



Office of the Auditor General of Ontario

# Special Report on Laurentian University



*November 2022*



## Office of the Auditor General of Ontario

To the Honourable Speaker of the Legislative Assembly

In my capacity as the Auditor General, I am pleased to transmit my *Special Report on Laurentian University* in accordance with the provisions of Section 17 of the *Auditor General Act*.

A handwritten signature in black ink that reads "Bonnie Lysyk". The signature is written in a cursive, flowing style.

Bonnie Lysyk, MBA, FCPA, FCA, LPA  
Auditor General

November 2022  
Toronto, Ontario

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# Reflections

**Bonnie Lysyk**  
**Auditor General of Ontario**

There is a general expectation that public sector and broader public sector organizations that receive significant taxpayer funds operate with transparency, accountability and high standards of governance. Our review of Laurentian University's operations and decision-making over the past decade provides a striking example of what can happen when these principles are neglected.

Every organization needs appropriate checks and balances to ensure that poor decisions do not turn into larger problems. Yet a cascade of oversight failures at the Sudbury-based University let misguided management decisions go unchecked for years. As a result, Laurentian's financial health was allowed to decline to the point that academic careers were short-circuited, jobs were lost and millions of dollars were wasted. Laurentian's decline also put a strain on the local economy of Sudbury—where the University is one of the largest employers—and shook public confidence in the financial health of Ontario's universities. While the welfare of its students, professors and staff should have been the top priority, this Special Report shows how that was all too often not the case.

We found that the primary cause of Laurentian's financial decline was its pursuit of major capital projects without adequate consideration for how they would be collectively funded or ultimately used. As the University began to accumulate more than \$87 million in debt, it started to inappropriately draw on funds that were restricted for research projects or retirement

health benefits for faculty and staff. Several external factors facing all universities, including a Province-imposed tuition cut and the COVID-19 pandemic, also impacted operations at Laurentian, which is significantly taxpayer-funded.

The financial decline was allowed to continue for years because Laurentian's ineffectual Board of Governors and its committees lacked key operational and governance oversight practices and expertise. Additionally, the Board often made decisions without obtaining all pertinent facts, and frequently held deliberations and made decisions behind closed doors.

For its part, the Ministry of Colleges and Universities did not intervene in a timely manner to help Laurentian correct its financial situation. We were informed that even if the Ministry had been better aware of Laurentian's deteriorating financial condition, it would be reluctant to unilaterally intervene because the Ministry does not have the legislative authority to intervene in the operation of a publicly assisted university.

As Laurentian's financial decline became increasingly dire, senior administrators chose an imprudent course of action. Instead of transparently seeking additional provincial assistance, Laurentian accepted the advice of its external legal and financial advisors to take steps to obtain court protection from its creditors under the federal *Companies' Creditors Arrangement Act* (CCAA). However, before it formally applied for CCAA protection, the University prematurely paid off its line

of credit, disregarded a key stipulation in its faculty collective agreement that might have otherwise helped its restructuring, and neglected to work constructively with labour representatives.

In February 2021, Laurentian became the first publicly funded university in Canada to file for CCAA protection, a process used by privately held companies. The University did so even though it still had ample opportunity to work with the Ministry to set up a plan that would prevent immediate and harsh cuts to its programs and staff, minimize impact on its students, and avoid the reputational consequences of going through the CCAA process.

There is a strong argument that CCAA is an inappropriate, and perhaps damaging, remedy for public entities. Use of the federal law allowed Laurentian to bypass provisions in its collective labour agreements, clear a backlog of long-standing union grievances, and operate under even less transparency. The CCAA path also led to more than \$30 million in fees for private-sector financial advisors and lawyers as of September 2022. We suspect that many would believe that this money would have been better spent educating students.

Ontario universities need to be given a large degree of independence so they can serve as unbiased forums to challenge societal assumptions and develop the breakthroughs of the future. At the same time, the Province needs to be able to effectively monitor the financial sustainability of these recipients of substantial public support. Whatever balance is chosen, as part of the broader public sector, public universities should not be treated—or act—like private corporations. Students should not have to wonder whether their university's programs will suddenly be eliminated while they are in the midst of pursuing a degree. Nor should professors and staff at public institutions have to worry that they will be fired without cause and have their benefits suddenly slashed.

The situation at Laurentian appears to have reached a turning point. In October 2022, Ontario's Superior Court of Justice approved a plan that will allow Laurentian to exit the CCAA process. And thanks

to support from many concerned parties, the precepts of transparency, accountability, high standards of governance—and now greater collegiality—have the opportunity to be fostered at the University, while leadership is being refreshed.

Hopefully, the release of this Special Report will assist Laurentian in its efforts to renew itself so it can attract more students, generate world-class research and serve as an academic, scientific and cultural focal point for Sudbury and the rest of Northern Ontario. Readers should keep this top of mind when they consider the findings and recommendations in this Special Report. Further, we hope that the Laurentian story will serve as a reminder to other universities to focus on protecting the fundamentals of good governance, transparency, and prudent financial management.

I would like to thank the Standing Committee on Public Accounts of the Legislative Assembly for its support of the work of my Office. During the course of our work, the University placed unprecedented restrictions on our access to information and set up a legal pushback that included an extraordinary challenge to the *Auditor General Act*.

In order to help us obtain information and address the pushback from Laurentian, the Committee took extensive steps to bring about more transparency to what happened at Laurentian. Subsequently, all members of the Legislative Assembly of Ontario voted unanimously to approve the issuance of rarely used Speaker's Warrants to compel the production of the information requested by the Committee to support its efforts and my Office in the conduct of our work.

For many decades the Office of the Auditor General has been able to obtain direct, unfettered access to people and information needed to complete its work on behalf of the Legislative Assembly and the people of Ontario. It is my hope that this continues to be the case in the future.



Bonnie Lysyk  
Auditor General of Ontario

# Special Report on Laurentian University

## 1.0 Summary

In response to years of financial deterioration, Laurentian University (Laurentian or University) made an extraordinary announcement on February 1, 2021. Instead of working with the government to secure monetary assistance, the publicly funded University declared it had chosen to seek creditor protection under the *Companies' Creditors Arrangement Act* (CCAA). By doing so, the Sudbury-based university became the first public university in Canada to attempt to restructure its operations using a process designed as a last resort for private companies.

The decision had swift and harsh repercussions. Laurentian eliminated 76 of its programs—affecting the academic and career plans of an estimated 932 students—and ended long-held agreements with three federated universities in the Sudbury area. It terminated 195 staff and faculty with little notice and severance, and was able to bypass provisions in its collective labour agreements to effectively terminate more-senior employees and clear a number of long-standing union grievances. Laurentian's chosen path was also costly, leading to tens of millions of dollars in fees paid for private sector financial advisors and lawyers.

In addition, terminating its agreement with the federated universities also resulted in the University of Sudbury terminating 96 of 104 employees, Thorneloe University terminating 34 of 40 employees, and Huntington University terminating 16 of 29 of its employees.

Therefore, a total of 146 employees of the federated universities also lost their jobs.

The longer-term implications of the CCAA filing are still playing out. The loss of jobs and students will undoubtedly affect the economy of Sudbury, where Laurentian is one of the largest employers. The use of CCAA proceedings could make it more difficult for Ontario universities to acquire debt, or to hire and retain faculty. Quantifying the reputational damage to Laurentian has been more difficult, but one development was telling: as of mid-January 2022, high school student applications to Laurentian had dropped by nearly 44%.

The events at Laurentian raised some significant questions about the governance of post-secondary institutions in Ontario. Among them: How did a respected, taxpayer-funded university end up in such dire financial circumstances? And was its use of the CCAA process an appropriate response? In light of these and other questions, the Standing Committee on Public Accounts (Committee) of the Legislative Assembly unanimously passed a motion on April 28, 2021 requesting that our Office conduct a special audit on Laurentian's operations for the 2010–2020 period. During discussion on the motion, the Committee indicated that it wanted our Office to examine what led Laurentian into the CCAA process, bring transparency to the situation, and identify lessons learned to “ensure something like this does not happen in another academic institution.”



We initiated our work on May 14, 2021. Because Laurentian is a broader public sector institution that receives significant provincial government funding—about \$80 million a year, representing over 40% of its revenue—there is an expectation from the public that it provide transparency and accountability about its finances and activities. Despite that, Laurentian’s President and Board of Governors (Board), guided by external legal counsel, implemented unprecedented restrictions on our access to information.

Those restrictions, and an unprecedented legal pushback from Laurentian that included a challenge to the *Auditor General Act* (which is under appeal), significantly delayed our work.

Our Office published an interim report, *Preliminary Perspective on Laurentian University*, in April 2022 to provide the Standing Committee with a summary of our observations ahead of the dissolution of the Legislature for the June 2 general election.

This report updates and builds on the *Preliminary Perspective* by providing a robust overview of our findings to date. Among our principal conclusions:

- While Laurentian was adversely affected by external factors such as tuition freezes and the COVID-19 pandemic, we determined that the primary cause of the University’s financial deterioration from 2010 to 2020 was its pursuit of poorly considered capital investments. It proceeded with expansion projects that led to the assumption of more than \$87 million in debt without procedures in place requiring senior administrators to make a reasonable assessment of the value and viability of the plans. In the face of its growing debt, Laurentian amended its internal debt policy to allow it to incur even more debt for capital. And when its primary lender declined to provide more long-term debt, Laurentian sought short-term lines of credit to fund its capital expansion.
- As its access to traditional sources of cash dwindled, the University started to access over \$37 million that had been restricted for other purposes, such as money designated for research projects and employees’ retirement health benefits. This improper use of restricted funds was partly obscured by the fact the administration inappropriately labelled the use of the funds “internal financing,” and because it did not follow best practices to segregate the restricted funds into separate bank accounts.
- This poor management was allowed to continue in large part because of weak oversight by Laurentian’s then Board of Governors (Board). It lacked key operational and governance practices and expertise, and allowed transparency to decline. For its part, the Ministry of Colleges and Universities (Ministry), which is the primary government body responsible for monitoring the financial health of post-secondary institutions, did not proactively intervene in a timely manner to provide guidance to help Laurentian slow—or ultimately respond to—its worsening financial deterioration.
- Laurentian’s leadership had suggested publicly that a significant cause of its financial decline was “excessive faculty costs.” But our review found that Laurentian’s overall faculty costs did not significantly surpass those of comparable universities, and that its overall academic programming had positively contributed to the University. We did, however, find that high senior administrator salaries and expenses and inappropriate human resources practices negatively impacted Laurentian’s financial picture. Further, the University’s hiring process lacked transparency and raised concerns of fairness. We also found that select senior administrators were given access to \$2.4 million in discretionary expense accounts without a policy outlining what these funds could be spent on.
- In our view, despite its circumstances, Laurentian did not have to file for CCAA creditor protection. As its financial situation grew increasingly dire, the University could have followed the broader public sector precedent by making comprehensive and clear efforts to seek financial assistance from the Ministry, such as North Bay-based Nipissing University had done

in 2014. Instead, Laurentian focused on advocating to elected officials and their staff, on the advice of external consultants. In August 2020, Laurentian raised the potential of CCAA to the Minister of Colleges and Universities but did not clearly define how much financial assistance was required from the Province to avoid a CCAA filing. An explicit request for \$100 million in funding to the Ministry was not made until December 2020, at which point the timeline for intervention was short, especially for such a significant ask. Had it sought to work earlier and more transparently with Ministry staff, had it not prematurely paid off its line of credit in 2020, and had it accepted the temporary funding assistance that the Province ultimately offered, Laurentian would have had sufficient time for its financial situation to be reviewed jointly with the Province and a go-forward plan put in place.

- In our view, despite its other options, Laurentian strategically planned and chose to take steps to file for CCAA creditor protection, first presented by external legal counsel in mid-2019. Then in March 2020, nearly a year before it filed, the University engaged these same lawyers and other consultants to explore strategic options, but the primary focus was always on filing for CCAA protection. In our view, Laurentian's actions in this regard were significantly influenced by these external parties. The costs were significant. As of September 12, 2022, the University had incurred legal and other financial consultant fees associated with its insolvency of more than \$30 million. Filing for CCAA also resulted in a breach of its debt agreements at an associated potential cost of \$24.7 million.
- The University's contract with the Laurentian University Faculty Association (LUFA) contains a financial exigency clause, designed to deal with dire financial circumstances. Triggering this clause—which is in most university faculty labour contracts in Canada—would have required senior administration to work in

partnership with LUFA to address Laurentian's financial situation. In 2020, LUFA requested that Laurentian's senior administration trigger this clause and provide it with additional information on the University's finances. Laurentian's senior administration intentionally delayed providing information and did not trigger the clause. Instead, senior administration, with Board approval, chose to use CCAA protection, starting a process that diverted more money to external advisors through professional fees, was less transparent, and likely has had, and will continue to have, a larger negative impact on students, faculty, the community of Sudbury and the University's reputation.

## Overall Conclusion

Although Laurentian's operations were impacted by several external factors, the main cause of its financial decline from 2010 to 2020 was its poorly planned and costly capital expansion and modernization. As the University began to amass more than \$87 million in debt to pay for this capital expansion, the senior administration exacerbated the situation by making a series of questionable financial and operational decisions, including amending its internal policies to allow it to incur even more debt and increasing its senior administration's costs. The poor management of the University's financial affairs and operations was allowed to continue because of weak Board governance and Ministry oversight.

Laurentian did not have to file for CCAA protection in response to its financial decline. Instead of following precedent and making a robust effort to secure government assistance to build an effective go-forward plan or work transparently with its unions, Laurentian, on the advice of external counsel, chose to file for creditor protection under CCAA. That choice led to significant repercussions for the publicly funded University, including the elimination of academic programs, job reductions, substantial additional costs, and a loss of transparency.

## Overall Recommendations

One objective of this Special Report is to provide guidance that Laurentian, their stakeholders and other universities can use to build and maintain a strong financial foundation going forward. With that in mind, this report contains 74 recommendations. See **Appendix 1** for recommendations for Laurentian's administration, **Appendix 2** for Laurentian's Board, and **Appendix 3** for the Ministry of Colleges and Universities and the Office of the Integrity Commissioner of Ontario.

Whatever steps are taken going forward, policy makers should keep in mind that universities are crucial institutions that promote social and economic progress in democratic societies. They thrive when they are allowed to maintain a high degree of academic independence; this is an important, centuries-old tradition that those in academia believe should be strenuously upheld in Ontario.

While, for these reasons, universities differ from other broader public sector institutions, they are also recipients of substantial financial support from the Province and have specific transparency and accountability requirements. Mechanisms need to be set up that respect universities' academic independence but also prevent them from falling so deep into financial distress that the situation negatively affects students, faculty and staff.

When a university fails to meet certain financial sustainability metrics, the Ministry should be able to proactively intervene to more thoroughly assess the institution's finances and identify opportunities where it can help. The Province should consider formalizing the Ministry's prerogative to appoint a supervisor to help a university when there are serious sustainability concerns, and to set limits on deficits, borrowings and major capital expenditures, as is done in other Canadian provinces.

Equally important, if a government or community imposes specific academic requirements or a tuition freeze on a university, public officials have a responsibility to assess whether funding continues to be sufficient for the university both to fulfil its mandates

and remain true to its core values. This is particularly true for Northern Ontario universities given the unique challenges they face and their importance to the large regions they serve.

Ontario should consider the types of legislated limits on university deficits, borrowing and major capital expenditures found in other provinces. In Nova Scotia, for instance, the government introduced the *Universities Accountability and Sustainability Act* in 2015 in response to instances of post-secondary institutions experiencing financial difficulties. This act serves to identify and correct financial difficulties before they become emergencies.

Whatever model Ontario chooses, annual funding should be dependent on each university demonstrating to the Ministry that it has fully functioning governance structures in place. For instance, the board of each institution should have and follow clear ground rules that stipulate how it oversees its university's activities. Boards have a fiduciary duty to oversee financial operations; they should use their powers transparently to challenge and guide their university's senior administrators and policies.

### LAURETIAN'S OVERALL RESPONSE

Laurentian University appreciates the opportunity to comment on the report of the Office of the Auditor General of Ontario concerning the University's decision to file for creditor protection under the *Companies' Creditors Arrangement Act*. The University is cognizant of the time and effort that the Auditor General has undertaken to understand the context that underpinned the University's decision, and the decade or more of circumstances and decisions that led to the University's financial deterioration. The University hopes the valuable lessons learned from the Auditor General's review will benefit all of the higher education sector and other public sector institutions.

The University agrees with the recommendations in the report, and it looks forward to working co-operatively with the Auditor General, the Government of Ontario, (in particular the Ministry of

Colleges and Universities), to implement and operationalize the recommendations.

## THE MINISTRY'S OVERALL RESPONSE

The Ministry appreciates the Auditor General's review of Laurentian University's financial situation.

The Ministry is committed to its financial oversight of publicly assisted universities with the goal of ensuring a continued strong post-secondary system.

The Ministry will use the recommendations provided by the Auditor General to examine the risks and recommendations outlined in this report and take appropriate actions. As an immediate step, the Ministry is putting in place a new, robust process for assessing the financial health of universities and, in addition, will take appropriate measures to work with any institution that is facing financial concerns.

As part of this, the Ministry will:

- work with Laurentian to ensure strong leadership is in place to support it on its path to financial sustainability;
- obtain timely information to assess a university's financial situation, including appropriate benchmarks and thresholds for financial metrics/ratios;
- review reporting requirements and policies to determine if improvements can be made to ensure that Ministry funding is used for its intended purpose;
- consider the recommendations in this report in the development and implementation of future funding models; and
- consider future policy decisions in the context of broader financial impacts on institutions.

The Ministry continues to work with Laurentian to support it on its path to sustainable operations and its emergence from the CCAA process. As a condition of CCAA plan implementation, Laurentian is entering into a long-term exit loan agreement with the Province. This agreement includes stringent

conditions to support Laurentian's accountability, transparency, and financial discipline.

The Ministry thanks the Auditor General for her recommendations and collaboration with the Ministry throughout the course of this review.

## THE OFFICE OF THE INTEGRITY COMMISSIONER OF ONTARIO'S OVERALL RESPONSE

The Office of the Integrity Commissioner will take the recommendations under advisement subject to the limitations of the *Lobbyists Registration Act, 1998*.

## 2.0 Background

### 2.1 Laurentian University

Located in Sudbury, Laurentian University (Laurentian or University) is one of 23 taxpayer-funded public universities in Ontario. Created in 1960 through the *Laurentian University of Sudbury Act, 1960* (Laurentian Act), the University is a bilingual institution offering courses in English and French, and has had a strong focus on Indigenous studies.

Laurentian is one of the primary post-secondary organizations serving Northern Ontario, and has been one of Sudbury's largest employers. As of December 30, 2020, prior to insolvency proceedings, Laurentian employed approximately 1,751 people, of which 758 were full-time employees and the rest fixed-term, part-time and student employees. As a result of the University's financial restructuring under the *Companies' Creditors Arrangement Act* (CCAA), Laurentian eliminated 195 positions at the University in April 2021: 116 faculty and 79 staff and senior administrators.

About half of Laurentian's staff members are unionized employees who support the University's operations (for example, clerical and secretarial employees, laboratory technicians, computer staff, and maintenance personnel). Laurentian's administrative

**Figure 1: Number of Full-Time Equivalent Students Enrolled in French Programming Each Fall Semester, 2010–2021**

Source of data: Laurentian University

	Domestic			International			Combined Total
	Undergraduate	Graduate	Domestic Total	Undergraduate	Graduate	International Total	
2010	1,048.9	37.0	1,085.9	10.8	1.0	11.8	<b>1,097.7</b>
2011	1,031.6	36.7	1,068.3	13.0	1.0	14.0	<b>1,082.3</b>
2012	993.2	37.1	1,030.3	11.9	0.0	11.9	<b>1,042.2</b>
2013	960.1	53.2	1,013.3	14.0	0.0	14.0	<b>1,027.3</b>
2014	1,031.5	67.2	1,098.7	19.9	0.0	19.9	<b>1,118.6</b>
2015	925.7	67.9	993.6	28.5	1.0	29.5	<b>1,023.1</b>
2016	1,003.9	62.9	1,066.7	33.1	2.0	35.1	<b>1,101.9</b>
2017	1,049.7	53.4	1,103.1	35.5	2.0	37.5	<b>1,140.6</b>
2018	1,084.8	52.6	1,137.4	45.9	4.0	49.9	<b>1,187.3</b>
2019	1,137.8	59.9	1,197.7	61.7	4.0	65.7	<b>1,263.4</b>
2020	1,179.5	63.5	1,243.0	77.1	3.0	80.1	<b>1,323.1</b>
2021	1,009.2	65.9	1,075.1	64.1	3.0	67.1	<b>1,142.2</b>

staff also includes non-unionized employees, such as managers and directors, and senior administrators such as Associate or Assistant Vice-Presidents, a Registrar, the University Secretary and General Counsel, and designated executives (such as the Vice-Presidents and President).

Before CCAA restructuring, Laurentian offered degrees through six faculties: Arts; Education; Health; Management; Science, Engineering and Architecture; and the Faculty of Graduate Studies. However, the number of faculties was consolidated into four through its restructuring under the CCAA: Arts; Education and Health; Management; Science, Engineering and Architecture. About 8,200 domestic and international undergraduate students (or 6,250 full-time equivalents) were enrolled in the fall of 2020, while the graduate program had approximately 1,100 domestic and international graduate students (or 830 full-time equivalents) at that time. Generally, half of Laurentian's students have been from Northern Ontario. As of the fall of 2021, 19% of its total student population studied in French (**Figure 1**) and approximately 5% of students were registered for Indigenous programs (**Figure 2**).

Universities in Ontario are increasingly relying on revenue from international students, who can be charged higher tuition than domestic students. At Laurentian, international student enrolment grew on average 3.9% annually between 2010/11 and 2020/21, averaging 550 international students and generating \$9.3 million in tuition revenue. Laurentian's fiscal year is from May 1 to April 30.

However, between 2016/17 and 2018/19 Laurentian experienced successive declines in international enrolment and a corresponding reduction in revenue. International student enrolments declined from a high of 600 and \$10.9 million in tuition revenues in 2015/16 to 434 and \$9.7 million in 2018/19. In 2018/19, Laurentian lost 130 students from Saudi Arabia. These students would have paid an estimated \$3 million in tuition revenues and ancillary fees over the full length of their degrees. In 2019/20 and 2020/21, enrolment of international students had returned to pre-2018/19 levels (see **Figure 3**).

**Figure 2: Number of Full-Time Equivalent Students Enrolled in Indigenous Programming Each Fall Semester, 2010–2021**

Source of data: Laurentian University

	Domestic			International			Combined Total
	Undergraduate	Graduate	Domestic Total	Undergraduate	Graduate	International Total	
2010	54.0	0.0	54.0	0.0	0.0	0.0	<b>54.0</b>
2011	64.2	0.0	64.2	0.0	0.0	0.0	<b>64.2</b>
2012	66.0	0.0	66.0	0.0	0.0	0.0	<b>66.0</b>
2013	82.8	0.0	82.8	0.0	0.0	0.0	<b>82.8</b>
2014	103.4	9.0	112.4	0.0	0.0	0.0	<b>112.4</b>
2015	136.0	10.6	146.6	0.0	0.0	0.0	<b>146.6</b>
2016	150.0	13.9	163.9	0.0	0.0	0.0	<b>163.9</b>
2017	180.9	15.9	196.8	0.0	0.0	0.0	<b>196.8</b>
2018	225.5	17.5	243.0	0.0	1.0	1.0	<b>244.0</b>
2019	264.9	17.9	282.8	0.0	1.0	1.0	<b>283.8</b>
2020	357.3	14.2	371.5	0.8	1.0	1.8	<b>373.3</b>
2021	343.7	8.5	352.2	0.8	0.0	0.8	<b>353.0</b>

**Figure 3: Number of Full-Time Equivalent Students Enrolled Each Fall Semester, 2010–2021**

Source of data: Laurentian University

	Domestic			International			Combined Total
	Undergraduate	Graduate	Domestic Total	Undergraduate	Graduate	International Total	
2010	6,326.9	425.4	6,752.3	278.4	89.9	368.3	<b>7,120.6</b>
2011	6,438.7	433.0	6,871.7	313.4	107.8	421.2	<b>7,292.9</b>
2012	6,326.3	417.9	6,744.2	350.0	113.5	463.5	<b>7,207.7</b>
2013	6,240.0	457.3	6,697.3	358.4	119.9	478.3	<b>7,175.6</b>
2014	6,241.5	474.6	6,716.1	377.4	114.8	492.2	<b>7,208.3</b>
2015	6,227.8	511.7	6,739.5	400.8	105.1	505.9	<b>7,245.4</b>
2016	6,206.9	535.2	6,742.1	392.5	87.2	479.7	<b>7,221.9</b>
2017	5,891.8	519.5	6,411.3	398.6	85.9	484.5	<b>6,895.9</b>
2018	5,818.0	569.8	6,387.8	267.5	102.3	369.8	<b>6,757.6</b>
2019	5,769.6	590.4	6,360.0	313.0	160.5	473.5	<b>6,833.6</b>
2020	5,929.9	638.4	6,568.3	329.9	191.5	521.4	<b>7,089.7</b>
2021	4,958.6	554.3	5,512.9	289.6	192.9	482.5	<b>5,995.4</b>

### 2.1.1 Federated Universities

Laurentian has had relationships with three independent, federated universities in Sudbury: the University of Sudbury, Thorneloe University, and Huntington University. Prior to 1960, Northern Ontario had few resources to teach students at the post-secondary level; three churches had created universities to provide education. However, because religious-affiliated universities are not eligible for direct funding from the Ontario government, the three churches agreed to establish a bilingual, non-denominational university, which would become Laurentian. In 1960, the Ontario government established Laurentian at its current campus and all three universities entered into federation agreements with Laurentian.

These federated universities were funded primarily through Laurentian. In 2019/20, for example, Laurentian transferred a net payment of \$7.7 million for their delivery of courses to Laurentian students, offset by administrative service fees paid to Laurentian. For all intents and purposes, the schools were integrated with Laurentian, though each was separately governed and managed their finances independently.

As part of the CCAA process, Laurentian terminated its agreements with the federated universities on April 1, 2021. The move, which became effective May 1, 2021, meant the federated universities were no longer able to receive funding, and no longer able to offer courses.

## 2.2 Ministry Oversight and Funding

### 2.2.1 General Oversight

The Ministry of Colleges and Universities (Ministry) is responsible for establishing policy and program direction, and for providing financial support to public post-secondary education institutions. The Ministry's general oversight activities include monitoring:

- enrolment and tuition compliance reporting;
- financial health performance indicators against internal Ministry benchmarks;
- compliance with relevant transfer payment agreements or equivalent, for individual grant programs; and
- executive compensation.

The Ministry is also supposed to tie accountability provisions to funds provided through transfer payment agreements it signs with universities. These agreements are to require the university receiving taxpayer funds to report back on their use. The information reported can vary depending on the purpose of the funds and can include expenditures used under the agreement, detailed descriptions of key activities and programs supported with the funds, and associated measurable outcomes.

### 2.2.2 Capital and Operating Funding

The Ministry provides two types of funding to post-secondary institutions in Ontario: capital funding and operating funding. **Figure 4** shows the capital and operating funding from the Ministry to all universities and Laurentian from 2009/10 until 2020/21.

Capital funding is used largely for equipment and facilities construction or renewal, and to support deferred maintenance. The Ministry provides this through individual funding agreements with universities.

The operating funding is adjusted based on changes in international student enrolment. From 2013/14 to 2019/20, international student enrolment increased 123% in Ontario. This resulted in the reduction of operating funding for Ontario universities increasing more than fivefold, from \$10 million to \$55 million by 2020/21.

## 2.3 Laurentian's Governance

Like nearly all Ontario universities, Laurentian has a Board of Governors and a Senate. **Appendix 4** shows this bicameral governance structure common in universities throughout Ontario and Canada.

### 2.3.1 Board of Governors

The Board is responsible for the overall governance and financial management of the University. Through the *Laurentian University of Sudbury Act (Act)*, the Board can set salaries for all employee groups and appoint and dismiss the University's President and

**Figure 4: Ministry of Colleges and Universities Capital and Operating Funding to Universities for the Years Ending April 30, 2009/10–2020/21 (\$ million)**

Sources of data: Ministry of Colleges and Universities and Public Accounts of Ontario

Year	All Universities			Laurentian			Ministry Funding as a % of Revenues
	Operating	Capital	Total	Operating	Capital*	Total	
2009/10	3,214.2	95.1	3,309.3	69.9	3.4	73.3	49.6
2010/11	3,315.0	104.7	3,419.7	72.9	3.5	76.4	48.3
2011/12	3,410.2	83.1	3,493.3	74.8	0.9	75.7	48.1
2012/13	3,479.3	111.6	3,590.9	72.6	1.2	73.8	45.9
2013/14	3,539.0	155.2	3,694.2	73.8	6.9	80.7	47.2
2014/15	3,505.9	167.8	3,673.7	73.1	8.4	81.5	46.4
2015/16	3,517.8	223.9	3,741.7	73.5	8.2	81.7	45.6
2016/17	3,551.9	132.1	3,684.0	75.6	9.8	85.4	45.3
2017/18	3,613.9	153.6	3,767.5	75.2	10.3	85.5	43.7
2018/19	3,649.8	130.5	3,780.3	75.5	5.6	81.1	41.6
2019/20	3,733.5	53.4	3,786.9	81.0	3.1	84.1	42.6
2020/21	3,678.9	90.0	3,768.9	74.9	2.5	77.4	39.6
<b>Average/year</b>	<b>3,517.5</b>	<b>125.1</b>	<b>3,631.1</b>	<b>74.4</b>	<b>5.3</b>	<b>79.7</b>	<b>45.3</b>
<b>Total</b>	<b>42,209.4</b>	<b>1,501.1</b>	<b>43,710.5</b>	<b>892.8</b>	<b>63.7</b>	<b>956.5</b>	<b>-</b>

\* Includes federal funding provided to Laurentian through the Post-Secondary Institutions Strategic Investment Fund, which is administered through the Ministry of Colleges and Universities.

Vice-Chancellor (President), Vice-Presidents, as well as the heads and associate heads of faculties, departments and colleges.

In March 2022, changes to the Act reduced the Board to 16 members. Before the change, Laurentian's Board had 25 members and its by laws allowed for additional non-voting members, of which there were 11. Members serve for terms of one to three years. The Act permits members to be re-elected or re-appointed after their term ends, and Laurentian's by laws limit them to serve a maximum of four consecutive terms (12 years), unless appointed as Board Chair or Vice-Chair.

The Act also states that five voting members are to be named to the Board through Lieutenant Governor in Council appointments for three-year terms. This

remained unchanged as a result of the March 2022 legislation. Candidates could be nominated by Laurentian, the Minister's Office, the Premier's Office, or interested members of the public could self-nominate online.

The Act requires that the Board elect one of its members to be Chair and one to be Vice-Chair. The voting members are typically external to Laurentian, with the exception of the President and two student association representatives.

The Act is silent on compensation for serving on the Board and historically all members have served without compensation, on a volunteer basis. The members, years served, and committee and other Board roles, as of March 31, 2020, are shown in **Appendix 5**.



## Committees of the Board

Between 2009/10 and 2019/20, Laurentian's Board had nine Standing Committees and two Ad Hoc Committees in place at various times that were intended to do the following:

- **Executive Committee:** review matters related to Board governance; among its other roles, advise the Chair of the Board and the President, and review staff changes, health and safety matters, and legal matters.
- **Nominating Committee:** meet in camera, make recommendations for membership or renewal of term for Board members, and make recommendations for key Board positions, such as the Chair of the Board.
- **Audit Committee:** review and recommend the appointment of an external auditor, meet with the external auditor to discuss the scope of the audit and final audit report, then recommend approval of the audited financial statements. The Committee was to meet annually with the senior administrators to discuss operational risks facing the University and mitigation measures.
- **Finance Committee:** review the finances of the University and ensure that any proposals regarding University funds are founded on sound financial considerations.
- **Property Development and Planning Committee:** monitor, evaluate and make recommendations to the Board related to land and immovable property, such as buildings. Responsibilities included campus planning and development proposals related to the construction and renovation of buildings, acceptance of donations of property, disposal of properties, appointment of architects, engineers and other consultants, and the long-term planning of Laurentian's real estate portfolio.
- **Senior Management Review and Compensation Committee:** meet in camera and present recommendations to the Board about salaries for Laurentian's President and Vice-Presidents, as well as any salary adjustments or one-time performance-related payments. It also was to conduct annual performance reviews and set and approve, on behalf of the Board, the President's performance goals for the upcoming fiscal year.
- **Staff Relations Committee:** exercise the powers of the Board on any matters related to the negotiation and administration of agreements with any group of faculty or staff. The Board is to ratify any agreements made by the Committee.
- **Research Ethics Board Liaison Committee:** govern the research activities performed at Laurentian to ensure they comply with fundamental ethical principles.
- **Joint Committee on Bilingualism:** evaluate Laurentian's progress on implementing its policy on bilingualism and promoting bilingualism.
- **Ad Hoc Governance Committee (2010–May 2011):** to bring clarity and focus to the current Board and Standing Committee practices at the time, and address longstanding governance issues. It was established by a Board resolution passed on June 18, 2010.
- **Ad Hoc In Camera Committee on Contingency Planning (2020–December 2021):** established to discuss and prepare for Laurentian's filing for CCAA protection and consider alternatives. It was established by a Board resolution on November 12, 2020.

See **Appendix 6** for the Chair and Vice-Chair positions of the Board and committees responsible for overseeing activities discussed in this report.

### 2.3.2 Senate

The President of Laurentian is also the Chief Executive Officer and Chairman of the Senate, supervising both the direction of academic work and the general administration of the University. Laurentian's Senate is responsible for the University's educational policy, but requires approval from the Board to spend funds and establish facilities (for example, classrooms or buildings) for academic matters. The Senate's responsibilities also include creating schools, institutes, departments, research chairs and courses of

instruction. The Senate can create regulations for admitting students, courses of study and graduation. According to current Senate bylaws, the Senate must be composed of 84 individuals made up of 33 voting and non-voting members who are ex officio (who hold the position based on their status from another position), and 51 elected student and faculty voting members.

### 2.3.3 Strategic Planning at Laurentian

Laurentian's strategic planning for its finances and operations are segregated into multiple areas. These plans are developed by administration and faculty, and are approved by the Board or Senate. Laurentian segregates its strategic planning in operations, budgets and long-term direction.

- The Strategic Plan provides the long-term guiding direction for the University, including financial management, operational activities and educational policy. It is the primary planning document and is considered in the preparation of financial plans. The Strategic Plan is prepared by a University employee reporting to the President and is approved by the Board.
- The Academic Plan builds upon objectives in the Strategic Plan and guides academic decision-making. It considers enrolment, importance of a program to the University's mission, and the ability to offer a program. The Academic Plan is developed by a Senate subcommittee and approved by the Senate.
- The Strategic Research Plan builds on the Strategic Plan and is intended to guide research spending and help procure research grants. It is prepared by a Senate subcommittee and approved by the Senate.

Financial Plans include the annual operating budget and multi-year financial plan. These plans outline the University's short- and long-term spending. They are prepared by the administration based on the Strategic Plan, Academic Plan and Strategic Research Plan, and are approved by the Board.

Capital Plans are meant to guide decision-making for capital projects, but are not considered in annual

budgets. The plans are prepared by Laurentian's facilities staff and are approved by the Board.

## 2.4 Laurentian's Senior Administrators

Laurentian's senior administrators are executive-level employees that lead the institution's operation. University senior administrative teams are generally defined by Ontario universities as positions including president, vice-president, associate/assistant vice-president, general counsel, registrar, university secretary and university librarian. Between 2009/10 and 2019/20, Laurentian had a number of senior administrator positions responsible for key areas. These included:

- **President and Vice-Chancellor (President)**—The Chief Executive Officer of the University accountable to the Board for providing overall leadership in support of the Board-approved strategic direction of the University.
- **Vice-President, Academic and Provost**—Reports to the President and is accountable for academic administration, planning and development at the University. Serves as Acting President in the President's absence. Has oversight of the Registrar and student recruitment.
- **Vice-President, Administration**—Reports to the President and is the most senior non-academic administrator at the University. Serves as Acting President in the absence of both the President and the Vice-President, Academic and Provost. Has financial, human resources, physical, and technology functions and responsibilities. Oversees the budget and financial duties, and prepares management strategies on issues of financial risk.
- **Vice-President, Research**—Serves as primary spokesperson for the University on research matters and policy, and is responsible for providing leadership for the full spectrum of research activities. Has oversight of developing and enhancing relationships with external research organizations and funding agencies, including other post-secondary institutions.

- **Registrar and Secretary of Senate**—Responsible for overseeing the University’s academic operations by maintaining all students and academic records, approving curriculum, and maintaining course schedules. Also responsible for the accuracy of student and Senate records, and serving as the chief custodian of the integrity of academic programs.
- **Secretary and General Counsel**—Reports to the President and receives direction from the Chair of the Board. Responsible for overseeing the delivery of all in-house legal services, providing legal and governance advice, and engaging and overseeing the work of external legal counsel. Also, handles *Freedom of Information and Protection of Privacy Act* requests submitted to the University, and maintains the University’s records, including ensuring proper minutes and records of all Board and Committee meetings.
- **Associate Vice-President, Human Resources and Organizational Development**—Responsible for overseeing the recruitment, retention and termination of non-faculty employees. Oversees all other components of staffing, including benefits, raises and promotions, workplace complaints such as harassment, and compliance with employment-related legislation. Oversees the staff responsible for maintaining working relationships and handling grievances with the University’s labour unions.
- **Associate Vice-President, Financial Services**—Reports to the Vice-President, Administration, and is responsible for managing Laurentian’s financial operations by supervising its finance unit and the preparation of budgets, financial statements, management of payroll and the payment of other financial obligations.
- **Associate Vice-President, Facilities Services**—Reports to the Vice-President, Administration, and is responsible for overseeing the development and maintenance of the University’s land and infrastructure and capital plans, including the facilities’ operating and maintenance needs.
- **Associate Vice-President, Student Life, Enrolment Management and International**—Reports to the Vice-President, Academic and Provost. Responsible for overseeing the institutional planning unit and enrolment projections, promoting enrolment growth, recruiting international students, and overseeing recreation, health and wellness-related student services.  
See **Appendix 7** for the senior administration, and **Appendix 8** for the senior administrators responsible for overseeing activities discussed in this report.

### 2.4.1 Unions and Associations

Laurentian has two main labour unions with collective bargaining agreements: the Laurentian University Faculty Association (LUFA) and the Laurentian University Staff Union (LUSU). LUFA represents faculty and staff, and LUSU represents other employees including clerical, technical, administrative, service and security staff.

Laurentian is a member of the Council of Ontario Universities, and Laurentian staff are members of the Ontario Confederation of University Faculty Associations, which represents faculty and academic librarians.

Laurentian collects student fees on behalf of students’ associations as part of its regular student billing process. Students’ association fees are then distributed to the respective student associations. Laurentian’s students have four students’ associations:

- **Association des étudiantes et étudiants francophones**—represents the interests of francophone students on campus.
- **Graduate Students Association**—provides advocacy and student services to its graduate student members.
- **Indigenous Students Circle**—works to support the academic endeavours of its members by promoting Indigenous culture.
- **Students General Association (SGA)**—as the largest bilingual undergraduate association at Laurentian, SGA provides undergraduate

students with representation and services. It is a member of the Ontario Undergraduate Student Alliance.

Another student association is the Canadian Federation of Students, a national organization which lobbies the federal and provincial governments and represents over 350,000 student members in Ontario.

