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Mount Saint Vincent University

Management Discussion and Analysis
and
Financial Statements
for the year ended
March 31, 2010

Mount Saint Vincent University

Management Discussion and Analysis

For the Year Ended March 31, 2010

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, 2010.

Statement of Operations

The deficiency, of revenue over expenditures, decreased by $820K over the prior year, to $805,276. 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 majority of the overall deficiency is created in the Capital Fund by the difference in two non-cash items - amortization of deferred capital contributions and amortization of capital assets. The net difference is ($1.17M). 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.

- The third item affecting the deficiency for 2009/10 was the Early Retirement Incentive Plan for faculty which is described in note 15. It was a one-time retirement plan (with a cost of $1.237M) that will be paid out over the next two years in order to create faculty renewal and generate operational savings. It is a self-funding plan that pays for itself through savings on replacement of positions vacated by early retirees.

- Operating Fund results – If you review the Statement of Net Assets and look at the sub-total after inter-fund transfers, you can see that the Operating Fund was balanced for the 09/10 fiscal year (no deficit or surplus) except for the cost of the Early Retirement Incentive Plan explained above.

Revenue

Total revenue increased $3.05M or 6% over the prior year. The main areas of note are:

- The Operating grant of the University increased by $1.6M or 8.95%.

  This was the second year of the new Memorandum of Understanding (MOU) with the Province, which the Council of Nova Scotia University Presidents signed in 2008. The amount of the increase includes funding to compensate for an ongoing tuition freeze for all students.

  2008/09 also included $180K in government grant revenue that related to the former tuition reduction program. This was replaced by a NS University Student Bursary program beginning in Sept/08. The funding for the new NS University Student Bursary program is included under "Donations and Other Grants" as it is now income from a trust fund created by the Province at the end of 2007/08.

- Overall Student fees income decreased by $556K or 2.7%. As noted above, student fees were frozen but there was also a tuition reduction (in the form of a bursary) of $204.40 per unit of credit for Nova Scotia students, the cost of which was netted against tuition revenue. The reduction in 2008/09 was $152.20 per unit of credit. The total amount of the credit for 2009/10 was $2M compared to $1.5M in the prior year. On-campus undergraduate enrolment declined 2.8% and international enrolment (differential fees) increased 17% over the prior year. Graduate on-campus enrolment declined 3.05%. Over all categories, enrolment declined 2.1% over the prior year.

- Donations and Other Grants increased by $1.46M over the prior year. Part of the increase is the result of the inclusion the funding from the Trust established by the Province to fund the NS University Student Bursary program which increased $652K over the prior year. The remaining increase of approximately $800K was the result of more donations being recognized in the Development Fund – only donations that are expended or transferred to other funds (endowed) are able to be recognized as revenue.

Expenditures

Total expenditures before the Early Retirement Incentive Plan increased by $956K or 1.8%. The main areas of note are:

- Salaries and benefits continue to be the largest portion of our expenditures, comprising 66.8% of total expenditures as compared to 66.6% in 2009. The salaries and benefits portfolio increased 2.2% or $750K over the prior year. The increase in Operating was approximately 2.6% which is primarily related to salary increases net of savings from unexpected vacancies. Expenditures for salaries fluctuate in the special purpose funds based on an increase in project activity.

- Interest increased $132K or 18.6% primarily because the financing cost for the Melody Drive (Church) Seton Roof financing was only in place for three months of the prior year compared to a full year in 09/10 (+$100K).

- Scholarships, awards and bursaries increased by $40K or 2.5% over the prior year. Student financial aid essentially remained constant despite declining student numbers. Bursary spending increased by $48K, over the prior year.

- Other expenditures declined by $125K or 2.3% over the prior year. This category of expenditures tends to fluctuate depending on certain aspects and activity levels of research projects and Strategy reserve projects.

