Annual Financial Report

Fiscal year ended April 30, 2018

LaurentianUniversity
UniversitéLaurentienne

Sudbury, ON **laurentian.ca**

TABLE OF CONTENTS

REVIEW OF FISCAL 2017-2018

Highlights

For Laurentian University, 2017-18 was a year where the University continued its momentum forward. Campus modernization, which was part of the day-to-day life on campus for a number of years, saw the grand opening of The Indigenous Sharing and Learning Centre in June and the completion of the project with the opening of the Atrium Space in September. Additionally, the Cliff Fielding Research, Innovation and Engineering Building achieved substantial completion with the grand opening in September 2018. After three years of planning, the new Students' Centre was started with an anticipated completion date of August 2019.

The University also signed its second Strategic Mandate Agreement (SMA) with the Province in October 2017. The agreement outlines the role the University currently performs in Ontario's postsecondary education system and how it will build on its current strengths to achieve its vision and help drive system-wide objectives and government priorities.

In January 2018, Laurentian University launched its new strategic plan, Imagine 2023. During the preceding 15 months, the University met with over 1500 people, held more than 50 consultations, received hundreds of emails and prepared dozens of documents, including 5 drafts of the plan. The resulting plan has 25 outcomes to continue building on the existing momentum of the University.

During the year, the University also reached two 3-year agreements with its faculty and staff unions.

Despite a reduction in enrolment, the University was able to meet its operational financial target for 2017-18 of a balanced operating budget. In total, tuition revenue for 2017-18 was $0.6 million lower than the previous year. The University's consolidated excess of revenue over expenses was $2.1 million as outlined below (in 000's):

Net operating surplus	**209**
Vacation and Employee Future Benefits	**2,171**
MIRARCO net loss	**(324)**
Net other funds	**4**
Consolidated excess of revenue over expenses	**2,060**

The Vacation and Employee Future Benefits reflects the current year valuation gain in the pension plan, vacation accrual, Supplementary Pension Plan and the Retiree Health Benefit Plan, which is offset by the long-term fund remeasurement loss of $30,768 as reflected in the Consolidated Statement of Changes in Net Assets.

As a result of the net operating surplus, the University's unrestricted accumulated deficit was reduced slightly from $10.3 million to $10.1 million.

Capital Projects & Financing

- **Clifford A. Fielding Research, Innovation, and Engineering Building**

In honour of a $3 million investment from Mrs. Lily Fielding and her family, Laurentian University will name its new state-of-the-art facility the Clifford A. Fielding Research, Innovation, and Engineering Building. Officially opening in fall 2018, the new building will include collaborative research and development space, innovation and commercialization space, as well as much needed space for the award-winning Bharti School of Engineering. It will feature four capstone innovation labs, a material analysis lab, environmental and soil mechanics lab, prototype development and machine shop, integrated software lab and lecture theatre, and a hydraulics and fluid mechanics lab. Each of these spaces have been identified in consultation with local industry in order to maximize inter-disciplinary opportunities.

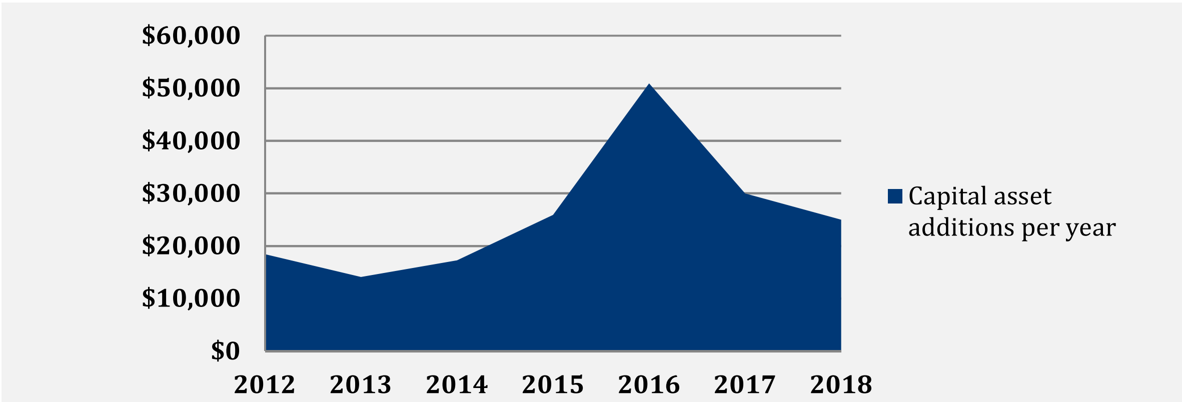
- **Students' Centre**

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.

