Mount Saint Vincent University

Management Discussion and Analysis
and
Financial Statements
for the year ended
March 31, 2016

Mount Saint Vincent University

Management Discussion and Analysis

For the Year Ended March 31, 2016

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, 2016.

General Highlights

Statement of Operations

The excess (deficiency) of revenue over expenditures decreased by $1.4M over the prior year, from an excess of $882K in 2015, to a deficiency of $537K in 2016. 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 2015/16, the Margaret Norrie McCain Centre for Teaching, Learning & Research (McCain Centre) project was completed and the related capital additions and deferred capital contributions were amortized for the first time. The impact was that amortization of capital assets increased by $970K while amortization of deferred capital contributions increased by $561K resulting in a net decrease to the excess (deficiency) of revenue over expenditures of $409K.

- Operating Fund results are shown in the Statement of Changes in Net Assets as the sub-total after inter-fund transfers. For the 2016 fiscal year, operations netted an excess of revenue over expenditures in the amount of $118K, which, in accordance with Board policy, has been transferred to the Strategy

Implementation Reserve. In the 2015 fiscal year, excess of revenue over expenditures for the Operating Fund before interfund transfers and appropriations was $1.3M higher than for 2016 as a result of more positive operating results.

Other Highlights

- 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 2015/16, construction costs totaled $1.8M, of which $1.7M was capitalized. $498K was transferred from fund-raising and $103K was funded through an Efficiency Nova Scotia grant. The Construction in Progress at March 31, 2015 in the amount of $16.9M was reallocated to the appropriate capital asset categories and, as noted earlier, the capital assets and the deferred capital contributions related to the project were amortized for the first time. Financing, which was put in place for the building in July of 2014 to secure the interest rate was drawn down in July of 2015 in the amount of $7.8M. The financing vehicle is an interest rate swap with a thirty year amortization and an all-in interest rate of 3.7%. In the 2015 fiscal year audited financial statements, an unrealized loss (mark to market adjustment) on the interest rate swap was recorded through the Statement of Changes in Net Assets in the amount of $1.3M. For 2015/16, an additional unrealized loss of $425K on the interest rate swap was recorded.

The following are explanations of the key changes within the financial statements from fiscal 2015 to fiscal 2016:

Revenue

Total revenue increased $1.2M or 2.1% over the prior year. The main areas of note are:

- The total provincial operating funding of the University increased by $199K or 1%.

- Restricted government grant revenue decreased by $726K or -11.4%. Capital Fund grant income was $185K higher last year related to Excellence and Innovation funding from the Province for the E. Margaret Fulton Learning Commons project and Operating grant income was $194K higher last year for the NS University Student Bursary Program funding from the Province. The remaining difference is the result of normal fluctuations based on project activity.

- Overall student fees income increased by $863K or 3.42%. 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 decreased 1.2% over the prior year, offsetting the income from the tuition increase resulting in a net revenue increase of $260K. The largest decrease was in the on-campus undergraduate enrolment of 2.5% while increases of 3.1% were experienced in distance education enrolment. BEd tuition revenue increased by $75K with enrolment increasing 2.4%. Overall graduate enrolment declined by 3.4% or $217K. International enrolment (students who pay differential fees) increased 5.8% over the prior year generating additional revenue of $323K. Residences were 98% full during the year which resulted in higher residence and meal plan revenue over the prior year.

- Donations and other grants increased $447K or 92.5% as a result of higher fund-raising activity (excluding the McCain Centre Project).

- Amortization of deferred capital contributions increased $522K or 70.2% as a result of the deferred fund-raising and other contributions for the McCain Centre Project being amortized for the first time.

Expenditures

Total expenditures increased by $2.6M or 4.6%. The main areas of note are:

- Salaries and benefits continue to be the largest portion of the University's expenditures, comprising 68.1% of total expenditures as compared to 69.3% in 2015. This is a combination of annual salary increases and required salary accruals offset by savings from unexpected resignations and other turnover. Expenditures for salaries fluctuate in the special purpose funds based on project activity.

