Mount Saint Vincent University

Management Discussion and Analysis
and
Financial Statements
for the year ended
March 31, 2019

Mount Saint Vincent University

Management Discussion and Analysis

For the Year Ended March 31, 2019

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, 2019.

General Highlights

Statement of Operations

The deficiency of revenue over expenditures is very comparable to the prior year decreasing by $57K to a deficiency of $523K in 2019. 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 2019 fiscal year, operations netted an excess of revenue over expenditures in the amount of $142K, 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. 2018/19 was the final year for the market adjustment.

- 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 (CARHH), was 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 completed early in 2018/19. As a result, government receivables have declined in 2018/19 as the $880K outstanding at March 31, 2018 was collected. Accounts Payable for construction costs have also declined significantly and there was much lower capital additions in 2018/19. This was also the first year that the deferred capital contributions and capital assets related to the project were amortized resulting in increased amortization revenue and expenditure.

The following are explanations of the key changes within the financial statements from fiscal 2018 to fiscal 2019:

Revenue

Total revenue increased $2.9M or 4.63% over the prior year. The main areas of note are:

- The total provincial operating funding of the University increased by $205K or 1%.

- Restricted government grant revenue increased by $702K or 10.2%. The difference is the result of normal fluctuations based on project activity in the Special Purpose Funds.

- Overall, student fees income increased by $1.7M or 6.38%. Tuition fees increased by slightly over 6%, which included a market adjustment of just over 3% plus the 3% tuition increase permitted under the Memorandum of Understanding with the Province.

  Enrolment remained relatively constant with a .7% increase overall. Undergraduate enrolment declined 1.6% over the prior year while BEd enrolment increased by 20.3%. In the BEd program, there is a resurgence of the demand for teachers and thus renewed interest from students in the program. Overall, graduate enrolment increased by 5.9% over the prior year, primarily as a result of increased numbers in the external cohort groups from Nova Scotia and other provinces. International enrolment (students who pay differential fees) decreased 7.8% over the prior year. In late summer, as a result of a diplomatic incident between Canada and Saudi Arabia, all Mount students from Saudi Arabia were required to withdraw and return to their home country. In the winter term, approximately 41 students, who had been nearing the completion of their studies, were allowed to return to the Mount. This had a significant impact on the enrolment. Fortunately, growth was also experienced from other international locations including India, USA, China, Bahamas and Vietnam, which lessened the impact of the Saudi withdrawal.

Expenditures

Total expenditures increased by $2.80M or 4.5%. 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 was the case in 2018. This is a combination of annual salary increases offset by savings from unexpected resignations and other turnover. Expenditures for salaries fluctuate in the special purpose funds based on project activity.

- Repairs and maintenance expenditures increased by $222K or 13.8%. These expenditures tend to fluctuate from year to year depending on the nature of projects undertaken by Facilities Management. $72K of the increase was related to snow removal.

- Amortization of capital assets increased by $387K or 16.5% as a result of the CARHH project capital costs being amortized for the first time.

- Scholarships, awards and bursaries increased by $366K, which reflects a change in scholarship strategy designed to attract more students.

- Other expenditures decreased $754K or 13.3% over the prior year primarily as the result of a decrease in Special Purpose Fund expenditures for several large projects that were underway in 2018 but not in 2019 including international projects in Belize and a contract with the Province for provision of school psychologists to conduct mental health assessments.

Statement of Changes in Net Assets

This statement reflects the net asset position of the University, which is $42.3M as at March 31, 2019. Other points to note:

- Net realized investment income increased $929K or 81.4% over the prior year.

- The University recorded a negative mark to market adjustment (loss) of $305K on derivatives designated as cash flow hedges (interest rate swaps) in 18/19 as a result of the slowing of the growth in 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, 2019 with a current ratio of 2.41:1 and a total long-term liabilities to equity ratio (including all long-term obligations) of 1.18:1. The University has consistently balanced its budget and maintains minimal debt (7.45%) in comparison to the total insured value of buildings and contents of $226M. During 2018-19, the Board of Governors approved up to $2.6M in debt financing to be undertaken with respect to the CARHH project completed this past year. This debt financing will be put in place over the summer months. Other points of note:

- The increase in cash and short-term deposits of $6M or 31.9% is primarily the result of the University's operating grant payment for the month of April, in the amount of $1.7M, being received before the end of March/19. It is included in deferred revenue. In addition, Student accounts receivable credit balances, which are classified as deferred revenue in the financial statements, increased by $1.7M over the prior year in large part as a result of international students applying for visas under the study direct stream which requires tuition to be paid a year in advance.