Statement of Changes in Net Assets

This statement reflects the net asset position of the University which is $24.8M as at March 31, 2010. Other points to note:

- As investments are now reflected at market value, there is an annual adjustment through the Statement of Net Assets for any change in market value related to Externally Restricted Endowment assets. Given the volatile market conditions that were experienced in the latter part of 2008/09, there was a further unrealized loss in market value of $2.4M. The market has rebounded in 2009/10 resulting in a $1.9M unrealized gain.
- The inter-fund transfers are reflected in this statement.
- The appropriation to the Operating Fund from the Unappropriated Reserves indicates that the Early Retirement Incentive Plan cost will be recovered through salary savings in future years that will be transferred to the Reserves to offset the initial Plan Cost.

Statement of Financial Position

The University remains in a sound financial position at March 31, 2010 with a current ratio of 1.29:1 and a total debt to equity ratio (including all long-term obligations) of 1.23:1. Other points of note:

- The increase in cash and short-term deposits is primarily the result of a pre-payment of government grant received on March 31, 2010 in the amount of $21.9M. This payment has been included in deferred income as it will be applied in 2010. It is important to note that this was a prepayment of a 100% of the operating grant for 2010/11, as established under the MOU with the Province, and was not new funding.

- The receivable from the Defined Benefit Retirement Plan for the University's portion of the surplus resulting at the time of conversion to a defined contribution plan was received during 2009/10 when the Defined Benefit Plan wind-up was completed. See note 4 for further details.

- Investments increased in value as the result of the rebounding market conditions in 09/10 after a sharp market crash in 2008/09.

- Capital Asset additions for 2009/10 were $1.5M including costs for the replacement of all windows in Evaristus Hall, acquisition of library books, renovations to the new Melody Drive property, furniture and equipment through research infrastructure projects and initial costs on the renovation of Evaristus Science Labs and adjacent student space under the federal Knowledge Infrastructure Program (total project cost $3.4M). A new Facilities Improvement Project ($3.4M) was also begun just prior to year-end which will address a number of sustainability initiatives with the objective of reducing the University's carbon footprint and creating long-term savings on utility costs. The program will be self-financing from the resulting utility savings over a period of approximately nine years.

- Deferred revenue increased $6M or 33% over the prior year. The prepaid government grant increased by $6M. The Province paid 100% of the MOU grant for the subsequent year, as a lump sum, on the last day of the current fiscal year.

- Derivatives represent the fair value of the interest rate swaps (long-term financing) held by the University with the purpose of effectively fixing interest rates on debt for a longer period while taking advantage of lower variable rate BA loans.

- The University undertook additional long term debt in the amount of $640K to fund the University's portion of the Knowledge Infrastructure program for an initial period of five years.

Mount Saint Vincent University

Financial Statements
for the year ended
March 31, 2010

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AUDITORS' REPORT

To the Board of Governors of
Mount Saint Vincent University

We have audited the statement of financial position of Mount Saint Vincent University as at March 31, 2010 and the statements of operations, changes in net assets and cash flows for the year then ended These financial statements are the responsibility of the University's management 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation

In our opinion, these financial statements present fairly, in all material respects, the financial position of the University as at March 31, 2010 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles

KPMG LLP

Chartered Accountants

Halifax, Canada
June 10, 2010

MOUNT SAINT VINCENT UNIVERSITY

Statement of Financial Position

March 31, 2010

	2010	2009
Assets		
Current assets		
Cash and short-term deposits	**$37,233,945**	$30,119,876
Accounts receivable -		
Students	**263,742**	316,531
Government grants	**288,605**	258,263
Other	**1,261,431**	1,108,559
Inventory and prepaids	**1,034,039**	949,406
	40,081,762	32,752,635
Investments (note 3)	**18,380,465**	15,565,670
Due from Defined Benefit Retirement Plan for Employees of Mount Saint Vincent University (note 4)	**-**	683,200
Capital Assets (note 5)	**27,800,410**	28,008,103
	$86,262,637	$77,009,608
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities	**$ 6,241,919**	$ 5,278,026
Current portion of long-term debt (note 6)	**496,915**	346,285
Deferred revenue	**24,285,084**	18,212,541
	31,023,918	23,836,852
Long-term liabilities:		
Long-term debt (note 6)	**13,688,376**	13,544,516
Derivatives (note 7)	**196,107**	658,391
Deferred contributions (note 8)	**16,559,669**	16,434,832
	30,444,152	30,637,739
Net Assets:		
Endowments (note 9)		
Externally restricted	**17,467,923**	13,998,089
Internally restricted	**1,234,147**	1,195,060
Restricted net assets	**18,702,070**	15,193,149
Equity in capital assets	**2,801,906**	2,800,279
Capital reserves (note 10)	**1,247,905**	1,282,665
Unappropriated reserves (note 10)	**443,442**	1,871,929
Internally restricted special purpose funds	**1,599,244**	1,386,995
Unrestricted net assets	**6,092,497**	7,341,868
	24,794,567	22,535,017
	$86,262,637	$77,009,608

