



Financial Statements

Northern Ontario School of Medicine University

April 30, 2023

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Independent Auditor's Report

To the Board of Governors of
Northern Ontario School of Medicine University

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Opinion

We have audited the financial statements of Northern Ontario School of Medicine University (the "University"), which comprise the statement of financial position as at April 30, 2023, and the statements of operations, changes in net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Northern Ontario School of Medicine University as at April 30, 2023, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for non-for-profit organizations.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the NOSM University in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter – Restated Comparative Information

We draw attention to Note 22 of the financial statements, which describes that certain comparative information presented for the year ended April 30, 2022 has been restated. Our opinion is not modified with respect to this matter.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for non-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the University's ability to continue as a going concern, disclosing, as applicable, matters related to a going concern and using the going concern basis of accounting unless management either intends to liquidate the University or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the University's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the University's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the University to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Grant Thornton LLP

Thunder Bay, Canada
September 20, 2023

Chartered Professional Accountants
Licensed Public Accountants

NORTHERN ONTARIO SCHOOL OF MEDICINE UNIVERSITY

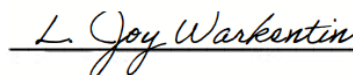
Statement of Financial Position

(Thousands of Dollars)

	As at April 30, 2023	As at April 30, 2022 (As restated Note 22)
Assets		
Current assets:		
Cash	\$ 26,202	\$ 28,630
Accounts receivable (Note 3)	1,821	2,366
Prepaid expenses	429	492
Investment portfolio - Short-term - Endowments restricted (Note 4)	2,112	-
	<u>30,564</u>	<u>31,488</u>
Investment portfolio - Endowments restricted (Note 4)	24,407	-
Capital assets (Note 5)	4,887	5,127
	<u>\$ 59,858</u>	<u>\$ 36,615</u>
Liabilities, Deferred Contributions and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities (Note 6)	\$ 11,334	\$ 11,150
Government payroll remittances payable	62	546
Deferred revenue (Note 7)	4,934	4,407
	<u>16,330</u>	<u>16,103</u>
Deferred capital contributions (Note 8)	4,887	5,127
	<u>21,217</u>	<u>21,230</u>
Net assets:		
Internally restricted (Note 9)	9,380	8,407
Endowments restricted (Note 10)	29,261	6,978
	<u>38,641</u>	<u>15,385</u>
	<u>\$ 59,858</u>	<u>\$ 36,615</u>

The accompanying notes are an integral part of these financial statements.

On behalf of the Board:

 Chair, Board of Governors

 President, Vice-Chancellor, Dean and CEO

NORTHERN ONTARIO SCHOOL OF MEDICINE UNIVERSITY

Statement of Operations

Year ended April 30, 2023, with comparative figures for 2022
(Thousands of dollars)

	2023	2022
Revenue:		
Government grants - Ministry of Colleges and Universities	\$ 31,384	\$ 24,344
Government grants - Ministry of Health	16,191	16,020
Government grants - Paymaster Program (Note 12)	15,289	15,824
Government grants - Medical Student Bursary Program (Note 13)	565	520
Government and other grants for restricted purposes	3,442	2,258
Tuition fees	6,301	5,940
Bank interest income	848	150
Investment returns (Note 4)	121	-
Bursary and advancement income	1,599	1,301
Miscellaneous income	1,223	1,163
Amortization of deferred capital contributions	983	961
Total revenue	\$ 77,946	\$ 68,481
Expenses:		
Salaries, benefits, and other compensation	\$ 43,066	\$ 40,699
Salaries, benefits, and other compensation - Paymaster Program (Note 12)	15,289	15,824
Travel and accommodations	888	270
Travel and accommodations - Learners	3,061	2,556
Office	2,067	1,787
Curriculum and faculty development	1,795	1,520
Library	1,352	948
Technology and telecommunications	1,179	1,298
Facilities	2,162	1,225
Research - General Expenses and Supplies	1,136	794
Consulting	1,111	946
Medical Student Bursary Program (Note 13)	565	520
Bursaries	1,518	1,325
Amortization of capital assets	983	961
Total expenses	\$ 76,172	\$ 70,673
Excess/(Deficit) of revenue over expenses	\$ 1,774	\$ (2,192)
Transfers - Internally Restricted Net Assets	\$ (1,774)	\$ 2,192
Change in Unrestricted Net Assets	\$ -	\$ -

The accompanying notes are an integral part of these financial statements.

