



One University. One World. Yours.

Annual Financial Report

March 31, 2006

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Introduction

I am pleased to introduce the Annual Financial Report for the 2005/06 fiscal year. This report is intended to provide open accountability to the community and demonstrate Saint Mary's strong commitment to fiscal responsibility, one of our key corporate values.

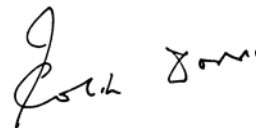
The Board of Governors of Saint Mary's University, as trustee of university financial, physical and human assets, has a fiduciary responsibility to oversee financial management. Financial statements help to fulfil this financial oversight role but these, in isolation, do not always satisfy the various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

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

In this report, management offers extensive commentary as well as performance measures of the financial condition of the university. This information (other than the financial statements) has not been audited.

The financial statements show the university's overall financial picture and are included in this report. The reporting is on a fund accounting basis, using the restricted fund method of accounting for contributions. An independent auditor has expressed an unqualified opinion on the financial statements of the University for the year ended March 31, 2006.

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, 2006.



J. Colin Dodds, Ph.D.
President



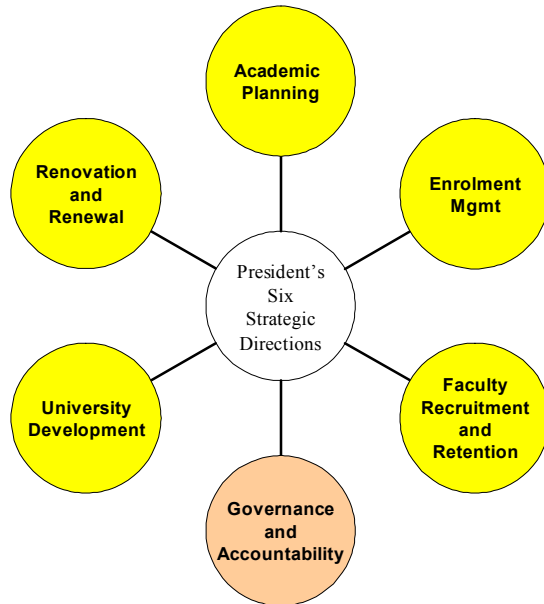
One University. One World. Yours.

Management Discussion and Analysis

March 31, 2006

Strategic Directions

SMU Strategic Directions



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

Motto

Age quod agis - What you do, do well.

Vision

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

Mission

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

Core Values

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

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

University Environment

The Canadian university system provides numerous alternatives for its 1,300,000 students and 34,500 faculty members. There is a tremendous range of educational and research environments, ranging from large to small; denominational to secular; English, French or bilingual; residential to commuter-based; and urban or rural to virtual. There are 92 universities belonging to the Association of Universities and Colleges of Canada. The system in Nova Scotia includes 11 universities, with 6 located in Halifax.

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

Critical Success Factors

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

Forces of Change

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

Strategic Strengths

- Academic Plan
- Friendly, student-centred campus culture
- Halifax, "Smart City", quality of life
- Established international linkages
- Track record of strong labour relations
- Community, educational, corporate partnerships
- Success of athletic and recreational programs

Strategic Issues

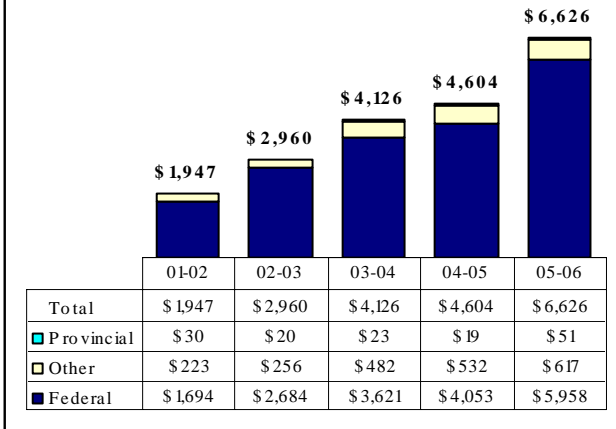
- Responding operationally to declining enrolments
- Commitments of 3-year agreement with NS government
- "Hearts & Minds" Capital Campaign
- Competition - many players in the university "market"
- Aging physical infrastructure
- Need to re-engage alumni
- Increasing costs and student debt
- Growth in research
- Implementation of Banner ERP system

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

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

Vital Signs

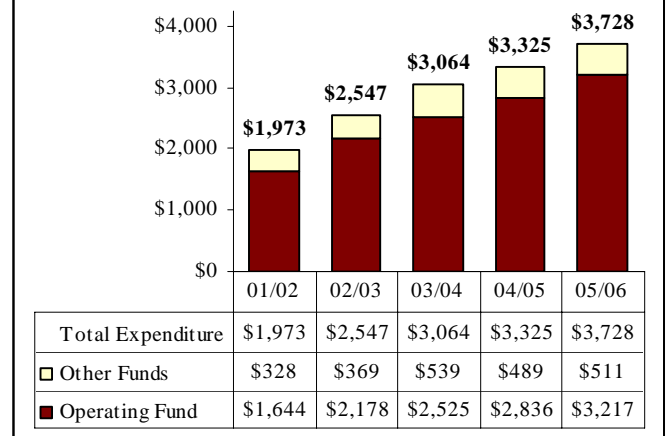
Sponsored Research, Granting Councils and Contract Research Funding (000's)



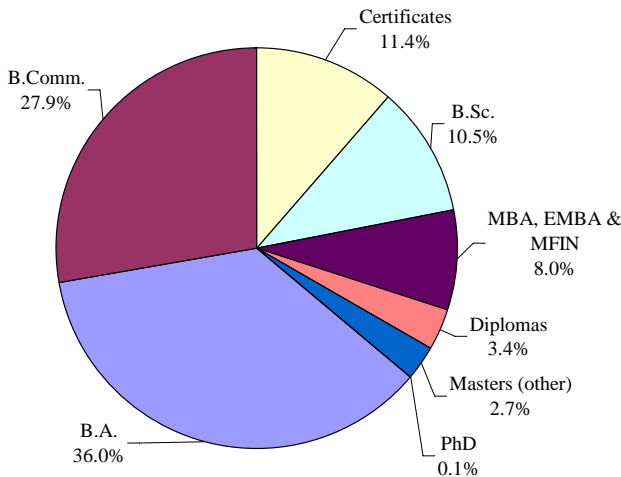
- Research funding from external sources has increased significantly since the Faculty of Graduate Studies and Research was established in 2001.

- SMU has substantially increased spending on scholarships, fellowships and bursaries over the past five years. The University's allocation towards scholarships and bursaries ranks second among Nova Scotia primarily undergraduate universities (Macleans).

Student Financial Aid (000's)



Degrees, Diplomas and Certificates Awarded 2005



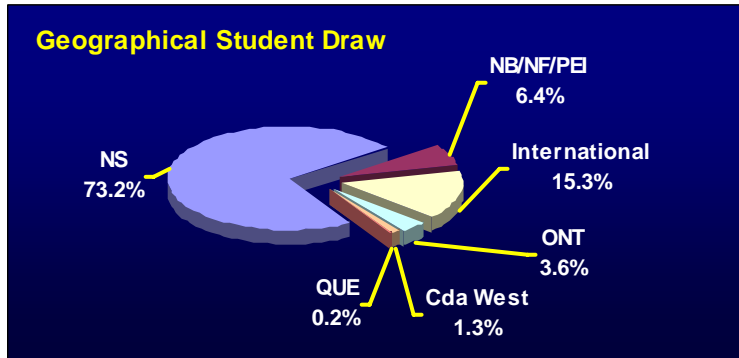
- Saint Mary's awarded 1,655 degrees, diplomas and certificates in 2005, an increase of 2.3% over the previous year.

2005/06 Top Performing Varsity Sports Teams

37 CIS Academic All-Canadians, 11 CIS All-Canadians, AUS Champions – Men's Soccer, Volleyball
 43 Atlantic University Sport All-Stars; AUS Rookie of the Year (Men's Basketball),
 AUS James Bayer Award (Men's Hockey); AUS Most Sportsmanlike Award (Men's Hockey)
 2 AUS League MVPs (Men's Basketball, Women's Hockey)

University Facts

Geographical Student Draw

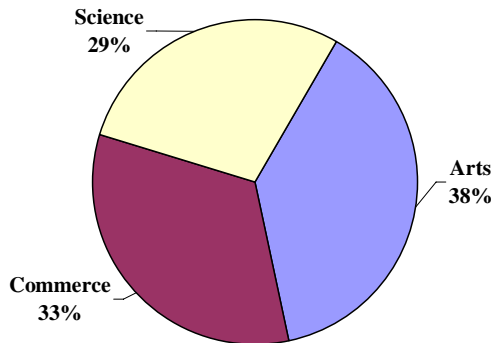


- Full-time students 7,132
- Part-time students 1,270
- The five largest international contingents are from China, the United States, the Bahamas, Germany, and Bermuda
- 49.2% of students come from the Halifax Regional Municipality
- The student population is 53% female and 47% male

Course Registrations by Degree Program 2005/06

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

- Saint Mary's operates three residences, at full occupancy. There are several different styles of accommodation to suit a variety of student needs.



- The largest percentage of course registrations is in Psychology, 15.4%

Average Class Size

- 62.7 - introductory courses
- 34.5 - upper level courses
- 17.0 - graduate courses

Library Holdings

Print Volumes	397,763
Micromaterials	588,278
Non-Print	18,339
Total	1,004,380

- Students and faculty made more than 598,000 visits to the University library during 2005/06

SMU Employees March 31, 2006

<u>Group</u>	<u>Full time</u>	<u>Part time</u>
Faculty	275	166
Administrative	311	18
TESL	8	6
Library	35	1
Facilities	92	0
Ancillaries	16	2
Bus Dev Centre	12	0
Atlantic Centre	12	1
Total	761	194

- Saint Mary's employed almost 1,400 students during 2005/06

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, 2006 and the results of its operations for the year then ended.

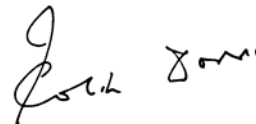
The administration has also prepared the unaudited financial information presented elsewhere in this financial report and has ensured that it is consistent with the financial statements.

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.



J. Colin Dodds, PhD
President



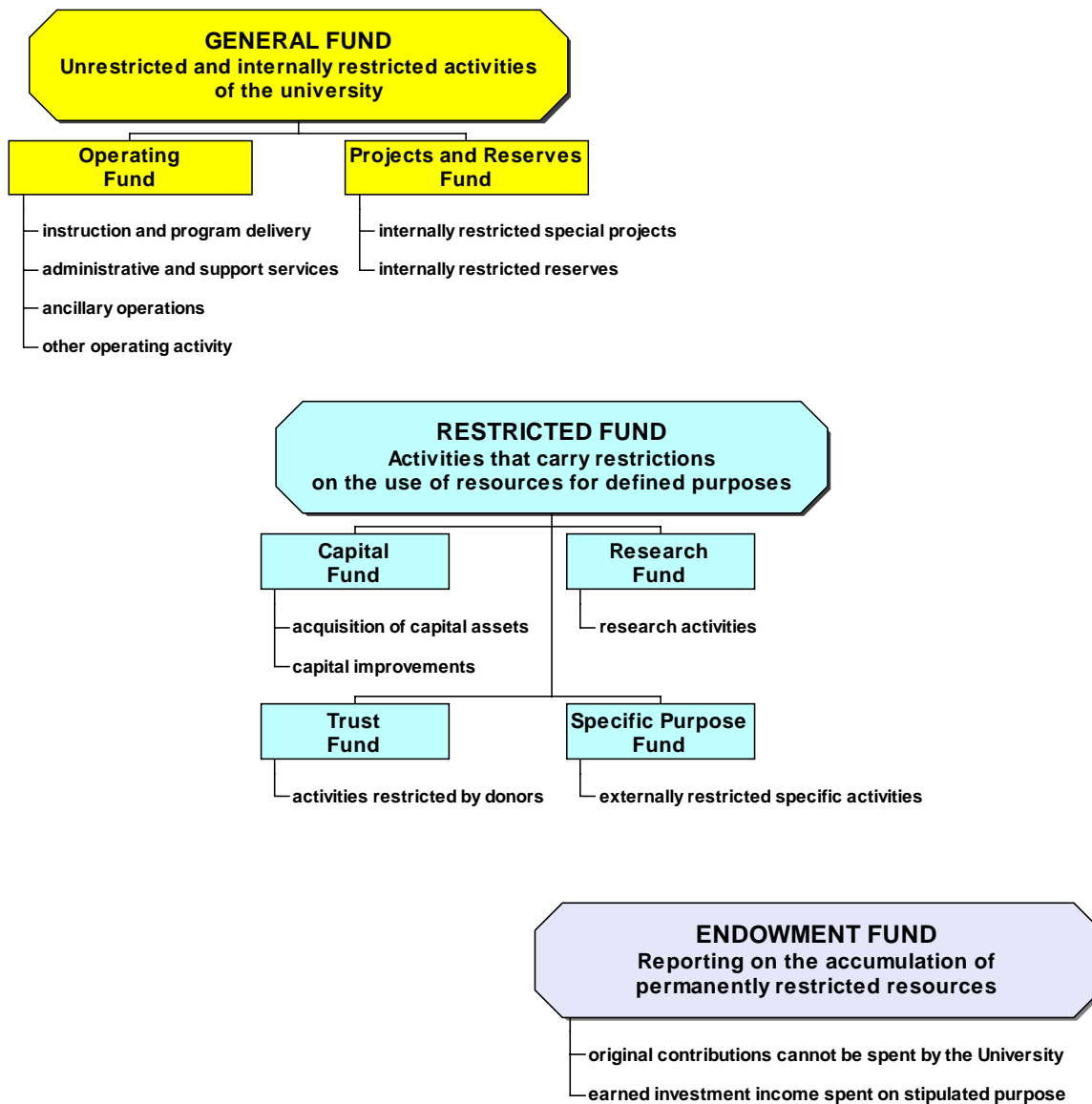
Larry Corrigan, MBA, FCGA
Vice-President, Finance

Fund Accounting

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

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

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



Financial Position and Fund Balances

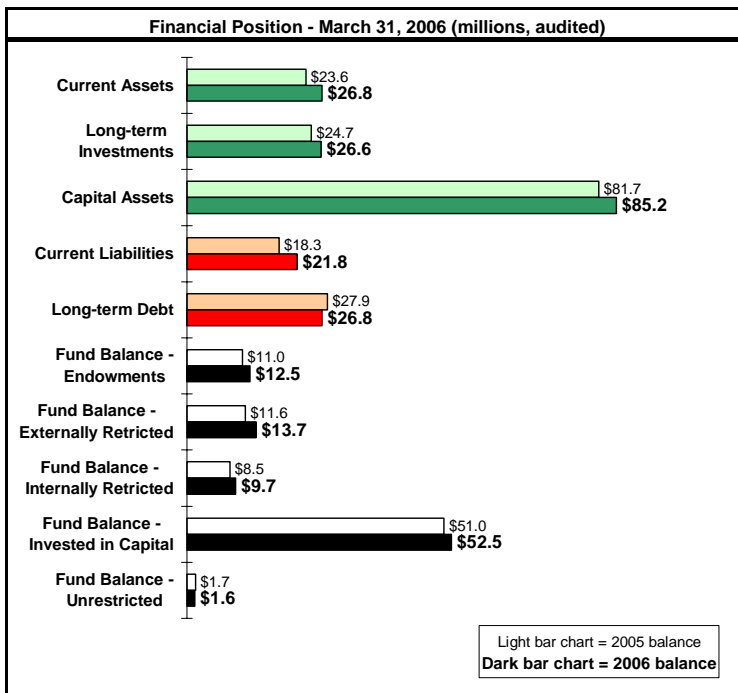
The Statement of Financial Position, or Balance Sheet, reports what the university owns (assets), what it owes to others (liabilities) and the university's remaining interest or equity in the assets (fund balances) at the reporting date, March 31, 2006.