Commitments and Contingencies (note 11)

See accompanying notes to financial statements

Approved by the Board of Governors

Governor

Governor

MOUNT SAINT VINCENT UNIVERSITY
Statement of Operations

Year ended March 31, 2010

	Operating	Unappropriated Reserves	Capital	Restricted Special Purpose	Internally Restricted Special Purpose	Internally Restricted Endowments	**2010 Total**	2009 Total
REVENUE:								
Government grants -								
Operating	$ 19,509,365	$ -	$ -	$ -	$ -	$ -	**$ 19,509,365**	18,086,240
Restricted	712,032	-	211,545	4,158,382	2,036	-	**5,083,995**	4,902,893
Student fees	19,748,327	-	174,873	-	-	-	**19,923,200**	20,479,430
Realized investment income	84,468	-	16,079	8,738	13,141	38,608	**161,034**	355,290
Unrealized investment gain (loss)	-	-	-	-	-	174,486	**174,486**	(286,962)
Donations and other grants	2,019,649	-	56,983	1,075,516	52,532	-	**3,204,680**	1,746,061
Amortization of deferred capital contributions	-	-	592,317	-	-	-	**592,317**	597,136
Other revenue (note 12)	3,708,074	-	-	293,712	1,120,538	-	**5,122,324**	4,841,244
Total Revenue	45,781,915	-	1,051,797	5,536,348	1,188,247	213,094	**53,771,401**	50,721,332
EXPENDITURES:								
Salaries and employee benefits	32,641,900	-	605	2,606,542	365,087	-	**35,614,134**	34,863,674
Cost of sales	2,188,284	-	-	-	-	-	**2,188,284**	2,171,162
Travel and moving	901,058	-	-	481,656	138,858	-	**1,521,572**	1,455,358
Operating supplies	1,215,107	-	-	432,627	131,590	-	**1,779,324**	1,812,718
Repairs and maintenance	514,077	-	144,312	44,381	-	-	**702,770**	607,648
Amortization of capital assets	-	-	1,768,711	-	-	-	**1,768,711**	1,789,971
Utilities	1,940,482	-	-	-	-	-	**1,940,482**	1,896,200
Interest	836,089	-	4,698	-	-	-	**840,787**	708,920
Scholarship, awards and bursaries	1,613,017	-	-	59,393	-	-	**1,672,410**	1,632,307
Other expenditures (note 13)	3,727,983	-	284,458	921,229	376,863	-	**5,310,533**	5,435,509
Total Expenditures	45,577,997	-	2,202,784	4,545,828	1,012,398	-	**53,339,007**	52,373,467
Excess (deficiency) of revenue over expenditures before adjustment	203,918	-	(1,150,987)	990,520	175,849	213,094	**432,394**	(1,652,135)
Early Retirement Incentive Plan (note 14)	(1,237,670)	-	-	-	-	-	**(1,237,670)**	-
Excess (deficiency) of revenue over expenditures	**($1,033,752)**	**$ -**	**($1,150,987)**	**$ 990,520**	**$175,849**	**$ 213,094**	**($ 805,276)**	($1,625,135)

