

Financial Statements of

ST. THOMAS UNIVERSITY

Year ended April 30, 2008



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AUDITORS' REPORT

To the Chairman and The Board Of Governors

We have audited the statement of financial position of St Thomas University as at April 30, 2008 and the statements of operations and changes in fund balances and cash flows for the year then ended. These financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the University as at April 30, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The current year's supplementary information included in the schedules is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

Chartered Accountants

Fredericton, Canada
July 14, 2008

ST. THOMAS UNIVERSITY

Financial Statements

Year ended April 30, 2008

Financial Statements

	<u>Page</u>
Statement of Financial Position	1
Statement of Operations and Changes in Fund Balances	2
Statement of Cash Flows	3
Notes to Financial Statements	4

Schedules

Schedule of Ancillary Enterprises	10
Schedule of Academic Expenses	11
Schedule of Computing Services Expenses	12
Schedule of Administrative and General Expenses	13
Schedule of Student Services Expenses	14
Schedule of Physical Plant Expenses	14

ST. THOMAS UNIVERSITY

Statement of Financial Position

Year ended April 30, 2008, with comparative figures for 2007

	2008	2007
Assets		
Current assets:		
Cash	\$ 1,648,463	\$ 341,363
Prepaid expenses	287,400	102,517
Accounts receivable:		
Students	1,031,984	755,501
Pledges	864,833	1,254,833
Other	355,848	342,768
	<u>4,188,528</u>	<u>2,796,982</u>
Long-term pledges receivable	1,905,546	2,067,070
Investments (note 3)	30,969,876	29,908,146
Capital assets (note 4)	38,136,591	39,896,273
	<u>\$ 75,200,541</u>	<u>\$ 74,668,471</u>

Liabilities, Deferred Contributions and Fund Balances

Current liabilities:		
Banker's acceptance	\$ -	\$ 2,000,000
Accounts payable and accrued liabilities	4,310,301	3,959,681
Fees received in advance	357,803	359,171
Current portion of long-term debt (note 7)	168,396	163,343
	<u>4,836,500</u>	<u>6,482,195</u>
Deferred contributions (note 6)	6,558,599	4,098,485
Long-term debt (note 7)	3,434,517	3,602,913
Fund balances:		
Unrestricted	515,099	529,078
Internally restricted	11,917,692	15,045,986
Endowments	444,300	444,300
Other externally restricted	12,960,155	12,674,795
Invested in capital assets (note 8)	34,533,679	31,790,719
	<u>60,370,925</u>	<u>60,484,878</u>
	<u>\$ 75,200,541</u>	<u>\$ 74,668,471</u>

See accompanying notes to financial statements

On behalf of the Board:

_____ Governor

_____ Governor

ST. THOMAS UNIVERSITY

Statement of Operations and Changes in Fund Balances
Year ended April 30, 2008, with comparative figures for 2007

	Operating	General Ancillary	Internally Restricted	Endowments and Other Externally Restricted	Capital Assets	Grand Totals	
						2008	2007
Revenue:							
Provincial operating grant	\$ 10,052,900	\$ -	\$ -	\$ -	\$ -	\$ 10,052,900	\$ 9,712,321
Other grants	1,281,613	-	-	72,027	841,934	2,195,574	1,351,261
Student fees	13,311,449	5,189,753	-	-	-	18,501,202	17,765,563
Investment income	82,828	-	-	-	-	82,828	1,561,813
Donations	20,012	-	-	84,952	365,944	470,908	1,245,180
Miscellaneous	317,348	988,177	95,615	5,037	-	1,406,177	1,505,434
	25,066,150	6,177,930	95,615	162,016	1,207,878	32,709,589	33,141,572
Expenses:							
Academic	12,997,842	-	492,753	334,644	-	13,825,239	13,819,446
Computing services	1,010,114	-	-	-	-	1,010,114	1,020,733
Administrative and general	4,168,417	294,098	58,826	141,803	-	4,663,144	4,366,717
Student services	2,164,966	3,099,400	-	-	-	5,264,366	4,692,960
Physical plant	2,304,705	2,075,191	-	-	-	4,379,896	3,799,457
Scholarships and awards	600,000	-	990,553	186,508	-	1,777,061	1,648,676
Grant transfer to UNB	1,718,920	-	-	-	-	1,718,920	1,652,200
Decline in fair value of investments	9,185	-	449,521	294,171	-	752,877	-
Amortization	-	-	-	-	2,207,477	2,207,477	2,093,407
	24,974,149	5,468,689	1,991,653	957,126	2,207,477	35,599,094	33,093,596
Excess (deficiency) of revenue over expenses	92,001	709,241	(1,896,038)	(795,110)	(999,599)	(2,889,505)	47,976
Fund balance, beginning of year	529,078	-	15,045,986	13,119,095	31,790,719	60,484,878	60,436,902
	621,079	709,241	13,149,948	12,323,985	30,791,120	57,595,373	60,484,878
Change in accounting policy (note 1)	44,020	-	1,651,062	1,080,470	-	2,775,552	-
Transfers	(150,000)	(709,241)	(2,883,318)	-	3,742,559	-	-
Fund balance, end of year	\$ 515,099	\$ -	\$ 11,917,692	\$ 13,404,455	\$ 34,533,679	\$ 60,370,925	\$ 60,484,878

