Mount Saint Vincent University

Management Discussion and Analysis
and
Financial Statements
for the year ended
March 31, 2018

Mount Saint Vincent University

Management Discussion and Analysis

For the Year Ended March 31, 2018

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, 2018.

General Highlights

Statement of Operations

The deficiency of revenue over expenditures is very comparable to the prior year increasing by only $19K to a deficiency of $580K in 2018. To understand how the deficiency arises, a number of factors must be considered:

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

- The largest contributor to the overall deficiency in the financial statements arises in the Capital Fund as a result of 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.

- Operating Fund results are shown in the Statement of Changes in Net Assets as the sub-total after inter-fund transfers. For the 2018 fiscal year, operations netted an excess of revenue over expenditures in the amount of $176K, which, in accordance with Board policy, has been transferred to the Strategy Implementation Reserve.

Other Highlights

- In 2015/16, the Province provided an opportunity for Nova Scotia universities to increase their undergraduate tuition by a market adjustment above the 3% cap established in the Memorandum of Understanding, which could be implemented over a four-year period (including 2015/16). In December of 2015, the Mount Board of Governors approved an increase of $21 per undergraduate course with a similar increase for international differential fees, to take effect starting in September, 2016, and to be implemented in each of three years (16/17, 17/18, & 18/19). This increase equated to just over 3% per year.

- On March 2, 2017, the Mount Board of Governors approved a major renovation project for the 47 College Road building with a total budget of $6.4M. The Centre for Applied Research in Human Health, is being funded, in part, through federal and provincial government contributions ($2.8M) under the federal Strategic Investment Fund with the balance from a combination of fund-raising, research funding and debt financing. The project began in March 2017 and was nearing completion by the end of March 2018 with $4.8M in costs incurred in this fiscal year. $2.6M was recorded in deferred contributions in 2017/18 for this project which includes funding received during the fiscal year, $721K in funding received in 16/17 and recorded in deferred revenue and recognized during 17/18, and $880K in government grants receivable accrued at March 31st.The Project was completed by April 30, 2018. Any required debt financing will be drawn down in 2018/19.

The following are explanations of the key changes within the financial statements from fiscal 2017 to fiscal 2018:

Revenue

Total revenue increased $1.47M or 2.44% over the prior year. The main areas of note are:

- The total provincial operating funding of the University increased by $203K or 1%.

- Restricted government grant revenue increased by $702K or 11.37%. The difference is the result of normal fluctuations based on project activity in the Special Purpose Funds. The main impact was from a project undertaken on behalf of the Province of Nova Scotia to oversee the completion of psychology assessments within the school system. Total funding was $974K of which $700K was expended in this fiscal year.

- Overall student fees income increased by $10K or .04%. Tuition fees increased 6.2% which included a market adjustment of just over 3% plus the 3% tuition increase permitted under the Memorandum of Understanding with the Province.

Revenue from the tuition increases was offset by an overall 3.7% decrease in enrolment from the prior year. Undergraduate enrolment decreased 4.3% over the prior year while BEd enrolment increased by 2.6%. Overall graduate enrolment declined by 3.7%. International enrolment (students who pay differential fees) decreased 15.4% over the prior year with a net revenue decline of $344K. Residences were 88% full during the year compared to 93% in the prior year.

- Other revenue increased $627K, primarily as a result of increased revenue on international projects ($825K) offset by other more minor fluctuations.

Expenditures

Total expenditures increased by $1.49M or 2.45%. The main areas of note are:

- Salaries and benefits continue to be the largest portion of the University's expenditures, comprising 67.5% of total expenditures as compared to 68.3% in 2017. 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.

- Travel and moving costs increased $215K or 13.4% over the prior year because of increased international travel for recruitment, student study events, and a significant educational consulting project in Belize.

- Repairs and maintenance expenditures decreased by $380K or 19.1%. These expenditures tend to fluctuate from year to year depending on the nature of projects undertaken by Facilities Management. In 2016/17 there was $396K incurred on renovations to the Seton Academic Centre Auditorium as part of the McCain Centre Project, which provided for retrofit to several other spaces on campus.

