



One University. One World. Yours.



Annual Financial Report

March 31, 2009

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Introduction

I am pleased to introduce the Annual Financial Report for the 2008/09 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.

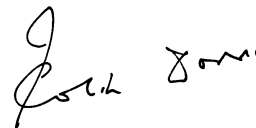
The Board of Governors of Saint Mary's University, as trustee of university financial, physical and human assets, has a fiduciary responsibility to oversee financial management. Financial statements help to fulfil this financial oversight role but these, in isolation, do not always satisfy the various 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, 2009.

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, 2009.



J. Colin Dodds, Ph.D.
President



One University. One World. Yours.

Management Discussion and Analysis

March 31, 2009

Strategic Focus for 2008 to 2012

President's Strategic Pillars



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

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-time and part-time students in various degree and continuing education programs and employ more than 150,000 full-time faculty and 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.

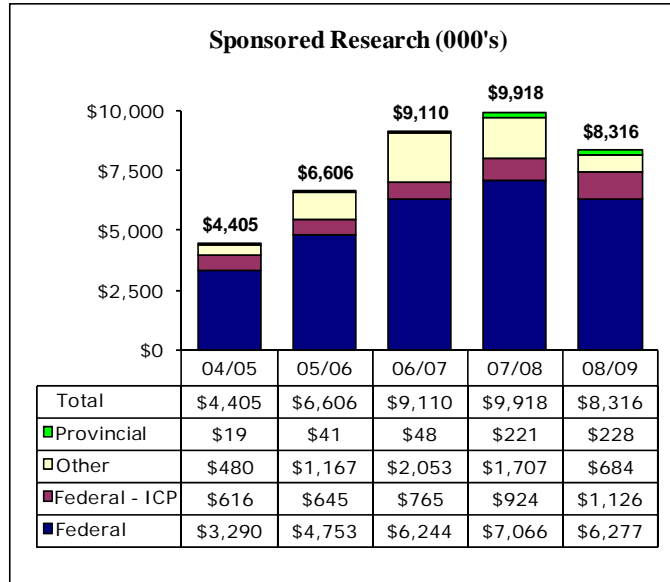
The chart below summarizes the internal and external environment of Saint Mary's. This analysis points to those things we must do well to survive in our competitive situation.

SWOT Analysis (Strengths, Weaknesses, Opportunities and Threats)	
<p style="text-align: center;">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; enhanced and expanded facilities - track record of strong labour relations - highly subscribed TESL operations and international student recruitment - strong asset management and operations management - history of commitment to athletics and recreation 	<p style="text-align: center;">INTERNAL WEAKNESSES</p> <ul style="list-style-type: none"> - still a large amount of deferred maintenance on campus - rising operating costs - growing debt - scarcity of physical facilities such as classrooms and offices - weak alumni financial participation - low amount of endowment resources - unfavorably low ratio of full-time faculty to FTE students
<p style="text-align: center;">EXTERNAL OPPORTUNITIES</p> <ul style="list-style-type: none"> - capital funding potential through the Knowledge Infrastructure Program - general economic downturn creating likely growth for graduate studies - growth potential for research activities - infrastructure improvements from new contract for food services - web-based academic courses - environment of low interest rates 	<p style="text-align: center;">EXTERNAL THREATS</p> <ul style="list-style-type: none"> - MOU clawback - negotiation with the Province of Nova Scotia - Nova Scotia demographics pointing to lower future enrolment - many local, national and int'l competitors in the higher education sector - Nova Scotia Community College attracting significantly more enrolment - 6 of 7 collective agreements expiring in the next 14 months - rising costs in the construction industry - legislation (effective July 1, 2009) eliminating mandatory retirement - 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.

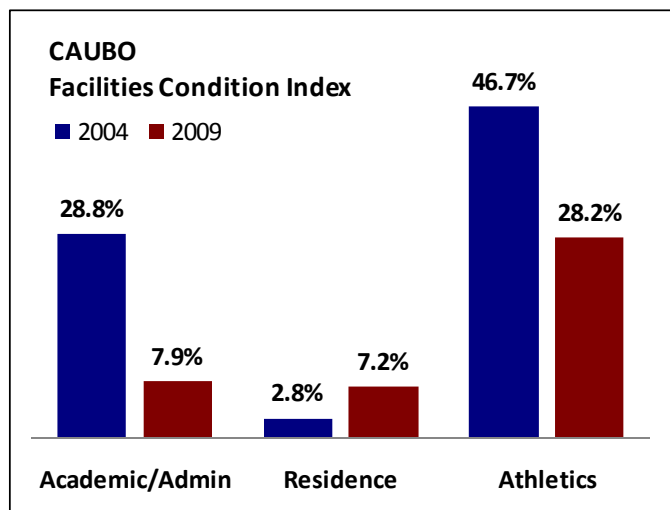
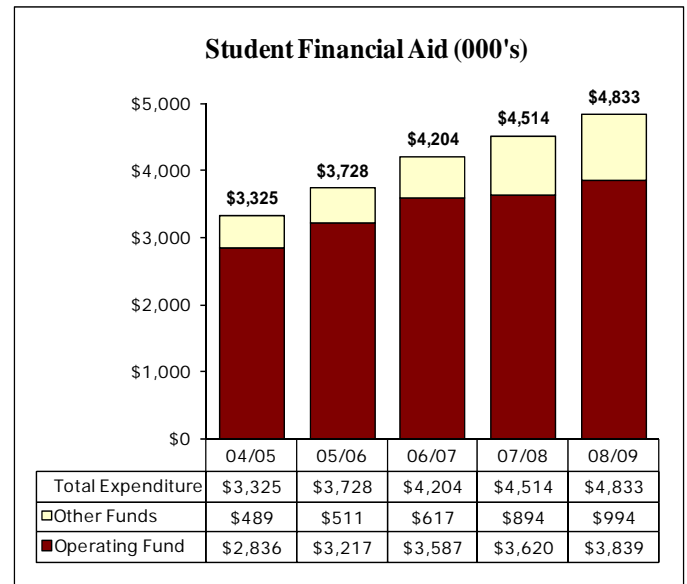
Universities also play a vital role in the communities in which they are located – offering reference libraries, sports and recreations facilities, daycare centres, art galleries, lectures, concerts, plays, etc. Saint Mary's University is an integral part of the Halifax Regional Municipality and the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

Vital Signs



- ◀ Funding from the Indirect Costs Program, increased 21.9% in 2008/09 over the prior year.
- ◀ Federal funding for sponsored research, decreased 11.2%.
- ◀ Funding for sponsored research from other sources has declined due to completion last year of several large projects funded by the Nova Scotia Research and Innovation Trust (NSRIT) and Canada Foundation for Innovation (CFI).

- SMU increased spending on scholarships, fellowships and bursaries by 7.1% in 2008/09.



- ◀ Overall, SMU has made significant improvement in its Facilities Condition Index (FCI) in the past five years.

CAUBO FCI Standards

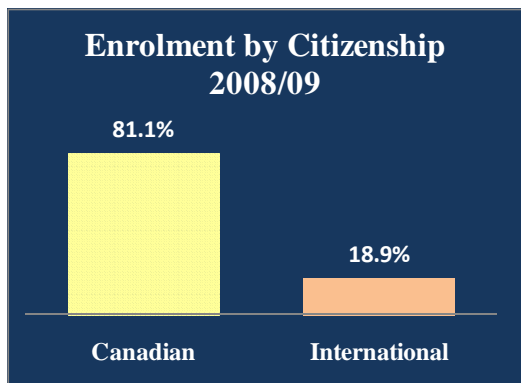
- 0-5% Excellent to Good
- 6-10% Fair to Poor
- > 10% Unacceptable

$$FCI = \frac{\text{Deferred maintenance}}{\text{Current Replacement Value of university facilities}}$$

2008/09 Varsity Sport Teams (prior year in brackets)

1 (2) AUS Champion (Football)
32 (46) CIS Academic All-Canadians, 10 (8) CIS All-Canadians, 31 (40) AUS All-Stars

University Facts



- ◀ Saint Mary's students represent 96 different countries
- ◀ The largest international student contingents hail from China, Germany and the Bahamas
- ◀ 6,209, full-time students
- ◀ 1,037 part-time students
- ◀ The student population is 51% female and 49% 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 have increased from 1.3% in December 2007 to 2.5% in October 2008 but still more favourable than the 4.6% vacancy rate experienced in 2006

Average Class Size (Prior year in brackets)

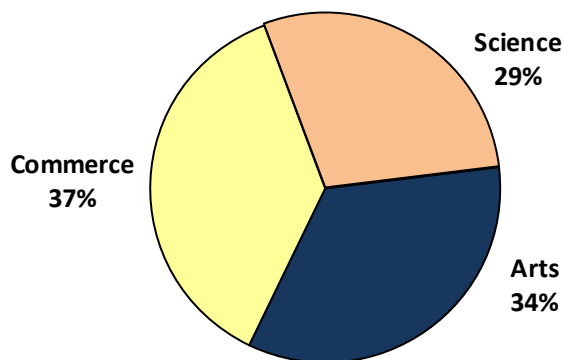
- 55 (54) - Introductory Classes
- 26 (25) - Upper Level Classes
- 17 (14) - Graduate Classes

Library Holdings

Print Volumes	427,382
Micromaterials	590,523
Non-Print	22,267
Total	1,040,172

- ▲ Students and faculty made 395,362 visits to the University library during 2008/09

Course Registrations by Faculty 2008/09



- ▲ The largest percentage of course registrations is found in Psychology (16%)

SMU Staffing 2008/09

	Full time	Part time
Faculty	242	144
Administrative	293	10
TESL	8	37
Library	41	1
Facilities	91	0
Ancillaries	13	2
Bus Dev Centre	15	0
Atlantic Centre	10	1
Total	713	195

- ▲ Saint Mary's employed more than 1,000 students during 2008/09

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, 2009 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.



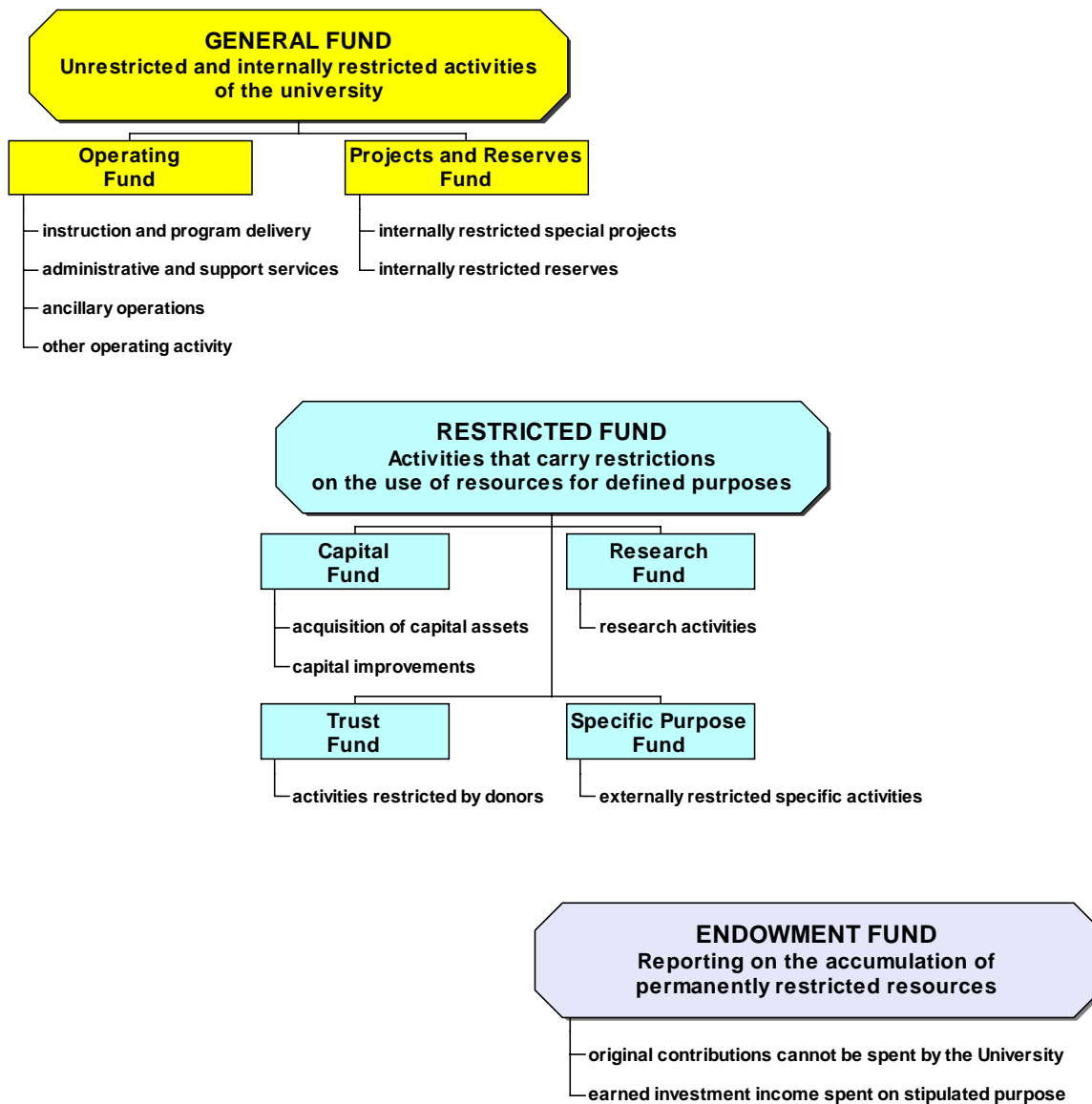
Larry Corrigan, MBA, FCGA
Vice-President, Finance

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

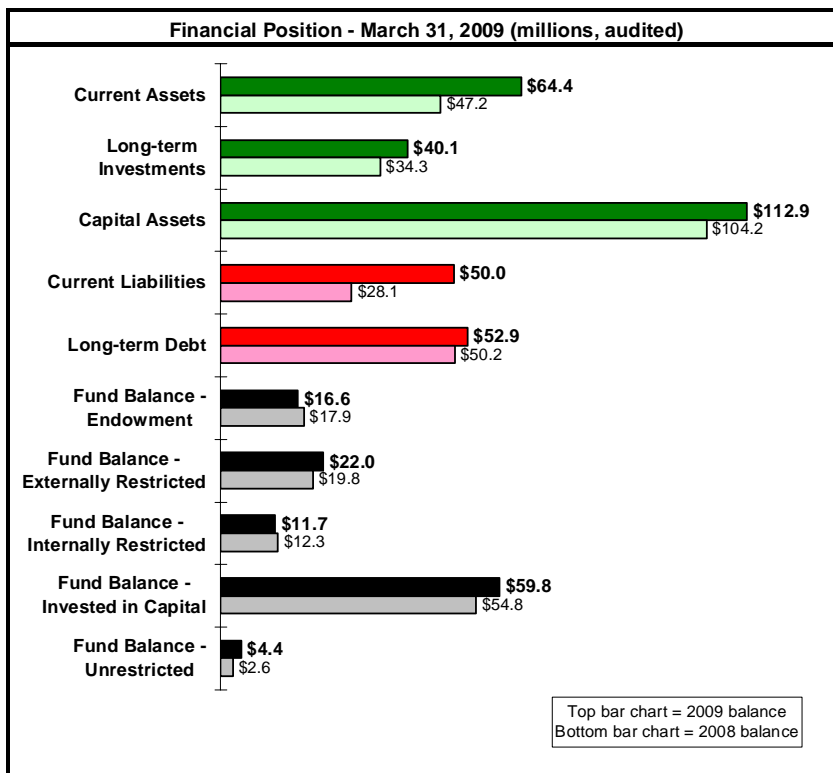


Financial Position and Fund Balances

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, 2009 reporting date.