### 3.0 Review Objective and Scope

On April 28, 2021, the Standing Committee on Public Accounts (Committee) unanimously passed a motion requesting that the Office of the Auditor General conduct a value-for-money audit on Laurentian University's operations for the period of 2010 to 2020. During the discussion on the motion, the Committee indicated that they wanted the audit to examine what happened to lead Laurentian to enter the *Companies' Creditors Arrangement Act* (CCAA) process, to bring transparency to the situation, and to identify lessons learned. The Committee also identified that it would like the audit to look forward and "ensure something like this does not happen in another academic institution elsewhere."

Our Office accepted this assignment under section 17 of the *Auditor General Act*, which states that the Committee can request the Auditor General to perform a special assignment. Because of the historical reach of the request, coupled with the desire to be forward-looking, the Committee provided the Auditor General with discretion on the scope of the audit.

We commenced our work with the intention of providing an audit level of assurance. Unfortunately, given the extensive constraints we faced in obtaining unfettered access to all information (privileged and non-privileged), and the inability to talk freely and openly with certain present and past employees of the University, an audit level of assurance cannot be provided. However, we have conducted our work to enable a review level of assurance, and will refer to our work as a review of Laurentian University.

Our work focused on the University's operational and financial processes and decisions, and the surrounding circumstances that led to the financial

deterioration of Laurentian and its CCAA filing. Our office is a regulatory body under the CCAA and, with respect to our examination of Laurentian, not bound by the court order that stayed proceedings against the University. Guided by the Committee motion and discussions surrounding it, we identified the areas we would examine. Our work looked at financial areas such as capital expenditures, payroll, cash flow, banking, debt financing, external audit work, compliance with funding agreements and Laurentian's use of research funds. We also reviewed the areas of hiring, grievances, enrolment, academic programming and board governance. **Appendix 9** lists these areas.

Further, we assessed whether the Ministry of Colleges and Universities (Ministry) had effective oversight procedures in place to monitor the financial viability of Laurentian, and, more generally, universities in Ontario. We also reviewed what actions were taken to confirm that Laurentian was using funds in accordance with legislation, contractual agreements and Ministry policy. As part of this work, we reviewed the interactions and communication between the Ministry and Laurentian during the period leading up to Laurentian's decision to file for CCAA protection. This period was from March 2020 to February 1, 2021.

A portion of our work was conducted at Laurentian in Sudbury. We also engaged the University, the Ministry and other stakeholders through video-conferencing and other forms of electronic communication. We met with and interviewed current and past staff, faculty and Board of Governors and Senate members. We also met with stakeholders and community groups, including representatives of the:

- City of Greater Sudbury
- Council of Ontario Universities and affiliates
- Universities Canada
- Laurentian Union Faculty Association (LUFA)
- Laurentian University Staff Union (LUSU)
- Ontario Confederation of University Faculty Associations (OCUFA)
- Assemblée de la francophonie de l'Ontario (AFO); and
- the former federated universities of Laurentian: Huntington University, Thorneloe University, and the University of Sudbury.

In addition, we reviewed relevant research and best practices in university governance, oversight, operations and financial reporting from other Canadian provinces.

Our work did not consider whether the elimination of French-language programs at Laurentian contravened the *French Language Services Act*. The French Language Services Commissioner in the Ombudsman’s Office conducted a review on this issue and reported in April 2022, concluding that Laurentian had contravened the *French Language Services Act*.

All facts used in this report were provided for review and approval by Laurentian University. On April 8, 2022, the President and Vice-Chancellor provided written representation that we had been provided all information they were aware of that could impact the facts used in this report. The draft report was reviewed by relevant senior management and Board members, as identified by the Chair of the Board of Governors. On November 3, 2022, the Chair provided written representation that all information that could significantly affect the findings or the conclusions in this report have been provided to us, and that Laurentian understands the conclusions reached in the report and accepts all of the recommendations that apply to the University.

As part of our value-for-money process, we do not typically engage directly with an auditee’s external consultants, including external legal counsel, nor do we typically provide them with copies of draft reports for their review. We clear our reports directly with senior management and/or board members of the audited organization. However, the court appointed monitor and legal counsel under the CCAA process had extensive involvement into the months-long factual clearance process, and provided guidance to senior management throughout the course of our review.

We received written representation from the Ministry that as of October 31, 2022, they had provided us with all of the information they were aware of that could significantly affect the findings or the conclusions of this report.

### 3.1 Unprecedented Restrictions Limited Our Direct and Unfettered Access to Information and People

During our work, we encountered circumstances that limited our ability to obtain unfettered information about the financial and operational decisions made at Laurentian. A number of these limitations and their impacts are discussed throughout the report. We have an appeal pending before the Court of Appeal for Ontario resulting from Laurentian’s refusal to provide our Office with access to documents and information Laurentian claimed was privileged.

While poor record retention and lack of institutional knowledge at the University were impediments, the central obstacle to our work was caused by the University’s refusal to provide our office with direct, unfettered access to records and personnel. Laurentian refused to provide our Office information that its external legal counsel and the CCAA court monitor decided was subject to solicitor-client privilege, litigation privilege, and/or settlement privilege. In many instances, the University’s external legal counsel and the legal counsel for the CCAA court monitor also declined to provide non-privileged information, saying that to review documents to determine whether they contained privileged information would be too resource-intensive. Consequently, we did not obtain direct, unfettered or timely access to information during our review. Such a pervasive restriction on our work is unprecedented.

Another hurdle we faced was that Laurentian put in place communication and documentation protocols that discouraged University staff from speaking freely with us or providing our Office with unfettered access to information without fear of reprimand. These protocols created a culture of fear surrounding interactions with our Office which hampered our work. For instance, a former employee of the University refused to meet with our Office before written permission was provided by the University. The same individual did not feel comfortable answering even rudimentary questions typical in our interviews—such as “what are areas of improvement for the University?”—for fear of breaching privilege.

In order to meet the requests of the Standing Committee on Public Accounts, our Office made numerous attempts to have Laurentian reconsider its approach and remove these significant restrictions imposed on our work. Working pursuant to a request from the Committee, we advised the Committee of our difficulty in obtaining unfettered access to information and people. The Committee took its own steps to seek co-operation from Laurentian and the disclosure of significant and relevant information; see **Appendix 10**.

On December 9, 2021, the Legislative Assembly of Ontario voted unanimously to approve the issuance of rarely used Speaker's Warrants to obtain the information requested by the Committee.

We conducted our work and reported on the results of our review in accordance with the applicable Canadian Standards on Assurance Engagements—Direct Engagements issued by the Auditing and Assurance Standards Board of the Chartered Professional Accountants of Canada. We have conducted our work to enable a review level of assurance. The procedures performed in a review vary in nature and timing from an assurance engagement that obtains a reasonable level of assurance, such as an audit, and do not extend as far. As this is not an audit, we cannot provide as high a level of assurance as we could have if we had obtained unfettered access to current and former employees and information.

The Office of the Auditor General of Ontario applies the Canadian Standard on Quality Control and, as a result, maintains a comprehensive quality-control system that includes documented policies and procedures with respect to compliance with rules of professional conduct, professional standards and applicable legal and regulatory requirements.

We have complied with the independence and other ethical requirements of the Code of Professional Conduct of the Chartered Professional Accountants of Ontario, which are founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

## 4.0 Laurentian's Capital Expansion and Modernization Main Reason for Significant Financial Decline

From 2010 to 2020, financial indicators show that Laurentian's financial situation was deteriorating, with its expenses frequently surpassing revenues (see **Section 4.1**). One of the main reasons for that decline was the University's decision to expand and upgrade its facilities and programs in an attempt to increase enrolment, donations and research grants. Laurentian made those investments even though it faced financial difficulties that were evident before 2010 (see **Section 4.2**).

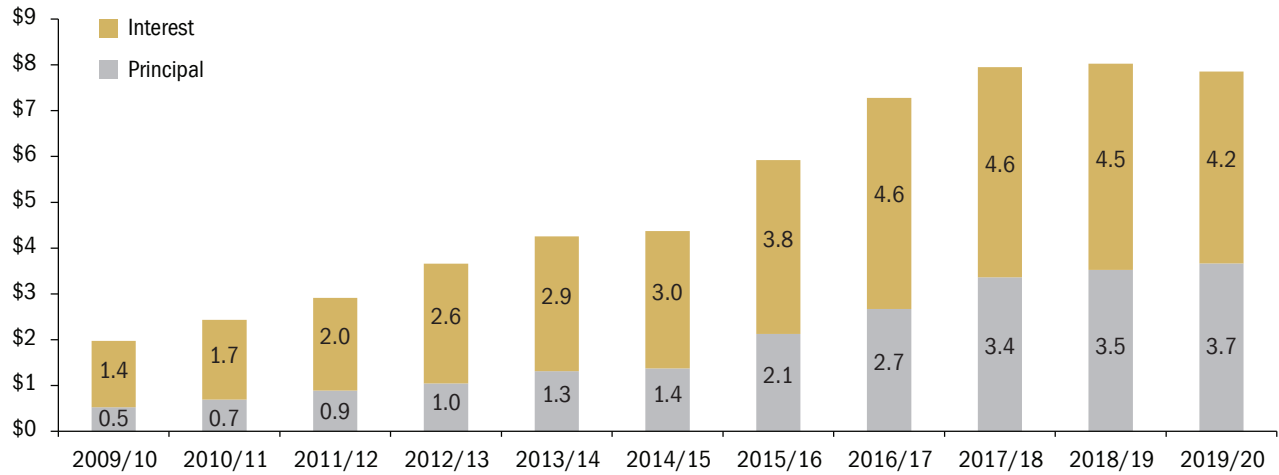
It appears Laurentian's Board and senior administration took a risky "build it and they will come" approach. We found no documentation showing the institution had a viable financial plan that addressed whether these major capital investments would be sustainable for the University, or whether each project could be reasonably expected to bring in enough revenue to cover on going operating costs, interest on debt and the paydown of the principal debt itself (see **Section 4.3**).

As its debt levels began to rise, the University amended its Capital Debt Policy in 2010 to make it less restrictive (see **Section 4.4**). Meanwhile, the significant capital investments did not effectively address the poor and deteriorating condition of Laurentian's buildings in the 2010–2020 period (see **Section 4.5**). In addition to the expansion on the main Sudbury campus, Laurentian was ultimately unsuccessful in maintaining expanded operations in the Barrie area (see **Section 4.6**).

See **Appendix 11** for the timeline of financial, operational and capital activities contributing to Laurentian's financial decline. **Figure 5** displays Laurentian's principal and interest payments between 2009/10 and 2019/20 and **Figure 6** shows the cumulative costs related to capital and operational decisions, and the external factors that negatively impacted the University's finances from 2009/10 to 2020/21.

**Figure 5: Principal and Interest Payments on Debt for the Years Ending April 30, 2009/10–2019/20 (\$ million)**

Source of data: Laurentian University



**Figure 6: Significant Factors Negatively Impacting Laurentian University's Financial Operations for the Years Ending April 30, 2009/10–2020/21**

Prepared by the Office of the Auditor General of Ontario

Costs Incurred	\$ million
Interest expenses and principal payments from the debt acquired to pursue its major capital expansion (Section 4.0)	56.7
Net impact of the Province's freeze on domestic tuition starting in 2019 (Section 4.1)	10.3
Salary expenses associated with the growth in its senior administration (Section 6.1)	10.1
Additional costs of hiring external legal counsel (Section 6.3)	8.5
Net estimated loss resulting from the COVID-19 pandemic (Section 4.1)	7.0*
Accumulated losses from and cancellation of Laurentian's programs being delivered in Barrie (Section 4.6)	4.6
Reduction in anticipated international tuition and ancillary revenues from Saudi students (Section 2.1)	3.0
Hiring of special advisors to the President and other senior administrators (Section 6.2)	2.4
Grievance settlements paid to faculty and staff (Section 7.3)	1.4
Salary expenses associated with the growth in human resource personnel related to its growing union grievances (Section 7.3)	1.1
<b>Total</b>	<b>105.1</b>

\* Laurentian's COVID-19 impact was \$13 million. The \$7.0 million in this chart is the net impact after the assumption that the Province would provide a COVID-19 grant of \$6.0 million to Laurentian. As of October 2022, this amount has not yet been provided.

## 4.1 Laurentian's Financial Situation Progressively Deteriorated from 2010 to 2020

Several metrics highlighted that, without structural changes or increased revenues, Laurentian's operations were becoming increasingly unsustainable.

For example:

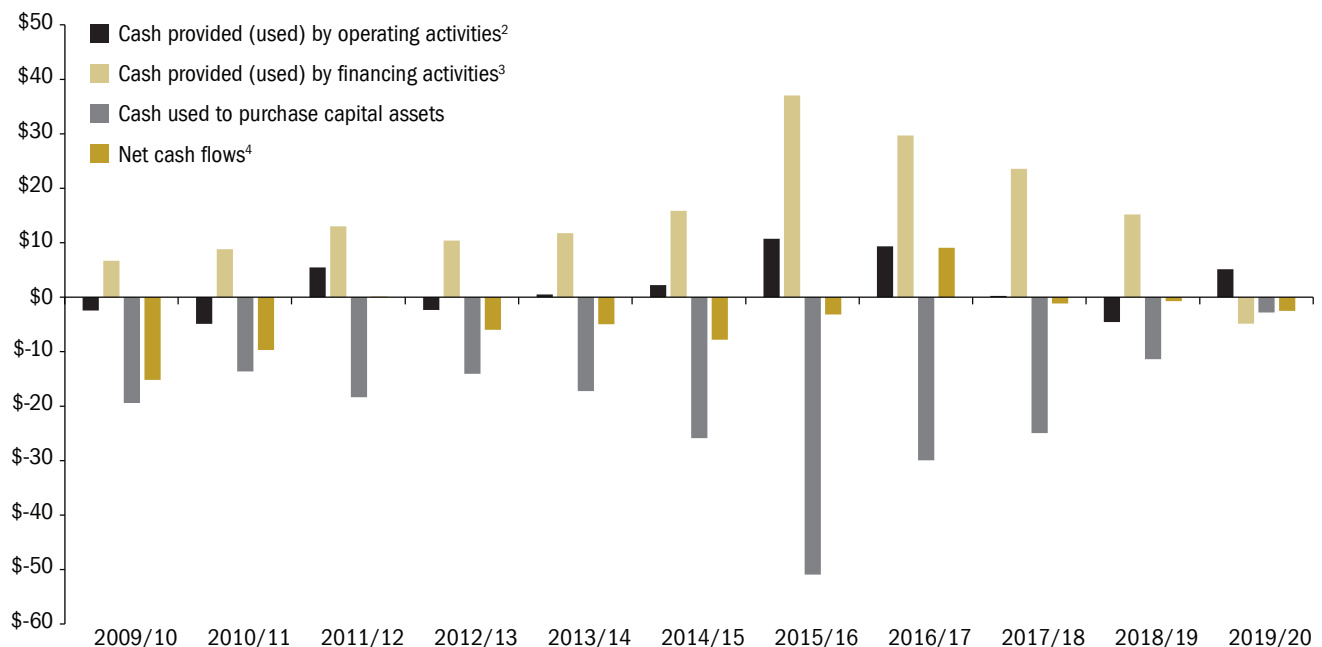
- Laurentian was consistently running an annual deficit, meaning it was unable to obtain sufficient revenue to fund its activities in the 2009/10–2019/20 period. On average, annual deficits in this period were 2.1% of its revenue.
- The University was losing its ability to meet growing debt obligations. Between 2009/10 and 2019/20, the portion of Laurentian's assets funded by debt grew from 21% to 30%.

- Ministry benchmarks identify that a university should hold enough financial assets to support one month's worth of operating expenses. At no point in the 10-year timeframe did Laurentian have enough unrestricted cash without the use of its line of credit to fund its operations for even a day.

See **Appendix 12** for a summary of the University's annual revenues, expenses and deficits from 2009/10 to 2019/20. See **Figure 7** for a depiction of the cash flows from operations, financing and capital assets purchasing activities, and **Appendix 13** for a more detailed depiction of cash flow trends from 2009/10 to 2019/20. **Appendix 14** presents an in-depth analysis of key ratios and a comparison of financial results of entities of varying sizes over the period from 2009/10 to 2019/20.

**Figure 7: Cash Flow Analysis for the Years Ending April 30, 2009/10–2019/20 (\$ million)<sup>1</sup>**

Source of data: Laurentian University audited financial statements



1. We prepared this figure using Laurentian's consolidated statements of cash flows as the basis. Where comparative information was reclassified to conform with the financial statement presentation adopted in a subsequent year, we used the more recent information. In addition, we made adjustments to these statements to modify the presentation of certain line items for comparability. For example, we changed the presentation of deferred contributions by reclassifying changes in this liability balance from financing activities to operating activities to be consistent with accounting standards for not-for-profit organizations and 18 other Ontario universities' financial statements. See **Appendix 13** for more details.
2. Cash flows from operations are the outflows and receipt of cash resulting from the main, ongoing operating activities of the University in its delivery of academic programs and other services. This would include inflows from grants and tuition revenues, and expenses on staff and faculty salaries.
3. Cash flows from financing activities includes cash contributed by external sources (e.g. government and donors) for the purposes of acquiring capital assets. Financing activities also includes the cash obtained and repayments made relating to long-term debt. For the purposes of this figure, we have excluded endowment contributions and net increases (decreases) in endowments from financing activities.
4. In addition to the adjustments we made to financing activities, we have also excluded net acquisition of investments and gain on endowment investments from net cash flows for the purpose of this figure.



We have assessed the financial impacts of poor operational decisions discussed in this report on the University's financial performance, and presented what its performance could have been if not for these decisions and their resulting impacts on cash flows (**Appendix 15**) and profits/losses (**Appendix 16**).

In addition to Laurentian's poor discretionary spending decisions, there were external impacts that affected the entire university sector, such as a tuition reduction and freeze and the COVID-19 pandemic. Unlike other institutions, Laurentian had invested heavily in major capital projects and had no unrestricted financial reserves available to effectively support its operations through these external impacts. Nonetheless, until it notified its lenders of its upcoming plans to file for *Companies' Creditors Arrangement Act* (CCAA), it would have continued to have access to a line of credit up to \$26 million. As noted earlier, Laurentian had relied on a line of credit in prior years.

#### Province-Wide Tuition Reduction and Tuition Freeze

On January 17, 2019, the government announced a 10% reduction in tuition that would remain through 2020/21. This reduction and freeze did not apply to most international students.

Had this reduction and freeze not been imposed, Laurentian would have been able to continue increasing its tuition rates up to a maximum of 3% per year. If it had done so, the tuition revenue for domestic undergraduate students could have increased by \$6 million in 2019/20 and \$8.6 million in 2020/21.

To respond to the impacts of the tuition reduction on Northern universities, the Ministry provided Laurentian with a \$4.3 million grant in February 2020. However, this did not cover the total impact of the tuition freeze. We estimated the total revenue reduction was \$14.6 million, resulting in a net estimated loss of \$10.3 million (see **Figure 6**).

#### COVID-19 Financial Impact

In response to a request from the Ministry, Laurentian identified an estimated \$10.6 million loss in revenue due to COVID-19. This relates to an estimated decrease in ancillary revenues of \$8.9 million, reduced revenue

from international students of \$732,000, and a decline in other revenues (for example, fees related to athletic fees) of \$908,000. Laurentian projected an additional \$2.5 million in expenses related to COVID-19, such as IT expenses for remote work.

In response to this total estimated impact of \$13 million, the Ministry agreed to provide Laurentian with a COVID-19 grant of up to \$6 million (as of October 2022, this amount was not yet received by Laurentian). Adjusting for this additional revenue, Laurentian's estimated net loss from COVID-19 was \$7 million, without consideration for potential savings from COVID-19 related closures or other measures.

## 4.2 Laurentian Chose to Build and Expand Facilities Amid a Weak Financial Position

As noted, in the years prior to 2010, Laurentian was already facing financial difficulties. In the 2009/10 school year, for instance, the University had an unrestricted asset deficiency—the amount by which an entity's financial obligations surpass the unrestricted assets it can use to fund those obligations—of \$10 million.

Partly in response to growing net losses, in February 2009 the Board approved a “Plan to Regain Sustainability” at Laurentian. The plan forecast a return to a balanced budget within a three-year timeframe through \$7.6 million in savings from cost-cutting measures and revenue-generating initiatives aimed at increasing student enrolment. This plan stated Laurentian “must reduce and eventually eliminate the budget deficit, following which time we will need to generate surpluses for a period, in order to dig ourselves out of the hole.”

In that same year, the Ministry of Training, Colleges and Universities, as it was then known, hired the consulting firm Courtyard Group to assist in developing a long-term capital planning process to inform the creation of long-term capital plans for post-secondary education in Ontario.

Courtyard's April 2009 report predicted that universities in Northern Ontario were likely to face enrolment issues for some time. This was based on the conclusion

that the decline in the region’s population of 18- to 24-year-olds—the highest demographic of university attendees—was expected to persist.

The Courtyard report also advised that:

- critical deferred-maintenance needs must take priority over space modernization;
- institutions should set targets using the Facilities Condition Index, which is an industry standard used to measure the relative condition of buildings; and
- universities should ensure money is set aside to pay for future infrastructure.

Laurentian hired a new President in April 2009. From then on, the University moved to expand and upgrade its facilities and programs in an attempt to increase enrolment, donations and research grants. In the face of the Courtyard report, Laurentian decided that instead of reducing costs, its long-term strategy would be to focus on increasing revenue-generating measures. Without evidence to support this approach, Laurentian assumed that capital expansion would result in increased enrolment and associated tuition revenue.

At one Board meeting, on February 26, 2010, the then Vice-President, Administration, proposed a new long-term capital plan that had no specific dates associated with it. Although he referenced the Courtyard report during the meeting, he also said that Laurentian ought to prepare for perceived future growth in enrolment and more demand for undergraduate space. The then Chair of Laurentian’s Property Development and Planning Committee (PDP Committee) affirmed the importance of the plan and the new President stated that the plan was in line with his vision. Ultimately, the Board approved this plan for capital expansion.

Despite its growing financial concerns, Laurentian did not look for additional donations to support its continued operations. In one instance, a donor had pledged \$10 million in 2011, but as of September 2022 only \$3 million has been received. In 2017, it developed another financial sustainability plan that did not consider pursuing donations to address its deteriorating financial position. Instead, its donations over the three-year period from 2017 to 2020 were \$9.9 million less (28%) than the preceding three years.

## 4.3 Laurentian Invested \$168 Million in Capital Projects Without Considering the University’s Long-Term Financial Sustainability

From 2009/10 to 2019/20, Laurentian pursued six major capital projects that cost \$168 million. It did so without developing a long-term sustainability strategy, fully considering how these investments would impact Laurentian’s revenues, or determining the risks associated with a rapid growth in debt. Refer to **Appendix 17** for a timeline of the projects and key governance and administrative leadership at the time of their approval. The costs and sources of funding for the projects are shown in **Figure 8**.

### 4.3.1 Laurentian Proceeded with Capital Projects Without Considering a Long-Term Capital and Maintenance Plan

Laurentian’s main operational guiding documents were its strategic plans. We reviewed the University’s plans for the periods of 2008–2011, 2012–2017 and 2018–2023. Although they referenced many of the major capital projects Laurentian pursued, those plans did not contain considerations for the University’s long-term direction or future capital needs.

For instance, despite financial concerns and worsening conditions of its existing buildings, Laurentian did not appear to consider this information in its capital planning. Nor did it develop long-term capital plans that prioritized projects based on financial sustainability, long-term objectives, current or future market trends, and capital maintenance needs.

Laurentian’s strategic plans sometimes used anecdotal evidence to support the pursuit of major capital investments. For example, the 2008–2011 Strategic Plan shows the impetus for pursuing the School of Architecture was “community responsiveness”—that is, stakeholders from the community wanted a school of architecture at Laurentian, not that architecture was assessed as an area of growing demand in alignment with Laurentian’s existing core strengths or goals.

**Figure 8: Source of Funding and Interest Costs for Major Capital Projects for the Years Ending April 30, 2009/10–2020/21 (\$ million)<sup>1</sup>**

Source of data: Laurentian University

Year Completed	Capital Project	Source of Funding				Total Project Costs	Interest Costs as of 2020/21
		Government	Donations	External Debt	Restricted Funds <sup>2</sup> (Section 5.0)		
2013	East Residence	-	-	20.6	-	20.6	7.8
2016	Cardiovascular and Metabolic Research Lab	-	-	-	5.9	5.9	-
2017	School of Architecture	41.3	3.2	-	-	44.5	-
2018	Campus Modernization	-	4.3	43.0	11.6	58.9	9.2
2018	Research, Innovation and Engineering Building	26.1	2.8	-	-	28.9	-
2019	Student Centre	-	-	8.0	-	9.3 <sup>3</sup>	0.4
	<b>Total</b>	<b>67.4</b>	<b>10.3</b>	<b>71.6</b>	<b>17.5</b>	<b>168.1</b>	<b>17.4</b>

1. This chart assumes that all external funds for a specific project were used for that specific project. This assumption was necessary because Laurentian did not segregate its restricted funds from its cash and short-term investments for operations until December 2020 (see Section 5.0).
2. Restricted funds are those designated for specific purposes, such as for retirement benefits or research work, and are not supposed to be used for any other purpose. This was calculated this by removing known funding sources, such as donations and external debt, from the total cost of the project after completion. This amount may differ from amounts presented by Laurentian in its financial statements and therefore may not align with amounts reported in Figure 14.
3. The remainder (\$1.3 million) of the cost of the Student Centre was paid for through student fees collected by Laurentian's Students' General Association (SGA) in advance of the project. However, we have not been able to confirm this amount with Laurentian or the SGA.

What's more, some projects were approved before long-term capital plans were completed. For instance, the largest capital endeavor between 2009/10 and 2019/20, referred to as Campus Modernization, had a price tag of \$59 million. Its goals included modernizing classrooms and building a new Welcome Centre. Despite its significant cost, the Campus Modernization project was approved on June 22, 2012, prior to completing the Campus Master Plan. Had this Master Plan been completed, it would have enabled Laurentian to consider its current and future capital needs holistically, and prioritize them based on what was financially feasible considering its broader operations. According to the 2012–2017 Strategic Plan, the Campus Modernization Plan was intended to make Laurentian a university of choice, “attracting students, staff and faculty” to the University.

It wasn't until June 2012 that Laurentian selected a consultant to develop a Campus Master Plan that included a long-term planning framework to shape the

physical growth of the campus. On June 22, 2012, the Chair of the Property Development and Planning Committee said the two projects should be implemented at the same time, stating the University would “likely dovetail the Campus Modernization project with the Campus Master Plan project.”

In spite of the increasingly poor financial condition of the University, the administration continued to pursue major capital expansion instead of addressing the accumulating annual financial deficits. The then Vice-President, Administration recommended that Laurentian defer a plan to reduce its accumulated deficit when presenting the 2013/14 Operating Budget to the Finance Committee on March 25, 2013. The administration said it was important for the University to pursue its capital investments and that colleagues should “remain confident that strategic plan investments are appropriate for success.”

On April 19, 2013, the Board approved the proposal to delay elimination of the accumulated deficit

to 2027/28, instead of 2018/19. The Board motion stated “the cumulative deficit does not impact the University’s capacity to borrow for capital projects” since Laurentian’s cumulative deficit is “not owed to a third party” and the University is “not subject to a credit rating.” In October that same year, when the Senior Management Review and Compensation Committee of the Board evaluated the performance rating of the then Vice-President, Administration, they awarded this individual an “outstanding” performance rating and issued a one-time merit payment of \$9,646. The then President and Vice-Chancellor commented that the proposal to delay deficit-reduction was “definitely a signature moment.”

#### 4.3.2 Laurentian Did Not Consider Whether Each Capital Investment Would Result in Increased Revenue to Afford the Costs

In addition to a lack of overall long-term capital planning, there was little assessment of how much each individual capital investment would impact Laurentian’s overall revenue or justify its costs. See **Figure 8** for a list of capital projects that did not have an adequate business case and their associated capital costs and interest costs.

We asked Laurentian for all available information that would have served as a business case or financial-feasibility assessment of the six major capital projects approved between 2009/10 and 2016/17. We found that business cases and financial projections did not exist for Campus Modernization—which cost \$59 million, of which \$43 million was funded through external debt—or for the Research, Innovation and Engineering Building.

In the absence of a business case, we found evidence to suggest the projects were not expected to generate adequate increases in revenues that would justify the expenditures. For example, on September 17, 2013, a member of the Senate asked what impact the Campus Modernization project would have on revenue growth. The then Vice-President, Administration informed the Senate that the impact of the Campus Modernization project was reflected in the multi-year financial plan in the University’s budget. The 2012/13 budget projected

modest growth in revenues of about 3.7% per year from \$132 million in 2012/13 to \$158 million in 2017/18, confirming that Laurentian did not anticipate this project would have a significant impact on revenue growth.

For the other four major capital projects, we found that although a business case did exist, the assessments and projections were not supported by adequate evidence or analyses to justify the investments. For example, in the business case for the School of Architecture, Laurentian did not use reasonable enrolment projections and did not consider what would be a reasonable time frame before they began to recover operating losses.

#### 4.4 2010 Amendments Made Laurentian’s Capital Debt Policy Less Restrictive

On April 23, 2010, the Board approved amendments to Laurentian’s Capital Debt Policy so that it could proceed with building a new residence building. This change kept the same debt limits but excluded certain types of debt from the calculations. For example, debt acquired to build a student residence would not be considered in calculating the ratios limiting debt if revenues to be generated from the residence were expected to be high enough to pay back the debt incurred to build it.

This policy change was based on a recommendation from the President, who indicated that without making the debt policy less restrictive, Laurentian would not be in a position to propose a new student residence on campus and stay in compliance with the policy. **Figure 9** shows when Laurentian would have exceeded its debt limits, had it not amended the policy. From 2009/10 to 2019/20, Laurentian’s total debt grew over 147% to \$107 million. This was primarily the result of acquiring an additional \$87 million in long-term debt. Laurentian continued to pay down \$21 million of its long-term debt during this time. We found that Laurentian’s administration did not fully understand or consider the risks associated with this rapid growth in debt.

**Figure 9: Capital Debt Policy<sup>1</sup> Ratios for the Years Ending April 30, 2009/10–2019/20**

Source of data: Laurentian University

Year	Debt to Revenue (%) <sup>2</sup>	Debt per FTE Student (\$) <sup>3</sup>	Debt Servicing Cost Ratio (%) <sup>4</sup>
2009/10	29	7,277	3.6
2010/11	29	5,241	4.2
2011/12	36	6,421	3.8
2012/13	38	7,038	4.5
2013/14	37	7,421	4.8
2014/15	38	7,741	4.4
2015/16	52	10,559	3.4
2016/17	55	11,482	4.8
2017/18	56	12,895	4.8
2018/19	59	13,602	4.7
2019/20	54	12,793	4.7

■ Indicates that Laurentian would have been in violation of its own internal debt limits if its Capital Debt Policy had not been weakened in 2010.

1. The Capital Debt Policy was weakened in 2010, when it was amended to exclude certain types of debt, including for major capital projects, from being considered within its debt ratio.
2. The pre-2010 policy stated that debt should not exceed 45% of annual revenue in a given year.
3. The pre-2010 policy stated that debt should not exceed \$7,500 per full-time equivalent (FTE) student.
4. The pre-2010 policy stated that debt servicing costs should not exceed 4.5% of revenue. The debt servicing cost ratio measures the percentage of Laurentian's total revenue that is allocated to debt principal and interest payments, as well as any associated fees.

See **Figure 10** for the growth in Laurentian's total debt from 2009/10 to 2020/21. Once Laurentian filed for CCAA protection, its level of debt increased to about \$141 million as of April 30, 2021. This increase was significantly due to a \$25 million debtor-in-possession loan and because CCAA filing had triggered a termination liability of \$24.7 million related to the University's loan agreements with banks, net of payments made on its debt of \$15.7 million.

#### 4.5 Focus on Capital Spending Left a \$135 Million Backlog of Required Maintenance and Repairs

The significant investment in new buildings and infrastructure did not take into consideration or effectively address the poor and deteriorating condition of Laurentian's existing buildings in the 2010–2020 period. This was despite the acknowledged and growing

concern about the condition of Laurentian's infrastructure at the time. In 2009, in its "Plan to Regain Sustainability," Laurentian identified that its deferred maintenance needs were at least \$24 million.

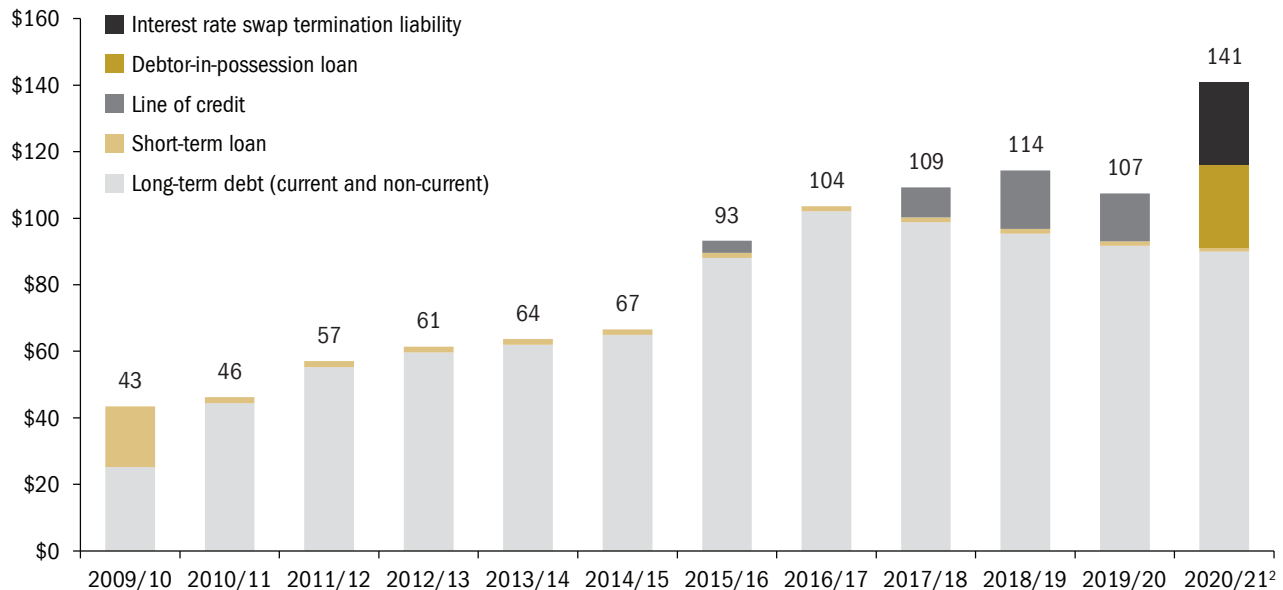
The deteriorating financial situation put a strain on the availability of funds, and needed repairs and upgrades were continually deferred. As of September 2020, Laurentian estimated that it had \$135 million in required repairs, or deferred maintenance, that had not been addressed.

Deferred maintenance can have an impact on operations. For example, a roof might have an estimated 20-year lifespan, after which it should be replaced. The longer this replacement is deferred past the estimated lifespan, the greater the possibility of water damage and health risks such as mould.

The University's period of capital expansion made the situation worse. Between 2009/10 and 2019/20, Laurentian increased the square footage on campus by

**Figure 10: Total Debt for the Years Ending April 30, 2009/10–2020/21 (\$ million)<sup>1</sup>**

Source of data: Laurentian University audited financial statements



1. This figure does not include liabilities other than debt.

2. Total debt in 2020/21 includes the following:

- Items reclassified and recorded as a component of liabilities subject to compromise, which is a current liability:
  - \$89.9 million (2019/20 – \$91.7 million) of long-term debt;
  - \$1.3 million (2019/20 – \$1.4 million) of short-term loan with TD Canada Trust;
- \$25.0 million (2019/20 – \$nil) in short-term loans owed to the debtor-in-possession lender as part of the *Companies' Creditors Arrangement Act* (CCAA) process, which increased to \$35.0 million on May 2, 2021 after the end of the 2020/21 fiscal year; and
- \$24.7 million (2019/20 – \$nil) of obligations for the termination of seven interest rate swaps triggered by the CCAA filing.

15% (300,775 square feet). This growth would have led to an increase in required operations and maintenance costs. However, Laurentian did not increase its budgeted or actual expenses in this area at the same pace, so there was proportionally less maintenance performed than required. See **Figure 11**, which compares the growth in the square footage of campus properties to budgeted day-to-day maintenance and actual maintenance.

On November 26, 2012, the then Vice-President, Administration asked the Finance Committee to recommend that the Board rescind its policy of spending 1.5% of the operating budget on deferred maintenance. She said this long-standing policy (introduced June 3, 1983) had never been followed in practice, and that given the ongoing Campus Modernization project, it should be rescinded. The Board accepted the recommendation and rescinded this policy on December 14, 2012.

In 2015, in its annual risk assessments presented to the Audit Committee, Laurentian first identified major

building/infrastructure failure as a high risk due to the deferred maintenance. By 2016, this risk level had been upgraded to extreme, the highest ranking. It remained at this level until Laurentian's CCAA filing in 2021.

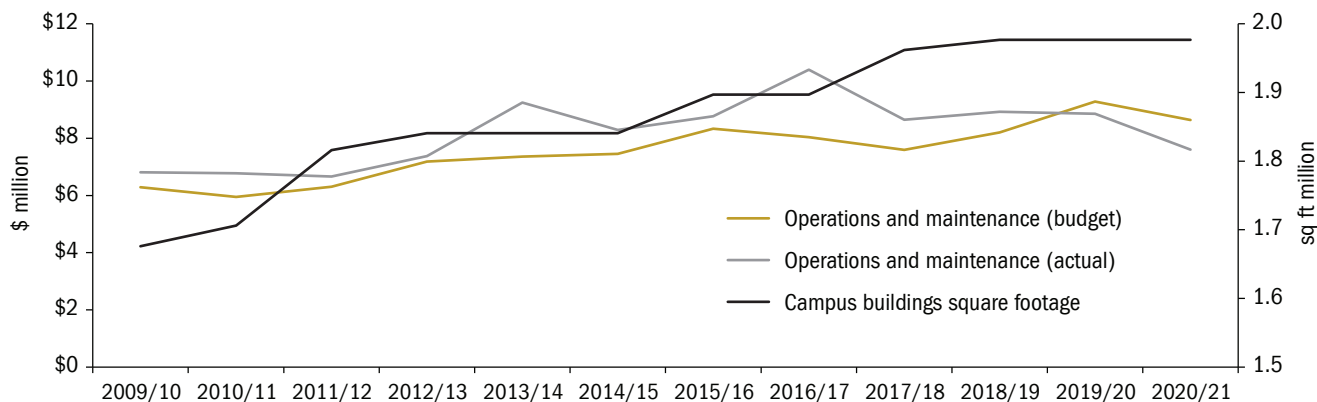
As of March 2022, Laurentian owned 34 buildings with square footage of nearly 2 million.

## 4.6 Ultimate Closure of Barrie Campus Cost Laurentian \$4.6 Million

In partnership with Georgian College, Laurentian University opened a satellite campus in Barrie in 2001. Until 2010/11, enrolment grew steadily to 989 full-time equivalent students. However, enrolment then began to decline, dropping to 729 full-time equivalent students by 2013/14. Even as enrolment slipped, staffing increased, from 5.5 full-time equivalent faculty and staff in 2008/09 to 26 by 2013/14. This contributed to a \$2.2 million growth in Laurentian's accumulated deficit by 2014/15.

