

ANNUAL FINANCIAL STATEMENTS

APRIL 30, 2007

Nipissing University
April 30, 2007
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AUDITORS' REPORT

To the Board of Governors of

Nipissing University

We have audited the financial statements of Nipissing University as at and for the year ended April 30, 2007 comprising the following:

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 administration of the University. 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, 2007 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, Licensed Public Accountants

North Bay, Canada
July 13, 2007

Nipissing University

STATEMENT OF FINANCIAL POSITION [in thousands]

As at April 30	2007	2006
	\$	\$
ASSETS		
Current		
Cash and short-term investments	19,047	13,561
Accounts receivable	2,533	1,727
Accrued interest	39	33
Prepaid expenses	47	49
Inventories	204	217
	21,870	15,587
Investments [note 3]	10,675	9,613
Long-term Receivable[note 4]	490	490
Capital assets, net [note 5]	59,567	59,000
	92,602	84,690
LIABILITIES, CONTRIBUTIONS AND NET ASSETS		
Current		
Accounts payable and accrued liabilities	5,808	5,398
Student levies held in trust [Note 6]	1,046	602
Accrued sick leave obligation	253	316
Deferred revenue	5,394	5,299
Current portion of long-term debt [note 7]	839	789
	13,340	12,404
Long-term obligations		
Long-term payable [note 4]	490	490
Long-term debt [note 7]	31,489	32,367
Deferred contributions [note 8]	265	266
Deferred capital contributions [note 9]	25,950	24,661
	58,194	57,784
	71,534	70,188
Net assets	21,068	14,502
	92,602	84,690

Subsequent events see note 15
See accompanying notes

Signed on behalf of the
the Board of Governors

Governor

Governor

Nipissing University

STATEMENT OF OPERATIONS

[in thousands]

Year ended April 30	2007	2006
	\$	\$
REVENUE		
Government grants	27,225	22,727
Student fees	24,177	21,867
Sales and services	4,174	4,152
Scholarship fund	65	59
Donations	198	120
Amortization of deferred capital contributions	2,081	1,988
Investment	876	513
Other	4,679	3,621
	63,475	55,047
EXPENSES		
Academic	27,642	24,718
Academic support	3,449	3,409
Administration	5,457	5,377
Student services	2,701	2,290
Alumni and development	1,690	1,372
Library	1,567	1,318
Scholarship and bursaries	2,050	2,055
Research	2,143	1,036
Interest	2,175	2,239
Plant	3,228	3,783
Other	2,257	1,833
Amortization of capital assets	3,263	3,170
	57,622	52,600
Excess of revenues over expenses	5,853	2,447
Change in internally restricted net assets [note 10]	(5,500)	(3,650)
Change in investment in capital assets [note 11]	(106)	894
Change in Unrestricted funds in the year	247	(309)
Unrestricted net assets, beginning of year	267	576
Unrestricted net assets, end of year	514	267

See accompanying notes

Nipissing University

STATEMENT OF CHANGES IN NET ASSETS

[in thousands]

Year ended April 30

	2007				2006	
	Unrestricted	Internally	Investment	Endowments	Total	Total
	\$	restricted	in capital	\$	\$	\$
		\$	assets			
		[Note 10]	[Note 11]	[Note 12]		
Net assets, beginning of year	267	7,769	1,183	5,283	14,502	11,053
Excess (deficiency) of revenues over expenses	7,035		(1,182)		5,853	2,447
Change in investment in capital assets	(1,288)		1,288			
Change in internally restricted net assets	(5,500)	5,500				-
Endowment contributions				713	713	1,002
Net assets, end of year	514	13,269	1,289	5,996	21,068	14,502

See accompanying notes

Nipissing University

STATEMENT OF CASH FLOWS

[in thousands]

Year ended April 30	2007	2006
	\$	\$
Cash provided by (used in):		
Operations:		
Excess of revenues over expenses	5,853	2,447
Items not involving cash:		
Amortization of capital assets	3,263	3,170
Amortization of deferred capital contributions	(2,081)	(1,988)
Change in non-cash operating working capital:		
Accounts receivable	(806)	(172)
Accrued interest	(6)	(12)
Prepaid expenses	2	(2)
Inventories	13	(94)
Accounts payable and accrued liabilities	410	(775)
Student levies held in trust	444	359
Accrued sick leave	(63)	20
Deferred revenue	95	(172)
	7,124	2,781
Financing and investments:		
Net endowment contributions	713	1,002
Proceeds of long-term debt	-	12,300
Bank indebtedness	-	(5,769)
Long-term debt principal repayments	(828)	(671)
Purchase of capital assets	(3,830)	(6,565)
Long-term receivable	-	22
Long-term investments, net	(1,062)	(1,441)
Deferred contributions	(1)	-
Deferred capital contributions	3,370	2,527
	(1,638)	1,405
Net increase in cash and short-term investments during the year	5,486	4,186
Cash and short-term investments, beginning of year	13,561	9,375
Cash and short-term investments, end of year	19,047	13,561

