



One University. One World. Yours.



# Annual Financial Report

March 31, 2019



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Office of the President

## Introduction

I am pleased to introduce the University's Annual Financial Report for the 2019 fiscal year. This report demonstrates accountability to the community and a strong commitment to fiscal responsibility; one of our key corporate values.

The Board of Governors of Saint Mary's University oversees management of the University's financial, physical and human assets. The Board carries out its fiduciary duty, in part, by ensuring that the University's annual financial statements are prepared in accordance with best practices and audited by the University's auditor, Grant Thornton LLP. Detailed information about the Board of Governors is included in Appendix 1.

In this report, you will find extensive commentary and performance measures used by management to protect the financial condition of the University, designed to inform all members of the University community. This discussion and analysis should be read in conjunction with the audited financial statements.

The financial statements (pages 24-39) show the University's overall financial picture and are included in this report. The reporting is on a fund accounting basis, using the restricted fund method of accounting for contributions. Our independent auditor has audited the financial statements and, in their opinion, (see page 25) the statements fairly present, in all material respects, the University's financial position at March 31, 2019 and the results of its operations for the year then ended.

The Annual Financial Report is provided in the context of the University's Strategic Plan and its various strategic initiatives. In addition to supporting the University's initiatives on Discovery & Innovation and Intercultural Learning, this Annual Financial Report discusses our ability to strengthen our Institutional Sustainability.

In summary, the aim of this Annual Financial Report is to ensure our stakeholders have full and transparent information about the University's finances.

Robert Summerby-Murray Ph.D.  
President and Vice Chancellor



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# **Management Discussion and Analysis**

**March 31, 2019**

## Strategic Plan – 2017-2022



### AGE QUOD AGIS

#### VISION

Saint Mary's, building on its strong tradition of accessibility and community engagement, will be the university of choice for aspiring citizens of the world.

#### MISSION

The mission of Saint Mary's University is to offer undergraduate, graduate, and life-long learning programs; to engage in research and disseminate its results; and to serve the community from the local to the international level.

#### VALUES

Our values articulate our distinctive contribution to civil society, locally and globally. These values are highlighted in the Santamarian Signature:

Pursuing academic growth, Demonstrating resilience, Developing intercultural competence, Engaging our alumni and community; and Exercising ethical wisdom



Discovery & Innovation in a Learning-centred Environment



Intercultural Learning



Institutional Sustainability

We recognize the importance of the contribution and growth of each individual in the University's success and promote a safe, respectful and inclusive learning environment.

Please see **Appendix 2** for the summary of Strategic Plan Initiatives – 2017-2022.

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## Our Framework

Saint Mary's University, founded in 1802, is located in Halifax, Nova Scotia and is the second largest educational institution in the province. The campus is home to more than 7,000 students from over 108 countries who are enrolled during the academic year and summer sessions, attending classes on the 42-acre campus in south end of Halifax and more than 750 faculty and staff supporting programs and operations.

Saint Mary's vision is to be the university of choice for aspiring citizens of the world. Culturally diverse and globally-connected, Saint Mary's is recognized as a national leader in international and intercultural education. Our global network of 51,000 alumni is strong and engaged; Saint Mary's boasts the 2<sup>nd</sup> highest level of alumni engagement in the country.

An urban, mid-sized university, Saint Mary's offers innovative and relevant programs in Arts, Science, Business, and Graduate Studies and Research. While Saint Mary's is primarily undergraduate, the university is increasingly recognized for research excellence and has strong and growing suite of graduate programs including five PhD programs. It is also well known for athletic excellence and a strong arts program.

The renowned Sobey School of Business is a national leader in business education. It is the only comprehensive business school in the region offering academic and research programming at the undergraduate, Masters, and PhD levels. Saint Mary's mentors innovators and entrepreneurs in every discipline. We are the only Canadian university to offer BA in Entrepreneurship, and the Master of Technology Entrepreneurship & Innovation program attracts ambitious entrepreneurs from around the world. The Saint Mary's University Entrepreneurship Centre is a hub for entrepreneurship for local businesses and award-winning student teams.

The introduction of the five-year Saint Mary's University Strategic Plan (2017-2022) signaled the intention to grow, elevate and expand Saint Mary's, building on the university's distinct strengths, values and culture. Our three key initiatives are: Promoting Discovery and Innovation in a Learning-Centred Environment, Fostering Intercultural Learning and Understanding, and Strengthening Institutional Sustainability. The strategic plan stems from our values which articulate our distinctive contribution to our students and to civil society, locally and globally.

Our Latin motto *Age Quod Agis* calls for us to 'do what we do', to act in the world, to shoulder responsibility, to champion social justice, and to uphold ethical values. It is at the heart of what it means to be a Santamarian.

## Student Facts

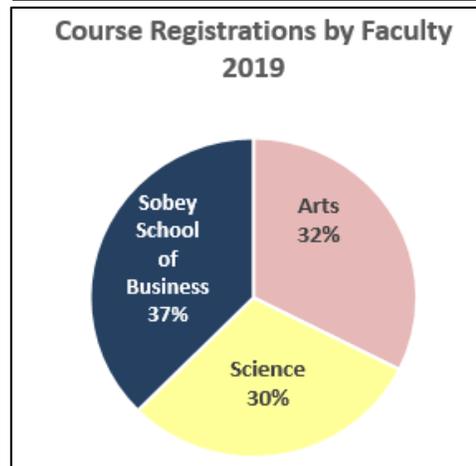
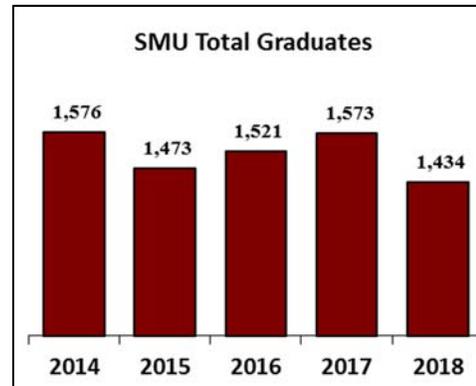
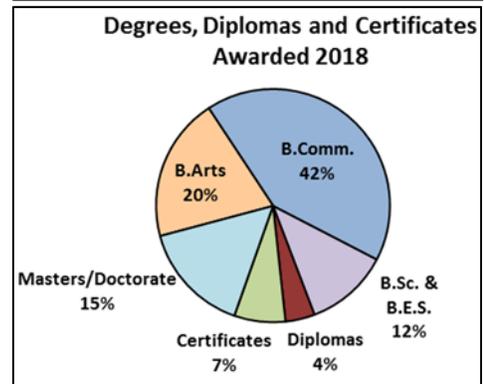
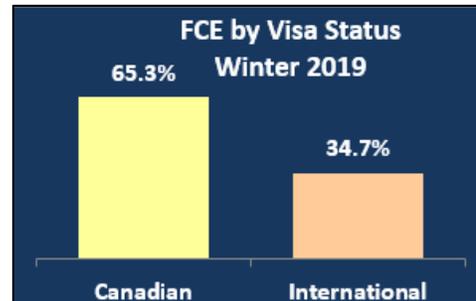
- Saint Mary's students originate from 108 different countries
- The largest international student contingents are from China, India, the Bahamas and Bangladesh
- 6,361 full-time students
- 669 part-time students
- Total FTE's of 6,460

### Average Class Size (Prior year in brackets)

- 41 (42) - Introductory Classes
- 19 (20) - Upper Level Classes
- 12 (10) - Graduate Classes

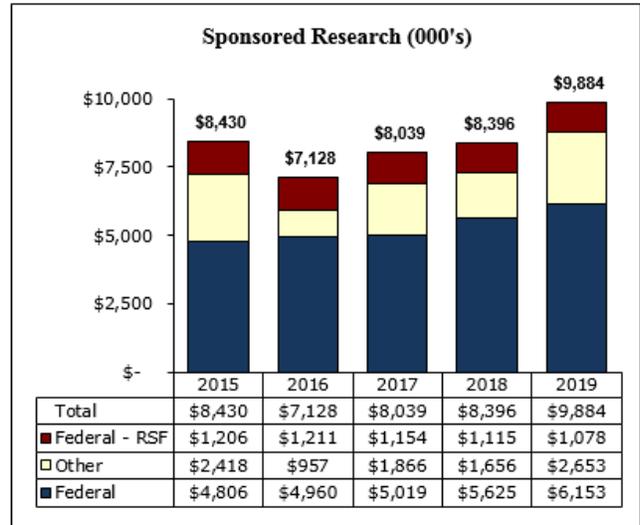
- Many graduates obtain more than one degree, diploma, or certificate at graduation.

- The largest percentage of course registrations is found in Psychology (13%).

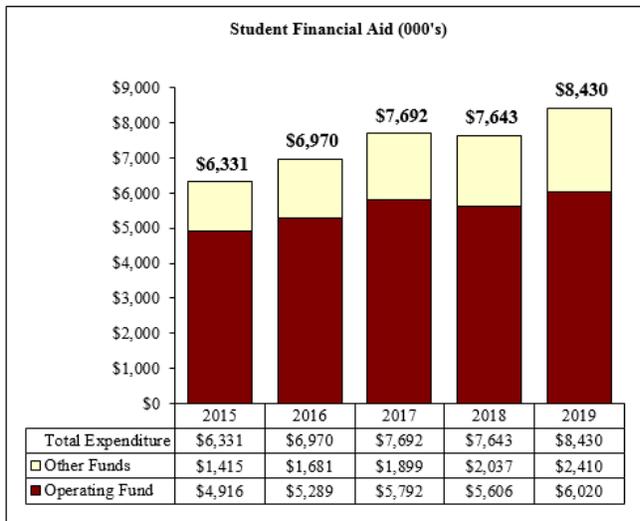


Other Indicators

- Funding from non-federal sources increased 62% to \$2.7m.
- Federal funding for sponsored research increased by 9.4%.
- Funding from the Research Support Fund (RSF) decreased 3% from the prior year.



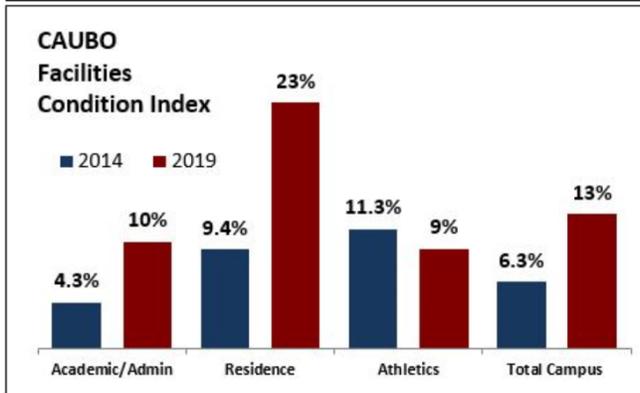
- While, SMU spending on scholarships, fellowships and bursaries has remained stable over last year, spending in this area has increased 33% over the past 5 years.



- Overall, SMU's Facilities Condition Index (FCI) has increased in the past five years – total campus FCI increased from 6.3% in 2014 to 13% in 2019.
- Increases are primarily the result of estimated deferred maintenance costs related to residence and academic buildings.

**CAUBO FCI Standards**  
 0-5% Excellent to Good  
 6-10% Fair to Poor  
 > 10% Unacceptable  
*deferred maintenance*  

$$FCI = \frac{\text{deferred maintenance}}{CRV \text{ of university facilities}}$$



**2019 Varsity Sport Teams (prior year in brackets)**

22 (23) AUS All-Stars  
 61 (74) U Sports Academic All-Canadians, 4 (5) U Sports All-Canadians

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## Responsibility for Financial Reporting

The administration of the University is responsible for the preparation, integrity and objectivity of the financial statements and the notes thereto. The administration believes that the financial statements present fairly the University's financial position as at March 31, 2019 and the results of its operations for the year then ended.

The administration has also prepared the unaudited financial information presented elsewhere in this financial report and has ensured that it is consistent with the financial statements.

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations per Part III of the CPA Canada Handbook and the standards for private enterprise as per Part II of the Handbook for items not addressed in Part III. Where alternative accounting methods exist, those deemed most appropriate in the circumstances have been chosen. Financial statements include amounts based on estimates and judgment. Such amounts have been determined on a reasonable and consistent basis to ensure that the financial statements are presented fairly, in all material respects.

In fulfilling its responsibilities and recognizing the limits inherent in all systems, the administration has developed and maintains a system of internal control designed to provide reasonable assurance that University assets are safeguarded from loss and that the accounting records are a reliable basis for the preparation of financial statements.

The Board carries out its responsibility for review of the financial statements principally through its Audit and Risk Committee. All of the members of the Audit and Risk Committee are independent, i.e., not officers or employees of the University. The Audit and Risk Committee meets regularly with administration and with the external auditors, Grant Thornton LLP, to discuss the planning and results of audit examinations and financial reporting matters. The external auditors have full access to the Audit and Risk Committee with and without the presence of management.

The Board of Governors of Saint Mary's has responsibility to review and approve the financial statements upon the recommendation of management and the Audit and Risk Committee.



Gabrielle Morrison  
Vice-President, Finance & Administration

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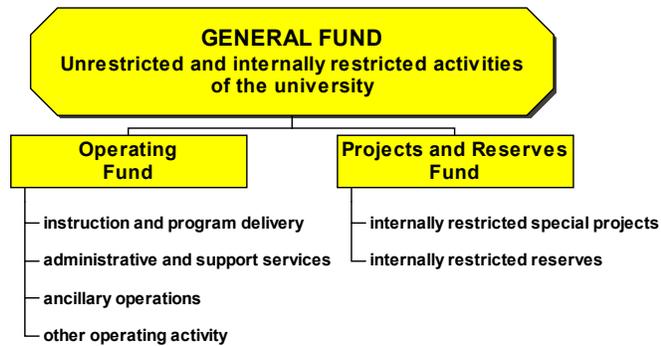
## Fund Accounting

The Board of Governors and management have responsibility to set the strategic directions for the University, allocate resources, and then assess achievements associated with those decisions. Fund accounting assists by classifying financial statement items for accounting and reporting purposes into logical groupings with specified activities and objectives. Presentation of the financial information in fund format, based on restrictions and areas of activity, enables more effective performance evaluation and stewardship.

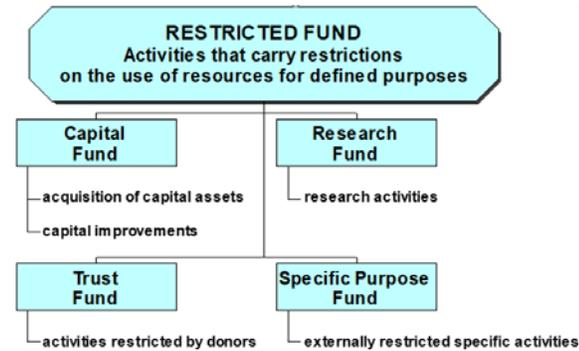
The University reports under the Canadian accounting standards for not-for-profit organizations in Part III of the *CPA Canada Handbook* and the standards for private enterprises as per Part II of the *CPA Canada Handbook* for items not addressed in Part III.

