

Financial Statements of

ST. FRANCIS XAVIER UNIVERSITY

March 31, 2012



Independent Auditor's Report

To the Board of Governors
St. Francis Xavier University

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We have audited the accompanying financial statements of St. Francis Xavier University which comprise the statement of financial position as at March 31, 2012, and the statements of operations, cash flows, and changes in fund balances for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of St. Francis Xavier University as at March 31, 2012, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Deloitte + Touche LLP

Chartered Accountants
Halifax, Nova Scotia
June 7, 2012

ST. FRANCIS XAVIER UNIVERSITY

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ST. FRANCIS XAVIER UNIVERSITY
Statement of Financial Position
March 31, 2012

	2012					2011
	Operating Fund	Research Fund	Capital Fund	Endowment Fund	Total Funds	Total Funds
ASSETS						
Cash and cash equivalents	\$ 3,992,237	\$ -	\$ -	\$ -	\$ 3,992,237	\$ 2,295,356
Accounts receivable - students	3,911,339	-	-	-	3,911,339	4,127,042
Accounts receivable - general	1,989,489	-	-	-	1,989,489	1,644,285
Other assets	43,681	-	-	-	43,681	79,766
Inventories	543,565	-	-	-	543,565	490,780
Due from Capital Fund	20,868,339	-	-	-	20,868,339	22,974,916
Total non-restricted assets	31,348,650	-	-	-	31,348,650	31,612,145
Accrued benefit asset (Note 5)	3,066,079	-	-	-	3,066,079	2,777,631
Accounts receivable - restricted	2,103,041	-	-	-	2,103,041	2,097,806
Total assets - Operating Fund	36,517,770	-	-	-	36,517,770	36,487,582
Cash, bonds and stocks - restricted (Note 3)	-	-	-	82,281,436	82,281,436	81,422,010
Cash, bonds and stocks - unrestricted (Note 3)	-	-	-	2,597,730	2,597,730	2,233,741
Due from Operating Fund	-	-	-	5,176,981	5,176,981	4,344,358
Total assets - Endowment Fund	-	-	-	90,056,147	90,056,147	88,000,109
Capital assets (Note 4)	-	-	165,259,786	-	165,259,786	170,175,815
Total assets - Capital Fund	-	-	165,259,786	-	165,259,786	170,175,815
Due from Operating Fund	-	5,173,988	-	-	5,173,988	5,177,196
Total assets	\$ 36,517,770	\$ 5,173,988	\$ 165,259,786	\$ 90,056,147	\$ 297,007,691	\$ 299,840,702

ST. FRANCIS XAVIER UNIVERSITY
Statement of Financial Position
March 31, 2012

	2012					2011
	Operating Fund	Research Fund	Capital Fund	Endowment Fund	Total Funds	Total Funds
LIABILITIES						
Bank loan (Note 9)	\$ 8,251,010	\$ -	\$ -	\$ -	\$ 8,251,010	\$ 14,053,313
Accounts payable and accruals	9,188,285	-	282,704	208,283	9,679,272	6,970,047
Deferred revenue	806,483	-	-	-	806,483	867,120
Total non-restricted liabilities	18,245,778	-	282,704	208,283	18,736,765	21,890,480
Provision - insurance deductible and general	50,000	-	-	-	50,000	50,000
Provision - employee future benefits (Note 6)	3,735,354	-	-	-	3,735,354	3,403,213
Deferred revenue - other	6,000,434	-	-	-	6,000,434	3,286,996
Due to Research Fund	5,173,988	-	-	-	5,173,988	5,177,196
Due to Endowment Fund	5,176,981	-	-	-	5,176,981	4,344,358
Deferred revenue - Research Fund	-	5,173,988	-	-	5,173,988	5,177,196
Deferred revenue - Endowment Fund	-	-	-	3,062,556	3,062,556	3,725,960
Due to Operating Fund	-	-	20,868,339	-	20,868,339	22,974,916
Deferred revenue - Capital Fund (Note 11)	-	-	73,185,544	-	73,185,544	76,082,613
Long-term debt (Note 9)	-	-	71,084,799	-	71,084,799	73,644,862
Derivative liability (Note 9)	-	-	12,382,428	-	12,382,428	7,588,926
Total liabilities	38,382,535	5,173,988	177,803,814	3,270,839	224,631,176	227,346,716
FUND EQUITIES (DEFICIENCIES)						
Externally restricted	-	-	5,366,124	86,785,308	92,151,432	88,075,270
Unrestricted	(1,864,765)	-	(12,382,428)	-	(14,247,193)	(8,953,840)
Investment in capital assets	-	-	(5,527,724)	-	(5,527,724)	(6,627,444)
Total fund equities (deficiencies)	(1,864,765)	-	(12,544,028)	86,785,308	72,376,515	72,493,986
Total liabilities and fund equities	\$ 36,517,770	\$ 5,173,988	\$ 165,259,786	\$ 90,056,147	\$ 297,007,691	\$ 299,840,702

