

Financial Statements of

**ST. THOMAS MORE COLLEGE**

Year ended April 30, 2017

# 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, 2017 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, 2017 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.

Chartered Professional Accountants

September 29, 2017

Saskatoon, Canada

# ST. THOMAS MORE COLLEGE

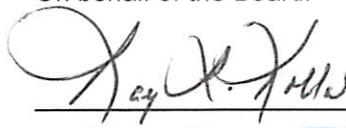
## Statement of Financial Position

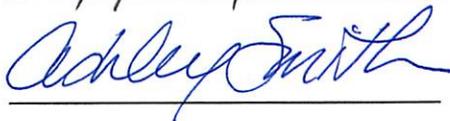
April 30, 2017, with comparative information for 2016

	2017	2016
<b>Assets</b>		
Current assets:		
Cash	\$ 447,465	\$ 28,114
Receivables (note 3)	416,350	390,353
Inventories	13,055	14,667
Prepaid expenses and deposits	101,629	101,198
	978,499	534,332
Long-term investments (note 4)	18,964,398	16,661,236
Property and equipment (note 5)	16,570,434	12,368,382
	\$ 36,513,331	\$ 29,563,950
<b>Liabilities and Net Assets</b>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 2,141,978	\$ 1,226,705
Short-term debt (note 6)	3,163,628	200,175
Current portion of long-term debt (note 7)	98,405	89,250
	5,404,011	1,516,130
Long-term debt (note 7)	3,128,989	3,230,786
Deferred capital grants (note 8)	1,347,903	633,254
Deferred capital contributions (note 8)	1,793,151	1,667,703
Trust and restricted funds (note 9)	2,712,547	2,098,710
Net assets:		
Equity in property and equipment	7,038,358	6,547,214
Reserves (note 10)	3,059,095	2,059,095
Endowments (note 11)	11,927,593	10,256,898
Surplus	101,684	1,554,160
	22,126,730	20,417,367
Commitments (note 12)		
	\$ 36,513,331	\$ 29,563,950

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, 2017, with comparative information for 2016

	2017	2016
<b>Operating revenue:</b>		
Government of Saskatchewan grants	\$ 7,073,600	\$ 7,141,600
Tuition - credit instruction	4,902,470	4,674,339
Other	508,155	493,868
Investment income (loss) (note 4)	703,503	(23,227)
	<b>13,187,728</b>	<b>12,286,580</b>
<b>Operating expenses:</b>		
Academic salaries	5,688,924	5,277,932
Administrative and support salaries	2,489,756	2,311,881
U of S infrastructure services	1,657,881	1,631,223
Supplies and services	1,269,614	1,260,185
Employee benefits	1,174,874	1,141,597
Amortization of property and equipment	419,010	456,588
Scholarships	234,544	247,210
Utilities	215,570	202,100
	<b>13,150,173</b>	<b>12,528,716</b>
Operating revenue less expenses	37,555	(242,136)
Ancillary revenues (note 13)	557,718	561,633
Ancillary expenses (note 13)	(556,605)	(581,809)
	1,113	(20,176)
Earnings (loss) before undernoted	38,668	(262,312)
Gain on disposal of equipment	-	2,167
Excess (deficiency) of revenue over expenses	38,668	(260,145)
Surplus, beginning of year	1,554,160	1,780,423
<b>Reserve transfer:</b>		
Appropriation of building reserve (note 10)	(1,000,000)	-
<b>Transfer from (to) equity in property and equipment for:</b>		
Amortization of property and equipment	419,010	456,588
Property and equipment purchases, net of disposals	(4,621,062)	(653,102)
Net increase in (repayment of) debt	2,870,811	(293,953)
Deferred capital grants and contributions	889,756	567,218
Amortization of deferred capital grants and contributions	(49,659)	(42,869)
Surplus, end of year	\$ 101,684	\$ 1,554,160

See accompanying notes to financial statements.