- Amortization of capital assets increased $890K or 50% over the prior year as the McCain Centre Project was completed and opened in May 2015. Therefore the total capital additions for the project of $18.5M were amortized for the first time.

- Other expenditures increased $420K or 11% over the prior year primarily as the result of project expenditures undertaken to further technology initiatives ($144K), implement a new telephone system ($37K), and improve security systems ($31K). Expenditures also increased in the area of library acquisitions primarily as a result of US exchange costs ($41K). Other expenditures in Restricted Special Purpose Funds increased by $123K as a result of changes in project activity.

Statement of Changes in Net Assets

This statement reflects the net asset position of the University which is $36M as at March 31, 2016. Other points to note:

- Net unrealized investment income decreased $3.3M or 212% over the prior year as markets declined.

- The University recorded a mark to market adjustment of $1.7M on derivatives designated as cash flow hedges (interest rate swaps) in 14/15 as a result of market changes, in particular declining interest rates. The largest portion of that ($1.2M) was for interest rate swap put in place to secure an interest rate for the financing for the Margaret Norrie McCain Centre. For 15/16, a further loss on the derivatives of $495K was recorded.

- 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 $118K. 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, 2016 with a current ratio of 2.39:1 and a total long-term liabilities to equity ratio (including all long-term obligations) of 1.33:1. The University has consistently balanced its budget and maintains minimal debt (8.9%) in comparison to the total insured value of buildings and contents of $211M. Other points of note:

- The increase in cash and short-term deposits of $8.2M or 71.4% is primarily the result of the draw-down in debt financing of $7.8M for the McCain Centre Project in July 2015 and the restricted project funding where funding has been received but not yet spent.

- Government grant receivables decreased $675K or 64.5% over the prior year, returning to more normal level primarily as a result of 2015 receivables including amounts related to Canada Foundation for Innovation projects totaling $639K for the McCain Centre Project.

- Other receivables were $162K or 14.8% lower than the prior year as balances have returned to a more normal level after the completion of the McCain Centre project. The 2015 balance included higher HST rebates receivable related to the building construction costs.

- Investments decreased in value by $561K as the result of the declining market conditions.

- Capital asset additions for 2015/16 were $2.2M including $1.7M in costs for the new McCain Centre project, acquisition of library books and furniture and equipment through research infrastructure projects and other initiatives.

- Accounts payable decreased $845K over the prior year (-10.6%). This category tends to fluctuate from year to year depending on timing of payments before and after year-end. In 2015, the McCain Centre project was winding down by year-end with the main aspects of the project completed for the grand opening in May 2015. By March 31, 2016, most of the project related costs including holdbacks had been paid out.

- Long-term debt (including current portion) increased $7.2M or 63.2% primarily as a result the new McCain Centre debt financing of $7.8M being drawn down in July of 2015. A vehicle loan for two vehicles was also undertaken in the amount of $45K. The debt for the NSPI Loan utilized for the Facilities Improvement Program, the Assisi Hall mortgage and the Meadows mortgage were all fully paid out in the 2016 fiscal year. Principal payments for the year totaled $663K.

- The liability for derivatives was $495K higher than the prior year as a result of declining interest rates and the related mark to market adjustment for the interest rate swaps utilized for debt financing.

- Deferred capital contributions increased $708K or 2.7% as compared to 2014/15. The increase is primarily driven by new restricted income of $6.5M for grant projects in progress and donations received but not yet spent. This was offset by the amortization of deferred capital contributions of $1.27M.