The financial statement structure for Saint Mary's University is comprised of:

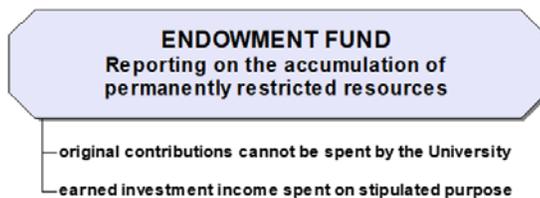
the General Fund



the Restricted Fund



the Endowment Fund

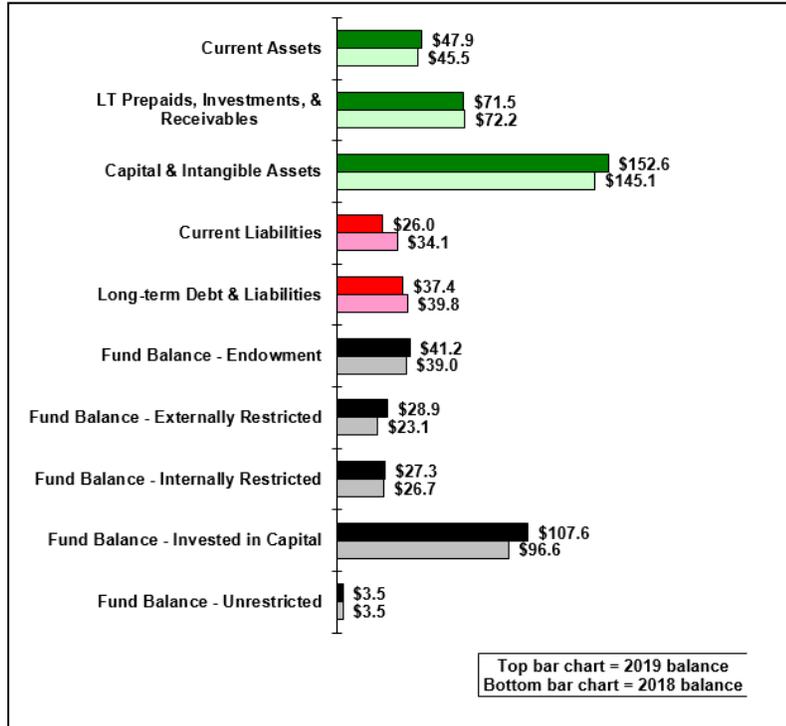


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## Financial Position and Fund Balances

(Millions \$)

The Statement of Financial Position reports what the University owns (assets), what it owes to others (liabilities) and the remaining interest or equity in the assets (fund balances) at the March 31, 2019 reporting date.



University current assets amount to \$47.9 and are comprised of cash, short-term investments, accounts receivable, inventories and prepaid expenses. The year-end balance of current assets was \$2.4 higher than the previous year. Cash and short-term investments increased by approximately \$1.9.

In total, long-term prepaid expenses, receivables, and investments decreased \$0.7 compared to the prior year with nearly the entire amount attributable to long-term investments. The University received \$3.9 in gifts and bequests, which represents an increase of 2.2 over the previous year. The long-term investments are recorded at fair value and the investment income included unrealized gains of \$1.3 from the change in the fair value of the investments in 2019. The gifts include funds for endowments, program support, and capital projects.

Capital and intangible assets, with a net book value of \$152.6, are a prominent component of the University's statement of financial position. The University's buildings comprise 73% of net capital assets.

Current liabilities of \$26.0 include payables, accruals, students' deposits, deferred revenue and the current portion of long term debt. The year-end balance decreased \$8.1 compared to the prior year. The decrease is due to recording of an \$11.0 grant received from the Province in support of the Entrepreneurship and Innovation Hub as revenue in the year. Previously, the grant had been recorded as deferred revenue. The decrease in long-term debt & liabilities \$2.4 was primarily due to normal principal debt repayments.

The fund balances represent the University's residual interest in its assets after deducting liabilities. The fund accounting method of reporting used by Saint Mary's shows the restrictions on the balances. \$70.1 relates to resources that are constrained by endowments and other external restrictions; \$27.3 is internally restricted by the University for projects and reserves; \$107.6 is the net amount invested in buildings and other capital assets. The unrestricted General Fund balance represents the accumulated surplus and is \$3.5.

In total, the fund balances of Saint Mary's University have increased over the past five years from \$177.4 at March 31, 2015 to \$208.5 at March 31, 2019.

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## Financial Condition Analysis

### Critical Success Factors and Related Performance Indicators

To enhance the financial governance of the University, particularly in the area of accountability, Saint Mary's has developed the set of key financial performance indicators summarized below. The indicators are rooted in the articulated mission of the University. More information about the relevance of the measures and management discussion and analysis follows on the pages referenced.

Accountability is important to the future of Saint Mary's. The various stakeholders of the University appropriately require that the Board of Governors and University management demonstrate financial stewardship:

- to support our internal planning processes and provide information for decision making
- to report results to government to justify receiving approximately \$59 million in grants and contributions
- to demonstrate to donors that their philanthropic gifts are prudently applied
- to provide evidence to lending institutions that the University meets its fiduciary duties
- to generate support from our students, employees, external partners and the overall University community

No set of aggregate quantitative measures can capture the complexity of the University. Nonetheless, we identified indicators which can allow us to monitor the "big picture" of Saint Mary's financial condition over time and in comparison to selected peer group universities. The peer group was selected based on similarities in degree granting, facilities, size of operating budget and ratio of undergraduate to graduate enrolment.

#### Critical success factors

#### Performance indicators

#### ⊗ OPERATIONS

1 - student demand	→ enrolment trend
2 - independent sources of revenue	→ ratio of own source revenue to total operating revenue
3 - funding of the University educational mission	→ expenditure per student
4 - student accessibility	→ tuition + mandatory fees, compared to university peer group

#### ⊗ ASSET MANAGEMENT

5 - liquidity	→ unrestricted resources
6 - physical infrastructure	→ current replacement value of capital assets per student
7 - capital investment	→ ratio of capital spending to current replacement value of capital assets
8 - financial flexibility	→ expendable resources, compared to university peer group

#### ⊗ FUNDRAISING and ENDOWMENT

9 - fundraising	→ resources provided by fundraising efforts
10 - alumni financial participation	→ number of alumni contributors
11 - management of endowment investments	→ endowment fund performance
12 - endowment	→ market value of endowed assets, compared to university peer group

#### ⊗ DEBT CAPACITY

13 - ability to pay debt with medium term resources	→ ratio of expendable resources to debt
14 - manageable debt load	→ University debt per student
15 - debt funding strength arising from operations	→ ratio of debt service cost to operating revenue
16 - positive credit profile	→ outstanding debt, compared to university peer group

## Operations

### Operations Analysis, March 31, 2019

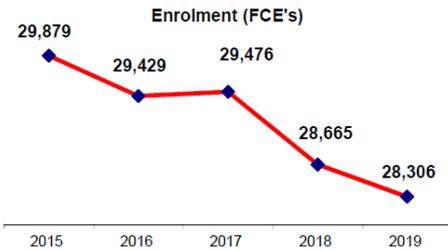
Critical Success Factor 1: **Student demand**

Key Performance Indicator 1: **Enrolment trend** (full course equivalents as at March 31 of the academic year)

Saint Mary's position in the educational "market" is a driver of long-term financial health. Strong student demand provides pricing flexibility and assists with budget management. Student demand not only determines the stability of tuition and other fee revenue, but also affects political and community support, recruitment and retention of faculty and staff, as well as the University's ability to generate philanthropic donations. In common with other universities, SMU is vulnerable to swings in enrolment resulting from demographic patterns, university participation rates, competition and other factors.

Student demand	2018	2019
Arts enrolment	8,948	9,065
Science enrolment	8,024	7,981
Sobey School of Business enrolment	9,775	9,139
Graduate Studies and Research enrolment	1,918	2,121
<b>Total enrolment at March 31 (full course equivalents)</b>	<b>28,665</b>	<b>28,306</b>

- total enrolment decreased 1.3% over the previous year.
- the biggest driver of the total decrease in enrolment was the 6.5% decrease in Sobey School of Business and a 0.5% decrease in Science enrolment.



Critical Success Factor 2: **Independent sources of revenue**

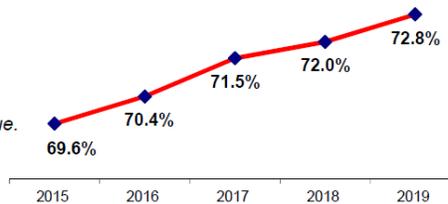
Key Performance Indicator 2: **Ratio of own source revenue to total operating revenue**

Universities derive a significant portion of their budget from their provincial government. Given the fiscal challenges of the Province of Nova Scotia, SMU is vulnerable to declines in grant funding. The current 3-year MOU provides no funding security. Revenue diversity adds financial strength by reducing overall risk, and also implies a healthy mix of "business" segments, including academic programs and other sources of operating revenue. A favorable assessment for this measure assumes the government will at least maintain a baseline amount of financial support.

Independent sources of operating revenue	2018	2019
Own source revenue (millions)	\$95.4	\$100.1
Provincial operating grant (millions)	\$35.4	\$35.8
Federal grant (millions)	\$1.7	\$1.6
<b>Total operating revenue (millions)</b>	<b>\$132.5</b>	<b>\$137.5</b>
<b>Ratio of own source revenue to operating revenue</b>	<b>72.0%</b>	<b>72.8%</b>

- own source revenue increased \$4.7M and increased 3.6% as a % of total operating revenue.
- Provincial grants increased slightly 1.1% from the previous year.
- funding from Federal government grants decreased 5.9% from the previous year.

Independent sources of operating revenue



Critical Success Factor 3: **Funding of the university educational mission**

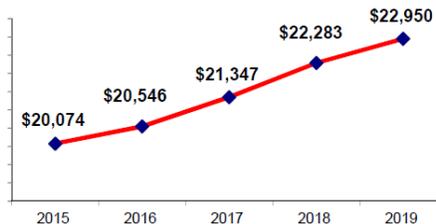
Key Performance Indicator 3: **Expenditure per student**

The primary mission of Saint Mary's includes service of the public interest. As a not-for-profit organization, the University does not focus on maximizing "the bottom line," although avoiding operating deficits is critical to sustainability. The plans of the University are translated into budget targets which become a major focus in applying resources. Assuming prudent management, the allocation of resources, including academic, information technology, maintenance of physical infrastructure and other support services, has the effect of increasing the overall quality of teaching, research and community support. Accordingly, the University seeks a healthy level of funding support expressed in this measure as expenditure per student.

Funding of University educational mission	2018	2019
Annual expenses, all Funds (millions)	\$143.7	\$148.3
Students (full-time equivalents)	6,447	6,460
<b>Expenditure per student</b>	<b>\$22,283</b>	<b>\$22,950</b>

- increased spending and a dip in enrolment (FTE) make this ratio more favourable over last year.
- expenditure per student increased 3.0% over the prior year.

Expenditure per Student



## Operations

### Operations Analysis, March 31, 2019

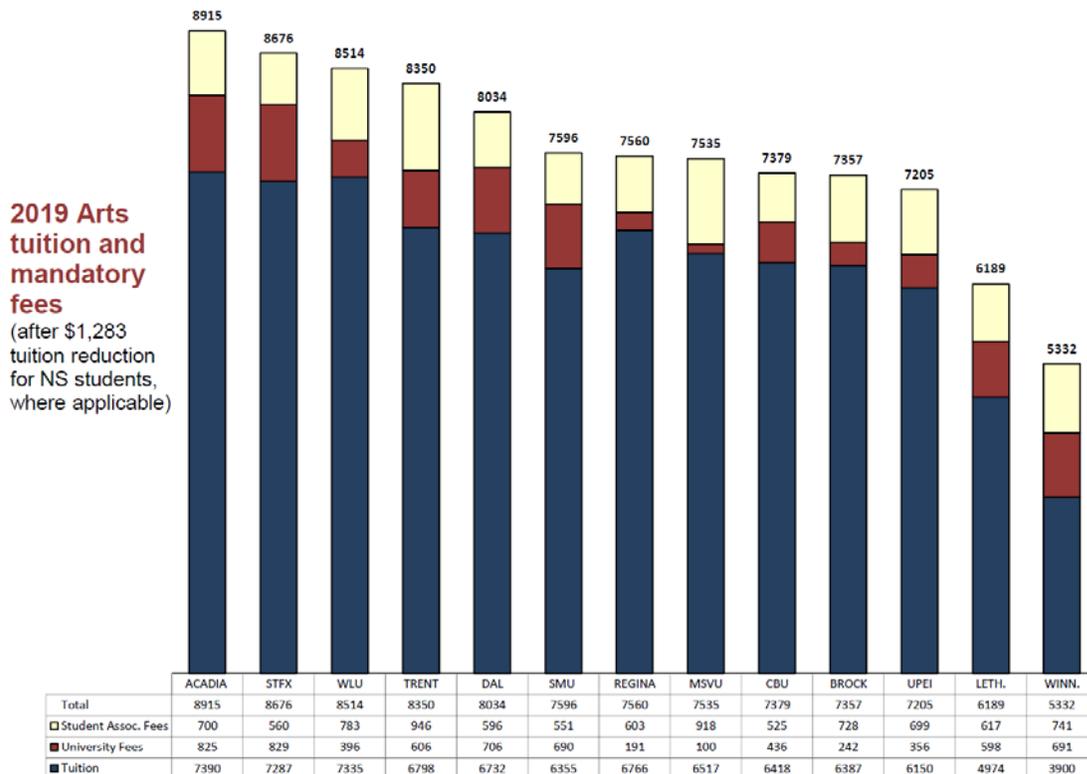
Critical Success Factor 4: **Student accessibility**

Key Performance Indicator 4: **Tuition plus mandatory fees**

The mission statement for Saint Mary's refers to "building on a strong tradition of accessibility". Financially, we contribute to that vision by ensuring to the extent possible that students can afford to attend the University. Studies have shown that higher education is a good financial investment for students, with clear lifetime economic benefit. The amount of tuition and fees charged at Saint Mary's must maintain the investment value for students. Total mandatory student charges include basic tuition plus any other mandatory fees levied by the University and by the related student association.

Tuition is heavily influenced by the amount of government operating support from the province in which each university is located. In 2018, operating grants from the Province of Nova Scotia provide 30.2% of University operating income, compared to the Canadian median of 46.9% (CAUBO / Statistics Canada). Within Nova Scotia, Saint Mary's University has the lowest proportion of provincial operating funding relative to the other NS universities.

The following chart shows total student charges levied by selected universities across the country (SMU peer group comparators).



- In 2019, the Province of Nova Scotia provided a tuition bursary of \$1,283 for each Nova Scotia student (about 53% of SMU students). This had the effect of reducing Nova Scotia university tuition to become more competitive with universities across Canada

- In 2018, Saint Mary's received the lowest proportion of provincial funding relative to its Canadian peer group (12th of 12 universities - 30.2% versus the peer group median of 42.8%)

- Total cost to attend SMU is \$36 more than the median (\$7,560) of the 12 peer group universities (plus Dalhousie)

Source of NS and peer group funding information: CAUBO/Statistics Canada report 2018 (last year reported)

Source of provincial funding information: CAUBO/Statistics Canada 2018 (last year reported)

Source of tuition and fees information: Association of Atlantic Universities and university websites - assumes 5 full Arts courses

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## Asset Management

### Asset Management Analysis, March 31, 2019

Critical Success Factor 5: **Liquidity**

Key Performance Indicator 5: **Unrestricted resources**

Financial strength is demonstrated by asset management policies that provide financial flexibility. Unrestricted resources (immediately available to be expended) are important due to the risk associated with volatile university operations. The University policy is to maintain unrestricted resources in a range between \$1.5 million and \$3.5 million to enable the University to hedge against unfavourable contingencies, to take advantage of opportunities and innovation, and to ensure a level of stability over time.

