Mount Saint Vincent University

Management Discussion and Analysis
and
Financial Statements
for the year ended
March 31, 2017

Mount Saint Vincent University

Management Discussion and Analysis

For the Year Ended March 31, 2017

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, 2017.

General Highlights

Statement of Operations

The deficiency of revenue over expenditures is very comparable to the prior year increasing by only $24K to a deficiency of $561K in 2017. 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 16 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 contributor to the overall 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 2017 fiscal year, operations netted an excess of revenue over expenditures in the amount of $107K, which, in accordance with Board policy, has been transferred to the Strategy Implementation Reserve.

Other Highlights

- In 2015/16, the Province provided an opportunity for Nova Scotia universities to increase their undergraduate tuition by a market adjustment above the 3% cap established in the Memorandum of Understanding, which could be implemented over a four-year period (including 2015/16). In December of 2015, the Mount Board of Governors approved an increase of $21 per undergraduate course with a similar increase for international differential fees, to take effect starting in September, 2016, and to be implemented in each of three years (16/17, 17/18, & 18/19). This increase equated to just over 3%.

- On March 2, 2017, the Mount Board of Governors approved a major renovation project for the 2 Melody Drive building with a total budget of $6.4M. The building, which will become a new Research and Diagnostic Centre, is being funded, in part, through federal and provincial government contributions ($2.6M) under the federal Strategic Investment Fund with the balance from a combination of fund-raising, research funding and debt financing. The project got underway in March 2017 with $360K in costs incurred in this fiscal year, of which $295K are included in capital assets as Construction in Progress. $986K in government funding was received in the fiscal year for this project with $257K recorded in deferred contributions, $721K record in deferred revenue until earned, and the balance recorded in income. The Project is scheduled for completion by April 30, 2018.

The following are explanations of the key changes within the financial statements from fiscal 2016 to fiscal 2017:

Revenue

Total revenue increased $1.2M or 2.0% over the prior year. The main areas of note are:

- The total provincial operating funding of the University increased by $201K or 1%.

- Restricted government grant revenue increased by $537K or 9.52%. Capital Fund grant income was $107K lower than last year related to Excellence and Innovation funding from the Province for the E. Margaret Fulton Learning Commons and the International Education Centre projects, which have been ongoing for the past few years and are almost complete. Operating grant income was $187K lower last year for the NS University Student Bursary Program funding from the Province related to the decline in enrolment experienced by the University. The remaining difference is the result of normal fluctuations based on project activity in the Special Purpose Funds.

- Overall student fees income increased by $75K or .28%. As with other universities in the Province, the University increased its tuition by 3%, which was the cap set by the provincial government for undergraduate fees. In addition, as explained above, an additional market adjustment was implemented in September 2016 of just over 3%.

  Revenue from the tuition increases was offset by an overall 4.4% decrease in enrolment from the prior year. Undergraduate enrolment decreased 2.8% over the prior year, resulting in a net revenue increase of $427K. BEd tuition revenue decreased by $75K with enrolment decreasing by 6.7%. Overall graduate enrolment declined by 12.4% or $401K. International enrolment (students who pay differential fees) decreased 7.1% over the prior year with a net revenue decline of $19K. Residences were 93% full during the year compared to 99% in the prior year.

- Donations and other grants decreased $305K or 32.7%. Donations do tend to fluctuate based on fund-raising activities each year and restricted donations that are not spent in the year are included in deferred contributions.

- Other revenue increased $558K, primarily as a result of increased Conference Services revenue ($280K) and increased revenue on international projects ($319K).

Expenditures

Total expenditures increased by $1.2M or 2.0%. The main areas of note are:

- Salaries and benefits continue to be the largest portion of the University's expenditures, comprising 68.3% of total expenditures as compared to 68.1% in 2016. This is a combination of annual salary increases and required salary accruals offset by savings from unexpected resignations and other turnover. Expenditures for salaries fluctuate in the special purpose funds based on project activity.

