

Financial Statements of

ST. JEROME'S UNIVERSITY

Years ended April 30, 2013 and 2012

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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 statements of financial position as at April 30, 2013, April 30, 2012, and May 1, 2011, the statements of operations, changes in net assets and cash flows for the years ended April 30, 2013 and April 30, 2012, 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 accounting standards for not-for-profit organizations, 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 in our audit 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, 2013, April 30, 2012 and May 1, 2011, and its results of operations and its cash flows for the years ended April 30, 2013 and April 30, 2012 in accordance with Canadian accounting standards for not-for-profit organizations.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, stylized font. Below the signature is a long, horizontal, slightly curved line.

Chartered Accountants, Licensed Public Accountants

October 3, 2013
Waterloo, Canada

ST. JEROME'S UNIVERSITY

Statement of Financial Position

April 30, 2013, April 30, 2012 and May 1, 2011

	April 30, 2013	April 30, 2012	May 1, 2011
Assets			
Current assets:			
Cash	\$ 7,640,490	\$ 6,008,564	\$ 4,374,450
Accounts receivable (note 3)	142,636	262,958	271,929
Inventory	10,855	4,569	2,148
Prepaid expenses	89,552	74,504	76,693
Total current assets	7,883,533	6,350,595	4,725,220
Investments (note 4)	20,702,298	17,579,660	18,396,259
Capital assets (note 5)	21,667,888	22,284,910	22,866,909
	\$ 50,253,719	\$ 46,215,165	45,988,388

Liabilities, Deferred Contributions and Net Assets

Current liabilities:			
Accounts payable and accrued liabilities	\$ 739,071	\$ 681,447	\$ 1,051,668
Current portion of capital lease obligation	-	32,407	30,150
Deferred contributions (note 7)	939,633	823,780	858,485
Total current liabilities	1,678,704	1,537,634	1,940,303
Capital lease obligation	-	133,749	166,156
Accrued employee future benefit obligations (note 6)	4,419,992	3,615,470	2,495,996
Deferred capital contributions (note 8)	554,322	556,405	568,887
Total other liabilities	4,974,314	4,305,624	3,231,039
Net assets:			
Unrestricted net assets	10,340,875	9,040,010	9,974,789
Internally restricted net assets (note 9)	3,796,834	2,490,000	1,000,000
Internally restricted for capital assets (note 5)	20,976,695	21,491,083	22,180,261
Endowments (note 10)	8,486,297	7,350,814	7,661,996
	43,600,701	40,371,907	40,817,046
	\$ 50,253,719	\$ 46,215,165	\$ 45,988,388

See accompanying notes to financial statements.

On behalf of the Board of Governors:



Marion Thomson Howell
Chair of the Board



Robert (Bob) Truman
Chair of the Finance Committee

ST. JEROME'S UNIVERSITY

Statement of Operations

Years ended April 30, 2013 and 2012

	2013	2012
Revenue:		
Government grants, unrestricted	\$ 5,275,804	\$ 4,821,198
Government grants, restricted	-	440,862
Academic fees	6,403,689	5,866,963
Sales and services (ancillary operations)	3,385,113	3,023,936
Donations, unrestricted	48,455	31,389
Donations, restricted	243,791	59,354
Other income	167,769	147,809
Research grant	112,154	66,338
Amortization of deferred capital contributions	34,915	37,071
	15,671,690	14,494,920
Expenses:		
Salaries and wages	6,620,642	6,346,449
Employee benefits	1,520,337	1,325,266
Supplies and other expenses	375,504	388,765
Advertising and promotional expenses	88,891	73,391
Travel	244,686	204,899
Entertainment	188,309	130,249
Professional development and training	251,737	226,680
Legal, audit and insurance	222,501	181,563
Scholarships and bursaries	246,177	247,320
Memberships	29,191	30,401
Externally contracted services	1,449,406	1,501,009
Utilities	363,416	313,212
Renovations, maintenance and equipment	542,671	586,228
Administration fee paid to University of Waterloo	1,373,688	1,306,996
Amortization of capital assets	1,153,920	985,029
	14,671,076	13,847,457
Excess of revenue over expenses before the following:	1,000,614	647,463
Remeasurement losses on employee future benefits	(615,689)	(1,026,377)
Investment income (loss), unrestricted	1,801,520	(187,387)
Investment income, restricted	53,974	90,097
	1,239,805	(1,123,667)
Excess of revenue over expenses (expenses over revenue)	\$ 2,240,419	\$ (476,204)

See accompanying notes to financial statements.

