



One University. One World. Yours.

Annual Financial Report

March 31, 2008

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Introduction

I am pleased to introduce the Annual Financial Report for the 2007/08 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.

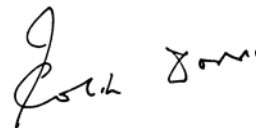
The Board of Governors of Saint Mary's University, as trustee of university financial, physical and human assets, has a fiduciary responsibility to oversee financial management. Financial statements help to fulfil this financial oversight role but these, in isolation, do not always satisfy the various 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, 2008.

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, 2008.



J. Colin Dodds, Ph.D.
President



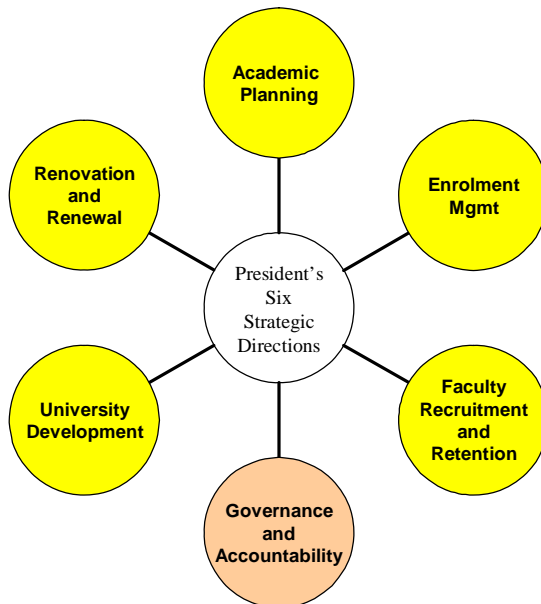
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Management Discussion and Analysis

March 31, 2008

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.

During 2007/08 SMU adjusted its statement of core values to include a commitment to environmental sustainability.

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

University Environment

Canadian universities serve more than 1.5 million full- and part-time students in various degree and continuing education programs and employ more than 150,000 full-time faculty and full- and part-time professional, technical and support staff. Nationally, universities are a \$26 billion enterprise – larger than the pulp and paper industry, the oil and gas extraction industry, the utilities sector, the combined arts, entertainment and recreation industries and such prominent manufacturing industries as aerospace, motor vehicle, metal fabricating, furniture and plastic products (AUCC 2008.) There are 92 members 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 internal and external environment of Saint Mary's. This analysis points to those things we must do well to survive in our competitive situation.

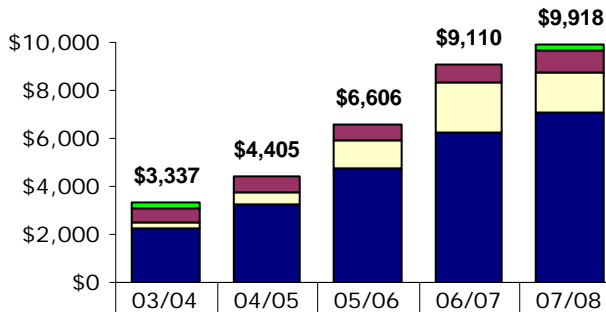
| SWOT Analysis (Strengths, Weaknesses, Opportunities and Threats) | |
|---|--|
| <p style="text-align: center; margin: 0;">INTERNAL STRENGTHS</p> <ul style="list-style-type: none"> - Academic Plan endorsed by the university community - friendly, student-centred campus culture - 30 year campus master plan - track record of strong labour relations - highly subscribed TESL operations - strong asset management and operations management - community, educational, corporate partnerships - history of commitment to athletics and recreation | <p style="text-align: center; margin: 0;">INTERNAL WEAKNESSES</p> <ul style="list-style-type: none"> - large amount of deferred maintenance on campus - rising operating costs - growing debt situation - comparatively high tuition at Nova Scotia universities - scarcity of physical facilities such as classrooms and offices - insufficient range of existing student services - low amount of endowment resources |
| <p style="text-align: center; margin: 0;">EXTERNAL OPPORTUNITIES</p> <ul style="list-style-type: none"> - MOU negotiation with Province of Nova Scotia - attraction of international students to North America - growth potential for graduate studies - growth potential for research activities - grants available for energy conservation and "green" programs - web-based academic courses - low interest rates - growth potential for international development and education initiatives | <p style="text-align: center; margin: 0;">EXTERNAL THREATS</p> <ul style="list-style-type: none"> - Nova Scotia demographics pointing to lower future enrolment - many local, national and int'l competitors in the higher education sector - pending retirement of the baby boom generation - smaller pool of qualified university professors - rising costs in the construction industry - rising costs resulting from union settlements for pay and benefits - extreme competition for philanthropic donations - higher expectations from students and parents |

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)

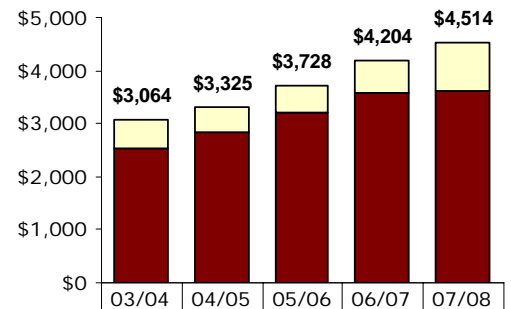


| | 03/04 | 04/05 | 05/06 | 06/07 | 07/08 |
|---------------|---------|---------|---------|---------|---------|
| Total | \$3,337 | \$4,405 | \$6,606 | \$9,110 | \$9,918 |
| Provincial | \$212 | \$19 | \$41 | \$48 | \$221 |
| Federal - ICP | \$610 | \$616 | \$645 | \$765 | \$924 |
| Other | \$300 | \$480 | \$1,167 | \$2,053 | \$1,707 |
| Federal | \$2,215 | \$3,290 | \$4,753 | \$6,244 | \$7,066 |

◀ Funding for sponsored research, including the Indirect Costs Program, increased 8.9% in 2007/08 over the prior year

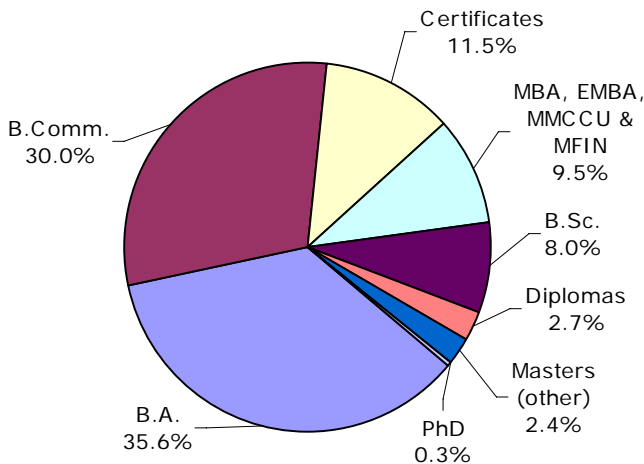
➤ SMU increased spending on scholarships, fellowships and bursaries by 7.4% in 2007/08

Student Financial Aid (000's)



| | 03/04 | 04/05 | 05/06 | 06/07 | 07/08 |
|-------------------|---------|---------|---------|---------|---------|
| Total Expenditure | \$3,064 | \$3,325 | \$3,728 | \$4,204 | \$4,514 |
| Other Funds | \$539 | \$489 | \$511 | \$617 | \$894 |
| Operating Fund | \$2,525 | \$2,836 | \$3,217 | \$3,587 | \$3,620 |

Degrees, Diplomas and Certificates Awarded 2007



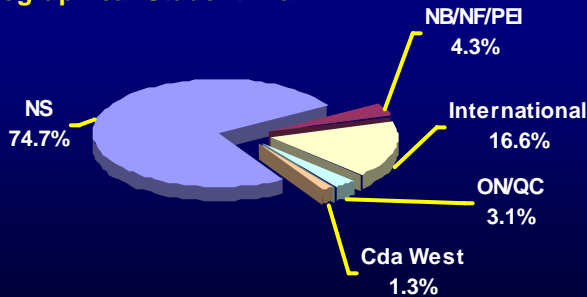
◀ Saint Mary's awarded 1,572 degrees, diplomas and certificates in 2007. This included the first graduating cohort in the Master of Management-Co-operatives and Credit Unions program, as well as 33 graduates in the new Certificate in the Mathematical Sciences for Education program.

2007/08 Varsity Sport Teams (prior year in brackets)

46 (38) CIS Academic All-Canadians, 8 (5) CIS All-Canadians, 40 (38) AUS All-Stars
 CIS Player of the Year (Hec Crighton Award), CIS Most Sportsmanlike Player
 2 (1) AUS Champions – Football, Men's Basketball, AUS Coach of the year (Football)
 AUS MVP (Football), AUS Most Sportsmanlike Player (Men's and Women's Hockey)
 AUS Rookie of the Year (Volleyball), AUS Hockey/Academic/Community Involvement Award (Women's Hockey)

University Facts

Geographical Student Draw



- ⋄ 6,572, full-time students
- ⋄ 906 part-time students
- ⋄ The five largest international student contingents hail from China, Germany, Bahamas, United States and Bermuda
- ⋄ 62.7% of SMU students come from Halifax County
- ⋄ The student population is 52% female and 48% male

| Residence | Vanier | Rice | Loyola | 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 |
| Total Beds | 232 | 380 | 584 | 1,196 |

- ⋄ Saint Mary's operates three residences, with several different styles of accommodation to suit a variety of student needs. Vacancy rates dropped to 1.3% in December 2007 in comparison to 4.6% the previous year.

Average Class Size

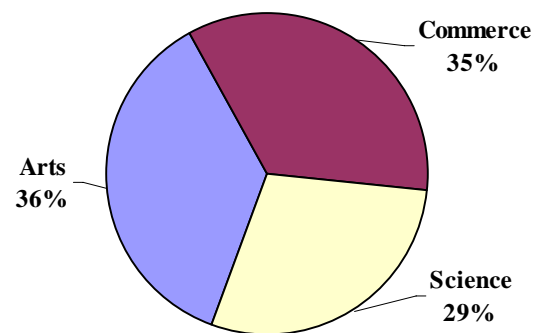
- 54 - Introductory Classes
- 25 - Upper Level Classes
- 14 - Graduate Classes

Library Holdings

| | |
|----------------|------------------|
| Print Volumes | 418,581 |
| Micromaterials | 590,477 |
| Non-Print | 20,221 |
| Total | 1,029,279 |

- ⋄ Students and faculty made 470,840 visits to the University library during 2007/08

Course Registrations by Degree Program 2007/08



- ⋄ The largest percentage of course registrations is found in the Psychology Department, 17%

SMU Staffing 2007/08

| | Full time | Part time |
|-----------------|------------|------------|
| Faculty | 256 | 195 |
| Administrative | 283 | 9 |
| TESL | 9 | 0 |
| Library | 43 | 1 |
| Facilities | 95 | 0 |
| Ancillaries | 15 | 2 |
| Bus Dev Centre | 13 | 0 |
| Atlantic Centre | 10 | 1 |
| Total | 724 | 208 |

- ⋄ Saint Mary's also employed almost 1,000 students during 2007/08

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, 2008 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.



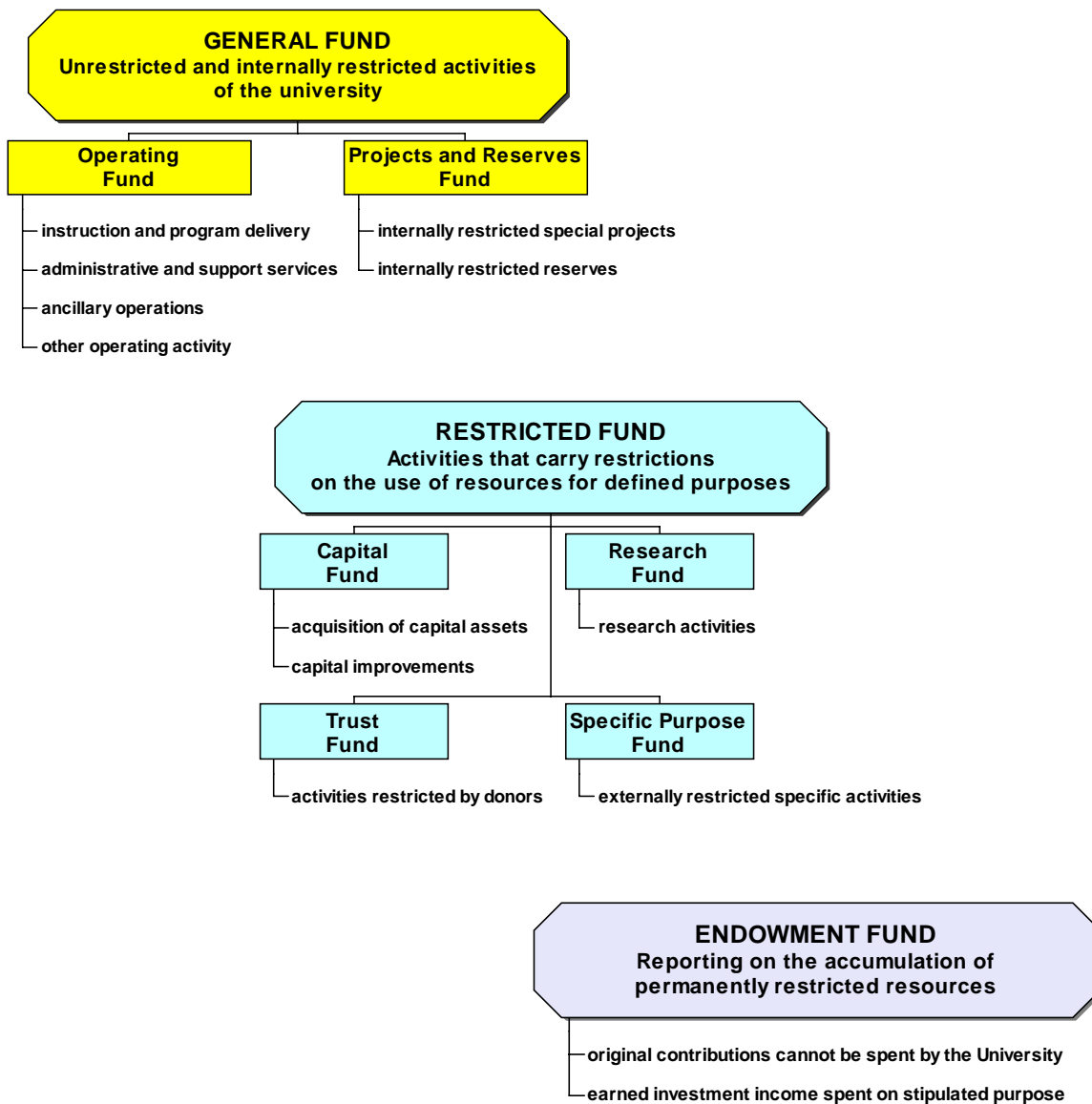
Larry Corrigan, MBA, FCGA
Vice-President, Finance

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

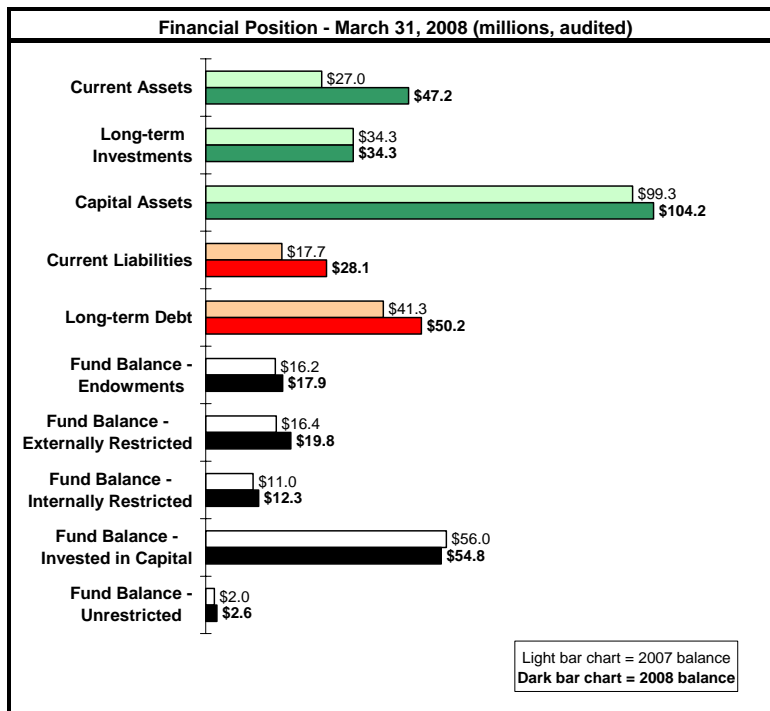


Financial Position and Fund Balances

The Statement of Financial Position reports what the university owns (assets), what it owes to others (liabilities) and the remaining interest or equity in the assets (fund balances) at the March 31, 2008 reporting date.

