Consolidated Financial Statements

University of Prince Edward Island

April 30, 2019

Contents

Grant Thornton

Independent Auditor's Report

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To the Board of Governors of the

University of Prince Edward Island

Opinion

We have audited the consolidated financial statements of the University of Prince Edward Island ("the Organization"), which comprise the consolidated statement of financial position as at April 30, 2019, and the consolidated statements of operations, changes in fund balances and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

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

Other Matters

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements of the University of Prince Edward Island taken as a whole. The supplementary information included on the schedule on Page 21 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

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

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

In preparing the consolidated financial statements, management is responsible for assessing the Organization'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 Organization or to cease operations, or has no realistic alternative but to do so.

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

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

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

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

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

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

Grant Thornton LLP

Charlottetown, Canada
September 19, 2019

Chartered Professional Accountants

University of Prince Edward Island
Consolidated Statement of Operations

Year ended April 30, 2019

	Operating	Research	Post-retirement benefits	Capital assets	Endowment	**2019 Total**	2018 Total
Revenues							
Grants and contracts (Note 17)	$ 64,147,607	$ 11,537,612	$ -	$ 1,062,745	$ -	**$ 76,747,964**	$ 73,483,803
Amortization of deferred revenue				3,481,156		**3,481,156**	3,448,276
Student fees	31,485,603					**31,485,603**	28,907,246
International fees	12,341,738					**12,341,738**	10,680,880
Ancillaries	8,402,561					**8,402,561**	8,234,721
Sales and other revenues	12,887,705					**12,887,705**	12,195,587
Investment income	2,476,316		2,032,232			**4,508,548**	1,640,039
Donations	2,321,620					**2,321,620**	2,315,496
	134,063,150	11,537,612	2,032,232	4,543,901	-	**152,176,895**	140,906,048
Expenditures							
Salaries and benefits	78,240,281	6,409,634				**84,649,915**	79,992,872
Supplies	9,816,829	2,010,387				**11,827,216**	11,583,005
Depreciation	9,115,075					**9,115,075**	9,187,600
Other	3,086,963					**3,086,963**	3,204,460
Utilities	6,332,941					**6,332,941**	5,901,706
Travel	1,974,011	983,763				**2,957,774**	2,786,987
Repairs and maintenance	3,225,167					**3,225,167**	2,642,971
Library subscriptions	1,449,318					**1,449,318**	1,365,365
Post-retirement benefits (Note 9)			6,604,395			**6,604,395**	6,404,721
Externally contracted services and memberships	3,560,626	1,088,613				**4,649,239**	3,923,403
Scholarships and bursaries (Note 17)	9,035,178	47,407				**9,082,585**	6,048,874
Interest				1,730,103		**1,730,103**	1,824,068
	125,836,389	10,539,804	6,604,395	1,730,103	-	**144,710,691**	134,866,032
Excess of revenues over expenditures before inter-fund transfers	$ 8,226,761	$ 997,808	$ (4,572,163)	$ 2,813,798	$ -	**$ 7,466,204**	$ 6,040,016

See accompanying notes to the consolidated financial statements.

University of Prince Edward Island
Consolidated Statement of Changes in Fund Balances
Year ended April 30, 2019

	Operating	Research	Post-retirement benefits	Capital assets	Endowment	**2019 Total**	2018 Total
Fund balance, beginning of year	$ 4,990,874	$ 3,543,478	$ (14,620,428)	$ 62,397,639	$ 35,745,077	**$ 92,056,640**	$ 81,070,397
Excess revenue (expenditure) before Inter-fund transfers	8,226,761	997,808	(4,572,163)	2,813,798	-	**7,466,204**	6,040,016
Re-measurement and other adjustments (Note 9)	-	-	(2,050,506)	-	-	**(2,050,506)**	1,317,591
Endowment additions	-	-	-	-	4,826,213	**4,826,213**	3,628,636
Inter-fund transfers (Note 16)	(7,634,965)	(1,287,067)	7,442,072	1,479,960	-	**-**	-
Fund balances, end of year	$ 5,582,670	$ 3,254,219	$ (13,801,025)	$ 66,691,397	$ 40,571,290	**$102,298,551**	$ 92,056,640
					(Note 15)		

See accompanying notes to the consolidated financial statements.