Mount Saint Vincent University

Financial Statements
for the year ended
March 31, 2016

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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, 2016, 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, 2016, 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 28, 2016
Halifax, Canada

MOUNT SAINT VINCENT UNIVERSITY

Statement of Financial Position

March 31,

	2016	2015
Assets		
Current assets		
Cash and short-term deposits	**$ 19,695,353**	$ 11,492,541
Accounts receivable -		
Students	**254,277**	151,231
Government grants	**372,325**	1,047,768
Other	**930,304**	1,092,042
Inventory and prepaids	**867,499**	817,461
	22,119,758	14,601,043
Investments (note 3)	**27,349,080**	27,910,367
Capital assets (note 4)	**43,448,300**	43,880,325
	$ 92,917,138	$ 86,391,735
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities (note 5)	**$ 7,150,942**	$ 7,995,535
Current portion of long-term debt (note 6)	**608,323**	669,294
Deferred revenue	**1,502,011**	1,642,595
	9,261,276	10,307,424
Long-term liabilities:		
Capital lease obligations (note 7)	**46,713**	64,292
Long-term debt (note 6)	**18,153,998**	10,910,524
Derivatives (note 8)	**2,880,234**	2,385,496
Deferred contributions (note 9)	**26,622,427**	25,914,721
	47,703,372	39,275,033
Net Assets:		
Endowments (note 10)		
Externally restricted	**25,882,340**	26,651,221
Internally restricted	**1,230,986**	1,219,817
Restricted net assets	**27,113,326**	27,871,038
Equity (deficiency) in capital assets	**(299,633)**	618,030
Capital reserves (note 11)	**1,800,216**	1,566,391
Unappropriated reserves (note 11)	**3,951,096**	3,833,285
Internally restricted special purpose funds	**3,387,485**	2,920,534
Unrestricted net assets	**8,839,164**	8,938,240
	35,952,490	36,809,278
	$ 92,917,138	$ 86,391,735

Commitments and Contingencies (note 12)

See accompanying notes to financial statements

Approved by the Board of Governors

M. Jean MacMahon Governor

Ramona Humphries 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	**2016 Total**	2015 Total
REVENUE:								
Government grants -								
Operating	$ 20,073,898	$ -	$ 242,000	$ -	$ -	$ -	**$ 20,315,898**	$ 20,116,913
Restricted	2,794,451	-	252,801	2,591,857	-	-	**5,639,109**	6,364,659
Student fees	25,887,995	-	242,611	-	-	-	**26,130,606**	25,267,201
Realized investment income	118,832	-	10,134	5,858	22,912	84,705	**242,441**	271,253
Unrealized investment (loss) gain	-	-	-	-	-	(84,381)	**(84,381)**	77,135
Donations and other grants	-	-	-	894,282	36,341	-	**930,623**	483,492
Amortization of deferred capital contributions	-	-	1,265,934	-	-	-	**1,265,934**	743,496
Other revenue (note 13)	2,882,150	-	15,000	1,065,255	735,396	-	**4,697,801**	4,597,133
Total Revenue	51,757,326	-	2,028,480	4,557,252	794,649	324	**59,138,031**	57,921,282
EXPENDITURES:								
Salaries and employee benefits	37,921,354	-	7,238	2,509,306	208,259	-	**40,646,157**	39,541,297
Cost of sales (note 14)	2,181,063	-	-	-	26,046	-	**2,207,109**	2,266,067
Travel and moving	816,667	-	-	563,775	74,363	-	**1,454,805**	1,325,848
Operating supplies	932,432	-	721	489,218	155,762	-	**1,578,133**	1,427,053
Repairs and maintenance	1,344,852	-	382,606	30,240	-	-	**1,757,698**	1,938,091
Amortization of capital assets	-	-	2,669,591	-	-	-	**2,669,591**	1,779,797
Utilities	2,109,873	-	-	-	-	-	**2,109,873**	2,176,380
Interest	883,802	-	-	-	-	-	**883,802**	700,606
Scholarship, awards and bursaries	1,914,975	-	-	221,978	-	-	**2,136,953**	2,073,012
Other expenditures (note 15)	2,847,832	-	211,985	833,140	338,182	-	**4,231,139**	3,810,750
Total Expenditures	50,952,850	-	3,272,141	4,647,657	802,612	-	**59,675,260**	57,038,901
Excess (deficiency) of revenue over expenditures	$ 804,476	$ -	($ 1,243,661)	($ 90,405)	($ 7,963)	$ 324	**($ 537,229)**	$ 882,381