The space will include an atrium with study and lounge facilities as well as private study rooms and an open concept games room. It will also feature a room for clubs, SGA administration offices, meeting rooms, retail space for a new coffee kiosk, an onsite dental hygienist, graduation photo space, and two retail areas for pop-up shops or potential future food services.

❖ Capital additions and financing

Over the past 7 years, Laurentian has invested heavily in its physical resources to a total of approximately $181 million.



Capital projects are financed through grants, donations, long-term debt and internal funding. Total outstanding long-term debt was $98.8 million at the end of fiscal 2018. This is made up of:

Campus modernization projects	**$41.7**
Ancillaries	**$36.1**
School of Education	**$14.0**
Voyageur Recreation Centre	**$7.0**
	$98.8

In addition, at April 30, 2018, $19.5 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, 2018 the University had utilized $9 million.

Compensation and Benefits

Salaries and benefits represent 65% of the University's expenses. Salaries and benefits expense decreases 6% in 2018 from prior year to $126.8 million. This decrease is mainly due to the accrual of the Voluntary Departure Program (VDP) in prior year as well as the wind-up of the Barrie campus. 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 special payments as required by regulations. 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 Pension Plan filed a new valuation effective June 30, 2017. The Pension Plan also applied for stage 2 relief for the solvency deficit, which was granted by the Financial Services Commission of Ontario (FSCO). The effect is an increase in special payments on July 1, 2018 from $0.5 million to $1.9 million annually. The Province has also announced reforms to pension funding requirements. At the next valuation, the University will only be required to fund solvency deficits up to an 85% level with a 5 year amortization period. Going concern deficits will now be required to be funded over a 10 year period instead of 15 year period. The Province also included additional funding requirements for the Provision for Adverse Deviation (PfAD), which is above the current service costs. Laurentian's Pension Plan is also subject to the Pension Benefits Guarantee Fund, which will require higher premiums.

At April 30, 2018, the Pension Plan has a going concern deficit of $6.5 million (in 2017 a surplus of $21.5 million). The main reason for the valuation change is the change in valuation assumptions. Compared to the prior year, the discount rate was reduced from 6% to 5.75% and the mortality table was updated. This resulted in a remeasurement loss of $30.8 million as reflected in the Consolidated Statement of Changes in Net Assets.

The Retiree Health Benefit Plan (RHBP) has been underfunded since its inception and currently has a deficit of $5.3 million. The University is seeking to resolve this issue through discussions with full-time unionized and non-unionized employees.

Funding Formula and Strategic Mandate Agreement

During 2013, the Province released the framework for the postsecondary sector, "Ontario's Differentiation Policy Framework for Postsecondary Education." The framework relies on differentiation as a primary policy driver, which focuses on the unique strengths of each institution.

The Province also introduced in 2014 Strategic Mandate Agreements with each University (SMA). Laurentian signed SMA1 for the period of 2014-17.

