Laurentian University
Université Laurentienne

ANNUAL FINANCIAL REPORT

Fiscal year ended April 30, 2015

SUDBURY | BARRIE ON
laurentian.ca

TABLE OF CONTENTS

Review of fiscal 2014-2015 2
- Highlights 2
- Planning, capital projects and financing 4
- Compensation and benefits 7
- Revenue trends 8
- Ancillaries 8
- Externally funded research 9

Financial statement highlights 10
- Consolidated Statement of Financial Position 10
- Consolidated Statement of Operations 11

Statement of Administrative Responsibility 12

Audited Consolidated Financial Statements 13
- Independent Auditors' Report 14
- Consolidated Statement of Financial Position 16
- Consolidated Statement of Operations 17
- Consolidated Statement of Changes in Net Assets (Deficiency) 18
- Consolidated Statement of Cash Flows 19
- Notes to Consolidated Financial Statements 20

REVIEW OF FISCAL 2014-2015

Highlights

Laurentian University (the University or Laurentian) titled its 2014-2015 Operating Budget "Shaping Our Future". This Annual Financial Report reflects on how the University used its resources in 2014-2015 to "Shape Our Future".

During 2014-2015, the University developed a new Academic Plan which builds on the three major plans from the prior year.

- Graduate Expansion Implementation Plan
- Research Support Framework
- Flexible Learning Strategy

These plans, in addition to the 2012-2017 Strategic Plan and 2012-2017 Strategic Research Plan, formed the foundation for decisions regarding allocation of resources in 2014-2015.

In May of 2015, the University learned that its proposal for a stand-alone campus in Barrie as part of the Major Capacity Expansion (MCE) process would not be approved for funding at this time. Since then, the University met with the City of Barrie which reaffirmed its commitment and support of Laurentian's presence in Barrie. The University continues normal operations in Barrie while exploring its options to deliver outstanding new programs in the future. The University had capitalized costs relating to a new Barrie campus in the amount of $577k and had a restricted net deficit of $1,601k relating to Barrie operations from 2012 to 2014, which resulted in a transfer of this deficit from the internally restricted fund to the operating fund in the amount of $2,178k in 2014-2015.

Three major capital projects are currently underway: Sudbury Campus Modernization, School of Architecture Phase 2, and completion of the exterior of the Single Student Residence. Phase 2 of the School of Architecture is well underway with an expected completion in early spring 2016. Initial Sudbury Campus Modernization initiatives have greatly improved the quality of food services with the renovated Great Hall and the launch of the Fresh Food Company. Newly renovated undergraduate science teaching laboratories in Science I and Science II and renovated classroom and social spaces in Alphonse Raymond, will be available in September 2015. The Sudbury Campus Modernization project will continue through 2015-2016 with a planned completion in the fall of 2016. The Single Student Residence Rehabilitation Project undertaken in 2012 was completed in the summer of 2015 and the residence is expected to be at full occupancy in September 2015.

In addition to the previously approved projects, a new Cardiovascular Metabolic Research Lab was approved in 2014-2015 for construction in 2015-2016 at a cost of $4 million to be funded through increased research funding generated by the new lab.

Student recruitment and retention are key drivers of the University's revenues. Provincial government funding continues to decline on a per student basis and the provincial tuition framework capped total annual domestic tuition increases at an average of three percent (3%) until 2016. However, enrolment continues to grow with the introduction of new programs such as Architecture combined with a strong demand in professional programs. Enrolment increased in Sudbury by close to 200 students, while continuing to increase the average entry grade.

Average entry grade has increased from 79% in 2008 up to 82%!

SMA approves 76 additional graduate spaces!

The Graduate Expansion Plan is well underway with an approval of 76 additional graduate spaces through the 2014-2017 Strategic Mandate Agreement (SMA) process. The University has surpassed the allocated funded graduate spaces for 2014-15.

Financially, the University continues to meet its commitment to repay its unrestricted operating deficit accumulated between 2008-09 and 2010-11. The unrestricted operating deficit at the end of fiscal 2015 was $9,811k (which includes the one-time adjustment for Barrie operations of $2,178k noted above).

Highlights (continued)

The University has delivered many of its Strategic Plan 2012-2017 outcomes as witnessed by some major moments over the past year.

Laurentian graduates have attained the highest post-graduation employment rates in Ontario at 92.6% after 6 months, for an impressive fourth consecutive year

The University was awarded an additional Canada Research Chair Tier 1 in recognition of its growing share of tri-council funding nationally

A very successful and energizing two-day all-employee symposium "Connections 2015" was held in May

The new Speech and Language University Clinic opened

Dr. Pamela Toulouse from the School of Education was honoured as one of this year's 3M National Teaching Fellows

New bilingual degrees in Chemical Engineering, Mechanical Engineering and Mining Engineering were approved and will be introduced in the fall of 2016

Laurentian University climbed four spots in Maclean's University rankings and is now in the Top 10 of all Canadian universities in the primarily undergraduate category

Canadian Institute of Mining, Metallurgy and Petroleum (CIM) has honoured Dr. Dean Millar of the Bharti School of Engineering and MIRARCO as a Distinguished Lecturer

The new facility for the Centre for Research in Occupational Safety and Health (CROSH) was opened, and Dr. Tammy Eger was appointed as Research Chair

CROSH CRSST

Vale Living With Lakes Centre was honoured with two prestigious awards from the Ontario Association of Architects

Bharti School of Engineering made history as both the Junior and Senior design teams won at the 2015 Canadian Engineering Competition

Senate unanimously approved a new 2015-2018 Academic Plan

The University's designation under Ontario's French Language Services Act took effect

Voyageurs men's hockey returned to the playoffs after 15 years

Planning, Capital Projects & Financing

❖ Campus Modernization

The Board of Governors approved the Campus Modernization project in 2013 as a $50.1 million renovation of approximately 250,000 sq. ft. of existing buildings and 20,000 sq. ft. of new construction on the Sudbury campus, in addition to $2.6 million to modernize food service facilities.

The final outcome of this project will be accessible student services, a "front door" welcoming centre, classrooms designed to accommodate diverse teaching and learning styles, dynamic student experiences in new social spaces that nurture a strong sense of community and belonging as well as enhanced gathering spaces for faculty, staff, graduate students and alumni. The creation of the Indigenous Sharing and Learning Centre and the University Club, both generously supported by donations, as well as a new Student Centre funded by student fees resulting from a positive referendum, are also being managed as part of this umbrella project known as Campus Modernization.

Campus Modernization project, with the exception of the student centre, is scheduled for completion in December 2016.

❖ School of Architecture

The School of Architecture was launched in downtown Sudbury in September 2013, resulting from strong advocacy and leadership by a local steering committee dedicated to urban renewal. The capital construction of $44.1 million brings significant economic activity to the region over the construction period of 2012-2016. An Economic Impact Study undertaken during the pursuit phase of planning for the school estimated annual incremental economic activity in the region to be $15 million.

