Consolidated Financial Statements of

LAURENTIAN UNIVERSITY OF SUDBURY

Year ended April 30, 2009

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AUDITORS' REPORT TO THE GOVERNORS

We have audited the following consolidated financial statements of **Laurentian University of Sudbury** as at April 30, 2009 and for the year then ended:

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

These consolidated financial statements are the responsibility of the University's management. 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 plan and perform an audit to obtain reasonable assurance whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation.

In our opinion these consolidated financial statements present fairly, in all material respects, the financial position of the University as at April 30, 2009 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants, Licensed Public Accountants

Sudbury, Canada
July 31, 2009

LAURENTIAN UNIVERSITY OF SUDBURY

Consolidated Statement of Financial Position

April 30, 2009, with comparative figures for 2008
(thousands of dollars)

	2009	2008
Assets		
Current assets:		
Cash and short-term investments	$ 48,856	53,649
Accounts receivable	14,697	10,824
Other	448	633
	64,001	65,106
Investments (note 2)	23,027	27,410
Deferred pension asset (note 3)	2,124	2,845
Capital assets (note 4)	115,458	111,004
	$ 204,610	206,365
Liabilities, Deferred Contributions and Net Assets		
Current liabilities:		
Short-term loan (note 5)	$ 18,263	18,668
Accounts payable and accrued liabilities	20,333	22,300
Accrued vacation pay	1,338	1,303
Deferred revenue	2,313	1,649
Current portion of long-term debt (note 6)	450	381
	42,697	44,301
Long-term obligations:		
Accrued early retirement program (note 7)	2,263	2,092
Long-term debt (note 6)	25,226	17,727
Interest rate swaps (notes 1(h) and 6)	3,487	633
Employee future benefit obligations (notes 1(d) and 3)	5,881	5,424
	36,857	25,876
Deferred contributions (note 8):		
Deferred contributions	20,062	18,348
Deferred capital contributions	67,524	65,435
	87,586	83,783
Net assets	37,470	52,405
Commitments and contingencies (note 12)		
	$ 204,610	206,365

See accompanying notes to consolidated financial statements.

On behalf of the Board of Governors:

__________________________ Governor

__________________________ Governor

LAURENTIAN UNIVERSITY OF SUDBURY

Consolidated Statement of Operations

Year ended April 30, 2009, with comparative figures for 2008
(thousands of dollars)

		2009	2008
Revenue:			
Government grants and contracts	$	66,777	67,800
Tuition fees		28,021	27,899
Sales and services		10,390	10,437
Investment income		249	1,426
Research grants and contracts		19,851	28,319
Other fees and income (note 14)		8,968	9,306
Amortization of deferred capital contributions		2,827	2,583
		137,083	147,770
Expenses:			
Salaries and benefits		101,565	91,946
Operating		15,382	15,388
Research		9,383	19,626
Scholarships and bursaries		9,599	8,787
Occupancy		7,162	6,938
Cost of ancillary sales and services		2,551	3,043
Amortization of capital assets		6,743	6,818
		152,385	152,546
Deficiency of revenue over expenses	$	(15,302)	(4,776)

See accompanying notes to consolidated financial statements.

LAURENTIAN UNIVERSITY OF SUDBURY

Consolidated Statement of Changes in Net Assets

Year ended April 30, 2009, with comparative figures for 2008
(thousands of dollars)

	Unrestricted	Vacation Pay and Employee Future Benefits	Interest Rate Swaps	Internally Restricted	Investment in Capital Assets	Endowment	Total 2009	Total 2008
				(note 9)	(note 10)			
Net assets (deficiency), beginning of year	$ 588	(6,727)	(633)	13,062	20,747	25,368	52,405	55,141
Excess (deficiency) of revenue over expenses	(5,806)	(492)	–	(5,088)	(3,916)	–	(15,302)	(4,776)
Transfer for capital transactions (note 10)	(1,994)	–	–	2,797	(803)	–	–	–
Endowment contributions	–	–	–	–	–	367	367	2,040
Change in fair value of interest rate swaps	2,854	–	(2,854)	–	–	–	–	–
Net assets (deficiency), end of year	$ (4,358)	(7,219)	(3,487)	10,771	16,028	25,735	37,470	52,405

See accompanying notes to consolidated financial statements.

