Financial Statements of

St. Jerome's University
Waterloo, Ontario

Year ended April 30, 2000

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Statement of Management Responsibility

Management of St. Jerome's University is responsible for the preparation of the financial statements, the notes thereto and all other financial information in this annual report.

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 the University's financial position as at April 30, 2000 and the results of its operations 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 annual report, the financial statements and the external auditors' reports. 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, 2000 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.

AUDITORS' REPORT

To the Governors of
St. Jerome's University

We have audited the statement of financial position of St. Jerome's University as at April 30, 2000 and the statements of operations, changes in net assets 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, 2000 and the results of its operations and the changes in its financial position for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants

Waterloo, Canada
July 6, 2000

ST. JEROME'S UNIVERSITY

Statement of Financial Position

April 30, 2000, with comparative figures for 1999

	2000	1999
Assets		
Current assets:		
Cash	$ 718,559	$ 655,650
Accounts receivable (note 3)	273,828	321,852
Inventory	70,853	67,699
Prepaid expenses	69,198	89,797
Total current assets	1,132,438	1,134,998
Investments, at cost (note 4)	7,261,574	7,233,574
Capital assets (note 5)	7,566,201	6,915,543
	$ 15,960,213	$ 15,284,115
Liabilities, Deferred Contributions and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities (note 6)	$ 329,105	$ 444,736
Current portion of long-term debt	26,727	24,314
Total current liabilities	355,832	469,050
Long-term debt (note 7)	349,208	221,050
Deferred contributions (note 8)	394,314	507,019
Deferred capital contributions (note 9)	751,633	680,595
Total liabilities and deferred contributions	1,850,987	1,877,714
Net assets:		
Unrestricted	446,363	529,133
Internally restricted (note 10)	4,542,858	4,542,858
Invested in capital assets (note 5)	6,829,568	6,183,103
Endowments (note 11)	2,290,437	2,151,307
	14,109,226	13,406,401
Commitments and contingencies (note 12)		
	$ 15,960,213	$ 15,284,115

See accompanying notes to financial statements.

On behalf of the Board of Governors:

Ms. M. A. Voll, Chair of the Board

Dr. M.W. Higgins, President of the University

ST. JEROME'S UNIVERSITY

Statement of Operations

April 30, 2000, with comparative figures for 1999

	2000	1999
Revenue:		
Government grants, unrestricted	$ 2,544,405	$ 2,515,943
Government grants, restricted	91,387	97,406
Academic fees	2,154,053	1,972,991
Sales and services (ancillary operations)	1,826,589	1,801,752
Investment income, unrestricted (note 4)	344,124	347,464
Investment income, restricted	149,920	144,525
Donations, unrestricted	172,888	180,699
Donations, restricted	20,156	22,538
Other income	286,690	157,071
Research grant	5,168	11,801
Amortization of deferred capital contributions	69,936	62,244
	7,665,316	7,314,434
Expenses:		
Salaries and wages	3,462,231	3,189,683
Employee benefits	391,177	341,220
Supplies and other expenses	283,104	271,008
Advertising and promotional expenses	157,142	168,233
Travel	45,418	44,214
Entertainment	69,506	57,265
Professional development and training	58,766	47,405
Legal, audit and insurance	36,054	44,584
Scholarships and bursaries	182,306	137,982
Memberships	15,968	14,851
Custodial and contracted services	192,235	161,534
Cost of sales and services	612,322	621,654
Utilities	218,090	229,542
Renovations, maintenance and equipment	275,953	468,104
Administration fee paid to University of Waterloo	560,610	536,421
Amortization of capital assets	486,794	437,897
	7,047,676	6,771,597
Excess of revenue over expenses	$ 617,640	$ 542,837

See accompanying notes to financial statements.

ST. JEROME'S UNIVERSITY

Statement of Changes in Net Assets

April 30, 2000, with comparative figures for 1999

	Unrestricted	Internally restricted	Invested in capital assets	Endowments	Total 2000	Total 1999
Net assets, beginning of year	$ 529,133	$ 4,542,858	$ 6,183,103	$ 2,151,307	$ 13,406,401	$ 12,604,157
Excess of revenue over expenses (expenses over revenue)	1,034,498	-	(416,858)	-	617,640	542,837
Change in investment in capital assets (note 5)	(1,063,323)	-	1,063,323	-	-	-
Capital preservation of endowments (note 11)	(53,945)	-	-	53,945	-	-
Endowment contributions	-	-	-	85,185	85,185	259,407
Net assets, end of year	$ 446,363	$ 4,542,858	$ 6,829,568	$ 2,290,437	$ 14,109,226	$ 13,406,401

See accompanying notes to financial statements.

