

Financial Statements of

ST. JEROME'S UNIVERSITY

Year ended April 30, 2012

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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, 2012 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, 2012 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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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of St. Jerome's University which comprise the financial position as at April 30, 2012, the statements of operations and changes in net assets and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



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Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of St. Jerome's University as at April 30, 2012, and its results of operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants, Licensed Public Accountants

September 11, 2012
Waterloo, Canada

ST. JEROME'S UNIVERSITY

Statement of Financial Position

April 30, 2012, with comparative figures for 2011

	2012	2011
Assets		
Current assets:		
Cash	\$ 6,008,564	\$ 4,374,450
Accounts receivable (note 5)	262,958	271,929
Inventory	4,569	2,148
Prepaid expenses	74,504	76,693
Total current assets	6,350,595	4,725,220
Investments (note 6)	17,579,660	18,396,259
Capital assets (note 7)	8,653,030	8,937,709
	\$ 32,583,285	\$ 32,059,188

Liabilities, Deferred Contributions and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities	\$ 681,447	\$ 1,051,668
Current portion of capital lease obligation (note 8)	32,407	30,150
Deferred contributions (note 10)	823,780	858,485
Total current liabilities	1,537,634	1,940,303
Capital lease obligation (note 8)	133,749	166,156
Accrued employee future benefit obligations (note 9)	2,624,859	2,527,010
Deferred capital contributions (note 11)	556,405	568,887
Total other liabilities	3,315,013	3,262,053
Net assets:		
Unrestricted net assets	10,030,621	9,943,775
Internally restricted net assets (note 12)	2,490,000	1,000,000
Internally restricted for capital assets (note 7)	7,859,203	8,251,061
Endowments (note 13)	7,350,814	7,661,996
	27,730,638	26,856,832
	\$ 32,583,285	\$ 32,059,188

See accompanying notes to financial statements.

On behalf of the Board of Governors:



Ms. Maureen O'Donoghue Rich
Chair of the Board



Ms. Lauren Leech
Director

ST. JEROME'S UNIVERSITY

Statement of Operations

Year ended April 30, 2012, with comparative figures for 2011

	2012	2011
Revenue:		
Government grants, unrestricted	\$ 4,821,198	\$ 4,657,018
Government grants, restricted	440,862	412,754
Academic fees	5,866,963	5,273,462
Sales and services (ancillary operations)	3,023,936	3,013,281
Investment income, unrestricted (note 6)	276,138	570,552
Investment income, restricted	90,097	98,810
Donations, unrestricted	31,389	51,666
Donations, restricted	59,354	162,420
Other income	147,809	105,932
Research grant	66,338	144,107
Amortization of deferred capital contributions	37,071	41,132
	14,861,155	14,531,134
Expenses:		
Salaries and wages	6,346,449	6,029,489
Employee benefits	1,330,018	1,320,383
Supplies and other expenses	388,765	295,178
Advertising and promotional expenses	73,391	90,270
Travel	204,899	195,210
Entertainment	130,249	133,632
Professional development and training	226,680	212,955
Legal, audit and insurance	181,563	182,240
Scholarships and bursaries	247,320	258,700
Memberships	30,401	30,024
Externally contracted services	1,501,009	1,525,762
Utilities	313,212	352,865
Renovations, maintenance and equipment	586,228	631,465
Administration fee paid to University of Waterloo	1,306,996	1,215,438
Amortization of capital assets	687,709	700,087
	13,554,889	13,173,698
Excess of revenue over expenses	\$ 1,306,266	\$ 1,357,436

See accompanying notes to financial statements.

ST. JEROME'S UNIVERSITY

Statement of Changes in Net Assets

Year ended April 30, 2012, with comparative figures for 2011

	Unrestricted	Internally restricted	Internally restricted for capital assets	Endowments	Total 2012	Total 2011
Net assets, beginning of year (note 3)	\$ 9,943,775	\$ 1,000,000	\$ 8,251,061	\$ 7,661,996	\$ 26,856,832	\$ 23,999,657
Excess of revenue over expenses	1,956,904	-	(650,638)	-	1,306,266	1,357,436
Change in investment in capital assets (note 7)	(258,780)	-	258,780	-	-	-
Capital preservation of endowments (note 6)	-	-	-	158,564	158,564	179,076
Endowment contributions	-	-	-	197,590	197,590	123,593
Endowment transfers	342,247	-	-	(342,247)	-	-
Internally restricted for capital assets	(1,490,000)	1,490,000	-	-	-	-
Change in unrealized gains (losses) on available-for-sale financial assets	(463,525)	-	-	(325,089)	(788,614)	1,197,070
Net assets, end of year	\$ 10,030,621	\$ 2,490,000	\$ 7,859,203	\$ 7,350,814	\$ 27,730,638	\$ 26,856,832
Accumulated unrealized gains (losses) on available-for-sale financial assets, beginning of year	\$ (550,116)	\$ -	\$ -	\$ 118,618	\$ (431,498)	\$ (1,628,568)
Change in unrealized gains (losses) on available-for-sale financial assets	(463,525)	-	-	(325,089)	(788,614)	1,197,070
Accumulated unrealized losses on available-for-sale financial assets, end of year	(1,013,641)	-	-	(206,471)	(1,220,112)	(431,498)

See accompanying notes to financial statements.

