

Mount Saint Vincent University

**Management Discussion and Analysis
and
Financial Statements
for the year ended
March 31, 2022**

Mount Saint Vincent University
Management Discussion and Analysis
For the Year Ended March 31, 2022

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, 2022.

General Highlights

Statement of Operations

The financial statements reflect an excess of revenue over expenditures of \$1.5M this year compared to an excess of \$3.3M in 2021. To understand the financial results, 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 largest deficiency in the financial statements arises in the Capital Fund as a result of the difference in two non-cash items - amortization of deferred capital contributions and amortization of capital assets. 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.
- Operating Fund results are shown in the Statement of Changes in Net Assets as the sub-total after inter-fund transfers. For the 2022 fiscal year, operations netted an excess of revenue over expenditures in the amount of \$2.2M, which, in accordance with Board policy, has been transferred to the Strategy Implementation Reserve.

Other Highlights

- On March 11, 2020, the outbreak of the novel strain of coronavirus, specifically identified as “COVID-19”, was classified as a global pandemic, which resulted in governments enacting emergency measures to combat the spread of the virus. This initially led to instability in the global markets and resulted in declines in market

value of investments and unrealized and realized investment income.

During the 21/22 fiscal year, the University has experienced the following in relation to the pandemic:

- Volatility in equity markets;
- Negative impacts on enrolment and residence operations as a result of the Omicron wave in January;
- Ongoing negative impacts on ancillary operations including conference, residence and parking although there are substantial improvements over 20/21;
- Reductions in expenditures including utilities, travel and other operational expenditures from pre-pandemic levels but increases in most expenditures from 20/21.

The duration and ongoing impact of the COVID-19 pandemic is unknown currently, as is the efficacy of the government's interventions.

- Despite the pandemic, the University experienced a 3.8% increase in enrolment that contributed to the positive financial results for the year.

The following are explanations of the key changes within the financial statements from fiscal 2021 to fiscal 2022:

Revenue

Total revenue increased by \$6M or 9.0% over the prior year. The main areas of note are:

- The annual provincial operating funding of the University increased by \$208K or 1%. Last year the University received a special grant allocation from the Province in the amount of \$1.458M to offset the negative impacts of COVID-19 on the University with no similar contribution in 2022.
- Restricted government grant funding increased by \$1.8M primarily due to increased restricted special purpose funding as project activity resumed after a period of hiatus during the start of the pandemic.
- Overall, student fees income increased by \$4.7M or 15.5%. Tuition fees increased by 3% as permitted under the Memorandum of Understanding with the Province and enrolment increased by 3.8% in response to continued growth in international students. The combined impact on tuition revenue was a positive increase of \$2.5M. Residence and meal plan fee revenue from students increased \$2.0M from the prior year as a result of occupancy in residence rising to 73% versus 25% in the prior year when a drop occurred in response to the pandemic.

Undergraduate enrolment increased 1.5% over the prior year, while BEd enrolment increased by 3.7%. Overall, graduate enrolment increased by 15.3% over the prior

year, primarily as a result of increased international graduate student enrolment. International enrolment (students who pay differential fees) increased 9.9% over the prior year. As noted above, the increase is attributable in large part to growth in students from the Indian sub-continent as a result of an agent agreement. Growth was also experienced from other international locations including Nigeria and Vietnam.

- Other revenue increased \$1.0M or 52% over the prior year primarily from some recovery in ancillary revenues (+\$430K), Child Study Centre income (+\$169K), Athletics income (+\$151K) and U-PASS program revenue (+\$237K) from the declines experienced in 20/21 as a result of the pandemic.

Expenditures

Total expenditures increased by \$7.8M or 12.3%. The main areas of note are:

- Salaries and benefits continue to be the largest portion of the University's expenditures, comprising 70% of total expenditures as compared to 71% in the prior year. The increase for the year was \$4.9M or 10.9%, which was a combination of annual salary increases offset by savings from unexpected resignations, and other turnover, increased costs following planned reductions in 20/21 as a result of the pandemic and increasing expenditures for salaries in the special purpose funds based on project activity.
- Cost of sales increased by \$823K related to the revenue increases noted earlier in ancillary revenues.
- Operating supplies increased by \$540K or 56.8% over the prior year as staff returned to work on campus and more normalized operations took place.

