

Financial Statements of

ST. FRANCIS XAVIER UNIVERSITY

March 31, 2006

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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, 2006 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, 2006 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Chartered Accountants
May 19, 2006

ST. FRANCIS XAVIER UNIVERSITY

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ST. FRANCIS XAVIER UNIVERSITY
Statement of Financial Position
March 31, 2006

	2006					2005
	Operating Fund	Research Fund	Capital Fund	Endowment Fund	Total Funds	Total Funds
ASSETS						
Cash	\$ 802,395	\$ -	\$ -	\$ -	\$ 802,395	\$ -
Accounts receivable - students	3,581,975	-	-	-	3,581,975	3,883,022
Accounts receivable - general	1,482,893	-	-	-	1,482,893	1,545,329
Deferred expenditures	40,644	-	-	-	40,644	223,629
Inventories	491,671	-	-	-	491,671	579,634
Due from Capital Fund	26,831,651	-	-	-	26,831,651	29,843,260
Total non-restricted assets	33,231,229	-	-	-	33,231,229	36,074,874
Accounts receivable - restricted for operations	1,441,094	-	-	-	1,441,094	2,310,748
Total assets - Operating Fund	34,672,323	-	-	-	34,672,323	38,385,622
Cash, bonds and stocks – restricted (Note 3)	-	-	-	43,563,906	43,563,906	36,961,649
Cash, bonds and stocks – unrestricted (Note 3)	-	-	-	1,543,672	1,543,672	2,335,303
Due from Operating Fund	-	-	-	2,460,582	2,460,582	2,184,418
Total assets - Endowment Fund	-	-	-	47,568,160	47,568,160	41,481,370
Cash, bonds and stocks – restricted (Note 3)	-	-	1,290,868	-	1,290,868	898,308
Deferred expenditures	-	-	851,810	-	851,810	1,310,654
Holdback deposit	-	-	1,022,233	-	1,022,233	-
Land, buildings and contents - net (Note 4)	-	-	105,295,423	-	105,295,423	91,832,851
Total assets - Capital Fund	-	-	108,460,334	-	108,460,334	94,041,813
Due from Operating Fund	-	3,217,136	-	-	3,217,136	3,750,497
Total assets	\$ 34,672,323	\$ 3,217,136	\$ 108,460,334	\$ 47,568,160	\$ 193,917,953	\$ 177,659,302

(continued)

ST. FRANCIS XAVIER UNIVERSITY
Statement of Financial Position
March 31, 2006

	2006					2005
	Operating Fund	Research Fund	Capital Fund	Endowment Fund	Total Funds	Total Funds
LIABILITIES						
Bank indebtedness	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 823,632
Bank loan	20,021,822	-	-	-	20,021,822	22,700,984
Accounts payable and accruals	4,082,708	-	2,892,223	110,000	7,084,931	5,239,416
Deferred revenue	2,072,365	-	-	-	2,072,365	1,934,956
Total non-restricted liabilities	26,176,895	-	2,892,223	110,000	29,179,118	30,698,988
Provision - insurance deductible and general	50,000	-	-	-	50,000	50,000
Provision – post retirement benefit (Note 6)	1,189,026	-	-	-	1,189,026	959,282
Grants - sponsored research - restricted	-	3,217,136	-	-	3,217,136	3,750,497
Unexpended Endowment revenue - restricted	-	-	-	2,183,900	2,183,900	1,820,510
Unexpended revenue - other	1,842,512	-	-	-	1,842,512	2,131,822
Due to Research Fund	3,217,136	-	-	-	3,217,136	3,750,497
Due to Endowment Fund	2,460,582	-	-	-	2,460,582	2,184,418
Due to Operating Fund	-	-	26,831,651	-	26,831,651	29,843,260
Deferred revenue - Capital Fund (Note 14)	-	-	50,838,264	-	50,838,264	46,309,758
Long-term debt (Note 10)	-	-	38,740,297	-	38,740,297	28,295,477
Total liabilities	34,936,151	3,217,136	119,302,435	2,293,900	159,749,622	149,794,509
FUND EQUITIES (DEFICIENCIES)						
Externally restricted	-	-	210,803	45,274,260	45,485,063	39,972,588
Unrestricted	(263,828)	-	-	-	(263,828)	(274,578)
Investment in capital assets	-	-	(11,052,904)	-	(11,052,904)	(11,833,217)
Total fund equities (deficiencies)	(263,828)	-	(10,842,101)	45,274,260	34,168,331	27,864,793
Total liabilities and fund equities	\$ 34,672,323	\$ 3,217,136	\$ 108,460,334	\$ 47,568,160	\$ 193,917,953	\$ 177,659,302