ST. JEROME'S UNIVERSITY

Statement of Cash Flows

Year ended April 30, 2012 with comparative figures for 2011

	2012	2011
Operating activities:		
Excess of revenue over expenses	\$ 1,306,266	\$ 1,357,436
Add non-cash items:		
Amortization of capital assets	687,709	700,087
Amortization of deferred capital contributions	(37,071)	(41,132)
Deferred donations for restricted purposes, net	(24,588)	(12,369)
Deferred research income, net	-	(8,413)
Net change in non-cash working capital balances related to operations:		
Accounts receivable	8,971	190,668
Prepaid expenses	2,189	35,307
Inventory	(2,421)	264
Accounts payable and accrued liabilities	(370,221)	462,260
Accrued employee future benefit obligations	97,849	95,447
	1,668,683	2,779,555
Investing activities:		
Purchasing of investments, net (note 6)	186,549	(511,154)
Purchasing of capital assets (note 7)	(258,780)	(180,400)
Purchasing of capital assets, work in progress (note 7)	(144,250)	(265,092)
	(216,481)	(956,646)
Financing activities:		
Repayment of lease obligation	(30,150)	(28,051)
Deferred investment income for restricted purposes, net	(10,117)	(2,401)
Restricted contributions received for capital purposes, expended and not expended (note 11)	24,589	20,790
Endowment contributions	197,590	123,593
	181,912	113,931
Increase in cash	1,634,114	1,936,840
Cash, beginning of year	4,374,450	2,437,610
Cash, end of year	\$ 6,008,564	\$ 4,374,450

See accompanying notes to financial statements.

ST. JEROME'S UNIVERSITY

Notes to Financial Statements

Year ended April 30, 2012

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:

Financial instruments are classified as either available-for-sale ("AFS") or held-for-trading ("HFT"), loans and receivables, or other liabilities. 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 sales 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, 2012

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. Canadian generally accepted accounting principles require that a multi-employer plan be accounted for following the standards for defined contribution plans.

ST. JEROME'S UNIVERSITY

Notes to Financial Statements, continued

Year ended April 30, 2012

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, 2012

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. Correction of an immaterial prior period error:

During the year ended April 30, 2011, the University became aware of certain employee benefits that were not accrued by the University. The impact of the correction has been recorded retrospectively resulting in an increase in employee benefits of \$94,708 for the year ended April 30, 2010, an increase in accounts payable and accrued liabilities of \$314,144 and a decrease of \$219,436 in unrestricted net assets at April 30, 2010.

4. Future accounting framework changes:

The Canadian Accounting Standards Board and the Public Sector Accounting Board have issued new accounting standards for private not-for-profit organizations and Government not-for-profit organizations. The University is required to make an assessment as to whether it is a Government NPO or other NPO. The University has made a preliminary assessment that it will adopt standards for other NPOs, which consist of Part II of the CICA Handbook, Accounting Standards for Private Enterprises, supplemented by Part II of the CICA Handbook, Accounting Standards for Not-for-Profit Organizations. The University is required to adopt its new framework for 2013 fiscal year, with the date of transition being May 1, 2011.

As part of the adoption of the new framework, the University has the option to elect to measure certain items of its capital assets (land and buildings) at their fair value and use that fair value as its deemed cost at the date of transition. Management has obtained a third party appraisal of its land and buildings which indicated fair values of the land and buildings of \$8,125,000 and \$12,375,000 respectively. The buildings will be amortized over a remaining useful life of 25 years. The pro-forma impacts of this adjustment to the 2012 results from operations are expected to be as follows:

ST. JEROME'S UNIVERSITY

Notes to Financial Statements, continued

Year ended April 30, 2012

4. Future accounting framework changes (continued):

Excess of revenue over expenses as reported	\$	1,306,266
Add:		
Amortization for building, as reported		440,154
Less:		
Pro-forma amortization on buildings measured at fair value		(495,000)
Pro-forma excess of revenue over expenses	\$	1,251,420

5. Accounts receivable:

	2012	2011
Accounts receivable	\$ 190,250	\$ 214,612
Accrued interest receivable	72,708	57,317
	\$ 262,958	\$ 271,929