ST. FRANCIS XAVIER UNIVERSITY
Statement of Operations
Year ended March 31, 2012

	2012					2011
	Operating Fund	Research Fund	Capital Fund	Endowment Fund	Total Funds	Total Funds
Ordinary revenue (Schedule 1)						
Student academic fees	\$ 29,366,449	\$ -	\$ -	\$ -	\$ 29,366,449	\$ 28,449,003
Bequests, donations and non-government grants	611,640	-	-	-	611,640	796,615
Miscellaneous	888,542	-	-	-	888,542	583,669
Special purpose and trust income	6,090,357	-	-	-	6,090,357	6,062,773
Government grants						
Provincial - operating	30,375,440	-	-	-	30,375,440	31,593,902
Provincial - Special - operating	2,400,000	-	-	-	2,400,000	2,666,637
Federal - indirect research	888,917	-	-	-	888,917	891,377
Total ordinary revenue	70,621,345	-	-	-	70,621,345	71,043,976
Sponsored research funds	-	7,434,471	-	-	7,434,471	6,852,644
Coady International Institute (Schedule 3)	5,404,931	-	-	-	5,404,931	4,098,988
Extension Department (Schedule 4)	286,885	-	-	-	286,885	248,957
Ancillary Enterprises (Schedule 5)	25,477,421	-	-	-	25,477,421	24,083,178
Capital Fund revenue						
Net revenue recognized from property sales	-	-	-	-	-	124,741
Amortization of deferred revenue						
- Buildings	-	-	3,331,298	-	3,331,298	3,410,588
- Equipment	-	-	1,354,741	-	1,354,741	1,285,474
- Library books	-	-	208,223	-	208,223	199,641
- Motor vehicles	-	-	52,484	-	52,484	57,005
- Campaign charges	-	-	350,000	-	350,000	350,000
Total revenue	101,790,582	7,434,471	5,296,746	-	114,521,799	111,755,192

ST. FRANCIS XAVIER UNIVERSITY
Statement of Operations
Year ended March 31, 2012

	2012				2011
	Operating Fund	Research Fund	Capital Fund	Endowment Fund	Total Funds
Ordinary expenditure (Schedule 2)					
Instruction and non-sponsored research	\$ 37,631,671	\$ -	\$ -	\$ -	\$ 37,631,671
Continuing education/training and development	607,942	-	-	-	607,942
Educational information/technology	1,767,951	-	-	-	1,767,951
Library	3,266,052	-	-	-	3,266,052
Student services	6,995,819	-	-	-	6,995,819
Advancement	1,997,380	-	-	-	1,997,380
Administration and general	5,953,703	-	-	-	5,953,703
Facilities management	9,560,191	-	-	-	9,560,191
Non-space and alterations and renovations	592,137	-	-	-	592,137
Capital renewal	1,050,000	-	-	-	1,050,000
Information and technology funding	1,544,310	-	-	-	1,544,310
Contingency	154,040	-	-	-	154,040
Capital expenditure - Operating Fund (Note 11)	(5,327,647)	-	-	-	(5,327,647)
Total ordinary expenditure	65,793,549	-	-	-	65,793,549
Sponsored research expense	-	7,434,471	-	-	7,434,471
Capital expenditure - Research Fund (Note 10)	-	(408,887)	-	-	(408,887)
Coady International Institute (Schedule 3)	5,404,931	-	-	-	5,404,931
Extension Department (Schedule 4)	286,885	-	-	-	286,885
Ancillary Enterprises (Schedule 5)	25,477,421	-	-	-	25,477,421
Amortization expense					
- Buildings	-	-	6,259,176	-	6,259,176
- Equipment	-	-	1,424,690	-	1,424,690
- Library books	-	-	208,223	-	208,223
- Motor vehicles	-	-	52,484	-	52,484
Total expenditure	96,962,786	7,025,584	7,944,573	-	111,932,943
Surplus (deficit) before interfund transfers	4,827,796	408,887	(2,647,827)	-	2,588,856
Interfund transfers (Note 10)	(5,327,647)	(408,887)	3,541,776	-	(2,194,758)
Surplus (deficit)	\$ (499,851)	\$ -	\$ 893,949	\$ -	\$ 394,098

ST. FRANCIS XAVIER UNIVERSITY

Statement of Cash Flows

Year ended March 31, 2012

	<u>2012</u>	<u>2011</u>
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES		
Cash provided from (used in) operating activities		
(Deficit) surplus	\$ (499,851)	\$ 83,420
Campaign fund transfer	1,356,097	2,681,197
Capital assets charged to research and operations	848,696	379,852
Debt repayments from operating fund	2,900,925	2,767,419
Net change in non-cash working capital	4,304,967	(34,095,533)
	<u>8,910,834</u>	<u>(28,183,645)</u>
Cash provided used in investing activities		
Capital asset acquisitions, net	(2,745,840)	(17,245,191)
Change in investments, net	(6,771,266)	(10,185,936)
	<u>(9,517,106)</u>	<u>(27,431,127)</u>
Cash provided from (used in) financing activities		
(Repayment) issuance of bank indebtedness	(5,802,303)	10,053,313
Capital campaign contributions	350,000	350,000
Long-term debt - new	349,828	-
Long-term debt - repayments	(2,900,925)	(2,767,419)
Reinvested endowment income	5,575,264	9,213,880
Contributions - Endowment Fund	2,692,653	1,298,950
Contributions - Capital Fund	2,038,636	11,566,822
	<u>2,303,153</u>	<u>29,715,546</u>
NET CASH INFLOW (OUTFLOW)	1,696,881	(25,899,226)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	2,295,356	28,194,582
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 3,992,237	\$ 2,295,356

ST. FRANCIS XAVIER UNIVERSITY
Statement of Changes in Fund Balances
Year ended March 31, 2012