University current assets amount to \$64.4 million and are made up of cash, short-term investments, accounts receivable, inventories and prepaid expenses. The year-end balance of current assets looks rather unusual, being \$17.2 million higher than the previous year. The University receives an annual operating grant from the Province of Nova Scotia. The amount and timing of the grant is agreed upon in a Memorandum of Understanding (MOU) between the Province of Nova Scotia and the Nova Scotia universities. At the end of March 2009, the Province modified the MOU to alter the timing of the grant payments. As a result the University received a grant payment on March 31, 2009 in the amount of \$27.8 million (2008 \$8.0 million). This payment was originally scheduled to be part of the 2009/10 operating grant so the University has deferred this funding for operations in the following fiscal year as intended. This is why both current assets and current liabilities are so much higher than the prior year.

During the past few years, management has focused on the collection of student accounts receivable. New collection practices have resulted in improvements in current and one-year balances. At year end, these amounted to \$2.3 million (2008 - \$3.0 million).



Long-term investments and receivables amount to \$40.1 million, an increase of \$5.8 million from the prior year. Gifts of \$4.5 million received during the year made up a significant portion of this increase. These gifts are for various purposes including capital construction, program support and endowments.

Capital assets, with a net book value of \$112.9 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 \$50 million include payables, accruals, students' deposits and, as mentioned above, deferred revenue. The long-term portion of debt increased by \$2.7 million during the year. Two debentures relating to residence buildings were converted to unsecured term loans. The principal balances and terms to maturity remain the same. The interest rates on the

debentures were reduced from 6.88% to 5.02% and 7.88% to 5.34% respectively. This refinancing will save the university \$1 million in interest charges over the remaining loan term.

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. \$38.6 million relate to resources that are constrained by endowments and other external restrictions, \$11.7 million is internally restricted by the university for projects and reserves, \$59.8 million is the net amount invested in buildings and other capital assets. The unrestricted General Fund balance represents accumulated surpluses and deficits and is \$4.4 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, 2004 to \$114.5 million at March 31, 2009.

Financial Condition Analysis

Critical Success Factors and Related Performance Indicators

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

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

- to support our internal planning processes and provide information for decision making
- to report results to government to justify receiving over \$44 million in grants and contributions
- to demonstrate to donors that their philanthropic gifts are prudently applied
- to provide evidence to lending institutions that the university meets its fiduciary duties
- to generate support from our students, employees, external partners and the overall university community

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

Critical success factors

Performance indicators

⊗ OPERATIONS (page 10)

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

⊗ ASSET MANAGEMENT (page 11)

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

⊗ FUNDRAISING and ENDOWMENT (page 12)

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

⊗ DEBT CAPACITY (page 13)

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

Financial Condition

Operations Analysis, March 31, 2009

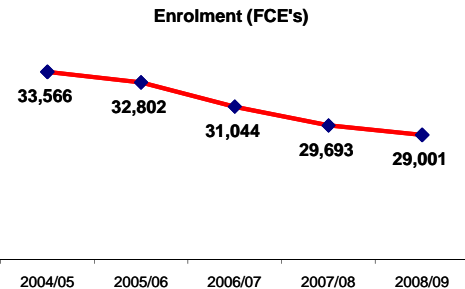
Critical Success Factor 1: **Student demand**

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	2007/08	2008/09
Arts enrolment	10,636	9,674
Science enrolment	8,380	8,143
Commerce enrolment	8,861	9,197
Graduate Studies enrolment	1,816	1,987
Total enrolment at March 31 (full course equivalents)	29,693	29,001

- total enrolment has declined each year since its peak in 2004/05
- total enrolment down 2.3% even with Graduate studies increase of 9.4%
- international enrolment stands at 18.9%, one of the highest in Canada



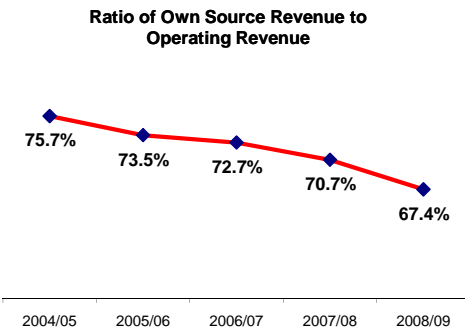
Critical Success Factor 2: **Independent sources of revenue**

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, renewal of a 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	2007/08	2008/09
Own source revenue (millions)	\$67.4	\$69.0
Provincial operating grant (millions)	\$26.5	\$31.7
Federal grant (millions)	\$1.4	\$1.7
Total operating revenue (millions)	\$95.3	\$102.4
Ratio of own source revenue to operating revenue	70.7%	67.4%

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



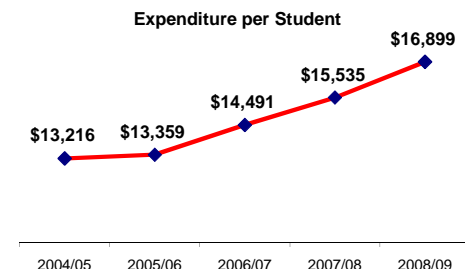
Critical Success Factor 3: **Funding of the university educational mission**

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	2007/08	2008/09
Annual expenses, all Funds (millions)	\$105.5	\$110.3
Students (full-time equivalents)	6,791	6,527
Expenditure per student	\$15,535	\$16,899

- spending increase and enrolment decline both make this ratio more favourable
- expenditure per student up 8.8% from the prior year
- SMU ranks 8th of 12 peer group universities (peer median = \$19,188 per student)



Financial Condition

Operations Analysis, March 31, 2009

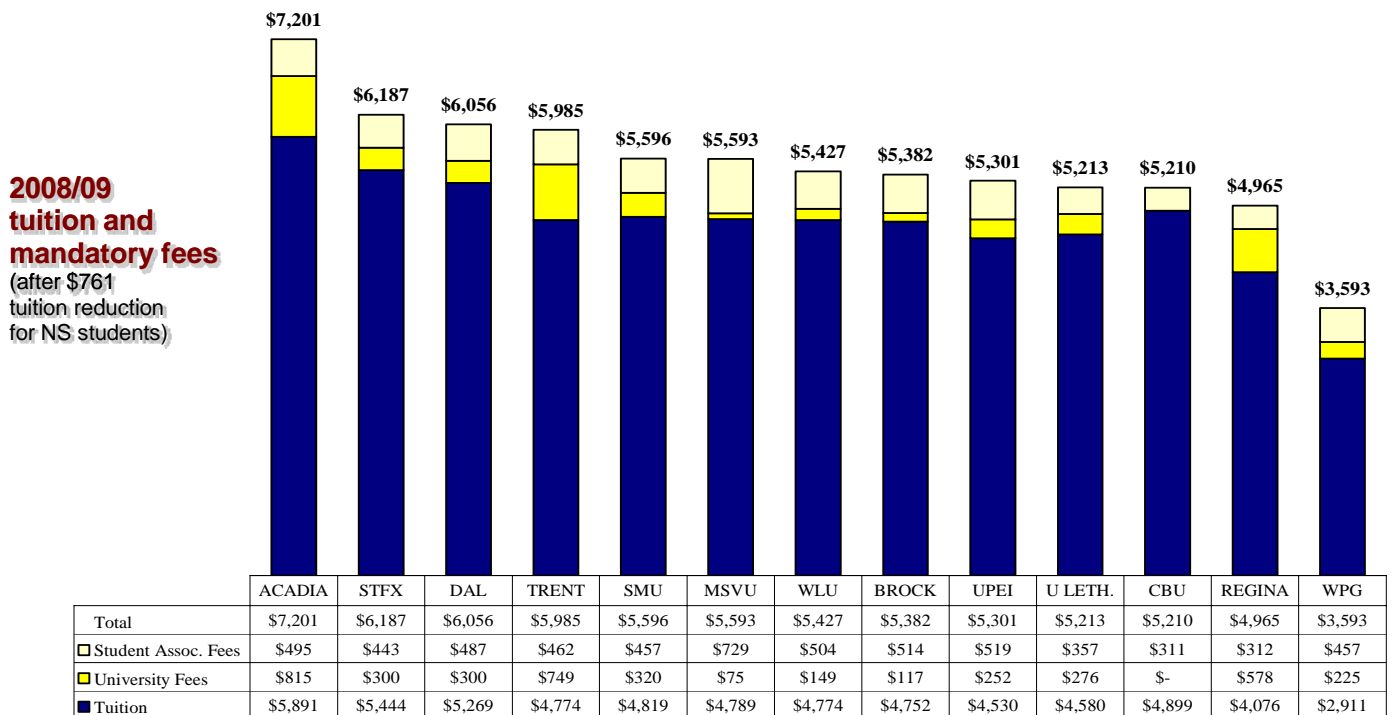
Critical Success Factor 4: **Student accessibility**

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

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

Tuition is heavily influenced by the amount of government operating support from the province in which each university is located. Nova Scotia lags behind every other Canadian province in contributing toward university operating funding. As a % of total university income, Nova Scotia provides 45.4% compared to the Canadian median of 58.3% (CAUBO / Statistics Canada). Average tuition fees therefore are relatively high. Within Nova Scotia, Saint Mary's University has the second lowest proportion of provincial operating funding (32.6%) relative to the other NS universities.

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



- in 2008/09, the Province of Nova Scotia provided a tuition bursary of \$761 for each Nova Scotia student (about 3/4 of SMU students). This had the effect of reducing Nova Scotia university tuition to become more competitive with universities across Canada.

- Saint Mary's receives the lowest proportion of provincial funding relative to its Canadian peer group (12th of 12 universities; 32.6% funding compared to the peer group median of 48.1%).

- total cost to attend SMU is \$169 higher than the median of the 12 peer group universities (plus Dalhousie)

- it is reasonable to conclude that SMU tuition is competitive within Nova Scotia and Canada

Source of provincial funding information: CAUBO/Statistics Canada 2008
 Source of tuition and fees information: Association of Atlantic Universities and university websites - assumes 5 full Arts courses

Financial Condition

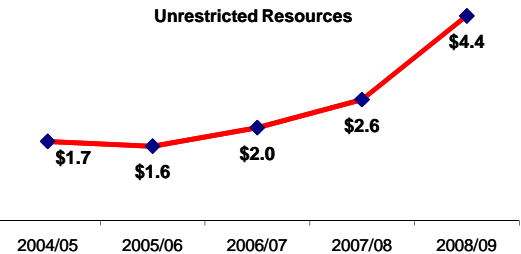
Asset Management Analysis, March 31, 2009

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

Financial strength is demonstrated by asset management policies that provide financial flexibility. Unrestricted resources (immediately available to be expended) are important due to the risk associated with volatile university operations. The university policy is to maintain unrestricted resources in a range between \$1 million and \$3 million to enable the university to hedge against unfavourable contingencies, to take advantage of opportunities and innovation, and to ensure a level of stability over time.