6. Investments:

(a) Endowment investments consist of the following:

	2012	2011
Government of Canada bonds and Treasury bonds with interest varying between 1.5% and 4.0%, maturing between 2011 and 2015	\$ 79,960	\$ 192,814
Provincial and Municipal bonds and Treasury bonds with interest varying between 1.5% and 11.0%, maturing between 2011 and 2026	1,934,312	1,687,170
Corporate bonds and debentures with interest varying between 3.95% and 10.80%, maturing between 2011 and 2015	498,952	893,380
Canadian equities	1,840,792	1,821,328
Non-Canadian equities	2,996,798	3,067,304
Total market value	\$ 7,350,814	\$ 7,661,996
Cost	\$ 7,557,285	\$ 7,543,378
Cost (over) under market value	(206,471)	118,618

ST. JEROME'S UNIVERSITY

Notes to Financial Statements, continued

Year ended April 30, 2012

6. Investments (continued):

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

	2012	2011
Government of Canada bonds with interest varying between 2.95% and 4.0%, maturing between 2012 and 2015	\$ 74,932	\$ 86,931
Provincial and Municipal bonds with interest varying between 3.5% and 11.0%, maturing between 2011 and 2026	2,312,379	2,458,096
Corporate bonds and debentures with interest varying between 3.95% and 7.9%, maturing between 2011 and 2016	604,594	648,933
Canadian equities	1,845,946	1,946,059
Non-Canadian equities	4,923,803	5,091,456
TD Asset Management Inc. indexed mutual funds/CIBC Mellon	467,192	502,788
Total market value	\$ 10,228,846	\$ 10,734,263
Cost	\$ 11,242,487	\$ 11,284,379
Cost (over) under market value	(1,013,641)	(550,116)

- (c) Total investments:

	2012	2011
Total investments for endowments	\$ 7,350,814	\$ 7,661,996
Total investments for non-endowments	10,228,846	10,734,263
Total market value	\$ 17,579,660	\$ 18,396,259

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

	2012	2011
Total investment income earned	\$ 420,982	\$ 842,919
Income related to deferred restricted endowed funds	(52,538)	(93,291)
Income related to preservation of endowed funds	(92,306)	(179,076)
	\$ 276,138	\$ 570,552

ST. JEROME'S UNIVERSITY

Notes to Financial Statements, continued

Year ended April 30, 2012

7. Capital assets:

			2012	2011
	Cost	Accumulated amortization	Net book value	Net book value
Land	\$ 50,825	\$ -	\$ 50,825	\$ 50,825
Land improvements	750,503	424,895	325,608	376,539
Buildings	6,209,462	2,813,849	3,395,613	3,546,854
Building improvements	4,685,519	2,111,588	2,573,931	2,596,582
Equipment and furnishing	1,673,205	803,773	869,432	976,763
Computer equipment and software	378,631	158,671	219,960	275,646
Library books	461,669	287,388	174,281	182,259
Art collection	382,080	-	382,080	382,080
Work in progress	509,537	-	509,537	365,287
Property under capital lease: Equipment	331,118	179,355	151,763	184,874
	\$ 15,432,549	\$ 6,779,519	\$ 8,653,030	\$ 8,937,709

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

	2012	2011
Balance, beginning of year	\$ 8,937,709	\$ 9,192,304
Purchases of work in progress	359,579	265,092
Work in progress capitalized	(215,329)	(44,975)
Purchase of capital assets internally funded	258,780	225,375
Amortization of capital assets	(687,709)	(700,087)
Balance, end of year	\$ 8,653,030	\$ 8,937,709

ST. JEROME'S UNIVERSITY

Notes to Financial Statements, continued

Year ended April 30, 2012

7. Capital assets (continued):

The investment in capital assets consists of the following:

	2012	2011
Capital assets	\$ 8,653,030	\$ 8,937,709
Less capital assets in work in progress	(509,537)	(365,287)
Less amounts financed by deferred capital contributions	(556,405)	(568,477)
Add unspent deferred capital contributions	272,115	247,116
Balance, end of year	\$ 7,859,203	\$ 8,251,061

8. 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:

2013	\$ 43,373
2014	43,373
2015	43,373
2016	43,373
2017	17,750
	191,242
Less interest included in above	25,086
Net lease obligation	166,156
Less current portion	32,407
Capital lease obligation	\$ 133,749

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, 2012

9. Accrued employee future benefit obligations:

	2012	2011
Unregistered post-employment non-pension accrued benefit obligation	\$ 2,174,664	\$ 2,038,253
Unregistered defined benefit private payroll pension obligation	450,195	488,757
	<u>\$ 2,624,859</u>	<u>\$ 2,527,010</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, 2012.