University of Prince Edward Island
Consolidated Statement of Financial Position

April 30, 2019

	Operating	Research	Post-retirement benefits	Capital assets	Endowment	**2019 Total**	2018 Total
Assets							
Current - Cash and cash equivalents	$ 24,713,513	$ -	$ -	$ -	$ -	**$ 24,713,513**	$ 24,152,397
- Receivables (Note 3)	4,701,886	2,801,540		146,781		**7,650,207**	6,518,122
- Inventory and other	2,169,986			76,877		**2,246,863**	1,272,421
	31,585,385	2,801,540	-	223,658	-	**34,610,583**	31,942,940
Investments (Note 4)	28,617,693		24,506,161	14,102,420	40,571,290	**107,797,564**	94,455,749
Due from (to) other funds	(10,612,268)	6,529,486		4,082,782		**-**	-
Capital assets (Note 5)				197,781,803		**197,781,803**	198,007,718
Intangible assets (Note 6)				4,337,277		**4,337,277**	4,188,597
	$ 49,590,810	$ 9,331,026	$ 24,506,161	$ 220,527,940	$40,571,290	**$ 344,527,227**	$328,595,004
Liabilities							
Current - Payables and accruals (Note 7)	$ 13,391,017	$ 41,997	$ -	$ 414,543	$ -	**$ 13,847,557**	$ 13,023,181
- Current portion of long term debt				3,952,261		**3,952,261**	3,920,158
- Deferred revenue (Note 8)	9,956,723					**9,956,723**	9,355,496
	23,347,740	41,997	-	4,366,804	-	**27,756,541**	26,298,835
Defined benefit liabilities (Note 9)			38,307,186			**38,307,186**	35,878,594
Long term obligations (Note 10)				30,333,085		**30,333,085**	34,283,986
	23,347,740	41,997	38,307,186	34,699,889	-	**96,396,812**	96,461,415
Deferred revenue							
Research contracts		6,034,810				**6,034,810**	6,828,089
Capital assets (Note 12)				119,136,654		**119,136,654**	116,371,632
Other (Note 13)	20,660,400					**20,660,400**	16,877,228
	44,008,140	6,076,807	38,307,186	153,836,543	-	**242,228,676**	236,538,364
Fund balances							
Invested in capital assets				52,588,977		**52,588,977**	51,188,401
Internally restricted - post-retirement benefit			(13,801,025)			**(13,801,025)**	(14,620,428)
Externally restricted - endowments					33,852,627	**33,852,627**	29,230,063
Internally restricted (Note 14)		3,254,219		14,102,420	6,718,663	**24,075,302**	21,267,730
Unrestricted	5,582,670					**5,582,670**	4,990,874
	5,582,670	3,254,219	(13,801,025)	66,691,397	40,571,290	**102,298,551**	92,056,640
	$ 49,590,810	$ 9,331,026	$ 24,506,161	$ 220,527,940	$ 40,571,290	**$344,527,227**	$328,595,004

(Note 15)

On behalf of the Board of Governors

______________________________ Chairman ______________________________ Finance and Audit Chair

See accompanying notes to the consolidated financial statements.

University of Prince Edward Island
Consolidated Statement of Cash Flows

Year Ended April 30, 2019	**2019**	2018
Operating		
Excess of revenue over expenditure before inter-fund transfer	**$ 7,466,204**	$ 6,040,016
Amortization of deferred contributions	**(3,481,156)**	(3,448,276)
Re-measurement and other adjustments	**(2,050,506)**	1,317,591
Unrealized investment (gains) losses	**(1,134,986)**	48,199
Depreciation of capital and intangible assets	**9,115,075**	9,187,600
Change in employee future benefit obligation	**2,428,592**	(1,014,635)
Changes in non-cash operating working capital		
Receivables	**(1,132,085)**	5,881,716
Inventory and other	**(974,395)**	419,753
Payables and accruals	**1,597,290**	466,289
Contributions related to operating	**601,227**	1,559,747
Contributions related tor research	**(793,279)**	291,428
Net cash generated through operating activities	**11,641,981**	20,749,428
Financing		
Contributions related to special purpose funds and endowments, including capitalized investment returns	**7,575,440**	4,180,779
Contributions related to capital assets	**6,246,163**	4,572,539
Excess of investment returns over endowment and special purpose funds	**1,586,472**	(321,346)
Proceeds from long-term obligations	**-**	3,540,000
Principal repayments on long term obligations	**(3,918,798)**	(3,952,862)
Net cash generated through financing activities	**11,489,277**	8,019,110
Investing		
Purchase of capital and intangible assets	**(10,242,807)**	(9,685,163)
Net increase in investments	**(12,327,335)**	(11,706,066)
Net cash used in financing activities	**(22,570,142)**	(21,391,229)
Net increase in cash and cash equivalents	**561,116**	7,377,309
Cash and cash equivalents, beginning of year	**24,152,397**	16,775,088
Cash and cash equivalents, end of year	**$ 24,713,513**	$ 24,152,397

See accompanying notes to the consolidated financial statements.

1. Purpose of the organization

The University of Prince Edward Island is incorporated as an income tax exempt not-for-profit organization with the following mission statement:

> The University, founded on the tradition of liberal education, exists to encourage and assist people to acquire the skills, knowledge and understanding necessary for critical and creative thinking, and thus prepare them to contribute to their own betterment and that of society through the development of their full potential.
>
> To accomplish these ends, the University is a community of scholars whose primary tasks are to teach and to learn, to engage in scholarship and research, and to offer service for the benefit of our Island and beyond.

2. Summary of significant accounting policies

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles using Canadian accounting standards for not-for-profit organizations in Part III of the CPA Canada Handbook.

Principles of consolidation

The consolidated financial statements of the University include the accounts of the Synapse Applied Research and Industry Services Inc., a member corporation, and the University of Prince Edward Island Foundation, (U.S.) Inc. Synapse Applied Research and Industry Services Inc., operates a research support division. The University of Prince Edward Island Foundation, (U.S.) Inc. is an income tax exempt foundation for charitable, scientific, literary or educational purposes.

