Financial Statements of

LAURENTIAN UNIVERSITY OF SUDBURY

Year ended April 30, 1998

AUDITORS' REPORT TO THE GOVERNORS

We have audited the following statements and schedules of **Laurentian University of Sudbury** as at April 30, 1998 and for the year then ended:

Statement of Financial Position
Statement of Operations
Statement of Changes in Net Assets
Statement of Changes in Cash Resources

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 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, 1998 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

Chartered Accountants

Sudbury, Canada
June 30, 1998

LAURENTIAN UNIVERSITY OF SUDBURY

Statement of Financial Position

April 30, 1998, with comparative figures for 1997
(thousands of dollars)

		1998	1997
			(as restated)
Assets			
Current assets:			
Cash and short term investments	$	6,253	8,541
Accounts receivable		4,693	3,565
Inventories		992	978
Prepaid expenses		676	205
		12,614	13,289
Loan receivable (note 3)		631	631
Long-term investments (note 4)		13,127	9,884
Capital assets (note 5)		57,852	57,660
	$	84,224	81,464

Liabilities, Deferred Contributions and Net Assets

		1998	1997
Current liabilities			
Accounts payable and accrued liabilities	$	5,308	4,662
Accrued vacation pay		751	702
Deferred revenue		919	1,261
Current portion of obligations under capital leases		65	60
		7,043	6,685
Long-term obligations:			
Accrued early retirement program costs (note 6)		1,040	1,280
Obligations under capital leases (note 7)		4,637	4,697
		5,677	5,977
Deferred contributions (note 8):			
Deferred contributions		8,087	7,114
Deferred capital contributions		29,682	29,741
		37,769	36,855
Net assets:			
Unrestricted (deficit)		(1,604)	(2,247)
Internally restricted (note 9)		7,464	7,581
Investment in capital assets (note 10)		19,919	21,276
Endowment		8,021	5,397
		33,800	32,007
Commitments (note 12)			
	$	84,224	81,464

See accompanying notes to financial statements.

On behalf of the Board:

__________________________ Governor

__________________________ Governor

LAURENTIAN UNIVERSITY OF SUDBURY

Statement of Operations

Year ended April 30, 1998, with comparative figures for 1997
(thousands of dollars)

		1998	1997
			(as restated)
Revenue:			
Government grants and contracts	$	35,302	35,044
Student fees		15,221	14,663
Sales and services		7,482	7,664
Investment income		2,187	1,297
Research grants and contracts		7,075	7,434
Other grants and income		4,300	2,774
Amortization of deferred capital contributions		1,064	1,050
		72,631	69,926
Expenses:			
Salaries and benefits		48,809	48,717
Operating		9,779	8,606
Cost of sales		3,923	3,854
Occupancy		3,433	4,268
Scholarships and bursaries		2,409	1,357
Depreciation of capital assets		5,085	5,224
		73,438	72,026
Excess of expenses over revenue	$	(807)	(2,100)

See accompanying notes to financial statements.

LAURENTIAN UNIVERSITY OF SUDBURY

Statement of Changes in Net Assets

Year ended April 30, 1998, with comparative figures for 1997
(thousands of dollars)

	Unrestricted	Internally Restricted	Investment in Capital Assets	Endowment	Total 1998	Total 1997
						(as restated)
Net assets, beginning of year, as restated (notes 2 and 19)	$ (2,247)	7,581	21,276	5,397	32,007	31,540
Excess of expenses over revenue	(690)	(117)	–	–	(807)	(2,100)
Change in investment in capital assets (note 10)	1,357	–	(1,357)	–	–	–
Investment income on endowment	–	–	–	349	349	384
Endowment contributions	–	–	–	2,251	2,251	2,183
Transfer to endowment	(24)	–	–	24	–	–
Net assets, end of year	$ (1,604)	7,464	19,919	8,021	33,800	32,007

See accompanying notes to financial statements.

