Mount Saint Vincent University

Management Discussion and Analysis
and
Financial Statements
for the year ended
March 31, 2012

Mount Saint Vincent University

Management Discussion and Analysis

For the Year Ended March 31, 2012

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, 2012.

Statement of Operations

The excess of revenue over expenditures decreased by $310K over the prior year, to $489K. To understand how the excess arises, a number of factors must be considered:

- The Statement of Operations reflects operating results before inter-fund transfers. Often expenditures are incurred in one fund and paid for by another fund. A prime example of this would be endowed scholarships, bursaries, and awards that are expended out of the Operating Fund but are paid for by transfers from the Endowment Fund income. Note 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.

- In 2009/10 the University recorded the cost of an Early Retirement Incentive Plan for faculty which was a one-time retirement plan (with a cost of $1.237M) implemented in order to create faculty renewal and generate operational savings. It is a self-funding plan that pays for itself through savings on replacement of positions vacated by early retirees. The payback amount for 2011/12 is $517K and is recorded as an interfund transfer to the Unappropriated Reserves. See note 10 and 15 for more information. The costs of the Plan will be fully recovered by the end of 2012/13.

- The University completed the initial Facilities Improvement Program initiatives during 2011/12. The $3.4M Facilities Improvement Program (FIP) will reduce the University's carbon footprint and reduce utilities costs. The most significant change from this project in 2010/11 was the conversion of the Central Heating

Plant to natural gas. In the 2011/12 fiscal year, expenditures totaled $1.043M. The costs of the Program were reduced by a number of energy initiatives received in 2010/11 ($612K) with the remaining costs currently funded from internal operations and an interest free loan from Nova Scotia Power Inc. of $612K granted in 2011/12 under the Electrical Efficiency Program. The payback of the loan will take place over a period of 48 months. 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 2011/12, that payback amounted to $507K and is reflected in the interfund transfer schedule in Note 15.

- Operating Fund results are shown in the Statement of Net Assets as the sub-total after inter-fund transfers. For the 2011/12 fiscal year, operations netted excess of revenue over expenditures in the amount of $122K which equates to .2% of total revenue.

Revenue

Total revenue increased $19K with minimal change over the prior year. The main areas of note are:

- The total provincial funding of the University decreased by $838K or approximately 4%. The funding reduction was announced by the government early in 2011. However, the Province did not designate any portion of the funding for the restricted purposes of alterations and renovations and non-space as in the past in order to provide the universities with more flexibility. Therefore, funding previously included in the financial statements as restricted funding in the amount of $500K is now included as Operating funding. Because of that offsetting adjustment, Operating funding from government grants only declined 1.53% or $326K.

- Restricted government grant revenue declined by $896K or 18.9%, in part from the reallocation of restricted provincial funding of $500K to Operating government grant revenue as explained above and the remaining amount from declines in research and special purpose funding which tends to fluctuate from year to year based on project activity.

- Overall Student fees income increased by $863K or 4.3 %. This was the first year that the tuition had not been frozen and an increase of 3% was instituted, in keeping with the provincial cap. On-campus undergraduate enrolment grew .2% and international enrolment (students who pay differential fees) increased 26% over the prior year. Graduate on-campus enrolment increased 4.9% and BEd enrolment declined 10% as fewer qualified students applied for the program. Over all categories, enrolment decreased 1.3% over the prior year.

- Donations and Other Grants increased by $233K over the prior year. Donations were up significantly ($3.5M) as a result of the ongoing success of Project

TWENTY12, the funding raising campaign for the new Margaret Norrie McCain Centre for Teaching, Learning and Research however most of those funds have been deferred and will only be recognized as revenue when the funds are expended or transferred to other funds (endowed).

- Other income increased $212K over the prior year by 4.84%. This is another category that tends to fluctuate based on project activity in the research and special purpose funds and new revenue generation opportunities on which there is an active focus.

