Financial Statements

The University of St. Michael's College

April 30, 2011

INDEPENDENT AUDITORS' REPORT

To the Collegium of
The University of St. Michael's College

We have audited the accompanying financial statements of **The University of St. Michael's College**, which comprise the balance sheet as at April 30, 2011 and the statements of revenue and expenses, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

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

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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, the auditors 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.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of **The University of St. Michael's College** as at April 30, 2011 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Ernst & Young LLP

Toronto, Canada,
June 29, 2011.

Chartered Accountants
Licensed Public Accountants

The University of St. Michael's College

BALANCE SHEET

As at April 30

[000's]	2011 $	2010 $ *[Restated - note 19]*
ASSETS *[notes 14 and 15]*		
Current		
Cash	**8**	16
Accounts receivable	**883**	680
Prepaid expenses	**104**	134
Total current assets	**995**	830
Post-employment benefit asset *[note 11]*	**4,222**	4,490
Mortgage receivable *[note 16]*	**—**	12,620
Investments *[note 4]*	**69,395**	53,657
Capital assets, net *[note 5]*	**28,611**	29,926
	103,223	101,523
LIABILITIES AND NET ASSETS		
Current		
Bank indebtedness *[note 14]*	**3,742**	3,336
Accounts payable and accrued liabilities *[note 17]*	**3,280**	3,085
Deferred revenue	**540**	291
Residence demand loans *[note 15]*	**9,113**	9,447
Interest rate swap *[note 15]*	**1,567**	1,536
Total current liabilities	**18,242**	17,695
Post-employment benefit liability *[note 11]*	**5,210**	5,061
Deferred contributions *[note 8]*	**7,973**	5,674
Deferred capital contributions *[note 9]*	**12,981**	13,695
Total non-current liabilities	**26,164**	24,430
Total liabilities	**44,406**	42,125
Commitments and contingencies *[note 17]*		
Net assets		
Deficit	**(10,716)**	(8,534)
Internally restricted *[note 6]*	**6,834**	7,135
Endowments *[note 10]*	**64,266**	62,333
Cumulative change in fair value of interest rate swap *[note 15]*	**(1,567)**	(1,536)
Total net assets	**58,817**	59,398
	103,223	101,523

See accompanying notes

On behalf of the Collegium:

Anne Anderson, csj

Chairman President

The University of St. Michael's College

STATEMENT OF REVENUE AND EXPENSES

Year ended April 30

[000's]	2011 $	2010 $ *[Restated - note 19]*
REVENUE		
Student fees	**6,935**	6,480
Block grant from the University of Toronto *[note 7]*	**4,676**	4,527
Grants and donations *[notes 8 and 12]*	**2,653**	2,894
Formula grants from the Toronto School of Theology	**372**	380
Sales and services	**1,838**	2,101
Amortization of deferred capital contributions *[note 9]*	**967**	921
Investment income *[notes 4[b]]*	**463**	1,667
Sundry income	**518**	406
	18,422	19,376
EXPENSES		
Salaries and benefits	**10,302**	9,863
Materials and supplies	**2,256**	2,035
Depreciation	**2,229**	2,255
Cost of sales	**1,923**	1,867
Utilities	**1,055**	1,115
Student awards	**763**	691
Repairs and maintenance	**679**	574
Interest	**667**	682
Other	**881**	765
	20,755	19,847
Net expense for the year	**(2,333)**	(471)

See accompanying notes

The University of St. Michael's College

STATEMENT OF CHANGES IN NET ASSETS

Year ended April 30

[000's]	Deficit $	Internally restricted $	Endowments $	Cumulative change in fair value of interest rate swap $	Total $
	[Restated - note 19]				
Net assets, April 30, 2009	(8,193)	7,454	58,490	(2,444)	55,307
Net revenue (expense) for the year	863	(1,334)	—	—	(471)
Change in fair value of interest rate swap *[note 15]*	—	—	—	908	908
Endowment contributions	—	—	694	—	694
Allocation of investment gain *[note 4[b]]*	—	—	2,960	—	2,960
Internally restricted *[note 6]*	(1,015)	1,015	—	—	—
Transfers to internally restricted endowments, net *[note 10[a]]*	(189)	—	189	—	—
Net assets, April 30, 2010	**(8,534)**	**7,135**	**62,333**	**(1,536)**	**59,398**
Net expense for the year	**(1,071)**	**(1,262)**	—	—	**(2,333)**
Change in fair value of interest rate swap *[note 15]*	—	—	—	**(31)**	**(31)**
Endowment contributions	—	—	**793**	—	**793**
Allocation of investment gain *[note 4[b]]*	—	—	**986**	—	**986**
Transfer from deferred contributions *[note 8]*	—	—	**4**	—	**4**
Internally restricted *[note 6]*	**(961)**	**961**	—	—	—
Transfers to internally restricted endowments, net *[note 10[a]]*	**(150)**	—	**150**	—	—
Net assets, April 30, 2011	**(10,716)**	**6,834**	**64,266**	**(1,567)**	**58,817**