Like the Northern Ontario School of Medicine (NOSM), Laurentian's School of Architecture develops new knowledge in the north, for the north. Use of design and materials that respond to northern cultures, communities, and climate are expected to generate new opportunities for industry to grow in northern communities.

Facilities for the School of Architecture are being built in two phases: Phase 1 was completed in the summer of 2013 in preparation to welcome the inaugural class in September 2013. Phase 2 consists of 55,000 sq. ft. of new construction, which began in March 2014.

School of Architecture Phase 2 is scheduled to be complete in 2016.

Planning, Capital Projects & Financing (continued):

❖ Cardiovascular and Metabolic Research Lab

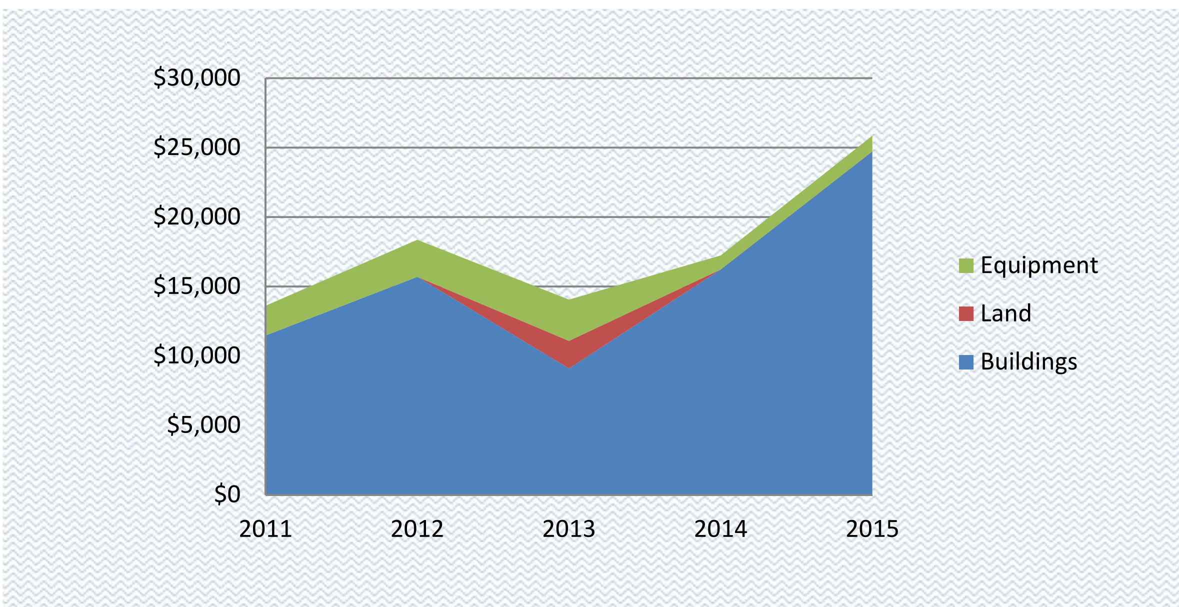
The Board of Governors approved the construction of a one-storey building of approximately 3,800 sq. ft. between the Health Sciences Resource Centre building and the “Education” building at an estimated cost of $4 million, thus reinforcing the “Health” cluster envisioned in the Sudbury Campus Master Plan approved by the Board of Governors in October 2013. The lab space would house a new Cardiovascular and Metabolic Research Unit.

The mission of this research unit will be to foster excellence in cardiovascular and metabolic research by facilitating activity and collaboration among scientists at Laurentian, the Northern Ontario School of Medicine and Health Sciences North. Specifically, its research will focus on the pathophysiological mechanisms, biomarker exploration, and novel therapeutic approaches for cardiovascular diseases, diabetes and cancer. Members of the research unit will also be involved in studies on asthma and aging development.

This new research team will be bringing to Laurentian approximately 50 pieces of sophisticated research equipment worth approximately $1.3 million. Once fully transferred, the research unit is expected to secure on average in excess of $1 million annually in research income.

❖ Capital additions by fiscal year (000’s)

Over the past five years, Laurentian has invested heavily in its physical resources to a total of approximately $89 million. The graph below illustrates these investments by year.



Planning, Capital Projects & Financing (continued):

❖ Capital Financing

Capital and operational projects are financed through long-term debt and through internal funding. Of the total outstanding long-term debt in the amount of $64,906,000 at the end of fiscal 2015, $42,547,000 is related to ancillary operations, $15,021,000 to the School of Education and $7,338,000 to the Voyageur Recreation Centre, which is 60% supported by student fees. Additional long-term debt of $1,335,000 has been secured for ancillary operations and $40,527,000 for completion of the campus modernization project in January 2017.

A number of projects are scheduled to be financed by internal debt. Total future additional internal debt is $10,411,000 for 2015-2016 (Metabolic Lab $4,000,000, School of Architecture $3,100,000, Campus Modernization $1,791,000, major roof repair $1,000,000 and ancillary operations $520,000) and $2,596,000 for 2016-2017 (Campus Modernization Project $2,196,000 and ancillary operations $400,000). Ongoing major capital projects are financed by internal debt until receipt of funding or long-term borrowing. The following schedule provides the projected balance of projects funded through internal debt in the next three years:

In thousands (000's)	**30-Apr-16**	**30-Apr-17**	**30-Apr-18**
Operations	10,772	12,169	11,473
Ancillaries	3,233	3,212	2,749
Total projected internal debt	**14,005**	**15,381**	**14,222**

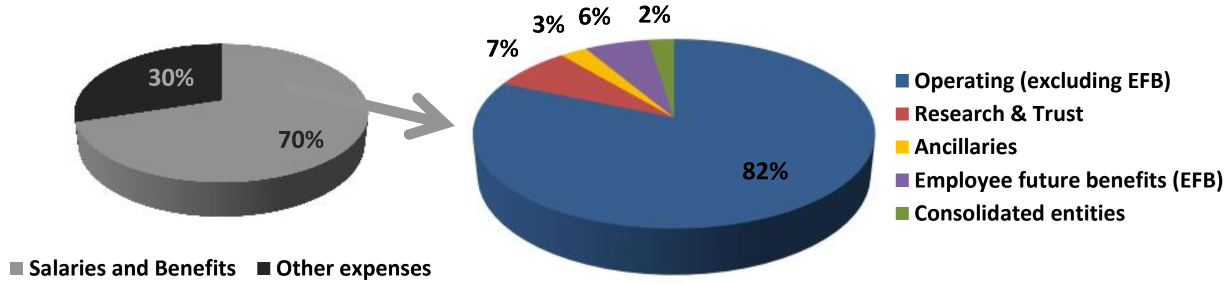
❖ Energy and Sustainability

The University recognizes the importance of sustainability in all of its activities. Sustainability, defined as ***"the ability to meet the needs of the present organization, without compromising the ability of future generations to meet their own needs"*** is reflected in the following projects undertaken in 2014-2015:

- Piloting new commodity metering
- Creation of a new website combined with community partnerships and outreach campaigns
- Composting in residences and at the Great Hall
- New commodity hedges and contracts
- Approval for solar PV installations on roofs of buildings
- New E-Waste Depot
- Signed international sustainability declaration.

