



One University. One World. Yours.

Annual Financial Report

March 31, 2015

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Introduction

I am pleased to introduce the Annual Financial Report for the 2014/15 fiscal year. This report is intended to provide open accountability to the community and demonstrate Saint Mary's strong commitment to fiscal responsibility; one of our key corporate values.

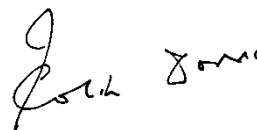
The Board of Governors of Saint Mary's University, as trustee of University financial, physical and human assets, has a fiduciary responsibility to oversee financial management. Financial statements help to fulfil this financial oversight role but these, in isolation, do not always satisfy the various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

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

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

The financial statements (pages 20-32) show the University's overall financial picture and are included in this report. The reporting is on a fund accounting basis, using the restricted fund method of accounting for contributions. An independent auditor has audited the financial statements and in their opinion (see page 19) the statements fairly present, in all material respects, the University's financial position at March 31, 2015 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, 2015.



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



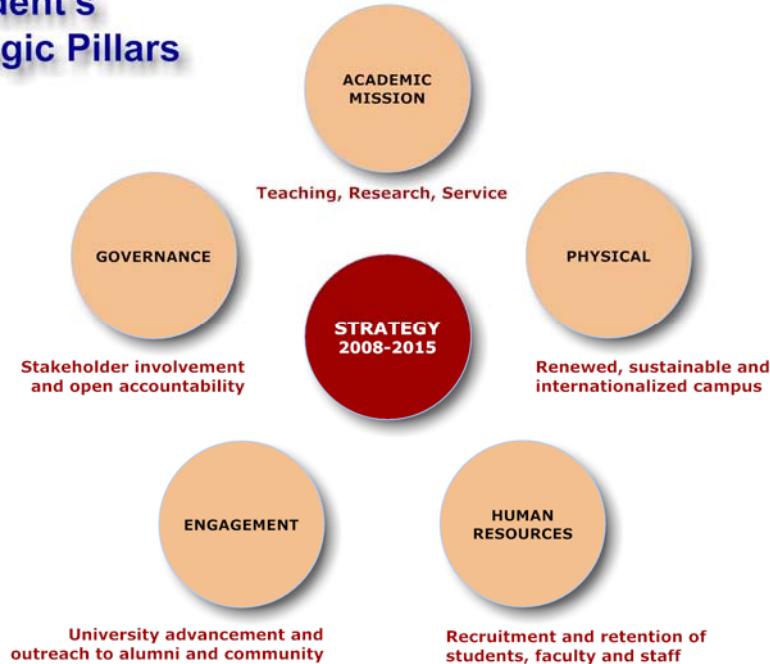
One University. One World. Yours.

Management Discussion and Analysis

March 31, 2015

Strategic Focus

President's Strategic Pillars



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

Vision

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

Mission

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

Core Values

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

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

University Environment

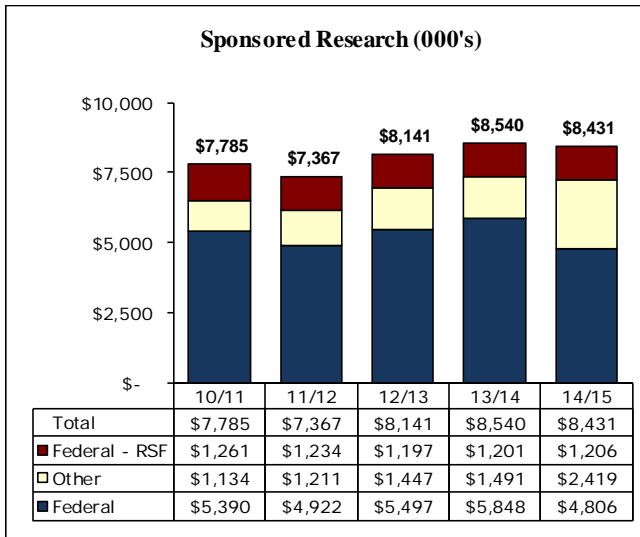
There are 97 members belonging to the Association of Universities and Colleges of Canada (AUCC). Canadian universities serve more than 1.2 million full-time and part-time students in various degree and continuing education programs. Nationally, universities are a \$30 billion enterprise and perform \$10 billion worth of research (AUCC, 2015). The system in Nova Scotia includes 9 universities, with 5 located in Halifax.

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

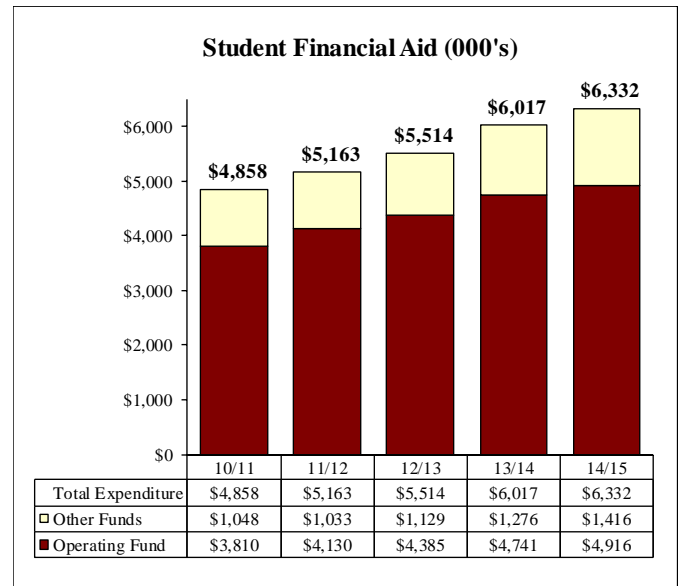
SWOT Analysis (Strengths, Weaknesses, Opportunities and Threats)	
<p style="text-align: center; margin: 0;">INTERNAL STRENGTHS</p> <ul style="list-style-type: none"> - Academic Plan endorsed by the University community - succession plan for President successfully implemented - engaged Board of Governors - friendly, student-centred campus culture - strong facility condition index for academic and other buildings - track record of strong labour relations - generally well subscribed international student recruitment - strong track record of fiscal responsibility - President's Task Force on recruitment and enrolment established - investment in information-based decision systems made - increased focus on reputational risk mitigation - increased investment in recruitment resources - strategic and targeted resource reallocation mindset developing - sustainable growth budget model under development 	<p style="text-align: center; margin: 0;">INTERNAL WEAKNESSES</p> <ul style="list-style-type: none"> - rising operating costs - The Language Centre enrolments are down - weak alumni financial participation - low amount of endowment resources relative to peer group - unfavorably low ratio of full-time faculty to FTE students - geographical and program concentration of international enrolment - need for improved analytics for better informed decision making - facility condition index of arena - limited funding base for needs-based bursaries
<p style="text-align: center; margin: 0;">EXTERNAL OPPORTUNITIES</p> <ul style="list-style-type: none"> - undergraduate and graduate market adjustment tuition reset - MOU negotiation with the Province of Nova Scotia - general economic conditions foster growth for graduate studies - growth potential for research activities - strategic use of web-based academic courses - targeted opportunities for growth of domestic and international enrolment - increased connections of the Sobey School of Business to the external business community - emerging opportunities for recruiting for the Faculty of Arts in China - philanthropy 	<p style="text-align: center; margin: 0;">EXTERNAL THREATS</p> <ul style="list-style-type: none"> - financial status of the Province of Nova Scotia - difficult fiscal environment continues as a backdrop to union negotiations - Nova Scotia demographics pointing to lower future enrolment - significantly increased competition from among local, national and international universities for international students - increased competition from the Nova Scotia Community College - significantly increased competition for philanthropic donations - higher expectations from all stakeholders

Canadian universities currently offer 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 recreation 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.

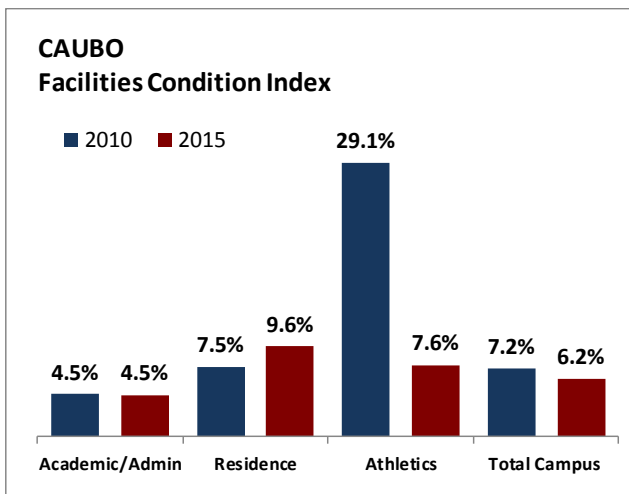
Vital Signs



- Provincial funding increased 62.2% in 2014-15 over the previous year.
- Federal funding for sponsored research decreased 17.8% from the prior year.
- Funding from the Indirect Costs Program, increased slightly (0.4%) from the prior year.



- SMU spending on scholarships, fellowships and bursaries increased by 5.2% in 2014/15



- Overall, SMU has made improvements in its Facilities Condition Index (FCI) in the past five years – total campus FCI has dropped from 7.2% in 2010 to 6.2% in 2015.
- The FCI for Athletics improved as a result of the decommissioning of Huskies Stadium

CAUBO FCI Standards

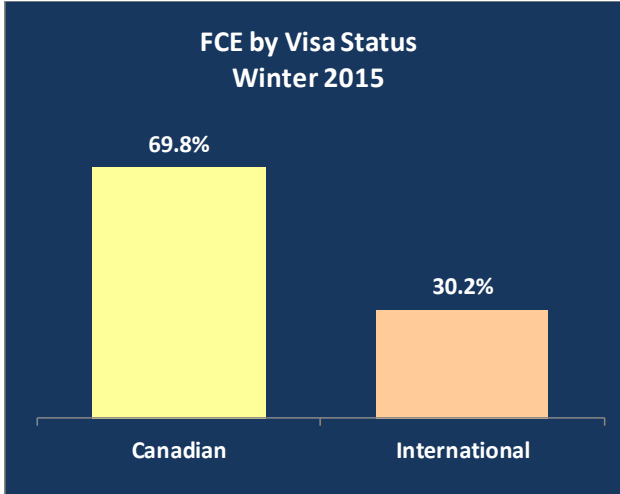
0-5% Excellent to Good
6-10% Fair to Poor
> 10% Unacceptable

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

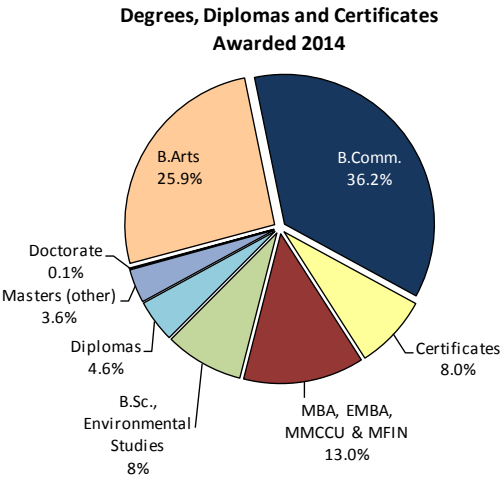
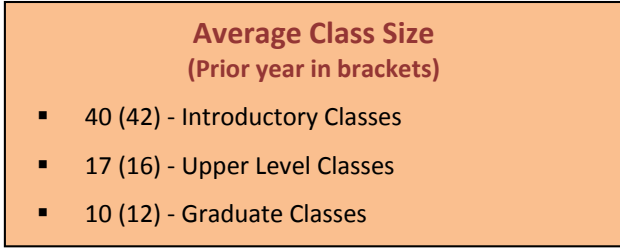
2014/15 Varsity Sport Teams (prior year in brackets)

2 (2) AUS Champions (Women's Basketball and Curling), 16 (25) AUS All-Stars
66 (73) CIS Academic All-Canadians, 7 (7) CIS All-Canadians, AUS MVP (Volleyball)

Student Facts

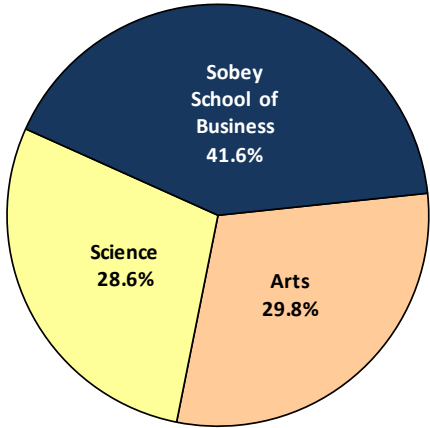


- ◀ Saint Mary's students originate from 118 different countries
- ◀ The largest international student contingents are from China, Saudi Arabia, Bangladesh and India
- ◀ 5,719 full-time students
- ◀ 1,094 part-time students
- ◀ The student population is 48% female, 52% male



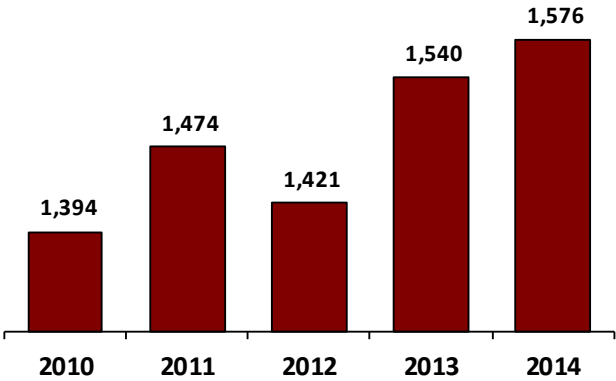
- ▲ Many graduates obtain more than one degree, diploma, or certificate at graduation

Course Registrations by Faculty 2014/15



- ▲ The largest percentage of course registrations is found in Psychology (13.3%)

SMU Total Graduates



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, 2015 and the results of its operations for the year then ended.

