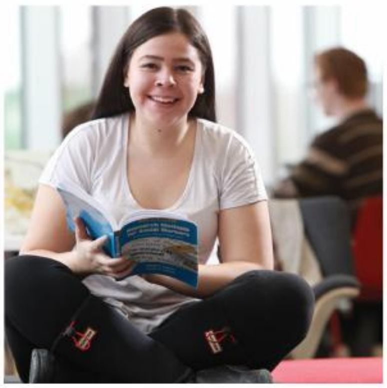

Annual Financial REPORT

Fiscal year ended April 30, 2017

LaurentianUniversity
Université**Laurentienne**

Sudbury, ON **laurentian.ca**

October 27, 2017

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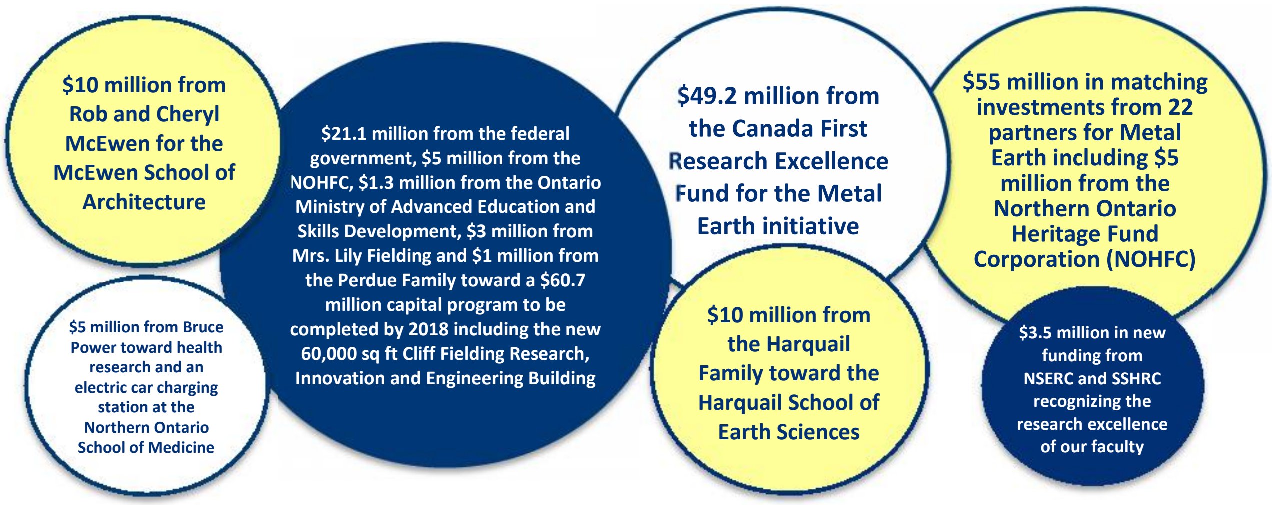
REVIEW OF FISCAL 2016-2017

Highlights

For Laurentian University, 2016-17 was a year to remember. The year began with a number of announcements in the summer of 2016 which continued into the fall. Since June 29th, 2016, there has been close to $200 million in new private gifts, peer-reviewed research awards and government infrastructure grants.



The Canada First Research Excellence Fund for Metal Earth award was made possible by decades of research excellence at the Harquail School of Earth Sciences. Laurentian is already #1 in Canada in NSERC funding in economic geology and considered among the world's top three universities in mineral exploration research. Laurentian is now poised to be the undisputed global leaders in this field. After a global search, the Research Chair in Exploration Targeting was appointed as well and three additional faculty positions in Exploration Geophysics, Precambrian Geology and Earth Systems Modelling.

Fiscal 2017 can be remembered as another year of construction at Laurentian. Several capital projects were completed during the year including the final phase of the McEwen School of Architecture. Last summer, Rob and Cheryl McEwen made a personal $10 million gift to support the award-winning School of Architecture. The gift will ensure the full funding of the School of Architecture as well as enhance the student experience and maximize their capacity to become agents of change for architecture globally.

Laurentian offers an outstanding university experience, in English and French with a comprehensive approach to Indigenous education, that prepares students by stimulating them to ask new questions, to challenge what we know, and so empower them to create innovative solutions for future and global issues.

The future always presents a number of challenges to public sector institutions that rely on government funding and are subject to significant government regulations. Despite these challenges, Laurentian is ready for the opportunities ahead to define future directions beyond the current 2012-2017 Strategic Plan. The process to develop the University's next Strategic Plan 2018-2023 was launched in the spring of 2016 and that plan is expected to be endorsed by Senate and approved by the Board of Governors by the end of calendar year 2017.

Capital Projects & Financing

It was a busy year of construction at Laurentian with successful completion of several capital projects. Work has been completed on the Executive Learning Centre, the University Club, the new dining facility at Alphonse Raymond, the Cardiovascular and Metabolic Research Unit Laboratory, the new bookstore, MyLaurentian Hub, new space for University Advancement and Accessibility Services, the McEwen School of Architecture, the Ben Avery Human Kinetics Laboratories, the expansion of Parking Lot #4, the Welcoming Centre and the Indigenous Sharing and Learning Centre.

Construction will continue in 2017-18, with the completion of the work on the RD Parker Building renovations, the new Multi-Faith Prayer Space, as well as the new home for Liaison, Laurentian International, the Graduate Students' Association and the Laurentian Association of Mature and Part-Time Students.

