

Financial Statements of

**LAURENTIAN UNIVERSITY
OF SUDBURY**

Year ended April 30, 2003



KPMG LLP
Chartered Accountants

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AUDITORS' REPORT TO THE GOVERNORS

We have audited the following statements of **Laurentian University of Sudbury** as at April 30, 2003 and for the year then ended:

Statement of Financial Position
Statement of Operations
Statement of Changes in Net Assets
Statement of Cash Flows

These financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion these financial statements present fairly, in all material respects, the financial position of the University as at April 30, 2003 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Chartered Accountants

Sudbury, Canada
June 25, 2003



KPMG LLP, a Canadian owned limited liability partnership established under the laws of Ontario, is the Canadian member firm of KPMG International, a Swiss non-operating association.

LAURENTIAN UNIVERSITY OF SUDBURY

Statement of Financial Position

April 30, 2003, with comparative figures for 2002
(thousands of dollars)

	2003	2002
Assets		
Current assets:		
Cash and short-term investments	\$ 17,597	13,166
Accounts receivable	7,798	9,302
Inventories	911	973
Prepaid expenses	177	190
	<u>26,483</u>	<u>23,631</u>
Loan receivable (note 2)	271	406
Long-term investments (note 3)	13,667	15,130
Capital assets (note 4)	58,397	58,360
	<u>\$ 98,818</u>	<u>97,527</u>

Liabilities, Deferred Contributions and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities	\$ 6,802	4,643
Accrued vacation pay	831	797
Deferred revenue	1,762	1,484
Current portion of obligations under capital leases	93	87
	<u>9,488</u>	<u>7,011</u>
Long-term obligations:		
Accrued early retirement program costs (note 5)	719	290
Obligations under capital leases (note 6)	4,166	4,259
Post-employment benefits obligation (note 7)	1,826	1,761
	<u>6,711</u>	<u>6,310</u>
Deferred contributions (note 8):		
Deferred contributions	16,710	16,599
Deferred capital contributions	31,313	32,302
	<u>48,023</u>	<u>48,901</u>
Net assets	34,596	35,305
Commitments (note 12)		
	<u>\$ 98,818</u>	<u>97,527</u>

See accompanying notes to financial statements.

On behalf of the Board:

_____ Governor

_____ Governor

LAURENTIAN UNIVERSITY OF SUDBURY

Statement of Operations

Year ended April 30, 2003, with comparative figures for 2002
(thousands of dollars)

	2003	2002
Revenue:		
Government grants and contracts	\$ 42,708	40,005
Tuition fees	19,119	17,370
Sales and services	10,712	9,380
Investment income	519	831
Research grants and contracts	15,184	11,504
Other fees and income (note 17)	4,700	4,796
Amortization of deferred capital contributions	1,469	1,479
	<u>94,411</u>	<u>85,365</u>
Expenses:		
Salaries and benefits	59,589	55,180
Operating	13,840	12,034
Scholarships and bursaries	5,907	5,060
Cost of ancillary sales and services	4,807	4,394
Occupancy	5,085	4,285
Depreciation	5,269	5,088
	<u>94,497</u>	<u>86,041</u>
Deficiency of revenue over expenses before undernoted item	(86)	(676)
Retail sales tax refund	–	1,543
Excess (deficiency) of revenue over expenses	\$ (86)	867

See accompanying notes to financial statements.

LAURENTIAN UNIVERSITY OF SUDBURY

Statement of Changes in Net Assets

Year ended April 30, 2003, with comparative figures for 2002
(thousands of dollars)

	Unrestricted	Vacation Pay and Post Employment Benefits	Internally Restricted (note 9)	Investment in Capital Assets (note 10)	Endowment	Total 2003	Total 2002
Net assets, beginning of year	\$ (1,941)	(2,558)	9,061	18,161	12,582	35,305	34,919
Excess (deficiency) of revenue over expenses	5,429	(99)	(1,615)	(3,801)	–	(86)	867
Transfer for capital transactions (note 10)	(4,758)	–	–	4,758	–	–	–
Investment income (loss)	–	–	–	–	(623)	(623)	(481)
Net assets, end of year	\$ (1,270)	(2,657)	7,446	19,118	11,959	34,596	35,305

See accompanying notes to financial statements.

