Mount Saint Vincent University

Management Discussion and Analysis
and
Financial Statements
for the year ended
March 31, 2011

Mount Saint Vincent University

Management Discussion and Analysis

For the Year Ended March 31, 2011

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, 2011.

Statement of Operations

The excess of revenue over expenditures increased by $1.6M over the prior year, to $798,745. 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 13 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 from the difference in two non-cash items - amortization of deferred capital contributions and amortization of capital assets. The net difference is ($1.2M). 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 overall deficiency of revenue over expenditures was created when 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 2010/11 is $213K and is recorded as an interfund transfer to the Unappropriated Reserves. See note 9 for more information.

- The University had two major capital projects underway during 2010/11.

    - The $3.4M Facilities Improvement Program (FIP) will reduce the University's carbon footprint and reduce utilities costs. The most significant change from this project in 2010/11 was the conversion of the Central Heating Plant to natural gas. This program will continue in 2011/12.

- The Knowledge Infrastucture Project (KIP) is a $3.4M project that upgraded the Evaristus Hall Science Labs and created adjacent student space. It was funded through the Federal Knowledge Infrastructure Program ($1.7M) with matching funds from the Province of Nova Scotia ($1.06M) and the balance initially financed through the Nova Scotia Strategic Opportunities Fund.

These project implementations affect the financial statements in several ways. Capital asset additions totalled $5.8M, the majority of which is attributable to these projects. Because a significant portion of the related project funding was external, deferred capital contributions have increased by $3.8M related to these projects. Thus amortization of capital assets and deferred capital contributions are higher than prior years. The University has also recognized utility savings from the FIP for 2010/11, in the amount of $402K, which has been transferred to the Capital Fund as payback against the costs of the FIP.

- Operating Fund results – If you review the Statement of Net Assets and look at the sub-total after inter-fund transfers, you can see that the Operating Fund generated a $1.1M excess of revenue over expenditures for the fiscal year.

Revenue

Total revenue increased $3.6M or 7.1% over the prior year. The main areas of note are:

- The Operating grant of the University increased by $1.8M or 9.22%.

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

  Overall Student fees income decreased by $138K or .69%. As noted above, student fees were frozen but there was also a tuition reduction (in the form of a bursary) provided by the Province of Nova Scotia of $256.60 per unit of credit for Nova Scotia students and $52.20 per unit of credit for other Canadian students, the cost of which was netted against tuition revenue. The reduction in 2009/10 was $204.40 per unit of credit. The total amount of the credit for 2010/11 was $2.6M compared to $2M in the prior year. The funding for the NS University Student Bursary program is included under "Donations and Other Grants" as it is funded from a trust fund created by the Province at the end of 2007/08.
  On-campus undergraduate enrolment grew 3.26% and international enrolment (differential fees) increased 32% over the prior year. Graduate on-campus

enrolment remained constant. Over all categories, enrolment increased 2.8% over the prior year.

- Donations and Other Grants declined by $408K over the prior year. This revenue category increased by .6M as a result of the inclusion of the funding from the Trust established by the Province to fund the NS University Student Bursary program. The offsetting decrease of approximately $1M was the result of a significant donation being recognized in the Development Fund in 2009/10 – only donations that are expended or transferred to other funds (endowed) are able to be recognized as revenue.

Expenditures

Total expenditures increased by $244K or .46%. The main areas of note are:

- Salaries and benefits continue to be the largest portion of our expenditures, comprising 68.2% of total expenditures as compared to 66.8% in 2010. The salaries and benefits portfolio increased 2.7% or $950K 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 an increase in project activity.

- Travel and moving costs declined by $271K or 17.1% over the prior year as a result of fluctuations in the level of project activity involving travel in the Special Purpose Funds and reduced travel to international locations for course delivery.

- Utilities declined $272K over the prior year or 14% as a result of the Facilities Improvement Program implementation which began early in 2010. The biggest savings arose from the conversion to natural gas for providing heat to the campus.

