



**Mount Saint Vincent University**

**Management Discussion and Analysis  
and  
Financial Statements  
for the year ended  
March 31, 2009**

# **Mount Saint Vincent University**

## **Management Discussion and Analysis**

**For the Year Ended March 31, 2009**

The following explanatory notes are provided in order to assist the reader in interpreting the financial statements for Mount Saint Vincent University for the year ended March 31, 2009.

### **Statement of Operations**

The deficiency, of revenue over expenditures, increased by \$341K over the prior year, to \$1,652,135. To understand how the deficiency arises, a number of factors must be considered:

- The Statement of Operations reflects operating results before inter-fund transfers. Often expenditures are incurred in one fund and paid for by another fund. A prime example of this would be endowed scholarships, bursaries, and awards that are expended out of the Operating Fund but are paid for by transfers from the Endowment Fund income. Note 15 to the financial statements provides a summary of the inter-fund transfers. This is important when looking at results for individual funds because the result can be a deficiency on the Statement of Operations that is then eliminated on the Statement of Changes in Net Assets once the transfers are made.

The Operating Fund, for example reflects a deficiency of \$125K on the Statement of Operations, but actual results for the year provide a small surplus of \$47K, after inter-fund transfers, as shown on the Statement of Net Assets.

- The majority of the overall deficiency is created in the Capital Fund by the difference in two non-cash items - amortization of deferred capital contributions and amortization of capital assets. The net difference is (\$1.19M). Accounting rules require that we defer all external contributions towards capital assets (such as government grant contributions) and amortize them over the life of the related capital assets. Likewise, capital assets are written off or amortized over their useful life.

## ***Revenue***

Total revenue increased \$1.4M or 2.2% over the prior year. The main areas of note are:

- The Operating grant of the University increased by \$1.09M or 6.4%.

This was the first year of the new Memorandum of Understanding (MOU) with the Province, which the Council of Nova Scotia University Presidents signed in 2008. The total increase to base University funding for 2008/09 was 13.7%. The amount of the increase includes funding to compensate for an ongoing tuition freeze for all students.

In addition, the province established a Trust Fund at the end of 2007/08 and transferred funds into the trust to cover an annual NS University Student Bursary with the amounts increasing each year of the three year MOU. In year three, there would also be a small bursary for other Canadian students. For 2007/08 the tuition reduction funding of \$1,252,477 was included in the government grant. For 2008/09, only \$180K was included in government grant to cover the remaining tuition reduction program for summer 2008. The funding for the new NS University Student Bursary program is included under "Donations and Other Grants" as it is income from trust funds.

- Overall Student fees income decreased by \$1.5M or 7.1%. As noted above, student fees were frozen but there was also a tuition reduction (in the form of a bursary) of \$152.20 per unit of credit for Nova Scotia students, the cost of which was netted against tuition revenue. The reduction in 2007/08 was \$100 per unit of credit. The total amount of the credit for 2008/09 was \$1.5M compared to \$970K in the prior year. On-campus undergraduate enrolment declined 8.8% and graduate on-campus enrolment increased 1.34%. International enrolment (students who pay differential fees) increased 3.2% over the prior year while other academic program enrolment declined 1.8%.
- Donations and Other Grants increased by \$1.2M over the prior year as a result of the funding for the new NS University Student Bursary program (\$1.37M) being included. As noted above, this funding was included in government grant revenue in the prior year but, as the funds are now paid from a Trust, they are reflected in Donations and Other Grants.

## ***Expenditures***

Total expenditures increased by \$1.7M or 3.3%. The main areas of note are:

- Salaries and benefits continue to be the largest portion of our expenditures, comprising 66.6% of total expenditures as compared to 67.1% in 2008. The salaries and benefits portfolio increased 2.6% or \$876K over the prior year. The increase in Operating was approximately 1.8% which is primarily related to salary

increases net of savings from unexpected vacancies. Expenditures for salaries and benefits also increased modestly in the special purpose funds based on an increase in project activity.

- Scholarships, awards and bursaries increased by \$65K or 4.2% over the prior year. Student financial aid essentially remained constant despite declining student numbers although a new category of financial aid was added for residence awards.
- Other expenditures increased by \$531K or 10.8% over the prior year. This category of expenditures tends to fluctuate depending on certain aspects and activity levels of research projects and Strategy reserve projects. There were a number of strategic projects underway in 2008/09 that were expended from Operating. (approx \$285K).