Statement of Changes in Net Assets

This statement reflects the net asset position of the University, which is \$56.8M as at March 31, 2022. Other points to note:

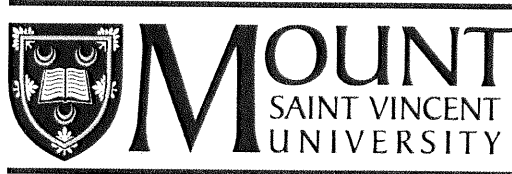
- Net realized investment income increased \$1.2M or 72.4% over the prior year.
- The net unrealized investment gain (loss) declined by \$7.2M as markets finished out the year in a negative downturn. The conflict in Ukraine as well as rapidly rising commodity prices, inflationary pressures and rising interest rates were all factors that contributed to the weakness in the markets.
- The University recorded a positive mark to market adjustment (gain) of \$801K on derivatives designated as cash flow hedges (interest rate swaps) in 21/22 as a result of expectations for rising interest rates.

- The inter-fund transfers are reflected in this statement and more detail is provided in Note 15. Of particular note, the Board of Governors approved the transfer to internally restricted funds of \$1.3M to support the implementation of the Strategic Plan and \$500K to establish an MSVU Indigenous Student Fund, 50% of which was endowed.

Statement of Financial Position

As at March 31, 2022, the financial statements reflect a current ratio of 3.14:1 and a total long-term liabilities to equity ratio (including all long-term obligations) of .85:1. The University has consistently balanced its budget and maintains minimal debt (5.7%) in comparison to the total insured value of buildings and contents of \$260M. Other points of note:

- The increase in cash and short-term deposits of \$2.6M or 7.1% is primarily the result of a positive variance experienced in the Operating fund for the year. The cash balance at March 31st will be used, in part, to meet our short-term liabilities of \$14M and to fund expenditures for deferred contributions for restricted special purpose funds of \$13.1M.
- Investments increased in value by \$885K or 2.5% at year-end based on market conditions.
- Capital asset additions for 21/22 were \$1.1M including \$193K for building upgrades and \$882K for acquisition of science, research, and other equipment. The balance was related to acquisition of library books. Capital asset amortization amounted to \$2.4M.
- Deferred revenue decreased by \$1.8M or 26.8% as a result of project activity undertaken using government funding for digital learning and deferred maintenance that was deferred in the prior year.
- Long-term debt (including current portion) decreased \$667K or 4.3%. No new debt financing was undertaken in 21/22 so the reduction is related solely to principal payments for the year.
- The liability for derivatives was decreased by an \$801K gain as a result of rising interest rates and the related mark to market adjustment for the interest rate swaps utilized for debt financing.
- Deferred capital contributions increased \$2.6M or 8.4% as compared to 20/21. The increase is primarily driven by an increase in restricted project funding in excess of restricted expenditures in the year. There was also the amortization of deferred capital contributions of \$1.2M.



Mount Saint Vincent University

**Financial Statements
for the year ended
March 31, 2022**



KPMG LLP
Purdy's Wharf Tower One
1959 Upper Water Street, Suite 1000
Halifax NS B3J 3N2
Canada
Tel 902-492-6000
Fax 902-429-1307

INDEPENDENT AUDITORS' REPORT

To the Board of Governors of Mount Saint Vincent University

Opinion

We have audited the financial statements of Mount Saint Vincent University (the "Entity"), which comprise:

- the statement of financial position as at March 31, 2022
- the statement of operations for the year then ended
- the statement of changes in 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, 2022, 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.



Page 2

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.



Page 3

- 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.