University current assets amounted to \$26.8 million, with 70% of this held in cash and short-term investments. Accounts receivable was the next largest item at \$6.2 million of which \$3.2 million was outstanding student tuition. Inventories and prepaid expenses make up the remaining balance of current assets.

Long-term investments and receivables amount to \$26.6 million (at cost), an increase of \$1.9 million over the prior year. These include long-term receivables, bonds and debentures, equities and pooled investment funds. Investments are placed in accordance with policies specifying required quality and limiting the amount of risk exposure in any one type of investment instrument. The market value of the investments was \$29.6 million at March 31, 2006 (\$26.2 million at the prior year end).

Capital assets, with a net book value of \$85.2 million, are a prominent component of the university's statement of financial position. The university's buildings comprise 73% of the net capital asset amount.

Current liabilities of \$21.8 million include payables and accruals, students' deposits, deferred revenue and the current portion of long-term debt. The long-term portion of debt decreased by \$1.1 million (3.9%) during the year to \$26.8 million.



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

The fund accounting method of reporting used by SMU shows restrictions on balances of each area of activity. \$26.2 million relates to resources that are constrained by endowments and other external restrictions, \$9.7 million is internally restricted by the university for projects and reserves, \$52.5 million is the net amount invested in buildings, equipment and other capital assets. The unrestricted General Fund balance represents accumulated surpluses and deficits of current and prior years. The unrestricted fund balance is \$1.636 million. This is slightly over the range specified by the Board of Governors (approved range = \$0.5 million to \$1.5 million).

The excess \$136 thousand of the unrestricted fund balance will be allocated 50% to academic priorities and 50% to campus renewal in 2006/07 as required by the policy approved by the Board.

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

- 2006 \$89.9 million
- 2005 \$83.8 million
- 2004 \$73.1 million
- 2003 \$66.1 million
- 2002 \$62.0 million

Financial Condition Analysis

Critical Success Factors and Related Performance Indicators

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

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

- to support our internal planning processes and provide information for decision making
- to report results to government to justify receiving over \$24 million in operating grants each year
- to demonstrate to donors that their philanthropic gifts are prudently applied
- to provide evidence to lending institutions that the university meets its fiduciary duties
- to generate support from our students, employees, external partners and the overall university community

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

Critical success factors

Performance indicators

⊗ OPERATIONS (page 10)

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

⊗ ASSET MANAGEMENT (page 11)

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

⊗ FUNDRAISING and ENDOWMENT (page 12)

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

⊗ DEBT CAPACITY (page 13)

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

Financial Condition

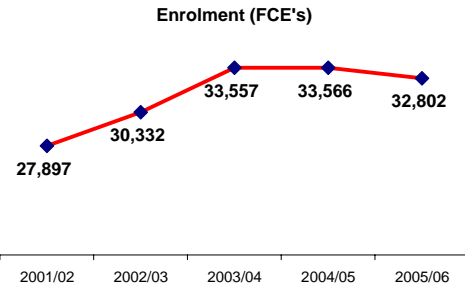
Operations Analysis, March 31, 2006

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	2004/05	2005/06
Arts enrolment	12,737	12,387
Science enrolment	9,263	9,304
Commerce enrolment	9,770	9,528
Graduate Studies enrolment	1,796	1,583
Total enrolment at March 31 (full course equivalents)	33,566	32,802



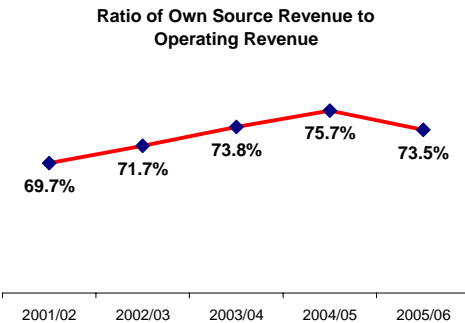
- total enrolment has declined after substantial increase prior to 2004
- growth in research-based graduate programs; decline in professional programs
- international enrolment stands at 15.3%, one of the highest in Canada (Maclean's)

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

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

Universities derive a significant portion of their budget from their provincial government. Given the fiscal challenges of the Province of Nova Scotia, SMU is vulnerable to declines in grant funding. However, a recent 3-year MOU has given increased funding and security. Revenue diversity adds financial strength by reducing overall risk, and also implies a healthy mix of "business" segments, including academic programs and other sources of operating revenue. A favorable assessment for this measure assumes the government will at least maintain a baseline amount of financial support.

Independent sources of operating revenue	2004/05	2005/06
Own source revenue (millions)	\$66.6	\$68.3
Provincial operating grant (millions)	\$20.6	\$23.7
Federal grant (millions)	\$0.8	\$0.9
Total operating revenue (millions)	\$88.0	\$92.9
Ratio of own source revenue to operating revenue	75.7%	73.5%



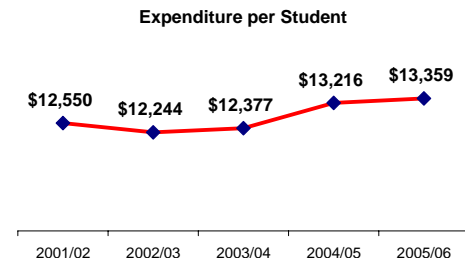
- own source revenue grew in \$ terms but as a % of total operating revenue declined
- Provincial grants increased during this period as a result of a 3 year MOU
- Federal government has maintained funding for indirect costs of research

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

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

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

Funding of university educational mission	2004/05	2005/06
Annual expenses, all Funds (millions)	\$92.1	\$98.6
Students (full-time equivalents)	6,969	7,381
Expenditure per student	\$13,216	\$13,359



- spending and enrolment has increased significantly over the past five years
- expenditure per student is quite consistent with the prior year
- SMU ranks 10th of 12 compared to peer group (median = \$14,946 per student)

Financial Condition

Operations Analysis, March 31, 2006

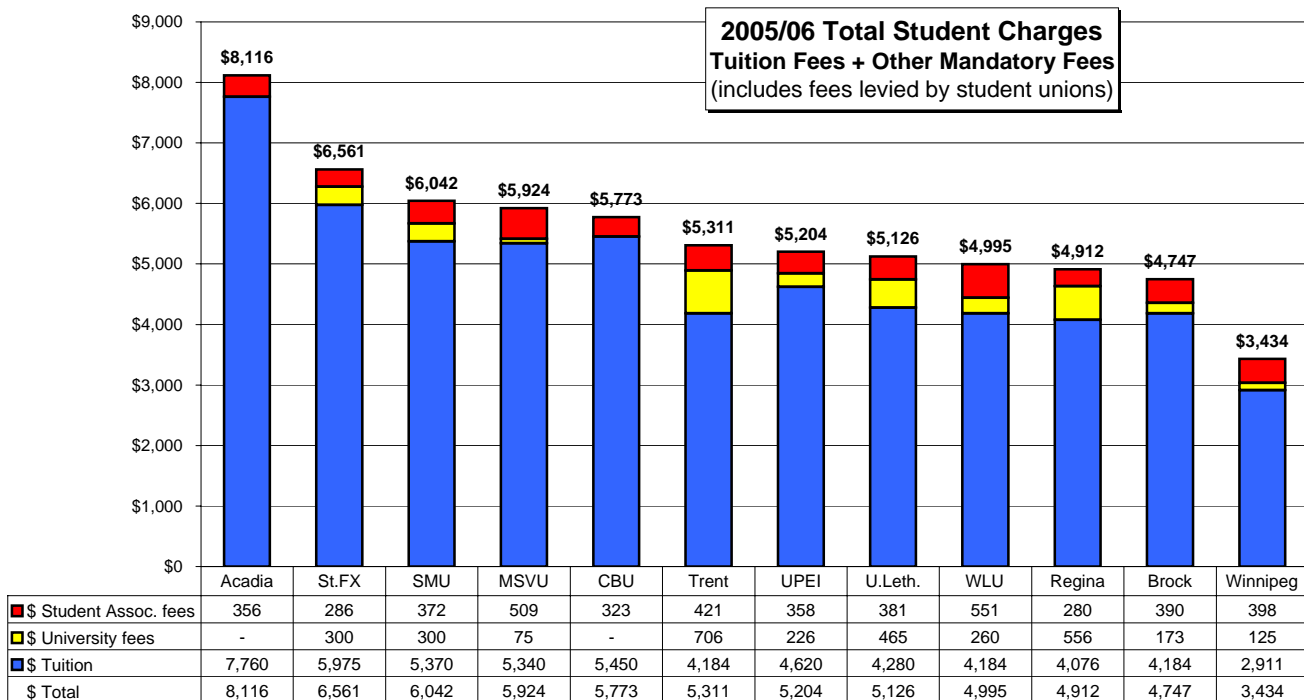
Critical Success Factor 4: **Student accessibility**

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

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

Tuition is heavily influenced by the amount of government support in the province in which each university is located. Nova Scotia lags behind all of the other provinces in investments in the university sector (CAUBO/Statistics Canada - provincial operating funding as % of total university income). Average tuition fees therefore are relatively high. Within Nova Scotia, Saint Mary's University has the second lowest proportion of provincial funding relative to the other NS universities (27.7% funding compared to Nova Scotia median of 39.3%). Saint Mary's receives the lowest proportion of provincial funding relative to its Canadian peer group (12th of 12 universities - 27.7% funding compared to peer group median of 47.5%).

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



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

- Nova Scotia universities have highest tuition in the country

- SMU tuition is competitive within Nova Scotia; second lowest compared to Acadia, StFX, Dalhousie, Kings. Cape Breton, MSVU

Source of provincial funding information: CAUBO/Statistics Canada 2005
 Source of tuition and fees information: Association of Atlantic Universities and university websites - assumes 5 full Arts courses

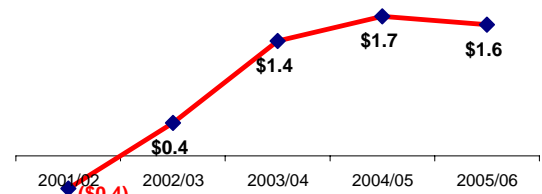
Financial Condition

Asset Management Analysis, March 31, 2006

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

Financial strength is demonstrated by asset management policies that provide financial flexibility. Unrestricted resources (immediately available to be expended) are important due to the risk associated with volatile university operations. The Saint Mary's policy is to maintain unrestricted resources in a range between \$500 thousand and \$1.5 million to enable the university to hedge against unfavourable contingencies, to take advantage of opportunities and innovation, and to ensure a level of stability over time.

Liquidity	2004/05	2005/06
Unrestricted fund balance, start of year (millions)	\$1.4	\$1.7
Change during the year (millions)	\$0.3	(\$0.1)
Unrestricted fund balance, end of year (millions)	\$1.7	\$1.6

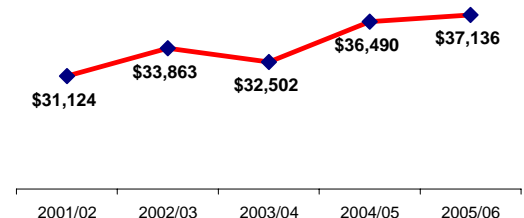
Unrestricted Resources


- the unrestricted balance at year end exceeds the top of the approved range (the excess \$136 thousand will go to academic priorities/campus renewal in 2006/07)
- SMU balance, \$1.6 million, exceeds the median of the peer group (\$0.5 m deficit)

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	2004/05	2005/06
CRV of capital assets per CURIE valuation (millions)	\$254.3	\$274.1
Number of students (full time equivalents)	6,969	7,381
CRV of capital assets per student	\$36,490	\$37,136

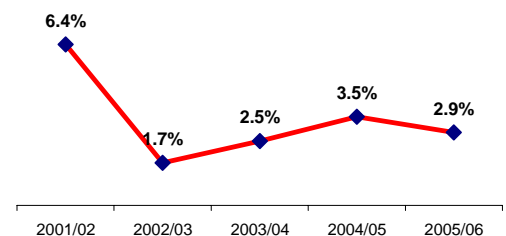
Capital Assets per Student


- significant growth in the value of capital assets; size of the student body also grew
- the \$25.5 million renovation of the Science Building began in 2006
- a significant capital program (\$5.1 million) is planned for the 2007 fiscal year

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

An important aspect of asset management is the condition of the physical infrastructure. In order to provide an excellent level of service, and to properly steward physical assets for future generations, there is an ongoing need for capital investment. As with other NS universities, there is also a significant backlog (\$39 million) of deferred maintenance at SMU.