See accompanying notes

The University of St. Michael's College

STATEMENT OF CASH FLOWS

Year ended April 30

[000's]	**2011** $	**2010** $
		[Restated - note 19]
OPERATING ACTIVITIES		
Net expense for the year	**(2,333)**	(471)
Add (deduct) items not affecting cash		
Depreciation	**2,229**	2,255
Amortization of deferred capital contributions	**(967)**	(921)
Adjustment to discounted value of mortgage on Bay Street land	**453**	(550)
Donated investments	**(139)**	(131)
Net change in post-employment benefit asset/liability	**417**	345
Net change in non-cash balances related to operations *[note 13]*	**2,570**	1,357
Cash provided by operating activities	**2,230**	1,884
INVESTING ACTIVITIES		
Purchases of investments, net	**(14,544)**	(16,502)
Proceeds from Bay Street land sale *[note 16]*	**12,167**	15,000
Additions to capital assets	**(914)**	(1,395)
Cash used in investing activities	**(3,291)**	(2,897)
FINANCING ACTIVITIES		
Increase in bank indebtedness	**406**	395
Endowment contributions	**793**	694
Repayment of residence demand loans	**(334)**	(316)
Contributions restricted for capital purposes	**193**	304
Donation of property to endowment and capital	**(5)**	(55)
Cash provided by financing activities	**1,053**	1,022
Net increase (decrease) in cash during the year	**(8)**	9
Cash, beginning of year	**16**	7
Cash, end of year	**8**	16

See accompanying notes

NOTES TO FINANCIAL STATEMENTS

April 30, 2011

1. PURPOSE OF THE ORGANIZATION

The University of St. Michael's College [the "University"] is a Catholic post-secondary educational and research institution federated with the University of Toronto. The University offers undergraduate courses in the arts and sciences through its Arts and Science Division, theological education of an academic and professional nature through its Faculty of Theology, and part-time special interest courses through its Continuing Education Division. Scholarships and bursaries are made available to qualifying students in order to promote academic excellence and to assist those students in financial need. A full residence programme is also offered to students in co-operation with Loretto College. The University is incorporated by an Act of the Ontario Legislature and is a registered charity under the Income Tax Act (Canada).

2. BASIS OF PRESENTATION

These financial statements reflect the assets, liabilities, net assets, revenue, expenses and other transactions of all of the University's operations. Included in these financial statements are costs of academic, administrative and other operating expenditures funded by fees, grants and other general revenue; ancillary operations, such as residences, food services, and parking; and funds restricted for endowment purposes.

These financial statements do not include the accounts of St. Michael's College Foundation [the "Foundation"], which is a separate legal entity formed to encourage and promote education at the University. The Foundation distributes income, and periodically, unrestricted net assets to the University by way of grants for scholarships, bursaries, and operating purposes *[note 12]*.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the University have been prepared in accordance with Canadian generally accepted accounting principles. The more significant accounting policies are set out below:

Cash

Cash represents cash on deposit. Cash that is held for investing rather operating purposes is classified as long-term investments.

Use of estimates in the preparation of financial statements

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual amounts could differ from those estimates.

Revenue recognition

The University follows the deferral method of accounting for contributions, which include donations and government grants. Contributions which have no restrictions are recognized as revenue when received or receivable, if the amount to be received can be reasonably estimated and collection is reasonably assured. Pledges receivable are not recorded in the accounts. Externally restricted contributions for purposes other than endowment are deferred and recognized as revenue in the year in which the related expenses are recognized. Endowment contributions are recognized as direct increases in net assets in the year in which they are received. Student fees are recognized as revenue when the courses and seminars are held. Sales and service revenues are recognized at the point of sale, when goods are shipped and title passes, or when services are provided.

