# Mount Saint Vincent University

# Management Discussion and Analysis
# and
# Financial Statements
# for the years ended
# March 31, 2013 and March 31, 2012

# Mount Saint Vincent University

## Management Discussion and Analysis

### For the Year Ended March 31, 2013

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, 2013.

**Transition to New Accounting Framework**

Effective April 1, 2012, the University adopted the requirements of the new accounting standards prescribed by the Canadian Institute of Chartered Accountings (CICA) Handbook – Part III - Accounting Standards for Not-for-Profit Organizations (ASNPO). These are the University's first financial statements prepared in accordance with these standards and the transitional provisions have been applied as of the date of transition of April 1, 2011. These transitional provisions require retroactive application of the accounting standards with certain elective exemptions and mandatory exceptions.

The University issued financial statements for the year end March 31, 2012 using generally accepted accounting principles prescribed by the CICA Handbook – Accounting Part V – Pre-changeover Accounting Standards. The adoption of ASNPO did not result in any adjustments to the previously reported assets, liabilities, net assets, excess of revenue over expenditures and cash flows of the University

**Statement of Operations**

The excess of revenue over expenditures increased by $14K over the prior year, to $504K. To understand how the excess 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 17 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 deficiency created in the Capital Fund results primarily from 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.

- In 2009/10 the University recorded the cost of an Early Retirement Incentive Plan for faculty which was a one-time retirement plan (with a cost of $1.237M) implemented in order to create faculty renewal and generate operational savings. It is a self-funding plan that pays for itself through savings on replacement of positions vacated by early retirees. The payback amount for 2012/13 is $507K and is recorded as an interfund transfer to the Unappropriated Reserves. See note 12 and 17 for more information. Including the transfer in 2012/13, the Plan costs have now been fully recovered.

- The University completed the initial Facilities Improvement Program (FIP) initiatives during 2011/12 at a cost of $3.4M. The FIP will reduce the University's carbon footprint and reduce utilities costs. The total net cost of the Facilities Improvement Program is being recovered through annual utility savings generated as a result of the sustainability initiatives undertaken. In 2012/13, the energy savings was estimated at $582K. After applying $166K of the savings for the annual repayment of the Nova Scotia Power Inc efficiency loan, the remaining amount of $416K was transferred to the Capital Fund as payback of the original project costs. The payback is reflected in the interfund transfer schedule in Note 17.

- Operating Fund results are shown in the Statement of Net Assets as the sub-total after inter-fund transfers. For the 2012/13 fiscal year, operations netted excess of revenue over expenditures in the amount of $263K which equates to only .5% of total revenue.

***Revenue***

Total revenue increased $994K or 1.8% over the prior year. The main areas of note are:

- The total provincial funding of the University decreased by $667K or 3.1%. The funding reduction was announced by the government as part of the planned government grant reductions for the University sector, following a 4% grant reduction in the prior year.

- Restricted government grant revenue declined by $494K or 12.9% from changes in research and special purpose funding which tends to fluctuate from year to year based on project activity.

- Overall Student fees income increased by $1.5M or 7.3 %. As with other universities in the province, the Mount increased its tuition by 3%, which was the cap set by the provincial government. On-campus undergraduate enrolment grew 3.6% and international enrolment (students who pay differential fees) increased 20% over the prior year. Graduate on-campus enrolment increased 1.5% and BEd enrolment declined 12.9% as fewer qualified students applied for the program. Across all categories, enrolment increased 2.9% over the prior year.

- Donations and Other Grants increased by $124K over the prior year. $2.3M in donations were recorded as a result of the ongoing success of Project TWENTY12, the funding raising campaign for the new Margaret Norrie McCain Centre for Teaching, Learning and Research however most of those funds have been deferred and will only be recognized as revenue when the funds are expended or transferred to other funds (endowed).

- Other income increased $465K over the prior year or 10.1%. This is another category that tends to fluctuate based on project activity in the research and special purpose funds and new revenue generation opportunities on which there is an active focus. Most of the increase was the result of undertaking two large international consulting projects generating $501K in revenue.

***Expenditures***

Total expenditures increased by $979K or 1.8%. The main areas of note are:

- Salaries and benefits continue to be the largest portion of our expenditures, comprising 69.1% of total expenditures as compared to 69.2% in 2012. The salaries and benefits portfolio increased 1.6% or $601K over the prior year. The increase is primarily related to salary increases and staffing changes. Expenditures for salaries fluctuate in the special purpose funds based on project activity.

- Repairs and maintenance expenditures increased by $143K or 24%. This expenditures does tend to fluctuate depending on the level of capital project activity undertaken in any given year. There were several larger renovation projects undertaken in 12/13.

- Utilities costs increased $131K over the prior year primarily as the result of rising gas prices and a colder winter heating season. Electricity costs also increased as a result of rate increases by NSPI.

**Statement of Changes in Net Assets**

This statement reflects the net asset position of the University which is $30.6M as at March 31, 2013. Other points to note:

- Endowment contributions decreased $189K as compared to the prior fiscal year. This was primarily the result of the fund-raising focus in Project Twenty12 being directed towards raising funds for the new Margaret Norrie McCain Centre for Teaching, Learning and Research.