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

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

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

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

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



Gabrielle Morrison
Vice-President, Finance & Administration

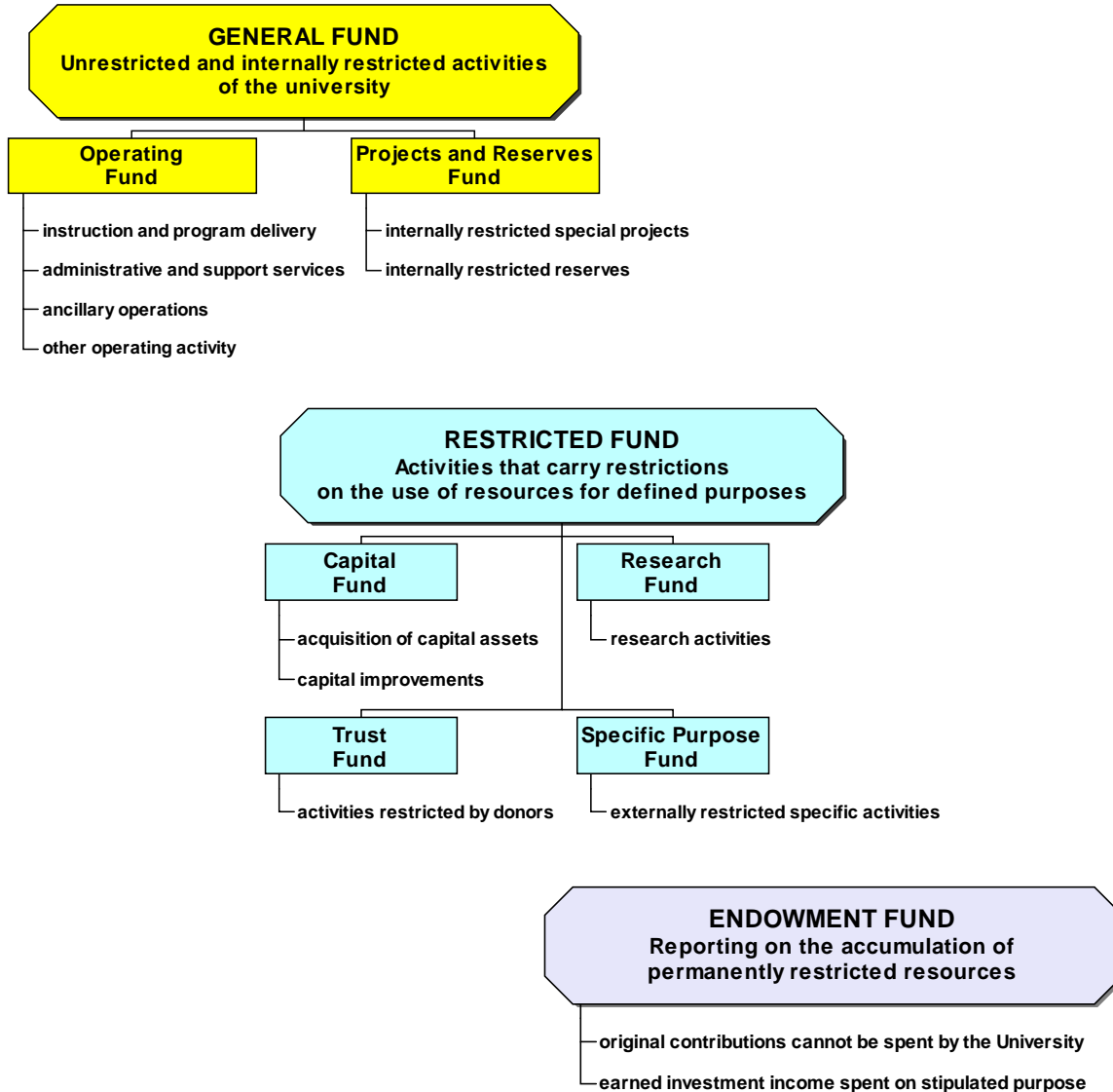
Fund Accounting

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

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

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

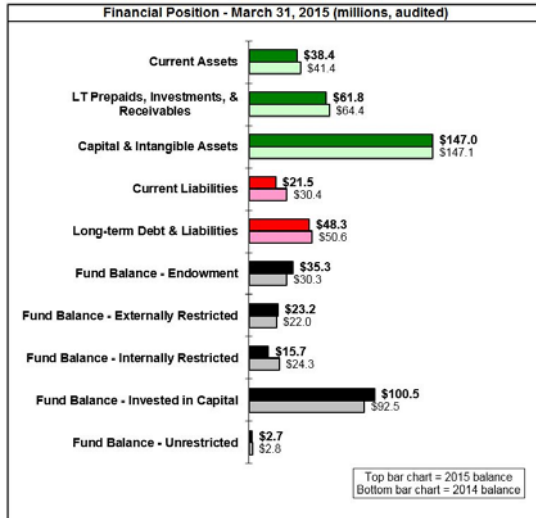
- the General Fund
- the Restricted Fund
- the Endowment Fund



Financial Position and Fund Balances

(Millions \$)

The Statement of Financial Position reports what the University owns (assets), what it owes to others (liabilities) and the remaining interest or equity in the assets (fund balances) at the March 31, 2015 reporting date.



University current assets amount to \$38.4 and are made up of cash, short-term investments, accounts receivable, inventories and prepaid expenses. The year-end balance of current assets was \$3.0 lower than the previous year. Cash and short-term investments decreased by approximately \$4.2. In 2013/14 the University borrowed \$10.0 to fund the construction of the building at 960 Tower Road and a renewal project for certain athletic facilities. At March 31, 2014, approximately \$4.0 of the loan proceeds were unexpended and held in cash and short-term investments. These funds were spent in 2014/15 reducing the balance of cash and short-term investments. This decrease was partially offset by an increase of \$1.3 in accounts receivable.

In total long-term prepaid expenses, receivables, and investments decreased \$1.2 compared to the prior year and ended 2014/15 at \$61.8. The investments earned \$8.6 during the year and the University received \$1.1 in gifts and bequests.

The long-term investments are recorded at fair value and the investment income included unrealized gains of \$3.9 from the change in the fair value of the investments in 2014/15. The gifts include funds for capital projects, program support, and endowments.

Capital and intangible assets, with a net book value of \$147.0, 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 \$21.5 include payables, accruals, students' deposits, deferred revenue and the current portion of long term debt. The year-end balance decreased by \$8.9 compared to the prior year. This was primarily due to the current portion of long-term debt decreasing by \$10.0 due to the repayment of the SOFI loan in January 2015. The decrease in long-term debt & liabilities (\$2.3) was primarily due to other principal debt repayments.

The fund balances represent the University's residual interest in its assets after deducting liabilities. The fund accounting method of reporting used by Saint Mary's shows the restrictions on the balances. \$58.5 relates to resources that are constrained by endowments and other external restrictions; \$15.7 is internally restricted by the University for projects and reserves; \$100.5 is the net amount invested in buildings and other capital assets. The unrestricted General Fund balance represents the accumulated surplus and is \$2.7. The internally restricted fund balance decreased by \$8.0 which was mostly due to the use of \$9.7 from an internal reserve used to repay the majority of the SOFI loan in January 2015.

In total, the fund balances of Saint Mary's University have increased over the past five years from \$133.0 at March 31, 2010 to \$177.4 at March 31, 2015.

Financial Condition Analysis

Critical Success Factors and Related Performance Indicators

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

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

- to support our internal planning processes and provide information for decision making
- to report results to government to justify receiving approximately \$46 million in grants and contributions
- to demonstrate to donors that their philanthropic gifts are prudently applied
- to provide evidence to lending institutions that the University meets its fiduciary duties
- to generate support from our students, employees, external partners and the overall University community

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

Critical success factors

Performance indicators

⊛ OPERATIONS (page 10)

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

⊛ ASSET MANAGEMENT (page 11)

5 - liquidity	→ unrestricted resources
6 - physical infrastructure	→ current replacement value of capital assets per student
7 - capital investment	→ ratio of capital spending to current replacement value of capital assets
8 - financial flexibility	→ expendable resources, 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, 2015

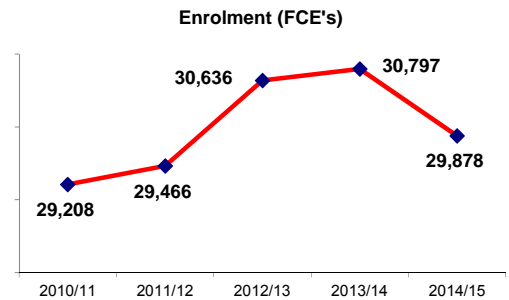
Critical Success Factor 1: Student demand

 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	2013/14	2014/15
Arts enrolment	8,994	8,731
Science enrolment	8,891	8,385
Sobey School of Business enrolment	10,621	10,590
Graduate Studies and Research enrolment	2,291	2,173
Total enrolment at March 31 (full course equivalents)	30,797	29,878

- total enrolment decreased 3% over the previous year
- the largest decrease (507 FCE's) was experienced in Science
- graduate studies enrolment decreased by 5.1%


Critical Success Factor 2: Independent sources of revenue

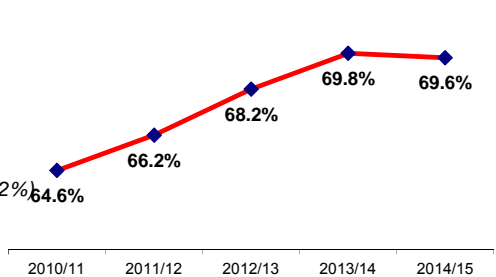
 Key Performance Indicator 2: **Ratio of own source revenue to total operating revenue**

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	2013/14	2014/15
Own source revenue (millions)	\$82.2	\$82.6
Provincial operating grant (millions)	\$34.0	\$34.4
Federal grant (millions)	\$1.5	\$1.6
Total operating revenue (millions)	\$117.7	\$118.6
Ratio of own source revenue to operating revenue	69.8%	69.6%

- own source revenue increased \$0.4 and decreased as a % of total operating revenue (0.2%)
- Provincial grants increased slightly (1.1%) from the previous year
- funding from Federal government grants increased 6.7% from the previous year

Independent sources of operating revenue


Critical Success Factor 3: Funding of the university educational mission

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

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

Funding of University educational mission	2013/14	2014/15
Annual expenses, all Funds (millions)	\$132.6	\$133.8
Students (full-time equivalents)	6,959	6,663
Expenditure per student	\$19,054	\$20,081

- increased spending and decreased enrolment (FTE) make this ratio more favourable over last year
- expenditure per student up 5.4% over the prior year due to \$1.4m increase in salaries & benefits, \$0.3m increase in student aid
- SMU ranks 9th of 12 peer group universities (peer median = \$20,224 per student)

Expenditure per Student



Financial Condition

Operations Analysis, March 31, 2015

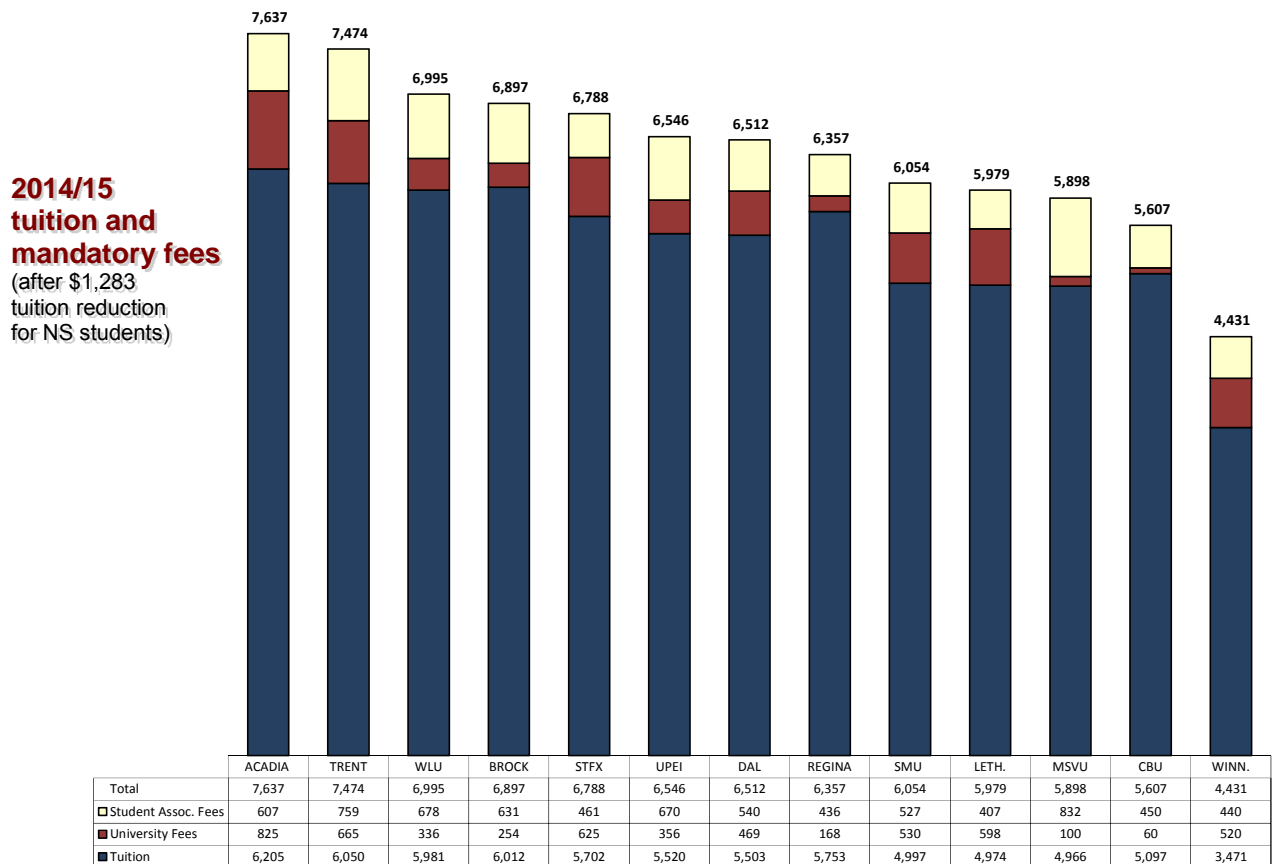
Critical Success Factor 4: **Student accessibility**

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

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

Tuition is heavily influenced by the amount of government operating support from the province in which each university is located. Operating grants from the Province of Nova Scotia provide 32.4% of University operating income, compared to the Canadian median of 38.8% (CAUBO / Statistics Canada). Within Nova Scotia, Saint Mary's University has the lowest proportion of provincial operating funding (35.1%) relative to the other N.S. universities.

