



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



# **Annual Financial Report**

March 31, 2014

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## Introduction

I am pleased to introduce the Annual Financial Report for the 2013/14 fiscal year. This report is intended to provide open accountability to the community and demonstrate Saint Mary's strong commitment to fiscal responsibility, one of our key corporate values.

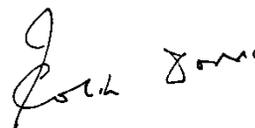
The Board of Governors of Saint Mary's University, as trustee of University financial, physical and human assets, has a fiduciary responsibility to oversee financial management. Financial statements help to fulfil this financial oversight role but these, in isolation, do not always satisfy the various constituencies represented on the Board. The Board is comprised of lay persons, academics, alumni, students, government appointees, administrators and others.

Given the significant size and broad scope of operations, university financial statements are complex and, for many readers, difficult to understand. With the complexity of the financial statements combined with the need to communicate to the overall community and to Board members with various levels of financial background, it is important to increase the understandability of financial disclosures.

In this report, management offers extensive commentary and performance measures of the financial condition of the University. This discussion and analysis should be read in conjunction with the audited financial statements.

The financial statements (pages 20-32) 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. An independent auditor has audited the financial statements and in their opinion (see page 19) the statements fairly present, in all material respects, the University's financial position at March 31, 2014 and the results of its operations for the year then ended.

In summary, the aim of this Annual Financial Report is to enhance the ability of Board members to use the financial statements to fulfil the Board's financial oversight role, and to promote an attitude of openness toward the community we serve. Taken as a whole, management's discussion and analysis, along with the audited financial statements explain the business environment and financial condition of Saint Mary's University for the year ended March 31, 2014.



J. Colin Dodds, Ph.D.  
President and Vice Chancellor



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

# **Management Discussion and Analysis**

**March 31, 2014**

## Strategic Focus

### President's Strategic Pillars



The President's strategic focus is guided by the vision, mission and core values of Saint Mary's University.

### 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 continuing education programs; to engage in research and disseminate its results; and to serve the community from the local to the international level.

### Core Values

Saint Mary's University addresses its vision and mission in the context of all of its values:

- In achieving its mission, the Saint Mary's community is guided by core values of academic integrity, the pursuit of knowledge, responsiveness to community needs, openness to change, concerns for a just and civil society, commitment to environmental sustainability, and fiscal responsibility.
- The University is committed to accessibility, diversity and the provision of a positive and supportive learning environment through the effective integration of teaching and research.
- Through promoting the importance of critical enquiry, leadership, teamwork and global awareness, we aim to prepare students for responsible and rewarding lives and to remain engaged with our Alumni worldwide.
- 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 and working environment.
- Saint Mary's welcomes mutually beneficial partnerships and strategic alliances with all levels of government, with other educational institutions, non-government institutions and the private sector.

## University Environment

There are 97 members belonging to the Association of Universities and Colleges of Canada (AUCC). Canadian universities serve more than 1.5 million full-time and part-time students in various degree and continuing education programs. Nationally, universities are a \$30 billion enterprise and universities perform more than one-third of Canada's research and development (AUCC, 2013). The system in Nova Scotia includes 9 universities, with 5 located in Halifax.

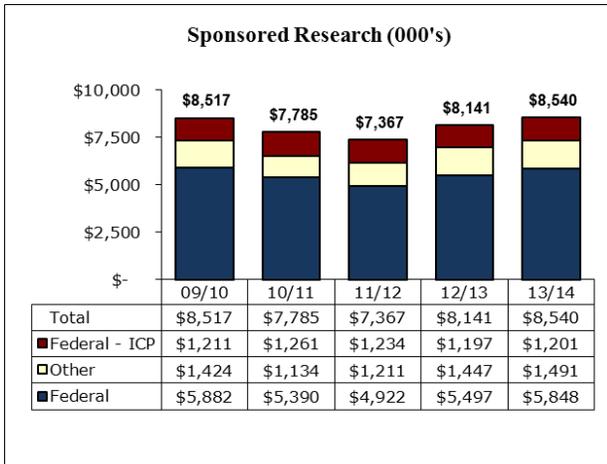
The chart below summarizes the internal and external environment of Saint Mary's. This analysis points to those things we must do well to survive in our competitive situation.

<b>SWOT Analysis (Strengths, Weaknesses, Opportunities and Threats)</b>	
<p style="text-align: center;"><b>INTERNAL STRENGTHS</b></p> <ul style="list-style-type: none"> <li>- Academic Plan endorsed by the University community</li> <li>- engaged Board of Governors</li> <li>- friendly, student-centred campus culture</li> <li>- 30 year campus master plan; enhanced and expanded facilities</li> <li>- track record of strong labour relations</li> <li>- well subscribed TESL operations and international student recruitment</li> <li>- new facility (960 Tower Road) to house TESL and BDC</li> <li>- strong asset management and operations management</li> <li>- succession plan for President underway</li> </ul>	<p style="text-align: center;"><b>INTERNAL WEAKNESSES</b></p> <ul style="list-style-type: none"> <li>- rising operating costs</li> <li>- weak alumni financial participation</li> <li>- low amount of endowment resources</li> <li>- unfavorably low ratio of full-time faculty to FTE students</li> <li>- geographical and program concentration of international enrolment</li> <li>- need for improved analytics for better informed decision making</li> <li>- facility condition index of arena</li> </ul>
<p style="text-align: center;"><b>EXTERNAL OPPORTUNITIES</b></p> <ul style="list-style-type: none"> <li>- MOU negotiation with the Province of Nova Scotia</li> <li>- general economic conditions foster growth for graduate studies</li> <li>- growth potential for research activities</li> <li>- infrastructure improvements</li> <li>- web-based academic courses</li> <li>- growth of international enrolment</li> <li>- increased connections of the Sobey School of Business to the external business community</li> </ul>	<p style="text-align: center;"><b>EXTERNAL THREATS</b></p> <ul style="list-style-type: none"> <li>- financial status of the Province of Nova Scotia</li> <li>- difficult fiscal environment continues as a backdrop to union negotiations</li> <li>- Nova Scotia demographics pointing to lower future enrolment</li> <li>- many local, national and int'l competitors in the higher education sector</li> <li>- increased competition from the Nova Scotia Community College</li> <li>- extreme competition for philanthropic donations</li> <li>- higher expectations from all stakeholders</li> </ul>

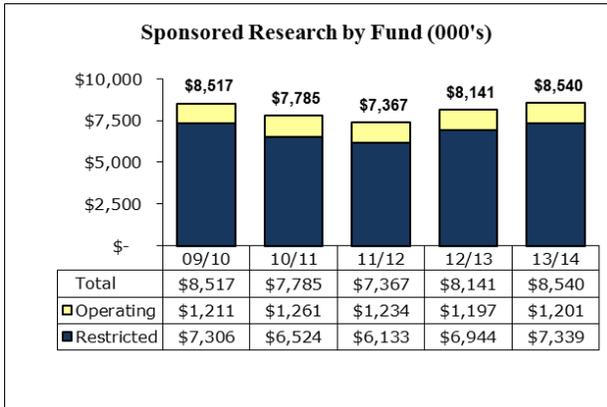
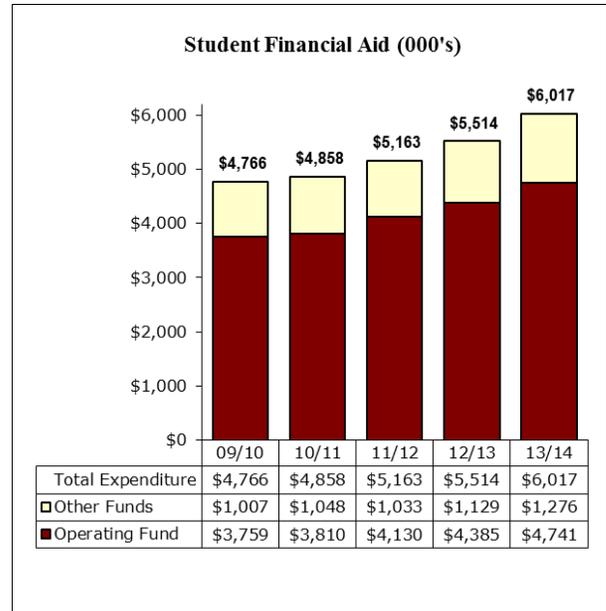
Canadian universities currently offer almost 15,000 undergraduate and graduate degree programs as well as professional degree programs and certificates. Canadian degrees are globally recognized.

Universities also play a vital role in the communities in which they are located – offering reference libraries, sports and recreations facilities, daycare centres, art galleries, lectures, concerts, plays, etc. Saint Mary's University is an integral part of the Halifax Regional Municipality and the Province of Nova Scotia.

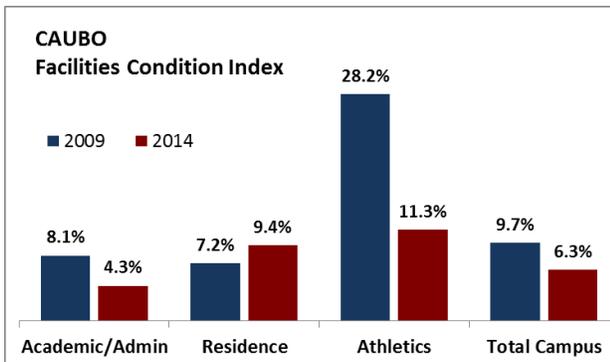
## Vital Signs



- ◀ Federal funding for sponsored research increased 6.4% from the prior year.
- ✔ SMU spending on scholarships, fellowships and bursaries increased by 9.1% in 2013/14.



- ◀ Overall, SMU has made improvements in its Facilities Condition Index (FCI) in the past five years – total campus FCI has dropped from 9.7% in 2009 to 6.3% in 2014.
- ◀ The FCI for Athletics improved as a result of the decommissioning of Huskies Stadium



**CAUBO FCI Standards**

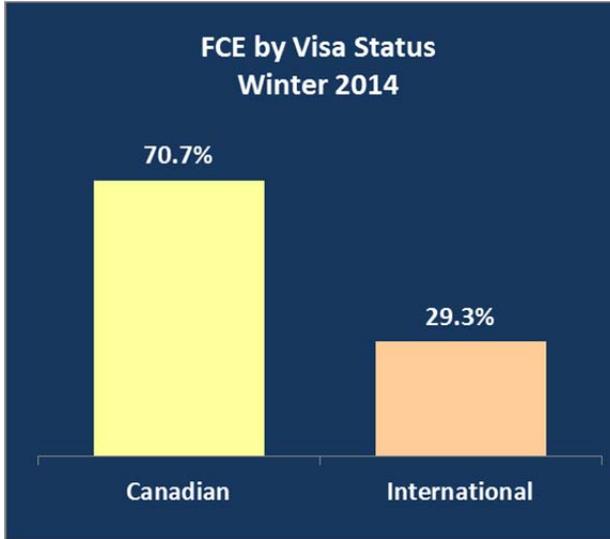
0-5%    Excellent to Good  
 6-10%    Fair to Poor  
 > 10%    Unacceptable

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

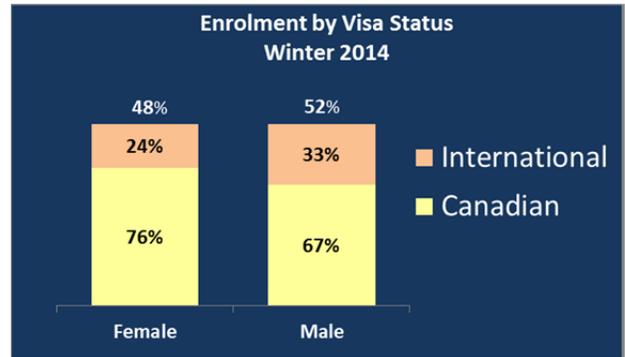
**2013/14 Varsity Sport Teams (prior year in brackets)**

2 (1) AUS Champions (Men's and Women's Basketball), 25 (32) AUS All-Stars  
 73 (56) CIS Academic All-Canadians, 7 (11) CIS All-Canadians, CIS Female Athlete of the Year (Basketball)

## University Facts



- ◀ 5,783 full-time students
- ◀ 1,252 part-time students
- ◀ Saint Mary's students originate from 117 different countries
- ◀ The largest international student contingents are from China, Saudi Arabia, Bangladesh and India



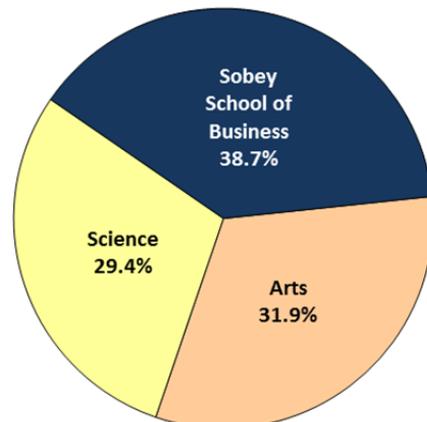
Residence	Loyola	Vanier	Rice	Total
Single/Super Single	322	80	213	615
Double	112	144	96	352
Senior Apartments	78	6	0	84
Premium Suites	26	0	0	26
Family/Graduate	62	0	0	62
<b>Total Beds</b>	<b>600</b>	<b>230</b>	<b>309</b>	<b>1,139</b>

Average Class Size (Prior year in brackets)	
▪	42 (39) - Introductory Classes
▪	16 (17) - Upper Level Classes
▪	12 (10) - Graduate Classes

- ▲ Saint Mary's operates three residences, with several different styles of accommodation to suit a variety of student needs. Vacancy rates increased to 2.0% in October 2013.