- Scholarships, awards and bursaries decreased by $140K or 8.4% over the prior year. Student financial aid awarded essentially remained constant but take-up was lower than the prior year. Bursary spending increased by $36K over the prior year.

- Other expenditures declined by $259K or 4.9% over the prior year. This category of expenditures tends to fluctuate depending on certain aspects and activity levels of research projects and Strategy Implementation Reserve projects.

Statement of Changes in Net Assets

This statement reflects the net asset position of the University which is $27M as at March 31, 2011. Other points to note:

- As investments are now reflected at market value, there is an annual adjustment through the Statement of Net Assets for any change in market value related to Externally Restricted Endowment assets. 2009/10 saw significant gains in unrealized investment income as the market rebounded from 2008/09. 2010/11 has returned to a more normalized growth in the portfolio.

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

Statement of Financial Position

The University remains in a sound financial position at March 31, 2011 with a current ratio of 2.37:1 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 (8.4%) in comparison to the total insured value of capital assets of $166M. Other points of note:

- The decrease in cash and short-term deposits and deferred income is primarily the result of a change in recent practice by the Provincial government of providing an advance payment of the University Operating grant on March 31st for the following year. On March 31, 2010 a pre-payment of the 10/11 grant was received in the amount of $21.9M. No pre-payment was made in March, 2011.

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

- Capital Asset additions for 2010/11 were $5.8M including costs for the Facilities Improvement Program and Knowledge Infrastructure Project described earlier, acquisition of library books, replacement of a retaining wall, and acquisition of furniture and equipment through research infrastructure projects and other initiatives.

Mount Saint Vincent University

Financial Statements
for the year ended
March 31, 2011

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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 statement of Financial Position as at March 31, 2011, 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 generally accepted accounting principles, 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 the Mount Saint Vincent University as at March 31, 2011, and the result of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants
June 23, 2011
Halifax Canada

MOUNT SAINT VINCENT UNIVERSITY

Statement of Financial Position

March 31, 2011

	2011	2010
Assets		
Current assets		
Cash and short-term deposits	**$ 13,021,118**	$ 37,233,945
Accounts receivable -		
Students	**214,092**	263,742
Government grants	**1,051,394**	288,605
Other	**1,296,200**	1,261,431
Inventory and prepaids	**879,194**	1,034,039
	16,461,998	40,081,762
Investments (note 3)	**19,450,961**	18,380,465
Capital Assets (note 4)	**31,584,601**	27,800,410
	$ 67,497,560	$ 86,262,637
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities	**$ 5,527,016**	$ 6,241,919
Current portion of long-term debt (note 5)	**507,027**	496,915
Deferred revenue	**908,235**	24,285,084
	6,942,278	31,023,918
Long-term liabilities:		
Long-term debt (note 5)	**13,311,454**	13,688,376
Derivatives (note 6)	**226,383**	196,107
Deferred contributions (note 7)	**19,976,821**	16,559,669
	33,514,658	30,444,152
Net Assets:		
Endowments (note 8)		
Externally restricted	**18,575,511**	17,467,923
Internally restricted	**1,131,419**	1,234,147
Restricted net assets	**19,706,930**	18,702,070
Equity in capital assets	**2,705,917**	2,801,906
Capital reserves (note 9)	**1,247,575**	1,247,905
Unappropriated reserves (note 9)	**1,789,362**	443,442
Internally restricted special purpose funds	**1,590,840**	1,599,244
Unrestricted net assets	**7,333,694**	6,092,497
	27,040,624	24,794,567
	$ 67,497,560	$ 86,262,637

Commitments and Contingencies (note 10)

