Financial Statements of

St. Jerome's University
Waterloo, Ontario

Year ended April 30, 2001

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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, 2001 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, 2001 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, 2001 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, 2001 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 31, 2001

ST. JEROME'S UNIVERSITY

Statement of Financial Position

April 30, 2001, with comparative figures for 2000

	2001	2000
Assets		
Current assets:		
Cash	$ 1,256,375	$ 718,559
Accounts receivable (note 4)	263,905	273,828
Inventory	66,596	70,853
Prepaid expenses	77,988	69,198
Total current assets	1,664,864	1,132,438
Investments (note 5)	7,703,415	7,261,574
Capital assets (note 6)	7,523,974	7,566,201
	$ 16,892,253	$ 15,960,213
Liabilities, Deferred Contributions and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities (note 7)	$ 330,359	$ 329,105
Current portion of long-term debt	29,380	26,727
Total current liabilities	359,739	355,832
Long-term debt (note 8)	164,943	194,323
Accrued employee future benefit obligation (note 9)	1,438,466	154,885
Deferred contributions (note 10)	399,571	394,314
Deferred capital contributions (note 11)	736,382	751,633
Total liabilities and deferred contributions	3,099,101	1,850,987
Net assets:		
Unrestricted net assets	318,261	446,363
Internally restricted net assets (note 12)	4,188,048	4,542,858
Invested in capital assets (note 6)	6,784,601	6,829,568
Endowments (note 13)	2,502,242	2,290,437
	13,793,152	14,109,226
Contingencies (note 14)		
	$ 16,892,253	$ 15,960,213

See accompanying notes to financial statements.

On behalf of the Board of Governors:

Ms. D.E. Pecoskie, Chair of the Board

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

ST. JEROME'S UNIVERSITY

Statement of Operations

April 30, 2001, with comparative figures for 2000

	2001	2000
Revenue:		
Government grants, unrestricted	$ 2,622,218	$ 2,544,405
Government grants, restricted	87,101	91,387
Academic fees	2,339,268	2,154,053
Sales and services (ancillary operations)	1,837,253	1,826,589
Investment income, unrestricted (note 5)	406,477	344,124
Investment income, restricted	134,071	149,920
Donations, unrestricted	235,766	172,888
Donations, restricted	20,242	20,156
Other income	297,680	286,690
Research grant	5,488	5,168
Amortization of deferred capital contributions	73,700	69,936
	8,059,264	7,665,316
Expenses:		
Salaries and wages	3,575,508	3,462,231
Employee benefits	882,403	391,177
Supplies and other expenses	219,886	283,104
Advertising and promotional expenses	150,368	157,142
Travel	60,722	45,418
Entertainment	47,407	69,506
Professional development and training	50,764	58,766
Legal, audit and insurance	59,099	36,054
Scholarships and bursaries	181,891	182,306
Memberships	14,743	15,968
Library electronic subscriptions	1,759	-
Custodial and contracted services	162,396	192,235
Cost of sales and services	637,516	612,322
Utilities	249,508	218,090
Renovations, maintenance and equipment	359,301	275,953
Administration fee paid to University of Waterloo	586,645	560,610
Amortization of capital assets	503,801	486,794
	7,743,717	7,047,676
Excess of revenue over expenses	$ 315,547	$ 617,640

See accompanying notes to financial statements.

ST. JEROME'S UNIVERSITY

Statement of Changes in Net Assets

April 30, 2001, with comparative figures for 2000

	Unrestricted	Internally restricted	Invested in capital assets	Endowments	Total 2001	Total 2000
Net assets, beginning of year	$ 446,363	$ 4,542,858	$ 6,829,568	$ 2,290,437	$ 14,109,226	$ 13,406,401
Change in accounting policy (note 3)	(775,000)	-	-	-	(775,000)	-
Excess of revenue over expenses (expenses over revenue)	745,648	-	(430,101)	-	315,547	617,640
Change in internally restricted net assets (note 12)	354,810	(354,810)	-	-	-	-
Change in investment in capital assets (note 6)	(385,134)	-	385,134	-	-	-
Capital preservation of endowments (note 13)	(68,426)	-	-	68,426	-	-
Endowment contributions	-	-	-	143,379	143,379	85,185
Net assets, end of year	$ 318,261	$ 4,188,048	$ 6,784,601	$ 2,502,242	$ 13,793,152	$ 14,109,226

See accompanying notes to financial statements.

