



One University. One World. Yours.



Annual Financial Report

March 31, 2010

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Introduction

I am pleased to introduce the Annual Financial Report for the 2009/10 fiscal year. This report is intended to provide open accountability to the community and demonstrate Saint Mary's strong commitment to fiscal responsibility, one of our key corporate values.

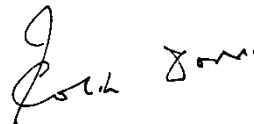
The Board of Governors of Saint Mary's University, as trustee of university financial, physical and human assets, has a fiduciary responsibility to oversee financial management. Financial statements help to fulfil this financial oversight role but these, in isolation, do not always satisfy the various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

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

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

The audited financial statements (pages 20-38) 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, 2010.

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, 2010.



J. Colin Dodds, Ph.D.
President



One University. One World. Yours.

Management Discussion and Analysis

March 31, 2010

Strategic Focus

President's Strategic Pillars



The President's strategic focus for the period 2008 to 2012 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

There are 95 members belonging to the Association of Universities and Colleges of Canada (AUCC). Canadian universities serve more than 1.1 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 \$30 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, 2009.) The system in Nova Scotia includes 11 universities, with 6 located in Halifax.

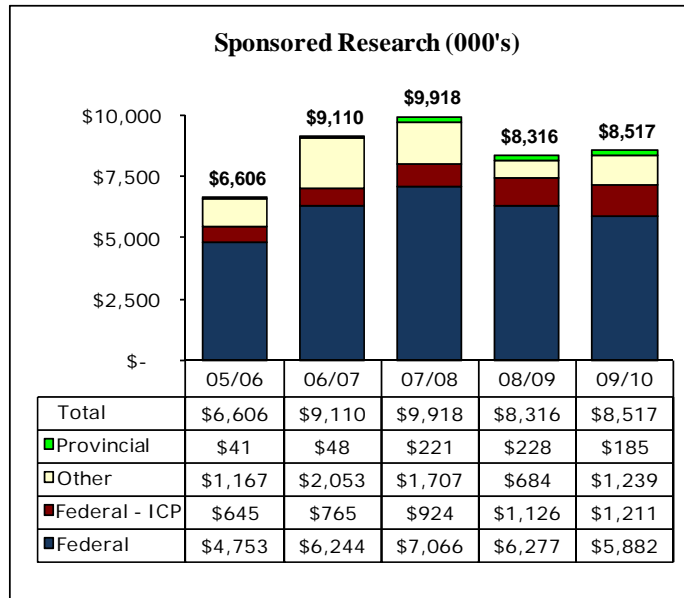
The chart below summarizes the internal and external environment of Saint Mary's. This analysis points to those things we must do well to survive in our competitive situation.

SWOT Analysis (Strengths, Weaknesses, Opportunities and Threats)	
<p style="text-align: center; margin: 0;">INTERNAL STRENGTHS</p> <ul style="list-style-type: none"> - Academic Plan endorsed by the university community - friendly, student-centred campus culture - 30 year campus master plan; enhanced and expanded facilities - track record of strong labour relations - well 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; margin: 0;">INTERNAL WEAKNESSES</p> <ul style="list-style-type: none"> - 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; margin: 0;">EXTERNAL OPPORTUNITIES</p> <ul style="list-style-type: none"> - MOU negotiation with the Province of Nova Scotia - general economic downturn creating likely growth for graduate studies - growth potential for research activities - infrastructure improvements - web-based academic courses - growth of international enrolment 	<p style="text-align: center; margin: 0;">EXTERNAL THREATS</p> <ul style="list-style-type: none"> - MOU 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 - 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.

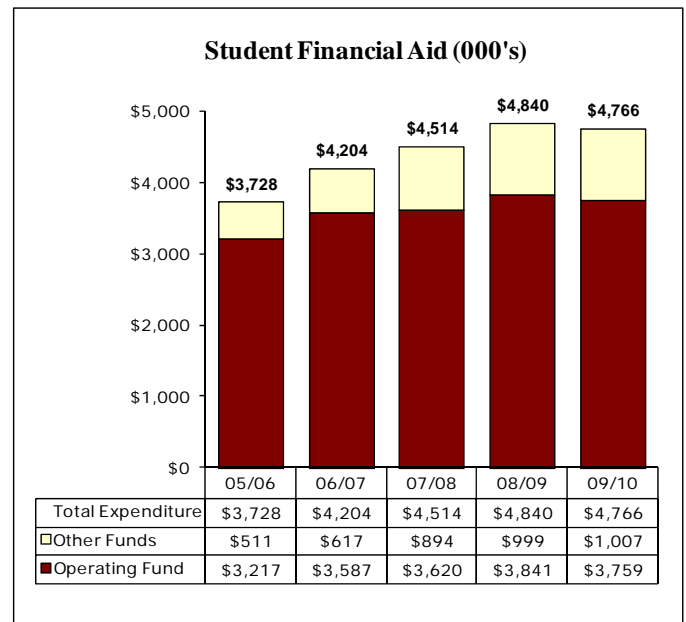
Universities also play a vital role in the communities in which they are located – offering reference libraries, sports and recreations facilities, daycare centres, art galleries, lectures, concerts, plays, etc. Saint Mary's University is an integral part of the Halifax Regional Municipality and the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

Vital Signs

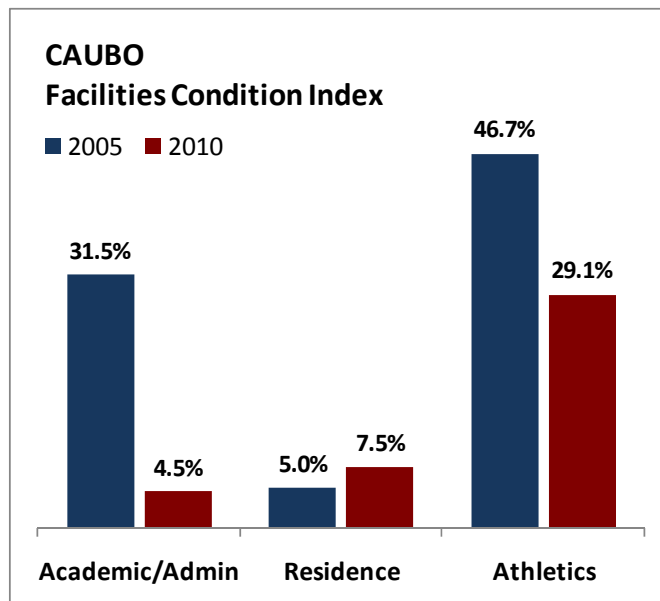


- ◀ Funding from the Indirect Costs Program, increased 7.5% in 2009/10 over the prior year.
- ◀ Federal funding for sponsored research, decreased 6.3%.

➤ SMU spending on scholarships, fellowships and bursaries decreased by 1.5% in 2009/10.



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



CAUBO FCI Standards

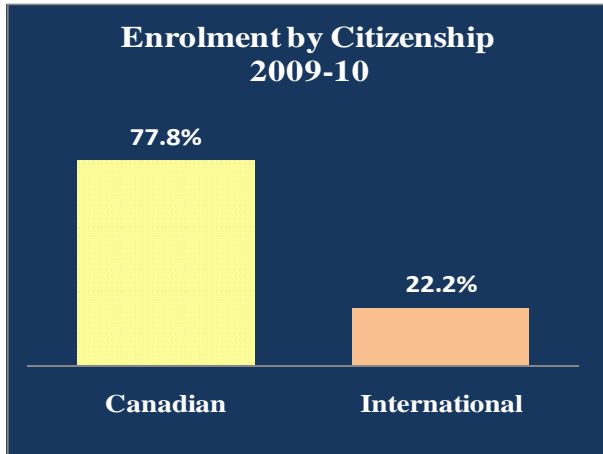
0-5% Excellent to Good
6-10% Fair to Poor
> 10% Unacceptable

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

2009/10 Varsity Sport Teams (prior year in brackets)

1 (0) CIS Champion (Men's Hockey), 3 (1) AUS Champions (Football, Women's and Men's Hockey)
30 (32) CIS Academic All-Canadians, 8 (10) CIS All-Canadians, 28 (31) AUS All-Stars

University Facts

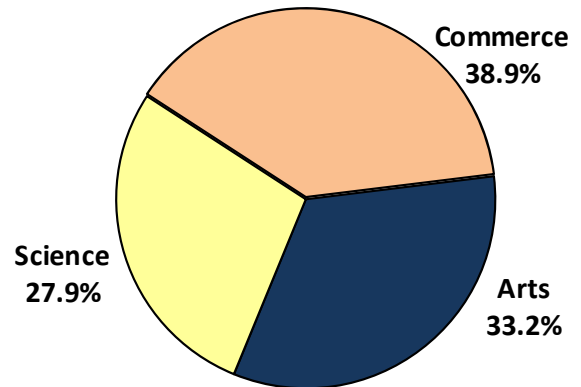


- ◀ Saint Mary's students represent 106 different countries
- ◀ The largest international student contingents hail from China, Germany and the Bahamas
- ◀ 5,806, full-time students
- ◀ 1,349 part-time students
- ◀ The student population is 50% female and 50% male

Residence	Vanier	Rice	Loyola	Total
Single	80	84	322	486
Double	144	0	112	256
Apartments	0	260	0	260
Senior Suites	8	0	78	86
Premium Suites	0	0	26	26
Family/Graduate	0	0	62	62
Total Beds	232	344	600	1,176

- ▲ Saint Mary's operates three residences, with several different styles of accommodation to suit a variety of student needs. Vacancy rates increased to 7.4% in October 2009, the highest vacancy rate experienced in five years.

Course Registrations by Faculty 2009/10



- ▲ The largest percentage of course registrations is found in Psychology (15.5%)

Average Class Size (Prior year in brackets)

- 42 (38) - Introductory Classes
- 19 (17) - Upper Level Classes
- 12 (14) - Graduate Classes

Library Holdings

Print Volumes	434,551
Micromaterials	590,557
Non-Print	20,127
Total	1,045,235

- ▲ Students and faculty made 443,000 visits to the University library during 2009/10

SMU Staffing 2009/10

	Full time	Part time
Faculty	247	179
Administrative	288	8
TESL	9	43
Library	44	0
Facilities	88	0
Ancillaries	17	1
Bus Dev Centre	11	0
Atlantic Centre	11	0
Total	715	231

- ▲ Saint Mary's employed more than 900 students during 2009/10

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, 2010 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.



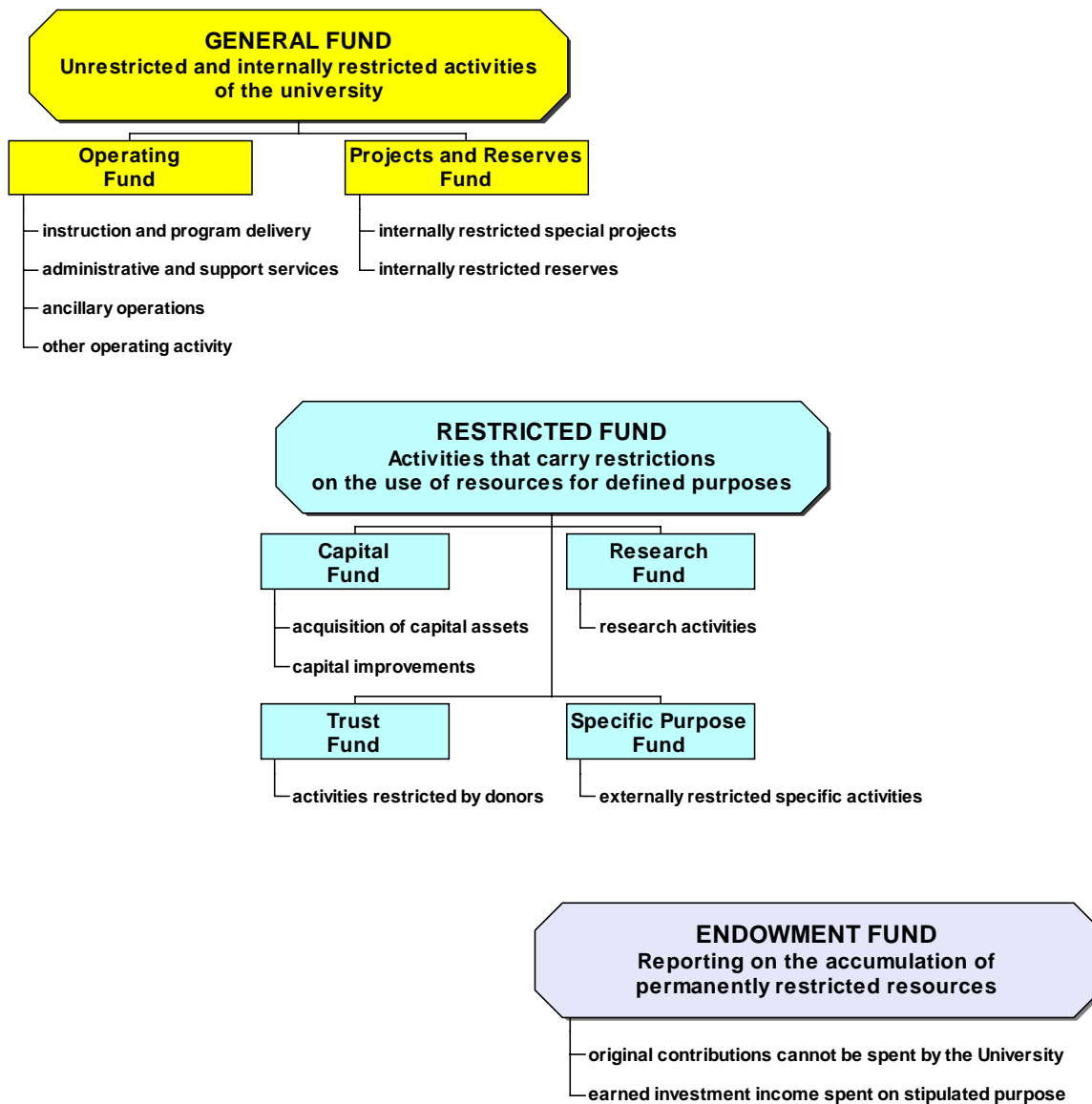
Larry Corrigan, MBA, FCGA
Vice-President, Finance

