

Financial Statements of

**ST. THOMAS MORE COLLEGE**

Year ended April 30, 2015



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## 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, 2015 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, 2015 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 29, 2015

# ST. THOMAS MORE COLLEGE

## Statement of Financial Position

April 30, 2015, with comparative information for 2014

	2015	2014
<b>Assets</b>		
Current assets:		
Cash	\$ 116,512	\$ 364,175
Receivables (note 3)	417,846	456,451
Inventories	15,620	11,934
Prepaid expenses and deposits	48,554	36,762
	<u>598,532</u>	<u>869,322</u>
Long-term investments (note 4)	16,746,665	15,546,031
Property and equipment (note 5)	12,171,868	12,034,905
	<u>\$ 29,517,065</u>	<u>\$ 28,450,258</u>
<b>Liabilities and Net Assets</b>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 1,222,335	\$ 846,462
Short-term debt (note 6)	400,438	4,929,411
Current portion of long-term debt (note 7)	85,820	-
	<u>1,708,593</u>	<u>5,775,873</u>
Long-term debt (note 7)	3,327,906	-
Deferred capital grants (note 8)	279,245	287,001
Deferred capital contributions (note 8)	1,497,363	1,297,900
Trust and restricted funds (note 9)	2,106,376	1,780,204
Net assets:		
Equity in property and equipment	6,581,096	5,520,592
Reserves (note 10)	2,059,095	1,059,095
Endowments (note 11)	10,176,968	9,068,589
Surplus	1,780,423	3,661,004
	<u>20,597,582</u>	<u>19,309,280</u>
Commitments (note 12)		
	<u>\$ 29,517,065</u>	<u>\$ 28,450,258</u>

See accompanying notes to financial statements.

On behalf of the Board:

 Director
  Director

# ST. THOMAS MORE COLLEGE

## Statement of Revenue and Expenses and Surplus

Year ended April 30, 2015, with comparative information for 2014

	2015	2014
<b>Operating revenue:</b>		
Government of Saskatchewan grants	\$ 7,063,824	\$ 6,881,300
Tuition - credit instruction	4,711,156	4,659,081
Other	406,196	396,365
Investment income (note 4)	582,460	665,167
	<u>12,763,636</u>	<u>12,601,913</u>
<b>Operating expenses:</b>		
Academic salaries	5,460,737	5,399,754
Administrative and support salaries	2,290,456	2,142,184
U of S infrastructure services	1,622,234	1,594,812
Supplies and services	1,151,157	1,228,081
Employee benefits	1,134,290	1,066,312
Amortization of property and equipment	473,069	348,858
Scholarships	240,700	251,940
Utilities	182,277	198,503
	<u>12,554,920</u>	<u>12,230,444</u>
Operating revenue less expenses	208,716	371,469
Ancillary operations (note 13)	(28,793)	(102,265)
Excess of revenue over expenses	179,923	269,204
Surplus, beginning of year	3,661,004	3,246,576
<b>Reserve transfers:</b>		
Contingency reserve for new addition	-	700,000
Building reserve for new addition	-	1,800,000
Appropriation of building reserve	(1,000,000)	-
<b>Transfer from (to) equity in property and equipment for:</b>		
Amortization of property and equipment	473,069	348,858
Property and equipment purchases, net of disposals and debt repayments	(1,725,279)	(3,993,777)
Deferred capital contributions	230,295	1,306,611
Amortization of deferred capital grants and contributions	(38,589)	(16,468)
Surplus, end of year	<u>\$ 1,780,423</u>	<u>\$ 3,661,004</u>

See accompanying notes to financial statements.