NORTHERN ONTARIO SCHOOL OF MEDICINE UNIVERSITY

Statement of Changes in Net Assets

Year ended April 30, 2023, with comparative figures for 2022
(Thousands of dollars)

	Unrestricted	Internally Restricted (Note 9)	Endowments Restricted (Note 10)	Total 2023	Total 2022 (As restated Note 22)
Net assets, beginning of year, as previously stated	\$ -	\$ 8,407	\$ 6,978	\$ 15,385	\$ 10,599
Prior period adjustment (Note 22)	-	-	-	-	6,984
Restated net assets, beginning of year	-	8,407	6,978	15,385	17,583
Change in endowments during the year - Laurentian University transfer (Notes 10 & 16)	-	-	14,251	14,251	-
Endowment contributions - External donors (Note 10)	-	-	6,417	6,417	-
Transfer from interally restricted to endowments	-	(801)	801	-	-
Investment returns allocated to external endowments (Note 4)	-	-	755	755	-
Bank interest earned on external endowments (Note 10)	-	-	180	180	(6)
Allocation for spending of externally endowed accumulated investment returns (Note 4)	-	-	(121)	(121)	-
Excess/(Deficit) of revenue over expenses	1,774	-	-	1,774	(2,192)
Transfer from unrestricted to internally restricted	(1,774)	1,774	-	-	-
Net assets, end of year	\$ -	\$ 9,380	\$ 29,261	\$ 38,641	\$ 15,385

The accompanying notes are an integral part of these financial statements.

NORTHERN ONTARIO SCHOOL OF MEDICINE UNIVERSITY

Statement of Cash Flows

Year ended April 30, 2023, with comparative figures for 2022

(Thousands of dollars)

	2023	2022 (As restated Note 22)
Operating Funds		
Cash flows from operating activities:		
Excess (Deficit) of revenue over expenses	\$ 1,774	\$ (2,192)
Items not involving cash:		
Amortization of deferred capital contributions	(983)	(961)
Amortization of capital assets	983	961
Changes in non-cash working capital (Note 14)	835	565
	<u>2,609</u>	<u>(1,627)</u>
Cash flows from financing and investing activities:		
Endowment funds received - Laurentian University	14,251	-
Endowment funds received - External donations	6,417	-
Endowment funds bank interest earned - Externally restricted endowments	180	(6)
Allocation for spending of externally endowed accumulated investment returns (Note 4)	(121)	-
Transferred to investment portfolio	(25,764)	-
Deferred capital contributions	743	1,472
Capital assets acquired	(743)	(1,472)
	<u>(5,037)</u>	<u>(6)</u>
Net decrease in cash	(2,428)	(1,633)
Cash, beginning of year	28,630	30,263
Cash, end of year	\$ 26,202	\$ 28,630
Represented by:		
Cash - operating	\$ 26,202	\$ 28,630

The accompanying notes are an integral part of these financial statements.

NORTHERN ONTARIO SCHOOL OF MEDICINE UNIVERSITY

Notes to Financial Statements

Year ended April 30, 2023
(Thousands of dollars)

General

On June 3, 2021, the Government of Ontario passed the NOSM University Act, to make the Northern Ontario School of Medicine (NOSM) a university. On April 1, 2022, the Act received proclamation and the Northern Ontario School of Medicine (NOSM) became Northern Ontario School of Medicine University ("NOSM University" or "University"), Canada's first independent medical university.

The NOSM University was incorporated without share capital under the laws of Ontario. Located on the campuses of Lakehead University and Laurentian University ("host campus universities"), the purpose of the University is to establish and operate in a way that is responsive to the needs of students and to the healthcare needs of the people of Northern Ontario.

