

Financial Statements of

ST. THOMAS MORE COLLEGE

Year ended April 30, 2012



KPMG LLP
Chartered Accountants
600-128 4th Avenue South
Saskatoon Saskatchewan S7K 1M8
Canada

Telephone (306) 934-6200
Fax (306) 934-6233
Internet www.kpmg.ca

INDEPENDENT AUDITORS' REPORT

To the Board of Governors of St. Thomas More College

We have audited the accompanying financial statements of St. Thomas More College, which comprise the statement of financial position as at April 30, 2012, and the statements of revenue and expenses and surplus, equity in property and equipment and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform an audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of St. Thomas More College as at April 30, 2012, 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

Saskatoon, Canada

July 27, 2012

KPMG LLP, is a Canadian limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.
KPMG Canada provides services to KPMG LLP.

ST. THOMAS MORE COLLEGE

Statement of Financial Position

April 30, 2012, with comparative figures for 2011

	2012	2011
Assets		
Current assets:		
Cash	\$ 2,031,937	\$ 1,073,404
Receivables (note 4)	1,280,190	817,682
Inventories	15,370	19,254
Prepaid expenses and deposits	66,479	60,278
	<u>3,393,976</u>	<u>1,970,618</u>
Long-term investments (note 5)	12,630,937	12,679,979
Property, plant and equipment (note 6)	2,687,806	3,189,558
	<u>\$ 18,712,719</u>	<u>\$ 17,840,155</u>

Liabilities and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities	\$ 634,700	\$ 883,094
Current portion of obligation under capital lease	-	24,117
	<u>634,700</u>	<u>907,211</u>
Deferred capital grants (note 7)	209,388	232,214
Trust and restricted funds (note 8)	1,440,889	1,252,082
Net assets:		
Equity in property and equipment	2,478,418	2,933,227
Reserves (note 9)	3,559,095	3,559,095
Endowments (note 10)	6,472,099	6,375,491
Surplus	3,918,130	2,580,835
	<u>16,427,742</u>	<u>15,448,648</u>
Commitments (note 11)		
	<u>\$ 18,712,719</u>	<u>\$ 17,840,155</u>

See accompanying notes to financial statements.

On behalf of the Board:

D. Lewis Director P.W. N. Hla Director

ST. THOMAS MORE COLLEGE

Statement of Revenue and Expenses and Surplus

Year ended April 30, 2012, with comparative figures for 2011

	2012	2011
Operating revenue:		
Government of Saskatchewan grants	\$ 6,629,400	\$ 6,227,300
Tuition - credit instruction	4,371,793	4,158,561
Other	372,022	335,675
Realized investment income	64,821	170,543
	<u>11,438,036</u>	<u>10,892,079</u>
Operating expenses:		
Academic salaries	4,829,900	4,508,907
Administrative and support salaries	1,792,484	1,963,693
U of S infrastructure services	1,517,907	1,436,801
Supplies and services	1,335,420	1,198,957
Employee benefits	951,648	853,446
Amortization of property and equipment	274,976	365,941
Scholarships	215,853	228,895
Utilities	209,184	230,524
	<u>11,127,372</u>	<u>10,787,164</u>
Operating revenue less expenses	310,664	104,915
Ancillary operations (note 12)	42,967	42,299
Earnings before undernoted	353,631	147,214
Gain on sale of assets (note 6)	603,918	-
Excess of revenue over expenses	957,549	147,214
Surplus, beginning of year	2,580,835	2,201,563
Transfer from (to) equity in property and equipment for:		
Amortization of property and equipment	278,000	386,742
Property and equipment purchases, net of disposals and debt repayments	199,635	(373,647)
Amortization of deferred capital grants	(22,826)	(23,438)
Unrealized investment income (note 5)	(75,063)	242,401
Surplus, end of year	<u>\$ 3,918,130</u>	<u>\$ 2,580,835</u>

See accompanying notes to financial statements.

ST. THOMAS MORE COLLEGE

Statement of Equity in Property and Equipment

Year ended April 30, 2012, with comparative figures for 2011

	2012	2011
Equity in property and equipment, beginning of year	\$ 2,933,227	\$ 2,922,884
Property and equipment purchases	122,330	317,771
Disposition of property and equipment, at cost	(346,082)	-
Net repayment of debt related to property and equipment	24,117	55,876
Amortization of deferred capital grants	22,826	23,438
Amortization of property and equipment	(278,000)	(386,742)
	<u>\$ 2,478,418</u>	<u>\$ 2,933,227</u>

See accompanying notes to financial statements.

