



St. Jerome's University

Financial Statements

Year Ended April 30, 2014

St. Jerome's University

Financial Statements
April 30, 2014



October 2, 2014

Independent Auditor's 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 statement of financial position as at April 30, 2014 and the statements of operations, changes in net assets and cash flows for the year then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for private enterprises, 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.

Auditor's 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 the auditor's 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, the auditor considers 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.

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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, 2014 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not for-profit organizations.

Other matter

The financial statements of St. Jerome's University for the year ended April 30, 2013 were audited by another auditor who expressed an unqualified opinion on those statements on October 3, 2013.

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

St. Jerome's University
Statement of Financial Position
As at April 30, 2014

| | 2014 \$ | 2013 \$ |
|---|-------------------|-------------------|
| Assets | | |
| Current assets | | |
| Cash | 4,384,551 | 7,640,490 |
| Accounts receivable | 198,438 | 142,636 |
| Inventory | 11,033 | 10,855 |
| Prepaid expenses | 108,198 | 89,552 |
| | <u>4,702,220</u> | <u>7,883,533</u> |
| Investments (note 3) | 28,825,280 | 20,702,298 |
| Capital assets (note 4) | <u>22,796,500</u> | <u>21,667,888</u> |
| | <u>56,324,000</u> | <u>50,253,719</u> |
| Liabilities, and Net assets | | |
| Current liabilities | | |
| Accounts payable and accrued liabilities | 904,349 | 739,071 |
| Deferred contributions (note 5) | 1,685,231 | 720,588 |
| Deferred contributions - Campus Ministry (note 5) | 216,379 | 219,045 |
| | <u>2,805,959</u> | <u>1,678,704</u> |
| Accrued employee future benefit obligations (note 6) | 3,821,770 | 3,460,992 |
| Deferred capital contributions (note 7) | <u>631,242</u> | <u>554,322</u> |
| | 7,258,971 | 5,694,018 |
| Net assets | | |
| Unrestricted net assets | 15,207,112 | 11,299,875 |
| Internally restricted net assets (note 8) | 4,709,381 | 3,796,834 |
| Invested in capital assets (note 4) | 20,132,327 | 20,976,695 |
| Endowments (note 9) | 9,016,209 | 8,486,297 |
| | <u>49,065,029</u> | <u>44,559,701</u> |
| | <u>56,324,000</u> | <u>50,253,719</u> |

Approved by the Board of Governors



Marion Thomson Howell, Chair of the Board



Robert Truman, Chair of the Finance Committee

The accompanying notes are an integral part of these financial statements.

St. Jerome's University

Statement of Operations

For the year ended April 30, 2014

| | General operations \$ | Invested in capital assets \$ | 2014 \$ | 2013 \$ |
|--|-----------------------------|--|-------------------|-------------------|
| Revenue | | | | |
| Government grants | 5,393,828 | - | 5,393,828 | 5,275,804 |
| Academic fees | 6,804,219 | - | 6,804,219 | 6,403,689 |
| Sales and services (ancillary operations) | 3,429,848 | - | 3,429,848 | 3,385,113 |
| Donations, unrestricted (note 11) | 42,750 | - | 42,750 | 48,455 |
| Donations, restricted (note 11) | 161,976 | - | 161,976 | 243,791 |
| Other income (note 12) | 1,038,453 | - | 1,038,453 | 167,769 |
| Research grant | 114,233 | - | 114,233 | 112,154 |
| Amortization of deferred capital contributions | - | 30,839 | 30,839 | 34,915 |
| | <u>16,985,307</u> | <u>30,839</u> | <u>17,016,146</u> | <u>15,671,690</u> |
| Expenses | | | | |
| Salaries and wages | 7,045,823 | - | 7,045,823 | 6,620,642 |
| Employee benefits | 596,865 | - | 596,865 | 559,420 |
| Post-employment benefits and pension (note 6) | 1,054,605 | - | 1,054,605 | 916,917 |
| Other operational expenses | 416,192 | - | 416,192 | 493,586 |
| Travel and entertainment | 379,786 | - | 379,786 | 432,995 |
| Professional development and training | 300,447 | - | 300,447 | 251,737 |
| Legal, audit and insurance | 220,784 | - | 220,784 | 222,501 |
| Scholarships and bursaries | 378,752 | - | 378,752 | 246,177 |
| Externally contracted services | 1,493,779 | - | 1,493,779 | 1,449,406 |
| Facilities | 702,586 | - | 702,586 | 906,087 |
| Administration fee paid to University of Waterloo | 1,432,504 | - | 1,432,504 | 1,373,688 |
| Amortization of capital assets | - | 1,009,773 | 1,009,773 | 1,153,920 |
| | <u>14,022,123</u> | <u>1,009,773</u> | <u>15,031,896</u> | <u>14,627,076</u> |
| Excess of revenue over expenses before the following: | 2,963,184 | (978,934) | 1,984,250 | 1,044,614 |
| Investment income, unrestricted | 1,956,289 | - | 1,956,289 | 1,801,520 |
| Investment income, restricted | 205,011 | - | 205,011 | 53,974 |
| | <u>2,161,300</u> | <u>-</u> | <u>2,161,300</u> | <u>1,855,494</u> |
| Excess of revenue over expenses (expenses over revenue) | <u>5,124,484</u> | <u>(978,934)</u> | <u>4,145,550</u> | <u>2,900,108</u> |

