



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

# Annual Financial Report

March 31, 2007

## Annual Financial Report, March 31, 2007 – Table of Contents

|  |     |
|--|-----|
| Introduction .....   | 1   |
| <b><u>Management Discussion and Analysis</u></b>                                 |     |
| Strategic Directions .....   | 2   |
| University Environment .....   | 3   |
| Vital Signs .....  | 4   |
| University Facts .....   | 5   |
| Responsibility for Financial Reporting .....                                     | 6   |
| Fund Accounting .....  | 7   |
| Financial Position and Fund Balances .....                                       | 8   |
| Financial Condition Analysis .....   | 9   |
| • Operations .....   | 10  |
| • Asset Management .....   | 11  |
| • Fundraising and Endowment .....  | 12  |
| • Debt Capacity .....  | 13  |
| General Fund Analysis  |     |
| • Operating Fund - Revenues .....  | 14  |
| • Operating Fund - Expenses .....  | 15  |
| • Operating Fund - Ancillary Operations .....                                    | 16  |
| Restricted Fund Analysis   |     |
| • Capital Fund .....   | 17  |
| • Trust Fund .....   | 18  |
| • Research and Specific Purpose Funds.....                                       | 19  |
| <b><u>Financial Statements</u></b>   |     |
| Auditors' Report .....   | 20  |
| Statement of Financial Position .....  | 21  |
| Statement of Operations and Changes in Fund Balances .....                       | 22  |
| Statement of Cash Flows .....  | 23  |
| Notes to the Financial Statements .....  | 24  |
| Schedules to the Financial Statements  |     |
| • 1 General Fund - Statement of Operations and Changes in Fund Balances .....    | 31  |
| • 2 Restricted Fund - Statement of Operations and Changes in Fund Balances ..... | 32  |
| • 3 Operating Fund - Budget Comparison .....                                     | 33  |
| • 4 Operating Fund - Schedule of Expenses by Function .....                      | 34  |
| • 5 Operating Fund - Schedule of Academic Expenses by Function .....             | 35  |
| • 6 Operating Fund - Schedule of Ancillary Revenues and Expenses .....           | 36  |
| • 7 Schedule of Interfund Transfers .....  | 37  |
| <b><u>Appendix: University and Financial Governance</u></b>                      |     |
| University Governance .....  | i   |
| Financial Leadership - Committees of the Board of Governors                      |     |
| • Board Committee Structure .....  | ii  |
| • Finance Committee, Investment Committee and Audit Committee.....               | iii |
| Financial Leadership - Management  |     |
| • Executive Management Group .....   | iv  |
| • Budget Advisory Committee .....  | v   |

## Introduction

I am pleased to introduce the Annual Financial Report for the 2006/07 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.

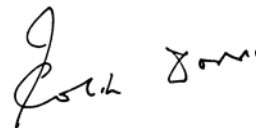
The Board of Governors of Saint Mary's University, as trustee of university financial, physical and human assets, has a fiduciary responsibility to oversee financial management. Financial statements help to fulfil this financial oversight role but these, in isolation, do not always satisfy the various 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 as well as performance measures of the financial condition of the university. This information (other than the financial statements) has not been audited.

The financial statements 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 issued a standard unqualified report (see page 20) on the financial statements of the University for the year ended March 31, 2007.

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, 2007.



J. Colin Dodds, Ph.D.  
President



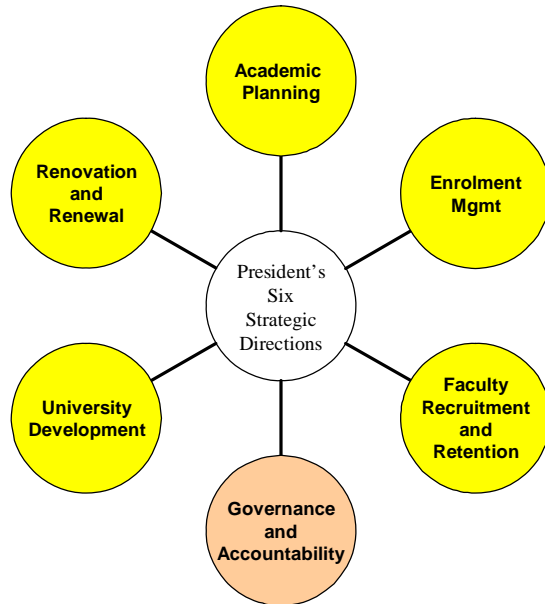
One University. One World. Yours.

# Management Discussion and Analysis

March 31, 2007

## Strategic Directions

### SMU Strategic Directions



The President has articulated six strategic directions to guide the activities of the university. This annual financial report assists with Saint Mary's progress toward governance and accountability. The university is guided in its pursuit of these strategic directions by its motto, vision, mission and core values.

#### **Motto**

Age quod agis - What you do, do well.

#### **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, and fiscal responsibility.
- The University is committed to accessibility, diversity and the provision of a positive and supportive learning environment through the effective integration of teaching and research.
- Through promoting the importance of critical enquiry, leadership, teamwork and global awareness, we aim to prepare students for responsible and rewarding lives and to remain engaged with our alumni worldwide.
- We recognize the importance of the contribution and growth of each individual in the University's success.
- Saint Mary's welcomes mutually beneficial partnerships and strategic alliances with all levels of government, with other educational institutions, non-government institutions and the private sector.

## University Environment

The Canadian university system provides numerous alternatives for its 815,000 students and 34,000 faculty members. There is a tremendous range of educational and research environments, ranging from large to small; denominational to secular; English, French or bilingual; residential to commuter-based; and urban or rural to virtual. There are 92 universities belonging to the Association of Universities and Colleges of Canada. The system in Nova Scotia includes 11 universities, with 6 located in Halifax.

The chart below summarizes the critical success factors for Saint Mary's - those things we must do well to survive in our competitive environment. Also shown are the forces of change that will affect the University as we move forward, along with our strategic strengths and the strategic issues that need to be addressed.

### Critical Success Factors

- Quality of academic programs
- Recruitment / retention of students, faculty, staff
- Quality of academic facilities
- Quality and range of student services
- Quality and volume of research activities
- Alumni, government and community support
- Operational effectiveness
- Asset management
- Fundraising and endowment
- Debt capacity

### Forces of Change

- Declining enrolments
- Declining "school-age" population in Atlantic Canada
- Impending faculty retirement bulge worldwide
- Increasing student and parental expectations
- Increasing national and international competition
- Federal innovation and research agenda
- Impact of educational and information technology
- Internal and external changes in retirement restrictions

### Strategic Strengths

- Academic Plan
- Friendly, student-centred campus culture
- Halifax, "Smart City", quality of life
- Established international linkages
- Track record of strong labour relations
- Community, educational, corporate partnerships
- History of commitment to athletics and recreation

### Strategic Issues

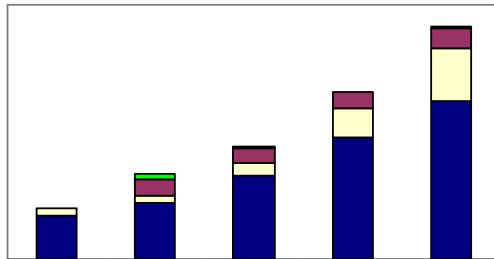
- Responding operationally to declining enrolments
- Renegotiation of funding agreement with NS government
- "Hearts & Minds" Capital Campaign
- Competition - many players in the university "market"
- Management of major capital projects
- Need to re-engage alumni
- Increasing costs and student debt
- Growth in research
- Continued development of Banner ERP system
- Development of human resources

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

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

## Vital Signs

**Sponsored Research (000's)**

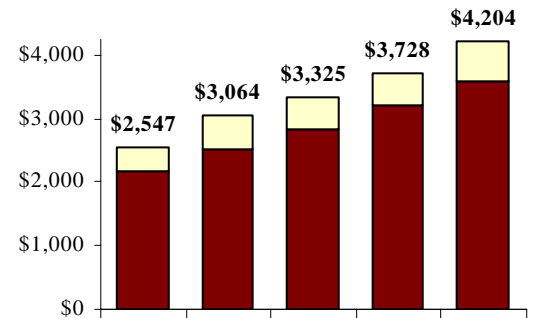


|                 | 02-03   | 03-04   | 04-05   | 05-06   | 06-07   |
|-----------------|---------|---------|---------|---------|---------|
| <b>Total</b>    | \$2,008 | \$3,337 | \$4,405 | \$6,606 | \$9,110 |
| ■ Provincial    | \$40    | \$212   | \$19    | \$41    | \$48    |
| ■ Federal - ICP |         | \$610   | \$616   | \$645   | \$765   |
| □ Other         | \$288   | \$300   | \$480   | \$1,167 | \$2,053 |
| ■ Federal       | \$1,680 | \$2,215 | \$3,290 | \$4,753 | \$6,244 |

➤ Funding for sponsored research, including the Indirect Costs Program, increased 37.9% in 2006-07 over the prior year

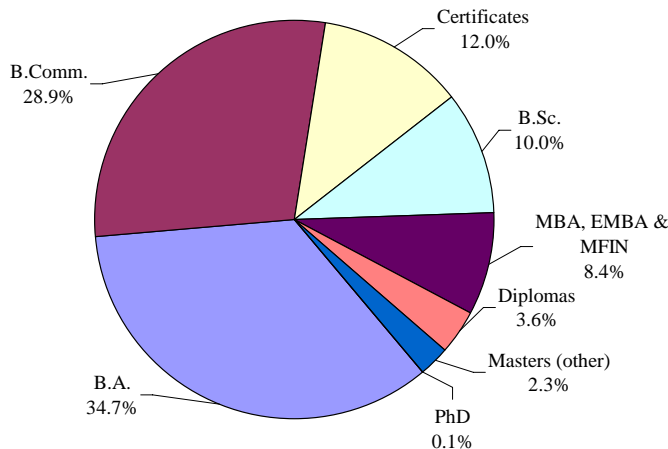
➤ SMU has substantially increased spending on scholarships, fellowships and bursaries over the past five years

**Student Financial Aid (000's)**



|                          | 02/03   | 03/04   | 04/05   | 05/06   | 06/07   |
|--------------------------|---------|---------|---------|---------|---------|
| <b>Total Expenditure</b> | \$2,547 | \$3,064 | \$3,325 | \$3,728 | \$4,204 |
| □ Other Funds            | \$369   | \$539   | \$489   | \$511   | \$617   |
| ■ Operating Fund         | \$2,178 | \$2,525 | \$2,836 | \$3,217 | \$3,587 |

**Degrees, Diplomas and Certificates Awarded 2006**



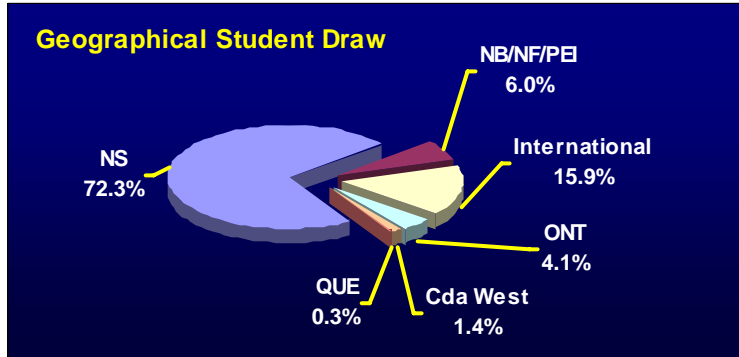
➤ Saint Mary's awarded 1,544 degrees, diplomas and certificates in 2006, a decrease of 6.7% from the previous year

### 2006/07 Varsity Sport Teams (prior year in brackets)

38 (37) CIS Academic All-Canadians, 5 (11) CIS All-Canadians  
 1 (2) AUS Champion – Volleyball, 2nd consecutive, 38 (43) AUS All-Stars  
 AUS Men's Hockey MVP, AUS Women's Hockey Most Sportsmanlike Player

## University Facts

### Geographical Student Draw

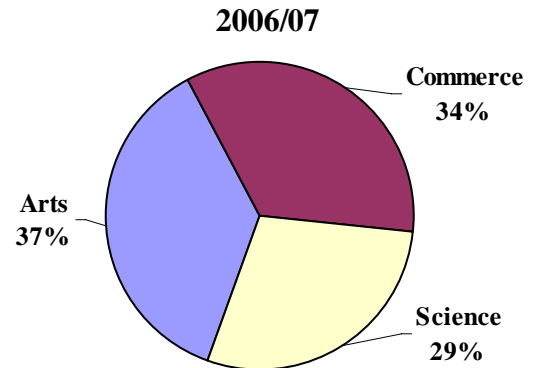


- Full-time students 6,731  
Part-time students 907
- The five largest international contingents are from China, Germany, Bahamas, United States and Bermuda
- 47% of SMU students come from the Halifax Regional Municipality
- The student population is 52% female and 48% male

| Residences        | Vanier     | Rice       | Lovola     | Total        |
|-------------------|------------|------------|------------|--------------|
| Single            | 80         | 0          | 322        | 402          |
| Double            | 144        | 0          | 112        | 256          |
| Apartments        | 0          | 380        | 0          | 380          |
| Suites            | 8          | 0          | 78         | 86           |
| Family/Graduate   | 0          | 0          | 72         | 72           |
| <b>Total Beds</b> | <b>232</b> | <b>380</b> | <b>584</b> | <b>1,196</b> |

- Saint Mary's operates three residences, with several different styles of accommodation to suit a variety of student needs. Vacancy rates ranged from 4.6% to 8.9% during the 2006-07 academic year

### Course Registrations by Degree Program



The largest percentage of course registrations is in Psychology, 17.3%

| SMU Staffing 2006-07 |            |            |
|----------------------|------------|------------|
| Group                | Full time  | Part time  |
| Faculty              | 245        | 160        |
| Administrative       | 291        | 11         |
| TESL                 | 7          | 0          |
| Library              | 43         | 1          |
| Facilities           | 91         | 0          |
| Ancillaries          | 13         | 0          |
| Bus Dev Centre       | 13         | 0          |
| Atlantic Centre      | 12         | 0          |
| <b>Total</b>         | <b>715</b> | <b>172</b> |

- Saint Mary's employed almost 1,000 students during 2006-07

### Average Class Size

- 60.0 - Introductory Classes
- 26.8 - Upper Level Classes
- 10.4 - Graduate Classes

## Responsibility for Financial Reporting

The administration of the university is responsible for the preparation, integrity and objectivity of the financial statements and the notes thereto. The administration believes that the financial statements present fairly the university's financial position as at March 31, 2007 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 generally accepted accounting principles. 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.



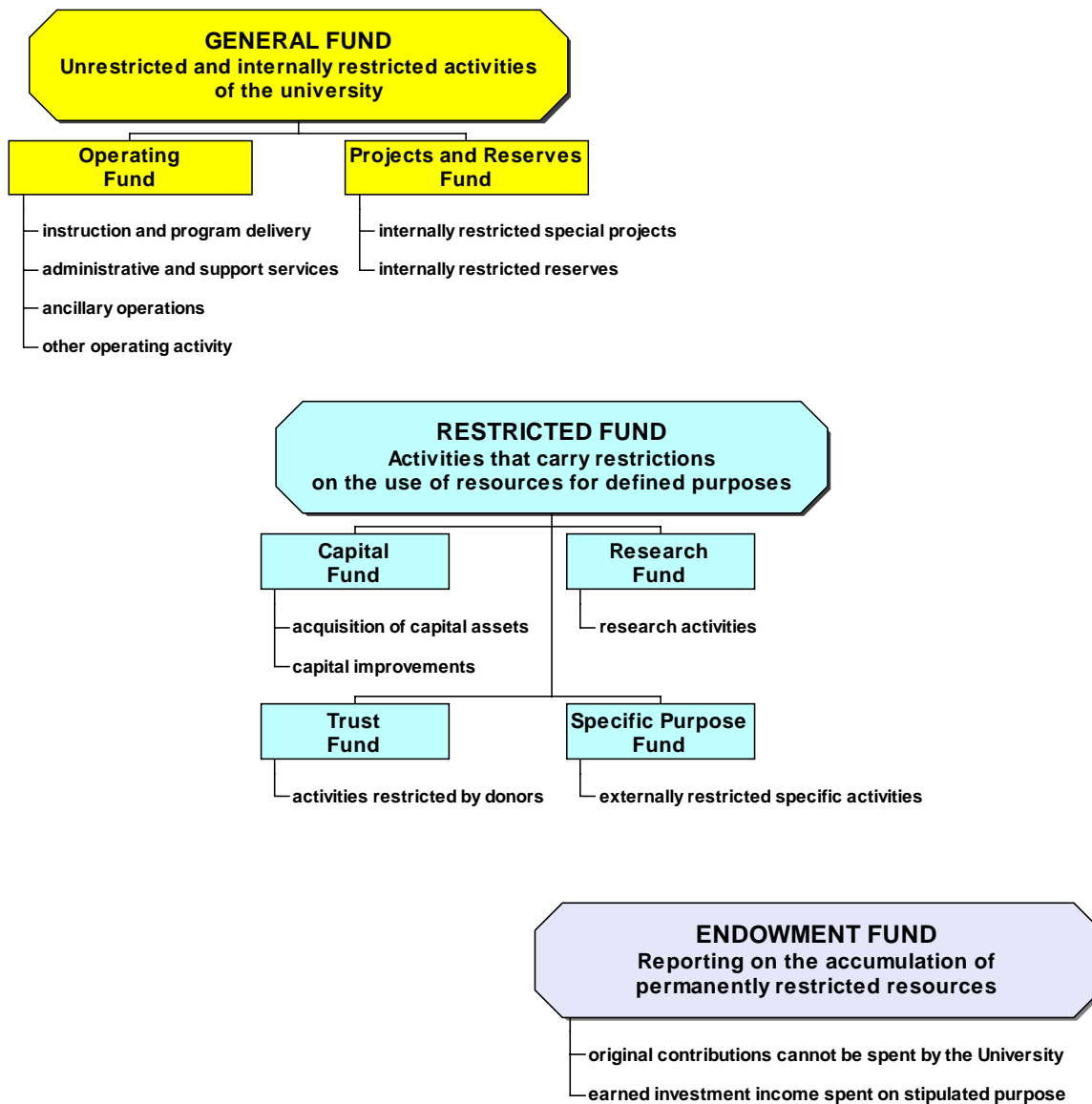
Larry Corrigan, MBA, FCGA  
Vice-President, Finance