- Realized investment income increased $112K over the prior year as markets continued to gain ground. Unrealized investment income also increased significantly in the amount of $1.2M.

- The inter-fund transfers are reflected in this statement.

- The Operating excess of revenue over expenditures for the University is indicated in column 1, after the inter-fund transfers, as $263K which is .5% of the total operating revenues – essentially a balanced budget. This small excess has been transferred to the Strategy Implementation Reserve for future use.

**Statement of Financial Position**

The University remains in a sound financial position at March 31, 2013 with a current ratio of 3.16:1 and a total debt to equity ratio (including all long-term obligations) of 1.24:1. The Mount has consistently balanced its budget and maintains minimal debt (8.3%) in comparison to the total insured value of capital assets of $161M. Other points of note:

- The increase in cash and short-term deposits is primarily the result of receipt of $750K in Excellence and Innovation funding from the Province in March of 2013 to be expended in the coming year on a new Library Learning Commons and ongoing fund-raising as part of Project TWENTY12 for the new Margaret Norrie McCain Centre for Teaching, Learning and Research.

- Investments increased in value as the result of the improving market conditions after the market crash in 2008/09.

- Capital Asset additions for 2012/13 were $1.06M including $859K in costs for the new McCain Centre project that began in March of 2013, acquisition of library books and furniture and equipment through research infrastructure projects and other initiatives.

- Accounts payable increased $420K over the prior year. This category tends to fluctuate from year to year depending on timing of payments before and after year-end. Most of the increase related to two large international consulting projects in progress.

- Deferred revenue increased $870K. As noted earlier, $750K in Excellence and Innovation funding was received from the Province in March of 2013 that will be used in the coming year.

- Deferred capital contributions increased $1.7M as compared to 2011/12. The increase is primarily driven by new donations of $2.3M primarily for the new Margaret Norrie McCain Centre for Teaching, Learning and Research raised as part of Project TWENTY12.

# Mount Saint Vincent University

## Financial Statements
## for the years ended
## March 31, 2013 and March 31, 2012

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# 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 statements of financial position as at March 31, 2013, March 31, 2012 and April 1, 2011, the statements of operations, changes in net assets and cash flows for the years 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 audits. We conducted our audits 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 in our audits 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, 2013, March 31, 2012 and April 1, 2011, and its results of operations and its cash flows for the years ended March 31, 2013 and March 31, 2012 in accordance with Canadian accounting standards for not-for-profit organizations.

KPMG LLP

Chartered Accountants
June 27, 2013
Halifax, Canada

# MOUNT SAINT VINCENT UNIVERSITY
Statements of Financial Position

| | **March 31 2013** | March 31, 2012 | April 1, 2011 |
|---|---|---|---|
| **Assets** | | | |
| Current assets | | | |
| Cash and short-term deposits | **$ 21,467,438** | $ 17,568,097 | $ 13,021,118 |
| Accounts receivable - | | | |
| Students | **176,042** | 264,216 | 214,092 |
| Government grants | **284,419** | 203,179 | 1,051,394 |
| Other | **1,420,544** | 1,179,091 | 1,296,200 |
| Inventory and prepaids | **888,911** | 931,351 | 879,194 |
| | **24,237,354** | 20,145,934 | 16,461,998 |
| Investments (note 4) | **21,840,976** | 20,053,178 | 19,450,961 |
| Capital assets (note 5) | **30,181,766** | 30,961,572 | 31,584,601 |
| | **$ 76,260,096** | $ 71,160,684 | $ 67,497,560 |
| **Liabilities and Net Assets** | | | |
| Current liabilities: | | | |
| Accounts payable and accrued liabilities (note 6) | **$ 5,241,805** | $ 4,822,243 | $ 5,527,016 |
| Current portion of long-term debt (note 7) | **588,483** | 566,279 | 507,027 |
| Deferred revenue | **1,844,786** | 974,478 | 908,235 |
| | **7,675,074** | 6,363,000 | 6,942,278 |
| Long-term liabilities: | | | |
| Long-term debt (note 7) | **12,798,797** | 13,387,280 | 13,311,454 |
| Capital lease obligation (note 8) | **17,570** | 58,945 | - |
| Derivatives (note 9) | **983,908** | 879,766 | 226,383 |
| Deferred contributions (note 10) | **24,130,828** | 22,455,714 | 19,976,821 |
| | **37,931,103** | 36,781,705 | 33,514,658 |
| Net Assets: | | | |
| Endowments (note 11) | | | |
| Externally restricted | **21,107,631** | 19,327,792 | 18,575,511 |
| Internally restricted | **1,014,966** | 1,024,518 | 1,131,419 |
| Restricted net assets | **22,122,597** | 20,352,310 | 19,706,930 |
| Equity in capital assets | **2,120,372** | 2,158,812 | 2,705,917 |
| Capital reserves (note 12) | **1,309,403** | 1,363,521 | 1,247,575 |
| Unappropriated reserves (note 12) | **3,198,718** | 2,428,196 | 1,789,362 |
| Internally restricted special purpose funds | **1,902,829** | 1,713,140 | 1,590,840 |
| Unrestricted net assets | **8,531,322** | 7,663,669 | 7,333,694 |
| | **30,653,919** | 28,015,979 | 27,040,624 |
| | **$ 76,260,096** | $ 71,160,684 | $ 67,497,560 |