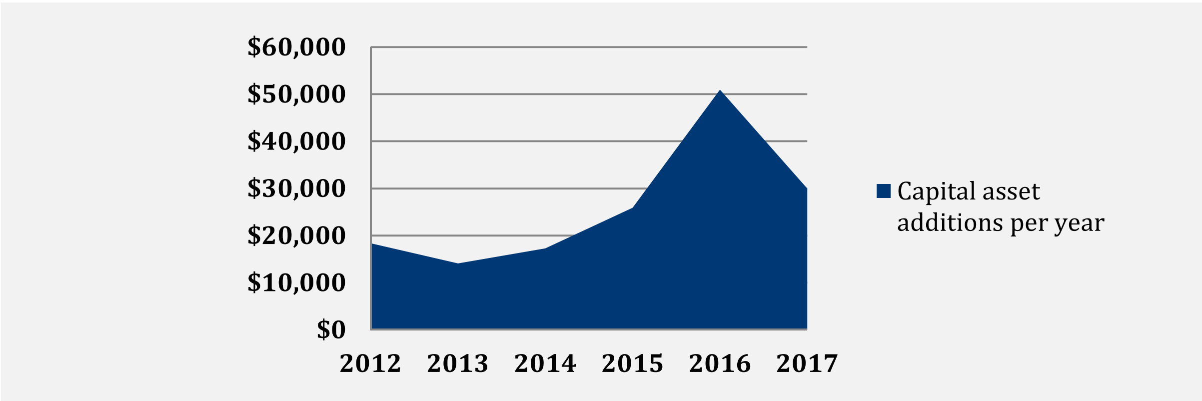
The construction of the new Cliff Fielding Research, Innovation and Engineering Building is well underway. This project will be under construction in 2017 and will be completed in 2018. At the time of writing this report the building shell is complete.

The Students' General Association (SGA) held a referendum in March of 2014 in which the majority of the members who voted supported the construction of a new Student Centre. This is a project for the students, by the students, supported by the University's skilled Capital Team as project managers. The new Student Centre will be located at the intersection of University Road next to West Residence and will open in September 2019.

Capital Projects & Financing (continued):

❖ Capital additions and financing

Over the past six years, Laurentian has invested heavily in its physical resources to a total of approximately $156 million.



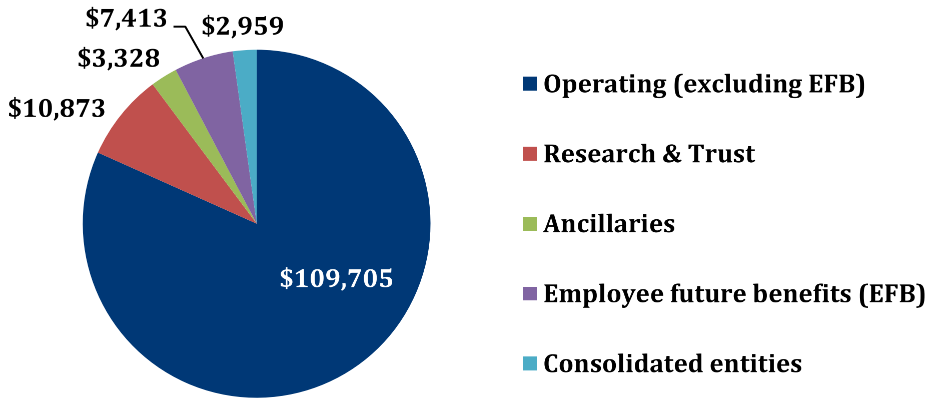
Capital projects are financed through grants, donations, long-term debt and internal funding. The funding for capital additions over the last 6 years has been $69 million from grants and donations, $59 million from long-term debt and $28 million from internal funding. Total outstanding long-term debt was $102.1 million at the end of fiscal 2017. This is made up of $42.7 million relating to Campus Modernization projects, $38.0 million to ancillary operations, $14.3 million to the School of Education and $7.1 million to the Voyageur Recreation Centre (which is 60% supported by student fees.)

At April 30, 2017, $24.4 million in capital projects were financed by internal financing. Ongoing major capital projects are financed by internal debt until receipt of funding or long-term borrowing.

The University has access to a Royal Bank unsecured line of credit of $5 million and a Desjardins unsecured line of credit of $20 million in support of internal capital funding. At April 30, 2017 the University had not utilized these lines of credit.

Compensation and Benefits

Salaries and benefits represent 70% of the University's expenses. Salaries and benefits expense in 2017 increased 7% over the prior year to $134.3 million. This increase is mainly due to wage increases and the accrual of the Voluntary Departure Program (VDP) which was offered to non-faculty at the end of fiscal 2017. The breakdown of salaries and benefits expense is as follows:



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) to which the University contributes the funding required 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 Canada Revenue Agency limitations not be imposed.

