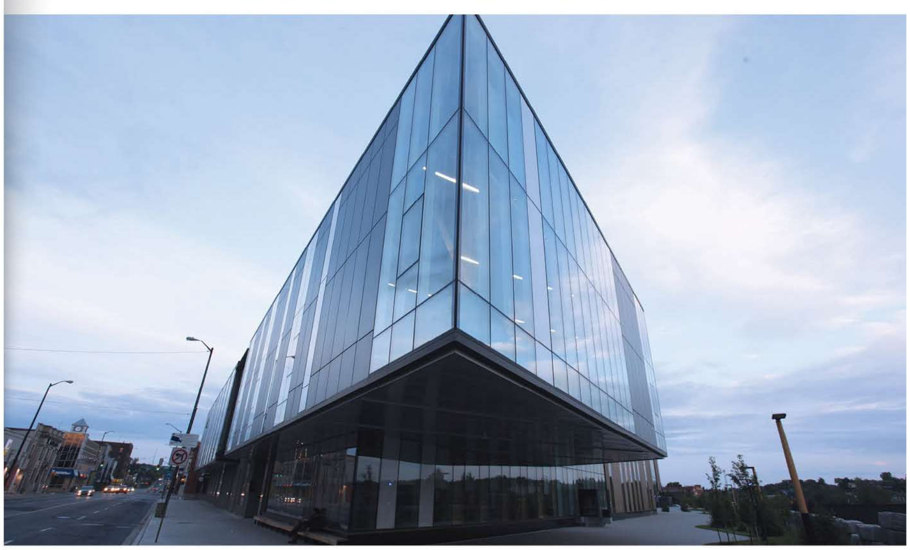
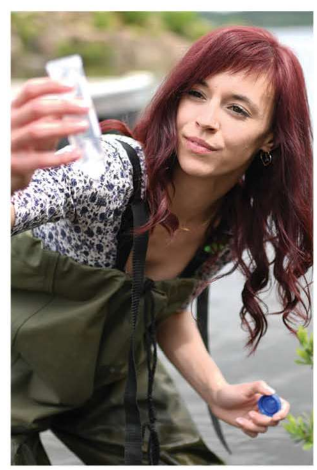
Annual Financial Report

Fiscal year ended April 30, 2019





Laurentian University
Université Laurentienne

Sudbury, ON laurentian.ca

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REVIEW OF FISCAL 2018-2019

Highlights

The past 5-years at Laurentian University have been remarkable and transformative. We have enjoyed success on many levels and achieved historical milestones as a result of the ambitious outcomes identified in our 2012-2017 Strategic Plan.

Laurentian's 2018-2023 Strategic Plan is a continuation of the University's development and growth and will build on our shared values. We will focus on opportunities for collaboration, investments and accomplishments that align with our strengths: Indigeneity, Francophone cultures and language, interdisciplinarity, mining and environmental sustainability, and well-being. This university has a wide reach, and what we achieve here resonates with people and helps build vibrant, knowledgeable, and healthy communities.

Imagine 2023 is a plan that provides guidance, but allows for creativity. In the creation of the plan, 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.

Fiscal 2018-19 had financial challenges that resulted in a consolidated loss of $4.1 million from all funds. The University's operating fund had a deficit of $4.4 million as planned in the 2018-19 budget. The 2019-20 budget includes anticipated funds from the Northern Sustainability Fund and it is anticipated that the 2020-21 budget will be balanced.

Reconciliation of Budget to Audited Financial Statements

	Revenues	Expenses	Net
Per 2018-19 Budget	**156,319**	**160,719**	**(4,400)**
Consolidated entities (MIRARCO and 20% of SNOLAB)	4,379	4,990	(611)
Capital fund	4,864	4,516	348
Research and trust (non-operating fund)	29,780	29,566	214
Difference between Employer Pension Contributions and Net Benefit Cost	0	(772)	772
Other variances	(118)	305	(423)
Per 2018-19 Audited Financial Statements	**195,224**	**199,324**	**(4,100)**

Capital Projects & Financing

❖ **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 October 2019. The University guarantees the loan by the Student General Association.

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.

❖ **Greenhouse Gas Campus Retrofit Program**

Ontario is reducing greenhouse gas pollution and supporting student achievement by investing in energy improvements at college and university campuses across the province. This investment is part of Ontario's Climate Change Action Plan and is funded by proceeds from the province's cap on pollution and carbon market.

