



**Laurentian**University  
Université**Laurentienne**



# ANNUAL FINANCIAL REPORT

Fiscal year ended April 30, 2015

SUDBURY | BARRIE ON  
[laurentian.ca](http://laurentian.ca)



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## REVIEW OF FISCAL 2014-2015

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### Highlights

Laurentian University (the University or Laurentian) titled its 2014-2015 Operating Budget “Shaping Our Future”. This Annual Financial Report reflects on how the University used its resources in 2014-2015 to “Shape Our Future”.

During 2014-2015, the University developed a new Academic Plan which builds on the three major plans from the prior year.

- Graduate Expansion Implementation Plan
- Research Support Framework
- Flexible Learning Strategy

These plans, in addition to the 2012-2017 Strategic Plan and 2012-2017 Strategic Research Plan, formed the foundation for decisions regarding allocation of resources in 2014-2015.



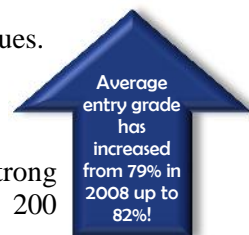
In May of 2015, the University learned that its proposal for a stand-alone campus in Barrie as part of the Major Capacity Expansion (MCE) process would not be approved for funding at this time. Since then, the University met with the City of Barrie which reaffirmed its commitment and support of Laurentian’s presence in Barrie. The University continues normal operations in Barrie while exploring its options to deliver outstanding new programs in the future. The University had capitalized costs relating to a new Barrie campus in the amount of \$577k and had

a restricted net deficit of \$1,601k relating to Barrie operations from 2012 to 2014, which resulted in a transfer of this deficit from the internally restricted fund to the operating fund in the amount of \$2,178k in 2014-2015.

Three major capital projects are currently underway: Sudbury Campus Modernization, School of Architecture Phase 2, and completion of the exterior of the Single Student Residence. Phase 2 of the School of Architecture is well underway with an expected completion in early spring 2016. Initial Sudbury Campus Modernization initiatives have greatly improved the quality of food services with the renovated Great Hall and the launch of the Fresh Food Company. Newly renovated undergraduate science teaching laboratories in Science I and Science II and renovated classroom and social spaces in Alphonse Raymond, will be available in September 2015. The Sudbury Campus Modernization project will continue through 2015-2016 with a planned completion in the fall of 2016. The Single Student Residence Rehabilitation Project undertaken in 2012 was completed in the summer of 2015 and the residence is expected to be at full occupancy in September 2015.

In addition to the previously approved projects, a new Cardiovascular Metabolic Research Lab was approved in 2014-2015 for construction in 2015-2016 at a cost of \$4 million to be funded through increased research funding generated by the new lab.

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 provincial tuition framework capped total annual domestic tuition increases at an average of three percent (3%) until 2016. However, enrolment continues to grow with the introduction of new programs such as Architecture combined with a strong demand in professional programs. Enrolment increased in Sudbury by close to 200 students, while continuing to increase the average entry grade.



**SMA approves 76 additional graduate spaces!**

The Graduate Expansion Plan is well underway with an approval of 76 additional graduate spaces through the 2014-2017 Strategic Mandate Agreement (SMA) process. The University has surpassed the allocated funded graduate spaces for 2014-15.

Financially, the University continues to meet its commitment to repay its unrestricted operating deficit accumulated between 2008-09 and 2010-11. The unrestricted operating deficit at the end of fiscal 2015 was \$9,811k (which includes the one-time adjustment for Barrie operations of \$2,178k noted above).

## Highlights (continued)

The University has delivered many of its Strategic Plan 2012-2017 outcomes as witnessed by some major moments over the past year.

**Laurentian University climbed four spots in Maclean's University rankings and is now in the Top 10 of all Canadian universities in the primarily undergraduate category**

**Laurentian graduates have attained the highest post-graduation employment rates in Ontario at 92.6% after 6 months, for an impressive fourth consecutive year**

**The University was awarded an additional Canada Research Chair Tier I in recognition of its growing share of tri-council funding nationally**

**A very successful and energizing two-day all-employee symposium "Connections 2015" was held in May**

**The new Speech and Language University Clinic opened**

**New bilingual degrees in Chemical Engineering, Mechanical Engineering and Mining Engineering were approved and will be introduced in the fall of 2016**

