

Financial Statements of

ST. THOMAS MORE COLLEGE

Year ended April 30, 2014



KPMG LLP
Chartered Accountants
500 – 475 Second Avenue South
Saskatoon Saskatchewan S7K 1P4
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 statements of financial position as at April 30, 2014 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 accounting standards for not-for-profit organizations, 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 in our audit 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, 2014 and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Chartered Accountants
Saskatoon, Canada
September 27, 2014

ST. THOMAS MORE COLLEGE

Statement of Financial Position

April 30, 2014, with comparative information for 2013

	2014	2013
Assets		
Current assets:		
Cash	\$ 364,175	\$ 4,188,188
Receivables (note 3)	456,451	462,803
Inventories	11,934	14,026
Prepaid expenses and deposits	36,762	64,377
	<u>869,322</u>	<u>4,729,394</u>
Long-term investments (note 4)	15,546,031	13,624,039
Property and equipment (note 5)	12,034,905	6,197,952
	<u>\$ 28,450,258</u>	<u>\$ 24,551,385</u>

Liabilities and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities	\$ 846,462	\$ 928,786
Short-term debt (note 6)	4,929,411	2,737,377
	<u>5,775,873</u>	<u>3,666,163</u>
Deferred capital grants (note 7)	287,001	294,758
Deferred capital contributions (note 7)	1,297,900	-
Trust and restricted funds (note 8)	1,780,204	2,645,505
Net assets:		
Equity in property and equipment	5,520,592	3,165,816
Reserves (note 9)	1,059,095	3,559,095
Endowments (note 10)	9,068,589	7,973,472
Surplus	3,661,004	3,246,576
	<u>19,309,280</u>	<u>17,944,959</u>
Commitments (note 11)		
	<u>\$ 28,450,258</u>	<u>\$ 24,551,385</u>

See accompanying notes to financial statements.

On behalf of the Board:

J. P. Smith Director P. W. Pitha Director

ST. THOMAS MORE COLLEGE

Statements of Revenue and Expenses and Surplus

Year ended April 30, 2014, with comparative information for 2013

	2014	2013
Operating revenue:		
Government of Saskatchewan grants	\$ 6,881,300	\$ 6,739,400
Tuition - credit instruction	4,659,081	4,763,017
Other	396,365	354,691
Realized investment income	468,725	207,763
Unrealized investment income	196,442	197,650
	<u>12,601,913</u>	<u>12,262,521</u>
Operating expenses:		
Academic salaries	5,399,754	5,300,050
Administrative and support salaries	2,142,184	1,938,498
U of S infrastructure services	1,594,812	1,590,881
Supplies and services	1,228,081	1,212,068
Employee benefits	1,066,312	1,047,383
Amortization of property and equipment	348,858	231,870
Scholarships	251,940	221,864
Utilities	198,503	240,675
	<u>12,230,444</u>	<u>11,783,289</u>
Operating revenue less expenses	371,469	479,232
Ancillary operations (note 12)	(102,265)	38,000
Excess of revenue over expenses	269,204	517,232
Surplus, beginning of year	3,246,576	3,918,130
Reserve transfers:		
Contingency reserve for new addition	700,000	-
Building reserve for new addition	1,800,000	-
Catholic studies endowed chair internal appropriation	-	(1,000,000)
Transfer from (to) equity in property and equipment for:		
Amortization of property and equipment	348,858	231,870
Property and equipment purchases, net of disposals and debt repayments	(3,993,777)	(412,899)
Deferred capital contributions	1,306,611	-
Amortization of deferred capital grants and contributions	(16,468)	(7,757)
Surplus, end of year	<u>\$ 3,661,004</u>	<u>\$ 3,246,576</u>

See accompanying notes to financial statements.

ST. THOMAS MORE COLLEGE

Statements of Equity in Property and Equipment

Year ended April 30, 2014, with comparative information for 2013

	2014	2013
Equity in property and equipment, beginning of year	\$ 3,165,816	\$ 2,977,030
Property and equipment purchases	6,185,811	3,150,276
Deferred capital contributions	(1,306,611)	-
Amortization of deferred capital contributions	8,711	-
Amortization of deferred capital grants	7,757	7,757
Amortization of property and equipment	(348,858)	(231,870)
Net repayment (advances) of debt related to property and equipment	(2,192,034)	(2,737,377)
	\$ 5,520,592	\$ 3,165,816

See accompanying notes to financial statements.