Expenditures

Total expenditures increased by $329K or .6%. The main areas of note are:

- Salaries and benefits continue to be the largest portion of our expenditures, comprising 69.2% of total expenditures as compared to 68.2% in 2011. The salaries and benefits portfolio increased 2.1% or $767K over the prior year. The increase is primarily related to salary increases and staffing changes. Expenditures for salaries fluctuate in the special purpose funds based on project activity.

- Operating supplies expenditures declined by $223K or 12% over the prior year. Part of this decline was the result of a planned 3% reduction in non-salaried expenditures as part of the budget planning process. While the planned reduction was based on the cost of all non-salaried expenditures, the reductions generally were focused in operating supplies and other expenditure categories. In addition, efficiencies have been achieved in a number of areas related to improved use of technology.

- Other expenditures declined by $311K or 6% over the prior year. This category of expenditures tends to fluctuate depending on certain aspects and activity levels of research projects and Strategy Implementation Reserve projects. Part of the decline related to reductions in snow and salt costs as a result of better weather conditions and reduced spending on furniture and equipment. This category was also impacted by the general planned cost reductions of 3% in non-salaried expenditures.

Statement of Changes in Net Assets

This statement reflects the net asset position of the University which is $28M as at March 31, 2012. Other points to note:

- Realized investment income increased over the prior year following a year in which the market continued to rebound. There was again an unrealized investment gain but it was significantly less than the prior year as the market was somewhat more stabilized.

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

- The Operating excess of revenue over expenditures for the University is indicated in column 1, after the inter-fund transfers, as $122K which is .25% of the total operating revenues – essentially a balanced budget. This small excess has been transferred to the Strategy Implementation Reserve for future use.

Statement of Financial Position

The University remains in a sound financial position at March 31, 2012 with a current ratio of 3.17:1 and a total debt to equity ratio (including all long-term obligations) of 1.31:1. The Mount has consistently balanced its budget and maintains minimal debt (7.7%) in comparison to the total insured value of capital assets of $181M. Other points of note:

- The increase in cash and short-term deposits is primarily the result of collection of government receivables for incentives awarded in 2010/11 in relation to the Facilities Improvement Program initiatives and ongoing fund-raising as part of Project TWENTY12 for the new Margaret Norrie McCain Centre for Teaching, Learning and Research.

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

- Capital Asset additions for 2011/12 were $1.28M including costs for the Facilities Improvement Program of $1.043M described earlier, acquisition of library books and furniture and equipment through research infrastructure projects and other initiatives.

- Accounts payable declined $745K over the prior year. This category tends to fluctuate from year to year depending on timing of payments before and after year-end.

- Deferred capital contributions increased $2.5M as compare to 2010/11. The increase is primarily driven by new donations of $3.5M primarily for the new Margaret Norrie McCain Centre for Teaching, Learning and Research raised as part of Project TWENTY12.

Mount Saint Vincent University

Financial Statements
for the year ended
March 31, 2012

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INDEPENDENT AUDITORS' REPORT

To the Board of Governors of Mount Saint Vincent University

We have audited the accompanying financial statements of Mount Saint Vincent University, which comprise the statement of financial position as at March 31, 2012, the statements of operations, changes in net assets, and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

Opinion
In our opinion, the financial statements present fairly, in all material respects, the financial position of the Mount Saint Vincent University as at March 31, 2012, and the result of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants

June 28, 2012
Halifax Canada

MOUNT SAINT VINCENT UNIVERSITY
Statement of Financial Position

March 31, 2012

	2012	2011
Assets		
Current assets		
Cash and short-term deposits	**$ 17,568,097**	$ 13,021,118
Accounts receivable -		
Students	**264,216**	214,092
Government grants	**203,179**	1,051,394
Other	**1,179,091**	1,296,200
Inventory and prepaids	**931,351**	879,194
	20,145,934	16,461,998
Investments (note 3)	**20,053,178**	19,450,961
Capital Assets (note 4)	**30,961,572**	31,584,601
	$ 71,160,684	$ 67,497,560
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities	**$ 4,822,243**	$ 5,527,016
Current portion of long-term debt (note 5)	**566,279**	507,027
Deferred revenue	**974,478**	908,235
	6,363,000	6,942,278
Long-term liabilities:		
Long-term debt (note 5)	**13,387,280**	13,311,454
Capital lease obligation (note 6)	**58,945**	-
Derivatives (note 7)	**879,766**	226,383
Deferred contributions (note 8)	**22,455,714**	19,976,821
	36,781,705	33,514,658
Net Assets:		
Endowments (note 9)		
Externally restricted	**19,327,792**	18,575,511
Internally restricted	**1,024,518**	1,131,419
Restricted net assets	**20,352,310**	19,706,930
Equity in capital assets	**2,158,812**	2,705,917
Capital reserves (note 10)	**1,363,521**	1,247,575
Unappropriated reserves (note 10)	**2,428,196**	1,789,362
Internally restricted special purpose funds	**1,713,140**	1,590,840
Unrestricted net assets	**7,663,669**	7,333,694
	28,015,979	27,040,624
	$ 71,160,684	$ 67,497,560

Commitments and Contingencies (note 11)

See accompanying notes to financial statements

Approved by the Board of Governors

Sarah Weinot Governor

Ramona Lumpkin Governor

MOUNT SAINT VINCENT UNIVERSITY

Statement of Operations

Year ended March 31, 2012

	Operating	Unappropriated Reserves	Capital	Restricted Special Purpose	Internally Restricted Special Purpose	Internally Restricted Endowments	**2012 Total**	2011 Total
REVENUE:								
Government grants -								
Operating	$ 20,764,732	$ -	$ 217,692	$ -	$ -	$ -	**$ 20,982,424**	$ 21,308,677
Restricted	653,270	-		3,192,663	3,150	-	**3,849,083**	4,745,271
Student fees	20,733,869	-	190,567	-	-	-	**20,924,436**	20,061,098
Realized investment income	104,264	-	9,993	6,336	47,165	50,474	**218,232**	258,820
Unrealized investment gain	-	-	-	-	-	9,526	**9,526**	60,069
Donations and other grants	2,654,705	-	-	328,620	46,748	-	**3,030,073**	2,796,675
Amortization of deferred capital contributions	-	-	807,299	-	-	-	**807,299**	784,526
Other revenue (note 12)	3,465,996	-	15,000	425,207	673,737	-	**4,579,940**	4,368,326
Total Revenue	48,376,836	-	1,240,551	3,952,826	770,800	60,000	**54,401,013**	54,381,462
EXPENDITURES:								
Salaries and employee benefits	34,531,424	-	-	2,614,433	186,444	-	**37,332,301**	36,565,399
Cost of sales (note 13)	2,406,231	-	-	-	-	-	**2,406,231**	2,203,996
Travel and moving	823,314	-	-	414,951	91,623	-	**1,329,888**	1,260,395
Operating supplies	1,088,526	-	-	361,900	134,785	-	**1,585,211**	1,808,021
Repairs and maintenance	483,962	-	110,961	-	-	-	**594,923**	682,318
Amortization of capital assets	-	-	1,901,913	-	-	-	**1,901,913**	1,983,627
Utilities	1,577,946	-	-	-	-	-	**1,577,946**	1,668,899
Interest	802,633	-	1,837	-	-	-	**804,470**	825,742
Scholarship, awards and bursaries	1,570,840	-	-	67,212	-	-	**1,638,052**	1,532,487
Other expenditures (note 14)	3,345,777	-	244,460	616,306	534,370	-	**4,740,913**	5,051,833
Total Expenditures	46,630,653	-	2,259,171	4,074,802	947,222	-	**53,911,848**	**53,582,717**
Excess (deficiency) of revenue over expenditures	$1,746,183	$ -	($ 1,018,620)	($ 121,976)	($ 176,422)	$ 60,000	**$ 489,165**	$ 798,745