Contributed materials and services

Contributed materials and services are recorded at fair market value where such value can be reasonably estimated and they are used in the normal course of operations and would otherwise have been purchased.

Capital assets

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at their fair market value at the date of contribution. Donations and grants for the acquisition of capital assets are recorded as deferred capital contributions in the Balance Sheet.

Costs of new buildings and major renovations and improvements to existing buildings are generally financed from contributions or loans specifically designated for these purposes.

Financing costs relating to property undergoing major renovations are capitalized until substantial completion of the renovations.

Depreciation is calculated using the straight-line method with rates based on the estimated useful lives of the assets as follows:

Buildings and major renovations	15 to 40 years
Furniture and equipment	5 to 10 years
Library books	5 years
Computer equipment	3 years

Contributed rare books, artwork and other collections are expensed in the year received.

Deferred capital contributions are amortized over the useful lives of the assets to which they relate.

Investments and investment income

Publicly traded securities are valued based on the latest bid prices and pooled funds are valued based on reported unit prices. Short-term investments are valued based on cost plus accrued income, which approximates fair value. Transactions are recorded on a settlement date basis and transaction costs are expensed as incurred.

Investment income and losses consist of interest, dividends, income distributions from pooled funds, and realized and unrealized gains and losses. Investment income earned on endowments and deferred contribution balances that must be spent on donor-restricted activities is added to the respective deferred contribution balances except to the extent that it is required to be added to the endowment balance or when there are investment losses. To the extent there are investment losses in excess of the deferred contribution balances related to specific endowments, these losses are allocated to endowments. Subsequent investment income is allocated to endowments to restore these losses. Investment income and losses on unrestricted balances and internally restricted endowments are recognized in the Statement of Revenue and Expenses.

Foreign currency translation

The market value of investments denominated in foreign currencies is translated into Canadian dollars at the closing rate prevailing at the date of valuation. Purchases and sales of investments, income and expenses are recorded at the rate of exchange prevailing on the date of the transaction.

Post-employment benefits

The University uses the projected benefit method pro rated on service and management's best estimate assumptions to calculate the cost of pensions and other retirement benefits. Assets are valued at market-related values for the purpose of calculating the expected return on plan assets. Market-related value is based on the four-year moving average ratio of market value to book value with a cap of 110% of the market value. Past service costs from plan amendments are amortized on a straight-line basis over the average remaining service period of employees active at the date of amendment. The excess of any cumulative net actuarial gain (loss) over 10% of the greater of the benefit obligation and fair value of plan assets is amortized over the average remaining service period of active employees. Liabilities are discounted using current interest rates on long-term bonds.

The University accrues its obligations under employee benefit plans and the related costs, net of plan assets. The difference is recorded as an asset or liability in the Balance Sheet.

Financial instruments

The University is subject to market, interest rate, and foreign exchange risk with respect to its investment portfolio, credit risk with respect to its accounts receivable, and interest rate cash flow risk with respect to its bank indebtedness and residence demand loans. The University has a statement of investment policy and procedures designed to achieve the optimal return within reasonable risk tolerances in order to manage the risks with respect to its investment portfolio. The University manages its interest rate cash flow risk with respect to the residence demand loans through an interest rate swap agreement which effectively fixes the interest rate on the majority of the loans.

The University has chosen to apply The Canadian Institute of Chartered Accountants ["CICA"] 3861, *Financial Instruments - Disclosure and Presentation,* instead of CICA 3862, *Financial Instruments – Disclosures,* and CICA 3863, *Financial Instruments - Presentation*.

Derivative financial instruments

Derivative financial instruments are contracts that require or provide the opportunity to exchange cash flows or payments determined by applying certain rates, indices, or changes to notional contract amounts. Derivative contracts are recorded at fair value as an asset or liability based on quoted market prices or dealer quotes. Under certain conditions, derivative contracts may qualify for hedge accounting. For these contracts, the effectiveness of the derivative in offsetting changes in cash flows attributable to the risk being hedged is measured. The effective portion of the change in fair value of the derivative contract is recorded in the Statement of Changes in Net Assets and the ineffective portion of the change in fair value of the derivative contract is recorded in the Statement of Revenue and Expenses. For derivative contracts that do not qualify for hedge accounting, the change in fair value of the contract is recorded in the Statement of Revenue and Expenses.

