Mount Saint Vincent University

Management Discussion and Analysis
and
Financial Statements
for the year ended
March 31, 2015

Mount Saint Vincent University

Management Discussion and Analysis

For the Year Ended March 31, 2015

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, 2015.

General Highlights

Statement of Operations

The excess (deficiency) of revenue over expenditures decreased by $1.3M over the prior year, from a deficiency of $233K in 2014, to an excess of $1.09M in 2015. 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 16 to the financial statements provides a summary of the inter-fund transfers. This is important when looking at results for individual funds because the result can be a deficiency on the Statement of Operations that is then eliminated on the Statement of Changes in Net Assets once the transfers are made.

- The 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 2014, the University accrued retirement incentive costs under the provisions of the faculty collective agreement. Funding was transferred from the Strategy Implementation Reserve to fund these incentives in the amount of $529K. As at March 31, 2015, this funding was repaid to the Strategy Implementation Reserve from the Operating Fund.

- Operating Fund results are shown in the Statement of Changes in Net Assets as the sub-total after inter-fund transfers. For the 2015 fiscal year, operations netted an excess of revenue over expenditures in the amount of $560K, which, in accordance with Board policy, has been transferred to the Strategy Implementation Reserve.

Other Highlights

- The University undertook the initial Facilities Improvement Program (FIP) initiatives during 2010/11 and 2011/12 at a cost of $3.4M. The FIP has reduced the University's carbon footprint and utilities costs. The total net cost of the FIP has been recovered through annual utility savings generated as a result of the sustainability initiatives undertaken. In 2014/15, the final repayment was made for the program in the amount of $439K from efficiency savings. After applying $153K of the savings for the annual repayment of the Nova Scotia Power Inc efficiency loan, the remaining amount of $286K was transferred to the Capital Fund as payback of the original project costs and to provide for the final payout of the Nova Scotia Power Inc efficiency loan. The payback is reflected in the interfund transfer schedule in Note 16. This concludes the repayment of the full cost of the Facilities Improvement Program from efficiency savings in 5 years versus the original planned repayment period of 9 years.

- The construction of the Margaret Norrie McCain Centre for Teaching, Learning & Research began in March of 2013. The grand opening of the building took place on May 29, 2015. During 2014/15, construction costs totaled $9.08M, of which $8.9M was capitalized. $1.8M was transferred from fund-raising and $839K was funded through Canada Foundation and Innovation funding. Neither the capital costs nor the capital contributions will be amortized until the construction is complete. Financing was also put in place for the building in July of 2014 to secure the interest rate. The University entered into an interest rate swap in the amount of $7.8M with a thirty year amortization, funds to be drawn down on July 6, 2015 and an all-in interest rate of 3.7%.

- As a result of a change in the source of funding for the Nova Scotia University Student Bursary Program from a Trust to the Province of Nova Scotia, it is now included under "Restricted Government Grants". In prior years, this funding was reported under "Donations and Other Grants".

The following are explanations of the key changes within the financial statements from fiscal 2014 to fiscal 2015:

Revenue

Total revenue increased $2.5M or 4.4% over the prior year. The main areas of note are:

- The total provincial operating funding of the University increased by $199K or 1%. This followed three years of reductions in operating grant totaling 10.1%.

- Restricted government grant revenue increased by $2.7M or 73% as a result of changes in the funding source for the Nova Scotia University Student Bursary Program which is now the Province of Nova Scotia. Previously it was funded from a trust and was included under “Donations and Other Grants”. The amount of the funding for 2014/15 was $2.5M.

- Overall student fees income increased by $2.1M or 9.32%. As with other universities in the province, the University increased its tuition by 3%, which was the cap set by the provincial government. Undergraduate enrolment increased 4.2% over the prior year for a total increase of $954K. The largest increase was in the on-campus enrolment of 7.4% while declines of 9.8% were experienced in distance enrolments. BEd tuition revenue increased by $39K with enrolment remaining relatively constant. Overall graduate enrolment declined by 2.7% or $61K. International enrolment (students who pay differential fees) increased 14.4% over the prior year generating additional revenue of $516K. The increased on-campus undergraduate enrolment also resulted in higher residence and meal plan revenue with a 10% increase in occupancy rates in residence over the prior year.

