LaurentianUniversity
UniversitéLaurentienne

ANNUAL FINANCIAL REPORT

Fiscal year ended April 30, 2014

SUDBURY | BARRIE ON
laurentian.ca

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REVIEW OF FISCAL 2013-2014

Highlights

Laurentian University (the University) titled its 2013-2014 Operating Budget "In Motion". This annual financial report will reflect on how the University was successfully "in motion" during fiscal 2013-2014. In addition, this report will highlight how the University is effectively shaping its future which is appropriate given the title of the University's 2014-2015 budget "Shaping Our Future".

During 2013-2014, the University developed three major plans: Graduate Expansion Implementation Plan, Research Support Framework and Flexible Learning Strategy. These new plans were added to the 2012-2017 Strategic Plan, 2011 Academic Plan, and 2012-2017 Strategic Research Plan, to form the foundation for decisions regarding allocation of resources.

The Graduate Expansion Plan is well underway with an approval through the 2014-2017 Strategic Mandate Agreement (SMA) process of 76 additional graduate spaces over the next three years. The Research Support Framework will accelerate transformative knowledge generation and mobilization in five themes: Environment and Conservation, Health and Wellness, Social and Cultural Research and Creativity, Engineering, Mineral and Materials Sciences, and Subatomic Physics (SNOLAB). The Flexible Learning Strategy articulates that sound pedagogy is foundational, and that delivering sound pedagogy requires technology instructional supports and a variety of course delivery models.

Three major capital projects are currently underway: School of Architecture Phase 2, Single Student Residence Rehabilitation and Campus Modernization, including renovation of the Great Hall. All of these projects are on sound footing and are on time and on budget.

Student recruitment and retention are key drivers of the University's revenues. Provincial government funding continues to decline on a per student basis and the tuition framework has capped total annual domestic tuition increases at three percent (3%) until 2016. However, enrolment keeps growing with the introduction of new programs such as Architecture combined with a strong demand in professional programs.

Financially, the University continues to meet its commitment to repay its unrestricted operating deficit accumulated between 2008-2009 and 2010-2011. The unrestricted operating deficit at the end of fiscal 2014 was $8.2 million.

Some challenges were faced during the year, including a colder than normal winter that affected the cost of utilities, continued pressure for facility maintenance associated with an aging infrastructure, the negative impact of delayed government decision-making on a satellite campus to accommodate the University's Barrie operations, and the effect of the end of mandatory retirement in 2006 on the University's ability to accurately and strategically forecast workforce.

Capital Projects

❖ School of Architecture

The School of Architecture was launched in downtown Sudbury in September 2013, resulting from strong advocacy and leadership by a local steering committee dedicated to urban renewal. The capital construction of $42.6 million brings significant economic activity to the region over the construction period of 2012-2015. An Economic Impact Study undertaken during the pursuit phase of planning for the school estimated annual incremental economic activity in the region to be $15 million.

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

Facilities for the School of Architecture are being built in two phases: Phase 1 was complete in the summer of 2013 in preparedness to welcome the inaugural class in September 2013. Phase 2 consists of 55,000 sq ft of new construction, which began in March 2014 and is scheduled to be complete in August 2015.

❖ Single Student Residence

Laurentian University currently houses approximately 1,200 students in a total of five residences. The newest, the 12-storey East Residence, opened last summer.

Built in 1973, the Single Students' Residence (SSR) accommodates close to 400 students every year. Alongside the Mature Students' Residence, SSR was one of the earliest residences built on the Laurentian campus. This residence complex that has housed "generations of undergraduates" is undergoing a thorough modernization with a $7.7M renovation program.

This residence complex is important to Laurentian's on-campus population, and it's time for a comprehensive facelift for SSR. The project will make the building more energy-efficient and include some structural improvements, as well as updating the interiors.

The renovations will include fresh exterior cladding and the replacement of insulation and windows throughout the complex. The structure comprises three inter-connected sections of four stories each, with a total of 72 apartment-style units containing single and double rooms and common areas. The improvements will be carried out in stages, so that only part of the structure is under renovation at a given time. During each 8-month stage of improvements, students affected by the renovation will be given housing in other accommodations.

The SSR Rehabilitation commenced in May 2013 and is scheduled to be complete in December 2014.

Capital Projects (continued)

❖ Campus Modernization

Campus Modernization was approved by the Board of Governors in 2013 as a $50 million renovation of approximately 250,000 sq ft of existing buildings and 20,000 sq ft of new construction on the Sudbury campus, and $2.6 million to modernize the food service facilities.