ST. JEROME'S UNIVERSITY

Statement of Changes in Net Assets

Years ended April 30, 2013 and 2012

April, 30, 2013	Unrestricted	Internally restricted	Internally restricted for capital assets	Endowments	Total
Net assets, beginning of year	\$ 9,040,010	\$ 2,490,000	\$ 21,491,083	\$ 7,350,814	\$ 40,371,907
Excess of revenue over expenses (expenses over revenue)	3,359,424	-	(1,119,005)	-	2,240,419
Change in investment in capital assets (note 5)	(604,617)	-	604,617	-	-
Capital preservation of endowments (note 10)	-	-	-	77,888	77,888
Endowment contributions	-	-	-	119,343	119,343
Endowment transfers	(147,108)	-	-	120,341	(26,767)
Internally restricted for capital assets	(1,306,834)	1,306,834	-	-	-
Endowed investment portfolio gains/ (losses)	-	-	-	817,911	817,911
Net assets, end of year	\$ 10,340,875	\$ 3,796,834	\$ 20,976,695	\$ 8,486,297	\$ 43,600,701

April, 30, 2012	Unrestricted	Internally restricted	Internally restricted for capital assets	Endowments	Total
Net assets, beginning of year (note 14)	\$ 9,974,789	\$ 1,000,000	\$ 22,180,261	\$ 7,661,996	\$ 40,817,046
Excess of revenue over expenses (expenses over revenue)	471,754	-	(947,958)	-	(476,204)
Change in investment in capital assets (note 5)	(258,780)	-	258,780	-	-
Capital preservation of endowments (note 10)	-	-	-	158,564	158,564
Endowment contributions	-	-	-	197,590	197,590
Endowment transfers	342,247	-	-	(342,247)	-
Internally restricted for capital assets	(1,490,000)	1,490,000	-	-	-
Endowed investment portfolio gains/ (losses)	-	-	-	(325,089)	(325,089)
Net assets, end of year	\$ 9,040,010	\$ 2,490,000	\$ 21,491,083	\$ 7,350,814	\$ 40,371,907

See accompanying notes to financial statements.

ST. JEROME'S UNIVERSITY

Statement of Cash Flows

Years ended April 30, 2013 and 2012

	2013	2012
Operating activities:		
Excess of revenue over expenses (expenses over revenue)	\$ 2,240,419	\$ (476,204)
Add non-cash items:		
Amortization of capital assets	1,153,920	985,029
Amortization of deferred capital contributions	(34,915)	(37,071)
Unrealized (gain) loss on unrestricted investments	(1,417,875)	463,525
Contributions – non capital	115,853	(24,588)
Net change in non-cash working capital balances related to operations:		
Accounts receivable	120,322	8,971
Prepaid expenses	(15,048)	2,189
Inventory	(6,286)	(2,421)
Accounts payable and accrued liabilities	57,624	(370,221)
Accrued employee future benefit obligations	804,522	1,119,474
	3,018,536	1,668,683
Investing activities:		
Purchasing of investments, net (note 4)	(464,727)	186,549
Purchasing of capital assets (note 5)	(49,038)	(258,780)
Purchasing of capital assets, work in progress (note 5)	(487,860)	(144,250)
	(1,001,625)	(216,481)
Financing activities:		
Repayment of lease obligation	(166,156)	(30,150)
Deferred investment income for restricted purposes, net		(10,117)
Restricted contributions received for capital purposes, expended and not expended (note 8)	32,832	24,589
Endowment transfers	(251,661)	197,590
	(384,985)	181,912
Increase in cash	1,631,926	1,634,114
Cash, beginning of year	6,008,564	4,374,450
Cash, end of year	\$ 7,640,490	\$ 6,008,564

See accompanying notes to financial statements.

ST. JEROME'S UNIVERSITY

Notes to Financial Statements

Years ended April 30, 2013 and 2012

1. Description/Notice of adoption of Accounting Standards for not-for-profit organizations:

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).

On May 1, 2012, the University adopted Canadian Institute of Chartered Accountants Handbook Part III - Canadian accounting standards for not-for-profit organizations. These are the first financial statements prepared in accordance with Canadian accounting standards for not-for-profit organizations.