Laurentian's share of this funding has allowed for much needed retrofits such as boiler replacements and campus metering upgrades.

❖ **Capital financing**

Capital projects are financed through grants, donations, long-term debt and internal funding. Total outstanding long-term debt was $95.3 million at the end of fiscal 2019.

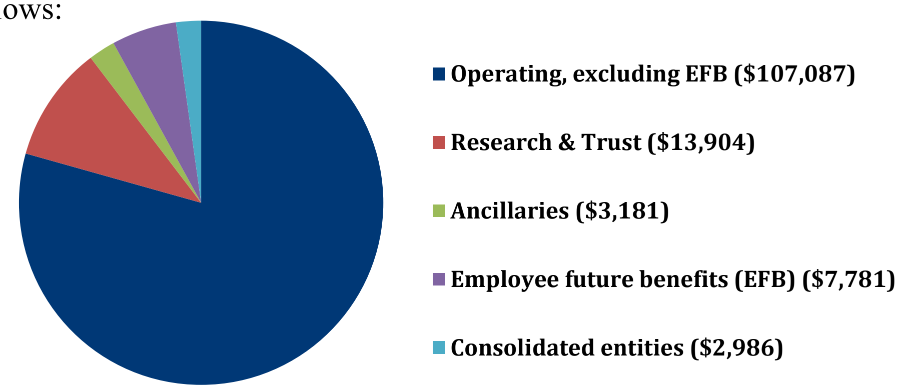
Campus modernization projects	**$40.6**
Ancillaries	**$34.3**
School of Education	**$13.6**
Voyageur Recreation Centre	**$6.8**
	$95.3

During the year, the University repaid $3.5 million in long-term debt and is compliant with the debt policy approved by the Board of Governors. At April 30, 2019, $10.7 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 $26 million in support of internal capital funding. At April 30, 2019 the University had utilized $17.6 million.

Compensation and Benefits

Salaries and benefits represent 68% of the University's expenses. Salaries and benefits expense increased 6.5% from prior year to $134.9 million. This increase is primarily due to one-time savings realized in 2018 from faculty labour disruption, wage increases ranging from 1.5%-1.6%, as well as step increases and progress-through-the ranks. 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, 2018. The timing of filing this valuation effectively moved the valuation process to utilize the 2018 pension reform regulations. Pension reform introduced additional funding requirements for the Provision for Adverse Deviation (PfAD), which is above the current service costs. The PfAD percentage is calculated on a risk calculation on the plan's assets. The current PfAD rate is 7.94% applied to current services costs. The University is only required to fund solvency deficits up to an 85% level with a 5-year amortization period. The solvency ratio deficit for the June 2018 valuation was 88%. Going concern deficits will now be required to be funded over a 10 year period instead of 15 year period. The net effect of the above changes is a decrease in special payments on July 1, 2019 from $1.9 million to $0.9 million annually. Laurentian's Pension Plan is also subject to the Pension Benefits Guarantee Fund.

Employee Future Benefits (EFB) (continued)

At April 30, 2019, the Pension Plan has a going concern surplus of $1.9 million (in 2018 a deficit of $6.5 million). The main reason for the valuation change is the performance of the plan's assets over the year. This resulted in a remeasurement gain of $7.4 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 $5.4 million. The University is increasing the employer's contributions to resolve this issue over time.

Funding Formula and Strategic Mandate Agreement

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 2019-20 as in 2018-19, the weighted average for the last year of the SMA2 would be 15,548 WGU or 2.2% below the corridor midpoint.

FUNDING WGU

		SMA 2		
	Base 2016-17	Actual 2017-18	Actual 2018-19	Budget 2019-20
Actual and estimated WGU	15,891	15,089	14,977	14,950
Weighted WGU		15,891	15,731	15,548
Variance to corridor		0.00%	-1.01%	-2.16%

The Province has also announced additional changes to the funding formula for SMA3 in order to increase both accountability and transparency. Beginning in 2020-21, 25% of provincial funding will be linked to 10 metrics with that share rising to 60% by the 2024-25 academic year. Correspondingly, enrolment-based funding which stands at $2,903 per WGU is anticipated to decrease to $1,143 per WGU.

