Financial Statements of

LAURENTIAN UNIVERSITY OF SUDBURY

Year ended April 30, 2002

AUDITORS' REPORT TO THE GOVERNORS

We have audited the following statements of **Laurentian University of Sudbury** as at April 30, 2002 and for the year then ended:

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

These financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion these financial statements present fairly, in all material respects, the financial position of the University as at April 30, 2002 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Chartered Accountants

Sudbury, Canada
July 5, 2002

LAURENTIAN UNIVERSITY OF SUDBURY

Statement of Financial Position

April 30, 2002, with comparative figures for 2001
(thousands of dollars)

		2002	2001
Assets			
Current assets:			
Cash and short-term investments	$	13,166	10,539
Accounts receivable		9,302	5,719
Inventories		973	975
Prepaid expenses		190	408
		23,631	17,641
Loan receivable (note 2)		406	523
Long-term investments (note 3)		15,130	15,395
Capital assets (note 4)		58,360	58,838
	$	97,527	92,397
Liabilities, Deferred Contributions and Net Assets			
Current liabilities:			
Accounts payable and accrued liabilities	$	4,643	3,992
Accrued vacation pay		797	783
Deferred revenue		1,484	848
Current portion of obligations under capital leases		87	80
		7,011	5,703
Long-term obligations:			
Accrued early retirement program costs (note 5)		290	42
Obligations under capital leases (note 6)		4,259	4,347
Post-employment benefits obligation (note 7)		1,761	1,722
		6,310	6,111
Deferred contributions (note 8):			
Deferred contributions		15,870	12,267
Deferred capital contributions		32,302	33,397
		48,172	45,664
Net assets		36,034	34,919
Commitments (note 12)			
	$	97,527	92,397

See accompanying notes to financial statements.

On behalf of the Board:

__________________________ Governor

__________________________ Governor

LAURENTIAN UNIVERSITY OF SUDBURY

Statement of Operations

Year ended April 30, 2002, with comparative figures for 2001
(thousands of dollars)

		2002	2001
Revenue:			
Government grants and contracts	$	40,005	38,429
Tuition fees		17,370	16,739
Sales and services		9,380	8,007
Investment income		831	744
Research grants and contracts		12,233	9,129
Other fees and income (note 17)		4,796	5,531
Amortization of deferred capital contributions (note 10)		1,479	1,429
		86,094	80,008
Expenses:			
Salaries and benefits		55,180	51,406
Operating		12,034	9,488
Scholarships and bursaries		5,060	4,469
Cost of ancillary sales and services		4,394	4,017
Occupancy		4,285	4,400
Depreciation of capital assets		5,088	5,045
		86,041	78,825
Excess of revenue over expenses before undernoted item		53	1,183
Retail sales tax refund		1,543	–
Excess of revenue over expenses	$	1,596	1,183

See accompanying notes to financial statements.

LAURENTIAN UNIVERSITY OF SUDBURY

Statement of Changes in Net Assets

Year ended April 30, 2002, with comparative figures for 2001
(thousands of dollars)

		Unrestricted	Vacation Pay and Post Employment Benefits	Internally Restricted	Investment in Capital Assets	Endowment	Total 2002	Total 2001
				(note 9)	(note 10)			
Net assets, beginning of year	$	(1,497)	(2,505)	7,570	18,288	13,063	34,919	33,867
Excess (deficiency) of revenue over expenses		3,038	(53)	2,220	(3,609)	–	1,596	1,183
Transfer for capital transactions (note 10)		(3,482)	–	–	3,482	–	–	–
Endowment net asset changes		–	–	–	–	(481)	(481)	(131)
Net assets, end of year	$	(1,941)	(2,558)	9,790	18,161	12,582	36,034	34,919

See accompanying notes to financial statements.

LAURENTIAN UNIVERSITY OF SUDBURY

Statement of Cash Flows

Year ended April 30, 2002, with comparative figures for 2001
(thousands of dollars)

		2002	2001
Cash flows from operating activities:			
Excess of revenue over expenses	$	1,596	1,183
Adjustments for:			
Depreciation of capital assets		5,088	5,045
Amortization of deferred capital contributions		(1,479)	(1,429)
		5,205	4,799
Changes in non-cash working capital (note 15)		(2,062)	(2,429)
		3,143	2,370
Cash flows from financing and investing activities:			
Purchases of capital assets		(4,610)	(4,566)
Change in deferred contributions		3,603	2,766
Deferred capital contributions		384	2,110
Change in long-term investments		265	(1,016)
Change in accrued early retirement program costs		248	(153)
Decrease in loan receivable		117	8
Increase in post-employment benefit obligation		39	119
Payment of obligations under capital leases		(81)	(75)
Endowment fund decrease		(481)	(131)
		(516)	(938)
Increase in cash		2,627	1,432
Cash resources, beginning of year		10,539	9,107
Cash resources, end of year	$	13,166	10,539

See accompanying notes to financial statements.

The University is incorporated by special act under the laws of Ontario.

1. Significant accounting policies:

(a) 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.

(b) 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.

(c) Inventories:

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

1. Significant accounting policies (continued):

(d) 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

(e) 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.