**Dr. Pamela Toulouse from the School of Education was honoured as one of this year's 3M National Teaching Fellows**

**Canadian Institute of Mining, Metallurgy and Petroleum (CIM) has honoured Dr. Dean Millar of the Bharti School of Engineering and MIRARCO as a Distinguished Lecturer**

**The new facility for the Centre for Research in Occupational Safety and Health (CROSH) was opened, and Dr. Tammy Eger was appointed as Research Chair**

**Bharti School of Engineering made history as both the Junior and Senior design teams won at the 2015 Canadian Engineering Competition**

**Vale Living With Lakes Centre was honoured with two prestigious awards from the Ontario Association of Architects**

**The University's designation under Ontario's French Language Services Act took effect**

**Senae unanimously approved a new 2015-2018 Academic Plan**

**Voyageurs men's hockey returned to the playoffs after 15 years**

**MACLEAN'S CANADA'S BEST SCHOOLS**

**CROSH CRSST**

## Planning, Capital Projects & Financing

### ❖ Campus Modernization

The Board of Governors approved the Campus Modernization project in 2013 as a \$50.1 million renovation of approximately 250,000 sq. ft. of existing buildings and 20,000 sq. ft. of new construction on the Sudbury campus, in addition to \$2.6 million to modernize 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 student fees resulting from a positive referendum, are also being managed as part of this umbrella project known as Campus Modernization.



### ❖ 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 \$44.1 million brings significant economic activity to the region over the construction period of 2012-2016. 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 completed in the summer of 2013 in preparation to welcome the inaugural class in September 2013. Phase 2 consists of 55,000 sq. ft. of new construction, which began in March 2014.



## Planning, Capital Projects & Financing (continued):

### ❖ Cardiovascular and Metabolic Research Lab

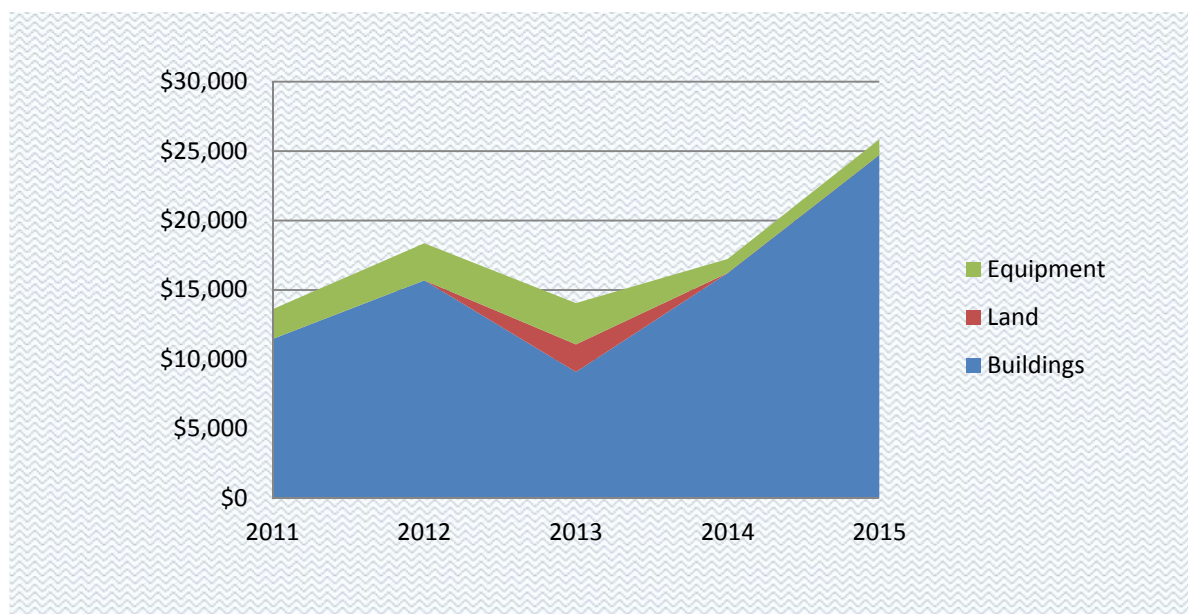
The Board of Governors approved the construction of a one-storey building of approximately 3,800 sq. ft. between the Health Sciences Resource Centre building and the “Education” building at an estimated cost of \$4 million, thus reinforcing the “Health” cluster envisioned in the Sudbury Campus Master Plan approved by the Board of Governors in October 2013. The lab space would house a new Cardiovascular and Metabolic Research Unit.

