

Lakehead University
Financial Statements
For the year ended April 30, 2009

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Auditors' Report

**To the Chair and Members of
The Board of Governors of Lakehead University**

We have audited the financial statements of Lakehead University as at and for the year ended April 30, 2009 comprising of the following:

- Balance Sheet
- Statement of Revenue and Expenses
- Statement of Changes in Net Assets
- Statement of Cash Flows

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

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

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

BDO Dunwoody LLP

Chartered Accountants, Licensed Public Accountants

Thunder Bay, Ontario
August 14, 2009

Lakehead University Balance Sheet

April 30 (in thousands of dollars) **2009** **2008**

Assets

Cash	\$ 30,840	\$ 31,609
Accounts receivable (Note 3)	7,684	6,364
Inventories and prepaid expenses	773	749
Long-term investments (Note 4)	74,442	84,279
Deferred charge (Note 5)	4,273	4,390
Capital assets (Note 6)	<u>102,616</u>	<u>97,941</u>
	\$ 220,628	\$ 225,332

Liabilities and Net Assets

Liabilities

Accounts payable and accrued charges (Note 7)	\$ 12,909	\$ 9,560
Faculty early retirement program costs (Note 8)	478	979
Deferred revenue (Note 9)	19,412	17,583
Deferred capital contributions (Note 10)	33,480	35,859
Long-term debt (Note 11)	<u>102,390</u>	<u>103,410</u>
	<u>168,669</u>	<u>167,391</u>

Net assets

Internally restricted (Note 12)	27,151	26,412
Endowments (Note 13)	31,144	32,119
Unrestricted	<u>(6,336)</u>	<u>(590)</u>
	<u>51,959</u>	<u>57,941</u>
	\$ 220,628	\$ 225,332

On behalf of the Board of Governors:

Chair

President

Lakehead University

Statement of Revenue and Expenses

For the year ended April 30 (in thousands of dollars)	2009	2008
Revenue		
Government grants for general operations	\$ 58,379	\$ 56,592
Government and other grants for restricted purposes	19,651	14,301
Student fees	40,034	37,618
Sales of goods and services	14,686	14,903
Investment (loss) income	(10,190)	1,086
Donations	5,780	959
Contract research	1,452	1,568
Sundry	1,882	2,117
Amortization of deferred capital contributions	4,103	6,326
	<u>135,777</u>	<u>135,470</u>
Expenses		
Salaries and benefits	83,945	77,231
Operational supplies and expenses	5,586	5,825
Cost of sales and services	6,234	6,427
Amortization of capital assets	11,397	14,211
Amortization of deferred charges	117	117
Building and equipment maintenance	7,838	6,270
Municipal taxes	544	527
Scholarships, bursaries and awards	8,609	8,132
Utilities	3,525	3,498
Travel	3,106	2,724
Other	4,254	3,905
Interest on long term debt	5,616	5,743
	<u>140,771</u>	<u>134,610</u>
Excess of (expenses over revenue)		
revenue over expenses for the year	\$ (4,994)	\$ 860

Lakehead University Statement of Changes in Net Assets

For the year ended April 30 (in thousands of dollars)

				2009	2008
	Internally Restricted	Endowments	Unrestricted	Total	Total
	(Note 12)	(Note 13)			
Balance, beginning of year	\$ 26,412	\$ 32,119	\$ (590)	\$ 57,941	\$ 55,610
Excess of (expenses over revenue) revenue over expenses for the year	-	-	(4,994)	(4,994)	860
Change in internally restricted net assets	739	-	(739)	-	-
Transfer to endowments	-	13	(13)	-	-
Endowment contributions	-	607	-	607	1,247
Capitalization of investment income (loss) in endowments	-	(1,595)	-	(1,595)	224
Balance, end of year	\$ 27,151	\$ 31,144	\$ (6,336)	\$ 51,959	\$ 57,941

