

Financial Statements of

ST. FRANCIS XAVIER UNIVERSITY

March 31, 2008

Independent Auditors' Report

To the Board of Governors
St. Francis Xavier University

We have audited the statement of financial position of St. Francis Xavier University as at March 31, 2008 and the statements of operations, cash flows, and changes in fund balances for the year then ended. These financial statements are the responsibility of the University's administration. 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 the administration, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the University as at March 31, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP.

Chartered Accountants
May 23, 2008
Halifax, Nova Scotia

ST. FRANCIS XAVIER UNIVERSITY

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ST. FRANCIS XAVIER UNIVERSITY
Statement of Financial Position
March 31, 2008

	2008					2007
	Operating Fund	Research Fund	Capital Fund	Endowment Fund	Total Funds	Total Funds
ASSETS						
Cash	\$ 4,157,508	\$ -	\$ -	\$ -	\$ 4,157,508	\$ 908,087
Accounts receivable - students	3,832,616	-	-	-	3,832,616	3,616,819
Accounts receivable - general	1,971,428	-	-	-	1,971,428	1,098,387
Deferred expenditures	57,468	-	-	-	57,468	167,162
Inventories	364,701	-	-	-	364,701	419,995
Due from Capital Fund	27,405,414	-	-	-	27,405,414	26,843,515
Total non-restricted assets	37,789,135	-	-	-	37,789,135	33,053,965
Accrued benefit asset (Note 5)	852,109	-	-	-	852,109	461,620
Accounts receivable - restricted	2,442,818	-	-	-	2,442,818	1,678,054
Total assets - Operating Fund	41,084,062	-	-	-	41,084,062	35,193,639
Cash, bonds and stocks – restricted (Note 3)	-	-	-	78,786,969	78,786,969	45,759,624
Cash, bonds and stocks – unrestricted (Note 3)	-	-	-	2,656,454	2,656,454	1,697,383
Due from Operating Fund	-	-	-	3,759,526	3,759,526	6,414,204
Total assets - Endowment Fund	-	-	-	85,202,949	85,202,949	53,871,211
Cash, bonds and stocks – restricted (Note 3)	-	-	6,755,044	-	6,755,044	5,393,776
Deferred expenditures (Note 9)	-	-	1,160,520	-	1,160,520	2,037,039
Capital assets (Note 4)	-	-	127,774,910	-	127,774,910	115,988,791
Total assets - Capital Fund	-	-	135,690,474	-	135,690,474	123,419,606
Due from Operating Fund	-	4,778,701	-	-	4,778,701	4,489,998
Total assets	\$ 41,084,062	\$ 4,778,701	\$ 135,690,474	\$ 85,202,949	\$ 266,756,186	\$ 216,974,454

ST. FRANCIS XAVIER UNIVERSITY
Statement of Financial Position
March 31, 2008

	2008					2007
	Operating Fund	Research Fund	Capital Fund	Endowment Fund	Total Funds	Total Funds
LIABILITIES						
Bank loan (Note 10)	\$ 14,000,000	\$ -	\$ -	\$ -	\$ 14,000,000	\$ 14,000,000
Accounts payable and accruals	5,806,075	-	381,505	189,295	6,376,875	4,133,356
Deferred revenue	7,344,487	-	-	-	7,344,487	2,741,490
Total non-restricted liabilities	27,150,562	-	381,505	189,295	27,721,362	20,874,846
Provision - insurance deductible and general	50,000	-	-	-	50,000	50,000
Provision – employee future benefits (Note 6)	2,551,340	-	-	-	2,551,340	2,132,929
Deferred revenue - other	2,778,655	-	-	-	2,778,655	1,875,448
Due to Research Fund	4,778,701	-	-	-	4,778,701	4,489,998
Due to Endowment Fund	3,759,526	-	-	-	3,759,526	6,414,204
Deferred revenue - Research Fund	-	4,778,701	-	-	4,778,701	4,489,998
Deferred revenue - Endowment Fund	-	-	-	3,164,437	3,164,437	2,523,840
Due to Operating Fund	-	-	27,405,414	-	27,405,414	26,843,515
Deferred revenue - Capital Campaign (Note 9)	-	-	-	-	-	391,142
Deferred revenue - Capital Fund (Note 12)	-	-	49,514,676	-	49,514,676	47,930,183
Long-term debt (Note 10)	-	-	61,403,127	-	61,403,127	52,941,495
Derivative liability (Note 10)	-	-	5,095,774	-	5,095,774	-
Total liabilities	41,068,784	4,778,701	143,800,496	3,353,732	193,001,713	170,957,598
FUND EQUITIES (DEFICIENCIES)						
Externally restricted	-	-	48,760	81,849,217	81,897,977	51,414,757
Unrestricted	15,278	-	(5,095,774)	-	(5,080,496)	(212,833)
Investment in capital assets	-	-	(3,063,008)	-	(3,063,008)	(5,185,068)
Total fund equities (deficiencies)	15,278	-	(8,110,022)	81,849,217	73,754,473	46,016,856
Total liabilities and fund equities	\$ 41,084,062	\$ 4,778,701	\$ 135,690,474	\$ 85,202,949	\$ 266,756,186	\$ 216,974,454