See accompanying notes to financial statements

MOUNT SAINT VINCENT UNIVERSITY

Statement of Changes in Net Assets

Year ended March 31,

	Operating	Unappropriated Reserves	Equity (Deficiency) in Capital Assets	Capital Reserves	Restricted Special Purpose	Internally Restricted Special Purpose	Internally Restricted Endowments	Externally Restricted Endowments	**2016 Total**	2015 Total
Balance, beginning 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
Excess (deficiency) of revenue over expenditures	804,476	-	(1,243,661)	-	(90,405)	(7,963)	324	-	**(537,229)**	882,381
Endowment contributions	-	-	-	-	-	-	-	154,096	**154,096**	186,638
Net realized investment income	-	-	-	-	-	-	-	1,774,092	**1,774,092**	1,863,650
Net unrealized investment (loss) gain	-	-	-	-	-	-	-	(1,753,009)	**(1,753,009)**	1,564,756
Loss on derivatives	-	-	(494,738)	-	-	-	-	-	**(494,738)**	(1,723,411)
Inter-fund transfers (note 16)	(686,665)	-	1,054,561	-	90,405	474,914	10,845	(944,060)	**-**	-
Sub-total	117,811	-	(683,838)	-	-	466,951	11,169	(768,881)	**(856,788)**	2,774,014
Appropriations	(117,811)	117,811	(233,825)	233,825	-	-	-	-	-	-
Balance, end of year	$ -	$ 3,951,096	($ 299,633)	$ 1,800,216	$ -	$ 3,387,485	$ 1,230,986	$ 25,882,340	**$ 35,952,490**	$ 36,809,278

See accompanying notes to financial statements.

MOUNT SAINT VINCENT UNIVERSITY
Statement of Cash Flows

Year ended March 31,

	2016	2015
Cash provided by (used for):		
Operating activities:		
Excess (deficiency) of revenue over expenditures for the year	**($ 537,229)**	$ 882,381
Items not involving cash:		
Amortization of capital assets	**2,669,591**	1,779,797
Amortization of deferred capital contributions	**(1,265,934)**	(743,496)
Unrealized investment loss (gain)	**84,381**	(77,135)
Change in non-cash working capital	**(301,080)**	(1,139,715)
	649,729	701,832
Financing and investing activities:		
Additions to investments	**(2,101,570)**	(2,378,625)
Proceeds on disposal of investments	**825,467**	952,249
Capital assets acquired	**(2,237,566)**	(9,685,263)
Principal payments on long-term debt	**(662,668)**	(1,267,215)
Issuance of long-term debt	**7,845,171**	-
Capital lease obligation payments	**(17,579)**	(25,248)
Proceeds from capital lease	**-**	89,540
Contributions received in the year	**6,530,892**	6,200,525
Contributions reported in revenue – Special Purpose Fund	**(4,557,252)**	(4,193,662)
Endowment net investment income	**1,774,092**	1,863,650
Endowment contributions	**154,096**	186,638
	7,553,083	(8,257,411)
Increase (decrease) in cash and short-term deposits	**8,202,812**	(7,555,579)
Cash and short-term deposits, beginning of year	**11,492,541**	19,048,120
Cash and short-term deposits, end of year	**$ 19,695,353**	$ 11,492,541

See accompanying notes to financial statements.