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

Lakehead University Statement of Cash Flows

For the year ended April 30 (in thousands of dollars)	2009	2008
Cash flows from operating activities		
Excess of (expenses over revenue)		
revenue over expenses for the year	\$ (4,994)	\$ 860
Items not involving cash		
Amortization of capital assets	11,397	14,211
Amortization of deferred charge	117	117
Amortization of deferred capital contributions	(4,103)	(6,326)
Change in accounting policies, long term investments	-	1,013
	<u>2,417</u>	9,875
Net change in non-cash working capital balances related to operations (Note 19)	<u>2,005</u>	(156)
Cash provided by operating activities	<u>4,422</u>	9,719
Financing activities		
Faculty early retirement program payments	(501)	(928)
Long term debt principal repayments	(1,020)	(1,204)
Increase in deferred revenue	1,829	2,142
Deferred capital contributions received	1,724	1,170
	<u>2,032</u>	1,180
Investing activities		
Endowment contributions	607	1,247
Capitalization of investment income (loss) in endowments	(1,595)	224
Purchase of capital assets	(16,096)	(6,931)
Net disposal of capital assets	24	-
Change in long term investments, net	9,837	(3,818)
	<u>(7,223)</u>	(9,278)
	<u>(5,191)</u>	(8,098)
(Decrease) increase in cash for the year	(769)	1,621
Cash, beginning of year	31,609	29,988
Cash, end of year	\$ 30,840	\$ 31,609

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

Lakehead University Notes to the Financial Statements

April 30, 2009 (in thousands of dollars)

1. Authority and Purpose

Lakehead University was incorporated as a university when the Lakehead University Act was given Royal Assent by the Lieutenant Governor of Ontario in 1965. Lakehead University serves a dual role in that it provides Northwestern Ontario with regional access to higher education while being committed to academic excellence on the provincial, national and international scenes.

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

The University also has an economic beneficial interest in the Lakehead University pension plan, the activities of which are not consolidated into these financial statements (Note 16). The Lakehead University Pension Investment Fund is audited separately.

The Northern Ontario School of Medicine is incorporated under the Ontario Business Corporations Act and is a not for profit organization. The School of Medicine was created in order to provide medical education in Northern Ontario. The University, along with Laurentian University, the only voting members of the School, has significant relationships with the School but the University has no claim to the net operating assets of the School and the University is not liable for any direct or contingent liabilities of the School. Accordingly, the operations of the School are not included in these financial statements.

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

2. Summary of Significant Accounting Policies

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

a) Change in Accounting Policies

Effective May 1, 2008, the University adopted the recommendations of the Canadian Institute of Chartered Accountants' ["CICA"] Handbook Section 1535, Capital Disclosures, which require the disclosure of qualitative and quantitative information that enables users of the financial statements to evaluate the University's objectives, policies, and processes for managing capital. The adoption of these recommendations only required additional disclosures, which are provided in Note 21.

Lakehead University Notes to Financial Statements

April 30, 2009 (in thousands of dollars)

2. Summary of Significant Accounting Policies (cont'd)

a) Change in Accounting Policies (cont'd)

Effective May 1, 2008, the University adopted retroactively the changes recommended by CICA 4400: Financial Statement Presentation for Not-For-Profit Organizations that eliminate the requirement to separately disclose the amount of net assets invested in capital assets and suggest that the amount may be included in internally restricted net assets. As a result, the University has reclassified the prior year financial statements to include the amount of net assets invested in capital assets as at April 30, 2008 of \$1,416 and as of April 30, 2009 of \$7,248 in internally restricted net assets.

b) Investments

Investments are carried at fair value except for the marketable securities consisting of stripped coupon bonds. The calculation of estimated fair value is based upon market conditions at a specific point in time and may not be reflective of future fair values. Changes in fair values from one year to the next are reflected in the statement of operations in investment income or in endowments.

The value of investments recorded in the financial statements is determined as follows:

1. Investments in pooled funds are valued at their reported net asset value per unit.
2. Publicly traded bonds are determined based on the latest bid prices.
3. Private investment interests, which consist of common shares in a Private Canadian Controlled Company, life insurance policies and other shares, are valued at cost. The university believes the carrying value of these financial instruments is a reasonable estimate of fair value.

c) Inventories

Inventories, which consist of goods held for resale, are recorded at the lower of cost and net realizable value. Cost is generally determined on a first in, first out basis.