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



- In 2014/15, the Province of Nova Scotia provided a tuition bursary of \$1,283 for each Nova Scotia student (about 51% of SMU students). This had the effect of reducing Nova Scotia university tuition to become more competitive with universities across Canada
- Saint Mary's receives the lowest proportion of provincial funding relative to its Canadian peer group (12th of 12 universities; 33.3% funding compared to the peer group median of 46.6%)
- Total cost to attend SMU is \$458 less than the median (\$6,512) of the 12 peer group universities (plus Dalhousie)
- After applying the provincial student bursary, Nova Scotian students paid \$185 more tuition in 2014-15 than ten years ago

Source of NS and peer group funding information: CAUBO/Statistics Canada report 2014 (last year reported)

Source of provincial funding information: CAUBO/Statistics Canada 2014 (last year reported)

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

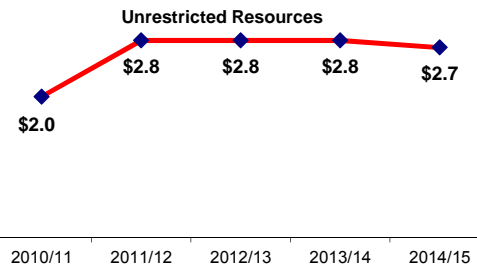
Financial Condition

Asset Management Analysis, March 31, 2015

Critical Success Factor 5: Liquidity
Key Performance Indicator 5: Unrestricted resources

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

Liquidity	2013/14	2014/15
Unrestricted fund balance, start of year (millions)	\$2.8	\$2.8
Change during the year (millions)	\$0.0	(\$0.1)
Unrestricted fund balance, end of year (millions)	\$2.8	\$2.7

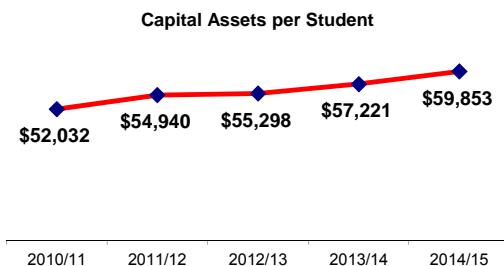


- the unrestricted balance at year end is within the approved range
- SMU balance, \$2.7 million, exceeds the median of the peer group (\$-4.7 million)
- Negative unrestricted resources in 5 of the 12 peer universities

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	2013/14	2014/15
CRV of capital assets per CURIE valuation (millions)	\$398.2	\$398.8
Number of students (full time equivalents)	6,959	6,663
CRV of capital assets per student	\$57,221	\$59,853

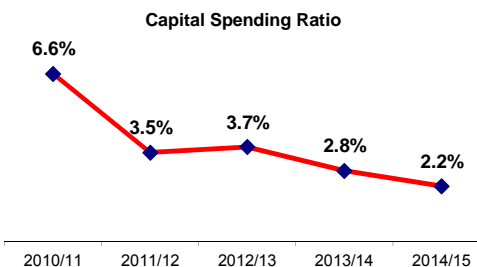


- growth in the value of capital assets due partly to new construction over the last 5 years including the construction of 960 Tower Road and the Homburg Centre for Health and Wellness renovations in 2012 and 2014

Critical Success Factor 7: Capital investment
Key Performance Indicator 7: Ratio of capital spending to the current replacement value of capital assets

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

Capital investment	2013/14	2014/15
Capital spending (millions)	\$11.0	\$8.6
CRV of capital assets (millions)	\$398.2	\$398.8
Ratio of capital spending to CRV of capital assets	2.8%	2.2%



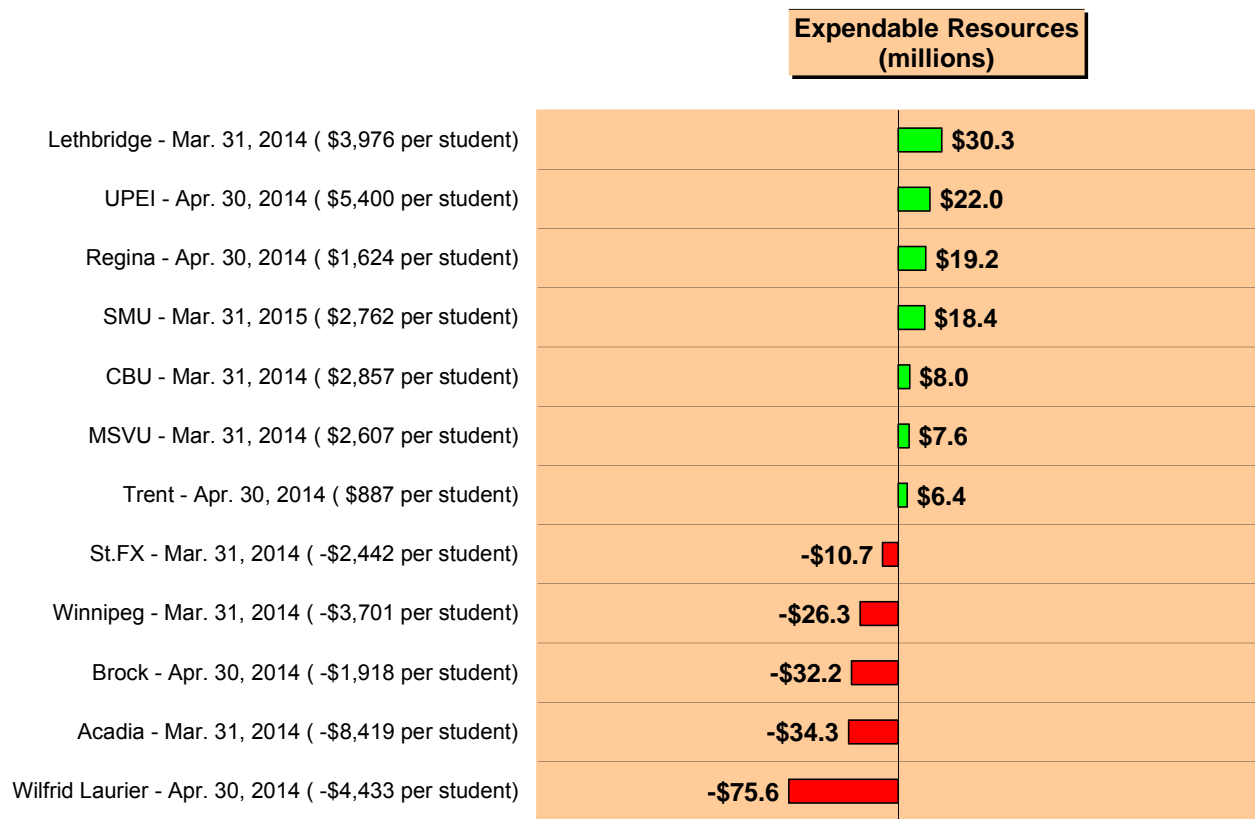
- capital spending tends to be uneven over time and is dependent on available funds
- rule of thumb (2% of CRV per CAUBO) significantly exceeded in each of past 5 years
- Facilities Condition Index has significantly improved over the past 5 years (Facilities Condition Index - see page 4)

Financial Condition

Asset Management Analysis, March 31, 2015

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

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



- SMU expendable resources = Unrestricted Fund Balance \$2.7 million + Internally Restricted Fund Balance \$15.7 million
- SMU's current balance of expendable resources ranks 4th of 12 of the university peer group
- SMU ratio of expendable resources per student ranks 4th of 12 of the university peer group
- History of SMU expendable resources: 2011 \$26.6 m, 2012 \$31.0 m, 2013 \$25.7 m, 2014 \$27.2 m, 2015 \$18.4 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 2014 Enrolment Survey

Financial Condition

Fundraising and Endowment Analysis, March 31, 2015

Critical Success Factor 9: Fundraising

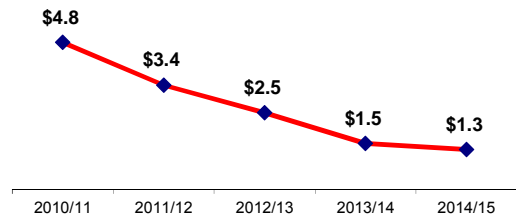
Key Performance Indicator 9: Resources provided by fundraising efforts

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	2013/14	2014/15
Fundraising revenue received during the year (million's)	\$1.5	\$1.3
Pledges due within ten years (million's)	\$1.5	\$1.3

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

Resources provided by fundraising efforts (millions)



Critical Success Factor 10: Alumni financial participation

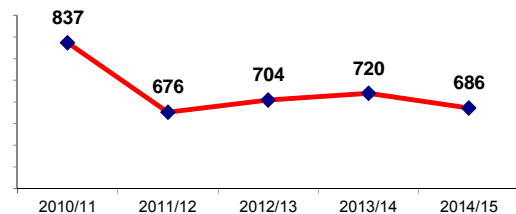
Key Performance Indicator 10: Number of alumni contributors

Philanthropy from Saint Mary's 30,899 active alumni support the work of both our students and faculty. Engagement of alumni is a measure of the vitality of the University and the support SMU can expect in the future. Both large and small gifts from alumni are important. The Canadian Council for the Advancement of Education (CCA) has advised that it does not track alumni participation in Canada; however, CASE (US) believes that rates in the mid-teens are reasonable, depending on resources allocated and whether or not the university is in campaign mode when giving tends to increase.

Alumni financial participation	2013/14	2014/15
New contributors	86	63
Repeat contributors (3+ consecutive years)	312	310
All other alumni contributors	322	313
Total alumni contributors	720	686

- 4.7% decrease in total alumni contributors; 8.2% increase in active alumni
- 2014/15 alumni financial participation rate 2.1%, down slightly from 2013/14 (2.3%)
- alumni financial participation rate well below our 10% - 15% target range

Number of Alumni Contributors



Critical Success Factor 11: Management of endowment investments

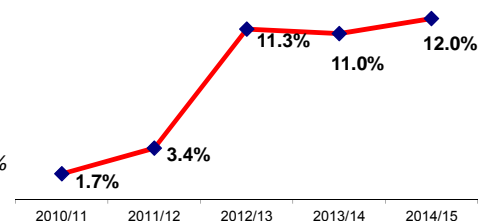
Key Performance Indicator 11: Endowment fund performance

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	2013/14	2014/15
Endowed Funds Investment Pool		
Four-year average rate of return	11.0%	12.0%

- The University's investment managers, investment policy and endowment spending policy are regularly reviewed by independent investment consultant
- The University's long term goal is a rate of return of 6.5%. After expected inflation of 2.0% and estimated investment and custodial fees of 0.5% this will produce a net return of 4.0% for spending.