Liquidity	2007/08	2008/09
Unrestricted fund balance, start of year (millions)	\$2.0	\$2.6
Change during the year (millions)	\$0.6	\$1.8
Unrestricted fund balance, end of year (millions)	\$2.6	\$4.4

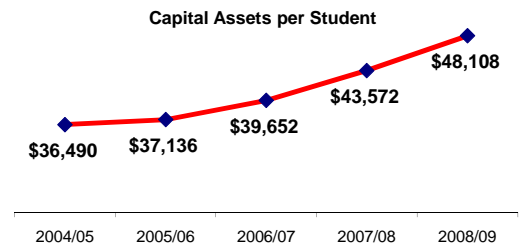
- the unrestricted balance at year end exceeds the top of the approved range
- SMU balance, \$4.4 million, exceeds the median of the peer group (\$0.2 million)
- Negative or nil unrestricted resources in 6 of the 12 peer universities


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	2007/08	2008/09
CRV of capital assets per CURIE valuation (millions)	\$295.9	\$314.0
Number of students (full time equivalents)	6,791	6,527
CRV of capital assets per student	\$43,572	\$48,108

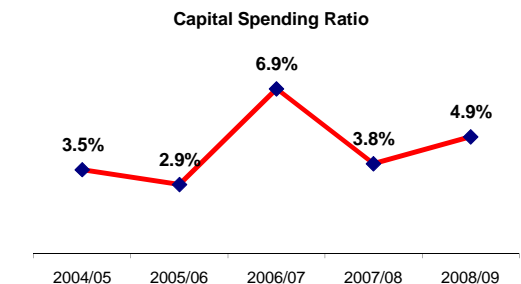
- growth in the value of capital assets; size of the student body declined
- construction of the \$18 million Atrium Building began in 2008
- a significant capital program is planned for the 2009/10 fiscal year


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

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

Capital investment	2007/08	2008/09
Capital spending (millions)	\$11.1	\$15.3
CRV of capital assets (millions)	\$295.9	\$314.0
Ratio of capital spending to CRV of capital assets	3.8%	4.9%

- capital spending tends to be uneven over time and is dependent on available funds
- rule of thumb (2% of CRV) significantly exceeded in each of past 5 years
- Facilities Condition Index has improved over the past 5 years from 21.5% to 9.5%
(Facilities Condition Index - see page 4)



Financial Condition

Asset Management Analysis, March 31, 2009

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, 2008 (\$6,473 per student)	\$48.2
UPEI - Apr. 30, 2008 (\$3,973 per student)	\$14.9
Regina - Apr. 30, 2008 (\$3,072 per student)	\$29.5
SMU - Mar. 31, 2009 (\$2,467 per student)	\$16.1
Brock - Apr. 30, 2008 (\$2,319 per student)	\$33.6
MSVU - Mar. 31, 2008 (\$1,995 per student)	\$5.3
CBU - Mar. 31, 2008 (\$317 per student)	\$1.0
Winnipeg - Mar. 31, 2008 (\$161 per student)	\$1.1
Trent - Apr. 30, 2008 (-\$104 per student)	-\$0.7
St.FX - Mar. 31, 2008 (-\$1,161 per student)	-\$5.1
Acadia - Mar. 31, 2008 (-\$2,436 per student)	-\$7.7
Wilfrid Laurier - Apr. 30, 2008 (-\$3,695 per student)	-\$50.5

- SMU expendable resources = Unrestricted Fund Balance \$4.4 million + Internally Restricted Fund Balance \$11.7 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 4th of 12 of the university peer group (6th in prior year)

- History of SMU expendable resources: 2005 \$10.3 m, 2006 \$11.3 m, 2007 \$13.0 m, 2008 \$14.9 m, 2009 \$16.1 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 2008 Enrolment Survey

Financial Condition

Fundraising and Endowment Analysis, March 31, 2009

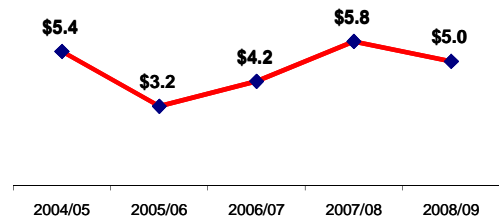
Critical Success Factor 9: Fundraising
Key Performance Indicator 9: Resources provided by fundraising efforts

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	2007/08	2008/09
Fundraising revenue received during the year (million's)	\$5.8	\$5.0
Pledges due within ten years (million's)	\$10.8	\$7.6

- 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

Resources provided by fundraising efforts (millions)

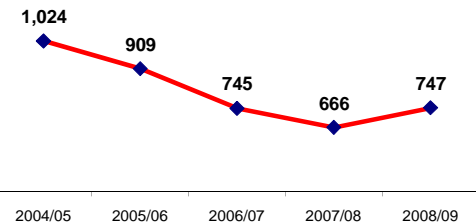

Critical Success Factor 10: Alumni financial participation
Key Performance Indicator 10: Number of alumni contributors

Philanthropy from Saint Mary's 27,640 active alumni, support the work of both our students and faculty. Engagement of alumni is a measure of the vitality of the university and the support SMU can expect in the future. Both large and small gifts from alumni are important. The Canadian Council for the Advancement of Education (CCAEE) has advised that it does not track alumni participation in Canada; However, CASE believes that rates in the mid-teens are reasonable, depending on resources allocated and whether or not the university is in campaign mode when giving tends to increase.

Alumni financial participation	2007/08	2008/09
New contributors	60	27
Repeat contributors (3+ consecutive years)	259	283
All other alumni contributors	347	437
Total alumni contributors	666	747

- increase in total alumni contributors, although new contributors declined
- 2008/09 alumni financial participation rate = 2.7% (2.6% in 2007/08)
- alumni financial participation rate well below our 10% - 15% target range

Number of Alumni Contributors

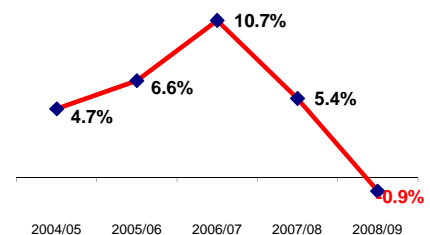

Critical Success Factor 11: Management of endowment investments
Key Performance Indicator 11: Endowment fund performance

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

Management of the endowment investments	2007/08	2008/09
Endowed Funds Investment Pool		
Four year average rate of return	5.4%	-0.9%

- The 4-year results shown in the chart were heavily affected by the 18.5% loss in 2008/09
- Comments from Mercer (independent investment monitor):
 The current active managers are well rated and expected to outperform benchmark.
 The investment policy is likely to support the current SMU endowment spending policy.
- The university's long term goal is a rate of return of 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.

Investment Performance (Endowed Funds Investment Pool)



Financial Condition

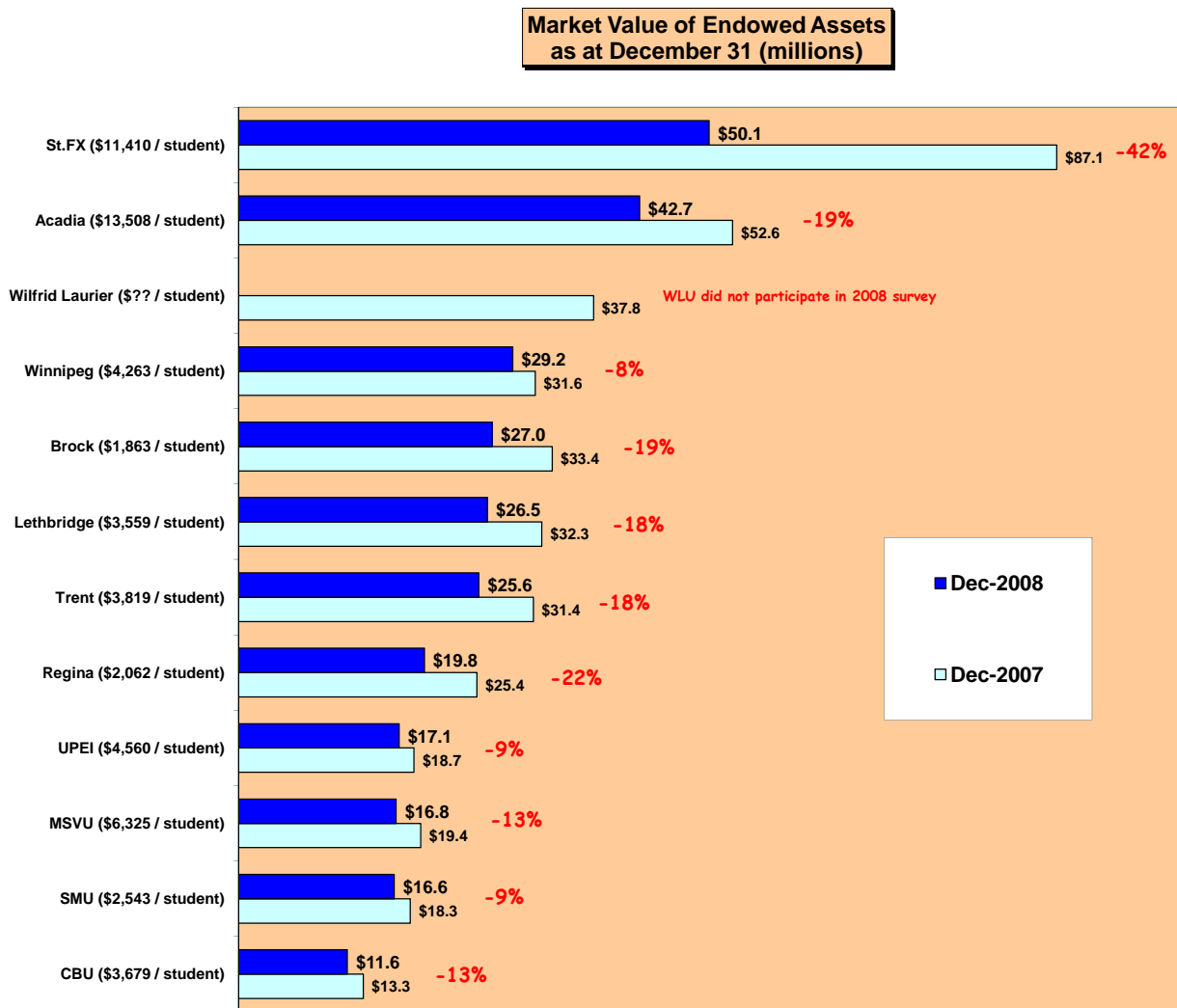
Fundraising and Endowment Analysis, March 31, 2009

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, 10th of 12
- SMU had a 9% decrease in endowed assets over past year, much better than the peer group median (-18%)

Source of peer group information: CAUBO University Endowment Survey
Source of student information: student is defined as full-time equivalent - calculation from AUCC 2008 Enrolment Survey

Financial Condition

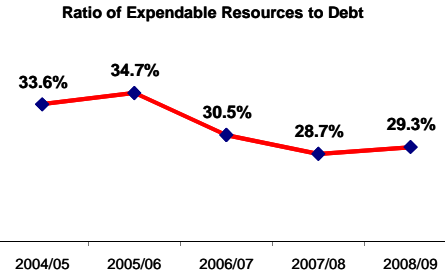
Debt Capacity Analysis, March 31, 2009

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	2007/08	2008/09
Expendable resources (millions)	\$14.9	\$16.1
Debt, incl. current portion of long-term debt (millions)	\$52.0	\$54.9
Ratio of expendable resources to debt	28.7%	29.3%

- expendable resources increased, as did the university debt
- the ratio shown in the chart is slightly more favourable than the prior year
- SMU ratio is more favorable than the university peer group median (21.9%)

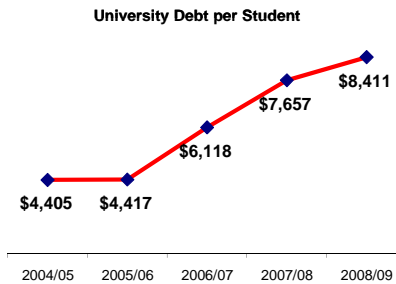


Critical Success Factor 14: **Manageable debt load**
 Key Performance Indicator 14: **University debt per student**

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	2007/08	2008/09
Debt, incl. current portion of long-term debt (millions)	\$52.0	\$54.9
Number of students (full time equivalents)	6,791	6,527
University debt per student	\$7,657	\$8,411

- SMU debt has increased 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 (\$7,679)
- SMU has taken on significant debt in recent years for building renovations

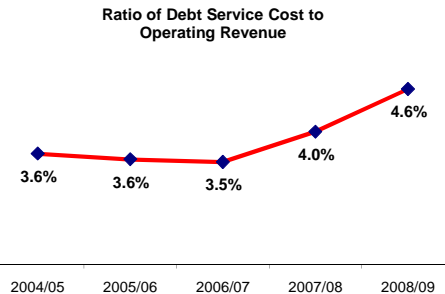


Critical Success Factor 15: **Debt funding strength arising from operations**
 Key Performance Indicator 15: **Ratio of debt service cost to operating revenue**

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	2007/08	2008/09
Debt service cost: principal + interest (millions)	\$3.8	\$4.7
Total operating revenue (millions)	\$95.3	\$102.4
Ratio of debt service cost to operating revenue	4.0%	4.6%

- the ratio deteriorated; debt service cost increased \$0.9 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

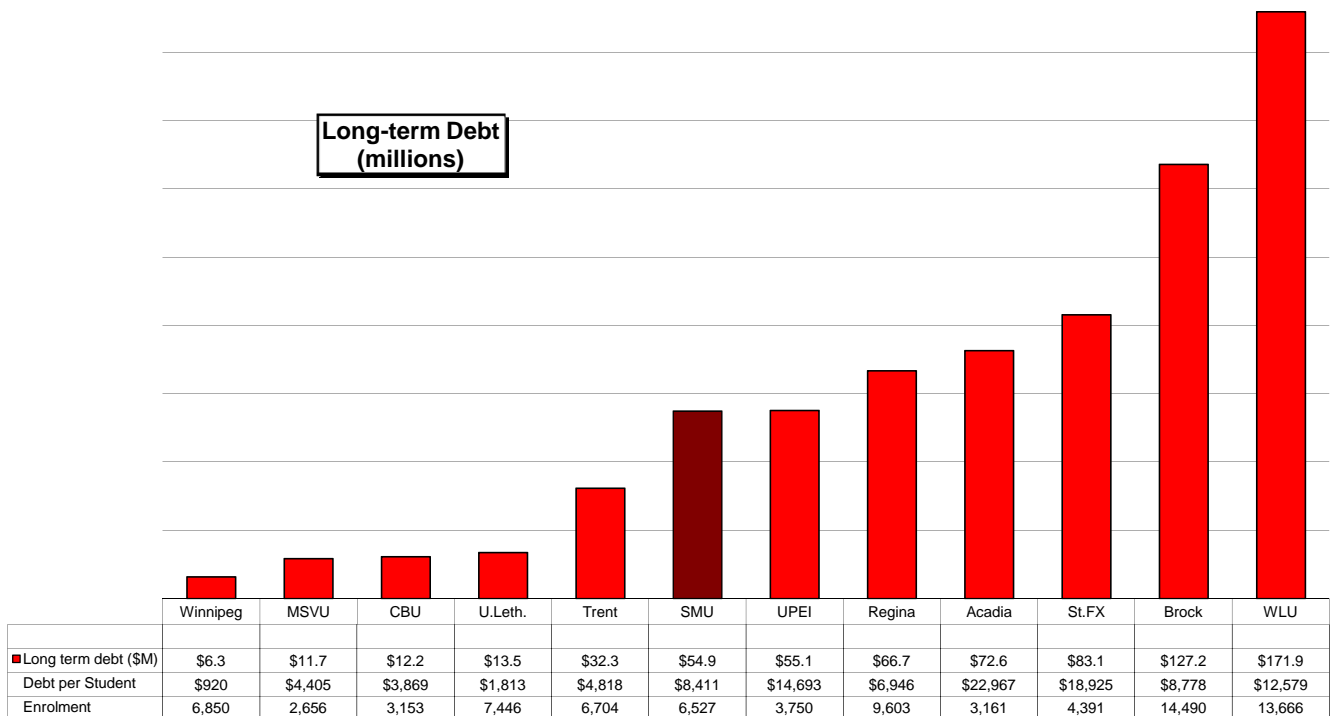
Debt Capacity Analysis, March 31, 2009

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.