Capital investment	2004/05	2005/06
Capital spending (millions)	\$8.9	\$7.9
CRV of capital assets (millions)	\$254.3	\$274.1
Ratio of capital spending to CRV of capital assets	3.5%	2.9%

Capital Spending Ratio


- 2001/02 includes part of the \$24 million residence renovation project
- capital spending tends to be uneven over time and is dependent on available funds
- a new Capital Renewal Fee was introduced for 2004/05 (\$2 million per year)

Financial Condition

Asset Management Analysis, March 31, 2006

Critical Success Factor 8: **Financial flexibility**

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

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

**Expendable Resources
(millions)**

Lethbridge - Mar. 31, 2005 (\$3,812 per student)	\$28.4
Regina - Apr 30, 2005 (\$1,329 per student)	\$14.0
UPEI - Apr 30, 2005 (\$3,531 per student)	\$12.5
SMU - Mar. 31, 2006 (\$1,531 per student)	\$11.3
Brock - Apr 30, 2005 (\$742 per student)	\$11.1
MSVU - Mar. 31, 2005 (\$2,197 per student)	\$6.4
Winnipeg - Mar. 31, 2005 (\$666 per student)	\$4.7
Acadia - Mar. 31, 2005 (\$638 per student)	\$2.4
Trent - Apr. 30, 2005 (\$236 per student)	\$1.7
St.FX - Mar. 31, 2005 (-\$68 per student)	-\$0.3
CBU - Mar. 31, 2005 (-\$871 per student)	-\$2.7
Wilfrid Laurier - Apr 30, 2005 (-\$3,117 per student)	-\$38.9

- SMU expendable resources = Unrestricted Fund Balance \$1.6 million + Internally Restricted Fund Balance \$9.7 million

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

- SMU ratio of expendable resources per student is more than double the median of the university peer group (\$704 per student)

- History of SMU expendable resources: 2002 \$5.6 million, 2003 \$8.5 m, 2004 \$11.5 m, 2005 \$10.3 m, 2006 \$11.3 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 2005 Enrolment Survey

Financial Condition

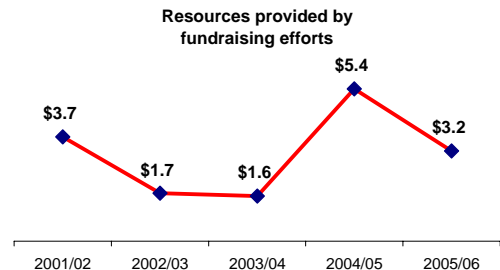
Fundraising and Endowment Analysis, March 31, 2006

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	2004/05	2005/06
Fundraising revenue received during the year (million's)	\$5.4	\$3.2
Pledges due within ten years (million's)	\$1.9	\$6.6

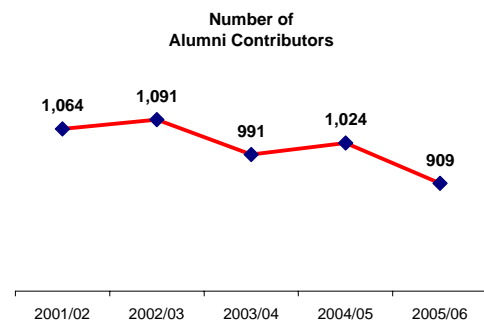
- 2001/02 revenue included \$2 million from Dauphinee Estate for arena complex
- 2004/05 fundraising includes Dr. David F. Sobey gift of \$3.2 million
- 2005/06 Hearts & Minds capital campaign continuing, and includes significant gifts from Sobey's Inc. and Empire Company Limited


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

Expressions of philanthropy, from Saint Mary's approximately 35,000 alumni, support the life and work of both our students and faculty. The engagement of alumni is a measure of the ongoing vitality of the university and the support Saint Mary's can expect in the future. In this respect, both large and small gifts from alumni are important.

Alumni financial participation	2004/05	2005/06
New contributors	131	97
Repeat contributors (3+ consecutive years)	338	359
All other alumni contributors	555	453
Total alumni contributors	1,024	909

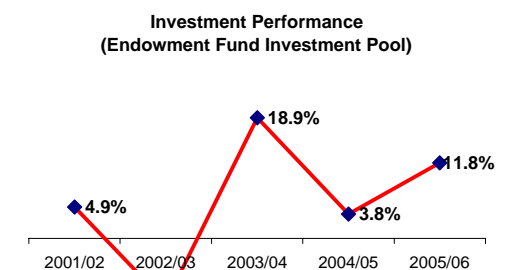
- decrease in alumni contributors in 2005/06 (down 11.2% in total)
- active alumni (living alumni with reachable address) = 70% (69% in 2004/05)
- 2005/06 alumni financial participation rate = 3.7% (4.4% in 2004/05)


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

The financial health of the endowment depends in part on investment performance. Endowment assets are managed through professional investment counsel. Governance is provided by an Investment Committee established by the Board of Governors. Success is measured over the long term and considers established investment benchmarks.

Management of the endowment investments	2004/05	2005/06	3-year Quartile Rank
Money Market	2.3%	2.9%	-
Bonds	3.9%	3.9%	Q4
Canadian Equities	19.1%	26.7%	Q4
US Equities	-6.6%	10.2%	Q2
International Equities	-0.5%	10.3%	Q4
Total annual investment return on endowment funds	3.8%	11.8%	Q4

- external investment counsel for past 3 years, beginning fiscal 2003/04
- over past 3 years returns of 11.5% underperformed benchmark portfolio by 2.7%
- as highlighted in blue above, poor relative performance compared to external similar funds



Financial Condition

Fundraising and Endowment Analysis, March 31, 2006

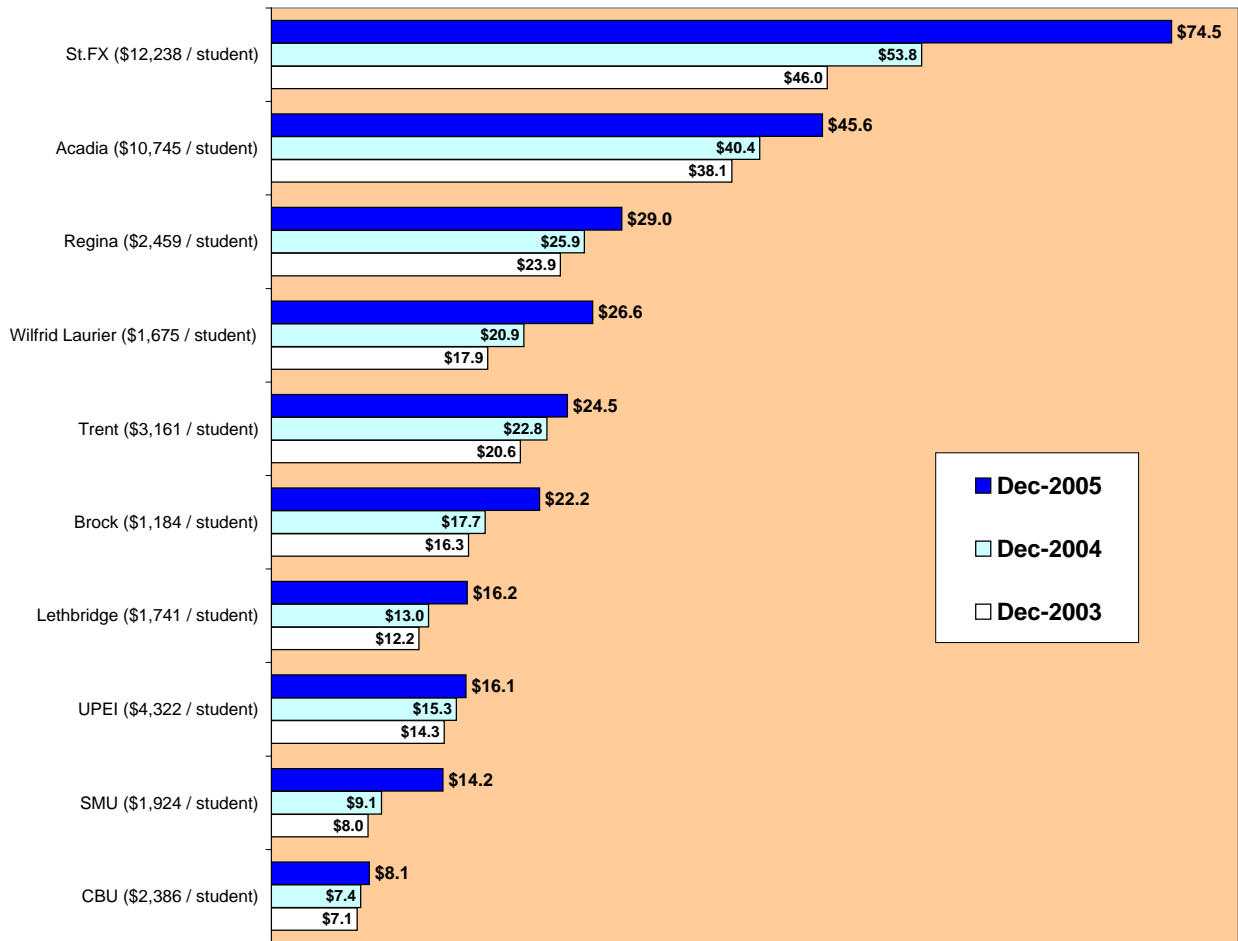
Critical Success Factor 12: Endowment

Key Performance Indicator 12: Market value of endowed assets

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

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

**Market Value of Endowed Assets
as at December 31 (millions)**



- SMU endowment value is low compared to university peer group (9th of 10, same as last year)
- SMU endowment per student is low compared to the university peer group (7th of 10) but improved from 9th of 10 last year
- SMU showed the highest improvement in the level of endowed assets over past two years; +78% (median was +27%)

Source of peer group information: CAUBO University Endowment Survey (Winnipeg and MSVU did not participate in the 2004 or 2005 survey)
 Endowment per student figures shown above are for the most recent year available
 Source of student information: student is defined as full-time equivalent - calculation from AUCC 2005 Enrolment Survey

Financial Condition

Debt Capacity Analysis, March 31, 2006

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

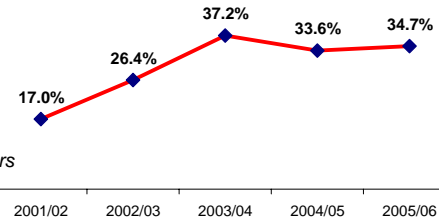
Key Performance Indicator 13: **Ratio of expendable resources to debt**

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	2004/05	2005/06
Expendable resources (millions)	\$10.3	\$11.3
Debt, incl. current portion of long-term debt (millions)	\$30.7	\$32.6
Ratio of expendable resources to debt	33.6%	34.7%

- SMU expendable resources and debt have both increased
- the ratio of Expendable Resources to Debt has been at an improved level in past few years
- SMU position is favourable compared to the university peer group median (17%)

Ratio of Expendable Resources to Debt



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

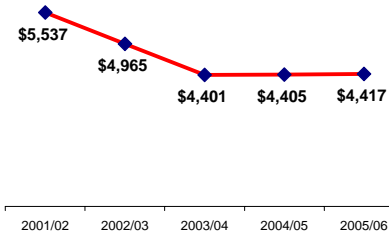
Key Performance Indicator 14: **University debt per student**

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

Manageable debt load	2004/05	2005/06
Debt, incl. current portion of long-term debt (millions)	\$30.7	\$32.6
Number of students (full time equivalents)	6,969	7,381
University debt per student	\$4,405	\$4,417

- SMU debt and student FTE's have both increased
- the ratio of debt owed by SMU per student had a favourable trend over the past five years
- SMU is carrying more debt per student compared the peer group median (\$4,285)

University Debt per Student



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

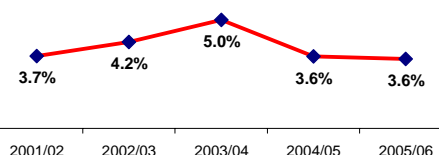
Key Performance Indicator 15: **Ratio of debt service cost to operating revenue**

Revenue growth (tuition + other sources of revenue) provides "funding room" for new debt. Projects such as residence ancillaries are often expected to be self-supporting and use less debt capacity than projects that do not have an associated revenue stream. Overall, the university must be concerned about the potential for reduced long-term financial flexibility when adding fixed costs in the form of principal and interest payments on debt. Debt charges add cost pressure to the expenditure side of the operating budget, so it is important to monitor the ratio of debt service cost to total operations.

