

Financial Statements of

**ST. THOMAS MORE COLLEGE**

Year ended April 30, 2010



**KPMG LLP**  
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## **AUDITORS' REPORT TO THE MEMBERS OF THE BOARD**

We have audited the statement of financial position of St. Thomas More College as at April 30, 2010 and the statements of revenue and expenses and surplus, equity in property and equipment and cash flows for the year then ended. These financial statements are the responsibility of the College's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the College as at April 30, 2010 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

*KPMG LLP*

Chartered Accountants

Saskatoon, Canada  
August 27, 2010

# ST. THOMAS MORE COLLEGE

## Statement of Financial Position

April 30, 2010, with comparative figures for 2009

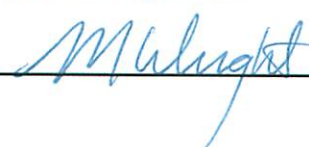
	2010	2009
<b>Assets</b>		
Current assets:		
Cash	\$ 1,498,283	\$ 790,084
Receivables (note 3)	356,436	779,780
Inventories	22,841	23,802
Prepaid expenses and deposits	63,545	52,950
	1,941,105	1,646,616
Long-term investments (note 4)	11,691,720	10,218,019
Property, plant and equipment (note 5)	3,258,529	3,106,934
	\$ 16,891,354	\$ 14,971,569

## Liabilities and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities	\$ 690,595	\$ 369,041
Assisted early retirement	1,234	9,551
Current portion of obligation under capital lease	55,876	53,156
	747,705	431,748
Assisted early retirement	-	1,234
Deferred capital grants (note 6)	255,652	279,733
Obligation under capital lease (note 7)	24,117	79,993
Trust and restricted funds (note 8)	1,147,514	1,024,273
Net assets:		
Equity in property and equipment	2,922,884	2,694,052
Reserves (note 9)	3,559,095	3,559,095
Endowments (note 10)	6,032,824	5,244,639
Surplus	2,201,563	1,656,802
	14,716,366	13,154,588
Commitments (note 11)		
	\$ 16,891,354	\$ 14,971,569

See accompanying notes to financial statements.

On behalf of the Board:

  
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Director

  
\_\_\_\_\_

Director

# ST. THOMAS MORE COLLEGE

## Statement of Revenue and Expenses and Surplus

Year ended April 30, 2010, with comparative figures for 2009

	2010	2009
<b>Operating revenue:</b>		
Government of Saskatchewan grants	\$ 6,089,429	\$ 5,640,700
Tuition - credit instruction	4,171,471	3,594,124
Other	399,101	550,453
Realized investment income (loss)	73,605	(32,135)
Amortization of deferred capital grants	24,081	24,758
	<u>10,757,687</u>	<u>9,777,900</u>
<b>Operating expenses:</b>		
Academic salaries	4,286,584	3,795,841
Administrative and support salaries	1,865,805	1,661,664
U of S infrastructure services	1,426,280	1,259,877
Supplies and services	1,231,594	1,032,764
Employee benefits	862,963	729,690
Amortization of property and equipment	393,491	359,968
Scholarships	270,719	250,246
Utilities	195,134	183,884
	<u>10,532,570</u>	<u>9,273,934</u>
Operating revenue less expenses	225,117	503,966
Ancillary operations (note 12)	25,103	41,650
Excess of revenue over expenses	<u>250,220</u>	<u>545,616</u>
Surplus, beginning of year	1,656,802	1,791,679
<b>Transfer from equity in property and equipment for:</b>		
Amortization of property and equipment	415,133	382,585
Property and equipment purchases, net of disposals and debt repayments	(619,884)	(457,436)
Amortization of deferred capital grants	(24,081)	(24,758)
Unrealized investment income (loss) (note 4)	523,373	(580,884)
Surplus, end of year	<u>\$ 2,201,563</u>	<u>\$ 1,656,802</u>

See accompanying notes to financial statements.

