

ANNUAL FINANCIAL STATEMENTS

APRIL 30, 2003

Nipissing University
April 30, 2003
INDEX

	Page
Auditors' Report	3
Financial Statements	
Balance Sheet	4
Statement of Operations and Changes in Surplus	5
Statement of Changes in Net Assets	6
Statement of Cash Flows	7
Notes to Financial Statements	
1. Description	8
2. Summary of Significant Accounting Policies	8
3. Long-Term Investments	10
4. Long-Term Receivables/Long-Term Payable	10
5. Capital Assets	12
6. Long-Term Debt	13
7. Deferred Contributions	15
8. Deferred Capital Contributions	15
9. Internally Restricted Net Assets	16
10. Investment in Capital Assets	16
11. Endowments	17
12. Commitments	18
13. Employee Future Benefits	18
14. Financial Instruments	18
15. Supplemental Information	19

AUDITORS' REPORT

To the Board of Governors of

Nipissing University

We have audited the financial statements of Nipissing University as at and for the year ended April 30, 2003 comprising the following:

- Balance sheet
- Statement of operations and changes in surplus
- Statement of changes in net assets
- Statement of cash flows

These financial statements are the responsibility of the administration of the University. 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.

North Bay, Canada,
August 5, 2003.

Chartered Accountants

Nipissing University

BALANCE SHEET

[in thousands]

As at April 30	2003 \$	2002 \$
ASSETS		
Current		
Cash and short-term investments	2,525	2,731
Accounts receivable	1,020	2,593
Accrued interest	22	30
Prepaid expenses	43	41
Inventories	104	109
Total current assets	3,714	5,504
Long-term investments [note 3]	9,677	11,973
Long-term receivables [note 4]	820	913
Capital assets, net [note 5]	48,997	46,073
	63,208	64,463
LIABILITIES AND NET ASSETS		
Current		
Bank indebtedness	2,270	-
Accounts payable and accrued liabilities	4,283	5,202
Accrued sick leave	210	201
Deferred revenue	3,315	6,516
Current portion of long-term debt [note 6]	401	376
Total current liabilities	10,479	12,295
Long-term payable [note 4]	490	490
Long-term debt [note 6]	18,409	18,810
Deferred contributions [note 7]	212	212
Deferred capital contributions [note 8]	24,169	23,417
	43,280	42,929
	53,759	55,224
Net assets		
Surplus	247	247
Internally restricted [note 9]	(388)	1,968
Investment in capital assets [note 10]	6,018	3,470
Endowments [note 11]	3,572	3,554
Total net assets	9,449	9,239
	63,208	64,463

Commitments see Note 12
See accompanying notes

Signed on behalf of the
the Board of Governors

Governor

Governor

Nipissing University

STATEMENT OF OPERATIONS AND CHANGES IN SURPLUS

[in thousands]

Year ended April 30	2003	2002
	\$	\$
REVENUE		
Government grants	14,999	11,831
Student fees	15,430	13,871
Sales and services	2,783	3,361
Scholarship fund	49	60
Donations	1,121	257
Amortization of deferred capital contributions	1,950	1,682
Investment income	344	840
Other income	2,873	1,323
	39,549	33,225
EXPENSES		
Academic	16,668	15,545
Academic support	2,331	1,161
Administration	4,745	4,160
Student services	1,436	1,435
Alumni and development	901	854
Library	826	751
Scholarship and bursaries	1,742	1,731
Research	565	503
Interest	1,317	1,258
Plant expenses	2,423	2,009
Other expenses	3,703	1,409
Amortization of capital assets	2,700	2,412
	39,357	33,228
Revenue less expenses	192	(3)
Change in internally restricted net assets <i>[note 9]</i>	2,356	(7,817)
Change in investment in capital assets <i>[note 10]</i>	(2,548)	7,820
Net change in surplus for the year	—	—
Surplus, beginning of year	247	247
Surplus, end of year	247	247

