

Financial Statements of

**ST. THOMAS MORE COLLEGE**

Year ended April 30, 2009



**KPMG LLP**  
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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, 2009 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, 2009 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

*KPMG LLP*

Chartered Accountants

Saskatoon, Canada  
June 17, 2009

# ST. THOMAS MORE COLLEGE

## Statement of Financial Position

April 30, 2009, with comparative figures for 2008

	2009	2008
<b>Assets</b>		
Current assets:		
Cash	\$ 790,084	\$ 1,805,542
Receivables (note 3)	779,780	275,906
Inventories	23,802	18,511
Prepaid expenses and deposits	52,950	55,772
	1,646,616	2,155,731
Long-term investments (note 4)	10,218,019	12,055,818
Property and equipment (note 5)	3,106,934	3,088,518
	\$ 14,971,569	\$ 17,300,067
<b>Liabilities and Net Assets</b>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 369,041	\$ 1,405,524
Assisted early retirement (note 6)	9,551	10,640
Current portion of obligation under capital lease	53,156	-
	431,748	1,416,164
Assisted early retirement (note 6)	1,234	10,785
Deferred capital grants (note 7)	279,733	304,491
Long-term note payable (note 8)	-	189,584
Obligation under capital lease (note 9)	79,993	-
Trust and restricted funds (note 10)	1,024,273	1,192,974
Net assets:		
Equity in property and equipment	2,694,052	2,594,443
Reserves (note 11)	3,559,095	3,559,095
Endowments (note 12)	5,244,639	6,240,852
Surplus	1,656,802	1,791,679
	13,154,588	14,186,069
Commitments (note 13)		
	\$ 14,971,569	\$ 17,300,067

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, 2009, with comparative figures for 2008

	2009	2008
Operating revenue:		
Government of Saskatchewan grants	\$ 5,640,700	\$ 5,098,900
Tuition - credit instruction	3,594,124	3,677,850
Other	550,453	420,866
Realized investment income (loss)	(32,135)	390,547
Amortization of deferred capital grants	24,758	25,471
	9,777,900	9,613,634
Operating expenses:		
Academic salaries	3,795,841	3,683,976
Administrative and support salaries	1,661,664	1,681,113
U of S infrastructure services	1,259,877	1,574,328
Supplies and services	1,032,764	854,644
Employee benefits	729,690	834,956
Amortization of property and equipment	359,968	321,877
Scholarships	250,246	209,116
Utilities	183,884	218,415
	9,273,934	9,378,425
Operating revenue less expenses	503,966	235,209
Ancillary operations (note 14)	41,650	87,130
Excess of revenue over expenses	545,616	322,339
Surplus, beginning of year	1,791,679	1,109,949
Adjustment for initial recognition of fair value of investments	-	546,892
Transfer from equity in property and equipment for:		
Amortization of property and equipment	382,585	345,523
Property and equipment purchases, net of disposals and debt repayments	(457,436)	(365,378)
Amortization of deferred capital grants	(24,758)	(25,471)
Unrealized investment income (note 4)	(580,884)	(142,175)
Surplus, end of year	\$ 1,656,802	\$ 1,791,679

See accompanying notes to financial statements.

# ST. THOMAS MORE COLLEGE

## Statement of Equity in Property and Equipment

Year ended April 30, 2009, with comparative figures for 2008

	2009	2008
Equity in property and equipment, beginning of year	\$ 2,594,443	\$ 2,549,117
Property and equipment purchases, net of disposals	401,001	335,344
Amortization of deferred capital grants	24,758	25,471
Amortization of property and equipment	(382,585)	(345,523)
Net repayment of debt related to property and equipment	56,435	30,034
	<u>\$ 2,694,052</u>	<u>\$ 2,594,443</u>

See accompanying notes to financial statements.