The University has received full accreditation for its educational program leading to a medical doctorate from the Liaison Committee on Medical Education and the Committee on Accreditation of Canadian Medical Schools.

1. Amendments to accounting policies:

The Canadian Accounting Standards Board recently issued amendments to Section 3400 Revenue, which provide additional guidance on the application of requirements related to identifying the units of account, multiple-element arrangements, the percentage of completion method, reporting revenue gross or net, and bill and hold arrangements.

The University adopted the amendments as at May 1, 2022 and applied the new accounting policy retrospectively. As a result of applying the amendments, there were no impacts on the University's financial statements.

2. Significant accounting policies:

The financial statements of the University have been prepared in accordance with Canadian accounting standards for not for profit organizations and follow the accounting policies summarized below:

(a) Revenue recognition:

The University accounts for contributions under the deferral method of accounting as follows:

Operating grants are recorded as revenue in the period to which they relate. Grant amounts relating to future periods are deferred and recognized in the subsequent period when the related activity occurs. Grants approved but not received are accrued.

Tuition fees are recorded as revenue in the period the academic term runs. Tuition fees which relate to academic terms or parts thereof occurring after April 30 are recorded as deferred revenue.

Unrestricted contributions are recognized as revenue when received or receivable if the amounts can be reasonably estimated and collection is reasonably assured.

NORTHERN ONTARIO SCHOOL OF MEDICINE UNIVERSITY

Notes to Financial Statements

Year ended April 30, 2023
(Thousands of dollars)

2. Significant accounting policies (continued):

(a) Revenue recognition (continued):

Externally restricted contributions other than external endowment contributions are recognized as revenue in the period in which the related expenses are recognized. Any surplus that is repayable to the contributor is recorded as accounts payable.

Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on a straight-line basis at rates corresponding to those of the related capital assets.

Endowment contributions having externally imposed restrictions are recognized as direct increases in endowment net assets.

Unrestricted investment income is recognized as revenue during the period in which it is earned.

Investment returns attributed to the capital preservation of external endowments is recognized as increases to endowment net assets. Investment returns on external endowments allocated for spending is recognized as revenue in the statement of operations.

Investment returns attributed to internal (Board) endowments is recognized as revenue in the statement of operations and transferred to internal (Board) endowments in the statement of changes in net assets if intended for the capital preservation of the net assets.

(b) Cash and cash equivalents:

Cash and cash equivalents consist of cash on hand, bank balances, and guaranteed investment certificates with a duration of less than three months.

(c) Investments:

Investments are recorded at fair value. The value of investments recorded in the combined financial statements is determined as follows:

- i) Guaranteed Investment Certificates ("GIC"), savings accounts and money market funds, are valued at cost plus accrued interest which together approximates fair value. Some short-term investments meet the definition of cash and cash equivalents but are held for investment rather than liquidity purposes and are classified as investments.
- ii) Canadian equities consist of Canadian and private equities. Canadian equities are traded on the open market. Fair values are based on the latest closing price. Private equities are valued based on the latest valuation provided by the external investment manager, reflecting any impairment.
- iii) Foreign equities consist of U.S., non-North American, global and private equities. U.S., non-North American and global equities are traded on the open market. Fair values are based on the latest closing price. Private equities are valued based on the latest valuation provided by the external investment manager, reflecting any impairment.
- iv) Fixed income includes Canadian bonds, securities, and income funds. Canadian bonds, securities, and income funds are traded on the open market and fair values are based on the latest closing price.

NORTHERN ONTARIO SCHOOL OF MEDICINE UNIVERSITY

Notes to Financial Statements

Year ended April 30, 2023
(Thousands of dollars)

2. Significant accounting policies (continued):

(d) Capital assets:

Capital asset purchases are recorded at cost with amortization provided for in the period in which the assets are put into use. Capital assets are amortized on a straight line basis over their estimated useful lives, which are:

Computer software	2 years
Furniture and equipment	5 years
Leasehold improvements	25 years

(e) Internally restricted net assets:

The University restricts use of portions of its operating surplus for specific future uses. When incurred, the related expenses are charged to operations, and the balance of internally restricted net assets is reduced accordingly. Internally restricted net assets are established through Board resolution or Board approved policies.

