

Financial Statements of

ST. THOMAS UNIVERSITY

Year ended April 30, 2009



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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, 2009 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, 2009 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, 2009

ST. THOMAS UNIVERSITY

Financial Statements

Year ended April 30, 2009

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ST. THOMAS UNIVERSITY

Statement of Financial Position

Year ended April 30, 2009, with comparative figures for 2008

	2009	2008
Assets		
Current assets:		
Cash	\$ 539,473	\$ 1,648,463
Prepaid expenses	225,684	287,400
Accounts receivable:		
Students	1,139,718	1,031,984
Pledges	814,833	864,833
Other	704,057	355,848
	<u>3,423,765</u>	<u>4,188,528</u>
Long-term pledges receivable	779,423	1,905,546
Investments (note 2)	25,729,146	30,969,876
Capital assets (note 3)	36,263,003	38,136,591
	<u>\$ 66,195,337</u>	<u>\$ 75,200,541</u>

Liabilities, Deferred Contributions and Fund Balances

Current liabilities:		
Bank indebtedness	\$ 3,566,498	\$ —
Accounts payable and accrued liabilities	3,706,548	4,310,301
Fees received in advance	419,632	357,803
Current portion of long-term debt (note 6)	177,508	168,396
	<u>7,870,186</u>	<u>4,836,500</u>
Deferred contributions (note 5)	1,770,585	6,558,599
Long-term debt (note 6)	3,257,007	3,434,517
Derivatives	457,527	—
Fund balances:		
Unrestricted	332,232	515,099
Internally restricted	8,707,485	11,917,692
Endowments	444,300	444,300
Other externally restricted	10,985,054	12,960,155
Invested in capital assets (note 7)	32,370,961	34,533,679
	<u>52,840,032</u>	<u>60,370,925</u>
	<u>\$ 66,195,337</u>	<u>\$ 75,200,541</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, 2009, with comparative figures for 2008

						2009	2008
	General Operating	Ancillary	Internally restricted	Endowments and other externally restricted	Capital assets	Grand total	Grand total
Revenues:							
Provincial operating grant	\$ 11,149,600	\$ -	\$ -	\$ -	\$ -	\$ 11,149,600	\$ 10,052,900
Other grants	1,394,565	-	-	76,915	364,320	1,835,800	2,195,574
Student fees	12,684,008	5,358,764	-	-	-	18,042,772	18,501,202
Investment income	25,338	-	-	-	-	25,338	82,828
Donations	-	-	-	266,752	172,074	438,826	470,908
Miscellaneous	302,465	1,199,940	5,174	-	-	1,507,579	1,406,177
	25,555,976	6,558,704	5,174	343,667	536,394	32,999,915	32,709,589
Expenses:							
Academic	14,422,000	-	332,256	392,334	-	15,146,590	13,825,239
Computing services	942,501	-	-	-	-	942,501	1,010,114
Administrative and general	3,958,369	299,986	46,320	150,151	-	4,454,826	4,663,144
Student services	1,632,263	3,576,474	-	-	-	5,208,737	5,264,366
Physical plant	2,180,648	2,291,128	-	-	-	4,471,776	4,379,896
Scholarships and awards	600,000	-	963,395	187,813	-	1,751,208	1,777,061
Grant transfer to UNB	1,787,900	-	-	-	-	1,787,900	1,718,920
Decline in fair value of investments	215,162	-	2,406,398	1,588,470	-	4,210,030	752,877
Amortization	-	-	-	-	2,099,713	2,099,713	2,207,477
	25,738,843	6,167,588	3,748,369	2,318,768	2,099,713	40,073,281	35,599,094
Excess (deficiency) of revenues over expenses	(182,867)	391,116	(3,743,195)	(1,975,101)	(1,563,319)	(7,073,366)	(2,889,505)
Fund balance, beginning of year	515,099	-	11,917,692	13,404,455	34,533,679	60,370,925	60,484,878
	332,232	391,116	8,174,497	11,429,354	32,970,360	53,297,559	57,595,373
Change in accounting policy	-	-	-	-	-	-	2,775,552
Loss on derivatives	-	-	-	-	(457,527)	(457,527)	-
Transfers	-	(391,116)	532,988	-	(141,872)	-	-
Fund balance, end of year	\$ 332,232	\$ -	\$ 8,707,485	\$ 11,429,354	\$ 32,370,961	\$ 52,840,032	\$ 60,370,925

See accompanying notes to financial statements.

