Financial Statements of

LAURENTIAN UNIVERSITY OF SUDBURY

Year ended April 30, 1999

AUDITORS' REPORT TO THE GOVERNORS

We have audited the following statements of **Laurentian University of Sudbury** as at April 30, 1999 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, 1999 and the results of its operations and the changes in cash resources for the year then ended in accordance with generally accepted accounting principles.

Chartered Accountants

Sudbury, Canada
June 30, 1999

LAURENTIAN UNIVERSITY OF SUDBURY

Statement of Financial Position

April 30, 1999, with comparative figures for 1998
(thousands of dollars)

		1999	1998
Assets			
Current assets:			
Cash and short-term investments	$	9,589	6,253
Accounts receivable		4,628	4,693
Inventories		1,094	992
Prepaid expenses		735	676
		16,046	12,614
Loan receivable (note 2)		531	631
Long-term investments (note 3)		12,688	13,127
Capital assets (note 4)		57,669	57,852
	$	86,934	84,224

		1999	1998
Liabilities, Deferred Contributions and Net Assets			
Current liabilities			
Accounts payable and accrued liabilities	$	4,392	5,308
Accrued vacation pay		759	751
Deferred revenue		990	919
Current portion of obligations under capital leases		70	65
		6,211	7,043
Long-term obligations:			
Accrued early retirement program costs (note 5)		513	1,040
Obligations under capital leases (note 6)		4,502	4,572
		5,015	5,612
Deferred contributions (note 7):			
Deferred contributions		10,084	8,087
Deferred capital contributions		30,010	29,682
		40,094	37,769
Net assets:			
Unrestricted (deficit)		(1,203)	(1,604)
Internally restricted (note 8)		6,377	7,464
Investment in capital assets (note 9)		18,437	19,919
Endowment		12,003	8,021
		35,614	33,800
Commitments (note 11)			
	$	86,934	84,224

See accompanying notes to financial statements.

On behalf of the Board:

__________________________ Governor

__________________________ Governor

LAURENTIAN UNIVERSITY OF SUDBURY

Statement of Operations

Year ended April 30, 1999, with comparative figures for 1998
(thousands of dollars)

	1999	1998
Revenue:		
Government grants and contracts	$ 36,262	35,302
Tuition ancillary fees	14,854	15,221
Sales and services	7,619	7,482
Investment income	846	2,187
Research grants and contracts	6,609	7,075
Other fees and income (note 17)	4,724	4,300
Amortization of deferred capital contributions	1,090	1,064
	72,004	72,631
Expenses:		
Salaries and benefits	47,888	48,809
Operating	10,831	9,779
Cost of ancillary sales and services	3,700	3,723
Occupancy	3,734	3,633
Scholarships and bursaries	3,077	2,409
Depreciation of capital assets	4,942	5,085
	74,172	73,438
Excess of expenses over revenue	$ (2,168)	(807)

See accompanying notes to financial statements.

LAURENTIAN UNIVERSITY OF SUDBURY

Statement of Changes in Net Assets

Year ended April 30, 1999, with comparative figures for 1998
(thousands of dollars)

	Unrestricted	Internally Restricted	Investment in Capital Assets	Endowment	Total 1999	Total 1998
Net assets, beginning of year	$ (1,604)	7,464	19,919	8,021	33,800	32,007
Excess of expenses over revenue	(1,081)	(1,087)	–	–	(2,168)	(807)
Change in investment in capital assets (note 9)	1,482	–	(1,482)	–	–	–
Endowment investment income	–	–	–	–	–	349
Endowment contributions	–	–	–	3,982	3,982	2,251
Net assets, end of year	$ (1,203)	6,377	18,437	12,003	35,614	33,800

See accompanying notes to financial statements.