See accompanying notes to financial statements

MOUNT SAINT VINCENT UNIVERSITY
Statement of Changes in Net Assets

Year ended March 31, 2012

	Operating	Unappropriated Reserves	Equity in Capital Assets	Capital Reserves	Restricted Special Purpose	Int restricted Special Purpose	Internally Restricted Endowments	Externally Restricted Endowments	**2012 Total**	2011 Total
Balance, beginning of year	$ -	$ 1,789,362	$2,705,917	$ 1,247,575	$ -	$ 1,590,840	$ 1,131,419	$ 18,575,511	**$ 27,040,624**	$ 24,794,567
Excess (deficiency) of revenue over expenditure	1,746,183	-	(1,018,620)	-	(121,976)	(176,422)	60,000	-	**489,165**	798,745
Endowment contributions	-	-	-	-	-	-	-	314,579	**314,579**	381,692
Net realized investment income	-	-	-	-	-	-	-	656,641	**656,641**	289,008
Net unrealized investment gain	-	-	-	-	-	-	-	168,353	**168,353**	806,888
Loss on derivatives designated as cash flow hedges	-	-	(653,383)	-	-	-	-	-	**(653,383)**	(30,276)
Inter-fund Transfers (note 15)	(1,624,367)	517,018	1,240,844	-	121,976	298,722	(166,901)	(387,292)	**-**	-
Sub-total	121,816	517,018	(431,159)	-	-	122,300	(106,901)	752,281	**975,355**	2,246,057
Appropriations (note 10)	(121,816)	121,816	(115,946)	115,946	-	-	-	-	-	-
Balance, end of year	$ -	$ 2,428,196	$ 2,158,812	$ 1,363,521	$ -	$ 1,713,140	$ 1,024,518	$ 19,327,792	**$ 28,015,979**	$ 27,040,624

See accompanying notes to financial statements.

MOUNT SAINT VINCENT UNIVERSITY

Statement of Cash Flows

Year ended March 31, 2012

	2012	2011
Cash provided by (used for):		
Operating activities:		
Excess of revenue over expenditure for the year	**$ 489,165**	$ 798,745
Items not involving cash:		
Amortization of capital assets	**1,901,913**	1,983,627
Amortization of deferred capital contributions	**(807,299)**	(784,526)
Unrealized investment gain	**(9,526)**	(60,069)
Change in non-cash working capital	**184,232**	(24,684,815)
	1,758,485	(22,747,038)
Financing and investing activities:		
Additions to investments	**(2,875,336)**	(825,444)
Proceeds on disposal of investments	**2,450,998**	621,905
Capital assets acquired	**(1,278,884)**	(5,767,818)
Principal debt repayment	**(477,311)**	(366,810)
Principal debt issued	**612,389**	-
Proceeds of capital lease obligation	**122,229**	-
Payment of capital lease obligation	**(23,003)**	-
Net increase of deferred contributions	**3,286,192**	4,201,678
Endowment net investment income	**656,641**	289,008
Endowment contributions	**314,579**	381,692
	2,788,494	(1,465,789)
Increase (decrease) in cash and short-term deposits	**4,546,979**	(24,212,827)
Cash and short-term deposits, beginning of year	**13,021,118**	37,233,945
Cash and short-term deposits, end of year	**$ 17,568,097**	$ 13,021,118

See accompanying notes to financial statements.

MOUNT SAINT VINCENT UNIVERSITY

Notes to Financial Statements

Year ended March 31, 2012

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1. Authority and Purpose:

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

2. Significant Accounting Policies:

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

a) Fund Accounting:

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

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

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

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

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

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

b) Use of estimates

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

MOUNT SAINT VINCENT UNIVERSITY
Notes to Financial Statements

Year ended March 31, 2012

2. Significant Accounting Policies (cont'd):

c) Revenue recognition:

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

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

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

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

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

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

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

d) Contributed services:

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

e) Cash and short-term deposits:

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

f) Investments:

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

MOUNT SAINT VINCENT UNIVERSITY
Notes to the Financial Statements

Year ended March 31, 2012

2. Significant Accounting Policies (cont'd):

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

g) Capital assets:

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

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

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 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.