# ST. THOMAS MORE COLLEGE

## Statement of Equity in Property and Equipment

Year ended April 30, 2010, with comparative figures for 2009

	2010	2009
Equity in property and equipment, beginning of year	\$ 2,694,052	\$ 2,594,443
Property and equipment purchases, net of disposals	566,728	401,001
Amortization of deferred capital grants	24,081	24,758
Amortization of property and equipment	(415,133)	(382,585)
Net repayment of debt related to property and equipment	53,156	56,435
	<u>\$ 2,922,884</u>	<u>\$ 2,694,052</u>

See accompanying notes to financial statements.

# ST. THOMAS MORE COLLEGE

## Statement of Cash Flows

Year ended April 30, 2010, with comparative figures for 2009

	2010	2009
Cash flows from (used in):		
Operations:		
Excess of revenue over expenses	\$ 250,220	\$ 545,616
Items not involving cash:		
Amortization	415,133	382,585
Amortization of deferred capital grants	(24,081)	(24,758)
Change in non-cash operating working capital:		
Receivables	423,344	(503,874)
Inventories	961	(5,291)
Prepaid expenses and deposits	(10,595)	2,822
Accounts payable and accrued liabilities	321,554	(1,036,482)
Assisted early retirement	(9,551)	(10,640)
	<u>1,366,985</u>	<u>(650,022)</u>
Financing:		
Increase in trust and restricted funds	30,249	14,633
Increase in endowments	184,267	2,975
Repayment of long-term note payable	-	(189,584)
Obligation under capital lease	(53,156)	133,149
	<u>161,360</u>	<u>(38,827)</u>
Investing:		
Purchase of property and equipment	(566,728)	(401,001)
(Purchase) sale of long-term investments	(253,418)	74,392
	<u>(820,146)</u>	<u>(326,609)</u>
Net change in cash	708,199	(1,015,458)
Cash, beginning of year	790,084	1,805,542
Cash, end of year	<u>\$ 1,498,283</u>	<u>\$ 790,084</u>

See accompanying notes to financial statements.

# ST. THOMAS MORE COLLEGE

## Notes to Financial Statements

Year ended April 30, 2010

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### 1. Description of activities:

St. Thomas More College (the "College") is a not-for-profit Catholic college federated with the University of Saskatchewan offering university level instruction in humanities and social sciences.

### 2. Significant accounting policies:

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles, and reflect the following policies:

#### (a) Revenue recognition:

The College follows the deferral method of accounting for grants and contributions. Grants and contributions for expenditures of future periods are deferred and recognized as revenue in the year in which the related expenditure is incurred. Grants and contributions for property and equipment are deferred and recognized as revenue on the same basis as the acquired property and equipment are amortized. Government of Saskatchewan grants and tuition revenue are recognized as the services are provided and the amounts are received or become receivable.

#### (b) Use of estimates:

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenue and expenses during the reporting period. Actual results could differ from these estimates.

#### (c) Investments:

Long-term investments are designated as available for sale and recorded at fair value. Investment returns include interest, dividends, capital gains and losses and currency gains and losses. Investment returns are allocated to endowments and trusts and restricted funds based on the rate of return and the cumulative average balances in these funds during the year. Unrealized gains and losses are recorded in equity until they are realized, at which time they are recognized as income. Unrealized losses are expensed if the decline in market value is considered other than temporary.

# ST. THOMAS MORE COLLEGE

Notes to Financial Statements (continued)

Year ended April 30, 2010

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## 2. Significant accounting policies (continued):

### (d) Trust and restricted funds:

Contributions received which are to be expended for specific purposes are recorded as trust and restricted funds. These funds are included in operating and other revenue as the amounts are used for specified purposes.

### (e) Reserves:

The College provides reserves as set out in note 9 by appropriations from operations.

### (f) Endowments:

Endowments represent contributions received from various sources which are to be held indefinitely for the benefit of the College. Endowment contributions are recognized as direct increases in net assets in the current period.