(continued)

ST. FRANCIS XAVIER UNIVERSITY
Statement of Operations
March 31, 2006

	2006				2005
	Operating Fund	Research Fund	Capital Fund	Endowment Fund	Total Funds
Revenue (Schedule 1)					
Student academic fees	\$ 31,088,339	\$ -	\$ -	\$ -	\$ 31,088,339
Bequests, donations and non-government grants	584,319	-	-	-	584,319
Miscellaneous	464,511	-	-	-	464,511
Special purpose and trust income	2,206,001	-	-	-	2,206,001
Provincial government grants	-	-	-	-	-
Operating	18,441,269	-	-	-	18,441,269
Restricted - non-space and alterations and renovations	732,949	-	-	-	732,949
Special - operating	4,564,708	-	-	-	4,564,708
Total ordinary revenue	58,082,096	-	-	-	58,082,096
Sponsored research funds	-	6,616,981	-	-	6,616,981
Coady International Institute (Schedule 3)	2,970,356	-	-	-	2,970,356
Extension Department (Schedule 4)	384,370	-	-	-	384,370
Ancillary Enterprises (Schedule 5)	18,017,042	-	-	-	18,017,042
Capital Fund revenue					
Amortization of deferred revenue					
- Buildings	-	-	1,877,754	-	1,877,754
- Equipment	-	-	1,292,830	-	1,292,830
- Library books	-	-	303,425	-	303,425
- Motor vehicles	-	-	25,948	-	25,948
Total revenue	79,453,864	6,616,981	3,499,957	-	89,570,802

(continued)

ST. FRANCIS XAVIER UNIVERSITY
Statement of Operations
March 31, 2006

	2006					2005
	Operating Fund	Research Fund	Capital Fund	Endowment Fund	Total Funds	Total Funds
Expenditure (Schedule 2)						
Instruction and non-sponsored research	\$ 31,538,951	\$ -	\$ -	\$ -	\$ 31,538,951	\$ 29,564,165
Continuing education/training and development	748,067	-	-	-	748,067	712,019
Educational information/technology	1,615,388	-	-	-	1,615,388	1,558,471
Library	2,671,195	-	-	-	2,671,195	2,702,703
Student services	5,373,523	-	-	-	5,373,523	4,672,366
Advancement	1,519,585	-	-	-	1,519,585	1,335,500
Administration & general	5,873,253	-	-	-	5,873,253	5,865,186
Facilities management	6,370,665	-	-	-	6,370,665	5,965,073
Non-space and alterations and renovations	732,949	-	-	-	732,949	732,949
Capital renewal	750,000	-	-	-	750,000	700,000
Information and technology funding	677,770	-	-	-	677,770	1,372,194
Deficit on Ancillary Enterprises (Schedule 5)	-	-	-	-	-	4,670,186
Capital expenditure - Operating Fund (Note 11)	(2,545,555)	-	-	-	(2,545,555)	(7,926,620)
Provision for HST audit (Note 16)	200,000	-	-	-	200,000	-
Total ordinary expenditure	55,525,791	-	-	-	55,525,791	51,924,192
Sponsored research expense	-	5,537,288	-	-	5,537,288	4,164,203
Coady International Institute (Schedule 3)	2,970,356	-	-	-	2,970,356	2,365,218
Extension Department (Schedule 4)	384,370	-	-	-	384,370	419,017
Ancillary Enterprises (Schedule 5)	18,017,042	-	-	-	18,017,042	17,680,113
Amortization expense						
- Buildings	-	-	2,810,810	-	2,810,810	2,480,237
- Equipment	-	-	1,010,613	-	1,010,613	1,289,047
- Library books	-	-	303,425	-	303,425	278,186
- Motor vehicles	-	-	25,949	-	25,949	12,653
- Campaign charges	-	-	284,034	-	284,034	317,333
Total expenditure	76,897,559	5,537,288	4,434,831	-	86,869,678	80,930,199
Surplus (deficit) before interfund transfers	2,556,305	1,079,693	(934,874)	-	2,701,124	3,453,535
Inter-fund transfers (Note 12)	(2,545,555)	(1,079,693)	1,172,622	-	(2,452,626)	(7,616,334)
Surplus (deficit)	\$ 10,750	\$ -	\$ 237,748	\$ -	\$ 248,498	\$ (4,162,799)