- Donations and other grants decreased $2.6M or 84.2% as a result of the Nova Scotia University Student Bursary Program funding being included under Restricted Government Grant revenue this year as noted above.

Expenditures

Total expenditures increased by $1.144M or 2%. The main areas of note are:

- Salaries and benefits continue to be the largest portion of the University’s expenditures, comprising 69.3% of total expenditures as compared to 70.9% in 2014. The salaries and benefits portfolio decreased $109K or 0.28% over the prior year. In 2014, the salary and benefit costs included $565K in retirement incentive costs that were accrued. There were no retirement incentive cost accruals in 2015. After excluding this change, salaries and benefits increased approximately 1.1%. This is a combination of annual salary increases offset by savings from unexpected resignations and other turnover. Expenditures for salaries fluctuate in the special purpose funds based on project activity.

- Repairs and maintenance expenditures increased by $525K or 37.2%. This expenditure does tend to fluctuate depending on the level of capital project activity undertaken in any given year. Most of this increase arose from renovation projects including classroom renovations ($221K) and the E. Margaret Fulton Centre Learning Commons ($392K).

- Utilities costs increased $207K over the prior year primarily as the result of rising gas prices and costs associated with the Margaret Norrie McCain Centre building which came on stream near the end of the fiscal year.

- Scholarships, awards and bursaries expenditures increased $321K over the prior year or 18.3%. Connected to the higher on-campus undergraduate enrolment noted earlier in this document, there was a higher take-up on entrance scholarships of $148K. There was also an increase in externally funded scholarships of $142K including the Canada Graduate Scholars Program, the Nova Scotia Health Research Foundation and the new Province of Nova Scotia graduate scholarship program.

Statement of Changes in Net Assets

This statement reflects the net asset position of the University which is $37M as at March 31, 2015. Other points to note:

- Net realized investment income increased $427K or 34.6% over the prior year as markets continued to gain ground. Net unrealized investment income decreased in the amount of $270K or 14.7%.

- The University recorded a mark to market adjustment of $1.7K on derivatives designated as cash flow hedges (interest rate swaps) in 14/15 as a result of market changes, in particular declining interest rates. In addition, the University entered into an agreement for an interest rate swap of $7.8M on the new Margaret Norrie McCain Centre for Teaching, Learning & Research, funding to be drawn down in July of 2015. The mark to market adjustment on this swap at March 31st, 2015 was a liability of $1.2M.

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

- The Operating excess of revenue over expenditures for the University is indicated in column one of the Statement of Changes in net Assets, after the inter-fund transfers, as $560K. This amount has been transferred to the Strategy Implementation Reserve in accordance with Board policy.

Statement of Financial Position

The University remains in a sound financial position at March 31, 2015 with a current ratio of 1.42:1 and a total long-term debt to equity ratio (including all long-term obligations) of 1.07:1. The University has consistently balanced its budget and maintains minimal debt (6.2%) in comparison to the total insured value of buildings and contents of $191M. Other points of note:

- The decrease in cash and short-term deposits of $7.6M or 39.7% is primarily the result of the ongoing construction of the Margaret Norrie McCain Centre for Teaching, Learning & Research.

- Government grant receivables increased $707K or 207% over the prior year primarily as a result of receivables related to Canada Foundation for Innovation projects totaling $639K.

- Other receivables were $131K or 13.7% higher than the prior year because of higher credit notes receivable from suppliers for returned books and higher HST rebates receivable related to the building construction costs.

- Inventory and prepaids declined $184K as a result of reductions in Bookstore inventory in preparation for a renovation of the Bookstore space.

- Investments increased in value by $3.07M as the result of the improving market conditions and receipt of $187K in Endowment contributions.

- Capital asset additions for 2014/15 were $9.7M including $8.9M 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 $111K over the prior year (1.42%). This category tends to fluctuate from year to year depending on timing of payments before and after year-end. There was a significant increase last year related to the McCain Centre project ($2.57M) and as the project nears to a close, payables have remained at a higher level.

