Financial Statements of

ST. THOMAS UNIVERSITY

And Independent Auditor's Report thereon Year ended April 30, 2023



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INDEPENDENT AUDITOR'S REPORT

To the Board of Governors

Opinion

We have audited the financial statements of St. Thomas University (the "University"), which comprise:

- the statement of financial position as at April 30, 2023
- the statement of operations and changes in fund balances for the year then ended
- the statement of cash flows for the year then ended
- and notes and schedules to the financial statements, including a summary of significant accounting policies.

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements, present fairly, in all material respects, the financial position of St. Thomas University as at April 30, 2023, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our auditor's report.

We are independent of the University in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada



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Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is responsible for assessing the University's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the University or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the University's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
 - The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 University's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



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• Conclude on the appropriateness of management's use of the going concern basis of



Statement of Operations and Changes in Fund Balances

Year ended April 30, 2023, with comparative information for 2022

| | | | | | | | | 2023 | 2022 |
|--------------------------------------|------------------|-------|-----------------|-----------------------|----|--|-------------------|---------------|---------------|
| | G Operating | Sener | al Ancillary | Internally restricted | E | ndowments and other externally restricted | Capital assets | Grand total | Grand total |
| Revenues: Provincial operating grant | \$ 15,096,744 | \$ | | \$ _ | \$ | _ | \$ | \$ 15,096,744 | \$ 14,873,678 |

Statement of Cash Flows

Year ended April 30, 2023, with comparative information for 2022

| | 2023 | 2022 |
|--|-----------------|-------------------|
| Cash flows from operating activities: | | |
| Deficiency of revenue over expenses | \$ (921,964) | \$ (3,139,974) |
| Amortization of capital assets, not involving cash | 1,810,566 | 1,683,005 |
| Unrealized loss (gain) on investments | (938,027) | 208,263 |
| Deferred contributions recognized as revenue | (4,071,609) | (2,904,349) |
| Net change in non-cash operating working capital | 637,757 | (523,754) |
| | (3,483,277) | (4,676,809) |
| Financing and investing activities: | | |
| Draw on investments | _ | 2,000,000 |
| Investment management fees | 88,570 | 97,671 |
| Donation of investments | (86,470) | (53,032) |
| Capital assets acquired | (521,261) | (3,723,242) |
| Contributions received and deferred | 3,037,580 | 3,942,592 |
| Construction financing Vanier Hall | _ | 4,290,000 |
| Principal payment on long-term debt | (427,000) | (301,000) |
| Principal payment on capital lease obligation | (81,634) | (81,634) |
| | 2,009,785 | 6,171,355 |
| Increase (decease) in cash and cash equivalents | (1,473,492) | 1,494,546 |
| Cash and cash equivalents, beginning of year | 2,378,261 | 883,715 |
| Cash and cash equivalents, end of year | \$ 904,769 | \$ 2,378,261 |

See accompanying notes to financial statements.

Notes to Financial Statements

Year ended April 30, 2023

Notes to Financial Statements (continued)

Year ended April 30, 2023

1. Significant accounting policies (continued):

(a) Basis of accounting (continued):

Other externally restricted includes funds established with contributions by external parties that require the funds and investment income to be expended for specific purposes as follows:

Endowments:

Includes resources contributed whereby contributors have directed that the original capital contributed must remain unspent and investment income is subject to restriction and is reported as restricted. Included in endowments are the following:

Chair in Canadian Citizenship and Human Rights

The Dr. Bernie Vigod Memorial Lectures Trust

Includes funded chairs in Gerontology, Native and Aboriginal Cultures of Atlantic Canada, Irving Chair in Journalism and Studies in Criminology and Criminal Justice and restricted interest.

Capital assets

(b) Cash and equivalents:

Cash consists of cash on hand and amounts held by financial institutions.

(c) Investments:

Investments are recorded at fair value.

(d) Capital assets and impairment:

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair 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. 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 and recognized as an expense in the statement of operations.

Notes to Financial Statements (continued)

Year ended April 30, 2023

1. Significant accounting policies (continued):

(d) Capital assets and impairment (continued):

Capital assets are amortized on a declining-balance basis using the following annual rates:

| Asset | Rate |
|------------------------------|------|
| Building under capital lease | 5% |
| Land improvements | 5% |
| Buildings | 5% |
| Equipment | 10% |

(e) Revenue recognition:

The University uses the restricted fund method of accounting for contributions from donations and government grants. The deferral method is used on a limited basis where no specific restricted fund has been established.

Contributions and pledges are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Investment income is recognized as revenue when earned and recorded as unrestricted or restricted if so directed by the contributor.

Revenue from student fees is recognized when the services are rendered, collections of amounts are fixed or determinable and the relevant receivable is reasonably assured.

(f) 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 all investments at fair value.

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.

