Financial Statements of

ST. THOMAS MORE COLLEGE

And Independent Auditor’s Report thereon

Year ended April 30, 2023

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INDEPENDENT AUDITOR'S REPORT

To the Board of Governors of St. Thomas More College

Opinion

We have audited the financial statements of St. Thomas More College (the College), which comprise

- the statement of financial position as at April 30, 2023
- the statement of revenues and expenses and surplus for the year then ended
- the statement of equity in property and equipment for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements, present fairly, in all material respects, the financial position of the College as at April 30, 2023, 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.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditor's Responsibilities for the Audit of the Financial Statements***" section of our auditor's report.

We are independent of the College in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is responsible for assessing the College's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the College or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the College's financial reporting process.

KPMG

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

  The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the College's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the College to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG LLP

Chartered Professional Accountants
Saskatoon, Canada
June 22, 2023

ST. THOMAS MORE COLLEGE

Statement of Financial Position

April 30, 2023 with comparative information for 2022

		2023		2022
Assets				
Current assets:				
Cash	$	1,891,769	$	1,455,442
Receivables (note 3)		1,456,455		815,756
Inventories		16,430		23,426
Prepaid expenses and deposits		107,534		102,328
Short-term investments (note 4)		1,053,338		831,498
		4,525,526		3,228,450
Long-term investments (note 4)		22,139,095		21,043,933
Property and equipment (note 5)		16,972,838		17,359,053
	$	43,637,459	$	41,631,436
Liabilities and Net Assets				
Current liabilities:				
Accounts payable and accrued liabilities	$	1,270,153	$	1,412,855
Current portion of long-term debt (note 7)		254,665		246,660
		1,524,818		1,659,515
Long-term debt (note 7)		5,954,138		6,208,803
Deferred capital grants (note 8)		1,575,739		1,614,320
Deferred capital contributions (note 8)		1,734,304		1,775,952
Restricted and trust funds (note 9)		4,416,555		3,865,637
Net assets:				
Equity in property and equipment		7,453,992		7,513,318
Reserves (note 10)		2,681,203		2,370,000
Endowments (note 11)		16,424,935		15,937,013
Surplus		1,871,775		686,878
		28,431,905		26,507,209
Commitments (note 12)				
	$	43,637,459	$	41,631,436

See accompanying notes to financial statements.

On behalf of the Board:

Helen Horsman Director

Director

ST. THOMAS MORE COLLEGE

Statement of Revenue and Expenses and Surplus

Year ended April 30, 2023, with comparative information for 2022

	2023	2022
Operating revenue:		
Government of Saskatchewan grants	$ 7,208,300	$ 7,257,500
Tuition - credit instruction	7,959,229	6,499,465
Other	633,099	503,996
Investment income (note 4)	164,127	51,030
	15,964,755	14,311,991
Operating expenses:		
Academic salaries	5,810,782	5,804,331
Administrative and support salaries	2,682,837	2,767,047
USask infrastructure services (note 12)	1,893,619	1,366,345
Supplies and services	1,474,012	1,276,036
Employee benefits	1,358,542	1,317,960
Amortization of property and equipment	686,698	634,603
Scholarships and bursaries	211,431	203,763
Utilities	241,298	211,671
	14,359,219	13,581,756
Operating revenue less expenses	1,605,536	730,235
Ancillary revenues (note 13)	235,990	139,302
Ancillary expenses (note 13)	(404,752)	(304,394)
	(168,762)	(165,092)
Excess of revenue over expenses	1,436,774	565,143
Surplus, beginning of year	686,878	324,892
Reserve transfer:		
Building reserve (note 10)	(311,203)	230,000
Transfer from (to) equity in property and equipment for:		
Amortization of property and equipment	686,698	634,603
Property and equipment purchases, net of disposals	(300,483)	(749,156)
Net decrease in debt	(246,660)	(238,380)
Deferred capital grants and contributions	300	300
Amortization of deferred capital grants and contributions	(80,529)	(80,524)
Surplus, end of year	$ 1,871,775	$ 686,878

See accompanying notes to financial statements.

