

Financial Statements of

ST. THOMAS UNIVERSITY

Year ended April 30, 2006



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AUDITORS' REPORT

To the Chairman and The Board Of Governors

We have audited the statement of financial position of St. Thomas University as at April 30, 2006 and the statements of operations and changes in fund balances and cash flows for the year then ended. These financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the University as at April 30, 2006 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The current year's supplementary information included in the schedules is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

KPMG
LLP

Chartered Accountants

Fredericton, Canada
July 24, 2006

ST. THOMAS UNIVERSITY

Financial Statements

Year ended April 30, 2006

Financial Statements

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ST. THOMAS UNIVERSITY

Statement of Financial Position

Year ended April 30, 2006, with comparative figures for 2005

	2006	2005
Assets		
Current assets:		
Cash	\$ 3,193,530	\$ 2,747,529
Prepaid expenses	104,339	62,646
Accounts receivable:		
Students	756,297	532,996
Accrued interest	-	178,935
Contributions	2,284,333	1,277,111
Other	527,183	361,787
	<u>6,865,682</u>	<u>5,161,004</u>
Investments	29,400,056	25,753,644
Capital assets, net (note 2)	33,586,261	30,152,684
Long-term contributions receivable	3,038,567	1,718,662
	<u>\$ 72,890,566</u>	<u>\$ 62,785,994</u>

Liabilities, Deferred Contributions and Fund Balances

Current liabilities:		
Accounts payable and accrued liabilities	\$ 4,443,038	\$ 2,593,191
Fees received in advance	384,664	428,502
Current portion of long-term debt (note 5)	150,344	146,396
	<u>4,978,046</u>	<u>3,168,089</u>
Deferred contributions (note 4)	3,709,362	1,101,320
Long-term debt (note 5)	3,766,256	3,916,600
Fund balances:		
Unrestricted	539,957	595,851
Internally restricted	17,543,948	16,293,397
Endowments	444,300	444,300
Other externally restricted	12,239,036	11,176,749
Invested in capital assets (note 6)	29,669,661	26,089,688
	<u>60,436,902</u>	<u>54,599,985</u>
Commitments (note 10)		
	<u>\$ 72,890,566</u>	<u>\$ 62,785,994</u>

See accompanying notes to financial statements.

On behalf of the Board:

_____ Governor

_____ Governor

ST. THOMAS UNIVERSITY

Statement of Operations and Changes in Fund Balances

Year ended April 30, 2006, with comparative figures for 2005

	General Operating	Ancillary	Internally Restricted	Endowments and Other Externally Restricted	Capital Assets	Grand Totals	
						2006	2005
Revenue:							
Provincial operating grant	\$ 9,380,801	\$ -	\$ -	\$ -	\$ -	\$ 9,380,801	\$ 8,865,570
Other grants	628,600	-	-	79,308	3,174,044	3,881,952	1,175,008
Student fees	13,360,126	5,211,490	-	-	-	18,571,616	18,046,331
Investment income	137,167	-	2,258,049	1,212,409	-	3,607,625	2,374,759
Donations	15,580	-	-	382,623	1,012,407	1,410,610	1,965,589
Miscellaneous	289,075	1,035,900	61,685	4,040	-	1,390,700	1,349,973
	23,811,349	6,247,390	2,319,734	1,678,380	4,186,451	38,243,304	33,777,230
Expenses:							
Academic	12,899,739	-	221,583	346,840	-	13,468,162	12,630,126
Computing services	1,025,140	-	-	-	-	1,025,140	907,319
Administrative and general	3,599,041	238,333	260,114	133,135	-	4,230,623	3,915,102
Student services	1,823,394	3,229,527	-	-	-	4,903,561	5,060,679
Physical plant	1,586,729	2,059,622	-	-	-	3,795,711	3,698,162
Scholarships and awards	600,000	-	904,733	136,118	-	1,640,851	1,543,829
Grant transfer to UNB	1,608,200	-	-	-	-	1,608,200	1,508,850
Amortization	-	-	-	-	1,734,139	1,734,139	1,779,384
	23,142,243	5,527,482	1,386,430	616,093	1,734,139	32,406,387	31,043,451
Excess (deficiency) of revenue over expenses	669,106	719,908	933,304	1,062,287	2,452,312	5,836,917	2,733,779
Fund balance, beginning of year	595,851	-	16,293,397	11,621,049	26,089,688	54,599,985	51,866,206
	1,264,957	719,908	17,226,701	12,683,336	28,542,000	60,436,902	54,599,985
Transfers (note 7)	(725,000)	(719,908)	317,247	-	1,127,661	-	-
Fund balance, end of year	\$ 539,957	\$ -	\$ 17,543,948	\$ 12,683,336	\$ 29,669,661	\$ 60,436,902	\$ 54,599,985

See accompanying notes to financial statements.