Notes to Financial Statements (continued)

Year ended April 30, 2023

Notes to Financial Statements (continued)

Year ended April 30, 2023

3. Investments:

2023 2022

Notes to Financial Statements (continued)

Year ended April 30, 2023

5. Bank indebtedness:

The University has an operating loan agreement in the amount of \$2,000,000, which is due on demand and bears interest at the bank's prime rate.

The University has available a \$4,000,000 revolving demand facility which bears interest at renewable Banker's Acceptance floating rates, plus stamping fees. The balance outstanding at April 30, 2023 was \$Nil (2022 - \$Nil).

6. Accounts payable and accrued liabilities:

Accounts payable and accrued liabilities includes \$336,618 (2022 - \$353,749) in amounts owing for government remittances including payroll deductions and HST.

7. Deferred contributions:

Deferred contributions relate to expenses of future periods and represent time-restricted contributions as well as unspent externally restricted contributions for purposes of research and other academic projects.

| | 2023 | 2022 |
|--|---|---|
| Balance, beginning of year Less amounts recognized as revenue in the year Add amounts received related to future periods | \$ 4,294,683 (4,071,609) 3,037,580 | \$ 3,256,440 (2,904,349) 3,942,592 |
| Balance, end of year | \$ 3,260,654 | \$ 4,294,683 |

Notes to Financial Statements (continued)

Year ended April 30, 2023

8. Capital lease obligation:

The University has financed dedicated space at the Grant-Harvey Centre by entering into a capital leasing arrangement. Capital lease repayment is due as follows:

| | | 2023 | | 2022 |
|---|----|-----------|----|-----------|
| 2024 | \$ | 119,360 | \$ | 119,390 |
| 2025 | · | 119,360 | • | 119,390 |
| 2026 | | 119,360 | | 119,390 |
| 2027 | | 119,360 | | 119,390 |
| 2028 | | 119,360 | | 119,390 |
| Thereafter | | 506,311 | | 625,671 |
| Total minimum lease payments | | 1,103,111 | | 1,222,621 |
| Less amount representing interest | | (358,279) | | (396,155) |
| Present value of net minimum capital lease payments | | 744,832 | | 826,466 |
| Current portion of capital lease obligation | | 81,634 | | 81,634 |
| - | \$ | 663,198 | \$ | 744,832 |

Interest of \$32,896 relating to capital lease obligation has been included in interest expense. The total amount of assets under capital lease is \$2,006,753 with related accumulated amortization of \$1,142,539.

Notes to Financial Statements (continued)

Year ended April 30, 2023

9. Long-term debt:

| | 2023 | 2022 |
|---|---------------|------------------|
| Term facility repayable in monthly instalments of \$15,000-\$17,000 plus interest, due September 2027. The facility bears interest at Bankers' Acceptance floating rates, renewable monthly, plus stamping fees, totalling 2.48%. | \$ 4,813,000 | \$ 5,003,000 |
| Term facility repayable in quarterly instalments of \$59,000-plus interest, due October 2041. The facility bears interest at Bankers' Acceptance floating rates, renewable quarterly, plus stamping fees, totalling 2.23%. | 7,287,000 | 7,524,000 |
| Less: Current portion of long-term debt | (437,000) | (428,000) |
| | \$ 11,663,000 | \$ 12,099,000 |

The University has entered into a swap agreement whereby the University has fixed its interest rate on the renewable monthly banker's acceptances. Swap payments are reflected as interest expense and accounted for on an accrual basis.

Principal due within each of the next five years on long-term debt is approximately as follows:

| 2024 2025 2026 2027 2028 | \$ 437,000 447,000 457,000 469,000 4,269,000 |
|--------------------------------------|---|
| 2020 | 4,209,000 |

10. Investment in capital assets:

Investment in capital assets is calculated as follows:

| | 2023 | 2022 |
|-----------------------------------|------------------|------------------|
| Capital assets | \$ 32,140,007 | \$ 33,429,312 |
| Long-term debt | (12,100,000) | (12,527,000) |
| Capital lease obligation | (744,832) | (826,466) |
| Due to internally restricted fund | (4,404,287) | (4,252,245) |
| Investment in capital assets | \$ 14,890,888 | \$ 15,823,601 |

Notes to Financial Statements (continued)

Year ended April 30, 2023

11. Pension plan:

The "Pension Plan for the Employees of St. Thomas University" is a defined-contribution pension plan under which contributions are made by both St. Thomas University and its employees. For the fiscal year ended April 30, 2023, the University expensed contributions of \$1,373,031 (2022 - \$1,399,198) under the terms of the Plan.

12. Financial risks:

Financial risk refers to the impact on the University's cash flows as a result of fluctuations in interest rates and the credit quality of student receivables and counterparties to financial instruments. The University manages its financial risk as follows:

(a) Interest rate risk:

Interest rate is minimized as fixed interest rates or interest rate swaps are entered into to fix interest rates on variable rate mortgages.