Fund accounting

The University follows the deferral method of accounting for contributions.

Revenue and expenditure related to program delivery and administrative activities are reported in the operating fund.

Revenue and expenditure related to research activities are reported in the research fund.

Revenue and expenditure related to employee future benefits are reported in the post-retirement benefits fund.

Assets, liabilities, revenue and expenditure, except for depreciation, related to the University's capital assets are reported in capital assets fund.

Endowment donations are reported in the Endowment fund as an increase to the fund balance. The Endowment fund reflects the total resources which have been endowed, either by terms imposed by the benefactors or by the University. Investment income earned on resources of the Endowment fund are reported in the operating fund as deferred revenue and recognized as income in the year in which expenditures are incurred. Principal donations are held in perpetuity and the investment income is used for the purpose specified by the donors.

Cash and cash equivalents

Cash and cash equivalents include cash on hand and balances with banks and other institutions, net of bank overdrafts. Temporary short term borrowings are considered to be financing activities.

2. Summary of significant accounting policies (cont'd)

Inventory

Inventory is valued at the lower of cost and net realizable value, with cost being determined on a first-in, first-out basis.

Revenue recognition

Restricted donations are recognized as revenue of the appropriate fund in the year in which the related expenditures are incurred or related capital asset depreciated. Unrestricted contributions are recognized as revenue of the general fund when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Endowment contributions are recognized as direct increases in net assets when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Restricted investment income is recognized as revenue of the appropriate fund in the year in which the related expenditures are incurred.

Profits from contracts are recognized on the percentage of completion basis. The percentage of completion is determined by relating the actual cost of work performed to date to the current estimated total cost of each contract. Any projected loss is recognized immediately for accounting purposes.

Revenues received without restrictions include tuition fees and sales of services and goods. These amounts are reported as revenue at the same time the services are provided or the goods are sold. Operating grants from governments are also considered unrestricted and are recorded in the period to which the operating funds relate.

Employee benefit plans

The University maintains a defined benefit plan providing pension and other retirement benefits to a number of its employees and faculty. The University's benefit obligation and current service costs are determined based on the employee benefit plans going concern obligation and current service costs as determined based on the last funding valuations and extrapolated to the fiscal year end date. The measurement date of the defined benefit obligations coincides with the University's fiscal year end date and is determined by independent actuaries. Employee benefit plan assets are recorded at their fair values.

The components of the total cost of the University's employee benefit plans include the current service cost (or actuarial present value of benefits attributed to employee services rendered during the period, less employee contributions), finance cost (or net interest on the defined benefit liability), and re-measurements and other items. Re-measurements and other items are recognized directly into net assets in the Consolidated Statement of Changes in Fund Balances, and included the following: actuarial gains and losses, valuation allowances, past service costs, gains and losses on settlements and curtailments, and the difference between the actual returns on plan assets and the return calculated using the discount rate used to determine the defined benefit obligation.

2. Summary of significant accounting policies (cont'd)

Capital assets

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Rates and bases of depreciation applied to write-off the cost of the capital assets over their estimated lives are as follows:

Site improvements	4%,	declining balance
Buildings	2.5%,	declining balance
Furniture and equipment	10%,	declining balance
Computer equipment and motor vehicles	30%,	declining balance
Library materials	10%,	declining balance

Capital asset additions are depreciated at 50% of the regular rate in the year of acquisition. Facilities under construction are not depreciated until they are available for use.

Capital asset deferred revenue is amortized at the same rate of depreciation as the assets it was used to purchase.

An impairment loss is recognized when the carrying amount of a long-lived asset is not recoverable and exceeds its fair value; it is measured as the amount by which the carrying amount of a long-lived asset exceeds its fair value. The carrying amount of a long-lived asset is not recoverable if the carrying amount exceeds the sum of the undiscounted cash flows expected to result from its use and eventual disposition. A long-lived asset is tested for recoverability whenever events or changes in circumstances indicate that its carrying amount may not be recoverable.

Intangible assets

Computer software development expenditure is capitalized only if the directly related costs (both internal and external) can be measured reliably, the product or process is technically feasible, future economic benefits are probable and the University has the intention and sufficient resources to complete development and to use the asset. Computer software assets are derecognized when these factors no longer exist. The capitalized expenditures include the direct cost of materials and labour, but not administrative costs, including training. Other development expenditures are expensed as incurred if they do not meet the prescribed capitalization criteria. Similarly, costs associated with maintaining computer software programs in a functional condition, as originally intended, are expensed as incurred. Development costs previously recognized as an expense are not recognized as an asset in subsequent periods.

Rates and bases of depreciation applied to write-off the cost of the intangible assets over their estimated lives are as follows:

Computer software	25%,	declining balance

2. Summary of significant accounting policies (cont'd)

Financial instruments

The University considers any contract creating a financial asset, liability or equity instrument as a financial instrument, except in certain limited circumstances. The University accounts for the following as financial instruments:

- Cash and cash equivalents
- Receivables
- Investments – actively traded
- Investments – not actively traded
- Payables and accruals
- Long term debt

A financial asset or liability is recognized when the University becomes a party to contractual provisions of the instrument.