ST. THOMAS MORE COLLEGE

Statement of Cash Flows

Year ended April 30, 2012, with comparative figures for 2011

	2012	2011
Cash flows from (used in):		
Operations:		
Excess of revenue over expenses	\$ 957,549	\$ 147,214
Items not involving cash:		
Amortization	278,000	386,742
Gain on sale of assets	(603,918)	-
Amortization of deferred capital grants	(22,826)	(23,438)
Change in non-cash operating working capital:		
Receivables	(462,508)	(461,246)
Inventories	3,884	3,587
Prepaid expenses and deposits	(6,201)	3,267
Accounts payable and accrued liabilities	(248,394)	191,265
	(104,414)	247,391
Financing:		
Increase in trust and restricted funds	206,524	58,952
Increase in endowments	195,552	53,971
Obligation under capital lease	(24,117)	(55,876)
	377,959	57,047
Investing:		
Purchase of property and equipment	(122,330)	(317,771)
Purchase of long-term investments	(142,682)	(411,546)
Proceeds on sale of assets	950,000	-
	684,988	(729,317)
Net change in cash	958,533	(424,879)
Cash, beginning of year	1,073,404	1,498,283
Cash, end of year	\$ 2,031,937	\$ 1,073,404

See accompanying notes to financial statements.

ST. THOMAS MORE COLLEGE

Notes to Financial Statements

Year ended April 30, 2012

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 may 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, 2012

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

(h) Pensions:

The College's employees participate in the University of Saskatchewan defined benefit and money purchase pension plans. The College follows defined contribution accounting for its participation in these plans and, accordingly, expenses contributions it is required to make in the year.

ST. THOMAS MORE COLLEGE

Notes to Financial Statements (continued)

Year ended April 30, 2012

3. Future accounting changes:

In December 2010, the Accounting Standards Board ("AcSB") released the accounting standards impacting the future financial reporting framework for not-for-profit organizations. The standards require that not-for-profit organizations who choose not to adopt International Financial Reporting Standards ("IFRS") will apply the Accounting Standards for Not-for-Profit Organizations contained in Part III of the CICA Handbook-Accounting. This is effective for fiscal years beginning on or after January 1, 2012 with earlier adoption permitted.

The College has determined that it intends to adopt Accounting Standards for Not-for-Profit Organizations effective for the fiscal year commencing May 1, 2012. The impact of the adoption of these standards is being evaluated and is not known or reasonably estimable at this time.

4. Receivables:

	2012	2011
University of Saskatchewan	\$ 679,048	\$ 269,362
Employee loans and advances	52,893	14,100
Sundry	9,249	26,220
Government of Saskatchewan	539,000	508,000
	<u>\$ 1,280,190</u>	<u>\$ 817,682</u>

ST. THOMAS MORE COLLEGE

Notes to Financial Statements (continued)

Year ended April 30, 2012

5. Investments:

	Cost	2012 Market	Cost	2011 Market
Cash and cash equivalents	\$ 176,872	\$ 176,872	\$ 340,887	\$ 340,767
Bonds	3,837,448	3,919,720	3,886,716	3,909,167
Canadian equities	5,471,420	6,115,892	5,041,951	6,047,682
U.S. equities	1,043,137	1,182,838	1,096,243	1,126,497
International equities	1,152,022	1,187,272	1,175,870	1,210,973
Life insurance policies	48,343	48,343	44,893	44,893
	\$ 11,729,242	\$ 12,630,937	\$ 11,586,560	\$ 12,679,979

Cumulative unrealized investment gains, representing the difference between the cost and market value of investments at April 30, 2012 are reported as follows:

	2011	Change	2012
Surplus	\$ 589,607	\$ (75,063)	\$ 514,544
Trust and restricted funds (note 8)	53,644	(17,717)	35,927
Endowments (note 10)	450,168	(98,944)	351,224
	\$ 1,093,419	\$ (191,724)	\$ 901,695

Realized and unrealized investment income for the year ended April 30, 2012 has been allocated as follows:

	Realized investment income	Unrealized investment income
Operations	\$ 64,821	\$ (75,063)
Trust and restricted funds (note 8)	12,239	(17,717)
Endowments (note 10)	68,350	(98,944)
	\$ 145,410	\$ (191,724)

ST. THOMAS MORE COLLEGE

Notes to Financial Statements (continued)

Year ended April 30, 2012

6. Property and equipment:

	Cost	Accumulated amortization	2012 Net book value	2011 Net book value
STM:				
Building	\$ 5,533,636	\$ 3,192,996	\$ 2,340,640	\$ 2,422,125
Computer equipment	1,329,736	1,266,001	63,735	97,570
Furniture and equipment	908,428	659,036	249,392	291,179
Library collection	706,129	672,090	34,039	29,578
Leased computer equipment	162,954	162,954	-	-
Residence:				
Building	-	-	-	335,427
Furniture and equipment	-	-	-	13,679
Computer equipment	-	-	-	-
	\$ 8,640,883	\$ 5,953,077	\$ 2,687,806	\$ 3,189,558

During the year the College sold its leasehold interest in Father Bob Ogle Hall, the former student residence for \$950,000 resulting in a gain on sale of \$603,918.