See accompanying notes to financial statements

MOUNT SAINT VINCENT UNIVERSITY

Statement of Changes in Net Assets

Year ended March 31, 2010

	Operating	Unappropriated Reserves	Equity in Capital Assets	Capital Reserves	Restricted Special Purpose	Int restrict. Special Purpose	Internally Restricted Endowments	Externally Restricted Endowments	**2010 Total**	2009 Total
Balance, beginning of year	$ -	$ 1,871,929	$ 2,800,279	$ 1,282,665	$ -	$1,386,995	$1,195,060	$ 13,998,089	**$ 22,535,017**	$ 26,371,008
Excess (deficiency) of revenue over expenditure	(1,033,752)	-	(1,150,987)	-	990,520	175,849	213,094	-	**(805,276)**	(1,652,135)
Endowment contributions	-	-	-	-	-	-	-	362,156	**362,156**	143,083
Net realized investment income	-	-	-	-	-	-	-	301,633	**301,633**	535,110
Net unrealized investment gain(loss)	-	-	-	-	-	-	-	1,938,753	**1,938,753**	(2,435,057)
Gain (loss) on derivatives designated as cash flow hedges	-	-	462,284	-	-	-	-	-	**462,284**	(426,992)
Inter-fund Transfers (note 15)	(203,918)	(190,817)	655,570	-	(990,520)	36,400	(174,007)	867,292	**-**	-
Sub-total	(1,237,670)	(190,817)	(33,133)	-	-	212,249	39,087	3,469,834	**2,259,550**	(3,835,991)
Appropriations (note 10)	1,237,670	(1,237,670)	34,760	(34,760)	-	-	-	-	**-**	-
Balance, end of year	$ -	$ 443,442	$ 2,801,906	$ 1,247,905	$ -	$ 1,599,244	$1,234,147	$ 17,467,923	**$24,794,567**	$22,535,017

See accompanying notes to financial statements.

MOUNT SAINT VINCENT UNIVERSITY
Statement of Cash Flows

Year ended March 31, 2010

	2010	2009
Cash provided by (used for):		
Operating activities:		
Deficiency of revenue over expenditure for the year	**($805,276)**	($1,652,135)
Items not involving cash:		
Amortization of capital assets	**1,768,711**	1,789,971
Amortization of deferred capital contributions	**(592,317)**	(597,136)
Unrealized investment (gain) loss	**(174,486)**	286,962
Change in non-cash working capital	**6,821,378**	13,026,412
	7,018,010	12,854,074
Financing and investing activities:		
Additions to investments	**(2,292,200)**	(912,610)
Proceeds on disposal of investments	**1,590,644**	1,027,826
Reduction of due from Retirement Plan	**683,200**	-
Capital assets acquired	**(1,561,018)**	(3,562,355)
Principal debt repayment	**(346,285)**	(282,953)
Principal debt issued	**640,775**	2,800,000
Net increase of deferred contributions	**717,154**	2,473,384
Endowment net investment income	**301,633**	535,110
Endowment contributions	**362,156**	143,083
	96,059	2,221,485
Increase in cash and short-term deposits	**7,114,069**	15,075,559
Cash and short-term deposits, beginning of year	**30,119,876**	15,044,317
Cash and short-term deposits, end of year	**$37,233,945**	$30,119,876

See accompanying notes to financial statements.

MOUNT SAINT VINCENT UNIVERSITY
Notes to Financial Statements

Year ended March 31, 2010

1. Authority and Purpose:

Mount Saint Vincent University “the University” is an organization operating under the authority of the *University Act of Nova Scotia.* The University is known for its small classes, distinctive programs, access to high-quality faculty members and opportunities to be involved in research and community service. The University offers 38 undergraduate degrees in liberal arts and sciences, education, and an array of professional programs including Applied Human Nutrition, Business Administration, Child and Youth Study, Family Studies and Gerontology, Information Technology, Public Relations and Tourism and Hospitality Management. In addition, co-operative education is offered in five of these professional programs and 13 graduate programs build on and enhance undergraduate program strengths. The University is also committed to providing accessible education through its innovative distance learning and continuing education programs. The academic governance of the University is vested in the Senate. The University is a not-for-profit entity governed by a Board of Governors. The University is a registered charity under the Income Tax Act and accordingly is exempt from income taxes, provided certain requirements of the Income Tax Act are met.