### (g) Property and equipment:

Property and equipment are stated at cost and amortized over the estimated useful lives of the assets as follows:

Asset	Method	Rate
Buildings	Declining balance	5%
Computer equipment	Straight line	3 years
Furniture and equipment	Straight line	10 years
Library collection	Straight line	5 years

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## 3. Receivables:

	2010	2009
University of Saskatchewan	\$ 258,245	\$ 233,426
Employee loans and advances	39,439	34,402
Sundry	58,752	61,031
Government of Saskatchewan	-	450,921
	<b>\$ 356,436</b>	<b>\$ 779,780</b>

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# ST. THOMAS MORE COLLEGE

Notes to Financial Statements (continued)

Year ended April 30, 2010

## 4. Investments:

	Cost	2010 Market	Cost	2009 Market
Cash and cash equivalents	\$ 331,059	\$ 330,789	\$ 1,499,126	\$ 1,499,092
Bonds	3,646,179	3,660,264	2,826,054	2,820,287
Canadian equities	5,243,685	5,805,210	4,853,160	4,410,014
U.S. equities	1,349,649	1,343,795	1,155,066	1,033,195
International equities	566,821	514,041	557,180	424,421
Life insurance policies	37,621	37,621	31,010	31,010
	<b>\$ 11,175,014</b>	<b>\$ 11,691,720</b>	<b>\$ 10,921,596</b>	<b>\$ 10,218,019</b>

Cumulative unrealized investment gains (losses), representing the difference between the cost and market value of investments at April 30, 2010 are reported as follows:

	2009	Change	2010
Surplus	\$ (176,167)	\$ 523,373	\$ 347,206
Trust and restricted funds (note 8)	(84,964)	92,992	8,028
Endowments (note 10)	(442,446)	603,918	161,472
	<b>\$ (703,577)</b>	<b>\$ 1,220,283</b>	<b>\$ 516,706</b>

Realized and unrealized investment income for the year ended April 30, 2010 has been allocated as follows:

	Realized investment income	Unrealized investment income
Operations	\$ 73,605	\$ 523,373
Trust and restricted funds (note 8)	10,450	92,992
Endowments (note 10)	81,860	603,918
	<b>\$ 165,915</b>	<b>\$ 1,220,283</b>

# ST. THOMAS MORE COLLEGE

Notes to Financial Statements (continued)

Year ended April 30, 2010

## 5. Property and equipment:

	Cost	Accumulated amortization	2010 Net book value	2009 Net book value
<b>STM:</b>				
Building	\$ 5,324,376	\$ 2,942,324	\$ 2,382,052	\$ 2,181,756
Computer equipment	1,175,821	1,110,237	65,584	124,234
Furniture and equipment	868,273	509,715	358,558	275,819
Library collection	672,910	641,249	31,661	28,491
Leased computer equipment	162,954	108,634	54,320	108,638
<b>Residence:</b>				
Building	630,410	278,542	351,868	370,387
Kitchen equipment	7,944	7,944	-	-
Furniture and equipment	40,909	26,423	14,486	17,609
Computer equipment	1,802	1,802	-	-
	<b>\$ 8,885,399</b>	<b>\$ 5,626,870</b>	<b>\$ 3,258,529</b>	<b>\$ 3,106,934</b>

## 6. Deferred capital grants:

Deferred capital grants relates to the deferred Sask Centenary Fund. Grants are deferred and recognized as revenue as the related assets are amortized. Auditorium assets are amortized at 5% declining balance while the furnishings costs are amortized at 5% straight line. The change in the deferred capital grant balance is as follows:

	2010	2009
Balance, beginning of year	279,733	304,491
Amounts amortized to revenue	(24,081)	(24,758)
	<b>\$ 255,652</b>	<b>\$ 279,733</b>

# ST. THOMAS MORE COLLEGE

Notes to Financial Statements (continued)

Year ended April 30, 2010

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## 7. Obligation under capital lease:

Obligation under capital lease represents the obligation of STM to Cisco Systems Inc. for the purchase of computer hardware. The lease is payable over a term of 36 months. An implicit rate of 5% was used to calculate the present value of minimum lease payments.