7. 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:

	2012	2011
Balance, beginning of year	232,214	255,652
Amounts amortized to revenue	(22,826)	(23,438)
Balance, end of year	\$ 209,388	\$ 232,214

ST. THOMAS MORE COLLEGE

Notes to Financial Statements (continued)

Year ended April 30, 2012

8. Trust and restricted funds:

	Balance 2011	Realized investment income	Unrealized investment income	Donations	Distribution from endowments	Recognized for scholarships and bursaries	Inter-fund transfers	Other net changes in deferred revenue	Balance 2012
Research grants	\$ 85,775	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 14,978	\$ 100,753
Faculty, student and other trusts	25,441	-	-	-	-	-	-	3,498	28,939
Scholarships and bursaries	327,590	3,443	(4,984)	32,095	11,611	(27,906)	1,000	3,500	346,349
Restricted funds	708,977	7,869	(11,391)	209,462	69,998	(72,000)	(250)	(74,542)	838,123
For All Seasons	33,644	357	(517)	3,970	7,377	(3,000)	(250)	-	41,581
Thinking Future Campaign	70,655	570	(825)	13,500	48,344	(46,600)	(500)	-	85,144
	<u>\$1,252,082</u>	<u>\$ 12,239</u>	<u>\$ (17,717)</u>	<u>\$ 259,027</u>	<u>\$ 137,330</u>	<u>\$ (149,506)</u>	<u>\$ -</u>	<u>\$ (52,566)</u>	<u>\$1,440,889</u>

9. Reserves:

	Balance 2011	Appropriations	Reductions	Balance 2012
Other religious and cleric contributions	\$ 344,985	\$ -	\$ -	\$ 344,985
Contingency	700,000	-	-	700,000
Academic	300,000	-	-	300,000
Building	1,800,000	-	-	1,800,000
Congregation of St. Basil contributions	414,110	-	-	414,110
	<u>\$ 3,559,095</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,559,095</u>

ST. THOMAS MORE COLLEGE

Notes to Financial Statements (continued)

Year ended April 30, 2012

10. Endowments:

Endowments are designated by donors as permanent assets of the College. To best respect donors' wishes, the College 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 scholarships, academic programs and operations designated by donors. To stabilize annual spending, the College has an annual spending policy of 4% of endowment balances. The College'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, the College 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, the College may increase the amount transferred from the endowment account for spending.

	Balance 2011	Realized investment income	Unrealized investment income	Donations	Distributions to restricted funds	Inter-fund transfers	Other net changes in deferred revenue	Balance 2012
Scholarships and bursaries	\$1,560,699	\$ 16,463	\$ (23,833)	\$ 8,408	\$ (46,079)	\$ 2,487	\$ -	\$1,518,145
FAS	1,646,020	16,991	(24,597)	-	(7,377)	-	-	1,631,037
Campaign Future	2,470,794	27,550	(39,880)	310,330	(64,914)	(4,387)	(55,606)	2,643,887
Campaign Dr. S.	650,621	6,831	(9,889)	-	(18,960)	-	-	628,603
Worobetz Catholic Studies	47,357	515	(745)	1,400	-	1,900	-	50,427
	\$6,375,491	\$ 68,350	\$ (98,944)	\$ 320,138	\$ (137,330)	\$ -	\$ (55,606)	\$6,472,099

ST. THOMAS MORE COLLEGE

Notes to Financial Statements (continued)

Year ended April 30, 2012

11. Commitments:

The College and the University of Saskatchewan ("U of S") have begun the process of renewing the current Campus Services Agreement (CSA) that expired April 30, 2012. The duration of the next agreement is not known at this time however it will be in effect until at least until April 30, 2013. 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 2012 CSA payment is \$1,517,907 (2011 - \$1,436,801).

The College intends to utilize a significant portion of the accumulated surplus and reserves on hand as of April 30, 2012 to assist with the funding of a new \$8.0M building addition. The construction on the new building addition is expected to start during 2012-2013 and be complete sometime in 2013-2014.

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 \$526,540 (2011 - \$1,200,094).

The ancillary operations also include amortization of property and equipment of \$3,024 (2011 - \$20,801).

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, 2012

14. Pension contributions:

The College's employees participate in money purchase and defined benefit pension plans which are administered by the University of Saskatchewan ("U of S"). The annual employer contributions for 2012 of \$ 469,002 (2011 - \$414,235) are recorded as expenses in these financial statements.

The College's employees participate in various pension plans administered by the U of S. There are currently three defined benefit plans administered by the U of S for which some College employees belong to. The U of S had these three defined benefit plans valued as of December 31, 2010 and one of the plans, the Non-Academic Pension Plan, had a significant unfunded deficit. The U of S has opted to repay the deficit in this plan by various means including increases to contribution rates by current employees and increases to the employer paid premiums by the U of S and other third party participants of the plan such as the College. The U of S applied a pension surcharge to the College effective May 1, 2011 of approximately 3% of the payroll of the employee group affected. Due to the uncertainty surrounding the annual amount of payroll affected and the periodic revaluation of this plan, the College has decided to expense this charge in each period and not recognize the liability in advance in the financial statements. The total pension surcharge paid to the U of S in 2011-2012 was \$11,871.

15. Contributions:

The College received \$579,165 (2011- \$150,827) in donations for the 2012 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 \$579,165 is \$6,408 (2011 - \$12,412) of gifts in kind representing shares in public companies donated to the College.

16. Financial instruments and risk management:

The carrying values of cash, receivables and accounts payable and accrued liabilities and capital lease 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.