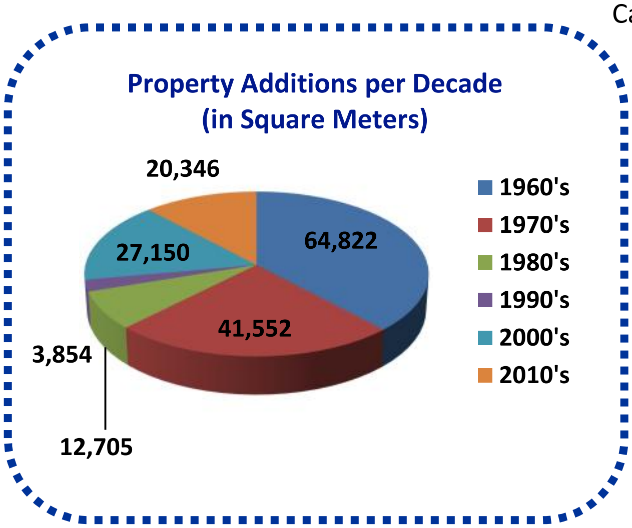
The final outcome of this project will be accessible student services, a “front door” welcoming centre, classrooms designed to accommodate diverse teaching and learning styles, dynamic student experiences in new social spaces that nurture a strong sense of community and belonging as well as enhanced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

Campus Modernization construction will commence in fiscal 2014 and extend through fiscal 2017, with scheduled completion in December 2016.

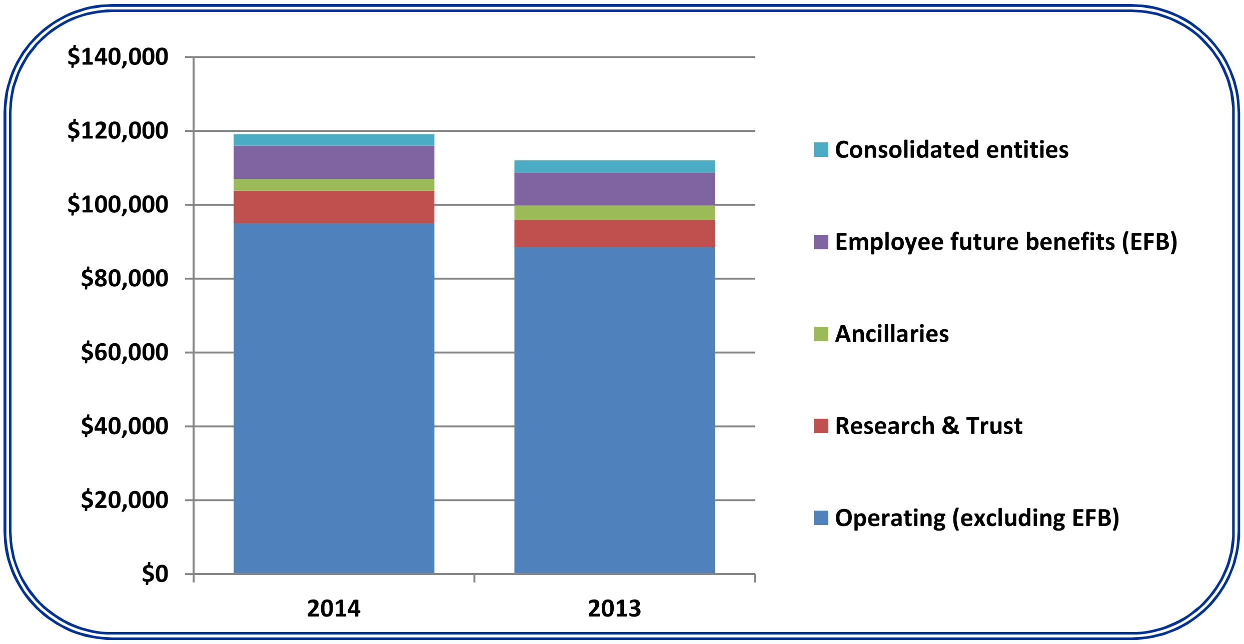
❖ Deferred Maintenance

As the University celebrated its 50th anniversary in 2010, so did a significant part of its infrastructure. The University saw major capital infrastructure growth during the 1960’s to the mid 1970’s. The next major phase of construction started in 2005 to the present.

Various infrastructure systems date back to their original construction and many mechanical systems that have been updated are now beyond their theoretical life expectancy. The University’s Capital Planning and Management software (VFA) has been updated through a series of inspections carried out by independent auditors. Total identified deferred maintenance is $51.3 million. In fiscal 2013, the University recognized the need to allocate a portion of its annual operating budget to address deferred maintenance, and set aside $0.4 million in that year. The University’s multi-year financial plan includes resource allocations to deferred maintenance of $0.5 million in 2013-2014 (actual - $0.6 million), $1 million in 2014-2015, $1.5 million from 2015-2016 to 2017-2018, $1.8 million in 2018-2019 and $2.2 million in 2019-2020.



Compensation and Benefits
(in 000's)



Employee Future Benefits

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

While the going concern deficit of the Pension Plan has been reduced to $3.9 million due to investment returns of the pension plan, the solvency deficit continues to increase with decreasing long term interest rates. The University currently has solvency exemption until its 2017 valuation. The most recent actuarial report, effective July 1, 2011, indicates that the guaranteed defined benefit portion of the pension plan has a going concern unfunded liability of approximately $31 million.

The RHBP has been underfunded since its inception. The University is seeking to resolve this problem through discussions with full-time unionized and non-unionized employees.

Effective May 1, 2013, the University now determines its obligations for its employee future benefits using funding assumptions rather than using accounting assumptions within its financial statements. The statements will now reflect a liability that more closely matches the going concern liability from the pension plan valuations.

Laurentian University, like many other Ontario Universities, is examining changing its current Single Employer Pension Plan (SEPP) to a Jointly Sponsored Pension Plan (JSPP) with matching employer and employee contributions. The Province of Ontario has passed legislation to permit pension plan changes and will soon provide regulations and directions on this matter.