Future minimum lease payments by year and in aggregate, under this capital lease are as follows:

	2010	2009
2010	\$ -	\$ 58,606
2011	58,606	58,606
2012	24,420	24,420
Total minimum lease payments	83,026	141,632
Less amount representing interest	3,033	8,483
Present value of net minimum capital lease payments	79,993	133,149
Current portion of obligations under capital lease	55,876	53,156
	\$ 24,117	\$ 79,993

# ST. THOMAS MORE COLLEGE

Notes to Financial Statements (continued)

Year ended April 30, 2010

## 8. Trust and restricted funds:

	Balance 2009	Realized investment income	Unrealized investment income	Donations	Transfer from endowments	Recognized for scholarships and bursaries	Other net changes in deferred revenue	Inter-fund transfers	Balance 2010
Research grants	\$ 87,683	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,091	\$ -	\$ 96,774
Faculty, student and other trusts	-	-	-	-	-	-	17,593	-	17,593
Scholarships and bursaries	267,181	3,251	23,983	159,596	15,454	(65,418)	(37,393)	14,727	381,381
Restricted funds	566,133	8,009	59,048	71,869	63,078	(52,400)	(59,726)	(55,271)	600,740
For All Seasons Thinking Future Campaign	56,641	(720)	6,188	525	13,508	-	(13,750)	(39,161)	23,231
	46,635	(90)	3,773	4,479	19,762	(27,700)	(13,536)	(5,528)	27,795
	<b>\$1,024,273</b>	<b>\$ 10,450</b>	<b>\$ 92,992</b>	<b>\$ 236,469</b>	<b>\$ 111,802</b>	<b>\$ (145,518)</b>	<b>\$ (97,721)</b>	<b>\$ (85,233)</b>	<b>\$1,147,514</b>

## 9. Reserves:

	Balance 2009	Appropriations	Reductions	Balance 2010
Other religious and cleric contributions	\$ 344,985	\$ -	\$ -	\$ 344,985
Contingency	700,000	-	-	700,000
Academic Building	300,000	-	-	300,000
Building	1,800,000	-	-	1,800,000
Congregation of St. Basil contributions	414,110	-	-	414,110
	<b>\$ 3,559,095</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 3,559,095</b>

# ST. THOMAS MORE COLLEGE

Notes to Financial Statements (continued)

Year ended April 30, 2010

## 10. Endowments:

Endowments are designated by donors as permanent assets of the College. To best respect donor's wishes, STM is accountable to maintain the long term value of the capital donated and manage the endowment investment returns to ensure stable and sustainable annual expenditures are made from endowment accounts on an annual basis to support STM scholarships, academic programs and operations designated by donors. To stabilize annual spending, STM has an annual spending policy of 4% of endowment balances. STM's long term annual investment returns are currently projected to exceed this amount by the annual rate of inflation. The return on endowments is reviewed on an annual basis to ensure they are meeting projected rates of returns. In order to protect the capital, STM may at its discretion limit or discontinue the amount of spending on endowment funds for a period if long term returns are not meeting projections. Alternatively, if long term returns exceed projections, STM may increase the amount transferred from the endowment account for spending.

	Balance 2009	Realized investment income	Unrealized investment income	Donations	Transfer to restricted funds	Other net changes in deferred revenue	Inter-fund transfers	Balance 2010
Scholarships and bursaries	\$ 842,010	\$ 12,856	\$ 94,847	\$ 18,800	\$ (34,901)	\$ -	\$ 530,359	\$1,463,971
FAS Campaign	1,597,301	24,119	177,940	-	(13,507)	(55,607)	(147,316)	1,582,930
Future Campaign	2,232,785	36,240	267,350	167,783	(44,250)	(2,000)	(297,810)	2,360,098
Dr. S. Worobetz	572,543	8,645	63,781	-	(19,144)	-	-	625,825
	<b>\$5,244,639</b>	<b>\$ 81,860</b>	<b>\$ 603,918</b>	<b>\$ 186,583</b>	<b>\$ (111,802)</b>	<b>\$ (57,607)</b>	<b>\$ 85,233</b>	<b>\$6,032,824</b>

# ST. THOMAS MORE COLLEGE

Notes to Financial Statements (continued)

Year ended April 30, 2010

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## 11. Commitments:

The College and the University of Saskatchewan ("U of S") have agreed to a Campus Services Agreement (CSA). The CSA has a three year term and will expire on April 30, 2011. Based on the agreement, the College is committed to reimburse the U of S for various services provided by the U of S to the College at a fixed rate of 14% of the combined government operating grant and tuition revenue. The 2010 CSA payment was \$1,401,769 (2009 - \$1,259,877).