	2012				2011
	Operating Fund	Capital Fund	Endowment Fund	Total Funds Balance	Total Funds Balance
Balance, beginning of year	\$ (1,364,914)	\$ (10,206,342)	\$ 84,065,242	\$ 72,493,986	\$ 54,842,772
Transactions during the year					
Bequests and donations	-	-	2,693,277	2,693,277	1,264,811
Capital gains	-	-	4,337,952	4,337,952	8,734,768
Reinvested income	-	-	1,251,212	1,251,212	506,297
Development program - net (Schedule 6)	-	1,356,097	-	1,356,097	2,681,197
Corpfinance penalty recovery	-	205,770	-	205,770	195,211
Change in fair value of cash flow hedge	-	(4,793,502)	-	(4,793,502)	191,390
Change in fair value of restricted held for trading investments	-	-	(5,562,375)	(5,562,375)	2,906,645
Surplus (deficit)	(499,851)	893,949	-	394,098	1,170,894
Balance, end of year	\$ (1,864,765)	\$ (12,544,028)	\$ 86,785,308	\$ 72,376,515	\$ 72,493,986

ST. FRANCIS XAVIER UNIVERSITY

Notes to the Financial Statements

March 31, 2012

1. DESCRIPTION

St. Francis Xavier University (the “University” or “St. F.X.”) was established in 1853. The University has all the powers, rights and privileges ordinarily enjoyed or exercised by universities, including the powers conferred by Chapter 93 of the Acts of Nova Scotia, 1866, and legal amendments since, entitled “An Act to Enable the College of St. Francis Xavier at Antigonish to Grant Degrees.”

St. F.X. is primarily an undergraduate institution of approximately 4,100 students located in Antigonish, a northeastern Nova Scotia community. The University offers major, advanced major and honours programs through departments in its Faculties of Arts, Science, Business and Education. Approximately 50% of the student body is from Nova Scotia, and the remainder is welcomed from other Canadian provinces and from countries around the world.

The University is a not-for-profit organization and, as such, is exempt from income taxes under the Income Tax Act (Canada).

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the University are prepared in accordance with Canadian generally accepted accounting principles (“Canadian GAAP”) applied within the framework of the accounting policies summarized below.

Future accounting changes

Effective for fiscal years beginning on or after January 1, 2012, Canadian private sector not-for-profit organizations will have a new financial reporting framework. These organizations have a choice of applying accounting standards for not-for-profit organizations in the Canadian Institute of Chartered Accountants (“CICA”) Handbook – Accounting (Part III) or International Financial Reporting Standards in the CICA Handbook (Part I). The University plans to adopt accounting standards for not-for-profit organizations in the CICA Handbook – Accounting (Part III) for its fiscal year beginning April 1, 2012. The impact of the adoption of the new accounting framework on the University’s financial statements has not yet been determined.

Fund accounting and revenue recognition

The University maintains its accounts in accordance with the fund accounting method. This method observes limitations, if any, on the use of University resources by maintaining separate accounts for each fund.

Fund accounts are further classified as either non-restricted or restricted funds. Non-restricted funds are available to be used in their entirety at the discretion of the University. Restricted funds consist of those for which a specified application has been defined or upon which expenditure conditions have been set.

The University uses the deferral method of accounting for revenue with the multi-column format. The method includes deferring restricted revenues to future accounting periods and recognizing in the period that the related expenditure is incurred. Contributions for capital purchases are deferred and recognized as revenue on the same basis as the acquired capital asset is amortized.

Endowment contributions are recognized directly in net assets.

Pledged contributions are recorded when received.

ST. FRANCIS XAVIER UNIVERSITY

Notes to the Financial Statements

March 31, 2012

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund accounting and revenue recognition (continued)

Student academic fees and ancillary revenue are recognized when the services are provided or the goods are sold and collection is reasonably assured. The University recognizes revenue when persuasive evidence of an arrangement exists, delivery has occurred, the price to the buyer is fixed or determinable and collection is reasonably assured.

Cash & cash equivalents

Cash and cash equivalents include cash on hand and on deposit with financial institutions and may include short-term investments with maturities of three months or less. Use of the University's bank loan is considered to be financing activity on the statement of cash flows.

Inventories

Inventories are recorded at the lower of cost and net realizable value. The cost of inventory is determined using the weighted average method. Net realizable value is the estimated selling price less the estimated cost of completion and the estimated costs necessary to make the sale.

Capital assets

Purchased capital assets including collections are recorded at cost. Contributions of capital assets and collection items are capitalized at their fair value at the date of contribution. Capital assets are amortized on a straight-line basis over their useful lives as follows:

	<u>Years</u>
Buildings	20.0 - 40.0
Paving	8.0
Computer equipment	5.0
Equipment and furnishings	10.0
Library books	10.0
Motor vehicles	3.5

Impairment of long-lived assets

Long-lived assets are tested for recoverability whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. An impairment loss is recognized when their carrying value exceeds the total undiscounted cash flows expected from their use and eventual disposition. The amount of the impairment loss is determined as the excess of the carrying value of the asset over its fair value.

ST. FRANCIS XAVIER UNIVERSITY

Notes to the Financial Statements

March 31, 2012

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Pension plans

The cost of defined benefit pension plans are actuarially determined using the projected benefit method pro-rated on service and management's best estimate of salary escalation, retirement ages of employees and other actuarial factors. For the purpose of calculating the expected return on plan assets, those assets are valued at fair value.

The excess of the net accumulated actuarial gains and losses over 10% of the greater of the benefit obligation and the fair value of plan assets is amortized over the average remaining service period of active employees. Past-service costs arising from plan amendments are deferred and amortized on a straight-line basis over the average remaining service period of employees active at the date of amendments. The transitional obligation is amortized on a straight-line basis over 17 years for Plan 1 and 10 years for Plan 2, representing the average remaining service period of employees expected to receive benefits under the defined benefit pension plans upon adoption of CICA Section 3461, *Employee Future Benefits*.