- Deferred revenue decreased $608K. The major change was the utilization/recognition of Excellence and Innovation funding for the E. Margaret Fulton Centre Learning Commons.

- Long-term debt (including current portion) declined $1.27M or 9.8% as a result of principal payments which included the full repayment of the Strategic Opportunities Fund Inc. loan of $640K in January of 2015. No new debt was drawn down in 2014/15.

- The liability for derivatives was $1.72M higher than the prior year as a result of declining interest rates and the addition of the mark to market adjustment for the swap financing related to the Margaret Norrie McCain Centre for Teaching, Learning & Research ($1.2M).

- Deferred capital contributions increased $1.26M or 5.12% as compared to 2013/14. The increase is primarily driven by new restricted income of $6.2M, primarily for the new Margaret Norrie McCain Centre for Teaching, Learning and Research. This was offset by the amortization of deferred capital contributions of $743K.

Mount Saint Vincent University

Financial Statements
for the year ended
March 31, 2015

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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, 2015, 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, 2015, 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 25, 2015
Halifax, Canada

MOUNT SAINT VINCENT UNIVERSITY
Statement of Financial Position

March 31,

	2015	2014
Assets		
Current assets		
Cash and short-term deposits	**$ 11,492,541**	$ 19,048,120
Accounts receivable -		
Students	**151,231**	161,345
Government grants	**1,047,768**	341,175
Other	**1,092,042**	960,752
Inventory and prepaids	**817,461**	1,001,351
	14,601,043	21,512,743
Investments (note 3)	**27,910,367**	24,842,100
Capital assets (note 4)	**43,880,325**	35,974,859
	$ 86,391,735	$ 82,329,702
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities (note 5)	**$ 7,995,535**	$ 7,883,584
Current portion of long-term debt (note 6)	**669,294**	1,267,215
Deferred revenue	**1,642,595**	2,250,382
	10,307,424	11,401,181
Long-term liabilities:		
Capital lease obligations (note 7)	**64,292**	-
Long-term debt (note 6)	**10,910,524**	11,579,818
Derivatives (note 8)	**2,385,496**	662,085
Deferred contributions (note 9)	**25,914,721**	24,651,354
	39,275,033	36,893,257
Net Assets:		
Endowments (note 10)		
Externally restricted	**26,651,221**	23,857,249
Internally restricted	**1,219,817**	1,117,705
Restricted net assets	**27,871,038**	24,974,954
Equity in capital assets	**618,030**	2,565,554
Capital reserves (note 11)	**1,566,391**	1,320,730
Unappropriated reserves (note 11)	**3,833,285**	2,744,291
Internally restricted special purpose funds	**2,920,534**	2,429,735
Unrestricted net assets	**8,938,240**	9,060,310
	36,809,278	34,035,264
	$ 86,391,735	$ 82,329,702

Commitments and Contingencies (note 12)

