,336	780	106,116	102,473	840	103,313
Benefits costs	47,086	614	47,700	47,299	679	47,978
Total salaries and benefits	338,795	6,461	345,256	333,735	6,600	340,335
Library acquisitions	8,117	226	8,343	8,044	172	8,216
Laboratory and teaching supplies	5,777	130	5,907	5,581	122	5,703
Equipment and service	13,950	211	14,161	12,313	112	12,425
Finance costs	3,572	-	3,572	2,944	-	2,944
Utilities and taxes	18,775	-	18,775	17,733	-	17,733
Externally contracted services	27,122	3,350	30,472	23,129	3,382	26,511
Scholarships, bursaries and prizes	24,880	11,500	36,380	23,900	11,013	34,913
Ancillary cost of sales and service	-	-	-	-	-	-
Travel	6,749	595	7,344	6,582	466	7,048
Amortization of capital assets	-	-	-	-	-	-
General operating	19,891	756	20,647	17,406	808	18,214
Internal / interfund transfers	32,863	1,929	34,792	22,130	1,834	23,964
Total expense	500,491	25,158	525,649	473,497	24,509	498,006
Surplus for the year (shortfall)						
Change in year before appropriations	6,828	808	7,636	10,507	816	11,323
Change in net assets	(6,828)	(808)	(7,636)	-	816	11,323
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  
Schedule of Revenue and Expense - Ancillary  
Year Ended March 31, 2019 (With Comparatives Figures for 2018)  
(unaudited)

(in Thousands of Dollars)

	Arts Centre		Housing and Conference Services <sup>1</sup>		Bookstore		Dalplex <sup>2</sup>		Food Service		Transfer to Operating		Total	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Revenue	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Provincial government operating grants	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other government grants and contracts	58	58	602	446	-	-	-	-	-	-	-	-	660	504
Corporations and foundations	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Tuition fees	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Non-credit and other fees	-	-	66	58	-	-	2,830	-	-	-	-	-	2,896	58
General	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Gifts	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Investment	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ancillary sales and service	4,977	4,991	22,654	20,835	6,030	6,352	1,980	1,497	12,645	11,595	-	-	48,286	45,270
External cost recoveries	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Amortization of deferred capital contributions	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total revenue	5,035	5,049	23,322	21,339	6,030	6,352	4,810	1,497	12,645	11,595	-	-	51,842	45,832
Expense														
Salaries														
Academic	-	-	65	66	-	-	-	-	-	-	-	-	65	66
Library	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Plant maintenance	-	-	214	176	-	-	-	-	-	-	-	-	214	176
Administrative and support	696	680	3,681	3,676	870	754	1,468	970	88	127	-	-	6,803	6,207
Benefits costs	89	87	497	511	163	139	154	133	20	24	-	-	923	894
Total salaries and benefits	785	767	4,457	4,429	1,033	893	1,622	1,103	108	151	-	-	8,005	7,343
Library acquisitions	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Laboratory and teaching supplies	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Equipment and service	3	8	478	650	63	60	740	68	372	314	-	-	1,656	1,100
Finance costs	116	193	1,604	1,724	111	101	511	22	84	79	-	-	2,426	2,119
Utilities and taxes	76	74	1,151	1,105	11	12	176	120	133	112	-	-	1,547	1,423
Externally contracted services	19	20	2,348	2,147	93	95	9	7	10,064	9,198	-	-	12,533	11,467
Scholarships, bursaries and prizes	-	-	203	39	-	-	-	-	153	-	-	-	356	39
Ancillary cost of sales and service	3,921	3,975	-	-	4,331	4,622	121	94	-	-	-	-	8,373	8,691
Travel	-	1	62	52	9	14	3	5	10	6	-	-	84	78
General operating	16	38	980	792	153	129	74	98	23	44	-	-	1,246	1,101
Internal / interfund transfers	(14)	(8)	9,651	10,781	453	319	1,601	(12)	1,783	1,906	(28)	(57)	13,446	12,929
Total expense	4,922	5,068	20,934	21,719	6,257	6,245	4,857	1,505	12,730	11,810	(28)	(57)	49,672	46,290
Change in year before appropriations	113	(19)	2,388	(380)	(227)	107	(47)	(8)	(85)	(215)	28	57	2,170	(458)
Net (increase) decrease in appropriations	(113)	-	(2,388)	380	199	(145)	47	8	85	215	-	-	(2,170)	458
Surplus for the year (shortfall)	-	(19)	-	-	(28)	(38)	-	-	-	-	28	57	-	-

<sup>1</sup> Housing and Conference Services include Residence Life operations with expenditures of \$1.5 million (\$1.5 million in 2018).

<sup>2</sup> 2018-19 reflects the costs associated with the opening of the new fitness centre and the student fee revenue supporting the costs.

Schedule 4

Dalhousie University  
Schedule of Revenue and Expense - Restricted Funds  
Year Ended March 31, 2019 (With Comparatives Figures for 2018)  
(unaudited)

(in Thousands of Dollars)

	Capital		Special Purpose		Research	
	2019	2018	2019	2018	2019	2018
Revenue			\$	\$	\$	\$
Provincial government operating grants	-	-	-	-	-	-
Other government grants and contracts	700	700	3,924	4,378	77,901	75,130
Corporations and foundations	-	-	2,891	3,174	25,529	26,302
Tuition fees	-	-	-	-	-	-
Non-credit and other fees	225	-	80	9	-	-
General	1,943	1,437	3,856	3,481	198	380
Gifts	-	-	6,995	6,763	128	906
Investment	242	174	2,677	2,393	642	71
Ancillary sales and service	-	-	-	-	-	-
External cost recoveries	29,153	126	820	827	599	272
Amortization of deferred capital contributions	8,011	7,673	260	185	8,316	8,649
Total revenue	40,274	10,110	21,503	21,210	113,313	111,710
Expense						
Salaries						
Academic	8	-	841	788	11,503	10,759
Library	-	-	3	2	-	-
Plant maintenance	75	-	-	-	-	-
Administrative and support	58	-	4,392	4,748	26,308	24,259
Benefits costs	4	-	831	855	3,813	3,487
Total salaries and benefits	145	-	6,067	6,393	41,624	38,505
Library acquisitions	2	-	35	26	71	158
Laboratory and teaching supplies	371	-	1,135	1,073	7,548	6,711
Equipment and service	798	5	600	507	5,457	4,119
Finance costs	693	626	14	11	-	1
Utilities and taxes	59	-	1	-	2	2
Externally contracted services	26,924	418	4,410	5,098	20,100	24,173
Scholarships, bursaries and prizes	-	-	2,294	2,090	17,143	16,158
Ancillary cost of sales and service	-	-	-	-	-	-
Travel	(9)	-	1,569	1,690	6,723	6,225
Amortization of capital assets	40,016	37,362	-	-	-	-
General operating	135	37	4,013	2,804	5,738	6,646
Internal / interfund transfers	(51,838)	(46,952)	(3,563)	592	7,163	9,467
Total expense	17,296	(8,504)	16,575	20,284	111,569	112,165
Surplus for the year (shortfall)	22,978	18,614	4,928	926	1,744	(455)
Change in net assets	(22,978)	(18,614)	(4,928)	(926)	(1,744)	455
Surplus for the year	-	-	-	-	-	-

Schedule 5