MOUNT SAINT VINCENT UNIVERSITY
Notes to Financial Statements

Year ended March 31, 2016

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 generally 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, 2016

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, 2016

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, 2016 are estimated to be $65,554,141(2015 - $68,469,714) for the defined contribution plan. The value of assets is the market value as at March 31, 2016 which is $65,554,141 (2015 - $68,469,714).

Pension expense for the year ended March 31, 2016 totalled $1,973,627 (2015 - $1,935,164).

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

MOUNT SAINT VINCENT UNIVERSITY
Notes to the Financial Statements

Year ended March 31, 2016

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, 2016

3. Investments:

	2016	2015
Pooled equity funds	$ 25,944,512	$ 26,475,351
Pooled fixed income funds	1,404,568	1,435,016
	$ 27,349,080	$ 27,910,367

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.

4. Capital Assets:

			2016	2015
	Cost	Accumulated amortization	Net book value	Net book value
Land	$ 1,471,134	$ -	$ 1,471,134	$ 1,471,134
Campus infrastructure	1,069,743	574,594	495,149	521,210
Buildings	77,108,528	37,989,919	39,118,609	23,117,433
Furniture and equipment	11,629,132	9,854,149	1,774,983	1,221,948
Computer equipment	345,328	345,328	-	115,109
Vehicles	121,809	41,932	79,877	37,868
Assets under capital lease	409,847	345,555	64,292	81,265
Art collection	159,100	-	159,100	159,100
Library collection	3,399,164	3,114,008	285,156	299,155
Construction in progress	-	-	-	16,856,103
	$ 95,713,785	$ 52,265,485	$ 43,448,300	$ 43,880,325

MOUNT SAINT VINCENT UNIVERSITY
Notes to Financial Statements

Year ended March 31, 2016

5. Government Remittances Payable:

Included in accounts payable and accrued liabilities are government remittances payable of $ Nil (2015 - $Nil).

6. Long-Term Debt:

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

	2016	2015
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	$ 1,363,000	$ 1,422,000
Central Heating Plant - 2.31% credit facility, due 2021, payable in blended, monthly payments of $7,401	424,964	495,815
Research House - 2.99% first mortgage, due 2021, payable in blended monthly payments of $747	105,734	111,077
Westwood Residence - 7.25% term loan, due 2034, payable in blended, monthly payments of $45,763	5,524,908	5,667,838
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	1,285,000	1,332,000
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	2,290,000	2,371,000

MOUNT SAINT VINCENT UNIVERSITY
Notes to Financial Statements

Year ended March 31, 2016

6. Long-Term Debt (continued):

	2016	2015
Margaret Norrie McCain Centre - Non-revolving term facility loan by way of banker's acceptance at the BA discount rate plus 0.33%, renewable monthly in declining principal amounts which range from $12,000 to $36,000, due July, 2045	7,703,000	-
Vehicle Loans – Term loans with interest rates ranging from 0% to 2.92% and principal due in blended monthly instalments of $1,918, and with due dates ranging from September, 2017 to December, 2020	65,715	35,525
Other Loans –		
Facilities Improvement Program	-	63,791
Assisi Residence	-	49,797
Meadows	-	30,975
	18,762,321	11,579,818
Less current portion of long-term debt	(608,323)	(669,294)
	$18,153,998	$10,910,524

The mortgage is 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 loans are unsecured. The remaining debt is secured by a guarantee from the University.

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

Year ending March 31,

2017	$ 608,323
2018	632,295
2019	654,415
2020	695,349
2021	718,616

7. Capital Lease Obligation:

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

Year ending March 31,

	2017	$ 19,536
	2018	19,536
	2019	19,536
	2020	9,768
Total before interest costs		68,376
Interest costs included at rate of 3.48%		(4,084)
Balance of lease obligation		64,292
Less current portion of capital lease obligation included in accounts payable and accrued liabilities		(17,579)
Non-current portion of capital lease obligation		$ 46,713

MOUNT SAINT VINCENT UNIVERSITY
Notes to Financial Statements

Year ended March 31, 2016

8. Derivatives:

The fair value of the interest rate swap contracts are:

	2016	2015
Margaret Norrie McCain Centre	$ 1,677,013	$ 1,252,177
Birches Residence	354,015	345,063
Evaristus Science Labs/EMF Roof	405,281	434,129
2 Melody Dr/Seton Roof	443,925	354,127
	$ 2,880,234	$ 2,385,496

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 3.70% for the McCain Centre, 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, 2016, the notional value of interest rate swaps was equal to the respective loans to which they are associated. The McCain Centre interest rate swap ends on July 6, 2045, 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, 2016

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	2016	2015
Balance, beginning of year	$ 3,819,081	$ 22,095,640	$ 25,914,721	$ 24,651,354
Contributions received in the year	5,748,647	782,245	6,530,892	6,200,525
	9,567,728	22,877,885	32,445,613	30,851,879
Reported in revenue	(4,557,252)	(1,265,934)	(5,823,186)	(4,937,158)
Balance, end of year	$ 5,010,476	$ 21,611,951	$ 26,622,427	$ 25,914,721

MOUNT SAINT VINCENT UNIVERSITY
Notes to Financial Statements

Year ended March 31, 2016

10. Endowments:

Details of year-end balances are as follows:

	2016	2015
Externally Restricted		
Scholarships and Bursaries	$ 12,936,183	$ 13,188,106
The Nancy's Chair in Women's Studies	3,900,845	4,121,397
Lena Isabel Jodrey Fund in Gerontology	788,569	817,232
Gail and Stephen Jarislowsky Chair in Learning Disabilities	2,810,496	2,904,745
Capital Endowment	3,321,596	3,442,306
Other Endowments	2,124,651	2,177,435
	25,882,340	26,651,221
Internally Restricted		
Rosaria Student Centre	1,053,889	1,092,199
Development Operations	127,939	127,618
Other Endowments	49,158	-
	1,230,986	1,219,817
	$ 27,113,326	$ 27,871,038

MOUNT SAINT VINCENT UNIVERSITY
Notes to Financial Statements

Year ended March 31, 2016

11. Capital Reserves and Unappropriated Reserves:

Details of year-end balances are as follows:

	2016	2015
Capital Reserves		
Facilities Renewal	$ 680,970	$ 680,970
Other Capital Projects	1,119,246	885,421
	$ 1,800,216	$ 1,566,391
Unappropriated Reserves		
Strategy Implementation Reserve	$ 3,951,096	$ 3,833,285

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.

MOUNT SAINT VINCENT UNIVERSITY

Notes to Financial Statements

Year ended March 31, 2016

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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, 2015, CURIE had an accumulated excess of income over expenses of $70 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, 2016

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 $844,609 (2015 - $976,607).

15. Other Expenditures:

Other expenditures includes expenditures for non-capitalized 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, 2016	(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	($ 250,806)	$ -	$ 253,550	($ 2,744)	$ -	$ -	$ -
Endowment spending	514,024	-	123,370	380,217	13,870	(39,155)	(992,326)
Endowed assistantships	(13,000)	-	-	-	-	-	13,000
Debt servicing	(679,641)	-	679,641	-	-	-	-
New Scholars funding	(50,000)	-	-	-	50,000	-	-
Reallocations of Donations	-	-	-	(35,266)	(50,000)	50,000	35,266
NSERC Science Chair	(141,574)	-	-	141,574	-	-	-
Other Financial Aid Funding	1,163	-	-	(121,405)	120,242	-	-
Other	(66,831)	-	(2,000)	(271,971)	340,802	-	-
	($ 686,665)	$ -	$ 1,054,561	$90,405	$ 474,914	$ 10,845	($ 944,060)

MOUNT SAINT VINCENT UNIVERSITY
Notes to Financial Statements

Year ended March 31, 2016

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
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Year ended March 31, 2016

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.