- Other expenditures increased $1.27M or 28.9% over the prior year primarily as the result of an increase in Special Purpose Fund expenditures for several large projects underway including $419K for international projects in Belize and $575K for payment to psychologists under a contract with the Province.

Statement of Changes in Net Assets

This statement reflects the net asset position of the University which is $40.8M as at March 31, 2018. Other points to note:

- Endowment contributions increased $661K or 392.6% in 2017/18 primarily related to fund-raising for a new graduate scholarship endowment, the Lumpkin and Blackburn Scholarship Endowment. This Endowment honors the outgoing

President of the Mount, Ramona Lumpkin, who finished her term in June, 2017, and her husband, William Blackburn.

- Net realized investment income declined $328K or 22.3% over the prior year.

- Net unrealized investment income declined $1.3M or 115% over the prior year as markets declined following a significant improvement in the prior year.

- The University recorded a positive mark to market adjustment of $697K on derivatives designated as cash flow hedges (interest rate swaps) in 17/18 as a result of upward pressure on interest rates.

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

Statement of Financial Position

The University remains in a sound financial position at March 31, 2018 with a current ratio of 2.65:1 and a total long-term liabilities to equity ratio (including all long-term obligations) of 1.20:1. The University has consistently balanced its budget and maintains minimal debt (8.07%) in comparison to the total insured value of buildings and contents of $217M. Other points of note:

- The decrease in cash and short-term deposits of $3.0M or 13.9% is primarily the result of restricted project funding that was received just prior to year-end last year ($1M) which was spent during the current fiscal year. The remaining decline can be attributed to payout of expenditures for the new Centre for Applied Research in Human Health (CARHH) in advance of receipt of funding.

- Government grant receivables increased by $1.3M over the prior year including $880K for funding from the Strategic Investment Fund for the CARHH project, $220K in funding for Canada Foundation for Innovation projects and $128K related to the NS University Student Bursary Program.

- Other receivables increased by $413K as a result of higher HST claims related to the CARHH project and higher external advances provided on research projects.

- Investments increased in value by $1.5M as the result of the investment income earned and positive change in market value.

- Capital asset additions for 2017/18 were $5.3M including $4.8M in costs for the CARHH Renovation project, $164K in Wireless Infrastructure in the residences, $143K for the Evaristus roof replacement, $146K in research equipment as well as acquisition of library books and furniture and equipment and other initiatives. Capital asset amortization amounted to $2.3M.

- Accounts payable increased $370K over the prior year (+6.4%). This category tends to fluctuate from year to year depending on timing of payments before and after year-end. Payables related to the CARHH renovation project increased $838K over the prior year but were offset by reductions in other categories of payables.

- Deferred revenue decreased by $1.1M or 35.2%. In 16/17 deferred revenue had increased by a similar amount as a result of the Strategic Investment Fund contributions that were not earned by year-end in the amount of $721K and $974K in provincial funding received in March for a project to conduct psychology assessments in the Province's schools. Most of that revenue was recognized during 2017/18.

- Long-term debt (including current portion) decreased 632K or 3.5%. No new debt financing was undertaken in 17/18 and principal payments for the year totaled $632K.

- The liability for derivatives was reduced by a $697K gain as a result of rising interest rates and the related mark to market adjustment for the interest rate swaps utilized for debt financing.

- Deferred capital contributions increased $3.5M or 12.7% as compared to 2016/17. The increase is primarily driven by government funding of $2.6M recorded on the CARHH renovation project, $510K for grant projects in progress and $267K in donations received for the McCain Centre Project. This was offset by the amortization of deferred capital contributions of $1.2M.