### **Statement of Changes in Net Assets**

This statement reflects the net asset position of the University which is \$22.5M as at March 31, 2009. Other points to note:

- As investments are now reflected at market value, there is an annual adjustment through the Statement of Net Assets for any change in market value related to Externally Restricted Endowment assets. Given the volatile market conditions that were experienced in the latter part of the fiscal year, there was a further unrealized loss in market value of \$2.4M.
- The inter-fund transfers are reflected in this statement.
- The appropriation from the Operating Fund in the amount of \$47K was to transfer the Operating surplus for the year to the Strategy Implementation Reserve per Board policy.

### **Statement of Financial Position**

The University remains in a sound financial position at March 31, 2009 with a current ratio of 1.38:1 and a total debt to equity ratio (including all long-term obligations) of 1.36:1. Other points of note:

- The increase in cash and short-term deposits is primarily the result of a prepayment of government grant received on March 31, 2009 in the amount of \$16M. This payment has been included in deferred income as it will be applied in 2010. It is important to note that this was a prepayment of a portion of the operating grant for 2009/10, as established under the MOU with the Province, and was not new funding.
- Investments declined \$2.8M primarily result of the negative market conditions experienced through the latter part of fiscal 2009.

- Capital Asset additions for 2008/09 were \$3.5M including costs for the replacement of the roofs on Seton Academic Centre and a portion of Rosaria Student Centre, the acquisition of land and buildings at 2 Melody Drive from Our Lady of Perpetual Help Church and related betterments to this property.
- Deferred revenue increased \$12.6M or 226% over the prior year. The prepaid government grant increased by \$11.6M. The Province continues to pay a portion of the MOU grant increase for the subsequent year, as a lump sum, on the last day of the current fiscal year.
- Derivatives represent the fair value of the interest rate swaps held by the University with the purpose of effectively fixing interest rates on debt for a longer period while taking advantage of lower variable rate BA loans.
- The University undertook additional long term debt in the amount of \$2.8M to fund the Seton and Rosaria Roof replacements and the acquisition of the property at 2 Melody Drive.



*Excellence • Innovation • Discovery*

## **Mount Saint Vincent University**

**Financial Statements  
for the year ended  
March 31, 2009**



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## AUDITORS' REPORT

To the Board of Governors of  
Mount Saint Vincent University

We have audited the statement of financial position of Mount Saint Vincent University as at March 31, 2009 and the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the University as at March 31, 2009 and the results of its operations, changes in net assets and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Chartered Accountants

Halifax, Canada

June 5, 2009

**MOUNT SAINT VINCENT UNIVERSITY**

## Statement of Financial Position


March 31, 2009

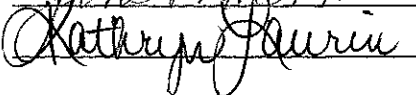
	2009	2008
<b>Assets</b>		
Current assets		
Cash and short-term deposits	\$ 30,119,876	\$ 15,044,317
Accounts receivable -		
Students	316,531	539,438
Government grants	258,263	263,487
Other	1,108,559	1,002,616
Inventory and prepaids	949,406	840,893
	<u>32,752,635</u>	<u>17,690,751</u>
Investments (note 3)	15,565,670	18,402,905
Due from Defined Benefit Retirement Plan for Employees of Mount Saint Vincent University (note 4)	683,200	683,200
Capital Assets (note 5)	28,008,103	26,235,719
	<u>\$ 77,009,608</u>	<u>\$ 63,012,575</u>
<b>Liabilities and Net Assets</b>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 5,184,949	\$ 4,744,350
Current portion of long-term debt (note 6)	346,285	267,953
Current portion of capital lease obligation (note 8)	51,867	48,580
Deferred revenue	18,212,541	5,591,823
	<u>23,795,642</u>	<u>10,652,706</u>
Long-term liabilities:		
Long-term debt (note 6)	13,544,516	11,105,801
Derivatives (note 7)	658,391	231,399
Capital lease obligation (note 8)	41,210	93,077
Deferred Contributions (note 9)	16,434,832	14,558,584
	<u>30,678,949</u>	<u>25,988,861</u>
Net Assets:		
Endowments (note 10)		
Externally restricted	13,998,089	16,361,701
Internally restricted	1,195,060	1,863,525
	<u>15,193,149</u>	<u>18,225,226</u>
Restricted net assets	15,193,149	18,225,226
Equity in capital assets	2,800,279	4,015,005
Capital reserves (note 11)	1,282,665	1,045,278
Unappropriated reserves (note 11)	1,871,929	1,825,340
Internally restricted special purpose funds	1,386,995	1,260,159
	<u>7,341,868</u>	<u>8,145,782</u>
Unrestricted net assets	7,341,868	8,145,782
	<u>22,535,017</u>	<u>26,371,008</u>
	<u>\$ 77,009,608</u>	<u>\$ 63,012,575</u>

