



**SAINT MARY'S**  
UNIVERSITY SINCE 1802

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

# **Annual Financial Report**

**March 31, 2013**

## Annual Financial Report, March 31, 2013 – Table of Contents

Introduction.....	1
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### **Management Discussion and Analysis**

Strategic Focus.....	2
University Environment .....	3
Vital Signs .....	4
University Facts .....	5
Responsibility for Financial Reporting .....	6
Fund Accounting.....	7
Financial Position and Fund Balances.....	8
Financial Condition Analysis .....	9
• Operations .....	10
• Asset Management .....	11
• Fundraising and Endowment .....	12
• Debt Capacity .....	13
General Fund Analysis	
• Operating Fund - Revenues .....	14
• Operating Fund - Expenses.....	15
Restricted and Endowment Fund Analysis	
• Capital Fund.....	16
• Trust and Endowment Funds.....	17
• Research and Specific Purpose Funds.....	18

### **Financial Statements**

Auditors' Report.....	19
Statement of Financial Position.....	20
Statement of Operations and Changes in Fund Balances.....	21
Statement of Cash Flows .....	22
Notes to the Financial Statements.....	23
Schedules to the Financial Statements	
• 1 General Fund - Statement of Operations and Changes in Fund Balances .....	30
• 2 Restricted Fund - Statement of Operations and Changes in Fund Balances.....	31

### **Appendix: University and Financial Governance**

University Governance.....	i
Financial Leadership - Committees of the Board of Governors	
• Board Committee Structure .....	ii
• Finance Committee, Investment Committee and Audit Committee .....	iii
Financial Leadership - Management	
• Executive Management Group .....	iv
• Budget Advisory Committee .....	v

## Introduction

I am pleased to introduce the Annual Financial Report for the 2012/13 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.

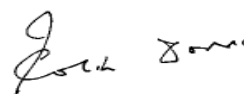
The Board of Governors of Saint Mary's University, as trustee of university financial, physical and human assets, has a fiduciary responsibility to oversee financial management. Financial statements help to fulfil this financial oversight role but these, in isolation, do not always satisfy the various 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 20-31) 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, 2013 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, 2013.



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



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

# **Management Discussion and Analysis**

**March 31, 2013**

## 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.
- 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 98 members belonging to the Association of Universities and Colleges of Canada (AUCC). Canadian universities serve more than 1.3 million full-time and part-time students in various degree and continuing education programs and directly employ more than 272,000 people. Nationally, universities are a \$30 billion enterprise in direct expenditures alone – larger than the pulp and paper industry or the oil and gas extraction industry and are significant drivers of economic prosperity across Canada (AUCC, 2012). The system in Nova Scotia includes 10 universities, with 6 located in Halifax.

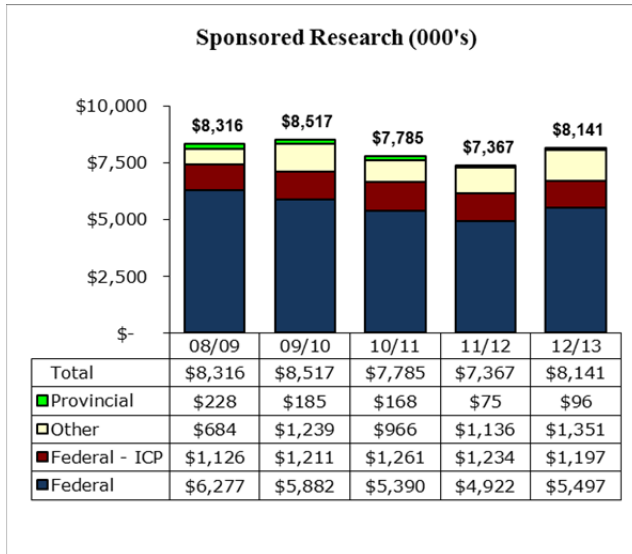
The chart below summarizes the internal and external environment of Saint Mary's. This analysis points to those things we must do well to survive in our competitive situation.

<b>SWOT Analysis (Strengths, Weaknesses, Opportunities and Threats)</b>	
<p style="text-align: center; margin: 0;"><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; margin: 0;"><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/stadium</li> </ul>
<p style="text-align: center; margin: 0;"><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; margin: 0;"><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>

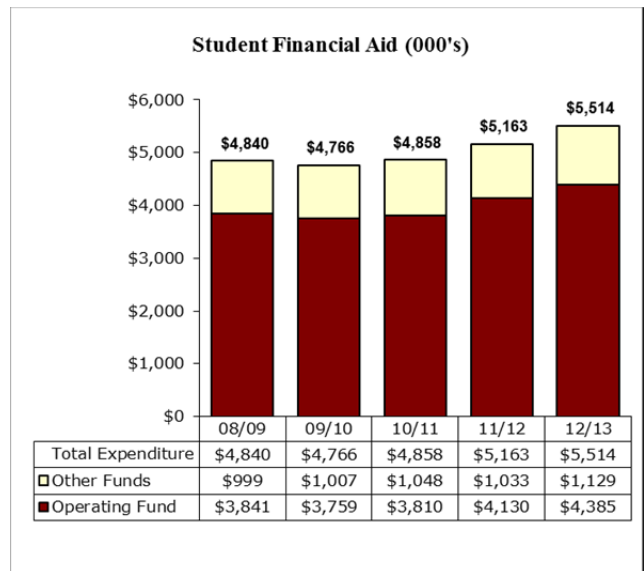
Canadian universities currently offer more than 10,000 undergraduate and graduate degree programs as well as professional degree programs and certificates. Canadian degrees are globally recognized.

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.

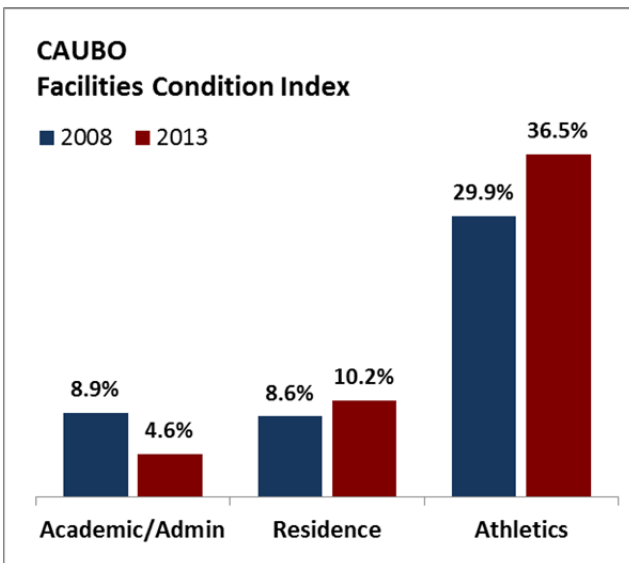
## Vital Signs



- Funding from the Indirect Costs Program, decreased 3% in 2012/13 from the prior year.
- Federal funding for sponsored research, increased 11.7% from the prior year.



➤ SMU spending on scholarships, fellowships and bursaries increased by 6.8% in 2012/13.



➤ Overall, SMU has made improvements in its Facilities Condition Index (FCI) in the past five years – total campus FCI has dropped from 10.8% in 2008 to 9.2% in 2013.

**CAUBO FCI Standards**

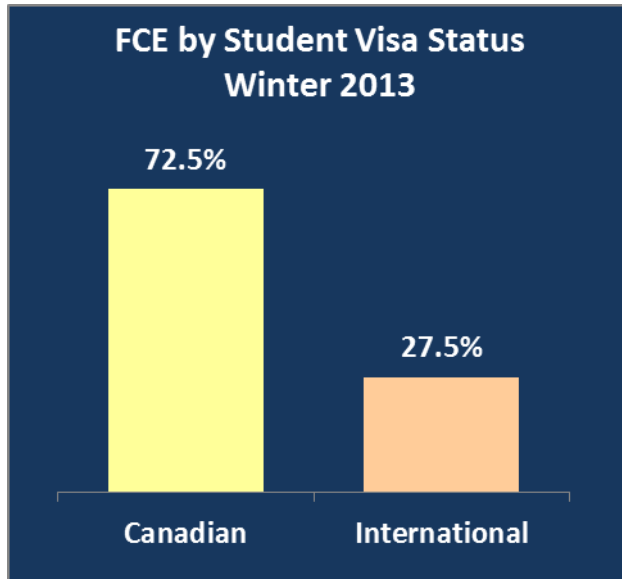
0-5%    Excellent to Good  
 6-10%    Fair to Poor  
 > 10%    Unacceptable

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

**2012/13 Varsity Sport Teams (prior year in brackets)**

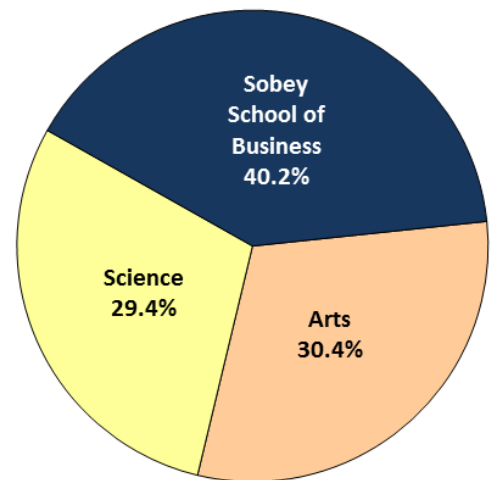
1 (2) AUS Champions (Women's Basketball),  
 56 (37) CIS Academic All-Canadians, 11 (9) CIS All-Canadians, 32 (29) AUS All-Stars

## University Facts



- Saint Mary's students originate from 117 different countries
- The largest international student contingents are from China, Saudi Arabia, India and Bangladesh
- 6,042 full-time students
- 1,389 part-time students
- The student population is 47% female, 53% male

### Course Registrations by Faculty 2012/13



Residence	Loyola	Vanier	Rice	Total
Single/Super Single	321	83	213	617
Double	112	136	96	344
Senior Apartments	78	6	0	84
Premium Suites	26	0	0	26
Family/Graduate	62	0	0	62
<b>Total Beds</b>	<b>599</b>	<b>225</b>	<b>309</b>	<b>1,133</b>

- The largest percentage of course registrations is found in Psychology (14.6%)

- Saint Mary's operates three residences, with several different styles of accommodation to suit a variety of student needs. Vacancy rates decreased to 0.4% in October 2012.