ST. FRANCIS XAVIER UNIVERSITY
Statement of Operations
Year ended March 31, 2008

	2008					2007
	Operating Fund	Research Fund	Capital Fund	Endowment Fund	Total Funds	Total Funds
Revenue (Schedule 1)						
Student academic fees	\$ 30,049,085	\$ -	\$ -	\$ -	\$ 30,049,085	\$ 32,862,842
Bequests, donations and non-government grants	679,353	-	-	-	679,353	633,571
Miscellaneous	175,470	-	-	-	175,470	202,604
Special purpose and trust income	3,110,373	-	-	-	3,110,373	2,605,267
Government grants						
Provincial Operating	23,214,282	-	-	-	23,214,282	19,547,806
Provincial - Restricted - non-space and alterations and renovations	732,949	-	-	-	732,949	732,950
Provincial - Special - operating	4,403,466	-	-	-	4,403,466	4,810,543
Federal - indirect research	859,977	-	-	-	859,977	859,807
Total ordinary revenue	63,224,955	-	-	-	63,224,955	62,255,390
Sponsored research funds	-	8,679,290	-	-	8,679,290	7,907,348
Coady International Institute (Schedule 3)	3,259,550	-	-	-	3,259,550	3,429,476
Extension Department (Schedule 4)	281,129	-	-	-	281,129	222,181
Ancillary Enterprises (Schedule 5)	21,144,213	-	-	-	21,144,213	20,204,024
Capital Fund revenue						
Revenue recognized from property sales	-	-	449,945	-	449,945	-
Amortization of deferred revenue						
- Buildings	-	-	2,264,176	-	2,264,176	1,296,612
- Equipment	-	-	1,706,230	-	1,706,230	1,944,984
- Library books	-	-	348,562	-	348,562	320,922
- Motor vehicles	-	-	62,819	-	62,819	46,587
- Campaign charges	-	-	735,657	-	735,657	1,947,645
Total revenue	87,909,847	8,679,290	5,567,389	-	102,156,526	99,575,169

ST. FRANCIS XAVIER UNIVERSITY

Statement of Operations

Year ended March 31, 2008

	2008					2007
	Operating Fund	Research Fund	Capital Fund	Endowment Fund	Total Funds	Total Funds
Expenditure (Schedule 2)						
Instruction and non-sponsored research	\$ 32,363,888	\$ -	\$ -	\$ -	\$ 32,363,888	\$ 33,661,439
Continuing education/training and development	709,988	-	-	-	709,988	662,531
Educational information/technology	1,800,732	-	-	-	1,800,732	1,652,715
Library	2,931,619	-	-	-	2,931,619	2,764,011
Student services	6,512,228	-	-	-	6,512,228	5,836,015
Advancement	1,791,457	-	-	-	1,791,457	1,684,346
Administration and general	5,332,742	-	-	-	5,332,742	5,596,754
Facilities management	7,865,915	-	-	-	7,865,915	7,191,742
Non-space and alterations and renovations	733,000	-	-	-	733,000	733,000
Capital renewal	850,000	-	-	-	850,000	800,000
Information and technology funding	1,308,047	-	-	-	1,308,047	1,372,381
Contingency	454,664	-	-	-	454,664	249,461
Deficit on ancillary enterprises	342,564	-	-	-	342,564	-
Capital expenditure - Operating Fund (Note 11)	(3,987,291)	-	-	-	(3,987,291)	(4,389,831)
Total ordinary expenditure	59,009,553	-	-	-	59,009,553	57,814,564
Sponsored research expense	-	8,679,290	-	-	8,679,290	7,907,348
Capital expenditure - Research Fund (Note 11)	-	(1,918,123)	-	-	(1,918,123)	(1,411,431)
Coady International Institute (Schedule 3)	3,259,550	-	-	-	3,259,550	3,429,476
Extension Department (Schedule 4)	281,129	-	-	-	281,129	222,181
Ancillary Enterprises (Schedule 5)	21,144,213	-	-	-	21,144,213	20,204,024
Amortization expense						
- Buildings	-	-	3,772,619	-	3,772,619	3,459,508
- Equipment	-	-	1,400,469	-	1,400,469	1,229,834
- Library books	-	-	348,562	-	348,562	320,922
- Motor vehicles	-	-	62,818	-	62,818	46,586
- Campaign charges	-	-	1,160,520	-	1,160,520	1,018,520
Total expenditure	83,694,445	6,761,167	6,744,988	-	97,200,600	94,241,532
Surplus (deficit) before interfund transfers	4,215,402	1,918,123	(1,177,599)	-	4,955,926	5,333,637
Inter-fund transfers (Note 11)	(3,987,291)	(1,918,123)	1,821,718	-	(4,083,696)	(3,725,833)
Surplus	\$ 228,111	\$ -	\$ 644,119	\$ -	\$ 872,230	\$ 1,607,804