LAURENTIAN UNIVERSITY OF SUDBURY

Statement of Cash Flows

Year ended April 30, 2003, with comparative figures for 2002
(thousands of dollars)

	2003	2002
Cash flows from operating activities:		
Excess (deficiency) of revenue over expenses	\$ (86)	867
Adjustments for:		
Depreciation	5,269	5,088
Amortization of deferred capital contributions	(1,469)	(1,479)
	3,714	4,476
Changes in non-cash working capital (note 15)	4,050	(2,062)
	7,764	2,414
Cash flows from financing and investing activities:		
Purchases of capital assets	(5,306)	(4,610)
Change in deferred contributions	111	4,332
Deferred capital contributions	480	384
Change in long-term investments	1,463	265
Change in accrued early retirement program costs	429	248
Decrease in loan receivable	135	117
Increase in post-employment benefit obligation	65	39
Payment of obligations under capital leases	(87)	(81)
Endowment fund balance decrease	(623)	(481)
	(3,333)	213
Net increase in cash	4,431	2,627
Cash and short-term investments, beginning of year	13,166	10,539
Cash and short-term investments, end of year	\$ 17,597	13,166

See accompanying notes to financial statements.

LAURENTIAN UNIVERSITY OF SUDBURY

Notes to Financial Statements

Year ended April 30, 2003

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 pledged donations are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

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 capital asset.

Contributions of collection items are recorded at fair market value at the date of the contribution as a direct increase to net assets.

Endowment contributions and related restricted investment income are recognized on the accrual basis as direct increases in net assets.

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

(b) Investments:

Short-term investments are invested in marketable securities and are carried at cost which approximates market value.

Long-term investments are invested in pooled funds and are carried at market value.

Income 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 endowments in proportion to their yearly weighted average fund balance.

(c) Inventories:

Inventories are stated at the lower of cost and net realizable value.

LAURENTIAN UNIVERSITY OF SUDBURY

Notes to Financial Statements

Year ended April 30, 2003

1. Significant accounting policies (continued):

(d) Capital assets:

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair market value at the date of contribution. Capital assets are depreciated 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

(e) Capital leases:

The University has entered into certain capital leases for which title to the related assets will vest in the University on the termination of the leases. The original cost of these assets amounting to \$5,363,000 is reflected as capital assets and the present value of the outstanding lease commitments is reflected as an obligation under capital leases.

(f) Post employment benefits:

The University provides for health benefits under the Laurentian University Retirees' Plan to retirees, the actuarially determined obligation of which amounted to \$1,603,167 as at April 30, 2000. These calculations are prepared every three years.

(g) 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.

(h) Related entities:

MIRARCo

The financial statements are inclusive of the assets, liabilities, revenues and expenses of the Mining Innovation Rehabilitation and Applied Research Corporation.

Northern Ontario Medical School

The University is currently one of two voting members of the Northern Ontario Medical School. Pursuant to an Agreement with the Ministry of Training, Colleges and Universities dated February, 2002, the University provides planning and administrative support to the School under a grant which is restricted for the development of the organization. The unexpended balance of the grant is included in deferred contributions.

LAURENTIAN UNIVERSITY OF SUDBURY

Notes to Financial Statements

Year ended April 30, 2003

1. Significant accounting policies (continued):

(i) Use of estimates:

The preparation of financial statements in conformity with Canadian generally accepted accounting principles 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 date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

2. Loan receivable:

The loan represents advances made on behalf of the students to fund the construction costs of the third floor of the Student Centre.

The loan is recoverable from present and future students by way of annual fee assessments. The loan is interest bearing and is based on the University's internal rate of return for the previous year less 2%, to a minimum of 2%.

3. Long-term investments (in thousands of dollars):

	2003	2002
		(at market value)
Pooled funds:		
Equities	\$ 6,644	7,613
Fixed income	6,969	7,433
Government bonds and guaranteed investment certificates	54	84
	\$ 13,667	15,130

4. Capital assets (in thousands of dollars):

	2003		2002	
	Cost	Accumulated Depreciation	Cost	Accumulated Depreciation
Buildings	\$ 87,484	39,849	86,169	37,695
Equipment and furnishings	65,783	56,439	62,295	53,429
Land and site improvements	6,943	5,525	6,440	5,420
	160,210	101,813	154,904	96,544
Accumulated depreciation	101,813		96,544	
	\$ 58,397		58,360	

LAURENTIAN UNIVERSITY OF SUDBURY

Notes to Financial Statements

Year ended April 30, 2003

5. Early retirement program:

The University offers a voluntary early retirement program to all University academic staff. The estimated accrued liability, which amounts to approximately \$1.2 million, represents salaried costs owed to the participating staff members.