**Figure 11: Growth in Square Footage of Campus Buildings and Budgeted and Actual Operating and Maintenance Costs for the Years Ending April 30, 2009/10–2020/21**

Source of data: Laurentian University



After the partnership with Georgian College was abandoned, Laurentian’s senior administration considered establishing its own campus in Barrie. The University spent \$577,000 (included in accumulated deficit of \$2.2 million mentioned below) in anticipation of receiving \$40 million in funding from the Province, ahead of the Province’s assessment and decision. But the Province ultimately decided not to fund the Barrie campus.

On February 12, 2016, Laurentian’s Board approved the closure of the Barrie campus. Full-time faculty at Barrie were offered jobs at Laurentian’s main campus in Sudbury, and 17 of the 26 were relocated. The University also took on costs to support Barrie students affected by the closure to enable them to continue their studies in Sudbury. Although initially budgeted at just over \$500,000, this relocation offer ultimately cost the University \$2.4 million, bringing the net costs of the Barrie closure to \$4.6 million (\$2.2 million in accumulated deficit plus \$2.4 million in closure costs).

## 5.0 Shortfall in External Funding for Major Capital Projects Met Through Inappropriate Use of Restricted Assets

Laurentian University approved significant capital projects in the period 2009/10 to 2019/20, even after

maximizing the amount of long-term debt its primary lender would provide. That led to a situation where the funds it had available to use—known as unrestricted funds—were dwindling.

When Laurentian reached the point where it was unable to fully fund its capital projects, the University inappropriately dipped into funds restricted for other purposes, such as employee health benefits (see **Section 5.1**) and academic research projects (see **Section 5.2**). Senior administration informed the Laurentian Board that this activity was “internal financing.” It is unclear whether adequate information was provided to the members of the Board to enable them to understand that this “internal financing” was coming from restricted assets.

Internal financing commonly refers to an entity using surpluses that have accumulated from operations to fund projects, with the intention of earning back the money through future operating surpluses. This strategy essentially allows an organization to use excess cash to provide itself the equivalent of a loan. But Laurentian did not have excess unrestricted cash to loan itself. Instead, it drew on money that was restricted for other specific purposes.

Our analysis found Laurentian had been using restricted funds on capital projects since at least 2007. As of April 30 that year, the University had used \$2.6 million for the “internal financing” of capital projects, such as energy retrofits and heating plant improvements. But as of that date, the University only

had \$1.4 million in unrestricted net assets, meaning \$1.2 million of those capital projects were being funded by its restricted assets.

What's more, by commingling the restricted funds with its cash and short-term investments for operations, Laurentian did not follow best practices, and in some cases contractual obligations. Instead, the University used a simple cash-management system with one primary operating bank account, where it deposited almost all funds received. Not segregating funds meant it was difficult for anyone, including Board members, to spot their inappropriate use. It seemed unusual to us that, after operating like this for many years, Laurentian's administration only began segregating research grants and restricted donations on a go-forward basis in December 2020 (see **Sections 5.2 and 5.3**).

By 2012/13, the University no longer had sufficient cash and investments on hand to cover its deferred contributions, primarily research grants. (See **Figure 12** for a trend in Laurentian's cash and short-term investments compared with its deferred contributions.) Deferred contributions are financial obligations that relate to money received for specific purposes. The obligations remain deferred until the money is spent for the intended purpose.

As displayed in **Figure 13**, although Laurentian's operating activities from 2009/10 to 2019/20 had a

modest deficit of \$1.3 million, its cash position was greatly reduced due to the \$228.6 million used to pay for capital assets. This would have resulted in a cash shortfall of \$17.3 million, if it weren't for the funds related to the deferred contributions it accessed to cover these costs.

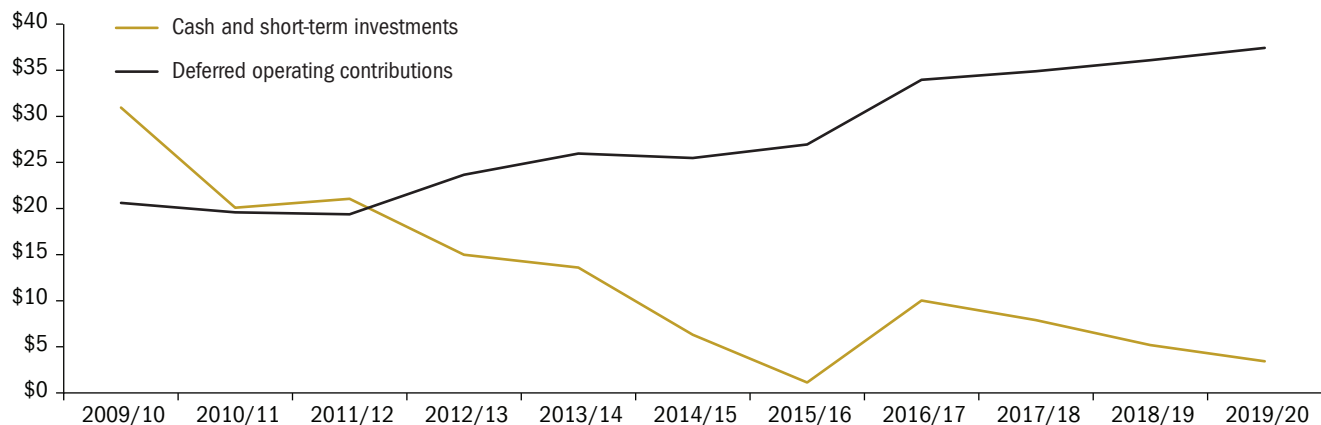
By April 30, 2016, the University's cash and short-term investments had fallen to as low as \$1.1 million. That same year, as Laurentian's financial condition continued to deteriorate, Royal Bank of Canada (RBC), the University's primary lender, refused to issue Laurentian more debt. RBC's credit-risk assessment had identified that Laurentian reached its maximum debt exposure with the bank.

Despite the risk associated with its increased debt, Laurentian continued to expand its buildings and infrastructure. In response to RBC's refusal, the University sought a line of credit from another lender, Desjardins Group. A new line of credit was recommended by the then Vice-President, Administration for \$20 million based on a calculation that the costs incurred for projects had surpassed Laurentian's financial means by \$19 million. In 2016, Laurentian signed a line of credit agreement with Desjardins. In 2019, Laurentian increased this line of credit to \$26 million.

By April 30, 2020, Laurentian reported in its financial statements that "internal financing" for its capital

**Figure 12: Cash and Short-Term Investments versus Deferred Operating Contributions\* for the Years Ending April 30, 2009/10–2019/20 (\$ million)**

Source of data: Laurentian University audited financial statements



\* Deferred operating contributions are financial obligations that relate to money received for specific purposes, such as a multi-year research grant for a specific research project. These funds remain deferred and a financial obligation until they are spent on their intended purpose.



**Figure 13: Cumulative Sources and (Uses) of Cash Flows, May 1, 2009–April 30, 2020<sup>1</sup> (\$ million)**

Prepared by the Office of the Auditor General of Ontario

<b>Cash and short-term investments balance as of May 1, 2009</b>	<b>48.9</b>
Cash used by endowments, net of contributions	(3.4)
Cash used in operations, excluding changes in deferred operating contributions	(1.3)
Cash used to pay for building construction and other capital assets	(228.6)
<b>Sources of external financing, net:</b>	
Deferred capital contributions	103.6
Long-term debt obtained, net of repayments	66.0
Net draw on Desjardins line of credit	14.4
Repayment of short-term bank loan	(16.9)
<b>Total sources of external financing</b>	<b>167.2</b>
<b>Cash shortfall before considering deferred operating contributions</b>	<b>(17.3)</b>
<b>Cash received from deferred operating contributions, net of payments</b>	<b>20.8</b>
<b>Cash and short-term investments balance as of April 30, 2020<sup>2</sup></b>	<b>3.4</b>

1. The sources and uses of cash are listed in an assumed order of priority: endowments (investments that are externally required to be permanently maintained to generate operating income), operations excluding changes in deferred contributions, capital investments and external financing. This assumption was necessary because Laurentian did not segregate its restricted funds from its cash and short-term investments for operations until December 2020 (see Section 5.0).
2. This amount reflects the balance of cash and short-term investments as of April 30, 2020, which was restated in Laurentian's 2020/21 audited financial statements to reclassify \$1.1 million to long-term investments.

assets was \$27.2 million. (Figure 14 details a breakdown of the internal financing as presented in the 2019/20 financial statement notes.) The University had \$37.4 million in deferred contributions for research grants, restricted donations and other funds received on behalf of third parties, but only had cash and short-term investments of \$3.4 million available to meet those future spending obligations.

## 5.1 Laurentian Spent Employees' Retirement Health Benefit Funds on Capital Projects

Laurentian employees had the ability to contribute to the Retirees Health Benefit Plan (RHBP) starting in 1998. The plan was designed to allow contributors to access a fixed amount of funds for health expenses after they retired. This plan is in addition to benefits available through the employees' pension plan and is a supplementary health benefit administered by Laurentian. Since its inception, Laurentian had contributed \$1.1 million and employees had contributed

**Figure 14: Internal Financing<sup>1</sup> for Capital Projects as Shown in Laurentian University's 2019/20 Financial Statements (\$ million)**

Source of data: Laurentian University

<b>Project</b>	<b>Amount<sup>2</sup></b>
Campus Modernization	16.9
Cardiovascular and Metabolic Research Lab	5.3
Great Hall Renovations	1.4
Ancillaries	1.1
Parking Lot 4	0.8
Research, Innovation and Engineering Building	0.7
School of Education Building	0.6
DNA Lab	0.2
Other small projects	0.2
<b>Total</b>	<b>27.2</b>

1. Internal financing commonly refers to the practice of an entity using surplus funds from operations to fund projects, with the intention of repaying the funds with future operating surpluses. These amounts represent the amount of internal funds used by Laurentian to finance its capital projects, rather than those projects being financed by external debt.
2. Amounts represent those reported in Laurentian's 2019/20 financial statements and therefore may differ from those reported in Figure 8.

\$2.3 million to the RHBP, while retirees had claimed \$3.1 million in medical expenses through this fund.

We found Laurentian failed to comply with provisions of its agreement for retirement health benefits. First, it deducted \$73,305 more than allowed from its faculty salaries. Second, it did not meet its obligations to contribute \$25,000 annually, failing to make any contributions in 2007/08, 2018/19, 2019/20 and 2020/21. Lastly, the University failed to keep the RHBP funds protected in a distinct trust and instead commingled these funds with Laurentian's general funds.

Following the CCAA process, current and former employees who paid into the retirement benefits plan for years, or even decades, may not get back their contributions or over-contributions, or have access to these health benefits. As of February 2021, there were 360 eligible retirees and their spouses and families who no longer had access to these medical benefits and more than 1,750 contributing employees who may not have access to these medical benefits upon retirement.

## 5.2 Funding for Research Projects Spent on Capital Projects

To pay for capital projects, Laurentian used some of the research funding its researchers had acquired that was supposed to be restricted to support designated research.

To conduct research activities, University faculty and graduate students pursue and receive grants from public and private sources. Research grants are meant to be used—as budgeted and approved by the research fund provider—to achieve specific research goals, including, for example, to contribute to scientific discoveries and the development of new technologies.

Though these funds are held by the University, they belong to the faculty and graduate students who acquired them, or to the funder, until the funds are used. When a researcher needs to access grant money to pay for goods or services associated with their research, they submit a request to the University to access the funds being held on their behalf.

Although Laurentian spent some of the research money on capital projects, it retains a financial

### Figure 15: Research Funds Received from Third-Party Funders for Research Activities Not Yet Performed as of December 31, 2021

Source of data: Laurentian University

Third-Party Funder	Amount (\$ million)
Canada First Research Excellence Fund <sup>1</sup>	5.3
Natural Sciences and Engineering Research Council of Canada (NSERC)	4.6
Social Sciences and Humanities Research Council (SSHRC) Fund	1.6
Canada Institutes of Health Research (CIHR)	0.9
Canada Research Continuity Emergency Fund	0.7
Other <sup>2</sup>	23.4
<b>Total Deferred Operating Contributions</b>	<b>36.5</b>

1. These research funds are from the tri-agencies (SSHRC, NSERC and CIHR).
2. Other research funding organizations were not listed independently due to their individual small dollar amount.

obligation to cover the research costs for which the funding was provided. As of April 30, 2021, this financial obligation amounted to \$36.5 million.

Several third-party funders filed claims against Laurentian through the CCAA process to try to reclaim the funding owed to them. (See **Figure 15** for the primary sources of these funds.)

## 5.3 Laurentian Did Not Ensure Donations Were Segregated Until December 2020

Between January 2010 and March 2022, Laurentian received \$73 million in donations. The University did not segregate the donation monies it received. Money that was received with specific restrictions may therefore have been inappropriately accessed for use in capital projects or for other purposes. It wasn't until December 21, 2020 that the University began segregating its donor funds.

Laurentian continued to accept and receive donations leading up to and throughout its CCAA planning timeline. From March 1, 2020 until its CCAA filing on February 1, 2021, it received \$3.4 million. By March 3,

2022, Laurentian had received another \$1.6 million in donations. Donations of \$2.0 million, made after December 21, 2020, were segregated.

## 6.0 Inappropriate and Significantly Increasing Compensation for Senior Administration and Special Advisors

Unusually high costs associated with the senior administration at Laurentian further contributed to the financial difficulties of the University. Between 2010 and 2020, Laurentian's senior administrator costs grew by about 75%, increasing between 2010 and 2018 and declining thereafter. In 2018, the cost for senior administrator salaries at the University peaked, at over \$4 million. The relative size of its senior administration had been consistently larger than most other Ontario universities (see **Section 6.1**). As well, the University made expensive hiring decisions, without documented justification, to hire special advisors for the President and senior administrators; this cost over \$2.4 million from April 2010 to December 2021 (see **Section 6.2**). Senior administration made extensive use of external legal counsel (see **Section 6.3**).

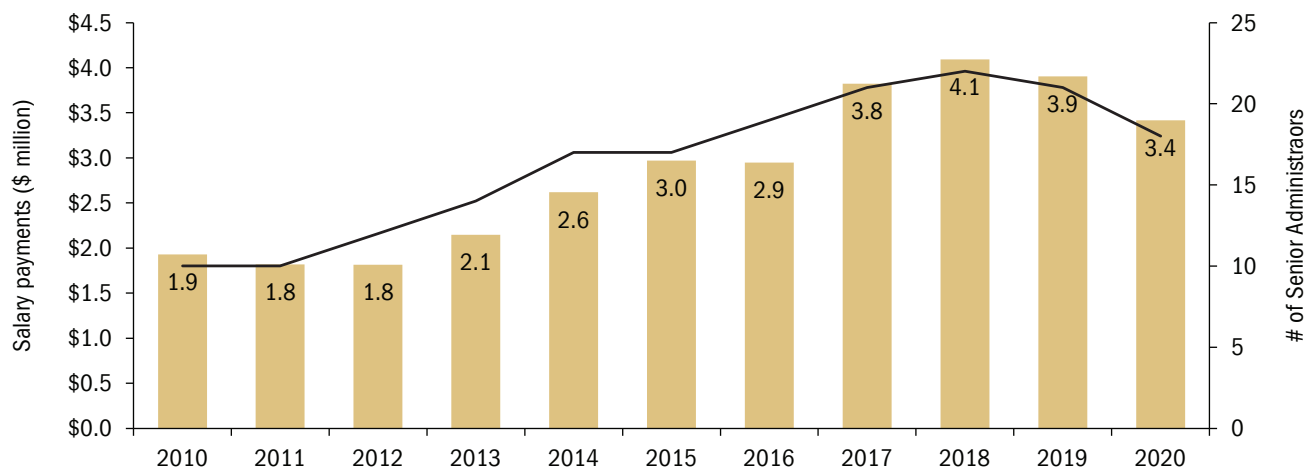
We found, further, that some staff received discretionary expense accounts from Laurentian who normally would not receive such funds in a university (see **Section 6.4**), and that some salaries exceeded legislated limits (see **Section 6.5**). Laurentian did not maintain the required human resources documentation and, from the information made available to us, we found insufficient documentation to demonstrate rationale or fairness in Laurentian's hiring practices for some positions (see **Section 6.6**).

### 6.1 Senior Administrator Salary and Benefit Costs Grew by About 75% Between 2009/10 and 2019/20

We noted the relative size of senior administration at Laurentian has been consistently above that of most universities in Ontario. From 2010 to 2020, Laurentian went from 10 to 18 senior administration positions, peaking at 22 in 2018. The salary expenses for its senior administration grew correspondingly by about 75% to \$3.4 million annually, as seen in **Figure 16**. The total cumulative financial growth for these salary expenses between 2010 and 2020 cost an additional \$10.1 million.

**Figure 16: Size of Senior Administration\* and Related Salary Expenses, January 1, 2010–December 31, 2020**

Source of data: Laurentian University



\* Senior administration includes those employees at the following levels: president, vice-president, associate/assistant vice-president, general counsel, registrar, university secretary and university librarian.

A university's senior administration generally includes the core positions of President, Vice-President (VP), Associate or Assistant Vice-President (AVP), General Counsel, Registrar, University Secretary and University Librarian. While a university with sustained growth in revenue and/or enrolment may choose to increase its senior administration to better manage that growth, this was not the situation Laurentian faced. In fact, as the University experienced a 4.4% decline in enrolment between 2010 and 2018, the senior administration increased its size by 120%.

From 2018 to 2020, under the tenure of a new President, the size and costs of Laurentian's senior administration decreased slightly, due to the elimination of several AVP and VP-level positions. The number of senior administrators was reduced from a high of 22 in 2018 to 18 in 2020, with corresponding costs decreasing from \$4.1 million to \$3.4 million. However, as of December 31, 2021, the number of senior administrators was still 40% higher than in 2010, while enrolment was 14% lower.

## 6.2 Laurentian Spent \$2.4 Million on Special Advisors to the President and Other Senior Administrators

From April 2010 to December 2021, Laurentian paid over \$2.4 million to special advisors. Despite the cost, no formal business cases were developed to justify the need for these positions.

Special advisor positions at universities are typically created as short-term appointments to facilitate the undertaking of a special study or to transfer special knowledge or expertise. At Laurentian, there was no formal recruitment process undertaken for the appointment of special advisors. Advisors' compensation and terms of employment were set by the President and/or the senior administrator to whom the advisor reported.

From 2009/10 to 2019/20, Laurentian appointed 10 special advisors at an average annual salary of \$155,000, with some compensation as high as \$175,000. For example, in 2020, Laurentian created two special advisor positions: one was a financial advisor to the Associate Vice-President, Financial Services and the other was to advise the President

on government relations. As of December 31, 2021, these two positions cost \$238,820 and \$161,876, respectively.

Our analysis indicates that from 2010 to 2020 Laurentian appointed 160% more special advisors than the average Ontario university (10 appointments by Laurentian compared with an average of 3.8 for other universities). Only the much larger University of Toronto appointed more special advisors than Laurentian during this 10-year period.

An 11th special advisor was appointed in 2021 at Laurentian, an executive financial advisor to the President, at a daily salary rate of \$1,040 up to a weekly maximum of \$6,240. The scope of the work as per the individual's contract included advising the President on the financial sustainability and restructuring of the administration of the University. As of December 31, 2021, this special advisor had been paid \$157,981. Laurentian informed us that this person also temporarily assumed the work usually performed by the Vice-President, Finance when this position was vacant.

## 6.3 Laurentian Spent \$8.5 Million Hiring External Legal Counsel for Work for the 11-Year Period up to April 30, 2021

Despite having in-house legal counsel, Laurentian relied heavily on external legal counsel for CCAA and non-CCAA work. It spent \$5.5 million on external counsel for non-CCAA work in the 11-year period up to April 30, 2021, for an average of about \$500,576 annually. It spent an additional \$3.0 million for CCAA work in the same time period. **Figure 17** displays all legal expenses incurred by type over this 11-year period. Most of these costs were incurred for labour relations issues, though legal expenses were also incurred for non-labour situations. Laurentian noted that in many cases, hiring of external legal counsel was done at the direction of the Board and management at the time. Some examples of the latter are illustrated below.

One example involves a property dispute. In 2016, a couple purchased a house adjacent to Laurentian and discovered that an area equal to 295 square meters of their property was encroaching on undeveloped

**Figure 17: Legal Fees Incurred by Laurentian University by Issue Category for the Years Ending April 30, 2009/10–2020/21 (\$ 000)**

Source of data: Laurentian University

Category	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	Category Total
Human Resources/Labour Relations	-	151.6	226.2	339.3	265.4	271.4	228.5	370.3	429.8	438.5	734.6	<b>3,455.6</b>
Pension	-	-	-	-	-	-	-	6.6	14.5	25.2	673.2	<b>719.4</b>
Arbitration/Mediation	7.6	38.3	37.7	54.1	44.7	24.9	19.0	66.7	54.6	64.3	55.1	<b>467.1</b>
Donor Litigation	-	-	-	-	-	-	-	8.2	55.7	80.9	61.3	<b>206.1</b>
Real Estate	17.2	112.5	20.6	13.7	3.7	6.6	4.4	2.5	-	-	0.1	<b>181.3</b>
Title Searches	-	22.0	9.2	51.5	31.6	23.3	19.6	0.0	-	-	-	<b>157.3</b>
General - Barrie Campus	-	-	3.2	-	25.1	9.1	61.8	5.0	14.9	7.8	-	<b>126.9</b>
General	-	-	-	-	3.5	-	11.8	-	44.4	59.7	-	<b>119.5</b>
Not specified	-	0.1	-	0.8	2.3	1.3	6.4	4.4	18.4	3.1	-	<b>36.9</b>
Privacy	-	-	-	-	-	-	-	-	-	-	26.2	<b>26.2</b>
Litigation	-	-	-	-	-	-	-	-	-	6.1	3.7	<b>9.8</b>
<b>Annual Subtotal</b>	<b>24.8</b>	<b>324.6</b>	<b>297.0</b>	<b>459.4</b>	<b>376.3</b>	<b>336.6</b>	<b>351.5</b>	<b>463.8</b>	<b>632.3</b>	<b>685.7</b>	<b>1,374.2</b>	<b>5,506.1</b>
<i>Companies' Creditors Arrangement Act (CCAA)</i>	-	-	-	-	-	-	-	-	-	0.7	2,982.5 <sup>2</sup>	<b>2,983.2</b>
<b>Annual Total</b>	<b>24.8</b>	<b>324.6</b>	<b>297.0</b>	<b>459.4</b>	<b>376.3</b>	<b>336.6</b>	<b>351.5</b>	<b>463.8</b>	<b>632.3</b>	<b>686.4</b>	<b>4,536.7</b>	<b>8,489.5<sup>1</sup></b>

1. The total is rounded.

2. Costs incurred before declaring CCAA February 1, 2021 and up to April 30, 2021.

Laurentian campus land. In response, the homeowners disclosed this to Laurentian and offered Laurentian \$12,268, including all costs to sever and transfer the property.

Even though Laurentian had settled a similar property encroachment that year, the Board's Property Development and Planning Committee (PDP Committee) rejected the offer at a meeting in 2017 after one PDP Committee member expressed concern that accepting it would create a bad precedent. That same year, the Board directed the University's general counsel to seek external counsel to advise on the encroachment.

After multiple conversations and letters between Laurentian and the couple, Laurentian's Board decided in October 2018 to commence legal action for encroachment against the couple. Although it can be reasonable to obtain specialized legal support where needed, in this instance Laurentian spent over five years fighting a small property dispute that could have been easily settled internally at minimal cost to the University. The way this matter was handled resulted in more than \$220,000 in legal costs for Laurentian as of September 28, 2021, negative publicity for the University, and costs and angst for the Sudbury couple.

In a second example, instead of relying on its own internal legal counsel, Laurentian paid three external legal firms over \$42,000 to review and interpret the University's obligations to the outgoing President upon his departure in 2017. The former President had an unusually advantageous 2014 employment contract. It afforded him one year of paid administrative leave at full salary for each full five-year term completed and the right to eventually return to Laurentian as a full professor at the 90th percentile or higher of a full professor's salary, despite having never worked as a professor.

One year of administrative leave at full salary, totaling \$286,970, was paid to the former President following his departure in 2017. The amount was paid out over a period of three years, at less than \$100,000 per year, which meant it was not required to be publicly reported in accordance with the *Public Sector Salary Disclosure Act, 1996*, for any of the three years (\$95,605 in 2018; \$95,681 in 2019; and \$95,684 in 2020).

A further example, from 2014, highlights that Laurentian spent nearly \$25,000 for an external legal opinion on whether the University should commence legal proceedings against the then Ministry of Training, Colleges and Universities, its primary funder. As the claims were related to decisions the Ministry made four years prior, we would have expected internal legal counsel to have immediately flagged the *Limitations Act, 2002*, which requires proceedings to be commenced within two years.

## 6.4 Laurentian Paid \$1.4 Million in Discretionary Expense Funds to Senior Administration from 2010 to 2021

From 2010 to 2021, Laurentian provided its senior administrators and staff access to \$2.4 million in discretionary expense funds. Of this amount, \$1.4 million was used during this period: \$1 million by senior administration and staff and \$400,000 by faculty deans and heads of academic programs.

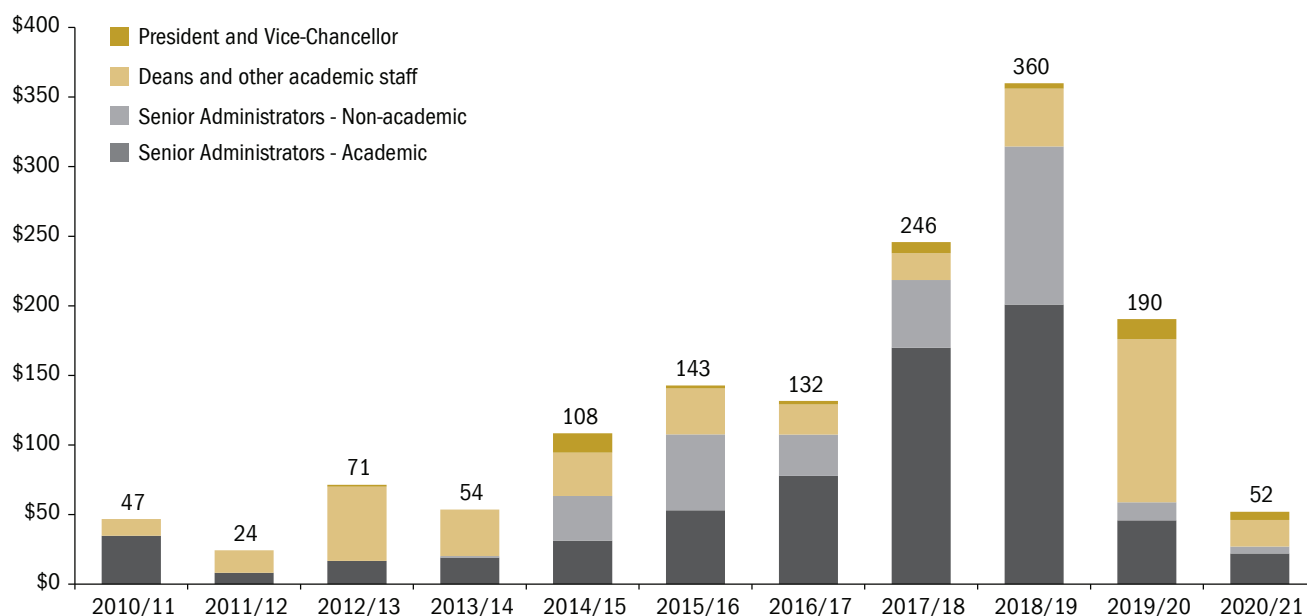
Laurentian does not have a policy specifying how these funds can be spent. Based on our review of employment contracts and discussions with staff at the University, these funds were originally intended to support research-related activities. However, it was subsequently provided to senior administrators and other administrative staff who do not perform research activities.

In 2010/11, the then President began providing access to the discretionary expense account for research-related expenses to those academic administrators, such as deans or academic associate vice-presidents, who would have reduced access to research funds by taking an administrator position. These funds are commonly provided to faculty members to help them maintain their research activities during periods in which they perform an administrator role (for example, faculty deans). However, not all academic senior administrators had active research programs before or during their appointment.

By 2013, Laurentian had extended this expense account to the President and nearly all non-academic senior administrators, who do not perform research

**Figure 18: Discretionary Expense Account\* Expenditures by Employment Position Category for the Years Ending April 30, 2010/11-2020/21 (\$ 000)**

Source of data: Laurentian University



\* The Discretionary Expense Account was established in 2010.

activities, including: the Vice-President, Administration; the Chief of Staff to the President; the Associate Vice-President Human Resources and Organizational Development; the Associate Vice-President of Student Life, Enrolment Management and International; the Assistant Vice-President of Equity, Diversity and Human Rights; the Chief Advancement Officer and the Director of University Advancement.

As seen in **Figure 18**, the annual amount of the discretionary expenses reimbursed to employees increased significantly in 2017/18 and 2018/19, by over 425% and 650%, respectively, in comparison to 2010/11 when it was introduced.

Our Office was informed that discretionary expenditures must be approved by an individual's supervisor before being forwarded to the finance department for reimbursement. However, the University does not have a policy to provide guidance on what constitutes an appropriate research-related expense under this funding.

Discretionary expense accounts can be considered perquisites. Perquisites are privileges provided to individuals or groups of individuals that provide personal

benefit and are not generally available to others. These benefits must still be business-related.

Since August 2011, the *Broader Public Sector Accountability Act, 2010* and the Province's *Broader Public Sector Perquisites Directive* (Directive) require Laurentian to have an institutional perquisites policy that prescribes appropriate governance and good record-keeping practices for verification and audit purposes, and to publicly report summary information annually on the issuance of perquisites to employees. The Directive states that perquisites can only be provided, directly or through an expense reimbursement, if they are required for the effective performance of an individual's job. Laurentian does not have an internal perquisites policy, nor has it publicly reported annually on perquisites offered to its employees as part of their compensation packages.

Our review of discretionary fund expense reimbursements noted examples of reimbursements for personal electronics (for example, smartwatches, high-end tablets and laptops, and wireless headphones and speakers), Spanish lessons, home Internet services, professional services (for example, personal coaching),

tuition for an overseas master's degree that was offered by Laurentian to a former employee, and conference travel and attendance that was unrelated to employee positions. The nature of these expenses raised concerns about the appropriateness of these reimbursements, namely, whether they were indeed research-related and/or required for the effective performance of the individuals' jobs.

## 6.5 Laurentian Exceeded Legislated Compensation Limits for Senior Administrators and Modified Titles to Circumvent Constraints

Since 2010, provincial legislation has limited base salaries, salary ranges, as well as compensation elements above base salary (e.g. performance bonus, merit pay, etc.) for broader public sector (BPS) employees. We reviewed compensation provided at the senior administrative level at Laurentian for the 10 years beginning in 2010 and found that this employee group was compensated a total of \$389,000 more than legislation permitted at the time.

For example, since August 13, 2018, a salary freeze for designated executives was re-imposed and remains in effect; it freezes base salaries and salary ranges to their August 2018 level. Despite the salary freeze, Laurentian increased the base salary for two of its designated executives by a total of \$36,602 in 2020 and 2021. **Appendix 18** provides a breakdown of the legislation limiting BPS compensation, the associated requirements, and the instances and amounts by which Laurentian exceeded limits.

Additionally, legislation constraining BPS executive compensation, introduced in 2014, prohibited salary increases for “designated executives” as defined in the legislation. The law required university boards to develop an executive compensation program based on selected comparator institutions after identifying their “designated executives” whose salaries would be constrained under this cap, and have this list approved by the Ministry. Laurentian modified executive employment titles (to Associate Vice-President) for seven employees who would have fallen under the

definition of “designated executives.” For example, the Chief Information Officer was re-named Associate Vice-President, Information Technology. Under the legislation constraining BPS compensation, the position of Chief Information Officer is specifically named as a position that would be considered a designated executive. These seven employees continued to perform the same roles and to be part of the executive team. Collectively, between 2015 and 2020 these employees' salaries increased by a total of \$410,000 after their titles were modified.

## 6.6 Recruitment of Senior Administrators Lacked Demonstrable Fairness or Rationale

Of the 71 hiring decisions of senior administrators between 2010 and 2020 that we reviewed, 23 were for interim or acting appointments for which no formal recruitment process occurred. We reviewed the recruitment files for the remaining 48 hiring decisions for permanent senior administrators and found that the rationale for creating the new positions in each case was unclear, and that support for the selection of successful candidates was insufficient. For instance:

- there was no business case justification for all 16 new positions created within senior administration;
- there was no documentation of a formal recruitment process taking place for 32 (71%) of the hiring decisions (for example, job postings, applications received, and documentation from interviews); and
- while some documentation of the recruitment process existed for 13 (29%) hiring decisions, that documentation was sparse, minimal or incomplete (for example, no shortlist of candidates, no scoring of candidates, missing documentation of reference checks).

The Ontario Human Rights Commission recommends that employers take the necessary steps to ensure that recruitment and hiring processes are fair, including developing objective criteria, interview questions and marking schemes for selecting candidates.



Without objective selection criteria and proper documentation of the recruitment process to support hiring decisions, an employer could be vulnerable to claims of discrimination and preferential treatment.

In addition, under Ontario's *Employment Standards Act*, all employers are required to keep certain written records about employees and ensure those records are readily available for inspection. Laurentian informed our Office that personnel files for five individuals did not exist, including for one individual who was employed in a senior administrative role as recently as 2016. Moreover, the human resource files we requested to review were either incomplete or missing documentation, such as employment contracts, information related to employees' start and end dates, and documentation related to employment leaves.

Beyond this overall lack of documentation, we noted two instances between 2015 and 2019 that particularly call into question the fairness of hiring processes.

- When recruiting for a Vice-President position, a formal evaluation and selection committee was struck that accepted applications, evaluated candidates and selected five finalists. After interviews and the selection of finalists was completed, and after the selection committee approved a motion to not invite any additional candidates for interviews, the then President recommended that the selection committee interview another candidate, someone who did not initially apply. This candidate was then interviewed and ultimately selected as the successful candidate.
- When recruiting for an Associate Vice-President position, a formal evaluation and selection committee was struck. It accepted and evaluated applications from 11 external candidates. The committee concluded that six of the candidates fulfilled the position requirements, including the majority of them being bilingual. The then Vice-President, to whom this position would report, instead appointed an internal candidate who did not participate in any formal recruitment or evaluation process.

## 7.0 Faculty Salaries and Academic Programs Were Not the Cause of Laurentian's Financial Deterioration

Throughout its CCAA process, Laurentian's leadership has publicly maintained that high-paid faculty employees were a principal cause of the University's financial decline. In 2021, University executives called the terms of the faculty collective agreement "above market in several aspects," after previously citing "excessive faculty costs" as a contributing factor in the school's insolvency.

Contrary to Laurentian administration's public messaging, our review found that faculty salaries were lower than those of comparable universities (see **Section 7.1**) and that, collectively, its academic programs had positively contributed to the University, helping to pay the growing costs of debt, senior administration and special advisors (see **Section 7.2**).

The administration was also slow to address costly union grievances (see **Section 7.3**), including those involving discrimination and harassment (see **Section 7.4**) Meanwhile, as its debt accumulated, Laurentian's administration chose not to work transparently with faculty and staff unions to manage the University's growing financial problems (see **Section 7.5**).

### 7.1 Faculty Salaries Reasonably in Line with Comparable Universities; Lower Student-to-Faculty Ratio

We found that Laurentian paid lower-than-average full-time faculty salaries compared with other Northern Ontario universities. However, there were additional costs associated with Laurentian's comparatively lower ratio of students to full-time faculty members.

In 2018/19, the most recent year information is available from the Council of Ontario Universities (COU), Laurentian's average salary for full-time faculty was \$147,940. This was less than both Lakehead University and Nipissing University, comparable institutions,

which averaged \$152,705 and \$172,806, respectively. (Salary information was not available for Algoma because it did not report this information to COU that year.) Given Laurentian had 403 full-time faculty in 2018/19, it had lower relative estimated costs of \$1.9 million compared with Lakehead's average faculty salaries, and \$10 million in lower relative estimated costs compared with Nipissing's average faculty salaries.

While Laurentian's salaries were lower, the ratio of students to full-time faculty was also lower than other Northern Ontario universities. At Laurentian, there were on average 22 students per faculty member in 2018/19, compared to an average at the other three Northern universities of 25 students per faculty member. Had Laurentian had the same student-to-faculty ratio as the average of the other universities in Northern Ontario, its costs could have been an estimated \$6.4 million lower in 2018/19.

In 2019/20, faculty at Laurentian University accounted for 49.7% of the University's salaries and benefits expenses, at around \$59 million, which was down from 52.8% 10 years earlier. The remaining \$59.6 million in salaries and benefits expenses were

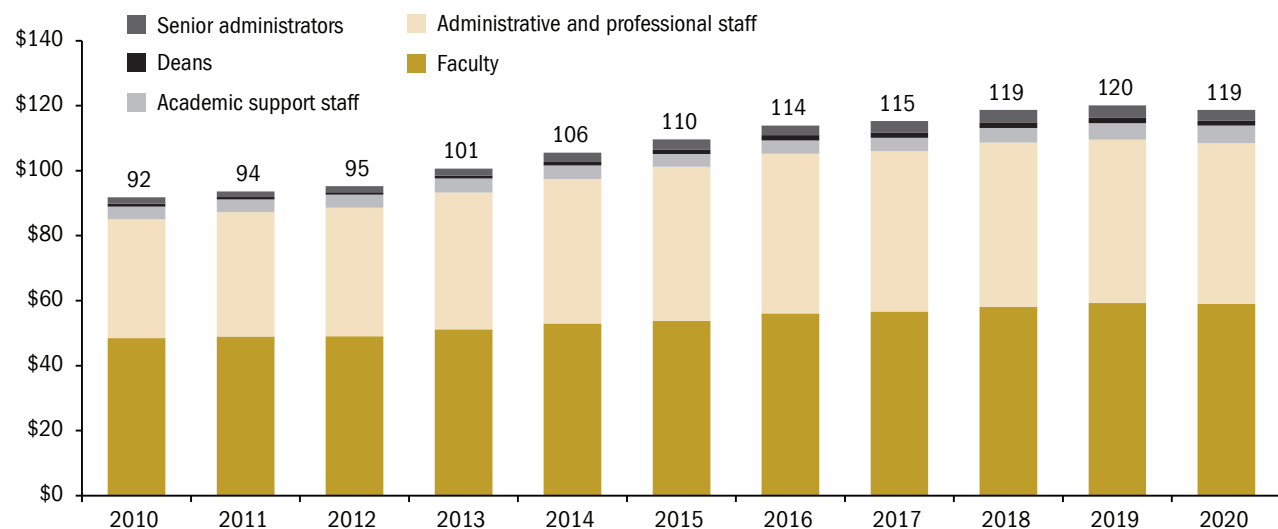
paid to non-faculty employees: \$3.3 million for senior administrators; \$49.5 million for other administrative and professional staff (such as human resource personnel, executive assistants); \$1.5 million for faculty deans; and \$5.3 million for academic support staff (such as teaching assistants). See **Figure 19** for a 10-year trend in salary expenses by employment group.

## 7.2 Academic Program Revenue Exceeded Associated Faculty Costs, and Supported Administrative Overhead

We found that although some Laurentian courses generated losses, overall the University's academic programming provided a positive financial contribution during the 10-year period of our review. The University had balanced operating costs between 2009/10 and 2019/20, meaning that its salary costs for delivering academic programs were equal to or less than the revenue generated from them. What this means is that overall, Laurentian's academic programs were helping to cover the schools' overall operating and fixed administrative overhead costs.

