

Financial Statements of

ST. THOMAS UNIVERSITY

And Independent Auditors' Report thereon

Year ended April 30, 2020



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INDEPENDENT AUDITORS' 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, 2020
- 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, 2020, 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 "***Auditors' Responsibilities for the Audit of the Financial Sors' Rnm***" in ***Appendix B*** of the ***2020 Annual Report*** of the ***University***.



***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

Page 3

- 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.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the University's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the University to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Chartered Professional Accountants

Fredericton, Canada

October 17, 2020

ST. THOMAS UNIVERSITY

Index to Financial Statements

Year ended April 30, 2020

	<u>Page</u>
Financial Statements	
Statement of Financial Position	1
Statement of Operations and Changes in Fund Balances	2
Statement of Cash Flows	3
Notes to Financial Statements	4
Schedules	
Schedule of Ancillary Enterprises (Unaudited)	13
Schedule of Academic Expenses from Operations (Unaudited)	14
Schedule of Computing Services Expenses from Operations (Unaudited)	15
Schedule of Administrative and General Expenses from Operations (Unaudited)	16
Schedule of Student Services Expenses from Operations (Unaudited)	17

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Statement of Operations and Changes in Fund Balances

Year ended April 30, 2020, with comparative information for 2019

						2020	2019
	General		Internally	Endowments	Capital	Grand total	Grand total
	Operating	Ancillary	restricted	and other	assets		
				externally			
				restricted			
Revenues:							
Provincial operating grant	\$ 14,507,635	\$ -	\$ -	\$ -	\$ -	\$ 14,507,635	\$ 14,366,000
Other grants	1,823,098	-	-	219,057	29,727	2,071,882	1,480,158
Student fees	16,178,458	2,856,638	-	-	-	19,035,096	18,565,287
Gain in fair value of - investments	64,599	-	172,660	557,801	-	795,060	1,928,362
Gain on sale of Forest Hill Properties (note 12)	-	-	-	-	-	-	2,049,515
Donations	175,369	100,000	134,707	1,864,646	-	2,274,722	2,271,987
Athletic revenues	270,048	-	-	-	-	270,048	229,580
Miscellaneous	419,159	139,441	-	14,100	55,540	628,240	638,090
	33,438,366	3,096,079	307,367	2,655,604	85,267	39,582,683	41,528,979
Expenses:							
Academic	19,020,295	-	202,411	518,534	-	19,741,240	19,928,614
Computing services	1,063,511	-	-	-	-	1,063,511	1,007,870
Administrative and general	5,203,235	516,239	8,854	262,889	-	5,991,217	6,248,964
Student services	2,791,313	282,301	-	-	-	3,073,614	2,656,938
Physical plant	2,486,224	2,100,023	-	-	-	4,586,247	4,760,450
Scholarships and awards	1,205,393	291,546	842,070	683,424	-	3,022,433	2,976,232
Grant transfer to UNB	1,959,800	-	-	-	-	1,959,800	1,940,400
Amortization	-	-	-	-	1,642,284	1,642,284	1,730,782
	33,729,771	3,190,109	1,053,335	1,464,847	1,642,284	41,080,346	41,250,250
Excess (deficiency) of revenues over expenses	(291,405)	(94,030)	(745,968)	1,190,757	(1,557,017)	(1,497,663)	278,729
Fund balance, beginning of year	223,139	(549,513)	64,026	17,778,970	23,826,629	41,343,251	41,064,522
	(68,266)	(643,543)	(681,942)	18,969,727	22,269,612	39,845,558	41,343,251
Transfers	300,000	(216,903)	1,599,982	2,512,086	(4,195,165)	-	-
Fund balance, end of year	\$ 231,734	\$ (860,446)	\$ 918,040	\$ 21,481,813	\$ 18,074,447	\$ 39,845,588	\$ 41,343,251