# ST. THOMAS MORE COLLEGE

## Statement of Equity in Property and Equipment

Year ended April 30, 2015, with comparative information for 2014

	2015	2014
Equity in property and equipment, beginning of year	\$ 5,520,592	\$ 3,165,816
Property and equipment purchases	610,032	6,185,811
Deferred capital contributions	(230,295)	(1,306,611)
Amortization of deferred capital contributions	30,832	8,711
Amortization of deferred capital grants	7,757	7,757
Amortization of property and equipment	(473,069)	(348,858)
Net repayment (advances) of debt related to property and equipment	1,115,247	(2,192,034)
	<u>\$ 6,581,096</u>	<u>\$ 5,520,592</u>

See accompanying notes to financial statements.

# ST. THOMAS MORE COLLEGE

## Statement of Cash Flows

Year ended April 30, 2015, with comparative information for and 2014

	2015	2014
Cash flows from (used in):		
Operations:		
Excess of revenue over expenses	\$ 179,923	\$ 269,204
Items not involving cash:		
Amortization of property and equipment	473,069	348,858
Amortization of deferred capital grants	(7,757)	(7,757)
Amortization of deferred capital contributions	(30,832)	(8,711)
Unrealized investment income	(14,389)	(196,442)
Change in non-cash operating working capital:		
Receivables	38,605	6,352
Inventories	(3,686)	2,092
Prepaid expenses and deposits	(11,792)	27,615
Accounts payable and accrued liabilities	375,873	(82,322)
	<u>999,014</u>	<u>358,889</u>
Financing:		
Increase in long-term debt	3,413,726	-
Increase (payments) in short-term debt	(4,528,973)	2,192,034
Increase in trust and restricted funds	322,965	393,020
Increase in endowments	1,088,904	781,057
Increase in deferred capital contributions	230,295	-
	<u>526,917</u>	<u>3,366,111</u>
Investing:		
Purchase of property and equipment	(610,032)	(6,185,811)
Purchase of long-term investments	(1,163,562)	(1,363,202)
	<u>(1,773,594)</u>	<u>(7,549,013)</u>
Net change in cash	(247,663)	(3,824,013)
Cash, beginning of year	364,175	4,188,188
Cash, end of year	<u>\$ 116,512</u>	<u>\$ 364,175</u>

See accompanying notes to financial statements.

# ST. THOMAS MORE COLLEGE

Notes to Financial Statements

Year ended April 30, 2015

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## 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 CPA 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) Long-term 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, 2015

## 2. Significant accounting policies (continued):

### (e) Reserves:

The College provides reserves as set out in note 10 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:

	2015	2014
University of Saskatchewan	\$ 298,795	\$ 322,537
Employee loans and advances	100,499	75,184
Sundry	18,552	58,730
	<b>\$ 417,846</b>	<b>\$ 456,451</b>



# ST. THOMAS MORE COLLEGE

Notes to Financial Statements (continued)

Year ended April 30, 2015

## 4. Long-term investments:

	2015		2014	
	Cost	Market	Cost	Market
Cash and cash equivalents	\$ -	\$ -	\$ 847,674	\$ 847,674
Bonds	-	-	4,064,013	4,132,103
Canadian equities	-	-	3,436,759	4,494,496
U.S. equities	-	-	2,683,451	3,302,889
International equities	-	-	2,009,898	2,254,804
Alternative investments	-	-	446,568	452,636
Franklin Templeton Balanced Institutional Trust	16,644,669	16,681,739	-	-
Life insurance policies	64,926	64,926	61,429	61,429
	<b>\$ 16,709,595</b>	<b>\$ 16,746,665</b>	<b>\$ 13,549,792</b>	<b>\$ 15,546,031</b>

During the year, all securities inside the investment portfolio were liquidated in order to change fund managers. Cash proceeds were transferred to the new fund manager who invested the entire cash proceeds into units of a trust which are being held by the College. All investment income prior to the changeover of fund managers is considered realized investment income and all investment income after the changeover of fund managers is considered unrealized investment income.

The College is committed to socially responsible investing and the maintenance of appropriate measures to ensure that all of the College's long-term investments are held in socially-responsible investments.