Employee future benefits

The cost of employee future benefits, other than pension, earned by employees is actuarially determined using the projected unit method pro-rated on service and management's best estimate of salary escalation, retirement ages of employees and expected health care costs. The excess of the net actuarial gains and losses over 10% of the benefit obligation is amortized over the average remaining service of active employees.

Hedge accounting

Certain derivative financial instruments held by the University are eligible for hedge accounting. To be eligible for hedge accounting, an instrument has to meet generally accepted criteria with respect to identification, designation, documentation and effectiveness of the hedging relationship. The fair value of instruments eligible for hedge accounting is recognized on the balance sheet. Gains or losses on those instruments are recognized in earnings in the same period as those on the hedged item. When the hedging instrument is sold, terminated or ceases to be effective prior to maturity, any gains or losses that had been previously deferred are carried forward to be recognized in earnings in the same period as those on the hedged item. When the hedged item is sold, extinguished or matures prior to the termination of the related hedging instrument all gains or losses previously deferred are recognized in earnings of the current period.

Use of estimates

The preparation of the financial statements in accordance with Canadian GAAP requires management to make estimates and assumptions that affect the reported assets and liabilities at the balance sheet date, as well as revenue and expenses for the period then ended. Significant estimates used in these financial statements include allowance for doubtful accounts, useful lives for the amortization of capital assets and deferred revenue, the fair value of investments and obligations for pension plans and employee future benefits. Actual results could differ from those estimates.

ST. FRANCIS XAVIER UNIVERSITY

Notes to the Financial Statements

March 31, 2012

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Instruments

Financial assets and financial liabilities are initially recognized at fair value and their subsequent measurement is dependent on their classification as described below:

<u>Asset/Liability</u>	<u>Classification</u>	<u>Measurement</u>
Cash	Held for trading	Fair value
Accounts receivable	Loans and receivables	Amortized cost
Cash, bonds and stocks	Held for trading	Fair value
Bank loan	Held for trading	Fair value
Accounts payable and accruals	Other financial liabilities	Amortized cost
Long-term debt	Other financial liabilities	Amortized cost

The University's interest rate swaps have been designated as cash flow hedges. The derivatives are recorded on the Statement of Financial Position at fair value with the change in fair value of the cash flow hedges recognized directly in Statement of Changes in Fund Balances.

Not-for-profit organizations may elect not to adopt the requirements of Sections 3862, *Financial Instruments – Disclosures* and 3863, *Financial Instruments – Presentation* and instead may apply the guidance in Section 3861, *Financial Instruments – Disclosure and Presentation*. The University has elected to use this exemption. Also, as allowed by Section 3855, *Financial Instruments – Recognition*, the University has elected not to record embedded derivatives in host contracts and contracts to buy or sell non-financial items that meet the definition of a derivative, at fair value.

3. ENDOWMENT FUND

	<u>2012</u>		<u>2011</u>	
	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>
Cash, bonds and stocks -				
Endowment Fund, restricted	\$ 82,281,436	\$ 68,102,869	\$81,422,010	\$61,772,498
Cash, bonds and stocks -				
Endowment Fund, unrestricted	2,597,730	2,150,094	2,233,741	1,694,674
	<u>\$ 84,879,166</u>	<u>\$ 70,252,963</u>	<u>\$83,655,751</u>	<u>\$63,467,172</u>

There is \$172,392 (2011 - \$158,492) investments at cost with a fair value of \$208,283 (2011 \$208,907) included in the Endowment Fund that belongs to the St. Francis Xavier University's Students' Union (the "Students' Union"). The University agreed to endow and invest this money on their behalf. A corresponding payable to the Students' Union is also recorded in the Endowment Fund.

ST. FRANCIS XAVIER UNIVERSITY

Notes to the Financial Statements

March 31, 2012

4. CAPITAL ASSETS

	2012		2011	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Land	\$ 4,117,099	\$ -	\$ 4,025,106	\$ -
Buildings	221,797,079	67,059,934	219,885,467	60,800,758
Equipment and furnishings	27,196,117	21,871,059	26,511,752	20,446,369
Library books	4,277,251	3,311,790	4,023,917	3,103,567
Motor vehicles	758,395	643,372	671,154	590,887
	\$ 258,145,941	\$ 92,886,155	\$ 255,117,396	\$ 84,941,581
Less: Accumulated amortization		92,886,155		84,941,581
Net book value	\$ 165,259,786		\$ 170,175,815	

5. PENSION PLANS

The University maintains two defined benefit pension plans and one defined contribution plan for its employees.

For its defined benefit pension plans, the University measures its accrued benefit obligations and the fair value of plan assets for accounting purposes as at March 31 of each year. The most recent actuarial valuation of the pension plans for funding purposes was as of December 31, 2010. The next required valuation will be as of December 31, 2013.