# ST. THOMAS MORE COLLEGE

## Statement of Cash Flows

Year ended April 30, 2009, with comparative figures for 2008

	2009	2008
Cash flows from (used in):		
Operations:		
Excess of revenue over expenses	\$ 545,616	\$ 322,339
Items not involving cash:		
Amortization	382,585	345,523
Amortization of deferred capital grants	(24,758)	(25,471)
Change in non-cash operating working capital:		
Receivables	(503,874)	854
Inventories	(5,291)	(5,166)
Prepaid expenses and deposits	2,822	(19,632)
Accounts payable and accrued liabilities	(1,036,482)	222,018
Assisted early retirement	(10,640)	(10,724)
	<u>(650,022)</u>	<u>829,741</u>
Financing:		
Increase (decrease) in trust and restricted funds	14,633	62,333
Increase (decrease) in endowments	2,975	527,696
Repayment of long-term note payable	(189,584)	(30,034)
Obligation under capital lease	133,149	-
	<u>(38,827)</u>	<u>559,995</u>
Investing:		
Purchase of property and equipment	(401,001)	(335,344)
(Purchase) sale of long-term investments	74,392	(1,948,660)
	<u>(326,609)</u>	<u>(2,284,004)</u>
Decrease in cash	(1,015,458)	(894,268)
Cash, beginning of year	1,805,542	2,699,810
Cash, end of year	<u>\$ 790,084</u>	<u>\$ 1,805,542</u>

See accompanying notes to financial statements.

# ST. THOMAS MORE COLLEGE

Notes to Financial Statements

Year ended April 30, 2009

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## 1. Description of activities:

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:

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. 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 generally accepted accounting principles 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 could differ from these estimates.

### (c) Investments:

Long-term investments are designated as available for sale and recorded at fair value. Investment returns include interest, dividends, capital gains and losses and currency gains and losses. Investment returns are allocated to endowments and trusts and restricted funds based on the rate of return and the cumulative balances in these funds at the end of the year. Unrealized gains and losses are recorded in equity until they are realized, at which time they are recognized as income. Unrealized losses are expensed if the decline in market value is considered other than temporary.

# ST. THOMAS MORE COLLEGE

Notes to Financial Statements (continued)

Year ended April 30, 2009

## 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	Declining balance	5%
Computer equipment	Straight line	3 years
Furniture and equipment	Straight line	10 years
Library collection	Straight line	5 years

## 3. Receivables:

	2009	2008
University of Saskatchewan	\$ 233,426	\$ 227,323
Employee loans and advances	34,402	32,960
Sundry	61,031	15,623
Government of Saskatchewan	450,921	-
	<u>\$ 779,780</u>	<u>\$ 275,906</u>

# ST. THOMAS MORE COLLEGE

Notes to Financial Statements (continued)

Year ended April 30, 2009

## 4. Investments:

	Cost	2009 Market	Cost	2008 Market
Cash and cash equivalents	\$ 1,499,126	\$ 1,499,092	\$ 1,648,462	\$ 1,648,031
Bonds	2,826,054	2,820,287	3,383,051	3,369,576
Canadian equities	4,853,160	4,410,014	3,918,136	5,045,676
U.S. equities	1,155,066	1,033,195	928,143	853,112
International equities	557,180	424,421	1,092,520	1,113,747
Life insurance policies	31,010	31,010	25,676	25,676
	<u>\$ 10,921,596</u>	<u>\$ 10,218,019</u>	<u>\$ 10,995,988</u>	<u>\$ 12,055,818</u>

Cumulative unrealized investment gains (losses), representing the difference between the cost and market value of investments at April 30, 2009 are reported as follows:

	2008	Change	2009
Surplus	\$ 404,717	\$ (580,884)	\$ (176,167)
Trust and restricted funds (note 10)	98,371	(183,335)	(84,964)
Endowments (note 12)	556,742	(999,188)	(442,446)
	<u>\$ 1,059,830</u>	<u>\$ (1,763,407)</u>	<u>\$ (703,577)</u>