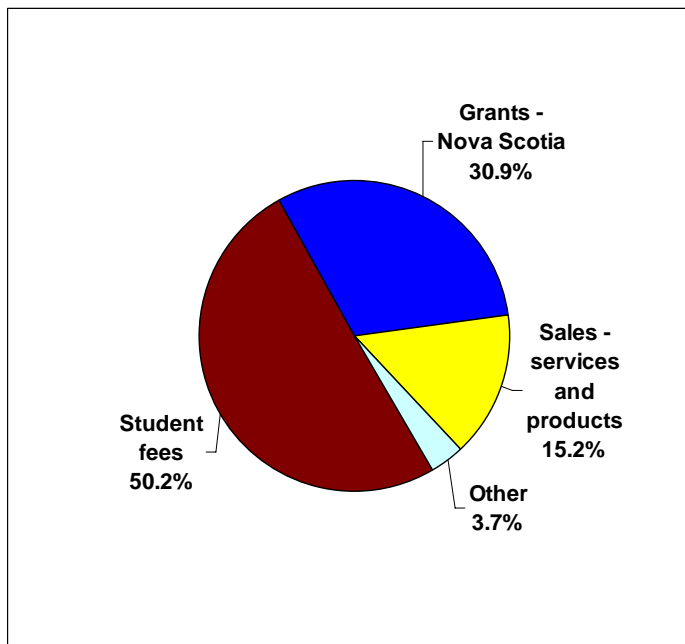
The following chart shows total long-term debt of selected Canadian universities (SMU peer group comparators). Included as "long-term debt" are all obligations relating to long-term loans (including the current portion), mortgages, commitments under capital leases and employee future benefits obligations,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



- Saint Mary's total debt, \$54.9 million, is at the total debt median of the peer group (6th of 12 universities)
- The university peer group (i.e. 100% of peer universities) increased debt over the past four years
 The median debt of the peer group has more than doubled to \$55.0 million in 2008/09 from \$27.2 in 2004/05
- The majority of SMU debt relates to academic assets as opposed to self-financing residence operations;
 46% of SMU debt relates to residence operations (2007/08 48%, 2006/07 58%, 2005/06 79%)
- \$8,411 debt per student at SMU is higher than the university peer group median (\$7,679)
 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 2008 Enrolment Survey

General Fund Analysis Operating Fund - Revenues



The 2008/09 operations of Saint Mary's University produced revenues of \$102.4 million.

Most elements of university revenue are enrolment-driven. Student fees are the largest component of operating revenue. The majority of sales of services and products are also related to students and enrolment. i.e. residence fees, food service and bookstore sales.

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

If ancillary operations are excluded, student fees comprise 58% of revenue (2008- 61%), with the grant from the Province of NS at 36% (2008- 32%) of total revenue.

Revenue Analysis

The 2008/09 budget assumed that the demographic trend of fewer high school graduates in Nova Scotia would translate into 2% lower student enrolment compared to the actual enrolment of the prior year. The actual results were mixed; regular academic programs declined significantly (\$835 thousand shortfall) but international students (who pay higher tuition) increased by 9%. Also, there were increases in Web-delivered courses and in graduate programs such as the EMBA and Master of Finance program. These revenue increases completely mitigated the decline in regular academic programs.

Other revenue sources also helped the tuition revenue picture. The Teaching English as a Second Language program exceeded its revenue target by over \$500 thousand. The Department of Continuing Education seems to have turned the corner, reversing a recent trend of operating deficits by contributing \$230 thousand beyond the 2008/09 budget target.

Grants from the provincial government had an unexpected, and favourable, variance from the amount budgeted. At the time of production of the SMU budget, the new MOU with the Province was being negotiated. The final grant allocation exceeded our budget estimate by \$495 thousand. Growth in operating funding from the provincial government has resulted from positive negotiations for the three year MOU ending in 2011.

Saint Mary's dependence on student fee revenue has consistently declined over the past five years, mainly due to increasing grants from the Province of Nova Scotia:

Student fee revenue as a percentage of total operating revenue:

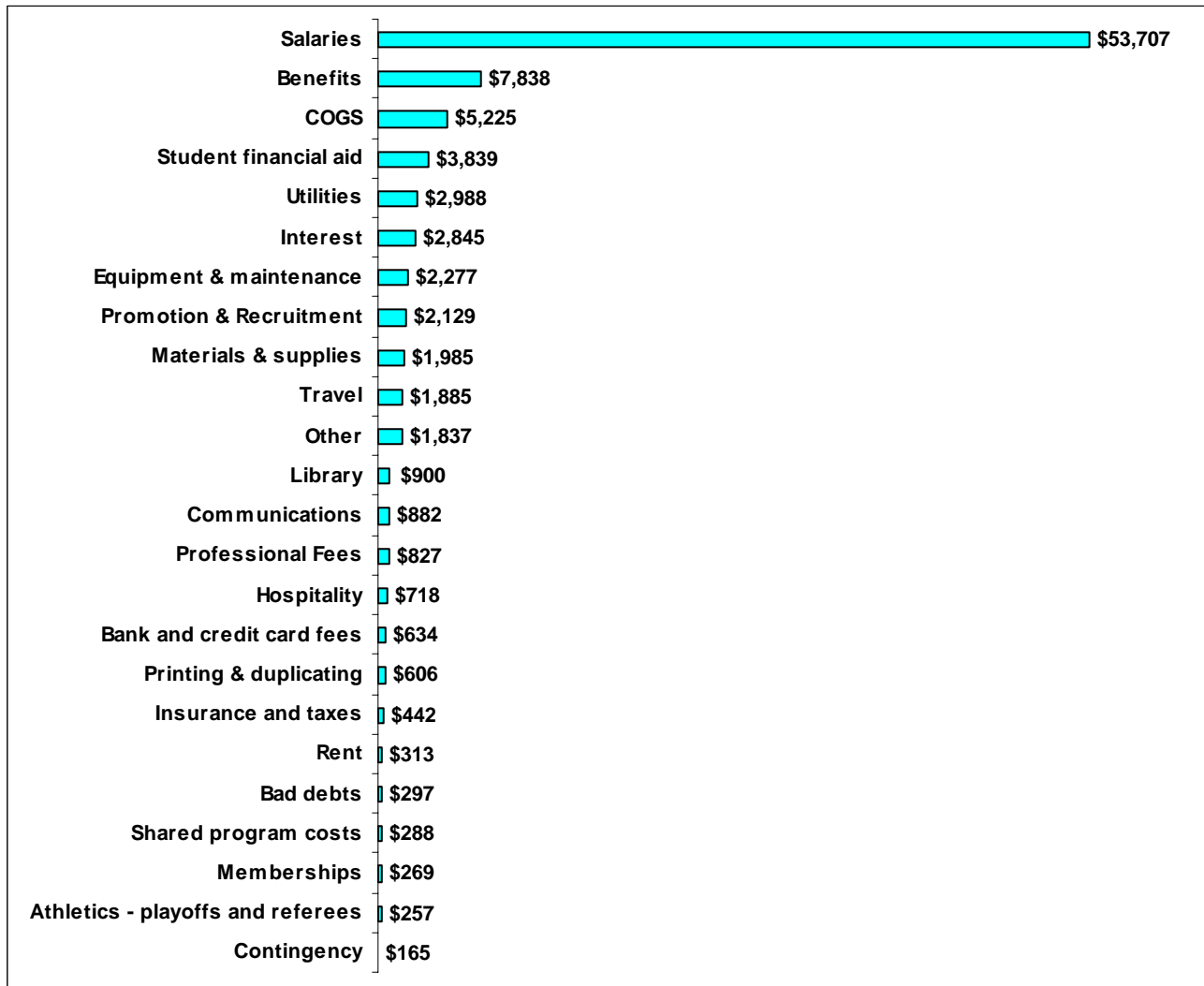
2008/09 50.2%
2007/08 52.5%
2006/07 55.2%
2005/06 55.7%
2004/05 57.8%

After taking revenues and expenses into account, Saint Mary's University ended the 2008/09 fiscal year with a surplus of \$1.8 million, representing a variance of about 1.8% on the total operating budget.

General Fund Analysis Operating Fund - Expenses

The 2008/09 operations of Saint Mary's incurred expenses of \$93.2 million excluding interfund transfers. The following chart (in thousands) shows the breakdown of operating expenses, including ancillary operations and after reallocating a portion of "other" expenses.

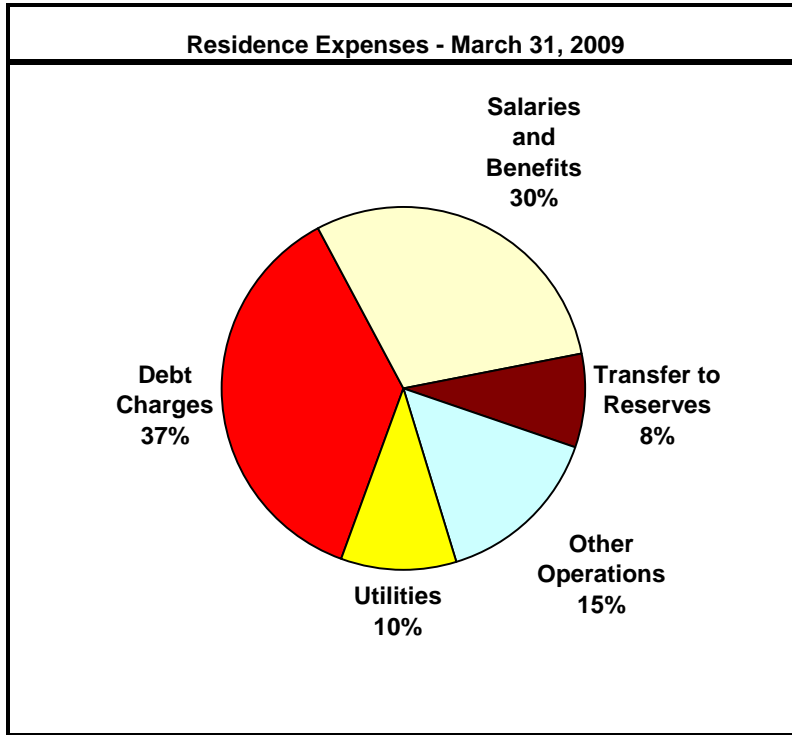
The chart below shows significant expense groups. Obviously, the lion's share is on account of salaries and benefits. The next biggest category is cost of goods sold (COGS) which is comprised of \$5.2 million spent in the food service and university bookstore.



The student financial assistance budget was overspent by \$191 thousand mostly due to high student take-up of entrance scholarship offers.

Operating departments of the university maintain strict control on expense accounts. In fact, many departments underspent their 2008/09 budget allotment since there were quite a large number of staff and faculty vacancies and delayed hiring during the year. This resulted in net savings to payroll in the amount of \$1.1 million.

**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 and summer rentals (\$640 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 37% of total expenses (\$2.4 million). Salaries and benefits are also significant at \$1.9 million. In 2008/09 the university set aside a provision in the

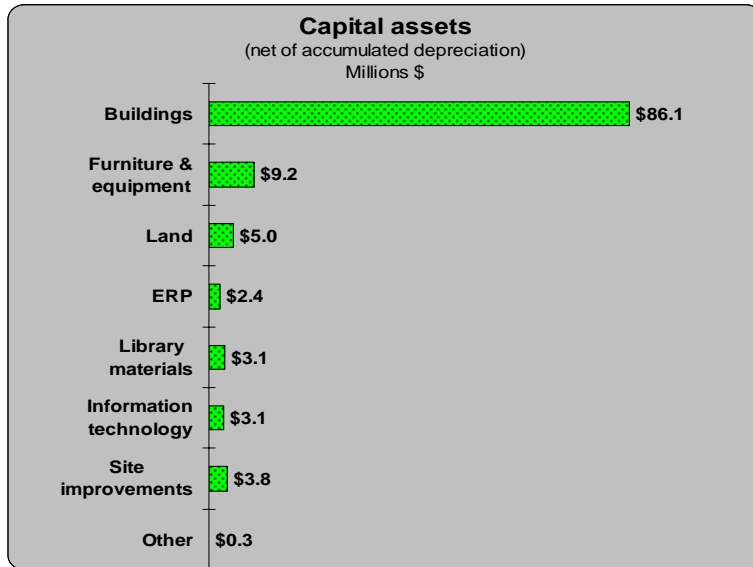
amount of \$550 thousand for equipment and future major renovations. Overall, the residence operations produced revenue and expense close to budget, and ended the year in a break-even position as planned.

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 contributes a surplus to the general operating fund of \$394 thousand (\$439 thousand in 2007/08). 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.

