

Financial Statements of

ST. THOMAS MORE COLLEGE

Year ended April 30, 2018



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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, 2018 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, 2018 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.

KPMG LLP

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Chartered Professional Accountants

Saskatoon, Canada
June 28, 2018

ST. THOMAS MORE COLLEGE

Statement of Financial Position

April 30, 2018, with comparative information for 2017

	2018	2017
Assets		
Current assets:		
Cash	\$ 130,315	\$ 447,465
Receivables (note 3)	397,267	416,350
Inventories	18,972	13,055
Prepaid expenses and deposits	97,019	101,629
	643,573	978,499
Long-term investments (note 4)	19,269,724	18,964,398
Property and equipment (note 5)	17,819,094	16,570,434
	\$ 37,732,391	\$ 36,513,331
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 1,050,507	\$ 2,469,108
Short-term debt (note 6)	581,441	3,163,628
Current portion of long-term debt (note 7)	215,550	98,405
	1,847,498	5,731,141
Long-term debt (note 7)	7,135,542	3,128,989
Deferred capital grants (note 8)	1,769,597	1,347,903
Deferred capital contributions (note 8)	1,908,671	1,793,151
Trust and restricted funds (note 9)	2,121,731	2,385,417
Net assets:		
Equity in property and equipment	6,208,293	7,038,358
Reserves (note 10)	3,659,095	3,059,095
Endowments (note 11)	12,950,670	11,927,593
Surplus	131,294	101,684
	22,949,352	22,126,730
Commitments (note 12)		
	\$ 37,732,391	\$ 36,513,331

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, 2018, with comparative information for 2017

	2018	2017
Operating revenue:		
Government of Saskatchewan grants	\$ 6,822,000	\$ 7,073,600
Tuition - credit instruction	5,303,808	4,902,470
Other	998,460	508,155
Investment income (note 4)	76,181	703,503
	13,200,449	13,187,728
Operating expenses:		
Academic salaries	5,738,984	5,688,924
Administrative and support salaries	2,469,050	2,489,756
U of S infrastructure services	1,675,353	1,657,881
Supplies and services	1,244,419	1,269,614
Employee benefits	1,227,736	1,174,874
Amortization of property and equipment	549,775	419,010
Scholarships	220,430	234,544
Utilities	227,676	215,570
	13,353,423	13,150,173
Operating revenue less expenses	(152,974)	37,555
Ancillary revenues (note 13)	486,307	557,718
Ancillary expenses (note 13)	(534,149)	(556,605)
	(47,842)	1,113
Earnings (loss) before undernoted	(200,816)	38,668
Gain on disposal of equipment	361	-
Excess (deficiency) of revenue over expenses	(200,455)	38,668
Surplus, beginning of year	101,684	1,554,160
Reserve transfer:		
Appropriation of building reserve (note 10)	(600,000)	(1,000,000)
Transfer from (to) equity in property and equipment for:		
Amortization of property and equipment	549,775	419,010
Property and equipment purchases, net of disposals	(1,798,435)	(4,621,062)
Net increase in debt	1,541,511	2,870,811
Deferred capital grants and contributions	609,677	889,756
Amortization of deferred capital grants and contributions	(72,463)	(49,659)
Surplus, end of year	\$ 131,294	\$ 101,684

See accompanying notes to financial statements.

ST. THOMAS MORE COLLEGE

Statement of Equity in Property and Equipment

Year ended April 30, 2018, with comparative information for 2017

	2018	2017
Equity in property and equipment, beginning of year	\$ 7,038,358	\$ 6,547,214
Property and equipment purchases	1,798,435	4,621,062
Deferred capital grants and contributions	(609,677)	(889,756)
Amortization of deferred capital grants and contributions	72,463	49,659
Amortization of property and equipment	(549,775)	(419,010)
Net increase in debt related to property and equipment	(1,541,511)	(2,870,811)
	\$ 6,208,293	\$ 7,038,358

See accompanying notes to financial statements.

