



Financial Statements of
St. Jerome's University
Waterloo, Ontario

Year ended April 30, 2011

TABLE OF CONTENTS

	Page
Statement of Management Responsibility	
Independent Auditors' Report	
Statement of Financial Position	1
Statement of Operations	2
Statement of Changes in Net Assets	3
Statement of Cash Flows	4
Notes to Financial Statements	5-18

Statement of Management Responsibility

Management of St. Jerome's University is responsible for the preparation of the financial statements including the notes thereto.

The financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles recommended by the Canadian Institute of Chartered Accountants. Management believes the financial statements present fairly, in all material respects, the University's financial position as at April 30, 2011 and the results of its operations and its cash flows for the year then ended.

In fulfilling its responsibilities and recognizing the limits inherent in all systems, management has developed and maintains a system of internal control designed to provide reasonable assurance that University assets are safeguarded from loss and that the accounting records are a reliable basis for the preparation of financial statements.

The Board of Governors is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial statements. The Board carries out this responsibility principally through its Audit Committee.

The Audit Committee is appointed by the Board and its members are not officers or employees of the University. The Committee meets periodically with management, as well as the external auditors, to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues to satisfy itself that each party is properly discharging its responsibilities and to review the financial statements and the external auditors' report. The Committee reports its findings to the Board for consideration when approving the financial statements for issuance. The Committee also considers, for approval by the Board, the engagement or reappointment of the external auditors.

Financial statements for the year ended April 30, 2011 have been audited by KPMG LLP. The auditors' report outlines the scope of their audit and their opinion on the presentation of the information included in the financial statements.



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INDEPENDENT AUDITORS' REPORT

To the Board of Governors of St. Jerome's University

We have audited the accompanying financial statements of St. Jerome's University which comprise the financial position as at April 30, 2011, the statements of operations and changes in net assets 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 generally accepted accounting principles, 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 the 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 entity'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 entity'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 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. Jerome's University as at April 30, 2011, and its results of operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants, Licensed Public Accountants

October 6, 2011
Waterloo, Canada

ST. JEROME'S UNIVERSITY

Statement of Financial Position

April 30, 2011, with comparative figures for 2010

	2011	2010
Assets		
Current assets:		
Cash	\$ 4,374,450	\$ 2,437,610
Accounts receivable (note 5)	271,929	462,597
Inventory	2,148	2,412
Prepaid expenses	76,693	112,000
Total current assets	4,725,220	3,014,619
Investments (note 6)	18,396,259	16,508,959
Capital assets (note 7)	8,937,709	9,192,304
	\$ 32,059,188	\$ 28,715,882

Liabilities, Deferred Contributions and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities	\$ 1,051,668	\$ 589,408
Current portion of capital lease obligation (note 8)	30,150	28,051
Deferred contributions (note 10)	858,485	881,668
Total current liabilities	1,940,303	1,499,127
Capital lease obligation (note 8)	166,156	196,306
Accrued employee future benefit obligations (note 9)	2,527,010	2,431,563
Deferred capital contributions (note 11)	568,887	589,229
Total other liabilities	3,262,053	3,217,098
Net assets:		
Unrestricted net assets	9,943,775	7,548,920
Internally restricted net assets (note 12)	1,000,000	1,000,000
Internally restricted for capital assets (note 7)	8,251,061	8,684,642
Endowments (note 13)	7,661,996	6,766,095
	26,856,832	23,999,657
	\$ 32,059,188	\$ 28,715,882

See accompanying notes to financial statements.

On behalf of the Board of Governors:

 