**Commitments and Contingencies (note 13)**

**See accompanying notes to financial statements**

Approved by the Board of Governors

Sarah Weinot Governor

Ramona Lumpkin Governor

# MOUNT SAINT VINCENT UNIVERSITY

Statements of Operations

Year ended March 31, 2013

| | Operating | Unappropriated Reserves | Capital | Internally Restricted Special Purpose | Restricted Special Purpose | Internally Restricted Endowments | 2013 Total |
|---|---|---|---|---|---|---|---|
| **REVENUE:** | | | | | | | |
| Government grants - | | | | | | | |
| Operating | $ 20,069,004 | $ - | $ 246,000 | $ - | $ - | $ - | **$ 20,315,004** |
| Restricted | 685,938 | - | 13,742 | 2,632,503 | 21,960 | - | **3,354,143** |
| Student fees | 22,254,933 | - | 193,697 | - | - | - | **22,448,630** |
| Realized investment income | 105,617 | - | 10,235 | 6,265 | 87,554 | 47,828 | **257,499** |
| Unrealized investment gain | - | - | - | - | - | 76,501 | **76,501** |
| Donations and other grants | 2,632,963 | - | - | 486,644 | 34,950 | - | **3,154,557** |
| Amortization of deferred capital contributions | - | - | 743,675 | - | - | - | **743,675** |
| Other revenue (note 14) | 3,359,619 | - | 15,000 | 919,211 | 751,122 | - | **5,044,952** |
| **Total Revenue** | 49,108,074 | - | 1,222,349 | 4,044,623 | 895,586 | 124,329 | **$ 55,394,961** |
| **EXPENDITURES:** | | | | | | | |
| Salaries and employee benefits | 35,005,699 | - | 4,222 | 2,723,062 | 200,318 | - | **37,933,301** |
| Cost of sales (note 15) | 2,324,213 | - | - | - | - | - | **2,324,213** |
| Travel and moving | 797,456 | - | - | 522,532 | 98,082 | - | **1,418,070** |
| Operating supplies | 1,107,243 | - | 35,573 | 333,452 | 158,520 | - | **1,634,788** |
| Repairs and maintenance | 546,889 | - | 190,876 | - | - | - | **737,765** |
| Amortization of capital assets | - | - | 1,840,286 | - | - | - | **1,840,286** |
| Utilities | 1,708,832 | - | - | - | - | - | **1,708,832** |
| Interest | 740,810 | - | 2,266 | - | - | - | **743,076** |
| Scholarship, awards and bursaries | 1,613,138 | - | - | 104,557 | - | - | **1,717,695** |
| Other expenditures (note 16) | 3,316,736 | - | 373,501 | 580,725 | 562,278 | - | **4,833,240** |
| Total Expenditures | 47,161,016 | - | 2,446,724 | 4,264,328 | 1,019,198 | - | **54,891,266** |
| **Excess (deficiency) of revenue over expenditures** | $ 1,947,058 | $ - | ($ 1,224,375) | ($ 219,705) | ($ 123,612) | $ 124,329 | **$ 503,695** |

**See accompanying notes to financial statements**

# MOUNT SAINT VINCENT UNIVERSITY
## Statements of Operations

Year ended March 31, 2012

| | Operating | Unappropriated Reserves | Capital | Internally Restricted Special Purpose | Restricted Special Purpose | Internally Restricted Endowments | 2012 Total |
|---|---|---|---|---|---|---|---|
| **REVENUE:** | | | | | | | |
| Government grants - | | | | | | | |
| Operating | $ 20,764,732 | $ - | $ 217,692 | $ - | $ - | $ - | **$ 20,982,424** |
| Restricted | 653,270 | - | - | 3,192,663 | 3,150 | - | **3,849,083** |
| Student fees | 20,733,869 | - | 190,567 | - | - | - | **20,924,436** |
| Realized investment income | 104,264 | - | 9,993 | 6,336 | 47,165 | 50,474 | **218,232** |
| Unrealized investment gain | - | - | - | - | - | 9,526 | **9,526** |
| Donations and other grants | 2,654,705 | - | - | 328,620 | 46,748 | - | **3,030,073** |
| Amortization of deferred capital contributions | - | - | 807,299 | - | - | - | **807,299** |
| Other revenue (note 14) | 3,465,996 | - | 15,000 | 425,207 | 673,737 | - | **4,579,940** |
| **Total Revenue** | 48,376,836 | - | 1,240,551 | 3,952,826 | 770,800 | 60,000 | **54,401,013** |
| **EXPENDITURES:** | | | | | | | |
| Salaries and employee benefits | 34,531,424 | - | - | 2,614,433 | 186,444 | - | **37,332,301** |
| Cost of sales (note 15) | 2,406,231 | - | - | - | - | - | **2,406,231** |
| Travel and moving | 823,314 | - | - | 414,951 | 91,623 | - | **1,329,888** |
| Operating supplies | 1,088,526 | - | - | 361,900 | 134,785 | - | **1,585,211** |
| Repairs and maintenance | 483,962 | - | 110,961 | - | - | - | **594,923** |
| Amortization of capital assets | - | - | 1,901,913 | - | - | - | **1,901,913** |
| Utilities | 1,577,946 | - | - | - | - | - | **1,577,946** |
| Interest | 802,633 | - | 1,837 | - | - | - | **804,470** |
| Scholarship, awards and bursaries | 1,570,840 | - | - | 67,212 | - | - | **1,638,052** |
| Other expenditures (note 16) | 3,345,777 | - | 244,460 | 616,306 | 534,370 | - | **4,740,913** |
| Total Expenditures | 46,630,653 | - | 2,259,171 | 4,074,802 | 947,222 | - | **53,911,848** |
| **Excess (deficiency) of revenue over expenditures** | $ 1,746,183 | $ - | ($ 1,018,620) | ($ 121,976) | ($ 176,422) | $ 60,000 | **$ 489,165** |