Future changes in accounting policies

In December 2010, the Accounting Standards Board of the CICA issued Part III of the CICA Handbook that sets out the accounting standards for not-for-profit organizations that are effective for fiscal years beginning on or after January 1, 2012, with an option to early-adopt. The University is currently evaluating the impact of these standards.

4. INVESTMENTS

The University's investment portfolio comprises a large number of different securities carrying a variety of terms and conditions. Fair values are based on quoted market prices of the securities. These investments are held for endowments and deferred contributions.

[a] Investments at fair value consist of the following:

[000's]	**2011** $	**2010** $
Cash, short-term notes and money market funds	**29,671**	17,053
Canadian government bonds	**2,271**	3,526
Canadian corporate bonds	**11,794**	9,647
Canadian equities - common	**12,507**	11,872
International equities - common	**6,023**	5,663
Mutual fund units		
Bonds	**268**	136
Canadian equities	**767**	844
International equities	**6,094**	4,916
	69,395	53,657

[b] Investment income recorded in the Statement of Revenue and Expenses is calculated as follows:

[000's]	2011 $	2010 $
Interest, dividends and pooled fund distributions	**1,299**	1,061
Gain realized on sale of investments	**497**	246
Change in unrealized gain (loss) on investments	**1,875**	3,979
Interest on mortgage receivable	**271**	334
Adjustment to discounted value of mortgage on Bay Street land *[note 16]*	**(453)**	550
	3,489	6,170
Less income allocated to		
Deferred contributions *[note 8]*	**2,036**	1,540
Deferred capital contributions *[note 9]*	**4**	3
Endowments	**986**	2,960
	463	1,667

In 2011, $3,202,000 [2010 - $5,744,000] of net investment income was earned on endowments, of which $986,000 [2010 - $2,960,000] earned on externally restricted endowments was recorded directly in endowments for the preservation of capital and recovery of prior year losses. The amount available for spending of $1,753,000 [2010 - $1,117,000] was recorded as deferred contributions and $463,000 [2010 - $1,667,000] earned on internally restricted endowments was recorded in the Statement of Revenue and Expenses.

5. CAPITAL ASSETS

Capital assets consist of the following:

	2011		2010	
	Cost	**Accumulated depreciation**	**Cost**	**Accumulated depreciation**
[000's]	$	$	$	$
Land	**642**	**—**	642	—
Buildings and major renovations	**42,871**	**18,055**	42,510	16,815
Furniture and equipment	**6,070**	**3,517**	5,923	2,928
Library books	**1,206**	**713**	1,193	692
Computer equipment	**245**	**138**	242	149
	51,034	**22,423**	50,510	20,584
Less accumulated depreciation	**22,423**		20,584	
Net book value	**28,611**		29,926	

6. INTERNALLY RESTRICTED NET ASSETS

Internally restricted net assets represent the amount of capital assets internally funded as follows:

[000's]	**2011** $	**2010** $
Capital assets, net	**28,611**	29,926
Less amounts financed by		
Deferred capital contributions *[note 9]*	**12,664**	13,344
Residence demand loans	**9,113**	9,447
Balance, end of year	**6,834**	7,135

7. AGREEMENT WITH THE UNIVERSITY OF TORONTO

Under an agreement with the University of Toronto dated July 1, 2008 and to remain in force until June 30, 2013, the tuition fees for students in the Faculty of Arts and Science are paid over to the University of Toronto. In turn, the University of Toronto reimburses the University for certain operating costs through a block grant.

8. DEFERRED CONTRIBUTIONS

Deferred contributions are comprised of externally restricted grants, donations and related investment income for scholarships, bursaries, and other purposes. The changes in the deferred contributions balance are as follows:

[000's]	**2011** $	**2010** $
Balance, beginning of year	**5,674**	4,116
Contributions received during the year	**2,602**	2,131
Investment income *[note 4[b]]*	**2,036**	1,540
Amounts recognized as grants and donations	**(2,279)**	(2,109)
Transfer to deferred capital contributions *[note 9]*	**(56)**	(4)
Transfer to externally restricted endowments	**(4)**	—
Balance, end of year	**7,973**	5,674