ST. FRANCIS XAVIER UNIVERSITY

Statement of Cash Flow

March 31, 2006

	<u>2006</u>	<u>2005</u>
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES		
Cash provided from (used in) operating activities		
Surplus	\$ 10,750	\$ 139,760
Campaign fund transfer	(100,925)	(374,088)
Capital assets amortized/charged to operations	2,061,019	8,527,676
Debt repayments from operating fund	1,138,581	(3,864,928)
Net decrease in non-cash working capital	365,249	2,213,950
	<u>3,474,674</u>	<u>6,642,370</u>
Cash provided from (used in) investing activities		
Capital asset acquisitions	(14,721,146)	(15,603,665)
Purchase of investments, net	(4,912,321)	(1,494,576)
Holdback deposit	(1,022,233)	-
	<u>(20,655,700)</u>	<u>(17,098,241)</u>
Cash provided from (used in) financing activities		
Increase in bank indebtedness	(3,502,794)	2,184,598
Deferred charges - campaign	174,810	(4,338,673)
Long-term debt - discharge	-	(21,675,342)
Long-term debt - new	11,578,115	26,345,527
Long-term debt - repayments	(1,133,295)	(800,416)
Reinvested endowment income	3,526,406	752,820
Contributions - Endowment Fund	1,188,686	893,245
Contributions - Capital Fund	5,886,106	6,772,862
Contributions - government	265,387	321,250
	<u>17,983,421</u>	<u>10,455,871</u>
NET CASH INFLOW	802,395	-
CASH, BEGINNING OF YEAR	-	-
CASH, END OF YEAR	\$ 802,395	\$ -

ST. FRANCIS XAVIER UNIVERSITY
Statement of Changes in Fund Balances
March 31, 2006

	2006			Total Funds Balance	2005
	Operating Fund	Endowment Fund	Capital Fund		Total Funds Balance
Balance, beginning of year	\$(274,578)	\$ 39,660,860	\$ (11,521,489)	\$ 27,864,793	\$ 33,515,702
Transactions during the year					
Bequests and donations	-	1,188,686	392,560	1,581,246	893,245
Capital gains	-	4,019,494	-	4,019,494	804,442
Reinvested income	-	405,220	-	405,220	170,014
Development program - net (Schedule 7)	-	-	(100,925)	(100,925)	(374,088)
Corpfinance penalty recovery	-	-	150,005	150,005	-
Surplus (deficit)	10,750	-	237,748	248,498	(4,162,799)
Transferred to deferred revenue - buildings	-	-	-	-	(2,981,723)
Balance, end of year	\$(263,828)	\$ 45,274,260	\$ (10,842,101)	\$ 34,168,331	\$ 27,864,793

ST. FRANCIS XAVIER UNIVERSITY

Notes to the Financial Statements

March 31, 2006

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 balance sheet.

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:

ST. FRANCIS XAVIER UNIVERSITY

Notes to the Financial Statements

March 31, 2006

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 is recorded when received;

Inventories

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

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 not 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 and gains or losses previously deferred are recognized in earnings of the current period.

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*.

ST. FRANCIS XAVIER UNIVERSITY

Notes to the Financial Statements

March 31, 2006

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. 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*.

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 of capital assets and deferred revenue. Actual results could differ from those estimates.

Investments

Investments are recorded at cost. When there is a loss in the fair value of an investment that is other than a temporary decline, the investment is written down to recognize the loss.

