



Financial Statements of
St. Jerome's University
Waterloo, Ontario

Year ended April 30, 2010

TABLE OF CONTENTS

	Page
Statement of Management Responsibility	1
Auditors' Report	2
Statement of Financial Position	3
Statement of Operations	4
Statement of Changes in Net Assets	5
Statement of Cash Flows	6
Notes to Financial Statements	7-20

Statement of Management Responsibility

Management of St. Jerome's University is responsible for the preparation of the financial statements including the notes thereto.

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, in all material respects, the University's financial position as at April 30, 2010 and the results of its operations and its cash flows 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 financial statements and the external auditors' report. 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, 2010 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.



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AUDITORS' REPORT

To the Board of Governors of St. Jerome's University

We have audited the statement of financial position of St. Jerome's University as at April 30, 2010 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, 2010 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Chartered Accountants, Licensed Public Accountants

Waterloo, Canada
June 25, 2010

ST. JEROME'S UNIVERSITY

Statement of Financial Position

April 30, 2010, with comparative figures for 2009

	2010	2009
Assets		
Current assets:		
Cash	\$ 2,437,610	\$ 1,473,948
Accounts receivable (note 4)	462,597	557,520
Inventory	2,412	2,355
Prepaid expenses	112,000	32,690
Total current assets	3,014,619	2,066,513
Investments (note 5)	16,508,959	14,175,531
Capital assets (note 6)	9,192,304	8,849,896
	\$ 28,715,882	\$ 25,091,940
Liabilities, Deferred Contributions and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 275,264	\$ 291,838
Current portion of capital lease obligation (note 7)	28,051	26,098
Total current liabilities	303,315	317,936
Capital lease obligation (note 7)	196,306	224,357
Accrued employee future benefit obligations (note 8)	2,431,563	2,375,922
Deferred contributions (note 9)	881,668	839,162
Deferred capital contributions (note 10)	589,229	413,046
Total liabilities and deferred contributions	4,402,081	4,170,423
Net assets:		
Unrestricted net assets	8,607,119	6,745,010
Internally restricted net assets (note 11)	1,000,000	1,000,000
Internally restricted for capital assets (note 6)	8,684,642	8,311,729
Endowments (note 12)	6,022,040	4,864,778
	24,313,801	20,921,517
	\$ 28,715,882	\$ 25,091,940

See accompanying notes to financial statements.

On behalf of the Board of Governors:



Ms Maureen O'Donoghue Rich
Chair of the Board



Dr. David B. Perrin
President of the University

ST. JEROME'S UNIVERSITY

Statement of Operations

Year ended April 30, 2010, with comparative figures for 2009

	2010	2009
Revenue:		
Government grants, unrestricted	\$ 4,453,919	\$ 4,245,227
Government grants, restricted	345,370	521,497
Academic fees	4,755,203	4,417,762
Sales and services (ancillary operations)	3,140,382	2,806,901
Investment income, unrestricted (note 5)	399,041	465,611
Investment income, restricted	155,100	60,333
Donations, unrestricted	40,571	16,526
Donations, restricted	134,060	324,215
Other income	152,686	261,303
Research grant	105,303	186,294
Amortization of deferred capital contributions	41,293	39,899
	13,722,928	13,345,568
Expenses:		
Salaries and wages	5,644,057	5,920,554
Employee benefits	1,129,646	1,191,651
Supplies and other expenses	285,197	415,671
Advertising and promotional expenses	114,507	179,429
Travel	155,940	131,746
Entertainment	131,205	89,826
Professional development and training	182,799	179,965
Legal, audit and insurance	105,923	104,674
Scholarships and bursaries	281,800	323,878
Memberships	28,224	25,302
Externally contracted services	1,510,284	1,281,573
Utilities	339,622	379,671
Renovations, maintenance and equipment	759,070	810,723
Administration fee paid to University of Waterloo	1,119,230	1,054,174
Amortization of capital assets	668,049	652,048
	12,455,553	12,740,885
Excess of revenue over expenses	\$ 1,267,375	\$ 604,683

See accompanying notes to financial statements.