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

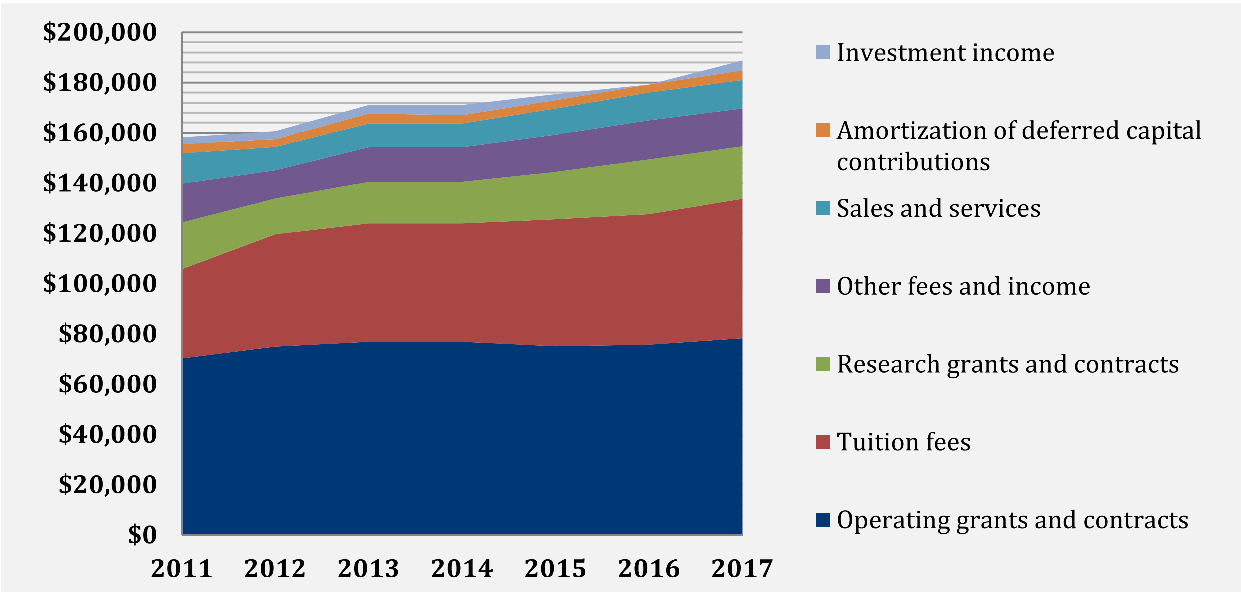
The going concern surplus of the Pension Plan at April 30, 2017 is $21.5 million (in 2016 a surplus of $3.1 million). Effective July 1, 2017, Laurentian will undertake an official valuation of the Pension Plan, which will be filed with the Financial Services Commission of Ontario (FSCO). The valuation assumptions will be different than the accounting valuation of April 30th, 2017 by reducing the discount rate from 6% to 5.75% and applying an updated mortality table. If the same valuation assumptions were applied to the April 30th, 2017 accounting valuation, the impact would be a reduction in the going concern surplus of $24.9 million or a deficit of $3.3 million.

The Province of Ontario has proposed introducing new legislation which will provide different funding requirement for solvency deficits. The solvency deficit is estimated to be $71.4 million at June 30, 2017 with a funded ratio of 79%. Under current regulations, additional payments for solvency deficits are not required until July 1, 2018. New legislation proposes to fund solvency deficits to a funded ratio of 85%.

The Retiree Health Benefit Plan (RHBP) has been underfunded since its inception and currently has a deficit of $4.8 million. The University is seeking to resolve this issue through discussions with full-time unionized and non-unionized employees.

Revenue Trends
(in 000's)

The following chart depicts the University's revenue sources over the past 7 years. Grant revenue has seen minimal increases over the years. This trend has increased the reliance on tuition fees. Tuition fees represented 29% of total revenue in 2017, up from 22% in fiscal 2011.



New Provincial Funding Formula

The Province of Ontario has introduced a new funding formula in effect for 2017-18 and thereafter. The following diagram displays Laurentian's future grants under the new provincial funding formula.

Core Operating Grant (enrolment-based)

- Basic Operating Grant $43.47M
- Undergraduate Accessibility Grant $2.48M
- Graduate Expansion Grant $2.64M
- Teachers Education $1.87M

Total $50.46M

Differentiation Envelope

Competitive:

- Existing Key Performance Indicators $0.41M
- Existing Quality Grants $2.27M
- Funds from BOG Adjustments - Funding Equity $4.63M
- Research Overheads $0.14M

Total $7.46M

Mission-Related Portion:

- French Language $9.2M
- Northern $6.17M

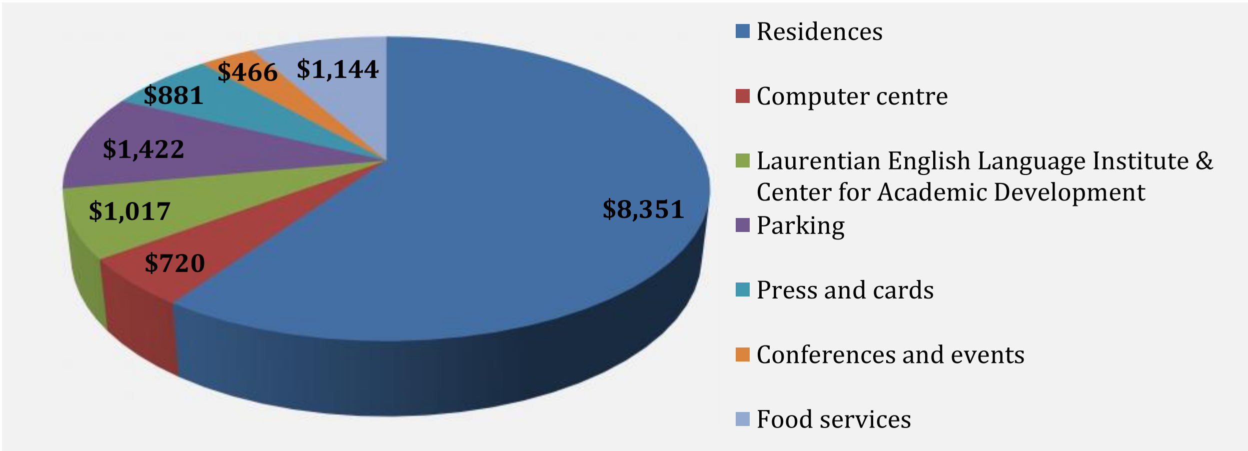
Total $15.37M

Special Purpose Grants

- Women's Campus Safety $0.018 M
- French Language Flow-Through Grants $2.40M
- Disability Supports $0.38M
- First Generation Grants $0.17M
- Indigenous Student Supports $0.85M
- Institution Specific (Restricted Use) $0.015M
- Grant in lieu of Municipal Tax $0.48M
- Credit Transfer $0.42M
- Trillium Scholarship $0.21M
- Grants for Clinical Programs $0.16M
- Teacher's Education Phase-In & Collaborative $0.004M

Total $5.11M

Ancillary Revenues
(in 000's)



Overall, ancillary revenues increased 0.9% in fiscal 2017. This is primarily due to an increase in residence revenue (+5.6%) and food services revenue (+13.8%); however, this was offset by a decrease in Tech Hub revenue (-49%) due to the closure of the Hub during fiscal 2017.

Research

A team of researchers from the University was awarded a grant of $49.2 million under the Canada First Research Excellence Fund (CFREF). The award will support a large-scale innovative mineral exploration program. A second team of researchers was awarded $3.5 million from a CFREF award led by Queen's University. This award will support transformation research in particle astrophysics.

Our national Tri-Council research funding has increased by 120% since 2008-09, leading to an increase in our allocation of Canada Research Chairs from eight to ten.

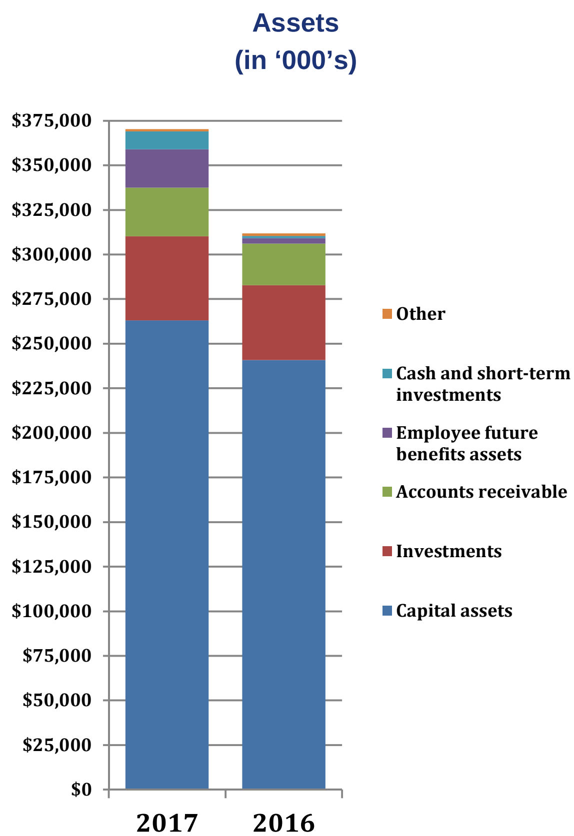
The University also completed the successful renewal of 2 of its Canada Research Chairs and appointed Dr. Jennifer Walker to the Canada Research Chair Tier II in Indigenous Health.

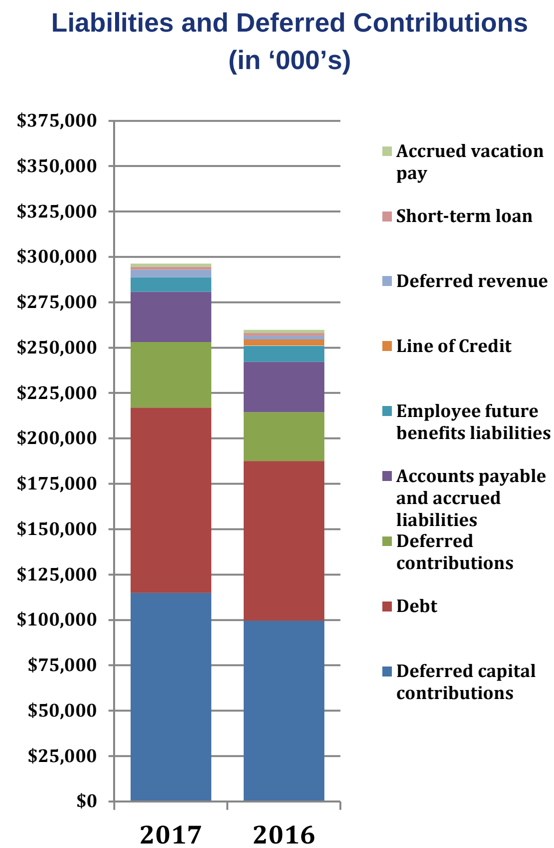
During fiscal 2017, the University appointed Dr. Nadia Mykytczuk to the NOHFC Chair in Biomining, Bioremediation and Science Communication. The University was awarded $636,000 from the Northern Ontario Heritage Fund (NOHFC) to support the research chair. Dr. Nadia Mykytczuk was also awarded $100,000 through the Early Researcher Award Round 12 program.