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:

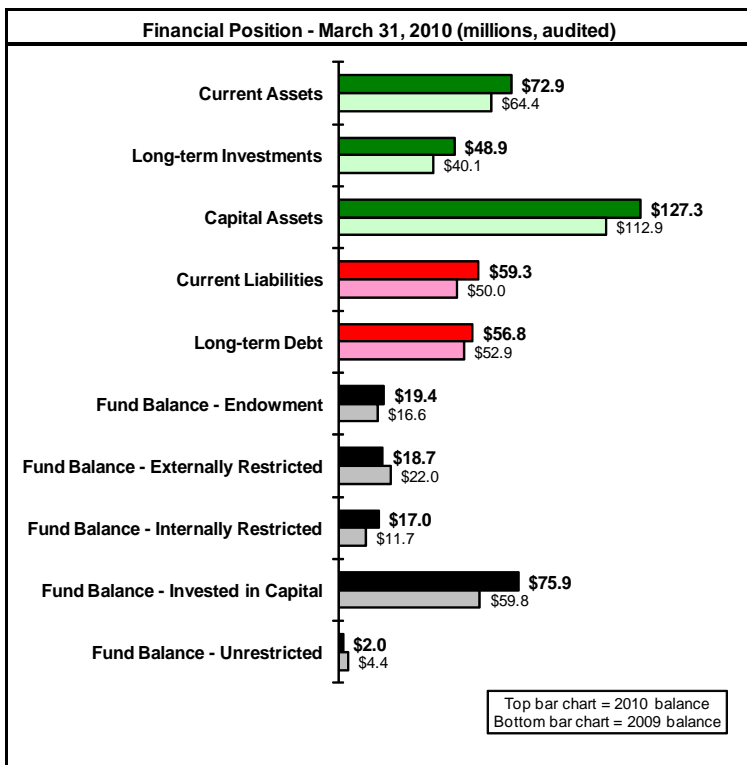
- the General Fund
- the Restricted Fund
- the Endowment Fund



Financial Position and Fund Balances

(Millions \$)

The Statement of Financial Position reports what the university owns (assets), what it owes to others (liabilities) and the remaining interest or equity in the assets (fund balances) at the March 31, 2010 reporting date.



University current assets amount to \$72.9 and are made up of cash, short-term investments, accounts receivable, inventories and prepaid expenses. The year-end balance of current assets was \$8.5 higher than the previous year due primarily to funds received in advance and grants receivable related to a major capital project.

In 2009 the University began a major renovation of the McNally Building. Funding for the project which is budgeted to cost \$26 includes \$11.1 from the Province of Nova Scotia in the form of a grant of \$1.7 and a loan from the Nova Scotia Strategic Opportunities Fund Inc. of \$9.4. The funds from the Province were received in full during 2009/10. The unspent portion is included in cash and short-term investments at the year-end, increasing the balance of current assets. It will be spent on the project in 2010/11. In addition, the federal government has approved a grant of \$11.1 for the project. At year end \$1.9 was receivable and included in the current assets balance.

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, student accounts receivable amounted to \$1.2 (2009: \$2.0).

Long-term investments and receivables amount to \$48.9, an increase of \$8.8 from the prior year. Investment income of \$4.6 and gifts of \$3.2 received during the year made up a significant portion of this increase. The long-term investments are recorded at fair value and the investment income includes unrealized gains of \$3.2 in the fair value of the investments in 2009/10. The gifts are for various purposes including capital construction, program support and endowments.

Capital assets, with a net book value of \$127.3, are a prominent component of the university's statement of financial position. The university's buildings comprise 77% of net capital assets.

Current liabilities of \$59.3 include payables, accruals, students' deposits and deferred revenue. During the year, the long-term portion of debt increased by \$3.9.

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. \$38.1 relate to resources that are constrained by endowments and other external restrictions, \$17.0 is internally restricted by the university for projects and reserves, \$75.9 is the net amount invested in buildings and other capital assets. The unrestricted General Fund balance represents accumulated surpluses and deficits and is \$2. In total, the fund balances of Saint Mary's University increased substantially over the past five years from \$90 at March 31, 2005 to \$133 at March 31, 2010.

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 \$47 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

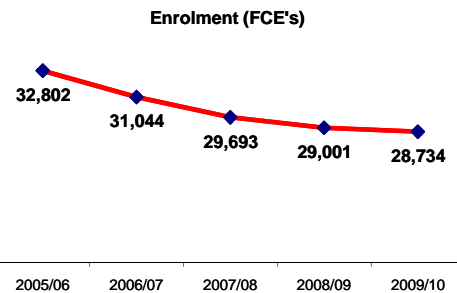
Operations Analysis, March 31, 2010

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	2008/09	2009/10
Arts enrolment	9,674	9,306
Science enrolment	8,143	7,855
Commerce enrolment	9,197	9,723
Graduate Studies enrolment	1,987	1,850
Total enrolment at March 31 (full course equivalents)	29,001	28,734



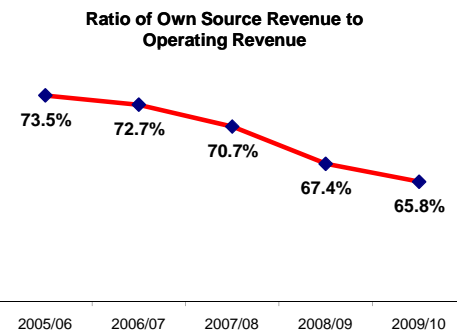
- total enrolment has declined each year since its peak in 2004/05
- total enrolment down 1% even with Commerce enrolment increase of 5.7%
- international enrolment stands at 22.2%, one of the highest in Canada

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. The 3-year MOU has given increased funding and security, but is scheduled to expire March 31, 2011. 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	2008/09	2009/10
Own source revenue (millions)	\$69.0	\$69.2
Provincial operating grant (millions)	\$31.7	\$34.4
Federal grant (millions)	\$1.7	\$1.6
Total operating revenue (millions)	\$102.4	\$105.2
Ratio of own source revenue to operating revenue	67.4%	65.8%



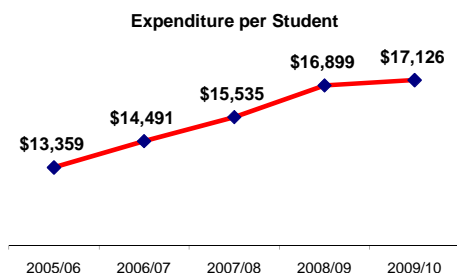
- own source revenue similar in \$ terms but fell as a % of total operating revenue
- Provincial grants significantly increased as a result of a 3 year MOU
- Federal government grant about the same for indirect costs of research

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	2008/09	2009/10
Annual expenses, all Funds (millions)	\$110.3	\$112.5
Students (full-time equivalents)	6,527	6,569
Expenditure per student	\$16,899	\$17,126



- spending increase and stable enrolment (FTE) make this ratio more favourable
- expenditure per student up 1.3% from the prior year
- SMU ranks 9th of 12 peer group universities (peer median = \$19,766 per student)

Financial Condition

Operations Analysis, March 31, 2010

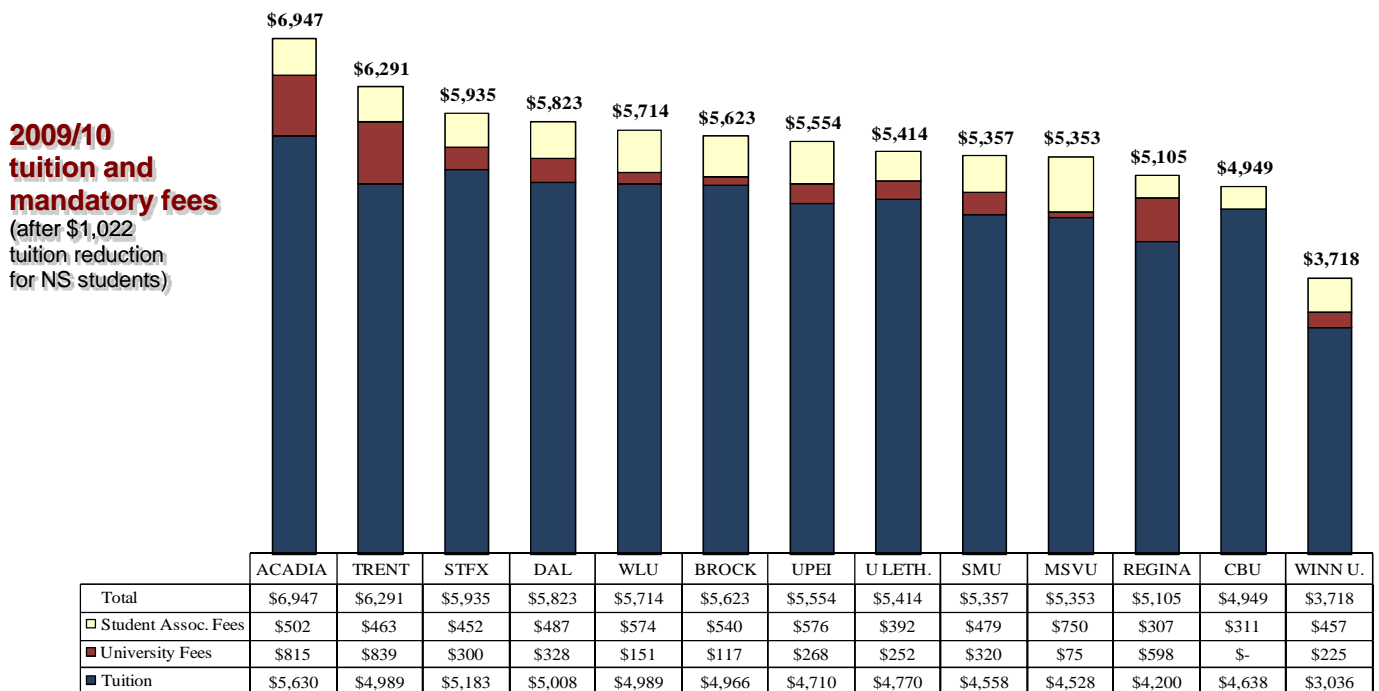
Critical Success Factor 4: **Student accessibility**

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 49.4% compared to the prior year's Canadian median of 58.3% (CAUBO / Statistics Canada). Average tuition fees therefore are relatively high because of this funding gap. Within Nova Scotia, Saint Mary's University has the second lowest proportion of provincial operating funding (36.0%) 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 2009/10, the Province of Nova Scotia provided a tuition bursary of \$1,022 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; 37% funding compared to the peer group median of 49.1%).

- total cost to attend SMU is \$197 lower 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 (last year reported)
 Source of tuition and fees information: Association of Atlantic Universities and university websites - assumes 5 full Arts courses

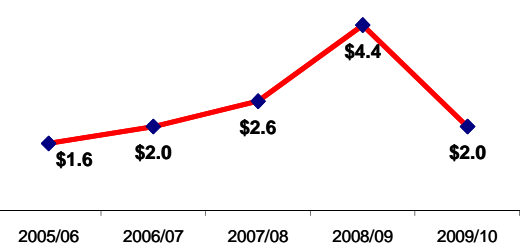
Financial Condition

Asset Management Analysis, March 31, 2010

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	2008/09	2009/10
Unrestricted fund balance, start of year (millions)	\$2.6	\$4.4
Change during the year (millions)	\$1.8	(\$2.4)
Unrestricted fund balance, end of year (millions)	\$4.4	\$2.0

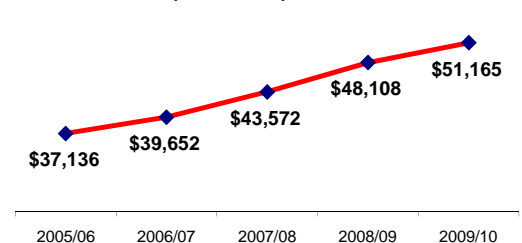
Unrestricted Resources


- the unrestricted balance at year end is at the approved target amount
- SMU balance, \$2.0 million, exceeds the median of the peer group (-\$1.3 million)
- Negative or nil unrestricted resources in 7 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	2008/09	2009/10
CRV of capital assets per CURIE valuation (millions)	\$314.0	\$336.1
Number of students (full time equivalents)	6,527	6,569
CRV of capital assets per student	\$48,108	\$51,165

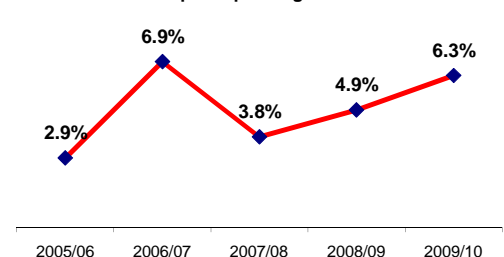
Capital Assets per Student


- growth in the value of capital assets; size of the student body similar to prior year
- began extensive renovation of McNally Building and completed Atrium Building
- construction of Homburg Centre for Health and Wellness begins in 2010

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	2008/09	2009/10
Capital spending (millions)	\$15.3	\$21.2
CRV of capital assets (millions)	\$314.0	\$336.1
Ratio of capital spending to CRV of capital assets	4.9%	6.3%