# ST. THOMAS MORE COLLEGE

## Statement of Equity in Property and Equipment

Year ended April 30, 2017, with comparative information for 2016

	2017	2016
Equity in property and equipment, beginning of year	\$ 6,547,214	\$ 6,581,096
Property and equipment purchases	4,621,062	653,102
Deferred capital grants and contributions	(889,756)	(567,218)
Amortization of deferred capital grants and contributions	49,659	42,869
Amortization of property and equipment	(419,010)	(456,588)
Net repayment of (increase in) debt related to property and equipment	(2,870,811)	293,953
	<u>\$ 7,038,358</u>	<u>\$ 6,547,214</u>

See accompanying notes to financial statements.

# ST. THOMAS MORE COLLEGE

## Statement of Cash Flows

Year ended April 30, 2017, with comparative information for 2016

	2017	2016
Cash flows from (used in):		
Operations:		
Excess (deficiency) of revenue over expenses	\$ 38,668	\$ (260,145)
Items not involving cash:		
Amortization of property and equipment	419,010	456,588
Gain on disposal of equipment	-	(2,167)
Amortization of deferred capital grants	(11,057)	(7,757)
Amortization of deferred capital contributions	(38,602)	(35,112)
Unrealized investment (gains) losses	(309,938)	276,323
Change in non-cash operating working capital:		
Receivables	(25,997)	27,493
Inventories	1,612	953
Prepaid expenses	(431)	(52,644)
Accounts payable and accrued liabilities	(17,459)	29,038
	55,806	432,570
Financing:		
Increase in short-term debt	2,963,453	(200,263)
Decrease in long-term debt	(92,642)	(93,690)
Increase in trust and restricted funds	512,429	107,462
Increase in deferred capital grants	725,706	361,766
Increase in deferred capital contributions	164,050	205,452
Increase in endowments	1,062,729	729,687
	5,335,725	1,110,414
Investing:		
Accounts payable and accrued liabilities	932,732	(24,668)
Purchase of property and equipment	(4,621,062)	(653,102)
Purchase of long-term investments	(1,283,850)	(955,887)
Proceeds on disposal of equipment	-	2,275
	(4,972,180)	(1,631,382)
Net increase (decrease) in cash	419,351	(88,398)
Cash, beginning of year	28,114	116,512
Cash, end of year	\$ 447,465	\$ 28,114

See accompanying notes to financial statements.

# ST. THOMAS MORE COLLEGE

## Notes to Financial Statements

Year ended April 30, 2017

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### 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 restricted investment income earned on endowments are not available for disbursement and 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 capital assets are deferred and amortized to revenue on the same basis as the related depreciable capital assets 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.

# ST. THOMAS MORE COLLEGE

Notes to Financial Statements (continued)

Year ended April 30, 2017

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## 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) 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.

### (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) 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

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# ST. THOMAS MORE COLLEGE

Notes to Financial Statements (continued)

Year ended April 30, 2017

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## 2. Significant accounting policies (continued):

### (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.

## 3. Receivables:

	2017	2016
University of Saskatchewan	\$ 318,095	\$ 291,126
Employee loans and advances	32,500	64,000
Sundry	65,755	35,227
	<u>\$ 416,350</u>	<u>\$ 390,353</u>

# ST. THOMAS MORE COLLEGE

Notes to Financial Statements (continued)

Year ended April 30, 2017

## 4. Long-term investments:

	2017		2016	
	Cost	Market	Cost	Market
Franklin Templeton Balanced Institutional Trust	\$ 18,914,371	\$ 18,892,478	\$ 17,634,018	\$ 16,592,813
Life insurance policies	71,920	71,920	68,423	68,423
	<b>\$ 18,986,291</b>	<b>\$ 18,964,398</b>	<b>\$ 17,702,441</b>	<b>\$ 16,661,236</b>