**Commitments and Contingencies (note 12)**

See accompanying notes to financial statements

Approved by the Board of Governors

 Governor

 Governor

# MOUNT SAINT VINCENT UNIVERSITY

## Statement of Operations

Year ended March 31, 2009

	Operating	Unappropriated Reserves	Capital	Restricted Special Purpose	Internally Restricted Special Purpose	Internally Restricted Endowments	2009 Total	2008 Total
<b>REVENUE:</b>								
Government grants -								
Operating	\$ 18,086,240	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 18,086,240	\$16,995,008
Restricted	625,471	-	264,513	3,996,359	16,550	-	4,902,893	4,185,129
Student fees	20,296,627	-	182,803	-	-	-	20,479,430	22,034,876
Realized investment income	217,145	-	16,266	12,550	43,184	66,145	355,290	581,858
Unrealized investment loss	-	-	-	-	-	(286,962)	(286,962)	(201,679)
Donations and other grants	1,367,995	-	-	337,230	40,836	-	1,746,061	549,642
Amortization of deferred capital contributions	-	-	597,136	-	-	-	597,136	571,549
Other revenue (note 13)	3,721,947	-	-	299,750	819,547	-	4,841,244	4,661,921
<b>Total Revenue</b>	<b>44,315,425</b>	<b>-</b>	<b>1,060,718</b>	<b>4,645,889</b>	<b>920,117</b>	<b>(220,817)</b>	<b>50,721,332</b>	<b>49,378,304</b>
<b>EXPENDITURES:</b>								
Salaries and employee benefits	31,808,027	-	1,431	2,712,085	342,131	-	34,863,674	33,987,633
Cost of sales	2,171,162	-	-	-	-	-	2,171,162	2,156,289
Travel and moving	825,998	-	-	492,108	137,252	-	1,455,358	1,387,760
Operating supplies	1,222,157	-	-	408,647	181,914	-	1,812,718	1,815,479
Repairs and maintenance	451,761	-	153,462	2,425	-	-	607,648	471,715
Amortization of capital assets	-	-	1,789,971	-	-	-	1,789,971	1,806,562
Utilities	1,896,200	-	-	-	-	-	1,896,200	1,857,181
Interest	700,936	-	7,984	-	-	-	708,920	736,170
Scholarship, awards and bursaries	1,581,563	-	-	50,744	-	-	1,632,307	1,566,789
Other expenditures (note 14)	3,783,185	-	294,340	807,914	550,070	-	5,435,509	4,904,258
<b>Total Expenditures</b>	<b>44,440,989</b>	<b>-</b>	<b>2,247,188</b>	<b>4,473,923</b>	<b>1,211,367</b>	<b>-</b>	<b>52,373,467</b>	<b>50,689,836</b>
<b>Excess (deficiency) of revenue over expenditures</b>	<b>(\$ 125,564)</b>	<b>\$ -</b>	<b>(\$ 1,186,470)</b>	<b>\$ 171,966</b>	<b>(\$ 291,250)</b>	<b>(\$ 220,817)</b>	<b>(\$ 1,652,135)</b>	<b>(\$ 1,311,532)</b>

See accompanying notes to financial statements

# MOUNT SAINT VINCENT UNIVERSITY

## Statement of Changes in Net Assets

Year ended March 31, 2009

	Operating	Unappropriated Reserves	Equity in Capital Assets	Capital Reserves	Restricted Special Purpose	Int restrict. Special Purpose	Internally Restricted Endowments	Externally Restricted Endowments	2009 Total	2008 Total
<b>Balance, beginning of year</b>	\$ -	\$ 1,825,340	\$ 4,015,005	\$ 1,045,278	\$ -	\$ 1,260,159	\$ 1,863,525	\$ 16,361,701	<b>\$ 26,371,008</b>	\$ 27,962,655
Excess (deficiency) of revenue over expenditure	(125,564)	-	(1,186,470)	-	171,966	(291,250)	(220,817)	-	<b>(1,652,135)</b>	(1,311,532)
Endowment contributions	-	-	-	-	-	-	-	143,083	<b>143,083</b>	644,841
Net realized investment income	-	-	-	-	-	-	-	535,110	<b>535,110</b>	776,074
Net unrealized Investment loss	-	-	-	-	-	-	-	(2,435,057)	<b>(2,435,057)</b>	(1,482,631)
Loss on derivatives designated as cash flow hedges	-	-	(426,992)	-	-	-	-	-	<b>(426,992)</b>	(218,399)
Inter-fund Transfers (note 15)	172,153	-	636,123	-	(171,966)	418,086	(447,648)	(606,748)	-	-
Sub-total	46,589	-	(977,339)	-	-	126,836	(668,465)	(2,363,612)	<b>(3,835,991)</b>	(1,591,647)
Appropriations (note 11)	(46,589)	46,589	(237,387)	237,387	-	-	-	-	-	-
<b>Balance, end of year</b>	\$ -	\$ 1,871,929	\$ 2,800,279	\$ 1,282,665	\$ -	\$ 1,386,995	\$ 1,195,060	\$ 13,998,089	<b>\$ 22,535,017</b>	\$ 26,371,008

See accompanying notes to financial statements.