The mission of this research unit will be to foster excellence in cardiovascular and metabolic research by facilitating activity and collaboration among scientists at Laurentian, the Northern Ontario School of Medicine and Health Sciences North. Specifically, its research will focus on the pathophysiological mechanisms, biomarker exploration, and novel therapeutic approaches for cardiovascular diseases, diabetes and cancer. Members of the research unit will also be involved in studies on asthma and aging development.

This new research team will be bringing to Laurentian approximately 50 pieces of sophisticated research equipment worth approximately \$1.3 million. Once fully transferred, the research unit is expected to secure on average in excess of \$1 million annually in research income.

### ❖ Capital additions by fiscal year (000’s)

Over the past five years, Laurentian has invested heavily in its physical resources to a total of approximately \$89 million. The graph below illustrates these investments by year.



## Planning, Capital Projects & Financing (continued):

### ❖ Capital Financing

Capital and operational projects are financed through long-term debt and through internal funding. Of the total outstanding long-term debt in the amount of \$64,906,000 at the end of fiscal 2015, \$42,547,000 is related to ancillary operations, \$15,021,000 to the School of Education and \$7,338,000 to the Voyageur Recreation Centre, which is 60% supported by student fees. Additional long-term debt of \$1,335,000 has been secured for ancillary operations and \$40,527,000 for completion of the campus modernization project in January 2017.

A number of projects are scheduled to be financed by internal debt. Total future additional internal debt is \$10,411,000 for 2015-2016 (Metabolic Lab \$4,000,000, School of Architecture \$3,100,000, Campus Modernization \$1,791,000, major roof repair \$1,000,000 and ancillary operations \$520,000) and \$2,596,000 for 2016-2017 (Campus Modernization Project \$2,196,000 and ancillary operations \$400,000). Ongoing major capital projects are financed by internal debt until receipt of funding or long-term borrowing. The following schedule provides the projected balance of projects funded through internal debt in the next three years:

In thousands (000's)	30-Apr-16	30-Apr-17	30-Apr-18
Operations	10,772	12,169	11,473
Ancillaries	3,233	3,212	2,749
<b>Total projected internal debt</b>	<b>14,005</b>	<b>15,381</b>	<b>14,222</b>

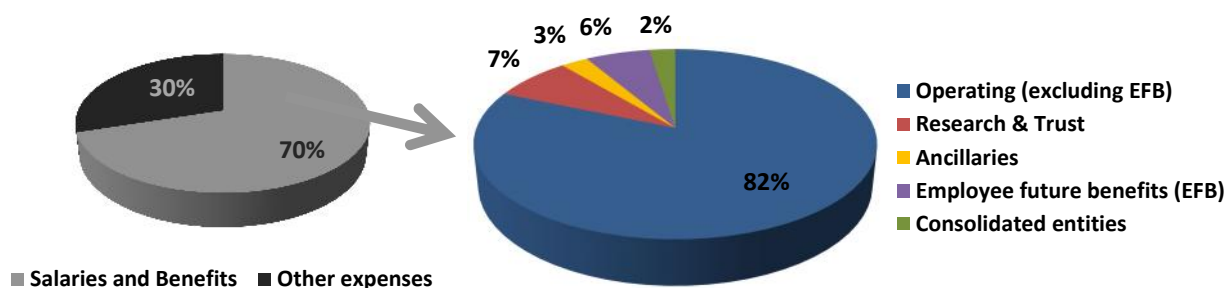
### ❖ Energy and Sustainability

The University recognizes the importance of sustainability in all of its activities. Sustainability, defined as *“the ability to meet the needs of the present organization, without compromising the ability of future generations to meet their own needs”* is reflected in the following projects undertaken in 2014-2015:

- Piloting new commodity metering
- Creation of a new website combined with community partnerships and outreach campaigns
- Composting in residences and at the Great Hall
- New commodity hedges and contracts
- Approval for solar PV installations on roofs of buildings
- New E-Waste Depot
- Signed international sustainability declaration.

## Compensation and Benefits

As shown below, salaries and benefits expense represents a significant portion (70%) of the University's total expenditures. The chart on the right displays the breakdown of this 70%.



### 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) 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) 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 the Canada Revenue Agency limitations not have been imposed.

