Consolidated Financial Statements of

LAURENTIAN UNIVERSITY OF SUDBURY

Year ended April 30, 2004

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AUDITORS' REPORT TO THE GOVERNORS

We have audited the following consolidated financial statements of **Laurentian University of Sudbury** as at April 30, 2004 and for the year then ended:

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

These consolidated financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation.

In our opinion these consolidated financial statements present fairly, in all material respects, the financial position of the University as at April 30, 2004 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants

Sudbury, Canada
June 30, 2004

KPMG LLP, a Canadian owned limited liability partnership established under the laws of Ontario, is the Canadian member firm of KPMG International, a Swiss nonoperating association.

LAURENTIAN UNIVERSITY OF SUDBURY

Consolidated Statement of Financial Position

April 30, 2004, with comparative figures for 2003
(thousands of dollars)

		2004	2003
Assets			
Current assets:			
Cash and short-term investments	$	17,199	17,597
Accounts receivable		7,845	7,798
Inventories		957	911
Prepaid expenses		362	177
		26,363	26,483
Loan receivable (note 2)		–	271
Investments (note 3)		15,382	13,667
Capital assets (note 4)		59,864	58,397
	$	101,609	98,818
Liabilities, Deferred Contributions and Net Assets			
Current liabilities:			
Accounts payable and accrued liabilities	$	6,932	6,802
Accrued vacation pay		967	831
Deferred revenue		1,682	1,762
Current portion of obligations under capital leases		100	93
		9,681	9,488
Long-term obligations:			
Accrued early retirement program (note 5)		376	719
Obligations under capital leases (note 6)		4,065	4,166
Post-employment benefits obligation (note 7)		1,986	1,826
		6,427	6,711
Deferred contributions (note 8):			
Deferred contributions		13,459	16,710
Deferred capital contributions		31,361	31,313
		44,820	48,023
Net assets		40,681	34,596
Commitments (note 12)			
	$	101,609	98,818

See accompanying notes to consolidated financial statements.

On behalf of the Board:

_____ Governor

_____ Governor

LAURENTIAN UNIVERSITY OF SUDBURY

Consolidated Statement of Operations

Year ended April 30, 2004, with comparative figures for 2003
(thousands of dollars)

		2004	2003
Revenue:			
Government grants and contracts	$	46,749	42,708
Tuition fees		24,138	19,119
Sales and services		11,448	10,712
Investment income		1,855	519
Research grants and contracts		14,502	15,184
Other fees and income (note 17)		6,754	4,700
Amortization of deferred capital contributions		1,470	1,469
		106,916	94,411
Expenses:			
Salaries and benefits		65,521	59,589
Operating		13,323	13,840
Scholarships and bursaries		6,800	5,907
Cost of ancillary sales and services		5,688	4,807
Depreciation		5,560	5,269
Occupancy		4,594	5,085
		101,486	94,497
Excess (deficiency) of revenue over expenses	$	5,430	(86)

See accompanying notes to consolidated financial statements.

LAURENTIAN UNIVERSITY OF SUDBURY

Consolidated Statement of Changes in Net Assets

Year ended April 30, 2004, with comparative figures for 2003
(thousands of dollars)

	Unrestricted	Vacation Pay and Post Employment Benefits	Internally Restricted (note 9)	Investment in Capital Assets (note 10)	Endowment	Total 2004	Total 2003
Net assets, beginning of year	$ (1,270)	(2,657)	7,446	19,118	11,959	34,596	35,305
Excess (deficiency) of revenue over expenses	6,722	(295)	3,094	(4,091)	–	5,430	(86)
Transfer for capital transactions (note 10)	(4,834)	–	–	4,834	–	–	–
Investment income (loss)	–	–	–	–	655	655	(623)
Net assets, end of year	$ 618	(2,952)	10,540	19,861	12,614	40,681	34,596

See accompanying notes to consolidated financial statements.