Lakehead University Notes to Financial Statements

April 30, 2009 (in thousands of dollars)

2. Summary of Significant Accounting Policies (cont'd)

d) Capital Assets

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Capital assets are amortized on a straight-line basis over their estimated useful lives, which are:

Site development	-	10 years
Buildings	-	20 and 40 years
Leasehold improvements	-	3 years
Furniture and equipment	-	5 years
Library books	-	5 years

Interest incurred on funds borrowed during construction is capitalized as a cost of the project.

e) Revenue Recognition

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

f) Contributed Materials and Services

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

g) Use of Estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period.

Actual results could differ from management's best estimates as additional information becomes available in the future.

Lakehead University Notes to Financial Statements

April 30, 2009 (in thousands of dollars)

2. Summary of Significant Accounting Policies (cont'd)

h) Financial Instruments

As permitted under the CICA Handbook, the University has chosen to apply CICA 3861: Financial Instruments – Disclosure and Presentation in place of CICA 3862: Financial Instruments – Disclosures and CICA 3863: Financial Instruments – Presentation.

Under Section 3855: Financial Instruments – Recognition and Measurement, financial assets and liabilities are initially recognized and subsequently measured based on their classification. The University has designated its cash and long term investments as held-for-trading and, as such, these financial assets are measured at fair value and changes in fair value are recognized in the statement of revenue and expenses as investment income (loss). Accounts receivable have been classified as loans and receivables, accounts payable have been classified as other liabilities, and long term debt and specific coupon bonds have been classified as held-to-maturity, all of which are measured at amortized cost using the effective interest rate method.

i) Financial Accounting Changes

The CICA has issued a new accounting standard, CICA 1100: Financial Statement Concepts which has been amended to clarify the criteria for recognition of an asset. The amendments reinforce the distinction between costs that should be expensed and those that should be capitalized. The amendments are effective for financial statements for fiscal years beginning on or after October 1, 2008. The University is currently evaluating the effects of adopting these amendments.

The CICA has issued amendments to the Section 4400 series dealing with financial statement presentation by Not-for-Profit Organizations that will revise and enhance current disclosure requirements for various elements of financial reporting. With respect to presentation, these changes include requiring the reporting of certain revenues and expenses on a gross basis in the statement of revenue and expenses, making CICA 1540: Cash Flow Statements applicable to not-for-profit organizations, and requiring additional disclosures where a not-for-profit organization classifies its expenditures by function. These changes in accounting policies will be applicable to the University for the fiscal year commencing May 1, 2009.

Lakehead University Notes to Financial Statements

April 30, 2009 (in thousands of dollars)

3. Accounts Receivable

Accounts receivable consist of the following:

	2009	2008
Tuition and residence fees	\$ 477	\$ 470
Interest and sundry accounts	2,355	2,155
Sponsored research monies	4,586	3,635
Capital grants from government	266	104
	\$ 7,684	\$ 6,364

4. Long-Term Investments and Investment Income

Long-term investments consist of the following:

	2009	2008
Pooled funds	\$ 65,580	\$ 75,595
Marketable securities carried at fair value	5,367	5,486
Marketable securities carried at cost	3,495	3,198
	\$ 74,442	\$ 84,279

The pooled funds consist of units held in balanced funds in trust and managed by professional external fund managers. The market value of the University's investment in these funds as at April 30, 2009 was \$65,580 (2008 - \$75,595). The decrease in the investment during the fiscal year of \$10,015 includes receipts of \$3,192 and investment loss of \$13,207. Included in the pooled funds are internally restricted amounts created from excess borrowings of the Series A unsecured debenture described in 11.7. The market value as at April 30, 2009 is \$30,871 representing an initial investment of \$32,912 and investment loss of \$2,041. Also included in the pooled funds is \$4,530 (2008 - \$3,566) of a debt repayment sinking fund for project loans being amortized over their initial terms.

Marketable securities carried at fair value consist of investments in government and corporate bonds of \$5,242 (2008 - \$5,372), life insurance policies of \$34 (2008 - \$23), and shares of \$91 (2008 - \$91). The market value of the marketable securities as at April 30, 2009 was \$5,367 (2008 - \$5,486). The bonds mature between 2007 and 2035 with annual yields ranging from 4.2% to 8.5%.