See accompanying notes to financial statements

Approved by the Board of Governors

Ramona Lumpkin Governor

Governor

MOUNT SAINT VINCENT UNIVERSITY
Statement of Operations

Year ended March 31, 2011

	Operating	Unappropriated Reserves	Capital	Restricted Special Purpose	Internally Restricted Special Purpose	Internally Restricted Endowments	**2011 Total**	2010 Total
REVENUE:								
Government grants -								
Operating	$ 21,308,677	$ -	$ -	$ -	$ -	$ -	**$ 21,308,677**	19,509,365
Restricted	797,029	-	186,714	3,761,528	-	-	**4,745,271**	5,083,995
Student fees	19,874,975	-	186,123	-	-	-	**20,061,098**	19,923,200
Realized investment income	168,956	-	16,224	5,056	32,457	34,127	**256,820**	161,034
Unrealized investment gain (loss)	-	-	-	-	-	60,069	**60,069**	174,486
Donations and other grants	2,624,983	-	-	91,169	80,523	-	**2,796,675**	3,204,680
Amortization of deferred capital contributions	-	-	784,526	-	-	-	**784,526**	592,317
Other revenue (note 11)	3,540,982	-	33,325	176,470	617,549	-	**4,368,326**	5,122,324
Total Revenue	48,315,602	-	1,206,912	4,034,223	730,529	94,196	**54,381,462**	53,771,401
EXPENDITURES:								
Salaries and employee benefits	33,772,224	-	125	2,635,804	157,246	-	**36,565,399**	35,614,134
Cost of sales	2,203,996	-	-	-	-	-	**2,203,996**	2,188,284
Travel and moving	822,789	-	-	370,293	67,313	-	**1,260,395**	1,521,572
Operating supplies	1,191,659	-	500	300,346	315,516	-	**1,808,021**	1,779,324
Repairs and maintenance	453,357	-	228,208	753	-	-	**682,318**	702,770
Amortization of capital assets	-	-	1,983,627	-	-	-	**1,983,627**	1,768,711
Utilities	1,668,899	-	-	-	-	-	**1,668,899**	1,940,482
Interest	824,350	-	1,392	-	-	-	**825,742**	840,787
Scholarship, awards and bursaries	1,469,224	-	-	63,263	-	-	**1,532,487**	1,672,410
Other expenditures (note 12)	3,500,235	-	384,337	770,890	396,371	-	**5,051,833**	5,310,533
Total Expenditures	45,906,733	-	2,598,189	4,141,349	936,446	-	**53,582,717**	53,339,007
Excess (deficiency) of revenue over expenditures before adjustment	2,408,869	-	(1,391,277)	(107,126)	(205,917)	94,196	**798,745**	432,394
Early Retirement Incentive Plan (note 9)	-	-	-	-	-	-	-	(1,237,670)
Excess (deficiency) of revenue over expenditures	2,408,869	$ -	($ 1,391,277)	($ 107,126)	($ 205,917)	$ 94,196	**$ 798,745**	($ 805,276)

See accompanying notes to financial statements

MOUNT SAINT VINCENT UNIVERSITY

Statement of Changes in Net Assets

Year ended March 31, 2011

	Operating	Unappropriated Reserves	Equity in Capital Assets	Capital Reserves	Restricted Special Purpose	Int restrict. Special Purpose	Internally Restricted Endowments	Externally Restricted Endowments	**2011 Total**	2010 Total
Balance, beginning of year	$ -	$ 443,442	$ 2,801,906	$ 1,247,905	$ -	$ 1,599,244	$ 1,234,147	$ 17,467,923	**$24,794,567**	$ 22,535,017
Excess (deficiency) of revenue over expenditure	2,408,869	-	(1,391,277)	-	(107,126)	(205,917)	94,196	-	**798,745**	(805,276)
Endowment contributions	-	-	-	-	-	-	-	381,692	**381,692**	362,156
Net realized investment income	-	-	-	-	-	-	-	289,008	**289,008**	301,633
Net unrealized investment gain	-	-	-	-	-	-	-	806,888	**806,888**	1,938,753
Gain (loss) on derivatives designated as cash flow hedges	-	-	(30,276)	-	-	-	-	-	**(30,276)**	462,284
Inter-fund Transfers (note 13)	(1,276,201)	213,252	1,325,234	-	107,126	197,513	(196,924)	(370,000)	**-**	-
Sub-total	1,132,668	213,252	(96,319)	-	-	(8,404)	(102,728)	1,107,588	**2,246,057**	2,259,550
Appropriations (note 9)	(1,132,668)	1,132,668	330	(330)	-	-	-	-	**-**	-
Balance, end of year	$ -	$ 1,789,362	$ 2,705,917	$ 1,247,575	$ -	$ 1,590,840	$ 1,131,419	$ 18,575,511	**$27,040,624**	$ 24,794,567