The College's Board of Governors has approved an Endowment Management Policy which outlines the rules governing its endowment 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 College is committed to socially responsible investing and the maintenance of appropriate measures to ensure that all 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%

Investment income for the year ended April 30, 2017 has been allocated as follows:

	Realized	Unrealized	Total
Operations	\$ 393,565	\$ 309,938	\$ 703,503
Trust and restricted funds (note 9)	127,556	101,408	228,964
Endowments (note 11)	764,724	607,966	1,372,690
	<b>\$ 1,285,845</b>	<b>\$ 1,019,312</b>	<b>\$ 2,305,157</b>

# ST. THOMAS MORE COLLEGE

Notes to Financial Statements (continued)

Year ended April 30, 2017

## 5. Property and equipment:

			2017	2016
	Cost	Accumulated amortization	Net book value	Net book value
Building	\$ 15,334,287	\$ 3,558,584	\$ 11,775,703	\$ 11,312,296
Construction-in-progress	4,178,103	-	4,178,103	411,697
Computer equipment	1,789,230	1,704,933	84,297	46,573
Furniture and equipment	1,601,931	1,092,946	508,985	580,500
Library collection	728,641	705,295	23,346	17,316
Leased computer equipment	162,954	162,954	-	-
	\$ 23,795,146	\$ 7,224,712	\$ 16,570,434	\$ 12,368,382

During the year, the College continued 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:

During the year, the College obtained a demand interim construction loan with a limit of \$5 million to fund part of the North Building Renewal Project. Payments are interest only at a floating interest rate of prime less 0.5% on any outstanding balances.

The College also 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. The line of credit is secured by a general security agreement.

	2017	2016
Interim construction loan	\$ 3,163,628	\$ -
Operating line of credit	-	200,175
	\$ 3,163,628	\$ 200,175

# ST. THOMAS MORE COLLEGE

Notes to Financial Statements (continued)

Year ended April 30, 2017

## 7. Long-term debt:

	2017	2016
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.	\$ 3,227,394	\$ 3,320,036
Less current portion	98,405	89,250
	<u>\$ 3,128,989</u>	<u>\$ 3,230,786</u>

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

2018	\$ 98,405
2019	101,956
2020	105,347
2021	109,436
2022	113,385
Thereafter	2,698,865
	<u>\$ 3,227,394</u>

# ST. THOMAS MORE COLLEGE

Notes to Financial Statements (continued)

Year ended April 30, 2017

## 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:

	2017	2016
Balance, beginning of year	\$ 633,254	\$ 279,245
Additions during the year	725,706	361,766
Amounts amortized to revenue	(11,057)	(7,757)
<b>Balance, end of year</b>	<b>\$ 1,347,903</b>	<b>\$ 633,254</b>

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:

	2017	2016
Balance, beginning of year	\$ 1,667,703	\$ 1,497,363
Additions during the year	164,050	205,452
Amounts amortized to revenue	(38,602)	(35,112)
<b>Balance, end of year</b>	<b>\$ 1,793,151</b>	<b>\$ 1,667,703</b>

# ST. THOMAS MORE COLLEGE

Notes to Financial Statements (continued)

Year ended April 30, 2017

## 9. Trust and restricted funds:

	Balance 2016	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 2017
Research grants	\$ 180,306	\$ -	\$ -	\$ 40,000	\$ -	\$ -	\$ -	\$ 333,994	\$ 554,300
Faculty, student and other trusts	25,056	-	-	980	-	(500)	-	17,398	42,934
Scholarships and bursaries	425,118	30,477	24,230	15,750	25,550	(45,379)	5,000	12,050	492,796
Restricted funds	1,001,152	65,559	52,120	28,151	91,330	(53,660)	(130,000)	(47,327)	1,007,325
For All Seasons	71,712	5,124	4,073	3,501	7,623	-	(5,000)	-	87,033
Thinking Future Campaign	395,366	26,396	20,985	17,912	192,586	(69,755)	-	(55,331)	528,159
	\$ 2,098,710	\$ 127,556	\$ 101,408	\$ 106,294	\$ 317,089	\$ (169,294)	\$ (130,000)	\$ 260,784	\$ 2,712,547