Investment Performance (Endowed Funds Investment Pool)



Financial Condition

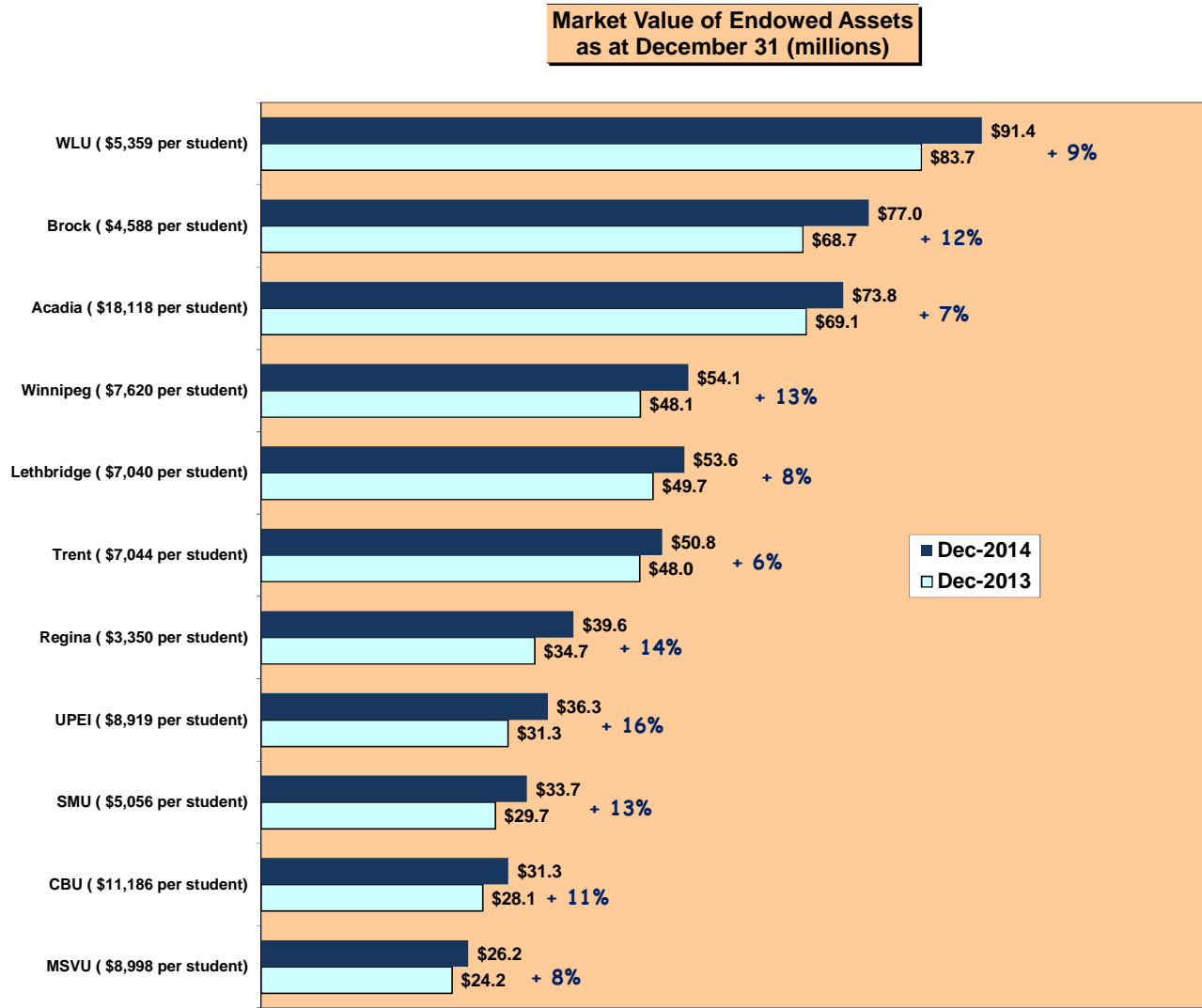
Fundraising and Endowment Analysis, March 31, 2015

Critical Success Factor 12: **Endowment**

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

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

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



- SMU endowment is low compared to university peer group, 9th of 11 (of the top 50 universities, SMU placed 48th)
- SMU endowment per student is low compared to the university peer group, 9th of 11 and significantly lower than the median (\$7,044 per student)
- SMU had a 13% increase in endowed assets over past year, slightly higher than the peer group median (11%)
- Saint Francis Xavier University is excluded from the analysis as it did not participate in the 2014 CAUBO Endowment Survey.

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

Financial Condition

Debt Capacity Analysis, March 31, 2015

Critical Success Factor 13: **Ability to pay debt charges with medium term resources**

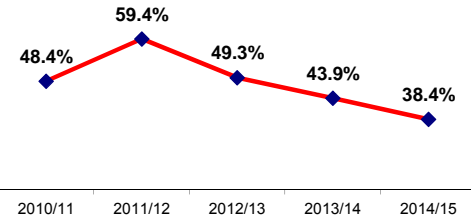
Key Performance Indicator 13: **Ratio of expendable resources to debt**

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	2013/14	2014/15
Expendable resources (millions)	\$26.5	\$18.4
Debt, incl. current portion of long-term debt (millions)	\$60.3	\$47.9
Ratio of expendable resources to debt	43.9%	38.4%

- expendable resources decreased 30.6% and University debt decreased 20.6%
- the ratio of expendable resources to debt decreased 5.3% from the previous year
- SMU ratio (38.4%) is more favorable than the university peer group median (11.3%)

Ratio of Expendable Resources to Debt



Critical Success Factor 14: **Manageable debt load**

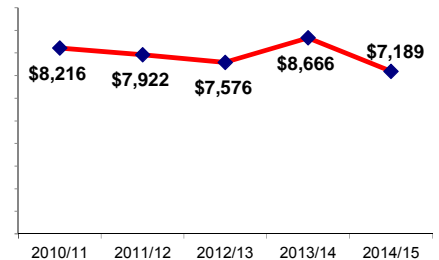
Key Performance Indicator 14: **University debt per student**

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

Manageable debt load	2013/14	2014/15
Debt, incl. current portion of long-term debt (millions)	\$60.3	\$47.9
Number of students (full time equivalents)	6,959	6,663
University debt per student	\$8,666	\$7,189

- University debt per student decreased during the year as a result of the repayment of the SOFI loan of approximately \$10 in January 2015
- SMU is carrying less debt per student compared to the peer group median (\$75.1 million)

University Debt per Student



Critical Success Factor 15: **Debt funding strength arising from operations**

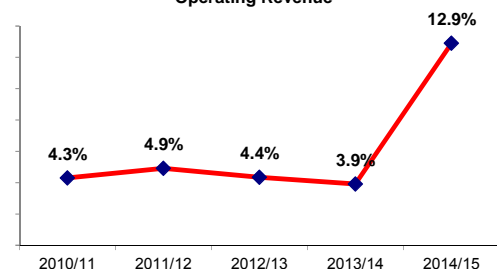
Key Performance Indicator 15: **Ratio of debt service cost to operating revenue**

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	2013/14	2014/15
Debt service cost: principal + interest (millions)	\$4.6	\$15.3
Total operating revenue (millions)	\$117.7	\$118.6
Ratio of debt service cost to operating revenue	3.9%	12.9%

- 2014/15 increase due to one time repayment of SOFI loan principal and interest
- debt service costs still a manageable proportion of the operating budget
- exceeding 10% would raise concerns about being highly leveraged (Moody's)
- Normalized debt service for 2014/15 without the SOFI payment would be 4%

Ratio of Debt Service Cost to Operating Revenue



Financial Condition

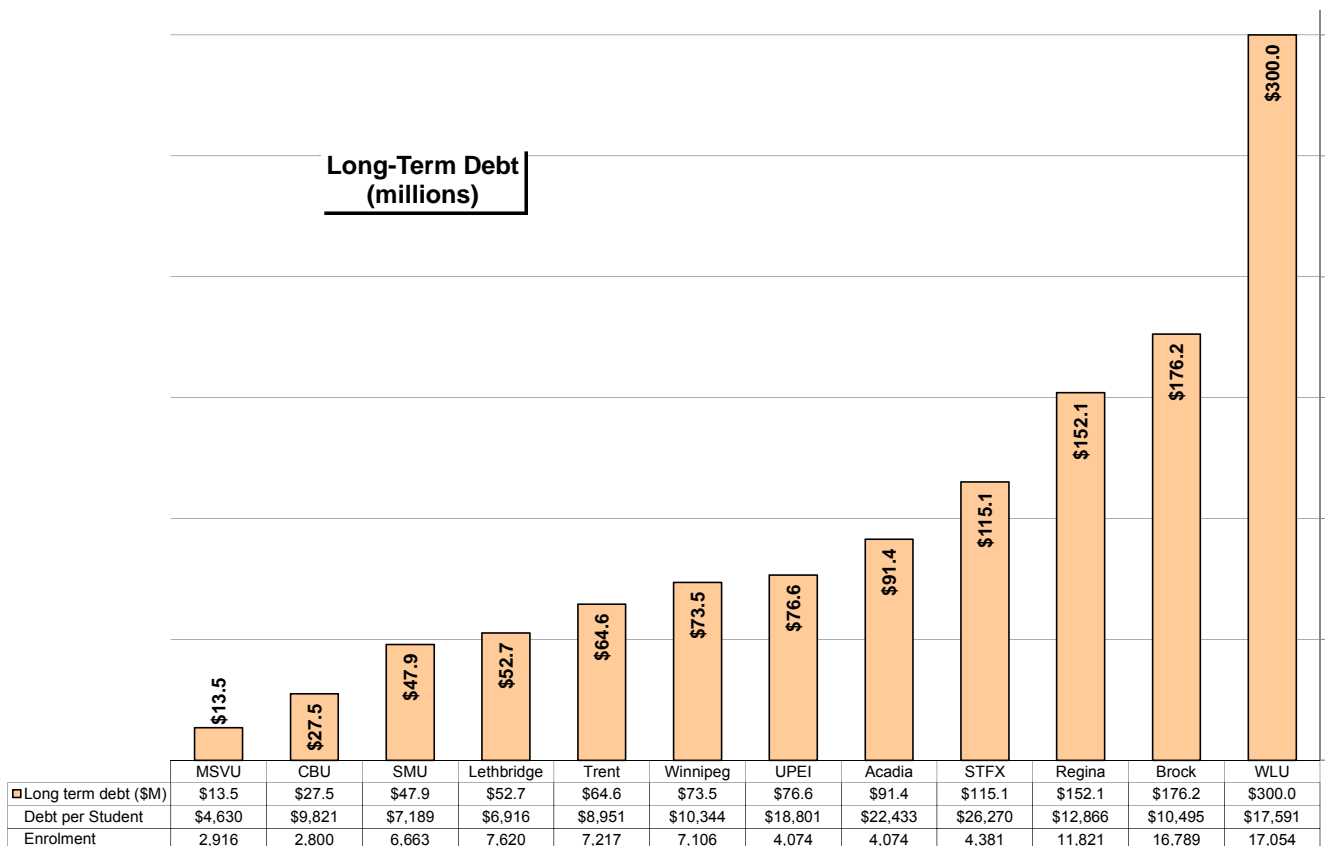
Debt Capacity Analysis, March 31, 2015

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, \$47.9 million, is less than the total debt median of the peer group (\$75.1 million)
- Most of the university peer group increased debt over the past five years.
 The median debt of the peer group has increased 23% to \$75.1 million in 2014/15 from \$60.9 in 2009/10
- The majority of SMU debt relates to academic assets as opposed to self-financing residence operations;
 36% of SMU debt relates to residence operations (2013/14 30%, 2012/13 37%, 2011/12 39%, 2010/11 39%, 2009/10 40%)
- \$7,189 debt per student at SMU is 31% lower than the university peer group median (\$10,420)
 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 2014 Enrolment Survey

**General Fund Analysis
Operating Fund - Revenues**

(Millions \$)

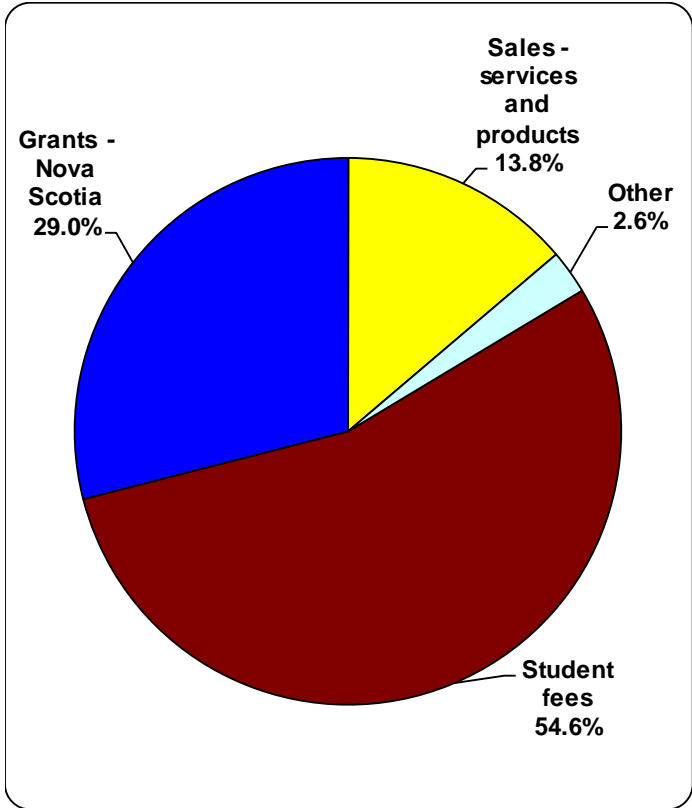
The 2014/15 operations of Saint Mary's University produced revenues of \$118.6 (2014 - \$117.7). (see Page 31 – Operating Fund)

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

Despite a decline in enrolment, student fee revenue increased 1.0% compared to the prior year. This was due to increases in domestic and international tuition fees as well as other specific fees.

The University continues to see growth in the delivery of online courses as revenue grew 8.5% over the prior year.

Sales of services and products fell by 2.5% or \$0.4 overall with the largest decline being the University Bookstore whose sales fell by \$0.2 or 7%.



