Financial Statements of

ST. THOMAS MORE COLLEGE

And Independent Auditors' Report thereon

Year ended April 30, 2021

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INDEPENDENT AUDITORS' 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, 2021
- 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, 2021, 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 "***Auditors' Responsibilities for the Audit of the Financial Statements***" section of our auditors' 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.

Auditors' 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 auditors' 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 auditors' 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 auditors' 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 24, 2021

ST. THOMAS MORE COLLEGE

Statement of Financial Position

April 30, 2021 with comparative information for 2020

	2021	2020
Assets		
Current assets:		
Cash	$ 1,169,391	$ 306,580
Receivables (note 3)	600,253	565,187
Inventories	22,073	23,215
Prepaid expenses and deposits	66,471	54,957
Short-term investments (note 4)	1,393,788	1,684,285
	3,251,976	2,634,224
Long-term investments (note 4)	19,772,067	16,935,000
Property and equipment (note 5)	17,244,500	17,510,719
	$ 40,268,543	$ 37,079,943
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities	$ 1,148,536	$ 1,305,997
Current portion of long-term debt (note 7)	238,381	230,381
	1,386,917	1,124,955
Long-term debt (note 7)	6,455,462	6,693,844
Deferred capital grants (note 8)	1,652,901	1,691,482
Deferred capital contributions (note 8)	1,817,595	1,859,233
Trust and restricted funds (note 9)	3,308,850	2,533,131
Net assets:		
Equity in property and equipment	7,080,161	7,035,779
Reserves (note 10)	3,359,095	2,159,095
Endowments (note 11)	14,882,670	13,468,502
Surplus	324,892	102,499
	25,646,818	22,765,875
Commitments (note 12)		
	$ 40,268,543	$ 37,079,943

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, 2021, with comparative information for 2020

	2021	2020
Operating revenue:		
Government of Saskatchewan grants	$ 6,893,400	$ 6,822,000
Tuition - credit instruction	6,233,295	6,231,511
Other	678,689	708,997
Investment income (loss) (note 4)	489,252	(47,196)
	14,294,636	13,715,312
Operating expenses:		
Academic salaries	5,344,027	5,337,589
Administrative and support salaries	2,700,949	3,295,791
U of S infrastructure services	1,305,847	1,805,232
Employee benefits	1,271,506	1,303,792
Supplies and services	1,056,556	1,426,958
Amortization of property and equipment	582,764	607,856
Scholarships	200,105	202,631
Utilities	191,604	205,045
	12,653,358	14,184,894
Operating revenue less expenses	1,641,278	(469,582)
Ancillary revenues (note 13)	78,915	359,940
Ancillary expenses (note 13)	(253,418)	(528,878)
	(174,503)	(168,938)
Excess (deficiency) of revenue over expenses	1,466,775	(638,520)
Surplus, beginning of year	102,499	102,555
Reserve transfer:		
Building reserve (note 10)	(1,200,000)	530,000
Academic reserve (note 10)	-	300,000
Transfer from (to) equity in property and equipment for:		
Amortization of property and equipment	582,764	607,856
Property and equipment purchases, net of disposals	(316,545)	(507,787)
Net increase (decrease) in debt	(230,382)	(222,018)
Deferred capital grants and contributions	300	10,925
Amortization of deferred capital grants and contributions	(80,519)	(80,512)
Surplus, end of year	$ 324,892	$ 102,499

See accompanying notes to financial statements.

ST. THOMAS MORE COLLEGE

Statement of Equity in Property and Equipment

Year ended April 30, 2021, with comparative information for 2020

	2021	2020
Equity in property and equipment, beginning of year	$ 7,035,779	$ 6,844,243
Property and equipment purchases, net of disposals	316,545	507,787
Deferred capital grants and contributions	(300)	(10,925)
Amortization of deferred capital grants and contributions	80,519	80,512
Amortization of property and equipment	(582,764)	(607,856)
Net decrease (increase) in debt related to property and equipment	230,382	222,018
	$ 7,080,161	$ 7,035,779

See accompanying notes to financial statements.