LAURENTIAN UNIVERSITY OF SUDBURY

Consolidated Statement of Cash Flows

Year ended April 30, 2009, with comparative figures for 2008
(thousands of dollars)

	2009	2008
Cash flows from operating activities:		
Deficiency of revenue over expenses	$ (15,302)	(4,776)
Adjustments for:		
Amortization of capital assets	6,743	6,818
Amortization of deferred capital contributions	(2,827)	(2,583)
Change in accrued early retirement program costs	171	(519)
Decrease in deferred pension asset	721	(1,116)
Increase in employee future benefit obligations (note 1(d))	457	333
Interest rate swaps (note 1(h))	2,854	474
	(7,183)	(1,369)
Change in non-cash working capital (note 13)	(4,956)	11,957
	(12,139)	10,588
Cash flows from financing and investing activities:		
Purchases of capital assets	(11,197)	(19,982)
Change in deferred contributions	1,714	(7,682)
Deferred capital contributions received	4,916	13,840
Change in investments	4,383	(695)
Repayment of long-term debt	(432)	(361)
Endowment contributions	3,924	2,029
Gain (loss) on endowment investments	(3,557)	11
Long-term debt obtained	8,000	–
Short-term loan	(405)	18,668
	7,346	5,828
Net increase (decrease) in cash	(4,793)	16,416
Cash and short-term investments, beginning of year	53,649	37,233
Cash and short-term investments, end of year	$ 48,856	53,649

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.

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 market 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. 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.

1. Significant accounting policies (continued):

(d) Employee future benefits:

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.

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

Faculty have the option of accepting a special voluntary early retirement package prior to the normal eligible retirement age, with benefits based on years of service and final average salary to a specified maximum.

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 accrues its obligations under the defined benefit plans as the employees render the services necessary to earn the pension and other retirement benefits. The actuarial determination of the accrued benefit obligations for pensions and other retirement benefit uses the projected benefit method prorated on service (which incorporates management's best estimate of future salary levels, other cost escalation, retirement ages of employees and other actuarial factors). The most recent actuarial valuation of the pension plans for funding purposes was as of July 1, 2007, and the next required valuation will be as of July 1, 2010.

Actuarial gains (losses) on plan assets arise from the difference between the actual return on plan assets for a period and the expected return on plan assets for that period. For the purpose of calculating the expected return on plan assets, those assets are valued at fair value. Actuarial gains (losses) on the accrued benefit obligation arise from differences between actual and expected experience and from changes in the actuarial assumptions used to determine the accrued benefit obligation. The excess of the net accumulated actuarial gains (losses) over 10% of the greater of the accrued defined benefit obligation and the fair value of related plan assets is amortized over the average remaining service period of active employees of 11.4 years.

(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.

1. Significant accounting policies (continued):

(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. While the University, along with Lakehead University, the only 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.

Sudbury Neutrino Observatory

The Sudbury Neutrino Observatory (“SNO”) was created on December 2, 1997 as a joint venture of the University and three other Canadian Universities, to perform research in sub-atomic physics. The University’s proportionate share of the entity’s assets, liabilities, revenues and expenses to March 31, 2008 have been included in these consolidated financial statements. The 2009 financial statements are not available and accordingly, the balances and transactions will be accounted for prospectively.

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, which are consistent with SNO above. The University’s proportionate share of the entity’s assets, liabilities, revenues and expenses to March 31, 2008 have been included in these consolidated financial statements. The 2009 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 remaining balance of $9.4 million to be paid to CEMI is included in accounts payable. 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:

The University accounts for its financial assets and liabilities in accordance with Canadian generally accepted accounting principles.

The financial instruments are classified into one of five categories: held-for-trading, held-to-maturity, loans and receivables, available-for-sale financial assets or other financial liabilities. All financial instruments, including derivatives, are measured in the statement of financial position at fair value except for loans and receivables, held to maturity investments and other financial liabilities which are measured at amortized cost. Held-for-trading financial assets are measured at fair value and changes in fair value are recognized in consolidated statement of operations.

In December 2006, the CICA issued new accounting standards: Handbook Section 3862, *Financial Instruments - Disclosures*; Handbook 3863, *Financial Instruments - Presentation*. These standards were expected to be effective for the University's financial statements for the year ended April 30, 2009. However, in December 2008, the CICA eliminated the requirement for not-for-profit entities to adopt these standards. The University has continued to disclose and present financial instruments under Handbook Section 3861, *Financial Instruments – Disclosure and Presentation*, for the year ended April 30, 2009.