## Fund Accounting

The Board of Governors and management have responsibility to set the strategic directions for the university, allocate resources, 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 financial statement structure for Saint Mary's University is comprised of:

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

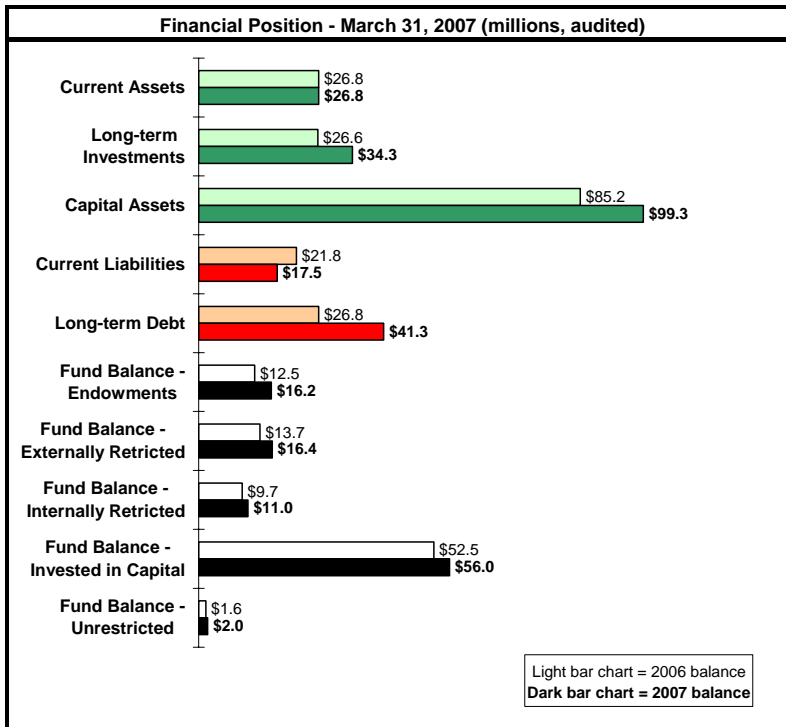


## Financial Position and Fund Balances

The Statement of Financial Position, or Balance Sheet, reports what the university owns (assets), what it owes to others (liabilities) and the university's remaining interest or equity in the assets (fund balances) at the reporting date, March 31, 2007.

University current assets amounted to \$26.8 million, with 74% of this held in cash and short-term investments. Accounts receivable was the next largest item at \$4.8 million of which \$4.3 million was student fees. This was a considerable improvement from the prior year. Student tuition receivables declined by \$0.6 million due to successful collection efforts. Inventories and prepaids make up the remaining balance of current assets.

Long-term investments and receivables amount to \$34.3 million at cost. This was an increase, mostly due to the capital campaign, of \$7.7 million over the prior year. These include long-term receivables, equities and pooled investment funds. Investments are placed in accordance with policies specifying required quality and limiting the amount of risk exposure in any one type of investment instrument. The market value of the long term investments and receivables was \$35.7 million at March 31, 2007 (\$29.6 million at the prior year end).



Capital assets, with a net book value of \$99.3 million, are a prominent component of the university's statement of financial position. The university's buildings comprise 76% of net capital assets.

Current liabilities of \$17.5 million include payables and accruals, students' deposits and deferred revenue. Current liabilities also include the current portion of long-term debt which decreased \$4.5 million.

The long-term portion of debt increased by \$14.5 million (54.1%) to \$41.3 million.

The lower part of the chart shows the fund balances. These represent the university's residual interest in its assets after deducting liabilities. In other words, the balances in each fund are the net resources available for future service delivery activities.

The fund accounting method of reporting used by Saint Mary's shows restrictions on balances of each area of activity. \$32.6 million relates to resources that are constrained by endowments and other external restrictions, \$11.0 million is internally restricted by the university for projects and reserves, \$56.0 million is the net amount invested in buildings, equipment and other capital assets. The unrestricted General Fund balance represents accumulated surpluses and deficits of current and prior years. The unrestricted fund balance is \$2.020 million. This is over the range specified by the Board of Governors (approved range = \$0.5 million to \$1.5 million). The excess \$520 thousand of the unrestricted fund balance will be allocated 50% to academic priorities and 50% to campus renewal in 2007/08 as required by the policy approved by the Board.

In total, the fund balances of Saint Mary's University increased substantially over the past five years:

|      |                 |
|------|-----------------|
| 2007 | \$101.7 million |
| 2006 | \$89.9 million  |
| 2005 | \$83.8 million  |
| 2004 | \$73.1 million  |
| 2003 | \$66.1 million  |

## 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 \$25 million in operating grants each year
- to demonstrate to donors that their philanthropic gifts are prudently applied
- to provide evidence to lending institutions that the university meets its fiduciary duties
- to generate support from our students, employees, external partners and the overall university community

No set of aggregate quantitative measures can capture the complexity of the university. Nonetheless, we identified indicators which can allow us to monitor the "big picture" of Saint Mary's financial condition over time and in comparison to selected peer group universities.

#### Critical success factors

#### Performance indicators

#### ⊗ OPERATIONS (page 10)

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

#### ⊗ ASSET MANAGEMENT (page 11)

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

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

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

#### ⊗ DEBT CAPACITY (page 13)

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

## Financial Condition

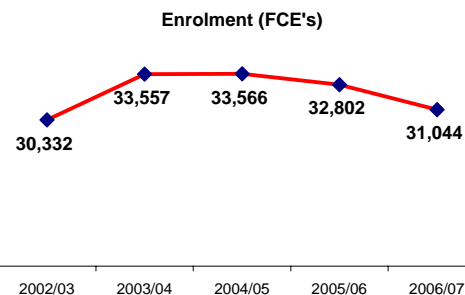
### Operations Analysis, March 31, 2007

**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   | 2005/06       | 2006/07       |
|--|---------------|---------------|
| Arts enrolment   | 12,387        | 11,189        |
| Science enrolment  | 9,304         | 8,815         |
| Commerce enrolment   | 9,528         | 9,270         |
| Graduate Studies enrolment                                   | 1,583         | 1,770         |
| <b>Total enrolment at March 31 (full course equivalents)</b> | <b>32,802</b> | <b>31,044</b> |



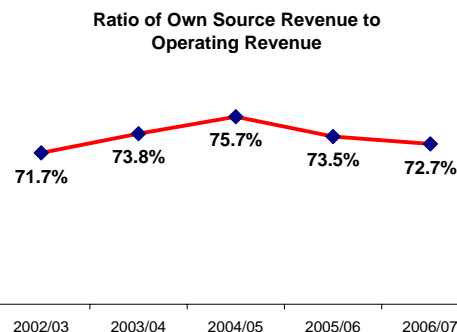
- total enrolment has declined over the past few years
- enrolment down in each faculty except Graduate Studies (+11.8%)
- international enrolment stands at 15.9%, one of the highest in Canada (Maclean's)

**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. However, a recent 3-year MOU has given increased funding and 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                | 2005/06       | 2006/07       |
|---|---------------|---------------|
| Own source revenue (millions)                           | \$68.3        | \$68.4        |
| Provincial operating grant (millions)                   | \$23.7        | \$24.6        |
| Federal grant (millions)                                | \$0.9         | \$1.1         |
| <b>Total operating revenue (millions)</b>               | <b>\$92.9</b> | <b>\$94.1</b> |
| <b>Ratio of own source revenue to operating revenue</b> | <b>73.5%</b>  | <b>72.7%</b>  |



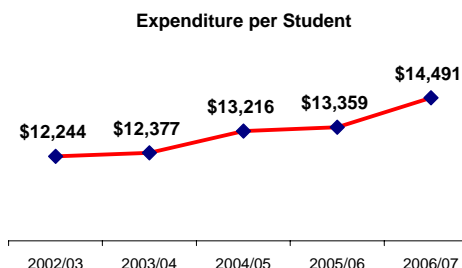
- own source revenue constant in \$ terms but declined as a % of total operating revenue
- Provincial grants increased during this period as a result of a 3 year MOU
- Federal government increased funding for indirect costs of research

**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 | 2005/06         | 2006/07         |
|---|-----------------|-----------------|
| Annual expenses, all Funds (millions)     | \$98.6          | \$100.9         |
| Students (full-time equivalents)          | 7,381           | 6,963           |
| <b>Expenditure per student</b>            | <b>\$13,359</b> | <b>\$14,491</b> |



- spending increase mostly in Restricted Fund; enrolment decline a significant factor
- expenditure per student up 8.5% from the prior year
- SMU ranks 8th of 12 peer group universities (median = \$15,083 per student)

## Financial Condition

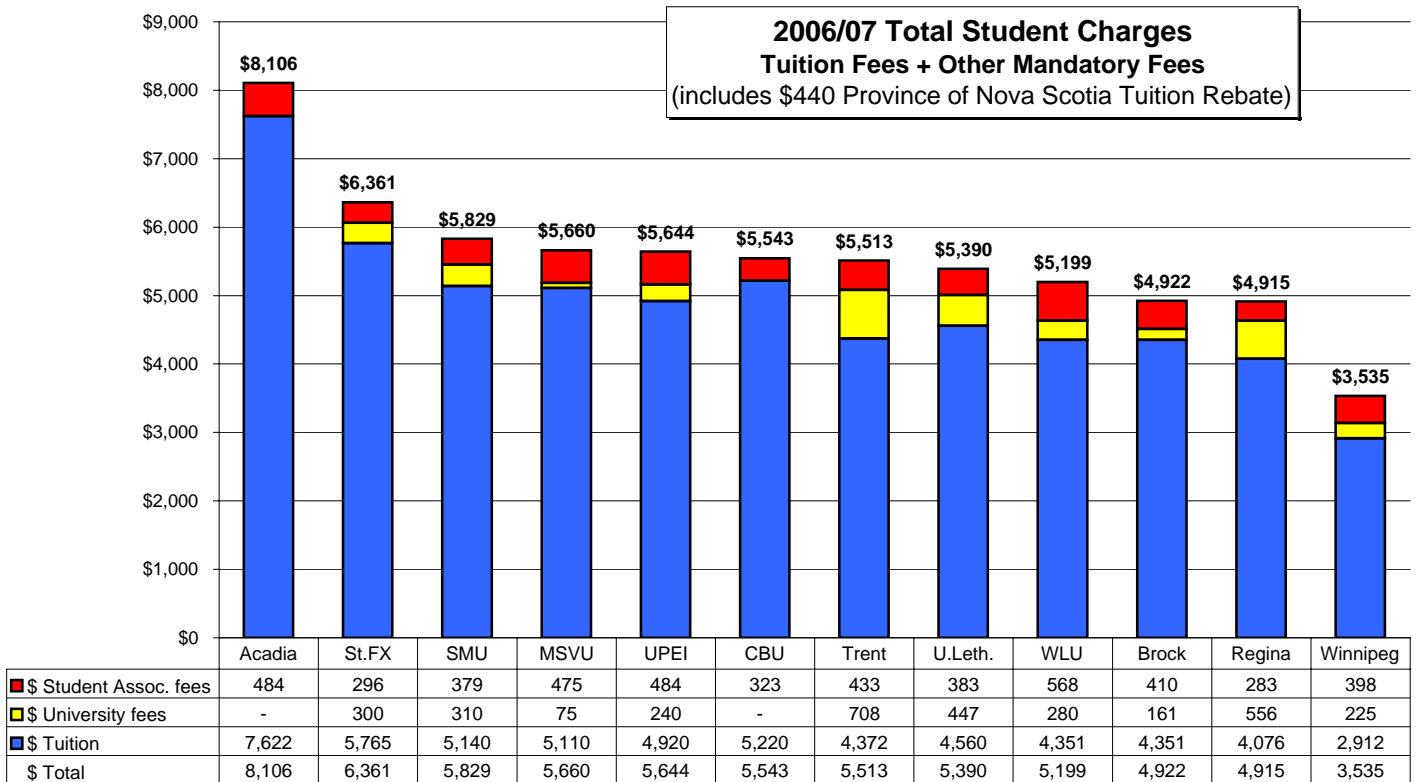
### Operations Analysis, March 31, 2007

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 support in the province in which each university is located. Nova Scotia lags behind most other provinces in investments in the university sector (CAUBO/Statistics Canada - provincial operating funding as % of total university income). Average tuition fees therefore are relatively high. Within Nova Scotia, Saint Mary's University has the second lowest proportion of provincial funding relative to the other NS universities (29.9% funding compared to Nova Scotia median of 42.9%). Saint Mary's receives the lowest proportion of provincial funding relative to its Canadian peer group (12th of 12 universities, 29.9% funding compared to peer group median of 48.0%).

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



- total cost to attend SMU is third highest (of 12) compared to peer group universities:

- Nova Scotia universities have highest tuition in the country

- SMU tuition is competitive within Nova Scotia

- In 2006/07, the Province of Nova Scotia provided a tuition bursary of \$440 for each Nova Scotia student (72.3% of SMU students). This had an immediate effect of reducing Nova Scotia university tuition to become more competitive with universities across Canada.

Source of provincial funding information: CAUBO/Statistics Canada 2006  
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, 2007

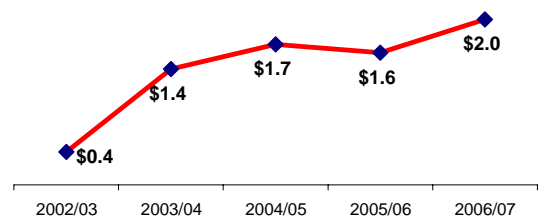
**Critical Success Factor 5: Liquidity**

**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 Saint Mary's policy is to maintain unrestricted resources in a range between \$500 thousand and \$1.5 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.

**Unrestricted Resources**

| Liquidity   | 2005/06 | 2006/07 |
|---|---------|---------|
| Unrestricted fund balance, start of year (millions) | \$1.7   | \$1.6   |
| Change during the year (millions)                   | (\$0.1) | \$0.4   |
| Unrestricted fund balance, end of year (millions)   | \$1.6   | \$2.0   |



- the unrestricted balance at year end exceeds the top of the approved range (excess \$520 thousand to academic priorities/campus renewal in 2007/08)
- SMU balance, \$2.0 million, exceeds the median of the peer group (\$0.4 million)

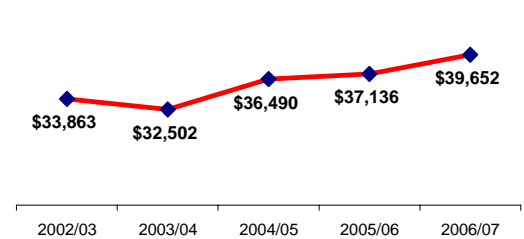
**Critical Success Factor 6: Physical infrastructure**

**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                              | 2005/06  | 2006/07  |
|--|----------|----------|
| CRV of capital assets per CURIE valuation (millions) | \$274.1  | \$276.1  |
| Number of students (full time equivalents)           | 7,381    | 6,963    |
| CRV of capital assets per student                    | \$37,136 | \$39,652 |

**Capital Assets per Student**



- modest growth in the value of capital assets; size of the student body declined
- \$25 million renovation of the Science Building began in 2006 will affect next year
- a general capital program (\$3.9 million) is planned for the 2007/08 fiscal year

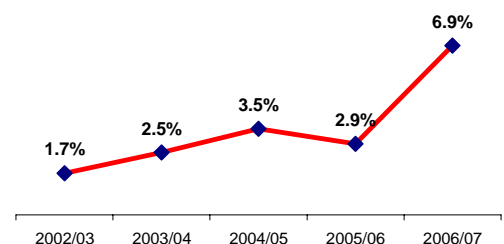
**Critical Success Factor 7: Capital investment**

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

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

| Capital investment                                 | 2005/06 | 2006/07 |
|--|---------|---------|
| Capital spending (millions)                        | \$7.9   | \$19.0  |
| CRV of capital assets (millions)                   | \$274.1 | \$276.1 |
| Ratio of capital spending to CRV of capital assets | 2.9%    | 6.9%    |

**Capital Spending Ratio**



- many capital projects during the year, incl. a major renewal of the Science Building
- capital spending tends to be uneven over time and is dependent on available funds
- a Capital Renewal Fee was introduced for 2004/05 (\$2 million per year)

## Financial Condition











### Asset Management Analysis, March 31, 2007

Critical Success Factor 8: **Financial flexibility**

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

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

#### Expendable Resources (millions)

|  |   |
|--|---|
| Lethbridge - Mar. 31, 2006 (\$4,448 per student)       |  <b>\$32.2</b>   |
| UPEI - Apr. 30, 2006 (\$3,840 per student)             |  <b>\$13.9</b>   |
| SMU - Mar. 31, 2007 (\$1,867 per student)              |  <b>\$13.0</b>   |
| Brock - Apr. 30, 2006 (\$1,391 per student)            |  <b>\$20.9</b>   |
| Regina - Apr. 30, 2006 (\$1,297 per student)           |  <b>\$16.7</b> |
| MSVU - Mar. 31, 2006 (\$889 per student)               |  <b>\$2.6</b>  |
| Winnipeg - Mar. 31, 2006 (\$478 per student)           |  <b>\$3.5</b>  |
| Trent - Apr. 30, 2006 (\$424 per student)              |  <b>\$3.1</b>  |
| Acadia - Mar. 31, 2006 (\$338 per student)             |  <b>\$1.2</b>  |
| St.FX - Mar. 31, 2006 (-\$68 per student)              | <b>-\$0.3</b>   |
| CBU - Mar. 31, 2006 (-\$487 per student)               | <b>-\$1.4</b>   |
| Wilfrid Laurier - Apr. 30, 2006 (-\$3,731 per student) | <b>-\$48.4</b>  |

- SMU expendable resources = Unrestricted Fund Balance \$2 million + Internally Restricted Fund Balance \$11 million

- Saint Mary's current balance of expendable resources is well positioned in the university peer group.