**Figure 19: Salary Expenses by Employment Group, January 1, 2010 – December 31, 2020 (\$ million)**

Source of data: Laurentian University



Note: Laurentian informed us that between 2010 and 2020, an annual average of \$828,000 in external research funds was used to pay faculty salaries, as opposed to Laurentian's operating funds.

Specifically, from 2009/10 to 2019/20, the revenue Laurentian generated from tuition and government grants related to enrolment (\$1.36 billion) exceeded the cost of salaries and benefits paid to faculty teaching these courses (\$641 million), by \$717.7 million. Annual revenues were on average \$65.2 million higher than annual faculty salary and benefits costs.

**Figure 20** depicts the financial contributions from Laurentian’s academic programs. Over this decade, program contributions helped Laurentian cover some of the growing costs of its major capital investments, rising senior administrator salaries and the increasing costs for special advisor positions.

There are reasons beyond profitability to offer academic courses at a university. It is understood that although some courses will not necessarily be profitable, they may remain essential to the overall academic experience.

### 7.3 Laurentian Incurred \$9.7 Million Between 2010 and 2020 in Costs Related to Labour Relations

Contributing to Laurentian’s financial deterioration were costs associated with union grievances, which are formal complaints from employees who feel that their job rights have been violated. Between 2010 and 2021, Laurentian spent \$2.9 million on legal fees for mediation and arbitration services and \$1.4 million in settlement costs relating to 432 faculty and staff union grievances against the University. An additional \$5.4 million was spent on salaries for human resources, faculty and staff relations personnel who Laurentian said were involved in labour relations, including union grievances, bringing the total cost to \$9.7 million. The annual costs associated with legal fees, settlements and awards for union grievances are shown in **Figure 21**.

On an annual basis, there were more grievances filed against Laurentian than any other Ontario university. A typical medium-sized university in the province has on average 12 to 15 faculty grievances per year. Between 2010 and 2020, Laurentian averaged 35 grievances annually. See **Figure 22** for a trend in grievances by category.

From 2014/15 to 2019/20, Laurentian’s annual costs for legal fees and settlement and arbitration awards related to union grievances increased by 111% and 3,082%, respectively, to a total of \$779,071 in 2019/20. Laurentian did not provide us with a reason for this drastic increase in grievance costs. Our discussions with the unions indicated that senior administration did not respect unionized faculty members and did not treat the union as a collaborative partner.

In addition to its legal costs and settlement and arbitration awards, Laurentian spent increasingly more money on administrative staff to address the growing grievances. In 2010, annual costs for human resources and staff relations personnel involved in handling union grievances were approximately \$370,000. By 2020, this annual cost nearly doubled to \$676,000. This growth in human resources and personnel cost the University an additional \$1.1 million over the 10-year time period.

Increased costs included the creation of three new dedicated positions: a director, an associate director and a manager to oversee faculty and staff relations in 2017, at an average annual cost of \$320,000. Laurentian informed our office that these roles were established specifically to “support proactive faculty labour relations and grievance management.”

Despite the extra money spent to resolve grievances, the number of unresolved grievances grew, as shown in **Figure 23**.

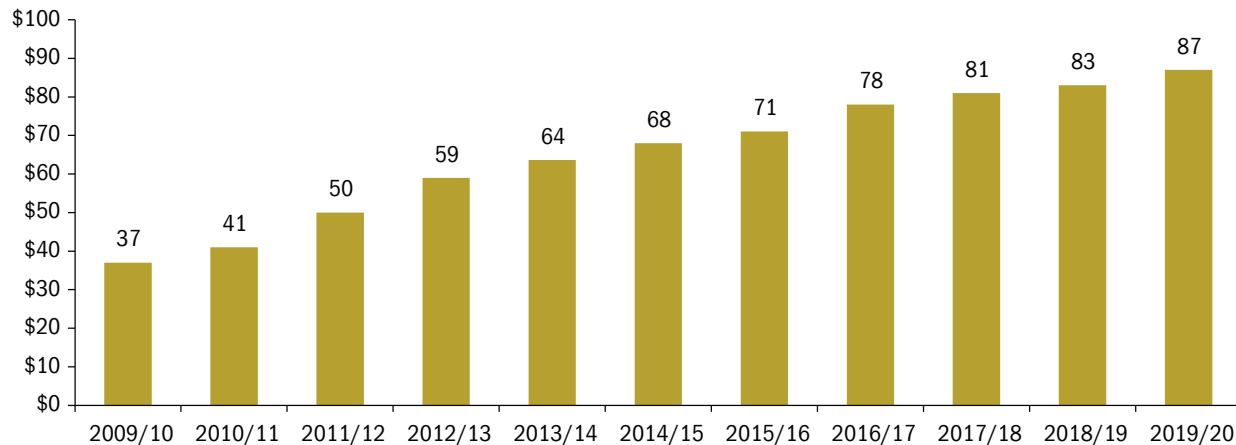
### 7.4 Laurentian Did Not Act to Resolve Discrimination and Harassment Grievances in a Timely Manner

From 2010 to 2021, 48 (or 11%) of the union grievances were related to alleged harassment or discrimination. These grievances were among the slowest to be resolved by the University, with an average resolution time of nearly a year and a half (548 days). Moreover, more than a third of cases (17) took longer than 700 days to be resolved.

According to the Ministry of Labour’s Code of Practice to Address Workplace Harassment, investigation,

**Figure 20: Net Contribution from Academic Courses for the Years Ending April 30, 2009/10–2019/20 (\$ million)**

Source of data: Laurentian University

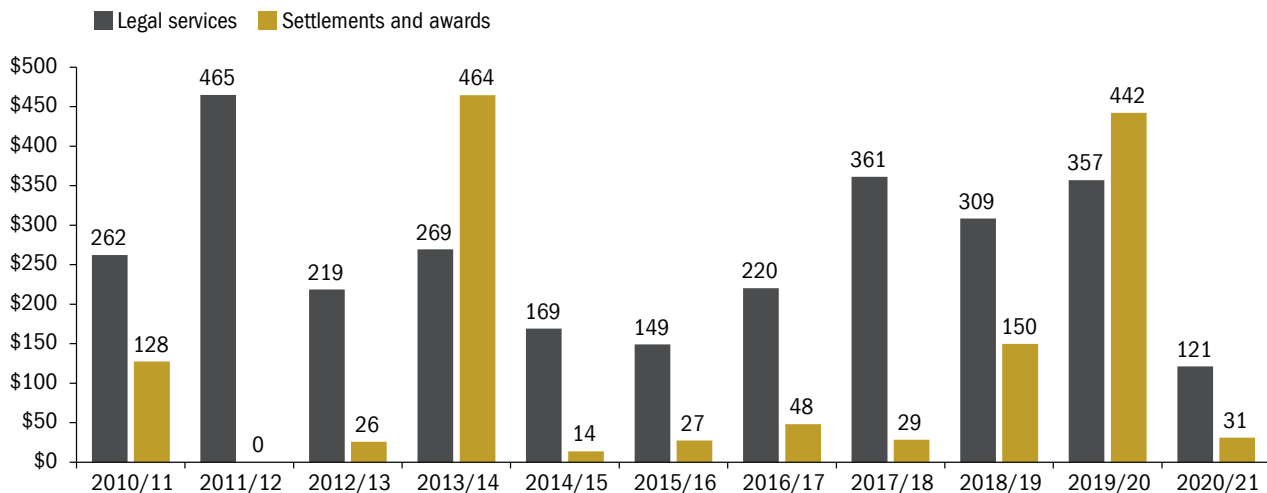


Note: The estimated revenue generated by the academic course mix was determined from the amounts reported in Laurentian's audited financial statements for operating grants and contracts and tuition.

- The estimated aggregate cost of the academic courses was determined from the amounts reported in Laurentian's annual payroll records for faculty salaries and benefits.
- We then determined estimated net contribution from the academic course mix for each year by subtracting the estimated aggregate cost of courses from the revenue generated.

**Figure 21: Annual Legal Services, Settlements and Awards<sup>1</sup> Costs for Union Grievances for the Years Ending April 30, 2010/11–2020/21<sup>2</sup> (\$ 000)**

Source of data: Laurentian University



1. Settlement and award costs include all union grievance-related financial settlements and awards Laurentian was required to pay through reaching a settlement with the grievor, or through a mediation or arbitration ruling.
2. For the fiscal year 2020/21, amounts displayed are for the nine months leading up to February 1, 2021, when Laurentian filed under the Companies' Creditors Arrangement Act.

**Figure 22: Nature of Grievances Filed by Laurentian University Faculty Association and Staff Union, January 1, 2010–December 31, 2021**

Source of data: Laurentian University

Issue Category	Count	%
<b>Laurentian University Faculty Association (LUFA)</b>		
Appointment and Renewal	60	14.8
Workload	46	11.3
Discrimination or Harassment	40	9.9
Assessment and Promotion	38	9.4
Salary and Benefits	35	8.6
Management Rights	34	8.4
Sessional Instructors	32	7.9
Academic Freedom	26	6.4
Breach of Privacy	21	5.2
Discipline	17	4.2
Other	17	4.2
Working Conditions	16	3.9
Faculty Resourcing	13	3.2
Vacation and Leaves	5	1.2
Financial Exigency	3	0.7
Information Items	3	0.7
<b>Subtotal</b>	<b>406</b>	<b>100</b>
<b>Laurentian University Staff Union (LUSU)</b>		
Discrimination or Harassment	8	30.8
Job Duties	3	11.5
Recognition	3	11.5
Disciplinary	2	7.7
Job Posting	2	7.7
Wages	2	7.7
Information Item	1	3.8
Job Evaluation	1	3.8
Request for Leave	1	3.8
Sick Leave	1	3.8
Student Workers	1	3.8
Vacation	1	3.8
<b>Subtotal</b>	<b>26</b>	<b>100</b>
<b>Total</b>	<b>432</b>	<b>-</b>

■ Indicates grievances alleging discrimination or harassment, which combined comprised 11.1% (48) of 432 grievances filed between Jan 2010 and Dec 2021.

resolution and implementation of corrective action for any allegations of harassment or discrimination should not take more than 100 calendar days. Laurentian's policy fails to meet this standard.

Laurentian's own policy requires investigation and resolution for allegations of discrimination or harassment to be limited to 133 calendar days for a formal resolution. Our analysis of union grievances alleging discrimination or harassment found that Laurentian failed to meet its own internal resolution time standard 91% of the time for formal resolution, and failed to meet the Ministry of Labour's resolution time standard 93% of the time.

## 7.5 Senior Administration Could Have Worked Transparently with Laurentian Union Faculty Association to Reduce Costs

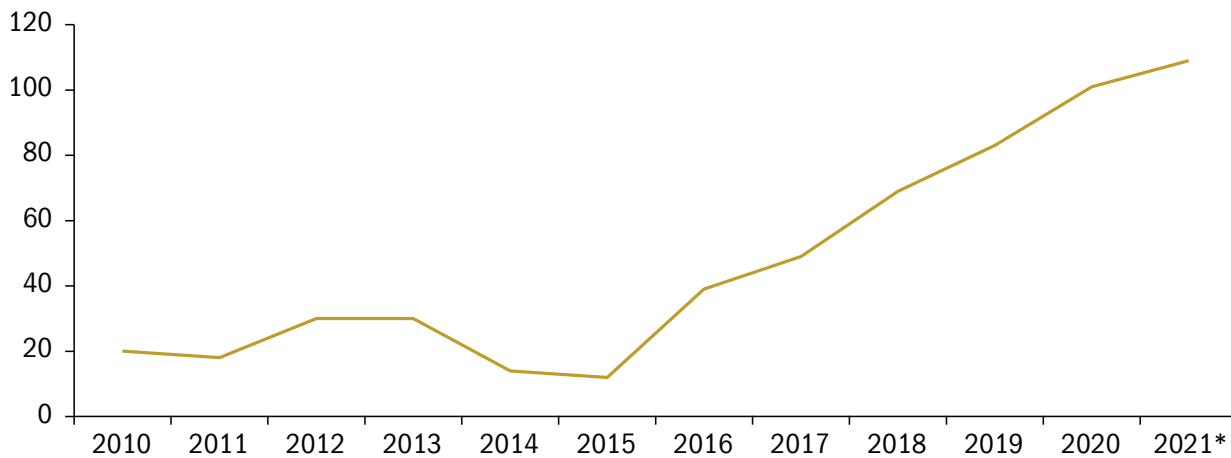
To reduce faculty costs in a time of financial hardship, Laurentian's senior administration could have activated a process called financial exigency—a procedure built into the faculty's collective agreement for this express purpose. Laurentian's senior administration chose not to do so.

The financial exigency process, also referred to as financial emergency, financial stringency, or financial necessity, is a common provision within university faculty collective agreements across Canada. Its purpose is to ensure that the integrity of the collegial decision-making system of a university remains intact when it's facing dire financial circumstances. Its use is to help ensure that job termination is done collegially and transparently, and is a last resort explored during a financial crisis.

From our analysis, Laurentian's financial conditions may have met the requirements to invoke this clause as early as 2015/16. Indeed, since 2016, in discussions with the Laurentian Union Faculty Association (LUFA), senior administration made repeated assertions of financial difficulties. As a result, three separate faculty grievances were filed by LUFA (in 2016, 2017 and 2020), objecting to the University not initiating the financial exigency process. These grievances were not completely addressed by administration.

**Figure 23: Unresolved Number of Union Grievances as of December 31, 2010–2020 and as of February 1, 2021**

Source of data: Laurentian University

\* To February 1, 2021, when Laurentian filed under *Companies' Creditors Arrangement Act*.

In 2016, Nova Scotia's Cape Breton University invoked the financial exigency process under its faculty collective agreement after projecting a \$5 million annual budget shortfall for the year. The university administration invoked the process in order to work proactively and collegially with its faculty association; they first examined all means of reducing the budgeted shortfall while avoiding faculty layoffs, such as identifying faculty members interested in taking early retirement. In contrast to Laurentian's use of the CCAA process, Cape Breton University's intention to lay off up to 13% of its faculty (20 faculty members) was pursued transparently and co-operatively through the financial exigency process, directly involving its faculty association.

## 8.0 Oversight by Laurentian's Board of Governors Was Weak and Sometimes Misdirected

Laurentian's Board of Governors (Board) has a fiduciary duty to oversee the University's financial operations, and has the powers to challenge and guide the University's senior administrators and policies.

However, we found that the Board and its committees were not effective in this role. For instance, the Board did not receive, or ensure it received, sufficient and relevant information about the University's finances, plans and operations, and consequently approved capital spending proposals that led to increasing debt without adequately assessing those proposals (see **Section 8.1**).

Further still, the Board's committees often did not have the expertise, training or resourcefulness required to effectively oversee Laurentian's financial operations. We determined that:

- the Audit Committee failed to provide effective financial oversight (**Section 8.2**);
- the Audit Committee did not ensure the severity of the University's financial situation was conveyed in the audited financial statements (see **Section 8.3**);
- the Property Development and Planning Committee did not challenge management proposals on major capital projects or consider their financial sustainability (**Section 8.4**);
- the Finance Committee did not ensure sound financial considerations for the use of Laurentian's resources (**Section 8.5**); and

- the Staff Relations Committee was not proactive in addressing issues as it was not provided with regular reports summarizing the status of staff and faculty relations issues (**Section 8.6**).

We also found the Senior Management Review and Compensation Committee used metrics to measure the President's performance between 2010/11 and 2016/17 that financially rewarded the President for the pursuit of the capital projects that significantly contributed to Laurentian's financial decline (see **Section 8.7**).

Exacerbating the situation, the Board did not follow best governance practices. It was increasingly less transparent, discussing a high number of meeting items behind closed doors, did not regularly evaluate its own performance, and did not strictly avoid practices that would create a perception of conflict of interest in decision-making (see **Section 8.8**).

## 8.1 Board Did Not Require Sufficient and Relevant Information about the Impact of Capital Spending on the University's Finances

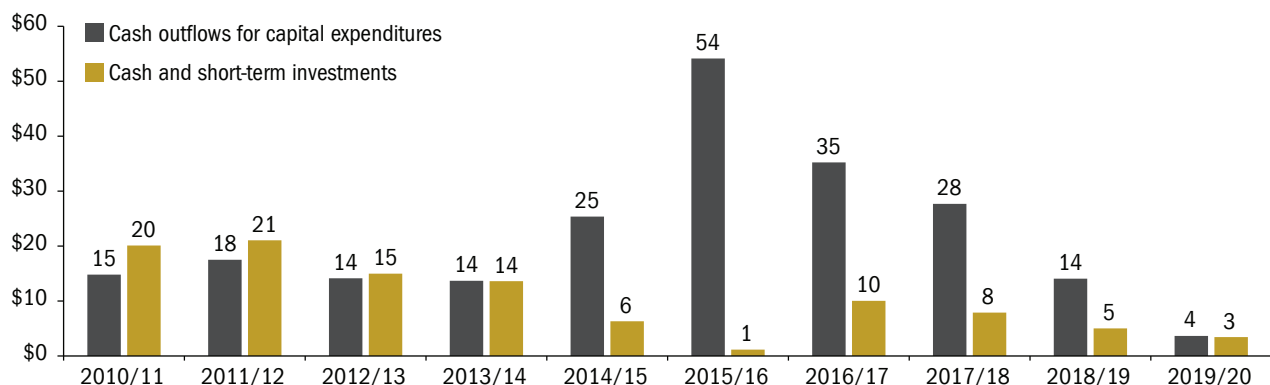
According to our analysis, of the 10 budgets presented to the Board from academic years 2010/11 to 2019/20, eight displayed projected balanced operating budgets. However, in all but two of these years, Laurentian incurred deficits.

This discrepancy existed because the budgets provided to the Board and the Finance Committee were "limited-scope" budgets that did not include capital expenditures or research grant revenue and expenses. Simply put, the Board did not receive a clear picture of the University's total projected cash flows and projections at any point between 2009/10 and 2019/20. The effectiveness of a board is correlated with the quality and timeliness of the information it receives about the organization it governs. At no point between 2009/10 and 2019/20 was Laurentian's Board presented with sufficient information on the current and projected costs and financing obligations of major capital projects within the context of the University's financial position. Without this information, the Board was unable to effectively gauge the cumulative financial impacts of proposed capital projects, and to prioritize, approve or deny them with consideration for the University's overall operational needs and long-term financial sustainability.

Historically, Laurentian had been able to manage its cash flow using these limited-scope budgets because it did not have significant financial obligations associated with major capital projects. However, as mentioned in **Section 4.1**, between 2014/15 and 2018/19 the University completed several capital projects, which put a severe strain on its finances because of required interest and principle payments on its debt. **Figure 24** depicts the cash flows associated with capital projects

**Figure 24: Cash Outflows for Capital Expenditures versus Cash and Short-Term Investments for the Years Ending April 30, 2010/11–2019/20 (\$ million)**

Source of data: Laurentian University audited financial statements



compared to cash and short-term investments between 2010/11 and 2019/20.

On June 15, 2017, during a Finance Committee meeting, a committee member requested that Laurentian's administration include capital expenditures in the budget, to give the committee a better understanding of the full financial picture. The Vice-President, Administration responded that management would look into providing a separate capital budget for the Board's review. But no change was made, and the Board continued to approve limited-scope operating budgets without inclusion of capital expenditures and interest and debt repayments throughout 2018/19 and 2019/20.

Laurentian senior administration's use of limited-scope budgets was unusual. We reviewed the websites of 19 other Ontario universities and found, by contrast, that the boards for 16 of these universities approved annual capital budgets in 2021/22, and that capital budgets were being published annually as far back as 2005/06.

Laurentian's annual financial statements also did not contain information related to capital expenditures that would have enabled the Board to reasonably understand Laurentian's overall financial position. For example, the financial statements did not clearly disclose the significant and growing interest expenses incurred annually for short- and long-term debt. Between 2009/10 and 2019/20, this interest expense grew by 189% to \$4.2 million, costing the University \$35.5 million over this period. Laurentian disclosed interest expenses in their statement of cash flows until 2012/13, discontinuing this practice immediately before it began to see a significant increase in annual interest expenses associated with its debt for major capital projects.

Again, we reviewed the 2019/20 audited financial statements for 19 other Ontario universities and found that all disclosed interest expenses in its financial statements, as required under Canadian accounting standards for not-for-profit organizations.

Laurentian's Board periodically reviewed and approved the administration's broad strategic capital plans. However, these aspirational plans did not

regularly include detailed information related to costs or associated increases in revenues.

## 8.2 The Board's Audit Committee Did Not Provide Effective Financial Oversight

Audit committees play a crucial role in the financial oversight of an organization. They are responsible for overseeing the preparation and external audit of a university's financial statements and can help improve the quality of financial reporting, ensure key financial risks are identified and managed, and recommend improved internal controls. They also oversee the appointment and work of the external auditor. In Laurentian's case, however, the members of the Audit Committee often did not have the necessary skills and experience to critically assess the information provided by management and the external auditors.

For most of the period between 2009/10 and 2019/20, we found that Laurentian's Audit Committee did not have a financial expert as its chair. Nor did the Audit Committee receive regular training on financial literacy. Further, some of the Committee members we interviewed did not know or understand the University's accounting framework. This lack of knowledge may have prevented the Committee from having a clear understanding of the worsening financial condition of the University (see **Section 4.1**) and from appreciating the risks of its significantly increasing debt (see **Section 4.3**).

From a review of the Audit Committee minutes, we saw that on two occasions questions were raised as early as September 2015 about the University's use of "internal financing". However, the questions were not about the associated risks or impacts of this practice. A committee member asked whether there was a policy for approval of "internal financing," and another committee member asked why the repayment timelines had such a large range. When such questions were inadequately addressed by senior administration, the Audit Committee failed to push for further information. We would have expected knowledgeable and informed members of an Audit Committee to ask for a fuller explanation.



Likewise, given knowledge of the University’s significant financial struggles and ongoing discussions regarding the possibility of filing for CCAA as early as March 2020, it is alarming that Audit Committee members did not mention anything about including a “going concern” note in the financial statements prepared by Laurentian for the year ended April 30, 2020. A similar note may have also been warranted in prior years. It is likely that it was never conceived that a publicly funded university would be permitted by the Province to declare insolvency or bankruptcy because of the impact on students and other stakeholders.

The going-concern concept refers to the financial assumption that an organization will be able to meet its financial obligations (for example, pay its debt obligations and operating expenses) and continue operating for the foreseeable future. If there is a risk that an organization will not be able to meet these obligations, it needs to be highlighted in its financial statements and may impact the type of accounting treatment used. However, our Office found no discussion around the absence of a going-concern note in the financial statements when we reviewed Finance Committee and Audit Committee meeting minutes between April 2019 and October 2020.

### **8.3 Audit Committee and Senior Administration Did Not Clearly Convey the Severity of Laurentian’s Financial Situation in its Audited Financial Statements**

Canadian Auditing Standards provide a non-exhaustive list of 11 financial indicators that may cast significant doubt on an entity’s ability to continue as a going concern. By April 30, 2020, Laurentian exhibited eight of these financial indicators (see **Appendix 19**).

The University’s status in relation to these factors was known, or ought to have been known, by the senior administrators overseeing financial operations. Indeed, they and members of the Audit Committee were

actively working with external counsel and financial advisors in preparing for its CCAA filing at the time the financial statements for the fiscal year ending April 30, 2020 were being prepared and audited. Yet, in the audit results document presented to the Audit Committee on September 21, 2020, Laurentian’s senior administration provided its external auditor with confirmation that the University was a going concern.

The external auditor directed the Audit Committee’s attention to an unusual introductory note to those 2019/20 financial statements. In the note, senior administration acknowledged the University’s \$100 million debt burden, said the pandemic was expected to have a negative effect on ancillary revenues, indicated that Laurentian had “a level of reliance” on the Ministry of Colleges and Universities to help it meet its obligations, and stated that the University had a requirement to meet sustainability targets. But at no point does management point out, or the Audit Committee call into question Laurentian’s ability to continue to operate as a going concern.

For its part, the external auditor issued an unqualified opinion on Laurentian’s 2019/20 financial statements, meaning that it concluded that the financial statements fairly presented the consolidated financial position of the University for the year ending April 30, 2020. The independent auditor’s report, dated October 30, 2020, did not include a paragraph drawing the reader’s attention to any going concern issues or disclosures in the financial statements.

The same international accounting firm has been Laurentian’s external auditor since 1973. Laurentian received unqualified audit opinions on its financial statements every year for the previous decade before filing under CCAA on February 1, 2021.

From our work, we determined that Laurentian’s Administration did not disclose to its external auditors that the University was actively preparing to file an application for CCAA protection within a few months of when the financial statements for the year ended April 30, 2020 were finalized.

## 8.4 Property Development and Planning Committee Did Not Challenge the Pursuit of Major Capital Projects

The Board's Property Development and Planning Committee (PDP Committee) had the primary role of overseeing the University's major capital projects and was responsible for monitoring, evaluating and making recommendations to the Board related to land and buildings. This included campus planning and development proposals relating to the construction and renovation of buildings, acceptance of donations of property and the long-term planning of Laurentian's real estate portfolio. This committee had nine voting members, including the Board's Chair and Vice-Chair and the University President.

Historically, the PDP Committee did not effectively oversee the long-term financial sustainability and maintenance of the University's land and buildings. As discussed in **Section 4.2**, the increase in debt resulting from capital expansion has been the most significant contributor to Laurentian's financial deterioration.

Members of the PDP Committee were in a prime position to raise concerns related to pursuing these projects. Instead, all major capital projects presented to the Committee by the Vice-Presidents of Administration were approved. There were no instances when the PDP Committee revised the scope of capital projects to reduce costs.

Our review found that committee members were never trained to perform their roles. There is no evidence that they considered the financial viability of the major capital projects proposed, or whether they aligned with the sustainable growth of the University. Further, despite the poor and worsening condition of Laurentian's infrastructure at the time new capital projects were being undertaken (see **Section 4.5**), the PDP Committee did not review information related to the deferred maintenance of existing buildings.

## 8.5 Finance Committee Did Not Ensure the Financial Viability or Sustainability of Major Capital Projects

The Finance Committee is responsible for overseeing and approving the use of the University's financial resources. Given those responsibilities, we would have expected it to scrutinize the major capital projects proposed to the Board. In particular, Finance Committee members should have considered the University's ability to pay back the debt, associated interest costs, and future operating costs resulting from these projects.

In its own terms of reference, the Finance Committee is responsible for ensuring that "any proposals regarding University funds are founded on sound financial consideration." However, after a review of all meeting materials available for Finance Committee deliberations between 2009/10 and 2019/20, we found there were no discussions about the financial viability or sustainability of any of the major capital projects.

## 8.6 Staff Relations Committee of the Board Provided Weak Oversight of Labour Grievances

Despite the high number and cost of union grievances at Laurentian (see **Section 7.3**), neither the Board or any of its committees were provided with regular reports summarizing the status of staff and faculty relations issues, or the financial implications they held for the University. And, although there was a Staff Relations Committee of the Board, we learned it did not meet at all in 2018 and that it met on a quarterly basis, or less, in 2012, 2013, 2014, 2015, 2016 and 2019, even though the University was involved in active labour negotiations during some of these years.

The Staff Relations Committee was only informed of two of the 49 discrimination and harassment grievances filed by its unions, despite the potential

seriousness of these grievances. When senior administration informed the committee of the two grievances, important details were omitted. For example, the committee was not informed of the subject matter, status of investigation and resolution, or financial implications of the cases.

As a consequence, this committee would not have had the information it needed to perform its duties and keep the Board informed on matters related to Laurentian's collective agreements. It was important to have effective oversight, given the large number of union grievances and the delays in addressing them. Of particular concern are the many grievances alleging discrimination and harassment, which can have both reputational and financial consequences for the University if not handled appropriately.

## 8.7 President's Performance Pay Tied to Capital Spending Projects

Laurentian's President and Vice-Chancellor (President) from 2009 to 2017 was given merit pay awards tied to pursuing the very capital projects that became significant contributing factors to the University's financial difficulties. Following the protocols of the Senior Management Review and Compensation Committee (SMRC Committee), this shift in performance priorities was something proposed by the then President, and approved by the Board.

Between 2010/11 and 2016/17, the President had annual performance metrics related to the timely completion of the following major capital projects:

- Campus Modernization (2012/13 to 2016/17)
- Barrie Campus (2010/11, 2012/13, 2013/14, 2015/16)
- School of Architecture (2012/13, 2014/15, 2015/16, 2016/17)
- Rehabilitation of Single-Student Residence (2014/15, 2015/16)
- Great Hall (2014/15)
- Cardiovascular and Metabolic Research Unit (2015/16)

Even though the President was unable to meet some of the timelines for these projects set by the Board,

the SMRC Committee continued to award him the maximum merit pay. For instance, on May 26, 2015, the Board awarded the President the maximum 5% merit award on his base salary of \$286,815, which equated to \$14,341. The amount was awarded despite the fact he did not meet capital project completion timelines for either the School of Architecture or Campus Modernization in 2015 and 2016, respectively.

## 8.8 Laurentian Board's Did Not Follow Governance Best Practices

Just as the oversight by many of the Boards' Committees was weak, the Board of Governors did not consistently follow governance best practices.

### 8.8.1 Board Meetings Lacked Transparency

The Board's extensive use of in camera meetings and meeting items made it difficult for the public to understand the University's finances and operations. In camera discussions were limited to voting Board members and the minutes of these discussions are not made available to stakeholders and non-voting members. Without any policy on the appropriate use of in camera meetings and items, the Board relied on these meetings to an unnecessary extent.

There are reasons why a Board might want to discuss some matters in camera. Confidential matters, the public disclosure of which could negatively impact the organization (for example, discussions about legal or staffing issues) may necessitate in camera meetings. However, it is best practice to ensure maximum transparency with the public and stakeholders with respect to any decision of the Board and the rationale for that decision.

Our review of meeting minutes indicated that the average annual proportion of in camera agenda items at Laurentian Board meetings doubled between 2010 and 2021 (from an average of 43% of agenda items in 2010 to 86% in 2021). These in camera items excluded broader University community members (such as faculty and staff representatives) and the public from the discussion and decision-making processes.

In our view, Laurentian failed to meet standard best practices related to transparency for a university institution. For example, unlike other Ontario universities, Laurentian did not publicly post live streams or recordings of Board meetings or their associated minutes. Further, despite requirements to do so, Laurentian has also not made key annual business documents publicly available as required under the *Broader Public Sector Accountability Act*. These include its annual business plan, budget and forecast, which are important documents that help stakeholders assess the operations and financial stability of the University. Our review found that Laurentian is one of only two universities in Ontario that does not make these annual plans public.

Laurentian made its annual reports publicly available. However, the content did not meet the minimum information and content requirements under the *Broader Public Sector Accountability Act* and it did not have enough detail for stakeholders to use to understand the University's financial performance and potential financial and operational risks. For example, we looked at annual reports between 2015/16 and 2019/20 and found that they did not contain a discussion of operational performance targets.

### 8.8.2 Board Did Not Evaluate Its Own and Members' Effectiveness

A board should continuously monitor and annually evaluate its performance to ensure it is operating effectively to fulfil its duties and achieve its objectives. Laurentian's Board did not perform this kind of assessment, despite its 2011 Ad Hoc Governance Committee's recommendation that members evaluate their performance.

Regular evaluations present an opportunity to get input from the Board and committee members on how well meetings are being chaired, and ultimately how that enables or negatively impacts effective oversight of the organization. This feedback can be used to inform voting on chair and vice-chair positions and improve board performance.

### 8.8.3 Board Did Not Fully Follow Standard Conflict of Interest Practices

The best practice in board governance is for board members to declare their professional and community involvements, both paid and voluntary, at least once a year, and to identify any actual or potential conflicts of interest.

Laurentian does not have a code of conduct at the board level that outlines the principles and standards board members must adhere to. Generally, board codes of conduct reduce the risk of fraud, conflicts of interest and other ethical lapses. The five Board members appointed by the Lieutenant Governor in Council (LGIC) are subject to a general code of conduct policy for all provincial board members, but this code is not specific to their role on the Laurentian Board, and of the five LGIC positions on the Board, three positions remained vacant for a year or more. One position remained vacant for nearly three years, from June 2014 to February 2017.

There is no formal Code of Conduct policy for the other voting members. The Board possesses a Conflict of Interest Guideline, but it hasn't been updated since 1985. Further, Board members were not required to annually identify any potential conflicts of interests, such as professional or personal relationships, that may actually, potentially or be perceived to impact decisions made by the individual on the Board.

At the commencement of Board meetings, members were given the opportunity to raise any conflicts of interest. However, by this point they would have already received a board package and would have been privy to information they potentially should not have reviewed.

Since Laurentian did not record or track how Board members voted on different matters, we could not tell whether Board members voted in favour of matters that presented an actual, potential or perceived conflict of interest. However, through our review of Board and committee materials, we found instances where members voted on matters that presented potential

or perceived conflicts of interest. For example, one Board member who served as Chair and Vice-Chair of the Board and on multiple committees, voted on 34 occasions on matters related to the employee group in which his spouse belonged—including on decisions affecting the setting of compensation and awarding of performance bonuses.

Our analysis found that this Board member inappropriately handled conflict of interest situations in 44.1% of the 34 instances, by not declaring the conflict at the outset of the meeting and/or not recusing himself from the discussion and vote. In another 23.5% of the instances, it is unclear whether this member appropriately identified his conflict of interest and recused himself. In the remaining 32.4% of the cases, there is evidence he declared a conflict.

We also noted that one member of the PDP Committee worked as a senior employee for a local municipality. In his role, he would have overseen the department primarily responsible for the municipality's involvement in this project, which included providing a \$10 million loan to Laurentian for a capital project pursued in 2016 and procuring the architecture firm used for this project. This individual recused himself when voting on the decision to approve the purchase of the land associated with the capital project, but did not recuse himself from voting on other aspects associated with the capital project, such as its design.

## 9.0 Stronger Bridging Needed Between Board and Senate

Laurentian University uses a bicameral governing model. The Board of Governors is accountable for the overall operation of the University, while the Senate is responsible for the University's academic performance and teaching quality. The financial sustainability of a university is strongly dependant on the effective relationship between these two governing bodies. Currently, the President is responsible for ensuring

that both governing bodies receive appropriate information so that the academic programming offered by the University is financially sustainable. From our work, we found that the senior administration was not preparing the necessary financial analysis to facilitate this.

## 9.1 Senate Did Not Consider Longer-Term Financial Sustainability of Programs in its Academic Planning

The Senate is responsible for academic matters such as the composition of degrees and programs offered by the University. Between 2009/10 and 2019/20, Laurentian's Senate, chaired by the President of Laurentian University, did not routinely assess the financial sustainability of its individual program offerings. This is despite the fact that if a university cannot operate in a financially sustainable manner, it may eventually be unable to continue to offer academic services. Moreover, as Chair of the Senate and a voting member of the Board, the President should provide strategic leadership and direction to both of the University's governing bodies in order to unite academic priorities with long-term financial sustainability.

We found that the Senate had started working on evaluating the financial sustainability of academic programs in 2016, but the process stalled before any meaningful changes could be implemented due to a disagreement within the Senate over the scope of the Senate's powers. On April 18, 2017, senators voted to discontinue the program sustainability review, arguing that the review process was in fact a "review of the financial viability of academic programs and Senate has no authority to initiate such a review."

The Senate had no further discussions of program or departmental closures until April 21, 2020, when it was informed by the President of financial hardships due to COVID-19. Pandemic-related discussions continued at the May 19 and June 16, 2020 Senate meetings, though no decisions about program closures were made.

## 10.0 Ministry Not Effectively Overseeing Financial Sustainability of the University Sector

The Ministry of Colleges and Universities did not start tracking the financial condition of Ontario universities until 2014/15 (see **Section 10.1**). At that point it was already apparent that Laurentian's financial situation was progressively worsening. However, the Ministry did not attempt to intervene to understand the problem and the impact it could have on the university sector in Ontario, including students. In fact, under current legislation, the Ministry does not have the specific authority to require universities to operate sustainably, and believes that it could not have prevented Laurentian from choosing to file under CCAA for creditor protection (see **Section 10.2**).

For example, there are no legislated restrictions on a university's activities that could protect its financial sustainability, such as setting borrowing and capital-expenditure limits (see **Section 10.3**). As well, existing funding agreements between the Ministry and universities do not require universities to demonstrate their operations are financially sustainable in order to receive taxpayer funds (see **Section 10.4**).

## 10.1 Ministry Financial Metrics Noted Concerns at Laurentian in 2014/15

The Ministry began tracking financial sustainability indicators at Ontario universities in 2014/15. It measures financial sustainability using the following metrics:

- **Net Income/Loss Ratio:** Percent of revenue that contributes to net assets.
- **Net Operating Revenue Ratio:** Cash flow from operations as a portion of total revenues.
- **Primary Reserve (days):** Number of days the university could function using only its unrestricted reserves.
- **Interest Burden Ratio:** Percent of total expenses used to pay interest.
- **Viability Ratio:** Expendable resources (net assets) that can be used to cover debt obligations.
- **In-year Surplus:** Amount by which revenues exceeded expenses in a fiscal year.
- **Net Expendable Assets:** Assets that are not restricted and are available to support operating costs.

Since the Ministry began tracking the metrics in 2014/15, Laurentian has failed to meet nearly all of the financial sustainability targets (see **Figure 25**). However, no actions were taken as a result of this information.

**Figure 25: Laurentian University's Performance Against Ministry Financial Indicators for the Years Ending April 30, 2014/15-2019/20**

Source of data: Ministry of Colleges and Universities

	Ministry Benchmarks	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
Net income/loss ratio (%)	=>1.5	(1.0)	(1.1)	(1.0)	1.1	(2.1)	(1.7)
Net operating revenue ratio (%)	=>5	1.5	5.2	(1.2)	(0.4)	(2.9)	1.0
Primary reserve (days)	=>30	(7)	(14)	(17)	(12)	(22)	(36)
Interest burden ratio (%)	=<3	1.6	2.3	2.4	2.4	2.7	2.2
Viability ratio (%)	=>30	(5.7)	(8.1)	(8.9)	(6.6)	(12.9)	(22.2)
In-year surplus (deficit) (\$ million)	=>0	(1.7)	(2.0)	(1.8)	2.1	(4.1)	(3.4)
Expendable net assets (\$ million)	=>50	(3.6)	(6.9)	(8.8)	(6.3)	(11.8)	(19.8)

■ Indicates when Laurentian did not meet the Ministry of Colleges and Universities' benchmark for an indicator. This figure relies on the Ministry's estimate of Laurentian's interest costs, as Laurentian does not separately disclose interest expenses in its audited financial statements.

**Figure 26: Laurentian University's Performance Against Ministry Financial Indicators for the Years Ending April 30, 2009/10-2013/14**

Prepared by the Office of the Auditor General of Ontario

	Ministry Benchmarks	2009/10	2010/11	2011/12	2012/13	2013/14
Net income/loss ratio (%)	=>1.5	(4.0)	(4.1)	(2.7)	0.1	(0.8)
Net operating revenue ratio (%)	=>5	(2.5)	(2.9)	3.6	(4.1)	(1.0)
Primary reserve (days)	=>30	(2)	(1)	(11)	(10)	(12)
Interest burden ratio (%)	=<3	1.0	1.1	1.3	1.7	1.8
Viability ratio (%)	=>30	(4.1)	(1.2)	(8.9)	(7.3)	(9.6)
In-year surplus (deficit) (\$ million)	=>0	(5.8)	(6.5)	(4.2)	0.2	(1.4)
Expendable net assets (\$ million)	=>50	(1.0)	(0.5)	(4.8)	(4.3)	(5.8)

Indicates when Laurentian did not meet the Ministry of Colleges and Universities' benchmark for an indicator.