See accompanying notes

Nipissing University

STATEMENT OF CHANGES IN NET ASSETS

[in thousands]

Year ended April 30	2003				2002	
	Surplus	Internally restricted	Investment in capital assets	Endowments	Total	Total
	\$	\$	\$	\$	\$	\$
		<i>[note 9]</i>	<i>[note 10]</i>	<i>[note 11]</i>		
Net assets, beginning of year	247	1,968	3,470	3,554	9,239	9,142
Revenue less expenses	192	—	—	—	192	(3)
Change in internally restricted net assets <i>[note 9]</i>	2,356	(2,356)	—	—	—	—
Change in investment in capital assets <i>[note 10]</i>	(2,548)	—	2,548	—	—	—
Endowment contributions	—	—	—	18	18	100
	247	(388)	6,018	3,572	9,449	9,239

See accompanying notes

Nipissing University

STATEMENT OF CASH FLOWS

[in thousands]

Year ended April 30	2003	2002
	\$	\$
Cash provided by (used in):		
Operations:		
Revenue less expenses	192	(3)
Items not involving cash:		
Amortization of capital assets	2,700	2,412
Change in non-cash operating working capital:		
Decrease (increase) in accounts receivable	1,573	(893)
Decrease in accrued interest	8	49
Decrease (increase) in prepaid expenses	(2)	46
Decrease in inventories	5	28
(Decrease) increase in accounts payable and accrued liabilities	(919)	1,054
Increase in accrued sick leave	9	6
Decrease in deferred revenue	(3,201)	(8,175)
	365	(5,476)
Financing and investments:		
Net endowment contributions	18	100
Proceeds of long-term debt	-	10,087
(Decrease) increase in bank indebtedness	2,270	(6,200)
Long-term debt principal repayments	(376)	(271)
Purchase of capital assets	(5,624)	(12,087)
Decrease (increase) in long-term receivable	93	104
Sale of long-term investments, net	2,296	6,980
Increase in deferred contributions	-	1
Amortization of deferred capital contributions	(1,950)	(1,682)
Increase in deferred capital contributions	2,702	9,361
	(571)	6,393
Net increase (decrease) in cash and short-term investments during the year	(206)	917
Cash and short-term investments, beginning of year	2,731	1,814
Cash and short-term investments, end of year	2,525	2,731

See accompanying notes

Nipissing University

NOTES TO FINANCIAL STATEMENTS

April 30, 2003

1. DESCRIPTION

Nipissing University [the 'University'] was incorporated as a university in 1992 under the laws of the Province of Ontario. Its mission is to provide undergraduate programs in Liberal Arts, Science, Business and undergraduate and graduate programs in Education. The University aspires to fulfil the best traditions of scholarship and to provide an environment committed to the ideals of free inquiry and expression. As a university with predominantly undergraduate programming and roots in teacher education, the University places priority on the highest ideals of instructional excellence.

These financial statements reflect the assets, liabilities, net assets, revenue, expenses and other transactions of all of the operations and organizations controlled by the University. Accordingly, these financial statements include the academic, administrative and other operating expenditures funded by fees, grants and other general revenue; restricted purpose endowment funds; and the ancillary operations, such as residences.

The University has an economic interest in a Crown-controlled foundation, Nipissing University Foundation [the "Foundation"], which is not consolidated. The principal objectives of the Foundation are to solicit, receive and distribute monies and other property to support education and research at the University.

The University is a not-for-profit organization and, as such, is exempt from income taxes under the Income Tax Act (Canada).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles within the framework of the accounting policies summarized below:

Investments

Short-term investments, which consist primarily of bankers' acceptances and short-term deposits, are carried at cost which approximates market value.

Long-term investments are recorded at cost. Gains and losses on sales of investments are recognized in the year of disposal and are included in investment income. Investments are written down in the year when there is deemed to be an impairment in value which is other than temporary.