The long-term targeted asset allocation of the Franklin Templeton Balanced Institutional Trust is as follows:

Canadian equities	30%
US equities	15%
International equities	15%
Fixed income	35%
Cash and cash equivalents	5%

Investment income for the year ended April 30, 2015 has been allocated as follows:

	Realized	Unrealized	Total
Operations	\$ 568,071	\$ 14,389	\$ 582,460
Trust and restricted funds (note 9)	164,309	3,207	167,518
Endowments (note 11)	997,918	19,475	1,017,393
	<b>\$ 1,730,298</b>	<b>\$ 37,071</b>	<b>\$ 1,767,371</b>

# ST. THOMAS MORE COLLEGE

Notes to Financial Statements (continued)

Year ended April 30, 2015

## 5. Property and equipment:

			2015	2014
	Cost	Accumulated amortization	Net book value	Net book value
Building	\$ 14,529,890	\$ 3,050,373	\$ 11,479,517	\$ 11,245,139
Computer equipment	1,649,446	1,563,873	85,573	172,229
Furniture and equipment	1,495,248	911,202	584,046	592,523
Library collection	746,155	723,423	22,732	25,014
Leased computer equipment	162,954	162,954	-	-
	<b>\$ 18,583,693</b>	<b>\$ 6,411,825</b>	<b>\$ 12,171,868</b>	<b>\$ 12,034,905</b>

During 2012-2013, the College began construction of an \$8.7 million addition. The addition was fully completed and placed into use in April 2015.

## 6. Short-term debt:

During the year the College converted all short term construction financing to a long term mortgage of \$3.5 million and an operating line of credit balance of \$1.43 million. The operating line of credit terms are on-demand and are interest-only payment terms at a floating interest rate of prime less 0.5% on any outstanding balances. There was \$400,438 outstanding on the line of credit as at April 30, 2015. The line of credit is secured by a general security agreement.

## 7. Long-term debt:

	2015	2014
Toronto-Dominion - Mortgage repayable in blended monthly installments of \$17,617 with a fixed interest rate of 3.55%. Due May 9, 2039, subject to renewal in May, 2024. Secured by a general security agreement.	\$ 3,413,726	\$ -
Less current portion	85,820	-
	<b>\$ 3,327,906</b>	<b>\$ -</b>

# ST. THOMAS MORE COLLEGE

Notes to Financial Statements (continued)

Year ended April 30, 2015

## 7. Long-term debt (continued):

\$112,860 of interest on long-term debt during the year was capitalized. Principal repayments required on the mortgage in each of the next five years and thereafter are estimated as follows:

2016	\$	85,820
2017		94,784
2018		98,204
2019		101,748
2020		105,132
Thereafter		2,928,038
	\$	3,413,726

## 8. 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:

	2015	2014
Balance, beginning of year	\$ 287,002	\$ 294,758
Amounts amortized to revenue	(7,757)	(7,757)
Balance, end of year	\$ 279,245	\$ 287,001

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:

	2015	2014
Balance, beginning of year	\$ 1,297,900	\$ -
Additions during the year	230,295	1,306,611
Amounts amortized to revenue	(30,832)	(8,711)
Balance, end of year	\$ 1,497,363	\$ 1,297,900

# ST. THOMAS MORE COLLEGE

Notes to Financial Statements (continued)

Year ended April 30, 2015

## 9. Trust and restricted funds:

	Balance 2014	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 2015
Research grants	\$ 166,394	\$ -	\$ -	\$ 2,000	\$ -	\$ (2,500)	\$ -	\$ 16,660	\$ 182,554
Faculty, student and other trusts	24,683	-	-	800	-	(500)	-	(11,387)	13,596
Scholarships and bursaries	365,912	38,662	755	12,900	24,196	(39,400)	-	9,657	412,682
Restricted funds	877,195	90,685	1,770	26,212	74,137	(51,000)	(1,185)	(42,814)	975,000
For All Seasons	60,409	6,513	127	1,750	7,623	(1,500)	-	-	74,922
Thinking Future Campaign	285,611	28,449	555	23,497	158,944	(44,100)	-	(5,334)	447,622
	<b>\$1,780,204</b>	<b>\$ 164,309</b>	<b>\$ 3,207</b>	<b>\$ 67,159</b>	<b>\$ 264,900</b>	<b>\$ (139,000)</b>	<b>\$ (1,185)</b>	<b>\$ (33,218)</b>	<b>\$2,106,376</b>

The College also received restricted donations of \$216,655 for a new building addition. These donations have been included in deferred capital contributions (note 8).