ST. THOMAS UNIVERSITY

Statement of Cash Flows

Year ended April 30, 2009, with comparative figures for 2008

	2009	2008
Cash flows from operating activities:		
Deficiency of revenues over expenses	\$ (7,073,366)	\$ (2,889,505)
Amortization of capital assets, not involving cash	2,099,713	2,207,477
Unrealized loss on investments	4,210,030	2,415,442
Deferred contributions recognized as revenue	(6,268,684)	(4,078,726)
Net change in non-cash operating working capital	(2,560,030)	(2,287,183)
	<u>(9,592,337)</u>	<u>(4,632,495)</u>
Financing and investing activities:		
Decrease (increase) in investments	1,030,700	(701,620)
Capital assets acquired	(226,125)	(447,795)
Pledges collected	1,300,000	713,513
Contributions received and deferred	1,480,670	6,538,840
Principal payment on long-term debt	(168,396)	(163,343)
Short-term borrowing	1,500,000	—
	<u>4,916,849</u>	<u>5,939,595</u>
Increase (decrease) in cash position	(4,675,488)	1,307,100
Cash position, beginning of year	1,648,463	341,363
Cash (bank indebtedness), end of year	<u>\$ (3,027,025)</u>	<u>\$ 1,648,463</u>

Cash is defined as cash less bank indebtedness.

See accompanying notes to financial statements.

ST. THOMAS UNIVERSITY

Notes to Financial Statements

Year ended April 30, 2009

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. 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 (continued)

Year ended April 30, 2009

1. 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. Derivative instruments are recorded on the statement of financial position as assets and liabilities and are measured at fair value. Changes in the derivative instruments' fair value are recognized in the statement of operations unless specific hedge accounting criteria are met. Changes in the fair value of effective cash flow hedges are included directly in the fund balances.

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.

ST. THOMAS UNIVERSITY

Notes to Financial Statements (continued)

Year ended April 30, 2009

1. Significant accounting policies (continued):

(e) Financial instruments (continued):

The University accounts for its financial assets and liabilities in accordance with the accounting standards issued by the Canadian Institute of Chartered Accountants. Handbook Section 3855, "*Financial Instruments – Recognition and Measurement*" and Section 3861, "*Financial Instruments – Presentation and Disclosure*".

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 net assets 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

(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 (continued)

Year ended April 30, 2009

2. Investments:

	2009	2008
Bissett Fund	\$ 17,344,501	\$ 19,908,842
Commonfund	8,384,645	11,061,034
	<u>\$ 25,729,146</u>	<u>\$ 30,969,876</u>

3. Capital assets:

	Cost		Accumulated amortization		Net Book Value	
	2009	2008	2009	2008	2009	2008
Land						
improvements	\$ 2,540,193	\$ 2,540,193	\$ 917,852	\$ 832,466	\$ 1,622,341	\$ 1,707,727
Buildings	50,086,539	49,964,189	18,867,902	17,228,034	31,218,637	32,736,155
Equipment	9,059,932	8,956,157	5,637,907	5,263,448	3,422,025	3,692,709
	<u>\$ 61,686,664</u>	<u>\$ 61,460,539</u>	<u>\$ 25,423,661</u>	<u>\$ 23,323,948</u>	<u>\$ 36,263,003</u>	<u>\$ 38,136,591</u>

4. Pledges received:

During the year, \$nil (2008 - \$98,426) of new pledges were recognized as revenue.

5. 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.