Had the Ministry put performance metrics and targets in place sooner, it also could have been aware of Laurentian's financial problems as far back as 2009/10. See **Figure 26** for a detailed analysis where we have applied these metrics to prior years, beginning in 2009/10.

## 10.2 Ministry Does Not Have Legislative Authority to Intervene in the Operation of Publicly Funded Universities

Although the Ministry was aware of Laurentian's poor and worsening financial condition as early as 2014/15, funding continued without Ministry officials obtaining a complete understanding of Laurentian's financial situation. As the case of Laurentian has shown, not addressing financial issues earlier can impact students, communities, and the overall post-secondary sector.

It is clear from existing legislation that the Ministry is not expected to be involved in the day to day operations of any university. However, in our view, the public would expect that there is sufficient oversight to identify if a university has strong governance and financial sustainability to continue to deliver programs to students when it receives substantial taxpayer funding.

In practice, while the Ministry typically has not been proactive in addressing financial problems at

universities, it has offered its assistance when asked for help. This occurred in 2014, when North Bay-based Nipissing University reached out to the Ministry following consecutive Board-approved deficit budgets.

Nipissing was failing to meet six out of the seven financial sustainability metrics used by the Ministry. Its 2014/15 performance on three of the metrics was even worse than Laurentian's was in 2019/20, preceding its CCAA filing. Nipissing had a worse Loss Ratio, Net Operating Revenue Ratio, and Interest Burden Ratio.

Ministry officials met with Nipissing's senior administration and requested that a third-party external financial review be conducted to obtain a truly independent evaluation of the university's finances and operating processes, as well as to provide a detailed financial plan. The Ministry commissioned a \$508,500 review, which was issued September 2015. The review identified strategies for financial sustainability and savings consistent with Nipissing's strategic mandate and core values. These included:

- refinancing its debt to reduce annual interest costs;
- selling its campuses outside of North Bay to raise funds and reduce losses; and
- reducing management and support staff.

The Ministry further provided \$4.5 million to support the implementation of the measures that were recommended. For example, it bore the upfront costs

of early retirement initiatives. In return for the Ministry's financial support, Nipissing agreed to provide unrestricted access to all the data and documents required for a robust financial and operational analysis.

We reviewed all of the Ministry's financial sustainability metrics for Nipissing and found that the university's performance had improved in all measures following this support.

In August 2020, when Laurentian's senior administration approached the Ministry with concerns about the University's finances, the Ministry similarly offered to jointly fund a third-party, independent financial review. Laurentian initially agreed, and identified its preferred consultant, Ernst & Young (EY). Soon after, though, the University asked that the terms of the engagement be changed to not produce a report in order to enable the external consultant to act as a court-appointed monitor in a CCAA restructuring process as needed. The Ministry did not agree to this change, knowing it would not be provided with an independent and fulsome understanding of Laurentian's situation or a detailed financial plan for Laurentian's improvement. Laurentian then hired EY on its own. Based on our work we found that, guided by external legal counsel, Laurentian's senior administration was by this time well on its way to preparing to file for CCAA protection.

Even though Laurentian is a broader public sector educational institution, without amending legislation the Ministry did not have the authority to intervene directly in Laurentian's operations or restrict it from pursuing a restructuring through CCAA. In contrast, the Province of Ontario is already empowered to step in and rectify financial and/or operational mismanagement at other kinds of broader public sector organizations. For example:

- The Minister of Health can appoint a supervisor to take over the board and administration of a hospital. This has occurred six times in the last 10 years.
- The Minister of Education can appoint a supervisor to oversee the operations of a school board. This has occurred twice in the last 10 years.

When it comes to public colleges, the Ministry employs specific directives and mandatory requirements that

colleges must comply with (for example, in terms of investment and borrowing), and has the power to intervene in a college's operations should the Ministry deem it necessary. Public colleges also submit their annual budgets to the Ministry. If a college projects an accumulated deficit, they must submit a Deficit Recovery Plan for review. If the college cannot fulfil the commitments in this plan, the Minister can intervene. For example, in 2002 Collège des Grands Lacs was closed by the Ministry because of lack of enrolment sustainability.

### 10.3 Universities in Ontario Do Not Have Legislated Requirements to Operate Sustainably and Prevent Insolvency

In all provinces except Ontario, New Brunswick, Nova Scotia and Quebec, there are legislated limits on university deficits, borrowing and/or major capital expenditures. **Appendix 20** compares the requirements for universities in other provinces. In our analysis, we noted that had the requirements in these other jurisdictions applied, Laurentian would have been prevented from acquiring significant debt and may have avoided its financial deterioration.

As well, Ontario does not have a legislated process for universities to address financial difficulties. In comparison, in 2015 Nova Scotia introduced the *Universities Accountability and Sustainability Act* in response to instances of post-secondary institutions experiencing financial difficulties. The act serves to identify and correct financial difficulties before they become emergencies. It allows universities to restructure themselves through a "revitalization planning process" intended to be used as a last resort. Unlike the CCAA process, revitalization planning requires universities to:

- consult with their students, employees, unions and any other stakeholders;
- prepare a long-term strategy for financial sustainability;
- assess the potential impact of the plan on students and employees; and
- set goals and objectives for contributing to social and economic development in the province.



## 10.4 Ministry Funding Agreements Do Not Motivate or Require Financial Sustainability or Spending Accountability

Public universities receive billions of dollars in funding from the Ministry of Colleges and Universities, and the agreements associated with that funding do not require universities to operate in a sustainable manner. In fact, in order to obtain annual funding, there are no specific requirements except that the university continue to operate. Strategic Mandate Agreements (SMAs) outline each institution's intended activities and goals for the period they cover. But failure to accomplish activities and goals has not historically had any consequences on funding.

Core funding is provided to universities based on the number of full-time equivalent students and the relative cost of delivering a university's programs. In 2020/21, Laurentian received \$74.9 million in operating funding and \$1.0 million in capital funding. Laurentian submits audited enrolment numbers to the Ministry to confirm the funds provided in the upcoming year.

Some Ontario universities, including Laurentian, also receive French-language funding from both federal and provincial governments. The funding is provided at a set core amount, with some additional project-specific funds. Universities are required to report how they use some of the core funding, but there are no consequences for failing to report. There are no restrictions on how the funding can be used, except that it is not to be available for capital projects or faculty salaries. Since 2010, Laurentian has received a core amount of \$10.2 million annually with project-specific funding fluctuating as high as an additional \$1.5 million (in 2019/20). The core funding has not been affected by the cuts to French language programs during CCAA restructuring. In March 2022, the French Language Services Commissioner reported that Laurentian violated the requirements of the *French Language Services Act* by ceasing to offer two designated degrees without following any of the mandated procedural steps. This included failing to consult with the Ministry of Francophone Affairs or the Ministry of Colleges

and Universities prior to eliminating French language programs.

Although the Ministry is in the process of shifting to a new, performance-based funding model, the new model does not involve any financial performance metrics, such as debt to revenue ratios, that might motivate and require financial sustainability or spending accountability at universities.

## 11.0 Laurentian Strategically Planned and Pursued Restructuring Through the *Companies' Creditors Arrangement Act*

Our review of Laurentian found that its financial condition had been in decline for many years as a result of poor financial management paired with weak Board oversight.

To remedy the long-standing financial situation, senior administrators and the Board, guided by external legal counsel, strategically planned and pursued restructuring under the *Companies' Creditors Arrangement Act* (CCAA). Rather than continue to operate under its collective agreement with the faculty union and employ the financial exigency clause, and rather than conduct a joint financial review with the Province while receiving additional short-term funding, Laurentian's senior administration, with Board approval, chose to initiate court proceedings on February 1, 2021. The CCAA process is normally used by private companies to keep struggling businesses operating while under court supervision. Until Laurentian's filing, CCAA had never been used by a public university in Canada, which would typically seek and obtain government assistance if in financial trouble.

But Laurentian did not pursue assistance from the Ministry of Colleges and Universities in a fully transparent and timely manner. Instead, it paid back a crucial line of credit that for many years had provided the cash flow assistance it needed each year (see **Section 11.1**), rejected an offer of government assistance, and filed for CCAA protection (see **Section 11.2**).

Aside from the added costs of preparing for and pursuing CCAA, (which also resulted in costs for breaking agreements associated with its debt, as discussed in **Section 11.9**), Laurentian's approach held extraordinary consequences for stakeholders. By triggering CCAA, the University administration circumvented contractual obligations to employees; and it was permitted to terminate more-senior, fully-tenured professors and avoid paying them full severance entitlements in cases where they were terminated before their retirement (see **Section 11.4**). Choosing CCAA also quickly cleared a large number of union grievances that had accumulated unaddressed, some for as long as five years. In addition, by opting for CCAA, Laurentian was able to be less transparent—reducing the financial and operational information it would need to disclose to the public and its labour unions (see **Section 11.5**), including its rationale for any restructuring decisions made through its CCAA process (see **Section 11.7**).

**Appendix 21** provides a timeline of Laurentian's progress toward and through its CCAA restructuring, and **Appendix 22** provides a timeline of Laurentian's interactions with the Ministry regarding its financial condition and the CCAA process, all up to January 31, 2022.

## **11.1 Laurentian Reduced its Cash Availability Knowing It Would be Facing Increasing Cash Flow Pressures**

In April 2020, Laurentian's administration told its faculty union that there was a significant risk the University could run out of cash as early as fall 2020. At that time, it had only \$3.4 million of cash on hand. However, this comment ignored the fact that Laurentian had ongoing access to a line of credit that it had in place and actively used for many years.

Despite its cash flow problem, in August 2020 Laurentian used \$14 million of the revenue it had received from fall 2020 tuition fees to start to pay down its line of credit, which was with Desjardins Bank. On September 8, 2020, the University paid down a further \$2.5 million on the same flexible loan, in essence paying off its available line of credit from Desjardins.

Laurentian was not required to make these payments. Had it not done so, there would have been more time for the Ministry to assess the University's situation and explore ways to address Laurentian's cash flow difficulties, outside of a CCAA restructuring. We learned that as late as December 2020, Laurentian still had access to this line of credit, which could likely have supported its cash flows until spring 2022. On February 12, 2021, Desjardins reached out to Laurentian to cancel the line of credit after becoming aware of its CCAA filing.

In November 2020, external legal and financial consultants told senior administration not to access this resource.

## **11.2 Laurentian Did Not Engage the Ministry in a Timely and Transparent Manner to Allow It to Offer Informed Assistance to Avoid CCAA**

As late as February 28, 2020, Laurentian was still telling Ministry officials that it was undertaking a sustainability plan, and requested it continue to receive special purpose grant funding into 2020/21. There was no mention of a necessity to file for CCAA protection.

In March 2020, Laurentian began to consult with external counsel specializing in insolvency litigation who had raised the concept of CCAA with the University a year earlier, while providing other services. Senior administration began planning for and initiating steps toward a CCAA filing, with its external legal counsel selecting the accounting firm of Ernst & Young (EY) to support that process.

In the time leading up to the CCAA filing, senior administration at Laurentian described their legal counsel as giving them the "hard sell" for CCAA; they noted that CCAA was counsel's business and so everything was viewed through that lens. Similarly, one Board member informed us they felt pressured into the CCAA process by external legal counsel.

It wasn't until August 2020, five months later, that Laurentian first directly informed Ministry staff it was considering a CCAA filing. In response, the Ministry proposed a third-party financial review to determine a way forward. This independent review

was intended to provide the Ministry with a clearer picture of the University's financial position and potential actions needed.

At first, Laurentian suggested that EY conduct the third-party financial review. However, soon after, EY removed itself as a potential author of a report as part of the third-party financial review. According to Ministry staff, EY proposed this “because the firm need[ed] to retain neutrality in the event that Laurentian proceed[ed] with creditor protection action. [EY] would be assisting Laurentian with that process.”

When the Ministry did not agree to EY's change in terms, the third-party financial review fell through. Laurentian continued to engage EY directly, and EY later became the court-appointed monitor in Laurentian's CCAA proceedings. Neither the Ministry nor Laurentian proposed an alternative financial advisor to fill this role.

As late as the end of November 2020, Board members were voicing concern that Laurentian's leadership had not made reasonable efforts to pursue options outside of CCAA, such as negotiations with the faculty union or seeking financial support from the government. They described Laurentian's insolvency lawyers as “giddy with excitement to try something new.”

On December 12, 2020, Laurentian's senior administration approached the Ministry of Finance, indicated the University was insolvent, and requested \$100 million in financial aid: \$50 million to fund its continued operations over three years and \$50 million for termination and severance payments. In its communication, Laurentian's senior administration requested a response by the first week of January 2021 or else it would commence CCAA proceedings at the end of that month. This gave the Ministry minimal time over the holidays to review the proposal, and it didn't have the benefit of an independent consultant report that could have provided verified information about Laurentian's financial situation.

Provincial officials told us this funding request was unusual for two reasons. First, it was presented right before the holidays with a tight timeline to respond. Second, the funding request did not contain adequate analysis given the sizeable \$100 million request. Officials told us that based on the amount of external

support Laurentian had gathered—which included insolvency lawyers, financial advisors and government-relations services from a former Deputy Minister—it was unreasonable for Laurentian to expect the government to accept this proposal without a chance for its own, independent review.

On January 19, 2021, the Ontario government approved a Ministry of Colleges and Universities' proposal for the appointment of a special advisor who could provide advice and recommendations to the Ministry regarding the long-term financial sustainability of Laurentian. In the proposal, Ministry officials questioned how open the University's administration would be to exploring options. “Given Laurentian's belief that a CCAA filing is a crucial element of its labour negotiations, the institution might proceed in spite of any government intervention.”

**Appendix 23** summarizes the four reports the special advisor has provided to the Ministry.

### 11.3 Laurentian May Not Have Complied with its Legal Requirements Related to Lobbying

Historically, troubled universities and other broader public sector entities have transparently and proactively sought guidance and financial support from their funding ministry. Laurentian's leaders instead decided to engage politicians (for example, federal and provincial ministers) while not sharing key information about the University's financial position with the Ministry's Deputy Minister, the Assistant Deputy Minister and their staff.

Starting in 2020, Laurentian's senior administration began engaging internal staff and external consultants for assistance in communicating with the federal and provincial governments about financial restructuring and funding needs. We found that some of these activities may fall within the definition of lobbying under provincial legislation.

Lobbying occurs when an individual or group is paid to communicate with a public office holder (e.g. minister, ministry staff, minister's office staff, deputy minister, assistant deputy minister) in an attempt to influence their decision-making, the awarding of public

funds, or the arrangement of meetings between a public office holder and any other person. The *Lobbyists Registration Act, 1998* imposes legal requirements on individuals and firms to register and report their lobbying activities through the Lobbyists Registry, managed by the Office of the Integrity Commissioner of Ontario.

According to the *Lobbyists Registration Act, 1998* every external consultant, such as government-relations advisors, lawyers and other professionals, must register all lobbying activities, including arranging or directing the arrangement of a meeting with a public office holder. The act also imposes requirements on non-profit organizations, including universities, to track, register and report lobbying activities of all employees who engage in lobbying activities that collectively amount to 50 or more hours per calendar year. According to the act, Laurentian's President, as its most senior executive, is responsible for tracking the lobbying activities of all employees and registering staff, including the President, if they reach the reporting threshold.

Further, under both the *Lobbyists Registration Act, 1998* and the *Broader Public Sector Accountability Act, 2010*, broader public sector organizations such as universities are prohibited from spending public funds on consultant lobbyists. These organizations can only engage consultant lobbyists if the senior executive at the organization and the consultant file a signed attestation with the Integrity Commissioner confirming that public funds are not being used for lobbying activities.

Neither Laurentian nor any of its external consultants reported the following activities through the Lobbyists Registry:

- Both Laurentian's insolvency counsel and its financial advisor (later court-appointed monitor) participated directly in meetings with public office holders alongside Laurentian officials during the time the University was attempting to persuade politicians and political staff to provide it with financial assistance and/or to serve as its debtor-in-possession lender in the CCAA process. This included meetings with staff in ministries and the minister's office where the discussions focused on general and later more specific requests for government support. Moreover,

Laurentian's financial advisor met with ministry staff to discuss Laurentian's requests for financial support and suggested modifications to a proposed funding agreement with the Ministry that would have directly benefited Laurentian.

- During 2020 and 2021 a number of Laurentian employees frequently met with staff from the ministries or ministers' offices, where the intent was to influence government decision-making or obtain financial support. To support these efforts, Laurentian hired three in-house government-relations advisors that reported a cumulative total of 616 and 580.5 hours worked in 2020 and 2021, respectively. The University paid about \$200,000 in salaries for these three in-house advisors.

Laurentian has not filed any lobbying registrations since 2010, whereas 13 other Ontario universities have reported their use of both in-house and consultant lobbyist services, with 10 filing in-house lobbying records and three filing consultant lobbying records.

## 11.4 Laurentian Rejected Financial Support from the Ministry Intended to Help Avoid CCAA

Although in January 2021 the Ministry of Colleges and Universities rejected Laurentian's unusual \$100 million demand, it continued to consider Laurentian's cash flow needs. In that same month, the Ministry informed the government that it would ensure there was sufficient funding to keep Laurentian operational until a special advisor could complete his review.

We noted that on January 18, 2021 the Ministry received a forecast of Laurentian's future cash flows from EY. Based on this forecast, the Ministry offered Laurentian a grant to support its cash flows through the end of March 2021, on the express condition that the University not pursue CCAA. A second condition was that Laurentian co-operate with a government-appointed special advisor who would, according to the Ministry, provide the government "timely insight into the extent of the situation at Laurentian and give the government the required information, analysis and

advice to support decision-making for the government and institution on a plan to return to sustainability.”

Laurentian declined this offer and filed for CCAA shortly thereafter.

At the time, the Ministry viewed Laurentian’s response as a clear indication it believed CCAA would help it secure more favourable terms in labour negotiations with academic staff. Laurentian had cited reducing faculty costs as a key to becoming financially sustainable.

## 11.5 Laurentian Administration Withheld Significant Financial Information from Unions

Until the eve of its CCAA filing, Laurentian’s senior administration withheld financial information that was requested by the Laurentian Union Faculty Association (LUFA). We found that during its collective agreement negotiations with labour unions during 2020 and in January 2021, the University administration did not communicate materially relevant information about its plans and preparations for a CCAA filing.

Collective agreement negotiations in Ontario are governed by the *Labour Relations Act, 1995*. Under this act, parties to the negotiations have a legal duty to bargain “in good faith” and must “make every reasonable effort” to reach a collective agreement. This legal duty imposes a number of obligations on the parties, including the duty:

- not to keep material facts from the other side or to misrepresent the facts;
- not to adopt a deliberate strategy to prevent concluding an agreement;
- to disclose plans and decisions that could have a material effect on union members; and
- to consider the other side’s proposals and requests, and to respond to them.

In April 2020, in response to Laurentian identifying financial challenges, the Laurentian University Staff Union (LUSU), notified the University it was willing to renegotiate its collective agreement early. As part of these negotiations, the staff union accepted a salary cut that saved Laurentian \$1.8 million between 2020 and 2023. Additionally, the staff union made a \$450,000

payment to the University to prevent members from having to take furlough days (unpaid days off).

In April 2020, LUFA also began negotiations for a collective agreement. The University’s initial bargaining offer included demands for significant financial concessions, amounting to a salary rollback ranging from 5.2% to 9.4% of faculty salaries. The administration also indicated it wanted to discuss options for terminating faculty. The union requested financial information to support Laurentian’s claim of significant financial challenges (for example, documents and financial records that supported the University’s position that it was in an immediate financial crisis, and how certain expenditures presented to the union were calculated or projected).

Although some financial information was provided, the faculty union reached out again on at least four occasions requesting further details, saying they were unable to independently validate the financial situation given the information provided. Laurentian remained unresponsive to these requests from August 26, 2020 until 4:09 p.m. on January 29, 2021, the Friday before its CCAA filing on Monday, February 1, 2021.

## 11.6 Pursuing CCAA Enabled Laurentian to Avoid Requirements under its Labour Agreements

On April 12, 2020, Laurentian laid off 195 of its full-time employees, mostly tenured professors. The lay-offs included:

- 116 full-time faculty members (LUFA members)
- 42 unionized staff members (LUSU members); and
- 37 non-unionized employees (including 24 in management and executive positions).

In Laurentian’s 2020/21 financial statements, the total employee restructuring and termination liability resulting from the CCAA filing action, which includes all employees terminated, is estimated to be \$44.7 million.

As discussed in **Section 7.3**, Laurentian’s collective agreement with LUFA had a specific clause designed to be used in times of financial emergencies. Known as the financial exigency process, it is designed to reduce

faculty costs in times of financial hardship while offering a fair and transparent method for terminating employees. The process includes applying specific criteria, such as length of employment and tenure status, for determining which faculty members are to be terminated. It is a common provision within faculty collective agreements in Ontario and other provinces and is considered best practice.

By filing for CCAA, Laurentian did not have to follow contractual and labour-law stipulations, which would have required the University to:

- disclose financial information to LUFA;
- retain senior faculty members over newer faculty;
- address grievances through regular channels;
- consider other means of achieving cost savings and make every effort to get financial assistance from the Province before terminating faculty; and
- pay full severance to terminated employees.

Laurentian specifically wanted to avoid using the financial exigency process. Its senior administrators voiced concerns about:

- the requirement that the process would need to be fully transparent, with an independent commission into Laurentian's finances covering the prior two years;
- the administration's loss of unilateral control over decision-making;
- the significant severance costs that would be required to be paid for terminated faculty; and
- the public nature of the process that may damage the University's reputation.

Restructuring under the CCAA process meant the administration was not required to consider, before terminating faculty, whether all reasonable means of achieving cost-savings in other areas of the University budget had been exhausted, or whether every effort had been made to secure further assistance from the provincial government.

Laurentian informed us that the 109 faculty members terminated through the CCAA process averaged 21 years of University service and had an average annual salary of \$155,000. That is, the majority (76%) of the terminated professors were from the two highest

seniority ranks (associate and full professor) and 50% of the terminated professors had exceeded their corresponding salary cap for “progression-through-the-ranks” compensation adjustments. This indicates that faculty terminations through the CCAA process disproportionately targeted longer-serving, higher-ranked, and higher-compensated professors, something which is contrary to the protocol prescribed under the financial exigency process.

Further, using the CCAA process enabled Laurentian to reduce the severance payments it would have been required to pay terminated faculty. Through the CCAA process, the monitor and Laurentian developed a methodology for calculating severance for terminated faculty. It was noted that this methodology governs the calculation of claims regardless of any potential differences between it and guiding documents (for example, the collective agreement). Laurentian informed us that the faculty members terminated through the CCAA process were calculated to have a severance of \$32.8 million owing because they were terminated, or more than \$301,000 per person.

However, as noted in the Monitor's 14<sup>th</sup> report, terminated faculty are only expected to receive 14.1% to 24.2% of this severance, or \$42,000 to \$72,000 per person. For example, a professor who worked at Laurentian for over 30 years and was just over 60 years old would have received over \$630,000. However, due to being terminated through the CCAA process, they are instead expected to receive around \$90,000 to \$150,000. The proceeds to pay this amount are anticipated to come from the Ministry agreeing to purchase some of Laurentian's real estate assets.

Choosing CCAA proceedings also enabled Laurentian's administration to resolve outstanding union grievances through an expedited court-mediated arbitration process. At the time of its CCAA filing, Laurentian had amassed 109 unresolved union grievances, some outstanding for as long as five years. As discussed in **Sections 7.3** and **7.4**, the administration had not addressed those grievances in a timely manner, including those related to harassment and discrimination. This had resulted in an abnormally high and potentially costly accumulation of unresolved grievances.

Court-mediated arbitration was faster and less costly for the University administration than the normal processes agreed to under the collective bargaining agreements. This was because, under CCAA, the vast majority of grievances were withdrawn by the union and remaining grievances could be dealt with collectively in an expedited fashion. Of 109 unresolved faculty grievances at the time of the CCAA filing, 72 were withdrawn to avoid the forced arbitration process and may be re-grieved at a later time. The remainder were resolved through an arbitration award (30) or settlement (6).

### **Laurentian Unilaterally Terminated Its Agreement with Federated Universities**

The federated universities were predominantly funded through Laurentian. On April 1, 2021, two months after Laurentian initiated the CCAA process, each federated university received a notice of unilateral dissolution of the federation agreement, which meant they lost the revenues needed to sustain their operations. Thorneloe and the University of Sudbury challenged the decision in court, but on May 2, 2021, the Ontario Superior Court of Justice confirmed the dissolution of the 1960 federation agreement. Terminating the agreement was also a condition to secure an additional \$10 million under the Debtor-in-Possession (DIP) loan—which is financing unique to insolvent companies in a restructuring—that Laurentian required to move forward with CCAA. This DIP lender was approached by the lawyers handling the CCAA process that had previously been involved in earlier Laurentian matters relating to agreements with the federated universities.

According to the federated universities, the University of Sudbury terminated 96 of 104 employees, Thorneloe terminated 34 of 40, and Huntington terminated 16 of 29, meaning a total of 146 employees at the federated universities lost their jobs. One of these universities paid its full-time faculty severance. These terminations are in addition to the staff terminated by Laurentian.

While each federated university remains open, they are operating independently from Laurentian and therefore receive no operating funding or tuition revenue through it. As of September 2022, they have

limited ability to generate revenue from investment and rental income. Each school is pursuing a different path forward. The University of Sudbury is in the process of pursuing a transition to a French-language university. If this process fails, the school may close. The closure of the University of Sudbury would have significant additional financial consequences, estimated at over \$8 million, including returning the school's grounds to their original state. Huntington is attempting to develop a new path forward by refocusing its academic programs and developing strategic partnerships with academia, industry and government. Thorneloe continues to operate its small School of Theology, which was never part of the Laurentian federation.

Students who were taking courses hosted at the federated universities continue to be students of Laurentian, although the programs they were enrolled in may no longer be available at Laurentian.

## **11.7 Laurentian Cancelled 76 Degree Programs without Offering Rationale**

The University's program offerings were reduced on April 6, 2021, when Laurentian's Senate passed a resolution proposing program closures and faculty and departmental restructuring as part of the University's financial restructuring under the CCAA.

Laurentian cancelled 76 degree programs, 65 of which were undergraduate programs (see **Appendix 24**). That impacted an estimated 932 students, or 7.5% of Laurentian's undergraduate students, and 3.7% of its graduate students.

For some of the degrees that remained, the cuts meant that certain specializations within those degrees were no longer available. An academic degree is granted for an area of study (for example, Bachelor of Science), and degrees can also have program specializations within that area of study (for example, Environmental Science).

On April 12, 2021, Laurentian notified students of the restructuring plan and gave third-year students the option of completing their degree in their original discipline; however, new students would not be accepted into

cancelled programs. First- and second-year students in programs that were being cancelled were encouraged to switch their degree or specialization. Where there was no comparable degree, students were directed to transition to other universities.

From interviews, we learned that Laurentian's approach to cutting programs during restructuring was not strategic, well-informed or transparent. Administrators did not use a rigorous process that documented an evaluation of the costs, revenues, forward-looking projections or any other considerations, such as the core values and future sustainability of the University. Instead, guided by external advisors, Laurentian used rough financial information to create and apply a universal cut-off threshold. (We did not have access to sufficient information to be able to interpret the method used to arrive at the cut-off threshold.) Programs under the threshold were deemed likely to be unprofitable for the University and were eliminated.

We were further informed that considerations about which programs to cut were based on very narrow criteria and were potentially misguided. For example, cuts did not consider a program's ability to secure future research funds, recruit students, meet community needs or provincial priorities. A case in point is Laurentian's Environmental Science program, which was featured as an area of strength in the University's most recent Strategic Plan (2018–2023) and Strategic Research Plan (2019–2023). This program was terminated, along with the prominent research chairs who taught its courses, mentored its students, and received funding to do research to improve knowledge, strengthen Ontario's and Canada's international competitiveness, and help train the next generation of highly skilled people.

Another example was Laurentian's midwifery degree, the only midwifery program taught in French in Ontario and the only midwifery program in Northern Ontario. With 118 French and English students registered in Laurentian's midwifery program as of fall 2020, many may be unable to complete this program if they are unable to study in English and/or move to southern Ontario to study at either McMaster

University in Hamilton or Ryerson University, which has been renamed Toronto Metropolitan University. According to information Laurentian provided to the Ministry, Laurentian's midwifery program had operating surpluses from 2009/10 to 2020/21 ranging from \$126,000 to \$531,000.

## 11.8 CCAA Allowed Laurentian to Restructure Without Being Fully Transparent

Choosing to pursue the CCAA process meant that Laurentian would have to disclose much less internal financial and operating information than if it had accepted the Ministry's assistance. For instance, Nipissing University needed to provide full co-operation and financial transparency in 2015, when it received financial support from the Ministry. The independent third-party financial review of Laurentian that would have formed the basis of a Ministry intervention would also have brought to light the factors and decisions that significantly contributed to the University's financial deterioration.

Ordinarily, a university is subject to freedom of information requests under the *Freedom of Information and Protection of Privacy Act*, like other broader public sector entities. Under the CCAA, Laurentian was granted a stay on all such requests. On January 27, 2022, close to one year after it formally announced CCAA, Ontario's Information and Privacy Commissioner requested the court lift the stay on freedom of information requests, calling the stay "unprecedented." This stay was lifted effective May 1, 2022.

While the court-appointed Monitor (EY) periodically reports on "restructuring costs" as part of its reports, the details of what these costs relate to are not provided. Laurentian's staff union, LUSU, has asked for more information about restructuring costs and legal fees to be included in the Monitor reports so that parties can raise potential concerns about fees sooner rather than later.



## 11.9 Laurentian Paid \$30.1 Million to Legal Counsel and External Consultants to Plan and Execute CCAA

Laurentian receives more than 40% of its revenue from the Province each year. That means the costs of the University's CCAA proceedings are also being funded, in part, through provincial taxes.

From March 1, 2020 to September 12, 2022, the restructuring process, which was recommended and facilitated by external legal and financial consultants, had cost Laurentian over \$30.1 million (\$17.1 million for financial advice and monitoring and \$13.0 million for legal fees). This is nearly equivalent to the amount of full severance of \$32.8 million the 109 faculty members terminated through the CCAA process were entitled to, as determined by Laurentian (see **Section 11.6**).

Laurentian also paid \$2.8 million in fees for financial advice and another \$2.5 million for legal expenses prior to filing for CCAA in January 2021. Another \$24.8 million in expenses was incurred during the CCAA process. In addition to this, Laurentian incurred legal fees in preventing our office from accessing information; the legal invoices to determine this amount were unavailable to us and had not been provided to the Standing Committee on Public Accounts under the Speaker's Warrant at the time this report was being finalized.

We also became aware that a procurement for a real estate review during the CCAA process, led by the external legal and financial consultants, may have breached legal and public sector procurement requirements. These included failing to develop evaluation criteria to assess bidders prior to issuing a request for proposal.

To fund its participation in the CCAA process, Laurentian had to acquire Debtor-in-Possession (DIP) financing, which enabled it to continue operating. DIP financing takes priority over all other debt. Laurentian secured up to \$35 million from a private mortgage investment corporation to support operations until August 31, 2021, which cost it \$2.2 million in interest

expenses prior to the Province taking over the DIP loan at a lower interest rate.

Recognizing that if the Province took over as Laurentian's DIP lender stakeholders would have greater confidence in the University to emerge from the CCAA process, the Ministry sought provincial approval on December 14, 2021 for a funding package to Laurentian that included:

- \$35 million to become the DIP financier for Laurentian;
- a COVID-19 grant not to exceed \$6 million;
- a promise that grant funding of up to \$12 million will not be clawed back if enrolment drops in the years 2021/22 to 2025/26; and
- a promise that grant funding of up to \$10 million will not be clawed back if Laurentian fails to meet performance targets for the years 2021/22 to 2025/26.

A condition of the funding package was that all Board members be replaced and that Laurentian bring in expertise to develop a long-term strategic plan.

On December 15, 2021, 11 members of Laurentian's Board stepped down, including the Board Chair. On December 21, 2021, the Ministry appointed new Lieutenant Governor in Council members to Laurentian's Board. Then, on January 27, 2022, the Ministry took over the \$35 million DIP loan and became the DIP financier for Laurentian.

## 11.10 What Is the Impact of Laurentian, a Public Institution, Entering into the CCAA Process?

On January 15, 2022, data from the Ontario Universities Application Centre (OUAC) showed that high school applications at Laurentian were down 43.5% in 2022. President Robert Hache commented to the University's Senate that the reduction was expected, in light of the insolvency and restructuring. As of September 8, 2022, data from OUAC showed that 1,049 new undergraduate students were enrolled in Laurentian for the fall 2022 semester. That is about 48% fewer new students compared with the 2,032 new students in fall 2020, prior to Laurentian's CCAA filing. A

continued reduction in applications will impact Laurentian's future revenues and its future financial viability.

In its reporting to the Ministry in July 2021, Laurentian had identified that it anticipated lingering negative impacts on enrolment from CCAA. These impacts were anticipated to last five to seven years.

Laurentian faculty were also hard hit by the CCAA filing. Not only did 116 full-time faculty members lose their jobs, but the CCAA process allowed Laurentian to reduce the severance they would have been expected to receive. As noted in **Section 11.6**, some long-tenured professors terminated through the CCAA process may receive less than 15% of their severance.

Laurentian's filing for CCAA had an immediate financial impact, a debt termination liability cost of \$24.7 million because it needed to break its prior debt agreements. University donor interest has also been affected, at least in the short-term. Since filing for CCAA, Laurentian has identified that it is facing difficulties in obtaining donations and instances of donors retracting their gifts. In the 14 months after filing for CCAA, the University received \$1.6 million in donations compared with the \$3.4 million it received over the same time period prior to filing.

The longer-term implications of the CCAA filing are still playing out. Whereas those who lost their jobs or had their program of study cancelled were impacted immediately, others in the University and in the Greater City of Sudbury, where Laurentian is one of the largest employers, may yet feel ripple effects.

The assumption that the Province will support entities in the broader public sector in meeting their financial obligations has now been challenged. Credit rating agencies had historically expected the government to support universities and therefore rated their credit relative to that of the Province. This assumption has been questioned. For example, Moody's Investors Service Inc., a prominent credit-rating agency, said it sees an increased risk that the Province will allow universities to interrupt payments to creditors. This may result in higher interest costs and difficulties for other Ontario universities looking to acquire debt.

Besides the financial impacts, Laurentian's CCAA filing has had and will have broader consequences. Board members recognized this in November 2020

when they raised concerns about how the CCAA process would negatively impact the local community, noting that the effects will be "seen and felt in Sudbury for a long time after [the lawyers] get the balance of their retainer."

Likewise, the Ministry of Colleges and Universities recognized in internal documents that "the prospect of a publicly assisted university undertaking a CCAA process is unprecedented in Canada, and the risks for students, to the long-term reputation of Laurentian, to the broader post-secondary sector and to the government are significant."

Confidence in union collective agreements may well have been shaken. As noted in **Sections 7.3** and **11.6**, invoking CCAA enabled senior administration to avoid the financial exigency clause that was a part of its collective agreement with its Faculty Association. The clause was specifically designed to protect employees and offer a fair and transparent method for terminations in times of financial hardship. Tenured academics and unionized staff at other Ontario universities may now view their own collective agreements as offering scant protection, should their administrations decide to take the approach Laurentian took.

The choice to pursue CCAA has meant that a publicly funded institution has been emboldened to operate without transparency. For example, as noted in **Section 11.8**, under CCAA, Laurentian was granted a stay on all requests under the *Freedom of Information and Protection of Privacy Act*, prompting Ontario's Information and Privacy Commissioner to request that the court lift the "unprecedented" stay. The stay was ultimately lifted, effective May 1, 2022. Further, during CCAA, Laurentian obtained a sealing order on certain documents at the time of filing. The court also issued an order requiring confidentiality over information, documents and communications used in mediation under CCAA.

This lack of transparency extended to our own work process, as we faced unprecedented restrictions to our access to information at Laurentian. Transparency, which is closely tied to accountability, is a core value of Canadian democracy. When a public institution is less than transparent, the public's trust in that institution may be eroded.

Lastly, it is difficult to quantify the damage that may have been done to Laurentian's reputation, given the stigma associated with filing for CCAA protection from insolvency. The University's brand, for now, has been tarnished. The University's alumni, as much as its current students and employees, may be understandably distressed by the association of their credentials and their scholarship with the mismanagement, weak oversight, legal battles, and political gamesmanship of their university.

So far, the Ministry has provided financial assistance to some students who were directly affected by program cuts. In May 2021, the Ministry received approval for up to \$5.5 million to be made available for a projected 776 students. As of January 31, 2022, a total of \$233,000 had been distributed to the 69 students who applied for support.

While the focus now should be on rebuilding Laurentian University, it is important to draw lessons from the experience that could help avoid a similar situation from occurring elsewhere. In **Appendices 1, 2 and 3** of this report we provide recommendations for Laurentian University, its Board and Senate, and the Ministry of Colleges and Universities.

## Appendix 1: Recommendations to Laurentian University

Prepared by the Office of the Auditor General of Ontario

The recommendations in this appendix are directed at Laurentian University; however, other universities in Ontario should also review and implement these recommendations where appropriate. We recommend that Laurentian University:

### STRATEGIC PLANNING

- Establish goals and actions in a new strategic plan that are evidence-based and practicable given its current financial condition and academic sustainability.
- Include key performance indicators that clearly measure the achievement of intended outcomes in the University's strategic plan.
- At least annually review these indicators and make adjustments necessary to the University's strategic plan to support continued progress toward its goals.

### CAPITAL PLANNING

- Prepare a long-term capital plan with annual updates consistent with the University's long-term academic objectives and current and future capital needs. The capital plan should:
  - be consistent with the University's strategic plan;
  - include an assessment of the long-term financial sustainability of new projects that considers all relevant revenues expected to be generated by the projects and all operating costs and costs of servicing any associated debt required to build the projects;
  - set standards for the condition of buildings; and
  - ensure current repair and maintenance needs are prioritized to achieve capital life cycle best practices.
- Limit new capital projects to those that are prioritized in the long-term capital plan, upon its approval by the Board of Governors.
- Capital debt policy should require the University to maintain sufficient liquidity to support it through potential financial emergencies.
- Set debt limit ratios in its capital debt policy that include all debt and are based on best practices for universities to ensure borrowings do not exceed limits.
- Ensure that procurements for all contracts associated with capital projects comply with provincial procurement requirements for the broader public sector.

## FINANCIAL OPERATIONS

- Prepare all budgets presented to the Board on the same basis as the University's consolidated financial statements.
- To ensure the effectiveness of the finance function, reassess the level of resources within the function and fill positions, especially supervisory positions, with individuals with professional accounting designations, such as the Chartered Professional Accountant designation.
- Develop standard automated reports (e.g., accounts receivable aging, listing of deferred contributions, financing cash flows) that provide University administration with detailed, accurate and timely information.
- Streamline the general ledger chart of accounts to reflect updates in accounting policies, recent changes to external financial statement presentation, and the reporting needs of administration.
- Increase the use of digital record-keeping for source documents, such as major agreements, vendor invoices and employee expense claims.

## RESTRICTED FUNDS

- Classify deferred contributions (consisting of research grants, restricted donations and other funds received on behalf of third parties) as current liabilities in the University's consolidated statement of financial position to better reflect the nature of the liabilities, and present changes in the balance of deferred contributions as a change in non-cash working capital (cash flows from operating activities) in its consolidated statement of cash flows.
- Segregate externally restricted funds in separate bank accounts and independently track these funds to ensure their use is in accordance with the restrictions.
- Fulfill its research commitments in accordance with applicable obligations as set out in funding agreements.