Inventories

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

Nipissing University

NOTES TO FINANCIAL STATEMENTS

April 30, 2003

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Capital assets

Purchased capital assets are recorded at cost. Donated capital assets are capitalized at fair market value at the date of contribution. Capital assets are amortized on a straight-line basis over the estimated useful lives as follows:

Buildings	40 years
Equipment and furnishings	5-10 years
Library books	5 years

Depreciation has not been recorded on construction in progress.

Revenue recognition

The University follows the deferral method of accounting for contributions, which include donations and government grants. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Unrestricted donations are recorded on a cash basis since pledges are not legally enforceable claims. Contributions externally restricted for purposes other than endowment are deferred and recognized as revenue in the year in which the related expenses are recognized. Endowment contributions are recognized as direct increases in net assets in the year in which they are received. Student fees are recognized as revenue when courses and seminars are held. Sales and services revenue is recognized at point of sale or when the service has been provided.

Contributed materials and services

Volunteers contribute an indeterminable number of hours per year. Because of the difficulty of determining their fair value, contributed materials and services are not recognized in these financial statements.

Use of Estimates

The preparation of the 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 at the dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

Nipissing University

NOTES TO FINANCIAL STATEMENTS

April 30, 2003

3. LONG-TERM INVESTMENTS

Long-term investments consist of the following [thousands]:

	2003		2002	
	Cost	Market value	Cost	Market Value
	\$	\$	\$	\$
Bonds and Short-term Pooled Funds	3,544	3,632	6,013	6,126
Common Fund Pooled Funds	2,000	1,959	2,000	1,993
Sceptre Pooled Funds	4,133	4,409	3,960	4,589
	9,677	10,000	11,973	12,708

Long-term investments consist of funds held in pooled investment funds managed by Sceptre Investment Counsel Limited, UBS Global Asset Management, Common Fund and selected government and corporate bonds.

4. LONG-TERM RECEIVABLES/LONG-TERM PAYABLE

Long-term receivable balances consist of the following [thousands]:

	2003	2002
	\$	\$
Student Centre:		
Balance, beginning of year	423	527
Repayments in year (net of interest)	(93)	(104)
Student Centre balance, end of year	330	423
City of North Bay:		
Balance, beginning of year	490	490
Increase in the year	-	-
City of North Bay balance, end of year	490	490
Balance, end of year	820	913

Nipissing University

NOTES TO FINANCIAL STATEMENTS

April 30, 2003

4. LONG-TERM RECEIVABLES/ LONG-TERM PAYABLE (cont'd)

Student Centre

Under provisions of a draft agreement (“Agreement”) between the University, the Board of Governors of Canadore College of Applied Arts and Technology (“College”), Nipissing University Student Union Incorporated (“Union”) and Canadore Students Representative Council Incorporated (“CRSC”), the University and College have each advanced 1.2 million dollars for the construction of a student centre. The Union has agreed to repay the 1.2 million dollar advance plus accrued interest to the University for the construction cost of the centre through student levies over an estimated fifteen year period. In turn, the Union and CSRC will have exclusive use of the student centre for a renewable term of twenty-five years. The long-term receivable represents the remaining loan to be repaid by future student levies.

City of North Bay/Heritage Fund

In fiscal year 2000, the University, in conjunction with Canadore College, entered into an agreement with the Corporation of the City of North Bay whereby the City would construct sewer and water services on behalf of the Education Centre.

The University, in conjunction with Canadore College, entered into an agreement with the Northern Ontario Heritage Fund Corporation, to provide financing for this project.