SMU Employees 2012/13	Full time	Part time
Faculty & Professional Librarians	268	202
Academic and Research Support	183	4
Student Support Services	58	2
Administrative Support Services	88	1
Facilities Management	98	
IT Systems & Support	34	1
Ancillaries	15	
TESL	10	41
<b>Total</b>	<b>754</b>	<b>251</b>

### Course Registrations by Faculty 2013/14



## 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, 2014 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 Committee. All of the members of the Audit Committee are independent, i.e., not officers or employees of the University. The Audit 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 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 Committee.



Gabrielle Morrison  
Vice-President, Finance & Administration

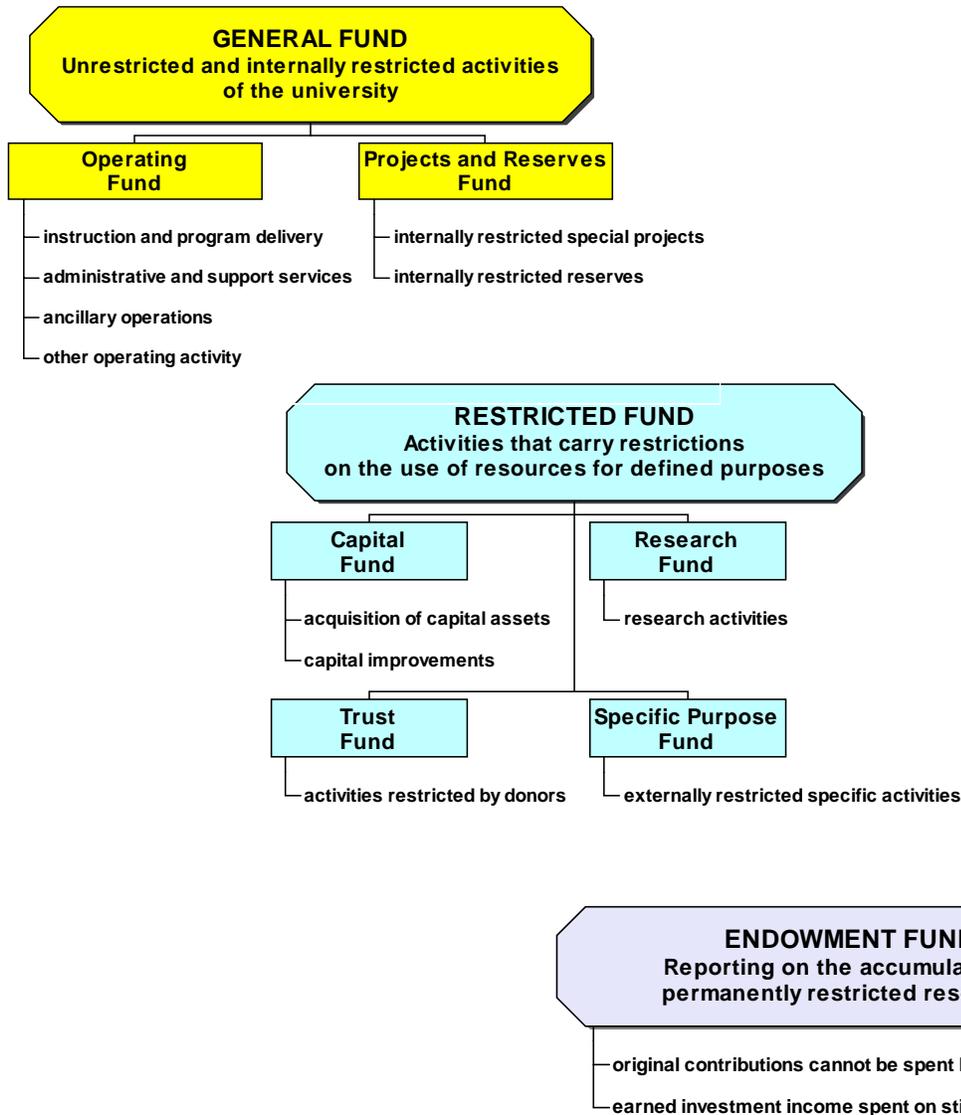
## Fund Accounting

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:

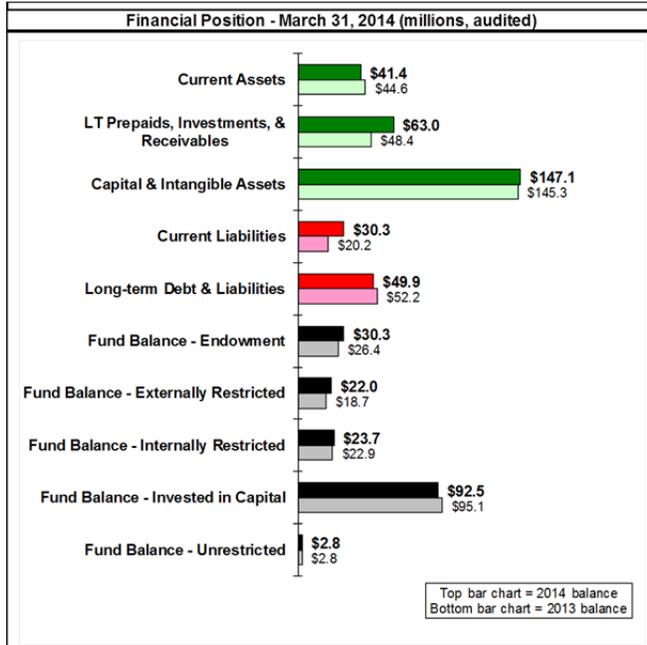
- the General Fund
- the Restricted Fund
- the Endowment Fund



## 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, 2014 reporting date.



University current assets amount to \$41.4 and are made up of cash, short-term investments, accounts receivable, inventories and prepaid expenses. The year-end balance of current assets was \$3.2 lower than the previous year. This was due in part to the University's decision to shift \$10.3 of the Restricted Funds Investment Pool (RFIP) from short-term to long-term investments. In total long-term prepaids, receivables, and investments increased \$14.6 compared to the prior year and ended 2013/14 at \$63.0. As mentioned, \$10.3 was due to the shift in RFIP investments. The remainder of the increase was primarily due to an increase in long-term investments from reinvested income and investment gains. The investments earned \$6.1 during the year and the University received \$1.4 in gifts and bequests. The long-term investments are recorded at fair value and the investment income included unrealized gains of \$3.4 from the change in the fair value of the investments in 2013/14. The gifts include funds for capital projects, program support, and endowments.

Capital and intangible assets, with a net book value of \$147.1, are a prominent component of the University's statement of financial position. The University's buildings comprise 81% of net capital assets.

Current liabilities of \$30.3 include payables, accruals, students' deposits and deferred revenue. The year-end balance increased by \$10.1 compared to the prior year. The current portion of long-term debt increased by \$10.3 chiefly due to the reclassification of the \$10 SOFI loan which will mature in January 2015. While this shift caused an equivalent reduction in long-term debt it was offset by the addition of a \$10 loan to finance the building at 960 Tower Road and several other capital projects. The remaining decrease in long-term debt (\$2.4) was mostly due to principal 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. \$52.4 relates to resources that are constrained by endowments and other external restrictions; \$23.8 is internally restricted by the University for projects and reserves; \$92.5 is the net amount invested in buildings and other capital assets. The unrestricted General Fund balance represents the accumulated surplus and is \$2.8.

In total, the fund balances of Saint Mary's University increased substantially over the past five years from \$114.5 at March 31, 2009 to \$171.3 at March 31, 2014.

## 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 \$46 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 (page 10)

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 (page 11)

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 per student, compared to university peer group

#### ⊛ FUNDRAISING and ENDOWMENT (page 12)

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 (page 13)

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

## Financial Condition

### Operations Analysis, March 31, 2014

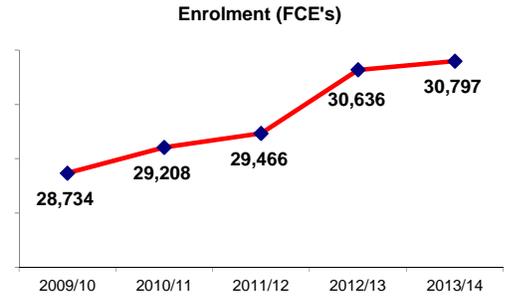
**Critical Success Factor 1: Student demand**

 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	2012/13	2013/14
Arts enrolment	9,147	8,994
Science enrolment	8,850	8,891
Sobey School of Business enrolment	10,483	10,621
Graduate Studies and Research enrolment	2,156	2,291
<b>Total enrolment at March 31 (full course equivalents)</b>	<b>30,636</b>	<b>30,797</b>

- total enrolment increased 0.5% over the previous year
- the largest increase (138 FCE's) was experienced in Commerce
- graduate studies enrolment grew by 6.3%

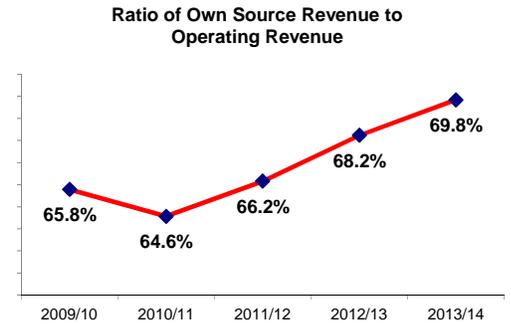

**Critical Success Factor 2: Independent sources of revenue**

 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	2012/13	2013/14
Own source revenue (millions)	\$78.4	\$82.2
Provincial operating grant (millions)	\$35.0	\$34.0
Federal grant (millions)	\$1.5	\$1.5
<b>Total operating revenue (millions)</b>	<b>\$114.9</b>	<b>\$117.7</b>
<b>Ratio of own source revenue to operating revenue</b>	<b>68.2%</b>	<b>69.8%</b>

- own source revenue increased in both \$ terms and as a % of total operating revenue
- Provincial grants decreased 2.9% from the previous year
- funding from Federal government grants was unchanged from the previous year

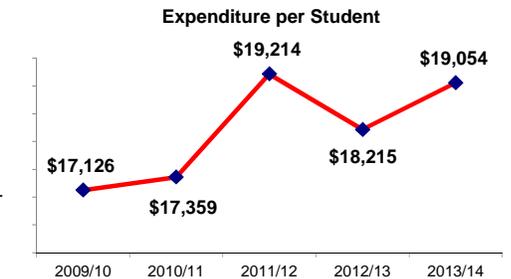

**Critical Success Factor 3: Funding of the university educational mission**

 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	2012/13	2013/14
Annual expenses, all Funds (millions)	\$125.5	\$132.6
Students (full-time equivalents)	6,890	6,959
<b>Expenditure per student</b>	<b>\$18,215</b>	<b>\$19,054</b>

- increased spending and enrolment (FTE) make this ratio more favourable over last year
- expenditure per student up 4.6% over the prior year due to \$3.7m increase in salaries, \$0.6m increase in promotion & student recruitment, \$0.6m increase in professional fees and \$0.5m increase in student financial aid
- SMU ranks 9th of 12 peer group universities (peer median = \$20,224 per student)



## Financial Condition

### Operations Analysis, March 31, 2014

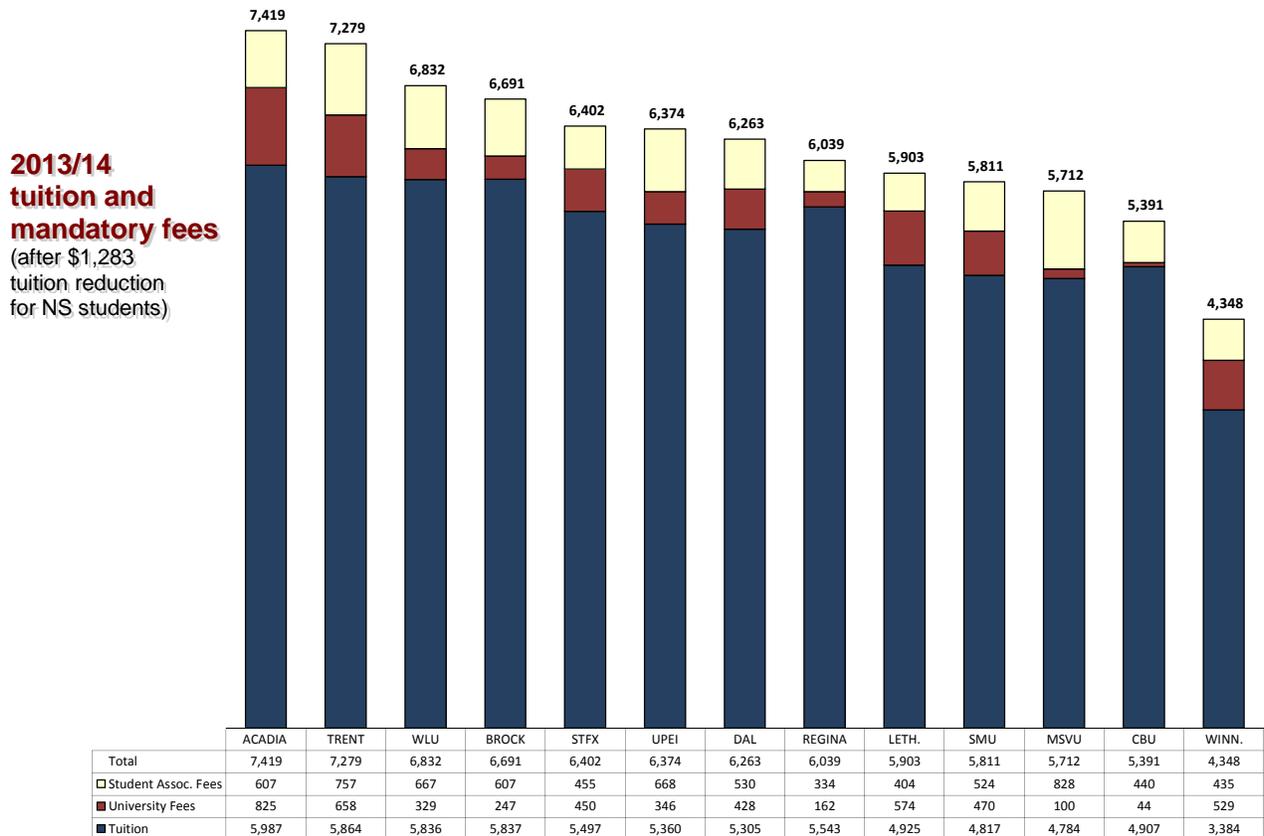
Critical Success Factor 4: **Student accessibility**

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. Operating grants from the Province of Nova Scotia provide 33.6% of University operating income, compared to the Canadian median of 41% (CAUBO / Statistics Canada). Within Nova Scotia, Saint Mary's University has the lowest proportion of provincial operating funding (35.1%) relative to the other N.S. universities.