These retirement costs will be paid out approximately as follows (in thousands of dollars):

2004	\$	484
2005		387
2006		235
2007		97
		1,203
Less current portion included in accrued liabilities		484
Non-current portion	\$	719

6. Obligations under capital leases (in thousands of dollars):

	2003	2002
University College residence, maturing December 1, 2020	\$ 992	1,019
Students' apartments, maturing June 1, 2024	3,267	3,327
	\$ 4,259	4,346

The following is a schedule by years of future minimum lease payments, together with the balance of the obligations under capital leases:

2004 - 2008 inclusive (\$406 per annum)	\$	2,030
Thereafter		6,235
Total minimum lease payments		8,265
Less amount representing interest		4,006
		4,259
Less current portion included in current liabilities		93
Non-current portion	\$	4,166

Principal due in each of the next five years ranges from \$93 in 2004 to \$125 in 2008.

LAURENTIAN UNIVERSITY OF SUDBURY

Notes to Financial Statements

Year ended April 30, 2003

7. Post-employment benefits:

Certain actuarial assumptions used in determining the obligation amount are as follows:

Discount rate	7% per annum
Rate of return on plan assets	7% per annum
Inflation rate	3% per annum
Percent of retiring employees who elect to be covered	90%
Attribution period	from date of hire to age 65

The benefit plan expense for 2003 amounted to \$66,000 (2002 - \$39,000).

8. Deferred contributions (in thousands of dollars):

(a) Deferred contributions:

Deferred contributions represent unspent 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:

	2003	2002
Balance, beginning of year	\$ 16,599	12,267
Add contributions received in the year	15,330	19,347
Less amounts recognized as revenue in the year	(15,219)	(15,015)
Balance, end of year	\$ 16,710	16,599

(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 the deferred contributions balance are as follows:

Unspent:

	2003	2002
Balance, beginning of year	\$ 540	1,681
Add contributions received in the year	480	384
Less amounts utilized	(1,003)	(1,525)
Balance, end of year	\$ 17	540

LAURENTIAN UNIVERSITY OF SUDBURY

Notes to Financial Statements

Year ended April 30, 2003

8. Deferred contributions (in thousands of dollars) (continued):

(b) Deferred capital contributions (continued):

Unamortized:

	2003	2002
Balance, beginning of year	\$ 31,762	31,716
Add capital contributions utilized in the year	1,003	1,525
Less amortization	(1,469)	(1,479)
Balance, end of year	31,296	31,762
Total unspent and unamortized contributions	\$ 31,313	32,302

9. Internally restricted net assets (in thousands of dollars):

	2003	2002
Future budget provisions	\$ 1,582	2,451
Departmental trust funds	1,120	1,093
Scholarship and bursary funds	139	117
Departmental research funds	2,701	2,366
Departmental carry forwards	1,100	1,551
Outstanding purchase orders	467	317
Self-insurance funds	250	250
Reserve for early retirement	(1,146)	(500)
Ancillaries (deficit)	(789)	(759)
Replacement reserve - ancillaries	316	394
Unexpended capital fund	1,706	1,706
Replacement reserve - telephone	-	75
	\$ 7,446	9,061

10. Investment in capital assets (in thousands of dollars):

The investment in capital assets is calculated as follows:

	2003	2002
Capital assets	\$ 58,397	58,360
Less amounts financed by:		
Obligations under capital leases	(4,259)	(4,346)
Internal financing	(3,723)	(4,091)
Unamortized deferred capital contributions	(31,297)	(31,762)
	\$ 19,118	18,161

LAURENTIAN UNIVERSITY OF SUDBURY

Notes to Financial Statements

Year ended April 30, 2003

10. Investment in capital assets (in thousands of dollars) (continued):

Details of the transfer for capital transactions is as follows:

	2003	2002
Repayment of obligations under capital leases	\$ 87	81
Repayment of internal financing	368	316
Internally funded capital assets	4,303	3,085
	\$ 4,758	3,482

11. Internal financing:

Details of capital asset internal financing activities are as follows:

	April 30, 2002	Repayments	April 30, 2003
University press	\$ 144,161	20,859	123,302
Heating plant	1,017,235	100,155	917,080
Energy retrofit	2,610,412	164,725	2,445,687
Residence wiring	319,256	81,882	237,374
	\$ 4,091,064	367,621	3,723,443

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 five to ten years.