In accordance with the transitional provisions in Canadian accounting standards for not-for-profit organizations, the University has adopted the changes retrospectively, subject to certain exemptions allowed under these standards. The transition date is May 1, 2011 and all comparative information provided has been presented by applying Canadian accounting standards for not-for-profit organizations.

A summary of transitional adjustments recorded to net assets and excess of revenue over expenditures is provided in note 13.

2. Significant accounting policies:

The financial statements have been prepared by management in accordance with Canadian Institute of Chartered Accountants' Handbook Part III – Canadian accounting standards for not-for-profit organizations.

(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 recorded at fair value on initial recognition. Freestanding derivative instruments that are not in a qualifying hedging relationship and equity instruments that are quoted in an active market are subsequently measured at fair value. All other financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. The University has elected to carry its bond investments at fair value.

ST. JEROME'S UNIVERSITY

Notes to Financial Statements, continued

Years ended April 30, 2013 and 2012

2. Significant accounting policies (continued):

(b) Financial instruments (continued):

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method (or effective interest rate method).

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the University determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the University expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

(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. Assets acquired under capital leases are amortized over the estimated life of the assets or over the lease term, as appropriate. Capital assets acquired prior to May 1, 2011 are recorded at deemed cost, being its fair value at May 1, 2011, the transition date to NPO accounting (note 13). Repairs and maintenance costs are charged to expense. Betterments which extend the estimated life of an asset are capitalized. When a capital asset no longer contributes to the University's ability to provide services, its carrying amount is written down to its residual value.

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 and is not amortized.

ST. JEROME'S UNIVERSITY

Notes to Financial Statements, continued

Years ended April 30, 2013 and 2012

2. Significant accounting policies (continued):

(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.

(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.

The University uses the immediate recognition approach to account for its other post-employment benefit obligation. The University accrues its obligations under the defined benefit plans as the employees render the services necessary to earn the pension and other retirement benefits. The actuarial determination of the accrued benefit obligations for pensions and other retirement benefits uses the projected benefit method prorated on service (which incorporates management's assumptions used for funding purposes, other cost escalation, retirement ages of employees and other actuarial factors). The measurement date of the plan assets, which are recorded at fair value, and accrued benefit obligation coincides with the University's fiscal year. The most recent actuarial valuation of the post-employment benefit obligations was as of April 30, 2013.

The University recognizes the accrued benefit obligations net of the fair value of the plan amounts adjusted for any valuation allowance in the balance sheet at the end of the year. The cost of the plan, comprising (i) changes in the accrued benefit obligation other than those resulting from benefit payments to plan members and net of any employee contributions; (ii) the actual return on plan assets; and (iii) the change in the valuation allowance is recorded in income.

Actuarial gains (losses), referred to as plan remeasurements and past service costs arising from plan amendments are immediately recognized into income at the date of the amendment.

(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.

ST. JEROME'S UNIVERSITY

Notes to Financial Statements, continued

Years ended April 30, 2013 and 2012

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 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 collectability is reasonably assured.

Externally restricted contributions other than endowment contributions are recognized as revenue in the year in which the related expenses are recognized. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on a straight-line basis, at a rate corresponding with the amortization rate for the related capital assets.

(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) Use of estimates:

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Significant items subject to such estimates and assumptions include the carrying amount of capital assets, and assets and obligations related to employee future benefits. Actual results could differ from those estimates.

(j) Cash and cash equivalents:

Cash and cash equivalents include cash on hand and short-term deposits which are highly liquid with original maturities of less than three months.

ST. JEROME'S UNIVERSITY

Notes to Financial Statements, continued

Years ended April 30, 2013 and 2012

3. Accounts receivable:

	April 30, 2013	April 30, 2012	May 1, 2011
Accounts receivable	\$ 142,636	\$ 190,250	\$ 214,612
Accrued interest receivable	-	72,708	57,317
	\$ 142,636	\$ 262,958	\$ 271,929

4. Investments:

(a) Endowment investments consist of the following:

	April 30, 2013	April 30, 2012	May 1, 2011
Short-term cash held by investment custodian	\$ 188,368	\$ -	\$ -
Government Bonds with interest varying between 1.205% and 11%, maturing between 2013 and 2021	2,030,553	2,014,272	1,879,984
Corporate bonds with interest varying between 2.285% and 6.110%, maturing between 2012 and 2015	398,523	498,952	893,380
Canadian equities	2,231,692	1,840,792	1,821,328
Non-Canadian equities	3,741,714	2,996,798	3,067,304
Total market value	\$ 8,590,850	\$ 7,350,814	\$ 7,661,996