The accompanying notes are an integral part of these financial statements.

St. Jerome's University
Statement of Changes in Net Assets
For the year ended April 30, 2014

| | Unrestricted \$ | Internally restricted \$ | Invested in capital assets \$ | Endowments \$ | 2014 \$ | 2013 \$ |
|--|--------------------|--------------------------------|--|------------------|-------------------|-------------------|
| Net assets - Beginning of year | 11,299,875 | 3,796,834 | 20,976,695 | 8,486,297 | 44,559,701 | 41,010,907 |
| Excess of revenues over expenses | 5,124,484 | - | (978,934) | - | 4,145,550 | 2,900,108 |
| Change in remeasurement of accrued employee future benefit obligation (note 6) | (170,134) | - | - | - | (170,134) | (339,689) |
| Change in invested in capital assets (note 4) | (134,566) | - | 134,566 | - | - | - |
| Capital preservation of endowment (note 9) | - | - | - | 127,294 | 127,294 | 77,888 |
| Endowment contributions | - | - | - | 88,476 | 88,476 | 119,343 |
| Endowment transfers | - | - | - | (18,060) | (18,060) | (26,767) |
| Internally restricted transfers | (912,547) | 912,547 | - | - | - | - |
| Endowed unrealized portfolio gains | - | - | - | 332,202 | 332,202 | 817,911 |
| Net assets - End of year | 15,207,112 | 4,709,381 | 20,132,327 | 9,016,209 | 49,065,029 | 44,559,701 |

The accompanying notes are an integral part of these financial statements.

St. Jerome's University
Statement of Cash Flows
For the year ended April 30, 2014

| | 2014 \$ | 2013 \$ |
|--|-------------------------|-------------------------|
| Cash provided by (used in) | | |
| Operating activities | | |
| Excess of revenue over expenses | 4,145,550 | 2,900,108 |
| Add: Non-cash items | | |
| Amortization of capital assets | 1,009,773 | 1,153,920 |
| Amortization of deferred capital contributions | (30,839) | (34,915) |
| Gain on unrestricted investments | (660,261) | (1,417,875) |
| Contributions - non-capital | 961,977 | 115,853 |
| Change in remeasurement of accrued employee future benefit obligations | (170,134) | (339,689) |
| Net changes in non-cash working capital balances related to operations | | |
| Accounts receivable | (55,802) | 120,322 |
| Prepaid expenses | (18,646) | (15,048) |
| Inventory | (178) | (6,286) |
| Accounts payable and accrued liabilities | 165,278 | 57,624 |
| Accrued employee future benefit obligations | 360,778 | 484,522 |
| | <u>5,707,496</u> | <u>3,018,536</u> |
| Investing activities | | |
| Purchase of investments, net (note 3) | (6,932,808) | (464,727) |
| Purchase of capital assets (note 4) | (67,057) | (49,038) |
| Purchase of capital assets, work in progress (note 4) | (2,071,328) | (487,860) |
| | <u>(9,071,193)</u> | <u>(1,001,625)</u> |
| Financing activities | | |
| Repayment of lease obligation | - | (166,156) |
| Restricted contributions received for capital purposes (note 7) | 107,758 | 32,832 |
| Endowment transfers | - | (251,661) |
| | <u>107,758</u> | <u>(384,985)</u> |
| (Decrease) increase in cash | (3,255,939) | 1,631,926 |
| Cash - Beginning of year | 7,640,490 | 6,008,564 |
| Cash - End of year | <u>4,384,551</u> | <u>7,640,490</u> |

