Financial Statements of

St. Jerome's University
Waterloo, Ontario

Year ended April 30, 2004

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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, 2004 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, 2004 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, 2004 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, 2004 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
August 6, 2004

ST. JEROME'S UNIVERSITY

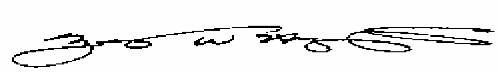
Statement of Financial Position

April 30, 2004, with comparative figures for 2003

	2004	2003
Assets		
Current assets:		
Cash	$ 1,306,473	$ 1,077,825
Accounts receivable (note 3)	349,556	544,972
Current portion of long-term receivable	10,000	5,000
Inventory	39,177	48,152
Prepaid expenses	14,870	44,023
Total current assets	1,720,076	1,719,972
Long-term receivable	15,000	20,000
Investments at cost (note 4)	11,779,934	10,138,401
Capital assets (note 5)	7,520,061	7,644,211
	$ 21,035,071	$ 19,522,584
Liabilities, Deferred Contributions and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities	$ 323,855	$ 351,642
Current portion of long-term debt (note 6)	39,024	35,501
Total current liabilities	362,879	387,143
Long-term debt (note 6)	58,122	97,146
Accrued employee future benefits obligation (note 7)	1,933,167	1,923,080
Deferred contributions (note 8)	342,900	398,035
Deferred capital contributions (note 9)	656,385	679,643
Total liabilities and deferred contributions	3,353,453	3,485,047
Net assets:		
Unrestricted net assets	2,936,692	1,532,088
Internally restricted net assets (note 10)	4,188,048	4,188,048
Externally restricted	-	(2,164)
Invested in capital assets (note 5)	6,870,450	6,984,678
Endowments (note 11)	3,686,428	3,334,887
	17,681,618	16,037,537
Contingencies (note 12)		
	$ 21,035,071	$ 19,522,584

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, 2004, with comparative figures for 2003

		2004		2003
Revenue:				
Government grants, unrestricted	$	3,245,813	$	3,032,053
Government grants, restricted		179,721		39,611
Academic fees		3,009,385		2,750,314
Sales and services (ancillary operations)		2,317,142		2,262,687
Investment income, unrestricted (note 4)		590,934		395,893
Investment income, restricted		153,564		142,860
Donations, unrestricted		277,263		258,209
Donations, restricted		42,683		63,134
Other income		289,752		302,924
Research grant		20,931		18,117
Amortization of deferred capital contributions		78,335		72,789
		10,205,523		9,338,591
Expenses:				
Salaries and wages		4,264,984		4,075,746
Employee benefits		640,494		949,837
Supplies and other expenses		375,337		406,015
Advertising and promotional expenses		147,029		181,436
Travel		85,521		66,797
Entertainment		66,917		60,003
Professional development and training		87,171		62,163
Legal, audit and insurance		48,086		43,980
Scholarships and bursaries		223,588		197,973
Memberships		20,189		15,086
Library electronic subscriptions		1,198		1,368
Custodial and contracted services		180,531		161,817
Cost of sales and services		726,953		700,080
Utilities		298,044		286,218
Renovations, maintenance and equipment		396,277		350,438
Administration fee paid to University of Waterloo		756,171		684,077
Amortization of capital assets		526,340		511,375
		8,844,830		8,754,409
Excess of revenue over expenses	$	1,360,693	$	584,182

See accompanying notes to financial statements.

ST. JEROME'S UNIVERSITY

Statement of Changes in Net Assets

Year ended April 30, 2004, with comparative figures for 2003

	Unrestricted	Internally restricted	Externally restricted	Invested in capital assets	Endowments	Total 2004	Total 2003
Net assets, beginning of year	$ 1,532,088	$ 4,188,048	$ (2,164)	$ 6,984,678	$ 3,334,887	$ 16,037,537	$15,069,223
Excess of revenue over expenses for the year	1,806,534	-	2,164	(448,005)	-	1,360,693	584,182
Change in investment in capital assets (note 5)	(286,976)	-	-	333,777	-	46,801	108,450
Capital preservation of endowments (note11)	(114,954)	-	-	-	114,954	-	-
Endowment contributions	-	-	-	-	236,587	236,587	275,682
Net assets, end of year	$ 2,936,692	$ 4,188,048	$ -	$ 6,870,450	$ 3,686,428	$ 17,681,618	$16,037,537

See accompanying notes to financial statements.