Capital Spending Ratio


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

Financial Condition

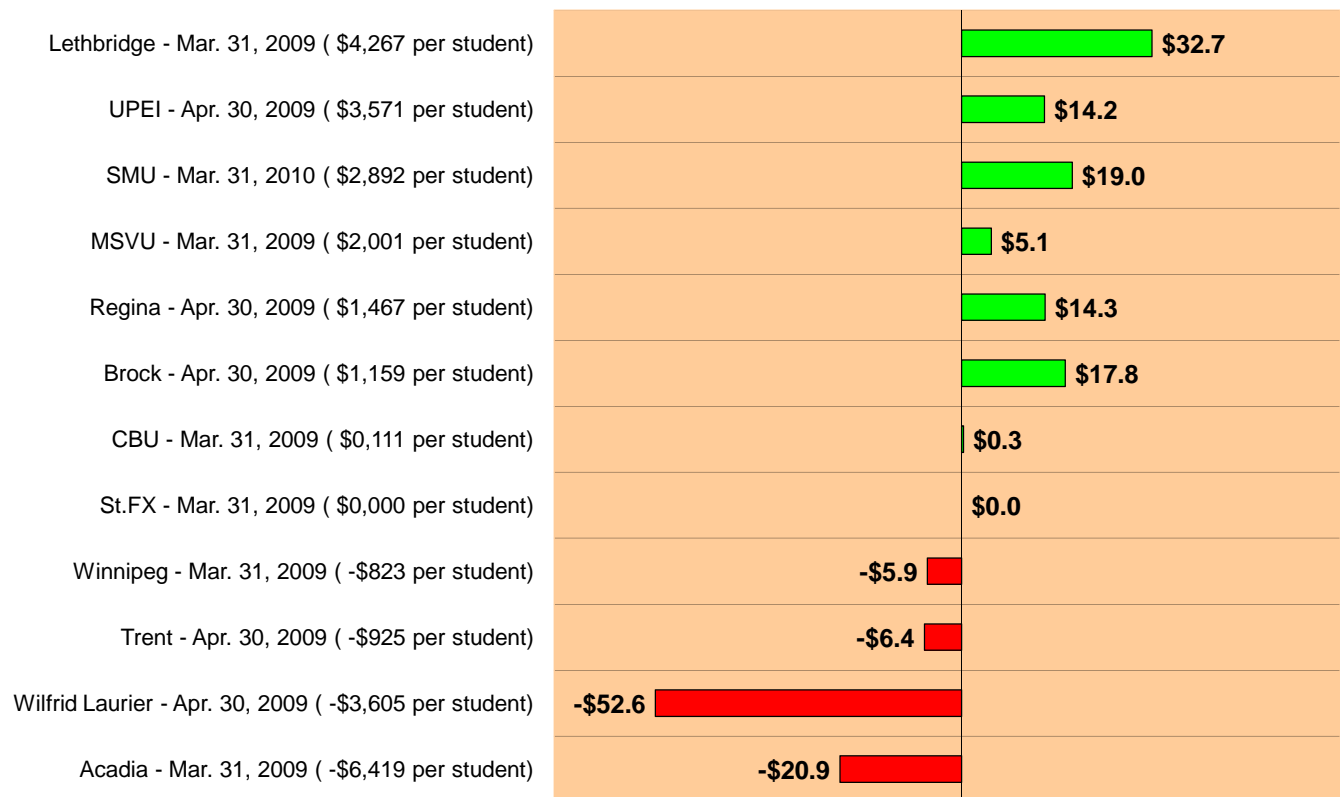
Asset Management Analysis, March 31, 2010

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)



- SMU expendable resources = Unrestricted Fund Balance \$2.0 million + Internally Restricted Fund Balance \$17.0 million

- Saint Mary's current balance of expendable resources ranks second in the university peer group

- SMU ratio of expendable resources per student ranks 3rd of 12 of the university peer group (4th in prior year)

- History of SMU expendable resources: 2006 \$11.3 m, 2007 \$13.0 m, 2008 \$14.9 m, 2009 \$16.1 m, 2010 \$19.0 m

Source of asset information: University financial statements, most recent year published
Source of student information: student is defined as full-time equivalent - calculation from AUCC 2009 Enrolment Survey

Financial Condition

Fundraising and Endowment Analysis, March 31, 2010

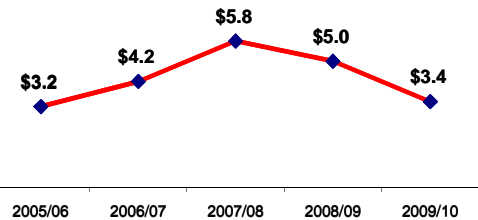
Critical Success Factor 9: Fundraising
Key Performance Indicator 9: Resources provided by fundraising efforts

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	2008/09	2009/10
Fundraising revenue received during the year (million's)	\$5.0	\$3.4
Pledges due within ten years (million's)	\$7.6	\$6.5

- 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)

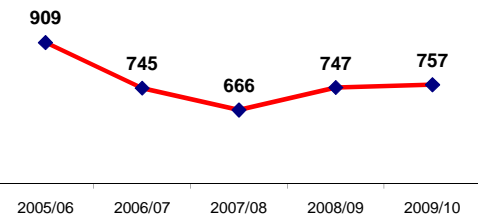

Critical Success Factor 10: Alumni financial participation
Key Performance Indicator 10: Number of alumni contributors

Philanthropy from Saint Mary's 28,379 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	2008/09	2009/10
New contributors	27	59
Repeat contributors (3+ consecutive years)	283	330
All other alumni contributors	437	368
Total alumni contributors	747	757

- increase in active alumni, although total alumni contributors about the same
- 2009/10 alumni financial participation rate 2.7%
- alumni financial participation rate well below our 10% - 15% target range

Number of Alumni Contributors

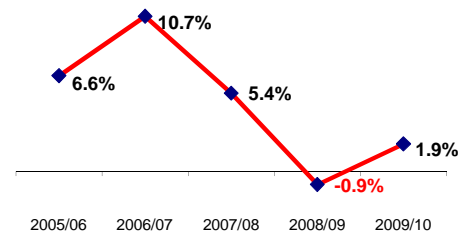

Critical Success Factor 11: Management of endowment investments
Key Performance Indicator 11: Endowment fund performance

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	2008/09	2009/10
Endowed Funds Investment Pool		
Four year average rate of return	-0.9%	1.9%

- 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 (4-year) Endowed Funds Investment Pool



Financial Condition

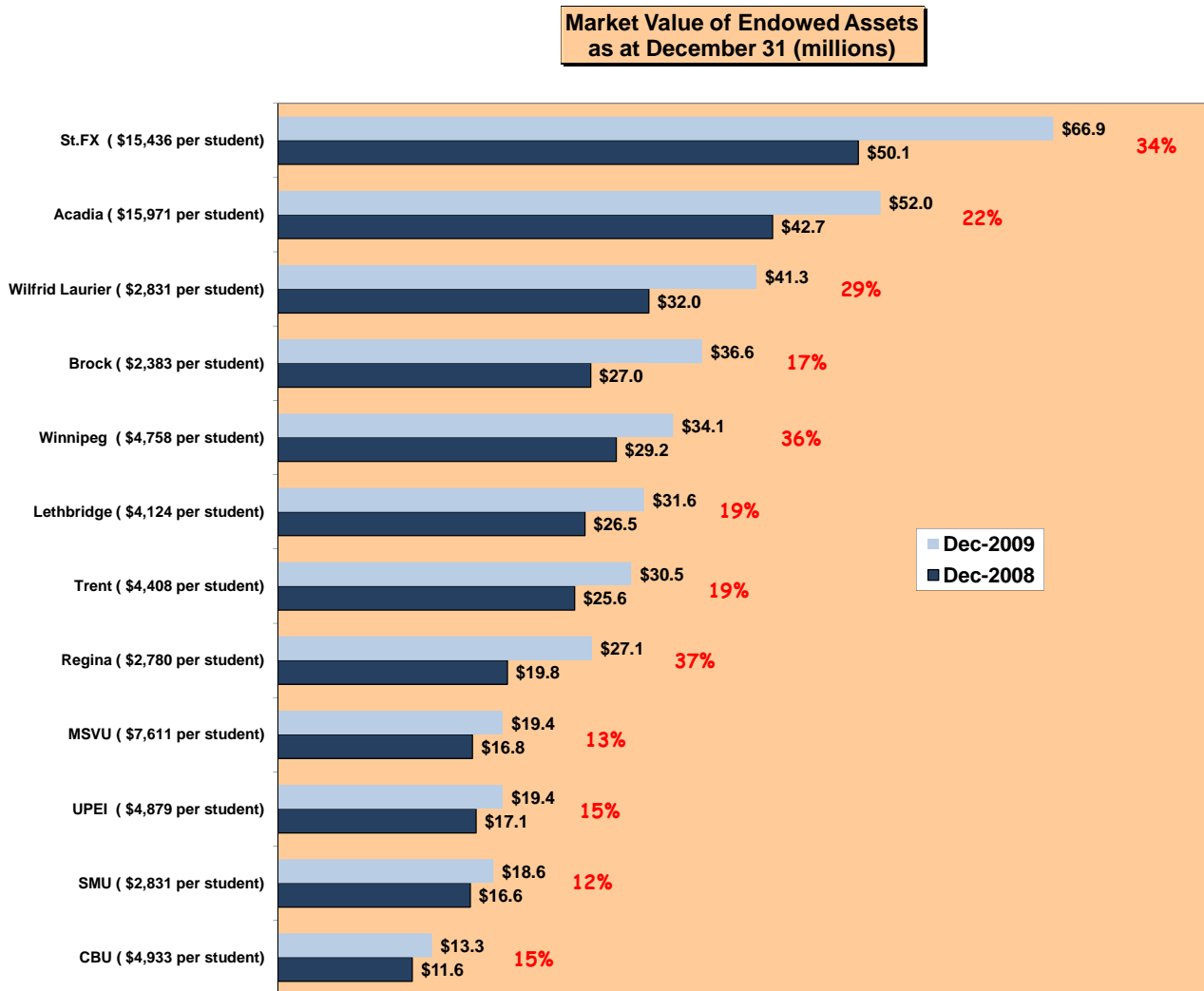
Fundraising and Endowment Analysis, March 31, 2010

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 49th)
- SMU endowment per student is low compared to the university peer group, 9th of 12
- SMU had a 12% increase in endowed assets over past year, less than the peer group median (19%)

Source of peer group information: CAUBO University Endowment Survey
 Source of student information: student is defined as full-time equivalent - calculation from AUCC 2009 Enrolment Survey

Financial Condition

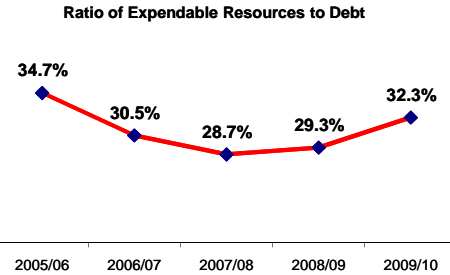
Debt Capacity Analysis, March 31, 2010

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	2008/09	2009/10
Expendable resources (millions)	\$16.1	\$19.0
Debt, incl. current portion of long-term debt (millions)	\$54.9	\$58.9
Ratio of expendable resources to debt	29.3%	32.3%

- expendable resources increased, as did the university debt
- the ratio shown in the chart is more favourable than the prior year
- SMU ratio is far more favorable than the university peer group median (7.8%)

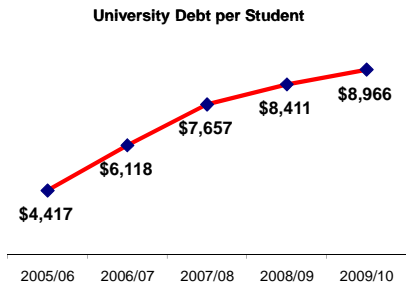


Critical Success Factor 14: **Manageable debt load**
 Key Performance Indicator 14: **University debt per student**

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	2008/09	2009/10
Debt, incl. current portion of long-term debt (millions)	\$54.9	\$58.9
Number of students (full time equivalents)	6,527	6,569
University debt per student	\$8,411	\$8,966

- SMU debt has increased while student FTE's increased slightly
- the ratio of debt owed by SMU per student is less favorable than prior years
- SMU is carrying more debt per student compared to the peer group median (\$8,103)
- Loan reserve established to repay debt; \$4.7 million in reserve as at March 31, 2010

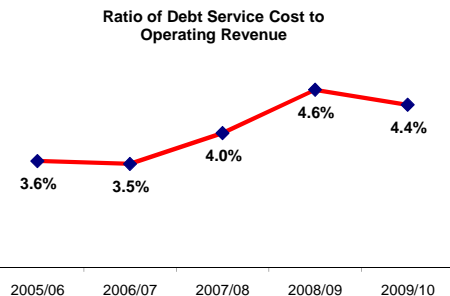


Critical Success Factor 15: **Debt funding strength arising from operations**
 Key Performance Indicator 15: **Ratio of debt service cost to operating revenue**

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	2008/09	2009/10
Debt service cost: principal + interest (millions)	\$4.7	\$4.6
Total operating revenue (millions)	\$102.4	\$105.2
Ratio of debt service cost to operating revenue	4.6%	4.4%

- the ratio improved; debt service cost decreased \$0.1 million compared to 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