LAURENTIAN UNIVERSITY OF SUDBURY

Statement of Changes in Cash Resources

Year ended April 30, 1999, with comparative figures for 1998
(thousands of dollars)

	1999	1998
Cash provided by (used in):		
Operations:		
Excess of expenses over revenue	$ (2,168)	(807)
Items not involving cash:		
Depreciation of capital assets	4,942	5,085
Amortization of deferred capital contributions	(1,090)	(1,064)
	1,684	3,214
Changes in non-cash operating working capital (note 14)	(933)	(1,260)
	751	1,954
Financing and investments:		
Decrease in loan receivable	100	–
Decrease in accrued early retirement program costs	(527)	(240)
Payment of obligations under capital leases	(65)	(60)
Increase in deferred contributions	1,997	973
Deferred capital contributions	1,418	1,005
Decrease (increase) in long-term investments	439	(3,243)
Purchases of capital assets	(4,759)	(5,277)
Endowment contributions	3,982	2,251
Endowment investment income	–	349
	2,585	(4,242)
Increase (decrease) in cash resources	3,336	(2,288)
Cash resources, beginning of year	6,253	8,541
Cash resources, end of year	$ 9,589	6,253

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 with the remaining income increasing the endowment fund balance. 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 furnishings	7 years
Land and site 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. 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.

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

	1999	1998
Pooled funds	$ 12,619	13,033
Government bonds and guaranteed investment certificates	69	94
	$ 12,688	13,127

4. Capital Assets (in thousands of dollars):

	1999		1998	
	Cost	Accumulated Depreciation	Cost	Accumulated Depreciation
Buildings	$ 80,296	31,518	77,493	29,581
Equipment and furnishings	52,270	44,626	50,314	41,710
Land and site improvements	$ 6,440	5,193	6,440	5,104
	139,006	81,337	134,247	76,395
Accumulated depreciation	81,337		76,395	
	$ 57,669		57,852	

5. 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 $894,000, 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):

2000	$	381
2001		296
2002		165
2003		30
2004 - 2006		22
		894
Less current portion included in accrued liabilities		381
Non-current portion	$	513

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

		1999	1998
University College residence, maturing December 1, 2020	$	1,091	1,111
Students' apartments, maturing June 1, 2024		3,481	3,526
	$	4,572	4,637

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

2000 - 2004 inclusive ($406 per annum)	$	2,030
Thereafter		7,578
Total minimum lease payments		9,608
Less amount representing interest		5,036
		4,572
Less current portion included in current liabilities		70
Non current portion	$	4,502

Principal due in each of the next five years ranges from $70 in 2000 to $93 in 2004.

7. **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 are as follows:

		1999	1998
Balance, beginning of year	$	8,087	7,114
Add contributions received in the year		11,721	11,532
Less amounts recognized as revenue in the year		(9,724)	(10,559)
Balance, end of year	$	10,084	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 are as follows:

		1999	1998
Balance, beginning of year	$	29,682	29,741
Add capital contributions received in the year		1,418	1,005
Less amortization of deferred capital contributions		(1,090)	(1,064)
Balance, end of year	$	30,010	29,682

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

		1999	1998
Departmental trust funds	$	97	689
Scholarship and bursary funds		84	46
Departmental research funds		1,821	2,075
Departmental carry forwards		1,896	1,396
Outstanding purchase orders		121	348
Self-insurance funds		250	250
Replacement reserve - telephone		75	75
Reserve for deficit repayment		–	264
Reserve for early retirement		(144)	(220)
Operating surplus (deficit) - ancillaries		(91)	220
Replacement reserve - ancillaries		544	554
Unexpended capital fund		1,724	1,767
	$	6,377	7,464

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

		1999	1998
Capital assets	$	57,669	57,852
Less amounts financed by:			
Obligations under capital leases		(4,572)	(4,637)
Internal financing		(4,650)	(3,614)
Deferred capital contributions		(30,010)	(29,682)
	$	18,437	19,919

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

		1999	1998
Repayment of obligations under capital leases	$	65	60
Repayment of internal financing		405	150
Internally funded capital assets		1,856	2,460
Internal financing		(1,442)	(1,818)
Internally financed construction		1,486	1,812
		2,370	2,664
Depreciation of capital assets		(4,942)	(5,085)
Less amortization of deferred capital contributions		1,090	1,064
		(3,852)	(4,021)
Change in investment in capital assets	$	(1,482)	(1,357)

10. Internal financing:

Details of capital asset internal financing activities are as follows:

		April 30, 1998	Advances	Repayments	April 30, 1999
University press	$	214,817	–	15,914	198,903
Heating plant		1,652,764	–	219,584	1,433,180
Energy retrofit		1,745,216	1,441,983	169,660	3,017,539
	$	3,612,797	1,441,983	405,158	4,649,622

The University press and heating plant internal loans bear interest at rates of 7% and 5.3% per annum and have principal and interest repayments of $30,000 and $300,000 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. The current year's principal and interest repayment was $315,000.