University current assets amount to \$47.2 million and are made up of cash, short-term investments, accounts receivable, inventories and prepaid expenses. They are almost \$20 million higher than the previous year end. An advance payment of \$8 million related to the 2008/09 Provincial operating grant received in late March 2008 resulted in a significant increase in cash at March 31, 2008. Short-term investments have also increased because the University transferred from long-term investments some of the funds earmarked for the Atrium Construction Project which was scheduled to begin in April 2008.

Long-term investments and receivables amount to \$34.3 million, the same total as the prior year. At April 1, 2007, the University changed its accounting policy for recording long-term investments due to the introduction of new accounting standards for Financial Instruments required by the Canadian Institute of Chartered Accountants (CICA). Previously, the long-term investments were recorded at historical cost. As of April 1, 2007, they are recorded at market value. Per the CICA guidelines the amount reported for prior year is not restated. Further information regarding this change is included in the notes to the financial statements.



Capital assets, with a net book value of \$104.2 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 \$28.1 million include payables, accruals, students' deposits and deferred revenue. The increase of \$10.4 million is primarily due to an increase in deferred revenue related to the advance payment of the 2008/09 operating grant received from the Province in March 2008.

The long-term portion of debt increased by \$8.9 million during the year. This included \$2.5 million related to interest rate swap agreements. Due to the accounting standard changes required by the CICA the university recorded the fair value of the interest rate swap agreement as part of long-term debt starting April 1, 2007. Per the CICA guidelines the amount reported for the prior year was not restated.

The fund balances represent the university's residual interest in its assets after deducting liabilities. The fund accounting method of reporting used by Saint Mary's shows the restrictions on the balances. \$37.7 million relate to resources that are constrained by endowments and other external restrictions, \$12.3 million is internally restricted by the university for projects and reserves, \$54.8 million is the net amount invested in buildings and other capital assets. The unrestricted General Fund balance represents accumulated surpluses and deficits and is \$2.597 million. In total, the fund balances of Saint Mary's University increased substantially over the past five years from \$73.1 million at March 31, 2005 to \$107.4 million at March 31, 2008.

Financial Condition Analysis

Critical Success Factors and Related Performance Indicators

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

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

- to support our internal planning processes and provide information for decision making
- to report results to government to justify receiving over \$36 million in grants and contributions
- to demonstrate to donors that their philanthropic gifts are prudently applied
- to provide evidence to lending institutions that the university meets its fiduciary duties
- to generate support from our students, employees, external partners and the overall university community

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

Critical success factors

Performance indicators

⊗ OPERATIONS (page 10)

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

⊗ ASSET MANAGEMENT (page 11)

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

⊗ FUNDRAISING and ENDOWMENT (page 12)

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

⊗ DEBT CAPACITY (page 13)

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

Financial Condition

Operations Analysis, March 31, 2008

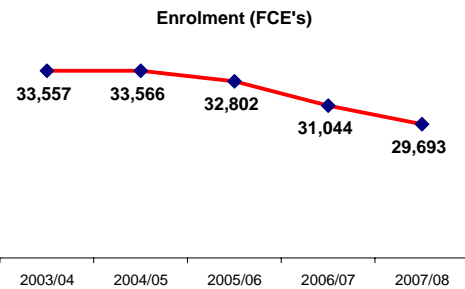
Critical Success Factor 1: **Student demand**

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 | 2006/07 | 2007/08 |
|--|---------------|---------------|
| Arts enrolment | 11,189 | 10,636 |
| Science enrolment | 8,815 | 8,380 |
| Commerce enrolment | 9,270 | 8,861 |
| Graduate Studies enrolment | 1,770 | 1,816 |
| Total enrolment at March 31 (full course equivalents) | 31,044 | 29,693 |

- total enrolment has declined over the past few years
- in 2007/08 enrolment down in each faculty except Graduate Studies (+2.6%)
- international enrolment stands at 16.6%, one of the highest in Canada (Maclean's)



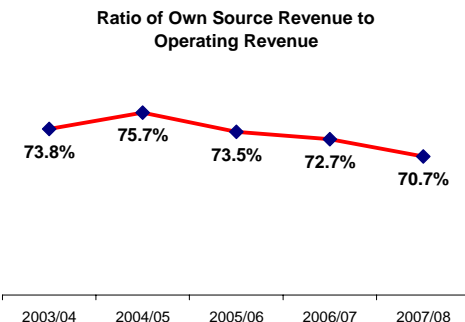
Critical Success Factor 2: **Independent sources of revenue**

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 | 2006/07 | 2007/08 |
|---|---------------|---------------|
| Own source revenue (millions) | \$68.4 | \$67.4 |
| Provincial operating grant (millions) | \$24.6 | \$26.5 |
| Federal grant (millions) | \$1.1 | \$1.4 |
| Total operating revenue (millions) | \$94.1 | \$95.3 |
| Ratio of own source revenue to operating revenue | 72.7% | 70.7% |

- own source revenue declined in both \$ terms and 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



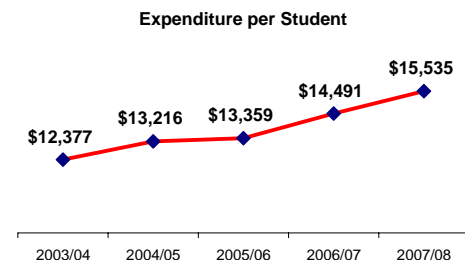
Critical Success Factor 3: **Funding of the university educational mission**

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 | 2006/07 | 2007/08 |
|---|-----------------|-----------------|
| Annual expenses, all Funds (millions) | \$100.9 | \$105.5 |
| Students (full-time equivalents) | 6,963 | 6,791 |
| Expenditure per student | \$14,491 | \$15,535 |

- spending increase and enrolment decline both make this ratio more favourable
- expenditure per student up 7.2% from the prior year
- SMU ranks 8th of 12 peer group universities (peer median = \$16,304 per student)



Financial Condition

Operations Analysis, March 31, 2008

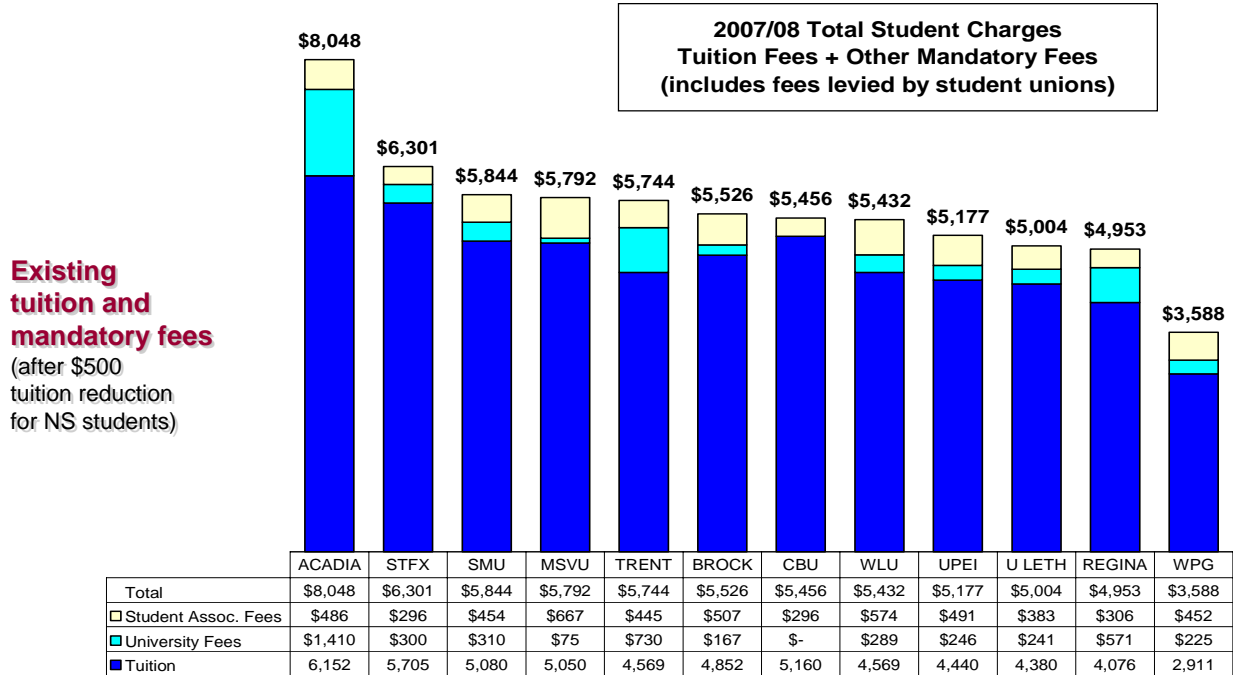
Critical Success Factor 4: **Student accessibility**

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 (30.5% funding compared to Nova Scotia median of 44.0%). Saint Mary's receives the lowest proportion of provincial funding relative to its Canadian peer group (12th of 12 universities, 30.5% funding compared to peer group median of 49.3%).

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



- In 2007/08, the Province of Nova Scotia provided a tuition bursary of \$500 for each Nova Scotia student (74.7% of SMU students)
 This had the effect of reducing Nova Scotia university tuition to become more competitive with universities across Canada.

- 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

Source of provincial funding information: CAUBO/Statistics Canada 2007
 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, 2008

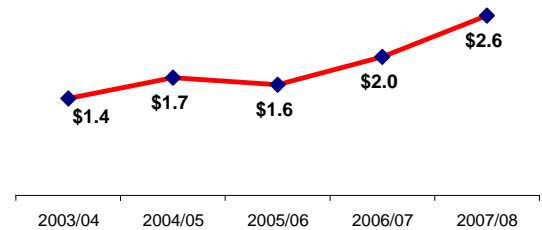
Critical Success Factor 5: Liquidity
Key Performance Indicator 5: Unrestricted resources

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 (policy range under review) 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 | 2006/07 | 2007/08 |
|---|---------|---------|
| Unrestricted fund balance, start of year (millions) | \$1.6 | \$2.0 |
| Change during the year (millions) | \$0.4 | \$0.6 |
| Unrestricted fund balance, end of year (millions) | \$2.0 | \$2.6 |

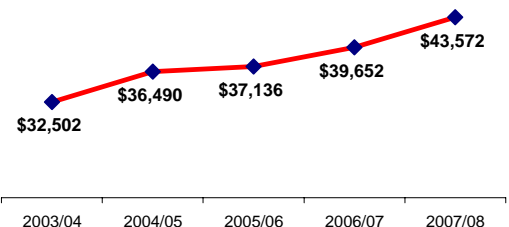
- the unrestricted balance at year end exceeds the top of the approved range
- SMU balance, \$2.6 million, exceeds the median of the peer group (\$1.0 million)
- Negative or nil unrestricted resources in 6 of the 12 peer universities


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

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

| Physical infrastructure | 2006/07 | 2007/08 |
|--|----------|----------|
| CRV of capital assets per CURIE valuation (millions) | \$276.1 | \$295.9 |
| Number of students (full time equivalents) | 6,963 | 6,791 |
| CRV of capital assets per student | \$39,652 | \$43,572 |

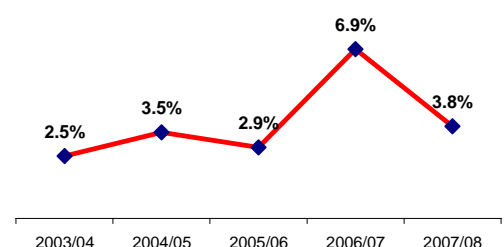
- growth in the value of capital assets; size of the student body declined
- \$25 million renovation of the Science Building began in 2006
- a significant capital program is planned for the 2008/09 fiscal year

Capital Assets per Student

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 | 2006/07 | 2007/08 |
|--|---------|---------|
| Capital spending (millions) | \$19.0 | \$11.1 |
| CRV of capital assets (millions) | \$276.1 | \$295.9 |
| Ratio of capital spending to CRV of capital assets | 6.9% | 3.8% |

- many capital projects during the year, incl. completion of the Science Building
- capital spending tends to be uneven over time and is dependent on available funds
- rule of thumb (2% of CRV) significantly exceeded in each of past 5 years

Capital Spending Ratio


Financial Condition











Asset Management Analysis, March 31, 2008

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, 2007 (\$4,793 per student) | |  \$36.5 |
| UPEI - Apr. 30, 2007 (\$4,265 per student) | |  \$15.3 |
| Regina - Apr. 30, 2007 (\$3,540 per student) | |  \$35.6 |
| MSVU - Mar. 31, 2007 (\$2,565 per student) | |  \$7.3 |
| Brock - Apr. 30, 2007 (\$2,297 per student) | |  \$33.7 |
| SMU - Mar. 31, 2008 (\$2,194 per student) | |  \$14.9 |
| Trent - Apr. 30, 2007 (\$578 per student) | |  \$4.1 |
| Winnipeg - Mar. 31, 2007 (\$498 per student) | |  \$3.5 |
| St.FX - Mar. 31, 2007 (-\$46 per student) | -\$0.2 | |
| CBU - Mar. 31, 2007 (-\$135 per student) | -\$0.4 | |
| Acadia - Mar. 31, 2007 (-\$966 per student) | -\$3.1 |  |
| Wilfrid Laurier - Apr. 30, 2007 (-\$3,229 per student) | -\$42.9 |  |

- SMU expendable resources = Unrestricted Fund Balance \$2.6 million + Internally Restricted Fund Balance \$12.3 million

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

- SMU ratio of expendable resources per student ranks 6th of 12 of the university peer group

- History of SMU expendable resources: 2004 \$11.5 m, 2005 \$10.3 m, 2006 \$11.3 m, 2007 \$13.0 m, 2008 \$14.9 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 2007 Enrolment Survey

Financial Condition

Fundraising and Endowment Analysis, March 31, 2008

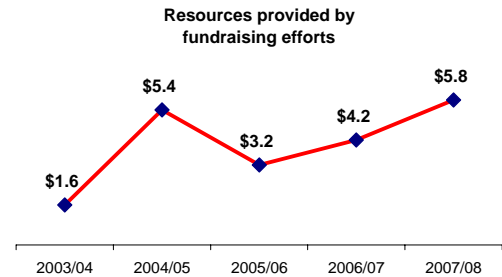
Critical Success Factor 9: Fundraising

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 | 2006/07 | 2007/08 |
|--|---------|---------|
| Fundraising revenue received during the year (million's) | \$4.2 | \$5.8 |
| Pledges due within ten years (million's) | \$10.5 | \$10.8 |