ST. JEROME'S UNIVERSITY

Statement of Cash Flows

Year ended April 30, 2004 with comparative figures for 2003

	2004	2003
Operating activities:		
Excess of revenue over expenses	$ 1,360,693	$ 584,182
Add non-cash items:		
Amortization of capital assets	526,340	511,375
Amortization of deferred capital contributions	(78,335)	(72,789)
Net change in non-cash working capital balances related to operations:		
Accounts receivable	195,416	(217,569)
Prepaid expenses	29,153	2,315
Inventory	8,975	(20,435)
Accounts payable and accrued liabilities	(27,785)	(31,170)
	2,014,457	755,909
Investing and financing activities:		
Purchasing of investments, net	(1,641,533)	(1,011,278)
Purchasing of capital assets (note 5)	(349,512)	(296,837)
Purchasing of capital assets, work in progress (note 5)	(5,878)	10,934
Contributions restricted for capital purposes (note 9)	62,536	18,540
Increase in accrued employee future benefits (note 7)	10,087	432,558
Reduction in long-term debt (note 6)	(35,501)	(32,296)
Deferred donations for restricted purposes, net	(37,073)	3,931
Deferred research income, net	40,110	2,157
Deferred investment income for restricted purposes, net (note 9)	(58,172)	11,788
Deferred donations for capital purposes	(7,460)	20,111
Endowment contributions	236,587	275,683
	(1,785,809)	(564,709)
Increase in cash	228,648	191,200
Cash, beginning of year	1,077,825	886,625
Cash, end of year	$ 1,306,473	$ 1,077,825

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:

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.-CIBC Mellon.

Investments are accounted for at cost. Discounts and premiums are amortized over the life of the investment and recorded as income or expense annually. 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 and software	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 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, (January 1, 2003) the plan was in a small deficit position using the Solvency Financial Position.

(f) Employee future 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:

	2004	2003
Accounts receivable	$ 93,415	$ 85,548
Accrued interest receivable	167,804	152,376
Accrued tuition receivable	88,337	307,048
	$ 349,556	$ 544,972

4. Investments:

(a) Endowment Investments consist of the following:

	2004	2003
Government of Canada bonds and Treasury bonds with interest varying between 5.0% and 6.5%, maturing between 2004 and 2006	$ 282,853	$ 280,580
Provincial and Municipal bonds with interest varying between 4.75% and 6.25%, maturing between 2007 and 2015	1,075,659	617,266
Corporate bonds and debentures with interest varying between 5.2% and 10.35%, maturing between 2004 and 2014	2,633,145	2,436,170
RBC Dominion Securities, cash	63,380	14,232
Total cost	$ 4,055,037	$ 3,348,248
Fair market value	$ 4,264,203	$ 3,504,048
Fair market value over cost	209,166	155,800

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

	2004	2003
Government of Canada bonds and Treasury bonds with interest varying between 5.0% and 5.25%, maturing between 2006 and 2013	$ 494,893	$ 790,756
Provincial and Municipal bonds with interest varying between 4.625% and 6.375%, maturing between 2004 and 2015	1,709,392	1,606,756
Corporate bonds and debentures with interest varying between 4.75% and 10.8%, maturing between 2005 and 2014	2,210,786	1,593,991
Canadian equities	887,244	1,205,409
Non-Canadian equities	540,309	534,034
TD Asset Management Inc. indexed mutual funds/CIBC Mellon	432,586	429,767
RBC Dominion Securities, cash	1,449,687	629,440
Total cost	$ 7,724,897	$ 6,790,153
Fair market value	$ 7,966,415	$ 6,809,149
Fair market value over cost	241,518	18,996

4. Investments (continued):

(c) Total Investments:

	2004	2003
Total Investments for Endowments	$ 4,055,037	$ 3,348,248
Total Investments for Non-endowments	7,724,897	6,790,153
	$ 11,779,934	$ 10,138,401

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

	2004	2003
Total investment income earned	$ 686,326	$ 550,542
Income related to deferred restricted funds	(95,392)	(154,649)
	$ 590,934	$ 395,893

5. Capital assets:

			2004	2003
	Cost	Accumulated amortization	Net book value	Net book value
Land	$ 50,825	$ -	$ 50,825	$ 50,825
Land improvements	540,443	178,066	362,377	388,403
Buildings	6,412,130	2,496,542	3,915,588	4,058,948
Building improvements	2,740,398	811,098	1,929,300	1,916,230
Equipment and furnishings	2,590,934	1,996,430	594,504	611,533
Computer equipment and software	634,515	528,799	105,716	112,080
Library books	1,380,183	1,191,260	188,923	186,042
Art collection	366,950	-	366,950	320,150
Work in progress	5,878	-	5,878	-
	$ 14,722,256	$ 7,202,195	$ 7,520,061	$ 7,644,211

5. Capital assets (continued):

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

	2004	2003
Balance, beginning of year	$ 7,644,211	$ 7,761,233
Purchases of work in progress	5,878	(10,934)
Purchase of capital assets funded by deferred capital contributions	62,536	18,540
Purchase of capital assets internally funded	286,976	278,297
Gift-in-Kind art collection	46,800	108,450
Amortization of capital assets	(526,340)	(511,375)
Balance, end of year	$ 7,520,061	$ 7,644,211

The investment in capital assets consists of the following:

	2004	2003
Capital assets	$ 7,520,061	$ 7,644,211
Less capital assets in work in progress	(5,878)	-
Less amounts financed by deferred capital contributions	(643,733)	(659,533)
Balance, end of year	$ 6,870,450	$ 6,984,678

6. Long-term debt:

	2004	2003
Long-term loan	$ 97,146	$ 132,647
Less current portion of long-term debt	39,024	35,501
	$ 58,122	$ 97,146

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 $35,501 (2003 - $32,296) has been included in sales and services (ancillary operations) on the statement of operations.