ST. JEROME'S UNIVERSITY

Statement of Cash Flows

April 30, 2000, with comparative figures for 1999

	2000	1999
Operating activities:		
Excess of revenue over expenses	$ 617,640	$ 542,837
Add non-cash items:		
Amortization of capital assets	486,794	437,897
Amortization of deferred capital contributions	(69,936)	(62,244)
Net change in non-cash working capital balances related to operations:		
Accounts receivable	48,024	(30,979)
Inventory	(3,154)	(25,560)
Prepaid expenses	20,599	27,122
Accounts payable and accrued liabilities	(115,630)	50,224
	984,337	939,297
Investing and financing activities:		
Purchasing of investments, net	(28,000)	(276,249)
Purchasing of capital assets (note 5)	(1,204,297)	(804,031)
Purchasing of capital assets, work in progress (note 5)	66,845	(54,051)
Contributions restricted for capital purposes (note 9)	140,974	242,509
Reduction in long-term debt (note 7)	(24,314)	(22,119)
Increase in long term pension liability (note 7)	154,885	-
Deferred donations for restricted purposes, net	(88,477)	(33,122)
Deferred research income, net	(568)	6,592
Deferred investment income for restricted purposes, net	(23,661)	(4,136)
Endowment contributions	85,185	259,407
	(921,428)	(685,200)
Increase in cash	62,909	254,097
Cash, beginning of year	655,650	401,553
Cash, end of year	$ 718,559	$ 655,650

See accompanying notes to financial statements.

1. Description:

St. Jerome's University is a Roman Catholic post-secondary institution incorporated in 1865 and given university status in 1959, 1986 and 1996 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 not-for-profit 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) Investments:

The University's investment portfolio comprises a large number of different securities carrying a variety of terms and conditions. Debt securities pay interest monthly, semi-annually or annually at a fixed rate. Fair market values are based on quoted market prices of the securities per RBC Dominion Securities.

Investments are accounted for at cost. Premiums and discounts are recorded in investment income in the year the investment matures. Investments are written down in the year where there is deemed to be an impairment in value which is other than temporary.

2. Significant accounting policies (continued):

(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	5 years
Library books	7 years

Work-in-progress is not amortized in the current period.

(d) Pension expense and obligations:

The University participates in the University of Waterloo pension plan, which is a defined benefit pension plan. Pension expense is actuarially determined using the projected benefit method pro-rated on services and management's best estimate assumptions. The pension expense for the period (2000 - $54,165 and 1999 - $47,981), is the total of the contributions during the year in exchange for the employee service rendered. As at the date of the last actuarial valuation, the plan was in a surplus position.

(e) Other post-employment benefit obligations:

Post-employment benefits for extended health and life insurance care are accounted for on a cash basis. Private payroll pension commitments are accounted for on an accrual basis.

(f) 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 services revenue is recognized at point of sale or when the service has been provided.

2. Significant accounting policies (continued):

(g) 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.

(h) Expense recognition:

The University follows the accrual basis for accounting by recording expenses when materials or services are received. Encumbrances, including commitments for goods and services not yet received, are not included in expenses.

(i) Measurement uncertainty:

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 of accrued liabilities, 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.