**MOUNT SAINT VINCENT UNIVERSITY**

## Statement of Cash Flows

Year ended March 31, 2009

	2009	2008
Cash provided by (used for):		
Operating activities:		
Deficiency of revenue over expenditure for the year	(\$ 1,652,135)	(\$1,311,532)
Items not involving cash:		
Amortization of capital assets	1,789,971	1,806,562
Amortization of deferred capital contributions	(597,136)	(571,549)
Unrealized investment loss	286,962	201,679
Change in non-cash working capital	13,074,992	3,780,621
	<b>12,902,654</b>	<b>3,905,781</b>
Financing and investing activities:		
Additions to investments	(912,610)	(2,026,147)
Proceeds on disposal of investments	1,027,826	1,334,162
Capital assets acquired	(3,562,355)	(1,486,569)
Principal debt repayment	(282,953)	(231,373)
Principal debt issued	2,800,000	1,606,000
Capital lease obligation repayment	(48,580)	(45,502)
Net increase of deferred contributions	2,473,384	487,414
Endowment net investment income	535,110	776,074
Endowment contributions	143,083	644,841
	<b>2,172,905</b>	<b>1,058,900</b>
Increase in cash and short-term deposits	<b>15,075,559</b>	4,964,681
Cash and short-term deposits, beginning of year	<b>15,044,317</b>	10,079,636
Cash and short-term deposits, end of year	<b>\$ 30,119,876</b>	\$ 15,044,317

**See accompanying notes to financial statements.**

# MOUNT SAINT VINCENT UNIVERSITY

## Notes to Financial Statements

Year ended March 31, 2009

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### 1. Authority and Purpose:

Mount Saint Vincent University “the University” is an organization operating under the authority of the *University Act of Nova Scotia*. The University is known for its small classes, distinctive programs, access to high-quality faculty members and opportunities to be involved in research and community service. The University offers 38 undergraduate degrees in liberal arts and sciences, education, and an array of professional programs including Applied Human Nutrition, Business Administration, Child and Youth Study, Family Studies and Gerontology, Information Technology, Public Relations and Tourism and Hospitality Management. In addition, co-operative education is offered in five of these professional programs and 13 graduate programs build on and enhance undergraduate program strengths. The University is also committed to providing accessible education through its innovative distance learning and continuing education programs. The academic governance of the University is vested in the Senate. The University is a not-for-profit entity governed by a Board of Governors. The University is a registered charity under the Income Tax Act and accordingly is exempt from income taxes, provided certain requirements of the Income Tax Act are met.

### 2. Significant Accounting Policies:

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles and include the following significant accounting policies:

#### a) Fund Accounting:

These financial statements are prepared using the deferral method with the multi-column format for the Statement of Operations and the Statement of Changes in Net Assets.

Revenue and expenditures related to daily operations and administrative activities of the University are reported in the Operating Fund.

The Capital Asset Fund, which includes Capital Reserves, reports the assets, liabilities, revenues and expenditures related to the University's capital assets.

The Unappropriated Reserves are used for specific initiatives as approved by the Board of Governors or through spending policies established by the Board of Governors.

Revenues and expenditures related to fund-raising and research activities are reported in the Internally Restricted Special Purpose and the Restricted Special Purpose Funds.

There are both internally and externally restricted endowments. Internally Restricted Endowments are established through a motion of the Board of Governors. For all endowments, the principal of the fund is preserved and spending levels are determined through the use of a Board approved Endowment Policy.

#### b) Use of estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial position and reported amounts of revenues and expenditures for the year then ended. Actual results could differ from those estimates. The areas that are most subject to estimation and judgement include the amortization periods for capital assets and the accounts receivable allowance for doubtful accounts.

## **MOUNT SAINT VINCENT UNIVERSITY**

### Notes to Financial Statements

Year ended March 31, 2009

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#### **2. Significant Accounting Policies (cont'd):**

##### c) Revenue recognition:

The University follows the deferral method of accounting for contributions, which includes donations and government grants.

The University receives grants and donations from a number of different sources to cover operating, research and capital expenditures. The operating portions of the grants are recorded as revenue in the period to which they relate. The capital portions of grants are recorded as a deferred contribution and amortized into revenue at a rate corresponding with the amortization rate for the related capital assets. When a portion of a grant relates to a future period, it is deferred and recognized in the subsequent period.

Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Externally restricted contributions other than endowment contributions are recognized as revenue in the year in which the related expenses are recognized.

Endowment contributions and re-capitalized investment income are recognized as direct increases in endowment net assets.

Investment income includes dividend and interest income and realized and unrealized investment gains and losses. Unrealized gains and losses on held for trading financial assets are included in investment income and recognized as revenue in the Statement of Operations, deferred or reported directly in the fund balances, depending on the nature of any external restrictions imposed on the investment income.

Revenues from tuition fees, residence fees, contracts and sales are recognized when the services are provided or the goods are sold.

##### d) Contributed services:

Because of the difficulty in determining the fair value, contributed services are not recognized in these financial statements.

##### e) Cash and short-term deposits:

Cash and short-term deposits include petty cash, cash on deposit, and short-term bank indebtedness with financial institutions, and deposits in money market instruments with maturities of three months or less.

##### f) Investments:

Pooled funds are valued based on reported unit values derived from quoted market values in an actively traded market. Short-term securities are valued based on cost plus accrued income, which approximates fair value. Transaction costs are expensed as incurred.

## MOUNT SAINT VINCENT UNIVERSITY

### Notes to the Financial Statements

Year ended March 31, 2009

#### 2. Significant Accounting Policies (cont'd):

##### g) Capital assets:

Purchased capital assets are recorded at cost. Donated capital assets are recorded at fair value at the date of acquisition. Repairs and maintenance costs are charged to expense. Betterments, which extend the estimated life of an asset, are capitalized.

Capital assets are amortized using the following rates. A full year's amortization is taken in the year of acquisition and no amortization in the year of disposal.

Campus Infrastructure	5% declining balance
Buildings	5% declining balance
Furniture and Equipment	10 years straight line
Leased Assets	4 year lease term
Art Collection	Nil
Library Collection	10 years straight line

##### h) Retirement Plan costs and obligations:

The University sponsored a voluntary defined-benefit retirement plan (Plan) until December 31, 1997. As of January 1, 1998, the University converted to a defined contribution plan. No further defined benefits are being accrued under the Plan and no further contributions are being made to the Plan, which is being wound up effective March 31, 2008. See note 4 for further information.

The University's obligations for pension benefits arising from service prior to March 31, 2009 are estimated to be \$37,515,049 (2008 - \$43,902,078) for the defined contribution plan. The value of assets is the market value as at March 31, 2009 which is \$37,515,047 (2008 - \$43,902,078) for the defined contribution plan.

The obligation for the defined benefit plan was actuarially determined using the following assumptions:

Interest rate	4.3% per annum
Inflation rate	2.7% per annum

Benefits paid from the defined benefit plan during the year totalled \$55,409 (2008 - \$49,863).

Pension expense for the year ended March 31, 2009 totalled \$ 1,609,270 (2008 -\$1,580,309).

# MOUNT SAINT VINCENT UNIVERSITY

## Notes to the Financial Statements

Year ended March 31, 2009

i) Derivatives:

Derivative instruments are recorded on the statement of financial position as assets and liabilities and are measured at fair value. Changes in the derivative instruments' fair value are recognized in the statement of operations unless specific hedge accounting criteria are met. Changes in the fair value of effective cash flow hedges are included directly in the fund balances or deferred as appropriate, until the resultant asset, liability or anticipated transaction affects the statement of operations or the fund balances directly, as applicable.

3. Investments:

	2009		2008	
	Cost	Fair Value	Cost	Fair Value
Cash and cash equivalents	\$ 36,041	\$ 36,041	\$ 19,334	\$ 19,334
Pooled equity funds	15,312,823	12,849,060	14,887,219	15,118,191
Pooled fixed income fund units	2,808,944	2,680,569	3,366,473	3,265,380
	<u>\$ 18,157,808</u>	<u>\$ 15,565,670</u>	<u>\$ 18,273,026</u>	<u>\$ 18,402,905</u>

Details of significant terms and considerations, exposures to interest rate and credit risks on investments are as follows:

- (i) The quality of fixed income fund units is supported by federal, provincial and municipal government guarantees or high quality corporate bonds.
- (ii) The fair value of equity securities is exposed to normal market fluctuations. The University mitigates this risk by holding units of a diversified global balanced fund.
- (iii) The income earned on the securities is used to pay scholarships, fund endowed chairs and provide income for operations or other purposes specified by the terms of the endowment. Expenditure levels on these activities are determined based on the Endowment Policy approved by the Board of Governors.