See accompanying notes

Nipissing University

NOTES TO FINANCIAL STATEMENTS

April 30, 2007

1. DESCRIPTION

Nipissing University [the 'University'] was incorporated as a university in 1992 under the laws of the Province of Ontario. It's mission is to provide undergraduate programs in Liberal Arts, Science, Business and undergraduate and graduate programs in Education. The University aspires to fulfil the best traditions of scholarship and to provide an environment committed to the ideals of free inquiry and expression. As a university with predominantly undergraduate programming and roots in teacher education, the University places priority on the highest ideals of instructional excellence.

These financial statements reflect the assets, liabilities, net assets, revenue, expenses and other transactions of all of the operations and organizations controlled by the University. Accordingly, these financial statements include the academic, administrative and other operating expenditures funded by fees, grants and other general revenue; restricted purpose endowment funds; and the ancillary operations, such as residences.

The University has an economic interest in a Crown-controlled foundation, Nipissing University Foundation [the "Foundation"], which is not consolidated. The principal objectives of the Foundation are to solicit, receive and distribute monies and other property to support education and research at the University.

The University is a not-for-profit organization and, as such, is exempt from income taxes under the Income Tax Act (Canada).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles within the framework of the accounting policies summarized below:

Investments

Short-term investments, which consist primarily of bankers' acceptances and short-term deposits, are carried at cost which approximates market value.

Long-term investments are recorded at cost. Gains and losses on sales of investments are recognized in the year of disposal and are included in investment income. Investments are written down in the year when there is deemed to be an impairment in value which is other than temporary.

Nipissing University

NOTES TO FINANCIAL STATEMENTS

April 30, 2007

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Inventories

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

Capital assets

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

Buildings	40 years
Equipment and furnishings	5-10 years
Library books	5 years

Costs of construction in progress, including interest, are capitalized. Amortization is not recognized until project completion.

Internally restricted net assets

The University restricts use of portions of its operating assets for specific future uses. These internally restricted amounts are not available for other purposes without approval of the Board of Governors.

Revenue recognition

The University follows the deferral method of accounting for contributions, which include donations and government grants. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Unrestricted donations are recorded on a cash basis since pledges are not legally enforceable claims. Contributions externally restricted for purposes other than endowment are deferred and recognized as revenue in the year in which the related expenses are recognized. Endowment contributions are recognized as direct increases in net assets in the year in which they are received. Student fees are recognized as revenue when courses and seminars are held. Sales and services revenue is recognized at point of sale or when the service has been provided.

Nipissing University

NOTES TO FINANCIAL STATEMENTS

April 30, 2007

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Contributed materials and services

Volunteers contribute an indeterminable number of hours per year. Because of the difficulty of determining their fair value, contributed materials and services are not recognized in these financial statements.

Use of estimates

The preparation of the 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 year. Actual results could differ from those estimates.

3. INVESTMENTS

Investments consist of the following:

	2007		2006	
	Cost	Market value	Cost	Market Value
	(\$000)	(\$000)	(\$000)	(\$000)
Bonds and Short-term Pooled Funds	474	506	323	355
Sceptre Pooled Funds	10,201	12,657	9,290	11,419
	10,675	13,163	9,613	11,774

Investments consist of funds held in pooled investment funds managed by Sceptre Investment Counsel Limited, and selected government and corporate bonds.

Nipissing University

NOTES TO FINANCIAL STATEMENTS

April 30, 2007

4. LONG-TERM RECEIVABLE/ LONG-TERM PAYABLE

City of North Bay/Heritage Fund

In fiscal year 2000, the University, in conjunction with Canadore College, entered into an agreement with the Corporation of the City of North Bay whereby the City would construct sewer and water services on behalf of the Education Centre.

The University, in conjunction with Canadore College, entered into an agreement with the Northern Ontario Heritage Fund Corporation, to provide financing for this project.

