Mount Saint Vincent University

Management Discussion and Analysis
and
Financial Statements
for the year ended
March 31, 2014

Mount Saint Vincent University

Management Discussion and Analysis

For the Year Ended March 31, 2014

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, 2014.

General Highlights

Statement of Operations

The excess (deficiency) of revenue over expenditures decreased by $737K over the prior year, from an excess of $504K in 2013, to a deficiency of $233K in 2014. To understand how the excess (deficiency) arises, a number of factors must be considered:

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

- The 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.

- During the year, the University accrued $565K in early retirement incentive costs under the provisions of the faculty collective agreement. These incentives will be paid out over a number of years but accounting regulations require the accrual of the costs in the year that they are known/approved. The incentive costs are included in operating salaries and benefits and accounts payable. The Board of Governors approved funding for the incentives from the Strategy Implementation Reserve with repayment to the Reserve to occur in subsequent years from salary savings on the positions vacated. Funding transferred from the Strategy Implementation Reserve amounted to $529K after netting the Operating Fund excess revenue position of $36K for 13/14 against the cost of the incentives.

- Operating Fund results are shown in the Statement of Changes in Net Assets as the sub-total after inter-fund transfers. For the 2014 fiscal year, operations netted an excess of revenue over expenditures in the amount of $36K, which was used to offset the costs of early retirement incentives. Therefore the net results for the Operating Fund for 2013/14 are shown as nil in the Statement of Net Assets.

Other Highlights

- In order to provide more clarity and consistency in the financial presentation, there have been some changes in the categorization of revenue and expenditures and some balance sheet accounts for 2013/14. In order to maintain comparability with the prior year, certain amounts in the 2013 financial statements have been reclassified and Note 17 references this.

- 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 2013/14, the energy savings was estimated at $527K. After applying $153K of the savings for the annual repayment of the Nova Scotia Power Inc efficiency loan, the remaining amount of $374K was transferred to the Capital Fund as payback of the original project costs. The payback is reflected in the interfund transfer schedule in Note 15.

- The construction of the Margaret Norrie McCain Centre for Teaching, Learning & Research began in March of 2013. It is estimated to be completed in early summer of 2015. The total budget for the building is $20.6M and will be funded primarily from $12M in fundraising and $8.6M in financing. During 2013/14, construction costs totaled $7.1M with $7M funded from fund-raising and the balance funded from internal capital funds. Neither the capital costs nor the capital contributions (donations) will be amortized until the construction is complete.

The following are explanations of the key changes within the financial statements from fiscal 2013 to fiscal 2014:

Revenue

Total revenue increased $282K or 0.5% over the prior year. The main areas of note are:

- The total provincial operating funding of the University decreased by $610K or 3%. The funding reduction was announced by the government as part of the planned government grant reductions for the University sector, following a 3.1%

grant reduction in the prior year. This brought the total reductions in operating grant to 10.1% over the three year period ending in 2013/14.

- Restricted government grant revenue increased by $538K or 16% 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 $664K or 3%. As with other universities in the province, the University increased its tuition by 3%, which was the cap set by the provincial government. On-campus undergraduate enrolment remained fairly constant and international enrolment (students who pay differential fees) increased 25% over the prior year. Graduate on-campus enrolment decreased 5.5% and BEd enrolment declined 13.3% as fewer qualified students applied for the program.

- Other income decreased $254K over the prior year or 5.3%. This is another category that tends to fluctuate based on project activity in the research and special purpose funds. Most of the decrease was the result of lower international project revenue ($395K). In 2012/13, the University had two large international projects underway that were concluded early in fiscal 2014. Offsetting this decrease was an increase as a result of insurance recoveries ($105K) for two claims relating to water damage.