- the Hearts & Minds capital campaign which began in 2004 is providing significant gifts from many donors
- pledges are also well beyond historical amounts due to the campaign



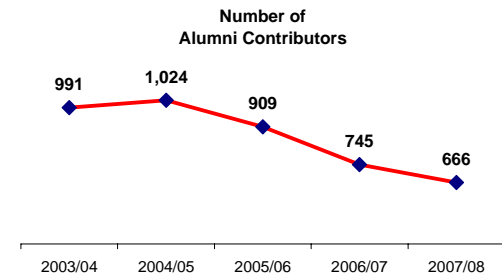
Critical Success Factor 10: Alumni financial participation

Key Performance Indicator 10: Number of alumni contributors

Expressions of philanthropy, from Saint Mary's approximately 26,000 active 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 | 2006/07 | 2007/08 |
|--|------------|------------|
| New contributors | 58 | 60 |
| Repeat contributors (3+ consecutive years) | 266 | 259 |
| All other alumni contributors | 421 | 347 |
| Total alumni contributors | 745 | 666 |

- 11% decrease in total alumni contributors in 2007/08
- 2007/08 alumni financial participation rate = 2.6% (2.9% in 2006/07)
- alumni financial participation rate well below our 20% target



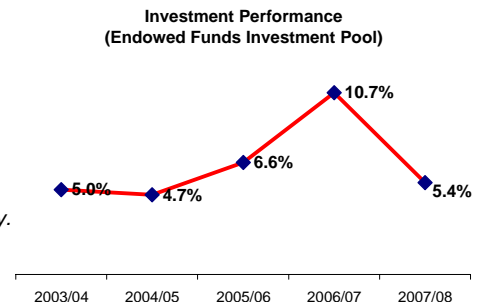
Critical Success Factor 11: Management of endowment investments

Key Performance Indicator 11: Endowment fund performance

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

| Management of the endowment investments | 2006/07 | 2007/08 |
|---|---------|---------|
| Endowed Funds Investment Pool | | |
| Four year average rate of return | 10.7% | 5.4% |

- Comments from Mercer (independent investment monitor):
 The current active managers are well rated and expected to outperform benchmark.
 The investment policy is likely to support the current SMU endowment spending policy.
- The university's long term goal is a rate of return of 7.0%. After expected inflation of 2.0% and estimated investment and custodial fees of 0.5% this will produce a net return of 4.5% for spending.



Financial Condition

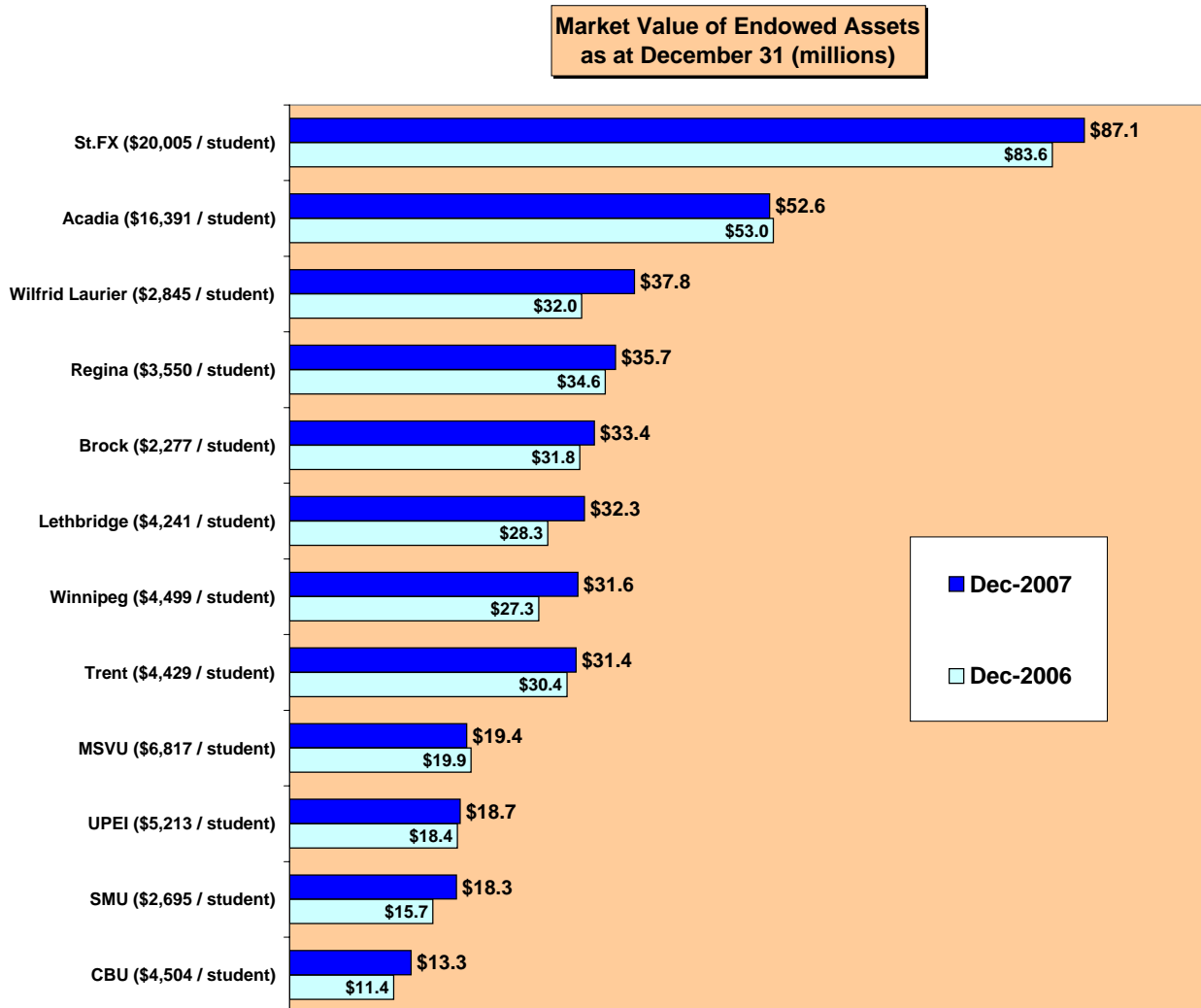
Fundraising and Endowment Analysis, March 31, 2008

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 year.



- SMU endowment is low compared to university peer group, 11th of 12 (of the top 50 universities, SMU placed 48th)
- SMU endowment per student is low compared to the university peer group, 11th of 12
- SMU had a healthy 17% increase in endowed assets over past year, greatly exceeding the peer group median (+5%)

Source of peer group information: CAUBO University Endowment 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 2007 Enrolment Survey

Financial Condition

Debt Capacity Analysis, March 31, 2008

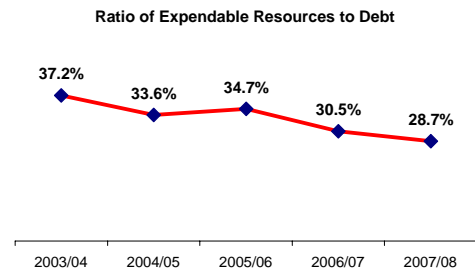
Critical Success Factor 13: **Ability to pay debt charges with medium term resources**

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 | 2006/07 | 2007/08 |
|--|---------|---------|
| Expendable resources (millions) | \$13.0 | \$14.9 |
| Debt, incl. current portion of long-term debt (millions) | \$42.6 | \$52.0 |
| Ratio of expendable resources to debt | 30.5% | 28.7% |

- expendable resources increased but debt increased at a faster pace
- the relatively large debt increase had a negative effect on the ratio shown in the chart
- SMU ratio is similar to the university peer group median (27.3%)



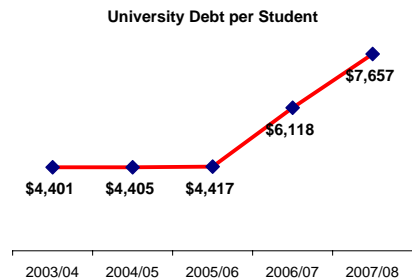
Critical Success Factor 14: **Manageable debt load**

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 | 2006/07 | 2007/08 |
|--|---------|---------|
| Debt, incl. current portion of long-term debt (millions) | \$42.6 | \$52.0 |
| Number of students (full time equivalents) | 6,963 | 6,791 |
| University debt per student | \$6,118 | \$7,657 |

- 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 to the peer group median (\$6,911)



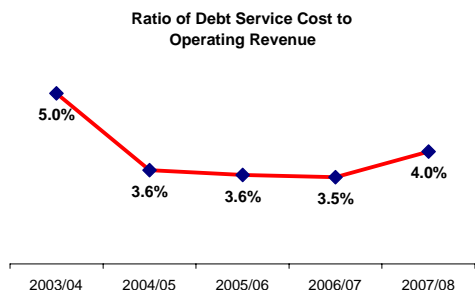
Critical Success Factor 15: **Debt funding strength arising from operations**

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 | 2006/07 | 2007/08 |
|--|---------|---------|
| Debt service cost: principal + interest (millions) | \$3.3 | \$3.8 |
| Total operating revenue (millions) | \$94.1 | \$95.3 |
| Ratio of debt service cost to operating revenue | 3.5% | 4.0% |

- the ratio deteriorated; debt service cost increased \$0.5 million over the prior year
- debt service costs still a manageable proportion of the operating budget
- exceeding 10% would raise concerns about being highly leveraged (Moody's)



Financial Condition

Debt Capacity Analysis, March 31, 2008

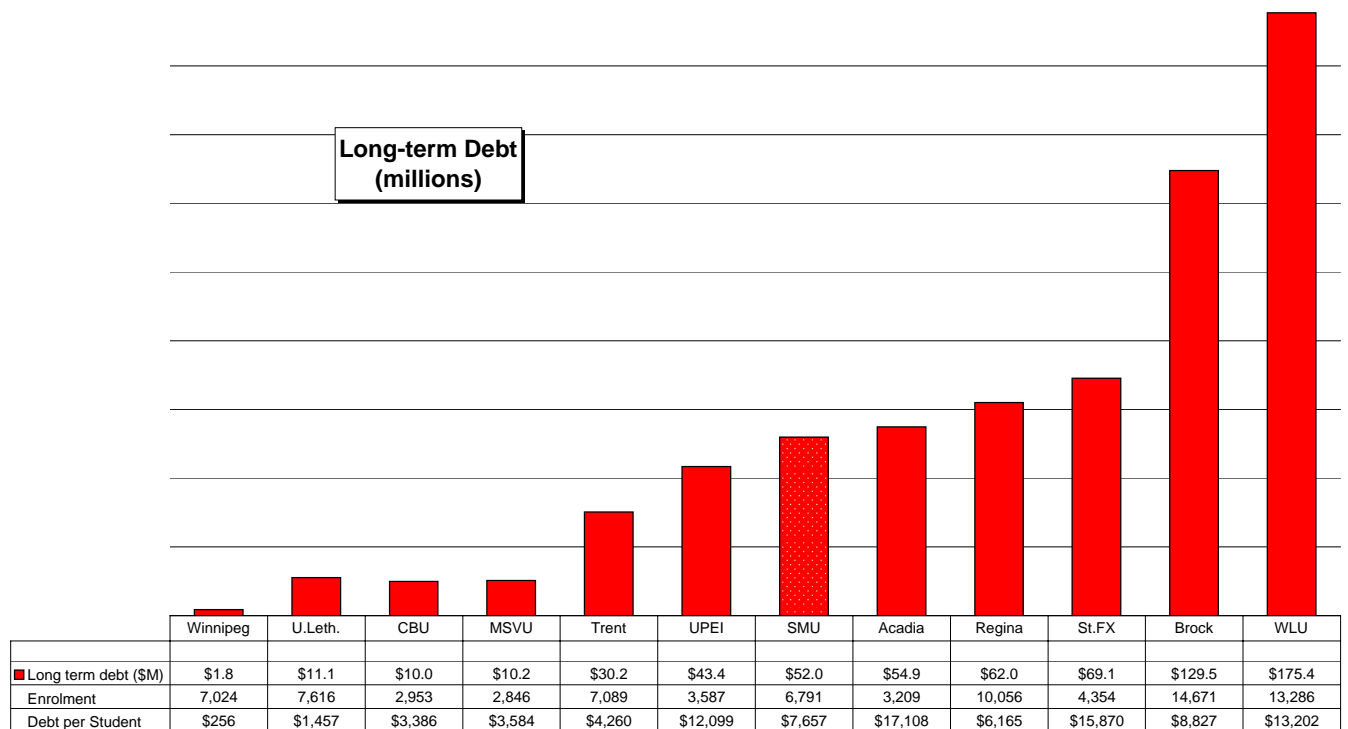
Critical Success Factor 16: **Positive credit profile**

Key Performance Indicator 16: **Outstanding debt**

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

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

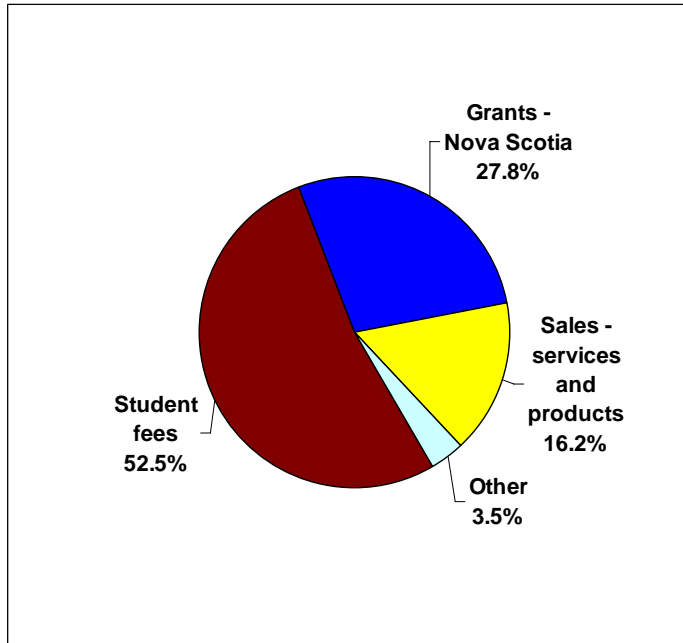
The following chart shows total long-term debt of selected Canadian universities (SMU peer group comparators). Included as "long term debt" are all obligations relating to long-term loans (including the current portion), mortgages, commitments under capital leases and employee future benefits obligations,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



- Saint Mary's total debt, \$52 million, approximates the total debt median of the peer group (6th of 12 universities)
- The university peer group (100% of peer universities) increased debt over the past three years
The median debt of the peer group has increased significantly to \$47.7 million in 2007/08 from \$27.2 in 2004/05
- The majority of SMU debt now relates to academic buildings as opposed to self-financing residence operations;
48% of SMU debt relates to residence operations (2006/07 58%, 2005/06 79%)
- \$7,657 debt per student at SMU (\$6,118 last year) is higher than the university peer group median (\$6,911)
but is less than the bond rating agency caution point (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 2007 Enrolment Survey

General Fund Analysis Operating Fund - Revenues



The 2007/08 operations of Saint Mary's University produced revenues of \$95.3 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 61% of revenue, with the grant from the Province of NS at 32% of total revenue.

Revenue Analysis

The 2007/08 budget assumed that the demographic trend of fewer high school students in Nova Scotia would translate into 2% lower student enrolment compared to the actual numbers of the prior year. The actual enrolment results were mixed; total enrolment was down 3.7% but international students (paying double tuition) increased by 4.7%. Professional programs such as the EMBA and Master of Finance program were strong.