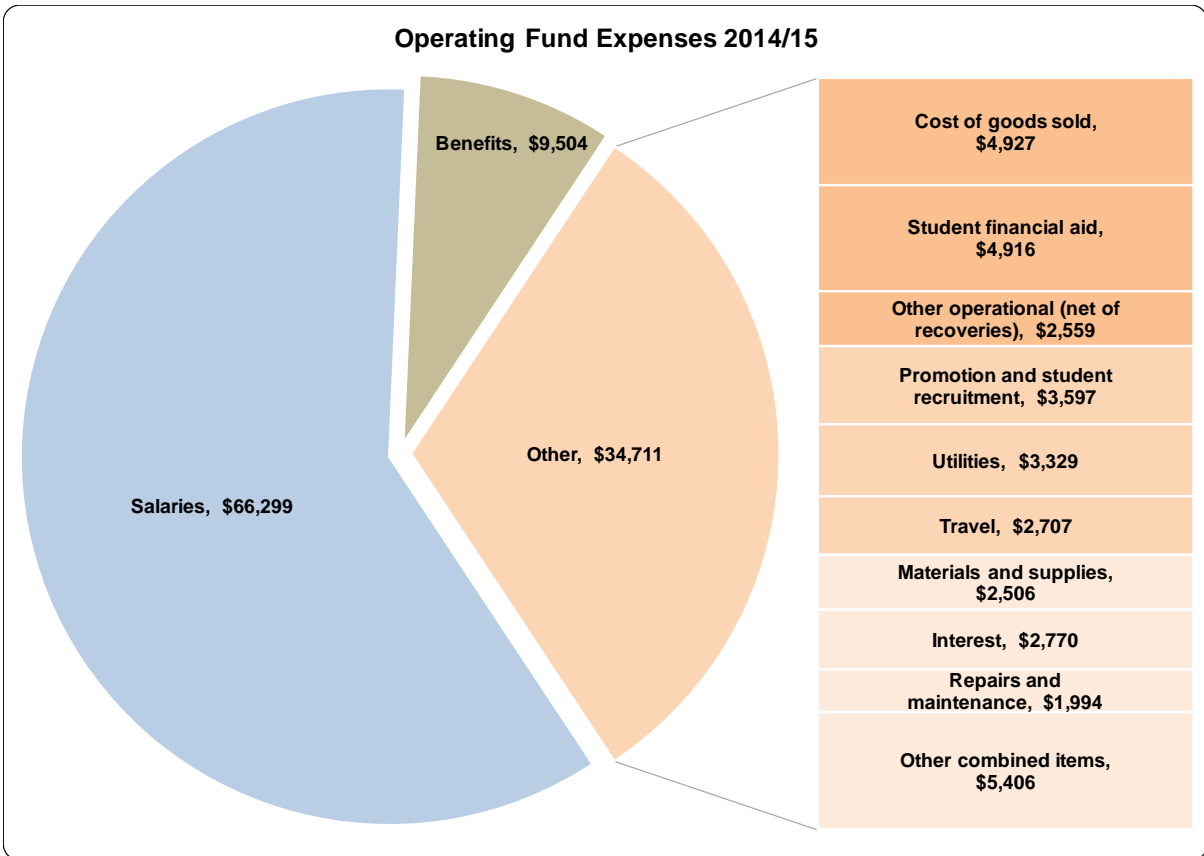
The Province of Nova Scotia, responding to fiscal challenges, increased funding to the University system for 2014/15 with Saint Mary's increase being \$0.4. The grant amount was included in the operating budget approved by the Board of Governors. However, since 2010/11, the operating grant has fallen by \$3.3 (9.0%).

Overall operating revenue was up \$0.8 over the previous year. The University's Operating Fund ended the year in a break even position. The Unrestricted Fund Balance at the end of the year remains at \$2.7, within the target range approved by policy of the Board of Governors.

General Fund Analysis Operating Fund - Expenses

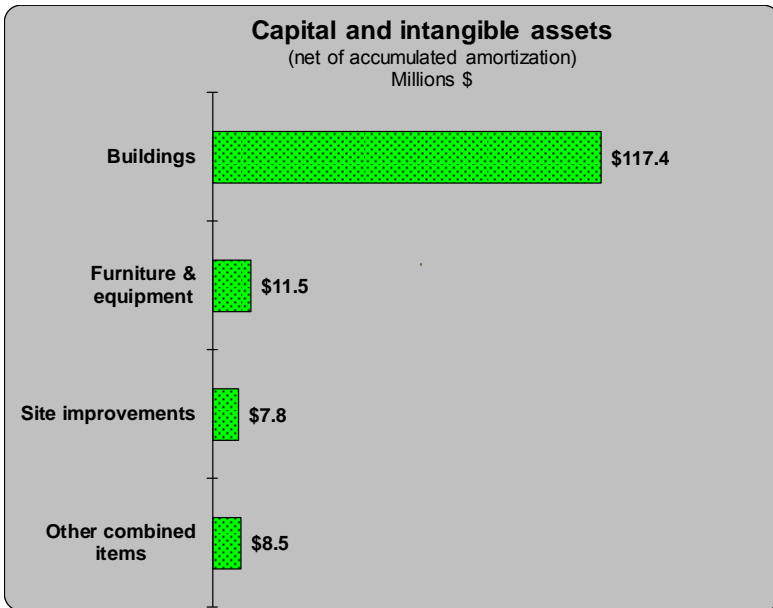
The 2014/15 operations of Saint Mary's incurred expenses of \$110.5 million excluding interfund transfers. The following chart (in thousands) shows the breakdown of operating expenses for the year by category, including ancillary operations and after grouping together a portion of "other" expenses. (see Page 31 – Operating Fund)

The largest component of the University's investment in its educational mission is salaries and benefits (68.6%). 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 \$4.9 in 2014/15 (see page 4). During the year, the University initiated several initiatives to deal with the enrolment decline and as a result, overall expenses only increased \$0.8, matching the overall increase in operating revenue.



Restricted Fund Analysis Capital Fund

(Millions \$)



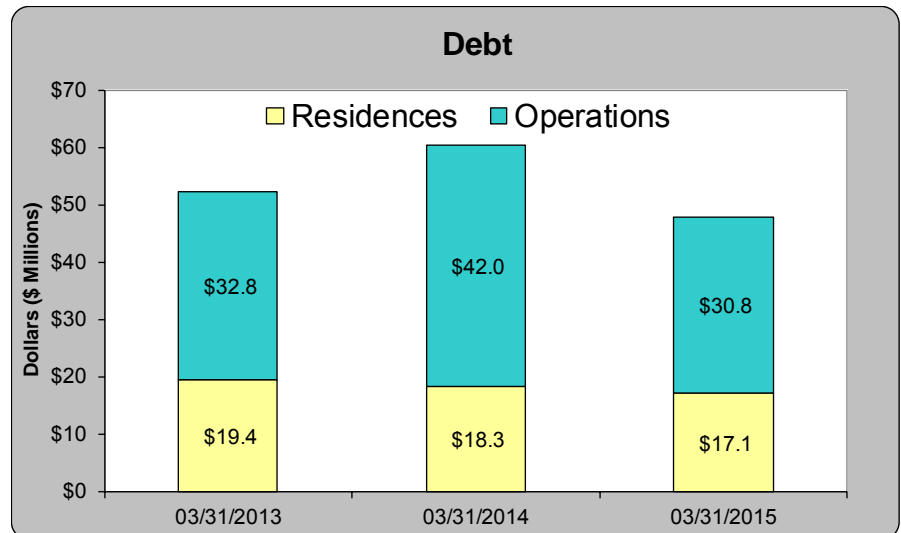
The Restricted Fund accounts for resources that are subject to restrictions on their use, either for capital assets or for specific purposes defined by external contributors to the University.

With a fund balance of \$100.5, the Capital Fund makes up the largest portion of the Restricted Fund. It accounts for all the capital and intangible assets of the University and the related debt. Capital and intangible assets are purchased by transfers from other funds, borrowing, or by contributions from external sources.

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

The Capital Fund's balance is the net investment in capital and intangible assets, which consists of the net capital and intangible assets less the related debt. During 2014/15 the University acquired capital and intangible assets of \$8.5. Funding for these acquisitions included allocation of borrowed funds of \$2.7, transfers from internally restricted funds of \$4.4, transfers from the Research Fund of \$0.5, transfers from the Operating Fund of \$0.4, and transfers from externally restricted donation reserves of \$0.4.

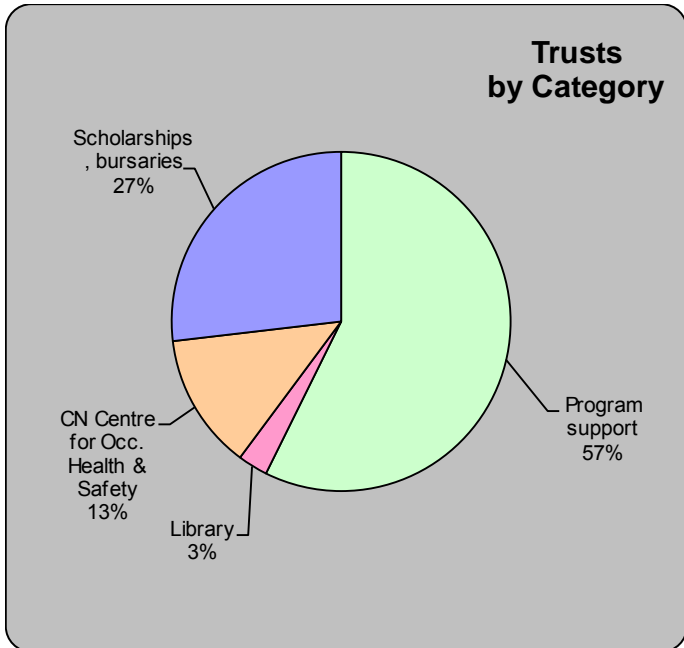
Included in the \$8.5 acquisitions of capital assets was \$3.4 for buildings consisting of new construction and major renovations, \$2.3 for furniture, equipment and interior improvements, \$2.2 for campus improvements, and \$0.4 for library books. By the end of 2014/15 the University's debt has decreased to \$47.9 from \$60.3 in 2013/14. With the repayment of the SOFI loan the portion of debt related to academic and administration buildings has decreased to 64% from 70% in 2013/14. 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 left shows the breakdown of the Trust Fund by category. The Trust Fund balance of \$4.4 consists of expendable trusts and the expendable portion of the University's endowment funds.



The \$35.4 in the Endowment Fund (\$30.4 at Mar 31, 2014) 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, 2015.

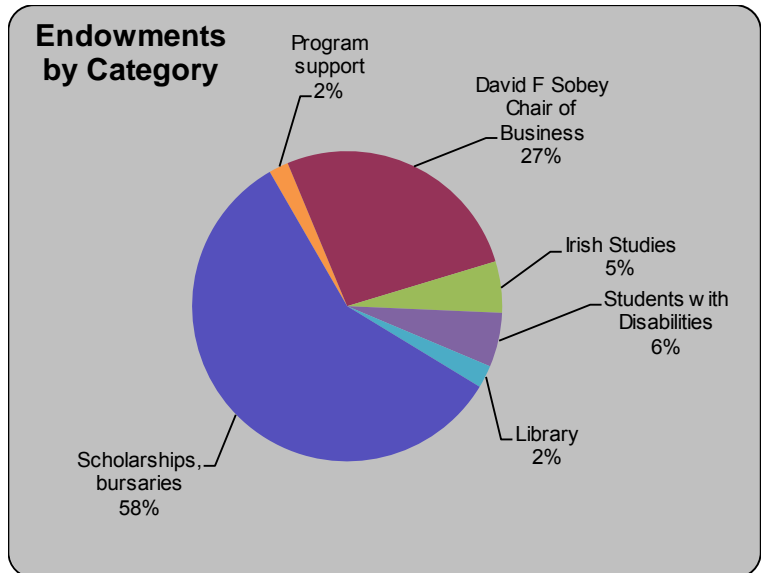
The endowment spending policy provides an allocation of 4.0% of the market value of the endowment assets based on a three-year moving average. The spending limit is intended to preserve the purchasing power of the endowment principal over the long-term by adding investment returns greater than 4.0% to 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 2014/15 the endowment investments performed reasonably well; however, long-term performance remains an issue due to the volatile investment markets and economic challenges. The endowments recognized net investment income for 2014/15 of \$5.4.

During 2014/15, Saint Mary's University received \$0.2 in endowed donations. In addition, donations of \$0.3 were received during the year in the Trust Fund.

The Trust Fund provided scholarships and bursaries totaling \$0.6 in 2014/15.

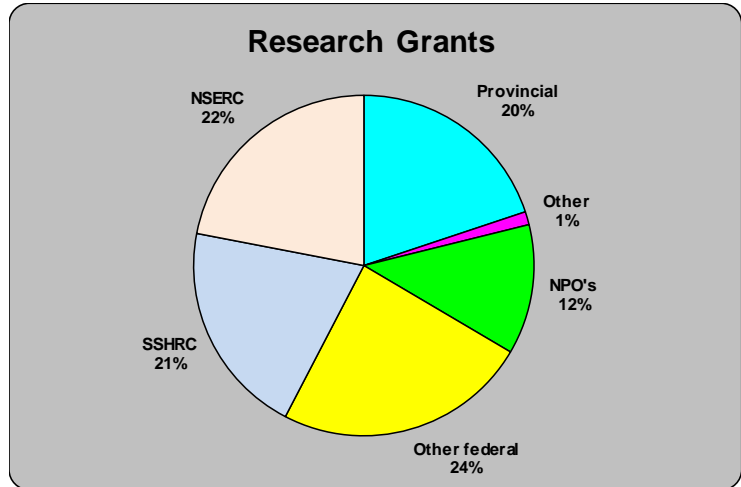


**Restricted Fund Analysis
Research and Specific Purpose Funds**

(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, \$6.7, consists of contributions available to be carried forward to the following year.