Ms Maureen O'Donoghue Rich
Chair of the Board

Dr. David B. Perrin
President of the University

ST. JEROME'S UNIVERSITY

Statement of Operations

Year ended April 30, 2011, with comparative figures for 2010

	2011	2010
Revenue:		
Government grants, unrestricted	\$ 4,657,018	\$ 4,453,919
Government grants, restricted	412,754	345,370
Academic fees	5,273,462	4,755,203
Sales and services (ancillary operations)	3,013,281	3,140,382
Investment income, unrestricted (note 6)	570,552	399,041
Investment income, restricted	98,810	155,100
Donations, unrestricted	51,666	40,571
Donations, restricted	162,420	134,060
Other income	105,932	152,686
Research grant	144,107	105,303
Amortization of deferred capital contributions	41,132	41,293
	<u>14,531,134</u>	<u>13,722,928</u>
Expenses:		
Salaries and wages	6,029,489	5,738,765
Employee benefits	1,320,383	1,129,646
Supplies and other expenses	295,178	285,197
Advertising and promotional expenses	90,270	114,507
Travel	195,210	155,940
Entertainment	133,632	131,205
Professional development and training	212,955	182,799
Legal, audit and insurance	182,240	105,923
Scholarships and bursaries	258,700	281,800
Memberships	30,024	28,224
Externally contracted services	1,525,762	1,510,284
Utilities	352,865	339,622
Renovations, maintenance and equipment	631,465	759,070
Administration fee paid to University of Waterloo	1,215,438	1,119,230
Amortization of capital assets	700,087	668,049
	<u>13,173,698</u>	<u>12,550,261</u>
Excess of revenue over expenses	<u>\$ 1,357,436</u>	<u>\$ 1,172,667</u>

See accompanying notes to financial statements.

ST. JEROME'S UNIVERSITY

Statement of Changes in Net Assets

Year ended April 30, 2011, with comparative figures for 2010

	Unrestricted	Internally restricted	Internally restricted for capital assets	Endowments	Total 2011	Total 2010
Net assets, beginning of year (note 3)	\$ 7,548,920	\$ 1,000,000	\$ 8,684,642	\$ 6,766,095	\$ 23,999,657	\$ 20,702,081
Excess (deficiency) of revenue over expenses for the year	2,016,392	-	(658,956)	-	1,357,436	1,172,667
Change in investment in capital assets (note 7)	(225,375)	-	225,375	-	-	-
Capital preservation of endowments (note 6)	-	-	-	179,076	179,076	112,644
Endowment contributions	-	-	-	123,593	123,593	241,137
Change in unrealized gains on available-for-sale financial assets	603,838	-	-	593,232	1,197,070	1,771,128
Net assets, end of year	\$ 9,943,775	\$ 1,000,000	\$ 8,251,061	\$ 7,661,996	\$ 26,856,832	\$ 23,999,657
Accumulated unrealized losses on available-for-sale financial assets, beginning of year	\$ (1,223,719)	\$ -	\$ -	\$ (467,459)	\$ (1,691,178)	\$ (3,462,306)
Change in unrealized gains on available-for-sale financial assets	603,838	-	-	593,232	1,197,070	1,771,128
Accumulated unrealized gains (losses) on available-for-sale financial assets, end of year	(619,881)	-	-	125,773	(494,108)	\$ (1,691,178)

See accompanying notes to financial statements.

ST. JEROME'S UNIVERSITY

Statement of Cash Flows

Year ended April 30, 2011 with comparative figures for 2010

	2011	2010
Operating activities:		
Excess of revenue over expenses	\$ 1,357,436	\$ 1,172,667
Add non-cash items:		
Amortization of capital assets	700,087	668,049
Amortization of deferred capital contributions	(41,132)	(41,293)
Deferred donations for restricted purposes, net	(12,369)	136,107
Deferred research income, net	(8,413)	(64,272)
Net change in non-cash working capital balances related to operations:		
Accounts receivable	190,668	94,923
Prepaid expenses	35,307	(79,310)
Inventory	264	(57)
Accounts payable and accrued liabilities	462,260	78,134
Accrued employee future benefit obligations	95,447	55,641
	<u>2,779,555</u>	<u>2,020,589</u>
Investing activities:		
Purchasing of investments, net (note 6)	(511,154)	(449,656)
Purchasing of capital assets (note 7)	(180,400)	(936,009)
Purchasing of capital assets, work in progress (note 7)	(265,092)	(74,448)
	<u>(956,646)</u>	<u>(1,460,113)</u>
Financing activities:		
Repayment of lease obligation	(28,051)	(26,098)
Deferred investment income for restricted purposes, net	(2,401)	(29,329)
Restricted contributions received for capital purposes, expended and not expended (note 11)	20,790	217,476
Endowment contributions	123,593	241,137
	<u>113,931</u>	<u>403,186</u>
Increase in cash	1,936,840	963,662
Cash, beginning of year	2,437,610	1,473,948
Cash, end of year	<u>\$ 4,374,450</u>	<u>\$ 2,437,610</u>

See accompanying notes to financial statements.