Another highlight of fiscal 2017 was the Maamwizing Conference – Indigeneity in the Academy, funded by the Goodman School of Mines, The City of Greater Sudbury and Science North. Over 200 leading and emerging scholars from across the country, faculty members, graduate students, senior administrators, staff, educators, and community members attended the event which aimed to advance scholarship on issues facing Indigenous faculty members at Canadian universities including equity, curriculum and pedagogy.

FINANCIAL STATEMENT HIGHLIGHTS

Consolidated Statement of Financial Position





At April 30, 2017 cash and short-term investments were $8.9 million higher than the prior year, mainly due to capital purchases and debt financing. Accounts receivable were up $2.1 million as a result of an increase in grant receivables and student receivables. The Employee Future Benefit asset experienced an increase of $18 million based on actuarial evaluation. Long-term investments increased $5.1M due to endowment contributions during the year. Finally, Capital assets experienced a significant increase due to capital spending on Campus Modernization ($13.7 million), McEwen School of Architecture ($5.5 million), the Cliff Fielding Research, Innovation and Engineering Building ($4.0 million) and other projects ($6.8 million), less amortization of $7.7 million.

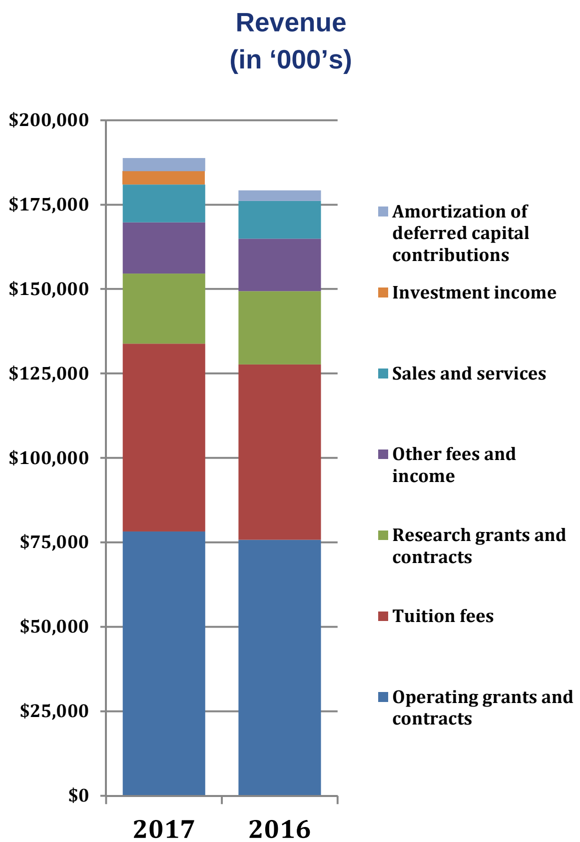
Overall, assets increased 18.7%.

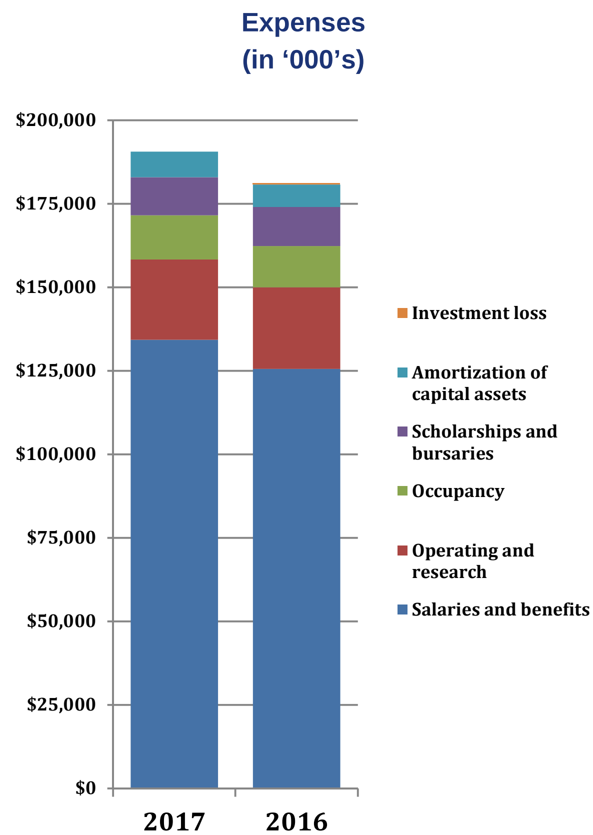
At April 30, 2016, $3.6 million of the University's line of credit was utilized due to capital spending; the line of credit was not utilized at April 30, 2017. Long-term debt is up at April 30, 2017 due to new debt advanced in the amount of $16.7 million for the Campus Modernization project, less principal repayments during the year of $2.6 million. Deferred capital contributions increased as well, primarily because of $6.9 million in McEwen School of Architecture grants and $8.3 million in Cliff Fielding Research, Innovation and Engineering Building grants which will be amortized to revenue over the life of the assets.

Overall, liabilities and deferred contributions increased by 14.1%.