The University's 50% share of this project has been recorded in the financial statements as follows:

	Total Incurred (\$000)	University Share (\$000)
Long-term receivable from City of North Bay from future lot levies for sewer and water connections	980	490
Long-term payable to Northern Ontario Heritage Fund Corporation	980	490

There are no specific repayment terms for the long-term receivable/payable. The long-term receivable/payable are unsecured.

Nipissing University

NOTES TO FINANCIAL STATEMENTS

April 30, 2007

5. CAPITAL ASSETS

Capital assets consist of the following:

	2007			2006		
	Cost	Accumulated amortization	Net book value	Cost	Accumulated amortization	Net book value
	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)
Land	806	—	806	156	—	156
Buildings - Operating	33,583	7,679	25,904	32,488	6,841	25,647
- Residence	29,355	3,720	25,635	29,355	2,985	26,370
Equipment and furnishings:						
- Operating	15,983	11,045	4,938	14,317	9,983	4,334
- Residence	2,708	1,560	1,148	2,708	1,323	1,385
Library books	7,783	6,647	1,136	7,364	6,256	1,108
	90,218	30,651	59,567	86,388	27,388	59,000

The increase in net book value of capital assets is due to the following:

	2007 (\$000)	2006 (\$000)
Balance, beginning of year	59,000	55,605
Purchase of capital assets internally and debt financed	650	4,187
Purchase of capital assets funded by deferred capital contributions	3,180	2,378
Less: amortization of capital assets	(3,263)	(3,170)
Balance, end of year	59,567	59,000

Interest costs of \$nil were capitalized during the year (2006 - \$75,000).

6. STUDENT LEVIES HELD IN TRUST

Student levies have been collected in advance of construction of a proposed expanded student centre. These funds, totalling \$1,046,069 (2006 - \$602,000) as at year end, are maintained in a segregated cash fund and are shown as Student levies held in trust and are to be used toward the project costs.

April 30, 2007

7. LONG-TERM DEBT

Long-term debt consists of the following:

	2007 (\$000)	2006 (\$000)
Founders House Student Residence:		
Financing for Founders House Residence was renewed July 2002, through an Interest Rate Swap Contract with a Canadian Chartered Bank. The remaining principal at that date of \$ 5,785,210 is amortized over a 20 year period with an interest rate of 6.82%. Monthly blended payments are approximately \$44,500. The unsecured swap agreement matures July 4, 2022.	4,989	5,175
Chancellors House Student Residence:		
Financing for the Chancellors House Student Residence was provided through an Interest Rate Swap Contract with a Canadian Chartered Bank. The original principal of \$10,087,132 is amortized over a 25 year period with an interest rate of 7.05%. Monthly blended payments are approximately \$72,000. The unsecured swap agreement matures August 4, 2026.	9,017	9,237
Chancellors House Student Residence Expansion:		
Financing for the Chancellors House Student Residence expansion was provided through an Interest Rate Swap Contract with a Canadian Chartered Bank. The original principal of \$ 3,650,000 is amortized over a 25 year period with an interest rate of 6.74%. Monthly blended payments are approximately \$25,400. The unsecured swap agreement matures September 1, 2028.	3,408	3,480
Nipissing University Student Athletic Centre:		
6.45% renewable term loan with monthly blended payments of principal and interest of \$23,527 and original principal of \$3,500,000 issued July 30, 2002. Payments were calculated over a 25 year term. This unsecured loan matures July 30, 2009.	3,024	3,108
Subtotal Long-term debt	20,438	21,000

Nipissing University

NOTES TO FINANCIAL STATEMENTS

April 30, 2007

7. LONG-TERM DEBT(cont'd)

	2007 (\$000)	2006 (\$000)
Subtotal carried forward	20,438	21,000

Governors House Student Residence:

The University has entered into an Interest Rate Swap transaction with a Canadian Chartered Bank in the amount of \$11.1 million dollars with an effective interest rate of 5.95% amortized over 25 years. The effective date for the swap was August 1, 2005 and the agreement term is 10 years. Monthly blended payments of principal and interest will be approximately \$ 71,000. This unsecured swap agreement matures August 1, 2030.

10,739 10,976

Brantford Campus Financing:

The University has entered into a ten-year, term loan agreement with a Canadian Chartered Bank in the amount of 1.2 million dollars to be amortized over twenty-five years. The interest rate for the ten years will be 4.56%. Monthly blended payments of principal and interest will be approximately \$6,700 commenced July 31, 2005. This unsecured loan matures June 30, 2015.