ST. THOMAS MORE COLLEGE

Statement of Cash Flows

Year ended April 30, 2018, with comparative information for 2017

	2018	2017
Cash flows from (used in):		
Operations:		
Excess (deficiency) of revenue over expenses	\$ (200,455)	\$ 38,668
Items not involving cash:		
Amortization of property and equipment	549,775	419,010
Gain on disposal of equipment	(361)	-
Amortization of deferred capital grants	(32,049)	(11,057)
Amortization of deferred capital contributions	(40,414)	(38,602)
Unrealized investment (gains) losses	149,226	(309,938)
Change in non-cash operating working capital:		
Receivables	19,083	(25,997)
Inventories	(5,917)	1,612
Prepaid expenses	4,610	(431)
Accounts payable and accrued liabilities	(485,869)	309,671
	(42,371)	382,936
Financing:		
Increase (decrease) in short-term debt	(2,582,187)	2,963,453
Increase (decrease) in long-term debt	4,123,698	(92,642)
Increase (decrease) in trust and restricted funds	(194,942)	185,299
Increase in deferred capital grants	453,743	725,706
Increase in deferred capital contributions	155,934	164,050
Increase in endowments	1,443,464	1,062,729
	3,399,710	5,008,595
Investing:		
Accounts payable and accrued liabilities	(932,732)	932,732
Purchase of property and equipment	(1,798,435)	(4,621,062)
Purchase of long-term investments	(943,683)	(1,283,850)
Proceeds on disposal of equipment	361	-
	(3,674,489)	(4,972,180)
Net increase (decrease) in cash	(317,150)	419,351
Cash, beginning of year	447,465	28,114
Cash, end of year	\$ 130,315	\$ 447,465

See accompanying notes to financial statements.

ST. THOMAS MORE COLLEGE

Notes to Financial Statements

Year ended April 30, 2018

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, 2018

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

ST. THOMAS MORE COLLEGE

Notes to Financial Statements (continued)

Year ended April 30, 2018

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:

	2018	2017
University of Saskatchewan	\$ 377,152	\$ 318,095
Employee loans and advances	15,000	32,500
Sundry	5,115	65,755
	<u>\$ 397,267</u>	<u>\$ 416,350</u>

ST. THOMAS MORE COLLEGE

Notes to Financial Statements (continued)

Year ended April 30, 2018

4. Long-term investments:

	2018		2017	
	Cost	Market	Cost	Market
Franklin Templeton Balanced Institutional Trust	\$ 19,856,717	\$ 19,196,467	\$ 18,914,371	\$ 18,892,478
Life insurance policies	73,257	73,257	71,920	71,920
	\$ 19,929,974	\$ 19,269,724	\$ 18,986,291	\$ 18,964,398

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, 2018 has been allocated as follows:

	Realized	Unrealized	Total
Operations	\$ 225,407	\$ (149,226)	\$ 76,181
Trust and restricted funds (note 9)	101,577	(68,744)	32,833
Endowments (note 11)	621,168	(420,387)	200,781
	\$ 948,152	\$ (638,357)	\$ 309,795

ST. THOMAS MORE COLLEGE

Notes to Financial Statements (continued)

Year ended April 30, 2018

4. Long-term investments (continued):

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
	\$ 1,285,845	\$ 1,019,312	\$ 2,305,157

5. Property and equipment:

			2018	2017
	Cost	Accumulated amortization	Net book value	Net book value
Building	\$ 20,966,459	\$ 3,900,870	\$ 17,065,589	\$ 11,775,703
Construction-in-progress	-	-	-	4,178,103
Computer equipment	1,852,181	1,772,270	79,911	84,297
Furniture and equipment	1,870,657	1,216,192	654,465	508,985
Library collection	740,784	721,655	19,129	23,346
Leased computer equipment	162,954	162,954	-	-
	\$ 25,593,035	\$ 7,773,941	\$ 17,819,094	\$ 16,570,434

During the year, the building Renewal Project was completed and put into use. Upon the building becoming functional, Construction-in-progress costs were reclassified to the Building account and amortization of these assets commenced.

6. Short-term debt:

During the year, the College converted its North Building Renewal Project interim construction loan into a long-term mortgage.

The College also maintains a demand operating line of credit with a limit of \$1.5 million. Payments are interest-only at a floating interest rate of prime less 0.5% on any outstanding balances.