Debt funding strength arising from operations	2004/05	2005/06
Debt service cost: principal + interest (millions)	\$3.2	\$3.3
Total operating revenue (millions)	\$88.0	\$92.9
Ratio of debt service cost to operating revenue	3.6%	3.6%

- the ratio is unchanged; debt service cost about the same as prior year
- debt service cost had increased to 5% due to the \$24 million residence renovation
- additional residence debt payment in 2003/04 (\$0.9 million)

Ratio of Debt Service Cost to Operating Revenue



Financial Condition

Debt Capacity Analysis, March 31, 2006

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

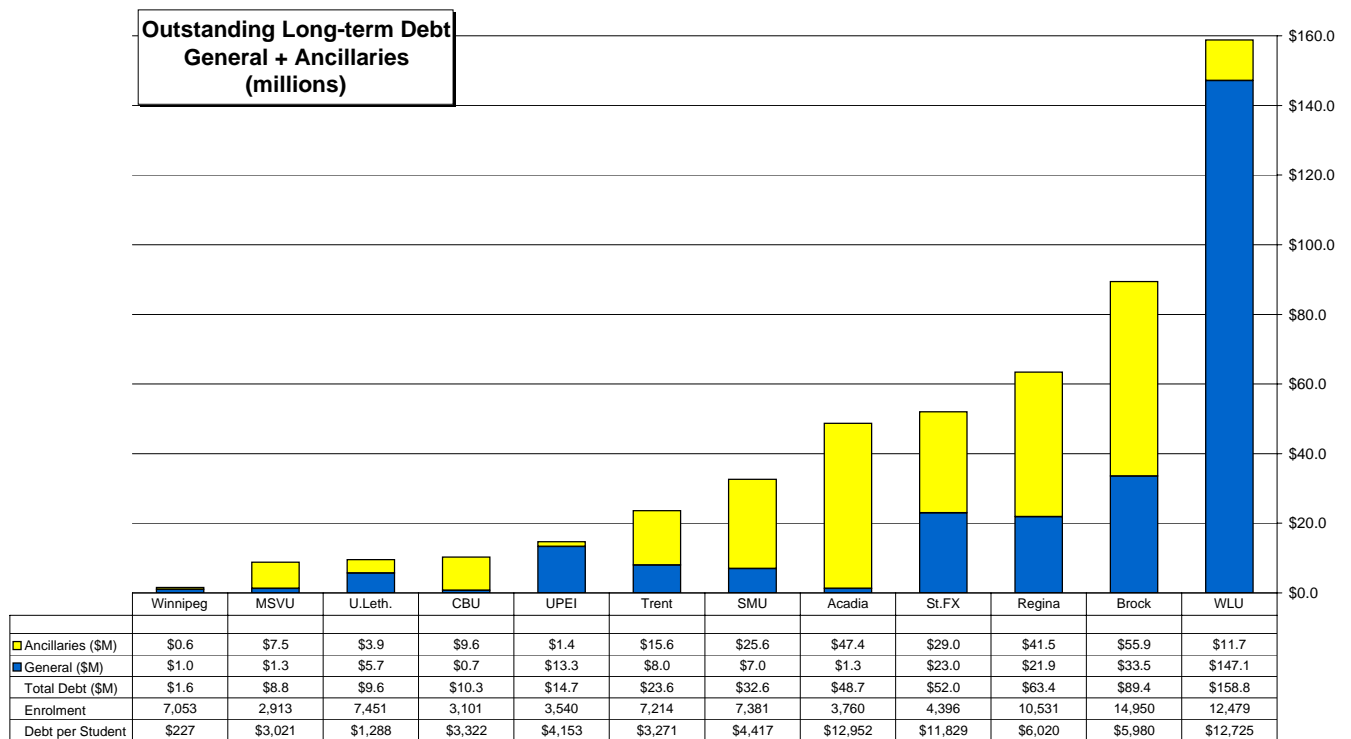
Key Performance Indicator 16: **Outstanding debt**

Saint Mary's has generally taken a debt avoidance approach to financing the university, particularly in relation to capital other than residence buildings. This strategy works best in an environment of strong government support in the form of capital grants, a feature not evident in Nova Scotia. Other factors that would contribute to low debt requirements are successful fundraising campaigns, good investment returns and internally generated reserve funds.

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

The type of project being financed also has an effect on debt capacity. Projects that can support debt payments with an incremental revenue stream do not impair debt capacity to the same extent as projects that would depend on general revenue sources or uncertain future fundraising potential.

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. The chart shows general debt as well as debt of ancillaries such as residences and dining services. Ancillary debt tends to be self-supporting. Debt per student is also calculated below.

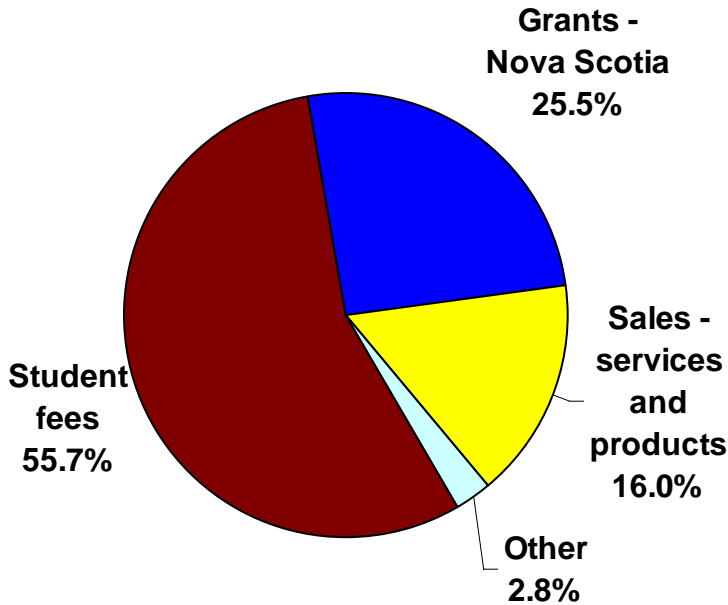


- Saint Mary's total debt, \$32.6 million, is higher than the median of the peer group (\$28.1 million)
- Saint Mary's non-ancillary debt, \$7.0 million, is slightly less than the median of the peer group (\$7.5 million)
- 79% of SMU debt relates to residence operations which generate sufficient funds to cover all principal and interest
- \$4,417 debt per student at SMU (\$4,405 last year) is slightly higher than the university peer group median (\$4,285), but is less than the bond rating agency benchmark (caution at greater than \$10,000 per student)

Source of debt information: University financial statements, most recent year published
 Source of student information: student is defined as full-time equivalent - calculation from AUCC 2005 Enrolment Survey

General Fund Analysis Operating Fund - Revenues

The 2005/06 operations of Saint Mary's University produced revenues of \$92.9 million.



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

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

If ancillary operations are excluded, student fees comprise 65% of revenue, with the grant from the Province of NS at 30% of total revenue.

Revenue Budget - Variance Analysis

The 2005/06 budget assumed flat enrolment compared to the prior year. In fact there was a small increase in students. However, this year's students took fewer courses overall (approx. 2% decrease), causing a negative budget variance of \$574 thousand in academic year tuition. One program showing improvement was the EMBA program where revenue exceeded budget by \$118 thousand.

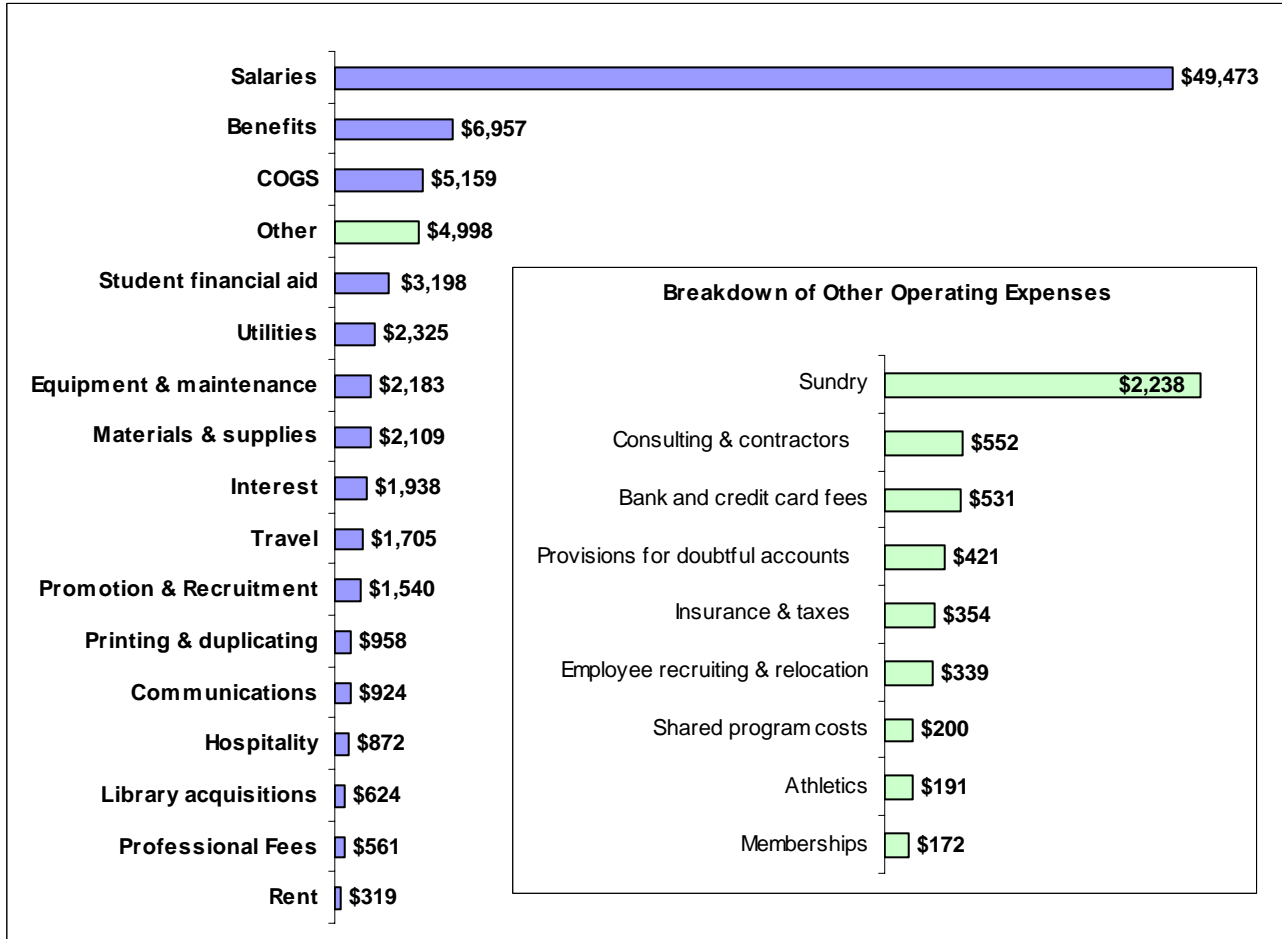
Grants from the provincial government exceeded budget by \$1.3 million. The university and the province signed a revision to the existing MOU resulting in a timing difference for receipt of grant funding. Therefore, an additional \$1.2 million was received and recorded in March, just prior to the fiscal year end date.

Revenue from Continuing Education professional programs did not meet anticipated growth levels and therefore fell short of budget by \$367 thousand. Also, the York Business Analyst program did not run resulting in a negative revenue budget variance of \$114,000. Offsetting this were favourable variances in the remaining York programs of \$273 thousand.

There were a number of other revenue budget variances of insignificant amounts. Saint Mary's University ended the fiscal year with a near break-even position, a small deficit of \$39 thousand, representing only .0004 the total budgeted expenditures.

General Fund Analysis Operating Fund - Expenses

The 2005/06 operations of Saint Mary's incurred expenses of \$85.8 million excluding interfund transfers. The following chart (in thousands) shows the breakdown of operating expenses, including ancillary operations.



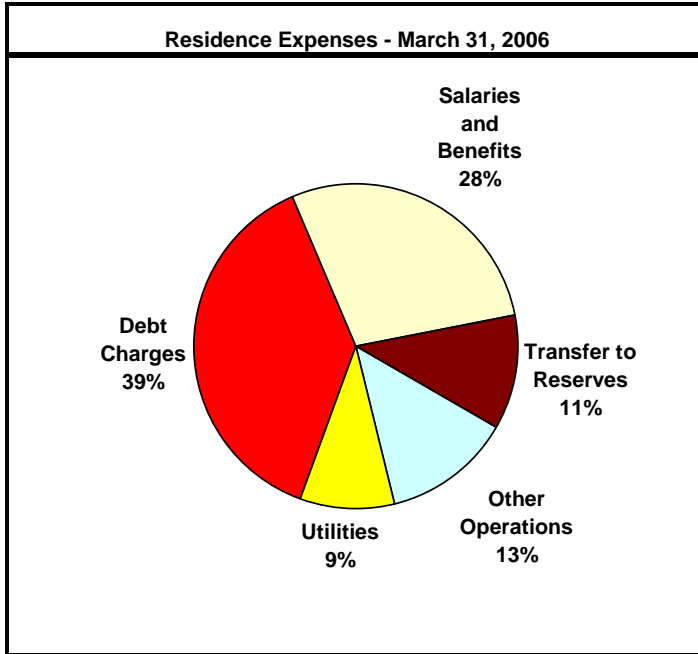
* The "sundry" category above includes a great many, mostly low budget, accounts including Novanet, ISI, executive search, faculty professional development, tuition discounts, contingency, as well as sundry expenditures of the various operating and academic departments.

Expense Budget - Variance Analysis

Most of the operating expense accounts of the university ended the 2005/06 fiscal year close to the amount of the approved budget. Significant variances are noted below.

- Salary and benefit accounts provided savings compared to budget throughout the Operating Fund, amounting to \$400 thousand in total.
- An increasingly competitive environment for student recruiting led to decisions to increase marketing and promotional activities. This resulted in a budget over expenditure of \$269 thousand.
- The provision for doubtful accounts exceeded budget by \$169 thousand.
- It is worth noting that the Ancillary Operations (Residence, Bookstore, Dining, Arena) had a net variance of only +\$42 thousand on a combined budget of \$13.2 million.

General Fund Analysis Operating Fund – Ancillary Operations



Residence Services

The residence operations provide housing for over 1,200 students in three buildings; Loyola, Vanier House, and Edmund Rice Residence, generating \$6.2 million in revenue. However, the residence is not expected to be a profit-generating business.

In 2001 the Loyola and Vanier residences underwent a \$24 million renovation which was mainly financed with debt. As the chart on the left shows, debt charges (principal and interest on outstanding debt) comprise the largest item of expense at 39% of the total expenditure (\$2.4 million). Salaries and benefits are also significant at \$1.8 million. In 2005/06 the university set aside a provision in the amount of \$453 thousand for equipment and future major renovations.

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

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

Bookstore The bookstore is the most profitable ancillary, contributing a surplus of \$647 thousand (\$494 thousand in 2004/05). The majority of profits (over 80%) are generated by textbook sales. Other categories such as trade paperbacks, clothing and supplies have higher contribution margins (ranging from 30-40%) but the sales volume of these products is significantly lower than textbook sales.

Arena The university operates a 40 year old, 1,100 seat arena. The arena is used primarily for the women's varsity hockey team and intramural hockey. When not in use by the Athletic and Recreation Department, the arena is rented to various groups. The revenue helps offset approximately \$319 thousand per year in operating costs.