Realized and unrealized investment income for the year ended April 30, 2009 has been allocated as follows:

	Realized investment income (loss)	Unrealized investment income (loss)
Fund:		
Operations	\$ (32,135)	\$ (580,884)
Trust and restricted funds (note 10)	(19,861)	(183,335)
Endowments (note 12)	(106,405)	(999,188)
	<u>\$ (158,401)</u>	<u>\$ (1,763,407)</u>

# ST. THOMAS MORE COLLEGE

Notes to Financial Statements (continued)

Year ended April 30, 2009

## 5. Property and equipment:

	Cost	Accumulated amortization	2009 Net book value	2008 Net book value
STM:				
Building	\$ 4,998,709	\$ 2,816,953	\$ 2,181,756	\$ 2,203,487
Computer equipment	1,116,365	992,131	124,234	156,143
Furniture and equipment	702,233	426,414	275,819	294,490
Library collection	657,344	628,853	28,491	23,784
Leased computer equipment	162,954	54,316	108,638	-
Residence:				
Building	630,410	260,023	370,387	389,881
Kitchen equipment	7,944	7,944	-	-
Furniture and equipment	40,909	23,300	17,609	20,733
Computer equipment	1,802	1,802	-	-
	\$ 8,318,670	\$ 5,211,736	\$ 3,106,934	\$ 3,088,518

## 6. Assisted early retirement:

Assisted early retirement payments are due as follows:

	2009	2008
2009	\$ -	\$ 10,640
2010	9,551	9,551
2011	1,234	1,234
	10,785	21,425
Less current portion	9,551	10,640
	\$ 1,234	\$ 10,785

# ST. THOMAS MORE COLLEGE

Notes to Financial Statements (continued)

Year ended April 30, 2009

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## 7. Deferred capital grants:

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

	2009	2008
Balance, beginning of year	304,491	329,962
Amounts amortized to revenue	(24,758)	(25,471)
	<u>\$ 279,733</u>	<u>\$ 304,491</u>

## 8. Long-term note payable:

	2009	2008
Long-term note payable	\$ -	\$ 189,584

The long term note payable represented 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 was non interest bearing, and repayable based on 50% of current year's income from the operation of the residence, excluding amortization. During the year, St. Thomas More College repaid the loan in its entirety to the Episcopal Corporation of Saskatoon.

## 9. Obligation under capital lease:

Obligation under capital lease represents the obligation of St. Thomas Moore College to Cisco Systems Inc. for the purchase of computer hardware. The lease is payable over a term of 36 months. An implicit rate of 5% was used to calculate the present value of minimum lease payments.

# ST. THOMAS MORE COLLEGE

Notes to Financial Statements (continued)

Year ended April 30, 2009

## 9. Obligation under capital lease (continued):

Future minimum lease payments by year and in aggregate, under this capital lease are as follows:

	2009
2010	\$ 58,606
2011	58,606
2012	24,420
Total minimum lease payments	141,632
Less amount representing interest	8,483
Present value of net minimum capital lease payments	133,149
Current portion of obligations under capital lease	53,156
	\$ 79,993

## 10. Trust and restricted funds:

	Balance 2008	Realized investment income allocation	Unrealized investment income allocation	Donations	Transfers in	Transfers to operations and other funds	Balance 2009
Research grants Faculty, student and other trusts	\$ 177,595 (9,896)	\$ - -	\$ - -	\$ - -	\$ - -	\$ (89,912) 9,896	\$ 87,683 -
Scholarships and bursaries	374,134	(5,852)	(54,199)	109,830	42,884	(209,684)	257,113
Restricted funds	626,942	(12,124)	(111,646)	10,929	45,144	6,888	566,134
For All Seasons	20,199	(1,817)	(11,465)	565	(391)	62,915	70,006
Thinking Future Campaign	4,000	(68)	(6,025)	3,370	58,313	(16,253)	43,337
	\$1,192,974	\$ (19,861)	\$ (183,335)	\$ 124,694	\$ 145,950	\$ (236,150)	\$1,024,273