- Government grant receivables decreased by $759K over the prior year as a result of the collection of the outstanding balance from 2018 on the CARHH project in the amount of $880K.

- Investments increased in value by $1.1M as the result of the investment income earned and positive change in market value.

- Capital asset additions for 2018/19 were $1.5M including $603K for the acquisition of a nuclear magnetic resonance spectrometer (NMR) to support Alzheimer research in the newly renovated Centre for Applied Research in Human Health and $387K for computer equipment, as well as acquisition of library books and other furniture and equipment. Capital asset amortization amounted to $2.7M.

- Accounts payable decreased $448K over the prior year (-7.3%). This category tends to fluctuate from year to year depending on timing of payments before and after year-end. However, the biggest change was the completion of the CARHH Renovation project allowing payables to return to more normal levels.

- Deferred revenue increased by $3.5M or 182%. The Mount's April Operating grant payment of $1.7M was received before the end of March and student accounts receivable credits, which are treated as deferred revenue also increased by $1.7M. The increased credits arose primarily from more international students applying for their visas through the study direct stream that requires them to pay their tuition for the first year in advance.

- Long-term debt (including current portion) decreased 654K or 3.7%. No new debt financing was undertaken in 18/19 so the reduction is related solely to principal payments for the year.

- The liability for derivatives was increased by a $305K loss as a result of slowing interest rate growth and the related mark to market adjustment for the interest rate swaps utilized for debt financing.

- Deferred capital contributions increased $1M or 3.3% as compared to 2017/18. The increase is primarily driven by receipt of externally restricted funding for a variety of special projects and capital projects that had not been spent by year-end. This was offset by the amortization of deferred capital contributions of $1.3M.

Mount Saint Vincent University

Financial Statements
for the year ended
March 31, 2019

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INDEPENDENT AUDITORS' REPORT

To the Board of Governors of Mount Saint Vincent University

Opinion

We have audited the financial statements of Mount Saint Vincent University (the "Entity"), which comprise:

- the statement of financial position as at March 31, 2019
- the statement of operations for the year then ended
- the statement of changes in net assets for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at March 31, 2019, 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.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditors' Responsibilities for the Audit of the Financial Statements***" section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

  The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants
Halifax, Canada
June 20, 2019

MOUNT SAINT VINCENT UNIVERSITY

Statement of Financial Position

March 31,

	2019	2018
Assets		
Current assets		
Cash and short-term deposits	**$ 24,880,774**	$ 18,868,580
Accounts receivable -		
Students	**323,307**	205,947
Government grants	**955,800**	1,714,955
Other	**1,263,494**	1,233,775
Inventory and prepaids	**1,139,950**	1,122,939
	28,563,325	23,146,196
Investments (note 3)	**31,870,434**	30,765,676
Capital assets (note 4)	**43,504,892**	44,769,500
	$ 103,938,651	$ 98,681,372
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities (note 5)	**$ 5,688,863**	$ 6,136,754
Current portion of long-term debt (note 6)	**695,349**	654,415
Deferred revenue	**5,482,269**	1,940,511
	11,866,481	8,731,680
Long-term liabilities:		
Long-term debt (note 6)	**16,171,939**	16,867,288
Derivatives (note 7)	**1,728,081**	1,423,008
Deferred contributions (note 8)	**31,853,325**	30,843,040
	49,753,345	49,133,336
Net Assets:		
Endowments (note 9)		
Externally restricted	**29,977,559**	28,663,665
Internally restricted	**1,345,565**	1,313,792
Restricted net assets	**31,323,124**	29,977,457
Investment (deficiency) in capital assets	**(183,876)**	99,626
Capital reserves (note 10)	**2,456,133**	2,460,462
Unappropriated reserves (note 10)	**3,875,576**	3,733,401
Internally restricted special purpose funds	**4,847,868**	4,545,410
Unrestricted net assets	**10,995,701**	10,838,899
	42,318,825	40,816,356
	$ 103,938,651	98,681,372

Commitments and Contingencies (note 11)

See accompanying notes to financial statements.