Library Holdings	
Print Volumes	455,418
Micromaterials	590,585
Non-Print	42,183
<b>Total</b>	<b>1,088,186</b>

- Students, faculty and other patrons made 691,684 visits to the University library during 2012/13

SMU Employees 2012/13	Full time	Part time
Faculty & Professional Librarians	266	188
Academic (Faculty & Library) and Research Support	186	3
Student Support Services	57	2
Administrative Support Services	90	1
Facilities Management	97	
IT Systems & Support	36	1
Ancillaries	16	
TESL	10	44
<b>Total</b>	<b>758</b>	<b>239</b>

- Saint Mary's also employed more than 1,000 students during 2012/13

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



## 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, 2013 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 CICA 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

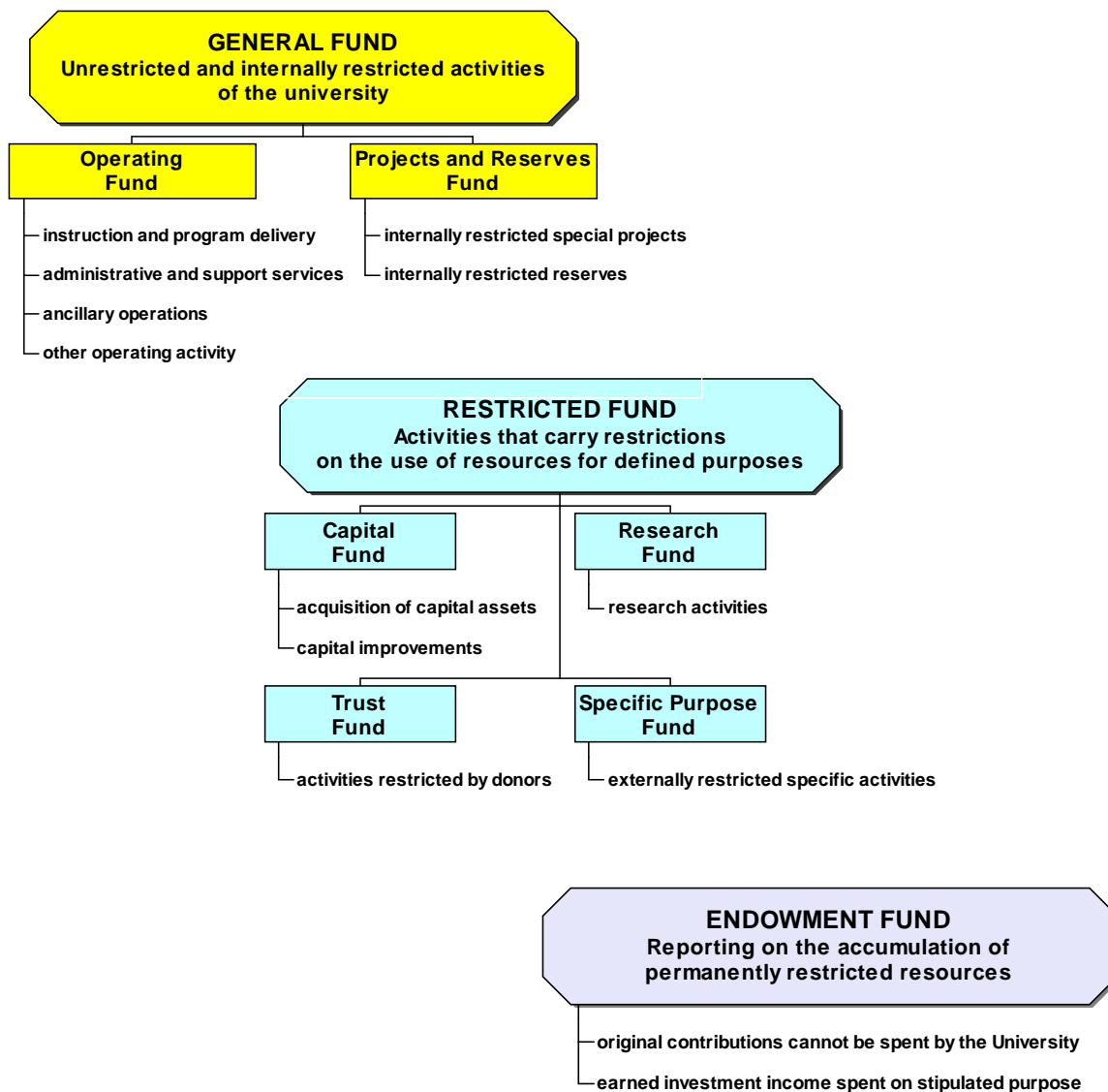
## Fund Accounting

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 *CICA Handbook* and the standards for private enterprises as per Part II of the *CICA Handbook* for items not addressed in Part III.

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

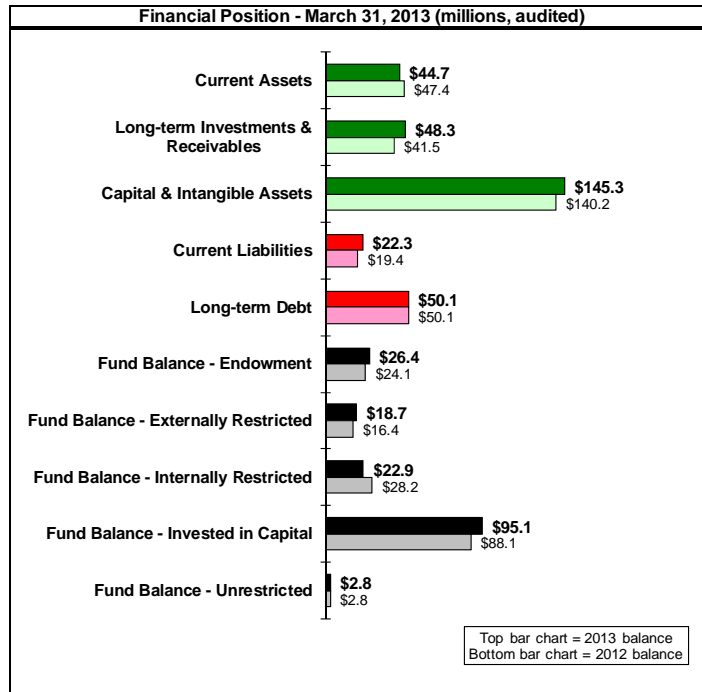
- the General Fund
- the Restricted Fund
- the Endowment Fund



## 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, 2013 reporting date.



University current assets amount to \$44.7 and are made up of cash, short-term investments, accounts receivable, inventories and prepaid expenses. The year-end balance of current assets was \$2.7 lower than the previous year. Long-term investments and receivables increased \$6.8 compared to the prior year and ended 2012/13 at \$48.3. The investments earned \$4.4 during the year and the university received \$2.4 in gifts and bequests. The long-term investments are recorded at fair value and the investment income included unrealized gains of \$2.2 from the change in the fair value of the investments in 2011/12. The gifts are for various purposes including capital construction, program support, and endowments.

Capital and intangible assets, with a net book value of \$145.3, are a prominent component of the university's statement of financial position. The university's buildings comprise 80% of net capital assets.

Current liabilities of \$22.3 include payables, accruals, students' deposits and deferred revenue. The year-end balance increased by \$2.9 compared to the prior year. This is due in large part to \$0.7 increased accruals for employee future benefits and \$0.8 increase in deferred revenue.

During the year, the university completed borrowing for the Homburg Centre for Health & Wellness project (\$2.2). In addition to scheduled repayments, the university was able to fully repay the debt on the Atrium Building Project (\$0.5)

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. \$45.1 relates to resources that are constrained by endowments and other external restrictions; \$22.9 is internally restricted by the university for projects and reserves; \$95.0 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 \$107.4 at March 31, 2008 to \$165.9 at March 31, 2013.

## 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 over \$44 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.

#### 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

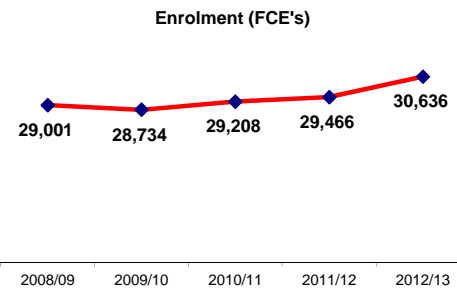
### Operations Analysis, March 31, 2013

**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	2011/12	2012/13
Arts enrolment	9,025	9,147
Science enrolment	8,368	8,850
Sobey School of Business enrolment	10,145	10,483
Graduate Studies and Research enrolment	1,928	2,156
<b>Total enrolment at March 31 (full course equivalents)</b>	<b>29,466</b>	<b>30,636</b>



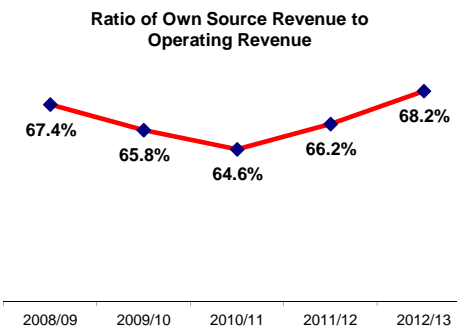
- total enrolment increased 4.0% over the previous year
- the largest increase (482 FCE's) was experienced in Science
- graduate studies enrolment grew by 11.8%

**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	2011/12	2012/13
Own source revenue (millions)	\$73.9	\$78.4
Provincial operating grant (millions)	\$36.3	\$35.0
Federal grant (millions)	\$1.5	\$1.5
Total operating revenue (millions)	\$111.7	\$114.9
<b>Ratio of own source revenue to operating revenue</b>	<b>66.2%</b>	<b>68.2%</b>



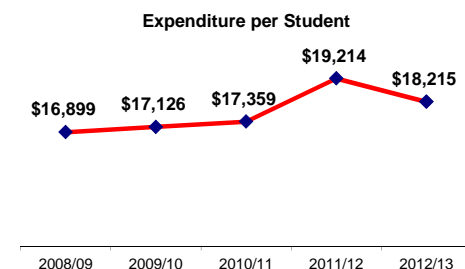
- own source revenue increased in both \$ terms and as a % of total operating revenue
- Provincial grants decreased 3.6% from the previous year
- funding from Federal government grants was unchanged from the previous year

**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	2011/12	2012/13
Annual expenses, all Funds (millions)	\$126.6	\$125.5
Students (full-time equivalents)	6,589	6,890
<b>Expenditure per student</b>	<b>\$19,214</b>	<b>\$18,215</b>



- spending decrease and increased enrolment (FTE) make this ratio less favourable
- expenditure per student down 5.2% from the prior year due to \$6.6 decrease (2012 - \$8.2 increase) in amortization
- SMU ranks 9th of 12 peer group universities (peer median = \$19,693 per student)