KPMG LLP

Chartered Professional Accountants

Halifax, Canada

June 23, 2022

MOUNT SAINT VINCENT UNIVERSITY

Statement of Financial Position



March 31,

	2022	2021
Assets		
Current assets		
Cash and short-term deposits	\$ 39,154,765	\$ 36,553,165
Accounts receivable -		
Students	1,110,601	937,179
Government grants	1,437,784	1,139,783
Other	1,009,382	837,238
Inventory and prepaids	1,267,154	1,289,890
	43,979,686	40,757,255
Investments (note 3)	36,680,515	35,795,478
Capital assets (note 4)	38,664,588	39,999,182
	\$ 119,324,789	\$ 116,551,915
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities (note 5)	\$ 8,405,039	\$ 8,279,765
Current portion of long-term debt (note 6)	695,246	666,963
Deferred revenue	4,926,285	6,725,927
	14,026,570	15,672,655
Long-term liabilities:		
Long-term debt (note 6)	14,097,107	14,792,353
Derivatives (note 7)	645,501	1,446,311
Deferred contributions (note 8)	33,753,442	31,127,460
	48,496,050	47,366,124
Net Assets:		
Endowments (note 9)		
Externally restricted	34,485,196	34,477,223
Internally restricted	1,736,033	1,505,986
Restricted net assets	36,221,229	35,983,209
Investment in capital assets	1,051,559	59,526
Capital reserves (note 10)	3,320,286	3,295,176
Unappropriated reserves (note 10)	6,312,412	5,879,662
Internally restricted special purpose funds	9,896,683	8,295,563
Unrestricted net assets	20,580,940	17,529,927
	56,802,169	53,513,136
	\$ 119,324,789	\$ 116,551,915

Commitments and Contingencies (note 11)

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,

	Operating	Unappropriated Reserves	Capital	Restricted Special Purpose	Internally Restricted Special Purpose	Internally Restricted Endowments	2022 Total	2021 Total
REVENUE:								
Government grants -								
Operating	\$ 21,296,600	\$ -	\$ 256,000	\$ -	\$ -	\$ -	\$ 21,552,600	\$ 22,799,700
Restricted	3,163,316	-	2,687	7,749,781	13,387	-	10,929,171	9,138,055
Student fees	34,918,767	-	296,851	-	-	-	35,215,618	30,482,193
Realized investment income	235,640	-	10,000	4,610	37,042	121,166	408,458	300,868
Unrealized investment gain (loss)	-	-	-	-	-	(94,189)	(94,189)	223,786
Donations and other grants	-	-	-	609,594	26,394	-	635,988	699,449
Amortization of deferred capital contributions	-	-	1,223,698	-	-	-	1,223,698	1,237,247
Other revenue (note 12)	2,180,820	-	-	60,080	830,049	-	3,070,949	2,020,442
Total Revenue	61,795,143	-	1,789,236	8,424,065	906,872	26,977	72,942,293	66,901,740
EXPENDITURES:								
Salaries and employee benefits	44,700,696	-	3,938	4,821,369	576,814	-	50,102,817	45,160,121
Cost of sales (note 13)	1,835,504	-	-	-	33,000	-	1,868,504	1,045,572
Travel and moving	333,704	-	-	71,327	24,323	-	429,354	137,112
Operating supplies	806,638	-	39,186	336,719	307,769	-	1,490,312	950,720
Repairs and maintenance	1,498,172	-	136,665	55,586	-	-	1,690,423	1,372,362
Amortization of capital assets	-	-	2,435,065	-	-	-	2,435,065	2,509,404
Utilities	2,079,153	-	-	-	-	-	2,079,153	1,648,555
Interest	768,345	-	-	-	-	-	768,345	804,619
Scholarship, awards and bursaries	3,143,656	-	-	500,730	-	-	3,644,386	3,433,933
Other expenditures (note 14)	4,090,940	-	176,742	2,131,243	525,419	-	6,924,344	6,522,829
Total Expenditures	59,256,808	-	2,791,596	7,916,974	1,467,325	-	71,432,703	63,585,227
Excess (deficiency) of revenue over expenditures	\$ 2,538,335	\$ -	(\$1,002,360)	\$ 507,091	(\$560,453)	\$ 26,977	\$ 1,509,590	\$ 3,316,513

See accompanying notes to financial statements.