Information about the University's defined benefit pension plans as at March 31, 2012 is as follows:

	2012	2011	2012	2011
	Plan 1	Plan 1	Plan 2	Plan 2
Fair value of plan assets	\$ 15,100,342	\$ 15,232,753	\$ 645,371	\$ 826,306
Accrued benefit obligation	19,462,243	16,210,804	870,411	968,972
Deficit	(4,361,901)	(978,051)	(225,040)	(142,666)
Unamortized amounts				
Transitional obligation	591,137	650,251	197,559	263,411
Past service costs	658,088	754,264	-	-
Actuarial experience loss	5,762,020	1,870,882	260,944	183,927
Employer contributions (January - March)	183,272	175,613	-	-
Accrued benefit asset	\$ 2,832,616	\$ 2,472,959	\$ 233,463	\$ 304,672

ST. FRANCIS XAVIER UNIVERSITY

Notes to the Financial Statements

March 31, 2012

5. PENSION PLANS (continued)

Plan assets consist of:

	Percentage of plan assets	
	Plan 1	Plan 2
	%	%
Equity securities	57.9	57.5
Debt securities	31.2	30.9
Other	10.9	11.6
	100.0	100.0

The significant assumptions used in accounting for the defined benefit pension plans are as follows:

	Plan 1	Plan 2
	%	%
Discount rate (to determine accrued benefit obligation)	4.5	3.3
Discount rate (to determine benefit cost)	5.5	4.0
Expected long-term rate of return on plan assets	6.0	5.5
Salary escalation	3.3	N/A

Other information about the University's defined benefit pension plans for the year ended March 31, 2012 is as follows:

	Plan 1	Plan 2
Benefits cost	\$ 501,589	\$ 71,209
Cash contributions	622,287	-
Benefits paid	837,875	155,365

Employer and employee contributions to the defined contribution plan were \$114,447 (2011 - \$120,607) and \$171,336 (2011 - \$180,558) respectively for the year ended March 31, 2012.

It is the policy of the University to ensure that both defined benefit plans are fully funded and in compliance with all legislative and regulatory requirements per the Superintendent of Pensions.

6. EMPLOYEE FUTURE BENEFITS

The University's recorded employee future benefits, other than pension, obligation is comprised of amounts accrued for non-funded post retirement benefits for certain employees and future benefits earned by the President of the University under his employment contract as well as Senior Administration under their employment contracts.

The University measures its accrued benefit obligation for employee future benefits, other than pension, as at March 31 of each year.

ST. FRANCIS XAVIER UNIVERSITY

Notes to the Financial Statements

March 31, 2012

6. EMPLOYEE FUTURE BENEFITS (continued)

Information about the University's employee future benefits, other than pension, as at March 31 is as follows:

	<u>2012</u>	<u>2011</u>
Accrued benefit obligation	\$ 3,459,647	\$ 3,053,849
Fair value of plan assets	-	-
Deficit	(3,459,647)	(3,053,849)
Less: Unamortized amounts		
Actuarial experience gain	275,707	349,364
	<u>\$ (3,735,354)</u>	<u>\$ (3,403,213)</u>

The significant actuarial assumptions adopted in estimating the University's accrued benefit obligation are as follows:

Discount rate (to determine accrued benefit obligation)	4.0%
Discount rate (to determine benefit cost)	5.0%
Dental benefits cost escalation	4.5%
Medical benefits cost escalation – extended health care	4.5% (increasing by 2.5% per year)

Other information about the University's employee future benefits, other than pension, for the year ended March 31, 2012 is as follows:

Benefits cost	\$210,700
Benefits paid	\$62,207

7. DEVELOPMENT PROGRAM (SCHEDULE 6)

A fund has been established to accumulate gifts arising from the University's Development Program. The purpose of the Development Program is to enrich endowment funds and provide funds for University projects.

8. ANNUAL GIVING FUND

The total Annual Giving Fund proceeds for the year were \$5,677,351 (2011 - \$4,142,101), most of which was directed for restricted uses such as scholarships and bursaries. As at March 31, 2012, \$217,172 (2011 - \$255,714) was considered unrestricted and recorded in income in the Operating Fund (Schedule 1).

9. BANK LOAN AND LONG-TERM DEBT

Bank loan

The University has a line of credit with the Bank of Nova Scotia to assist with bridge financing on major projects and with regular operations. The line of credit is comprised of a \$20 million revolving term loan for bridge financing with interest payable on \$10 million at bankers' acceptance rates and \$10 million at prime; plus an \$11 million operating line at prime. At March 31, 2012, \$8,251,010 has been drawn on the revolving term loan (2011 - \$14,053,313).

ST. FRANCIS XAVIER UNIVERSITY

Notes to the Financial Statements

March 31, 2012

9. BANK LOAN AND LONG-TERM DEBT (continued)

Long-term debt

Details of the University's long-term debt are as follows:

	<u>2012</u>	<u>2011</u>
Congregation of Sisters of Notre Dame - non-interest bearing, due June 1, 2021 (Mount St. Bernard)	\$ 1,318,861	\$ 1,457,688
Bank of Montreal 10 year SWAP - 4.81% due January 1, 2015 (Consolidated CMHC Loans - Residence)	993,644	1,314,850
Bank of Montreal 19 year SWAP - 5.53% due October 1, 2023 (Refinanced Mortgages-Residences Pre 2004)	16,858,272	17,887,129
Bank of Montreal 25 year SWAP - 5.63% due September 2, 2031 (Governors Hall Construction)	16,691,453	17,010,481
Bank of Montreal 20 year SWAP - 5.48% due October 1, 2026 (MacIsaac Hall Renovation)	7,072,966	7,191,405
Bank of Montreal 20 year SWAP - 5.31% due February 1, 2028 (Bishops Hall Renovation)	9,556,798	9,938,212
Bank of Nova Scotia 10 year SWAP - 5.15% due April 24, 2018 (Academic Reno's and Sci Hall)	9,062,559	9,314,850
NSSOFI Loan - 1.5% due January 21, 2015 (Financing from Province - Knowledge Infrastructure Program)	9,530,246	9,530,246
	<u>\$ 71,084,799</u>	<u>\$ 73,644,862</u>

In January 2010, the University received a loan from the Province as matching funds under the Federal Knowledge Infrastructure Program. The loan was advanced from the Nova Scotia Strategic Opportunities Fund Incorporated to help finance the construction of the Schwartz School of Business. The interest rate is 1.5% per year compounded annually. The full amount of the loan and the compounded interest is due and payable at the end of the five years. No amounts are required to be paid before that time. The University is funding the principal and interest using a five year straight-line basis through pledges being received for the Schwartz School of Business. Investment certificates are being held each year representing 2/5th of the required payment. At the end of the five years the loan will be fully repaid by the pledges.