See accompanying notes to financial statements.

MOUNT SAINT VINCENT UNIVERSITY

Statement of Cash Flows

Year ended March 31, 2011

	2011	2010
Cash provided by (used for):		
Operating activities:		
Excess (deficiency) of revenue over expenditure for the year	**$ 798,745**	($ 805,276)
Items not involving cash:		
Amortization of capital assets	**1,983,627**	1,768,711
Amortization of deferred capital contributions	**(784,526)**	(592,317)
Unrealized investment gain	**(60,069)**	(174,486)
Change in non-cash working capital	**(24,684,815)**	6,821,378
	(22,747,038)	7,018,010
Financing and investing activities:		
Additions to investments	**(825,444)**	(2,292,200)
Proceeds on disposal of investments	**621,905**	1,590,644
Reduction of due from Retirement Plan	**-**	683,200
Capital assets acquired	**(5,767,818)**	(1,561,018)
Principal debt repayment	**(366,810)**	(346,285)
Principal debt issued	**-**	640,775
Net increase of deferred contributions	**4,201,678**	717,154
Endowment net investment income	**289,008**	301,633
Endowment contributions	**381,692**	362,156
	(1,465,789)	96,059
(Decrease) increase in cash and short-term deposits	**(24,212,827)**	7,114,069
Cash and short-term deposits, beginning of year	**37,233,945**	30,119,876
Cash and short-term deposits, end of year	**$ 13,021,118**	$ 37,233,945

See accompanying notes to financial statements.

MOUNT SAINT VINCENT UNIVERSITY
Notes to Financial Statements

Year ended March 31, 2011

1. Authority and Purpose:

Mount Saint Vincent University “the University” is an organization operating under the authority of the *University Act of Nova Scotia.* The University is known for its small classes, distinctive programs, access to high-quality faculty members and opportunities to be involved in research and community service. The University offers 38 undergraduate degrees in liberal arts and sciences, education, and an array of professional programs including Applied Human Nutrition, Business Administration, Child and Youth Study, Family Studies and Gerontology, Information Technology, Public Relations and Tourism and Hospitality Management. In addition, co-operative education is offered in five of these professional programs and 14 graduate programs build on and enhance undergraduate program strengths. The University is also committed to providing accessible education through its innovative distance learning and continuing education programs. The academic governance of the University is vested in the Senate. The University is a not-for-profit entity governed by a Board of Governors. The University is a registered charity under the Income Tax Act and accordingly is exempt from income taxes, provided certain requirements of the Income Tax Act are met.

2. Significant Accounting Policies:

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

a) Fund Accounting:

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

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

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

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

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

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

b) Use of estimates

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

2. Significant Accounting Policies (cont'd):

c) Revenue recognition:

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

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

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

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

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

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

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

d) Contributed services:

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

e) Cash and short-term deposits:

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

f) Investments:

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

MOUNT SAINT VINCENT UNIVERSITY
Notes to the Financial Statements

Year ended March 31, 2011

2. Significant Accounting Policies (cont'd):

The University has elected to use the exemption provided by the Canadian Institute of Chartered Accountants ("CICA") permitting not-for-profit organizations to not apply the following sections of the CICA Handbook: Section 3862, Financial Instruments – disclosures, and Section 3863, Financial Instruments – Presentation. The University applies the requirements of section 3861 of the CICA Handbook.

g) Capital assets:

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

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

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

h) Retirement Plan costs and obligations:

The University's obligations for pension benefits arising from service prior to March 31, 2011 are estimated to be $51,556,471 (2010 - $45,478,431) for the defined contribution plan. The value of assets is the market value as at March 31, 2011 which is $ 51,556,471 (2010 - $45,478,431).