Other revenue accounts also helped the tuition revenue picture. The Teaching English as a Second Language program exceeded its revenue target by over \$600 thousand. It was also a strong year for investment interest which produced \$280 thousand beyond the budget target. However, summer school revenue was under budget by \$130 thousand due to a modest enrolment decline.

Grants from the provincial government had an unexpected, and favourable, variance from the amount budgeted. Shortly after approval of the SMU budget, the Province of Nova Scotia announced that it would provide sufficient funding in 2007/08 to cover the 3.9% tuition increase that otherwise would have been charged to all students studying at NS universities, including international students. The university received the projected revenue, but as a grant not tuition. Effectively, the students did not have to pay more tuition than the prior year.

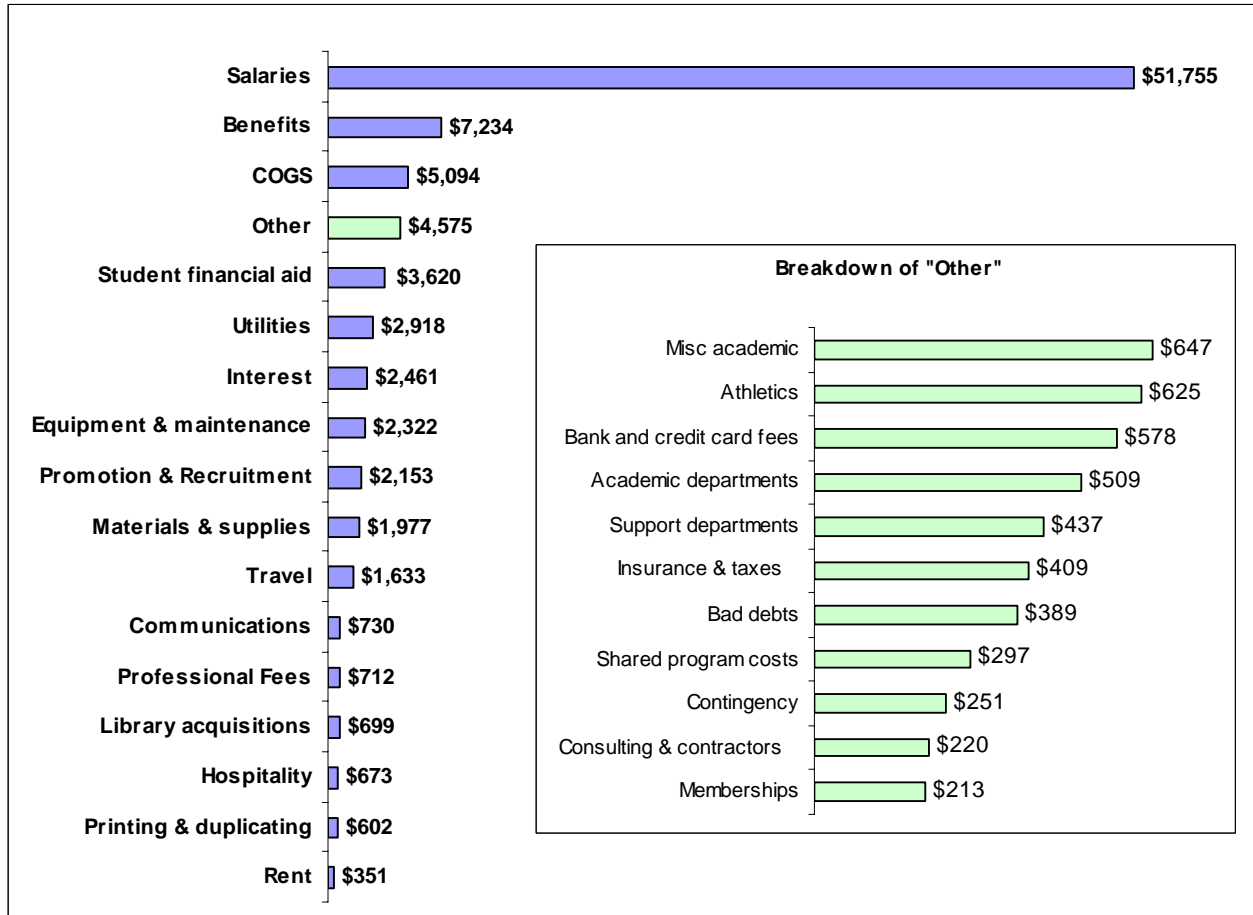
In 2007/08 the Province also implemented a "Tuition Reduction Program" for Nova Scotia students studying in Nova Scotia universities. This amounted to a \$500 tuition roll-back for students paying the full annual standard tuition for credit studies. Students not taking a full load received a lesser amount on a pro-rata basis. About three quarters of our students benefited from the program.

Growth in operating funding from the provincial government has been a positive development for the three year period covered by the negotiated MOU. On March 31, 2008 a further three year MOU was signed by the Nova Scotia universities and the Nova Scotia government.

After taking revenues and expenses into account, Saint Mary's University ended the fiscal year with a near break-even position, a surplus of \$577 thousand, representing a variance of about ½ of 1% on the total budget.

General Fund Analysis Operating Fund - Expenses

The 2007/08 operations of Saint Mary's incurred expenses of \$89.5 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.

Expense Analysis

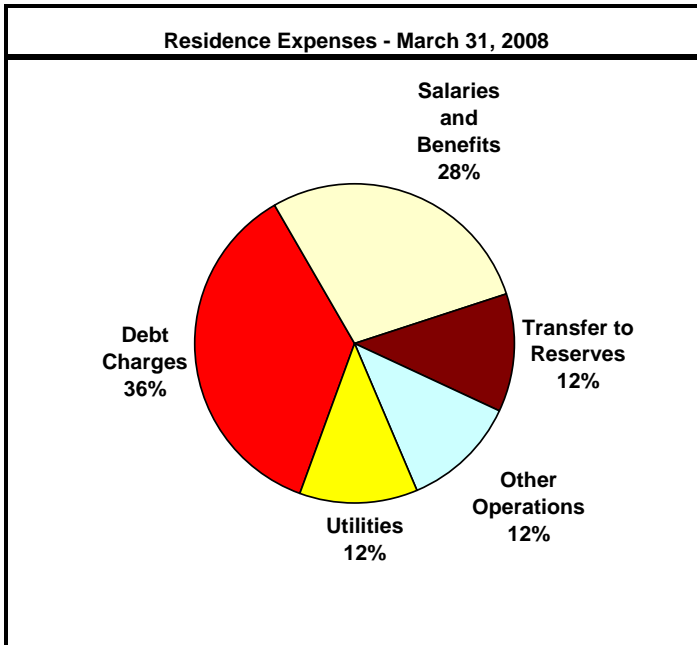
Most operating departments of the university maintain strict control on expense accounts. For example, the combined faculties of Arts, Commerce and Science had a budget of \$35.1 million and spent \$35.0 million.

There were quite a large number of staff vacancies and delayed hiring in 2007/08. We routinely budget for about \$400 thousand in such salary savings, but the actual amount this year was closer to \$1 million. There were, however, several faculty departures prior to normal retirement dates costing \$350 thousand.

The very competitive nature of student recruiting led to a need to overspend the recruiting budget by more than \$300 thousand. In the future, adjustments will be made to normalize the budget for this higher level of activity, for a total Recruitment Department budget of \$1.3 million per year.

The student financial assistance budget was overspent by \$138 thousand due to high student take-up of entrance offers. After the final financial forecast in January 2008, the Board was in a position to allocate operating funds toward two purposes: \$1 million to the Atrium Capital Project, and \$100 thousand toward a further increase in student financial aid in 2008/09.

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 \$6.5 million in revenue. However, the residence is not expected to be a profit-generating business. Revenue is mainly from accommodation and food services, with smaller contributions from other sources such as conferences (\$450 thousand) and summer rentals (\$225 thousand).

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 36% of total expenses (\$2.4 million). Salaries and benefits are also significant at \$1.8 million. In 2007/08 the university set aside a provision in the amount of \$784 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 \$439 thousand (\$423 thousand in 2006/07). Lower student enrolment had an 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 \$332 thousand per year in operating costs.

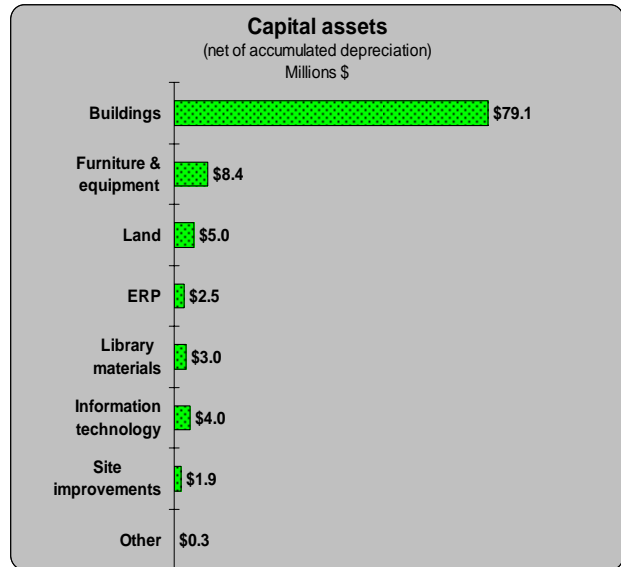
| | Budget 2007-08 | Actual 2007-08 |
|-------------------------------|-------------------|-------------------|
| Summary (\$ Thousands) | | |
| Residence | | |
| Revenues | 6,349 | 6,525 |
| Expenses & transfers | (6,349) | (6,526) |
| Surplus | 0 | (1) |
| Food Services | | |
| Revenues | 1,999 | 2,072 |
| Expenses | (1,956) | (1,997) |
| Surplus | 43 | 75 |
| Bookstore | | |
| Revenues | 4,326 | 4,432 |
| Expenses & transfers | (3,885) | (3,993) |
| Surplus | 441 | 439 |
| Arena | | |
| Revenues | 154 | 199 |
| Expenses & transfers | (309) | (332) |
| Surplus (deficit) | (155) | (133) |

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.

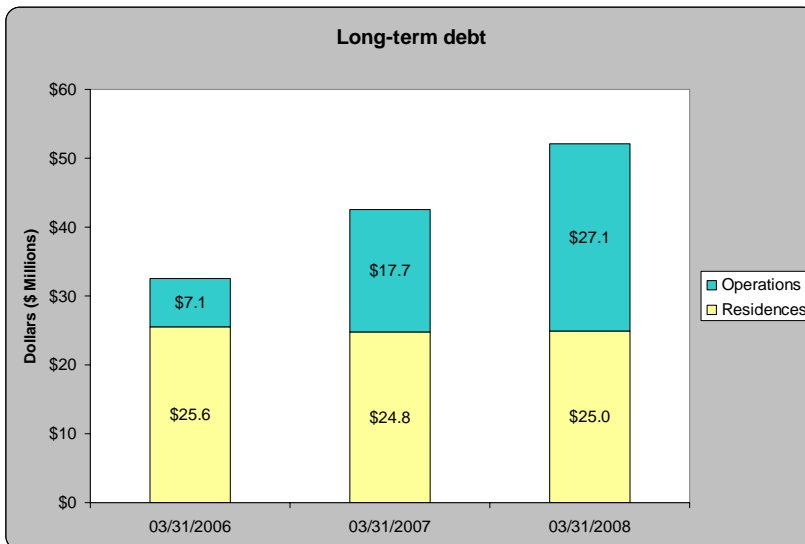
With a fund balance of almost \$56 million, the Capital Fund makes up the largest portion of the Restricted Fund. It accounts for all the capital assets of the university and the related debt. Capital assets are purchased by transfers from other funds, borrowing, or by contributions from external sources. 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 2007/08 the university purchased capital assets in the amount of \$11 million, increasing the total to \$104.2 million, net of accumulated depreciation. Funding for these purchases included transfers from internally restricted funds of \$2.0 million, transfers from the Research Fund of \$3.0 million, borrowing of \$4.6 million, capital grants of \$400 thousand and transfers from the Operating Fund of \$519 thousand.



Accumulated unspent contributions received for capital assets total \$647 thousand make up the externally restricted fund balance of the Capital Fund. These funds will be spent on capital asset purchases in 2008/09. 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 (\$54.8 million), i.e., the net capital assets less the related debt. Included in the \$11.0 million spent on capital assets in 2007/08 was \$5.8 million for buildings consisting of major renovations, \$1.7 million for furniture and furnishings, \$3.0 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. Budgeted to cost \$25.5 million, the project was almost complete by March 31, 2008 with \$23.0 million incurred to date and an estimated \$2.5 million required to complete the project. During 2007/08 \$5.5 million was spent on the project.

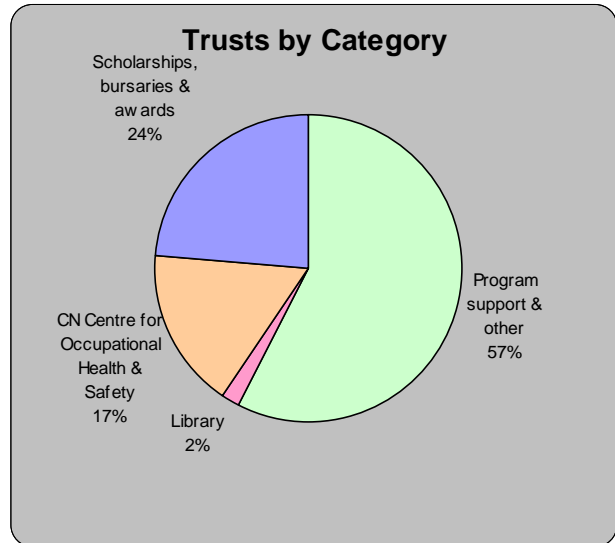


By the end of 2007/08 the university's debt had increased to \$52.0 million from \$42.6 million. \$2.5 million of the \$9.4 million net increase in debt relates to a change in accounting standards, starting April 1, 2007, that requires the fair value of the university's interest rate swap agreements to be included in long term debt. During the year, the university increased the bridge financing for the Science Building Renewal Project by \$8.2 million. The bridge financing for the Science Building Renewal Project was converted on March 31, 2008 to a 25 year term loan with the interest rate fixed at 5.30%.

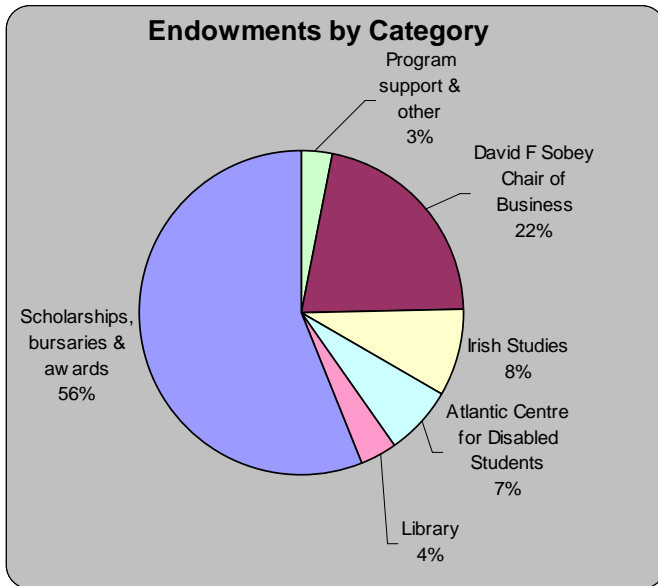
Restricted Fund Analysis Trust Fund

The Trust Fund accounts for activities that have been stipulated by donors and contributors. The chart on the right shows the breakdown of the Trust Fund by category. The Trust Fund balance of \$3.0 million consists of expendable trusts and the expendable portion of the university's endowment funds.

The \$17.9 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, 2008.



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.