11. 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, 1999, the salary entitlement for sabbatical leaves approved for the 1999/2000 academic year amounts to approximately $2,028,000 at current salary levels (1998 - $1,903,000). The salaries paid to faculty on sabbatical leave in 1999 amounted to approximately $1,927,000 (1998 - $1,920,000).

(c) In 1997, the University commenced construction of a new daycare facility. The cost of this project is estimated at $1.7 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 July 1999 and costs incurred to April 1999 amounted to $1,225,000 (1998 - $253,000).

12. 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, 1998, indicates that the guaranteed defined benefit portion of the pension plan has a surplus of approximately $9,024,000. The University's Pension Committee is currently evaluating pension changes which would reduce the amount of the surplus. Contributions made by the University during the year amounted to approximately $2,465,000 (1998 - $2,430,000).

13. 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:

	1999	1998
Endowment balance, beginning of year	$ 4,484,540	2,158,047
Donations	1,879,248	1,100,362
Matching funds from the government of Ontario	1,878,608	1,100,362
Capitalized interest	–	135,921
Funds withdrawn	–	(10,152)
Endowment balance, end of year	8,242,396	4,484,540
Funds available for awards, beginning of year	134,620	–
Investment income	270,195	138,820
Bursaries awarded	(257,197)	(4,200)
Funds available for awards, end of year	147,618	134,620
Total funds	$ 8,390,014	4,619,160

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

	1999	1998
Cash provided by (used in):		
Accounts receivable	$ 65	(1,128)
Inventories	(102)	(14)
Prepaid expenses	(59)	(471)
Accounts payable and accrued liabilities	(916)	646
Accrued vacation pay	8	49
Deferred revenue	71	(342)
	$ (933)	(1,260)

15. 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 the University's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 Issue affecting the University, including those related to the efforts of customers, suppliers, or other third parties, will be fully resolved.

16. 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 1998 salary exceeded the $100,000 (T-4) threshold:

Name	Position	Salary	Taxable Benefits
Allaire, Gratien	Full Professor	$ 103,815	442
Best, Henry	Full Professor	111,546	442
Beswick, Anthony E.	Full Professor	105,505	442
Chrysler, Ronald E.	Vice-President, Administration	118,517	3,563
Clulow, Frank V.	Full Professor	107,830	442
Copper, Paul	Full Professor	110,601	442
Falter, Hermann	Director, Academic Staff Relations	116,117	442
Goldsack, Douglas E.	Full Professor	110,013	442
Hajdasinski, Miroslaw	Full Professor	100,499	442
Kaiser, Peter K.	Full Professor	118,891	442
Kari, Roy	Full Professor	100,114	442
Keays, Reid	Full Professor	104,977	442
Lesher, Michael	Full Professor	108,363	442
Lindon, Paul H.	Full Professor	111,546	442
Mount, Joan	Dean, Sciences & Professions	106,790	442
Persinger, Michael	Full Professor	103,141	442
Reed, Lloyd	Full Professor	107,008	442
Reilly, Irvine G.	Full Professor	114,204	442
Sabourin, Pascal	Full Professor	107,514	3,670
Seguin, Jean	Full Professor	100,947	2,185
Tesson, Geoffrey E.	Vice-President, Academic	140,114	9,442
Todd, Leonard	Full Professor	107,374	442
Westaway, Kenneth C.	Full Professor	118,786	442
Whissell, Cynthia M.	Full Professor	118,431	1,836

17. Other fees and income (in thousands of dollars):

Details of the other fees and income are as follows:

		1999	1998
Sponsored students	$	666	765
Compulsory ancillary and other		1,115	995
Administrative fees:			
Federated institutions		361	353
Ancillary operations		331	340
Overhead on research contract and other trust accounts		61	80
Scholarships, bursaries and other trust accounts' contributions		2,190	1,767
	$	4,724	4,300

18. Comparative figures:

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