Pension expense for the year ended March 31, 2011 totalled $1,763,109 (2010 -$1,661,550).

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.

MOUNT SAINT VINCENT UNIVERSITY
Notes to the Financial Statements

Year ended March 31, 2011

3. Investments:

	2011 Cost	2011 Fair Value	2010 Cost	2010 Fair Value
Cash, net of accruals	($ 16,114)	($ 16,114)	($12,420)	($ 12,420)
Pooled equity funds	16,720,735	17,120,545	16,421,266	15,970,767
Pooled fixed income fund units	2,358,283	2,346,530	2,450,519	2,422,118
	$ 19,062,904	$ 19,450,961	$18,859,365	$18,380,465

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.

4. Capital Assets:

			2011	2010
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	$ 1,471,134	$ -	$ 1,471,134	$ 1,471,134
Campus Infrastructure	1,041,192	429,834	611,358	458,538
Buildings	57,884,106	30,668,587	27,215,519	23,188,572
Furniture and equipment	9,954,185	8,372,695	1,581,490	1,524,470
Assets under capital lease	198,077	198,077	-	37,140
Art collection	139,100	-	139,100	139,100
Library collection	3,151,502	2,585,502	566,000	632,500
Construction in progress	-	-	-	348,956
	$ 73,839,296	$ 42,254,695	$ 31,584,601	$ 27,800,410

MOUNT SAINT VINCENT UNIVERSITY
Notes to Financial Statements

Year ended March 31, 2011

5. Long-Term Debt:

As at March 31, 2011, the University had principal outstanding, in the amount of $ 13,818,481 (2010-$14,185,291), on long-term debt.

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

	2011	2010
Assisi Residence - 5.375% first mortgage, due 2016, payable in blended, semi-annual payments of $25,907	$224,555	$ 262,752
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	1,632,000	1,679,000
Meadows - 5.38% first mortgage, due 2012, payable in blended, monthly payments of $2,700	143,888	167,982
Central Heating Plant - 5.3% credit facility, due 2016, payable in blended, monthly payments of $7,952	744,554	798,942
Research House - 3.99% first mortgage, due 2016, payable in blended monthly payments of $799	130,105	133,657
Westwood Residence- 7.25% term loan, due 2034, payable in blended, monthly payments of $45,763	6,146,604	6,246,183
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	1,496,000	1,532,000
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	2,660,000	2,724,000

MOUNT SAINT VINCENT UNIVERSITY
Notes to Financial Statements

Year ended March 31, 2011

5. Long-Term Debt (continued):

	2011	2010
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
	13,818,481	14,185,291
Less current portion of long-term debt	(507,027)	(496,915)
	$ 13,311,454	$ 13,688,376

In terms of security, 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 to meet retirement provisions is as follows:

Year ending March 31,

2012	$ 507,027
2013	384,653
2014	406,064
2015	1,071,209
2016	986,619

6. Derivatives:

The fair value of the interest rate swaps are:	2011	2010
Birches Residence	$ 129,629	$ 123,542
Evaristus Science Labs/EMF Roof	226,806	222,609
2 Melody Dr/Seton Roof	(130,052)	(150,044)
	$ 226,383	$ 196,107

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.

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Year ended March 31, 2011

6. Derivatives (continued):

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, 2011, 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.