- Repairs and maintenance expenditures increased by $228K or 13.0%. These expenditures tend to fluctuate from year to year depending on the nature of projects undertaken by Facilities Management. $396K was incurred on renovations to the Seton Academic Centre Auditorium as part of the McCain Centre Project, which provided for retrofit to several other spaces on campus.

- Other expenditures increased $180K or 4.2% over the prior year primarily as the result of an increase in Restricted Special Purpose Fund expenditures of $262K. The largest source of that increase was related to international project activity.

Statement of Changes in Net Assets

This statement reflects the net asset position of the University which is $39M as at March 31, 2017. Other points to note:

- Net unrealized investment income increased $2.9M or 164% over the prior year as markets improved following a significant decline in the prior year.

- The University recorded a positive mark to market adjustment of $760K on derivatives designated as cash flow hedges (interest rate swaps) in 16/17 as a result of upward pressure on interest rates. This followed several years of negative mark to market adjustments.

- The inter-fund transfers are reflected in this statement and more detail is provided in Note 16.

- The Operating excess of revenue over expenditures for the University is indicated in column one of the Statement of Changes in Net Assets, after the inter-fund transfers, as $107K. This amount has been transferred to the Strategy Implementation Reserve in accordance with Board policy. The Board of Governors also approved a $500K transfer from the Strategy Implementation Reserve to the Facilities Renewal Reserve (Capital Reserve), which is reflected in the appropriations line.

Statement of Financial Position

The University remains in a sound financial position at March 31, 2017 with a current ratio of 2.59:1 and a total long-term liabilities to equity ratio (including all long-term obligations) of 1.21:1. The University has consistently balanced its budget and maintains minimal debt (8.6%) in comparison to the total insured value of buildings and contents of $212M. Other points of note:

- The increase in cash and short-term deposits of $2.2M or 11.3% is primarily the result of restricted project funding that has been received but not yet spent, including approximately $1M in project funding received just prior to year-end.

- Investments increased in value by $1.9M as the result of the improved market conditions noted earlier.

- Capital asset additions for 2016/17 were $879K including $296K in costs for the 2 Melody Drive Renovation project, $136K for the Evaristus roof replacement, $143K in computer equipment as well as acquisition of library books and furniture and equipment through research infrastructure projects and other initiatives. Capital asset amortization amounted to $2.5M.

- Accounts payable decreased $1.4M over the prior year (-19.8%). This category tends to fluctuate from year to year depending on timing of payments before and after year-end. The largest portion of the decrease was related to a reduction in year-end salary accruals because the last pay in March fell on March 31st requiring no accrual. Last year 9 days of salary accrual was required.

- Deferred revenue increased by $1.5M or 99.3% as a result of the Strategic Investment Fund contributions that were not earned by year-end in the amount of $721K and $974K in provincial funding received in March for a project to conduct psychology assessments in the Province's schools.

- Long-term debt (including current portion) decreased 608K or 3.2%. No new debt financing was undertaken in 16/17 and principal payments for the year totaled $608K.

- The liability for derivatives was reduced by a $750K 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 $739K or 2.8% as compared to 2015/16. The increase is primarily driven by new restricted income of $7.2M for grant projects in progress and donations received but not yet spent. This was offset by the amortization of deferred capital contributions of $1.23M and special purpose funding recognized in revenue totaling $5.2M.

Mount Saint Vincent University

Financial Statements
for the year ended
March 31, 2017

KPMG

KPMG LLP
Suite 1500 Purdy's Wharf Tower 1
1959 Upper Water Street
Halifax NS B3J 3N2
Canada

Telephone (902) 492-6000
Telefax (902) 492-1307
Internet www.kpmg.ca

INDEPENDENT AUDITORS' REPORT

To the Board of Governors of Mount Saint Vincent University

We have audited the accompanying financial statements of Mount Saint Vincent University, which comprise the statement of financial position as at March 31, 2017, the statements of operations, changes in net assets and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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.