MOUNT SAINT VINCENT UNIVERSITY

Statement of Changes in Net Assets

Year ended March 31,

	Operating	Unappropriated Reserves	Investment (Deficiency) in Capital Assets	Capital Reserves	Restricted Special Purpose	Internally Restricted Special Purpose	Internally Restricted Endowments	Externally Restricted Endowments	2022 Total	2021 Total
Balance, beginning of year	\$ -	\$ 5,879,662	\$ 59,526	\$ 3,295,176	\$ -	\$ 8,295,563	\$ 1,505,986	\$ 34,477,223	\$ 53,513,136	\$ 41,549,801
Excess (deficiency) of revenue over expenditures	2,538,335	-	(1,002,360)	-	507,091	(560,453)	26,977	-	1,509,590	3,316,513
Endowment contributions	-	-	-	-	-	-	-	419,863	419,863	631,439
Net realized investment income	-	-	-	-	-	-	-	2,774,367	2,774,367	1,609,432
Net unrealized investment gain (loss)	-	-	-	-	-	-	-	(2,215,597)	(2,215,597)	5,008,954
Gain on derivatives	-	-	800,810	-	-	-	-	-	800,810	1,396,997
Inter-fund transfers (note 15)	(305,585)	(1,800,000)	1,218,693	-	(507,091)	2,161,573	203,070	(970,660)	-	-
Sub-total	2,232,750	(1,800,000)	1,017,143	-	-	1,601,120	230,047	7,973	3,289,033	11,963,335
Appropriations	(2,232,750)	2,232,750	(25,110)	25,110	-	-	-	-	-	-
Balance, end of year	\$ -	\$ 6,312,412	\$ 1,051,559	\$ 3,320,286	\$ -	\$ 9,896,683	\$ 1,736,033	\$ 34,485,196	\$ 56,802,169	\$ 53,513,136

See accompanying notes to financial statements.

MOUNT SAINT VINCENT UNIVERSITY

Statement of Cash Flows

Year ended March 31,

	2022	2021
Cash provided by (used for):		
Operating activities:		
Excess of revenue over expenditures for the year	\$ 1,509,590	\$ 3,316,513
Items not involving cash:		
Amortization of capital assets	2,435,065	2,509,404
Amortization of deferred capital contributions	(1,223,698)	(1,237,247)
Unrealized investment (gain) loss	94,189	(223,786)
Change in non-cash working capital	(2,295,199)	150,291
	519,947	4,515,175
Financing and investing activities:		
Additions to investments	(3,982,119)	(2,895,726)
Proceeds on disposal of investments	787,296	2,114,279
Capital assets acquired	(1,100,471)	(957,908)
Principal payments on long-term debt	(666,963)	(719,841)
Contributions received in the year	12,273,745	8,805,647
Contributions reported in revenue – Special Purpose Fund	(8,424,065)	(6,810,361)
Endowment net investment income	2,774,367	1,609,432
Endowment contributions	419,863	631,439
	2,081,653	1,776,961
Increase in cash and short-term deposits	2,601,600	6,292,136
Cash and short-term deposits, beginning of year	36,553,165	30,261,029
Cash and short-term deposits, end of year	\$ 39,154,765	\$ 36,553,165

See accompanying notes to financial statements.

MOUNT SAINT VINCENT UNIVERSITY

Notes to Financial Statements

Year ended March 31, 2022

1. 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 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, Public Relations and Tourism and Hospitality Management. In addition, co-operative education is offered in three of these professional programs and 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 by management in accordance with Part III of the CPA Canada Handbook, which sets out generally accepted accounting principles for not-for-profit organizations in Canada and includes the significant accounting policies set out below:

a) Fund accounting:

The University follows 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 generally established through a motion of the Board of Governors. For all externally restricted endowments, the principal of the fund is preserved and spending levels are determined through the use of a Board approved Endowment Policy.

MOUNT SAINT VINCENT UNIVERSITY

Notes to Financial Statements

Year ended March 31, 2022

2. Significant Accounting Policies (continued):**b) 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.

c) Contributed services:

Volunteers contribute an undeterminable number of hours each year. Because of the difficulty in determining the fair value, contributed services are not recognized in these financial statements.

d) 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.

e) Investments:

Pooled funds are valued based on reported unit values derived from quoted market values in an actively traded market. Transaction costs are expensed as incurred.

MOUNT SAINT VINCENT UNIVERSITY

Notes to the Financial Statements

Year ended March 31, 2022

2. Significant Accounting Policies (continued):

f) 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
Computer equipment	3 years straight line
Vehicles	5 years straight line
Assets under capital lease	Matched to lease term
Art collection	Nil
Library collection	10 years straight line

Capital assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of an asset to be held and used is measured by a comparison of the carrying amount of an asset to the estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of the asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset.

g) Retirement Plan costs and obligations:

The University's obligations for pension benefits arising from service prior to March 31, 2022 are estimated to be \$87,952,738 (2021 - \$85,048,875) for the defined contribution plan. The value of assets is the market value as at March 31, 2022, which is \$87,952,738 (2021 - \$85,048,875).