The University initially measures its financial assets and liabilities at fair value, except for certain non-arm's length transactions. In the case of a financial asset or liability not being subsequently measured at fair value, the initial fair value will be adjusted for financing fees and transaction costs directly attributable to its origination, issuance, or assumption.

Financial assets and financial liabilities are subsequently measured according to the following methods:

Financial instrument	Subsequent measurement
Cash and cash equivalents	Amortized cost
Receivables	Amortized cost
Investments – actively traded	Fair value
Investments – not actively traded	Fair value; amortized cost
Payables and accruals	Amortized cost
Long term debt	Amortized cost

Derivative financial instruments

The University has entered into several interest rate swap agreements with a chartered bank to reduce interest rate exposure associated with certain long term debt obligations. The agreements have the effect of converting the floating rate of interest on certain debt to a fixed rate. It is the University's policy not to use derivative financial instruments for trading or speculative purposes.

The University designates each interest rate swap agreement as a cash flow hedge of a specifically identified debt instrument. The swap agreements are effective hedges, both at maturity and over the term of the agreement, since the term to maturity, the notional principal amount, and the interest rate of the swap agreements all match the terms of the debt instruments being hedged. The swap agreements involved periodic exchange of payments without the exchange of the notional principal amount upon which the payments are based. The payments are recorded as an adjustment of the interest expense on the hedged debt instrument.

2. Summary of significant accounting policies (cont'd)

In the event that the interest rate swap agreements are terminated or cease to be effective in part or in whole prior to maturity, any associated realized or unrealized gains or losses are recognized in income. In the event a designated hedged debt instrument is extinguished or matures prior to the termination of the related interest rate swap agreement, any realized or unrealized gain or loss is recognized in income.

Donations and pledges

Unrestricted donations are recorded as revenue in the fiscal period in which they are received. Restricted donations are recorded as revenue in the fiscal period in which they are spent. Gifts in kind, including works of art, equipment, investments and library holdings are recorded at fair market value on the date of their donation.

Pledges of donations to be received in future years are not recorded in the consolidated financial statements.

Foreign currency translation

Foreign currency transactions are recorded at the exchange rate in effect at the time of the transaction. Monetary assets and liabilities denominated in foreign currency reported on the Consolidated Statement of Financial Position are recorded at the exchange rate in effect on the consolidated financial statement date. Non-monentary assets and liabilities denominated in foreign currency are recorded at the exchange rate in effect on the transaction date. The market value of long term investments denominated in foreign currency is disclosed in the notes to the consolidated financial statements at the exchange rate in effect on the consolidated financial statement date.

Use of estimates

In preparing the University's consolidated financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenue and expenditure during the period. Significant estimates and assumptions are involved with the calculation of the allowance for doubtful accounts, useful life of capital assets, and accrued liabilities for employee future benefits. Actual results could differ from these estimates. Estimates are regularly reviewed by management and adjusted as required.

3. Receivables

	2019	2018
Operating fund		
Provincial grants	**$ 454,209**	$ 314,027
Sales and services	**607,880**	598,062
Student accounts	**1,261,444**	1,730,650
Student union	**373,301**	-
Other	**2,005,052**	1,474,531
	4,701,886	4,117,270
Capital asset fund	**146,781**	69,139
Research fund	**2,801,540**	2,331,713
	$ 7,650,207	$ 6,518,122

4. Investments

	2019	2018
Operating fund	**$ 28,617,693**	$ 26,243,268
Post-retirement benefits fund		
Health benefit plan	**20,068,141**	16,879,707
Retirement allowances	**3,683,732**	3,622,100
Supplementary retirement benefits	**754,288**	756,359
	24,506,161	21,258,166
Capital asset fund	**14,102,420**	11,209,238
Endowment fund	**40,571,290**	35,745,077
	$107,797,564	$ 94,455,749

Investments summary	2019 Cost	2019 Market	2018 Cost	2018 Market
Equities	**$75,231,505**	**$82,777,423**	$ 66,188,498	$ 72,813,325
Fixed – amortized cost	**517,499**	**524,812**	517,499	525,358
Fixed – fair market value	**24,257,000**	**24,495,329**	21,000,000	21,117,066
Total	**$100,006,004**	**$107,797,564**	$ 87,705,997	$ 94,455,749

5. Capital assets

	Cost	Accumulated depreciation	2019 Net book value	2018 Net book value
Land	$ 986,407	$ -	**$ 986,407**	$ 986,407
Site improvements	14,319,738	6,212,076	**8,107,662**	8,397,950
Buildings	237,053,695	78,348,010	**158,705,685**	157,304,317
Furniture, equipment and vehicles	54,914,727	28,054,036	**26,860,691**	27,941,002
Library materials	12,029,836	8,908,478	**3,121,358**	3,378,042
	$ 319,304,403	$121,522,600	**$ 197,781,803**	$ 198,007,718

6. Intangible assets

	Cost	Accumulated depreciation	2019 Net book value	2018 Net book value
Computer software	$ $7,371,344	$ 3,034,067	**$ 4,337,277**	$ 4,188,597

Computer software expenditures under development as of April 30, 2019 are $7,287,199 (2018 - $5,979,841) at cost.