Due to a change in accounting standards, starting April 1, 2007, the university is required to record its investments at fair value. As a result of this change unrealized gains of \$1.2 million on the Endowment Fund investments and \$179 thousand on the Restricted Fund investments were recorded on April 1, 2007. These unrealized gains were allocated to the related endowments and trusts. Subsequent changes in the market value of the investments are also recorded and allocated to the related endowments and trusts. Consequently, the endowments and trusts are also recorded at fair value.

During 2007/08, Saint Mary's received \$1.3 million in endowed donations. This included donations of \$280 thousand from the family of Bob Shaw for scholarships, and a donation of \$200 thousand from Sobey's, Inc. to increase the Sobey's Scholarship Endowment Fund.

Donations of \$939 thousand were received during the year in the Trust Fund, including \$259 thousand from Fred Smithers, \$200 thousand from Beacon Securities and \$140 thousand from CIBC.

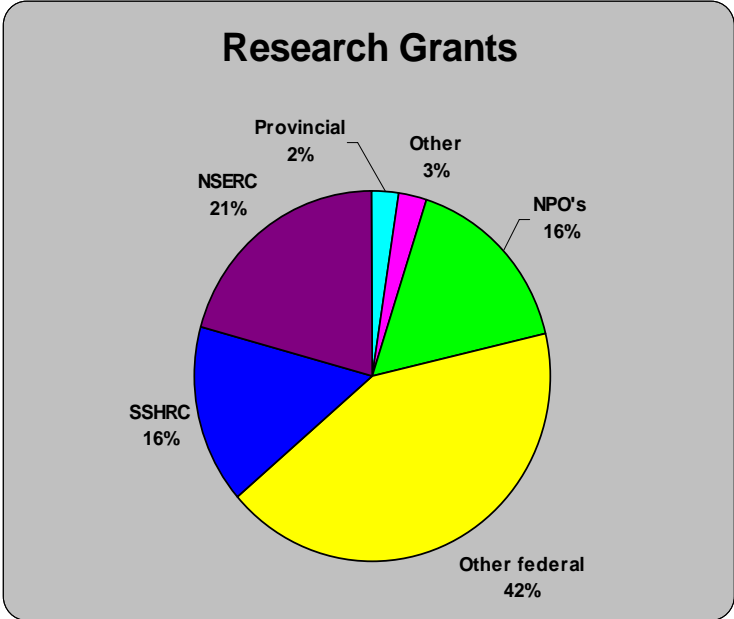
The Trust and Endowment Funds provided scholarships and bursaries totaling \$446 thousand in 2007/08. The Trust Fund also provided \$226 thousand to the General Fund for program support, including athletics, Irish Studies, the Atlantic Centre for Students with Disabilities, and student financial aid.

**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 Foundation for Innovation (CFI). 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, \$3.5 million, consists of contributions available to be carried forward to the following year.

During 2007/08 Saint Mary's University received \$9.0 million in contributions for research, up from \$8.3 million in 2006/07. The biggest increase, almost \$1.0 million, is in funding from other federal granting agencies such as the Canadian Foundation for Innovation. The bulk of the expenses related to research were for salaries for research assistants, travel and accommodations for research and fieldwork.

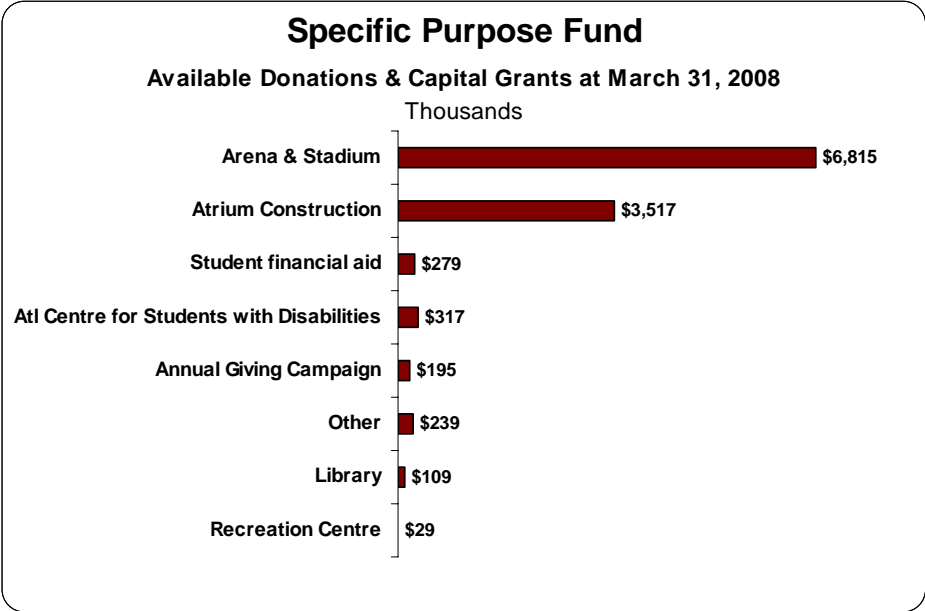


Specific Purpose Fund

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 \$12.6 million at March 31, 2008, consists of:

- \$11.5 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).
- \$1.1 million of available contributions for special projects, including the CIBC Professorship, conferences, international development and other projects.

During the year the university received additional donations of \$3.2 million for specific purposes including \$1.8 million for the Atrium Construction Project and \$1.2 million for the Homburg Centre for Health & Wellness.





One University. One World. Yours.

Financial Statements

March 31, 2008

Auditors' Report

Grant Thornton LLP
Suite 1100
2000 Barrington Street
Halifax, NS
B3J 3K1
T (902) 421-1734
F (902) 420-1068
www.GrantThornton.ca

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, 2008 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, 2008 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 6, 2008

Chartered Accountants

Statement of Financial Position

As at March 31, 2008

(\$ thousands)

| | General | Restricted | Endowment | 2008 Total | 2007 Total |
|--|---------|------------|-----------|---------------|---------------|
| Current Assets | | | | | |
| Cash and short-term investments (Note 3) | 32,648 | 5,891 | 7 | 38,546 | 19,926 |
| Accounts receivable | 6,448 | 174 | 7 | 6,629 | 4,964 |
| Inventories | 981 | - | - | 981 | 1,027 |
| Prepaid expenses | 1,038 | 6 | - | 1,044 | 1,094 |
| | 41,115 | 6,071 | 14 | 47,200 | 27,011 |
| Long-term Assets | | | | | |
| Long-term investments (2008-at market value, 2007-at cost, Note 4) | - | 15,799 | 17,603 | 33,402 | 33,495 |
| Long-term receivable | 451 | 438 | - | 889 | 850 |
| Capital assets (Note 6) | - | 104,223 | - | 104,223 | 99,265 |
| | 451 | 120,460 | 17,603 | 138,514 | 133,610 |
| | 41,566 | 126,531 | 17,617 | 185,714 | 160,621 |
| Current Liabilities | | | | | |
| Accounts payable and accrued liabilities | 9,073 | 1,854 | 8 | 10,935 | 9,434 |
| Unearned fees and other deferred revenue | 15,199 | 151 | - | 15,350 | 6,962 |
| Current portion of long-term debt (Note 7) | - | 1,795 | - | 1,795 | 1,295 |
| | 24,272 | 3,800 | 8 | 28,080 | 17,691 |
| Long-term Liabilities | | | | | |
| Long-term debt (Note 7) | - | 50,232 | - | 50,232 | 41,260 |
| Due to (from) other funds | 2,406 | (2,114) | (292) | - | - |
| | 2,406 | 48,118 | (292) | 50,232 | 41,260 |
| | 26,678 | 51,918 | (284) | 78,312 | 58,951 |
| Fund Balances | | | | | |
| Endowment | - | - | 17,901 | 17,901 | 16,194 |
| Externally restricted | - | 19,811 | - | 19,811 | 16,447 |
| Internally restricted | 12,291 | - | - | 12,291 | 10,980 |
| Invested in capital assets | - | 54,802 | - | 54,802 | 56,029 |
| Unrestricted | 2,597 | - | - | 2,597 | 2,020 |
| | 14,888 | 74,613 | 17,901 | 107,402 | 101,670 |
| | 41,566 | 126,531 | 17,617 | 185,714 | 160,621 |

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

For the year ended March 31, 2008

(\$ thousands)

| | General | Restricted | Endowment | 2008 Total | 2007 Total |
|---|------------------|------------------|-----------|---------------|---------------|
| | (See Schedule 1) | (See Schedule 2) | | | |
| Revenues | | | | | |
| Government grants and contributions | | | | | |
| Government of Canada | 1,466 | 7,840 | - | 9,306 | 8,341 |
| Government of Nova Scotia | 26,528 | 613 | - | 27,141 | 24,666 |
| Other | - | - | - | - | 5 |
| Other grants | 52 | 1,953 | - | 2,005 | 2,595 |
| Student fees | 49,987 | - | - | 49,987 | 51,999 |
| Gifts and bequests | 146 | 4,213 | 1,324 | 5,683 | 4,027 |
| Sales of services and products | 15,510 | 628 | - | 16,138 | 15,043 |
| Income (loss) from investments | 1,100 | 63 | (487) | 676 | 4,319 |
| Miscellaneous income | 1,110 | 349 | - | 1,459 | 1,669 |
| | 95,899 | 15,659 | 837 | 112,395 | 112,664 |
| Expenses | | | | | |
| Salaries | 51,958 | 3,809 | - | 55,767 | 54,692 |
| Employee benefits | 7,254 | 233 | - | 7,487 | 7,172 |
| Equipment rental | 857 | 19 | - | 876 | 849 |
| Materials and supplies | 2,267 | 928 | - | 3,195 | 2,948 |
| Communications | 730 | 24 | - | 754 | 850 |
| Travel | 1,711 | 1,299 | - | 3,010 | 2,862 |
| Utilities | 2,918 | - | - | 2,918 | 2,589 |
| Printing and duplicating | 602 | 113 | - | 715 | 870 |
| Library acquisitions | 699 | - | - | 699 | 544 |
| Hospitality | 688 | 69 | - | 757 | 666 |
| Repairs and maintenance | 1,966 | 53 | - | 2,019 | 2,326 |
| Promotion and student recruitment | 2,153 | 55 | - | 2,208 | 1,737 |
| Professional fees | 732 | 305 | 33 | 1,070 | 835 |
| Rent | 388 | 30 | - | 418 | 389 |
| Other operational expenses | 4,676 | 763 | 11 | 5,450 | 5,146 |
| Cost of goods sold | 5,094 | - | - | 5,094 | 5,197 |
| Student financial aid | 3,649 | 866 | - | 4,515 | 4,204 |
| Amortization | - | 6,094 | - | 6,094 | 4,941 |
| Interest | 2,481 | - | - | 2,481 | 2,118 |
| | 90,823 | 14,660 | 44 | 105,527 | 100,935 |
| Revenues less expenses before transfers | 5,076 | 999 | 793 | 6,868 | 11,729 |
| Interfund transfers (Schedule 7) | (3,332) | 2,573 | 759 | - | - |
| Increase in fund balances from operations | 1,744 | 3,572 | 1,552 | 6,868 | 11,729 |

See accompanying notes to the financial statements.

Statement of Changes in Fund Balances

For the year ended March 31, 2008

(\$ thousands)

| | Endowment | Externally restricted | Internally restricted | Invested in capital assets | Unrestricted | 2008 Total | 2007 Total |
|---|-----------|-----------------------|-----------------------|----------------------------|--------------|------------|------------|
| General Fund | | | | | | | |
| Beginning fund balance | - | - | 10,980 | - | 2,020 | 13,000 | 11,324 |
| Adjustment due to adoption of financial instruments accounting policy (Note 13) | - | - | 144 | - | - | 144 | - |
| Revised beginning fund balance | - | - | 11,124 | - | 2,020 | 13,144 | 11,324 |
| Increase in fund balance from operations | - | - | 1,167 | - | 577 | 1,744 | 1,676 |
| Ending fund balance | - | - | 12,291 | - | 2,597 | 14,888 | 13,000 |
| Restricted Fund | | | | | | | |
| Beginning fund balance | - | 16,447 | - | 56,029 | - | 72,476 | 66,121 |
| Adjustment due to adoption of financial instruments accounting policy (Note 13) | - | 1,095 | - | (1,431) | - | (336) | - |
| Revised beginning fund balance | - | 17,542 | - | 54,598 | - | 72,140 | 66,121 |
| Increase in fund balance from operations | - | 2,269 | - | 1,303 | - | 3,572 | 6,355 |
| Change in fair value of swap agreements (Note 2) | - | - | - | (1,099) | - | (1,099) | - |
| Ending fund balance | - | 19,811 | - | 54,802 | - | 74,613 | 72,476 |
| Endowment Fund | | | | | | | |
| Beginning fund balance | 16,194 | - | - | - | - | 16,194 | 12,496 |
| Adjustment due to adoption of financial instruments accounting policy (Note 13) | 155 | - | - | - | - | 155 | - |
| Revised beginning fund balance | 16,349 | - | - | - | - | 16,349 | 12,496 |
| Increase in fund balance from operations | 1,552 | - | - | - | - | 1,552 | 3,698 |
| Ending fund balance | 17,901 | - | - | - | - | 17,901 | 16,194 |
| Total - All Funds | | | | | | | |
| Beginning fund balance | 16,194 | 16,447 | 10,980 | 56,029 | 2,020 | 101,670 | 89,941 |
| Adjustment due to adoption of financial instruments accounting policy (Note 13) | 155 | 1,095 | 144 | (1,431) | - | (37) | - |
| Revised beginning fund balance | 16,349 | 17,542 | 11,124 | 54,598 | 2,020 | 101,633 | 89,941 |
| Increase in fund balance from operations | 1,552 | 2,269 | 1,167 | 1,303 | 577 | 6,868 | 11,729 |
| Increase in fair value of swap agreements (Note 2) | - | - | - | (1,099) | - | (1,099) | - |
| Ending fund balance | 17,901 | 19,811 | 12,291 | 54,802 | 2,597 | 107,402 | 101,670 |

See accompanying notes to the financial statements.

Statement of Cash Flows

For the year ended March 31, 2008

(\$ thousands)

| | General | Restricted | Endowment | 2008 Total | 2007 Total |
|--|----------------|-------------------|------------------|-----------------------|-----------------------|
| Operating Activities | | | | | |
| Increase in fund balances from operations | 1,744 | 3,572 | 1,552 | 6,868 | 11,729 |
| Amortization of capital assets | - | 6,094 | - | 6,094 | 4,941 |
| Investment gains and losses | - | 858 | 1,245 | 2,103 | (2,681) |
| Amortization of bond premiums and discounts | - | - | - | - | 10 |
| Change in non-cash working capital | 12,637 | (4,790) | 473 | 8,320 | 1,353 |
| Cash generated from operating activities | 14,381 | 5,734 | 3,270 | 23,385 | 15,352 |
| Investing Activities | | | | | |
| Purchase of investments | - | (5,507) | (7,374) | (12,881) | (31,214) |
| Disposal of investments | - | 8,668 | 3,597 | 12,265 | 26,207 |
| Collection (acquisition) of long-term receivable | - | (39) | - | (39) | (39) |
| Purchase of capital assets | - | (11,052) | - | (11,052) | (18,999) |
| Cash generated from (used for) investing activities | - | (7,930) | (3,777) | (11,707) | (24,045) |
| Financing Activities | | | | | |
| Debt financing proceeds | - | 8,235 | - | 8,235 | 11,136 |
| Debt repayments | - | (1,293) | - | (1,293) | (1,187) |
| Cash generated from (used for) financing activities | - | 6,942 | - | 6,942 | 9,949 |
| Increase (decrease) in cash and short-term investments | 14,381 | 4,746 | (507) | 18,620 | 1,256 |
| Cash and short-term investments, beginning of year | 18,267 | 1,145 | 514 | 19,926 | 18,670 |
| Cash and short-term investments, end of year | 32,648 | 5,891 | 7 | 38,546 | 19,926 |

See accompanying notes to the financial statements.