FINANCIAL STATEMENT HIGHLIGHTS (continued)

Consolidated Statement of Operations





Operating grants were up slightly in 2017 due to one-time funding including $1 million special Ontario Grant . Tuition revenue increased 6.9% over the prior year due to increases in tuition fees and enrolment. The closure of the Tech Hub in fiscal 2017 resulted in a decrease in Sales and Service revenue; however, this was offset by an increase in residence revenue and other ancillary revenue. Investment income was $3.9 million in 2017 (2016 - loss of $0.5 million) due to unrealized gains in the value of our equity investments. Amortization of deferred capital was higher mainly because amortization of deferred capital grants relating to the McEwen School of Architecture began.

Overall, revenue increased by 5.3%.

Salaries and benefits expenses increased 7.0% over the prior year as a result of wage increases and accrual of the cost of the Voluntary Departure Program(VDP) in fiscal 2017. Occupancy related expenses increased 7.0% mainly due to repayment on the library roof work. Operating and research as well as scholarships and bursaries remained fairly consistent with the prior year. Amortization expense increased due to commencing amortization on the McEwen School of Architecture assets in fiscal 2017.

Overall, expenses increased by 5.2%.

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, 2017 and the results of its operations and its cash flows for the year ended April 30, 2017. 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, 2017 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
Associate Vice-President, Financial Services

Consolidated Financial Statements of

LAURENTIAN UNIVERSITY OF SUDBURY

Year ended April 30, 2017

KPMG LLP
Claridge Executive Centre
144 Pine Street
Sudbury Ontario P3C 1X3
Canada
Telephone (705) 675-8500
Fax (705) 675-7586

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, 2017, 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, 2017, 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 27, 2017
Sudbury, Canada

LAURENTIAN UNIVERSITY OF SUDBURY

Consolidated Statement of Financial Position

April 30, 2017, with comparative information for 2016
(thousands of dollars)

	2017	2016
Assets		
Current assets:		
Cash and short-term investments (note 2)	$ 10,032	1,144
Accounts receivable (note 3)	25,426	23,324
Other	1,144	1,512
	36,602	25,980
Accounts receivable (note 3)	1,949	–
Investments (note 2)	47,064	41,988
Employee future benefit assets (note 4)	21,531	3,087
Capital assets (note 5)	263,079	240,817
	$ 370,225	311,872
Liabilities, Deferred Contributions and Net Assets		
Current liabilities:		
Line of credit (note 13)	$ –	3,620
Short-term loan (note 6)	1,543	1,601
Accounts payable and accrued liabilities (note 7)	27,613	27,661
Accrued vacation pay	1,877	1,835
Deferred revenue	4,170	1,853
Current portion of long-term debt (note 8)	3,324	2,220
Special voluntary early retirement program	–	59
	38,527	38,849
Long-term obligations:		
Long-term debt (note 8)	98,762	85,799
Employee future benefits liabilities (note 4)	8,017	8,772
	106,779	94,571
Deferred contributions (note 9):		
Deferred contributions	36,180	26,952
Deferred capital contributions	114,886	99,480
	151,066	126,432
Net assets (deficiency):		
Unrestricted	(10,331)	(9,211)
Vacation and employee future benefits	11,042	(7,579)
Internally restricted (note 10)	26,078	26,822
Endowment	47,064	41,988
	73,853	52,020
Commitments and contingencies (note 13)		
	$ 370,225	311,872

See accompanying notes to consolidated financial statements.

On behalf of the Board of Governors:

Jennifer Witty Governor

Pierre Zundel Governor

LAURENTIAN UNIVERSITY OF SUDBURY

Consolidated Statement of Operations

Year ended April 30, 2017, with comparative information for 2016
(thousands of dollars)

	2017	2016
Revenue:		
Operating grants and contracts	$ 78,262	75,729
Tuition fees	55,538	51,959
Research grants and contracts	20,789	21,680
Other fees and income (note 15)	15,126	15,593
Sales and services	11,257	11,092
Investment income (note 2)	3,889	–
Amortization of deferred capital contributions	3,885	3,150
	188,746	179,203
Expenses:		
Salaries and benefits	134,278	125,532
Operating and research	24,053	24,464
Occupancy	13,208	12,340
Scholarships and bursaries	11,337	11,662
Amortization of capital assets	7,692	6,711
Investment loss (note 2)	–	480
	190,568	181,189
Deficiency of revenue over expenses	$ (1,822)	(1,986)

See accompanying notes to consolidated financial statements.

LAURENTIAN UNIVERSITY OF SUDBURY

Consolidated Statement of Changes in Net Assets (Deficiency)

Year ended April 30, 2017, with comparative information for 2016
(thousands of dollars)

2017		Unrestricted	Vacation and Employee Future Benefits	Internally Restricted (note 10)	Endowment	Total
Net assets (deficiency), beginning of year	$	(9,211)	(7,579)	26,822	41,988	52,020
Excess (deficiency) of revenue over expenses		1,943	42	(3,807)	–	(1,822)
Internally restricted transfers		(3,063)	–	3,063	–	–
Endowment contributions		–	–	–	5,076	5,076
Employee future benefits remeasurements and other items		–	18,579	–	–	18,579
Net assets (deficiency), end of year	$	(10,331)	11,042	26,078	47,064	73,853

2016		Unrestricted	Vacation and Employee Future Benefits	Internally Restricted (note 10)	Endowment	Total
Net assets (deficiency), beginning of year	$	(9,811)	7,416	31,211	40,784	69,600
Excess (deficiency) of revenue over expenses		(258)	1,803	(3,531)	–	(1,986)
Internally restricted transfers		858	–	(858)	–	–
Endowment contributions		–	–	–	1,204	1,204
Employee future benefits remeasurements and other items		–	(16,798)	–	–	(16,798)
Net assets (deficiency), end of year	$	(9,211)	(7,579)	26,822	41,988	52,020

See accompanying notes to consolidated financial statements.