ST. THOMAS MORE COLLEGE

Statement of Equity in Property and Equipment

Year ended April 30, 2023, with comparative information for 2022

	2023	2022
Equity in property and equipment, beginning of year	$ 7,513,318	$ 7,080,161
Property and equipment purchases, net of disposals	300,483	749,156
Deferred capital grants and contributions	(300)	(300)
Amortization of deferred capital grants and contributions	80,529	80,524
Amortization of property and equipment	(686,698)	(634,603)
Net decrease in debt related to property and equipment	246,660	238,380
	$ 7,453,992	$ 7,513,318

See accompanying notes to financial statements.

ST. THOMAS MORE COLLEGE

Statement of Cash Flows

Year ended April 30, 2023, with comparative information for 2022

		2023		2022
Cash flows from (used in):				
Operations:				
Excess of revenue over expenses	$	1,436,774	$	565,143
Items not involving cash:				
Amortization of property and equipment		686,698		634,603
Loss (gain) on disposal of equipment		857		(1,058)
Amortization of deferred capital grants		(38,580)		(38,581)
Amortization of deferred capital contributions		(41,949)		(41,943)
		2,043,800		1,118,164
Change in non-cash operating working capital:				
Receivables		(640,699)		(215,503)
Inventories		6,996		(1,353)
Prepaid expenses		(5,206)		(35,857)
Accounts payable and accrued liabilities		(142,702)		264,319
		1,262,189		1,129,770
Financing:				
Decrease in long-term debt		(246,660)		(238,380)
Increase in restricted and trust funds		550,918		556,787
Increase in deferred capital contributions		300		300
Increase in endowments		487,922		295,248
		792,480		613,955
Investing:				
Purchase of property and equipment		(301,340)		(749,156)
Net change in short-term investments		(221,840)		562,290
Net change in long-term investments		(1,095,162)		(1,271,866)
Proceeds on disposal of equipment		-		1,058
		(1,618,342)		(1,457,674)
Net increase in cash		436,327		286,051
Cash, beginning of year		1,455,442		1,169,391
Cash, end of year	$	1,891,769	$	1,455,442

See accompanying notes to financial statements.

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 recognizes contributions in accordance with the deferral method of accounting for contributions for not-for-profit organizations.

Contributions and investment income externally restricted for purposes other than endowments are deferred and recognized as revenue in the period in which the related expenses are incurred. Externally restricted amounts can only be used for the purposes designated by external parties.

Unrestricted contributions are recognized as revenue when received or receivable if amounts can be reasonably estimated and collection is reasonably assured. Due to the uncertainty involved in collecting pledged donations, they are not recognized until received.

Endowment contributions and investment income earned on endowments are recognized as direct increases in net assets in the period in which they are received and earned.

Externally restricted contributions received towards the acquisition of property and equipment are deferred and amortized to revenue on the same basis as the related depreciable property and equipment are amortized.

Tuition and other fees are recognized as revenue based on the academic period of the related courses or programs.

Other types of revenue are recognized in the period to which they relate.

2. Significant accounting policies (continued):

(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) Investments:

Short-term and long-term investments are stated at fair value (note 4) and valued at year-end quoted market prices, where available. Investment income for operations is recognized in the statement of revenue and expenses. Investment income for 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.

Short term investments consist only of cash and cash equivalents held within the College's investment holdings.

(d) Restricted and trust funds:

Contributions received which are to be expended for specific purposes are recorded as restricted and trust 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.

2. Significant accounting policies (continued):

(f) 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 and buildings components	Straight line	20-50 years
Computer equipment	Straight line	3-5 years
Furniture and equipment	Straight line	10 years
Library collection	Straight line	5-10 years

(g) 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.

(h) New Canadian accounting standards for not-for-profit organizations:

There were no material amendments to accounting standards effective for the year ended April 30, 2023.

3. Receivables:

	2023	2022
University of Saskatchewan	$ 1,402,763	$ 758,014
Employee loans and advances	27,105	46,733
Sundry	26,587	11,009
	$ 1,456,455	$ 815,756

4. Investments:

	2023		2022	
	Cost	Market	Cost	Market
Portfolio investments	$ 22,204,110	$ 23,131,518	$ 21,141,746	$ 21,816,025
Life insurance policies	60,915	60,915	59,406	59,406
	22,265,025	23,192,433	21,201,152	21,875,431
Long-term investments	21,211,687	22,139,095	20,369,654	21,043,933
Short-term investments	1,053,338	1,053,338	831,498	831,498
	$ 22,265,025	$ 23,192,433	$ 21,201,152	$ 21,875,431

Investments (at fair value) held for:	2023	2022
Restricted funds, excluding research grants and trusts	$ 4,086,295	$ 3,509,697
Endowments	16,424,935	15,937,013
Internally restricted investments	2,681,203	2,370,000
Other	-	58,721
	$ 23,192,433	$ 21,875,431

The College has $2,681,203 (2022 - $2,370,000) of internally restricted investments that can be used by the College to fund its reserves.