(h) Interest rate swaps:

The University is party to interest rate swap agreements used to manage the exposure to market risks from changing interest rates. The University's policy is not to utilize derivative financial instruments for trading or speculative purposes.

The University has not formerly hedged these agreements and the change in the net value of the swaps is reflected in the consolidated statement of operations.

(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 dates of the financial statements and the reported amounts of revenue and expenses during the reporting periods. Significant items subject to such estimates and assumptions include the carrying value of capital assets; the valuation of pension assets and employee future benefit obligations and valuation allowances for accounts receivable. Actual results could differ from those estimates. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in earnings in the year in which they become known.

1. Significant Accounting Policies (continued)

(j) Capital disclosures:

Effective May 1, 2008, the University adopted the CICA Handbook Section 1535, *Capital Disclosures* which establishes standards for disclosing information about an entity's capital and how it is managed. Adoption of these recommendations had no effect on the financial statements for the year ending April 30, 2009.

(k) Impairment of long-lived assets:

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

2. Investments (in thousands of dollars):

		2009	2008
Pooled funds:			
Equities	$	11,604	13,369
Fixed income		11,321	13,941
Government bonds and guaranteed investment certificates		102	100
	$	23,027	27,410

3. 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 University operates a defined contribution pension plan with a guaranteed minimum defined benefit. The actuarial report, effective July 1, 2007, indicates that the guaranteed defined benefit portion of the pension plan has a surplus of approximately $4.7 million.

The reconciliation of the funded status of the defined benefit plan to the amounts recorded in the financial statements is as follows:

Assets		Pension benefit plan	
(in thousands of dollars)		2009	2008
Accrued benefit obligation	$	(219,208)	(223,009)
Fair value of plan assets		204,114	214,701
Funded status - plan surplus (deficit)		(15,094)	(8,308)
Balance of unamortized amounts		17,218	11,153
Deferred pension asset	$	2,124	2,845

Liabilities	Post-employment benefit obligation		Supplemental Pension Plan		Total	Total
(in thousands of dollars)	2009	2008	2009	2008	2009	2008
Accrued benefit obligation	$ (4,496)	(5,463)	(2,433)	(3,360)	(6,929)	(8,823)
Fair value of plan assets	1,103	1,008	-	-	1,103	1,008
Funded status - plan surplus (deficit)	(3,393)	(4,455)	(2,433)	(3,360)	(5,826)	(7,815)
Balance of unamortized amounts	91	1,485	(146)	906	(55)	2,391
Accrued benefit liabilities	$ (3,302)	(2,970)	(2,579)	(2,454)	(5,881)	(5,424)

3. Employee future benefits (continued):

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

	Pension benefit plan and Supplemental Retirement Plan		Post-employment benefit obligation	
	2009	2008	2009	2008
Discount rate	7.75%	5.7%	7.75%	5.7%
Rate of compensation increases	3.5%	3.5%	–	–
Expected long-term rate of return on plan assets	7.0%	7.0%	5.0%	5.0%
Health care cost trend rate	–	–	3.0%	3.0%
Rate of inflation	2.0%	2.0%	–	–

The retiree health benefit plan expense for 2009 amounted to $332,000 (2008 - $386,000) and the benefit payments included therein made on behalf of retirees amounted to approximately $140,000 (2008 - $100,000).

Total cash amounts recognized as paid or payable for pension benefits in 2009, consisting of all employer contributions to the pension plan were $10,498,609 (2008 - $9,897,526).

4. Capital assets (in thousands of dollars):

	2009		2008	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Buildings	$ 157,502	54,086	148,408	51,212
Equipment and furnishings	87,198	77,994	85,095	74,409
Land and site improvements	9,635	6,797	9,635	6,513
	254,335	138,877	243,138	132,134
Less accumulated amortization	138,877		132,134	
	$ 115,458		111,004	

5. Short-term loan:

The short-term loan represents an advance from Infrastructure Ontario for construction projects. This unsecured loan has a floating interest rate (.95% at April 30, 2009). On completion of the construction projects, this loan will be formally replaced with long-term debt.

6. **Long-term debt** (in thousands of dollars):

		2009	2008
Bank of Montreal	$	3,531	3,675
TD Canada Trust		14,196	14,433
TD Canada Trust		7,949	–
		25,676	18,108
Less current portion of long-term debt		450	381
	$	25,226	17,727

The above noted debt was advanced under variable rate credit facilities in the principal face amounts of $4.116 million, $14.8 million and $8.0 million for the financing of various residences and the construction of a student recreation centre. Interest rates are adjusted monthly and were .4143% at April 30, 2009. The facilities are secured by a general security agreement.