LAURENTIAN UNIVERSITY OF SUDBURY

Statement of Changes in Cash Resources

Year ended April 30, 1998, with comparative figures for 1997
(thousands of dollars)

		1998	1997
			(as restated)
Cash provided by (used in):			
Operations:			
Excess of expenses over revenue	$	(807)	(2,100)
Items not involving cash:			
Amortization of capital assets		5,085	5,224
Amortization of deferred capital contributions		(1,064)	(1,050)
		3,214	2,074
Changes in non-cash operating working capital (note 15)		(1,260)	(1,885)
		1,954	189
Financing and investments:			
Accrued early retirement program costs		(240)	(14)
Obligations under capital leases		(60)	(57)
Deferred contributions		973	922
Deferred capital contributions		1,005	575
Increase in long-term investments		(3,243)	(844)
Purchases of capital assets		(5,277)	(5,646)
Endowment investment income		349	384
Endowment contributions		2,251	2,183
		(4,242)	(2,497)
Decrease in cash resources		(2,288)	(2,308)
Cash resources, beginning of year		8,541	10,849
Cash resources, end of year	$	6,253	8,541

Cash resources is defined as cash and short-term investments.

See accompanying notes to financial statements.

The University, which is a not-for-profit organization, is incorporated by special act under the laws of Ontario.

1. Significant accounting policies:

(a) General:

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

(b) Revenue recognition:

The University follows the deferral method of accounting for contributions. The principles under this method are summarized as follows:

Unrestricted contributions and pledged donations are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Contributions externally restricted for purposes other than endowment are deferred and recognized as revenue in the year in which the related expenses are recognized.

Contributions restricted for capital asset purchases are deferred and amortized to operations on the same basis as the related capital asset.

Contributions of collection items are recorded at fair market value at the date of the contribution as a direct increase to net assets.

Endowment contributions and related restricted investment income are recognized on the accrual basis as direct increases in net assets.

Student fees and tuitions are recognized as revenue in the fiscal period when the respective courses and seminars are held.

(c) Investments:

Short-term investments are invested in marketable securities and are carried at cost which approximates market value.

Long-term investments are invested in pooled funds and are carried at market value.

Income derived from endowment investments is partially allocated to the related scholarship and bursary accounts annually. Interest earned on short-term and long-term non-endowment investments is allocated to the respective funds in proportion to their yearly weighted average fund balance.

1. Significant accounting policies (continued):

(d) Inventories:

Inventories are stated at the lower of cost and net realizable value.

(e) Capital assets:

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair market value at the date of contribution. Capital assets are depreciated on the straight-line-basis over their estimated useful lives as follows:

Buildings	40 years
Equipment and refurbishing	7 years
Land improvements	15 years

(f) Capital leases:

The University has entered into certain capital leases for which title to the related assets will vest in the University on the termination of the leases. The original cost of these assets amounting to $5,363,000 is reflected as capital assets and the present value of the outstanding lease commitments is reflected as an obligation under capital leases.

(g) Internally restricted net assets:

The University restricts use of portions of its operating net assets for specific future uses. When incurred, the related expenses are charged to operations, and the balance of internally restricted assets is reduced accordingly with a transfer to unrestricted net assets.

2. Changes in accounting practices (in thousands of dollars):

Effective 1998, the University has changed its method of accounting for capital assets and the related contributions received for financing their acquisition in order to conform with the new accounting standards for Not-For-Profit Organizations issued by the Canadian Institute of Chartered Accountants. In addition, the presentation of the financial statements has been changed to reflect a single entity concept under the deferral method rather than on a fund accounting basis as had been the practice in prior years.

Under the revised principles, capital assets are amortized over their useful lives and the related capital grants are recorded as deferred contributions and amortized at rates corresponding to the related capital assets. In prior years, capital grants and donations were recorded as income, the cost of acquisition of capital assets was expensed to operations with a corresponding increase in equity in capital assets reflected.