4. Investments (continued):

The College's Board of Governors has approved a Restricted Fund and Endowment Management Policy (note 11) which outlines the rules governing its endowment and restricted funds. Funds are invested in accordance with the College's Investment Policy, which is approved by the College's Board of Governors. The primary objectives for the College's investment portfolio are:

- to earn a real rate of return of 4% after expenses over the long-term. This will fulfill the fund's objectives to meet its expenditure requirements and maintain capital in real terms; and
- to earn a rate of return that exceeds a benchmark that is comprised of market indices relevant to the actual asset mix, as established from time to time by the Finance and Investment Committee of the Board of Governors.

The asset allocation of the investment portfolio at April 30, 2023 was as follows:

	2023	2022
Growth securities	60%	63%
Fixed income	24%	19%
Cash and cash equivalents	5%	4%
Other	11%	14%

Investment income (loss) has been allocated as follows:

	2023	2022
Operations	$ 164,127	$ 51,030
Restricted funds (note 9)	116,304	34,129
Endowments (note 11)	554,265	180,062
	$ 834,696	$ 265,221

5. Property and equipment:

	Cost	Accumulated amortization	2023 Net book value	2022 Net book value
Buildings and building components	$ 22,275,366	$ 5,903,754	$ 16,371,612	$ 16,637,142
Computer equipment	2,268,632	2,013,351	255,281	341,753
Furniture and equipment	2,079,613	1,739,186	340,427	371,691
Library collection	793,723	788,205	5,518	8,467
	$ 27,417,334	$ 10,444,496	$ 16,972,838	$ 17,359,053

6. Short-term debt:

The College maintains a demand operating line of credit with a limit of $1.5 million for day-to-day working capital needs as required. Payments are interest-only at a floating interest rate of prime less 0.5% on any outstanding balances. At April 30, 2023 and 2022 no amounts were drawn under this facility.

7. Long-term debt:

	2023	2022
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 general security agreement on assets of the College.	$ 2,588,435	$ 2,705,672
Toronto-Dominion - Mortgage repayable in blended monthly installments of $20,936 with a fixed interest rate of 3.30%. Due November 17, 2042, subject to renewal in May 2032, secured by general security agreement on assets of the College.	3,620,368	3,749,791
	6,208,803	6,455,463
Less current portion	254,665	246,660
	$ 5,954,138	$ 6,208,803

Interest incurred on long-term debt and expensed in these statements was $215,581 (2022 - $223,873).

7. Long-term debt (continued):

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

April 30, 2023	$	254,665
April 30, 2024		2,605,439
April 30, 2025		142,861
April 30, 2026		147,647
April 30, 2027		152,328
Thereafter		2,905,863
	$	6,208,803

8. Deferred capital grants and contributions:

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

		2023		2022
Balance, beginning of year	$	1,614,320		1,652,901
Amounts amortized to revenue		(38,581)		(38,581)
Balance, end of year	$	1,575,739		1,614,320

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

		2023		2022
Balance, beginning of year	$	1,775,952	$	1,817,595
Additions during the year		300		300
Amounts amortized to revenue		(41,948)		(41,943)
Balance, end of year	$	1,734,304	$	1,775,952

9. Restricted and trust funds:

	Balance 2022	Investment Income	Donations	Distribution from endowments	Recognized for scholarships and bursaries	Other net changes	Balance 2023
Research grants	$336,363	$ -	$ -	$ -	$ -	$(35,731)	$300,632
Faculty, student and other trusts	11,213	-	-	-	-	$18,415	$29,628
Scholarships and bursaries	1,718,821	55,520	74,649	222,177	(186,503)	-	1,884,664
Other restricted funds	1,799,240	60,784	250,841	288,875	(1,000)	(197,109)	2,201,631
	$3,865,637	$116,304	$325,490	$511,052	$(187,503)	$(214,425)	$4,416,555

