

Financial Statements of

ST. THOMAS MORE COLLEGE

Year ended April 30, 2005



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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, 2005 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, 2005 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

June 10, 2005

ST. THOMAS MORE COLLEGE

Statement of Financial Position

April 30, 2005, with comparative figures for 2004

	2005	2004
Assets		
Current assets:		
Cash	\$ 1,196,068	\$ 637,881
Term deposits and provincial bonds	-	1,201,937
Accounts receivable (note 3)	731,819	577,889
Inventories	20,049	14,134
Prepaid expenses	59,610	66,679
	<u>2,007,546</u>	<u>2,498,520</u>
Long-term investments (market value \$7,343,191 - 2004 - \$4,754,241)	6,916,525	4,738,518
Property and equipment (note 4)	3,092,267	3,119,143
	<u>\$12,016,338</u>	<u>\$10,356,181</u>

Liabilities and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities	\$ 1,182,006	\$ 631,895
Assisted early retirement (note 5)	29,301	32,668
	<u>1,211,307</u>	<u>664,563</u>
Assisted early retirement (note 5)	54,131	83,432
Deferred capital grants	383,194	411,036
Long-term note payable (note 6)	265,183	285,103
Trust and restricted funds (note 7)	923,791	927,817
Net assets:		
Reserves (note 8)	2,559,095	2,059,095
Endowments (note 9)	3,427,998	3,150,929
Equity in property and equipment	2,443,891	2,423,004
Surplus	747,748	351,202
	<u>9,178,732</u>	<u>7,984,230</u>
Commitments (note 10)		
	<u>\$12,016,338</u>	<u>\$10,356,181</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, 2005, with comparative figures for 2004

	2005	2004
Operating revenue:		
Tuition - credit instruction	\$ 4,537,683	\$ 4,265,182
Government of Saskatchewan grants	4,096,000	3,875,000
Other	685,492	644,334
Amortization of deferred capital grants	27,842	28,718
	9,347,017	8,813,234
Operating expenses:		
Academic salaries	3,131,640	2,733,922
Administrative and support salaries	1,531,388	1,283,825
U of S Infrastructure services (note 10)	1,312,664	1,201,300
Supplies and services	1,146,495	947,643
Employee benefits	666,820	579,213
Amortization of property and equipment	316,720	307,880
Utilities	176,257	145,471
Scholarships	139,033	75,894
	8,421,017	7,275,148
Operating revenue less expenses	926,000	1,538,086
Ancillary operations (note 11)	(8,568)	42,617
Excess of revenue over expenses	917,432	1,580,703
Surplus, beginning of year	351,202	204,167
Appropriations:		
Building reserve	(500,000)	-
Transfer (to) from equity in property and equipment for:		
Amortization of property and equipment	365,576	349,830
Property and equipment purchases, net of disposals and debt repayments	(358,620)	(1,754,780)
Amortization of deferred capital grants	(27,842)	(28,718)
Surplus, end of year	\$ 747,748	\$ 351,202

See accompanying notes to financial statements.

ST. THOMAS MORE COLLEGE

Statement of Equity in Property and Equipment

Year ended April 30, 2005, with comparative figures for 2004

	2005	2004
Equity in property and equipment, beginning of year	\$ 2,423,004	\$ 989,336
Property and equipment purchases, net of disposals	338,700	1,726,380
Amortization of deferred capital grants	27,842	28,718
Amortization of property and equipment	(365,576)	(349,830)
Repayment of debt related to property and equipment	19,921	28,400
	<u>\$ 2,443,891</u>	<u>\$ 2,423,004</u>

See accompanying notes to financial statements.

ST. THOMAS MORE COLLEGE

Statement of Cash Flows

Year ended April 30, 2005, with comparative figures for 2004

	2005	2004
Cash provided by (used in):		
Operations:		
Excess of revenue over expenses	\$ 917,432	\$ 1,580,703
Items not involving cash:		
Amortization	365,576	349,830
Amortization of deferred capital grants	(27,842)	(28,718)
Change in non-cash operating working capital:		
Accounts receivable	(153,930)	(231,699)
Inventories	(5,915)	(3,146)
Prepaid expenses	7,069	885
Accounts payable and accrued liabilities	550,111	(1,693)
Assisted early retirement	(32,668)	(44,806)
	<u>1,619,833</u>	<u>1,621,356</u>
Financing:		
Long-term note payable	(19,920)	(28,400)
Trust and restricted funds	(4,026)	229,938
Increase in endowments	<u>277,069</u>	<u>381,959</u>
	253,123	583,497
Investing:		
Disposal (purchase) of term deposits and provincial bonds	1,201,937	(169,538)
Purchase of property and equipment	(338,700)	(1,726,380)
Purchase of long-term investments	<u>(2,178,006)</u>	<u>(152,125)</u>
	(1,314,769)	(2,048,043)
Increase in cash	558,187	156,810
Cash, beginning of year	637,881	481,071
Cash, end of year	<u>\$ 1,196,068</u>	<u>\$ 637,881</u>

See accompanying notes to financial statements.

ST. THOMAS MORE COLLEGE

Notes to Financial Statements

Year ended April 30, 2005

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. Its financial results are consolidated with these financial statements.