Pension expense for the year ended March 31, 2022 totalled \$2,344,433 (2021 - \$2,219,606).

h) Derivative financial instruments:

The University enters into interest rate swaps in order to reduce the impact of fluctuating interest rates on portions of its long-term debt. It is not the University's policy to utilize derivative financial instruments for trading or speculative purposes. These swap agreements require the periodic exchange of payments without the exchange of the notional principal amount on which the payments are based. Interest expense on the debt is adjusted to include the payments made or received under the interest rate swaps.

The University documents all relationships between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. This process includes linking all derivatives to specific portions of long-term debt on the statement

MOUNT SAINT VINCENT UNIVERSITY

Notes to the Financial Statements

Year ended March 31, 2022

2. Significant Accounting Policies (continued):

of financial position. The University also formally assesses, both at the hedge's inception and on an ongoing basis, whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in cash flows of hedged items.

The University designates each interest 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 involve periodic exchange of payments and are recorded as an adjustment of the interest expense on the hedged debt instrument.

Realized and unrealized gains or losses associated with derivative instruments, which have been terminated or cease to be effective prior to maturity that were deferred under other current, or non-current assets or liabilities on the statement of financial position, would be recognized in income 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 realized or unrealized gain or loss of such derivative instrument is recognized in income.

i) Use of estimates

The preparation of financial statements requires management to make estimates and assumptions that affect reported amounts of assets and liabilities, related amounts of revenue and expenses, and disclosure of contingent liabilities at the date of the statement of financial position. 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.

3. Investments:

	2022	2021
Pooled equity funds	\$ 33,176,603	\$ 32,966,511
Pooled fixed income funds	3,503,912	2,828,967
	<u>\$ 36,680,515</u>	<u>\$ 35,795,478</u>

MOUNT SAINT VINCENT UNIVERSITY

Notes to the Financial Statements

Year ended March 31, 2022

3. Investments (continued):

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 within the pooled funds are 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.

4. Capital Assets:

			2022	2021
	Cost	Accumulated amortization	Net book value	Net book value
Land	\$ 1,471,134	\$ -	\$ 1,471,134	\$ 1,471,134
Campus infrastructure	1,261,065	749,044	512,021	538,970
Buildings	83,447,192	49,451,010	33,996,182	35,592,648
Furniture and equipment	14,127,022	12,008,910	2,118,112	1,917,802
Computer equipment	966,590	788,992	177,598	52,142
Vehicles	168,439	159,113	9,326	18,652
Art collection	159,100	-	159,100	159,100
Library collection	3,703,303	3,482,188	221,115	248,734
	\$ 105,303,845	\$ 66,639,257	\$ 38,664,588	\$ 39,999,182

MOUNT SAINT VINCENT UNIVERSITY

Notes to Financial Statements

Year ended March 31, 2022

5. Government Remittances Payable:

Included in accounts payable and accrued liabilities are government remittances payable of \$ 657,986 (2021 - \$640,143).

6. Long-Term Debt:

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

	2022	2021
Birches Residence - Non-revolving term facility loan by way of banker's acceptance at the BA discount rate plus 0.38%, renewable quarterly in declining principal amounts which range from \$9,000 to \$32,000, due February, 2031	\$ 936,000	\$ 1,017,000
Central Heating Plant - 2.31% credit facility, due 2022, payable in blended monthly payments of \$7,401	-	7,363
Research House - 2.29% first mortgage, due 2026, payable in blended monthly payments of \$721	67,331	74,397
Westwood Residence - 7.25% term loan, due 2034, payable in blended monthly payments of \$45,763	4,412,022	4,632,556
Evaristus Science Labs/EMF Roof - Non-revolving term facility loan by way of banker's acceptance at the BA discount rate plus 0.38%, renewable quarterly in declining principal amounts which range from \$8,000 to \$28,000, due October, 2033	947,000	1,011,000
47 College Rd/Seton Roof - Non-revolving term facility loan by way of banker's acceptance at the BA discount rate plus .47%, renewable quarterly in declining principal amounts which range from \$15,000 to \$47,000, due March, 2034	1,716,000	1,823,000