LAURENTIAN UNIVERSITY OF SUDBURY

Consolidated Statement of Cash Flows

Year ended April 30, 2004, with comparative figures for 2003
(thousands of dollars)

		2004	2003
Cash flows from operating activities:			
Excess (deficiency) of revenue over expenses	$	5,430	(86)
Adjustments for:			
Depreciation		5,560	5,269
Amortization of deferred capital contributions		(1,470)	(1,469)
		9,520	3,714
Changes in non-cash working capital (note 15)		(92)	4,050
		9,428	7,764
Cash flows from financing and investing activities:			
Purchases of capital assets		(7,027)	(5,306)
Change in deferred contributions		(3,251)	111
Deferred capital contributions		1,518	480
Change in investments		(1,715)	1,463
Change in accrued early retirement program costs		(343)	429
Decrease in loan receivable		271	135
Increase in post-employment benefit obligation		160	65
Payment of obligations under capital leases		(94)	(87)
Endowment fund balance decrease		655	(623)
		(9,826)	(3,333)
Net increase (decrease) in cash		(398)	4,431
Cash and short-term investments, beginning of year		17,597	13,166
Cash and short-term investments, end of year	$	17,199	17,597

See accompanying notes to consolidated 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 artwork 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 allocated to the related scholarship and bursary accounts and the endowment fund balance. Investment income (loss) on non-endowment investments is allocated to the respective non-endowment fund balance in proportion to their yearly weighted average.

(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 certain health benefit payments under the Laurentian University Retirees' Plan to retirees, the actuarially determined deficiency of which amounted to $2,069,289 as at April 30, 2003. 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 entities and basis of presentation:

MIRARCo

The consolidated financial statements are inclusive of the assets, liabilities, revenues and expenses of the Mining Innovation Rehabilitation and Applied Research Corporation, which is a wholly controlled entity.

1. Significant accounting policies (continued):

(h) Related entities and basis of presentation (continued):

Northern Ontario Medical School

The Northern Ontario Medical School was created in order to provide medical education in Northern Ontario. While the University, along with Lakehead University, the only voting members of the School, has significant relationships with the School, the University has no claim to the School's net assets and nor is the University liable or contingently liable for any of the School's obligations. Accordingly, the operations of the School are not included in these consolidated financial statements.

Sudbury Neutrino Observatory

The Sudbury Neutrino Observatory was created on December 2, 1997 as a joint venture of the University and three other Canadian Universities, to perform research in sub-atomic physics. The University's proportionate share of the entity's assets, liabilities, revenues and expenses to March 31, 2003 have been included in these consolidated financial statements. The 2004 financial statements are not available and accordingly, the balances and transactions will be accounted prospectively.

(i) Use of estimates:

The preparation of consolidated 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 revenues and expenses during the period. Actual results could differ from those estimates.

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 loan is interest bearing and is based on the University's internal rate of return for the previous year less 2%, to a minimum of 2%. The current year's balance of $99,000 is included in accounts receivable.

3. Investments (in thousands of dollars)**:**

	2004	2003
Pooled funds:		
Equities	$ 7,657	6,644
Fixed income	7,666	6,969
Government bonds and guaranteed investment certificates	59	54
	$ 15,382	13,667

4. Capital assets (in thousands of dollars)**:**

	2004		2003	
	Cost	Accumulated Depreciation	Cost	Accumulated Depreciation
Buildings	$ 89,304	42,036	87,484	39,849
Equipment and furnishings	70,990	59,707	65,783	56,439
Land and site improvements	6,943	5,630	6,943	5,525
	167,237	107,373	160,210	101,813
Accumulated depreciation	107,373		101,813	
	$ 59,864		58,397	

5. Accrued early retirement program costs (in thousands of dollars)**:**

The University offers a voluntary early retirement program to all University academic staff. The estimated accrued liability, which amounts to approximately $924,000, represents salaried costs owed to the participating staff members.