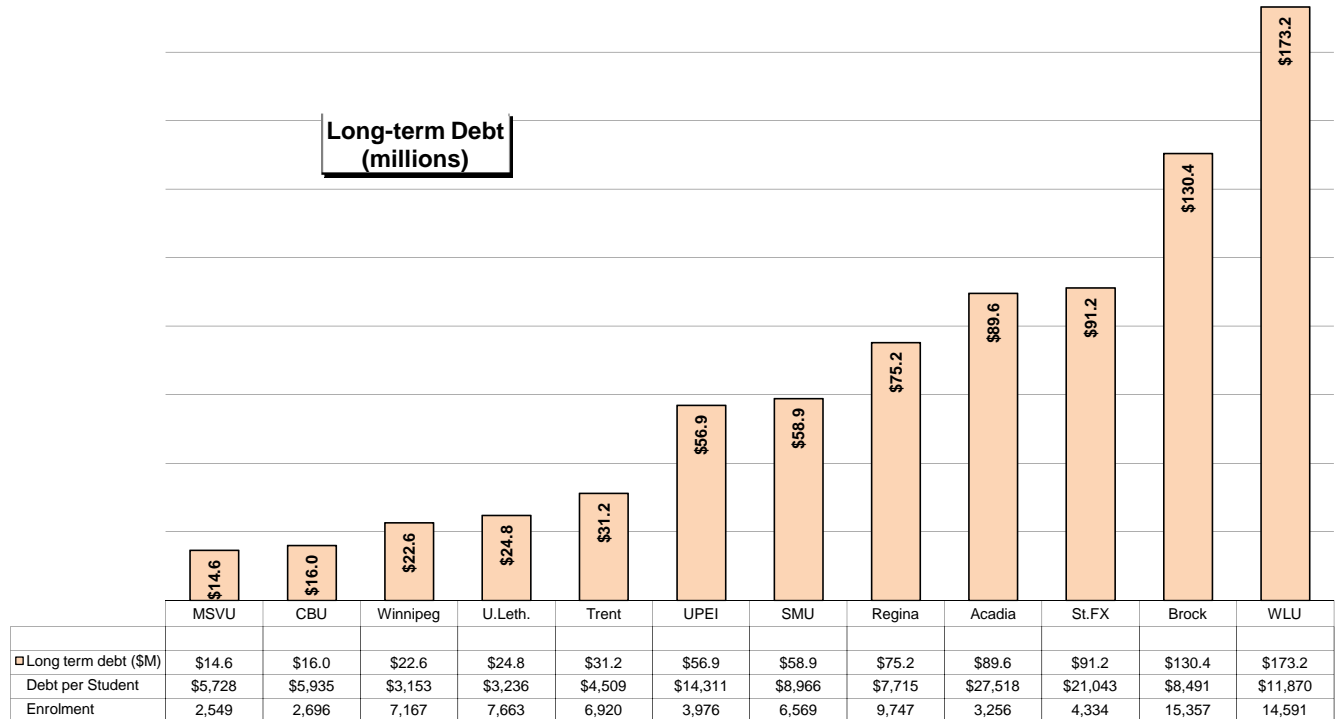
Debt Capacity Analysis, March 31, 2010

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, \$58.9 million, is slightly more than the total debt median of the peer group (\$57.9 million)
- The university peer group (i.e. 100% of peer universities) increased debt over the past five years
 The median debt of the peer group has more than doubled to \$57.9 million in 2009/10 from \$27.2 in 2004/05
- The majority of SMU debt relates to academic capital assets as opposed to self-financing residence operations;
 40% of SMU debt relates to residence operations (2009/10 40%, 2008/09 46%, 2007/08 48%, 2006/07 58%, 2005/06 79%)
- \$8,966 debt per student at SMU is higher than the university peer group median (\$8,103)
 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 2009 Enrolment Survey

General Fund Analysis Operating Fund - Revenues

(Millions \$)

The 2009/10 operations of Saint Mary's University produced revenues of \$105.2 (2009 - \$102.4).

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 right shows the breakdown of operating revenue including ancillaries. If ancillary operations are excluded, student fees comprise 57% of revenue (2009 - 61%), with the grant from the Province of Nova Scotia at 37% (2008 - 36%) of total revenue.

Although, the 2009/10 budget assumed that the demographic trend of fewer high school graduates in Nova Scotia would translate into 3% lower student enrolment compared to prior year, actual enrolment for 2009/10 declined only 1.3%. While enrolment of domestic students did decline, international student enrolment increased. Since international students pay higher tuition this resulted in an additional \$1.3 in student fees compared to budget.

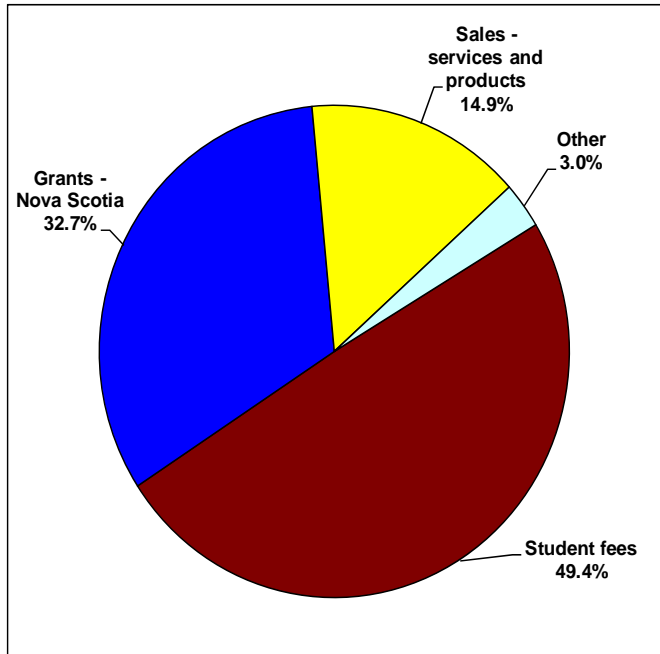
In 2009/10 the Teaching English as a Second Language program fell short of its revenue target by \$0.2 due to weaker enrolment in winter courses.

Fear of the H1N1 influenza may have deterred some potential students from enrolling. However, costs savings of \$0.3 more than offset this revenue shortfall. The Department of Continuing Education also fell short of its revenue target by \$0.2 but the department was able to offset most of this negative variance by reducing costs.

Grants from the provincial government had a favourable variance from the amount budgeted. The final grant allocation exceeded the budget estimate by \$0.3. Growth in operating funding from the provincial government has resulted from positive negotiations for the three year MOU ending in 2011.

Overall operating revenue was \$1.6 over budget. Since the university had budgeted to breakeven, this additional revenue combined with a savings of \$1.5 in expenses created a potential surplus of \$3.1 that could be allocated to critical needs. With over 90% of the \$17.5 Atrium Building funded by donations and grants, the university allocated \$1.1 to the project to avoid borrowing the remainder of the required funding. The university allocated \$1.0 to provide additional funds for the much needed renovation of the McNally Building. This will be added to the \$23 from the federal and provincial governments and \$2 from the university's capital reserves. Part of the provincial contribution to the project is in the form of a \$9.4 loan repayable in full in five years. The university allocated \$1.0 to a reserve to be used to repay the loan at maturity. The university allocated an additional \$2.4 from the unrestricted fund balance and \$0.2 from other internal sources to the loan reserve. At March 31, 2010, the loan reserve balance was \$4.6 - almost half the loan principal.

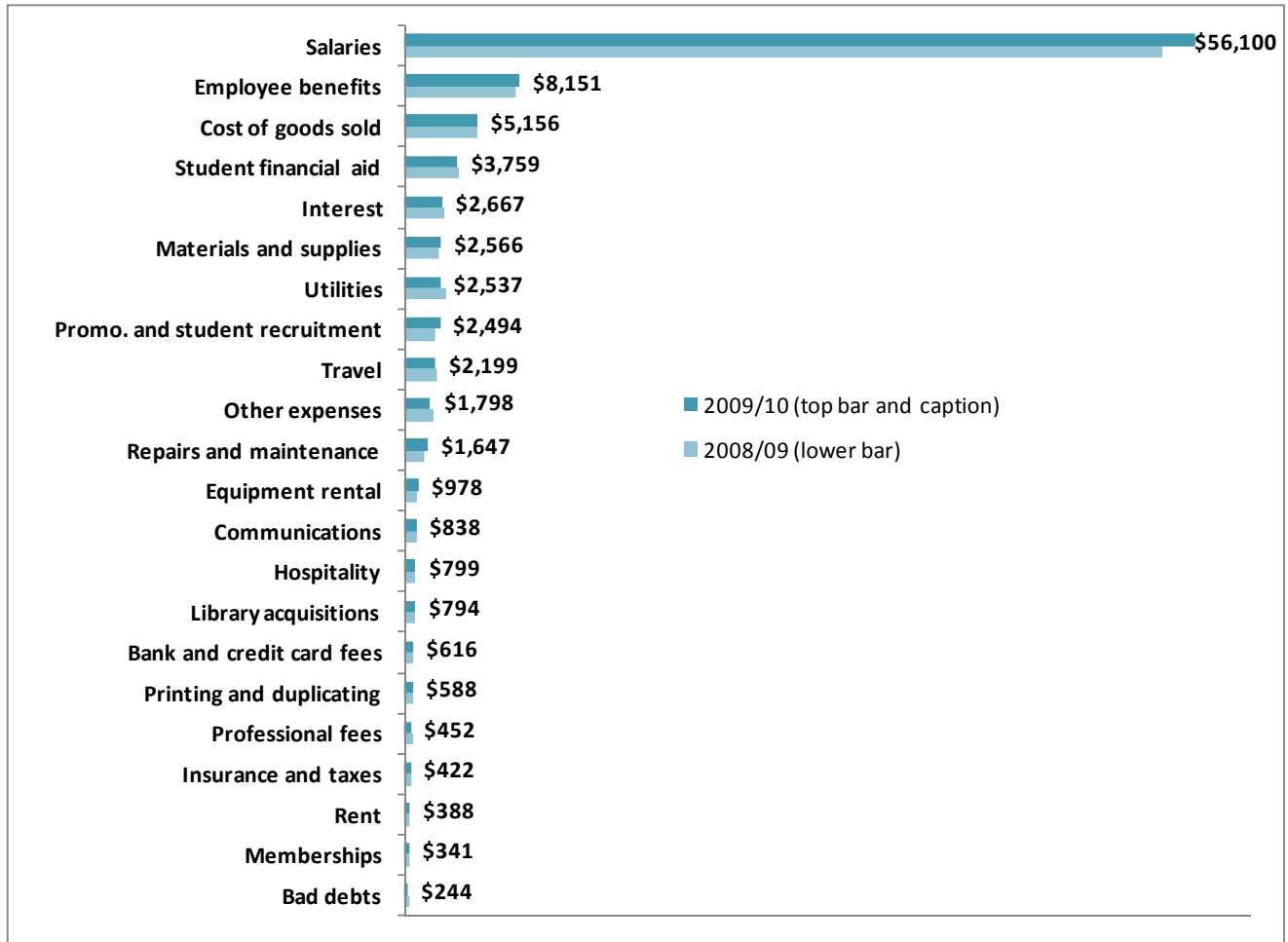
With these allocations made, the University ended the year with an operating deficit of \$2.4 which is the drawdown on the unrestricted fund balance for the transfer to the loan reserve. Starting with a balance of \$4.4, the unrestricted fund balance at the end of the year was \$2.0, the target amount approved by policy of the Board of Governors.



General Fund Analysis Operating Fund - Expenses

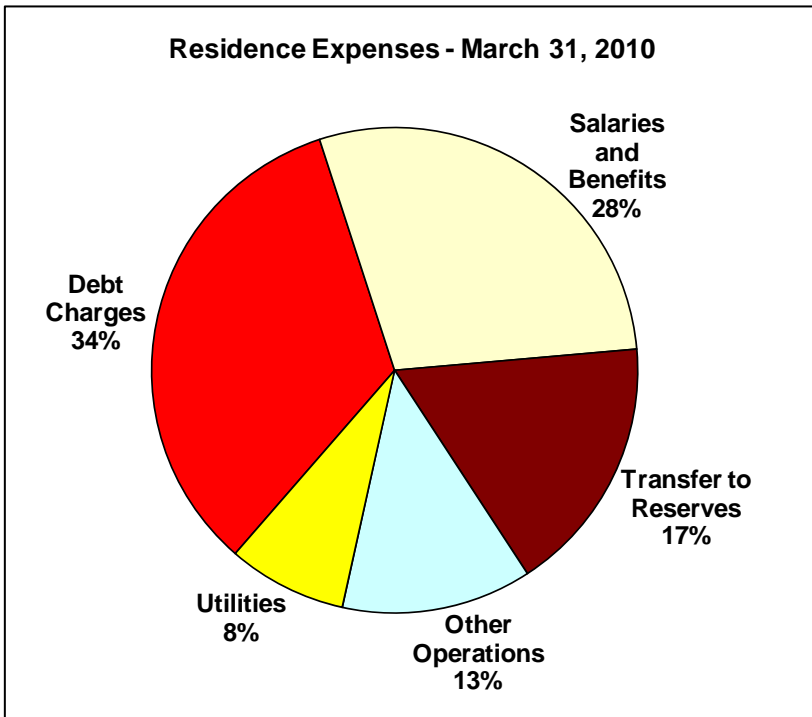
The 2009/10 operations of Saint Mary's incurred expenses of \$95.5 million excluding interfund transfers. The following chart (in thousands) shows the breakdown of operating expenses, including ancillary operations and after reallocating a portion of "other" expenses.

The chart below shows significant expense groups with comparatives for the prior year. Obviously, the lion's share of operating expenses is salaries and benefits. The next biggest category is the cost of goods sold which is comprised of \$5.1 million spent in the food service and university bookstore.



Operating departments of the university maintain strict control on expenses. In fact, many departments under spent their 2009/10 budget allotments, mainly due to a number of staff and faculty vacancies and delayed hiring during the year. This resulted in a net savings of \$1.4 million compared to budget for salaries and benefits. Some other expenses were higher than budgeted, such as international student recruitment and student financial aid. Overall operating expenses in 2009/10 were \$1 million under budget which represents 1% of the total expense budget.

**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 \$6.8 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 (\$627 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 34% of total expenses (\$2.3 million). Salaries and benefits are also significant at

\$1.9 million. In 2009/10 the university set aside a provision in the amount of \$981 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.