ST. JEROME'S UNIVERSITY

Statement of Changes in Net Assets

Year ended April 30, 2010, with comparative figures for 2009

	Unrestricted	Internally restricted	Invested in capital assets	Endowments	Total 2010	Total 2009
Net assets, beginning of year	\$ 6,745,010	\$ 1,000,000	\$ 8,311,729	\$ 4,864,778	\$ 20,921,517	\$ 23,057,454
Excess of revenue over expenses for the year	1,894,131	-	(626,756)	-	1,267,375	604,683
Change in investment in capital assets (note 6)	(999,669)	-	999,669	-	-	-
Change in classification of restricted donations (note 9)	-	-	-	-	-	(232,000)
Capital preservation of endowments (note 5)	-	-	-	112,644	112,644	24,838
Endowment contributions	-	-	-	241,137	241,137	193,376
Change in unrealized gains (losses) on available-for-sale financial assets	967,647	-	-	803,481	1,771,128	(2,726,834)
Net assets, end of year	\$ 8,607,119	\$ 1,000,000	\$ 8,684,642	\$ 6,022,040	\$ 24,313,801	\$ 20,921,517
Accumulated unrealized losses on available-for-sale financial assets, beginning of the year	\$ (2,191,366)	\$ -	\$ -	\$ (1,270,940)	\$ (3,462,306)	\$ (735,472)
Accumulated unrealized losses on available-for-sale financial assets, end of year	\$ (1,223,719)	\$ -	\$ -	\$ (467,459)	\$ (1,691,178)	\$ (3,462,306)

See accompanying notes to financial statements.

ST. JEROME'S UNIVERSITY

Statement of Cash Flows

Year ended April 30, 2010 with comparative figures for 2009

	2010	2009
Operating activities:		
Excess of revenue over expenses	\$ 1,267,375	\$ 604,683
Add non-cash items:		
Amortization of capital assets	668,049	652,048
Amortization of deferred capital contributions	(41,293)	(39,899)
Net change in non-cash working capital balances related to operations:		
Accounts receivable	94,923	355,327
Prepaid expenses	(79,310)	(1,302)
Inventory	(57)	1,273
Accounts payable and accrued liabilities	(16,574)	(47,116)
Increase in accrued employee future benefit obligations	55,641	123,415
	<u>1,948,754</u>	<u>1,648,429</u>
Investing activities:		
Purchasing of investments, net (note 5)	(562,300)	(684,039)
Purchasing of capital assets (note 6)	(936,009)	(1,499,550)
Purchasing of capital assets, work in progress (note 6)	(74,448)	(94,041)
	<u>(1,572,757)</u>	<u>(2,277,630)</u>
Financing activities:		
Change in lease obligation	(26,098)	(24,281)
Deferred donations for restricted purposes, net	136,107	(2,297)
Deferred research income, net	(64,272)	43,842
Deferred investment income for restricted purposes, net	(29,329)	188,670
Restricted contributions received for capital purposes, expended and not expended (note 10)	217,476	9,261
Endowment preservation	112,644	24,838
Endowment contributions	241,137	193,376
	<u>587,665</u>	<u>433,409</u>
Increase (decrease) in cash	963,662	(195,792)
Cash, beginning of year	1,473,948	1,669,740
Cash, end of year	<u>\$ 2,437,610</u>	<u>\$ 1,473,948</u>

See accompanying notes to financial statements.

ST. JEROME'S UNIVERSITY

Notes to Financial Statements

Year ended April 30, 2010

1. Description:

St. Jerome's University (the "University") is a public Roman Catholic post-secondary institution incorporated in 1865 and given university status in 1959 with subsequent amendments in 1986, 1996 and 2000 under the laws of the Province of Ontario. It has been federated with the University of Waterloo since 1960. It is dedicated to providing an undergraduate post-secondary education in the Faculties of Arts and Mathematics and to conducting research and community service.

These financial statements reflect the assets, liabilities, net assets, revenue, expenses and other transactions of all of the operations of the University. Accordingly, these financial statements include the academic, administrative and other operating expenditures funded by fees, grants, donations and other general revenue; restricted purpose endowment and non-endowment funds; and the ancillary operations, such as residences, food services, conferences and parking.

The University is a charitable organization and, as such, is exempt from income taxes under the Income Tax Act (Canada).