## 12. Ancillary operations:

Ancillary operations include rental operations, chapel, Choices on Campus food services, Ogle Hall residence, and other non operating income. These operations have gross revenues of \$1,103,082 (2009 - \$1,057,691).

The ancillary operations also include amortization of property and equipment of \$21,642 (2009 - \$22,617).

## 13. Income taxes:

The College is exempt from income taxes under section 149 of the Income Tax Act as it is a not for profit organization.

# ST. THOMAS MORE COLLEGE

Notes to Financial Statements (continued)

Year ended April 30, 2010

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## 14. Pension contributions:

The College's employees participate in money purchase and defined benefit pension plans which are administered by the University of Saskatchewan. The annual employer contributions of \$432,029 (2009 - \$398,370) are recorded as expenses in these financial statements.

Financial market turmoil in recent years has adversely affected the three defined benefit pension plans (1999 Academic Defined Benefit Pension Plan, the Non-Academic Defined Benefit Pension Plan, and the Retirees Defined Benefit Pension Plan) that some of the College's employees are a part of and are administered by the University of Saskatchewan.

The University of Saskatchewan is currently in the process of valuing these plans and will pass along any funding shortfalls to the College as appropriate beginning on January 1, 2011. Any plan shortfall in the 1999 Academic Defined Benefit Pension Plan and the Non-Academic Defined Benefit Pension Plan will be funded in the form of increased employer and employee pension premiums. The University of Saskatchewan has indicated that any shortfall in the Retirees Defined Benefit Pension Plan will likely be funded on a lump sum billing basis. The amount of any shortfall in any of the plans is currently not known.

The University of Saskatchewan is also currently renegotiating collective bargaining agreements with active employees in two of the plans that are affected (the 1999 Academic Defined Benefit Pension Plan and the Non-Academic Defined Benefit Pension Plan). Any negotiated changes to employee and employer contribution levels and/or pension benefit levels in any of the three plans will affect the level of any plan shortfall for both the University of Saskatchewan and the College.

## 15. Contributions:

The College received \$394,977 (2009- \$456,619) in donations for the 2010 fiscal year, excluding donations received by the chapel which are included in ancillary operation on the statement of revenues and expenses and surplus. Included in the \$394,977 is \$80,221 (2009 - \$107,284) of shares in public companies donated to the College.

# ST. THOMAS MORE COLLEGE

Notes to Financial Statements (continued)

Year ended April 30, 2010

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## 16. Financial instruments and risk management:

The carrying values of cash, receivables and accounts payable and accrued liabilities and capital leases obligation approximate their fair value due to the relatively short periods to maturity of these items or because they are receivable or payable on demand.

The fair value of long-term investments was determined by reference to various market data, as appropriate.

Except for the vulnerability of long-term investments in the global markets, the College is not exposed to market risk or significant credit risk. Credit risk related to cash is minimized by dealing with financial institutions that have strong credit ratings. Credit risk related to accounts receivable is considered minimal.

## 17. Subsequent event:

In August 2010, an agreement was reached by STM to sell its leasehold interest in Father Bob Ogle Hall, a student residence administered by STM on the University of Saskatchewan campus, to the University of Saskatchewan for \$950,000. The transfer of ownership will occur on or about June 30, 2011 pending discussions between the two parties. The University of Saskatchewan has agreed to pay STM the sale proceeds in two installments of \$475,000 each on June 30, 2011 and on June 30, 2012. The STM Board of Governors has decided to allocate the proceeds from the sale to the *Inspiring Minds* fundraising campaign focused on supporting an Endowed Academic Position in Catholic Studies at STM.