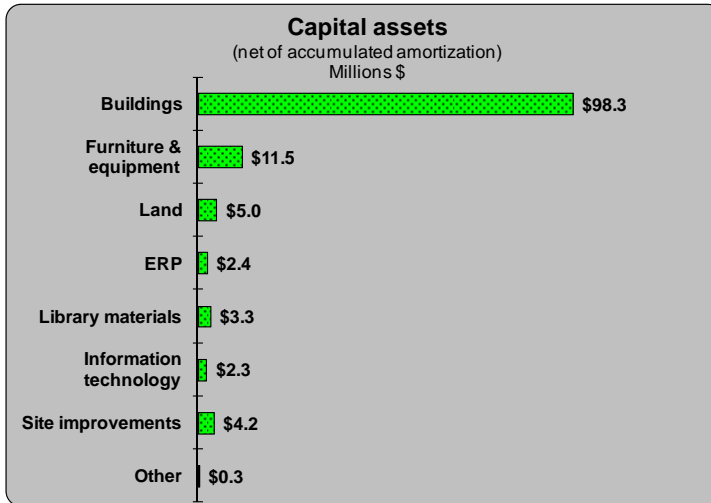
Food Services The University has a contract with Aramark to operate the dining services on campus. Operations include two student cafeterias (Loyola Residence and the Student Centre), the Faculty Lounge, and two Tim Horton's franchises, as well as catering for campus functions. The university earns a 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 \$398 thousand (\$394 thousand in 2008/09). 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 2009-10	Actual 2008-09
Residence		
Revenues	6,786	6,529
Expenses & transfers	(6,786)	(6,529)
Surplus	0	0
Food Services		
Revenues	2,261	2,212
Expenses	(2,119)	(2,118)
Surplus	93	94
Bookstore		
Revenues	4,356	4,427
Expenses & transfers	(3,938)	(4,033)
Surplus	398	394

Restricted Fund Analysis Capital Fund

(Millions \$)



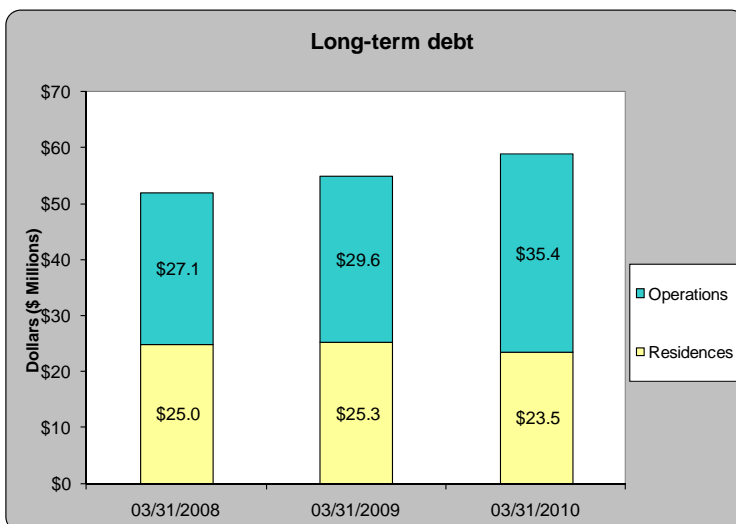
The Restricted Fund accounts for resources that are subject to restrictions on their use, either for capital assets or for specific purposes defined by external contributors to the university.

With a fund balance of \$75.9, 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.

Accumulated unspent contributions for capital assets received from various external organizations total \$0.1 and make up the externally restricted fund balance of the Capital Fund. These funds will be spent on capital asset purchases in 2010/11. The remainder of the Capital Fund's balance is the net investment in capital assets, which consists of the net capital assets less the related debt.

During 2009/10 the university purchased capital assets of \$21, increasing the total to \$127, net of accumulated amortization. Funding for these purchases included capital grants of \$5.7, transfers from externally restricted donation reserves of \$5.6, borrowing of \$3.8, transfers from internally restricted funds of \$3.6, transfers from the Operating Fund of \$1.6, and transfers from the Research Fund of \$0.7.

Included in the \$21 spent on capital assets was \$14.6 for buildings consisting of new construction and major renovations, \$4.7 for furniture, equipment and interior improvements, \$0.6 for campus improvements, \$0.6 for information technology, and \$0.5 for library books.



Construction of the Atrium Building which began two years ago is complete and the building opened in November 2009. \$8.5 and \$6.5 were spent on the building in 2009/10 and 2008/09 respectively.

Beginning in the summer of 2009 the University began a major project to renovate the McNally Building, the oldest building on campus. As well, the \$26 project will include renewal of parts of the Burke Building and the Patrick Power Library. The project is being funded by a federal government grant (\$11.2), Nova Scotia Government grant (\$1.7), a loan from the Nova Scotia Strategic Opportunities Fund Inc. (\$9.4), and transfers from internal reserves (\$3.7).

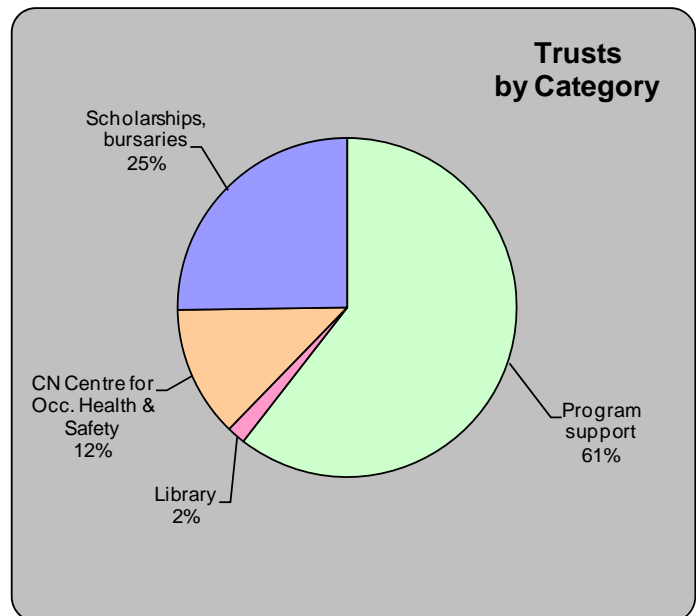
By the end of 2009/10 the university's debt had increased to \$59 from \$55. The portion of long term debt related to academic and administration buildings increased from 54% to 60%. The remainder of the debt relates to the student residence buildings.

Restricted Fund Analysis Trust Fund

(Millions \$)

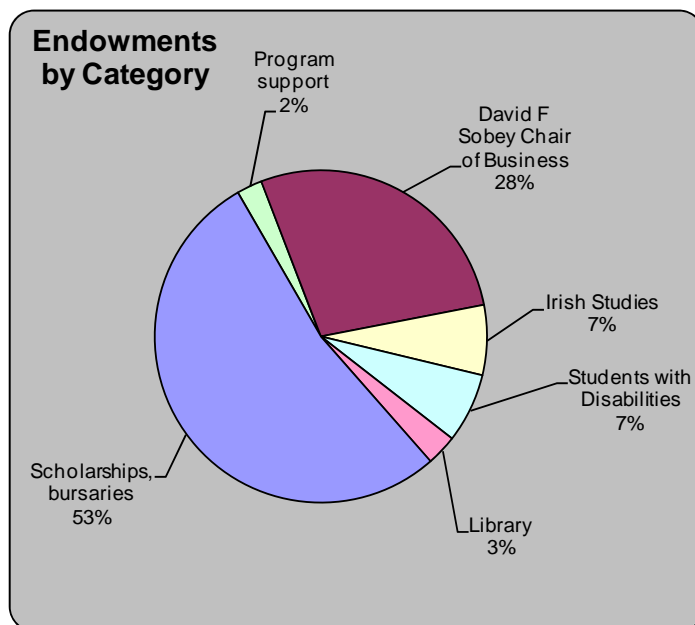
The Trust Fund accounts for activities that have been stipulated by donors and contributors. The chart on the right shows the breakdown of the Trust Fund by category. The Trust Fund balance of \$3.9 consists of expendable trusts and the expendable portion of the university's endowment funds.

The \$19.5 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, 2010.



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.



During 2009/10 the endowments began to recover from the net investment loss of \$1.2 suffered in the prior year as a result of the downturn in the economy and the investment markets during 2008/09. The endowments recognized net investment income for 2009/10 of \$2.7.

During 2009/10, Saint Mary's University received \$0.6 in endowed donations. This included a donation of \$200 thousand from Sobey's Inc. for the Sobey's Scholarship Endowment Fund. Donations of \$0.5 were received during the year in the Trust Fund.

The Trust and Endowment Funds provided scholarships and bursaries totaling \$0.5 in 2009/10. The Trust Fund also provided \$0.2 to the other funds for program support, research and other specific purposes.

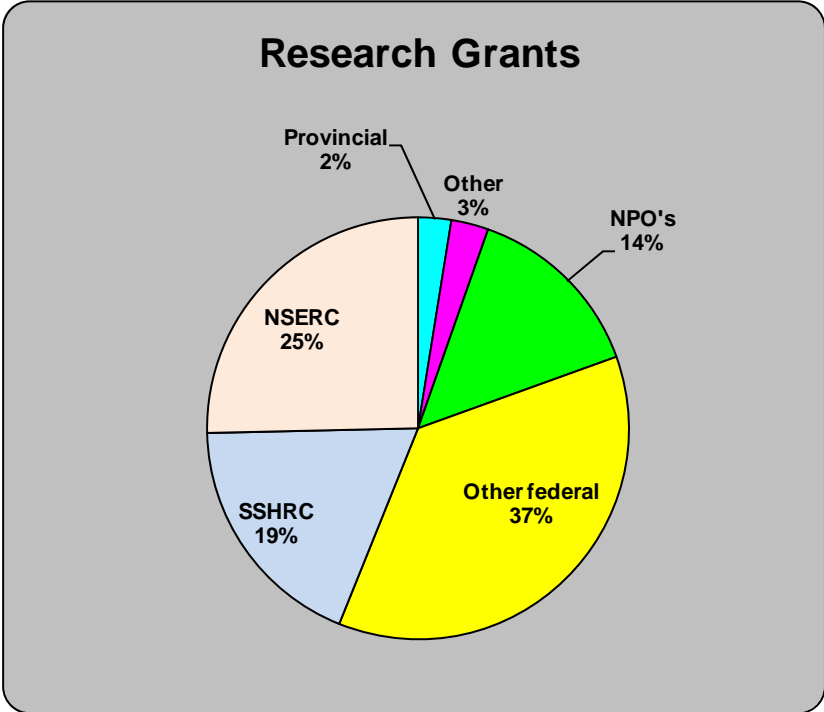
**Restricted Fund Analysis
Research and Specific Purpose Funds**

(Millions \$)

Research Fund

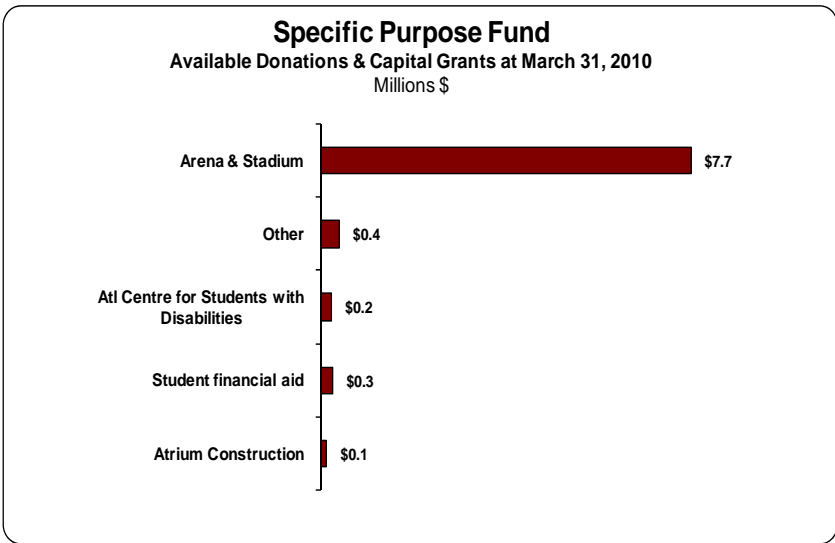
Research is an important part of the university's activities. Most monies for research are provided by external organizations, such as the Natural Sciences and Engineering Research Council (NSERC), the Social Sciences and Humanities Research Council (SSHRC), and the Canadian Foundation for Innovation (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, \$4.7, consists of contributions available to be carried forward to the following year.

During 2009/10 Saint Mary's University received \$7.4 in contributions for research, up slightly from \$7.2 in 2008/09. 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 \$10 at March 31, 2010, consists of:



- \$8.7 in donations and capital grants unspent as of the fiscal year-end date, restricted for a variety of purposes (see chart on the left).
- \$1.2 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 \$2.0 for specific purposes including \$1.2 for the Atrium Construction Project.



One University. One World. Yours.