Liquidity	2018	2019
Unrestricted fund balance, start of year (millions)	\$3.5	\$3.5
Change during the year (millions)	\$0.0	\$0.0
Unrestricted fund balance, end of year (millions)	\$3.5	\$3.5



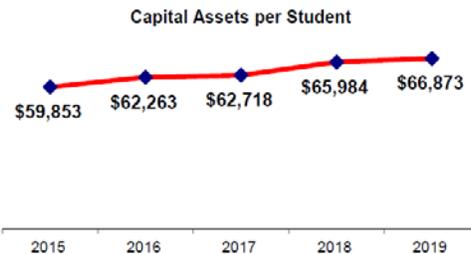
- the unrestricted balance at year end is within the approved range.
- SMU balance, \$3.5 million, is higher than the median of the peer group
- Negative unrestricted resources in 6 of the 12 peer universities.

Critical Success Factor 6: **Physical infrastructure**

Key Performance Indicator 6: **Current replacement value of capital assets per student**

Capital assets form a very significant financial investment and are by far the largest component of the University's asset base. Land, buildings, information technology, furniture, equipment, vehicles, etc. all play a vital role in supporting the University's mission, providing the physical resources needed for teaching, research and community service. When evaluating the adequacy of physical infrastructure and its asset valuation, current replacement value (CRV) is more relevant than historical cost (CRV determined by CURIE - Canadian University Reciprocal Insurance Exchange).

Physical infrastructure	2018	2019
CRV of capital assets - CURIE valuation (millions)	\$425.4	\$432.0
Number of students (full time equivalents)	6,447	6,460
CRV of capital assets per student	\$65,984	\$66,873



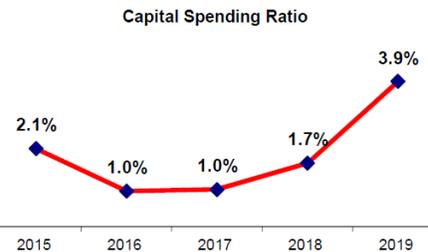
- growth in the value of capital assets due partly to inflation and appraisal increases for replacement of certain assets.

Critical Success Factor 7: **Capital investment**

Key Performance Indicator 7: **Ratio of capital spending to the current replacement value of capital assets**

An important aspect of asset management is the condition of the physical infrastructure. In order to provide an excellent level of service, and to properly steward physical assets for future generations, there is an ongoing need for capital investment. As with other Nova Scotia universities, there is also a significant backlog of deferred maintenance at SMU.

Capital investment	2018	2019
Capital spending (millions)	\$7.2	\$16.7
CRV of capital assets (millions)	\$425	\$432
Ratio of capital spending to CRV of capital assets	1.7%	3.9%



- capital spending tends to be uneven over time and is dependent on available funds.
- rule of thumb (2% of CRV per CAUBO) exceeded in 2 of the past 5 years.
- Facilities Condition Index has worsened over the past 5 years.

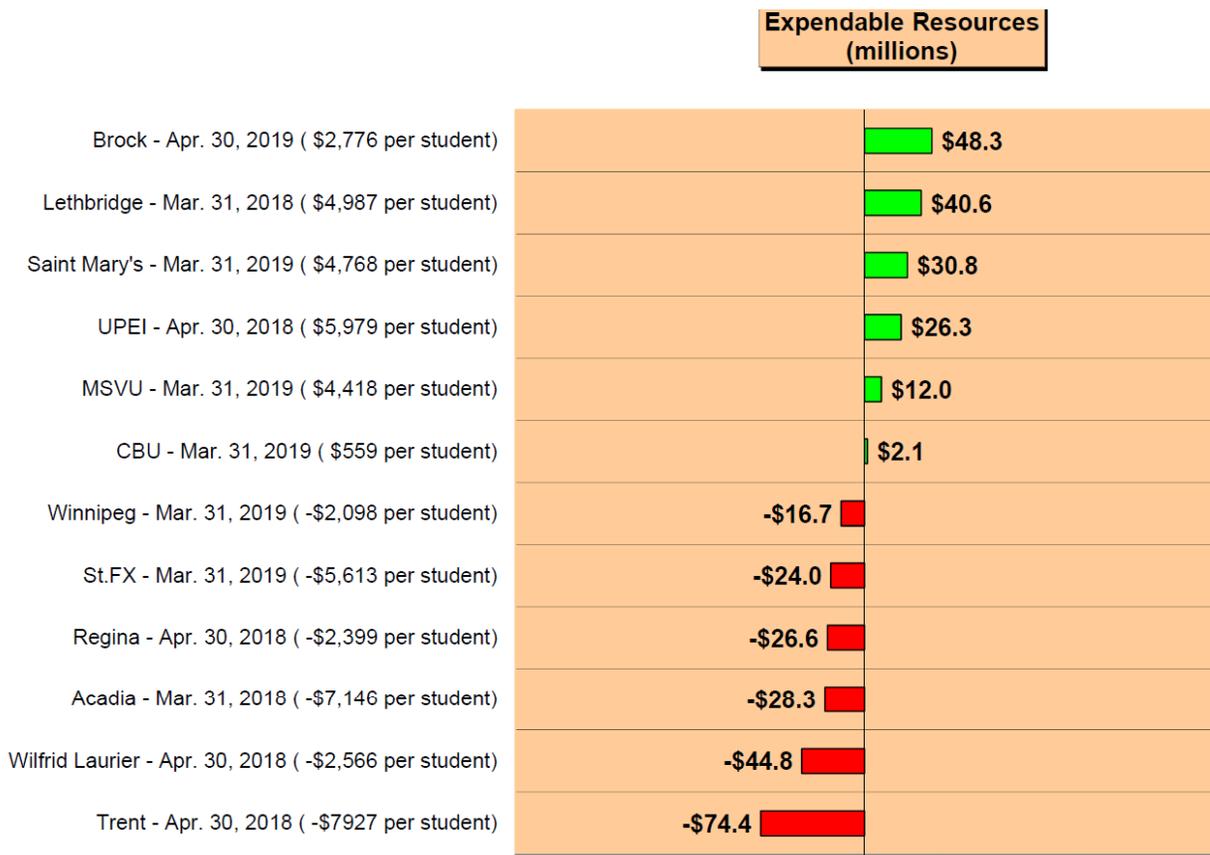
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## Asset Management

### Asset Management Analysis, March 31, 2019

Critical Success Factor 8: **Financial flexibility**  
Key Performance Indicator 8: **Expendable resources**

Expendable resources (unrestricted financial resources available for immediate expenditure + internally restricted resources) provide a meaningful measure of financial flexibility for the University. Expendable resources enable the University to manage budget operations over periods of enrolment declines, government grant cutbacks or other unfavorable variances. Expendable resources also allow the University to respond to opportunities for special initiatives. Growth in the extent of activities, programs or student enrolment point to an increased need for the cushion provided by expendable resources.



- SMU expendable resources = Unrestricted Fund Balance \$3.5 million + Internally Restricted Fund Balance \$27.3 million.

- SMU's current balance of expendable resources ranks 3rd of 12 of the university peer group

- SMU ratio of expendable resources per student ranks 3rd of 12 of the university peer group

Source of asset information: University financial statements, most recent year published  
Source of student information: student is defined as full-time equivalent - calculation from Universities Canada 2018 Enrolment Survey

**Fundraising and Endowment**

**Fundraising and Endowment Analysis, March 31, 2019**

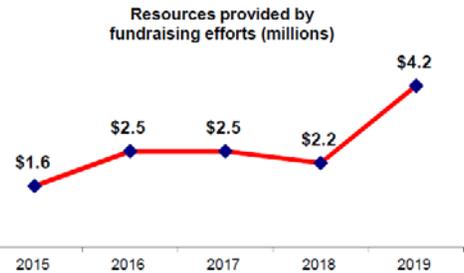
**Critical Success Factor 9: Fundraising**

**Key Performance Indicator 9: Resources provided by fundraising efforts**

Fundraising success is critical to Saint Mary's since it provides the University with additional financial flexibility and directly affects operations, endowment and capital. Fundraising supports the academic plan of the University in terms of physical infrastructure as well as providing funds for programs, scholarships, bursaries and other fundraising priorities as determined by the University's Fundraising Priority Setting Process and guided by the Gift Acceptance Policy. The need for scholarships, bursary support and capital investment at Saint Mary's places special importance on the University's efforts at fundraising from alumni, foundations, corporations and friends.

<b>Fundraising</b>	2018	2019
Fundraising revenue received during the year (million's)	\$2.2	\$4.2
Pledges due within ten years (million's)	\$4.2	\$23.3

- The University's efforts to cultivate donors and philanthropic opportunities have resulted in several major gifts (>\$25,000). The majority of these gifts were directed to students scholarships.



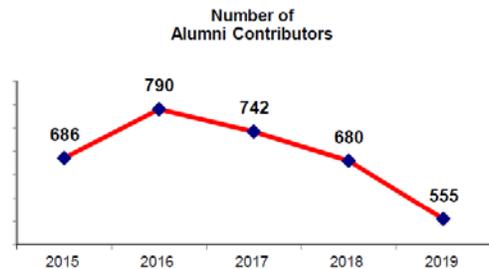
**Critical Success Factor 10: Alumni financial participation**

**Key Performance Indicator 10: Number of alumni contributors**

Philanthropy from Saint Mary's 39,388 contactable alumni support the work of both our students and faculty. Engagement of alumni is a measure of the vitality of the University and the support SMU can expect in the future. Both large and small gifts from alumni are important. Alumni participation rate continue to decline for all sectors in higher education in North America (Source: CAE VSE Survey). In response, Saint Mary's has increased its focus on donor retention and joined a Canadian benchmarking group that provides detailed data analytics to support more sophisticated and targeted approach to our broad-based alumni annual giving program.

<b>Alumni financial participation</b>	2018	2019
New contributors	102	53
Repeat contributors (3+ consecutive years)	347	329
All other alumni contributors	231	173
Total alumni contributors	680	555

The University Strategic Plan will cultivate and promote revenue and fundraising capacity and sophistication through development and delivery of an integrated Advancement plan.



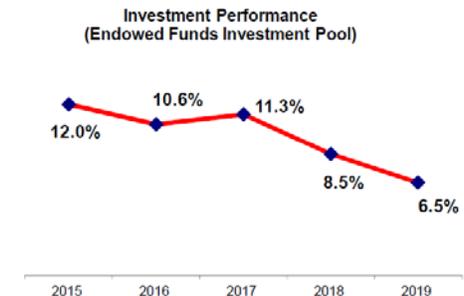
**Critical Success Factor 11: Management of endowment investments**

**Key Performance Indicator 11: Endowment fund performance**

The financial health of the endowment depends in part on investment performance. The majority of the University's endowments are pooled for investment purposes and managed by professional investment counsel. Governance for the investments is provided by an Investment Committee established by the Board of Governors. Success is measured over the long term and considers established investment benchmarks.

<b>Management of the endowment investments</b>	2018	2019
Endowed Funds Investment Pool		
Four-year average rate of return	8.5%	6.5%

- The University's investment managers, investment policy and endowment spending policy are regularly reviewed by an independent investment consultant.  
 - The University's long term goal is an annual rate of return of 6.5%. After expected inflation of 2% and estimated investment and custodial fees of 0.5% this will generate a net return of 4.0% for spending.



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## Fundraising and Endowment

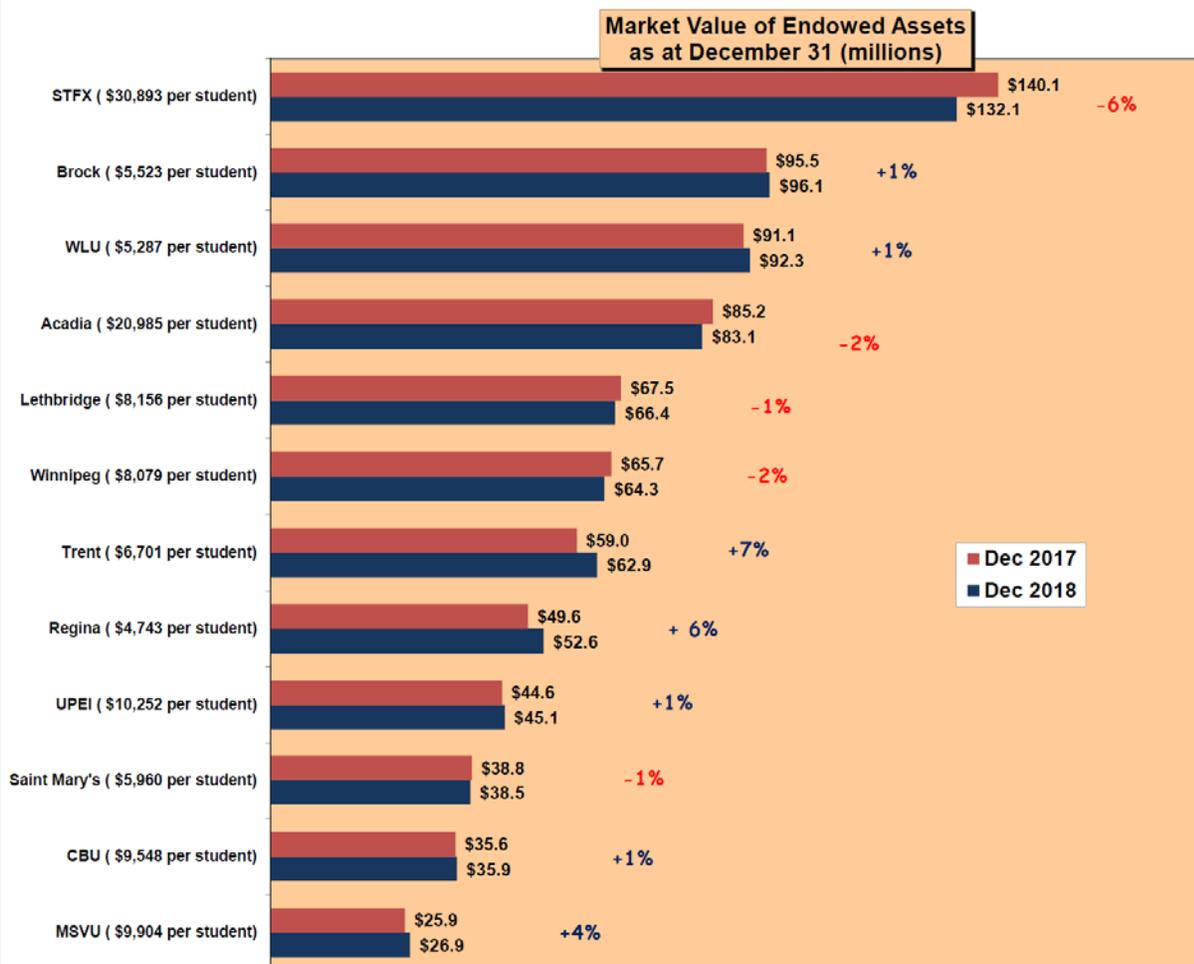
### Fundraising and Endowment Analysis, March 31, 2019

Critical Success Factor 12: **Endowment**

Key Performance Indicator 12: **Market value of endowed assets**

A major goal of the University is proper financial stewardship and growth of the endowment. Endowment funds provide a base for student financial aid, and programs in support of the academic plan. The University's endowment is expected to provide present and future generations with financial support. The size of a university's endowment is often viewed as a proxy for its financial strength and success (NACUBO 2001).

The following chart shows the relative market value of endowment funds of selected Canadian universities (SMU peer group comparators) along with comparative information from the prior year.



