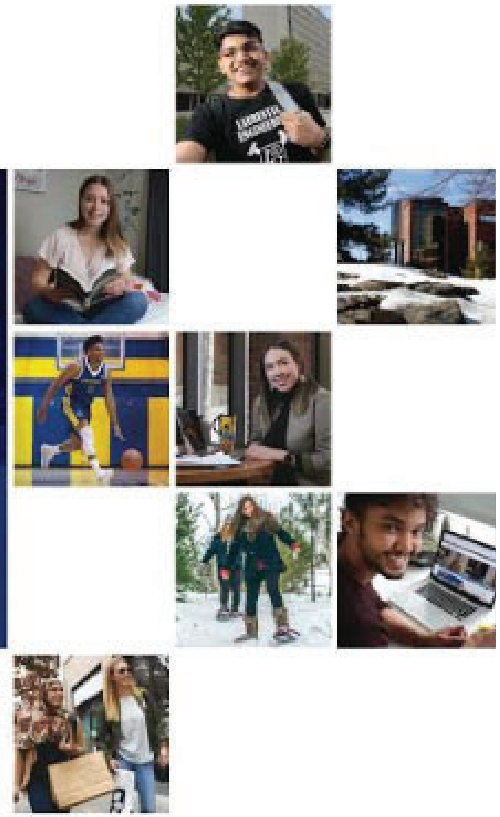
Annual Financial Report

Fiscal year ended April 30, 2020



LaurentianUniversity
Université**Laurentienne**

Sudbury, ON **laurentian.ca**

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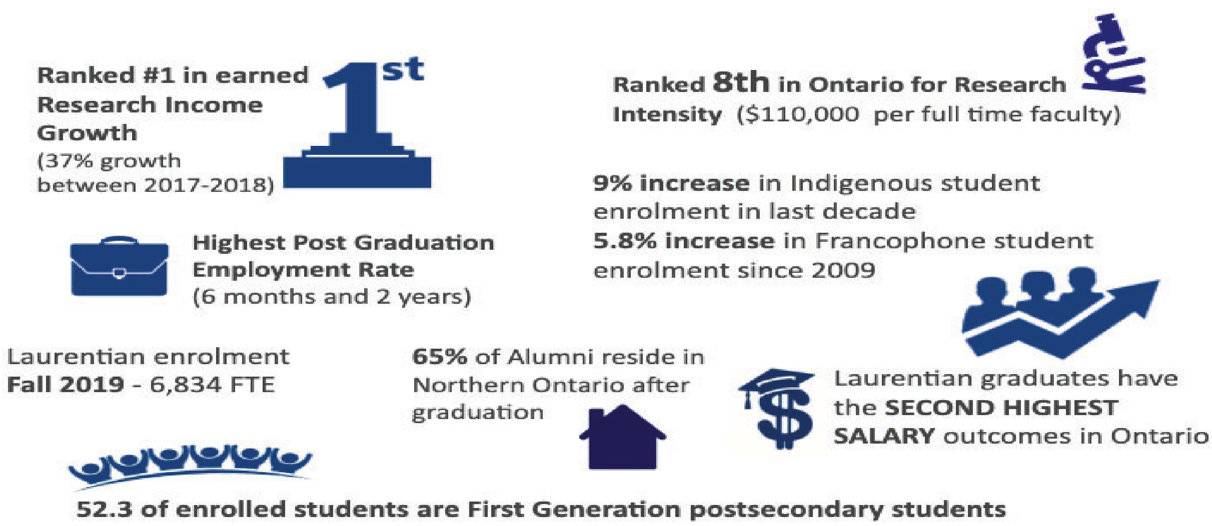
Overview

Overview

Laurentian University is a microcosm of Canada: we are northern; we are bilingual; we are committed to reconciliation. Laurentian is committed to strengthening the foundation of knowledge in higher education and research to offer an outstanding university experience in English and French with a comprehensive approach to Indigenous education.

Laurentian has been rapidly growing its reputation as a leading university for the North, with increasing international recognition and strong national, provincial and regional impact. We strive to deliver innovative academic and research programming that successfully prepares students as critical thinkers for the 21st century. We are committed to achieving this objective through cutting edge teaching and research programs that engage students within and beyond their disciplines, and provide real world experience and a concrete framework in how they can make a difference.

Laurentian University has a proven track record of delivering strong student outcomes and being socially and economically impactful. This includes:



Guided by our strengths, pillars and shared values, we are strategically focusing on **25 outcomes**. Building on this Strategic Plan, the University ensures alignment with the Academic Plan, Research Plan, Multi-Year Budget and this SMA3 Agreement.

Our Strategic Plan is guided by the following pillars and shared values:

- The North inspires us: We celebrate our location in Greater Sudbury because Northeastern Ontario provides us with unique opportunities in an unmatched setting. The North is our advantage.

Overview (continued)

- Student success is our success: We focus on the student experience because we know that postsecondary education is transformational. Students are our core.
- Teaching and learning define us: We are creators, holders, and communicators of knowledge that connects the generations. Knowledge is our foundation.
- Curiosity drives our research: Through critical inquiry we discover answers relevant to society. Creativity shapes the future.
- Relationships are our priority: We pursue collaborations across campus and with local, provincial, national, and international partners because relationships empower us. Together we are stronger.