3. ENDOWMENT AND CAPITAL FUND – MARKET VALUES

	<u>2006</u>	<u>2005</u>
Cash, bonds and stocks - Endowment Fund, restricted, at cost	\$ 43,563,906	\$ 36,961,649
Cash, bonds and stocks - Capital Fund, restricted, at cost	1,290,868	898,308
Cash, bonds and stocks - Endowment Fund, unrestricted, at cost	1,543,672	2,335,303
	<u>\$ 46,398,446</u>	<u>\$ 40,195,260</u>
Market value as at March 31	<u>\$ 83,974,526</u>	<u>\$ 59,418,198</u>

There is \$110,000 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, 2006

4. LAND, BUILDINGS AND CONTENTS

	2006		2005	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Land	\$ 2,877,967	\$ -	\$ 2,824,263	\$ -
Buildings	135,436,569	38,879,869	119,507,743	36,069,059
Equipment and furnishings	18,800,764	13,516,079	17,490,836	12,505,466
Library books	3,034,250	2,542,772	2,781,858	2,239,347
Motor vehicles	372,262	287,669	303,743	261,720
	160,521,812	\$ 55,226,389	142,908,443	\$ 51,075,592
Less: Accumulated amortization	(55,226,389)		(51,075,592)	
Net book value	\$ 105,295,423		\$ 91,832,851	

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, 2006 is as follows:

	Plan 1	Plan 2
Accrued benefit obligation	\$ 13,310,500	\$ 1,338,200
Fair value of plan assets	11,640,600	1,953,000
Funded status	(1,669,900)	(614,800)
Less: Unamortized amounts		
Transitional obligation	(945,800)	(592,700)
Actuarial experience gain	(681,500)	15,400
Plus: employer contributions (January - March 2006)	72,800	20,900
Accrued benefit asset (liability)	\$ 30,200	\$ (16,600)

ST. FRANCIS XAVIER UNIVERSITY

Notes to the Financial Statements

March 31, 2006

5. PENSION PLANS (continued)

Plan assets consist of:

	Percentage of plan assets	
	Plan 1	Plan 2
	%	%
Equity securities	62.7	62.3
Debt securities	33.7	33.5
Other	3.6	4.2
	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)	5.0	5.0
Discount rate (to determine benefit cost)	5.7	5.7
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, 2006 is as follows:

	Plan 1	Plan 2
Benefit cost	\$ 277,300	\$ 93,200
Cash contributions	445,171	-
Benefits paid	528,984	232,929

Employer and employee contributions to the defined contribution plan were \$187,915 and \$152,777 respectively for the year ended March 31, 2006.

6. EMPLOYEE FUTURE BENEFITS

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. The most recent actuarial valuation was as of March 31, 2006.

Information about the University's post-retirement benefits, other than pension, as at March 31, 2006 is as follows:

ST. FRANCIS XAVIER UNIVERSITY

Notes to the Financial Statements

March 31, 2006

6. EMPLOYEE FUTURE BENEFITS (continued)

Accrued benefit obligation	\$ 1,689,226
Fair value of plan assets	-
<hr/>	
Funded status	(1,689,226)
Less: Unamortized amounts	
Transitional obligation	(1,055,100)
Actuarial experience gain	554,900
<hr/>	
	\$ (1,189,026)
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The significant actuarial assumptions adopted in estimating the University's accrued benefit obligation are as follows:

Discount rate (to determine accrued benefit obligation)	5.5%
Discount rate (to determine benefit cost)	5.5%
Dental benefits cost escalation	4.5%
Medical benefits cost escalation – extended health care	6.5% (decreasing by 1% per year)

Other information about the University's post-retirement benefits, other than pension, for the year ended March 31, 2006 are as follows:

Benefit cost	\$ 340,500
Benefits paid	110,800

7. DEVELOPMENT PROGRAM

This 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 \$2,291,379 (2005 - \$2,082,196), 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, 2006

10. LONG-TERM DEBT

	<u>2006</u>	<u>2005</u>
Congregation of Sisters of Notre Dame - non-interest bearing, due June 1, 2021	\$ 2,151,826	\$ 2,290,653
Bank of Montreal 10 year SWAP - 4.81 % due January 1, 2015	2,718,809	2,963,256
Bank of Montreal 19 year SWAP 5.53% due October 1, 2023	22,291,548	23,041,568
Bank of Montreal, floating rate	11,578,114	-
	<u>38,740,297</u>	<u>28,295,477</u>

The University has a credit agreement with the Bank of Montreal 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 current debt; a demand construction credit facility of \$19,000,000 for construction of a new residence; and a demand construction credit facility of \$15,000,000 for renovating existing residences.