## MOUNT SAINT VINCENT UNIVERSITY

### Notes to the Financial Statements

Year ended March 31, 2009

#### 4. Due from Defined Benefit Retirement Plan for Employees of Mount Saint Vincent University:

On October 23, 1997, the Board of Governors approved the conversion of the defined benefit plan of the University to a defined contribution plan effective January 1, 1998. The Board of Governors' motion provided for \$3.9 million of enhancements to member conversion values with the balance of the surplus in the Plan, net of conversion costs, available to the University for its purposes.

A portion of the surplus has been withdrawn from the Plan over time, first through a pension holiday, and then through a surplus withdrawal. The balance of surplus designated for University purposes, which had not yet been withdrawn from the Plan at March 31, 2009, is presented as a receivable on the balance sheet in the amount of \$683,200 (2008 - \$683,200). Approval has been received from the Superintendent of Pensions to wind-up the defined benefit plan and withdraw any remaining surplus. The actual amount of the surplus withdrawal will differ from the receivable recorded on the Statement of Financial Position, depending on the value of assets at wind-up and the cost to purchase annuities for remaining pension members in the plan. The actuarial valuation submitted as at March 31, 2008 to the Superintendent of Pensions indicated an estimated surplus position of \$582,300. Any difference between the receivable now recorded in these financial statements and the actual surplus withdrawal will be recorded as an adjustment to equity in the 2010 year-end financial statements.

#### 5. Capital Assets:

			2009	2008
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	\$ 1,471,134	\$ -	\$1,471,134	\$ 1,268,634
Campus Infrastructure	856,196	373,524	482,672	508,075
Buildings	51,670,315	28,015,740	23,654,575	21,684,698
Furniture and Equipment	9,174,136	7,707,673	1,466,463	1,778,034
Assets under capital lease	198,077	111,418	86,659	136,178
Art Collection	139,100	-	139,100	139,100
Library Collection	3,001,502	2,294,002	707,500	721,000
	\$66,510,460	\$ 38,502,357	\$28,008,103	\$26,235,719

**MOUNT SAINT VINCENT UNIVERSITY**

## Notes to Financial Statements

Year ended March 31, 2009

**6. Long-Term Debt:**

As at March 31, 2009, the University had principal outstanding, in the amount of \$13,890,801 (2008-\$11,373,754), on long-term debt.

(a) The details of the long term debt are as follows:

	2009	2008
Assisi Residence - 5.375% first mortgage, due 2016, payable in blended, semi-annual payments of \$25,907	\$298,976	\$333,328
Birches Residence- Non-revolving term facility loan by way of banker's acceptance at the BA discount rate plus .38%, renewable quarterly in declining principal amounts which range from \$9,000 to \$32,000, due February, 2031	1,723,000	1,764,000
Meadows - 5.38% first mortgage, due 2012, payable in blended, monthly payments of \$2,700	190,837	212,516
Central Heating Plant - 5.3% credit facility, due 2016, payable in blended, monthly payments of \$7,952	850,529	899,460
Research House - 4.4% first mortgage, due 2010, payable in blended monthly payments of \$822	137,641	141,457
Westwood Residence- 7.25% term loan, due 2034, payable in blended, monthly payments of \$45,763	6,338,818	6,424,993
Evaristus Science Labs/EMF Roof- Non-revolving term facility loan by way of banker's acceptance at the BA discount rate plus .38%, renewable quarterly in declining principal amounts which range from \$8,000 to \$28,000, due October, 2032	1,566,000	1,598,000
2 Melody Dr/Seton Roof- Non-revolving term facility loan by way of banker's acceptance at the BA discount rate plus 1.03%, renewable quarterly in declining principal amounts which range from \$15,000 to \$47,000, due March, 2034	2,785,000	-
	13,890,801	11,373,754

**MOUNT SAINT VINCENT UNIVERSITY**

## Notes to Financial Statements

Year ended March 31, 2008

**6. Long-Term Debt (continued):**

Less current portion of long-term debt	(346,285)	(267,953)
	\$13,544,516	\$11,105,801

In terms of security, the two mortgages are secured by the related building on which the mortgage is placed and the remaining debt is secured by a guarantee from the University.

- (b) The aggregate amount of principal payments required in each of the next five years to meet retirement provisions is as follows:

Year ending March 31,		
	2010	346,285
	2011	496,915
	2012	502,550
	2013	379,995
	2014	401,220

**7. Derivatives:**

The fair value of the interest rate swaps are:

	2009	2008
Birches Residence	\$ 244,520	\$ 62,133
Evaristus Science Labs/EMF Roof	326,586	169,266
2 Melody Dr/Seton Roof	87,285	-
	\$ 658,391	\$ 231,399

The University enters into interest rate swaps to manage the cash flow risk associated with variable rate debt. The University does not have a policy of entering into derivatives for speculative purposes. Interest rate swaps are documented and accounted for as cash flow hedges.