Laurentian's commitment to providing world-class education and opportunities for students is unwavering as it continues to trace its path to sustainability. Laurentian has proven before that by working Together | Ensemble | Maamwi, we can find and implement solutions. Pre-Covid, our Long Term Sustainability Plan enabled Laurentian to achieve $20 million in savings and cost reductions compared to plan, and post COVID, the accelerated plan enabled additional savings of approx. $10 million, bringing total savings achieved since 2018 to over $30 million as of August 2020. Unfortunately, due to COVID 19, coupled with the permanent decline in domestic tuition rates and declines in government funding, our work is not complete. Within an environment of weak fiscal health, projected demographic declines and unforeseen financial pressures due to COVID-19, Laurentian is determined to hold the line on costs and to seek revenue and savings opportunities which will sustain growth and increase its relevance in the North and well beyond.

Review of Fiscal 2019-20

Highlights

The fiscal 2019-20 approved budget expected balanced results from operations with an expected one time grant from government to off set 10% domestic tuition rate decline. This provincial funding provided Northern post secondary organizations with one additional year to implement and address the long term impacts of a 10% decline in domestic tuition rates. Prior to the COVID-19 outbreak, Laurentian University was implementing its sustainability measures as outlined in the Long Term Sustainability Plan – focused on a balance approach of revenue growth and cost reductions to address the revenue shortfalls, and the University was on track to operating fiscal year 2019-20 with an anticipated a small deficit of $0.9 million from operations. Overall, actual operating revenues were lower due to lower provincial grants for Northern Sustainability and Graduate Capital grants. Sustainability measures, mainly from reduced payroll expenses, offset the reduced grants. As a result of COVID-19, Laurentian University halted in-person activity, restricted its facilities to staff and students and moved to an online education format and began providing services remotely in March 2020. The net impact was an operating deficit of $5.4 million of which $5.2 million is related to the COVID-19 outbreak. The Unrestricted net assets (ie. Accumulated operating deficit) increased from $14.544 million to $19.986 million due to the operating budget deficit.

The following schedule provides the reconciliation from the Operating Budget for 2019-20 and the Draft Audited Financial Statements:

Reconciliation of Budget to Audited Financial Statements in $thousands ($'000)

	Revenues	Expenses	Net
Per 2019-20 Budget	**160,983**	**160,983**	**(0.0)**
Negative variances due to COVID-19 (see schedule below)	751	5,900	(5,149)
Other variances	(2,693)	(2,400)	(293)
Net operating deficit	159,041	164,483	(5,442)
Consolidated entities (MIRARCO and 20% of SNOLAB)	4,460	4,918	(458)
Capital fund	5,594	5,265	329
Research and trust (non-operating fund)	29,302	27,768	1,534
Difference between Employer Pension Contributions and Net Benefit Cost	0	(917)	917
Per 2019-20 Audited Financial Statements	**198,397**	**201,517**	**(3,120)**

The following lists the major causes of the 2019-20 operating fund deficit, and the impacts of COVID-19 on the 2019-20 fiscal year in $thousands ($'000):

	Revenues	Expenses	Net
Net COVID-19 Grant from MCU	751		751
Additional credit risk on tuition receivable		1,300	(1,300)
Refund of ancillary fees and reduction in planned contribution to operating budget		1,521	(1,521)
Scholarships funded from operations due to loss in endowment income		1,803	(1,803)
Interest and investment income declines compared to budget		1,171	(1,171)
Other COVID-19 costs net of savings		105	(105)
Per 2019-20 Audited Financial Statements	**(751)**	**5,900**	**(5,149)**

As seen in the chart, the University received a Grant from the Province which was shared with the Federated Universities. The net grant to Laurentian University was $751,000. In addition, there is an additional impact associated with the credit risk on accounts receivable where the risk of default on contractual obligations is anticipated to increase as students decide if they shall return to post-secondary studies.

The early closure of the campus resulted in partial refunds of the residences and other ancillary activities.

The University's investments were also impacted as a result of the pandemic that had created volatility and uncertainty in the world markets, which ultimately led to a loss in market value. This lower than anticipated return resulted in scholarships that were anticipated to be paid by the endowment fund to be covered by the operating fund. In addition, total endowment return for the year was also slightly negative.

Operational variances, other than those caused by COVID-19 were $0.3 million. On the revenue side, the main variances were mainly due to the reductions in provincial grants for Graduate Capital of $0.6 million and lower than expected proceeds from the Northern Tuition Sustainability Fund of $1.4 million, offset by additional tuition revenue of $1.0 million. Total expenses savings of $1.2 million were as a result of not hiring into vacant positions and reducing spending for non-essential areas.

Capital Project Financing

Capital financing

Capital projects are financed through grants, donations, long-term debt and internal funding. Total outstanding long-term debt was $91.7 million at the end of fiscal 2020.