The refinancing facility was utilized in 2004 to consolidate various mortgages into two loans. At the same time, the University entered into two interest rate swaps to fix interest rates for the full term of the loans. At March 31, 2006, the difference between the fair value and the carrying value of the debt, being the fair value of the interest rate swap, was \$14,653 for the Bank of Montreal 10 year SWAP and (\$1,108,702) for the Bank of Montreal 19 year SWAP.

The Bank of Montreal floating rate debt reflects the total drawn down on the demand construction facility for the construction of a new residence which will be completed in June 2006. Beginning September 1, 2006, the demand construction facility will be converted to a loan in the amount of \$19,000,000 for 25 years with an interest rate swap fixing the interest rate at 5.63% for the full term of the loan.

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:

2007	\$ 1,470,860
2008	1,876,621
2009	1,968,819
2010	2,066,049
2011	2,168,392
	<u>\$ 9,550,741</u>

ST. FRANCIS XAVIER UNIVERSITY

Notes to the Financial Statements

March 31, 2006

11. CAPITAL EXPENDITURE - OPERATING FUND

The following represents reductions in 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>2006</u>	<u>2005</u>
Library books and equipment	\$ 252,392	\$ 251,970
Alterations and renovations	272,723	167,319
Non-space capital equipment	81,870	28,579
Facilities management equipment	10,932	33,961
Information and technology equipment	-	463,094
Capital renewal	750,000	700,000
Equipment - general	5,016	9,048
Ancillary Enterprises (Note 13)	1,069,142	6,168,773
Other – Mount Saint Bernard, Municipal building	103,480	103,876
Total	<u>\$ 2,545,555</u>	<u>\$ 7,926,620</u>

12. INTERFUND TRANSFERS

Deferred revenue and provisions attributed to the Capital Fund provided by the Operating Fund:

	<u>2006</u>	<u>2005</u>
Ancillary Enterprises, net of Corpfinance prepayment penalty	\$ 1,069,142	\$ 1,498,587
Information and technology	-	463,094
Capital renewal	750,000	700,000
Facilities management equipment	10,932	33,961
Library books and equipment	252,392	251,970
Non-space capital equipment	81,870	28,579
Equipment - general	5,016	9,048
Alterations and renovations	272,723	167,319
Other – Mount Saint Bernard, Municipal building	103,480	103,876
	<u>\$ 2,545,555</u>	<u>\$ 3,256,434</u>

Deferred revenue and provisions attributed to the Capital Fund provided by the Research Fund:

	<u>2006</u>	<u>2005</u>
Research - equipment, motor vehicles	\$ 1,079,693	\$ 1,292,177

ST. FRANCIS XAVIER UNIVERSITY

Notes to the Financial Statements

March 31, 2006

12. INTERFUND TRANSFERS (continued)

Revenue attributed to the Capital Fund provided by the Operating Fund:

	<u>2006</u>	<u>2005</u>
CMHC loan repayment	\$ -	\$ 24,783
Congregation of Sisters of Notre Dame	48,589	70,185
Bank of Montreal loan repayment	54,891	8,908
	<u>\$ 103,480</u>	<u>\$ 103,876</u>

13. ANCILLARY - INTERFUND TRANSFERS TO CAPITAL FUND

	<u>2006</u>	<u>2005</u>
CMHC loan repayment	\$ -	\$ 85,584
Corpfinance loan repayment	-	210,518
Lane Hall loan repayment	5,287	4,842
Congregation of Sisters of Notre Dame	105,663	130,344
Bank of Montreal loan repayment	189,557	30,763
Bank of Montreal loan repayment	750,020	301,032
Residence improvement	18,615	716,515
Food service	-	18,989
Capital expense - Corpfinance prepayment penalty	-	4,670,186
	<u>\$ 1,069,142</u>	<u>\$ 6,168,773</u>

The prepayment penalty for refinancing the Corpfinance loan must be expensed in the year it is incurred, although being financed over 19 years. The Corpfinance loan was paid out through a BMO financing facility which achieved a more favourable interest rate (5.53% versus 7.82%), a change in retirement date (October 1, 2023 versus April 1, 2025), and more flexibility (all security over current and future campus assets was released). The monthly payments are fixed for the entire term of the loan, with an insignificant impact on Ancillary cash flow.