ST. THOMAS MORE COLLEGE

Statement of Cash Flows

Year ended April 30, 2021, with comparative information for 2020

	2021	2020
Cash flows from (used in):		
Operations:		
Excess (deficiency) of revenue over expenses	$ 1,466,775	$ (638,520)
Items not involving cash:		
Amortization of property and equipment	582,764	607,856
Gain on disposal of equipment	(200)	
Amortization of deferred capital grants	(38,581)	(38,581)
Amortization of deferred capital contributions	(41,938)	(41,931)
	1,968,820	(111,176)
Change in non-cash operating working capital:		
Receivables	(35,066)	(59,809)
Inventories	1,142	365
Prepaid expenses	(11,514)	1,459
Accounts payable and accrued liabilities	(157,461)	403,061
	1,765,921	233,900
Financing:		
Decrease in long-term debt	(230,382)	(222,018)
Increase in trust and restricted funds	775,719	120,693
Increase in deferred capital contributions	300	10,925
Increase (decrease) in endowments	1,414,168	(131,277)
	1,959,805	(221,677)
Investing:		
Purchase of property and equipment	(334,345)	(507,787)
Net change in short-term investments	290,497	(1,684,285)
Net change in long-term investments	(2,837,067)	2,196,401
Proceeds on disposal of equipment	18,000	-
	(2,862,915)	4,329
Net increase in cash	862,811	16,552
Cash, beginning of year	306,580	290,028
Cash, end of year	$ 1,169,391	$ 306,580

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 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 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. Investment management fees and transaction costs are expensed as incurred.

Investments are classified as short-term when they are convertible to cash within 12 months or less. Short-term investments also include cash and cash equivalents held within the College's investment holdings.

(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.

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	25-50 years
Computer equipment	Straight line	3-5 years
Furniture and equipment	Straight line	10 years
Library collection	Straight line	5 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, 2021.

3. Receivables:

		2021		2020
University of Saskatchewan	$	504,875	$	499,053
Employee loans and advances		67,833		57,933
Sundry		27,545		8,201
	$	600,253	$	565,187

4. Investments:

		2021				2020		
		Cost		Market		Cost		Market
Portfolio investments	$	20,115,367	$	21,113,925	$	19,385,002	$	18,573,212
Life insurance policies		51,930		51,930		46,073		46,073
		20,167,297		21,165,855		19,431,075		18,619,285
Long-term investments		18,773,508		19,772,067		17,746,790		16,935,000
Short-term investments		1,393,788		1,393,788		1,684,285		1,684,285
	$	20,167,296	$	21,165,855	$	19,431,075	$	18,619,285

Investments (at fair value) held for:		2021		2020
Restricted funds, excluding research grants and trusts	$	2,887,357	$	2,245,466
Endowments		14,882,670		13,468,502
Internally restricted investments		3,359,095		2,159,095
Other		36,733		746,222
	$	21,165,855	$	18,619,285

The College has $3,359,095 (2020 - $2,159,095) of internally restricted investments included in investments. These investments are internally restricted and can be used by the College to fund reserves.

4. Investments (continued):

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 asset allocation of the investment portfolio at April 30, 2021 was as follows:

	2021	2020
Growth securities	56%	46%
Fixed income	31%	34%
Cash and cash equivalents	6%	11%
Other	7%	9%

Investment income (loss) has been allocated as follows:

	2021	2020
Operations	$ 489,252	$ (47,196)
Restricted funds (note 9)	264,585	(60,643)
Endowments (note 11)	1,601,046	(387,845)
	$ 2,354,883	$ (495,684)

5. Property and equipment:

	Cost	Accumulated amortization	2021 Net book value	2020 Net book value
Buildings and building components	$ 21,579,695	$ 5,062,957	$ 16,516,738	$ 16,730,648
Furniture and equipment	2,217,422	1,968,216	249,206	593,896
Computer equipment	2,022,035	1,555,704	466,331	164,947
Library collection	777,175	764,950	12,225	21,228
	$ 26,596,327	$ 9,351,827	$ 17,244,500	$ 17,510,719

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, 2021 and 2020 no amounts were drawn under this facility.