ST. THOMAS UNIVERSITY

Statement of Cash Flows

Year ended April 30, 2006, with comparative figures for 2005

	2006	2005
Cash flows from operating activities:		
Excess (deficiency) of revenue over expenses	\$ 5,836,917	\$ 2,733,779
Amortization of capital assets, not involving cash	1,734,139	1,779,384
Net change in non-cash operating working capital	1,554,555	(285,844)
Net increase (decrease) in deferred contributions related to expenses of future periods	2,608,041	647,493
	<u>11,733,652</u>	<u>4,874,812</u>
Financing and investing activities:		
Increase in investments	(3,646,412)	(2,247,365)
Capital assets acquired	(5,167,716)	(1,006,343)
Increase in contributions receivable	(2,327,127)	165,338
Decrease in long-term debt	(146,396)	(136,498)
	<u>(11,287,651)</u>	<u>(3,224,868)</u>
Increase in cash position	446,001	1,649,944
Cash position, beginning of year	2,747,529	1,097,585
Cash position, end of year	<u>\$ 3,193,530</u>	<u>\$ 2,747,529</u>

See accompanying notes to financial statements.

ST. THOMAS UNIVERSITY

Notes to Financial Statements

Year ended April 30, 2006

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:

(a) General:

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles.

(b) 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:

General:

Includes all ordinary academic and administrative operations of the University as well as ancillary operations.

Internally Restricted:

Includes funds established by the Board for various specific purposes as follows:

- Capital
- Pension
- Scholarship
- Special Projects
- Aquinas Chair in Interdisciplinary Studies
- John XXIII Chair in Catholic Theology

ST. THOMAS UNIVERSITY

Notes to Financial Statements

Year ended April 30, 2006

1. Significant accounting policies (continued):

(b) Basis of accounting (continued):

Restricted funds include 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 thereon is reported as restricted. Included in endowments are the following:

Chair in Canadian Citizenship and Human Rights

The Dr. Bernie Vigod Memorial Lectures Trust

Other:

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

Capital Assets

(c) 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 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 and collection of the relevant receivable is reasonably assured.

(d) Investments:

Investments are recorded at cost. If the market value of investments becomes lower than cost and this decline in value is considered to be other than temporary, the investments are written down to market value. Investments are pooled for investment management purposes but separate records of capital and investment income are maintained by fund.

ST. THOMAS UNIVERSITY

Notes to Financial Statements

Year ended April 30, 2006

1. Significant accounting policies (continued):

(e) Capital assets:

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. 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.

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

Land improvements	5%
Buildings	5%
Equipment	10%

(f) Financial instruments:

Derivative financial instruments are utilized by the University in the management of its interest rate exposure. The University's policy is not to utilize derivative financial instruments for trading or speculative purposes.

The University entered into an interest rate swap in order to reduce the impact of fluctuating interest rates on its long-term debt. The swap agreement requires the periodic exchange of payments without the exchange of the notional principal amount on which the payment is based. The University designated its interest rate hedge agreement as the hedge of the underlying debt. Interest expense in the debt is adjusted to include the payment made under the interest rate swap.

(g) Use of estimates:

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of capital assets, contributions and accounts receivable and accrued liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reported periods. Actual results could differ from those estimates.

2. Capital assets:

	Cost		Accumulated amortization		Net Book Value	
	2006	2005	2006	2005	2006	2005
Land						
improvements	\$ 1,768,115	\$1,764,738	\$ 682,072	\$ 625,000	\$ 1,086,043	\$ 1,139,738
Buildings	42,430,809	37,627,708	13,904,744	12,649,181	28,526,065	24,978,527
Equipment	8,410,401	8,049,163	4,436,248	4,014,744	3,974,153	4,034,419
	<u>\$52,609,325</u>	<u>\$47,441,609</u>	<u>\$19,023,064</u>	<u>\$17,288,925</u>	<u>\$33,586,261</u>	<u>\$ 30,152,684</u>

ST. THOMAS UNIVERSITY

Notes to Financial Statements

Year ended April 30, 2006

3. Pledges received

During the year \$3,626,400 (2005 - \$1,078,500) of pledges were recognized as revenue.