Compensation and Benefits

As shown below, salaries and benefits expense represents a significant portion (70%) of the University's total expenditures. The chart on the right displays the breakdown of this 70%.



Employee Future Benefits (EFB)

The University has three post-employment benefit plans. The first is a defined benefit pension plan (formerly a hybrid plan until 2012) in which the University contributes the required funding to support its current obligation and any past service cost. The employees contribute a set amount as determined either through collective bargaining or through decisions made by the Board. The benefits are based on years of service and the average of the best five consecutive years of salary at retirement. The second benefit is the Retiree Health Benefit Plan (RHBP) to which the employees contribute during their employment. The benefit is based upon a fixed annual maximum reimbursement of actual expenses claimed. The third benefit is a supplemental pension plan to provide eligible employees with benefits otherwise available should the Canada Revenue Agency limitations not have been imposed.

The University determines its obligations for its employee future benefits using funding assumptions within its financial statements.

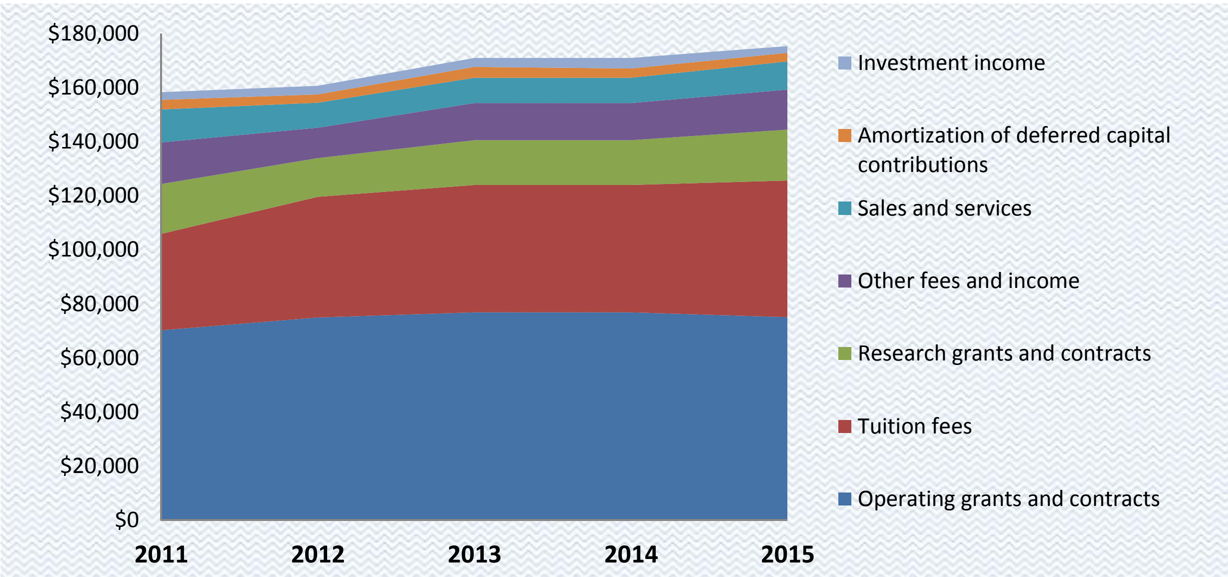
The going concern surplus of the Pension Plan at April 30, 2015 is $18.7 million (2013-2014 deficit of $3.9 million). The solvency deficit, which will need to be funded commencing in 2018 continues to increase with decreasing long-term interest rates, and is estimated to be ($48.6) million at April 30, 2015. The University currently has a solvency exemption until 2018. The supplemental pension plan is not funded and has a liability of ($3.3) million.

The RHBP has been underfunded since its inception and currently has a deficit of $5.9 million. The University is seeking to resolve this problem through discussions with full-time unionized and non-unionized employees.

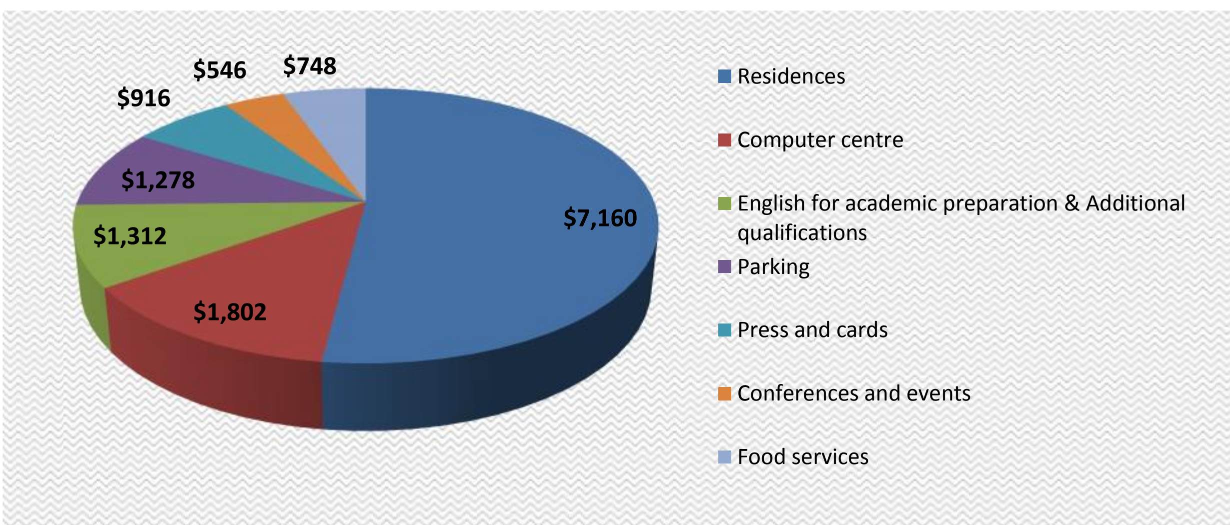
Laurentian University, like many other Ontario Universities, is examining options to solve the funding requirements for pension plan solvency deficits. The University is participating in a joint Council of Ontario Universities (COU) / Ontario Confederation of University Faculty Association (OCUFA) University Pensions Project and is also working with its actuaries to determine solutions to solvency deficit funding.

Revenue Trends
(in 000's)

The following chart depicts the University's revenue sources over the past 5 years. Grant revenue has seen minimal increases over the years and a decrease this past year because of changes to government funding policy. This trend has increased the reliance on tuition fees to cover inflation and increasing expenses. Tuition fees represented 22% of total revenue in 2011 and this has climbed to 29% in 2015.



Ancillary Revenues
(in 000's)



Ancillary revenues have increased 7.4% since 2014. This is primarily due to the completion of Single Student Residence renovations that allowed the reopening of all rooms in January 2015. In addition, there was an increase in food services revenue due to the introduction of meal plans and the Fresh Food Company.