**See accompanying notes to financial statements**

# MOUNT SAINT VINCENT UNIVERSITY

Statements of Changes in Net Assets

Year ended March 31, 2013

| | Operating | Unappropriated Reserves | Equity in Capital Assets | Capital Reserves | Restricted Special Purpose | Internally Restricted Special Purpose | Internally Restricted Endowments | Externally Restricted Endowments | 2013 Total |
|---|---|---|---|---|---|---|---|---|---|
| **Balance, beginning of year** | $ - | $ 2,428,196 | $ 2,158,812 | $ 1,363,521 | $ - | $ 1,713,140 | $ 1,024,518 | $ 19,327,792 | **$ 28,015,979** |
| Excess (deficiency) of revenue over expenditure | 1,947,058 | - | (1,224,375) | - | (219,705) | (123,612) | 124,329 | - | **503,695** |
| Endowment contributions | - | - | - | - | - | - | - | 125,454 | **125,454** |
| Net realized investment income | - | - | - | - | - | - | - | 768,616 | **768,616** |
| Net unrealized investment gain | - | - | - | - | - | - | - | 1,344,317 | **1,344,317** |
| Loss on derivatives designated as cash flow hedges | - | - | (104,142) | - | - | - | - | - | **(104,142)** |
| Inter-fund Transfers (note 17) | (1,683,936) | 507,400 | 1,235,959 | - | 219,705 | 313,301 | (133,881) | (458,548) | **-** |
| Sub-total | 263,122 | 507,400 | (92,558) | - | - | 189,689 | (9,552) | 1,779,839 | **2,6,37,940** |
| Appropriations | (263,122) | 263,122 | 54,118 | (54,118) | - | - | - | - | **-** |
| **Balance, end of year** | $ - | $ 3,198,718 | $ 2,120,372 | $ 1,309,403 | $ - | $ 1,902,829 | $ 1,014,966 | $ 21,107,631 | **$ 30,653,919** |

**See accompanying notes to financial statements.**

# MOUNT SAINT VINCENT UNIVERSITY

## Statements of Changes in Net Assets

Year ended March 31, 2012

| | Operating | Unappropriated Reserves | Equity in Capital Assets | Capital Reserves | Restricted Special Purpose | Internally Restricted Special Purpose | Internally Restricted Endowments | Externally Restricted Endowments | **2012 Total** |
|---|---|---|---|---|---|---|---|---|---|
| **Balance, beginning of year** | $ - | $ 1,789,362 | $2,705,917 | $ 1,247,575 | $ - | $ 1,590,840 | $ 1,131,419 | $ 18,575,511 | **$ 27,040,624** |
| Excess (deficiency) of revenue over expenditure | 1,746,183 | - | (1,018,620) | - | (121,976) | (176,422) | 60,000 | - | **489,165** |
| Endowment contributions | - | - | - | - | - | - | - | 314,579 | **314,579** |
| Net realized investment income | - | - | - | - | - | - | - | 656,641 | **656,641** |
| Net unrealized investment gain | - | - | - | - | - | - | - | 168,353 | **168,353** |
| Loss on derivatives designated as cash flow hedges | - | - | (653,383) | - | - | - | - | - | **(653,383)** |
| Inter-fund Transfers (note 17) | (1,624,367) | 517,018 | 1,240,844 | - | 121,976 | 298,722 | (166,901) | (387,292) | **-** |
| Sub-total | 121,816 | 517,018 | (431,159) | - | - | 122,300 | (106,901) | 752,281 | **975,355** |
| Appropriations | (121,816) | 121,816 | (115,946) | 115,946 | - | - | - | - | - |
| Balance, end of year | $ - | $ 2,428,196 | $ 2,158,812 | $ 1,363,521 | $ - | $ 1,713,140 | $ 1,024,518 | $19,327,792 | **$ 28,015,979** |