ST. FRANCIS XAVIER UNIVERSITY

Statement of Cash Flows

Year ended March 31, 2008

	<u>2008</u>	<u>2007</u>
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES		
Cash provided from (used in) operating activities		
Surplus	\$ 228,111	\$ 50,995
Campaign fund transfer	(139,579)	(22,464)
Capital assets charged to research and operations	3,103,839	2,363,988
Debt repayments from operating fund	1,909,503	1,476,634
Net decrease in non-cash working capital	6,573,103	(588,851)
	<u>11,674,977</u>	<u>3,280,302</u>
Cash provided from (used in) investing activities		
Capital asset acquisitions	(16,989,083)	(15,440,218)
Purchase of investments, net	(7,962,538)	(6,452,337)
Holdback deposit	-	1,022,233
	<u>(24,951,621)</u>	<u>(20,870,322)</u>
Cash provided from (used in) financing activities		
Increase in bank indebtedness	-	(6,021,822)
Deferred charges - campaign	60,514	135,038
Long-term debt - new	10,364,830	15,672,058
Long-term debt - repayments	(1,896,892)	(1,465,087)
Reinvested endowment income	2,174,235	4,745,869
Contributions - Endowment Fund	1,127,139	1,206,289
Contributions - Capital Fund	4,696,239	3,241,085
Contributions - government	-	-
	<u>16,526,065</u>	<u>17,513,430</u>
NET CASH (OUTFLOW) INFLOW	3,249,421	(76,590)
CASH, BEGINNING OF YEAR	908,087	984,677
CASH, END OF YEAR	\$ 4,157,508	\$ 908,087

ST. FRANCIS XAVIER UNIVERSITY
Statement of Changes in Fund Balances
Year ended March 31, 2008

	2008				2007
	Operating Fund	Capital Fund	Endowment Fund	Total Funds Balance	Total Funds Balance
Balance, beginning of year	\$ (212,833)	\$ (4,996,729)	\$ 51,226,418	\$ 46,016,856	\$ 34,168,331
Transactions during the year					
Bequests and donations	-	1,311,268	1,058,796	2,370,064	5,359,197
Capital gains	-	-	1,961,810	1,961,810	4,482,802
Reinvested income	-	-	217,046	217,046	263,067
Development program - net (Schedule 6)	-	(139,579)	-	(139,579)	(22,464)
Corpfinance penalty recovery	-	166,673	-	166,673	158,119
Transition entry for financial instruments (Note 2)	-	(3,015,265)	33,100,893	30,085,628	-
Change in fair value of cash flow hedge (Note 2)	-	(2,080,509)	-	(2,080,509)	-
Change in fair value of restricted held for trading investments (Note 2)	-	-	(5,715,746)	(5,715,746)	-
Surplus	228,111	644,119	-	872,230	1,607,804
Balance, end of year	\$ 15,278	\$ (8,110,022)	\$ 81,849,217	\$ 73,754,473	\$ 46,016,856

ST. FRANCIS XAVIER UNIVERSITY

Notes to the Financial Statements

March 31, 2008

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, entitled “An Act to Enable the College of St. Francis Xavier at Antigonish to Grant Degrees.”

St. F.X. is a primarily 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 and Science. Two-thirds 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 applied within the framework of the accounting policies summarized below.

Fund accounting

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 financial statements of St. F.X. are prepared using the deferral method with the multi-column format. The deferral method, which introduces the concept of deferring restricted revenues to future accounting periods, is a process of matching the restricted revenues with the related expenses regardless of when the revenues are received. Restricted revenues are recognized as revenue in the same accounting period as related expenses. Those restricted revenues for which the related expenses have not been incurred are reported as deferred revenue on the University’s Statement of Financial Position.

Accrual basis accounting

The financial statements of the University are prepared on the accrual basis, with the following exception:

- Pledged contributions and income from the Endowment Fund are recorded when received.

ST. FRANCIS XAVIER UNIVERSITY

Notes to the Financial Statements

March 31, 2008

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Book store and physical plant inventories are stated at cost, being the lower of cost and net realizable value.

Capital assets

Purchased capital assets including collections are recorded at cost. Contributions of capital assets and collection items are capitalized at fair market value at the date of the contribution. Capital assets are amortized on a straight-line basis over the following number of years:

Buildings	40.0
Paving	8.0
Computers	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.

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. 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*.

ST. FRANCIS XAVIER UNIVERSITY

Notes to the Financial Statements

March 31, 2008

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee future benefits

The cost of post-retirement 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. The transitional obligation is amortized on a straight-line basis over 8 years, representing the average remaining service period of employees expected to receive post-retirement benefits, other than pension, upon adoption of CICA Section 3461, *Employee Future Benefits*.