# ST. THOMAS MORE COLLEGE

Notes to Financial Statements (continued)

Year ended April 30, 2009

## 11. Reserves:

	Balance 2008	Appropriations	Reductions	Balance 2009
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>\$ -</u>	<u>\$ 3,559,095</u>

## 12. 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 originally 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 is 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. In 2009, STM reduced the spending distribution from 5% to 4% due to depressed capital markets and the resulting negative impact on STM's investment portfolio.

	Balance 2008	Realized investment income allocation	Unrealized investment income allocation	Donations	Transfers to operations and other funds	Balance 2009
Scholarships and bursaries	\$ 492,556	\$ (12,363)	\$ (116,090)	\$ 13,300	\$ 464,607	\$ 842,010
FAS Campaign	2,014,009	(33,453)	(314,139)	-	(69,116)	1,597,301
Future Campaign	3,023,033	(48,696)	(457,285)	308,625	(592,892)	2,232,785
Dr. S. Worobetz	711,254	(11,893)	(111,674)	10,000	(25,144)	572,543
	<u>\$6,240,852</u>	<u>\$ (106,405)</u>	<u>\$ (999,188)</u>	<u>\$ 331,925</u>	<u>\$ (222,545)</u>	<u>\$5,244,639</u>

# ST. THOMAS MORE COLLEGE

Notes to Financial Statements (continued)

Year ended April 30, 2009

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## 13. Commitments:

The College and the University of Saskatchewan ("U of S") have agreed to a Campus Services Agreement (CSA). The CSA, which replaces the previous Revised Infrastructure Services Agreement (RISA), is applicable from the 2008 to 20011 fiscal years. 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 amounts of government grants and tuition revenue. The 2009 CSA payment is \$1,259,877 (2008 - \$1,574,328).

## 14. Ancillary operations:

Ancillary operations includes rental operations, chapel, Choices on Campus food services, Ogle Hall residence and other non operating income. These operations have gross revenues of \$1,057,691 (2008 - \$1,063 781).

These ancillary operations also include amortization of property and equipment of \$22,617 (2008 - \$23,646).

## 15. 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.

## 16. Pension contributions:

The College's employees participate in a money purchase and defined benefit pension plans which are managed and administered by the University of Saskatchewan. The annual employer contributions of \$398,370 (2008 - \$315,694) are recorded as expenses in these financial statements.

Recent financial market turmoil has adversely affected the three defined benefit pension plans that some of the College's employees are a part of and are administered by the University of Saskatchewan. Two of these defined benefit pension plans, the Retirees Pension Plan and 1999 Academic Defined Benefit Pension Plan must file an actuarial valuation at December 31, 2009. The next required filing date for the Non Academic Pension Plan is December 31, 2010, however, after the December 31, 2009 actuarial valuations have been completed, the University of Saskatchewan will determine if filing this plan at December 31, 2009 will be advantageous. The University of Saskatchewan and the College have yet to determine the extent to which the College will share in any potential shortfall from any of these plans and, as a result, the total projected shortfall was not available at the date the financial statements were completed.

# ST. THOMAS MORE COLLEGE

Notes to Financial Statements (continued)

Year ended April 30, 2009

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## **17. Contributions:**

The College received \$456,619 (2008 - \$594,204) in donations for the 2009 fiscal year which are included in notes 9 and 11, excluding donations received by the chapel which are included in ancillary operation on the statements of revenue and expenses and surplus. Included in the \$456,619 is \$107,284 (2008 - \$313,084) of gifts in kind representing shares in public companies donated to the College.

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

The carrying values of cash, receivables and accounts payable and accrued liabilities and capital leases 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.

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

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 minimised by dealing with financial institutions that have strong credit ratings. Credit risk related to accounts receivable is considered minimal.