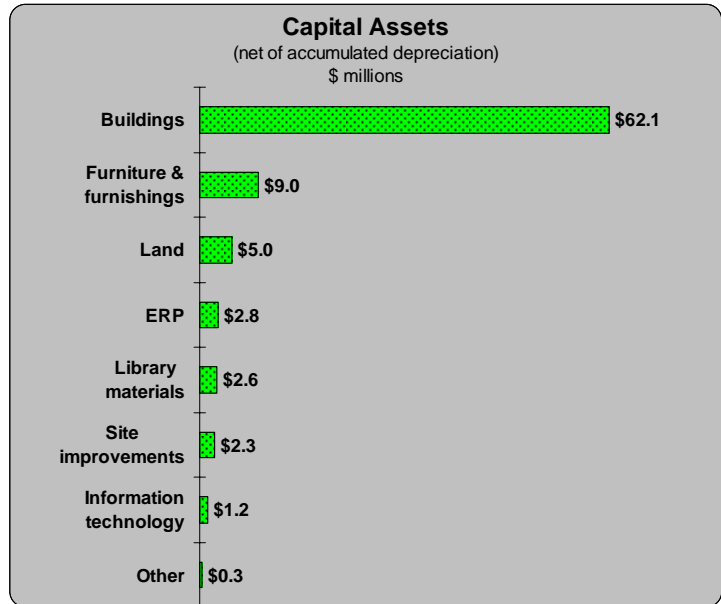
Summary (\$ Thousands)	Budget 2005-06	Actual 2005-06
Residence		
Revenues	6,334	6,215
Expenses & transfers	(6,334)	(6,216)
Surplus (deficit)	0	(1)
Food Services		
Revenues	2,026	1,991
Expenses	(1,949)	(1,909)
Surplus	77	82
Bookstore		
Revenues	4,932	4,744
Expenses & transfers	(4,302)	(4,097)
Surplus	630	647
Arena		
Revenues	255	286
Expenses & transfers	(309)	(319)
Surplus (deficit)	(54)	(33)

Restricted Fund Analysis Capital Fund

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

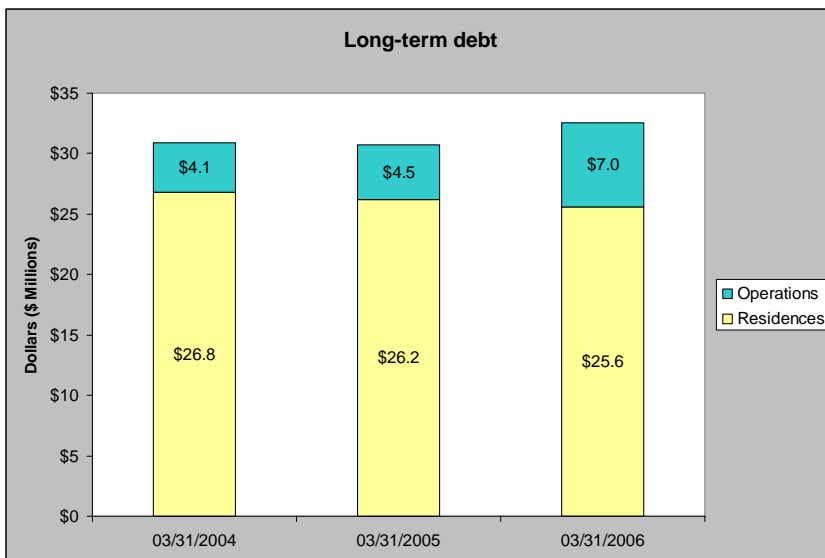
With a fund balance of over \$52 million, the Capital Fund makes up the largest portion of the Restricted Fund. It accounts for all the capital assets of the university and the related debt. Capital assets are purchased by transfers from other funds, borrowing, or by contributions from external sources. Contributions restricted for capital assets related to projects in progress are shown as revenue of the Capital Fund in the year received. Any unspent contributions are shown as part of the externally restricted fund balance.

During 2005/06 the university purchased capital assets of \$7.9 million, increasing the total to \$85.2 million, net of accumulated depreciation. These purchases were financed by transfers from internally restricted funds of \$3.2 million, borrowing of \$3.5 million, and transfers from the General Fund of \$1.2 million.



Unspent contributions and transfers from restricted funds received in prior years totaling \$78 thousand make up the externally restricted fund balance of the Capital Fund. These funds will be spent on capital asset purchases in 2006/07. The funds consist of unspent grants from the Canadian Foundation for Innovation.

The remainder of the Capital Fund's \$52.5 million balance consists of the net investment in capital assets, i.e., the net capital assets less the related debt. Included in the \$7.9 million spent on capital assets in 2005/06 was \$5.3 million for buildings consisting of major renovations, \$1.5 million for furniture and furnishings, \$0.5 million toward an enterprise resource system (ERP), \$0.3 million for information technology, and \$0.5 million for library books. In 2005/06 the university began a major construction project to expand and renovate the Science Building. The project is budgeted to cost \$25.5 million of which \$4 million was incurred in 2005/06.



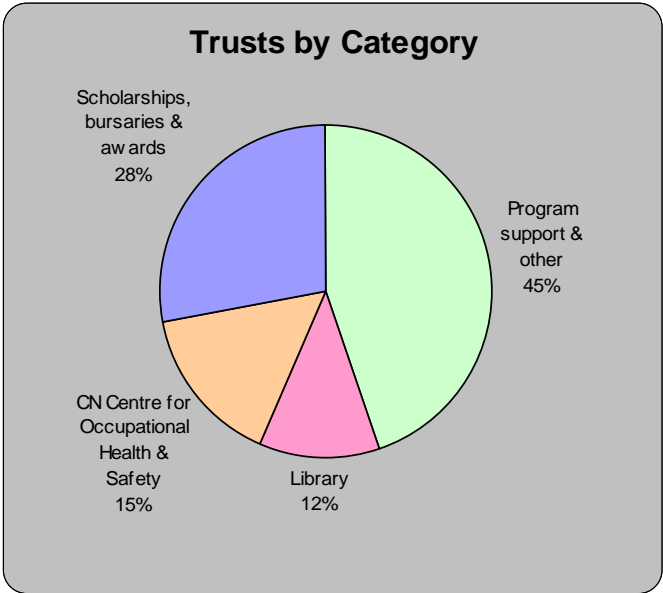
By the end of 2005/06 the university's long-term debt had increased from \$30.7 million to \$32.6 million.

During the year, the university obtained short-term financing for the Science Building Renewal Project (\$1.8 million), the ERP Project (\$0.9 million), and the Gorsebrook Lounge Renovations (\$0.5 million). At the end of these projects, short-term financing will be converted to long-term debt. Long term debt will be amortized over 10 years for the Gorsebrook Lounge, 15 years for the ERP Project and 25 years for the Science Building.

Restricted Fund Analysis Trust Fund

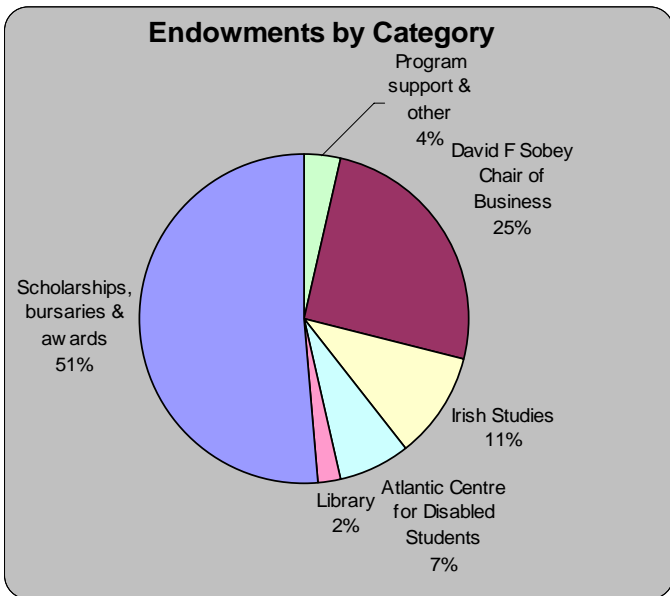
The Trust Fund accounts for activities that have been stipulated by donors and contributors. The chart on the right shows the break down of the Trust Fund by category. The Trust Fund balance of \$3.3 million consists of expendable trusts and the expendable portion of the university's endowment funds. The fund balance is invested in a pool with the Endowment Fund.

The \$12.5 million in the Endowment Fund must be maintained in perpetuity and is not available for spending. However, each year a portion of the investment income is available for spending in accordance with donors' restrictions and university policy. This portion of the investment income earned on the Endowment Fund is transferred to the Trust Fund for spending, increasing the expendable funds. The chart below shows the breakdown by category of the Endowment Fund balance on March 31, 2006.



The endowment spending limit policy provides a spending allocation of 4.5% of the market value of the endowment assets based on a three-year moving average. The spending limit is intended to preserve the purchasing power of the endowment principal over the long-term by adding investment returns greater than 4.5% to the endowment principal. Over the long-term these excess returns are expected to grow and offset the effect of inflation.

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



During 2005/06, Saint Mary's University received \$1.2 million in endowed donations. This included a donation of \$610 thousand from Empire Company Limited and \$200 thousand from Sobeys, Inc. to the Sobeys Scholarship Endowment Fund. Donations of \$412 thousand were received during the year in the Trust Fund.

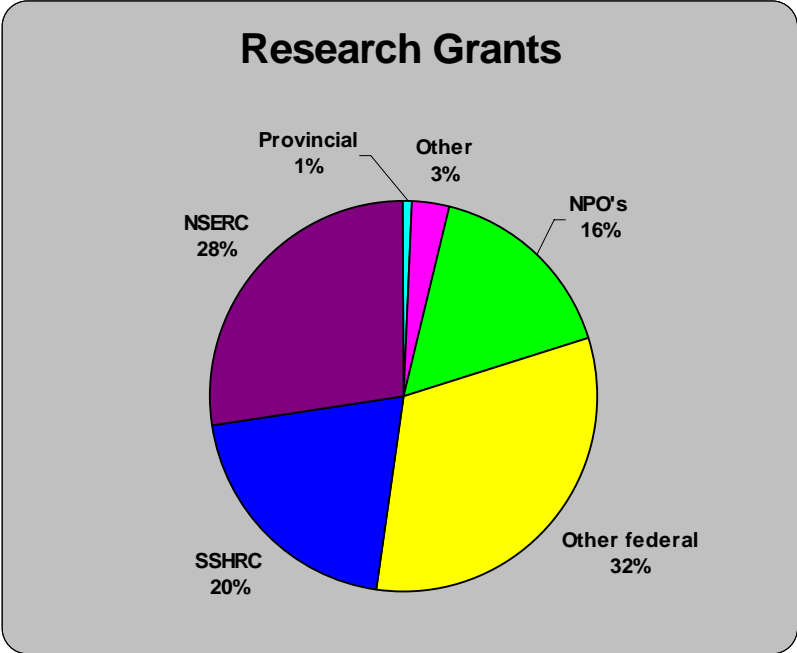
The Trust and Endowment Funds provided scholarships and bursaries totaling \$328 thousand in 2005/06. The Trust Fund also provided \$459 thousand to the General Fund for program support, including \$199 thousand for Athletics and Recreation, \$72 thousand for Irish Studies, \$56 thousand for the Alumni Office, \$39 thousand for the Saint Mary's Atlantic Centre for Disabled Students, and \$52 thousand for student financial aid.

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

Research Fund

Research is an important part of the university's activities. Most monies for research are provided by external organizations, such as the Natural Sciences and Engineering Research Council (NSERC), the Social Sciences and Humanities Research Council (SSHRC), and the Canadian International Development Agency (CIDA). Contributions from these organizations are restricted for research purposes and are shown as revenue of the Research Fund when received. The balance of the Research Fund, \$3.2 million, consists of contributions available to be carried forward to the following year.

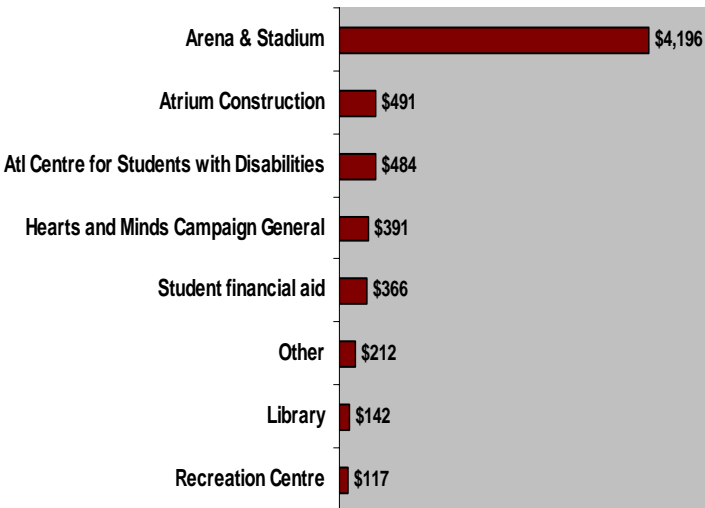
During 2005/06 Saint Mary's University received \$6 million in contributions for research. The bulk of the expenses were for salaries for research assistants, travel and accommodations for research and fieldwork.



Specific Purpose Fund

Available Donations & Capital Grants at March 31, 2006

Thousands



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 \$7.1 million at March 31, 2006, consists of:

- \$6.4 million in donations and capital grants unspent as of the fiscal year-end date, restricted for a variety of purposes (see chart on the left)
- \$737 thousand of available contributions for special projects, including the Liberated Learning Project, conferences, international development and other projects

During the year the university received additional donations of \$1.2 million for specific purposes including the Hearts and Mind Campaign General Fund and the Atrium Construction Project.



One University. One World. Yours.

Financial Statements

March 31, 2006

Auditors' Report

To the Board of Governors of
Saint Mary's University

We have audited the statement of financial position of **Saint Mary's University** as at March 31, 2006 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, 2006 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
August 4, 2006

Grant Thornton LLP
Chartered Accountants

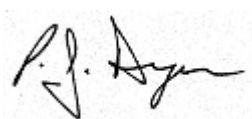
Statement of Financial Position

As at March 31, 2006
(\$ thousands)

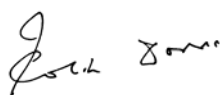
	General	Restricted	Endowment	2006 Total	2005 Total
Current Assets					
Cash and short-term investments (Note 3)	17,084	1,304	282	18,670	17,425
Accounts receivable	5,952	193	30	6,175	4,475
Inventories	985	-	-	985	860
Prepaid expenses	945	-	-	945	857
	24,966	1,497	312	26,775	23,617
Long-term Assets					
Long-term investments (Note 4)	-	13,307	12,510	25,817	24,359
Long-term receivable	498	313	-	811	354
Capital assets (Note 6)	-	85,207	-	85,207	81,700
	498	98,827	12,510	111,835	106,413
	25,464	100,324	12,822	138,610	130,030
Current Liabilities					
Accounts payable and accrued liabilities	7,267	1,855	-	9,122	6,712
Unearned fees and other deferred revenue	6,940	-	-	6,940	8,787
Current portion of long-term debt (Note 7)	-	5,770	-	5,770	2,811
	14,207	7,625	-	21,832	18,310
Long-term Liabilities					
Long-term debt (Note 7)	-	26,837	-	26,837	27,934
Due to (from) other funds	(67)	(259)	326	-	-
	(67)	26,578	326	26,837	27,934
	14,140	34,203	326	48,669	46,244
Fund Balances					
Endowments	-	-	12,496	12,496	11,000
Externally restricted	-	13,695	-	13,695	11,569
Internally restricted	9,688	-	-	9,688	8,555
Invested in capital assets	-	52,426	-	52,426	50,987
Unrestricted	1,636	-	-	1,636	1,675
	11,324	66,121	12,496	89,941	83,786
	25,464	100,324	12,822	138,610	130,030

Commitments (Note 9) Contingencies (Note 12)

Approved by the Board of Governors



Chair, Board of Governors



President

See accompanying notes to the financial statements.