	2018	2017
Operating line of credit	\$ 581,441	\$ -
Interim construction loan	-	3,163,628
	\$ 581,441	\$ 3,163,628

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Notes to Financial Statements (continued)

Year ended April 30, 2018

7. Long-term debt:

	2018	2017
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.	\$ 3,128,989	\$ 3,227,394
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 November 2032.	4,222,103	-
Total	7,351,092	3,227,394
Less current portion	215,550	98,405
	\$ 7,135,542	\$ 3,128,989

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

2019	\$ 215,550
2020	222,382
2021	230,757
2022	238,771
2023	247,063
Thereafter	6,196,569
	\$ 7,351,092

ST. THOMAS MORE COLLEGE

Notes to Financial Statements (continued)

Year ended April 30, 2018

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:

	2018	2017
Balance, beginning of year	\$ 1,347,903	\$ 633,254
Additions during the year	453,743	725,706
Amounts amortized to revenue	(32,049)	(11,057)
Balance, end of year	\$ 1,769,597	\$ 1,347,903

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:

	2018	2017
Balance, beginning of year	\$ 1,793,151	\$ 1,667,703
Additions during the year	155,934	164,050
Amounts amortized to revenue	(40,414)	(38,602)
Balance, end of year	\$ 1,908,671	\$ 1,793,151

ST. THOMAS MORE COLLEGE

Notes to Financial Statements (continued)

Year ended April 30, 2018

9. Trust and restricted funds:

	Balance 2017	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 2018
Research Grants	\$ 227,170	\$ -	\$ -	\$ 22,600	\$ -	\$ -	\$ -	\$ (91,480)	158,290
Faculty, student and other trusts	42,934	-	-	3,070	-	-	-	(15,515)	30,489
Scholarships and bursaries	492,796	24,498	(16,580)	43,600	24,573	(35,930)	-	(5,320)	527,637
Restricted funds	1,007,325	48,255	(32,657)	23,981	134,311	(51,900)	84,135	(169,818)	1,043,632
For All Seasons	87,033	4,054	(2,744)	1,250	7,623	(11,500)	-	(49,280)	36,436
Thinking Future Campaign	528,159	24,770	(16,763)	12,210	199,579	(68,600)	(84,135)	(269,973)	325,247
	\$ 2,385,417	\$ 101,577	\$ (68,744)	\$106,711	\$366,086	\$(167,930)	\$ -	\$ (601,386)	2,121,731

10. Reserves

	Balance 2017	Appropriations	Balance 2018
Academic	\$ 300,000	\$ -	\$ 300,000
Chair for Indigenous Spirituality and Reconciliation	759,095	-	759,095
Building	2,000,000	600,000	2,600,000
	\$ 3,059,095	\$ 600,000	\$ 3,659,095

ST. THOMAS MORE COLLEGE

Notes to Financial Statements (continued)

Year ended April 30, 2018

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 2017	Realized investment Income	Unrealized investment loss	Donations	Distribution from endowments	Other net changes in deferred revenue	Balance 2018
Scholarships and bursaries	\$ 2,483,677	\$ 124,016	\$ (83,930)	\$ 44,870	\$ (73,920)	\$ -	\$ 2,494,713
FAS Campaign	1,994,394	98,723	(66,812)	-	(7,623)	(55,606)	1,963,076
Future Campaign	3,984,044	224,045	(151,627)	1,084,251	(166,375)	-	4,974,338
Creating More Worobetz	929,288	47,487	(32,138)	60,100	(31,703)	-	973,034
Catholic Studies	2,536,190	126,897	(85,880)	54,766	(86,464)	-	2,545,509
	\$11,927,593	\$ 621,168	\$(420,387)	\$1,243,987	\$ (366,085)	\$ (55,606)	\$ 12,950,670

ST. THOMAS MORE COLLEGE

Notes to Financial Statements (continued)

Year ended April 30, 2018

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 2018 CSA payment is \$1,675,353 (2017 - \$1,657,881).

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, 2018, the College had outstanding government payroll remittances totaling \$123,357 (2017 - \$286,953) that were paid subsequent to year end.

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 2018 of \$556,379 (2017 - \$560,433) 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, 2017. Due to an unfunded deficit in the non-academic pension plan, the U of S applied a 7.15% pension surcharge in 2018 fiscal year to the College employee group affected (2017 - 7.15%). The total pension surcharge paid to the U of S in the 2018 fiscal year was \$14,513 (2017 - \$21,961). 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.

Effective July 1, 2018, the pension surcharge rate will decrease from 7.15% to 4.34% on the non-academic pension plan while the plan premiums for the other pension plans will remain the same.

ST. THOMAS MORE COLLEGE

Notes to Financial Statements (continued)

Year ended April 30, 2018

17. Contributions:

The College received \$1,506,632 (2017 - \$811,046) in donations for the 2018 fiscal year, excluding donations received by the chapel which are included in ancillary operations on the statement of revenues and expenses and surplus.

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.