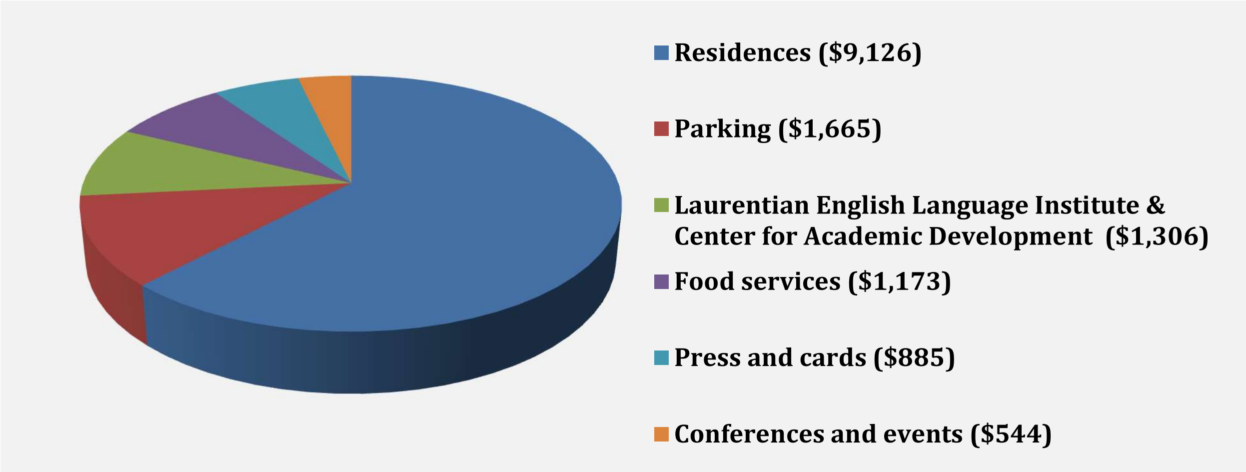
The Province of Ontario also introduced a new funding formula in effect for 2017-18. This new formula included 3 major categories, enrolment, performance and specific grants. The enrolment portion of the grant included the re-introduction of a funding corridor. The intent of the corridor is to provide stable funding as long as the University remains within 3% of its corridor midpoint. Laurentian signed SMA2 with the Province in October 2017 covering the period of 2017-20. SMA2 set the corridor midpoint for funding purposes for Laurentian at 15,891 Weighted Grant Units (WGU). The corridor midpoint is the annual enrolment comparator to determine if Laurentian remains within the plus or minus 3% corridor. The actual measured WGU is based upon the moving weighted value for 5 years with 2016-17 being the base year.

If Laurentian University maintains the same number of domestic students in 2018-19 as in 2017-18, the weighted average for the last year of the SMA2 would be 15,570 WGU or 2% below the corridor midpoint.

Funding WGU

	Base	SMA 2		
	2016-17	**2017-18**	**2018-19**	**2019-20**
Actual and estimated WGU	15,891	15,089	15,089	15,089
Weighted WGU		15,891	15,731	15,570
Variance to base WGU		0.00%	-1.01%	-2.02%

Ancillary Revenues
(in 000's)



Overall, ancillary revenues increased 5.0% in fiscal 2018. This is primarily due to an increase in residence revenue of 9.3%. As a result, the ancillary fund balance increased by $0.9 million.

Research

Research intensity at Laurentian has increased significantly over the last decade and so has total sponsored research income. In fiscal 2018, several large grants have contributed to the research income growth.

A team of researchers, led by Dr. Nancy Young and Mrs. Mary Jo Wabano (Director of Health Services for the Wikwemikong Health Centre), was awarded a $2 million grant from the Health System Research Fund (HSRF) for the Evaluation to Action: Integrating the Voices of Aboriginal Children (ETA) project, which will examine a tailored evaluation model in partnership with Indigenous communities.

A team of researchers, led by Dr. Nathan Basiliko, was awarded a $1.6 million grant from the Ontario Centres of Excellence (OCE) and the Natural Sciences and Engineering Research Council (NSERC) for the Landscape Carbon Accumulation through Reductions in Emissions (L-CARE) project, aimed at tackling the problem of greenhouse gas emissions.

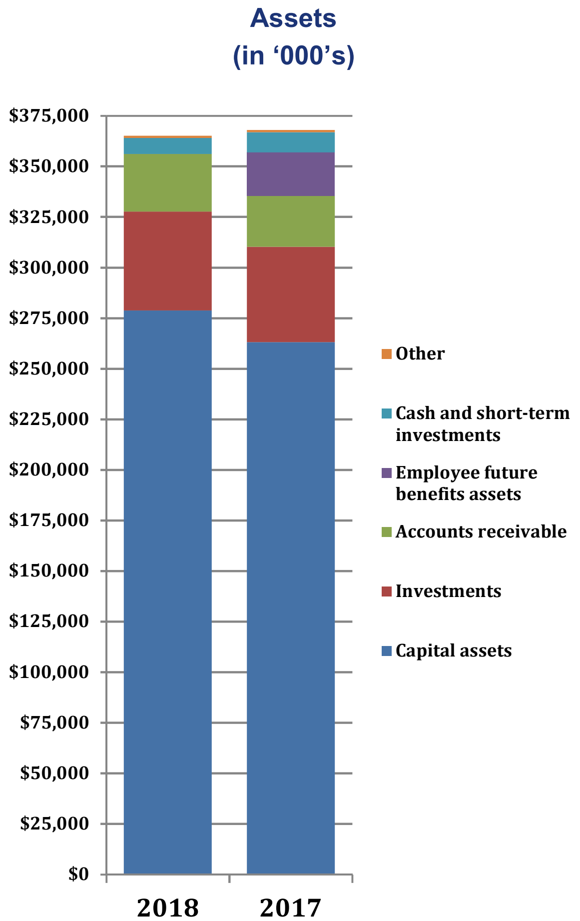
Funding from Tri-Council agencies continued to grow to a total of $11.9 million for fiscal 2018, a 7% increase from fiscal 2017. Laurentian was granted a new Tier 1 Canada Research Chair (CRC) due to this continued increase and in July 2017, Dr. Jeremy Richards was named as our new CRC in Metallogeny.