The University has entered into fixed interest rate swaps on certain long-term debt. At March 31, 2012, the difference between the fair value and the carrying value of the related debt, being the fair value of the interest rate swaps was \$12,382,428; 2011 was \$7,588,926.

Blended principal and interest payments are made at the beginning of each calendar month.

ST. FRANCIS XAVIER UNIVERSITY

Notes to the Financial Statements

March 31, 2012

9. BANK LOAN AND LONG-TERM DEBT (continued)

The minimum principal repayments of long-term debt for the next five fiscal years ending March 31 are as follows:

2013	3,059,029
2014	3,211,325
2015	12,838,299
2015	3,153,030
2016	3,153,562
	<u>\$ 25,415,245</u>

10. RELATED PARTY TRANSACTIONS

As at March 31, 2012, there is \$62,600 included in accounts receivable – general from Festival Antigonish, a related party. The transactions were in the normal course of operations and recorded at the exchange amount.

11. CAPITAL EXPENDITURE AND INTERFUND TRANSFERS

The following represents reductions in Operating Fund expenses for capitalization of library books, research equipment, motor vehicles, and buildings as well as transfers to long-term debt and deferred revenue and provisions in the Capital Fund.

	<u>2012</u>	<u>2011</u>
Facilities management equipment	\$ 16,369	\$ -
Alterations and renovations	50,026	390,482
Administration, TSG, Student Services	34,824	-
Mount Saint Bernard, Municipal building	373,007	362,112
Library books and equipment	253,335	202,253
Information and technology equipment	-	54,013
Health and Counselling renovation	280,315	-
Oland Turf	84,454	-
Bloomfield renovation	-	437,304
Contingency	16,548	-
Capital renewal	1,050,000	900,000
Ancillary debt principle repayments (Schedule 5)	3,168,769	2,634,536
Total	\$ 5,327,647	\$ 4,980,700

Reductions in the Research Fund expenses as well as transfers to deferred revenue for capital expenditures during the year totalled \$408,887; (2011 was \$121,895).

ST. FRANCIS XAVIER UNIVERSITY

Notes to the Financial Statements

March 31, 2012

12. DEFERRED REVENUE - CAPITAL FUND

Deferred revenue represents the unamortized amount of donations, grants and revenues received for the purchase of capital assets. The changes in the deferred revenue balance are as follows:

	<u>2012</u>	<u>2011</u>
Balance, beginning of year	\$ 76,082,613	\$ 69,499,050
Add: Contributions received during the year	5,407,487	14,343,881
Less: Recognition of deferred revenue	(8,304,556)	(7,760,318)
Balance, end of year	<u>\$ 73,185,544</u>	<u>\$ 76,082,613</u>

The contributions received during the year and recognition of deferred revenue amounts presented above include interfund transfers in the amount \$3,007,810 (2011 - \$2,807,611) utilized by the Capital Fund to repay debt and related fees incurred for the purchase and/or construction of capital assets.

13. FINANCIAL INSTRUMENTS

Financial risk

Financial risk refers to the impact on the University's cash flows due to fluctuations in interest rates, debt and equity markets, and the credit quality of student receivables. The University manages its financial risks as follows:

Interest rate risk

Interest rate risk is minimized as the University uses interest rate swaps to fix interest rates on its long-term debt.

Market risk

The University is subject to market risk with respect to its debt and equity investments. The University manages this risk by limiting investments in debt securities that are not rated by an accredited agency to 30% of the total portfolio cost. The University limits its investment in equity and debt securities of any single issuer to 10% of the total portfolio cost.

Credit risk

To reduce credit risk with student accounts, the University places restrictions on the issuance of grades and degrees until payment on account is made. The University also uses third party agencies to collect outstanding receivables.

Fair value

The fair value of cash, accounts receivable, bank loan and accounts payable and accruals is approximately equal to their carrying values due to their short-term maturity. The fair value of long-term debt is described in Note 9. Bonds and stocks are recorded at fair value. Fair value is determined by quoted market prices.

ST. FRANCIS XAVIER UNIVERSITY

Notes to the Financial Statements

March 31, 2012

14. CAPITAL MANAGEMENT

The University's objective in managing its capital is to safeguard its ability to continue to attract students to a premium residential primarily undergraduate university experience. The University's capital consists of its fund equities and its long-term debt. Changes to the University's capital structure would require additional funding through contributions or through incurring debt.

	<u>2012</u>	<u>2011</u>
Fund equities	\$ 72,376,515	\$ 72,493,986
Long-term debt	71,084,799	73,644,862
	<u>\$ 143,461,314</u>	<u>\$ 146,138,848</u>

The University must comply with externally imposed covenants on its long-term debt. The University was in compliance with its loan covenants as at and for the period ended March 31, 2012. Restricted net assets must be used for the purpose designated by the contributor.