1,151 1,180

Total long-term debt	32,328	33,156
Less current portion	839	789
Long-term debt	31,489	32,367

The following are the minimum annual debt principal repayments due over the next five years and thereafter:

Years ended April 30,	(\$000)
2008	839
2009	895
2010	3,691
2011	910
2012	967
Thereafter	25,026
	32,328

Total interest expense for the year ended April 30, 2007 was \$2,373,000 [2006 -\$2,239,000].

Nipissing University

NOTES TO FINANCIAL STATEMENTS

April 30, 2007

8. DEFERRED CONTRIBUTIONS

Deferred contributions represent the unspent amount of externally restricted donations and grants received for research and other restricted purposes. The change in the deferred contribution balance is as follows:

	2007 (\$000)	2006 (\$000)
Balance, beginning of year	266	266
Add: contributions received during the year	2,142	972
Less: amount recognized as revenue	(2,143)	(972)
Balance, end of year	265	266

9. DEFERRED CAPITAL CONTRIBUTIONS

Deferred capital contributions represent the unamortized amount of donations, student contributions and grants received for the purchase of capital assets. The amortization of deferred capital contributions, which commence once an asset is put into service, is recorded as revenue in the statement of operations and changes in surplus. The change in the deferred capital contribution balance is as follows:

	2007 (\$000)	2006 (\$000)
Balance, beginning of year	24,661	24,122
Add: contributions received in the year	3,180	2,378
excess contributions received towards Nipissing University		
Student Athletic Centre financing	190	149
Less: amortization of deferred capital contributions	(2,081)	(1,988)
Balance, end of year	25,950	24,661

Nipissing University

NOTES TO FINANCIAL STATEMENTS

April 30, 2007

10. INTERNALLY RESTRICTED NET ASSETS

Details of internally restricted funds are as follows:

	2007 (\$000)	2006 (\$000)
Infrastructure upgrades	1,250	—
Scholarship funds	611	571
Donations	1,203	1,123
Capital projects	8,641	4,954
Native Education program	121	121
Ancillary operations	1,443	1,000
	13,269	7,769

Restricted funds for capital projects include the Muskoka campus expansion, the Monastery site renovations, the research wing expansion and vacated space retrofitting projects.

11. INVESTMENT IN CAPITAL ASSETS

The investment in capital assets consists of the following:

	2007 (\$000)	2006 (\$000)
Capital assets (net)	59,567	59,000
Less amounts financed by:		
Debt	(32,328)	(33,156)
Deferred capital contributions [note 9]	(25,950)	(24,661)
	1,289	1,183

Nipissing University

NOTES TO FINANCIAL STATEMENTS

April 30, 2007

12. ENDOWMENTS

Endowments consist of externally restricted donations received by the University. The endowment principal is required to be maintained intact. The investment income generated from endowments must be used in accordance with the various purposes established by donors. The University ensures, as part of its fiduciary responsibilities, that all funds received with a restricted purpose are expended for the purpose for which they were provided.

[a] The Government of Ontario established the Ontario Student Opportunity Trust Fund (OSOTF) and the Ontario Trust of Student Support (OTSS) programs to encourage individuals and companies to contribute and endow funds to support post-secondary students. Externally restricted endowments include grants provided by the Government of Ontario from the OSOTF and OTSS matching program. The University established three funds – OSOTF - Phase 1 in fiscal 1997; OSOTF - Phase 2 in fiscal 2004; and OTSS in fiscal 2005. Investment income earned on these funds is used to finance awards to qualified students in need of financial aid.

OSOTF - Phase 1	2007 (\$000)	2006 (\$000)
Ontario Student Opportunity Trust Fund balance, beginning and end of year	3,535	3,535
Other endowments, balance beginning of year	852	57
Donations and contributions	372	795
Other endowments, balance end of year	1,224	852
	4,759	4,387
Expendable balance, beginning of year	918	560
Realized investment income, net of direct investment-related expenses	307	123
Unrealized investment income	77	391
Bursaries awarded (2007 – 123 bursaries, 2006 – 114 bursaries)	(178)	(156)
Expendable balance, end of year	1,124	918