3. Accounts receivable:

	2000	1999
Accounts receivable	$ 65,883	$ 124,564
Accrued interest receivable	124,421	114,702
Accrued tuition receivable	83,524	82,586
	$ 273,828	$ 321,852

4. Investments:

(a) Endowment Investments consist of the following:

		2000		1999
Government of Canada bonds and Treasury bonds with interest varying between 5.0% and 11.25%, maturing between 2000 and 2006	$	755,734	$	598,440
Provincial and Municipal bonds with interest varying between 5.0% and 13.5%, maturing between 2000 and 2011		735,731		596,994
Corporate bonds and debentures with interest varying between 6.25% and 13.2%, maturing between 2000 and 2005		1,122,847		778,991
Guaranteed Investment Certificates		110,100		-
RBC Dominion Securities		8,157		215,415
Total cost	$	2,732,569	$	2,189,840
Fair market value	$	2,840,478	$	2,405,379
Fair market value over cost		107,909		215,539

(b) Non-endowment Investments consist of the following:

		2000		1999
Government of Canada bonds and Treasury bonds with interest varying between 5.0% and 5.75%, maturing between 2003 and 2029	$	601,160	$	596,560
Provincial and Municipal bonds with interest varying between 5.0% and 6.25%, maturing between 2000 and 2009		1,405,293		941,255
Corporate bonds and debentures with interest varying between 5.0% and 6.6%, maturing between 2000 and 2005		1,358,659		3,505,918
Canadian equities		689,184		-
Non-Canadian equities		470,832		-
RBC Dominion Securities		3,877		-
Total cost	$	4,529,005	$	5,043,733
Fair market value	$	4,677,851	$	5,133,935
Fair market value over cost		148,846		90,201

4. Investments (continued):

(c) Total Investments:

	2000	1999
Total Investments for Endowments	$ 2,732,569	$ 2,189,840
Total Investments for Non-endowments	4,529,005	5,043,734
	$ 7,261,574	$ 7,233,574

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

	2000	1999
Total investment income earned	$ 470,382	$ 487,853
Income related to deferred restricted funds	(126,258)	(140,389)
	$ 344,124	$ 347,464

5. Capital assets:

			2000	1999
	Cost	Accumulated amortization	Net book value	Net book value
Land	$ 50,825	$ -	$ 50,825	$ 50,825
Land improvements	219,535	(93,714)	125,821	117,285
Buildings	6,412,130	(1,906,158)	4,505,972	4,666,275
Building improvements	2,215,272	(316,424)	1,898,848	1,050,079
Equipment and furnishings	2,260,184	(1,543,146)	717,038	708,964
Computer equipment	432,027	(339,906)	92,121	84,632
Library books	1,128,188	(952,612)	175,576	170,639
Work in progress	-	-	-	66,844
	$ 12,718,161	$ (5,151,960)	$ 7,566,201	$ 6,915,543

5. **Capital assets (continued):**

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

	2000	1999
Balance, beginning of year	$ 6,915,543	$ 6,495,358
Purchases of work in progress	(66,845)	54,051
Purchase of capital assets funded by deferred capital contributions	140,974	227,508
Purchase of capital assets internally funded	1,063,323	576,523
Amortization of capital assets	(486,794)	(437,897)
Balance, end of year	$ 7,566,201	$ 6,915,543

The investment in capital assets consists of the following:

	2000	1999
Capital assets	$ 7,566,201	$ 6,915,543
Less capital assets in work in progress	-	(66,844)
Less amounts financed by deferred capital contributions	(736,633)	(665,596)
Balance, end of year	$ 6,829,568	$ 6,183,103

6. **Accounts payable and accrued liabilities:**

	2000	1999
Accounts payable and accrued liabilities	$ 316,923	$ 433,621
Accrued vacation pay	12,182	11,115
	$ 329,105	$ 444,736

7. Long-term debt:

	2000	1999
Unregistered private pension	$ 154,885	$ -
Long-term loan	221,050	245,364
	375,935	245,364
Less current portion of long-term debt	26,727	24,314
	$ 349,208	$ 221,050

The University has created a private unregistered defined pension fund that has a current balance of $154,885. The fund will increase annually by charging the salaries, wages and benefits lines of the statement of operations. No payments are anticipated under this plan until January 1, 2005.

On September 1, 1996 a supplier advanced $300,000 to St. Jerome's College to be used to renovate and purchase equipment for the Food Services activity. The $300,000 will be amortized over a period of 120 months at an annual interest rate of 9.5%. In connection with advancing the monies, the parties entered into an agreement. The agreement provides that interest and principal payments on the loan will be forgiven annually by the supplier as long as the agreement is not terminated. The forgiven principal amount of $24,314 (1999 - $22,119) has been included in sales and services (ancillary operations) on the statement of operations.