## ACADEMIC PROGRAM SUSTAINABILITY

- Regularly assess the financial sustainability of its suite of programs and courses by comparing the revenues generated by the programs and courses with their associated costs.
- Based on financial assessment and other qualitative considerations, such as the mandate and core values of the University, regularly make recommendations to the Senate and Board on adjustments to programs and courses to ensure that they continue to contribute to the University's long-term academic focuses.

## HUMAN RESOURCES

- If creating new senior administrator and leadership team positions, hiring special advisors or engaging other consultants, develop business cases that justify the need for the roles. The business cases should clearly indicate whether the University has the budget and essential operational need for the positions.
- Consistently use a fair and transparent process for the recruitment and hiring of all employees that includes objective selection criteria, interview questions and marking schemes for selecting candidates.
- Clearly document the rationale for hiring selected candidates.
- Retain all required human resource documentation, including documents involving hiring, promotion, retention and termination in accordance with applicable legislation and best practices.
- Ensure salaries of senior administrators do not exceed legislated requirements related to broader public sector executive compensation.
- Develop policy guidance on what constitutes an appropriate expense under discretionary expense funds and all other types of reimbursements.
- Require and retain approved invoices and expense claims documentation for all forms of expenses claimed by senior administrators and other employees.
- Develop and follow a perquisites policy that complies with prescribed content requirements in the Broader Public Sector Perquisites Directive.

## LOBBYING

- Track lobbying activities of all employees who engage in such activities, and register names with, and report to, the Office of the Integrity Commissioner when employees collectively spend 50 hours or more per calendar year, as required under the *Lobbyists Registration Act, 1998*.
- Formally assess the cost and benefit of using external consultants to provide government relations advisory services.
- Ensure external consultants, including external legal counsel, register as lobbyists with the Office of the Integrity Commissioner of Ontario, in accordance with legislative requirements.

## LABOUR RELATIONS

- Address the root causes of why proportionately more grievances are filed against Laurentian University than any other Ontario university and realistically assess what actions can be taken to reduce the future number of grievances.
- Establish standards for the resolution of grievances related to alleged harassment or discrimination in accordance with the Ministry of Labour's Code of Practice to Address Workplace Harassment and resolve grievances in accordance with the established standards.
- Develop criteria with the respective unions for the conditions under which the financial exigency clause would be triggered.

## LEGAL COUNSEL

- Formally assess the costs and benefits of engaging external legal counsel and, based on the results of the assessment, procure external legal counsel using a fair and transparent process.
- So that external legal fees are minimized by reducing reliance on external counsel, hire an in-house counsel who is able to address the more frequent legal matters faced by the University through its normal operations.

## EXTERNAL AUDIT

- Tender the performance of the external audit every five years.
- Ensure all information is proactively provided to an external auditor as part of the audit of the University's financial statement audit.
- Ensure meetings of the Board and of the Audit Committee take place regularly with external auditors, and that the Board and the Audit Committee approve of: the selection of the external auditor; re-appointment of the external auditor; approval of the annual audit plan; approval of the audit findings report; and any other related matters as they arise.

## MINISTRY OF COLLEGES AND UNIVERSITIES AND OFFICE OF THE AUDITOR GENERAL OF ONTARIO

- Gain an understanding of the roles and responsibilities of the Ministry of Colleges and Universities and the Office of the Auditor General of Ontario, particularly as they relate to Ontario universities and the broader public sector.

## Appendix 2: Recommendations to Laurentian University's Board of Governors and Senate

Prepared by the Office of the Auditor General of Ontario

The recommendations in this appendix are directed at Laurentian University's Board of Governors and Senate; however, governing bodies of other universities in Ontario should also review and implement these recommendations where appropriate. We recommend that the Laurentian University Board of Governors:

### INFORMATION PROVIDED TO THE BOARD

- Require the administration to present the annual budget for approval that includes all relevant revenues and expenditures including capital expenditures and cost of servicing debt.
- Require an annual capital life cycle maintenance report that clearly shows significant areas where such maintenance is being deferred.
- Prior to approving major capital projects, require from the administration all relevant information, such as current and projected costs and financing obligations associated with the projects and anticipated revenue streams resulting from the projects.
- Require monthly formal reporting to include: operational year-to-date and monthly actuals to budgets and formal projections to year end; monthly, year-to-date projected cash flows for the current year and the next two years at a minimum; capital spending compared to budgeted amount; details on availability and use of restricted funds; staff levels by category with average salary information; and human resource statistics on employee grievances, sickness leaves and vacation.

### WORK PLANS

- Set clear direction for how to oversee Laurentian's activities, including annual Board and committee workplans, to ensure its governance functions and responsibilities are fulfilled throughout the year.

### PUBLIC TRANSPARENCY

- Develop and make public guidance on the appropriate use of in camera meetings and prepare minutes for all in camera meetings.
- Document all final decisions made during in camera meetings in the public minutes, in a manner consistent with retaining confidentiality where only absolutely necessary.
- Publicly post all key business documents on a timely basis and consistent with the Broader Public Sector Business Documents Directive, including budgets and annual business plans and reports.
- Publicly post on a timely basis all minutes of public Board and Committee meetings.



## BOARD PERFORMANCE

- Develop a skills and competency matrix that outlines the specific skills and experiences that members collectively should have and use this matrix as a guide for filling vacancies.
- Continuously monitor and annually evaluate the Board's performance to ensure that it is effectively fulfilling its duty.
- Renew the terms of Board members within established term limits based on performance.
- Annually review Board insurance and Board member indemnification policies.

## CODE OF CONDUCT AND CONFLICT OF INTEREST GUIDELINE

- Implement and adhere to a code of conduct that outlines the principles and standards for Board members.
- Update the Conflict of Interest Guideline and require all members to declare and document all potential, actual or perceived conflicts of interest annually and as new ones arise.
- Record all members' votes individually, including in camera votes, and use this record to verify that they did not vote on matters later determined to be a potential conflict of interest.

## COMMITTEES

- Ensure members of the Audit Committee have the necessary skills and ability and receive regular training on financial literacy to be able to critically assess financial information presented by the administration and the external auditors.
- Ensure members of the Property Development and Planning Committee have the appropriate skills and training to effectively evaluate all major capital projects proposed by the administration, including the acceptance of donated property, on the basis of need and financial viability.
- Ensure the Property Development and Planning Committee comprehensively evaluates all proposed major capital projects on the basis of need and financial viability. The Committee should also effectively oversee the long-term sustainability and maintenance of the University's existing buildings and address any significant deferred maintenance on a timely basis.
- Ensure the Finance Committee receives complete and accurate information on the sources and uses of cash in order to comply with appropriate restrictions and align expenditures with the best interests of the University.
- In accordance with its own terms of reference, ensure the Finance Committee's evaluation of proposals regarding University funds put forth by the administration are founded on sound financial consideration.
- Require the administration to provide the Staff Relations Committee with regular reports summarizing the status of staff and faculty grievances, including any financial implications for the University.

We recommend that the Senate of Laurentian University:

- Use strengthened financial analysis provided by the Vice-President, Administration to the Senate and regularly evaluate the long-term financial sustainability of the University's academic programming and make recommendations to the Board on changes to those programs identified as being at risk for long-term sustainability.

## Appendix 3: Recommendations to the Ministry of Colleges and Universities and to the Office of the Integrity Commissioner of Ontario

Prepared by the Office of the Auditor General of Ontario

We recommend that the Ministry of Colleges and Universities:

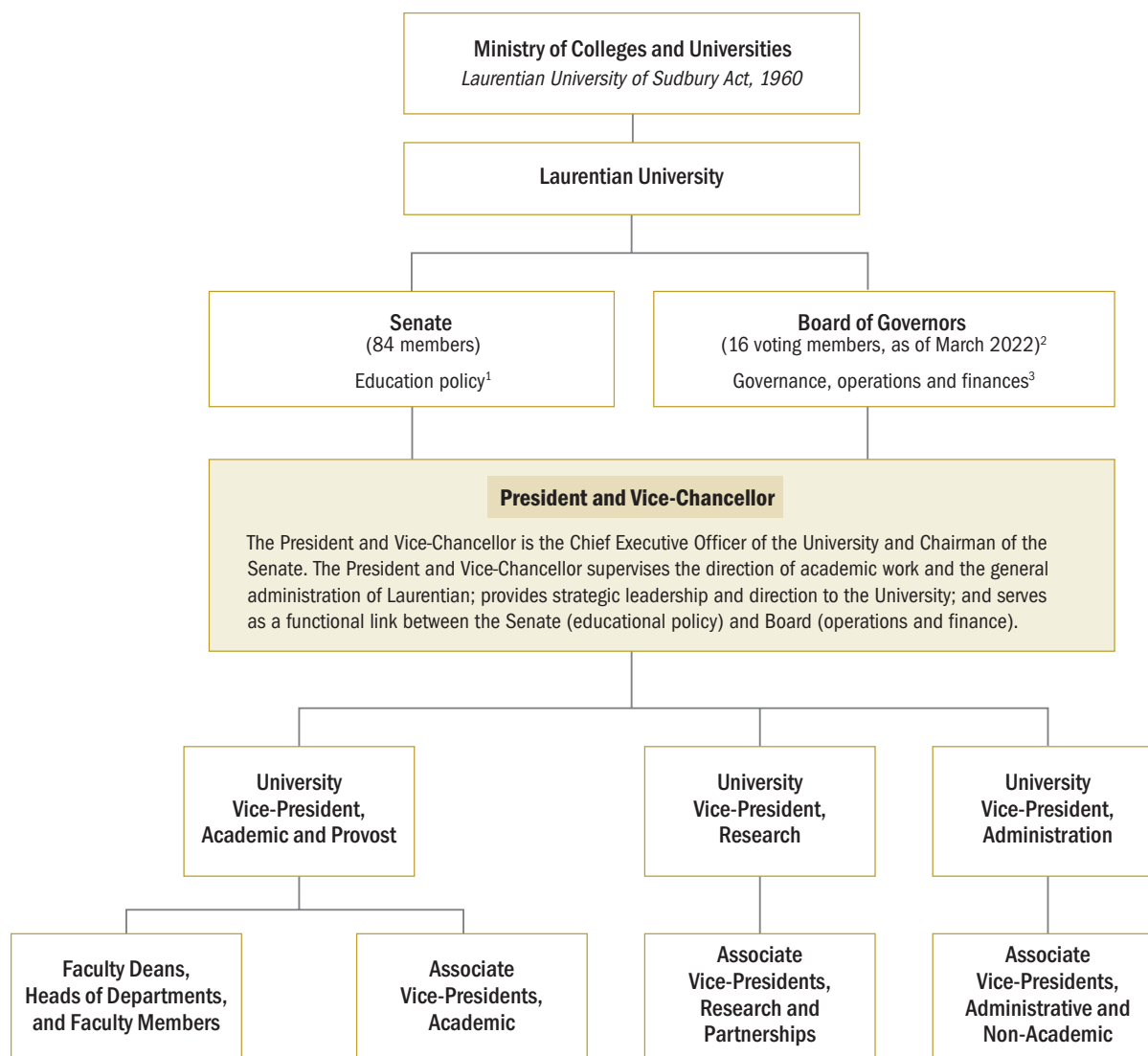
- Proactively intervene to obtain complete information to assess a university's finances when a university fails to meet financial sustainability metrics used by the Ministry and, as a condition of funding, require universities to work with the Ministry to institute a path to financial sustainability.
- Formally evaluate for government the benefits of introducing legislation:
  - allowing the Ministry to set limits on university deficits, borrowings and major capital expenditures;
  - allowing the Ministry to appoint a supervisor to take control of a university's operations when there are serious financial sustainability concerns; and
  - preventing universities from restructuring under the *Companies' Creditors Arrangement Act*.
- Determine to what extent universities are spending funds as intended for specific priorities (such as the bilingualism grant for French-language services), follow up with universities to understand any reasons for discrepancies and better align funding with actual needs.
- Develop guidelines that university boards must have in place to ensure they have fully functioning and effective governance structures, and incorporate these requirements as part of their funding agreements.
- Hold universities accountable for accomplishing their intended activities and goals outlined in current and future funding agreements with the Ministry by making funding contingent on meeting these activities and goals.
- Incorporate financial performance metrics, such as the debt to revenue ratio with set thresholds, and make funding contingent on meeting these thresholds, in the new performance-based funding model.
- Institute processes to validate that funding provided to universities is used for the purposes intended and claw back funding that is not used for intended purposes.
- Require universities to regularly report absences in Lieutenant Governor in Council appointments, monitor the absences and work to fill them in a timely manner.
- As the Debtor-in-Possession lender and the primary funder of Laurentian, seek an expeditious process to end the CCAA proceedings within the next six months with the approval of the Chief Justice of the Superior Court through a plan of compromise and/or arrangement.
- Work with the Board of Laurentian to ensure that strong leadership is in place as Laurentian exits the CCAA process.
- Provide the government with thorough analysis of the impact of tuition reductions and freezes on all universities prior to their implementation to determine if universities can sustain the impacts of these policy decisions.

We recommend that the Office of the Integrity Commissioner:

- Review interactions between Laurentian staff, their external consultants and public office holders to determine compliance with the *Lobbyists Registration Act, 1998* and the *Broader Public Sector Accountability Act, 2010*.
- Clarify and promote requirements for universities and other broader public sector organizations under the *Lobbyists Registration Act, 1998* and the *Broader Public Sector Accountability Act, 2010*.

## Appendix 4: Organizational and Governance Structure of Laurentian University

Prepared by the Office of the Auditor General of Ontario



1. Senate powers under the Act include establishing faculties, departments, chairs and courses. The Senate can create regulations for the admission of students, courses and requirements for graduation. The educational policies are subject to the Board's approval regarding funds and establishing facilities.
2. The *Laurentian University of Sudbury Act, 1960* (Act) established the Board membership as 25 voting members. As of March 3, 2022, the Board membership has been reduced to 16 voting members through an amendment to the Act.
3. The Board's powers under the Act include entering into federation agreements with other colleges; purchasing, mortgaging, leasing and conveying property; borrowing money; and commencing proceedings in its own name. The Board also can make bylaws, resolutions and regulations.

## Appendix 5: Membership of Board of Governors\* as of March 31, 2020

Source of data: Laurentian University

Last Name, First Name	Years on Board	Board Position (2019/20)	Committee or Other Board Positions (2019/20)	Nomination Body
<b>Bayer, Martin</b>	3.8		Board Representative, Laurentian University Native Education Council	University of Sudbury
<b>Chappell, Eric</b>	0.6		Board Representative, Academic Planning Committee	Student Association (yearly appointment)
<b>Corbeil, Suzanne</b>	2.3		Chair, Nominating Committee; Vice-Chair, Executive Committee	Laurentian University
<b>Del Missier, Sonia</b>	7.9	Vice-Chair of the Board	Chair, Nominating Committee; Vice-Chair, Staff Relations Committee	Lieutenant Governor in Council
<b>Deni, Nancy</b>	0.4			Lieutenant Governor in Council
<b>Dokis, Kathy</b>	2.1		Vice-Chair, Audit Committee	Laurentian University
<b>Faggioni, Peter</b>	7.9		Chair, Property Development and Planning Committee; Vice-Chair, Nominating Committee	Lieutenant Governor in Council
<b>Garcia, Fabiola</b>	4.1			Lieutenant Governor in Council
<b>Gaynor, Khari</b>	1.4		Board Representative, Alumni Association	Laurentian University Alumni Association
<b>Grimbeek, Ricus</b>	1.4			Huntington University
<b>Haché, Robert</b>	0.8			Ex-officio member, President and Vice-Chancellor
<b>Harshaw, Stuart</b>	4.4		Vice-Chair, Finance Committee	Huntington University
<b>Jean-Louis, Maxim</b>	2.1		Vice-Chair, Joint Committee on Bilingualism	Laurentian University
<b>Jocko, Jennifer</b>	0.3		Vice-Chair, Research Ethics Board Committee	Laurentian University
<b>Labine, Guy</b>	5.9		Chair, Executive Committee	Thorneloe University
<b>Lacroix, Claude</b>	13.8	Chair of the Board	Chair, Senior Management Review and Compensation Committee	University of Sudbury
<b>Modesto, Cathy</b>	5.8		Chair, Finance Committee; Former External Community Member of the Audit Committee (Sep 23, 2013–Jun 20, 2014)	University of Sudbury
<b>Montgomery, Brian</b>	4.8		Chair, Research Ethics Board Committee; Chair, Staff Relations Committee; Board Representative, Pension Committee	Thorneloe University

Last Name, First Name	Years on Board	Board Position (2019/20)	Committee or Other Board Positions (2019/20)	Nomination Body
<b>Otranto, Dino</b>	0.3			Huntington University
<b>Sartoretto, Tina</b>	4.8		Chair, Joint Committee on Bilingualism; Board Representative, Senate	Lieutenant Governor in Council
<b>St. Pierre, Aaron</b>	0.6			Student Association (rotation, yearly appointment)
<b>Toulouse, Nelson</b>	1.4			Laurentian University
<b>Witty, Jennifer</b>	14.8			Laurentian University
<b>Wood, Ian</b>	10.8		Chair, Audit Committee	Huntington University
<b>Xavier, Peter</b>	2.8			Thorneloe University

\* The *Laurentian University of Sudbury Act, 1960* (Act) established the Board membership as 25 voting members. As of March 3, 2022, the Board membership has been reduced to 16 voting members through an amendment to the Act.

## Appendix 6: Selected Board and Committee Chairs and Vice-Chairs, 2010-2021

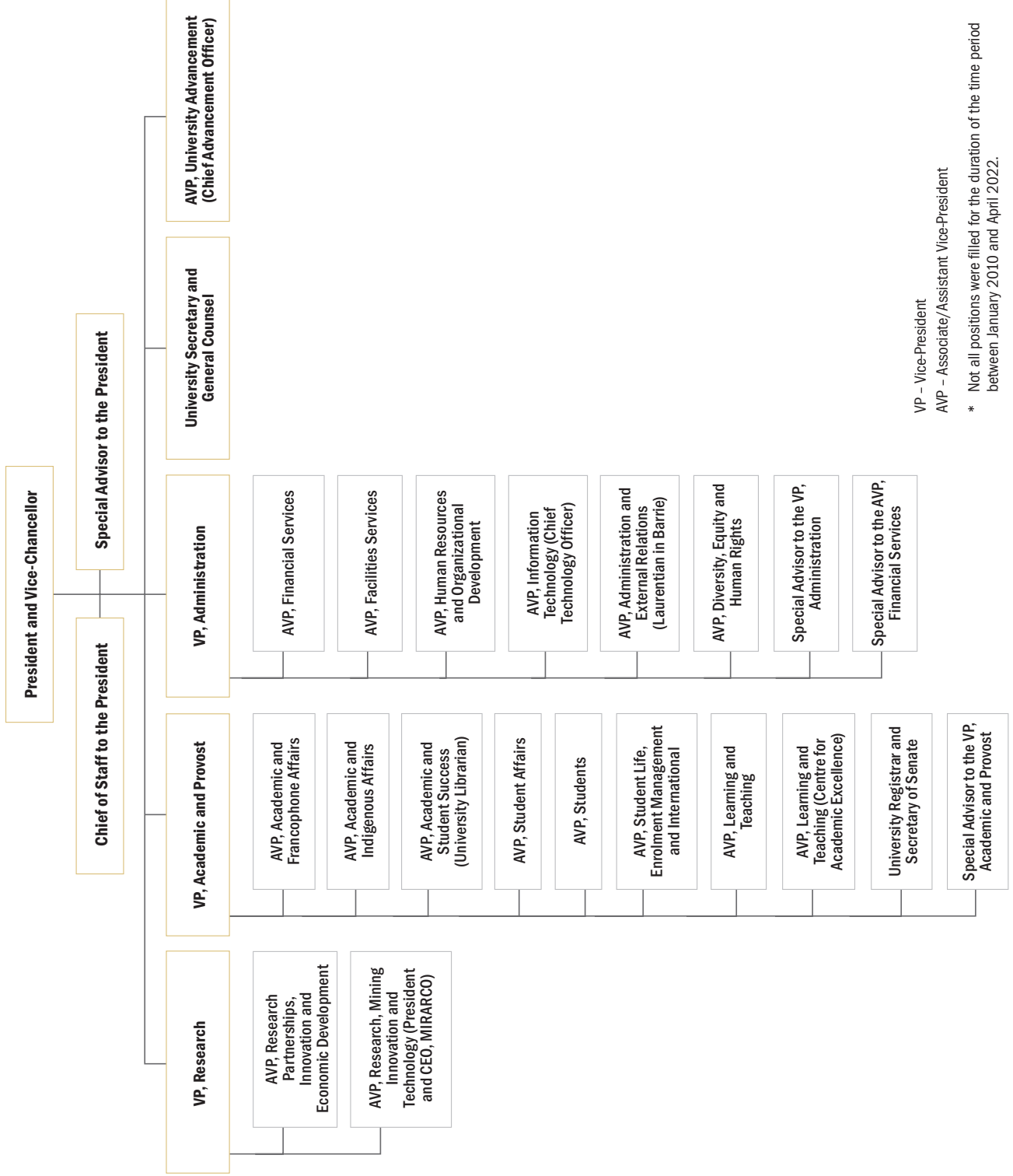
Source of data: Laurentian University

	Jun 2010	Jun 2011	Jun 2012	Jun 2013	Jun 2014	Jun 2015	Jun 2016	Jun 2017	Jun 2018	Jun 2019	Jun 2020	Jun 2021	Dec 2021
Chair Board of Governors	Floyd Laughren			Michael Atkins			Jennifer Witty			Claude Lacroix			
Vice-Chair Board of Governors	Michael Atkins			Jennifer Witty			Claude Lacroix			Sonia Del Missier			
Chair Executive Committee	Jennifer Witty			Claude Lacroix			Sonia Del Missier			Guy Labine		Fabiola Garcia	
Vice-Chair Executive Committee	No appointee			Andrew Battistoni	John Pollesel	Claudette Paquin	Peter Faggioni	Cathy Modesto	No appointee	Suzanne Corbell	Maxim Jean-Louis	No appointee	
Chair Audit Committee	No committee	John Pollesel	Claude Lacroix	Andrew Battistoni		Ian Wood						Kathy Dokis	
Vice-Chair Audit Committee	No appointee			John Pollesel	Claudette Paquin	Jean-Marc Spencer	Claudette Paquin	Martin Bayer	No appointee	Kathy Dokis	Martin Bayer	No appointee	
Chair Finance Committee	Stan Pawlowicz					Cathy Modesto						No appointee	
Vice-Chair Finance Committee	No appointee			Sonia Del Missier	Cathy Modesto	Guy Labine	David White		No appointee	Stuart Harshaw	Peter Xavier	No appointee	
Chair Property Development and Planning Committee	Claude Lacroix		Ian Wood			Peter Faggioni							
Vice-Chair Property Development and Planning Committee	No appointee			Peter Faggioni	Karen Hansen		Lorella Hayes	Fabiola Garcia	No appointee		Cathy Modesto	No appointee	
Chair Senior Management Review and Compensation Committee	No appointee	Floyd Laughren		Michael Atkins			Jennifer Witty			Claude Lacroix			
Vice-Chair Senior Management Review and Compensation Committee	No appointee			Jennifer Witty			No appointee						
Chair Staff Relations Committee	Marc Boissonneault						Guy Labine			Brian Montgomery			
Vice-Chair Staff Relations Committee	No appointee			David White		Brian Montgomery			No appointee	Sonia Del Missier	Guy Labine	No appointee	
Chair Ad Hoc Governance Committee	Jennifer Witty		No committee										
Chair Ad Hoc Committee on Contingency Planning	No committee											Sonia Del Missier	



## Appendix 7: Senior Administration, 2010 – 2021\*

Prepared by the Office of the Auditor General of Ontario



VP – Vice-President

AVP – Associate/Assistant Vice-President

\* Not all positions were filled for the duration of the time period between January 2010 and April 2022.

## Appendix 8: Selected Senior Administrator Positions, January 2010 – February 2022

Source of data: Laurentian University

	Jan 2010	Jan 2011	Jan 2012	Jan 2013	Jan 2014	Jan 2015	Jan 2016	Jan 2017	Jan 2018	Jan 2019	Jan 2020	Jan 2021	Jan 2022
President	Dominic Giroux												
VP Administration	Robert Bourgeois	Carol McAulay							Craig Fowler <sup>1</sup>	Lorella Hayes			Michel Piché <sup>1</sup>
VP Academic and Provost	Robert Kerr						Pierre Zundel	Serge Demers <sup>1</sup>				Marie-Josée Berger	
VP Research <sup>2</sup>	Patrice Sawyer					Anne-Marie Mawhinney <sup>1</sup>	Rui Wang			Rizwan Haq <sup>1</sup>		Tammy Eger <sup>3</sup>	
Chief of Staff	Chris Mercer				Gisele Regimbal	Alex Freedman					No appointee		
Registrar	Ronald Smith				Serge Demers			Diane Roy <sup>1</sup>				Serge Demers	
University Secretary and General Counsel	Sara Kunto												Celeste Boyer <sup>1</sup>
Acting University Secretary	No appointee					Shauna Lehtimaki		No appointee					Heather McPherson
AVP Human Resources	Bernard Beaulieu				Therese Klotz					Sara Kunto <sup>1</sup>		Cindy Cacciotti	
AVP Facilities Services	No appointee					Brad Parkes							
AVP Diversity, Equity and Human Rights	No appointee						Noel Badiou					No appointee	
AVP Laurentian in Barrie	No appointee							No appointee					
AVP Student Life and Enrollment	No appointee					Chris Mercer						No appointee	
AVP Financial Services	Normand Lavalée												

AVP – Associate/Assistant Vice-President (Some AVP positions were previously at the Executive Director level until 2016).

VP – Vice-President

1. Interim or Acting.
2. Prior to 2015 it was known as VP Francophone Affairs, Research and Graduate Studies.
3. Tammy Eger was Interim Jan 2020 to Jul 2020; full position Jul 2020 to present.

## Appendix 9: Review Criteria

Prepared by the Office of the Auditor General of Ontario

### Review Criteria – Laurentian

#### Strategic Planning

1. Strategic plans are evidence based and contain measurable targets and consider Laurentian's short-, medium-, and long-term goals and objectives, including the financial sustainability of the University. Progress in achieving intended outcomes is monitored and publicly reported on.

#### Academic Programs

2. Laurentian's suite of graduate and undergraduate programs are planned with due regard for economy and efficiency and in compliance with relevant legislation, regulation, agreements, policies, and Laurentian's mandate to achieve intended outcomes for the students and the Province.

#### Financial Operations

3. Laurentian has a robust financial planning and budgeting process that is regularly evaluated against actual results to inform decision-making.
4. Significant capital and operating expenditures are approved following a robust cost benefit analysis and are procured in accordance with policies and best practices to ensure value for money.
5. There are effective policies and procedures concerning the management and handling of unrestricted and restricted cash.
6. Laurentian's financial statements disclose sufficient and appropriate information about transactions, circumstances, or events of such size, nature, or incidence that their disclosure is necessary to understand their financial position and operating results.
7. Use of debt and other credit facilities is critically assessed to ensure that their service costs can be met in a financially sustainable manner and, where concerns are identified, the University takes timely corrective actions.
8. University operations are regularly assessed to ensure effectiveness and financial sustainability.
9. Best practices in cash management, including the segregation of externally-restricted funds such as those related to research grants and donations, are followed.

#### Governance

10. Laurentian's Board collectively has the skills and knowledge to effectively oversee Laurentian's operations.
11. The Board has policies and processes in place to identify and prevent conflicts of interest to ensure the Board operates objectively.
12. The Board and Senate receive information necessary to oversee Laurentian's operations.
13. Expenses incurred by the Board and Senate are reasonable and necessary to operate effectively.

#### Human Resources

14. Hiring, promotion and termination practices ensure fairness and accountability, compliance with best practices and legal requirements, and are documented.
15. The number, cost and ratio of staff and external contractors is regularly assessed and adjusted to ensure effective operations and financial sustainability.
16. Labour relations are effectively and collegially managed to support the University's operations and to minimize costs related to disputes, and union grievances are addressed in accordance with best practices and legal obligations.

**Effectiveness and Public Reporting**

17. Timely, accurate and complete data on the effectiveness of Laurentian's programs and services, including financial and operational data, is regularly collected, analyzed and used by management, the Board and Senate for decision-making and program improvements.
18. Performance measures and targets are established, monitored and compared against actual results and publicly reported such that the intended outcomes are achieved and corrective actions are taken on a timely basis when issues are identified.

**Audit Criteria – Ministry of Colleges and Universities****Funding and Financial Oversight**

1. The Ministry regularly assesses the financial operations of universities to ensure sustainable operations and intervenes when necessary to correct identified concerns.
2. Funding provided to universities supports sustainable operations and aligns with the government's objectives and the Ministry ensures that it is used for the purposes intended.

**Operational Support and Oversight**

3. The Ministry has agreements in place with universities to ensure their effective and efficient operations that align with provincial interests and provides operating guidance and support to promote best practices in universities.

## Appendix 10: Timeline of Steps Taken by the Standing Committee on Public Accounts to Address Scope Restrictions Imposed by Laurentian

Prepared by the Office of the Auditor General of Ontario

Date	Action Taken	Description
<b>2021</b>		
Apr 28	Motion for value-for-money audit of Laurentian passed	<ul style="list-style-type: none"> <li>Standing Committee on Public Accounts (Committee) passed a motion requesting that the Office of the Auditor General of Ontario conduct a value-for-money audit on Laurentian's operations for the period of 2010 to 2020.</li> <li>Discussion on the motion indicated that the Committee wanted the audit to examine what happened to lead Laurentian to enter the <i>Companies' Creditors Arrangement Act</i> (CCAA) process, to bring transparency to the situation, and to identify lessons learned. The Committee also identified that it would like the audit to look forward and "ensure something like this does not happen in another academic institution."</li> </ul>
Oct 15	Formal request to Laurentian University	<ul style="list-style-type: none"> <li>As a result of our Office informing the Committee of the restrictions Laurentian was placing on our work, the Committee formally requested information from Laurentian University in conjunction with the Committee's motion.</li> <li>The <i>Legislative Assembly Act</i>, Standing Orders and Parliamentary Privilege provide the Committee the authority to command the production of papers or things that the Committee considers necessary for its work.</li> </ul>
Oct 22	Committee follow up to formal request	<ul style="list-style-type: none"> <li>On Oct 19, 2021, external legal counsel for Laurentian sent the Committee a letter indicating that Laurentian could not meet the requested timeline and would not provide privileged information or information relating to the CCAA process.</li> <li>In response, the Committee sent a letter to Laurentian stating that the Committee had the power to command the production of these documents. The Committee's letter stated that the documents would not be made public by the Committee and therefore would have no negative impacts. The Committee provided a list of documents the Auditor General informed the Committee would be readily available to Laurentian and could be provided by the University with minimal time and effort. The Committee offered an extension to the time to provide all other materials.</li> </ul>
Nov 3	Second Committee follow up to formal request	<ul style="list-style-type: none"> <li>On Oct 29, 2021, external legal counsel for Laurentian sent the Committee a letter stating that Laurentian is only at liberty to provide documents that do not contain privileged information and are not subject to confidentiality pursuant to court orders. The legal counsel also did not believe Laurentian could make the extended deadline set by the Committee in its Oct 22 letter to Laurentian.</li> <li>In response, the Committee sent a letter to Laurentian pointing out that no progress on the initial request had been made, as Laurentian had not yet provided any documents to it. It further noted that it may have to seek a Speaker's Warrant to enforce its demand. The letter also contained a number of questions for Laurentian to answer regarding its refusal to provide documentation under the claims of privilege and court-ordered confidentiality.</li> </ul>
Nov 18	Third Committee follow up to formal request	<ul style="list-style-type: none"> <li>On Nov 10, 2021, external legal counsel for Laurentian sent the Committee a letter responding to the Committee's questions. This included stating that it did not believe the Committee had the right to compel production of privileged documents. Laurentian's external counsel also wanted to know the Committee's confidentiality measures to mitigate the risk of disclosure.</li> <li>In response, the Committee sent a letter to Laurentian inviting the President and Chair of the Board for a closed session meeting. The Committee informed them that if the President and Chair of the Board chose not to appear before the Committee, the issue would be reported to the House with a request that the Speaker issue a warrant for the appearance.</li> </ul>

Date	Action Taken	Description
Nov 30	Laurentian offered deal to Committee and Auditor General with restrictions	<ul style="list-style-type: none"> <li>Laurentian's external legal counsel informed the Committee and Auditor General that if they were to stop pursuing privileged information related to the University's restructuring, Laurentian would provide the Auditor General and the Committee all documents (including those subject to privilege) created before the University began to consult with external insolvency counsel in March 2020; and some non-CCAA privileged documents created after that date.</li> <li>For the proposal with the above restrictions to be accepted, it would have to constitute a full and final resolution of both the request for documents by the Committee, and the privilege issue that had arisen with respect to the Auditor General's value-for-money audit.</li> <li>The Committee's request was to conduct a value-for-money audit for the period of 2010 to 2020 and to conclude on what led to Laurentian's worsening financial condition and file for CCAA on Feb 1, 2021. Therefore, the 10 months between Mar 2020 and Dec 2020 would be key to answering that question. As such, both the Committee and the Auditor General declined Laurentian's offer.</li> </ul>
Dec 1	Laurentian President and Chair appear before the Committee in closed session	<ul style="list-style-type: none"> <li>In camera meeting of the Committee took place.</li> </ul>
Dec 8	Committee issues request for Speaker's Warrant	<ul style="list-style-type: none"> <li>Due to the Committee finding that Laurentian offered to produce only documents subject to "wholly unacceptable conditions challenging the rights and privileges of Parliament," the Committee adopted a motion requesting that the House authorize the Speaker to issue a Speaker's Warrant to command and compel the production of the documents requested.</li> </ul>
Dec 9	House unanimously votes in favour of historic Speaker's Warrant	<ul style="list-style-type: none"> <li>The Chair of the Standing Committee on Public Accounts tabled a Committee report recommending that the House command and compel the President and Board Chair of Laurentian to produce the materials requested by the Committee by Feb 1, 2022. After a debate where all parties spoke in favour of the Speaker issuing a warrant to compel the production of documents from Laurentian, the House voted unanimously to approve issuing the Speaker's Warrant to the President and Chair. A Speaker's Warrant is a tool rarely used by Parliament. Such a warrant has been issued in Ontario only two other times since the early 1990s.</li> </ul>
Dec 15	Laurentian requests a stay of the Speaker's Warrant	<ul style="list-style-type: none"> <li>Laurentian's external legal counsel filed documentation requesting the court to stay (a court ruling that halts further legal processes) the Speaker's Warrant and set a later date to determine whether the Legislative Assembly of Ontario has the power to compel the documents it had requested.</li> </ul>
<b>2022</b>		
Jan 18	Speaker, Attorney General and Auditor General defend Speaker's Warrant in Ontario Superior Court hearing	<ul style="list-style-type: none"> <li>Legal representatives for the Speaker of the Ontario Legislature, the Ministry of the Attorney General of Ontario, the Office of the Auditor General of Ontario, Laurentian University, the Laurentian University Faculty Association, and the Canadian Association of University Teachers presented arguments before the Chief Justice of the Ontario Superior Court of Justice.</li> </ul>
Jan 26	Ontario Superior Court decision on Laurentian's request for a stay	<ul style="list-style-type: none"> <li>The Ontario Superior Court ruled that the stay applies only to documents and materials covered under the sealing order and mediation order within Laurentian's CCAA proceedings. As a result, Laurentian is required to provide all other materials requested by the Committee, including all other privileged materials.</li> </ul>

Date	Action Taken	Description
Jan 28	Laurentian writes to the Committee with a proposal in response to the Chief Justice's Jan 26 decision	<ul style="list-style-type: none"> <li>Laurentian wrote to the Committee indicating it could not produce all documents by Feb 1, 2022. Laurentian proposed it would give two hard drives to the Committee. The first drive would contain information up to the Committee's request of Oct 15, 2021 for personnel and departments that were not involved in work related to the CCAA mediation or the sealed exhibits, and information up to Jan or Feb 2021 for those involved in work related to the CCAA mediation or the sealed exhibits. The second hard drive would contain the remainder of material after Jan 2021, but would be encrypted and Laurentian would provide the password to the hard drive only if the courts decide that Laurentian must produce all documents.</li> </ul>
Jan 30	Committee indicates it is not satisfied and still wants all requested materials from Jan 2021 to Oct 2021 that are not sealed or subject to the judicial confidentiality orders	<ul style="list-style-type: none"> <li>The Committee indicated it would accept the hard drives but requested that Laurentian should work in good faith to diligently review and separate its records on the second drive that are not subject to the judicial confidentiality orders so that this Committee can be provided with those records as soon as practicable.</li> </ul>
Feb 1	Laurentian provides two hard drives to the Committee	<ul style="list-style-type: none"> <li>Laurentian provided the two hard drives to the Committee as indicated in their Feb 28, 2022 letter. The second hard drive is encrypted and the Committee has not been provided the password.</li> </ul>
Feb 23	Committee asks Laurentian for weekly status updates	<ul style="list-style-type: none"> <li>Committee wrote to Laurentian asking for weekly updates summarizing Laurentian University's progress in relation to the outstanding documents that Laurentian University has left to provide.</li> </ul>
Feb 23	Laurentian continues to periodically provide batches of emails and documents to the Committee with no clear date for when all materials will be provided	<ul style="list-style-type: none"> <li>Laurentian hired Deloitte to review emails and documents withheld from the Committee. Laurentian began providing batches of additional documents to the Committee. The order and logic of materials provided was unclear.</li> </ul>
Mar 14	Committee identifies additional information that has not been provided from their initial Oct 2021 request	<ul style="list-style-type: none"> <li>The Committee wrote to Laurentian and identified a number of missing materials not provided by Laurentian University, including legal invoices, board materials, grievances, work by external consultants, and international travel expenses.</li> </ul>
Mar 29	Laurentian responds and provides some additional material	<ul style="list-style-type: none"> <li>In response to the Mar 14 Committee follow up on missing materials, Laurentian responded and provided some legal invoices with many requested items outstanding.</li> </ul>
Apr 29	Laurentian concluded providing documents to the Committee	<ul style="list-style-type: none"> <li>Laurentian wrote to the Committee and indicated that the documents provided "concludes our commitment to produce all remaining documents save and except for those that still remain subject to Chief Justice Morawetz's order."</li> </ul>
May 3	Ontario calls election	<ul style="list-style-type: none"> <li>Writs of election drawn up, dissolving the legislature and causing the Speaker's Warrant to expire. The Committee did not receive all materials compelled by the Speaker's Warrant.</li> </ul>

## Appendix 11: Timeline of Financial and Operational Activities During Laurentian University's Financial Decline, February 2009–February 2020

Prepared by the Office of the Auditor General of Ontario

**2009**

**Feb 20**

Board approves 2009 Plan to Regain Sustainability to address financial difficulties

**Apr 1**

New President (hired Apr 1, 2009–Aug 20, 2017)

**Apr 30**

Laurentian's unrestricted assets fall below \$0. Laurentian reports an operating deficit of \$15.3 million for the 2008/09 fiscal year (restated in 2009/10 to a \$14.6 million deficit)

**Jun 19**

Board approves capital project School of Architecture (final cost \$44.5 million)

**Aug 31**

Laurentian establishes a new Chief of Staff to the President position and an Office of the Chief of Staff, which together cost \$200,000 annually on average between 2009 and 2019, when the position was eliminated