The accompanying notes are an integral part of these financial statements.

St. Jerome's University

Notes to Financial Statements

April 30, 2014

1 Description of the organization

St. Jerome's University (the "University") is a public Roman Catholic post-secondary institution 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 Institute of Chartered Professional Accountants' Handbook Part III - Canadian Accounting Standards for Not-for-Profit Organizations.

Unrestricted net assets

The unrestricted net assets present the academic, administrative and other operating activities of the University.

Internally restricted net assets

The internally restricted net assets present the funds designated by the Board for a specific purpose.

Invested in capital assets

The invested in capital assets present the funds received and expended on property, plant and equipment.

Endowments

The Endowment Fund records donations provided by benefactors or funds designated by the Board, which are restricted as to purpose and expendability. For endowments, only the accumulated investment income earned, after having provided for inflation protection and, in specific cases, growth may be expended provided it is within the established or approved fund conditions. Endowment earnings available for expenditures are recorded as deferred revenues.

St. Jerome's University

Notes to Financial Statements

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Inventory valuations

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

Financial instruments

Financial instruments are recorded at fair value on initial recognition. Freestanding derivative instruments that are not in a qualifying hedging relationship and equity instruments that are quoted in an active market are subsequently measured at fair value. All other financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. The University has elected to carry its bond investments at fair value.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method (or effective interest rate method).

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the University determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the University expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

Capital assets

Purchased capital assets are recorded at cost. Contributions of capital assets are recorded at fair market value at the date of contribution. Assets acquired under capital leases are amortized over the estimated life of the assets or over the lease term, as appropriate. Capital assets acquired prior to May 1, 2011 are recorded at deemed costs, being its fair value at May 1, 2011, the transition date of NPO accounting. Repairs and maintenance costs are expensed as incurred. Betterments which extended 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.

Capitalized assets are amortized on a straight-line basis using the following years of expected life:

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

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Work-in-progress is not amortized until it is substantially ready for use. The art collection is recorded at cost and is not amortized.

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. Canadian generally accepted accounting principles require that a multi-employer plan be accounted for following the standards for defined contribution plans.

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.

The University uses the immediate recognition approach to account for its other post-employment benefit obligation. The University accrues its obligations under the defined benefit plans as the employees render the services necessary to earn the pension and other retirement benefits. The actuarial determination of the accrued benefit obligations for pensions and other retirement benefits uses the projected benefit method prorated on service (which incorporates management's assumptions using for funding purposes, other cost escalation, retirement ages of employees and other actuarial factors). The measurement date of the plan assets, which are recorded at fair value, and accrued benefit obligation coincides with the University's fiscal year. The most recent actuarial valuation of the post-employment benefit obligations was of April 30, 2014.

The University recognizes the accrued benefit obligations net of the fair value of the plan amounts adjusted for any valuation allowance in the balance sheet at the end of the year. The cost of the plan, comprising (i) changes in the accrued benefit obligation other than those resulting from benefit payments to plan members and net of any employee contributions; (ii) the actual return on plan assets; and (iii) the change in the valuation allowance is recorded in income.

Actuarial gains (losses), referred to as plan remeasurements and past service costs arising from plan amendments are immediately recognized directly into unrestricted net assets at the date of the amendment.