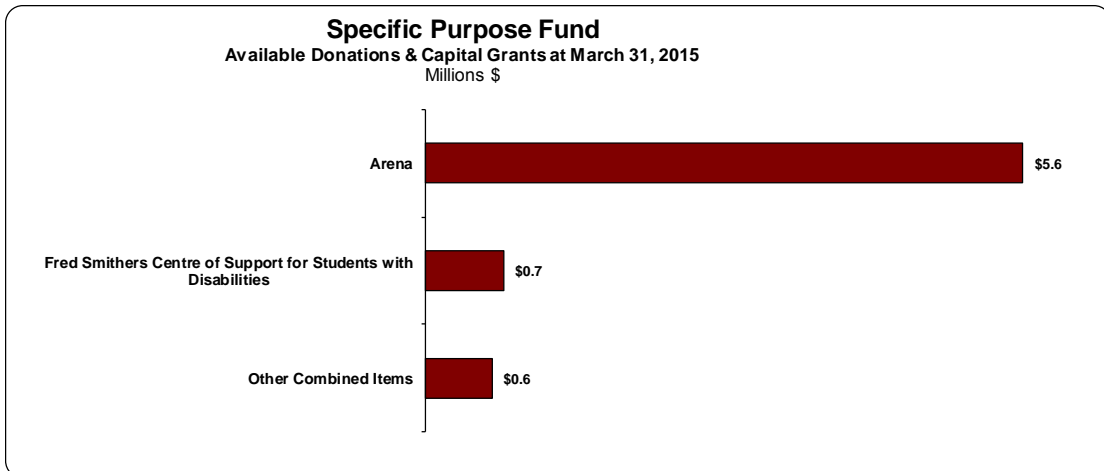


During 2014/15 Saint Mary's University received \$7.2 in contributions and funding for research, down slightly from \$7.3 in 2013/14. The majority of the research expenses were for salaries for research assistants and travel and accommodations relating to research and fieldwork.

Specific Purpose Fund

The Specific Purpose Fund accounts for resources contributed to Saint Mary's that are restricted for specific purposes other than research. During the year the University received donations of \$0.3 for specific purposes at March 31, 2015, the fund balance was \$12.0 consisting of:

- \$6.9 in unspent donations and capital grants restricted for a variety of purposes (see chart below), and
- \$5.1 of unspent contributions for special projects, conferences, international development and other projects.





One University. One World. Yours.

Financial Statements

March 31, 2015

Independent auditor's report

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To the Board of Governors of
Saint Mary's University

We have audited the accompanying financial statements of Saint Mary's University which comprise the statement of financial position as at March 31, 2015, the statements of operations and changes in fund balances, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

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

Auditor's responsibility

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

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Saint Mary's University as at March 31, 2015, 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 16, 2015



Chartered Accountants

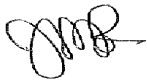
Statement of Financial Position

As at March 31
(\$ thousands)

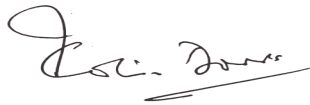
	2015				2014			
	General	Restricted	Endowment	Total	General	Restricted	Endowment	Total
					(Restated Note 16)			
Current Assets								
Cash and short-term investments (Note 3)	28,312	1,331	16	29,659	32,200	1,623	64	33,887
Accounts receivable (Note 4)	5,821	282	-	6,103	4,233	575	-	4,808
Inventories	820	-	-	820	900	-	-	900
Prepaid expenses	1,778	-	-	1,778	1,770	-	-	1,770
	<u>36,731</u>	<u>1,613</u>	<u>16</u>	<u>38,360</u>	<u>39,103</u>	<u>2,198</u>	<u>64</u>	<u>41,365</u>
Long-term Assets								
Long-term prepaid expenses	46	-	-	46	53	-	-	53
Long-term investments (Note 5)	-	24,625	35,293	59,918	-	32,156	30,132	62,288
Long-term receivable	1,263	693	-	1,956	1,377	682	-	2,059
Capital assets (Note 7)	-	145,225	-	145,225	-	145,163	-	145,163
Intangible assets (Note 8)	-	1,731	-	1,731	-	1,923	-	1,923
	<u>1,309</u>	<u>172,274</u>	<u>35,293</u>	<u>208,876</u>	<u>1,430</u>	<u>179,924</u>	<u>30,132</u>	<u>211,486</u>
	<u>38,040</u>	<u>173,887</u>	<u>35,309</u>	<u>247,236</u>	<u>40,533</u>	<u>182,122</u>	<u>30,196</u>	<u>252,851</u>
Current Liabilities								
Amounts due to governments	1,044	-	-	1,044	740	-	-	740
Accounts payable and accrued liabilities	8,095	997	19	9,111	7,432	881	9	8,322
Unearned fees and other deferred revenue	9,011	3	-	9,014	8,838	6	-	8,844
Current portion of long-term debt (Note 9)	-	2,362	-	2,362	-	12,378	-	12,378
	<u>18,150</u>	<u>3,362</u>	<u>19</u>	<u>21,531</u>	<u>17,010</u>	<u>13,265</u>	<u>9</u>	<u>30,284</u>
Long-term Liabilities								
Long-term deferred revenue	270	-	-	270	310	-	-	310
Long-term accrued liabilities	2,462	-	-	2,462	2,348	-	-	2,348
Long-term debt (Note 9)	-	45,535	-	45,535	-	47,894	-	47,894
Due to (from) other funds (Note 13)	(1,275)	1,343	(68)	-	(6,334)	6,498	(164)	-
	<u>1,457</u>	<u>46,878</u>	<u>(68)</u>	<u>48,267</u>	<u>(3,676)</u>	<u>54,392</u>	<u>(164)</u>	<u>50,552</u>
	<u>19,607</u>	<u>50,240</u>	<u>(49)</u>	<u>69,798</u>	<u>13,334</u>	<u>67,657</u>	<u>(155)</u>	<u>80,836</u>
Fund Balances								
Endowment	-	-	35,358	35,358	-	-	30,351	30,351
Externally restricted	-	23,156	-	23,156	-	21,987	-	21,987
Internally restricted	15,728	-	-	15,728	24,446	-	-	24,446
Invested in capital assets	-	100,491	-	100,491	-	92,478	-	92,478
Unrestricted	2,705	-	-	2,705	2,753	-	-	2,753
	<u>18,433</u>	<u>123,647</u>	<u>35,358</u>	<u>177,438</u>	<u>27,199</u>	<u>114,465</u>	<u>30,351</u>	<u>172,015</u>
	<u>38,040</u>	<u>173,887</u>	<u>35,309</u>	<u>247,236</u>	<u>40,533</u>	<u>182,122</u>	<u>30,196</u>	<u>252,851</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)

	2015				2014			
	General (See Schedule 1)	Restricted (See Schedule 2)	Endowment	Total	General (See Schedule 1)	Restricted (See Schedule 2)	Endowment	Total
Revenues								
Government grants and contributions								
Government of Canada	1,591	6,857	-	8,448	1,542	8,028	-	9,570
Government of Nova Scotia	34,429	1,956	-	36,385	34,042	2,365	-	36,407
Other	-	-	-	-	-	18	-	18
Other grants	77	1,199	-	1,276	73	1,434	-	1,507
Student fees	64,614	137	-	64,751	64,006	-	-	64,006
Gifts and bequests	88	831	200	1,119	123	937	364	1,424
Sales of services and products	16,349	429	-	16,778	16,734	394	-	17,128
Income from investments	2,008	1,127	5,416	8,551	1,413	755	3,922	6,090
Miscellaneous income	1,331	556	-	1,887	1,336	494	-	1,830
	<u>120,487</u>	<u>13,092</u>	<u>5,616</u>	<u>139,195</u>	<u>119,269</u>	<u>14,425</u>	<u>4,286</u>	<u>137,980</u>
Expenses								
Salaries	66,761	5,031	-	71,792	65,774	4,778	-	70,552
Employee benefits	9,592	255	-	9,847	9,435	285	-	9,720
Equipment rental	805	12	-	817	814	9	-	823
Materials and supplies	2,626	1,199	-	3,825	2,693	1,149	-	3,842
Communications	686	17	-	703	715	10	-	725
Travel	2,864	1,280	-	4,144	2,906	1,414	-	4,320
Utilities	3,329	-	-	3,329	3,139	-	-	3,139
Printing and duplicating	669	28	-	697	744	19	-	763
Library acquisitions	1,167	-	-	1,167	1,136	-	-	1,136
Hospitality	920	169	-	1,089	916	238	-	1,154
Repairs and maintenance	2,027	1,374	-	3,401	1,997	771	-	2,768
Promotion and student recruitment	3,635	148	-	3,783	3,698	70	-	3,768
Professional fees	1,188	698	96	1,982	1,197	636	106	1,939
Rent	267	20	-	287	295	21	-	316
Other operational expenses	3,652	444	8	4,104	4,101	490	7	4,598
Cost of goods sold	4,927	-	-	4,927	5,239	-	-	5,239
Student financial aid	4,939	1,393	-	6,332	4,764	1,253	-	6,017
Amortization of capital and intangible assets	-	8,772	-	8,772	-	9,245	-	9,245
Interest	2,774	-	-	2,774	2,561	-	-	2,561
Internal cost recoveries	(672)	672	-	-	(612)	612	-	-
	<u>112,156</u>	<u>21,512</u>	<u>104</u>	<u>133,772</u>	<u>111,512</u>	<u>21,000</u>	<u>113</u>	<u>132,625</u>
Revenues less expenses before transfers	8,331	(8,420)	5,512	5,423	7,757	(6,575)	4,173	5,355
Interfund transfers (Note 13)	(17,097)	17,602	(505)	-	(7,028)	7,229	(201)	-
Net increase (decrease) in fund balances	<u>(8,766)</u>	<u>9,182</u>	<u>5,007</u>	<u>5,423</u>	<u>729</u>	<u>654</u>	<u>3,972</u>	<u>5,355</u>
Fund balances, beginning of year								
Endowment	-	-	30,351	30,351	-	-	26,379	26,379
Externally restricted	-	21,987	-	21,987	-	18,746	-	18,746
Internally restricted	24,446	-	-	24,446	23,681	-	-	23,681
Invested in capital assets	-	92,478	-	92,478	-	95,065	-	95,065
Unrestricted	2,753	-	-	2,753	2,789	-	-	2,789
Fund balances, beginning of year, total	<u>27,199</u>	<u>114,465</u>	<u>30,351</u>	<u>172,015</u>	<u>26,470</u>	<u>113,811</u>	<u>26,379</u>	<u>166,660</u>
Fund balances, end of year								
Endowment	-	-	35,358	35,358	-	-	30,351	30,351
Externally restricted	-	23,156	-	23,156	-	21,987	-	21,987
Internally restricted	15,728	-	-	15,728	24,446	-	-	24,446
Invested in capital assets	-	100,491	-	100,491	-	92,478	-	92,478
Unrestricted	2,705	-	-	2,705	2,753	-	-	2,753
Fund balances, end of year, total	<u>18,433</u>	<u>123,647</u>	<u>35,358</u>	<u>177,438</u>	<u>27,199</u>	<u>114,465</u>	<u>30,351</u>	<u>172,015</u>

See accompanying notes to the financial statements.

Statement of Cash Flows

For the year ended March 31
(\$ thousands)

	2015				2014			
	General	Restricted	Endowment	Total	General	Restricted	Endowment	Total
Operating Activities								
Increase (decrease) in fund balances from operations	(8,766)	9,182	5,007	5,423	729	654	3,972	5,355
Amortization of capital and intangible assets	-	8,772	-	8,772	-	9,245	-	9,245
Realized and unrealized investment gains	-	(1,572)	(4,030)	(5,602)	-	(785)	(3,111)	(3,896)
Gifts-in-kind	(5)	(144)	(36)	(185)	-	(123)	(12)	(135)
Change in non-cash working capital	4,883	(4,763)	106	226	5,761	(4,925)	(508)	328
Cash generated from (used for) operating activities	(3,888)	11,475	1,047	8,634	6,490	4,066	341	10,897
Investing Activities								
Purchase of investments	-	(6,479)	(5,570)	(12,049)	-	(14,473)	(2,135)	(16,608)
Disposal of investments	-	15,619	4,475	20,094	-	4,120	1,771	5,891
Purchase of capital assets	-	(8,356)	-	(8,356)	-	(10,874)	-	(10,874)
Purchase of intangible assets	-	(176)	-	(176)	-	(110)	-	(110)
Cash used for investing activities	-	608	(1,095)	(487)	-	(21,337)	(364)	(21,701)
Financing Activities								
Debt financing proceeds	-	121	-	121	-	10,148	-	10,148
Debt repayments	-	(12,496)	-	(12,496)	-	(2,040)	-	(2,040)
Cash used for financing activities	-	(12,375)	-	(12,375)	-	8,108	-	8,108
Increase (decrease) in cash and short-term investments	(3,888)	(292)	(48)	(4,228)	6,490	(9,163)	(23)	(2,696)
Cash and short-term investments, beginning of year	32,200	1,623	64	33,887	25,710	10,786	87	36,583
Cash and short-term investments, end of year	28,312	1,331	16	29,659	32,200	1,623	64	33,887

See accompanying notes to the financial statements.

Notes to the Financial Statements

For the year ended March 31, 2015
(\$ thousands)

1. Authority and purpose

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

2. Summary of significant accounting policies and reporting practices

a) Basis of accounting

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

b) Use of estimates

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

c) Fund accounting

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

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

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

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

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

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

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

The Research Fund accounts for activities in support of research.