## Financial Condition

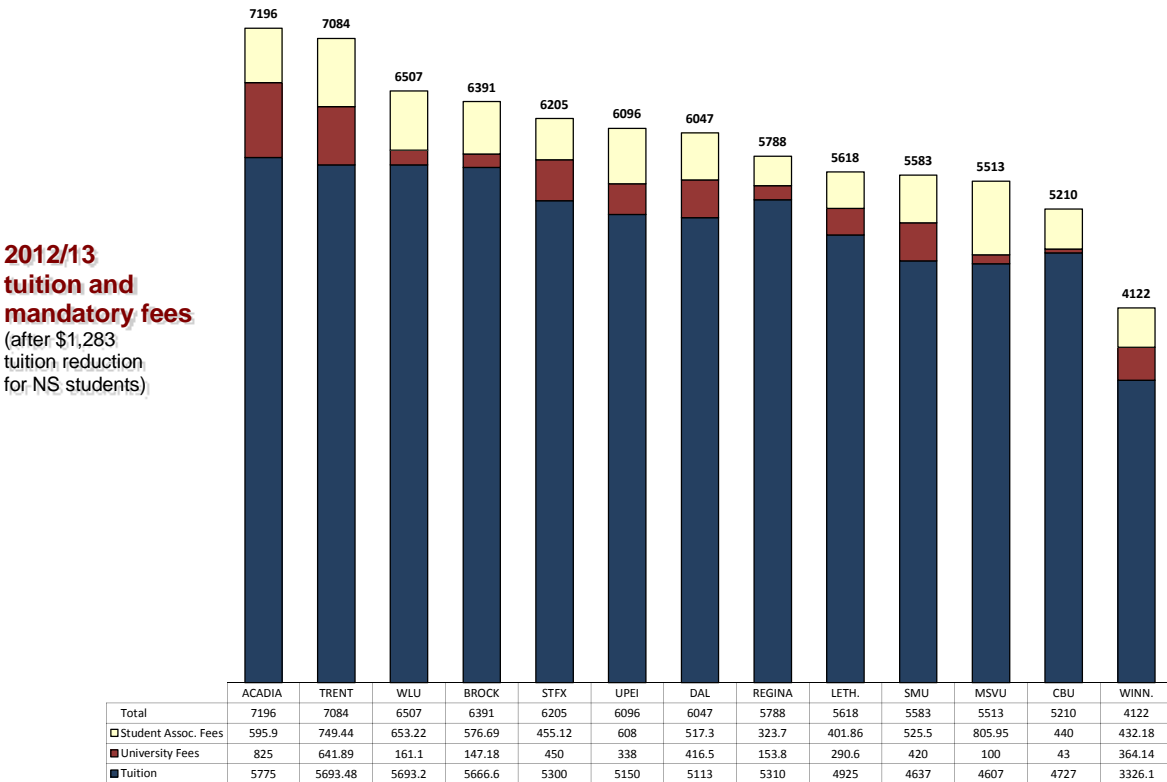
### Operations Analysis, March 31, 2013

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. As a % of total university income, Nova Scotia provides 48.5% compared to the Canadian median of 57.7% (CAUBO / Statistics Canada). Average tuition fees therefore are relatively high. Within Nova Scotia, Saint Mary's University has the second lowest proportion of provincial operating funding (37.7%) relative to the other NS universities.

The following chart shows:



- in 2012/13, the Province of Nova Scotia provided a tuition bursary of \$1,283 for each Nova Scotia student (about 60% 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;  
 37.7% funding compared to the peer group median of 47.0%)

- total cost to attend SMU is \$464 less than the median (\$6,047) of the 12 peer group universities (plus Dalhousie)

- After applying the provincial student bursary, Nova Scotian students paid less tuition in 2012-13 (\$4,637) than ten years ago (\$5,170)

Source of NS and peer group funding information: CAUBO/Statistics Canada report 2012 (last year reported)

Source of provincial funding information: CAUBO/Statistics Canada 2012 (last year reported)

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

## Financial Condition

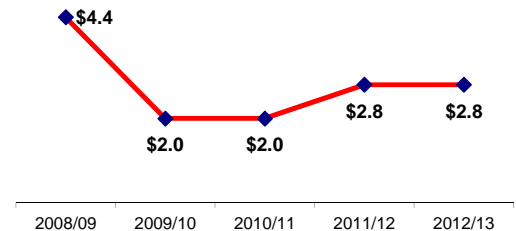
### Asset Management Analysis, March 31, 2013

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	2011/12	2012/13
Unrestricted fund balance, start of year (millions)	\$2.0	\$2.8
Change during the year (millions)	\$0.8	\$0.0
Unrestricted fund balance, end of year (millions)	\$2.8	\$2.8

Unrestricted Resources



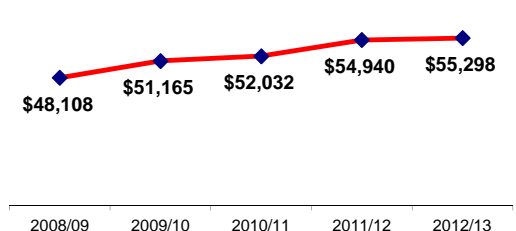
- the unrestricted balance at year end is within the approved range
- SMU balance, \$2.8 million, exceeds the median of the peer group (-\$0.8 million)
- Negative unrestricted resources in 6 of the 12 peer universities

Critical Success Factor 6: **Physical infrastructure**  
 Key Performance Indicator 6: **Current replacement value of capital assets per student**

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

Physical infrastructure	2011/12	2012/13
CRV of capital assets per CURIE valuation (millions)	\$362.0	\$381.0
Number of students (full time equivalents)	6,589	6,890
CRV of capital assets per student	\$54,940	\$55,298

Capital Assets per Student



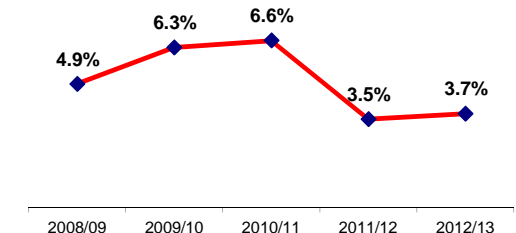
- growth in the value of capital assets due partly to new construction
- construction of English as Second Language facility began May 2012
- Homburg Centre for Health and Wellness completed August 2012

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	2011/12	2012/13
Capital spending (millions)	\$12.6	\$14.1
CRV of capital assets (millions)	\$362.0	\$381.0
Ratio of capital spending to CRV of capital assets	3.5%	3.7%

Capital Spending Ratio



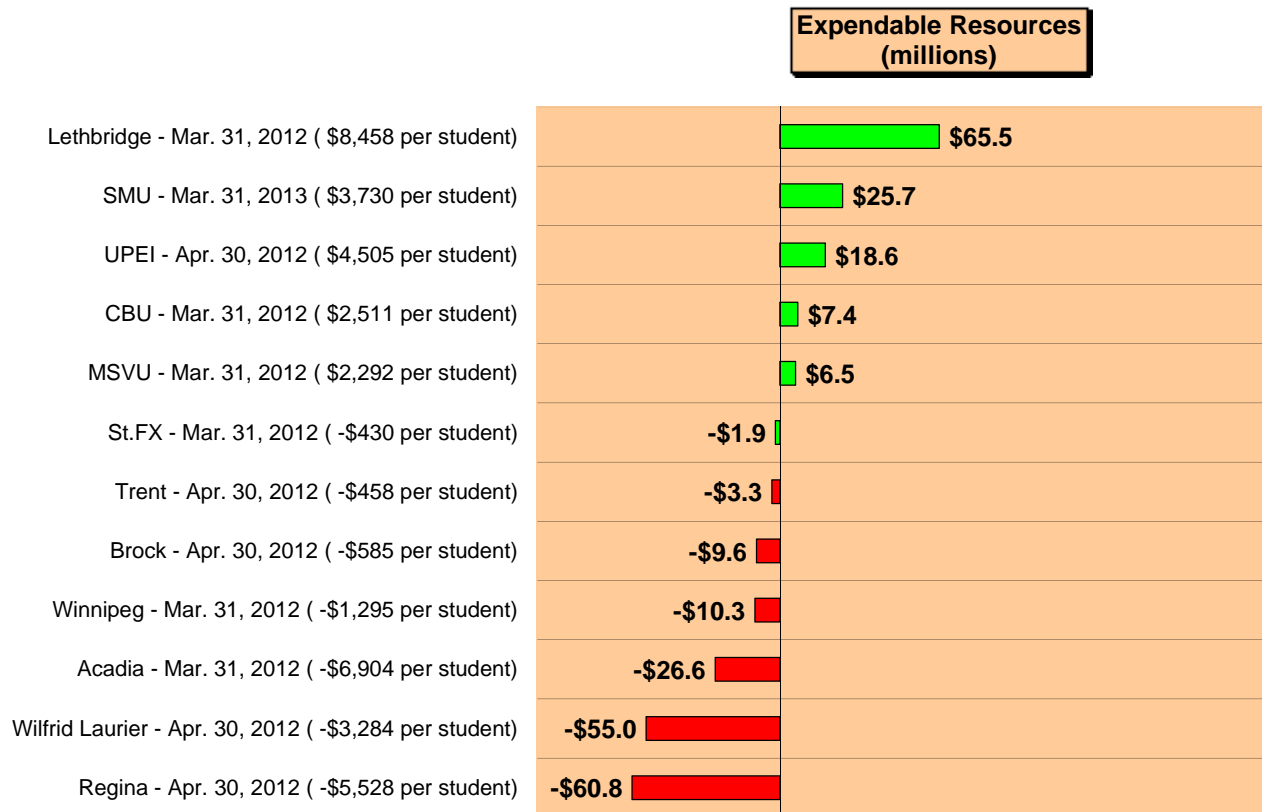
- capital spending tends to be uneven over time and is dependent on available funds
- rule of thumb (2% of CRV) significantly exceeded in each of past 5 years
- Facilities Condition Index has significantly improved over the past 5 years  
*(Facilities Condition Index - see page 4)*

## Financial Condition

### Asset Management Analysis, March 31, 2013

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 \$2.8 million + Internally Restricted Fund Balance \$22.9 million

- Saint Mary's current balance of expendable resources ranks second in 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: 2009 \$16.1 m, 2010 \$19.0 m, 2011 \$26.6 m, 2012 \$31.0 m, 2013 \$25.7 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 2012 Enrolment Survey



## Financial Condition

### Fundraising and Endowment Analysis, March 31, 2013

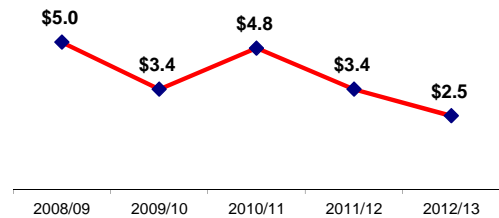
**Critical Success Factor 9: Fundraising**
**Key Performance Indicator 9: Resources provided by fundraising efforts**

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	2011/12	2012/13
Fundraising revenue received during the year (million's)	\$3.4	\$2.5
Pledges due within ten years (million's)	\$3.1	\$1.9

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

Resources provided by fundraising efforts (millions)

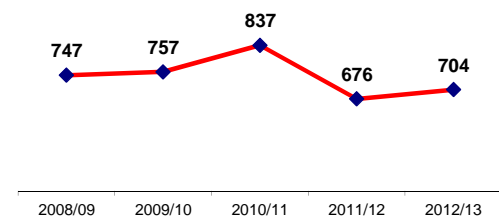

**Critical Success Factor 10: Alumni financial participation**
**Key Performance Indicator 10: Number of alumni contributors**