Summary (\$ Thousands)	Actual 2008-09	Actual 2007-08
Residence		
Revenues	6,529	6,525
Expenses & transfers	(6,529)	(6,526)
Surplus	0	(1)
Food Services		
Revenues	2,212	2,072
Expenses	(2,118)	(1,997)
Surplus	94	75
Bookstore		
Revenues	4,427	4,432
Expenses & transfers	(4,033)	(3,993)
Surplus	394	439

Restricted Fund Analysis Capital Fund



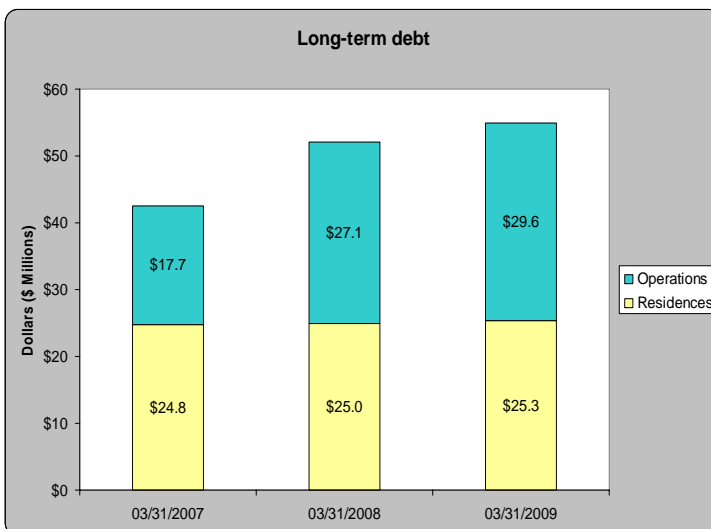
The Restricted Fund accounts for resources that are subject to restrictions on their use, either for capital assets or for specific purposes defined by external contributors to the university.

With a fund balance of almost \$60 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 2008/09 the university purchased capital assets of \$15 million, increasing the total to \$112.9 million, net of accumulated depreciation. Funding for these purchases included transfers from internally restricted funds of \$4.5 million, transfers from the Research Fund of \$1.0 million, transfers from externally restricted donation reserves of \$2.0 million, capital grants of \$5.4 million, borrowing of \$902 thousand and transfers from the Operating Fund of \$359 thousand.

Accumulated unspent contributions for capital assets received from various external organizations total \$181 thousand and make up the externally restricted fund balance of the Capital Fund. These funds will be spent on capital asset purchases in 2009/10.

The remainder of the Capital Fund's balance consists of the net investment in capital assets (\$59.8 million), i.e., net capital assets less the related debt. Included in the \$15.0 million spent on capital assets in 2008/09 was \$9.0 million for buildings consisting of new construction and major renovations, \$3.2 million for furniture, equipment and interior improvements, \$2.2 million for campus improvements, \$445 thousand for information technology, and \$512 thousand for library books. The Atrium Building construction began in 2008-09 with a capital budget of \$17.5 million; \$6.5 million was spent in 2008/09. It is scheduled to open September 2009. Campus improvements in 2008/09 included \$1.3 million to convert to natural gas and \$0.8 million for energy management infrastructure.



Campus improvements in 2008/09 included \$1.3 million to convert to natural gas and \$0.8 million for energy management infrastructure.

By the end of 2008/09 the university's debt had increased to \$54.9 million from \$52.0 million, as shown in the chart to the left.

54% of the long term debt relates to academic and administration buildings. The other 46% relates to the student residence buildings.

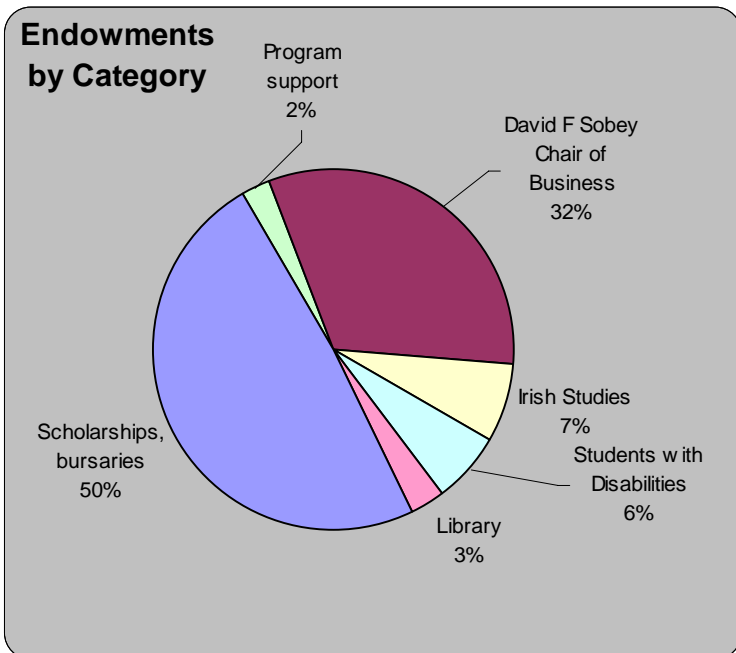
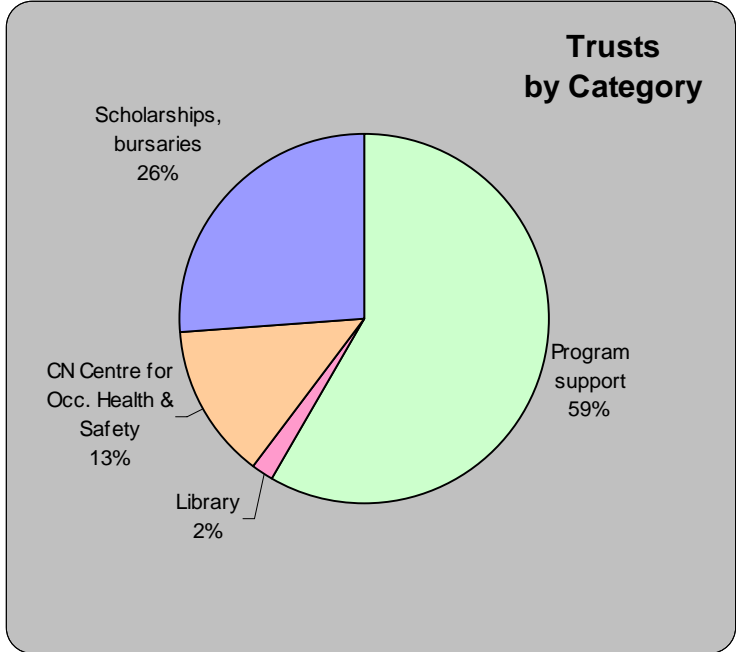
Restricted Fund Analysis Trust Fund

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 \$3.6 million consists of expendable trusts and the expendable portion of the university's endowment funds.

The \$16.6 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, 2009.

The endowment spending policy provides an 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.

Investments are recorded at fair value and investment income, including unrealized gains, is allocated to the related endowments and trusts. Consequently, the endowments and trusts are also recorded at fair value.



As a result of the downturn in the economy and the investment markets during 2008/09 the endowments suffered a net investment loss of \$1.2 million.

During 2008/09, Saint Mary's University received \$604 thousand in endowed donations. This included a donation of \$200 thousand from Sobey's Inc. for the Sobey's Scholarship Endowment Fund. Donations of \$723 thousand were received during the year in the Trust Fund.

The Trust and Endowment Funds provided scholarships and bursaries totaling \$491 thousand in 2008/09. The Trust Fund also provided \$488 thousand to the General Fund for program support, including athletics, Irish studies, the Atlantic Centre for Students with Disabilities, and student financial aid.

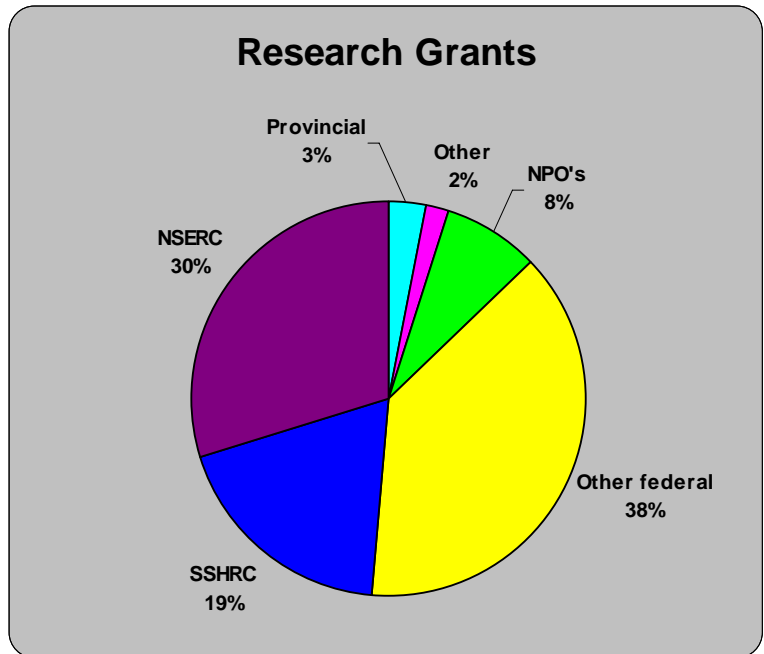
Restricted Fund Analysis Research and Specific Purpose Funds

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, \$4.5 million, consists of contributions available to be carried forward to the following year.

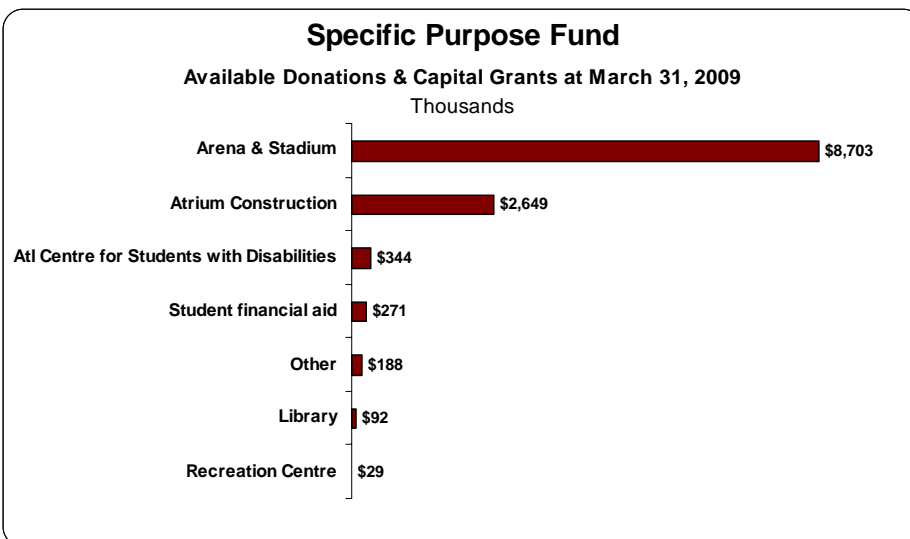
During 2008/09 Saint Mary's University received \$7.2 million in contributions for research, down from \$9.0 million in 2007/08. The largest decreases were in funding from other federal granting agencies such as CFI and not-for-profit organizations such as the Nova Scotia Research Innovation Trust. The bulk of the expenses related to research were for salaries for research assistants, travel and accommodations for research and fieldwork.

The largest decreases were in funding from other federal granting agencies such as CFI and not-for-profit organizations such as the Nova Scotia Research Innovation Trust. 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 \$13.7 million at March 31, 2009, consists of:



- \$12.3 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).
- \$1.4 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 \$3.3 million for specific purposes including \$1.6 million for the Atrium Construction Project and \$1.0 million for the Homburg Centre for Health & Wellness.



One University. One World. Yours.

Financial Statements

March 31, 2009

Auditors' report

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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, 2009 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, 2009 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.



Halifax, Nova Scotia
June 22, 2009

Chartered Accountants

Statement of Financial Position

As at March 31, 2009
(\$ thousands)

	General	Restricted	Endowment	2009 Total	2008 Total
Current Assets					
Cash and short-term investments (Note 3)	55,548	1,212	14	56,774	38,546
Accounts receivable	5,099	324	-	5,423	6,629
Inventories	850	-	-	850	981
Prepaid expenses	1,320	4	-	1,324	1,044
	62,817	1,540	14	64,371	47,200
Long-term Assets					
Long-term investments (at market - Note 4)	-	22,551	16,567	39,118	33,402
Long-term receivable	426	563	-	989	889
Capital assets (Note 6)	-	112,877	-	112,877	104,223
	426	135,991	16,567	152,984	138,514
	63,243	137,531	16,581	217,355	185,714
Current Liabilities					
Accounts payable and accrued liabilities	9,710	2,858	7	12,575	10,935
Unearned fees and other deferred revenue (Note 7)	35,315	125	-	35,440	15,350
Current portion of long-term debt (Note 8)	-	1,930	-	1,930	1,795
	45,025	4,913	7	49,945	28,080
Long-term Liabilities					
Long-term debt (Note 8)	-	52,947	-	52,947	50,232
Due to (from) other funds	2,151	(2,163)	12	-	-
	2,151	50,784	12	52,947	50,232
	47,176	55,697	19	102,892	78,312
Fund Balances					
Endowment	-	-	16,562	16,562	17,901
Externally restricted	-	22,034	-	22,034	19,811
Internally restricted	11,702	-	-	11,702	12,291
Invested in capital assets	-	59,800	-	59,800	54,802
Unrestricted	4,365	-	-	4,365	2,597
	16,067	81,834	16,562	114,463	107,402
	63,243	137,531	16,581	217,355	185,714

Commitments (Note 11) Contingencies (Note 15)

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, 2009

(\$ thousands)

	General	Restricted	Endowment	2009 Total	2008 Total
	(See Schedule 1)	(See Schedule 2)			
Revenues					
Government grants and contributions					
Government of Canada	1,686	8,918	-	10,604	9,306
Government of Nova Scotia	31,691	1,863	-	33,554	27,141
Other	5	31	-	36	-
Other grants	13	3,683	-	3,696	2,005
Student fees	51,364	-	-	51,364	49,987
Gifts and bequests	110	4,083	604	4,797	5,683
Sales of services and products	15,612	1,022	-	16,634	16,138
Income (loss) from investments	688	(116)	(1,239)	(667)	676
Miscellaneous income	1,303	556	-	1,859	1,459
	102,472	20,040	(635)	121,877	112,395
Expenses					
Salaries	53,870	3,863	-	57,733	55,767
Employee benefits	7,848	226	-	8,074	7,487
Equipment rental	893	1	-	894	876
Materials and supplies	2,066	835	-	2,901	3,195
Communications	882	40	-	922	754
Travel	2,026	1,731	-	3,757	3,010
Utilities	2,988	-	-	2,988	2,918
Printing and duplicating	606	51	-	657	715
Library acquisitions	716	-	-	716	699
Hospitality	710	215	-	925	757
Repairs and maintenance	1,384	365	-	1,749	2,019
Promotion and student recruitment	2,129	69	-	2,198	2,208
Professional fees	559	252	39	850	1,070
Rent	335	42	-	377	418
Other operational expenses	4,835	1,128	18	5,981	5,450
Cost of goods sold	5,167	-	-	5,167	5,094
Student financial aid	3,860	973	-	4,833	4,515
Amortization	-	6,668	-	6,668	6,094
Interest	2,865	-	-	2,865	2,481
	93,739	16,459	57	110,255	105,527
Revenues less expenses before transfers	8,733	3,581	(692)	11,622	6,868
Interfund transfers (Schedule 7)	(7,554)	8,201	(647)	-	-
Increase in fund balances from operations	1,179	11,782	(1,339)	11,622	6,868

See accompanying notes to the financial statements.