2. Significant accounting policies:

The financial statements have been prepared by management in accordance with Canadian 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) Financial instruments:

All financial instruments are either available-for-sale ("AFS") or held-for-trading ("HFT"). HFT securities are carried at fair value whereby changes in the fair value are reported in operations. AFS securities are carried at fair value whereby the unrealized gains and losses are recorded as a charge to net assets until sale or other-than-temporary impairment is recognized, at which point cumulative unrealized gains or losses are transferred to the statement of operations. Realized gains and losses on sale and write-downs to reflect other-than-temporary impairments in value are included in investment income.

Interest income from these securities is included in investment income and is recorded on an accrual basis.

The University accounts for all financial instruments using trade date accounting. Transaction costs related to the purchase of financial instruments are expensed as incurred.

ST. JEROME'S UNIVERSITY

Notes to Financial Statements, continued

Year ended April 30, 2010

2. Significant accounting policies (continued):

(b) Financial instruments (continued):

The University conducts a regular review to identify and evaluate securities that show objective indications of possible impairment. An impairment is charged to operations if the fair value of a security falls below its cost/amortized cost, and the decline is considered other-than-temporary. Factors considered in determining whether a loss is other-than-temporary include the length of time and extent to which fair value has been below cost; financial condition and near-term prospects of the issuer; and our ability and intent to hold the investment for a period of time sufficient to allow for any anticipated recovery.

The University has classified its financial instruments as follows:

- Cash and short-term deposits are classified as held-for-trading.
- Accounts receivable are classified as loans and receivables.
- Investments are classified as available-for-sale.
- Accounts payable and accrued liabilities are classified as other liabilities.

(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
Equipment under capital lease	10 years

Work-in-progress is not amortized in the current period. The art collection is recorded at cost.

(d) Pension expense and obligations:

The University participates in the University of Waterloo registered pension plan, which is a registered multi-employer defined benefit pension plan. The plan is accounted for following the standards for defined contribution plans as allowed under Canadian generally accepted accounting principles.

ST. JEROME'S UNIVERSITY

Notes to Financial Statements, continued

Year ended April 30, 2010

2. Significant accounting policies (continued):

(e) Other post-employment benefit obligations:

Post-employment benefits for extended health care, life insurance and unregistered non-contributory defined benefit private payroll pension commitments related to the employees' current service are accounted for on an accrual basis. The expense is actuarially determined using the projected benefit method estimating the usage frequency and the cost of services covered and management's best estimates of salary escalation and other factors.

(f) 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.

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

The University recognizes all revenue when it is realized or realizable and earned. The University considers revenue realized or realizable and earned when it has persuasive evidence of an arrangement, the product has been delivered or the services have been provided to the customer, the amount is fixed or determinable and collectibility is reasonably assured.

(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.

ST. JEROME'S UNIVERSITY

Notes to Financial Statements, continued

Year ended April 30, 2010

2. Significant accounting policies (continued):

(i) Use of estimates:

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, 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. Estimates are reviewed on a regular basis and, as adjustments become necessary, they are reported in income in the periods in which they become known. The assets and liabilities which require management to make significant estimates and assumptions in determining carrying values include accounts receivable, investments, capital assets, accrued liabilities, accrued employee future benefit obligations, and deferred contributions.

3. Current year accounting policies changes:

Effective May 1, 2009, the University adopted the following the Canadian Institute of Chartered Accountants' ("CICA") presentation and disclosure standards:

(i) Amendments to the CICA Handbook Sections 4400:

These amendments eliminate the requirement to show net assets invested in capital assets as a separate component of net assets, clarify the requirement for revenue and expenses to be presented on a gross basis when the not-for-profit organization is acting as principal and require a statement of cash flow. Adoption of these recommendations had no impact on the financial statements for the year ended April 30, 2010.

(ii) Amendments to CICA Handbook Section 1000 Financial Statement Concepts:

These amendments clarified the criteria for recognition of an asset or liability, removing the ability to recognize assets or liabilities solely on the basis of matching revenue and expense items. Adoption of these recommendations had no effect on the financial statements for the year ended April 30, 2010.

(iii) CICA Handbook Section 4470 Disclosure of Allocated Expenses by Not-for-Profit Organizations:

The section establishes disclosure standards for Entities that choose to classify their expenses by function and allocate expenses from one function to another. Adoption of these recommendations had no effect on the financial statements for the year ended April 30, 2010.

