



Financial Statements

St. Peter's Seminary Corporation of London in
Ontario, Limited

April 30, 2018

**ST. PETER'S SEMINARY CORPORATION
OF LONDON IN ONTARIO, LIMITED**
INDEX TO FINANCIAL STATEMENTS
APRIL 30, 2018

	<u>Page</u>
Index to financial statements	1
Auditors' report	2 - 3
Statement of financial position	4
Statement of revenue and expenditures	5
Statement of changes in net assets	6
Statement of cash flows	7
Notes to financial statements	8 - 12



Independent auditor's report

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To the shareholders of
St. Peter's Seminary Corporation of London in Ontario, Limited

We have audited the accompanying financial statements of St. Peter's Seminary Corporation of London in Ontario, Limited, which comprise the statement of financial position as at April 30, 2018 and the statements of revenues and expenditures and changes in net assets and cash flows for the year 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 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.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audits 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 consolidated financial statements. The procedures selected depend on the auditor's judgement 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 auditor considers 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 consolidated financial statements.

We believe that the audit evidence we have obtained in our audits 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 St. Peter's Seminary Corporation of London in Ontario, Limited as at April 30, 2018 and the results of its operations and cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Other Matters

The financial statements of St. Peter's Seminary Corporation of London in Ontario, Limited for the year ended April 30, 2017 were audited by another practitioner who expressed a unqualified opinion on those financial statements on June 16, 2017.

Grant Thornton LLP

Windsor, Canada
June 1, 2018

Chartered Professional Accountants
Licensed Public Accountants

**ST. PETER'S SEMINARY CORPORATION
OF LONDON IN ONTARIO, LIMITED**
STATEMENT OF FINANCIAL POSITION
APRIL 30, 2018

	2018 \$	2017 \$
ASSETS		
CURRENT ASSETS		
Cash and cash in bank	1,999,701	1,283,164
Accounts receivable	2,774	899
HST recoverable	187,595	363,786
Due from related party (note 4)	87,687	221,244
Prepaid amounts	6,209	23,050
	2,283,966	1,892,143
PENTECOST 2000 FUNDS HELD BY THE DIOCESE OF LONDON (note 13)	13,433,663	13,677,206
TANGIBLE CAPITAL ASSETS (note 6)	19,390,636	8,551,728
	35,108,265	24,121,077
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	693,699	1,181,350
Government remittances payable	15,115	14,065
Deferred revenue (note 9)	73,264	94,812
Construction advance (note 10)	17,000,000	7,000,000
	17,782,078	8,290,227
RETIREMENT BENEFITS LIABILITY (note 11)	315,350	290,309
CONSTRUCTION HOLDBACK PAYABLE	1,545,921	568,178
DEFERRED CAPITAL DONATIONS (note 7)	1,710,333	613,295
	21,353,682	9,762,009
NET ASSETS		
Capital stock (note 12)	1,000	1,000
Endowment - Pentecost 2000 (note 13)	13,433,663	13,677,206
Unrestricted	319,920	680,862
	13,754,583	14,359,068
	35,108,265	24,121,077

APPROVED ON BEHALF OF THE BOARD:

**ST. PETER'S SEMINARY CORPORATION
OF LONDON IN ONTARIO, LIMITED**
STATEMENT OF REVENUE AND EXPENDITURES
FOR THE YEAR ENDED APRIL 30, 2018

	2018 \$	2017 \$
OPERATING REVENUE		
Student	1,043,711	1,029,198
OPERATING EXPENDITURES		
Student	223,493	259,875
Faculty	872,420	819,478
Library	118,782	114,728
Facilities	634,637	624,504
Food Services	301,646	319,837
Administrative	295,550	300,892
Interest on bank indebtedness		11,318
Vocations	71,418	79,210
	2,517,946	2,529,842
DEFICIENCY FROM OPERATIONS	(1,474,235)	(1,500,644)
OTHER REVENUE		
Sundry	18,065	9,164
Program	40,289	48,002
Program - Institute of Ongoing Formation	301,642	406,538
Conference	5,038	7,296
Rental	40,053	46,654
Donation (note 5)	390,584	762,859
Alumni Association	6,725	1,550
	802,396	1,282,063
OTHER EXPENDITURES		
Development	2,437	2,562
Program	21,107	24,844
Rental	7,911	8,829
Program - Institute of Ongoing Formation	472,524	435,361
Alumni Association	299	5,325
	504,278	476,921
DEFICIENCY BEFORE PENTECOST AND BURSARIES, OSOTF AND OTSS	(1,176,117)	(695,502)
PENTECOST 2000 (note 13)	634,800	634,800
BURSARIES, OSOTF AND OTSS (note 5)	309,625	195,701
	944,425	830,501
EXCESS (DEFICIENCY) BEFORE AMORTIZATION	(231,692)	134,999
AMORTIZATION OF DEFERRED CAPITAL DONATIONS	15,040	15,040
AMORTIZATION OF CAPITAL ASSETS (note 2)	(144,290)	(136,816)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(360,942)	13,223