(f) Use of estimates:

The preparation of the financial statements in conformity with Canadian accounting standards for not for profit organizations 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 revenues and expenses during the reporting periods. Areas of key estimation include allowance for doubtful accounts, asset useful lives, conditional grant revenue earned/repayable, and allocation of shared expenses. Actual results could differ from those estimates.

(g) Financial instruments:

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, equities traded in an active market and derivatives are reported at fair value, with any unrealized gains and losses reported in operations or as increases in external endowment net assets. In addition, all bonds and guaranteed investment certificates have been designated to be in the fair value category, with gains and losses reported in operations or as increases in external endowment net assets. All other financial instruments are subsequently reported at cost or amortized cost less impairment, if applicable. Financial assets are tested for impairment when changes in circumstances indicate the asset could be impaired. Transaction costs on the acquisition, sale or issue of financial instruments are expensed for those items re-measured at fair value at each statement of financial position date and charged to the financial instruments for those measured at amortized cost.

NORTHERN ONTARIO SCHOOL OF MEDICINE UNIVERSITY

Notes to Financial Statements

Year ended April 30, 2023
(Thousands of dollars)

2. Significant accounting policies (continued):

Financial instruments in related party transactions:

Financial assets and financial liabilities in related party transactions are initially measured at cost, with the exception of certain instruments which are initially measured at fair value. The University does not have any financial assets or financial liabilities in related party transactions which are initially measured at fair value.

Gains or losses arising on initial measurement differences are generally recognized in net income when the transaction is in the normal course of operations, and in equity when the transaction is not in the normal course of operations, subject to certain exceptions.

Financial assets and financial liabilities recognized in related party transactions are subsequently measured based on how the University initially measured the instrument. Financial instruments initially measured at cost are subsequently measured at cost, less any impairment for financial assets. Financial instruments in related party transactions initially measured at fair value, of which the University has none, would be subsequently measured at amortized cost or fair value based on certain conditions.

(h) Employee Future Benefits:

The University accrues its obligation under the Notional DC SuRP benefit plan as the employees render the services necessary to earn the pension and other retirement benefits.

The University accounts for the Notional DC SuRP component of the pension plan using the immediate recognition approach. The University recognizes the amount of the accrued benefit obligation, net of the fair value of the plan assets measured at year-end, adjusted for any valuation allowance, in the statement of financial position. Experienced gains and losses are included in the cost of the plan for the year. The accrued benefit obligation for the pension plan is determined based on an actuarial valuation using accounting assumptions.

3. Accounts receivable:

	2023	2022
Government and other grants and miscellaneous receivables	\$ 569	\$ 488
Harmonized sales tax recoverable	445	406
Lakehead University	8	-
Laurentian University	-	44
Ministry of Colleges and Universities	764	1,409
Ministry of Health	35	19
	<u>\$ 1,821</u>	<u>\$ 2,366</u>

NORTHERN ONTARIO SCHOOL OF MEDICINE UNIVERSITY

Notes to Financial Statements

Year ended April 30, 2023
(Thousands of dollars)

4. Investment Portfolio – Endowments restricted:

The University's investment portfolio is comprised of a number of different securities carrying a variety of terms and conditions. Investments consist of the following:

	2023		2022	
	Market	Cost	Market	Cost
Endowed				
Canadian equities	\$ 6,416	\$ 6,292	\$ -	\$ -
Canadian fixed income	14,968	14,641	-	-
Foreign equities	3,023	2,783	-	-
Cash and equivalents account	2,112	2,112	-	-
	\$ 26,519	\$ 25,828	\$ -	\$ -
Less : Short-term	(2,112)	(2,112)	-	-
Long-term investments	\$ 24,407	\$ 23,716	-	-

Endowed investments consist of externally restricted funds held in perpetuity and received by the University for student awards and bursaries and research chairs. These funds are for the benefit of current and future generations.