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 generally accepted accounting principles 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 include allowance for doubtful accounts, useful lives for the amortization of capital assets and deferred revenue, and obligations for pension plans and employee future benefits. Actual results could differ from those estimates.

Change in accounting policy

On April 1, 2007, the University adopted the recommendations of the Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3855, *Financial Instruments - Recognition and Measurement*; Section 3865, *Hedges*; amendments to Section 4400, *Financial Statement Presentation for Not-for-profit Organizations*; and Section 3861, *Financial Instruments - Disclosure and Presentation*.

Section 3855 prescribes when a financial asset, financial liability or non-financial derivative is to be recognized on the balance sheet and at what amount, requiring fair value or cost-based measures under different circumstances. Financial instruments must be classified into one of five categories: held-for-trading, held-to-maturity, loans and receivables, available-for-sale financial assets or other financial liabilities. All financial instruments, including derivatives, are measured in the balance sheet at fair value except for loans and receivables, held to maturity investments and other financial liabilities which are measured at amortized cost.

ST. FRANCIS XAVIER UNIVERSITY

Notes to the Financial Statements

March 31, 2008

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

The University's financial assets and financial liabilities are classified and measured as follows:

<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 did not identify any non-financial derivatives or embedded derivatives.

Section 3865 describes when and how hedge accounting can be applied, as well as disclosure requirements. Hedge accounting enables the recording of gains, losses, revenue and expenses from the derivative financial instruments in the same period as for those related to the hedged item.

Amendments to Section 4400 establishes standards for the presentation of changes in net assets during the reporting period as a result of adopting the new financial instrument accounting standards.

The University's interest rates swaps have been designated as cash flow hedges. In accordance with Section 3855, the derivatives are recorded on the statement of financial position at fair value. In accordance with amendments to Section 4400, the change in fair value of the cash flow hedges are recognized directly in statement of changes in fund balances.

Section 3861, *Financial instruments – Disclosure and Presentation*. This Section establishes standards for presentation of financial instruments and non-financial derivatives, and identifies the information that should be disclosed about them.

These new standards were applied retroactively as of April 1, 2007 without restatement of prior years' figures. The following table summarizes the adjustments made to the statement of financial position upon the adoption of the new standards and as at March 31, 2008:

	<u>2008</u>
Cash, bonds, stocks:	
Opening fair value as of April 1, 2007	33,100,893
Change in fair value	(5,715,746)
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Value as of March 31, 2008	27,385,147
Derivative liability:	
Opening fair value as of April 1, 2007	(3,015,265)
Change in fair value	(2,080,509)
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Value as of March 31, 2008	(5,095,774)
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Net impact of changes on the financial statements as of March 31, 2008	22,289,373

ST. FRANCIS XAVIER UNIVERSITY

Notes to the Financial Statements

March 31, 2008

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Future accounting changes

Inventories

In June 2007, the CICA issued Section 3031, Inventories, replacing Section 3030, Inventories. The new Section will be applicable to financial statements relating to fiscal years beginning on or after January 1, 2008. Accordingly, the University will adopt the new standards for its fiscal year beginning April 1, 2008. It provides more guidance on the measurement and disclosure requirements for inventories. The University is currently evaluating the impact of the adoption of this new Section on its financial statements.

Financial instruments

In December 2006, the CICA issued Section 3862, Financial Instruments - Disclosures; Section 3863, Financial Instruments - Presentation; and Section 1535, Capital Disclosures. All three Sections will be applicable to financial statements relating to fiscal years beginning on or after October 1, 2007. Accordingly, the University will adopt the new standards for its fiscal year beginning April 1, 2008. Section 3862 on financial instruments disclosures, requires the disclosure of information about: a) the significance of financial instruments for the entity's financial position and performance and b) the nature and extent of risks arising from financial instruments to which the entity is exposed during the period and at the balance sheet date, and how the entity manages those risks. Section 3863 on the presentation of financial instruments is unchanged from the presentation requirements included in Section 3861. Section 1535 on capital disclosures requires the disclosure of information about an entity's objectives, policies and processes for managing capital. The University is currently evaluating the impact of the adoption of these new Sections on its financial statements.

3. ENDOWMENT AND CAPITAL FUND

	2008		2007
	<u>Fair Value</u>	<u>Cost</u>	<u>Cost</u>
Cash, bonds and stocks - Endowment Fund, restricted	\$ 78,786,969	\$ 52,296,074	\$ 45,759,624
Cash, bonds and stocks - Capital Fund, restricted	6,755,044	6,755,044	5,393,776
Cash, bonds and stocks - Endowment Fund, unrestricted	2,656,454	1,762,203	1,697,383
	<u>\$ 88,198,467</u>	<u>\$ 60,813,321</u>	<u>\$ 52,850,783</u>
Fair value as at March 31			\$ 85,833,076

There is \$125,572 of investments at cost (fair value - \$189,295) (2007 cost - \$120,953) 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, 2008