Externally Funded Research

(in 000`s)	2014	2013
Revenue		
Grants and contracts	$ 9,508	11,163
Other	13	103
	9,521	11,266
Expenses		
Salaries and benefits	6,986	5,293
Other	3,565	3,533
	10,551	8,826
Excess (deficiency) of revenue over expenses, being increase (decrease) in deferred research contributions	**(1,030)**	**2,440**
Deferred research contributions, beginning of year	**13,074**	**10,634**
Deferred research contributions, end of year	**$ 12,044**	**13,074**

An increase in research spending along with a reduction in research contributions during the year has reduced deferred research contributions by approximately $1 million in fiscal 2014. Approximately $1.6 million of the change in revenue above relates to the timing of NSERC contributions toward the Mineral Exploration Research Centre (MERC), there were also decreases in various corporate funders in 2014. Approximately $1 million of the change in total revenue and expenses above relates to a new significant research project "Improving Health Equity of Northern Ontarians" funded by the Ministry of Health and Long-Term Care.

Ancillaries

Revenue (in 000`s)	2014	2013
Residences	$ 6,608	6,738
Computer centre	1,577	1,477
English for academic preparation & Additional qualifications	1,432	1,855
Parking	1,292	1,199
Press and cards	1,076	1,080
Conferences and events	500	442
Food services	332	356
Less internal sales	(1,989)	(2,051)
Total Ancillary Revenue	**$ 10,828**	**11,096**

Ancillary revenues experienced a 2.4% decline this year from previous year mainly due to reduced enrolment experienced by the English for Academic Preparation and Additional Qualifications programs. In addition, planned residence renovations reduced the available occupancy and hence resulted in a decline in residence revenue. Occupancy is expected to return to normal levels in 2015-2016.

Unrestricted Operating Fund

ACTUAL

Revenue		
Operating grants and contracts	76,221	
Tuition fees	45,744	
Other	13,074	
	135,039	**Note 1**
Expenses		
Salaries and benefits	105,043	
Operating	16,004	
Scholarships and bursaries	7,788	
Occupancy	8,784	
	137,619	**Note 2**
Appropriations	3,186	
Unrestricted operating net deficit reduction	**606**	

BUDGET

Note 1 - Operating Revenues Compared to Budget

Total per 13-14 budget	136,964
Less Ancillaries per 13-14 budget	(11,425)
Budgeted operating revenue	125,539
Difference from actual above	(9,500)
Reconciliation of budget variances:	
Sponsored students	2,736
Provincial Operating Grants and Canada Francophone Grants	2,243
Unbudgeted special in-year grants	2,108
Department recoveries (netted with expenses for budget purposes)	1,337
Tuition	492
Federal grants	381
Investment income and miscellaneous	203
	-

Note 2 - Operating Expenses Compared to Budget

Total per 13-14 budget	136,964
Less Ancillaries per 13-14 budget	(11,425)
Budgeted operating expenses	125,539
Difference from actual above	(12,080)
Reconciliation of budget variances:	
Sponsored students	2,736
Unbudgeted special in-year grants	2,108
Salaries and benefits	1,793
Department recoveries (netted with expenses for budget purposes)	1,337
Miscellaneous maintenance and renovations	1,267
Cash-flow Barrie and SOA per budget (future budget item)	1,162
Utilities	769
Carry-forwards utilized and miscellaneous	908
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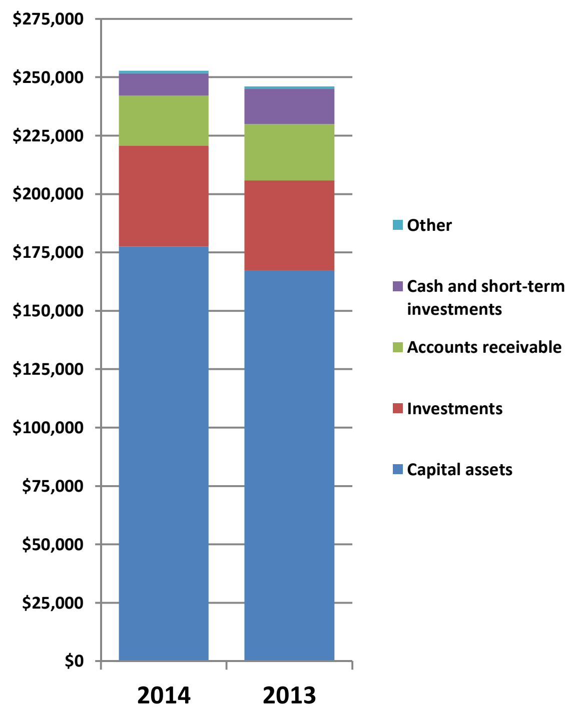
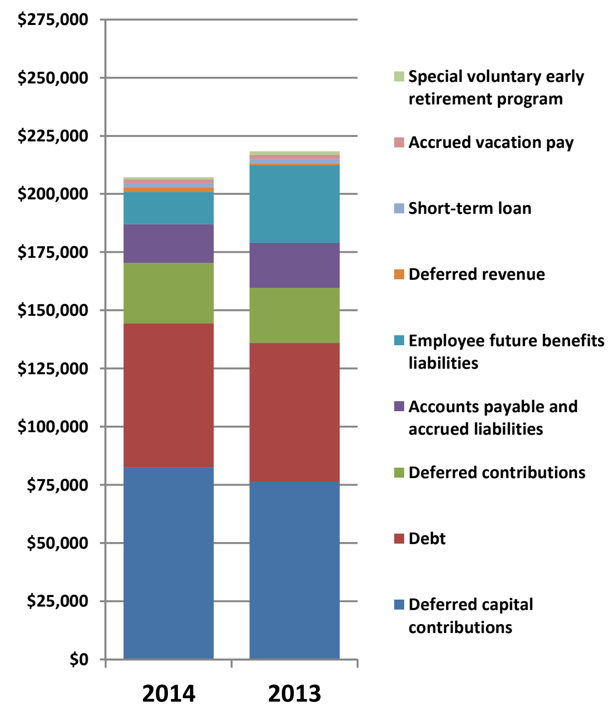
FINANCIAL STATEMENT HIGHLIGHTS