**ST. PETER'S SEMINARY CORPORATION
OF LONDON IN ONTARIO, LIMITED**
STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED APRIL 30, 2018

	Capital Stock \$	Endowment Pentecost 2000 \$	Unrestricted \$	2018 \$	2017 \$
BALANCE, BEGINNING OF YEAR	1,000		680,862	681,862	668,639
<u>PRIOR PERIOD ADJUSTMENT (note 16)</u>		13,677,206		13,677,206	13,046,045
BALANCE, BEGINNING OF YEAR, AS RESTATED	1,000	13,677,206	680,862	14,359,068	13,714,684
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES			(360,942)	(360,942)	13,223
NET INVESTMENT RETURNS		391,257		391,257	1,265,961
<u>ALLOCATION TO OPERATIONS</u>		(634,800)		(634,800)	(634,800)
<u>BALANCE, END OF YEAR</u>	1,000	13,433,663	319,920	13,754,583	14,359,068

**ST. PETER'S SEMINARY CORPORATION
OF LONDON IN ONTARIO, LIMITED**
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED APRIL 30, 2018

	2018 \$	2017 \$
CASH FLOWS FROM OPERATING ACTIVITIES:		
Excess (Deficiency) of revenue over expenditures-operating	(360,942)	13,223
Non-cash items included in the determination of excess of revenue over expenditures		
Amortization of capital assets	144,291	136,816
Amortization of deferred capital donation	(15,040)	(15,040)
Future pension cost	25,041	25,132
	<u>(206,650)</u>	<u>160,131</u>
Changes in non-cash working capital		
Decrease (increase) in accounts receivable	(1,875)	258
Decrease (increase) in HST recoverable	176,191	(337,511)
Decrease (increase) in prepaid expenses	16,841	(17,418)
Increase (decrease) in accounts payable and accrued liabilities	(487,651)	1,096,558
Increase (decrease) in government remittances payable	1,050	(220)
Increase (decrease) in construction advance	10,000,000	7,000,000
Increase (decrease) in deferred revenue	(21,548)	17,870
Increase (decrease) in construction holdback payable	977,743	568,178
Net changes in non-cash working capital	<u>10,660,751</u>	<u>8,327,715</u>
	<u>10,454,101</u>	<u>8,487,846</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
(Decrease) increase in deferred capital donation	1,112,078	381,236
Decrease (increase) in due from related party	133,557	(99,464)
	<u>1,245,635</u>	<u>281,772</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	(10,983,199)	(7,280,554)
NET INCREASE IN CASH AND CASH EQUIVALENTS	<u>716,537</u>	<u>1,489,064</u>
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>1,283,164</u>	<u>(205,900)</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>1,999,701</u>	<u>1,283,164</u>
Cash and cash equivalents composed of :		
Cash and cash in bank	<u>1,999,701</u>	<u>1,283,164</u>
	<u>1,999,701</u>	<u>1,283,164</u>

**ST. PETER'S SEMINARY CORPORATION
OF LONDON IN ONTARIO, LIMITED**
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2018

1. PURPOSE OF THE ORGANIZATION

St. Peter's Seminary Corporation of London in Ontario, Limited (the "Seminary") is an incorporated entity. The Seminary provides educational services in Roman Catholic theology for students entering the priesthood or other students enrolled in general programs. The Seminary is a registered charity under the Income Tax Act and accordingly is exempt from income taxes, provided certain requirements of the Income Tax Act are met.

2. SIGNIFICANT ACCOUNTING POLICIES

General

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations.

Revenue recognition

The Seminary follows the deferral method of accounting for donations. Revenue received for future programs is recorded as deferred revenue. Rental and conference revenue is recognized when earned and collection is reasonably assured.

Tangible 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 Seminary's ability to provide services, its carrying amount is written down to its residual value.

All buildings and the land on which they are situated are owned by the Diocese of London and are made available to the Seminary at no cost.