12. Commitments:

- (a) Effective May, 1988, the University agreed to participate 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.
- (b) Pursuant to the terms of the collective agreement, faculty members become entitled to apply for sabbatical leave after a specified period of service. At April 30, 2003, the salary entitlement for sabbatical leaves approved for the 2003/2004 academic year amounts to approximately \$1,931,000 at current salary levels (2002 - \$2,279,000). The salaries paid to faculty on sabbatical leave in 2003 amounted to approximately \$2,304,000 (2002 - \$1,700,000).

LAURENTIAN UNIVERSITY OF SUDBURY

Notes to Financial Statements

Year ended April 30, 2003

13. Pension plan:

The University operates 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. The actuarial report effective July 1, 2001, indicates that the guaranteed defined benefit portion of the pension plan has a surplus of approximately \$9,333,000. The University's Pension Committee subsequently made pension changes which would reduce the amount of the surplus by approximately \$5 million. Contributions made by the University during the year amounted to approximately \$2,948,000 (2002 - \$2,869,000).

14. Ontario Student Opportunity Trust Fund:

During 1997, Laurentian University held a fundraising campaign to raise capital for student financial aid pursuant to a trust fund established by the Province of Ontario. Under the program, every dollar raised will be matched by the Province. Details of the Ontario Student Opportunity Trust Fund are as follows:

	2003	2002
Endowment balance, beginning of year	\$ 8,603,859	9,041,019
Donations	20,973	19,228
Reduction of accumulated interest	(366,178)	(456,388)
Endowment balance, end of year	8,258,654	8,603,859
Funds available for awards, beginning of year	104,604	117,959
Investment income	—	456,388
Transfers from internally restricted funds	415,164	—
Donations	3,480	17,565
Bursaries awarded (total number: 392; 2002 - 387)	(450,375)	(487,308)
Funds available for awards, end of year	72,873	104,604
Total funds	\$ 8,331,527	8,708,463

15. Changes in non-cash working capital (in thousands of dollars):

	2003	2002
Cash flows from operating activities:		
Accounts receivable	\$ 1,504	(3,583)
Inventories	62	2
Prepaid expenses	13	218
Accounts payable and accrued liabilities	2,159	651
Accrued vacation pay	34	14
Deferred revenue	278	636
	\$ 4,050	(2,062)

LAURENTIAN UNIVERSITY OF SUDBURY

Notes to Financial Statements

Year ended April 30, 2003

16. Public sector salary disclosure:

Pursuant to the salary disclosures required under Bill 26, The Public Sector Disclosure Act, the following list represents those University employees whose 2002 salary exceeded the \$100,000 (T-4) threshold:

Name	Position	Taxable Salary	Benefits
Allaire, Gratien	Full Professor & Vice-President Academic, Francophone Affairs (partial year)	\$ 124,775	404
Arteca, Gustavo	Full Professor	103,255	405
Baiden, Gregory	Full Professor	132,603	405
Bélanger, Charles	Full Professor	112,261	405
Beswick, Anthony	Full Professor	112,286	342
Bray, Matthew	Full Professor	105,949	405
Buse, Dieter	Full Professor	122,710	405
Chrysler, Ronald	Vice-President, Administration	137,249	404
Church, John	Full Professor	115,021	405
Clulow, Frank	Full Professor	118,257	342
Colilli, Paul	Full Professor & Director of Graduate Studies & Research	105,092	404
Copper, Paul	Full Professor	127,190	405
Danielson, Richard	Full Professor	106,267	405
Davidson, Les	Full Professor	121,187	405
Dennie, Donald	Full Professor & Dean of Social Sciences & Humanities	105,422	404
Dodge, John	Full Professor	102,307	405
Dresler, Werner	Full Professor	115,434	405
Dunn, Paul	Associate Professor	101,522	403
Dyck, Rand	Full Professor	117,329	405
Eastman, Byron	Full Professor	105,846	405
Falter, Hermann	Acting President (partial year)	104,640	335
Farah, Anis	Full Professor	112,676	342
Ferroni, Garry	Full Professor	120,842	405
Gedye, Richard	Full Professor	108,922	405
Goldsack, Douglas	Full Professor	125,353	405
Hajdasinski, Miroslaw	Full Professor	110,778	330
Hallman, E. Douglas	Full Professor	111,060	405
Haq, Rizwan	Associate Professor & Dean of Science and Engineering	111,166	404
James, Richard	Full Professor	118,197	405
Jerome, Wendy	Full Professor	124,185	405
Kaiser, Peter	Full Professor & President - Executive Director, MIRARCo	132,832	342
Kari, Roy	Full Professor & Director, Institutional Research	119,246	404
Leshner, Carl	Full Professor	121,889	405
Lewko, John	Full Professor / Director, Centre for Research for Human Development	118,093	405