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, 2005

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:

	2005	2004
University of Saskatchewan	\$ 626,543	\$ 455,024
Accrued interest	2,609	11,082
Employee loans and advances	30,008	50,628
Sundry	72,659	61,155
	<u>\$ 731,819</u>	<u>\$ 577,889</u>

ST. THOMAS MORE COLLEGE

Notes to Financial Statements - Continued

Year ended April 30, 2005

4. Property and equipment:

			2005	2004
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
STM:				
Building	\$ 4,550,816	\$ 2,344,956	\$ 2,205,860	\$ 2,177,827
Computer equipment	654,458	508,879	145,579	159,701
Furniture and equipment	502,457	178,783	323,674	344,744
Library collection	610,929	561,851	49,078	47,190
Residence:				
Building	537,516	180,917	356,599	375,368
Kitchen equipment	7,944	6,352	1,592	2,387
Furniture and equipment	20,404	10,519	9,885	11,926
Computer equipment	1,802	1,802	-	-
	\$ 6,886,326	\$ 3,794,059	\$ 3,092,267	\$ 3,119,143

5. Assisted early retirement:

Assisted early retirement payments are due as follows:

	2005	2004
2005	\$ -	\$ 32,668
2006	29,301	29,301
2007	22,082	22,082
2008	10,640	10,640
2009	21,409	21,409
	83,432	116,100
Less current portion	(29,301)	(32,668)
	\$ 54,131	\$ 83,432

ST. THOMAS MORE COLLEGE

Notes to Financial Statements - Continued

Year ended April 30, 2005

6. Long-term note payable:

	2005	2004
Long-term note payable	\$ 265,183	\$ 285,103

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 2004	Interest and Interest Allocation	Donations	Transfers in	Transfers to operations and other funds	Balance 2005
Research grants	\$ 33,087	\$ -	\$ -	\$ 155,905	\$ (85,135)	\$ 103,857
Faculty, student and other trusts	24,252	-	7,440	976	(30,922)	1,746
Scholarships and bursaries	235,467	34,313	79,391	36,775	(113,528)	272,418
Restricted funds	578,074	43,033	46,074	150,419	(329,307)	488,293
For All Seasons Fund Inc.	13,370	-	19,112	-	(26,929)	5,553
For All Seasons - expendable funds	40,567	92,195	8,945	650	(94,233)	48,124
Thinking Future Campaign	3,000	-	800	-	-	3,800
	\$ 927,817	\$ 169,541	\$ 161,762	\$ 344,725	\$ (680,054)	\$ 923,791

ST. THOMAS MORE COLLEGE

Notes to Financial Statements - Continued

Year ended April 30, 2005

8. Reserves:

	Balance 2004	Appropriations	Reductions	Balance 2005
Other religious and cleric contributions	\$ 344,985	\$ -	\$ -	\$ 344,985
Contingency	700,000	-	-	700,000
Academic	300,000	-	-	300,000
Building	300,000	500,000	-	800,000
Congregation of St. Basil contributions	414,110	-	-	414,110
	<u>\$ 2,059,095</u>	<u>\$ 500,000</u>	<u>\$ -</u>	<u>\$ 2,559,095</u>

9. Endowments:

Endowments are designated by donors as permanent assets of the College. To best respect donor's wishes, STM 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 STM scholarships and other academic programs designated by donors. To stabilize annual spending, STM has approved an annual spending policy of 5% of endowment balances. STM's long-term annual investment returns are currently projected to exceed this amount by the annual rate of inflation. The return on endowments are reviewed on an annual basis to ensure they are meeting projected rates of returns. In order to protect the capital, STM 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, STM may increase the amount transferred from the endowment account for spending.

	Balance 2004	Interest	Donations	Transfers in (to) other funds	Balance 2005
Scholarships and bursaries	\$ 416,993	\$ 11,932	\$ 3,000	\$ (42,124)	\$ 389,801
FAS Campaign	1,843,481	55,316	400	(92,194)	1,807,003
Future Campaign	384,204	18,474	208,881	23,126	634,685
Dr. S. Worobetz	506,251	18,215	927	71,116	596,509
	<u>\$ 3,150,929</u>	<u>\$ 103,937</u>	<u>\$ 213,208</u>	<u>\$ (40,076)</u>	<u>\$ 3,427,998</u>

ST. THOMAS MORE COLLEGE

Notes to Financial Statements - Continued

Year ended April 30, 2005

10. Commitments:

The College and the University of Saskatchewan ("U of S") have tentatively agreed to a Revised Infrastructure Services Agreement (RISA). The RISA is pending approval by the U of S Board of Governors and is subject to an academic agreement between the College and the U of S. Based on the revised agreement, the College is committed to reimbursing the U of S for various services provided by the U of S to the College. The RISA, which replaces the previous Infrastructure Services Agreement, is applicable for the fiscal years from 2004 to 2008. The 2005 RISA payment is \$1,312,664 (2004 - \$1,201,300).

ST. THOMAS MORE COLLEGE

Notes to Financial Statements - Continued

Year ended April 30, 2005

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 \$1,100,225 (2004 - \$1,031,884).

These ancilliary operations also include amortization of property and equipment of \$48,856 (2004 - \$41,950).

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.

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 \$249,198 (2004 - \$230,143) 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 \$374,970 (2004 - \$489,345) in donations for the 2005 fiscal year which are included in notes 7 and 9, excluding donations received by the chapel which are included in ancilliary operation on the statements of revenue and expenses and surplus.

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 \$7,343,191 (2004 - \$4,754,241). 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.