There are six 'skills and job outcomes' metrics: graduate earnings, experiential learning, skills and competencies, graduate employment, institutional strength or focus, and graduation rates. There are four 'economic and community impact' metrics: research funding capacity, research funding from industry sources or funding from industry sources, community or local impact, and institution specific (economic impact) as defined by Laurentian.

Ancillaries
(in 000's)

	Budget 2018-19	Actual 2018-19
Ancillary revenues	14,646	14,424
Ancillary expenses	11,372	11,436
Contribution	3,274	2,987

Laurentian's ancillary operations include Residences, Parking, Food Services, Press, Conferences and Events, Laurentian English Language Institute and the Centre for Academic Development.

Endowments

The University has $51.8 million in endowment, an increase of $3 million over 2017-18. For 2018-19, the University assigned a spending rate of 4% towards the scholarships and other commitments supported by the funds.

During the year, the Board of Governors approved a new Statement of Investment Policy and Procedures (SIPP) that will diversify the assets invested by the fund to include infrastructure investments and more diversified fixed income investments.

Research

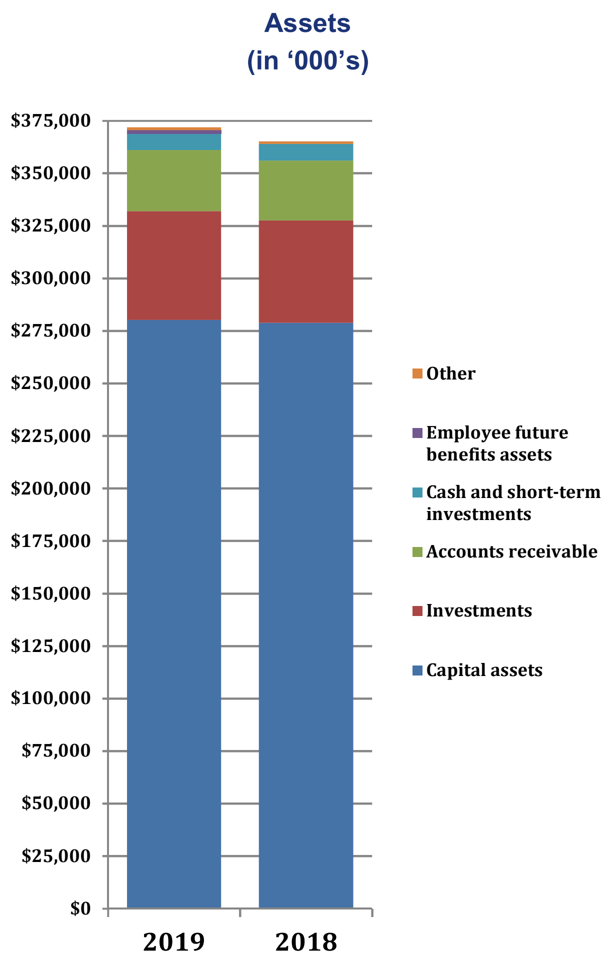
Laurentian University is an ideal environment for advanced learning with small class sizes and the opportunity to conduct research alongside professors with international reputations. Our graduate curriculum builds on a solid tradition of innovative programs and ground-breaking research. We are proud of our value-added, high-quality graduate education that offers every opportunity to become involved in the invigorating intellectual environment at Laurentian.