ST. JEROME'S UNIVERSITY

Notes to Financial Statements

Year ended April 30, 2011

1. Description:

St. Jerome's University (the "University") is a public Roman Catholic post-secondary institution incorporated in 1865 and given university status in 1959 with subsequent amendments in 1986, 1996 and 2000 under the laws of the Province of Ontario. It has been federated with the University of Waterloo since 1960. It is dedicated to providing an undergraduate post-secondary education in the Faculties of Arts and Mathematics and to conducting research and community service.

These financial statements reflect the assets, liabilities, net assets, revenue, expenses and other transactions of all of the operations of the University. Accordingly, these financial statements include the academic, administrative and other operating expenditures funded by fees, grants, donations and other general revenue; restricted purpose endowment and non-endowment funds; and the ancillary operations, such as residences, food services, conferences and parking.

The University is a charitable organization and, as such, is exempt from income taxes under the Income Tax Act (Canada).

2. Significant accounting policies:

The financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles applied within the framework of the accounting policies summarized below:

(a) Inventory valuations:

Supplies and other inventories are carried at the lower of cost and replacement cost, with cost determined on a first-in, first-out basis.

(b) Financial instruments:

Financial instruments are classified as either available-for-sale ("AFS") or held-for-trading ("HFT"), loans and receivables, or other liabilities. HFT securities are carried at fair value whereby changes in the fair value are reported in operations. AFS securities are carried at fair value whereby the unrealized gains and losses are recorded as a charge to net assets until sale or other-than-temporary impairment is recognized, at which point cumulative unrealized gains or losses are transferred to the statement of operations. Realized gains and losses on sales and write-downs to reflect other-than-temporary impairments in value are included in investment income.

Interest income from these securities is included in investment income and is recorded on an accrual basis.

The University accounts for all financial instruments using trade date accounting. Transaction costs related to the purchase of financial instruments are expensed as incurred.

ST. JEROME'S UNIVERSITY

Notes to Financial Statements, continued

Year ended April 30, 2011

2. Significant accounting policies (continued):

(b) Financial instruments (continued):

The University conducts a regular review to identify and evaluate securities that show objective indications of possible impairment. An impairment is charged to operations if the fair value of a security falls below its cost/amortized cost, and the decline is considered other-than-temporary. Factors considered in determining whether a loss is other-than-temporary include the length of time and extent to which fair value has been below cost; financial condition and near-term prospects of the issuer; and our ability and intent to hold the investment for a period of time sufficient to allow for any anticipated recovery.

The University has classified its financial instruments as follows:

- Cash and short-term deposits are classified as held-for-trading
- Accounts receivable are classified as loans and receivables
- Investments are classified as available-for-sale
- Accounts payable and accrued liabilities are classified as other liabilities,

(c) Capital assets:

Purchased capital assets are recorded at cost. Contributions of capital assets are recorded at fair market value at the date of contribution. Capitalized assets are amortized on a straight-line basis using the following years of expected life:

Asset	Rate
Land improvements	1 to 40 years
Buildings	40 years
Building improvements	1 to 40 years
Equipment and furnishings	5 to 10 years
Computer equipment and software	5 years
Library books	7 years
Equipment under capital lease	10 years

Work-in-progress is not amortized in the current period. The art collection is recorded at cost.

(d) Pension expense and obligations:

The University participates in the University of Waterloo registered pension plan, which is a registered multi-employer defined benefit pension plan. The plan is accounted for following the standards for defined contribution plans as allowed under Canadian generally accepted accounting principles.

ST. JEROME'S UNIVERSITY

Notes to Financial Statements, continued

Year ended April 30, 2011

2. Significant accounting policies (continued):

(e) Other post-employment benefit obligations:

Post-employment benefits for extended health care, life insurance and unregistered non-contributory defined benefit private payroll pension commitments related to the employees' current service are accounted for on an accrual basis. The expense is actuarially determined using the projected benefit method estimating the usage frequency and the cost of services covered and management's best estimates of salary escalation and other factors.