2. Significant Accounting Policies:

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

a) Fund Accounting:

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

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

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

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

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

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

b) Use of estimates

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

MOUNT SAINT VINCENT UNIVERSITY
Notes to Financial Statements

Year ended March 31, 2010

2. Significant Accounting Policies (cont'd):

c) Revenue recognition:

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

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

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

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

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

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

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

d) Contributed services:

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

e) Cash and short-term deposits:

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

f) Investments:

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

MOUNT SAINT VINCENT UNIVERSITY
Notes to the Financial Statements

Year ended March 31, 2010

2. Significant Accounting Policies (cont'd):

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

g) Capital assets:

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

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

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

h) Retirement Plan costs and obligations:

The University sponsored a voluntary defined-benefit retirement plan (Plan) until December 31, 1997. As of January 1, 1998, the University converted to a defined contribution plan and the defined benefit plan was wound-up effective March 31, 2008. See note 4 for further information.

The University's obligations for pension benefits arising from service prior to March 31, 2010 are estimated to be $45,478,431 (2009 - $37,515,047) for the defined contribution plan. The value of assets is the market value as at March 31, 2010 which is $45,478,431 (2009 - $37,515,047) for the defined contribution plan.

Pension expense for the year ended March 31, 2010 totalled $1,661,550 (2009 -$1,609,270).

MOUNT SAINT VINCENT UNIVERSITY
Notes to the Financial Statements

Year ended March 31, 2010

i) Derivatives:

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

3. Investments:

	2010		2009	
	Cost	Fair Value	Cost	Fair Value
Cash, net of accruals	($ 12,420)	($ 12,420)	$ 36,041	$ 36,041
Pooled equity funds	16,421,266	15,970,767	15,312,823	12,849,060
Pooled fixed income fund units	2,450,519	2,422,118	2,808,944	2,680,569
	$18,859,365	$18,380,465	$18,157,808	$15,565,670

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

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

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

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

MOUNT SAINT VINCENT UNIVERSITY
Notes to the Financial Statements

Year ended March 31, 2010

4. Due from Defined Benefit Retirement Plan for Employees of Mount Saint Vincent University:

On October 23, 1997, the Board of Governors approved the conversion of the defined benefit plan of the University to a defined contribution plan effective January 1, 1998. The Board of Governors' motion provided for $3.9 million of enhancements to member conversion values with the balance of the surplus in the Plan, net of conversion costs, available to the University for its purposes. A portion of the surplus has been withdrawn from the Plan over time, first through a pension holiday, and then through a surplus withdrawal.

On January 7, 2009, approval was received from the Superintendent of Pensions for the wind-up of the Defined Benefit Retirement Plan for Employees of Mount Saint Vincent University effective March 31, 2008. Distribution of the Plan assets, held in respect of the affected members, was made as outlined in the termination report dated July 2008. On January 13, 2010, the balance of the Plan surplus was distributed to the University. The amount received, net of final settlement of Plan expenditures, was $684,738. The difference between the receivable and the amount received was $1,538 and has been included in other income.

5. Capital Assets:

			2010	2009
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	$ 1,471,134	$ -	$ 1,471,134	$ 1,471,134
Campus Infrastructure	856,196	397,658	458,538	482,672
Buildings	52,424,764	29,236,192	23,188,572	23,654,575
Furniture and equipment	9,556,750	8,032,280	1,524,470	1,466,463
Assets under capital lease	198,077	160,937	37,140	86,659
Art collection	139,100	-	139,100	139,100
Library collection	3,076,502	2,444,002	632,500	707,500
Construction in progress	348,956	-	348,956	-
	$68,071,479	$ 40,271,069	$27,800,410	$ 28,008,103

On November 12, 2009, the Board of Governors approved two facilities projects, both of which began just prior to year-end and are included in “Construction in Progress”.

A $3.4 million Facilities Improvement Program will reduce the University's carbon footprint and reduce utilities costs. The program will be self-financing from utility savings with a payback of approximately nine years. The retrofit will take place over two years.

The Knowledge Infrastructure Program is a $3.4M project to upgrade Evaristus Science Labs and create adjacent student space, being funded through the federal Knowledge Infrastructure Program ($1.7M) with matching funds from the Province of Nova Scotia ($1.06M). The University portion will initially be funded through a five year loan from the Strategic Opportunities Fund.