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



- In 2013/14, the Province of Nova Scotia provided a tuition bursary of \$1,283 for each Nova Scotia student (about 51% of SMU students). This had the effect of reducing Nova Scotia university tuition to become more competitive with universities across Canada
- Saint Mary's receives the lowest proportion of provincial funding relative to its Canadian peer group (12th of 12 universities; 35.1% funding compared to the peer group median of 46.1%)
- Total cost to attend SMU is \$452 less than the median (\$6,263) of the 12 peer group universities (plus Dalhousie)
- After applying the provincial student bursary, Nova Scotian students paid less tuition in 2013-14 (\$4,817) than ten years ago (\$4,945)

Source of NS and peer group funding information: CAUBO/Statistics Canada report 2013 (last year reported)

Source of provincial funding information: CAUBO/Statistics Canada 2013 (last year reported)

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

## Financial Condition

### Asset Management Analysis, March 31, 2014

*Critical Success Factor 5: Immediate financial flexibility*

**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 million and \$3 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	2012/13	2013/14
Unrestricted fund balance, start of year (millions)	\$2.8	\$2.8
Change during the year (millions)	\$0.0	\$0.0
Unrestricted fund balance, end of year (millions)	\$2.8	\$2.8



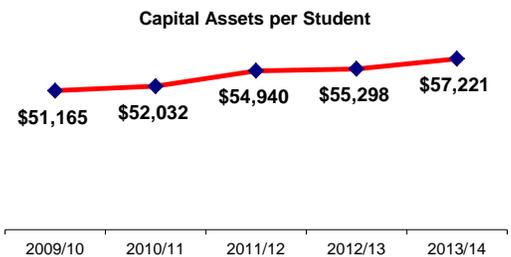
- the unrestricted balance at year end is within the approved range
- SMU balance, \$2.8 million, exceeds the median of the peer group (-\$5 million)
- Negative unrestricted resources in 7 of the 12 peer universities

**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	2012/13	2013/14
CRV of capital assets per CURIE valuation (millions)	\$381.0	\$398.2
Number of students (full time equivalents)	6,890	6,959
CRV of capital assets per student	\$55,298	\$57,221



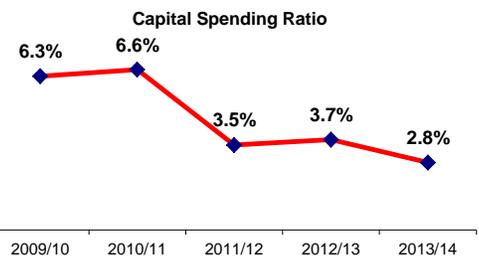
- growth in the value of capital assets due partly to new construction
- construction of building at 960 Tower Road completed July 2013
- Homburg Centre for Health and Wellness renovations in 2012 and 2014

**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 NS universities, there is also a significant backlog of deferred maintenance at SMU.

Capital investment	2012/13	2013/14
Capital spending (millions)	\$14.1	\$11.0
CRV of capital assets (millions)	\$381.0	\$398.2
Ratio of capital spending to CRV of capital assets	3.7%	2.8%



- capital spending tends to be uneven over time and is dependent on available funds
- rule of thumb (2% of CRV per CAUBO) significantly exceeded in each of past 5 years
- Facilities Condition Index has significantly improved over the past 5 years (Facilities Condition Index - see page 4)

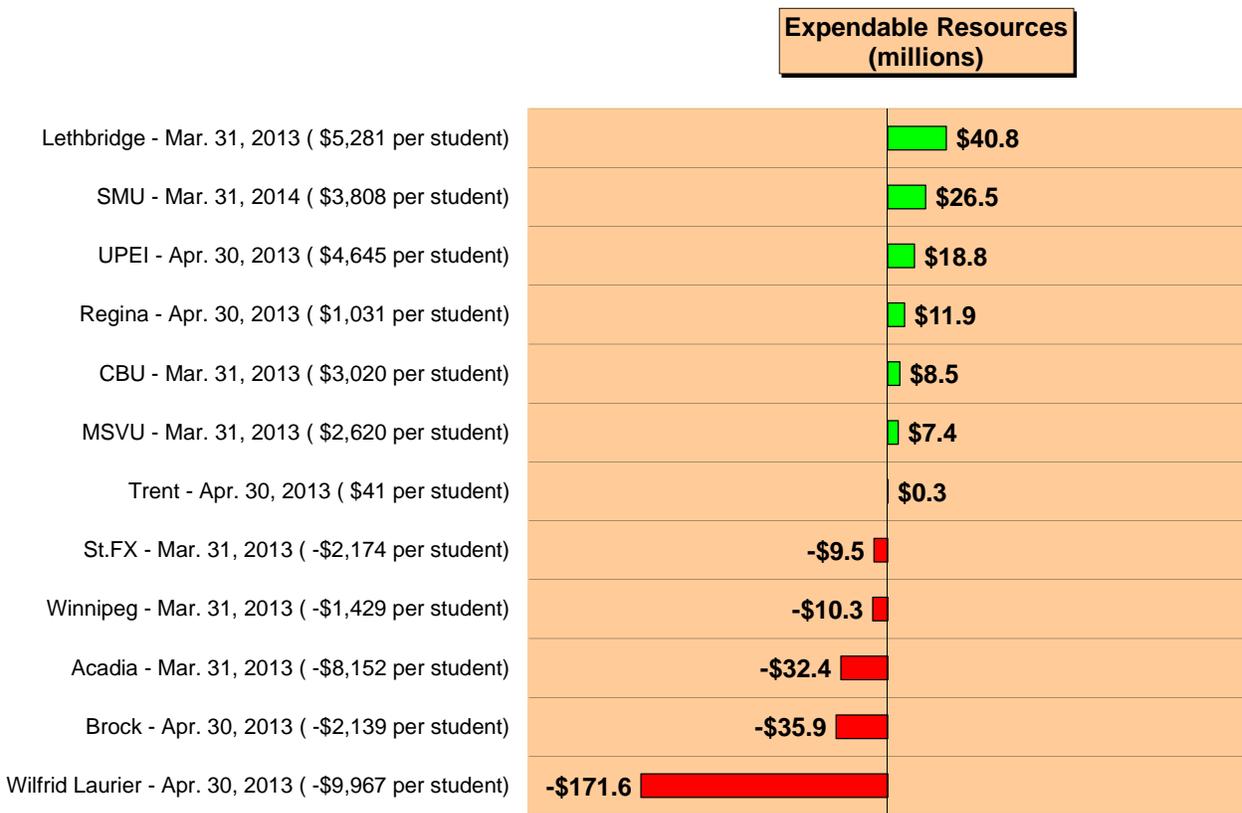
## Financial Condition

### Asset Management Analysis, March 31, 2014

Critical Success Factor 8: **Financial flexibility**

Key Performance Indicator 8: **Expendable resources per student**

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 \$2.7 million + Internally Restricted Fund Balance \$23.8 million

- SMU's current balance of expendable resources ranks 2nd of 12 of the university peer group

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

- History of SMU expendable resources: 2010 \$19.0 m, 2011 \$26.6 m, 2012 \$31.0 m, 2013 \$25.7 m, 2014 \$26.5 m

Source of asset information: University financial statements, most recent year published  
 Source of student information: student is defined as full-time equivalent - calculation from AUCC 2013 Enrolment Survey

## Financial Condition

### Fundraising and Endowment Analysis, March 31, 2014

**Critical Success Factor 9: Fundraising**

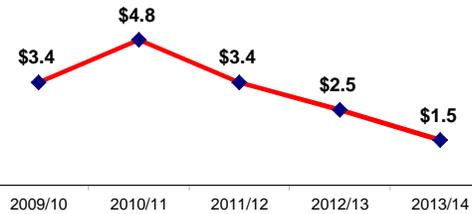
**Key Performance Indicator 9: Resources provided by fundraising efforts**

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 board. The need for campus and technology renewal at Saint Mary's places special importance on the University's efforts at fundraising from alumni, foundations, corporations and friends.

Fundraising	2012/13	2013/14
Fundraising revenue received during the year (million's)	\$2.5	\$1.5
Pledges due within ten years (million's)	\$1.9	\$1.5

- the Hearts & Minds capital campaign (2004-2011) provided significant gifts from many donors
- pledges declining as campaign commitments fulfilled

**Resources provided by fundraising efforts (millions)**



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

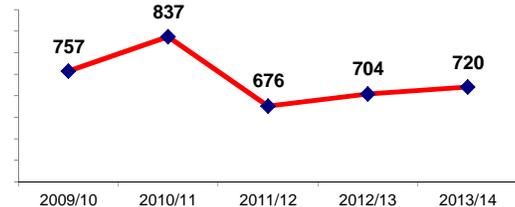
**Key Performance Indicator 10: Number of alumni contributors**

Philanthropy from Saint Mary's 30,899 active 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. The Canadian Council for the Advancement of Education (CCA) has advised that it does not track alumni participation in Canada; However, CASE (US) believes that rates in the mid-teens are reasonable, depending on resources allocated and whether or not the university is in campaign mode when giving tends to increase.

Alumni financial participation	2012/13	2013/14
New contributors	68	86
Repeat contributors (3+ consecutive years)	345	312
All other alumni contributors	291	322
Total alumni contributors	704	720

- 2.3% increase in total alumni contributors; 1.8% increase in active alumni
- 2013/14 alumni financial participation rate 2.3%, no change from 2012/13
- alumni financial participation rate well below our 10% - 15% target range

**Number of Alumni Contributors**



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

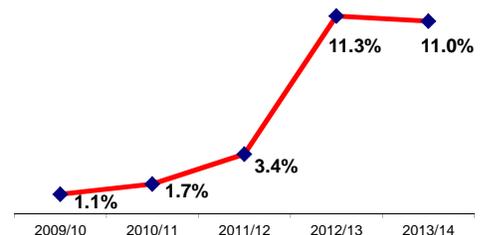
**Key Performance Indicator 11: Endowment fund performance**

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.

Management of the endowment investments	2012/13	2013/14
Endowed Funds Investment Pool		
Four-year average rate of return	11.3%	11.0%

- The 4-year results shown in the chart were heavily affected by the 18.5% loss in 2008/09
- The University's investment managers, investment policy and endowment spending policy are regularly reviewed by independent investment consultant
- The University's long term goal is a rate of return of 6.5%. After expected inflation of 2.0% and estimated investment and custodial fees of 0.5% this will produce a net return of 4.0% for spending.

**Investment Performance (Endowed Funds Investment Pool)**



## Financial Condition

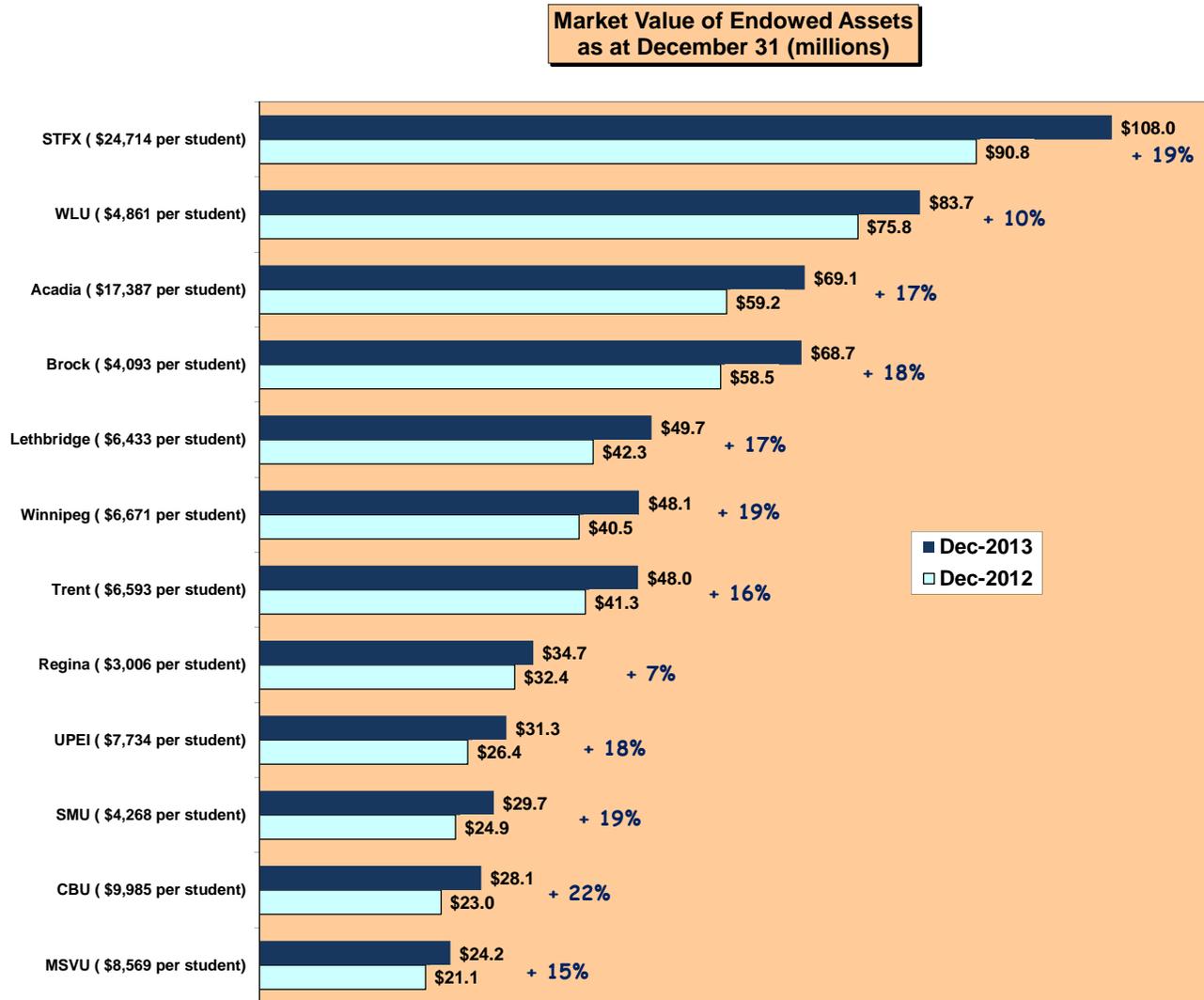
### Fundraising and Endowment Analysis, March 31, 2014