ST. JEROME'S UNIVERSITY

Notes to Financial Statements, continued

Year ended April 30, 2010

4. Accounts receivable:

	2010	2009
Accounts receivable	\$ 141,940	\$ 231,119
Accrued interest receivable	57,772	101,113
Accrued tuition receivable	262,885	225,288
	\$ 462,597	\$ 557,520

5. Investments:

(a) Endowment investments consist of the following:

	2010	2009
Government of Canada bonds and Treasury bonds with interest varying between 1.5% and 4.0%, maturing between 2010 and 2015	\$ 328,189	\$ 135,695
Provincial and Municipal bonds with interest varying between 1.5% and 11.0%, maturing between 2010 and 2026	1,547,392	1,219,644
Corporate bonds and debentures with interest varying between 3.95% and 10.80%, maturing between 2010 and 2015	869,819	1,417,860
Canadian equities	1,612,806	1,009,391
Non-Canadian equities	2,459,626	2,021,950
Total market value	\$ 6,817,832	\$ 5,804,540
 Cost	 \$ 7,285,291	 \$ 7,075,480
Cost over market value	467,459	1,270,940

ST. JEROME'S UNIVERSITY

Notes to Financial Statements, continued

Year ended April 30, 2010

5. Investments (continued):

- (b) Non-endowment investments (unrestricted and private payroll pension) consist of the following:

	2010	2009
Government of Canada bonds with interest varying between 2.95% and 4.0%, maturing between 2012 and 2015	\$ 181,628	\$ 107,912
Provincial and Municipal bonds with interest varying between 3.5% and 11.0%, maturing between 2010 and 2026	2,225,997	1,925,265
Corporate bonds and debentures with interest varying between 3.95% and 7.9%, maturing between 2010 and 2016	965,818	1,643,350
Canadian equities	1,685,847	873,952
Non-Canadian equities	4,149,362	3,377,278
TD Asset Management Inc. indexed mutual funds/CIBC Mellon	482,475	443,234
Total market value	\$ 9,691,127	\$ 8,370,991
Cost	\$ 10,914,846	\$ 10,562,357
Cost over market value	1,223,719	2,191,366

- (c) Total investments:

	2010	2009
Total investments for endowments	\$ 6,817,832	\$ 5,804,540
Total investments for non-endowments	9,691,127	8,370,991
Total market value	\$ 16,508,959	\$ 14,175,531

- (d) Unrestricted investment income recorded in the statement of operations is calculated as follows:

	2010	2009
Total investment income earned	\$ 656,829	\$ 739,451
Income related to deferred restricted endowed funds	(145,144)	(249,002)
Income related to preservation of endowed funds	(112,644)	(24,838)
	\$ 399,041	\$ 465,611

ST. JEROME'S UNIVERSITY

Notes to Financial Statements, continued

Year ended April 30, 2010

6. Capital assets:

			2010	2009
	Cost	Accumulated amortization	Net book value	Net book value
Land	\$ 50,825	\$ -	\$ 50,825	\$ 50,825
Land improvements	795,182	367,517	427,665	287,946
Buildings	7,089,731	3,391,089	3,698,642	3,850,568
Building improvements	4,570,202	1,740,673	2,829,529	2,441,268
Equipment and furnishing	1,841,681	755,364	1,086,317	1,192,576
Computer equipment and software	409,085	233,365	175,720	70,657
Library books	488,025	309,655	178,370	181,494
Art collection	382,080	-	382,080	382,080
Work in progress	145,170	-	145,170	141,384
Property under capital lease:				
Equipment	331,118	113,132	217,986	251,098
	\$ 16,103,099	\$ 6,910,795	\$ 9,192,304	\$ 8,849,896

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

	2010	2009
Balance, beginning of year	\$ 8,849,896	\$ 7,908,353
Purchases of work in progress	74,448	94,041
Work in progress capitalized	(70,662)	(89,424)
Purchase of capital assets funded by deferred capital contributions (note 10)	7,002	-
Purchase of capital assets internally funded	999,669	1,588,974
Amortization of capital assets	(668,049)	(652,048)
Balance, end of year	\$ 9,192,304	\$ 8,849,896

ST. JEROME'S UNIVERSITY

Notes to Financial Statements, continued

Year ended April 30, 2010

6. Capital assets (continued):

The investment in capital assets consists of the following:

	2010	2009
Capital assets	\$ 9,192,304	\$ 8,849,896
Less capital assets in work in progress	(145,170)	(141,384)
Less amounts financed by deferred capital contributions	(589,229)	(413,046)
Add unspent deferred capital contributions	226,737	16,263
Balance, end of year	\$ 8,684,642	\$ 8,311,729

7. Capital lease obligation:

The University has financed certain telephone equipment by entering into a capital leasing arrangement expiring in November 2016. Capital lease repayments are due as follows:

2011	\$ 43,373
2012	43,373
2013	43,373
2014	43,373
2015	43,373
2016 and thereafter	65,062
	281,927
Less interest included in above	57,570
Net lease obligation	224,357
Less current portion	28,051
Capital lease obligation	\$ 196,306

Interest of \$17,276, calculated at a rate of 7.24%, relating to capital lease obligations has been included in interest expense.

ST. JEROME'S UNIVERSITY

Notes to Financial Statements, continued

Year ended April 30, 2010

8. Accrued employee future benefit obligations:

	2010	2009
Unregistered post-employment non-pension accrued benefit obligation	\$ 1,913,531	\$ 1,809,070
Unregistered defined benefit private payroll pension obligation	518,032	566,852
	<u>\$ 2,431,563</u>	<u>\$ 2,375,922</u>

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

The unregistered non-contributory defined benefit private payroll pension plan fund will increase annually by charging the employee benefits line of the statement of operations. The first unregistered pension plan payment was made on July 1, 2002.

The accrued benefit obligations were determined by independent actuaries as at April 30, 2010.

The benefits paid to or for employees in the University's future benefit plans are as follows:

	2010	2009
	Pension benefit plans	Pension benefit plans
Registered plan (University of Waterloo multi-employer plan)	\$ 734,243	\$ 637,377
Unregistered plans	63,242	46,005

ST. JEROME'S UNIVERSITY

Notes to Financial Statements, continued

Year ended April 30, 2010

8. Accrued employee future benefit obligations (continued):

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

	2010		2009	
	Pension benefit plans	Other benefit plans	Pension benefit plans	Other benefit plans
Registered plan (University of Waterloo multi-employer plan)	\$ 461,584	\$ -	\$ 462,336	\$ -
Unregistered plans	21,920	333,631	28,564	383,216

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

	2010		2009	
	Pension benefit plans	Other benefit plans	Pension benefit plans	Other benefit plans
Discount rate	5.8	5.8	7.75	7.75
Rate of compensation increase	4.1	-	4.25	-
Rate of inflation	2.1	2.1	2.25	2.25

For measurement purposes, an 8.5% annual rate of increase in the per capita cost of covered health care benefits was assumed as at April 30, 2007. The rate of increase was assumed to gradually decrease to 5.0% in 2014 and remain at that level thereafter.

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

	2010		2009	
	Pension benefit plans	Other benefit plans	Pension benefit plans	Other benefit plans
Employer contribution to registered plan (University of Waterloo multi-employer plan)	\$ 461,584	\$ -	\$ 462,336	\$ -
Employer contribution to unregistered plans	44,253	229,170	27,589	234,289

ST. JEROME'S UNIVERSITY

Notes to Financial Statements, continued

Year ended April 30, 2010

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:

	2010	2009
Balance, beginning of year	\$ 839,162	\$ 376,947
Amount recognized as revenue during the year	(394,463)	(570,842)
Amount reclassified to restricted donations	-	232,000
Amount received relating to future years	436,969	801,057
Balance, end of year	\$ 881,668	\$ 839,162

The amount reclassified to restricted donations relates to the development of the SJU Campus Ministry Restricted Fund, as approved by the Board of Governors during the year.

10. Deferred capital contributions:

The changes in the deferred capital contributions balance are as follows:

	2010	2009
Balance, beginning of year	\$ 413,046	\$ 443,684
Less amortization of deferred capital contributions	(41,293)	(39,899)
Add contributions received for capital purposes not expended	217,476	9,261
Balance, end of year	\$ 589,229	\$ 413,046

11. Internally restricted net assets:

	2010	2009
Major renovations	\$ 1,000,000	\$ 1,000,000

Internally restricted net assets are amounts available for spending at the discretion of the Board of Governors. Major renovations reflects monies transferred from the unrestricted net assets and are intended to be used by the University to assist in financing any extraordinary University renovation that cannot be funded by donations or by the current operating budget.