**See accompanying notes to financial statements.**

# MOUNT SAINT VINCENT UNIVERSITY
Statements of Cash Flows

Years ended March 31, 2013 and 2012

| | 2013 | 2012 |
|---|---|---|
| Cash provided by (used for): | | |
| Operating activities: | | |
| Excess of revenue over expenditures for the year | **$ 503,695** | $ 489,165 |
| Items not involving cash: | | |
| Amortization of capital assets | **1,840,286** | 1,901,913 |
| Amortization of deferred capital contributions | **(743,675)** | (807,299) |
| Unrealized investment gain | **(76,501)** | (9,526) |
| Change in non-cash working capital | **1,096,697** | 184,232 |
| | **2,620,502** | 1,758,485 |
| Financing and investing activities: | | |
| Additions to investments | **(1,458,846)** | (2,875,336) |
| Proceeds on disposal of investments | **1,091,866** | 2,450,998 |
| Capital assets acquired | **(1,060,480)** | (1,278,884) |
| Principal debt repayment | **(566,279)** | (477,311) |
| Principal debt issued | **-** | 612,389 |
| Proceeds of capital lease obligation | **-** | 122,229 |
| Payment of capital lease obligation | **(40,281)** | (23,003) |
| Net increase of deferred contributions | **2,418,789** | 3,286,192 |
| Endowment net investment income | **768,616** | 656,641 |
| Endowment contributions | **125,454** | 314,579 |
| | **1,278,839** | 2,788,494 |
| Increase in cash and short-term deposits | **3,899,341** | 4,546,979 |
| Cash and short-term deposits, beginning of year | **17,568,097** | 13,021,118 |
| Cash and short-term deposits, end of year | **$ 21,467,438** | $ 17,568,097 |

**See accompanying notes to financial statements.**

# MOUNT SAINT VINCENT UNIVERSITY
Notes to Financial Statements

Years ended March 31, 2013 and 2012

**1. Authority and Purpose:**

Mount Saint Vincent University “the University” is an organization operating under the authority of the *University Act of Nova Scotia.* The University is known for its small classes, distinctive programs, access to high-quality faculty members and opportunities to be involved in research and community service. The University offers 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. Basis of Presentation:**

Effective April 1, 2011, the University adopted the requirements of the new accounting standards prescribed by the Canadian Institute of Chartered Accountings (CICA) Handbook – Part III - Accounting Standards for Not-for-Profit Organizations (ASNPO). These are the University’s first financial statements prepared in accordance with these standards and the transitional provisions have been applied as of the date of transition of April 1, 2011. These transitional provisions require retroactive application of the accounting standards with certain elective exemptions and mandatory exemptions.

The University issued financial statements for the year end March 31, 2012 using generally accepted accounting principles prescribed by the CICA Handbook – Accounting Part V – Pre-changeover Accounting Standards. The adoption of ASNPO did not result in any adjustments to the previously reported assets, liabilities, net assets, excess of revenue over expenditures and cash flows of the University.

<u>Mandatory exemptions</u>

*Estimates*
The estimates previously made by the University under pre-changeover Canadian GAAP were not revised for the application of ASNPO except where necessary to reflect any difference in accounting policy or where there was objective evidence that those estimates were an error. As a result, the University has not used hindsight to revise estimates.

**3. Significant Accounting Policies:**

These financial statements have been prepared by management in accordance with Canadian Accounting Standards for Not-for-Profit organizations. The most significant accounting policies are as follows:

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.

**MOUNT SAINT VINCENT UNIVERSITY**
Notes to Financial Statements

Years ended March 31, 2013 and 2012

**3. Significant Accounting Policies (continued):**

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

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

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

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

b) Use of estimates

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

c) Revenue recognition:

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

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

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

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

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

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

**3. Significant Accounting Policies (continued):**

imposed on the investment income.

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

d) Contributed services:

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

e) Cash and short-term deposits:

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

f) Investments:

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

g) Capital assets:

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

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

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

Property and equipment 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.

**MOUNT SAINT VINCENT UNIVERSITY**

Notes to the Financial Statements

Years ended March 31, 2013 and 2012

**3. Significant Accounting Policies (continued):**

h) Retirement Plan costs and obligations:

The University's obligations for pension benefits arising from service prior to March 31, 2013 are estimated to be $53,351,896 (2012 - $50,229,575) for the defined contribution plan. The value of assets is the market value as at March 31, 2013 which is $53,351,896 (2012 - $50,229,575).

Pension expense for the year ended March 31, 2013 totalled $ 1,846,671 (2012 - $1,839,779).

i) Derivatives:

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

**4. Investments:**

| | March 31, 2013 | March 31, 2012 | April 1, 2011 |
|---|---|---|---|
| Pooled equity funds | $ 21,182,140 | $ 19,444,141 | $ 17,120,545 |
| Pooled fixed income fund units | 671,236 | 577,637 | 2,346,530 |
| Other | (12,400) | 31,400 | (16,114) |
| | $ 21,840,976 | $ 20,053,178 | $ 19,450,961 |

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

(i) The quality of fixed income fund units is supported by federal, provincial and municipal government guarantees or high quality corporate bonds.