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 49th)
- SMU endowment per student is low compared to the university peer group, 10th of 12 and significantly lower than the median (\$6,632 per student)
- SMU had a 19% increase in endowed assets over past year, slightly higher than the peer group median (17%)

Source of peer group information: CAUBO University Endowment Survey  
Source of student information: student is defined as full-time equivalent - calculation from AUCC 2013 Enrolment Survey

## Financial Condition

### Debt Capacity Analysis, March 31, 2014

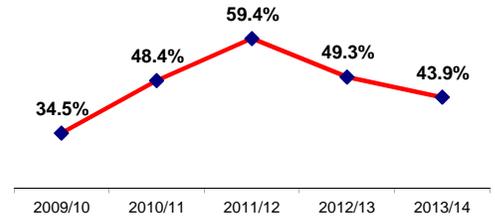
Critical Success Factor 13: **Ability to pay debt charges with medium term resources**  
 Key Performance Indicator 13: **Ratio of expendable resources to debt**

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	2012/13	2013/14
Expendable resources (millions)	\$25.7	\$26.5
Debt, incl. current portion of long-term debt (millions)	\$52.2	\$60.3
Ratio of expendable resources to debt	49.3%	43.9%

- expendable resources increased 3.1% and University debt increased 15.6%
- the ratio of expendable resources to debt decreased 5.3% from the previous year
- SMU ratio (43.9%) is more favorable than the university peer group median (6.3%)

Ratio of Expendable Resources to Debt



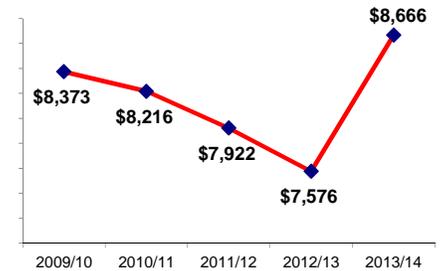
Critical Success Factor 14: **Manageable debt load**  
 Key Performance Indicator 14: **University debt per student**

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	2012/13	2013/14
Debt, incl. current portion of long-term debt (millions)	\$52.2	\$60.3
Number of students (full time equivalents)	6,890	6,959
University debt per student	\$7,576	\$8,666

- University debt per student increased during the year as a result of new long-term debt related to 960 Tower Rd.
- SMU is carrying less debt per student compared to the peer group median (\$9,020)

University Debt per Student



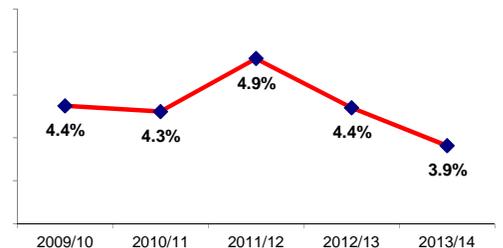
Critical Success Factor 15: **Debt funding strength arising from operations**  
 Key Performance Indicator 15: **Ratio of debt service cost to operating revenue**

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	2012/13	2013/14
Debt service cost: principal + interest (millions)	\$5.0	\$4.6
Total operating revenue (millions)	\$114.9	\$117.7
Ratio of debt service cost to operating revenue	4.4%	3.9%

- the 11/12 ratio increased due to debt service cost of Atrium and Energy Mgmt projects
- debt service costs still a manageable proportion of the operating budget
- exceeding 10% would raise concerns about being highly leveraged (Moody's)

Ratio of Debt Service Cost to Operating Revenue



## Financial Condition

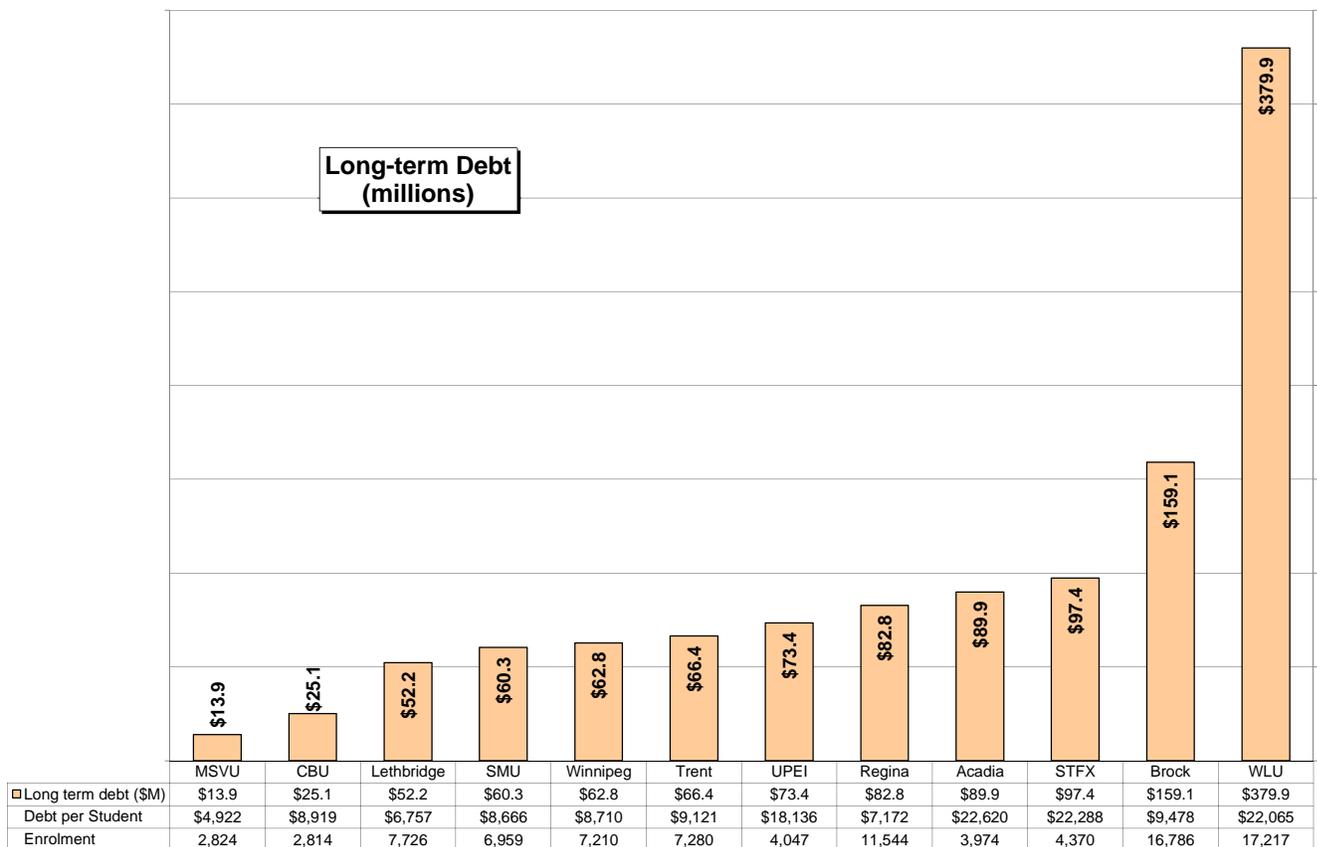
### Debt Capacity Analysis, March 31, 2014

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, \$60.3 million, is less than the total debt median of the peer group (\$69.9 million)
- Most of the university peer group increased debt over the past five years.  
The median debt of the peer group has increased 27% to \$69.9 million in 2013/14 from \$55.0 in 2008/09
- The majority of SMU debt relates to academic assets as opposed to self-financing residence operations;  
30% of SMU debt relates to residence operations (2012/13 37%, 2011/12 39%, 2010/11 39%, 2009/10 40%, 2008/09 46%)
- \$8,666 debt per student at SMU is slightly lower than the university peer group median (\$9,020)  
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 2013 Enrolment Survey

## General Fund Analysis Operating Fund - Revenues

(Millions \$)

The 2013/14 operations of Saint Mary's University produced revenues of \$117.7 (2013 - \$114.9). (see Page 31 – Operating Fund)

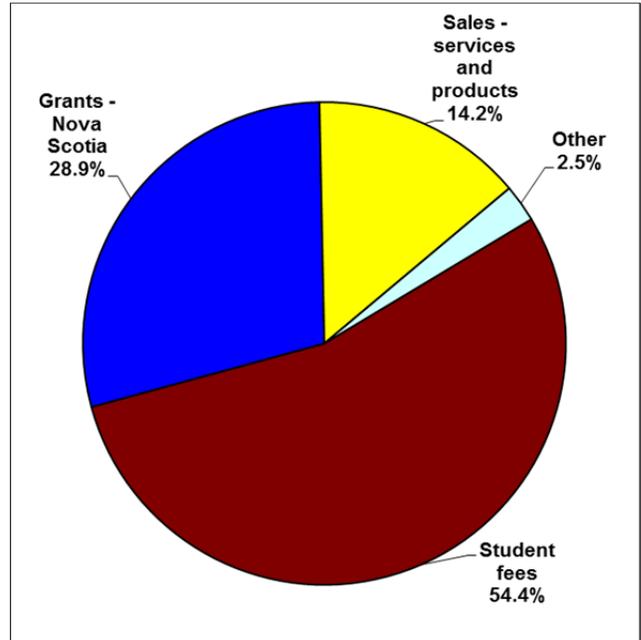
Student fees are the largest component of operating revenue. The majority of sales of services and products are also related to students and enrolment, i.e., residence fees, food service and bookstore sales. The chart on the right shows the breakdown of operating revenue including ancillaries.

Overall the student fee revenue was 5.6% higher than the prior year. This resulted from increased enrolments in all faculties, a 3% increase in credit-course tuition fees and a 6% increase in the tuition differential paid by international students.

In 2013/14 the University introduced a Recreation Facilities Renewal fee which provided \$0.3 in revenue which was utilized to fund debt service costs relating to renovations to the 1986 wing of the Homburg Centre for Health and Wellness and the decommissioning of Huskies Stadium.

The Province of Nova Scotia, responding to fiscal challenges, reduced funding to the University system for 2013/14 with Saint Mary's reduction being \$1.0. The grant reduction was included in the operating budget approved by the Board of Governors. This amounts to a \$3.7 (10.0%) total reduction over three years.