See accompanying notes to financial statements

Approved by the Board of Governors,

Diane MacLeod Governor

Sandra Jumpher 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	**2015 Total**	2014 Total
REVENUE:								
Government grants - Operating	$ 19,876,913	$ -	$ 240,000	$ -	$ -	$ -	**$ 20,116,913**	$ 19,917,709
Restricted	2,988,052	-	438,113	2,934,809	3,685	-	**6,364,659**	3,679,725
Student fees	25,061,138	-	206,063	-	-	-	**25,267,201**	23,112,197
Realized investment income	125,083	-	10,039	6,952	40,342	88,837	**271,253**	305,451
Unrealized investment gain	-	-	-	-	-	77,135	**77,135**	94,224
Donations and other grants	-	-	-	405,965	77,527	-	**483,492**	3,062,667
Amortization of deferred capital contributions	-	-	743,496	-	-	-	**743,496**	713,650
Other revenue (note 13)	2,939,620	-	15,613	845,936	795,964	-	**4,597,133**	4,573,555
Total Revenue	50,990,806	-	1,653,324	4,193,662	917,518	165,972	**57,921,282**	55,459,178
EXPENDITURES:								
Salaries and employee benefits	36,706,352	-	22,833	2,428,672	201,829	-	**39,359,686**	39,468,533
Cost of sales (note 14)	2,245,528	-	-	-	20,539	-	**2,266,067**	2,217,180
Travel and moving	775,116	-	3,819	467,155	71,601	-	**1,317,691**	1,253,190
Operating supplies	918,580	-	37,404	311,037	157,864	-	**1,424,885**	1,368,938
Repairs and maintenance	1,046,695	-	812,134	79,262	-	-	**1,938,091**	1,413,059
Amortization of capital assets	-	-	1,779,797	-	-	-	**1,779,797**	1,819,202
Utilities	2,176,380	-	-	-	-	-	**2,176,380**	1,969,290
Interest	700,482	-	124	-	-	-	**700,606**	722,754
Scholarship, awards and bursaries	1,820,872	-	-	252,140	-	-	**2,073,012**	1,752,053
Other expenditures (note 15)	2,539,106	-	245,490	710,451	304,918	-	**3,799,965**	3,707,942
Total Expenditures	48,929,111	-	2,901,601	4,248,717	756,751	-	**56,836,180**	55,692,141
Excess (deficiency) of revenue over expenditures	$ 2,061,695	$ -	($ 1,248,277)	($ 55,055)	$ 160,767	$ 165,972	**$ 1,085,102**	($ 232,963)

See accompanying notes to financial statements

MOUNT SAINT VINCENT UNIVERSITY
Statement 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	**2015 Total**	2014 Total
Balance, beginning 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
Excess (deficiency) of revenue over expenditures	2,061,695	-	(1,248,277)	-	(55,055)	160,767	165,972	-	**1,085,102**	(232,963)
Endowment contributions	-	-	-	-	-	-	-	186,638	**186,638**	223,215
Net realized investment income	-	-	-	-	-	-	-	1,660,929	**1,660,929**	1,234,185
Net unrealized investment gain	-	-	-	-	-	-	-	1,564,756	**1,564,756**	1,835,085
(Loss) gain on derivatives	-	-	(1,723,411)	-	-	-	-	-	**(1,723,411)**	321,823
Inter-fund transfers (note 16)	(1,502,117)	529,416	1,269,825	-	55,055	330,032	(63,860)	(618,351)	-	-
Sub-total	559,578	529,416	(1,701,863)	-	-	490,799	102,112	2,793,972	**2,774,014**	3,381,345
Appropriations	(559,578)	559,578	(245,661)	245,661	-	-	-	-	-	-
Balance, end of year	$ -	$ 3,833,285	$ 618,030	$ 1,566,391	$ -	$ 2,920,534	$ 1,219,817	$ 26,651,221	**$ 36,809,278**	$ 34,035,264

See accompanying notes to financial statements.

MOUNT SAINT VINCENT UNIVERSITY

Statement of Cash Flows

Year ended March 31,

	2015	2014
Cash provided by (used for):		
Operating activities:		
Excess (deficiency) of revenue over expenditures for the year	**$ 1,085,102**	($ 232,963)
Items not involving cash:		
Amortization of capital assets	**1,779,797**	1,819,202
Amortization of deferred capital contributions	**(743,496)**	(713,650)
Unrealized investment gain	**(77,135)**	(94,224)
Change in non-cash working capital	**(1,139,715)**	3,314,837
	904,553	4,093,202
Financing and investing activities:		
Additions to investments	**(2,378,625)**	(1,922,950)
Proceeds on disposal of investments	**952,249**	863,534
Capital assets acquired	**(9,685,263)**	(7,612,295)
Principal payments on long-term debt	**(1,267,215)**	(595,685)
Issuance of long-term debt	**-**	55,438
Capital lease obligation payments	**(25,248)**	-
Proceeds from capital lease	**89,540**	-
Contributions received in the year	**6,200,525**	5,375,943
Contributions reported in revenue – Special Purpose Fund	**(4,193,662)**	(4,141,767)
Endowment net investment income	**1,660,929**	1,234,185
Endowment contributions	**186,638**	223,215
	(8,460,132)	(6,520,382)
Decrease in cash and short-term deposits	**(7,555,579)**	(2,427,180)
Cash and short-term deposits, beginning of year	**19,048,120**	21,475,300
Cash and short-term deposits, end of year	**$ 11,492,541**	$ 19,048,120

See accompanying notes to financial statements.