Externally Funded Research

(in 000`s and excludes related entities)	**2015**	**2014**
Revenue		
Grants and contracts	$ 10,972	$ 9,508
Other	12	13
	10,984	9,521
Expenses		
Salaries and benefits	7,174	6,986
Other	4,177	3,565
	11,351	10,551
Deficiency of revenue over expenses, being decrease in deferred research contributions	**(367)**	**(1,030)**
Deferred research contributions, beginning of year	**12,044**	**13,074**
Deferred research contributions, end of year	**$ 11,677**	**$ 12,044**

External research revenue increased 15.4% over 2013-2014, largely as a result of an increase in funding from the Natural Sciences and Engineering Research Council (NSERC) due to new research projects.

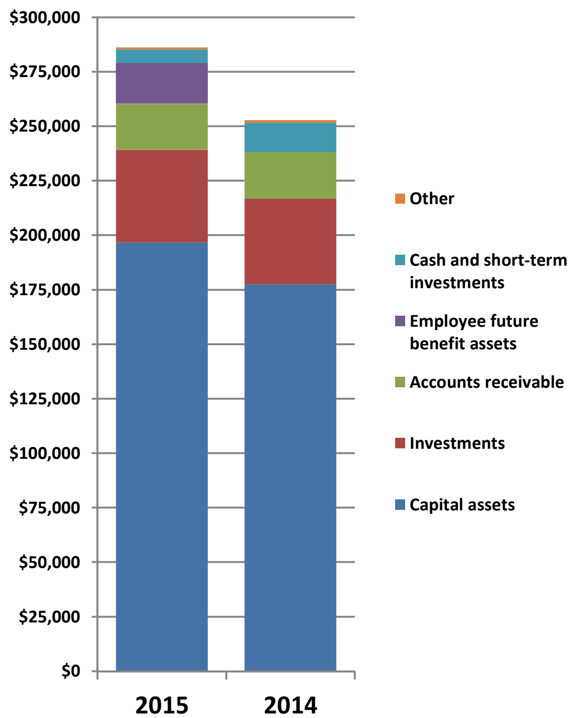
The University was awarded an additional Canada Research Chair Tier 1 in recognition of its growing share of tri-council funding nationally and this has been awarded to the Earth Sciences department.

In 2015, the University appointed a new Vice-President of Research, Dr. Rui Wang. Dr. Wang's appointment became effect January 2015, for a renewable term ending June 30, 2020.

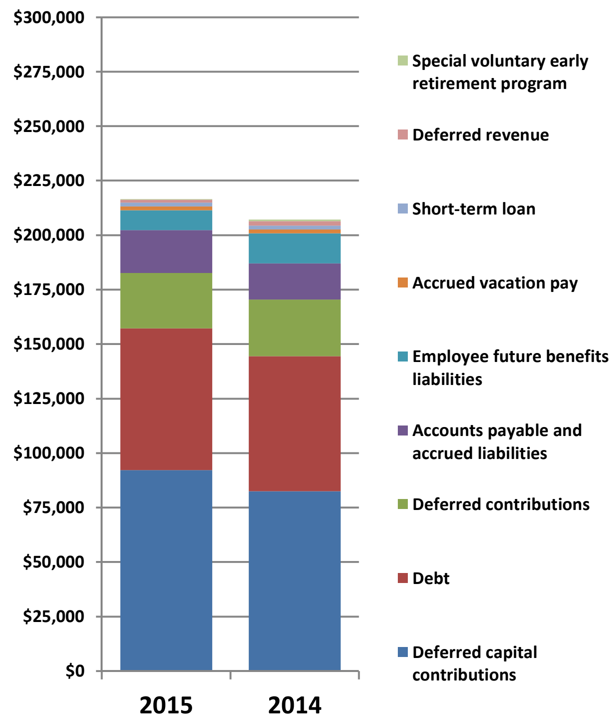
Another highlight of fiscal 2015 was the opening of the new facility for the Centre for Research in Occupational Safety and Health (CROSH). This Centre was established to provide a formalized structure for industry, safe workplace associations, labour groups, government organizations and researchers to share workplace injury and disease problems and solutions.

Consolidated Statement of Financial Position

Assets (in '000's)



Liabilities and Deferred Contributions (in '000's)



Cash and short-term investments were reduced by $7.3 million during fiscal 2015. This is mainly a result of an increase in capital project spending. Accounts receivable stayed fairly consistent with the previous year and it consists mainly of student fees receivable and grants receivable. Investments are up $3.2 million primarily due to endowment contributions. Employee future benefits assets relate to the University's pension plan, which was in a liability position in the previous year. Lastly, capital assets experienced a significant increase because of capital project spending on the School of Architecture ($10.1 million), Campus Modernization ($8.5 million), Single Student Residence (SSR) ($3.0 million), Great Hall ($2.2 million), other small projects ($2.1 million) less amortization of $6.7 million.

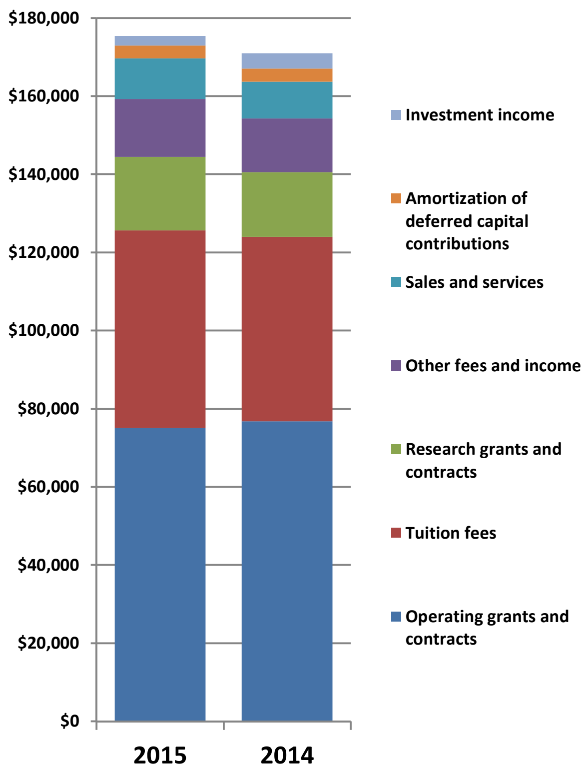
Overall, assets have increased 13.2%.

Accounts payable have increased 3.0 million; this is primarily due to the timing of capital expenditures. Long-term debt is also up this year due to new debt advanced in amounts of $3.4 million for the SSR project and $0.8 million for the Campus Modernization project, less principal repayments of $1.3 million. Deferred capital contributions have increased primarily because of $11.6 million in deferred School of Architecture grants which will be amortized to revenue over the life of the assets. Employee future benefit liabilities relate to the University's Post-Employment Obligation as well as the Supplemental Pension Plan. This figure is down as the University's pension plan is now in an asset position, shown to the left.

Overall, liabilities and deferred contributions have increased 4.5%.