Consolidated Statement of Financial Position

Assets
(in '000's)



Liabilities and Deferred Contributions
(in '000's)



Cash and short-term investments were reduced by $5.4 million during fiscal 2014. This is mainly a result of an increase in capital project spending over prior year. Accounts receivable dropped $2.8 million in fiscal 2014 due to excellent collection efforts which reduced student receivables by 20%. In addition, there were fewer capital grants receivable this fiscal year-end. Investments are up $4.8 million due to contributions received during the year along with strong returns on investments. Lastly, capital assets experienced a significant increase because of capital project spending on the School of Architecture ($8.1 million), Single Student Residence Rehabilitation ($3.5 million) and Campus Modernization ($1.8 million), less amortization of $7.1 million.

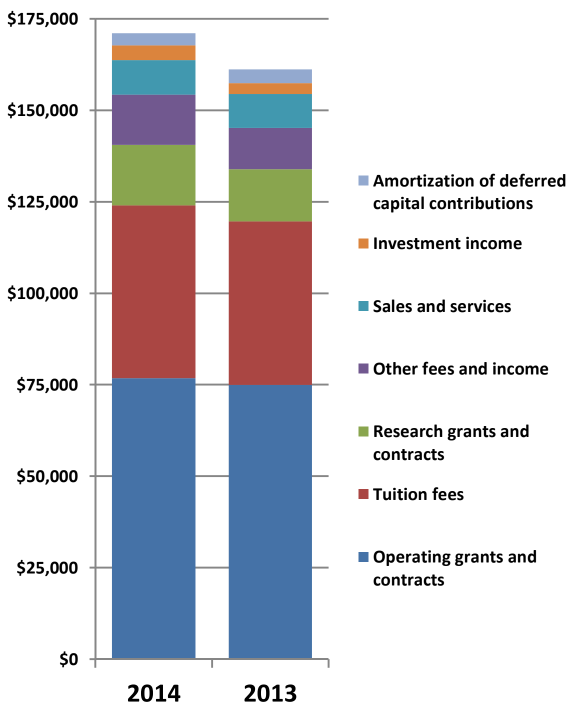
Overall, assets have increased 2.8%.

Changes in the accounting policies related to Employee Future Benefits, along with improved financial performance of the plans, has reduced the University's liability by $19.3 million from prior year. Payables are down $2.8 million which is mainly a result of the timing of capital spending and amounts payable to CEMI. Debt is up this year due to new debt advanced from RBC in amounts of $1.9 million for the SSR Rehabilitation and $1.6 million for Campus Modernization projects, less principal repayments on pre-existing debt of $1.3 million. Deferred capital contributions have increased mainly due to $8.4 million in deferred School of Architecture grants, less $3.3 million in capital grants amortized during the year.

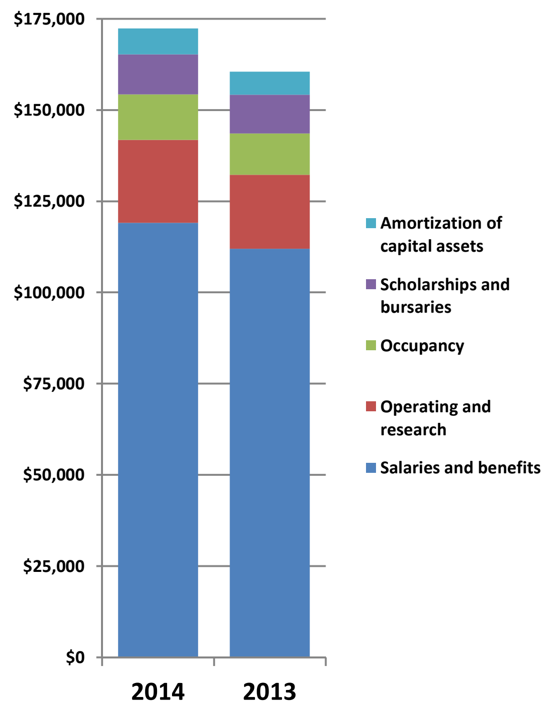
Overall, liabilities and deferred contributions have decreased 5.1%.