- SMU endowment is low compared to university peer group, 10th of 12 (of the top 50 universities, SMU placed 48th)
- SMU endowment per student is low compared to the university peer group, 9th of 12 and significantly lower than the median (\$8,118 per student)
- SMU had a 1% decrease in endowed assets over past year, the peer group median was an increase of 1%

Source of peer group information: CAUBO University Endowment Survey  
Source of student information: student is defined as full-time equivalent - calculation from Universities Canada 2016 Enrolment Survey

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## Debt Capacity

### Debt Capacity Analysis, March 31, 2019

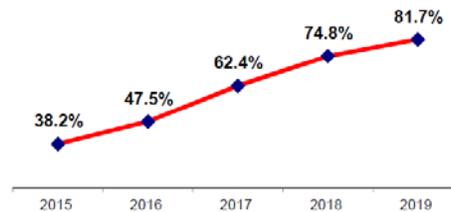
Critical Success Factor 13: **Ability to pay debt charges with medium term resources**  
Key Performance Indicator 13: **Ratio of expendable resources to debt**

Financially healthy institutions are able to draw on an appropriate mix of capital funding. This would include capital grants, fundraising, debt and internally generated cash from operations. When measuring debt capacity, two levels of liquidity are important: i) unrestricted fund balances which are immediately available to be expended and ii) resources which the University can access in the medium term. Together these two types of liquid assets are termed "expendable resources" and provide the capacity to service debt which, in turn, enables the University to fund its educational mission.

Ability to pay debt with medium term resources	2018	2019
Expendable resources (millions)	\$30.2	\$30.8
Debt, incl. current portion of long-term debt (millions)	\$40.4	\$37.7
Ratio of expendable resources to debt	74.8%	81.7%

- expendable resources increased 2% and University debt decreased 6.7%
- the ratio of expendable resources to debt increased 7 percentage points from the previous year

Ratio of Expendable Resources to Debt



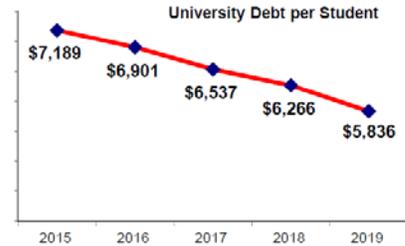
Critical Success Factor 14: **Manageable debt load**  
Key Performance Indicator 14: **University debt per student**

Moody's Credit Research (Special Comment, 2001) indicates that debt capacity in higher education institutions is not a static concept, but changes over time as fundamental credit factors evolve. As a result, the University's debt capacity would increase as enrolment grows, provincial funding strengthens, external donations increase or the endowment levels improve. Student demand is a key indicator that can be used as a proxy for a combination of these fundamental credit factors. Accordingly, the amount of outstanding debt owed by the University per student should be kept at a level that is consistent with the university's tolerance for debt risk.

Manageable debt load	2018	2019
Debt, incl. current portion of long-term debt (millions)	\$40.4	\$37.7
Number of students (full time equivalents)	6,447	6,460
University debt per student	\$6,266	\$5,836

- University debt per student decreased \$431 during the year
- SMU is carrying less debt compared to the peer group median (\$72.0 million)
- \$5,836 debt per student at SMU is 55% lower than the university peer group median (\$12,827)

University Debt per Student



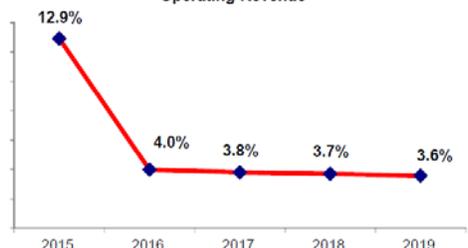
Critical Success Factor 15: **Debt funding strength arising from operations**  
Key Performance Indicator 15: **Ratio of debt service cost to operating revenue**

Revenue growth (tuition + other sources of revenue) provides "funding room" for new debt. Projects such as residence ancillaries are often expected to be self-supporting and use less debt capacity than projects that do not have an associated revenue stream. Overall, the University must be concerned about the potential for reduced long-term financial flexibility when adding fixed costs in the form of principal and interest payments on debt. Debt charges add cost pressure to the expenditure side of the operating budget, so it is important to monitor the ratio of debt service cost to total operations.

Debt funding strength arising from operations	2018	2019
Debt service cost: principal + interest (millions)	\$4.9	\$4.9
Total operating revenue (millions)	\$132.6	\$137.5
Ratio of debt service cost to operating revenue	3.7%	3.6%

- 2016 debt service load dropped to 4% after one time repayment of SOFI loan in 2015
- exceeding 10% would raise concerns about being highly leveraged (Moody's)

Ratio of Debt Service Cost to Operating Revenue



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## Debt Capacity

### Debt Capacity Analysis, March 31, 2019

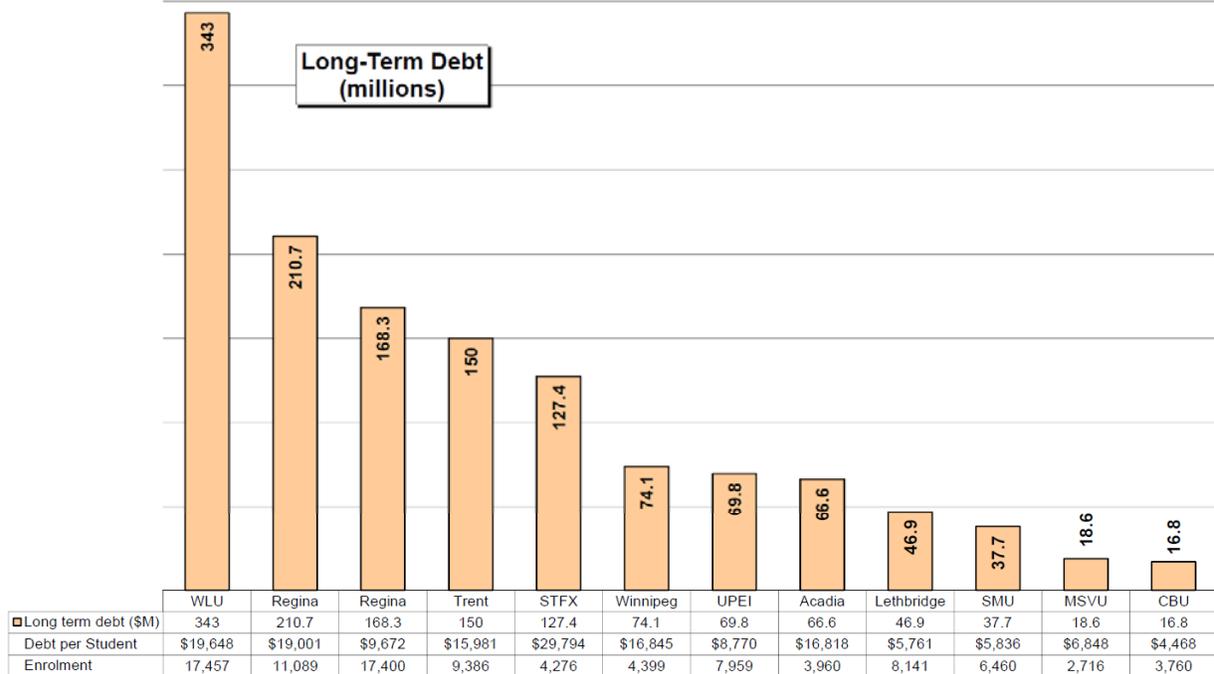
Critical Success Factor 16: **Positive credit profile**

Key Performance Indicator 16: **Outstanding debt**

Saint Mary's has traditionally taken a debt avoidance approach to financing the University, particularly in relation to capital other than residence buildings. This strategy works best in an environment of strong government support in the form of capital grants, a feature not evident in Nova Scotia. In recent years, SMU has had to address serious deferred maintenance issues, and has turned to debt to fund the capital improvements.

A low amount of outstanding debt may indicate a potential for financial leverage in the future, should the University believe that debt-financed capital investments are necessary to maintain or improve its competitive position. However, risk increases when a university issues debt with reliance on future growth in revenue or future fundraising.

The following chart shows total long-term debt of selected Canadian universities (SMU peer group comparators). Included as "long-term debt" are all obligations relating to long-term loans (including the current portion), mortgages, commitments under capital leases and employee future benefits obligations, and other indebtedness related to capital assets. Debt per student is also calculated below.



- Saint Mary's total debt, \$37.7 million, is less than the total debt median of the peer group (\$72.0 million)
- Most of the university peer group increased debt over the past five years.  
The median debt of the peer group has increased 2.8% to \$72 million in 2019 from \$70 million in 2018.
- The majority of SMU debt relates to academic assets as opposed to self-financing residence operations;  
31% of SMU debt relates to residence operations (2018 34%, 2017 34%)
- \$5,836 debt per student at SMU is 55% lower than the university peer group median (\$12,827)  
and less than the bond rating agency caution point, which would be any amount greater than \$10,000 per student

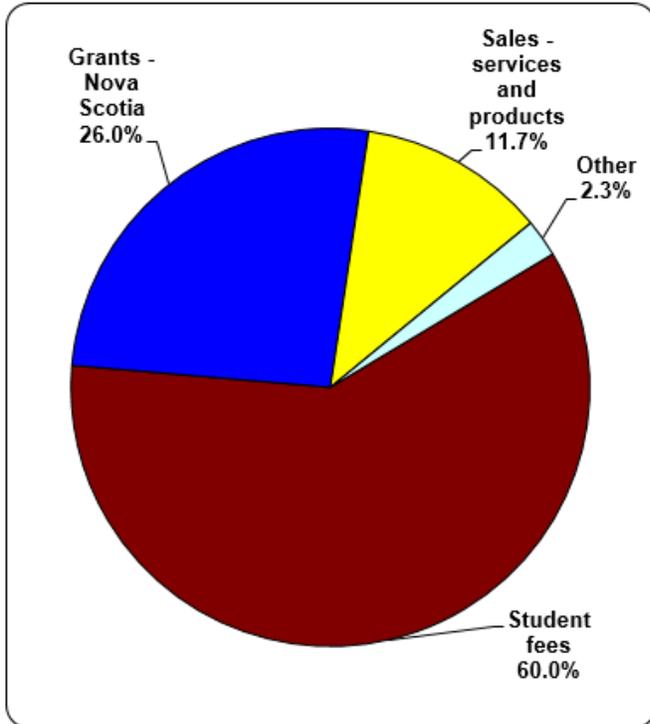
Source of debt information: University financial statements, most recent year published  
Source of student information: student is defined as full-time equivalent - calculation from AUCC Enrolment Survey

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**General Fund Analysis**  
**Operating Fund - Revenues**

(Millions \$)

The 2019 operations of Saint Mary's University produced revenues of \$137.5 (2018 - \$132.6). (see Page 38 – Operating Fund)



Student fees are the largest component of operating revenue. The majority of sales of services and products are also related to students and enrolment, i.e., residence fees, food service and bookstore sales. The chart on the right shows the breakdown of operating revenue including ancillaries.

While enrolment decreased, student fee revenue increased \$6.1 or 8.0% compared to the prior year. This was due to increases in domestic and international tuition fees as well as other specific fees.

Sales of services decreased 8.9% or \$1.6 overall with the largest decrease coming from campus store and arena operations, due to the construction of the Dauphinee centre.

The Province of Nova Scotia, responding to fiscal challenges, increased funding to the University system for 2019 with Saint Mary's increase being \$0.3. The grant amount was included in the operating budget approved by the Board of Governors.

Overall operating revenue was up \$4.9 over the previous year. The Unrestricted Fund Balance at the end of the year is at \$3.5, within the target range approved by policy of the Board of Governors.

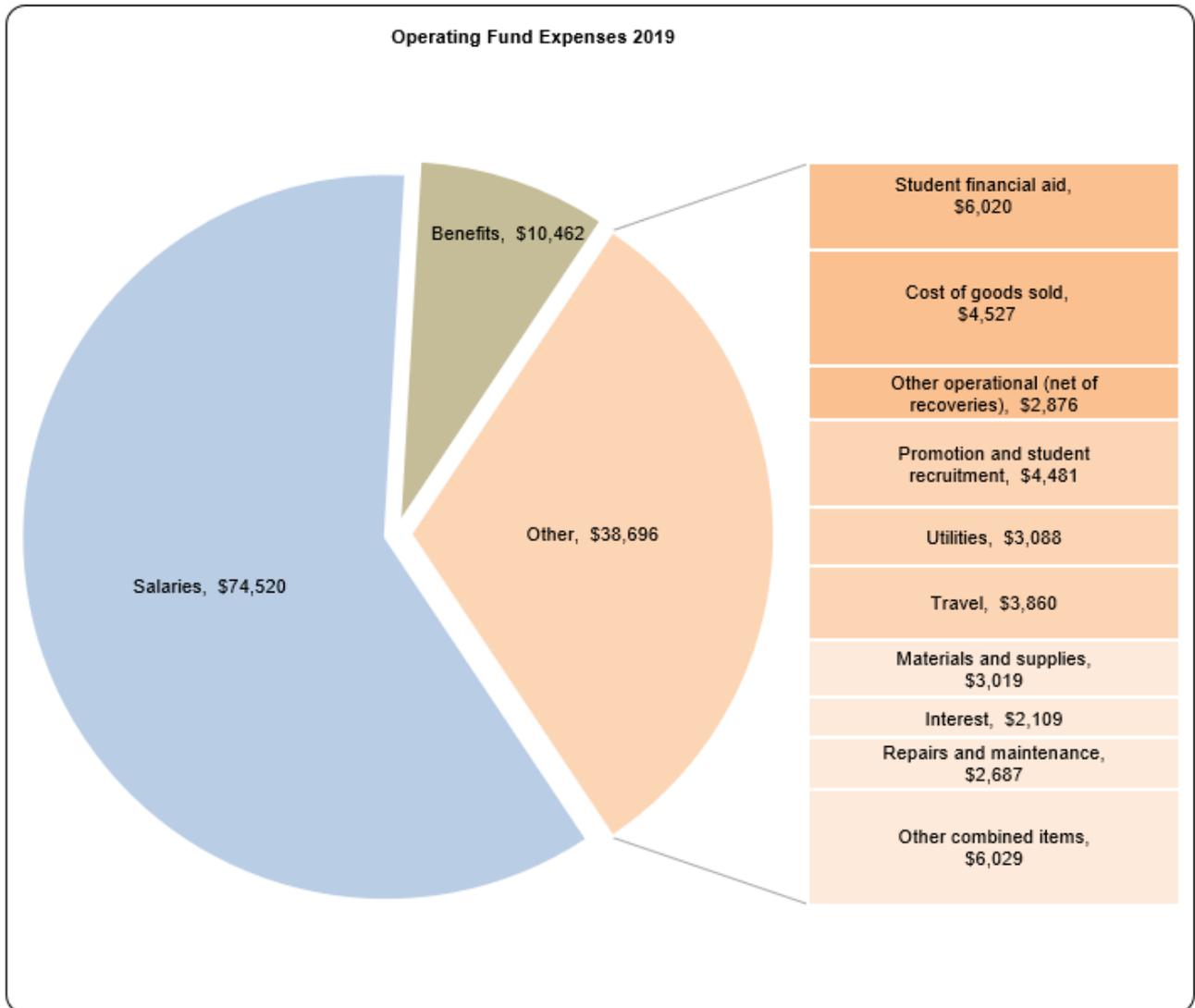
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**General Fund Analysis**  
**Operating Fund – Expenses**

(Millions \$)

The FY2019 operations of Saint Mary's incurred expenses of \$123.7 excluding interfund transfers. The following chart (in thousands) shows the breakdown of operating expenses for the year by category, including ancillary operations and after grouping together a portion of "other" expenses. (see Page 38 – Operating Fund)

The largest component of the University's investment in its educational mission is salaries and benefits (68.7%) The next largest component of operating expenses is the investment in student financial aid. Student Financial Aid has grown from \$4.9 in 2015 to \$6.0 in 2019 (see page 6). The third largest expense component of operating expense is the cost of goods sold in food service and the University Campus Store.