MOUNT SAINT VINCENT UNIVERSITY
Notes to Financial Statements

Year ended March 31, 2015

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.

MOUNT SAINT VINCENT UNIVERSITY
Notes to Financial Statements

Year ended March 31, 2015

2. Significant Accounting Policies (continued):

b) Revenue recognition:

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

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

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

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

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

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

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

c) Contributed services:

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

d) Cash and short-term deposits:

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

e) Investments:

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

MOUNT SAINT VINCENT UNIVERSITY
Notes to the Financial Statements

Year ended March 31, 2015

2. Significant Accounting Policies (continued):

f) Capital assets:

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

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

Campus Infrastructure	5% declining balance
Buildings	5% declining balance
Furniture and Equipment	10 years straight line
Computer Equipment	3 years straight line
Vehicles	5 years straight line
Assets under Capital Lease	Matched to lease term
Art Collection	Nil
Library Collection	10 years straight line

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

g) Retirement Plan costs and obligations:

The University's obligations for pension benefits arising from service prior to March 31, 2015 are estimated to be $68,469,714 (2014 - $61,769,905) for the defined contribution plan. The value of assets is the market value as at March 31, 2015 which is $68,469,714 (2014 - $61,769,905).

Pension expense for the year ended March 31, 2015 totalled $1,935,164 (2014 - $1,900,258).

h) Derivatives:

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

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

2. Significant Accounting Policies (continued):

h) Derivatives:

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

The University designates each interest swap agreement as a cash flow hedge of a specifically identified debt instrument. Swap agreements that are effective hedges, both at maturity and over the term of the agreement, since the term to maturity, the notional principal amount, and the interest rate of the swap agreements all match the terms of the debt instruments being hedged. The swap agreements involve periodic exchange of payments and are recorded as an adjustment of the interest expense on the hedged debt instrument.

Realized and unrealized gains or losses associated with derivative instruments, which have been terminated or cease to be effective prior to maturity that were deferred under other current, or non-current assets or liabilities on the statement of financial position, would be recognized in income in the period in which the underlying hedged transaction is recognized. In the event a designated hedged item is sold, extinguished or matures prior to the termination of the related derivative instrument, any realized or unrealized gain or loss of such derivative instrument is recognized in income.

i) Use of estimates

The preparation of financial statements requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the 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

MOUNT SAINT VINCENT UNIVERSITY
Notes to the Financial Statements

Year ended March 31, 2015

2. Significant Accounting Policies (continued):

i) Use of estimates

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

3. Investments:

	2015	2014
Pooled equity funds	$ 26,475,351	$ 23,844,863
Pooled fixed income funds	1,435,016	997,237
	$ 27,910,367	$ 24,842,100

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
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Year ended March 31, 2015

4. Capital Assets:

			2015	2014
	Cost	Accumulated amortization	Net book value	Net book value
Land	$ 1,471,134	$ -	$ 1,471,134	$ 1,471,134
Campus infrastructure	1,069,743	548,533	521,210	548,642
Buildings	59,048,478	35,931,045	23,117,433	24,334,141
Furniture and equipment	10,734,151	9,512,203	1,221,948	871,546
Computer equipment	345,328	230,219	115,109	230,219
Vehicles	55,438	17,570	37,868	25,931
Assets under capital lease	409,847	328,582	81,265	17,570
Art collection	159,100	-	159,100	159,100
Library collection	3,326,897	3,027,742	299,155	320,799
Construction in progress	16,856,103	-	16,856,103	7,995,777
	$ 93,476,219	$ 49,595,894	$ 43,880,325	$ 35,974,859

Construction in progress costs relate to the construction of the Margaret Norrie McCain Centre for Teaching, Learning, & Research which opened in May, 2015.