Consolidated Statement of Operations

Revenue
(in '000's)



Expenses
(in '000's)



Tuition revenue increased 5.6% over last year due to increases in tuition fees in amounts ranging from 3-5%, along with an overall increase in enrolment. Operating grants increased 2.5% due to an increase in Graduate Access funding and a one-time increase in the University's Francophone grant. An increase in donations and various miscellaneous fees has resulted in an increase in other fees and income. In addition, investments performed better than prior year increasing investment income.

Overall, revenue increased by 6.4%

Wage increases, new positions, growth of the School of Architecture and new research initiatives have resulted in a 6.3% increase in salaries and benefits expense. A cold winter along with increases in various utilities rates are the main causes of occupancy costs rising 10.2%. Investments made in areas such as recruitment, new research initiatives, athletics, information technology, new programs and professional development have increased operating and research expenses by 12.3%.

Overall, expenses increased by 7.4%.

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, 2014 and the results of its operations and its cash flows for the year ended April 30, 2014. 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 valuation 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 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, 2014 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.

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

C McAulay

Carol McAulay, CPA, CA
Vice-President, Administration

Consolidated Financial Statements of

LAURENTIAN UNIVERSITY OF SUDBURY

Year ended April 30, 2014

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Chartered Accountants
Claridge Executive Centre
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INDEPENDENT AUDITORS' REPORT

To the Governors of Laurentian University of Sudbury

We have audited the accompanying consolidated financial statements of Laurentian University of Sudbury, which comprise the statement of consolidated financial position as at April 30, 2014, the consolidated statements of operations, changes in net assets (deficiency) and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Laurentian University of Sudbury as at April 30, 2014, its results of operations, changes in net assets (deficiency) and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

October 16, 2014
Sudbury, Canada

LAUNTIAN UNIVERSITY OF SUDBURY

LAURENTIAN UNIVERSITY OF SUDBURY

Consolidated Statement of Operations

Year ended April 30, 2014, with comparative information for 2013
(thousands of dollars)

	2014	2013 (Restated - note 20)
Revenue:		
Operating grants and contracts	$ 76,808	74,912
Tuition fees	47,209	44,690
Research grants and contracts	16,478	14,284
Other fees and income (note 16)	13,768	11,245
Sales and services	9,407	9,272
Investment income (note 2)	4,003	3,023
Amortization of deferred capital contributions	3,336	3,252
	171,009	160,678
Expenses:		
Salaries and benefits	119,065	112,011
Operating and research	22,757	20,270
Occupancy	12,423	11,274
Scholarships and bursaries	10,986	10,636
Amortization of capital assets	7,128	6,285
	172,359	160,476
Excess (deficiency) of revenue over expenses	$ (1,350)	202

See accompanying notes to consolidated financial statements.

LAURENTIAN UNIVERSITY OF SUDBURY

Consolidated Statement of Changes in Net Assets (Deficiency)

Year ended April 30, 2014, with comparative information for 2013
(thousands of dollars)

April 30, 2014		Unrestricted	Employee Future Benefits	Internally Restricted (note 11)	Endowment	Total
Net assets (deficiency), beginning of year	$	(8,838)	(33,220)	33,005	36,756	27,703
Excess (deficiency) of revenue over expenses		11,389	(8,947)	(3,792)	–	(1,350)
Internally restricted transfers		(687)	–	687	–	–
Endowment contributions		–	–	–	1,097	1,097
Employee future benefits contributions		(10,096)	10,096	–	–	–
Employee future benefits remeasurements and other items		–	18,186	–	–	18,186
Net assets (deficiency), end of year	$	(8,232)	(13,885)	29,900	37,853	45,636

April 30, 2013		Unrestricted	Employee Future Benefits (Restated - note 20)	Internally Restricted (note 11) (Restated- note 20)	Endowment	Total
Net assets (deficiency), beginning of year (restated – note 20)	$	(9,742)	(42,623)	33,912	35,267	16,814
Excess (deficiency) of revenue over expenses (restated – note 20)		10,978	(8,943)	(1,833)	–	202
Internally restricted transfers		(926)	–	926	–	–
Endowment contributions		–	–	–	1,489	1,489
Employee future benefits contributions		(9,148)	9,148	–	–	–
Employee future benefits remeasurements and other items (restated – note 20)		–	9,198	–	–	9,198
Net assets (deficiency), end of year	$	(8,838)	(33,220)	33,005	36,756	27,703

See accompanying notes to consolidated financial statements.