See accompanying notes to financial statements.

ST. THOMAS UNIVERSITY

Statement of Cash Flows

Year ended April 30, 2008, with comparative figures for 2007

	2008	2007
Cash flows from operating activities:		
Excess (deficiency) of revenue over expenses	\$ (2,889,505)	\$ 47,976
Amortization of capital assets, not involving cash	2,207,477	2,093,407
Unrealized loss on investments	2,415,442	-
Deferred contributions recognized as revenue	(4,078,726)	(3,691,771)
Net change in non-cash operating working capital	(2,287,183)	1,048,797
	<u>(4,632,495)</u>	<u>(501,591)</u>
Financing and investing activities:		
Increase in investments	(701,620)	(508,090)
Capital assets acquired	(447,795)	(8,403,419)
Pledges collected	713,513	2,630,383
Contributions received and deferred	6,538,840	4,080,894
Principal payment on long-term debt	(163,343)	(150,344)
	<u>5,939,595</u>	<u>(2,350,576)</u>
Increase (decrease) in cash position	1,307,100	(2,852,167)
Cash position, beginning of year	341,363	3,193,530
Cash position, end of year	<u>\$ 1,648,463</u>	<u>\$ 341,363</u>

See accompanying notes to financial statements

ST. THOMAS UNIVERSITY

Notes to Financial Statements

Year ended April 30, 2008

St Thomas University (the "University") is a university incorporated by Special Act of the Legislative Assembly of New Brunswick providing undergraduate liberal arts and professional programs. The University is a registered charity under the Income Tax Act.

1. Change in accounting policy:

On May 1, 2007 the University adopted the new accounting standards that were issued by the Canadian Institute of Chartered Accountants Handbook Section 3855, "Financial Instruments – Recognition and Measurement" and Section 3861, "Financial Instruments – Presentation and Disclosure". The new standards are not applied retroactively and accordingly, comparative amounts for prior periods, if any, have not been restated.

Section 3855 establishes standards for recognizing and measuring financial assets, financial liabilities and financial derivatives. It requires financial assets and financial liabilities, including derivatives, be recognized on the statement of financial position upon entering into a financial instrument or a financial derivative contract. Under this standard, all financial instruments are required to be measured at fair value on initial recognition except for certain related party transactions. Re-measurement in subsequent periods depends on the classification of the instrument.

Under Section 3855, all financial asset instruments are classified as one of the following: held-to-maturity (HTM), loans and receivables (L&R), held-for-trading (HFT), or available-for-sale (AFS). All financial liability instruments are classified as either held-for-trading (HFT) or other liabilities (OL). Financial assets and liabilities held-for-trading are measured at fair value with gains and losses recognized in operations. Financial assets available-for-sale are measured at fair value, with changes in fair value recorded in other comprehensive income until the investment is derecognized or impaired at which time the amounts would be recorded in net income. Financial assets held-to-maturity, loans and receivables, and financial liabilities other than those held for trading, are measured at amortized cost based on the effective interest method.

Balance sheet category	Category	Explanation
Assets:		
Cash	HFT	Measure at fair value
Accounts receivable:		
Students	L&R	Measured at amortized cost
Pledges	HFT	Measure at fair value
Other	L&R	Measured at amortized cost
Investments	HFT	Measure at fair value
Liabilities:		
Accounts payable and accrued liabilities	OL	Measured at amortized cost
Fees received in advance	OL	Measured at amortized cost
Long-term debt	OL	Measured at amortized cost

As a result of adopting this Section, the opening balance of investments has been increased \$2,775,552 to \$32,683,698 to reflect the prior year's cumulative increase in the fair value of investments.