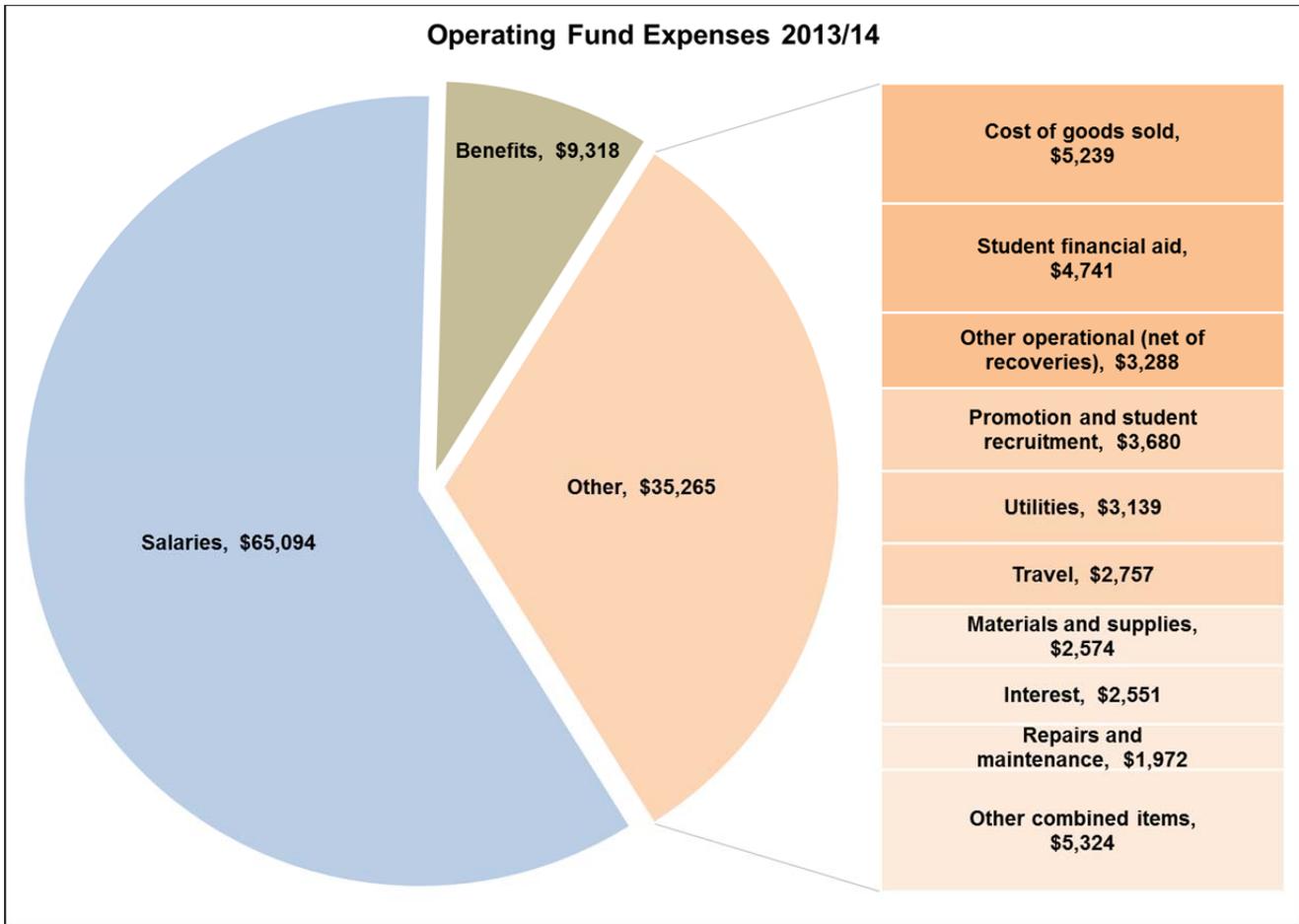
Overall operating revenue was up \$2.8 over the previous year. The University's Operating Fund ended the year in a break even position. The Unrestricted Fund Balance at the end of the year remains at \$2.8, within the target range approved by policy of the Board of Governors.



## General Fund Analysis Operating Fund - Expenses

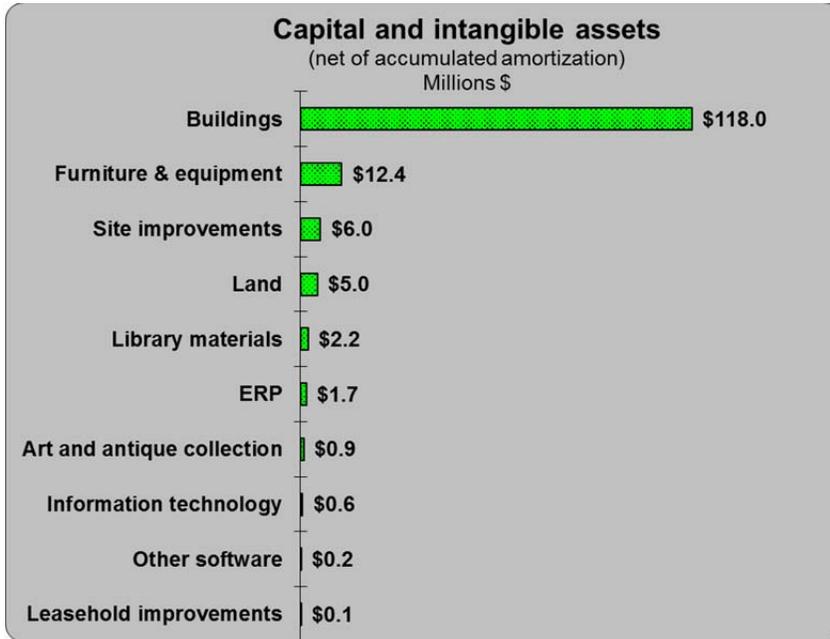
The 2013/14 operations of Saint Mary's incurred expenses of \$109.7 million excluding interfund transfers. The following chart (in thousands) shows the breakdown of operating expenses for the year by category, including ancillary operations and after grouping together a portion of "other" expenses. (see Page 31 – Operating Fund)

The largest component of the University's investment in its educational mission is salaries and benefits (67.5%) The next largest component of operating expenses is the cost of goods sold in food service and the University bookstore. The University has also steadily increased its investment in student financial aid over the years funded through the Operating Fund growing it from \$3.8 in 2008/09 to \$4.7 in 2013/14 (see page 4). In addition, the investment in promotion and student recruitment grew 19% in the last year to \$3.7.



## 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.

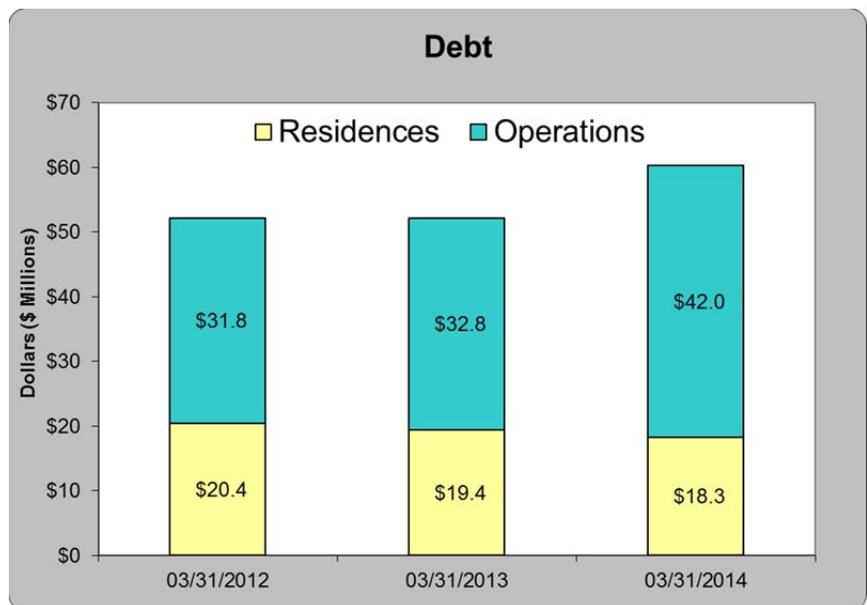
With a fund balance of \$92.5, the Capital Fund makes up the largest portion of the Restricted Fund. It accounts for all the capital and intangible assets of the University and the related debt. Capital and intangible assets are purchased by transfers from other funds, borrowing, or by contributions 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 2013/14 the University acquired capital and intangible assets of \$11.0. Funding for these acquisitions included borrowing of \$5.8, transfers from internally restricted funds of \$3.9, transfers from the Research Fund of \$0.7, transfers from the Operating Fund of \$0.5, and transfers from externally restricted donation reserves of \$0.2.

Included in the \$11.0 acquisitions of capital assets was \$6.1 for buildings consisting of new construction and major renovations, \$3.6 for furniture, equipment and interior improvements, \$0.5 for campus improvements, and \$0.4 for library books.

Construction began in May 2012 on a new building to house the English as a Second Language program and the Business Development Centre and was completed in August 2013. Located on the northeast corner of the campus at 960 Tower Road, the building was budgeted to cost \$15.0.

By the end of 2013/14 the University's debt was \$60.3. With the completion of the new building at 960 Tower Road the portion of debt related to academic and administration buildings has increased to 70% from 63% in 2012/13. The remainder of the debt relates to the student residence buildings.



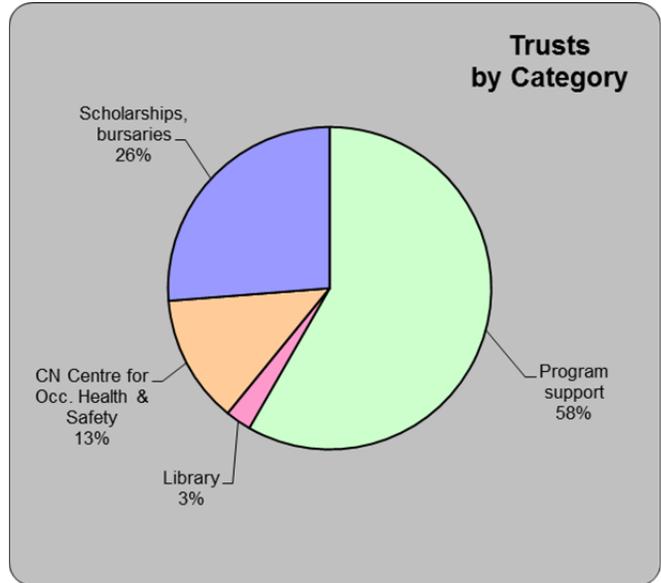
**Restricted Fund Analysis  
Trust and Endowment Funds**

(Millions \$)

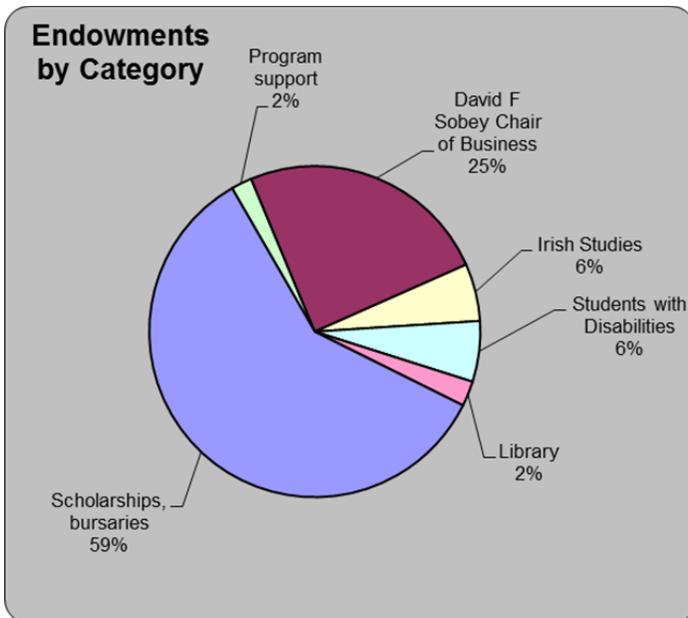
The Trust Fund accounts for activities that have been stipulated by donors and contributors. The chart on the right shows the breakdown of the Trust Fund by category. The Trust Fund balance of \$4.1 consists of expendable trusts and the expendable portion of the University's endowment funds.

The \$30.4 in the Endowment Fund (\$29.7 at Dec. 31, 2013) 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 below shows the breakdown by category of the Endowment Fund balance on March 31, 2014.

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.



Trust and endowment investments are recorded at fair value and investment income, including unrealized gains and losses, is allocated to the related endowments and trusts.



During 2013/14 the endowment investments performed reasonably well; however, long-term performance remains an issue due to the volatile investment markets and economic challenges. The endowments recognized net investment income for 2013/14 of \$3.9.

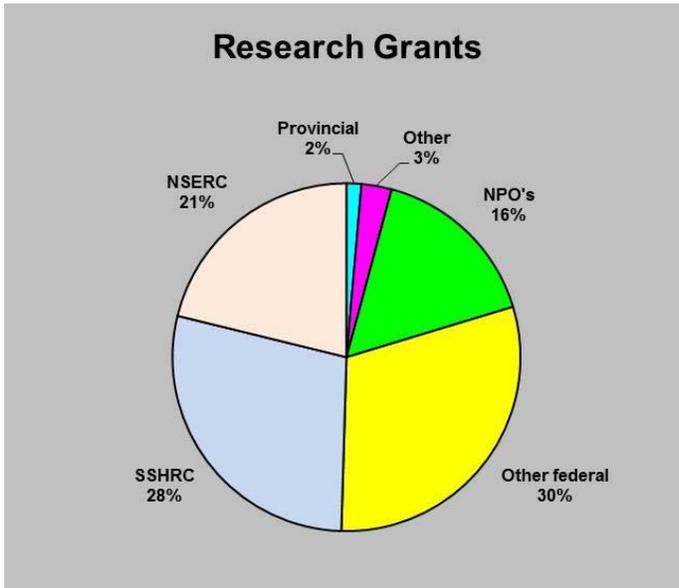
During 2013/14, Saint Mary's University received \$0.4 in endowed donations. In addition, donations of \$0.4 were received during the year in the Trust Fund.

The Trust Fund provided scholarships and bursaries totaling \$0.6 in 2013/14. The Trust Fund also provided \$0.2 to the other funds for program support, research and other specific purposes.

