

Financial Statements of

ST. THOMAS MORE COLLEGE

Year ended April 30, 2003



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AUDITORS' REPORT TO THE MEMBERS OF THE BOARD

We have audited the statement of financial position of St. Thomas More College as at April 30, 2003 and the statements of revenue and expenses and surplus, equity in property and equipment and cash flows for the year then ended. These financial statements are the responsibility of the College's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, these financial statements present fairly, in all material respects, the financial position of the College as at April 30, 2003 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

A handwritten signature in black ink that reads 'KPMG LLP' in a cursive, stylized script.

Chartered Accountants

Saskatoon, Canada
July 13, 2003

ST. THOMAS MORE COLLEGE

Statement of Financial Position

April 30, 2003, with comparative figures for 2002

| | 2003 | 2002 |
|--|---------------------|---------------------|
| Assets | | |
| Current assets: | | |
| Cash | \$ 481,071 | \$ 55,229 |
| Term deposits and provincial bonds | 1,032,399 | 1,519,717 |
| Accounts receivable (note 3) | 346,190 | 126,164 |
| Inventories | 10,988 | 10,263 |
| Prepaid expenses | 67,564 | 27,158 |
| | <u>1,938,212</u> | <u>1,738,531</u> |
| Long-term investments (market value - \$4,649,920; 2002 - \$3,615,930) | 4,586,393 | 3,478,063 |
| Property and equipment (note 4) | 1,742,593 | 1,227,521 |
| | <u>\$ 8,267,198</u> | <u>\$ 6,444,115</u> |

Liabilities and Net Assets

| | | |
|--|---------------------|---------------------|
| Current liabilities: | | |
| Accounts payable and accrued liabilities | \$ 633,588 | \$ 355,385 |
| Assisted early retirement (note 5) | 48,359 | 95,869 |
| | <u>681,947</u> | <u>451,254</u> |
| Assisted early retirement (note 5) | 112,547 | 156,396 |
| Deferred capital grants | 439,754 | 469,392 |
| Long-term note payable (note 6) | 313,503 | 329,798 |
| Trust and restricted funds (note 7) | 697,879 | 627,816 |
| Net assets: | | |
| Reserves (note 8) | 2,059,095 | 1,099,095 |
| Endowments (note 9) | 2,768,970 | 2,615,867 |
| Equity in property and equipment | 989,336 | 428,331 |
| Surplus | 204,167 | 266,166 |
| | <u>6,021,568</u> | <u>4,409,459</u> |
| Commitments (note 10) | | |
| | <u>\$ 8,267,198</u> | <u>\$ 6,444,115</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, 2003, with comparative figures for 2002

| | 2003 | 2002 |
|--|--------------|--------------|
| Operating revenue: | | |
| Tuition - credit instruction | \$ 3,763,173 | \$ 3,316,592 |
| Government of Saskatchewan grant | 3,643,100 | 2,859,779 |
| Other | 482,083 | 421,151 |
| Amortization of deferred capital grants | 29,638 | 30,608 |
| | 7,917,994 | 6,628,130 |
| Operating expenses: | | |
| Academic salaries | 2,581,871 | 2,429,139 |
| U of S Infrastructure services (note 10) | 1,210,989 | 1,067,279 |
| Administrative and support salaries | 1,052,928 | 945,424 |
| Supplies and services | 759,818 | 732,009 |
| Employee benefits | 500,250 | 430,381 |
| Amortization of property and equipment | 186,015 | 104,752 |
| Utilities | 133,841 | 93,532 |
| Scholarships | 83,319 | 45,887 |
| | 6,509,031 | 5,848,403 |
| Operating revenue less expenses | 1,408,963 | 779,727 |
| Ancillary operations (note 11) | 50,043 | 61,624 |
| Excess of revenue over expenses | 1,459,006 | 841,351 |
| Surplus (deficit), beginning of year | 266,166 | (14,574) |
| Appropriations: | | |
| Contingency reserve | (360,000) | (340,000) |
| Academic reserve | (300,000) | - |
| Building reserve | (300,000) | - |
| Transfer (to) from equity in property and equipment for: | | |
| Amortization of property and equipment | 237,915 | 155,137 |
| Property and equipment purchases, net of disposals and debt repayments | (769,282) | (845,140) |
| Funding less amortization | (29,638) | 469,392 |
| Surplus, end of year | \$ 204,167 | \$ 266,166 |

See accompanying notes to financial statements.

ST. THOMAS MORE COLLEGE

Statement of Equity in Property and Equipment

Year ended April 30, 2003, with comparative figures for 2002

| | 2003 | 2002 |
|---|-------------------|-------------------|
| Equity in property and equipment, beginning of year | \$ 428,331 | \$ 207,720 |
| Property and equipment purchases, net of disposals | 752,987 | 825,882 |
| Deferred revenue from grant | 29,638 | (469,392) |
| Amortization of property and equipment | (237,915) | (155,137) |
| Repayment of debt related to property and equipment | 16,295 | 19,258 |
| | <u>\$ 989,336</u> | <u>\$ 428,331</u> |

See accompanying notes to financial statements.