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.

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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 collectability is reasonably assured.

Externally restricted contributions other than endowment contributions are recognized as revenue in the year in which the related expenses are recognized. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on a straight-line basis, at a rate corresponding with the amortization rate for the related capital assets.

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.

Use of estimate

The preparation of the financial statements 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 amounts of revenue and expenses during the year. Significant items subject to such estimates and assumptions include the carrying amount of capital assets, and assets and obligations related to employee future benefits. Actual results could differ from those estimates.

Cash and cash equivalents

Cash and cash equivalents include cash on hand and short-term deposits which are highly liquid with original maturities of less than three months.

St. Jerome's University

Notes to Financial Statements

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Change in accounting policy

In 2014 the University elected to early adopt CPA Part III Section 3463, Reporting Employee Future Benefits by Not-for-Profit Organizations, with an effective transition date of May 1, 2012.

As a result of this adoption the University must now recognize all remeasurements directly in net assets instead of the statement of operations. The remeasurement must be presented as a separate line item on the statement of change in net assets.

Under this new standard, the University has elected to use the funding assumptions to value all employee future benefit liabilities. Previously the University was using the funding assumptions for Registered Pension Plan and the Payroll Pension Plan and the accounting assumptions for the Other Post-Employment Benefit plan.

The impact of this adoption on the prior period balances is also follows:

| | \$ |
|--|-------------------|
| Statement of financial position | |
| Unrestricted net assets | |
| As previously reported - May 1, 2012 | 9,040,010 |
| Transition adjustment | <u>639,000</u> |
| As restated - May 1, 2012 | <u>9,679,010</u> |
| | |
| As previously reported - April 30, 2013 | 10,340,805 |
| Transition adjustment | 639,000 |
| Adjustment for 2013 | <u>320,000</u> |
| As restated - April 30, 2013 | <u>11,299,805</u> |
| | |
| Accrued employee future benefits obligations | |
| As previously reported - May 1, 2012 | 3,615,470 |
| Transition adjustment | <u>(639,000)</u> |
| As restated - May 1, 2012 | <u>2,976,470</u> |
| | |
| As previously reported - April 30, 2013 | 4,419,992 |
| Transition adjustment | (639,000) |
| Adjustment for 2013 | <u>(320,000)</u> |
| As restated - April 30, 2013 | <u>3,460,992</u> |

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| | \$ |
|--|------------------|
| Statement of operations | |
| Benefit expense - April 30, 2013 | |
| As previously reported | 960,917 |
| Adjustment | <u>(44,000)</u> |
| As restated | <u>916,917</u> |
| | |
| Remeasurement loss on employee future benefits - April 30, 2013 | |
| As previously reported | 615,689 |
| Adjustment | <u>(276,000)</u> |
| As restated | <u>339,689</u> |
| | |
| Reclassified directly to net assets | <u>(339,689)</u> |
| As restated | <u>-</u> |

3 Investments

Endowment investments consist of the following:

| | 2014 \$ | 2013 \$ |
|--|-------------------|------------------|
| Short-term savings held by investment custodian | 1,208,358 | 188,368 |
| Government Bonds with interest varying between 1.205% and 11%, maturing between 2013 and 2021 | 2,126,220 | 2,030,553 |
| Corporate bonds with interest varying between 2.285% and 6.110%, maturing between 2012 and 2015 | 1,247,656 | 398,523 |
| Canadian equities | 3,003,190 | 2,231,692 |
| Non-Canadian equities | <u>2,661,535</u> | <u>3,741,714</u> |
| | | |
| Total market value | <u>10,246,959</u> | <u>8,590,850</u> |