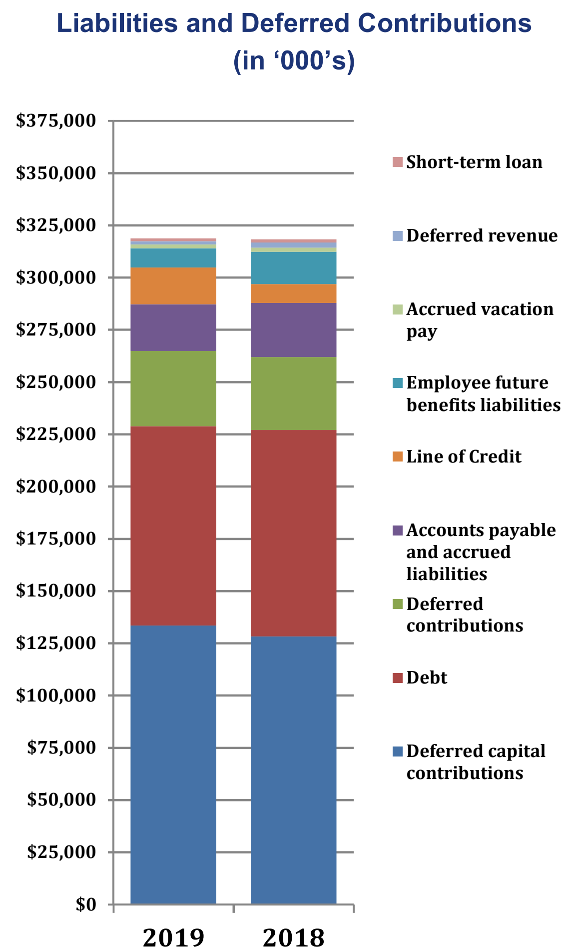
Laurentian is home to a wealth of creative minds, and students benefit from the expertise of professors with international experience. To support our faculty and students, Laurentian has an array of cutting-edge research facilities – some are the first of their kind in Canada. In September 2018, Laurentian opened the Norrine Perdue Central Analytical Facility, a shared laboratory space that facilitates multi-disciplinary research and collaboration by providing access to analytical instruments and services in a centralized location. The campus itself – due to its location and setting – serves as a vast outdoor laboratory for research in health, biology, geology and the environment.

Laurentian is currently home to fourteen Senate-approved research centres and institutes. These centres and institutes bring together researchers with common interests and are places that foster collaboration. They create a presence on the world stage for our areas of research strength. Many of Laurentian's most prominent researchers are members and leaders of research centres or institutes. For example, Dr. John Gunn, Tier 1 Canada Research Chair in Stressed Aquatic Systems, leads the Co-operative Freshwater Ecology Unit that celebrated 30 years of successful collaboration with government and industry partners this past year. The centre is also home to two other Research Chairs, Dr. Nathan Basiliko, Tier 2 Canada Research Chair in Environmental Microbiology and Dr. Nadia Mykytczuk, NOHFC Industrial Research Chair Bio-mining, bioremediation and science communications.

FINANCIAL STATEMENT HIGHLIGHTS

Consolidated Statement of Financial Position





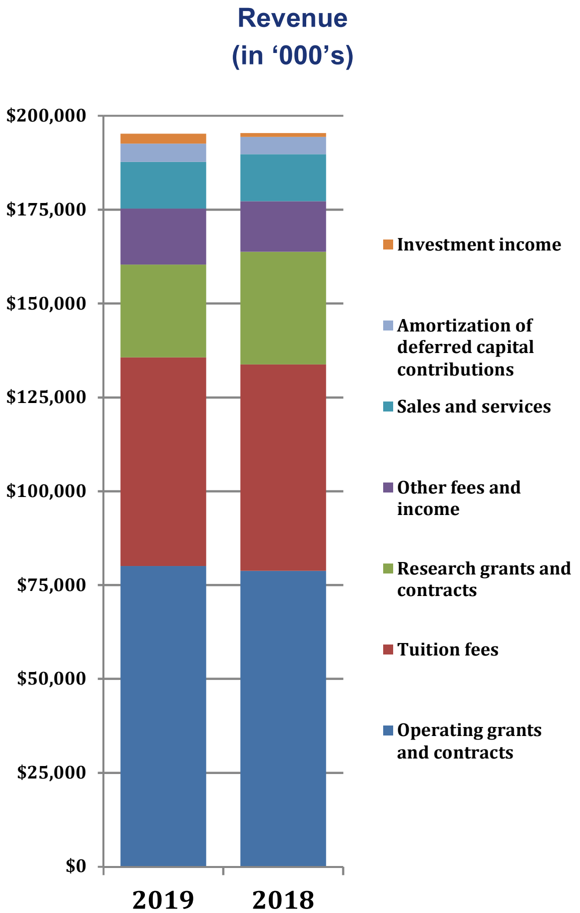
Capital assets increased $1.5M during the year which was mainly related to the Cliff Fielding Research, Innovation and Engineering Building and Greenhouse Gas Campus Retrofit projects. Long-term investments increased $3.0M thanks to generous endowment contributions received during the year. Accounts receivable are up $1.2M mainly due to the timing of grants received. The University's cash level remained comparable to prior year. Employee future benefit assets are $1.9M and were a liability in 2018, based on actuarial valuation. Other assets are comprised of inventory and prepaid expenses and remained similar to prior year.