The University has entered into interest rate derivative agreements to manage the volatility of interest rates. The University converted floating rate debt for fixed rate debt of 5.14%, 4.70% and 4.74%. The related derivative agreements are in place until the maturity of the debt in 2024, 2036 and 2043 respectively.

The principal repayments of long-term debt are as follows:

2010	$	450
2011		480
2012		502
2013		526
2014		555
Thereafter		23,163
	$	25,676

7. Special voluntary early retirement program:

The University offers 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.

The voluntary early retirement expense amounted to $171,750 (2008 - $519,000) and the benefit payments made on behalf of retirees were $715,151 (2008 - $803,519).

8. Deferred contributions (in thousands of dollars):

(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:

		2009	2008
Balance, beginning of year	$	18,348	26,030
Add contributions received in the year		23,359	23,997
Less amounts recognized as revenue		(21,645)	(31,679)
Balance, end of year	$	20,062	18,348

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

(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:

		2009	2008
Unspent:			
Balance, beginning of year	$	13,915	1,828
Add contributions received in the year		4,916	13,840
Less amounts utilized		(5,194)	(1,753)
Balance, end of year		13,637	13,915
Unamortized:			
Balance, beginning of year		51,520	52,350
Add contributions utilized in the year		5,194	1,753
Less amount amortized to revenue		(2,827)	(2,583)
Balance, end of year		53,887	51,520
Total unspent and unamortized capital contributions	$	67,524	65,435

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

		2009	2008
Sudbury Neutrino Observatory	$	282	25
Future budget provisions		–	1,577
Departmental trust funds		2,561	4,006
Scholarship and bursary funds		209	254
Departmental research funds		3,602	3,945
Departmental carry forwards		2,282	3,471
Outstanding purchase orders		708	714
Self-insurance funds		250	250
Reserve for early retirement		(2,263)	(2,092)
Ancillaries		283	131
Replacement reserve - ancillaries		181	181
Provision for pension plan liabilities		2,124	2,845
Unexpended (overexpended) capital fund		552	(2,245)
	$	10,771	13,062

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

The investment in capital assets is calculated as follows:

		2009	2008
Capital assets	$	115,458	111,004
Less amounts financed by:			
Long-term debt		(25,676)	(18,108)
Internal financing (note 11)		(1,604)	(1,961)
Short-term loan		(18,263)	(18,668)
Unamortized deferred capital contributions		(53,887)	(51,520)
	$	16,028	20,747

Details of the transfer for capital transactions are as follows:

		2009	2008
Repayment of long-term debt	$	432	361
Repayment of internal financing		357	621
Internally funded capital assets		1,205	(439)
	$	1,994	543

11. **Internal financing** (in thousands of dollars):

Details of capital asset internal financing activities are as follows:

		April 30, 2008	Repayments	April 30, 2009
Heating plant	$	249	48	201
Energy retrofit		1,157	111	1,046
Telephone system and copier equipment		555	198	357
	$	1,961	357	1,604

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 and contingencies:

(a) 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.

(b) The University has contracted to construct the “Living with Lakes” Centre. The total cost of the project is estimated at $20,000,000 and as of April 30, 2009 the University has spent $866,000.

(c) 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.

13. Change in non-cash working capital (in thousands of dollars):

	2009	2008
Cash flows from operating activities:		
Accounts receivable	$ (3,873)	2,425
Other assets	185	43
Accounts payable and accrued liabilities	(1,967)	10,452
Accrued vacation pay	35	111
Deferred revenue	664	(1,074)
	$ (4,956)	11,957

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

Details of the other fees and income are as follows:

		2009	2008
Sponsored students	$	2,000	1,518
Compulsory ancillary and other		3,988	4,070
Administrative fees:			
Federated institutions		474	495
Ancillary operations		596	530
Overhead on research contract and other trust accounts		314	332
Scholarships, bursaries and other trust account contributions		1,596	2,361
	$	8,968	9,306

15. Fair value of financial assets and financial liabilities:

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

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

The fair values of the interest rate swaps and related long-term debt approximate their carrying value.

The University is exposed to market risks in the form of currency, and other price risks. The exposure does not significantly impact the University.