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

The going concern surplus of the Pension Plan at April 30, 2015 is \$18.7 million (2013-2014 deficit of \$3.9 million). The solvency deficit, which will need to be funded commencing in 2018 continues to increase with decreasing long-term interest rates, and is estimated to be (\$48.6) million at April 30, 2015. The University currently has a solvency exemption until 2018. The supplemental pension plan is not funded and has a liability of (\$3.3) million.

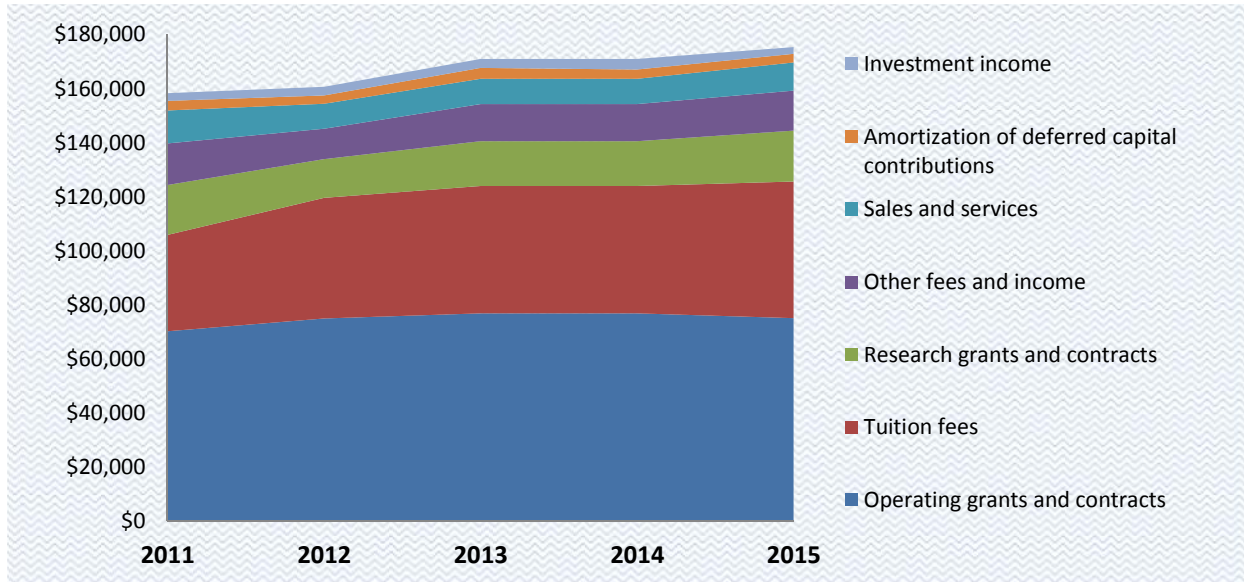
The RHBP has been underfunded since its inception and currently has a deficit of \$5.9 million. The University is seeking to resolve this problem through discussions with full-time unionized and non-unionized employees.

Laurentian University, like many other Ontario Universities, is examining options to solve the funding requirements for pension plan solvency deficits. The University is participating in a joint Council of Ontario Universities (COU) / Ontario Confederation of University Faculty Association (OCUFA) University Pensions Project and is also working with its actuaries to determine solutions to solvency deficit funding.