St. Jerome's University

Notes to Financial Statements

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Non-endowment investments consist of the following:

| | 2014 \$ | 2013 \$ |
|---|-------------------|-------------------|
| Short-term savings held by investment custodian | 6,174,104 | 407,252 |
| Government Bonds with interest carrying between 1.205% and 11%, maturing between 2013 and 2021 | 1,628,265 | 2,840,487 |
| Corporate bonds with interest varying between 2.285% and 7.9%, maturing between 2013 and 2016 | 764,905 | 251,195 |
| Canadian equities | 2,129,571 | 2,312,957 |
| Non-Canadian equities | 2,742,719 | 5,842,298 |
| TD Asset Management Inc. indexed mutual fund/CIBC Mellon | 475,636 | 457,259 |
| Total market value | <u>13,915,200</u> | <u>12,111,448</u> |

Capital fund investments consist of the following:

| | 2014 \$ | 2013 \$ |
|---|------------------|------------|
| Short-term savings held by investment custodian | <u>4,663,121</u> | - |

Total investments:

| | 2014 \$ | 2013 \$ |
|--------------------------------------|-------------------|-------------------|
| Total investments for endowments | 10,246,959 | 8,590,850 |
| Total investments for non-endowments | 13,915,200 | 12,111,448 |
| Total investments for capital fund | 4,663,121 | - |
| | <u>28,825,280</u> | <u>20,702,298</u> |

St. Jerome's University

Notes to Financial Statements

April 30, 2014

4 Capital assets

| | 2014 | | |
|---------------------------------|-------------------|------------------|-------------------|
| | Cost | Accumulated | Net |
| | \$ | amortization | \$ |
| | | \$ | |
| Land | 7,748,461 | - | 7,748,461 |
| Land improvements | 750,503 | 526,760 | 223,743 |
| Buildings | 7,144,587 | 983,704 | 6,160,883 |
| Building improvements | 5,791,246 | 1,161,123 | 4,630,123 |
| Equipment and furnishing | 2,191,705 | 1,358,854 | 832,851 |
| Computer equipment and software | 517,422 | 284,144 | 233,278 |
| Library books | 577,764 | 387,518 | 190,246 |
| Art collection | 409,954 | - | 409,954 |
| Work in progress | 2,366,961 | - | 2,366,961 |
| | <u>27,498,603</u> | <u>4,702,103</u> | <u>22,796,500</u> |

| | 2013 | | |
|---------------------------------|-------------------|------------------|-------------------|
| | Cost | Accumulated | Net |
| | \$ | amortization | \$ |
| | | \$ | |
| Land | 7,748,461 | - | 7,748,461 |
| Land improvements | 750,503 | 475,826 | 274,677 |
| Buildings | 7,191,480 | 735,245 | 6,456,235 |
| Building improvements | 5,669,767 | 794,680 | 4,875,087 |
| Equipment and furnishing | 2,118,943 | 1,128,414 | 990,529 |
| Computer equipment and software | 517,422 | 219,507 | 297,915 |
| Library books | 510,707 | 338,658 | 172,049 |
| Art collection | 382,080 | - | 382,080 |
| Work in progress | 470,855 | - | 470,855 |
| | <u>25,360,218</u> | <u>3,692,330</u> | <u>21,667,888</u> |

St. Jerome's University

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

| | 2014 \$ | 2013 \$ |
|---|-------------------|-------------------|
| Balance - Beginning of year | 21,667,888 | 22,284,910 |
| Purchases of work in progress | 2,071,329 | 487,860 |
| Work in progress capitalized | (175,224) | (526,543) |
| Purchases of capital assets internally funded | 242,280 | 575,581 |
| Amortization of capital assets | (1,009,773) | (1,153,920) |
| Balance - End of year | <u>22,796,500</u> | <u>21,667,888</u> |

The invested in capital assets balance consists of the following:

| | 2014 \$ | 2013 \$ |
|--|-------------------|-------------------|
| Capital assets | 22,796,500 | 21,667,888 |
| Less: Capital assets in work-in-progress | (2,366,960) | (470,855) |
| Less: Amounts financed by deferred capital contributions | (631,242) | (554,322) |
| Add: Unspent deferred capital contributions | 333,984 | 333,984 |
| Balance - End of year | <u>20,132,282</u> | <u>20,976,695</u> |