	2009	2008
Balance, beginning of year	\$ 6,558,599	\$ 4,098,485
Less amounts recognized as revenue in the year	(6,268,684)	(4,078,726)
Add amounts received related to future periods	1,480,670	6,538,840
Balance, end of year	<u>\$ 1,770,585</u>	<u>\$ 6,558,599</u>

ST. THOMAS UNIVERSITY

Notes to Financial Statements (continued)

Year ended April 30, 2009

6. Long-term debt:

	2009	2008
5.375% Mortgage, secured by Holy Cross House, payable in semi-annual instalments of \$15,382 including principal and interest, due March 2016	\$ 177,515	\$ 197,913
5.21% Banker's acceptance, renewable monthly, repayable in monthly instalments of \$13,000 plus interest, due September 2013	3,257,000	3,405,000
	3,434,515	3,602,913
Less current portion of long-term debt	177,508	168,396
	\$ 3,257,007	\$ 3,434,517

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:

2010	\$177,508
2011	188,679
2012	197,915
2013	207,218
2014	218,591

7. Investment in capital assets:

Investment in capital assets is calculated as follows:

	2009	2008
Capital assets	\$ 36,263,003	\$ 38,136,592
Long-term debt	(3,434,515)	(3,602,913)
Loss on derivatives	(457,527)	—
	\$ 32,370,961	\$ 34,533,679

8. 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, 2009, the University expensed contributions of \$961,192 (2008 - \$779,877) under the terms of the Plan.

ST. THOMAS UNIVERSITY

Notes to Financial Statements (continued)

Year ended April 30, 2009

9. Fair value of financial assets and financial liabilities:

The fair value of the University's cash, accounts receivable, bank indebtedness, 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, 2009 is a liability of \$457,527 (2008 - liability of \$157,439) and has been estimated based on mid-market quotations. Management's intent is to retire the swap and the related debt based on scheduled repayments, in which case the liability is not expected to require an earlier cash payment.

Long-term pledges receivable are recorded at fair 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.

10. Financial risk:

Financial risk refers to the impact on the University's cash flows as a result of fluctuations in interest rates and the credit quality of student receivables and counter parties to financial instruments. The University manages its financial risk as follows:

(a) Interest rate risk:

Interest rate is minimized as fixed interest rates or interest rate swaps are entered into to fix interest rates on variable rate mortgages.

(b) Credit risk:

The University is exposed to credit-related losses in the event of non-performance by counterparties to financial instruments. Credit exposure is minimized by dealing with creditworthy counterparties such as highly rated financial institutions.

To reduce credit risk with student accounts, the University places restrictions on registering for courses and the issuance of grades and degrees, until payment on account is made. The University also uses third party agencies to collect outstanding receivables.

(c) Currency risk:

The University realizes a small portion of its revenues in foreign currencies and is thus exposed to foreign exchange fluctuations. This risk is minimized, where possible, by timing the conversion of such revenues to Canadian dollars based on market conditions. In addition, all foreign currency is reflected in Canadian dollars for financial statement purposes.

ST. THOMAS UNIVERSITY

Schedule of Ancillary Enterprises

Year ended April 30, 2009, with comparative figures for 2008

	2009	2008
Revenues:		
Student fees:		
Residence fees and dining hall	\$ 4,866,018	\$ 4,655,706
English Language Programs	492,746	534,047
	<u>5,358,764</u>	<u>5,189,753</u>
Miscellaneous:		
Cafeteria	481,865	472,341
Catering	460,415	329,199
Conference rentals	177,019	99,542
Other	80,641	87,095
	<u>1,199,940</u>	<u>988,177</u>
	<u>\$ 6,558,704</u>	<u>\$ 6,177,930</u>
Expenses:		
Student services		
Food service	\$ 3,308,240	\$ 2,890,288
Proctor services	153,406	136,097
Bus services	61,250	52,287
Miscellaneous	53,578	20,728
	<u>3,576,474</u>	<u>3,099,400</u>
Administrative and general:		
Administrative salaries	264,986	269,179
Bad debts	35,000	24,919
	<u>299,986</u>	<u>294,098</u>
Physical plant:		
Cable	65,292	64,613
Cleaning and janitorial	338,569	339,333
Communications	174,514	230,565
Electricity	365,589	315,530
Furniture and equipment	8,901	7,040
Heat	218,690	153,253
Insurance	51,866	43,175
Interest on long-term debt	181,059	189,638
Kitchen fuel	19,245	23,853
Laundry and linen	15,218	12,043
Maintenance and repairs	509,970	390,774
Miscellaneous	18,718	1,354
Physical Plant salaries	114,702	108,069
Property Management fees	42,733	42,868
Security	106,732	102,576
Water and sewerage	59,330	50,507
	<u>2,291,128</u>	<u>2,075,191</u>
	<u>\$ 6,167,588</u>	<u>\$ 5,468,689</u>