These retirement costs will be paid out approximately as follows:

2005	$ 548
2006	287
2007	51
2008	38
	924
Less current portion included in accrued liabilities	548
Non-current portion	$ 376

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

		2004	2003
University College residence, maturing December 1, 2020	$	963	992
Students' apartments, maturing June 1, 2024		3,202	3,267
		4,165	4,259
Less current portion		100	93
	$	4,065	4,166

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

2004 - 2008 inclusive ($406 per annum)	$	2,030
Thereafter		5,829
Total minimum lease payments		7,859
Less amount representing interest		3,694
		4,165
Less current portion included in current liabilities		100
Non-current portion	$	4,065

7. Post-employment benefits obligation:

The University provides for the reimbursement of medical expenses to retired employees provided that certain specified conditions are met. An actuarial calculation of the future liabilities thereof has been made and forms the basis for the liability reported in these consolidated financial statements.

The significant actuarial assumptions adopted in measuring the University's accrued benefit obligation are as follows:

Discount rate	6.5% per annum
Rate of return on plan assets	5.0% per annum
Inflation rate	3.0% per annum
Percent of retiring employees who elect to be covered	75%
Attribution period	from date of hire to age 65

The benefit plan expense for 2004 amounted to $211,000 (2003 - $66,000) and the benefit payments included therein made on behalf of retirees amounted to $51,000 (2003 - $46,000).

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

(a) Deferred contributions:

Deferred contributions represent 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:

		2004	2003
Balance, beginning of year	$	16,710	16,599
Add contributions received in the year		11,671	15,330
Less amounts recognized as revenue		(14,922)	(15,219)
Balance, end of year	$	13,459	16,710

(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 deferred capital contributions are as follows:

		2004	2003
Unspent:			
Balance, beginning of year	$	17	540
Add contributions received in the year		1,518	480
Less amounts utilized		(1,508)	(1,003)
Balance, end of year	$	27	17
Unamortized:			
Balance, beginning of year	$	31,296	31,762
Add contributions received in the year		1,508	1,003
Less amount amortized to revenue		(1,470)	(1,469)
Balance, end of year		31,334	31,296
Total unspent and unamortized capital contributions	$	31,361	31,313

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

	2004	2003
Sudbury Neutrino Observatory	$ 172	–
Future budget provisions	2,156	1,582
Departmental trust funds	1,704	1,120
Scholarship and bursary funds	85	139
Departmental research funds	2,471	2,701
Departmental carry forwards	2,012	1,100
Outstanding purchase orders	384	467
Self-insurance funds	250	250
Reserve for early retirement	(937)	(1,146)
Ancillaries (deficit)	(379)	(789)
Replacement reserve - ancillaries	416	316
Unexpended capital fund	1,706	1,706
Provision for pension plan liabilities	500	–
	$ 10,540	7,446

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

The investment in capital assets is calculated as follows:

	2004	2003
Capital assets	$ 59,864	58,397
Less amounts financed by:		
Obligations under capital leases	(4,165)	(4,259)
Internal financing	(4,504)	(3,723)
Unamortized deferred capital contributions	(31,334)	(31,297)
	$ 19,861	19,118

Details of the transfer for capital transactions are as follows:

	2004	2003
Repayment of obligations under capital leases	$ 94	87
Repayment of internal financing	619	368
Internally funded capital assets	4,121	4,303
	$ 4,834	4,758

11. Internal financing:

Details of capital asset internal financing activities are as follows:

	April 30, 2003	Additions	Repayments	April 30, 2004
University press	$ 123,302		26,375	96,927
Heating plant	917,080		126,038	791,042
Energy retrofit	2,445,687		243,097	2,202,590
Residence wiring	237,374		118,452	118,922
Telephone system and Xerox Machine		1,400,206	105,345	1,294,861
	$ 3,723,443	1,400,206	619,307	4,504,342

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, 2004, the salary entitlement for sabbatical leaves approved for the 2004/2005 academic year amounts to approximately $1,914,741 at current salary levels (2003 - $1,931,000). The salaries paid to faculty on sabbatical leave in 2003 amounted to approximately $2,565,893 (2003 - $2,304,000).

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 $3,348,000 (2003 - $2,948,000).