(ii) The fair value of equity securities is exposed to normal market fluctuations. The University mitigates this risk by holding units of a diversified global balanced fund.

(iii) The income earned on the securities is used to pay scholarships, fund endowed chairs and provide income for operations or other purposes specified by the terms of the endowment. Expenditure levels on these activities are determined based on the Endowment Policy approved by the Board of Governors.

**MOUNT SAINT VINCENT UNIVERSITY**
Notes to Financial Statements

Years ended March 31, 2013 and 2012

**5. Capital Assets:**

| | | | March 31 2013 |
|---|---|---|---|
| | Cost | Accumulated amortization | Net book value |
| Land | $ 1,471,134 | $ - | $ 1,471,134 |
| Campus infrastructure | 1,069,743 | 492,225 | 577,518 |
| Buildings | 59,939,537 | 33,433,593 | 26,505,944 |
| Furniture and equipment | 10,027,338 | 8,980,713 | 1,046,625 |
| Assets under capital lease | 320,306 | 261,361 | 58,945 |
| Art collection | 139,100 | - | 139,100 |
| Library collection | 3,211,502 | 2,829,002 | 382,500 |
| | $ 76,178,660 | $ 45,996,894 | $ 30,181,766 |

| | | | March 31 2012 |
|---|---|---|---|
| | Cost | Accumulated amortization | Net book value |
| Land | $ 1,471,134 | $ - | $ 1,471,134 |
| Campus Infrastructure | 1,069,743 | 461,830 | 607,913 |
| Buildings | 59,005,658 | 32,085,441 | 26,920,217 |
| Furniture and equipment | 9,935,737 | 8,674,755 | 1,260,982 |
| Assets under capital lease | 320,306 | 221,080 | 99,226 |
| Art collection | 139,100 | - | 139,100 |
| Library collection | 3,176,502 | 2,713,502 | 463,000 |
| | $ 75,118,180 | $ 44,156,608 | $ 30,961,572 |

# MOUNT SAINT VINCENT UNIVERSITY
Notes to Financial Statements

Years ended March 31, 2013 and 2012

**5. Capital Assets (continued):**

| | April 1 2011 | | |
|---|---|---|---|
| | Cost | Accumulated Amortization | Net Book Value |
| Land | $ 1,471,134 | $ - | $ 1,471,134 |
| Campus Infrastructure | 1,041,192 | 429,834 | 611,358 |
| Buildings | 57,884,106 | 30,668,587 | 27,215,519 |
| Furniture and equipment | 9,954,185 | 8,372,695 | 1,581,490 |
| Assets under capital lease | 198,077 | 198,077 | - |
| Art collection | 139,100 | - | 139,100 |
| Library collection | 3,151,502 | 2,585,502 | 566,000 |
| | $ 73,839,296 | $ 42,254,695 | $ 31,584,601 |

**6. Government Remittances Payable:**

Included in accounts payable and accrued liabilities are government remittances payable of $461,554 (March 31, 2012 - $468,003; April 1, 2011 - $455,823).

**MOUNT SAINT VINCENT UNIVERSITY**
Notes to Financial Statements

Years ended March 31, 2013 and 2012

**7. Long-Term Debt:**

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

| | March 31, 2013 | March 31, 2012 | April 1, 2011 |
|---|---|---|---|
| Assisi Residence - 5.375% first mortgage, due 2016, payable in blended, semi-annual payments of $25,907 | $ 141,806 | $ 184,278 | $ 224,555 |
| Birches Residence- Non-revolving term facility loan by way of banker's acceptance at the BA discount rate plus .38%, renewable quarterly in declining principal amounts which range from $9,000 to $32,000, due February, 2031 | 1,532,000 | 1,584,000 | 1,632,000 |
| Meadows - 2.99% first mortgage, due 2016, payable in blended, monthly payments of $2,633 | 90,495 | 119,024 | 143,888 |
| Central Heating Plant - 5.3% credit facility, due 2016, payable in blended, monthly payments of $7,952 | 626,755 | 687,211 | 744,554 |
| Research House - 3.99% first mortgage, due 2016, payable in blended monthly payments of $799 | 120,970 | 125,628 | 130,105 |
| Westwood Residence- 7.25% term loan, due 2034, payable in blended, monthly payments of $45,763 | 5,924,494 | 6,039,561 | 6,146,604 |
| Evaristus Science Labs/EMF Roof- Non-revolving term facility loan by way of banker's acceptance at the BA discount rate plus .38%, renewable quarterly in declining principal amounts which range from $8,000 to $28,000, due October, 2032 | 1,418,000 | 1,458,000 | 1,496,000 |
| 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 | 2,522,000 | 2,592,000 | 2,660,000 |

**MOUNT SAINT VINCENT UNIVERSITY**
Notes to Financial Statements

Years ended March 31, 2013 and 2012

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

| | March 31, 2013 | March 31, 2012 | April 1, 2011 |
|---|---|---|---|
| Evaristus Science Labs & Student Space - 1.5% five-year term loan from the Nova Scotia Strategic Opportunities Fund Inc. at 1.5% compounded annually – principal and interest due January, 2015 | 640,775 | 640,775 | 640,775 |
| Facilities Improvement Program – four-year interest free term loan from Nova Scotia Power Inc. in connection with the electrical efficiency initiatives undertaken by the University – principal due in equal monthly instalments of $12,758, due August 2013 | 369,985 | 523,082 | - |
| | 13,387,280 | 13,953,559 | 13,818,481 |
| Less current portion of long-term debt | (588,483) | (566,279) | (507,027) |
| | $ 12,798,797 | $ 13,387,280 | $ 13,311,454 |

The three mortgages are secured by the related building on which the mortgage is placed and the remaining debt is secured by a guarantee from the University.