Approved by the Board of Governors

Colleen P. Ryan Governor

M Bluechardt 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	**2019 Total**	2018 Total
REVENUE:								
Government grants -								
Operating	$ 20,676,900	$ -	$ 248,000	$ -	$ -	$ -	**$ 20,924,900**	$ 20,719,900
Restricted	2,704,658	-	-	4,875,296	-	-	**7,579,954**	6,877,790
Student fees	27,658,376	-	229,620	-	-	-	**27,887,996**	26,214,551
Realized investment income	314,630	-	10,000	14,597	77,794	91,388	**508,409**	329,489
Unrealized investment gain (loss)	-	-	-	-	-	(14,435)	**(14,435)**	(7,676)
Donations and other grants	-	-	-	588,000	5,299	-	**593,299**	595,030
Amortization of deferred capital contributions	-	-	1,313,759	-	-	-	**1,313,759**	1,160,457
Other revenue (note 12)	3,427,554	-	70,888	1,566,670	771,071	-	**5,836,183**	5,883,504
Total Revenue	54,782,118	-	1,872,267	7,044,563	854,164	76,953	**64,630,065**	61,773,045
EXPENDITURES:								
Salaries and employee benefits	40,108,785	-	10,487	3,806,825	251,435	-	**44,177,532**	42,083,465
Cost of sales (note 13)	2,251,537	-	-	-	21,362	-	**2,272,899**	2,128,956
Travel and moving	915,396	-	1,426	992,374	68,066	-	**1,977,262**	1,825,624
Operating supplies	973,599	-	4,610	537,359	194,480	-	**1,710,048**	1,674,125
Repairs and maintenance	1,335,111	-	479,168	13,709	-	-	**1,827,988**	1,605,772
Amortization of capital assets	-	-	2,733,054	-	-	-	**2,733,054**	2,346,310
Utilities	2,166,528	-	-	-	-	-	**2,166,528**	1,985,754
Interest	869,971	-	-	-	-	-	**869,971**	898,142
Scholarship, awards and bursaries	2,228,085	-	-	259,099	-	-	**2,487,184**	2,120,888
Other expenditures (note 14)	2,946,741	-	129,767	1,610,729	243,585	-	**4,930,822**	5,684,503
Total Expenditures	53,795,753	-	3,358,512	7,220,095	778,928	-	**65,153,288**	62,353,539
Excess (deficiency) of revenue over expenditures	$ 986,365	$ -	($ 1,486,245)	($ 175,532)	$ 75,236	$ 76,953	**($ 523,223)**	($ 580,494)

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	**2019 Total**	2018 Total
Balance, beginning 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
Excess (deficiency) of revenue over expenditures	986,365	-	(1,486,245)	-	(175,532)	75,236	76,953	-	**(523,223)**	(580,494)
Endowment contributions	-	-	-	-	-	-	-	620,120	**620,120**	828,834
Net realized investment income	-	-	-	-	-	-	-	2,068,621	**2,068,621**	1,140,093
Net unrealized investment loss	-	-	-	-	-	-	-	(357,976)	**(357,976)**	(171,062)
(Loss) gain on derivatives	-	-	(305,073)	-	-	-	-	-	**(305,073)**	697,246
Inter-fund transfers (note 15)	(844,190)	-	1,503,487	-	175,532	227,222	(45,180)	(1,016,871)	**-**	-
Sub-total	142,175	-	(287,831)	-	-	302,458	31,773	1,313,894	**1,502,469**	1,914,617
Appropriations	(142,175)	142,175	4,329	(4,329)	-	-	-	-	**-**	-
Balance, end of year	$ -	$ 3,875,576	($ 183,876)	$ 2,456,133	$ -	$ 4,847,868	$ 1,345,565	$ 29,977,559	**$ 42,318,825**	$ 40,816,356

See accompanying notes to financial statements.

MOUNT SAINT VINCENT UNIVERSITY
Statement of Cash Flows

Year ended March 31,

	2019	2018
Cash provided by (used for):		
Operating activities:		
Deficiency of revenue over expenditures for the year	**($ 523,223)**	($ 580,494)
Items not involving cash:		
Amortization of capital assets	**2,733,054**	2,346,310
Amortization of deferred capital contributions	**(1,313,759)**	(1,160,457)
Unrealized investment loss	**14,435**	7,676
Change in non-cash working capital	**3,688,932**	(2,633,906)
	4,599,439	(2,020,871)
Financing and investing activities:		
Additions to investments	**(8,414,436)**	(2,155,245)
Proceeds on disposal of investments	**6,937,267**	428,168
Capital assets acquired	**(1,468,446)**	(5,285,143)
Principal payments on long-term debt	**(654,415)**	(632,295)
Contributions received in the year	**9,368,607**	11,416,254
Contributions reported in revenue – Special Purpose Fund	**(7,044,563)**	(6,773,878)
Endowment net investment income	**2,068,621**	1,140,093
Endowment contributions	**620,120**	828,834
	1,412,755	(1,033,212)
Increase (decrease) in cash and short-term deposits	**6,012,194**	(3,054,083)
Cash and short-term deposits, beginning of year	**18,868,580**	21,922,663
Cash and short-term deposits, end of year	**$24,880,774**	$18,868,580

See accompanying notes to financial statements.