14. 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>2006</u>	<u>2005</u>
Balance, beginning of year	\$ 46,309,758	\$ 39,237,770
Add: Contributions received during the year	9,195,799	11,752,022
Less: Recognition of deferred revenue	(4,667,293)	(4,680,034)
	<u>\$ 50,838,264</u>	<u>\$ 46,309,758</u>

ST. FRANCIS XAVIER UNIVERSITY

Notes to the Financial Statements

March 31, 2006

15. 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 investments is described in Note 3.

The fair value of long-term debt has been estimated by discounting future cash flows using current market rates for similar debt. The fair value of the long-term debt approximates its carrying value.

16. PROVISION FOR HST AUDIT

The University is currently undergoing an HST audit by Canada Revenue Agency. No formal assessment has been received to date, however, a provision has been recorded for potential exposure to the University.

17. COMPARATIVE FIGURES

Certain 2005 comparative figures have been reclassified to conform to 2006 presentation.

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

Year ended March 31, 2006

	<u>2006</u>	<u>2005</u>
Student academic fees		
Full-time tuition	\$ 25,336,091	\$ 24,984,057
Information & technology fee	1,346,385	1,372,194
Part-time tuition	1,639,677	1,616,391
Summer school tuition	974,798	826,025
Continuing education/training and development	982,893	804,205
Other	808,495	748,655
	<u>31,088,339</u>	<u>30,351,527</u>
Bequests, donations and non-government grants		
Annual Giving Fund - unrestricted (Note 8)	300,000	300,000
Scholarship and bursary donations	284,319	196,807
	<u>584,319</u>	<u>496,807</u>
Miscellaneous	464,511	502,275
Special purpose and trust income		
General endowment	61,696	50,641
Academic endowment	39,677	32,177
Library endowment	14,159	11,482
Murphy endowment	15,000	15,000
Scholarship and bursary endowment	1,478,893	1,053,254
Alumni Aquatic Centre operating endowment	147,035	119,242
Chairs of study endowment	416,541	348,449
Athletic endowment	33,000	33,000
	<u>2,206,001</u>	<u>1,663,245</u>
Provincial government grants		
Operating	18,441,269	17,395,562
Restricted – non-space capital and alterations and renovations	732,949	732,949
Special - operating	4,564,708	4,178,021
	<u>23,738,926</u>	<u>22,306,532</u>
Total ordinary revenue	<u>\$ 58,082,096</u>	<u>\$ 55,320,386</u>

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

Year ended March 31, 2006

	<u>2006</u>	<u>2005</u>
Instruction and non-sponsored research		
Salaries - instruction and research	\$ 22,493,292	\$ 20,789,578
- support and other	2,648,221	2,431,671
Fringe benefits	3,759,555	3,580,649
Post retirement benefits	229,744	200,168
Operational supplies and expenses	1,552,545	1,428,201
Travel	478,533	526,815
Chairs of studies	308,542	348,449
Extension department - net (Schedule 4)	121,611	307,652
Coady International Institute - net (Schedule 3)	200,000	200,000
Indirect research grant	(253,092)	(249,018)
	<u>31,538,951</u>	<u>29,564,165</u>
Continuing education/training and development		
Salaries	192,404	203,567
Fringe benefits	43,354	42,092
Outside services	160,888	129,541
Operational supplies and expenses	241,186	254,236
Travel	110,235	82,583
	<u>748,067</u>	<u>712,019</u>
Educational information/technology		
Salaries	1,184,986	1,127,960
Fringe benefits	218,900	203,281
Operational supplies and expenses	63,035	42,653
Service of equipment	193,164	211,051
Travel	31,230	45,526
Indirect research grant	(75,927)	(72,000)
	<u>1,615,388</u>	<u>1,558,471</u>
Library		
Salaries	1,358,544	1,324,114
Fringe benefits	243,192	256,902
Library acquisitions	1,110,532	1,130,162
Operational supplies and expenses	65,624	92,878
Travel	2,976	2,647
Indirect research grant	(109,673)	(104,000)
	<u>2,671,195</u>	<u>2,702,703</u>
Student services		
Salaries	1,841,254	1,721,399
Fringe benefits	321,212	282,709
Operational supplies and expenses	528,015	410,726
Scholarships, bursaries and prizes	2,395,478	1,960,526
Travel	287,564	297,006
	<u>5,373,523</u>	<u>4,672,366</u>