The change in invested in capital assets consists of the following:

| | 2014 \$ | 2013 \$ |
|---|------------------|--------------------|
| Capital asset amortization | (1,009,773) | (1,153,920) |
| Amortization of deferred capital contributions | 30,839 | 34,915 |
| | <u>(978,934)</u> | <u>(1,119,005)</u> |
| Purchases of capital assets | 242,280 | 637,449 |
| Deferred capital contributions received during the year | (107,759) | (32,832) |
| | <u>134,521</u> | <u>604,617</u> |
| Net change in invested in capital assets | <u>(844,413)</u> | <u>514,388</u> |

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5 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:

| | 2014 \$ | 2013 \$ |
|---|------------------|----------------|
| Balance - Beginning of year | 939,633 | 823,780 |
| Amounts recognized as revenue during the year | | |
| Investment income restricted | (172,494) | (53,794) |
| Donations, restricted | (406,078) | (156,969) |
| Research grant | (117,921) | (118,638) |
| Amount received relating to future years | 1,658,470 | 445,254 |
| Balance - End of year | <u>1,901,610</u> | <u>939,633</u> |

Contributions are also received for the Campus Ministry. The changes in the deferred contribution Campus Ministry balance are as follows:

| | 2014 \$ | 2013 \$ |
|---|----------------|----------------|
| Balance - Beginning of year | 219,045 | 315,925 |
| Amounts recognized as donations, restricted | (91,352) | (197,751) |
| Amount received | 88,686 | 100,871 |
| Balance - End of year | <u>216,379</u> | <u>219,045</u> |

St. Jerome's University

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6 Accrued employee future benefit obligations

| | 2014 \$ | 2013 \$ |
|---|------------------|------------------|
| Unregistered post-employment non-pension accrued benefit obligation | 3,023,000 | 2,644,000 |
| Unregistered defined benefit private payroll pension obligation | 798,770 | 816,992 |
| | <u>3,821,770</u> | <u>3,460,992</u> |

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

The unregistered 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, 2014.

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

| | 2014 | | 2013 | |
|--|--------------------------------|------------------------------|--------------------------------|------------------------------|
| | Pension benefit plans \$ | Other benefit plans \$ | Pension benefit plans \$ | Other benefit plans \$ |
| Registered plan (University of Waterloo multi- employer plan) | 705,575 | - | 625,575 | - |
| Unregistered plans | 71,030 | 278,000 | 47,342 | 244,000 |

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

| | 2014 | | 2013 | |
|----------------------------------|-------------------------------|-----------------------------|-------------------------------|-----------------------------|
| | Pension benefit plans % | Other benefit plans % | Pension benefit plans % | Other benefit plans % |
| Discount rate | 6.00 | 6.00 | 6.10 | 4.15 |
| Rate of compensation increase | 4.25 | 4.25 | 4.25 | 4.10 |
| Rate of inflation | 2.25 | 2.25 | 2.25 | 2.25 |

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For measurement purposes, a 9.0% annual rate of increase in the per capita cost of covered health care benefits was assumed as at April 30, 2012. The rate of increase was assumed to gradually decrease to 4.5% in 2021 and remain at that level thereafter.

Contributions in connection with the University's current and future defined benefit plans are as follows:

| | 2014 | | 2013 | |
|---|-----------------------|---------------------|-----------------------|---------------------|
| | Pension benefit plans | Other benefit plans | Pension benefit plans | Other benefit plans |
| | \$ | \$ | \$ | \$ |
| Employer contribution to registered plan (University of Waterloo multi-employer plan) | 705,575 | - | 625,575 | - |
| Employer contribution to unregistered plans | 68,607 | 66,000 | 67,978 | 56,000 |

7 Deferred capital contributions

Deferred capital contributions related to capital assets represent the unamortized amount and unspent amount of transfers and grants received in the purchase of capital assets. The amortization of capital contributions is recorded as revenue in the statement of operations.

| | 2014 | 2013 |
|---|----------------|----------------|
| | \$ | \$ |
| Balance - Beginning of year | 554,322 | 556,405 |
| Less: Amortization of deferred capital contributions | (30,838) | (34,915) |
| Add: Contributions received for capital purposes not expended | 107,758 | 32,832 |
| Balance - End of year | <u>631,242</u> | <u>554,322</u> |

8 Internally restricted net assets

| | 2014 | 2013 |
|-------------------|------------------|------------------|
| | \$ | \$ |
| Major renovations | 4,532,985 | 3,620,438 |
| Academic programs | 176,396 | 176,396 |
| | <u>4,709,381</u> | <u>3,796,834</u> |

The use of internally restricted net assets is limited to the intended purpose and is subject to Board approval.