LAURENTIAN UNIVERSITY OF SUDBURY

Notes to Financial Statements

Year ended April 30, 2003

16. Public sector salary disclosure (continued):

Name	Position	Taxable Salary	Benefits
Lindon, Paul	Full Professor	\$ 126,600	342
Long, Darrel	Full Professor	104,105	405
Mallory, Frank	Full Professor	103,920	405
Martin, Jean-Pierre	Associate Professor	100,697	405
Mayer, Denis	Associate Vice-President, Student Affairs	106,303	404
McCreath, Dougal	Full Professor	106,903	405
Molohon, Kathryn	Full Professor	100,792	393
Mount, Graeme	Full Professor	116,486	405
Mount, Joan	Full Professor - Dean of Professional Schools	118,468	392
Parissenti, Amadeo	Chair, Cancer Research	110,721	389
Parker, Douglas	Vice-President, Academic (Anglophones Affairs)	135,040	404
Pearson, David	Full Professor	108,113	405
Persinger, Michael	Full Professor	123,196	405
Pitblado, Roger	Full Professor	113,722	405
Pong, Raymond	Director, Centre for Rural and Northern Health Research	105,480	343
Rank, Werner	Full Professor	107,053	342
Saarinen, Oiva	Full Professor	104,518	342
Sandblom, William	Director of Computer Services	102,500	382
Schell, Richard	Full Professor	103,738	405
Segsworth, Robert	Full Professor	103,292	405
Sharan, Sailendra	Full Professor	101,066	405
Shorthouse, Joseph	Full Professor	115,581	405
Sidney, Kenneth	Full Professor	103,210	405
Strasser, Roger	Founding Dean, Northern Ontario Medical School (partial year)	100,861	3,079
Séguin, Jean	Full Professor	121,018	405
Tesson, Geoffrey	Executive Director, Health Initiatives	141,537	404
Thomson, Ashley	Full Librarian	102,068	405
Todd, Leonard	Full Professor	109,349	342
Westaway, Kenneth	Full Professor	123,187	405
Whissell, Cynthia	Full Professor	138,430	2,420
Wilson, Taylor	Full Professor	104,534	405
Zanibbi, Louis	Full Professor	102,949	405

LAURENTIAN UNIVERSITY OF SUDBURY

Notes to Financial Statements

Year ended April 30, 2003

17. Other fees and income (in thousands of dollars):

Details of the other fees and income are as follows:

	2003	2002
Sponsored students	\$ 1,135	1,125
Compulsory ancillary and other	1,330	1,219
Administrative fees:		
Federated institutions	410	381
Ancillary operations	351	347
Overhead on research contract and other trust accounts	196	186
Scholarships, bursaries and other trust accounts' contributions	1,278	1,538
	\$ 4,700	4,796

18. Fair value of financial assets and financial liabilities:

The carrying values of cash and short-term investments, accounts receivable, accounts payable and accrued liabilities and accrued vacation pay approximate their fair value due to the relatively short periods to maturity of these items or because they are receivable or payable on demand.

Information concerning the loan receivable is provided in note 2; the fair value approximates the carrying value.

Information concerning long-term investments is provided in note 3; the fair value approximates the carrying value.

Information concerning obligations under capital leases is provided in note 6. In view of the terms of the leases, comparable market rates are unavailable and the fair values are not readily determinable.

19. Comparative figures:

Certain 2002 figures have been reclassified to conform with the presentation adopted in 2003.