Included in the marketable securities carried at cost are Government of Canada and Ontario stripped coupon bonds originally purchased at a cost of \$597 with average effective annual yields of approximately 10.4% maturing during 2009 for a total value of \$3,603. These proceeds will be used to repay a mortgage on residence townhouses described in Note 11.1. Interest accrued from the original purchase date to April 30, 2009 amounting to \$2,898 has been added to the asset value resulting in a sinking fund balance of \$3,495 (2008 - \$3,184). Other securities carried at cost amount to \$Nil (2008 - \$14).

Lakehead University Notes to Financial Statements

April 30, 2009 (in thousands of dollars)

4. Long-Term Investments and Investment Income (cont'd)

Investment income included in the Statement of Revenue and Expenses is calculated as follows:

	<u>2009</u>	<u>2008</u>
Net investment (loss) income	\$ (11,763) \$	1,310
Less amount attributed to endowment capital preservation	(11)	(224)
Plus amount attributed to endowment unrealized loss	<u>1,584</u>	<u>-</u>
Investment income recognized during the year	<u>\$ (10,190) \$</u>	<u>1,086</u>

5. Deferred Charge

The deferred charge represents refinancing costs incurred in connection with the \$100 million Series A unsecured debenture issue and is being amortized over the term of the debt (40 years). Amortization cost recognized in fiscal 2009 is \$117 (2008 - \$117).

6. Capital Assets

	<u>2009</u>			<u>2008</u>		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Land	\$ 6,809	\$ -	\$ 6,809	\$ 1,747	\$ -	\$ 1,747
Site development	7,965	5,963	2,002	7,965	5,683	2,282
Buildings	154,663	76,448	78,215	153,841	72,074	81,767
Furniture and equipment	104,437	97,676	6,761	101,101	93,305	7,796
Leasehold improvements	1,487	1,487	-	1,487	991	496
Library books	38,585	34,870	3,715	36,827	33,084	3,743
Construction in progress (Note 18a)	5,114		5,114	110	-	110
	<u>\$ 319,060</u>	<u>\$ 216,444</u>	<u>\$ 102,616</u>	<u>\$ 303,078</u>	<u>\$ 205,137</u>	<u>\$ 97,941</u>

Lakehead University Notes to Financial Statements

April 30, 2009 (in thousands of dollars)

7. Accounts Payable and Accrued Charges

The accounts payable and accrued charges consist of the following:

	<u>2009</u>	<u>2008</u>
Trade accounts	\$ 8,445	\$ 6,216
Payroll liabilities	1,261	808
Vacation pay liability	2,089	2,142
Capital projects	<u>1,114</u>	<u>394</u>
	<u>\$ 12,909</u>	<u>\$ 9,560</u>

8. Faculty Early Retirement Program Costs

The University offered a voluntary early retirement program to qualifying University faculty. The estimated accrued liability represents the cost of contractual payments and benefits owed to participating faculty members. These retirement costs will be paid out approximately as follows:

	<u>2009</u>	<u>2008</u>
2009	\$ -	\$ 501
2010	304	304
2011	141	141
2012	<u>33</u>	<u>33</u>
	<u>\$ 478</u>	<u>\$ 979</u>

9. Deferred Revenue

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

	<u>2009</u>	<u>2008</u>
Research	\$ 12,166	\$ 10,908
Other restricted purposes	<u>7,246</u>	<u>6,675</u>
	<u>\$ 19,412</u>	<u>\$ 17,583</u>

Lakehead University Notes to Financial Statements

April 30, 2009 (in thousands of dollars)

10. Deferred Capital Contributions

Deferred capital contributions represent the unamortized amount of donations and grants received for the purchase of capital assets. The amortization of capital contributions is recorded as revenue in the statement of revenue and expenses and is calculated on the same basis as the amortization expense related to the acquired capital assets. The changes in the deferred capital contributions balance are as follows:

	<u>2009</u>	<u>2008</u>
Balance, beginning of year	\$ 35,859	\$ 41,015
Add: contributions received for capital asset purchases	1,724	1,170
Less: amortization of deferred capital contributions	<u>(4,103)</u>	<u>(6,326)</u>
Balance, end of year	<u>\$ 33,480</u>	<u>\$ 35,859</u>