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

h) Retirement Plan costs and obligations:

The University's obligations for pension benefits arising from service prior to March 31, 2012 are estimated to be $50,229,575 (2011 - $51,556,471) for the defined contribution plan. The value of assets is the market value as at March 31, 2012 which is $ 50,229,575 (2011 - $51,556,471).

Pension expense for the year ended March 31, 2012 totalled $1,839,779 (2011 - $1,763,109).

i) Derivatives:

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

MOUNT SAINT VINCENT UNIVERSITY
Notes to the Financial Statements

Year ended March 31, 2012

3. Investments:

	2012		2011	
	Cost	Fair value	Cost	Fair value
Cash, net of accruals	($ 15,283)	($ 15,283)	($ 16,114)	($ 16,114)
Common equities	15,395	16,524	-	-
Foreign equity funds	25,992	30,159	-	-
Pooled equity funds	18,901,827	19,444,141	16,720,735	17,120,545
Pooled fixed income fund units	559,312	577,637	2,358,283	2,346,530
	$ 19,487,243	$ 20,053,178	$ 19,062,904	$ 19,450,961

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

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

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

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

4. Capital Assets:

			2012	2011
	Cost	Accumulated amortization	Net book value	Net book value
Land	$ 1,471,134	$ -	$ 1,471,134	$ 1,471,134
Campus Infrastructure	1,069,743	461,830	607,913	611,358
Buildings	59,005,658	32,085,441	26,920,217	27,215,519
Furniture and equipment	9,935,737	8,674,755	1,260,982	1,581,490
Assets under capital lease	320,306	221,080	99,226	-
Art collection	139,100	-	139,100	139,100
Library collection	3,176,502	2,713,502	463,000	566,000
	$ 75,118,180	$ 44,156,608	$30,961,572	$ 31,584,601

MOUNT SAINT VINCENT UNIVERSITY
Notes to Financial Statements

Year ended March 31, 2012

5. Long-Term Debt:

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

	2012	2011
Assisi Residence - 5.375% first mortgage, due 2016, payable in blended, semi-annual payments of $25,907	$184,278	$ 224,555
Birches Residence- Non-revolving term facility loan by way of banker's acceptance at the BA discount rate plus .38%, renewable quarterly in declining principal amounts which range from $9,000 to $32,000, due February, 2031	1,584,000	1,632,000
Meadows - 2.99% first mortgage, due 2016, payable in blended, monthly payments of $2,633	119,024	143,888
Central Heating Plant - 5.3% credit facility, due 2016, payable in blended, monthly payments of $7,952	687,211	744,554
Research House - 3.99% first mortgage, due 2016, payable in blended monthly payments of $799	125,628	130,105
Westwood Residence- 7.25% term loan, due 2034, payable in blended, monthly payments of $45,763	6,039,561	6,146,604
Evaristus Science Labs/EMF Roof- Non-revolving term facility loan by way of banker's acceptance at the BA discount rate plus .38%, renewable quarterly in declining principal amounts which range from $8,000 to $28,000, due October, 2032	1,458,000	1,496,000
2 Melody Dr/Seton Roof- Non-revolving term facility loan by way of banker's acceptance at the BA discount rate plus 1.03%, renewable quarterly in declining principal amounts which range from $15,000 to $47,000, due March, 2034	2,592,000	2,660,000

MOUNT SAINT VINCENT UNIVERSITY
Notes to Financial Statements

Year ended March 31, 2012

5. Long-Term Debt (continued):

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

In terms of security, the three mortgages are secured by the related building on which the mortgage is placed and the remaining debt is secured by a guarantee from the University.