LAURENTIAN UNIVERSITY OF SUDBURY

Consolidated Statement of Cash Flows

Year ended April 30, 2014, with comparative information for 2013
(thousands of dollars)

		2014	2013
			(Restated - note 20)
Cash flows from operating activities:			
Excess (deficiency) of revenue over expenses	$	(1,350)	202
Non-cash items:			
Amortization of capital assets		7,128	6,285
Amortization of deferred capital contributions		(3,336)	(3,252)
Change in accrued early retirement program costs		(748)	(611)
Change in unrealized gains on investments		(3,277)	(1,322)
Employee future benefits net benefit costs		8,947	8,943
		7,364	10,245
Employee future benefits employer contributions		(10,096)	(9,148)
Change in non-cash working capital (note 15)		952	(7,725)
		(1,780)	(6,628)
Cash flows from financing activities:			
Purchases of capital assets		(17,247)	(14,063)
Change in deferred contributions		2,297	4,292
Deferred capital contributions received		9,510	6,067
Repayment of long-term debt		(1,257)	(980)
Long-term debt obtained		3,571	5,381
Decrease in short-term loan		(55)	(62)
		(3,181)	635
Cash flows from investing activities:			
Net acquisitions of long-term investments		(1,518)	(1,552)
Endowment contributions		1,097	1,489
		(421)	(63)
Net decrease in cash and short-term investments		(5,382)	(6,056)
Cash and short-term investments, beginning of year		14,990	21,046
Cash and short-term investments, end of year	$	9,608	14,990

See accompanying notes to consolidated financial statements.

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

1. Significant accounting policies:

(a) Revenue recognition:

The University follows the deferral method of accounting for contributions. The principles under this method are summarized as follows:

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

Contributions externally restricted for purposes other than endowment are deferred and recognized as revenue in the year in which the related expenses are recognized.

Contributions restricted for capital asset purchases are deferred and amortized to operations on the same basis as the related asset is amortized.

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

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

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

(b) Investments:

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

Income/loss derived from endowment investments is allocated to the related scholarship and bursary accounts and the endowment fund balance. Investment income/loss on non-endowment investments is allocated to the respective non-endowment fund balance in proportion to their yearly weighted average.

(c) Capital assets:

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

1. Significant accounting policies: (continued)

(c) Capital assets: (continued)

Capital assets are amortized on the straight-line basis over their estimated useful lives as follows:

Buildings	40 years
Equipment and furnishings	7 years
Land and site improvements	15 years

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

(d) Employee future benefits liabilities:

The University has a defined contribution pension plan in which the University contributes a set amount to the plan in respect of individual employees, with a guaranteed minimum defined benefit. All employees of the University and its federated institutions which participate in the plan, are eligible to join the plan upon entering the service of one of those employers. The benefits are based on years of service and final average salary.

Effective July 1, 2011, the University registered its Pension Plan in two parts. Part A continues to provide a defined contribution Pension Plan with a guaranteed minimum defined benefit. Part B is a defined benefit plan for future service for all employees of the University after July 1, 2012.

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

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

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

The accrued liability for unfunded plans is prepared on a basis consistent with funded plans. Employee future benefit plans' assets are measured at fair value at the date of the consolidated statement of financial position. The most recent actuarial valuation was as of July 1, 2011, and the next required valuation will be as of July 1, 2014.

1. Significant accounting policies: (continued)

(e) Internally restricted net assets:

The University restricts use of portions of its operating net assets for specific future uses. When incurred, the related expenses are charged to operations, and the balance of internally restricted assets is reduced accordingly with a transfer to unrestricted net assets.

(f) Related entities and basis of presentation:

MIRARCO

The consolidated financial statements are inclusive of the assets, liabilities, revenues and expenses of the Mining Innovation Rehabilitation and Applied Research Corporation, which is a wholly controlled entity.

Northern Ontario School of Medicine

The Northern Ontario School of Medicine (the “School”) was created in order to provide medical education in Northern Ontario. Although the University, along with Lakehead University the only other voting members of the School, has significant relationships with the School, the University has no claim to the School’s net assets and 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. The University’s proportionate share of the entity’s assets, liabilities, revenues and expenses to March 31, 2013 have been included in these consolidated financial statements. The 2014 financial statements are not available and accordingly, the balances and transactions will be accounted for prospectively.

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.

1. Significant accounting policies: (continued)

(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 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. The University uses the accrual basis of accounting for hedges. Gains or losses realized on the settlement of the hedging item are deferred until the settlement of the hedged item.

(h) Use of estimates:

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

(i) Impairment of long-lived assets:

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

(thousands of dollars)

2. Cash and Investments:

	2014	2013
Short-term:		
Cash	$ 7,856	13,113
Short-term investments	1,752	1,877
	9,608	14,990
Long-term:		
Equity funds, segregated funds	22,221	20,018
Fixed income	21,041	18,447
Government bonds and guaranteed Investment certificates	29	31
	43,291	38,496
	$ 52,899	53,486

Long-term investments reflect funds for endowment and some specified research programs.

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

The breakdown of investment income is as follows:

	2014	2013
Unrealized gains	$ 3,277	1,322
Interest income	1,062	1,846
Realized gains (losses)	(172)	–
	4,167	3,168
Investment management fees	(164)	(145)
	$ 4,003	3,023

3. Accounts receivable:

	2014	2013
Accounts receivable	$ 22,305	25,507
Less allowance for doubtful accounts	(967)	(1,398)
	$ 21,338	24,109

(thousands of dollars)

4. Employee future benefits:

The University provides for 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 liability reported in these consolidated financial statements.