Consolidated Statement of Operations

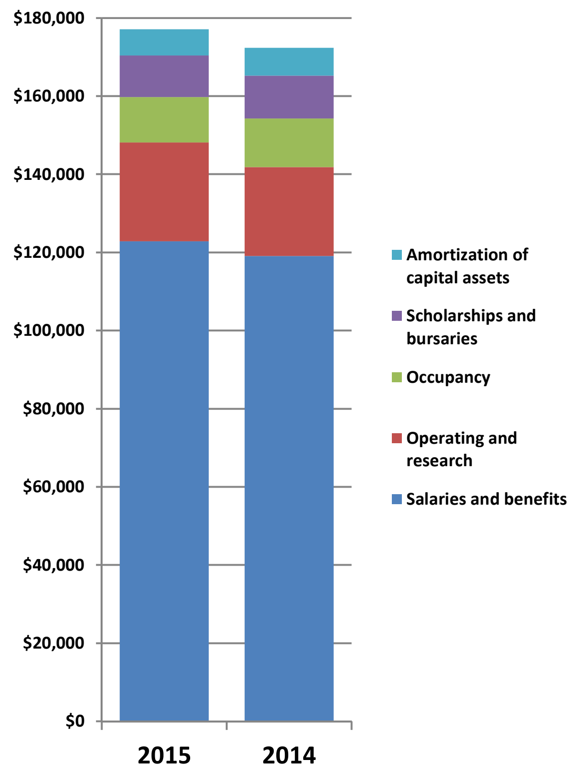
Revenue (in '000's)



Operating grants are down because of a decrease in basic operating grants and Francophone grants. Tuition revenue increased 7.2% over last year due to increases in tuition fees in amounts ranging from 3-5%, along with an increase in the number of international students who pay higher fees than domestic students. Research revenue is up mainly due to SNOLAB and MIRARCO initiatives. Sales and services have increased 11.1% and this is largely because residence revenue has increased due to a portion of SSR being closed for renovations in prior year. Also, the introduction of meal plans and the Fresh Food Company has resulted in increased food service revenue. Investment income is down due to a decline in interest rates as well as losses on donated shares.

Overall, revenue increased by 2.5%

Expenses (in '000's)



Salaries and benefits expenses have risen 3.2% over last year mainly due to wages increases. Operating and research expenses have increased 11.1% primarily due to the following reasons: increases in Barrie related expenses, library acquisitions due to the value of the USD, revamp of food services (revenues are up as well), and additional investments have been made in information technology. As well, the increase in research revenue noted on the left, has resulted in an increase in research related expenses. Occupancy related expenses have decreased 6.2% due to a reduction in natural gas costs and less overall maintenance required during fiscal 2015. Scholarships and bursaries as well as amortization expense have remained fairly consistent with prior year.

Overall, expenses increased by 2.8%.

STATEMENT OF ADMINISTRATIVE RESPONSIBILITY

The administration of Laurentian University of Sudbury (the University) is responsible for the preparation of the consolidated financial statements, the notes thereto and all other financial information contained in this Annual Financial Report. The administration has prepared the consolidated financial statements in accordance with Canadian accounting standards for not-for-profit organizations. The administration believes the consolidated financial statements present fairly the University's financial position as at April 30, 2015 and the results of its operations and its cash flows for the year ended April 30, 2015. In order to achieve the objective of fair presentation in all material respects, reasonable estimates and judgments were employed. Additionally, management has ensured that financial information presented elsewhere in this Annual Financial Report has been prepared in a manner consistent with that in the consolidated financial statements. In fulfilling its responsibilities and recognizing the limits inherent in all systems, the administration has developed and maintains a system of internal controls designed to provide reasonable assurance that University assets are safeguarded from permanent loss and that the accounting records are a reliable basis for the preparation of consolidated financial statements.

Eckler Ltd. has been retained by the University in order to provide an estimate of the University's liability for pension and other employee future benefits. Management has provided the actuary with the information necessary for the completion of the University's actuarial report and retains ultimate responsibility for the determination and estimation of the pension and other employee future benefits liabilities reported.

The Board of Governors carries out its responsibility for review of the consolidated financial statements and this Annual Financial Report principally through its Audit Committee. The members of the Audit Committee are not officers or full-time employees of the University. The Audit Committee meets regularly with the administration, as well as external auditors, to discuss the results of audit examinations and financial reporting matters and to satisfy itself that each party is properly discharging its responsibilities. The auditors have full access to the Audit Committee with and without the presence of the administration.

The consolidated financial statements for the year ended April 30, 2015 have been reported on by KPMG LLP, Chartered Accountants, the auditors appointed by the Board of Governors. The independent auditors' report outlines the scope of their audit and their opinion on the presentation of the information included in the consolidated financial statements.

C McAulay

Carol McAulay, CPA, CA
Vice-President, Administration

Normand Lavallée, FCPA, FCMA, FCA
Executive Director, Financial Services

Consolidated Financial Statements of

LAURENTIAN UNIVERSITY
OF SUDBURY

Year ended April 30, 2015

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INDEPENDENT AUDITORS' REPORT

To the Governors of Laurentian University of Sudbury

We have audited the accompanying consolidated financial statements of Laurentian University of Sudbury, which comprise the statement of consolidated financial position as at April 30, 2015, the consolidated statements of operations, changes in net assets (deficiency) and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Laurentian University of Sudbury as at April 30, 2015, its results of operations, changes in net assets (deficiency) and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

October 21, 2015
Sudbury, Canada

LAURENTIAN UNIVERSITY OF SUDBURY

Consolidated Statement of Financial Position

April 30, 2015, with comparative information for 2014
(thousands of dollars)

	2015	2014
Assets		
Current assets:		
Cash and short-term investments (note 2)	$ 6,306	13,591
Accounts receivable (note 3)	21,142	21,338
Other	859	1,135
	28,307	36,064
Investments (note 2)	42,550	39,308
Employee future benefit assets (note 4)	18,706	-
Capital assets (note 5)	196,604	177,446
	$ 286,167	252,818
Liabilities, Deferred Contributions and Net Assets		
Current liabilities:		
Short-term loan (note 6)	$ 1,659	1,718
Accounts payable and accrued liabilities (note 7)	19,589	16,593
Accrued vacation pay	1,792	1,713
Deferred revenue	1,370	2,008
Current portion of long-term debt (note 8)	2,067	1,315
Current portion of special voluntary early retirement program (note 9)	229	544
	26,706	23,891
Long-term obligations:		
Special voluntary early retirement program (note 9)	57	283
Long-term debt (note 8)	62,839	60,639
Employee future benefits liabilities (note 4)	9,212	13,885
	72,108	74,807
Deferred contributions (note 10):		
Deferred contributions	25,487	25,955
Deferred capital contributions	92,266	82,529
	117,753	108,484
Net assets (deficiency):		
Unrestricted	(9,811)	(8,232)
Vacation & employee future benefits	7,416	(16,425)
Internally restricted	31,211	32,440
Endowment	40,784	37,853
	69,600	45,636
Commitments and contingencies (note 14)		
Subsequent event (note 20)		
	$ 286,167	252,818

See accompanying notes to consolidated financial statements.