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

	April 30, 2013	April 30, 2012	May 1, 2011
Short-term cash held by investment custodian	\$ 407,252	\$ -	\$ -
Government Bonds with interest carrying between 1.205% and 11%, maturing between 2013 and 2021	2,840,487	2,387,311	2,545,027
Corporate bonds with interest varying between 2.285% and 7.9%, maturing between 2013 and 2016	251,195	604,594	648,933
Canadian equities	2,312,957	1,845,946	1,946,059
Non-Canadian equities	5,842,298	4,923,803	5,091,456
TD Asset Management Inc. indexed Mutual fund/CIBC Mellon	457,259	467,192	502,788
Total market value	\$ 12,111,448	\$ 10,228,846	\$ 10,734,263

ST. JEROME'S UNIVERSITY

Notes to Financial Statements, continued

Years ended April 30, 2013 and 2012

4. Investments (continued):

(c) Total investments:

	April 30, 2013	April 30, 2012	May 1, 2011
Total investments for endowments	\$ 8,590,850	\$ 7,350,814	\$ 7,661,996
Total investments for non-endowments	12,111,448	10,228,846	10,734,263
Total market value	\$ 20,702,298	\$ 17,579,660	\$ 18,396,259

5. Capital assets:

April 30, 2013	Cost	Accumulated amortization	Net book value
Land	\$ 7,748,461	\$ -	\$ 7,748,461
Land improvements	750,503	475,826	274,677
Buildings	7,191,480	735,245	6,456,235
Building improvements	5,669,767	794,680	4,875,087
Equipment and furnishing	2,118,943	1,128,414	990,529
Computer equipment and software	517,422	219,507	297,915
Library books	510,707	338,658	172,049
Art collection	382,080	-	382,080
Equipment under capital lease	-	-	-
Work in progress	470,855	-	470,855
	\$ 25,360,218	\$ 3,692,330	\$ 21,667,888

April 30, 2012	Cost	Accumulated amortization	Net book value
Land	\$ 7,748,461	\$ -	\$ 7,748,461
Land improvements	750,503	424,895	325,608
Buildings	7,191,480	323,688	6,867,792
Building improvements	5,396,636	360,640	5,035,996
Equipment and furnishing	1,673,205	803,773	869,432
Computer equipment and software	378,631	158,671	219,960
Library books	461,669	287,388	174,281
Art collection	382,080	-	382,080
Equipment under capital lease	331,118	179,355	151,763
Work in progress	509,537	-	509,537
	\$ 24,823,320	\$ 2,538,410	\$ 22,284,910

ST. JEROME'S UNIVERSITY

Notes to Financial Statements, continued

Years ended April 30, 2013 and 2012

5. Capital assets (continued):

May 1, 2011	Cost	Accumulated amortization	Net book value
Land	\$ 7,748,461	\$ -	\$ 7,748,461
Land improvements	750,503	373,964	376,539
Buildings	7,191,480	-	7,191,480
Building improvements	5,183,520	-	5,183,520
Equipment and furnishing	1,673,205	696,442	976,763
Computer equipment and software	498,217	222,571	275,646
Library books	418,218	235,959	182,259
Art collection	382,080	-	382,080
Equipment under capital lease	331,118	146,244	184,874
Work in progress	365,287	-	365,287
	\$ 24,542,089	\$ 1,675,180	\$ 22,866,909

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

	2013	2012
Balance, beginning of year	\$ 22,284,910	\$ 22,866,909
Purchases of work in progress	487,860	359,579
Work in progress capitalized	(526,543)	(215,329)
Purchase of capital assets internally funded	575,581	258,780
Amortization of capital assets	(1,153,920)	(985,029)
Balance, end of year	\$ 21,667,888	\$ 22,284,910

The investment in capital assets consists of the following:

	April 30, 2013	April 30, 2012	May 1, 2011
Capital assets	\$ 21,667,888	\$ 22,284,910	\$ 22,866,909
Less capital assets in work in progress	(470,855)	(509,537)	(365,287)
Less amounts financed by deferred capital contributions	(554,322)	(556,405)	(568,477)
Add unspent deferred capital contributions	333,984	272,115	247,116
Balance, end of year	\$ 20,976,695	\$ 21,491,083	\$ 22,180,261

ST. JEROME'S UNIVERSITY

Notes to Financial Statements, continued

Years ended April 30, 2013 and 2012

6. Accrued employee future benefit obligations:

	April 30, 2013	April 30, 2012	May 1, 2011
Unregistered post-employment non-pension accrued benefit obligation	\$ 3,603,000	\$ 2,924,000	\$ 1,897,000
Unregistered defined benefit private payroll pension obligation	816,992	691,470	598,996
	\$ 4,419,992	\$ 3,615,470	\$ 2,495,996

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

The unregistered 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, 2013.