ST. THOMAS MORE COLLEGE

Statements of Cash Flow

Year ended April 30, 2014, with comparative information for and 2013

	2014	2013
Cash flows from (used in):		
Operations:		
Excess of revenue over expenses	\$ 269,204	\$ 517,232
Items not involving cash:		
Amortization of property and equipment	348,858	231,870
Amortization of deferred capital grants	(7,757)	(7,757)
Amortization of deferred building contributions	(8,711)	-
Unrealized investment (income) loss	(196,442)	(197,650)
Change in non-cash operating working capital:		
Receivables	6,352	817,387
Inventories	2,092	1,344
Prepaid expenses and deposits	27,615	2,102
Accounts payable and accrued liabilities	(82,322)	294,086
	<u>358,889</u>	<u>1,658,614</u>
Financing:		
Increase in short-term debt	2,192,034	2,737,377
Increase in trust and restricted funds	393,020	1,137,750
Increase in endowments	781,057	230,132
	<u>3,366,111</u>	<u>4,105,259</u>
Investing:		
Purchase of property and equipment	(6,185,811)	(3,150,276)
Purchase of long-term investments	(1,363,202)	(457,346)
	<u>(7,549,013)</u>	<u>(3,607,622)</u>
Net change in cash	(3,824,013)	2,156,251
Cash, beginning of year	4,188,188	2,031,937
Cash, end of year	<u>\$ 364,175</u>	<u>\$ 4,188,188</u>

See accompanying notes to financial statements.

ST. THOMAS MORE COLLEGE

Notes to Financial Statements

Year ended April 30, 2014

1. General:

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:

The financial statements have been prepared by management in accordance with Canadian Accounting Standards for Not-for-Profit organizations in Part III of the CICA Handbook.

(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 Not-for-Profit Accounting Standards 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 stated at fair value (note 4) and valued at year-end quoted market prices, where available. Realized and unrealized investment income is recognized in the statement of revenue and expenses. Where quoted market prices are not available, estimated fair values are calculated using comparable securities. Investment management fees and transaction costs are expensed as incurred.

(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.

ST. THOMAS MORE COLLEGE

Notes to Financial Statements (continued)

Year ended April 30, 2014

2. Significant accounting policies (continued):

(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	Straight line	50 years
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.

3. Receivables:

	2014	2013
University of Saskatchewan	\$ 322,537	\$ 308,861
Employee loans and advances	75,184	96,957
Sundry	58,730	56,985
	\$ 456,451	\$ 462,803

ST. THOMAS MORE COLLEGE

Notes to Financial Statements (continued)

Year ended April 30, 2014

4. Investments:

	2014		2013	
	Cost	Market	Cost	Market
Cash and cash equivalents	\$ 847,674	\$ 847,674	\$ 459,295	\$ 459,295
Bonds	4,064,013	4,132,103	3,726,224	3,856,912
Canadian equities	3,436,759	4,494,496	5,048,675	5,806,763
U.S. equities	2,683,451	3,302,889	1,669,152	2,050,052
International equities	2,009,898	2,254,804	1,228,348	1,396,122
Alternative investments	446,568	452,636	-	-
Life insurance policies	61,429	61,429	54,895	54,895
	\$ 13,549,792	\$ 15,546,031	\$ 12,186,589	\$ 13,624,039

Cumulative unrealized investment gains, representing the difference between the cost and market value of investments at April 30, 2014 are reported as follows:

	2013		Change	2014
Operations	\$ 712,194	\$ 196,442	\$ 908,636	
Trust and restricted funds (note 8)	102,792	48,287	151,079	
Endowments (note 10)	622,464	314,060	936,524	
	\$ 1,437,450	\$ 558,789	\$ 1,996,239	

Realized investment income for the year ended April 30, 2014 has been allocated as follows:

	2014		2013	
Operations	\$ 468,725	\$ 207,763		
Trust and restricted funds (note 8)	110,871	47,388		
Endowments (note 10)	721,114	195,161		
	\$ 1,300,710	\$ 450,312		

ST. THOMAS MORE COLLEGE

Notes to Financial Statements (continued)

Year ended April 30, 2014

5. Property and equipment:

	Cost	Accumulated amortization	2014 Net book value	2013 Net book value
Building	\$ 14,043,882	\$ 2,798,743	\$ 11,245,139	\$ 2,876,852
Computer equipment	1,629,533	1,457,304	172,229	67,701
Furniture and equipment	1,408,771	816,248	592,523	273,462
Library collection	731,833	706,819	25,014	27,889
Leased computer equipment	162,954	162,954	-	-
Construction-in-progress	-	-	-	2,952,048
	<u>\$ 17,976,973</u>	<u>\$ 5,942,068</u>	<u>\$ 12,034,905</u>	<u>\$ 6,197,952</u>

During 2012-2013, the College began construction of an \$8.5 million addition. The addition was substantially completed and placed into use as of January 1, 2014.

6. Short-term debt:

During the year the College incurred financing in the form of short-term debt from a financial institution to fund the cash flow requirements of the building addition. The College negotiated a demand interim construction loan that took the form of short-term bankers' acceptances that is rolled over from month-to-month. The bankers acceptances have interest rates of prime rate less .75% plus a 0.40% stamping fee being payable each month when the debt instrument matures.

Subsequent to year-end, the College converted this debt to a long-term mortgage of \$3.5 million and an operating line of credit balance of \$1.43 million. The long-term mortgage will be amortized over 25 years at a fixed-term interest rate of 3.55% for a period of 10 years. The operating line of credit balance terms are on-demand and are interest-only payment terms at a floating interest rate of prime less 0.50% on any outstanding balances.

Interest of \$46,128 was capitalized as part of the building construction costs in the year.