Expenditures

Total expenditures increased by $1.019M or 1.9%. The main areas of note are:

- Salaries and benefits continue to be the largest portion of the University's expenditures, comprising 70.9% of total expenditures as compared to 69.5% in 2013. The salaries and benefits portfolio increased 3.8% or $1.4M over the prior year. The increase is related to two key components. As noted earlier, early retirement incentive costs of $565K were recorded in salaries and benefits during the fiscal year. This accounted for 1.5% of the increase in salaries and benefits. The remaining increase of 2.3% or $884K related to salary increases (scale increases and progress through the ranks) and staffing changes. Expenditures for salaries fluctuate in the special purpose funds based on project activity.

- Cost of Sales decreased by $125K as a result of reduced bookstore inventory purchases in response to declining bookstore sales.

- Travel and moving costs were $156K lower than the prior year as a result of lower international project activity and reduced off-campus course delivery.

- Operating Supplies expenditures were $175K or 11.3% lower than the prior year, primarily as the result of lower international project activity and the conclusion of the capital campaign, Twenty12 in fiscal 2013.

- Repairs and maintenance expenditures increased by $212K or 17.6%. This expenditure 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 13/14 and there were two restoration projects ($115K) as a result of water damage.

- Utilities costs increased $218K over the prior year primarily as the result of rising gas prices and a colder and longer winter season. Despite the increase in gas prices, it is still more economical to heat the campus with gas rather than oil. Electricity costs also increased as a result of rate increases by Nova Scotia Power Inc.

- Other expenditures tend to fluctuate depending on certain aspects and activity levels of research projects and Strategic Investment projects. Expenditures for 2014 were $341K or 8.4% lower than the prior year. $144K of the decrease was attributable to fund-raising costs for Annual Fund and Project Twenty12 being lower this year (campaign ended in 2013). Also there were fewer other expenditures in the Capital Fund (-$261K) in 13/14 based on project activity.

Statement of Changes in Net Assets

This statement reflects the net asset position of the University which is $34M as at March 31, 2014. Other points to note:

- Net realized investment income increased $466K or 60.6% over the prior year as markets continued to gain ground. Net unrealized investment income also increased significantly in the amount of $491K.

- The University experienced a gain of $322K on derivatives designated as cash flow hedges (interest rate swaps) in 13/14 as a result of market changes.

- The inter-fund transfers are reflected in this statement and more detail is provided in Note 15.

- The Operating excess of revenue over expenditures for the University is indicated in column one of the Statement of Changes in net Assets, after the inter-fund transfers, as a nil balance because the Operating excess of $36K has been used to offset the cost of the early retirement incentives before a transfer was made from the Strategy Implementation Reserve to fund the net cost of the incentives.

Statement of Financial Position

The University remains in a sound financial position at March 31, 2014 with a current ratio of 1.89:1 and a total long-term debt to equity ratio (including all long-term obligations) of 1.08:1. The University has consistently balanced its budget and maintains minimal debt (6.8%) in comparison to the total insured value of buildings and contents of $189M. Other points of note:

- The decrease in cash and short-term deposits of $2.4M or 11.3% is primarily the result of the ongoing construction of the Margaret Norrie McCain Centre for Teaching, Learning & Research.

- Other receivables were $460K or 32.4% lower than the prior year because of reduced receivables for international project activity.

- Investments increased in value by $3M as the result of the improving market conditions and receipt of $223K in Endowment contributions.

- Capital asset additions for 2013/14 were $7.6M including $7.1M 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 $2.6M 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 is related to the McCain Centre project ($2.57M).

- Deferred revenue increased $406K. Excellence and Innovation funding, in the amount of $310K, was received from the Province in March of 2014 that will be used in the coming year for the International Education Centre.

- The liability for derivatives was $322K lower than the prior year as a result of the gain experienced in 13/14.

- Deferred capital contributions increased $521K as compared to 2012/13. The increase is primarily driven by new donations of $1.7M, primarily for the new Margaret Norrie McCain Centre for Teaching, Learning and Research raised as part of Project Twenty12. Of this amount, $401K related to projects other than the McCain Centre that were recognized as income in the current year and not deferred. This was offset by the amortization of deferred capital contributions of $714K.