9. DEFERRED CAPITAL CONTRIBUTIONS

Deferred capital contributions represent the unamortized balance of donations and grants received for the purchase of capital assets. The changes in the deferred capital contributions balance are as follows:

[000's]	**2011** $	**2010** $
Balance, beginning of year	**13,695**	14,312
Contributions received for capital purposes	**193**	304
Investment income *[note 4[b]]*	**4**	3
Amortization of deferred capital contributions	**(967)**	(921)
Transfer from deferred contributions *[note 8]*	**56**	4
Amounts recognized as grants and donations	**—**	(7)
Balance, end of year	**12,981**	13,695
Consisting of		
Contributions and income for which expenditures have been made	**21,612**	21,473
Accumulated amortization	**(8,948)**	(8,129)
	12,664	13,344
Contributions and income for which expenditures have not been made	**317**	351
	12,981	13,695

10. ENDOWMENTS

Endowments include restricted donations received by the University and donations designated by the Collegium in the exercise of its discretion as endowments, rather than as a result of externally imposed restrictions. In such cases, the Collegium may decide to remove the designation.

The endowment principal is required to be maintained intact. Investment income generated from endowments must be used in accordance with the various purposes established by the donors or the Collegium. 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.

Investment income on endowments related to amounts for specific operating purposes is recorded in deferred contributions. Once the expenditure has been incurred, the related income is recorded in the Statement of Revenue and Expenses. To the extent there are investment losses in excess of the deferred contribution balances related to specific endowments, these losses are allocated to endowments. Investment income and losses on unrestricted balances and internally restricted endowments are recognized in the Statement of Revenue and Expenses.

[a] Endowments consist of the following:

[000's]	**2011** $	**2010** $
Externally restricted	**33,815**	32,031
Internally restricted	**30,451**	30,302
	64,266	62,333

During the year ended April 30, 2011, the University transferred $404,000 [2010 - $1,221,000] of current year investment income to internally restricted endowments. In addition, the Collegium approved the use of $254,000 [2010 - $1,032,000] from internally endowed funds for current year purposes.

[b] Ontario Student Opportunity Trust Funds and Ontario Trust for Student Support

Included in externally restricted endowments are matching scholarship and bursary funds from the Government of Ontario and the University of Toronto related to the Ontario Student Opportunity Trust Funds ["OSOTF"] and the Ontario Trust for Student Support ["OTSS"]. The capital portion of the funds is externally restricted and the income portion is used to support students in financial need. Expendable income earned is recorded in deferred contributions and recognized as revenue in the year in which related scholarship and bursary expenses are recognized.

The following is a summary of the change in the cost of these endowment funds for the year:

	2011				2010
	OSOTF I	**OSOTF II**	**OTSS**	**Total**	**Total**
[000's]	$	$	$	$	$
Balance, beginning of year	**7,104**	**1,102**	**2,887**	**11,093**	10,712
Contributions received	**—**	**—**	**153**	**153**	178
Provincial matching funds	**—**	**—**	**430**	**430**	130
Other matching funds	**—**	**—**	**—**	**—**	73
Investment income (capital preservation)	**178**	**27**	**80**	**285**	—
Balance, end of year	**7,282**	**1,129**	**3,550**	**11,961**	11,093

Included in deferred contributions are funds available for student support. The change in the cost of these expendable funds for the year is calculated as follows:

	2011				2010
	OSOTF I	**OSOTF II**	**OTSS**	**Total**	**Total**
[000's]	$	$	$	$	$
Balance, beginning of year	**389**	**83**	**209**	**681**	526
Contributions received	**—**	**—**	**3**	**3**	—
Investment income, net of expenses	**91**	**14**	**40**	**145**	395
Bursaries awarded	**(236)**	**(16)**	**(49)**	**(301)**	(240)
Balance, end of year	**244**	**81**	**203**	**528**	681

The fair value of the OSOTF Phase I endowment and expendable funds at year end is $7,982,000 [2010 - $7,578,000]. For the year ended April 30, 2011, there were 88 OSOTF Phase I award recipients [2010 - 72 OSOTF Phase I recipients].

NOTES TO FINANCIAL STATEMENTS

April 30, 2011

11. POST-EMPLOYMENT BENEFITS

The University sponsors a number of defined benefit plans providing pension, other retirement and post-employment health benefits for most of its employees.