4. CAPITAL ASSETS

	2008		2007	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Land	\$ 3,372,550	\$ -	\$ 3,328,551	\$ -
Buildings	162,734,124	46,111,996	148,111,722	42,339,376
Equipment and furnishings	23,519,241	16,146,382	21,174,319	14,745,913
Library books	3,485,622	3,212,257	3,209,224	2,863,694
Motor vehicles	531,081	397,074	448,213	334,255
	\$ 193,642,618	\$ 65,867,708	\$ 176,272,029	\$ 60,283,238
Less: Accumulated amortization		65,867,708		60,283,238
Net book value	\$ 127,774,910		\$ 115,988,791	

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, 2005 and the next required valuation will be as of December 31, 2008.

Information about the University's defined benefit pension plans as at March 31, 2008 is as follows:

	2008 Plan 1	2007 Plan 1	2008 Plan 2	2007 Plan 2
Fair value of plan assets	\$ 13,445,130	\$ 12,692,597	\$ 1,170,096	\$ 1,390,851
Accrued benefit obligation	14,322,752	14,059,763	1,303,440	1,811,908
Deficit	(877,622)	(1,367,166)	(133,344)	(421,057)
Unamortized amounts				
Transitional obligation	827,593	886,706	460,967	526,820
Past service costs	696,074	-	-	-
Actuarial experience (gain) loss	(210,041)	681,536	(87,679)	(15,421)
Employer contributions (January - March)	127,255	122,451	48,906	47,751
Accrued benefit asset	\$ 563,259	\$ 323,527	\$ 288,850	\$ 138,093

As a result of union negotiations, Plan 1 has been amended during the year to grant additional benefits to participants for past employment services. These past service costs are being amortized to pension expense over 17 years, being the average remaining service period of active employees.

ST. FRANCIS XAVIER UNIVERSITY

Notes to the Financial Statements

March 31, 2008

5. PENSION PLANS (continued)

Plan assets consist of:

	Percentage of plan assets	
	Plan 1	Plan 2
	%	%
Equity securities	57.4	57.1
Debt securities	33.6	33.4
Other	9.0	9.5
	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)	5.5	5.5
Discount rate (to determine benefit cost)	5.0	5.0
Expected long-term rate of return on plan assets	6.5	6.5
Salary escalation	4.0	N/A

Other information about the University's defined benefit pension plans for the year ended March 31, 2008 is as follows:

	Plan 1	Plan 2
Benefits cost	\$ 299,629	\$ 62,744
Cash contributions	584,018	-
Benefits paid	803,957	480,402

Employer and employee contributions to the defined contribution plan were \$167,829 (2007 - \$179,047) and \$156,577 (2007 - \$161,173) respectively for the year ended March 31, 2008.

6. EMPLOYEE FUTURE BENEFITS

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

Post retirement benefits, other than pension

The University provides post-retirement benefits, other than pension, to certain employees. The University measures its accrued benefit obligation for accounting purposes as at March 31 of each year.

ST. FRANCIS XAVIER UNIVERSITY

Notes to the Financial Statements

March 31, 2008

6. EMPLOYEE FUTURE BENEFITS (continued)

Information about the University's post-retirement benefits, other than pension, as at March 31 is as follows:

	<u>2008</u>	<u>2007</u>
Accrued benefit obligation	\$ 2,679,040	\$ 2,448,129
Fair value of plan assets	-	-
Deficit	(2,679,040)	(2,448,129)
Less: Unamortized amounts		
Transitional obligation	(624,300)	(839,700)
Actuarial experience gain	496,600	524,500
	<u>\$ (2,551,340)</u>	<u>\$(2,132,929)</u>

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

Discount rate (to determine accrued benefit obligation)	6.0%
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 post-retirement benefits, other than pension, for the year ended March 31, 2008 are as follows:

Benefits cost	\$373,300
Benefits paid	141,610

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 \$3,213,893 (2007 - \$2,598,105), most of which was directed for restricted uses.

9. DEFERRED CAMPAIGN CHARGES

Deferred campaign charges have been recorded net of unrestricted contributions. The Expanding Futures Campaign, launched in 1999 is expected to raise \$35 million for capital projects, scholarships, chairs and other. These costs are expected to provide future benefits to the Campaign and are being amortized over ten years, which is the anticipated life of the Campaign.

ST. FRANCIS XAVIER UNIVERSITY

Notes to the Financial Statements

March 31, 2008

10. 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 construction projects and with regular operations. The line of credit is comprised of a \$30 million revolving term loan with interest payable on \$14 million at bankers' acceptance rates and on \$16 million at prime; a \$5 million special operating loan at prime less $\frac{1}{4}$; and a \$6 million special operating loan at prime plus $\frac{1}{4}$, available only for the period April 1 to September 30. At March 31, 2008, \$14 million has been drawn on the revolving term loan.