Investment returns allocated to external endowments are comprised of the following:

	2023	2022
Unrealized gains on investments	\$ 450	\$ -
Realized gains/(losses) on investments	(27)	-
Interest and dividend income	332	-
Investment returns	\$ 755	\$ -

Investment returns allocated for spending are calculated as follows:

	2023	2022
Investment returns	\$ 755	\$ -
Investment returns allocated to external endowments	(755)	-
Allocation for spending of externally endowed accumulated investment returns	121	-
Investment returns	\$ 121	\$ -

NORTHERN ONTARIO SCHOOL OF MEDICINE UNIVERSITY

Notes to Financial Statements

Year ended April 30, 2023
(Thousands of dollars)

5. Capital assets:

	2023			2022		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Furniture and equipment	\$ 23,450	\$ 22,076	\$ 1,374	\$ 22,959	\$ 21,420	\$ 1,539
Computer software	1,483	1,483	-	1,483	1,483	-
Leasehold improvements	6,186	2,673	3,513	6,014	2,426	3,588
	\$ 31,119	\$ 26,232	\$ 4,887	\$ 30,456	\$ 25,329	\$ 5,127

6. Accounts payable and accrued liabilities:

	2023	2022
Accounts payable and accrued liabilities	\$ 3,363	\$ 3,093
Accrued salaries, benefits, and other compensation	2,381	1,953
Lakehead University	-	123
Laurentian University	309	-
Ministry of Colleges and Universities	740	690
Ministry of Health	4,541	5,291
	\$ 11,334	\$ 11,150

7. Deferred revenue:

Deferred revenue represents unspent externally restricted monies received in the current and prior years for services to be provided in a future year as follows:

	2023	2022
Ministry of Health	\$ 368	\$ 380
Tuition fees	380	450
Bursary and Advancement income	2,110	2,363
Government and other grants and miscellaneous income	2,076	1,214
	\$ 4,934	\$ 4,407

NORTHERN ONTARIO SCHOOL OF MEDICINE UNIVERSITY

Notes to Financial Statements

Year ended April 30, 2023
(Thousands of dollars)

8. Deferred capital contributions:

Deferred capital contributions represent the unamortized and unspent balances of grants utilized for capital asset acquisitions. Details of the continuity of these funds are as follows:

	2023	2022
Balance, beginning of year	\$ 5,127	\$ 4,616
MCU funding	743	929
Other grants	-	543
Amortization of deferred capital contributions	(983)	(961)
Balance, end of year	\$ 4,887	\$ 5,127

9. Net Assets - Internally restricted:

	2023	2022
Student Bursaries	\$ 1,120	\$ 591
Advancement funds	968	1,670
Research funds	2,418	2,200
Research equipment	400	400
IT infrastructure	938	853
Facilities regeneration	451	365
Accreditation costs	43	47
Union negotiations	84	51
Legal costs	79	78
Recruitment costs	60	61
Strategic plan implementation & initiatives	225	243
General reserves	2,279	1,553
Self-insurance	315	295
Balance, end of year	\$ 9,380	\$ 8,407

10. Net Assets – Endowments restricted:

Externally restricted net assets include externally restricted donations received by the University where the endowment principal is required to be maintained intact. The investment income generated from these 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.

NORTHERN ONTARIO SCHOOL OF MEDICINE UNIVERSITY

Notes to Financial Statements

Year ended April 30, 2023
(Thousands of dollars)

10. Net Assets – Endowments restricted (continued):

	2023	2022 (As restated Note 22)
Research Chair in Aboriginal and Rural Health	3,895	3,758
AMS Hannah Chair in the History of Aboriginal Health	3,252	3,220
Donor Restricted Student Awards and Bursaries	22,114	-
Balance, end of year	\$ 29,261	\$ 6,978

(a) Research Chair in Aboriginal and Rural Health

During a previous fiscal year, the University received \$1,500 from the Ministry of Colleges and Universities to establish an externally restricted endowment for a Research Chair in Aboriginal and Rural Health. This grant was matched with a grant of \$1,500 from the Heart and Stroke Foundation of Ontario to bring the total funds held to \$3,000. During the current fiscal year, \$137 (2022 - \$30) was earned on these funds and \$NIL (2022 - \$NIL) of disbursements were charged to these funds, to bring the funds held to \$3,895 (2022 - \$3,758).