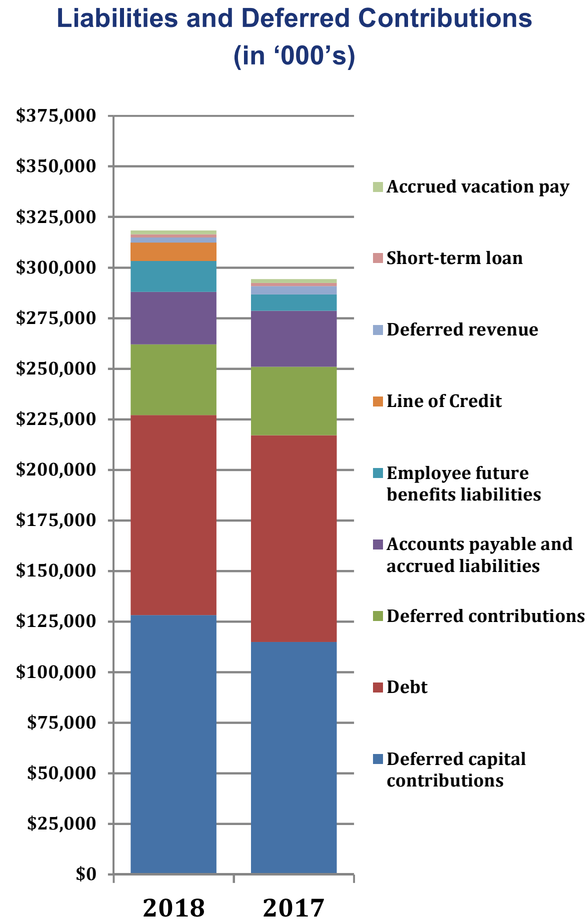
The two major Canada First Research Excellence Fund (CFREF) projects announced in 2016-2017, Metal Earth North and Particle Astrophysics Research Centre (CPARC), continued to have a significant impact on research at Laurentian in fiscal 2018.

Based on the amount of funding awarded in fiscal 2018 by Federal granting agencies, Laurentian will receive a grant of more than $2M from the Research Support Fund for fiscal 2019.

FINANCIAL STATEMENT HIGHLIGHTS

Consolidated Statement of Financial Position





At April 30, 2018 cash and short-term investments were down $2.1M mainly due to timing of capital purchases. Accounts receivable were up $4.5 million as a result of an increase in capital grants receivables. Employee Future Benefit assets are nil in 2018 and were $21.5M in 2017 based on actuarial valuation. Long-term investments increased $1.7M due to endowment contributions received during the year. Finally, capital assets experienced a significant increase due to capital spending on the Cliff Fielding Research, Innovation and Engineering Building of $18.5M.