Auditors' Responsibility

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Mount Saint Vincent University as at March 31, 2017, and its results of operations, changes in net assets and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants
June 22, 2017
Halifax, Canada

MOUNT SAINT VINCENT UNIVERSITY

Statement of Financial Position

March 31,

	2017	2016
Assets		
Current assets		
Cash and short-term deposits	**$ 21,922,663**	$ 19,695,353
Accounts receivable -		
Students	**174,215**	254,277
Government grants	**445,717**	372,325
Other	**821,078**	930,304
Inventory and prepaids	**885,335**	867,499
	24,249,008	22,119,758
Investments (note 3)	**29,217,337**	27,349,080
Capital assets (note 4)	**41,830,667**	43,448,300
	$ 95,297,012	$ 92,917,138
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities (note 5)	**$5,738,495**	$ 7,150,942
Current portion of long-term debt (note 6)	**632,295**	608,323
Deferred revenue	**2,992,892**	1,502,011
	9,363,682	9,261,276
Long-term liabilities:		
Capital lease obligations (note 7)	**28,513**	46,713
Long-term debt (note 6)	**17,521,703**	18,153,998
Derivatives (note 8)	**2,120,254**	2,880,234
Deferred contributions (note 9)	**27,361,121**	26,622,427
	47,031,591	47,703,372
Net Assets:		
Endowments (note 10)		
Externally restricted	**27,791,377**	25,882,340
Internally restricted	**1,311,597**	1,230,986
Restricted net assets	**29,102,974**	27,113,326
Deficiency in capital assets	**(112,557)**	(299,633)
Capital reserves (note 11)	**2,167,747**	1,800,216
Unappropriated reserves (note 11)	**3,557,675**	3,951,096
Internally restricted special purpose funds	**4,185,900**	3,387,485
Unrestricted net assets	**9,798,765**	8,839,164
	38,901,739	35,952,490
	$ 95,297,012	$ 92,917,138

Commitments and Contingencies (note 12)

See accompanying notes to financial statements

Approved by the Board of Governors

M. Jellerellaliwod Governor

Ramona Lumpkin 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	**2017 Total**	2016 Total
REVENUE:								
Government grants -								
Operating	$ 20,272,900	$ -	$ 244,000	$ -	$ -	$ -	**$ 20,516,900**	$ 20,315,898
Restricted	2,607,745	-	145,238	3,422,743	-	-	**6,175,726**	5,639,109
Student fees	25,963,416	-	240,359	-	-	-	**26,203,775**	26,130,606
Realized investment income	130,156	-	10,047	5,115	25,298	69,346	**239,962**	242,441
Unrealized investment gain (loss)		-	-	-	-	52,620	**52,620**	(84,381)
Donations and other grants	-	-	-	578,860	47,083	-	**625,943**	930,623
Amortization of deferred capital contributions	-	-	1,230,013	-	-	-	**1,230,013**	1,265,934
Other revenue (note 13)	3,203,940	-	15,000	1,206,650	830,588	-	**5,256,178**	4,697,801
Total Revenue	52,178,157	-	1,884,657	5,213,368	902,969	121,966	**60,301,117**	59,138,031
EXPENDITURES:								
Salaries and employee benefits	38,609,366	-	12,945	2,722,340	217,484	-	**41,562,135**	40,646,157
Cost of sales (note 14)	2,218,432	-	-	-	7,752	-	**2,226,184**	2,207,109
Travel and moving	809,988	-	-	750,162	50,327	-	**1,610,477**	1,454,805
Operating supplies	944,805	-	23,776	410,470	192,519	-	**1,571,570**	1,578,133
Repairs and maintenance	1,072,804	-	870,174	42,575	-	-	**1,985,553**	1,757,698
Amortization of capital assets	-	-	2,496,982	-	-	-	**2,496,982**	2,669,591
Utilities	1,992,620	-	-	-	-	-	**1,992,620**	2,109,873
Interest	930,437	-	-	-	-	-	**930,437**	883,802
Scholarship, awards and bursaries	1,884,512	-	-	191,705	-	-	**2,076,217**	2,136,953
Other expenditures (note 15)	2,841,531	-	174,067	1,094,830	300,265	-	**4,410,693**	4,231,139
Total Expenditures	51,304,495	-	3,577,944	5,212,082	768,347	-	**60,862,868**	59,675,260
Excess (deficiency) of revenue over expenditures	$ 873,662	$ -	($ 1,693,287)	$ 1,286	$ 134,622	$ 121,966	**($ 561,751)**	($ 537,229)