**Restricted Fund Analysis  
Research and Specific Purpose Funds**

(Millions \$)

**Research Fund**



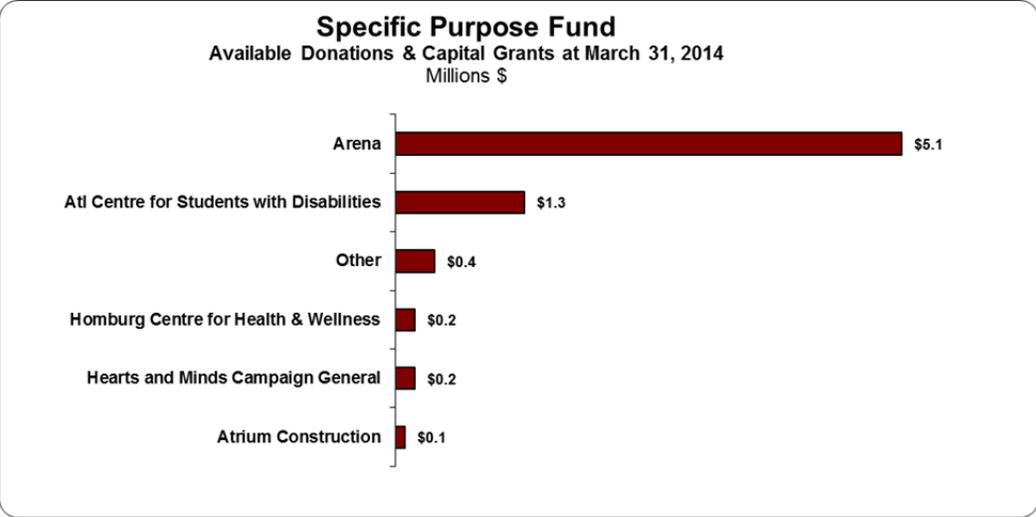
Research is an important part of the University's mission. Most research funding is provided by external organizations, such as the Natural Sciences and Engineering Research Council (NSERC), the Social Sciences and Humanities Research Council (SSHRC), Canadian Foundation for Innovation (CFI) and various 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, \$5.9, consists of contributions available to be carried forward to the following year.

During 2013/14 Saint Mary's University received \$7.3 in contributions and funding for research, up from \$7.0 in 2012/13. The majority of the research expenses were for salaries for research assistants and travel and accommodations relating to research and fieldwork.

**Specific Purpose 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 \$0.4 for specific purposes. At March 31, 2013, the fund balance was \$11.9 consisting of:

- \$7.3 in unspent donations and capital grants restricted for a variety of purposes (see chart to the right), and
- \$4.6 of unspent contributions for special projects, conferences, international development and other projects.





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

# **Financial Statements**

**March 31, 2014**

## Independent auditor's report

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

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We have audited the accompanying financial statements of Saint Mary's University which comprise the statement of financial position as at March 31, 2014, the statements of operations and changes in fund balances, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the University's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Saint Mary's University as at March 31, 2014, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

#### Other matters

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 the Schedules to the financial statements are presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

Halifax, Canada  
September 8, 2014

*Grant Thornton LLP*

Chartered Accountants

**Statement of Financial Position**

As at March 31  
(\$ thousands)

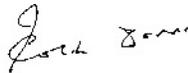
	2014				2013			
	General	Restricted	Endowment	Total	General	Restricted	Endowment	Total
<b>Current Assets</b>								
Cash and short-term investments (Note 3)	32,200	1,623	64	33,887	25,710	10,786	87	36,583
Accounts receivable (Note 4)	4,233	575	-	4,808	5,245	261	-	5,506
Inventories	900	-	-	900	923	-	-	923
Prepaid expenses	1,770	-	-	1,770	1,583	-	-	1,583
	<u>39,103</u>	<u>2,198</u>	<u>64</u>	<u>41,365</u>	<u>33,461</u>	<u>11,047</u>	<u>87</u>	<u>44,595</u>
<b>Long-term Assets</b>								
Long-term prepaid expenses	53	-	-	53	60	-	-	60
Long-term investments (Note 5)	-	32,156	30,132	62,288	-	20,907	26,645	47,552
Long-term receivable	23	682	-	705	143	647	-	790
Capital assets (Note 7)	-	145,163	-	145,163	-	143,181	-	143,181
Intangible assets (Note 8)	-	1,923	-	1,923	-	2,155	-	2,155
	<u>76</u>	<u>179,924</u>	<u>30,132</u>	<u>210,132</u>	<u>203</u>	<u>166,890</u>	<u>26,645</u>	<u>193,738</u>
	<u>39,179</u>	<u>182,122</u>	<u>30,196</u>	<u>251,497</u>	<u>33,664</u>	<u>177,937</u>	<u>26,732</u>	<u>238,333</u>
<b>Current Liabilities</b>								
Amounts due to governments	740	-	-	740	713	-	-	713
Accounts payable and accrued liabilities	7,432	881	9	8,322	7,053	1,863	15	8,931
Unearned fees and other deferred revenue	8,838	6	-	8,844	8,523	3	-	8,526
Current portion of long-term debt (Note 9)	-	12,378	-	12,378	-	2,005	-	2,005
	<u>17,010</u>	<u>13,265</u>	<u>9</u>	<u>30,284</u>	<u>16,289</u>	<u>3,871</u>	<u>15</u>	<u>20,175</u>
<b>Long-term Liabilities</b>								
Long-term deferred revenue	310	-	-	310	350	-	-	350
Long-term accrued liabilities	1,671	-	-	1,671	1,742	-	-	1,742
Long-term debt (Note 9)	-	47,894	-	47,894	-	50,158	-	50,158
Due to (from) other funds (Note 13)	(6,334)	6,498	(164)	-	(10,435)	10,097	338	-
	<u>(4,353)</u>	<u>54,392</u>	<u>(164)</u>	<u>49,875</u>	<u>(8,343)</u>	<u>60,255</u>	<u>338</u>	<u>52,250</u>
	<u>12,657</u>	<u>67,657</u>	<u>(155)</u>	<u>80,159</u>	<u>7,946</u>	<u>64,126</u>	<u>353</u>	<u>72,425</u>
<b>Fund Balances</b>								
Endowment	-	-	30,351	30,351	-	-	26,379	26,379
Externally restricted	-	21,987	-	21,987	-	18,746	-	18,746
Internally restricted	23,769	-	-	23,769	22,929	-	-	22,929
Invested in capital assets	-	92,478	-	92,478	-	95,065	-	95,065
Unrestricted	2,753	-	-	2,753	2,789	-	-	2,789
	<u>26,522</u>	<u>114,465</u>	<u>30,351</u>	<u>171,338</u>	<u>25,718</u>	<u>113,811</u>	<u>26,379</u>	<u>165,908</u>
	<u>39,179</u>	<u>182,122</u>	<u>30,196</u>	<u>251,497</u>	<u>33,664</u>	<u>177,937</u>	<u>26,732</u>	<u>238,333</u>

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)

	2014				2013			
	General <small>(See Schedule 1)</small>	Restricted <small>(See Schedule 2)</small>	Endowment	Total	General <small>(See Schedule 1)</small>	Restricted <small>(See Schedule 2)</small>	Endowment	Total
<b>Revenues</b>								
Government grants and contributions								
Government of Canada	1,542	8,028	-	9,570	1,470	6,016	-	7,486
Government of Nova Scotia	34,042	2,365	-	36,407	35,023	1,493	-	36,516
Other	-	18	-	18	4	-	-	4
Other grants	73	1,434	-	1,507	87	1,462	-	1,549
Student fees	64,006	-	-	64,006	60,588	-	-	60,588
Gifts and bequests	123	937	364	1,424	90	2,090	190	2,370
Sales of services and products	16,734	394	-	17,128	16,645	623	-	17,268
Income from investments	1,413	755	3,922	6,090	1,165	540	2,710	4,415
Miscellaneous income	1,336	494	-	1,830	1,016	580	-	1,596
	<u>119,269</u>	<u>14,425</u>	<u>4,286</u>	<u>137,980</u>	<u>116,088</u>	<u>12,804</u>	<u>2,900</u>	<u>131,792</u>
<b>Expenses</b>								
Salaries	65,774	4,778	-	70,552	63,232	3,625	-	66,857
Employee benefits	9,360	285	-	9,645	9,440	299	-	9,739
Equipment rental	814	9	-	823	852	9	-	861
Materials and supplies	2,693	1,149	-	3,842	2,526	1,005	-	3,531
Communications	715	10	-	725	729	9	-	738
Travel	2,906	1,414	-	4,320	2,633	1,242	-	3,875
Utilities	3,139	-	-	3,139	2,832	-	-	2,832
Printing and duplicating	744	19	-	763	797	36	-	833
Library acquisitions	1,136	-	-	1,136	1,066	-	-	1,066
Hospitality	916	238	-	1,154	826	368	-	1,194
Repairs and maintenance	1,997	771	-	2,768	1,845	454	-	2,299
Promotion and student recruitment	3,698	70	-	3,768	3,094	38	-	3,132
Professional fees	1,197	636	106	1,939	639	653	76	1,368
Rent	295	21	-	316	338	8	-	346
Other operational expenses	4,101	490	7	4,598	4,068	465	6	4,539
Cost of goods sold	5,239	-	-	5,239	5,222	-	-	5,222
Student financial aid	4,764	1,253	-	6,017	4,408	1,106	-	5,514
Amortization of capital and intangible assets	-	9,245	-	9,245	-	9,001	-	9,001
Interest	2,561	-	-	2,561	2,562	-	-	2,562
Internal cost recoveries	(612)	612	-	-	(385)	385	-	-
	<u>111,437</u>	<u>21,000</u>	<u>113</u>	<u>132,550</u>	<u>106,724</u>	<u>18,703</u>	<u>82</u>	<u>125,509</u>
Revenues less expenses before transfers	7,832	(6,575)	4,173	5,430	9,364	(5,899)	2,818	6,283
Interfund transfers (Note 13)	(7,028)	7,229	(201)	-	(14,659)	15,205	(546)	-
Net increase (decrease) in fund balances	<u>804</u>	<u>654</u>	<u>3,972</u>	<u>5,430</u>	<u>(5,295)</u>	<u>9,306</u>	<u>2,272</u>	<u>6,283</u>
Fund balances, beginning of year								
Endowment	-	-	26,379	26,379	-	-	24,107	24,107
Externally restricted	-	18,746	-	18,746	-	16,408	-	16,408
Internally restricted	22,929	-	-	22,929	28,224	-	-	28,224
Invested in capital assets	-	95,065	-	95,065	-	88,097	-	88,097
Unrestricted	2,789	-	-	2,789	2,789	-	-	2,789
Fund balances, beginning of year, total	<u>25,718</u>	<u>113,811</u>	<u>26,379</u>	<u>165,908</u>	<u>31,013</u>	<u>104,505</u>	<u>24,107</u>	<u>159,625</u>
Fund balances, end of year								
Endowment	-	-	30,351	30,351	-	-	26,379	26,379
Externally restricted	-	21,987	-	21,987	-	18,746	-	18,746
Internally restricted	23,769	-	-	23,769	22,929	-	-	22,929
Invested in capital assets	-	92,478	-	92,478	-	95,065	-	95,065
Unrestricted	2,753	-	-	2,753	2,789	-	-	2,789
Fund balances, end of year, total	<u>26,522</u>	<u>114,465</u>	<u>30,351</u>	<u>171,338</u>	<u>25,718</u>	<u>113,811</u>	<u>26,379</u>	<u>165,908</u>

See accompanying notes to the financial statements.

## Statement of Cash Flows

For the year ended March 31  
(\$ thousands)

	2014				2013			
	General	Restricted	Endowment	Total	General	Restricted	Endowment	Total
<b>Operating Activities</b>								
Increase (decrease) in fund balances from operations	804	654	3,972	5,430	(5,295)	9,306	2,272	6,283
Amortization of capital and intangible assets	-	9,245	-	9,245	-	9,001	-	9,001
Realized and unrealized investment gains	-	(785)	(3,111)	(3,896)	-	(236)	(1,979)	(2,215)
Gifts-in-kind	-	(123)	(12)	(135)	-	(262)	(13)	(275)
Change in non-cash working capital	5,686	(4,925)	(508)	253	8,398	(6,672)	164	1,890
Cash generated from (used for) operating activities	6,490	4,066	341	10,897	3,103	11,137	444	14,684
<b>Investing Activities</b>								
Purchase of investments	-	(14,473)	(2,135)	(16,608)	-	(9,780)	(4,152)	(13,932)
Disposal of investments	-	4,120	1,771	5,891	-	5,587	3,767	9,354
Purchase of capital assets	-	(10,874)	-	(10,874)	-	(13,800)	-	(13,800)
Purchase of intangible assets	-	(110)	-	(110)	-	(162)	-	(162)
Cash used for investing activities	-	(21,337)	(364)	(21,701)	-	(18,155)	(385)	(18,540)
<b>Financing Activities</b>								
Debt financing proceeds	-	10,148	-	10,148	-	2,231	-	2,231
Debt repayments	-	(2,040)	-	(2,040)	-	(2,459)	-	(2,459)
Cash used for financing activities	-	8,108	-	8,108	-	(228)	-	(228)
Increase (decrease) in cash and short-term investments	6,490	(9,163)	(23)	(2,696)	3,103	(7,246)	59	(4,084)
Cash and short-term investments, beginning of year	25,710	10,786	87	36,583	22,607	18,032	28	40,667
Cash and short-term investments, end of year	32,200	1,623	64	33,887	25,710	10,786	87	36,583

See accompanying notes to the financial statements.

## Notes to the Financial Statements

For the year ended March 31, 2014  
(\$ 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 the Financial Statements

For the year ended March 31, 2014  
(\$ 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, other receivables, accounts payable, accruals, 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 Statement of Financial Position date. Short-term investments are measured and reported at fair value.

## Notes to the Financial Statements

For the year ended March 31, 2014

(\$ 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 if 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 the 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 at March 31, 2014.

### 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 the Financial Statements

For the year ended March 31, 2014  
(\$ 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 amount deferred is 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. The market value of long-term investments denominated in foreign currency is disclosed in the notes to the financial statements at the exchange rate in effect on the financial statement date.

## Notes to the Financial Statements

For the year ended March 31, 2014  
(\$ 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 \$657 (2013 \$692) 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 \$180 (2013 \$168).

### 5. Long-term Investments

Long-term investments are recorded at fair value. The change in fair value created an unrealized gain of \$3,373 (2013 gain of \$2,219).