- SMU ratio of expendable resources per student is more than double the median of the university peer group (\$684 per student)

- History of SMU expendable resources: 2003 \$8.5 m, 2004 \$11.5 m, 2005 \$10.3 m, 2006 \$11.3 m, 2007 \$13.0 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 2006 Enrolment Survey

## Financial Condition

### Fundraising and Endowment Analysis, March 31, 2007

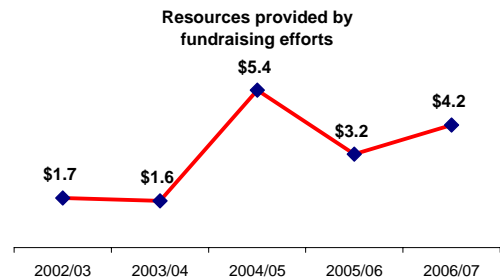
**Critical Success Factor 9: Fundraising**

**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  | 2005/06 | 2006/07 |
|--|---------|---------|
| Fundraising revenue received during the year (million's) | \$3.2   | \$4.2   |
| Pledges due within ten years (million's)                 | \$6.6   | \$8.7   |

- 2004/05 fundraising includes Dr. David F. Sobey gift of \$3.2 million
- 2005/06 and 2006/07 Hearts & Minds capital campaign continuing, and includes significant gifts from Sobey's Inc. and Empire Company Limited
- 2006/07 fundraising includes Homburg Canada gift of \$1.3 million



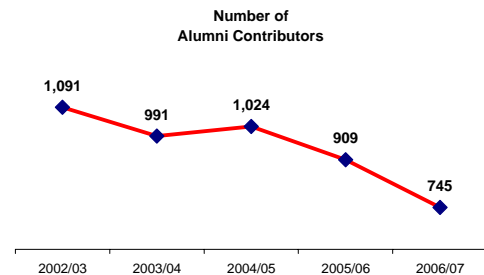
**Critical Success Factor 10: Alumni financial participation**

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

Expressions of philanthropy, from Saint Mary's approximately 35,000 alumni, support the life and work of both our students and faculty. The engagement of alumni is a measure of the ongoing vitality of the university and the support Saint Mary's can expect in the future. In this respect, both large and small gifts from alumni are important. Accepted wisdom in the advancement industry is that smaller universities like SMU are better positioned to foster high financial participation. Rates over 20% are not uncommon among Canadian universities.

| Alumni financial participation             | 2005/06    | 2006/07    |
|--|------------|------------|
| New contributors                           | 97         | 58         |
| Repeat contributors (3+ consecutive years) | 359        | 266        |
| All other alumni contributors              | 453        | 421        |
| <b>Total alumni contributors</b>           | <b>909</b> | <b>745</b> |

- 18% decrease in total alumni contributors in 2006/07
- 2006/07 alumni financial participation rate = 2.9% (3.7% in 2005/06)
- alumni financial participation rate well below our 20% benchmark



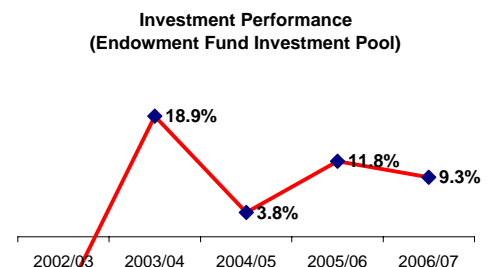
**Critical Success Factor 11: Management of endowment investments**

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

The financial health of the endowment depends in part on investment performance. Endowment assets are managed through professional investment counsel. Governance 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                  | 2005/06      | 2006/07     |
|--|--------------|-------------|
| Money Market   | 2.9%         | 4.2%        |
| Bonds  | 3.9%         | 5.4%        |
| Canadian Equities  | 26.7%        | 10.7%       |
| US Equities  | 10.2%        | 10.6%       |
| International Equities                                   | 10.3%        | 16.7%       |
| <b>Total annual investment return on endowment funds</b> | <b>11.8%</b> | <b>9.3%</b> |

- return of 9.3% is a good nominal return but trailed established benchmarks
- in January 2007 the university changed its external investment manager
- investments of \$5.6 million are also held for segregated endowments



## Financial Condition

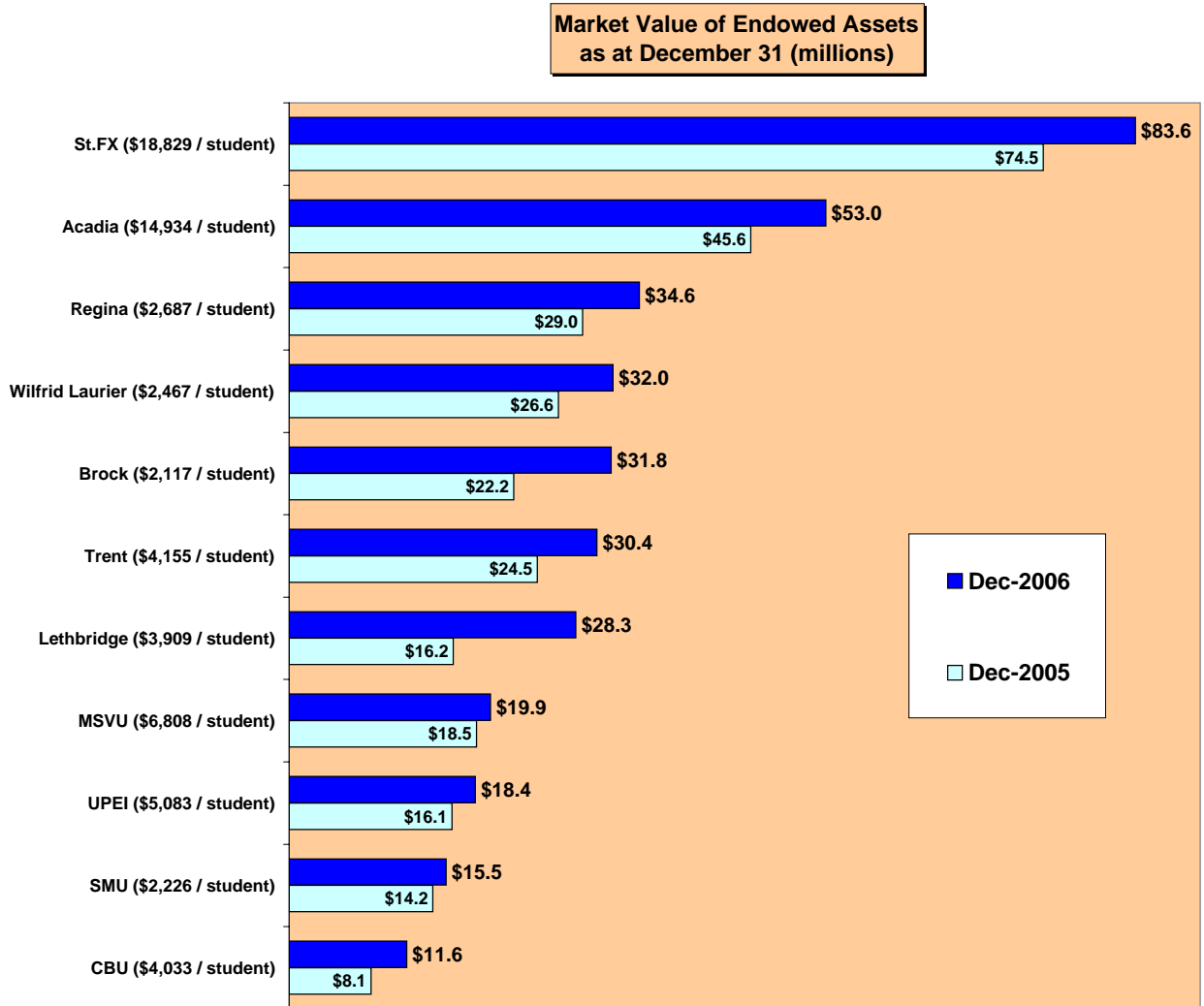
### Fundraising and Endowment Analysis, March 31, 2007

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 comparitors) along with comparative information from the prior two years.



- SMU endowment is low compared to university peer group, 10th of 11 (of the top 50 universities, SMU placed 49th)
- SMU endowment per student is low compared to the university peer group, 10th of 11
- SMU had a healthy 9% increase in endowed assets over past year, but this lagged the peer group median which was +19%

Source of peer group information: CAUBO University Endowment Survey (Winnipeg did not participate in the 2005 or 2006 survey)  
Endowment per student figures shown above are for the most recent year available

Source of student information: student is defined as full-time equivalent - calculation from AUCC 2006 Enrolment Survey

## Financial Condition

### Debt Capacity Analysis, March 31, 2007

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

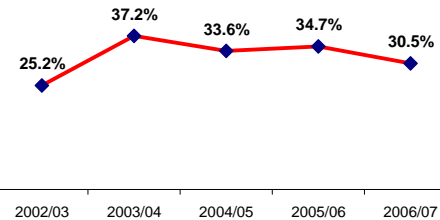
Key Performance Indicator 13: **Ratio of expendable resources to debt**

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           | 2005/06 | 2006/07 |
|--|---------|---------|
| Expendable resources (millions)                          | \$11.3  | \$13.0  |
| Debt, incl. current portion of long-term debt (millions) | \$32.6  | \$42.6  |
| Ratio of expendable resources to debt                    | 34.7%   | 30.5%   |

- SMU expendable resources and debt have both increased
- the relatively large debt increase had a negative effect on the ratio shown in the chart
- SMU ratio is favourable compared to the university peer group median (21%)

Ratio of Expendable Resources to Debt



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

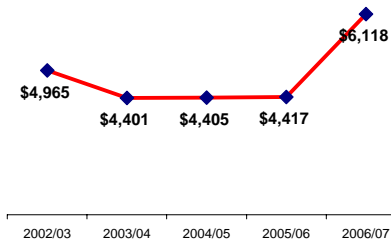
Key Performance Indicator 14: **University debt per student**

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                                     | 2005/06 | 2006/07 |
|--|---------|---------|
| Debt, incl. current portion of long-term debt (millions) | \$32.6  | \$42.6  |
| Number of students (full time equivalents)               | 7,381   | 6,963   |
| University debt per student                              | \$4,417 | \$6,118 |

- SMU debt has increased (due to Science Bldg) while student FTE's have decreased
- the ratio of debt owed by SMU per student is much less favorable than prior years
- SMU is carrying more debt per student compared the peer group median (\$5,535)

University Debt per Student



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

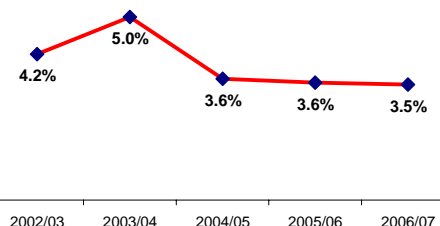
Key Performance Indicator 15: **Ratio of debt service cost to operating revenue**

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      | 2005/06 | 2006/07 |
|--|---------|---------|
| Debt service cost: principal + interest (millions) | \$3.3   | \$3.3   |
| Total operating revenue (millions)                 | \$92.9  | \$94.1  |
| Ratio of debt service cost to operating revenue    | 3.6%    | 3.5%    |

- the ratio is slightly improved; debt service cost about the same as prior year
- debt service costs still a manageable proportion of the operating budget
- debt service costs will rise as Science Bldg debt payments come due

Ratio of Debt Service Cost to Operating Revenue



**Financial Condition**

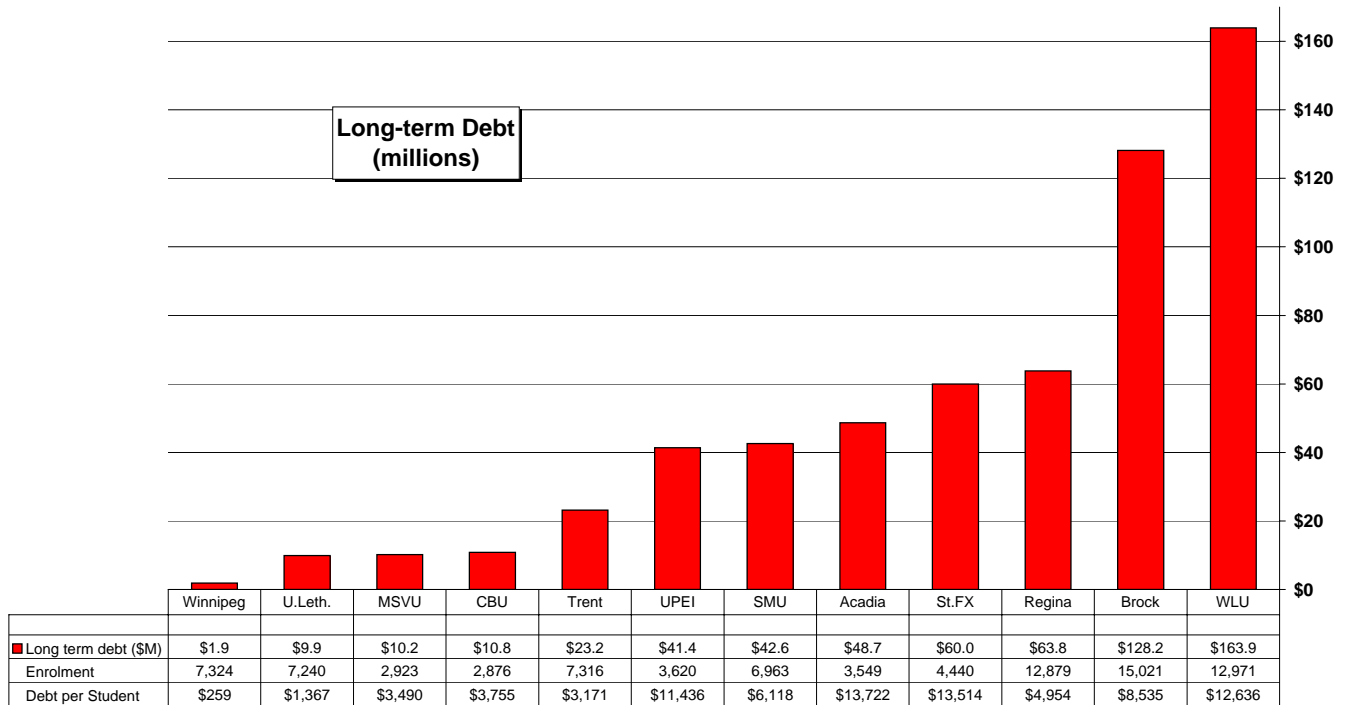
**Debt Capacity Analysis, March 31, 2007**

Critical Success Factor 16: **Positive credit profile**  
Key Performance Indicator 16: **Outstanding debt**

Saint Mary's has generally 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. Other factors that would contribute to low debt requirements are successful fundraising campaigns, good investment returns and internally generated reserve funds.

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.