(b) AMS Hannah Chair in the History of Aboriginal Health

During previous fiscal years, the University received \$2,000 from Associated Medical Services Incorporated and the University internally allocated \$1,000, the required amount of matching funds, to establish an externally restricted endowment for a Research Chair in the History of Aboriginal Health. During the current fiscal year, \$117 (2022 - \$26) was earned on these funds and \$85 (2022 - \$62) of disbursements were charged to these funds, bringing the funds held to \$3,252 (2022 - \$3,220).

(c) Donor Restricted Student Awards and Bursaries

During the current fiscal year, the University established an Endowment Management Policy and began managing and maintaining donations in accordance with the Policy. In addition, on November 28, 2022 NOSM University received the NOSM Endowment Funds of \$14,251 that were being held by Laurentian University (Note 17).

During the current fiscal year, the University received \$6,417 (2022 - \$NIL) in donations for endowed awards and bursaries and transferred \$801 (2022 - \$NIL) in funds received in previous fiscal years, to endowments.

During the current fiscal year, the University earned \$681 (2022 - \$NIL) in interest and investment income on the donor restricted funds held for endowed awards and bursaries and awarded \$36 (2022 - \$NIL) from these funds during the year. The total of the funds for donor restricted awards and bursaries at year end is \$22,114 (2022 - \$NIL).

NORTHERN ONTARIO SCHOOL OF MEDICINE UNIVERSITY

Notes to Financial Statements

Year ended April 30, 2023
(Thousands of dollars)

10. Net Assets – Endowments restricted (continued):

	2023	2022 (As restated Note 22)
Balance, beginning of year	\$ 6,978	\$ 6,984
Laurentian University transfer	14,251	-
External donations	6,417	-
Transfer from internally restricted net assets	801	-
Bank interest earned	180	(6)
Investment returns allocated (Note 4)	755	-
Allocation for spending – Bursaries (Note 4)	(36)	-
Allocation for spending – Expenses (Note 4)	(85)	-
Balance, end of year	\$ 29,261	\$ 6,978

11. Funds held in trust:

	2023	2022 (As restated Note 22)
Northern Ontario Academic Medicine Association – Trust Funds	12,143	12,131
Balance, end of year	\$ 12,143	\$ 12,131

Northern Ontario Academic Medicine Association – Trust Funds

During the current fiscal year, the University received \$14,503 (2022 - \$16,117) from the Ministry of Health to hold in trust for the Northern Ontario Academic Medicine Association (“NOAMA”). These funds earned bank interest income of \$419 (2022 - \$73). These funds are to be used by the NOAMA to fund the operations of the Academic Health Science Centre Alternative Funding Plan and disbursements totaling \$14,882 (2022 - \$13,623) were made in the current fiscal year. In a service agreement with NOAMA, the University provides the accounts payable processing on NOAMA’s behalf and holds NOAMA’s funds in trust. The balance of these funds held by the University at April 30, 2023 is \$12,143 (2022 - \$12,131).

NORTHERN ONTARIO SCHOOL OF MEDICINE UNIVERSITY

Notes to Financial Statements

Year ended April 30, 2023
(Thousands of dollars)

12. Paymaster Program

On July 1, 2007, the University accepted residents into its own accredited Post Graduate Family Medicine program and into its own Post Graduate Specialty Medicine programs in subsequent fiscal years. In an agreement with the Ministry of Health, the University provides the payroll services for these residents' salaries and benefits in accordance with the Professional Association of Residents of Ontario (PARO) agreement.

During the fiscal year, the University paid residents' salaries totaling \$15,289 (2022 – \$15,824). During the fiscal year, the University received funding related to residents' salaries totaling \$15,289 (2022 - \$15,824).