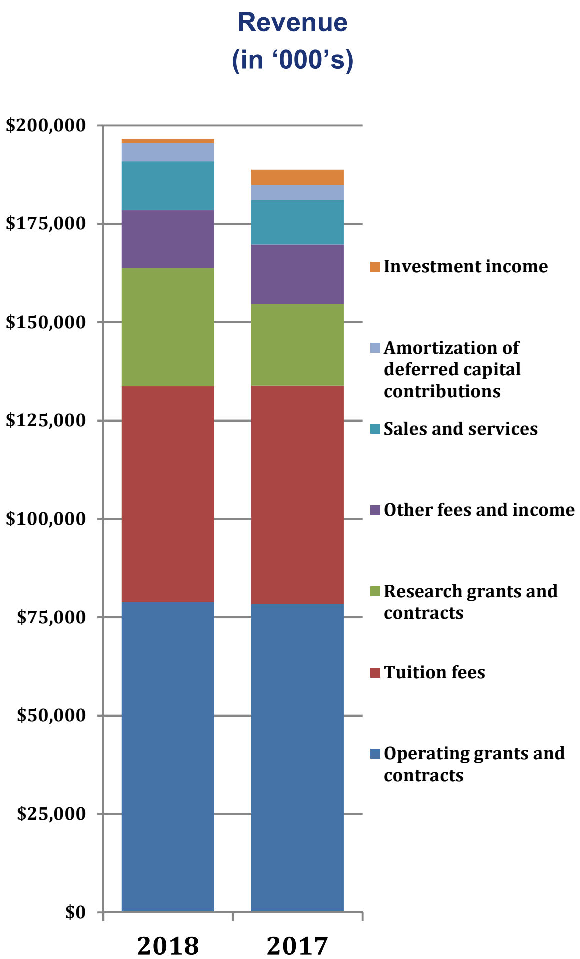
Overall, assets decreased by 0.8%.

At April 30, 2018, $9.0M of the University's line of credit was utilized due to capital spending. This line of credit was not utilized at April 30, 2017. Long-term debt decreased $3.4M due to principal payments made during the year. Employee future benefits liabilities increased $7.4M based on actuarial evaluation. Deferred capital contributions increased $13.3M, primarily from grants relating to the Cliff Fielding Research, Innovation and Engineering Building which will be amortized to revenue over the life of the assets.

Overall, liabilities and deferred contributions increased by 8.2%.

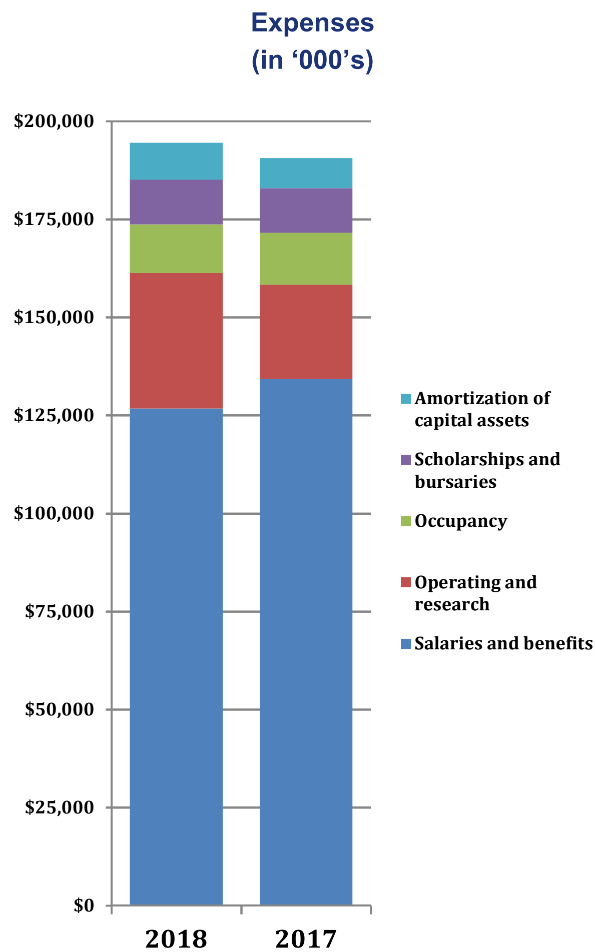
FINANCIAL STATEMENT HIGHLIGHTS (continued)

Consolidated Statement of Operations



Operating grants were consistent with prior year. Tuition revenue decreased by 1.1% from the previous year due to enrolment decline, which was partially offset by annual tuition increases. Investment income decreased by $2.9M due to losses on long-term investments. Amortization of deferred capital increased $0.7M mainly because of amortization of deferred capital grants relating to the McEwen School of Architecture.

Overall, revenue increased by 4.1%.