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

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

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

Notes to the Financial Statements

For the year ended March 31, 2015

(\$ thousands)

d) Inventories

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

e) Capital assets

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

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

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

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

f) Intangible assets

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

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

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

Enterprise Resource Planning System	15
Other software	5

g) Financial instruments

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

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

Notes to the Financial Statements

For the year ended March 31, 2015

(\$ thousands)

g) Financial instruments (continued)

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

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

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

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

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

Credit risk

The University is exposed to credit-related losses in the event of non-performance by counterparties to financial instruments. Credit exposure is minimized by dealing mostly with creditworthy counterparties such as highly rated financial institutions. The University provides credit to its students in the normal course of operations. To reduce this risk, the University places restrictions on registering for courses and the issuance of grades and degrees until payment on account is made. The University also uses third party agencies to collect outstanding receivables. The University assesses accounts receivable and provides for any amounts that are not collectible in the allowance for doubtful accounts.

Interest rate risk

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

Foreign currency risk

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

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

Market risk

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

Liquidity risk

Liquidity risk is the risk that the University will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. The University maintains a \$2,500,000 line of credit with a major financial institution that is designed to ensure sufficient funds are available to meet current and forecasted financial requirements in the most cost effective manner. There are no amounts outstanding on the line of credit at March 31, 2014.

h) Interest rate swap agreements

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

Notes to the Financial Statements

For the year ended March 31, 2015

(\$ thousands)

h) Interest rate swap agreements (continued)

The University designates each interest rate swap agreement as a cash flow hedge of a specifically identified debt instrument. The swap agreements are effective hedges, both at maturity and over the term of the agreement, since the term to maturity, the notional principal amount, and the interest rate of the swap agreements all match the terms of the debt instruments being hedged. The swap agreements involve periodic exchange of payments without the exchange of the notional principal amount upon which the payments are based. The payments are recorded as an adjustment of the interest expense on the hedged debt instrument.

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

i) Revenue recognition

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

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

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

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

j) Donations and pledges

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

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

k) Administrative leave, retirement incentives and allowances

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

l) Fundraising costs

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

m) Foreign currency translation

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

Notes to the Financial Statements

For the year ended March 31, 2015
(\$ 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 \$677 (2014 \$657) 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 \$246 (2014 \$180).

5. Long-term Investments

Long-term investments are recorded at fair value. The change in fair value created an unrealized gain of \$3,925 (2014 gain of \$3,373).

	2015		2014	
	Cost	Fair Value	Cost	Fair Value
Canadian equities	5,266	11,111	5,152	9,235
Pooled investment funds	42,949	48,807	49,360	53,053
Total investments	48,215	59,918	54,512	62,288

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, 2015 totalled \$4,222 (2014 \$4,140).

7. Capital assets

	2015			2014		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Land	4,959	-	4,959	4,959	-	4,959
Buildings	176,444	59,090	117,354	173,455	55,449	118,006
Site improvements	9,411	1,527	7,884	10,702	4,659	6,043
Library materials	4,104	2,009	2,095	4,209	1,972	2,237
Equipment, furnishings and interior improvements	22,733	11,188	11,545	22,058	9,661	12,397
Information technology	826	402	424	1,187	608	579
Leasehold improvements	216	216	-	216	126	90
Art and antique collection	964	-	964	852	-	852
Motor vehicles	61	61	-	61	61	-
	219,718	74,493	145,225	217,699	72,536	145,163

Amortization expense for capital assets was \$8,405 (2014 \$8,903).

8. Intangible assets

	2015			2014		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Enterprise Resource Planning System	3,491	2,076	1,415	3,490	1,815	1,675
Other software	518	202	316	395	147	248
	4,009	2,278	1,731	3,885	1,962	1,923

Amortization expense for intangible assets was \$367 (2014 \$342).

Notes to the Financial Statements

For the year ended March 31, 2015
(\$ thousands)

9. Long-term debt

Debt	Principal and Interest Payments	Maturity Date	Debt Interest Rate	Hedged Interest Rate	2015	2014
					Total	Total
Long-term loans (unsecured)						
McNally - North Campus Renovations	At maturity	Jan 2015	1.50%	-	-	10,039
Gorsebrook Lounge Renovations	Monthly	May 2015	CDOR +0.20%	5.01%	21	141
Enterprise Resource Planning System	Monthly	Jun 2021	CDOR +0.25%	5.16%	1,319	1,494
Rice and Vanier Residences	Semi-annual	Jun 2019	5.02%	-	825	984
Loyola Residence and Academic Complex Residences Renovations	Semi-annual	May 2022	5.34%	-	1,940	2,145
Residences Renovations	Monthly	Aug 2026	6.95%	-	8,174	8,624
Residences Renovations	Monthly	Sep 2026	CDOR +0.30%	5.97%	4,170	4,423
Residences Renovations	Monthly	Sep 2026	CDOR +0.30%	5.40%	1,983	2,108
Science Building Renewal Project	Monthly	Mar 2033	CDOR +0.20%	5.30%	17,647	18,216
Homburg Centre for Health & Wellness	Monthly	Jul 2037	CDOR +0.31	3.09%	2,072	2,133
960 Tower Road Building and Renewal of Athletic Facilities	Monthly	Jan 2039	4.64%	-	9,746	9,965
Subtotal					47,897	60,272
Less: current portion					(2,362)	(12,378)
Total long-term debt					45,535	47,894

Principal instalments payable in each of the next five years:

2016	2,362
2017	2,476
2018	2,616
2019	2,763
2020	2,816

Interest expense on long-term debt during the year totalled \$2,774 (2014 \$2,561).

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, 2015 was \$27,212 (2014 \$28,515). 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, 2015, it would have been obligated to pay the banks \$7,058 (2014 \$4,931), which is the fair value of the swaps as calculated by the banks.

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

11. Interest Income

Interest income earned on bank accounts, investments and long-term receivables, \$284 (2014 \$285), is reported as investment income and interest earned on student accounts, \$126 (2014 \$143), 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:	2015	2014
Investments	73	123
Art and antiques	111	12
Other	1	-
	185	135

Notes to the Financial Statements

For the year ended March 31, 2015

(\$ thousands)

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

Donation pledges

Donations pledged but not received as at March 31, 2015, totalled \$1,257 (2014 \$1,468). 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

During the year the University approved an internal loan from the Operating Fund to the Capital Fund related to renovations to the McNally Building. The balance of the loan at March 31, 2015, was \$487. The loan bears interest at 1% and will be repaid over approximately 6 years.

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

	2015			2014		
	General	Restricted	Endowment	General	Restricted	Endowment
Transfers received (paid)						
Purchase capital and intangible assets	(4,782)	4,782	-	(4,355)	4,355	-
Maintenance and replacements	(589)	589	-	(917)	917	-
Debt reduction	(11,889)	11,889	-	(1,926)	1,926	-
Research and specific purposes	(331)	(203)	534	(408)	(47)	455
Program support	494	545	(1,039)	578	78	(656)
Total	(17,097)	17,602	(505)	(7,028)	7,229	(201)

14. Commitments

Encumbrances at March 31, 2015 were \$2,243. The University has entered into various agreements for capital expenditures in the upcoming fiscal year. The total capital budget for the 2016 fiscal year is \$3,657. In April 2014, the University began a major capital project for \$2,700 to improve energy consumption, temperature control and air quality in the Science Building and McNally Building. This 18 month project is to be financed with internal and external financing. It will result in significant annual savings in fuel and electricity costs. Expenditures of \$898 related to this project were included in encumbrances at March 31, 2015.

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

2016	953
2017	323
2018	106
2019	11
2020	-

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, 2014, CURIE had an accumulated excess of income over expenses of \$69,258, 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.

Notes to the Financial Statements

For the year ended March 31, 2015
(\$ thousands)

16. Comparative figures

The comparative figures have been restated to reflect the recording of an adjustment related to funds held in trust by an external service provider designated for employee future benefits.

Adjustments to the opening financial position

The internally restricted fund balance of the General Fund has been affected by adjustment as follows:

	Impact on comparative period March 31, 2014
General Fund	
Internally restricted	
Total fund balance, previously reported	23,769
Long-term receivable	1,354
Long-term accrued liabilities	(677)
	677
Total fund balance, as adjusted	24,446

Adjustments to the comparative Statement of Financial Position

	March 31, 2014		
	As originally reported	Adjustment	Restated
The following adjustments have been made to the General Fund:			
Long-term receivable	23	1,354	1,377
Long-term accrued liabilities	-	677	677

Adjustments to the comparative Statement of Operations

	Year ended March 31, 2014		
	As originally reported	Adjustment	Restated
The following adjustments have been made to the General Fund:			
Employee benefits	9,360	75	9,435

Adjustments to the comparative Statement of Cash Flows

No material adjustments to the comparative Statement of Cash Flows were required as a result of the transition.

Adjustments to Schedule 1 comparative General Fund - Statement of Operations

	Year ended March 31, 2014		
	As originally reported	Adjustment	Restated
The following adjustments have been made to Projects and Reserves:			
Employee benefits	42	75	117

In addition to the adjustments noted above, certain of the comparative figures have been reclassified to conform to the financial statement presentation adopted for 2015.

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					
	2015			2014		
	Operating	Projects and Reserves	Total	Operating	Projects and Reserves	Total
	(Restated Note 16)					
Revenues						
Government grants and contributions						
Government of Canada	1,591	-	1,591	1,540	2	1,542
Government of Nova Scotia	34,419	10	34,429	34,037	5	34,042
Other grants	76	1	77	68	5	73
Student fees	64,614	-	64,614	64,006	-	64,006
Gifts and bequests	88	-	88	122	1	123
Sales of services and products	16,307	42	16,349	16,728	6	16,734
Income from investments	264	1,744	2,008	219	1,194	1,413
Miscellaneous income	1,199	132	1,331	999	337	1,336
	<u>118,558</u>	<u>1,929</u>	<u>120,487</u>	<u>117,719</u>	<u>1,550</u>	<u>119,269</u>
Expenses						
Salaries	66,299	462	66,761	65,094	680	65,774
Employee benefits	9,504	88	9,592	9,318	117	9,435
Equipment rental	805	-	805	814	-	814
Materials and supplies	2,506	120	2,626	2,574	119	2,693
Communications	684	2	686	714	1	715
Travel	2,707	157	2,864	2,757	149	2,906
Utilities	3,329	-	3,329	3,139	-	3,139
Printing and duplicating	669	-	669	741	3	744
Library acquisitions	1,167	-	1,167	1,136	-	1,136
Hospitality	896	24	920	898	18	916
Repairs and maintenance	1,994	33	2,027	1,972	25	1,997
Promotion and student recruitment	3,597	38	3,635	3,680	18	3,698
Professional fees	918	270	1,188	726	471	1,197
Rent	267	-	267	295	-	295
Other operational expenses	3,221	431	3,652	3,865	236	4,101
Cost of goods sold	4,927	-	4,927	5,239	-	5,239
Student financial aid	4,916	23	4,939	4,741	23	4,764
Interest	2,770	4	2,774	2,551	10	2,561
Internal cost recoveries	(662)	(10)	(672)	(577)	(35)	(612)
	<u>110,514</u>	<u>1,642</u>	<u>112,156</u>	<u>109,677</u>	<u>1,835</u>	<u>111,512</u>
Revenues less expenses before transfers	8,044	287	8,331	8,042	(285)	7,757
Interfund transfers	(8,092)	(9,005)	(17,097)	(8,078)	1,050	(7,028)
Net increase (decrease) in fund balances	<u>(48)</u>	<u>(8,718)</u>	<u>(8,766)</u>	<u>(36)</u>	<u>765</u>	<u>729</u>
Fund balances, beginning of year						
Internally restricted	-	24,446	24,446	-	23,681	23,681
Unrestricted	2,753	-	2,753	2,789	-	2,789
Fund balances, beginning of year, total	<u>2,753</u>	<u>24,446</u>	<u>27,199</u>	<u>2,789</u>	<u>23,681</u>	<u>26,470</u>
Fund balances, end of year						
Internally restricted	-	15,728	15,728	-	24,446	24,446
Unrestricted	2,705	-	2,705	2,753	-	2,753
Fund balances, end of year, total	<u>2,705</u>	<u>15,728</u>	<u>18,433</u>	<u>2,753</u>	<u>24,446</u>	<u>27,199</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									
	2015					2014				
	Capital	Research	Trust	Specific Purpose	Total	Capital	Research	Trust	Specific Purpose	Total
Revenues										
Government grants and contributions										
Government of Canada	-	4,806	-	2,051	6,857	-	5,848	-	2,180	8,028
Government of Nova Scotia	-	1,437	-	519	1,956	28	101	-	2,236	2,365
Other	-	-	-	-	-	-	18	-	-	18
Other grants	39	982	-	178	1,199	-	1,372	-	62	1,434
Student fees	-	-	-	137	137	-	-	-	-	-
Gifts and bequests	112	103	338	278	831	12	103	417	405	937
Sales of services and products	-	-	56	373	429	-	26	14	354	394
Income from investments	-	-	417	710	1,127	-	1	345	409	755
Miscellaneous income	-	18	175	363	556	-	-	145	349	494
	151	7,346	986	4,609	13,092	40	7,469	921	5,995	14,425
Expenses										
Salaries	-	3,340	-	1,691	5,031	-	3,267	5	1,506	4,778
Employee benefits	-	217	-	38	255	-	234	-	51	285
Equipment rental	-	-	-	12	12	-	-	-	9	9
Materials and supplies	349	603	5	242	1,199	650	376	10	113	1,149
Communications	-	3	-	14	17	-	5	-	5	10
Travel	-	818	5	457	1,280	-	946	7	461	1,414
Printing and duplicating	-	3	-	25	28	-	1	-	18	19
Hospitality	-	14	5	150	169	-	17	15	206	238
Repairs and maintenance	1,255	119	-	-	1,374	771	-	-	-	771
Promotion and student recruitment	-	4	12	132	148	-	1	26	43	70
Professional fees	-	238	64	396	698	-	324	79	233	636
Rent	-	-	-	20	20	-	-	-	21	21
Other operational expenses	-	129	25	290	444	-	164	97	229	490
Student financial aid	-	662	620	111	1,393	-	601	607	45	1,253
Amortization of capital and intangible assets	8,772	-	-	-	8,772	9,245	-	-	-	9,245
Internal cost recoveries	-	164	-	508	672	-	159	3	450	612
	10,376	6,314	736	4,086	21,512	10,666	6,095	849	3,390	21,000
Revenues less expenses before transfers	(10,225)	1,032	250	523	(8,420)	(10,626)	1,374	72	2,605	(6,575)
Interfund transfers	18,238	(239)	71	(468)	17,602	8,039	(437)	(225)	(148)	7,229
Net increase (decrease) in fund balances	8,013	793	321	55	(1,191)	(2,587)	937	(153)	2,457	654
Fund balances, beginning of year										
Externally restricted	-	5,942	4,103	11,942	21,987	-	5,005	4,256	9,485	18,746
Invested in capital assets	92,478	-	-	-	92,478	95,065	-	-	-	95,065
Fund balances, beginning of year, total	92,478	5,942	4,103	11,942	114,465	95,065	5,005	4,256	9,485	113,811
Fund balances, end of year										
Externally restricted	-	6,735	4,424	11,997	23,156	-	5,942	4,103	11,942	21,987
Invested in capital assets	100,491	-	-	-	100,491	92,478	-	-	-	92,478
Fund balances, end of year, total	100,491	6,735	4,424	11,997	123,647	92,478	5,942	4,103	11,942	114,465