Mount Saint Vincent University

Financial Statements
for the year ended
March 31, 2014

KPMG

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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, 2014, the statements of operations, changes in net assets and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Mount Saint Vincent University as at March 31, 2014, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

KPMG LLP

Chartered Accountants
June 26, 2014
Halifax, Canada

MOUNT SAINT VINCENT UNIVERSITY

Statement of Financial Position

March 31,

	2014	2013
Assets		
Current assets		
Cash and short-term deposits	**$ 19,048,120**	$ 21,475,300
Accounts receivable -		
Students	**161,345**	176,042
Government grants	**341,175**	284,419
Other	**960,752**	1,420,544
Inventory and prepaids	**1,001,351**	888,911
	21,512,743	24,245,216
Investments (note 3)	**24,842,100**	21,853,375
Capital assets (note 4)	**35,974,859**	30,181,766
	$ 82,329,702	$ 76,280,357
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities (note 5)	**$ 7,883,584**	$ 5,279,636
Current portion of long-term debt (note 6)	**1,267,215**	588,483
Deferred revenue	**2,250,382**	1,844,786
	11,401,181	7,712,905
Long-term liabilities:		
Long-term debt (note 6)	**11,579,818**	12,798,797
Derivatives (note 7)	**662,085**	983,908
Deferred contributions (note 8)	**24,651,354**	24,130,828
	36,893,257	37,913,533
Net Assets:		
Endowments (note 9)		
Externally restricted	**23,857,249**	21,107,631
Internally restricted	**1,117,705**	1,014,966
Restricted net assets	**24,974,954**	22,122,597
Equity in capital assets	**2,565,554**	2,120,372
Capital reserves (note 10)	**1,320,730**	1,309,403
Unappropriated reserves (note 10)	**2,744,291**	3,198,718
Internally restricted special purpose funds	**2,429,735**	1,902,829
Unrestricted net assets	**9,060,310**	8,531,322
	34,035,264	30,653,919
	$ 82,329,702	$ 76,280,357

Commitments and Contingencies (note 11)

See accompanying notes to financial statements

Approved by the Board of Governors

Deanne Marling Governor

Ramona Lumpkin Governor

MOUNT SAINT VINCENT UNIVERSITY
Statement of Operations

Year ended March 31,

	Operating	Unappropriated Reserves	Capital	Restricted Special Purpose	Internally Restricted Special Purpose	Internally Restricted Endowments	**2014 Total**	2013 Total
REVENUE:								
Government grants -								
Operating	$ 19,467,059	$ -	$ 238,000	$ -	$ -	$ -	**$ 19,705,059**	$ 20,315,004
Restricted	711,589	-	22,435	3,145,653	12,698	-	**3,892,375**	3,354,143
Student fees	22,920,210	-	191,987	-	-	-	**23,112,197**	22,448,630
Realized investment income	107,643	-	10,053	7,156	111,850	68,749	**305,451**	257,499
Unrealized investment gain	-	-	-	-	-	94,224	**94,224**	76,501
Donations and other grants	2,516,184	-	20,000	464,058	62,425	-	**3,062,667**	3,154,557
Amortization of deferred capital contributions	-	-	713,650	-	-	-	**713,650**	743,675
Other revenue (note 12)	3,094,803	-	123,653	524,900	830,199	-	**4,573,555**	4,827,246
Total Revenue	48,817,488	-	1,319,778	4,141,767	1,017,172	162,973	**55,459,178**	55,177,255
EXPENDITURES:								
Salaries and employee benefits	36,781,563	-	792	2,525,129	161,049	-	**39,468,533**	38,019,066
Cost of sales (note 13)	2,199,381	-	-	-	17,799	-	**2,217,180**	2,342,201
Travel and moving	727,684	-	-	447,439	78,067	-	**1,253,190**	1,409,510
Operating supplies	904,518	-	6,193	302,528	155,699	-	**1,368,938**	1,544,528
Repairs and maintenance	992,623	-	399,209	20,827	400	-	**1,413,059**	1,201,185
Amortization of capital assets	-	-	1,819,202	-	-	-	**1,819,202**	1,840,286
Utilities	1,969,290	-	-	-	-	-	**1,969,290**	1,751,042
Interest	721,637	-	1,117	-	-	-	**722,754**	763,076
Scholarship, awards and bursaries	1,641,901	-	-	110,152	-	-	**1,752,053**	1,753,695
Other expenditures (note 14)	2,522,473	-	112,726	742,182	330,561	-	**3,707,942**	4,048,971
Total Expenditures	48,461,070	-	2,339,239	4,148,257	743,575	-	**55,692,141**	54,673,560
Excess (deficiency) of revenue over expenditures	$ 356,418	$ -	($ 1,019,461)	($ 6,490)	$ 273,597	$ 162,973	**($ 232,963)**	$ 503,695