4. 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.

	2006	2005
Balance, beginning of year	\$ 1,101,320	\$ 453,827
Less amounts recognized as revenue in the year	(1,082,148)	(437,413)
Add amounts received related to future periods	3,690,190	1,084,906
Balance, end of year	\$ 3,709,362	\$ 1,101,320

5. Long-term debt:

	2006	2005
5 3/8% mortgage, secured by Holy Cross House, payable in semi-annual instalments of \$15,382 including principal and interest, due March 2016	\$ 235,600	\$ 252,996
5.21% banker's acceptance, renewable monthly in declining principal amounts of \$11,000, due September 2013	3,681,000	3,810,000
	3,916,600	4,062,996
Less current portion of long-term debt	150,344	146,396
	\$ 3,766,256	\$ 3,916,600

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:

2007	\$ 150,344
2008	163,343
2009	168,396
2010	177,508
2011	188,679

ST. THOMAS UNIVERSITY

Notes to Financial Statements

Year ended April 30, 2006

6. Investment in capital assets:

Investment in capital assets is calculated as follows:

	2006	2005
Capital assets	\$ 33,586,261	\$ 30,152,684
Long-term debt	(3,916,600)	(4,062,996)
	<u>\$ 29,669,661</u>	<u>\$ 26,089,688</u>

7. Transfers:

	Operating	Ancillary	Board Designated	Capital Assets
Transfers relating to excess of revenues over expenses in operating and ancillary funds:				
Operating	\$ (725,000)			
Ancillary		\$ (719,908)		
Capital			\$ 317,247	
Transfers relating to funding of capital additions:				
Capital assets				\$ 1,127,661
Total transfers	\$ (725,000)	\$ (719,908)	\$ 317,247	\$ 1,127,661

ST. THOMAS UNIVERSITY

Notes to Financial Statements

Year ended April 30, 2006

8. 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, 2005, the University expensed contributions of \$743,153 (2004 - \$703,908) under the terms of the Plan.

9. Fair value of financial assets and financial liabilities:

The fair value of the University's cash, accounts receivable, long-term contributions receivable, accounts payable and accrued liabilities and long-term debt approximate their carrying amounts.

The aggregate market value of investments at April 30, 2006 was \$30,826,196 (2005 - \$27,925,557) based on published market listings. The fair value of the outstanding interest rate swap as at April 30, 2006 is an asset of \$19,532 (2005 - (\$83,227)) and has been estimated based on mid-market quotations.

10. Commitments

During the year the University commenced construction of an academic facility (Margaret Norrie McCain Hall), scheduled to be completed by September 2006. As at April 30, 2006, \$4.6 million has been expended of a \$10.6 million commitment.

11. Comparative figures

Certain of the 2005 comparative figures have been reclassified to conform with the financial statement presentation adopted in 2006.

ST. THOMAS UNIVERSITY

Schedule of Ancillary Enterprises

Year ended April 30, 2006, with comparative figures for 2005

	2006	2005
Revenue:		
Student fees:		
Residence fees and dining hall	\$ 4,758,226	\$ 4,678,425
English Language Programs	453,264	522,624
	5,211,490	5,201,049
Miscellaneous:		
Cafeteria	490,987	496,935
Catering	312,996	257,810
Conference rentals	117,943	107,578
Other	113,974	114,818
	1,035,900	977,141
	\$ 6,247,390	\$ 6,178,190
Expenses:		
Student services		
Food service	\$ 3,021,720	\$ 3,113,293
Proctor services	134,574	133,270
Bus services	58,447	58,790
Miscellaneous	14,786	199,598
	3,229,527	3,504,951
Administrative and general:		
Administrative salaries	238,333	219,805
Physical plant:		
Cable	54,581	50,802
Cleaning and janitorial	379,114	368,146
Communications	276,111	258,949
Electricity	283,538	287,476
Furniture and equipment	15,785	22,072
Heat	122,171	113,946
Insurance	38,361	32,289
Interest on long-term debt	207,319	214,465
Kitchen fuel	27,045	30,255
Laundry and linen	20,557	34,143
Maintenance and repairs	331,464	428,858
Miscellaneous	19,540	13,545
Physical Plant salaries	94,778	63,426
Property Management fees	48,424	32,688
Security	88,759	89,993
Water and sewerage	52,075	50,380
	2,059,622	2,091,433
	\$ 5,527,482	\$ 5,816,189