See accompanying notes to financial statements

MOUNT SAINT VINCENT UNIVERSITY
Statement of Changes in Net Assets

Year ended March 31,

	Operating	Unappropriated Reserves	Deficiency in Capital Assets	Capital Reserves	Restricted Special Purpose	Internally Restricted Special Purpose	Internally Restricted Endowments	Externally Restricted Endowments	**2017 Total**	2016 Total
Balance, beginning of year	$ -	$ 3,951,096	($ 299,633)	$ 1,800,216	$ -	$ 3,387,485	$ 1,230,986	$ 25,882,340	**$ 35,952,490**	$ 36,809,278
Excess (deficiency) of revenue over expenditures	873,662	-	(1,693,287)	-	1,286	134,622	121,966	-	**(561,751)**	(537,229)
Endowment contributions	-	-	-	-	-	-	-	168,242	**168,242**	154,096
Net realized investment income	-	-	-	-	-	-	-	1,467,814	**1,467,814**	1,774,092
Net unrealized investment gain (loss)	-	-	-	-	-	-	-	1,114,964	**1,114,964**	(1,753,009)
Gain (loss) on derivatives	-	-	759,980	-	-	-	-	-	**759,980**	(494,738)
Inter-fund transfers (note 16)	(767,083)	-	987,914	-	(1,286)	663,793	(41,355)	(841,983)	**-**	-
Sub-total	106,579	-	54,607	-	-	798,415	80,611	1,909,037	**2,949,249**	(856,788)
Appropriations	(106,579)	(393,421)	132,469	367,531	-	-	-	-	-	-
Balance, end of year	$ -	$ 3,557,675	($ 112,557)	$ 2,167,747	$ -	$ 4,185,900	$ 1,311,597	$ 27,791,377	**$ 38,901,739**	$ 35,952,490

See accompanying notes to financial statements.

MOUNT SAINT VINCENT UNIVERSITY

Statement of Cash Flows

Year ended March 31,

	2017	2016
Cash provided by (used for):		
Operating activities:		
Deficiency of revenue over expenditures for the year	**($ 561,751)**	($ 537,229)
Items not involving cash:		
Amortization of capital assets	**2,496,982**	2,669,591
Amortization of deferred capital contributions	**(1,230,013)**	(1,265,934)
Unrealized investment (gain) loss	**(52,620)**	84,381
Change in non-cash working capital	**176,494**	(301,080)
	829,092	649,729
Financing and investing activities:		
Additions to investments	**(2,006,723)**	(2,101,570)
Proceeds on disposal of investments	**1,306,050**	825,467
Capital assets acquired	**(879,349)**	(2,237,566)
Principal payments on long-term debt	**(608,323)**	(662,668)
Issuance of long-term debt	**-**	7,845,171
Capital lease obligation payments	**(18,200)**	(17,579)
Contributions received in the year	**7,182,075**	6,530,892
Contributions reported in revenue – Special Purpose Fund	**(5,213,368)**	(4,557,252)
Endowment net investment income	**1,467,814**	1,774,092
Endowment contributions	**168,242**	154,096
	1,398,218	7,553,083
Increase in cash and short-term deposits	**2,227,310**	8,202,812
Cash and short-term deposits, beginning of year	**19,695,353**	11,492,541
Cash and short-term deposits, end of year	**$ 21,922,663**	$ 19,695,353

See accompanying notes to financial statements.

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, 2017

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:

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. 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, 2017

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 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, 2017 are estimated to be $72,679,377 (2016 - $65,554,141) for the defined contribution plan. The value of assets is the market value as at March 31, 2017 which is $72,679,377 (2016 - $65,554,141).

Pension expense for the year ended March 31, 2017 totalled $2,019,753 (2016 - $1,973,627).

h) Derivatives:

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 of

MOUNT SAINT VINCENT UNIVERSITY
Notes to the Financial Statements

Year ended March 31, 2017

2. Significant Accounting Policies (continued):

h) Derivatives:

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. Swap agreements that 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 and disclosure of contingent liabilities at the date of the statement of 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.