(f) Deferred capital contributions:

Deferred capital contributions represent the unamortized amount of donations received for the purchase of capital assets. The amortization of deferred capital contributions is recorded as revenue in the statement of operations.

(g) Revenue recognition:

The University follows the deferral method of accounting for contributions, which include donations, government grants and investment revenue. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Contributions externally restricted for purposes other than endowment are deferred and recognized as revenue in the year in which the related expenses are recognized. Spendable endowment investment revenues are deferred and recognized as revenue in the year in which the related expenses are recognized. Endowment contributions are recognized as a direct increase in net assets in the period in which they are received. Student fees are recognized as revenue when courses and seminars are held. Sales and service revenue is recognized at the point of sale or when the service has been provided.

The University recognizes all revenue when it is realized or realizable and earned. The University considers revenue realized or realizable and earned when it has persuasive evidence of an arrangement, the product has been delivered or the services have been provided to the customer, the amount is fixed or determinable and collectibility is reasonably assured.

(h) Contributed services:

Volunteers contribute an indeterminable number of hours per year. Because of the difficulty of determining their fair value, contributed services are not recognized in these financial statements.

ST. JEROME'S UNIVERSITY

Notes to Financial Statements, continued

Year ended April 30, 2011

2. Significant accounting policies (continued):

(i) Use of estimates:

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. In determining estimates, the University relies on assumptions regarding applicable industry performance and prospects, as well as general business and economic conditions that prevail and are expected to prevail. Actual results could differ from those estimates. Estimates are reviewed on a regular basis and, as adjustments become necessary, they are reported in income in the periods in which they become known. The assets and liabilities which require management to make significant estimates and assumptions in determining carrying values include accounts receivable, investments, capital assets, accrued liabilities, accrued employee future benefit obligations, and deferred contributions.

3. Correction of an immaterial prior period error:

During the year ended April 30, 2011, the University became aware of certain employee benefits that were not accrued by the University. The impact of the correction has been recorded retrospectively resulting in an increase in employee benefits of \$94,708 for the year ended April 30, 2010, an increase in accounts payable and accrued liabilities of \$314,144 and a decrease of \$219,436 in unrestricted net assets at April 30, 2010.

4. Future accounting policy changes:

On December 15, 2009, Canada's Accounting Standards Board "(AcSB)" issued new accounting standards for private enterprises. Previously, the AcSB had announced that International Financial Reporting Standards will be required for Canada's publicly accountable enterprises and would be optional for private enterprises. Both sets of standards are effective fiscal years commencing on or after January 1, 2012 with earlier adoption permitted.

The University has not yet determined which standards it will adopt. Until a determination is made, the impact of the adoption of the new standards is not known.

ST. JEROME'S UNIVERSITY

Notes to Financial Statements, continued

Year ended April 30, 2011

5. Accounts receivable:

	2011	2010
Accounts receivable	\$ 214,612	\$ 141,940
Accrued interest receivable	57,317	57,772
Accrued tuition receivable	-	262,885
	\$ 271,929	\$ 462,597

6. Investments:

(a) Endowment investments consist of the following:

	2011	2010
Government of Canada bonds and Treasury bonds with interest varying between 1.5% and 4.0%, maturing between 2011 and 2015	\$ 192,814	\$ 328,189
Provincial and Municipal bonds and Treasury bonds with interest varying between 1.5% and 11.0%, maturing between 2011 and 2026	1,687,170	1,547,392
Corporate bonds and debentures with interest varying between 3.95% and 10.80%, maturing between 2011 and 2015	893,380	869,819
Canadian equities	1,821,328	1,612,806
Non-Canadian equities	3,067,304	2,459,626
Total market value	\$ 7,661,996	\$ 6,817,832
Cost	\$ 7,543,378	\$ 7,285,291
Cost (over) under market value	(118,618)	467,459

ST. JEROME'S UNIVERSITY

Notes to Financial Statements, continued

Year ended April 30, 2011

6. Investments (continued):

(b) Non-endowment investments (unrestricted and private payroll pension) consist of the following:

	2011	2010
Government of Canada bonds with interest varying between 2.95% and 4.0%, maturing between 2012 and 2015	\$ 86,931	\$ 181,628
Provincial and Municipal bonds with interest varying between 3.5% and 11.0%, maturing between 2011 and 2026	2,458,096	2,225,997
Corporate bonds and debentures with interest varying between 3.95% and 7.9%, maturing between 2011 and 2016	648,933	965,818
Canadian equities	1,946,059	1,685,847
Non-Canadian equities	5,091,456	4,149,362
TD Asset Management Inc. indexed mutual funds/CIBC Mellon	502,788	482,475
Total market value	\$ 10,734,263	\$ 9,691,127
Cost	\$ 11,283,511	\$ 10,914,846
Cost (over) under market value	643,854	1,223,719

(c) Total investments:

	2011	2010
Total investments for endowments	\$ 7,661,996	\$ 6,817,832
Total investments for non-endowments	10,734,263	9,691,127
Total market value	\$ 18,396,259	\$ 16,508,959

(d) Unrestricted investment income recorded in the statement of operations is calculated as follows:

	2011	2010
Total investment income earned	\$ 842,919	\$ 656,829
Income related to deferred restricted endowed funds	(93,291)	(145,144)
Income related to preservation of endowed funds	(179,076)	(112,644)
	\$ 570,552	\$ 399,041

ST. JEROME'S UNIVERSITY

Notes to Financial Statements, continued

Year ended April 30, 2011

7. Capital assets:

			2011	2010
	Cost	Accumulated amortization	Net book value	Net book value
Land	\$ 50,825	\$ -	\$ 50,825	\$ 50,825
Land improvements	750,503	373,964	376,539	427,665
Buildings	6,209,462	2,662,608	3,546,854	3,698,642
Building improvements	4,472,403	1,875,821	2,596,582	2,829,529
Equipment and furnishing	1,673,205	696,442	976,763	1,086,317
Computer equipment and software	498,217	222,571	275,646	175,720
Library books	418,218	235,959	182,259	178,370
Art collection	382,080	-	382,080	382,080
Work in progress	365,287	-	365,287	145,170
Property under capital lease: Equipment	331,118	146,244	184,874	217,986
	\$ 15,151,318	\$ 6,213,609	\$ 8,937,709	\$ 9,192,304

The change in net book value of capital assets is due to the following:

	2011	2010
Balance, beginning of year	\$ 9,192,304	\$ 8,849,896
Purchases of work in progress	265,092	74,448
Work in progress capitalized	(44,975)	(70,662)
Purchase of capital assets funded by deferred capital contributions (note 11)	-	7,002
Purchase of capital assets internally funded	225,375	999,669
Amortization of capital assets	(700,087)	(668,049)
Balance, end of year	\$ 8,937,709	\$ 9,192,304

ST. JEROME'S UNIVERSITY

Notes to Financial Statements, continued

Year ended April 30, 2011

7. Capital assets (continued):

The investment in capital assets consists of the following:

	2011	2010
Capital assets	\$ 8,937,709	\$ 9,192,304
Less capital assets in work in progress	(365,287)	(145,170)
Less amounts financed by deferred capital contributions	(568,477)	(589,229)
Add unspent deferred capital contributions	247,116	226,737
Balance, end of year	\$ 8,251,061	\$ 8,684,642

8. Capital lease obligation:

The University has financed certain telephone equipment by entering into a capital leasing arrangement expiring in November 2016. Capital lease repayments are due as follows:

2012	\$	43,373
2013		43,373
2014		43,373
2015		43,373
2016		43,373
2017		17,750
		234,615
Less interest included in above		38,309
Net lease obligation		196,306
Less current portion		30,150
Capital lease obligation	\$	166,156

Interest of \$17,276, calculated at a rate of 7.24%, relating to capital lease obligations has been included in interest expense.

ST. JEROME'S UNIVERSITY

Notes to Financial Statements, continued

Year ended April 30, 2011

9. Accrued employee future benefit obligations:

	2011	2010
Unregistered post-employment non-pension accrued benefit obligation	\$ 2,038,253	\$ 1,913,531
Unregistered defined benefit private payroll pension obligation	488,757	518,032
	<u>\$ 2,527,010</u>	<u>\$ 2,431,563</u>

The University maintains an unregistered non-contributory defined benefit private payroll pension plan and post-employment non-pension benefits for most of its employees.