(continued)

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

Year ended March 31, 2006

	<u>2006</u>	<u>2005</u>
Advancement		
Salaries	860,288	784,661
Fringe benefits	158,439	155,832
Operational supplies and expenses	452,644	365,395
Travel	48,214	29,612
	1,519,585	1,335,500
Administration and general		
Salaries	2,561,403	2,434,652
Fringe benefits	421,293	426,813
Operational supplies and expenses	361,464	347,070
Institutional dues, legal, audit and other	964,077	1,131,841
Interest - net (Schedule 8)	1,470,355	1,438,665
Travel	204,335	190,145
Indirect research grant	(109,674)	(104,000)
	5,873,253	5,865,186
Facilities management		
Salaries	2,769,212	2,874,816
Fringe benefits	575,216	575,547
Operational supplies and expenses	1,137,922	1,052,026
Insurance	324,166	271,429
Utilities	1,859,426	1,471,255
Indirect research grant	(295,277)	(280,000)
	6,370,665	5,965,073
Non-space and alterations and renovations	732,949	732,949
Capital renewal	750,000	700,000
Information and technology funding	677,770	1,372,194
Provision for HST Audit (Note 16)	200,000	-
Deficit on Ancillary Enterprises (Schedule 5)	-	4,670,186
Capital expenditure - Operating Fund (Note 11)	(2,545,555)	(7,926,620)
	(184,836)	(451,291)
Total ordinary expenditure before interfund transfers	\$ 55,525,791	\$ 51,924,192
Interfund transfers (Note 12)	2,545,555	3,256,434
Total ordinary expenditure after interfund transfers	58,071,346	55,180,626
Less: Total ordinary revenue (Schedule 1)	58,082,096	55,320,386
Net surplus on ordinary revenue and expenditure	\$ 10,750	\$ 139,760

ST. FRANCIS XAVIER UNIVERSITY
COADY INTERNATIONAL INSTITUTE
Statement of Revenue and Expenditure
Year ended March 31, 2006

SCHEDULE 3

	<u>2006</u>	<u>2005</u>
Revenue		
C.I.D.A. - general	\$ 1,000,000	\$ 1,000,000
- special projects	764,957	464,229
General revenue	415,481	376,139
Endowments	110,782	94,978
Antigonish Movement Fund	11,627	7,210
Other grants and donations	667,509	422,662
	<u>2,970,356</u>	<u>2,365,218</u>
University contribution	200,000	200,000
	<u>\$ 3,170,356</u>	<u>\$ 2,565,218</u>
Expenditure		
Salaries	\$ 1,297,625	\$ 1,072,932
Fringe benefits	201,976	177,613
Travel - students	18,099	27,127
- staff	244,204	147,788
Operational supplies and expense	429,327	328,085
Library acquisitions	25,869	22,025
Room and board	171,119	206,810
Facilities and services	252,341	262,956
C.I.D.A. - special projects	529,796	319,882
	<u>\$ 3,170,356</u>	<u>\$ 2,565,218</u>

ST. FRANCIS XAVIER UNIVERSITY
EXTENSION DEPARTMENT
Statement of Revenue and Expenditure
Year ended March 31, 2006

SCHEDULE 4

	<u>2006</u>	<u>2005</u>
Revenue		
Antigonish Movement Fund	\$ 11,627	\$ 7,211
Cape Breton endowment	107,216	86,950
Murphy endowment	90,289	70,387
Other grants and donations	175,238	254,469
	<u>384,370</u>	<u>419,017</u>
University contribution	121,611	307,652
	<u>\$ 505,981</u>	<u>\$ 726,669</u>
Expenditure		
Salaries	\$ 363,750	\$ 557,394
Fringe benefits	66,096	90,629
Outside services	1,480	13,287
Travel	21,741	16,796
Operational supplies and expense	52,914	48,563
	<u>\$ 505,981</u>	<u>\$ 726,669</u>