Tangible capital assets are amortized on a straight-line basis using the following estimated useful lives:

Building improvements	20 years
Building improvements capital donation	20 years
Furniture and equipment	5 years
Computer equipment and software	3 years

Financial assets and liabilities

Initial measurement

Upon initial measurement, the Seminary's financial assets and liabilities are measured at fair value, which, in the case of financial assets or financial liabilities that will be measured subsequently at amortized cost, is increased or decreased by the amount of the related financing fees and transaction costs. Transaction costs relating to financial assets and liabilities that will be measured subsequently at fair value are recognized in operations in the year they are incurred.

Subsequent measurement

At each reporting date, the Seminary measures its financial assets and liabilities at amortized cost (including any impairment in the case of financial assets), except for investments in equity instruments that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in net income.

**ST. PETER'S SEMINARY CORPORATION
OF LONDON IN ONTARIO, LIMITED**
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2018

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Financial assets and liabilities (cont'd)

With respect to financial assets measured at amortized cost, the Seminary assesses whether there are any indications of impairment. When there is an indication of impairment, and the Seminary determines that during the year there was a significant adverse change in the expected timing or amount of future cash flows from the financial asset, it will then recognize a reduction as an impairment loss in operations. The reversal of a previously recognized impairment loss on a financial asset measured at amortized cost is recognized in operations in the year the reversal occurs.

The Seminary's financial instruments consist of accounts receivable, HST recoverable, due from related party, accounts payable and accrued liabilities, government remittances payable, construction advance, and construction holdback payable. These are initially recorded at fair value and are subsequently measured at cost or amortized cost.

Use of estimates

The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reported period. These estimates are reviewed periodically and, as adjustments become necessary, they are reported in earnings in the period in which they become known. Estimates of this nature include but are not limited to the following: government grants included in student revenue, amortization and the allowance for doubtful accounts.

Cash and cash equivalents

It is the company's policy to disclose bank balances under cash and cash equivalents, including bank overdrafts with balances that fluctuate frequently from being positive to overdrawn.

Employee future benefits

The company uses the immediate recognition approach to account for its defined benefit pension plan. Under this approach, past service costs and actuarial gains and losses are recognized in the period incurred. The accrued benefit obligation is based on the most recent actuarial valuation report for funding purposes.

The amount reported on the balance sheet is the difference between the accrued benefit obligation and the fair value of the plan assets.

3. RISKS AND CONCENTRATIONS

The Seminary's main financial risk exposure is detailed as follows:

Credit risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. The Seminary is mainly exposed to credit risk from its students. An allowance for doubtful accounts is established based upon factors surrounding the credit risk of specific accounts.

Liquidity risk

Liquidity risk arises from the potential that a party will not be able to discharge its current obligations. The Seminary is mainly exposed to liquidity risk from the construction advance from the Diocese of Hamilton which is due on demand in the event of default on the terms of the loan agreement.

**ST. PETER'S SEMINARY CORPORATION
OF LONDON IN ONTARIO, LIMITED**
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2018

4. DUE FROM RELATED PARTY

The Seminary is related to both the St. Peter's Seminary Foundation and the Roman Catholic Diocese of London by virtue of significant influence. At year end, the amounts due from the St. Peter's Seminary Foundation are as follows:

	2018	2017
	\$	\$
Due from St. Peter's Seminary Foundation, non-interest bearing and no set terms of repayment.	87,687	221,244

5. RELATED PARTY TRANSACTIONS

During the year the following transactions occurred between the Seminary and its related parties as described in note 4. The transactions are recorded at the exchanged amount:

	2018	2017
	\$	\$
Donations received from the St. Peter's Seminary Foundation	390,584	762,859
Bursaries, OSOTF and OTSS amounts received from the St. Peter's Seminary Foundation	318,058	195,701
Funding received for the Institute of Ongoing Formation received from the Roman Catholic Diocese of London	150,000	140,000

6. TANGIBLE CAPITAL ASSETS

The following is a summary of the tangible capital assets and accumulated amortization:

	Cost	Accumulated Amortization	Net 2018	Net 2017
	\$	\$	\$	\$
Building improvements	3,427,873	2,670,928	756,945	890,028
Building improvements in progress	18,592,985		18,592,985	7,621,395
Computer equipment and software	209,529	194,663	14,866	14,065
Furniture and equipment	565,192	539,352	25,840	26,240
	22,795,579	3,404,943	19,390,636	8,551,728

7. DEFERRED CAPITAL DONATION

Deferred capital donation represents the unamortized portion of amounts donated from St. Peter's Seminary Foundation specifically for the purpose of making building improvements. The deferred capital donation is being amortized on the same basis as the related building improvements which it funded. This is on a straight line basis over 20 years. During the year the amount of amortized deferred capital donation is \$15,040 (2017 - \$15,040) and additional deferred capital donations received were \$1,112,078 (2017 - \$331,237), and amortization shall commence when the renovation project is substantially complete and in use.