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

	2013		2012	
	Pension benefit plans	Other benefit plans	Pension benefit plans	Other benefit plans
Registered plan (University of Waterloo multi-employer plan)	\$ 625,575	\$ -	\$ 560,982	\$ -
Unregistered plans	219,571	735,000	176,417	1,077,000

ST. JEROME'S UNIVERSITY

Notes to Financial Statements, continued

Years ended April 30, 2013 and 2012

6. Accrued employee future benefit obligations (continued):

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

	2013		2012	
	Pension benefit plans	Other benefit plans	Pension benefit plans	Other benefit plans
Discount rate	6.10%	4.15%	6.35%	4.85%
Rate of compensation increase	4.25%	4.10%	4.50%	4.10%
Rate of inflation	2.25%	2.25%	2.50%	2.50%

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.

Contributions in connection with the University's current and future defined benefit plans are as follows:

	2013		2012	
	Pension benefit plans	Other benefit plans	Pension benefit plans	Other benefit plans
Employer contribution to registered plan (University of Waterloo multi-employer plan)	\$ 625,575	\$ -	\$ 560,982	\$ -
Employer contribution to unregistered plans	94,465	56,000	83,943	50,000

7. 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:

	2013	2012
Balance, beginning of year	\$ 823,780	\$ 858,485
Amounts recognized as revenue during the year:		
Investment income restricted	(53,794)	(90,097)
Donations, restricted	(156,969)	(59,354)
Research grant	(118,638)	(66,338)
Amount received relating to future years	445,254	181,084
Balance, end of year	\$ 939,633	\$ 823,780

ST. JEROME'S UNIVERSITY

Notes to Financial Statements, continued

Years ended April 30, 2013 and 2012

8. Deferred capital contributions:

Deferred capital contributions related to capital assets represent the unamortized amount and unspent amount of transfers and grants received in the purchase of capital assets. The amortization of capital contributions is recorded as revenue in the statement of operations.

	2013	2012
Balance, beginning of year	\$ 556,405	\$ 568,887
Less amortization of deferred capital contributions	(34,915)	(37,071)
Add contributions received for capital purposes not expended	32,832	24,589
Balance, end of year	\$ 554,322	\$ 556,405

9. Internally restricted net assets:

	April 30, 2013	April 30, 2012	May 1, 2011
Major renovations	\$ 3,620,438	\$ 2,490,000	\$ 1,000,000
Academic programs	176,396	-	-
Total	\$ 3,796,834	\$ 2,490,000	\$ 1,000,000

The use of internally restricted net assets is limited to the intended purpose and is subject to Board approval.

Major renovations reflect monies transferred from the unrestricted net assets and are intended to be used by the University to assist in financing of the capital projects and expenditures not funded by donations or within the current operating budget.

Academic programs reflect monies transferred from the unrestricted net assets and are intended to be used by the University for specific academic program development or support. The internally restricted net assets are to be designated for the Master of Catholic Thought (\$50,000) and future Catholic program development (\$126,396).

10. 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.

ST. JEROME'S UNIVERSITY

Notes to Financial Statements, continued

Years ended April 30, 2013 and 2012

10. Endowments (continued):

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 \$77,888 for 2013 (2012 - \$158,564).

External donations are recorded as a direct increase of endowments.