If the agreement is terminated by either party prior to August 31, 2006 then the supplier shall be entitled to the unamortized balance outstanding as noted in the following schedule:

	Forgivable principal	Balance outstanding
April 30, 2000	$ 24,314	$ 221,050
April 30, 2001	26,727	194,323
April 30, 2002	29,380	164,943
April 30, 2003	32,296	132,647
April 30, 2004	35,501	97,146
April 30, 2005	39,024	58,122
April 30, 2006	42,897	15,225
August 31, 2006	15,225	-

8. 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:

	2000	1999
Balance, beginning of year	$ 507,019	$ 537,685
Amount recognized as revenue during the year	(175,244)	(178,864)
Amount received relating to future years	62,539	148,198
Balance, end of year	$ 394,314	$ 507,019

9. 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. The changes in the deferred contributions balance are as follows:

	2000	1999
Balance, beginning of year	$ 680,595	$ 500,330
Less amortization of deferred capital contributions	(69,936)	(62,244)
Add contributions received for capital purposes and expended	140,974	227,508
Add contributions received for capital purposes and unspent	-	15,001
Balance, end of year	$ 751,633	$ 680,595

10. Internally restricted net assets:

	2000	1999
Salary security	$ 2,642,858	$ 2,642,858
Major renovations	1,900,000	650,000
Faculty position, English	-	600,000
Faculty position, J. Wintermeyer Chair	-	650,000
	$ 4,542,858	$ 4,542,858

10. Internally restricted net assets (continued):

Amounts committed for specific purposes include amounts available for spending at the discretion of the Board of Governors:

(a) Salary security reflects monies transferred from the unrestricted net assets. The amounts are intended to be used by the University to help maintain the negotiated salaries of continuing faculty and staff.

(b) Major renovations reflects monies transferred from the unrestricted net assets. The amounts are intended to be used by the University to assist in financing any extraordinary University renovation that cannot be supported by the operating budget.

(c) Faculty position, English reflects monies transferred from the unrestricted net assets. The amounts are intended to be used by the University to support the salary, benefits and overhead costs of a faculty member designated to fill the English Chair.

(d) Faculty position, J. Wintermeyer Chair reflects monies transferred from the unrestricted net assets. The amounts are intended to be used by the University to support the salary, benefits and overhead costs of a faculty member designated to fill the Wintermeyer Chair.

11. 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 recorded in the statement of changes in net assets as a transfer from unrestricted (2000 - $53,945 and 1999 - $29,012).

11. Endowments (continued):

External donations are recorded as a direct increase of endowments.

Contributions restricted for endowments consist of the following:

	2000	1999
Ignatian	$ 10,570	$ 10,313
Devlin	22,995	22,133
Faculty position, Catholic Studies	26,823	25,439
Faculty position, English	16,459	15,794
J. Wintermeyer Lecture	22,064	12,607
Catholic board lecture	10,518	10,268
Todd Earl spirit award	2,091	2,043
Ontario Student Opportunity Trust Fund bursaries	787,284	768,516
Scholarship/bursaries	1,391,633	1,284,194
	$ 2,290,437	$ 2,151,307

12. Commitments and contingencies:

The nature of St. Jerome's University activities is such that there is usually litigation pending or in process at any time. At April 30, 2000, management is not aware of any claims but believes that St. Jerome's University has valid defenses and appropriate insurance coverage in place should a claim be made. In the event claims are successful, management believes that such claims are not expected to have a material effect on the financial position of St. Jerome's University.

13. Comparative figures:

Certain comparative figures have been reclassified to conform with the current financial statement presentation.

Executive Compensation Disclosure

The Public Sector Salary Disclosure Act, 1996 requires public disclosure of the salary and benefits paid in respect of employment to employees who are paid a salary of $100,000 or more in a year. There were 5 individuals in this category in the University who earned over $100,000 in 1999 and the following is a list of names and salaries.

Name	Salary	Benefits	Position
Higgins, Michael	$100,889.34	nil	President/Professor
Letson, Douglas R.	$146,219.32	nil	Past President/Professor
McGee, C. Edward	$100,917.12	nil	Associate Professor
McLaughlin, Kenneth M.	$102,758.64	nil	Professor
Vanstone, Scott	$109,758.64	nil	Professor