See accompanying notes to the financial statements.

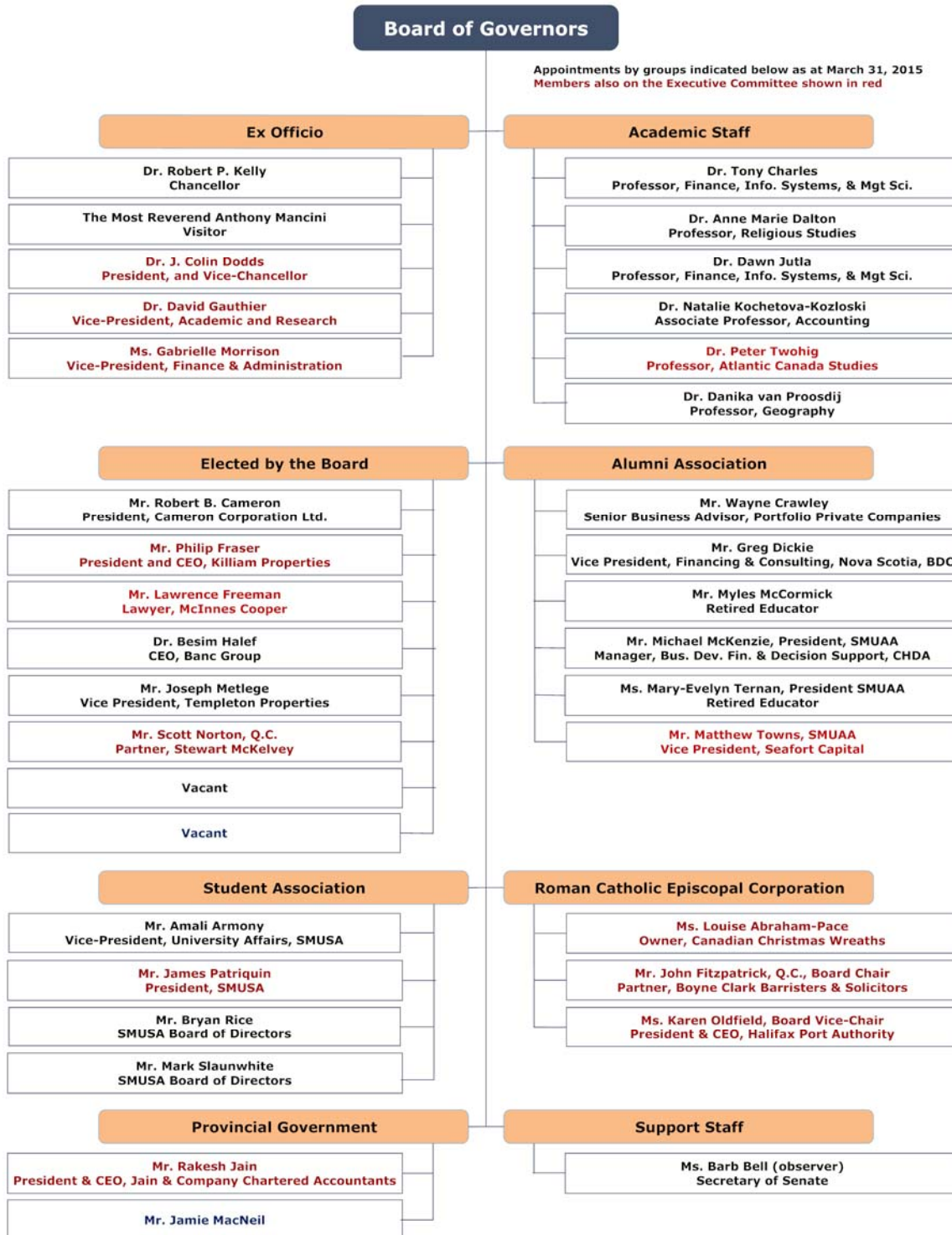


One University. One World. Yours.

University and Financial Governance

March 31, 2015

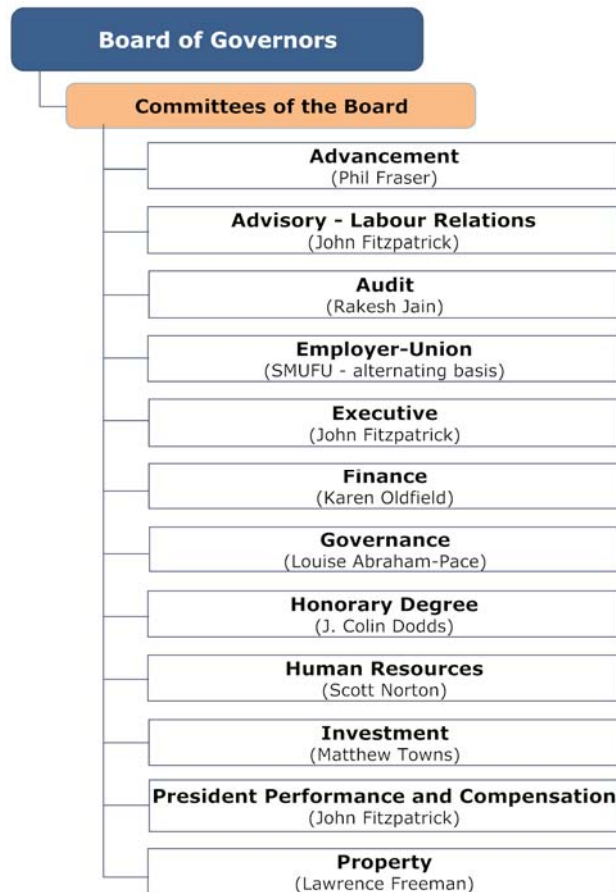
University Governance



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, 2015.



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

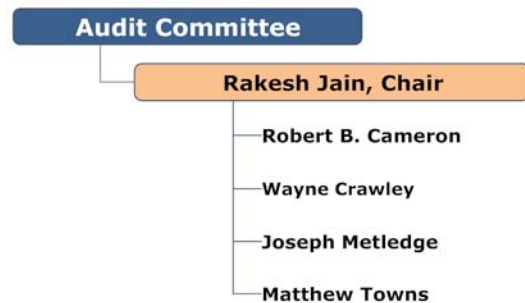
Each committee is governed by its Terms of Reference approved by the board. The by-laws of the University require that a majority of each standing committee shall be Governors and that the Chair of each standing committee shall be a Governor. Each committee is advisory to the board unless, and to the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

Financial Leadership – Financial Committees of the Board of Governors

Appointments as at March 31, 2015



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.

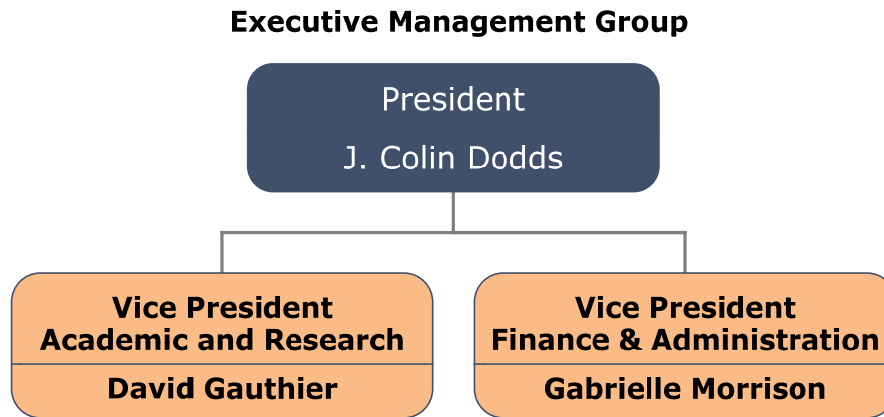
The external auditor, Grant Thornton LLP reports to the Audit Committee independent of management.



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, 2015



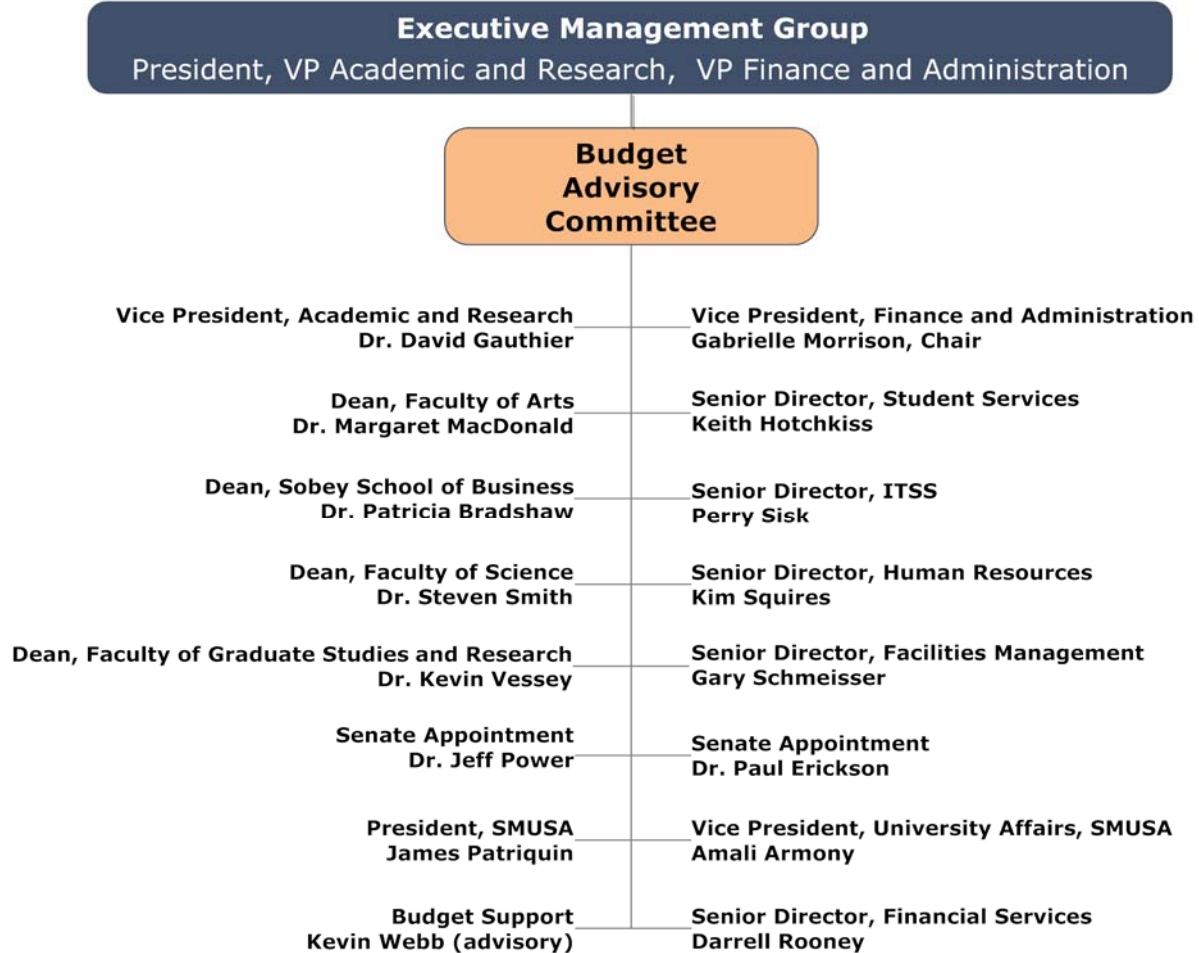
Saint Mary's University Act

“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, 2015



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