See accompanying notes to financial statements

MOUNT SAINT VINCENT UNIVERSITY
Statements of Changes in Net Assets

Year ended March 31,

	Operating	Unappropriated Reserves	Equity in Capital Assets	Capital Reserves	Restricted Special Purpose	Internally Restricted Special Purpose	Internally Restricted Endowments	Externally Restricted Endowments	**2014 Total**	2013 Total
Balance, beginning of year	$ -	$ 3,198,718	$ 2,120,372	$ 1,309,403	$ -	$ 1,902,829	$ 1,014,966	$ 21,107,631	**$ 30,653,919**	$ 28,015,979
Excess (deficiency) of revenue over expenditures	356,418	-	(1,019,461)	-	(6,490)	273,597	162,973	-	**(232,963)**	503,695
Endowment contributions	-	-	-	-	-	-	-	223,215	**223,215**	125,454
Net realized investment income	-	-	-	-	-	-	-	1,234,185	**1,234,185**	768,616
Net unrealized investment gain	-	-	-	-	-	-	-	1,835,085	**1,835,085**	1,344,317
Gain (loss) on derivatives	-	-	321,823	-	-	-	-	-	**321,823**	(104,142)
Inter-fund transfers (note 15)	(356,418)	(454,427)	1,154,147	-	6,490	253,309	(60,234)	(542,867)	**-**	-
Sub-total	-	(454,427)	456,509	-	-	526,906	102,739	2,749,618	**3,381,345**	2,637,940
Appropriations	-	-	(11,327)	11,327	-	-	-	-	**-**	-
Balance, end of year	$ -	$ 2,744,291	$ 2,565,554	$ 1,320,730	$ -	$ 2,429,735	$ 1,117,705	$ 23,857,249	**$ 34,035,264**	$ 30,653,919

See accompanying notes to financial statements.

MOUNT SAINT VINCENT UNIVERSITY

Statement of Cash Flows

Year ended March 31,

	2014	2013
Cash provided by (used for):		
Operating activities:		
Excess (deficiency) of revenue over expenditures for the year	**($ 232,963)**	$ 503,695
Items not involving cash:		
Amortization of capital assets	**1,819,202**	1,840,286
Amortization of deferred capital contributions	**(713,650)**	(743,675)
Unrealized investment gain	**(94,224)**	(76,501)
Change in non-cash working capital	**3,314,837**	1,056,822
	4,093,202	2,580,627
Financing and investing activities:		
Additions to investments	**(1,922,950)**	(1,455,963)
Proceeds on disposal of investments	**863,534**	1,091,867
Capital assets acquired	**(7,612,295)**	(1,060,480)
Principal debt payments on long-term debt	**(595,685)**	(566,279)
Issue of long-term debt	**55,438**	-
Contributions received in the year	**5,375,943**	7,321,262
Contributions reported in revenue – Special Purpose Fund	**(4,141,767)**	(4,902,473)
Endowment net investment income	**1,234,185**	768,616
Endowment contributions	**223,215**	125,454
	(6,520,382)	1,322,004
Increase (decrease) in cash and short-term deposits	**(2,427,180)**	3,902,631
Cash and short-term deposits, beginning of year	**21,475,300**	17,572,669
Cash and short-term deposits, end of year	**$ 19,048,120**	$ 21,475,300

See accompanying notes to financial statements.