7. Payables and accruals

	2019	2018
Operating fund		
Trade	**$ 5,334,082**	$ 5,760,999
Accrued payroll	**2,144,027**	1,618,595
Accrued vacation and other leaves	**5,075,561**	4,288,743
Faculty development allowance	**669,267**	568,240
Government remittances	**168,080**	206,240
	13,391,017	12,442,817
Capital asset fund		
Accrued interest	**99,001**	113,754
Construction holdbacks and payables	**315,542**	432,053
	414,543	545,807
Research fund		
Accrued payroll	**41,997**	34,557
	$ 13,847,557	$ 13,023,181

8. Deferred revenue, operating

Operating deferred revenue represents resources for operating purposes received in the current period which relate to a subsequent period. Changes in the deferred revenue balance are as follows:

	2019	2018
Beginning balance	**$ 9,355,496**	$ 7,795,749
Resources received	**8,835,648**	10,113,240
Recognized as revenue	**(8,234,421)**	(8,553,493)
Ending balance	**$ 9,956,723**	$ 9,355,496

9. Pension plan and other employee post-retirement benefits

The University maintains a contributory defined benefit best average pension plan and provides post employment benefits which cover substantially all of its employees.

Annual funding requirements for the pension plan, future retirement allowance, and a health benefit plan are determined by Eckler Ltd. The last acturial valuations completed for the future retirement allowance and the health benefit plan was April 30, 2018 and for the pension plan was April 30, 2019. Funding of supplementary retirement obligations is determined in accordance with conditions of specific agreements.

	2019	2018
Net expense for the University's benefit plans is as follows:		
Pension	**$ 4,042,738**	$ 3,691,400
Other benefit plans		
Health benefits	**2,162,680**	2,131,649
Retirement allowances	**398,977**	581,672
	2,561,657	2,713,321
Expense per statement of operations	**$ 6,604,395**	$ 6,404,721

9. Pension plan and other employee post-retirement benefits (cont'd)

The actuarial present value of benefit obligations and fair value of plan assets recognized in the accompanying statements of financial position as at April 30, 2019 and April 30, 2018 were as follows:

	Pension plan		Post-retirement benefit plans	
	2019	2018	**2019**	2018
Funded status and amounts recognized, end of year				
Fair value of plan net assets	**$ 285,621,411**	$ 263,613,469	**$ -**	$ -
Benefit obligation	**(278,168,000)**	(266,378,031)	**(32,243,186)**	(29,814,594)
Valuation allowance	**-**	-	**-**	-
Shared risk funding agreement	**(13,517,411)**	(3,299,438)	**-**	-
Funded status, end of year	**$ (6,064,000)**	$ (6,064,000)	**$ (32,243,186)**	$ (29,814,594)

	2019	2018
Accrued benefit liability		
Pension plan	**$ (6,064,000)**	$ (6,064,000)
Other benefit plans	**(32,243,186)**	(29,814,594)
Liability per statement of financial position	**$ (38,307,186)**	$ (35,878,594)

	2019	2018
Re-measurement and other adjustments		
Actuarial loss on assets	**$ (694,783)**	$ (2,409,861)
Actuarial (loss) gain on liabilities	**(1,355,723)**	3,727,452
	$ (2,050,506)	$ 1,317,591

Shared risk funding agreement pension plan

Effective October 1, 2016, the University entered into an agreement with the faculty association and unions of the University to adopt a shared risk model relating to the pension plan obligation. At September 30, 2016, the deficit in the pension plan was actuarially determined to be $10,039,000 which would be funded by both the University and the faculty association and unions. The University's portion of this deficit at September 30, 2016, was determined to be $6,475,000 and would be funded over 15 years through employer contributions to the plan.

The Sponsor Board will determine the funding of pension plan deficits or the use of fund surpluses. The Sponsor Board is made up of representatives from the University, faculty association and the unions. The employees and the University will have one vote each with no provision for a tie breaker, with all decisions required to be unanimous.

If in the future, the pension plan reports a surplus, the Sponsor Board can decide to reinstate benefits, reduce special deficit contributions, increase benefits or reduce plan risk. In the situations of future deficits, the sponsor board can reduce benefits or fund the deficits on a 50/50 basis between employees and the University.

9. Pension plan and other employee post-retirement benefits (cont'd)

Post-retirement obligations

The pension plan assets are held in trust and are not available for operating purposes of the University. Separate audited financial statements are prepared for the pension plan. The percentage of the fair value of the pension plan's total assets is held in investments as follows:

	2019	2018
Cash and cash equivalents	**1%**	1%
Government and corporate bonds	**23%**	21%
Mortgages	**5%**	5%
Real estate fund	**12%**	12%
Infrastructure fund	**6%**	6%
Equities and mutual funds	**53%**	55%

The significant actuarial assumptions adopted in measuring the University's defined benefit obligations for the pension plan is a discount rate of 5.75% (2018 – 6.00%) and for the future retirement allowances is a discount rate of 5.75% (2018 – 6.00%), expected long term rate of return on plan assets of 5.75% (2018 – 6.0%), and a rate of compensation increase of 3.5% per annum. For the health benefits plan a 5.75% (2018 – 6.0%) discount rate and 3.5% (2018 – 3.5%) rate of compensation increase were assumed. Extended health and drug claims were assumed to increase 5.0% per annum and dental claims were assumed to increase at 4.0% per annum.