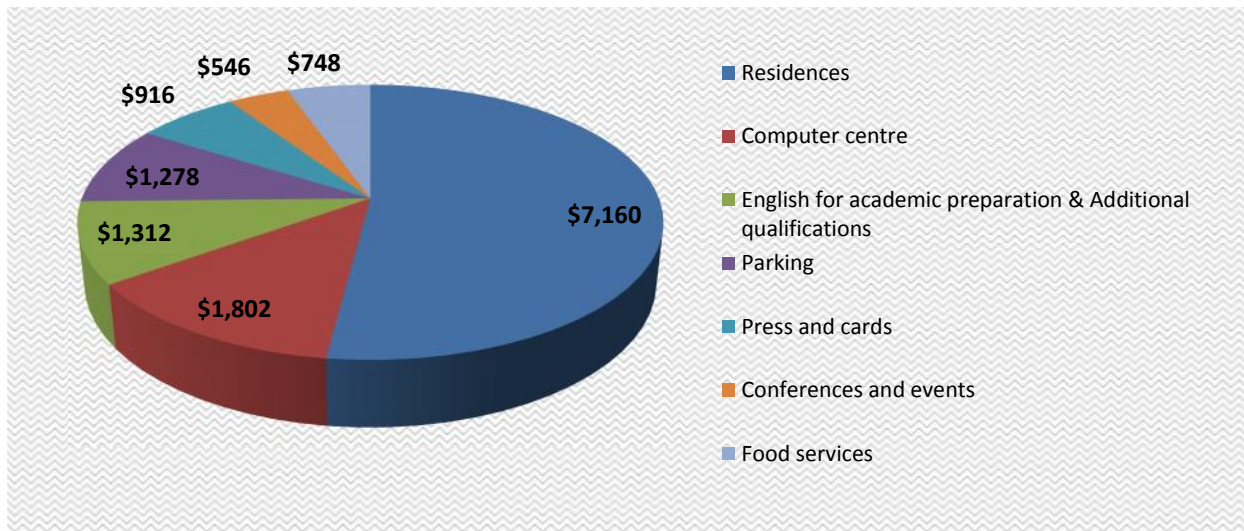


## Revenue Trends (in 000's)

The following chart depicts the University's revenue sources over the past 5 years. Grant revenue has seen minimal increases over the years and a decrease this past year because of changes to government funding policy. This trend has increased the reliance on tuition fees to cover inflation and increasing expenses. Tuition fees represented 22% of total revenue in 2011 and this has climbed to 29% in 2015.



## Ancillary Revenues (in 000's)



Ancillary revenues have increased 7.4% since 2014. This is primarily due to the completion of Single Student Residence renovations that allowed the reopening of all rooms in January 2015. In addition, there was an increase in food services revenue due to the introduction of meal plans and the Fresh Food Company.

## Externally Funded Research

(in 000`s and excludes related entities)	2015	2014
<b>Revenue</b>		
Grants and contracts	\$ 10,972	\$ 9,508
Other	12	13
	10,984	9,521
<b>Expenses</b>		
Salaries and benefits	7,174	6,986
Other	4,177	3,565
	11,351	10,551
<b>Deficiency of revenue over expenses, being decrease in deferred research contributions</b>	<b>(367)</b>	<b>(1,030)</b>
<b>Deferred research contributions, beginning of year</b>	<b>12,044</b>	<b>13,074</b>
<b>Deferred research contributions, end of year</b>	<b>\$ 11,677</b>	<b>\$ 12,044</b>

External research revenue increased 15.4% over 2013-2014, largely as a result of an increase in funding from the Natural Sciences and Engineering Research Council (NSERC) due to new research projects.

The University was awarded an additional Canada Research Chair Tier 1 in recognition of its growing share of tri-council funding nationally and this has been awarded to the Earth Sciences department.

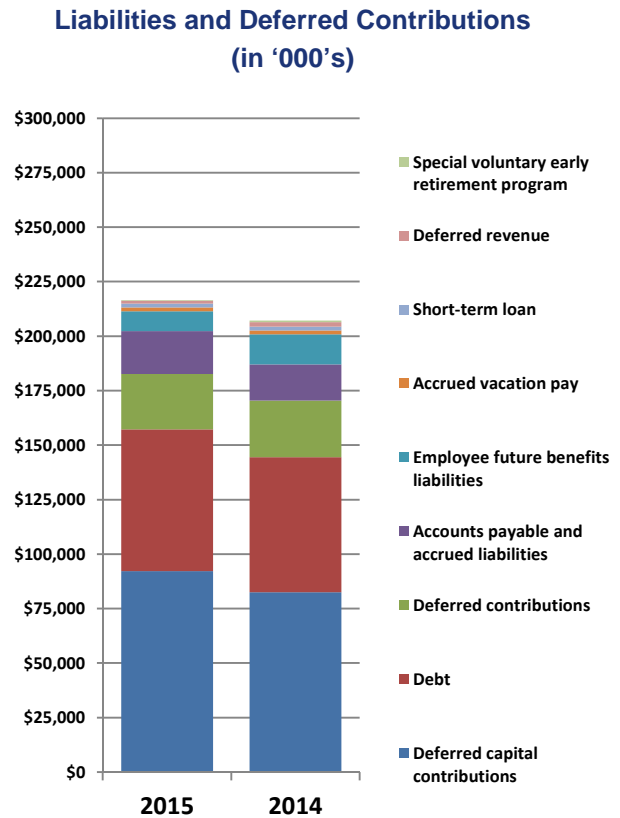
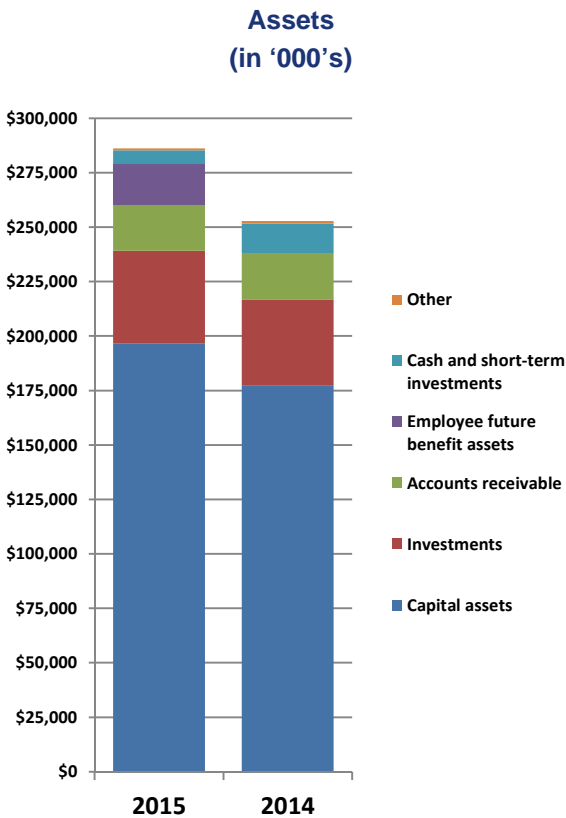
In 2015, the University appointed a new Vice-President of Research, Dr. Rui Wang. Dr. Wang's appointment became effect January 2015, for a renewable term ending June 30, 2020.