13. Medical Student Bursary Program

Beginning in January 2013, the University entered into a funding agreement to administer the Final Year Medical Student Bursary Program that provides bursary payments to medical students in their final year of medical school. The agreement provided funding to pay the bursaries to the students as well as administration costs.

During the fiscal year, the University paid bursaries and administration costs totaling \$565 (2022 - \$520). During the fiscal year, the University received funding related to bursaries and administration costs totaling \$565 (2022 - \$520).

14. Changes in non-cash working capital:

	2023	2022
Cash provided by (used in):		
Accounts receivable	\$ 545	\$ (1,494)
Prepaid expenses	63	139
Accounts payable and accrued liabilities	184	1,971
Government payroll remittances payable	(484)	1
Deferred revenue	527	(52)
	<u>\$ 835</u>	<u>\$ 565</u>

NORTHERN ONTARIO SCHOOL OF MEDICINE UNIVERSITY

Notes to Financial Statements

Year ended April 30, 2023
(Thousands of dollars)

15. Financial Instruments:

(a) Fair Values

The University's financial instruments are comprised of cash, accounts receivable, investments, and accounts payable and accrued liabilities.

The fair values of cash, accounts receivable, and accounts payable and accrued liabilities approximate their carrying value because of the short term nature of these instruments. The fair value of investments is disclosed in Note 4.

(b) Financial Risk

The primary risk exposures for financial instruments are foreign currency, interest rate, market, and credit risks. The University's Investment Policy governs the asset mix among equity, fixed income, and alternative investments, requiring diversification within categories, and setting limits on the size of exposure to individual investments and counterparties.

Foreign Currency Risk

Foreign currency risk is the risk that the fair value or future cash flow of a financial instrument will fluctuate due to changes in foreign exchange rates. The University has limits on the amount of investments in foreign currency, to mitigate any uncertainty for future financial results.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The University is subject to interest rate risk with respect to certain investments. The University currently has no debt.

Market Risk

Market risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market. Management mitigates this risk through diversification of its investment portfolio as stipulated in the University's Investment Policy.

Credit Risk

Credit risk is the risk of financial loss to the University if a member or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the University's accounts receivable and investments. The University mitigates its potential credit risk from accounts receivable through credit evaluation, approval, and monitoring processes. Furthermore, it evaluates the collectability of accounts receivable and records an allowance for doubtful accounts, which reduces the receivables to the amount management reasonably believes will be collected. The University's investments must adhere to minimum quality standard ratings as stipulated in the University's Investment Policy.

NORTHERN ONTARIO SCHOOL OF MEDICINE UNIVERSITY

Notes to Financial Statements

Year ended April 30, 2023
(Thousands of dollars)

15. Financial Instruments (continued):

Liquidity Risk

Liquidity risk is the risk that the University will not be able to meet all cash flow obligations as they come due. The University mitigates this risk by monitoring cash activities and expected outflows through extensive budgeting.

There have been significant changes to the risk exposures during the current fiscal year with the in year receipt of the endowment funds previously held at Laurentian University and in year investment of these endowment funds by NOSM University.

16. Lakehead University and Laurentian University transactions:

		Lakehead University	Laurentian University
Goods and services purchased from	- 2023	\$ 1,735	\$ 1,270
	- 2022	\$ 1,359	\$ 1,281
Endowment funds transferred to/(from)	- 2023	\$ -	\$ (14,251)
	- 2022	\$ 215	\$ -

Lakehead University and Laurentian University both individually collaborate with NOSM University via Relationship Agreements in connection with services. Some of these services have continued after April 1, 2022, when the NOSM University Act received proclamation and NOSM became an independent University. These continuing services include facilities and support services, technology, and telecommunications services, and other educational, research, and operational matters.

Lakehead University and Laurentian University both individually held and administered endowment funds on behalf of NOSM University. The use of these funds is restricted for NOSM University student bursaries.