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

	Pension	Post-Employment Benefit Obligation	Supplemental Pension Plan	2014 Total	2013 Total (Restated - note 20)
Accrued benefit obligation	$ (319,300)	(8,226)	(3,312)	(330,838)	(306,086)
Fair value of plan assets	315,637	1,316	–	316,953	272,866
Accrued benefit liabilities	$ (3,663)	(6,910)	(3,312)	(13,885)	(33,220)

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

	Pension benefit plan and Supplemental Retirement Plan		Post-employment benefit obligation	
	2014	2013	2014	2013
Discount rate	6.25%	6.25%	4.00%	4.00%
Rate of compensation increases	3.50%	3.50%	–	–
Expected long-term rate of return on plan assets	6.25%	6.25%	4.00%	2.00%
Health care cost trend rate	–	–	3.00%	3.00%
Rate of inflation	2.50%	2.50%	–	–

(thousands of dollars)

5. Capital assets:

		Cost	Accumulated Amortization	2014 Net book Value	2013 Net book Value
Buildings	$	227,207	71,775	155,432	144,184
Equipment and furnishing		96,864	91,054	5,810	6,607
Land and site improvements		24,397	8,193	16,204	16,536
	$	348,468	171,022	177,446	167,327

A total of $22,839 (2013 - $11,483) of buildings is under construction and not yet subject to amortization.

6. Short-term loan:

The short-term loan represents an unsecured loan from TD Canada Trust for the student recreation centre, with a floating interest rate of 1.5% at April 30, 2014 (2013 – 1.22%).

7. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances payable of $2,763 (2013 - $2,366), which includes amounts payable for HST and payroll related taxes.

8. Long-term debt:

	Fixed Rate	Maturity		2014	2013
Bank of Montreal	5.14%	2024	$	2,687	2,874
Royal Bank of Canada	3.90%	2040		15,337	15,640
Royal Bank of Canada	4.50%	2042		20,083	20,438
Royal Bank of Canada	3.90%	2023		1,945	–
Royal Bank of Canada	4.63%	2042		1,627	–
TD Canada Trust	4.70%	2036		12,822	13,125
TD Canada Trust	4.74%	2043		7,453	7,563
				61,954	59,640
Less current portion of long-term debt				(1,315)	(1,257)
			$	60,639	58,383

(thousands of dollars)

8. Long-term debt: (continued)

The above-noted debt was advanced under variable rate credit facilities in the principal face amounts of $4,116, $16,300, $20,600, $1,945, $1,627, $14,800 and $8,000 respectively 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 1.5% (2013 - 1.22%) 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:

2015	$ 1,315
2016	1,377
2017	1,445
2018	1,511
2019	1,583
Thereafter	54,723
	$ 61,954

9. Special voluntary early retirement program:

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

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

	2014	2013
Balance, beginning of year	$ 1,575	2,186
Interest costs	73	75
Benefits paid	(780)	(844)
Actuarial losses (gains)	(41)	158
Balance, end of year	827	1,575
Less current portion of special voluntary early retirement program	(763)	(856)
	$ 64	719

(thousands of dollars)

10. Deferred contributions:

(a) Deferred contributions:

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

		2014	2013
Balance, beginning of year	$	23,658	19,366
Add contributions received in the year		20,928	20,401
Less amounts recognized as revenue		(18,631)	(16,109)
Balance, end of year	$	25,955	23,658

(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:

		2014	2013 (Restated – note 20)
Unspent:			
Balance, beginning of year	$	477	897
Add contributions received in the year		9,510	6,067
Less amounts utilized		(9,427)	(6,487)
Balance, end of year		560	477
Unamortized:			
Balance, beginning of year		75,878	72,643
Add contributions utilized in the year		9,427	6,487
Less amount amortized to revenue		(3,336)	(3,252)
Balance, end of year		81,969	75,878
Total unspent and unamortized capital contributions	$	82,529	76,355

(thousands of dollars)

11. Internally restricted net assets:

	2014	2013 (Restated – note 20)
Investment in capital assets (note 12)	$ 30,031	28,428
Unfunded capital	(3,536)	(949)
SNOLAB	(544)	(164)
Scholarship and bursary funds	3,652	1,330
Departmental and subsidiary research funds	859	1,120
Departmental carry forward and future budget provisions	920	5,014
Reserve for early retirement	(827)	(1,575)
Ancillaries	1,058	1,528
Vacation	(1,713)	(1,727)
	$ 29,900	33,005

12. Investment in capital assets:

The investment in capital assets is calculated as follows:

	2014	2013 (Restated – note 20)
Capital assets	$ 177,446	167,327
Less amounts financed by:		
Long-term debt	(61,954)	(59,640)
Internal financing (note 13)	(1,774)	(1,608)
Short-term loan	(1,718)	(1,773)
Unamortized deferred capital contributions	(81,969)	(75,878)
	$ 30,031	28,428

13. Internal financing:

Details of capital asset internal financing activities are as follows:

	2013	New Financing	Repayments	2014
Energy retrofit	$ 557	–	(135)	422
Telephone system and copier equipment	88	117	(86)	119
Ancillary	416	476	(98)	794
Barrie Campus	547	–	(108)	439
	$ 1,608	593	(427)	1,774

The internal loans bear interest at a floating rate equal to the return earned on short-term investments and are to be repaid over a period ranging from three to five years.

(thousands of dollars)

14. Commitments and contingencies:

(a) The University has access to an unsecured line of credit in the amount of $5,000. The line of credit bears interest at Royal Bank prime less 0.50%. As at April 30, 2014, the University has not drawn on this line of credit.