Overall, assets increased by 1.9%.

Deferred capital contributions increased $5.3M, primarily because of grants relating to the Cliff Fielding Research, Innovation and Engineering Building which will be amortized to revenue over the life of the assets. Long-term debt went down $3.5M from principal payments made during the year. Accounts payable were reduced $3.7M mostly due to the release of large capital holdbacks. At April 30, 2019, $17.6M of the University's line of credit was utilized for capital spending, an increase of $8.6M. Employee future benefits liabilities decreased $6.2M based on actuarial valuation.

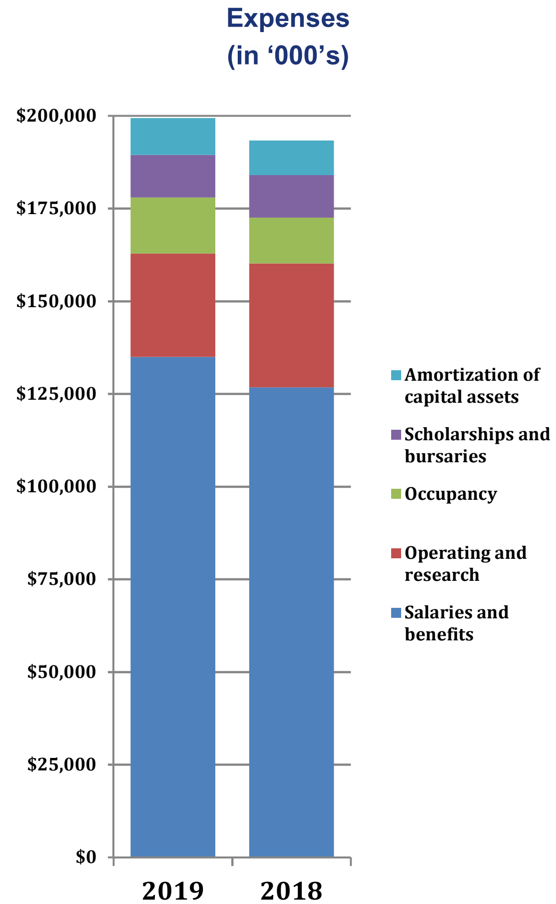
Overall, liabilities and deferred contributions increased by 0.2%.

Consolidated Statement of Operations



Operating grants increased slightly mainly due to an increase in Graduate Access grants. Tuition revenue increased by 1.2% due to annual tuition increases, partially offset by a slight enrolment decline. Research grants and contracts decreased 18.0% primarily because of a decrease in grant revenue earned by Mirarco, a consolidated research entity. Other fees and income are up due to administrative fee increases. Sales and services were comparable to prior year. Amortization of deferred capital is up by 5.0% due to new funding for capital projects. Investments had a stronger rate of return this year resulting in a $1.6M increase in investment income.

Overall, revenue decreased by 0.1%.



Salaries and benefits increased 6.5% primarily due to one-time savings realized in 2018 from faculty labour disruption, wage increases ranging from 1.5%-1.6%, as well as step increases and progress-through-the ranks. There was a decrease in operating and research of 16.5% because of a decrease in research expenses, particularly Mirarco. Occupancy related expenses increased 22.4%, this was a result of annualization of campus modernization interest payments as well as additional costs related to newly constructed facilities and aging infrastructure. Scholarships and bursaries remained comparable to prior year. Amortization increased 6.7% due to completion of capital projects.

Overall, expenses increased by 3.1%.

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, 2019 and the results of its operations and its cash flows for the year ended April 30, 2019. 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, 2019 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

And Independent Auditors' Report thereon

Year ended April 30, 2019

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Claridge Executive Centre
144 Pine Street
Sudbury Ontario P3C 1X3
Canada
Telephone (705) 675-8500
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INDEPENDENT AUDITORS' REPORT

To the Governors of Laurentian University of Sudbury

Opinion

We have audited the accompanying consolidated financial statements of Laurentian University of Sudbury, which comprise:

- The consolidated statement of financial position as at April 30, 2019
- the consolidated statement of operations for the year then ended
- the consolidated statement of statement of changes in net assets for the year then ended
- the consolidated statement of cash flows for the year then ended
- and the notes to the consolidated financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the “financial statements”)