Philanthropy from Saint Mary's 30,362 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 (CCAIE) 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	2011/12	2012/13
New contributors	46	68
Repeat contributors (3+ consecutive years)	343	345
All other alumni contributors	287	291
<b>Total alumni contributors</b>	<b>676</b>	<b>704</b>

- 4.1% increase in total alumni contributors; 4.6% increase in active alumni
- 2012/13 alumni financial participation rate 2.3%, down from 2.4% in 2011/12
- alumni financial participation rate well below our 10% - 15% target range

Number of Alumni Contributors

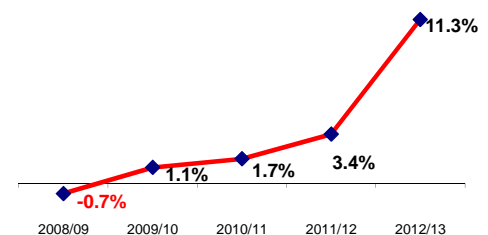

**Critical Success Factor 11: Management of endowment investments**
**Key Performance Indicator 11: Endowment fund performance**

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	2011/12	2012/13
Endowed Funds Investment Pool		
Four-year average rate of return	3.4%	11.3%

- The 4-year results shown in the chart were heavily affected by the 18.5% loss in 2008/09
- Comments from Mercer (independent investment monitor):  
 The current active managers are well rated and expected to outperform benchmark.  
 The investment policy is likely to support the current SMU endowment spending policy.
- 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, 2013

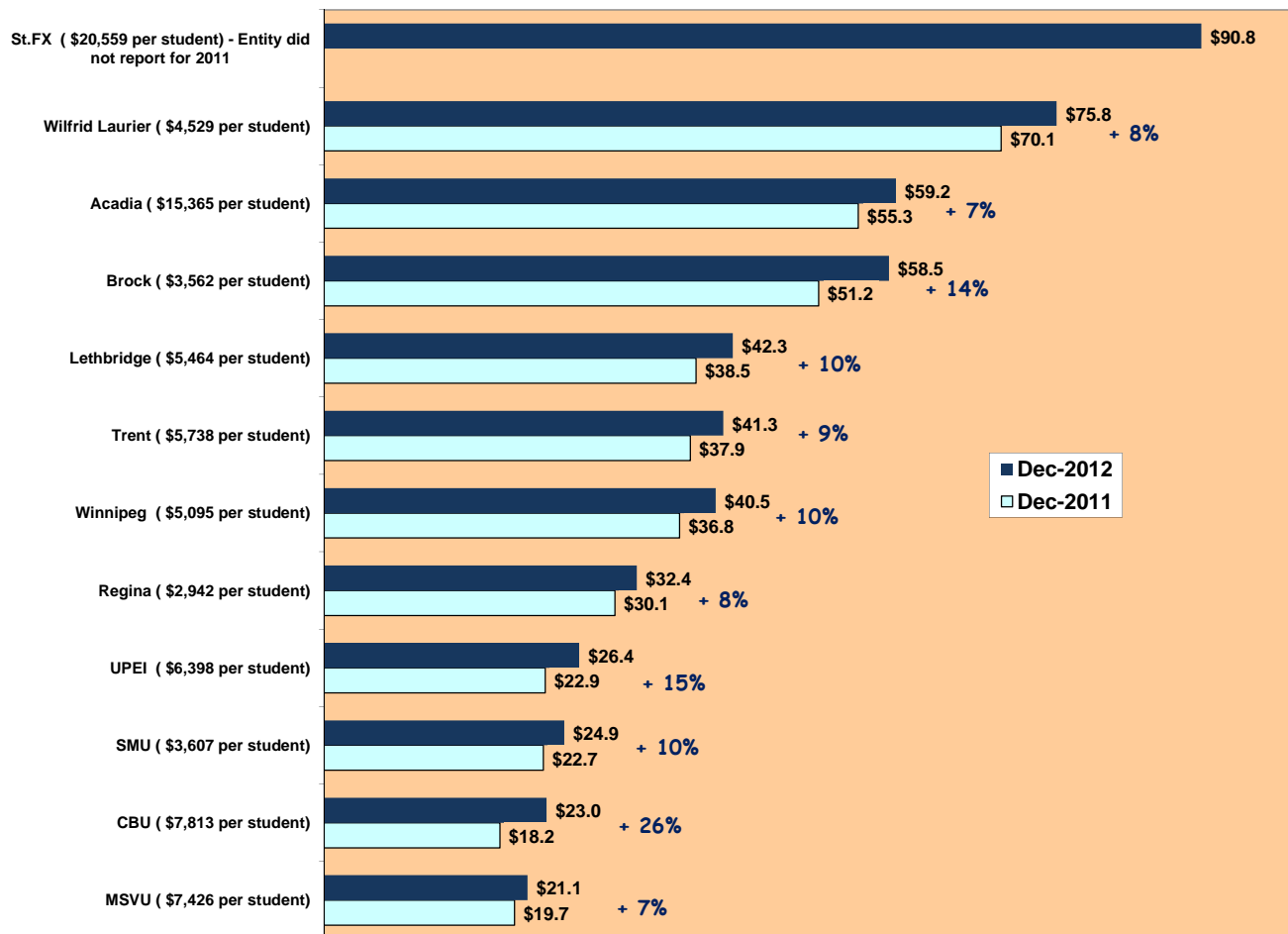
Critical Success Factor 12: **Endowment**

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.

**Market Value of Endowed Assets  
as at December 31 (millions)**



- 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 (\$5,601 per student)
- SMU had a 9% increase in endowed assets over past year, equivalent to the peer group median (9%)

Source of peer group information: CAUBO University Endowment Survey  
 Source of student information: student is defined as full-time equivalent - calculation from AUCC 2012 Enrolment Survey

## Financial Condition

### Debt Capacity Analysis, March 31, 2013

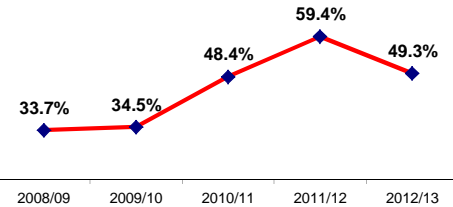
Critical Success Factor 13: **Ability to pay debt charges with medium term resources**  
 Key Performance Indicator 13: **Ratio of expendable resources to debt**

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	2011/12	2012/13
Expendable resources (millions)	\$31.0	\$25.7
Debt, incl. current portion of long-term debt (millions)	\$52.2	\$52.2
Ratio of expendable resources to debt	59.4%	49.3%

- expendable resources decreased, while the university debt was unchanged
- the ratio of expendable resources to debt decreased 10.1% from the previous year
- SMU ratio is more favorable than the university peer group median (-3.4%)

Ratio of Expendable Resources to Debt



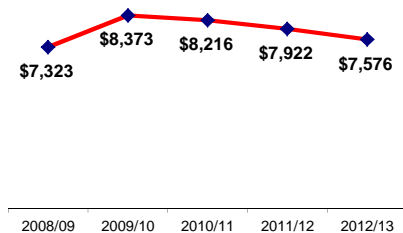
Critical Success Factor 14: **Manageable debt load**  
 Key Performance Indicator 14: **University debt per student**

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	2011/12	2012/13
Debt, incl. current portion of long-term debt (millions)	\$52.2	\$52.2
Number of students (full time equivalents)	6,589	6,890
University debt per student	\$7,922	\$7,576

- SMU debt was unchanged and student FTE's increased from the previous year
- the ratio of debt owed by SMU per student is more favorable than the prior year
- SMU is carrying less debt per student compared to the peer group median (\$9,647)

University Debt per Student



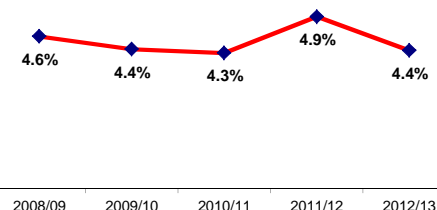
Critical Success Factor 15: **Debt funding strength arising from operations**  
 Key Performance Indicator 15: **Ratio of debt service cost to operating revenue**

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	2011/12	2012/13
Debt service cost: principal + interest (millions)	\$5.5	\$5.0
Total operating revenue (millions)	\$111.7	\$114.9
Ratio of debt service cost to operating revenue	4.9%	4.4%

- 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

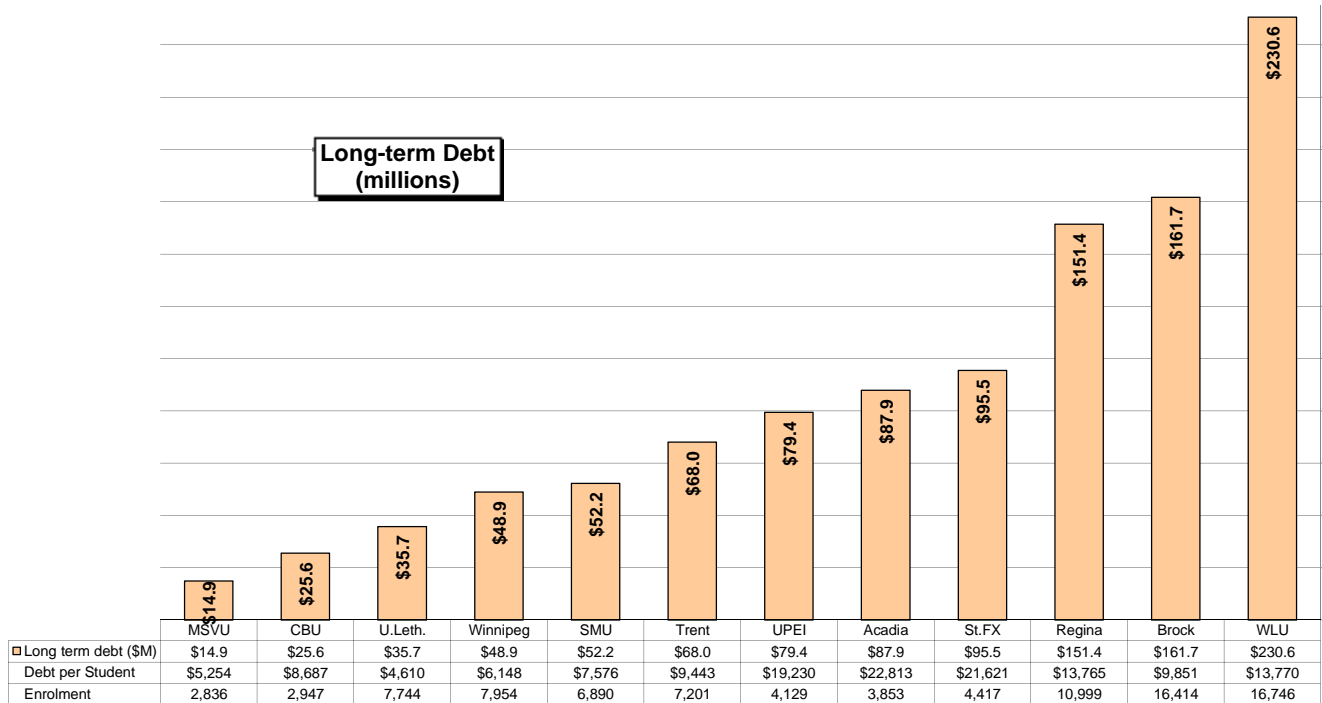
### Debt Capacity Analysis, March 31, 2013