3. Investments:

	2017	2016
Pooled equity funds	$ 27,819,281	$ 25,944,512
Pooled fixed income funds	1,398,056	1,404,568
	$ 29,217,337	$ 27,349,080

MOUNT SAINT VINCENT UNIVERSITY
Notes to the Financial Statements

Year ended March 31, 2017

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:

			2017	2016
	Cost	Accumulated amortization	Net book value	Net book value
Land	$ 1,471,134	$ -	$ 1,471,134	$ 1,471,134
Campus infrastructure	1,069,743	599,351	470,392	495,149
Buildings	77,355,022	39,958,174	37,396,848	39,118,609
Furniture and equipment	11,758,858	10,191,736	1,567,122	1,774,983
Computer equipment	488,650	393,102	95,548	-
Vehicles	121,809	66,294	55,515	79,877
Assets under capital lease	409,847	363,134	46,713	64,292
Art collection	159,100	-	159,100	159,100
Library collection	3,463,184	3,190,676	272,508	285,156
Construction in progress	295,787	-	295,787	-
	$ 96,593,134	$ 54,762,467	$ 41,830,667	$ 43,448,300

Construction in progress costs relate to the renovation of the 2 Melody Drive building as a Research and Diagnostic Centre which began in March of 2017 and will be completed prior to April 30, 2018. The total budgeted cost for the project is $6,380,600 which will be funded with approximately $2,628,223 in federal and provincial funding under the Strategic Investment Fund and the balance through a combination of fund-raising, grant contributions and debt financing.

With respect to the project, the University has signed construction contracts of approximately $959,000. The portion that has been committed but unspent as at March 31, 2017 is $763,000.

5. Government Remittances Payable:

Included in accounts payable and accrued liabilities are government remittances payable of $494,448 (2016 - $Nil).

6. Long-Term Debt:

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

	2017	2016
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	$ 1,300,000	$ 1,363,000
Central Heating Plant - 2.31% credit facility, due 2021, payable in blended monthly payments of $7,401	345,732	424,964
Research House - 2.99% first mortgage, due 2021, payable in blended monthly payments of $747	99,912	105,734
Westwood Residence - 7.25% term loan, due 2034, payable in blended monthly payments of $45,763	5,371,263	5,524,908
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, 2032	1,236,000	1,285,000
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	2,205,000	2,290,000

MOUNT SAINT VINCENT UNIVERSITY
Notes to Financial Statements

Year ended March 31, 2017

6. Long-Term Debt (continued):

	2017	2016
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, 2045	7,552,000	7,703,000
Vehicle Loans – Term loans with interest rates ranging from 0% to 2.92% and principal due in blended monthly instalments of $1,918, and with due dates ranging from September, 2017 to December, 2020	44,091	65,715
	18,153,998	18,762,321
Less current portion of long-term debt	(632,295)	(608,323)
	$17,521,703	$18,153,998

The mortgage is secured by the related building on which the mortgage is placed, one vehicle loan is secured by the related vehicle for which the loan was received, and the other vehicle loans are unsecured. 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,

2018	632,295
2019	654,415
2020	695,350
2021	718,615
2022	657,315

MOUNT SAINT VINCENT UNIVERSITY

Notes to Financial Statements

Year ended March 31, 2017

7. Capital Lease Obligation:

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

Year ending March 31,

	2018	19,536
	2019	19,536
	2020	9,768
Total before interest costs		48,840
Interest costs included at rate of 3.48%		(2,127)
Balance of lease obligation		46,713
Less current portion of capital lease obligation included in accounts payable and accrued liabilities		(18,200)
Non-current portion of capital lease obligation		$ 28,513

MOUNT SAINT VINCENT UNIVERSITY
Notes to Financial Statements

Year ended March 31, 2017

8. Derivatives:

The fair value of the interest rate swap contracts are:

	2017	2016
Margaret Norrie McCain Centre	$ 1,171,646	$ 1,677,013
Birches Residence	283,924	354,015
Evaristus Science Labs/EMF Roof	371,484	405,281
2 Melody Dr/Seton Roof	293,200	443,925
	$ 2,120,254	$ 2,880,234

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 2 Melody Dr/Seton Roof.