ST. THOMAS MORE COLLEGE

Statement of Cash Flows

Year ended April 30, 2003, with comparative figures for 2002

| | 2003 | 2002 |
|---|--------------------|------------------|
| Cash provided by (used in): | | |
| Operations: | | |
| Excess of revenue over expenses | \$ 1,459,006 | \$ 841,351 |
| Item not involving cash: | | |
| Amortization | 237,915 | 155,137 |
| Change in non-cash operating working capital: | | |
| Accounts receivable | (220,026) | 122,925 |
| Inventories | (725) | (3,376) |
| Prepaid expenses | (40,406) | (5,370) |
| Accounts payable and accrued liabilities | 278,203 | (63,313) |
| Assisted early retirement | (91,359) | (78,261) |
| Amortization of deferred capital grants | (29,638) | (30,608) |
| | <u>1,592,970</u> | <u>938,485</u> |
| Financing: | | |
| Long-term note payable | (16,295) | (19,258) |
| Trust and restricted funds | 70,063 | 69,205 |
| Increase in endowments | <u>153,103</u> | <u>79,668</u> |
| | 206,871 | 129,615 |
| Investing: | | |
| Disposal (purchase) of term deposits and provincial bonds | 487,318 | (999,221) |
| Purchase of property and equipment | (752,987) | (825,882) |
| Proceeds on disposal (purchase) of long-term investments | <u>(1,108,330)</u> | <u>440,247</u> |
| | (1,373,999) | (1,384,856) |
| Increase (decrease) in cash | 425,842 | (316,756) |
| Cash, beginning of year | 55,229 | 371,985 |
| Cash, end of year | <u>\$ 481,071</u> | <u>\$ 55,229</u> |

See accompanying notes to financial statements.

ST. THOMAS MORE COLLEGE

Notes to Financial Statements

Year ended April 30, 2003

1. Description of activities:

St. Thomas More College (the "College") is a non-profit Catholic college federated with the University of Saskatchewan offering university level instruction in humanities and social sciences. The College has a wholly-owned subsidiary, For All Seasons Fund Inc., which engages in fundraising activities on behalf of the College.

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.

(b) Use of estimates:

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 the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses for the year. Actual amounts may differ from these estimates.

(c) Investments:

Term deposits, provincial bonds and long-term investments are recorded at cost. Interest earned on investments is allocated to interest bearing endowments and trusts and restricted funds at a rate approved by the Board of Governors. Investments are written down to their market value if the decline in value is considered other than temporary.

(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, 2003

2. Significant accounting policies (continued):

(e) Reserves:

The College provides reserves as set out in note 8 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 |

3. Accounts receivable:

| | 2003 | 2002 |
|-----------------------------|-------------------|-------------------|
| University of Saskatchewan | \$ 246,301 | \$ 28,473 |
| Accrued interest | 20,067 | 18,385 |
| Employee loans and advances | 29,526 | 5,950 |
| Sundry | 50,296 | 73,356 |
| | <u>\$ 346,190</u> | <u>\$ 126,164</u> |

ST. THOMAS MORE COLLEGE

Notes to Financial Statements - Continued

Year ended April 30, 2003

4. Property and equipment:

| | | | 2003 | 2002 |
|-------------------------|--------------|--------------------------|----------------|----------------|
| | Cost | Accumulated Amortization | Net Book Value | Net Book Value |
| STM: | | | | |
| Building | \$ 3,003,283 | \$ 2,114,235 | \$ 889,048 | \$ 462,065 |
| Computer equipment | 360,413 | 208,184 | 152,229 | 87,388 |
| Furniture and equipment | 337,762 | 85,443 | 252,319 | 207,057 |
| Library collection | 560,747 | 515,395 | 45,352 | 43,999 |
| Residence: | | | | |
| Building | 537,516 | 142,392 | 395,124 | 415,920 |
| Kitchen equipment | 7,944 | 4,764 | 3,180 | 3,973 |
| Furniture and equipment | 11,779 | 6,438 | 5,341 | 6,519 |
| Computer equipment | 1,802 | 1,802 | - | 600 |
| | \$ 4,821,246 | \$ 3,078,653 | \$ 1,742,593 | \$ 1,227,521 |

5. Assisted Early Retirement:

Assisted early retirement payments are due as follows:

| | 2003 | 2002 |
|----------------------|------------|------------|
| 2003 | \$ - | \$ 95,869 |
| 2004 | 48,359 | 47,638 |
| 2005 | 32,366 | 31,032 |
| 2006 | 28,671 | 27,925 |
| 2007 | 21,453 | 21,047 |
| 2008 | 30,057 | 28,754 |
| | 160,906 | 252,265 |
| Less current portion | (48,359) | (95,869) |
| | \$ 112,547 | \$ 156,396 |

ST. THOMAS MORE COLLEGE

Notes to Financial Statements - Continued

Year ended April 30, 2003

6. Long-term note payable:

| | 2003 | 2002 |
|------------------------|------------|------------|
| Long-term note payable | \$ 313,503 | \$ 329,798 |

The long-term note payable represents the obligation of St. Thomas More College to the Episcopal Corporation of Saskatoon based on the agreement for purchase of the Ogle Hall student residence. The note is non-interest bearing, and repayable based on 50% of current years income from the operation of the residence, excluding amortization.