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of Laurentian University of Sudbury as at April 30, 2019, and its consolidated results of operations and its consolidated cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the **“*Auditors’ Responsibilities for the Audit of the Financial statements*”** section of our report. We are independent of Laurentian University of Sudbury in accordance with the applicable independence standards, and we have fulfilled our other ethical responsibilities in accordance with these standards. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing Laurentian University of Sudbury's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate Laurentian University of Sudbury or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing Laurentian University of Sudbury's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Laurentian University of Sudbury's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Laurentian University of Sudbury's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause Laurentian University of Sudbury to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Obtain sufficient audit evidence regarding the financial information of the entities or business activities within the Group of Laurentian University of Sudbury to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Sudbury, Canada
October 25, 2019

LAURENTIAN UNIVERSITY OF SUDBURY

Consolidated Statement of Financial Position

April 30, 2019, with comparative information for 2018
(thousands of dollars)

		2019	2018
Assets			
Current assets:			
Cash and short-term investments (note 2)	$	7,505	7,906
Accounts receivable (note 3)		28,879	27,689
Other		1,329	1,173
		37,713	36,768
Accounts receivable (note 3)		232	798
Investments (note 2)		51,809	48,800
Employee future benefit assets (note 4)		1,929	–
Capital assets (note 5)		280,187	278,725
	$	371,870	365,091
Liabilities, Deferred Contributions and Net Assets			
Current liabilities:			
Line of credit (note 13)	$	17,600	9,000
Short-term loan (note 6)		1,426	1,484
Accounts payable and accrued liabilities (note 7)		22,307	25,960
Accrued vacation pay		1,799	1,907
Deferred revenue		1,468	2,522
Current portion of long-term debt (note 8)		3,606	3,464
		48,206	44,337
Long-term obligations:			
Long-term debt (note 8)		91,711	95,317
Employee future benefits liabilities (note 4)		9,237	15,454
		100,948	110,771
Deferred contributions (note 9):			
Deferred contributions		36,078	34,896
Deferred capital contributions		133,474	128,206
		169,552	163,102
Net assets (deficiency):			
Unrestricted		(14,544)	(10,122)
Vacation and employee future benefits		(9,107)	(17,555)
Internally restricted (note 10)		25,006	25,758
Endowment		51,809	48,800
		53,164	46,881
Commitments and contingencies (note 13)			
	$	371,870	365,091

See accompanying notes to consolidated financial statements.

On behalf of the Board of Governors:

_______________ Governor

_______________ Governor

LAURENTIAN UNIVERSITY OF SUDBURY

Consolidated Statement of Operations

Year ended April 30, 2019, with comparative information for 2018
(thousands of dollars)

	2019	2018
Revenue:		
Operating grants and contracts	$ 80,063	78,754
Tuition fees	55,581	54,940
Research grants and contracts	24,655	30,085
Other fees and income (note 15)	14,940	13,453
Sales and services	12,468	12,482
Amortization of deferred capital contributions	4,864	4,631
Investment income (note 2)	2,653	1,016
	195,224	195,361
Expenses:		
Salaries and benefits	134,939	126,751
Operating and research	27,880	33,383
Occupancy	15,163	12,386
Scholarships and bursaries	11,411	11,472
Amortization of capital assets	9,931	9,309
	199,324	193,301
Excess (deficiency) of revenue over expenses	$ (4,100)	2,060

See accompanying notes to consolidated financial statements.

LAURENTIAN UNIVERSITY OF SUDBURY

Consolidated Statement of Changes in Net Assets (Deficiency)

Year ended April 30, 2019, with comparative information for 2018
(thousands of dollars)

2019		Unrestricted	Vacation and Employee Future Benefits	Internally Restricted (note 10)	Endowment	Total
Net assets (deficiency), beginning of year	$	(10,122)	(17,555)	25,758	48,800	46,881
Excess (deficiency) of revenue over expenses		967	–	(5,067)	–	(4,100)
Transfer for capital transactions		(5,423)	–	5,423	–	–
Other transfers		34	1,074	(1,108)	–	–
Endowment contributions		–	–	–	3,009	3,009
Employee future benefits remeasurements and other items		–	7,374	–	–	7,374
Net assets (deficiency), end of year	$	(14,544)	(9,107)	25,006	51,809	53,164

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
Transfer for capital transactions		(2,027)	–	2,027	–	–
Other transfers		(4,502)	2,171	2,331	–	–
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

See accompanying notes to consolidated financial statements.