ST. JEROME'S UNIVERSITY

Notes to Financial Statements, continued

Year ended April 30, 2010

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 \$112,644 for 2010 (2009 - \$24,838).

External donations are recorded as a direct increase of endowments.

Contributions restricted for endowments consist of the following:

	2010	2009
Ignatian	\$ 13,176	\$ 12,938
Devlin	31,165	30,607
Faculty position, English	22,846	22,289
M.A. in Catholic Thought and Life	842,008	824,466
J. Wintermeyer lecture	55,531	53,265
T. Dease lecture	30,313	29,794
Scarborough Mission	28,114	27,624
Catholic board lecture	13,212	12,973
Todd Earl spirit award	7,589	7,444
John Sweeney lecture	6,707	6,588
Quantum Computations Research	5,547	5,445
M. Higgins Lecture	23,401	22,985
Spalding Lecture # 1	52,150	51,223
Spalding Lecture # 2	52,073	51,147
Beyond Borders	7,529	3,580
Ontario Student Opportunity Trust Fund Bursaries Phase I	991,414	973,578
Ontario Student Opportunity Trust Fund Bursaries Phase II	216,096	212,208
Ontario Trust Student Support	1,227,963	1,016,673
Scholarship/bursaries	2,862,665	2,770,891
Contributions at cost	\$ 6,489,499	\$ 6,135,718
Unrealized loss (note 5)	\$ (467,459)	\$ (1,270,940)
Contributions at market value	6,022,040	4,864,778

ST. JEROME'S UNIVERSITY

Notes to Financial Statements, continued

Year ended April 30, 2010

12. Endowments (continued):

The Ontario Student Opportunity Trust Fund Phase I consists of the following:

	2010	2009
Endowment Funds Phase I		
Balance, beginning of year	\$ 973,578	\$ 969,553
Investment income re Capital Preservation	17,836	4,025
Balance, end of year (A)	\$ 991,414	\$ 973,578
Expendable Funds Phase I		
Balance, beginning of year	\$ 61,835	\$ 28,298
Investment income	18,332	39,187
Bursaries awarded (total number: 2010 - 13; 2009 - 35)	-	(5,650)
Balance, end of year (B)	\$ 80,167	\$ 61,835
Endowment total based on book value (A+B)	\$ 1,071,581	\$ 1,035,413

The market value of the endowed funds of \$1,035,413 (book value), related to the Ontario Student Opportunity Trust Fund Phase I as at April 30, 2010, was \$997,821 (2009 - \$841,924).

13. Financial instruments:

(a) Fair value of financial assets and financial liabilities:

The carrying amounts of cash, accounts receivable, and accounts payable and accrued liabilities approximate the respective fair value due to the short period to maturity of those instruments.

Investments are recorded at fair value.

(b) Associated risks:

The University is subject to market risk, foreign currency risk, credit risk and interest rate risk with respect to its investments. To manage these risks, the University has established a target mix by investment types designed to achieve optimal return within reasonable risk tolerances.

ST. JEROME'S UNIVERSITY

Notes to Financial Statements, continued

Year ended April 30, 2010

14. Capital management:

The University's objectives, when managing capital, are to safeguard its ability to continue as a going concern in order to pursue the delivery of a variety of services. In the management of capital, the University included the fund balances, as well as cash. The University manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the University may consider raising additional funds or reduce expenses. In order to facilitate the management of its capital requirements, the University prepares annual expenditure budgets that are updated as necessary depending on various factors, including fundraising campaigns and general governmental conditions. The annual budgets are approved by the Board of Directors.

The University has not changed its approach to capital management during the current year. The University expects that it will be necessary to receive funds from the government during the current fiscal year to meet its budgeted operations.

Heading into the next year, the University will continue to manage its finances responsibly. The challenges for the next year are as follows:

- the variability of investment returns and the potential impact on future endowment distributions;
- fundraising as a result of current economic conditions;
- the increasing pressures on salary and benefit costs;
- the implications of potential changes in government grant funding allocations;
- the uncertainty associated with the tuition fee framework beyond 2010.

These challenges are expected to impact through fiscal year 2010-2011 and beyond.