Contributions restricted for endowments consist of the following:

	April 30, 2013	April 30, 2012	May 1, 2011
Ignatian	\$ 13,937	\$ 13,780	\$ 13,507
Devlin	32,962	32,596	31,950
Faculty position, English	24,343	23,894	23,421
M.A. in Catholic Thought and Life	957,739	944,857	896,604
J. Wintermeyer lecture	61,374	60,751	58,221
T. Dease lecture	32,248	31,920	31,248
Scarborough Mission	29,767	29,465	28,822
Catholic board lecture	14,240	14,095	13,816
Todd Earl Spirit Award	8,036	7,937	7,780
John Sweeney lecture	7,093	7,015	6,876
Quantum Computations Research	5,870	5,802	5,687
M. Higgins Lecture	24,746	24,475	23,990
Spalding Lecture # 1	55,127	54,544	53,463
Spalding Lecture # 2	55,873	55,292	53,897
Beyond Borders	17,904	15,319	12,016
Ontario Student Opportunity Trust Fund Bursaries Phase I	1,113,663	1,037,968	1,017,120
Ontario Student Opportunity Trust Fund Bursaries Phase II	228,697	226,243	221,699
Ontario Trust Student Support	1,429,306	1,378,240	1,319,044
Scholarship/bursaries	3,761,932	3,593,092	3,724,217
	7,874,857	7,557,285	7,543,378
Unrealized gain (loss)	611,440	(206,471)	118,618
Contributions at market value	\$ 8,486,297	\$ 7,350,814	\$ 7,661,996

ST. JEROME'S UNIVERSITY

Notes to Financial Statements, continued

Years ended April 30, 2013 and 2012

10. Endowments (continued):

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

	April 30, 2013	April 30, 2012	May 1, 2011
Endowment Funds Phase I			
Balance, beginning of year	\$ 1,037,968	\$ 1,017,120	\$ 991,414
Investment income re: capital preservation	11,258	20,848	25,706
Donations	64,437	-	-
Balance, end of year (A)	1,113,663	1,037,968	1,017,120
Expendable Funds Phase II			
Balance, beginning of year	226,243	221,699	216,096
Investment income re: capital preservation	2,454	4,544	5,603
Balance, end of year (B)	228,697	226,243	221,699
Endowment total based on book value (A+B)	\$ 1,342,360	\$ 1,264,211	\$ 1,238,819

11. Financial risks and concentration of risk:

(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) Liquidity risk:

Liquidity risk is the risk that the University will be unable to fulfill its obligations on a timely basis or at a reasonable cost.

The University manages its liquidity risk by monitoring its operating requirements. There has been no change to the risk exposures from 2012.

ST. JEROME'S UNIVERSITY

Notes to Financial Statements, continued

Years ended April 30, 2013 and 2012

11. Financial risks and concentration of risk (continued):

(c) Interest rate risk:

The University is exposed to interest rate risk on its fixed interest rate financial instruments. Further details about the fixed rate investments are included in note 4.

(d) Credit risk:

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in financial loss. The University is exposed to credit risk with respect to the accounts receivable. The University assesses on a continuous basis, accounts receivable and provides for any amounts that are not collectible.

12. 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 2013

These challenges are expected to impact through fiscal year 2013-2014 and beyond.

ST. JEROME'S UNIVERSITY

Notes to Financial Statements, continued

Years ended April 30, 2013 and 2012

13. Transitional adjustments:

(a) Net assets:

The following table summarizes the impact of the transition to not-for-profit standards on the University's net assets as of May 1, 2011:

Net assets:

As previously reported under Canadian generally accepted accounting principles, April 30, 2011	\$ 26,856,832
Transition election to record capital assets at fair value (i)	13,929,200
Transition election to recognize all cumulative actuarial gains and losses on employee future benefits (ii)	31,014
Restated, May 1, 2011	\$ 40,817,046

In accordance with transitional provisions of not-for-profit standards, the University has elected to use the following exemptions:

(i) Fair value:

The University has elected to measure land at May 1, 2011 using the fair value election.

(ii) Employee future benefits:

The University has elected to recognize all cumulative actuarial gains and losses and past services costs in opening net assets.

(b) Excess of revenue over expenses:

As a result of the above noted elections and the retrospective application of not-for-profit standards, the University recorded the following adjustments to excess of revenue over expenses for the year ended April 30, 2012:

Excess of revenue over expenses:

As previously reported under Canadian generally accepted accounting principles for year ended April 30, 2012	\$ 1,306,266
Increase to depreciation expense as a result of electing to record buildings at fair value at the date of transition	(297,320)
Decrease to investment income as a result of recording unrealized and realized gains and losses in the statement of operations for unrestricted investments	(463,525)
Increase to employee future benefit expense as a result of electing to recognize all cumulative actuarial gains and losses and immediate recognition of actuarial gains and losses in the year incurred	(1,021,625)
Restated for the year ended April 30, 2012	\$ (476,204)