Financial Statements

March 31, 2010

Auditors' report

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F (902) 420-1068
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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, 2010 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, 2010 and the results of its operations and changes in its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Grant Thornton LLP

Halifax, Nova Scotia
June 16, 2010

Chartered Accountants

Statement of Financial Position

As at March 31, 2010
(\$ thousands)

	General	Restricted	Endowment	2010 Total	2009 Total
Current Assets					
Cash and short-term investments (Note 3)	63,172	26	41	63,239	56,774
Accounts receivable	4,701	2,819	-	7,520	5,423
Inventories	676	-	-	676	850
Prepaid expenses	1,465	-	-	1,465	1,324
	70,014	2,845	41	72,900	64,371
Long-term Assets					
Long-term investments (at market - Note 4)	-	28,453	19,455	47,908	39,118
Long-term receivable	399	563	-	962	989
Capital assets (Note 6)	-	127,356	-	127,356	112,877
	399	156,372	19,455	176,226	152,984
	70,413	159,217	19,496	249,126	217,355
Current Liabilities					
Accounts payable and accrued liabilities	9,103	2,139	10	11,252	12,575
Unearned fees and other deferred revenue (Note 7)	44,590	1,382	-	45,972	35,440
Current portion of long-term debt (Note 8)	-	2,081	-	2,081	1,930
	53,693	5,602	10	59,305	49,945
Long-term Liabilities					
Long-term debt (Note 8)	-	56,812	-	56,812	52,947
Due to (from) other funds	(2,273)	2,244	29	-	-
	(2,273)	59,056	29	56,812	52,947
	51,420	64,658	39	116,117	102,892
Fund Balances					
Endowment	-	-	19,457	19,457	16,562
Externally restricted	-	18,674	-	18,674	22,034
Internally restricted	16,993	-	-	16,993	11,702
Invested in capital assets	-	75,885	-	75,885	59,800
Unrestricted	2,000	-	-	2,000	4,365
	18,993	94,559	19,457	133,009	114,463
	70,413	159,217	19,496	249,126	217,355

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, 2010

(\$ thousands)

	General	Restricted	Endowment	2010 Total	2009 Total
	(See Schedule 1)	(See Schedule 2)			
Revenues					
Government grants and contributions					
Government of Canada	1,639	10,359	-	11,998	10,604
Government of Nova Scotia	34,398	1,245	-	35,643	33,554
Other	-	-	-	-	36
Other grants	35	2,208	-	2,243	3,696
Student fees	51,970	-	-	51,970	51,364
Gifts and bequests	101	2,551	551	3,203	4,797
Sales of services and products	15,662	435	-	16,097	16,634
Income (loss) from investments	1,007	903	2,651	4,561	(667)
Miscellaneous income	1,335	490	-	1,825	1,859
	106,147	18,191	3,202	127,540	121,877
Expenses					
Salaries	56,272	4,120	-	60,392	57,733
Employee benefits	8,159	160	-	8,319	8,074
Equipment rental	978	-	-	978	894
Materials and supplies	2,622	765	-	3,387	3,316
Communications	838	27	-	865	922
Travel	2,347	1,149	-	3,496	4,132
Utilities	2,537	-	-	2,537	2,988
Printing and duplicating	595	22	-	617	710
Library acquisitions	794	-	-	794	716
Hospitality	812	212	-	1,024	1,004
Repairs and maintenance	1,648	466	-	2,114	1,750
Promotion and student recruitment	2,494	46	-	2,540	2,226
Professional fees	469	963	66	1,498	1,149
Rent	388	11	-	399	403
Other operational expenses	3,399	789	5	4,193	4,668
Cost of goods sold	5,156	-	-	5,156	5,197
Student financial aid	3,784	982	-	4,766	4,840
Amortization	-	6,749	-	6,749	6,668
Interest	2,686	-	-	2,686	2,865
	95,978	16,461	71	112,510	110,255
Revenues less expenses before transfers	10,169	1,730	3,131	15,030	11,622
Interfund transfers (Schedule 7)	(7,243)	7,479	(236)	-	-
Increase in fund balances from operations	2,926	9,209	2,895	15,030	11,622

See accompanying notes to the financial statements.

Statement of Changes in Fund Balances

For the year ended March 31, 2010

(\$ thousands)

	Endowment	Externally restricted	Internally restricted	Invested in capital assets	Unrestricted	2010 Total	2009 Total
General Fund							
Beginning fund balance	-	-	11,702	-	4,365	16,067	14,888
Increase (decrease) in fund balance from operations	-	-	5,291	-	(2,365)	2,926	1,179
Ending fund balance	-	-	16,993	-	2,000	18,993	16,067
Restricted Fund							
Beginning fund balance	-	22,034	-	59,800	-	81,834	74,613
Increase (decrease) in fund balance from operations	-	(3,360)	-	12,569	-	9,209	11,782
Change in fair value of interest rate swap agreements	-	-	-	3,516	-	3,516	(4,561)
Ending fund balance	-	18,674	-	75,885	-	94,559	81,834
Endowment Fund							
Beginning fund balance	16,562	-	-	-	-	16,562	17,901
Increase (decrease) in fund balance from operations	2,895	-	-	-	-	2,895	(1,339)
Ending fund balance	19,457	-	-	-	-	19,457	16,562
Total - All Funds							
Beginning fund balance	16,562	22,034	11,702	59,800	4,365	114,463	107,402
Increase (decrease) in fund balance from operations	2,895	(3,360)	5,291	12,569	(2,365)	15,030	11,622
Change in fair value of interest rate swap agreements	-	-	-	3,516	-	3,516	(4,561)
Ending fund balance	19,457	18,674	16,993	75,885	2,000	133,009	114,463

See accompanying notes to the financial statements.

Statement of Cash Flows

For the year ended March 31, 2010

(\$ thousands)

	General	Restricted	Endowment	2010 Total	2009 Total
Operating Activities					
Increase (decrease) in fund balances from operations	2,926	9,209	2,895	15,030	11,622
Amortization of capital assets	-	6,749	-	6,749	6,668
Investment (gains) losses	-	(845)	(2,149)	(2,994)	2,936
Change in non-cash working capital	4,698	2,453	22	7,173	22,812
Cash generated from operating activities	7,624	17,566	768	25,958	44,038
Investing Activities					
Purchase of investments	-	(11,522)	(2,496)	(14,018)	(12,077)
Disposal of investments	-	6,465	1,755	8,220	3,425
Collection (acquisition) of long-term receivable	-	-	-	-	(125)
Purchase of capital assets	-	(21,228)	-	(21,228)	(15,322)
Cash generated from (used for) investing activities	-	(26,285)	(741)	(27,026)	(24,099)
Financing Activities					
Debt financing proceeds	-	9,458	-	9,458	4,697
Debt repayments	-	(1,925)	-	(1,925)	(6,408)
Cash generated from (used for) financing activities	-	7,533	-	7,533	(1,711)
Increase (decrease) in cash and short-term investments	7,624	(1,186)	27	6,465	18,228
Cash and short-term investments, beginning of year	55,548	1,212	14	56,774	38,546
Cash and short-term investments, end of year	63,172	26	41	63,239	56,774

See accompanying notes to the financial statements.

Notes to the Financial Statements

For the year ended March 31, 2010
(\$ 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, 2010
(\$ 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 \$125 to the University and the long-term receivable is \$563 on March 31, 2010. 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 in March 2020.

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, 2010
(\$ 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

The University has adopted the exemption provided by the Canadian Institute of Chartered Accountants ("CICA") permitting not-for-profit organizations to be exempted in applying the new requirements of Section 3862, Financial Instruments - Disclosures, and Section 3855, Financial Instruments - Recognition and Measurement, which would otherwise have applied to the financial statements of the University for the year ended March 31, 2010.

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, 2010
(\$ 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 created an unrealized gain of \$3,230 for 2010 (unrealized loss of \$2,200 for 2009).

	2010		2009	
	Cost	Market Value	Cost	Market Value
Canadian equities	5,387	7,431	5,191	6,599
Pooled investment funds	42,393	40,477	37,029	32,519
Total investments	47,780	47,908	42,220	39,118

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, 2010 totalled \$3,555 (2009 \$3,411).

6. Capital Assets

	2010		2009	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	4,959	-	4,959	4,959
Buildings	134,358	36,030	98,328	86,056
Site improvements	6,880	2,673	4,207	3,820
Enterprise Resource Planning system	3,227	875	2,352	2,367
Library materials	7,877	4,546	3,331	3,143
Equipment and furnishings	16,089	4,566	11,523	9,164
Information technology	5,071	2,753	2,318	3,074
Art and antique collection	338	-	338	293
Motor vehicles	61	61	-	1
	178,860	51,504	127,356	112,877

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 2010 \$8,546 (2009 \$6,487) was capitalized as part of buildings and \$764 (2009 \$23) as equipment and furnishings. Construction is almost complete and the building was put in use in 2010.

Homburg Centre for Health & Wellness - In 2010 \$87 (2009 \$500) in design and planning costs was capitalized as part of buildings. Construction will begin in October 2010.

McNally Building - In 2010 the University began a major renovation of the McNally Building. The project is being carried out in phases. The building will remain in use throughout the construction. In 2010 \$4,519 was capitalized as part of buildings.

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 \$37,328 (2009 \$27,821). 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, 2010

(\$ thousands)

8. Long-term Debt

Debt	Maturity Date	Debt Interest Rate	Hedged Interest Rate	2010			2009		
				Loan Principal	Adjustment for Hedged Debt	Translated at Hedged Rate	Loan Principal	Adjustment for Hedged Debt	Translated at Hedged Rate
Long-term loans (unsecured)									
Sobey Building	Mar 2011	6.12%	-	436	-	436	811	-	811
Synthetic Turf Athletic Field	Mar 2013	4.57%	-	267	-	267	348	-	348
McNally - North Campus Renovations*	Jan 2015	1.50%	-	9,458	-	9,458	-	-	-
Gorsebrook Lounge Renovations	May 2015	CDOR +0.20%	5.01%	374	29	403	386	57	443
Enterprise Resource Planning System	Jun 2021	CDOR +0.25%	5.16%	2,118	194	2,312	2,255	397	2,652
Rice and Vanier Residences	Jun 2019	5.02%	-	1,549	-	1,549	1,674	-	1,674
Loyola Residence and Academic Complex	May 2022	5.34%	-	2,865	-	2,865	3,023	-	3,023
Residences Renovations	Aug 2026	6.95%	-	10,139	-	10,139	10,456	-	10,456
Residences Renovations	Sep 2026	CDOR +0.30%	5.97%	5,319	831	6,150	5,508	1,446	6,954
Residences Renovations	Sep 2026	CDOR +0.30%	5.40%	2,557	283	2,840	2,653	558	3,211
Science Building Renewal Project	Mar 2033	CDOR +0.20%	5.30%	20,237	2,237	22,474	20,672	4,633	25,305
Subtotal				55,319	3,574	58,893	47,786	7,091	54,877
Less: current portion				(2,081)	-	(2,081)	(1,930)	-	(1,930)
Total long-term debt				53,238	3,574	56,812	45,856	7,091	52,947

* Related to the McNally North Campus Infrastructure Project and the Knowledge Infrastructure Program (KIP) the University received a loan from the Nova Scotia Strategic Opportunities Fund Inc. (SOFI). The loan is for five years with interest of 1.5% per annum with principal and interest due in full at maturity. The University has created a reserve in which to accumulate funds to be used to repay the loan when it matures. The balance of the reserve was \$4,655 at March 31, 2010.

Principal instalments payable in each of the next five years:

2011	2,081
2012	1,738
2013	1,918
2014	1,945
2015	11,517

Interest expense on long-term debt during the year totalled \$2,713 (2009 \$2,865).

The estimated fair value of the long-term debt at March 31, 2010, including the current portion, was \$61,528 (2009 \$59,512).

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, 2010

(\$ 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 on debt 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 due 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, 2010 was \$30,605 (2009 \$31,474). 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, 2010, it would have been obligated to pay the banks \$3,574 (2009 \$7,091), which is the fair value of the swaps.

11. Commitments

Encumbrances at March 31, 2010 were \$3,525. The University has entered into various agreements for capital expenditures in the upcoming fiscal year. The total capital budget for the 2011 fiscal year is \$3,605. In addition, the University has also approved three major construction projects. Construction of the \$8 million Homburg Centre for Health and Wellness will begin October 2010 and is expected to be completed by September 2011. The project was approved by the Board of Governors in June 2010.

The \$26 million project to renovate the McNally Building and several other buildings on the north side of campus began summer 2009. \$22,338 of the funding for the project has been approved by the federal government under "Canada's Economic Action Plan". The Plan is a federal initiative to stimulate Canada's economy in response to the 2008 economic downturn. The federal government will 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 consists of a grant of \$11,070. The provincial funding consists of a grant of \$1,742 from the Province of Nova Scotia and a loan of \$9,434 from the Nova Scotia Strategic Opportunities Fund Inc. The renovation project began in the summer of 2009 and is expected to be completed in March 2011. The estimated cost to complete at March 31, 2010 was \$20,351 of which \$2,231 is included in encumbrances at the end of the year.

The \$17.5 million construction project for the Atrium Building is almost complete. The estimated cost to complete at March 31, 2010 was \$1,152 of which \$315 is included in encumbrances.

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

2011	829
2012	613
2013	368
2014	234
2015	19

12. Comparative figures

Certain of the comparative figures have been reclassified to conform to the financial statement presentation adopted for 2010.

Notes to the Financial Statements

For the year ended March 31, 2010
(\$ thousands)

13. Gifts-in-kind and donation pledges

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

	<u>2010</u>	<u>2009</u>
Investments	190	15
Long term receivable	-	125
Library holdings	4	5
Art and antiques	53	-
Other	3	28
	<u>250</u>	<u>173</u>

Donations pledged but not received as at March 31, 2010, totalled \$6,492 (2009 \$7,620). 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 58 Canadian universities through the Canadian Universities Reciprocal Insurance Exchange (CURIE). This self-insurance co-operative involves a contractual agreement to share the insured property and liability risks of member institutions for a term of not less than five years.

The projected costs of claims will be funded through members' premiums based on actuarial projections. As at December 31, 2009, CURIE had an accumulated excess of income over expenses of \$31,715, of which the University's pro-rata share is approximately 0.83% on an ongoing basis. CURIE wrote property policies with a limit of \$5,000 per occurrence and placed on behalf of subscribers an excess policy of \$995,000 above CURIE's \$5,000 limit. In respect of General Liability policies, CURIE's limit of liability per occurrence was \$5,000 and it purchased excess policies above these limits on behalf of subscribers in the amount of \$25,000. In respect of Errors and Omissions Liability policies, CURIE's limit of liability per occurrence was \$5,000 and it purchased excess policies on behalf of subscribers through a combined excess program with General Liability in the amount of \$25,000. As the originating insurer CURIE has a contingent liability in the event the reinsurer is unable to meet its obligations.

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

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, \$30 in 2010 and \$40 in 2009. 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 2010 the University received a donation of \$50 (2009 \$50) for CCEPA. It was reported as donation revenue of the Restricted Fund with an offsetting expense for the funds paid to CCEPA.