	2014		2013	
	Cost	Fair Value	Cost	Fair Value
Canadian equities	5,463	9,595	5,025	8,639
Pooled investment funds	49,049	52,693	38,124	38,913
Total investments	54,512	62,288	43,149	47,552

### 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, 2014 totalled \$4,140 (2013 \$4,000).

### 7. Capital assets

	2014			2013		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Land	4,959	-	4,959	4,959	-	4,959
Buildings	173,455	55,449	118,006	167,476	51,278	116,198
Site improvements	10,702	4,659	6,043	10,209	4,102	6,107
Library materials	4,209	1,972	2,237	4,298	1,932	2,366
Equipment, furnishings and interior improvements	22,058	9,661	12,397	20,216	8,320	11,896
Information technology	1,187	608	579	1,460	825	635
Leasehold improvements	216	126	90	216	36	180
Art and antique collection	852	-	852	840	-	840
Motor vehicles	61	61	-	61	61	-
	217,699	72,536	145,163	209,735	66,554	143,181

Amortization expense for capital assets was \$8,903 (2013 \$8,676).

The University has undertaken several major construction and renovation projects, including the 960 Tower Road Project. Construction began in May 2012 and was completed in July 2013. In 2014 \$3,737 (2013 \$6,857) was capitalized as part of building.

## Notes to the Financial Statements

For the year ended March 31, 2014  
(\$ thousands)

### 8. Intangible assets

	2014			2013		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Enterprise Resource Planning System	3,490	1,815	1,675	3,490	1,553	1,937
Other software	395	147	248	315	97	218
	<u>3,885</u>	<u>1,962</u>	<u>1,923</u>	<u>3,805</u>	<u>1,650</u>	<u>2,155</u>

Amortization expense for intangible assets was \$342 (2013 \$325).

### 9. Long-term debt

Debt	Principal and Interest Payments	Maturity Date	Debt Interest Rate	Hedged Interest Rate	2014	2013
					Total	Total
<b>Long-term loans (unsecured)</b>						
McNally - North Campus Renovations*	At maturity	Jan 2015	1.50%	-	10,039	9,891
Gorsebrook Lounge Renovations	Monthly	May 2015	CDOR +0.20%	5.01%	141	255
Enterprise Resource Planning System	Monthly	Jun 2021	CDOR +0.25%	5.16%	1,494	1,661
Rice and Vanier Residences	Semi-annual	Jun 2019	5.02%	-	984	1,136
Loyola Residence and Academic Complex Residences Renovations	Semi-annual	May 2022	5.34%	-	2,145	2,339
Residences Renovations	Monthly	Aug 2026	6.95%	-	8,624	9,043
Residences Renovations	Monthly	Sep 2026	CDOR +0.30%	5.97%	4,423	4,662
Residences Renovations	Monthly	Sep 2026	CDOR +0.30%	5.40%	2,108	2,227
Science Building Renewal Project	Monthly	Mar 2033	CDOR +0.20%	5.30%	18,216	18,756
Homburg Centre for Health & Wellness	Monthly	Jul 2037	CDOR +0.31	3.09%	2,133	2,193
960 Tower Road Building and Renewal of Athletic Facilities	Monthly	Jan 2039	4.64%	-	9,965	-
Subtotal					60,272	52,163
Less: current portion					(12,378)	(2,005)
Total long-term debt					<u>47,894</u>	<u>50,158</u>

\* Related to the McNally North Campus Infrastructure Project and the Knowledge Infrastructure Program the University received a loan from the Nova Scotia Strategic Opportunities Fund Inc. The loan is for five years with interest of 1.5% per annum with principal and interest due in full at maturity. Included in the balance of the loan is accrued interest of \$608 (2013 \$459). The University has created a reserve in which to accumulate funds to be used to repay the loan when it matures. The balance of the reserve was \$8,276 at March 31, 2014 (2013 \$6,906).

Principal instalments payable in each of the next five years:

2015	12,378
2016	2,362
2017	2,476
2018	2,616
2019	2,763

Interest expense on long-term debt during the year totalled \$2,561 (2013 \$2,562).

### 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, 2014 was \$28,515 (2013 \$29,754). 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, 2014, it would have been obligated to pay the banks \$4,931 (2013 \$6,820), which is the fair value of the swaps as calculated by the banks.

## Notes to the Financial Statements

For the year ended March 31, 2014  
(\$ thousands)

### 10. Interest rate swap agreements (continued)

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, \$285 (2013 \$357), is reported as investment income and interest earned on student accounts, \$143 (2013 \$165), is reported as student fees in the Statement of Operations.

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

	2014	2013
<b>Gifts-in-kind received and recorded consist of the following:</b>		
Investments	123	125
Library holdings	-	-
Art and antiques	12	142
Other	-	8
	135	275

#### Donation pledges

Donations pledged but not received as at March 31, 2014, totalled \$1,468 (2013 \$1,899). 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

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.

	2014			2013		
	General	Restricted	Endowment	General	Restricted	Endowment
Transfers received (paid)						
Contributions to reserves	-	-	-	32	(32)	-
Purchase capital and intangible assets	(4,355)	4,355	-	(12,003)	12,003	-
Maintenance and replacements	(917)	917	-	(962)	962	-
Debt reduction	(1,926)	1,926	-	(1,866)	1,866	-
Research and specific purposes	(408)	(47)	455	(440)	415	25
Program support	578	78	(656)	580	(9)	(571)
Total	(7,028)	7,229	(201)	(14,659)	15,205	(546)

### 14. Commitments

Encumbrances at March 31, 2014 were \$2,647. The University has entered into various agreements for capital expenditures in the upcoming fiscal year. The total capital budget for the 2015 fiscal year is \$3,348. In addition, the University has also begun a major construction project. In March 2014 the University approved a \$3,900 project to renew the recreation centre, constructed in 1986, and the stadium, constructed in the late 1960's. This project is expected to be completed by October 2014. Expenditures of \$752 related to this project were included in encumbrances at March 31, 2014. In April 2014 the University approved a major capital project for \$2,700 to improve energy consumption, temperature control and air quality in the Science and McNally Buildings. This 18 month project is to be financed over a ten year period and is expected to result in significant annual savings in fuel and electricity costs,

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

2015	1,176
2016	769
2017	140
2018	22
2019	-

## Notes to the Financial Statements

For the year ended March 31, 2014  
(\$ thousands)

### 15. Contingencies

The University participates in a reciprocal exchange of insurance risks in association with 58 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, 2013, CURIE had an accumulated excess of income over expenses of \$66,208, of which the University's pro-rata share is approximately 0.84% 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 \$995,000 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 \$25,000. 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 \$25,000. 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 of the comparative figures have been reclassified to conform to the financial statement presentation adopted for 2014.

**Schedules to the Financial Statements**

Schedule 1

**General Fund - Statement of Operations and Changes in Fund Balances**  
For the year ended March 31  
(\$ thousands)

	General Fund					
	2014			2013		
	Operating	Projects and Reserves	Total	Operating	Projects and Reserves	Total
<b>Revenues</b>						
Government grants and contributions						
Government of Canada	1,540	2	1,542	1,467	3	1,470
Government of Nova Scotia	34,037	5	34,042	35,023	-	35,023
Other	-	-	-	-	4	4
Other grants	68	5	73	45	42	87
Student fees	64,006	-	64,006	60,588	-	60,588
Gifts and bequests	122	1	123	89	1	90
Sales of services and products	16,728	6	16,734	16,635	10	16,645
Income from investments	219	1,194	1,413	193	972	1,165
Miscellaneous income	999	337	1,336	882	134	1,016
	<u>117,719</u>	<u>1,550</u>	<u>119,269</u>	<u>114,922</u>	<u>1,166</u>	<u>116,088</u>
<b>Expenses</b>						
Salaries	65,094	680	65,774	62,985	247	63,232
Employee benefits	9,318	42	9,360	9,422	18	9,440
Equipment rental	814	-	814	852	-	852
Materials and supplies	2,574	119	2,693	2,418	108	2,526
Communications	714	1	715	724	5	729
Travel	2,757	149	2,906	2,492	141	2,633
Utilities	3,139	-	3,139	2,832	-	2,832
Printing and duplicating	741	3	744	797	-	797
Library acquisitions	1,136	-	1,136	1,066	-	1,066
Hospitality	898	18	916	821	5	826
Repairs and maintenance	1,972	25	1,997	1,845	-	1,845
Promotion and student recruitment	3,680	18	3,698	3,094	-	3,094
Professional fees	726	471	1,197	576	63	639
Rent	295	-	295	338	-	338
Other operational expenses	3,865	236	4,101	3,666	402	4,068
Cost of goods sold	5,239	-	5,239	5,222	-	5,222
Student financial aid	4,741	23	4,764	4,385	23	4,408
Interest	2,551	10	2,561	2,546	16	2,562
Internal cost recoveries	(577)	(35)	(612)	(367)	(18)	(385)
	<u>109,677</u>	<u>1,760</u>	<u>111,437</u>	<u>105,714</u>	<u>1,010</u>	<u>106,724</u>
Revenues less expenses before transfers	8,042	(210)	7,832	9,208	156	9,364
Interfund transfers	(8,078)	1,050	(7,028)	(9,208)	(5,451)	(14,659)
Net increase (decrease) in fund balances	<u>(36)</u>	<u>840</u>	<u>804</u>	<u>-</u>	<u>(5,295)</u>	<u>(5,295)</u>
Fund balances, beginning of year						
Internally restricted	-	22,929	22,929	-	28,224	28,224
Unrestricted	2,789	-	2,789	2,789	-	2,789
Fund balances, beginning of year, total	<u>2,789</u>	<u>22,929</u>	<u>25,718</u>	<u>2,789</u>	<u>28,224</u>	<u>31,013</u>
Fund balances, end of year						
Internally restricted	-	23,769	23,769	-	22,929	22,929
Unrestricted	2,753	-	2,753	2,789	-	2,789
Fund balances, end of year, total	<u>2,753</u>	<u>23,769</u>	<u>26,522</u>	<u>2,789</u>	<u>22,929</u>	<u>25,718</u>

See accompanying notes to the financial statements.

**Schedules to the Financial Statements**

Schedule 2

**Restricted Fund - Statement of Operations and Changes in Fund Balances**  
For the year ended March 31  
(\$ thousands)

	Restricted Fund									
	2014					2013				
	Capital	Research	Trust	Specific Purpose	Total	Capital	Research	Trust	Specific Purpose	Total
<b>Revenues</b>										
Government grants and contributions										
Government of Canada	-	5,848	-	2,180	8,028	52	5,497	-	467	6,016
Government of Nova Scotia	28	101	-	2,236	2,365	-	96	-	1,397	1,493
Other	-	18	-	-	18	-	-	-	-	-
Other grants	-	1,372	-	62	1,434	9	1,351	-	102	1,462
Student fees	-	-	-	-	-	-	-	-	-	-
Gifts and bequests	12	103	417	405	937	143	100	380	1,467	2,090
Sales of services and products	-	26	14	354	394	-	-	12	611	623
Income from investments	-	1	345	409	755	-	1	262	277	540
Miscellaneous income	-	-	145	349	494	-	16	164	400	580
	40	7,469	921	5,995	14,425	204	7,061	818	4,721	12,804
<b>Expenses</b>										
Salaries	-	3,267	5	1,506	4,778	-	3,161	8	456	3,625
Employee benefits	-	234	-	51	285	-	249	1	49	299
Equipment rental	-	-	-	9	9	-	-	-	9	9
Materials and supplies	650	376	10	113	1,149	518	437	4	46	1,005
Communications	-	5	-	5	10	-	7	-	2	9
Travel	-	946	7	461	1,414	-	840	6	396	1,242
Printing and duplicating	-	1	-	18	19	-	9	-	27	36
Hospitality	-	17	15	206	238	-	34	17	317	368
Repairs and maintenance	771	-	-	-	771	454	-	-	-	454
Promotion and student recruitment	-	1	26	43	70	-	1	8	29	38
Professional fees	-	324	79	233	636	-	214	62	377	653
Rent	-	-	-	21	21	-	-	-	8	8
Other operational expenses	-	164	97	229	490	-	146	68	251	465
Student financial aid	-	601	607	45	1,253	-	510	519	77	1,106
Amortization of capital and intangible assets	9,245	-	-	-	9,245	9,001	-	-	-	9,001
Internal cost recoveries	-	159	3	450	612	-	192	3	190	385
	10,666	6,095	849	3,390	21,000	9,973	5,800	696	2,234	18,703
Revenues less expenses before transfers	(10,626)	1,374	72	2,605	(6,575)	(9,769)	1,261	122	2,487	(5,899)
Interfund transfers	8,039	(437)	(225)	(148)	7,229	16,737	(330)	149	(1,351)	15,205
Net increase (decrease) in fund balances	(2,587)	937	(153)	2,457	654	6,968	931	271	1,136	9,306
<b>Fund balances, beginning of year</b>										
Externally restricted	-	5,005	4,256	9,485	18,746	-	4,074	3,985	8,349	16,408
Invested in capital assets	95,065	-	-	-	95,065	88,097	-	-	-	88,097
Fund balances, beginning of year, total	95,065	5,005	4,256	9,485	113,811	88,097	4,074	3,985	8,349	104,505
<b>Fund balances, end of year</b>										
Externally restricted	-	5,942	4,103	11,942	21,987	-	5,005	4,256	9,485	18,746
Invested in capital assets	92,478	-	-	-	92,478	95,065	-	-	-	95,065
Fund balances, end of year, total	92,478	5,942	4,103	11,942	114,465	95,065	5,005	4,256	9,485	113,811

See accompanying notes to the financial statements.