Statement of Changes in Fund Balances

For the year ended March 31, 2009

(\$ thousands)

	Externally restricted	Internally restricted	Invested in capital assets	Unrestricted	2009 Total	2008 Total
Endowment						
General Fund						
Beginning fund balance	-	-	12,291	-	2,597	14,888
Increase (decrease) in fund balance from operations	-	-	(589)	-	1,768	1,179
Ending fund balance	-	-	11,702	-	4,365	16,067
Restricted Fund						
Beginning fund balance	-	19,811	-	54,802	-	74,613
Increase (decrease) in fund balance from operations	-	2,223	-	9,559	-	11,782
Change in fair value of interest rate swap agreements	-	-	-	(4,561)	-	(4,561)
Ending fund balance	-	22,034	-	59,800	-	81,834
Endowment Fund						
Beginning fund balance	17,901	-	-	-	-	17,901
Increase (decrease) in fund balance from operations	(1,339)	-	-	-	-	(1,339)
Ending fund balance	16,562	-	-	-	-	16,562
Total - All Funds						
Beginning fund balance	17,901	19,811	12,291	54,802	2,597	107,402
Increase (decrease) in fund balance from operations	(1,339)	2,223	(589)	9,559	1,768	11,622
Change in fair value of interest rate swap agreements	-	-	-	(4,561)	-	(4,561)
Ending fund balance	16,562	22,034	11,702	59,800	4,365	114,463

See accompanying notes to the financial statements.

Statement of Cash Flows

For the year ended March 31, 2009

(\$ thousands)

	General	Restricted	Endowment	2009 Total	2008 Total
Operating Activities					
Increase (decrease) in fund balances from operations	1,179	11,782	(1,339)	11,622	6,868
Amortization of capital assets	-	6,668	-	6,668	6,094
Investment gains and losses	-	1,187	1,749	2,936	2,103
Change in non-cash working capital	21,721	781	310	22,812	8,320
Cash generated from operating activities	22,900	20,418	720	44,038	23,385
Investing Activities					
Purchase of investments	-	(8,746)	(3,331)	(12,077)	(12,881)
Disposal of investments	-	807	2,618	3,425	12,265
Collection (acquisition) of long-term receivable	-	(125)	-	(125)	(39)
Purchase of capital assets	-	(15,322)	-	(15,322)	(11,052)
Cash generated from (used for) investing activities	-	(23,386)	(713)	(24,099)	(11,707)
Financing Activities					
Debt financing proceeds	-	4,697	-	4,697	8,235
Debt repayments	-	(6,408)	-	(6,408)	(1,293)
Cash generated from (used for) financing activities	-	(1,711)	-	(1,711)	6,942
Increase (decrease) in cash and short-term investments	22,900	(4,679)	7	18,228	18,620
Cash and short-term investments, beginning of year	32,648	5,891	7	38,546	19,926
Cash and short-term investments, end of year	55,548	1,212	14	56,774	38,546

See accompanying notes to the financial statements.

Notes to the Financial Statements

For the year ended March 31, 2009
(\$ thousands)

1. Authority and Purpose

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

2. Summary of Significant Accounting Policies and Reporting Practices

a) Basis of accounting

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

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, 2009
(\$ thousands)

e) Investments

Short-term investments and long term investments are classified as "held-for-trading" and are recorded at fair value.

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.

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.

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

h) Donations and pledges

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

The University has a long-term receivable related to an irrevocable charitable trust. During previous years an individual donated \$438 to the University. An additional \$125 was donated in 2009 and the long-term receivable is \$563 on March 31, 2009. The donation is held in an irrevocable charitable trust with the income payable to the University. 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.

Notes to the Financial Statements

For the year ended March 31, 2009
(\$ thousands)

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 assets and financial liabilities are classified as held-for-trading, loans and receivables, amortized cost or other financial liabilities. The classification depends on the purpose for which the financial instruments were acquired and their characteristics. Held-for-trading is the required classification for all derivative financial instruments unless they are specifically designated within an effective hedge relationship. Held-for-trading financial instruments are measured at fair value with changes in fair value recognized in net earnings in the period in which they arise. Derivatives designated with effective hedges are recorded at fair value with the change in the fair value recorded as an increase or decrease of the Capital Fund balance. Loans and receivables and other financial liabilities are initially recorded at fair value and are subsequently measured at amortized cost.

The University has classified its financial instruments into the following categories:

- Cash - held-for-trading
- Short-term investments - Held-for-trading
- Accounts receivable - Loans and receivable
- Long-term investments - Held-for-trading
- Accounts payable and accrued liabilities - Other financial liabilities
- Long-term debt -
 - Loans - Amortized cost
 - Interest rate swaps - Derivatives designated with effective hedges

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, 2009
(\$ 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

Long-term investments are classified as held-for-trading and are recorded at fair value. The fair value is calculated using quoted market values based on actively traded markets. 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 \$2,200 for 2009 and an unrealized loss of \$2,296 for 2008.

	2009		2008	
	Cost	Market Value	Cost	Market Value
Canadian equities	5,191	6,599	4,999	5,584
Pooled investment funds	37,029	32,519	29,306	27,818
Total investments	42,220	39,118	34,305	33,402

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, 2009 totalled \$3,411 (2008 \$3,337).

6. Capital Assets

	2009		2008	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	4,959	-	4,959	4,959
Buildings	119,766	33,710	86,056	79,146
Site improvements	6,236	2,416	3,820	1,865
Enterprise Resource Planning system	3,083	716	2,367	2,532
Library materials	7,350	4,207	3,143	2,953
Equipment and furnishings	14,001	4,837	9,164	8,449
Information technology	5,669	2,595	3,074	4,025
Art collection	293	-	293	293
Motor vehicles	61	60	1	1
	161,418	48,541	112,877	104,223

The University has undertaken several major construction and renovation projects. Capital expenditures incurred during the construction phase are added to capital assets but they are not amortized until the assets are put in use. Interest on financing during the construction phase is added to the capitalized costs.

Atrium Building Construction - In 2009 \$6,487 was capitalized as part of buildings and \$23 as equipment and furnishings. Construction is expected to be completed and the building put in use in 2010.

Homburg Centre for Health & Wellness - In 2009 \$500 in design and planning costs was capitalized as part of buildings. Construction is expected to take place in the near future.

5960 Inglis Street Addition - In 2009 \$430 and in 2008 \$10 was capitalized as part of buildings. Construction was completed and the building put in use in 2009.

Science Building Expansion and Renewal - In 2008 \$5,067 was capitalized as part of buildings. Construction was completed and the building put in use in 2008. During 2008 \$94 in interest costs were capitalized as part of the building costs.

7. Deferred revenue

The University receives an annual operating grant from the Province of Nova Scotia. The amount and timing of the grant is agreed upon in a Memorandum of Understanding (MOU) between the Province of Nova Scotia and the Nova Scotia universities. At the end of March the Province modified the MOU to alter the timing of the grant payments. As a result the University received a grant payment from the Province on March 31 in the amount of \$27,821 (2008 \$7,958). The University has deferred this amount to fund operations in the following fiscal year.

Notes to the Financial Statements

For the year ended March 31, 2009

(\$ thousands)

8. Long-term Debt

Debt	Maturity Date	Debt Interest Rate	Hedged Interest Rate	2009			2008		
				Loan Principal	Adjustment for Hedged Debt	Translated at Hedged Rate	Loan Principal	Adjustment for Hedged Debt	Translated at Hedged Rate
Debentures (secured by University land and buildings)									
Rice and Vanier Residences *	Jun 2019	6.88%	-	-	-	-	1,798	-	1,798
Loyola Residence and Academic Complex *	May 2022	7.88%	-	-	-	-	3,112	-	3,112
				-	-	-	4,910	-	4,910
Long-term loans (unsecured)									
Sobey Building	Mar 2011	6.12%	-	811	-	811	1,163	-	1,163
Synthetic Turf Athletic Field	Mar 2013	4.57%	-	348	-	348	426	-	426
Gorsebrook Lounge Renovations	May 2015	CDOR +0.20%	5.01%	386	57	443	397	21	418
Enterprise Resource Planning System	Jun 2021	CDOR +0.25%	5.16%	2,255	397	2,652	2,379	134	2,513
Rice and Vanier Residences *	Jun 2019	5.02%	-	1,674	-	1,674	-	-	-
Loyola Residence and Academic Complex *	May 2022	5.34%	-	3,023	-	3,023	-	-	-
Residences Renovations	Aug 2026	6.95%	-	10,456	-	10,456	10,752	-	10,752
Residences Renovations	Sep 2026	CDOR +0.30%	5.97%	5,508	1,446	6,954	5,688	684	6,372
Residences Renovations	Sep 2026	CDOR +0.30%	5.40%	2,653	558	3,211	2,745	197	2,942
Science Building Renewal Project	Mar 2033	CDOR +0.20%	5.30%	20,672	4,633	25,305	21,037	1,494	22,531
				47,786	7,091	54,877	44,587	2,530	47,117
Subtotal				47,786	7,091	54,877	49,497	2,530	52,027
Less: current portion				(1,930)	-	(1,930)	(1,795)	-	(1,795)
Total long-term debt				45,856	7,091	52,947	47,702	2,530	50,232

* During 2009 the two debentures were converted to unsecured term loans. The principal balances and terms to maturity remain the same. 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.

Principal instalments payable in each of the next five years:

2010	1,930
2011	2,081
2012	1,738
2013	1,918
2014	1,945

Interest expense on long-term debt during the year totalled \$2,865 (2008 \$2,481). In 2008, interest of \$94 was capitalized as part of the building costs of the Science Building expansion and renewal project.

The estimated fair value of the long-term debt at March 31, 2009, including the current portion, was \$59,512 (2008 \$55,578). The fair value of long-term debt was based on discounted cash flows using current rates for similar financial instruments subject to similar risk and maturities.

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.

Notes to the Financial Statements

For the year ended March 31, 2009
(\$ thousands)

9. 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. They are exposed to various risks including interest rate, credit, and foreign exchange risk, as well as fair value changes. Interest rate risk is minimized through fixed rate debt instruments or through the use of interest rate swaps to effectively fixed interest rates on variable rate debt. The University is exposed to credit related losses in the event of non-performance by counterparties to financial instruments. Credit risk exposure is minimized by dealing with creditworthy counter parties such as highly rated Canadian chartered banks. 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. Foreign exchange risk refers to the risk that the value of financial instruments or cash flows associated with the instruments will fluctuate due to changes in foreign exchange rates. The University is exposed to foreign exchange risk related to the portion of long-term investments in international equity pooled funds and to a portion of the accounts payable. The University does not typically hedge foreign exchange risk. The short and long-term investments are exposed to market risk. The majority of the short and long-term 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.

The fair value of cash, short term investments, accounts receivable and accounts payable and accrued liabilities approximate their carrying value to their relative short term to maturity.

10. Interest rate swap agreements

The University has entered into interest rate swap agreements with two chartered banks to manage interest rate exposure associated with certain long-term debt obligations. The 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 University enters into interest rate swaps to manage the cash flow risk associated with variable rate debt. The University does not have a policy of entering into derivatives for trading or speculative purposes. Interest rate swaps are documented and accounted for as cash flow hedges. The University documents all relationships between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions.

The notional underlying principal value of the interest rate swaps related to debt outstanding at March 31, 2009 was \$31,474 (2008 \$32,246). 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, 2009, it would have been obligated to pay the banks \$7,091 (2008 \$2,530), which is the fair value of the swaps.

11. Commitments

Encumbrances at March 31, 2009 were \$9,219. The University has entered into various agreements for capital expenditures in the upcoming fiscal year. The total capital budget for the 2010 fiscal year is \$4,840. In addition, the University has also approved a \$17.5 million construction project for the Atrium Building that will join the Science Building and the library. The estimated cost to complete at March 31, 2009 was \$10,990 of which \$7,061 is included in encumbrances at March 31, 2009.