Pension benefit plans include the Retirement Plan of The University of St. Michael's College [the "Retirement Plan"], which is a contributory defined benefit pension plan, and a supplementary executive retirement plan. Substantially all employees of the University are members of the Retirement Plan. Employees who belong to a religious order are required to contribute 6% of their gross salary to the Retirement Plan. All other employees are required to contribute 5% of their gross salary up to the yearly maximum pensionable earnings plus 6% of their gross salary in excess of the yearly maximum pensionable earnings. The University is required to provide the balance of the funding, based on triennial actuarial valuations, necessary to ensure that benefits will be fully provided for at retirement.

An early retirement window is in force between July 1, 2010 and June 30, 2011 whereby, under certain conditions, employees who retire before age 65 will have the actuarial reduction set at 3% per annum for each year that retirement precedes age 60 and no actuarial reduction for early retirement from age 60 to 65. The normal actuarial reduction is 6% per annum for each year of early retirement.

Health benefit plans represent the cost of certain medical benefits available to employees on retirement from the University. Contributions for post-employment health benefits are funded by the University and the retiree based on current premium rates.

The University measures its accrued benefit obligations and the fair value of plan assets for accounting purposes as at April 30 of each year. The most recent actuarial valuation of the Retirement Plan for funding purposes was as of January 1, 2010, and the next required valuation will be no later than January 1, 2013.

NOTES TO FINANCIAL STATEMENTS

Information about the University's defined benefit plans, in aggregate, is as follows:

	2011		2010	
	Pension benefits	**Health benefits**	**Pension benefits**	**Health benefits**
[000's]	$	$	$	$
Change in benefit obligation				
Benefit obligation, beginning of year	**22,830**	**5,461**	19,527	3,788
Current service cost	**919**	**108**	572	99
Interest cost	**1,358**	**237**	1,453	286
Benefits paid	**(1,784)**	**(147)**	(1,447)	(147)
Actuarial loss (gain)	**2,872**	**(979)**	2,725	1,435
Prior service cost	**217**	**—**	—	—
Termination benefits	**110**	**—**	—	—
Benefit obligation, end of year	**26,522**	**4,680**	22,830	5,461
Change in plan assets				
Fair value of plan assets, beginning of year	**18,841**	**—**	16,951	—
Employer contributions	**900**	**147**	514	147
Employee contributions	**345**	**—**	339	—
Return on plan assets	**1,321**	**—**	2,484	—
Benefits paid	**(1,784)**	**(147)**	(1,447)	(147)
Fair value of plan assets, end of year	**19,623**	**—**	18,841	—
Reconciliation of funded status				
Funded status - deficit	**(6,899)**	**(4,680)**	(3,989)	(5,461)
Unamortized past service cost	**1,078**	**—**	989	—
Unamortized loss	**9,397**	**116**	6,795	1,095
Accrued post-employment benefit asset (liability)	**3,576**	**(4,564)**	3,795	(4,366)

Included in the above accrued benefit obligation and fair value of plan assets are the following amounts in respect of plans that are not fully funded:

	2011		2010	
	Pension benefits	**Health benefits**	**Pension benefits**	**Health benefits**
[000's]	$	$	$	$
Accrued benefit obligation	**755**	**4,680**	767	5,461
Fair value of plan assets	**—**	**—**	—	—
Funded status - deficit	**(755)**	**(4,680)**	(767)	(5,461)
Unamortized loss	**109**	**116**	72	1,095
	(646)	**(4,564)**	(695)	(4,366)

The following is a summary of the calculation of the net plan expense:

	2011		2010	
	Pension benefits	**Health benefits**	**Pension benefits**	**Health benefits**
[000's]	$	$	$	$
Current service cost	**919**	**108**	572	99
Employee contributions	**(345)**	**—**	(339)	—
Interest on accrued benefits	**1,358**	**237**	1,453	286
Expected return on assets	**(1,358)**	**—**	(1,289)	—
Actuarial losses (gains)	**4,632**	**(979)**	1,733	1,435
Adjustment to experience (gain) loss	**(4,325)**	**979**	(1,623)	(1,434)
Plan amendments	**217**	**—**	—	—
Prior service cost	**(89)**	**—**	113	—
Termination benefits	**110**	**—**	—	—
Net plan expense	**1,119**	**345**	620	386

The following is a reconciliation of the accrued benefit asset (liability):