Long-term debt

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

	<u>2008</u>	<u>2007</u>
Congregation of Sisters of Notre Dame - non-interest bearing, due June 1, 2021	\$ 1,874,171	\$ 2,012,998
Bank of Montreal 10 year SWAP - 4.81 % due January 1, 2015	2,195,235	2,462,978
Bank of Montreal 19 year SWAP 5.53% due October 1, 2023	20,667,594	21,500,955
Bank of Montreal 25 year SWAP 5.63% due September 2, 2031	18,283,452	18,664,215
Bank of Montreal 20 year SWAP 5.48% due October 1, 2026	8,044,423	8,300,349
Bank of Montreal 20 year SWAP 5.31% due February 1, 2028	10,338,252	-
	<u>\$ 61,403,127</u>	<u>\$ 52,941,495</u>

The University has a credit agreement with the Bank of Montreal ("BMO") providing three financing facilities totalling \$63,000,000 authorized by a resolution of the Board of Governors dated October 1, 2004. The three facilities include: a non-revolving term credit facility of \$29,000,000 for refinancing of debt; a demand construction credit facility of \$19,000,000 for construction of a new residence; and a demand construction credit facility of \$19,000,000 for renovating existing residences.

The refinancing facility was utilized in 2004 to consolidate various mortgages into two loans maturing in 2015 and 2023. At the same time, the University entered into two interest rate swaps to fix interest rates for the full term of the loans at 4.81% and 5.53%, respectively.

ST. FRANCIS XAVIER UNIVERSITY

Notes to the Financial Statements

March 31, 2008

10. LONG-TERM DEBT (continued)

During fiscal 2007, a new residence was constructed (\$19 million) and a major renovation was completed of MacIsaac Hall (\$8.6 million). These projects were both financed with the BMO demand credit facility and converted into loans maturing in 2031 and 2026. Two interest rate swaps were entered into to fix interest rates for the full term of the loans at 5.63% and 5.48%, respectively.

In fiscal 2008 a major renovation was completed on Bishops Hall at a cost of \$11 million. An interest rate swap for the full amount started February 1, 2008 maturing February 1, 2028 at a fixed interest rate of 5.31%. The credit facilities with BMO for new construction and renovation of residences have now been fully utilized.

At March 31, 2008, the difference between the fair value and the carrying value of the debt, being the fair value of the interest rate swaps was (\$5,095,774) (2007 – (\$3,015,265)).

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

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

2009	\$ 2,296,679
2010	2,410,826
2011	2,531,026
2012	2,657,600
2013	2,780,889
	<u>\$ 12,677,020</u>

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 deferred revenue and provisions in the Capital Fund.

	<u>2008</u>	<u>2007</u>
Facilities management equipment	\$ 23,265	\$ 10,932
Alterations and renovations	103,961	62,494
Non-space capital equipment	108,023	68,239
Mount Saint Bernard, Municipal building	108,711	106,036
Library books and equipment	276,398	174,974
Equipment - general	9,032	350,170
Information and technology equipment	256,183	741,557
Bloomfield renovation	430,000	-
Capital renewal	850,000	800,000
Ancillary debt principle repayments (Schedule 5)	1,821,718	2,075,429
Total	<u>\$ 3,987,291</u>	<u>\$ 4,389,831</u>

Reductions in the Research Fund expenses as well as transfers to deferred revenue for capital expenditures during the year totalled \$1,918,123 (2007 - \$1,411,431).

ST. FRANCIS XAVIER UNIVERSITY

Notes to the Financial Statements

March 31, 2008

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>2008</u>	<u>2007</u>
Balance, beginning of year	\$ 47,930,183	\$ 50,838,264
Add: Contributions received during the year	7,583,329	2,770,680
Less: Recognition of deferred revenue	(5,998,836)	(5,678,761)
	<hr/>	<hr/>
Balance, end of year	\$ 49,514,676	\$ 47,930,183

13. FINANCIAL INSTRUMENTS

Financial risk

Financial risk refers to the impact on the University's cash flows due to fluctuations in interest rates 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.

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, the bank loan and accounts payable and accrued liabilities is approximately equal to their carrying values due to their short-term maturity. The fair value of long-term debt is described in Note 10. Bonds and stocks are recorded at fair value. Fair value is determined by quoted market prices.

14. COMPARATIVE FIGURES

Certain 2007 comparative figures have been reclassified to conform to 2008 presentation.

15. SUBSEQUENT EVENT

On May 12, 2008, the University issued an authorization to proceed with construction to Rideau Construction for the Coady International Centre. The expected cost of the project is \$14 million, which has been fully funded with pledges.