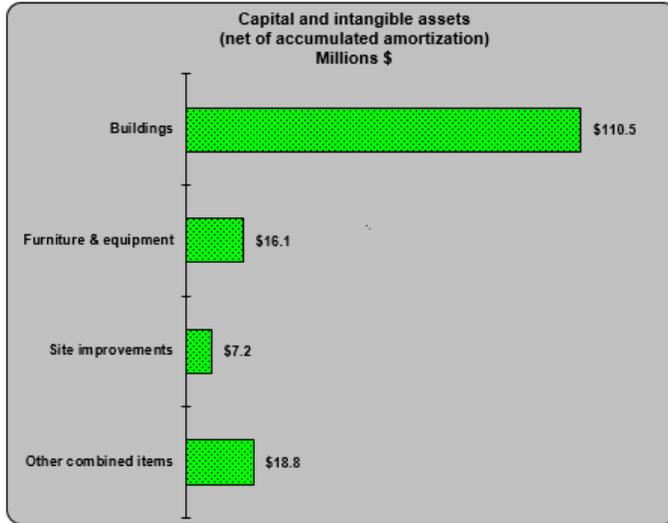


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## Restricted Fund Analysis

### Capital Fund

(Millions \$)



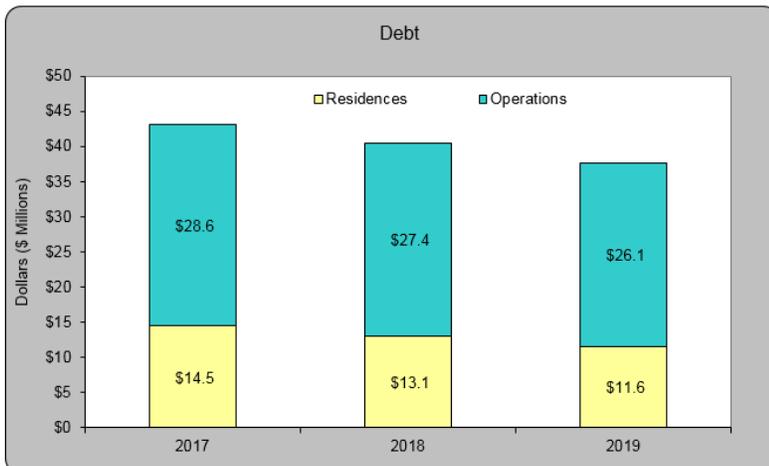
The Restricted Fund accounts for resources that are subject to restrictions on their use, either for capital assets or for specific purposes defined by external contributors to the University.

With a fund balance of \$107.6, the Capital Fund makes up the largest portion of the Restricted Fund. It accounts for all the capital and intangible assets of the University and the related debt. Capital and intangible assets are purchased by transfers from other funds, borrowing, or by contributions from external sources.

Contributions restricted for capital and intangible assets related to projects in progress are shown as revenue of the Capital Fund in the year the assets are acquired.

The Capital Fund's balance is the net investment in capital and intangible assets, which consists of the net capital and intangible assets less the related debt. During 2019 the University acquired capital and intangible assets of \$16.7. Funding for these acquisitions included transfers from internally restricted funds of \$7.5, transfers from externally restricted funds of \$7.8, transfers from the Research Fund of \$0.4, and transfers from the Operating Fund of \$0.9.

Included in the \$16.7 acquisitions of capital and intangible assets was \$8.6 for buildings, \$6.6 for furniture, equipment & campus improvements, \$1.0 for Computer and Intangibles and \$0.4 for library books.



By the end of 2019 the University's debt has decreased to \$37.7 from \$40.5 in 2018. The portion of debt related to academic and administration buildings at the end of FY2019 was 69%. The remainder of the debt relates to the student residence buildings.

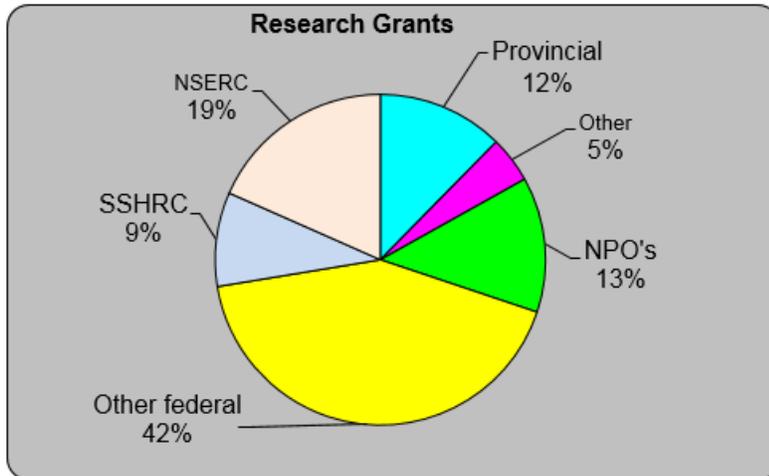
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## Restricted Fund Analysis

### Research and Other Restricted Funds

(Millions \$)

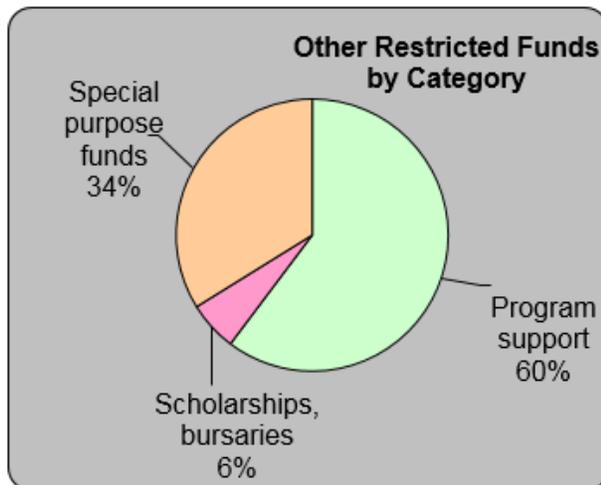
#### Research Fund



Research is an integral part of the University's mission. Most research funding is provided by external organizations, such as the Natural Sciences and Engineering Research Council (NSERC), the Social Sciences and Humanities Research Council (SSHRC), Canadian Foundation for Innovation (CFI) and various not-for-profit organizations (NPO's). Contributions from these organizations are restricted for research purposes and are shown as revenue of the Research Fund when received. The balance of the Research Fund, \$5.0, consists of contributions available to be carried forward to the following year.

During 2019 Saint Mary's University received \$8.8 in contributions and funding for research, up from \$7.3 in 2018. The majority of the research expenses were for salaries for research assistants, travel, and accommodations relating to research and fieldwork.

#### Other Restricted Funds



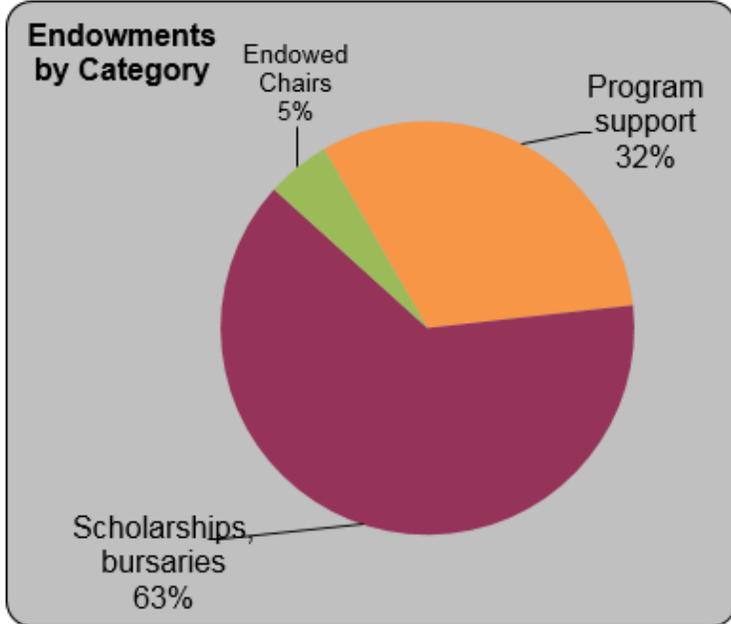
Other Restricted Funds include Trust Funds for program support and scholarships and bursaries and other Special Purpose Funds for activities that have been stipulated by donors and contributors. The chart on the left shows the breakdown of these other restricted funds by category. The Trust Fund balance of \$17.5 consists of expendable trusts and the expendable portion of the University's endowment funds. During the year, a grant of \$11, related to the construction of a future building, from the Province of Nova Scotia was recognized as income of the Trust Fund. The Specific Purpose Fund accounts for resources contributed to Saint Mary's that are restricted for specific purposes other than research. During the year the University received donations of \$1.6 for specific purposes. During the year, \$7.9 million of these funds were used to fund capital projects, with the majority, \$7.6, used to finance the construction of the Dauphinee Centre. At March 31, 2019, the fund balance was \$6.4

During 2019, Saint Mary's University received \$1.2 in donations in the Trust Fund. During the year, the Other Restricted Funds provided scholarships and bursaries totaling \$1.3.

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**Endowment Funds Analysis**

(Millions \$)



The \$41.2 in the Endowment Fund (\$39.3 at Mar 31, 2018) must be maintained in perpetuity and is not available for spending. However, each year a portion of the investment income is available for spending in accordance with donors' restrictions and University policy. This portion of the investment income earned on the Endowment Fund is transferred to the Trust Fund for spending, increasing the expendable funds. The chart shows the breakdown by category of the Endowment Fund balance on March 31, 2019.

Endowment investments are recorded at fair value and investment income, including unrealized gains and losses, is allocated to the related endowments and trusts. Investment performance recognized net investment income, including unrealized gains and losses, for 2019 of \$2.6.

The endowment spending policy provides an allocation of 4.0% of the market value of the endowment assets based on a three-year moving average. The spending limit is intended to preserve the purchasing power of the endowment principal over the long-term by adding investment returns greater than 4.0% to the endowment principal. Over the long term, these excess returns are expected to grow and offset the effect of inflation.

During 2019, Saint Mary's University received \$1.0 in endowed donations.



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# Financial Statements

March 31, 2019

# Independent auditor's report

To the Board of Governors of  
**Saint Mary's University**

## Opinion

We have audited the financial statements of Saint Mary's University (the "University") which comprise the statement of financial position as at March 31, 2019, and the statements of operations, changes in fund balances and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly in all material respects, the financial position of Saint Mary's University 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 *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the University 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.

## Other matter – supplementary information

Our audit was conducted for the purpose of forming an opinion on the financial statements of Saint Mary's University taken as a whole. The supplementary information included in schedules to the financial statements is presented for purposes of additional detail and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied, only to the extent necessary to express an opinion, in the audit of the financial statements taken as a whole.

## Responsibilities of management and those charged with governance 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.

In preparing the financial statements, management is responsible for assessing the University'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 University or to cease operations, or has no realistic alternative but to do so.

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

### **Auditor's 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 auditor's 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 these 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 University'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 University's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's 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 auditor's report. However, future events or conditions may cause the University 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.

We 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.

The logo for Grant Thornton LLP, featuring the company name in a stylized, cursive script font.

Halifax, Canada  
September 26, 2019

Chartered Professional Accountants  
Licensed Public Accountants

**Statement of Financial Position**

As at March 31  
(\$ thousands)

	2019				2018			
	General	Restricted	Endowment	Total	General	Restricted	Endowment	Total
<b>Current Assets</b>								
Cash and short-term investments (Note 3)	34,644	1,523	160	36,327	32,530	1,722	167	34,419
Accounts receivable (Note 4)	8,458	49	-	8,507	8,134	164	-	8,298
Inventories	1,015	-	-	1,015	1,015	-	-	1,015
Prepaid expenses	2,041	-	-	2,041	1,724	-	-	1,724
	46,158	1,572	160	47,890	43,403	1,886	167	45,456
<b>Long-term Assets</b>								
Long-term prepaid expenses	19	-	-	19	25	-	-	25
Long-term investments (Note 5)	-	28,250	41,324	69,574	-	31,298	39,103	70,401
Long-term receivable	1,224	688	-	1,912	1,107	688	-	1,795
Capital assets (Note 7)	-	151,116	-	151,116	-	143,789	-	143,789
Intangible assets (Note 8)	-	1,471	-	1,471	-	1,326	-	1,326
	1,243	181,525	41,324	224,092	1,132	177,101	39,103	217,336
	47,401	183,097	41,484	271,982	44,535	178,987	39,270	262,792
<b>Current Liabilities</b>								
Amounts due to governments	1,778	-	-	1,778	1,534	-	-	1,534
Accounts payable and accrued liabilities	7,181	2,187	8	9,376	6,689	1,586	10	8,285
Unearned fees and other deferred revenue	12,025	4	-	12,029	10,477	11,000	-	21,477
Current portion of long-term debt (Note 9)	-	2,816	-	2,816	-	2,763	-	2,763
	20,984	5,007	8	25,999	18,700	15,349	10	34,059
<b>Long-term Liabilities</b>								
Long-term deferred revenue	110	-	-	110	150	-	-	150
Long-term accrued liabilities	2,444	-	-	2,444	1,992	-	-	1,992
Long-term debt (Note 9)	-	34,843	-	34,843	-	37,665	-	37,665
Due to (from) other funds (Note 13)	(6,954)	6,655	299	-	(6,553)	6,316	237	-
	(4,400)	41,498	299	37,397	(4,411)	43,981	237	39,807
	16,584	46,505	307	63,396	14,289	59,330	247	73,866
<b>Fund Balances</b>								
Endowment	-	-	41,177	41,177	-	-	39,023	39,023
Externally restricted	-	29,010	-	29,010	-	23,166	-	23,166
Internally restricted	27,317	-	-	27,317	26,746	-	-	26,746
Invested in capital assets	-	107,582	-	107,582	-	96,491	-	96,491
Unrestricted	3,500	-	-	3,500	3,500	-	-	3,500
	30,817	136,592	41,177	208,586	30,246	119,657	39,023	188,926
	47,401	183,097	41,484	271,982	44,535	178,987	39,270	262,792

Commitments (Note 14) Contingencies (Note 15)

Approved by the Board of Governors



Chair, Board of Governors



President and Vice Chancellor

See accompanying notes to the financial statements.