6. Long-term debt (continued):

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, 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	-

7. Accrued employee future benefits:

	2004	2003
Post-employment accrued benefit obligation	$ 1,311,000	$ 1,311,000
Unregistered private payroll pension obligation	622,167	612,080
	$ 1,933,167	$ 1,923,080

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 $622,167. The fund will increase annually by charging the salaries, wages and benefits lines of the statement of operations. The first unregistered pension plan payment was made in July 1, 2002.

The accrued benefit obligations were determined by independent actuaries as at January 1, 2003.

In 2004, the expense for the University's future benefit plans is as follows:

	Pension benefit plans	Other benefit plans
Defined benefit plans	$ 10,087	$ -
Benefits paid	5,401	17,000

7. 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	6.50	6.25
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 contributions - 2004	$ 206,363	$ 125,881
Employer contributions - 2003	140,719	129,825

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:

	2004	2003
Balance, beginning of year	$ 398,035	$ 380,159
Amount recognized as revenue during the year	(202,216)	(224,111)
Amount received relating to future years	147,081	241,987
Balance, end of year	$ 342,900	$ 398,035

9. Deferred capital contributions:

The changes in the deferred contributions balance are as follows:

	2004	2003
Balance, beginning of year	$ 679,643	$ 713,781
Less amortization of deferred capital contributions	(78,335)	(72,789)
Less contributions returned for capital purposes	(20,111)	-
Add contributions received and expended for capital purposes	62,536	18,540
Add contributions received for capital purposes not expended	12,652	20,111
Balance, end of year	$ 656,385	$ 679,643

10. Internally restricted net assets:

	2004	2003
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.

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 (2004 - $114,954, and 2003 - $97,489).

External donations are recorded as a direct increase of endowments.

Contributions restricted for endowments consist of the following:

	2004	2003
Ignatian	$ 11,815	$ 11,448
Devlin	27,503	26,180
Faculty position, English	19,652	18,650
M.A. in Theology	596,921	485,786
J. Wintermeyer lecture	40,650	35,366
T. Dease lecture	27,365	26,541
Scarborough mission	15,787	10,402
Catholic board lecture	11,876	11,502
Todd Earl spirit award	4,165	3,728
John Sweeney lecture	6,056	5,886
Quantum Computations Research	1,928	1,844
Ontario Student Opportunity Trust Fund bursaries	923,818	864,606
Scholarship/bursaries	1,998,892	1,832,948
	$ 3,686,428	$ 3,334,887

11. Endowments (continued):

The Ontario Student Opportunity Trust Fund consists of the following:

	2004	2003
Endowment funds		
Balance, beginning of year	$ 864,606	$ 839,643
Donations	14,916	(1,159)
Matching funds from the Government of Ontario	14,916	(1,159)
Investment income re. Capital Preservation	29,380	27,281
Balance, end of year	$ 923,818	$ 864,606
Expendable funds		
Balance, beginning of year	$ 84,522	$ 90,798
Investment income	24,381	45,074
Bursaries awarded (total number: 2004 - 34; 2003 - 41)	(39,051)	(51,350)
Balance, end of year	$ 69,852	$ 84,522

The market value of the endowments as at April 30, 2004 was $971,470.

12. 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, 2004, 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, 2004

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 12 individuals in this category in the University who earned over $100,000 in 2003 and the following is a list of names and salaries.

Name	Salary	Benefits	Position
Bonner, Kieran	$119,588.37	$4,808.10	Vice President/Professor
Desroches, Fred	$118,999.09	$578.24	Professor
Fogel, Stan	$102,915.29	$181.50	Professor
Golini, Vera	$104,698.16	$150.22	Associate Professor
Higgins, Michael	$162,789.74	$352.84	President/Professor
Letson, Douglas R.	$140,055.18	$471.46	Past President/Professor
McCormack, Eric	$115,374.09	$387.28	Associate Professor
McGee, Ted	$116,675.73	$380.64	Associate Professor
McLaughlin, Kenneth M.	$122.126.23	$407.98	Professor
Niccoli, Gabriel	$102,237.73	$332.52	Professor
Vanstone, Scott	$126,154.53	$426.98	Professor
Wahl, Rev. James	$104,535.14	$396.37	Associate Professor