Financial Statements of

St. Jerome's University
Waterloo, Ontario

Year ended April 30, 2002

TABLE OF CONTENTS

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, 2002 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, 2002 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, 2002 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, 2002 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 13, 2002

ST. JEROME'S UNIVERSITY

Statement of Financial Position

April 30, 2002, with comparative figures for 2001

	2002	2001
Assets		
Current assets:		
Cash	$ 886,625	$ 1,256,375
Accounts receivable (note 3)	352,403	263,905
Inventory	27,717	66,596
Prepaid expenses	46,338	77,988
Total current assets	1,313,083	1,664,864
Investments (note 4)	9,127,123	7,703,415
Capital assets (note 5)	7,761,233	7,523,974
	$ 18,201,439	$ 16,892,253
Liabilities, Deferred Contributions and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities (note 6)	$ 382,811	$ 330,359
Current portion of long-term debt (note 7)	32,296	29,380
Total current liabilities	415,107	359,739
Long-term debt (note 7)	132,647	164,943
Accrued employee future benefit obligation (note 8)	1,490,522	1,438,466
Deferred contributions (note 9)	380,159	399,571
Deferred capital contributions (note 10)	713,781	736,382
Total liabilities and deferred contributions	3,132,216	3,099,101
Net assets:		
Unrestricted net assets	882,942	318,261
Internally restricted net assets (note 11)	4,188,048	4,188,048
Invested in capital assets (note 5)	7,036,517	6,784,601
Endowments (note 12)	2,961,716	2,502,242
	15,069,223	13,793,152
Contingencies (note 13)		
	$ 18,201,439	$ 16,892,253

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

Year ended April 30, 2002, with comparative figures for 2001

	2002	2001
Revenue:		
Government grants, unrestricted	$ 2,666,010	$ 2,622,218
Government grants, restricted	98,361	87,101
Academic fees	2,504,066	2,339,268
Sales and services (ancillary operations)	2,088,631	1,837,253
Investment income, unrestricted (note 4)	370,971	406,477
Investment income, restricted	127,135	134,071
Donations, unrestricted	233,135	235,766
Donations, restricted	33,596	20,242
Other income	232,370	297,680
Research grant	6,231	5,488
Amortization of deferred capital contributions	71,812	73,700
	8,432,318	8,059,264
Expenses:		
Salaries and wages	3,734,612	3,575,508
Employee benefits	476,083	882,403
Supplies and other expenses	324,667	219,886
Advertising and promotional expenses	260,550	150,368
Travel	50,848	60,722
Entertainment	67,895	47,407
Professional development and training	67,838	50,764
Legal, audit and insurance	33,703	59,099
Scholarships and bursaries	189,820	181,891
Memberships	14,644	14,743
Library electronic subscriptions	1,906	1,759
Custodial and contracted services	170,618	162,396
Cost of sales and services	652,265	637,516
Utilities	262,520	249,508
Renovations, maintenance and equipment	336,159	359,301
Administration fee paid to University of Waterloo	611,430	586,645
Amortization of capital assets	508,719	503,801
	7,764,277	7,743,717
Excess of revenue over expenses	$ 668,041	$ 315,547

See accompanying notes to financial statements.

ST. JEROME'S UNIVERSITY

Statement of Changes in Net Assets

Year ended April 30, 2002, with comparative figures for 2001

	Unrestricted	Internally restricted	Invested in capital assets	Endowments	Total 2002	Total 2001
Net assets, beginning of year	$ 318,261	$ 4,188,048	$ 6,784,601	$ 2,502,242	$ 13,793,152	$ 14,109,226
Change in accounting policy		-	-	-	-	(775,000)
Excess of revenue over expenses (expenses over revenue)	1,104,948	-	(436,907)	-	668,041	315,547
Change in investment in endowments	(3,680)	-	-	3,680	-	-
Change in investment in capital assets (note 5)	(477,123)	-	688,823	-	211,700	-
Capital preservation of endowments (note 12)	(59,464)	-	-	59,464	-	-
Endowment contributions	-	-	-	396,330	396,330	143,379
Net assets, end of year	$ 882,942	$ 4,188,048	$ 7,036,517	$ 2,961,716	$ 15,069,223	$ 13,793,152

See accompanying notes to financial statements.