(f) Post employment benefits:

The University provides for health benefits under the Laurentian University Retirees' Plan to retirees, the actuarially determined obligation of which amounted to $1,603,167 as at April 30, 2000. These calculations are prepared every three years.

(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.

(h) Related entity:

The financial statements are inclusive of the assets, liabilities, revenues and expenses of the following related entity:

- Mining Innovation Rehabilitation and Applied Research Corporation ("MIRARCo").

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%.

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

	2002	2001
Pooled funds	$ 15,046	15,313
Government bonds and guaranteed investment certificates	84	82
	$ 15,130	15,395

4. Capital assets (in thousands of dollars):

	2002		2001	
	Cost	Accumulated Depreciation	Cost	Accumulated Depreciation
Buildings	$ 86,169	37,695	84,439	35,585
Equipment and furnishings	62,295	53,429	59,415	50,523
Land and site improvements	6,440	5,420	6,440	5,348
	154,904	96,544	150,294	91,456
Accumulated depreciation	96,544		91,456	
	$ 58,360		58,838	

5. Early retirement program:

The University has offered a voluntary early retirement program to all University employees. The estimated accrued liability, which amounts to approximately $550,000, 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):

2003	$	260
2004		178
2005		79
2006		33
		550
Less current portion included in accrued liabilities		260
Non-current portion	$	290

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

		2002	2001
University College residence, maturing December 1, 2020	$	1,019	1,045
Students' apartments, maturing June 1, 2024		3,327	3,382
	$	4,346	4,427

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

2003 - 2007 inclusive ($406 per annum)	$	2,030
Thereafter		6,641
Total minimum lease payments		8,671
Less amount representing interest		4,325
		4,346
Less current portion included in current liabilities		87
Non-current portion	$	4,259

Principal due in each of the next five years ranges from $87 in 2003 to $115 in 2007.

7. Post-employment benefits:

Certain actuarial assumptions used in determining the obligation amount are as follows:

Discount rate	7% per annum
Rate of return on plan assets	7% per annum
Inflation rate	3% per annum
Percent of retiring employees who elect to be covered	90%
Attribution period	from date of hire to age 65

The benefit plan expense for 2002 amounted to $39,000 (2001 - $118,686).

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 are as follows:

	2002	2001
Balance, beginning of year	$ 12,267	9,501
Add contributions earned in the year	18,618	13,255
Less amounts recognized as revenue in the year	(15,015)	(10,489)
Balance, end of year	$ 15,870	12,267

(b) Deferred capital contributions:

Deferred capital contributions represent the unspent and 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:

Unspent:

	2002	2001
Balance, beginning of year	$ 1,681	793
Add capital contributions received	384	2,110
Less amounts utilized	(1,525)	(1,222)
Balance, end of year	$ 540	1,681

8. Deferred contributions (in thousands of dollars) **(continued):**

(b) Deferred capital contributions (continued):

Unamortized:

		2002	2001
Balance, beginning of year	$	31,716	31,923
Add capital contributions utilized in the year		1,525	1,222
Less amortization of deferred capital contributions		(1,479)	(1,429)
Balance, end of year		31,762	31,716
Total unspent and unamortized contributions	$	32,302	33,397

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

		2002	2001
Future budget provisions	$	2,451	–
Departmental trust funds		1,093	1,134
Scholarship and bursary funds		117	188
Departmental research funds		3,095	3,143
Departmental carry forwards		1,551	1,159
Outstanding purchase orders		317	279
Self-insurance funds		250	250
Replacement reserve - telephone		75	75
Reserve for early retirement		(500)	(189)
Ancillaries (deficit)		(759)	(751)
Replacement reserve - ancillaries		394	539
Unexpended capital fund		1,706	1,743
	$	9,790	7,570

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

The investment in capital assets is calculated as follows:

		2002	2001
Capital assets	$	58,360	58,838
Less amounts financed by:			
Obligations under capital leases		(4,346)	(4,427)
Internal financing		(4,091)	(4,407)
Unamortized deferred capital contributions		(31,762)	(31,716)
	$	18,161	18,288

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

Details of the transfer for capital transactions is as follows:

		2002	2001
Repayment of obligations under capital leases	$	81	75
Repayment of internal financing		316	274
Internally funded capital assets		3,085	3,344
Internal financing		–	(61)
	$	3,482	3,632

11. Internal financing:

Details of capital asset internal financing activities are as follows:

		April 30, 2001	Repayments	April 30, 2002
University press	$	163,656	19,495	144,161
Heating plant		1,112,099	94,864	1,017,235
Energy retrofit		2,765,681	155,269	2,610,412
Residence wiring		366,115	46,859	319,256
	$	4,407,551	316,487	4,091,064

The internal loans bear interest at a floating rate equal to the return earned on short-term investments and are to be repaid over a period ranging from five to ten years.

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, 2002, the salary entitlement for sabbatical leaves approved for the 2002/2003 academic year amounts to approximately $2,279,000 at current salary levels (2001 - $1,473,000). The salaries paid to faculty on sabbatical leave in 2002 amounted to approximately $1,700,000 (2001 - $2,146,000).