Notes to the Financial Statements

For the year ended March 31, 2008
(\$ 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 and purposes.

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

d) Inventories

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

Notes to the Financial Statements

For the year ended March 31, 2008
(\$ thousands)

e) Investments

As of April 1, 2007, short-term investments and long term investments were classified as "held-for-trading" and are recorded at fair value. Prior to this short-term investments were recorded at the lower of cost or market and long-term investments were recorded at cost. This change was made in accordance with the *CICA Handbook Section 3855: Financial Instruments - Recognition Measurement*. Further details regarding the change are in Note 13.

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

Starting April 1, 2007, the fair value of the swap agreements has been recorded as part of long-term debt. The change in the fair value of the swap agreements is recorded as an increase or decrease of the Capital Fund balance. Prior to this the fair value of the swap agreements was not recorded. The change has been made in compliance with *CICA Handbook Section 3855: Financial Instruments - Recognition Measurement and Section 3865: Hedges*. Further details regarding the change are in Note 13.

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.

Notes to the Financial Statements

For the year ended March 31, 2008
(\$ thousands)

h) Donations and pledges (continued)

The University has a long-term receivable related to an irrevocable charitable trust. During previous years an individual donated \$375 to the University. The donation is held in an irrevocable charitable trust with the income payable to the University. An additional \$63 was donated during 2008. 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.

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.

n) Accounting changes

Accounting changes are implemented in accordance with *CICA Handbook Section 1506: Accounting Changes*, which prescribes the criteria for changing accounting policies, treatment and disclosure of changes in accounting policies, changes in accounting estimates and corrections of errors.

Notes to the Financial Statements

For the year ended March 31, 2008
(\$ thousands)

3. Cash and Short-term Investments

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

4. Long-term Investments

As explained in Note 2(e), in accordance with the *CICA Handbook Section 3855: Financial Instruments - Recognition Measurement*, as of April 1, 2007, long term investments were classified as held for trading and are recorded at fair value. Prior to this long-term investments were recorded at cost. As at April 1, 2007, the University recorded a transitional adjustment to increase the carrying value of the long-term investments by \$1,394 with a corresponding increase to the affected fund balances. Further details regarding the change are in Note 13.

Subsequent to April 1, 2007, the University recorded the change in the fair value of the long-term investments as part of income from investments. This change represented an unrealized loss of \$2,296 for 2008.

| | 2008 | | 2007 | |
|-------------------------|--------|--------------|--------|--------------|
| | Cost | Market Value | Cost | Market Value |
| Equities | 4,999 | 5,584 | 4,572 | 5,660 |
| Pooled investment funds | 29,306 | 27,818 | 28,923 | 29,229 |
| Total investments | 34,305 | 33,402 | 33,495 | 34,889 |

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 the 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 a defined contribution pension plan for the benefit of its employees. Employer contributions for the year ended March 31, 2008 totalled \$3,337 (2007 \$3,261).

6. Capital Assets

| | 2008 | | 2007 | |
|---|---------|--------------------------|----------------|----------------|
| | Cost | Accumulated Amortization | Net Book Value | Net Book Value |
| Land | 4,959 | - | 4,959 | 4,959 |
| Buildings | 111,184 | 32,038 | 79,146 | 75,221 |
| Site improvements | 4,058 | 2,193 | 1,865 | 2,066 |
| Enterprise Resource Planning (ERP) system | 3,083 | 551 | 2,532 | 2,707 |
| Library materials | 6,839 | 3,886 | 2,953 | 2,788 |
| Equipment and furnishings | 14,292 | 5,843 | 8,449 | 8,867 |
| Information technology | 5,752 | 1,727 | 4,025 | 2,374 |
| Art collection | 293 | - | 293 | 281 |
| Motor vehicles | 61 | 60 | 1 | 2 |
| | 150,521 | 46,298 | 104,223 | 99,265 |

In 2006, the University began a major construction project to expand and renovate the Science Building. It was completed in 2008. Related to this project during 2008 \$5,067 (2007 \$12,946) was capitalized as part of buildings. Amortization of the capitalized costs began once the renovated areas were completed and put into use. All areas of the building were in use by March 31, 2008. At March 31, 2007 \$7,457 in capitalized costs related to areas that were not in use. Amortization of these costs began in 2008. During 2008 \$94 (2007 \$196) in interest costs were capitalized as part of the project costs.

In 2008, the University began a project to build an addition on the building located at 5960 Inglis Street. Related to this project \$10 was capitalized as part of buildings in 2008 but amortization of the capitalized costs will not begin until the addition is complete and in use.

Notes to the Financial Statements

For the year ended March 31, 2008

(\$ thousands)

7. Long-term Debt

| Debt | Maturity Date | Debt Interest Rate | Hedged Interest Rate | 2008 | | | 2007 |
|--|----------------|--------------------|----------------------|------------------|------------------------------|-----------------------------|------------------|
| | | | | Loan Principal * | Adjustment for Hedged Debt * | Translated at Hedged Rate * | Loan Principal * |
| Debentures (secured by University land and buildings) | | | | | | | |
| Rice and Vanier Residences | June 2019 | 6.88% | - | 1,798 | - | 1,798 | 1,902 |
| Loyola Residence and Academic Complex | May 2022 | 7.88% | - | 3,112 | - | 3,112 | 3,229 |
| | | | | 4,910 | - | 4,910 | 5,131 |
| Long-term loans (unsecured) | | | | | | | |
| Sobey Building | March 2011 | 6.12% | - | 1,163 | - | 1,163 | 1,495 |
| Synthetic Turf Athletic Field | March 2013 | 4.57% | - | 426 | - | 426 | 500 |
| Gorsebrook Lounge Renovations | May 2015 | CDOR +0.20% | 5.01% | 397 | 21 | 418 | 406 |
| Enterprise Resource Planning System | June 2021 | CDOR +0.25% | 5.16% | 2,379 | 134 | 2,513 | 2,502 |
| Loyola and Vanier Residences Renovations | August 2026 | 6.95% | - | 10,752 | - | 10,752 | 11,029 |
| Loyola and Vanier Residences Renovations | September 2026 | CDOR +0.30% | 5.97% | 5,688 | 684 | 6,372 | 5,857 |
| Loyola and Vanier Residences Renovations | September 2026 | CDOR +0.30% | 5.40% | 2,745 | 197 | 2,942 | 2,832 |
| Science Building Renewal Project | March 2033 | CDOR +0.20% | 5.30% | 21,037 | 1,494 | 22,531 | - |
| | | | | 44,587 | 2,530 | 47,117 | 24,621 |
| Bridge financing (unsecured) | | | | | | | |
| Science Building Renewal Project | | | | | | | |
| - floating rate loan | On demand | Prime | - | - | - | - | 300 |
| - fixed rate loan | On demand | 4.95% | - | - | - | - | 337 |
| - banker's acceptance | August 2007 | 4.45% | - | - | - | - | 6,320 |
| - banker's acceptance | September 2007 | 4.39% | - | - | - | - | 1,916 |
| - banker's acceptance | October 2007 | 4.31% | - | - | - | - | 1,534 |
| - banker's acceptance | November 2007 | 4.35% | - | - | - | - | 1,054 |
| - banker's acceptance | December 2007 | 4.32% | - | - | - | - | 1,342 |
| | | | | - | - | - | 12,803 |
| Subtotal | | | | 49,497 | 2,530 | 52,027 | 42,555 |
| Less: current portion | | | | (1,795) | - | (1,795) | (1,295) |
| Total long-term debt | | | | 47,702 | 2,530 | 50,232 | 41,260 |

* Starting April 1, 2007, the fair value of the swap agreements has been recorded as part of long-term debt balance. Prior to this the fair value of the swap agreements was not recorded. The change has been made in compliance with *CICA Handbook Section 3855: Financial Instruments - Recognition Measurement and Section 3865: Hedges*. Further details regarding the change are in Note 13.

Notes to the Financial Statements

For the year ended March 31, 2008
(\$ thousands)

7. Long-term Debt (continued)

Principal instalments payable in each of the next five years:

| | |
|------|-------|
| 2009 | 1,795 |
| 2010 | 1,904 |
| 2011 | 2,060 |
| 2012 | 1,723 |
| 2013 | 1,908 |

Interest expense on long-term debt during the year totalled \$2,481 (2007 \$2,118). In 2008, interest of \$94 (2007 \$196) was capitalized as part of the building costs of the Science Building expansion and renovations project.

The estimated fair value of the long-term debt at March 31, 2008, including the current portion, was \$55,578 (2007 \$47,194).

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.

Subsequent to March 31, 2008, the two debentures were converted to unsecured term loans. The principal balances and terms to maturity remain unchanged. The interest rates on the two debentures were reduced from 6.88% to 5.02% and 7.88% to 5.34% respectively. A penalty of \$60 was charged for early repayment of the debentures.

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, 2008 was \$32,246 (2007 \$11,597). 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, 2008, it would have been obligated to pay the banks \$2,530 (2007 \$1,431), which is the fair value of the swaps.

9. Commitments

Encumbrances at March 31, 2008 were \$1,378. The University has entered into various agreements for capital expenditures in the upcoming fiscal year. The total capital budget for the 2009 fiscal year is \$8,801. In addition, the University has also approved a \$17.5 million construction project to construct a new building that will join the Science Building and the library. The \$25.5 million renovation and expansion of the Science Building is nearing completion. The estimated cost to complete at March 31, 2008 was \$1,878 of which \$161 is included in the commitments at March 31, 2008.

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

| | |
|------|-----|
| 2009 | 959 |
| 2010 | 485 |
| 2011 | 173 |
| 2012 | 41 |
| 2013 | - |

10. Gifts-in-kind and donation pledges

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

| | 2008 | 2007 |
|----------------------|------------|------------|
| Investments | 772 | 532 |
| Long term receivable | 63 | - |
| Library holdings | 2 | 20 |
| Other | 13 | 3 |
| | <u>850</u> | <u>555</u> |

Donations pledged but not received as at March 31, 2008, totalled \$10,817 (2007 \$10,548). These pledges are expected to be honoured 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, 2008
(\$ 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, 2007, CURIE had an accumulated excess of income over expenses of \$16,572, of which the University's pro-rata share is approximately 0.80% on an ongoing basis. In addition, the reciprocal has obtained \$745,000 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. Adoption of new accounting standards for financial instruments

On April 1, 2007, the University adopted as is required the *CICA Handbook Section 3855: Financial Instruments - Recognition 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 consisting of its investments were classified as held-for-trading and measured at fair value. The University recorded a transitional adjustment to increase the carrying value of the investments in the Restricted and Endowment Funds and to increase the affected Fund Balances as shown in the table below. Changes in the fair value of the investments subsequent to April 1, 2007, are recognized in the Statement of Operations.

The University's financial liabilities at April 1, 2007, included debt and interest rate swap agreements. The accounting for debt did 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, as of April 1, 2007, were recognized at fair value. The University recorded a transitional adjustment to increase the value of long-term debt and to decrease the Net Investment in Capital Assets as shown in the table below. Interest rate swap agreements are reported on the Statement of Financial Position at fair value with changes in fair value recognized in the Statement of Changes in Fund Balances as part of the Net Investment in Capital Assets.

Financial Impact of Changes on April 1, 2007

Changes in Assets and Liabilities

| | General | Restricted | Endowment | Total |
|--|---------|------------|-----------|---------|
| Long-term investments - increase | - | 179 | 1,215 | 1,394 |
| Long-term debt - increase | - | (1,431) | - | (1,431) |
| Due to other funds - (increase) decrease | 144 | 916 | (1,060) | - |
| | 144 | (336) | 155 | (37) |

Changes in Fund Balances

| | | | | |
|---|-----|---------|-----|---------|
| Endowment fund balance - increase | - | - | 155 | 155 |
| Externally restricted fund balance - increase | - | 1,095 | - | 1,095 |
| Net investment in capital assets - decrease | - | (1,431) | - | (1,431) |
| Internally restricted fund balance - increase | 144 | - | - | 144 |
| | 144 | (336) | 155 | (37) |

Notes to the Financial Statements

For the year ended March 31, 2008

(\$ thousands)

14. Atlantic School of Theology and Canadian Centre for Ethics and Public Affairs

The Canadian Centre for Ethics and Public Affairs (CCEPA) was created jointly by Saint Mary's University and the Atlantic School of Theology. CCEPA's purpose is to serve the public of Atlantic Canada through research, discussion, and policy recommendations focusing on ethical issues arising locally and internationally from fundamental changes in society. CCEPA has a board of directors and governing by-laws. However, it is not a separate legal entity; it is a collaboration of Saint Mary's University and the Atlantic School of Theology. The University can exercise significant influence over CCEPA as it has the right to appoint three of the Centre's eighteen board members and provides significant funding to CCEPA, \$40 in 2008 and \$20 in 2007. The University reported the funding for CCEPA as part of the other operating expenses of the General Fund. The University undertakes fundraising on behalf of CCEPA. In 2008 the University received a donation of \$50 (2007 \$Nil) for the Centre. It was reported as donation revenue of the Restricted Fund and the funds were subsequently paid to CCEPA in fiscal 2009.

15. Friends of Saint Mary's University, Inc.

The Friends of Saint Mary's University Inc. (FSMUI) is a not-for-profit corporation registered in the state of Pennsylvania. It is a US registered charity. FSMUI has been inactive for several years. In 2008 a new board of directors was appointed and new by-laws approved. Although FSMUI is a separate legal entity with an independent board, Saint Mary's University can exercise significant influence over the corporation. The University's President is Secretary / Treasurer of the FSMUI board and the University provides administrative support to the corporation. The purpose of FSMUI is to support charitable activities as defined in Section 501(c)(3) of the USA's Internal Revenue Service tax regulations. Distribution of the donations received by FSMUI will be determined by the FSMUI board. The only revenue received by the corporation in 2008 was a contribution of \$4 from Saint Mary's University to cover legal fees related to the reactivation of the corporation. The University reported this expense as part of other operating expenses in the General Fund.

16. Comparative figures

Certain of the comparative figures have been reclassified to conform to the financial statement presentation adopted for 2008.