Salaries and benefits expenses decreased 5.6% mainly due to the accrual of the Voluntary Departure Program in fiscal 2017 as well as the wind-up of the Barrie campus. Occupancy related expenses decreased 6.2% mostly due to electricity savings. There was a significant increase in operating and research of $10.4M due to funded research expenses, particularly CFREF. Scholarships and bursaries remained consistent with the prior year. Amortization expense increased $1.6M due to amortization on the McEwen School of Architecture and campus modernization projects.

Overall, expenses increased by 2.0%.

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, 2018 and the results of its operations and its cash flows for the year ended April 30, 2018. 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, 2018 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.

Lorella Hayes, 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, 2018

KPMG LLP
Claridge Executive Centre
144 Pine Street
Sudbury Ontario P3C 1X3
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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, 2018, 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, 2018, 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

Sudbury, Canada
October 26, 2018

LAURENTIAN UNIVERSITY OF SUDBURY

Consolidated Statement of Financial Position

April 30, 2018, with comparative information for 2017
(thousands of dollars)

	2018	2017
Assets		
Current assets:		
Cash and short-term investments (note 2)	$ 7,906	10,032
Accounts receivable (note 3)	27,689	23,214
Other	1,173	1,144
	36,768	34,390
Accounts receivable (note 3)	798	1,949
Investments (note 2)	48,800	47,064
Employee future benefit assets (note 4)	–	21,531
Capital assets (note 5)	278,725	263,079
	$ 365,091	368,013
Liabilities, Deferred Contributions and Net Assets		
Current liabilities:		
Line of credit (note 13)	$ 9,000	–
Short-term loan (note 6)	1,484	1,543
Accounts payable and accrued liabilities (note 7)	25,960	27,613
Accrued vacation pay	1,907	1,877
Deferred revenue	2,522	4,170
Current portion of long-term debt (note 8)	3,464	3,324
	44,337	38,527
Long-term obligations:		
Long-term debt (note 8)	95,317	98,762
Employee future benefits liabilities (note 4)	15,454	8,017
	110,771	106,779
Deferred contributions (note 9):		
Deferred contributions	34,896	33,968
Deferred capital contributions	128,206	114,886
	163,102	148,854
Net assets (deficiency):		
Unrestricted	(10,122)	(10,331)
Vacation and employee future benefits	(17,555)	11,042
Internally restricted (note 10)	25,758	26,078
Endowment	48,800	47,064
	46,881	73,853
Commitments and contingencies (note 13)		
	$ 365,091	368,013

See accompanying notes to consolidated financial statements.

On behalf of the Board of Governors:

Jennifer Witty ______ Governor

______ Governor

LAURENTIAN UNIVERSITY OF SUDBURY

Consolidated Statement of Operations

Year ended April 30, 2018, with comparative information for 2017
(thousands of dollars)

	2018	2017
Revenue:		
Operating grants and contracts	$ 78,754	78,262
Tuition fees	54,940	55,538
Research grants and contracts	30,085	20,789
Other fees and income (note 15)	14,610	15,126
Sales and services	12,482	11,257
Amortization of deferred capital contributions	4,631	3,885
Investment income (note 2)	1,016	3,889
	196,518	188,746
Expenses:		
Salaries and benefits	126,751	134,278
Operating and research	34,540	24,053
Occupancy	12,386	13,208
Scholarships and bursaries	11,472	11,337
Amortization of capital assets	9,309	7,692
	194,458	190,568
Excess (deficiency) of revenue over expenses	$ 2,060	(1,822)

See accompanying notes to consolidated financial statements.

LAURENTIAN UNIVERSITY OF SUDBURY

Consolidated Statement of Changes in Net Assets (Deficiency)

Year ended April 30, 2018, with comparative information for 2017
(thousands of dollars)

2018		Unrestricted	Vacation and Employee Future Benefits	Internally Restricted (note 10)	Endowment	Total
Net assets (deficiency), beginning of year	$	(10,331)	11,042	26,078	47,064	73,853
Excess (deficiency) of revenue over expenses		6,738	–	(4,678)	–	2,060
Transfers		(6,529)	2,171	4,358	–	–
Endowment contributions		–	–	–	1,736	1,736
Employee future benefits remeasurements and other items		–	(30,768)	–	–	(30,768)
Net assets (deficiency), end of year	$	(10,122)	(17,555)	25,758	48,800	46,881

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		1,985	–	(3,807)	–	(1,822)
Transfers		(3,105)	42	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

See accompanying notes to consolidated financial statements.