LAURENTIAN UNIVERSITY OF SUDBURY

Consolidated Statement of Cash Flows

Year ended April 30, 2019, with comparative information for 2018
(thousands of dollars)

	2019	2018
Cash flows from operating activities:		
Excess (deficiency) of revenue over expenses	$ (4,100)	2,060
Non-cash items:		
Amortization of capital assets	9,931	9,309
Amortization of deferred capital contributions	(4,864)	(4,631)
Unrealized loss (gain) on investments	(326)	984
Excess of employer contributions over employee future benefits net benefit costs	(772)	(1,800)
	(131)	5,922
Change in non-cash working capital (note 14)	(5,595)	(6,624)
	(5,726)	(702)
Cash flows from financing activities:		
Endowment contributions	3,009	1,736
Increase in deferred contributions	1,182	928
Deferred capital contributions received	10,132	17,951
Repayment of long-term debt	(3,464)	(3,305)
Increase in line of credit	8,600	9,000
Decrease in short-term loan	(58)	(59)
	19,401	26,251
Cash flows from investing activities:		
Purchases of capital assets	(11,393)	(24,955)
Net acquisition of investments	(2,683)	(2,720)
	(14,076)	(27,675)
Net decrease in cash and short-term investments	(401)	(2,126)
Cash and short-term investments, beginning of year	7,906	10,032
Cash and short-term investments, end of year	$ 7,505	7,906

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, 2018, and the next required valuation will be as of July 1, 2021.

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.

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, 2018 have been included in these consolidated financial statements. The 2019 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, 2017 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 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:**

	2019	2018
Short-term:		
Cash	$ 3,671	3,378
Short-term investments	3,834	4,528
	7,505	7,906
Long-term:		
Equity funds	22,167	23,369
Fixed income	24,404	25,431
Structured credit	2,638	–
Real estate	2,600	–
	51,809	48,800
	$ 59,314	56,706

Long-term investments reflect funds for endowment balances.

The equity funds, fixed income securities, structured credit funds and real estate funds are measured at market value.

(thousands of dollars)

2. Cash and Investments (continued):

The breakdown of investment income is as follows:

	2019	2018
Unrealized gains (losses)	$ 326	(984)
Interest income	3,277	2,449
Realized losses	(760)	(263)
	2,843	1,202
Investment management fees	(190)	(186)
	$ 2,653	1,016

3. Accounts receivable:

	2019	2018
Accounts receivable	$ 32,231	31,188
Less allowance for doubtful accounts	(3,120)	(2,701)
	$ 29,111	28,487
Current portion of accounts receivable	$ 28,879	27,689
Long-term accounts receivable	232	798
	$ 29,111	28,487

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	2019 Total	2018 Total
Accrued benefit obligation	$ (404,582)	(7,017)	(3,847)	(415,446)	(398,103)
Fair value of plan assets	406,511	1,627	–	408,138	382,649
Accrued benefit assets	$ 1,929	–	–	1,929	–
Accrued benefit liabilities	$	(5,390)	(3,847)	(9,237)	(15,454)

(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	
	2019	2018	2019	2018
Discount rate	6.10%	5.75%	4.00%	4.00%
Provision for adverse deviation (on non-indexed liabilities)	7.94%	n/a	–	–
Rate of compensation increases	2.50%	2.50%	–	–
Expected long-term rate of return on plan assets	6.10%	5.75%	4.00%	4.00%
Health care cost trend rate	–	–	2.00%	2.00%
Rate of inflation	2.00%	2.00%	–	–

5. Capital assets:

	Cost	Accumulated Amortization	2019 Net book Value	2018 Net book Value
Buildings	$ 355,124	(99,098)	256,026	255,030
Equipment and furnishing	65,417	(56,935)	8,482	7,948
Site improvements	12,266	(10,000)	2,266	2,334
Land	13,413	–	13,413	13,413
	$ 446,220	(166,033)	280,187	278,725

A total of $5,888 (2018 – $25,351) of buildings and $571 (2018 - $204) of equipment 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 3.28% at April 20, 2019 (2018 – 2.85%).