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, 2001, indicates that the guaranteed defined benefit portion of the pension plan has a surplus of approximately $9,333,000. The University's Pension Committee subsequently made pension changes which would reduce the amount of the surplus by approximately $5 million. Contributions made by the University during the year amounted to approximately $2,869,000 (2001 - $2,704,000).

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:

	2002	2001
Endowment balance, beginning of year	$ 9,041,019	9,156,384
Donations	19,228	54,562
Matching funds from the Government of Ontario	–	1,383
Reduction of accumulated interest	(456,388)	(171,310)
Endowment balance, end of year	8,603,859	9,041,019
Funds available for awards, beginning of year	117,959	143,906
Investment income	456,388	461,071
Donations	17,565	–
Bursaries awarded (total number: 387; 2001 - 483)	(487,308)	(487,018)
Funds available for awards, end of year	104,604	117,959
Total funds	$ 8,708,463	9,158,978

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

	2002	2001
Cash flows from operating activities:		
Accounts receivable	$ (3,583)	(1,675)
Inventories	2	208
Prepaid expenses	218	(173)
Accounts payable and accrued liabilities	651	(733)
Accrued vacation pay	14	(17)
Deferred revenue	636	(39)
	$ (2,062)	(2,429)

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 2002 salary exceeded the $100,000 (T-4) threshold:

Name	Position	Taxable Salary	Benefits
Allaire, Gratien	Full Professor & Vice-President Academic, Francophones Affairs (partial year)	$ 108,389	147
Bailey, Patricia	Full Professor	102,732	4,548
Beauchemin, Clair	Full Professor	100,477	148
Beswick, Anthony	Full Professor	116,224	139
Buse, Dieter	Full Professor	113,054	142
Chrysler, Ronald	Vice-President, Administration	132,308	137
Church, John	Full Professor	111,638	144
Clulow, Frank	Full Professor	120,912	137
Copper, Paul	Full Professor	115,602	138
Davidson, Les	Full Professor	114,278	151
Dennie, Donald	Full Professor & Dean of Social Sciences & Humanities	102,899	143
Dyck, Rand	Full Professor	109,615	145
Farah, Anis	Full Professor	112,082	142
Ferroni, Garry	Full Professor	102,565	148
Gedye, Richard	Full Professor	112,082	142
Goldsack, Douglas	Full Professor & Executive Director Centre in Mining & Mining Environmental Research	123,017	137
Hajdasinski, Miroslaw	Full Professor	114,057	136
Haq, Rizwan	Associate Professor & Dean of Science and Engineering	103,967	150
James, Richard	Full Professor	112,082	142
Jerome, Wendy	Full Professor	120,083	137
Kaiser, Peter	Full Professor & President-Executive Director, MIRARCo	132,381	137
Kari, Roy	Full Professor & Director, Institutional Research	112,479	151
Leach, Marcel	Full Professor	105,659	145
Lesher, Carl	Full Professor	115,885	139
Lewko, John	Full Professor / Director, Centre for Research for Human Development	106,943	144
Lindon, Paul	Full Professor & Director, School of Engineering	117,614	137
Mayer, Denis	Executive Director, Student Affairs	100,286	147
McCreath, Dougal	Full Professor	107,127	144
McGraw, Mary-Jean	Associate Professor	101,375	146
Mount, Graeme	Full Professor	108,639	144

16. Public sector salary disclosure (continued):

Name	Position	Taxable Salary	Benefits
Mount, Joan	Full Professor - Dean of Professional Schools	$ 117,963	134
Parissenti, Amadeo	Chair, Cancer Research	104,932	137
Parker, Douglas	Full Professor / Vice-President, Academic (Anglophones Affairs)	129,579	137
Pearson, David	Full Professor	104,829	147
Persinger, Michael	Full Professor	116,790	138
Pitblado, Roger	Full Professor	107,069	144
Pong, Raymond	Director, Centre for Rural and Northern Health Research	100,073	132
Rank, Werner	Full Professor	103,955	144
Saarinen, Oiva	Full Professor	100,375	147
Shorthouse, Joseph	Full Professor	107,332	153
Smith, Frank	Full Professor	103,999	2,160
Séguin, Jean	Full Professor	115,554	141
Tesson, Geoffrey	Executive Director, Health Initiatives	135,904	4,637
Tihanyi, Jeno	Full Professor	109,046	144
Todd, Leonard	Full Professor	114,415	139
Watters, Jean	President (partial year)	105,257	6,648
Westaway, Kenneth	Full Professor	118,459	140
Whissell, Cynthia	Full Professor	120,676	4,127
Wilson, Taylor	Full Professor	100,142	145

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

Details of the other fees and income are as follows:

		2002	2001
Sponsored students	$	1,125	1,071
Compulsory ancillary and other		1,219	1,333
Administrative fees:			
Federated institutions		381	376
Ancillary operations		347	318
Overhead on research contract and other trust accounts		186	99
Scholarships, bursaries and other trust accounts' contributions		1,538	1,920
Gain on lease investment		–	265
Gain on share redemption		–	149
	$	4,796	5,531