7. Deferred Contributions:

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

The balance of unamortized deferred contributions consists of the following:

	Balance beginning of year	Recorded during the year	Reported in revenue	Balance end of year
Special Purpose Fund	$ 5,960,970	$ 4,169,240	($ 4,034,223)	$ 6,095,987
Capital Fund	10,598,699	4,066,661	(784,526)	13,880,834
	$ 16,559,669	$8,235,901	($4,818,749)	$ 19,976,821

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8. Endowments:

Details of year-end balances are as follows:

	Balance beginning of year	Net Change	Balance end of year
Externally Restricted			
Scholarships and Bursaries	$ 8,207,536	$ 581,176	$ 8,788,712
The Nancy's Chair in Women's Studies	3,132,325	1,354	3,133,679
Lena Isabel Jodrey Fund in In Gerontology	573,075	24,888	597,963
Chair in Learning Disabilities	1,731,272	331,970	2,063,242
Capital Endowment	2,418,628	105,019	2,523,647
Other Endowments	1,405,087	63,181	1,468,268
	17,467,923	1,107,588	18,575,511
Internally Restricted			
Rosaria Student Centre	764,380	33,188	797,568
Development Operations	469,767	(135,916)	333,851
	1,234,147	(102,728)	1,131,419
	$ 18,702,070	$ 1,004,860	$ 19,706,930

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Year ended March 31, 2011

9. Capital Reserves and Unappropriated Reserves:

Details of year-end balances are as follows:

	Balance beginning of year	Net Appropriations/ Changes	Balance end of year
Capital Reserves			
Facilities Renewal	$ 740,791	$ -	$ 740,791
Other Capital Projects	507,114	(330)	506,784
	$ 1,247,905	($ 330)	$ 1,247,575
Unappropriated Reserves			
Strategy Implementation Reserve	$ 1,681,112	$ 1,132,668	$ 2,813,780
Early Retirement Incentive Plan	(1,237,670)	213,252	(1,024,418)
	$ 443,442	$ 1,345,920	$ 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 is being funded over a period of approximately four years through salary savings on the related position replacements.

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Notes to Financial Statements

Year ended March 31, 2011

10. 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,

2012	$ 276,771
2013	197,261
2014	55,082
2015	26,771
2016	-

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, 2010, CURIE had an accumulated excess of income over expenses of $43M, of which the University's pro rata share is approximately .50% on an ongoing basis. In addition, the reciprocal has obtained $995 million re-insurance with commercial insurers to cover major property claims in excess of $5 million per occurrence. In respect of General Liability, the limit is $5 million per occurrence. Re-insurance for 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.

10. Commitments and Contingencies (continued):

During 2009/10, the University was assessed by the Jamaican tax authority an amount of taxes for 2003 related to programs the University carries 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 so no amount has been accrued in these financial statements.

11. 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.

12. 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.

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13. Inter-fund Transfers:

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

	(Funded By) On Behalf Of						
	Operating	Unappropriated Reserves	Equity in Capital Assets	Res. Special Purpose	Int. Res. Special Purpose	Internally Restricted Endowments	Externally Restricted Endowments
Capital expenditures	($394,886)	$ -	$441,547	($46,661)	$ -	$ -	$ -
Endowment spending	298,049	-	79,700	30,055	5,385	(25,190)	(387,999)
Endowed assistantships	(13,000)	-	-	-	-	-	13,000
Donations/reallocations	(70,400)	-	-	59,346	-	-	11,054
Debt servicing	(366,810)	-	366,810	-	-	-	-
Scholarships, bursaries & awards	70,400	-	-	(70,400)	7,280	-	(7,280)
Facilities Improvement Program Payback	(402,101)	-	402,101	-	-	-	-
Early Retirement Incentive Program Payback	(213,252)	213,252	-	-	-	-	-
Capital campaign funding	-	-	-	-	171,734	(171,734)	-
Other	(184,201)	-	35,076	134,786	13,114	-	1,225
	($ 1,276,201)	$ 213,252	$ 1,325,234	$ 107,126	$ 197,513	($ 196,924)	($ 370,000)

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14. Financial Instruments:

Financial Risk

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

(a) Interest Rate Risk

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

(b) Credit Risk

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

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

(c) Currency Risk

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

(d) Fair Value

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