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

Year ending March 31,

2013	$ 566,279
2014	588,483
2015	1,254,505
2016	1,081,385
2017	350,644

MOUNT SAINT VINCENT UNIVERSITY
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6. Capital Lease Obligation:

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

Year ending March 31,		
	2013	$ 42,451
	2014	42,451
	2015	17,688
Total before interest costs		102,590
Interest costs included at rate of 2.7%		(3,364)
Balance of lease obligation		99,226
Less current portion of capital lease obligation included in accounts payable and accrued liabilities		40,281
Non-current portion of capital lease obligation		$ 58,945

7. Derivatives:

The fair value of the interest rate swaps are:	2012	2011
Birches Residence	$ 298,130	$ 129,629
Evaristus Science Labs/EMF Roof	393,999	226,806
2 Melody Dr/Seton Roof	187,637	(130,052)
	$ 879,766	$ 226,383

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

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

At March 31, 2012, 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.

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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:

	Balance beginning of year	Recorded during the year	Reported in revenue	Balance end of year
Special Purpose Fund	$ 6,095,987	$ 7,195,658	($ 3,952,826)	$ 9,338,819
Capital Fund	13,880,834	43,360	(807,299)	13,116,895
	$ 19,976,821	$ 7,239,018	($ 4,760,125)	$ 22,455,714

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9. Endowments:

Details of year-end balances are as follows:

	Balance beginning of year	Net change	Balance end of year
Externally Restricted			
Scholarships and Bursaries	$ 8,788,712	$ 409,296	$ 9,198,008
The Nancy's Chair in Women's Studies	3,133,679	23,079	3,156,758
Lena Isabel Jodrey Fund in In Gerontology	597,963	11,516	609,479
Chair in Learning Disabilities	2,063,242	191,808	2,255,050
Capital Endowment	2,523,647	43,682	2,567,329
Other Endowments	1,468,268	72,900	1,541,168
	18,575,511	752,281	19,327,792
Internally Restricted			
Rosaria Student Centre	797,568	15,936	813,504
Development Operations	333,851	(122,837)	211,014
	1,131,419	(106,901)	1,024,518
	$ 19,706,930	$ 645,380	$ 20,352,310

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Year ended March 31, 2012

10. Capital Reserves and Unappropriated Reserves:

Details of year-end balances are as follows:

	Balance beginning of year	Net appropriations/ changes	Balance end of year
Capital Reserves			
Facilities Renewal	$ 740,791	$ -	$ 740,791
Other Capital Projects	506,784	115,946	622,730
	$ 1,247,575	$ 115,946	$ 1,363,521
Unappropriated Reserves			
Strategy Implementation Reserve	$ 2,813,780	$ 121,816	$ 2,935,596
Early Retirement Incentive Plan	(1,024,418)	517,018	(507,400)
	$ 1,789,362	$ 638,834	$ 2,428,196

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

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

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

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Year ended March 31, 2012

11. Commitments and Contingencies:

Operating Leases:

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

Year ending March 31,

2013	$ 213,410
2014	71,101
2015	34,020
2016	-
2017	-

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, 2011, CURIE had an accumulated excess of income over expenses of $48M, of which the University's pro rata share is approximately .50% on an ongoing basis. In addition, the reciprocal has obtained $995 million re-insurance with commercial insurers to cover major property claims in excess of $5 million per occurrence. In respect of General Liability, the limit is $5 million per occurrence. Re-insurance for general liability coverage in the amount of $25 million in excess of $5 million per occurrence is in place.

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

Legal Contingencies:

From time to time, the University is involved in litigation or proceedings relating to claims arising out of its operations in the ordinary course of business. It is the opinion of management that the aggregate amount of any potential liability is not expected to have a material adverse effect on the University's financial position or results.

11. Commitments and Contingencies (continued):

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

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 $1,212,955 (2011- $1,221,865).

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.

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Year ended March 31, 2012

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.

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

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

(d) Fair Value

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