In addition, various internally restricted net assets balances were combined for presentation as a single internally restricted net assets balance.

As a result of these changes, which have been applied retroactively, the following adjustments as at May 1, 1997 were recorded:

deferred capital contributions increased by $29,741, net of accumulated amortization of $12,834, with a corresponding reduction in investment in capital assets;

capital assets decreased by $71,310 for accumulated depreciation with a corresponding decrease in investment in capital assets;

deferred contributions (non capital) increased by $7,114 with corresponding reductions in unappropriated research net assets and deferred revenue of $5,956 and $1,158 respectively;

deferred revenue increased by $271 with a corresponding decrease in unappropriated capital net assets;

internally restricted net assets increased by an aggregate of $7,579 with an aggregate corresponding reduction in appropriated operating and ancillary net assets and unappropriated ancillary, capital and research net assets amounting to $$2,118, $555, $236, $1,766 and $2,904 respectively.

3. Loan receivable:

The loan represents advances made on behalf of the students to fund the construction costs of the third floor of the Student Centre.

The loan is recoverable from present and future students by way of annual fee assessments. The interest applicable is based on the University's internal rate of return for the previous year less 2%. The repayment of the loan has been deferred for a three year period, with interest waived for the three years, while students honour their pledge to the Ontario Student Opportunity Trust Fund.

4. Long-term investments (in thousands of dollars):

	1998	1997
Frank Russell Canada pooled funds	$ 13,033	–
Government bonds and guaranteed investment certificates	94	9,884
	$ 13,127	9,884

5. Capital Assets (in thousands of dollars):

	1998		1997 (as restated)	
	Cost	Accumulated Depreciation	Cost	Accumulated Depreciation
Land and site improvements	$ 6,440	5,104	6,440	5,014
Buildings	77,493	29,581	74,426	27,720
Equipment and furnishings	50,314	41,710	48,104	38,576
	134,247	76,395	128,970	71,310
Accumulated depreciation	76,395		71,310	
	$ 57,852		57,660	

6. Early retirement program:

Effective February 16, 1996, the Board of Governors approved a voluntary early retirement program for all University employees. The estimated accrued liability, which amounts to approximately $1,597,000, represents the cost of bridging, lump sum payments and benefits owed to the participating staff members.

These retirement costs will be paid out approximately as follows (in thousands of dollars):

1999	$ 557
2000	352
2001	318
2002	199
2003 - 2006	171
	1,597
Less current portion included in accrued liabilities	557
Non-current portion	$ 1,040

7. Obligations under capital leases (in thousands of dollars):

	1998	1997
University College residence maturing December 1, 2020	$ 1,111	1,131
Students' apartments, maturing June 1, 2024	3,526	3,566
	$ 4,637	4,697

The following is a schedule by years of future minimum lease payments, together with the balance of the obligations under capital leases:

1999 - 2003 inclusive ($406 per annum)	$ 2,030
Thereafter	8,390
Total minimum lease payments	10,420
Less amount representing interest	5,783
	4,637
Less current portion included in current liabilities	65
Non current portion	$ 4,572

Principal due in each of the next five years ranges from $65 in 1999 to $87 in 2003.

8. Deferred contributions (in thousands of dollars):

(a) Deferred contributions:

Deferred contributions represent unspent external contributions restricted for research and trust expenditures to be incurred in subsequent fiscal years. Details of the change in deferred contributions is as follows:

	1998
Balance, beginning of year, as restated	$ 7,114
Add contributions received in the year	11,532
Less amounts recognized as revenue in the year	(10,559)
Balance, end of year	$ 8,087

(b) Deferred capital contributions:

Deferred capital contributions represent the unamortized amount of donations and grants received for the purchase of capital assets. Details of the change in the deferred contributions balance is as follows:

	1998	1997 (as restated)
Balance, beginning of year	$ 29,741	30,216
Add: Capital contributions received	1,005	575
Less: Amortization of deferred capital contributions	(1,064)	(1,050)
Balance, end of year	$ 29,682	29,741