ST. THOMAS MORE COLLEGE

Notes to Financial Statements (continued)

Year ended April 30, 2014

7. Deferred capital grants and contributions:

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 and furnishings costs are amortized at 5% straight line. The change in the deferred capital grant balance is as follows:

	2014	2013
Balance, beginning of year	\$ 294,758	\$ 302,515
Amounts amortized to revenue	(7,757)	(7,757)
Balance, end of year	\$ 287,001	\$ 294,758

Deferred capital contributions relate to donations for the building addition. Contributions are deferred and recognized as revenue as the related assets are amortized. The building is amortized at straight-line over 50 years. The change in the deferred capital contribution balance is as follows:

	2014	2013
Balance, beginning of year	\$ -	\$ -
Transfer from restricted funds (note 8)	1,306,611	-
Amounts amortized to revenue	(8,711)	-
Balance, end of year	\$ 1,297,900	\$ -

ST. THOMAS MORE COLLEGE

Notes to Financial Statements (continued)

Year ended April 30, 2014

8. Trust and restricted funds:

	Balance 2013	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 2014
Research grants	\$ 357,322	\$ -	\$ -	\$ 5,000	\$ -	\$ -	\$ -	\$ (195,928)	\$ 166,394
Faculty, student and other trusts	27,075	-	-	-	-	(1,000)	-	(1,392)	24,683
Scholarships and bursaries	349,218	28,978	12,620	21,545	21,006	(65,290)	(2,165)	-	365,912
Restricted funds	1,700,039	65,158	28,378	432,667	76,899	(47,668)	2,165	(1,380,443)	877,195
For All Seasons	53,005	4,397	1,916	300	7,623	(6,832)	-	-	60,409
Thinking Future Campaign	158,846	12,338	5,373	1,085	147,605	(29,100)	-	(10,536)	285,611
	<u>\$2,645,505</u>	<u>\$ 110,871</u>	<u>\$ 48,287</u>	<u>\$ 460,597</u>	<u>\$ 253,133</u>	<u>\$ (149,890)</u>	<u>\$ -</u>	<u>\$ (1,588,299)</u>	<u>\$1,780,204</u>

The College received donations of \$1,306,611 for a new building addition. These donations had been included in restricted funds and have now been transferred to deferred capital contributions (note 7).

ST. THOMAS MORE COLLEGE

Notes to Financial Statements (continued)

Year ended April 30, 2014

9. Reserves:

	Balance 2013	Appropriations	Reductions	Balance 2014
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>\$ (2,500,000)</u>	<u>\$ 1,059,095</u>

During the year, the College internally transferred \$2.5 million in reserves to accumulated surplus with respect to the new building addition.

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.

ST. THOMAS MORE COLLEGE

Notes to Financial Statements (continued)

Year ended April 30, 2014

10. Endowments (continued):

	Balance 2013	Realized investment income	Unrealized investment income	Donations	Distributions to restricted funds	Inter-fund transfers	Other net changes in deferred revenue	Balance 2014
Scholarships and bursaries	\$1,615,555	\$ 147,067	\$ 64,051	\$ 96,200	\$ (55,150)	\$ -	\$ -	\$1,867,723
FAS Campaign	1,623,270	143,497	62,496	-	(7,623)	-	(55,606)	1,766,034
Future Campaign	2,820,271	251,493	109,530	51,005	(105,792)	(828)	-	3,125,679
Dr. S. Worobetz	647,776	57,927	25,228	15,000	(25,744)	-	-	720,187
Catholic Studies	1,266,600	121,130	52,755	206,477	(58,824)	828	-	1,588,966
	<u>\$7,973,472</u>	<u>\$ 721,114</u>	<u>\$ 314,060</u>	<u>\$ 368,682</u>	<u>\$ (253,133)</u>	<u>\$ -</u>	<u>\$ (55,606)</u>	<u>\$9,068,589</u>

11. Commitments:

The College and the University of Saskatchewan ("U of S") have extended the previous Campus Services Agreement ("CSA") to April 30, 2015.

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 2014 CSA payment is \$1,594,812 (2013 - \$1,590,881).

12. Ancillary operations:

Ancillary operations include rental operations, chapel, Choices on Campus food services and other non operating income. These operations have gross revenues of \$390,064 (2013 - \$503,730).

13. Income taxes:

The College is a registered charity and 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, 2014

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 2014 of \$519,401 (2013 - \$500,859) 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, 2013 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, 2014 of approximately 7% 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 the 2014 fiscal year was \$11,574 (2013 - \$9,985).

The U of S has advised STM that there will be no further pension surcharges during 2014-2015.

15. Contributions:

The College received \$829,279 (2013 - \$1,107,528) in donations for the 2014 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 \$829,279 is \$194,894 (2013 - \$65,360) 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.

ST. THOMAS MORE COLLEGE

Notes to Financial Statements (continued)

Year ended April 30, 2014

17. Government Remittances:

As of April 30, 2014, the College had outstanding government payroll remittances totalling \$242,441 (2013 - \$214,992) that were paid subsequent to year end.