LAURENTIAN UNIVERSITY OF SUDBURY

Consolidated Statement of Cash Flows

Year ended April 30, 2018, with comparative information for 2017
(thousands of dollars)

	2018	2017
Cash flows from operating activities:		
Excess (deficiency) of revenue over expenses	$ 2,060	(1,822)
Non-cash items:		
Amortization of capital assets	9,309	7,692
Amortization of deferred capital contributions	(4,631)	(3,885)
Change in accrued early retirement program costs	–	(59)
Unrealized loss on investments	984	185
Excess of employer contributions over employee future benefits net benefit costs	(1,800)	(620)
	5,922	1,491
Change in non-cash working capital (note 14)	(6,624)	840
	(702)	2,331
Cash flows from financing activities:		
Endowment contributions	1,736	5,076
Increase in deferred contributions	928	7,016
Deferred capital contributions received	17,951	19,291
Repayment of long-term debt	(3,305)	(2,614)
Long-term debt obtained	–	16,681
Increase (decrease) in line of credit	9,000	(3,620)
Decrease in short-term loan	(59)	(58)
	26,251	41,772
Cash flows from investing activities:		
Purchases of capital assets	(24,955)	(29,954)
Net acquisition of investments	(2,720)	(5,261)
	(27,675)	(35,215)
Net increase (decrease) in cash and short-term investments	(2,126)	8,888
Cash and short-term investments, beginning of year	10,032	1,144
Cash and short-term investments, end of year	$ 7,906	10,032

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 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, 2017, and the next required valuation will be as of July 1, 2020.

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

These 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, 2017 have been included in these consolidated financial statements. The 2018 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.

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 accounts receivable and 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:

	2018	2017
Short-term:		
Cash	$ 3,378	2,487
Short-term investments	4,528	7,545
	7,906	10,032
Long-term:		
Equity funds, segregated funds	23,369	23,252
Fixed income	25,431	23,812
	48,800	47,064
	$ 56,706	57,096

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 is as follows:

	2018	2017
Unrealized losses	$ (984)	(185)
Interest income	2,449	1,841
Realized gains (losses)	(263)	2,407
	1,202	4,063
Investment management fees	(186)	(174)
	$ 1,016	3,889

3. Accounts receivable:

	2018	2017
Accounts receivable	$ 31,188	27,417
Less allowance for doubtful accounts	(2,701)	(2,254)
	$ 28,487	25,163
Current portion of accounts receivable	$ 27,689	23,214
Long-term accounts receivable	798	1,949
	$ 28,487	25,163

Long-term accounts receivable represent funding for capital and research in fiscal 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	2018 Total	2017 Total
Accrued benefit obligation	$ (387,623)	(6,833)	(3,647)	(398,103)	(367,567)
Fair value of plan assets	381,121	1,528	–	382,649	381,081
Accrued benefit assets	$ –	–	–	–	21,531
Accrued benefit liabilities	$ (6,502)	(5,305)	(3,647)	(15,454)	(8,017)

(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	
	2018	2017	2018	2017
Discount rate	5.75%	6.00%	4.00%	4.00%
Rate of compensation increases	2.50%	3.00%	–	–
Expected long-term rate of return on plan assets	5.75%	6.00%	4.00%	4.00%
Health care cost trend rate	–	–	2.00%	3.00%
Rate of inflation	2.00%	2.00%	–	–

5. Capital assets:

	Cost	Accumulated Amortization	2018 Net book Value	2017 Net book Value
Buildings	$ 346,855	(91,825)	255,030	238,279
Equipment and furnishing	62,609	(54,661)	7,948	8,691
Site improvements	11,949	(9,615)	2,334	2,696
Land	13,413	–	13,413	13,413
	$ 434,826	(156,101)	278,725	263,079

A total of $25,555 (2017 – $27,223) of buildings is under construction and not yet subject to amortization.

6. Short-term loan:

The short-term loan represents an unsecured loan with no mandatory repayment terms from TD Canada Trust for the student recreation centre, with a floating interest rate of 1.35% at April 30, 2018 (2017 – 1.0%).

(thousands of dollars)

7. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances payable of $3,704 (2017 – $3,649), which includes amounts payable for payroll related taxes.