Statement of Operations and Changes in Fund Balances

For the year ended March 31, 2006
(\$ thousands)

	General <i>(See Schedule 1)</i>	Restricted <i>(See Schedule 2)</i>	Endowment	2006 Total	2005 Total
Revenues					
Government grants and contributions					
Government of Canada	970	5,381	-	6,351	5,655
Government of Nova Scotia	23,675	46	-	23,721	22,166
Other	-	81	-	81	300
Other grants	31	1,127	-	1,158	647
Student fees	51,678	-	-	51,678	50,808
Gifts and bequests	154	1,797	1,222	3,173	5,374
Sales of services and products	14,923	308	-	15,231	14,997
Income from investments	762	535	671	1,968	1,823
Miscellaneous income	1,097	317	-	1,414	986
	93,290	9,592	1,893	104,775	102,756
Expenses					
Salaries	49,667	3,279	-	52,946	50,045
Employee benefits	6,971	233	-	7,204	6,676
Equipment rental	845	2	-	847	924
Materials and supplies	2,272	685	-	2,957	2,682
Communications	924	9	-	933	927
Travel	1,792	1,132	-	2,924	2,437
Utilities	2,325	-	-	2,325	2,110
Printing and duplicating	958	8	-	966	710
Library acquisitions	624	-	-	624	560
Hospitality	881	74	-	955	849
Repairs and maintenance	2,206	4	-	2,210	1,963
Promotion and student recruitment	1,544	22	-	1,566	1,181
Professional fees	614	140	-	754	444
Rent	334	16	-	350	366
Other operational expenses	5,118	666	15	5,799	5,477
Cost of goods sold	5,159	-	46	5,205	5,327
Student financial aid	3,217	511	-	3,728	3,325
Amortization	-	4,389	-	4,389	4,095
Interest	1,938	-	-	1,938	1,955
	87,389	11,170	61	98,620	92,053
Revenues less expenses before transfers	5,901	(1,578)	1,832	6,155	10,703
Interfund transfers (Schedule 7)	(4,807)	5,143	(336)	-	-
Increase (decrease) in fund balances	1,094	3,565	1,496	6,155	10,703
Fund balances, beginning of year	10,230	62,556	11,000	83,786	73,083
Fund balances, end of year	11,324	66,121	12,496	89,941	83,786

See accompanying notes to the financial statements.

Statement of Cash Flows

For the year ended March 31, 2006
 (\$ thousands)

	General	Restricted	Endowment	2006 Total	2005 Total
Operating Activities					
Increase (decrease) in fund balances	1,094	3,565	1,496	6,155	10,703
Amortization of capital assets	-	4,389	-	4,389	4,095
Investment gains and losses	-	(18)	(459)	(477)	(545)
Amortization of bond premiums and discounts	-	-	12	12	19
Change in non-cash working capital	258	1,023	(2,619)	(1,338)	1,486
Cash generated from operating activities	1,352	8,959	(1,570)	8,741	15,758
Investing Activities					
Purchase of investments	-	(4,353)	(3,111)	(7,464)	(11,611)
Disposal of investments	-	1,508	4,963	6,471	5,328
Acquisition of long-term receivable	(407)	(63)	-	(470)	-
Purchase of capital assets	-	(7,895)	-	(7,895)	(8,907)
Cash used for investing activities	(407)	(10,803)	1,852	(9,358)	(15,190)
Financing Activities					
Debt financing proceeds	-	3,177	-	3,177	1,048
Debt repayments	-	(1,315)	-	(1,315)	(1,220)
Cash used for financing activities	-	1,862	-	1,862	(172)
Increase (decrease) in cash and short-term investments	945	18	282	1,245	396
Cash and short-term investments, beginning of year	16,139	1,286	-	17,425	17,029
Cash and short-term investments, end of year	17,084	1,304	282	18,670	17,425

See accompanying notes to the financial statements.

Notes to the Financial Statements

For the year ended March 31, 2006
(\$ thousands)

1. Authority and Purpose

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

2. Summary of Significant Accounting Policies and Reporting Practices

a) Basis of accounting

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

b) Use of estimates

The preparation of financial information requires management to make estimates and assumptions that affect reported amounts of assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the year. Actual results could differ from those estimates.

c) Fund accounting

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

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

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

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

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

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

The Capital Fund accounts for the acquisition of capital assets, major renovations and improvements to capital assets.

The Research Fund accounts for activities in support of research.

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

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

- iii) The Endowment Fund accounts for resources received with the stipulation that the original contribution not be spent. The fund also consists of a portion of the investment income earned on these funds that is required by donors and the Board of Governors to be added to the fund to offset the eroding effect of inflation. Prior to April 1, 2005, the Endowments were invested in an investment pool, which was part of the Restricted Fund. On April 1, 2005, the portion of the investment pool related to Endowments was transferred to the Endowment Fund, including the unrealized gains and losses on the investments.

d) Inventories

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

e) Investments

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

Notes to the Financial Statements

For the year ended March 31, 2006
 (\$ thousands)

f) Capital assets

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

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

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

The art collection is not amortized.

g) Interest Rate Swap Agreements

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

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

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

h) Donations and pledges

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

During previous years an individual donated \$250 to the University. The donation is held in an irrevocable charitable trust with the income payable to the University. An additional \$62 was donated during 2006. The funds in the trust are shown as a long-term receivable on the statement of financial position. The University will receive the funds in the trust ten years after the death of the donor at which time the money will be endowed for scholarships.

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

i) Revenue recognition

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

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

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

Notes to the Financial Statements

For the year ended March 31, 2006
 (\$ thousands)

i) Revenue recognition (continued)

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

j) Financial Instruments

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

k) Early retirement and sabbaticals

The University accrues the full cost of early-retirement obligations at the employee's date of retirement 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.

j) 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 are disclosed in the notes to the financial statements at the exchange rate in effect on the financial statement date.

3. Cash and Short-term Investments

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

4. Long-term Investments

	2006		2005	
	Cost	Market Value	Cost	Market Value
Bonds and debentures	3,203	3,219	3,983	4,060
Equities	9,404	11,897	10,057	11,096
Pooled investment funds	13,210	13,714	10,319	10,648
Total investments	25,817	28,830	24,359	25,804

The bonds and debentures have terms to maturity from 2 to 31 years and interest rates from 3.5% to 8.0%. Investments held by the University are subject to foreign currency, interest rate, market and credit risk. The majority of the investments are managed by professional investment managers who are monitored by University's Investment Committee and management. Investments are placed in accordance with policies specifying the quality of investments and limiting the amount of credit risk exposure in any one type of investment instrument.

5. Pension Plans

The University maintains defined contribution pension plans for the benefit of its employees. Employer contributions for the year ended March 31, 2006 totaled \$3,204 (2005 \$2,849).

Notes to the Financial Statements

For the year ended March 31, 2006
(\$ thousands)

6. Capital Assets

	2006		2005	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	4,959	-	4,959	4,959
Buildings	90,564	28,440	62,124	58,445
Site improvements	4,058	1,765	2,293	2,580
Enterprise Resource Planning (ERP) system	2,975	191	2,784	2,472
Library materials	5,893	3,300	2,593	2,398
Equipment and furnishings	14,010	5,362	8,648	8,675
Information technology	2,152	976	1,176	1,482
Art collection	281	-	281	281
Capital Leases				
Furniture and equipment	907	591	316	361
Information technology	147	117	30	43
Motor vehicles	61	58	3	4
	<u>126,007</u>	<u>40,800</u>	<u>85,207</u>	<u>81,700</u>

A portion of the ERP system (cost \$71) is currently under development. Amortization of these costs will begin when implementation of the related modules is completed. During 2006 \$14 (2005 \$33) in interest was capitalized as part of the ERP system costs. In 2006 the University began a major construction project to expand and renovate the Science Building. During the year \$4 million was capitalized as part of buildings related to this project. Amortization of these costs will begin as construction is completed.

7. Long-term Debt

	2006	2005
Debentures		
Canada Mortgage and Housing Corporation		
6.875% maturing in June 2019, payable in equal semi-annual installments of principal and interest of \$117.	2,000	2,091
7.875% maturing in May 2022, payable in equal semi-annual installments of principal and interest of \$185.	3,338	3,439
The land and buildings of the University serve as security for these loans.		
Term Loans		
980 Tower Road renovations:		
The unsecured loan bears interest at 6.09% and matured March 2006, and was payable in equal monthly installments of principal and interest of \$5.	-	56
SMU-CFI-ACOA joint projects:		
The unsecured loan bears interest at 6.16% and matured March 2006, and was payable in equal monthly installments of principal and interest of \$4.	-	50
Sobey Building:		
The unsecured loan bears interest at 6.12% and matures March 2011, payable in equal monthly installments of principal and interest of \$34.	1,806	2,100
subtotal	7,144	7,736

Notes to the Financial Statements

For the year ended March 31, 2006
(\$ thousands)

7. Long-term Debt

	<u>2006</u>	<u>2005</u>
subtotal carried forward	7,144	7,736
Term Loans (continued)		
<i>Loyola and Vanier Residences renovation:</i>		
The unsecured loan bears interest at 6.95% and matures August 2026, payable in equal monthly installments principal and interest of \$86.	11,287	11,527
The unsecured loan bears interest at the one month CDOR Rate plus 0.30% and matures September 2026. Interest is fixed with an interest rate swap at 5.97% until September 2026. Monthly principal and interest payments are \$43.	6,017	6,168
The unsecured loan bears interest at the one month CDOR Rate plus 0.30% and matures September 2026. Interest is fixed with an interest rate swap at 5.40% until September 2026. Monthly principal and interest payments are \$20.	2,915	2,994
<i>Synthetic Turf Athletic Field Replacement:</i>		
The unsecured loan bears interest at 4.572% and matures March 2013. Monthly principal and interest payments are \$8.	570	638
Capital Leases		
<i>PBX Switch</i>		
This capital lease bears interest at 6.79% and matured September 2005, with a purchase option price of one dollar. The University bought the equipment. It was funded with monthly payments of principal and interest of \$13. The PBX Switch was security for the lease.	-	77
Short-Term Debt		
<i>Sobey Building:</i>		
Unsecured short-term loan bearing interest at 3.29% matured April 2005. Interest and principal paid at maturity.	-	109
<i>Gorsebrook Lounge Renovation Project:</i>		
Unsecured short-term loan bearing interest at the prime interest rate maturing April 2006. Principal and interest are due at maturity.	455	-
<i>Science Building Renovation Project:</i>		
Unsecured short-term loan bearing interest at the prime interest rate maturing April 2006. Principal and interest are due at maturity.	1,842	-
<i>Enterprise Resource Planning System:</i>		
Unsecured short-term loan bearing interest at 3.18% matured April 2005. Principal and interest paid at maturity.	-	1,496
Unsecured short-term loan bearing interest at 3.96% and maturing June 2006. Interest and principal are due at maturity.	2,377	-
	<u>32,607</u>	<u>30,745</u>
Less current portion	<u>(5,770)</u>	<u>(2,811)</u>
Long-term debt	<u>26,837</u>	<u>27,934</u>

Notes to the Financial Statements

For the year ended March 31, 2006
 (\$ thousands)

7. Long-term Debt

Principal installments payable in each of the next five years:

2007	\$ 5,770
2008	1,161
2009	1,229
2010	1,316
2011	1,439

Interest expense on long-term debt during the year totaled \$1,938 (2005 \$1,955). During 2006, \$14 (2005 \$33) in interest was capitalized as part of the Enterprise Resource Planning Project.

The estimated fair value of the long-term debt at March 31, 2006, including the current portion, was \$36.5 million (2005 \$34.0 million).

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

8. Interest rate swap agreements

The University has entered into interest rate swap agreements with a chartered bank to manage interest rate exposure associated with certain long-term debt obligations. The agreements have the effect of converting the floating rate of interest on certain debt to a fixed rate. Swap payments are reflected as interest expense and accounted for on an accrual basis.

The notional underlying principal value of the interest rate swaps at March 31, 2006 was \$8,932 (2005 \$9,162). The University has no plans to sell or terminate the interest rate swap agreements prior to maturity. The fair value of the swap agreements was estimated at (\$666) on March 31, 2006 and (\$621) on March 31, 2005.

The University has arranged to convert the short-term financing for three projects to floating rate term loans upon completion of the projects. The three projects are the Gorsebrook Lounge Renovation Project, the Enterprise Resource Planning System, and the Science Building Renovation Project. It has entered into agreements with a major chartered bank for interest rate swaps to fix the interest rates on the term loans. The swaps are based on the same amortization and terms as the term loans and will commence on the same dates as the term loans.

9. Commitments

The University has entered into various agreements for capital expenditures in the upcoming fiscal year. Commitments at March 31, 2006 were \$7,108. The total capital budget for the 2007 fiscal year is \$4,021. The University has also undertaken a \$25.5 million renovation and expansion of the Science Building. The estimated cost to complete at March 31, 2006 was \$21.5 million, of which \$5.2 million is included in the commitments at March 31, 2006

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

2007	\$746
2008	501
2009	295
2010	9
2011	-

Notes to the Financial Statements

For the year ended March 31, 2006
 (\$ thousands)

10. Gifts-in-kind and donation pledges

Gifts-in-kind in the amount of \$812 were received and recorded in the year (2005 \$3,583). Gifts-in-kind consist of the following:

	<u>2006</u>	<u>2005</u>
Works of art	-	17
Investments	794	3,559
Library holdings	15	1
Other	3	6
	<u>812</u>	<u>3,583</u>

Donations pledged but not received as at March 31, 2006, totaled \$6,612 (2005 \$1,920). These pledges are expected to be honored during the subsequent ten-year period and will be recorded as revenue when received.