ST. THOMAS UNIVERSITY

Schedule of Academic Expenses

Year ended April 30, 2006, with comparative figures for 2005

	2006	2005
Wages and salaries:		
Full time	\$ 7,794,294	\$ 7,361,925
Part time	1,614,988	1,141,639
On leave	664,013	731,766
	<hr/>	<hr/>
	10,073,295	9,235,330
Staff other than academic	333,538	278,160
Employee benefits	1,308,703	1,296,707
Departmental:		
Teaching supplies and support	107,152	97,074
Special projects	37,805	36,751
Native Studies BSW Program	29,792	-
Miscellaneous	42,912	36,217
	<hr/>	<hr/>
	217,661	170,042
Travel, study and research:		
Professional development and travel allowances	183,561	219,217
Research projects and academic conferences	375,754	567,910
	<hr/>	<hr/>
	559,315	787,127
General academic:		
Materials and supplies	74,021	69,949
Postage	36,266	41,489
Telephone	19,295	21,981
Graduation	57,162	66,185
Recruiting	21,052	26,575
Relocation	36,738	58,706
Special projects	72,885	69,921
Service contracts	62,259	91,179
Fees and dues	27,549	23,716
	<hr/>	<hr/>
	407,227	469,701
	<hr/>	<hr/>
	\$ 12,899,739	\$ 12,237,067

ST. THOMAS UNIVERSITY

Schedule of Computing Services Expenses

Year ended April 30, 2006, with comparative figures for 2005

	2006	2005
Wages and salaries	\$ 490,814	\$ 443,553
Employee benefits	80,274	68,459
Software licenses	144,244	130,447
Information systems support	37,786	39,171
Computing support	272,022	225,689
	<u>\$ 1,025,140</u>	<u>\$ 907,319</u>

ST. THOMAS UNIVERSITY

Schedule of Administrative and General Expenses

Year ended April 30, 2006, with comparative figures for 2005

	2006	2005
Wages and salaries	\$ 2,111,203	\$ 1,936,039
Employee benefits	287,087	272,799
Administrative general and supplies:		
Advertising and publicity	366,802	152,725
Association fees	56,917	43,902
Bad debts	55,699	53,151
Committees	16,873	13,117
Credit card fees	88,319	86,498
Miscellaneous	46,377	45,143
Office supplies	67,016	83,699
Payroll processing fees	2,799	13,695
Postage	56,514	59,647
Professional fees	57,050	62,235
Publications	120,013	113,270
Staff recruiting	15,320	7,589
Student recruitment	112,145	104,993
Service contracts	20,922	16,727
Special projects	19,158	20,412
Telephone	6,954	7,604
Travel	64,736	55,330
University hospitality	27,137	24,519
	1,200,751	964,256
	\$ 3,599,041	\$ 3,173,094

ST. THOMAS UNIVERSITY

Schedule of Student Services Expenses

Year ended April 30, 2006, with comparative figures for 2005

	2006	2005
Wages and salaries	\$ 762,516	\$ 724,676
Employee benefits	92,596	100,172
Student health insurance	340,010	339,131
Athletics	470,675	384,317
Campus Ministry	12,846	15,448
Student support programs	144,751	140,274
	<u>\$ 1,823,394</u>	<u>\$ 1,704,018</u>

Schedule of Physical Plant Expenses

Year ended April 30, 2006, with comparative figures for 2005

	2006	2005
Wages and benefits	\$ 94,749	\$ 63,426
Utilities and insurance:		
Heat	386,260	315,118
Electricity	188,468	176,319
Water and sewerage	15,762	18,473
Telephone	124,468	119,738
Insurance	61,565	60,736
	<u>776,523</u>	<u>690,384</u>
Cleaning and janitorial	337,434	340,115
Maintenance and repairs	358,893	345,518
Security	19,130	18,996
	<u>\$ 1,586,729</u>	<u>\$ 1,458,439</u>