LAURENTIAN UNIVERSITY OF SUDBURY

Consolidated Statement of Cash Flows

Year ended April 30, 2017, with comparative information for 2016
(thousands of dollars)

	2017	2016
Cash flows from operating activities:		
Deficiency of revenue over expenses	$ (1,822)	(1,986)
Non-cash items:		
Amortization of capital assets	7,692	6,711
Amortization of deferred capital contributions	(3,885)	(3,150)
Change in accrued early retirement program costs	(59)	(227)
Change in unrealized gains on investments	(2,218)	3,761
Excess of employer contributions over employee future benefits net benefit costs	(620)	(1,619)
	(912)	3,490
Change in non-cash working capital (note 14)	(1,372)	5,763
	(2,284)	9,253
Cash flows from financing activities:		
Endowment contributions	5,076	1,204
Increase in deferred contributions	9,228	1,465
Deferred capital contributions received	19,291	10,364
Repayment of long-term debt	(2,614)	(2,067)
Long-term debt obtained	16,681	25,180
Increase (decrease) in line of credit	(3,620)	3,620
Decrease in short-term loan	(58)	(58)
	43,984	39,708
Cash flows from investing activities:		
Purchases of capital assets	(29,954)	(50,924)
Net acquisition of investments	(2,858)	(3,199)
	(32,812)	(54,123)
Net increase (decrease) in cash and short-term investments	8,888	(5,162)
Cash and short-term investments, beginning of year	1,144	6,306
Cash and short-term investments, end of year	$ 10,032	1,144

See accompanying notes to consolidated financial statements.

Laurentian University of Sudbury (the "University") is incorporated by special act under the laws of Ontario.

The university is a registered charity and is therefore, under section 149 of the Income Tax Act, exempt from payment of income tax.

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
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 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 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.

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. As a result, the University’s proportionate share (20%) of the entity’s revenues and expenses to March 31, 2016 have been included in these consolidated financial statements. The 2017 financial statements are not yet available. SNOLAB is in the process of incorporating as a not-for-profit corporation. Therefore, the University wrote-off its share of assets and liabilities as at April 30, 2016 as it will no longer have access to the assets or liabilities related to the operations of SNOLAB once incorporated.

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. 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.

(thousands of dollars)

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.

2. Cash and Investments:

	2017	2016
Short-term:		
Cash	$ 2,487	–
Short-term investments	7,545	1,144
	10,032	1,144
Long-term:		
Equity funds, segregated funds	23,252	19,772
Fixed income	23,812	22,216
	47,064	41,988
	$ 57,096	43,132

Long-term investments reflect funds for endowment balances.

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

(thousands of dollars)

2. Cash and Investments (continued):

The breakdown of investment income (loss) is as follows:

	2017	2016
Unrealized gains (losses)	$ 2,218	(3,761)
Interest income	1,841	2,255
Realized gains	4	1,196
	4,063	(310)
Investment management fees	(174)	(170)
	$ 3,889	(480)

3. Accounts receivable:

	2017	2016
Accounts receivable	$ 29,629	24,982
Less allowance for doubtful accounts	(2,254)	(1,658)
	$ 27,375	23,324
Current portion of accounts receivable	$ 25,426	23,324
Long-term accounts receivable	1,949	–
	$ 27,375	23,324

Long-term accounts receivable represent funding for capital and research in fiscal 2019 and 2020.

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	2017 Total	2016 Total
Accrued benefit obligation	$ (358,011)	(6,377)	(3,179)	(367,567)	(348,514)
Fair value of plan assets	379,542	1,539	–	381,081	342,829
Accrued benefit assets	$ 21,531	–	–	21,531	3,087
Accrued benefit liabilities	$ –	(4,838)	(3,179)	(8,017)	(8,772)

(thousands of dollars)

4. Employee future benefits (continued):

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

	Pension and Supplemental Pension Plan		Post-Employment Benefit Obligation	
	2017	2016	2017	2016
Discount rate	6.00%	6.00%	4.00%	4.00%
Rate of compensation increases	3.00%	3.00%	–	–
Expected long-term rate of return on plan assets	6.00%	6.00%	4.00%	4.00%
Health care cost trend rate	–	–	3.00%	3.00%
Rate of inflation	2.00%	2.00%	–	–

For the scheduled July 1, 2017 valuation for funding purposes, assumptions are modified. The discount rate for the pension plan will be 5.75% and the valuation assumptions will include an updated mortality table. The effect of the changes in assumptions, if applied to the April 30, 2017 accounting valuation would be a decrease of $24,852 in net assets resulting in an accrued benefit deficit of $3,321.

5. Capital assets:

	Cost	Accumulated Amortization	2017 Net book Value	2016 Net book Value
Buildings	$ 323,459	(85,180)	238,279	221,012
Equipment and furnishing	61,050	(52,359)	8,691	4,266
Site improvements	11,949	(9,253)	2,696	2,126
Land	13,413	–	13,413	13,413
	$ 409,871	(146,792)	263,079	240,817

A total of $27,223 (2016 – $80,171) 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, 2017 (2016 – 1.0%).

(thousands of dollars)

7. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances payable of $3,649 (2016 – $3,670), which includes amounts payable for payroll related taxes.