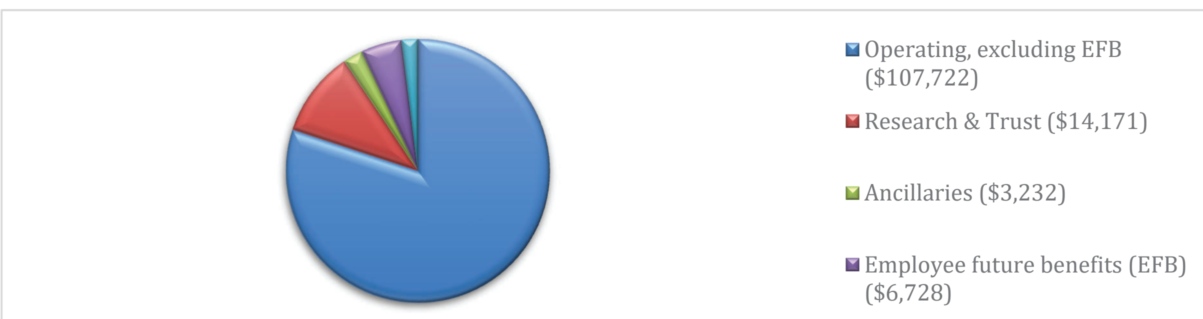
Campus modernization projects	**$39.5**
Ancillaries	**$32.3**
School of Education	**$13.2**
Voyageur Recreation Centre	**$6.7**
	$91.7

During the year, the University repaid $3.6 million in long-term debt and is compliant with the debt policy approved by the Board of Governors. At April 30, 2020, $12.9 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. Subsequent to year-end, principal repayments on four loans relating to the operations of the residences were deferred for six months. This has been reflected in the repayment terms.

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, 2020 the University had utilized $14.4 million.

Compensation and Benefits

Salaries and benefits represent 67% of the University's expenses. Salaries and benefits expense remained consistent with the prior year at approximately $134 million. 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 reduction of the discount rate has increased the liability component to the plan resulting in a net increase in total plan liability after the asset value of the investments at April 30, 2020. The University is the principal employer for the Pension Plan and also administers the Retiree Health Benefit Plan on behalf of the Federated Universities and SNOLAB.

The Pension Plan will file a new valuation effective January 1, 2020. The valuation process utilizes 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 10.3% (2019, 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 January 1, 2020 was 85.4% (2019, 87.8%). Going concern deficits will now be required to be funded over a 10 year period instead of 15 year period.

Funding Formula and Strategic Mandate Agreement

With the execution of the previous SMA2 agreement in 2017, the first phase of the provincial funding model redesign saw the implementation of the corridor mechanism. SMA3 reset the corridor midpoint at 16,423.53 Weighted Grant Units (WGU) for funding purposes for Laurentian. The corridor midpoint is the annual enrolment comparator to determine if Laurentian remains within the plus or minus 3% corridor. Starting in 2020-21, Laurentian is below the corridor.

With SMA3, the government announced a set of metrics against which institutional performance would be assessed, the details of the mechanism that would be used to evaluate institutions' performance and the impacts to funding of the performance grant.

Beginning in 2020-21, 25% of provincial funding was to be linked to 10 metrics with that share rising to 60% by the 2024-25 academic year. Correspondingly, enrolment-based funding which in 2019-20 was at $2,903 per WGU is anticipated to decrease to $1,173 per WGU.

Laurentian signed a new Strategic Mandate Agreements (SMA3) agreement with the Province in September 2020 covering the period of 2020-25. As a result of the COVID-19 pandemic, the ministry announced their decision to delay the activation of the Performance-based grant for two years (2020-21 and 2021-22), decoupling the funding, but keeping all other aspects of the SMA3 model.

Ancillaries

(in 000's)

	Budget 2019-20	Actual 2019-20
Ancillary revenues	15,594	14,979
Ancillary expenses	11,955	12,232
Contribution	3,639	2,747

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

As a result of COVID-19, the actual contribution is lower than anticipated due to the residence and ancillary services refunds of $1.2 million provided to the students.

Endowments

The University has $52.8 million in endowment, an increase of $1 million over 2018-19. For 2019-20, the University assigned a spending rate of 3.5% towards the scholarships and other commitments supported by the funds. Due to COVID-19 the fund had returned a negative value for the year. As a result, the amounts spent to cover the spending rate were a cost of the operating fund in the amount of $1.8 million.

Research

With more than 62,000 alumni, Laurentian University is proud of its significant contribution to finding solutions to the world's current and future challenges. Laurentian University researchers continue to excel in the four research areas of strength outlined in its 2018-2023 Strategic Plan, with a goal of achieving national recognition through exceptional scholarships.

In *Health, Health Services and Well-being*, Dr. Amadeo Parissenti is leading an international clinical trial examining the ability of his proprietary chemo response assay to predict early in treatment complete tumour destruction and improved survival for patients with breast cancer. Dr. Nancy Young is leading a joint initiative between Naandwechige-Gamig Wikwemikong Health Centre and Laurentian University's Evaluating Children's Health Outcomes Research Centre, to implement a tablet-based survey, known as the Aboriginal Children's Health and Well-being Measure, which helps children talk about their health.

Researchers have also advanced Laurentian's profile in *Environment* research. Dr. Ashley Scott's research group is leading research projects, which look to repurpose mine waste, while Dr. Nathan Basiliko's research team is quantifying the carbon that has been removed from the atmosphere through Sudbury's regreening. Laurentian is also a leader in *Materials, Minerals, Matter and Energy*. Dr. Marie-Hélène Fillion is applying her expertise in geological, civil and mining engineering statistical methods to advance research in geo-engineering and Discrete Fracture Networks modelling, and Dr. Elizabeth Turner led a team of scientists that discovered the world's oldest fungus fossil to date (which dates back as far as a billion years ago).

Laurentian scholars have also led projects in *Histories, Identities, Cultures, and Languages* including researchers Drs. Roxanne Bélanger and Chantal Mayer-Crittenden who are developing new tools to improve the identification of preschool children with developmental language disorders, and Dr. Serge Miville, Director of the Institut franco-ontarien who is leading research to preserve culture and enhance French language.