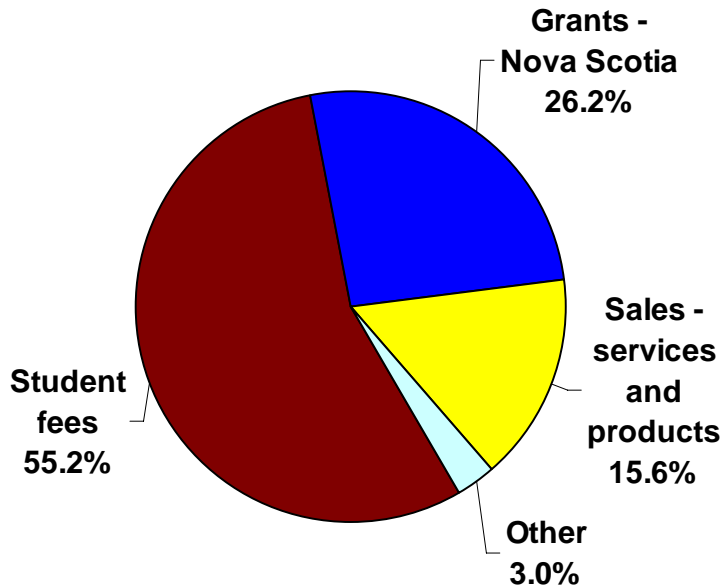


- Saint Mary's total debt, \$42.6 million, approximates the total debt median of the peer group (\$42.0 million)
- 58% of SMU debt relates to residence operations (2006 79%) which generate sufficient funds to cover all principal and interest
- \$6,118 debt per student at SMU (\$4,417 last year) is higher than the university peer group median (\$5,535) but is less than the bond rating agency benchmark (caution at 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 2006 Enrolment Survey

## General Fund Analysis Operating Fund - Revenues

The 2006/07 operations of Saint Mary's University produced revenues of \$94.1 million.



Most elements of university revenue are enrolment-driven. Student fees are by far the largest component of operating revenue. The majority of sales of services and products are also related to students and enrolment - for example - residence fees.

The chart on the left shows the breakdown of operating revenue including ancillaries.

If ancillary operations are excluded, student fees comprise 64% of revenue, with the grant from the Province of NS at 30% of total revenue.

### Revenue Budget - Variance Analysis

The 2006/07 budget assumed a recovery of student enrolment compared to the actual numbers of the prior year. This did not occur. Early in 2006/07 management identified that student applications were significantly lower than the prior year. This translated into an actual enrolment decrease of 6% and a revenue loss of \$2.4 million compared to the tuition budget for credit programs.

Other revenue accounts helped mitigate the tuition revenue deficit. The TESL program exceeded its revenue target by \$190,000. Summer school provided a net additional \$200,000 compared to budget. It was also a strong year for investment interest which produced \$236,000 beyond the budget target.

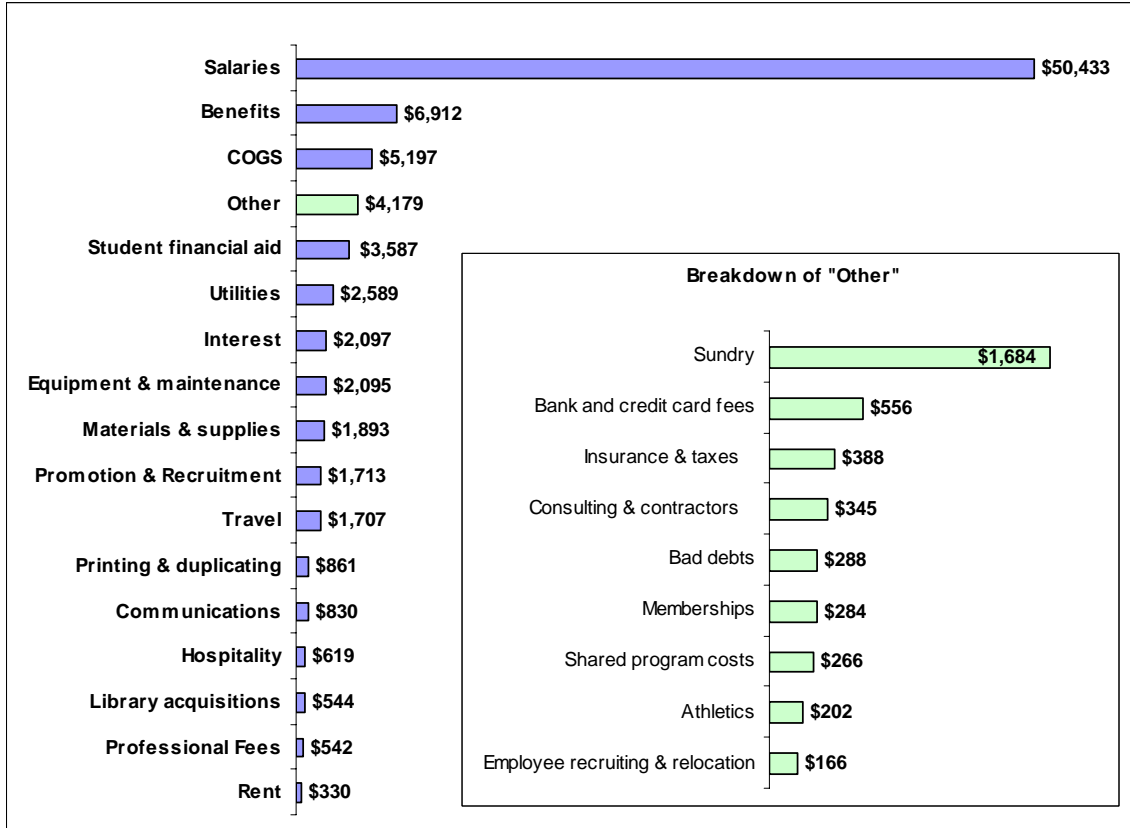
Grants from the provincial government exceeded budget by \$1.2 million. However, this was simply a timing difference with respect to receipt of the grant, as a result a revision to the Provincial funding MOU. The additional funding was received and recorded in March, just prior to the fiscal year end although the funds were set aside in a reserve for use in the following fiscal period as approved in the 2007/08 budget by the Board of Governors.

Growth in operating funding from the provincial government has been a positive development for the three year period covered by the negotiated MOU. As part of the agreement, Saint Mary's limited tuition increases to 3.9%. During 2006/07 the province also provided funding to Nova Scotia universities to give a bursary of \$440 to each full-time Nova Scotia student (\$220 part-time). This effectively wiped out the tuition increase referred-to above, and in fact reduced tuition rates at Saint Mary's by 4.3%. This was much appreciated by Nova Scotia students.

After taking revenues and expenses into account, Saint Mary's University ended the fiscal year with a near break-even position, a small surplus of \$384 thousand, representing a variance of only .0004 on the total budget.

## General Fund Analysis Operating Fund - Expenses

The 2006/07 operations of Saint Mary's incurred expenses of \$86.1 million excluding interfund transfers. The following chart (in thousands) shows the breakdown of operating expenses, including ancillary operations.



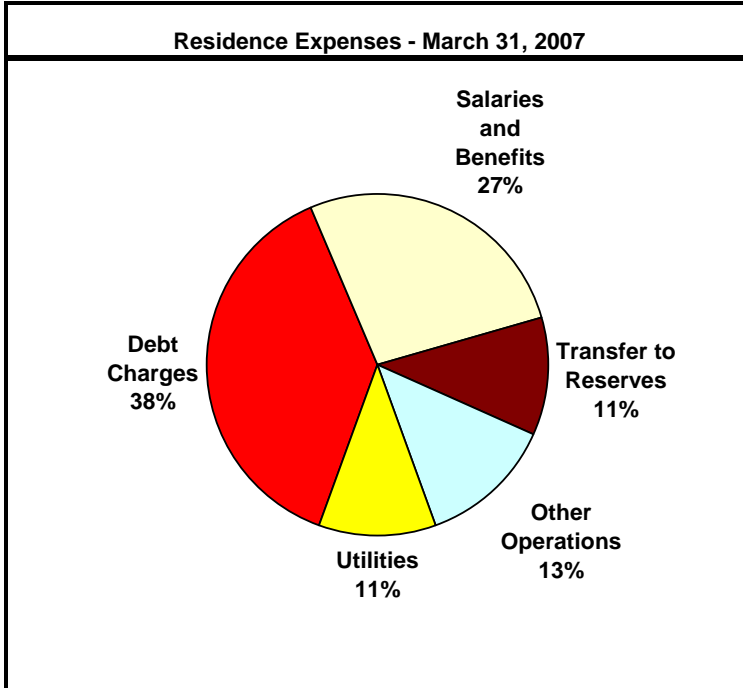
The chart shows significant expense groups. Obviously, the lion's share is on account of salaries and benefits. A further analysis of the "other" category is provided in the insert graph. The "sundry" category includes a great many accounts including faculty professional development, tuition discounts, contingency, as well as sundry expenditures of the various operating and academic departments.

### Expense Budget - Variance Analysis

The student enrolment decline required a strong response to reduce expenditures. A financial plan was recommended to the Board of Governors, charting a solution based on a combination of operating expense reductions and exploring revenue opportunities. These efforts helped to mitigate the large revenue shortfall that occurred and showed that the university was able to respond quickly and effectively to the financial forecast. A host of operational adjustments made a favorable result possible. The following are some examples:

- Salary and benefit savings of \$750,000 (compared to budgeted \$300,000 vacancy allowance) resulted from administrative hiring deferrals and elimination of positions as well as unfilled faculty vacancies
- University-wide 5% reduction of unrestricted budgets yielded \$610,000
- Because of lower enrolment \$427,000 was eliminated from part-time and overload teaching contracts
- Great improvement in collection of student accounts; bad debt expense \$133,000 lower than last year
- The President reduced his contingency spending and contributed \$110,000 to the bottom line
- Reduction of printing costs saved \$100,000 compared to budget
- A sizable part of the faculty recruiting budget was not required due to fewer searches, saving \$96,000
- Expenses were lower for insurance, the Metropolis Centre and the Academic Calendar, \$35,000 each

## General Fund Analysis Operating Fund – Ancillary Operations



### Residence Services

The residence operations provide housing for over 1,200 students in three buildings; Loyola, Vanier House, and Edmund Rice Residence, generating \$6.3 million in revenue. However, the residence is not expected to be a profit-generating business.

In 2001 the Loyola and Vanier residences underwent a \$24 million renovation which was mainly financed with debt. As the chart on the left shows, debt charges (principal and interest on outstanding debt) comprise the largest item of expense at 38% of total expenses (\$2.4 million). Salaries and benefits are also significant at \$1.7 million. In 2005/06 the university set aside a provision in the amount of \$445 thousand for equipment and future major renovations.

Overall, the residence operations produced revenue and expense close to budget, and ended the year in a break-even position as planned.

**Food Services** The university has a contract with Aramark to operate the dining services on campus. Operations include two student cafeterias (Loyola Residence and the Student Centre), the Faculty Lounge, and two Tim Horton's franchises, as well as catering for campus functions. The university earns a fixed fee for each meal plan purchased by students and a percentage of the annual gross food sales.

**Bookstore** The bookstore is the most profitable ancillary, contributing a surplus of \$423 thousand (\$647 thousand in 2005/06). Lower student enrolment had a significant effect on bookstore sales. The majority of profits (over 80%) are generated by textbook sales. Other categories such as trade paperbacks, clothing and supplies have higher contribution margins (ranging from 30-40%) but the sales volume of these products is significantly lower than textbook sales.

**Arena** The university operates a 40 year old, 1,100 seat arena. The arena is used primarily for the women's varsity hockey team and intramural hockey. When not in use by the Athletic and Recreation Department, the arena is rented to various groups. The revenue helps offset \$330 thousand per year in operating costs.

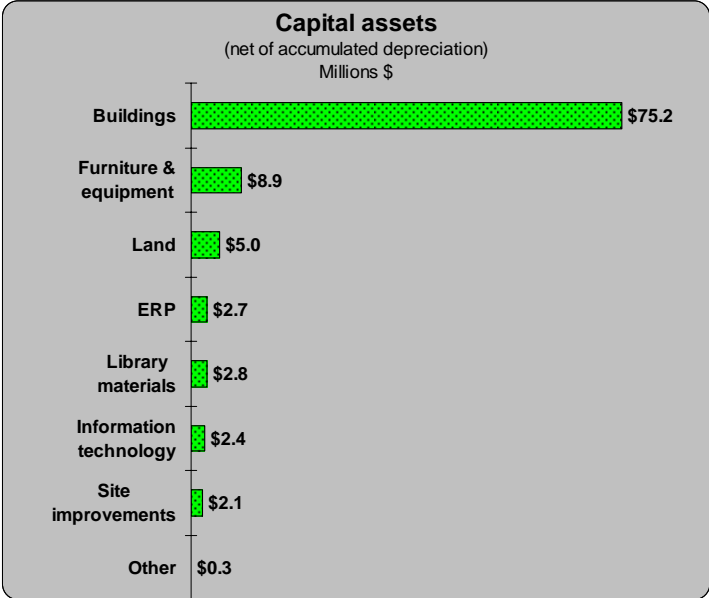
| Summary (\$ Thousands) | Budget<br>2006-07 | Actual<br>2006-07 |
|------------------------|-------------------|-------------------|
| <b>Residence</b>       |                   |                   |
| Revenues               | 6,444             | 6,284             |
| Expenses & transfers   | (6,444)           | (6,283)           |
| Surplus                | 0                 | 1                 |
| <b>Food Services</b>   |                   |                   |
| Revenues               | 2,121             | 1,935             |
| Expenses               | (2,038)           | (1,892)           |
| Surplus                | 83                | 43                |
| <b>Bookstore</b>       |                   |                   |
| Revenues               | 4,531             | 4,565             |
| Expenses & transfers   | (3,996)           | (4,142)           |
| Surplus                | 535               | 423               |
| <b>Arena</b>           |                   |                   |
| Revenues               | 154               | 162               |
| Expenses & transfers   | (316)             | (330)             |
| Surplus (deficit)      | (162)             | (168)             |

## Restricted Fund Analysis Capital Fund

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.

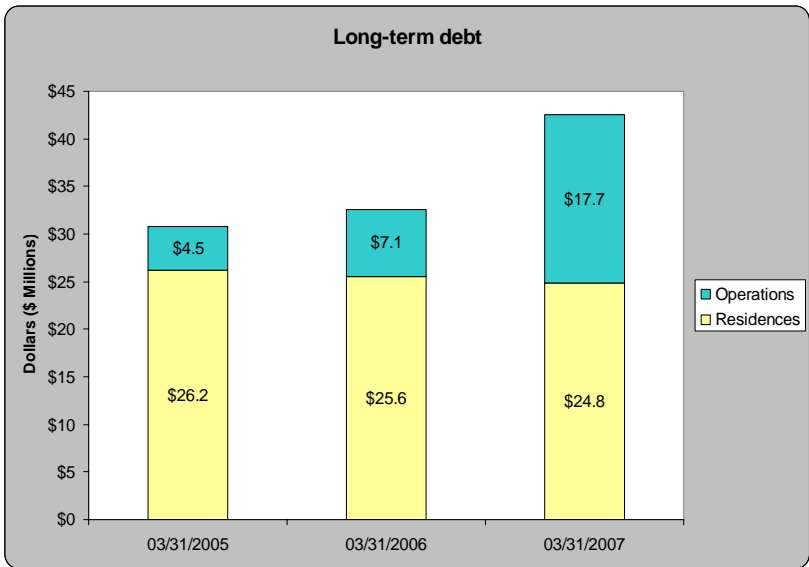
With a fund balance of over \$56 million, the Capital Fund makes up the largest portion of the Restricted Fund. It accounts for all the capital assets of the university and the related debt. Capital assets are purchased by transfers from other funds, borrowing, or by contributions from external sources. Contributions restricted for capital assets related to projects in progress are shown as revenue of the Capital Fund in the year received. Any unspent contributions are shown as part of the externally restricted fund balance.

During 2006/07 the university purchased capital assets of \$19 million, increasing the total to \$99.3 million, net of accumulated depreciation. Funding for these purchases included transfers from internally restricted funds of \$3.7 million, transfers from the Research Fund of \$2.2 million, borrowing of \$11.1 million, and transfers from the General Fund of \$988 thousand.



Unspent contributions and transfers from restricted funds received in prior years totaling \$589 thousand make up the externally restricted fund balance of the Capital Fund. These funds will be spent on capital asset purchases in 2007/08. The funds consist of unspent grants from the Canadian Foundation for Innovation and the Nova Scotia Research Innovation Trust.

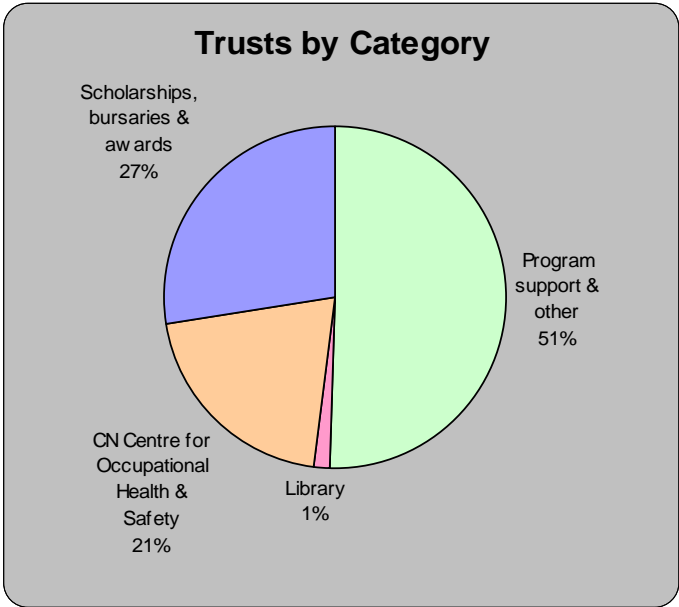
The remainder of the Capital Fund's balance consists of the net investment in capital assets (\$56 million), i.e., the net capital assets less the related debt. Included in the \$19 million spent on capital assets in 2006/07 was \$14.7 million for buildings consisting of major renovations, \$1.6 million for furniture and furnishings, \$0.1 million toward the Banner enterprise resource system (ERP), \$2.0 million for information technology, and \$0.5 million for library books. In 2005/06 the university began a major construction project to expand and renovate the Science Building. The project is budgeted to cost \$25.5 million of which \$4 million was incurred in 2005/06 and \$13 million was incurred in 2006/07.