8. Long-term debt:

Unsecured loans with:	Rate	Fixed Maturity	2017	2016
Bank of Montreal	5.14%	2024	$ 2,068	2,285
Royal Bank of Canada	3.90%	2040	14,316	14,690
Royal Bank of Canada	4.50%	2042	18,891	19,328
Royal Bank of Canada	3.90%	2023	5,235	6,010
Royal Bank of Canada	4.63%	2042	42,671	26,319
TD Canada Trust	4.70%	2036	11,816	12,170
TD Canada Trust	4.74%	2043	7,089	7,217
			102,086	88,019
Less current portion of long-term debt			(3,324)	(2,220)
			$ 98,762	85,799

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% (2016 - 1.0%) 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:

2018	$ 3,324
2019	3,465
2020	3,607
2021	3,757
2022	3,918
Thereafter	84,015
	$ 102,086

(thousands of dollars)

9. Deferred contributions:

(a) Deferred contributions:

Deferred contributions represent external contributions restricted for research and other expenditures to be incurred in subsequent fiscal years. Details of the change in deferred contributions are as follows:

	2017	2016
Balance, beginning of year	$ 26,952	25,487
Add contributions received in the year	31,934	22,078
Less amounts recognized as revenue	(22,706)	(20,613)
Balance, end of year	$ 36,180	26,952

(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:

	2017	2016
Unspent:		
Balance, beginning of year	$ 210	1,610
Add contributions received in the year	19,291	10,364
Less amounts utilized	(15,077)	(11,764)
Balance, end of year	4,424	210
Unamortized:		
Balance, beginning of year	99,270	90,656
Add contributions utilized in the year	15,077	11,764
Less amount amortized to revenue	(3,885)	(3,150)
Balance, end of year	110,462	99,270
Total unspent and unamortized capital contributions	$ 114,886	99,480

(thousands of dollars)

10. Internally restricted net assets:

	2017	2016
Investment in capital assets (note 11)	$ 24,578	24,537
Reserve for future years	1,744	1,744
Capital to be financed	(952)	(296)
Scholarship and bursary funds	1,038	72
Departmental and subsidiary research funds	1,757	1,532
Departmental carry forward and future budget provisions	(447)	729
McEwen School of Architecture	(1,636)	(1,846)
Ancillaries	(4)	350
	$ 26,078	26,822

The McEwen School of Architecture was launched in 2013. During the initial years, losses from the school will accumulate until full enrolment in the Master in Architecture Program. Subsequently, the School will repay the accumulated deficits to the University's Operating Fund.

11. Investment in capital assets:

The investment in capital assets is calculated as follows:

	2017	2016
Capital assets	$ 263,079	240,817
Less amounts financed by:		
Long-term debt	(102,086)	(88,019)
Internal financing (note 12)	(24,410)	(23,770)
Short-term loan	(1,543)	(1,601)
Line of credit	–	(3,620)
Unamortized deferred capital contributions (note 9)	(110,462)	(99,270)
	$ 24,578	24,537

(thousands of dollars)

12. Internal financing:

Details of capital asset internal financing activities are as follows:

	2016	New Financing	Repayments	2017
Campus Modernization	$ 12,965	–	(396)	12,569
Cardiovascular Metabolic Research Lab	5,025	914	–	5,939
Great Hall renovations	2,324	–	(217)	2,107
Ancillaries	1,231	1,006	(233)	2,004
Parking Lot 4	–	966	–	966
Campus Master Plan	287	–	(27)	260
DNA Lab	–	249	–	249
Human Kinetics Ropes	138	22	(25)	135
McEwen School of Architecture	1,357	–	(1,357)	–
Leasehold for Barrie offices	210	–	(210)	–
Energy retrofit	136	–	(136)	–
Other small projects	97	164	(80)	181
	$ 23,770	3,321	(2,681)	24,410

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 twenty-five years.

13. Commitments and contingencies:

(a) The University has access to a Royal Bank unsecured line of credit of $5,000 and a Desjardins unsecured line of credit of $20,000. These lines of credit bear interest at Royal Bank prime rate less 0.50% and Desjardins prime rate less 0.95%. As at April 30, 2017, the University had not drawn on the Royal Bank line of credit or the Desjardins 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 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. At April 30, 2017, $1,236 had been collected and $39 expended.

(d) The Board of Governors of the University approved the Research, Innovation and Engineering Centre Project in the amount of $30,000 for which the funding is to be provided through Government grants and philanthropy. At April 30, 2017, $4,048 had been expended.

(e) 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.

(thousands of dollars)

14. Change in non-cash working capital:

	2017	2016
Cash flows from operating activities:		
Accounts receivable	$ (4,051)	(2,182)
Other assets	368	(653)
Accounts payable and accrued liabilities	(48)	8,072
Accrued vacation pay	42	43
Deferred revenue	2,317	483
	$ (1,372)	5,763

15. Other fees and income:

Details of the other fees and income are as follows:

	2017	2016
Scholarships, bursaries and other restricted contributions	$ 5,076	5,976
Compulsory fees	2,566	2,503
Sponsored students	1,628	1,769
Administrative fees	1,711	1,475
Other	4,145	3,870
	$ 15,126	15,593

16. 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.

16. Financial risks: (continued)

(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 derivative agreements 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 2016.

17. First Generation Pilot Project Initiatives:

For the period of May 1, 2016 to April 30, 2017, the University's consolidated financial statements include expenditures totaling $132 (2016 – $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.