Laurentian University researchers are also contributing to the fight against COVID-19. Dr. Stefan Siemann is using virtual reality to find drugs to combat COVID-19, and Dr. Thomas Merritt and Dr. Gustavo Ybazeta are studying waste water in Greater Sudbury to determine the level of COVID-19 virus within the general population. Moreover, Dr. Jennifer Walker and her team have pivoted their research program to support First Nations through the production of COVID-19 epidemiological models to support the Chiefs of Ontario, the Ontario Regional Chiefs and other First Nations leadership to develop their pandemic planning and response

In summary, the research enterprise at Laurentian University continues to make an impact. The examples shared in this short report offer only a glimpse into the incredible contributions made possible through investment in research. Laurentian remains committed to growing our research enterprise. We will continue to engage partners from industry, labour and community to collaborate in areas of strength identified in our Strategic Research Plan, and we will continue to seek out emerging opportunities that will elevate the impact of research, innovation, and discovery at Laurentian University.

Future Impact of COVID-19

As a result of the pandemic, the University has experienced increased risk exposure in several areas. The in-year deficiency associated with COVID-19 was $5.2 million. There is further concern as to the revenues into fiscal 2021. The University negotiated a deferral of residence debt repayments for six months subsequent to year-end to manage cash flow requirements.

The University's investments are recognized at fair value and the impact of the pandemic has created volatility and uncertainty in world markets, which may lead to a loss on market value that is other than temporary. The ultimate length and duration of the pandemic is unknown and the potential impact on the University's investments is not yet known at this time.

Significant reductions in long term interest rates has resulted in an increase in liability for the Pension Plan. While the Pension Plan investments have rebounded, the impact of prolonged low interest rates could increase the defined benefit pension plan liabilities and require additional funding from the University.

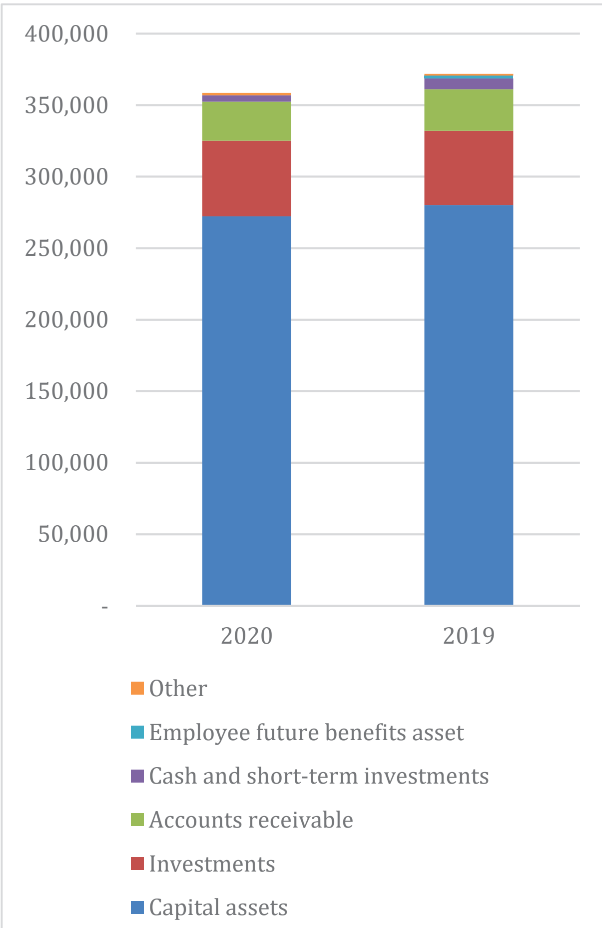
The Board of Governors had approved an accelerated and amended Long Term Sustainability plan to address the 10% tuition rate reduction, grant funding changes, as well as the COVID related long term impacts. The University continues its sustainability plan for the future in order to address the potential long-term impact of enrolment pressures on tuition revenue and ancillary services.

Laurentian's commitment to providing world-class education and opportunities for students is unwavering as it continues to trace its path to sustainability.

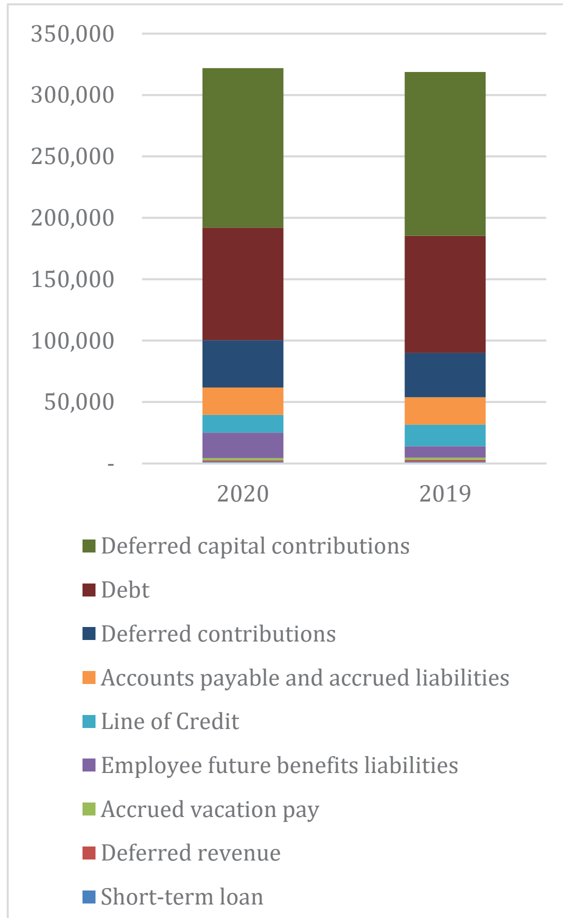
FINANCIAL STATEMENT HIGHLIGHTS

Consolidated Statement of Financial Position

Assets
(in '000's)