	2011		2010	
	Pension benefits	**Health benefits**	**Pension benefits**	**Health benefits**
[000's]	$	$	$	$
Balance, beginning of year	**3,795**	**(4,366)**	3,901	(4,127)
Employer contributions	**900**	**147**	514	147
Net plan expense	**(1,119)**	**(345)**	(620)	(386)
Balance, end of year	**3,576**	**(4,564)**	3,795	(4,366)

The assets of the Retirement Plan are invested as follows:

	2011		2010	
[000's]	$	%	$	%
Canadian equities	**6,224**	**31.7**	6,232	33.1
U.S. equities	**2,811**	**14.3**	2,706	14.4
Other international equities	**2,968**	**15.1**	2,519	13.4
Fixed income	**6,819**	**34.8**	6,489	34.4
Cash and short-term notes	**801**	**4.1**	895	4.7
	19,623	**100.0**	18,841	100.0

The following is a summary of the weighted average significant actuarial assumptions used in measuring the University's accrued benefit obligation and benefit cost:

	Pension benefit plans		Health benefit plans	
	2011	**2010**	**2011**	**2010**
	%	%	%	%
Accrued benefit obligation				
Discount rate	**5.25**	5.50	**5.25**	5.50
Rate of compensation increase	**3.25**	3.00	**—**	—
Benefit cost				
Discount rate	**5.50**	7.50	**5.50**	7.50
Expected long-term rate of return on plan assets	**6.75**	7.00	**—**	—
Rate of compensation increase	**3.00**	3.00	**—**	—

In determining the expected cost of post-employment health benefit plans, it is assumed that dental care costs will increase by 4.0% annually. The increase in extended health care costs is assumed to be 7.5% in 2011 [2010 - 8.0%], decreasing gradually to 5.0% in 2016 and remaining level thereafter.

12. ST. MICHAEL'S COLLEGE FOUNDATION

The University has an economic interest in the Foundation. At December 31, 2010 and 2009, the net assets of the Foundation were approximately $16,764,000 and $15,979,000, respectively.

During the year, the Foundation granted a total of $260,000 [2010 - $370,000] to the University to fund scholarships, bursaries, programmes, and general operations.

13. STATEMENT OF CASH FLOWS

The net change in non-cash balances related to operations consists of the following:

[000's]	**2011** $	**2010** $ *[Restated - note 19]*
Sources (uses) of cash		
Accounts receivable	**(203)**	(295)
Prepaid expenses	**30**	(16)
Accounts payable and accrued liabilities	**195**	2
Deferred revenue	**249**	108
Deferred contributions	**2,299**	1,558
	2,570	1,357

14. BANK INDEBTEDNESS

The University has a bank line of credit of $9,000,000 [2010 - $9,000,000]. At April 30, 2011, $3,742,000 of the bank line of credit was utilized [2010 - $3,336,000]. The bank indebtedness is collateralized by a general security agreement and interest on the debt is a function of the bank's prime rate. The effective rate of interest on the bank indebtedness at April 30, 2011 was 2.15% [2010 - 1.67%].

15. RESIDENCE DEMAND LOANS

The University entered into a $12,000,000 banking facility in 2001 to finance construction of the St. Joseph Street residence building. The facility was fully drawn in 2002 and is now in the process of being repaid. The banking facility is collateralized by a general security agreement and is payable on demand. As at April 30, 2011, $9,113,000 [2010 - $9,447,000] is outstanding in connection with this facility.

To reduce the volatility of the interest cost on the residence financing, the University entered into an interest rate swap agreement [the "Agreement"] whereby, commencing on September 1, 2001, the interest rate on $11,500,000 of the outstanding residence demand loans was effectively fixed at 6.65% for a term of 15 years. The Agreement has been designated as a hedge and determined to be an effective hedge. Amounts outstanding under this financing that are not covered by the Agreement bear interest at the bank's prime rate plus 1.0%. As at April 30, 2011, this floating rate of interest was 4.00% [2010 - 3.25%]. The Agreement may be terminated at the option of the lender on the 10th anniversary date of the Agreement, whereas the University may terminate the Agreement at any time. Early termination of the Agreement will result in a payment or receipt equal to the fair value of the interest rate swap on the date of early termination. At April 30, 2011, the unpaid principal on this component of the financing was $9,033,000 [2010 - $9,366,000]. If the University had exercised early termination of the Agreement at April 30, 2011, this would have resulted in an additional payment of $1,567,000 [2010 - $1,536,000]. The change in the fair value of the interest rate swap, a loss of $31,000 [2010 - a gain of $908,000] is recorded in the Statement of Changes in Net Assets.