Other information about the University's pension plan is as follows:	**2019**	2018
Employer contributions	**$ 4,968,425**	$ 4,737,758
Employee contributions and transfers in	**5,018,213**	5,215,561
Benefits paid and transfers out	**13,284,328**	12,256,452

The health benefit plan liability has been estimated to equal $27,805,166 (2018 - $25,436,157) based on the last actuarial valuation as of April 30, 2019. In 2019, $20,068,141 (2018 - $16,879,707) of investments have been internally allocated to fund this liability.

The University has an obligation to pay lump sum retirement allowances to non-faculty employees who retire after reaching the age of 55 years. The allowances are to a maximum of six month's salary. The total liability has been estimated to equal $3,683,732 as of April 30, 2019, (2018 - $3,622,100) based on actuarial valuation and the rates of funding required for future service as determined by the actuary at that time. Investment assets equal to the full amount of the liability have been internally allocated to fund this liability.

Supplementary retirement obligations amount to $754,288 (2018 - $756,349) and relate to the retirement obligations payable to senior administrators for their terms at the University. Upon termination of the retirement obligations, per the conditions of the agreements, any surplus funds become assets of the University. Investment assets equal to the full amount of the liability have been internally allocated to fund this liability.

10. Long term obligations	2019	2018
Long term obligations funded by the Province of Prince Edward Island:		
7.625% CMHC loan payable $95,597 annually including interest amortized to and maturing in September 2023. As security, a mortgage has been provided on Blanchard Hall. The carrying value of Blanchard Hall is $2,518,100.	**$ 358,450**	$ 423,001
CDOR plus 0.25%, hedged at 5.11%, Bank of Montreal long term loan on Regis and Joan Duffy Research Centre, payable $57,150 quarterly principal plus interest, amortized to 2021 and maturing in 2021.	**457,200**	685,800
CDOR plus 0.25%, hedged at 5.11%, Bank of Montreal long term loan on Duffy Science Centre renovation, payable $56,667 quarterly principal plus interest, amortized to 2021 and maturing in 2021.	**453,333**	680,000
CDOR plus 0.25%, hedged at 5.35% Bank of Montreal long term loan on the Don and Marion McDougall Hall, payable $96,667 quarterly principal plus interest, amortized to 2022 and maturing in 2022.	**1,063,333**	1,450,000
CDOR plus 0.25%, hedged at 5.55%, Bank of Montreal long term loan on the AVC Expansion, payable $33,333 quarterly principal plus interest, amortized to 2023 and maturing in 2023.	**500,000**	633,333
CDOR plus 0.25%, hedged at 5.63%, Bank of Montreal long term loan on core renewal projects payable $103,333 quarterly principal plus interest, amortized to 2023 and maturing in 2023.	**1,653,334**	2,066,667
CDOR plus 0.75%, hedged at 3.71%, Bank of Montreal long term loan on the Knowledge Infrastructure Program, payable in $50,000 quarterly principal plus interest, amortized to 2020 and maturing in 2020.	**250,000**	450,000
CDOR plus 0.75%, hedged at 4.53%, Bank of Montreal long term loan on the Nursing and Applied Human Sciences Building, payable in $179,000 quarterly principal plus interest, amortized to and maturing in 2022.	**2,155,000**	2,871,000

10. Long term obligations (cont'd)

	2019	2018
CDOR plus 0.83%, hedged at 3.06%, Royal Bank long term loan on the Faculty of Sustainable Design Engineering Building, payable in quarterly installments of approximately $246,000 including principal and interest, amortized and maturing in 2036.	**12,461,000**	12,949,000
CDOR plus 0.85%, hedged at 2.68% Royal Bank long term loan on the Artificial Turf Field and Strategic Initiative Fund Projects, payable in $48,583 average quarterly principal payments plus interest over the life of the loan, amortized and maturing in 2038.	**3,851,000**	4,026,000
Other long term obligations:		
CDOR plus 0.25%, hedged at 4.69%, Bank of Montreal long term loan on Blanchard Hall and Bernadine Hall renovations, payable in $54,517 quarterly payments including principal and interest, amortized to 2032 and maturing in 2032, funded by residence operations.	**1,979,513**	2,074,100
CDOR plus 0.25%, hedged at 5.42%, Bank of Montreal long term loan on Bill and Denise Andrew Hall, payable in $208,000 quarterly payments including principal and interest, amortized to 2031 and maturing in 2026, funded by residence operations.	**6,971,183**	7,385,232
CDOR plus 0.75%, hedged at 3.80%, Bank of Montreal long term loan on the AVC Phase III Expansion, payable in $88,000 quarterly payments including principal plus interest, amortized to 2020 and maturing in 2025.	**2,132,000**	2,484,000
Loan repaid during the year	**-**	26,011
	34,285,346	38,204,144
Less: current portion	**3,952,261**	3,920,158
	$ 30,333,085	$ 34,283,986

Annual principal repayments in each of the next five years are due as follows: 2020 - $3,952,261; 2021 - $3,861,719; 2022 - $3,228,346; 2023 - $2,346,803; 2024 - $2,272,959.