Lakehead University Notes to Financial Statements

April 30, 2009 (in thousands of dollars)

11. Long-Term Debt

	<u>2009</u>	<u>2008</u>
11.1 Ontario Housing Corporation – 6 Residence Townhouses		
Mortgage payable, interest payable semi-annually at 9.26% per annum. The principal is due and payable in full on December 1, 2009. A sinking fund has been established to repay the principal upon maturity. A total of \$597 has been invested in stripped coupon bonds and together with accrued interest of \$2,898, the value of the sinking funds as of April 30, 2009 is \$3,495 (2008 - \$3,184) (Note 4).	\$ 3,600	\$ 3,600
11.2 Ontario Housing Corporation Long-Term Lease Obligation – 480 Bed Student Residence		
The University leases a residence under an agreement with the Ontario Student Housing Corporation. The University is responsible for managing, operating and maintaining the residence. Further, the University has agreed to reimburse the Corporation over a fifty-year period ending December 1, 2019, for principal and interest, through semi-annual installment payments of \$78 including interest at 6.80%. Upon satisfaction of this obligation, title to the building will vest in the University. Since this agreement is, in substance, a purchase of the building by the University, being financed by the Ontario Student Housing Corporation, the cost of the building is included in capital assets.	1,181	1,257
11.3 The Sisters of St. Joseph – Avila Centre	-	14
11.4 Sun Life Financial – 874 Tungsten St		
Mortgage payable, interest at 6.42% per annum, monthly payments, including interest, of \$4, maturing July 2009.	224	260
Carried forward	<u>\$ 5,005</u>	<u>\$ 5,131</u>

Lakehead University Notes to Financial Statements

April 30, 2009 (in thousands of dollars)

11. Long Term Debt (cont'd)

	<u>2009</u>	<u>2008</u>
Brought forward	\$ 5,005	\$ 5,131
11.5 Promissory Note – 874 Tungsten St.		
Promissory note, secured by second mortgage, non-interest bearing, monthly principal payments of \$1, maturing March 2010.	11	23
11.6 Promissory Note – Northwestern Ontario Innovation Centre Inc.		
Promissory note, unsecured, non-interest bearing, annual principal payments of \$23, maturing November 2015.	165	188
11.7 Debenture Payable		
On November 15, 2005, the University issued Series A unsecured debenture in the aggregated principal amount of \$100,000. The debenture bears interest at 5.301%. Principal and interest are payable semi-annually on May 15 and November 15 in installments of \$3,023 ending November 15, 2045. The proceeds of the issue were used to repay the debt to the Royal Bank of Canada including termination costs, to finance Phase 2 of the Heating, Refrigeration and Air Conditioning Retrofit and to establish a "University Investment Portfolio" in the amount of \$32,912 (Note 4). Included in the pooled funds (Note 4) is \$4,530 (2008 – \$3,566) of a debt repayment sinking fund for project loans being amortized over their initial terms. The fair value of the debenture at April 30, 2009 was \$93,967 (2008 - \$98,245)	97,209	98,068
	<u>\$ 102,390</u>	<u>\$ 103,410</u>

Anticipated requirements to meet the principal portion of the long-term debt repayments over the next five years are as follows:

Date	Amount
2010	\$ 4,846
2011	1,064
2012	1,121
2013	1,181
2014	1,244
Thereafter	92,934
	<u>\$ 102,390</u>

The University has available an operating line of credit of \$3,000, with interest at the bank's prime lending rate (2.25% per annum at year-end).