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, \$52.2 million, is less than the total debt median of the peer group (\$73.7 million)
- Most of the university peer group increased debt over the past five years  
 The median debt of the peer group has increased 75% to \$73.7 million in 2012/13 from \$42.0 in 2006/07
- The majority of SMU debt relates to academic assets as opposed to self-financing residence operations;  
 37% of SMU debt relates to residence operations (2012/13 37%, 2011/12 39%, 2010/11 39%, 2009/10 40%, 2008/09 46%)
- \$7,576 debt per student at SMU is lower than the university peer group median (\$9,647)  
 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 2012 Enrolment Survey

## General Fund Analysis Operating Fund - Revenues

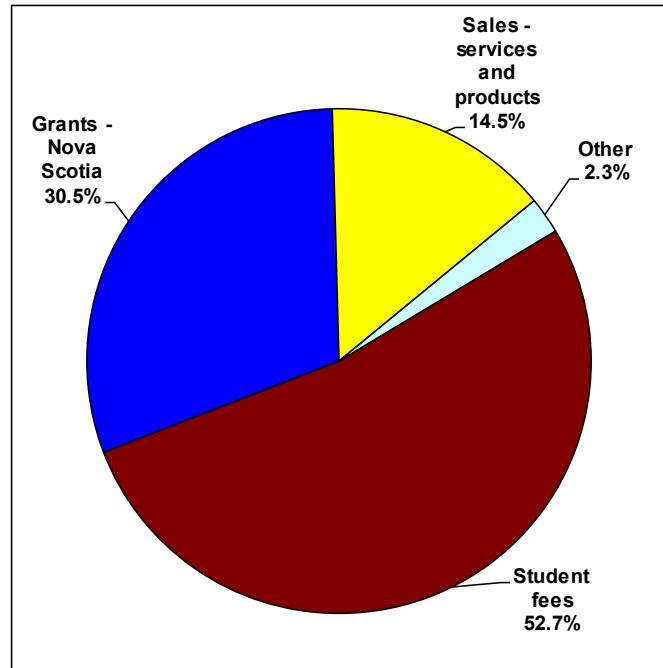
(Millions \$)

The 2012/13 operations of Saint Mary's University produced revenues of \$114.9 (2012 - \$111.7). (see Page 30 – 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 7.6% higher than the prior year. This resulted from increased enrolments in all faculties, a 3% increase in credit-course tuition fees and a 5% increase in the tuition differential paid by international students.

For 2012/13 the Master of Finance Program saw a significant increase in enrolment resulting in a revenue increase of \$0.5. Enrolment in this program is predominantly international students



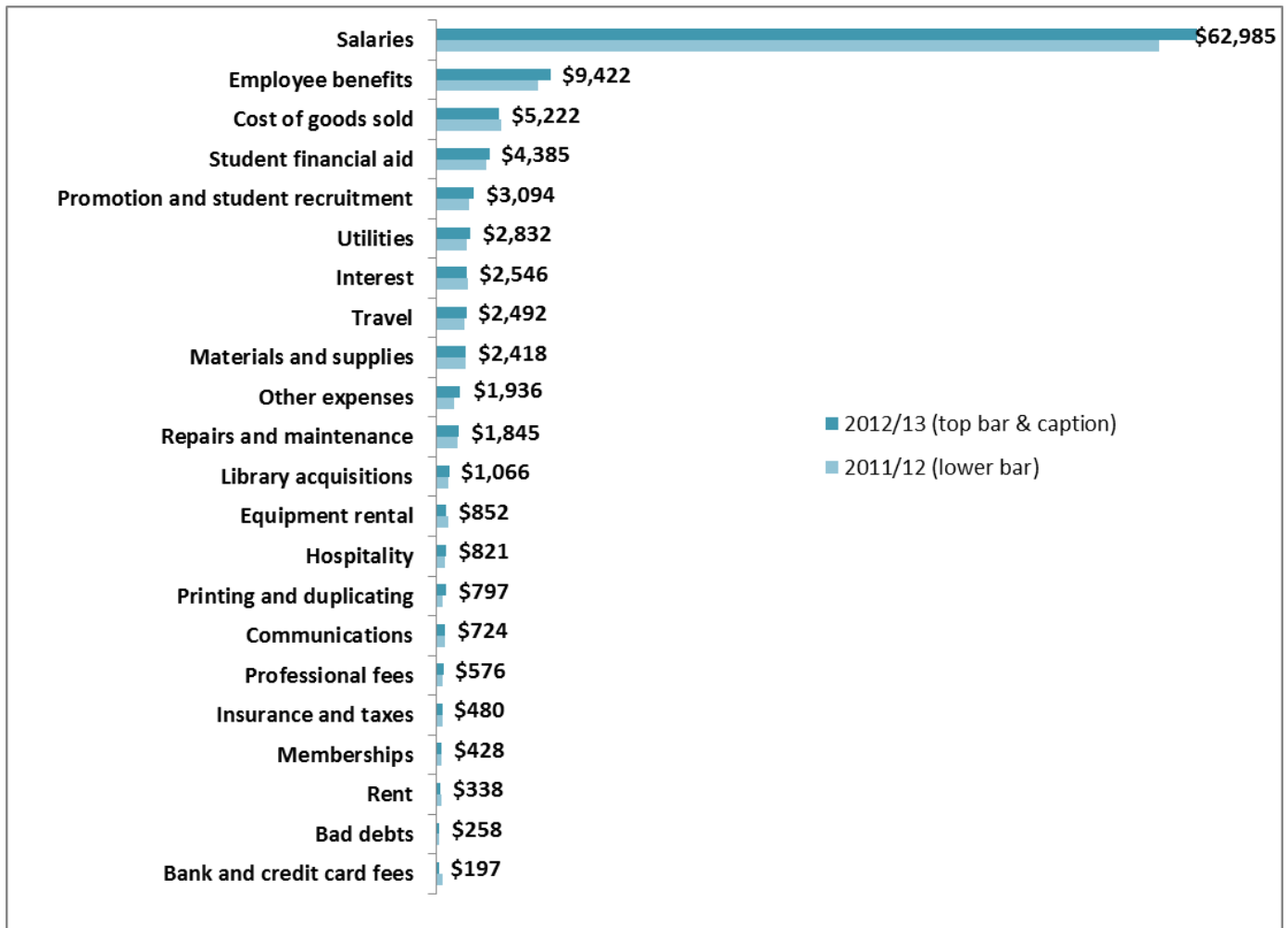
The Province of Nova Scotia, responding to fiscal challenges, reduced funding to the university system for 2012/13 with Saint Mary's reduction being \$1.3. The grant reduction was included in the operating budget approved by the Board of Governors. The provincial grant for the 2013/14 fiscal year will see a further reduction of \$1.0. This amounts to a \$3.7 (10.0%) total reduction over three years.

Overall operating revenue was up \$3.2 over the previous year. After allocating Board of Governors approved strategic initiatives totaling \$1.4, 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

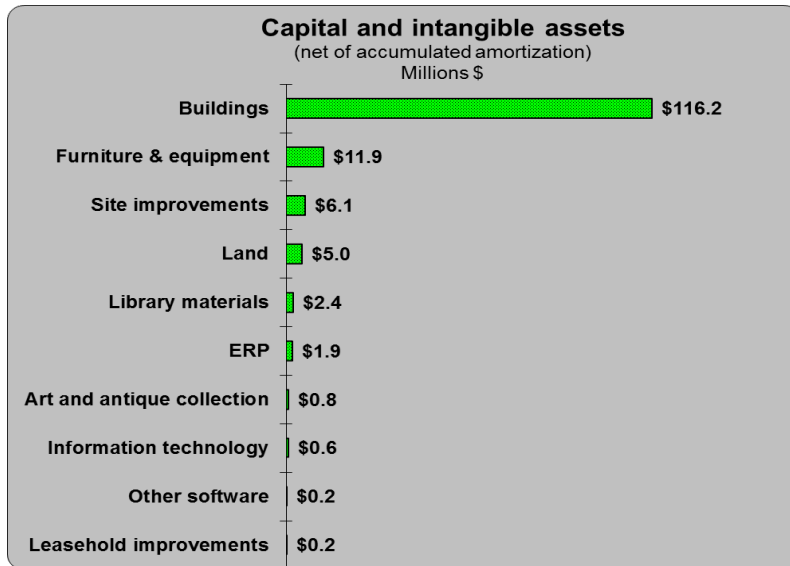
The 2012/13 operations of Saint Mary's incurred expenses of \$105.7 million excluding interfund transfers. The following chart (in thousands) shows the breakdown of operating expenses, including ancillary operations and after reallocating a portion of "other" expenses. (see Page 30 – Operating Fund)

The chart below shows significant expense groups with comparatives for the prior year. The university's largest component of its investment in its educational mission is salaries and benefits (68.5%). In particular, early retirement incentive costs increased by \$0.6 during the year. 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 \$4.4 in 2012/13 (see page 4). In addition, the investment in promotion and student recruitment grew 13% in the last year to \$3.1.



## 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 \$95.1, 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.

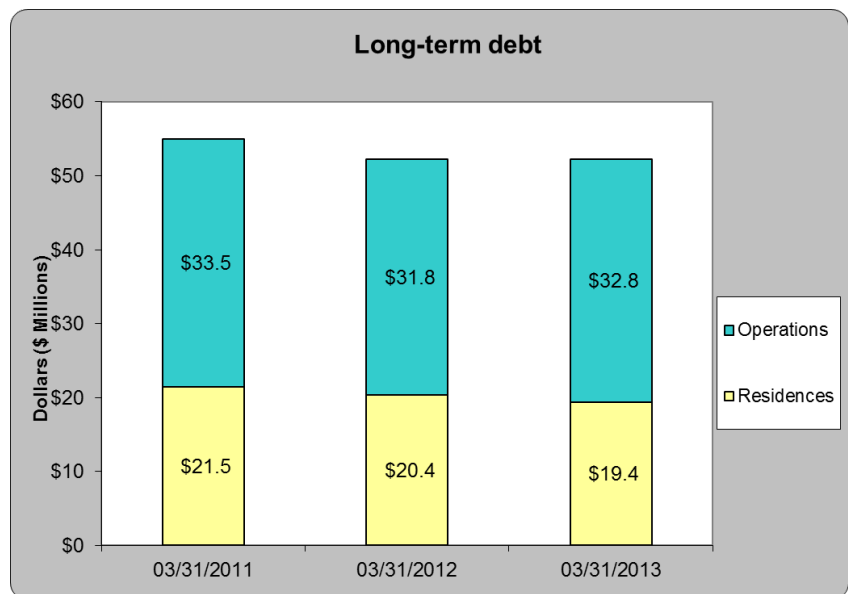
The Capital Fund's balance is the net investment in capital and intangible assets, which consists of the net capital and intangible assets less the related debt. During 2012/13 the university acquired capital and intangible assets of \$14.1. Funding for these acquisitions included transfers from internally restricted funds of \$11.5, transfers from externally restricted donation reserves of \$0.9, transfers from the Operating Fund of \$0.5, and transfers from the Research Fund of \$0.4.