Mount Saint Vincent University

Financial Statements
for the year ended
March 31, 2018

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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, 2018, 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, 2018, 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 Professional Accountants, Licensed Public Accountants
June 21, 2018
Halifax, Canada

MOUNT SAINT VINCENT UNIVERSITY
Statement of Financial Position

March 31,

	2018	2017
Assets		
Current assets		
Cash and short-term deposits	**$ 18,868,580**	$ 21,922,663
Accounts receivable -		
Students	**205,947**	174,215
Government grants	**1,714,955**	445,717
Other	**1,233,775**	821,078
Inventory and prepaids	**1,122,939**	885,335
	23,146,196	24,249,008
Investments (note 3)	**30,765,676**	29,217,337
Capital assets (note 4)	**44,769,500**	41,830,667
	$ 98,681,372	$ 95,297,012
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities (note 5)	**6,136,754**	$ 5,767,008
Current portion of long-term debt (note 6)	**654,415**	632,295
Deferred revenue	**1,940,511**	2,992,892
	8,731,680	9,392,195
Long-term liabilities:		
Long-term debt (note 6)	**16,867,288**	17,521,703
Derivatives (note 7)	**1,423,008**	2,120,254
Deferred contributions (note 8)	**30,843,040**	27,361,121
	49,133,336	47,003,078
Net Assets:		
Endowments (note 9)		
Externally restricted	**28,663,665**	27,791,377
Internally restricted	**1,313,792**	1,311,597
Restricted net assets	**29,977,457**	29,102,974
Investment (deficiency) in capital assets	**99,626**	(112,557)
Capital reserves (note 10)	**2,460,462**	2,167,747
Unappropriated reserves (note 10)	**3,733,401**	3,557,675
Internally restricted special purpose funds	**4,545,410**	4,185,900
Unrestricted net assets	**10,838,899**	9,798,765
	40,816,356	38,901,739
	$ 98,681,372	$ 95,297,012

Commitments and Contingencies (note 11)

See accompanying notes to financial statements.

Approved by the Board of Governors

Colleen P. Knight Governor

M Blanchard 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	**2018 Total**	2017 Total
REVENUE:								
Government grants -								
Operating	$ 20,473,900	$ -	$ 246,000	$ -	$ -	$ -	**$ 20,719,900**	$ 20,516,900
Restricted	2,574,900	-	41,785	4,261,105	-	-	**6,877,790**	6,175,726
Student fees	25,977,194	-	237,357	-	-	-	**26,214,551**	26,203,775
Realized investment income	218,465	-	10,013	8,067	39,893	53,051	**329,489**	239,962
Unrealized investment gain (loss)	-	-	-	-	-	(7,676)	**(7,676)**	52,620
Donations and other grants	-	-	-	559,217	35,813	-	**595,030**	625,943
Amortization of deferred capital contributions	-	-	1,160,457	-	-	-	**1,160,457**	1,230,013
Other revenue (note 12)	3,155,765	-	15,000	1,945,489	767,250	-	**5,883,504**	5,256,178
Total Revenue	52,400,224	-	1,710,612	6,773,878	842,956	45,375	**61,773,045**	60,301,117
EXPENDITURES:								
Salaries and employee benefits	38,762,213	-	7,207	3,090,590	223,455	-	**42,083,465**	41,562,135
Cost of sales (note 13)	2,113,219	-	-	-	15,737	-	**2,128,956**	2,226,184
Travel and moving	866,373	-	-	859,919	99,332	-	**1,825,624**	1,610,477
Operating supplies	995,012	-	18,191	435,116	225,806	-	**1,674,125**	1,571,570
Repairs and maintenance	1,182,029	-	391,900	31,843	-	-	**1,605,772**	1,985,553
Amortization of capital assets	-	-	2,346,310	-	-	-	**2,346,310**	2,496,982
Utilities	1,985,754	-	-	-	-	-	**1,985,754**	1,992,620
Interest	898,142	-	-	-	-	-	**898,142**	930,437
Scholarship, awards and bursaries	1,883,959	-	-	236,929	-	-	**2,120,888**	2,076,217
Other expenditures (note 14)	2,977,087	-	192,454	2,289,380	225,582	-	**5,684,503**	4,410,693
Total Expenditures	51,663,788	-	2,956,062	6,943,777	789,912	-	**62,353,539**	60,862,868
Excess (deficiency) of revenue over expenditures	$ 736,436	$ -	($ 1,245,450)	($ 169,899)	$ 53,044	$ 45,375	**($ 580,494)**	($ 561,751)

See accompanying notes to financial statements.

