

Financial Statements of

ST. THOMAS MORE COLLEGE

Year ended April 30, 2016



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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, 2016 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 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, 2016 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.

KPMG LLP

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slanted style. Below the signature is a long, horizontal, slightly curved line that extends to the right.

Chartered Professional Accountants

September 30, 2016

Saskatoon, Canada

ST. THOMAS MORE COLLEGE

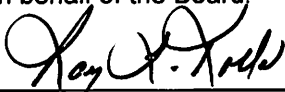
Statement of Financial Position

April 30, 2016, with comparative information for 2015

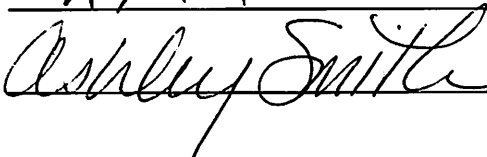
	2016	2015
Assets		
Current assets:		
Cash	\$ 28,114	\$ 116,512
Receivables (note 3)	390,353	417,846
Inventories	14,667	15,620
Prepaid expenses and deposits	101,198	48,554
	<u>534,332</u>	<u>598,532</u>
Long-term investments (note 4)	16,661,236	16,746,665
Property and equipment (note 5)	12,368,382	12,171,868
	<u>\$ 29,563,950</u>	<u>\$ 29,517,065</u>
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 1,226,705	\$ 1,222,335
Short-term debt (note 6)	200,175	400,438
Current portion of long-term debt (note 7)	89,250	85,820
	<u>1,516,130</u>	<u>1,708,593</u>
Long-term debt (note 7)	3,230,786	3,327,906
Deferred capital grants (note 8)	633,254	279,245
Deferred capital contributions (note 8)	1,667,703	1,497,363
Trust and restricted funds (note 9)	2,098,710	2,106,376
Net assets:		
Equity in property and equipment	6,547,215	6,581,096
Reserves (note 10)	2,059,095	2,059,095
Endowments (note 11)	10,256,898	10,176,968
Surplus	1,554,159	1,780,423
	<u>20,417,367</u>	<u>20,597,582</u>
Commitments (note 12)		
	<u>\$ 29,563,950</u>	<u>\$ 29,517,065</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, 2016, with comparative information for 2015

	2016	2015
Operating revenue:		
Government of Saskatchewan grants	\$ 7,141,600	\$ 7,063,824
Tuition - credit instruction	4,674,339	4,711,156
Other	493,868	406,196
Investment income (loss) (note 4)	(23,227)	582,460
	12,286,580	12,763,636
Operating expenses:		
Academic salaries	5,277,932	5,460,737
Administrative and support salaries	2,311,881	2,290,456
U of S infrastructure services	1,631,223	1,622,234
Supplies and services	1,260,185	1,151,157
Employee benefits	1,141,597	1,134,290
Amortization of property and equipment	456,588	473,069
Scholarships	247,210	240,700
Utilities	202,100	182,277
	12,528,716	12,554,920
Operating revenue less expenses	(242,136)	208,716
Ancillary operations (note 13)	(20,176)	(28,793)
Earnings (loss) before undernoted	(262,312)	179,923
Gain on disposal of equipment	2,167	-
Excess (deficiency) of revenue over expenses	(260,145)	179,923
Surplus, beginning of year	1,780,423	3,661,004
Reserve transfers:		
Appropriation of building reserve	-	(1,000,000)
Transfer from (to) equity in property and equipment for:		
Amortization of property and equipment	456,588	473,069
Property and equipment purchases, net of disposals and debt repayments	(947,056)	(1,725,279)
Deferred capital grants and contributions	567,218	230,295
Amortization of deferred capital grants and contributions	(42,869)	(38,589)
Surplus, end of year	\$ 1,554,159	\$ 1,780,423

See accompanying notes to financial statements.

ST. THOMAS MORE COLLEGE

Statement of Equity in Property and Equipment

Year ended April 30, 2016, with comparative information for 2015

	2016	2015
Equity in property and equipment, beginning of year	\$ 6,581,096	\$ 5,520,592
Property and equipment purchases	653,102	610,032
Deferred capital contributions	(567,218)	(230,295)
Amortization of deferred capital contributions	35,112	30,832
Amortization of deferred capital grants	7,757	7,757
Amortization of property and equipment	(456,588)	(473,069)
Net repayment of debt related to property and equipment	293,954	1,115,247
	<u>\$ 6,547,215</u>	<u>\$ 6,581,096</u>

See accompanying notes to financial statements.