(thousands of dollars)

7. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances payable of $3,791 (2018 – $3,704), which includes amounts payable for payroll related taxes.

8. Long-term debt:

Unsecured loans with:	Rate	Fixed Maturity	2019	2018
Bank of Montreal	5.14%	2024	$ 1,618	1,858
Royal Bank of Canada	3.90%	2040	13,579	13,956
Royal Bank of Canada	4.50%	2042	18,031	18,470
Royal Bank of Canada	3.90%	2023	3,616	4,437
Royal Bank of Canada	4.63%	2042	40,599	41,657
TD Canada Trust	4.70%	2036	11,056	11,445
TD Canada Trust	4.74%	2043	6,818	6,958
			95,317	98,781
Less: current portion of long-term debt			(3,606)	(3,464)
			$ 91,711	95,317

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 1.96% (2018 - 1.35%) 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:

2020	$ 3,606
2021	3,756
2022	3,917
2023	4,082
2024	3,373
Thereafter	76,583
	$ 95,317

(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:

	2019	2018
Balance, beginning of year	$ 34,896	33,968
Add contributions received in the year	28,453	30,543
Less amounts recognized as revenue	(27,271)	(29,615)
Balance, end of year	$ 36,078	34,896

(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:

	2019	2018
Unspent:		
Balance, beginning of year	$ 148	4,424
Add contributions received in the year	10,132	17,951
Less amounts utilized	(9,717)	(22,227)
Balance, end of year	563	148
Unamortized:		
Balance, beginning of year	128,058	110,462
Add contributions utilized in the year	9,717	22,227
Less amount amortized to revenue	(4,864)	(4,631)
Balance, end of year	132,911	128,058
Total unspent and unamortized capital contributions	$ 133,474	128,206

(thousands of dollars)

10. Internally restricted net assets:

	2019	2018
Investment in capital assets (note 11)	$ 22,283	21,927
Reserve for future years	744	1,744
Scholarship and bursary funds	(948)	(796)
Departmental and subsidiary research funds	1,254	1,404
Departmental carry forward and future budget provisions	2,150	1,967
McEwen School of Architecture	(1,036)	(1,336)
Ancillaries	559	848
	$ 25,006	25,758

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:

	2019	2018
Capital assets	$ 280,187	278,725
Less amounts financed by:		
Long-term debt	(95,317)	(98,781)
Internal financing (note 12)	(10,651)	(19,475)
Short-term loan	(1,425)	(1,484)
Line of credit	(17,600)	(9,000)
Unamortized deferred capital contributions (note 9)	(132,911)	(128,058)
	$ 22,283	21,927

(thousands of dollars)

12. Internal financing:

Details of capital asset internal financing activities are as follows:

	2018	New Financing	Repayments	2019
Campus Modernization	$ 17,137	406	(536)	17,007
Cardiovascular Metabolic Research Lab	5,724	–	(223)	5,501
Great Hall renovations	1,881	–	(235)	1,646
Ancillaries	1,766		(379)	1,387
Cliff Fielding Research, Innovation and Engineering Building	–	985	–	985
Parking Lot 4	918	–	(50)	868
School of Education Building	373	–	(10)	363
DNA Lab	228	–	(22)	206
Other small projects	448	–	(160)	288
Line of credit	(9,000)	(8,600)	–	(17,600)
	$ 19,475	(7,209)	(1,615)	10,651

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-four 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 $26,000. These lines of credit bear interest at Royal Bank prime rate less 0.50% and Desjardins prime rate less 0.70%. As at April 30, 2019, the University had not drawn on the Royal Bank line and had drawn $17,600 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 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:

	2019	2018
Cash flows from operating activities:		
Accounts receivable	$ (624)	(3,324)
Other assets	(156)	(29)
Accounts payable and accrued liabilities	(3,653)	(1,653)
Accrued vacation pay	(108)	30
Deferred revenue	(1,054)	(1,648)
	$ (5,595)	(6,624)

15. Other fees and income:

Details of the other fees and income are as follows:

	2019	2018
Scholarships, bursaries and other restricted contributions	$ 4,321	3,619
Administrative fees	3,885	3,936
Sponsored students	1,989	2,095
Compulsory fees	1,328	1,309
Other	3,417	2,494
	$ 14,940	13,453

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 2018.

17. Comparative information:

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