Liabilities and Deferred Contributions
(in '000's)



Capital assets decreased $8.0M which is primarily comprised of additions pertaining to various small projects less amortization. Long-term investments increased $1.0M thanks to generous endowment contributions received during the year. Accounts receivable are down $1.8M mainly due to the timing of grants received. The University's cash level decreased $2.9M as a portion of the line of credit was paid off in 2020. Employee future benefit assets were $1.9M in the prior year and are now a liability in 2020, based on actuarial valuation. Other assets are comprised of inventory and prepaid expenses and remained similar to prior year. Overall, assets decreased by 3.6%.

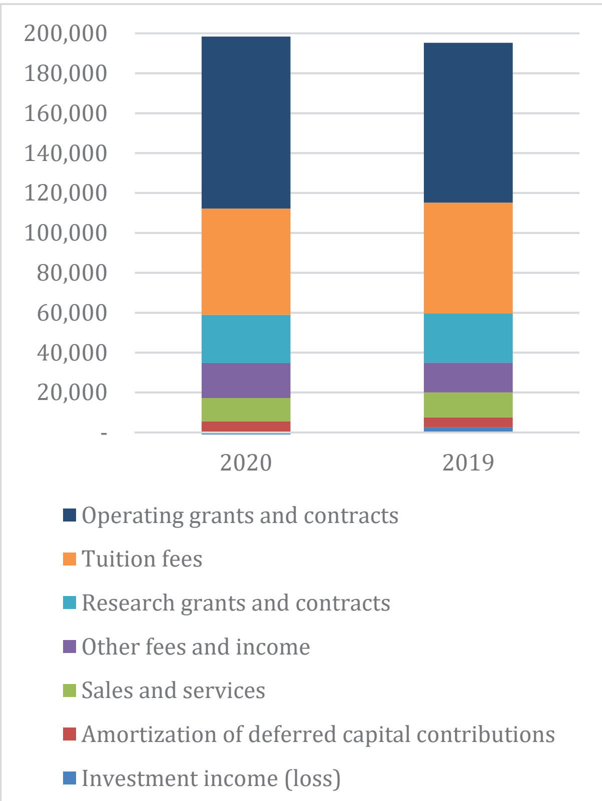
Deferred capital contributions decreased $2.7M, primarily because of the current year amortization of these grants. Long-term debt went down $3.0M from principal payments made during the year. Accounts payable remained consistent with the prior year. At April 30, 2020, $14.4M of the University's line of credit was utilized for capital spending, a decrease of $3.2M. Employee future benefits liabilities increased $11.5M based on actuarial valuation.

Overall, liabilities and deferred contributions decreased by 3.7%.

FINANCIAL STATEMENT HIGHLIGHTS (continued)

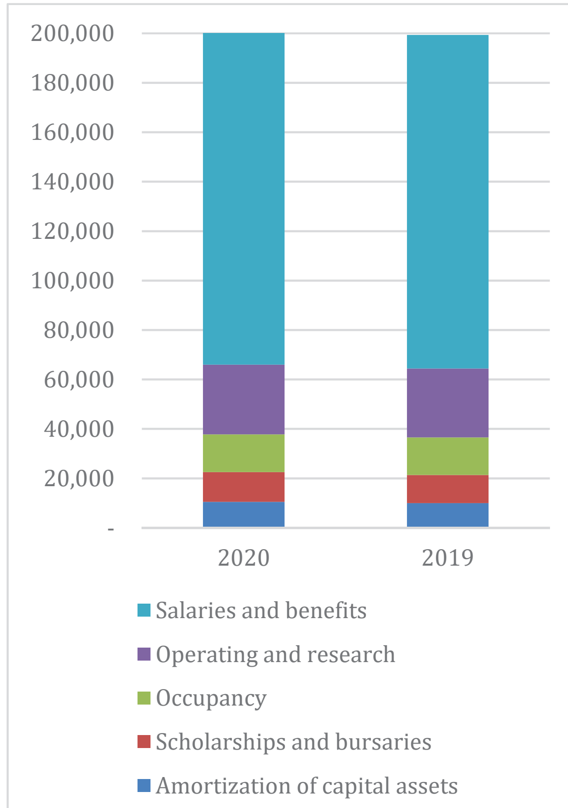
Consolidated Statement of Operations

Revenue
(in '000's)



Operating grants increased 7.7% mainly due to a one-time Northern Sustainability grant received in 2020. Tuition revenue decreased by 7.6% due to the 10.0% reduction in domestic tuition fees which was partially offset by international and graduate studies growth. Research grants and contracts remained consistent with the prior year. Other fees and income are up due to new compulsory ancillary fees that were introduced. Furthermore, there was an increase in administrative fees due an amendment to the funding arrangements with the Federated Universities. Sales and services decreased by 6.8% due to residence and parking refunds resulting from COVID-19. Amortization of deferred capital is up by 15.0% due to amortization recorded on the RIE building grants. Overall revenues increased by 0.2%.