## 10. Reserves:

	Balance 2014	Appropriations	Reallocations	Balance 2015
Other religious and cleric contributions	\$ 344,985	\$ -	\$ (344,985)	\$ -
Academic	300,000	-	-	300,000
Chair for Indigenous Spirituality Building	-	759,095	-	759,095
	-	1,000,000	-	1,000,000
Congregation of St. Basil contributions	414,110	-	(414,110)	-
	<b>\$ 1,059,095</b>	<b>\$ 1,759,095</b>	<b>\$ (759,095)</b>	<b>\$ 2,059,095</b>

During the year, the College internally transferred \$1.0 million in accumulated surplus to a building reserve. Other reserve amounts were reallocated to a reserve for an endowed Chair for Indigenous Spirituality.

# ST. THOMAS MORE COLLEGE

Notes to Financial Statements (continued)

Year ended April 30, 2015

## 11. 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 2014	Realized investment income	Unrealized investment income	Donations	Distributions to restricted funds	Inter-fund transfers	Other net changes in deferred revenue	Balance 2015
Scholarships and bursaries	\$ 1,867,723	\$ 206,712	\$ 4,034	\$ 106,776	\$ (63,858)	\$ -	\$ -	\$ 2,121,387
FAS Campaign	1,766,034	190,025	3,709	-	(7,623)	-	(55,606)	1,896,539
Future Campaign	3,125,679	339,270	6,621	73,590	(98,854)	(18,815)	-	3,427,492
Dr. S. Worobetz	720,187	78,568	1,533	-	(26,544)	20,000	-	793,744
Catholic Studies	1,588,966	183,343	3,578	229,940	(68,021)	-	-	1,937,806
	<b>\$9,068,589</b>	<b>\$ 997,918</b>	<b>\$ 19,475</b>	<b>\$ 410,306</b>	<b>\$ (264,900)</b>	<b>\$ 1,185</b>	<b>\$ (55,606)</b>	<b>\$ 10,176,968</b>

## 12. Commitments:

The previous Campus Services Agreement ("CSA") between the College and the University of Saskatchewan ("U of S") expired April 30, 2015. Negotiations with respect to a new agreement are in progress and payments are expected to continue in a similar manner as past years until a new agreement is reached.

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 2015 CSA payment is \$1,622,234 (2014 - \$1,594,812).

# ST. THOMAS MORE COLLEGE

Notes to Financial Statements (continued)

Year ended April 30, 2015

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## 13. Ancillary operations:

Ancillary operations include rental operations, chapel, Choices on Campus food services and other non operating income. These operations have gross revenues of \$461,911 (2014 - \$390,064).

## 14. 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.

## 15. 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 2015 of \$516,495 (2014 - \$519,401) 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 2015 fiscal year was \$26,768 (2014 - \$11,574).

## 16. Contributions:

The College received \$707,760 (2014 - \$829,279) in donations for the 2015 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 \$707,759 is \$91,804 (2014 - \$194,894) representing shares in public companies donated to the College.

# ST. THOMAS MORE COLLEGE

Notes to Financial Statements (continued)

Year ended April 30, 2015

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## **17. Financial instruments and risk management:**

The carrying values of cash, receivables and accounts payable and accrued liabilities and debt obligations 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.

## **18. Government Remittances:**

As of April 30, 2015, the College had outstanding government payroll remittances totalling \$245,804, (2014 - \$242,441) that were paid subsequent to year end.