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

Year ending March 31,

| | |
|---|---|
| 2014 | $ 588,483 |
| 2015 | 1,254,505 |
| 2016 | 1,081,385 |
| 2017 | 350,645 |
| 2018 | 359,645 |

**MOUNT SAINT VINCENT UNIVERSITY**
Notes to Financial Statements

Years ended March 31, 2013 and 2012

## 8. Capital Lease Obligation:

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

Year ending March 31,

| | | |
|---|---|---|
| | 2014 | $ 42,451 |
| | 2015 | 17,688 |
| Total before interest costs | | 60,139 |
| Interest costs included at rate of 2.7% | | (1,194) |
| Balance of lease obligation | | 58,945 |
| Less current portion of capital lease obligation included in accounts payable and accrued liabilities | | 41,375 |
| Non-current portion of capital lease obligation | | $ 17,570 |

## 9. Derivatives:

| The fair value of the interest rate swaps are: | March 31, 2013 | March 31, 2012 | April1, 2011 |
|---|---|---|---|
| Birches Residence | $ 320,002 | $ 298,130 | $ 129,629 |
| Evaristus Science Labs/EMF Roof | 250,714 | 393,999 | 226,806 |
| 2 Melody Dr/Seton Roof | 413,192 | 187,637 | (130,052) |
| | $ 983,908 | $ 879,766 | $ 226,383 |

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

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

At March 31, 2013, the notional value of interest rate swaps was equal to the respective loans to which they are associated. The Birches Residence interest rate swap ends on February 3, 2031, the Evaristus Science Labs/EMF Roof interest rate swap ends on October 4, 2032 and the 2 Melody Dr/Seton Roof interest rate swap ends on March 31, 2034.

**MOUNT SAINT VINCENT UNIVERSITY**
Notes to Financial Statements

Years ended March 31, 2013 and 2012

## 10. 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:

| | March 31, 2013 | March 31, 2012 | April 1, 2011 |
|---|---|---|---|
| Balance, beginning of year | $ 22,455,714 | $ 19,976,821 | $ 16,559,669 |
| Recorded during the year | 7,321,262 | 7,239,018 | 8,235,901 |
| | 29,776,976 | 27,215,839 | 24,795,570 |
| Reported in revenue | (5,646,148) | (4,760,125) | (4,818,749) |
| Balance, end of year | $ 24,130,828 | $ 22,455,714 | $ 19,976,821 |

**MOUNT SAINT VINCENT UNIVERSITY**
Notes to Financial Statements

Years ended March 31, 2013 and 2012

## 11. Endowments:

Details of year-end balances are as follows:

| | March 31, 2013 | March 31, 2012 | April 1, 2011 |
|---|---|---|---|
| **Externally Restricted** | | | |
| Scholarships and Bursaries | $ 10,137,616 | $ 9,198,008 | $ 8,788,712 |
| The Nancy's Chair in Women's Studies | 3,424,810 | 3,156,758 | 3,133,679 |
| Lena Isabel Jodrey Fund in In Gerontology | 658,511 | 609,479 | 597,963 |
| Chair in Learning Disabilities | 2,434,630 | 2,255,050 | 2,063,242 |
| Capital Endowment | 2,773,838 | 2,567,329 | 2,523,647 |
| Other Endowments | 1,678,226 | 1,541,168 | 1,468,268 |
| | 21,107,631 | 19,327,792 | 18,575,511 |
| **Internally Restricted** | | | |
| Rosaria Student Centre | 879,761 | 813,504 | 797,568 |
| Development Operations | 135,205 | 211,014 | 333,851 |
| | 1,014,966 | 1,024,518 | 1,131,419 |
| | $ 22,122,597 | $ 20,352,310 | $ 19,706,930 |

**MOUNT SAINT VINCENT UNIVERSITY**
Notes to Financial Statements

Years ended March 31, 2013 and 2012

## 12. Capital Reserves and Unappropriated Reserves:

Details of year-end balances are as follows:

| | March 31, 2013 | March 31, 2012 | April 1, 2011 |
|---|---|---|---|
| *Capital Reserves* | | | |
| Facilities Renewal | $ 740,791 | $ 740,791 | $ 740,791 |
| Other Capital Projects | 568,612 | 622,730 | 506,784 |
| | $ 1,309,403 | $ 1,363,521 | $ 1,247,575 |
| *Unappropriated Reserves* | | | |
| Strategy Implementation Reserve | $ 3,198,718 | $ 2,935,596 | $ 2,813,780 |
| Early Retirement Incentive Plan | - | (507,400) | (1,024,418) |
| | $ 3,198,718 | $ 2,428,196 | $ 1,789,362 |

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

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

During the 2009/10 fiscal year, the Board of Governors of Mount Saint Vincent University approved the offering of an Early Retirement Incentive Plan (ERIP) to faculty. The primary purpose of this initiative was faculty renewal. Based on the actual take-up for the Plan, the cost was $1,237,670 and was funded over the past four years through salary savings on the related position replacements.