8. BANK INDEBTEDNESS

The Seminary has available for use an operating loan approved to a maximum of \$1,200,000, due on demand, bearing interest at prime plus 1%, and guaranteed by the Roman Catholic Episcopal Corporation of the Diocese of London in Ontario. As at year end, the amount outstanding is nil (2017 - nil).

**ST. PETER'S SEMINARY CORPORATION
OF LONDON IN ONTARIO, LIMITED**
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2018

9. DEFERRED REVENUE

The following items are included in deferred revenue:

	2018 \$	2017 \$
Unapplied financial aid	31,613	30,264
Mission awareness fund	18,278	15,758
Refugee trust fund	13,871	13,871
Prepayments for programs	7,550	34,150
Propaedeutic program	1,952	769
	<u>73,264</u>	<u>-94,812</u>

10. CONSTRUCTION ADVANCE

Construction advance represents an advance on an estimated \$23,000,000 to be provided by the Diocese of Hamilton interest free unless an event of default occurs against the terms of the loan agreement, in which case the loan will be due on demand and bear interest at the Toronto - Dominion Bank prime lending rate effective as of the date of the first advance on the loan. Management is not aware of any event of default and is of the opinion that it is unlikely that one will occur.

11. RETIREMENT BENEFITS LIABILITY

Certain employees of the Seminary are covered under an Employees' Retirement Pension Plan through The Roman Catholic Episcopal Corporation of the Diocese of London in Ontario. Until December 31, 1986 this plan was a defined benefit plan which was based on length of service and rate of pay. Effective January 1, 1987 the defined benefit plan was replaced by a defined contribution plan. At that time a commitment was made that lay staff covered under the defined benefit plan would be equalized under the new plan as compared to the old plan. As such a pension cost and liability exists for those lay employees as follows:

	2018 \$	2017 \$
Retirement future benefit liability		
Accrued employee future benefit obligation	315,350	290,309
	<u>315,350</u>	<u>290,309</u>
	2018 \$	2017 \$
Retirement future benefit expenses		
Current year's service cost	6,757	6,891
Interest cost on accrued benefit obligation	11,507	9,934
Retirement benefit expense	<u>18,264</u>	<u>16,825</u>

**ST. PETER'S SEMINARY CORPORATION
OF LONDON IN ONTARIO, LIMITED**
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2018

11. RETIREMENT BENEFITS LIABILITY (cont'd)

The accrued benefit obligation for the retirement benefit plan as at April 30, 2018 is based on an actuarial valuation as at January 1, 2015 extrapolated by the actuary to December 31, 2017. The actuarial valuation is based on assumptions about future events. The economic assumptions used in the valuation are the best estimates of expected rates which implicitly include an inflation rate adjustment. The rates are as follows:

	2018	2017
	%	%
Wage and salary escalation	3.00	3.00
Discount on accrued benefit obligation	3.30	3.70

12. CAPITAL STOCK

	2018	2017
	\$	\$
40 shares at \$25 per share	1,000	1,000

13. PENTECOST 2000 FUNDS HELD BY THE DIOCESE OF LONDON

The Seminary is the beneficial owner to the Pentecost 2000 endowment funds held by the Diocese of London in the amount of \$13,433,663 (2017 - \$13,677,206). Investment income earned from these funds is allocated to the operations on the Statement of Revenues and Expenditures at the greater of \$634,800 or a rate of 4.25% (2017 - 4.25%) of the average quarterly balance of the past 3 years.

14. COMMITMENTS

During the year, the Seminary incurred \$10,971,590 in renovation costs through a construction contract entered into during the prior year. Management has budgeted approximately another \$16,400,000 in costs to be paid on the construction contracts up to completion of the renovation project.

During the year, the Seminary also entered into a lease agreement with King's University College for the use of a building, at monthly payments of \$15,500 per month to commence sometime before August 31, 2019.

15. COMPARATIVE FIGURES

Comparative figures have been reclassified to conform to the current year's presentation.

16. PRIOR PERIOD ADJUSTMENT

The prior period has been adjusted to reflect the increase in endowed net assets from the Pentecost 2000 Funds held by the Diocese of London as of April 30, 2017. Accordingly, assets and net assets have been increased by \$13,677,206. There has been no effect on the statement of revenue and expenditures.