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. 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 \$46 in donations during its fiscal year ended December 31, 2009 (prior year \$29) and made a contribution of \$28 (prior year \$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, 2010
 (\$ thousands)

	General Fund			2009 Total
	Operating	Projects and Reserves	2010 Total	
	(See Schedule 3)			
Revenues				
Government grants and contributions				
Government of Canada	1,595	44	1,639	1,686
Government of Nova Scotia	34,393	5	34,398	31,691
Other	-	-	-	5
Other grants	3	32	35	13
Student fees	51,970	-	51,970	51,364
Gifts and bequests	101	-	101	110
Sales of services and products	15,647	15	15,662	15,612
Income (loss) from investments	211	796	1,007	688
Miscellaneous income	1,278	57	1,335	1,303
	105,198	949	106,147	102,472
Expenses				
Salaries	56,100	172	56,272	53,870
Employee benefits	8,151	8	8,159	7,848
Equipment rental	978	-	978	893
Materials and supplies	2,566	56	2,622	2,468
Communications	838	-	838	882
Travel	2,199	148	2,347	2,401
Utilities	2,537	-	2,537	2,988
Printing and duplicating	588	7	595	652
Library acquisitions	794	-	794	716
Hospitality	799	13	812	777
Repairs and maintenance	1,647	1	1,648	1,385
Promotion and student recruitment	2,494	-	2,494	2,157
Professional fees	452	17	469	604
Rent	388	-	388	361
Other operational expenses	3,421	(22)	3,399	3,813
Cost of goods sold	5,156	-	5,156	5,197
Student financial aid	3,759	25	3,784	3,862
Interest	2,667	19	2,686	2,865
Internal cost recoveries	(65)	65	-	-
	95,469	509	95,978	93,739
Revenues less expenses before transfers	9,729	440	10,169	8,733
Interfund transfers (Schedule 7)	(12,094)	4,851	(7,243)	(7,554)
Net increase (decrease) in fund balances	(2,365)	5,291	2,926	1,179
Fund balances, beginning of year	4,365	11,702	16,067	14,888
Fund balances, end of year	2,000	16,993	18,993	16,067

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, 2010
 (\$ thousands)

	Restricted Fund				2010 Total	2009 Total
	Capital	Research	Trust	Specific Purpose		
Revenues						
Government grants and contributions						
Government of Canada	3,911	5,882	-	566	10,359	8,918
Government of Nova Scotia	892	185	-	168	1,245	1,863
Other	-	-	-	-	-	31
Other grants	952	1,239	-	17	2,208	3,683
Gifts and bequests	47	-	538	1,966	2,551	4,083
Sales of services and products	-	30	24	381	435	1,022
Income (loss) from investments	-	-	275	628	903	(116)
Miscellaneous income	13	92	96	289	490	556
	5,815	7,428	933	4,015	18,191	20,040
Expenses						
Salaries	-	3,537	-	583	4,120	3,863
Employee benefits	-	97	1	62	160	226
Equipment rental	-	-	-	-	-	1
Materials and supplies	192	481	40	52	765	848
Communications	-	8	1	18	27	40
Travel	-	826	7	316	1,149	1,731
Printing and duplicating	-	9	1	12	22	58
Hospitality	-	71	20	121	212	227
Repairs and maintenance	465	-	-	1	466	365
Promotion and student recruitment	-	16	-	30	46	69
Professional fees	-	586	57	320	963	491
Rent	-	10	-	1	11	42
Other operational expenses	-	363	63	363	789	852
Student financial aid	-	405	543	34	982	978
Amortization	6,749	-	-	-	6,749	6,668
	7,406	6,409	733	1,913	16,461	16,459
Revenues less expenses before transfers	(1,591)	1,019	200	2,102	1,730	3,581
Interfund transfers (Schedule 7)	14,035	(852)	133	(5,837)	7,479	8,201
Net increase (decrease) in fund balances	12,444	167	333	(3,735)	9,209	11,782
Change in fair value of swap agreements (Note 2g)	3,516	-	-	-	3,516	(4,561)
Fund balances, beginning of year	59,981	4,531	3,618	13,704	81,834	74,613
Fund balances, end of year	75,941	4,698	3,951	9,969	94,559	81,834

See accompanying notes to the financial statements.

Schedules to the Financial Statements

Schedule 3

Operating Fund - Budget Comparison

 For the year ended March 31, 2010
 (\$ thousands)

	General Fund - Operating		
	2010 Budget	2010 Actual	2009 Actual
Revenues			
Government grants and contributions			
Government of Canada	1,200	1,271	1,126
Government of Nova Scotia	34,056	34,393	31,681
Student fees			
Credit	43,472	45,349	44,127
Non-Credit	6,411	5,955	6,541
Other	535	586	600
Gifts and bequests	75	82	80
Sales of services and products	262	282	273
Income from investments	511	211	749
Miscellaneous income	176	211	217
Revenues for internal reporting purposes	86,698	88,340	85,394
Reclassification of external cost recoveries included in expenses for internal reporting purposes	16,095	16,858	17,007
Revenues for financial statement purposes	102,793	105,198	102,401
Expenses			
Arts	12,850	12,649	12,289
Commerce	14,315	13,854	13,124
Science	11,261	11,328	10,802
Continuing Education	4,219	3,936	3,913
English as a Second Language (ESL)	2,726	2,385	2,662
Library	4,363	4,041	3,857
Student financial aid	3,110	3,345	3,264
Miscellaneous academic	2,927	2,933	2,502
Total academic	55,771	54,471	52,413
Administration and general	13,340	18,924	13,599
Ancillaries, net	(503)	(491)	(488)
Athletics and Recreation	2,857	2,924	2,770
Facilities Management	8,749	8,592	9,516
Information Technology	4,363	4,305	3,928
Student Services	2,121	1,980	1,888
Expenses for internal reporting purposes	86,698	90,705	83,626
Reclassification of items included in expenses for internal reporting purposes			
External cost recoveries	16,095	16,858	17,007
Interfund transfers (Schedule 7)	(6,250)	(12,094)	(7,480)
Expenses for financial statement purposes	96,543	95,469	93,153
Revenues less expenses before transfers	6,250	9,729	9,248
Interfund transfers (Schedule 7)	(6,250)	(12,094)	(7,480)
Net increase in fund balances	-	(2,365)	1,768
Fund balances, beginning of year	4,365	4,365	2,597
Fund balances, end of year	4,365	2,000	4,365

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, 2010

(\$ thousands)

	For the Year Ended March 31, 2010							Total
	Academic <i>(See Schedule 5)</i>	Admin. & General	Ancillaries <i>(See Schedule 6)</i>	Athletics & Recreation	Facilities Management	Information Technology	Student Services	
Expenses								
Salaries	38,667	6,696	2,033	1,957	3,083	1,938	1,726	56,100
Employee benefits	4,853	1,534	294	242	649	319	260	8,151
Equipment rental	579	103	28	130	28	90	20	978
Materials and supplies	1,096	423	214	253	394	113	73	2,566
Communications	168	213	102	21	8	308	18	838
Travel	1,159	518	23	393	23	49	34	2,199
Utilities	-	-	634	249	1,654	-	-	2,537
Printing and duplicating	396	136	12	18	4	2	20	588
Library acquisitions	794	-	-	-	-	-	-	794
Hospitality	504	218	9	38	1	2	27	799
Repairs and maintenance	7	12	319	55	412	842	-	1,647
Promotion and student recruitment	1,411	940	8	129	-	-	6	2,494
Professional fees	44	335	-	28	-	45	-	452
Rent	388	-	-	-	-	-	-	388
Other operational expenses	921	1,684	133	337	241	11	94	3,421
Cost of goods sold	-	-	5,121	35	-	-	-	5,156
Student financial aid	3,420	-	-	339	-	-	-	3,759
Interest	-	1,125	1,415	14	-	113	-	2,667
External cost recoveries	(1,582)	(61)	(13,403)	(1,574)	-	(62)	(176)	(16,858)
Internal cost recoveries	-	(110)	330	102	(394)	-	7	(65)
	52,825	13,766	(2,728)	2,766	6,103	3,770	2,109	78,611
Interfund transfers	1,646	5,158	2,237	158	2,489	535	(129)	12,094
Total	54,471	18,924	(491)	2,924	8,592	4,305	1,980	90,705

	For the Year Ended March 31, 2009							Total
	Academic <i>(See Schedule 5)</i>	Admin. & General	Ancillaries <i>(See Schedule 6)</i>	Athletics & Recreation	Facilities Management	Information Technology	Student Services	
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	1,002	410	211	221	358	127	60	2,389
Communications	179	244	104	22	8	304	21	882
Travel	1,175	445	36	485	22	54	42	2,259
Utilities	-	-	783	293	1,912	-	-	2,988
Printing and duplicating	416	147	17	15	4	4	46	649
Library acquisitions	716	-	-	-	-	-	-	716
Hospitality	487	238	3	24	1	4	14	771
Repairs and maintenance	8	16	283	54	364	660	-	1,385
Promotion and student recruitment	1,263	770	4	115	-	-	6	2,158
Professional fees	135	381	-	35	-	25	6	582
Rent	339	-	-	-	-	-	-	339
Other operational expenses	1,008	1,699	283	393	240	6	138	3,767
Cost of goods sold	-	-	5,179	18	-	-	-	5,197
Student financial aid	3,464	-	-	377	-	-	-	3,841
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

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, 2010

(\$ thousands)

For the Year Ended March 31, 2010									
	Arts	Commerce	Science	Cont. Ed.	ESL	Library	Student Financial Aid	Misc. Academic	Total Academic
Expenses									
Salaries	10,754	11,154	8,971	2,971	1,596	2,100	-	1,121	38,667
Employee benefits	1,467	1,340	1,228	210	157	311	-	140	4,853
Equipment rental	70	57	132	8	6	83	-	223	579
Materials and supplies	90	383	264	54	167	89	-	49	1,096
Communications	13	55	21	56	1	14	-	8	168
Travel	130	605	116	107	55	20	-	126	1,159
Printing and duplicating	57	111	57	67	52	6	-	46	396
Library acquisitions	-	-	-	-	-	794	-	-	794
Hospitality	20	235	45	120	46	1	-	37	504
Repairs and maintenance	-	-	7	-	-	-	-	-	7
Promotion and student recruitment	-	325	12	63	310	4	-	697	1,411
Professional fees	-	43	1	-	-	-	-	-	44
Rent	-	165	-	157	-	-	-	66	388
Other expenses	64	281	105	270	(5)	120	-	86	921
Student financial aid	-	-	-	-	-	-	3,420	-	3,420
External cost recoveries	(13)	(1,300)	(19)	(164)	-	(66)	-	(20)	(1,582)
Internal cost recoveries	-	(17)	-	17	-	-	-	-	-
	12,652	13,437	10,940	3,936	2,385	3,476	3,420	2,579	52,825
Interfund transfers	(3)	417	388	-	-	565	(75)	354	1,646
Total	12,649	13,854	11,328	3,936	2,385	4,041	3,345	2,933	54,471
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	72	284	238	53	185	102	-	68	1,002
Communications	16	59	15	56	4	19	-	10	179
Travel	114	593	130	136	58	25	3	116	1,175
Printing and duplicating	71	105	69	69	41	5	-	56	416
Library acquisitions	-	-	-	-	-	716	-	-	716
Hospitality	18	179	55	140	47	1	-	47	487
Repairs and maintenance	-	-	8	-	-	-	-	-	8
Promotion and student recruitment	-	422	11	102	393	1	-	334	1,263
Professional fees	-	134	1	-	-	-	-	-	135
Rent	-	149	-	133	-	-	-	57	339
Other expenses	78	290	112	302	19	125	-	82	1,008
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

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, 2010

(\$ thousands)

	For the Year Ended March 31, 2010			
	Residence	Food Service	Bookstore	Total Ancillaries
Revenues				
Sales of services and products	6,616	2,212	4,336	13,164
Miscellaneous income	170	49	20	239
	<u>6,786</u>	<u>2,261</u>	<u>4,356</u>	<u>13,403</u>
Expenses				
Salaries	1,700	-	333	2,033
Employee benefits	241	-	53	294
Equipment rental	5	-	23	28
Materials and supplies	201	12	1	214
Communications	86	-	16	102
Travel	17	-	6	23
Utilities	538	96	-	634
Printing and duplicating	9	-	3	12
Hospitality	9	-	-	9
Repairs and maintenance	256	63	-	319
Promotion and student recruitment	3	-	5	8
Other operational expenses	64	4	65	133
Cost of goods sold	-	1,755	3,366	5,121
Interest	1,395	20	-	1,415
Internal cost recoveries	210	43	77	330
	<u>4,734</u>	<u>1,993</u>	<u>3,948</u>	<u>10,675</u>
Revenues less expenses before transfers	2,052	268	408	2,728
Interfund transfers	(2,052)	(175)	(10)	(2,237)
Revenues less expenses and transfers	-	93	398	491
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	26	-	10	36
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	202	24	57	283
Cost of goods sold	-	1,718	3,461	5,179
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	-	94	394	488

See accompanying notes to the financial statements.

Schedules to the Financial Statements

Schedule 7

Schedule of Interfund Transfers

For the year ended March 31, 2010
(\$ thousands)

The interfund transfers received or paid between the General, Restricted and Endowment Funds are as follows for the year ended March 31, 2010:

	All Funds			
	General	Restricted	Endowment	Total
Transfers received (paid)				
Contributions to reserves	173	(173)	-	-
Purchase capital assets	(5,298)	5,298	-	-
Maintenance and replacements	(610)	610	-	-
Debt reduction	(1,913)	1,913	-	-
Research and specific purposes	(98)	49	49	-
Program support	503	(218)	(285)	-
Total	(7,243)	7,479	(236)	-

The interfund transfers received or paid by the General Fund are as follows for the year ended March 31, 2010:

	General Fund		
	Operating	Reserves	Total General
Transfers received (paid)			
Contributions to reserves	(10,312)	10,485	173
Purchase capital assets	(1,656)	(3,642)	(5,298)
Maintenance and replacements	-	(610)	(610)
Debt reduction	(1,913)	-	(1,913)
Research and specific purposes	(485)	387	(98)
Program support	2,272	(1,769)	503
Total	(12,094)	4,851	(7,243)

The interfund transfers received or paid by the Restricted Fund are as follows for the year ended March 31, 2010:

	Restricted Fund				Total Restricted
	Capital	Research	Trust	Specific Purpose	
Transfers received (paid)					
Contributions to reserves	-	(127)	(45)	(1)	(173)
Purchase capital assets	11,608	(715)	-	(5,595)	5,298
Maintenance and replacements	613	-	-	(3)	610
Debt reduction	1,913	-	-	-	1,913
Research and specific purpose	(99)	(10)	154	4	49
Program support	-	-	24	(242)	(218)
Total	14,035	(852)	133	(5,837)	7,479

See accompanying notes to the financial statements.