**Statement of Operations and Changes in Fund Balances**

For the year ended March 31

(\$ thousands)

	2019				2018			
	General (See Schedule 1)	Restricted (See Schedule 2)	Endowment	Total	General (See Schedule 1)	Restricted (See Schedule 2)	Endowment	Total
<b>Revenues</b>								
Government grants and contributions								
Government of Canada	1,623	6,539	-	8,162	1,750	6,854	-	8,604
Government of Nova Scotia	35,758	12,685	-	48,443	35,418	1,121	-	36,539
Other	9	-	-	9	10	-	-	10
Other grants	230	1,660	-	1,890	97	1,137	-	1,234
Student fees	82,444	132	-	82,576	76,344	1,707	-	78,051
Gifts and bequests	100	2,793	1,012	3,905	259	869	576	1,704
Sales of services and products	16,072	325	-	16,397	17,630	790	-	18,420
Income from investments	1,430	512	2,606	4,548	698	408	3,517	4,623
Miscellaneous income	1,126	860	-	1,986	1,061	882	-	1,943
	<u>138,792</u>	<u>25,506</u>	<u>3,618</u>	<u>167,916</u>	<u>133,267</u>	<u>13,768</u>	<u>4,093</u>	<u>151,128</u>
<b>Expenses</b>								
Salaries	75,221	3,452	-	78,673	72,252	3,887	-	76,139
Employee benefits	10,455	198	-	10,653	9,782	195	-	9,977
Equipment rental	784	-	-	784	809	-	-	809
Materials and supplies	3,246	1,570	-	4,816	3,342	1,222	-	4,564
Communications	625	14	-	639	664	5	-	669
Travel	4,137	1,469	-	5,606	3,669	1,758	-	5,427
Utilities	3,088	-	-	3,088	3,005	-	-	3,005
Printing and duplicating	887	33	-	920	609	41	-	650
Library acquisitions	1,661	-	-	1,661	1,809	-	-	1,809
Hospitality	1,009	309	-	1,318	1,060	353	-	1,413
Repairs and maintenance	2,706	964	-	3,670	2,420	823	-	3,243
Promotion and student recruitment	4,617	119	-	4,736	3,782	123	-	3,905
Professional fees	915	1,585	141	2,641	1,343	1,625	143	3,111
Rent	303	144	-	447	279	61	-	340
Other operational expenses	3,676	704	9	4,389	3,275	1,386	9	4,670
Cost of goods sold	4,527	-	-	4,527	5,170	-	-	5,170
Student financial aid	6,058	2,371	-	8,429	5,643	2,000	-	7,643
Amortization of capital and intangible assets	-	9,150	-	9,150	-	8,862	-	8,862
Interest	2,109	-	-	2,109	2,254	-	-	2,254
Internal cost recoveries	(606)	606	-	-	(508)	508	-	-
	<u>125,418</u>	<u>22,688</u>	<u>150</u>	<u>148,256</u>	<u>120,659</u>	<u>22,849</u>	<u>152</u>	<u>143,660</u>
Revenues less expenses before transfers	13,374	2,818	3,468	19,660	12,608	(9,081)	3,941	7,468
Interfund transfers (Note 13)	(12,803)	14,117	(1,314)	-	(9,238)	10,486	(1,248)	-
Net increase in fund balances	<u>571</u>	<u>16,935</u>	<u>2,154</u>	<u>19,660</u>	<u>3,370</u>	<u>1,405</u>	<u>2,693</u>	<u>7,468</u>
Fund balances, beginning of year								
Endowment	-	-	39,023	39,023	-	-	36,330	36,330
Externally restricted	-	23,166	-	23,166	-	23,036	-	23,036
Internally restricted	26,746	-	-	26,746	23,376	-	-	23,376
Invested in capital assets	-	96,491	-	96,491	-	95,216	-	95,216
Unrestricted	3,500	-	-	3,500	3,500	-	-	3,500
Fund balances, beginning of year, total	<u>30,246</u>	<u>119,657</u>	<u>39,023</u>	<u>188,926</u>	<u>26,876</u>	<u>118,252</u>	<u>36,330</u>	<u>181,458</u>
Fund balances, end of year								
Endowment	-	-	41,177	41,177	-	-	39,023	39,023
Externally restricted	-	28,951	-	28,951	-	23,166	-	23,166
Internally restricted	27,317	-	-	27,317	26,746	-	-	26,746
Invested in capital assets	-	107,641	-	107,641	-	96,491	-	96,491
Unrestricted	3,500	-	-	3,500	3,500	-	-	3,500
Fund balances, end of year, total	<u>30,817</u>	<u>136,592</u>	<u>41,177</u>	<u>208,586</u>	<u>30,246</u>	<u>119,657</u>	<u>39,023</u>	<u>188,926</u>

See accompanying notes to the financial statements.

**Statement of Cash Flows**

For the year ended March 31  
(\$ thousands)

	2019				2018			
	General	Restricted	Endowment	Total	General	Restricted	Endowment	Total
<b>Operating Activities</b>								
Increase in fund balances from operations	571	16,935	2,154	19,660	3,370	1,405	2,693	7,468
Amortization of capital and intangible assets	-	9,150	-	9,150	-	8,862	-	8,862
Realized and unrealized investment gains	-	(420)	(1,123)	(1,543)	-	52	(2,069)	(2,017)
Gifts-in-kind	-	(117)	(151)	(268)	(2)	(157)	(68)	(227)
Change in non-cash working capital	1,543	(9,894)	61	(8,290)	7,852	2,731	125	10,708
Cash generated from operating activities	2,114	15,654	941	18,709	11,220	12,893	681	24,794
<b>Investing Activities</b>								
Purchase of investments	-	(8,771)	(4,185)	(12,956)	-	(8,707)	(3,263)	(11,970)
Disposal of investments	-	12,335	3,237	15,572	-	6,307	2,663	8,970
Purchase of capital assets	-	(15,973)	-	(15,973)	-	(6,929)	-	(6,929)
Purchase of intangible assets	-	(675)	-	(675)	-	(693)	-	(693)
Cash used for investing activities	-	(13,084)	(948)	(14,032)	-	(10,022)	(600)	(10,622)
<b>Financing Activities</b>								
Debt repayments	-	(2,769)	-	(2,769)	-	(2,630)	-	(2,630)
Cash used for financing activities	-	(2,769)	-	(2,769)	-	(2,630)	-	(2,630)
Increase (decrease) in cash and short-term investments	2,114	(199)	(7)	1,908	11,220	241	81	11,542
Cash and short-term investments, beginning of year	32,530	1,722	167	34,419	21,310	1,481	86	22,877
Cash and short-term investments, end of year	34,644	1,523	160	36,327	32,530	1,722	167	34,419

See accompanying notes to the financial statements.

## Notes to Financial Statements

For the year ended March 31, 2019

(\$ thousands)

### 1. Authority and purpose

Saint Mary's University (the University) is a provincially incorporated body operating under the authority of the Saint Mary's University Act, 1970 (amended 2007). The University is a not-for-profit entity and grants degrees, diplomas, and certificates in the Sobey School of Business, and the Faculties of Arts, Science, Graduate Studies and Research, and Education. The University also performs research activities. The Board of Governors has overall governance responsibility for the University and, subject to the powers of the Board of Governors, the Senate is responsible for the educational policy. The University is a registered charity under the Income Tax Act and accordingly is exempt from income taxes.

### 2. Summary of significant accounting policies and reporting practices

#### a) Basis of accounting

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles using Canadian accounting standards for not-for-profit organizations in Part III of the *CPA Canada Handbook*.

#### b) Use of estimates

The preparation of financial information requires management to make estimates and assumptions that affect reported amounts of assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the year. Significant estimates and assumptions are involved in the calculation of the collectible portion of accounts receivables, amortization of capital assets, accrued liabilities for payroll and employee future benefits, unearned portion of tuition and fees, and the fair value of financial instruments. Actual results could differ from those estimates. Estimates are regularly reviewed by management and adjusted as required.

#### c) Fund accounting

The University follows the restricted fund method of accounting for contributions. Under fund accounting, resources are classified for accounting and reporting purposes into funds in accordance with specified activities or objectives.

The University has classified accounts with similar characteristics into major funds as follows:

- i) The General Fund is unrestricted and accounts for the University's program delivery, service and administrative activities. This fund is further divided into the Operating Fund and the Projects and Reserves Fund.

The Operating Fund accounts for the University's primary function of instruction, including academic, support services, administrative services, facilities management and other operating activities. It also accounts for ancillary operations that provide goods and services to the University community, which are supplementary to the functions of instruction, research and service and are expected to operate on at least a break-even basis.

The Projects and Reserves Fund accounts for money internally designated for specific projects or purposes.

- ii) The Restricted Fund carries restrictions on the use of the resources for particular defined purposes. The fund is further divided into the Capital, Research, Trust and Specific Purpose Funds.

The Capital Fund accounts for the acquisition of and major renovation or improvement to capital assets.

The Research Fund accounts for activities in support of research.

The Trust Fund accounts for activities that have been stipulated by donors and contributors.

The Specific Purpose Funds are externally restricted for specific projects and purposes.

- iii) The Endowment Fund accounts for resources received with the stipulation that the original contribution not be spent. The fund also consists of a portion of the investment income earned on these funds that is required by donors and the Board of Governors to be added to the fund to offset the eroding effect of inflation.

## Notes to Financial Statements

For the year ended March 31, 2019

(\$ thousands)

### d) Inventories

Bookstore inventory and inventory on hand for repairs and maintenance are valued at the lower of cost and net realizable value.

### e) Capital assets

Purchased and constructed capital assets are recorded at cost and subsequently measured at cost less accumulated amortization. Interest on financing during construction is added to the capitalized costs. The University reports donated capital assets at fair value upon receipt when the fair value can be reliably determined. Amortization expense is reported in the Capital Fund. Capital assets, other than land, art, and antiques, are amortized over their estimated useful lives. Land, art and antiques are not amortized. One-half year's amortization is recorded in the year of acquisition. Amortization of new construction and buildings begins in the year premises is available for use. Management reviews estimates of the useful lives of capital assets and adjusts the estimates as required.

Whenever events or changes in circumstances indicate a capital asset no longer has any long-term service potential to the University, the excess of its net carrying amount over any residual value would be recognized as an expense. Such a write-down is not reversed if the service potential subsequently improves.

Capital assets are amortized over the estimated useful life of the asset using the straight-line method. The range of the estimated useful lives of each category of capital asset is shown below expressed in years.

Buildings	3 - 40
Site improvements	8 - 25
Library materials	10
Equipment, furnishings and interior improvements	8
Leasehold improvements	3
Information technology and motor vehicles	5

### f) Intangible assets

Purchased and developed intangible assets are recorded at cost and subsequently measured at cost less accumulated amortization. The University reports donated intangible assets at fair value upon receipt when the fair value can be reliably determined. Interest on financing during development is added to the capitalized costs. Amortization expense is reported in the Capital Fund. All intangible assets have limited lives and are amortized over their estimated useful lives. One-half year's amortization is recorded in the year of acquisition. Amortization of purchased and developed intangible assets begins in the year usage commences. Management regularly reviews estimates of the useful lives of intangible assets and adjusts the estimates as required.

Whenever events or changes in circumstances indicate an intangible asset no longer has any long-term service potential to the University, the excess of its net carrying amount over any residual value would be recognized as an expense. Such a write-down is not reversed if the service potential subsequently improves.

Intangible assets are amortized over the estimated useful life of the asset using the straight-line method. The estimated useful lives of each category of intangible asset is shown below expressed in years.

Enterprise Resource Planning System	15
Other software	5

### g) Financial instruments

The University considers any contract creating a financial asset or liability as a financial instrument, except in certain limited circumstances. Financial instruments consist of cash, short and long-term investments, accounts receivables, accounts payable, amounts due to government and short and long-term debt.

The University initially measures its financial assets and liabilities at fair value. Cash denominated in Canadian dollars is measured and reported at face value. Cash balances denominated in foreign currency are translated using the exchange rate on the Statement of Financial Position date. Short-term investments are measured and reported at fair value.

## Notes to Financial Statements

For the year ended March 31, 2019

(\$ thousands)

### g) Financial instruments (continued)

The University has chosen to subsequently measure and report long-term investments at fair value calculated using quoted market values based on actively traded markets. The University records the change in the fair value as part of income from investments.

In addition the University has chosen to subsequently measure a restricted long-term receivable at fair value. The receivable is related to donations from an individual which are held in an irrevocable charitable trust with the income payable to the University. The University will receive the funds in the trust in March 2020.

Changes in fair value of financial assets are recognized in the Statement of Operations. All other financial assets including accounts receivable and other long term receivables, are recorded at amortized cost. Transaction costs related to financial assets are expensed as incurred. Financial liabilities, including accounts payable, accruals, and long-term debt are recorded at amortized cost. Financing fees related to financial liabilities are deferred and amortized over the period of the related liability. Management reviews financial instruments for impairment and adjusts as required.

If there is an indicator of impairment, the University determines whether there is a significant adverse change in the expected amount or timing of the future cash flows from the financial asset. If there is a significant adverse change in expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows (the amount that could be realized from selling the financial asset or the amount the University expects to realize by exercising its right to any collateral). If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

The University is exposed to various risks through its financial instruments. Included are the following significant risks:

#### 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. The University provides credit to its students in the normal course of operations. To reduce this risk, 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. The University assesses accounts receivable and provides for any amounts that are not collectible in the allowance for doubtful accounts.

#### Interest rate risk

The University minimizes interest rate risk by using fixed interest rate loans and interest rate swaps on floating rate loans to fix interest rates on its long-term debt.

#### Foreign currency risk

The University undertakes revenue and purchase transactions in foreign currencies, and therefore is subject to gains and losses due to the fluctuations in foreign currency exchange rates. All foreign currency is reflected in Canadian dollars for financial statement purposes.

The University is also exposed to foreign currency risk on a portion of its long-term investments. The University believes that, over the long term, fluctuations in currency tend to offset. The University believes there is a role for currency management within the funds however the benefits must be measured against the cost of management.

#### Market risk

The University's investments are affected by market conditions. The University has established an Investment Committee and a Treasury department to mitigate market risk.

#### Liquidity risk

Liquidity risk is the risk that the University will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. The University maintains a \$2,500,000 line of credit with a major financial institution that is designed to ensure sufficient funds are available to meet current and forecasted financial requirements in the most cost effective manner. There are no amounts outstanding on the line of credit.

### h) Interest rate swap agreements

The University has entered into several interest rate swap agreements with chartered banks to reduce interest rate exposure associated with certain long-term debt obligations. The agreements have the effect of converting the floating rate of interest on certain debt to a fixed rate. It is the University's policy not to use derivative financial instruments for trading or speculative purposes.

## Notes to Financial Statements

For the year ended March 31, 2019

(\$ thousands)

### **h) Interest rate swap agreements (continued)**

The University designates each interest rate swap agreement as a cash flow hedge of a specifically identified debt instrument. The swap agreements 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 without the exchange of the notional principal amount upon which the payments are based. The payments are recorded as an adjustment of the interest expense on the hedged debt instrument.

In the event that the interest rate swap agreements are terminated or cease to be effective in part or in whole prior to maturity any associated realized or unrealized gains or losses are recognized in income. In the event a designated hedged debt instrument is extinguished or matures prior to the termination of the related interest rate swap agreement, any realized or unrealized gain or loss is recognized in income.

### **i) Revenue recognition**

Revenue from tuition fees, residence fees, contracts, and sales are recognized when the services are provided or goods are sold. Unearned revenue from these sources is deferred. For academic year credit course tuition, residence fees and dining services the amounts deferred are calculated on the basis of one-twelfth of the fees charged.

Unrestricted contributions are recognized as revenue of the General Fund in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Restricted contributions related to general operations are recognized as revenue of the General Fund in the year in which the related expenses are incurred. Restricted contributions related to the acquisition of capital assets are recognized as revenue when the related assets are acquired. All other restricted contributions are recognized as revenue of the appropriate restricted fund when received or receivable.

Contributions for endowment are recognized as revenue in the Endowment Fund in the year received. Investment income earned on Endowment Fund resources that must be spent on restricted activities is recognized as revenue of the appropriate restricted fund. Investment income earned on restricted funds is recorded as revenue of the appropriate restricted fund. Other investment income is recognized as revenue of the General Fund when earned.

### **j) Donations and pledges**

Donations are recorded as revenue in the fiscal period in which they are received. Gifts-in-kind, including works of art, equipment, investments and library holdings are recorded at fair market value on the date of their donation.

Pledges of donations to be received in future years are not recorded in the financial statements.

### **k) Administrative leave, retirement incentives and allowances**

The University accrues the liability for the full cost of retirement incentives in the year in which the event that creates the obligation occurs. It accrues, on a yearly basis, accumulated administrative leave and retiring allowance obligations. The estimated amounts are recorded at their net present values and are reviewed annually and adjusted as circumstances or assumptions change.

### **l) Fundraising costs**

The University expenses fundraising costs in the year in which they are incurred.