MOUNT SAINT VINCENT UNIVERSITY
Notes to Financial Statements

Year ended March 31, 2010

6. Long-Term Debt:

As at March 31, 2010, the University had principal outstanding, in the amount of $ 14,185,291 (2009-$13,890,801), on long-term debt.

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

	2010	2009
Assisi Residence - 5.375% first mortgage, due 2016, payable in blended, semi-annual payments of $25,907	$262,752	$ 298,976
Birches Residence- Non-revolving term facility loan by way of banker's acceptance at the BA discount rate plus .38%, renewable quarterly in declining principal amounts which range from $9,000 to $32,000, due February, 2031	1,679,000	1,723,000
Meadows - 5.38% first mortgage, due 2012, payable in blended, monthly payments of $2,700	167,982	190,837
Central Heating Plant - 5.3% credit facility, due 2016, payable in blended, monthly payments of $7,952	798,942	850,529
Research House - 4.4% first mortgage, due 2010, payable in blended monthly payments of $822	133,657	137,641
Westwood Residence- 7.25% term loan, due 2034, payable in blended, monthly payments of $45,763	6,246,183	6,338,818
Evaristus Science Labs/EMF Roof- Non-revolving term facility loan by way of banker's acceptance at the BA discount rate plus .38%, renewable quarterly in declining principal amounts which range from $8,000 to $28,000, due October, 2032	1,532,000	1,566,000
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	2,724,000	2,785,000

MOUNT SAINT VINCENT UNIVERSITY
Notes to Financial Statements

Year ended March 31, 2010

6. Long-Term Debt (continued):

	2010	2009
Evaristus Science Labs & Student Space- 1.5% five-year term loan from the Nova Scotia Strategic Opportunities Fund Inc. at 1.5% compounded annually – principal and interest due January, 2015	640,775	-
	14,185,291	13,890,801
Less current portion of long-term debt	(496,915)	(346,285)
	$13,688,376	$ 13,544,516

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

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

Year ending March 31,

2011	$ 496,915
2012	502,550
2013	379,995
2014	401,220
2015	1,066,165

7. Derivatives:

The fair value of the interest rate swaps are:	2010	2009
Birches Residence	$123,542	$244,520
Evaristus Science Labs/EMF Roof	222,609	326,586
2 Melody Dr/Seton Roof	(150,044)	87,285
	$196,107	$ 658,391

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

MOUNT SAINT VINCENT UNIVERSITY
Notes to Financial Statements

Year ended March 31, 2010

7. Derivatives (continued):

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

At March 31, 2010, the notional value of interest rate swaps was equal to the respective loans to which they are associated. The Birches Residence interest rate swap ends on February 3, 2031, the Evaristus Science Labs/EMF Roof interest rate swap ends on October 4, 2032 and the 2 Melody Dr/Seton Roof interest rate swap ends on March 31, 2034.

8. Deferred Contributions:

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

The balance of unamortized deferred contributions consists of the following:

	Balance beginning of year	Recorded during the year	Reported in revenue	Balance end of year
Special Purpose Fund	$ 6,138,293	$ 5,359,025	($ 5,536,348)	$ 5,960,970
Capital Fund	10,296,539	894,477	(592,317)	10,598,699
	$ 16,434,832	$ 6,253,502	($ 6,128,665)	$16,559,669

MOUNT SAINT VINCENT UNIVERSITY
Notes to Financial Statements

Year ended March 31, 2010

9. Endowments:

Details of year-end balances are as follows:

	Balance beginning of year	Net Change	Balance end of year
Externally Restricted			
Scholarships and Bursaries	$ 6,952,751	$1,254,785	$ 8,207,536
The Nancy's Chair in Women's Studies	2,888,012	244,313	3,132,325
Lena Isabel Jodrey Fund in In Gerontology	504,514	68,561	573,075
Chair in Learning Disabilities	286,630	1,444,642	1,731,272
Capital Endowment	2,129,255	289,373	2,418,628
Other Endowments	1,236,927	168,160	1,405,087
	13,998,089	3,469,834	17,467,923
Internally Restricted			
Rosaria Student Centre	673,998	90,382	764,380
Development Operations	521,062	(51,295)	469,767
	1,195,060	39,087	1,234,147
	$ 15,193,149	$ 3,508,921	$ 18,702,070