The unregistered non-contributory defined benefit private payroll pension plan fund will increase annually by charging the employee benefits line of the statement of operations. The first unregistered pension plan payment was made on July 1, 2002.

The accrued benefit obligations were determined by independent actuaries as at April 30, 2011.

The benefits paid to or for employees in the University's future benefit plans are as follows:

	2011	2010
	Pension benefit plans	Pension benefit plans
Registered plan (University of Waterloo multi-employer plan)	\$ 1,365,899	\$ 734,243
Unregistered plans	56,915	63,242

The expense for the University's current and future benefit plans is as follows:

	2011		2010	
	Pension benefit plans	Other benefit plans	Pension benefit plans	Other benefit plans
Registered plan (University of Waterloo multi-employer plan)	\$ 506,100	\$ -	\$ 461,584	\$ -
Unregistered plans	34,571	373,929	21,920	333,631

ST. JEROME'S UNIVERSITY

Notes to Financial Statements, continued

Year ended April 30, 2011

9. Accrued employee future benefit obligations (continued):

The significant actuarial assumptions adopted in measuring the University's accrued benefit obligation are as follows:

	2011		2010	
	Pension benefit plans	Other benefit plans	Pension benefit plans	Other benefit plans
Discount rate	5.50%	5.50%	5.80%	5.80%
Rate of compensation increase	4.25%	-	4.10%	-
Rate of inflation	2.25%	2.25%	2.10%	2.10%

For measurement purposes, an 8.5% annual rate of increase in the per capita cost of covered health care benefits was assumed as at April 30, 2007. The rate of increase was assumed to gradually decrease to 5.0% in 2014 and remain at that level thereafter.

Other information about the University's current and future defined benefit plans is as follows:

	2011		2010	
	Pension benefit plans	Other benefit plans	Pension benefit plans	Other benefit plans
Employer contribution to registered plan (University of Waterloo multi-employer plan)	\$ 506,100	\$ -	\$ 461,584	\$ -
Employer contribution to unregistered plans	37,360	249,207	44,253	229,170

ST. JEROME'S UNIVERSITY

Notes to Financial Statements, continued

Year ended April 30, 2011

10. Deferred contributions:

Deferred contributions represent unspent externally restricted grants, investment income and donations for research and other restricted purposes. The changes in the deferred contribution balance are as follows:

	2011	2010
Balance, beginning of year	\$ 881,668	\$ 839,162
Amounts recognized as revenue during the year:		
Investment income restricted	(98,810)	(155,100)
Donations, restricted	(162,420)	(134,060)
Research grant	(144,107)	(105,303)
Amount received relating to future years	382,154	436,969
Balance, end of year	\$ 858,485	\$ 881,668

11. Deferred capital contributions:

The changes in the deferred capital contributions balance are as follows:

	2011	2010
Balance, beginning of year	\$ 589,229	\$ 413,046
Less amortization of deferred capital contributions	(41,132)	(41,293)
Add contributions received for capital purposes not expended	20,790	217,476
Balance, end of year	\$ 568,887	\$ 589,229

12. Internally restricted net assets:

	2011	2010
Major renovations	\$ 1,000,000	\$ 1,000,000

Internally restricted net assets are amounts available for spending at the discretion of the Board of Governors. Major renovations reflects monies transferred from the unrestricted net assets and are intended to be used by the University to assist in financing any extraordinary University renovation that cannot be funded by donations or by the current operating budget.

ST. JEROME'S UNIVERSITY

Notes to Financial Statements, continued

Year ended April 30, 2011

13. Endowments:

Contributions restricted for endowments consist of restricted donations received by the University and donations internally designated by the Board of Governors, in the exercise of its discretion. The endowment principal is required to be maintained intact. The investment income generated from endowments must be used in accordance with the various purposes established by donors or the Board of Governors. The University ensures, as part of its fiduciary responsibilities, that all funds received with a restricted purpose are expended for the purpose for which they were provided.