Interest rate swaps have been recorded at fair value as a component of derivatives. The swaps entitle the University to receive interest at a 90day BA rate and pay interest at an effective fixed rate of 5.13% for the Birches Residence, 5.82% for the Evaristus Science Labs/EMF Roof and 4.59% for 2 Melody Dr/Seton Roof.

At March 31, 2009, the notional value of interest rate swaps was equal to the respective loans to which they are associated. The Birches Residence interest rate swap ends on February 3, 2031, the Evaristus Science Labs/EMF Roof interest rate swap ends on October 4, 2032 and the 2 Melody Dr/Seton Roof interest rate swap ends on March 31, 2034.

**MOUNT SAINT VINCENT UNIVERSITY**

## Notes to Financial Statements

Year ended March 31, 2009

**8. Capital Lease Obligation:**

The minimum lease payments for each of the next two years for assets under capital lease are as follows:

Year ending March 31,	2010	\$ 56,744
	2011	42,558
Total before interest costs		99,302
Interest costs included at rate of 6.6%		(6,225)
Balance of lease obligation		93,077
Less current portion of capital lease obligation		51,867
Non-current portion of capital lease obligation		\$ 41,210

**9. Deferred Contributions:**

Deferred contributions related to expenses of future periods for the Restricted Special Purpose Fund represent unspent externally restricted grants and donations for research, special projects and development programs. Deferred capital contributions related to capital assets represent the unamortized amount and unspent amount of donations and grants received for the purchase of capital assets. The amortization of deferred capital contributions is recorded as revenue in the statement of operations.

The balance of unamortized deferred contributions consists of the following:

	Balance beginning of year	Recorded during the year	Reported in revenue	Balance end of year
Special Purpose Fund	\$ 4,353,695	\$ 6,430,487	(\$ 4,645,889)	\$ 6,138,293
Capital Fund	10,204,889	688,786	(597,136)	10,296,539
	\$ 14,558,584	\$ 7,119,273	(\$ 5,243,025)	\$16,434,832

**MOUNT SAINT VINCENT UNIVERSITY**

## Notes to Financial Statements

Year ended March 31, 2009

**10. Endowments:**

Details of year-end balances are as follows:

	Balance beginning of year	Net Change	Balance end of year
<b>Externally Restricted</b>			
Scholarships and Bursaries	\$ 8,153,801	(\$1,201,050)	\$ 6,952,751
Nancy Rowell Jackman Chair in Women's Studies	3,228,264	(340,252)	2,888,012
Lena Isabel Jodrey Fund in In Gerontology	607,944	(103,430)	504,514
Chair in Learning Disabilities	282,566	4,064	286,630
Capital Endowment	2,565,795	(436,540)	2,129,255
Other Endowments	1,523,331	(286,404)	1,236,927
	16,361,701	(2,363,612)	13,998,089
<b>Internally Restricted</b>			
Rosaria Student Centre	848,577	(174,579)	673,998
Development Operations	1,014,948	(493,886)	521,062
	1,863,525	(668,465)	1,195,060
	\$ 18,225,226	(\$ 3,032,077)	\$ 15,193,149

**MOUNT SAINT VINCENT UNIVERSITY**

## Notes to Financial Statements

Year ended March 31, 2009

**11. Capital Reserves and Unappropriated Reserves:**

Details of year-end balances are as follows:

	Balance beginning of year	Net Appropriations/ Changes	Balance end of year
<i>Capital Reserves</i>			
Facilities Renewal	\$ 720,114	\$ 49,487	\$ 769,601
Other Capital Projects	325,164	187,900	513,064
	<u>\$ 1,045,278</u>	<u>\$ 237,387</u>	<u>\$ 1,282,665</u>
<i>Unappropriated Reserves</i>			
Strategy Implementation Reserve	\$ 1,142,140	\$46,589	\$1,188,729
Other Unappropriated Reserve	683,200	-	683,200
	<u>\$ 1,825,340</u>	<u>\$ 46,589</u>	<u>\$ 1,871,929</u>

Capital Reserves are used to fund capital projects, as approved by the Board of Governors or the President, based on specific approval limits.

The Strategy Implementation Reserve was established to fund specific strategic initiatives that are not part of regular operations and approval from the Board of Governors or the President, based on specified approval limits, is required for use of the funds.

The Other Unappropriated Reserve represents the surplus that has yet to be withdrawn from the Defined Benefit Retirement Plan for Employees of Mount Saint Vincent University and is therefore not available for use (see note 4).