MOUNT SAINT VINCENT UNIVERSITY

Notes to Financial Statements

Year ended March 31, 2014

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1. Purpose:

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

2. Significant Accounting Policies:

These financial statements have been prepared by management in accordance with Part III of the CPA Canada Handbook, which sets out generally accepted accounting principles for not-for-profit organizations in Canada and includes the significant accounting policies set out below:

a) Fund Accounting:

The University follows the deferral method with the multi-column format for the Statement of Operations and the Statement of Changes in Net Assets.

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

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

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

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

There are both internally and externally restricted endowments. Internally Restricted Endowments are 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.

2. Significant Accounting Policies (continued):

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 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.

MOUNT SAINT VINCENT UNIVERSITY
Notes to the Financial Statements

Year ended March 31, 2014

2. Significant Accounting Policies (continued):

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
Computer Equipment	3 years straight line
Vehicles	5 years straight line
Assets under Capital Lease	Matched to lease term
Art Collection	Nil
Library Collection	10 years straight line

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

Year ended March 31, 2014

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2. Significant Accounting Policies (continued):

h) Retirement Plan costs and obligations:

The University's obligations for pension benefits arising from service prior to March 31, 2014 are estimated to be $61,769,905 (2013 - $53,351,896) for the defined contribution plan. The value of assets is the market value as at March 31, 2014 which is $61,769,905 (2013 - $53,351,896).

Pension expense for the year ended March 31, 2014 totalled $ 1,900,258 (2013 - $1,846,671).

i) Derivatives:

The University enters into interest rate swap contracts to manage its exposure to interest rate risks on certain of its long-term borrowings.

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 Changes in Net Assets.

3. Investments:

	2014	2013
Pooled equity funds	$ 23,844,863	$ 21,182,140
Pooled fixed income funds	997,237	671,235
	$ 24,842,100	$ 21,853,375

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

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

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

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

MOUNT SAINT VINCENT UNIVERSITY
Notes to Financial Statements

Year ended March 31, 2014

4. Capital Assets:

			2014	2013
	Cost	Accumulated amortization	Net book value	Net book value
Land	$ 1,471,134	$ -	$ 1,471,134	$ 1,471,134
Campus infrastructure	1,069,743	521,101	548,642	577,518
Buildings	59,048,478	34,714,337	24,334,141	25,614,885
Furniture and equipment	10,095,173	9,223,627	871,546	1,046,625
Computer equipment	345,328	115,109	230,219	-
Vehicles	32,414	6,483	25,931	-
Assets under capital lease	320,306	302,736	17,570	58,945
Art collection	159,100	-	159,100	139,100
Library collection	3,253,502	2,932,703	320,799	382,500
Construction in progress	7,995,777	-	7,995,777	891,059
	$ 83,790,955	$ 47,816,096	$ 35,974,859	$ 30,181,766

Construction in progress costs relate to the construction of the Margaret Norrie McCain Centre for Teaching, Learning, & Research which began in March of 2013 and is anticipated to be completed by early summer of 2015. The total budgeted cost for the project is $20.6M which will be funded with approximately $12M from fund-raising and $8.6M from long-term debt financing.

With respect to the project, the University has signed construction contracts of approximately $14.5 million. The portion that has been committed but unspent as at March 31, 2014 is approximately $8.4 million.

5. Government Remittances Payable:

Included in accounts payable and accrued liabilities are government remittances payable of $ Nil (2013 - $461,554).