9. Internally restricted net assets (in thousands of dollars):

	1998	1997 (as restated)
Departmental trust funds	$ 689	694
Scholarship and bursary funds	46	68
Departmental research funds	2,075	2,143
Departmental carry forwards	1,396	1,329
Outstanding purchase orders	348	464
Self-insurance funds	250	250
Replacement reserve - telephone	75	75
Reserve for deficit repayment	264	–
Reserve for early retirement	(220)	–
Operating surplus - ancillaries	220	236
Replacement reserve - ancillary operations	554	555
Unexpended capital fund	1,767	1,767
	$ 7,464	7,581

10. Investment in capital assets (in thousands of dollars):

		1998	1997 (as restated)
Capital assets	$	57,852	57,660
Less amounts financed by:			
Long-term debt		(4,637)	(4,698)
Internal financing		(3,614)	(1,945)
Deferred capital contributions		(29,682)	(29,741)
	$	19,919	21,276

The change in investment in capital assets is calculated as follows:

		1998	1997 (as restated)
Repayment of long term debt	$	60	56
Repayment of internal financing		150	189
Internally funded capital assets		2,460	3,747
Internal financing		(1,818)	(1,890)
Internally financed construction		1,812	1,323
		2,664	3,425
Depreciation of capital assets		(5,085)	(5,224)
Less amortization of deferred capital contributions		1,064	1,050
		(4,021)	(4,174)
Change in investment in capital assets	$	(1,357)	(749)

11. Internal financing:

Details of capital asset internal financing activities are as follows:

	April 30, 1997	Advances	Repayments	April 30, 1998
Operating:				
University Press	$ 229,689	–	14,872	214,817
Heating Plant	1,715,543	72,692	135,471	1,652,764
Energy Retrofit	–	1,745,216	–	1,745,216
	$ 1,945,232	1,817,908	150,343	3,612,797

The University press and heating plant internal loans bear interest at a rate of 7% per annum and have schedules principal and interest repayment of $30,000 and $250,000 per year respectively.

The energy retrofit internal loan bears interest at a rate of 6% and future loan repayments will directly relate to energy cost savings realized from this project.

12. Commitments:

(a) Effective May, 1988 the University agreed to participate in a reciprocal exchange of insurance risks in association with forty other Canadian universities. This self-insurance co-operative involves a contractual agreement to share the insurance property and liability risks of member universities.

(b) Pursuant to the terms of the collective agreement, faculty members become entitled to apply for sabbatical leave after a specified period of service. At April 30, 1998, the salary entitlement for sabbatical leaves approved for the 1998/99 academic year amounts to approximately $1,903,000 at current salary levels (1997 - $2,013,000). The salaries paid to faculty on sabbatical leave in 1998 amounted to approximately 1,920,000 (1997 - $1,676,000).

(c) In 1997, the University commenced construction of a new daycare facility. The cost of this project is estimated at $1.4 million and construction is expected to be funded entirely by grants from the Ministry of Community and Social Services.

The project's estimated completion date is April 1999 and costs incurred to April 30, 1998 amounted to $253,000 (1997 - $30,000).

13. Pension plan:

The University operates a defined contribution pension plan in which the University contributes a set amount to the plan in respect of individual employees, with a guaranteed minimum defined benefit. The actuarial report effective July 1, 1995, indicates that the guaranteed defined benefit portion of the pension plan has a surplus of $3,590,000. The surplus has been reduced by approximately $3,351,000 to a surplus of $3,590,000 due to enhanced pension amendments made during the 1996 fiscal year. Contributions made by the University during the year amounted to approximately $2,430,000 (1997 - $2,455,000).