### **m) Foreign currency translation**

Foreign currency transactions are recorded at the exchange rate in effect at the time of the transaction except when the transaction is hedged in which case the terms of the hedge are used. Monetary assets and liabilities denominated in foreign currency reported on the Statement of Financial Position are recorded at the exchange rate in effect on the financial statement date. Non-monetary assets and liabilities denominated in foreign currency are recorded at the exchange rate in effect on the transaction date.

## Notes to Financial Statements

For the year ended March 31, 2019

(\$ thousands)

### 3. Cash and short-term investments

Cash and short-term investments include cash on hand, balances with banks net of overdrafts, and highly liquid temporary money market instruments.

### 4. Accounts receivable

The University is exposed to credit risk through payment default on its accounts receivable. Exposure to credit risk on accounts receivable is managed through active monitoring and collection practices. A provision for uncollectible accounts has been determined in the amount of \$1,508 (2018 \$1,181) based on respective aging of accounts, risk profile of certain accounts and collections subsequent to year end. Receivables written off during the year and adjustments to the allowance for doubtful receivables amounted to \$476 (2018 \$469).

### 5. Long-term Investments

Long-term investments are recorded at fair value. The change in fair value created an unrealized gain of \$1,321 (2018 \$1,485).

	2019		2018	
	Cost	Fair Value	Cost	Fair Value
Canadian equities	6,855	12,060	6,918	11,681
Pooled investment funds	55,190	57,514	57,280	58,720
Total investments	62,045	69,574	64,198	70,401

### 6. Pension plans

The University maintains a defined contribution pension plan for the benefit of its employees. Employer contributions for the year ended March 31, 2019 totalled \$4,521 (2018 \$4,375).

### 7. Capital assets

	2019			2018		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Land	13,938	-	13,938	13,938	-	13,938
Buildings	185,034	74,565	110,469	177,068	71,132	105,936
Site improvements	10,736	3,571	7,165	10,737	3,025	7,712
Library materials	3,481	1,749	1,732	3,656	1,873	1,783
Equipment, furnishings and interior improvements	26,377	10,247	16,130	22,340	9,422	12,918
Information technology	862	238	624	605	182	423
Leasehold improvements	216	216	-	216	216	-
Art and antique collection	980	-	980	1,006	-	1,006
Motor vehicles	95	17	78	80	7	73
	241,719	90,603	151,116	229,646	85,857	143,789

Amortization expense for capital assets was \$8,620 (2018 \$8,455). Disposals of capital assets totalled \$499 (2018 \$792)

The University began a major capital project to replace the existing arena on campus in April 2018. In 2019, \$8,593 was capitalized as part of building and \$4 was capitalized as part of equipment. The project will be completed in August 2019.

### 8. Intangible assets

	2019			2018		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Enterprise Resource Planning System	3,413	3,036	377	3,412	2,781	631
Other software	1,426	331	1,094	924	229	695
	4,839	3,367	1,471	4,336	3,010	1,326

Amortization expense for intangible assets was \$530 (2018 \$407). Disposals of intangible assets totalled \$39 (2018 \$31)

**Notes to Financial Statements**

For the year ended March 31, 2019

(\$ thousands)

**9. Long-term debt**

Debt	Principal and Interest Payments	Maturity Date	Debt Interest Rate	Hedged Interest Rate	2019	2018
					Total	Total
<b>Long-term loans (unsecured)</b>						
Enterprise Resource Planning System	Monthly	Jun 2021	CDOR +0.25%	5.16%	522	736
Rice and Vanier Residences	Semi-annual	Jun 2019	5.02%	-	101	296
Loyola Residence and Academic Complex	Semi-annual	May 2022	5.34%	-	1,002	1,255
Residences Renovations	Monthly	Aug 2026	6.95%	-	6,032	6,625
Residences Renovations	Monthly	Sep 2026	CDOR +0.30%	5.97%	3,004	3,321
Residences Renovations	Monthly	Sep 2026	CDOR +0.30%	5.40%	1,415	1,568
Science Building Renewal Project	Monthly	Mar 2033	CDOR +0.20%	5.30%	15,018	15,728
Homburg Centre for Health & Wellness	Monthly	Jul 2037	CDOR +0.31	3.09%	1,804	1,874
960 Tower Road Building and Renewal of Athletic Facilities	Monthly	Jan 2039	4.64%	-	8,761	9,025
Subtotal					37,659	40,428
Less: current portion					(2,816)	(2,763)
Total long-term debt					34,843	37,665

Principal instalments payable in each of the next five years:

2020	2,816
2021	2,871
2022	2,846
2023	2,792
2024	2,788

Interest expense on long-term debt during the year totalled \$2,109 (2018 \$2,254).

**10. Interest rate swap agreements**

The University has entered into interest rate swap agreements with two chartered banks to manage interest rate exposure associated with certain long-term debt obligations. The notional underlying principal value of the interest rate swaps related to debt outstanding at March 31, 2019 was \$21,762 (2018 \$23,227). The University has no plans to sell or terminate the interest rate swap agreements prior to maturity. If the University had terminated these swaps on March 31, 2019, it would have been obligated to pay the banks \$4,036 (2018 \$3,909), which is the fair value of the swaps as calculated by the banks.

The University formally documents all relationships between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various interest rate hedge transactions. This process includes linking the derivatives to specific assets and liabilities on the statement of financial position or to specific firm commitments or anticipated transactions. The University also formally assesses, both at the hedges' inception and on an ongoing basis, whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

**11. Interest Income**

Interest income earned on bank accounts, investments and long-term receivables, \$550 (2018 \$229), is reported as investment income and interest earned on student accounts, \$302 (2018 \$199), is reported as student fees in the Statement of Operations.

**12. Gifts-in-kind and donation pledges**

Gifts-in-kind received and recorded consist of the following:	2019	2018
Investments	248	220
Art and antiques	7	-
Other	13	7
	268	227

**Notes to Financial Statements**

For the year ended March 31, 2019

(\$ thousands)

**12. Gifts-in-kind and donation pledges (continued)**
**Donation pledges**

Donations pledged but not received as at March 31, 2019, totalled \$23,339 (2018 \$4,154). These pledges are expected to be honoured during the subsequent ten-year period and will be recorded as revenue when received.

**13. Interfund transfers and amounts due to and from funds**

The University has internal loans from the Operating Fund to the Capital Fund related to various properties on campus. The loans are interest bearing with annual payments, with the exception of the loan for 5900 Inglis Street Property which is charged interest monthly and will be repayable at maturity.

	Term Remaining	Interest	2019	2018
			Total	Total
Internal loans				
McNally Building Renewal Project	Repaid	1.00%	-	199
Energy Management Project	Repaid	1.00%	-	307
MSc Computer Data Analytics Capital Project	Repaid	4.50%	-	403
5900 Inglis Street Property	1 Year	0.75%	8,583	8,583
Total			8,583	9,492

In addition, within the General Fund, the Operating Fund has an internal loan to the Projects and Reserves Fund related to the MSc Computer Data Analytics Capital Project. The loan is interest bearing at 4.5% with annual payments and the balance at March 31, 2019 was \$117 (2018 \$208). It will be repaid within 1 year.

All other amounts due to and from funds are non-interest bearing and have no set terms of repayment. The interfund transfers received or paid among the General, Restricted and Endowment Funds are described below.

	2019			2018		
	General	Restricted	Endowment	General	Restricted	Endowment
Transfers received (paid)						
Purchase capital and intangible assets	(8,427)	8,427	-	(6,245)	6,245	-
Maintenance and replacements	(1,750)	1,750	-	(1,258)	1,258	-
Debt reduction	(3,678)	3,678	-	(3,114)	3,114	-
Research and specific purposes	(566)	453	113	(495)	407	88
Program support	1,618	(191)	(1,427)	1,874	(538)	(1,336)
Total	(12,803)	14,117	(1,314)	(9,238)	10,486	(1,248)

**14. Commitments**

Encumbrances at March 31, 2019 were \$8,534. The University has entered into various agreements for capital expenditures in the upcoming fiscal year. The total capital budget for the 2020 fiscal year is \$4,673. Construction of a new arena began in April 2018. Expenditures of \$6,767 related to this project were included in encumbrances at March 31, 2019. The project is expected to be completed by September 2019.

The University also has operating leases with minimum lease payments for the next four years as follows:

2020	984
2021	454
2022	107
2023	20

## Notes to Financial Statements

For the year ended March 31, 2019

(\$ thousands)

### 15. Contingencies

The University participates in a reciprocal exchange of insurance risks in association with over 60 Canadian universities through the Canadian Universities Reciprocal Insurance Exchange (CURIE). This self-insurance co-operative involves a contractual agreement to share the insured property and liability risks of member institutions for a term of not less than five years.

The projected costs of claims will be funded through members' premiums based on actuarial projections. As at December 31, 2018, CURIE had an accumulated excess of income over expenses of \$82,017 of which the University's pro-rata share is approximately 0.86% on an ongoing basis. CURIE wrote property policies with a limit of \$5,000 per occurrence and placed on behalf of subscribers an excess policy of \$1,245,000 above CURIE's \$5,000 limit. In respect of General Liability policies, CURIE's limit of liability per occurrence was \$5,000 and it purchased excess policies above these limits on behalf of subscribers in the amount of \$45,000. In respect of Errors and Omissions Liability policies, CURIE's limit of liability per occurrence was \$5,000 and it purchased excess policies on behalf of subscribers through a combined excess program with General Liability in the amount of \$45,000. As the originating insurer CURIE has a contingent liability in the event the reinsurer is unable to meet its obligations.

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.

### 16. Comparative figures

Certain comparative figures have been reclassified to conform to the financial statement presentation adopted for 2019.

**Schedules to the Financial Statements – General Fund – Statements of Operations and Changes in Fund Balances**
**Schedule 1**
**General Fund - Statement of Operations and Changes in Fund Balances**

For the year ended March 31

(\$ thousands)

	<b>General Fund</b>					
	<b>2019</b>			<b>2018</b>		
	<b>Operating</b>	<b>Projects and Reserves</b>	<b>Total</b>	<b>Operating</b>	<b>Projects and Reserves</b>	<b>Total</b>
<b>Revenues</b>						
Government grants and contributions						
Government of Canada	1,623	-	1,623	1,750	-	1,750
Government of Nova Scotia	35,753	5	35,758	35,418	-	35,418
Other	9	-	9	10	-	10
Other grants	41	189	230	57	40	97
Student fees	82,444	-	82,444	76,344	-	76,344
Gifts and bequests	100	-	100	259	-	259
Sales of services and products	16,070	2	16,072	17,629	1	17,630
Income from investments	519	911	1,430	213	485	698
Miscellaneous income	922	204	1,126	920	141	1,061
	<b>137,481</b>	<b>1,311</b>	<b>138,792</b>	<b>132,600</b>	<b>667</b>	<b>133,267</b>
<b>Expenses</b>						
Salaries	74,520	701	75,221	71,828	424	72,252
Employee benefits	10,462	(7)	10,455	9,776	6	9,782
Equipment rental	784	-	784	809	-	809
Materials and supplies	3,019	227	3,246	3,139	203	3,342
Communications	622	3	625	662	2	664
Travel	3,860	277	4,137	3,453	216	3,669
Utilities	3,088	-	3,088	3,005	-	3,005
Printing and duplicating	883	4	887	606	3	609
Library acquisitions	1,661	-	1,661	1,809	-	1,809
Hospitality	990	19	1,009	1,037	23	1,060
Repairs and maintenance	2,687	19	2,706	2,401	19	2,420
Promotion and student recruitment	4,481	136	4,617	3,760	22	3,782
Professional fees	785	130	915	1,174	169	1,343
Rent	303	-	303	279	-	279
Other operational expenses	3,545	131	3,676	3,116	159	3,275
Cost of goods sold	4,527	-	4,527	5,170	-	5,170
Student financial aid	6,020	38	6,058	5,606	37	5,643
Interest	2,109	-	2,109	2,254	-	2,254
Internal cost recoveries	(668)	62	(606)	(560)	52	(508)
	<b>123,678</b>	<b>1,740</b>	<b>125,418</b>	<b>119,324</b>	<b>1,335</b>	<b>120,659</b>
Revenues less expenses before transfers	13,803	(429)	13,374	13,276	(668)	12,608
Interfund transfers	(13,803)	1,000	(12,803)	(13,276)	4,038	(9,238)
Net increase in fund balances	-	571	571	-	3,370	3,370
Fund balances, beginning of year						
Internally restricted	-	26,746	26,746	-	23,376	23,376
Unrestricted	3,500	-	3,500	3,500	-	3,500
Fund balances, beginning of year, total	3,500	26,746	30,246	3,500	23,376	26,876
Fund balances, end of year						
Internally restricted	-	27,317	27,317	-	26,746	26,746
Unrestricted	3,500	-	3,500	3,500	-	3,500
Fund balances, end of year, total	3,500	27,317	30,817	3,500	26,746	30,246

See accompanying notes to the financial statements.

**Schedules to the Financial Statements – Restricted Fund – Statement of Operations and Changes in Fund Balances**

Schedule 2

**Restricted Fund - Statement of Operations and Changes in Fund Balances**

For the year ended March 31

(\$ thousands)

	Restricted Fund									
	2019					2018				
	Capital	Research	Trust	Specific Purpose	Total	Capital	Research	Trust	Specific Purpose	Total
<b>Revenues</b>										
Government grants and contributions										
Government of Canada	-	6,153	-	386	6,539	-	5,626	-	1,228	6,854
Government of Nova Scotia	-	1,089	11,000	596	12,685	-	544	-	577	1,121
Other grants	-	1,564	-	96	1,660	-	1,111	-	26	1,137
Student fees	-	-	-	132	132	-	-	-	1,707	1,707
Gifts and bequests	19	-	1,223	1,551	2,793	4	-	533	332	869
Sales of services and products	-	-	-	325	325	-	-	-	790	790
Income from investments	-	-	260	252	512	-	-	212	196	408
Miscellaneous income	(35)	14	293	588	860	30	27	284	541	882
	(16)	8,820	12,776	3,926	25,506	34	7,308	1,029	5,397	13,768
<b>Expenses</b>										
Salaries	130	2,730	61	531	3,452	48	2,642	82	1,115	3,887
Employee benefits	5	161	2	30	198	3	141	1	50	195
Materials and supplies	259	1,218	12	81	1,570	333	809	7	73	1,222
Communications	12	-	-	2	14	-	1	-	4	5
Travel	2	910	10	547	1,469	-	934	5	819	1,758
Printing and duplicating	-	12	5	16	33	-	9	10	22	41
Hospitality	-	52	1	256	309	-	21	2	330	353
Repairs and maintenance	964	-	-	-	964	638	175	5	5	823
Promotion and student recruitment	-	22	9	88	119	-	23	13	87	123
Professional fees	366	754	85	380	1,585	243	534	87	761	1,625
Rent	78	27	-	39	144	-	16	-	45	61
Other operational expenses	93	286	19	306	704	16	216	44	1,110	1,386
Student financial aid	-	1,115	1,029	227	2,371	-	917	954	129	2,000
Amortization of capital and intangible assets	9,150	-	-	-	9,150	8,862	-	-	-	8,862
Internal cost recoveries	-	126	2	478	606	-	117	-	391	508
	11,059	7,413	1,235	2,981	22,688	10,143	6,555	1,210	4,941	22,849
Revenues less expenses before transfers	(11,075)	1,407	11,541	945	2,818	(10,109)	753	(181)	456	(9,081)
Interfund transfers	22,166	(1,277)	463	(7,235)	14,117	11,387	(1,534)	610	23	10,486
Net increase (decrease) in fund balances	11,091	130	12,004	(6,290)	16,935	1,278	(781)	429	479	1,405
<b>Fund balances, beginning of year</b>										
Externally restricted	64	4,960	5,486	12,656	23,166	61	5,742	5,056	12,177	23,036
Invested in capital assets	96,491	-	-	-	96,491	95,216	-	-	-	95,216
Fund balances, beginning of year, total	96,555	4,960	5,486	12,656	119,657	95,277	5,742	5,056	12,177	118,252
<b>Fund balances, end of year</b>										
Externally restricted	5	5,090	17,490	6,366	28,951	64	4,961	5,485	12,656	23,166
Invested in capital assets	107,641	-	-	-	107,641	96,491	-	-	-	96,491
Fund balances, end of year, total	107,646	5,090	17,490	6,366	136,592	96,555	4,961	5,485	12,656	119,657

See accompanying notes to the financial statements.