Schedules to the Financial Statements

Schedule 1

General Fund - Statement of Operations and Changes in Fund Balances

 For the year ended March 31, 2008
 (\$ thousands)

| | General Fund | | | |
|---|---------------------------------|------------------------------|-------------------|-------------------|
| | Operating | Projects and Reserves | 2008 Total | 2007 Total |
| | <small>(See Schedule 3)</small> | | | |
| Revenues | | | | |
| Government grants and contributions | | | | |
| Government of Canada | 1,373 | 93 | 1,466 | 1,187 |
| Government of Nova Scotia | 26,528 | - | 26,528 | 24,616 |
| Other | - | - | - | 5 |
| Other grants | - | 52 | 52 | 6 |
| Student fees | 49,987 | - | 49,987 | 51,999 |
| Gifts and bequests | 75 | 71 | 146 | 78 |
| Sales of services and products | 15,475 | 35 | 15,510 | 14,707 |
| Income from investments | 860 | 240 | 1,100 | 1,214 |
| Miscellaneous income | 1,029 | 81 | 1,110 | 1,225 |
| | 95,327 | 572 | 95,899 | 95,037 |
| Expenses | | | | |
| Salaries | 51,755 | 203 | 51,958 | 50,586 |
| Employee benefits | 7,234 | 20 | 7,254 | 6,925 |
| Equipment rental | 857 | - | 857 | 831 |
| Materials and supplies | 1,977 | 290 | 2,267 | 2,094 |
| Communications | 730 | - | 730 | 830 |
| Travel | 1,633 | 78 | 1,711 | 1,820 |
| Utilities | 2,918 | - | 2,918 | 2,589 |
| Printing and duplicating | 602 | - | 602 | 861 |
| Library acquisitions | 699 | - | 699 | 544 |
| Hospitality | 673 | 15 | 688 | 622 |
| Repairs and maintenance | 1,465 | 501 | 1,966 | 2,326 |
| Promotion and student recruitment | 2,153 | - | 2,153 | 1,713 |
| Professional fees | 712 | 20 | 732 | 581 |
| Rent | 351 | 37 | 388 | 367 |
| Other operational expenses | 4,624 | 52 | 4,676 | 4,326 |
| Cost of goods sold | 5,094 | - | 5,094 | 5,197 |
| Student financial aid | 3,620 | 29 | 3,649 | 3,598 |
| Interest | 2,461 | 20 | 2,481 | 2,118 |
| Internal cost recoveries | (49) | 49 | - | - |
| | 89,509 | 1,314 | 90,823 | 87,928 |
| Revenues less expenses before transfers | 5,818 | (742) | 5,076 | 7,109 |
| Interfund transfers (Schedule 7) | (5,241) | 1,909 | (3,332) | (5,433) |
| Net increase in fund balances | 577 | 1,167 | 1,744 | 1,676 |
| Fund balances, beginning of year | 2,020 | 10,980 | 13,000 | 11,324 |
| Adjustment due to adoption of financial instruments accounting policy (Note 13) | - | 144 | 144 | - |
| Fund balances, revised beginning of year | 2,020 | 11,124 | 13,144 | 11,324 |
| Fund balances, end of year | 2,597 | 12,291 | 14,888 | 13,000 |

See accompanying notes to the financial statements.

Schedules to the Financial Statements

Schedule 2

Restricted Fund - Statement of Operations and Changes in Fund Balances

For the year ended March 31, 2008

(\$ thousands)

| | Restricted Fund | | | | 2008 Total | 2007 Total |
|--|-----------------|----------|-------|---------------------|---------------|---------------|
| | Capital | Research | Trust | Specific Purpose | | |
| Revenues | | | | | | |
| Government grants and contributions | | | | | | |
| Government of Canada | 241 | 7,066 | - | 533 | 7,840 | 7,154 |
| Government of Nova Scotia | 392 | 221 | - | - | 613 | 50 |
| Other | - | - | - | - | - | - |
| Other grants | 170 | 1,708 | - | 75 | 1,953 | 2,589 |
| Gifts and bequests | - | 25 | 939 | 3,249 | 4,213 | 2,883 |
| Sales of services and products | - | 42 | 42 | 544 | 628 | 336 |
| Income from investments | - | - | (167) | 230 | 63 | 994 |
| Miscellaneous income | - | - | 76 | 273 | 349 | 444 |
| | 803 | 9,062 | 890 | 4,904 | 15,659 | 14,450 |
| Expenses | | | | | | |
| Salaries | - | 3,288 | 9 | 512 | 3,809 | 4,106 |
| Employee benefits | - | 186 | - | 47 | 233 | 247 |
| Equipment rental | - | 17 | 1 | 1 | 19 | 18 |
| Materials and supplies | - | 820 | 2 | 106 | 928 | 854 |
| Communications | - | 18 | - | 6 | 24 | 20 |
| Travel | - | 1,014 | 1 | 284 | 1,299 | 1,042 |
| Printing and duplicating | - | 11 | - | 102 | 113 | 9 |
| Hospitality | - | 17 | 3 | 49 | 69 | 44 |
| Repairs and maintenance | 52 | - | 1 | - | 53 | - |
| Promotion and student recruitment | - | 3 | 4 | 48 | 55 | 24 |
| Professional fees | - | 80 | 34 | 191 | 305 | 190 |
| Rent | - | 4 | - | 26 | 30 | 22 |
| Other operational expenses | - | 361 | 63 | 339 | 763 | 806 |
| Student financial aid | - | 394 | 446 | 26 | 866 | 606 |
| Amortization | 6,094 | - | - | - | 6,094 | 4,941 |
| | 6,146 | 6,213 | 564 | 1,737 | 14,660 | 12,929 |
| Revenues less expenses before transfers | (5,343) | 2,849 | 326 | 3,167 | 999 | 1,521 |
| Interfund transfers (Schedule 7) | 6,704 | (2,912) | (959) | (260) | 2,573 | 4,834 |
| Net increase (decrease) in fund balances | 1,361 | (63) | (633) | 2,907 | 3,572 | 6,355 |
| Change in fair value of swap agreements (Note 2) | (1,099) | - | - | - | (1,099) | - |
| Fund balances, beginning of year | 56,618 | 3,609 | 2,542 | 9,707 | 72,476 | 66,121 |
| Adjustment due to adoption of financial instruments accounting policy (Note 13) | (1,431) | - | 1,148 | (53) | (336) | - |
| Fund balances, revised beginning of year | 55,187 | 3,609 | 3,690 | 9,654 | 72,140 | 66,121 |
| Fund balances, end of year | 55,449 | 3,546 | 3,057 | 12,561 | 74,613 | 72,476 |

See accompanying notes to the financial statements.

Schedules to the Financial Statements

Schedule 3

Operating Fund - Budget Comparison

 For the year ended March 31, 2008
 (\$ thousands)

| | General Fund - Operating | | |
|--|---------------------------------|------------------------|------------------------|
| | 2008 Budget | 2008 Actual | 2007 Actual |
| | <i>(See Schedule 4)</i> | | |
| Revenues | | | |
| Government grants and contributions | | | |
| Government of Canada | 925 | 924 | 765 |
| Government of Nova Scotia | 24,141 | 26,528 | 24,614 |
| Student fees | | | |
| Credit | 46,258 | 43,166 | 45,339 |
| Non-Credit | 5,914 | 6,129 | 5,946 |
| Other | 518 | 619 | 655 |
| Gifts and bequests | 75 | 75 | 75 |
| Sales of services and products | 239 | 287 | 258 |
| Income from investments | 575 | 860 | 633 |
| Miscellaneous income | 155 | 192 | 138 |
| Revenues for internal reporting purposes | 78,800 | 78,780 | 78,423 |
| Reclassification of external cost recoveries included in expenses for internal reporting purposes | 14,892 | 16,547 | 15,695 |
| Revenues for financial statement purposes | 93,692 | 95,327 | 94,118 |
| Expenses | | | |
| Arts | 12,168 | 12,047 | 11,677 |
| Commerce | 12,620 | 12,695 | 12,079 |
| Science | 10,264 | 10,296 | 9,990 |
| Continuing Education | 4,239 | 3,687 | 3,959 |
| English as a Second Language (ESL) | 2,319 | 2,550 | 2,071 |
| Library | 3,828 | 3,533 | 3,503 |
| Student financial aid | 3,003 | 3,141 | 2,997 |
| Miscellaneous academic | 2,400 | 2,436 | 2,292 |
| Total academic | 50,841 | 50,385 | 48,568 |
| Administration and general | 12,147 | 11,115 | 13,506 |
| Ancillaries, net | (330) | (380) | (299) |
| Athletics and recreation | 2,542 | 2,723 | 2,582 |
| Facilities Management | 7,888 | 9,093 | 8,332 |
| Information Technology | 3,875 | 3,508 | 3,714 |
| Student Services | 1,837 | 1,759 | 1,636 |
| Expenses for internal reporting purposes | 78,800 | 78,203 | 78,039 |
| Reclassification of items included in expenses for internal reporting purposes | | | |
| External cost recoveries | 14,892 | 16,547 | 15,695 |
| Interfund transfers (Schedule 7) | (4,328) | (5,241) | (7,606) |
| Expenses for financial statement purposes | 89,364 | 89,509 | 86,128 |
| Revenues less expenses before transfers | 4,328 | 5,818 | 7,990 |
| Interfund transfers (Schedule 7) | (4,328) | (5,241) | (7,606) |
| Net increase in fund balances | - | 577 | 384 |
| Fund balance, beginning of year | 2,020 | 2,020 | 1,636 |
| Fund balances, end of year | 2,020 | 2,597 | 2,020 |

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, 2008
 (\$ thousands)

| General Fund - Operating - Expenses by Function | | | | | | | | |
|---|------------------|-------------------------|------------------------|-----------------------|------------------------|------------------|--------------|---------------|
| Academic | Admin. & General | Ancillaries | Athletics & Recreation | Facilities Management | Information Technology | Student Services | Total | |
| <i>(See Schedule 5)</i> | | <i>(See Schedule 6)</i> | | | | | | |
| Expenses | | | | | | | | |
| Salaries | 35,634 | 6,234 | 2,067 | 1,792 | 2,819 | 1,723 | 1,486 | 51,755 |
| Employee benefits | 4,291 | 1,320 | 309 | 202 | 602 | 285 | 225 | 7,234 |
| Equipment rental | 606 | 95 | 25 | 9 | 32 | 65 | 25 | 857 |
| Materials and supplies | 852 | 152 | 253 | 214 | 371 | 98 | 37 | 1,977 |
| Communications | 154 | 234 | 87 | 30 | 7 | 200 | 18 | 730 |
| Travel | 915 | 377 | 17 | 239 | 25 | 31 | 29 | 1,633 |
| Utilities | - | - | 910 | 203 | 1,805 | - | - | 2,918 |
| Printing and duplicating | 427 | 98 | 12 | 26 | 5 | 11 | 23 | 602 |
| Library acquisitions | 699 | - | - | - | - | - | - | 699 |
| Hospitality | 401 | 232 | 2 | 26 | 1 | 2 | 9 | 673 |
| Repairs and maintenance | 13 | 6 | 282 | 44 | 366 | 754 | - | 1,465 |
| Promotion and student recruitment | 1,260 | 776 | 7 | 106 | - | 1 | 3 | 2,153 |
| Professional fees | 98 | 580 | - | - | - | 34 | - | 712 |
| Rent | 351 | - | - | - | - | - | - | 351 |
| Other operational expenses | 1,322 | 2,152 | 140 | 657 | 205 | 18 | 130 | 4,624 |
| Cost of goods sold | - | - | 5,071 | 22 | - | 1 | - | 5,094 |
| Student financial aid | 3,295 | - | - | 325 | - | - | - | 3,620 |
| Interest | - | 685 | 1,629 | 21 | - | 126 | - | 2,461 |
| External cost recoveries | (1,580) | (114) | (13,228) | (1,422) | - | (84) | (119) | (16,547) |
| Internal cost recoveries | - | (94) | 338 | 102 | (395) | - | - | (49) |
| | 48,738 | 12,733 | (2,079) | 2,596 | 5,843 | 3,265 | 1,866 | 72,962 |
| Interfund transfers | 1,647 | (1,618) | 1,699 | 127 | 3,250 | 243 | (107) | 5,241 |
| Total | 50,385 | 11,115 | (380) | 2,723 | 9,093 | 3,508 | 1,759 | 78,203 |

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, 2008
 (\$ thousands)

| General Fund - Operating - Academic Expenses by Function | | | | | | | | | |
|---|---------------|-----------------|----------------|----------------------|--------------|----------------|--------------------------------------|---------------------------|---------------------------|
| | Arts | Commerce | Science | Cont. Ed. | ESL | Library | Student Financial Aid | Misc. Academic | Total Academic |
| Expenses | | | | | | | | | |
| Salaries | 10,235 | 10,124 | 8,245 | 2,716 | 1,393 | 1,971 | - | 950 | 35,634 |
| Employee benefits | 1,350 | 1,134 | 1,072 | 183 | 137 | 292 | - | 123 | 4,291 |
| Equipment rental | 94 | 67 | 111 | 12 | 6 | 68 | - | 248 | 606 |
| Materials and supplies | 60 | 204 | 239 | 53 | 174 | 87 | - | 35 | 852 |
| Communications | 12 | 58 | 12 | 45 | 5 | 14 | - | 8 | 154 |
| Travel | 86 | 536 | 107 | 61 | 49 | 16 | - | 60 | 915 |
| Printing and duplicating | 83 | 115 | 72 | 84 | 38 | 6 | - | 29 | 427 |
| Library acquisitions | - | - | - | - | - | 699 | - | - | 699 |
| Hospitality | 18 | 191 | 41 | 132 | 2 | 2 | - | 15 | 401 |
| Repairs and maintenance | 1 | - | 12 | - | - | - | - | - | 13 |
| Promotion and student recruitment | - | 405 | 4 | 106 | 431 | - | - | 314 | 1,260 |
| Professional fees | - | 98 | - | - | - | - | - | - | 98 |
| Rent | - | 167 | - | 146 | - | - | - | 38 | 351 |
| Other expenses | 100 | 385 | 92 | 265 | 115 | 108 | - | 257 | 1,322 |
| Student financial aid | - | 1 | - | - | - | - | 3,294 | - | 3,295 |
| External cost recoveries | (17) | (1,344) | (3) | (123) | - | (80) | - | (13) | (1,580) |
| Internal cost recoveries | - | 10 | - | (10) | - | - | - | - | - |
| | 12,022 | 12,151 | 10,004 | 3,670 | 2,350 | 3,183 | 3,294 | 2,064 | 48,738 |
| Interfund transfers | 25 | 544 | 292 | 17 | 200 | 350 | (153) | 372 | 1,647 |
| Total | 12,047 | 12,695 | 10,296 | 3,687 | 2,550 | 3,533 | 3,141 | 2,436 | 50,385 |

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, 2008

(\$ thousands)

| | General Fund - Operating - Ancillary Revenue and Expenses | | | | |
|---|--|---------------------|------------------|--------------|--------------------------|
| | Residence | Food Service | Bookstore | Arena | Total Ancillaries |
| Revenues | | | | | |
| Sales of services and products | 6,406 | 2,023 | 4,404 | 199 | 13,032 |
| Miscellaneous income | 119 | 49 | 28 | - | 196 |
| | <u>6,525</u> | <u>2,072</u> | <u>4,432</u> | <u>199</u> | <u>13,228</u> |
| Expenses | | | | | |
| Salaries | 1,599 | - | 311 | 157 | 2,067 |
| Employee benefits | 232 | - | 46 | 31 | 309 |
| Equipment rental | 5 | 1 | 19 | - | 25 |
| Materials and supplies | 230 | 4 | 1 | 18 | 253 |
| Communications | 84 | - | 3 | - | 87 |
| Travel | 7 | - | 10 | - | 17 |
| Utilities | 705 | 111 | - | 94 | 910 |
| Printing and duplicating | 10 | - | 2 | - | 12 |
| Hospitality | 2 | - | - | - | 2 |
| Repairs and maintenance | 211 | 44 | - | 27 | 282 |
| Promotion and student recruitment | 1 | - | 6 | - | 7 |
| Other operational expenses | 74 | 3 | 58 | 5 | 140 |
| Cost of goods sold | - | 1,621 | 3,450 | - | 5,071 |
| Interest | 1,609 | 20 | - | - | 1,629 |
| Internal cost recoveries | 218 | 43 | 77 | - | 338 |
| | <u>4,987</u> | <u>1,847</u> | <u>3,983</u> | <u>332</u> | <u>11,149</u> |
| Revenues less expenses before transfers | 1,538 | 225 | 449 | (133) | 2,079 |
| Interfund transfers | (1,539) | (150) | (10) | - | (1,699) |
| Revenue less expenses and transfers | <u>(1)</u> | <u>75</u> | <u>439</u> | <u>(133)</u> | <u>380</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, 2008
(\$ thousands)

The interfund transfers received or paid between the General, Restricted and Endowments Funds are as follows for the year ended March 31, 2008:

| | All Funds | | | |
|----------------------------------|----------------|--------------|------------|----------|
| | General | Restricted | Endowment | Total |
| Transfers received (paid) | | | | |
| Purchase capital assets | (2,692) | 2,692 | - | - |
| Maintenance and replacements | 28 | (28) | - | - |
| Debt reduction | (1,283) | 1,283 | - | - |
| Research and specific purposes | 134 | (1,384) | 1,250 | - |
| Program support | 481 | 10 | (491) | - |
| Total | (3,332) | 2,573 | 759 | - |

The interfund transfers received or paid by the General Fund are as follows for the year ended March 31, 2008:

| | General Fund | | |
|----------------------------------|----------------|-----------------------|----------------|
| | Operating | Projects and Reserves | Total General |
| Transfers received (paid) | | | |
| Contributions to reserves | (6,442) | 6,442 | - |
| Purchase capital assets | (518) | (2,174) | (2,692) |
| Maintenance and replacements | - | 28 | 28 |
| Debt reduction | (1,283) | - | (1,283) |
| Research and specific purposes | (614) | 748 | 134 |
| Program support | 3,616 | (3,135) | 481 |
| Total | (5,241) | 1,909 | (3,332) |

The interfund transfers received or paid by the Restricted Fund are as follows for the year ended March 31, 2008:

| | Restricted Fund | | | | Total Restricted |
|----------------------------------|-----------------|----------------|--------------|------------------|------------------|
| | Capital | Research | Trust | Specific Purpose | |
| Transfers received (paid) | | | | | |
| Purchase capital assets | 5,712 | (2,997) | - | (23) | 2,692 |
| Maintenance and replacements | (16) | - | - | (12) | (28) |
| Debt reduction | 1,283 | - | - | - | 1,283 |
| Research and specific purpose | (275) | 85 | (1,185) | (9) | (1,384) |
| Program support | - | - | 226 | (216) | 10 |
| Total | 6,704 | (2,912) | (959) | (260) | 2,573 |

See accompanying notes to the financial statements.