Another highlight of fiscal 2015 was the opening of the new facility for the Centre for Research in Occupational Safety and Health (CROSH). This Centre was established to provide a formalized structure for industry, safe workplace associations, labour groups, government organizations and researchers to share workplace injury and disease problems and solutions.



# FINANCIAL STATEMENT HIGHLIGHTS

## Consolidated Statement of Financial Position



Cash and short-term investments were reduced by \$7.3 million during fiscal 2015. This is mainly a result of an increase in capital project spending. Accounts receivable stayed fairly consistent with the previous year and it consists mainly of student fees receivable and grants receivable. Investments are up \$3.2 million primarily due to endowment contributions. Employee future benefits assets relate to the University's pension plan, which was in a liability position in the previous year. Lastly, capital assets experienced a significant increase because of capital project spending on the School of Architecture (\$10.1 million), Campus Modernization (\$8.5 million), Single Student Residence (SSR) (\$3.0 million), Great Hall (\$2.2 million), other small projects (\$2.1 million) less amortization of \$6.7 million.

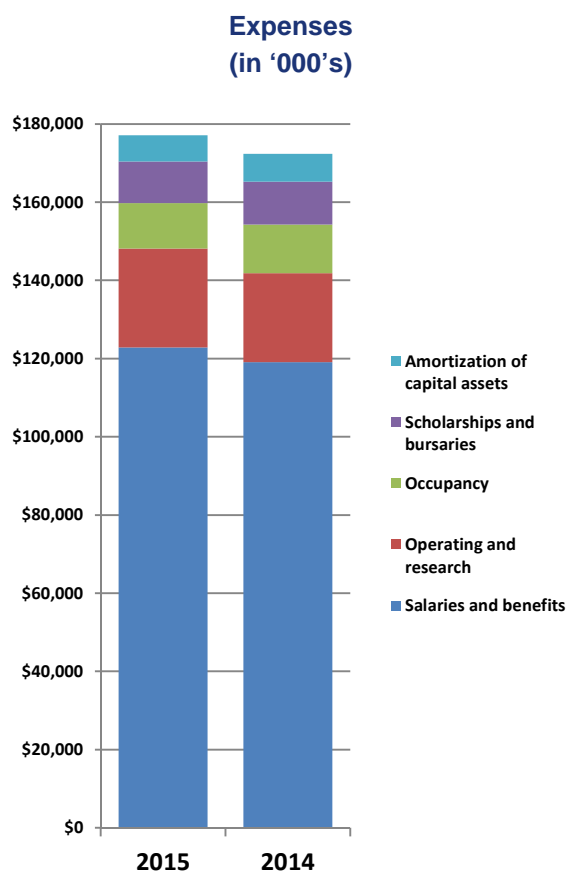
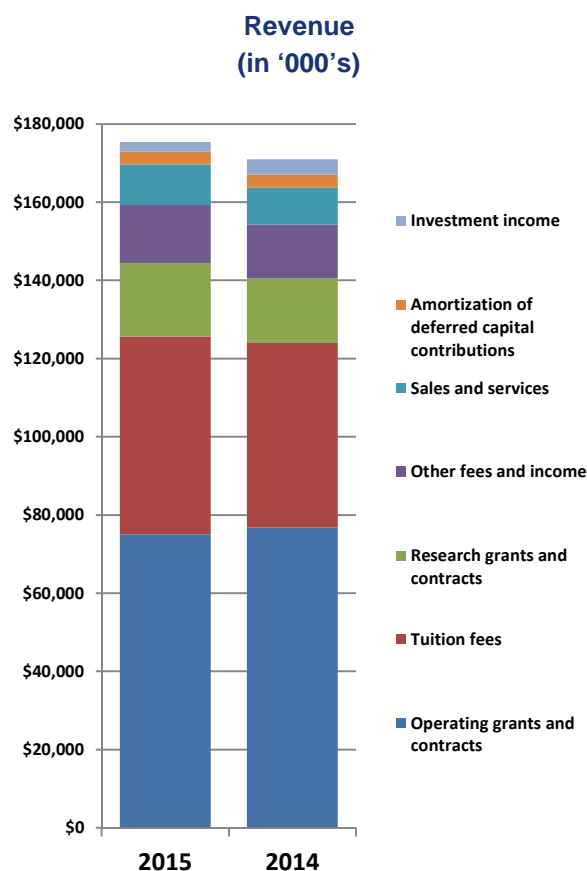
Overall, assets have increased 13.2%.