Included in the \$14.1 acquisitions of capital assets was \$8.5 for buildings consisting of new construction and major renovations, \$2.9 for furniture, equipment and interior improvements, \$1.7 for campus improvements, and \$0.4 for library books.

Construction of the Homburg Centre for Health and Wellness building which began in September 2010 was completed and the building opened in April 2012.

Construction began in May 2012 on a new building to house the English as a Second Language program and the Business Development Centre. Located on the northeast corner of the campus, the building is budgeted to cost \$15.0 and is expected to open in August 2013.

By the end of 2012/13 the university's debt was \$52. The portion of long term debt related to academic and administration buildings is 63%. The remainder of the debt relates to the student residence buildings.



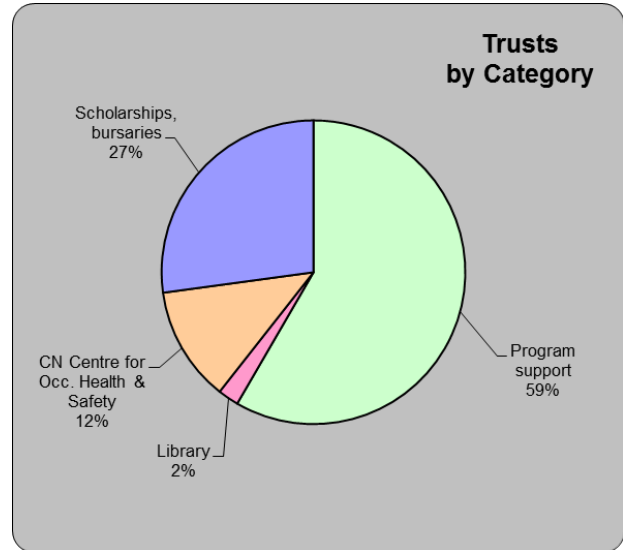


## Restricted Fund Analysis Trust and Endowment Funds

(Millions \$)

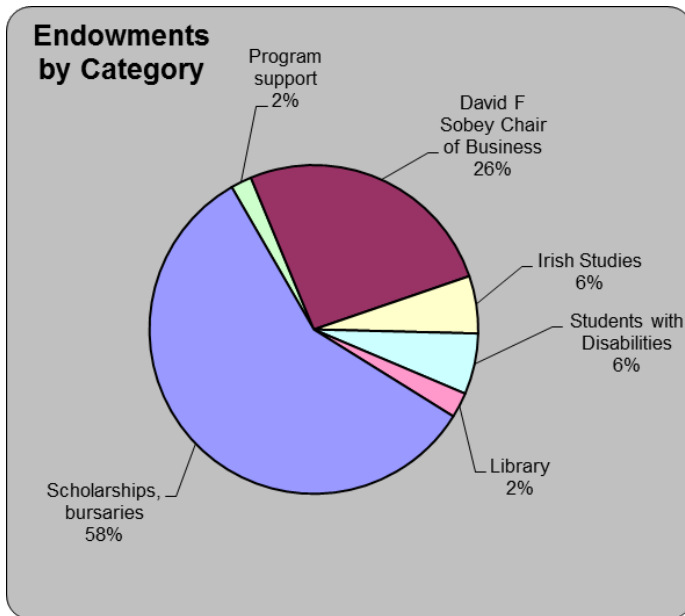
The Trust Fund accounts for activities that have been stipulated by donors and contributors. The chart on the right shows the breakdown of the Trust Fund by category. The Trust Fund balance of \$4.3 consists of expendable trusts and the expendable portion of the university's endowment funds.

The \$26.4 in the Endowment Fund 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, 2013.



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 2012/13 the endowment investments performed well; however, long-term performance remains an issue due to the highly volatile investment markets and the challenging economic times. The endowments recognized net investment income for 2012/13 of \$2.6.

During 2012/13, Saint Mary's University received \$0.2 in endowed donations. Donations of \$0.4 were received during the year in the Trust Fund.

The Trust Fund provided scholarships and bursaries totaling \$0.5 in 2012/13. The Trust Fund also provided \$0.4 to the other funds for program support, research and other specific purposes.



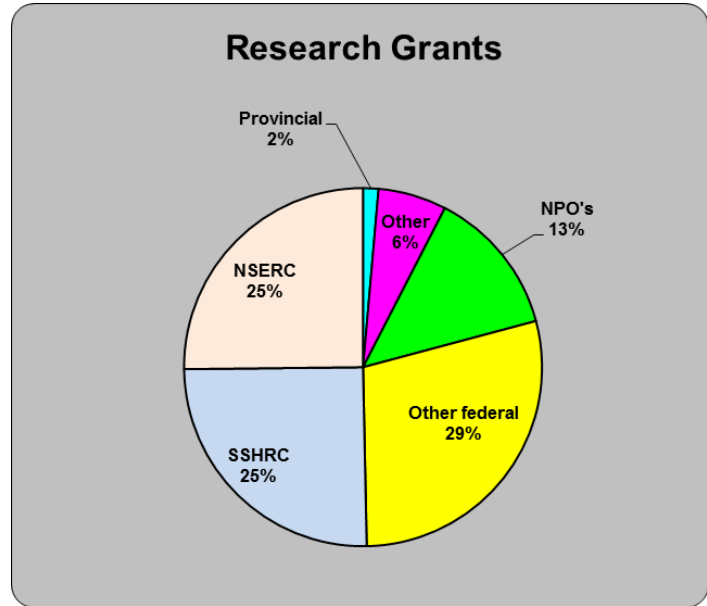
## Restricted Fund Analysis Research and Specific Purpose Funds

(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, \$5.0, consists of contributions available to be carried forward to the following year.

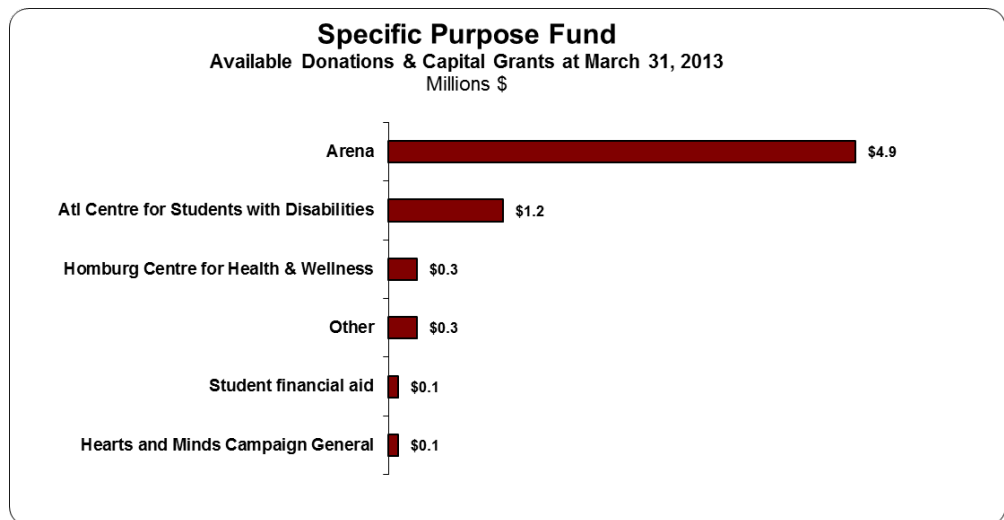
During 2012/13 Saint Mary's University received \$7.1 in contributions for research, up from \$6.2 in 2011/12. The majority of the research expenses were for salaries for research assistants and travel and accommodations relating to research and fieldwork.



### 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 \$1.5 for specific purposes including \$0.8 for the Atrium Construction Project. At March 31, 2013, the fund balance was \$9.5 consisting of:

- \$6.9 in unspent donations and capital grants restricted for a variety of purposes (see chart to the right), and
- \$2.6 of unspent contributions for special projects, conferences, international development and other projects.





# Financial Statements

March 31, 2013

# 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, 2013, the statement 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 audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits 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, 2013, 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 12, 2013

*Grant Thornton LLP*

Chartered Accountants


**Statement of Financial Position**

As at March 31  
(\$ thousands)

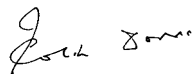
	2013				2012			
	General	Restricted	Endowment	Total	General	Restricted	Endowment	Total
<b>Current Assets</b>								
Cash and short-term investments (Note 3)	25,710	10,786	87	36,583	22,607	18,032	28	40,667
Accounts receivable (Note 4)	5,245	261	-	5,506	4,027	282	-	4,309
Inventories	923	-	-	923	746	-	-	746
Prepaid expenses	1,643	-	-	1,643	1,703	-	-	1,703
	<u>33,521</u>	<u>11,047</u>	<u>87</u>	<u>44,655</u>	<u>29,083</u>	<u>18,314</u>	<u>28</u>	<u>47,425</u>
<b>Long-term Assets</b>								
Long-term investments (Note 5)	-	20,907	26,645	47,552	-	16,370	24,265	40,635
Long-term receivable	143	647	-	790	261	639	-	900
Capital assets (Note 7)	-	143,181	-	143,181	-	137,915	-	137,915
Intangible assets (Note 8)	-	2,155	-	2,155	-	2,318	-	2,318
	<u>143</u>	<u>166,890</u>	<u>26,645</u>	<u>193,678</u>	<u>261</u>	<u>157,242</u>	<u>24,265</u>	<u>181,768</u>
	<u>33,664</u>	<u>177,937</u>	<u>26,732</u>	<u>238,333</u>	<u>29,344</u>	<u>175,556</u>	<u>24,293</u>	<u>229,193</u>
<b>Current Liabilities</b>								
Amounts due to governments	713	-	-	713	616	-	-	616
Accounts payable and accrued liabilities	8,795	1,863	15	10,673	7,139	1,600	11	8,750
Unearned fees and other deferred revenue	8,873	3	-	8,876	7,947	10	-	7,957
Current portion of long-term debt (Note 9)	-	2,005	-	2,005	-	2,105	-	2,105
	<u>18,381</u>	<u>3,871</u>	<u>15</u>	<u>22,267</u>	<u>15,702</u>	<u>3,715</u>	<u>11</u>	<u>19,428</u>
<b>Long-term Liabilities</b>								
Long-term debt (Note 9)	-	50,158	-	50,158	-	50,140	-	50,140
Due to (from) other funds (Note 13)	(10,435)	10,097	338	-	(17,371)	17,196	175	-
	<u>(10,435)</u>	<u>60,255</u>	<u>338</u>	<u>50,158</u>	<u>(17,371)</u>	<u>67,336</u>	<u>175</u>	<u>50,140</u>
	<u>7,946</u>	<u>64,126</u>	<u>353</u>	<u>72,425</u>	<u>(1,669)</u>	<u>71,051</u>	<u>186</u>	<u>69,568</u>
<b>Fund Balances</b>								
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
	<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>
	<u>33,664</u>	<u>177,937</u>	<u>26,732</u>	<u>238,333</u>	<u>29,344</u>	<u>175,556</u>	<u>24,293</u>	<u>229,193</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)