Lakehead University Notes to Financial Statements

April 30, 2009 (in thousands of dollars)

12. Internally Restricted Net Assets

Internally restricted net assets are funds committed for specific purposes as follows:

	<u>2009</u>	<u>2008</u>
Operating Fund		
Repairs and replacements	\$ 5,487	\$ 5,428
Self-insurance	250	250
Unexpended budgets and departmental incomes	3,282	4,488
Future year's budget	644	536
Ancillary Enterprises		
Retail operations	407	485
Food services	138	59
Residence reserves for repairs and replacements	242	235
Other ancillary	476	299
Restricted Funds		
University general trust fund	2,671	3,855
Interest earned on investment from excess borrowings	-	3,220
Unexpended capital funds	165	1,079
Research funds	1,611	1,496
Bond sinking fund	4,530	3,566
Investment in capital assets	<u>7,248</u>	<u>1,416</u>
	<u>\$ 27,151</u>	<u>\$ 26,412</u>

13. Endowments

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

The value of the investment portfolio for endowed funds included in the total investments disclosed in Note 4 is equal to \$ 31,144 (2008 – \$32,119).

Lakehead University Notes to Financial Statements

April 30, 2009 (in thousands of dollars)

14. Ontario Student Trust Funds

Externally restricted endowments of \$ 31,144 (2008 - \$32,119) include grants provided by the Government of Ontario from the Ontario Student Opportunity Trust Fund (OSOTF) Phase I and Phase II and the Ontario Trust for Student Support (OTSS) matching programs to award student aid as a result of raising an equal amount of endowed donations.

OSOTF (Phase I)

	<u>2009</u>	<u>2008</u>
OSOTF endowment balance , beginning of year	\$ 6,969	\$ 6,943
Capitalized interest	(6)	26
Unrealized investment losses	<u>(380)</u>	<u>-</u>
OSOTF endowment balance , end of year	<u>\$ 6,583</u>	<u>\$ 6,969</u>
Expendable funds , beginning of year	\$ 773	\$ 1,253
Unrealized investment losses	(491)	(164)
Bursaries awarded	<u>(282)</u>	<u>(316)</u>
Expendable funds , end of year	<u>\$ -</u>	<u>\$ 773</u>
Number of bursaries awarded	<u>274</u>	<u>293</u>
Market Value of Endowment	<u>\$ 6,583</u>	<u>\$ 7,004</u>

OSOTF (Phase II)

	<u>2009</u>	<u>2008</u>
OSOTF endowment balance , beginning of year	\$ 1,625	\$ 1,615
Capitalized interest	-	10
Unrealized investment losses	<u>(234)</u>	<u>-</u>
OSOTF endowment balance , end of year	<u>\$ 1,391</u>	<u>\$ 1,625</u>
Expendable funds , beginning of year	\$ 24	\$ 139
Realized investment losses	-	(46)
Bursaries awarded	<u>(69)</u>	<u>(69)</u>
Expendable funds , end of year	<u>\$ (45)</u>	<u>\$ 24</u>
Number of bursaries awarded	<u>67</u>	<u>64</u>
Market Value of Endowment	<u>\$ 1,391</u>	<u>\$ 1,613</u>

Lakehead University Notes to Financial Statements

April 30, 2009 (in thousands of dollars)

14. Ontario Student Trust Funds (cont'd)

OTSS

The Ontario Trust for Student Support (OTSS) program requires separate reporting of the balances as at March 31 and the details of the changes in the balances.

The following is the schedule of donations received for the period from April 1, 2008 to March 31, 2009 (April 1, 2007 to March 31, 2008).

	<u>2009</u>	<u>2008</u>
Donations eligible for matching	\$ 189	\$ 513
Donations not yet eligible for matching	<u>2</u>	<u>2</u>
Total cash donations	\$ 191	\$ 515

The following is the schedule of changes in endowment fund balance for the period April 1, 2008 to March 31, 2009 (April 1, 2007 to March 31, 2008).

	<u>2009</u>	<u>2008</u>
Endowment balance, beginning of year	\$ 5,043	\$ 3,743
Cash donations received	191	515
Matching funds received / receivable	189	625
Preservation of capital	69	160
Unrealized investment losses	<u>(627)</u>	<u>-</u>
Endowment balance, end of year	\$ 4,865	\$ 5,043

The following is the schedule of changes in expendable funds available for awards for the period April 1, 2008 to March 31, 2009 (April 1, 2007 to March 31, 2008).