11. Interest rate swap agreements

The University has entered into interest rate swap agreements with a chartered bank to manage interest rate exposure associated with certain long term debt obligations. The agreements have the effect of converting the floating rate of interest on certain debt to a fixed rate.

The notional underlying principal value of the interest rate swaps related to debt outstanding at April 30, 2019 was $33,926,896 (2018 - $37,755,132). The University has no plans to sell or terminate the interest rate swap agreements prior to maturity. If the University had terminated these swaps on April 30, 2019, it would have been obligated to incur a payment of $3,332,951 (2018 - $2,823,119), the fair value of the swaps.

12. Deferred revenue, capital assets

Capital assets deferred revenue represents restricted contributions used to purchase buildings, equipment, and site improvements. Changes in the deferred revenue balance are as follows:

	2019	2018
General deferred revenue, capital assets		
Beginning balance	**$ 116,371,632**	$ 115,247,369
Capital grants and donations received	**6,246,178**	4,572,539
Capital grants and donations recognized, net	**(3,481,156)**	(3,448,276)
Ending balance	**$ 119,136,654**	$ 116,371,632

13. Deferred revenue, other

Other deferred revenue represents unexpended investment income on endowment funds and contributions for other specified purposes. The funds are recognized as revenue in the periods the related expenditures are incurred. Changes in the deferred revenue balance are as follows:

	2019	2018
Beginning balance	**$ 16,877,228**	$ 17,470,584
Contributions received	**2,749,112**	552,413
Income earned	**5,310,534**	2,985,309
Recognized as revenue	**(4,276,474)**	(4,131,078)
Ending balance	**$ 20,660,400**	$ 16,877,228
Representing:		
Unexpended investment income on endowment funds (Note 15)	**$ 11,176,400**	$ 9,217,895
Special purpose funds	**9,484,000**	7,659,333
	$ 20,660,400	$ 16,877,228

14. Internal restrictions on fund balances

The following amounts have been restricted by the Board of Governors for specific purposes:

	2019	2018
Capital		
Capital Renovations		
Dalton Hall	**$ -**	$ 1,359,900
Memorial Hall	**-**	296,000
AVC	**3,346,604**	2,629,057
Health Center	**800,000**	-
Robertson Library	**649,242**	660,500
Other projects	**2,506,574**	876,279
	7,302,420	5,821,736
Other Capital		
AVC equipment replacement fund	**2,800,000**	1,800,000
Technology infrastructure fund	**4,000,000**	3,000,000
Technology development fund	**-**	587,502
	6,800,000	5,387,502
Total Capital	**14,102,420**	11,209,238
Endowment	**6,718,663**	6,515,014
Research	**3,254,219**	3,543,478
	$ 24,075,302	$ 21,267,730

15. Restricted funds for scholarships, bursaries, and academic programs

Restricted funds available for scholarship and bursary purposes and for academic programs include both internally and externally restricted endowment fund balances and unexpended endowment investment income recorded as deferred revenue.

	2019	2018
Endowment fund		
Externally restricted	**$ 33,852,627**	$ 29,230,063
Internally restricted	**6,718,663**	6,515,014
	40,571,290	35,745,077
Operating fund		
Deferred revenue, unexpended investment income (Note 13)	**11,176,400**	9,217,895
	$ 51,747,690	$ 44,962,972

16. Inter-fund transfers

	Operating Unrestricted Main Campus	Operating Unrestricted AVC	Research	Post-retirement benefits	Capital assets
Depreciation	$ 6,802,848	$ 2,312,216	$ -	$ -	$ (9,115,064)
Equipment additions	(488,011)	(475,560)	(634,708)		1,598,279
Library materials	(37,038)	(24,634)			61,672
Principal debt repayment	(599,199)	(352,000)			951,199
Internal financing	(5,262,891)	(2,053,156)			7,316,047
Research	161,145	398,812	(559,957)		
Interest repayment	(561,881)	(105,946)			667,827
Post-retirement health benefits	(1,554,447)	(482,316)		2,036,763	
Retirement allowance	(302,408)	(81,663)		384,071	
Pension plan	(3,600,054)	(1,328,782)	(92,402)	5,021,238	
	$ (5,441,936)	$ (2,193,029)	$ (1,287,067)	$ 7,442,072	$ 1,479,960

Inter-fund transfers outline the movement of transactions from the fund balance in which they were paid or originally recognized to the fund balance where they are held for accounting purposes. The inter-fund transfers are consistent with the treatment adopted in prior years.

17. Scholarships

The University received restricted grants to fund scholarships and bursaries from the Province of Prince Edward Island including the George Coles Bursary and Island Student Awards. The total for the year was $4,479,798 (2018 - $1,481,000).

18. Financial assets and liabilities

The following sections describe the University's financial risk exposure and related mitigation strategies:

Credit risk
The University is exposed to credit risk through payment default on its accounts receivable. Exposure to credit risk on accounts receivable is managed through active monitoring and collection practices. A provision for uncollectible accounts has been determined in the amount of $726,377 (2018 - $734,667) based on respective aging of accounts, risk profile of certain accounts and collections subsequent to year end. Receivables written off during the year and adjustments to the allowance for doubtful receivables amount to $49,609 (2018 - $233,159).