7. Trust and restricted funds:

| | Balance 2002 | Interest and Interest Allocation | Donations | Transfers in | Transfers to operations and other funds | Balance 2003 |
|------------------------------------|-----------------|--|-----------|-----------------|---|-----------------|
| Research grants | \$ 30,262 | \$ - | \$ - | \$ 70,653 | \$ 37,091 | \$ 63,824 |
| Faculty, student and other trusts | 6,885 | - | 45,172 | 180 | 51,331 | 906 |
| Scholarships and bursaries | 177,854 | 15,622 | 18,307 | - | 22,570 | 189,213 |
| Restricted funds | 361,491 | 23,328 | 62,030 | 5,338 | 45,882 | 406,305 |
| For All Seasons Fund Inc. | 12,407 | - | 67,514 | - | 68,742 | 11,179 |
| For All Seasons - expendable funds | 38,917 | 90,000 | 9,600 | - | 112,065 | 26,452 |
| | 627,816 | 128,950 | 202,623 | 76,171 | 337,681 | 697,879 |

8. Reserves:

| | Balance 2002 | Appropriations | Reductions | Balance 2003 |
|--|-----------------|----------------|------------|-----------------|
| Other religious and cleric contributions | \$ 344,985 | \$ - | \$ - | \$ 344,985 |
| Contingency | 340,000 | 360,000 | - | 700,000 |
| Academic | - | 300,000 | - | 300,000 |
| Building | - | 300,000 | - | 300,000 |
| Congregation of St. Basil contributions | 414,110 | - | - | 414,110 |
| | \$ 1,099,095 | \$ 960,000 | \$ - | \$ 2,059,095 |

ST. THOMAS MORE COLLEGE

Notes to Financial Statements - Continued

Year ended April 30, 2003

9. Endowments:

| | Balance 2002 | Interest and Interest Allocation | Donations | Transfers to operations and other funds | Balance 2003 |
|----------------------------|-----------------|--|------------|---|-----------------|
| Scholarships and bursaries | \$ 340,275 | \$ 4,776 | \$ 35,050 | \$ 14,634 | \$ 365,467 |
| FAS Campaign | 1,797,792 | 23,580 | 2,200 | 90,000 | 1,733,572 |
| Future Campaign | 126,600 | 1,658 | 100,000 | - | 228,258 |
| Dr. S. Worobetz | 351,200 | 4,943 | 104,394 | 18,864 | 441,673 |
| | \$ 2,615,867 | \$ 34,957 | \$ 241,644 | \$ 123,498 | \$ 2,768,970 |

10. Commitments:

The College has entered into the Infrastructure Services Agreement with the University of Saskatchewan (U of S) which replaced the previous Tuition Revenue Sharing Agreement. This agreement was effective to April 30, 2002. Based on the agreement, the College was committed to reimburse the U of S for 32.18% of the College's tuition revenue for various services provided by the U of S to the College. The College is in negotiations with the University of Saskatchewan to review and revise the current Infrastructure Services Agreement.

11. Ancilliary operations:

Ancilliary operations includes rental operations, chapel, Choices on Campus food services, Ogle Hall residence and other non-operating income. These operations have gross revenues of \$913,087 (2002 - \$880,586).

These ancilliary operations also include amortization of property and equipment of \$51,900 (2002 - \$50,385).

12. 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, 2003

13. Pension contributions:

The College's employees participate in a pension plan which is managed and administered by the University of Saskatchewan. The annual employer contributions of \$202,558 (2002 - \$182,340) are recorded as expenses in these financial statements. Retirement obligations associated with the plan are the responsibility of the University of Saskatchewan.

14. Contributions:

The College received \$444,267 (2002 - \$359,282) in donations for the 2003 fiscal year, excluding donations received by the chapel, gifts in kind and gifts as beneficiaries of life insurance policies or life annuities.

15. Fair value of financial assets and financial liabilities:

The carrying values of cash, term deposits and provincial bonds, accounts receivable, and accounts payable and accrued liabilities 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 \$4,649,920 (2002 - \$3,615,930). The fair value was determined by reference to various market data, as appropriate.

The fair value of the long-term note payable is not practical to determine due to the limited amount of comparable market information available.

16. Comparative figures:

Certain of the 2002 comparative figures have been reclassified to conform with the 2003 presentation.