	2013				2012			
	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	1,470	6,016	-	7,486	1,599	6,659	-	8,258
Government of Nova Scotia	35,023	1,493	-	36,516	36,298	535	-	36,833
Other	4	-	-	4	-	-	-	-
Other grants	87	1,462	-	1,549	81	1,291	-	1,372
Student fees	60,588	-	-	60,588	56,319	-	-	56,319
Gifts and bequests	90	2,090	190	2,370	102	2,103	1,104	3,309
Sales of services and products	16,645	623	-	17,268	16,231	390	-	16,621
Income from investments	1,165	540	2,710	4,415	1,954	927	1,012	3,893
Miscellaneous income	1,016	580	-	1,596	1,139	384	-	1,523
	116,088	12,804	2,900	131,792	113,723	12,289	2,116	128,128
<b>Expenses</b>								
Salaries	63,232	3,625	-	66,857	59,879	3,765	-	63,644
Employee benefits	9,440	299	-	9,739	8,414	293	-	8,707
Equipment rental	852	9	-	861	972	3	-	975
Materials and supplies	2,526	1,005	-	3,531	2,507	1,259	-	3,766
Communications	729	9	-	738	736	15	-	751
Travel	2,633	1,242	-	3,875	2,498	1,277	-	3,775
Utilities	2,832	-	-	2,832	2,535	-	-	2,535
Printing and duplicating	797	36	-	833	557	26	-	583
Library acquisitions	1,066	-	-	1,066	959	-	-	959
Hospitality	826	368	-	1,194	747	127	-	874
Repairs and maintenance	1,845	454	-	2,299	1,765	655	-	2,420
Promotion and student recruitment	3,094	38	-	3,132	2,686	33	-	2,719
Professional fees	639	653	76	1,368	548	677	66	1,291
Rent	338	8	-	346	381	12	-	393
Other operational expenses	4,068	465	6	4,539	3,811	682	6	4,499
Cost of goods sold	5,222	-	-	5,222	5,340	-	-	5,340
Student financial aid	4,408	1,106	-	5,514	4,151	1,012	-	5,163
Amortization of capital and intangible assets	-	9,001	-	9,001	-	15,598	-	15,598
Interest	2,562	-	-	2,562	2,628	-	-	2,628
Internal cost recoveries	(385)	385	-	-	(509)	509	-	-
	106,724	18,703	82	125,509	100,605	25,943	72	126,620
Revenues less expenses before transfers	9,364	(5,899)	2,818	6,283	13,118	(13,654)	2,044	1,508
Interfund transfers (Note 13)	(14,659)	15,205	(546)	-	(8,708)	8,948	(240)	-
Net increase (decrease) in fund balances	(5,295)	9,306	2,272	6,283	4,410	(4,706)	1,804	1,508
Fund balances, beginning of year								
Endowment	-	-	24,107	24,107	-	-	22,303	22,303
Externally restricted	-	16,408	-	16,408	-	18,971	-	18,971
Internally restricted	28,224	-	-	28,224	24,603	-	-	24,603
Invested in capital assets	-	88,097	-	88,097	-	90,240	-	90,240
Unrestricted	2,789	-	-	2,789	2,000	-	-	2,000
Fund balances, beginning of year, total	31,013	104,505	24,107	159,625	26,603	109,211	22,303	158,117
Fund balances, end 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, end of year, total	25,718	113,811	26,379	165,908	31,013	104,505	24,107	159,625

See accompanying notes to the financial statements.

## Statement of Cash Flows

For the year ended March 31  
(\$ thousands)

	2013				2012			
	General	Restricted	Endowment	Total	General	Restricted	Endowment	Total
<b>Operating Activities</b>								
Increase (decrease) in fund balances from operations	(5,295)	9,306	2,272	6,283	4,410	(4,706)	1,804	1,508
Amortization of capital and intangible assets	-	9,001	-	9,001	-	15,598	-	15,598
Realized and unrealized investment gains	-	(236)	(1,979)	(2,215)	-	(1,137)	(329)	(1,466)
Gifts-in-kind	-	(262)	(13)	(275)	-	(154)	(20)	(174)
Change in non-cash working capital	8,398	(6,672)	164	1,890	(5,420)	8,870	395	3,845
Cash generated from (used for) operating activities	3,103	11,137	444	14,684	(1,010)	18,471	1,850	19,311
<b>Investing Activities</b>								
Purchase of investments	-	(9,780)	(4,152)	(13,932)	-	(10,383)	(3,047)	(13,430)
Disposal of investments	-	5,587	3,767	9,354	-	23,097	1,178	24,275
Purchase of capital assets	-	(13,800)	-	(13,800)	-	(12,487)	-	(12,487)
Purchase of intangible assets	-	(162)	-	(162)	-	(148)	-	(148)
Cash used for investing activities	-	(18,155)	(385)	(18,540)	-	79	(1,869)	(1,790)
<b>Financing Activities</b>								
Debt financing proceeds	-	2,231	-	2,231	-	-	-	-
Debt repayments	-	(2,459)	-	(2,459)	-	(2,894)	-	(2,894)
Cash used for financing activities	-	(228)	-	(228)	-	(2,894)	-	(2,894)
Increase (decrease) in cash and short-term investments	3,103	(7,246)	59	(4,084)	(1,010)	15,656	(19)	14,627
Cash and short-term investments, beginning of year	22,607	18,032	28	40,667	23,617	2,376	47	26,040
Cash and short-term investments, end of year	25,710	10,786	87	36,583	22,607	18,032	28	40,667

See accompanying notes to the financial statements.

## Notes to the Financial Statements

For the year ended March 31, 2013

(\$ 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 Faculties of Arts, Commerce, Science, Graduate Studies 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 *CICA 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.

#### d) Inventories

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



## Notes to the Financial Statements

For the year ended March 31, 2013

(\$ thousands)

### 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. Management regularly reviews assets for impairment and adjusts as necessary.

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. Management also reviews the assets for impairment and adjusts as necessary.

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. 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.

### 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, 2013  
(\$ 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 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 reviewed annually and adjusted as necessary.

### **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, 2013  
(\$ 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 \$692 (2012 \$770) 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 \$168 (2012 \$132).

### 5. Long-term Investments

Long-term investments are recorded at fair value. The change in fair value created an unrealized gain of \$2,219 (2012 loss of \$103) .

	2013		2012	
	Cost	Fair Value	Cost	Fair Value
Canadian equities	5,025	8,639	5,610	8,139
Pooled investment funds	38,124	38,913	33,029	32,496
Total investments	43,149	47,552	38,639	40,635

### 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, 2013 totalled \$4,000 (2012 \$3,812).

### 7. Capital assets

	2013			2012		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Land	4,959	-	4,959	4,959	-	4,959
Buildings	167,476	51,278	116,198	159,002	47,165	111,837
Site improvements	10,209	4,102	6,107	8,751	3,815	4,936
Library materials	4,298	1,932	2,366	4,283	1,747	2,536
Equipment, furnishings and interior improvements	20,216	8,320	11,896	18,796	6,702	12,094
Information technology	1,460	825	635	1,701	840	861
Leasehold improvements	216	36	180	-	-	-
Art and antique collection	840	-	840	692	-	692
Motor vehicles	61	61	-	61	61	-
	209,735	66,554	143,181	198,245	60,330	137,915

Amortization expense for capital assets was \$8,676 (2012 \$15,293).

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

## Notes to the Financial Statements

For the year ended March 31, 2013

(\$ thousands)

### 8. Intangible assets

	2013			2012		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Enterprise Resource Planning System	3,490	1,553	1,937	3,471	1,292	2,179
Other software	315	97	218	233	94	139
	<u>3,805</u>	<u>1,650</u>	<u>2,155</u>	<u>3,704</u>	<u>1,386</u>	<u>2,318</u>

Amortization expense for intangible assets was \$325 (2012 \$305).

### 9. Long-term debt

Debt	Principal and Interest Payments	Maturity Date	Debt Interest Rate	Hedged Interest Rate	2013	2012
					Total	Total
<b>Long-term loans (unsecured)</b>						
Atrium Building Project	Monthly	Jan 2013	1.92%	-	-	501
Synthetic Turf Athletic Field	Monthly	Mar 2013	4.57%	-	-	93
McNally - North Campus Renovations*	At maturity	Jan 2015	1.50%	-	9,891	9,745
Gorsebrook Lounge Renovations	Monthly	May 2015	CDOR +0.20%	5.01%	255	348
Enterprise Resource Planning System	Monthly	Jun 2021	CDOR +0.25%	5.16%	1,661	1,821
Rice and Vanier Residences	Semi-annual	Jun 2019	5.02%	-	1,136	1,281
Loyola Residence and Academic Complex	Semi-annual	May 2022	5.34%	-	2,339	2,524
Residences Renovations	Monthly	Aug 2026	6.95%	-	9,043	9,434
Residences Renovations	Monthly	Sep 2026	CDOR +0.30%	5.97%	4,662	4,887
Residences Renovations	Monthly	Sep 2026	CDOR +0.30%	5.40%	2,227	2,339
Science Building Renewal Project	Monthly	Mar 2033	CDOR +0.20%	5.30%	18,756	19,272
Homburg Centre for Health & Wellness	Monthly	Jul 2037	CDOR +0.31	3.09%	2,193	-
Subtotal					52,163	52,245
Less: current portion					(2,005)	(2,105)
Total long-term debt					<u>50,158</u>	<u>50,140</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 \$459 (2012 \$313). 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 \$6,906 at March 31, 2013 (2012 \$5,681).

Principal instalments payable in each of the next five years:

2014	2,005
2015	12,011
2016	2,133
2017	2,236
2018	2,364

Interest expense on long-term debt during the year totalled \$2,562 (2012 \$2,628).

The University is exposed to interest rate risk on long-term debt, which it manages through the use of fixed interest rates and selective use of interest rate swap agreements. It is also exposed to credit rate risk.

## Notes to the Financial Statements

For the year ended March 31, 2013

(\$ thousands)

### 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, 2013 was \$29,754 (2012 \$28,668). 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, 2013, it would have been obligated to pay the banks \$6,820 (2012 \$6,572), which is the fair value of the swaps as calculated by the banks.

### 11. Interest Income

Interest income earned on bank accounts, investments and long-term receivables, \$357 (2012 \$267), is reported as investment income and interest earned on student accounts, \$165 (2012 \$163), is reported as student fees in the Statement of Operations.