ST. THOMAS UNIVERSITY

Notes to Financial Statements

Year ended April 30, 2008

2. Significant accounting policies:

(a) Basis of accounting:

The University follows the fund basis of accounting which provides for a separate self balancing group of accounts established to enable separate accountability for particular legal or contractual activities or for purposes of segregating assets that are to be used for certain designated purposes. Separate accounts are maintained for each fund. For financial statement purposes funds that have similar characteristics have been combined into fund groups as follows:

Unrestricted funds are those which are not subject to restrictions by external parties as to use of the funds. Included in this category are the following:

General:

Includes all ordinary academic and administrative operations of the University as well as ancillary operations.

Internally Restricted:

Includes funds established by the Board for various specific purposes as follows:

- Capital
- Pension
- Scholarship
- Special Projects
- Aquinas Chair in Interdisciplinary Studies
- John XXIII Chair in Catholic Theology

Restricted funds include funds established with contributions by external parties that require the funds and investment income to be expended for specific purposes as follows:

Endowments:

Includes resources contributed whereby contributors have directed that the original capital contributed must remain unspent and investment income thereon is reported as restricted. Included in endowments are the following:

- Chair in Canadian Citizenship and Human Rights
- The Dr. Bernie Vigod Memorial Lectures Trust

Other:

Includes funded chairs in Gerontology, Native and Aboriginal Cultures of Atlantic Canada, Irving Chair in Journalism and Studies in Criminology and Criminal Justice and restricted interest.

Capital Assets

ST. THOMAS UNIVERSITY

Notes to Financial Statements

Year ended April 30, 2008

2. Significant accounting policies (continued):

(b) Investments:

Investments are recorded at fair value

(c) Capital assets:

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Repairs and maintenance costs are charged to expense. Betterments which extend the estimated life of an asset are capitalized. When a capital asset no longer contributes to the University's ability to provide services, its carrying amount is written down to its residual value.

Capital assets are amortized on a declining balance basis using the following annual rates:

Land improvements	5%
Buildings	5%
Equipment	10%

(d) Revenue recognition:

The University uses the restricted fund method of accounting for contributions from donations and government grants. The deferral method is used on a limited basis where no specific restricted fund has been established.

Contributions and pledges are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Investment income is recognized as revenue when earned and recorded as unrestricted or restricted if so directed by the contributor.

Revenue from student fees is recognized when the services are rendered and collection of the relevant receivable is reasonably assured.

(e) Financial instruments:

Derivative financial instruments are utilized by the University in the management of its interest rate exposure. The University's policy is not to utilize derivative financial instruments for trading or speculative purposes.

The University entered into an interest rate swap in order to reduce the impact of fluctuating interest rates on its long-term debt. The swap agreement requires the periodic exchange of payments without the exchange of the notional principal amount on which the payment is based. The University designated its interest rate hedge agreement as the hedge of the underlying debt. Interest expense on the debt is adjusted to include the payment made under the interest rate swap.

(f) Use of estimates:

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of capital assets, contributions and accounts receivable and accrued liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reported periods. Actual results could differ from those estimates.

ST. THOMAS UNIVERSITY

Notes to Financial Statements

Year ended April 30, 2008

3. Investments:

	Fair value 2008	Cost 2007	Fair value 2007
Bissett Fund	\$19,908,842	\$19,554,780	\$20,506,552
Commonfund	11,061,034	10,353,366	12,177,146
	<u>\$30,969,876</u>	<u>\$29,908,146</u>	<u>\$32,683,698</u>

4. Capital assets:

	Cost		Accumulated amortization		Net Book Value	
	2008	2007	2008	2007	2008	2007
Land						
improvements	\$ 2,540,193	\$ 2,355,560	\$ 832,466	\$ 749,159	\$ 1,707,727	\$ 1,606,401
Buildings	49,964,189	49,774,962	17,228,034	15,510,058	32,736,155	34,264,904
Equipment	8,956,157	8,882,222	5,263,448	4,857,254	3,692,709	4,024,968
	<u>\$61,460,539</u>	<u>\$61,012,744</u>	<u>\$23,323,948</u>	<u>\$21,116,471</u>	<u>\$38,136,591</u>	<u>\$39,896,273</u>

5. Pledges received:

During the year, \$98,426 (2007 - \$433,194) of new pledges were recognized as revenue

6. Deferred contributions:

Deferred contributions relate to expenses of future periods and represent time-restricted contributions as well as unspent externally restricted contributions for purposes of research and other academic projects.