MOUNT SAINT VINCENT UNIVERSITY
Statement of Changes in Net Assets

Year ended March 31,

	Operating	Unappropriated Reserves	Investment (Deficiency) in Capital Assets	Capital Reserves	Restricted Special Purpose	Internally Restricted Special Purpose	Internally Restricted Endowments	Externally Restricted Endowments	**2018 Total**	2017 Total
Balance, beginning of year	$ -	$ 3,557,675	($ 112,557)	$ 2,167,747	$ -	$ 4,185,900	$ 1,311,597	$ 27,791,377	**$ 38,901,739**	$ 35,952,490
Excess (deficiency) of revenue over expenditures	736,436	-	(1,245,450)	-	(169,899)	53,044	45,375	-	**(580,494)**	(561,751)
Endowment contributions	-	-	-	-	-	-	-	828,834	**828,834**	168,242
Net realized investment income	-	-	-	-	-	-	-	1,140,093	**1,140,093**	1,467,814
Net unrealized investment gain (loss)	-	-	-	-	-	-	-	(171,062)	**(171,062)**	1,114,964
Gain on derivatives	-	-	697,246	-	-	-	-	-	**697,246**	759,980
Inter-fund transfers (note 15)	(560,710)		1,053,102	-	169,899	306,466	(43,180)	(925,577)	**-**	-
Sub-total	175,726	-	504,898	-	-	359,510	2,195	872,288	**1,914,617**	2,949,249
Appropriations	(175,726)	175,726	(292,715)	292,715	-	-	-	-	**-**	-
Balance, end of year	$ -	$ 3,733,401	$ 99,626	$ 2,460,462	$ -	$ 4,545,410	$ 1,313,792	$ 28,663,665	**$ 40,816,356**	$ 38,901,739

See accompanying notes to financial statements.

MOUNT SAINT VINCENT UNIVERSITY
Statement of Cash Flows

Year ended March 31,

	2018	2017
Cash provided by (used for):		
Operating activities:		
Deficiency of revenue over expenditures for the year	**($ 580,494)**	($ 561,751)
Items not involving cash:		
Amortization of capital assets	**2,346,310**	2,496,982
Amortization of deferred capital contributions	**(1,160,457)**	(1,230,013)
Unrealized investment (gain) loss	**7,676**	(52,620)
Change in non-cash working capital	**(2,633,906)**	158,294
	(2,020,871)	810,892
Financing and investing activities:		
Additions to investments	**(2,155,245)**	(2,006,723)
Proceeds on disposal of investments	**428,168**	1,306,050
Capital assets acquired	**(5,285,143)**	(879,349)
Principal payments on long-term debt	**(632,295)**	(608,323)
Contributions received in the year	**11,416,254**	7,182,075
Contributions reported in revenue – Special Purpose Fund	**(6,773,878)**	(5,213,368)
Endowment net investment income	**1,140,093**	1,467,814
Endowment contributions	**828,834**	168,242
	(1,033,212)	1,416,418
(Decrease) increase in cash and short-term deposits	**(3,054,083)**	2,227,310
Cash and short-term deposits, beginning of year	**21,922,663**	19,695,353
Cash and short-term deposits, end of year	**$18,868,580**	$21,922,663

See accompanying notes to financial statements.

MOUNT SAINT VINCENT UNIVERSITY
Notes to Financial Statements

Year ended March 31, 2018

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 externally restricted endowments, the principal of the fund is preserved and spending levels are determined through the use of a Board approved Endowment Policy.

2. Significant Accounting Policies (continued):

b) 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:

Volunteers contribute an undeterminable number of hours each year. 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. Transaction costs are expensed as incurred.