(b) Derivatives:

The notional amount of interest rate swaps outstanding at year end is \$12,100,000 CAD (2022 - \$12,527,000 CAD). At April 30, 2023, the interest rate swap agreements had a fair value of \$1,683,951 (2022 - \$1,674,478).

(c) Credit risk:

The University is exposed to credit-related losses in the event of non-performance by counterparties to financial instruments. Credit exposure is minimized by dealing with credit-worthy counterparties such as highly rated financial institutions.

To reduce credit risk with student accounts, the University places restrictions on registering for courses and the issuance of grades and degrees, until payment on account is made. The University also uses third party agencies to collect outstanding receivables.

(d) Currency risk:

The University realizes a small portion of its revenues in foreign currencies and is thus exposed to foreign exchange fluctuations. This risk is minimized, where possible, by timing the conversion of such revenues to Canadian dollars based on market conditions. In addition, all foreign currency is reflected in Canadian dollars for financial statement purposes.

Notes to Financial Statements (continued)

Year ended April 30, 2023

13. Expense allocation:

In adherence to CPA HB Section 4470, *Disclosure of allocated expenses by not-for-profit organizations*, the following allocations were made during the year:

Salaries and wages have been allocated to Ancillary based on estimated time spent as follows:

| | 2023 | 2022 |
|----------------|---------------|---------------|
| Physical plant | \$ 166,147 | \$ 165,620 |

Schedule of Academic Expenses from Operations

| | 2023 | | 2022 |
|---------------------|------------------|----|------------|
| Wages and salaries: | 44 000 077 | Φ. | 44 007 000 |
| Full-time | \$ 11,202,377 | \$ | 11,227,938 |
| Part-time | 2,294,734 | | 2,299,796 |

Schedule of Computing Services Expenses from Operations

| | 2023 | 2022 |
|---------------------------------|-----------------|-----------------|
| Wages and salaries | \$ 593,756 | \$ 608,603 |
| Employee benefits | 104,962 | 105,249 |
| Computing licenses and support | 459,558 | 344,866 |
| Distance technology and support | 198,844 | 289,522 |
| | \$ 1,357,120 | \$ 1,348,240 |

Schedule of Administrative and General Expenses from Operations

| | 2023 | 2022 |
|--------------------------------------|-----------------|-----------------|
| Wages and salaries | \$ 3,492,707 | \$ 3,388,321 |
| Employee benefits | 552,848 | 531,917 |
| Administrative general and supplies: | | |
| Association fees | 94,327 | 83,896 |
| Bad debts | 585,967 | 171,026 |
| Conferences and special events | 60,998 | 13,351 |
| Committees | 1,205 | 1,100 |
| Credit card fees | 41,326 | 32,638 |
| Interest expense | 29,676 | 9,881 |
| Marketing and publications | 421,688 | 403,860 |
| Miscellaneous | 17,078 | 20,375 |
| Office supplies | 29,242 | 22,304 |
| Payroll processing fees | 2,435 | 3,053 |
| Postage | 63,687 | 40,611 |
| Professional fees | 162,025 | 150,288 |
| Staff recruiting | 5,746 | 4,929 |
| Student recruitment | 286,948 | 164,666 |
| Service contracts | 38,760 | 36,375 |
| Special projects | 19,007 | 32,678 |
| Telephone | 5,470 | 7,228 |
| Travel | 16,702 | 3,576 |
| University hospitality | 15,152 | 4,912 |
| <u> </u> | 1,897,439 | 1,206,747 |
| | \$ 5,942,994 | \$ 5,126,985 |

Schedule of Student Services Expenses from Operations

Year ended April 30, 2023, with comparative information for 2022 (Unaudited)

| | 2023 | 2022 |
|--------------------------|-----------------|-----------------|
| Wages and salaries | \$ 1,969,750 | \$ 1,797,611 |
| Employee benefits | 252,225 | 231,344 |
| Athletics | 705,595 | 586,999 |
| Student support programs | 400,530 | 222,709 |
| | \$ 3,328,100 | \$ 2,838,663 |

Schedule of Physical Plant Expenses from Operations

| | 2023 | 2022 |
|--------------------------------|-----------------|-----------------|
| Wages and benefits | \$ 166,149 | \$ 165,622 |
| Utilities and insurance: | | |
| Heat | 552,872 | 493,472 |
| Electricity | 243,194 | 221,696 |
| Water and sewage | 14,811 | 11,741 |
| Telephone | 158,584 | 161,241 |
| Insurance | 109,820 | 74,726 |
| | 1,079,281 | 962,876 |
| Cleaning and janitorial | 582,866 | 638,622 |
| Furniture and equipment | 148,780 | 188,326 |
| Maintenance and repairs | 464,149 | 397,956 |
| Interest on Grant-Harvey lease | 32,896 | 35,402 |
| Security | 28,815 | 30,597 |
| | \$ 2,502,936 | \$ 2,419,401 |

Schedule of Transfers of Funds