ST. THOMAS UNIVERSITY

Statement of Cash Flows

Year ended April 30, 2020, with comparative information for 2019

	2020	2019
Cash flows from operating activities:		
Excess (deficiency) of revenues over expenses	\$ (1,497,663)	\$ 278,729
Amortization of capital assets, not involving cash	1,642,284	1,730,782
Unrealized gain on investments	(795,060)	(1,928,362)
Gain on sale of Forest Hill Properties	–	(2,049,515)
Deferred contributions recognized as revenue	(1,048,791)	(597,536)
Net change in non-cash operating working capital	484,408	283,070
	<u>(1,214,822)</u>	<u>(2,282,832)</u>
Financing and investing activities:		
Draw on investments	–	2,000,000
Investment management fees	117,752	107,066
Donation of investments	(320,794)	(3,061)
Proceeds from sales of Forest Hill Properties	–	4,336,094
Capital assets acquired	(126,170)	(227,129)
Contributions received and deferred	2,054,669	1,231,113

ST. THOMAS UNIVERSITY

Notes to Financial Statements

Year ended April 30, 2020

St. Thomas University (the University) is a university incorporated by Special Act of the Legislative Assembly of New Brunswick providing undergraduate liberal arts and professional programs. The University is a registered charity under the Income Tax Act.

1. Significant accounting policies:

The financial statements have been prepared by management in accordance with Canadian accounting standards for Not-For-Profit Organizations in Part III of the CPA Canada Handbook.

(a) Basis of accounting:

The University follows the fund basis of accounting, which provides for a separate self-balancing group of accounts established to enable separate accountability for particular legal or contractual activities or for purposes of segregating assets that are to be used for certain designated purposes. Separate accounts are maintained for each fund. For financial statement purposes, funds that have similar characteristics have been combined into fund groups as follows:

Unrestricted funds are those which are not subject to restrictions by external parties as to use of the funds. Included in this category are the following:

ST. THOMAS UNIVERSITY

Notes to Financial Statements (continued)

Year ended April 30, 2020

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) Investments:

Investments are recorded at 2020

ST. THOMAS UNIVERSITY

Notes to Financial Statements (continued)

Year ended April 30, 2020

1. Significant accounting policies (continued):

(d) 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.

(e) Asset impairment:

When a tangible capital asset no longer has any long-term service potential to the University, the excess of its net carrying amount over any residual value is recognized as an expense in the statement of operations.

(f) Assets held for sale:

Long-lived assets are classified as an asset held for sale at the point in time when the asset is available for immediate sale, management has committed to a plan to sell the asset and is actively locating a buyer for the asset at a sales price that is reasonable in relation to the current fair value of the asset, and the sale is probable and expected to be completed within a one-year period.

Assets to be disposed of are separately presented in the balance sheet and reported at the lower of the carrying amount or fair value less costs to sell, and are no longer depreciated.

(g) 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 other 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.

ST. THOMAS UNIVERSITY

Notes to Financial Statements (continued)

Year ended April 30, 2020

ST. THOMAS UNIVERSITY

Notes to Financial Statements (continued)

Year ended April 30, 2020

3. Investments:

	2020	2019
Canadian fixed income	\$ 11,096,598	\$ 10,222,107
Canadian equities	3,787,845	4,117,951
US equities	3,838,634	3,668,686
International equities	3,729,450	3,444,424
Other	103,029	104,286
	<u>\$ 22,555,556</u>	<u>\$ 21,557,454</u>

The Canadian fixed income investments have an effective interest rate of 1.90% to 4.93% (2019 - 1.90% to 4.93%) and mature between June 2020 and September 2029.

4. Capital assets:

April 30, 2020	Cost	Accumulated amortization	Net book value
Building under capital lease	\$ 2,006,753	\$ 810,526	\$ 1,196,227
Land improvements	2,680,193	1,666,848	1,013,345
Buildings	51,420,585	27,100,551	24,320,034
Equipment	11,229,479	8,833,201	2,396,278
	<u>\$ 67,337,010</u>	<u>\$ 38,411,126</u>	<u>\$ 28,925,884</u>

April 30, 2019	Cost	Accumulated amortization	Net book value
Building under capital lease	\$ 2,006,753	\$ 710,188	\$ 1,296,565
Land improvements	2,680,193	1,613,514	1,066,679
Buildings	51,294,415	25,861,248	25,433,167
Equipment	11,229,479	8,583,892	2,645,587
	<u>\$ 67,210,840</u>	<u>\$ 36,768,842</u>	<u>\$ 30,441,998</u>

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 \$5,000,000 revolving demand facility which bears interest at renewable Banker's Acceptance floating rates, plus stamping fees. The balance outstanding at April 30, 2020 was \$Nil (2019 - \$Nil).