Nipissing University

NOTES TO FINANCIAL STATEMENTS

April 30, 2007

12. ENDOWMENTS(cont'd)

OSOTF – Phase 2	2007 \$	2006 \$
Endowment balance, beginning and end of year	689,242	689,242
Expendable balance, beginning of year	186,752	21,619
Realized investment income, net of direct investment-related expenses	46,051	22,017
Unrealized investment income	34,869	151,616
Bursaries awarded (2007 – 14 bursaries, 2006 – 13)	(10,500)	(8,500)
Expendable balance, end of year	257,172	186,752

Nipissing University

NOTES TO FINANCIAL STATEMENTS

April 30, 2007

12. ENDOWMENTS(cont'd)

OTSS	2007 \$	2006 \$
Endowment balance, March 31, 2006	204,006	—
Cash donations received within annual matching ceiling	143,821	102,003
Matching funds received from MTCU	143,821	102,003
Endowment balance, March 31, 2007	491,648	204,006
Cash donations received April	52,551	2,768
Endowment balance, April 30, 2007	544,199	206,774
Expendable balance, beginning of year	3,143	—
Realized investment income, net of direct investment-related expenses	10,170	3,143
Bursaries awarded (2007 – 4 bursaries, 2006 – nil)	(3,500)	—
Expendable balance, end of year	9,813	3,143
Outstanding donations pledged	54,501	51,699

Nipissing University

NOTES TO FINANCIAL STATEMENTS

April 30, 2007

13. EMPLOYEE FUTURE BENEFITS

The majority of the University's employees are members of the Nipissing University Retirement Pension Plan, a defined contribution plan. Certain faculty are members of the Ontario Teacher Pension Plan, a multi-employer defined benefit plan.

Total pension costs incurred for the year were \$1,521,000 [2006 - \$1,360,000].

14. FINANCIAL INSTRUMENTS

The fair value of cash and short-term investments, accounts receivable, accrued interest, accounts payable and accrued liabilities approximate their carrying amounts due to the immediate short-term maturity of these financial instruments.

The fair value of investments was \$ 13,163,000 (2006 \$ 11,774,000). Pooled investments are valued at the unit values supplied by the pooled fund administrator which represent the University's proportionate share of underlying assets at fair values determined using closing market prices. Bonds are valued at year-end quoted market values where available. Where quoted market values are not available, estimated fair values are calculated using comparable securities.

The fair value of the long term debt is approximately \$33.9 million given current rates of borrowing.

The fair value of the University's long-term receivable and payable, student levies held in trust and accrued sick leave obligation cannot reasonably be calculated due to the special nature of these liabilities. See notes 4 and 6.

15. SUBSEQUENT EVENTS

Purchase of Property

On June 8, 2007, the University entered into an agreement for the purchase of land from the Town of Bracebridge. The consideration for the purchase of land was one dollar. Under the terms of the agreement, the University committed to undertake the construction of an academic building to become the home of its Muskoka campus. The Town of Bracebridge retains the first right of refusal to repurchase the land and building should the University decide to sell the property within fifteen years of the agreement date.

Nipissing University

NOTES TO FINANCIAL STATEMENTS

April 30, 2007

15. SUBSEQUENT EVENTS(cont'd)

Purchase of Building and Property

On July 4, 2007, the University entered into an agreement for the purchase of land and a vacant building from the City of Brantford. The consideration for the purchase of land and building was one dollar. Under terms of the agreement, the University has agreed to undertake certain improvements to the vacant building to be completed within two years of the signing of the agreement. To assist with the construction process, the City of Brantford has granted to the University a forgivable loan of \$600,000 and a repayable loan of \$1,500,000. The repayable loan is interest free and is repayable beginning July 4, 2010 with three annual instalments of \$150,000 followed by six annual instalments of \$175,000.

Sale and Lease Back of Equipment

In July 2007, the University completed a sale and lease back of certain information technology equipment. The value of this equipment was \$238,000. No gains or losses were recorded on the sale of this equipment.

16. COMPARATIVE FIGURES

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

Nipissing University

NOTES TO FINANCIAL STATEMENTS

April 30, 2007

17. SUPPLEMENTAL INFORMATION

In addition to the information presented in the Statement of Operations, presented below is a Schedule of Expenses classified by object of expense.

Year ended April 30	2007 (\$000)	2006 (\$000)
EXPENSES		
Employee Salaries and Benefits	34,505	30,661
Academic Supplies and Services	7,476	7,059
Plant and Operating Expenditures	8,153	7,416
Scholarships and Bursaries	2,050	2,055
Interest	2,175	2,239
Amortization of capital assets	3,263	3,170
	57,622	52,600