On September 14, 2022, the Plan of Compromise and Arrangement related to the Laurentian University CCAA proceedings was voted upon and approved. As a result, the NOSM University Endowment Funds held by Laurentian University as of April 30, 2022 of approximately \$14,600, were to be transferred to NOSM University at a date to be determined. On November 28, 2022, the NOSM Endowment Funds held by Laurentian University of \$14,251 were transferred to NOSM University. The difference reflects the additional investment income earned and investment losses incurred between April 30, 2022 and the transfer date of November 28, 2022.

The University is in discussions with Lakehead University with respect to the transfer of the endowment funds held by Lakehead University on behalf of NOSM University. The balance of the funds held as at April 30, 2023 is \$14,219 (2022 - \$13,115).

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Year ended April 30, 2023
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17. Other information:

The University is participating in a reciprocal exchange of insurance risks in association with fifty-eight Canadian universities. This self-insurance co-operative involves a contractual agreement to share the insurance property and liability risks of member universities. In the event that premiums are not sufficient to cover claim settlements, the member universities would be subject to an assessment in proportion to their participation.

18. Pension plan:

(a) Prior to September 30, 2021, the University operated a defined contribution pension plan in which the University contributes a set amount to the plan in respect of individual employees. Employer contributions made by the University during the year ended amounted to approximately \$NIL (2022 - \$574).

Effective September 30, 2021, the University wound up the University run defined contribution pension plan. The University joined the Healthcare of Ontario Pension Plan (HOOPP) on October 1, 2021. All employees of the University received the option of joining HOOPP or managing their own personal retirement options. Employer contributions made by the University to HOOPP during the year ended amounted to approximately \$1,937 (2022 - \$1,072).

Variances between actuarial funding estimates and actual experience may be material and any differences are to be funded proportionately by the employees and the employer. The most recent actuarial valuation of the Plan as at December 31, 2021 indicates the Plan is 120% funded.

(b) Prior to January 1, 2005, some NOSM University employees participated in the Retirement Plan for the Staff of Laurentian University of Sudbury and its Federated and Affiliated Colleges (1975). Two employees have also accumulated benefits in the Laurentian Supplementary Retirement Plan (SuRP) for compensation of benefits in excess of the limits prescribed by the Income Tax Act. This Laurentian SuRP has been transferred to NOSM University as approved by a resolution of the Board of Directors in May 2007 and set up as a Notional DC SuRP.

The benefit obligations as per the most recent actuarial valuation performed as at April 30, 2023, are equal to \$374 (2022 - \$356). The assets as at April 30, 2023 that consist of cash and cash equivalents, are equal to \$96 (2022 - \$94). The pension expense for the fiscal year ended April 30, 2023 is a charge of \$14 (2022 – charge of \$12). The expense includes \$19 (2022 - \$16) in expected interest costs during the fiscal year. The assets set aside for the Notional DC SuRP are part of NOSM University's general assets. No cash payments of future benefits were made during the fiscal year (2022 – NIL).

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19. Economic Dependence:

The University is dependent upon transfer payments from the Ministry of Colleges and Universities, the Ministry of Health, and other various government agencies to finance its continuing operations. These government agencies also set guidelines and limits on the total learner numbers, learner intake numbers, and tuition increases or decreases.

20. Contingencies:

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.

21. Comparative Financial Statements:

The comparative financial statements have been reclassified from statements previously presented to conform to the presentation of the April 30, 2023 financial statements.

22. Prior period adjustment:

In previous years, the University reported endowments for the Research Chair in Aboriginal and Rural Health and AMS Hannah Chair in the History of Aboriginal Health as funds held in trust. As the University is now able to hold endowments, the April 30, 2022 figures presented for comparative purposes have been restated from those previously reported as follows:

	As previously stated	Increase (Decrease)	As restated
Cash	\$ 21,652	\$ 6,978	\$ 28,630
Endowments restricted	\$ -	\$ 6,978	\$ 6,978
Net assets, beginning of year	\$ 10,599	\$ 6,984	\$ 6,984

The Trust Funds and Cash Held in Trust previously disclosed by the University in fiscal year ended April 30, 2022, were reduced by \$6,978.