ST. JEROME'S UNIVERSITY

Statement of Cash Flows

Year ended April 30, 2002 with comparative figures for 2001

	2002	2001
Operating activities:		
Excess of revenue over expenses	$ 668,041	$ 315,547
Add non-cash items:		
Amortization of capital assets	508,719	503,801
Amortization of deferred capital contributions	(71,812)	(73,700)
Net change in non-cash working capital balances related to operations:		
Accounts receivable	(88,498)	9,923
Inventory	38,879	4,257
Prepaid expenses	31,650	(8,790)
Accounts payable and accrued liabilities	52,453	1,254
	1,139,432	752,292
Investing and financing activities:		
Purchasing of investments, net	(1,423,708)	(441,841)
Purchasing of capital assets (note 5)	(526,334)	(458,583)
Purchasing of capital assets, work in progress (note 5)	(7,944)	(2,991)
Contributions restricted for capital purposes (note 5)	49,211	73,449
Increase in accrued employee future benefits (note 8)	52,056	508,581
Reduction in long-term debt (note 7)	(29,380)	(26,727)
Deferred donations for restricted purposes, net	(15,067)	15,332
Deferred research income, net	(3,177)	(938)
Deferred investment income for restricted purposes, net	(1,168)	(9,137)
Deferred donations for capital purposes	-	(15,000)
Endowment contributions	396,329	143,379
	(1,509,182)	(214,476)
Increase (decrease) in cash	(369,750)	537,816
Cash, beginning of year	1,256,375	718,559
Cash, end of year	$ 886,625	$ 1,256,375

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 and TD Asset Management Inc.

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. Art collections are recorded at cost.

(d) 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.

(e) 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 (2002 - $70,825 and 2001 - $41,166), 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.

(f) 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.

2. Significant accounting policies (continued):

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

(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.

(i) 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.

(j) 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:

	2002	2001
Accounts receivable	$ 110,107	$ 59,504
Accrued interest receivable	140,497	117,959
Accrued tuition receivable	101,799	86,442
	$ 352,403	$ 263,905

4. Investments:

(a) Endowment Investments consist of the following:

		2002		2001
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		483,664		503,514
Corporate bonds and debentures with interest varying between 4.75% and 8.73%, maturing between 2003 and 2010		1,693,471		1,491,377
Guaranteed Investment Certificates		110,100		110,100
RBC Dominion Securities, cash		64,315		53,314
Total cost	$	3,107,284	$	2,914,039
Fair market value	$	3,286,846	$	3,066,739
Fair market value over cost		179,562		152,700

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

		2002		2001
Government of Canada bonds and Treasury bonds with interest varying between 5.0% and 6.25%, maturing between 2003 and 2006	$	590,181	$	590,180
Provincial and Municipal bonds with interest varying between 4.25% and 7.0%, maturing between 2002 and 2010		2,108,465		1,702,290
Corporate bonds and debentures with interest varying between 5.5% and 6.75%, maturing between 2003 and 2011		975,392		733,649
Canadian equities		680,200		785,759
Non-Canadian equities		431,268		771,860
TD Asset Management Inc. indexed mutual funds		425,000		-
RBC Dominion Securities, cash		809,333		205,638
Total cost	$	6,019,839	$	4,789,376
Fair market value	$	6,152,944	$	4,941,895
Fair market value over cost		133,105		152,519

4. Investments (continued):

(c) Total Investments:

		2002		2001
Total Investments for Endowments	$	3,107,284	$	2,914,039
Total Investments for Non-endowments		6,019,839		4,789,376
	$	9,127,123	$	7,703,415

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

		2002		2001
Total investment income earned	$	496,938	$	531,411
Income related to deferred restricted funds		(125,967)		(124,934)
	$	370,971	$	406,477

5. Capital assets:

						2002		2001
		Cost		Accumulated amortization		Net book value		Net book value
Land	$	50,825	$	-	$	50,825	$	50,825
Land improvements		455,901		(126,014)		329,887		115,581
Buildings		6,412,130		(2,209,822)		4,202,308		4,345,668
Building improvements		2,562,278		(561,658)		2,000,620		2,103,564
Equipment and furnishings		2,459,747		(1,775,463)		684,284		653,567
Computer equipment		509,962		(422,060)		87,902		72,150
Library books		1,252,235		(1,069,463)		182,772		179,628
Art Collection		211,700		-		211,700		-
Work in progress		10,935		-		10,935		2,991
	$	13,925,713	$	(6,164,480)	$	7,761,233	$	7,523,974

5. Capital assets (continued):

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

	2002	2001
Balance, beginning of year	$ 7,523,974	$ 7,566,201
Purchases of work in progress	7,944	2,991
Purchase of capital assets funded by deferred capital contributions	49,211	73,449
Purchase of capital assets internally funded	477,123	385,134
Gift-in-Kind Art collection	211,700	-
Amortization of capital assets	(508,719)	(503,801)
Balance, end of year	$ 7,761,233	$ 7,523,974

The investment in capital assets consists of the following:

	2002	2001
Capital assets	$ 7,761,233	$ 7,523,974
Less capital assets in work in progress	(10,935)	(2,991)
Less amounts financed by deferred capital contributions	(713,781)	(736,382)
Balance, end of year	$ 7,036,517	$ 6,784,601

6. Accounts payable and accrued liabilities:

	2002	2001
Accounts payable and accrued liabilities	$ 370,209	$ 317,757
Accrued vacation pay	12,602	12,602
	$ 382,811	$ 330,359

7. Long-term debt:

		2002		2001
Long-term loan	$	164,943	$	194,323
Less current portion of long-term debt		32,296		29,380
	$	132,647	$	164,943

On September 1, 1996 a supplier advanced $300,000 to St. Jerome's University (formerly 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 $29,380 (2001 - $26,727) 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, 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. Accrued employee future benefits:

	2002	2001
Post-employment accrued benefit obligation	$ 938,000	$ 915,000
Unregistered private payroll pension obligation	552,522	523,466
	$ 1,490,522	$ 1,438,466

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 $552,522. 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 July 1, 2002.

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

In 2002, the expense for the University's future benefit plans is as follows:

	Pension benefit plans	Other benefit plans
Defined benefit plans	$ 29,056	$ 23,000

8. 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 purposes, 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	$ 29,056	$ 23,000
Benefits paid	-	39,000

9. 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:

	2002	2001
Balance, beginning of year	$ 399,571	$ 394,314
Amount recognized as revenue during the year	(166,962)	(159,801)
Amount received relating to future years	147,550	165,058
Balance, end of year	$ 380,159	$ 399,571

10. Deferred capital contributions:

The changes in the deferred contributions balance are as follows:

	2002	2001
Balance, beginning of year	$ 736,382	$ 751,633
Less amortization of deferred capital contributions	(71,812)	(73,700)
Less contributions returned for capital purposes	-	(15,000)
Add contributions received and expended for capital purposes	49,211	73,449
Balance, end of year	$ 713,781	$ 736,382

11. Internally restricted net assets:

	2002	2001
Salary security	$ 2,642,858	$ 2,642,858
Major renovations	1,545,190	1,545,190
	$ 4,188,048	$ 4,188,048

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.

12. 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 (2002 - $59,464, and 2001 - $68,426).

External donations are recorded as a direct increase of endowments.

Contributions restricted for endowments consist of the following:

	2002	2001
Ignatian	$ 11,110	$ 10,877
Devlin	24,930	24,077
Faculty position, Catholic Studies	31,555	29,061
Faculty position, English	17,751	17,162
M.A. in Theology	260,097	13,761
J. Wintermeyer Lecture	31,606	27,370
T. Dease lecture	25,728	25,194
Scarborough Mission	5,100	-
Catholic board lecture	11,120	10,846
Todd Earl spirit award	3,131	2,662
John Sweeney lecture	14,429	-
Quantum Computations Research	1,010	-
Ontario Student Opportunity Trust Fund bursaries	839,643	820,773
Scholarship/bursaries	1,684,506	1,520,459
	$ 2,961,716	$ 2,502,242

12. Endowments (continued):

The Ontario Student Opportunity Trust Fund consists of the following:

		2002		2001
Endowment Funds				
Balance, beginning of year	$	820,773	$	787,284
Donations		-		5,053
Matching funds from the Government of Ontario		-		5,053
Investment income re. Capital Preservation		18,870		23,383
Balance, end of year	$	839,643	$	820,773
Expendable Funds				
Balance, beginning of year	$	101,164	$	92,777
Investment income		39,984		42,687
Bursaries awarded (total number: 37)		50,350		34,300
Balance, end of year	$	90,798	$	101,164

13. Contingencies:

The nature of St. Jerome's University activities is such that there could be litigation pending or in process at any time. At April 30, 2002, 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.

ST. JEROME'S UNIVERSITY

Executive Compensation Disclosure

Year ended April 30, 2002

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 8 individuals in this category in the University who earned over $100,000 in 2001 and the following is a list of names and salaries.

Name	Salary	Benefits	Position
Campbell, Gerry	$ 101,471.84	$ 316.75	Associate Professor
Centore, Floyd	$ 104,941.30	$ 336.65	Professor
Demarco, Donald	$ 103,584.84	$ 330.60	Professor
Higgins, Michael	$ 146,303.56	$ 300.85	President/Professor
Letson, Douglas R.	$ 140,444.04	$ 404.25	Past President/Professor
McCormack, Eric	$ 106,643.26	$ 342.10	Associate Professor
McLaughlin, Kenneth M.	$ 112,139.15	$ 351.00	Professor
Vanstone, Scott	$ 116,360.76	$ 371.00	Professor