**2010**

**Feb 1**

The President begins providing access to a discretionary expense account for research-related expenses to those academic administrators, such as deans or academic associate vice-presidents, who would have reduced access to research funds by taking an administrator position

**Feb 26**

Board approves East Residence capital project (final cost \$20.6 million)

**Apr 23**

Board approves amendments to Laurentian's Capital Debt Policy to make it less restrictive by excluding certain types of debt from the calculations (e.g., student residence)

**Apr 23**

New Chair, Board of Governors appointed (effective Jun 18, 2010)

**Apr 30**

Laurentian reports an operating deficit of \$5.8 million for the 2009/10 fiscal year

**Jul 1**

A new senior administration position of Vice-Provost, Laurentian in Barrie is established

**2011**

**Apr 30**

Laurentian reports an operating deficit of \$6.8 million for the 2010/11 fiscal year (restated in 2011/12 to a \$6.5 million deficit)

**Nov 28**

Property Development and Planning Committee member does not declare conflict and votes to hire firm they formerly worked with to be the Student Residence architect

**2012**

**Apr 30**

Laurentian reports an operating deficit of \$13.3 million for the 2011/12 fiscal year (restated in 2012/13 to a \$4.2 million deficit)

**Jun 22**

Board approves Campus Modernization capital project (final cost \$58.9 million)

*(continued on page 88)*



- Aug 7**  
A new senior administration position of Associate Vice-President, Administration and External Relationships for its Barrie campus is established
- Dec 14**  
Board rescinds its policy of requiring spending of 1.5% operating budget on deferred maintenance, with then Vice-President, Administration indicating that it had never been followed
- 
- 2013**
- Apr 19**  
Board approves a delay in the elimination of its accumulated deficit from 2018/19 to 2027/28
- Apr 19**  
New Chair, Board of Governors appointed (effective Jun 21, 2013)
- Apr 30**  
Laurentian no longer has sufficient restricted cash and investments on hand to fund deferred financial obligations including research grants. Laurentian reports an operating deficit of \$6.7 million for the 2012/13 fiscal year (restated in 2013/14 to a \$0.2 million surplus)
- Jul 1**  
Laurentian begins extending access to the discretionary expense account for research-related expenses to the President and nearly all non-academic senior administrators, who do not perform research activities
- 
- 2014**
- Mar 3**  
A new senior administration position of Chief Advancement Officer is established
- Apr 1**  
Ministry begins to track certain performance metrics of universities starting with 2014/15 school year
- Apr 30**  
Laurentian reports an operating deficit of \$1.4 million for the 2013/14 fiscal year
- Jun 20**  
Board approves Student Centre capital project (final cost \$9.3 million)
- Jul 1**  
A new senior administration position is added when the single position of Vice-President, Academic (Research and Francophone Affairs) is split into two positions, a Vice-President, Research and an Associate Vice-President, Francophone Affairs
- Oct 16**  
Board approves Research, Innovation and Engineering Building capital project (final cost \$28.9 million)
- 
- 2015**
- Feb 13**  
Board approves Cardiovascular and Metabolic Research Lab capital project (final cost \$5.9 million)
- Apr 30**  
Laurentian reports an operating deficit of \$1.7 million for the 2014/15 fiscal year
- Nov 1**  
A new senior administration position of Associate Vice-President, Research, Mining Innovation and Technology is established
- 
- 2016**
- Feb 12**  
Board approves closure of Barrie campus, effective May 2019
- Feb 24**  
Laurentian University Faculty Association (LUFA) files first grievance request for the University to invoke the financial exigency clause under its collective agreement
- Mar 3**  
A new senior administration position of Associate Vice-President, Research Partnerships, Innovation and Economic Development is established

(continued on page 89)

- Apr 1**  
A new senior administration position of Assistant Vice-President, Diversity, Equity and Human Rights is established
- Apr 15**  
New Chair, Board of Governors appointed (effective Jun 17, 2016)
- Apr 15**  
Board learns that Royal Bank of Canada refuses to provide additional financing. Board approves establishing a new operating line of credit for \$20 million (a line of credit agreement was later signed with Desjardins for \$20 million)
- Apr 30**  
Laurentian's current assets fall below current liabilities. Laurentian reports an operating deficit of \$2.0 million for the 2015/16 fiscal year

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- 2017**

**Jan 1**  
A new senior administration position of Associate-Vice President, Learning and Teaching is established
- Jan 23**  
In its annual risk assessment, Laurentian identifies major building/infrastructure failure due to deferred maintenance as extreme, the highest ranking
- Feb 6**  
LUFA files second grievance request for the University to invoke the financial exigency clause under its collective agreement
- Feb 10**  
Board approves 2017 Long-Term Sustainability Plan to address financial difficulties
- Apr 30**  
Laurentian reports an operating deficit of \$1.8 million for the 2016/17 fiscal year
- May 1**  
Four executive director level positions at the University are elevated to Associate Vice-President, including for Human Resources and Organizational Development; Financial Services; Facilities Services; and Student Life, Enrollment Management and International. After this title reassignment, annual salaries for these four positions increased by more than \$16,000 on average
- Jul 1**  
Faculty association (LUFA) members receive 1.5% pay increase  
Staff union (LUSU) members receive 1.5% pay increase. A new senior administration position of Associate Vice-President, Learning and Teaching (Centre for Academic Excellence) is established
- Aug 21**  
Interim President appointed after the resignation of the President to assume a new position at another organization (Aug 21, 2017–Jun 30, 2019)
- Oct 10**  
Collective agreement for 2017–2020 is reached following faculty association members (LUFA) strike
- Dec 15**  
Board approves three-year annual compensation increase for its administrative and professional staff, including senior administrators, retroactive to Jul 1, 2017 (1.7%), and for Jul 1, 2018 (2.3%) and Jul 1, 2019 (1.5%)

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- 2018**

**Apr 30**  
Internal financing (use of restricted funds) grows to \$29 million. Laurentian reports an operating surplus of \$2.1 million for the 2017/18 fiscal year

*(continued on page 90)*

## 2019

**Jul 1**

Administrative and professional staff, including senior administrators, receive 2.3% pay increase  
 Faculty association (LUFA) members receive 1.6% pay increase  
 Staff union (LUSU) members receive 1.5% pay increase

**Aug 6**

130 Saudi Arabian international students withdraw from Laurentian, which the University estimates will cost it \$3 million in lost tuition revenues and ancillary fees

**Jan 17**

Ministry announces 10% domestic tuition cut for the 2019/20 academic year and freeze in domestic tuition at that reduced level for the subsequent academic year (2020/21)

**Apr 26**

New Chair, Board of Governors appointed (effective Jun 21, 2019)

**Apr 30**

Use of line of credit grows to \$18 million. Laurentian reports an operating deficit of \$4.1 million for the 2018/19 fiscal year

**Jun 21**

Board approves increase to Desjardins line of credit to \$26 million

**Jul 1**

New President hired  
 Faculty association (LUFA) members receive 1.7% pay increase  
 Staff union (LUSU) members receive 1.5% pay increase  
 Administrative and professional staff, including senior administrators, receive 1.5% pay increase

**Oct 28**

Last major capital project, Laurentian's Student Centre, is completed

**Dec 13**

Board approves 1% pay increase effective Jul 1, 2020 and a new performance bonus framework awarding performance bonuses of up to 2% for all administrative and professional staff retroactive to Jul 1, 2019

## 2020

**Feb 12**

Laurentian receives an additional \$4.3 in funding through a Northern Ontario Sustainability Grant provided by the Ministry to all Northern Ontario universities to offset the Province's tuition cut. Laurentian's grant amount was the largest payout of all qualifying institutions

**Feb 28**

Laurentian's report on sustainability to the Ministry of Colleges and Universities indicates achievement of over \$20 million in savings since 2018 and stresses the importance of continued funding levels from the Ministry, such as through additional one-time support grants

**Apr 30**

Laurentian reports an operating deficit of \$3.1 million for the 2019/20 fiscal year (restated in 2020/21 to a \$3.4-million deficit)

Note: For a timeline covering the period from Mar 2020 to Jan 2022, see [Appendix 21](#).

## Appendix 12: Operating Revenues and Expenses for the Years Ending April 30, 2009/10–2020/21 (\$ million)

Source of data: Laurentian University's audited financial statements

	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
<b>Revenue</b>												
Operating grants and contracts	69.7	70.3	73.3	74.9	76.8	75.1	75.7	78.3	78.8	80.1	86.2	79.3
Tuition fees	31.3	35.5	38.8	44.7	47.2	50.6	52.0	55.5	54.9	55.6	53.2	58.3
Research grants and contracts	19.0	18.5	15.6	14.3	16.5	18.8	21.7	20.8	30.1	24.7	24.2	22.4
Other fees and income	12.6	15.5	14.0	11.2	13.8	14.8	15.6	15.1	13.5	14.9	16.7	22.2
Sales and services	10.8	12.1	11.9	9.3	9.4	10.5	11.1	11.3	12.5	12.5	11.6	5.6
Amortization of deferred capital contributions	3.1	3.6	3.4	3.3	3.3	3.2	3.2	3.9	4.6	4.7	5.6	5.6
Investment income <sup>1</sup>	1.2	2.8	0.2	3.0	4.0	2.5	-	3.9	1.0	2.7	(1.0)	-
<b>Total Revenue</b>	<b>147.7</b>	<b>158.2</b>	<b>157.4</b>	<b>160.7</b>	<b>171.0</b>	<b>175.4</b>	<b>179.2</b>	<b>188.7</b>	<b>195.4</b>	<b>195.2</b>	<b>197.6</b>	<b>193.4</b>
<b>Expenses</b>												
Salaries and benefits	105.7	111.7	111.5	112.0	119.1	122.0	125.5	134.3	126.8	134.9	134.8	128.4
Operating and research	23.1	23.8	20.9	20.3	22.8	25.3	24.5	24.1	33.4	27.9	28.3	17.7
Occupancy	7.1	7.6	8.9	11.3	12.4	11.7	12.3	13.2	12.4	15.2	15.3	12.0
Scholarships and bursaries	10.5	12.4	10.6	10.6	11.0	11.5	11.7	11.3	11.5	11.4	12.1	12.6
Amortization of capital assets	6.5	6.2	6.4	6.3	7.1	6.7	6.7	7.7	9.3	9.9	10.4	10.5
Other <sup>2</sup>	0.7	3.0	3.2	-	-	-	0.5	-	-	-	-	-
Restructuring costs <sup>3</sup>	-	-	-	-	-	-	-	-	-	-	-	78.9
<b>Total Expenses</b>	<b>153.5</b>	<b>164.7</b>	<b>161.6</b>	<b>160.5</b>	<b>172.4</b>	<b>177.1</b>	<b>181.2</b>	<b>190.6</b>	<b>193.3</b>	<b>199.3</b>	<b>200.9</b>	<b>260.1</b>
<b>Surplus (Deficit)</b>	<b>(5.8)</b>	<b>(6.5)</b>	<b>(4.2)</b>	<b>0.2</b>	<b>(1.4)</b>	<b>(1.7)</b>	<b>(2.0)</b>	<b>(1.8)</b>	<b>2.1</b>	<b>(4.1)</b>	<b>(3.4)</b>	<b>(66.7)</b>

1. In 2020/21, Laurentian identified errors in the allocation of investment earnings to endowment funds and in the distribution of amounts from endowments in prior years. Laurentian corrected this error by restating 2019/20 to remove investment losses and changing its accounting policy to record net investment from externally restricted endowments (net of administration fees, expenses, and distributions to deferred contributions) as direct increases (decreases) in endowment net assets.

2. Other includes the net amount for the following items from the financial statements for a given fiscal year: change in value of interest rate swap; cost of ancillary sales and services; investment losses; and employee future benefits expense.

3. In 2020/21, Laurentian reported \$78.9 million for restructuring costs in connection with its restructuring plan and CCAA proceedings that includes the following items: termination of interest rate swaps; employee future benefits and termination costs, accounts payable and accrued liabilities; legal fees; monitor fees; consulting fees; and interest and finance costs.

## Appendix 13: Consolidated Statement of Cash Flows for the Years Ending April 30, 2009/10-2020/21 (\$ million)<sup>1</sup>

Source of data: Laurentian University's audited financial statements

	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
<b>Cash Flows from Operating Activities</b>												
Excess (deficiency) of revenue over expenses	(5.8)	(6.5)	(4.2)	0.2	(1.4)	(1.7)	(2.0)	(1.8)	2.1	(4.1)	(3.4)	(66.7) <sup>2</sup>
<b>Non-Cash Items:</b>												
Amortization of capital assets	6.5	6.2	6.4	6.3	7.1	6.7	6.7	7.7	9.3	9.9	10.4	10.5
Amortization of deferred capital contributions	(3.1)	(3.6)	(3.4)	(3.3)	(3.3)	(3.2)	(3.2)	(3.9)	(4.6)	(4.9)	(5.6)	(5.6)
Change in accrued early retirement program costs	(0.7)	0.3	0.3	(0.6)	(0.7)	(0.5)	(0.2)	(0.1)	0.0	0.0	0.0	-
Unrealized loss (gain) on investments	-	-	-	(1.3)	(3.3)	(0.8)	3.8	0.2	1.0	(0.3)	-	-
Excess of employer contributions over employee future benefits net benefit costs <sup>3,4</sup>	2.3	4.5	1.7	(0.2)	(1.1)	(0.6)	(1.6)	(0.6)	(1.8)	(0.8)	(1.1)	1.7
Interest rate swaps	(1.8)	1.3	-	-	-	-	-	-	-	-	-	-
Interest rate swaps termination obligation <sup>4</sup>	-	-	-	-	-	-	-	-	-	-	-	24.7
Employee restructuring and termination costs <sup>4</sup>	-	-	-	-	-	-	-	-	-	-	-	44.7
Change in non-cash working capital <sup>4</sup>	(1.1)	(6.9)	4.9	(7.7)	1.0	2.9	5.8	0.8	(6.6)	(5.6)	1.5	15.0
Increase (decrease) in deferred contributions <sup>5</sup>	1.3	(0.3)	(0.2)	4.3	2.3	(0.5)	1.5	7.0	0.9	1.2	3.3	(1.1)
Cash provided (used) by operating activities	(2.4)	(4.9)	5.5	(2.3)	0.5	2.2	10.7	9.3	0.2	(4.5)	5.1	23.1
<b>Cash Flows from Financing Activities</b>												
Endowment contributions <sup>6</sup>	2.4	1.5	1.0	1.5	1.1	2.9	1.2	5.1	1.7	3.0	1.2	0.2
Net in crease (decrease) in endowment <sup>7</sup>	-	-	-	-	-	-	-	-	-	-	(0.6)	7.0
Deferred capital contributions received	7.2	6.0	2.2	6.1	9.5	13.0	10.4	19.3	18.0	10.1	2.0	4.0
Repayment of long-term debt <sup>4</sup>	(0.5)	(0.6)	(0.8)	(1.0)	(1.3)	(1.3)	(2.1)	(2.6)	(3.3)	(3.5)	(3.6)	(1.8)
Long-term debt obtained	-	19.8	11.7	5.4	3.6	4.3	25.2	16.7	-	-	-	-
Increase (decrease) in line of credit	-	-	-	-	-	-	3.6	(3.6)	9.0	8.6	(3.2)	(14.4)
Increase (decrease) in short-term loan <sup>4</sup>	(0.0)	(16.4)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	24.9 <sup>8</sup>
Cash provided (used) by financing activities	9.1	10.3	14.0	11.9	12.9	18.8	38.2	34.8	25.3	18.2	(4.3)	20.0

	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
<b>Cash Flows from Investing Activities</b>												
Purchases of capital assets <sup>9</sup>	(19.4)	(13.6)	(18.4)	(14.1)	(17.2)	(25.9)	(50.9)	(30.0)	(25.0)	(11.4)	(2.8)	(1.4)
Net acquisition of investments <sup>10,11</sup>	(9.1)	(3.3)	(0.2)	(1.6)	2.5	(2.4)	(3.2)	(5.3)	(2.7)	(5.0)	0.2	(8.2)
Gain on endowment investments	3.9	0.7	-	-	-	-	-	-	-	-	-	-
Cash provided (used) by investing activities	(24.6)	(16.3)	(18.6)	(15.6)	(14.8)	(28.3)	(54.1)	(35.2)	(27.7)	(16.4)	(2.6)	(9.6)
Net increase (decrease) in cash and short-term investments	(17.9)	(10.9)	1.0	(6.1)	(1.4)	(7.3)	(5.2)	8.9	(2.1)	(2.7)	(1.8)	33.5
<b>Cash and short-term investments, beginning of year</b>	<b>48.9</b>	<b>31.0</b>	<b>20.1</b>	<b>21.0</b>	<b>15.0</b>	<b>13.6</b>	<b>6.3</b>	<b>1.1</b>	<b>10.0</b>	<b>7.9</b>	<b>5.2</b>	<b>3.4</b>
<b>Cash and short-term investments, end of year</b>	<b>31.0</b>	<b>20.1</b>	<b>21.0</b>	<b>15.0</b>	<b>13.6</b>	<b>6.3</b>	<b>1.1</b>	<b>10.0</b>	<b>7.9</b>	<b>5.2</b>	<b>3.4</b>	<b>37.0</b>

1. This appendix was prepared using Laurentian's consolidated statements of cash flows as the basis. Where comparative information was reclassified to conform with the financial statement presentation adopted in a subsequent year, the we used the more recent information. In addition, we made adjustments to these statements to modify the presentation of certain line items for comparability, as noted.

2. This deficiency of revenue over expenses includes \$78.9 million in restructuring costs relating to Laurentian's CCAA filing, which primarily consists of \$44.7 million in employee restructuring and termination costs; \$24.7 million from terminating interest rate swap agreements; and \$8.8 million in legal, monitor, consulting, interest and finance costs.

3. For 2009/10 and 2012/13, we combined the amounts reported under "change in deferred pension asset/liability" and "increase in employee future benefit obligations" to arrive at the excess of employer contributions over employee benefits net benefit costs.

4. In 2020/21, due to the CCAA filing, Laurentian University reclassified several financial statement line items under a single line called "liabilities subject to compromise". This significant change in presentation reduces the comparability of the consolidated statement of cash flows. For the purposes of this appendix, in order to maintain consistency and facilitate comparison to fiscal years preceding the CCAA process, we have made the following adjustments in presentation:

Cash flows from operating activities decreased by \$91.2 million as follows:

- \$186.8 million subtracted from elimination of change in liabilities subject to compromise line item (line deleted);
- \$44.7 million added to employee restructuring and termination costs (new line under non-cash items);
- \$24.7 million added to interest rate swap termination obligation (new line under non-cash items);
- \$14.9 million added to excess of employer contributions over employee future benefits net benefit costs (non-cash item); and
- \$11.3 million added to change in non-cash working capital.

Cash flows from financing activities increased by \$91.2 million as follows:

- \$89.9 million added to repayment of long-term debt; and
- \$1.3 million added to increase in short-term loan.

5. We modified the presentation of deferred contributions by reclassifying changes in this liability balance from financing activities to operating activities to be consistent with accounting standards for not-for-profit organizations and 18 other Ontario universities' financial statements.

6. Beginning in 2016/17, Laurentian University reported endowment contributions under financing activities. We have restated the prior fiscal years to be consistent with this presentation.

7. Correction of a prior period error disclosed in note 25 to the 2020/21 Laurentian University audited financial statements.

8. This amount represents \$25 million in cash provided by Laurentian's Debtor-in-Processing loan that it secured before the end of the 2020/21 fiscal year from a private-sector lender, Firm Capital Corporation, to fund its restructuring process under the CCAA.

9. Beginning in 2016/17, Laurentian University reported purchases of capital assets under financing activities. We have restated the prior fiscal years to be consistent with this presentation.

10. For 2013/14 and 2014/15, we included the amounts reported under "liquid investments reclassified to short-term investments" in the "net acquisition of investments" line item, consistent with its presentation in the 2015/16 audited financial statements.

11. In 2020/21, Laurentian University identified investments relating to endowments in the amount of \$2.3 million that were included in cash and short-term investments that should have been included in long-term investments. As a result, Laurentian University corrected this amount by reclassifying from cash and short-term investments to investments in the 2019/20 comparative amounts. We included the entire amount of this correction in the "net acquisition of investments" line item.

## Appendix 14: Analysis of Laurentian University's Financial Ratios for the Years Ending April 30, 2009/10–2019/20

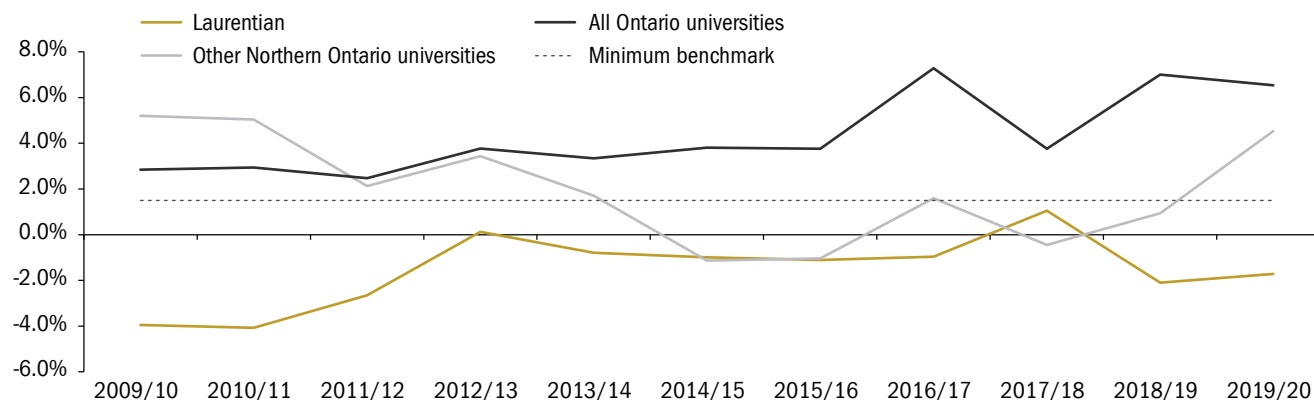
Source of data: Laurentian University's audited financial statements

### Significant Net Losses

The **net income/loss ratio** is a measure of the portion of an entity's revenues that translates into a net profit. Between 2009/10 and 2019/20, Laurentian University, on average, ran a loss of 1.6% of its revenues, ranging from a loss of 4.1% of its revenues to a gain of 1.1% in one of only two profitable years. This indicates that during this time period, Laurentian was consistently unable to obtain adequate revenue to fund its total operations by a notable margin. More concerning is that Laurentian was consistently underperforming Ontario universities as a whole, and other Northern Ontario universities (Algoma, Nipissing and Lakehead). Further, Laurentian had not met the Ministry of Colleges and Universities, (Ministry) 1.5% benchmark for net income/loss as a percentage of revenue in any year for the past decade. **Exhibit 14a** shows a trend comparison of the net income/loss ratio of Laurentian University, Ontario universities as a whole, and other Northern Ontario universities.

### Exhibit 14a: Net Income/Loss Ratios Comparison for the Years Ending April 30, 2009/10–2019/20

Source of data: University audited financial statements and Ministry of Colleges and Universities



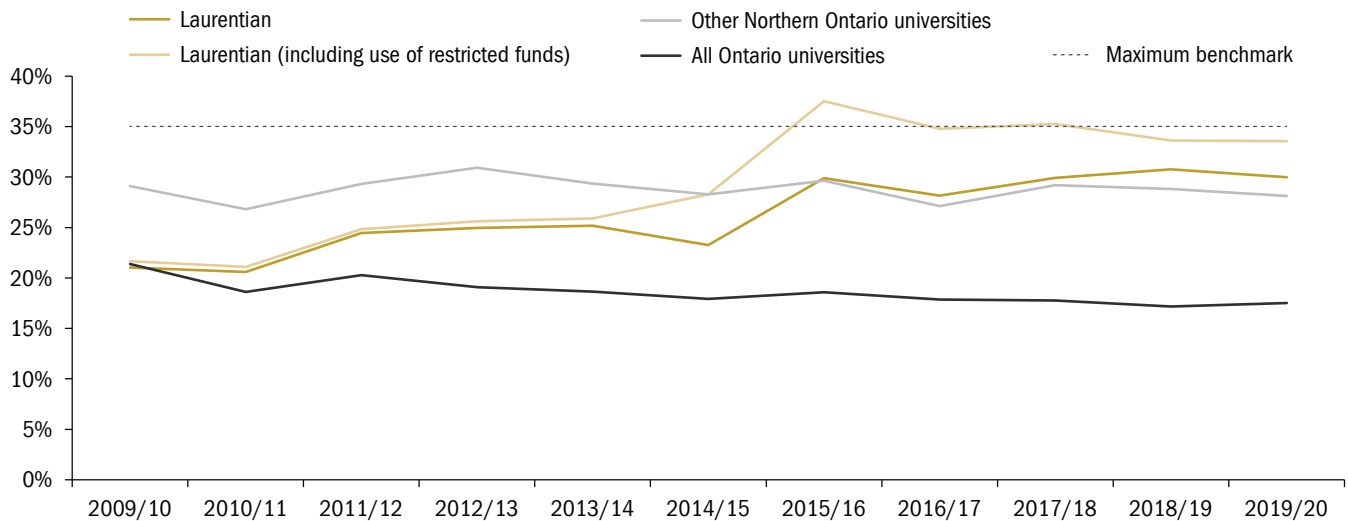
Note: The formula for the net income/loss ratio is surplus (deficit)/total revenue.

### Debt Ratio Worsened

The **debt ratio** is a measure of the portion of a university's total assets funded by debt. Between 2009/10 and 2019/20, Laurentian's debt ratio grew by over 40%, from 21% of its assets being funded by debt to 30% of its assets being funded by debt. However, when considering the amount of capital spending that was funded through restricted assets—resulting in a need for external financing through a line of credit (**Section 5.0**)—Laurentian's debt went from 22% of its assets being funded by debt in 2009/10 to 34% of its assets being funded by debt in 2019/20. A peak of 38% was reached in 2015/16, surpassing the Ministry's threshold of 35%. Despite starting 2009/10 in a better position than other Northern Ontario universities (Algoma, Nipissing and Lakehead), Laurentian's debt ratio worsened to become more leveraged by 2019/20. Overall, during this same time period, the debt ratios of Ontario universities as a whole improved. See **Exhibit 14b** for Laurentian University's debt ratios compared with Ontario universities and other Northern Ontario universities.

### Exhibit 14b: Debt Ratios Comparison for the Years Ending April 30, 2009/10–2019/20

Source of data: University audited financial statements and Ministry of Colleges and Universities



Note: The formula for the debt ratio is total debt/total assets.

### Current Ratio Deteriorated

Even more concerning was Laurentian's **current ratio**. This is a measure of a university's ability to pay its debt obligations in the short term. It is a key indicator of the likelihood of defaulting on debt obligations. Guidance from the Ministry indicates that this ratio should not fall below 1.0, meaning a university should not have more short-term (less than one-year) liabilities than short-term assets.

In 2009/10, Laurentian was above the Ministry's benchmark of 1.0 and rose to a peak of 1.69 in 2010/11. However, this ratio deteriorated after 2013/14, dropping to a low of 0.67 in 2015/16. This meant that for every dollar of liabilities due within one year, the University had only 67 cents available to pay the liabilities using its current assets such as cash and short-term investments.

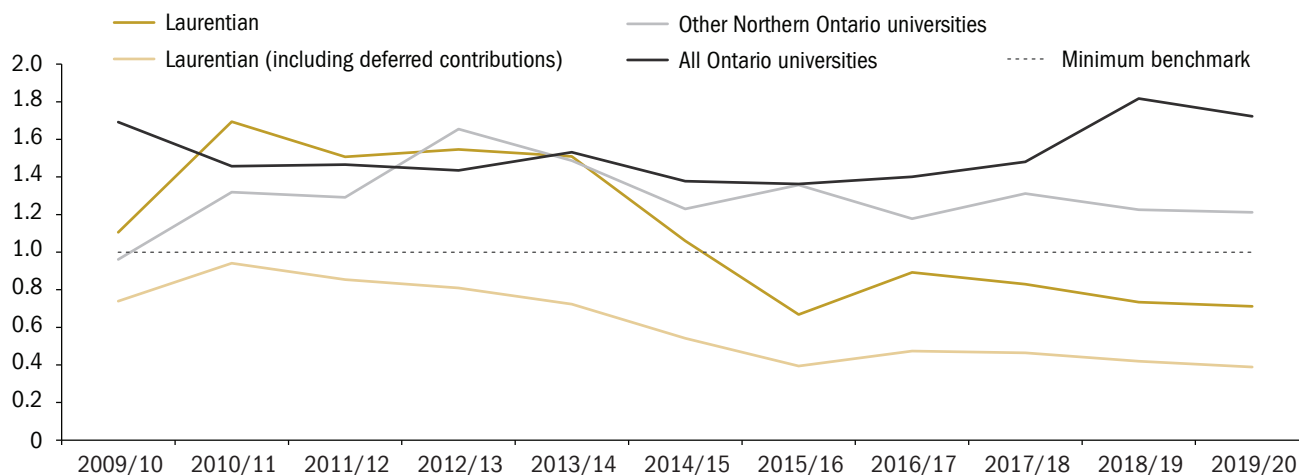
Notably, Laurentian changed the classification of deferred contributions (consisting of research grants, restricted donations and other funds received on behalf of third parties) from long-term obligations to current liabilities in its audited consolidated statement of financial position for the year ended April 30, 2021. This change in presentation is consistent with the classification of deferred contributions on the 2020/21 financial statements of 13 other Ontario universities and with our recommendations to Laurentian related to the financial reporting of restricted funds (see **Appendix 1**). If Laurentian had consistently classified deferred contributions as current liabilities in its past consolidated financial statements, its current ratio would have been almost halved each year from 2010/11 to 2019/20, ranging from a high of 0.94 in 2010/11 to a low of 0.39 in both 2015/16 and 2019/20.

This growing liquidity risk was not similarly seen across Ontario universities. See **Exhibit 14c** for a comparison of the trend in Laurentian's current ratios with other Northern Ontario universities (Algoma, Nipissing and Lakehead) and Ontario universities as a whole.



### Exhibit 14c: Laurentian University Current Ratios Comparison for the Years Ending April 30, 2009/10–2019/20

Source of data: University audited financial statements and Ministry of Colleges and Universities



Note: The formula for the current ratio is current assets/current liabilities.

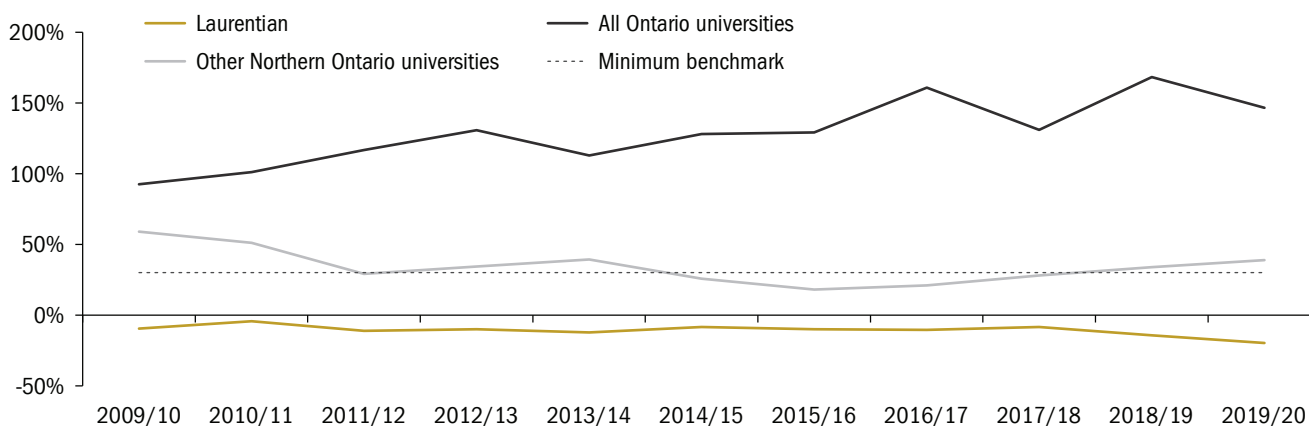
### Viability Ratio Below Benchmark

The **viability ratio** measures the assets available to pay a university's long-term debt obligations. It is used to assess the ability of an organization to pay off its debt and to ensure an organization has not become overburdened by debt. Ministry guidance indicates that a university should not have a viability ratio below 30%, meaning it should have at least enough unrestricted assets to pay 30% of its long-term debt obligations.

In 2009/10, Laurentian was already well below the Ministry benchmark at minus 9%. This was significantly worse than the averages of other universities in Ontario. For the most part, on average, Ontario universities held more unrestricted assets than they had in long-term debt. See **Exhibit 14d** for a comparison of the trend in Laurentian's viability ratio with other Northern Ontario universities (Algoma, Nipissing and Lakehead) and Ontario universities as a whole.

### Exhibit 14d: Viability Ratios Comparison for the Years Ending April 30, 2009/10–2019/20

Source of data: University audited financial statements and Ministry of Colleges and Universities



Note: The formula for the viability ratio is expendable net assets/long-term debt. A negative viability ratio results from overall negative expendable net assets. In calculating expendable net assets, we included all components of net assets other than endowments, capital assets and employee future benefits. In calculating long-term debt, we included the current portion of long-term debt.

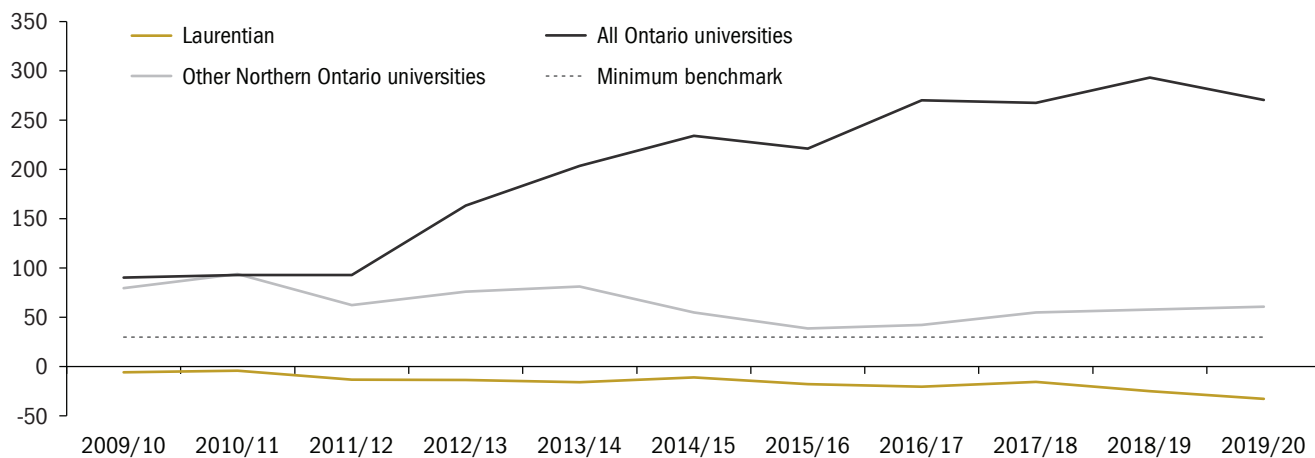
## No Financial Reserves Available to Sustain Operations

The **primary reserve ratio** measures how long a university could sustain its operations should it be unable to obtain further assets. In other words, should Laurentian all of a sudden not have access to any additional revenues, this ratio represents the number of days it could continue to operate and pay its expenses. In 2009/10, Laurentian was already in a concerning position. This ratio was negative six days, significantly worse than the Ministry's benchmark of holding 30 days' worth of reserves, which indicates that no money was available to fund continued operations. Due to the lack of accumulated reserves, management relied on lines of credit to supplement Laurentian's cash flows during times in the year when lump sum tuition payments had yet to be received. This left Laurentian vulnerable to external factors, such as financial shocks, that could limit or reduce its revenues.

Laurentian's primary reserve ratio continued to worsen up until 2019/20 when it reached negative 36 days. In contrast, Ontario universities as a whole saw a significant growth in their ability to withstand an impact on revenues and continue operating. See **Exhibit 14e** for a comparison of Laurentian's primary reserve ratio.

### Exhibit 14e: Primary Reserve Ratios Comparison for the Years Ending April 30, 2009/10–2019/20, (Days)

Source of data: University audited financial statements and Ministry of Colleges and Universities



Note: The formula for the primary reserve ratio is  $\text{expendable net assets} / \text{total expenses} \times 365 \text{ days}$ . A negative primary reserve ratio results from overall negative expendable net assets. In calculating expendable net assets, we included all components of net assets other than endowments, capital assets and employee future benefits.

## Appendix 15: Cash Flows Provided (Used) by Operations Adjusted for Areas of Discretionary Spending Concern for the Years Ending April 30, 2010/11–2019/20 (\$ million)

Prepared by the Office of the Auditor General of Ontario

	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
<b>Cash provided (used) by operations<sup>1</sup></b>	<b>(4.9)</b>	<b>5.5</b>	<b>(2.3)</b>	<b>0.5</b>	<b>2.2</b>	<b>10.7</b>	<b>9.3</b>	<b>0.2</b>	<b>(4.5)</b>	<b>5.1</b>
Add back areas of discretionary spending concern: <sup>2</sup>										
Legal and professional fees <sup>2</sup>	1.6	1.4	1.3	1.4	2.0	2.4	1.8	3.3	2.3	2.3
Special advisors <sup>3</sup>	0.1	0.2	0.1	0.2	0.3	0.2	0.1	0.3	0.2	0.1
Labour relations staff <sup>4</sup>	0.4	0.5	0.4	0.5	0.6	0.5	0.5	0.8	0.7	0.8
Interest expense on capital projects	1.7	2.0	2.6	2.9	3.0	3.8	4.6	4.6	4.5	4.2
<b>Adjusted cash provided (used) by operations</b>	<b>(1.0)</b>	<b>9.5</b>	<b>2.2</b>	<b>5.6</b>	<b>8.1</b>	<b>17.5</b>	<b>16.4</b>	<b>9.2</b>	<b>3.2</b>	<b>12.5</b>

1. We prepared this figure using Laurentian's consolidated statements of cash flows as the basis. Where comparative information was restated or reclassified to conform with the financial statements in a subsequent year (e.g., 2019/20 comparatives were restated in Laurentian University's 2020/21 audited financial statements), we used the more recent information. In addition, we changed the presentation of deferred contributions by reclassifying changes in this liability balance from financing activities to operating activities to be consistent with accounting standards for not-for-profit organizations and 18 other Ontario universities' financial statements. See **Appendix 13** for details.

2. For the purposes of this figure, we have made the simple assumption that these amounts (reported on an accrual basis) would approximate their cash-basis amounts.

3. Special advisors are appointed to assist the president and/or other senior administrators on a term-limited basis in order to undertake a special study or to transfer special knowledge or expertise such as Special Advisor to the President on Government Relations; Special Advisor to the Vice-President Academic and Provost on Reconciliation.

4. Labour relations staff include employees of the University involved in the overall handling of faculty and staff relations and the resolution of union grievances; for example, Director and Associate Director of Faculty and Staff Relations Director; and Manager of Staff Relations.