10. Reserves

	Balance 2022	Transfers	Balance 2023
Building	$ 2,370,000	$ 311,203	$ 2,681,203

11. Endowments:

Contributions restricted for endowments consist of externally restricted donations received by the College as well as funds internally restricted by the College, exercising its discretion. Endowment contributions are designated by donors as permanent assets of the College. To best respect donors' wishes, the College is accountable to maintain the capital donated and manage the endowment investment returns to ensure stable and sustainable annual expenditures are made from endowment accounts to support scholarships, academic programs and operations designated by donors. The College allocates investment returns to each endowment based on their respective balances according to College's Restricted Fund and Endowment Management Policy. By allocating nominal investment returns to endowments, the College can maintain the real purchasing power of the capital inside the endowment assuming nominal investment returns outpace inflation by the College's disbursement rate on a long-term basis.

During the year, the College implemented a revised Restricted Fund and Endowment Management Policy. Under the revised policy, the annual spending is 4% of the endowment fund's average market value for the four preceding fiscal years (2022 - 4% of donated capital), provided there is adequate accumulated investment income.

Endowment balances include internal funds appropriated from reserves totaling $1,759,095 (2022 - $1,759,095). These represent funds transferred from reserves, under the discretion of the College’s Board of Governors, to support activities and programs of the associated endowments.

	Balance 2022	Investment Income	Donations	Distributions from endowments	Balance 2023
Scholarships and bursaries	$5,614,856	$192,692	$6,045	$ (221,279)	$ 5,592,314
Other endowments	7,751,986	273,416	438,664	(186,961)	8,277,105
Catholic Studies	2,570,171	88,157	-	(102,812)	2,555,516
	$15,937,013	$ 554,265	$444,709	$ (511,052)	$16,424,935

12. Commitments:

The College has an Academic and Financial Partnership Agreement ("AFPA") with the University of Saskatchewan ("USask") that is in effect from May 1, 2020 - April 30, 2025. Under the AFPA, tuition revenue earned by the College is based on an agreed upon proportion of the total tuition pool generated from courses taught by both the College and USask, all the tuition generated from courses exclusive to the College, and all the international student tuition premium from all College courses. This agreement is to enhance coordination and cooperation between the College and USask. The AFPA also establishes an Annual Service Fee based on the combined government operating grant and tuition revenue. During the year, the College and USask renegotiated some terms in the AFPA and settled on teaching variances under the terms of agreement. As a result, the College received a one-time payment for teaching variances in the first two years of the agreement (included in tuition revenue). Furthermore, the College and USask modified the agreement to include all tuition in the common tuition pool, regardless of the home of the student, and accordingly increased the Annual Service fee to 12.6% (2022 - 10.07%). During 2022-2023 the tuition generated was $7,959,229 (2022 -$6,499,465) and Annual Service Fee payable was $1,893,619 (2022 - $1,366,345).

13. Ancillary operations:

Ancillary operations include rental operations, chapel, Choices on Campus food services and other non-operating income.

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 (defined contribution plans with equal contributions by employees and the College) and defined benefit pension plans which are administered by USask. The annual employer contributions for 2023 of $565,423 (2022 - $555,480) are recorded as expenses in these financial statements.

The College's employees participate in various pension plans administered by USask. Almost all the College's employees belong to defined contribution pension plans (money purchase). There are three employees that belong to the Academic Defined Benefit plan administered by USask, which is currently in a surplus position. There were no significant changes to the pension plans during the year and the next valuation for the Academic Defined Benefit Plan is scheduled for December 31, 2023.

16. Contributions:

The College received $770,499 (2022 - $977,689) in donations for the 2023 fiscal year, excluding donations received by the chapel which are included in ancillary operations on the statement of revenues and expenses and surplus.

17. Financial instruments and risk management:

The carrying values of cash, receivables, accounts payable, 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. Capital management:

The College's overall objective when managing capital is to ensure the College has adequate capital to fund property and equipment, future projects and ongoing operations. The College manages its capital through an annual budgeting process and by appropriating amounts to reserves for anticipated future projects and other priorities. In addition, the College manages capital with respect to endowments in accordance with a Restricted Fund and Endowment Management Policy that is approved by the College's Board of Governors, as outlined in note 4.

The College is not subject to any other externally imposed capital requirements and its approach to capital management remains unchanged from the prior year.

19. Prior Year Figures:

Certain of the prior year figures were reclassified to conform with the current year's presentation. There was no impact on the excess of revenue over expenses.