ST. JEROME'S UNIVERSITY

Statement of Cash Flows

April 30, 2001 with comparative figures for 2000

	2001	2000
Operating activities:		
Excess of revenue over expenses	$ 315,547	$ 617,640
Add non-cash items:		
Amortization of capital assets	503,801	486,794
Amortization of deferred capital contributions	(73,700)	(69,936)
Net change in non-cash working capital balances related to operations:		
Accounts receivable	9,923	48,024
Inventory	4,257	(3,154)
Prepaid expenses	(8,790)	20,599
Accounts payable and accrued liabilities	1,254	(115,630)
	752,292	984,337
Investing and financing activities:		
Purchasing of investments, net	(441,841)	(28,000)
Purchasing of capital assets (note 6)	(458,583)	(1,204,297)
Purchasing of capital assets, work in progress (note 6)	(2,991)	66,845
Contributions restricted for capital purposes (note 6)	73,449	140,974
Increase in accrued employee future benefits (note 9)	508,581	154,885
Reduction in long-term debt (note 8)	(26,727)	(24,314)
Deferred donations for restricted purposes, net	15,332	(88,477)
Deferred research income, net	(938)	(568)
Deferred investment income for restricted purposes, net	(9,137)	(23,661)
Deferred donations for capital purposes	(15,000)	-
Endowment contributions	143,379	85,185
	(214,476)	(921,428)
Increase in cash	537,816	62,909
Cash, beginning of year	718,559	655,650
Cash, end of year	$ 1,256,375	$ 718,559

See accompanying notes to financial statements.

1. Description:

St. Jerome's University is a public Roman Catholic post-secondary institution incorporated in 1865 and given university status in 1959, 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 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 registered 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 (2001 - $41,166 and 2000 - $54,165), 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 care, life insurance and unregistered private payroll pension commitments related to the employees' current service are accounted for on an accrual basis. The cost is computed on an actuarial basis using the projected benefit method estimating the usage frequency and the cost of services covered and management's best estimates of investment yields, salary escalation and other factors. See note 3 – Change in accounting policy.

2. Significant accounting policies (continued):

(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.

(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. Change in accounting policy:

Employee future benefits:

Effective May 1, 2000, the University adopted the new accounting standard of the Canadian Institute of Chartered Accountants concerning employee future benefits, which includes other retirement and post-employment benefits other than pensions. See note 2(e) - Significant accounting policies. The new standard moves the accounting for non-pension post-employment benefits to an accrual basis from the cash accounting basis previously used by most organizations. The University has adopted the new accounting standard for employee future benefits retroactively without restating the financial statements of any prior periods. As a result, the University has recorded a decrease to net assets of $775,000 and an increase to employee future benefit liabilities of $775,000, as at May 1, 2000. The expense for employee future benefits for the year ended April 30, 2001 is $500,000 higher than it would have been under the previous accounting standard.