By the end of 2006/07 the university's debt had increased from \$32.6 million to \$42.6 million. During the year, the university increased bridge financing for the Science Building Renewal Project (\$10.9 million) and the Banner ERP Project (\$0.2 million). The financing for the ERP Project was converted to a 15 year term loan with the interest rate fixed at 3.96% using an interest rate swap. At the end of the Science Building Renewal Project the bridge financing will be converted to long-term debt amortized over 25 years with interest fixed at 5.3% using an interest rate swap.

## Restricted Fund Analysis Trust Fund

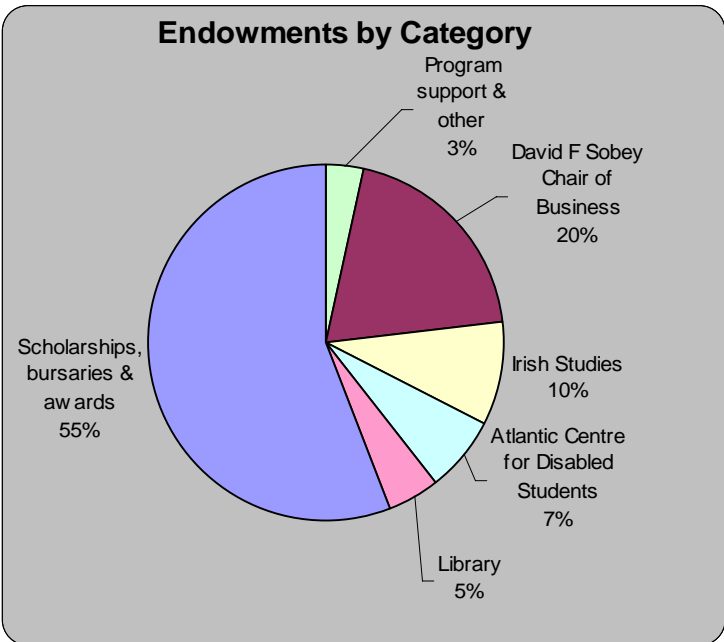
The Trust Fund accounts for activities that have been stipulated by donors and contributors. The chart on the right shows the break down of the Trust Fund by category. The Trust Fund balance of \$2.5 million consists of expendable trusts and the expendable portion of the university's endowment funds. During the year the University authorized the transfer from the expendable funds related to the endowments \$650 thousand in unspent earnings to the related endowment funds. This increases the value of the endowment funds and their future financial aid and program support.



The \$16.2 million in the Endowment Fund must be maintained in perpetuity and is not available for spending. However, each year a portion of the investment income is available for spending in accordance with donors' restrictions and university policy. This portion of the investment income earned on the Endowment Fund is transferred to the Trust Fund for spending, increasing the expendable funds. The chart below shows the breakdown by category of the Endowment Fund balance on March 31, 2007.

The endowment spending limit policy provides a spending allocation of 4.5% 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 4.5% to the endowment principal. Over the long-term these excess returns are expected to grow and offset the effect of inflation.

In February 2003, the Board of Governors approved a new University Investment Policy, which reduced the endowment spending limit from 5% to 4.5%. However, in order to avoid a sudden reduction in program support, until such time as the spending limit calculated using the 4.5% rate reaches the 2002/03 level, spending was to be based on the limits for 2002/03. In March 2007, the Board eliminated this transitional policy and beginning in fiscal 2007/08 the spending rate will be based on 4.5%.



During 2006/07, Saint Mary's University received \$1.1 million in endowed donations. This included a donation of \$200 thousand from Sobey's, Inc. for the Sobey's Scholarship Endowment Fund. Donations of \$422 thousand were received during the year in the Trust Fund.

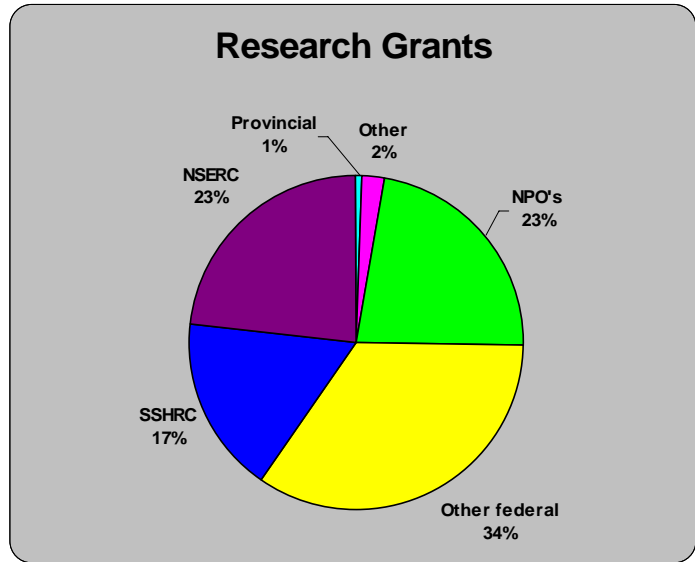
The Trust and Endowment Funds provided scholarships and bursaries totaling \$377 thousand in 2006/07. The Trust Fund also provided \$414 thousand to the General Fund for program support, including \$185 thousand for Athletics and Recreation, \$74 thousand for Irish Studies, \$43 thousand for the Alumni Office, \$39 thousand for the Saint Mary's Atlantic Centre for Disabled Students, and \$52 thousand for student financial aid.

## Restricted Fund Analysis Research and Specific Purpose Funds

### Research Fund

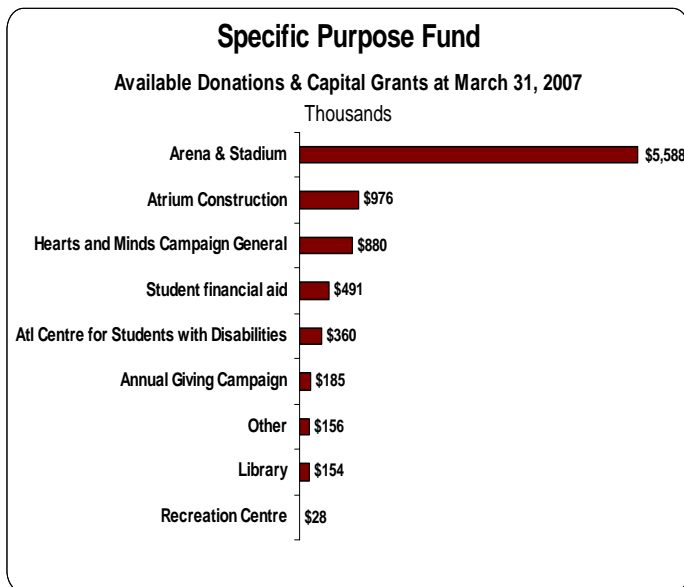
Research is an important part of the university's activities. Most monies for research are provided by external organizations, such as the Natural Sciences and Engineering Research Council (NSERC), the Social Sciences and Humanities Research Council (SSHRC), and the Canadian International Development Agency (CIDA). 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, \$3.6 million, consists of contributions available to be carried forward to the following year.

During 2006/07 Saint Mary's University received \$8.4 million in contributions for research, up from \$6 million on 2005/06. The biggest increase, almost \$1 million, is in funding from not-for-profit organizations such as the Nova Scotia Research Innovation Trust and the Nova Scotia Health Research Foundation. The bulk of the expenses related to research were for salaries for research assistants, travel and accommodations for 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. The fund balance of \$9.7 million at March 31, 2007, consists of:



- \$8.8 million in donations and capital grants unspent as of the fiscal year-end date, restricted for a variety of purposes (see chart on the left)
- \$889 thousand of available contributions for special projects, including the Liberated Learning Project, conferences, international development and other projects

During the year the university received additional donations of \$2.3 million for specific purposes including \$1 million for the Arena and Stadium Project, \$460 thousand for the Hearts and Mind Campaign General Fund and \$426 thousand for the Atrium Construction Project.



One University. One World. Yours.

# Financial Statements

March 31, 2007

## Auditors' Report

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

We have audited the statement of financial position of **Saint Mary's University** as at March 31, 2007 and the statements of operations and changes in fund balances and cash flows for the year then ended. These financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the University as at March 31, 2007 and the results of its operations and changes in its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

*Grant Thornton LLP*

Halifax, Nova Scotia  
June 8, 2007

Grant Thornton LLP  
Chartered Accountants

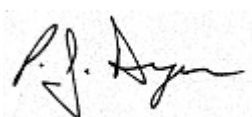
**Statement of Financial Position**

As at March 31, 2007  
(\$ thousands)

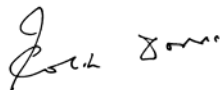
|  | General | Restricted | Endowment | 2007<br>Total | 2006<br>Total |
|--|---------|------------|-----------|---------------|---------------|
| <b>Current Assets</b>                      |         |            |           |               |               |
| Cash and short-term investments (Note 3)   | 18,267  | 1,145      | 514       | 19,926        | 18,670        |
| Accounts receivable                        | 4,604   | 182        | 2         | 4,788         | 6,175         |
| Inventories                                | 1,027   | -          | -         | 1,027         | 985           |
| Prepaid expenses                           | 1,094   | -          | -         | 1,094         | 945           |
|  | 24,992  | 1,327      | 516       | 26,835        | 26,775        |
| <b>Long-term Assets</b>                    |         |            |           |               |               |
| Long-term investments (Note 4)             | -       | 19,292     | 14,203    | 33,495        | 25,817        |
| Long-term receivable                       | 475     | 375        | -         | 850           | 811           |
| Capital assets (Note 6)                    | -       | 99,265     | -         | 99,265        | 85,207        |
|  | 475     | 118,932    | 14,203    | 133,610       | 111,835       |
|  | 25,467  | 120,259    | 14,719    | 160,445       | 138,610       |
| <b>Current Liabilities</b>                 |         |            |           |               |               |
| Accounts payable and accrued liabilities   | 7,527   | 1,900      | 7         | 9,434         | 9,122         |
| Unearned fees and other deferred revenue   | 6,786   | -          | -         | 6,786         | 6,940         |
| Current portion of long-term debt (Note 7) | -       | 1,295      | -         | 1,295         | 5,770         |
|  | 14,313  | 3,195      | 7         | 17,515        | 21,832        |
| <b>Long-term Liabilities</b>               |         |            |           |               |               |
| Long-term debt (Note 7)                    | -       | 41,260     | -         | 41,260        | 26,837        |
| Due to (from) other funds                  | (1,846) | 3,328      | (1,482)   | -             | -             |
|  | (1,846) | 44,588     | (1,482)   | 41,260        | 26,837        |
|  | 12,467  | 47,783     | (1,475)   | 58,775        | 48,669        |
| <b>Fund Balances</b>                       |         |            |           |               |               |
| Endowments                                 | -       | -          | 16,194    | 16,194        | 12,496        |
| Externally restricted                      | -       | 16,447     | -         | 16,447        | 13,695        |
| Internally restricted                      | 10,980  | -          | -         | 10,980        | 9,688         |
| Invested in capital assets                 | -       | 56,029     | -         | 56,029        | 52,426        |
| Unrestricted                               | 2,020   | -          | -         | 2,020         | 1,636         |
|  | 13,000  | 72,476     | 16,194    | 101,670       | 89,941        |
|  | 25,467  | 120,259    | 14,719    | 160,445       | 138,610       |

Commitments (Note 9) Contingencies (Note 12)

Approved by the Board of Governors



Chair, Board of Governors



President

See accompanying notes to the financial statements.

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

For the year ended March 31, 2007  
(\$ thousands)

|   | <b>General</b><br><i>(See Schedule 1)</i> | <b>Restricted</b><br><i>(See Schedule 2)</i> | <b>Endowment</b> | <b>2007<br/>Total</b> | <b>2006<br/>Total</b> |
|---|---|--|------------------|-----------------------|-----------------------|
| <b>Revenues</b>                         |   |  |                  |                       |                       |
| Government grants and contributions     |   |  |                  |                       |                       |
| Government of Canada                    | 1,187                                     | 7,154  | -                | 8,341                 | 6,351                 |
| Government of Nova Scotia               | 24,616                                    | 50   | -                | 24,666                | 23,721                |
| Other                                   | 5   | -  | -                | 5                     | 81                    |
| Other grants                            | 6   | 2,589  | -                | 2,595                 | 1,158                 |
| Student fees                            | 51,999                                    | -  | -                | 51,999                | 51,678                |
| Gifts and bequests                      | 78  | 2,883  | 1,066            | 4,027                 | 3,173                 |
| Sales of services and products          | 14,707                                    | 336  | -                | 15,043                | 15,231                |
| Income from investments                 | 1,214                                     | 994  | 2,111            | 4,319                 | 1,968                 |
| Miscellaneous income                    | 1,225                                     | 444  | -                | 1,669                 | 1,414                 |
|   | <b>95,037</b>                             | <b>14,450</b>                                | <b>3,177</b>     | <b>112,664</b>        | <b>104,775</b>        |
| <b>Expenses</b>                         |   |  |                  |                       |                       |
| Salaries                                | 50,586                                    | 4,106  | -                | 54,692                | 52,946                |
| Employee benefits                       | 6,925                                     | 247  | -                | 7,172                 | 7,204                 |
| Equipment rental                        | 831                                       | 18   | -                | 849                   | 847                   |
| Materials and supplies                  | 2,094                                     | 854  | -                | 2,948                 | 2,957                 |
| Communications                          | 830                                       | 20   | -                | 850                   | 933                   |
| Travel                                  | 1,820                                     | 1,042  | -                | 2,862                 | 2,924                 |
| Utilities                               | 2,589                                     | -  | -                | 2,589                 | 2,325                 |
| Printing and duplicating                | 861                                       | 9  | -                | 870                   | 966                   |
| Library acquisitions                    | 544                                       | -  | -                | 544                   | 803                   |
| Hospitality                             | 622                                       | 44   | -                | 666                   | 955                   |
| Repairs and maintenance                 | 2,326                                     | -  | -                | 2,326                 | 2,210                 |
| Promotion and student recruitment       | 1,713                                     | 24   | -                | 1,737                 | 1,566                 |
| Professional fees                       | 581                                       | 190  | 64               | 835                   | 800                   |
| Rent                                    | 367                                       | 22   | -                | 389                   | 350                   |
| Other operational expenses              | 4,326                                     | 806  | 14               | 5,146                 | 5,620                 |
| Cost of goods sold                      | 5,197                                     | -  | -                | 5,197                 | 5,159                 |
| Student financial aid                   | 3,598                                     | 606  | -                | 4,204                 | 3,728                 |
| Amortization                            | -   | 4,941  | -                | 4,941                 | 4,389                 |
| Interest                                | 2,118                                     | -  | -                | 2,118                 | 1,938                 |
|   | <b>87,928</b>                             | <b>12,929</b>                                | <b>78</b>        | <b>100,935</b>        | <b>98,620</b>         |
| Revenues less expenses before transfers | 7,109                                     | 1,521  | 3,099            | 11,729                | 6,155                 |
| Interfund transfers (Schedule 7)        | (5,433)                                   | 4,834  | 599              | -                     | -                     |
| Increase (decrease) in fund balances    | 1,676                                     | 6,355  | 3,698            | 11,729                | 6,155                 |
| Fund balances, beginning of year        | 11,324                                    | 66,121                                       | 12,496           | 89,941                | 83,786                |
| Fund balances, end of year              | 13,000                                    | 72,476                                       | 16,194           | 101,670               | 89,941                |

See accompanying notes to the financial statements.