	<u>2009</u>	<u>2008</u>
Expendable funds, beginning of year	\$ (50)	\$ 202
Realized investment losses	-	(101)
Bursaries awarded	<u>(186)</u>	<u>(151)</u>
Expendable funds, end of year	\$ (236)	\$ (50)
Number of bursaries awarded	<u>180</u>	<u>66</u>

Lakehead University Notes to Financial Statements

April 30, 2009 (in thousands of dollars)

15. Property and Liability Insurance

The University participates in a reciprocal exchange of insurance risks in association with forty-five other Canadian universities. This self-insurance cooperative involves a contractual agreement to share the property insurance and liability risks of member universities.

The projected cost of settled claims will be funded through members' premiums based on actuarial projections. It is anticipated that a surplus will be created over time as a cushion against unexpected losses. In addition, the reciprocal has obtained substantial reinsurance with commercial insurers to cover major claims in excess of \$2,500 per occurrence for property losses and in excess of \$5,000 per occurrence for liability losses.

In the event that premiums are not sufficient to cover claim settlements, the member universities would be subject to an assessment in proportion to their participation.

16. Pension Plan

The University has two separate pension plans.

16.1 Pension Plan for Professional Staff

The Pension Plan for Professional Staff is a contributory defined contribution pension plan. Faculty members and librarians contribute 6.5% of their earnings through payroll deductions. The University contributes 8.05% effective January 1, 2005 (7.8% prior to January 1, 2005). Non-faculty members contribute 8.05%, and the University matches these contributions.

The Plan provides for a defined benefit guarantee for service prior to January 1, 1997 and removes the minimum pension based on a formula for future pensions commencing in 1997. The Plan's surplus will be increased by an amount equivalent to the Pension Guarantee Account remaining after provision for estimated pensions based upon the defined benefit guarantee. No part of this guarantee account and surplus is recognized in the financial statements as the amount may not be withdrawn by Lakehead University, nor may it be used to match contributions to the fund.

The last formal evaluation of the Plan was performed for December 31, 2006. At that time the Plan was fully funded with an estimated surplus of \$2,996 and therefore there was no requirement for additional University contributions. The significant actuarial assumptions adopted in calculating the above amount include a discount rate of 6%, a general salary increase of 3.5% per annum, and mortality tables of UP94@15.

Lakehead University Notes to Financial Statements

April 30, 2009 (in thousands of dollars)

16. Pension Plan (cont'd)

An unofficial, internal evaluation of the plan was performed by the actuary as of December 31, 2008. That evaluation identified a going-concern deficit of \$21,752 and a solvency deficit of \$22,453. The next official evaluation must be carried out no later than December 31, 2009. In the event that this valuation continues to disclose a going concern unfunded liability or a solvency deficiency as defined by the Pension Benefits Act (1987), the University will be obligated to make additional contributions as required by the Act.

16.2 Lakehead University Employee Pension Plan

The Lakehead University Employee Pension Plan is a contributory defined contribution pension plan. Under the Plan, employees contribute in a range from 7.15% to 7.90% of their earnings. The University matches the regular pension contributions made by members of the Plan.

University Pension Plan contributions, together with investment income earned on the contributions, are applied on retirement to provide pensions as defined in the Plan. In addition to their regular contributions, members may voluntarily contribute additional contributions to provide increased benefits. Both employee and employer contributions are paid into the integrated Canada Pension and University Pension Plans.

The employee benefits expense for the year includes pension expense of \$2,830 (2008 - \$2,420).

17. Contingent Liabilities

- a) At April 30, 2009, the University was guarantor of two (2008 - five) housing loans for faculty and staff in the amount of \$22 (2008 - \$49). The University has also guaranteed a loan in the amount of \$250 for Lake Superior Centre for Regenerative Medicine Inc. (RegenMed); the University has taken as security certain equipment owned by RegenMed. The University's estimated exposure under these guarantees is not material.
- b) The nature of the University's activities is such that there is usually litigation pending or in prospect at any one time. With respect to claims at April 30, 2009, the University believes it has valid defenses and appropriate insurance coverage in place. In the unlikely event any claims are successful such claims are not expected to have a material effect on the University's financial position.