4. Accounts receivable:

	2001	2000
Accounts receivable	$ 59,504	$ 65,883
Accrued interest receivable	117,959	124,421
Accrued tuition receivable	86,442	83,524
	$ 263,905	$ 273,828

5. Investments:

(a) Endowment Investments consist of the following:

	2001	2000
Government of Canada bonds and Treasury bonds with interest varying between 5.0% and 11.25%, maturing between 2002 and 2006	$ 755,734	$ 755,734
Provincial and Municipal bonds with interest varying between 5.0% and 13.5%, maturing between 2003 and 2011	503,514	735,731
Corporate bonds and debentures with interest varying between 4.75% and 8.73%, maturing between 2003 and 2010	1,491,377	1,122,847
Guaranteed Investment Certificates	110,100	110,100
RBC Dominion Securities, cash	53,314	8,157
Total cost	$ 2,914,039	$ 2,732,569
Fair market value	$ 3,066,739	$ 2,840,478
Fair market value over cost	152,700	107,909

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

	2001	2000
Government of Canada bonds and Treasury bonds with interest varying between 5.0% and 6.25%, maturing between 2003 and 2006	$ 590,180	$ 601,160
Provincial and Municipal bonds with interest varying between 5.0% and 6.375%, maturing between 2002 and 2010	1,702,290	1,405,293
Corporate bonds and debentures with interest varying between 5.5% and 6.6%, maturing between 2001 and 2011	733,649	1,358,659
Canadian equities	785,759	689,184
Non-Canadian equities	771,860	470,832
RBC Dominion Securities, cash	205,638	3,877
Total cost	$ 4,789,376	$ 4,529,005
Fair market value	$ 4,941,895	$ 4,677,851
Fair market value over cost	152,519	148,846

5. Investments (continued):

(c) Total Investments:

	2001	2000
Total Investments for Endowments	$ 2,914,039	$ 2,732,569
Total Investments for Non-endowments	4,789,376	4,529,005
	$ 7,703,415	$ 7,261,574

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

	2001	2000
Total investment income earned	$ 531,411	$ 470,382
Income related to deferred restricted funds	(124,934)	(126,258)
	$ 406,477	$ 344,124

6. Capital assets:

			2001	2000
	Cost	Accumulated amortization	Net book value	Net book value
Land	$ 50,825	$ -	$ 50,825	$ 50,825
Land improvements	219,536	(103,955)	115,581	125,821
Buildings	6,412,130	(2,066,462)	4,345,668	4,505,972
Building improvements	2,542,335	(438,771)	2,103,564	1,898,848
Equipment and furnishings	2,307,971	(1,654,404)	653,567	717,038
Computer equipment	454,336	(382,186)	72,150	92,121
Library books	1,189,610	(1,009,982)	179,628	175,576
Work in progress	2,991	-	2,991	-
	$ 13,179,734	$ (5,655,760)	$ 7,523,974	$ 7,566,201

6. Capital assets (continued):

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

	2001	2000
Balance, beginning of year	$ 7,566,201	$ 6,915,543
Purchases of work in progress	2,991	(66,845)
Purchase of capital assets funded by deferred capital contributions	73,449	140,974
Purchase of capital assets internally funded	385,134	1,063,323
Amortization of capital assets	(503,801)	(486,794)
Balance, end of year	$ 7,523,974	$ 7,566,201

The investment in capital assets consists of the following:

	2001	2000
Capital assets	$ 7,523,974	$ 7,566,201
Less capital assets in work in progress	(2,991)	-
Less amounts financed by deferred capital contributions	(736,382)	(736,633)
Balance, end of year	$ 6,784,601	$ 6,829,568

7. Accounts payable and accrued liabilities:

	2001	2000
Accounts payable and accrued liabilities	$ 317,757	$ 316,923
Accrued vacation pay	12,602	12,182
	$ 330,359	$ 329,105

8. Long-term debt:

		2001		2000
Long-term loan	$	194,323	$	221,050
Less current portion of long-term debt		29,380		26,727
	$	164,943	$	194,323

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 $26,727 (2000 - $24,314) 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, 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	-

9. Accrued employee future benefits:

	2001	2000
Post-employment accrued benefit obligation	$ 915,000	$ -
Unregistered private payroll pension obligation	523,466	154,885
	$ 1,438,466	$ 154,885

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

The University increased its unregistered non-contributory defined benefit private payroll pension plan to include more employees. The current balance is $523,466. The fund will increase annually by charging the salaries, wages and benefits lines of the statement of operations. No unregistered pension plan payments are anticipated under this plan until January 1, 2005.