The University has approved a \$22,325 project to renovate the McNally Building and several other buildings on the north-side of the campus. This approval is contingent on final approval of the funding for the project under the federal Knowledge Infrastructure Program (KIP). KIP is a federal initiative to renew Canada's college and university infrastructure. Under the terms of the KIP, the Government of Canada has agreed to fund 50% of the eligible costs of approved projects. The Province of Nova Scotia will provide the other 50% of the funds. The federal funding is expected to be a grant of \$11,116. The provincial funding is expected to be a grant of \$1,775 from the Province of Nova Scotia and a loan of \$9,434 from the Nova Scotia Strategic Opportunities Fund Inc. The loan is expected to be for five years with interest payable monthly at 1.5% and principal due in full at maturity. The renovation project is expected to begin in the summer of 2009 and be completed in March 2011.

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

2010	871
2011	558
2012	343
2013	237
2014	206

12. Comparative figures

Certain of the comparative figures have been reclassified to conform to the financial statement presentation adopted for 2009.

Notes to the Financial Statements

For the year ended March 31, 2009
(\$ thousands)

13. Gifts-in-kind and donation pledges

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

	<u>2009</u>	<u>2008</u>
Investments	15	772
Long term receivable	125	63
Library holdings	5	2
Other	28	13
	<u>173</u>	<u>850</u>

Donations pledged but not received as at March 31, 2009, totalled \$7,620 (2008 \$10,817). These pledges are expected to be honoured during the subsequent ten-year period and will be recorded as revenue when received.

14. 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.

15. 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, 2008, CURIE had an accumulated excess of income over expenses of \$20,723, of which the University's pro-rata share is approximately 0.82% on an ongoing basis. The Reciprocal wrote property policies with a limit of \$5,000 per occurrence and placed on behalf of subscribers an excess policy of \$995,000 above the Reciprocal's \$5,000 limit. In respect of General Liability policies, the Reciprocal's limit of liability per occurrence was \$5,000 and it purchased excess policies above these limits on behalf of subscribers in the amount of \$25,000. In respect of Errors and Omissions Liability policies, the Reciprocal's limit of liability per occurrence was \$5,000 and it purchased excess policies on behalf of subscribers through a combined excess program with General Liability in the amount of \$25,000. As the original insurer the Reciprocal has a contingent liability in the event the reinsurer is unable to meet its obligations.

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

16. Canadian Centre for Ethics in Public Affairs

The Canadian Centre for Ethics in Public Affairs (CCEPA) was created jointly by Saint Mary's University and the Atlantic School of Theology. From its base in Atlantic Canada, CCEPA will undertake collaborative research and education in ethics. This collaboration will involve partnerships with the major shapers of public life including government, the business community, non-government organizations and public service agencies. Through the sponsorship of research, public discussion and education, CCEPA will assist its partners as they seek to integrate ethics into their practices and policies. 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 five of CCEPA's 18 board members and provides significant funding to CCEPA, \$40 in 2009 and \$40 in 2008. 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 for CCEPA. It was reported as donation revenue of the Restricted Fund in 2008 and the funds were paid to CCEPA in fiscal 2009.

17. 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, U.S.A. It is a US registered charity. FSMUI had 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 is determined by the FSMUI board. The corporation received \$29 in donations during its fiscal year ended December 31, 2008 and made a contribution of \$27 to Saint Mary's University for research and program support. The University contributes to the corporation to cover legal and administration expenses and reports these contributions to FSMUI as part of other operating expenses in the General Fund.

Schedules to the Financial Statements

Schedule 1

General Fund - Statement of Operations and Changes in Fund Balances

 For the year ended March 31, 2009
 (\$ thousands)

	General Fund			
	Operating	Projects and Reserves	2009 Total	2008 Total
	(See Schedule 3)			
Revenues				
Government grants and contributions				
Government of Canada	1,667	19	1,686	1,466
Government of Nova Scotia	31,689	2	31,691	26,528
Other	-	5	5	-
Other grants	-	13	13	52
Student fees	51,364	-	51,364	49,987
Gifts and bequests	90	20	110	146
Sales of services and products	15,603	9	15,612	15,510
Income (loss) from investments	749	(61)	688	1,100
Miscellaneous income	1,239	64	1,303	1,110
	102,401	71	102,472	95,899
Expenses				
Salaries	53,707	163	53,870	51,958
Employee benefits	7,838	10	7,848	7,254
Equipment rental	893	-	893	857
Materials and supplies	1,985	81	2,066	2,267
Communications	882	-	882	730
Travel	1,885	141	2,026	1,711
Utilities	2,988	-	2,988	2,918
Printing and duplicating	606	-	606	602
Library acquisitions	716	-	716	699
Hospitality	704	6	710	688
Repairs and maintenance	1,384	-	1,384	1,966
Promotion and student recruitment	2,129	-	2,129	2,153
Professional fees	540	19	559	732
Rent	313	22	335	388
Other operational expenses	4,785	50	4,835	4,676
Cost of goods sold	5,167	-	5,167	5,094
Student financial aid	3,839	21	3,860	3,649
Interest	2,845	20	2,865	2,481
Internal cost recoveries	(53)	53	-	-
	93,153	586	93,739	90,823
Revenues less expenses before transfers	9,248	(515)	8,733	5,076
Interfund transfers (Schedule 7)	(7,480)	(74)	(7,554)	(3,332)
Net increase (decrease) in fund balances	1,768	(589)	1,179	1,744
Fund balances, beginning of year	2,597	12,291	14,888	13,144
Fund balances, end of year	4,365	11,702	16,067	14,888

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, 2009
 (\$ thousands)

	Restricted Fund				2009	2008
	Capital	Research	Trust	Specific Purpose	Total	Total
Revenues						
Government grants and contributions						
Government of Canada	1,266	6,277	-	1,375	8,918	7,840
Government of Nova Scotia	1,574	228	-	61	1,863	613
Other	27	-	-	4	31	-
Other grants	2,895	685	-	103	3,683	1,953
Gifts and bequests	-	25	723	3,335	4,083	4,213
Sales of services and products	-	5	34	983	1,022	628
Income (loss) from investments	-	-	(25)	(91)	(116)	63
Miscellaneous income	78	2	112	364	556	349
	5,840	7,222	844	6,134	20,040	15,659
Expenses						
Salaries	-	3,058	8	797	3,863	3,809
Employee benefits	-	172	-	54	226	233
Equipment rental	-	-	-	1	1	19
Materials and supplies	242	467	8	118	835	928
Communications	-	29	-	11	40	24
Travel	-	913	4	814	1,731	1,299
Printing and duplicating	-	2	1	48	51	113
Hospitality	-	7	1	207	215	69
Repairs and maintenance	365	-	-	-	365	53
Promotion and student recruitment	-	1	-	68	69	55
Professional fees	-	73	29	150	252	305
Rent	-	8	-	34	42	30
Other operational expenses	-	534	75	519	1,128	763
Student financial aid	-	448	491	34	973	866
Amortization	6,668	-	-	-	6,668	6,094
	7,275	5,712	617	2,855	16,459	14,660
Revenues less expenses before transfers	(1,435)	1,510	227	3,279	3,581	999
Interfund transfers (Schedule 7)	10,528	(525)	334	(2,136)	8,201	2,573
Net increase (decrease) in fund balances	9,093	985	561	1,143	11,782	3,572
Change in fair value of swap agreements (Note 2)	(4,561)	-	-	-	(4,561)	(1,099)
Fund balances, beginning of year	55,449	3,546	3,057	12,561	74,613	72,140
Fund balances, end of year	59,981	4,531	3,618	13,704	81,834	74,613

See accompanying notes to the financial statements.

Schedules to the Financial Statements

Schedule 3

Operating Fund - Budget Comparison

 For the year ended March 31, 2009
 (\$ thousands)

	General Fund - Operating		
	2009 Budget	2009 Actual	2008 Actual
Revenues			
Government grants and contributions			
Government of Canada	1,126	1,126	924
Government of Nova Scotia	31,185	31,681	26,528
Student fees			
Credit	44,369	44,127	43,166
Non-Credit	5,852	6,541	6,129
Other	475	600	619
Gifts and bequests	75	80	75
Sales of services and products	239	273	287
Income from investments	611	749	860
Miscellaneous income	135	217	192
Revenues for internal reporting purposes	84,067	85,394	78,780
Reclassification of external cost recoveries included in expenses for internal reporting purposes	15,991	17,007	16,547
Revenues for financial statement purposes	100,058	102,401	95,327
Expenses			
Arts	12,588	12,289	12,047
Commerce	13,427	13,124	12,695
Science	10,950	10,802	10,296
Continuing Education	4,152	3,913	3,687
English as a Second Language (ESL)	2,551	2,662	2,550
Library	4,069	3,857	3,533
Student financial aid	3,073	3,264	3,141
Miscellaneous academic	2,720	2,502	2,436
Total academic	53,530	52,413	50,385
Administration and general	12,722	13,599	11,115
Ancillaries, net	(490)	(488)	(513)
Athletics and Recreation	2,870	2,770	2,856
Facilities Management	9,095	9,516	9,093
Information Technology	4,144	3,928	3,508
Student Services	2,196	1,888	1,759
Expenses for internal reporting purposes	84,067	83,626	78,203
Reclassification of items included in expenses for internal reporting purposes			
External cost recoveries	15,991	17,007	16,547
Interfund transfers (Schedule 7)	(5,516)	(7,480)	(5,241)
Expenses for financial statement purposes	94,542	93,153	89,509
Revenues less expenses before transfers	5,516	9,248	5,818
Interfund transfers (Schedule 7)	(5,516)	(7,480)	(5,241)
Net increase in fund balances	-	1,768	577
Fund balances, beginning of year	2,597	2,597	2,020
Fund balances, end of year	2,597	4,365	2,597

See accompanying notes to the financial statements.

Schedules to the Financial Statements

Operating Fund - Schedule of Expenses by Function

Schedule 4

For the year ended March 31, 2009

(\$ thousands)

For the Year Ended March 31, 2009								
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	37,123	6,445	2,015	1,814	2,836	1,870	1,604	53,707
Employee benefits	4,459	1,735	290	228	587	297	242	7,838
Equipment rental	623	100	25	10	34	77	24	893
Materials and supplies	871	165	211	213	358	127	40	1,985
Communications	179	244	104	22	8	304	21	882
Travel	1,035	440	17	275	22	54	42	1,885
Utilities	-	-	783	293	1,912	-	-	2,988
Printing and duplicating	387	147	17	15	4	4	32	606
Library acquisitions	716	-	-	-	-	-	-	716
Hospitality	426	232	3	24	1	4	14	704
Repairs and maintenance	8	15	283	54	364	660	-	1,384
Promotion and student recruitment	1,254	751	4	115	-	-	5	2,129
Professional fees	134	381	-	-	-	25	-	540
Rent	313	-	-	-	-	-	-	313
Other operational expenses	1,405	1,975	332	648	240	6	179	4,785
Cost of goods sold	-	-	5,149	18	-	-	-	5,167
Student financial aid	3,464	-	-	375	-	-	-	3,839
Interest	-	1,167	1,540	18	-	120	-	2,845
External cost recoveries	(1,907)	(77)	(13,168)	(1,600)	-	(62)	(193)	(17,007)
Internal cost recoveries	-	(99)	331	102	(394)	-	7	(53)
	50,490	13,621	(2,064)	2,624	5,972	3,486	2,017	76,146
Interfund transfers	1,923	(22)	1,576	146	3,544	442	(129)	7,480
Total	52,413	13,599	(488)	2,770	9,516	3,928	1,888	83,626

For the Year Ended March 31, 2008								
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	1,910	1,949	2,819	1,723	1,486	51,755
Employee benefits	4,291	1,320	278	233	602	285	225	7,234
Equipment rental	606	95	25	9	32	65	25	857
Materials and supplies	852	152	235	232	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	-	-	816	297	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	255	71	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	135	662	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)	(13,029)	(1,621)	-	(84)	(119)	(16,547)
Internal cost recoveries	-	(94)	338	102	(395)	-	-	(49)
	48,738	12,733	(2,212)	2,729	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	(513)	2,856	9,093	3,508	1,759	78,203

See accompanying notes to the financial statements.