MOUNT SAINT VINCENT UNIVERSITY
Notes to Financial Statements

Year ended March 31, 2019

6. Long-Term Debt (continued):

	2019	2018
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	7,235,000	7,397,000
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	16,554	25,646
	16,867,288	17,521,703
Less current portion of long-term debt	(695,349)	(654,415)
	$16,171,939	$16,867,288

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,

2020	$ 695,349
2021	718,615
2022	657,315
2023	695,055
2024	730,040

MOUNT SAINT VINCENT UNIVERSITY

Notes to Financial Statements

Year ended March 31, 2019

7. Derivatives:

The fair value of the interest rate swap contracts are:

	2019	2018
Margaret Norrie McCain Centre	$ 1,036,465	$ 777,593
Birches Residence	197,115	194,226
Evaristus Science Labs/EMF Roof	271,805	275,887
47 College Rd/Seton Roof	222,696	175,302
	$ 1,728,081	$ 1,423,008

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, 2019, 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, 2019

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	2019	2018
Balance, beginning of year	$ 7,836,840	$ 23,006,200	$ 30,843,040	$ 27,361,121
Contributions received in the year	8,667,770	700,837	9,368,607	11,416,254
	16,504,610	23,707,037	40,211,647	38,777,375
Reported in revenue	(7,044,563)	(1,313,759)	(8,358,322)	(7,934,335)
Balance, end of year	$ 9,460,047	$ 22,393,278	$31,853,325	$ 30,843,040

MOUNT SAINT VINCENT UNIVERSITY
Notes to Financial Statements

Year ended March 31, 2019

9. Endowments:

Details of year-end balances are as follows:

	2019	2018
Externally Restricted		
Scholarships and Bursaries	$ 16,039,542	$ 14,958,790
The Nancy's Chair in Women's Studies	4,136,816	4,093,058
Lena Isabel Jodrey Fund in Gerontology	849,722	832,408
Gail and Stephen Jarislowsky Chair in Learning Disabilities	3,028,724	2,968,942
Capital Endowment	3,579,111	3,509,125
Other Endowments	2,343,644	2,301,342
	29,977,559	28,663,665
Internally Restricted		
Rosaria Student Centre	1,135,670	1,113,268
Development Operations	152,942	144,724
Other Endowments	56,953	55,800
	1,345,565	1,313,792
	$ 31,323,124	$ 29,977,457

MOUNT SAINT VINCENT UNIVERSITY
Notes to Financial Statements

Year ended March 31, 2019

10. Capital Reserves and Unappropriated Reserves:

Details of year-end balances are as follows:

	2019	2018
Capital Reserves		
Facilities Renewal	$ 543,524	$ 603,660
Other Capital Projects	1,912,609	1,856,802
	$ 2,456,133	$ 2,460,462
Unappropriated Reserves		
Strategy Implementation Reserve	$ 3,875,576	$ 3,733,401

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.

MOUNT SAINT VINCENT UNIVERSITY
Notes to Financial Statements

Year ended March 31, 2019

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, 2018, CURIE had an accumulated excess of income over expenses of $79 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 $748,060 (2018 - $746,526).

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, 2019	(Funded By) On Behalf Of						
	Operating	Unappropriated Reserves	Investment (Deficiency) in Capital Assets	Restricted Special Purpose	Internally Restricted Special Purpose	Internally Restricted Endowments	Externally Restricted Endowments
Capital expenditures	($ 592,881)	$ -	$ 713,437	($ 120,556)	$ -	$ -	$ -
Endowment spending	565,780	-	135,635	397,256	16,820	(45,180)	(1,070,311)
Endowed assistantships	(13,000)	-	-	-	-	-	13,000
Debt servicing	(654,415)	-	654,415	-	-	-	-
New Scholars funding	-	-	-	-	-	-	-
Reallocations of Donations	-	-	-	(57,260)	-	-	57,260
NSERC Science Chair	(65,127)	-	-	65,127	-	-	-
Other Financial Aid Funding	(2,220)	-	-	(146,657)	148,877	-	-
Other	(82,327)	-	-	37,622	61,525	-	(16,820)
	($ 844,190)	$ -	$ 1,503,487	$ 175,532	$ 227,222	($ 45,180)	($ 1,016,871)

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.

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Year ended March 31, 2019

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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.