11. Interfund transfers and amounts owed to and from funds

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

12. Contingencies

The University participates in a reciprocal exchange of insurance risks in association with 56 Canadian universities through the Canadian Universities Reciprocal Insurance Exchange (CURIE). This self-insurance co-operative involves a contractual agreement to share the insurance property and liability risks of member institutions for a term of not less than five years.

The projected costs of claims will be funded through members' premiums based on actuarial projections. As at December 31, 2005, CURIE had an accumulated excess of income over expenses of \$11 million, of which the University's pro-rata share is approximately 0.77% on an ongoing basis. In addition, the reciprocal has obtained \$645 million re-insurance with commercial insurers to cover major property claims in excess of \$5 million per occurrence. In respect of General Liability, the limit is \$20 million per occurrence. Re-insurance for liability coverage in the amount of \$10 million in excess of \$10 million per occurrence retention was in place.

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

13. Comparative figures

Certain of the comparative figures have been reclassified to conform to the financial statement presentation adopted for 2006.

Schedules to the Financial Statements

Schedule 1

General Fund - Statement of Operations and Changes in Fund Balances

For the year ended March 31, 2006
(\$ thousands)

	General Fund			
	Operating <i>(See Schedule 3)</i>	Projects and Reserves	2006 Total	2005 Total
Revenues				
Government grants and contributions				
Government of Canada	945	25	970	941
Government of Nova Scotia	23,670	5	23,675	20,621
Other grants	30	1	31	3
Student fees	51,678	-	51,678	50,808
Gifts and bequests	152	2	154	88
Sales of services and products	14,890	33	14,923	14,707
Income from investments	431	331	762	799
Miscellaneous income	1,055	42	1,097	844
	92,851	439	93,290	88,811
Expenses				
Salaries	49,473	194	49,667	47,421
Employee benefits	6,957	14	6,971	6,515
Equipment rental	845	-	845	906
Materials and supplies	2,109	163	2,272	2,371
Communications	924	-	924	919
Travel	1,705	87	1,792	1,647
Utilities	2,325	-	2,325	2,110
Printing and duplicating	958	-	958	705
Library acquisitions	624	-	624	560
Hospitality	872	9	881	756
Repairs and maintenance	1,338	868	2,206	1,962
Promotion and student recruitment	1,540	4	1,544	1,163
Professional fees	561	53	614	318
Rent	319	15	334	315
Other operational expenses	5,034	84	5,118	4,813
Cost of goods sold	5,159	-	5,159	5,327
Student financial aid	3,198	19	3,217	2,836
Interest	1,938	-	1,938	1,955
Internal cost recoveries	(36)	36	-	-
	85,843	1,546	87,389	82,599
Revenues less expenses before transfers	7,008	(1,107)	5,901	6,212
Interfund transfers (Schedule 7)	(7,047)	2,240	(4,807)	(7,475)
Net increase (decrease) in fund balances	(39)	1,133	1,094	(1,263)
Fund balances, beginning of year	1,675	8,555	10,230	11,493
Fund balances, end of year	1,636	9,688	11,324	10,230

See accompanying notes to the financial statements.

Schedules to the Financial Statements
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Schedule 2

Restricted Fund - Statement of Operations and Changes in Fund Balances

For the year ended March 31, 2006

(\$ thousands)

	Restricted Fund				2006 Total	2005 Total
	Capital	Research	Trust	Specific Purpose		
Revenues						
Government grants and contributions						
Government of Canada	23	4,753	-	605	5,381	4,714
Government of Nova Scotia	-	41	-	5	46	1,545
Other	-	81	-	-	81	300
Other grants	-	1,086	-	41	1,127	644
Gifts and bequests	-	-	412	1,385	1,797	1,036
Sales of services and products	-	-	7	301	308	290
Income from investments	-	-	271	264	535	1,024
Miscellaneous income	22	2	49	244	317	143
	45	5,963	739	2,845	9,592	9,696
Expenses						
Salaries	-	2,643	-	636	3,279	2,625
Employee benefits	-	175	-	58	233	161
Equipment rental	-	1	-	1	2	18
Materials and supplies	28	572	1	84	685	311
Communications	-	3	-	6	9	8
Travel	-	936	1	195	1,132	790
Printing and duplicating	-	4	-	4	8	5
Hospitality	-	3	-	71	74	93
Repairs and maintenance	-	4	-	-	4	1
Promotion and student recruitment	-	2	-	20	22	18
Professional fees	-	40	51	49	140	126
Rent	-	-	-	16	16	51
Other operational expenses	-	381	55	230	666	664
Student financial aid	-	166	328	17	511	489
Amortization	4,389	-	-	-	4,389	4,095
	4,417	4,930	436	1,387	11,170	9,455
Revenues less expenses before transfers	(4,372)	1,033	303	1,458	(1,578)	241
Interfund transfers (Schedule 7)	5,606	(24)	(151)	(288)	5,143	6,611
Net increase (decrease) in fund balances	1,234	1,009	152	1,170	3,565	6,852
Fund balances, beginning of year	51,271	2,171	3,147	5,967	62,556	55,704
Fund balances, end of year	52,505	3,180	3,299	7,137	66,121	62,556

See accompanying notes to the financial statements

Schedules to the Financial Statements

Schedule 3

Operating Fund - Budget Comparison

For the year ended March 31, 2006

(\$ thousands)

	General Fund - Operating		
	2006 Budget	2006 Actual	2005 Actual
	<i>(See Schedule 4)</i>		
Revenues			
Government grants and contributions			
Government of Canada	645	645	616
Government of Nova Scotia	22,381	23,670	20,622
Student fees			
Credit	45,876	45,393	44,174
Non-Credit	5,808	5,517	5,696
Other	543	641	699
Gifts and bequests	75	150	-
Income from investments	275	431	313
Sales of products and services	234	220	233
Miscellaneous income	155	101	130
Revenue for internal reporting purposes	75,992	76,768	72,483
Reclassification of external cost recoveries included in expenses for internal reporting purposes	15,586	16,083	15,510
Revenues for financial statement purposes	91,578	92,851	87,993
Expenses			
Arts	11,733	11,491	11,092
Commerce	12,291	11,883	11,343
Science	9,914	9,870	9,367
Continuing Education	4,252	4,166	3,860
English as a Second Language (ESL)	2,383	2,168	1,973
Library	3,817	3,651	3,414
Student financial aid	2,808	2,731	2,446
Miscellaneous academic	2,243	2,391	2,302
Total academic	49,441	48,351	45,797
Administration and general	11,508	13,386	11,081
Ancillaries, net	(656)	(695)	(324)
Athletics and recreation	2,284	2,464	2,221
Facilities Management	8,006	8,007	8,251
Information Technology	4,008	3,663	3,566
Student Services	1,575	1,631	1,616
Expenses for internal reporting purposes	76,166	76,807	72,208
Reclassification of items included in expenses for internal reporting purposes:			
External cost recoveries	15,586	16,083	15,510
Interfund transfers (Schedule 7)	(5,683)	(7,047)	(6,776)
Expenses for financial statement purposes	86,069	85,843	80,942
Revenues less expenses before transfers	5,509	7,008	7,051
Interfund transfers (Schedule 7)	(5,683)	(7,047)	(6,776)
Net increase in fund balance	(175)	(39)	275
Fund balance, beginning of year	1,675	1,675	1,400
Fund balance, end of year	1,500	1,636	1,675

See accompanying notes to the financial statements.

Schedules to the Financial Statements

Schedule 4

Operating Fund - Schedule of Expenses by Function
 For the year ended March 31, 2006
 (\$ thousands)

Expenses	General Fund – Operating – Expenses by Function							Total
	Academic <small>(See Schedule 5)</small>	Admin. & General	Ancillaries <small>(See Schedule 6)</small>	Athletics & Recreation	Facilities Management	Information Technology	Student Services	
Salaries	33,873	6,024	1,984	1,604	2,705	1,956	1,327	49,473
Employee benefits	4,241	1,123	292	200	587	311	203	6,957
Equipment rental	583	96	28	11	33	72	22	845
Materials and supplies	929	312	203	211	273	142	39	2,109
Communications	236	279	96	30	8	255	20	924
Travel	973	435	12	204	10	44	27	1,705
Utilities	-	-	767	173	1,385	-	-	2,325
Printing and duplicating	520	342	19	22	6	14	35	958
Library acquisitions	624	-	-	-	-	-	-	624
Hospitality	509	314	5	31	3	1	9	872
Repairs and maintenance	20	15	302	68	373	560	-	1,338
Promotion and student recruitment	971	446	8	111	-	-	4	1,540
Professional fees	-	483	1	-	-	77	-	561
Rent	319	-	-	-	-	-	-	319
Other operational expenses	1,864	2,080	91	621	196	9	173	5,034
Cost of goods sold	-	-	5,128	14	-	17	-	5,159
Student financial aid	2,887	11	-	300	-	-	-	3,198
Interest	2	128	1,726	28	-	54	-	1,938
External cost recoveries	(1,264)	(69)	(13,236)	(1,233)	-	(126)	(155)	(16,083)
Internal cost recoveries	-	(85)	354	102	(407)	-	-	(36)
	47,287	11,934	(2,220)	2,497	5,172	3,386	1,704	69,760
Interfund transfers	1,064	1,452	1,525	(33)	2,835	277	(73)	7,047
Total	48,351	13,386	(695)	2,464	8,007	3,663	1,631	76,807

See accompanying notes to the financial statements.

Schedules to the Financial Statements

Schedule 5

Operating Fund – Schedule of Academic Expenses by Function

For the year ended March 31, 2006

(\$ thousands)

Expenses	General Fund – Operating – Academic Expenses by Function								Total Academic
	Arts	Commerce	Science	Cont. Ed.	ESL	Library	Student Financial Aid	Misc. Academic	
Salaries	9,692	9,633	7,831	2,694	1,213	1,904	14	892	33,873
Employee benefits	1,322	1,157	1,043	192	117	293	1	116	4,241
Equipment rental	99	62	101	14	6	74	-	227	583
Materials and supplies	68	186	255	101	188	89	-	42	929
Communications	9	39	15	149	5	14	-	5	236
Travel	85	516	85	120	84	28	-	55	973
Printing and duplicating	82	111	83	164	38	15	-	27	520
Library acquisitions	-	-	-	-	-	624	-	-	624
Hospitality	17	203	45	165	54	4	-	21	509
Repairs and maintenance	-	-	20	-	-	-	-	-	20
Promotion and student recruitment	-	230	-	285	326	-	-	130	971
Rent	-	147	-	139	-	-	-	33	319
Other expenses	105	567	107	241	78	307	-	459	1,864
Student financial aid	-	3	-	-	-	-	2,884	-	2887
Interest	-	-	-	-	2	-	-	-	2
External cost recoveries	-	(1,053)	(8)	(78)	-	(109)	-	(12)	(1,264)
Internal cost recoveries	-	20	-	(20)	-	-	-	-	-
	11,475	11,821	9,577	4,166	2,111	3,243	2,899	1,995	47,287
Interfund transfers	16	62	293	-	57	408	(168)	396	1,064
Total	11,491	11,883	9,870	4,166	2,168	3,651	2,731	2,391	48,351

See accompanying notes to the financial statements.

Schedules to the Financial Statements

Schedule 6

Operating Fund - Schedule of Ancillary Revenues and Expenses

For the year ended March 31, 2006

(\$ thousands)

	General Fund – Operating – Ancillary Revenue and Expenses				
	Residence	Food Service	Bookstore	Arena	Total Ancillaries
Revenues					
Student Fees	-	-	-	133	133
Sales of services and products	6,070	1,952	4,744	153	12,919
Miscellaneous income	145	39	-	-	184
	6,215	1,991	4,744	286	13,236
Expenses					
Salaries	1,536	-	302	146	1,984
Employee benefits	221	-	46	25	292
Equipment rental	8	-	20	-	28
Materials and supplies	176	-	4	23	203
Communications	95	-	1	-	96
Travel	2	-	10	-	12
Utilities	587	103	-	77	767
Printing and duplicating	16	-	3	-	19
Hospitality	4	-	1	-	5
Repairs and maintenance	216	59	-	27	302
Promotion and student recruitment	2	-	6	-	8
Professional fees	-	-	1	-	1
Other operational expenses	64	3	20	4	91
Cost of goods sold	-	1,532	3,596	-	5,128
Interest	1,707	19	-	-	1,726
Internal cost recoveries	217	43	77	17	354
	4,851	1,759	4,087	319	11,016
Revenues less expenses before transfers	1,364	232	657	(33)	2,220
Interfund transfers	(1,365)	(150)	(10)	-	(1,525)
Revenue less expenses and transfers	(1)	82	647	(33)	695

See accompanying notes to the financial statements.

Schedules to the Financial Statements
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Schedule 7

Schedule of Interfund Transfers

For the year ended March 31, 2006
(\$ thousands)

The interfund transfers received or paid between the General, Restricted and Endowments Funds are as follows for the year ended March 31, 2006:

Transfers received (paid)	All Funds			
	General	Restricted	Endowment	Total
Purchase capital assets	(4,086)	4,086	-	-
Maintenance and replacements	-	-	-	-
Debt reduction	(1,260)	1,260	-	-
Research and specific purposes	(89)	(20)	109	-
Program support	628	(183)	(445)	-
Total	(4,807)	5,143	(336)	-

The interfund transfers received or paid by the General Fund are as follows for the year ended March 31, 2006:

Transfers received (paid)	General Fund		
	Operating	Projects and Reserves	Total General
Contributions to reserves	(5,489)	5,489	-
Purchase capital assets	(1,545)	(2,541)	(4,086)
Maintenance and replacements	(190)	190	-
Debt reduction	(1,260)	-	(1,260)
Research and specific purposes	(330)	241	(89)
Program support	1,767	(1,139)	628
Total	(7,047)	2,240	(4,807)

The interfund transfers received or paid by the Restricted Fund are as follows for the year ended March 31, 2006:

Transfers received (paid)	Restricted Fund				Total Restricted
	Capital	Research	Trust	Specific Purpose	
Contributions to reserves	-	-	-	-	-
Purchase capital assets	4,291	(91)	(114)	-	4,086
Maintenance and replacements	-	-	-	-	-
Debt reduction	1,315	-	(55)	-	1,260
Research and specific purposes	-	67	50	(137)	(20)
Program support	-	-	(169)	(14)	(183)
Total	5,606	(24)	(288)	(151)	5,143

See accompanying notes to the financial statements.