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

Year ended March 31, 2008

	<u>2008</u>	<u>2007</u>
Student academic fees		
Full-time tuition	\$ 24,556,177	\$ 27,294,229
Information & technology fee	1,308,047	1,372,381
Part-time tuition	1,582,141	1,532,124
Summer school tuition	868,022	1,028,543
Continuing education/training and development	924,094	880,108
Other	810,604	755,457
	<u>30,049,085</u>	<u>32,862,842</u>
Bequests, donations and non-government grants		
Annual Giving Fund - unrestricted (Note 8)	300,000	300,000
Scholarship and bursary donations	379,353	333,571
	<u>679,353</u>	<u>633,571</u>
Miscellaneous	175,470	202,604
Special purpose and trust income		
General endowment	55,560	48,306
Academic endowment	34,899	31,739
Library endowment	12,453	11,325
Murphy endowment	15,000	15,000
Scholarship and bursary endowment	2,710,395	2,201,667
Alumni Aquatic Centre operating endowment	129,328	117,617
Chairs of study endowment	119,738	146,613
Athletic endowment	33,000	33,000
	<u>3,110,373</u>	<u>2,605,267</u>
Government grants		
Provincial - Operating	23,214,282	19,547,806
Provincial - Restricted – non-space and alterations and renovations	732,949	732,950
Provincial Special - operating	4,403,466	4,810,543
Federal - indirect research	859,977	859,807
	<u>29,210,674</u>	<u>25,951,106</u>
Total ordinary revenue	<u>\$ 63,224,955</u>	<u>\$ 62,255,390</u>

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

Year ended March 31, 2008

	<u>2008</u>	<u>2007</u>
Instruction and non-sponsored research		
Salaries - instruction and research	\$ 22,018,556	\$ 23,259,557
- support and other	3,452,852	3,333,795
Fringe benefits	4,194,623	3,967,300
Post retirement benefits	231,690	203,241
Operational supplies and expenses	1,680,531	2,075,848
Travel	450,372	411,674
Chairs of studies	119,738	146,613
Extension department - net (Schedule 4)	15,526	63,411
Coady International Institute - net (Schedule 3)	200,000	200,000
	<u>32,363,888</u>	<u>33,661,439</u>
Continuing education/training and development		
Salaries	230,497	201,991
Fringe benefits	44,241	45,724
Outside services	113,808	118,240
Operational supplies and expenses	192,618	210,231
Travel	128,824	86,345
	<u>709,988</u>	<u>662,531</u>
Educational information/technology		
Salaries	1,264,762	1,142,690
Fringe benefits	235,910	187,115
Operational supplies and expenses	123,739	64,816
Service of equipment	133,977	215,578
Travel	42,344	42,516
	<u>1,800,732</u>	<u>1,652,715</u>
Library		
Salaries	1,463,032	1,349,474
Fringe benefits	266,979	243,944
Library acquisitions	1,127,961	1,101,432
Operational supplies and expenses	69,562	66,109
Travel	4,085	3,052
	<u>2,931,619</u>	<u>2,764,011</u>
Student services		
Salaries	2,080,191	1,879,489
Fringe benefits	338,196	325,002
Operational supplies and expenses	827,402	675,134
Scholarships, bursaries and prizes	2,763,463	2,491,745
Travel	502,976	464,645
	<u>6,512,228</u>	<u>5,836,015</u>

(continued)

ST. FRANCIS XAVIER UNIVERSITY

SCHEDULE 2

Expenditure

Year ended March 31, 2008

	<u>2008</u>	<u>2007</u>
Advancement		
Salaries	\$ 992,255	\$ 972,933
Fringe benefits	189,687	183,155
Operational supplies and expenses	547,939	486,589
Travel	61,576	41,669
	<u>1,791,457</u>	<u>1,684,346</u>
Administration and general		
Salaries	2,175,600	2,357,231
Fringe benefits	373,072	427,177
Operational supplies and expenses	64,797	85,611
Institutional dues, legal, audit and other	1,119,761	1,049,018
Interest - net (Schedule 7)	1,495,680	1,570,349
Travel	103,832	107,368
	<u>5,332,742</u>	<u>5,596,754</u>
Facilities management		
Salaries	2,952,706	2,929,071
Fringe benefits	645,892	576,794
Operational supplies and expenses	1,443,144	1,217,062
Insurance	228,257	244,815
Utilities	2,595,916	2,224,000
	<u>7,865,915</u>	<u>7,191,742</u>
Non-space and alterations and renovations	733,000	733,000
Capital renewal	850,000	800,000
Information and technology funding	1,308,047	1,372,381
Deficit on ancillary enterprises (Schedule 5)	342,564	-
Contingency	454,664	249,461
Capital expenditure (Note 11)	(3,987,291)	(4,389,831)
	<u>(299,016)</u>	<u>(1,234,989)</u>
Total ordinary expenditure before interfund transfers	\$ 59,009,553	\$ 57,814,564
Interfund transfers (Note 11)	3,987,291	4,389,831
Total ordinary expenditure after interfund transfers	62,996,844	62,204,395
Less: Total ordinary revenue (Schedule 1)	63,224,955	62,255,390
Net surplus on ordinary revenue and expenditure	\$ 228,111	\$ 50,995