**Statement of Cash Flows**

For the year ended March 31, 2007  
 (\$ thousands)

|  | <b>General</b> | <b>Restricted</b> | <b>Endowment</b> | <b>2007<br/>Total</b> | <b>2006<br/>Total</b> |
|--|----------------|-------------------|------------------|-----------------------|-----------------------|
| <b>Operating Activities</b>                            |                |                   |                  |                       |                       |
| Increase (decrease) in fund balances                   | 1,676          | 6,355             | 3,698            | 11,729                | 6,155                 |
| Amortization of capital assets                         | -              | 4,941             | -                | 4,941                 | 4,389                 |
| Investment gains and losses                            | -              | (813)             | (1,868)          | (2,681)               | (477)                 |
| Amortization of bond premiums and discounts            | -              | -                 | 10               | 10                    | 12                    |
| Change in non-cash working capital                     | (516)          | 3,641             | (1,772)          | 1,353                 | (1,338)               |
| Cash generated from operating activities               | 1,160          | 14,124            | 68               | 15,352                | 8,741                 |
| <b>Investing Activities</b>                            |                |                   |                  |                       |                       |
| Purchase of investments                                | -              | (19,885)          | (11,329)         | (31,214)              | (7,464)               |
| Disposal of investments                                | -              | 14,714            | 11,493           | 26,207                | 6,471                 |
| Collection (acquisition ) of long-term receivable      | 23             | (62)              | -                | (39)                  | (470)                 |
| Purchase of capital assets                             | -              | (18,999)          | -                | (18,999)              | (7,895)               |
| Cash generated from (used for) investing activities    | 23             | (24,232)          | 164              | (24,045)              | (9,358)               |
| <b>Financing Activities</b>                            |                |                   |                  |                       |                       |
| Debt financing proceeds                                | -              | 11,136            | -                | 11,136                | 3,177                 |
| Debt repayments  | -              | (1,187)           | -                | (1,187)               | (1,315)               |
| Cash generated from (used for) financing activities    | -              | 9,949             | -                | 9,949                 | 1,862                 |
| Increase (decrease) in cash and short-term investments | 1,183          | (159)             | 232              | 1,256                 | 1,245                 |
| Cash and short-term investments, beginning of year     | 17,084         | 1,304             | 282              | 18,670                | 17,425                |
| Cash and short-term investments, end of year           | 18,267         | 1,145             | 514              | 19,926                | 18,670                |

See accompanying notes to the financial statements.

## Notes to the Financial Statements

For the year ended March 31, 2007  
(\$ 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. The University is a not-for-profit entity and grants degrees, diplomas and certificates in the Faculties of Arts, Commerce, Science, Graduate Studies and Education. The University also performs research activities. The Board of Governors has overall governance responsibility for the University and, subject to the powers of the Board of Governors, the Senate is responsible for the educational policy. The University is a registered charity under the Income Tax Act and accordingly is exempt from income taxes.

### 2. Summary of Significant Accounting Policies and Reporting Practices

#### a) Basis of accounting

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles.

#### 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. Actual results could differ from those estimates.

#### 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 capital assets, major renovations and improvements 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 or purposes.

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

#### d) Inventories

Bookstore inventory is valued at the lower of cost and net realizable value. Inventory on hand available for maintenance purposes is valued at cost.

#### e) Investments

Short-term investments are recorded at the lower of cost and market value. Long-term investments are recorded at cost and are written down if a permanent impairment in value occurs.

**Notes to the Financial Statements**

For the year ended March 31, 2007  
 (\$ thousands)

**f) Capital assets**

Purchased and constructed capital assets are recorded at cost. The University reports donated capital assets at fair market value upon receipt. Amortization expense is reported in the Capital Fund. Capital assets, other than land, are amortized using the declining balance method using the following rates:

|                                     |             |
|-------------------------------------|-------------|
| Buildings                           | 2.5%        |
| Site improvements                   | 4.0 – 12.5% |
| Enterprise Resource Planning System | 6.5%        |
| Library materials                   | 10.0%       |
| Equipment and furnishings           | 12.5%       |
| Information technology              | 30.0%       |
| Motor vehicles                      | 30.0%       |

One-half year's amortization is recorded in the year of acquisition. Amortization of new construction and buildings begins in the year occupancy commences.

The art collection is not amortized.

**g) 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.

The University designates each interest rate swap agreement as a hedge of a specifically identified debt instrument and believes the swap agreements are effective hedges, both at maturity and over the term of the agreement, as the term to maturity, the notional principal amount, and the interest rate basis in the swaps 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.

**h) 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.

The University has a long-term receivable related to an irrevocable charitable trust. During previous years an individual donated \$312 to the University. The donation is held in an irrevocable charitable trust with the income payable to the University. An additional \$62 was donated during 2007. The funds in the trust are shown as a long-term receivable on the statement of financial position. The University will receive the funds in the trust ten years after the death of the donor at which time the money will be endowed for scholarships.

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

**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 deferral 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. All other restricted contributions are recognized as revenue of the appropriate restricted fund when received.

## Notes to the Financial Statements

For the year ended March 31, 2007  
(\$ thousands)

### i) Revenue recognition (continued)

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) Financial Instruments

The University's financial instruments consist of cash, accounts receivable, short-term and long-term investments, accounts payable, accrued liabilities and long-term debt. The carrying values of these financial instruments approximate fair value unless otherwise disclosed. Financial instruments which may subject the University to credit risk are cash, short-term investments, and accounts receivable. Accounts receivable consist mainly of student accounts and amounts owing from the Province of Nova Scotia and the Government of Canada and its agencies. To reduce credit risk with student accounts the University places restrictions on the issuance of grades and degrees until payment of all outstanding amounts owed to the University is made.

### k) Early retirement and sabbaticals

The University accrues the full cost of early-retirement obligations in the year in which the event that creates the obligation occurs and accrues, on a yearly basis, the accumulated sabbatical and retiring allowance obligations which are vested.

### 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.

## 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. Long-term Investments

|                         | 2007   |              | 2006   |              |
|-------------------------|--------|--------------|--------|--------------|
|                         | Cost   | Market Value | Cost   | Market Value |
| Bonds and debentures    | -      | -            | 3,203  | 3,219        |
| Equities                | 4,572  | 5,659        | 9,404  | 11,897       |
| Pooled investment funds | 28,923 | 29,229       | 13,210 | 13,714       |
| Total investments       | 33,495 | 34,888       | 25,817 | 28,830       |

Investments held by the University are subject to foreign currency, interest rate, market and credit risk. The majority of the investments are managed by professional investment managers who are monitored by University's Investment Committee and management. Investments are placed in accordance with policies specifying the quality of investments and limiting the amount of credit risk exposure in any one type of investment instrument.

## 5. Pension Plans

The University maintains defined contribution pension plans for the benefit of its employees. Employer contributions for the year ended March 31, 2007 totaled \$3,261 (2006 \$3,204).

**Notes to the Financial Statements**

For the year ended March 31, 2007  
(\$ thousands)

**6. Capital Assets**

|   | 2007           |                          | 2006           |                |
|---|----------------|--------------------------|----------------|----------------|
|   | Cost           | Accumulated Amortization | Net Book Value | Net Book Value |
| Land                                      | 4,959          | -                        | 4,959          | 4,959          |
| Buildings                                 | 105,305        | 30,084                   | 75,221         | 62,124         |
| Site improvements                         | 4,058          | 1,992                    | 2,066          | 2,293          |
| Enterprise Resource Planning (ERP) system | 3,083          | 376                      | 2,707          | 2,784          |
| Library materials                         | 6,372          | 3,584                    | 2,788          | 2,593          |
| Equipment and furnishings                 | 15,064         | 6,197                    | 8,867          | 8,964          |
| Information technology                    | 3,607          | 1,233                    | 2,374          | 1,206          |
| Art collection                            | 281            | -                        | 281            | 281            |
| Motor vehicles                            | 61             | 59                       | 2              | 3              |
|   | <u>142,790</u> | <u>43,525</u>            | <u>99,265</u>  | <u>85,207</u>  |

In 2006, the University began a major construction project to expand and renovate the Science Building. Related to this project, during 2007, \$12,946 (2006 \$4,012) was capitalized as part of buildings. Amortization of these costs will begin as the renovations are completed and the completed areas of the building are put into use. The costs not being amortized were \$7,457 in 2007 (2006 \$4,012). During 2007 \$196 (2006 \$nil) in interest costs were capitalized as part of the project costs.

In 2007, the University completed the implementation of the ERP system. During 2006, a portion of the system (cost \$71) was not amortized related to the modules being implemented. During 2006, interest of \$14 was capitalized as part of the ERP system costs.

**7. Long-term Debt**

|   | 2007  | 2006  |
|---|-------|-------|
| <b>Debentures</b>   |       |       |
| <b>Rice and Vanier Residences:</b><br>6.875% maturing in June 2019, payable in equal semi-annual installments of principal and interest of \$117.   | 1,902 | 2,000 |
| <b>Loyola Residence and Academic Complex:</b><br>7.875% maturing in May 2022, payable in equal semi-annual installments of principal and interest of \$185.   | 3,229 | 3,338 |
| The land and buildings of the University serve as security for these loans.   |       |       |
| <b>Term Loans</b>   |       |       |
| <b>Sobey Building:</b><br>The unsecured loan bears interest at 6.12% and matures March 2011, payable in equal monthly installments of principal and interest of \$34.   | 1,495 | 1,806 |
| <b>Synthetic Turf Athletic Field Replacement:</b><br>The unsecured loan bears interest at 4.572% and matures March 2013. Monthly principal and interest payments are \$8.   | 500   | 570   |
| <b>Gorsebrook Lounge Renovation Project:</b><br>The unsecured loan bears interest at the one month BA CDOR rate plus 0.20% and matures May 2015. Interest is fixed with an interest rate swap at 5.01% until May 2015. Monthly principal and interest payments are \$3. | 406   | -     |
| Subtotal  | 7,532 | 7,714 |

**Notes to the Financial Statements**

For the year ended March 31, 2007  
(\$ thousands)

**7. Long-term Debt (continued)**

|   | <u>2007</u> | <u>2006</u> |
|---|-------------|-------------|
| subtotal carried forward  | 7,532       | 7,714       |
| <b>Term Loans (continued)</b>   |             |             |
| <i>Enterprise Resource Planning System:</i>   |             |             |
| The unsecured loan bears interest at the one month CDOR rate plus 0.25% and matures June 2021. Interest is fixed with an interest rate swap at 5.16% until June 2021. Monthly principal and interest payments are \$21.   | 2,502       | -           |
| <i>Loyola and Vanier Residences renovation:</i>   |             |             |
| The unsecured loan bears interest at 6.95% and matures August 2026, payable in equal monthly installments principal and interest of \$86.   | 11,029      | 11,287      |
| The unsecured loan bears interest at the one month CDOR Rate plus 0.30% and matures September 2026. Interest is fixed with an interest rate swap at 5.97% until September 2026. Monthly principal and interest payments are \$43.   | 5,857       | 6,017       |
| The unsecured loan bears interest at the one month CDOR Rate plus 0.30% and matures September 2026. Interest is fixed with an interest rate swap at 5.40% until September 2026. Monthly principal and interest payments are \$20.   | 2,832       | 2,915       |
| <b>Bridge Financing</b>   |             |             |
| <i>Gorsebrook Lounge Renovation Project:</i>  |             |             |
| Unsecured short-term loan bearing interest at the prime interest rate matured April 2006. Principal and interest were due at maturity.  | -           | 455         |
| <i>Enterprise Resource Planning System:</i>   |             |             |
| Unsecured short-term loan bearing interest at 3.96% matured June 2006. Interest and principal were due at maturity.   | -           | 2,377       |
| <i>Science Building Renovation Project:</i>   |             |             |
| Agreements are in place to convert the bridge financing in March 2008 to an unsecured term loan bearing interest at the one month BA CDOR Rate plus 0.20% and maturing February 2033. Interest on the term loan is fixed with an interest rate swap at 5.3% until February 2033. Monthly principal and interest payments will be \$127. |             |             |
| Unsecured short-term loan bearing interest at the prime interest rate. Interest payable monthly and principal payable on demand.  | 300         | 1,842       |
| Unsecured short-term loan bearing interest at 4.95%. Interest payable monthly and principal payable on demand.  | 337         | -           |
| Unsecured bankers acceptance notes with principal and interest due at maturity at the following dates and rates:  |             |             |
| Due August 2007. Interest at 4.45%.   | 6,320       | -           |
| Due September 2007. Interest at 4.39%.  | 1,916       | -           |
| Due October 2007. Interest at 4.31%.  | 1,534       | -           |
| Due November 2007. Interest at 4.35%.   | 1,054       | -           |
| Due December 2007. Interest at 4.32%.   | 1,342       | -           |
|   | <hr/>       |             |
|   | 42,555      | 32,607      |
| Less current portion  | <hr/>       | <hr/>       |
|   | (1,295)     | (5,770)     |
| Long-term debt  | <hr/>       | <hr/>       |
|   | 41,260      | 26,837      |

Principal installments payable in each of the next five years:

|      |         |
|------|---------|
| 2008 | \$1,295 |
| 2009 | 1,787   |
| 2010 | 1,904   |
| 2011 | 2,060   |
| 2012 | 1,723   |

**Notes to the Financial Statements**

For the year ended March 31, 2007  
 (\$ thousands)

**7. Long-term Debt (continued)**

Interest expense on long-term debt during the year totaled \$2,118 (2006 \$1,938). In 2007, interest of \$196 was capitalized as part of the building costs of the Science Building expansion and renovations project. During 2007 no interest was capitalized as part of the Enterprise Resource Planning Project. In 2006 \$14 in interest was capitalized as part of the project.

The estimated fair value of the long-term debt at March 31, 2007, including the current portion, was \$47,194 (2006 \$36,533).

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

**8. 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 agreements have the effect of converting the floating rate of interest on certain debt to a fixed rate. Swap payments are reflected as interest expense and accounted for on an accrual basis.

The notional underlying principal value of the interest rate swaps related to debt outstanding at March 31, 2007 was \$11,597 (2006 \$8,932). 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, 2007, it would have been obligated to pay the banks \$764 (2006 \$666), which is the fair value of the swaps.

The University has arranged to convert the short-term financing for the Science Building expansion and renovation project to a floating rate term loan for \$21,100 in March 2008. The loan will mature in February 2033. The University has entered into an agreement with a major chartered bank for an interest rate swap to fix the interest rate on the term loan at 5.3%. The swap is based on the same amortization and terms as the term loan. At March 31, 2007, the fair value of the interest rate swap was \$733 in favour of the bank.

**9. Commitments**

Encumbrances at March 31, 2007 were \$7,369. The University has entered into various agreements for capital expenditures in the upcoming fiscal year. The total capital budget for the 2008 fiscal year is \$3,875. The University has also undertaken a \$25,500 renovation and expansion of the Science Building. The estimated cost to complete at March 31, 2007 was \$14,000, of which \$4,976 is included in the commitments at March 31, 2007.

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

|      |       |
|------|-------|
| 2008 | \$825 |
| 2009 | 606   |
| 2010 | 129   |
| 2011 | 14    |
| 2012 | -     |

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

Gifts in kind received and recorded consist of the following:

|                  | <u>2007</u> | <u>2006</u> |
|------------------|-------------|-------------|
| Investments      | 532         | 794         |
| Library holdings | 20          | 15          |
| Other            | 3           | 3           |
|                  | <u>555</u>  | <u>812</u>  |

Donations pledged but not received as at March 31, 2007, totaled \$8,708 (2006 \$6,612). These pledges are expected to be honored during the subsequent ten-year period and will be recorded as revenue when received.

## Notes to the Financial Statements

For the year ended March 31, 2007  
(\$ thousands)

### 11. Interfund transfers and amounts owed to and from funds

The interfund transfers received or paid among the General, Restricted and Endowment Funds are described in Schedule 7. Amounts owed to and from funds are non-interest bearing and have no set terms of repayment.

### 12. Contingencies

The University participates in a reciprocal exchange of insurance risks in association with 56 Canadian universities through the Canadian Universities Reciprocal Insurance Exchange (CURIE). This self-insurance co-operative involves a contractual agreement to share the insurance 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, 2006, CURIE had an accumulated excess of income over expenses of \$16,507, of which the University's pro-rata share is approximately 0.78% on an ongoing basis. In addition, the reciprocal has obtained \$645,000 re-insurance with commercial insurers to cover major property claims in excess of \$5,000 per occurrence. In respect of General Liability, the limit is \$20,000 per occurrence. Re-insurance for liability coverage in the amount of \$15,000 in excess of \$5,000 per occurrence retention was in place.

In the event premiums are not sufficient to cover claim settlements, the member universities would be subject to an assessment in proportion to their participation.

### 13. Future changes in accounting policies

On April 1, 2007, the University will adopt as is required the *CICA Handbook Section 3855: Financial Instruments – Recognition and Measurement* and *Section 3865: Hedges* and the amendments to CICA Handbook Sections and Accounting Guidelines resulting from the amendments to these Sections.

Under the new standards, all financial assets, which exclude loans and receivables, must be classified as held-for-trading, available-for-sale or held-to-maturity. As of April 1, 2007 the University's financial assets consist of its investments which will be classified as held-for-trading and will be measured at fair value with changes in fair value recognized in the Statement of Operations.

The University's financial liabilities at April 1, 2007, include debt and interest rate swap agreements. The accounting for debt will not change as it meets the requirements under the new standards. Debt is reported at its amortized value using the effective interest rate method. As of April 1, 2007, the University has not designated any debt as held-for-trading. The interest swaps are accounted for using hedge accounting. Under the new standards the interest rate swap agreements will be reported on the Statement of Financial Position at fair value with changes in fair value recognized in the Statement of Changes in Fund Balances. The Statement of Changes in Fund Balances will be shown as a separate statement in future years.

### 14. Comparative figures

Certain of the comparative figures have been reclassified to conform to the financial statement presentation adopted for 2007.