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:

	2004	2003
Endowment balance, beginning of year	$ 8,258,654	8,603,859
Donations	338	20,973
Increase (reduction) of accumulated interest	132,152	(366,178)
Endowment balance, end of year	8,391,144	8,258,654
Funds available for awards, beginning of year	72,873	104,604
Investment income	430,770	–
Transfers from internally restricted funds	–	415,164
Donations	–	3,480
Bursaries awarded (total number: 369; 2003 - 392)	(406,564)	(450,375)
Funds available for awards, end of year	97,079	72,873
Total funds	$ 8,488,223	8,331,527

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

	2004	2003
Cash flows from operating activities:		
Accounts receivable	$ (47)	1,504
Inventories	(46)	62
Prepaid expenses	(185)	13
Accounts payable and accrued liabilities	130	2,159
Accrued vacation pay	136	34
Deferred revenue	(80)	278
	$ (92)	4,050

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 2004 salary exceeded the $100,000 (T-4) threshold:

Name	Position	Taxable Salary	Benefits
Allaire, Gratien	Full Professor	$ 107,512	645
Amaratunga, Laxman	Full Professor	101,165	635
Angrand, Jean	Full Professor	105,304	645
Baiden, Gregory	Full Professor	130,034	645
Beauchemin, Claire	Full Professor	110,912	708
Beckett, Peter	Associate Professor	104,484	607
Beswick, Anthony	Full Professor	117,812	708
Bigelow, Brian	Full Professor	105,170	708
Bonin, Lionel	Director, Library	103,986	645
Boyle, David	Executive Director, Project Development - Northern Ontario Medical School	122,500	298
Bray, Matthew	Full Professor	113,158	645
Buse, Dieter	Full Professor	105,404	645
Carrière, Richard	Full Professor	104,637	645
Chrysler, Ronald	Vice-President, Administration	145,347	645
Church, John	Full Professor	109,157	645
Colilli, Paul	Full Professor & Dean of Graduate Studies & Research	104,308	645
Copper, Paul	Full Professor	132,923	645
Danielson, Richard	Full Professor	112,577	645
Davidson, Les	Full Professor	123,306	645
Dennie, Donald	Full Professor & Dean of Social Sciences & Humanities	111,318	645
d'Entremont, Harley	Vice-President, Academic (Francophone Affairs)	126,073	546
Dodge, John	Full Professor	106,907	645
Dresler, Werner	Full Professor	121,408	645
Dunn, Paul	Associate Professor	103,975	641
Duquette, Georges	Full Professor	100,143	519
Dyck, Rand	Full Professor	129,304	645
Eastman, Byron	Full Professor	118,974	645
Farah, Anis	Full Professor	114,824	708
Ferroni, Garry	Full Professor	119,163	645
Garg, Rashmi	Associate Professor	113,434	638
Gedye, Richard	Full Professor	129,720	645
Goldsack, Douglas	Full Professor	133,384	645
Guay, Michel	Full Professor	101,934	625
Hajdasinski, Miroslaw	Full Professor	116,448	695
Hallman, E. Douglas	Full Professor	125,036	645
Haq, Rizwan	Associate Professor & Dean of Science and Engineering	119,309	645
Henry, Ronald	Associate Professor	102,234	643
James, Richard	Full Professor	123,784	645