5. Government Remittances Payable:

Included in accounts payable and accrued liabilities are government remittances payable of $ Nil (2014 - $Nil).

MOUNT SAINT VINCENT UNIVERSITY
Notes to Financial Statements

Year ended March 31, 2015

6. Long-Term Debt:

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

	2015	2014
Assisi Residence - 5.375% first mortgage, due 2016, payable in blended, semi-annual payments of $25,907	$ 49,797	$ 97,022
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	1,422,000	1,479,000
Meadows - 2.99% first mortgage, due 2016, payable in blended, monthly payments of $2,633	30,975	61,173
Central Heating Plant - 5.3% credit facility, due 2016, payable in blended, monthly payments of $7,952	495,815	563,016
Research House - 3.99% first mortgage, due 2016, payable in blended monthly payments of $799	111,077	116,122
Westwood Residence - 7.25% term loan, due 2034, payable in blended, monthly payments of $45,763	5,667,838	5,800,802
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	1,332,000	1,376,000
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	2,371,000	2,448,000

MOUNT SAINT VINCENT UNIVERSITY
Notes to Financial Statements

Year ended March 31, 2015

6. Long-Term Debt (continued):

	2015	2014
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
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	63,791	216,888
Vehicle Loans – Interest-free term loan, principal due in blended monthly instalments of $600, due October 2017, secured by a vehicle	18,008	25,211
2.92% four-year unsecured term loan, principal due in blended monthly instalments of $509, due March 2018	17,517	23,024
	11,579,818	12,847,033
Less current portion of long-term debt	(669,294)	(1,267,215)
	$10,910,524	$11,579,818

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.

During the year, the University entered into an interest rate swap agreement in the amount of $7.8M to enable the University to fix the interest rate on funds to be borrowed to assist in financing the Margaret Norrie McCain centre for Teaching, Learning & Research.

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Notes to Financial Statements

Year ended March 31, 2015

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

Year ending March 31,

	2016	$ 669,294
	2017	788,650
	2018	380,770
	2019	393,540
	2020	419,850

7. Capital Lease Obligation:

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

Year ending March 31,

	2016	$ 19,536
	2017	19,536
	2018	19,536
	2019	19,536
	2020	9,768
Total before interest costs		87,912
Interest costs included at rate of 3.48%		(6,647)
Balance of lease obligation		81,265
Less current portion of capital lease obligation included in accounts payable and accrued liabilities		(16,973)
Non-current portion of capital lease obligation		$ 64,292

MOUNT SAINT VINCENT UNIVERSITY
Notes to Financial Statements

Year ended March 31, 2015

8. Derivatives:

The fair value of the interest rate swap contracts are:

	2015	2014
Margaret Norrie McCain Centre	$ 1,252,177	$ -
Birches Residence	345,063	231,422
Evaristus Science Labs/EMF Roof	434,129	315,108
2 Melody Dr/Seton Roof	354,127	115,555
	$ 2,385,496	$ 662,085

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, 2015, 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.

At March 31, 2015, the loan funds for the Margaret Norrie McCain Centre had not been drawn down although the interest rate had been secured. The funds will be drawn down on July 6, 2015. Therefore the loan is not recorded in these financial statements.

MOUNT SAINT VINCENT UNIVERSITY
Notes to Financial Statements

Year ended March 31, 2015

9. Deferred Contributions:

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

The balance of unamortized deferred contributions consists of the following:

	Restricted Special Purpose	Capital	2015	2014
Balance, beginning of year	$ 5,069,353	$ 19,582,001	$ 24,651,354	$ 24,130,828
Contributions received in the year	4,766,635	1,433,890	6,200,525	5,375,943
Reallocations in the year	(1,823,245)	1,823,245	-	-
	8,012,743	22,839,136	30,851,879	29,506,771
Reported in revenue	(4,193,662)	(743,496)	(4,937,158)	(4,855,417)
Balance, end of year	$ 3,819,081	$ 22,095,640	$ 25,914,721	$ 24,651,354