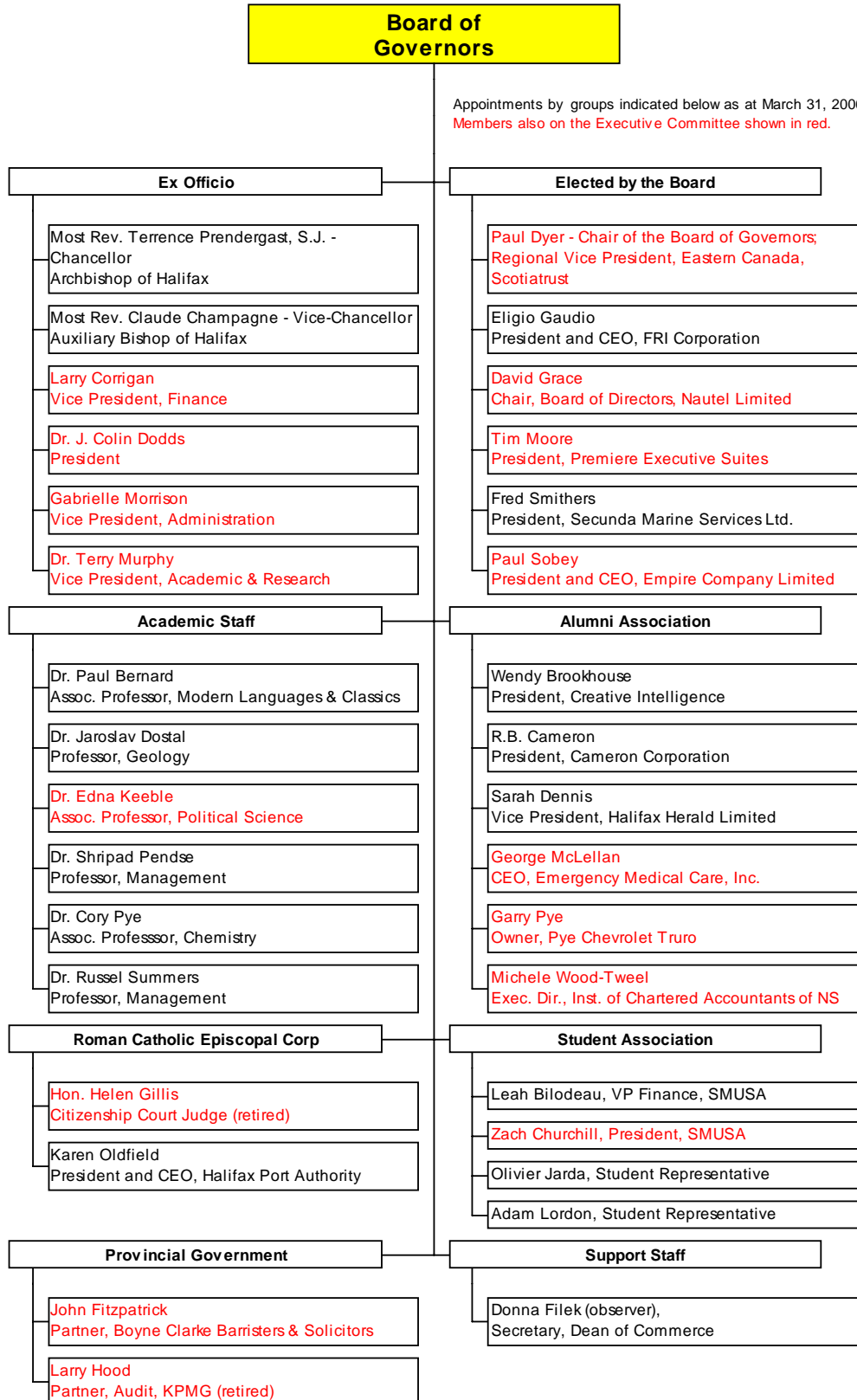


University and Financial Governance

March 31, 2006

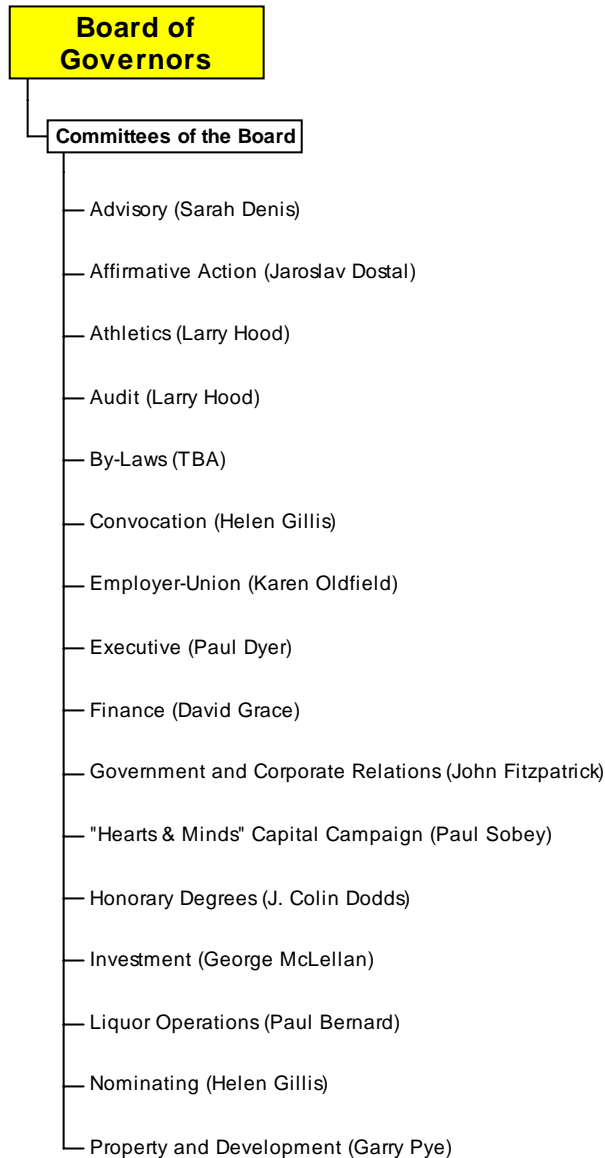
University Governance

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

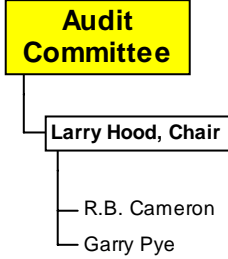
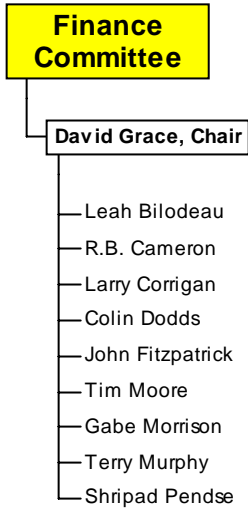
The Board of Governors obtains advice and reports from a number of elected committees. The following is a list of Board Committees (with Chairs shown in brackets) for the 2005/06 year.



The financially oriented committees (Finance, Investment, Audit) are further discussed on page iii. Each committee is governed by its Terms of Reference approved by the board. The by-laws of the university require that a majority of each standing committee shall be Governors and that the Chair of each standing committee shall be a Governor. Each committee is advisory to the board unless, and to the extent that, the board specifically grants it decision-making authority.

The Board of Governors recently sponsored a governance review that is expected to modify the current committee structure.

Financial Leadership – Financial Committees of the Board of Governors



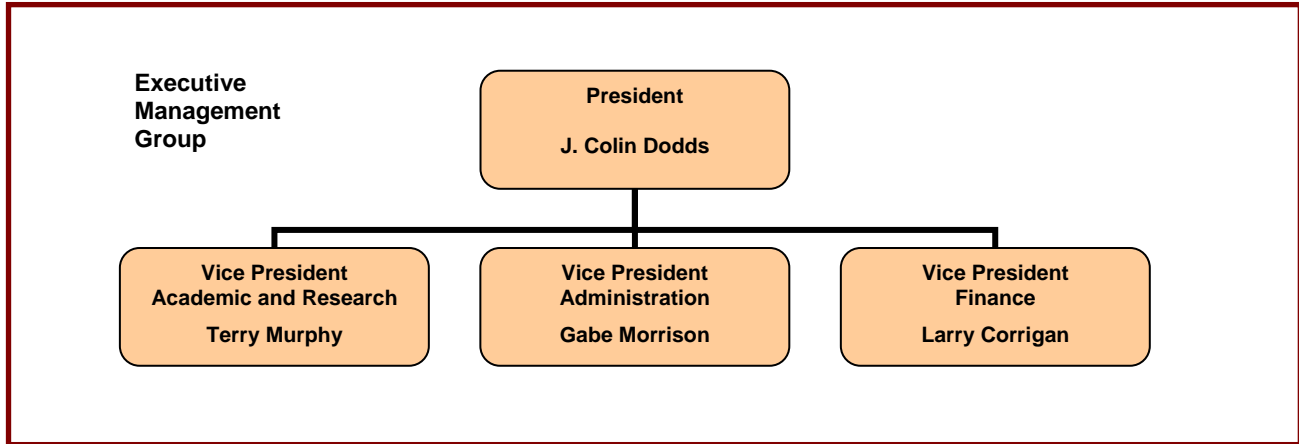
The Finance Committee provides financial advice to the Board of Governors. The functions of the committee include review, reporting and recommendations on the annual operating and capital budget, including tuition and fee schedules, funding requirements and sources of financing. The committee reviews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

The Audit Committee facilitates the annual audit, reviews the audited financial statements and submits them to the board. The committee reviews recommendations from the auditors on internal controls and other matters. The Audit Committee helps the board achieve accountability, improve communications among board, auditor and management. The external auditor, Grant Thornton, LLP reports to the Audit Committee independent of management.



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

Financial Leadership – Executive Management Group



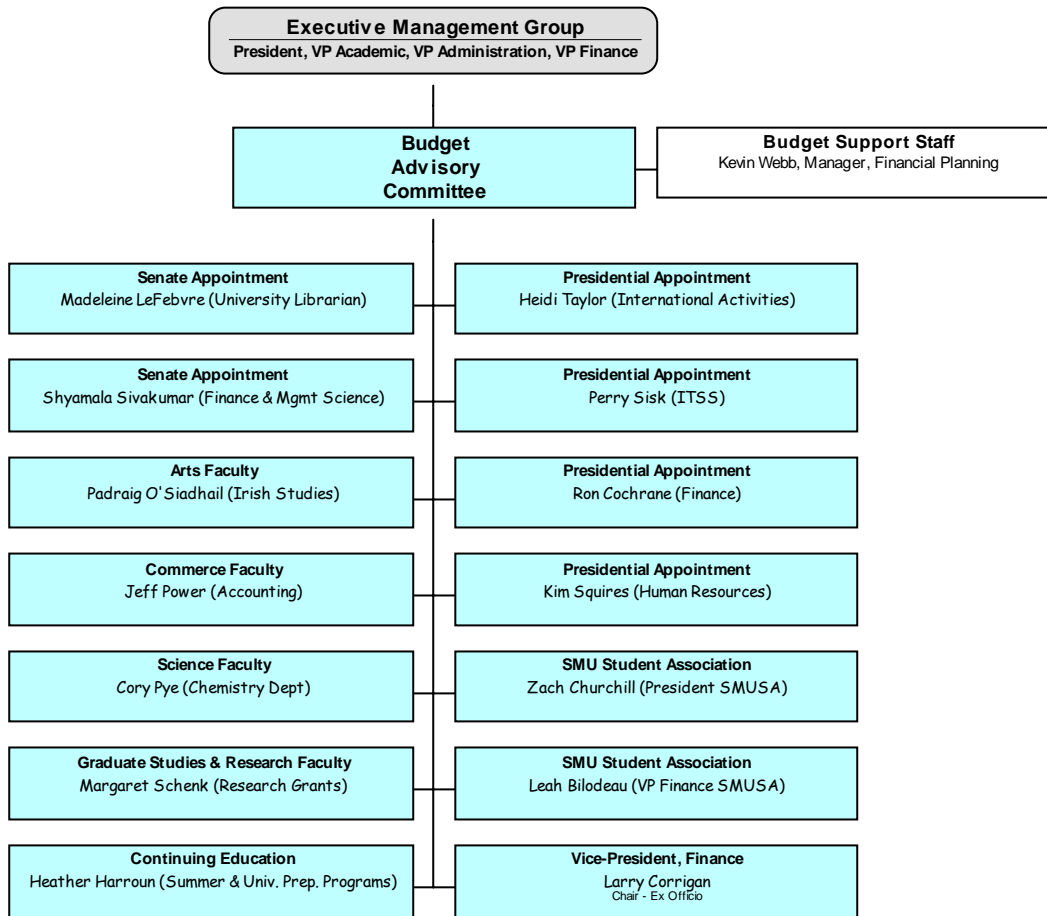
Saint Mary's University Act

“The President of the University shall have general supervision of and direction over the academic and administrative work of the University and the teaching staff thereof and all officers and employees.”

Executive Management Group (EMG)

The President and Vice Presidents comprise the EMG, the senior management policy group at Saint Mary's. The EMG considers the corporate environment and advises the President on a wide range of University policy issues, including such financial items as operating and capital budgets, tuition and student fees, financial reporting, funding, pension administration, business planning and risk management. The EMG's financial planning link to the Board of Governors is through the Finance Committee and Executive Committee of the Board.

Financial Leadership Budget Advisory Committee, March 31, 2006



The Budget Advisory Committee is a cross-functional team, designed to represent the interests of the University community.

The budget process begins with the EMG setting broad parameters and operational goals. The process is highly consultative, involving all departments in the development of budget papers. The Budget Committee is responsible for reviewing the budget proposals and preparing the draft operating and capital budgets.

The draft budgets are routed through an extensive review process, including the following:

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

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