## MOUNT SAINT VINCENT UNIVERSITY

### Notes to Financial Statements

Year ended March 31, 2009

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#### 12. Commitments and Contingencies:

##### Operating Leases:

The approximate minimum annual rentals for each of the next five years for leased vehicles and computer equipment are as follows:

Year ending March 31,		
	2010	304,400
	2011	149,580
	2012	9,735
	2013	6,415
	2014	-

##### Insurance Contingency:

##### Reciprocal Exchange of Insurance Risks:

The University participates in a reciprocal exchange of insurance risks in association with fifty-six other Canadian universities through the Canadian Universities Reciprocal Insurance Exchange (CURIE). This self-insurance cooperative involves a contractual agreement to share the insurance property and liability risks of member universities for a term of not less than five years.

The projected cost of claims will be funded through members' premiums based on actuarial projections. As of December 31, 2008, CURIE had an accumulated excess of income over expenses of \$17.7M, of which the University's pro rata share is approximately .50% on an ongoing basis. In addition, the reciprocal has obtained \$995 million re-insurance with commercial insurers to cover major property claims in excess of \$5 million per occurrence. In respect of General Liability, the limit is \$5 million per occurrence. Re-insurance for liability coverage in the amount of \$25 million in excess of \$5 million per occurrence is in place.

In the event premiums are not sufficient to cover claim settlements, the member universities would be subject to an assessment in proportion to their participation.

##### Legal Contingency:

From time to time, the University is involved in litigation or proceedings relating to claims arising out of its operations in the ordinary course of business. It is the opinion of management that the aggregate amount of any potential liability is not expected to have a material adverse effect on the University's financial position or results.

# MOUNT SAINT VINCENT UNIVERSITY

## Notes to Financial Statements

Year ended March 31, 2009

### 13. Other Revenue:

Other revenue includes revenue from bookstore sales, conference operations, parking fees, child study centre fees, athletic membership fees, non-government project funding, and a variety of expenditure recoveries.

### 14. Expenditures:

Other expenditures includes expenditures for library acquisitions, equipment rentals, equipment purchases (non-capital), professional fees, advertising, bank charges, memberships, insurance, property taxes, software and other miscellaneous expenditures.

### 15. Inter-fund Transfers:

All inter-fund transfers are accumulated on one line to eliminate duplicate recording. Inter-fund transfers are necessary when revenues are received or expenditures are incurred in one fund but are directly related to another.

	(Funded By) On Behalf Of					
	Operating	Equity in Capital Assets	Res. Special Purpose	Int. Res. Special Purpose	Internally Restricted Endowments	Externally Restricted Endowments
Capital Expenditures	(\$145,000)	\$205,170	(\$ 60,170)	\$ -	\$ -	\$ -
Endowment Spending	617,465	149,000	54,530	23,040	(111,800)	(732,235)
Endowed Assistantships	(13,000)	-	-	-	-	13,000
Donations/Reallocations	-	-	(113,537)	500	-	113,037
Debt Servicing	(282,953)	282,953	-	-	-	-
Scholarships, Bursaries & Awards	84,303	-	(58,795)	(24,958)	-	(550)
Capital Campaign funding	-	-	-	335,848	(335,848)	-
Other	(88,662)	(1,000)	6,006	83,656	-	-
	\$ 172,153	\$636,123	(\$ 171,966)	\$ 418,086	(447,648)	(\$606,748)

# MOUNT SAINT VINCENT UNIVERSITY

## Notes to Financial Statements

Year ended March 31, 2009

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### 16. Financial Instruments:

#### Financial Risk

Financial risk refers to the impact on the University's cash flows as a result of fluctuations in interest rates and the credit quality of student receivables. The University manages its financial risk as follows:

#### (a) Interest Rate Risk

Interest rate risk is minimized as financing utilizes fixed interest rates or interest rate swaps are entered into to fix interest rates on variable rate mortgages.

#### (b) Credit Risk

The University is exposed to credit-related losses in the event of non-performance by counterparties to financial instruments. Credit exposure is minimized by dealing mostly with creditworthy counterparties such as highly rated financial institutions.

To reduce credit risk with student accounts, the University places restrictions on registering for courses and the issuance of grades and degrees, until payment on account is made. The University also uses third party agencies to collect outstanding receivables.

#### (c) Currency Risk

The University realizes a small portion of its revenue in foreign currencies and is thus exposed to foreign exchange fluctuations. This risk is minimized, where possible, by timing the conversion of such revenue to Canadian dollars based on market conditions. In addition, all foreign currency is reflected in Canadian dollars for financial statement purposes.

#### (d) Fair Value

The fair value of cash and short-term investments, accounts receivable, and accounts payable and accrued liabilities is approximately equal to their carrying values as a result of their short-term maturity. Investments are recorded at fair value as described in notes 2(f) and 3. Long-term debt is approximately equal to the carrying value as the interest rates are constantly re-priced to market.