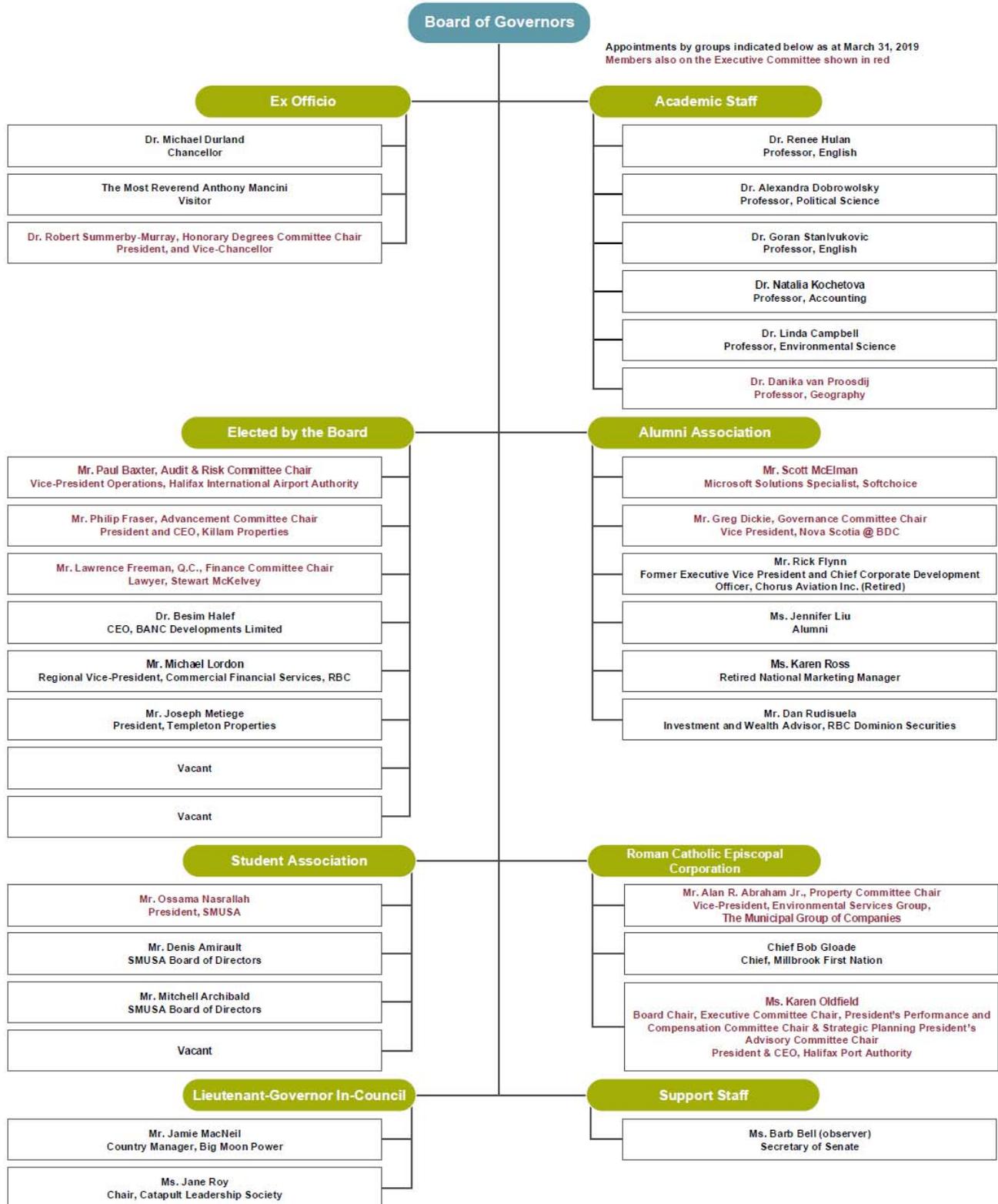


One University. One World. Yours.

# Appendix 1: University and Financial Governance

March 31, 2019

## Board Committee Structure



**One University. One World. Yours.**

## University Governance

Saint Mary's University operates under a shared governance structure. The Board of Governors has the overall conduct, management and control of the University, and in particular oversees all administration of the University, including property, revenues, expenditures, and business. The Senate oversees the academic and research activities of the University, subject to the powers of the Board of Governors.

Through its stewardship role, the Board oversees the conduct of the University's affairs, ensuring through the President that a qualified and diligent team carries out the day-to-day activities with respect to the University's financial and other resources, and together with the Senate, fulfills the mission of the University. The Board consists of members of the University community, including alumni, faculty, students, and committed volunteers from the community at large.

For greater clarity, the Board does not duplicate the role of the University's administration, which is responsible for the day-to-day business of the University and for the implementation of policies adopted by the Board. The governance structure is established in the Saint Mary's University Act, 1970.



### Board Committee Structure

The Board of Governors has delegated responsibility to several committees, comprised of Governors, to carry out work on behalf of the Board. The following is a list of Board Committees (with Chairs shown in brackets) as at March 31, 2019. The financially oriented committees (Finance and Audit & Risk) are further discussed on page iv.

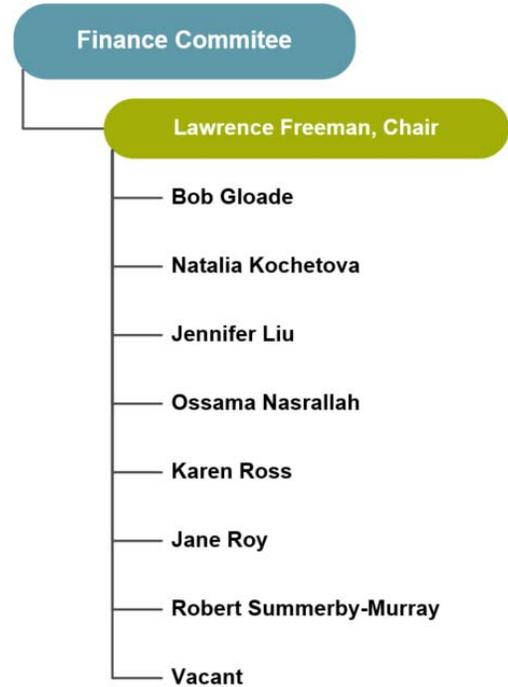
Each committee is governed by Terms of Reference approved by the Board. The by-laws of the University require that a majority of each standing committee be Governors and that the Chair of each standing committee is a Governor. Unless the Board specifically grants decision-making authority to a committee, the committees are advisory to the Board and make recommendations for the consideration of the Board.

**Financial Governance – Financial Committees of the Board of Governors**

*Appointments as at March 31, 2019*

The Finance Committee assists the Board of Governors in its oversight of University finances. The functions of the committee include:

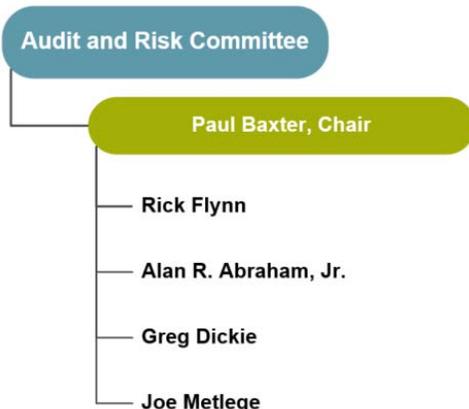
- Establishment, review and oversight of a Board of Governors policy framework concerning financial matters including those associated with the acquisition and disposition of capital assets (in collaboration with the Property Committee)
- Oversight and advice on the University's long-term financial planning, including its activities directed to financial risk assessment and risk management
- Oversight and advice on operating and capital budget planning and expenditures, including attention to both the University's immediate and long-term financial health
- Oversight and advice on operating and capital financing, including debt management
- Oversight and advice on the establishment, operations and management of University investments, including oversight of the Investment Advisory Committee.



The Finance Committee met three times during the year.

The primary purpose of the Audit and Risk Committee is to assist the Board of Governors in its oversight of:

- The financial reporting process to ensure the transparency and integrity of financial reports;
- The effectiveness of the University's internal control and risk management environment;
- The independent audit process, including recommending the appointment and assessing the performance of the external auditor; and
- The University's risk management framework



The external auditor, Grant Thornton LLP reports to the Audit Committee independent of management. All members of the Audit and Risk Committee must be external Board members. A majority of the Committee members are required to be financially literate and ideally, at least one member will have a professional accounting designation.

The Audit and Risk Committee met four times during the year.

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## Financial Leadership – Executive Management Group

*Appointments as at March 31, 2019*



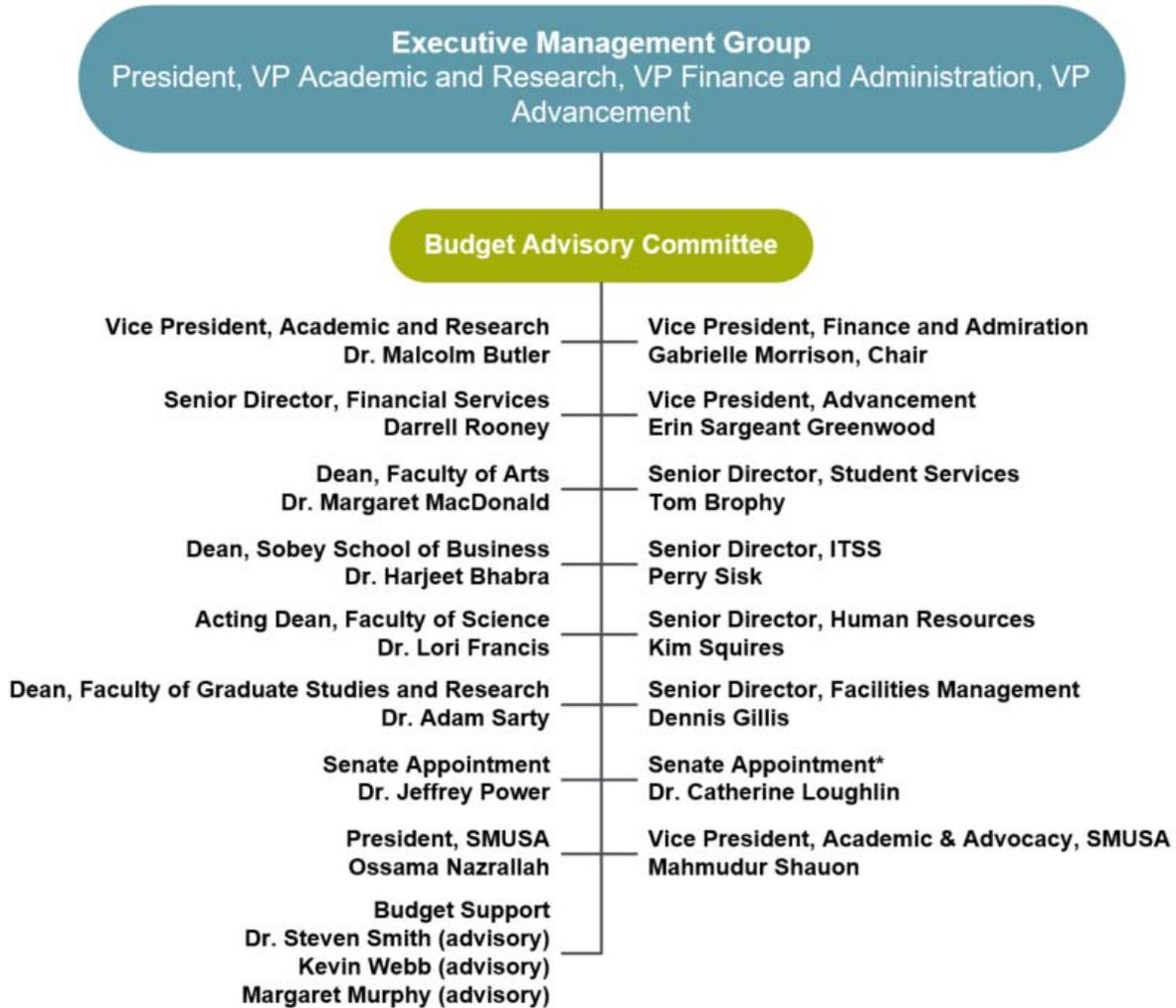
### **Saint Mary's University Act**

“The President of the University shall have general supervision of and direction over the academic and administrative work of the University and the teaching staff thereof and all officers and employees.”

### **Executive Management Group (EMG)**

The President and Vice-Presidents comprise the EMG, the senior management policy group at Saint Mary's. The EMG considers the academic and administrative environments and advises the President on a wide range of University policy issues, including such financial items as operating and capital budgets, tuition and student fees, financial reporting, funding, pension administration, business planning and risk management. The EMG's financial planning link to the Board of Governors is through the Finance Committee and Executive Committee of the Board.

**Financial Leadership – Budget Advisory Committee, March 31, 2019**



The Budget Advisory Committee is a cross-functional team, designed to represent the interests of the Saint Mary's University community. The budget process begins with the EMG setting broad parameters and operational goals. The process is highly consultative, involving all departments in the development of budget papers. The Budget Committee is responsible for reviewing the budget proposals and preparing the draft operating and capital budgets.

The draft budget is routed through an extensive review process, including the following:

- Property Committee (capital items)
- Senior Management Group
- Academic Senate
- SMUSA
- Executive Management Group
- Finance Committee (with Audit & Risk Committee) and Board Executive Committee



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## **Appendix 2: Strategic Plan Initiatives 2017- 2022**

**Strategic Plan Initiatives 2017 - 2022**



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**VALUES**

Our values articulate our distinctive contribution to civil society, locally and globally. These values are highlighted in the Santamarian Signature:

Pursuing academic growth, Demonstrating resilience, Developing intercultural competence, Engaging our alumni and community; and Exercising ethical wisdom



**Discovery & Innovation in a Learning-centred Environment**

- Promote innovative and distinctive pedagogies and student curriculum
- Improve the holistic student learning experience
- Graduating students with creative and entrepreneurial mindsets
- Deliver a student-focused experiential and academic service-learning strategy
- Promote both foundational and community-engaged research



**Intercultural Learning**

- Position Saint Mary's as a national leader in international and intercultural education
- Enhance learning opportunities for Indigenous students and enhance Indigenous cultural education
- Provide intercultural learning opportunities for faculty, staff and students to develop global empathy
- Ensure our campuses are a microcosm of a diverse world
- Promote diversity



**Institutional Sustainability**

- Cultivate our 'people capacity' with students, staff, faculty
- Cultivate and diversify our revenue and fundraising capacity and sophistication through development and delivery of an integrated Advancement plan that enables achievement of the Strategic Plan goals and objectives
- Cultivate and protect our revenue capacity through focus on strategic enrolment management
- Cultivate excellence in our operational capacities through excellence in fiscal management, revenue generation and business process improvement. Create a risk intelligent culture through mitigation and education, preserving and enhancing physical infrastructure and information technology to enhance learning and working environments.
- Establish overarching and coordinated information reporting strategy to support evidence-based decision-making