Schedules to the Financial Statements
Operating Fund - Schedule of Academic Expenses by Function
Schedule 5

For the year ended March 31, 2009

(\$ thousands)

For the Year Ended March 31, 2009									
	Arts	Commerce	Science	Cont. Ed.	ESL	Library	Student Financial Aid	Misc. Academic	Total Academic
Expenses									
Salaries	10,446	10,505	8,612	2,911	1,563	2,055	-	1,031	37,123
Employee benefits	1,389	1,201	1,105	197	140	300	-	127	4,459
Equipment rental	91	64	118	10	6	83	-	251	623
Materials and supplies	69	170	238	53	185	102	-	54	871
Communications	16	59	15	56	4	19	-	10	179
Travel	94	555	115	136	41	21	3	70	1,035
Printing and duplicating	71	104	69	69	41	5	-	28	387
Library acquisitions	-	-	-	-	-	716	-	-	716
Hospitality	18	179	55	140	3	1	-	30	426
Repairs and maintenance	-	-	8	-	-	-	-	-	8
Promotion and student recruitment	-	414	11	102	393	1	-	333	1,254
Professional fees	-	134	-	-	-	-	-	-	134
Rent	-	149	-	133	-	-	-	31	313
Other expenses	101	451	128	302	80	129	-	214	1,405
Student financial aid	-	-	-	-	-	-	3,464	-	3,464
External cost recoveries	(17)	(1,576)	(22)	(198)	(4)	(69)	-	(21)	(1,907)
Internal cost recoveries	-	27	-	(27)	-	-	-	-	-
	12,278	12,436	10,452	3,884	2,452	3,363	3,467	2,158	50,490
Interfund transfers	11	688	350	29	210	494	(203)	344	1,923
Total	12,289	13,124	10,802	3,913	2,662	3,857	3,264	2,502	52,413

For the Year Ended March 31, 2008									
	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
Operating Fund - Schedule of Ancillary Revenues and Expenses
Schedule 6

For the year ended March 31, 2009

(\$ thousands)

	For the Year Ended March 31, 2009			
	Residence	Food Service	Bookstore	Total Ancillaries
Revenues				
Sales of services and products	6,408	2,160	4,407	12,975
Miscellaneous income	121	52	20	193
	<u>6,529</u>	<u>2,212</u>	<u>4,427</u>	<u>13,168</u>
Expenses				
Salaries	1,697	-	318	2,015
Employee benefits	244	-	46	290
Equipment rental	5	-	20	25
Materials and supplies	206	4	1	211
Communications	85	-	19	104
Travel	7	-	10	17
Utilities	679	104	-	783
Printing and duplicating	8	-	9	17
Hospitality	3	-	-	3
Repairs and maintenance	228	55	-	283
Promotion and student recruitment	-	-	4	4
Other operational expenses	221	24	87	332
Cost of goods sold	-	1,718	3,431	5,149
Interest	1,520	20	-	1,540
Internal cost recoveries	210	43	78	331
	<u>5,113</u>	<u>1,968</u>	<u>4,023</u>	<u>11,104</u>
Revenues less expenses before transfers	1,416	244	404	2,064
Interfund transfers	(1,416)	(150)	(10)	(1,576)
Revenues less expenses and transfers	<u>-</u>	<u>94</u>	<u>394</u>	<u>488</u>
For the Year Ended March 31, 2008				
	Residence	Food Service	Bookstore	Total Ancillaries
Revenues				
Sales of services and products	6,406	2,023	4,404	12,833
Miscellaneous income	119	49	28	196
	<u>6,525</u>	<u>2,072</u>	<u>4,432</u>	<u>13,029</u>
Expenses				
Salaries	1,599	-	311	1,910
Employee benefits	232	-	46	278
Equipment rental	5	1	19	25
Materials and supplies	230	4	1	235
Communications	84	-	3	87
Travel	7	-	10	17
Utilities	705	111	-	816
Printing and duplicating	10	-	2	12
Hospitality	2	-	-	2
Repairs and maintenance	211	44	-	255
Promotion and student recruitment	1	-	6	7
Other operational expenses	74	3	58	135
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>10,817</u>
Revenues less expenses before transfers	1,538	225	449	2,212
Interfund transfers	(1,539)	(150)	(10)	(1,699)
Revenues less expenses and transfers	<u>(1)</u>	<u>75</u>	<u>439</u>	<u>513</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, 2009
(\$ thousands)

The interfund transfers received or paid between the General, Restricted and Endowment Funds are as follows for the year ended March 31, 2009:

	All Funds			
	General	Restricted	Endowment	Total
Transfers received (paid)				
Purchase capital assets	(5,475)	5,475	-	-
Maintenance and replacements	(438)	438	-	-
Debt reduction	(1,786)	1,786	-	-
Research and specific purposes	(282)	186	96	-
Program support	427	316	(743)	-
Total	(7,554)	8,201	(647)	-

The interfund transfers received or paid by the General Fund are as follows for the year ended March 31, 2009:

	General Fund		
	Operating	Projects and Reserves	Total General
Transfers received (paid)			
Contributions to reserves	(6,750)	6,750	-
Purchase capital assets	(867)	(4,608)	(5,475)
Maintenance and replacements	-	(438)	(438)
Debt reduction	(1,786)	-	(1,786)
Research and specific purposes	(403)	121	(282)
Program support	2,326	(1,899)	427
Total	(7,480)	(74)	(7,554)

The interfund transfers received or paid by the Restricted Fund are as follows for the year ended March 31, 2009:

	Restricted Fund				Total Restricted
	Capital	Research	Trust	Specific Purpose	
Transfers received (paid)					
Purchase capital assets	8,479	(941)	(25)	(2,038)	5,475
Maintenance and replacements	440	-	-	(2)	438
Debt reduction	1,786	-	-	-	1,786
Research and specific purpose	(177)	426	(129)	66	186
Program support	-	(10)	488	(162)	316
Total	10,528	(525)	334	(2,136)	8,201

See accompanying notes to the financial statements.



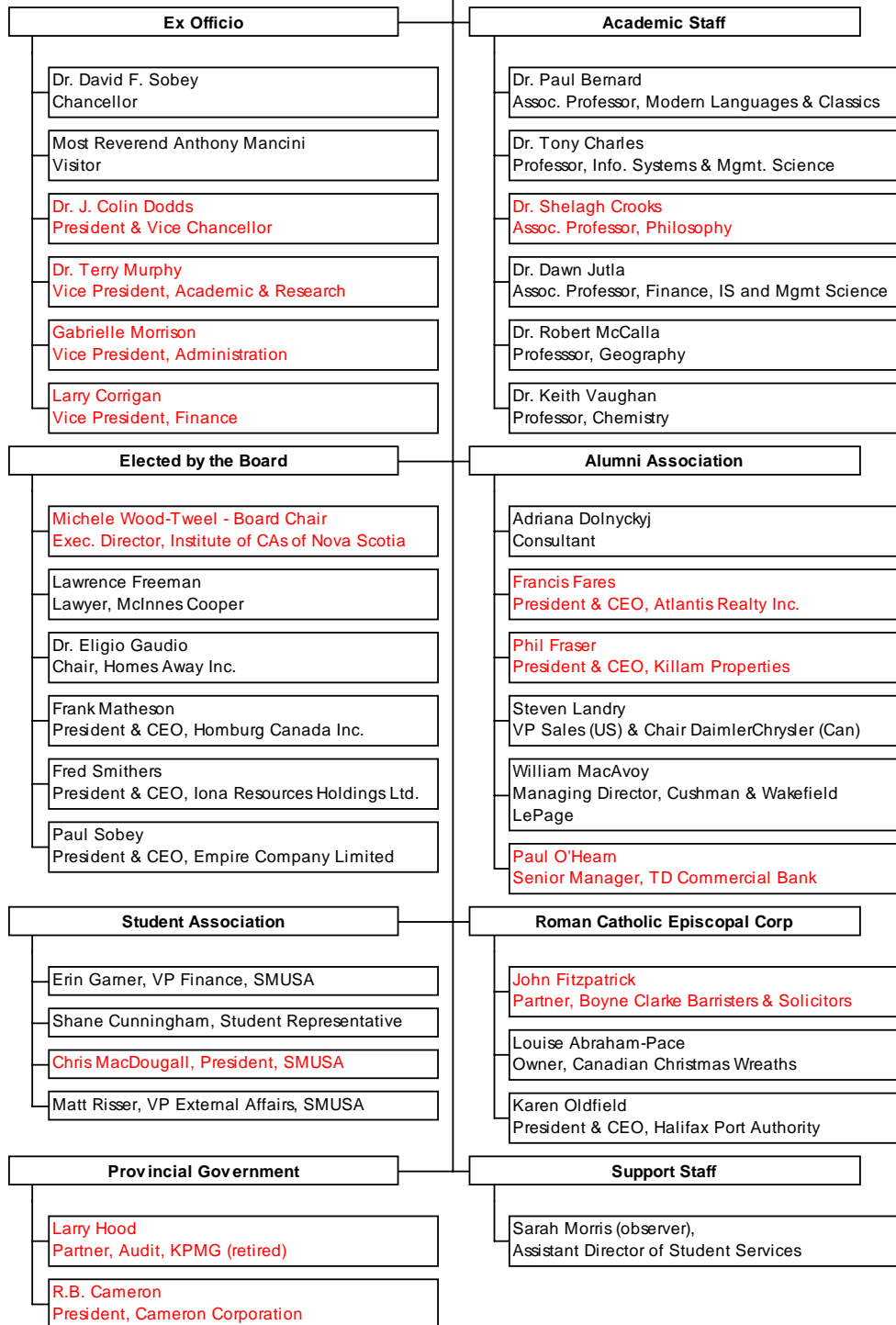
University and Financial Governance

March 31, 2009

University Governance

Board of Governors

Appointments by groups indicated below as at March 31, 2009
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 2008/09 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

John Fitzpatrick, Chair

- R.B. Cameron
- Larry Corrigan
- J. Colin Dodds
- Francis Fares
- Larry Freeman
- Erin Gamer
- Frank Matheson
- Bob McCalla
- Gabe Morrison
- Terry Murphy

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

- R.B. Cameron
- Paul O'Hearn

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.

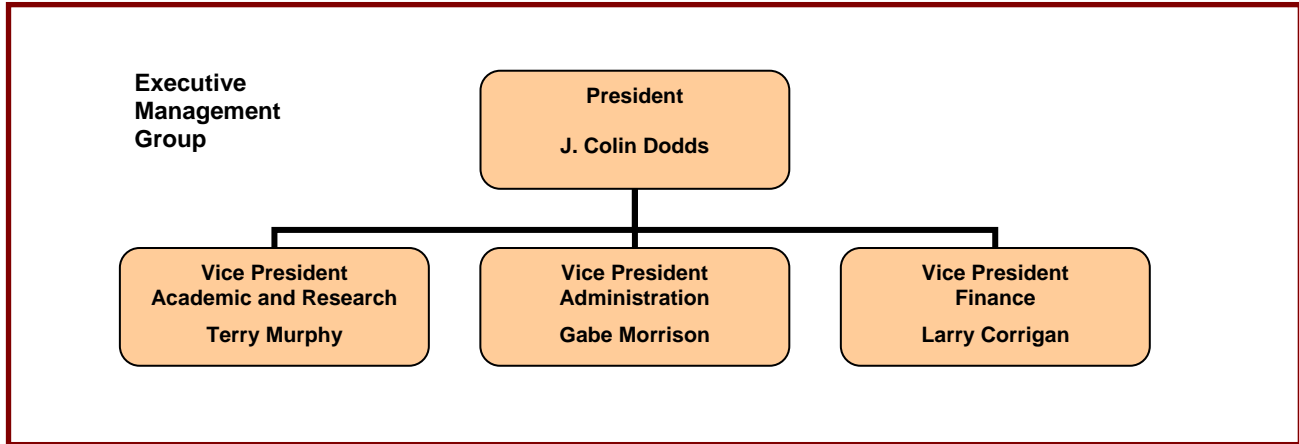
Investment Committee

RB Cameron, Chair

- Erin Gamer
- * 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



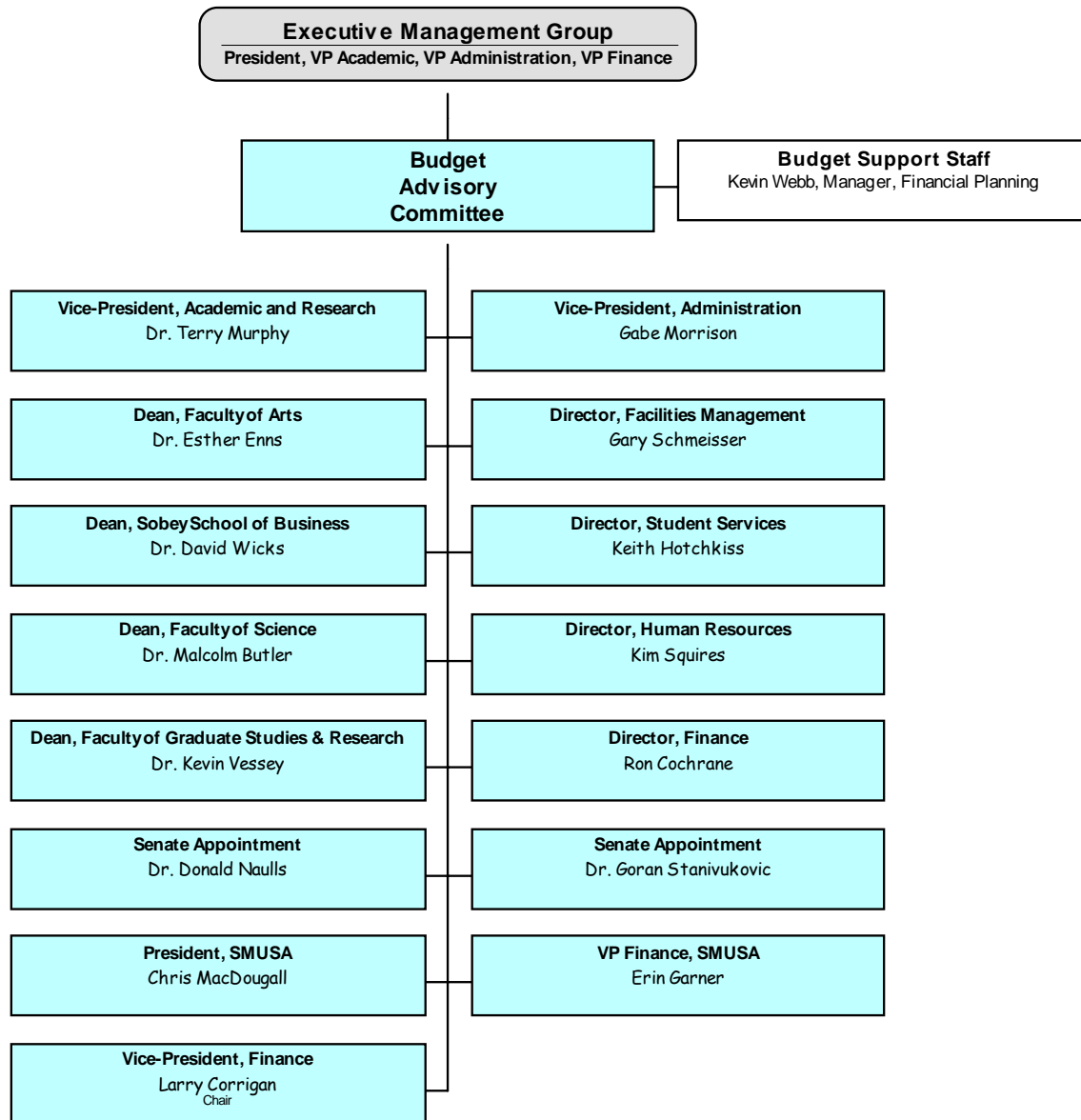
Saint Mary's University Act

“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, 2009



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