ST. FRANCIS XAVIER UNIVERSITY
COADY INTERNATIONAL INSTITUTE
Statement of Revenue and Expenditure
Year ended March 31, 2008

SCHEDULE 3

	<u>2008</u>	<u>2007</u>
Revenue		
C.I.D.A. - general	\$ 1,341,798	\$ 1,250,000
- special projects	756,101	928,255
General revenue	589,822	568,214
Endowments	149,855	118,043
Antigonish Movement Fund	15,356	2,220
Other grants and donations	406,618	562,744
	<u>3,259,550</u>	<u>3,429,476</u>
University contribution	200,000	200,000
	<u>\$ 3,459,550</u>	<u>\$ 3,629,476</u>
Expenditure		
Salaries	\$ 1,645,640	\$ 1,445,557
Fringe benefits	238,360	211,300
Travel - students	37,217	35,406
- staff	155,433	272,536
Operational supplies and expense	434,863	595,859
Library acquisitions	28,245	22,381
Room and board	152,740	170,292
Facilities and services	225,613	265,156
C.I.D.A. - special projects	541,439	610,989
	<u>\$ 3,459,550</u>	<u>\$ 3,629,476</u>

ST. FRANCIS XAVIER UNIVERSITY
EXTENSION DEPARTMENT
Statement of Revenue and Expenditure
Year ended March 31, 2008

SCHEDULE 4

	<u>2008</u>	<u>2007</u>
Revenue		
Antigonish Movement Fund	\$ 15,355	\$ 2,220
Cape Breton endowment	94,305	85,765
Murphy endowment	77,610	69,234
Other grants and donations	93,859	64,962
	<u>281,129</u>	<u>222,181</u>
University contribution	15,526	63,411
	<u>\$ 296,655</u>	<u>\$ 285,592</u>
Expenditure		
Salaries	\$ 194,473	\$ 189,456
Fringe benefits	36,745	40,579
Outside services	-	3,000
Travel	21,358	12,353
Operational supplies and expense	44,079	40,204
	<u>\$ 296,655</u>	<u>\$ 285,592</u>

ST. FRANCIS XAVIER UNIVERSITY
ANCILLARY ENTERPRISES
Statement of Revenue and Expenditure
Year ended March 31, 2008

SCHEDULE 5

	<u>2008</u>	<u>2007</u>
Revenue		
Residence fees - students	\$ 13,020,530	\$ 12,565,495
- others	2,902,200	2,876,447
Bookstore sales	2,709,866	2,705,208
Other ancillary services	2,511,617	2,056,874
	<u>\$ 21,144,213</u>	<u>\$ 20,204,024</u>
Expenditure		
Food service expenses	\$ 5,835,868	\$ 5,677,664
Facilities management expenses	4,826,480	4,177,991
Bookstore expenses	2,420,608	2,531,307
Administrative expenses	1,351,808	1,162,481
Other ancillary services	2,118,869	1,866,612
	<u>16,553,633</u>	<u>15,416,055</u>
Surplus before ancillary debt repayments and provisions	4,590,580	4,787,969
Less: Ancillary debt repayments (interest and principle)	4,933,144	3,849,549
Less: Provision for ancillary improvements	-	938,420
Plus: Ancillary debt principle repayments (Note 11)	1,821,718	2,075,429
Surplus before interfund transfers	1,479,154	2,075,429
Less: Inter-fund transfers (Note 11)	1,821,718	2,075,429
Deficit	<u>\$ (342,564)</u>	<u>\$ -</u>

ST. FRANCIS XAVIER UNIVERSITY
DEVELOPMENT PROGRAM (Note 7)
Statement of Fund Receipts and Disposition
Year ended March 31, 2008

SCHEDULE 6

	<u>2008</u>	<u>2007</u>
Cash receipts	\$ 7,604,356	\$ 4,455,683
Allocated to		
Endowments	2,595,176	1,206,289
Capital Fund - physical services project	1,000	1,000
- Science Hall	9,928	61,513
- Millennium Centre	79,639	140,461
- School of Business	1,925	21,474
- Global Connection Centre	2,351,986	99,385
- classroom renovations	150	10,260
- other	12,697	155,488
Specific operating accounts	2,691,434	2,782,277
	7,743,935	4,478,147
Decrease in Campaign Fund capital	(139,579)	(22,464)
Development program capital, beginning of year	188,339	210,803
Development program capital, end of year	\$ 48,760	\$ 188,339

ST. FRANCIS XAVIER UNIVERSITY**SCHEDULE 7****Interest Expense**

Year ended March 31, 2008

	<u>2008</u>	<u>2007</u>
Interest expense		
Interest and bank charges	\$ 1,543,324	\$ 1,620,420
<hr/>		
Interest recoveries		
University bookstore	19,000	19,000
Lane Hall	13,658	7,884
Other	14,986	23,187
	47,644	50,071
<hr/>		
Interest expense - net	\$ 1,495,680	\$ 1,570,349