(b) The University participates in a reciprocal exchange of insurance risks in association with forty other Canadian universities. This self-insurance co-operative involves a contractual agreement to share the insurance property and liability risks of member universities.

(c) The Board of Governors of the University approved the Laurentian School of Architecture capital project in the amount of $42,600 for which the funding has largely been secured. To date, $14,800 has been expended.

(d) The Board of Governors of the University approved the Single Student Rehabilitation project in the amount of $7,600 for which the funding is to be provided through long-term debt. To date, $3,900 has been expended.

(e) The Board of Governors of the University approved the Laurentian University Modernization Project in the amount of $49,983 for which the funding is to be provided through long-term debt, capital donations and operational savings. To date, $2,400 has been expended.

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

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

15. Change in non-cash working capital:

		2014	2013
Cash flows from operating activities:			
Accounts receivable	$	2,771	(7,862)
Other assets		(11)	(229)
Accounts payable and accrued liabilities		(2,794)	979
Accrued vacation pay		(14)	360
Deferred revenue		1,000	(973)
	$	952	(7,725)

(thousands of dollars)

16. Other fees and income:

Details of the other fees and income are as follows:

		2014	2013
Sponsored students	$	2,736	2,520
Compulsory fees		2,448	2,111
Administrative fees		1,933	1,813
Scholarships, bursaries and other restricted contributions		4,491	2,871
Other		2,160	1,930
	$	13,768	11,245

17. Financial risks:

(a) Credit risk:

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

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

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

(b) Interest rate risk:

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

(c) Currency risk:

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

(d) Liquidity risk:

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

There has been no change to the risk exposures from 2013.

(thousands of dollars)

18. First Generation Pilot Project Initiatives:

For the period of May 1, 2013 to April 30, 2014, the University's consolidated financial statements include expenditures totaling $132 (2013 - $132) incurred for the purpose of carrying out the First Generation Pilot Project initiatives. The goal of this project is to increase the awareness of the benefits of post-secondary education of first generation students and to increase their participation, retention and graduation rates.

19. Student organizations:

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

20. Early adoption of reporting employee future benefits by not-for-profit organizations and other adjustments:

Effective May 1, 2013, the University early adopted Section 3463, "Reporting Employee Future Benefits by Not-for-Profit Organizations", of the CPA Canada Handbook - Accounting, on a retrospective basis. Section 3463.01 provides that a not-for-profit organization applies Section 3462 except as otherwise provided for in Section 3463.

In accordance with Section 3463, remeasurements and other items are recognized directly in net assets on the statement of financial position, rather than in the statement of operations, and presented as a separately identified item in the statement of changes in net assets. In adopting Section 3463, the University now determines its obligations for its employee future benefits using funding assumptions rather than using accounting assumptions.

The following table provides a reconciliation of the net assets as at May 1, 2012 as previously reported with those computed after adopting Section 3463 and other adjustments:

	Net Assets as at May 1, 2012
Net assets – previously reported	$ 47,888
Employee future benefits:	
Remeasurements (i)	(64,136)
Use of funding discount rates (ii)	33,803
Other adjustments (iii)	(741)
Net assets – restated	$ 16,814

(thousands of dollars)

20. Early adoption of reporting employee future benefits by not-for-profit organizations and other adjustments: (continued)

The following table provides a reconciliation of the excess (deficiency) of revenue over expenses for the year ended April 30, 2013 as previously reported with those computed after adopting Section 3463 and other adjustments:

	Excess (deficiency) of revenue over expenses for the year ended April 30, 2013
Deficiency of revenue over expenses – previously reported	$ (6,729)
Employee future benefits:	
Remeasurements (i)	4,003
Use of funding discount rates (ii)	3,376
Other adjustments (iii)	(448)
Excess of revenue over expenses – restated	$ 202

i) Remeasurements:

Prior to adopting Section 3463, remeasurements for the period including (a) the difference between the actual return on the plan assets and the return calculated using the discount rate used in determining the defined benefit obligation at the start of the period, and (b) actuarial gains and losses, were recognized in the statement of operations, along with current service and finance costs. Section 3463 requires that remeasurements be recognized directly in net assets on the statement of financial position, rather than in the statement of operations, and presented as a separately identified item in the statement of changes in net assets. As a result of this change, the University's excess of revenue over expenses for the year ended April 30, 2013 increased by $4,003 and net assets at May 1, 2012 decreased by $64,136.

ii) Use of funding discount rates:

The University, as provided for in Section 3463, now measures its defined benefit employee future benefit obligations using actuarial valuations prepared using funding discount rate assumptions, rather than using accounting discount rate assumptions. At May 1, 2012, the employee future benefit obligation decreased by $33,803. As a result of this change, the University's excess of revenue over expenses for the year ended April 30, 2013 increased by $3,376 as a result of a decrease in employee future benefits expense caused by the change in the discount rate assumptions.

iii) Other adjustments:

Adjustments have been made to comparative figures so that amortization of deferred capital grants is recorded using a basis consistent with the amortization of the related capital assets. As a result of this adjustment, the University's excess of revenue over expenses for the year ended April 30, 2013 decreased by $448 and net assets at May 1, 2012 decreased by $741.

21. Comparative information:

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