## 10. Reserves:

	Balance 2016	Appropriations	Reallocations	Balance 2017
Academic	\$ 300,000	\$ -	\$ -	\$ 300,000
Chair for Indigenous Spirituality and Reconciliation	759,095	-	-	759,095
Building	1,000,000	1,000,000	-	2,000,000
	\$ 2,059,095	\$ 1,000,000	\$ -	\$ 3,059,095

# ST. THOMAS MORE COLLEGE

Notes to Financial Statements (continued)

Year ended April 30, 2017

## 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. To protect the capital, the College allocates investment returns to each endowment based on their respective balances according to College's 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. These accumulated investment returns also provide greater assurance that endowment disbursements can be made consistently and evenly year-over-year regardless of the actual investment return in any given year.

	Balance 2016	Realized investment income	Unrealized investment income	Donations	Distributions to restricted funds	Inter-fund transfers	Other net changes in deferred revenue	Balance 2017
Scholarships and bursaries	\$ 2,077,980	\$ 157,136	\$ 124,925	\$ 79,250	\$ (73,185)	\$ 117,571	\$ -	\$ 2,483,677
FAS Campaign	1,821,552	131,516	104,557	-	(7,623)	-	(55,608)	1,994,394
Future Campaign	3,408,860	254,741	202,523	227,395	(121,904)	12,429	-	3,984,044
Creating More Worobetz	820,099	60,330	47,963	31,000	(30,104)	-	-	929,288
Catholic Studies	2,128,407	161,001	127,998	203,057	(84,273)	-	-	2,536,190
	<b>\$ 10,256,898</b>	<b>\$ 764,724</b>	<b>\$ 607,966</b>	<b>\$ 540,702</b>	<b>\$ (317,089)</b>	<b>\$ 130,000</b>	<b>\$ (55,608)</b>	<b>\$ 11,927,593</b>

# ST. THOMAS MORE COLLEGE

Notes to Financial Statements (continued)

Year ended April 30, 2017

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## 12. Commitments:

Under the Campus Services Agreement ("CSA") between the College and the University of Saskatchewan ("U of S"), 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 CSA expired on 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. The 2017 CSA payment is \$1,657,881 (2016 - \$1,631,223).

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 June 30, 2017. The College will use a combination of debt financing, donations, and internal reserves to fund the project. The construction costs incurred to date on the project are reflected in note 5.

## 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. Government remittances:

As of April 30, 2017, the College had outstanding government payroll remittances totaling \$286,953 (2016 - \$250,523) that were paid subsequent to year end.

# ST. THOMAS MORE COLLEGE

Notes to Financial Statements (continued)

Year ended April 30, 2017

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## 16. 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 2017 of \$560,433 (2016 - \$539,659) 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 6.95% of the payroll of the employee group affected. On May 1, 2016, the pension surcharge rate increased from 6.95% to 7.15% on the non-academic pension plan. The total pension surcharge paid to the U of S in the 2017 fiscal year was \$21,961 (2016 - \$27,051). 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.

## 17. Contributions:

The College received \$811,046 (2016 - \$692,619) in donations for the 2017 fiscal year, excluding donations received by the chapel which are included in ancillary operations on the statement of revenues and expenses and surplus. Included in the \$811,046 is \$9,995 (2016 - \$40,693) representing shares in public companies donated to and receipted by the College. These shares were sold in the same year.

# ST. THOMAS MORE COLLEGE

Notes to Financial Statements (continued)

Year ended April 30, 2017

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## **18. 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.

## **19. Capital management:**

The College's overall objective when managing capital is to ensure the College has adequate capital to fund capital assets, 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 an 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.