University policy has been established with the objective of protecting the real value of the endowments by limiting the amount of income available for spending and requiring the reinvestment of an amount of the earned income equal to the average percentage change (last 12 months) in the consumer price index for Canada prepared by Statistics Canada. This preservation of capital is \$179,076 for 2011 (2010 - \$112,644).

External donations are recorded as a direct increase of endowments.

Contributions restricted for endowments consist of the following:

	2011	2010
Ignatian	\$ 13,507	\$ 13,176
Devlin	31,950	31,165
Faculty position, English	23,421	22,846
M.A. in Catholic Thought and Life	896,604	842,008
J. Wintermeyer lecture	58,221	55,531
T. Dease lecture	31,248	30,313
Scarborough Mission	28,822	28,114
Catholic board lecture	13,816	13,212
Todd Earl Spirit Award	7,780	7,589
John Sweeney lecture	6,876	6,707
Quantum Computations Research	5,687	5,547
M. Higgins Lecture	23,990	23,401
Spalding Lecture # 1	53,463	52,150
Spalding Lecture # 2	53,897	52,073
Beyond Borders	12,016	7,529
Ontario Student Opportunity Trust Fund Bursaries Phase I	1,017,120	991,414
Ontario Student Opportunity Trust Fund Bursaries Phase II	221,699	216,096
Ontario Trust Student Support	1,319,044	1,227,963
Scholarship/bursaries	2,973,007	2,862,665
Contributions at cost	6,792,168	6,489,499
Unrealized gain (note 6)	869,828	276,596
Contributions at market value	\$ 7,661,996	\$ 6,766,095

ST. JEROME'S UNIVERSITY

Notes to Financial Statements, continued

Year ended April 30, 2011

13. Endowments (continued):

The Ontario Student Opportunity Trust Fund Phase I consists of the following:

	2011	2010
Endowment Funds Phase I		
Balance, beginning of year	\$ 991,414	\$ 973,578
Investment income re Capital Preservation	25,706	17,836
Balance, end of year (A)	\$ 1,017,120	\$ 991,414
Expendable Funds Phase I		
Balance, beginning of year	\$ 80,167	\$ 61,835
Investment income	14,138	18,332
Balance, end of year (B)	\$ 94,305	\$ 80,167
Endowment total based on book value (A+B)	\$ 1,111,425	\$ 1,071,581

The market value of the endowed funds of \$1,111,425 (book value), relating to the Ontario Student Opportunity Trust Fund Phase I as at April 30, 2011, was \$1,128,818 (2010 - \$997,821).

14. Financial instruments:

(a) Fair value of financial assets and financial liabilities:

The carrying amounts of cash, accounts receivable, and accounts payable and accrued liabilities approximate the respective fair value due to the short period to maturity of those instruments.

Investments are recorded at fair value.

(b) Associated risks:

The University is subject to market risk, foreign currency risk, credit risk and interest rate risk with respect to its investments. To manage these risks, the University has established a target mix by investment types designed to achieve optimal return within reasonable risk tolerances.

ST. JEROME'S UNIVERSITY

Notes to Financial Statements, continued

Year ended April 30, 2011

15. Capital management:

The University's objectives, when managing capital, are to safeguard its ability to continue as a going concern in order to pursue the delivery of a variety of services. In the management of capital, the University included the fund balances, as well as cash. The University manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the University may consider raising additional funds or reduce expenses. In order to facilitate the management of its capital requirements, the University prepares annual expenditure budgets that are updated as necessary depending on various factors, including fundraising campaigns and general governmental conditions. The annual budgets are approved by the Board of Directors.

The University has not changed its approach to capital management during the current year. The University expects that it will be necessary to receive funds from the government during the current fiscal year to meet its budgeted operations.

Heading into the next year, the University will continue to manage its finances responsibly. The challenges for the next year are as follows:

- The variability of investment returns and the potential impact on future endowment distributions
- Fundraising as a result of current economic conditions
- The increasing pressures on salary and benefit costs
- The implications of potential changes in government grant funding allocations
- The uncertainty associated with the tuition fee framework beyond 2011.

These challenges are expected to impact through fiscal year 2011-2012 and beyond.

16. Comparative figures:

Certain comparative figures have been reclassified to conform to the financial statement presentation adopted for 2011.