**Schedules to the Financial Statements**

Schedule 1

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

For the year ended March 31, 2007  
(\$ thousands)

|  | General Fund                         |                          |               |               |
|--|--------------------------------------|--------------------------|---------------|---------------|
|  | Operating<br><i>(See Schedule 3)</i> | Projects and<br>Reserves | 2007<br>Total | 2006<br>Total |
| <b>Revenues</b>                          |                                      |                          |               |               |
| Government grants and contributions      |                                      |                          |               |               |
| Government of Canada                     | 1,140                                | 47                       | 1,187         | 970           |
| Government of Nova Scotia                | 24,614                               | 2                        | 24,616        | 23,675        |
| Other                                    | -                                    | 5                        | 5             | -             |
| Other grants                             | -                                    | 6                        | 6             | 31            |
| Student fees                             | 51,999                               | -                        | 51,999        | 51,678        |
| Gifts and bequests                       | 75                                   | 3                        | 78            | 154           |
| Sales of services and products           | 14,701                               | 6                        | 14,707        | 14,923        |
| Income from investments                  | 633                                  | 581                      | 1,214         | 762           |
| Miscellaneous income                     | 956                                  | 269                      | 1,225         | 1,097         |
|  | 94,118                               | 919                      | 95,037        | 93,290        |
| <b>Expenses</b>                          |                                      |                          |               |               |
| Salaries                                 | 50,433                               | 153                      | 50,586        | 49,667        |
| Employee benefits                        | 6,912                                | 13                       | 6,925         | 6,971         |
| Equipment rental                         | 831                                  | -                        | 831           | 845           |
| Materials and supplies                   | 1,893                                | 201                      | 2,094         | 2,272         |
| Communications                           | 830                                  | -                        | 830           | 924           |
| Travel                                   | 1,707                                | 113                      | 1,820         | 1,792         |
| Utilities                                | 2,589                                | -                        | 2,589         | 2,325         |
| Printing and duplicating                 | 861                                  | -                        | 861           | 958           |
| Library acquisitions                     | 544                                  | -                        | 544           | 803           |
| Hospitality                              | 619                                  | 3                        | 622           | 881           |
| Repairs and maintenance                  | 1,264                                | 1,062                    | 2,326         | 2,206         |
| Promotion and student recruitment        | 1,713                                | -                        | 1,713         | 1,544         |
| Professional fees                        | 542                                  | 39                       | 581           | 614           |
| Rent                                     | 330                                  | 37                       | 367           | 334           |
| Other operational expenses               | 4,213                                | 113                      | 4,326         | 4,939         |
| Cost of goods sold                       | 5,197                                | -                        | 5,197         | 5,159         |
| Student financial aid                    | 3,587                                | 11                       | 3,598         | 3,217         |
| Interest                                 | 2,097                                | 21                       | 2,118         | 1,938         |
| Internal cost recoveries                 | (34)                                 | 34                       | -             | -             |
|  | 86,128                               | 1,800                    | 87,928        | 87,389        |
| Revenues less expenses before transfers  | 7,990                                | (881)                    | 7,109         | 5,901         |
| Interfund transfers (Schedule 7)         | (7,606)                              | 2,173                    | (5,433)       | (4,807)       |
| Net increase (decrease) in fund balances | 384                                  | 1,292                    | 1,676         | 1,094         |
| Fund balances, beginning of year         | 1,636                                | 9,688                    | 11,324        | 10,230        |
| Fund balances, end of year               | 2,020                                | 10,980                   | 13,000        | 11,324        |

See accompanying notes to the financial statements.

|  |
|--|
| <b>Schedules to the Financial Statements</b> |
|--|

Schedule 2

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

For the year ended March 31, 2007

(\$ thousands)

|  | Restricted Fund |          |         |                     | 2007<br>Total | 2006<br>Total |
|--|-----------------|----------|---------|---------------------|---------------|---------------|
|  | Capital         | Research | Trust   | Specific<br>Purpose |               |               |
| <b>Revenues</b>                          |                 |          |         |                     |               |               |
| Government grants and contributions      |                 |          |         |                     |               |               |
| Government of Canada                     | 244             | 6,244    | -       | 666                 | 7,154         | 5,381         |
| Government of Nova Scotia                | -               | 48       | -       | 2                   | 50            | 46            |
| Other                                    | -               | -        | -       | -                   | -             | 81            |
| Other grants                             | 376             | 2,053    | -       | 160                 | 2,589         | 1,127         |
| Gifts and bequests                       | -               | -        | 422     | 2,461               | 2,883         | 1,797         |
| Sales of services and products           | -               | 6        | 24      | 306                 | 336           | 308           |
| Income from investments                  | -               | -        | 378     | 616                 | 994           | 535           |
| Miscellaneous income                     | 162             | 3        | 94      | 185                 | 444           | 317           |
|  | 782             | 8,354    | 918     | 4,396               | 14,450        | 9,592         |
| <b>Expenses</b>                          |                 |          |         |                     |               |               |
| Salaries                                 | -               | 3,373    | 14      | 719                 | 4,106         | 3,279         |
| Employee benefits                        | -               | 182      | 1       | 64                  | 247           | 233           |
| Equipment rental                         | -               | 16       | 1       | 1                   | 18            | 2             |
| Materials and supplies                   | -               | 815      | 3       | 36                  | 854           | 685           |
| Communications                           | -               | 16       | -       | 4                   | 20            | 9             |
| Travel                                   | -               | 805      | 1       | 236                 | 1,042         | 1,132         |
| Printing and duplicating                 | -               | 4        | 1       | 4                   | 9             | 8             |
| Hospitality                              | -               | 2        | 1       | 41                  | 44            | 74            |
| Repairs and maintenance                  | -               | -        | -       | -                   | -             | 4             |
| Promotion and student recruitment        | -               | -        | -       | 24                  | 24            | 22            |
| Professional fees                        | -               | 47       | 62      | 81                  | 190           | 140           |
| Rent                                     | -               | 6        | -       | 16                  | 22            | 16            |
| Other operational expenses               | -               | 426      | 82      | 298                 | 806           | 666           |
| Student financial aid                    | -               | 174      | 377     | 55                  | 606           | 511           |
| Amortization                             | 4,941           | -        | -       | -                   | 4,941         | 4,389         |
|  | 4,941           | 5,866    | 543     | 1,579               | 12,929        | 11,170        |
| Revenues less expenses before transfers  | (4,159)         | 2,488    | 375     | 2,817               | 1,521         | (1,578)       |
| Interfund transfers (Schedule 7)         | 8,272           | (2,059)  | (1,132) | (247)               | 4,834         | 5,143         |
| Net increase (decrease) in fund balances | 4,113           | 429      | (757)   | 2,570               | 6,355         | 3,565         |
| Fund balances, beginning of year         | 52,505          | 3,180    | 3,299   | 7,137               | 66,121        | 62,556        |
| Fund balances, end of year               | 56,618          | 3,609    | 2,542   | 9,707               | 72,476        | 66,121        |

See accompanying notes to the financial statements

|  |
|--|
| <b>Schedules to the Financial Statements</b> |
|--|

## Schedule 3

**Operating Fund - Budget Comparison**

For the year ended March 31, 2007

(\$ thousands)

|  | <b>General Fund - Operating</b> |                        |                        |
|--|---------------------------------|------------------------|------------------------|
|  | <b>2007<br/>Budget</b>          | <b>2007<br/>Actual</b> | <b>2006<br/>Actual</b> |
|  | <i>(See Schedule 4)</i>         |                        |                        |
| <b>Revenues</b>  |                                 |                        |                        |
| Government grants and contributions  |                                 |                        |                        |
| Government of Canada   | 765                             | 765                    | 645                    |
| Government of Nova Scotia  | 23,454                          | 24,614                 | 23,670                 |
| Student fees   |                                 |                        |                        |
| Credit   | 47,682                          | 45,339                 | 45,393                 |
| Non-Credit   | 6,036                           | 5,946                  | 5,517                  |
| Other  | 518                             | 655                    | 641                    |
| Gifts and bequests   | 75                              | 75                     | 150                    |
| Income from investments  | 397                             | 633                    | 431                    |
| Sales of products and services   | 239                             | 258                    | 220                    |
| Miscellaneous income   | 155                             | 138                    | 101                    |
| Revenues for internal reporting purposes   | 79,321                          | 78,423                 | 76,768                 |
| Reclassification of external cost recoveries included in expenses<br>for internal reporting purposes | 15,292                          | 15,695                 | 16,083                 |
| Revenues for financial statement purposes  | 94,613                          | 94,118                 | 92,851                 |
| <b>Expenses</b>  |                                 |                        |                        |
| Arts   | 11,807                          | 11,677                 | 11,491                 |
| Commerce   | 12,409                          | 12,079                 | 11,883                 |
| Science  | 10,100                          | 9,990                  | 9,870                  |
| Continuing Education   | 4,626                           | 3,959                  | 4,166                  |
| English as a Second Language (ESL)   | 2,268                           | 2,071                  | 2,168                  |
| Library  | 3,773                           | 3,503                  | 3,651                  |
| Student financial aid  | 2,927                           | 2,997                  | 2,731                  |
| Miscellaneous academic   | 2,482                           | 2,292                  | 2,391                  |
| Total academic   | 50,392                          | 48,568                 | 48,351                 |
| Administration and general   | 12,519                          | 13,506                 | 13,386                 |
| Ancillaries, net   | (487)                           | (299)                  | (695)                  |
| Athletics and recreation   | 2,329                           | 2,582                  | 2,464                  |
| Facilities Management  | 8,377                           | 8,332                  | 8,007                  |
| Information Technology   | 4,038                           | 3,714                  | 3,663                  |
| Student Services   | 1,650                           | 1,636                  | 1,631                  |
| Expenses for internal reporting purposes   | 78,818                          | 78,039                 | 76,807                 |
| Reclassification of items included in expenses for internal<br>reporting purposes:                   |                                 |                        |                        |
| External cost recoveries   | 15,292                          | 15,695                 | 16,083                 |
| Interfund transfers (Schedule 7)   | (6,221)                         | (7,606)                | (7,047)                |
| Expenses for financial statement purposes  | 87,889                          | 86,128                 | 85,843                 |
| Revenues less expenses before transfers  | 6,724                           | 7,990                  | 7,008                  |
| Interfund transfers (Schedule 7)   | (6,221)                         | (7,606)                | (7,047)                |
| Net increase in fund balance   | 503                             | 384                    | (39)                   |
| Fund balance, beginning of year  | 1,636                           | 1,636                  | 1,675                  |
| Fund balance, end of year  | 2,139                           | 2,020                  | 1,636                  |

See accompanying notes to the financial statements.

**Schedules to the Financial Statements**

Schedule 4

**Operating Fund - Schedule of Expenses by Function**  
 For the year ended March 31, 2007  
 (\$ thousands)

| Expenses                          | General Fund – Operating – Expenses by Function |                     |  |                           |                          |                           |                     | Total         |
|-----------------------------------|---|---------------------|--|---------------------------|--------------------------|---------------------------|---------------------|---------------|
|                                   | Academic<br><i>(See Schedule 5)</i>             | Admin. &<br>General | Ancillaries<br><i>(See Schedule 6)</i> | Athletics &<br>Recreation | Facilities<br>Management | Information<br>Technology | Student<br>Services |               |
| Salaries                          | 34,420  | 6,364               | 1,967                                  | 1,616                     | 2,853                    | 1,792                     | 1,421               | 50,433        |
| Employee benefits                 | 4,217   | 1,087               | 294                                    | 194                       | 616                      | 294                       | 210                 | 6,912         |
| Equipment rental                  | 590   | 103                 | 21                                     | 11                        | 33                       | 49                        | 24                  | 831           |
| Materials and supplies            | 798   | 157                 | 232                                    | 204                       | 352                      | 116                       | 34                  | 1,893         |
| Communications                    | 213   | 258                 | 89                                     | 30                        | 6                        | 215                       | 19                  | 830           |
| Travel                            | 912   | 414                 | 13                                     | 274                       | 30                       | 45                        | 19                  | 1,707         |
| Utilities                         | -   | -                   | 885                                    | 194                       | 1,510                    | -                         | -                   | 2,589         |
| Printing and duplicating          | 503   | 272                 | 12                                     | 18                        | 4                        | 5                         | 47                  | 861           |
| Library acquisitions              | 544   | -                   | -                                      | -                         | -                        | -                         | -                   | 544           |
| Hospitality                       | 391   | 187                 | 5                                      | 27                        | 1                        | -                         | 8                   | 619           |
| Repairs and maintenance           | 10  | 9                   | 279                                    | 35                        | 313                      | 618                       | -                   | 1,264         |
| Promotion and student recruitment | 988   | 609                 | 9                                      | 102                       | -                        | -                         | 5                   | 1,713         |
| Professional fees                 | 21  | 472                 | -                                      | -                         | -                        | 49                        | -                   | 542           |
| Rent                              | 330   | -                   | -                                      | -                         | -                        | -                         | -                   | 330           |
| Other operational expenses        | 1,291   | 1,856               | 75                                     | 647                       | 208                      | 8                         | 128                 | 4,213         |
| Cost of goods sold                | -   | -                   | 5,169                                  | 17                        | -                        | 11                        | -                   | 5,197         |
| Student financial aid             | 3,225   | -                   | -                                      | 362                       | -                        | -                         | -                   | 3,587         |
| Interest                          | -   | 266                 | 1,681                                  | 24                        | -                        | 126                       | -                   | 2,097         |
| External cost recoveries          | (1,157)   | (65)                | (12,946)                               | (1,261)                   | -                        | (100)                     | (166)               | (15,695)      |
| Internal cost recoveries          | -   | (83)                | 354                                    | 102                       | (407)                    | -                         | -                   | (34)          |
|                                   | 47,296  | 11,906              | (1,861)                                | 2,596                     | 5,519                    | 3,228                     | 1,749               | 70,433        |
| Interfund transfers               | 1,272   | 1,600               | 1,562                                  | (14)                      | 2,813                    | 486                       | (113)               | 7,606         |
| <b>Total</b>                      | <b>48,568</b>                                   | <b>13,506</b>       | <b>(299)</b>                           | <b>2,582</b>              | <b>8,332</b>             | <b>3,714</b>              | <b>1,636</b>        | <b>78,039</b> |

See accompanying notes to the financial statements.

**Schedules to the Financial Statements**

Schedule 5

**Operating Fund – Schedule of Academic Expenses by Function**

For the year ended March 31, 2007

(\$ thousands)

| Expenses                          | General Fund – Operating – Academic Expenses by Function |               |              |              |              |              |                       |                | Total Academic |
|-----------------------------------|--|---------------|--------------|--------------|--------------|--------------|-----------------------|----------------|----------------|
|                                   | Arts   | Commerce      | Science      | Cont. Ed.    | ESL          | Library      | Student Financial Aid | Misc. Academic |                |
| Salaries                          | 9,905  | 9,726         | 8,001        | 2,675        | 1,229        | 1,956        | 5                     | 923            | 34,420         |
| Employee benefits                 | 1,330  | 1,128         | 1,048        | 171          | 124          | 298          | -                     | 118            | 4,217          |
| Equipment rental                  | 101  | 63            | 95           | 14           | 7            | 61           | -                     | 249            | 590            |
| Materials and supplies            | 66   | 175           | 223          | 69           | 172          | 64           | -                     | 29             | 798            |
| Communications                    | 10   | 39            | 14           | 129          | 4            | 11           | -                     | 6              | 213            |
| Travel                            | 107  | 504           | 90           | 69           | 61           | 25           | -                     | 56             | 912            |
| Printing and duplicating          | 75   | 114           | 79           | 169          | 34           | 8            | -                     | 24             | 503            |
| Library acquisitions              | -  | -             | -            | -            | -            | 544          | -                     | -              | 544            |
| Hospitality                       | 12   | 170           | 27           | 154          | 6            | 2            | -                     | 20             | 391            |
| Repairs and maintenance           | -  | -             | 10           | -            | -            | -            | -                     | -              | 10             |
| Promotion and student recruitment | -  | 273           | 2            | 186          | 349          | -            | -                     | 178            | 988            |
| Professional Fees                 | -  | 21            | -            | -            | -            | -            | -                     | -              | 21             |
| Rent                              | -  | 163           | -            | 147          | -            | -            | -                     | 20             | 330            |
| Other expenses                    | 87   | 454           | 98           | 194          | 85           | 113          | -                     | 260            | 1,291          |
| Student financial aid             | -  | 5             | -            | -            | -            | -            | 3,220                 | -              | 3,225          |
| External cost recoveries          | (12)   | (1,002)       | (14)         | (18)         | -            | (84)         | -                     | (27)           | (1,157)        |
|                                   | 11,681   | 11,833        | 9,673        | 3,959        | 2,071        | 2,998        | 3,225                 | 1,856          | 47,296         |
| Interfund transfers               | (4)  | 246           | 317          | -            | -            | 505          | (228)                 | 436            | 1,272          |
| <b>Total</b>                      | <b>11,677</b>  | <b>12,079</b> | <b>9,990</b> | <b>3,959</b> | <b>2,071</b> | <b>3,503</b> | <b>2,997</b>          | <b>2,292</b>   | <b>48,568</b>  |

See accompanying notes to the financial statements.