## 13. Commitments and Contingencies:

Operating Leases:

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

| | | |
|---|---|---|
| Year ending March 31, | 2014 | $ 79,180 |
| | 2015 | 40,810 |
| | 2016 | 7,200 |
| | 2017 | 7,200 |
| | 2018 | 3,600 |

**MOUNT SAINT VINCENT UNIVERSITY**
Notes to Financial Statements

Years ended March 31, 2013 and 2012

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**13. Commitments and Contingencies (continued):**

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, 2012, CURIE had an accumulated excess of income over expenses of $58M, of which the University's pro rata share is approximately .50% on an ongoing basis. In addition, the reciprocal has obtained $995 million 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 $25 million in excess of $5 million per occurrence is in place.

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

Legal 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.

During 2009/10, the University was assessed by the Jamaican tax authority an amount of taxes for 2003 related to programs the University carried out in Jamaica. The University filed a notice of objection to this assessment. No response has yet been received from the Jamaican tax authorities. On the basis of professional advice received, management feels that its activities in Jamaica are non-taxable on the basis that it does not maintain a permanent residence in Jamaica and that the assessment will be overturned. At year-end, the outcome of this process is not determinable and no amount has been accrued in these financial statements.

**MOUNT SAINT VINCENT UNIVERSITY**
Notes to Financial Statements

Years ended March 31, 2013 and 2012

**14. 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.

**15. Inventory Expensed in Cost of Sales:**

The amount of inventory expensed during the year was $1,128,812 (2012 - $1,212,955).

**16. Other Expenditures:**

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

**17. 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, 2013 | | | (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 | ($ 160,686) | $ - | $ 167,205 | ($ 6,519) | $ - | $ - | $ - |
| Endowment spending | 329,524 | - | 85,665 | 124,370 | 8,710 | (27,140) | (521,129) |
| Endowed assistantships | (13,000) | - | - | - | - | - | 13,000 |
| Donations/reallocations | - | - | - | (49,581) | - | - | 49,581 |
| Debt servicing | (566,279) | - | 566,279 | - | - | - | - |
| Facilities Improvement Program Payback | (416,810) | - | 416,810 | - | - | - | - |
| Early Retirement Incentive Program Payback | (507,400) | 507,400 | - | - | - | - | - |
| Capital campaign funding | - | - | - | - | 106,741 | (106,741) | - |
| Other | (349,285) | - | - | 151,435 | 197,850 | - | - |
| | ($ 1,683,936) | $ 507,400 | $ 1,235,959 | $ 219,705 | $ 313,301 | ($ 133,881) | ($ 458,548) |

**MOUNT SAINT VINCENT UNIVERSITY**
Notes to Financial Statements

Years ended March 31, 2013 and 2012

## 17. Inter-fund Transfers (continued):

| Year Ended March 31, 2012 | (Funded By) On Behalf Of | | | | | | |
|---|---|---|---|---|---|---|---|
| | Operating | Unappropriated Reserves | Equity in Capital Assets | Res. Special Purpose | Int. Res. Special Purpose | Internally Restricted Endowments | Externally Restricted Endowments |
| Capital expenditures | ($ 125,854) | $ - | $ 131,131 | ($ 5,277) | $ - | $ - | $ - |
| Endowment spending | 303,686 | - | 80,930 | 94,160 | (34,075) | (25,580) | (419,121) |
| Endowed assistantships | (13,000) | - | - | - | - | - | 13,000 |
| Donations/reallocations | - | - | - | 1,051 | (26,913) | - | 25,862 |
| Debt servicing | (477,310) | - | 477,310 | - | - | - | - |
| Scholarships, bursaries & awards | - | - | - | - | 7,570 | - | (7,570) |
| Facilities Improvement Program Payback | (507,229) | - | 507,229 | - | - | - | - |
| Early Retirement Incentive Program Payback | (517,018) | 517,018 | - | - | - | - | - |
| Capital campaign funding | - | - | - | - | 141,321 | (141,321) | - |
| Other | (287,642) | - | 44,244 | 32,042 | 210,819 | - | 537 |
| | ($ 1,624,367) | $ 517,018 | $ 1,240,844 | $ 121,976 | $ 298,722 | ($ 166,901) | ($ 387,292) |

## 18. 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.

**18. Financial Instruments (continued):**

(c) Currency Risk

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

(d) Fair Value

The fair value of cash and short-term 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 3(f) and 4. Long-term debt is approximately equal to the carrying value as the interest rates are constantly re-priced to market.