Payouts to the University from the endowment fund equities is restricted to 5% of the average market value of endowment funds at December 31 of the five previous fiscal years, or \$3.5M, whichever is greater.

15. COMPARATIVE FIGURES

Certain 2011 comparative figures have been reclassified to conform to 2012 presentation.

16. SUBSEQUENT EVENT

During the year the Endowment Fund continued to hold shares in The Casket. It is a local Antigonish company in which the University made an investment and has a minority shareholding.

The University is party to a pending sale-purchase agreement. The exact terms and conditions of the agreement have not been fully disclosed to St. F.X. The transaction is due to close June 30, 2012. The University owns 807 shares, approximately 24% of The Casket. The proceeds from the sale will be recorded as unrestricted cash in the Endowment Fund and available for re-investment decision by the Investment Committee.

ST. FRANCIS XAVIER UNIVERSITY**SCHEDULE 1****Revenue**

Year ended March 31, 2012

	<u>2012</u>	<u>2011</u>
Student academic fees		
Full-time tuition	\$ 22,851,362	\$ 22,021,095
Information & technology fee	1,544,310	1,530,719
Part-time tuition	1,849,287	1,801,456
Summer school tuition	1,380,406	1,399,332
Continuing education/training and development	677,048	662,736
Other	1,064,036	1,033,665
	<u>29,366,449</u>	<u>28,449,003</u>
Bequests, donations and non-government grants		
Annual Giving Fund - unrestricted (Note 8)	217,172	255,714
Scholarship and bursary donations	394,468	540,901
	<u>611,640</u>	<u>796,615</u>
Miscellaneous	888,542	583,669
Special purpose and trust income		
Tuition Bursary	3,614,800	3,790,442
General endowment	52,353	46,715
Academic endowment	33,160	28,507
Library endowment	11,833	10,173
Murphy endowment	15,000	15,000
Scholarship and bursary endowment	1,825,902	1,707,516
Alumni Aquatic Centre operating endowment	122,884	105,645
Chairs of study endowment	381,425	325,775
Athletic endowment	33,000	33,000
	<u>6,090,357</u>	<u>6,062,773</u>
Government grants		
Provincial - operating	30,375,440	31,593,902
Provincial Special - operating	2,400,000	2,666,637
Federal - indirect research	888,917	891,377
	<u>33,664,357</u>	<u>35,151,916</u>
Total ordinary revenue	<u>\$ 70,621,345</u>	<u>\$ 71,043,976</u>

ST. FRANCIS XAVIER UNIVERSITY**SCHEDULE 2****Expenditure**

Year ended March 31, 2012

	<u>2012</u>	<u>2011</u>
Instruction and non-sponsored research		
Salaries - instruction and research	\$ 26,182,928	\$ 25,857,668
- support and other	4,220,493	4,554,112
Fringe benefits	4,523,108	4,388,492
Post retirement benefits	148,493	342,447
Operational supplies and expenses	1,560,838	1,547,975
Travel	364,430	426,701
Chairs of studies	381,425	325,775
Extension department - net (Schedule 4)	49,956	46,149
Coady International Institute - net (Schedule 3)	200,000	200,000
	<u>37,631,671</u>	<u>37,689,319</u>
Continuing education/training and development		
Salaries	241,191	248,137
Fringe benefits	42,194	43,364
Outside services	84,663	87,626
Operational supplies and expenses	158,606	162,023
Travel	81,288	81,649
	<u>607,942</u>	<u>622,799</u>
Educational information/technology		
Salaries	1,386,387	1,358,675
Fringe benefits	262,702	255,769
Operational supplies and expenses	72,696	86,549
Service of equipment	19,268	78,534
Travel	26,898	23,941
	<u>1,767,951</u>	<u>1,803,468</u>
Library		
Salaries	1,708,792	1,723,796
Fringe benefits	311,419	311,004
Library acquisitions	1,192,572	1,105,971
Operational supplies and expenses	45,970	59,848
Travel	7,299	4,868
	<u>3,266,052</u>	<u>3,205,487</u>
Student services		
Salaries	2,492,288	2,419,107
Fringe benefits	448,230	422,491
Operational supplies and expenses	969,277	930,055
Scholarships, bursaries and prizes	2,566,822	2,692,539
Travel	519,202	482,292
	<u>6,995,819</u>	<u>6,946,484</u>

ST. FRANCIS XAVIER UNIVERSITY**SCHEDULE 2****Expenditure**

Year ended March 31, 2012

(continued)

	<u>2012</u>	<u>2011</u>
Advancement		
Salaries	\$ 1,175,622	\$ 1,346,922
Fringe benefits	219,516	211,748
Operational supplies and expenses	553,968	522,566
Travel	48,274	60,945
	<u>1,997,380</u>	<u>2,142,181</u>
Administration and general		
Salaries	2,391,975	2,564,637
Fringe benefits	461,507	452,862
Operational supplies and expenses	309,534	294,385
Institutional dues, legal, audit and other	1,366,353	1,351,783
Interest - net (Schedule 7)	1,338,406	1,366,360
Travel	85,928	86,652
	<u>5,953,703</u>	<u>6,116,679</u>
Facilities management		
Salaries	3,276,657	3,492,569
Fringe benefits	1,048,875	848,933
Operational supplies and expenses	1,531,471	1,553,327
Insurance	256,313	283,401
Utilities	3,446,875	2,927,096
	<u>9,560,191</u>	<u>9,105,326</u>
Non-space and alterations and renovations	592,137	541,277
Capital renewal	1,050,000	900,000
Information and technology funding	1,544,310	1,530,719
Contingency	154,040	356,818
Capital expenditure (Note 10)	(5,327,647)	(4,980,700)
	<u>(1,987,160)</u>	<u>(1,651,886)</u>
Total ordinary expenditure before interfund transfers	\$ 65,793,549	\$ 65,979,856
Interfund transfers (Note 10)	5,327,647	4,980,700
Total ordinary expenditure after interfund transfers	71,121,196	70,960,556
Less: Total ordinary revenue (Schedule 1)	70,621,345	71,043,976
Net surplus (deficit) on ordinary revenue and expenditure	\$ (499,851)	\$ 83,420