MOUNT SAINT VINCENT UNIVERSITY
Notes to Financial Statements

Year ended March 31, 2010

10. Capital Reserves and Unappropriated Reserves:

Details of year-end balances are as follows:

	Balance beginning of year	Net Appropriations/ Changes	Balance end of year
Capital Reserves			
Facilities Renewal	$ 769,601	($ 28,810)	$ 740,791
Other Capital Projects	513,064	(5,950)	507,114
	$ 1,282,665	($ 34,760)	$ 1,247,905
Unappropriated Reserves			
Strategy Implementation Reserve	$ 1,188,729	$ 492,383	$1,681,112
Other Unappropriated Reserve	683,200	(683,200)	-
Early Retirement Incentive Plan	-	(1,237,670)	(1,237,670)
	$ 1,871,929	($1,428,487)	$ 443,442

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

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

During 2009/10, the remaining surplus in the Defined Benefit Retirement Plan for Employees of Mount Saint Vincent University was withdrawn. (see note 4).

The Early Retirement Incentive Plan is a one-time self-financing retirement plan for faculty that will be repaid over a period of four years through savings on position replacements. See note 14 for additional information.

MOUNT SAINT VINCENT UNIVERSITY
Notes to Financial Statements

Year ended March 31, 2010

11. Commitments and Contingencies:

Operating Leases:

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

Year ending March 31,

2011	$ 342,370
2012	198,980
2013	121,330
2014	5,270
2015	-

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, 2009, CURIE had an accumulated excess of income over expenses of $32M, of which the University's pro rata share is approximately .50% on an ongoing basis. In addition, the reciprocal has obtained $995 million re-insurance with commercial insurers to cover major property claims in excess of $5 million per occurrence. In respect of General Liability, the limit is $5 million per occurrence. Re-insurance for 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, 2010

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11. Commitments and Contingencies (continued):

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

12. Other Revenue:

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

13. Other Expenditures:

Other expenditures includes expenditures for library acquisitions, equipment rentals, equipment purchases (non-capital), professional fees, advertising, bank charges, memberships, insurance, property taxes, software and other miscellaneous expenditures.

14. Early Retirement Incentive Plan:

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

In accordance with Canadian generally accepted accounting principles, the cost of the Plan has been accrued in these financial statements.

MOUNT SAINT VINCENT UNIVERSITY
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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.

	(Funded By) On Behalf Of						
	Operating	Unappropriated Reserves	Equity in Capital Assets	Res. Special Purpose	Int. Res. Special Purpose	Internally Restricted Endowments	Externally Restricted Endowments
Capital expenditures	($86,592)	$ -	$138,267	($ 51,675)	$ - -	$ -	$ -
Endowment spending	300,293	-	90,300	34,256	14,770	(29,800)	(409,819)
Endowed assistantships	(13,000)	-	-	-	-	-	13,000
Donations/reallocations	-	-	-	(973,502)	(12,264)	-	985,766
Debt servicing	(346,285)	-	346,285	-	-	-	-
Scholarships, bursaries & awards	23,773	-	-	(1,485)	(23,773)	-	1,485
Matching contribution	(86,043)	(190,817)	-	-	-	-	276,860
Project net revenue	120,000	-	-	-	(120,000)	-	-
Capital campaign funding	-	-	-	-	144,207	(144,207)	-
Other	(116,064)	-	80,718	1,886	33,460	-	-
	($ 203,918)	(190,817)	$655,570	($ 990,520)	$ 36,400	(174,007)	$867,292

MOUNT SAINT VINCENT UNIVERSITY
Notes to Financial Statements

Year ended March 31, 2010

16. Financial Instruments:

Financial Risk

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

(a) Interest Rate Risk

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

(b) Credit Risk

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

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

(c) Currency Risk

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

(d) Fair Value

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

17. Comparative Figures

Prior year's figures have been reclassified where necessary to conform with the current year's financial statement presentation.