MOUNT SAINT VINCENT UNIVERSITY

Notes to Financial Statements

Year ended March 31, 2022

6. Long-Term Debt (continued):

	2022	2021
Margaret Norrie McCain Centre - Non-revolving term facility loan by way of banker's acceptance at the BA discount rate plus 0.33%, renewable monthly in declining principal amounts which range from \$12,000 to \$36,000, due July, 2046	6,714,000	6,894,000
Less current portion of long-term debt	14,792,353 (695,246)	15,459,316 (666,963)
	\$14,097,107	\$14,792,353

The mortgage is secured by the related building on which the mortgage is placed. 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 is as follows:

Year ending March 31,

2023	695,246
2024	732,179
2025	774,454
2026	816,162
2027	862,413

MOUNT SAINT VINCENT UNIVERSITY

Notes to Financial Statements

Year ended March 31, 2022

7. Derivatives:

The fair value of the interest rate swap contracts are:

	2022	2021
Margaret Norrie McCain Centre	\$ 342,477	\$ 843,903
Birches Residence	87,707	168,454
Evaristus Science Labs/EMF Roof	141,266	232,275
47 College Rd/Seton Roof	74,051	201,679
	<u>\$ 645,501</u>	<u>\$ 1,446,311</u>

Interest rate swaps have been recorded at fair value as a component of derivatives. The swaps entitle the University to receive interest at a 90 day BA rate and pay interest at an effective fixed rate of 3.70% for the McCain Centre, 5.13% for the Birches Residence, 5.82% for the Evaristus Science Labs/EMF Roof and 4.59% for 47 College Rd/Seton Roof.

At March 31, 2022, the notional value of interest rate swaps was equal to the respective loans to which they are associated. The McCain Centre interest rate swap ends on July 6, 2045, 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 47 College Rd/Seton Roof interest rate swap ends on March 31, 2034.

MOUNT SAINT VINCENT UNIVERSITY

Notes to Financial Statements

Year ended March 31, 2022

8. 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:

	Restricted Special Purpose	Capital	2022	2021
Balance, beginning of year	\$9,806,661	\$21,320,799	\$31,127,460	\$30,369,421
Contributions received in the year	11,716,323	557,422	12,273,745	8,805,647
	21,522,984	21,878,221	43,401,205	39,175,068
Reported in revenue	(8,424,065)	(1,223,698)	(9,647,763)	(8,047,608)
Balance, end of year	\$13,098,919	\$20,654,523	\$33,753,442	\$31,127,460

MOUNT SAINT VINCENT UNIVERSITY

Notes to Financial Statements

Year ended March 31, 2022

9. Endowments:

Details of year-end balances are as follows:

	2022	2021
Externally Restricted		
Scholarships and Bursaries	\$ 19,308,526	\$ 19,120,779
The Nancy's Chair in Women's Studies	4,461,774	4,478,970
Lena Isabel Jodrey Fund in Gerontology	927,826	943,773
Gail and Stephen Jarislowsky Chair in Learning Disabilities	3,307,416	3,364,329
Capital Endowment	3,907,970	3,975,130
Other Endowments	2,571,684	2,594,242
	34,485,196	34,477,223
Internally Restricted		
Rosaria Student Centre	1,240,119	1,261,449
Development Operations	184,044	181,416
MSVU Indigenous Student Fund	250,000	-
Other Endowments	61,870	63,121
	1,736,033	1,505,986
	\$ 36,221,229	\$ 35,983,209

MOUNT SAINT VINCENT UNIVERSITY

Notes to Financial Statements

Year ended March 31, 2022

10. Capital Reserves and Unappropriated Reserves:

Details of year-end balances are as follows:

	2022	2021
<i>Capital Reserves</i>		
Facilities Renewal	\$ 744,336	\$ 793,524
Other Capital Projects	2,575,950	2,501,652
	\$ 3,320,286	\$ 3,295,176
<i>Unappropriated Reserves</i>		
Strategy Implementation Reserve	\$ 6,312,412	\$ 5,879,662

The Facilities Renewal Reserve is used to fund capital projects, as approved by the Board of Governors or the President, based on specific approval limits.