Subject to the loans being payable on demand, the University's scheduled principal repayments of the amounts outstanding under the residence loans are as follows:

[000's]	$
2012	435
2013	379
2014	404
2015	430
2016	459
2017 and thereafter	7,006

16. BAY STREET LAND SALE

In 2008, the University sold a parcel of its land on Bay Street for total proceeds of $32,167,000. The University received $5,000,000 of the proceeds on October 27, 2008 and a three-year mortgage for the balance. The mortgage was interest free in the first year and then bore interest at 5.5%, payable semi-annually, thereafter. Accordingly, the principal recorded in the Balance Sheet was adjusted to reflect the imputed interest over the term of the mortgage, which was initially discounted for the interest-free period and amortized over the term of the mortgage.

On October 27, 2009, the University received the first installment of $15,000,000. On September 22, 2010, the mortgage was repaid early by the purchaser, and the University received a final payment of $12,167,000. As a result of this discounting, an interest expense of $453,000 was recorded in 2011 due to the early repayment, whereas $550,000 of interest income was recorded in 2010 due to imputed interest.

An accrual of $1,400,000 related to soil remediation of the Bay Street lands has been recorded *[note 17]*.

17. COMMITMENTS AND CONTINGENCIES

Insurance

Effective July 1, 2008, the University became a member of a reciprocal exchange of insurance risks in association with 56 other Canadian universities. This self-insurance co-operative, the Canadian Universities Reciprocal Insurance Exchange ["CURIE"], involves a contractual agreement to share the insurable property and liability risks of member universities.

The projected cost of claims is funded through members' premiums based on actuarial projections. CURIE has obtained reinsurance from commercial insurers to cover claims in excess of $5,000,000 to a maximum of $1 billion per occurrence for property losses and claims in excess of $5,000,000 to a maximum of $30,000,000 per occurrence for liability and errors and omissions losses. In the event premiums are not sufficient to cover claims settlements, the member universities would be subject to assessments in proportion to their participation.

As a member of CURIE, the University will share in the claims and expenses incurred during the five-year underwriting period commencing July 1, 2008. As at December 31, 2010, the latest date that financial statements are available, CURIE had a surplus of $15,027,000 for the current underwriting period, of which the University's pro rata share is approximately 0.32%.

Bay Street lands soil remediation

As a condition of the sale of the Bay Street lands, the University remains liable for soil remediation costs related to the property. These costs are currently estimated to be $1,400,000 and this amount is included within accounts payable and accrued liabilities. The liability for soil remediation costs has been determined based on the University's best estimate of the costs to be incurred. Actual costs for soil remediation will not be known until construction excavation has completed and could result in a material change in this liability. Any change in the liability will be recorded in the Statement of Revenue and Expenses.

Construction

At April 30, 2011, the University had entered into a construction arrangement to replace the air conditioning equipment for its library in the amount of $548,000.

18. CAPITAL MANAGEMENT

In managing capital, the University focuses on liquid resources available for operations. The University's objective is to have sufficient liquid resources to continue operating despite adverse financial events and to provide it with the flexibility to take advantage of opportunities that will advance its purposes. The University has an available line of credit that is used when cash flow from operations is not sufficient to cover operating and capital expenditures. The need for liquid resources is considered in the preparation of the annual budget and in the monitoring of cash flows and operating results compared to the budget. As at April 30, 2011, the University had met its objective of having sufficient liquid resources to meet its current obligations.

19. RESTATEMENT

The comparative financial statements of the University as at April 30, 2010 and for the year then ended have been restated to account for an understatement of student fees in respect of Theology tuition and an overstatement of interest on bank indebtedness. Accordingly, in the Statement of Revenue and Expenses, student fees have increased by $126,000 and interest on bank indebtedness has decreased by $95,000 and net expense for the year has decreased by $221,000. In addition, accounts receivable has increased and the deficit has decreased by $221,000 in the Balance Sheet.

20. COMPARATIVE FINANCIAL STATEMENTS

The comparative financial statements have been reclassified from statements previously presented to conform to the presentation of the 2011 financial statements.