ST. THOMAS UNIVERSITY

Notes to Financial Statements (continued)

Year ended April 30, 2020

ST. THOMAS UNIVERSITY

Notes to Financial Statements (continued)

Year ended April 30, 2020

9. Long-term debt:

	2020	2019
Term facility repayable in monthly instalments of \$14,000-\$15,000 plus interest, due September 2027. The facility bears interest at Bankers' Acceptance floating rates, renewable monthly, plus stamping fees, totalling 2.48%.	5,368,000	5,544,000
Less:		
Current portion of long-term debt	180,000	176,000
	<u>\$ 5,188,000</u>	<u>\$ 5,368,000</u>

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:

2021	\$	180,000
2022		185,000
2023		190,000
2024		194,000
2025		199,000

10. Capital assets:

Investment in capital assets is calculated as follows:

	2020	2019
Capital assets	\$ 28,925,884	\$ 30,441,998

ST. THOMAS UNIVERSITY

Notes to Financial Statements (continued)

Year ended April 30, 2020

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:

	2020	2019
Physical plant	\$ 154,189	\$ 161,754
Administrative	161,669	204,359
Support	49,167	50,523
	<u>\$ 365,025</u>	<u>\$ 416,636</u>

In addition, salaries and wages of \$25,000 (2019 - \$25,000) for student wages were allocated to Ancillary.

14. Subsequent event:

On January 30, 2020, the World Health Organization (“WHO”) announced a global health emergency because of a new strain of the coronavirus, the “COVID-19 outbreak”. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in

ST. THOMAS UNIVERSITY

Schedule of Ancillary Enterprises

ST. THOMAS UNIVERSITY

Schedule of Academic Expenses from Operations

Year ended April 30, 2020, with comparative information for 2019
(Unaudited)

	2020	2019
Wages and salaries:		
Full-time	\$ 11,482,924	\$ 11,047,393

ST. THOMAS UNIVERSITY

Schedule of Computing Services Expenses from Operations

Year ended April 30, 2020, with comparative information for 2019
(Unaudited)

	2020	2019
Wages and salaries	\$ 567,967	\$ 560,794
Employee benefits	96,367	92,755
Computing licenses and support	399,177	354,321
	\$ 1,063,511	\$ 1,007,870

ST. THOMAS UNIVERSITY

Schedule of Student Services Expenses from Operations

Year ended April 30, 2020, with comparative information for 2019
(Unaudited)

	2020		2019
Wages and salaries	\$ 1,652,592	\$	1,387,434
Employee benefits	202,337		178,231
Athletics	681,737		628,506
Campus Ministry	9,517		12,298
Student support programs	245,130		191,839

ST. THOMAS UNIVERSITY

Schedule of Transfers of Funds

Year ended April 30, 2020
(Unaudited)

	To	From	To (From)	To (From)	From
	General Operating	Ancillary	Internally restricted	Endowments and other externally restricted	Capital assets
Fund adjustment	\$ -	\$ -	\$ 4,493,703	\$ -	\$ (4,493,703) ⁽¹⁾
Fund adjustment	-	-	(2,812,086)	2,812,086	- ⁽²⁾
Gerontology Chair	300,000	-	-	(300,000)	-
Ancillary	-	(216,903)	-	-	216,903 ⁽³⁾
Special projects	-	-	(81,635)	-	81,635 ⁽⁴⁾
	\$ 300,000	\$ (216,903)	\$ 1,599,982	\$ 2,512,086	\$ (4,195,165)

Year ended April 30, 2019
(Unaudited)

	To	To (From)	From	From
	General Operating	Internally restricted	Endowments and other externally restricted	Capital assets
Capital	\$ -	\$ 2,413,618	\$ -	\$ (2,413,618)