ST. THOMAS UNIVERSITY

Schedule of Academic Expenses

Year ended April 30, 2009, with comparative figures for 2008

	2009	2008
Wages and salaries:		
Full-time	\$ 8,120,375	\$ 7,463,229
Part-time	1,713,518	1,646,064
On leave	1,145,754	825,924
	<hr/>	<hr/>
	10,979,647	9,935,217
Staff other than academic	322,671	380,657
Employee benefits	1,518,719	1,324,743
Departmental:		
Teaching supplies and support	105,764	105,374
Special projects	36,961	24,671
Native Studies BSW Program	82,341	39,914
Miscellaneous	33,331	29,981
	<hr/>	<hr/>
	258,397	199,940
Travel, study and research:		
Professional development and travel allowances	227,570	183,699
Research projects and academic conferences	785,930	617,524
	<hr/>	<hr/>
	1,013,500	801,223
General academic:		
Materials and supplies	60,635	60,035
Postage	43,168	35,983
Telephone	15,820	19,091
Graduation	77,741	59,300
Recruiting	8,337	16,516
Relocation	5,912	15,032
Special projects	25,798	59,536
Service contracts	52,175	55,580
Fees and dues	39,480	34,989
	<hr/>	<hr/>
	329,066	356,062
	<hr/>	<hr/>
	\$ 14,422,000	\$ 12,997,842

ST. THOMAS UNIVERSITY

Schedule of Computing Services Expenses

Year ended April 30, 2009, with comparative figures for 2008

	2009	2008
Wages and salaries	\$ 562,835	\$ 516,408
Employee benefits	72,609	73,559
Software licenses	215,551	185,611
Information systems support	26,389	38,823
Computing support	65,117	195,713
	<u>\$ 942,501</u>	<u>\$ 1,010,114</u>

ST. THOMAS UNIVERSITY

Schedule of Administrative and General Expenses

Year ended April 30, 2009, with comparative figures for 2008

	2009	2008
Wages and salaries	\$ 2,219,309	\$ 2,233,904
Employee benefits	311,362	297,613
Administrative general and supplies:		
Advertising and publicity	339,231	402,130
Association fees	61,787	70,656
Bad debts	89,424	63,918
Committees	18,421	35,400
Credit card fees	100,428	96,221
Interest expense	55,794	123,576
Miscellaneous	35,957	39,415
Office supplies	56,482	65,864
Payroll processing fees	1,407	2,123
Postage	60,678	60,156
Professional fees	111,141	199,543
Publications	167,667	184,593
Staff recruiting	6,412	974
Student recruitment	189,345	170,047
Service contracts	20,432	23,784
Special projects	21,110	18,468
Telephone	5,282	7,917
Travel	75,312	64,309
University hospitality	11,388	7,806
	1,427,698	1,636,900
	\$ 3,958,369	\$ 4,168,417

ST. THOMAS UNIVERSITY

Schedule of Student Services Expenses

Year ended April 30, 2009, with comparative figures for 2008

	2009	2008
Wages and salaries	\$ 892,707	\$ 869,732
Employee benefits	108,285	121,889
Student health insurance	57,477	61,502
Athletics	464,887	437,027
Campus Ministry	20,952	10,798
Student support programs	87,955	111,964
Student Compensation – work stoppage	–	552,054
	<u>\$ 1,632,263</u>	<u>\$ 2,164,966</u>

Schedule of Physical Plant Expenses

Year ended April 30, 2009, with comparative figures for 2008

	2009	2008
Wages and benefits	\$ 114,704	\$ 108,072
Utilities and insurance:		
Heat	480,126	552,108
Electricity	231,951	244,059
Water and sewerage	17,282	16,069
Telephone	154,581	152,015
Insurance	70,228	74,377
	<u>954,168</u>	<u>1,038,628</u>
Cleaning and janitorial	433,521	436,431
Furniture and equipment	87,202	169,434
Maintenance and repairs	570,047	479,591
Security	21,006	72,549
	<u>\$ 2,180,648</u>	<u>\$ 2,304,705</u>