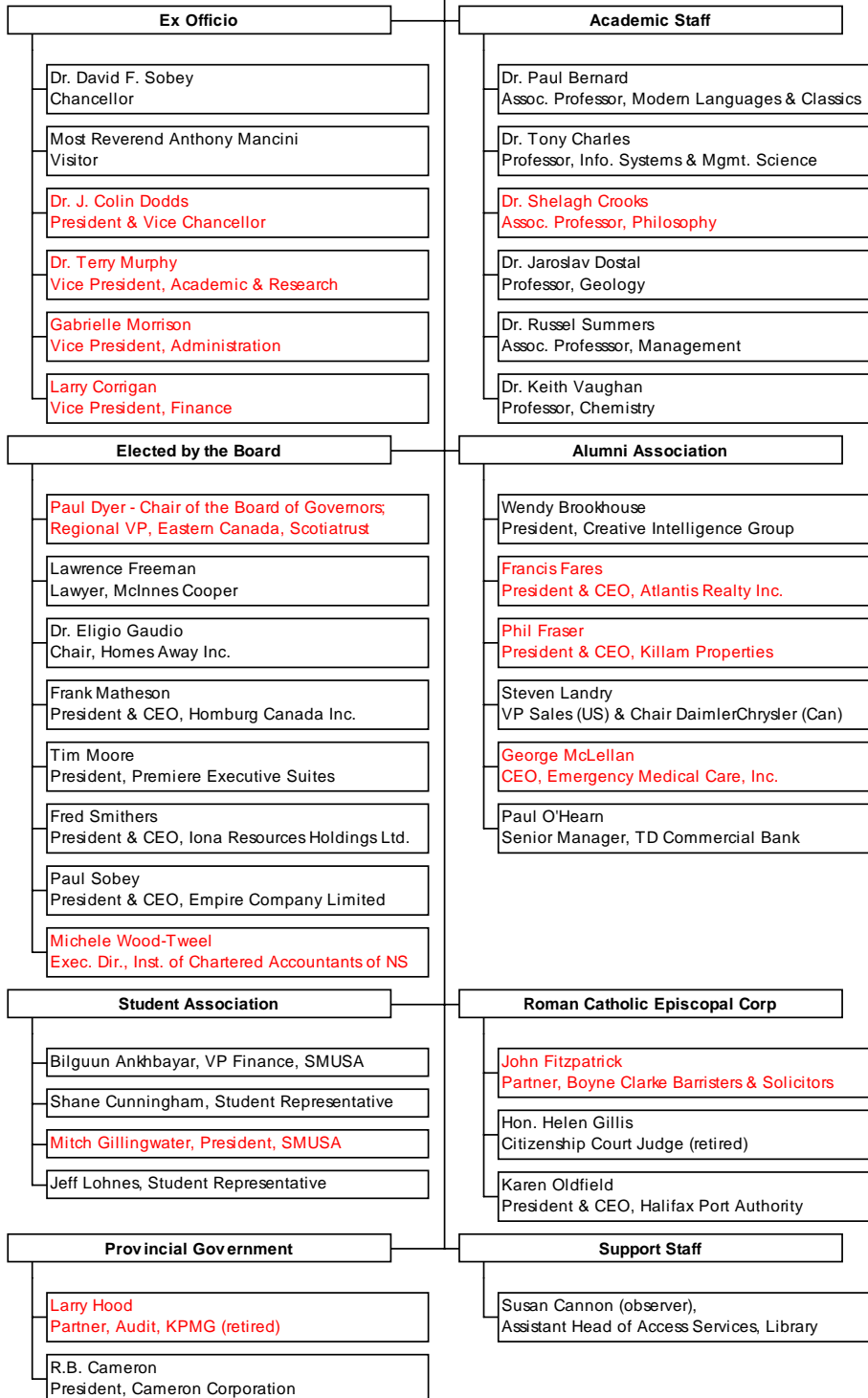
University and Financial Governance

March 31, 2008

University Governance

Board of Governors

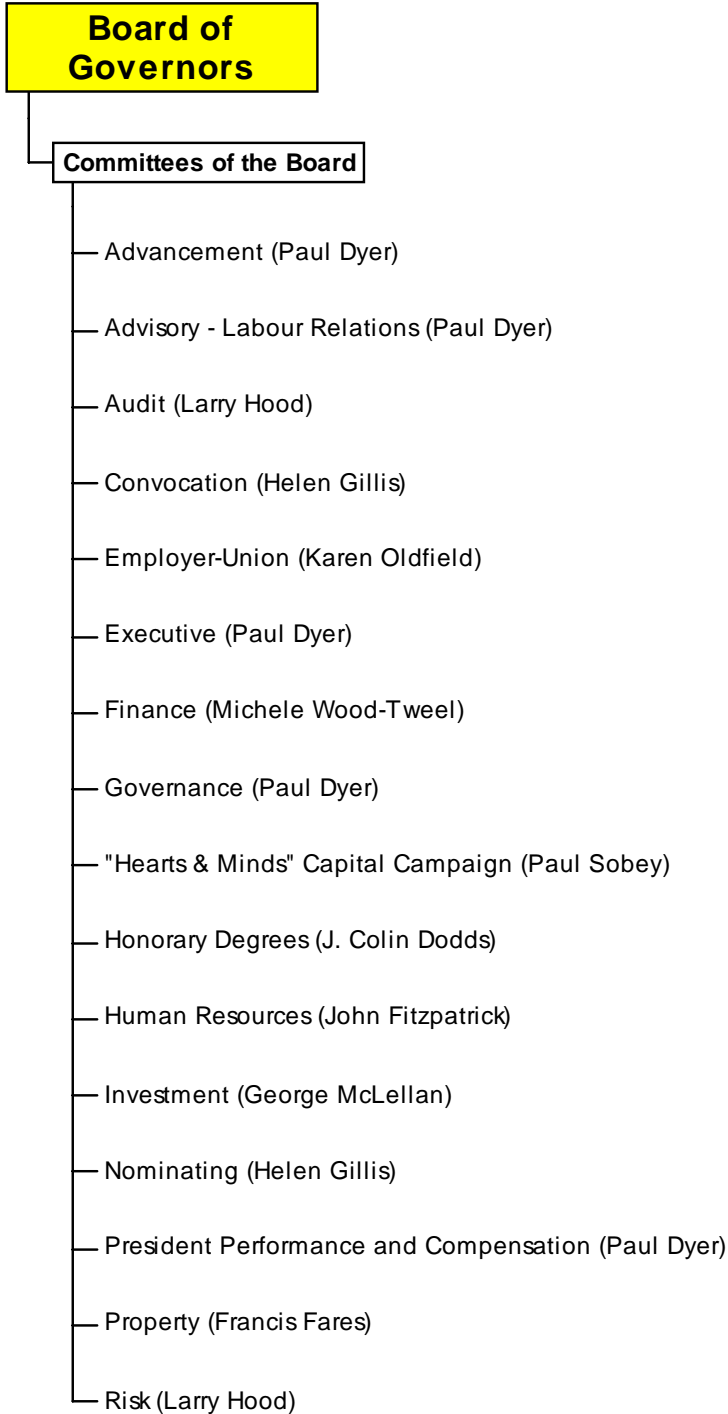
Appointments by groups indicated below as at March 31, 2008
Members also on the Executive Committee shown in red



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

Board Committee Structure

The Board of Governors obtains advice and reports from a number of elected committees. The following is a list of Board Committees (with Chairs shown in brackets) for the 2007/08 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.

Financial Leadership – Financial Committees of the Board of Governors

Finance Committee

Michele Wood-Tweel, Chair

- Bilguun Ankhbayar
- R.B. Cameron
- Tony Charles
- Larry Corrigan
- J. Colin Dodds
- John Fitzpatrick
- Frank Matheson
- Tim Moore
- Gabe Morrison
- Terry Murphy
- Paul O’Heam

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.

Audit Committee

Larry Hood, Chair

- Wendy Brookhouse
- R.B. Cameron

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.

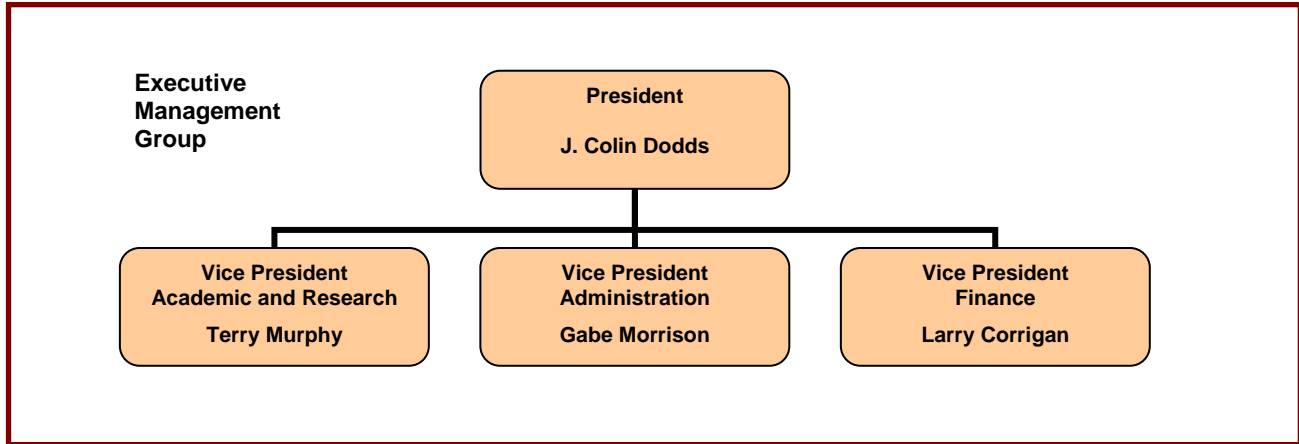
Investment Committee

George McLellan, Chair

- Bilguun Ankhbayar
- * David Beazley
- Tony Charles
- Larry Corrigan
- * Doug Hartt
- * Jack Keith

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 * to the left).

Financial Leadership – Executive Management Group



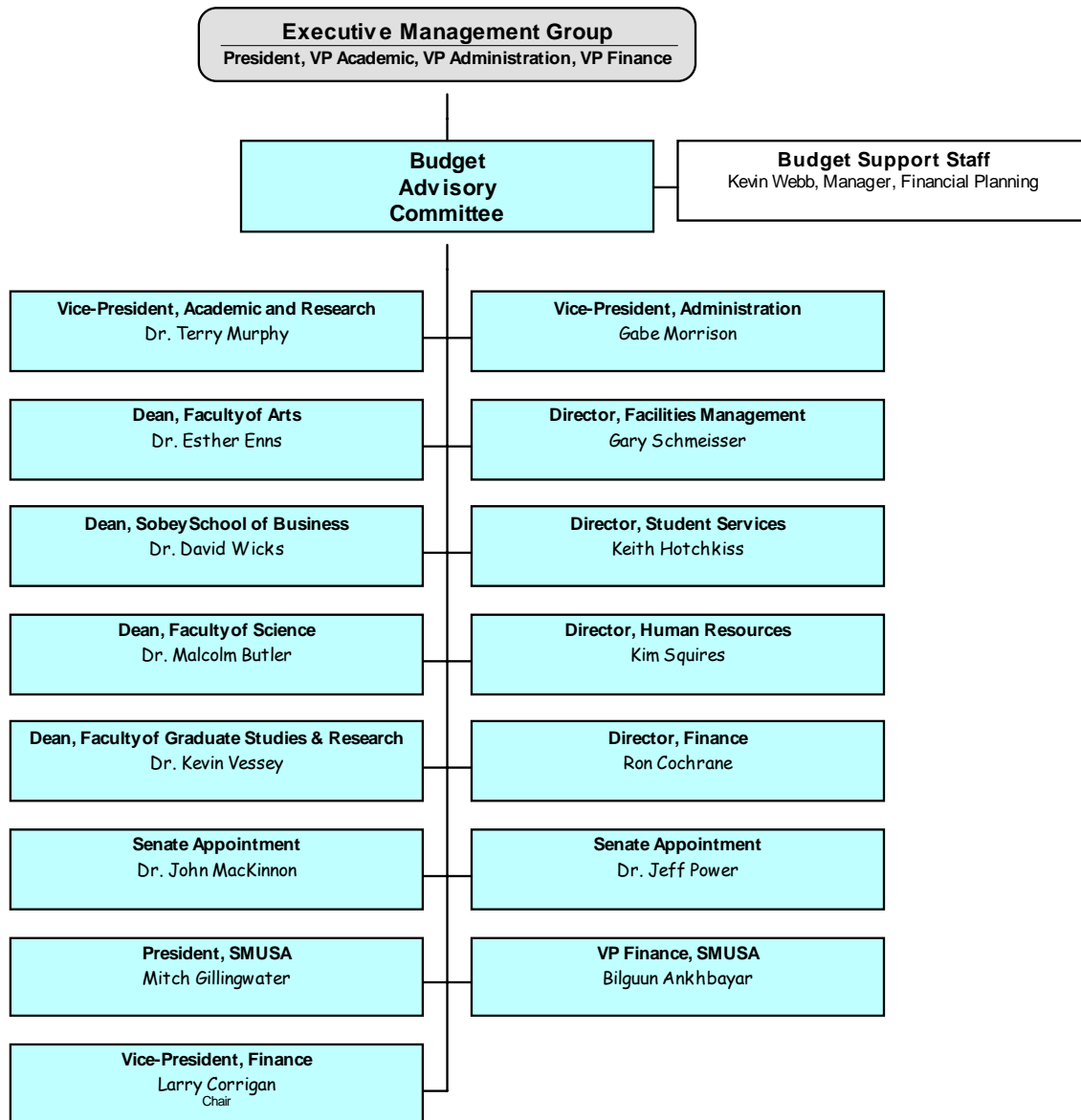
Saint Mary's University Act

“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, 2008



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

The draft 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