ST. FRANCIS XAVIER UNIVERSITY
ANCILLARY ENTERPRISES
Statement of Revenue and Expenditure
Year ended March 31, 2006

SCHEDULE 5

	<u>2006</u>	<u>2005</u>
Revenue		
Residence fees - students	\$ 10,432,616	\$ 10,174,053
- others	3,466,375	3,375,749
Bookstore sales	2,795,598	2,778,696
Other ancillary services	207,965	230,062
Business development (Schedule 6)	1,114,488	1,121,553
	<u>\$ 18,017,042</u>	<u>\$ 17,680,113</u>
Expenditure		
Food service expenses	\$ 5,579,107	\$ 5,781,170
Facilities management expenses	3,986,862	3,861,085
Bookstore expenses	2,558,135	2,465,476
Administrative expenses	935,500	967,169
Business development (Schedule 6)	1,470,560	1,290,659
	<u>14,530,164</u>	<u>14,365,559</u>
Surplus before debt repayments/provisions	3,486,878	3,314,554
Less: Debt repayments	(2,643,070)	(2,247,466)
Less: Interest prepayment - Corpfinance	-	(4,670,186)
Less: Provision for ancillary improvements	(843,808)	(1,067,088)
Plus: Capital expenditure – Ancillary (Note 13)	1,069,142	6,168,773
	<u>\$ 1,069,142</u>	<u>\$ 1,498,587</u>
Surplus before interfund transfers	\$ 1,069,142	\$ 1,498,587
Less: Inter-fund transfers (Note 13)	(1,069,142)	(6,168,773)
Surplus (deficit)	<u>\$ -</u>	<u>\$ (4,670,186)</u>

**ST. FRANCIS XAVIER UNIVERSITY
BUSINESS DEVELOPMENT**

SCHEDULE 6

Statement of Revenue and Expenditure

Year ended March 31, 2006

	<u>2006</u>	<u>2005</u>
Revenue		
Ice rentals	\$ 179,737	\$ 175,451
Meeting room rentals	105,396	115,975
Food and beverage	24,789	27,101
Fitness and recreation association	556,876	538,865
Sponsorships	26,261	17,567
St. F.X. University	158,203	154,318
Miscellaneous	305	554
Special events	62,921	91,722
Total revenue	\$ 1,114,488	\$ 1,121,553
Expenditure		
Salaries	\$ 836,800	\$ 710,629
Fringe benefits	140,572	124,333
Utilities	280,530	268,046
Repairs and maintenance	71,004	56,597
Insurance	15,000	14,000
Marketing	27,179	16,963
Other expenditures	57,885	71,199
Administrative expenses	41,590	28,892
Total expenditures	\$ 1,470,560	\$ 1,290,659
Net deficit	\$ (356,072)	\$ (169,106)

ST. FRANCIS XAVIER UNIVERSITY
DEVELOPMENT PROGRAM (Note 7)
Statement of Fund Receipts and Disposition
Year ended March 31, 2006

SCHEDULE 7

	<u>2006</u>	<u>2005</u>
Cash receipts	\$ 9,068,066	\$ 6,000,704
Allocated to		
Endowments	1,188,686	893,245
Capital Fund - physical services project	34,253	1,737
- Science Hall	328,836	1,922,386
- Millennium Centre	3,489,661	668,572
- School of Business	61,868	22,073
- Global Connection Centre	1,858,451	305,903
- classroom renovations	12,233	-
- other	60	125
Specific operating accounts	2,194,943	2,560,751
	<u>9,168,991</u>	<u>6,374,792</u>
Decrease in Campaign Fund capital	(100,925)	(374,088)
Development program capital, beginning of year	311,728	685,816
Development program capital, end of year	\$ 210,803	\$ 311,728

ST. FRANCIS XAVIER UNIVERSITY**SCHEDULE 8****Interest Expense**

Year ended March 31, 2006

	<u>2006</u>	<u>2005</u>
Interest expense		
Interest and bank charges	\$ 1,714,457	\$ 1,570,980
<hr/>		
Interest recoveries		
University bookstore	19,000	19,000
Lane Hall	8,370	8,816
Residence improvements	-	23,390
Other	216,732	81,109
	<hr/> 244,102	<hr/> 132,315
<hr/>		
Interest expense - net	\$ 1,470,355	\$ 1,438,665