8. Long-term debt:

Unsecured loans with:	Rate	Fixed Maturity	2018	2017
Bank of Montreal	5.14%	2024	$ 1,858	2,068
Royal Bank of Canada	3.90%	2040	13,956	14,316
Royal Bank of Canada	4.50%	2042	18,470	18,891
Royal Bank of Canada	3.90%	2023	4,437	5,235
Royal Bank of Canada	4.63%	2042	41,657	42,671
TD Canada Trust	4.70%	2036	11,445	11,816
TD Canada Trust	4.74%	2043	6,958	7,089
			98,781	102,086
Less: current portion of long-term debt			(3,464)	(3,324)
			$ 95,317	98,762

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 1.35% (2017 - 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:

2019	$ 3,464
2020	3,606
2021	3,756
2022	3,917
2023	4,082
Thereafter	79,956
	$ 98,781

(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:

	2018	2017
Balance, beginning of year	$ 33,968	26,952
Add contributions received in the year	30,543	29,722
Less amounts recognized as revenue	(29,615)	(22,706)
Balance, end of year	$ 34,896	33,968

(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:

	2018	2017
Unspent:		
Balance, beginning of year	$ 4,424	210
Add contributions received in the year	17,951	19,291
Less amounts utilized	(22,227)	(15,077)
Balance, end of year	148	4,424
Unamortized:		
Balance, beginning of year	110,462	99,270
Add contributions utilized in the year	22,227	15,077
Less amount amortized to revenue	(4,631)	(3,885)
Balance, end of year	128,058	110,462
Total unspent and unamortized capital contributions	$ 128,206	114,886

(thousands of dollars)

10. Internally restricted net assets:

	2018	2017
Investment in capital assets (note 11)	$ 21,927	24,578
Reserve for future years	1,744	1,744
Capital to be financed	–	(952)
Scholarship and bursary funds	(796)	1,038
Departmental and subsidiary research funds	1,404	1,757
Departmental carry forward and future budget provisions	1,967	(447)
McEwen School of Architecture	(1,336)	(1,636)
Ancillaries	848	(4)
	$ 25,758	26,078

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:

	2018	2017
Capital assets	$ 278,725	263,079
Less amounts financed by:		
Long-term debt	(98,781)	(102,086)
Internal financing (note 12)	(19,475)	(24,410)
Short-term loan	(1,484)	(1,543)
Line of credit	(9,000)	–
Unamortized deferred capital contributions (note 9)	(128,058)	(110,462)
	$ 21,927	24,578

(thousands of dollars)

12. Internal financing:

Details of capital asset internal financing activities are as follows:

	2017	New Financing	Repayments	2018
Campus Modernization	$ 12,569	4,568	(9,000)	8,137
Cardiovascular Metabolic Research Lab	5,939	–	(215)	5,724
Great Hall renovations	2,107	–	(226)	1,881
Ancillaries	2,004	240	(478)	1,766
Parking Lot 4	966	–	(48)	918
School of Education Building	–	373	–	373
Campus Master Plan	260	–	(28)	232
DNA Lab	249	–	(21)	228
Human Kinetics Ropes	135	–	(25)	110
Other small projects	181	–	(75)	106
	$ 24,410	5,181	(10,116)	19,475

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, 2018, the University had not drawn on the Royal Bank line and had drawn $9,000 on 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 student long-term debt facility to provide funding for a new Student Centre. The Board of Governors of the University has approved that the University guarantee the student loan up to the amount of $8,500.

(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, 2018, $22,589 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:

	2018	2017
Cash flows from operating activities:		
Accounts receivable	$ (3,324)	(1,839)
Other assets	(29)	368
Accounts payable and accrued liabilities	(1,653)	(48)
Accrued vacation pay	30	42
Deferred revenue	(1,648)	2,317
	$ (6,624)	840

15. Other fees and income:

Details of the other fees and income are as follows:

	2018	2017
Scholarships, bursaries and other restricted contributions	$ 4,776	5,076
Administrative fees	3,936	3,251
Sponsored students	2,095	1,628
Compulsory fees	1,309	1,323
Other	2,494	3,848
	$ 14,610	15,126

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 2017.

17. First Generation Pilot Project Initiatives:

For the period of May 1, 2017 to April 30, 2018, the University's consolidated financial statements include expenditures totaling $132 (2017 – $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.

18. Comparative information:

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