On behalf of the Board of Governors:

_______________ Governor

_______________ Governor

LAURENTIAN UNIVERSITY OF SUDBURY

Consolidated Statement of Operations

Year ended April 30, 2015, with comparative information for 2014
(thousands of dollars)

	2015	2014
Revenue:		
Operating grants and contracts	$ 75,056	76,808
Tuition fees	50,613	47,209
Research grants and contracts	18,803	16,478
Other fees and income (note 16)	14,770	13,768
Sales and services	10,451	9,407
Amortization of deferred capital contributions	3,214	3,336
Investment income (note 2)	2,460	4,003
	175,367	171,009
Expenses:		
Salaries and benefits	122,846	119,065
Operating and research	25,287	22,757
Occupancy	11,655	12,423
Scholarships and bursaries	10,618	10,986
Amortization of capital assets	6,706	7,128
	177,112	172,359
Deficiency of revenue over expenses	$ (1,745)	(1,350)

See accompanying notes to consolidated financial statements.

LAUNRENTIAN UNIVERSITY OF SUDBURY

Consolidated Statement of Changes in Net Assets (Deficiency)

Year ended April 30, 2015, with comparative information for 2014
(thousands of dollars)

2015		Unrestricted	Vacation & Employee Future Benefits	Internally Restricted	Endowment	Total
Net assets (deficiency), beginning of year	$	(8,232)	(16,425)	32,440	37,853	45,636
Excess (deficiency) of revenue over expenses		683	1,063	(3,491)	–	(1,745)
Internally restricted transfers		(2,262)	–	2,262	–	–
Endowment contributions		–	–	–	2,931	2,931
Employee future benefits remeasurements and other items		–	22,778	–	–	22,778
Net assets (deficiency), end of year	$	(9,811)	7,416	31,211	40,784	69,600

2014		Unrestricted	Vacation & Employee Future Benefits	Internally Restricted	Endowment	Total
Net assets (deficiency), beginning of year	$	(8,838)	(36,522)	36,307	36,756	27,703
Excess (deficiency) of revenue over expenses		531	1,911	(3,792)	–	(1,350)
Internally restricted transfers		75	–	(75)	–	–
Endowment contributions		–	–	–	1,097	1,097
Employee future benefits remeasurements and other items		–	18,186	–	–	18,186
Net assets (deficiency), end of year	$	(8,232)	(16,425)	32,440	37,853	45,636

See accompanying notes to consolidated financial statements.

LAURENTIAN UNIVERSITY OF SUDBURY

Consolidated Statement of Cash Flows

Year ended April 30, 2015, with comparative information for 2014
(thousands of dollars)

	2015	2014
Cash flows from operating activities:		
Deficiency of revenue over expenses	$ (1,745)	(1,350)
Non-cash items:		
Amortization of capital assets	6,706	7,128
Amortization of deferred capital contributions	(3,214)	(3,336)
Change in accrued early retirement program costs (note 9)	(541)	(748)
Change in unrealized gains on investments	(828)	(3,277)
Excess of employer contributions over employee future benefits net benefit costs	(601)	(1,149)
	(223)	(2,732)
Change in non-cash working capital (note 15)	2,909	952
	2,686	(1,780)
Cash flows from financing activities:		
Purchases of capital assets	(25,864)	(17,247)
Increase (decrease) in deferred contributions	(468)	2,297
Deferred capital contributions received	12,951	9,510
Repayment of long-term debt	(1,315)	(1,257)
Long-term debt obtained	4,267	3,571
Decrease in short-term loan	(59)	(55)
	(10,488)	(3,181)
Cash flows from investing activities:		
Net acquisitions of investments	(3,584)	(1,518)
Liquid investments reclassified to short-term investments	1,170	3,983
Endowment contributions	2,931	1,097
	517	3,562
Net decrease in cash and short-term investments	(7,285)	(1,399)
Cash and short-term investments, beginning of year	13,591	14,990
Cash and short-term investments, end of year	$ 6,306	13,591

See accompanying notes to consolidated financial statements.

Laurentian University of Sudbury (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 donations are recognized as revenue when received or receivable if the amount can be reasonably estimated and allocation is reasonably assured. Contributions pertaining to future periods are deferred and recognized as revenue in the year in which the related expenses are recognized.

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 asset is amortized.

Endowment contributions consist of donations and capitalized investment income (loss) and are recognized on the accrual basis as direct changes in net assets.

Pledges are not legally enforceable claims and therefore are not recorded in these consolidated financial statements until they are received.

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

(b) Investments:

Investments are largely invested in pooled funds, which are carried at fair value.

Income/loss 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) Capital assets:

Purchased assets are recorded at cost. Contributed assets are recorded at fair market value at the date of contribution. Certain parcels of land that were purchased prior to May 1, 2011 are recorded at deemed cost, being their fair value at May 1, 2011, the transition date to Canadian accounting standards for not-for-profit organizations.

1. Significant accounting policies: (continued)

(c) Capital assets: (continued)

Capital assets are amortized 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

Construction in progress is not amortized until the project is complete and the facilities are put in use.

(d) Employee future benefits liabilities:

Effective July 1, 2012, the University registered its Pension Plan for all future service as a defined benefit plan for all employees of the University. Prior to this, the Pension Plan provided a defined contribution Pension Plan with a guaranteed minimum defined benefit.

All full time employees of the University and its federated institutions which participate in the plan, are eligible to join a plan upon entering the service of one of those employers. The benefits are based on years of service and final average salary.

The University sponsors a defined benefit health care plan for substantially all retirees and employees.

The University has approved a supplemental plan for employees to provide them with full benefits should the Canada Revenue Agency limitations not have been imposed.

The University accounts using immediate recognition approach for its obligations for employee future benefits. Under this approach, the University recognizes the amount of the accrued obligation net of the fair value of plan assets in the consolidated statement of financial position. Current service and finance costs are expensed during the year, while remeasurements and other items, representing the total of the difference between actual and expected return on plan assets, actuarial gains and losses, and past service costs, are recognized as a direct increase or decrease in net assets. The accrued liability for funded employee future benefits is determined using a roll-forward technique to estimate the accrued liability using funding assumptions from the most recent actuarial valuation report prepared at least every three years.

The accrued liability for unfunded plans is prepared on a basis consistent with funded plans. Employee future benefit plans' assets are measured at fair value at the date of the consolidated statement of financial position. The most recent actuarial valuation was as of July 1, 2014, and the next required valuation will be as of July 1, 2017.

1. Significant accounting policies: (continued)

(e) 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.

(f) 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.

Northern Ontario School of Medicine

The Northern Ontario School of Medicine (the “School”) was created to provide medical education in Northern Ontario. Although the University, along with Lakehead University, the only other voting member of the School, has significant relationships with the School, the University has no claim to the School’s net assets 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.

Northern Policy Institute

The Northern Policy Institute (NPI) was created to develop and promote proactive, evidence-based and purpose-driven policy options that deepen understanding about the unique challenges and opportunities of Northern Ontario in addition to advancing the sustainable development and long-term economic prosperity of the North. Although the University, along with Lakehead University, has significant relationships with NPI, the University has no claim to NPI’s net assets nor is the University liable or contingently liable for any of NPI’s obligations. Accordingly, the operations of NPI are not included in these consolidated financial statements.