16. Public sector salary disclosure (continued):

Name	Position	Taxable Salary	Benefits
Jerome, Wendy	Full Professor	$ 129,840	499
Kaiser, Peter	Full Professor	115,015	708
Lefroy, Christopher	Associate Professor	102,234	643
Lesher, Carl	Full Professor	127,136	645
Lewko, John	Full Professor / Director, Centre for Research for in Human Development	119,518	645
Lindon, Paul	Full Professor	125,474	708
Long, Darrel	Full Professor	110,359	645
Madgett, Alan	Associate Professor	105,449	708
Mallory, Frank	Full Professor	113,686	645
Martin-Guillerm, Marguerite	Associate Professor	103,394	645
Mawhiney, Anne-Marie	Full Professor & Dean of Professional Schools	112,332	645
Mayer, Denis	Associate Vice-President, Student Affairs	107,530	645
McCreath, Dougal	Full Professor	119,715	645
McGraw, Mary-Jean	Associate Professor	106,805	629
Molohon, Kathryn	Full Professor	108,567	632
Mount, Graeme	Full Professor	111,808	645
Mount, Joan	Full Professor	109,017	632
Nash, Roger	Associate Professor	103,860	645
Parissenti, Amadeo	Full Professor & Chair, Cancer Research	117,515	572
Parker, Douglas	Vice-President, Academic (Anglophone Affairs)	144,039	645
Parker, Glenn	Full Professor	106,141	645
Partyka, Julian	Associate Professor	102,234	643
Pearson, David	Full Professor	114,471	645
Persinger, Michael	Full Professor	125,442	645
Pickard, Patricia	Associate Professor	100,895	640
Pitblado, Roger	Full Professor	120,227	645
Rabier, Christiane	Associate Professor	109,886	591
Rank, Werner	Full Professor	109,982	708
Redmond, Stephen	Site Manager - Sudbury Neutrino Observatory	101,878	581
Sandblom, William	Director, Computer Services	108,255	645
Schell, Richard	Full Professor	109,982	645
Segsworth, Robert	Full Professor	109,524	645
Séguin, Jean	Full Professor	123,784	645
Sharan, Sailendra	Full Professor	107,241	645
Shorthouse, Joseph	Full Professor	122,452	645
Simoni, Pierre	Associate Professor	101,182	637
Singh, Surinder	Full Professor	105,471	645
Strasser, Roger	Founding Dean, Northern Ontario Medical School	280,800	8,974

16. Public sector salary disclosure (continued):

Name	Position	Taxable Salary	Benefits
Tapper, Gerald	Full Professor	$ 102,209	643
Tesson, Geoffrey	Full Professor	111,306	645
Thomson, Ashley	Full Librarian	109,432	645
Todd, Leonard	Full Professor	124,862	708
Ton-That, Tuan	Associate Professor	103,660	624
Valliant, Paul	Full Professor	101,094	700
Van Der Kielen-Herman, Marguerite	Associate Professor	103,394	632
Wanzel, Robert	Full Professor	101,963	642
Westaway, Kenneth	Full Professor	132,853	645
Whissell, Cynthia	Full Professor	145,058	645
Willauer, Edward	Associate Professor	102,234	643
Wilson, Taylor	Full Professor	117,783	645
Winckel, Christopher	Associate Dean, Undergraduate Medical Education - Northern Ontario Medical School	110,000	482
Woodsworth, Judith	President	189,284	19,845
Zanibbi, Louis	Full Professor	109,172	645

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

Details of the other fees and income are as follows:

		2004	2003
Sponsored students	$	1,197	1,135
Compulsory ancillary and other		2,900	1,330
Administrative fees:			
Federated institutions		458	410
Ancillary operations		351	351
Overhead on research contract and other trust accounts		295	196
Scholarships, bursaries and other trust accounts' contributions		1,544	1,278
	$	6,745	4,700

18. Fair value of financial assets and financial liabilities:

The carrying values of cash and short-term investments, accounts receivable, accounts payable and accrued liabilities and accrued vacation pay approximate their fair value due to the relatively short periods to maturity of these items or because they are receivable or payable on demand.

Information concerning the loan receivable is provided in note 2; the fair value approximates the carrying value.

Information concerning investments is provided in note 3; the fair value approximates the carrying value.

Information concerning obligations under capital leases is provided in note 6. In view of the terms of the leases, comparable market rates are unavailable and the fair values are not readily determinable.

19. Related party transactions:

During the year, the University entered into various contracts with the Northern Ontario Medical School for the provision of services relating to Human Resources and Payroll processing, Technology and Help Desk, Accounting, Finance and Purchasing and the provision of goods, the transactions of which are summarized as follows:

Recoveries and charges for goods and services	$ 158
Interest transferred	30