MOUNT SAINT VINCENT UNIVERSITY
Notes to the Financial Statements

Year ended March 31, 2018

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, 2018 are estimated to be $74,046,739 (2017 - $72,679,377) for the defined contribution plan. The value of assets is the market value as at March 31, 2018 which is $74,046,739 (2017 - $72,679,377).

Pension expense for the year ended March 31, 2018 totalled $2,053,805 (2017 - $2,019,753).

h) Derivative financial instruments:

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

MOUNT SAINT VINCENT UNIVERSITY
Notes to the Financial Statements

Year ended March 31, 2018

2. Significant Accounting Policies (continued):

h) Derivative financial instruments:

of 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, related amounts of revenue and expenses, and disclosure of contingent liabilities at the date of the statement of financial position. 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:

	2018	2017
Pooled equity funds	$ 29,306,386	$ 27,819,281
Pooled fixed income funds	1,459,290	1,398,056
	$ 30,765,676	$ 29,217,337

MOUNT SAINT VINCENT UNIVERSITY
Notes to the Financial Statements

Year ended March 31, 2018

3. Investments (continued):

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:

			2018	2017
	Cost	Accumulated amortization	Net book value	Net book value
Land	$ 1,471,134	$ -	$ 1,471,134	$ 1,471,134
Campus infrastructure	1,261,065	632,437	628,628	470,392
Buildings	82,392,741	41,824,178	40,568,563	37,396,848
Furniture and equipment	12,027,665	10,477,088	1,550,577	1,567,122
Computer equipment	156,935	100,086	56,849	95,548
Vehicles	121,809	90,656	31,153	55,515
Assets under capital lease	409,847	380,713	29,134	46,713
Art collection	159,100	-	159,100	159,100
Library collection	3,532,653	3,258,291	274,362	272,508
Construction in progress	-	-	-	295,787
	$ 101,532,949	$56,763,449	$ 44,769,500	$ 41,830,667

MOUNT SAINT VINCENT UNIVERSITY
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Year ended March 31, 2018

5. Government Remittances Payable:

Included in accounts payable and accrued liabilities are government remittances payable of $509,990 (2017 - $494,448).

6. Long-Term Debt:

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

	2018	2017
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	$ 1,235,000	$ 1,300,000
Central Heating Plant - 2.31% credit facility, due 2021, payable in blended monthly payments of $7,401	264,045	345,732
Research House - 2.99% first mortgage, due 2021, payable in blended monthly payments of $747	93,910	99,912
Westwood Residence - 7.25% term loan, due 2034, payable in blended monthly payments of $45,763	5,206,102	5,371,263
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	1,184,000	1,236,000
47 College Rd/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	2,116,000	2,205,000

MOUNT SAINT VINCENT UNIVERSITY
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6. Long-Term Debt (continued):

	2018	2017
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	7,397,000	7,552,000
Vehicle Loans – Term loans with interest rates of 2.88%, principal due in blended monthly instalments of $809, and with due dates of December, 2020	25,646	44,091
	17,521,703	18,153,998
Less current portion of long-term debt	(654,415)	(632,295)
	$16,867,288	$17,521,703

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,

2019	654,415
2020	695,349
2021	718,615
2022	657,315
2023	697,050

MOUNT SAINT VINCENT UNIVERSITY
Notes to Financial Statements

Year ended March 31, 2018

7. Derivatives:

The fair value of the interest rate swap contracts are:

	2018	2017
Margaret Norrie McCain Centre	$ 777,593	$ 1,171,646
Birches Residence	194,226	283,924
Evaristus Science Labs/EMF Roof	275,887	371,484
47 College Rd/Seton Roof	175,302	293,200
	$ 1,423,008	$ 2,120,254

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 47 College Rd/Seton Roof.

At March 31, 2018, 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 47 College Rd/Seton Roof interest rate swap ends on March 31, 2034.