MOUNT SAINT VINCENT UNIVERSITY
Notes to Financial Statements

Year ended March 31, 2014

6. Long-Term Debt:

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

	2014	2013
Assisi Residence - 5.375% first mortgage, due 2016, payable in blended, semi-annual payments of $25,907	$ 97,022	$ 141,806
Birches Residence - Non-revolving term facility loan by way of banker's acceptance at the BA discount rate plus 0.38%, renewable quarterly in declining principal amounts which range from $9,000 to $32,000, due February, 2031	1,479,000	1,532,000
Meadows - 2.99% first mortgage, due 2016, payable in blended, monthly payments of $2,633	61,173	90,495
Central Heating Plant - 5.3% credit facility, due 2016, payable in blended, monthly payments of $7,952	563,016	626,755
Research House - 3.99% first mortgage, due 2016, payable in blended monthly payments of $799	116,122	120,970
Westwood Residence - 7.25% term loan, due 2034, payable in blended, monthly payments of $45,763	5,800,802	5,924,494
Evaristus Science Labs/EMF Roof - Non-revolving term facility loan by way of banker's acceptance at the BA discount rate plus 0.38%, renewable quarterly in declining principal amounts which range from $8,000 to $28,000, due October, 2032	1,376,000	1,418,000
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	2,448,000	2,522,000

MOUNT SAINT VINCENT UNIVERSITY
Notes to Financial Statements

Year ended March 31, 2014

6. Long-Term Debt (continued):

	2014	2013
Evaristus Science Labs & Student Space - 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
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 2015	216,888	369,985
Vehicle Loan – Interest-free term loan, principal due in blended monthly instalments of $600, due October 2017, secured by a vehicle	25,211	-
Vehicle Loan – 2.92% four-year unsecured term loan, principal due in blended monthly instalments of $509, due March 2018	23,024	-
	12,847,033	13,387,280
Less current portion of long-term debt	(1,267,215)	(588,483)
	$11,579,818	$12,798,797

The three mortgages are secured by the related building on which the mortgage is placed, one vehicle loan is secured by the related vehicle for which the loan was received, and the other vehicle loan is unsecured. The remaining debt is secured by a guarantee from the University.

MOUNT SAINT VINCENT UNIVERSITY
Notes to Financial Statements

Year ended March 31, 2014

6. Long-Term Debt (continued):

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

Year ending March 31,

2015	$ 1,267,215
2016	669,295
2017	788,650
2018	380,770
2019	393,540

7. Derivatives:

The fair value of the interest rate swap contracts are:

	2014	2013
Birches Residence	$ 231,422	$ 320,002
Evaristus Science Labs/EMF Roof	315,108	413,192
2 Melody Dr/Seton Roof	115,555	250,714
	$ 662,085	$ 983,908

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, 2014, the notional value of interest rate swaps was equal to the respective loans to which they are associated. The Birches Residence interest rate swap ends on February 3, 2031, the Evaristus Science Labs/EMF Roof interest rate swap ends on October 4, 2032 and the 2 Melody Dr/Seton Roof interest rate swap ends on March 31, 2034.

MOUNT SAINT VINCENT UNIVERSITY
Notes to Financial Statements

Year ended March 31, 2014

8. Deferred Contributions:

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

The balance of unamortized deferred contributions consists of the following:

	Restricted Special Purpose	Capital	2014	2013
Balance, beginning of year	$ 10,841,711	$ 13,289,117	$ 24,130,828	$ 22,455,714
Contributions received in the year	5,363,939	12,004	5,375,943	7,321,262
Reallocations in the year	(6,994,530)	6,994,530	-	-
	9,211,120	20,295,651	29,506,771	29,776,976
Reported in revenue	(4,141,767)	(713,650)	(4,855,417)	(5,646,148)
Balance, end of year	$ 5,069,353	$ 19,582,001	$ 24,651,354	$ 24,130,828