The University’s 50% share of this project has been recorded in the financial statements as follows[thousands]:

	Total Incurred \$	University Share \$
Long-term receivable from City of North Bay from future lot levies for sewer and water connections	980	490
Long-term payable to Northern Ontario Heritage Fund Corporation	980	490

Nipissing University

NOTES TO FINANCIAL STATEMENTS

April 30, 2003

5. CAPITAL ASSETS

Capital assets consist of the following [thousands]:

	2003			2002		
	Cost	Accumulated amortization	Net book value	Cost	Accumulated amortization	Net book value
	\$	\$	\$	\$	\$	\$
Land	156	—	156	156	—	156
Buildings	46,675	5,771	40,904	36,212	5,097	31,115
Equipment and furnishings	12,061	8,055	4,006	11,429	6,955	4,474
Library books	5,841	4,862	979	5,411	4,429	982
Construction in progress	2,952	—	2,952	9,346	—	9,346
	67,685	18,688	48,997	62,554	16,481	46,073

The increase in net book value of capital assets is due to the following [thousands]:

	2003	2002
	\$	\$
Balance, beginning of year	46,073	36,398
Purchase of capital assets internally financed	2,922	2,726
Purchase of capital assets funded by deferred capital contributions	2,702	9,361
Less: amortization of capital assets	(2,700)	(2,412)
Balance, end of year	48,997	46,073

Nipissing University

NOTES TO FINANCIAL STATEMENTS

April 30, 2003

6. LONG-TERM DEBT

Long-term debt consists of the following [thousands]:

	2003	2002
	\$	\$
Founders House Student Residence:		
Financing for Founders House Residence was renewed July 2003, through an Interest Rate Swap Contract with a Canadian Chartered Bank. The remaining principal at that date of \$ 5,785,210 is amortized over a 20 year period with an interest rate of 6.82%. Monthly blended payments are approximately \$44,500.	5,665	5,807
Chancellors House Student Residence		
Financing for the Chancellors House Student Residence was provided through an Interest Rate Swap Contract with a Canadian Chartered Bank. The original principal of \$10,087,132 is amortized over a 25 year period with an interest rate of 7.05%. Monthly blended payments are approximately \$72,000.	9,813	9,982
Nipissing University Student Athletic Centre:		
6.45% renewable term loan with monthly blended payments of principal and interest of \$23,527 and original principal of \$3,500,000 issued July 30, 2002. Payments were calculated over a 25 year term. This loan matures July 30, 2009.	3,332	3,397
Total long-term debt	18,810	19,186
Less current portion	401	376
Long-term debt	18,409	18,810

Nipissing University

NOTES TO FINANCIAL STATEMENTS

April 30, 2003

6. LONG-TERM DEBT(cont'd)

The following are the minimum annual debt principal repayments due over the next five years and thereafter [thousands]:

Years ended April 30	\$
2003	401
2004	429
2005	459
2006	490
2007	524
Thereafter	16,507
	<hr/> 18,810

Total interest expense for the year ended April 30, 2003 was \$1,317,000[2002 -\$1,258,000].
The book value of the long-term debt approximates market value.

Nipissing University

NOTES TO FINANCIAL STATEMENTS

April 30, 2003

7. DEFERRED CONTRIBUTIONS

Deferred contributions represent the unspent amount of externally restricted donations and grants received for research and other restricted purposes. The change in the deferred contribution balance is as follows [thousands]:

	2003	2002
	\$	\$
Balance, beginning of year	212	211
Amount recognized as revenue during the year	574	525
Amount expensed in the year	(574)	(524)
Balance, end of year	212	212

8. DEFERRED CAPITAL CONTRIBUTIONS

Deferred capital contributions represent the unamortized amount of donations and grants received for the purchase of capital assets. The amortization of deferred capital contributions, which commence once an asset is put into service, is recorded as revenue in the statement of operations and changes in surplus. The change in the deferred capital contribution balance is as follows [thousands]:

	2003	2002
	\$	\$
Balance, beginning of year	23,417	15,738
Additions	2,702	9,361
Less amortization of deferred capital contributions	(1,950)	(1,682)
Balance, end of year	24,169	23,417

Nipissing University

NOTES TO FINANCIAL STATEMENTS

April 30, 2003

9. INTERNALLY RESTRICTED NET ASSETS

Details of internally restricted funds are as follows [thousands]:

	2003	2002
	\$	\$
General restricted appropriation	577	577
Plant and capital appropriation	(4,154)	(726)
Scholarship appropriation	586	561
Donation appropriation	1,075	-
Capital appropriation	451	451
Program appropriation	121	121
Ancillary operations appropriation	826	854
Future year operating budget appropriation	130	130
	(388)	1,968

10. INVESTMENT IN CAPITAL ASSETS

The investment in capital assets consists of the following [thousands]:

	2003	2002
	\$	\$
Capital assets(net)	48,997	46,073
Less amounts financed by		
Debt	(18,810)	(19,186)
Deferred capital contributions [note 8]	(24,169)	(23,417)
	6,018	3,470

Nipissing University

NOTES TO FINANCIAL STATEMENTS

April 30, 2003

11. ENDOWMENTS

Endowments consist of externally restricted donations received by the University. The endowment principal is required to be maintained intact. The investment income generated from endowments must be used in accordance with the various purposes established by donors. The University ensures, as part of its fiduciary responsibilities, that all funds received with a restricted purpose are expended for the purpose for which they were provided.

Externally restricted endowments include grants provided by the Government of Ontario from the Ontario Student Opportunity Trust Fund ('OSOTF') matching program [in thousands].

	2003	2002
	\$	\$
Ontario Student Opportunity Trust Fund balance, beginning of year	3,535	3,435
Donations	—	—
Matching Funds Received from Government of Ontario	—	100
Ontario Student Opportunity Trust Fund balance, end of year	3,535	3,535
Other endowments, balance beginning of year	19	19
Donations	18	—
Other endowments, balance end of year	37	19
	3,572	3,554

The following is the schedule of the changes in the OSOTF expendable balance.

	2003	2002
	\$	\$
Ontario Student Opportunity Trust Fund Expendable balance, beginning of year	342	429
Net realized and unrealized income(loss) on investments	(220)	41
Bursaries awarded (2003 – 102, 2002 – 105)	(115)	(128)
Ontario Student Opportunity Trust Fund Expendable balance, end of year	7	342

Nipissing University

NOTES TO FINANCIAL STATEMENTS

April 30, 2003

12. COMMITMENTS

New Residence Construction

The University has signed an agreement for the construction of a 104 bed extension to an existing residence. The total cost of the project will be approximately \$3.65 million dollars. The anticipated completion date for this project is August 31, 2003. To finance this project, the University has entered into an Interest Rate Swap transaction with a Canadian Chartered Bank in the amount of \$3.65 million dollars and effective interest rate of 6.74%. The effective date for the swap is August 31, 2003 and the agreement term is 25 years. Monthly blended payments of principal and interest will be approximately \$ 24,600.

13. EMPLOYEE FUTURE BENEFITS

The majority of the University's employees are members of the Nipissing University Retirement Pension Plan, a defined contribution plan. Certain faculty are members of the Teachers' Superannuation Fund [the "TSF"], a multi-employer defined benefit plan.

Total pension costs incurred for the year were \$789,000 [2002 - \$759,000].

14. FINANCIAL INSTRUMENTS

The fair value of cash and short-term investments, accounts receivable, accrued interest, long-term receivables, bank indebtedness, accounts payable and accrued liabilities, accrued sick leave, and long-term debt approximate their carrying amounts.

The fair value of the University's long-term payable cannot reasonably be calculated due to the special nature of this liability. See note 4.

Nipissing University

NOTES TO FINANCIAL STATEMENTS

April 30, 2003

15. SUPPLEMENTAL INFORMATION

In addition to the information presented in the Statement of Operations and Changes in Surplus, presented below is a Schedule of Expenses classified by object of expense[in thousands].

Year ended April 30	2003	2002
	\$	\$
EXPENSES		
Employee Salaries and Benefits	21,068	19,640
Academic Supplies and Services	4,950	4,637
Plant and Operating Expenditures	5,477	3,187
Scholarships and Bursaries	1,742	1,731
Interest	1,317	1,258
Other expenses	2,103	363
Amortization of capital assets	2,700	2,412
	39,357	33,228