Expenses
(in '000's)



Salaries and benefits remained consistent with the prior year. There was a decrease in operating and research of 5.6% because of a decrease in research expenses. Occupancy related expenses remained consistent with the prior year. Scholarships and bursaries increased 5.8% due to a new scholarship program that was introduced for international students. Amortization increased 5.2% due to completion of capital projects.

Overall, expenses decreased 0.3%.

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, 2020 and the results of its operations and its cash flows for the year ended April 30, 2020. 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, 2020 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

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, 2020

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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, 2020
- the consolidated statement of operations for the year then ended
- the consolidated statement of statement of changes in net assets (deficiency) 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, 2020, 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 30, 2020

LAUNCHED

Consolidated Statement of Financial Position

April 30, 2020, with comparative information for 2019
(thousands of dollars)

	2020	2019
Assets		
Current assets:		
Cash and short-term investments (note 2)	$ 4,544	$ 7,505
Accounts receivable (note 3)	27,045	28,879
Other	1,650	1,329
	33,239	37,713
Accounts receivable (note 3)	169	232
Investments (note 2)	52,845	51,809
Employee future benefit assets (note 4)	–	1,929
Capital assets (note 5)	272,267	280,187
	$ 358,520	$ 371,870
Liabilities, Deferred Contributions and Net Assets		
Current liabilities:		
Line of credit (note 13)	$ 14,400	$ 17,600
Short-term loan (note 6)	1,367	1,426
Accounts payable and accrued liabilities (note 7)	22,319	22,307
Accrued vacation pay	1,846	1,799
Deferred revenue	1,009	1,468
Current portion of long-term debt (note 8)	2,738	3,606
	43,679	48,206
Long-term obligations:		
Long-term debt (note 8)	88,973	91,711
Employee future benefits liabilities (note 4)	20,788	9,237
	109,761	100,948
Deferred contributions (note 9):		
Deferred contributions	38,519	36,078
Deferred capital contributions	129,879	133,474
	168,398	169,552
Net assets (deficiency):		
Unrestricted	(19,986)	(14,544)
Vacation and employee future benefits	(22,635)	(9,107)
Internally restricted (note 11)	3,848	2,723
Investment in capital assets (note 10)	22,610	22,283
Endowment	52,845	51,809
	36,682	53,164
Commitments and contingencies (note 13)		
Effects of COVID-19 (note 17)		
	$ 358,520	$ 371,870

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, 2020, with comparative information for 2019
(thousands of dollars)

	2020	2019
Revenue:		
Operating grants and contracts	$ 86,234	$ 80,063
Tuition fees	53,211	55,581
Research grants and contracts	24,151	24,655
Other fees and income (note 15)	17,587	14,940
Sales and services	11,620	12,468
Amortization of deferred capital contributions	5,594	4,864
Investment income (note 2)	–	2,653
	198,397	195,224
Expenses:		
Salaries and benefits	134,552	134,939
Operating and research	28,175	27,880
Occupancy	15,271	15,163
Scholarships and bursaries	12,072	11,411
Amortization of capital assets	10,446	9,931
Investment loss (note 2)	1,001	–
	201,517	199,324
Deficiency of revenue over expenses	$ (3,120)	$ (4,100)

See accompanying notes to consolidated financial statements.

LAURENTIAN UNIVERSITY OF SUDBURY

Consolidated Statement of Changes in Net Assets (Deficiency)

Year ended April 30, 2020, with comparative information for 2019
(thousands of dollars)

2020	Unrestricted	Vacation and Employee Future Benefits	Internally Restricted (note 11)	Investment in Capital Assets	Endowment	Total
Net assets (deficiency), beginning of year	$ (14,544)	$ (9,107)	$ 2,723	$ 22,283	$ 51,809	$ 53,164
Excess (deficiency) of revenue over expenses	1,734	–	–	(4,854)	–	(3,120)
Transfer for capital transactions	(5,181)	–	–	5,181	–	–
Other transfers	(1,995)	870	1,125	–	–	–
Endowment contributions	–	–	–	–	1,036	1,036
Employee future benefits remeasurements and other items	–	(14,398)	–	–	–	(14,398)
Net assets (deficiency), end of year	$ (19,986)	$ (22,635)	$ 3,848	$ 22,610	$ 52,845	$ 36,682

2019	Unrestricted	Vacation and Employee Future Benefits	Internally Restricted (note 11)	Investment in Capital Assets	Endowment	Total
Net assets (deficiency), beginning of year	$ (10,122)	$ (17,555)	$ 3,831	$ 21,927	$ 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)	$ 2,723	$ 22,283	$ 51,809	$ 53,164

See accompanying notes to consolidated financial statements.