The Other Capital Projects Reserve includes carry-forward funds from prior approved capital budgets that will be used for ongoing or new capital initiatives.

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.

MOUNT SAINT VINCENT UNIVERSITY

Notes to Financial Statements

Year ended March 31, 2022

11. Commitments and Contingencies:

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, 2021, CURIE had an accumulated excess of income over expenses of \$106 million, of which the University's pro rata share is approximately 0.50% on an ongoing basis. In addition, the reciprocal has obtained \$1.14 billion (2021 - \$1.245 billion) of re-insurance with commercial insurers to cover major property claims in excess of \$10 million (2021 - \$5 million) per occurrence. In respect of general liability, the limit is \$5 million per occurrence. Re-insurance for general liability coverage in the amount of \$45 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 Contingencies:

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.

12. 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.

13. Cost of Sales:

The amount of inventory expensed during the year was \$744,178 (2021 - \$677,434).

14. Other Expenditures:

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

MOUNT SAINT VINCENT UNIVERSITY

Notes to Financial Statements

Year ended March 31, 2022

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.

Year Ended March 31, 2022		(Funded By) On Behalf Of					
		Unappropriated	Investment (Deficiency) in Capital Assets	Restricted Special Purpose	Internally Restricted Special Purpose	Internally Restricted Endowments	Externally Restricted Endowments
	Operating	Reserves					
Capital expenditures	(\$ 246,479)	\$ -	\$ 410,845	(\$ 65,083)	(\$ 99,283)	\$ -	\$ -
Endowment spending	670,295	-	140,885	288,622	-	(46,930)	(1,052,872)
Endowed assistantships	(13,000)	-	-	-	18,990	-	(5,990)
Debt servicing	(666,963)	-	666,963	-	-	-	-
New Scholars funding	(125,000)	-	-	-	125,000	-	-
Reallocations of Donations	-	-	-	(88,202)	-	-	88,202
Reallocation of							
Project Revenue	-	-	-	(555,627)	555,627	-	-
NSERC Science Chair	(90,000)	-	-	90,000	-	-	-
Strategic Plan							
Implementation	-	(1,300,000)	-	-	1,300,000	-	-
MSVU Indigenous							
Student Fund	-	(500,000)	-	-	250,000	250,000	-
Other Financial Aid							
Funding	169,368	-	-	(167,228)	(2,140)	-	-
Other	(3,806)	-	-	(9,573)	13,379	-	-
	(\$ 305,585)	(\$1,800,000)	\$ 1,218,693	(\$ 507,091)	\$ 2,161,573	\$ 203,070	(\$ 970,660)

16. Financial Instruments:

Financial Risk

On March 11, 2020, the outbreak of the novel strain of coronavirus, specifically identified as "COVID-19", was classified as a global pandemic, which has resulted in governments enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally resulting in an economic slowdown. Global equity and capital markets have also experienced significant volatility. The governments have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions.

MOUNT SAINT VINCENT UNIVERSITY

Notes to Financial Statements

Year ended March 31, 2022

16. Financial Instruments (continued):

During the year, the University has experienced the following in relation to the pandemic:

- Negative impacts on enrolment and residence operations as a result of the Omicron surge in January
- Ongoing negative impacts on ancillary operations including conference, residence and parking
- Reductions in expenditures including utilities, travel and other operational expenditures

The duration and impact of the COVID-19 pandemic is unknown currently, as is the efficacy of the government's interventions.

Further, the University has implemented procedures including employee education and increased sanitization, as well as having employees working remotely when possible. The duration of the outbreak and economic impacts are uncertain and there may be impacts in the future on the University's operations, value of investments and cash flows. This increases the level of risk around financial instruments and the University is actively monitoring and managing the situation.

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 receives 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

MOUNT SAINT VINCENT UNIVERSITY

Notes to Financial Statements

Year ended March 31, 2022

16. Financial Instruments (continued):

of such revenue to Canadian dollars based on market conditions.

(d) 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.

(e) Fair Value

The fair value of cash and short-term deposits, 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(e) and 3.

There has been no significant change to any of the above risk exposures during the year.