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

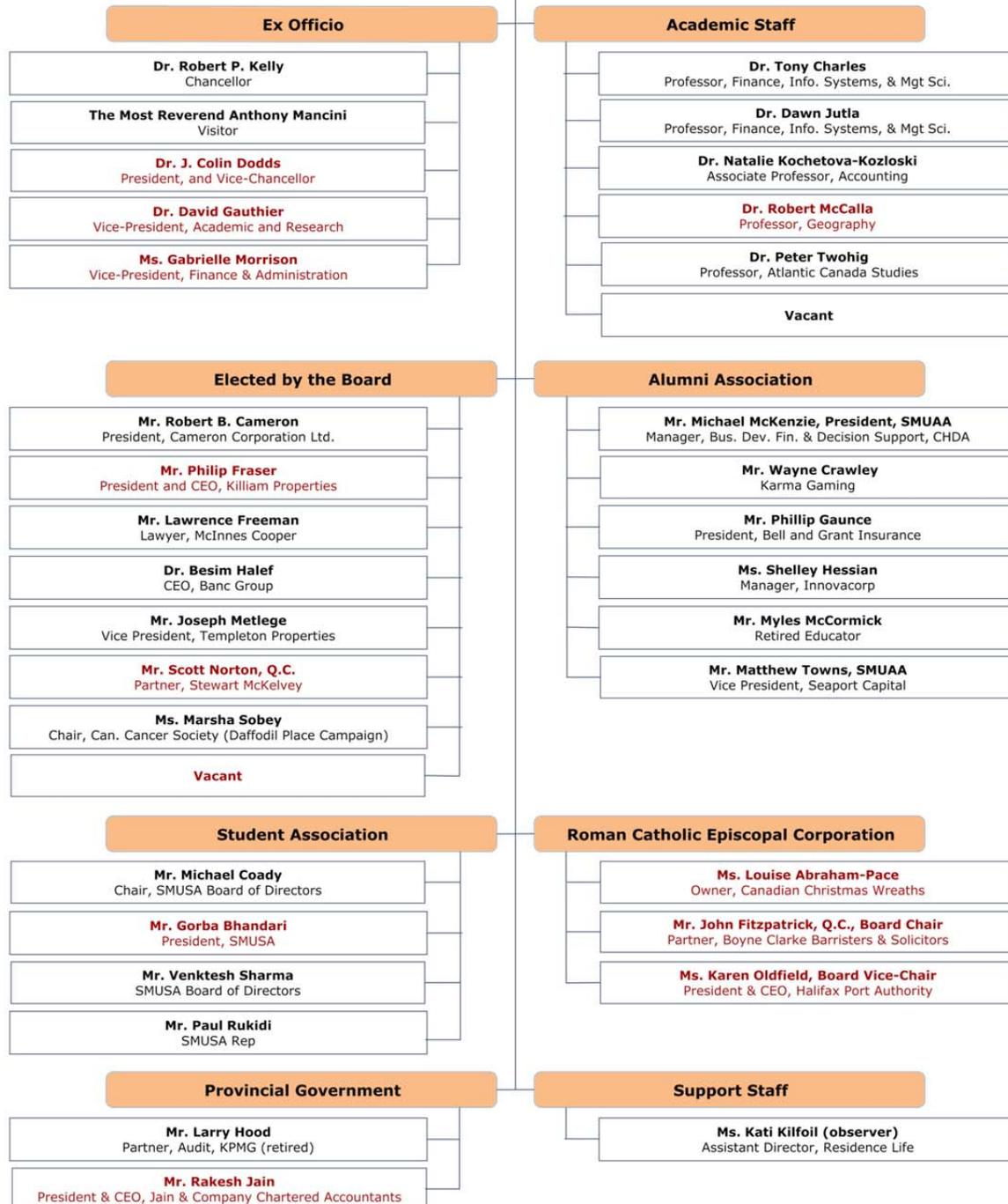
# **University and Financial Governance**

**March 31, 2014**

## University Governance

### Board of Governors

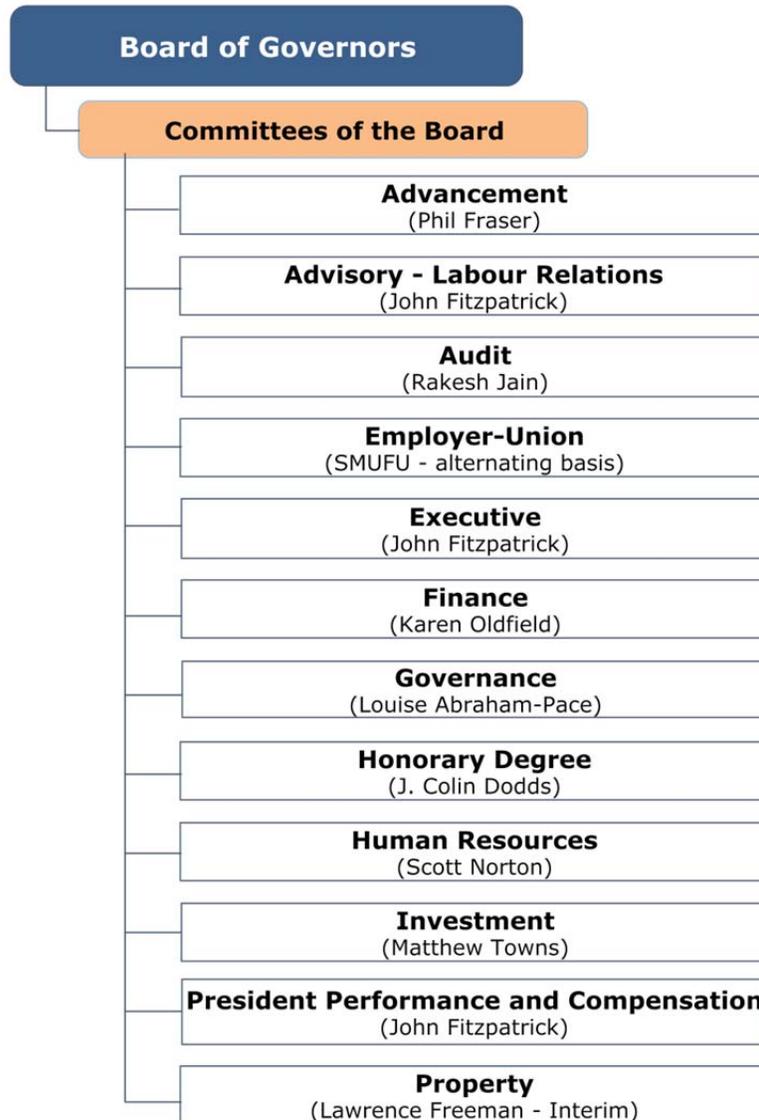
Appointments by groups indicated below as at March 31, 2014  
Members also on the Executive Committee shown in red



Saint Mary's University Act – The Board has the government, conduct, management and control of the University and of its property, revenues, expenditures, business and affairs, and has all powers necessary or convenient to perform its duties and achieve the objects of the University.

## Board Committee Structure

The Board of Governors obtains advice and reports from a number of elected committees. The following is a list of Board Committees (with Chairs shown in brackets) as at March 31, 2014.



The financially oriented committees (Finance, Investment, and Audit) are further discussed on page iii.

Each committee is governed by its Terms of Reference approved by the board. The by-laws of the University require that a majority of each standing committee shall be Governors and that the Chair of each standing committee shall be a Governor. Each committee is advisory to the board unless, and to the extent that, the board specifically grants it decision-making authority.

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

*Appointments as at March 31, 2014*



The Finance Committee provides financial advice to the Board of Governors. The functions of the committee include review, reporting and recommendations on the annual operating and capital budget, including tuition and fee schedules, funding requirements and sources of financing. The committee reviews ongoing financial operations with the President and the VP Finance and Administration and also deals with other financial matters referred to it by the board or administration.



The primary purpose of the Audit Committee is to assist the Board of Governors in fulfilling its oversight responsibilities by overseeing the internal control environment and reviewing the audited financial statements and annual financial report that will be provided to University stakeholders. The Audit Committee contributes to the overall governance of Saint Mary's University by promoting a culture of transparency, honesty and ethical behaviour.

The Committee also assists the Board of Governors in its responsibility for risk management. The primary purpose in this regard is to ensure, on behalf of the Board, that effective risk management policies, procedures and practices are in place and to provide oversight for the effectiveness of the risk mitigation strategies.

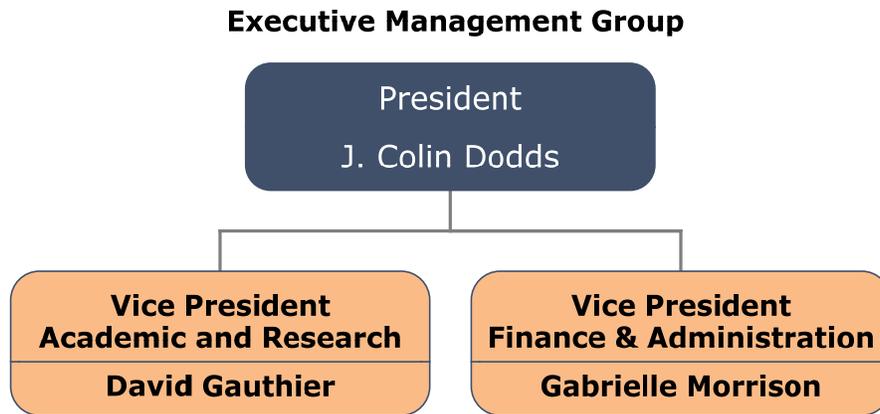
The external auditor, Grant Thornton LLP reports to the Audit Committee independent of management.



The Investment Committee is a decision-making body empowered by the Board of Governors to invest the endowment and development funds, select firms to manage the investment portfolio, and to review the performance of University investments. The committee is fortunate to have the volunteer services of members, external to the board, with extensive investment experience (noted with \*).

## Financial Leadership – Executive Management Group

*Appointments as at March 31, 2014*



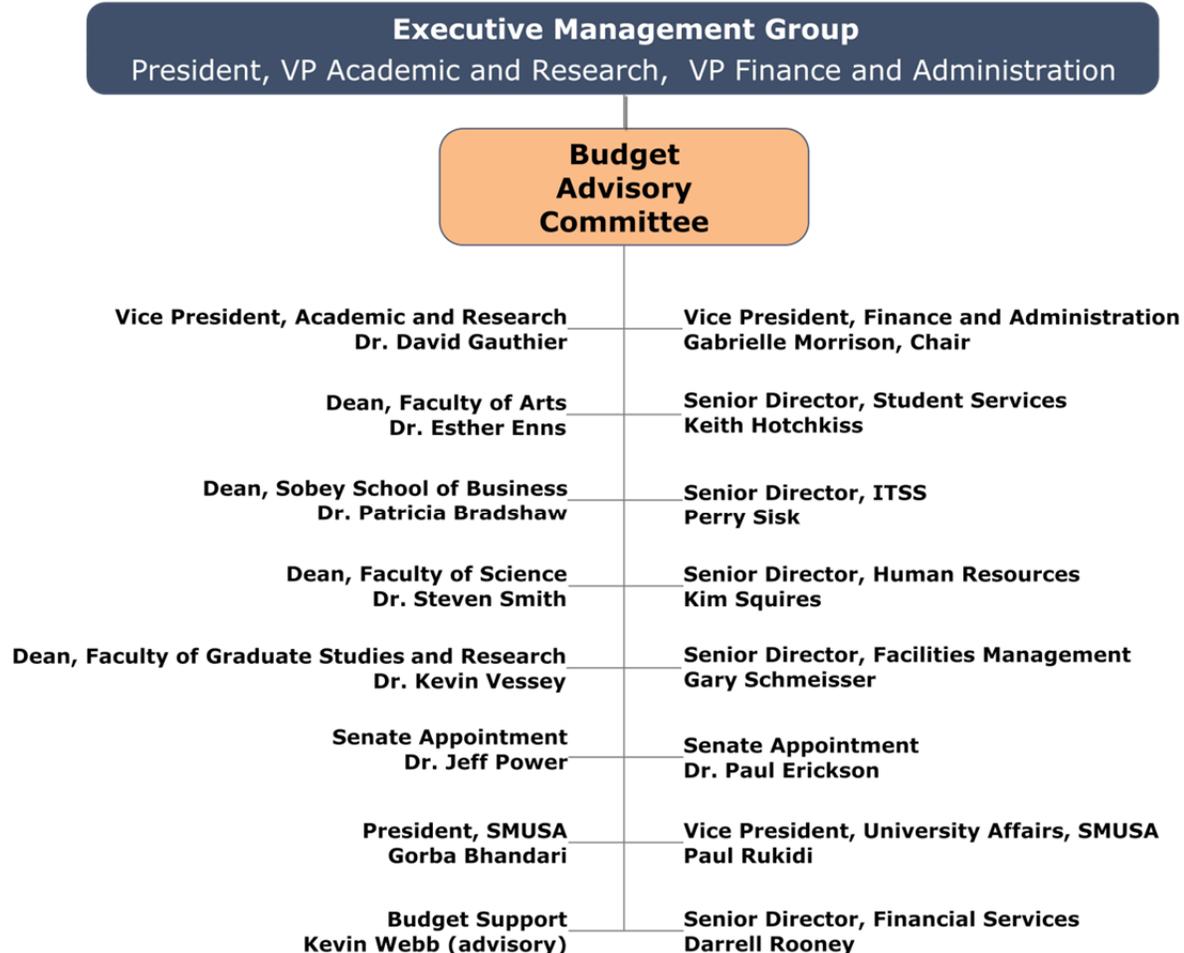
### **Saint Mary's University Act**

“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 corporate environment 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, 2014**



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
- Executive Management Group
- Finance Committee and Board Executive Committee