7. Long-term debt:

	2021	2020
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.	$ 2,818,825	$ 2,928,039
Toronto-Dominion - Mortgage repayable in blended monthly installments of $20,936 with a fixed interest rate of 3.30%. Due November 17, subject to renewal in November 2032.	3,875,018	3,996,186
	6,693,843	6,924,225
Less current portion	238,381	230,381
	$ 6,455,462	$ 6,693,844

Interest incurred on long-term debt and expensed in these statements was $231,886 (2020 - $240,261).

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, 2022	$	238,381
April 30, 2023		246,660
April 30, 2024		254,665
April 30, 2025		2,605,439
April 30, 2026		142,861
Thereafter		3,205,837
	$	6,693,843

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:

		2021		2020
Balance, beginning of year	$	1,691,482		1,730,063
Amounts amortized to revenue		(38,581)		(38,581)
Balance, end of year	$	1,652,901		1,691,482

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:

		2021		2020
Balance, beginning of year	$	1,859,233	$	1,890,239
Additions during the year		300		10,925
Amounts amortized to revenue		(41,938)		(41,931)
Balance, end of year	$	1,817,595	$	1,859,233

9. Trust and restricted funds:

	Balance 2020	Investment Income	Donations	Distribution from endowments	Recognized for scholarships and bursaries	Other net changes	Balance 2021
Research grants	$ 268,700	$ -	$ -	$ -	$ -	$ 133,533	$ 402,233
Faculty, student and other trusts	18,965	-	-	-	-	295	19,260
Scholarships and bursaries	1,368,966	154,338	64,700	162,185	(170,106)	-	1,580,083
Other restricted funds	876,500	110,247	336,329	191,466	-	(207,268)	1,307,274
	$ 2,533,131	$ 264,585	$ 401,029	$ 353,651	$ (170,106)	$ (73,440)	$ 3,308,850

10. Reserves

	Balance 2020	Transfers	Balance 2021
Chair for Indigenous Spirituality and Reconciliation	$ 759,095	$ -	$ 759,095
Building	1,400,000	1,200,000	2,600,000
	$ 2,159,095	$ 1,200,000	$ 3,359,095

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 2020	Investment Income	Donations	Distributions from endowments	Recognized as other income	Balance 2021
Scholarships and bursaries	$ 5,152,815	$ 613,711	$ 105,079	$ (166,185)	$ -	$ 5,705,420
Other endowments	5,889,134	701,244	117,300	(100,998)	(55,606)	6,551,074
Catholic Studies	2,426,553	286,091	-	(86,468)	-	2,626,176
	$13,468,502	$ 1,601,046	$ 222,379	$ (353,651)	$ (55,606)	$14,882,670

12. Commitments:

The College entered into an Academic and Financial Partnership Agreement ("AFPA") with the U of S that is in effect from May 1, 2020 - April 30, 2025. Under the AFPA, tuition revenue earned by the College will be based on an agreed upon proportion of total tuition generated from courses taught by both the College and the U of S as well as tuition generated from courses exclusive to the College. Such a change is to enhance coordination and cooperation between the College and the U of S. Furthermore, the AFPA establishes an Annual Service Fee of 10.7% of the combined government operating grant and tuition revenue. During 2020-2021 the Annual Service Fee was $1,305,847 (2020 - $1,805,232).

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 the U of S. The annual employer contributions for 2021 of $541,085 (2020 - $573,543) 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 which some College employees belong to. The U of S Pensions Office reported that there were no changes to these plans during the fiscal year. Furthermore, the University completed actuarial valuations for all three of these plans as at December 31, 2019 which resulted in no changes to required contributions. The next actuarial valuation is expected effective December 31, 2022.

16. Contributions:

The College received $623,709 (2020 - $813,366) in donations for the 2021 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.

On March 12, 2020, COVID-19 was declared a pandemic by the World Health Organization. This has resulted in significant economic uncertainty and financial markets have experienced significant volatility in response to the developing COVID-19 pandemic. The investment portfolio of the College has been subject to these market fluctuations and the impact is reflected in the financial statements for the year ended April 30, 2021. While operations of the College have not been significantly impacted by the pandemic, the situation is dynamic and the ultimate duration and magnitude of the potential impact on future results is currently undeterminable.

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 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.