At March 31, 2017, 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 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, 2017

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:

	Restricted Special Purpose	Capital	2017	2016
Balance, beginning of year	$ 5,010,476	$ 21,611,951	$ 26,622,427	$ 25,914,721
Contributions received in the year	6,370,889	811,186	7,182,075	6,530,892
	11,381,365	22,423,137	33,804,502	32,445,613
Reported in revenue	(5,213,368)	(1,230,013)	(6,443,381)	(5,823,186)
Balance, end of year	$ 6,167,997	$ 21,193,124	$ 27,361,121	$ 26,622,427

MOUNT SAINT VINCENT UNIVERSITY
Notes to Financial Statements

Year ended March 31, 2017

10. Endowments:

Details of year-end balances are as follows:

	2017	2016
Externally Restricted		
Scholarships and Bursaries	$ 14,020,950	$ 12,936,183
The Nancy's Chair in Women's Studies	4,130,493	3,900,845
Lena Isabel Jodrey Fund in Gerontology	835,554	788,569
Gail and Stephen Jarislowsky Chair in Learning Disabilities	2,980,169	2,810,496
Capital Endowment	3,522,374	3,321,596
Other Endowments	2,301,837	2,124,651
	27,791,377	25,882,340
Internally Restricted		
Rosaria Student Centre	1,117,478	1,053,889
Development Operations	140,135	127,939
Other Endowments	53,984	49,158
	1,311,597	1,230,986
	$ 29,102,974	$ 27,113,326

11. Capital Reserves and Unappropriated Reserves:

Details of year-end balances are as follows:

	2017	2016
Capital Reserves		
Facilities Renewal	$ 946,516	$ 680,970
Other Capital Projects	1,221,231	1,119,246
	$ 2,167,747	$ 1,800,216
Unappropriated Reserves		
Strategy Implementation Reserve	$ 3,557,675	$ 3,951,096

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, 2017

12. 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, 2016, CURIE had an accumulated excess of income over expenses of $85 million, of which the University's pro rata share is approximately 0.50% on an ongoing basis. In addition, the reciprocal has obtained $1.245 billion of 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 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.

MOUNT SAINT VINCENT UNIVERSITY
Notes to Financial Statements

Year ended March 31, 2017

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. Inventory Expensed in Cost of Sales:

The amount of inventory expensed during the year was $805,662 (2016 - $844,609).

15. 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.

16. 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, 2017	(Funded By) On Behalf Of						
	Operating	Unappropriated Reserves	Equity in Capital Assets	Restricted Special Purpose	Internally Restricted Special Purpose	Internally Restricted Endowments	Externally Restricted Endowments
Capital expenditures	($ 141,229)	$ -	$ 231,797	($ 10,568)	($ 80,000)	$ -	$ -
Endowment spending	551,527	-	130,215	325,911	15,170	(41,355)	(981,468)
Endowed assistantships	(13,000)	-	-	-	-	-	13,000
Debt servicing	(625,902)	-	625,902	-	-	-	-
New Scholars funding	(60,000)	-	-	-	60,000	-	-
Reallocations of Donations	-	-	-	(113,485)	(13,000)	-	126,485
NSERC Science Chair	(37,500)	-	-	37,500	-	-	-
Market Adj. Revenue	(513,021)	-	-	-	513,021	-	-
Other Financial Aid Funding	116,396	-	-	(110,348)	(6,048)	-	-
Other	(44,354)	-	-	(130,296)	174,650	-	-
	($ 767,083)	$ -	$ 987,914	($ 1,286)	$ 663,793	($ 41,355)	($ 841,983)

17. 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 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 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) 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.

MOUNT SAINT VINCENT UNIVERSITY

Notes to Financial Statements

Year ended March 31, 2017

17. Financial Instruments (continued):

(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. Long-term debt is approximately equal to the carrying value as the interest rates are constantly re-priced to market.

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