Liquidity risk
Liquidity risk is the risk that the University will encounter difficulty in meeting obligations associated with financial liabilities. The University is exposed to liquidity risk arising primarily from trade payables. The University ensures that it has sufficient capital to meet its short and long term financial obligations after taking into account its operations and cash on hand. The University actively maintains a committed credit facility to ensure that it has sufficient available funds to meet current and foreseeable future financial requirements at a reasonable cost.

Market risk
The University invests in publicly traded equities listed on domestic and foreign exchanges, and bonds traded over the counter through broker dealers. These securities are affected by fluctuations in market prices. Such market changes are subject to economic factors and other fluctuations in domestic and global capital markets, as well as risks to issuers, which may affect the market value of the individual securities. Policy guidelines have been established to ensure that the University's investments are diversified by issuer, industry and geographic location.

The University has certain investments denominated in foreign currencies. Currency risk is the risk that the value of these investments will fluctuate due to changes in foreign exchange rates. The University has diversified its foreign portfolio by investing in various foreign currencies.

Interest rate risk
Interest rate risk is the risk that the fair value or the future cash flows associated with a financial instrument will fluctuate due to changes in market interest rates. The University is exposed to interest rate risk on long term debt, which it manages through the use of fixed interest rates and use of interest rate swap agreements.

19. Comparative figures

The comparative figures included in these consolidated financial statements have been restated to conform with the consolidated financial statement presentation adopted for the current year.

University of Prince Edward Island
Consolidated Schedule of Atlantic Veterinary College Operations and Changes in Fund Balance

Year ended April 30, 2019	**2019**	2018
Revenue		
Grants and contracts	**$ 22,349,766**	$ 22,085,335
Student fees	**3,593,355**	3,498,159
International fees	**5,072,515**	5,001,387
Sales and other revenues	**9,470,802**	9,191,749
Investment income	**326,806**	224,928
Donations	**365,919**	455,826
	41,179,163	40,457,384
Expenditure		
Salaries and benefits	**25,269,721**	23,951,170
Supplies	**3,334,682**	3,652,295
Depreciation	**2,312,216**	2,396,610
Other	**1,316,230**	1,367,961
Utilities	**2,700,028**	2,511,285
Travel	**454,288**	442,516
Repairs and maintenance	**947,027**	645,963
Library subscriptions	**445,785**	419,320
Externally contracted services and memberships	**1,508,180**	1,407,866
Scholarships and bursaries	**297,519**	275,770
	38,585,676	37,070,756
Excess of revenue over expenditure before inter-fund transfers	**$ 2,593,487**	$ 3,386,628

Fund balance, beginning of year	**$ 1,824,737**	$ 1,677,613
Excess of revenue over expenditure before inter-fund transfers	**2,593,487**	3,386,628
Inter-fund transfers (Note 16)	**(2,193,027)**	(3,239,504)
Fund balance, end of year	**$ 2,225,197**	$ 1,824,737

University of Prince Edward Island
Consolidated Schedule of Research Operations and Changes in Fund Balances

Year ended April 30, 2019

	Main Campus (2019)	AVC (2019)	Total (2019)	Total (2018)
Revenues				
Deferred revenue, beginning of year	$ 2,511,110	$ 4,316,979	**$ 6,828,089**	$ 6,536,661
Research funds received	7,315,412	3,428,921	**10,744,333**	11,363,192
Deferred revenue, end of year	(3,297,958)	(2,736,852)	**(6,034,810)**	(6,828,089)
	6,528,564	5,009,048	**11,537,612**	11,071,764
Expenditures				
Salaries and benefits	3,952,900	2,456,734	**6,409,634**	6,531,341
Supplies	1,006,193	1,004,194	**2,010,387**	1,856,409
Travel	553,019	430,744	**983,763**	955,461
Externally contracted services and memberships	587,657	500,956	**1,088,613**	615,717
Scholarships and bursaries	27,065	20,342	**47,407**	79,583
	6,126,834	4,412,970	**10,539,804**	10,038,511
Excess of revenue over expenditure before inter-fund transfers	$ 401,730	$ 596,078	**$ 997,808**	$ 1,033,253

	Main Campus (2019)	AVC (2019)	Total (2019)	Total (2018)
Fund balances, beginning of year	$ 2,111,537	$ 1,431,941	**$ 3,543,478**	$ 3,493,383
Excess of revenue over expenditure before inter-fund transfers	401,730	596,078	**997,808**	1,033,253
Inter-fund transfers (Note 16)	(733,267)	(553,800)	**(1,287,067)**	(983,158)
Fund balances, end of year	$ 1,780,000	$ 1,474,219	**$ 3,254,219**	$ 3,543,478

	Main Campus (2019)	AVC (2019)	Total (2019)	Total (2018)
Unspent funds at year end				
Fund balances	$ 1,780,000	$ 1,474,219	**$ 3,254,219**	$ 3,543,478
Deferred revenue	3,297,958	2,736,852	**6,034,810**	6,828,089
	$ 5,077,958	$ 4,211,071	**$ 9,289,029**	$ 10,371,567