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

	2012	2011
	Pension benefit plans	Pension benefit plans
Registered plan (University of Waterloo multi-employer plan)	\$ 1,069,897	\$ 1,365,899
Unregistered plans	28,777	56,915

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

	2012		2011	
	Pension benefit plans	Other benefit plans	Pension benefit plans	Other benefit plans
Registered plan (University of Waterloo multi-employer plan)	\$ 560,982	\$ -	\$ 506,100	\$ -
Unregistered plans	25,700	356,872	34,571	373,929

ST. JEROME'S UNIVERSITY

Notes to Financial Statements, continued

Year ended April 30, 2012

9. Accrued employee future benefit obligations (continued):

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

	2012		2011	
	Pension benefit plans	Other benefit plans	Pension benefit plans	Other benefit plans
Discount rate	5.80%	5.50%	5.50%	5.50%
Rate of compensation increase	4.10%	-	4.25%	-
Rate of inflation	2.10%	2.10%	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:

	2012		2011	
	Pension benefit plans	Other benefit plans	Pension benefit plans	Other benefit plans
Employer contribution to registered plan (University of Waterloo multi-employer plan)	\$ 560,982	\$ -	\$ 506,100	\$ -
Employer contribution to unregistered plans	25,700	249,849	37,360	249,207

ST. JEROME'S UNIVERSITY

Notes to Financial Statements, continued

Year ended April 30, 2012

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:

	2012	2011
Balance, beginning of year	\$ 858,485	\$ 881,668
Amounts recognized as revenue during the year:		
Investment income restricted	(90,097)	(98,810)
Donations, restricted	(59,354)	(162,420)
Research grant	(66,338)	(144,107)
Amount received relating to future years	181,084	382,154
Balance, end of year	\$ 823,780	\$ 858,485

11. Deferred capital contributions:

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

	2012	2011
Balance, beginning of year	\$ 568,887	\$ 589,229
Less amortization of deferred capital contributions	(37,071)	(41,132)
Add contributions received for capital purposes not expended	24,589	20,790
Balance, end of year	\$ 556,405	\$ 568,887

12. Internally restricted net assets:

	2012	2011
Major renovations	\$ 2,490,000	\$ 1,000,000

Internally restricted net assets are amounts available for spending at the discretion of the Board of Governors. Major renovations reflect 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, 2012

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 \$144,843 for 2012 (2011 - \$179,076).

External donations are recorded as a direct increase of endowments.

Contributions restricted for endowments consist of the following:

	2012	2011
Ignatian	\$ 13,780	\$ 13,507
Devlin	32,596	31,950
Faculty position, English	23,894	23,421
M.A. in Catholic Thought and Life	944,857	896,604
J. Wintermeyer lecture	60,751	58,221
T. Dease lecture	31,920	31,248
Scarborough Mission	29,465	28,822
Catholic board lecture	14,095	13,816
Todd Earl Spirit Award	7,937	7,780
John Sweeney lecture	7,015	6,876
Quantum Computations Research	5,802	5,687
M. Higgins Lecture	24,475	23,990
Spalding Lecture # 1	54,544	53,463
Spalding Lecture # 2	55,292	53,897
Beyond Borders	15,319	12,016
Ontario Student Opportunity Trust Fund Bursaries Phase I	1,037,968	1,017,120
Ontario Student Opportunity Trust Fund Bursaries Phase II	226,243	221,699
Ontario Trust Student Support	1,378,240	1,319,044
Scholarship/bursaries	3,593,092	3,724,782
Contributions at cost	7,557,285	7,543,378
Unrealized gain (loss) (note 6)	(206,471)	118,618
Contributions at market value	\$ 7,350,814	\$ 7,661,996

ST. JEROME'S UNIVERSITY

Notes to Financial Statements, continued

Year ended April 30, 2012

13. Endowments (continued):

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

	2012	2011
Endowment Funds Phase I		
Balance, beginning of year	\$ 1,017,120	\$ 991,414
Investment income re Capital Preservation	20,848	25,706
Balance, end of year (A)	1,037,968	\$ 1,017,120
Expendable Funds Phase I		
Balance, beginning of year	\$ 94,305	\$ 80,167
Investment income	-	14,138
Balance, end of year (B)	94,305	\$ 94,305
Endowment total based on book value (A+B)	\$ 1,132,273	\$ 1,111,425

The market value of the endowed funds of \$1,132,273 (book value), relating to the Ontario Student Opportunity Trust Fund Phase I as at April 30, 2012, was \$1,123,203 (2011 - \$1,128,818).

14. 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, 2012

15. 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 reducing 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 2012

These challenges are expected to impact through fiscal year 2012-2013 and beyond.