Lakehead University Notes to Financial Statements

April 30, 2009 (in thousands of dollars)

18. Commitments

- a) The estimated cost to complete the Orillia Campus construction in progress at April 30, 2009 is \$42,000. The \$42,000 will be funded from donations, grants, private sector contributions and borrowings. The ratio of borrowings to donations will depend on the success of the fundraising campaign.
- b) The estimated cost to complete the Saunders Fieldhouse renovations in progress at April 30, 2009 is \$116. A special student fee will be used to repay the borrowings for this project.
- c) The following are the future minimum annual operating lease payments due over the next three years:

Date	Amount
2010	\$ 359
2011	234
2012	79

19. Statement of Cash Flows

The net change in non-cash working capital balances related to operations consist of the following:

	<u>2009</u>	<u>2008</u>
Accounts receivable	\$ (1,320)	\$ (4)
Inventories and prepaid expenses	(24)	2,084
Accounts payable and accrued charges	<u>3,349</u>	<u>(2,236)</u>
	<u>\$ 2,005</u>	<u>\$ (156)</u>

20. Related Party Transactions

During the year, the University undertook the following transactions with Northern Ontario School of Medicine:

	<u>2009</u>	<u>2008</u>
Recoveries and charges for goods and services	<u>\$ 1,597</u>	<u>\$ 1,230</u>

These transactions were in the normal course of operations and were measured at the exchange value, which is the amount of consideration established and agreed by the parties to the transaction and approximates the arm's length equivalent value.

Lakehead University Notes to Financial Statements

April 30, 2009 (in thousands of dollars)

21. Capital Management

In managing capital, the University focuses on liquid resources available for operations. The University's objective is to have sufficient liquid resources to continue operating even if adverse financial events were to occur. The University's mandate is to prepare an annual balanced budget and the levels of liquid resources are considered in the annual budget process. Furthermore, the University manages its capital expenditures in accordance with its Capital Debt Policy. Cash flows are monitored on a daily basis and cash forecasts are produced monthly. As indicated in note 11, the University's credit facilities include a \$3,000 line of credit which can be accessed in the event that sufficient cash flow is not available to cover operating and capital expenditures; however, the University attempts to minimize its use of this line and has not accessed it during the year. As at April 30, 2009, the University has met its objective of having sufficient liquid resources to meet its current obligations.

22. Financial Instruments

The University's financial instruments consist of cash, accounts receivable, long-term investments, accounts payable and accrued charges and long-term debt. Financial instruments are subject to a variety of risks.

Credit risk is the risk of financial loss to the University if a member or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the University's accounts receivable and long-term investments. The University mitigates its potential credit risk from accounts receivable through credit evaluation, approval, and monitoring processes. Furthermore, it evaluates the collectability of accounts receivable and records an allowance for doubtful accounts, which reduces the receivables to the amount management reasonably believes will be collected. Credit risk with respect to long-term investments is managed through the University's investment policies.

Interest rate risk refers to the adverse consequences of interest rate changes. The University holds fixed rate bonds issued by the federal and certain provincial governments. The bonds have annual yields between 4.2% and 8.5%. The value of fixed rate instruments will generally rise if interest rates fall and fall if interest rates rise. The value of the instruments will vary with developments within the specific governments which issue the instruments.

Foreign currency risk refers to the extent to which instruments denominated in a currency other than Canadian dollars will be affected by changes in the value of the Canadian dollar in relation to other currencies.

Market volatility risk arises from the University's investment portfolio, which contains various pooled funds and, fixed income, and equity instruments. It is the risk that the fair value or future cash flows from a financial instrument will fluctuate because of general economic and other market factors affecting equity prices.

Interest rate, foreign currency and market volatility risk arise principally from the University's long-term investments, which the University manages through investment policies governing asset mixes, equity and fixed income allocations and diversification among fund managers.

Lakehead University Notes to Financial Statements

April 30, 2009 (in thousands of dollars)

23. Braun Building Fire

On July 14, 2008, the University experienced a fire on the east wing of the Braun Building. The amount of damages was estimated by the insurers at \$2,500. With the exception of a deductible of \$50 for building and contents and a deductible of \$10 for computer equipment, the insurance coverage should reimburse the University for replacement costs. At April 30, 2009 the University had not reached final settlement with its insurers.

24. Comparative Amounts

Certain comparative amounts presented in the financial statements have been restated to conform to the current year's presentation.