SNOLAB

SNOLAB is a research project whose principal objective is the construction, operation and decommissioning of the SNOLAB International Facility for Underground Science. An agreement specifies that the project’s liabilities and assets are to be divided among the SNOLAB member institutions. The University’s proportionate share (20%) of the entity’s assets, liabilities, revenues and expenses to March 31, 2014 have been included in these consolidated financial statements. The 2015 financial statements are not available and accordingly, the balances and transactions will be accounted for prospectively.

1. Significant accounting policies: (continued)

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

Centre for Excellence in Mining and Innovation (CEMI)

The Centre for Excellence in Mining and Innovation (CEMI) was created on April 23, 2007 to advance study, research and innovation. The University contributed $10 million received from the Provincial Government to create and fund CEMI on its inception.

The University has no claim to CEMI's assets during its operating life nor is it liable or contingently liable for CEMI's obligations. Accordingly, the operations of CEMI are not included in these consolidated financial statements.

Student Organizations

These consolidated financial statements do not reflect the assets, liabilities and results of operations of the various student organizations at the University.

(g) Financial instruments:

All financial instruments are initially recorded on the consolidated statement of financial position at fair value.

All investments held in equity instruments that trade in an active market are recorded at fair value. Management has elected to record all investments at fair value as they are managed and evaluated on a fair value basis.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred.

The University enters into interest rate swaps to hedge the effect of changes in interest rates on its long-term debt that bears interest based on LIBOR. The Organization uses the accrual basis of accounting for hedges. Gains or losses realized on the settlement of the hedging item are deferred until the settlement of the hedged item.

At the inception of hedging relationship, the University designates that hedge accounting will be applied. The University formally documents the hedging relationship between the hedging instruments and hedged item. At the inception of the hedge and throughout its term, the terms of the hedging item and hedged item are the same.

Hedge accounting is used only when the notional amount of the swap matches the principal amount of the hedged item, the fair value of the swap at the inception is nil, the fixed rate is the same throughout the swap and the variable rate is based on the same index and includes the same or no adjustment and the debt instrument cannot be settled before maturity and the swap matures within two weeks of the maturity date of the debt.

1. Significant accounting policies: (continued)

(h) Use of estimates:

The preparation of consolidated financial statements 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 dates of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting periods. Items subject to such estimates and assumptions include the carrying value of capital assets and obligations related to employee future benefits. Actual results could differ from those estimates. These estimates are reviewed periodically, and, as adjustments become necessary, they are recognized in the consolidated financial statements in the year in which they become known.

(i) Impairment of long-lived assets:

Long-lived assets, including capital assets subject to amortization, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability is measured by a comparison of the carrying amount to the estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of the asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset.

(thousands of dollars)

2. Cash and Investments:

		2015	2014
Short-term:			
Cash	$	812	7,856
Short-term investments		5,494	5,735
		6,306	13,591
Long-term:			
Equity funds, segregated funds		19,819	18,238
Fixed income		22,731	21,041
Government bonds and guaranteed investment certificates		–	29
		42,550	39,308
	$	48,856	52,899

Long-term investments reflect funds for endowment and other restricted balances.

The equity funds, segregated funds and fixed income securities are measured at market value.

The breakdown of investment income is as follows:

		2015	2014
Unrealized gains	$	828	3,277
Interest income		1,812	1,062
Realized losses		(9)	(172)
		2,631	4,167
Investment management fees		(171)	(164)
	$	2,460	4,003

3. Accounts receivable:

		2015	2014
Accounts receivable	$	22,440	22,305
Less allowance for doubtful accounts		(1,298)	(967)
	$	21,142	21,338

(thousands of dollars)

4. Employee future benefits:

The University provides for pension benefits as well as the reimbursement of a fixed annual amount 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 accrued benefit obligation.

The breakdown of the plans is as follows**:**

		Pension	Post-Employment Benefit Obligation	Supplemental Pension Plan	2015 Total	2014 Total
Accrued benefit obligation	$	(327,234)	(7,321)	(3,319)	(337,874)	(330,838)
Fair value of plan assets		345,940	1,428	–	347,368	316,953
Accrued benefit assets	$	18,706	–	–	18,706	–
Accrued benefit liabilities	$	–	(5,893)	(3,319)	(9,212)	(13,885)

The significant assumptions used are as follows (weighted-average):

	Pension and Supplemental Pension Plan		Post-Employment Benefit Obligation	
	2015	2014	2015	2014
Discount rate	6.00%	6.25%	4.00%	4.00%
Rate of compensation increases	3.00%	3.50%	–	–
Expected long-term rate of return on plan assets	6.00%	6.25%	4.00%	4.00%
Health care cost trend rate	–	–	3.00%	3.00%
Rate of inflation	2.00%	2.50%	–	–

(thousands of dollars)

5. **Capital assets**:

	Cost	Accumulated Amortization	2015 Net book Value	2014 Net book Value
Buildings	$ 251,937	(76,456)	175,481	155,432
Equipment and furnishing	97,998	(92,747)	5,251	5,810
Land and site improvements	24,397	(8,525)	15,872	16,204
	$ 374,332	(177,728)	196,604	177,446

A total of $36,771 (2014 - $22,839) of buildings is under construction and not yet subject to amortization.

6. Short-term loan:

The short-term loan represents an unsecured loan from TD Canada Trust for the student recreation centre, with a floating interest rate of 1.0% at April 30, 2015 (2014 - 1.5%).

7. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances payable of $2,923 (2014 - $2,763), which includes amounts payable for HST and payroll related taxes.

8. Long-term debt:

	Fixed Rate	Maturity	2015	2014
Bank of Montreal	5.14%	2024	$ 2,492	2,687
Royal Bank of Canada	3.90%	2040	15,021	15,337
Royal Bank of Canada	4.50%	2042	19,714	20,083
Royal Bank of Canada	3.90%	2023	5,365	1,945
Royal Bank of Canada	4.63%	2042	2,473	1,627
TD Canada Trust	4.70%	2036	12,503	12,822
TD Canada Trust	4.74%	2043	7,338	7,453
			64,906	61,954
Less current portion of long-term debt			(2,067)	(1,315)
			$ 62,839	60,639

(thousands of dollars)

8. Long-term debt: (continued)

The above-noted debt was advanced under variable rate credit facilities for the financing of various residences, construction of the School of Education and Student Recreation Centre as well as Campus Modernization projects.

The University has entered into interest rate derivative agreements to manage the volatility of interest rates. The University converted floating rate debt of 1.0% (2014 - 1.5%) for fixed rate debt as noted above. The related derivative agreements are in place until the maturity of the debt.

The principal repayments of long-term debt are as follows:

2016	$ 2,067
2017	2,220
2018	2,309
2019	2,404
2020	2,502
Thereafter	53,404
	$ 64,906

9. Special voluntary early retirement program:

The University offered a voluntary early retirement program to all faculty in fiscal 2009. An actuarial calculation of the future liabilities thereof has been made and forms the basis of this provision.