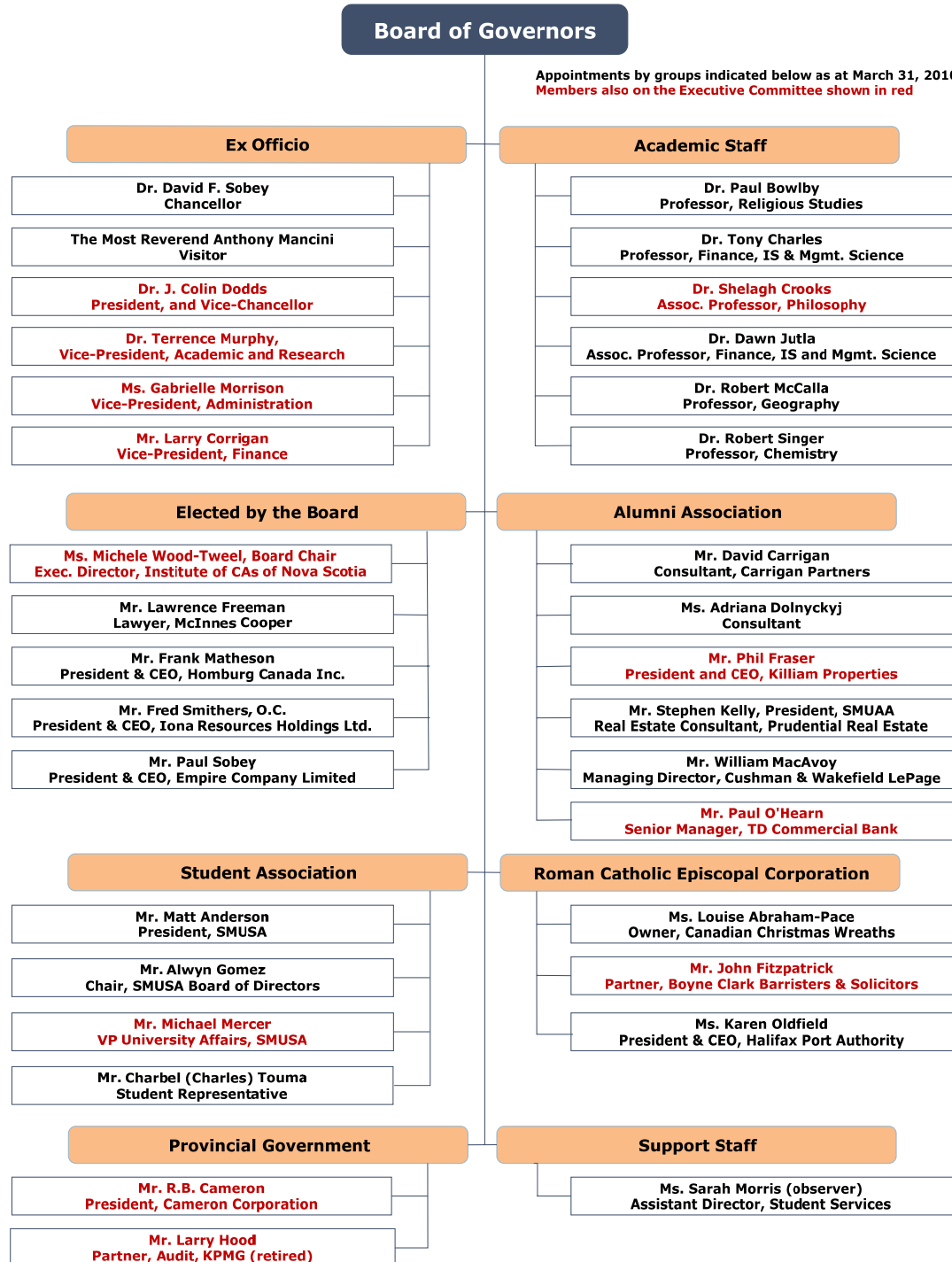


University and Financial Governance

March 31, 2010

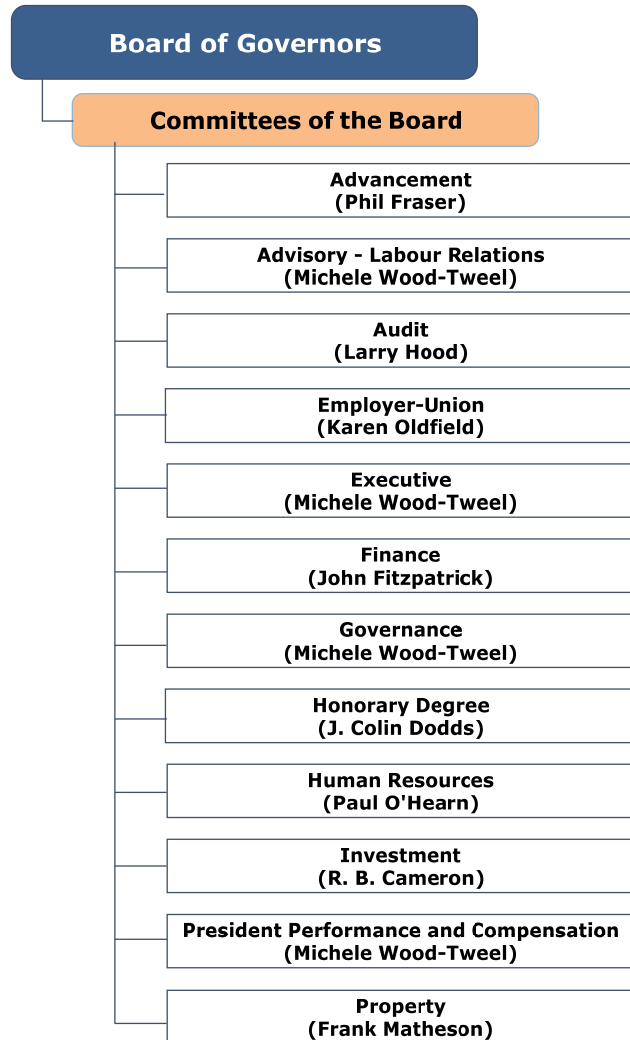
University Governance

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



Board Committee Structure

The Board of Governors obtains advice and reports from a number of elected committees. The following is a list of Board Committees (with Chairs shown in brackets) for the 2009/10 year.



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

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

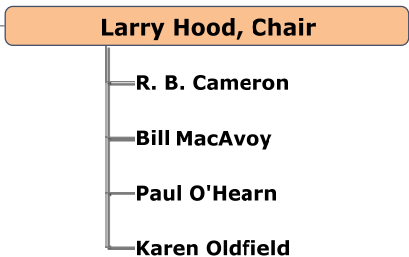
Financial Leadership – Financial Committees of the Board of Governors

Finance Committee



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

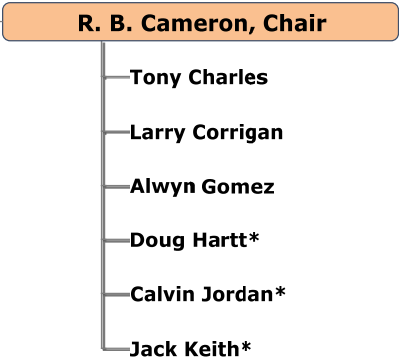


The primary purpose of the Audit Committee is to assist the Board of Governors in fulfilling its oversight responsibilities by overseeing the internal control environment and reviewing the audited financial statements and annual financial report that will be provided to university stakeholders. The Audit Committee contributes to the overall governance of Saint Mary's University by promoting a culture of transparency, honesty and ethical behaviour.

The Committee also assists the Board of Governors in its responsibility for risk management. The primary purpose in this regard is to ensure, on behalf of the Board, that effective risk management policies, procedures and practices are in place and to provide oversight for the effectiveness of the risk mitigation strategies.

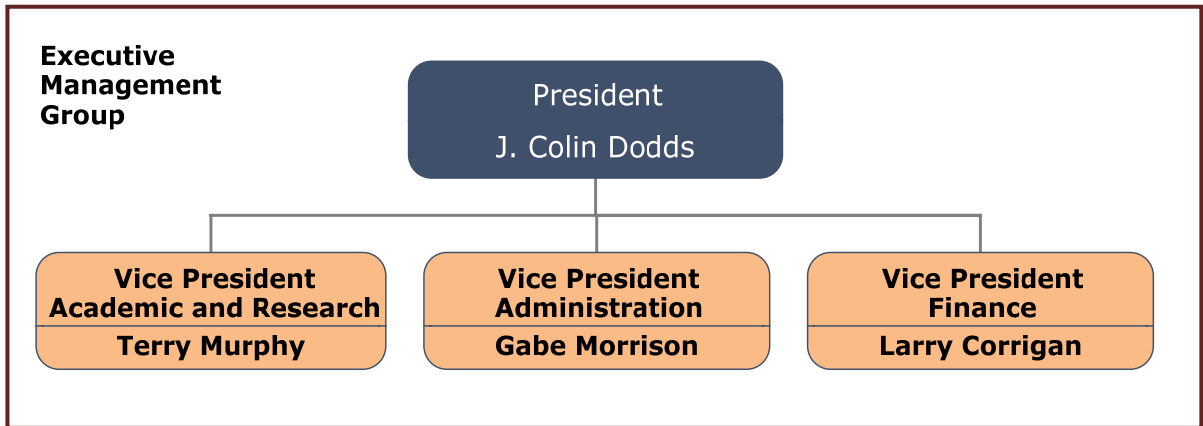
The external auditor, Grant Thornton LLP reports to the Audit Committee independent of management.

Investment Committee



The Investment Committee is a decision-making body empowered by the Board of Governors to invest the endowment and development funds, select firms to manage the investment portfolio, and to review the performance of university investments. The committee is fortunate to have the volunteer services of members, external to the board, with extensive investment experience (noted with *).

Financial Leadership – Executive Management Group



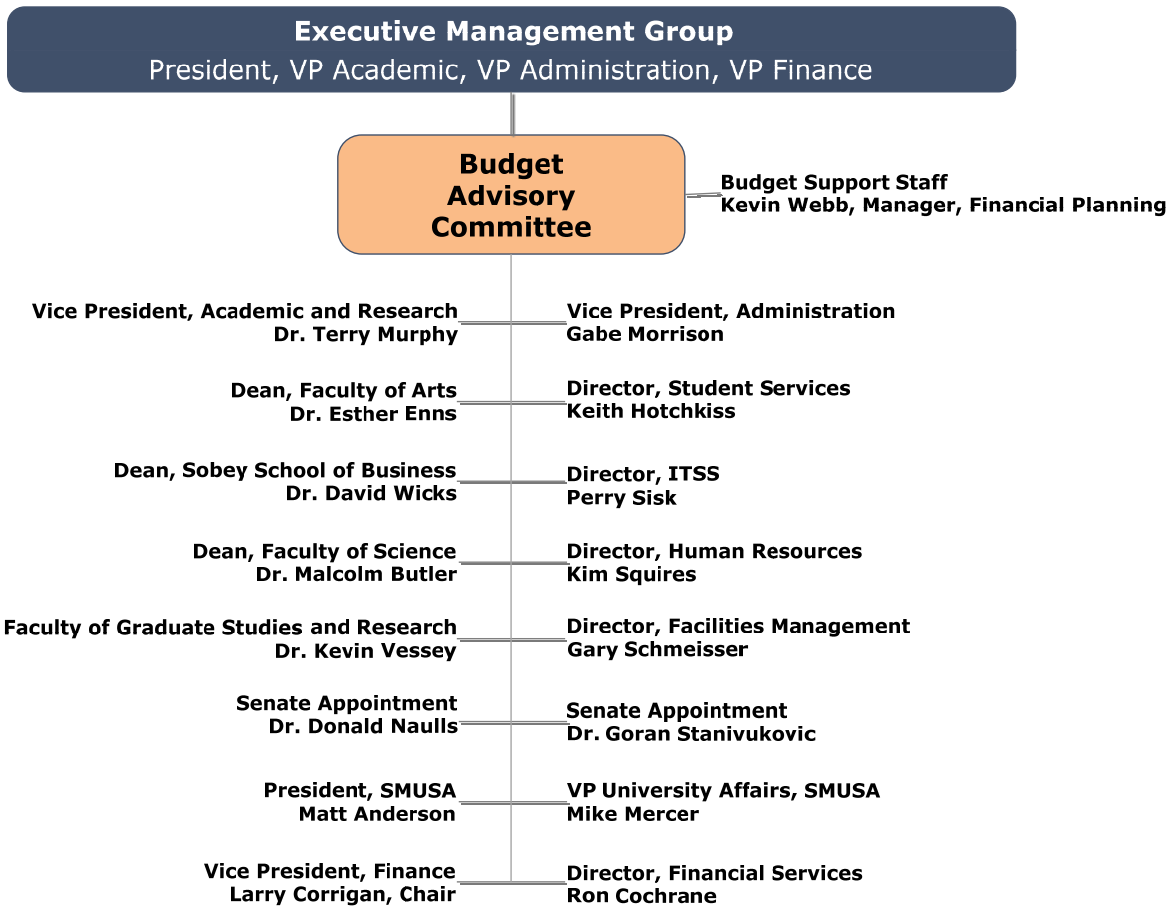
Saint Mary's University Act

“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, 2010



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

The draft budget is routed through an extensive review process, including the following:

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