14. Ontario Student Opportunity Trust Fund:

During 1997, Laurentian University held a fundraising campaign to raise capital for student financial aid pursuant to a trust fund established by the Province of Ontario. Under the program, every dollar raised will be matched by the Province. Details of the Ontario Student Opportunity Trust Fund are as follows:

	1998	1997
Endowment balance, beginning of year	$ 2,158,047	–
Donations	1,100,362	1,067,278
Matching funds from the government of Ontario	1,100,362	1,067,278
Capitalized interest	135,921	23,491
Funds withdrawn	(10,158)	–
Endowment balance, end of year	$ 4,484,534	2,158,047
Funds available for awards, beginning of year	$ –	–
Investment income	138,820	–
Bursaries awarded	(4,200)	–
Funds available for awards, end of year	$ 134,620	–

15. Changes in non-cash operating working capital (in thousands of dollars):

	1998	1997 (as restated)
Cash provided by (used in):		
Accounts receivable	$ (1,128)	(441)
Inventories	(14)	(71)
Prepaid expenses	(471)	(2)
Accounts payable and accrued liabilities	646	(1,114)
Accrued vacation pay	49	(115)
Deferred revenue	(342)	(142)
	$ (1,260)	(1,885)

16. Comparative figures:

Certain prior year comparative figures have been reclassified to conform with the financial statement presentation adopted in the current year.

17. Uncertainty due to the Year 2000 Issue:

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date.

The effects of the Year 2000 Issue may be experienced before, on, or after January 1, 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect an entity's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 Issue affecting the entity, including those related to the efforts of customers, suppliers, or other third parties, will be fully resolved.

18. Public Sector Salary Disclosure:

Pursuant to the salary disclosures required under Bill 26, The Public Sector Disclosure Act, the following list represents those University employees whose 1997 income exceeded the $100,000 (T-4) threshold:

Name	Position	Salary	Taxable Benefits
Allaire, Gratien	Associate V.P., Francophone Affairs	$ 101,956	447
Best, Henry	Full Professor	110,746	447
Beswick, Anthony E.	Full Professor	103,181	447
Chrysler, Ronald E.	Vice-President, Administration	115,676	2,384
Clulow, Frank V.	Full Professor	102,360	447
Copper, Paul	Full Professor	109,806	447
Falter, Hermann	Director, Academic Staff Relations	106,829	447
Goldsack, Douglas E.	Full Professor	110,831	447
Jensen, Robert K.	Full Professor	100,040	447
Kaiser, Peter K.	Full Professor	118,054	447
Kaye, Brian H.	Full Professor	147,291	447
Keays, Reid	Full Professor	108,182	447
Lindon, Paul H.	Full Professor	110,746	447
Paul, Ross H.	President	148,396	21,507
Reilly, Irvine G.	Full Professor	109,351	447
Sabourin, Pascal	Full Professor	105,093	1,621
Smith, Frank	Director, Graduate Studies and Research	103,073	447
Tesson, Geoffrey E.	Vice-President, Academic	121,140	9,447
Todd, Leonard	Full Professor	105,610	447
Westaway, Kenneth C.	Full Professor	102,384	447
Whissell, Cynthia M.	Full Professor	123,411	931

LAURENTIAN UNIVERSITY OF SUDBURY

19. Opening net assets balances (in thousands of dollars):

Details of the effects of the accounting changes as outlined in note 2 on the affected opening net as
balances are as follows:

	Unrestricted (deficit)	Internally restricted	Investment in Capital Assets	Appropriated Operating	Appropriated Ancillary	Unappropriated Ancillary	Unappropriated Capital	Unappropriated Research
Net assets, beginning of year:								
As previously reported	(2,247)	-	122,326	2,119	556	236	2,037	8,860
Accounting changes (note 2):								
Adjustment for deferred capital contributions, net of accumulated amortization			(29,740)					(5,956)
Adjustment for depreciation of capital assets			(71,310)					
Adjustment for deferred revenue							(271)	
Transfers of internally restricted net assets		7,581		(2,119)	(556)	(236)	(1,766)	(2,904)
As restated	(2,247)	7,581	21,276	-	-	-	-	-