ST. FRANCIS XAVIER UNIVERSITY
COADY INTERNATIONAL INSTITUTE
Statement of Revenue and Expenditure
Year ended March 31, 2012

SCHEDULE 3

	<u>2012</u>	<u>2011</u>
Revenue		
C.I.D.A. - general	\$ 2,186,979	\$ 1,465,623
Contract projects	1,883,185	1,221,163
General revenue	796,371	530,000
Endowments	115,467	147,618
Antigonish Movement Fund	10,648	9,130
Other grants and donations	412,281	725,454
	<u>5,404,931</u>	<u>4,098,988</u>
University contribution	200,000	200,000
	<u>\$ 5,604,931</u>	<u>\$ 4,298,988</u>
Expenditure		
Salaries	\$ 2,353,408	\$ 1,977,876
Fringe benefits	355,347	276,209
Travel - students	11,911	40,692
- staff	379,677	216,054
Operational supplies and expense	494,428	235,076
Library acquisitions	25,845	29,742
Room and board	449,428	241,085
Facilities and services	241,501	199,740
Contract projects	1,293,386	1,082,514
	<u>\$ 5,604,931</u>	<u>\$ 4,298,988</u>

ST. FRANCIS XAVIER UNIVERSITY
EXTENSION DEPARTMENT
Statement of Revenue and Expenditure
Year ended March 31, 2012

SCHEDULE 4

	<u>2012</u>	<u>2011</u>
Revenue		
Antigonish Movement Fund	\$ 10,648	\$ 9,130
Cape Breton endowment	89,606	77,035
Murphy endowment	72,995	60,651
Other grants and donations	113,636	102,141
	<u>286,885</u>	<u>248,957</u>
University contribution	49,956	46,149
	<u>\$ 336,841</u>	<u>\$ 295,106</u>
Expenditure		
Salaries	\$ 275,441	\$ 227,349
Fringe benefits	42,820	33,965
Outside services	-	4,200
Travel	15,896	9,808
Operational supplies and expense	2,684	19,784
	<u>\$ 336,841</u>	<u>\$ 295,106</u>

ST. FRANCIS XAVIER UNIVERSITY
ANCILLARY ENTERPRISES
Statement of Revenue and Expenditure
Year ended March 31, 2012

SCHEDULE 5

	<u>2012</u>	<u>2011</u>
Revenue		
Residence fees - students	\$ 15,899,878	\$ 14,636,852
- others	3,345,916	3,480,757
Bookstore sales	2,830,120	2,961,582
Other ancillary services	3,401,507	3,003,987
	<u>\$ 25,477,421</u>	<u>\$ 24,083,178</u>
Expenditure		
Food service expenses	\$ 7,337,134	\$ 6,903,947
Facilities management expenses	5,484,409	4,883,316
Bookstore expenses	2,480,438	2,573,091
Administrative expenses	1,427,577	1,372,817
Other ancillary services	2,794,403	2,814,633
	<u>19,523,961</u>	<u>18,547,804</u>
Surplus before ancillary debt repayments and provisions	5,953,460	5,535,374
Less: Ancillary debt repayments (interest and principle)	5,430,387	5,435,971
Less: Provision for ancillary improvements	523,073	99,403
Plus: Ancillary debt principle repayments (Note 11)	3,168,769	2,634,536
	<u>3,168,769</u>	<u>2,634,536</u>
Surplus before interfund transfers	3,168,769	2,634,536
Less: Interfund transfers (Note 11)	3,168,769	2,634,536
	<u>\$ -</u>	<u>\$ -</u>
Deficit	\$ -	\$ -

ST. FRANCIS XAVIER UNIVERSITY
DEVELOPMENT PROGRAM (Note 7)
Statement of Fund Receipts and Disposition
Year ended March 31, 2012

SCHEDULE 6

	<u>2012</u>	<u>2011</u>
Cash receipts	\$ 11,758,736	\$ 9,073,244
Allocated to		
Endowments	2,692,653	1,298,950
Capital Fund - physical services project	250	250
- Science Hall	2,009	3,300
- Millennium Centre	1,885	4,140
- School of Business	911,244	793,588
- Coady	1,967,640	1,359,854
- classroom renovations	-	25
- other	307	300
Specific operating accounts	4,826,651	2,931,640
	10,402,639	6,392,047
Increase in Campaign Fund capital	1,356,097	2,681,197
Development program capital, beginning of year	4,010,027	1,328,830
Development program capital, end of year	\$ 5,366,124	\$ 4,010,027

Interest Expense

Year ended March 31, 2012

	<u>2012</u>	<u>2011</u>
Interest expense		
Interest and bank charges	\$ 1,503,916	\$ 1,569,841
<hr/>		
Interest recoveries		
University bookstore	19,000	19,000
Lane Hall	4,691	5,447
Other	141,819	179,034
	<hr/> 165,510	<hr/> 203,480
<hr/>		
Interest expense - net	\$ 1,338,406	\$ 1,366,360