MOUNT SAINT VINCENT UNIVERSITY
Notes to Financial Statements

Year ended March 31, 2014

9. Endowments:

Details of year-end balances are as follows:

	2014	2013
Externally Restricted		
Scholarships and Bursaries	$ 11,640,376	$ 10,137,616
The Nancy's Chair in Women's Studies	3,799,418	3,424,810
Lena Isabel Jodrey Fund in Gerontology	737,227	658,511
Gail and Stephen Jarislowsky Chair in Learning Disabilities	2,630,087	2,434,630
Capital Endowment	3,105,363	2,773,838
Other Endowments	1,944,778	1,678,226
	23,857,249	21,107,631
Internally Restricted		
Rosaria Student Centre	985,624	879,761
Development Operations	132,081	135,205
	1,117,705	1,014,966
	$ 24,974,954	$ 22,122,597

10. Capital Reserves and Unappropriated Reserves:

Details of year-end balances are as follows:

	2014	2013
Capital Reserves		
Facilities Renewal	$ 680,970	$ 740,791
Other Capital Projects	639,760	568,612
	$ 1,320,730	$ 1,309,403
Unappropriated Reserves		
Strategy Implementation Reserve	$ 2,744,291	$ 3,198,718

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 2013/14, the Board of Governors approved the funding of $529,416 from the Strategy Implementation Reserve to cover the accrual of early retirement incentives that could not be funded through the Operating Fund. This funding will be repaid from the annual savings resulting from the early retirements. In addition, and in accordance with the original motion by the Board of Governors, $74,989 of funding previously transferred to the Disabilities Chair Endowment for matching donations was returned to the Strategy Implementation Reserve as it was not needed to meet the University's $1M fund-raising commitment for the Endowment.

11. Commitments and Contingencies:

Operating Leases:

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

Year ending March 31,	2015	$ 93,500
	2016	21,070
	2017	-
	2018	-
	2019	-

MOUNT SAINT VINCENT UNIVERSITY

Notes to Financial Statements

Year ended March 31, 2014

11. 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, 2013, CURIE had an accumulated excess of income over expenses of $58 million, of which the University's pro rata share is approximately 0.50% 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

Year ended March 31, 2014

12. Other Revenue:

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

13. Inventory Expensed in Cost of Sales:

The amount of inventory expensed during the year was $1,020,200 (2013 - $1,128,812).

14. 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.

15. Inter-fund Transfers:

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

Year Ended March 31, 2014			(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	($ 63,998)	$ -	$ 66,999	($ 3,001)	$ -	$ -	$ -
Endowment spending	359,800	-	90,465	131,260	9,370	(28,709)	(562,186)
Endowed assistantships	(13,000)	-	-	-	-	-	13,000
Debt servicing	(579,037)	-	579,037	-	-	-	-
Other Financial Aid Funding	116,869	-	-	(116,869)	-	-	-
Facilities Improvement Program Payback	(374,305)	-	374,305	-	-	-	-
Repayment of Funds Not Required for Matching Re: Jarislowsky Chair	-	74,989	-	-	-	-	(74,989)
Early Retirement Incentive Program Funding	529,416	(529,416)	-	-	-	-	-
Capital campaign funding	-	-	-	-	31,525	(31,525)	-
Other	(332,163)	-	43,341	(4,900)	212,414	-	81,308
	($ 356,418)	($ 454,427)	$ 1,154,147	$6,490	$ 253,309	($ 60,234)	($ 542,867)

MOUNT SAINT VINCENT UNIVERSITY
Notes to Financial Statements

Year ended March 31, 2014

16. Financial Instruments:

Financial Risk

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

(a) Interest Rate Risk

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

(b) Credit Risk

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

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

(c) Currency Risk

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

(d) Fair Value

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

17. Comparative Figures

Certain accounts in the prior year financial statements have been reclassified to conform to the presentation adopted in the current year's financial statements.