Accounts payable have increased 3.0 million; this is primarily due to the timing of capital expenditures. Long-term debt is also up this year due to new debt advanced in amounts of \$3.4 million for the SSR project and \$0.8 million for the Campus Modernization project, less principal repayments of \$1.3 million. Deferred capital contributions have increased primarily because of \$11.6 million in deferred School of Architecture grants which will be amortized to revenue over the life of the assets. Employee future benefit liabilities relate to the University's Post-Employment Obligation as well as the Supplemental Pension Plan. This figure is down as the University's pension plan is now in an asset position, shown to the left.

Overall, liabilities and deferred contributions have increased 4.5%.

## FINANCIAL STATEMENT HIGHLIGHTS (continued)

### Consolidated Statement of Operations



Operating grants are down because of a decrease in basic operating grants and Francophone grants. Tuition revenue increased 7.2% over last year due to increases in tuition fees in amounts ranging from 3-5%, along with an increase in the number of international students who pay higher fees than domestic students. Research revenue is up mainly due to SNOLAB and MIRARCO initiatives. Sales and services have increased 11.1% and this is largely because residence revenue has increased due to a portion of SSR being closed for renovations in prior year. Also, the introduction of meal plans and the Fresh Food Company has resulted in increased food service revenue. Investment income is down due to a decline in interest rates as well as losses on donated shares.

Overall, revenue increased by 2.5%

Salaries and benefits expenses have risen 3.2% over last year mainly due to wages increases. Operating and research expenses have increased 11.1% primarily due to the following reasons: increases in Barrie related expenses, library acquisitions due to the value of the USD, revamp of food services (revenues are up as well), and additional investments have been made in information technology. As well, the increase in research revenue noted on the left, has resulted in an increase in research related expenses. Occupancy related expenses have decreased 6.2% due to a reduction in natural gas costs and less overall maintenance required during fiscal 2015. Scholarships and bursaries as well as amortization expense have remained fairly consistent with prior year.

Overall, expenses increased by 2.8%.

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## STATEMENT OF ADMINISTRATIVE RESPONSIBILITY

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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, 2015 and the results of its operations and its cash flows for the year ended April 30, 2015. 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.

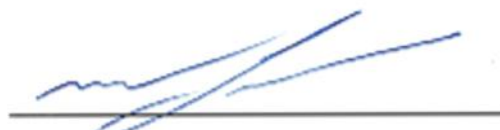
Eckler Ltd. has been retained by the University in order to provide an estimate of the University's liability for pension and other employee future benefits. Management has provided the actuary with the information necessary for the completion of the University's actuarial report and retains ultimate 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, 2015 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.



Carol McAulay, CPA, CA  
Vice-President, Administration



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