	2008	2007
Balance, beginning of year	\$ 4,098,485	\$ 3,709,362
Less amounts recognized as revenue in the year	(4,078,726)	(3,691,771)
Add amounts received related to future periods	6,538,840	4,080,894
Balance, end of year	<u>\$ 6,558,599</u>	<u>\$ 4,098,485</u>

ST. THOMAS UNIVERSITY

Notes to Financial Statements

Year ended April 30, 2008

7. Long-term debt:

	2008	2007
5 3/8% Mortgage, secured by Holy Cross House, payable in semi-annual instalments of \$15,382 including principal and interest, due March 2016	\$ 197,913	\$ 217,256
5.21% Banker's acceptance, renewable monthly, repayable in monthly instalments of \$12,000 plus interest, due September 2013	3,405,000	3,549,000
	3,602,913	3,766,256
Less current portion of long-term debt	168,396	163,343
	\$ 3,434,517	\$ 3,602,913

The University has entered into a swap agreement whereby the University has fixed its interest rate on the renewable monthly banker's acceptances. Swap payments are reflected as interest expense and accounted for on an accrual basis.

Principal due within each of the next five years on long-term debt is approximately as follows:

2009	\$ 168,396
2010	177,508
2011	188,679
2012	197,915
2013	207,218

8. Investment in capital assets:

Investment in capital assets is calculated as follows:

	2008	2007
Capital assets	\$ 38,136,592	\$ 39,896,273
Banker's acceptance	-	(2,000,000)
Accounts payable and accrued liabilities	-	(2,339,298)
Long-term debt	(3,602,913)	(3,766,256)
	\$ 34,533,679	\$ 31,790,719

ST. THOMAS UNIVERSITY

Notes to Financial Statements

Year ended April 30, 2008

9. Pension Plan:

The "Pension Plan for the Employees of St. Thomas University" is a defined contribution pension plan under which contributions are made by both St. Thomas University and its employees. For the fiscal year ended April 30, 2008, the University expensed contributions of \$779,877 (2007 - \$809,972) under the terms of the Plan.

10. Fair value of financial assets and financial liabilities:

The fair value of the University's cash, accounts receivable, accounts payable and accrued liabilities and fees received in advance approximate their carrying amounts due to the immediate short-term maturity of these financial instruments.

The fair value of the outstanding interest rate swap as at April 30, 2008 is a liability of \$157,439 (2007 - liability of \$51,086) and has been estimated based on mid-market quotations.

The carrying value of the University's long-term pledges receivable approximates their fair value as they are recorded at net present value.

The carrying value of the long-term debt approximates their fair value as the terms and conditions of the borrowing arrangements are comparable to current market terms and conditions for similar items.

11. Future accounting changes:

Commencing with the fiscal year beginning May 1, 2008, the University will be adopting CICA, Handbook Section 3862, "*Financial Instruments – Disclosures*" and Section 3863, "*Financial Instruments – Presentation*".

Section 3862 and 3863 establish the disclosure and presentation standards related to the various financial instruments.

The impact of the adoption of the above standards is not yet known or reasonably determinable.

ST. THOMAS UNIVERSITY

Schedule of Ancillary Enterprises

Year ended April 30, 2008, with comparative figures for 2007

	2008	2007
Revenue:		
Student fees:		
Residence fees and dining hall	\$ 4,655,706	\$ 4,231,311
English Language Programs	534,047	486,088
	<u>5,189,753</u>	<u>4,717,399</u>
Miscellaneous:		
Cafeteria	472,341	515,404
Catering	329,199	319,057
Conference rentals	99,542	139,228
Other	87,095	105,983
	<u>988,177</u>	<u>1,079,672</u>
	<u>\$ 6,177,930</u>	<u>\$ 5,797,071</u>
Expenses:		
Student services		
Food service	\$ 2,890,288	\$ 2,856,251
Proctor services	136,097	127,575
Bus services	52,287	52,000
Miscellaneous	20,728	16,056
	<u>3,099,400</u>	<u>3,051,882</u>
Administrative and general:		
Administrative salaries	269,179	254,519
Bad debts	24,919	-
	<u>294,098</u>	<u>254,519</u>
Physical plant:		
Cable	64,613	55,835
Cleaning and janitorial	339,333	358,783
Communications	230,565	245,147
Electricity	315,530	320,845
Furniture and equipment	7,040	10,887
Heat	153,253	129,588
Insurance	43,175	40,295
Interest on long-term debt	189,638	197,741
Kitchen fuel	23,853	20,776
Laundry and linen	12,043	14,386
Maintenance and repairs	390,774	357,633
Miscellaneous	1,354	21,709
Physical Plant salaries	108,069	102,203
Property Management fees	42,868	45,444
Security	102,576	92,107
Water and sewerage	50,507	51,465
	<u>2,075,191</u>	<u>2,064,844</u>
	<u>\$ 5,468,689</u>	<u>\$ 5,371,245</u>