LAURENTIAN UNIVERSITY OF SUDBURY

Consolidated Statement of Cash Flows

Year ended April 30, 2020, with comparative information for 2019
(thousands of dollars)

	2020	2019
Cash flows from operating activities:		
Deficiency of revenue over expenses	$ (3,120)	$ (4,100)
Non-cash items:		
Amortization of capital assets	10,446	9,931
Amortization of deferred capital contributions	(5,594)	(4,864)
Unrealized loss (gain) on investments	84	(326)
Excess of employer contributions over employee future benefits net benefit costs	(917)	(772)
	899	(131)
Change in non-cash working capital (note 14)	1,176	(5,595)
	2,075	(5,726)
Cash flows from financing activities:		
Endowment contributions	1,036	3,009
Increase in deferred contributions	2,441	1,182
Deferred capital contributions received	1,999	10,132
Repayment of long-term debt	(3,606)	(3,464)
Increase (decrease) in line of credit	(3,200)	8,600
Decrease in short-term loan	(59)	(58)
	(1,389)	19,401
Cash flows from investing activities:		
Purchases of capital assets	(2,527)	(11,393)
Net acquisition of investments	(1,120)	(2,683)
	(3,647)	(14,076)
Net decrease in cash and short-term investments	(2,961)	(401)
Cash and short-term investments, beginning of year	7,505	7,906
Cash and short-term investments, end of year	$ 4,544	$ 7,505

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.

The University has incurred short and long-term borrowing in excess of $100 million, the proceeds of which were used to finance residences, the student recreation centre and various educational buildings to modernize the campus. It will prove difficult to utilize the full campus with social distancing requirements and management anticipates a negative effect on ancillary revenues (note 17). Incremental costs have been incurred for transition to a digital learning environment. Management is working to fulfill student academic needs through this period of transition. Consistent with prior years, the University has a level of reliance on the Ministry of Colleges and Universities to assist in meeting its obligations and also a requirement to meet its sustainability targets.

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 collection 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.

1. Significant accounting policies (continued):

(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.

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 January 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.

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, 2019 have been included in these consolidated financial statements. The 2020 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, 2018 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)

2. Cash and Investments (continued):

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

	2020	2019
Unrealized gains (losses)	$ (84)	$ 326
Interest income	1,291	3,277
Realized losses	(2,016)	(760)
	(809)	2,843
Investment management fees	(192)	(190)
	$ (1,001)	$ 2,653

3. Accounts receivable:

	2020	2019
Accounts receivable	$ 32,234	$ 32,231
Less allowance for doubtful accounts	(5,020)	(3,120)
	$ 27,214	$ 29,111
Current portion of accounts receivable	$ 27,045	$ 28,879
Long-term accounts receivable	169	232
	$ 27,214	$ 29,111

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	2020 Total	2019 Total
Accrued benefit obligation	$ (431,581)	$ (7,206)	$ (3,063)	$ (441,850)	$ (415,446)
Fair value of plan assets	419,293	1,769	–	421,062	408,138
Accrued benefit assets	$ –	$ –	$ –	$ –	$ 1,929
Accrued benefit liabilities	$ (12,288)	$ (5,437)	$ (3,063)	$ (20,788)	$ (9,237)

(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	
	2020	2019	2020	2019
Discount rate	5.85%	6.10%	4.00%	4.00%
Provision for adverse deviation (on non-indexed liabilities)	10.29%	7.94%	–	–
Rate of compensation increases	2.50%	2.50%	–	–
Expected long-term rate of return on plan assets	5.85%	6.10%	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	2020 Net book Value	2019 Net book Value
Buildings	$ 356,705	$ 107,061	$ 249,644	$ 256,026
Equipment and furnishing	66,353	59,075	7,278	8,482
Site improvements	12,266	10,334	1,932	2,266
Land	13,413	–	13,413	13,413
	$ 448,737	$ 176,470	$ 272,267	$ 280,187

A total of $1,525 (2019 - $5,888) of buildings and $564 (2019 - $571) 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 1.91% at April 30, 2020 (2019 – 3.28%).

(thousands of dollars)

7. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances payable of $3,872 (2019 - $3,791), which includes amounts payable for payroll related taxes.

8. Long-term debt:

Unsecured loans with:	Rate	Fixed Maturity	2020	2019
Bank of Montreal (i)	5.14%	2024	$ 1,366	$ 1,618
Royal Bank of Canada	3.90%	2040	13,187	13,579
Royal Bank of Canada (i)	4.50%	2043	17,573	18,031
Royal Bank of Canada (i)	3.90%	2023	2,770	3,616
Royal Bank of Canada	4.63%	2042	39,496	40,599
TD Canada Trust (i)	4.70%	2036	10,647	11,056
TD Canada Trust	4.74%	2043	6,672	6,818
			91,711	95,317
Less: current portion of long-term debt			(2,738)	(3,606)
			$ 88,973	$ 91,711

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.

Subsequent to year-end, principal repayments on the four loans indicated by (i) were deferred for six months. This has been reflected in the repayment terms.

The University has entered into interest rate derivative agreements to manage the volatility of interest rates. The University converted floating rate debt 0.62% (2019 – 1.96%) 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:

2021	$ 2,738
2022	3,917
2023	4,082
2024	3,504
2025	3,337
Thereafter	74,133
	$ 91,711

(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:

	2020	2019
Balance, beginning of year	$ 36,078	$ 34,896
Add contributions received in the year	25,860	28,453
Less amounts recognized as revenue	(23,419)	(27,271)
Balance, end of year	$ 38,519	$ 36,078

(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:

	2020	2019
Unspent:		
Balance, beginning of year	$ 563	$ 148
Add contributions received in the year	1,999	10,132
Less amounts utilized	(2,012)	(9,717)
Balance, end of year	550	563
Unamortized:		
Balance, beginning of year	132,911	128,058
Add contributions utilized in the year	2,012	9,717
Less amount amortized to revenue	(5,594)	(4,864)
Balance, end of year	129,329	132,911
Total unspent and unamortized capital contributions	$ 129,879	$ 133,474