The significant assumptions used are as indicated in note 4. There are no plan assets for this benefit.

	2015	2014
Balance, beginning of year	$ 827	1,575
Interest costs	34	73
Benefits paid	(484)	(780)
Actuarial gains	(91)	(41)
Change during the year	541	748
Balance, end of year	286	827
Less current portion of special voluntary early retirement program	(229)	(544)
	$ 57	283

(thousands of dollars)

10. Deferred contributions:

(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:

	2015	2014
Balance, beginning of year	$ 25,955	23,658
Add contributions received in the year	19,064	20,928
Less amounts recognized as revenue	(19,532)	(18,631)
Balance, end of year	$ 25,487	25,955

(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:

	2015	2014
Unspent:		
Balance, beginning of year	$ 560	477
Add contributions received in the year	12,951	9,510
Less amounts utilized	(11,901)	(9,427)
Balance, end of year	1,610	560
Unamortized:		
Balance, beginning of year	81,969	75,878
Add contributions utilized in the year	11,901	9,427
Less amount amortized to revenue	(3,214)	(3,336)
Balance, end of year	90,656	81,969
Total unspent and unamortized capital contributions	$ 92,266	82,529

(thousands of dollars)

11. Internally restricted net assets:

	2015	2014
Investment in capital assets (note 12)	$ 24,976	30,031
Over (under) financed capital	431	(3,536)
Scholarship and bursary funds	3,611	3,652
Departmental and subsidiary research funds	1,098	315
Departmental carry forward and future budget provisions	87	920
Ancillaries	1,008	1,058
	$ 31,211	32,440

12. Investment in capital assets:

The investment in capital assets is calculated as follows:

	2015	2014
Capital assets	$ 196,604	177,446
Less amounts financed by:		
Long-term debt	(64,906)	(61,954)
Internal financing (note 13)	(14,407)	(1,774)
Short-term loan	(1,659)	(1,718)
Unamortized deferred capital contributions (note 10)	(90,656)	(81,969)
	$ 24,976	30,031

13. Internal financing:

Details of capital asset internal financing activities are as follows:

	2014	New Financing	Repayments	2015
Energy retrofit	$ 422	-	(140)	282
Telephone system and copier equipment	119	-	(40)	79
Ancillaries	794	1,565	(167)	2,192
Leasehold for Barrie offices	439	-	(112)	327
Great Hall renovations	-	2,767	(216)	2,551
Campus Master Plan	-	313	-	313
Campus Modernization	-	8,512	-	8,512
Cardiovascular Metabolic Research Lab	-	118	-	118
Other small projects	-	33	-	33
	$ 1,774	13,308	(675)	14,407

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 three to five years.

The University will have a number of projects that require internal financing over the next 2 years. The total value of the projects is $13,008 of which $10,411 is scheduled for 2015-16 and $2,597 for 2016-17. The repayment of this new internal debt is scheduled to be over a period of three to twenty-five years.

(thousands of dollars)

14. Commitments and contingencies:

(a) The University has access to an unsecured line of credit in the amount of $5,000. The line of credit bears interest at Royal Bank prime less 0.50%. As at April 30, 2015, the University had not drawn on this line of credit.

(b) The University participates 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.

(c) The Board of Governors of the University approved the Laurentian School of Architecture capital project in the amount of $44,100 for which the funding has largely been secured. To date, $24,471 has been expended.

(d) The Board of Governors of the University approved the Single Student Residence project in the amount of $7,600 for which the funding is to be provided through long-term debt. To date, $6,930 has been expended.

(e) The Board of Governors of the University approved the Laurentian University Modernization Project in the amount of $50,978 for which the funding is to be provided through long-term debt, capital donations and operational savings. To date, $10,854 has been expended.

(f) The Students' General Association, through a referendum, approved a student levy to cover the repayment of a long-term debt facility to provide funding for a new Student Centre. The Board of Governors of the University has approved that the University seek a $10,000 long-term debt facility to allow the construction of the Student Centre. To date, nil has been expended.

(g) The Board of Governors of the University approved the Cardiovascular and Metabolic Research Lab project in the amount of $4,000 for which the funding is to be provided through increased research support funding. To date, $118 has been expended.

(h) The University is involved in certain legal matters and litigation, the outcomes of which are not presently determinable. The loss, if any, from these contingencies will be accounted for in the periods in which the matters are resolved. Management is of the opinion that these matters are mitigated by adequate insurance coverage.

15. Change in non-cash working capital:

		2015	2014
Cash flows from operating activities:			
Accounts receivable	$	196	2,771
Other assets		276	(11)
Accounts payable and accrued liabilities		2,996	(2,794)
Accrued vacation pay		79	(14)
Deferred revenue		(638)	1,000
	$	2,909	952

(thousands of dollars)

16. Other fees and income:

Details of the other fees and income are as follows:

		2015	2014
Scholarships, bursaries and other restricted contributions	$	5,915	4,491
Compulsory fees		2,597	2,448
Sponsored students		2,161	2,736
Administrative fees		1,573	1,933
Other		2,524	2,160
	$	14,770	13,768

17. Financial risks:

(a) Credit risk:

The risk relates to the potential that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

The maximum credit exposure of the University is represented by the fair value of the investments and accounts receivable as presented in the consolidated statement of financial position. Credit risk concentration exists where a significant portion of the portfolio is invested in securities which have similar characteristics or similar variations relating to economic, political or other conditions. The University monitors the financial health of its investments on an ongoing basis with the assistance of its Finance Committee and its investment advisors.

The University assesses on a continuous basis, accounts receivable and provides for any amounts that are not collectible in the allowance for doubtful accounts.

(b) Interest rate risk:

The University is exposed to interest rate risk with respect to its interest-bearing investments, long-term debt and interest rate swaps as disclosed in the consolidated statement of cash flows and notes 1, 2 and 8.

(c) Currency risk:

The University believes that it is not exposed to significant currency risks arising from its financial instruments.

(d) Liquidity risk:

Liquidity risk is the risk that the University will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The University manages its liquidity risk by monitoring its operating requirements. The University prepares budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations.

There has been no change to the risk exposures from 2014.

18. First Generation Pilot Project Initiatives:

For the period of May 1, 2014 to April 30, 2015, the University's consolidated financial statements include expenditures totaling $132 (2014 - $132) incurred for the purpose of carrying out the First Generation Pilot Project initiatives. The goal of this project is to increase the awareness of the benefits of post-secondary education of first generation students and to increase their participation, retention and graduation rates.

19. Comparative information:

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

20. Subsequent event:

On May 20, 2015, the Province advised the University that its bid for the establishment of a standalone satellite campus in Barrie, Ontario, would not be supported at this time. In anticipation of a positive response to its bid, of which the University was reasonably expectant, the University had transferred to internally restricted net assets certain costs related to start up. With the negative response to the University's bid, future operating revenue against which to match these costs is no longer reasonably assured, causing the University to recognize these costs in the amount of $2,178 in 2014-2015 in unrestricted net assets.