## Appendix 16: Excess (Deficiency) of Revenues over Expenses Adjusted for Areas of Discretionary Spending Concern for the Years Ending April 30, 2010/11–2019/20 (\$ million)

Prepared by the Office of the Auditor General of Ontario

	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
<b>Total Revenues</b>	<b>158.2</b>	<b>157.4</b>	<b>160.7</b>	<b>171.0</b>	<b>175.4</b>	<b>179.2</b>	<b>188.7</b>	<b>195.4</b>	<b>195.2</b>	<b>197.6</b>
<b>Total Expenses</b>	<b>164.7</b>	<b>161.6</b>	<b>160.5</b>	<b>172.4</b>	<b>177.1</b>	<b>181.2</b>	<b>190.6</b>	<b>193.3</b>	<b>199.3</b>	<b>200.9</b>
<b>Excess (deficiency) of revenue over expenses<sup>1</sup></b>	<b>(6.5)</b>	<b>(4.2)</b>	<b>0.2</b>	<b>(1.4)</b>	<b>(1.7)</b>	<b>(2.0)</b>	<b>(1.8)</b>	<b>2.1</b>	<b>(4.1)</b>	<b>(3.4)</b>
Add back areas of discretionary spending concern: <sup>2</sup>										
Legal and professional fees	1.6	1.4	1.3	1.4	2.0	2.4	1.8	3.3	2.3	2.3
Special advisors <sup>3</sup>	0.1	0.2	0.1	0.2	0.3	0.2	0.1	0.3	0.2	0.1
Labour relations staff <sup>4</sup>	0.4	0.5	0.4	0.5	0.6	0.5	0.5	0.8	0.7	0.7
Interest expense on capital projects	1.7	2.0	2.6	2.9	3.0	3.8	4.6	4.6	4.5	4.2
<b>Adjusted excess (deficiency) of revenue over expenses</b>	<b>(2.5)</b>	<b>(0.1)</b>	<b>4.7</b>	<b>3.7</b>	<b>4.1</b>	<b>4.8</b>	<b>5.2</b>	<b>11.0</b>	<b>3.7</b>	<b>4.0</b>

1. We prepared this figure using Laurentian's consolidated statements of cash flows as the basis. Where comparative information was restated or reclassified to conform with the financial statements in a subsequent year (e.g., 2019/20 comparatives were restated in Laurentian University's 2020/21 audited financial statements), we used the more recent information. In addition, we changed the presentation of deferred contributions by reclassifying changes in this liability balance from financing activities to operating activities to be consistent with accounting standards for not-for-profit organizations and 18 other Ontario universities' financial statements. See Appendix 13 for details.

2. For the purposes of this figure, we have made the simple assumption that these amounts (reported on an accrual basis) would approximate their cash-basis amounts.

3. Special advisors are appointed to assist the president and/or other senior administrators on a term-limited basis in order to undertake a special study or to transfer special knowledge or expertise such as Special Advisor to the President on Government Relations; Special Advisor to the Vice-President Academic and Provost on Reconciliation.

4. Labour relations staff include employees of the University involved in the overall handling of faculty and staff relations and the resolution of union grievances; for example, Director and Associate Director of Faculty and Staff Relations Director; and Manager of Staff Relations.

## Appendix 17: Board Approval of Capital Projects, between June 2009 – February 2015

Source of data: Laurentian University

Date of Board Approval	Jun 19, 2009	Jun 17, 2010	Jun 12, 2012	Jun 17, 2014	Oct 16, 2014	Feb 13, 2015
Capital Decision	School of Architecture	East Residence	Campus Modernization	Student Centre	Research, Innovation and Engineering Centre	Cardiovascular and Metabolic Lab
Total Cost	\$44.5 million	\$20.6 million	\$58.9 million	\$9.3 million	\$28.9 million	\$5.9 million
President	Dominic Giroux					
Vice-President Administration	Robert Bourgeois		Carol McAulay			
Board of Governors Chair and Vice-Chair	Carolyn Sinclair and Floyd Laughren	Floyd Laughren and Michael Atkins		Michael Atkins and Jennifer Witty		
PDP Committee* Chair and Vice-Chair	No appointees	Claude Lacroix and No appointee		Ian Wood and Peter Faggioni		

Note: These are the major capital projects within the time period June 2009 to December 2021. "No appointee" means there was no appointee in a position for the applicable time period.

\* The Property Development and Planning Committee (PDP Committee) was established in September 2010 and had no Vice-Chair appointee until September 2013.

## Appendix 18: Provincially Mandated Compensation Restrictions for the Broader Public Sector, March 2010–Present

Prepared by the Office of the Auditor General of Ontario

	<i>Public Sector Compensation Restraint to Protect Public Service Act (PSCRPPSA)</i>	<i>Broader Public Sector Accountability Act (BPSAA, Part II.1)</i>	<i>Broader Public Sector Executive Compensation Act (BPSECA)<sup>1</sup></i>	
			<i>O. Reg. 304/16<sup>2</sup></i>	<i>O. Reg. 406/18</i>
<b>Dates in force</b>	Mar 2010 – Mar 2012	Mar 2012 – Sep 2016	Sep 2016 – Aug 2018	Aug 2018 – Present
<b>Base salary restrictions</b>	Frozen for all non-unionized employees, which includes executives and senior employees, at the amount paid for their position immediately prior to the law coming into effect.	Frozen for only designated executive employees who received at least \$100,000 in salary per year, with freeze lifted for all other non-unionized employees that were previously frozen under PSCRPPSA.	Continued to be frozen for designated executive employees until an Executive Compensation Program (ECP) <sup>1</sup> was finalized. Once an ECP was finalized by an organization for its designated executives, base salaries could be increased for those designated executives as of the date the program was finalized, provided the total sum of all base salaries and performance pay paid to designated executives was within the annual cap set in their ECP.	Frozen for only designated executive employees who receive at least \$100,000 in salary per year, at the amount paid for their position on Aug 13, 2018.
<b>Salary range (or grid) restrictions</b>	Prohibited from being increased for all non-unionized employees and frozen at 2010 levels. Salaries could still increase within an applicable salary range to that position, provided that salary range was already in place for that position at the time the law came into effect. If an individual did not have a salary range (or grid) already prescribed for their position at the time the law came into force, then their base salary was frozen at 2010 levels.	Prohibited from being increased for designated executive employees who received at least \$100,000 in salary per year and salary ranges were frozen at 2010 levels. Base salaries were no longer permitted to increase within an applicable salary range for that position.	Prohibited from being increased for all designated executives. Salaries were not permitted to increase within a salary range until an ECP was finalized.	Frozen for only designated executive employees that receive at least \$100,000 per year, at the range effective for their position on Aug 13, 2018. Base salaries are no longer permitted to increase within an applicable salary for that position.

	<i>Public Sector Compensation Restraint to Protect Public Service Act (PSCRPPSA)</i>	<i>Broader Public Sector Accountability Act (BPSAA, Part II.1)</i>	<i>Broader Public Sector Executive Compensation Act (BPSECA)<sup>1</sup></i>	
			<b>O. Reg. 304/16<sup>2</sup></b>	<b>O. Reg. 406/18</b>
<b>Dates in force</b>	Mar 2010 – Mar 2012	Mar 2012 – Sep 2016	Sep 2016 – Aug 2018	Aug 2018 – Present
<b>Compensation above base salary restrictions (e.g., performance bonus and merit pay)</b>	Could be provided, as long as it was in accordance with the compensation plan that was in effect for an employee at the time the law came into effect.	Could be provided, as long as it was within a set total cap equal to what was given out to an organization's designated executive employees in the prior performance pay cycle before the law came into effect.	Could be provided to designated executives as of the date the ECP was finalized, provided the total sum of all base salaries and performance pay paid to designated executives was within the annual cap set in their ECP for the sum of both base salary and performance pay. The annual envelope cap was set specifically for an institution and was permitted to increase by an annual rate of 5%.	Can be provided to designated executives, provided it is within a set total cap for the sum of both base salary and performance pay and equal to what was given out to designated executives in the prior performance pay cycle before the law came into effect.
<b>Laurentian's non-compliance</b>	Provided \$41,002 more in compensation above base salary (performance pay) to six members of its senior administration than was permitted under the compensation plans in place for these employees at the time the law came into effect.	Provided \$65,303 more in compensation above base salary (performance pay) to its four designated executives than was permitted under the legislation, by exceeding the amount paid to these employees in 2011 in each year between 2012 and 2016.	Laurentian was one of only four Ontario universities to finalize an ECP. <sup>3</sup> However, it exceeded its annual cap set in its ECP by a combined total of \$245,996 in 2017 and 2018. Additionally, during a June 2018 in camera session, Laurentian's Board provided \$9,751 in performance pay retroactively to two former designated executives who left their positions in 2017, which was not permitted.	Increased the base salary for two of its designated executives by a total of \$36,602 in 2020 and 2021, despite base salaries being frozen at Aug 13, 2018 levels and an increase to base salaries within any salary range applicable to that position being prohibited.

1. Under the BPSECA, designated broader public sector (BPS) organizations (including universities) were required to develop an executive compensation program (ECP) for their organization and have it approved by their overseeing ministry. The ECP was an organization-specific compensation restraint framework for its senior employees that fell within the definition of "designated executive" under the BPSAA/BPSECA. For universities, ECPs were approved by the Ministry of Colleges and Universities.
2. The Regulation became effective for a designated BPS organization on the date the employer finalized their executive compensation program. All compensation measures applicable to the BPS organization under the BPSAA, Part II.1 continued to apply until this date.
3. Laurentian's Board approved its finalized ECP on Dec 15, 2017 and the Ministry of Colleges and Universities subsequently communicated its approval on Feb 27, 2018. Laurentian established four of its senior administrators as "designated executives" subject to the compensation restraints in its ECP (the President and Vice-Chancellor and three Vice-Presidents). Laurentian also set its annual cap for executive compensation and performance pay for its four designated executives at the total amount paid to these positions between Jul 1, 2016 and Jun 30, 2017 (\$943,683), which was permitted to increase by a maximum of 5% annually.

## Appendix 19: Evaluation of Laurentian University Against Going Concern\* Financial Indicators

Prepared by the Office of the Auditor General of Ontario

Canadian Auditing Standard Going Concern Indicator	Financial Event or Condition	Date of Financial Event or Condition
1. Net liability or net current liability position	Net liabilities were \$19.5 million, excluding the endowment fund	As of Apr 30, 2020
2. Excessive reliance on short-term borrowings to finance long-term assets	Was using a line of credit to finance capital projects Had \$14.4 million drawn from the line of credit	As of Apr 30, 2020
	Consistently drew on its line of credit each spring and paid it down with tuition cash flows in the fall	Between 2015/16 and 2019/20
3. Indications of withdrawal of financial support by creditors	One of the University's primary lenders, RBC, determined that it had reached its maximum debt exposure limit with Laurentian and refused to provide any additional financing, as communicated to the Board of Governors in a memo	Apr 15, 2016
	Reported \$66.3 million of long-term debt with RBC for projects including the School of Education, Single Student Residence and Campus Modernization Had long-term debt of \$21.7 million outstanding with other lenders	As of Apr 30, 2016
4. Negative operating cash flows indicated by historical or prospective financial statements	Experienced negative cash flows from operations of \$1.3 million (excluding fluctuations from deferred contributions)	Between 2009/10 and 2019/20
	Was not generating unrestricted sufficient cash flow from operating activities to repay external loans used to fund capital projects	
5. Adverse key financial ratios	Viability ratio—measuring the portion of long-term debt that could be settled using unrestricted assets—had been negative for more than a decade	Between 2009/10 and 2019/20
	Current ratio (including deferred contributions) was below 1.0, meaning that Laurentian was unable to meet its short-term obligations using its current, more liquid assets such as cash and investments	
	See <b>Appendix 14</b> for further discussion of Laurentian's financial ratios	
6. Substantial operating losses or significant deterioration in the value of assets used to generate cash flows	Reported operating losses of \$4.1 million	2018/19
	Reported operating losses of \$3.4 million	2019/20
	A \$7.4-million operating loss was forecast in preliminary 2020/21 budget materials approved by the Board of Governors	Jun 2020



Canadian Auditing Standard Going Concern Indicator	Financial Event or Condition	Date of Financial Event or Condition
7. Inability to pay creditors on due dates	Laurentian informed its Faculty Association that there was a material risk that Laurentian could run out of money as early as fall 2020 or as late as spring 2021.	Apr 27, 2020
	Had less than \$4 million in cash on hand and current accounts receivable of \$27 million against current liabilities of \$45 million	As of Apr 30, 2020
8. Inability to obtain financing for essential new product development or other essential investments	Laurentian's primary lender, RBC, refused to issue it more long-term debt	Spring 2016
	Had a backlog of deferred maintenance costs of approximately \$135 million as a result of building condition assessments	As of Dec 2020

\* Going concern exists when it is reasonable to assume that a business will be able to meet its financial obligations and continue operations in the near term.

## Appendix 20: Provincial Comparison of Universities' Debt, Deficit and Major Capital Legislated Restrictions

Prepared by the Office of the Auditor General of Ontario

Province	Debt, Deficit and Major Capital Legislated Restrictions
<b>British Columbia</b>	<ul style="list-style-type: none"> <li>Limited to borrowing funds that can be repaid out of current revenues</li> <li>Ministerial approval required for borrowing money for the purpose of acquiring land or erecting, repairing, adding to, furnishing or equipping any building or structure for the use of the university</li> <li>Ministerial approval required to run a financial deficit in any fiscal year</li> </ul>
<b>Alberta</b>	<ul style="list-style-type: none"> <li>Limited to borrowing funds that can be repaid out of current revenues and prohibiting the use of high interest borrowing (for example, lines of credit)</li> <li>Ministerial approval required for long-term borrowing</li> <li>May not run a deficit unless the Board has written approval from the Minister</li> </ul>
<b>Saskatchewan</b>	<ul style="list-style-type: none"> <li>Lieutenant Governor in Council consent required to borrow money to meet current expenditures until revenues for the current year are available to repay the borrowed funds</li> <li>Minister approval required for borrowing or expenditures over \$100,000 on purchasing lands or constructing buildings; Lieutenant Governor in Council approval required for expenditures over \$500,000 on purchasing lands or constructing buildings</li> <li>Minister approval required for any liabilities or expenditures that would, in the opinion of the Minister, impair the financial status of the university</li> <li>Appointment of a university controller to serve as the chief accounting and business officer of the university</li> </ul>
<b>Manitoba</b>	<ul style="list-style-type: none"> <li>Limited to borrowing funds that can be repaid out of current revenues</li> <li>Lieutenant Governor in Council approval required to borrow money for any purposes other than ordinary expenditures of the university</li> </ul>
<b>Prince Edward Island</b>	<ul style="list-style-type: none"> <li>Lieutenant Governor in Council consent required to borrow money to meet current expenditures until revenues for the current year are available to repay the borrowed funds</li> <li>Lieutenant Governor in Council approval required for all borrowing for or expenditures on lands and buildings</li> </ul>
<b>Newfoundland and Labrador</b>	<ul style="list-style-type: none"> <li>Lieutenant Governor in Council consent required to borrow money to meet current expenditures until revenues for the current year are available to repay the borrowed funds</li> <li>Lieutenant Governor in Council approval required for all expenditures on lands and buildings</li> <li>Approval required to run an annual deficit beyond 0.25% of total government grants and estimated revenues from other sources</li> <li>Limiting expenditures to avoid annual deficit</li> </ul>

Note: Legislation governing universities in the provinces of New Brunswick, Nova Scotia, and Quebec do not impose restrictions with respect to universities' debt, deficit and major capital.

## Appendix 21: Timeline of Laurentian University's Progress Toward and Through Its CCAA Restructuring, March 2020–April 2022

Prepared by the Office of the Auditor General of Ontario

2020

**Mar**

Laurentian initiates work with respect to a potential filing under the *Companies' Creditors Arrangement Act* (CCAA)

**Mar 30**

Laurentian receives \$793,000 from the Ministry of Colleges and Universities (Ministry) to mitigate the costs associated with its COVID-19 response

**Apr**

Laurentian initiates bargaining with both its faculty and staff unions on new collective agreements. The Laurentian University Faculty Association's (LUFA's) collective agreement was expiring on Jul 1, 2020. The Laurentian University Staff Union (LUSU) agreed to negotiate its collective agreement more than a year before its expiry.

**Apr 27**

Laurentian advises LUFA during collective bargaining of the risk that Laurentian could run out of available funds between fall 2020 and spring 2021.

**Jun 16**

LUSU signs a new three-year collective agreement, accepting \$1.8 million in concessions over the life of the agreement and paying Laurentian \$450,000 to avoid its union members from taking unpaid days off.

**Jul 1**

Administrative and professional staff, senior leaders and non-unionized employees receive salary cuts. Laurentian's 2017–2020 collective agreement with LUFA expires without new agreement.

**Jul 9**

Laurentian informs Ministry of a net shortfall of \$6 million due to the COVID-19 pandemic and requests a meeting.

**Aug 4**

Laurentian briefs Minister on financial situation and indicates it is considering formal restructuring through court proceedings; a specific financial request was not made at that time.

**Aug 5**

Laurentian pays down Desjardins Bank (Desjardins) line of credit (\$4.0 million of \$16.5 million).

**Aug 7**

Laurentian gives Ministry a financial update, indicates significant financial challenges and potential insolvency; Ministry discusses a third-party review with Laurentian.

**Aug 11**

Laurentian pays down Desjardins line of credit (\$10.0 million of \$12.5 million).

**Aug 12**

Laurentian's Vice-President, Academic and Provost suspends admissions to 17 programs with low enrolment without involving the University's Senate.

**Aug 13**

Laurentian provides Ministry with Apr 30, 2020 draft unaudited financial statements.

**Aug 27**

The Minister internally approves in principle to cost-share a third-party financial review of Laurentian's finances; Laurentian selects Ernst & Young.

(continued on page 107)

2021

- **Aug 28**  
Laurentian Board of Governors approves Ernst & Young to review its financial situation
  - **Sep 8**  
Laurentian pays off remaining Desjardins line of credit (\$2.5 million final payment)
  - **Oct 5**  
Laurentian meets with Ministry over financial challenges but does not flag scale of needed support or imminent possibility of *Companies' Creditors Arrangement Act* (CCAA) filing
  - **Oct 23**  
The Ministry rejects Laurentian's proposed changes to the joint funding agreement. The joint funding agreement was to cover 50% of Laurentian's costs of an independent review of its financial condition. The Province was to receive a report on the review. Laurentian indicated that E&Y would not produce the report, therefore, no agreement was signed.
  - **Oct 30**  
LUFA files third grievance in the last four years asking Laurentian to invoke the financial exigency process under its collective agreement
  - **Nov 23**  
In response to a Ministry request for universities to provide the financial impacts of COVID-19, Laurentian reports to the Ministry a projected deficit of \$5.5 million for the fiscal year ending Apr 30, 2021 due to the COVID-19 pandemic
  - **Dec 12**  
Laurentian approaches the Ministry of Finance announcing its insolvency and requests \$100 million in financial support: \$50 million to fund its continued operations and \$50 million for termination and severance payments. The University states that it needs a response by the first week of January or it will commence CCAA proceedings Jan 31, 2021
  - **Dec 23**  
Ministry studies Laurentian's request and asks Laurentian for answers to 30 detailed follow-up questions for information not included in its presentation to the Ministry
  - **Dec 29**  
Laurentian responds to Ministry questions regarding the request for \$100 million
- 
- **Jan 18**  
Ministry requests and receives updated information on Laurentian's cash flow analysis from Ernst & Young
  - **Jan 21**  
Ministry offers support funding for Laurentian up to \$12 million on the conditions that the University work with a Ministry Special Advisor to produce a report on Laurentian's finances and not enter into CCAA
  - **Jan 22**  
Alan Harrison appointed as a Ministry Special Advisor, through the Lieutenant Governor in Council and on the advice of the Ministry, to provide advice and recommendations to the Ministry on the long-term financial sustainability of Laurentian
  - **Jan 25**  
Laurentian declines Ministry offer of \$12 million
  - **Jan 29**  
Ministry Special Advisor provides the Ministry with a first report titled *The Sustainability of Laurentian University: A Preliminary Report*. See **Appendix 23** for more detail
  - **Feb 1**  
Laurentian files for creditor protection under CCAA

*(continued on page 108)*

**Feb 5**

Court appoints Ernst & Young as monitor for CCAA proceedings

**Feb 11**

Court extends stay of proceedings to Apr 30, 2021. Debtor-in-Possession\* (DIP) financing of \$25 million provided by private lender Firm Capital Corporation is approved

**Mar 1**

Ministry Special Advisor provides the Ministry with a second report titled The Sustainability of Laurentian University. See **Appendix 23** for more detail

**Mar 26**

Ministry allots Laurentian \$75,000 in one-time COVID-19 funding to support shifting student services to virtual platforms

**Apr 1**

Laurentian terminates federated agreements with Huntington University, Thorneloe University and University of Sudbury

**Apr 7**

Ministry Special Advisor provides the Ministry with a third report titled Laurentian University's Financial Situation: Policy Responses. See **Appendix 23** for more detail

**Apr 12**

Laurentian notifies students of program cancellations under CCAA and terminates 195 positions at the University, including 116 faculty and 79 staff and senior administrators

**Apr 15**

Ministry introduces legislation to establish Northern Ontario School of Medicine and Université de Hearst as independent, standalone degree-granting institutions

**Apr 28**

Standing Committee on Public Accounts passes a motion requesting our Office to conduct a value-for-money audit (see **Appendix 10**)

**May 1**

Ministry extends Ministry Special Advisor appointment to Jun 30, 2021

**May 2**

Court extends stay of proceedings to Aug 31, 2021 and approves a \$10 million increase to the DIP loan to \$35 million

**May 5**

Ministry Special Advisor provides the Ministry with a fourth report titled Financial Sustainability and Government Oversight. See **Appendix 23** for more detail

**Jun 16**

French Language Services Commissioner launches investigation into the reduction in French-language programs

**Jul 9**

In consideration of finalizing its plan of arrangement with creditors, Laurentian requests Ministry support of up to \$180 million, including \$35 million to assume the DIP loan

**Jul 16**

Ministry extends Ministry Special Advisor appointment to Dec 31, 2021

*(continued on page 109)*

## 2022

**Aug 13**

Laurentian requests \$40.5 million in financial support from federal government to enhance Francophone, Indigenous and online programming and to endow a student scholarship and award program

**Aug 27**

Court extends stay of proceedings, and approves an extension of the DIP maturity date from Aug 31, 2021 to Jan 31, 2022

**Nov 2**

Ministry receives approval to provide financial support package to Laurentian, including \$35 million to take over DIP loan from DIP lender Firm Capital Corporation, subject to several conditions including: a change in Laurentian's Board membership; engagement of third-party assistance to create a detailed, long-term strategic plan; and regular reporting to the Ministry and the public on financial health and other metrics

**Dec 15**

Ministry approves takeover of DIP loan to provide loan to Laurentian up to Sep 30, 2022

**Dec 16**

11 members of Laurentian's Board step down, including Board Chair

Ministry appoints five new Lieutenant Governor in Council members to Laurentian's Board for a one-year term

**Jan 1**

Ministry extends Ministry Special Advisor appointment to Sep 30, 2022

**Jan 27**

Ministry pays \$35 million to DIP lender Firm Capital Mortgage Fund to take over Laurentian's \$35 million DIP loan. Court extends stay of proceedings to May 31, 2022

**Jan 28**

Court Monitor signs certificate confirming Ministry funds were received by the original DIP lender

**Feb 25**

Ministry announces that it will further delay activating performance-based funding for universities in Ontario for an additional year to 2023/24

**Mar 31**

French Language Services Commissioner issues report on Laurentian's elimination of French-language programs through the CCAA process and compliance with the *French Language Services Act*

**Apr 1**

Court grants an order, effective May 1, 2022, terminating the stay of *Freedom of Information and Protection of Privacy Act* (FIPPA) requests, which reinstates Laurentian's obligations to respond to requests for information made under FIPPA

**Sep 14**

Creditors of Laurentian University vote in favour of Plan of Arrangement which sets out the terms between Laurentian and its creditors for Laurentian to exit the CCAA process. Creditors who voted in favour of the plan represent 87.4% of creditors (over 50% needed) and 68.9% of the value of the total claims Laurentian owed (over 66.6% needed).

The plan involves creditors receiving 14.1% to 24.2% of the amounts owed to them over a three year period. The funds to pay these creditors are to come from the Ministry agreeing to purchase some of Laurentian's real estate assets

**Oct 5**

Ontario Superior Court of Justice approves the University's Plan of Arrangement

\* Debtor-in-Possession (DIP) is financing unique to insolvent companies in a restructuring that enables them to continue operating.

## Appendix 22: Timeline of Ministry of Colleges and Universities' Interaction Regarding Laurentian University's Financial Sustainability Concerns and CCAA Process, January 2020–January 2022

Prepared by the Office of the Auditor General of Ontario

Date	Event
<b>2020</b>	
Jan 9	Laurentian meets with Assistant Deputy Minister and former Deputy Minister of the Ministry of Colleges and Universities ( <b>Ministry</b> ). The University's presentation flags financial sustainability issues and outlines its plan to return to sustainability. It requests consideration for additional funding, including maintaining stable enrolment funding (not being penalized for the drop in enrolment from the Barrie campus closure), and continuing to receive funding for unmet graduate spaces and unfilled teachers' education spaces.
Feb 12	Laurentian receives an additional \$4.3 million in funding through a Northern Ontario Sustainability Grant provided by the Ministry to all Northern Ontario universities to offset the Province's tuition cut. Laurentian's grant amount was the largest payout of all qualifying institutions.
Feb 28	Laurentian's report on sustainability to the Ministry indicates achievement of over \$20 million in savings since 2018 and stresses the importance of continued funding levels from the Ministry, such as through additional one-time support grants.
Mar 30	Laurentian receives \$793,000 in funding from the Ministry to mitigate the costs associated with its COVID-19 pandemic response.
Apr 29	Laurentian issues a news release indicating "COVID-19 and other pre-existing financial pressures require the University to amend and accelerate its sustainability plan to address a shortfall of approximately \$15 million in fiscal year 2020/21."
Jul 9	Laurentian President writes a letter to the Minister, stating, "On June 30th, 2020, the collective agreement between Laurentian and our faculty union expired. We anticipate working closely with the faculty association in the coming months to achieve a collective agreement that better reflects the current financial situation of the University and is commensurate with the contributions made by other employee groups. However, this is not guaranteed."
Jul 24	Laurentian meets with the Assistant Deputy Minister and outlines its financial position including challenges that could leave it with a \$16 million deficit for the 2020/21 fiscal year, but through internal measures Laurentian has managed to reduce this to a projected deficit of \$6 million. In its presentation to the Ministry, Laurentian further states that it has an accumulated deficit of \$19.5 million with limited internal reserves and that, if revenue challenges materialize, it could be within 25% of its maximum line of credit by fall 2020 or April 2021. The Ministry indicates that it has limited resources to provide sustainability support and suggests that Laurentian explore programs in other areas (such as Infrastructure Ontario loans) that may be available to it.
Aug 4	In advance of a meeting between the Laurentian President and then Board Chair and the Minister, the President sends a briefing document detailing Laurentian's financial challenges and notes the possibility of a formal restructuring through court proceedings being pursued. A specific financial request was not made at that time.
Aug 6	The Ministry raises concern internally that Laurentian may reach its credit limit by fall if it continues down this path. The Ministry suggests that Ministry staff verify Laurentian's financial circumstances and identify a plan to deal with the financial situation.
Aug 27	The Minister internally approves in principle a cost-sharing agreement for a third-party review of Laurentian's finances; Laurentian selects Ernst & Young.
Oct 1	Laurentian informs the Ministry that it has made its faculty union aware of hiring Ernst & Young to conduct a financial review, but that Laurentian would not disclose anything else to the union, including the Ministry's involvement.

Date	Event
Oct 2	The Ernst & Young partner, who would later become the monitor for the CCAA process, proposes changes to the agreement with the Ministry for a third-party review of Laurentian's finances. Specifically, the partner proposes that Ernst & Young would not prepare an external report for the Ministry in order to remain neutral in the event that Ernst & Young supports CCAA proceedings.
Oct 23	The Ministry rejects Laurentian's proposed changes to the joint funding agreement. The joint funding agreement was to cover 50% of Laurentian's costs of an independent review of its financial condition. The Province was to receive a report on the review. Laurentian indicated that E&Y would not produce the report, therefore, no agreement was signed.
Dec 12	Laurentian approaches the Ministry of Finance announcing its insolvency and requests \$100 million in financial support: \$50 million to fund its continued operations and \$50 million for termination and severance payments. The University states that it needs a response by the first week of January or it will commence CCAA proceedings Jan 31, 2021.
Dec 23	The Laurentian President informs the Deputy Minister of Colleges and Universities that if Laurentian receives \$11 million in tuition at the beginning of January, it will be able to make payroll until Jan 25. He tells the Deputy Minister that he raised this issue at a high level as early as June, but it was not critical until Ernst & Young (financial advisors) and Thornton Grout Finnigan (CCAA counsel) did their assessment in fall 2020 and determined that Laurentian was in a dire financial situation.
Dec 23	The Ministry studies Laurentian's request and asks Laurentian for answers to 30 detailed follow-up questions for information not included in its presentation to the Ministry.
<b>2021</b>	
Jan 8	The Ministry reviews Laurentian's response to its detailed follow up questions and asks Laurentian for answers to seven additional questions for items not addressed in its response to the Ministry's prior questions.
Jan 18	The Ministry requests and receives updated cash flow analysis from Ernst & Young.
Jan 21	The Ministry offers support funding for Laurentian of up to \$12 million on the condition that the University work with a Ministry Special Advisor to produce a report on Laurentian's finances and not enter into CCAA.
Jan 22	Individual appointed as a Ministry Special Advisor, through the Lieutenant Governor in Council and on the advice of the Ministry, to provide advice and recommendations to the Ministry on the long-term financial sustainability of Laurentian. The Special Advisor is to be paid \$1,350 per day up to a maximum of \$100,000. The Advisor will also provide a report on the financial health of the university sector overall.
Jan 25	Laurentian declines Ministry offer of \$12 million.
Jan 29	Ministry Special Advisor provides the Ministry with a first report titled The Sustainability of Laurentian University: A Preliminary Report. See <b>Appendix 23</b> for more detail.
<b>Feb 1 Laurentian files for creditor protection under CCAA.</b>	
Mar 1	Ministry Special Advisor provides the Ministry with a second report titled The Sustainability of Laurentian University. See <b>Appendix 23</b> for more detail.
Apr 7	Ministry Special Advisor provides the Ministry with a third report titled Laurentian University's Financial Situation: Policy Responses. See <b>Appendix 23</b> for more detail.
May 5	Ministry Special Advisor provides the Ministry with a fourth report titled Financial Sustainability and Government Oversight. This report focuses on discussing the long-term financial sustainability of Laurentian and the university sector in general. See <b>Appendix 23</b> for more detail.



Date	Event
Jul 9	In consideration of finalizing its Plan of Arrangement with creditors, Laurentian requests Ministry support of up to \$180 million, including \$35 million to assume its Debtor-in-Possession (DIP) loan that it had secured from a private-sector lender, Firm Capital Mortgage Fund, to fund its restructuring process under the CCAA.
Dec 15	Ministry agrees to provide a financial support package to Laurentian, including \$35 million to cover the DIP loan up to Sep 30, 2022, subject to several conditions including a change in Laurentian's Board membership; engagement of third-party assistance to create a detailed, long-term strategic plan; and regular reporting to the Ministry and the public on financial health and other metrics.
<b>2022</b>	
Jan 27	Weeks after 11 members resign from Laurentian's Board, the Ministry assumes Laurentian's \$35 million DIP loan from its private-sector lender, Firm Capital Mortgage Fund.

## Appendix 23: Summary of Special Advisor's Reports to the Ministry of Colleges and Universities

Source of data: Ministry of Colleges and Universities

Date	Details
<b>2021</b>	
<b>Jan 29</b>	<p>The Special Advisor provides the Ministry of Colleges and Universities with a first report titled The Sustainability of Laurentian University: A Preliminary Report. The report highlights the following from a preliminary review:</p> <ul style="list-style-type: none"> <li>• The University was likely in the “zone of insolvency” since at least 2014/15. However, deficits may have been going back farther.</li> <li>• The faculty association has been without a collective agreement since Jun 30, 2020 and was planning on going to the Labour Board on Jan 29, 2021.</li> <li>• Filing for CCAA resulted in the court appointing a mediator who will work with the faculty association to seek a solution to reduce faculty costs.</li> <li>• During this time, there will be no concern of a strike because further action by the faculty association is stayed.</li> <li>• The Board and senior positions on the financial side at Laurentian require a drastic overhaul.</li> </ul>
<b>Mar 1</b>	<p>The Special Advisor provides the Ministry with a second report titled The Sustainability of Laurentian University. The report highlights the following around the causes of Laurentian’s insolvency:</p> <ul style="list-style-type: none"> <li>• Cash and short-term investments had not exceeded deferred contributions since 2011/12. (Deferred contributions relate to external contributions restricted for research.)</li> <li>• Deferred contributions exceeded cash and short-term investments by \$8.7 million in 2012/13 and grew to reach \$34 million by 2019/20.</li> <li>• 2011/12 was the first time Laurentian inappropriately used its restricted funds.</li> <li>• In 2015/16, Laurentian drew “internal financing” of \$13 million from restricted funds.</li> <li>• The concept of internal financing at Laurentian began in a Board meeting on Dec 13, 2013 when the Board approved a Campus Modernization project with anticipated borrowings of \$43 million.</li> <li>• Laurentian used cash and short-term investments and funds restricted for research as “internal financing” for capital projects. By 2019/20, with the additional use of its line of credit, Laurentian’s internal financing was up to \$27 million.</li> <li>• The closure of the Barrie campus reduced revenues but Laurentian retained the cost of 17 faculty.</li> <li>• The Ministry ignored the results of the financial indicators for years.</li> <li>• “Going concern” issues with respect to Laurentian should have been flagged by its external auditor (the assumption that a business will be able to meet its financial obligations in the near term).</li> </ul> <p>The report also makes the following recommendations:</p> <ul style="list-style-type: none"> <li>• Selection of a new external auditor by Laurentian.</li> <li>• Laurentian should complete its Plan of Arrangement by April 30, 2021, to avoid prospective students from being discouraged from attending due to financial concerns.</li> <li>• The Ministry should have minimum and maximum financial indicators in its agreements with universities.</li> <li>• Board membership should be assessed to ensure appropriate skills and competencies exist, such as backgrounds in governance, finance, audit, executive, real property and capital planning as well as diversity.</li> </ul>

Date	Details
<b>Apr 7</b>	<p>The Special Advisor provides the Ministry with a third report titled Laurentian University's Financial Situation – Policy Responses. The report highlights the following:</p> <ul style="list-style-type: none"> <li>• Laurentian's annual deficits going back to 2014/15 were not reflected in its public communications over the years.</li> <li>• The Ministry should not wait to act until a university expresses concerns about its financial wellbeing.</li> <li>• Financial health indicators serve a very useful purpose by providing an early warning of a university's financial problems.</li> <li>• The Ministry can use credit reports to better understand the concerns flagged through financial health indicators.</li> </ul> <p>The report makes the following recommendations:</p> <ul style="list-style-type: none"> <li>• Credit ratings for universities should be mandatory.</li> <li>• The Ministry should routinely conduct its own analysis of the financial health indicators and consider the weighting or importance of each indicator.</li> <li>• For universities that the Ministry feels may be encountering financial sustainability concerns, request an explanation and written assurance from its Board that they support the universities' actions.</li> </ul>
<b>May 5</b>	<p>The Special Advisor provides the Ministry with a fourth report titled Financial Sustainability and Government Oversight. The report highlights the following around long-term financial sustainability of Laurentian and the university sector in general:</p> <ul style="list-style-type: none"> <li>• Laurentian will likely pursue two routes to pay down debt: liquidate assets and many years of surplus operating budgets.</li> <li>• It will be challenging for Laurentian to pay down its debts following restructuring.</li> <li>• A strong restructuring plan could be undermined with failures of administration.</li> </ul> <p>The report makes the following recommendations:</p> <ul style="list-style-type: none"> <li>• The Ministry pay in part for external consultants to guide Laurentian's operations over the coming years.</li> <li>• Assistance of hired external consultants may not even be enough to sustain Laurentian in the long term.</li> </ul>

## Appendix 24: Laurentian University's Academic Programs Eliminated Under CCAA Proceedings\*

Source of data: Laurentian University

Program Name	Language	Level
Actuarial Science	English	Undergraduate
Anthropology	English	Undergraduate
Archaeology	English	Undergraduate
BA 4 years Concurrent education (Primary-Junior)	English	Undergraduate
BComm	English	Undergraduate
BComm online	English	Undergraduate
BSc 4 years Concurrent education (Primary-Junior)	English	Undergraduate
BFA - Music	English	Undergraduate
BFA - Music Performance	English	Undergraduate
Biomedical Physics	English	Undergraduate
Civil Engineering (first 2 years)	English	Undergraduate
Concurrent Education - Pro year (Primary-Junior)	English	Undergraduate
Italian	English	Undergraduate
Labour Studies	English	Undergraduate
Liberal Science	English	Undergraduate
Major Restoration Ecology	English	Undergraduate
Mathematics	English	Undergraduate
Midwifery	English	Undergraduate
Modern Languages	English	Undergraduate
Music	English	Undergraduate
Music Studies	English	Undergraduate
Operations	English	Undergraduate
Philosophy	English	Undergraduate
Ecology	English	Undergraduate
Entrepreneurship	English	Undergraduate
Environmental Geoscience	English	Undergraduate
Environmental Science	English	Undergraduate
Environmental Studies	English	Undergraduate
Geography	English	Undergraduate
International Management	English	Undergraduate
Physics	English	Undergraduate
Political Science	English	Undergraduate
Radiation Therapy - Michener	English	Undergraduate
Restoration Biology	English	Undergraduate
Rhetoric and Media Studies	English	Undergraduate
Spanish	English	Undergraduate
Web Data Management	English	Undergraduate
Workplace and Labour Studies	English	Undergraduate

Program Name	Language	Level
Masters – Experimental Psychology	English	Graduate
Masters – History – essay	English	Graduate
Masters – History – Thesis	English	Graduate
Masters – Humanities	English	Graduate
Masters – Physics	English	Graduate
Masters – Sociology – essay	English	Graduate
Masters – Sociology – thesis	English	Graduate
Bcomm (FR)	French	Undergraduate
Droit et politique	French	Undergraduate
Éducation – intermédiaire/supérieur	French	Undergraduate
Études de la santé	French	Undergraduate
Études de l’environnement	French	Undergraduate
Études françaises	French	Undergraduate
Génie chimique	French	Undergraduate
Génie mécanique	French	Undergraduate
Génie minier	French	Undergraduate
Géographie	French	Undergraduate
Histoire	French	Undergraduate
Littérature et culture francophone	French	Undergraduate
Marketing (FR)	French	Undergraduate
Mathématiques	French	Undergraduate
Nursing – Boreal	French	Undergraduate
Outdoor Adventure Leadership (FR)	French	Undergraduate
Philosophie	French	Undergraduate
Planification financière	French	Undergraduate
Promotion de la santé	French	Undergraduate
Resources humaines	French	Undergraduate
Sage femme (Midwifery)	French	Undergraduate
Science du langage	French	Undergraduate
Science économique	French	Undergraduate
Science libérale	French	Undergraduate
Science politique	French	Undergraduate
Théâtre	French	Undergraduate
Zoologie	French	Undergraduate
Maîtrise – Histoire – essai	French	Graduate
Maîtrise – Histoire – thèse	French	Graduate
Maîtrise – Sociologie – essai	French	Graduate
Maîtrise – Sociologie – thèse	French	Graduate

\* Of these 76 programs, 69 were eliminated as part of the CCAA mediation process in April 2021, while seven were eliminated by the Laurentian University Senate prior to this, in March 2021.



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