MOUNT SAINT VINCENT UNIVERSITY
Notes to Financial Statements

Year ended March 31, 2018

8. Deferred Contributions:

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

The balance of unamortized deferred contributions consists of the following:

	Restricted Special Purpose	Capital	2018	2017
Balance, beginning of year	$ 6,167,997	$ 21,193,124	$ 27,361,121	$ 26,622,427
Contributions received in the year	8,442,721	2,973,533	11,416,254	7,182,075
	14,610,718	24,166,657	38,777,375	33,804,502
Reported in revenue	(6,773,878)	(1,160,457)	(7,934,335)	(6,443,381)
Balance, end of year	$ 7,836,840	$ 23,006,200	$30,843,040	$ 27,361,121

MOUNT SAINT VINCENT UNIVERSITY
Notes to Financial Statements

Year ended March 31, 2018

9. Endowments:

Details of year-end balances are as follows:

	2018	2017
Externally Restricted		
Scholarships and Bursaries	$ 14,958,790	$ 14,020,950
The Nancy's Chair in Women's Studies	4,093,058	4,130,493
Lena Isabel Jodrey Fund in Gerontology	832,408	835,554
Gail and Stephen Jarislowsky Chair in Learning Disabilities	2,968,942	2,980,169
Capital Endowment	3,509,125	3,522,374
Other Endowments	2,301,342	2,301,837
	28,663,665	27,791,377
Internally Restricted		
Rosaria Student Centre	1,113,268	1,117,478
Development Operations	144,724	140,135
Other Endowments	55,800	53,984
	1,313,792	1,311,597
	$ 29,977,457	$ 29,102,974

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Year ended March 31, 2018

10. Capital Reserves and Unappropriated Reserves:

Details of year-end balances are as follows:

	2018	2017
Capital Reserves		
Facilities Renewal	$ 603,660	$ 946,516
Other Capital Projects	1,856,802	1,221,231
	$ 2,460,462	$ 2,167,747
Unappropriated Reserves		
Strategy Implementation Reserve	$ 3,733,401	$ 3,557,675

The Facilities Renewal Reserve is used to fund capital projects, as approved by the Board of Governors or the President, based on specific approval limits.

The Other Capital Projects Reserve includes carry-forward funds from prior approved capital budgets that will be used for ongoing or new capital initiatives.

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.

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Year ended March 31, 2018

11. 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, 2017, CURIE had an accumulated excess of income over expenses of $81 million, of which the University's pro rata share is approximately 0.50% on an ongoing basis. In addition, the reciprocal has obtained $1.245 billion 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 $45 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.

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. Cost of Sales:

The amount of inventory expensed during the year was $746,526 (2017 - $805,662).

14. 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.

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15. Inter-fund Transfers:

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

Year Ended March 31, 2018	(Funded By) On Behalf Of						
	Operating	Unappropriated Reserves	Equity (Deficiency) in Capital Assets	Restricted Special Purpose	Internally Restricted Special Purpose	Internally Restricted Endowments	Externally Restricted Endowments
Capital expenditures	($ 227,469)	$ -	$ 256,687	($ 29,218)	$ -	$ -	$ -
Endowment spending	572,926	-	135,950	396,702	16,360	(43,180)	(1,078,758)
Endowed assistantships	(13,000)	-	-	-	-	-	13,000
Debt servicing	(632,295)	-	632,295	-	-	-	-
New Scholars funding	(95,000)	-	-	-	95,000	-	-
Reallocations of Donations	-	-	-	(140,181)	-	-	140,181
NSERC Science Chair	(54,350)	-	-	54,350	-	-	-
Other Financial Aid Funding	(8,215)	-	-	(128,017)	136,232	-	-
Other	(103,307)	-	28,170	16,263	58,874	-	-
	($ 560,710)	$ -	$ 1,053,102	$169,899	$ 306,466	($ 43,180)	($ 925,577)

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.

MOUNT SAINT VINCENT UNIVERSITY
Notes to Financial Statements

Year ended March 31, 2018

16. Financial Instruments (continued):

(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.

(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.

(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.

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

17. Comparative Information:

The comparative information has been reclassified, where applicable, to conform with the presentation used in the current year.