ST. THOMAS UNIVERSITY

Schedule of Academic Expenses

Year ended April 30, 2008, with comparative figures for 2007

	2008	2007
Wages and salaries:		
Full-time	\$ 7,463,229	\$ 8,461,295
Part-time	1,646,064	1,324,629
On leave	825,924	403,048
	<u>9,935,217</u>	<u>10,188,972</u>
Staff other than academic	380,657	358,600
Employee benefits	1,324,743	1,381,250
Departmental:		
Teaching supplies and support	105,374	93,590
Special projects	24,671	38,825
Native Studies BSW Program	39,914	23,507
Miscellaneous	29,981	35,583
	<u>199,940</u>	<u>191,505</u>
Travel, study and research:		
Professional development and travel allowances	183,699	194,650
Research projects and academic conferences	617,524	478,887
	<u>801,223</u>	<u>673,537</u>
General academic:		
Materials and supplies	60,035	68,655
Postage	35,983	33,124
Telephone	19,091	19,663
Graduation	59,300	58,515
Recruiting	16,516	39,333
Relocation	15,032	28,897
Special projects	59,536	79,410
Service contracts	55,580	61,882
Fees and dues	34,989	29,407
	<u>356,062</u>	<u>418,886</u>
	<u>\$ 12,997,842</u>	<u>\$ 13,212,750</u>

ST. THOMAS UNIVERSITY

Schedule of Computing Services Expenses

Year ended April 30, 2008, with comparative figures for 2007

	2008	2007
Wages and salaries	\$ 516,408	\$ 522,715
Employee benefits	73,559	76,148
Software licenses	185,611	173,568
Information systems support	38,823	20,794
Computing support	195,713	227,508
	<u>\$ 1,010,114</u>	<u>\$ 1,020,733</u>

ST. THOMAS UNIVERSITY

Schedule of Administrative and General Expenses

Year ended April 30, 2008, with comparative figures for 2007

	2008	2007
Wages and salaries	\$ 2,233,904	\$ 2,133,822
Employee benefits	297,613	303,434
Administrative general and supplies:		
Advertising and publicity	402,130	461,613
Association fees	70,656	54,812
Bad debts	63,918	50,599
Committees	35,400	19,678
Credit card fees	96,221	90,814
Interest expense	123,576	-
Miscellaneous	39,415	33,756
Office supplies	65,864	69,202
Payroll processing fees	2,123	1,755
Postage	60,156	62,629
Professional fees	199,543	117,547
Publications	184,593	138,321
Staff recruiting	974	26,788
Student recruitment	170,047	131,746
Service contracts	23,784	25,796
Special projects	18,468	36,827
Telephone	7,917	6,011
Travel	64,309	69,276
University hospitality	7,806	41,851
	1,636,900	1,439,021
	\$ 4,168,417	\$ 3,876,277

ST. THOMAS UNIVERSITY

Schedule of Student Services Expenses

Year ended April 30, 2008, with comparative figures for 2007

	2008	2007
Wages and salaries	\$ 869,732	\$ 868,793
Employee benefits	121,889	107,626
Student health insurance	61,502	72,659
Athletics	437,027	460,181
Campus Ministry	10,798	9,563
Student support programs	111,964	122,256
Student Compensation – work stoppage	552,054	-
	<u>\$ 2,164,966</u>	<u>\$1,641,078</u>

Schedule of Physical Plant Expenses

Year ended April 30, 2008, with comparative figures for 2007

	2008	2007
Wages and benefits	\$ 108,072	\$ 102,205
Utilities and insurance:		
Heat	552,108	356,803
Electricity	244,059	211,023
Water and sewerage	16,069	14,738
Telephone	152,015	129,612
Insurance	74,377	68,183
	<u>1,038,628</u>	<u>780,359</u>
Cleaning and janitorial	436,431	383,741
Furniture and equipment	169,434	79,950
Maintenance and repairs	479,591	368,745
Security	72,549	19,613
	<u>\$ 2,304,705</u>	<u>\$ 1,734,613</u>