ST. THOMAS MORE COLLEGE

Statement of Cash Flows

Year ended April 30, 2016, with comparative information for 2015

	2016	2015
Cash flows from (used in):		
Operations:		
Excess (deficiency) of revenue over expenses	\$ (260,145)	\$ 179,923
Items not involving cash:		
Amortization of property and equipment	456,588	473,069
Gain on disposal of equipment	(2,167)	-
Amortization of deferred capital grants	(7,757)	(7,757)
Amortization of deferred capital contributions	(35,112)	(30,832)
Unrealized investment (gains) losses	276,323	(14,389)
Change in non-cash operating working capital:		
Receivables	27,493	38,605
Inventories	953	(3,686)
Prepaid expenses and deposits	(52,644)	(11,792)
Accounts payable and accrued liabilities	4,370	375,873
	<u>407,902</u>	<u>999,014</u>
Financing:		
Increase (decrease) in long-term debt	(93,690)	3,413,726
Payments of short-term debt	(200,263)	(4,528,973)
Increase in trust and restricted funds	107,462	322,965
Increase in endowments	729,687	1,088,904
Increase in deferred capital contributions	205,452	230,295
Increase in deferred capital grants	361,766	-
	<u>1,110,414</u>	<u>526,917</u>
Investing:		
Purchase of property and equipment	(653,102)	(610,032)
Purchase of long-term investments	(955,887)	(1,163,562)
Proceeds on disposal of equipment	2,275	-
	<u>(1,606,714)</u>	<u>(1,773,594)</u>
Net change in cash	(88,398)	(247,663)
Cash, beginning of year	116,512	364,175
Cash, end of year	<u>\$ 28,114</u>	<u>\$ 116,512</u>

See accompanying notes to financial statements.

ST. THOMAS MORE COLLEGE

Notes to Financial Statements

Year ended April 30, 2016

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 for operations is recognized in the statement of revenue and expenses. Realized and unrealized investment income for trust and restricted funds and endowments is allocated to the respective funds and recognized upon disbursement. 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.

ST. THOMAS MORE COLLEGE

Notes to Financial Statements (continued)

Year ended April 30, 2016

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 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.

ST. THOMAS MORE COLLEGE

Notes to Financial Statements (continued)

Year ended April 30, 2016

3. Receivables:

	2016		2015	
University of Saskatchewan	\$	291,126	\$	298,795
Employee loans and advances		64,000		100,499
Sundry		35,227		18,552
	\$	390,353	\$	417,846

4. Long-term investments:

	2016		2015	
	Cost	Market	Cost	Market
Franklin Templeton Balanced Institutional Trust	\$ 17,634,018	\$ 16,592,813	\$ 16,644,669	\$ 16,681,739
Life insurance policies	68,423	68,423	64,926	64,926
	\$ 17,702,441	\$ 16,661,236	\$ 16,709,595	\$ 16,746,665

Investment income of the Trust consists of realized and reinvested distributions and unrealized investment income or losses.

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	38%
Cash and cash equivalents	2%

ST. THOMAS MORE COLLEGE

Notes to Financial Statements (continued)

Year ended April 30, 2016

4. Long-term investments (continued):

Investment income for the year ended April 30, 2016 has been allocated as follows:

	Realized	Unrealized	Total
Operations	\$ 253,096	\$ (276,323)	\$ (23,227)
Trust and restricted funds (note 9)	103,723	(115,125)	(11,402)
Endowments (note 11)	585,406	(649,757)	(64,351)
	\$ 942,225	\$ (1,041,205)	\$ (98,980)

5. Property and equipment:

	Cost	Accumulated amortization	2016 Net book value	2015 Net book value
Building	\$ 14,612,116	\$ 3,299,820	\$ 11,312,296	\$ 11,479,517
Construction-in-Progress	411,697	-	411,697	-
Computer equipment	1,698,274	1,651,701	46,573	85,573
Furniture and equipment	1,576,335	995,835	580,500	584,046
Library collection	755,642	738,326	17,316	22,732
Leased computer equipment	162,954	162,954	-	-
	\$ 19,217,018	\$ 6,848,636	\$ 12,368,382	\$ 12,171,868

During the year the College began construction of a \$5 million addition named the North Building Renewal Project. Amortization is not recognized on construction-in-progress assets.

6. Short-term debt:

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 \$200,175 (2015 - \$400,438) outstanding on the line of credit as at April 30, 2016. The line of credit is secured by a general security agreement.

ST. THOMAS MORE COLLEGE

Notes to Financial Statements (continued)

Year ended April 30, 2016

7. Long-term debt:

	2016	2015
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.	\$ 3,320,036	\$ 3,413,726
Less current portion	89,250	85,820
	<u>\$ 3,230,786</u>	<u>\$ 3,327,906</u>

Principal repayments required on the mortgage in each of the next five years and thereafter are estimated as follows:

2017	\$ 89,250
2018	98,204
2019	101,748
2020	105,132
2021	109,213
Thereafter	2,816,489
	<u>\$ 3,320,036</u>

ST. THOMAS MORE COLLEGE

Notes to Financial Statements (continued)

Year ended April 30, 2016

8. Deferred capital grants and contributions:

Deferred capital grants relate to the deferred Sask Centenary Fund and funds received for a new elevator. Grants are deferred and recognized as revenue as the related assets are amortized. The change in the deferred capital grant balance is as follows:

	2016	2015
Balance, beginning of year	\$ 279,245	\$ 287,002
Amounts amortized to revenue	(7,757)	(7,757)
Additions during the year	361,766	-
Balance, end of year	\$ 633,254	\$ 279,245

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

	2016	2015
Balance, beginning of year	\$ 1,497,363	\$ 1,297,900
Additions during the year	205,452	230,295
Amounts amortized to revenue	(35,112)	(30,832)
Balance, end of year	\$ 1,667,703	\$ 1,497,363

ST. THOMAS MORE COLLEGE

Notes to Financial Statements (continued)

Year ended April 30, 2016

9. Trust and restricted funds:

	Balance 2015	Realized investment income	Unrealized investment loss	Donations	Distribution from endowments	Recognized for scholarships and bursaries	Inter-fund transfers	Other net changes in deferred revenue	Balance 2016
Research grants	\$ 182,554	\$ -	\$ -	\$ 6,000	\$ -	\$ (1,500)	\$ -	\$ (6,748)	\$ 180,306
Faculty, student and other trusts	13,596	-	-	9,290	-	-	1,931	239	25,056
Scholarships and bursaries	412,682	23,008	(25,537)	27,000	24,444	(36,336)	-	(143)	425,118
Restricted funds	975,000	53,569	(59,457)	28,813	84,010	(50,500)	(1,931)	(28,352)	1,001,152
For All Seasons	74,922	3,932	(4,365)	600	7,623	(11,000)	-	-	71,712
Thinking Future Campaign	447,622	23,214	(25,766)	10,381	89,118	(55,894)	-	(93,308)	395,367
	<u>\$2,106,376</u>	<u>\$ 103,723</u>	<u>\$ (115,125)</u>	<u>\$ 82,084</u>	<u>\$ 205,195</u>	<u>\$ (155,230)</u>	<u>\$ -</u>	<u>\$ (128,312)</u>	<u>\$2,098,711</u>

10. Reserves:

	Balance 2015	Appropriations	Reallocations	Balance 2016
Academic	300,000	-	-	300,000
Chair for Indigenous Spirituality and Reconciliation	759,095	-	-	759,095
Building	1,000,000	-	-	1,000,000
	<u>\$ 2,059,095</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,059,095</u>

ST. THOMAS MORE COLLEGE

Notes to Financial Statements (continued)

Year ended April 30, 2016

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 2015	Realized investment income	Unrealized investment loss	Donations	Distributions to restricted funds	Inter-fund transfers	Other net changes in deferred revenue	Balance 2016
Scholarships and bursaries	\$ 2,121,387	\$ 120,624	\$ (133,884)	\$ 34,652	\$ (64,799)	\$ -	\$ -	\$ 2,077,980
FAS Campaign	1,896,539	106,965	(118,723)	-	(7,623)	-	(55,606)	1,821,552
Future Campaign	3,427,492	196,390	(217,978)	109,185	(106,229)	-	-	3,408,860
Dr. S. Worobetz	793,744	46,403	(51,504)	58,000	(26,544)	-	-	820,099
Catholic Studies	1,937,806	115,024	(127,668)	203,245	-	-	-	2,128,407
	\$ 10,176,968	\$ 585,406	\$ (649,757)	\$ 405,082	\$ (205,195)	\$ -	\$ (55,606)	\$ 10,256,898

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 have and will be continued 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 2016 CSA payment is \$1,631,223 (2015 - \$1,622,234).

The College has committed approximately \$5 million to fund the North Building Renewal Project. The project is currently under construction and is expected to be complete by April 30, 2017. The College will use a combination of debt financing, donations, and internal reserves to fund the project.

ST. THOMAS MORE COLLEGE

Notes to Financial Statements (continued)

Year ended April 30, 2016

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 \$568,757 (2015 - \$461,911).

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 2016 of \$539,659 (2015 - \$516,495) 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, 2014. Due to an unfunded deficit in the non-academic pension plan, the U of S applied a pension surcharge to the College effective May 1, 2014 of approximately 6.95% of the payroll of the employee group affected. As a result of 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 2016 fiscal year was \$27,051 (2015 - \$26,768). During the 2016 fiscal year there were no changes to any plan premiums; however, effective May 1, 2016, the pension surcharge rate will increase from 6.95% to 7.15% on the non-academic pension plan while the plan premiums for the other pension plans will remain the same.

16. Contributions:

The College received \$692,619 (2015 - \$707,760) in donations for the 2016 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 \$692,619 is \$40,693 (2015 - \$91,804) representing shares in public companies donated to the College.

ST. THOMAS MORE COLLEGE

Notes to Financial Statements (continued)

Year ended April 30, 2016

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.

The College is not exposed to interest rate risk on long-term debt as a result of all long-term debt being subject to fixed rates. Interest rate risk related to short-term debt is considered minimal.

18. Government remittances:

As of April 30, 2016, the College had outstanding government payroll remittances totalling \$250,523 (2015 - \$245,804) that were paid subsequent to year end.