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

Gifts-in-kind received and recorded consist of the following:

	2013	2012
Investments	125	101
Library holdings	-	2
Art and antiques	142	68
Other	8	3
	<u>275</u>	<u>174</u>

#### Donation pledges

Donations pledged but not received as at March 31, 2013, totalled \$1,899 (2012 \$3,108). 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.

	2013			2012		
	General	Restricted	Endowment	General	Restricted	Endowment
Transfers received (paid)						
Contributions to reserves	32	(32)	-	100	(100)	-
Purchase capital and intangible assets	(12,003)	12,003	-	(5,628)	5,628	-
Maintenance and replacements	(962)	962	-	(933)	933	-
Debt reduction	(1,866)	1,866	-	(2,320)	2,320	-
Research and specific purposes	(440)	415	25	(358)	64	294
Program support	580	(9)	(571)	431	103	(534)
Total	<u>(14,659)</u>	<u>15,205</u>	<u>(546)</u>	<u>(8,708)</u>	<u>8,948</u>	<u>(240)</u>

### 14. Commitments

Encumbrances at March 31, 2013 were \$3,663. The University has entered into various agreements for capital expenditures in the upcoming fiscal year. The total capital budget for the 2014 fiscal year is \$3,670. In addition, the University has also begun a major construction project. Construction of a new \$15 million building to house the English as a Second Language Program and Business Development Centre began April 2012 and is expected to be completed by July 2013. Expenditures of \$2,235 related to this project were included in encumbrances at March 31, 2013. In March 2013 the University approved a \$2,500 project to renew the recreation centre which was constructed in 1986. This project is expected to be completed by October 2014.

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

2014	1,137
2015	690
2016	294
2017	15
2018	-

## Notes to the Financial Statements

For the year ended March 31, 2013

(\$ 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, 2012, CURIE had an accumulated excess of income over expenses of \$58,472, 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.

**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					
	2013			2012		
	Operating	Projects and Reserves	Total	Operating	Projects and Reserves	Total
<b>Revenues</b>						
Government grants and contributions						
Government of Canada	1,467	3	1,470	1,459	140	1,599
Government of Nova Scotia	35,023	-	35,023	36,298	-	36,298
Other	-	4	4	-	-	-
Other grants	45	42	87	66	15	81
Student fees	60,588	-	60,588	56,319	-	56,319
Gifts and bequests	89	1	90	101	1	102
Sales of services and products	16,635	10	16,645	16,230	1	16,231
Income from investments	193	972	1,165	195	1,759	1,954
Miscellaneous income	882	134	1,016	1,057	82	1,139
	<u>114,922</u>	<u>1,166</u>	<u>116,088</u>	<u>111,725</u>	<u>1,998</u>	<u>113,723</u>
<b>Expenses</b>						
Salaries	62,985	247	63,232	59,767	112	59,879
Employee benefits	9,422	18	9,440	8,408	6	8,414
Equipment rental	852	-	852	972	-	972
Materials and supplies	2,418	108	2,526	2,435	72	2,507
Communications	724	5	729	735	1	736
Travel	2,492	141	2,633	2,326	172	2,498
Utilities	2,832	-	2,832	2,535	-	2,535
Printing and duplicating	797	-	797	556	1	557
Library acquisitions	1,066	-	1,066	959	-	959
Hospitality	821	5	826	743	4	747
Repairs and maintenance	1,845	-	1,845	1,749	16	1,765
Promotion and student recruitment	3,094	-	3,094	2,678	8	2,686
Professional fees	576	63	639	514	34	548
Rent	338	-	338	381	-	381
Other operational expenses	3,666	402	4,068	3,645	166	3,811
Cost of goods sold	5,222	-	5,222	5,340	-	5,340
Student financial aid	4,385	23	4,408	4,130	21	4,151
Interest	2,546	16	2,562	2,610	18	2,628
Internal cost recoveries	(367)	(18)	(385)	(539)	30	(509)
	<u>105,714</u>	<u>1,010</u>	<u>106,724</u>	<u>99,944</u>	<u>661</u>	<u>100,605</u>
Revenues less expenses before transfers	9,208	156	9,364	11,781	1,337	13,118
Interfund transfers	(9,208)	(5,451)	(14,659)	(10,992)	2,284	(8,708)
Net increase in fund balances	<u>-</u>	<u>(5,295)</u>	<u>(5,295)</u>	<u>789</u>	<u>3,621</u>	<u>4,410</u>
Fund balances, beginning of year						
Internally restricted	-	28,224	28,224	-	24,603	24,603
Unrestricted	2,789	-	2,789	2,000	-	2,000
Fund balances, beginning of year, total	<u>2,789</u>	<u>28,224</u>	<u>31,013</u>	<u>2,000</u>	<u>24,603</u>	<u>26,603</u>
Fund balances, end of year						
Internally restricted	-	22,929	22,929	-	28,224	28,224
Unrestricted	2,789	-	2,789	2,789	-	2,789
Fund balances, end 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>

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									
	2013					2012				
	Capital	Research	Trust	Specific Purpose	Total	Capital	Research	Trust	Specific Purpose	Total
<b>Revenues</b>										
Government grants and contributions										
Government of Canada	52	5,497	-	467	6,016	505	4,922	-	1,232	6,659
Government of Nova Scotia	-	96	-	1,397	1,493	77	75	-	383	535
Other grants	9	1,351	-	102	1,462	-	1,136	-	155	1,291
Gifts and bequests	143	100	380	1,467	2,090	68	5	479	1,551	2,103
Sales of services and products	-	-	12	611	623	-	19	11	360	390
Income from investments	-	1	262	277	540	-	-	318	609	927
Miscellaneous income	-	16	164	400	580	32	7	133	212	384
	204	7,061	818	4,721	12,804	682	6,164	941	4,502	12,289
<b>Expenses</b>										
Salaries	-	3,161	8	456	3,625	-	3,139	-	626	3,765
Employee benefits	-	249	1	49	299	-	231	-	62	293
Equipment rental	-	-	-	9	9	-	-	-	3	3
Materials and supplies	518	437	4	46	1,005	351	818	10	80	1,259
Communications	-	7	-	2	9	-	8	-	7	15
Travel	-	840	6	396	1,242	-	933	2	342	1,277
Printing and duplicating	-	9	-	27	36	-	5	-	21	26
Hospitality	-	34	17	317	368	-	17	2	108	127
Repairs and maintenance	454	-	-	-	454	655	-	-	-	655
Promotion and student recruitment	-	1	8	29	38	-	1	16	16	33
Professional fees	-	214	62	377	653	-	282	73	322	677
Rent	-	-	-	8	8	-	2	-	10	12
Other operational expenses	-	146	68	251	465	-	236	68	378	682
Student financial aid	-	510	519	77	1,106	-	470	506	36	1,012
Amortization of capital and intangible assets	9,001	-	-	-	9,001	15,598	-	-	-	15,598
Internal cost recoveries	-	192	3	190	385	-	121	-	388	509
	9,973	5,800	696	2,234	18,703	16,604	6,263	677	2,399	25,943
Revenues less expenses before transfers	(9,769)	1,261	122	2,487	(5,899)	(15,922)	(99)	264	2,103	(13,654)
Interfund transfers	16,737	(330)	149	(1,351)	15,205	13,779	(232)	11	(4,610)	8,948
Net increase (decrease) in fund balances	6,968	931	271	1,136	9,306	(2,143)	(331)	275	(2,507)	(4,706)
Fund balances, beginning of year										
Externally restricted	-	4,074	3,985	8,349	16,408	-	4,405	3,710	10,856	18,971
Invested in capital assets	88,097	-	-	-	88,097	90,240	-	-	-	90,240
Fund balances, beginning of year, total	88,097	4,074	3,985	8,349	104,505	90,240	4,405	3,710	10,856	109,211
Fund balances, end of year										
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, end of year, total	95,065	5,005	4,256	9,485	113,811	88,097	4,074	3,985	8,349	104,505

See accompanying notes to the financial statements.





# University and Financial Governance

March 31, 2013

## University Governance



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, 2013.



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

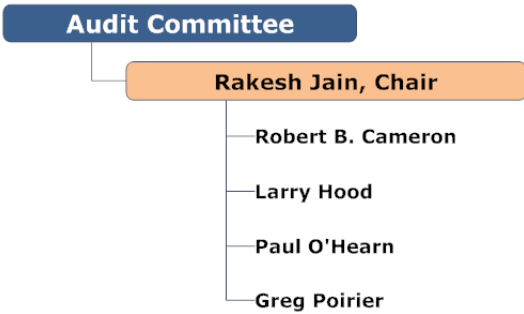
Each committee is governed by its Terms of Reference approved by the board. The by-laws of the university require that a majority of each standing committee shall be Governors and that the Chair of each standing committee shall be a Governor. Each committee is advisory to the board unless, and to the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

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

*Appointments as at March 31, 2013*



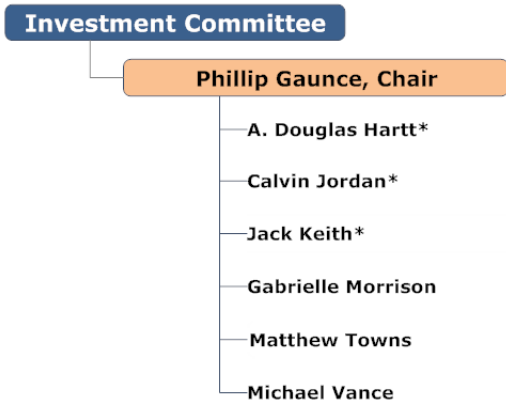
The Finance Committee provides financial advice to the Board of Governors. The functions of the committee include review, reporting and recommendations on the annual operating and capital budget, including tuition and fee schedules, funding requirements and sources of financing. The committee reviews 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.

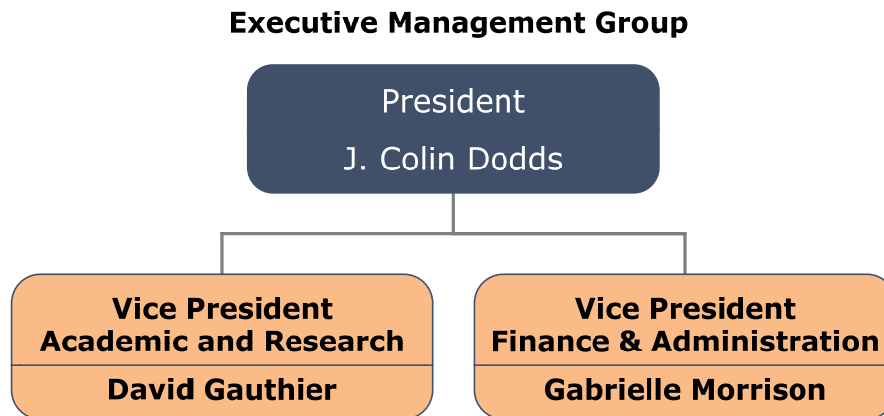
The external auditor, Grant Thornton LLP reports to the Audit Committee independent of management.



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, 2013*



### **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, 2013**



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