MOUNT SAINT VINCENT UNIVERSITY
Notes to Financial Statements

Year ended March 31, 2015

10. Endowments:

Details of year-end balances are as follows:

	2015	2014
Externally Restricted		
Scholarships and Bursaries	$ 13,188,106	$ 11,640,376
The Nancy's Chair in Women's Studies	4,121,397	3,799,418
Lena Isabel Jodrey Fund in Gerontology	817,232	737,227
Gail and Stephen Jarislowsky Chair in Learning Disabilities	2,904,745	2,630,087
Capital Endowment	3,442,306	3,105,363
Other Endowments	2,177,435	1,944,778
	26,651,221	23,857,249
Internally Restricted		
Rosaria Student Centre	1,092,199	985,624
Development Operations	127,618	132,081
	1,219,817	1,117,705
	$ 27,871,038	$ 24,974,954

MOUNT SAINT VINCENT UNIVERSITY
Notes to Financial Statements

Year ended March 31, 2015

11. Capital Reserves and Unappropriated Reserves:

Details of year-end balances are as follows:

	2015	2014
Capital Reserves		
Facilities Renewal	$ 680,970	$ 680,970
Other Capital Projects	885,421	639,760
	$ 1,566,391	$ 1,320,730
Unappropriated Reserves		
Strategy Implementation Reserve	$ 3,833,285	$ 2,744,291

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 was repaid during the 2014/15 fiscal year.

MOUNT SAINT VINCENT UNIVERSITY
Notes to Financial Statements

Year ended March 31, 2015

12. Commitments and Contingencies:

Insurance Contingency - Reciprocal Exchange of Insurance Risks:

The University participates in a reciprocal exchange of insurance risks in association with fifty-six other Canadian universities through the Canadian Universities Reciprocal Insurance Exchange (CURIE). This self-insurance cooperative involves a contractual agreement to share the insurance property and liability risks of member universities for a term of not less than five years.

The projected cost of claims will be funded through members' premiums based on actuarial projections. As of December 31, 2014, CURIE had an accumulated excess of income over expenses of $74 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.

MOUNT SAINT VINCENT UNIVERSITY
Notes to Financial Statements

Year ended March 31, 2015

13. Other Revenue:

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

14. Inventory Expensed in Cost of Sales:

The amount of inventory expensed during the year was $976,607 (2014 - $1,020,200).

15. 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.

16. Inter-fund Transfers:

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

Year Ended March 31, 2015			(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	($ 234,501)	$ -	$ 246,363	($ 11,862)	$ -	$ -	$ -
Endowment spending	452,810	-	111,410	183,895	12,060	(63,860)	(696,315)
Endowed assistantships	(13,000)	-	-	-	-	-	13,000
Debt servicing	(626,440)	-	626,440	-	-	-	-
New Scholars funding	(130,000)	-	-	-	130,000	-	-
NSERC Science Chair	(85,340)	-	-	85,340	-	-	-
Other Financial Aid Funding	(2,000)	-	-	2,000	-	-	-
Facilities Improvement Program Payback	(285,612)	-	285,612	-	-	-	-
Early Retirement Incentive Program Repayment	(529,416)	529,416	-	-	-	-	-
Other	(48,618)	-	-	(204,318)	187,972	-	64,964
	($ 1,502,117)	$ 529,416	$ 1,269,825	$55,055	$ 330,032	($ 63,860)	($ 618,351)

MOUNT SAINT VINCENT UNIVERSITY
Notes to Financial Statements

Year ended March 31, 2015

17. Financial Instruments:

Financial Risk

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

(a) Interest Rate Risk

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

(b) Credit Risk

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

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

(c) Currency Risk

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

(d) Liquidity risk:

Liquidity risk is the risk that the University will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The University manages its liquidity risk by monitoring its operating requirements. The University prepares budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations.

MOUNT SAINT VINCENT UNIVERSITY

Notes to Financial Statements

Year ended March 31, 2015

17. Financial Instruments (continued):

(e) Fair Value

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

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

18. Comparative Information

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