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Major renovations reflect monies transferred from the unrestricted net assets and are intended to be used by the University to assist in financing of the capital projects and expenditures not funded by donations or within the current operating budget.

Academic programs reflect monies transferred from the unrestricted net assets and are intended to be used by the University for specific academic program development or support. The internally restricted net assets are to be designated for the Master of Catholic Thought (\$50,000) and future Catholic program development (\$126,396).

9 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 \$127,294 for 2014 (2013 - \$77,888).

External donations are recorded as a direct increase of endowments.

Contributions restricted for endowments consist of the following:

| | 2014 | 2013 |
|--|-----------|-----------|
| | \$ | \$ |
| M.A. in Catholic Thought and Life | 973,786 | 957,739 |
| Ontario Student Opportunity Trust Fund Bursaries | 1,363,355 | 1,342,360 |
| Ontario Trust Student Support | 1,451,660 | 1,429,306 |
| Scholarships/bursaries | 3,762,034 | 3,761,932 |
| Other | 420,128 | 383,520 |
| | <hr/> | <hr/> |
| | 7,970,963 | 7,874,857 |
| Unrealized gain | 1,045,246 | 611,440 |
| | <hr/> | <hr/> |
| Endowments | 9,016,209 | 8,486,297 |
| | <hr/> | <hr/> |

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Notes to Financial Statements

April 30, 2014

10 Financial risks and concentration of risk

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.

Liquidity risk

Liquidity risk is the risk that the University will be unable to fulfill its obligations on a timely basis or at a reasonable cost.

The University manages its liquidity risk by monitoring its operating requirements. There has been no change to the risk exposures from 2012.

Interest rate risk

The University is exposed to interest rate risk on its fixed interest rate financial instruments. Further details about the fixed rate investments are included in note 4.

Credit risk

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in financial loss. The University is exposed to credit risk with respect to the accounts receivable. The University assesses on a continuous basis, accounts receivable and provides for any amounts that are not collectible.

11 Donations

Donations received throughout the year and recognized on the statement of financial position as at April 30 are as follows:

| | 2014 | 2013 |
|--|----------------|----------------|
| | \$ | \$ |
| Deferred contributions | 65,833 | 69,953 |
| Deferred contributions - Campus Ministry | 83,085 | 83,420 |
| Deferred capital contributions | 107,758 | 32,831 |
| Endowments | 88,476 | 119,343 |
| | <u>345,152</u> | <u>305,547</u> |

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Donations received throughout the year and recognized on the statement of operations as at April 30 are as follows:

| | 2014 | 2013 |
|-------------------------|---------------|---------------|
| | \$ | \$ |
| Donations, unrestricted | 42,750 | 62,811 |
| Donations, restricted | - | 15,056 |
| | <u>42,750</u> | <u>77,867</u> |

The remaining donations recognized in the year as revenue were received in prior years but did not meet the revenue recognition criteria until the current year.

12 Other income

In 2014, the University entered into an agreement with the University of Waterloo to consolidate all mathematics courses under the Faculty of Mathematics. To compensate the University, University of Waterloo committed \$1,000,000 in one-time funding, payable upon signing of the agreement. The University's Board of Governors approved this agreement and the University received the committed amount in full.

The Board of Governors elected to internally restrict these funds for the future renovation of academic space.

In addition, starting in 2015, \$250,000 will be received annually from the University of Waterloo for a period of four years. These funds will be recognized as income as they are received.

13 Comparative figures

Certain amounts in the 2013 financial statements have been reclassified to conform to the 2014 presentation.