The accrued benefit obligations were determined by independent actuaries as at April 30, 2001.

In 2001, the expense for the University's future benefit plans is as follows:

	Pension benefit plans	Other benefit plans
Defined benefit plans	$ 368,581	$ 140,000

9. Accrued employee future benefits (continued):

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

	Pension benefit plans	Other benefit plans
Discount rate	7.00	6.75
Rate of compensation increase	5.50	-

The rates used for purposes of adopting the new accounting standard at May 1, 2000 were identical to those listed above. For measurement purpose, a 10.0% annual rate of increase in the per capita cost of covered health care benefits was assumed for 2000. The rate was assumed to decrease to 5.0% for 2006 and remain at that level thereafter.

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

	Pension benefit plans	Other benefit plans
Employer contribution	$ 368,581	$ 23,000
Benefits paid	-	$ 37,000

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:

	2001	2000
Balance, beginning of year	$ 394,314	$ 507,019
Amount recognized as revenue during the year	(159,801)	(175,244)
Amount received relating to future years	165,058	62,539
Balance, end of year	$ 399,571	$ 394,314

11. 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:

		2001		2000
Balance, beginning of year	$	751,633	$	680,595
Less amortization of deferred capital contributions		(73,700)		(69,936)
Less contributions returned for capital purposes		(15,000)		-
Add contributions received and expended for capital purposes		73,449		140,974
Balance, end of year	$	736,382	$	751,633

12. Internally restricted net assets:

		2001		2000
Salary security	$	2,642,858	$	2,642,858
Major renovations		1,545,190		1,900,000
	$	4,188,048	$	4,542,858

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. During the year a transfer of $354,810 to unrestricted net assets was approved.

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 recorded in the statement of changes in net assets as a transfer from unrestricted (2001 - $68,426, and 2000 - $53,945).

External donations are recorded as a direct increase of endowments.

Contributions restricted for endowments consist of the following:

	2001	2000
Ignatian	$ 10,877	$ 10,570
Devlin	24,077	22,995
Faculty position, Catholic Studies	29,061	26,823
Faculty position, English	17,162	16,459
M.A. in Theology	13,761	-
J. Wintermeyer Lecture	27,370	22,064
T. Dease lecture	25,194	-
Catholic board lecture	10,846	10,518
Todd Earl spirit award	2,662	2,091
Ontario Student Opportunity Trust Fund bursaries	820,773	787,284
Scholarship/bursaries	1,520,459	1,391,633
	$ 2,502,242	$ 2,290,437

13. Endowments (continued):

The Ontario Student Opportunity Trust Fund consists of the following:

		2001		2000
Endowment Funds				
Balance, beginning of year	$	787,284	$	768,516
Donations		5,053		138
Matching funds from the Government of Ontario		5,053		138
Investment income re. Capital Preservation		23,383		18,492
Balance, end of year	$	820,773	$	787,284
Expendable Funds				
Balance, beginning of year	$	92,777	$	70,672
Investment income		42,687		43,280
Bursaries awarded		34,300		21,175
Balance, end of year	$	101,164	$	92,777

14. 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, 2001, 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.

15. Comparative figures:

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

ST. JEROME'S UNIVERSITY

Year ended April 30, 2001

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 6 individuals in this category in the University who earned over $100,000 in 2000 and the following is a list of names and salaries.

Name	Salary	Benefits	Position
Centore, Floyd	$ 102,038.98	nil	Professor
Higgins, Michael	$ 140,076.12	nil	President/Professor
Letson, Douglas R.	$ 150,018.42	nil	Past President/Professor
McCormack, Eric	$ 102,697.71	nil	Associate Professor
McLaughlin, Kenneth M.	$ 105,541.84	nil	Professor
Vanstone, Scott	$ 112,544.84	nil	Professor