**Schedules to the Financial Statements**

**Schedule 6**

**Operating Fund - Schedule of Ancillary Revenues and Expenses**

For the year ended March 31, 2007

(\$ thousands)

|   | <b>General Fund – Operating – Ancillary Revenue and Expenses</b> |                     |                  |              |                          |
|---|--|---------------------|------------------|--------------|--------------------------|
|   | <b>Residence</b>   | <b>Food Service</b> | <b>Bookstore</b> | <b>Arena</b> | <b>Total Ancillaries</b> |
| <b>Revenues</b>                         |  |                     |                  |              |                          |
| Sales of services and products          | 6,171  | 1,893               | 4,539            | 162          | 12,765                   |
| Miscellaneous income                    | 113  | 42                  | 26               | -            | 181                      |
|   | <u>6,284</u>   | <u>1,935</u>        | <u>4,565</u>     | <u>162</u>   | <u>12,946</u>            |
| <b>Expenses</b>                         |  |                     |                  |              |                          |
| Salaries                                | 1,512  | -                   | 305              | 150          | 1,967                    |
| Employee benefits                       | 218  | -                   | 47               | 29           | 294                      |
| Equipment rental                        | 5  | -                   | 16               | -            | 21                       |
| Materials and supplies                  | 194  | 12                  | 6                | 20           | 232                      |
| Communications                          | 88   | -                   | 1                | -            | 89                       |
| Travel                                  | 6  | -                   | 7                | -            | 13                       |
| Utilities                               | 681  | 114                 | -                | 90           | 885                      |
| Printing and duplicating                | 10   | -                   | 2                | -            | 12                       |
| Hospitality                             | 5  | -                   | -                | -            | 5                        |
| Repairs and maintenance                 | 216  | 43                  | -                | 20           | 279                      |
| Promotion and student recruitment       | -  | -                   | 9                | -            | 9                        |
| Other operational expenses              | 68   | 3                   | -                | 4            | 75                       |
| Cost of goods sold                      | -  | 1,507               | 3,662            | -            | 5,169                    |
| Interest                                | 1,661  | 20                  | -                | -            | 1,681                    |
| Internal cost recoveries                | 217  | 43                  | 77               | 17           | 354                      |
|   | <u>4,881</u>   | <u>1,742</u>        | <u>4,132</u>     | <u>330</u>   | <u>11,085</u>            |
| Revenues less expenses before transfers | 1,403  | 193                 | 433              | (168)        | 1,861                    |
| Interfund transfers                     | (1,402)  | (150)               | (10)             | -            | (1,562)                  |
| Revenue less expenses and transfers     | <u>1</u>   | <u>43</u>           | <u>423</u>       | <u>(168)</u> | <u>299</u>               |

See accompanying notes to the financial statements.

**Schedules to the Financial Statements**

**Schedule 7**

**Schedule of Interfund Transfers**

For the year ended March 31, 2007  
 (\$ thousands)

The interfund transfers received or paid between the General, Restricted and Endowments Funds are as follows for the year ended March 31, 2007:

| Transfers received (paid)      | All Funds      |              |            |          |
|--------------------------------|----------------|--------------|------------|----------|
|                                | General        | Restricted   | Endowment  | Total    |
| Purchase capital assets        | (4,782)        | 4,782        | -          | -        |
| Maintenance and replacements   | 15             | (15)         | -          | -        |
| Debt reduction                 | (1,178)        | 1,178        | -          | -        |
| Research and specific purposes | (145)          | (223)        | 368        | -        |
| Program support                | 657            | (888)        | 231        | -        |
| <b>Total</b>                   | <b>(5,433)</b> | <b>4,834</b> | <b>599</b> | <b>-</b> |

The interfund transfers received or paid by the General Fund are as follows for the year ended March 31, 2007:

| Transfers received (paid)      | General Fund   |                       |                |
|--------------------------------|----------------|-----------------------|----------------|
|                                | Operating      | Projects and Reserves | Total General  |
| Contributions to reserves      | (6,303)        | 6,303                 | -              |
| Purchase capital assets        | (1,861)        | (2,921)               | (4,782)        |
| Maintenance and replacements   | (146)          | 161                   | 15             |
| Debt reduction                 | (1,178)        | -                     | (1,178)        |
| Research and specific purposes | (555)          | 410                   | (145)          |
| Program support                | 2,437          | (1,780)               | 657            |
| <b>Total</b>                   | <b>(7,606)</b> | <b>2,173</b>          | <b>(5,433)</b> |

The interfund transfers received or paid by the Restricted Fund are as follows for the year ended March 31, 2007:

| Transfers received (paid)      | Restricted Fund |                |                |                  |                  |
|--------------------------------|-----------------|----------------|----------------|------------------|------------------|
|                                | Capital         | Research       | Trust          | Specific Purpose | Total Restricted |
| Purchase capital assets        | 7,094           | (2,157)        | -              | (155)            | 4,782            |
| Maintenance and replacements   | -               | -              | (4)            | (11)             | (15)             |
| Debt reduction                 | 1,178           | -              | -              | -                | 1,178            |
| Research and specific purposes | -               | 98             | (483)          | 162              | (223)            |
| Program support                | -               | -              | (645)          | (243)            | (888)            |
| <b>Total</b>                   | <b>8,272</b>    | <b>(2,059)</b> | <b>(1,132)</b> | <b>(247)</b>     | <b>4,834</b>     |

See accompanying notes to the financial statements.

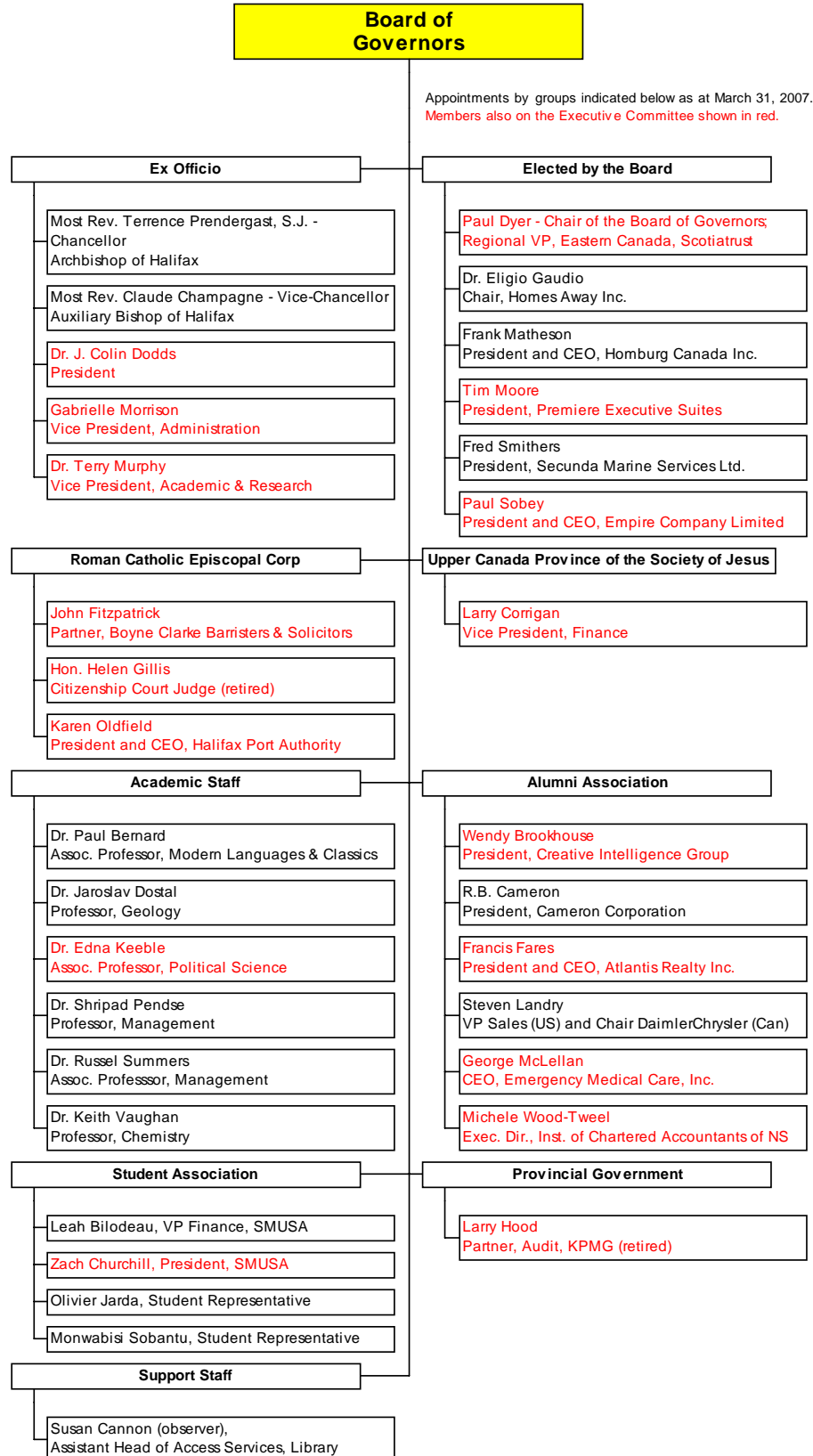


# University and Financial Governance

March 31, 2007

## 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

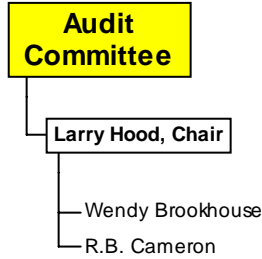
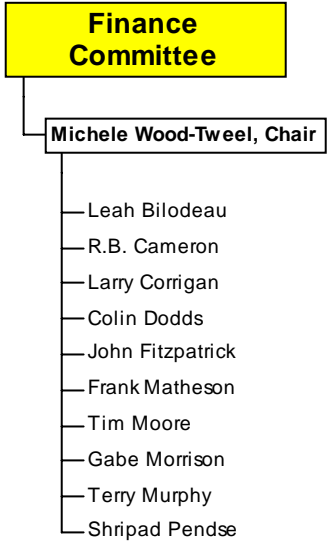
The Board of Governors obtains advice and reports from a number of elected committees. The following is a list of Board Committees (with Chairs shown in brackets) for the 2006/07 year.

The financially oriented committees (Finance, Investment, 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.

The Board of Governors recently sponsored a governance review and a modified committee structure will be in place for next year.

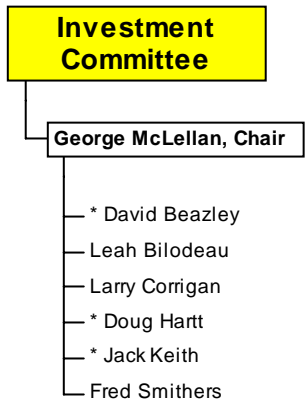


**Financial Leadership – Financial Committees of the Board of Governors**



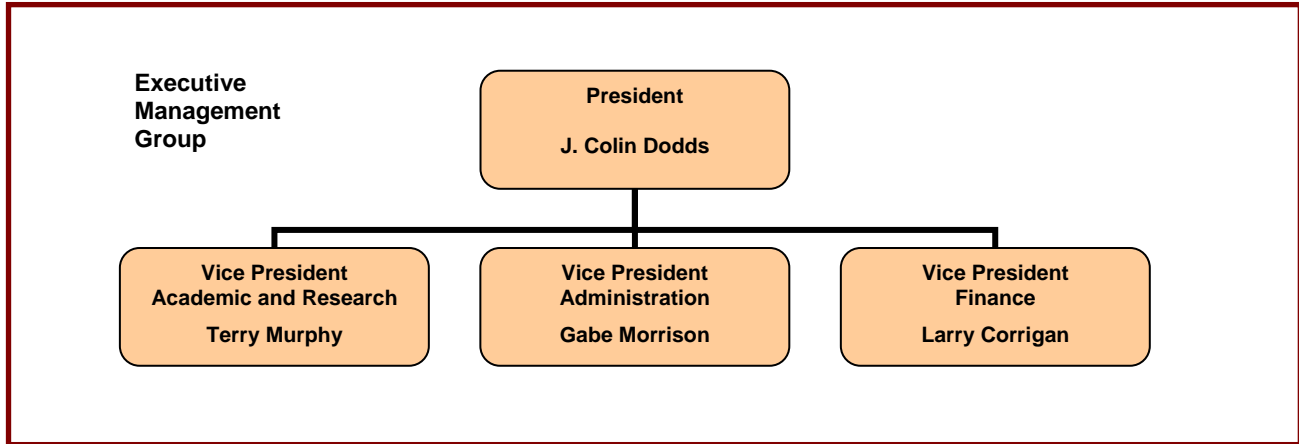
The Finance Committee provides financial advice to the Board of Governors. The functions of the committee include review, reporting and recommendations on the annual operating and capital budget, including tuition and fee schedules, funding requirements and sources of financing. The committee reviews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

The Audit Committee facilitates the annual audit, reviews the audited financial statements and submits them to the board. The committee reviews recommendations from the auditors on internal controls and other matters. The Audit Committee helps the board achieve accountability, improve communications among board, auditor and management. 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 \* above).

## Financial Leadership – Executive Management Group



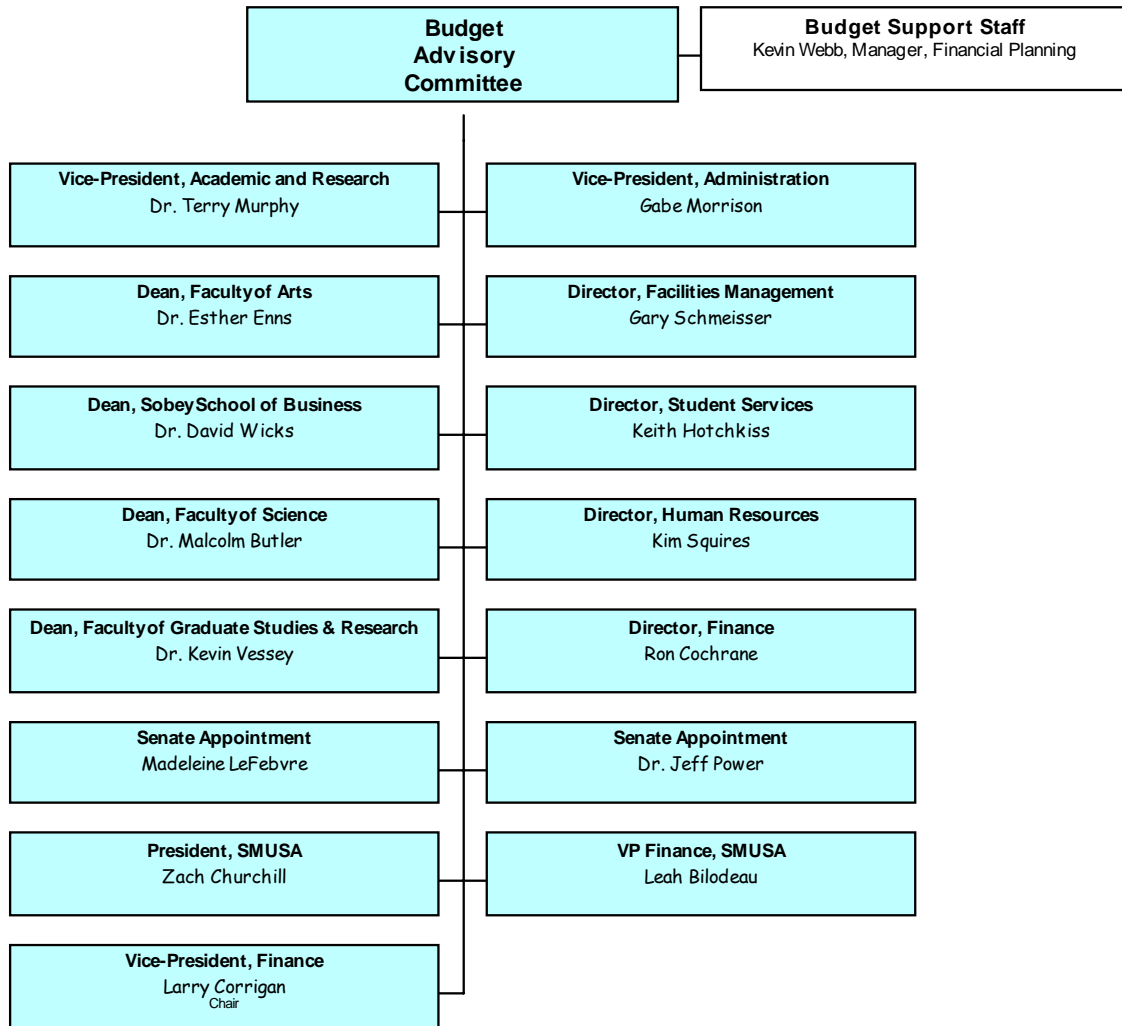
### **Saint Mary's University Act**

“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, 2007



The Budget Advisory Committee is a cross-functional team, designed to represent the interests of the 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 budgets are routed through an extensive review process, including the following:

- Property & Development Committee (capital items)
- Senior Administration Committee
- Academic Senate
- Executive Management Group
- Finance Committee and Board Executive Committee

Final approval of the budget is provided by the Board of Governors prior to the start of the fiscal year.