(thousands of dollars)

10. Investment in capital assets:

The investment in capital assets is calculated as follows:

	2020	2019
Capital assets	$ 272,267	$ 280,187
Less amounts financed by:		
Long-term debt	(91,711)	(95,317)
Internal financing (note 12)	(12,850)	(10,651)
Short-term loan	(1,367)	(1,425)
Line of credit	(14,400)	(17,600)
Unamortized deferred capital contributions (note 9)	(129,329)	(132,911)
	$ 22,610	$ 22,283

11. Internally restricted net assets:

	2020	2019
Reserve for future years	$ –	$ 744
Scholarship and bursary funds	–	(948)
Departmental and subsidiary research funds	1,051	1,254
Departmental carry forward	2,647	2,150
McEwen School of Architecture	(736)	(1,036)
Ancillaries	886	559
	$ 3,848	$ 2,723

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 of Architecture will repay the accumulated deficits to the University's Operating Fund.

(thousands of dollars)

12. Internal financing:

Details of capital asset internal financing activities are as follows:

	2019	New Financing	Repayments	2020
Campus Modernization	$ 17,007	$ 419	$ (548)	$ 16,878
Cardiovascular Metabolic Research Lab	5,501	–	(233)	5,268
Great Hall renovations	1,646	–	(244)	1,402
Ancillaries	1,387	–	(261)	1,126
Cliff Fielding Research, Innovation and Engineering Building	985	–	(256)	729
Parking Lot 4	868	–	(52)	816
School of Education Building	363	264	(11)	616
DNA Lab	206	–	(22)	184
Other small projects	288	–	(57)	231
Line of credit	(17,600)	–	3,200	(14,400)
	$ 10,651	$ 683	$ 1,516	$ 12,850

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, 2020, the University had not drawn on the Royal Bank line and had drawn $14,400 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.

© 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.

(e) The University is the principal employer for the Pension Plan and also administers the Retiree Health Benefit Plan on behalf of the Federated Universities and SNOLAB. In total, the Federated Universities and SNOLAB have post-employment benefit liabilities of $4,918, in addition to the amounts allocated to the University.

(thousands of dollars)

14. Change in non-cash working capital:

	2020	2019
Cash flows from operating activities:		
Accounts receivable	$ 1,897	$ (624)
Other assets	(321)	(156)
Accounts payable and accrued liabilities	12	(3,653)
Accrued vacation pay	47	(108)
Deferred revenue	(459)	(1,054)
	$ 1,176	$ (5,595)

15. Other fees and income:

Details of the other fees and income are as follows:

	2020	2019
Administrative fees	$ 4,967	$ 3,885
Scholarships, bursaries and other restricted contributions	4,296	4,321
Compulsory fees	2,975	1,328
Sponsored students	1,930	1,989
Other	3,419	3,417
	$ 17,587	$ 14,940

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 2, 6 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 have been no changes to the risk exposures from 2019, except as a result of the effects of COVID-19 (note 17).

17. Effects of COVID 19:

Prior to year-end, the COVID-19 (the “pandemic”) outbreak was declared a pandemic by the World Health Organization. Laurentian University halted in-person activity, restricted its facilities to staff and students and moved to online education format in March 2020 based on recommendations from Public Health Ontario. The spring and summer semesters were moved to an online format. The fall semester will largely be online and remote delivery with on-campus activities where deemed necessary.

As a result of the pandemic, the University has experienced increased risk exposure in several areas. The in-year deficiency associated with COVID-19 was $5.2 million. There is further concern as to the revenues into fiscal 2021.

The University negotiated a deferral of residence debt repayments for six months subsequent to year-end to manage cash flow requirements.

The University’s investments are recognized at fair value and the impact of the pandemic has created volatility and uncertainty in world markets, which may ultimately lead to a loss on market value that is other than temporary. The ultimate length and duration of the pandemic is unknown and the potential magnitude of the impact on the University’s investments is not yet known at this time. The University continues to monitor investment balances and working with investment managers to mitigate the impact where possible.

The University’s defined benefit component of its pension plan is subject to the same increased risk exposure of the University’s investments as the underlying investments recognized within the pension plan are subject to market volatility and uncertainty for which the ultimate length and duration is not yet known at this time. The impact of prolonged low interest rates could increase the defined benefit pension plan liabilities and require additional funding from the University.

17. Effects of COVID 19 (continued):

The University cannot reasonably reflect the future financial impact of COVID-19. Given that the outcome and timeframe to a recovery from the current pandemic is highly unpredictable, it is not practicable to estimate and disclose its financial effect on future operations at this time.

18. Adoption of new accounting policies:

The University has adopted the following Canadian Not-for-Profit Accounting Standards effective on May 1, 2019:

- Section 4433, to replace Section 4431, Tangible Capital Assets Held by Not-for-Profit Organizations
- Section 4434, to replace Section 4432, Intangible Assets Held by Not-for-Profit Organizations
- Section 4441, to replace Section 4440, Collections Held by Not-for-Profit Organizations

The University has adopted these standards on a prospective basis and will apply the componentization approach of significant tangible capital assets (and related amortization) acquired and will comply with revised intangible asset impairment guidelines. Collections are carried on a nominal basis.

The adoption of these standard did not result in any adjustments to the financial statements as at May 1, 2019.

19. Comparative information:

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